



# *Comprehensive Annual Financial Report*

for the year ended December 31, 2001

Contra Costa County Employees' Retirement Association

A Component Unit of the County of Contra Costa,  
California







# Comprehensive Annual Financial Report



for the year ended December 31, 2001

Patricia F. Wiegert, CEBS  
Rick Koehler, CGFM, CPA

Retirement Administrator  
Accounting Manager

Contra Costa County Employees' Retirement Association  
A Component Unit of the County of Contra Costa, California  
1355 Willow Way, Suite 221  
Concord, California 94520



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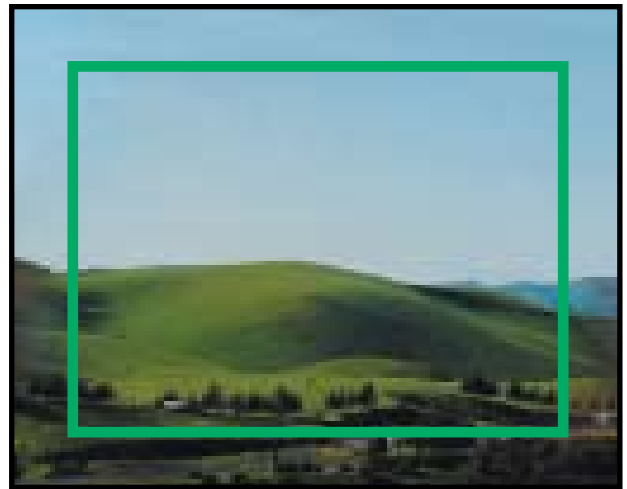
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# I. Introductory Sec-





## Letter of Transmittal

April 30, 2002

Board of Retirement  
Contra Costa County Employees' Retirement Association  
1355 Willow Way, Suite 221  
Concord, CA 94520-5728

Dear Board Members:

I am pleased to present the Contra Costa County Employees' Retirement Association's (CCCERA) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2001, our 56th year of operation.

The Contra Costa County Employees' Retirement Association is a public employee retirement system that was established by the County of Contra Costa on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death and survivor benefits for its employees and 18 other participating agencies under the California State Government Code, Section 31450 et.seq. (County Employees Retirement Law of 1937).

### **REPORT CONTENTS**

CCCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures. The Comprehensive Annual Financial Report is divided into five sections:

The **INTRODUCTORY SECTION** describes CCCERA's management and organizational structure, a letter of transmittal, a listing of the members of The Board of Retirement and a listing of professional consultants CCCERA utilizes.

The **FINANCIAL SECTION** presents the financial condition and funding status of CCCERA. This section contains the opinion of the independent certified public accountants, Macias, Gini & Company LLP, the financial statements, the related supplementary financial information, and other report.

The **INVESTMENT SECTION** contains a report on investment activity, investment policies, investment results and various investment schedules.

The ACTUARIAL SECTION communicates CCCERA's funding status and presents other actuarial related information. This section contains the certification of the consulting actuary, William M. Mercer, Inc., actuarial statistics, and general plan provisions.

The STATISTICAL SECTION presents information pertaining to CCCERA's operations on a multi-year basis.

## **CCCERA AND ITS SERVICES**

CCCERA was established on July 1, 1945, to provide retirement allowances and other benefits to the safety and general members employed by Contra Costa County. Currently, Contra Costa County and 18 other participating agencies are members of CCCERA. The participating agencies include:

Bethel Island Municipal Improvement District  
Byron, Brentwood, Knightsen Union Cemetery District  
Central Contra Costa Sanitation District  
Contra Costa County Employees' Retirement Association  
Contra Costa Housing Authority  
Contra Costa Mosquito and Vector Control District  
Delta Diablo Sanitation District  
Diablo Water District  
Local Agency Formation Commission (LAFCO)  
Ironhouse Sanitary District  
Rodeo Sanitary District  
In-Home Supportive Services Authority (IHSS)  
Children & Families Commission  
Bethel Island Fire District  
Contra Costa Fire Protection District  
Moraga-Orinda Fire District  
Rodeo-Hercules Fire Protection District  
San Ramon Valley Fire District

CCCERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the regulations, procedures and policies adopted by CCCERA's Board of Retirement. The Contra Costa County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of CCCERA members.

The Board of Retirement is responsible for the general management of CCCERA and is comprised of 10 members, one of whom is a safety alternate. Four Board members are appointed by the Contra Costa County Board of Supervisors, four Board members, including the safety alternate, are elected by CCCERA's active membership and one Board member is elected by the retirees. The County Treasurer serves as an ex-officio member. Board members, with the exception of the County Treasurer, serve three year terms in office, with no term limits.

**ADDITIONS TO AND DEDUCTIONS  
FROM PLAN NET ASSETS**

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

**Additions:**

The primary sources to finance the benefits CCCERA provides to its members are accumulated through income on investments and through the collection of member (employee) and employer contributions. These income sources for the year ended December 31, 2001, totaled a loss of \$40.7 million, a decrease of \$139.5 million (approximately -141%) when compared to the similar period ended December 31, 2000. The decrease in revenues can be attributed primarily to a decrease in the fair value of the investments.

**SCHEDULE OF ADDITIONS**

	2001	2000	Increase/ Decrease Amount	Percent Change
Employer Contributions	\$55,182,505	\$52,986,645	\$2,195,860	4.1%
Employee Contributions	18,681,239	15,463,367	3,217,872	20.8%
Net Investment Income/(Loss)	(114,531,847)	30,409,387	(144,941,234)	-476.6%
Total	(\$40,668,103)	\$98,859,399	(\$139,527,502)	-141.1%

**Deductions:**

The primary uses of CCCERA's assets are the payment of benefits to retirees and their beneficiaries, refund of contributions to terminated employees and the cost of administering the system. These deductions for the year ended December 31, 2001, were \$157.5 million, an increase of \$23.8 million (approximately 18%) compared to deductions of \$133.7 million for the year ended December 31, 2000. This increase is largely due to the initial benefit payments attributed to the settlement of the *Paulson* Lawsuit for retirees as well as the growth in the numbers and the average amount of benefits paid to members and a one time deduction of \$10,791,085 for membership withdrawal by the City of Pittsburg which is described in Note 12 of the Financial Statements.

**SCHEDULE OF DEDUCTIONS**

	2001	2000	Increase/ Decrease Amount	Percent Change
Pension Benefits	\$126,190,164	\$113,149,480	\$13,040,684	11.5%
Health Care Benefits Reimbursed	12,342,644	12,408,770	(66,126)	-0.5%
Refunds	858,013	1,060,249	(202,236)	-19.1%
Administrative	3,745,158	3,128,624	616,534	19.7%
Other Expenses	3,527,656	3,904,263	(376,607)	-9.6%
Membership Withdrawal	10,791,085	0	10,791,085	100.0%
Total	\$157,454,720	\$133,651,386	\$23,803,334	17.8%

## ACCOUNTING SYSTEMS AND REPORTS



This CAFR was prepared in conformity with accounting principles generally accepted in the United States of America including the guidelines set forth by the Governmental Accounting Standards Board (GASB) in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and the County Employees Retirement Law of 1937. The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made.

Macias, Gini & Company LLP, CCCERA's independent auditor, has audited the accompanying financial statements. Management believes internal control is adequate and the accompanying statements, schedules and tables are fairly presented and free from material misstatement.

### ACTUARIAL FUNDING STATUS

CCCERA's funding objective is to meet long-term benefit promises by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to provisions in the County Employees Retirement Law of 1937, CCCERA engages an independent actuarial firm to perform an actuarial valuation of the system annually. Economic assumptions are reviewed annually. Additionally, every 3 years, a triennial experience study of the members of CCCERA is completed. The non-economic assumptions are updated at the time each triennial experience study is performed. The most recent triennial experience study, which was completed by William M. Mercer, Inc., was performed as of December 31, 2000. William M. Mercer, Inc.'s actuarial valuation as of December 31, 2000, determined the funding status (the ratio of assets to liabilities) to be 89.1%, using recommended assumptions.

The County of Contra Costa issued \$333,724,000 of pension obligation bonds on March 1, 1994, to satisfy the Unfunded Actuarial Accrued Liability (UAAL) for the County, calculated as of that date. A more detailed discussion of funding is provided in the Actuarial Section of this report.

### INVESTMENTS

The Board has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies and policies. The California Constitution and Government Code Sections 31594 and 31595 authorize the Board to invest in any investment deemed prudent in the Board's opinion.

The Board has adopted an Investment Policy, which provides the framework for the management of CCCERA's investments. This policy establishes CCCERA's investment objectives and defines the principal duties of the Board, custodian bank and investment managers. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations to satisfy expected liabilities. A summary of the asset allocation can be found in the Investment Section of this report.

For the year ended December 31, 2001, CCCERA's investment portfolio returned -2.4%, before investment management fees. This result, while disappointing, was not totally unexpected after a number of extremely good years of returns.

CCCERA's annualized rate of return was 5.0% over the last three years and 10.4% over the last five years, net of fees. CCCERA's earnings (except for the last two years) have significantly outperformed the current actuarially assumed rate of 8.50%, which increased from 8.25% on July 1, 2001.

### **ECONOMIC AND MARKET REVIEW**

2001 was a tough time for the U.S. equity markets, ending the year down 12%. For most of the year, major stock indices were in decline, extending the slide that began in March 2000. This is the first time since 1977-78 that the Dow has lost ground two years in a row. The NASDAQ was down about 20% for the year. On September 11, 2001, the United States suffered the worst terrorist attack in its history. This contributed to an already abysmal year for equity investors and the resulting blow to investors' confidence sent the major stock market indices down more than 10% in the immediate aftermath of the attack.

As stock funds suffered, investors flocked to the relative safety of bonds. The Federal Reserve cut short-term interest rates 11 times to their lowest levels in 40 years, boosting fixed-income funds, since bond prices move in the opposite direction of interest rates. Increased demand for bonds from investors and the U.S. Treasury's end-of-October announcement that it would stop issuing 30-year bonds also helped.

There were a few bright spots during 2001, in spite of the turbulent equity markets. The Russell 2000 small capitalization index was up 2.5% for the year while the Lehman Brothers Aggregate bond index was up 8.4%. Finally, the Wilshire Real Estate funds index was up 6.3% for the year.

### **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to CCCERA for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2000. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which meet or exceed program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for evaluation.

CCCERA was awarded the Public Pension Coordinating Council's (PPCC) Public Pension Principles Achievement Award in 2000. This two-year award is to recognize the achievement of high professional standards for public employee retirement systems. The award is based on compliance with 18 specific principles that govern retirement systems' performance in the areas of benefits, actuarial valuations, financial reporting, investments and disclosures to members.

## **SERVICE EFFORTS AND ACCOMPLISHMENTS**

Paulson Lawsuit Settlement - During the year ended December 31, 1999, CCCERA settled its litigation, entitled *Vernon D. Paulson et al, V. Board of Retirement of the Contra Costa County Employees' Retirement Association, et al.* The lawsuit was brought on behalf of a class of retired members of CCCERA regarding the inclusions and exclusions of certain pay items from the "final compensation" that are used in calculating member's retirement benefits as a result of the *Ventura Decision*. Further disclosure on this settlement can be found in the Financial Section footnotes.

During 2000 and 2001, significant progress was made in computing and paying the retroactive payments to the retirees whose benefits were recalculated under the settlement provisions. The total of the 2001 payments was approximately \$35.1 million paid to 2,474 retirees. Additionally, three batches of retroactive payments totaling \$3.0 million were paid to 462 retirees during the period January through March 2002. Of the \$53.8 million paid through March 2002, \$51.6 million is for periods prior to the year 2001. It is estimated there will be a total of approximately 22 batches of retroactive payments to be completed by June 30, 2002. The Board of Retirement, per the settlement agreement, set aside \$90 million of excess earnings to cover these payments and any future liability.

"New Dollar Power" Supplemental COLA Benefit - On November 7, 2000, the Board adopted a change in the method of calculating the supplemental COLA paid to eligible retirees under the Board's "Dollar Power," program. Whereas eligible retirees under the prior program were those who lost at least 25% of their purchasing power, the "New Dollar Power," program expands the group of eligible retirees to those who lost at least 20% of their purchasing power. In addition, the "New Dollar Power" COLA becomes a permanent part of a retiree's monthly benefit allowance. This improved benefit was prefunded from excess earnings as of January 1, 2001.

Enhanced Retirement Benefits - On January 30, 2001, the Retirement Board held a special meeting to discuss enhancing benefits for retirees and the usage of excess earnings. The Board passed a motion to propose and support legislation to provide a \$200/month benefit increase to all retirees and \$120/month benefit increase to survivors as of a date specified by the Retirement Board and to fully fund this cost from surplus excess earnings. Legislation was signed by the Governor (SB795), a date was selected by the Retirement Board, and the benefit is currently awaiting the County Board of Supervisors approval for enactment.

Additional benefit enhancement law changes to Code sections 31664 and 31676.11 to provide 3% per year of service at 50 years of age for safety members and 2% per year of service at 55 years of age for general members, respectively, are part of the current negotiations between the bargaining coalition and Contra Costa County for CCCERA members as of the writing of this letter, with the exception of one fire "special district," that has already implemented the benefit enhancements.

Office Expansion - During 2001, CCCERA remodeled and expanded its current office space at 1355 Willow Way in Concord, CA, from 8,300 to 14,000 square feet. In addition to the space for the Board, staff and counseling area for members, state of the art technology was added to the boardroom to enhance presentations made by staff, investment managers or others who conduct business before the Retirement Board.

## ACKNOWLEDGEMENT

The compilation of this report reflects the combined and dedicated effort of many people on CCCERA's staff. It is intended to provide complete and reliable information as the basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of CCCERA.

I would like to take this opportunity to express my thanks to the Board of Retirement, the consultants and staff for their commitment to the Association and for their diligent work to assure the continued successful operation of CCCERA.

Respectfully submitted,

A handwritten signature in black ink that reads "Patricia F. Wiegert". The signature is written in a cursive style with a large initial 'P'.

Patricia F. Wiegert, CEBS  
Retirement Administrator



CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

# Members of The Retirement

AS OF DECEMBER 31, 2001

<b>TRUSTEES</b>	<b>TERM EXPIRES</b>	<b>APPOINTED/ ELECTED BY</b>	<b>COMMITTEE</b>
J. James Lee, Chairperson	June 30, 2002	Board of Supervisors	N/A
Brian Hast, Vice-Chairperson	June 30, 2004	General Members	Investment
Paul Katz, Secretary	June 30, 2002	Board of Supervisors	Administration
Richard Cabral	June 30, 2002	General Members	Investment
Peter Camejo	June 30, 2002	Board of Supervisors	Investment
William J. Pollacek, County Treasurer		Permanent by office	Administration
Bob Rey	June 30, 2002	Safety Members	Investment
Helen J. Shea	June 30, 2004	Retirees	Administration
Maria Theresa Viramontes	June 30, 2004	Board of Supervisors	Administration
Louis Kroll (alternate)	June 30, 2002	Safety Members	Alternate to both

# List of Professional Consultants

AS OF DECEMBER 31, 2001

## **ACTUARY**

William M. Mercer, Inc.

## **BENEFIT STATEMENT CONSULTANT**

Automatic Data Processing, Inc.

## **DATA PROCESSING**

Contra Costa County Department of Information Technology

## **AUDITOR**

Macias, Gini & Company LLP

## **LEGAL COUNSEL**

County Counsel of Contra Costa County  
Morrison & Foerster LLP  
Van Bourg, Weinberg, Roger & Rosenfeld

## **INVESTMENT CONSULTANT**

Dorn, Helliesen & Cottle, Inc.

## **MASTER CUSTODIAN**

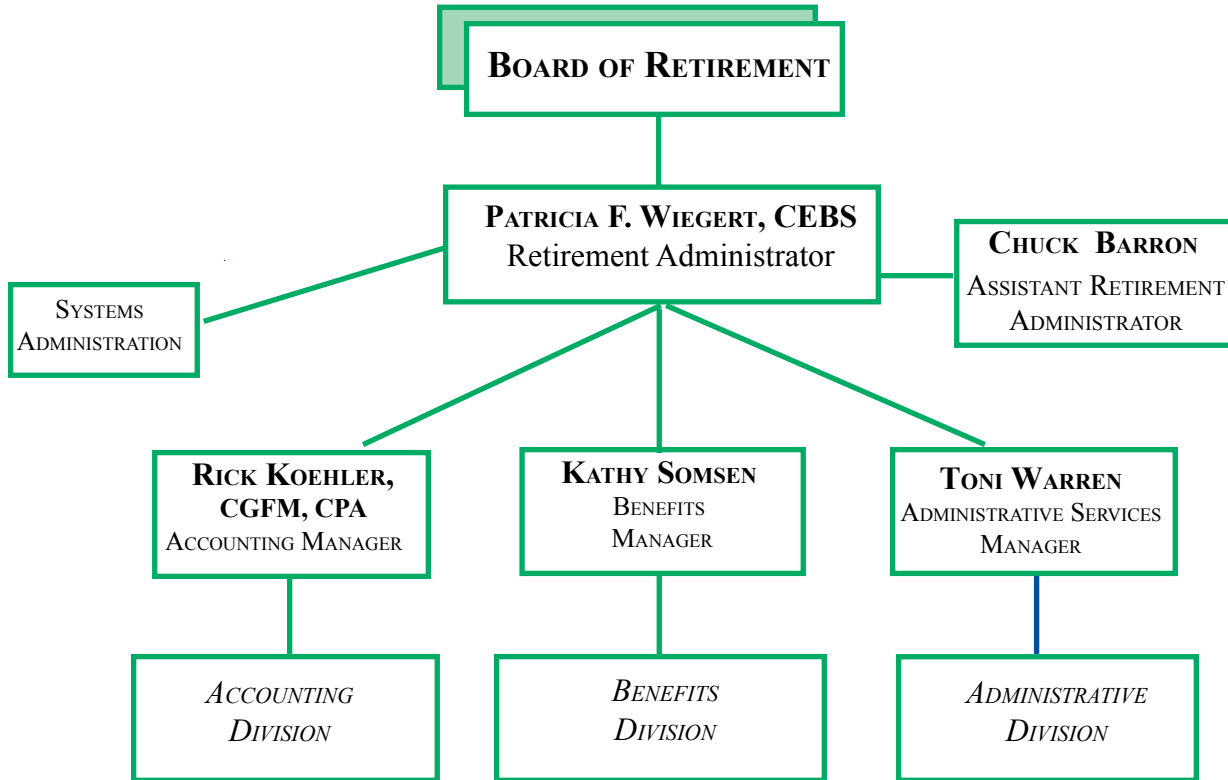
Bankers Trust Company

## **PROXY GUIDELINE VOTING AGENT SERVICE**

Institutional Shareholder Services

Note: List of Investment Managers is located on page 54 of the Investment Section of this report.

# Administrative Organization Chart



# Public Pension Coordinating Council Public Pension Principles 2000 Achievement Award



Public Pension Coordinating Council  
**Public Pension Principles**  
**2000 Achievement Award**

Presented to

**Contra Costa County Employees' Retirement Association**

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

*Presented by the Public Pension Coordinating Council, a confederation of*

Government Finance Officers Association (GFOA)

National Association of State Retirement Administrators (NASRA)

National Conference on Public Employee Retirement Systems (NCPERS)

National Council of Teacher Retirement (NCTR)

A handwritten signature in black ink, reading "Michael L. Mory".

Michael L. Mory  
Chairman

# GFOA Certificate of Achievement Award

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

### Contra Costa County Employees' Retirement Association, California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2000

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



*Imelda Aruete*  
President  
*Jeffrey L. Esser*  
Executive Director



## II. Financial Section





Partners  
Kenneth A. Macias, Managing  
Partner  
Ernest J. Gini  
Kevin J. O'Connell  
Richard A. Green  
Jan A. Rosati

Mt. Diablo Plaza  
2175 N. California Boulevard  
Suite 620  
Walnut Creek, CA 94596  
925.274.0190  
925.274.3819 FAX

To the Board of Retirement of the Contra  
Costa County Employees' Retirement Association  
County of Contra Costa, California

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of plan net assets of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of December 31, 2001, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of CCCERA's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of CCCERA as of December 31, 2001, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2002, on our consideration of CCCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

OFFICE LOCATIONS

Sacramento\*Los Angeles \*Fresno\*San Francisco Bay



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The schedules designated as required supplementary information in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The data designated as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the investment, actuarial and statistical sections in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on such data.

*Macias, Gini & Company LLP*  
Certified Public Accountants

Walnut Creek, California  
April 3, 2002

# Statement of Plan Net Assets

AS OF DECEMBER 31, 2001

**ASSETS:**

Cash equivalents	<u>\$ 129,733,427</u>
Receivables:	
Contributions	1,883,651
Investment trades	39,954,132
Investment income	6,651,300
Total receivables	<u>48,489,083</u>
Investments at fair value:	
Domestic stocks	795,785,855
Domestic bonds	1,034,050,284
International stocks	361,624,686
International bonds	79,707,114
Real estate	267,431,185
Alternative investments	50,652,596
Total investments	<u>2,589,251,720</u>
Other Assets:	
Prepaid Expenses/Deposits	344,393
Fixed Assets, net of accumulated depreciation of \$244,239	573,628
Total assets	<u>2,768,392,251</u>

**LIABILITIES:**

Employer contributions unearned	24,930,607
Retirement allowance payable	13,988,586
Accounts payable	3,940,198
Investment trades	19,654,797
Unclaimed contributions	607,444
Contributions refundable	273,937
Other liabilities	267,930
Total liabilities	<u>63,663,499</u>

**NET ASSETS HELD IN TRUST FOR PENSION BENEFITS** **\$ 2,704,728,752**

(A schedule of funding progress is presented on page 39)

See accompanying notes to financial statements.

# Statement of Changes in Plan Net Assets



FOR THE YEAR ENDED DECEMBER 31, 2001

## **Additions:**

### Contributions:

Employer	\$ 55,182,505
Employee	18,681,239
Total contributions	<u>73,863,744</u>

### Investment income

Net depreciation in fair value of investments	(196,732,301)
Net increase in fair value of real estate	1,901,509
Interest	61,147,217
Dividends	11,438,164
Real estate income, net	16,827,594
Other income	19,182
Investment expense	(9,447,816)
Net investment loss, before securities lending income	<u>(114,846,451)</u>

### Securities lending income:

Earnings	6,349,113
Rebates	(5,839,949)
Fees	(194,560)
Net securities lending income	<u>314,604</u>
Net investment loss	(114,531,847)
Total additions (contributions and investment income)	<u>(40,668,103)</u>

## **Deductions:**

Benefits paid	126,190,164
Retirement healthcare benefits reimbursed to Contra Costa County	12,342,644
Administrative	3,745,158
Contribution prepayment discount	2,920,164
Refunds of contributions	858,013
Other	607,492
Membership withdrawal (See Note 12)	10,791,085
Total deductions	<u>157,454,720</u>

**Net Decrease** (198,122,823)

## **NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:**

Beginning of year, as previously stated	2,931,261,879
Prior period adjustment (See Note 13)	<u>(28,410,304)</u>
Beginning of year, as restated	<u>2,902,851,575</u>
End of year	<u><b>\$2,704,728,752</b></u>

See accompanying notes to financial statements.

# Notes To Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2001

## NOTE 1. PLAN DESCRIPTION

The Contra Costa County Employees' Retirement Association (CCCERA) is governed by the Board of Retirement (Board) under the County Employees' Retirement Law of 1937 (1937 Act), as amended. Members should refer to the 1937 Act for more complete information.

### *General*

CCCERA is a contributory defined benefit plan (the Plan) initially organized under the provisions of the 1937 Act on July 1, 1945. It provides benefits upon retirement, death or disability of members. CCCERA operates as a cost-sharing, multiple employer defined benefit pension plan that covers substantially all of the employees of the County of Contra Costa (the County) and eighteen other member agencies. CCCERA membership at December 31, 2001 is presented below.

Retirees and Beneficiaries Receiving Benefits	5,918
Inactive Vested Members entitled to but not yet receiving benefits	949
Current Employees:	
Vested:	
General Employees	4,301
Safety Employees	1,129
Non-Vested:	
General Employees	3,266
Safety Employees	569
<b>TOTAL MEMBERSHIP</b>	<b><u>16,132</u></b>

CCCERA, with its own governing board, is an independent governmental entity, separate and distinct from the County of Contra Costa. CCCERA is a component unit of the County. CCCERA is presented in the County's general purpose financial statements as a pension trust fund.

### *Benefit Provisions*

The Plan is currently divided into four benefit sections in accordance with the 1937 Act. These sections are known as General Tiers I, II, III, and Safety. Tier I includes members not mandated to be in Tier II and reciprocal members that elect Tier I membership. Tier II includes members hired on or after August 1, 1980, by the two employers adopting this benefit provision and their members who elected to transfer from Tier I at that date. Tier III, which became effective for all eligible employees on October 1, 1998, includes members with five years of Tier II service who elect to transfer to Tier III coverage. Safety includes members in active law enforcement, active fire suppression work or certain other "Safety" classifications as designated by the Retirement Board.

Benefits are established by the Board under the provisions of the 1937 Act. Annual cost-of-living adjustments (COLA) to retirement benefits may be granted by the Board as provided by State statutes. Service retirements are based on age, length of service and final average salary. Subject to vested status, employees may withdraw contributions plus interest credited or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

Pertinent provisions for each section follow:

*General - Tier I*

Members may elect service retirement at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

*General - Tier II*

Members may elect service retirement at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with ten years of service credit required. Those members who elected to transfer from General - Tier I to General - Tier II are eligible for non-service connected disability retirement with five years of service. The definition of disability is more strict under General - Tier II than in the General - Tier I plan. The retirement benefit is based on a three-year average salary in accordance with Government Code Section 31462.

*General - Tier III*

Members may elect service retirement at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with ten years of service credit required. The definition of disability is the same as Tier II. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

*Safety*

Members may elect service retirement at age 50 with 10 years of service, or with 20 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

*Cost of Living Adjustments*

The 1937 Act authorizes the Retirement Board to grant annual automatic and ad hoc cost of living increases to all eligible retired members. Article 16.5 requires the Board to grant an annual automatic COLA effective April 1st. This benefit is based on the Consumer Price Index and is limited to three percent for Tier I, Tier III and Safety members, and four percent for Tier II members. Government Code Section 31874.3 allows the granting of a supplemental cost-of-living benefit, on a prefunded basis to eligible retirees whose unused Consumer Price Index increase accumulations equal or exceed 20 percent. This supplemental increase became a permanent part of the retirees' monthly benefit effective January 1, 2001, and is known as "New Dollar Power."

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Basis of Accounting*

CCCERA's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. All investment purchases and sales are recorded on the trade date.

*Cash Equivalents*

Cash equivalents include deposits in the County Treasurer's commingled cash pool and certain investments held by the County Treasurer, custodian bank and other investment managers. Cash equivalents are highly liquid investments with a maturity of three months or less when purchased. Short-term investments with the custodian bank include foreign currencies, cash held in short-term investment funds and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value.

*Methods Used to Value Investments*

Investments are reported at fair value. Fair value is the amount that CCCERA can reasonably expect to receive in a current sale between a willing buyer and a willing seller - that is, other than in a forced or liquidation sale. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by real estate investment funds, generally using periodic independent appraisals, and alternative investment managers. Investments listed as alternative investments are comprised of a U.S. timberland fund and private equity partnerships, that invest in a diversified portfolio of venture capital, buyout and other special situations partnerships.

*Receivables*

Receivables consist primarily of interest, dividends, investments in transition, i.e., traded but not yet settled, and contributions owed by the employing entities as of December 31, 2001.

### *Fixed Assets*

Fixed assets, consisting of leasehold improvements and office equipment, are presented at historical cost, less accumulated depreciation. Depreciation is calculated using the straight-line method, with estimated lives of ten years for leasehold improvements and ranging from four to five years for office equipment. Depreciation for the year ended December 31, 2001 was \$143,119.

### *Compensated Absences*

The liability for accumulated annual leave earned by CCCERA employees, included in other liabilities on the *Statement of Plan Net Assets*, is recorded when earned by the employee. Upon termination of employment, an employee receives compensation for hours of unused annual leave limited by the number of annual leave hours which can be accumulated in two years of employment.

### *Retirement Healthcare Benefits Reimbursed to the County of Contra Costa*

Government Code Section 31592.2 authorizes the Board to pay for healthcare costs of County retired members from the County advance reserves (see Note 8 - *Valuation Reserves for Employer Advances*). The transfer of undistributed surplus excess earnings to the County advance reserves is done on a year-by-year basis, and is an actuarially determined amount. The amount actually expended by the County for its retired members is reimbursed up to the actuarial determined limit. The County submits monthly, certified claims for the cost of healthcare premium payments for retired members. In 1994, the County eliminated its unfunded liability by issuing the 1994 Pension Obligation Bonds. By eliminating its unfunded liability without a corresponding elimination by the other participating employers, the Board determined the County would not receive its equitable share of the distribution of surplus excess earnings to employers for funding cost of living adjustment (COLA) benefits. To ensure the County continues to receive its fair share of surplus excess earnings, in lieu of funding COLA benefits, CCCERA agreed to reimburse the County for retirement healthcare benefits.

### *Use of Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

## **NOTE 3. CASH EQUIVALENTS AND INVESTMENTS**

### *Investment Stewardship*

Except as otherwise expressly restricted by the California Constitution and by law, the Board may, at its discretion, invest, or delegate CCCERA to invest the assets of CCCERA through the purchase, holding, or sale of any form or type of instrument, or financial transaction when prudent in the informed opinion of the Board. In addition, the Board has established an investment policy, which places limits on the compositional mix of cash, fixed income and equity securities, alternative investments and real estate investments. CCCERA currently employs external investment managers to manage its assets subject to the guidelines of the investment policy.

As permitted by the Government Code, CCCERA directs the County Treasurer to make specific investments on behalf of CCCERA. Investments made by the County Treasurer are subject to regulatory oversight by the Treasury Oversight Committee, as required by the California Government Code Section 27134.

#### *Industry Concentrations of Portfolio Assets*

The Board's investment policies and guidelines permit investments in numerous specified asset classes to take advantage of professional investment management advice and a well-diversified portfolio. The investment portfolio contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented five percent or more of plan net assets.

#### *Custodial Credit Risk Categories*

Custodial credit risk categories have been established by the Governmental Accounting Standards Board (GASB) Statement No. 3. Category 1 includes investments that are insured or registered or for which the securities are held by CCCERA or its agents in CCCERA's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in CCCERA's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in CCCERA's name. Investments not represented by individual securities are not subject to categorization, including but not limited to pooled funds, mutual funds, real estate and alternative investments.

Investments stated at fair value as of December 31, 2001 are presented below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Non-categorized</u>	<u>Fair Value</u>
Cash Equivalents:				
Repurchase Agreements	\$ 13,734,000			\$ 13,734,000
Funds pooled with County			\$ 5,893,810	5,893,810
Short-term Investment Funds held with Fiscal Agent			110,105,617	110,105,617
<b>TOTAL CASH EQUIVALENTS</b>	<b>13,734,000</b>		<b>115,999,427</b>	<b>129,733,427</b>
Investments:				
Domestic Stocks	\$ 795,785,855			795,785,855
Domestic Bonds	588,847,152		445,203,132	1,034,050,284
International Stocks	44,412,817		317,211,869	361,624,686
International Bonds	79,707,114			79,707,114
Real Estate			267,431,185	267,431,185
Private Equity Funds			34,768,003	34,768,003
Natural Resource Funds			15,884,593	15,884,593
<b>TOTAL INVESTMENTS</b>	<b>1,508,752,938</b>		<b>1,080,498,782</b>	<b>2,589,251,720</b>
<b>TOTAL</b>	<b>\$ 1,508,752,938</b>	<b>\$ 13,734,000</b>	<b>\$ 1,196,498,209</b>	<b>\$ 2,718,985,147</b>





CCCERA has made investments in forward currency contracts, which are unrecorded commitments to purchase or sell stated amounts of foreign currency. Gains or losses on the disposition of the commitments are recorded at the time of settlement. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of December 31, 2001, total commitments in forward currency contracts to purchase and sell foreign securities were \$95,333,296 and \$95,333,296, respectively, with fair values of \$95,319,252 and \$94,423,907, respectively.

#### **NOTE 4. SECURITIES LENDING TRANSACTIONS**

The investment policy, adopted by the Board, permits the use of a securities lending program with its principal custodian bank. CCCERA lends domestic and international bonds and equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. The custodian bank provides loss indemnification to CCCERA if the borrower fails to return the securities. The custodian bank manages the securities lending program and receives cash and securities as collateral. The collateral cash cannot be invested and the collateral securities cannot be pledged or sold by CCCERA without borrower default. Securities on loan must be collateralized at 102% and 105% of the fair value of domestic securities and non-domestic securities, respectively. There are no restrictions on the amount of the securities which can be loaned at one time. The term to maturity of the security loans is generally matched with the term to maturity of the securities collateral. Such matching existed at year-end. There were no losses associated with securities lending transactions during the year. At year-end, CCCERA has no credit risk exposure to borrowers. The fair value of investments on loan at December 31, 2001 is \$115,197,507, which was collateralized by cash and securities in the amount of \$117,874,184.

#### **NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS**

As permitted by the California Government Code and the investment policy, CCCERA uses forward settlement contracts, forward currency contracts, futures contracts and other derivative products within fixed income financial instruments. These derivative financial instruments are used to reduce financial market risks, enhance yields and to participate in all market areas without increasing investment costs. At December 31, 2001, the following derivative financial instruments were held by investment managers:

Alliance Capital Management and Zurich Scudder manage fixed income portfolios that contain derivative type financial instruments. These instruments include government and corporate obligations consisting of asset-backed securities, floating rate notes, constant maturity index, Adjustable Rate Mortgages (ARMs), Collateralized Mortgage Obligations and LIBOR Indexed ARM's. The fair value of derivative financial instruments at December 31, 2001 is \$307,707,000 and is reported within domestic bonds, category 1, in the table in Note 3.

Information is not available on whether the various mutual funds in which CCCERA has invested have used, held, or written derivative financial products during the year ended December 31, 2001.

**NOTE 6. INSTALLMENT CONTRACTS**

CCCERA entered into agreements with the City of Pittsburg and the Riverview Fire Protection District to accept their employees as members in 1973 and 1975, respectively. Effective July 1, 1994, the Riverview Fire Protection District was annexed into the Contra Costa County Fire Protection District, which assumed the obligations of this agreement. Each employer agreed to contribute, over a 30-year period, the amounts necessary to fund the acquired benefits of its employees for services rendered prior to the date of their entry into CCCERA. Effective June 30, 2001, the City of Pittsburg terminated its membership with CCCERA and as stated in the termination agreement, the balance of \$291,488 plus interest through June 30th reduced the gross amount transferred to CalPERS on behalf of the City's assets (See Note 12). The following summary lists the pertinent details of each agreement plus the amount due at December 31, 2001.

Agreement Details:	City of Pittsburg	Contra Costa Fire Protection District
Effective Date of Agreement	July 4, 1973	July 1, 1975
First Annual Payment Due	July 1, 1974	July 1, 1976
Rate of Interest	5%	5.75%
Annual Principal and Interest Payment	\$ 107,051	\$ 19,380
Original Payment	1,645,626	274,067
Receivable at December 31, 2001		
Future Principal Payments	\$ -	\$ 55,044
Interest Accrued from July 1, 2001	-	1,583
Total	<u>\$ -</u>	<u>\$ 56,627</u>

**NOTE 7. CONTRIBUTIONS**

Employer and member contributions are based on statute and rates recommended by an independent actuary and adopted by the Retirement Board. Covered employees are required by statute to contribute toward their pensions. The rates are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and tier. CCCERA members are required to contribute between 3.99% and 10.37% of their annual covered salary. Member contributions are refundable upon termination of employment.

Employers are required to contribute at an actuarially determined rate calculated on the alternate funding method permitted by Government Code Section 31453.5. Pursuant to provisions of the 1937 Act, the Retirement Board recommends annual contribution rates for adoption by the Board of Supervisors. The "Entry Age Normal," funding method is used to calculate the rate required to provide benefits to members.

Six-year historical trend information, designed to provide information about CCCERA's progress in accumulating sufficient assets to pay benefits when due, is presented as required supplementary information on page 39.

Employer contributions for 1997 through 2001 are less than 100% due to action taken by the Board to phase-in, over a three year period, increased contribution requirements associated with the December 31, 1997 actuarial experience study, as well as the *Ventura Decision* (discussed in Note 10). The Retirement Board, at its meeting on July 11, 2000, deferred for one year, the third year phase-in from the experience study and the second year phase-in of the *Ventura Decision*.



This action has the effect of keeping contribution rates lower currently, while extending the time for the phase-in of rates. The increase in the ultimate employer contribution rate at the end of the phase-in schedule (in FY 2002-2003) is approximately 0.27% of payroll through the end of the amortization period.

## **NOTE 8. RESERVES AND DESIGNATIONS**

Reserves are established from member and employer contributions and the accumulations of investment income after satisfying investment and administrative expenses. The reserves are not fully funded to satisfy retirement and other benefits as they become due, as noted in the *Schedule of Funding Progress*. Following are brief explanations of the major classes of reserves and designations used by CCCERA:

***Member Deposits Reserve*** represents the balance of member contributions. Additions include member contributions and related earnings; deductions include refunds of member contributions and transfers to Retired Member Reserve.

***Employer Advance Reserve*** represents the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and related earnings; deductions include transfers to Retired Member Reserve, lump sum death benefits, and supplemental disability payments under legislated rehabilitation programs.

***Retired Member Reserve*** represents the balance of transfers from Member Deposits Reserve and Employer Advance Reserve and related earnings, less payments to retired members. Included in the Retired Member Reserve is the Retirement Board Reserve for the New Dollar Power cost of living supplement for Retirees.

***Smoothed Market Value Valuation*** represents the accumulated difference between the Actuarial Value of Assets for valuation and the accumulated balances in the valuation reserves. This was a one-time adjustment to increase the valuation reserves as a result of implementing Governmental Accounting Standards Board Statement No. 25.

***Statutory Contingency Reserve*** represents investment earnings accumulated for future earnings deficiencies, investment losses and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, funding of Supplemental COLA and transfers of excess earnings to other Reserves and other Designations. The Statutory Contingency Reserve is used to satisfy the California Government Code requirement that CCCERA reserve one percent of its assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies.

***Market Stabilization Account*** represents the deferred return developed by the smoothing of realized and unrealized gains and losses based on a five-year smoothing. This method smoothes only the semi-annual deviation of total market return (net of expenses) from the return target, 8.50 percent per annum. As of December 31, 2001, the Market Stabilization Account is in a negative position due to market losses over the past two years.

Reserved and designated net assets at December 31, 2001 are as follows:

Valuation Reserves:	
Member Deposits	\$ 226,946,787
Member Cost of Living	42,720,067
Employer Advance	558,650,009
Employer Cost of Living	383,857,478
Retired Member	868,375,917
Retired Cost of Living	314,529,580
Smoothed Market Value Valuation	114,581,216
Total Valuation Reserves	<u>2,509,661,054</u>
Supplemental Reserves:	
Post Retirement Death Benefit	11,585,380
New Dollar Power Cost of Living Supplement & Pre-Fund	35,163,270
Total Supplemental Reserves	<u>46,748,650</u>
Other Reserves/Designations:	
Statutory Contingency Reserve (one percent)	27,683,923
Board Contingency Designations:	
Additional one percent contingency designation	27,683,923
Paulson Lawsuit Settlement Designation	53,087,977
Excess Earnings from previous years	316,832,593
Actuarial Transfer Designation	16,100,498
Retiree Health Benefit Transfer Designation	4,637,588
Total Other Reserves/Designations	<u>446,026,502</u>
Total Allocated Reserves/Designations	3,002,436,206
Market Stabilization Account	(385,448,325)
Unrestricted net assets	<u>87,740,871</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b><u>\$ 2,704,728,752</u></b>

**NOTE 9. RISK MANAGEMENT**

CCCERA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. CCCERA manages and finances these risks by purchasing commercial insurance. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded CCCERA's commercial insurance coverage in any of the past three years.

**NOTE 10. VENTURA DECISION**

On August 14, 1997, the Supreme Court of the State of California issued a decision in a case entitled *Ventura County Deputy Sheriff's Association vs. Board of Retirement of Ventura County Employees' Retirement Association* (Ventura Decision). On October 1, 1997, the Ventura Decision became final. The Supreme Court held that a County Retirement System operating under provisions of the County Employees Retirement Law of 1937 must include certain types of cash incentive payments and additional pay elements received by an employee, within the employee's "compensation earnable," and "final," compensation when calculating the employee's retirement benefits. The Board voted to implement the changes to the retirement benefits as of October 1, 1997, the date the decision became final.

**NOTE 11. PAULSON LAWSUIT SETTLEMENT**

During the year ended December 31, 1999, CCCERA settled its litigation, entitled *Vernon D. Paulson, et al. vs. Board of Retirement of the Contra Costa County Employees' Retirement Association, et al.* As of October 14, 1999, all legal documents to finalize the case settlement were signed by the court.

The lawsuit was brought on behalf of a class of retired members of CCCERA regarding the inclusions and the exclusions from "final" compensation that are used in calculating member's retirement benefits as a result of the Ventura Decision (see Note 10). A settlement agreement has been entered into with all parties and a petitioner's class has been certified consisting of all retired members of CCCERA whose effective retirement date was on or before September 30, 1997 (i.e., the period prior to the October 1, 1997 effective date of the Ventura Decision).

The Board designated \$90 million from unrestricted excess earnings to cover the anticipated liability of the settlement. Interest at the actuarial assumed rate (currently 8.50 percent) is credited to the settlement amount until the final liability is determined. As claim forms are submitted, benefits recalculated and paid, the funds will be transferred to the Employer Advance Reserve to cover the liability. The costs will then be "funded" to the Retiree Reserves. It is anticipated it will take another year for CCCERA to determine the final effect of this case.

CCCERA's actuary will determine the present value of future benefits after the completion of the final batch payment for past benefits. This amount will further reduce the \$90 million set aside for the liability. If the \$90 million is sufficient to cover the past and future liability, the remainder will be transferred to the employer advance reserve per the settlement agreement. If the \$90 million is insufficient, each participating employer will be assessed its share of the additional liability that will be paid to CCCERA over a time period not to exceed 20 years.

The recalculation and distribution of past and future benefits is being conducted in batches. As of December 31, 2001, CCCERA already has recalculated and paid 16 batches (3,203 claimants) for a total of \$50.8 million. As of March 2002, CCCERA had recalculated batches 17 through 19 (462 claimants) and accrued a payable of \$3.0 million in past benefits. Of the \$53.8 million paid and accrued through March 2002, \$24.0 million was recorded as of December 31, 2000 and \$29.8 is recorded for the year ended December 31, 2001. Of the \$29.8 million paid and accrued for 2001, \$2.2 million pertains to the current year and \$27.6 million is for periods prior to the year ended December 31, 2001 and is recorded as a prior period adjustment on the *Statement of Changes In Plan Net Assets*. The total liability for past benefits cannot be reasonably estimated due to the complexity involved in calculating the "Paulson Benefit." As calculations are completed, the liability for the past benefits will be recognized. As of December 31, 2001, the Paulson Lawsuit settlement designation is \$53.1 million.

## **NOTE 12. COMMITMENTS AND CONTINGENCIES**

### *City of Pittsburg Withdrawal from Membership*

The City of Pittsburg (the City) terminated its membership with CCCERA effective June 30, 2001. The City held an election of its sworn and miscellaneous active employees. The result of that election was a decision to convert to California Public Employees' Retirement System (CalPERS) on July 1, 2001.

The retired and deferred members from the City, who either currently draw a benefit or could draw a benefit in the future, will continue with CCCERA. A determination of the value of the City's accumulated assets as well as the City's current and unfunded liability was undertaken using methodology per CCCERA's Employer Termination Policy. The amount of \$10,791,085, which is after the deduction for the remaining contract balance and an excess terminal pay liability owed to CCCERA, was transferred to CalPERS in November 2001 for the City's share of assets as of June 30, 2001. Sufficient assets remain with CCCERA to pay the ongoing benefits of the retirees and beneficiaries of the City.

CCCERA's independent actuary will redetermine the City's liability as of December 31 of each year for which CCCERA conducts a triennial experience analysis, the most recent experience analysis being December 31, 2000. If the ratio of the City's assets to the termination liability (as measured per the termination agreement) is below 95% or above 105%, the difference between the City's assets and liability will be amortized and transferred as provided in the termination agreement.

## **NOTE 13. PRIOR PERIOD ADJUSTMENT**

The beginning Net Assets were decreased by \$27.6 million for the portion of the Paulson Benefit that was paid in 2001 but is for periods prior to the year ended December 31, 2001 (see Note 11).

In addition, the beginning Net Assets were decreased by \$810,000 for an amount still owed to CalPERS for membership withdrawal plus the remaining contract balance owed by the City of Pittsburg for prior service as well as the reduction of the designations for facilities/system enhancements and capital outlay that were used by CCCERA during the initial phases of the office expansion project in 2000.



# Required Supplementary Information

## SCHEDULE OF FUNDING PROGRESS (DOLLARS IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
1/1/96	\$ 1,522,796	\$ 1,632,227	\$ 109,431	93.3%	\$ 351,831	31.1%
1/1/97	1,629,592	1,730,879	101,287	94.1%	353,738	28.6%
12/31/97	1,742,014	1,983,394	241,380	87.8%	385,412	62.6%
12/31/98	1,868,521	2,320,315	451,794	80.5%	411,748	109.7%
12/31/99**	2,137,554	2,433,614	296,060	87.8%	463,279	63.9%
12/31/00	2,355,179	2,643,526	288,347	89.1%	488,384	59.0%

\*Restated to exclude non-valuation reserves.

\*\*Adjusted to reflect the Retirement Board's action to change the annual investment return assumption to 8.5%.

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1996	\$40,081,019	
1997	38,537,711***	100.0%
1998	44,243,668***	95.2%
1999	52,565,912***	92.5%
2000	58,035,756***	93.7%
2001	58,642,407 ***	91.3%

The contribution percentage is less than 100% due to actions taken by the Board of Retirement to phase-in, over three years, increased contribution requirements associated with the significant actuarial assumption changes and the expansion of earnable compensation required by the "Ventura Decision," which is discussed in Note 10

Actuarial valuations of CCCERA are normally carried out as of December 31 of each year and contribution requirements resulting from such valuations become effective on July 1 of the following fiscal year.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

# Latest Actuarial Valuation Methods and Assumptions

Valuation Date	December 31, 2000
Actuarial Cost Method	Entry Age Normal Funding Method
Amortization Method	Level Percent - closed
Remaining Amortization Period	40 Years
Asset Valuation Method	5 year Smoothed Market, excluding non-valuation reserves and designations*
Actuarial Assumptions	
Investment Rate of Return	8.50%
Projected Salary Increases	5.71%
Attributed to Inflation	4.25%
Cost-of-Living Adjustments	Contingent upon CPI Increases with a 3% or 4% Maximum

\* The exclusion of non-valuation reserves and designations was implemented in the January 1, 1997 actuarial study. The six year history on page 39 has been restated to reflect this change.





Partners  
Kenneth A. Macias, Managing Partner  
Ernest J. Gini  
Kevin J. O'Connell  
Richard A. Green  
Jan A. Rosati



To the Board of Retirement of the Contra  
Costa County Employees' Retirement Association  
County of Contra Costa, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of and for the year ended December 31, 2001, and have issued our report thereon dated April 3, 2002. 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.

*Compliance*

As part of obtaining reasonable assurance about whether CCCERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

*Internal Control over Financial Reporting*

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

This report is intended solely for the information and use of the Board of Retirement, management and participating governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Macias, Gini & Company LLP*  
Certified Public Accountants

Walnut Creek, California  
April 3, 2002

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay

## OTHER SUPPLEMENTARY INFORMATION

## Schedule of Administrative Expenses

FOR FISCAL YEAR ENDED DECEMBER 31, 2001

## Personnel Services:

Salaries and Wages	\$ 1,687,679
Employee Retirement	607,663
TOTAL PERSONNEL EXPENSES	<u>2,295,342</u>

## Professional Services:

Actuarial Consulting Fees	17,237
Actuary - Benefit Statement	100,273
Attorney Fees	177,642
Computer and Software Services and Support	28,958
County Counsel - General	26,433
County Counsel - Disability	67,871
Disability Hearing Officer/Medical Reviews	39,133
Disability Stenographic Fees	1,130
External Audit Fees	33,714
Contra Costa Dept of Information Technology	31,380
Newsletters	20,056
Other Professional Services	60,419
TOTAL PROFESSIONAL SERVICES	<u>604,246</u>

## Office Expenses:

Office Lease	216,586
Office Supplies	59,344
Minor Equipment and Computer Supplies	98,193
Postage	37,445
Equipment Lease	24,796
Requested Maintenance	6,682
Communications/Telephone	12,990
Printing and Publications	17,683
TOTAL OFFICE EXPENSES	<u>473,719</u>

## Miscellaneous:

Fiduciary and Staff - Education/Travel	112,801
Fiduciary and Staff - Meetings/Other Travel	3,010
Insurance	102,063
Memberships	10,858
TOTAL MISCELLANEOUS	<u>228,732</u>

Depreciation and Amortization	<u>143,119</u>
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<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b><u>\$ 3,745,158</u></b>
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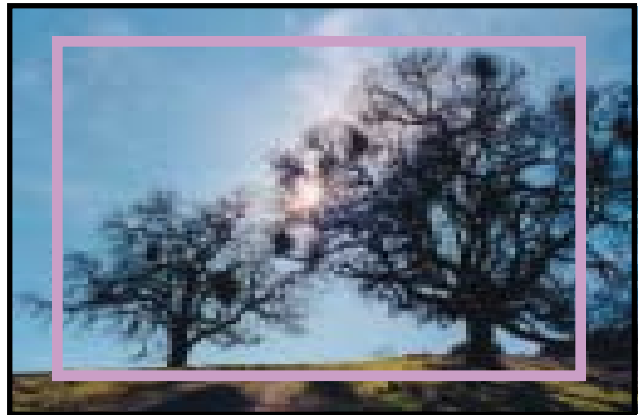
# Schedule of Investment Expenses

FOR THE YEAR ENDED DECEMBER 31, 2001

Investment Management Fees, by portfolio:	
Stocks	\$ 3,595,733
Bonds	1,589,056
Real Estate	2,574,513
Alternative	987,900
Cash and Short Term	<u>1,637</u>
<b>TOTAL INVESTMENT MANAGEMENT FEES</b>	<u><b>8,748,839</b></u>
Investment Consulting Fees:	
Consulting Services	245,421
Actuarial Services	<u>217,094</u>
<b>TOTAL INVESTMENT CONSULTING FEES</b>	<u><b>462,515</b></u>
Investment Custodian Fees	<u>236,462</u>
<b>TOTAL INVESTMENT EXPENSES</b>	<u><b>\$ 9,447,816</b></u>



### III. Investment Section



# Report On Investment

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## DORN, HELLIESEN & COTTLE INC.

INVESTMENT CONSULTING

February 27, 2002

Patricia Wiegert  
Retirement Administrator  
Contra Costa County Employees' Retirement Association  
1355 Willow Way, Suite 221  
Concord, California 94520

Dear Pat:

This letter reviews the investment performance of the Contra Costa County Employees' Retirement Association for the year ended December 31, 2001.

Contra Costa County Employees' Retirement Association had a total return on a market value basis before deduction of fees of -2.4% for the calendar year 2001. (This return may differ from other return calculations because it is before deduction of fees and treats private equity and some real estate investments with a one quarter lag due to timing constraints.) Annualized returns for the three years ended December 31, 2001 were 5.0% per year, and for five years were 10.4%. These returns were calculated by Dorn, Helliesen & Cottle, Inc., from custodial statements and other source data using methodology approved by the Bank Administration Institute Study and by AIMR.

The -2.4% return did not meet most investment objectives. It fell short of the actuarial interest rate of 8.25% and then 8.5%, which were in effect for the year, and it did not meet the consumer price index plus 400 basis points target. Longer term results have exceeded the actuarial and inflation targets.

The total return for the year equalled the median public fund return of -2.4% (from the Wilshire Cooperative database) but slightly trailed the total fund median at -1.6%. Three and five year results have been better than the database medians.

650 CALIFORNIA STREET, 17<sup>TH</sup> FLOOR • SAN FRANCISCO, CALIFORNIA 94108-2702 • TEL: 415 986-2700 • FAX: 415 986-2777



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Patricia Wiegert  
February 27, 2002  
Page 2

Domestic equity markets posted negative results in the year 2001, after a negative year in 2000. The two down years followed a number of years of extremely strong performance. The Standard & Poors 500 index was down -11.9% for 2001. However, the Russell 2000 small capitalization index was up 2.5% for the year. CCCERA's domestic equity returned -9.2%, better than the large capitalization indexes and the median. International equity was also down in 2001, with the EAFE index down -21.2%. CCCERA's international equity was down -18.1%, in the third quartile.

Domestic bond markets, which had trailed equities prior to 2000 and were strong last year, again out-performed in 2001 with a strong return for the year of 8.4% for the Lehman Aggregate index and the median bond portfolio. CCCERA's domestic fixed income had a 7.2% return for the year.

CCCERA again was helped by its investments in real estate (up 10.1% for the year) Alternative investments, however, pulled down returns in 2001 with a -22.8% return. Private equity markets that had been strong in 2000 fell on hard times in 2001.

Total assets in the Fund as of December 31, 2001 excluding cash were \$2.733 billion, compared to \$2.851 billion a year earlier.

2001 was a difficult year for investors, and we share with you the belief that future returns will be more in keeping with long term trends, with positive returns approaching 10% per year on average.

Yours truly,

A handwritten signature in black ink, appearing to read "Robert Helkin".

## General Informa-

CCCERA's investment program objective is to provide CCCERA participants and beneficiaries with benefits as required by the County Employees Retirement Law of 1937. The Plan's main investment objective is for the total fund return to exceed the CPI plus 400 basis points over a market cycle (four or five years). This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The California Constitution and Government Code Section 31594 and 31595 authorize the Board to invest in any investment deemed prudent in the Board's opinion. Investment decisions are to be made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer contributions and defraying reasonable expenses for administering the system. Investments are to be diversified to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

The Board has adopted an Investment Policy, which provides the framework for the management of CCCERA's investments. This policy establishes CCCERA's investment policies and objectives and defines the principal duties of the Board, custodian bank and investment managers. For the year ended December 31, 2001, the total fund return was -2.4%, below the targeted return of 5.5% (CPI plus 400 basis points), but equal to the median fund return of -2.4%.

### **SUMMARY OF PROXY VOTING GUIDELINES AND PROCEDURES**

Voting of proxy ballots shall be in accordance with CCCERA's Proxy Voting Guidelines. CCCERA utilizes the services of Institutional Shareholders Services (ISS) to research and vote CCCERA's U.S. proxy ballots in order to protect and enhance our returns.



# Investment Results Based on Fair Value\*



AS OF DECEMBER 31, 2001

	CURRENT YEAR	ANNUALIZED	
		3 YEAR	5 YEAR
<b>DOMESTIC EQUITY</b>	-9.20%	1.70%	11.20%
Benchmarks: S&P 500	-11.90%	-1.10%	10.70%
S&P 500 ex Tobacco	-12.10%	-0.90%	10.80%
Russell 2000	2.50%	6.40%	7.50%
Russell 3000	-11.50%	-0.30%	10.10%
<b>INTERNATIONAL EQUITY</b>	-18.10%	1.00%	5.40%
Benchmarks: MSCI EAFE Index	-21.20%	-4.80%	1.20%
MSCI EM Free Index	-2.40%	4.10%	-7.70%
<b>DOMESTIC FIXED INCOME</b>	7.20%	5.70%	7.00%
Benchmarks: Lehman Aggregate	8.40%	6.30%	7.40%
Salomon Mortgage	8.20%	7.00%	7.50%
Salomon High Yield	5.40%	0.40%	3.50%
T-Bills	4.40%	5.00%	5.20%
<b>INTERNATIONAL FIXED INCOME **</b>	5.40%	-	-
Benchmark: Sal Non US Govt Hedged	6.10%	6.10%	8.20%
<b>REAL ESTATE</b>	10.10%	10.70%	12.70%
Benchmarks: Wilshire RE Funds Index	6.30%	8.60%	11.30%
CPI + 500 bps	6.70%	7.60%	7.20%
<b>ALTERNATIVE INVESTMENTS</b>	-22.80%	14.90%	13.00%
<b>TOTAL FUND</b>	-2.40%	11.30%	14.20%
CPI + 400 bps	5.50%	6.50%	6.20%

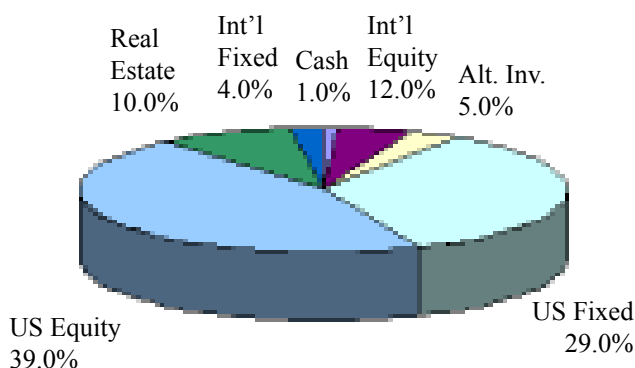
\*Using time-weighted rate of return based on the market rate of return

\*\*International Fixed Income returns not applicable for 3 & 5 years

### ASSET ALLOCATION

The Asset Allocation is an integral part of the Investment Policy. If a new asset class is implemented or a current asset class is expanded, the Plan’s policy is modified to reflect the change or revision. The Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on CCCERA’s behalf, subject to investment guidelines incorporated into each firm’s investment manager contract. CCCERA’s investment consultant assists the Board with the design and implementation of the asset allocation as depicted in the following chart:

AS OF DECEMBER 31, 2001



### Target Asset Allocation

# 10 Largest Stock Holdings as of 12/31/01



CUSIP	SHARES	SECURITY NAME	
369604100	640,500	General Electric Co	\$ 25,671,240
172967100	168,007	Citigroup Inc	22,834,931
717081100	541,000	Pfizer Inc	21,558,850
594918100	300,400	Microsoft Corp	19,901,500
478160100	298,844	Johnson & Johnson	17,661,680
294741100	568,900	Equity Office Properties Trust	17,112,512
026874100	201,733	American Int'l Group Inc	16,017,600
458140100	508,200	Intel Corp	15,982,890
902124100	266,065	Tyco Int'l Ltd New	15,671,229
026609100	244,000	American Home Products Corp	14,971,840
<b>TOTAL LARGEST STOCK HOLDINGS</b>			<b><u>\$ 187,384,272</u></b>

# 10 Largest Bond Holdings as of 12/31/01

CUSIP	PAR VALUE	SECURITY NAME		COST
9128275S0	\$19,230,000	US Treasury Note	\$20,811,605	\$ 20,362,767
31295MZR0	14,800,000	Federal Home Loan Mtg Corp	14,957,250	14,809,324
22540AKH0	14,020,000	Credit Suisse 1st Boston Mtg Secs Corp	14,022,647	14,020,000
912810EZ0	8,720,000	US Treasury Bond	9,980,521	9,695,506
31298HRK0	9,469,012	Federal Home Loan Mtg Corp	9,443,120	9,480,848
31383XN40	8,898,217	Federal National Mtg Assoc	9,115,111	9,479,360
58962FAP0	9,300,000	Meridian Funding Company	9,293,336	9,285,678
3128GMVJ0	8,773,205	Federal Home Loan Mtg Assoc	9,089,863	8,951,389
31387F5E0	7,930,482	Federal National Mtg Assoc	7,849,938	7,950,308
126671NK0	7,687,283	Countrywide Asset-Backed Certs	7,685,185	7,704,426
<b>TOTAL LARGEST BOND HOLDINGS</b>				<b><u>\$ 111,739,606</u></b>

A complete list of portfolio holdings is available on request.

# Schedule of Investment Management Fees

FOR THE YEAR ENDED DECEMBER 31, 2001

## Investment Activity

### Stock Managers

Domestic	\$ 2,812,643
International	<u>783,090</u>
Subtotal	3,595,733

### Bond Managers

Domestic	1,220,799
International	<u>368,257</u>
Subtotal	1,589,056

Real Estate Managers	<u>2,574,513</u>
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Alternative Investment Managers	<u>987,900</u>
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Cash & Short Term with County Treasurer	<u>1,637</u>
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Total Fees from Investment Activity (see page 43)	<u>8,748,839</u>
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## Securities Lending Activity

Management Fee	194,560
Borrower Rebate	<u>5,839,949</u>
Total Fees from Securities Lending Activity	<u>6,034,509</u>

<b>TOTAL INVESTMENT MANAGEMENT FEES</b>	<b><u>\$ 14,783,348</u></b>
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# Investment Summa-

AS OF DECEMBER 31, 2001



TYPE OF INVESTMENT	FAIR VALUE	PERCENT OF TOTAL FAIR VALUE
Short Term Investments held by Fiscal Agent	\$ 110,105,617	4.05%
Short Term Investments held by the County	19,627,810	0.72%
TOTAL SHORT TERM INVESTMENTS	<u>129,733,427</u>	<u>4.77%</u>
US Government and Agency Instruments	267,865,105	9.85%
Domestic Corporate Bonds	766,185,179	28.18%
International Bonds	79,707,114	2.93%
TOTAL BONDS	<u>1,113,757,398</u>	<u>40.96%</u>
Domestic Stocks	795,785,855	29.27%
International Stocks	361,624,686	13.30%
TOTAL STOCKS	<u>1,157,410,541</u>	<u>42.57%</u>
Real Estate	<u>267,431,185</u>	<u>9.84%</u>
Alternative Investments	<u>50,652,596</u>	<u>1.86%</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 2,718,985,147</u></b>	<b><u>100%</u></b>

# Investment Manag-

AS OF DECEMBER 31, 2001

## ALTERNATIVE ASSETS

Adams Street Partners  
Pathway Capital Management  
Prudential Timber Investments Inc

## EQUITY - DOMESTIC

Alliance Capital Management Corp  
Boston Partners  
Dreyfus Investment Advisors, Inc  
Wentworth, Hauser and Violich

## EQUITY - INTERNATIONAL

Capital Guardian Trust Company  
Deutsche Asset Management

## FIXED INCOME - DOMESTIC

AFL-CIO Housing Investment Trust  
Barclays Global Investors  
Fountain Capital Management LLC  
Nicholas-Applegate Capital Management  
Zurich Scudder Investments

## FIXED INCOME - INTERNATIONAL

Fischer, Francis, Trees & Watts, Inc

## REAL ESTATE

DLJ Real Estate Capital Partners LP  
FFCA Institutional Advisors, Inc  
Hearthstone Advisors  
Lend Lease Rosen  
Prudential Investment Management Service  
SSR Realty Advisors  
US Realty Advisors  
WP Carey & Co, Inc

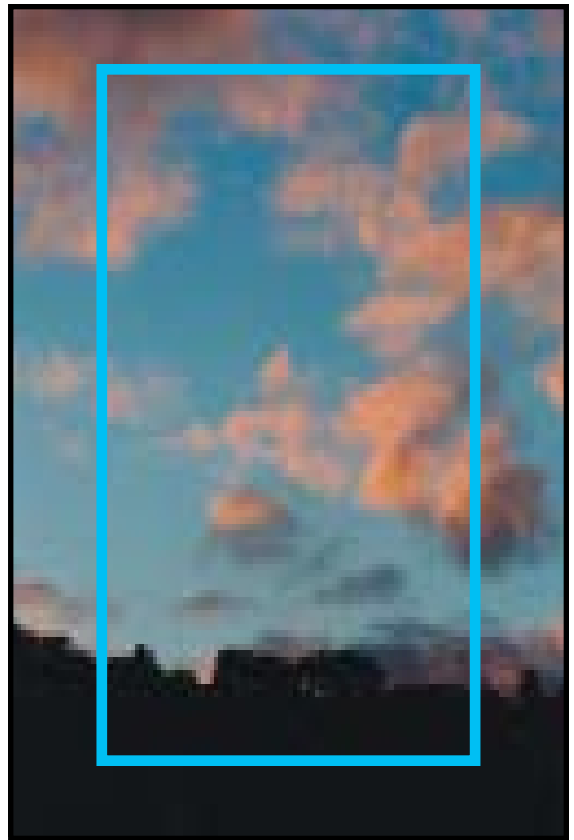
## CASH & SHORT TERM

Contra Costa County Treasurer  
Bankers Trust Company (subsidiary of Deutsche Bank)

## SECURITIES LENDING PROGRAM

Bankers Trust Company (subsidiary of Deutsche Bank)

## IV. Actuarial Sec-



# Actuary Certification

William M.  
MERCER

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Contra Costa County Employees' Retirement Association's basic financial goal is to establish contributions which fully fund the system's liabilities, and which, as a percentage of payroll, remain level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

The actuarial valuation required for the Contra Costa County Employees' Retirement Association has been prepared as of December 31, 2000, by William M. Mercer, Incorporated. In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association's assets, liabilities and future contribution requirements. Our calculations are based upon member data and unaudited financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. At its June 9, 1998 meeting, the Board of Retirement elected to amortize the Association's unfunded actuarial accrued liability over a 20 year period. In addition, the Board elected to phase-in over a three year period the significant employer contribution rate increase which resulted from the December 31, 1997 triennial experience analysis. This phase-in expired with the December 31, 1999 valuation.

The Board has also decided to transfer an amount of \$32,943,000 from the Unrestricted Reserve to reduce the employer's basic contribution rates to those provided in William M. Mercer's letter dated March 9, 2001.

The rates calculated in this report may be adopted by the Board for the Fiscal Year 2002-2003.

The ratio of actuarial value of assets to actuarial accrued liabilities increased from 88% to 89% as a result of this valuation.

## Paulson Court Settlement

As a result of the Paulson Court Settlement, the Retirement Board has begun to recognize additional pay elements as Earnable Compensation. The additional pay elements recognized as Earnable Compensation include items which are not known until a member retires ("terminal pay" items). As a result, it is necessary to include an assumption to anticipate terminal pay for members who have not yet retired.

At its November 2, 1999 meeting, the Board adopted terminal pay assumptions for active members and took the following actions with respect to the associated contribution rate increases:



1. To avoid creating an inequity among members, there will be no change in member basic benefit contribution rates as a result of the new terminal pay assumptions. The inequities could occur as a result of the considerable differences in terminal pay policies among participating employers, as well as the likelihood of considerable variation in terminal pay that will be received by individual members.
2. The increase in the employer contribution rates resulting from the application of the terminal pay assumptions will be phased in over three years, effective with the December 31, 1998 valuation. This valuation reflects the final phase-in of the employer rate increase.

The terminal pay assumptions are described in the Actuarial Assumptions section of this report (under Salary Increase Assumption).

A further impact of the Paulson Settlement is the additional benefits to be paid to members of the Association who were retired at the time the decision was rendered. These retired members would receive the following additional benefits, based on a litigation settlement agreement between the Association's sponsoring employers and retirees who were party to the litigation:

- Retroactive benefits (to September 1, 1994); plus
- Increased future benefits

In order to determine the amount of these additional benefits, it will be necessary for the Association to determine the amounts that retired members had received in additional pay elements now recognized as Earnable Compensation. This process could take several years. In the interim, the Board designated \$90 million of assets to provide for the resulting additional liabilities and to assume \$90 million will satisfy these liabilities. The actual liability could be greater or less than \$90 million. Because a portion of those additional liabilities have been included in this valuation, a transfer has been made from this reserve to offset the additional liability included.

#### City of Pittsburg

The report has been prepared to reflect the withdrawal of the City of Pittsburg from the CCCERA. The assets of the Plan have been adjusted to take account of the contribution balances payable to CalPERS on behalf of the active members, and the liabilities of the Plan exclude the active members of the City of Pittsburg as of December 31, 2000. The Plan retains the inactive liabilities of the City in accordance with the withdrawal contract between the CCCERA and the City.

#### Experience Analysis

Changes were recommended for most of the assumptions following the Experience Analysis carried out as of December 31, 2000. The following list gives a brief description of the most significant recommended changes:

- Withdrawal - Separate rates were determined for members with less than one year of service, since they generally exhibit higher withdrawal rates. Slightly higher withdrawals were observed among Female General Tier 3 members and the withdrawal assumptions were modified to reflect this trend. Other changes were only modest adjustments.
- Duty Disability - There were more duty disabilities among General Tier 1 female and Safety

members than expected. Adjustments were made to anticipate more duty disabilities.

- **Service Retirement Rates** - Service retirement took place earlier than expected for General Tier 1, 2 and Safety members, and adjustments were made to the rates. General Tier 3 members retired at much lower rates than expected (based on Tier 1 assumptions) so appropriate adjustments were made.
- **Termination with Vested Benefit** - We observed that several members terminated employment with less than 5 years of CCCERA service and became entitled to a deferred retirement benefit (through reciprocal service with a prior or a new employer). We have extended the vested termination assumption to apply to members with less than 5 years of service.
- **Marriage Assumption** - Based on experience from the last five years, we recommended new marriage assumptions (used to calculate the cost of survivor benefits) to reflect the observed percentage of members married at retirement. At the direction of the Board, the valuation did not use the recommended marriage assumption.
- **Service from Unused Sick Leave Conversion** - Members are allowed to convert unused sick leave to service credit at retirement. Previously, such service was not recognized in the actuarial valuation until it was actually converted. We are recommending that “sick leave service” be prefunded during a member’s active working years. The Board decided not to pre-fund but to continue the current practice of funding the conversions at retirement.
- **Tier 2 Members Electing Tier 3 Membership** - We recommend an increase in the Tier 2 employer normal cost for those employers who allow their members to elect Tier 3 after five years of service. This will pre-fund the increase in the Unfunded Actuarial Accrued Liability which arises when their employees elect Tier 3.
- **Salary Increase** - Changes were made to the merit and longevity salary increase assumptions to reflect observed salary increases over the last three years.
- **Post-Retirement Mortality** - We recommended the mortality tables for retired female General and Safety members reflect lower than expected deaths over the experience study period. At the direction of the Board, the valuation did not use the recommended mortality tables.
- **Post-Retirement Cost-of-Living Adjustment for Tier 2 Members** - Tier 2 retirees are expected to receive an average COLA of 3.75% annually during their retired lifetime. We recommend that an assumed COLA of 3.75% be used for Tier 2 funding purposes.

In January 2001, we provided a recommendation that the Board adopt an investment return assumption of 8.25% for determining the contribution rates for the 2001-2002 fiscal year. The Board considered the adoption of either an 8.25%, 8.50% or 8.75% investment return assumption. After extensive discussion, the Board decided to adopt an 8.50% investment return assumption in lieu of our recommendation. Although our recommendation in this report remains at 8.25%, we believe the 8.50% assumption adopted by the Board does not pose an unsound financial risk to CCCERA. However, it will make it more difficult to fund supplemental retiree COLA benefits as well as subsidize member and employer COLA contributions with excess returns.

The contribution rates provided in this report are based on the 8.50% investment return assumption adopted by the Board.

### Benefit Changes

The following is a list of benefit plan changes since our December 31, 1999 valuation:

The following new benefits/improvements were granted during the year 2000.

- A supplemental cost-of-living benefit for all retirees and beneficiaries who have lost at least 20% of their purchasing power. This benefit is then compared to the Dollar Power Benefit, and the larger amount will be paid. This benefit will be implemented effective January 1, 2001. Since the implementation date is after December 31, 2000, we have not included either the liability or the excess earnings transfer made by the Board in this report.
- In the past, 60% of a retiree's benefit will continue to the spouse as long as they have been married at least one year before the member retires. Under the new provision, a spouse will receive the 60% continuance as long as the retiree is over 55 and they have been married at least two years before the member's date of death. In this report, we have included the additional liabilities relating to this new provision and the corresponding excess earnings transfer made by the Board of \$13,300,000.

This report does not reflect any change in funding status and employer and member contributions from retirement benefit improvements which may take place after December 31, 2000.

The new assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the Association and meet the parameters required by GASB Statement 25. However, the Board's decision not to adopt all the recommended assumptions in our December 31, 2000 experience study leads us to believe future assumption changes will be required.

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

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

We have prepared the Solvency Test for inclusion in this Section of the Association's CAFR report.

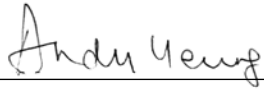
CCCERA staff prepared the supporting schedules in this section and the trend tables in the financial section based on information supplied in the prior actuarial reports, as well as our December 31, 2000 report.

## Actuarial

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This report conforms with the requirements of the governing state and local statutes, accounting rules, and generally accepted actuarial principles and practices. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

William M. Mercer, Incorporated

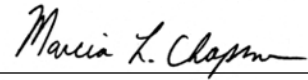


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Andy Yeung, ASA, EA, MAAA

February 20, 2002

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Marcia L. Chapman, FSA, EA, MAAA

February 20, 2002

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# Summary of Assumptions and Funding Methods



The following assumptions have been adopted by the Board for the fiscal years 2000-2001 and 2001-2002 and are based on the December 31, 2000 valuation. The rates produced by the December 31, 2000 valuation will not be implemented until Fiscal Year 2002-2003.

## ASSUMPTIONS

Valuation Interest rate	8.50%
Inflation Assumption	4.25%
Cost of Living Adjustments	3% for Tiers I, III and Safety 4% for Tier II
Interest Rate Credited to Active Member Accounts	8.50%

## Post-Retirement Mortality

### A. Service

#### General Tier I, Tier II and Tier III

Males	1994 Group Annuity Mortality Table set back 1 year (male)
Females	1994 Group Annuity Mortality Table set forward 1 year (female)

Safety Members 1994 Group Annuity Mortality Table set forward 1 year (male)

Beneficiaries 1994 Group Annual Mortality Table set forward 1 year (female)

### B. Disability

General Tier I, Tier II and Tier III 1981 General Disability Mortality Table set back 3 years

Safety 1981 Safety Disability Mortality Table

### C. For Employee Contribution

**Rate Purposes** 1994 Group Annuity Mortality Table (male) set back 3 years  
for General Members

1994 Group Annuity Mortality Table (male) set forward  
one year for Safety Members

### D. For Optional Benefit

**Purposes** 1994 Group Annuity Mortality Table with a three year setback  
(male)

<b>Pre-Retirement Mortality</b>	Based upon the Experience Analysis as of 12/31/00
<b>Withdrawal Rates</b>	Based upon the Experience Analysis as of 12/31/00
<b>Disability Rates</b>	Based upon the Experience Analysis as of 12/31/00
<b>Service Retirement Rates</b>	Based upon the Experience Analysis as of 12/31/00
<b>Salary Scales</b>	Total increases of 5.71% per year reflecting approximately 4.25% for inflation and approximately 1.46% for merit and longevity
<b>Marriage Assumption At Retirement</b>	80% for male members 55% for female members
<b>Value of Assets for Contribution Rate Purposes</b>	Actuarial Value as described in Actuarial Valuation Methods Section of Valuation Report

**Funding Method and Amortization of Actuarial Gains or Losses**

The employer’s liability is being funded on the Entry Age Normal Method and with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 17 years from the valuation date. The year 2000 was the last year of phasing in the impact of the 1997 Experience Analysis over three years. This valuation, represents the last year of phasing in the 1998 Ventura terminal pay assumptions.

# Probability of Occurrence



AGE	SERVICE RETIREMENT	WITHDRAWAL <FIVE YEARS	WITHDRAWAL >=FIVE YEARS	TERMINATED VESTED	NON-DUTY DISABILITY	SERVICE DISABILITY	NON-DUTY DEATH	SERVICE DEATH
<b>General Male Members - Tier 1</b>								
20	0.0000	0.1000	0.0412	0.0014	0.0000	0.0005	0.0002	0.0001
30	0.0000	0.0600	0.0239	0.0350	0.0008	0.0013	0.0003	0.0001
40	0.0000	0.0450	0.0058	0.0325	0.0016	0.0026	0.0006	0.0001
50	0.0300	0.0200	0.0000	0.0075	0.0025	0.0040	0.0017	0.0001
60	0.2476	0.0100	0.0000	0.0023	0.0025	0.0086	0.0086	0.0001
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<b>General Male Members - Tier 2</b>								
20	0.0000	0.1360	0.0800	0.0272	0.0000	0.0001	0.0002	0.0001
30	0.0000	0.1000	0.0547	0.0085	0.0008	0.0002	0.0003	0.0001
40	0.0000	0.0697	0.0247	0.0145	0.0012	0.0004	0.0006	0.0001
50	0.0295	0.0608	0.0068	0.0101	0.0032	0.0006	0.0017	0.0001
60	0.1439	0.0500	0.0016	0.0087	0.0044	0.0017	0.0086	0.0001
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<b>General Male Members - Tier 3</b>								
20	0.0000	0.0000	0.0412	0.0000	0.0000	0.0001	0.0002	0.0001
30	0.0000	0.0000	0.0239	0.0450	0.0008	0.0002	0.0003	0.0001
40	0.0000	0.0000	0.0058	0.0300	0.0009	0.0005	0.0006	0.0001
50	0.0100	0.0000	0.0000	0.0065	0.0012	0.0006	0.0017	0.0001
60	0.5610	0.0000	0.0000	0.0050	0.0037	0.0017	0.0086	0.0001
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<b>General Female Members - Tier 1</b>								
20	0.0000	0.1000	0.0319	0.0000	0.0000	0.0005	0.0001	0.0001
30	0.0000	0.0600	0.0125	0.0750	0.0001	0.0015	0.0003	0.0001
40	0.0000	0.0450	0.0050	0.0246	0.0012	0.0036	0.0005	0.0001
50	0.0315	0.0200	0.0000	0.0037	0.0028	0.0055	0.0012	0.0001
60	0.1800	0.0100	0.0000	0.0015	0.0060	0.0105	0.0022	0.0001
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<b>General Female Members - Tier 2</b>								
20	0.0000	0.1360	0.0275	0.0056	0.0000	0.0001	0.0001	0.0001
30	0.0000	0.0900	0.0250	0.0071	0.0004	0.0001	0.0003	0.0001
40	0.0000	0.0700	0.0200	0.0094	0.0015	0.0002	0.0005	0.0001
50	0.0373	0.0600	0.0126	0.0065	0.0027	0.0010	0.0012	0.0001
60	0.1496	0.0500	0.0045	0.0073	0.0100	0.0035	0.0022	0.0001
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0001
<b>General Female Members - Tier 3</b>								
20	0.0000	0.0000	0.0319	0.0000	0.0000	0.0001	0.0001	0.0001
30	0.0000	0.0000	0.0179	0.0450	0.0004	0.0001	0.0003	0.0001
40	0.0000	0.0000	0.0102	0.0281	0.0015	0.0002	0.0005	0.0001
50	0.0223	0.0000	0.0000	0.0065	0.0027	0.0013	0.0012	0.0223
60	0.0689	0.0000	0.0000	0.0050	0.0087	0.0022	0.0022	0.0689
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
<b>Male &amp; Female Members - Safety</b>								
20	0.0000	0.0668	0.0200	0.0024	0.0000	0.0008	0.0001	0.0001
30	0.0000	0.0408	0.0118	0.0190	0.0006	0.0046	0.0001	0.0002
40	0.0000	0.0310	0.0050	0.0100	0.0006	0.0085	0.0002	0.0003
50	0.0075	0.0130	0.0010	0.0020	0.0005	0.0150	0.0004	0.0005
60	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

# Summary of December 31, 2000 Valuation Re-

## SUMMARY OF RECOMMENDATIONS

Employer Contribution Rates*	December 31, 2000**	December 31, 1999	Increase (Decrease)
Normal Cost Rate:	12.72%	11.71%	1.01%
Rate of Contribution to Unfunded Actuarial Accrued Liability:	4.78%	3.28%	1.50%
Total Employer Rate:	17.50%	14.99%	2.51%
Estimated Annual Amount***:	\$89,075,000	\$76,309,000	\$12,766,000
<b>Member Contribution Rates*</b>			
<u>General Members (Tier I)****</u>			
25	5.98%	5.56%	0.42%
35	6.58%	6.26%	0.32%
45	7.49%	7.28%	0.21%
Average Entry Age (Age 32)	6.36%	6.00%	0.36%
<u>General Members (Tier II)</u>			
25	2.28%	2.19%	0.09%
35	2.50%	2.47%	0.04%
45	2.85%	2.87%	-0.02%
Average Entry Age (Age 38)	2.60%	2.58%	0.02%
<u>General Members (Tier III)****</u>			
25	4.63%	4.55%	0.08%
35	5.09%	5.12%	-0.03%
45	5.79%	5.96%	-0.17%
Average Entry Age (Age 35)	5.09%	5.12%	-0.03%
<u>Safety Members</u>			
21	7.49%	6.87%	0.62%
25	7.63%	7.05%	0.58%
30	7.97%	7.46%	0.51%
Average Entry Age (Age 29)	7.89%	7.36%	0.53%
Estimated Annual Amount***	\$25,301,000	\$24,917,000	\$384,000

### Actuarial Assumptions

Annual Inflation Rate:	4.25%	4.25%
Annual Investment Return:	8.50%	8.50%
Average Annual Salary Increase:	5.71%	5.35%
Other Assumptions	12/31/00 Experience Study	12/31/97 Experience Study

\* Reflects 50% subvention of member basic contribution rates.

\*\* Rates shown are to be applied in FY 2002-2003.

\*\*\* Based on 12/31/2000 payroll projected with inflation to 12/31/2001

\*\*\*\* Monthly contributions for the first \$350 are based upon 2/3 of the above rates.



# Summary of Significant Results



Association Membership	December 31, 2000	December 31, 1999	Increase/ (Decrease)
<i>Active Members</i>			
1. Number of Members	8,884***	8,798	1.0%
2. Total Active Payroll	\$488,384,000***	\$463,279,000	5.4%
3. Average Monthly Salary	\$4,581	\$4,388	4.4%
<i>Retired Members</i>			
1. Number of Members:			
Service Retirement	3,838	3,690	4.0%
Disability Retirement	777	770	0.9%
Beneficiaries	943	922	2.3%
2. Total Retired Payroll	\$110,348,000	\$100,058,000	10.3%
3. Average Monthly Pension	\$1,654	\$1,549	6.8%
<i>Inactive Vested Members</i>			
1. Number of Members*	877	772	13.6%
<b>Asset Values (Net)</b>			
<i>Market Value</i>	\$2,931,262,000	\$2,987,089,000	
Return on Market Value	0.79%	15.16%	-1.9%
<i>Actuarial Value</i>	\$2,916,159,000	\$2,637,972,000	
Return on Actuarial Value	13.75%	17.48%	10.5%
<i>Valuation Assets</i>	\$2,355,179,000**	\$2,137,554,000	
Return on Valuation Assets	8.21%	8.58%	10.2%
<b>Liability Values</b>			
Actuarial Accrued Liability**	\$2,643,526,000	\$2,433,614,214	8.6%
Unfunded Actuarial Accrued Liability (UAAL)**	\$288,347,000	\$296,060,214	-2.6%
<b>Funding Ratio</b>			
GASB No. 25	89%	88%	1%

\*Only includes members who are not active in any other tier.

\*\*After adjusting for the withdrawal of the City of Pittsburgh. December 31, 1999 restated using 8.50% interest assumption.

\*\*\*Excludes active members from the City of Pittsburgh.

## Schedule of Active Member Valua-

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
12/31/95	General	6,135	\$259,088,000	\$42,231	1.42%
	Safety	1,521	92,743,000	60,975	1.14%
	<b>TOTAL</b>	<b>7,656</b>	<b>\$351,831,000</b>	<b>\$45,955</b>	<b>1.47%</b>
12/31/96	General	6,292	\$263,616,000	\$41,897	-0.79%
	Safety	1,504	90,122,000	59,922	-1.73%
	<b>TOTAL</b>	<b>7,796</b>	<b>\$353,738,000</b>	<b>\$45,374</b>	<b>-1.26%</b>
12/31/97	General	6,514	\$288,065,000	\$44,222	5.55%
	Safety	1,577	97,347,000	61,729	3.02%
	<b>TOTAL</b>	<b>8,091</b>	<b>\$385,412,000</b>	<b>\$47,635</b>	<b>4.98%</b>
12/31/98	General	6,808	\$309,594,000	\$45,475	2.83%
	Safety	1,607	102,154,000	63,568	2.98%
	<b>TOTAL</b>	<b>8,415</b>	<b>\$411,748,000</b>	<b>\$48,930</b>	<b>2.72%</b>
12/31/99	General	7,127	\$351,693,000	\$49,347	8.51%
	Safety	1,674	111,586,000	66,658	4.86%
	<b>Total</b>	<b>8,801</b>	<b>\$463,279,000</b>	<b>\$52,639</b>	<b>7.58%</b>
12/31/00	General	7,243	\$374,918,000	51,763	4.90%
	Safety	1,641	113,465,000	69,144	3.73%
	<b>TOTAL</b>	<b>8,884</b>	<b>\$488,383,000</b>	<b>\$54,973</b>	<b>4.43%</b>

# Retirants and Beneficiaries Added To and Removed From Retiree Payroll



Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
1995	4,485	274	(123)	4,636	\$ 69,251,953	6.23%	\$ 14,938
1996	4,636	258	(119)	4,775	75,049,433	8.37%	15,717
1997	4,775	252	(100)	4,927	82,019,428	9.29%	16,647
1998	4,927	312	(68)	5,171	89,859,684	9.56%	17,378
1999	5,171	342	(127)	5,386	100,519,544	16.00%	19,353
2000	5,386	446	(274)	5,558	113,149,480	8.55%	20,358

## Solvency Test

(DOLLAR AMOUNTS IN THOUSANDS)

Valuation Date	Aggregate Accrued Liabilities (AAL) for:			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3		1	2	3
	Active Member Contributions	Retirants and Beneficiaries	Active Members Employer Portion				
12/31/95	\$ 179,181	\$ 790,640	\$ 661,769	\$ 1,522,796	100%	100%	84%
12/31/96	193,790	860,929	676,160	1,629,592	100%	100%	85%
12/31/97	206,642	944,701	832,051	1,742,014	100%	100%	71%
12/31/98	210,483	1,070,102	1,039,720	1,868,521	100%	100%	57%
12/31/99	220,643	1,189,931		2,137,554	100%	100%	71%
12/31/00	235,308	1,279,927	1,023,040	2,355,179	100%	100%	74%

## Actuarial Analysis of Financial Experience

FOR YEARS ENDED DECEMBER 31

(DOLLAR AMOUNTS IN THOUSANDS)

Type of Activity	2000	1999	1998	1997	1996	1995
Composite Gain (or Loss) During Year	\$7,713	\$155,734	(\$210,414)	(\$140,093)	\$8,144	(\$41,617)

# Summary of Major Pension Plan Pro-

## MAJOR PROVISIONS OF THE PRESENT SYSTEM

### BENEFIT SECTIONS 31676.11, 31751, 31664 AND 31664.1 OF THE 1937 COUNTY ACT

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through December 31, 2000, and as adopted by Contra Costa County.

#### A. GENERAL MEMBERS -

Tier 1 and Tier 3 Plans (Section 31676.11)      Tier 2 Plan (Section 31751)

#### Coverage

##### Tier 1:

- a. All General Members hired before August 1, 1980 and electing not to transfer to Tier II Plan.

##### Tier 2:

- a. All General members hired on or after August 1, 1980 and all General members hired before August 1, 1980 electing to transfer to the Tier 2 Plan.

##### Tier 3:

Tier 2 members can elect Tier 3 coverage (for future service) effective on the later of:

- October 1, 1998 or
- The day after achieving 5 years of service

#### Final Average Salary (FAS)

- a. One year final average salary
- a. Three year final average salary

#### Service Retirement

##### a. Requirement

Age 50 and 10 years of service, or with 30 years of service regardless of age.

##### a. Requirement

Age 50 and 10 years of service, or with 30 years of service regardless of age.

##### b. Benefit

##### Retirement

Age	Benefit Formula
50:	$(1.24\% \times \text{FAS} - 1/3 \times 1.24\% \times \$350) \times \text{Yrs}$
55:	$(1.67\% \times \text{FAS} - 1/3 \times 1.67\% \times \$350) \times \text{Yrs}$
60:	$(2.18\% \times \text{FAS} - 1/3 \times 2.18\% \times \$350) \times \text{Yrs}$
62:	$(2.35\% \times \text{FAS} - 1/3 \times 2.35\% \times \$350) \times \text{Yrs}$
65:	$(2.61\% \times \text{FAS} - 1/3 \times 2.61\% \times \$350) \times \text{Yrs}$

Maximum benefit 100% of FAS

##### b. Benefit

##### Retirement

Age	Benefit Formula
50:	$(0.83\% \times \text{FAS} \times \text{Yrs} - 0.57\% \times \text{Yrs} \times \text{PIA})$
55:	$(1.13\% \times \text{FAS} \times \text{Yrs} - 0.87\% \times \text{Yrs} \times \text{PIA})$
60:	$(1.43\% \times \text{FAS} \times \text{Yrs} - 1.37\% \times \text{Yrs} \times \text{PIA})$
62:	$(1.55\% \times \text{FAS} \times \text{Yrs} - 1.67\% \times \text{Yrs} \times \text{PIA})$
65:	$(1.73\% \times \text{FAS} \times \text{Yrs} - 1.67\% \times \text{Yrs} \times \text{PIA})$

\*Not greater than 30 years, where PIA is the Social Security Primary Insurance Amount.

## Disability Retirement

### Tier 1:

#### a. Requirements

- (1) Service-connected : None
- (2) Nonservice-connected : five years of service

#### b. Benefit

- (1) Service-connected
- (2) Nonservice-connected:  $1-1/2\% \times \text{FAS} \times \text{years of service}$ . Future service years projected to age 65. Generally leads to  $1/3$  FAS benefit.

## Death Before Retirement

#### a. Prior to disability retirement eligibility

(less than five years):

- (1) One month's salary for each year of service
- (2) Return of contributions

#### b. While eligible to retire (after five years)

60% of Service or Disability Retirement Benefit. Generally the benefit is 20% of FAS.

#### c. Line of Duty Death - $1/2$ FAS

---

## Death After Retirement

a. After Service Retirement or Nonservice-Connected Disability-  
60% of the allowance continued to the spouse or to minor children.

b. After Service-Connected Disability-  
100% of the allowance continued to the spouse or minor children.

c. Lump sum payment of \$5,000

## Disability Retirement

### Tier 2 and Tier 3:



#### a. Requirements

- (1) Service-connected: None
- (2) Nonservice-connected: ten years of service
- (3) Definition of disability is more strict than in Tier 1 Plan.

#### b. Benefit

- (1) Service-connected or nonservice-connected is 40% FAS plus 10% FAS for each minor child (maximum of three).
- (2) Disability benefits are offset by other plans of the County except Workers Compensation and Social Security.

#### a. Prior to eligibility to retire (less than ten years)

- (1) \$2,000 lump sum benefit offset by any Social Security payment
- (2) Return of contributions

b. While eligible to retire (ten years or service-connected death) 60% of Service or Disability Retirement Benefit (minimum benefit is 24% of FAS) plus,  
for each minor child, 20% of the allowance otherwise paid to the member. Minimum family benefit is 60% of the member's allowance. Maximum family benefit is 100% of member's allowance.

#### a. After Service or Disability Retirement

- (1) 60% of allowance continued to spouse plus 20% of allowance to each minor child. Minimum benefit is 60% of allowance. Maximum benefit is 100% of allowance.
- (2) Lump sum payment of \$7,000 less any Social Security Lump sum payment.

**Withdrawal Benefits**

- |   |   |
|---|---|
| a. If less than five years of service, return of contributions.                             | a. If less than five years of service, return of contributions.                             |
| b. If greater than five years of service, right to have vested deferred retirement benefit. | b. If greater than five years of service, right to have vested deferred retirement benefit. |

**Cost of Living Benefit**

3% maximum change per year except for Tier 3 disability benefits which can increase 4% per year.	4% maximum change per year
--	----------------------------

**Employee's Contribution Rates**

- |   |   |
|---|---|
| a. Basic: to provide for 1/2 of the Section 31676.11 benefit at age 55. | a. 40% of the full Section 31676.11 employee contribution rate. |
| b. COL: to pay for 1/2 of future COL costs.                             | b. COL: to pay for 1/2 of future COL costs.                     |

**Employer Contribution Rates**

Enough to make up for the balance of the basic and COL contributions needed.	Enough to make up the balance of the basic and COL contributions needed.
--	--

Transfers from the Tier 1 Plan to the Tier 2 Plan were made on an individual, voluntary, irrevocable basis. Credit is given under the Tier 2 Plan for future service only. The COL maximum is 4% only for the credit under the Tier 2 Plan. Transferred Tier 2 Plan members keep the five year requirement for nonservice-connected disability. Those who were members before April 1, 1973 will be exempt from paying member contributions after 30 years of service.

## B. SAFETY MEMBERS (31664 and 31664.1)

### Coverage

- a. All Safety members

### Final Average Salary (FAS)

- a. One year final average salary

### Service Retirement

- a. Requirement  
Age 50 and 10 years of service, or with 20 years of service regardless of age.
- b. Benefit at Retirement (for all except San Ramon Valley Fire Protection District)
- | Age | Benefit Formula   |
|-----|-------------------|
| 50  | 2.00% x FAS x Yrs |
| 55  | 2.62% x FAS x Yrs |
| 60  | 2.62% x FAS x Yrs |

Maximum Benefit: 100% of FAS

- c. Benefit at Retirement (San Ramon Valley Fire Protection District)

Age	Benefit Formula
50	3.00% x FAS x Yrs.
55	3.00% x FAS x Yrs.
60	3.00% x FAS x Yrs

Maximum Benefit: 100% of FAS

### Disability Retirement

- a. Requirements
- (1) Service-connected: None
  - (2) Nonservice-connected: five years of service
- b. Benefit
- (1) Service-connected: 50% FAS or Service Retirement benefit if greater.
  - (2) Nonservice-connected: 1.8% x FAS x Yrs of service. Future service years projected to age 55. Generally leads to 1/3 FAS benefit.

### Death Before Retirement

- a. Prior to retirement eligibility (less than 5 years)
- (1) One month's salary for each year of service
  - (2) Return of contributions
- b. While eligible to retire (after five years)  
60% of Service or Disability Retirement Benefit.  
Generally the benefit is 20% of FAS.
- c. Line of Duty death - 1/2 FAS

**Death After Retirement**

- a. After Service Retirement or Nonservice - Connected Disability-  
60% of the allowance continued to the spouse or to minor children
- b. After Service-Connected Disability -  
100% of the allowance continued to the spouse or to minor children
- c. Lump sum payment of \$5,000

**Withdrawal Benefits**

- a. If less than five years of service, return of contributions
- b. If greater than five years of service, right to have vested deferred retirement benefit

**Cost of Living Benefit**

3% maximum change per year

**Employees' Contribution Rates**

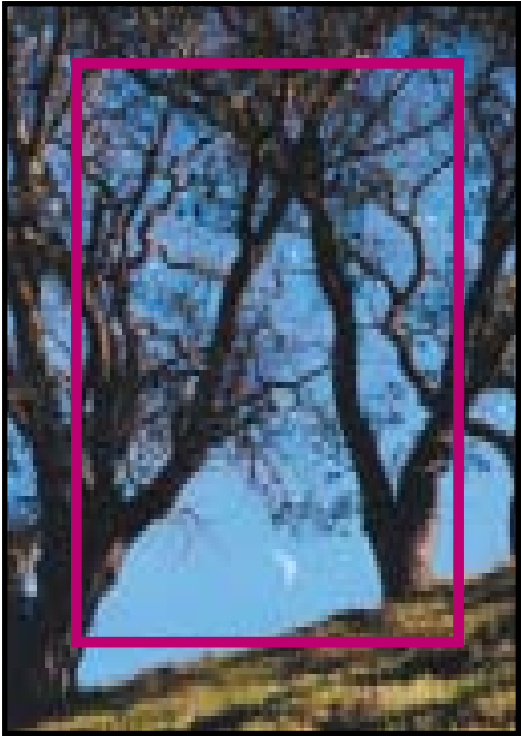
- a. Basic - to provide for 1/2 of the Section 31664 and 31664.1 benefits at age 50
- b. COL - to pay for 1/2 of future COL costs

**Employer Contribution Rate**

Enough to make up the balance and COL costs



# V. Statistical



## Revenue by

FOR YEARS 1996 - 2001

Year Ending	Employee Contributions	Employer Contributions	Investment Income/(Loss)*	TOTAL
1996	\$12,707,872	\$40,081,019	\$266,043,100	\$318,831,991
1997	9,856,075	36,687,901	409,112,609	455,656,585
1998	11,704,335	40,925,393	342,811,108	395,440,836
1999	14,460,506	49,254,260	402,876,035	466,590,801
2000	15,463,367	52,986,645	30,409,387	98,859,399
2001	18,681,239	55,182,505	(114,531,847)	(40,668,103)

\*Net of Investment Expenses

## Expenses by Type

FOR YEARS 1996 - 2001

Year	Benefits*	Refunds	Retiree Healthcare Benefits Reimbursements	Administrative	Other Expenses	TOTAL
1996		\$754,796		\$1,867,816	\$1,865,846	\$83,998,239
1997	\$75,049,433	1,014,600	\$4,460,348	2,185,024	1,650,880	93,535,717
1998	82,019,428	765,618	6,665,785	2,590,124	2,467,215	107,043,686
1999	89,859,684	856,620	11,361,045	2,675,125	3,845,689	116,522,373
2000	100,519,544	1,060,249	8,625,395	3,128,624	3,904,263	133,651,386
2001**	113,149,480	858,013	12,408,770	3,745,158	3,527,656	146,663,635

\*The benefit amounts do not reflect the prior period adjustment that resulted from the recalculation and payments (see footnote 11 for more detail) of the "Paulson Benefit." The recalculations and payments began in 2000 and are reflected in the Statement of Changes in Plan Net Assets as a prior period adjustment.

\*\*A one time payment of \$10,791,085 for membership withdrawal by the City of Pittsburg is excluded from 2001 (See footnote 12 of the Financial Statements).

# Schedule of Benefit Expenses by Type

ESTIMATES BASED ON ANNUALIZED BENEFIT AMOUNTS  
AS OF DECEMBER 31, OF EACH YEAR

	2000	1999	1998	1997	1996	1995
<b>Service Retirement</b>						
<b>Payroll:</b>						
General	\$57,580,704	\$53,205,888	\$49,150,068	\$44,141,628	\$41,396,052	\$38,962,500
Safety	22,648,836	19,218,240	16,618,140	13,536,888	12,623,328	11,190,948
<b>TOTAL</b>	<b>80,229,540</b>	<b>72,424,128</b>	<b>65,768,208</b>	<b>57,678,516</b>	<b>54,019,380</b>	<b>50,153,448</b>
<b>Disability Retirement</b>						
<b>Payroll:</b>						
General	8,052,996	7,478,112	6,540,395	6,132,840	5,532,732	5,013,612
Safety	10,830,432	9,925,116	8,385,012	7,184,760	6,763,344	6,472,392
<b>TOTAL</b>	<b>18,883,428</b>	<b>17,403,228</b>	<b>14,925,407</b>	<b>13,317,600</b>	<b>12,296,076</b>	<b>11,486,004</b>
<b>Beneficiary</b>						
<b>Payroll:</b>						
General	7,600,296	7,078,608	6,685,716	5,977,404	5,484,900	5,107,896
Safety	3,635,004	3,151,620	2,814,048	2,421,012	2,247,900	1,999,584
<b>TOTAL</b>	<b>11,235,300</b>	<b>10,230,228</b>	<b>9,499,764</b>	<b>8,398,416</b>	<b>7,732,800</b>	<b>7,107,480</b>
<b>Total Benefit Expense:</b>						
General	73,233,996	67,762,608	62,376,179	56,251,872	52,413,684	49,084,008
Safety	37,114,272	32,294,976	27,817,200	23,142,660	21,634,572	19,662,924
<b>TOTAL</b>	<b>\$110,348,268</b>	<b>\$100,057,584</b>	<b>\$90,193,379</b>	<b>\$79,394,532</b>	<b>\$74,048,256</b>	<b>\$68,746,932</b>

# Schedule of Retired Members by Type of Benefit

SUMMARY OF MONTHLY ALLOWANCES BEING PAID  
AS OF DECEMBER 31, 2000

## GENERAL MEMBERS MONTHLY ALLOWANCE

<b>Service Retirement:</b>	Number	Basic	Cost of Living	Total
Unmodified	2,981	\$ 3,358,868	\$ 1,019,976	\$ 4,378,844
Option 1	166	168,844	36,864	205,708
Option 2,3,& 4	180	179,777	34,063	213,840
<b>TOTAL</b>	<b>3,327</b>	<b>\$ 3,707,489</b>	<b>\$ 1,090,903</b>	<b>\$ 4,798,392</b>
<b>Disability:</b>				
Unmodified	429	\$ 475,753	\$ 154,920	\$ 630,673
Option 1	22	23,927	5,910	29,837
Option 2,3 & 4	9	9,092	1,481	10,573
<b>TOTAL</b>	<b>460</b>	<b>\$ 508,772</b>	<b>\$ 162,311</b>	<b>\$ 671,083</b>
<b>Beneficiaries:</b>	<b>742</b>	<b>\$ 408,350</b>	<b>\$ 225,008</b>	<b>\$ 633,358</b>
<b>TOTAL</b>	<b>4,529</b>	<b>\$ 4,624,611</b>	<b>\$ 1,478,222</b>	<b>\$ 6,102,833</b>

## SAFETY MEMBERS MONTHLY ALLOWANCE

<b>Service Retirement:</b>	Number	Basic	Cost of Living	Total
Unmodified	489	\$ 1,446,492	\$ 387,820	\$ 1,834,312
Option 1	11	14,853	3,641	18,494
Option 2,3,& 4	11	29,602	4,995	34,597
<b>TOTAL</b>	<b>511</b>	<b>\$ 1,490,947</b>	<b>\$ 396,456</b>	<b>\$ 1,887,403</b>
<b>Disability:</b>				
Unmodified	308	\$ 691,524	\$ 194,179	\$ 885,703
Option 1	4	4,533	1,932	6,465
Option 2,3 & 4	5	8,674	1,696	10,370
<b>TOTAL</b>	<b>317</b>	<b>\$ 704,731</b>	<b>\$ 197,807</b>	<b>\$ 902,538</b>
<b>Beneficiaries:</b>	<b>201</b>	<b>\$ 196,929</b>	<b>\$ 105,988</b>	<b>\$ 302,917</b>
<b>TOTAL</b>	<b>1,029</b>	<b>\$ 2,392,607</b>	<b>\$ 700,251</b>	<b>\$ 3,092,858</b>

# Schedule of Average Benefit Payment Amounts



ESTIMATES BASED ON ANNUALIZED BENEFIT AMOUNTS  
AT DECEMBER 31 OF EACH YEAR

	YEARS SINCE RETIREMENT								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
<b>TIER I</b>									
<b>2000</b> Average Monthly Benefit	\$2076	\$1727	\$1530	\$1211	\$ 873	\$ 664	\$ 469	\$ 428	\$1053
Number Retirees & Beneficiaries	830	822	704	696	505	228	74	12	43
<b>1999</b> Average Monthly Benefit	\$1850	\$1679	\$1401	\$1103	\$ 843	\$ 588	\$ 458	\$ 328	\$ 319
Number Retirees & Beneficiaries	902	796	736	683	472	208	59	10	7
<b>1998</b> Average Monthly Benefit	\$1689	\$1584	\$1300	\$1029	\$ 776	\$ 555	\$ 437	\$ 304	\$ 412
Number Retirees & Beneficiaries	883	827	761	679	445	182	46	12	2
<b>1997</b> Average Monthly Benefit	\$1526	\$1495	\$1224	\$ 944	\$ 707	\$ 520	\$ 414	\$ 350	\$ 565
Number Retirees & Beneficiaries	825	840	784	683	394	157	48	15	1
<b>1996</b> Average Monthly Benefit	\$1512	\$1396	\$1164	\$ 812	\$ 672	\$ 442	\$ 389	\$ 319	\$ 645
Number Retirees & Beneficiaries	882	796	785	666	390	127	33	13	2
<b>1995</b> Average Monthly Benefit	\$1521	\$1401	\$1109	\$ 845	\$ 662	\$ 493	\$ 349	\$ 235	\$ 466
Number Retirees & Beneficiaries	888	800	818	550	326	122	26	11	3
<b>TIER II</b>									
<b>2000</b> Average Monthly Benefit	\$ 675	\$ 571	\$ 550	\$ 288					
Number Retirees & Beneficiaries	316	160	32	13					
<b>1999</b> Average Monthly Benefit	\$ 654	\$ 521	\$ 584	\$ 191					
Number Retirees & Beneficiaries	310	127	25	9					
<b>1998</b> Average Monthly Benefit	\$ 614	\$ 535	\$ 453	\$ 216					
Number Retirees & Beneficiaries	268	107	22	6					
<b>1997</b> Average Monthly Benefit	\$ 584	\$ 502	\$ 416	\$ 336					
Number Retirees & Beneficiaries	223	88	17	3					
<b>1996</b> Average Monthly Benefit	\$ 515	\$ 491	\$ 366	\$ 475					
Number Retirees & Beneficiaries	187	61	13	2					
<b>1995</b> Average Monthly Benefit	\$ 509	\$ 443	\$ 524						
Number Retirees & Beneficiaries	170	32	12						

# Schedule of Average Benefit Payment Amounts

ESTIMATES BASED ON ANNUALIZED BENEFIT AMOUNTS  
AT DECEMBER 31 OF EACH YEAR

**YEARS SINCE RETIREMENT**

**TIER III**

	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
<b>2000</b> Average Monthly Benefit	\$ 388								
Number Retirees & Beneficiaries	92								
<b>1999</b> Average Monthly Benefit	\$ 397								
Number Retirees & Beneficiaries	47								
<b>1998*</b> Average Monthly Benefit	\$ 244								
Number Retirees & Beneficiaries	4								

\*Tier III started October 1998

**SAFETY**

	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
<b>2000</b> Average Monthly Benefit	\$3763	\$3021	\$3061	\$2591	\$2328	\$1554	\$1102	\$ 704	\$2301
Number Retirees & Beneficiaries	307	262	150	130	96	51	17	5	11
<b>1999</b> Average Monthly Benefit	\$3261	\$2912	\$2518		\$2186	\$1266	\$ 977	\$ 751	
Number Retirees & Beneficiaries	307	260	145	\$2338	96	41	16	3	
				123					
<b>1998</b> Average Monthly Benefit	\$2866	\$2795	\$2437		\$1854	\$1190	\$ 737	\$ 884	\$ 801
Number Retirees & Beneficiaries	285	237	145	\$2248	89	37	14	2	1
				117					
<b>1997</b> Average Monthly Benefit	\$2581	\$2543	\$2331		\$1544	\$1072	\$ 675	\$ 832	
Number Retirees & Beneficiaries	261	197	151	\$2069	81	31	8	3	
				114					
<b>1996</b> Average Monthly Benefit	\$2548	\$2367	\$2234		\$1427	\$ 896	\$ 613	\$ 755	
Number Retirees & Beneficiaries	283	166	155	\$1952	69	27	7	1	
				110					
<b>1995</b> Average Monthly Benefit	\$2419	\$2362	\$2047		\$1298	\$ 797	\$ 561	\$ 733	
Number Retirees & Beneficiaries	277	159	140	\$1853	63	24	5	1	

# Participating Employers and Active Members



AS OF DECEMBER 31, 2001

## County of Contra Costa:

General Members	6,610
Safety Members	<u>1,517</u>
<b>TOTAL:</b>	<b><u>8,127</u></b>

## Participating Agencies:

Bethel Island Municipal Improvement District	2
Byron, Brentwood, Knightsen Union Cemetery District	4
Central Contra Costa Sanitary District	246
Contra Costa County Employees' Retirement Association	30
Contra Costa Housing Authority	95
Contra Costa Mosquito and Vector Control District	24
Delta Diablo Sanitation District	58
Diablo Water District	11
Local Agency Formation Commission (LAFCO)	1
Ironhouse Sanitary District	23
Rodeo Sanitary District	7
In-Home Supportive Services Authority (IHSS)	6
Children & Families Commission	6
Bethel Island Fire District	3
Contra Costa County Fire Protection District	366
Moraga-Orinda Fire District	65
Rodeo-Hercules Fire Protection District	21
San Ramon Valley Fire District	<u>170</u>
<b>TOTAL:</b>	<b><u>1,138</u></b>

**TOTAL ACTIVE MEMBERSHIP:** **9,265**

*Comprehensive Annual  
Financial Report*  
2001



DESIGN AND PHOTOGRAPHY:

**Joelle Luhn**  
Contra Costa County Employees' Retirement Association

PRINTING AND BINDERY SERVICES:

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Contra Costa County, California