Comprehensive Annual Financial Report

for the year ended December 31, 2002

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, 2002

ISSUED BY:

Patricia F. Wiegert, CEBS — Retirement Administrator

Rick Koehler, CPA,CGFM — 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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CERA

I. Introductory Section

contra costa county
Employees' Retirement Association
1355 willow way suite 221 concord ca 94520
925.646.5741 fax: 925.646.5747

Letter of Transmittal

April 15, 2003

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, 2002, our 57th 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 the system'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, Management's Discussion and Analysis of CCCERA's financial activities, the financial statements, and the related supplementary financial information.

The INVESTMENT SECTION provides an overview of CCCERA's investment program. This section contains a report on investment activity, investment policies, investment results and various investment schedules and charts/graphs.

The ACTUARIAL SECTION communicates CCCERA's funding status and presents other actuarial related information. This section contains the certification of the consulting actuary, Mercer Human Resource Consulting, 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 Sanitary 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
Contra Costa Fire Protection District
East Contra Costa Fire Protection District
Moraga-Orinda Fire Protection District
Rodeo-Hercules Fire Protection District
San Ramon Valley Fire Protection 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.

FINANCIAL INFORMATION

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.

An overview of CCCERA's fiscal operations for the year ended December 31, 2002, is presented in the Management's Discussion and Analysis (MD&A) which is located in the financial section of the CAFR. This transmittal letter, together with the MD&A, provides an expanded view of the activities of CCCERA.

Macias, Gini & Company LLP, CCCERA's independent auditor, has audited the accompanying financial statements. Management believes that an adequate system of internal control is in place 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 Mercer Human Resource Consulting, was performed as of December 31, 2000. Mercer Human Resource Consulting's actuarial valuation as of December 31, 2001, determined the funding status (the ratio of system assets to system liabilities) to be 87.6%, 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 that reflect expected liabilities. A summary of the asset allocation can be found in the Investment Section of this report.

On a market value basis, the total net assets held in trust declined from $2.70 billion at December 31, 2001, to $2.37 billion at December 31, 2002. For the year ended December 31, 2002, CCCERA's investment portfolio returned -9.5% before investment management fees and reflected market conditions throughout the year. The Association's annualized rate of return was -3.4% over the last three years and 4.0% over the last five years, net of fees.

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, 2001. 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 requirments, and we are submitting it to the GFOA for evaluation.

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.

As of December 31, 2002, 26 batches of retroactive payments were made based on a total of 4,112 claims by retirees or their beneficiaries. This project is substantially complete with the exception of approximately 20 former members. One additional batch of three retirees was paid in January 2003, and there are approximately 15 deceased or beneficiary claimants that CCCERA is unable to locate. In addition, CCCERA has five former members where no employer records of possible terminal pay items can be located. The Board of Retirement, per the settlement agreement, set aside $90 million of excess earnings to cover these payments and any future liability. However, it has been determined by CCCERA's actuary that this amount was insufficient to cover all the payments and future liability. The additional cost of the Paulson action due to CCCERA for each of the affected employers is currently being determined and is described in more detail in the footnotes to the December 31, 2002 financial statements. Per the settlement agreement, each employer may choose to pay this amount in a lump sum or for a period not to exceed 20 years.

Additional $200 Retiree Benefit - Effective November 1, 2002, an additional flat monthly retiree benefit of $200 is being provided for all former members who retired prior to January 1, 1983 and are currently receiving pension benefits (including spousal continuance benefits). The total cost of this benefit improvement is $22,955,000 and was funded from excess earnings.

Enhanced Retirement Benefits - Benefit enhancement law changes to Code sections 31664 and 31676.11, commonly know as 3% @ 50 for Safety members and 2% @ 55 for General members, were adopted by the Contra Costa County Board of Supervisors in 2002 for county employees. The 3% @ 50 for Safety members became effective on July 1, 2002, while the 2% @ 55 for General members becomes effective on January 1, 2003. In addition, Contra Costa County eliminated (with legislation) Tier 2 for all new county employees and transferred all (except the California Nurses Association members - CNA) Tier 2 employees into Tier 3 effective October 1, 2002. CNA members and their managers/supervisors did not ratify the enhanced benefit with the other bargaining units and continue under the old benefit structure. Two special district fire agencies and two other special districts have also adopted the enhanced benefits. Other special districts are considering the enhanced benefits or have already re-opened negotiations to adopt the enhanced benefits.

Imaging - In late 2002, CCCERA implemented an imaging program for indexing and electronic storage of documents and historical records. The purpose of this project is to gradually eliminate the need for excessive paper retention while providing faster and easier accessibility to records. As part of the imaging project, an additional computer server was purchased and all office PC's were either replaced or upgraded. The imaging program is an integral part of the disaster recovery process as paper documents are being replaced with electronic storage.

Group Counseling - Beginning in 2002, group counseling is being offered to employees planning to retire soon. While these informative programs are primarily designed for employees planning to retire within the next one to two years, or those ready to file their retirement application within the next six months, all members are welcome to attend based on space available. Group counseling has been well received by both our members and the Benefits Division, which previously held only individual counseling sessions. This provides an opportunity to communicate the information to a maximum of 25 attendees per session. Members may still request individual counseling sessions if they so desire.

Service purchase with transferred funds - EGTRRA, the Economic Growth and Tax Relief Reconciliation Act of 2001, provided many changes relating to retirement accounts, including those of CCCERA members. Members may now use their deferred compensation (457) account balances to purchase permissive service credit and increase their eventual benefit. Funds cannot, however, be used for converting any service, such as Tier 2 to Tier 3 conversions. Many CCCERA members have decided to use this feature resulting in a significant increase in volume of those members purchasing service as well as the number of estimates requested. Despite being overwhelmed by this additional demand on our resources, staff stand ready to help our members increase their financial security.

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,

Patricia F. Wiegert

Patricia F. Wiegert, CEBS
Retirement Administrator

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Members of The Retirement Board

As of December 31, 2002

Trustees	Term Expires	Appointed/ Elected by	Committee
Brian Hast, Chairperson	June 30, 2004	General Members	N/A
Paul Katz, Vice-Chairperson	June 30, 2005	Board of Supervisors	Investment
Bob Rey, Secretary	June 30, 2005	Safety Members	Administration
Richard Cabral	June 30, 2005	General Members	Administration
John Gioia	June 30, 2005	Board of Supervisors	Administration
William J. Pollacek, County Treasurer		Permanent by Office	Investment
Helen J. Shea	June 30, 2004	Retirees	Investment
Maria Theresa Viramontes	June 30, 2004	Board of Supervisors	Administration
Clifton A. Wedington, CFP	June 30, 2005	Board of Supervisors	Investment
Louis Kroll (alternate)	June 30, 2005	Safety Members	Alternate to both

List of Professional Consultants

As of December 31, 2002

Actuary

Mercer Human Resource Consulting

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

Milliman, USA

Master Custodian

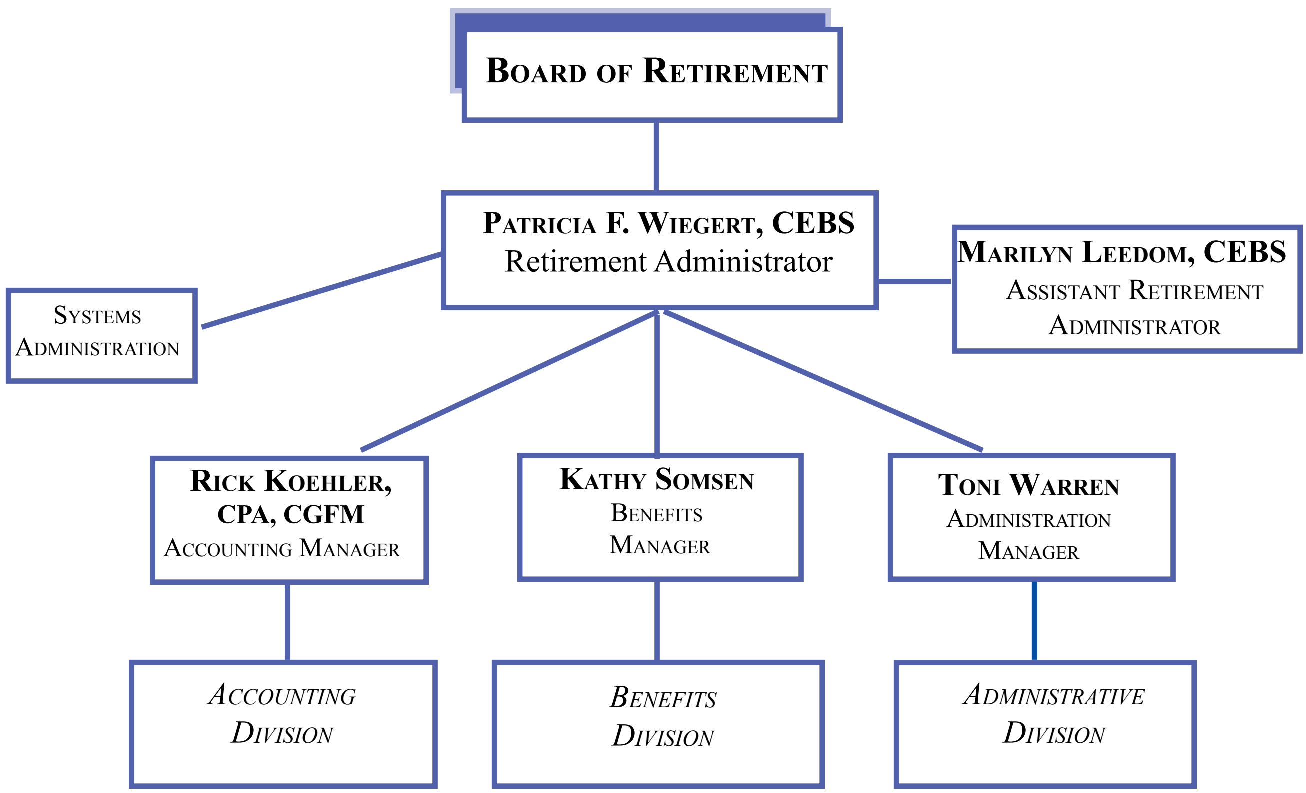
Deutsche Bank National Trust Company

Proxy Guideline Voting Agent Service

Institutional Shareholder Services

Note: List of Investment Managers is located on page 56 of the Investment Section of this report.

Administrative Organization Chart



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, 2001

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

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

William Patrick Pate
President

Jeffrey L. Esser
Executive Director

CERA

II. Financial Section

Macias, Gini & Company LLP
Certified Public Accountants and
Management Consultants

Partners
Kenneth A. Macias, Managing Partner
Ernest J. Gini
Kevin J. O'Connell
Richard A. Green
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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, 2002, 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, 2002, 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 11, 2003, 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 Area

The Management's Discussion and Analysis and 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 information 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, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
April 11, 2003

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of Contra Costa County Employees' Retirement Association (CCCERA) for the year ended December 31, 2002. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our Letter of Transmittal, as well as the Financial Statements.

Financial Highlights

‡ The net assets of CCCERA at the close of the calendar year total $2,365,537,000 (net assets held in trust for pension benefits), a decrease of $339,191,000, or 12.5% from the prior year, primarily as a result of market declines.

‡ Total Additions (losses), as reflected in the Statement of Changes in Plan Net assets, for the year were ($183,901,000), which includes member and employer contributions of $84,080,000 and an investment loss of ($268,163,000) and net securities lending income of $182,000.

‡ Total Deductions as reflected in the Statement of Changes in Plan Net Assets decreased from $157,455,000 to $152,218,000 over the prior year, or approximately 3.3%. This is mainly attributed to CCCERA no longer reimbursing the County for retiree health insurance costs (now a reduction in the County contribution rate) as well as a one time transfer of funds in 2001 to CalPERS for the withdrawal of the City of Pittsburg membership.

‡ CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2001, the date of our last actuarial valuation, the funded ratio for CCCERA was approximately 87.6%. In general, this indicates that for every dollar of benefits due, we have approximately $0.88 to cover it.

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to CCCERA's financial statements, which are comprised of these components:

1. Statement of Plan Net Assets
2. Statement of Changes in Plan Net Assets
3. Notes to the Financial Statements
4. Required Supplementary Information

The Statement of Plan Net Assets is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of year-end. The net assets, which are the assets less the liabilities, reflect the funds available for future use.

The Statement of Changes in Plan Net Assets, on the other hand, provides a view of current year additions to and deductions from the plan. The trend of additions versus deductions to the plan will indicate whether CCCERA's financial position is improving or deteriorating over time.

Both financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standard Board (GASB), using the accrual basis of accounting. CCCERA complies with all material requirements of these principles and guidelines.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments, and all Property and Equipment (capital assets) are depreciated over their useful lives.

Other factors, such as market conditions, should be considered in measuring CCCERA's overall financial strength.

The Notes to the Financial Statements are an integral part of the financial report and provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide detailed discussion of key policies, programs and activities that occurred during the year.

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning CCCERA's progress in funding its obligations to provide pension benefits to members. The Schedule of Funding Progress, a required supplementary schedule, includes historical trend information for the past six years about the actuarially funded status of the plan, and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the Schedule of Employer Contributions, presents historical trend information about annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

Other Supplementary Information. The schedules of administrative expenses, investment management fees, and other investment expenses and payments to consultants are presented following the required supplementary information.

Financial Analysis

Assets and Funding Ratio
As of December 31, 2002, CCCERA has $2,365,537,423 in net assets, which means that total assets of $2,682,421,753 exceed total liabilities of $316,884,330. The net assets represent funds available for future payments. Of importance and unlike private pension funds, public pension funds are not required to disclose the future liability of obligations owed to retirees. Only current liabilities are reported on the Statement of Plan Net Assets.

As of December 31, 2002, net assets decreased by 12.5% over the prior year primarily due to reductions in the fair market value of investments and an increase in the payable for security purchases at year-end by $149,008,000. Current assets and current liabilities also increased by offsetting amounts due to the recording of the securities lending cash collateral.

Capital Assets
CCCERA's investment in capital assets decreased from $573,628 to $516,289 (net of accumulated depreciation and amortization). This investment in capital assets includes equipment, furniture and leasehold improvements. The total decrease in CCCERA's investment in capital assets for the current year was 10% over 2001. CCCERA is in the process of reviewing its technology infrastructure, and has purchased computer servers and equipment for its imaging project. CCCERA remains committed to the addition of a Pension Benefit System; however, the challenge of budgeting funds for this project is ongoing.

PLAN NET ASSETS

	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentages
Current Assets	$ 353,409,462	$ 178,566,903	$ 174,842,559	97.9%
Investments	2,328,496,002	2,589,251,720	(260,755,718)	-10.1%
Capital Assets	516,289	573,628	(57,339)	-10.0%
Total Assets	2,682,421,753	2,768,392,251	(85,970,498)	-3.1%
Total Liabilities	316,884,330	63,663,499	253,220,831	397.7%
Total Plan Net Assets	**$ 2,365,537,423**	**$2,704,728,752**	**($339,191,329)**	**-12.5%**

CCCERA has annual valuations performed by its independent actuary, Mercer Human Resource Consulting. The purpose of the valuation is to determine what future contributions by the members and employers are needed to pay all the expected future benefits. Despite variations in the stock market, CCCERA's management and actuary concur that CCCERA remains in a financial position to meet its obligations to the plan participants and beneficiaries. The current financial position results from a strong and successful investment program over the long term.

CCCERA's Activities

Additions to Plan Net Assets

The primary sources to finance the benefits that CCCERA provides to its members are accumulated through the collection of member (employee) and employer contributions and through the earnings on investments (net of investment expenses). Although enhanced benefits were retroactively adopted by the County for its safety members to become effective July 1, 2002, the increase in the contribution rates will not take effect until January 1, 2003. Net investment losses for the year ended December 31, 2002, totaled ($267,980,549).

By year end, overall additions had decreased by ($143,232,528), or 352.2%, from the prior year due primarily to investment losses. The investment section of this report reviews the result of investment activity for the year ended December 31, 2002.

SCHEDULE OF ADDITIONS

	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentage
Employer Contributions	$ 57,474,043	$ 55,182,505	$ 2,291,538	4.2%
Employee Contributions	26,605,875	18,681,239	7,924,636	42.4%
Net Investment Income	(268,163,039)	(114,846,451)	(153,316,588)	-133.5%
Net Security Lending Income	182,490	314,604	(132,114)	-42.0%
Total	**($183,900,631)**	**($40,668,103)**	**($143,232,528)**	**-352.2%**

Deductions from Plan Net Assets

The primary uses of CCCERA's assets include the payment of benefits to retirees and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the system. Deductions in the year ended December 31, 2002, totaled $152,217,747, a decrease of 3.3% over December 31, 2001. The decrease is attributed to the additional benefit payments attributed to the settlement of the Paulson lawsuit for retirees as well as the growth in the number and average amount of benefits paid to retirees. This was offset by a couple of factors, the first one being the cessation of the reimbursement of health care insurance costs to the County. Instead of reimbursing the County, the contribution rate was decreased by a corresponding percentage. Also, in 2001, there was a one-time transfer of $10.8 million to CalPERS for the withdrawal of the City of Pittsburg membership.

SCHEDULE OF DEDUCTIONS

	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentage
Pension Benefits	$140,096,811	$126,190,164	$13,906,647	11.0%
Health Care Benefits Reimbursed	4,637,588	12,342,644	(7,705,056)	-62.4%
Refunds	643,103	858,013	(214,910)	-25.0%
Administrative	4,298,952	3,745,158	553,794	14.8%
Other Expenses	2,541,293	3,527,656	(986,363)	-28.0%
Membership Withdrawal	-	10,791,085	(10,791,085)	-100.0%
Total	**$152,217,747**	**$157,454,720**	**($5,236,973)**	**-3.3%**

The Board of Retirement approves the annual budget for CCCERA. The California Government Code Section 31580.2 limits the annual administrative expense to eighteen one hundredths of one percent (0.18%) of the total assets of the retirement system. CCCERA has consistently met its administrative expense budget for the current year and prior years.

In 2002, CCCERA made a one-time transfer of $100 million from its excess earnings to the Employer Advance Reserve to partially offset the increased liability associated with the adoption of enhanced benefits allowed per Government Code Sections 31664 and 31676.11. CCCERA also transferred $11 million from its excess earnings to the Employer Advance Reserve to cover the reimbursement of health care costs of approximately 383 pre-1981 retirees who previously were not eligible for health care coverage. A third transfer in the amount of $23 million was made from excess earnings to the Retiree Reserve to fund the cost of providing an additional flat monthly retiree benefit of $200 for all former members who retired prior to January 1, 1983.

CCCERA's Fiduciary Responsibilities

CCCERA's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Economic and Market Review

Periods of uncertainty caused by corporate scandals, a weak economy and fears of war impacted Wall Street in 2002, sending the markets into the red for a third straight year. A number of corporate misdeeds, especially Enron, Tyco International and WorldCom, caused investors to question whether or not they could trust any major company.

The stubborn economy and its refusal to recover didn't help matters in 2002. Low interest rates helped to strengthen the market for consumer purchases. However, in spite of this, the jobless rate rose to an eight-year high. Fear of additional terrorist attacks and expectations of a possible war with Iraq, which has now materialized, also contributed to investor jitters.

Early in 2002, there were signs of optimism, but these quickly dissipated with continual dismal corporate news attributed to either poor earnings or the indictments of key employees. By October, the major indexes had hit lows that hadn't been seen since 1996 and 1997; by year end the Dow Industrial average, the S&P 500 and the Nasdaq composite index all finished with double-digit losses for the year. The Dow was off -16.76%, the S&P 500 was off -23.37% and the Nasdaq was off -31.53%.

Hope remains that 2003 does not become a continuation of the past three years and that a sustained recovery can take place. It has become increasingly difficult to predict the course of events in the global economy, but optimism remains strong that we have turned the corner.

Requests for Information

This financial report is designed to provide the Board of Retirement, membership, taxpayers, investment managers and creditors with a general overview of CCCERA's financial condition and to demonstrate CCCERA's accountability for the funds under its stewardship.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

CCCERA
1355 Willow Way, Suite 221
Concord, CA 94520-5728

Respectfully submitted,

Rick Koehler, CPA, CGFM
Retirement Accounting Manager

April 11, 2003

Statement of Plan Net Assets

Financial CERA

As of December 31, 2002

Assets:	
Cash equivalents	$ 217,720,299
Cash collateral - securities lending	97,146,164
Total cash & cash equivalents	314,866,463
Receivables:	
Contributions	2,125,806
Investment trades	25,493,428
Investment income	10,460,868
Total receivables	38,080,102
Investments at fair value:	
Stocks	925,505,259
Bonds	1,088,353,355
Real estate	266,628,365
Alternative investments	48,009,023
Total investments	2,328,496,002
Other Assets:	
Prepaid expenses/deposits	462,897
Capital assets, net of accumulated depreciation of $284,046	516,289
Total assets	2,682,421,753
Liabilities:	
Investment trades	168,662,515
Security lending	97,146,164
Employer contributions unearned	35,483,940
Retirement allowance payable	12,177,768
Accounts payable	2,240,301
Unclaimed contributions	589,709
Contributions refundable	271,475
Other liabilities	312,458
Total liabilities	316,884,330
Net Assets Held In Trust for Pension Benefits	**$ 2,365,537,423**

(A schedule of funding progress is presented on page 42)

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

For the Year Ended December 31, 2002

Additions:	
Contributions:	
Employer	$ 57,474,043
Employee	26,605,875
Total contributions	84,079,918
Investment income (loss):	
Net depreciation in fair value of investments	(331,044,922)
Net increase in fair value of real estate	2,041,729
Interest	40,763,695
Dividends	10,183,035
Real estate income, net	20,822,915
Investment expense	(10,929,491)
Net investment loss, before securities lending income	(268,163,039)
Securities lending income:	
Earnings	1,678,177
Rebates	(1,374,344)
Fees	(121,343)
Net securities lending income	182,490
Net investment loss	(267,980,549)
Total additions (contributions and net investment loss)	(183,900,631)
Deductions:	
Benefits paid	140,096,811
Retirement healthcare benefits reimbursed to Contra Costa County	4,637,588
Administrative	4,298,952
Contribution prepayment discount	2,480,745
Refunds of contributions	643,103
Other	60,548
Total deductions	152,217,747
Net Decrease	(336,118,378)
Net Assets Held in Trust for Pension Benefits:	
Beginning of year, as previously stated	2,704,728,752
Prior period adjustment (See Note 11)	(3,072,951)
Beginning of year, as restated	2,701,655,801
End of year	**$2,365,537,423**

See accompanying notes to financial statements.

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 18 other member agencies. CCCERA membership at December 31, 2002 is presented below.

Retirees and Beneficiaries Receiving Benefits	6,109
Inactive Vested Members entitled to but not yet receiving benefits	1,374
Current Employees:	
Vested:	
General Employees	4,514
Safety Employees	1,168
Non-Vested:	
General Employees	3,428
Safety Employees	590
Total Membership	**17,183**

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 basic financial statements as a pension trust fund.

Benefit Provisions

The Plan is currently divided into five benefit sections in accordance with the 1937 Act. These sections are known as General Tiers I, II, III, Safety enhanced and Safety non-enhanced. On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provides enhanced benefit changes commonly known as 3% at 50 for safety members and 2% at 55 for general members, effective July 1, 2002 and January 1, 2003, respectively. The enhanced benefits do not apply to bargaining units represented by the California Nurses Association or to the nonrepresented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, or to the supervisors and managers of those employees. In addition, each Special District that is a participant of CCCERA, and whose staff are not County employees covered by Resolution No. 2002/608, may elect to participate in the enhanced benefits. As of December 31, 2002, two general member special districts have notified CCCERA of their intent to offer enhanced benefits to their employees effective January 1, 2003. Previously, two Special District Fire agencies have adopted the enhanced benefits for their safety and general employees, one in 2001 and the other in 2002.

Legislation was signed by the Governor in 2002 which allows Contra Costa County, effective October 1, 2002, to provide Tier III to all new employees, to move those previously in Tier II to Tier III as of that date, and to apply all future service as Tier III. Tier III was originally created October 1, 1998 and made available to all members with five or more years of Tier II service who elected to transfer to Tier III coverage.

Tier I includes members not mandated to be in Tier II or Tier III and reciprocal members who elect Tier I membership. As of December 31, 2002, Tier II includes only the employees described in the paragraph above for whom the County did not adopt the enhanced benefits and employees of one special district agency. County employees who were moved to Tier III effective October 1, 2002, continue to have Tier II benefits for service prior to that date unless the service is converted to Tier III.

Safety includes members in active law enforcement, active fire suppression work or certain other "Safety" classifications as designated by the Retirement Board.

Benefits are administered 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 70 regardless of service, 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 70 regardless of service, 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 in 1980 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 70 regardless of service, 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 (COLA)

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 is a permanent part of the retirees' monthly benefit 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. The net appreciation (depreciation) in fair value of investments held by CCCERA is recorded as an increase (decrease) to investment income based on the valuation of investments at June 30th and December 31st.

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 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, 2002.

Capital Assets

Capital assets, consisting of leasehold improvements, furniture 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, 2002 was $146,692.

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 (1/2 year)
Government Code Section 31592.2 authorizes the Board to pay for healthcare costs of County retired members from the County advance reserves. 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 submitted monthly, certified claims from February 1994 through April 2002, 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. For the year ended December 31, 2002, transfers were made for the first six months of the year. Beginning with July 2002, the amount that would have been transferred was used to reduce the employer contribution rate.

Use of Estimates
The preparation of the Plan's financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Pronouncements
In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and subsequently in June 2001, issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*. GASB Statements No. 34 and No. 37 provide a financial reporting model for governmental entities that addresses four basic reporting elements: Management's Discussion and Analysis, Government-Wide and Fund Financial Statements, Notes to the Financial Statements, and Required Supplementary Information. CCCERA adopted GASB Statement No. 34 for the year ended December 31, 2002, which requires that CCCERA include Management's Discussion and Analysis (MD&A), which is considered to be required supplementary information and precedes the financial statements. The adoption of GASB No. 34 did not have an impact on the net assets of CCCERA.

Note 3. Cash Equivalents and Investments

Deposits

At year-end, the carrying amount of CCCERA's cash deposits was $1,152,552 and the bank balance was $1,495,735. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $300,000 was covered by federal depository insurance, and $1,195,735 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Goverment Code, a financial institution is required to secure deposits in excess of $100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is held by the pledging financial institution's trust department or agent in CCCERA's name.

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 County's 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, 2002 are presented below:

Cash Equivalents - Categorized	
Category 2	
Repurchase Agreements	$ 2,761,000
Cash Equivalents - Not Categorized	
Funds pooled with County	14,744,483
Short-term Investment Funds held with Fiscal Agents	199,062,264
Total Cash Equivalents - Not Categorized	213,806,747
TOTAL CASH EQUIVALENTS	216,567,747
Investments - Categorized	
Category 1	
Domestic Stocks	589,100,550
Domestic Bonds	813,043,554
International Stocks	24,992,119
International Bonds	104,333,758
Total Investments - Categorized	1,531,469,981
Investments - Not Categorized	
Investments held by broker dealers under securities loans with cash collateral:	
Domestic Stocks	32,224,626
Domestic Bonds	53,163,651
International Stocks	3,499,906
International Bonds	3,351,000
Mutual Funds:	
Domestic Bonds	114,461,392
International Stocks	275,688,058
Real Estate	266,628,365
Private Equity	32,521,274
Natural resource funds	15,487,749
Securities lending collateral investment pool	97,146,164
Total Investments - Not Categorized	894,172,185
Total Investments	2,425,642,166
TOTAL CASH EQUIVALENTS & INVESTMENTS	$ 2,642,209,913

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 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/or securities as collateral. The collateral cash can be invested and is automatically rolled into a Short Term Investment Fund (STIF). 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, plus accrued interest (in the case of debt securities).

There are no restrictions on the amount of the securities that can be loaned at one time. CCCERA has the right to terminate any loan in whole or in part by providing the custodian bank with written notice (a "Recall Notice"). Because the loans are terminable at will, the term to maturity of the security loans is generally not matched with the term to maturity of the cash collateral. There were no losses associated with securities lending transactions during the year.

At year-end, CCCERA has no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The fair value of investments on loan at December 31, 2002 is $93,750,390, which was collateralized by cash and securities in the amount of $98,711,478. The fair value of the cash collateral in the amount of $97,146,164 has been reported as an asset and liability in the accompanying Statement of Plan Net Assets.

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 and options 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, 2002, the following derivative financial instruments were held by investment managers:

PIMCO and Western Asset Management manage fixed income portfolios that contain derivative type financial instruments. These instruments include government and corporate obligations consisting of asset-backed securities, call and put options, 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, 2002 is $140,703,175 and reported within the domestic and international bonds, category 1, as in the table in Note 3.

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, 2002, total commitments in forward currency contracts to purchase and sell foreign securities were $119,724,435 and $119,724,435, respectively, with fair values of $123,710,408 and $120,290,025, respectively.

The International Equity EAFE Index Fund managed by Deutsche Asset Management uses future contracts as part of the index portfolio. The fair value of CCCERA's percentage of the futures at December 31, 2002 is $4,075,039 and is reported within international stocks, uncategorized, as in the table in Note 3.

Note 6. 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 2.18% and 10.14% of their annual covered salary. Member contributions are refundable upon termination of employment. County and Moraga Orinda Fire Protection District Safety members contribute, over the next four years, an additional 2.25% per year, up to a maximum of 9.0%, of the employer's increase in contributions attributed to the adoption of the enhanced benefit package commonly known as 3% at 50.

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. Increased contribution rates attributable to the enhanced benefit package adopted by the County and four districts will be effective January 1, 2003, except for some County Safety members who had the additional 2.25% retroactive contribution to April 1, 2002 withheld per the Memorandum of Understanding (MOU).

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 42.

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 9). 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 7. 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, supplemental disability payments under legislated rehabilitation programs, and excess earnings transfers for enhanced benefits and retiree health insurance for certain pre-1981 retirees.

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. Effective January 1, 2003, the interest assumption is decreased to 8.35 percent per annum per Retirement Board action. This lower assumption is used in determining new contribution rates beginning on January 1, 2003. As of December 31, 2002, the Market Stabilization Account is in a negative position due to market losses over the past three years.

Reserved and designated net assets at December 31, 2002 are as follows:

Valuation Reserves:	
Member Deposits	$ 252,349,200
Member Cost of Living	44,215,385
Employer Advance	739,296,755
Employer Cost of Living	444,573,884
Retired Member	947,855,930
Retired Cost of Living	349,323,882
New Dollar Power Cost of Living Supplement and Pre-Fund	38,978,745
Smoothed Market Value Valuation	124,527,582
Total Valuation Reserves	2,941,121,363
Supplemental Reserves:	
Post Retirement Death Benefit	11,855,515
Other Reserves/Designations:	
Statutory Contingency Reserve (one percent)	26,824,217
Board Contingency Designations:	
Additional one percent contingency designation	26,824,217
Excess Earnings from Previous Years	105,677,000
Actuarial Transfer Designation	6,649,000
Total Other Reserves/Designations	165,974,434
Total Allocated Reserves/Designations	3,118,951,312
Market Stabilization Account	(753,413,889)
Net Assets held in trust for pension benefits	**$ 2,365,537,423**

Note 8. 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 9. 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 10. 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 9). 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, per the settlement agreement. 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 are transferred to the Employer Advance Reserve to cover the liability. The costs will then be "funded" to the Retiree Reserves.

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. As of December 31, 2002, there is one batch of retroactive payments yet to be completed.

At its regular board meeting held on April 2, 2003, the Retirement Board adopted an interest assumption rate of 8.0% to be used in the valuation of all actuarial assets and liabilities as of December 31, 2002. This interest assumption will be used to recalculate the present value of future benefits for all batches previously paid over the last few years. The Retirement Board had previously changed the interest assumption, since the payments to retirees and beneficiaries had begun in early 2000, which resulted in differing present values of future payments for various batches.

It is the opinion of the actuary and attorney that represent CCCERA on the Paulson lawsuit, as well as CCCERA's management, that the present value of future benefits should be calculated using the assumption rate of 8.0% forward from December 31, 2002. This will involve recalculating the previously determined liability for all batches. In addition, each batch will be analyzed to determine payments made to December 31, 2002 using the interest rate in effect at the time of payment and to make adjustments going forward for any deceased retiree and/or beneficiaries.

It is known that the total liability will exceed the $90 million set aside by the Retirement Board, but the exact additional liability cannot be reasonably estimated and will not be available until June 2003. However, it is expected to exceed $25 million. Once the final additional liability is identified, each affected employer will be assessed its share. The additional employer contributions for this liability will be amortized as a level dollar amount over a 20-year period, unless a shorter period is otherwise agreed to between that employer and the Retirement Board.

NOTE 11. PRIOR PERIOD ADJUSTMENT

The beginning Net Assets were decreased by $3.1 million for the portion of the Paulson Benefit that was paid in 2002 but is for periods prior to the year ended December 31, 2002. A total of $3.4 million was paid in 2002 for batches 20 through 26 for the Paulson Lawsuit benefit.

Required Supplementary Information

Schedule of Funding Progress (Dollars In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued 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)
12/31/96	$ 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%
12/31/01	2,613,220	2,983,551	370,331	87.6%	523,621	70.7%

*Excludes Accounts Payable. 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
1997	$ 38,537,711***	95.2%
1998	44,243,668***	92.5%
1999	52,565,912***	93.7%
2000	58,035,756***	91.3%
2001	58,642,407***	94.1%
2002	58,319,678***	98.6%

*** 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 9 of the *Notes to Financial Statements.*

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, except as follows: The contribution requirements from the December 31, 2001 valuation become effective on January 1, 2003 per Retirement Board action.

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, 2001
Actuarial Cost Method	Entry Age Normal Funding Method
Amortization Method	Level Percent - closed
Remaining Amortization Period	16 Years
Asset Valuation Method	5 year Smoothed Market, excluding non-valuation reserves and designations*
Actuarial Assumptions	
Investment Rate of Return	8.35%
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 42 has been restated to reflect this change.

LLP
Macias, Gini & Company
Certified Public Accountants and
Management Consultants

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

INDEPENDENT AUDITOR'S RERORT 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, 2002, and have issued our report thereon dated April 11, 2003. 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 interal 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 11, 2003

OFFICE LOCATIONS
Sacramento•Los Angeles •Fresno•San Francisco Bay Area

Other Supplementary Information

Schedule of Administrative Expenses

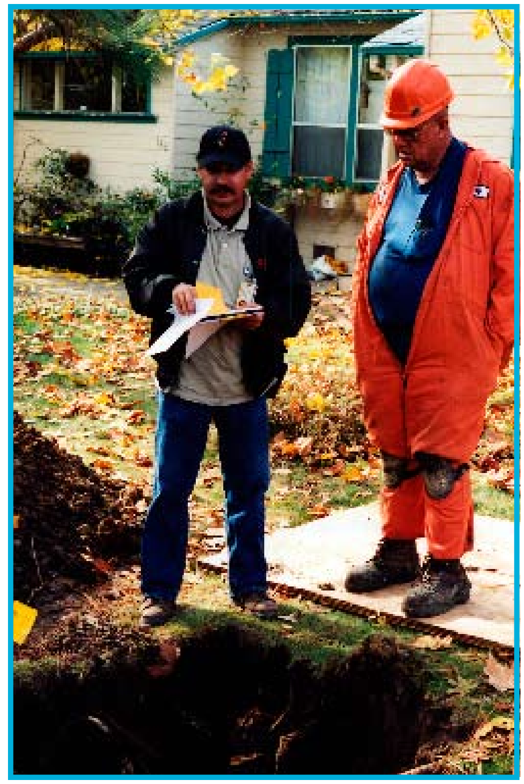
for the year ended December 31, 2002

Personnel Services:	
Salaries and Wages	$ 1,924,671
Employee Retirement	886,387
Total Personnel Services	2,811,058
Professional Services:	
Actuarial Consulting Fees	15,576
Actuary - Benefit Statement	78,172
Attorney Fees	105,104
Computer and Software Services and Support	33,290
County Counsel - Disability	84,378
Disability Hearing Officer/Medical Reviews	35,065
Disability Stenographic Fees	3,152
External Audit Fees	28,000
Contra Costa Dept of Information Technology	27,668
Newsletters	32,448
Other Professional Services	69,818
Total Professional Services	512,671
Office Expenses:	
Office Lease	355,417
Office Supplies	47,927
Minor Equipment and Computer Supplies	59,110
Postage	43,895
Equipment Lease	24,338
Requested Maintenance	4,253
Communications/Telephone	8,991
Printing and Publications	27,162
Total Office Expenses	571,093
Miscellaneous:	
Fiduciary and Staff - Education/Travel	130,854
Fiduciary and Staff - Meetings/Other Travel	4,965
Insurance	110,958
Memberships	10,661
Total Miscellaneous	257,438
Depreciation and Amortization	146,692
Total Administrative Expenses	**$ 4,298,952**

Schedule of Investment Expenses

For the Year Ended December 31, 2002

Investment Management Fees, by portfolio:	
Stocks	$ 3,762,436
Bonds	2,142,647
Real Estate	3,150,930
Alternative	987,112
Cash and Short Term	7,499
Total Investment Management Fees	10,050,624
Investment Consulting Fees:	
Consulting Services	441,189
Actuarial Services	198,044
Total Investment Consulting Fees	639,233
Investment Custodian Fees	239,634
Total Investment Expenses	**$ 10,929,491**



CERA

III. Investment Section

Milliman USA
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March 4, 2003

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, 2002.

Contra Costa County Employees' Retirement Association had a total return on a market value basis before deduction of fees of -9.5% for the calendar year 2002. (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, 2002 were -3.4% per year, and for five years were 4.0%. These returns were calculated by Milliman USA and its predecessor Dorn, Helliesen & Cottle, Inc., from custodial statements and other source data using methodology approved by the Bank Administration Institute Study and by AIMR.

The annual, three and five year returns did not meet most investment objectives. The returns fell short of the actuarial interest rate of 8.5% which is in effect, and did not meet the consumer price index plus 400 basis points target. Returns over many years usually have exceeded actuarial and inflation targets.

The total return for the year trailed the median public fund return of -8.0% (from the Wilshire Cooperative database) as well as the total fund median at -8.1%. Three year results trail the two databases by 0.7% for the total fund database and by 0.4% for the public fund database. Five year results have been better than the database medians.

Patricia Wiegert
March 4, 2003
Page 2

Domestic equity markets posted deeply negative results in the year 2002, the third negative year in a row. This followed a number of years of very strong performance. The Standard and Poors 500 index was down -22.1% for 2002. The Russell 2000 small capitalization index was down -20.5% for the year. CCCERA's domestic equity returned -28.0%, worse than the major indexes and the median. International equity markets (were) also down in 2002, with the MSCI EAFE index down -15.7%. CCCERA's international equity was down -14.6%, in the second quartile.

Domestic bond markets, which had trailed equities prior to 2000 and were strong in 2001, again out-performed in 2002 with a return for the year of 10.3% for the Lehman Aggregate index and 9.2% for the median bond portfolio. CCCERA's domestic fixed income had a 9.1% return for the year.

CCCERA again was helped by its investments in real estate (up 7.5% for the year). Alternative investments, however, pulled down returns in 2002 with a -9.3% return. Private equity markets that had been strong in 2000 fell on hard times in 2001 and 2002.

Total assets in the Fund as of December 31, 2002 were $2.388 billion, compared to $2.733 billion a year earlier.

2002 was a very difficult year for investors and follows the disappointing 2001. We share with you the belief that future returns will be more in keeping with long term trends, with positive returns around 8% per year on average.

Yours truly,

Robert I. Helliesen, CFA,
Principal

OFFICES IN PRINCIPAL CITIES WORLDWIDE

General Information

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, 2002, the total fund return was -9.5%, below the targeted return of 6.5% (CPI plus 400 basis points), and below the median public fund return of -8.0%.

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, 2002

		Current Year	Annualized 3 Year	Annualized 5 Year
Domestic Equity		-28.00%	-14.00%	-1.30%
Benchmarks:	S&P 500	-22.10%	-14.60%	-0.60%
	Russell 2000	-20.50%	-7.60%	-1.40%
	Russell 3000	-21.60%	-13.70%	-0.70%
International Equity		-14.60%	-17.00%	0.20%
Benchmarks:	MSCI EAFE Index	-15.70%	-17.00%	-2.60%
	MSCI EM Free Index	-6.00%	-14.00%	-4.60%
Domestic Fixed Income		9.10%	9.00%	6.80%
Benchmarks:	Lehman Aggregate	10.30%	10.10%	7.50%
	Salomon Mortgage	8.80%	9.40%	7.40%
	Salomon High Yield	-1.50%	-0.70%	0.60%
	T-Bills	1.80%	4.10%	4.40%
International Fixed Income **		7.30%	-	-
Benchmark:	Sal Non US Govt Hedged	6.90%	7.50%	7.30%
Real Estate		7.50%	9.50%	8.20%
Benchmarks:	NCREIF Property Index	6.70%	8.40%	10.50%
	CPI + 500 bps	7.60%	7.60%	7.40%
Alternative Investments		-9.30%	3.80%	8.10%
Total Fund		-9.50%	-3.40%	4.00%
CPI + 400 bps		6.50%	6.50%	6.30%

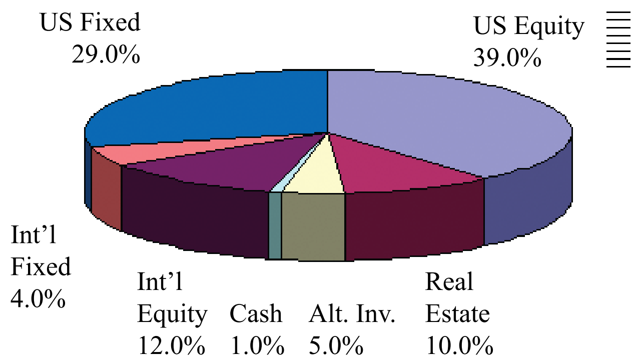
*Using time-weighted rate of return based on the market rate of return

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

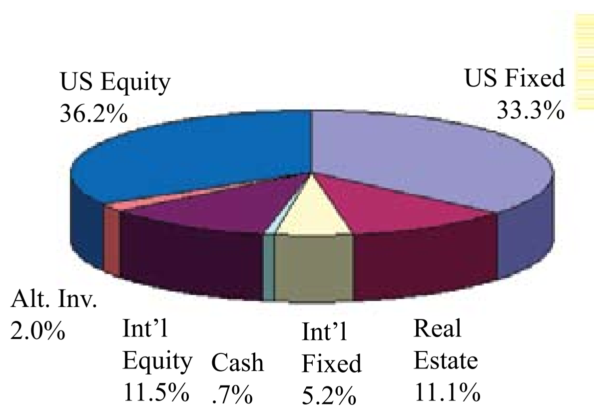
Asset Allocation

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, 2002



Target Asset Allocation



Actual Asset Allocation

10 Largest Stock Holdings as of 12/31/02

CUSIP	Shares	Security Name	Fair Value
991101150	171,161	Pyramid-Continental Europe Index Fund	$ 54,706,209
991101130	490,684	Pyramid Japan Index Fund	32,228,158
594918100	357,850	Microsoft Corp	18,500,845
172967100	519,139	Citigroup Inc	18,268,501
717081100	519,040	Pfizer Inc Com	15,867,053
478160100	94,000	Johnson & Johnson	13,158,950
991101120	39,588	Pyramid United Kingdom Index Fund	12,202,702
369604100	157,200	General Electric Co (US)	11,610,080
026874100	187,693	American Intl Group Inc Com	10,858,040
828806100	300,600	Simon Ppty Group Inc New	10,241,442
		Total Largest Stock Holdings	**$ 197,641,980**

10 Largest Bond Holdings as of 12/31/02

CUSIP	Par Value	Security Name	Cost	Fair Value
722005800	$11,313,397	Pimco Fds Pac Invt Mgmt Ser	$125,845,442	$ 122,410,958
722005870	5,805,491	Pimco Fds Pac Invt Mgmt Ser	62,003,498	59,912,667
722005600	3,538,335	Pimco Priv US Govt	38,578,102	38,320,172
01N070610	30,300,000	Government Natl Mtg Assn	31,980,306	32,099,214
912810FH0	19,510,000	US Government Bond	24,247,022	26,310,545
01N062610	23,300,000	Government Natl Mtg Assn	24,320,280	24,435,875
01F062610	22,800,000	Federal Natl Mtg Assn	23,539,406	23,733,432
722005400	2,191,217	Pimco Fds Pac Invt	21,493,452	21,495,842
00699P130	985,582	Western Asset (W00000005) Inv Gr LLC	13,735,135	15,168,110
10299M720	1,371,906	Western Asset Tr Inc US Dollar High Yld.LLC	14,249,520	15,010,020
		Total Largest Bond Holdings		**$ 378,896,835**

A complete list of portfolio holdings is available on request.

Schedule of Investment Management Fees

FOR THE YEAR ENDED DECEMBER 31, 2002

Investment Activity	
Stock Managers	
Domestic	$ 2,772,656
International	989,780
Subtotal	3,762,436
Bond Managers	
Domestic	1,743,910
International	398,737
Subtotal	2,142,647
Real Estate Managers	3,150,930
Alternative Investment Managers	987,112
Cash & Short Term with County Treasurer	7,499
Total Fees from Investment Activity (see page 46)	10,050,624
Securities Lending Activity	
Management Fee	121,343
Borrower Rebate	1,374,344
Total Fees from Securities Lending Activity	1,495,687
TOTAL INVESTMENT MANAGEMENT FEES	11,546,311

Investment Summary

As of December 31, 2002

Type of Investment	Fair Value	Percent of Total Fair Value
Deposit	$ 1,152,552	0.04%
Short Term Investments held by Fiscal Agent	296,208,428	11.21%
Short Term Investments held by the County	17,505,483	0.66%
Total Short Term Investments	314,866,463	11.91%
US Government and Agency Instruments	403,276,703	15.26%
Private Placement Bonds	327,148,718	12.38%
Domestic Corporate Bonds	252,740,562	9.56%
International Bonds	105,187,373	3.97%
Total Bonds	1,088,353,355	41.17%
Domestic Stocks	621,325,176	23.51%
International Stocks	304,180,083	11.50%
Total Stocks	925,505,259	35.01%
Real Estate	266,628,365	10.09%
Alternative Investments	48,009,023	1.82%
Total Investments	**$ 2,643,362,465**	**100%**

Investment Managers

As of December 31, 2002

Alternative Assets
Adams Street Partners
Pathway Capital Management
Prudential Timber Investments Inc

Equity - Domestic
Aeltus Investment Management
Alliance Capital Management Corp
Boston Partners
Dreyfus Investment Advisors, Inc
Intech
PIMCO
Wentworth, Hauser and Violich

Fixed Income - Domestic
AFL-CIO Housing Investment Trust
Fountain Capital Management LLC
Nicholas-Applegate Capital Management
PIMCO
Western Asset Management

Equity - International
Capital Guardian Trust Company
Deutsche Asset Management

Fixed Income - International
Fischer, Francis, Trees & Watts, Inc

Cash & Short Term
Contra Costa County Treasurer
Deutsche Bank National Trust Company

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

Securities Lending Program
Deutsche Bank National Trust Company

CERA

IV. Actuarial Section

Actuary Certification Letter

MERCER
Human Resource Consulting

Actuarial Certification

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, 2001, by Mercer Human Resources Consulting. 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 decreasing 20 year period.

Subsequent to our December 31, 2001 actuarial valuation, some employers have adopted improved benefits for their General and Safety members under 2% at 55 (Section 31676.16) and 3% at 50 (Section 31664.1) formulas, respectively. At its November 26, 2002, meeting, the Board adopted the higher contribution rates calculated in our November 20, 2002 report to reflect the new formulas. These contribution rates will be paid from January 1, 2003 through December 31, 2003.

At its December 11, 2002 meeting, the Board voted to transfer excess earnings to subsidize the COLA component of the empolyee contribution rates for the first six months of 2003.

The ratio of actuarial value of assets to actuarial accrued liabilities decreased from 89% to 88% before reflection of the enhanced benefit formulas. After reflecting the enhanced benefit formulas and the $100 million Board transfer, the ratio dropped to 85%.

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:

MMC Marsh & McLennan Companies

(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. The contribution increase was fully phased in with the December 31, 2000 valuation.

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, the Association has undertaken to determine the amounts that retired members had received in additional pay elements now recognized as Earnable Compensation. This is a lengthy process and is not yet completed. As part of the settlement, the Board designated $90 million of assets to provide for the resulting additional liabilities. As the revised benefits were calculated, the funds to cover the increased benefits were transferred from the designated funds. At the time of this valuation, we determined that the $90 million would not be sufficient to pay the lump sum retroactive payments plus the present value of future payments due after December 31, 2001.

However, the liability shortfall has not been included in determining the employer's contribution rates in this valuation. According to the settlement agreement, individual employers will pay for their share of liability shortfall. We will calculate the additional contribution requirements for each employer once the total liability of the settlement is available.

Experience Analysis

The results of this study are based on actuarial assumptions and procedures reviewed in our experience analysis as of December 31, 2000.

In that study, we reviewed and recommended the demographic assumptions and procedures for our annual actuarial valuations.

The Retirement Board adopted all of our recommendations except:

(a) Service from unused sick leave conversion - members are allowed to convert unused sick leave to service credit at retirement. Currently, such service is not recognized in the actuarial valuation until it is actually converted at retirement.

We recommended 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.

(b) 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. The Board decided not to use the recommended mortality tables.

In our report dated April 2, 2002, we reviewed the economic actuarial assumptions we would recommend for this valuation.

In that report, we derived an interest rate assumption of 8.35% per annum using the Building Block Approach, and we recommended an interest rate assumption of 8.25%. However, we pointed out the interest rate assumption of 8.50% would pose no unsound risk for CCCERA.

After further discussions at the April Board meeting, the Board decided to adopt an 8.35% investment return assumption.

The contribution rates provided in the December 31, 2001 actuarial valuation report are based on the 8.35% investment return assumption adopted by the Board.

Benefit Changes

Some employers have adopted improved benefits for their General and Safety members under 2% at 55 and 3% at 50 formulas, respectively, since the last valuation as of December 31, 2000.

The 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.

The Solvency Test required for the Association's CAFR report is in the Funding History section of our actuarial valuation report.

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.

Mercer Human Resource Consulting

Marcia L. Chapman

Marcia L. Chapman, FSA, EA, MAAA

March 6, 2003

Andy Yeung

Andy Yeung, ASA, EA, MAAA

March 6, 2003

Summary of Assumptions and Funding Methods

The following assumptions have been adopted by the Board for the fiscal year 2001-2002 and the second half of the calendar year 2002 and are based on the December 31, 2000 valuation. The rates produced by the December 31, 2000 valuation were implemented for July through December 2002.

Assumptions

Valuation Interest rate	8.50%
Inflation Assumption	4.25%
Cost of Living Adjustments	3% for Tiers 1, 3 and Safety 4% for Tier 2
Interest Rate Credited to Active Member Accounts	8.50%

The following assumptions have been adopted by the Board for the calendar year 2003 and are based on the December 31, 2001 valuation. The rates produced by the December 31, 2001 valuation will not be implemented until January 2003.

Assumptions

Valuation Interest Rate	8.35%
Inflation Assumption	4.25%
Cost of Living Adjustments	3% for Tiers 1,3 and Safety 4% for Tier 2
Interest Rate Credited to Active Member Accounts	8.35%

Post-Retirement Mortality

A. Service

General Tier 1, Tier 2 and Tier 3

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 1, Tier 2 and Tier 3	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)

Pre-Retirement Mortality	Based upon the Experience Analysis as of 12/31/00
Withdrawal Rates	Based upon the Experience Analysis as of 12/31/00
Disability Rates	Based upon the Experience Analysis as of 12/31/00
Service Retirement Rates	Based upon the Experience Analysis as of 12/31/00
Salary Scales	Total increases of 5.71% per year reflecting approximately 4.25% for inflation and approximately 1.46% for merit and longevity
Marriage Assumption At Retirement	80% for male members 55% for female members
Value of Assets for Contribution Rate Purposes	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 16 years as of December 31, 2001.

Probability of Occurrence

Age	Service Retirement	Withdrawal <Five Years	Withdrawal >=Five Years	Terminated Vested	Non-Duty Disability	Service Disability	Non-Duty Death	Service Death
General Male Members - Tier 1								
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	0.0110	0.0086	0.0001
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
General Male Members - Tier 2								
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
General Male Members - Tier 3								
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
General Female Members - Tier 1								
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
General Female Members - Tier 2								
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
General Female Members - Tier 3								
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	0.0001
60	0.0689	0.0000	0.0000	0.0050	0.0087	0.0022	0.0022	0.0001
70	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Male & Female Members - Safety								
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, 2001 Valuation Results

Actuarial CERA

SUMMARY OF RECOMMENDATIONS

Employer Contribution Rates*	December 31, 2001**	December 31, 2000***	Increase (Decrease)
Normal Cost Rate:	13.09%	12.64%	.45%
Rate of Contribution to Unfunded Actuarial Accrued Liability:	5.92%	4.77%	1.15%
Total Employer Rate:	19.01%	17.41%	1.60%
Estimated Annual Amount***:	$103,776,000	$95,030,000	$8,746,000
Member Contribution Rates*			
General Members (Tier 1)*****			
25	6.16%	5.98%	0.18%
35	6.72%	6.58%	0.14%
45	7.60%	7.49%	0.11%
Average Entry Age (Age 33)	6.58%	6.42%	0.15%
General Members (Tier 2)			
25	2.34%	2.28%	0.06%
35	2.56%	2.50%	0.06%
45	2.89%	2.85%	0.04%
Average Entry Age (Age 38)	2.65%	2.60%	0.05%
General Members (Tier 3)*****			
25	4.83%	4.63%	0.20%
35	5.28%	5.09%	0.19%
45	5.97%	5.79%	0.18%
Average Entry Age (Age 36)	5.33%	5.15%	0.18%
Safety Members			
21	7.70%	7.49%	0.21%
25	7.83%	7.63%	0.20%
30	8.15%	7.97%	0.18%
Average Entry Age (Age 29)	8.07%	7.89%	0.18%
Estimated Annual Amount****	$28,294,000	$26,920,000	$1,374,000
Actuarial Assumptions			
Annual Inflation Rate:	4.25%	4.25%	
Annual Investment Return:	8.35%	8.50%	
Average Annual Salary Increase:	5.71%	5.71%	
Other Assumptions	12/31/00 Experience Study	12/31/00 Experience Study	

* Reflects 50% subvention of member basic contribution rates.
** Rates shown are to be applied from 1/1/2002 through 12/31/2003.
*** Rates shown are to be applied from 7/1/2002 through 12/01/2002.
**** Based on 12/31/2001 payroll projected with inflation to 12/31/2002.
***** Monthly contributions for the first $350 are based upon 2/3 of the above rates.

Summary of Significant Results

Association Membership	December 31, 2001	December 31, 2000	Increase/ (Decrease)
Active Members			
1. Number of Members	9,229	8,884 ***	3.9%
2. Total Active Payroll	$523,621,000	$488,384,000 ***	7.2%
3. Average Monthly Salary	$4,728	$4,581	3.2%
Retired Members			
1. Number of Members:			
Service Retirement	4,078	3,838	6.3%
Disability Retirement	823	777	5.9%
Beneficiaries	994****	943	5.4%
2. Total Retired Payroll	$132,093,000	$110,348,000	19.7%
3. Average Monthly Pension	$1,867	$1,654	12.9%
Inactive Vested Members			
1. Number of Members*	955	877	8.9%

Asset Values (Net)			
Market Value	$2,704,729,000	$2,931,262,000	-7.7%
Return on Market Value	-4.23%	0.79%	
Actuarial Value	$3,090,177,000	$2,916,159,000	6.0%
Return on Actuarial Value	9.73%	13.75%	
Valuation Assets	$2,613,220,000	$2,355,179,000 **	11.0%
Return on Valuation Assets	7.92%	8.21%	

Liability Values			
Actuarial Accrued Liability**	$2,983,551,000	$2,643,526,000	12.9%
Unfunded Actuarial Accrued Liability (UAAL)**	$370,331,000	$288,347,000	28.4%

Funding Ratio GASB No. 25	88%	89%	-1%

*Only includes members who are not active in any other tier.
**After adjusting for the withdrawal of the City of Pittsburg.
***Excludes active members from the City of Pittsburg.
****Includes Dollar Power benefit.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
12/31/96	General	6,292	$263,616,000	$41,897	-0.79%
	Safety	1,504	90,122,000	59,922	-1.73%
	Total	**7,796**	**$353,738,000**	**$45,374**	**-1.26%**
12/31/97	General	6,514	$288,065,000	$44,222	5.55%
	Safety	1,577	97,347,000	61,729	3.02%
	Total	**8,091**	**$385,412,000**	**$47,635**	**4.98%**
12/31/98	General	6,808	$309,594,000	$45,475	2.83%
	Safety	1,607	102,154,000	63,568	2.98%
	Total	**8,415**	**$411,748,000**	**$48,930**	**2.72%**
12/31/99	General	7,127	$351,694,000	$49,347	8.51%
	Safety	1,674	111,586,000	66,658	4.86%
	Total	**8,801**	**$463,280,000**	**$52,639**	**7.58%**
12/31/00	General	7,243	$374,918,000	$51,763	4.90%
	Safety	1,641	113,465,000	69,144	3.73%
	Total	**8,884**	**$488,383,000**	**$54,973**	**4.43%**
12/31/01	General	7,529	$401,877,010	$53,377	3.12%
	Safety	1,700	121,744,376	71,614	3.57%
	Total	**9,229**	**$523,621,386**	**$56,737**	**3.21%**

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
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	104,237,054	16.00%	19,353
2000	5,386	446	(274)	5,558	113,149,480	8.55%	20,358
2001	5,558	451	(112)	5,897	$ 126,190,164	11.53%	$ 21,399

Solvency Test

(Dollar Amounts in Thousands)

	Aggregate Accrued Liabilities (AAL) for:				Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	1 Active Member Contributions	2 Retirants and Beneficiaries	3 Active Members Employer Portion	Reported Assets	1	2	3
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	1,023,040	2,137,554	100%	100%	71%
12/31/00	235,308	1,279,927	1,128,291	2,355,179	100%	100%	74%
12/31/01	242,385	1,533,583	1,207,583	2,613,220	100%	100%	69%

Actuarial Analysis of Financial Experience

For Years Ended December 31

(Dollar Amounts In Thousands)

Type of Activity	2001	2000	1999	1998	1997	1996
Composite Gain (or Loss) During Year	($81,984)	$7,713	$155,734	($210,414)	($140,093)	$8,144

Summary of Major Pension Plan Provisions

MAJOR PROVISIONS OF THE PRESENT SYSTEM
BENEFIT SECTIONS 31676.11, 31676,16, 31751, 31664 AND 31664.1 OF THE 1937 COUNTY ACT

Briefy summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through December 31, 2001, and as adopted by Contra Costa County and special district employees.

A. GENERAL MEMBERS[1] -

Tier 1 and Tier 3 Plans (Section 31676.11)
San Ramon Fire Protection District (Section 31676.16)

Tier 2 Plan (Section 31751)

Coverage

Tier 1:

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

San Ramon Fire Protection District (Section 31676.16): All General employees of the San Ramon Fire Protection District

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.

Final Average Salary (FAS)

Tier 1 and Tier 3:

a. One year final average salary

Tier 2:

a. Three year final average salary

Service Retirement

Tier 1 and Tier 3:

a. Requirement

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

b. Benefit (Section 31676.11)

Retirement

Age	Benefit Formula
50:	(1.24%xFAS-1/3x1.24%x$350)x Yrs
55:	(1.67%xFAS-1/3x1.67%x$350)x Yrs
60:	(2.18%xFAS-1/3x2.18%x$350)x Yrs
62:	(2.35%xFAS-1/3x2.35%x$350)x Yrs
65:	(2.61%xFAS-1/3x2.61%x$350)x Yrs

Tier 2:

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:	(0.83%xFASxYrs-0.57%xYrs*xPIA)
55:	(1.13%xFASxYrs -0.87%xYrs*xPIA)
60:	(1.43%xFASxYrs-1.37%xYrs*xPIA)
62:	(1.55%xFASxYrs-1.67%xYrs*xPIA)
65:	(1.73%xFASxYrs-1.67%xYrs*xPIA)

Maximum Benefit 100% of FAS.

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

[1]San Ramon Fire Protection District has already adopted improved benefits for their General and Safety Members under 2% at 55 and 3% at 50 formulas, respectively.

Tier 1 and 3 Plans (Section 31676.11)
San Ramon Fire Protection District (Section 31676.16)

b. Benefit (Section 31676.16)

Retirement

Age	Benefit Formula
50:	(1.43%xFAS-1/3x1.43%x $350)xYrs
55:	(2.00%xFAS-1/3x2.00%x $350)xYrs
60:	(2.26%xFAS-1/3x2.26%x $350)xYrs
62:	(2.37%xFAS-1/3x2.37%x $350)xYrs
65:	(2.42%xFAS-1/3x2.42%x $350)xYrs

Maximum Benefit - 100% of FAS

Disability Retirement

Tier 1 and San Ramon Fire Protection District:

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: 1-1/2% x FAS x years of service. Future service years projected to age 65. Generally leads to1/3 FAS benefit.

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.

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

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.

Death After Retirement

Tier 1 and 3 Plans (Section 31676.11)
San Ramon Fire Protection District (Sec. 31676.16)

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

Tier 2 Plan (Section 31751)

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. b. If greater than five years of service, right to have vested deferred retirement benefit.	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 except for Tier 3 disability benefits which can increase 4% per year.	4% maximum change per year

Employee's Contribution[1] Rates

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

[1]We are working with the Retirement Association in developing the assumptions required to determine contribution rates for the enhanced 2% at 55 benefits. Members of San Ramon Fire Protection District will continue to pay the contribution rates determined for Tier 1 formula until new contribution rates for the enhanced 2% at 55 benefits are developed.

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 (Section 31664)-(for all except San Ramon 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 (Section 31664.1)-(San Ramon 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[1] - to provide for 1/2 of the Section 31664 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

[1]We are working with the Retirement Association in developing the assumptions required to determine contribution rates for the enhanced 3% at 50 benefit.

Members of San Ramon Fire Protection District will continue to pay the contribution rates determined for Safety members under Section 31664 formula until new contribution rates for the enhanced 3% at 50 benefit are developed.

CERA

V. Statistical Section

Revenue by Source

For Years 1997 - 2002

Year Ending	Employee Contributions	Employer Contributions	Investment Income/(Loss)*	Total
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	30,409,388	98,859,400
2001	18,681,239	55,182,505	(114,531,847)	(40,668,103)
2002	26,605,875	57,474,043	(267,980,549)	(183,900,631)

*Net of Investment Expenses

Expenses by Type

For Years 1997 - 2002

Year	Benefits*	Refunds	Retiree Healthcare Benefits Reimbursements**	Administrative	Other Expenses	Total
1997	$82,019,428	$1,014,600	$ 6,665,785	$ 2,185,024	$ 1,650,880	$ 93,535,717
1998	89,859,684	765,618	11,361,045	2,590,124	2,467,215	107,043,686
1999	100,519,544	856,620	8,625,395	2,675,125	3,845,689	116,522,373
2000	113,149,480	1,060,249	12,408,770	3,128,624	3,904,263	133,651,386
2001***	126,190,164	858,013	12,342,644	3,745,158	3,527,656	146,663,635
2002	140,096,811	643,103	4,637,588	4,298,952	2,541,293	152,217,747

*The benefit amounts do not reflect the prior period adjustment that resulted from the recalculation and payments (see footnote 10 for more information) 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.

**Direct reimbursements were made for 1/2 year only in 2002 per Retirement Board direction (see Footnote 2 of the Financial Statements).

***A one time payment of $10,791,085 for membership withdrawal by the City of Pittsburg is excluded from 2001.

Schedule of Benefit Expenses by Type

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

	2001	2000	1999	1998	1997	1996
Service Retirement						
Payroll:						
General	$69,426,588	$57,580,704	$53,205,888	$49,150,068	$44,141,628	$41,396,052
Safety	25,534,956	22,648,836	19,218,240	16,618,140	13,536,888	12,623,328
TOTAL	94,961,544	80,229,540	72,424,128	65,768,208	57,678,516	54,019,380
Disability Retirement						
Payroll:						
General	9,561,036	8,052,996	7,478,112	6,540,395	6,132,840	5,532,732
Safety	12,770,940	10,830,432	9,925,116	8,385,012	7,184,760	6,763,344
TOTAL	22,331,976	18,883,428	17,403,228	14,925,407	13,317,600	12,296,076
Beneficiary						
Payroll:						
General	9,825,504	7,600,296	7,078,608	6,685,716	5,977,404	5,484,900
Safety	4,982,532	3,635,004	3,151,620	2,814,048	2,421,012	2,247,900
TOTAL	14,808,036	11,235,300	10,230,228	9,499,764	8,398,416	7,732,800
Total Benefit						
Expense:						
General	88,813,128	73,233,996	67,762,608	62,376,179	56,251,872	52,413,684
Safety	43,288,428	37,114,272	32,294,976	27,817,200	23,142,660	21,634,572
TOTAL	**$132,101,556**	**$110,348,268**	**$100,057,584**	**$90,193,379**	**$79,394,532**	**$74,048,256**

Schedule of Retired Members by Type of Benefit

Statistical CERA

SUMMARY OF MONTHLY ALLOWANCES BEING PAID
AS OF DECEMBER 31, 2001

GENERAL MEMBERS
MONTHLY ALLOWANCE

Service Retirement:	Number	Basic	Cost of Living	Total
Unmodified	3,166	$3,930,359	$ 1,344,930	$ 5,275,289
Option 1	183	201,307	49,977	251,284
Option 2,3,& 4	199	216,043	42,933	258,976
TOTAL	3,548	$4,347,709	$ 1,437,840	$5,785,549
Disability:				
Unmodified	448	$ 543,690	$ 205,068	$748,758
Option 1	24	27,209	8,242	35,451
Option 2,3 & 4	10	10,576	1,968	12,544
TOTAL	482	$ 581,475	$ 215,278	$796,753
Beneficiaries:	779	$ 464,431	$ 354,361	$818,792
TOTAL	4,809	$5,393,615	$2,007,479	$7,401,094

SAFETY MEMBERS
MONTHLY ALLOWANCE

Service Retirement:	Number	Basic	Cost of Living	Total
Unmodified	506	$ 1,585,427	$ 475,026	$ 2,060,453
Option 1	14	21,454	5,276	26,730
Option 2,3,& 4	12	34,559	6,171	40,730
TOTAL	532	$ 1,641,440	$ 486,473	$ 2,127,913
Disability:				
Unmodified	332	$ 792,214	$ 254,021	$ 1,046,235
Option 1	4	4,615	2,500	7,115
Option 2,3 & 4	5	8,856	2,039	10,895
TOTAL	341	$ 805,685	$ 258,560	$ 1,064,245
Beneficiaries:	215	$230,266	$ 184,945	$ 415,211
TOTAL	1,088	$2,677,391	$ 929,978	$ 3,607,369

Schedule of Average Benefit Payment Amounts

Estimates Based on Annualized Benefit Amounts at December 31 of Each Year

Years Since Retirement

Tier 1	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**
2001 Average Monthly Benefit	$2271	$1956	$1781	$1459	$1164	$1106	$ 810	$ 823	$566
Number Retirees & Beneficiaries	895	817	699	675	533	269	80	15	9
2000 Average Monthly Benefit	$2076	$1727	$1530	$1211	$ 873	$ 664	$ 469	$ 428	$1053
Number Retirees & Beneficiaries	830	822	704	696	505	228	74	12	43
1999 Average Monthly Benefit	$1850	$1679	$1401	$1103	$ 843	$ 588	$ 458	$ 328	$ 319
Number Retirees & Beneficiaries	902	796	736	683	472	208	59	10	7
1998 Average Monthly Benefit	$1689	$1584	$1300	$1029	$ 776	$ 555	$ 437	$ 304	$ 412
Number Retirees & Beneficiaries	883	827	761	679	445	182	46	12	2
1997 Average Monthly Benefit	$1526	$1495	$1224	$ 944	$ 707	$ 520	$ 414	$ 350	$ 565
Number Retirees & Beneficiaries	825	840	784	683	394	157	48	15	1
1996 Average Monthly Benefit	$1512	$1396	$1164	$ 812	$ 672	$ 442	$ 389	$ 319	$ 645
Number Retirees & Beneficiaries	882	796	785	666	390	127	33	13	2

Tier 2	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**
2001 Average Monthly Benefit	$ 673	$ 644	$ 580	$ 480	633				
Number Retirees & Beneficiaries	373	186	58	14	2				
2000 Average Monthly Benefit	$ 675	$ 571	$ 550	$ 288					
Number Retirees & Beneficiaries	316	160	32	13					
1999 Average Monthly Benefit	$ 654	$ 521	$ 584	$ 191					
Number Retirees & Beneficiaries	310	127	25	9					
1998 Average Monthly Benefit	$ 614	$ 535	$ 453	$ 216					
Number Retirees & Beneficiaries	268	107	22	6					
1997 Average Monthly Benefit	$ 584	$ 502	$ 416	$ 336					
Number Retirees & Beneficiaries	223	88	17	3					
1996 Average Monthly Benefit	$ 515	$ 491	$ 366	$ 475					
Number Retirees & Beneficiaries	187	61	13	2					

Schedule of Average Benefit Payment Amounts

Estimates Based on Annualized Benefit Amounts at December 31 of Each Year

Years Since Retirement

Tier 3	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**
2001 Average Monthly Benefit	$490								
Number Retirees & Beneficiaries	182								
2000 Average Monthly Benefit	$ 388								
Number Retirees & Beneficiaries	92								
1999 Average Monthly Benefit	$ 397								
Number Retirees & Beneficiaries	47								
1998* Average Monthly Benefit	$ 244								
Number Retirees & Beneficiaries	4								

*Tier 3 started October 1998

Safety	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**
2001 Average Monthly Benefit	$4004	$3265	$3218	$2944	$2914	$2399	$1609	$1149	
Number Retirees & Beneficiaries	326	278	156	144	100	56	23	5	
2000 Average Monthly Benefit	$3763	$3021	$3061	$2591	$2328	$1554	$1102	$ 704	
Number Retirees & Beneficiaries	307	262	150	130	96	51	17	5	
1999 Average Monthly Benefit	$3261	$2912	$2518	$2338	$2186	$1266	$ 977	$ 751	
Number Retirees & Beneficiaries	307	260	145	123	96	41	16	3	
1998 Average Monthly Benefit	$2866	$2795	$2437	$2248	$1854	$1190	$ 737	$ 884	$ 801
Number Retirees & Beneficiaries	285	237	145	117	89	37	14	2	1
1997 Average Monthly Benefit	$2581	$2543	$2331	$2069	$1544	$1072	$ 675	$ 832	
Number Retirees & Beneficiaries	261	197	151	114	81	31	8	3	
1996 Average Monthly Benefit	$2548	$2367	$2234	$1952	$1427	$ 896	$ 613	$ 755	
Number Retirees & Beneficiaries	283	166	155	110	69	27	7	1	

Participating Employers and Active Members

As of December 31, 2002

County of Contra Costa:

General Members	6,850
Safety Members	1,606
Total:	**8,456**

Participating Agencies:

Bethel Island Municipal Improvement District	2
Byron, Brentwood, Knightsen Union Cemetery District	4
Central Contra Costa Sanitary District	244
Contra Costa County Employees' Retirement Association	33
Contra Costa Housing Authority	113
Contra Costa Mosquito and Vector Control District	28
Delta Diablo Sanitation District	57
Diablo Water District	11
Local Agency Formation Commission (LAFCO)	1
Ironhouse Sanitary District	24
Rodeo Sanitary District	6
In-Home Supportive Services Authority (IHSS)	10
Children & Families Commission	9
Contra Costa County Fire Protection District	387
East Contra Costa Fire Protection District	55
Moraga-Orinda Fire Protection District	69
Rodeo-Hercules Fire Protection District	21
San Ramon Valley Fire Protection District	170
Total:	**1,244**
Total Active Membership:	**9,700**

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Photograph Captions

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