

Contra Costa County
Employees' Retirement Association



Comprehensive Annual Financial Report

for the year ended December 31, 2006

A Component Unit of the
County of Contra Costa, California

Comprehensive

Annual Financial

Report*

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for the year ended December 31, 2006

Issued by:

Marilyn Leedom, CEBS

Retirement Chief Executive Officer

Rick Koehler, CPA, CGFM

Retirement 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 94520-5728

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Introductory Section

Letter of Transmittal

May 1, 2007

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, 2006, our 61st 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 County employees and 16 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 within this CAFR, 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.

The **FINANCIAL SECTION** presents the financial condition and funding status of CCCERA. This section contains the opinion of the independent certified public accountants, Brown Armstrong CPAs, 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 reports 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, The Segal Company, actuarial statistics, and general plan provisions.

The STATISTICAL SECTION presents information on 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 16 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
First 5 - Children & Families Commission
In-Home Supportive Services Authority (IHSS)
Local Agency Formation Commission (LAFCO)
Rodeo Sanitary District
Superior Courts of Contra Costa County
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

In addition, CCCERA administers retirement, disability or survivor benefits to retirees or beneficiaries of the following former participating agencies:

Alamo-Lafayette Cemetery District
City of Pittsburg
Delta Diablo Sanitation District
Diablo Water District
Ironhouse Sanitary District
Kensington Fire Protection District
Office of Education
Stege Sanitary 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 12 member Board of Retirement is responsible for the general management of CCCERA. Of the twelve members, three are alternates, one for the appointed members, one for safety and one for retirees. Five Board members are appointed by the Contra Costa County Board of Supervisors, one as an alternate. Four Board members, including the safety alternate, are elected by CCCERA's active membership. Two Board members are elected by the retirees, one as an alternate. 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. Effective January 1, 2006, the Board of Supervisor appointee alternate member joined the Retirement Board.

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, 2006, is presented in the Management's Discussion and Analysis (MD&A), 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.

Brown Armstrong CPAs, CCCERA's independent auditor, has audited the accompanying financial statements. Management believes 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 The Segal Company, was performed as of December 31, 2003. The Segal Company's actuarial

valuation as of December 31, 2005, determined the funding status (the ratio of system assets to system liabilities) to be 85%, using approved assumptions. 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 increased from \$4.2 billion at December 31, 2005, to \$4.9 billion at December 31, 2006. For the year ended December 31, 2006, CCCERA's investment portfolio returned 15.3%, before investment management fees, reflecting market conditions throughout the year. The Association's annualized rate of return was 13.2% over the last three years, 10.1% over the last five years, and 10.2% over the last 10 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, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

CCCERA was awarded the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for 2006. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration, and to serve as a benchmark by which all defined benefit public plans should be measured. CCCERA has met these standards.

SERVICE EFFORTS AND ACCOMPLISHMENTS

New County Safety Tier C - CCCERA will administer a new safety tier structure based on legislation passed in 2006 affecting Deputy Sheriff's Association (DSA) members only. Deputy Sheriffs hired *after* January 1, 2007, will have benefits based on the 3% at 50 formula. However, the final average salary calculation (FAS) will be based on three years, rather than one year. The maximum COLA allowed for the new tier is 2%. Deputy Sheriffs hired prior to January 1, 2007 will remain in the original tier structure, with no option to elect new Tier C. This recent legislation amended Section 31639.95 of the CERL of 1937. The Memorandum of Understanding (MOU) between Contra Costa County and the Deputy Sheriff's Association reflecting tier changes is in effect between October 1, 2005 and June 30, 2008. The addition of this new tier brings the total number of tiers administered by CCCERA to eight.

Pension Administration System Project - CCCERA's ongoing software project has required analyzing CCCERA's myriad business processes down to the smallest detail. A system is successful if the programming and the data interact symbiotically, seamlessly, with the user. Achieving this goal has required countless hours of design, data auditing and cleansing. Once a process was developed and installed, rigorous testing and staff training commenced on these partial elements of the software. The project conclusion is still in the future, but we can count some rites of passage: the retiree payroll module was released in November 2006, followed closely by the 1099-R forms. Legacy hardware has also been replaced. 2007 project development will include work flow integration, front-end imaging, and system documentation.

Group Counseling - In 2006, the Group Counseling program assisted 217 members with retirement planning. Counselors held 11 sessions at CCCERA and several off-site sessions at county and district sites. CCCERA continues to present benefit information at all County New Employee Orientation meetings, and for District employee groups as requested. Group Counseling is an effective educational tool, placing benefit estimate information directly in the members' hands, with skilled retirement counselors demonstrating how formulas, service credit, and purchases make pension benefits. Individual members have the opportunity to have questions answered; attendees achieve a broader knowledge base about retirement issues.

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,



Marilyn Leedom, CEBS
Retirement Chief Executive Officer

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Members of The Retirement Board

AS OF DECEMBER 31, 2006

TRUSTEES	TERM EXPIRES	APPOINTED/ ELECTED BY
Clifton A. Wedington, CFP Chairperson	June 30, 2008	Board of Supervisors
Brian Hast, Vice-Chairperson	June 30, 2007	General Members
William J. Pollacek, County Treasurer Secretary		Permanent by Office
Richard Cabral	June 30, 2008	General Members
John Gioia	June 30, 2008	Board of Supervisors
Paul Katz	June 30, 2008	Board of Supervisors
Bob Rey	June 30, 2008	Safety Members
Jerry Telles	June 30, 2007	Retirees
Maria Theresa Viramontes	June 30, 2007	Board of Supervisors
Dave Gaynor (alternate)	June 30, 2008	Board of Supervisors
Sharon Naramore (alternate)	June 30, 2007	Retirees
Jim Remick (alternate)	June 30, 2008	Safety Members

List of Professional Consultants

AS OF DECEMBER 31, 2006

ACTUARY

The Segal Company

BENEFIT STATEMENT CONSULTANT

The Segal Company

DATA PROCESSING

Contra Costa County Department of Information Technology

AUDITOR

Brown Armstrong CPAs

LEGAL COUNSEL

County Counsel of Contra Costa County
Steeffel, Levitt & Weiss

INVESTMENT CONSULTANT

Milliman USA

MASTER CUSTODIAN

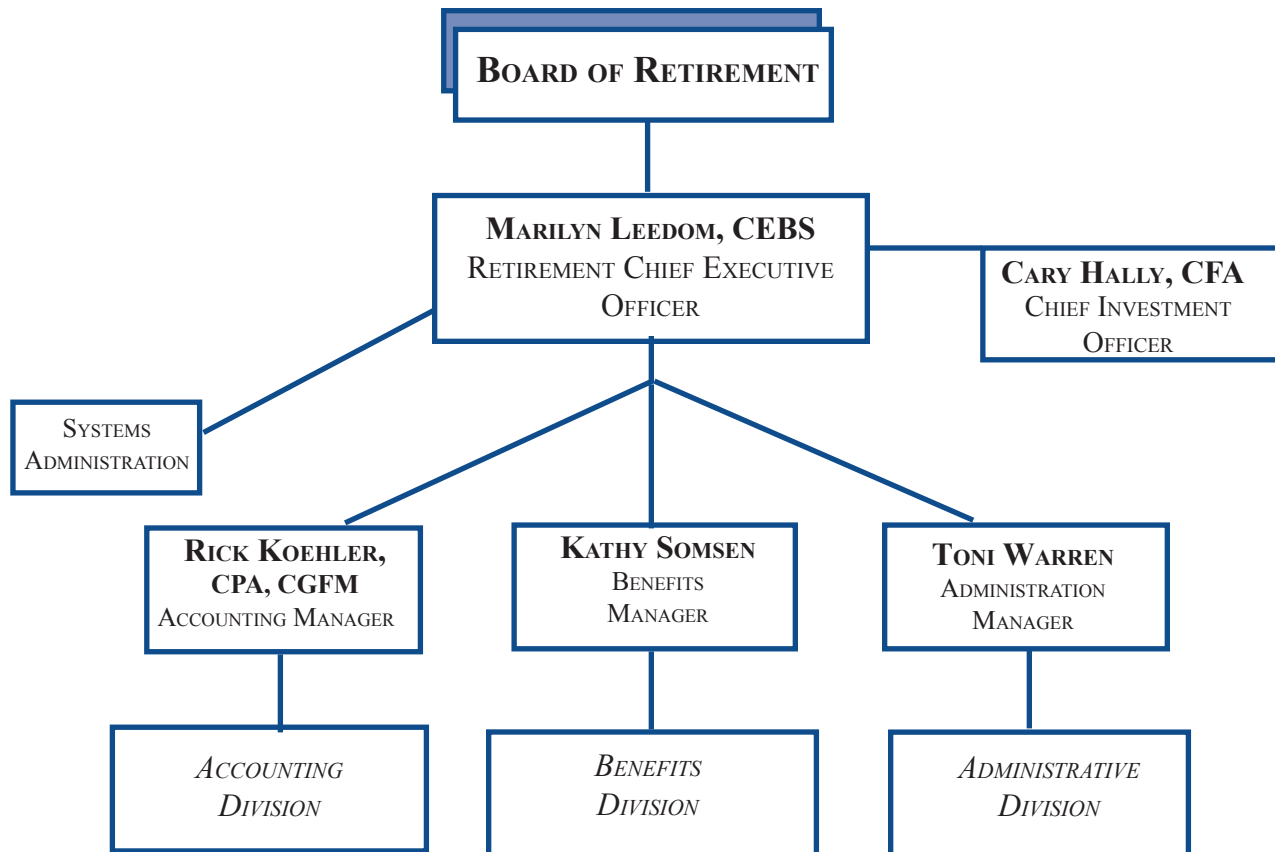
State Street Bank & Trust

PROXY GUIDELINE VOTING AGENT SERVICE

Institutional Shareholder Services

Note: List of Investment Professionals is located on page 58 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, 2005

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.



President

Executive Director



Public Pension Coordinating Council
Public Pension Standards
2006 Award

Presented to

Contra Costa County Employees' Retirement Association

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council of Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Financial Section



**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER**
Certified Public Accountants

Main Office

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Bakersfield, California 93309
Tel 661-324-4971 Fax 661-324-4997
e-mail: bainfo@bacpas.com

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Shafter, California 93263
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Andrew J. Paulden, CPA
Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA
Eric H. Xin, MBA, CPA

Lynn R. Krausse, CPA, MST
Rosalva Flores, CPA
Connie M. Perez, CPA
Sharon Jones, CPA, MST
Diana Branthoover, CPA
Thomas M. Young, CPA
Alicia Montgomery, CPA, MBA
Matthew Gilligan, CPA
Hanna J. Sheppard, CPA
Ryan J. Nielsen, CPA
Jian Ou-Yang, CPA
Ryan S. Johnson, CPA
Michael C. Olivares, CPA
Jialan Su, CPA
Ariadne S. Prunes, CPA

INDEPENDENT AUDITOR'S REPORT

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

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, 2006 and 2005, and the related statement of changes in plan net assets for the years 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.

As discussed in the notes to the financial statements, in 2006 CCCERA adopted the provisions of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

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, 2006 and 2005 and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (MD&A) 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 required supplementary information (RSI) as listed in the table of contents is presented for purposes of additional analysis, as required by GASB, and is not a required part of the basic financial statements. This information is the responsibility of CCCERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the 2006 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2006 basic financial statements taken as a whole. The other supplementary information, as listed in the table of contents, and the investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of CCCERA. The other supplementary information as listed in the table of contents, 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. We did not audit the information contained in the investment, actuarial, and statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2007, on our consideration of CCCERA's internal control over financial reporting and 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.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
April 30, 2007



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, 2006. 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 \$4.9 billion (net assets held in trust for pension benefits), an increase of \$649 million, or 15.4% from the prior year, primarily as a result of investment income and the Net Appreciation in the Fair Value of Investments.
- ‡ Total Additions as reflected in the Statement of Changes in Plan Net Assets, for the year were \$880.5 million, which includes employer and employee contributions of \$264.9 million, an investment gain of \$614.9 million, and net securities lending income of \$657,600.
- ‡ Employer contributions decreased from \$300.3 million in 2005 to \$191.4 million in 2006 primarily because of the issuance of Pension Obligation Bonds by two agencies for \$153.1 million in 2005. Also included in the 2006 amount is \$1.8 million paid by County departments as a result of employees converting prior Tier 2 service to Tier 3 service.
- ‡ Employee contributions remained relatively flat for 2006 when compared to 2005. For 2006 and 2005, employee contributions were \$73.5 million each year.
- ‡ Total Deductions as reflected in the Statement of Changes in Plan Net Assets increased from \$213.1 million to \$231.2 million over the prior year, or approximately 8.5%. Benefits paid to retirees and beneficiaries increased from \$196.1 million in 2005 to \$216.1 million in 2006. There were no employer withdrawals in 2006 as compared to 2005 when CCCERA sent \$3.5 million to CalPERS on behalf of those employers.
- ‡ CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2005, the date of our last actuarial valuation, the funded ratio for CCCERA was 85%. In general, this indicates that for every dollar of benefits due we have approximately \$0.85 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
5. Other 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 Standards 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 and investment expenses are presented following the required supplementary information.

Financial Analysis

Assets and Funding Ratio

As of December 31, 2006, CCCERA has \$4.9 billion in net assets, which means that total assets of \$6.0 billion exceed total liabilities of \$1.1 billion. 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, 2006, net assets increased by 15.4% over the prior year primarily due to investment income and an increase in the fair market value of investments. Current assets and current liabilities also changed by offsetting amounts due to the recording of the security lending cash collateral.

Capital Assets

CCCERA's investment in capital assets increased from \$94,204 to \$888,152 (net of accumulated depreciation and amortization). This investment in capital assets includes servers, equipment, furniture and leasehold improvements. The total increase in CCCERA's investment in capital assets for the current year was 842.8% over 2005 primarily because CCCERA is in the process of updating its technology infrastructure, and has purchased computer servers and equipment for its imaging project. CCCERA started the design phase of a Pension Benefit System in early 2006. Costs associated with this project will be capitalized and amortized over a 10 year period. It is expected the project will take 20-24 months to complete.

PLAN NET ASSETS

	2006	2005	2004	% Change 2006-2005	% Change 2005-2004
Current Assets	\$1,037,216,815	\$1,017,577,724	\$ 994,564,538	1.9%	2.3%
Investments	4,917,887,682	4,210,814,777	3,511,106,642	16.8%	19.9%
Capital Assets	888,152	94,204	215,238	842.8%	-56.2%
Total Assets	5,955,992,649	5,228,486,705	4,505,886,418	13.9%	16.0%
Total Liabilities	1,084,983,018	1,006,764,453	787,270,522	7.8%	27.9%
Total Plan Net Assets	\$4,871,009,631	\$4,221,722,252	\$3,718,615,896	15.4%	13.5%

CCCERA has annual valuations performed by its independent actuary, The Segal Company. 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

CHANGES IN CCCERA NET ASSETS

Additions	2006	2005	2004	% Change 2006-2005	% Change 2005-2004
Employer Pension Obligation Bond Proceeds	\$179,755,315 11,693,396	\$147,165,108 153,134,911	\$118,245,418 0	22.1% -92.4%	24.5% 100%
Total Employer Contributions	191,448,711	300,300,019	118,245,418	-36.2%	154.0%
Employee Contributions	73,468,648	73,474,816	65,297,397	0.0%	12.5%
Net Investment Income	614,912,800	341,877,365	415,668,827	79.9%	-17.8%
Net Security Lending Income	657,577	505,829	344,167	30.0%	47.0%
Total	\$880,487,736	\$716,158,029	\$599,555,809	22.9%	19.4%

Deductions	2006	2005	2004	% Change 2006-2005	% Change 2005-2004
Pension Benefits	\$216,057,476	\$196,106,294	\$178,979,297	10.2%	9.6%
Refunds	3,231,903	2,074,426	909,468	55.8%	128.1%
Administrative	4,859,287	4,896,325	4,089,459	-0.8%	19.7%
Other Expenses	7,051,691	6,440,182	5,776,115	9.5%	11.5%
Membership Withdrawal	0	3,534,446	4,680,521	-100.0%	-24.5%
Total	\$231,200,357	\$213,051,673	\$194,434,860	8.5%	9.6%

Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	\$649,287,379	\$503,106,356	\$405,120,949	29.1%	24.2%
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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). Net investment income for the year ended December 31, 2006 totaled \$614.9 million.

By year end, overall additions had increased by \$164.3 million, or 22.9% from the prior year due primarily to investment gains. The investment section of this report reviews the result of investment activity for the year ended December 31, 2006.

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, 2006 totaled \$231.2 million, an increase of 8.5% over December 31, 2005. The increase is attributed to the additional benefit payments for retirees as well as the growth in the number and average amount of benefits paid to retirees.

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.

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.

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

May 1, 2007



Statement of Plan Net Assets

AS OF DECEMBER 31, 2006 AND 2005

ASSETS:	2006	2005
Cash equivalents	\$ 327,745,747	\$ 330,690,621
Cash collateral - securities lending	356,759,508	364,436,020
Total cash & cash equivalents	684,505,255	695,126,641
Receivables:		
Contributions	8,671,611	6,772,172
Investment trades	305,392,264	276,625,254
Investment income	11,590,110	11,231,129
Installment contracts - Paulson	26,377,786	27,261,737
Other	161,131	112,073
Total receivables	352,192,902	322,002,365
Investments at fair value:		
Stocks	2,492,243,648	2,134,119,297
Bonds	1,813,655,433	1,589,582,763
Real estate	447,863,712	368,705,924
Alternative investments	164,124,889	118,406,793
Total investments	4,917,887,682	4,210,814,777
Other Assets:		
Prepaid expenses/deposits	518,658	448,718
Capital assets, net of accumulated depreciation of \$675,114	888,152	94,204
Total assets	5,955,992,649	5,228,486,705
LIABILITIES:		
Investment trades	642,186,387	541,938,783
Security lending	356,759,508	364,436,020
Employer contributions unearned	76,343,369	76,972,624
Retirement allowance payable	2,108,340	16,876,257
Accounts payable	4,768,944	3,942,206
Unclaimed contributions	184,367	359,788
Contributions refundable	540,072	485,303
Other liabilities	2,092,031	1,753,472
Total liabilities	1,084,983,018	1,006,764,453
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$4,871,009,631	\$4,221,722,252

(A schedule of funding progress is presented on page 45)

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

ADDITIONS:	2006	2005
Contributions:		
Employer	\$ 179,755,315	\$ 147,165,108
Pension obligation bond proceeds (See Note 6)	11,693,396	153,134,911
Total employer contributions	<u>191,448,711</u>	<u>300,300,019</u>
Employee	73,468,648	73,474,816
Total contributions	<u>264,917,359</u>	<u>373,774,835</u>
Investment income:		
Net appreciation in fair value of investments	402,915,408	204,861,832
Net increase in fair value of real estate	65,597,891	14,288,126
Interest	101,851,795	75,322,314
Dividends	33,490,848	37,040,434
Real estate income, net	25,056,718	18,797,385
Investment expense	(21,961,333)	(18,808,186)
Other income and expense	7,961,473	10,375,460
Net investment income, before securities lending income	<u>614,912,800</u>	<u>341,877,365</u>
Securities lending income:		
Earnings	16,593,269	10,106,238
Rebates	(15,481,175)	(9,265,926)
Fees	(454,517)	(334,483)
Net securities lending income	<u>657,577</u>	<u>505,829</u>
Net investment income	<u>615,570,377</u>	<u>342,383,194</u>
Total additions (contributions and net investment income)	<u>880,487,736</u>	<u>716,158,029</u>
DEDUCTIONS:		
Benefits paid	216,057,476	196,106,294
Contribution prepayment discount	6,811,712	6,086,598
Administrative	4,859,287	4,896,325
Refunds of contributions	3,231,903	2,074,426
Other	239,979	353,584
Membership withdrawal	0	3,534,446
Total deductions	<u>231,200,357</u>	<u>213,051,673</u>
NET INCREASE	<u>649,287,379</u>	<u>503,106,356</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year, as previously stated	<u>4,221,722,252</u>	<u>3,718,615,896</u>
End of year	<u>\$ 4,871,009,631</u>	<u>\$4,221,722,252</u>

See accompanying notes to financial statements.



Notes To The Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2006

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 16 other member agencies. CCCERA's membership as of December 31, 2006 and 2005 is presented below.

	<u>2006</u>	<u>2005</u>
Retirees and Beneficiaries Receiving Benefits	6,856	6,437
Inactive Vested Members entitled to but not yet receiving benefits	1,919	1,731
Current Employees:		
Vested:		
General Employees	5,162	4,939
Safety Employees	1,202	1,177
Non-Vested:		
General Employees	2,440	2,655
Safety Employees	406	434
TOTAL MEMBERSHIP	<u>17,985</u>	<u>17,373</u>

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 and is presented in the County's basic financial statements as a pension trust fund. Costs of administering the Plan are financed through contributions and investment earnings.

Benefit Provisions

The Plan is currently divided into seven benefit sections in accordance with the 1937 Act. These sections are known as General Tier I, enhanced and non-enhanced; Tier II; Tier III enhanced and non-enhanced; Safety enhanced and 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. Effective January 1, 2005, the enhanced benefits were applied to the bargaining units represented by the California Nurses Association and the nonrepresented employees within similar classifications as employees in

bargaining units represented by the California Nurses Association, as well as the supervisors and managers of those employees. Effective July 1, 2005, East Contra Costa Fire Protection District adopted the enhanced benefit structure for its 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, 2006, eight general member agencies and four safety member agencies have adopted enhanced benefits for their employees. The eighth general member agency adopted the enhanced benefit structure effective February 1, 2006.

Legislation was signed by the Governor in 2002 which allowed 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 on 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 elected Tier I membership. As of December 31, 2006, there are no active Tier II member accounts. All members who moved to Tier III with five or more years of service prior to October 1, 2002, or were moved to Tier III effective October 1, 2002, or were moved to Tier III on February 1, 2006, 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.

Effective January 1, 2007, Contra Costa County and the Deputy Sheriff's Association agreed to adopt a new Safety Tier for sworn employees hired by the County after December 31, 2006. A Deputy Sheriff hired after this date will have a 3% at 50 benefit formula with a 2% maximum COLA and a 36 month final average salary period.

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. 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 final 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 a disability is more strict under General - Tier II than in the General - Tier I plan. The retirement benefit is based on a three-year final 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 a disability is the same as Tier II. The retirement benefit is based on a one-year final 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 final 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 San Francisco-Oakland-San Jose area 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."

Terminations

Effective January 1, 2003, a member with less than five years of service may elect to leave accumulated contributions on deposit in the retirement fund indefinitely as a result of the passing of AB2766, which amends Section 31629.5 of the Retirement Law of 1937. A member who continues membership under this ruling is granted a deferred non-vested status and is subject to the same age, service, and disability requirements that apply to other members for service or disability retirement.

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 when due, pursuant to formal commitments, as well as statutory or contractual requirements. 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, and the U.S. power industry.

Receivables

Receivables consist primarily of interest, dividends, installment contracts, investments in transition, i.e., traded but not yet settled, and contributions owed by the employing entities as of December 31, 2006 and 2005.

Capital Assets

Capital assets, consisting of leasehold improvements, furniture and office equipment, are presented at historical cost, less accumulated depreciation. Capital assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized and depreciated. Depreciation is calculated using the straight-line method, with estimated lives of ten years for leasehold improvements and the pension administration system, and ranging from four to five years for office equipment. Depreciation for the years ended December 31, 2006 and 2005 was \$97,241 and \$137,741, respectively.

Compensated Absences

The December 31, 2006 and 2005 liability for accumulated annual leave earned by CCCERA employees totaling \$169,691 and \$169,574, respectively, included in the 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 that can be accumulated in two years of employment.

Pre-1981 Retiree Health Care Benefits

Government Code Section 31592.2 authorizes the Retirement Board to pay for healthcare costs of County retired members from the County (Employer) Advance Reserves. In December 2002, the Board 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. The County extended an offer of health care coverage to this group and approximately 40 retirees or their beneficiaries elected coverage. Starting with January 2004, and continuing through December 2008, CCCERA will reduce the County employer contributions by the amount owed for the pre-1981 retiree's health insurance premiums.

Use of Estimates

The preparation of CCCERA'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.

Implementation of New Accounting Pronouncements

CCCERA adopted the Governmental Accounting Standards Board's (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, effective for the year ended December 31, 2006. The Statistical Section has been expanded to include ten years of trend information.

NOTE 3. DEPOSITS AND INVESTMENT RISK DISCLOSURES

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.

Investment Risk

Investments are subject to certain types of risks, including interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk), and foreign currency risk. The following describes those risks:

Interest Rate Risk

The fair value of fixed maturity investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those investments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments and other general market conditions. Certain fixed maturity investments may have call provisions that could result in shorter maturity periods.

To manage Interest Rate Risk, the Core Plus Fixed Income portfolios that have holdings in CMO's greater than 15 years or less than negative 15 years in duration (based on a 100 basis point move in rates) are limited to no more than 2% of the fixed income portfolio at cost. Holdings of Fixed Income Futures are allowed, on an unleveraged basis, such that the market notional value of all long contracts shall be covered by cash, cash receivables, or cash equivalents with one year or less in duration.

The following schedule is a list of fixed income and short term investments and the related maturity schedule for CCCERA as of December 31, 2006:

Investment Type	Investment Maturities (in years)				Fair Value
	Less than 1 year	1-5 years	5 -10 years	More than 10 years	
Collateralized Mortgage Backed Securities (CMBS)	\$ 2,697,298	\$ 15,658,591	\$ 15,259,276	\$ 224,226,446	\$ 257,841,611
Collateralized Mortgage Obligations (CMO)	3,035,707	614,744	1,280,060	164,765,899	169,696,411
Commerical Paper	89,502,093	9,496,973	-	-	98,999,067
Corporate Bonds	10,169,879	72,946,120	108,357,804	26,783,233	218,257,035
Private Placements	319,029	282,021,753	198,528,308	54,930,160	535,799,250
Short-term Investment Fund (STIF) Instruments	189,592,872	-	-	-	189,592,872
US Treasury Notes & Bonds	29,012,083	64,244,504	13,432,153	26,530,455	133,219,194
US Agencies (GNMA, FNMA,FHLMC)	<u>18,914,827</u>	<u>32,946,123</u>	<u>46,887,630</u>	<u>426,540,147</u>	<u>525,288,727</u>
TOTAL:	<u>\$343,243,788</u>	<u>\$ 477,928,808</u>	<u>\$ 383,745,231</u>	<u>\$ 923,776,340</u>	<u>\$2,128,694,166</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, CCCERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. Under California Government 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.

At year-end, the carrying amount of CCCERA's cash deposits was \$2,087,507 (which are included in cash equivalents) and the bank balance was \$2,164,315. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$2,064,315 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, CCCERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in CCCERA's name, and held by the counterparty. CCCERA's investment securities are not exposed to custodial credit risk because all securities held by CCCERA's custodial bank are in CCCERA's name. CCCERA has no general policy on custodial credit risk for deposits.

Concentration of Credit Risk

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 5% or more of plan net assets.

Credit Risk

CCCERA's general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and for the exclusive purposes of providing benefits, minimizing contributions and defraying reasonable expenses of administering the Trust. Investments should be diversified so as to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so.

Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors. For example, the financial condition of the issuers provides investors with some idea of the issuer's ability to meet its obligations. Fixed-maturity investments may consist of rated or non-rated securities. Ratings can range from AAA (highest quality) to D (default). Debt securities with ratings of BBB or higher are considered investment grade issues, and debt securities with ratings of BB or lower are non-investment grade issues. Debt securities in the non-investment grade category are more speculative and are often referred to as "high-yield." This is due to the fact that lower rated debt securities generally carry a higher interest rate to compensate the buyer for taking on additional risk. To control credit risk, credit quality guidelines have been established.

The Domestic Core Plus Fixed Income Portfolio must meet the following credit qualities:

- Obligations of the U.S. Treasury.
- Obligations guaranteed by an agency of the United States.
- Corporate bonds, asset backed securities or other evidence of debt, rated Baa or better by Moody's Investor Services (Moody's) or rated BBB or better by Standard & Poor's Corporation (Standard & Poor's).
- Commercial paper (including variable rate notes) of issuers rated P-1 by Moody's or A-1 by Standard & Poor's.
- Lower risk planned amortization class (PAC) collateralized mortgage obligations (CMO) and Sequential CMOs. CMOs other than PACs and Sequentials are limited to a maximum of 10% of the fixed income portfolio at cost.
- Other securities as detailed in accordance with the manager's investment agreement with CCCERA.

The Domestic High Yield Bond Portfolio must meet the same credit qualities as the Core Plus fixed income portfolio listed above and/or:

- High yield securities as specified in accordance with the manager's investment agreement with CCCERA.

The International Fixed Income Portfolio must meet the same credit qualities as the Core Plus fixed income portfolio listed above and/or:

- Government bonds issued in benchmark countries.
- Government bonds issued in non-benchmark countries, up to 10% of the total account, provided each security is rated Baa by Moody's or BBB by Standard & Poor's.
- Corporate and asset-backed securities issued in benchmark countries.
- Corporate and asset-backed securities issued in non-benchmark countries, up to 10% of the total account, provided each security is rated Baa by Moody's or BBB by Standard & Poor's, or better.
- Eligible instruments issued pursuant to SEC Rule 144(a) or Regulation S.
- Other fixed income instruments as specified by the Board.

The following is a schedule of the credit risk ratings of CCCERA's fixed income and short term investments as of December 31, 2006 as rated by Standard & Poor's:

<u>Quality Ratings</u>	<u>Fair Value</u>
AAA	\$ 1,155,428,326
AA+	9,540,312
AA	8,063,044
AA-	36,732,080
A+	10,872,834
A	16,533,412
A-	10,974,596
BBB+	38,700,914
BBB	22,467,425
BBB-	9,124,787
BB+	8,557,222
BB	17,720,575
BB-	14,932,869
B+	37,208,133
B	35,993,956
B-	21,153,533
CCC+	2,786,096
CCC	2,374,990
CCC-	1,399,445
CC	16,153
NR	<u>668,113,464</u>
Total Credit Risk	
Fixed Income Securities	<u>\$ 2,128,694,166</u>

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. CCCERA's external investment managers may invest in international securities and must follow CCCERA's Investment Guidelines pertaining to these types of investments.

CCCERA's exposure to Foreign Currency Risk in U.S. dollars as of December 31, 2006 is as follows:

<u>Currency</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Total</u>
Australian Dollar	\$ 19,395,459	\$ -	\$ 19,395,459
Canadian Dollar	25,850,437	4,521,022	30,371,459
Danish Krone	579,955	1,119,350	1,699,305
Euro	178,883,649	57,576,191	236,459,840
British Pound Sterling	98,714,159	5,422,248	104,136,407
Hong Kong Dollar	7,311,068	-	7,311,068
Japanese Yen	113,527,515	29,074,233	142,601,748
Mexican Peso	-	1,037	1,037
New Zealand Dollar	-	(5,583)	(5,583)
Norwegian Krone	13,762,001	-	13,762,001
Polish Zloty	-	926,073	926,073
Singapore Dollar	7,565,788	-	7,565,788
Swedish Krona	27,708,934	-	27,708,934
Swiss Franc	<u>47,847,441</u>	<u>-</u>	<u>47,847,441</u>
Total Securities Subject to Foreign Currency Risk	<u>\$541,146,406</u>	<u>\$ 98,634,571</u>	<u>\$639,780,977</u>

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 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, 2006 is \$346,680,602, which was collateralized by cash in the amount of \$356,759,508, and has been reported as an asset and liability in the accompanying Statement of Plan Net Assets.

SECURITIES LENDING

The following securities were on loan and collateral received as of December 31, 2006:

<u>Securities on Loan</u>	<u>Market Value of Securities on Loan</u>	<u>Cash Collateral Received</u>
US Corporate Fixed and Equity	\$210,831,865	\$217,383,446
US Government	109,750,410	112,129,788
International Equities	<u>26,098,327</u>	<u>27,246,274</u>
Total	\$346,680,602	\$356,759,508

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, 2006, the following derivative financial instruments were held by investment managers:

Various investment managers for CCCERA 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 (CMOs), Collateralized Mortgage Backed Securities (CMBS) and LIBOR Indexed ARMs. The fair value of derivative financial instruments at December 31, 2006 is \$1,128,221,211.

PIMCO and Western Asset management have 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, 2006, total commitments in forward currency contracts to purchase and sell foreign securities were \$256,415,150 and \$256,415,150, respectively, with market values of \$257,289,683 and \$258,495,899, respectively.

NOTE 6. CONTRIBUTIONS

Employer and member basic and COLA 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 6.49% and 18.91% of their annual covered salary, depending on their Tier and benefit. Certain County Safety and all Moraga Orinda Fire Protection District Safety members contribute an additional amount 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. Effective October 1, 2006, Contra Costa County and the Deputy Sheriff's Association agreed to modify the employee subvention of the employer rate from 9% to 3% for this group only. Member contributions are refundable upon termination of employment.

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

During the year, contributions totaled \$264,917,359, which included \$73,468,648 in employee contributions, \$179,755,315 in employer contributions and \$11,693,396 from the proceeds of pension obligation bonds issued by the City of Pittsburg for the payment of their December 31, 2003 Unfunded Liability. The City of Pittsburg terminated its active membership with CCCERA as of June 30, 2001, but is still liable for the costs associated with those employees who retired from the City prior to that date. The contribution figures also include employee and employer purchase, redeposit and conversion amounts.

Government Code Section 31582(b) allows the Board of Supervisors to authorize the county auditor to make an advance payment of all or part of the County's estimated annual contribution to the retirement fund. Code Section 31585 makes the same appropriations and transfers available to Districts. Contra Costa County and 10 participating employers "prepay" or make advance payments of all of the employer's estimated annual contributions discounted by the assumed interest rate in effect on July 1. At the end of the fiscal year, a "true-up" is completed and employers are either billed for an underpayment or apply their overpayment towards the following year contributions.

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 45.

Employer contributions for 2000 through 2002 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* (see following paragraph). 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 had the effect of keeping contribution rates lower currently, while extending the time for the phase-in of rates.

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 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 and supplemental disability payments under legislated rehabilitation programs.

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

Smoothed Market Value Valuation represents the accumulated difference between the Actuarial Value of Assets for valuation and the accumulated balances in the valuation reserves. This was a one-time adjustment to increase the valuation reserves as a result of implementing Governmental Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

Contra Tracking Account (CTA) represents the amount of interest credited to the reserve accounts that has not been paid for out of current or excess earnings. A balance in this account is the result of applying the full interest crediting policy of the Board and will be replenished in subsequent periods when there are sufficient earnings.

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. As of December 31, 2003, the Statutory Contingency Reserve was completely used to pay interest to the reserve accounts. This account will be replenished in subsequent periods when there are sufficient earnings according to the interest crediting policy for CCCERA.

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 smooths only the semi-annual deviation of total market return (net of expenses) from the return target, 7.9 percent per annum. This assumption rate was used in determining contribution rates for the periods July 1, 2005 through June 30, 2006 and July 1, 2006 through June 30, 2007. As of December 31, 2006, the Market Stabilization Account is a positive amount due to significant market gains over the past four years.

Reserved and designated net assets at December 31, 2006 and December 31, 2005 are as follows:

	2006	2005
Valuation Reserves:		
Member Deposits	\$ 371,508,163	\$ 347,341,888
Member Cost of Living	123,249,338	96,991,433
Employer Advance	1,166,763,516	1,120,750,868
Employer Cost of Living	801,248,106	760,781,775
Retired Member	1,457,052,539	1,293,622,706
Retired Cost of Living	587,945,318	513,347,475
New Dollar Power Cost of Living Supplement and Pre-Fund	25,787,120	28,987,886
Smoothed Market Value Valuation	170,187,940	157,348,121
Contra Tracking Account	(242,871,007)	(257,115,009)
Total Valuation Reserves	<u>4,460,871,033</u>	<u>4,062,057,143</u>
Supplemental Reserves:		
Post Retirement Death Benefit	<u>12,786,106</u>	<u>12,435,689</u>
Other Reserves/Designations:		
Statutory Contingency Reserve (one percent)	<u>0</u>	<u>0</u>
Total Allocated Reserves/Designations	4,473,657,139	4,074,492,832
Market Stabilization Account	<u>397,352,492</u>	<u>147,229,420</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,871,009,631</u>	<u>\$ 4,221,722,252</u>

NOTE 8. LEASE OBLIGATION

CCCERA owns the Willows Office Park located at 1355 Willow Way, Concord, California and has held this property as a real estate investment since 1984. The property manager for the Willows Office Park is CB Richard Ellis. CCCERA has entered into a fair market lease to occupy a portion of the building. A commitment under an operating lease agreement for office facilities provides for minimum future rental payments through July 31, 2011. These future minimum rental payments as of December 31, 2006 are as follows:

Year Ending December 31	Amount
2006	\$ 324,108
2007	324,108
2008	324,108
2009	324,108
2010	324,108
2011*	189,063
TOTAL	\$ 1,809,603

*Lease expires July 31, 2011

NOTE 9. RISK MANAGEMENT

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



NOTE 10. 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.* 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 6). A settlement agreement was entered into with all parties and each employer was invoiced for their share of the \$34.2 million additional liability plus interest up to the date of the payment. The City of Pittsburg chose to pay its share of the liability due over 20 years and Contra Costa County over 19.5 years. These employers entered into contracts with CCCERA, while another employer paid their liability off in 2005 and the remainder of the employers paid CCCERA in a lump sum in 2003. In June 2006, the City of Pittsburg issued a pension obligation bond with part of the proceeds being used to extinguish their remaining Paulson liability in the amount of \$1,006,604. The following summary lists the pertinent details of the County's agreement plus the amounts due at December 31, 2006.

INSTALLMENT PAYMENTS DUE FROM PAULSON FINAL LIABILITY

	<u>Contra Costa</u> <u>County</u>
Agreement Details:	
Effective Date of Agreement	December 16, 2003
First Payment Due	August 1, 2004
Last Payment Due	February 1, 2024
Rate of Interest	8%
Annual Principal and Interest Payment	\$ 2,759,911
Original Principal	\$ 28,064,981
Receivable at December 31, 2006:	
Future Principal Payments	\$ 25,526,890
Interest Accrued for 2006	\$ 850,896

NOTE 11. LITIGATION, COMMITMENTS AND CONTINGENCIES

CCCERA is subject to legal proceedings and claims arising in the ordinary course of its operations. CCCERA's management and legal counsel estimate that the ultimate outcome of such litigation will not have a material effect on CCCERA's financial statements.

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS (DOLLARS IN THOUSANDS)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
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%
12/31/02	3,296,736	3,677,624	380,888	89.6%	580,415	65.6%
12/31/03	3,538,722	4,141,390	602,668	85.5%	600,274	100.4%
12/31/04	3,673,858	4,481,243	807,385	82.0%	619,132	130.4%
12/31/05	\$4,062,057	\$4,792,428	\$730,371	84.8%	\$627,546	116.4%

*Excludes Accounts Payable. Restated to exclude non-valuation reserves.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2000	\$ 58,035,756**	91.3%
2001	58,642,407**	94.1%
2002	58,319,678**	98.6%
2003	108,728,047***	100.0%
2004	118,245,418	100.0%
2005	\$ 147,165,108****	100.0%

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

*** Excludes Contra Costa County pension obligation bond proceeds of \$319,094,719.

**** Excludes Consolidated Fire and Moraga-Orinda Fire District's pension obligation bond proceeds of \$124,917,000 and \$28,217,911, respectively.

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 became effective on January 1, 2003 per Retirement Board action and remained in effect through June 30, 2004. The contribution requirements resulting from subsequent valuations will become effective 18 months after the valuation date. (i.e. December 31, 2004 became effective on July 1, 2006.)

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, 2005
Actuarial Cost Method	Entry Age Normal Funding Method
Amortization Method	Level Percent - closed
Remaining Amortization Period	17 Years
Asset Valuation Method	5 year Smoothed Market, excluding non-valuation reserves and designations*
Actuarial Assumptions	
Investment Rate of Return	7.90%
Projected Salary Increases	6.66%
Attributed to Inflation	3.75%
Cost-of-Living Adjustments for Retirees & Beneficiaries	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 45 has been restated to reflect this change.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Personnel Services:	2006	2005
Salaries and Wages	\$ 2,224,971	\$ 2,382,721
Employee Retirement	<u>1,278,731</u>	<u>1,197,906</u>
TOTAL PERSONNEL SERVICES	<u>3,503,702</u>	<u>3,580,627</u>
Professional Services:		
Actuary - Benefit Statement	69,153	75,526
Computer and Software Services and Support	43,831	35,545
County Counsel - Disability	90,512	74,325
Disability Hearing Officer/Medical Reviews	49,967	29,524
External Audit Fees	42,146	39,150
Contra Costa Dept of Information Technology	91,474	45,588
Newsletters	22,235	11,277
Other Professional Services	<u>100,488</u>	<u>155,035</u>
TOTAL PROFESSIONAL SERVICES	<u>509,806</u>	<u>465,970</u>
Office Expenses:		
Office Lease and Expenses	352,543	308,700
Office Supplies	49,296	46,018
Minor Equipment and Computer Supplies	23,258	85,014
Postage	51,194	40,757
Equipment Lease	17,161	18,021
Requested Maintenance	2,623	4,412
Communications/Telephone	15,144	16,030
Printing and Publications	<u>13,458</u>	<u>6,883</u>
TOTAL OFFICE EXPENSES	<u>524,677</u>	<u>525,835</u>
Miscellaneous:		
Fiduciary and Staff - Education/Travel	70,113	50,262
Fiduciary and Staff - Meetings/Other Travel	4,395	4,270
Insurance	136,095	121,086
Memberships	<u>13,258</u>	<u>10,534</u>
TOTAL MISCELLANEOUS	<u>223,861</u>	<u>186,152</u>
Depreciation and Amortization	<u>97,241</u>	<u>137,741</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 4,859,287</u>	<u>\$ 4,896,325</u>



Schedule of Investment Expenses

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Investment Management Fees, by portfolio:		
Stocks	\$ 9,092,846	\$ 6,731,721
Bonds	4,557,762	4,101,093
Real Estate	4,246,163	4,208,776
Alternative	2,770,724	2,430,536
Cash and Short Term	<u>9,139</u>	<u>10,140</u>
TOTAL INVESTMENT MANAGEMENT FEES	<u>20,676,634</u>	<u>17,482,266</u>
Investment Consulting Fees:		
Consulting Services	253,610	352,450
Attorney Services	85,396	144,175
Actuarial Services	<u>129,997</u>	<u>153,780</u>
TOTAL INVESTMENT CONSULTING FEES	<u>469,003</u>	<u>650,405</u>
Investment Custodian Fees	<u>472,500</u>	<u>347,440</u>
Other Investment Related Expenses	<u>343,197</u>	<u>328,075</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 21,961,333</u>	<u>\$ 18,808,186</u>

Investment Section

Report On Investment Activity



March 7, 2007

Trustees, Board of Retirement
Contra Costa County Employees' Retirement Association

Re: *Chief Investment Officer Review of 2006 Investment Returns*

Members of the Board:

The Contra Costa County Employees' Retirement Association (CCCERA) experienced very strong performance for the calendar year ending December 31, 2006, both on an absolute basis versus performance objectives and on a relative basis versus universes of peer funds. This is the fourth consecutive calendar year CCCERA has posted double digit positive returns.

Total Fund Performance

CCCERA's Total Fund returned 15.3% for the one-year period ending December 31, 2006, exceeding the 7.9% actuarial interest rate and the 6.6% return for the performance objective of the CPI plus 400 basis points. Relative to peer universe comparisons, CCCERA's 2006 performance exceeded the median total fund return of 12.0% and the median public fund return of 11.9%, ranking in the 13th percentile in the universe of total funds and in the 11th percentile in the universe of public funds.

Domestic Equity Performance

CCCERA's domestic equities returned 13.5% for 2006, trailing the 15.7% return of the Russell 3000 Index and the 15.8% return of the S&P 500 Index. CCCERA's domestic equities also trailed the 15.0% return of the median equity manager for the one-year period ending December 31, 2006, ranking in the 60th percentile in the universe of domestic equity managers.

International Equity Performance

For the calendar year of 2006, CCCERA's international equities had very strong performance with a return of 26.6%. This performance slightly trailed the 2006 return of 26.9% for the MSCI EAFE Index and exceeded the 2006 return of 25.9% for the median international equity manager. CCCERA's international equities ranked in the 41st percentile in the universe of international equity portfolios for the one-year period ending December 31, 2006.

Domestic Fixed Income Performance

CCCERA's total domestic fixed income returned 7.5% for the one-year period ending December 31, 2006, significantly above the 4.3% return of the Lehman Aggregate Index and the 4.5% return of the median fixed income manager. For 2006, CCCERA's domestic fixed income performance ranked in the 11th percentile in the universe of fixed income managers.

International Fixed Income Performance.

For the calendar year 2006, CCCERA's international fixed income returned 2.6%. This performance is slightly below the 3.1% return of the Citigroup Non-US Government Bond Index (fully hedged).

Real Estate Performance

In 2006, CCCERA's combined real estate portfolio continued to have very strong performance, both on an absolute basis and relative basis. The combined real estate portfolio returned 33.8% for the calendar year 2006, significantly outperforming the 16.6% return of the NCREIF Property Index and the 15.6% return of the median real estate portfolio.

Alternative Investment Performance

For the one-year period ending December 31, 2006, CCCERA's combined alternative investment portfolio had strong performance. The combined alternative investment portfolio had a 2006 calendar year return of 19.2%, led by strong returns with its private equity fund-of-funds investments. (Several components of the combined alternative investment composite are reported on a lagging quarter basis due to financial data reporting constraints.)

Asset Allocation

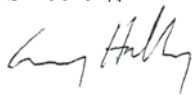
As of December 31, 2006, CCCERA's market value of assets is \$4.90 billion, an increase of approximately \$640 million from the December 31, 2005 market value of \$4.26 billion. This is primarily the result of strong investment returns experienced in 2006.

CCCERA assets, as of December 31, 2006, were over-weighted in domestic fixed income at 25% versus the target of 23%, and domestic equity at 45% versus the target of 43%. CCCERA was under-weight in alternative investments at 3% versus the target of 5% and commodities at 0% versus the target of 2%. All other asset classes are near their respective targets. (Assets earmarked for alternative investments are temporarily invested in domestic equities, while assets targeted for commodities are temporarily invested in domestic fixed income.)

Assets have been rebalanced to targets since year-end in accordance with CCCERA's investment policy guidelines.

All return figures mentioned in this review are presented gross of fee and time-weighted, and are calculated by CCCERA's investment consultant, Milliman.

Sincerely,



Cary Hally, CFA
Chief Investment Officer



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, 2006, the total fund return was 15.3%, greater than the targeted return of 6.6% (CPI plus 400 basis points), and greater than the median public fund return of 11.9%.

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, 2006

	CURRENT <u>YEAR</u>	<u>3 YEAR</u>	ANNUALIZED <u>5 YEAR</u>	<u>10 YEAR</u>
DOMESTIC EQUITY	13.50%	11.70%	5.60%	8.40%
Benchmarks: S&P 500	15.80%	10.40%	6.20%	8.40%
Russell 2000	18.40%	13.60%	11.40%	9.40%
Russell 3000	15.70%	11.20%	7.20%	9.00%
INTERNATIONAL EQUITY	26.60%	21.50%	16.50%	10.80%
Benchmarks: MSCI EAFE Index	26.90%	20.40%	15.40%	8.10%
MSCI ACWI ex-US	25.70%	20.10%	15.30%	8.00%
DOMESTIC FIXED INCOME	7.50%	5.80%	6.90%	6.90%
Benchmarks: Lehman Aggregate	4.30%	3.70%	5.10%	6.20%
Citigroup Mortgage	5.20%	4.20%	4.90%	6.20%
Citigroup High Yield	11.90%	8.20%	10.20%	6.80%
T-Bills	4.80%	3.10%	2.40%	3.80%
INTERNATIONAL FIXED INCOME**	2.60%	4.80%	5.00%	-
Benchmark: Cit Non US Govt Hedged	3.10%	4.70%	4.50%	6.30%
REAL ESTATE	33.80%	28.10%	23.20%	17.90%
Benchmarks: NCREIF Property Index	16.60%	17.00%	13.30%	12.70%
CPI + 500 bps	7.60%	8.30%	8.00%	7.60%
ALTERNATIVE INVESTMENTS	19.20%	21.00%	10.70%	11.80%
TOTAL FUND	15.30%	13.20%	10.10%	10.20%
CPI + 400 bps	6.60%	7.20%	6.90%	6.50%

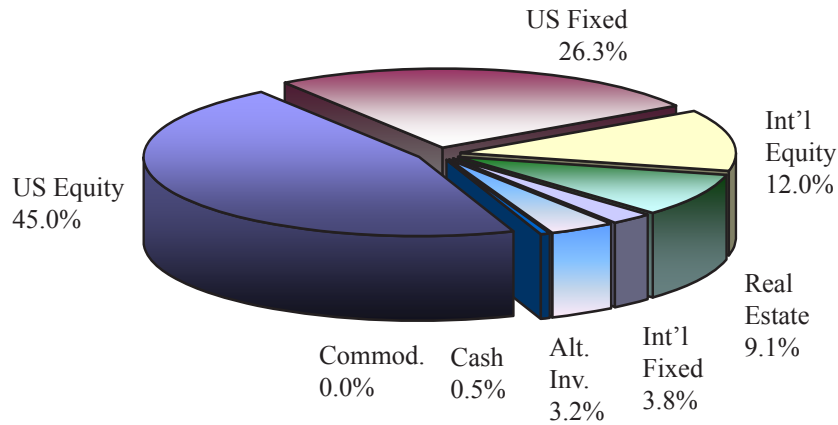
* Using time-weighted rate of return based on the market rate of return

** International Fixed Income not applicable for 10 years

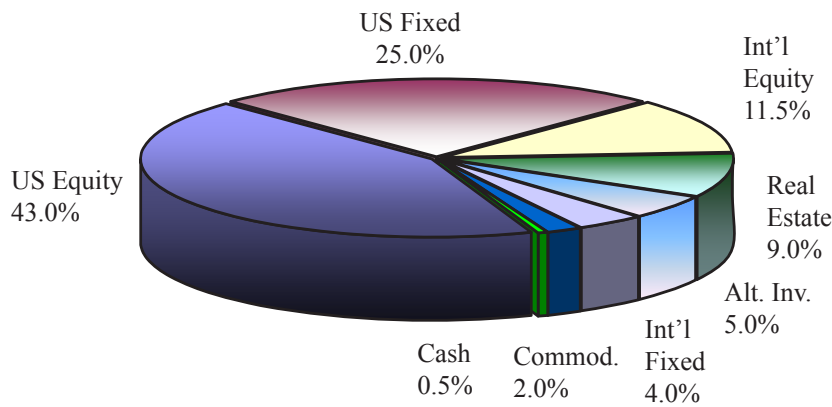
ASSET ALLOCATION

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 Chief Investment Officer and the outside investment consultant (Milliman) assist the Board with the design and implementation of the asset allocation as depicted in the following chart:

AS OF DECEMBER 31, 2006



Actual Asset Allocation



Target Asset Allocation

10 Largest Equity Holdings as of 12/31/06

CUSIP	SHARES	SECURITY NAME	FAIR VALUE
929042109	196,700	Vornado Rlty Tr	\$ 23,899,050
828806109	215,900	Simon Ppty Groups Inc New	21,868,511
053484101	163,100	Avalonbay Cmnty Inc	21,211,155
101121101	176,500	Boston Pptys Inc	19,746,820
747525103	470,000	Qualcomm Inc	17,761,300
29476L107	347,600	Equity Residential	17,640,700
370021107	327,900	General Growth Pptys Inc.	17,126,217
172967101	280,489	Citigroup Inc	15,623,237
30231G102	203,800	Exxon Mobil Corp	15,617,194
91324P102	290,000	United Health Group Inc	15,581,700
TOTAL LARGEST EQUITY HOLDINGS			<u>\$186,075,884</u>

10 Largest Fixed Holdings as of 12/31/06

CUSIP	SECURITY NAME	COST	FAIR VALUE
722005808	Pimco Fds Pac Invt Mgmt Ser	\$ 256,163,712	\$ 252,953,349
722005600	Pimco Fds Pac Invt Mgmt Ser	151,878,668	148,481,759
01F050619	FNMA TBA JAN 30 Single Fam	70,469,263	69,859,666
01F060618	FNMA TBA JAN 30 Single Fam	63,641,890	63,423,284
01F052615	FNMA TBA JAN 30 Single Fam	39,893,406	39,633,212
01F060618	FNMA TBA JAN 30 Single Fam	31,920,750	31,862,650
722005857	PIMCO FDS PAC INVT MGMT SER	36,771,522	30,688,916
975666991	Western Asset Invest	19,320,538	25,102,844
01F062614	FNMA TBA JAN 30 SINGLE FAM	23,477,656	23,429,454
01F052417	FNMA TBA JAN 15 SINGLE FAM	21,131,047	20,993,438
TOTAL LARGEST FIXED HOLDINGS			<u>\$706,428,572</u>

A complete list of portfolio holdings is available on request.



Schedule of Investment Management Fees

FOR THE YEAR ENDED DECEMBER 31, 2006

Investment Activity

Stock Managers

Domestic	\$ 7,742,581
International	<u>1,350,265</u>
Subtotal	9,092,846

Bond Managers

Domestic	4,018,968
International	<u>538,794</u>
Subtotal	4,557,762

Real Estate Managers

4,246,163

Alternative Investment Managers

2,770,724

Cash & Short Term with County Treasurer

9,139

Total Fees from Investment Activity
(see page 48)

20,676,634

Securities Lending Activity

Management Fee	454,517
Borrower Rebate	<u>15,481,175</u>
Total Fees from Securities Lending Activity	<u>15,935,692</u>

TOTAL INVESTMENT MANAGEMENT FEES

\$ 36,612,326

Investment Summary

AS OF DECEMBER 31, 2006

TYPE OF INVESTMENT	FAIR VALUE	PERCENT OF TOTAL FAIR VALUE
Deposit	\$ 2,132,166	0.04%
Short Term Investments held by Fiscal Agent	679,524,966	12.13%
Short Term Investments held by the County	2,848,123	0.05%
TOTAL SHORT TERM INVESTMENTS	<u>684,505,255</u>	<u>12.22%</u>
US Government and Agency Instruments	759,589,233	13.56%
Private Placement Bonds	535,799,250	9.56%
Domestic Corporate Bonds	397,765,826	7.10%
International Bonds	120,501,124	2.15%
TOTAL BONDS	<u>1,813,655,433</u>	<u>32.37%</u>
Domestic Stocks	1,852,557,226	33.07%
International Stocks	639,686,422	11.42%
TOTAL STOCKS	<u>2,492,243,648</u>	<u>44.49%</u>
Real Estate	<u>447,863,712</u>	<u>7.99%</u>
Alternative Investments	<u>164,124,889</u>	<u>2.93%</u>
TOTAL INVESTMENTS	<u>\$ 5,602,392,937</u>	<u>100%</u>



Investment Managers

AS OF DECEMBER 31, 2006

ALTERNATIVE ASSETS

Adams Street Partners
Bay Area Equity Fund
Energy Investors Funds Group (EIF/Liberty)
Nogales Investors LLC
Pathway Capital Management
Hancock PT Timber Investments Inc.

EQUITY - DOMESTIC

Boston Partners
Delaware Investment Advisors
Emerald Advisors, Inc
ING Aeltus Investment Management
Intech
PIMCO
Progress Investment Management
Rothschild Asset Management
Wentworth, Hauser and Violich

EQUITY - INTERNATIONAL

Grantham, Mayo, Van Otterloo & Co. LLC (GMO)
McKinley Capital Management

FIXED INCOME - INTERNATIONAL

Fischer, Francis, Trees & Watts, Inc

CASH & SHORT TERM

Contra Costa County Treasurer
State Street Corporation

FIXED INCOME - DOMESTIC

AFL-CIO Housing Investment Trust
ING Clarion Investment Management
Nicholas-Applegate Capital Management
PIMCO
Western Asset Management

REAL ESTATE

Adelante Capital Management
Blackrock Realty
DLJ Real Estate Capital Partners LP
FFCA Institutional Advisors, Inc
Fidelity Management Trust Company
Hearthstone Advisors
Invesco Realty Advisors
Prudential Investment Management Service
US Realty Advisors

SECURITIES LENDING PROGRAM

State Street Corporation

Actuarial Section



Actuary Certification Letter



THE SEGAL COMPANY

120 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

February 27, 2007

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

Dear Members of the Board:

The Segal Company prepared the December 31, 2005 actuarial valuation of the Contra Costa County Employees' Retirement Association (CCCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the December 31, 2005 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness; however, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are included in the Actuarial Section. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the semi-annual differences between the actual and expected market investment return over a five-year period.

The funding objective of the Plan is to establish normal contribution rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current (normal) cost plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period. Members also contribute to the Plan according to statutory requirements.

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, DC



Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

Board of Retirement
Contra Costa County Employees' Retirement Association
February 27, 2007
Page 2

The total UAAL is amortized as a level percentage of payroll over a decreasing 20-year period. The progress being made towards meeting the funding objective through December 31, 2005 is illustrated in the Actuarial Solvency Test that is included in the Actuarial Section.

For the Financial Section of the Comprehensive Annual Financial Report, Segal provided the trend data shown in the Required Supplementary Information. The schedules presented in the Actuarial Section have also been prepared and/or reviewed by our firm.

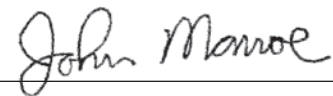
The valuation assumptions included in the Actuarial Section are those adopted by the Retirement Board considering recommendations made by us following the December 31, 2003 Experience Analysis. It is our opinion that the assumptions used in the December 31, 2005 valuation produce results which, in the aggregate, reasonably reflect the future experience of the Plan.

Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2006.

Sincerely,



Paul Angelo, FSA, MAAA, FCA
Senior Vice-President & Actuary



John Monroe, ASA, MAAA
Associate Actuary

MYM/hy



Summary of Assumptions and Funding Methods

The following assumptions have been adopted by the Board for the fiscal year 2005-2006 and were used for the December 31, 2003 valuation. The rates produced by this valuation were implemented on July 1, 2005 and continued to be in effect through June 30, 2006.

ASSUMPTIONS

Valuation Interest Rate	7.90%
Inflation Assumption	4.00%
Projected Salary Increases	6.41%
Cost of Living Adjustments (maximums)	3% for Tiers 1, 3 and Safety, 4% for Tier 2
Interest Rate Credited to Active Member Accounts	7.90%

The following assumptions were adopted by the Board for the fiscal year 2006-2007 and were used for the December 31, 2004 valuation. The rates produced by this valuation were implemented on July 1, 2006 and will continue to be in effect through June 30, 2007.

ASSUMPTIONS

Valuation Interest rate	7.90%
Inflation Assumption	3.75%
Real "Across the Board" Salary Increases	0.50%
Merit Salary Increase Assumption	2.41%
Projected Salary Increases	6.66%
Cost of Living Adjustments (maximums)	3% for Tiers 1, 3 and Safety, 4% for Tier 2
Interest Rate Credited to Active Member Accounts	7.90%

Post-Retirement Mortality

A. Healthy:

General Tier 1, Tier 2 and Tier 3

1994 Group Annuity Mortality Table set forward 1 year

Safety Members

1994 Group Annuity Mortality Table set forward 2 years

B. Disabled:

General Tier 1, Tier 2 and Tier 3

1981 General Disability Mortality Table set back 3 years

Safety Members

1994 Group Annuity Mortality Table set forward 2 years

C. Employee Contribution Rate:

1994 Group Annuity Mortality Table set forward 1 year for General Members (weighed 30% male and 70% female)

1994 Group Annuity Mortality Table set forward 2 years for Safety Members (weighed 85% male and 15% female)

Pre-Retirement Mortality

Based upon the Experience Analysis as of 12/31/03

Withdrawal Rates

Based upon the Experience Analysis as of 12/31/03

Disability Rates

Based upon the Experience Analysis as of 12/31/03

Service Retirement Rates

Based upon the Experience Analysis as of 12/31/03

Salary Scales

Total increases of 6.66% per year reflecting approximately 4.00% for inflation, .25% for additional real "across the board" salary increases and approximately 2.41% 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 17 years as of December 31, 2005.

Probability of Occurrence

Termination Rates (%) Before Retirement

MORTALITY

Age	General		Safety	
	Male	Female	Male	Female
25	0.07	0.03	0.07	0.03
30	0.08	0.04	0.08	0.04
35	0.09	0.05	0.09	0.06
40	0.12	0.08	0.13	0.08
45	0.17	0.10	0.19	0.11
50	0.29	0.16	0.32	0.17
55	0.49	0.26	0.56	0.29
60	0.90	0.51	1.01	0.58
65	1.62	0.97	1.80	1.08

WITHDRAWAL

(<5 years of Service)

Service Years	General	Safety
0	13.00	9.00
1	7.00	6.00
2	6.00	5.00
3	5.00	4.00
4	4.00	3.00

DISABILITY General

Age	Tier 1	Tier 2 & 3	Safety
20	0.04	0.00	0.06
25	0.11	0.02	0.16
30	0.24	0.04	0.44
35	0.36	0.08	0.84
40	0.52	0.11	1.12
45	0.66	0.17	1.56
50	0.79	0.34	2.22
55	0.94	0.56	2.50
60	1.15	0.80	0.00

WITHDRAWAL

(5+ years of Service)

Age	General	Safety
20	4.00	3.00
25	4.00	3.00
30	4.00	2.78
35	4.00	2.00
40	3.84	1.46
45	3.21	0.95
50	1.52	0.00
55	0.33	0.00
60	0.00	0.00

RETIREMENT RATES (%)

Non-Enhanced Benefits

Age	Tier 1	Safety
50	3.00	1.00
55	10.00	2.00
60	25.00	17.00
65	40.00	100.00

Enhanced Benefits

Age	Tier 1	Tier 3	Safety
50	3.00	3.00	30.00
55	20.00	10.00	45.00
60	25.00	15.00	100.00
65	35.00	35.00	100.00

Summary of December 31, 2005 Valuation Results

December 31, 2005

December 31, 2004

EMPLOYER CONTRIBUTION RATES (County and District combined)*:

	Total Rate	Estimated Annual Amount	Total Rate	Estimated Annual Amount
General Tier 1 Non-enhanced	34.59%	\$ 2,025,000	32.56%	\$ 2,184,807
General Tier 1 Enhanced	30.74%	25,306,636	30.01%	27,033,668
General Tier 2	N/A	N/A	26.37%	274,628
General Tier 3 Non-enhanced	N/A	N/A	30.53%	88,208
General Tier 3 Enhanced	26.39%	103,392,799	25.39%	94,971,255
Safety Non-enhanced	36.79%	698,430	36.28%	1,761,478
Safety Enhanced	46.77%	68,115,581	52.65%	74,849,920
All Employers Combined	31.80%	\$ 199,538,446	32.49%	\$201,163,964

AVERAGE MEMBER CONTRIBUTION RATES*:

	Total Rate	Estimated Annual Amount	Total Rate	Estimated Annual Amount
General Tier 1 Non-enhanced	7.42%	\$ 434,388	7.54%	\$ 505,941
General Tier 1 Enhanced	6.86%	5,647,033	6.82%	6,143,491
General Tier 2	N/A	N/A	2.96%	30,827
General Tier 3 Non-enhanced	N/A	N/A	6.76%	19,531
General Tier 3 Enhanced	6.63%	25,979,154	6.62%	24,757,430
Safety Non-enhanced	14.12%	268,058	14.32%	695,269
Safety Enhanced	13.36%	19,456,566	13.25%	18,838,415
All Categories Combined	8.25%	\$ 51,785,199	8.24%	\$ 50,990,904

KEY ACTUARIAL ASSUMPTIONS

Annual Interest Rate:	7.90%	7.90%
Annual Inflation Rate:	3.75%	4.00%
Average Annual Salary Increase:	6.66%	6.41%

* Based on December 31, 2005 projected annual payroll.



Summary of Significant Results

Association Membership	December 31, 2005	December 31, 2004	Increase/ (Decrease)
<i>Active Members</i>			
1. Number of Members	9,205	9,358	-1.6%
2. Total Active Payroll	\$ 627,546,408	\$619,132,218	1.4%
3. Average Monthly Salary	\$ 5,681	\$ 5,513	3.0%
<i>Retired Members</i>			
1. Number of Members:			
Service Retirement	4,416	4,144	6.6%
Disability Retirement	919	905	1.5%
Beneficiaries	1,102	1,069	3.1%
2. Actual Retired Payroll	\$ 196,106,000	\$ 178,979,000	9.6%
3. Average Monthly Pension	\$ 2,693	\$ 2,500	7.7%
<i>Inactive Vested Members</i>			
1. Number of Members*	1,731	1,517	14.1%
Asset Values (Net)			
<i>Market Value</i>	\$ 4,221,722,252	\$ 3,718,615,896	13.5%
<i>Return on Market Value</i>	8.71%	12.27%	
<i>Actuarial Value</i>	\$ 4,074,492,832	\$ 3,686,168,674	10.5%
<i>Return on Actuarial Value</i>	5.74%	3.85%	
<i>Valuation Assets</i>	\$ 4,062,057,143	\$ 3,673,858,074	10.6%
<i>Return on Valuation Assets</i>	5.74%	3.84%	
Liability Values			
Actuarial Accrued Liability	\$ 4,792,428,024	\$ 4,481,242,899	6.9%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 730,370,881	\$ 807,384,825	-9.5%
Funding Ratio			
GASB No. 25	85%	82%	-3%

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

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
12/31/00	General	7,243	\$374,918,000	\$51,763	4.90%
	Safety	<u>1,641</u>	<u>113,465,000</u>	<u>69,144</u>	<u>3.73%</u>
	TOTAL	8,884	\$488,383,000	\$54,973	4.43%
12/31/01	General	7,529	\$401,877,010	\$53,377	3.12%
	Safety	<u>1,700</u>	<u>121,744,376</u>	<u>71,614</u>	<u>3.57%</u>
	TOTAL	9,229	\$523,621,386	\$56,737	3.21%
12/31/02	General	7,854	\$449,362,523	\$57,214	7.19%
	Safety	<u>1,757</u>	<u>131,052,957</u>	<u>74,589</u>	<u>4.15%</u>
	TOTAL	9,611	\$580,415,480	\$60,391	6.44%
12/31/03	General	7,778	\$462,351,361	\$59,443	3.90%
	Safety	<u>1,698</u>	<u>137,922,547</u>	<u>81,226</u>	<u>8.90%</u>
	TOTAL	9,476	\$600,273,908	\$63,347	4.89%
12/31/04	General	7,675	\$472,100,272	\$61,511	3.48%
	Safety	<u>1,683</u>	<u>147,031,946</u>	<u>87,363</u>	<u>7.55%</u>
	TOTAL	9,358	\$619,132,218	\$66,161	4.44%
12/31/05	General	7,594	\$480,015,003	\$63,210	2.76%
	Safety	<u>1,611</u>	<u>147,531,405</u>	<u>91,578</u>	<u>4.82%</u>
	TOTAL	9,205	\$627,546,408	\$68,175	3.04%



Retirants and Beneficiaries Added To and Removed From Retiree Payroll

Year	At Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
2000	5,386	446	N/A	(274)	N/A	5,558	\$113,149,480	8.55%	20,358
2001	5,558	451	N/A	(112)	N/A	5,897	126,190,164	11.53%	21,399
2002	5,487	267	N/A	(135)	N/A	5,619	140,096,811	11.02%	24,933
2003	5,619*	541	\$18,430,647	(224)	(\$4,524,000)	5,936	163,923,104	17.01%	27,615
2004	5,936	316	28,635,293	(134)	(4,809,000)	6,118	178,979,297	9.18%	29,255
2005	6,118	494	\$18,212,193	(175)	(\$3,156,000)	6,437	\$196,106,294	9.57%	30,465

*Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.

Solvency Test (DOLLAR AMOUNTS IN THOUSANDS)

Valuation Date	Aggregate Accrued Liabilities (AAL) for:			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3		1	2	3
	Active Member Contributions	Retirants and Beneficiaries	Active Members Employer Portion				
12/31/00	\$ 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%
12/31/02	258,072	1,749,725	1,669,827	3,296,736	100%	100%	77%
12/31/03	273,175	2,072,929	1,795,286	3,538,722	100%	100%	66%
12/31/04	351,578	2,212,082	1,947,583	3,673,858	100%	100%	59%
12/31/05	\$ 354,585	\$ 2,468,601	\$ 1,969,242	\$ 4,062,057	100%	100%	63%

Actuarial Analysis of Financial Experience

FOR YEARS ENDED DECEMBER 31
(DOLLAR AMOUNTS IN THOUSANDS)

Type of Activity	2005	2004	2003	2002	2001	2000
Composite Gain (or Loss) During Year	\$77,014	(\$204,717)	(\$221,780)	(\$10,557)	(\$81,984)	\$7,713

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

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through December 31, 2006, and as adopted by Contra Costa County and special district employees.

A. GENERAL MEMBERS -

Tier 1 and Tier 3 Plans (Non-Enhanced Section 31676.11 or Enhanced Section 31676.16)

Tier 2 Plan (Section 31751)

Coverage

Tier 1:

- a. All General Members hired before July 1, 1980 and electing not to transfer to Tier 2 Plan.

Tier 3:

All county general members (except CNA employees) hired on or after October 1, 2002 were placed in Tier 3. All CNA employees hired on or after January 1, 2005 were placed in Tier 3. All Contra Costa Mosquito and Vector Control District employees hired on or after February 1, 2006 were placed in Tier 3.

Final Average Salary (FAS)

- a. One year final average salary

Service Retirement

- a. Requirement

Age 50 and 10 years of service, age 70 regardless of service, or 30 years of service regardless of age.

Tier 2:

- a. All General members hired on or after July 1, 1980 and all General members hired before August 1, 1980 electing to transfer to the Tier 2 Plan. Effective October 1, 2002, Tier 2 was eliminated for all county employees (except CNA employees); employees were placed in Tier 3. CNA employees in Tier 2 were placed in Tier 3 as of January 1, 2005.

One special district's employees were placed in Tier 3 effective February 1, 2006.

- a. Three year final average salary

- a. Requirement

Age 50 and 10 years of service, age 70 regardless of service, or 30 years of service regardless of age.



b. Non-Enhanced Benefit (Section 31676.11)

Retirement (Tier 1 and Tier 3 plans)

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

b. Benefit

Retirement (Tier 2 plan)

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

Maximum Benefit 100% of FAS.

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

c. Tier 1 and 3 Plan Enhanced Benefits (Section 31676.16)

Retirement

Age	Benefit Formula
50:	$(1.43\% \times \text{FAS} - 1/3 \times 1.43\% \times \$350 \times 12) \times \text{Yrs}$
55:	$(2.00\% \times \text{FAS} - 1/3 \times 2.00\% \times \$350 \times 12) \times \text{Yrs}$
60:	$(2.26\% \times \text{FAS} - 1/3 \times 2.26\% \times \$350 \times 12) \times \text{Yrs}$
62:	$(2.37\% \times \text{FAS} - 1/3 \times 2.37\% \times \$350 \times 12) \times \text{Yrs}$
65:	$(2.42\% \times \text{FAS} - 1/3 \times 2.42\% \times \$350 \times 12) \times \text{Yrs}^{**}$

Maximum Benefit - 100% of FAS

**Current Tier 1 and 3 members retiring at age 62½ or older will receive the higher benefits formula under 31676.11. Employees with membership dates on or after the benefit enhancement effective date will retire with benefits computed under 31676.16.

Disability Retirement

Tier 1:

- 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 to 1/3 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

Tier 1 and 3

- 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

Tier 2

- 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 Non-enhanced (Section 31676.11) and Enhanced (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 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.
- b. Lump sum payment of \$7,000 less any Social Security Lump sum payment.



Withdrawal Benefits

Tier 1 and Tier 3

- a. If less than five years of service, return of contributions, but can leave funds to earn interest.
- b. If greater than five years of service, right to have vested deferred retirement benefit.

Tier 2

- a. If less than five years of service, return of contributions, but can leave funds to earn interest.
- b. If greater than five years of service, right to have vested deferred retirement benefit.

Cost of Living Benefit

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

4% maximum change per year

Employee's Contribution Rates

Non-enhanced 31676.11

- | | |
|---|---|
| <ul style="list-style-type: none">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. | <ul style="list-style-type: none">a. 40% of the full Section 31676.11 employee contribution rate.b. COL: to pay for 1/2 of future COL costs. |
|---|---|

Enhanced 31676.16

- a. Basic: to provide for an average annuity at age 60 equal to 1/120 of FAS.
- 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 was given under the Tier 2 Plan for future service only. The COL maximum is 4% only for the credit under the Tier 2 Plan. Transferred Tier 2 Plan members keep the five year requirement for nonservice-connected disability. Those who were members before April 1, 1973 will be exempt from paying member contributions after 30 years of service.

B. SAFETY MEMBERS (31664 and 31664.1)

Coverage

- a. All Safety members

Final Average Salary (FAS)

- a. One year final average salary

Service Retirement

- a. Requirement

Age 50 and 10 years of service, or with 20 years of service regardless of age.

- b. Non-enhanced Benefit at Retirement (Section 31664)-(Rodeo-Hercules and East Contra Costa Fire Protection Districts)

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. Enhanced Benefit at Retirement (Section 31664.1)-(All others)

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, but can leave funds to earn interest
- 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' Non-enhanced (Section 31664) Contribution Rates

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

Employees' Enhanced (Section 31664.1) Contribution Rates

- a. Basic - to provide for an average annuity at age 50 equal to 1/100 of FAS
- b. COL - to provide for 1/2 of future COL costs

Employer Contribution Rate

Enough to make up the balance and COL costs

Statistical Section

Changes in Plan Net Assets For Years 1997 - 2006

Additions	2006	2005	2004	2003	2002
Employer Pension Obligation Bond Proceeds	\$ 11,693,396	\$ 153,134,911	-	\$ 319,094,719	-
Employer Contributions	179,755,315	147,165,108	118,245,418	108,728,047	57,474,043
Employee Contributions	73,468,648	43,474,816	65,297,397	51,602,939	26,605,875
Net Investment Income	614,912,800	341,877,365	415,668,827	608,336,466	(268,163,039)
Security Lending Income	657,577	505,829	344,167	238,147	182,490
Total Additions	\$ 880,487,736	\$ 686,158,029	\$ 599,555,809	\$1,088,000,318	\$ (183,900,631)
Deductions					
Pension Benefits*	\$ 216,057,476	\$ 196,106,294	\$ 178,979,297	\$ 163,923,104	\$ 140,096,811
Refunds	3,231,903	2,074,426	909,468	1,036,599	643,103
Retiree Healthcare Benefit Reimbursement**	-	-	-	-	4,637,588
Administrative Expense	4,859,287	4,896,325	4,089,459	4,292,028	4,268,952
Other Expenses	7,051,691	6,440,182	5,776,115	5,021,267	2,541,293
Membership Withdrawal	-	3,534,446	4,680,521	-	-
Total Deductions	\$ 231,200,357	\$ 213,051,673	\$ 194,434,860	\$ 174,272,998	\$ 152,187,747
Final Paulson Cost reimbursement received	-	-	-	34,230,204	-
Change in Plan Net Assets	\$ 649,287,379	\$ 473,106,356	\$ 405,120,949	\$ 947,957,524	\$ (336,088,378)

Additions	2001	2000	1999	1998	1997
Employer Pension Obligation Bond Proceeds	-	-	-	-	-
Employer Contributions	55,182,505	52,986,645	49,254,260	40,925,393	36,687,901
Employee Contributions	18,681,239	15,463,367	14,460,506	11,704,335	9,856,075
Net Investment Income	(114,846,451)	30,297,678	402,876,035	342,811,108	409,112,609
Security Lending Income	314,604	111,709	-	-	-
Total Additions	\$ (40,668,103)	\$ 98,859,399	\$ 466,590,801	\$ 395,440,836	\$ 455,656,585
Deductions					
Pension Benefits*	\$ 126,190,164	\$ 113,149,480	\$ 100,519,544	\$ 89,859,684	\$ 82,019,428
Refunds	858,013	1,060,249	856,620	765,618	1,014,600
Retiree Healthcare Benefit Reimbursement**	12,342,644	12,408,770	8,625,395	11,361,045	6,665,785
Administrative Expense	3,745,158	3,128,624	2,675,125	2,590,124	2,185,024
Other Expenses	3,527,656	3,904,263	3,845,689	2,467,215	1,650,880
Membership Withdrawal	10,791,085	-	-	-	-
Total Deductions	\$ 157,454,720	\$ 133,651,386	\$ 116,522,373	\$ 107,043,686	\$ 93,535,717
Final Paulson Cost reimbursement	-	-	-	-	-
Change in Plan Net Assets	\$(198,122,823)	\$ (34,791,987)	\$ 350,068,428	\$ 288,397,150	\$ 362,120,868

* The benefit amounts do not reflect the benefit payments made as a result of the Paulson settlement previously reported in the 2000, 2001 & 2002 CAFR. The total of the prior period adjustments recorded over the three year period was \$50,518,255 and resulted from the recalculation and payment of the "Paulson Benefit" (see footnote 10). Payments are attributed to periods back to 1994.

**Direct reimbursements were made for 1/2 year only in 2002 per Retirement Board direction.

Schedule of Benefit Expenses by Type

ANNUAL BENEFIT AMOUNTS
AS OF DECEMBER 31, OF EACH YEAR

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Service Retirement										
Payroll:										
General	\$94,017,872	\$83,342,598	\$83,082,384	\$75,541,280	\$69,426,588	\$57,580,704	\$53,205,888	\$49,150,068	\$44,141,628	\$41,396,052
Safety	49,532,401	44,667,705	42,524,880	32,150,949	25,534,956	22,648,836	19,218,240	16,618,140	13,536,888	12,623,328
TOTAL	143,550,273	128,010,303	125,607,264	107,692,229	94,961,544	80,229,540	72,424,128	65,768,208	57,678,516	54,019,380
Disability Retirement										
Payroll:										
General	11,608,329	11,854,576	11,718,156	10,628,529	9,561,036	8,052,996	7,478,112	6,540,395	6,132,840	5,532,732
Safety	19,867,011	18,737,169	17,850,060	13,852,780	12,770,940	10,830,432	9,925,116	8,385,012	7,184,760	6,763,344
TOTAL	31,475,340	30,591,745	29,568,216	24,481,309	22,331,976	18,883,428	17,403,228	14,925,407	13,317,600	12,296,076
Beneficiary										
Payroll:										
General	13,850,208	13,400,362	12,794,592	10,603,910	9,825,504	7,600,296	7,078,608	6,685,716	5,977,404	5,484,900
Safety	7,230,473	6,976,887	6,586,944	5,148,537	4,982,532	3,635,004	3,151,620	2,814,048	2,421,012	2,247,900
TOTAL	21,080,681	20,377,249	19,381,536	15,752,447	14,808,036	11,235,300	10,230,228	9,499,764	8,398,416	7,732,800
Total Benefit Expense:										
General	119,476,409	108,597,536	107,775,132	96,773,719	88,813,128	73,233,996	67,762,608	62,376,179	56,251,872	52,413,684
Safety	76,629,885	70,381,761	66,961,884	51,152,266	43,288,428	37,114,272	32,294,976	27,817,200	23,142,660	21,634,572
TOTAL	\$196,106,294	\$178,979,297	\$174,737,016	\$147,925,985	\$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

SUMMARY OF MONTHLY ALLOWANCES BEING PAID AS OF DECEMBER 31, 2005

<u>Amount of Monthly Benefit</u>	<u>Number of</u>			
<u>General Members</u>	<u>Retirees</u>	<u>Service</u>	<u>Disability</u>	<u>Beneficiary</u>
\$0 to \$749	1,190	896	6	288
\$750 to 1,499	1,250	850	128	272
\$1,500 to 2,249	931	571	215	145
\$2,250 to 2,999	580	412	98	70
\$3,000 to 3,749	349	291	30	28
\$3,750 to 4,499	213	182	10	21
\$4,500 to 5,249	151	136	5	10
\$5,250 & Over	338	319	5	14
TOTALS	<u>5,002</u>	<u>3,657</u>	<u>497</u>	<u>848</u>

<u>Safety Members</u>	<u>Number of</u>			
	<u>Retirees</u>	<u>Service</u>	<u>Disability</u>	<u>Beneficiary</u>
\$0 to \$749	58	23	4	31
\$750 to 1,499	73	26	3	44
\$1,500 to 2,249	114	32	37	45
\$2,250 to 2,999	228	56	118	54
\$3,000 to 3,749	232	78	113	41
\$3,750 to 4,499	139	94	25	20
\$4,500 to 5,249	96	70	18	8
\$5,250 & Over	495	380	104	11
TOTALS	<u>1,435</u>	<u>759</u>	<u>422</u>	<u>254</u>

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+
2005 Average Monthly Benefit	\$3679	\$2903	\$2453	\$2077	\$1643	\$1641	\$1496	\$1209	\$1550
Number Retirees & Beneficiaries	659	619	587	594	628	467	194	48	19
2004 Average Monthly Benefit	\$3399	\$2698	\$2304	\$1831	\$1563	\$1585	\$1360	\$1092	\$875
Number Retirees & Beneficiaries	639	609	604	638	621	450	182	45	10
2003 Average Monthly Benefit	\$3245	\$2553	\$2224	\$1764	\$1548	\$1561	\$1299	\$1152	\$865
Number Retirees & Beneficiaries	675	583	629	669	620	390	154	35	11
2002 Average Monthly Benefit	\$2885	\$2381	\$2064	\$1603	\$1497	\$1319	\$1110	\$921	\$560
Number Retirees & Beneficiaries	546	567	671	703	632	388	154	42	10
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

Schedule of Average Benefit Payment Amounts

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

YEARS SINCE RETIREMENT

TIER 2	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2005 Average Monthly Benefit	\$749	\$978	\$778	\$986	\$726				
Number Retirees & Beneficiaries	120	232	155	33	12				
2004 Average Monthly Benefit	\$840	\$676	\$948	\$738	\$1076	\$768			
Number Retirees & Beneficiaries	540	122	257	128	25	8			
2003 Average Monthly Benefit	\$857	\$814	\$887	\$855	\$778	\$1009			
Number Retirees & Beneficiaries	530	155	242	109	18	6			
2002 Average Monthly Benefit	\$809	\$836	\$829	\$759	\$1134				
Number Retirees & Beneficiaries	157	228	97	20	4				
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+
2005 Average Monthly Benefit	\$1667	\$1170							
Number Retirees & Beneficiaries	538	97							
2004 Average Monthly Benefit	\$1438	\$1126							
Number Retirees & Beneficiaries	396	46							
2003 Average Monthly Benefit	\$1304	\$429							
Number Retirees & Beneficiaries	346	1							
2002 Average Monthly Benefit	\$1178								
Number Retirees & Beneficiaries	230								
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

Schedule of Average Benefit Payment Amounts

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

YEARS SINCE RETIREMENT

SAFETY	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2005 Average Monthly Benefit	\$5984	\$5042	\$4171	\$3911	\$3339	\$3684	\$3160	\$3053	\$1635
Number Retirees & Beneficiaries	455	289	243	140	115	103	61	20	9
2004 Average Monthly Benefit	\$5550	\$4598	\$4182	\$3298	\$3278	\$3520	\$2731	\$2299	\$1459
Number Retirees & Beneficiaries	406	272	237	135	107	106	5	18	7
2003 Average Monthly Benefit	\$5477	\$4214	\$4153	\$3345	\$3381	\$3478	\$2540	\$2044	\$1679
Number Retirees & Beneficiaries	431	241	215	133	109	100	42	17	5
2002 Average Monthly Benefit	\$5117	\$3837	\$3982	\$3086	\$3200	\$2688	\$1998	\$1525	\$1287
Number Retirees & Beneficiaries	324	226	214	128	120	100	35	18	5
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 For Years 1997-2006

County of Contra Costa:	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999*</u>	<u>1998*</u>	<u>1997*</u>
General Members	6,668	6,699	7,082	7,133	6,850	6,610	6,397			
Safety Members	1,025	1,027	1,089	1,104	1,606	1,517	1,496			
TOTAL:	7,693	7,726	8,171	8,237	8,456	8,127	7,893	-	-	-
Participating Agencies:										
Bethel Island Municipal Improvement District	5	4	3	3	2	2	2			
Byron, Brentwood, Knightsen Union Cemetery District	5	5	4	4	4	4	4			
Central Contra Costa Sanitary District	258	249	253	242	244	246	237			
City of Pittsburg**	-	-	-	-	-	-	243			
Contra Costa County Employees' Retirement Association	35	35	34	35	33	30	26			
Contra Costa Housing Authority	97	98	109	112	113	95	90			
Contra Costa Mosquito and Vector Control District	35	31	28	29	28	24	24			
Delta Diablo Sanitation District**	-	-	-	57	57	58	57			
Diablo Water District**	-	-	13	13	11	11	11			
Local Agency Formation Commission (LAFCO)	1	1	1	1	1	1	1			
Ironhouse Sanitary District**	-	-	28	27	24	23	22			
Rodeo Sanitary District	7	7	7	7	6	7	6			
In-Home Supportive Services Authority (IHSS)	15	12	11	12	10	6	6			
First 5 - Children & Families Commission	14	13	10	11	9	6	6			
Bethel Island Fire District***	-	-	-	-	-	-	3			
Contra Costa County Fire Protection District	354	361	373	367	387	366	-			
East Contra Costa Fire Protection District	55	55	55	55	55	55	-			
Moraga-Orinda Fire District	66	73	69	70	69	65	66			
Rodeo-Hercules Fire Protection District	21	21	21	21	21	21	22			
Superior Court****	370	342	-	-	-	-	-			
San Ramon Valley Fire District	179	172	168	169	170	170	169			
TOTAL:	1,517	1,479	1,187	1,235	1,244	1,190	995	-	-	-

Total Active Membership

9,210	9,205	9,358	9,472	9,700	9,317	8,888	8,798	8,415	8,091
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* Detail not readily available for 1997-1999

** Districts terminated their membership with CCCERA

*** Fire District merged with others to form East Contra Costa Fire Protection District

**** Superior Courts were part of County prior to January 1, 2005

Illustration Notes

Cover: Lily pads decorate a pond in the hills above El Cerrito. *(photo copyright Mark Yates)*

Title/
page 17: Pine Creek, one of many streams flowing down from 3849' Mt. Diablo, drifts through Castle Rock Park, a popular spot for nature-based recreation. In summer, the creek dries up to a trickle. In winter, it can rage.

(photo, lower right) This is "Drop Structure #1" located on Walnut Creek in Concord. Constructed in the mid-1960s as a cooperative effort between the Contra Costa County Flood Control District and the U.S. Army Corps of Engineers, its purpose is to reduce erosion along the creek during large storm flows. *(photos courtesy of Kevin Molander)*

page 5: Beaver Dam on Alhambra Creek in Martinez. An industrious group of beavers has constructed this five foot high dam along the creek in downtown Martinez. The dam has become a point of interest for many observers; a debate continues over whether or not to dismantle the beaver's refuge.

(photo, lower left) A section of Alhambra Creek makes its way through town prior to discharging into the Carquinez Strait through a tidal wetland. During periods of high rainfall, the creek is often disruptive; it is prone to spilling over its banks and flooding parts of Martinez. *(photos courtesy of Kevin Molander)*

page 49: The 48 mile Contra Costa Canal conveys water through a host of East Bay cities, from Knightsen in the east to Pleasant Hill in the west. A hiking/biking trail parallels much of the canal as it makes its way through residential neighborhoods. The Bureau of Reclamation began construction of the canal in the 1930s to supply irrigation water for local crops. The canal is maintained by the Contra Costa Water District and is now a water supply for several East Bay cities. *(photo courtesy of Kevin Molander)*

page 59: Located in the hills above Lafayette, this reservoir, completed in 1933, opened to the public for recreation in 1966. The 925 acre site offers hiking, fishing, boating and picnicking. The reservoir holds 1.4 billion gallons and is primarily used as a standby drinking water supply for parts of the East Bay Area. *(photo courtesy of Kevin Molander)*

page 75: Natural scenery in the middle of the city. Walnut Creek flows through the city of the same name. The ducks in the creek are quite content in their suburban habitat. *(photo courtesy of Kevin Molander)*

Design

Joelle Luhn

with assistance from Kevin Molander

Contra Costa County Employees' Retirement Association

Printing and Bindery Services

Print & Mail Services

A Division of General Services,
Contra Costa County, California