



Contra Costa County Employees' Retirement Association

Comprehensive Annual Financial Report

For The Years Ended December 31, 2012 and 2011

A Pension Trust Fund of the
County of Contra Costa, California
and Participating Employers



On the cover:

The Porter Brothers were fruit commission merchants in the late 19th and early 20th century. Based in San Francisco, this packing house was instrumental in convincing East Bay farmers that a variety of fruits and grains could be shipped successfully to the East Coast by rail. Profit margins improved, and more land was cultivated, creating jobs and value beyond coal mining and cattle ranching in Contra Costa County. The boom and bust cycle that began with the Gold Rush developed rapidly into a thriving market based economy.

Contra Costa and Alameda counties were agricultural powerhouses during this era. Cherries, pears, apricots, peaches, tomatoes, apples, walnuts, olives, almonds, figs, oranges, and grapes are a few of the significant crops cultivated in the Diablo Valley. Our seasonal golden hills are remnants of wheat and white oat farms that swept inland to the Sacramento River Delta and the San Joaquin River.

By 1950, this abundant era was ending, as construction replaced cultivation in most parts of the County. A few family farms remain, some with "open orchards" for visitors to harvest their own fruit. Others have become "demonstration ranches," or historical landmarks. But exploring a quiet lane can still reveal grape vines dotting the hillsides, or a forgotten walnut tree orchard, silvery bark gleaming in the sunlight.

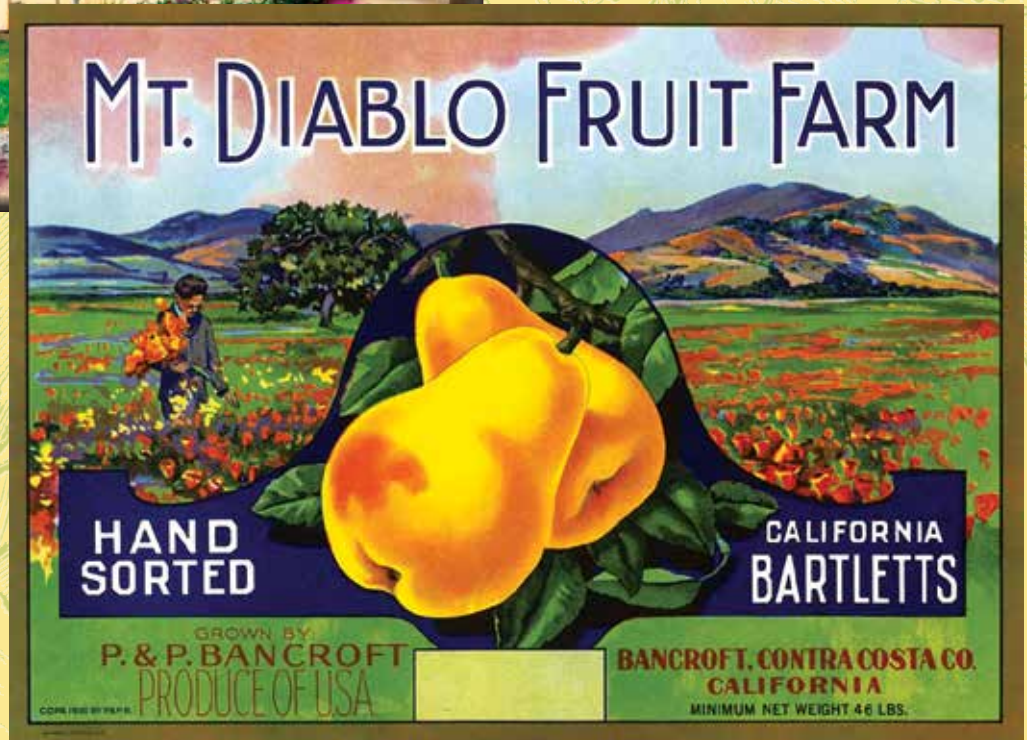


CCCERA's mission is to deliver retirement benefits to members and their beneficiaries through prudent asset management and effective administration, in accordance with all plan provisions.



Comprehensive Annual Financial Report

**For The Years
Ended
December 31,
2012 and 2011**



Issued by:

Marilyn Leedom, CEBS
Vickie C. Kaplan, CPA

Retirement Chief Executive Officer
Retirement Accounting Manager


Contra Costa County Employees' Retirement Association

**A Pension Trust Fund of the County of Contra Costa, California
and Participating Employers**

1355 Willow Way, Suite 221, Concord, California 94520-5728

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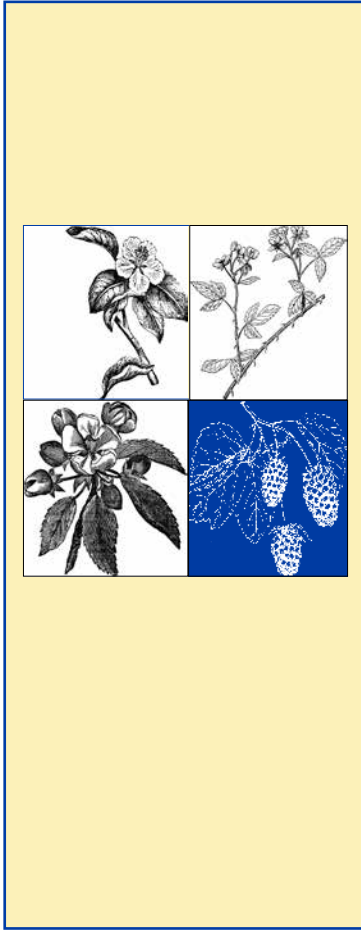
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Introductory Section



Introduction



Letter of Transmittal

June 12, 2013

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, 2012, our 67th 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 (County) 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** includes a description of CCCERA's management and organizational structure, a letter of transmittal, a listing of the members of the Board of Retirement, and a listing of professional consultants.

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.

6 Comprehensive Annual Financial Report 2012



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	E
Byron, Brentwood, Knightsen Union Cemetery District	
Central Contra Costa Sanitary District	E
Contra Costa County Employees' Retirement Association	E
Contra Costa Housing Authority	E
Contra Costa Mosquito and Vector Control District	E
First 5 - Children & Families Commission	E
In-Home Supportive Services Authority (IHSS)	E
Local Agency Formation Commission (LAFCO)	E
Rodeo Sanitary District	
Superior Courts of Contra Costa County	E
Contra Costa Fire Protection District	E
East Contra Costa Fire Protection District	E
Moraga-Orinda Fire Protection District	E
Rodeo-Hercules Fire Protection District	E*
San Ramon Valley Fire Protection District	E

E - Adopted Enhanced Benefits (2% at 55 for General Members; 3% at 50 for Safety Members)

E* - Adopted Enhanced Benefits (2% at 55 for General Members only)

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
Superintendent of Schools - Contra Costa County Office of Education
Steger Sanitary District



Introduction

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.

FINANCIAL INFORMATION

This report has been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. CCCERA's MD&A can be found immediately following the independent auditor's report.

Management of CCCERA is responsible for establishing and maintaining an internal control structure designed to ensure CCCERA's assets are protected from loss, theft, or misuse. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance recognizes the cost of a control relative to the benefits likely to be derived and that these judgments by management are based on estimates. Responsibility for the accuracy, completeness, fair representation of information and all disclosures rests with CCCERA's management. The accounting firm of Brown Armstrong CPAs, a certified public accounting firm, provides financial statement independent audit services to CCCERA. The financial audit provides reasonable assurance that CCCERA's financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are 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. Every 3 years, a triennial experience study of the members of CCCERA is completed. Both the economic and non-economic assumptions are reviewed and updated, if needed, 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, 2012. The Segal Company's actuarial valuation as of December



31, 2011, determined the funding status (the ratio of system assets to system liabilities) to be 78.5%, 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, custodial 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 position restricted for pension benefits increased from \$5.052 billion at December 31, 2011, to \$5.65 billion at December 31, 2012. For the year ended December 31, 2012, CCCERA's investment portfolio returned 14.1%, before investment management fees, reflecting market conditions throughout the year. CCCERA's annualized rate of return was 10.1% over the last three years, 3.6% over the last five years, and 8.7% over the last 10 years, gross 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, 2011. 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 accounting principles generally accepted in the United States of America 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.



Introduction

CCCERA was awarded the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award in 2012. 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

In 2012, the California Legislature passed two bills, Assembly Bill (AB) 197 and AB 340, that changed the public pension landscape for CCCERA members and employers. The California Public Employees' Pension Reform Act of 2013 (PEPRA 2013) was enacted in September 2012, with an effective date of January 1, 2013. These new provisions cut across all facets of our business model. With very limited lead-time prior to implementation, CCCERA worked diligently, combining the efforts of actuaries, legal counsel, executive team, Board trustees, and staff, to determine best practices for compliance with this complex law.

Benefits Division - 785 members were scheduled for individual counseling appointments, and 2,598 basic estimates were requested during 2012. 475 service purchases were processed. During the month of December, due to looming legislative changes to benefit levels, 187 members retired, more than triple the number from December 2011 (52 retirements). New regulations, legislation, policies, MOU negotiations, and the changing demographics of our members created the need for hours of data manipulation and file creation within the pension system software. The importance of accurate data cannot be overstated; these records drive the processes, functionality, and efficiency of CCCERA.

Personnel - Successful recruitments were completed for the Deputy Chief Executive Officer and Chief Investment Officer positions. Additionally, CCCERA hired four Retirement Office Specialists, three Retirement Counselors, and one staff member each in the following classifications: IT Programmer/Analyst, Accounting Technician, Member Services Technician, and Senior Member Services Data Specialist. PEPRA 2013 mandates increased oversight on a variety of retirement office practices, so a Compliance Officer position is under development, along with an assistant General Counsel position. Cross-training in the Benefits, Member Services, and Administrative Services Divisions has improved coverage for many tasks.

Administrative Division - The Willows Office building, owned by CCCERA, is now 92% occupied, recovering from the depressed real estate market in the latter half of the previous decade. In 2012, the building interior common areas were recarpeted, improving tenant appeal. More CCCERA office space will be needed, as we add staff to handle PEPRA 2013 compliance issues. A new filing system was developed for the Investment Division; administrative staff planned and implemented these procedures. PDF versions of Legal Opinions were created and attached to an Excel index so staff can electronically access opinions on the desktop. Media coverage generated more public information requests from agencies and individuals. The Administrative Division assisted General Counsel with these requests.



Introduction

Accounting Division - Accounting Division responsibilities continue to be more complex, as we hire more investment managers, as well as different types of managers, execute new reporting requirements from all sources, interpret new GASB standards to include the new pension accounting and financial reporting standards Statement No. 67, *Financial Reporting for Pension Plans*, and ensure accounting accuracy during the ongoing implementation of CPAS, CCCERA's pension administration system. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented for the December 31, 2012 Financial Statements.

Information Technology - CCCERA's email system migrated from Novell GroupWise to Microsoft Outlook. Windows 7 Operating system was installed on all workstations; old computers in the Administrative Division were replaced. Blackberry Enterprise Servers were replaced with a Microsoft Exchange Server and integrated cell phones, increasing our mobility options. CloudPBX Disaster Prevention Plan, which is a hosted virtual phone system, was installed to ensure continuous telephone service in the event of a system failure. Our old building security camera system was replaced with new cameras and functionality in keeping with current specifications. Research is continuing for an improved audio-visual system for the Board Room. PEPPRA 2013 will impact Information Technology, as well; our capacity to run specialized reports, create and populate data fields for tracking new metrics, additional retirement tiers, and pension benefit levels will expand programming needs as we develop electronic resources to meet this challenge.

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 CCCERA and for their diligent work to assure the continued successful operation of CCCERA.

Respectfully submitted,

Marilyn Leedom, CEBS
Retirement Chief Executive Officer



Introduction

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Members of The Retirement Board

AS OF DECEMBER 31, 2012

<u>TRUSTEES</u>	<u>TERM EXPIRES</u>	<u>APPOINTED/ ELECTED BY</u>
Maria Theresa Viramontes, Chairperson	June 30, 2013	Board of Supervisors
Brian Hast, Vice-Chairperson	June 30, 2013	General Members
John B. Phillips, Secretary	June 30, 2014	Board of Supervisors
Terry Buck	June 30, 2014	Safety Members
Richard Cabral	June 30, 2014	General Members
John Gioia	June 30, 2014	Board of Supervisors
Jerry Telles	June 30, 2013	Retirees
Debora Allen	June 30, 2014	Board of Supervisors
Russell V. Watts, County Treasurer	Permanent by Office	
Sharon Naramore (alternate)	June 30, 2013	Retirees
Jerry R. Holcombe (alternate)	June 30, 2014	Board of Supervisors
Gabe Rodrigues (alternate)	June 30, 2014	Safety Members



List of Professional Consultants

AS OF DECEMBER 31, 2012

ACTUARY

The Segal Company

ACTUARIAL AUDIT

Milliman

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

Reed Smith LLP

Ice Miller LLP

INVESTMENT CONSULTANT

Milliman

MASTER CUSTODIAN

State Street Bank & Trust

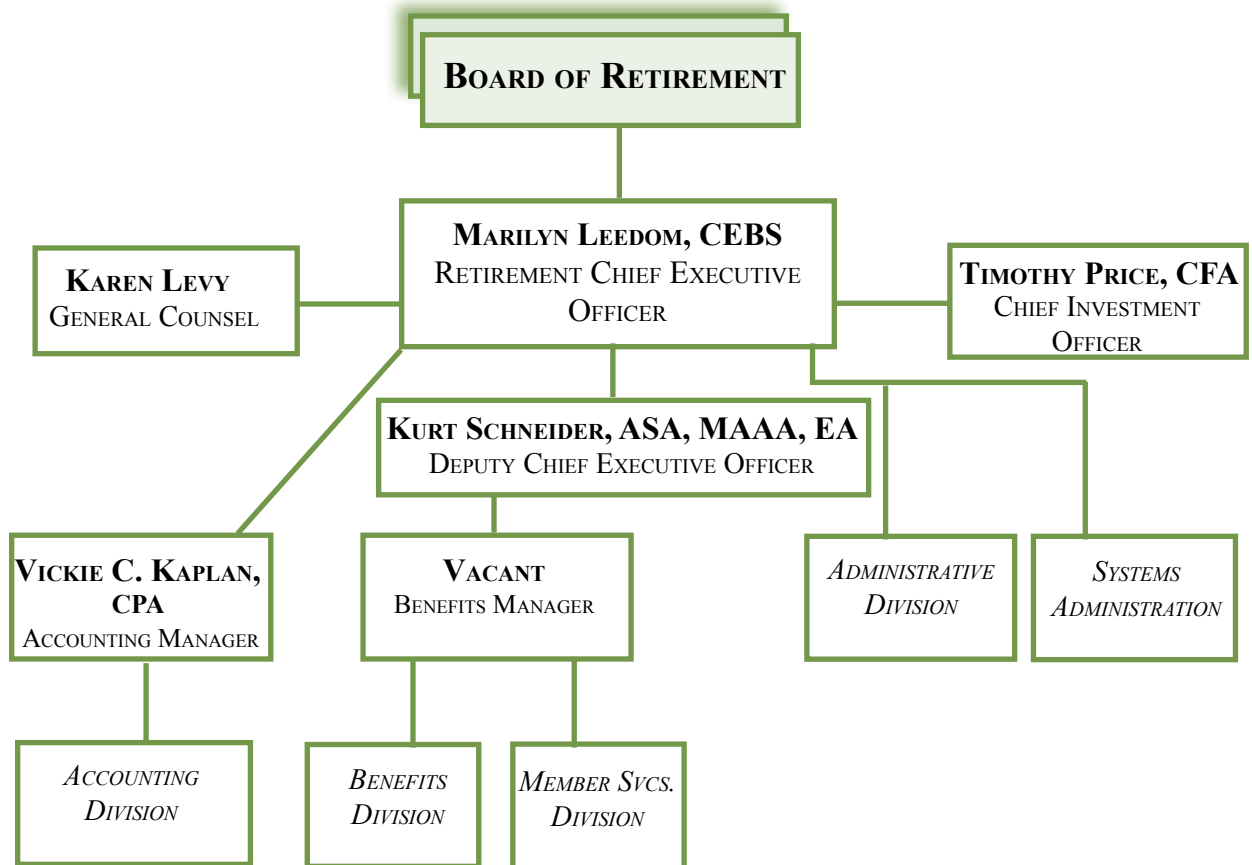
PROXY GUIDELINE VOTING AGENT SERVICE

Institutional Shareholder Services Inc (ISS)

Note: List of Investment Professionals is located on page 66 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, 2011

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.



Christopher P. Morrell
President

Jeffrey R. Emer
Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award
for Funding and Administration
2012***

Presented to

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

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

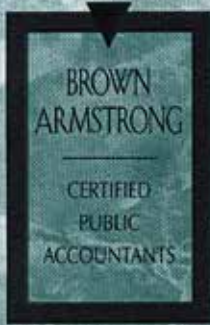
Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator



Financial Section



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of December 31, 2012 and 2011, and the related statement of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise CCCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300

BAKERSFIELD, CA 93309

TEL 661.324.4971

FAX 661.324.4997

EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263

TEL 661.746.2145

FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300

FRESNO, CALIFORNIA 93711

TEL 559.476.3592

FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B

PASADENA, CALIFORNIA 91101

TEL 626.240.0920

FAX 626.240.0922



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCCERA as of December 31, 2012, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CCCERA's basic financial statements. The other supplementary information and the introductory, investment, actuarial, and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013, on our consideration of CCCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCCERA's internal control over financial reporting and compliance.

Bakersfield, California
June 12, 2013

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation



Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of the Contra Costa County Employees' Retirement Association (CCCERA) for the year ended December 31, 2012. We encourage readers to take into account the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal, as well as the Financial Statements.

FINANCIAL HIGHLIGHTS

- ‡ CCCERA's net position at the close of 2012 totaled \$5.7 billion (net position restricted for pension benefits), an increase of \$602 million, or 11.9% from 2011, primarily as a result of the net appreciation in the Fair Value of Investments. The December 31, 2011 net position of \$5.1 billion represented an increase of \$25 million over the \$5.0 billion balance as of December 31, 2010.
- ‡ Total Additions, as reflected in the Statement of Changes in Fiduciary Net Position, for the year ended December 31, 2012, were \$967.8 million, which includes employer and employee contributions of \$285.7 million, an investment gain of \$680.5 million, and net securities lending income of \$1.5 million. 2011 investment income and gains were down from 2010. These gains totaled \$100.4 million for the year ended December 31, 2011, compared to \$605.7 million in 2010.
- ‡ Employer contributions increased from \$200.4 million in 2011 to \$212.3 million in 2012 primarily as the result of an increase in contribution rates attributed to the decrease in the actuarial interest assumption from 7.80% to 7.75% and past losses recognized. Contribution rates are applied on a July through June fiscal year basis and increased as of July 1, 2012. Also included in the 2012 employer contribution total is \$0.8 million paid by County departments as a result of employees converting prior Tier 2 service to Tier 3 service. Employer contributions in 2010 totaled \$184.0 million.
- ‡ Employee contributions increased for 2012 when compared to 2011, mainly due to higher contribution rates. For 2012, 2011, and 2010, employee contributions were \$73.4 million, \$61.6 million, and \$64.3 million, respectively.
- ‡ Total Deductions, as reflected in the Statement of Changes in Fiduciary Net Position, increased from \$338.1 million to \$365.5 million over the prior year, or approximately 8%, mainly attributed to the pension payroll. Benefits paid to retirees and beneficiaries increased from \$320.3 million in 2011 to \$347.6 million in 2012, or approximately 8.5%. This increase can be attributed to an increase in the number of new retirees and an annual cost-of-living (COLA) increase. The increase in the Pension Benefit from 2011 over 2010 was approximately 10.8%, primarily attributed to new retirees and the cost-of-living increase which only applied to those with an accumulated carry-over of unused COLAs from prior years.
- ‡ CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2011, the date of CCCERA's last actuarial valuation, the funded ratio for CCCERA was 78.5%. In general, this indicates that for every dollar of benefits due we have approximately \$0.79 to cover it.



- ✦ Market conditions, despite suffering a downturn in the second quarter due to concerns in Europe, were otherwise favorable for the rest of 2012. The total investment portfolio finished the year with a very strong return of 14.1%, compared to 2.7% in 2011.

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 Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

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

The Statement of Changes in Fiduciary Net Position, 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



Financial

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

As of December 31, 2012, CCCERA has \$5.7 billion in net position restricted for pension benefits, which means that assets plus deferred outflows of resources of \$6.34 billion exceed liabilities and deferred inflows of resources of \$681 million. At December 31, 2011 and 2010, CCCERA's net position totaled \$5.1 billion and \$5.0 billion, respectively. The net position restricted for pension benefits is available to meet CCCERA's ongoing obligation to plan participants and their beneficiaries.

As of December 31, 2012, the net position restricted for pension benefits increased by 11.9% over 2011, and increased by 12.5% over 2010, primarily due to the changes in the fair market value of investments. Current assets and current liabilities also change by offsetting amounts due to the recording of the security lending cash collateral.

Capital Assets

CCCERA's investment in capital assets decreased from \$1.0 million to \$0.8 million (net of accumulated depreciation and amortization). The investment in capital assets includes servers, equipment, furniture, and leasehold improvements. The total decrease in CCCERA's investment in capital assets from 2011 to 2012 was 19.1%. The decrease of 14.1% from 2010 to 2011 is primarily because of the normal amortization and depreciation of assets taken by CCCERA annually.

Starting in 2008, CCCERA follows Government Code Section 31580.3, which allows expensing of software, hardware, and computer technology consulting services in support of the software or hardware used in the administration of the retirement system. During 2012, 2011, and 2010, CCCERA expensed \$117,768, \$159,024, and \$78,707 of software, hardware, and computer technology consulting services, respectively.

FIDUCIARY NET POSITION (Dollars in Thousands)

	2012	2011	2010	% Change 2012-2011	% Change 2011-2010
Current Assets	\$ 774,087	\$ 964,576	\$1,003,309	-19.7%	-3.9%
Investments	5,560,501	4,968,836	4,851,225	11.9%	2.4%
Capital Assets	807	997	1,161	-19.1%	-14.1%
Total Assets	6,335,395	5,934,409	5,855,695	6.8%	1.3%
Total Liabilities	680,814	882,119	828,538	-22.8%	6.5%
Total net position	\$5,654,581	\$ 5,052,290	\$5,027,157	11.9%	0.5%



CCCERA has annual valuations completed by its independent actuary, The Segal Company. The purpose of the valuation is to determine the future contributions by the members and employers 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 that will enable the plan to meet its obligations to participants and beneficiaries. CCCERA remains focused on the long-term performance of the fund, dependent on a strong and successful investment program, risk management, and strategic planning.

CCCERA's Activities

CHANGES IN CCCERA FIDUCIARY NET POSITION (Dollars in Thousands)

Additions	2012	2011	2010	% Change 2012-2011	% Change 2011-2010
Employer Contributions	\$ 212,321	\$ 200,389	\$183,951	6.0%	8.9%
Employee Contributions	73,362	61,575	64,330	19.1%	-4.3%
Net Investment Income	680,538	100,363	605,672	578.1%	-83.4%
Net Security Lending Income	1,535	951	1,097	61.4%	-13.3%
Total	\$967,756	\$ 363,278	\$855,050	166.4%	-57.5%

Deductions	2012	2011	2010	% Change 2012-2011	% Change 2011-2010
Pension Benefits	\$347,569	\$ 320,297	\$ 288,969	8.5%	10.8%
Refunds	3,276	3,909	2,647	-16.2%	47.7%
Administrative	6,030	6,290	5,283	-4.1%	19.1%
Other Expenses	8,590	7,649	7,723	12.3%	-1.0%
Total	\$ 365,465	\$ 338,145	\$ 304,622	8.1%	11.0%

**Change in net position
restricted for
pension benefits**

\$ 602,291 \$ 25,133 \$ 550,428 2296.4% -95.4%



Additions to Plan Net Position

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). The Net Investment Income for the years ended December 31, 2012, 2011, and 2010 totaled \$680.5 million, \$100.4 million, and \$605.7 million, respectively.

By year-end, total additions had increased by \$605 million over 2011, or 166.4%, due primarily to investment gains being higher than in the previous year. For 2011, total additions had decreased by \$492 million over 2010, or -57.5%. The Investment Section of this report reviews the result of investment activity for the year ended December 31, 2012.

Deductions from Plan Net Position

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, 2012 totaled \$365.5 million, an increase of 8.1% over December 31, 2011. 2011 had an increase of \$33.5 million or an 11.0% change from December 31, 2010. The increases are mostly attributed to the additional benefit payments for retirees as well as the growth in the number and average amount of benefits paid to retirees year over year.

The Board of Retirement approves the annual budget for CCCERA. The California Government Code Section 31580.2(a) limits the annual administrative expense to not exceed the greater of either of the following: (1) twenty-one hundredths of one percent (0.21%) of the accrued actuarial liability of the retirement system; (2) two million dollars (\$2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5. Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products are not considered a cost of administration 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 Retirement Board, our membership, taxpayers, investment managers, and others 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
Attn: Accounting Division
1355 Willow Way, Suite 221
Concord, CA 94520-5728

Respectfully submitted,



Vickie C. Kaplan, CPA
Retirement Accounting Manager
June 12, 2013



Financial

Statement of Fiduciary Net Position

AS OF DECEMBER 31, 2012 AND 2011
(DOLLARS IN THOUSANDS)

ASSETS:	2012	2011
Cash equivalents	\$ 229,628	\$ 248,772
Cash collateral - securities lending	145,423	289,851
Total cash & cash equivalents	<u>375,051</u>	<u>538,623</u>
Receivables:		
Contributions	8,105	7,069
Investment trades	349,375	380,828
Investment income	19,632	15,248
Installment contract (see Note 11)	20,937	22,027
Other	111	66
Total receivables	<u>398,160</u>	<u>425,238</u>
Investments at fair value:		
Stocks	2,733,435	2,185,883
Bonds	1,688,953	1,826,834
Real estate	741,660	588,705
Alternative investments	396,453	367,414
Total investments	<u>5,560,501</u>	<u>4,968,836</u>
Other assets:		
Prepaid expenses/deposits	876	715
Capital assets, net of accumulated depreciation/amortization of \$1,946 and \$1,728, respectively	807	997
Total assets	<u>6,335,395</u>	<u>5,934,409</u>
LIABILITIES:		
Investment trades	429,062	482,507
Security lending	145,423	289,851
Employer contributions unearned	92,763	95,371
Retirement allowance payable	5,948	5,749
Accounts payable	5,497	5,454
Contributions refundable	173	664
Other liabilities	1,948	2,523
Total liabilities	<u>680,814</u>	<u>882,119</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$5,654,581</u>	<u>\$5,052,290</u>

See accompanying notes to the financial statements.



Statement of Changes in Fiduciary Net Position

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(DOLLARS IN THOUSANDS)

ADDITIONS:	2012	2011
Contributions:		
Employer	\$ 212,321	\$ 200,389
Employee	73,362	61,575
Total contributions	<u>285,683</u>	<u>261,964</u>
Investment income:		
Net appreciation/(depreciation) in fair value of investments	466,119	(54,502)
Net appreciation in fair value of real estate	81,250	36,353
Interest	90,027	88,297
Dividends	40,944	35,745
Real estate income, net	33,116	20,555
Investment expense	(34,363)	(30,694)
Other income and expense	3,445	4,609
Net investment income, before securities lending	<u>680,538</u>	<u>100,363</u>
Securities lending income:		
Earnings	910	1,111
Rebates	1,167	162
Fees	(542)	(322)
Net securities lending income	<u>1,535</u>	<u>951</u>
Net investment income	<u>682,073</u>	<u>101,314</u>
Total additions	<u>967,756</u>	<u>363,278</u>
DEDUCTIONS:		
Benefits paid	347,569	320,297
Contribution prepayment discount	7,903	6,982
Administrative	6,030	6,290
Refunds of contributions	3,276	3,909
Other	687	667
Total deductions	<u>365,465</u>	<u>338,145</u>
CHANGE IN NET POSITION	<u>602,291</u>	<u>25,133</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS:		
Balance beginning of year	<u>5,052,290</u>	<u>5,027,157</u>
Balance end of year	<u>\$5,654,581</u>	<u>\$ 5,052,290</u>

See accompanying notes to the financial statements.



Notes To The Financial Statements

DECEMBER 31, 2012

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. Prior to 2010, CCCERA operated as a cost-sharing, multiple employer defined benefit pension plan that covered substantially all of the employees of the County of Contra Costa (the County) and 16 other member agencies.

In October 2009, the Retirement Board depooled CCCERA's assets, actuarial accrued liability (AAL), and normal cost both by tier and employer for determining employer contribution rates. This Board action yielded 12 separate cost groups by employer, with the exception of smaller employers (those with less than 50 active members) who continue to be pooled with the applicable County tier. The depooling action affected employer rates effective July 1, 2011. The Board instructed The Segal Company (CCCERA's actuary) to calculate the new rates based on separate experience of each employer from December 31, 2002, which is the earliest date for which reliable data was available. The December 31, 2009 valuation was the first to incorporate the new "depooled" employer contribution rates.

CCCERA's membership as of December 31, 2012 and 2011 is presented below.

	<u>2012</u>	<u>2011</u>
Retirees and Beneficiaries Receiving Benefits	8,517	8,085
Inactive Vested Members Entitled to but not yet Receiving Benefits	2,288	2,214
Current Employees:		
Vested:		
General Employees	5,106	5,119
Safety Employees	1,112	1,121
Non-Vested:		
General Employees	2,138	2,064
Safety Employees	<u>284</u>	<u>325</u>
TOTAL MEMBERSHIP	<u>19,445</u>	<u>18,928</u>

CCCERA, with its own governing board, is an independent governmental entity, separate and distinct from the County of Contra Costa. CCCERA 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 eight benefit levels in accordance with the 1937 Act. These levels are known as General Tier I, enhanced and non-enhanced; Tier II; Tier III, enhanced and non-enhanced; Safety Tier A, enhanced and non-enhanced; and Safety Tier C, 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 on 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, 2012, nine (9) general member agencies and four (4) safety member agencies have adopted enhanced benefits for their employees. A fifth safety member agency adopted enhanced benefits for its general members in 2003, but not for safety members.

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 were placed in Tier I membership. As of December 31, 2012, 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, January 1, 2005, or 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 C for sworn employees hired by the County after December 31, 2006. A Deputy Sheriff hired on or after January 1, 2007 through December 31, 2012, had a 3% at 50 benefit formula with a 2% maximum cost-of-living adjustment (COLA) and a 36 month final average salary period. Due to the new California Public Employees' Reform Act (PEPRA) legislation noted below, a Deputy Sheriff hired on or after January 1, 2013, will have a 2.7% at 57 benefit formula with a 36 month final average salary period with compensation limited as noted below. The 2% maximum annual COLA is unchanged.

In March 2010, the Board agreed to adopt a change to terminal pay elements for members with membership dates on or after January 1, 2011. See Note 6, Contributions, for further description.



Effective January 1, 2012, new hires and employees within the Labor Coalition are now responsible for the payment of 100% of the employees' basic retirement benefit contributions, determined annually by the Retirement Board, without the County paying any part of the employees' contributions. See Note 6, Contributions, for further description.

The Retirement Board adopted, at the May 2, 2012 Board Meeting, the Optional Settlement 4 Policy. The Optional Settlement 4 is one of the current benefit payment options.

On July 11, 2012, the Board approved the inclusion of a COLA assumption to be used in the calculations of all Optional Settlements at retirement for all members retiring on or after July 16, 2012.

On September 12, 2012, the California Legislature passed bill Assembly Bill (AB) 197, that changed the public pension landscape for active employee and employer members. Changes mandated in AB 197, in which the legislation changed the definition of "compensation earnable" in Section 31461 of the Government Code, would apply to current CCCERA members. On November 28, 2012, the Deputy Sheriff's Association (DSA) and the International Association of Firefighters (IAFF 1230) filed a lawsuit against CCCERA and the Board of Retirement. The suit was filed in Contra Costa County Superior Court, on behalf of ALL active and deferred members of CCCERA, to stop CCCERA and the Board of Retirement from implementing AB 197. With CCCERA's agreement, the Court issued a stay order in this matter, requiring that CCCERA refrain from implementing AB 197, and requiring that CCCERA continue to follow its policy on final average salary calculations until after this matter is heard and decided. The current court order to "stay" implementation is in effect until 60 days after the court enters judgment in this case and determines whether or how AB 197 should be implemented. Until further order of the court, CCCERA will continue to calculate the pensions of its members with membership dates prior to January 1, 2011 in the same manner as it has prior to the enactment of AB 197.

On September 12, 2012, the California Public Employees' Pension Reform Act (PEPRA) was signed into law by Governor Jerry Brown, establishing a new tier for General and Safety employees entering CCCERA membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Benefits under the new PEPRA tiers are based on a three-year final average compensation period. Additionally, PEPRA limits the amount of compensation CCCERA can use to calculate a retirement benefit. The 2013 compensation limits are \$113,700 for members covered by Social Security and \$136,440 for members not covered by Social Security and will be adjusted in future years for changes in the Consumer Price Index. Most CCCERA General members (employees of the County and all but two Districts) are covered by Social Security, while CCCERA Safety members are not covered by Social Security.

On November 6, 2012, the County Board of Supervisors approved two memoranda of understanding (deputy district attorneys and public defenders) that stipulated new CCCERA members who become members after December 31, 2012 within these bargaining units will earn retirement benefits that will be subject to a maximum annual COLA of 2%.

Benefits are administered by the Board under the provisions of the 1937 Act. Annual COLAs 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. Previously, disability retirements were 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 were eligible for non-service connected disability retirement with five years of service. The definition of a disability is stricter 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 disability is the same as General -Tier II. The retirement benefit is based on a one-year final average salary in accordance with Government Code Section 31462.

General - Tier IV

Members may elect service retirement at age 52 with 5 years of service. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with five years of service credit required. The definition of disability is the same as General -Tier I. The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 7522.32.



General - Tier V

Members may elect service retirement at age 52 with 5 years of service. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with ten years of service credit required. The definition of disability is the same as General -Tier III.

The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 7522.32.

Safety - Tier A

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.

Safety - Tier C

Members may elect service retirement at age 50 with 10 years of service or with 20 years of service regardless of age. Disability requirements 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 three-year final average salary in accordance with Government Code Section 31462.

Safety - Tier D

Members may elect service retirement at age 50 with 5 years of service. Disability requirements 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 three-year final average salary in accordance with Government Code Section 7522.32.

Safety - Tier E

Members may elect service retirement at age 50 with 5 years of service. Disability requirements 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 three-year final average salary in accordance with Government Code Section 7522.32.

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 the maximum of two percent for certain Tier IV and Tier V members, depending on Memoranda of Understanding (MOU), and all Safety Tier C and Safety Tier E members; three percent for Tier I, Tier III (service retirement), certain Tier IV, certain Tier V (service retirement), Safety Tier A and Safety Tier D members; and four percent for Tier II (service and disability retirement), Tier III (disability retirement), and certain Tier V (disability retirement) 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 regardless of years of service as a result of the passing of AB 2766, which amends Section 31629.5 of the County Employees Retirement Law of 1937. A member who continues membership under this ruling is granted a deferred 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 revenue 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 a maturity of three months or less when purchased. Short-term investments with the custodian bank include foreign currencies, cash held in short-term investment funds, and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value.

Methods Used to Value Investments

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

Certain alternative investments are reported in CCCERA's financial records on a quarter lag due to reporting constraints at the investment level. Four quarters of activity are recorded in each calendar year. At year-end, investment activity is shown through September 30th of that particular year. In addition, Willows Office Park, a real estate investment, is appraised every three years, with the most recent appraisal being September 30, 2010.

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, 2012 and 2011.



Capital Assets

Capital assets, consisting of software, leasehold improvements, furniture, and office equipment, are presented at historical cost, less accumulated depreciation and amortization. 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/amortized. Starting in 2008, CCCERA implemented the expensing of certain costs for software, hardware, and computer technology consulting services as allowed in Government Code Section 31580.3. For 2012 and 2011, this amount totaled \$117,768 and \$159,024, respectively. Depreciation/amortization is calculated using the straight-line method, with estimated lives of ten years for all leasehold improvements and pension administration system assets, and ranging from four to five years for office equipment. Depreciation/amortization for the years ended December 31, 2012 and 2011 was \$217,132 and \$216,116, respectively. Accumulated depreciation/amortization for the years ended December 31, 2012 and 2011, was \$1,945,628 and \$1,728,490, respectively.

Compensated Absences

The December 31, 2012 and 2011 liability for accumulated annual leave earned by CCCERA employees totaling \$256,325 and \$228,126 respectively, included in the other liabilities on the Statement of Fiduciary Net Position, 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.

Use of Estimates

The preparation of CCCERA's financial statements in conformity with accounting principles generally accepted 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

For the year ended December 31, 2012, CCCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53*.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance

The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. There was no current effect on the financial statements as a result of implementing this statement.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The primary change as a result of implementing this statement was renaming as net position what was previously reported as net assets. CCCERA does not have any Deferred Inflows or Outflows to report.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision - An Amendment of GASB Statement No. 53*

The objective of this statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. There was no current effect on the financial statements as a result of implementing this statement.

On June 25, 2012, GASB approved new accounting and reporting standards for pensions. GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces Statement No. 25 for Plan reporting and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, replaces Statement No. 27 for Employer reporting. CCCERA is currently planning for the implementation of GASB No. 67, *Financial Reporting for Pension Plans*, for its December 31, 2014 year end. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

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.

CCCERA does not have a general policy to manage interest rate risk. However, to help manage interest rate risk, the Core Plus Fixed Income portfolios that have holdings in Collateralized Mortgage Obligations (CMOs) 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.



Financial

The following schedule is a list of fixed income and short-term investments and the related maturity schedule for CCCERA as of December 31, 2012:

INVESTMENT MATURITIES (IN YEARS)
(DOLLARS IN THOUSANDS)

Investment Type	Less than 1 year	1-5 years	6 -10 years	More than 10 years	Fair Value
Collateralized Mortgage Backed Securities (CMBS)	\$ 12,526	\$ 120,172	\$ 71,262	\$ 129,776	\$ 333,736
Collateralized Mortgage Obligations (CMO)	29	232	4,810	59,256	64,327
Commercial Paper	49,684	-	-	-	49,684
Corporate Bonds	32,835	165,274	328,206	35,209	561,524
Private Placements	-	117,039	130,990	45,629	293,658
Short-Term Investment Fund (STIF) Instruments	-	-	-	152,533	152,533
U.S. Treasury Notes & Bonds	8,331	42,169	18,728	13,924	83,152
U.S. Agencies (GNMA, FNMA, FHLMC)	37,988	45,309	65,434	198,398	347,129
TOTALS:	\$141,393	\$ 490,195	\$619,430	\$ 634,725	\$1,885,743

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 the California Government Code, a financial institution is required to secure deposits in excess of \$250,000 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 in non-interest bearing accounts was \$3,105,552 (which is included in cash equivalents) and the bank balance was \$3,358,887. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Effective December 31, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) fully guaranteed all funds in non-interest bearing transaction deposit accounts held at FDIC insured depository institutions.

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 position.

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 Plan. 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 issuer 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 Global 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 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 Global Fixed Income Portfolio must meet the same credit qualities as the Global Core Plus Fixed Income Portfolio listed on page 37 and is restricted to the following:

- Obligations of the U.S. Treasury.
- Obligations guaranteed by an agency of the United States.
- Government agency, quasi-government, and supranational bonds.
- Certificates of deposit and banker's acceptance of credit-worthy banks.
- Corporate, asset backed, and mortgage backed securities and structured notes and other evidences of debt, rated Baa or better by Moody's Investor Services or rated BBB or better by Standard & Poor's.
- Eligible instruments issued pursuant to Securities and Exchange Commission (SEC) rule 144(a) or Regulation S.
- Commercial paper (including variable rate notes) of issuers rated P-1 by Moody's Investor Services and 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.
- Portfolio holdings in CMOs 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 a total of 2% of the fixed income portfolio at cost.
- Currency Forwards and Non-Deliverable Forwards (NDFs). Such currency forwards shall only be with counterparty banks with A or better credit ratings by Standard & Poor's or Moody's.
- Fixed income futures, 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.
- Other securities as detailed in accordance with the Investment Manager's agreement with CCCERA.

The following is a schedule of the credit risk ratings of CCCERA's fixed income and short-term investments as of December 31, 2012 as rated by Standard & Poor's **(Dollars in Thousands)**:

<u>Quality Ratings</u>	<u>Fair Value</u>
AAA	\$ 352,905
AA+	298,036
AA	15,054
AA-	36,417
A+	103,295
A	96,924
A-	49,267
BA+	6,098
BBB+	48,552
BBB	48,245
BBB-	58,190
BB+	27,439
BB	13,147
BB-	33,302
B+	54,591
B	67,763
B-	66,009
CCC+	27,011
CCC	21,651
CCC-	3,274
CC	1,541
D	8,184
NR	448,848
Total Credit Risk	
Fixed Income Securities	\$ 1,885,743

<u>Investment Type</u>	<u>Quality Rating Range</u>
Asset-backed securities*	AAA to CCC
Convertible bonds	Not rated
CMBS	AAA
CMO*	AAA to D
Corporate bonds*	AAA to C
Municipals	AAA to BBB+
Private placements	AA+ to BB
Real estate investment trust*	A- to B-
Short-term	Not rated
U.S. & foreign agencies*	AAA to B
Mutual funds	Not rated
*Investment type contained one or more investments that were not rated.	

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.



Financial

CCCERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2012 is as follows
(Dollars in Thousands):

<u>Currency</u>	<u>Fixed Income</u>	<u>Equity</u>	<u>Total</u>
United Arab Emirates Dirham	\$ 0	\$ 541	\$ 541
Australian Dollar	9,384	26,213	35,597
Brazilian Real	4,372	40,181	44,553
Canadian Dollar	15,531	27,798	43,329
Swiss Franc	5,818	25,606	31,424
Chilean Peso	0	3,748	3,748
Yuan Renminbi-China	8,965	23,098	32,063
Columbian Peso	0	3,221	3,221
Danish Krone	1,729	6,151	7,880
Euro Currency	63,291	199,854	263,145
British Pound Sterling	30,932	167,277	198,209
Hong Kong Dollar	1,590	28,571	30,161
Indonesian Rupiah	0	7,940	7,940
Israeli Shekel	705	0	705
Indian Rupee	0	7,529	7,529
Japanese Yen	45,323	126,260	171,583
South Korean Won	6,873	28,593	35,466
Mexican Peso	13,803	4,542	18,345
Malaysian Ringgit	748	1,538	2,286
Nigeria Naira	0	943	943
Norwegian Krone	14,966	10,636	25,602
New Zealand Dollar	10,352	1,266	11,618
Peruvian Nuevo Sol	5,108	315	5,423
Philippines Peso	0	1,406	1,406
Polish Zloty	11,723	0	11,723
Russian Ruble	2,141	10,125	12,266
Swedish Krona	5,918	22,171	28,089
Singapore Dollar	1,672	14,118	15,790
Thailand Bait	1,182	8,659	9,841
Turkish Lira	3,333	2,053	5,386
Taiwan New Dollar	0	7,438	7,438
South African Rand	0	11,871	11,871
Total Securities Subject to Foreign Currency Risk	\$265,459	\$819,662	\$1,085,121

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, and non-domestic equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. The custodian bank provides loss indemnification to CCCERA if the borrower fails to return the securities.

The custodian bank manages the securities lending program and receives cash and/or securities as collateral. The collateral cash can be invested and is automatically rolled into a Short-Term Investment Fund (STIF). The collateral securities cannot be pledged or sold by CCCERA without borrower default.

Securities on loan must be collateralized at 102% and 105% of the fair value of domestic securities and non-domestic securities, respectively, plus accrued interest (in the case of debt securities).

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

At year-end, additional funds of \$2.0 million are due as collateral for CCCERA's securities on loan. This is known as the "calculated mark" and will settle on the first business day of January 2013. CCCERA has no credit risk exposure to borrowers because the collateral will exceed the amount borrowed. The fair value of investments on loan at December 31, 2012, is \$144.0 million which was collateralized by cash in the amount of \$145.4 million. The fair value of the cash collateral in the amount of \$145.4 million has been reported both as an asset and liability in the accompanying Statement of Fiduciary Net Position.

SECURITIES LENDING

The following securities were on loan and collateral received as of December 31, 2012
(Dollars in Thousands):

<u>Securities on Loan</u>	<u>Market Value of Securities on Loan</u>	<u>Cash Collateral*</u>	<u>Non-Cash Collateral</u>	<u>Calculated Mark*</u>	<u>Collateral Percentage</u>
U.S. Corporate Fixed and Equity	\$120,748	\$121,640	\$92	\$2,052	102.5%
U.S. Government	23,238	23,783	-	(71)	102.0%
Total	\$143,986	\$145,423	\$92	\$1,981	102.4%

* Additional funds known as the "calculated mark" are due from/to the borrower to bring collateral to 102% for domestic securities.

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2012, the derivative instruments held by CCCERA are considered investments and not hedges for accounting purposes. The term hedging, as it is used elsewhere in the notes to these financial statements, denotes an economic activity and not an accounting method. The gains and losses from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

CCCERA currently employs external investment managers to manage its assets as permitted by the California Government Code and CCCERA's investment policy and specific managers hold investments in swaps, options, futures, forward settlement contracts, rights, and warrants and enter into forward foreign currency exchange security contracts within fixed income financial instruments. The fair value of options, futures, rights, and warrants is determined based upon quoted market prices. The fair value



of derivative investments that are not exchange traded, such as swaps, and TBAs (To Be Announced) is determined by an external pricing service using various proprietary methods, based upon the type of derivative instrument. Futures contracts are marked to market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated as the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign securities. Due to the level of risk associated with certain derivative investment securities, it is conceivable that changes in the values of investment securities will occur in the near term, and such changes could affect the amounts reported in the financial statements.

CCCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. CCCERA's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. CCCERA anticipates that the counterparties will be able to satisfy their obligations under the contracts. The following is a summary of derivative instruments at December 31, 2012 with the net appreciation/(depreciation) that has occurred during the year:

FAIR VALUE AS OF DECEMBER 31, 2012 (DOLLARS IN THOUSANDS)

Investment Derivatives by Type	Net Appreciation/ (Depreciation) in Fair Value Amount	Classification	Fair Value	Notional Amount
Credit Default Swaps Bought	\$ (227)	Debt Securities	\$ (208)	\$ 20,050
Credit Default Swaps Written	325	Debt Securities	118	11,550
Fixed Income Futures - Long	880	Debt Securities	-	71,009
Fixed Income Futures - Short	432	Debt Securities	-	(29,933)
Fixed Income Options - Bought	(4)	Debt Securities	101	1,300
Fixed Income Options - Written	97	Debt Securities	(345)	(26,100)
Futures Options Bought	(136)	Debt Securities	52	1,195
Futures Options Written	73	Debt Securities	(75)	(598)
FX Forwards	(9,345)	Contracts	(4,389)	281,851
Index Futures - Long	37,233	Various	-	118
Pay Fixed Interest Rate Swaps	(807)	Debt Securities	109	46,101
Receive Fixed Interest Rate Swaps	1,108	Debt Securities	429	36,108
Rights	(62)	Equities	-	-
Warrants	412	Equities	873	214
Total	\$29,979		\$(3,335)	

Valuation methods are more fully described in Note 2 to the basic financial statements. CCCERA's derivative instruments that are not exchange traded, including the swaps disclosed above, are valued using methods employed for debt securities. CCCERA's investment policy does not require collateral to be held for derivative investments.

Futures contracts are instruments that derive their value from underlying indices or reference rates and are marked to market daily. Settlement of gains or losses occur the following business day. As a result, those instruments and other similar instruments do not have a fair value at December 31, 2012, or any other trading day. Daily settlement of gains and losses enhances internal controls as it limits counterparty credit risk. Futures variation margin accounts are also settled daily and recognized in the financial statements under net appreciation/(depreciation) in fair value as they are incurred.

Foreign currency contracts are obligations to buy or sell a currency at a contractual exchange rate and quantity on a specific date in the future. The fair value of the foreign currency forwards is the unrealized gain or loss calculated as the difference between the contractual exchange rate and the closing exchange rate as of December 31, 2012.

Counterparty Credit Risk

Counterparty credit ratings of CCCERA's non-exchange traded investment derivative instruments (approximately \$3.3 million) and subject to loss as of December 31, 2012, ranged from AA- to A- per Standard and Poor's rating with similar ratings from Moody's and Fitch. No instruments that were non-exchange traded lacked ratings. In a case where a wholly owned broker-dealer does not engage the rating companies for a standalone rating, the subsidiary is assigned the parent company rating as the broker-dealer is an integral part of their business model(s). With the exception of forward trade commitments, CCCERA has a policy of requiring collateral posting provisions in non-exchange traded derivative instruments where it is market practice. As of December 31, 2012, CCCERA does not hold any collateral related to its non-exchange traded derivative instruments. The approximate \$3.3 million represents the maximum loss that would be recognized at December 31, 2012, should the counterparties fail to perform. While no netting arrangements are used by CCCERA, the amount represents a net position of exposure for similar instruments.

Derivative Instruments Subject to Credit Risk

As of December 31, 2012, the following is a table of investment providers that are subject to credit risk, percentage of net exposure, and ratings:



INVESTMENT PROVIDER EXPOSURE TO CREDIT RISK AT DECEMBER 31, 2012

Counterparty	Percentage of Net Exposure	Standard & Poor's
JP Morgan Chase Bank N.A.	21%	A+
HSBC Bank USA	17%	AA-
Goldman Sachs Capital Markets LP	9%	A-
Credit Suisse London Branch (GFX)	8%	A+
Mellon Bank NA	8%	A+
HSBC Bank USA, N.A., Singapore Branch	6%	AA-
UBS AG	5%	A
CitiBank N.A.	4%	A
Bank of America	4%	A-
Deutsche Bank AG - London	3%	A+
Deutsche Bank AG - Frankfurt	3%	A+
Credit Suisse International	2%	A+
JP Morgan Chase Bank	1%	A+
Bank of America N.A.	1%	A
Barclays Capital	1%	A+
Canadian Imperial Bank of Commerce	1%	A+
UBS AG London	1%	A
Royal Bank of Canada	1%	AA-
HSBC Bank PLC	1%	AA-
State Street Bank London	1%	A+
11 others	Less than 1%	Not rated to AA-

Custodial Credit Risk

The custodial credit risk for exchange traded derivative instruments is made in accordance with custodial credit risk disclosure requirements outlined in Generally Accepted Accounting Principles (GAAP). As of December 31, 2012, all of CCCERA's investments are held in CCCERA's name and are not subject to custodial credit risk.

Interest Rate Risk

As of December 31, 2012, CCCERA is exposed to interest rate risk on its swaps and options. Since CCCERA's investment managers can buy and sell the swaps and options on a daily basis, the investment managers actively manage the portfolio to minimize interest rate risk and it is unlikely that the swaps and options will be held to maturity. The total fair value subject to interest rate risk as of December 31, 2012 and maturities are as follows (**Dollars in Thousands**):

Investment Derivatives by Type	Fair Value	Less Than			More than 10 Years
		1 Year	1-5 Years	6-10 Years	
Credit Default Swaps Bought	\$ (208)	\$ -	\$ (208)	\$ -	\$ -
Credit Default Swaps Written	118	-	118	-	-
Fixed Income Options Bought	101	-	101	-	-
Fixed Income Options Written	(345)	(260)	(85)	-	-
Pay Fixed Interest Rate Swaps	109	-	(32)	107	34
Receive Fixed Interest Rate Swaps	428	3	426	26	(27)
Total	\$ 203	\$ (257)	\$ 320	\$ 133	\$ 7

The interest rate swaps and options are highly sensitive to interest rate changes. As of December 31, 2012, they had a fair value of approximately \$220 thousand and an approximate notional value of \$130 million.

Foreign Currency Risk in International Investment Securities

CCCERA is exposed to foreign currency risk on its various investments denominated in foreign currencies. As of December 31, 2012, the following currencies were either in a receivable position (purchased) or payable position (sold) with net exposure, denominated in United States Dollars:

FAIR VALUE IN UNITED STATES DOLLARS AS OF DECEMBER 31, 2012 (DOLLARS IN THOUSANDS)

Currency Name	Net Receivable (Purchased)	Net Payable (Sold)	Swaps	Exposure
Australian Dollar	\$ (2)	\$ 14	\$ (27)	\$ (15)
Brazilian Real	26	(102)	380	304
Canadian Dollar	(1)	(36)	-	(37)
Chilean Peso	3	-	-	3
Danish Krone	267	(2)	-	265
Euro Currency	178	(1,083)	-	(905)
Hungarian Forint	(6)	1	-	(5)
Indian Rupee	14	1	-	15
Indonesian Rupiah	2	-	-	2
Japanese Yen	(3,425)	1,617	-	(1,808)
Malaysian Ringgit	-	(1)	-	(1)
Mexican Peso	(49)	(80)	3	(126)
New Russian Ruble	22	(105)	-	(83)
New Taiwan Dollar	(2)	-	-	(2)
New Zealand Dollar	(15)	(213)	-	(228)
Norwegian Krone	2	(532)	-	(530)
Peruvian Nuevo Sol	-	(10)	-	(10)
Philippine Peso	(3)	-	-	(3)
Polish Zloty	3	(713)	-	(710)
British Pound Sterling	3	(216)	-	(213)
Singapore Dollar	-	(1)	-	(1)
South Korean Won	(5)	(35)	-	(40)
Swedish Krona	8	(123)	-	(115)
Swiss Franc	301	(51)	-	250
Turkish Lira	1	(2)	-	(1)
Yuan Renminbi-China	93	(131)	-	(38)
Total	\$ (2,585)	\$ (1,803)	\$ 356	\$ (4,032)

Contingent Features

As of December 31, 2012, CCCERA held no investments with contingent features.



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 2.81 % and 20.96% of their annual covered salary, depending on their employer, tier and benefit. Certain County Safety (including Contra Costa Fire Protection District) and all Moraga-Orinda Fire Protection District Safety members contribute an additional 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 the Safety Tier A group only. Safety Tier C members pay or subvent 2.1% of the employer rate. Member contributions are refundable upon termination of employment.

On October 1, 2011, the County subsidy for the management employee basic retirement contribution was eliminated for certain employees. These certain employees are responsible for paying 100% of both the employee's basic contribution and COLA as adopted by the Retirement Board. Effective January 1, 2012, new hires and employees within the Labor Coalition are now responsible for the payment of 100% of the employees' basic retirement benefit contributions, determined annually by the Retirement Board, without the County paying any part of the employees' contributions. These employees are also responsible for the payment of the employees' contributions to the retirement cost-of-living program as determined annually by the Retirement Board without the County paying any part of the employees' contribution. This will have no impact on the total contributions paid to CCCERA.

Effective April 18, 2012, Central Contra Costa Sanitary District members contribute 1.25% of the employee contribution rate toward their pension; an additional 1.25% in April 2014; an additional 1.25% in April 2015; an additional 1.25% in April 2016; and employees will pay the entire employee contribution rate toward their pension based on their age at the time of hire as calculated and determined by CCCERA starting in April 2017 (unless a prior year contribution obligation already brought employees to the full employee share). Members will continue to contribute to the employee cost-of-living (COL) share of the retirement system as required by CCCERA.

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 approval by the Board of Supervisors. The "Entry Age Normal" funding method is used to calculate the rate required to provide benefits to members hired prior to January 1, 2013. As noted below for PEPRA members (members hired on or after January 1, 2013), the Board approved using the "Flat Rate" funding method for the calculation of contribution rates.

During the year ended December 31, 2012, contributions totaled approximately \$285.7 million which included \$212.3 million in employer contributions and \$73.4 million in employee contributions. 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. Government 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 54.

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.

In March 2010, the Board adopted a policy change for members with membership dates on or after January 1, 2011. Under this amended policy, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes. In April 2011, the Board voted to develop terminal pay assumptions by cost group, beginning with the December 31, 2010 valuation. CCCERA's actuary prepared contribution rates that became effective for both employee and employer on July 1, 2011, for those members with membership dates on or after January 1, 2011.

As noted in Note 1, Plan Description, the California Public Employees' Pension Reform Act (PEPRA) was chaptered into law in September 2012, establishing a new tier for General and Safety employees entering CCCERA membership for the first time on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Benefits under the new PEPRA tiers are based on a three-year final average compensation. Additionally, PEPRA limits the amount of compensation CCCERA can use to calculate a retirement benefit. The 2013 compensation limits are \$113,700 for members covered by Social Security and \$136,440 for members not covered by Social Security and will be adjusted in future years for changes in the Consumer Price Index. Most CCCERA General members (employees of the County and all but two Districts) are covered by Social Security, while CCCERA Safety members are not covered by Social Security. On December 12, 2012, the Board approved using the flat rate method for the calculation of contribution rates for PEPRA members. PEPRA members are required to contribute 50% of the normal cost of their defined benefit plan, unless this provision would impair an existing contract.

CCCERA's Note 1, Plan Description, also discusses AB 197, the bill that the California Legislature passed in 2012. Changes mandated in AB 197, in which the legislation changed the definition of "compensation earnable" in Section 31461 of the Government Code, would apply to current CCCERA members. However, because the Contra Costa County Superior Court issued a stay order, as a result of the Deputy Sheriff's Association (DSA) and the International Association of Firefighters (IAFF 1230) filing a lawsuit against CCCERA and the Board of Retirement, CCCERA is refrained from implementing AB 197 and continues to follow its current policy on final average salary calculations for all members who are not "new members" as defined in PEPRA, until after this matter is heard and decided. As noted in Note 12, Litigation, Commitments, and Contingencies, this case is still pending.

**NOTE 7. FUNDED STATUS**

CCCERA's funded status based on the most recent actuarial valuation performed by The Segal Company as of December 31, 2011, is as follows:

SCHEDULE OF FUNDED STATUS (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)
12/31/11	\$5,426,719	\$6,915,312	\$1,488,593	78.5%	\$666,394	223.4%

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

Disclosure of Information about Actuarial Methods and Assumptions

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employers and plan members to that point.

The projection of benefits for financial reporting does not explicitly incorporate the potential effect of legal or contractual funding limitations on the pattern of cost-sharing between the employer and the plan members in the future.

Actuarial calculations reflect a long-term prospective. Actuarial methods and assumptions used include techniques to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	December 31, 2011
Actuarial Cost Method	Entry Age Normal Funding Method
Amortization Method	Level Percent of payroll for total unfunded liability (4.25% payroll growth assumed)
Remaining Amortization Period	Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 11 years remaining as of December 31, 2011. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that specific valuation.
Asset Valuation Method	5 year Smoothed Market, excluding non-valuation reserves and designations*

Actuarial Assumptions:

Investment Rate of Return	7.75%
Inflation Rate	3.50%
Real Across-the-Board Salary Increases	0.75%
Projected Salary Increases - General	5.00% to 13.25%**
Projected Salary Increases - Safety	5.00% to 13.75%**

Post Retirement Cost-of-Living Adjustments Contingent upon Consumer Price Index Increases

Tier 1 Service and Disability	3% maximum
Tier 2 Service and Disability	4% maximum (valued at 3.50%)
Tier 3 Service	3% maximum
Tier 3 Disability	4% maximum (valued at 3.50%)
Safety Tier A	3% maximum
Safety Tier C	2% maximum

*Market value of assets less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.

**Includes inflation at 3.50% plus "across-the-board" salary increases of 0.75%, plus merit and promotional increases.



NOTE 8. RESERVES AND DESIGNATIONS

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

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

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

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

Smoothed Market Value Valuation represents the accumulated difference between the Actuarial Value of Assets for valuation and the accumulated balances in the valuation reserves. This was a one-time adjustment to increase the valuation reserves as a result of implementing Governmental Accounting Standards Board (GASB) 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 method. This method smoothes only the semi-annual deviation of total market return (net of expenses) from the return target, 7.75 percent per annum.

Reserved and designated fiduciary net position as of December 31, 2012 and 2011 are as follows
(Dollars in Thousands):

	2012	2011
Valuation Reserves:		
Member Deposits	\$ 698,208	\$ 619,226
Member Cost-of-Living	334,088	291,621
Employer Advance	2,370,879	2,066,275
Employer Cost-of-Living	1,454,611	1,289,966
Retired Member	1,332,381	1,496,424
Retired Cost-of-Living	698,157	722,344
New Dollar Power Cost-of-Living Supplement and Pre-Fund	12,253	14,281
Smoothed Market Value Valuation	270,150	250,370
Contra Tracking Account	(1,688,470)	(1,323,787)
Total Valuation Reserves	<u>5,482,257</u>	<u>5,426,720</u>
Supplemental Reserves:		
Post Retirement Death Benefit	<u>14,937</u>	<u>14,400</u>
Other Reserves/Designations:		
Statutory Contingency Reserve (one percent)	-	-
	<u>5,497,194</u>	<u>5,441,120</u>
Total Allocated Reserves/Designations	<u>157,387</u>	<u>(388,830)</u>
Market Stabilization Account		
	<u>\$ 5,654,581</u>	<u>\$ 5,052,290</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS		

NOTE 9. 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. In 2012, CCCERA changed its property manager for the Willows Office Park to Transwestern from Grubb & Ellis Management Services as a result of the company having filed a bankruptcy petition. 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 November 30, 2016. These future minimum rental payments as of December 31, 2012, are as follows:

Year ending December 31	Amount
2013	\$ 341,086
2014	352,033
2015	362,979
2016*	341,929
TOTAL	<u>\$ 1,398,027</u>

*Lease expires November 30, 2016



Financial

NOTE 10. 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 11. PAULSON LAWSUIT SETTLEMENT

During the year ended December 31, 1999, CCCERA settled its litigation, entitled *Vernon D. Paulson, et al. vs. Board of Retirement of the Contra Costa County Employees’ Retirement Association, et al.* 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 members' 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. All employers except Contra Costa County have paid off their liability. Contra Costa County chose to pay its share of the liability due over 19.5 years and entered into an agreement with CCCERA. These employers entered into contracts with CCCERA. The following summary lists the pertinent details of the County's agreement plus the amounts due at December 31, 2012.

INSTALLMENT PAYMENTS DUE FROM PAULSON FINAL LIABILITY (DOLLARS IN THOUSANDS)

	<u>Contra Costa 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	\$ 2,760
Original Principal	\$ 28,065
Receivable at December 31, 2012:	
Future Principal Payments	\$ 20,262
Interest Accrued for 2012	\$ 675
	<u>\$ 20,937</u>

NOTE 12. 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.

As of May 14, 2013, the CCCERA Board of Retirement (BOR) and the Contra Costa County Board of Supervisors (BOS) entered into a settlement agreement resolving the *CCCERA BOR vs. Contra Costa County BOS* lawsuit, pending approval of the court. The agreement provides that CCCERA shall determine the salaries and most non-salary terms and conditions of employment for its unrepresented staff. The agreement provides that all existing terms of employment for CCCERA's represented staff will continue to be negotiated between the County and the applicable unions, and that CCCERA may make recommendations



for consideration by the County Board of Supervisors as to changes in the salaries and benefits of its represented staff. The parties have agreed to work on legislation that would make CCCERA the employer of its staff. The settlement agreement must be approved by the court.

On November 28, 2012, the Deputy Sheriff's Association (DSA) and the International Association of Firefighters (IAFF 1230) filed a lawsuit against CCCERA and the Board of Retirement. The lawsuit was filed in Contra Costa County Superior Court, on behalf of active and deferred members of CCCERA, to stop CCCERA and the Board of Retirement from implementing Assembly Bill 197. The Court issued a stay order in this matter, requiring that CCCERA suspend implementation of AB 197, and requiring that CCCERA continue to follow its policy on final average salary calculations until after this matter is heard and decided. As of the date of this report, the lawsuit is still pending.

NOTE 13. SUBSEQUENT EVENTS

CCCERA filed an application with the Internal Revenue Service (IRS) for a "Letter of Determination" within Cycle E, which ended on January 31, 2011. The most recent CCCERA "Letter of Determination" had been issued on February 23, 1987. As of the date of this report, CCCERA's application is still pending with the IRS.

On February 27, 2013, the Retirement Board approved the economic assumptions to be used in CCCERA's December 31, 2012 Actuarial Valuation as recommended by its actuary. The new assumptions include an inflation assumption of 3.25% (reduced from 3.50%) and a long-term rate of return assumption of 7.25% (reduced from 7.75%) net of investment and administrative expenses.

The Retirement Board approved a \$70 million capital commitment to Pathway Private Equity Fund Investors 7 (PPEF 7) at its March 14, 2013 meeting, subject to due diligence and legal review. The contract with Pathway Private Equity Fund Investors 7 was signed on April 22, 2013.

On April 10, 2013, the Board determined which pay items beyond base pay would be included in pensionable compensation under PEPR for employees becoming new members on or after January 1, 2013.

At CCCERA's May 8th Board Meeting, Supervisor Gioia announced his resignation from the CCCERA Board. He was appointed by the Governor to the California Air Resources Board. At the Contra Costa County Board of Supervisors' meeting held on May 14th, the Board of Supervisors appointed Supervisor Karen Mitchoff to fill Supervisor Gioia's remaining term with CCCERA's Board of Retirement.

The Retirement Board, at its May 22, 2013 meeting, terminated CCCERA's WHV Large Cap Core Portfolio and GMO International Intrinsic Value Extended Market Portfolio, due to investment performance. CCCERA is in the process of developing a plan of transitioning these funds from both of these managers to other investment managers.

The Retirement Board approved the following capital commitments: \$50 million to Commonfund Natural Resources IX; \$75 million to Aether ARA III and ARA Surplus III; \$35 million to INVESCO Real Estate III; and \$25 million to Long Wharf Real Estate Partners IV at its May 29th meeting, subject to due diligence and legal review. The Chief Executive Officer (CEO) was authorized to sign the necessary contract with each investment manager, which will be executed within the next few months.

Subsequent events were evaluated through June 12, 2013, which is the date the financial statements were available to be issued. CCCERA did not have any other events requiring recording or disclosure in the financial statements for the year ended December 31, 2012.



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)
12/31/06	\$ 4,460,871	\$ 5,293,977	\$ 833,106	84.3%	\$ 653,953	127.4%
12/31/07	5,016,137	5,581,048	564,911	89.9%	671,618	84.1%
12/31/08	5,282,505	5,972,471	689,966	88.5%	704,948	97.9%
12/31/09	5,290,114	6,314,787	1,024,673	83.8%	694,444	147.6%
12/31/10	5,341,822	6,654,037	1,312,215	80.3%	687,443	190.9%
12/31/11	\$ 5,426,719	\$ 6,915,312	\$ 1,488,593	78.5%	\$ 666,394	223.4%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS (DOLLARS IN THOUSANDS)

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2006	\$ 179,755 **	100.0%
2007	196,930	100.0%
2008	206,519	100.0%
2009	195,614	100.0%
2010	183,951	100.0%
2011	\$ 200,389	100.0%

** Excludes City of Pittsburg pension obligation bond proceeds of \$11.7 million.

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, 2009, became effective on July 1, 2011).

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



OTHER SUPPLEMENTARY INFORMATION
Schedule of Administrative Expenses

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(DOLLARS IN THOUSANDS)

Personnel Services:	2012	2011
Salaries and Wages	\$ 2,645	\$ 2,654
Employee Retirement	1,732	1,741
TOTAL PERSONNEL SERVICES	<u>4,377</u>	<u>4,395</u>
Professional Services:		
Actuary - Benefit Statement	59	59
Computer and Software Services and Support	230	340
County Counsel - Disability	110	109
Disability Hearing Officer/Medical Reviews	60	30
External Audit Fees	36	48
Contra Costa Dept of Information Technology	41	55
Newsletters	14	22
Other Professional Services	136	223
TOTAL PROFESSIONAL SERVICES	<u>686</u>	<u>886</u>
Office Expenses:		
Office Leases	334	376
Office Supplies	56	53
Minor Equipment and Computer Supplies	12	4
Postage	47	56
Equipment Lease	26	27
Requested Maintenance	(11)	20
Communications/Telephone	46	33
Printing and Publications	29	26
TOTAL OFFICE EXPENSES	<u>539</u>	<u>595</u>
Miscellaneous:		
Fiduciary and Staff - Education/Travel	87	63
Fiduciary and Staff - Meetings/Other Travel	3	3
Insurance	100	108
Memberships	21	24
TOTAL MISCELLANEOUS	<u>211</u>	<u>198</u>
Depreciation and Amortization	<u>217</u>	<u>216</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 6,030</u>	<u>\$ 6,290</u>



Schedule of Investment Expenses

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(DOLLARS IN THOUSANDS)

	2012	2011
Investment Management Fees, by portfolio:		
Stocks	\$ 10,808	\$ 9,348
Bonds	5,918	6,053
Real Estate	7,832	6,020
Alternative	7,850	7,123
Cash and Short-Term	<u>12</u>	<u>13</u>
TOTAL INVESTMENT MANAGEMENT FEES	<u>32,420</u>	<u>28,557</u>
Investment Consulting Fees:		
Consulting Services	307	340
Attorney Services	91	47
Actuarial Services	<u>211</u>	<u>375</u>
TOTAL INVESTMENT CONSULTING FEES	<u>609</u>	<u>762</u>
Investment Custodian Fees	<u>755</u>	<u>735</u>
Other Investment Related Expenses	<u>579</u>	<u>640</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 34,363</u>	<u>\$ 30,694</u>



Investment Section



Investment

Report On Investment Activity



May 2, 2013

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

Re: *Chief Investment Officer Review of 2012 Investment Returns*

Members of the Board:

The Contra Costa County Employees' Retirement Association (CCCERA) experienced strong performance for the calendar year ending December 31, 2012, both on an absolute and relative basis versus the universe of peer funds and the funds' long-term objectives. The strong performance for 2012 was a reversal from the challenging markets experienced in 2011.

Total Fund Performance

CCCERA's Total Fund returned 14.1% (before deduction of investment management fees) for the one-year period ending December 31, 2012, exceeding the 7.75% actuarial interest rate and the 5.9% return for the performance objective of the CPI plus 400 basis points. Relative to the peer universe, CCCERA's 2012 performance exceeded the median total public fund return of 11.9%, and ranked in the 8th percentile in the universe of public funds. Over the past 10 years ending December 31, 2012, CCCERA has returned 8.7% and ranked in the 3rd percentile of public funds.

Domestic Equity Performance

CCCERA's domestic equities returned 18.2% for 2012, exceeding the 16.4% return of the Russell 3000 Index and the 16.0% return of the S&P 500 Index. CCCERA's domestic equities also exceeded the 15.0% return for the median equity manager for the one-year period ending December 31, 2012, ranking in the 24th percentile in the universe of domestic equity managers.

International Equity Performance

For the calendar year 2012, CCCERA's international equities returned 18.5%. This performance exceeded the 17.9% return of the MSCI EAFE Index, but trailed the 19.5% return of the median international equity manager. CCCERA's international equities ranked in the 63rd percentile in the universe of international equity portfolios for the one-year period ending December 31, 2012.

Global Equity Performance

For the calendar year 2012, CCCERA's global equities returned 10.6%. This performance trailed the 16.8% return for the MSCI ACWI Index, and the 17.2% return of the median global equity manager. CCCERA's global equity program ranked in the 92nd percentile of the universe of global equity portfolios for the one-year period ending December 31, 2012. Much of the underperformance was associated with a prior manager who was terminated during the year.



Domestic Fixed Income Performance

CCCERA's total domestic fixed income program returned 10.0% for the one-year period ending December 31, 2012, significantly better than the 4.2% return of the Barclays Aggregate Index and the 5.9% return of the median fixed income manager. For 2012, CCCERA's domestic fixed income performance ranked in the 4th percentile in the universe of domestic fixed income managers.

Global Fixed Income Performance

For the calendar year 2012, CCCERA's global fixed income returned 6.7%. This performance was better than the 4.3% return of the Barclays Global Aggregate Index but trailed the 9.5% return of the median global fixed income manager. CCCERA's global fixed income portfolio ranked in the 68th percentile in the universe of global fixed income portfolios for the one-year period ending December 31, 2012.

Real Estate Performance

In 2012, CCCERA's combined real estate portfolio experienced excellent performance, both on an absolute and relative basis. The combined real estate portfolio returned 16.7%, outperforming the 10.5% return of the NCREIF Property Index and the 10.7% return of the median real estate portfolio.

Opportunistic Investment Performance

For the one-year period ending December 31, 2012, CCCERA's combined opportunistic investment portfolio had a return of 13.6%.

Alternative Investment Performance

For the one-year period ending December 31, 2012, CCCERA's combined alternative investment portfolio had good absolute performance but trailed the public markets. The combined alternative investment portfolio returned 10.9%. Our goal relative to the public markets is to outperform the S&P 500 by 400 basis points. This benchmark had a 2012 return of 20.7%. (Several components of the combined alternative investment composite are reported on a lagged quarter basis due to financial data reporting constraints.)

Asset Allocation

As of December 31, 2012, CCCERA's market value of assets was \$5.7 billion, an increase of approximately \$0.6 billion from the December 31, 2011 market value of \$5.1 billion. This was primarily the result of strong investment returns experienced in 2012.

CCCERA assets, as of December 31, 2012, were above the long-term targets in equities (52.0% vs. 42.6%) and fixed income (22.9% vs. 19.4%). The asset classes most significantly underweight included long-duration fixed income (unfunded vs. 5.0%), inflation hedging/real assets (unfunded vs. 5.0%), and alternative investments (6.3% vs. 10.0%). Please note that the long-duration fixed income allocation is currently held in the core fixed income accounts; the allocation earmarked for real assets was split between domestic equities and real estate, and the assets earmarked for alternatives investments were held in domestic equities. Assets have been rebalanced to interim targets since year-end in accordance with CCCERA's investment policy guidelines.

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

Sincerely,

Timothy Price, 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. This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The California Constitution and Government Code Sections 31594 and 31595 authorize the Board of Retirement (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 prudent to not 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, 2012, the total fund gain was 14.1%, greater than the targeted return of 5.9% (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 Shareholder Services to research and vote CCCERA's U.S. proxy ballots in order to protect and enhance returns.



Investment

Investment Results Based on Fair Value*

AS OF DECEMBER 31, 2012

	CURRENT <u>YEAR</u>	<u>3 YEAR</u>	ANNUALIZED <u>5 YEAR</u>	<u>10 YEAR</u>
DOMESTIC EQUITY	18.2%	12.1%	2.8%	8.4%
Benchmark: Russell 3000	16.4%	11.2%	2.0%	7.7%
INTERNATIONAL EQUITY	18.5%	4.4%	-4.8%	8.5%
Benchmarks: MSCI ACWI ex-US Gross	17.4%	4.3%	-2.4%	10.2%
MSCI EAFE Gross	17.9%	4.0%	-3.2%	8.7%
GLOBAL EQUITY**	10.6%	-	-	-
Benchmark: MSCI ACWI Gross	16.8%	7.2%	-0.6%	8.7%
DOMESTIC FIXED INCOME	10.0%	9.3%	7.2%	6.7%
Benchmarks: Barclays U.S.Universal	5.5%	6.7%	6.2%	5.6%
Barclays Aggregate	4.2%	6.2%	5.9%	5.2%
GLOBAL FIXED INCOME***	6.7%	7.0%	6.3%	5.3%
Benchmark: Barclays Global Aggregate	4.3%	5.2%	5.4%	6.0%
REAL ESTATE	16.7%	16.0%	0.4%	10.0%
Benchmarks: Real Estate Benchmark	13.6%	14.9%	4.5%	10.3%
NCREIF (ODCE) Index	10.9%	14.4%	-1.1%	6.7%
NCREIF Property Index	10.5%	12.6%	2.1%	8.4%
OPPORTUNISTIC****	13.6%	6.4%	-	-
ALTERNATIVE INVESTMENTS	10.9%	11.3%	7.1%	12.7%
S&P 500 + 400 bps	20.7%	15.3%	5.7%	11.4%
TOTAL FUND	14.1%	10.1%	3.6%	8.7%
CPI + 400 bps	5.9%	6.2%	5.9%	6.6%

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

** Global Equity Manager hired in September 2010.

*** Global Fixed Income Manager hired in December 2007.

****Opportunistic Fund Managers hired in 2010.



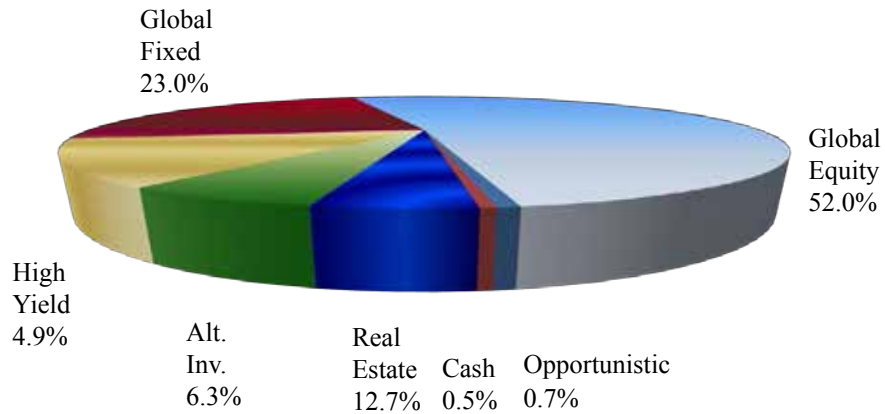
Investment

ASSET ALLOCATION

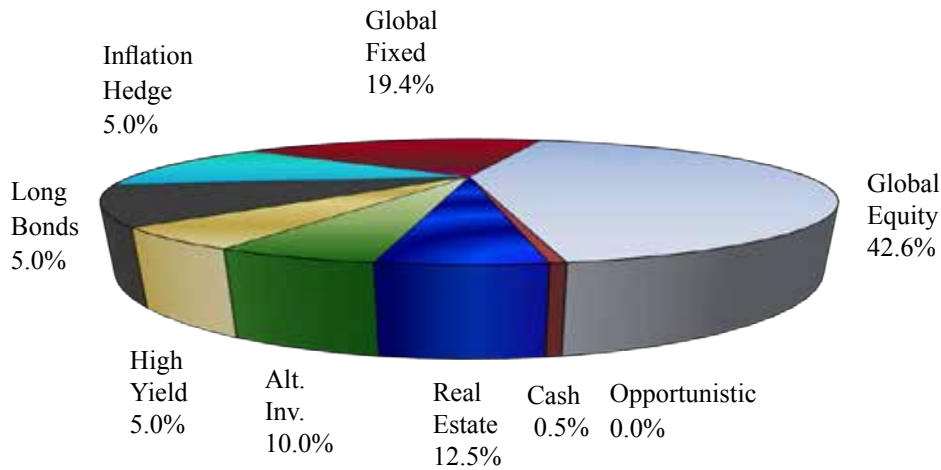
The asset allocation is an integral part of the Investment Policy. When a new asset class is implemented or a current asset class is expanded, the plan’s policy is modified to reflect the change or revision. The Board implements the asset allocation plan by hiring investment managers to invest assets on CCCERA’s behalf, subject to specific guidelines incorporated into each firm’s 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 charts:

AS OF DECEMBER 31, 2012

Actual Asset Allocation



Long-Term Target Asset Allocation





10 Largest Equity Holdings as of 12/31/12

(DOLLARS IN THOUSANDS)

CUSIP	SHARES	SECURITY NAME	FAIR VALUE
037833100	70,515	APPLE INC	\$ 37,587
828806109	174,100	SIMON PROPERTY GROUP INC	27,523
717081103	948,147	PFIZER INC	23,780
747525103	379,725	QUALCOMM INC	23,551
38259P508	30,432	GOOGLE INC CL A	21,588
949746101	631,055	WELLS FARGO + CO	21,569
26875P101	168,605	EOG RESOURCES INC	20,366
92826C839	134,220	VISA INC CLASS A SHARES	20,345
30231G102	226,915	EXXON MOBIL CORP	19,639
228227104	253,450	CROWN CASTLE INTL CORP	18,289
TOTAL LARGEST EQUITY HOLDINGS			\$ 234,237

10 Largest Fixed Holdings as of 12/31/12

(DOLLARS IN THOUSANDS)

CUSIP	SECURITY NAME	COST	FAIR VALUE
912828RL6	US TREASURY N/B	\$ 24,809	\$ 24,818
617989009	MORGAN STANLEY REPO	19,500	19,500
02R030616	TBA FHLMC GOLD CONV	18,956	18,944
060990009	BANK AMERICA	14,400	14,400
99S0EACB8	GR370019 IRS USD R F .75000	13,782	13,746
99S0EAC85	GR370020 IRS USD R V 03MLIBOR	12,986	13,022
91282UA6	US TREASURY N/B	12,386	12,340
01F030611	FNMA TBA 3PCT JAN 30 SINGLE FA	10,175	10,164
02R032612	FHLMC TBA JAN 30 GOLD SINGLE	9,766	9,783
01F040610	FNMA TBA SINGLE FAMILY MORTGAG	9,743	9,754
TOTAL LARGEST FIXED HOLDINGS			\$ 146,471

A complete list of portfolio holdings is available on request.



Investment

Schedule of Investment Management Fees

FOR THE YEAR ENDED DECEMBER 31, 2012

(DOLLARS IN THOUSANDS)

Investment Activity

Stock Managers

Domestic	\$ 6,569
International	<u>4,239</u>
Subtotal	10,808

Bond Managers

Domestic	5,333
International	<u>585</u>
Subtotal	5,918

Real Estate Managers 7,832

Alternative Investment Managers 7,850

Cash & Short-Term with County Treasurer 12

Total Fees from Investment Activity
(see page 56) 32,420

Securities Lending Activity

Management Fee	542
Borrower Rebate	<u>(1,167)</u>

Total Fees from Securities Lending Activity (625)

TOTAL INVESTMENT MANAGEMENT FEES **\$ 31,795**



Investment Summary

AS OF DECEMBER 31, 2012

(DOLLARS IN THOUSANDS)

TYPE OF INVESTMENT	FAIR VALUE	PERCENT OF TOTAL FAIR VALUE
Deposit	\$ 3,106	0.05%
Short-Term Investments held by Fiscal Agent	371,945	6.27%
TOTAL SHORT-TERM INVESTMENTS	<u>375,051</u>	<u>6.32%</u>
U.S. Government and Agency Instruments	702,674	11.83%
Private Placement Bonds	293,658	4.95%
Domestic Corporate Bonds	402,046	6.77%
International Bonds	290,575	4.90%
TOTAL BONDS	<u>1,688,953</u>	<u>28.45%</u>
Domestic Stocks	1,354,723	22.82%
Global Stocks	728,220	12.27%
International Stocks	650,492	10.96%
TOTAL STOCKS	<u>2,733,435</u>	<u>46.05%</u>
REAL ESTATE	<u>741,660</u>	<u>12.50%</u>
ALTERNATIVE INVESTMENTS	<u>396,453</u>	<u>6.68%</u>
LONG-TERM INVESTMENTS AT FAIR VALUE	<u>5,560,501</u>	<u>93.68%</u>
TOTAL SHORT AND LONG-TERM INVESTMENTS	<u>\$ 5,935,552</u>	<u>100.00%</u>



Investment

Investment Managers

AS OF DECEMBER 31, 2012

ALTERNATIVE ASSETS

Adams Street Partners
Carpenter Bancfund
DBL Investors
Energy Investors Funds Group (EIF/Liberty)
Nogales Investors LLC
Paladin Capital Management
Pathway Capital Management

EQUITY - DOMESTIC

Ceredex Value Advisors
Robeco Boston Partners
Delaware Investment Advisors
Emerald Advisors, Inc
Intech
PIMCO
WHV Investment Management

EQUITY - INTERNATIONAL

Grantham, Mayo, Van Otterloo & Co. LLC (GMO)
William Blair & Company

FIXED INCOME - GLOBAL

Lazard Asset Management

GLOBAL EQUITY

J.P. Morgan Asset Management
First Eagle Investment Management
Artisan
Intech

FIXED INCOME - DOMESTIC

AFL-CIO Housing Investment Trust
Goldman Sachs
Torchlight
Lord Abbett
PIMCO

OPPORTUNISTIC
Oaktree

CASH & SHORT-TERM
Contra Costa County Treasurer
State Street Corporation

FIXED INCOME - HIGH YIELD

Allianz Global Investors

REAL ESTATE

Adelante Capital Management
Angelo Gordon Realty Fund VIII
DLJ Real Estate Capital Partners LP
Long Wharf Real Estate Partners
Hearthstone Advisors
Invesco Real Estate
Oaktree
Siguler Guff
LaSalle

SECURITIES LENDING PROGRAM

State Street Corporation



Actuarial Section



Actuarial

Actuary Certification Letter



THE SEGAL COMPANY

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308

T 415.263.8200 F 415.263.8290 www.segalco.com

August 8, 2012

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

Re: Contra Costa County Employees' Retirement Association

Dear Members of the Board:

The Segal Company (Segal) prepared the December 31, 2011 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, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

Our calculations are based upon member data and financial information provided to us by the Association's staff. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. 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. 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.

One of the general goals of an actuarial valuation is to establish contribution rates that fully fund the Association's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. 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. Members also contribute to the Plan according to statutory requirements.

[Benefits, Compensation and HR Consulting](#) Offices throughout the United States and Canada.



Founding Member of the Multinational Group of Actuaries and Consultants, a global affiliation of independent firms.



Board of Retirement
Contra Costa County Employees' Retirement Association
August 8, 2012
Page 2

The remaining balance of the December 31, 2007 UAAL is amortized over a decreasing period with 11 years remaining as of December 31, 2011. Changes to the UAAL that occur after December 31, 2007 are separately amortized over decreasing 18-year periods. The progress being made towards meeting the funding objective through December 31, 2011 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 mostly those adopted by the Retirement Board considering recommendations made by us following the December 31, 2009 Experience Analysis. The terminal pay assumption was changed in the December 31, 2010 valuation to now be based on cost groups. It is our opinion that the assumptions used in the December 31, 2011 valuation produce results which, in the aggregate, reasonably reflect the future experience of the Plan.

In the December 31, 2011 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities decreased from 80.3% to 78.5%, and the aggregate employer contribution rate increased from 34.49% of payroll to 37.87% of payroll.

The actuarial value of assets included \$389 million in deferred investment losses, which represented about 8% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would have decreased from 78.5% to 72.9% and the aggregate employer contribution rate, expressed as a percent of payroll, would have increased from 37.9% to 42.3%.

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, 2012.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

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

John Monroe, ASA, MAAA, EA
Vice President & Associate Actuary

AW/hy



Summary of Assumptions and Funding Methods

The following assumptions have been adopted by the Board for the fiscal year 2011-2012 and were used for the December 31, 2009 valuation. The rates produced by this valuation were implemented on July 1, 2011 and continued to be in effect through June 30, 2012.

ASSUMPTIONS

Valuation Interest Rate	7.75%
Inflation Assumption	3.50%
Real "Across-the-Board" Salary Increases	0.75%
Merit Salary Increase Assumption	1.75%
Projected Salary Increases	6.00%
Cost-of-Living Adjustments	2% for Safety (Tier C) 3% for Tiers 1, 3 and Safety (Tier A) 4% (valued at 3.50%) for Tier 3 Disability and Tier 2
Interest Rate Credited to Active Member Accounts	7.75%

The following assumptions have been adopted by the Board for the fiscal year 2012-2013 and were used for the December 31, 2010 valuation. The rates produced by this valuation were implemented on July 1, 2012 and will continue to be in effect through June 30, 2013.

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Interest Rate Credited to Active Member Accounts	7.75%



Post Retirement Mortality (Data is from December 31, 2011 valuation.)

A. Healthy:

General Tier 1, Tier 2, and Tier 3

RP-2000 Combined Healthy Mortality Table set back 3 years for males and 2 years for females

Safety Members

RP-2000 Combined Healthy Mortality Table set back 3 years for males and 2 years for females

B. Disabled:

General Tier 1, Tier 2, and Tier 3

RP-2000 Combined Healthy Mortality Table set forward 4 years

Safety Members

RP-2000 Combined Healthy Mortality Table set back 2 years

C. Beneficiaries:

Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement

D. Employee Contribution Rate:

For General Members: RP-2000 Combined Healthy Mortality Table set back 3 years for males and 2 years for females (weighed 30% male and 70% female)

For Safety Members: RP-2000 Combined Healthy Mortality Table set back 3 years for males and 2 years for females (weighed 85% male and 15% female)

Pre-Retirement Mortality

Based upon the Experience Analysis as of 12/31/09

Withdrawal Rates

Based upon the Experience Analysis as of 12/31/09

Disability Rates

Based upon the Experience Analysis as of 12/31/09

Service Retirement Rates

Based upon the Experience Analysis as of 12/31/09

Salary Scales

Total increases of 6.00% per year reflecting approximately 3.50% for inflation, 0.75% for additional real "across-the-board" salary increases and approximately 1.75% for merit and longevity

Marriage Assumption At Retirement

75% for male members
50% 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

Remaining balance of December 31, 2007, UAAL is amortized over a fixed (decreasing or closed) period with 11 years remaining as of December 31, 2011. Any changes in UAAL after December 31, 2007, are separately amortized over a fixed 18-year period effective with that valuation.



Probability of Occurrence

TERMINATION RATES (%) BEFORE RETIREMENT

MORTALITY

Age	General		Safety	
	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.06	0.04	0.06	0.04
40	0.09	0.06	0.09	0.06
45	0.12	0.09	0.12	0.09
50	0.17	0.14	0.17	0.14
55	0.27	0.22	0.27	0.22
60	0.47	0.39	0.47	0.39
65	0.88	0.76	0.88	0.76

WITHDRAWAL

(<5 years of Service)

Service Years	General	Safety
0	15.00	11.00
1	9.00	7.00
2	9.00	5.00
3	6.00	4.00
4	5.00	4.00

DISABILITY General

Age	Tier 1	Tier 2 & 3	Safety
20	0.02	0.00	0.02
25	0.04	0.02	0.22
30	0.11	0.04	0.42
35	0.18	0.06	0.65
40	0.26	0.09	0.90
45	0.42	0.13	1.15
50	0.56	0.18	2.60
55	0.69	0.23	4.40
60	0.75	0.28	5.00

WITHDRAWAL

(5+ years of Service)

Age	General	Safety
20	5.00	4.00
25	5.00	4.00
30	5.00	4.00
35	5.00	3.14
40	4.73	2.39
45	3.05	1.80
50	2.42	1.24
55	1.68	0.81
60	0.00	0.00

RETIREMENT RATES (%)

Non-Enhanced Benefits

Age	Tier 1	Safety A
50	3.00	1.00
55	10.00	2.00
60	25.00	17.00
65	40.00	100.00
70	100.00	100.00

Enhanced Benefits

Age	Tier 1	Tier 3	Safety A	Safety C
50	4.00	4.00	25.00	15.00
55	15.00	10.00	30.00	20.00
60	20.00	15.00	40.00	30.00
65	35.00	35.00	100.00	100.00
70	100.00	40.00	100.00	100.00

Summary of December 31, 2011 and 2010 Valuation Results

	December 31, 2011		December 31, 2010	
	Total Rate	Estimated Annual Amount*	Total Rate	Estimated Annual Amount**
Average Employer Contribution Rates (without subvention):				
General				
Cost Group #1 - County and Small Districts (Tier 1)	32.53%	\$ 9,389,219	29.16%	\$ 11,044,880
Cost Group #2 - County and Small Districts (Tier 3)	28.78%	130,861,297	26.50%	122,147,769
Cost Group #3 - Central Contra Costa Sanitary District (Tier 1)	58.36%	14,435,891	53.91%	13,183,861
Cost Group #4 - Contra Costa Housing Authority (Tier 1)	35.26%	1,983,485	33.96%	1,811,604
Cost Group #5 - Contra Costa County Fire Protection District (Tier 1)	30.75%	1,080,023	25.71%	1,031,007
Cost Group #6 - Small Districts (Tier 1 Non-Enhanced)	24.88%	189,265	27.37%	198,484
Safety				
Cost Group #7 - County (Tier A)	66.42%	47,810,154	58.87%	46,776,045
Cost Group #8 - Contra Costa and East County Fire Protection District (Tier A)	59.05%	22,204,573	52.78%	19,605,462
Cost Group #9 - County (Tier C)	59.19%	6,001,376	52.03%	4,073,737
Cost Group #10 - Moraga-Orinda Fire Protection District (Tier A)	52.94%	3,979,298	44.70%	3,529,061
Cost Group #11 - San Ramon Valley Fire Protection District (Tier A)	68.39%	12,968,849	63.55%	12,394,971
Cost Group #12 - Rodeo-Hercules Fire Protection District (Tier A Non-Enhanced)	72.53%	1,433,817	58.04%	1,310,499
All Employers Combined	37.87%	\$ 252,337,247	34.49%	\$ 237,107,380
Average Member Contribution Rates (without subvention):				
General				
Cost Group #1 - County and Small Districts (Tier 1)	9.55%	2,756,922	9.43%	3,572,201
Cost Group #2 - County and Small Districts (Tier 3)	9.75%	44,337,350	9.76%	44,988,288
Cost Group #3 - Central Contra Costa Sanitary District (Tier 1)	10.03%	2,481,328	10.04%	2,455,314
Cost Group #4 - Contra Costa Housing Authority (Tier 1)	10.44%	587,382	10.63%	567,060
Cost Group #5 - Contra Costa County Fire Protection District (Tier 1)	9.85%	345,958	9.72%	389,785
Cost Group #6 - Small Districts (Tier 1 Non-Enhanced)	11.34%	86,275	11.55%	83,759
Safety				
Cost Group #7 - County (Tier A)	15.65%	11,411,285	15.81%	12,562,074
Cost Group #8 - Contra Costa and East County Fire Protection District (Tier A)	15.26%	5,737,116	15.14%	5,624,198
Cost Group #9 - County (Tier C)	12.49%	1,265,845	12.23%	957,559
Cost Group #10 - Moraga-Orinda Fire Protection District (Tier A)	15.34%	1,153,050	15.49%	1,222,934
Cost Group #11 - San Ramon Valley Fire Protection District (Tier A)	14.54%	2,756,394	14.84%	2,894,435
Cost Group #12 - Rodeo-Hercules Fire Protection District (Tier A Non-Enhanced)	14.10%	278,737	14.24%	321,529
All Categories Combined	10.98%	\$ 73,197,642	11.00%	\$ 75,639,136

KEY ACTUARIAL ASSUMPTIONS: Annual Interest Rate: 7.75%
 Annual Inflation Rate: 3.50%
 * Based on December 31, 2011 projected annual payroll.
 ** Based on December 31, 2010 projected annual payroll.
 Across-the-Board Salary Increase: 0.75%
 Average Annual Salary Increase: 6.00%



Summary of Significant Results

Association Membership	December 31, 2011	December 31, 2010	Increase/ (Decrease)
<i>Active Members</i>			
1. Number of Members	8,629	8,811	(2.1%)
2. Average Age	46.2	46.6	N/A
3. Average Service	10.7	11.1	N/A
4. Projected Active Payroll	\$ 666,394,146	\$ 687,443,206	(3.1%)
5. Average Monthly Compensation	\$ 6,436	\$ 6,502	(1.0%)
<i>Retired Members</i>			
1. Number of Members:			
Service Retirement	5,960	5,469	9.0%
Disability Retirement	920	921	(0.1%)
Beneficiaries	1,205	1,169	3.1%
2. Average Age	69.1	69.3	N/A
3. Actual Retired Payroll	\$ 320,297,817	\$ 288,969,175	10.8%
4. Average Monthly Pension	\$ 3,381	\$ 3,248	4.1%
<i>Inactive Vested Members</i>			
1. Number of Members*	2,214	2,231	(0.8%)
2. Average Age	46.7	46.1	N/A
Asset Values (Net)			
<i>Market Value</i>	\$ 5,052,289,458	\$ 5,027,157,199	0.5%
<i>Return on Market Value</i>	1.76%	13.35%	
<i>Actuarial Value</i>	\$ 5,441,119,691	\$ 5,355,971,152	1.6%
<i>Return on Actuarial Value</i>	2.78%	1.82%	
<i>Valuation Assets</i>	\$ 5,426,719,066	\$ 5,341,821,711	1.6%
<i>Return on Valuation Assets</i>	2.77%	1.80%	
Liability Values			
Actuarial Accrued Liability	\$ 6,915,311,649	\$ 6,654,036,801	3.9%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,488,592,583	\$ 1,312,215,090	13.4%
Funding Ratio			
GASB Statement No. 25	78.5%	80.3%	

*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
12/31/06	General	7,602	\$505,165,640	\$66,452	5.13%
	Safety	<u>1,608</u>	<u>148,787,523</u>	92,530	1.04%
	TOTAL	<u>9,210</u>	<u>\$653,953,163</u>	<u>\$71,005</u>	<u>4.15%</u>
12/31/07	General	7,806	\$518,874,107	\$66,471	0.03%
	Safety	<u>1,615</u>	<u>152,743,825</u>	94,578	2.21%
	TOTAL	<u>9,421</u>	<u>\$671,617,932</u>	<u>\$71,289</u>	<u>0.40%</u>
12/31/08	General	7,781	\$544,409,663	\$69,967	5.26%
	Safety	<u>1,604</u>	<u>160,538,005</u>	100,086	5.82%
	TOTAL	<u>9,385</u>	<u>\$704,947,668</u>	<u>\$75,114</u>	<u>5.37%</u>
12/31/09	General	7,406	\$536,090,505	\$72,386	3.46%
	Safety	<u>1,532</u>	<u>158,353,494</u>	103,364	3.28%
	TOTAL	<u>8,938</u>	<u>\$694,443,999</u>	<u>\$77,696</u>	<u>3.44%</u>
12/31/10	General	7,325	\$533,351,975	\$72,812	0.59%
	Safety	<u>1,486</u>	<u>154,091,231</u>	103,695	0.32%
	TOTAL	<u>8,811</u>	<u>\$687,443,206</u>	<u>\$78,021</u>	<u>0.42%</u>
12/31/11	General	7,183	\$518,213,291	\$72,144	-0.92%
	Safety	<u>1,446</u>	<u>148,180,855</u>	102,476	-1.18%
	TOTAL	<u>8,629</u>	<u>\$666,394,146</u>	<u>\$77,227</u>	<u>-1.02%</u>



Actuarial

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
2006	6,437	357	\$ 23,469,814	(148)	(\$3,518,632)	6,646	\$216,057,476	10.17%	\$32,509
2007	6,646	492	24,184,795	(227)	(4,586,247)	6,911	235,656,024	9.07%	34,099
2008	6,911	317	20,853,808	(216)	(6,065,270)	7,012	250,444,562	6.28%	35,717
2009	7,012	505	22,693,682	(225)	(6,271,784)	7,292	266,866,460	6.56%	36,597
2010	7,292	486	27,459,315	(219)	(5,356,600)	7,559	288,969,175	8.28%	38,228
2011	7,559	758	\$ 37,949,896	(232)	(\$6,621,254)	8,085	\$320,297,817	10.84%	\$39,616

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				
12/31/06	\$ 399,864	\$ 2,820,634	\$ 2,073,479	\$ 4,460,871	100%	100%	60%
12/31/07	446,284	3,070,770	2,063,994	5,016,137	100%	100%	73%
12/31/08	554,267	3,239,593	2,178,611	5,282,505	100%	100%	68%
12/31/09	598,973	3,523,414	2,192,400	5,290,114	100%	100%	53%
12/31/10	645,975	3,811,751	2,196,311	5,341,822	100%	100%	40%
12/31/11	\$ 637,614	\$ 4,268,202	\$ 2,009,496	\$ 5,426,719	100%	100%	26%

Actuarial Analysis of Financial Experience

FOR YEARS ENDED DECEMBER 31
(DOLLAR AMOUNTS IN THOUSANDS)

Type of Activity	2011	2010	2009	2008	2007	2006
Composite Gain (or Loss) During Year	(\$176,378)	(\$287,542)	(\$334,716)	(\$125,054)	\$268,194	(\$102,735)



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, 2011, and as adopted by Contra Costa County and special district employers.

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.
- b. Reciprocal General Members hired before October 1, 2002, electing to not enter Tier 2 Plan.
- c. Participating agencies who have elected Tier 1.

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.

Tier 3:

All County General Members (except CNA employees) hired on or after October 1, 2002, are placed in Tier 3. All CNA employees hired on or after January 1, 2005, are placed in Tier 3. All Contra Costa Mosquito and Vector Control District employees hired on or after February 1, 2006 are placed in Tier 3.

CNA employees in Tier 2 were placed in Tier 3 as of January 1, 2005.

One special district's Tier 2 employees were placed in Tier 3 effective February 1, 2006.

All Tier 2 members for each of the agencies listed above were placed in Tier 3 as of the above respective dates.

Final Average Salary (FAS)

- a. One-year final average salary
- Note: For members with membership dates on or after January 1, 2011, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes.

- a. Three-year final average salary



Actuarial

Service Retirement

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:	$(2.61\% \times \text{FAS} - 1/3 \times 2.61\% \times \$350) \times \text{Yrs}$

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

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: 50% FAS or Service retirement benefit, if greater.
 - (2) Nonservice-connected: 1.5% x FAS x years of service. Future service years projected to age 65. Generally leads to 1/3 FAS benefit.

- 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.

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

AND
- 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.

AND
- b. Lump sum payment of \$7,000 less any Social Security lump sum payment.



Actuarial

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, or earned benefit at age 70.
- b. If greater than five years of service, right to have vested deferred retirement benefit commencing at any time after eligible to retire.

Tier 2

- a. If less than five years of service, return of contributions, but can leave funds to earn interest, or earned benefit at age 70.
- b. If greater than five years of service, right to have vested deferred retirement benefit commencing at any time after eligible to retire.

Cost-of-Living (COL) Benefit

Based on changes in CPI.
3% maximum change per year
except for Tier 3 disability benefits
which can increase 4% per year.

Based on changes in CPI.
4% maximum change per year.

Employee's Contribution Rates

Non-Enhanced 31676.11

- | | |
|---|--|
| <ul style="list-style-type: none"> a. Basic: to provide for an average annuity at age 55 equal to 1/120 of FAS. 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 not in Tier C
- b. All County Sheriff's Department Safety members hired on or after January 1, 2007, will be placed in Safety Tier C Enhanced

Final Average Salary (FAS)

- a. One-year final average salary
 - b. Three-year FAS for Safety Tier C
- Note: For members with membership dates on or after January 1, 2011, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes.

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 Fire Protection District)

Age	Benefit Formula
50	2.00% x FAS x Yrs
55	2.62% x FAS x Yrs
60	2.62% x FAS x Yrs

Maximum Benefit: 100% of FAS

- c. 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.



Actuarial

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 - 50% of FAS

Death After Retirement

- a. After Service Retirement or Nonservice-Connected Disability -
60% of the allowance continued to the spouse or to minor children
OR
- b. After Service-Connected Disability -
100% of the allowance continued to the spouse or to minor children
AND
- 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 or earned benefit at age 70
- b. If greater than five years of service, right to have vested deferred retirement benefit commencing at any time after eligible to retire

Cost-of-Living (COL) Benefit

- a. Based on change in CPI; 3% maximum change per year for Safety members not in Tier C
- b. Based on change in CPI; 2% maximum change per year for Safety Tier C

Employees' Non-Enhanced (Section 31664) Contribution Rates

- a. Basic - to provide for an average annuity at age 50 equal to 1/100 of FAS
- 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



Summary of Statistical Data

The objective of the Statistical Section is to provide users with additional detailed information in order to promote a more comprehensive understanding of CCCERA's financial statements, note disclosures, and supplementary information. In addition, the multi-year trend information for the financial and operating segments of CCCERA provided in this section is intended to facilitate understanding of how the financial activities and positions have changed over time. The information is presented in two major categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how CCCERA's financial activities and positions have changed over time. The Changes in Plan Net Position for Years 2003-2012 presents additions by source, deductions by type, and the total change in net position for each year. The Schedule of Benefit Expenses by Type for the Last Ten Years presents benefit deductions by type of benefit, such as by Service Retirement and Disability Retirement, as well as by General and Safety benefits.

Operating Information is intended to provide contextual information about CCCERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate CCCERA's fiscal condition. This section includes the Schedule of Retired Members by Type of Benefit, which presents information for the current year. The Schedule of Average Benefit Payment Amounts for the Last Ten Years shows the average monthly benefit, and number of retirees and beneficiaries, organized by five-year increments. Participating Employers and Active Members for Years 2003-2012 presents the employers and number of their corresponding covered employees.



Changes in Plan Net Position For Years 2003 - 2012

(DOLLARS IN THOUSANDS)

Additions	2012	2011	2010	2009	2008
Employer Pension Obligation Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Employer Contributions	212,321	200,389	183,951	195,614	206,519
Employee Contributions	73,362	61,575	64,330	66,536	76,452
Net Investment Income (Loss)	680,538	100,363	605,672	748,861	(1,467,872)
Security Lending Income	1,535	951	1,097	2,436	3,392
Total Additions	\$ 967,756	\$ 363,278	\$ 855,050	\$1,013,447	\$(1,181,509)
Deductions					
Pension Benefits	\$ 347,569	\$ 320,297	\$ 288,969	\$ 266,866	\$ 250,445
Refunds	3,276	3,909	2,647	4,628	3,730
Administrative Expense	6,030	6,290	5,283	7,359	5,601
Other Expenses	8,590	7,649	7,723	7,563	8,133
Total Deductions	\$ 365,465	\$ 338,145	\$ 304,622	\$ 286,416	\$ 267,909
Change in Plan Net Position	\$ 602,291	\$ 25,133	\$ 550,428	\$ 727,031	\$ (1,449,481)

Additions	2007	2006	2005	2004	2003
Employer Pension Obligation Bond Proceeds	\$ -	\$ 11,693	\$ 153,135	\$ -	\$ 319,095
Employer Contributions	196,930	179,755	147,165	118,246	108,728
Employee Contributions	75,591	73,469	73,475	65,297	51,603
Net Investment Income (Loss)	306,459	614,913	341,877	415,669	608,336
Security Lending Income	1,208	658	506	344	238
Total Additions	\$ 580,188	\$ 880,488	\$ 716,158	\$ 599,556	\$ 1,088,000
Deductions					
Pension Benefits	\$ 235,656	\$ 216,057	\$ 196,106	\$ 178,979	\$ 163,923
Refunds	3,113	3,232	2,075	910	1,037
Administrative Expense	5,942	4,860	4,896	4,089	4,292
Other Expenses	7,370	7,052	6,440	5,776	5,021
Membership Withdrawal	-	-	3,535	4,681	-
Total Deductions	\$ 252,081	\$ 231,201	\$ 213,052	\$ 194,435	\$ 174,273
Final Paulson Cost Reimbursement	-	-	-	-	\$ 34,230
Change in Plan Net Position	\$ 328,107	\$ 649,287	\$ 503,106	\$ 405,121	\$ 947,957



Schedule of Benefit Expenses by Type

ANNUAL BENEFIT AMOUNTS
AS OF DECEMBER 31 OF EACH YEAR (DOLLARS IN THOUSANDS)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Service Retirement Payroll:										
General	\$ 163,514	\$ 144,304	\$ 131,646	\$ 121,929	\$ 113,955	\$ 104,164	\$ 94,018	\$ 83,343	\$ 83,082	\$ 75,541
Safety	87,198	78,221	70,782	66,953	62,705	56,215	49,532	44,668	42,525	32,151
TOTAL	250,712	222,525	202,428	188,882	176,660	160,379	143,550	128,011	125,607	107,692
Disability Retirement Payroll:										
General	11,974	12,013	12,134	12,072	11,899	11,910	11,608	11,855	11,718	10,629
Safety	28,341	27,349	26,708	24,845	23,529	21,283	19,867	18,737	17,850	13,853
TOTAL	40,315	39,362	38,842	36,917	35,428	33,193	31,475	30,592	29,568	24,482
Beneficiary Payroll:										
General	17,825	16,727	16,144	16,030	15,312	14,449	13,850	13,399	12,795	10,604
Safety	11,445	10,355	9,452	8,616	8,256	8,036	7,231	6,977	6,587	5,149
TOTAL	29,270	27,082	25,596	24,646	23,568	22,485	21,081	20,376	19,382	15,753
Total Benefit Expense:										
General	193,313	173,044	159,924	150,031	141,166	130,523	119,476	108,597	107,595	96,774
Safety	126,984	115,925	106,942	100,414	94,490	85,534	76,630	70,382	66,962	51,153
TOTAL	\$ 320,297	\$ 288,969	\$ 266,866	\$ 250,445	\$ 235,656	\$ 216,057	\$ 196,106	\$ 178,979	\$ 174,557	\$ 147,927

Schedule of Retired Members by Type of Benefit

SUMMARY OF MONTHLY ALLOWANCES BEING PAID AS OF DECEMBER 31, 2011

<u>Amount of Monthly Benefit</u>	Number of Retirees & Beneficiaries	Service	Disability	Beneficiary
General Members				
\$0 to \$749	1,105	851	6	248
\$750 to 1,499	1,302	989	56	257
\$1,500 to 2,249	1,095	757	176	162
\$2,250 to 2,999	758	550	116	92
\$3,000 to 3,749	545	443	54	48
\$3,750 to 4,499	366	315	17	34
\$4,500 to 5,249	272	242	6	24
\$5,250 & Over	765	734	6	25
TOTALS	6,208	4,881	437	890

Safety Members	Number of Retirees & Beneficiaries	Service	Disability	Beneficiary
\$0 to \$749	61	37	4	20
\$750 to 1,499	90	31	4	55
\$1,500 to 2,249	114	46	21	47
\$2,250 to 2,999	122	39	43	40
\$3,000 to 3,749	276	75	139	62
\$3,750 to 4,499	194	70	88	36
\$4,500 to 5,249	131	86	31	14
\$5,250 & Over	889	695	153	41
TOTALS	1,877	1,079	483	315



Statistical

Schedule of Average Benefit Payment Amounts

ESTIMATES BASED ON YEARS OF CREDITED SERVICE
YEARS OF CREDITED SERVICE

Retirement Effective Date	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30+	Totals
1/1/2011 - 12/31/2011								
Average monthly benefit	\$436	\$1334	\$1853	\$2663	\$4325	\$6315	\$6829	\$4091
Average Final Average Salary	\$7653	\$5871	\$6543	\$7091	\$8476	\$9629	\$9410	\$8044
Number of retired members	12	77	102	86	156	114	116	663
1/1/2010 - 12/31/2010								
Average monthly benefit	\$ 559	\$1148	\$1781	\$3019	\$4619	\$6126	\$6837	\$4018
Average Final Average Salary	\$8826	\$6015	\$6670	\$7280	\$9422	\$9473	\$9099	\$8081
Number of retired members	9	55	73	56	57	69	81	400
1/1/2009 - 12/31/2009								
Average monthly benefit	\$1039	\$1368	\$1844	\$2697	\$4532	\$6595	\$7046	\$3810
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	17	67	70	73	78	62	62	429
1/1/2008 - 12/31/2008								
Average monthly benefit	\$1499	\$1454	\$2108	\$3334	\$4426	\$5971	\$7145	\$3738
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	15	45	38	51	43	42	28	262
1/1/2007 - 12/31/2007								
Average monthly benefit	\$ 862	\$1044	\$1685	\$2350	\$3044	\$6010	\$7608	\$3287
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	21	65	71	79	64	66	51	417
1/1/2006 - 12/31/2006								
Average monthly benefit	\$ 624	\$1066	\$1170	\$2365	\$3981	\$5511	\$6864	\$3684
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	16	24	50	53	44	48	65	300
1/1/2005 - 12/31/2005								
Average monthly benefit	\$ 722	\$1143	\$1394	\$2095	\$3611	\$5910	\$5834	\$3418
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	23	38	82	83	59	62	107	454
1/1/2004 - 12/31/2004								
Average monthly benefit	\$ 738	\$1089	\$1302	\$2406	\$3065	\$5486	\$6105	\$3431
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	12	27	40	39	38	40	57	253
1/1/2003 - 12/31/2003								
Average monthly benefit	\$ 638	\$1306	\$1468	\$1978	\$3538	\$5110	\$6232	\$3639
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	21	41	76	53	52	86	112	441
1/1/2002 - 12/31/2002								
Average monthly benefit	\$ 1215	\$ 780	\$1066	\$1932	\$2792	\$4561	\$6696	\$3610
Average Final Average Salary*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of retired members	10	23	39	41	36	45	79	273

*Average Final Average Salary is not available on a historical basis due to system constraints. It is presented starting with the data for 2010 and subsequent years.



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+
2011 Average Monthly Benefit	\$4522	\$4107	\$3419	\$2824	\$2415	\$1936	\$1923	\$1721	\$1483
Number Retirees & Beneficiaries	524	633	621	550	486	440	328	124	32
2010 Average Monthly Benefit	\$4261	\$3933	\$3238	\$2744	\$2336	\$1764	\$1900	\$1531	\$1477
Number Retirees & Beneficiaries	501	658	594	548	506	467	314	107	24
2009 Average Monthly Benefit	\$3997	\$3747	\$3003	\$2628	\$2133	\$1748	\$1843	\$1466	\$1402
Number Retirees & Beneficiaries	530	633	580	550	535	461	293	94	26
2008 Average Monthly Benefit	\$4135	\$3506	\$2897	\$2490	\$2057	\$1773	\$1830	\$1388	\$1509
Number Retirees & Beneficiaries	546	632	560	578	564	478	264	79	23
2007 Average Monthly Benefit	\$3905	\$3326	\$2611	\$2314	\$1874	\$1836	\$1670	\$1295	\$1324
Number Retirees & Beneficiaries	632	631	537	607	578	478	241	59	18
2006 Average Monthly Benefit	\$3856	\$3139	\$2575	\$2164	\$1783	\$1660	\$1604	\$1138	\$1376
Number Retirees & Beneficiaries	617	649	584	584	607	480	223	54	14
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

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.



Statistical

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+
2011 Average Monthly Benefit	\$600	\$651	\$1023	\$890	\$1091	\$923	\$661		
Number Retirees & Beneficiaries	67	80	209	158	51	9	1		
2010 Average Monthly Benefit	\$653	\$721	\$1039	\$821	\$1290	\$662			
Number Retirees & Beneficiaries	71	109	215	143	30	8			
2009 Average Monthly Benefit	\$611	\$713	\$1045	\$ 802	\$1153	\$ 703			
Number Retirees & Beneficiaries	74	126	232	114	27	6			
2008 Average Monthly Benefit	\$835	\$886	\$ 995	\$1065	\$ 913	\$ 617			
Number Retirees & Beneficiaries	82	144	232	101	17	4			
2007 Average Monthly Benefit	\$751	\$887	\$ 967	\$1014	\$ 906	\$ 468			
Number Retirees & Beneficiaries	89	176	210	83	13	2			
2006 Average Monthly Benefit	\$731	\$956	\$ 849	\$ 895	\$ 829	\$ 592			
Number Retirees & Beneficiaries	89	225	176	58	12	1			
2005 Average Monthly Benefit	\$749	\$978	\$ 778	\$ 986	\$ 726	\$ 768			
Number Retirees & Beneficiaries	120	232	155	33	12	8			
2004 Average Monthly Benefit	\$840	\$676	\$ 948	\$ 738	\$1076	\$1009			
Number Retirees & Beneficiaries	540	122	257	128	25	6			
2003 Average Monthly Benefit	\$857	\$814	\$ 887	\$ 855	\$ 778				
Number Retirees & Beneficiaries	530	155	242	109	18				
2002 Average Monthly Benefit	\$809	\$836	\$ 829	\$ 759	\$1134				
Number Retirees & Beneficiaries	157	228	97	20	4				

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.

Schedule of Average Benefit Payment Amounts

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

TIER 3	YEARS SINCE RETIREMENT								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2011 Average Monthly Benefit	\$2672	\$2020	\$1291	\$ 660	\$1518				
Number Retirees & Beneficiaries	1102	626	164	1	2				
2010 Average Monthly Benefit	\$2443	\$1849	\$1267	\$1698	\$1156				
Number Retirees & Beneficiaries	886	518	90	2	2				
2009 Average Monthly Benefit	\$2347	\$1651	\$1465	\$1213	\$1183	\$1965			
Number Retirees & Beneficiaries	852	398	54	6	3	1			
2008 Average Monthly Benefit	\$2237	\$1441	\$1154	\$1479	\$1035				
Number Retirees & Beneficiaries	768	324	2	3	1				
2007 Average Monthly Benefit	\$2020	\$1327	\$1115	\$1287					
Number Retirees & Beneficiaries	752	224	2	3					
2006 Average Monthly Benefit	\$1831	\$1211							
Number Retirees & Beneficiaries	600	177							
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								

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.



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+
2011 Average Monthly Benefit	\$6763	\$7040	\$5513	\$4892	\$4409	\$3909	\$3880	\$3711	\$2940
Number Retirees & Beneficiaries	437	486	304	215	142	125	87	55	26
2010 Average Monthly Benefit	\$6791	\$6521	\$5452	\$4623	\$4380	\$3637	\$3891	\$3555	\$2818
Number Retirees & Beneficiaries	406	453	287	223	133	107	86	50	21
2009 Average Monthly Benefit	\$6620	\$6093	\$5110	\$4706	\$3929	\$3756	\$3780	\$3178	\$2619
Number Retirees & Beneficiaries	426	406	268	222	126	98	88	41	21
2008 Average Monthly Benefit	\$6644	\$6126	\$4800	\$4813	\$3884	\$3903	\$3810	\$2926	\$2453
Number Retirees & Beneficiaries	409	406	236	202	128	101	83	30	16
2007 Average Monthly Benefit	\$6517	\$5758	\$4573	\$4438	\$3625	\$3909	\$3397	\$2830	\$2420
Number Retirees & Beneficiaries	465	362	229	168	128	107	76	22	19
2006 Average Monthly Benefit	\$6475	\$5143	\$4442	\$4039	\$3451	\$3771	\$3379	\$2508	\$2135
Number Retirees & Beneficiaries	467	301	244	150	132	105	62	25	10
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	135	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

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.

Participating Employers and Active Members For Years 2003-2012

	2012	% of Totals	2011	2010	2009	2008	2007	2006	2005	2004	2003
County of Contra Costa:											
General Members	6,357	73.58%	6,280	6,403	6,429	6,802	6,871	6,668	6,699	7,082	7,133
Safety Members	912	10.56%	888	935	956	1,020	1,023	1,025	1,027	1,089	1,104
TOTAL:	7,269	84.14%	7,168	7,338	7,385	7,822	7,894	7,693	7,726	8,171	8,237
Participating Agencies:											
Bethel Island Municipal Improvement District	2	0.02%	2	3	3	3	3	5	4	3	3
Byron, Brentwood, Knightsen Union Cemetery District	5	0.06%	5	4	3	3	5	5	5	4	4
Central Contra Costa Sanitary District	255	2.95%	248	252	266	266	257	258	249	253	242
Contra Costa County Employees' Retirement Association	38	0.44%	36	37	37	37	35	35	35	34	35
Contra Costa Housing Authority	83	0.96%	91	92	91	90	92	97	98	109	112
Contra Costa Mosquito and Vector Control District	33	0.38%	35	35	35	37	35	35	31	28	29
Delta Diablo Sanitation District*	-	-	-	-	-	-	-	-	-	-	57
Diablo Water District*	-	-	-	-	-	-	-	-	-	13	13
Local Agency Formation Commission (LAFCO)	2	0.02%	2	2	2	2	1	1	1	1	1
Ironhouse Sanitary District*	-	-	-	-	-	-	-	-	-	28	27
Rodeo Sanitary District	6	0.07%	8	7	8	8	7	7	7	7	7
In-Home Supportive Services Authority (IHSS)	12	0.14%	12	12	12	13	16	15	12	11	12
First 5 - Children & Families Commission	20	0.23%	22	24	22	16	14	14	13	10	11
Contra Costa County Fire Protection District	299	3.46%	331	321	349	354	344	354	361	373	367
East Contra Costa Fire Protection District	38	0.44%	48	49	50	50	52	55	55	55	55
Moraga-Orinda Fire District	62	0.72%	65	73	73	71	71	66	73	69	70
Rodeo-Hercules Fire Protection District	14	0.16%	17	21	21	21	21	21	21	21	21
Superior Court**	342	3.96%	357	360	405	407	395	370	342	-	-
San Ramon Valley Fire District	160	1.85%	182	181	180	185	179	179	172	168	169
TOTAL:	1,371	15.86%	1,461	1,473	1,557	1,563	1,527	1,517	1,479	1,187	1,235
Total Active Membership	8,640	100.00%	8,629	8,811	8,942	9,385	9,421	9,210	9,205	9,358	9,472

* Districts that terminated their membership with CCCERA

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



Statistical

Illustration Notes and Credits

- Page 1 The Mount Diablo Fruit Farm crate label was designed in 1930 for Barlett pear shipping. The Bancroft area mentioned on the label is now part of Clayton, California. The Bancroft family name continues locally with nonagenarian Ruth Bancroft, a respected horticulturist, who specializes in cacti and succulent plant preservation. Her extensive gardens in Ygnacio Valley are open to the public.
- Page 5 The Sweet Brier brand, an imprint of the California Packing Corporation, was an early 20th century precursor to Del Monte. Beginning in 1917, Del Monte was the premier name under which 18 of California's fruit canners marketed exceptionally high quality produce.
- Page 17 The California Fruit Canners Association, maker of Imperial Brand canned goods, constructed what we know today as The Cannery Marketplace near Fisherman's Wharf. Built in 1907, The Cannery was once the largest peach cannery in the world, producing 200,000 cans per day. Blackberries on this label are still a commercially grown crop in Contra Costa County.
- Page 57 Contra Costa County remains a top producer of Bartlett pears. Due to climate, the County is considered an "early" district. The region contributes 130,000 tons of pears, about 2/3 of California's crop. In 1911, the pear orchard in Bishop Ranch was considered the largest pear orchard in the world. This area was developed into an extensive office park.
- Page 67 The Mataro grape varietal arrived in Contra Costa County in 1870, planted in field blends along with zinfandel vines. The Spinelli vineyard in Oakley still produces grapes from these ancient vines. Here, a vineyard shares the Antioch skyline with a modern power plant. Contra Costa County's suburban landscapes often perform "double duty" as both agricultural and industrial resources.
- Page 83 Rodgers Ranch in Pleasant Hill was built in 1868. The 149 acre farm was one of many that grew wheat and other crops. The Rodgers originally came to California for the Gold Rush, but found farming more profitable. Until 1978, this was a working ranch, although small housing tracts surrounded the land. In 1987, the Pleasant Hill Historical Society began restoring the house and grounds as a heritage park. The ranch is a community resource used for many activities, such as the Urban Farm Expo.

Photography and Design

Joelle Luhn

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