

# 2018 POPULAR ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

A Message to Members

I am pleased to present the Popular Annual Financial Report (PAFR) for the year ended December 31, 2018. The financial data presented in the PAFR is derived from the Comprehensive Annual Financial Report (CAFR) and is consistent with generally accepted accounting principles (GAAP). The goal is to provide a summary of CCCERA's annual financial report that allows members and other interested parties to review the fund's fiscal information and demographics.

CCCERA's investment portfolio returned -2.7% (net of investment management fees) for the year ending December 31, 2018. This return was lower than the policy index return, which was -0.9% for 2018, reflecting market conditions throughout the year.

As of December 31, 2018, CCCERA's net position totaled \$8.1 billion which means that assets of \$8.6 billion exceed liabilities of \$0.5 billion. The primary use of assets includes benefit payments to retirees and their beneficiaries, contribution refunds to terminating employees, and the cost of administering the system. The funded ratio is 88.5%, as of December 31, 2017, the date of CCCERA's most recent actuarial valuation.

CCCERA has a net pension liability (NPL) of \$1.4 billion as of December 31, 2018. The plan fiduciary net position as a percentage of the total pension liability as of December 31, 2018 is 85.1%. The net pension liability

as a percentage of covered payroll is 167.8% as of December 31, 2018. The associated schedules and additional information for this requirement are shown in the Financial Section of the CAFR.

CCCERA established an IRS section 115 irrevocable Other Post-Employment Benefit (OPEB) Trust in 2018. The purpose of this Trust is for CCCERA, as an employer, to set aside assets to offset the OPEB retiree health care liability for its employees, which was \$4.7 million as of December 31, 2018. CCCERA transferred \$2.5 million in 2018 to the OPEB Trust which funded 54% of the OPEB liability. The OPEB Trust is presented as a separate column in the Financial Section of the CAFR.

This report does not replace the CAFR. Detailed information on the subjects included here and other important aspects of CCCERA's administration are in our CAFR at [cccera.org](http://cccera.org).



**Gail Strohl**  
Chief Executive Officer

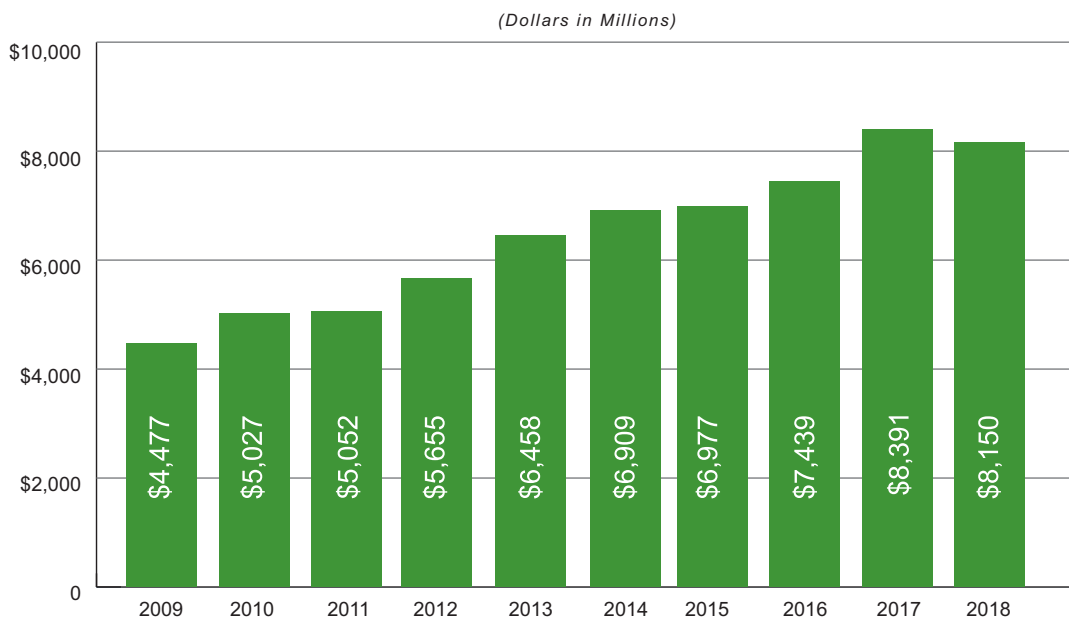
## FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS

As of December 31, 2018, CCCERA had \$8.1 billion in net position restricted for benefits, which means that assets of \$8.6 billion exceeded liabilities of \$0.5 billion.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report CCCERA's net position restricted for benefits and is one way to measure the plan's financial position. Over time, increases and decreases in CCCERA's net position are indicators of whether its financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring CCCERA's overall financial position.

As of December 31, 2018, the net position restricted for benefits decreased by 2.9% compared to 2017, primarily due to negative investment returns. CCCERA's total investment portfolio returned -2.7% net of fees for the fiscal year ending December 31, 2018, lower than the policy index return which was -0.9% for 2018. CCCERA's net of fees annualized rate of return was 5.8% over the last three years, 5.4% over the last five years, and 9.1% over the last 10 years.

FIDUCIARY NET POSITION (Dollars in Thousands)					
	Pension Plan		Amount Increase/ (Decrease)	Percent Increase/ (Decrease)	OPEB Trust
	2018	2017			2018
<b>Assets</b>					
Current and Other Assets	\$713,010	\$758,014	(\$45,004)	(5.9%)	\$2,542
Investments at Fair Value	7,900,085	8,153,588	(253,503)	(3.1%)	-
Capital Assets	283	224	59	26.3%	-
<b>Total Assets</b>	<b>8,613,378</b>	<b>8,911,826</b>	<b>(298,448)</b>	<b>(3.3%)</b>	<b>\$2542</b>
<b>Liabilities</b>					
Current Liabilities	463,392	521,245	(57,853)	(11.1%)	-
<b>Total Liabilities</b>	<b>463,392</b>	<b>521,245</b>	<b>(57,853)</b>	<b>(11.1%)</b>	<b>-</b>
<b>NET POSITION - RESTRICTED FOR BENEFITS</b>	<b>\$8,149,986</b>	<b>\$8,390,581</b>	<b>(\$240,595)</b>	<b>(2.9%)</b>	<b>\$2,542</b>



## CHANGES IN FIDUCIARY NET POSITION

The primary sources of funding for CCCERA member benefits are employer contributions, plan member contributions and net investment income. Total additions to fiduciary net position for the years ended December 31, 2018 and 2017, were \$242.9 million and \$1,407.9 million, respectively. The decrease in the current year is primarily due to investment losses compared to gains in the previous year. The increase in employer contributions is mostly due to higher employer contribution rates over the prior year. Plan member contributions increased over the prior year mostly due to an increase in plan members. Net investment loss for the year ended December 31, 2018 totaled \$187.3 million.

CCCERA's assets can only be used to make benefit payments to retirees and beneficiaries, contribution refunds to terminated employees, and pay the costs of administering the system. Total deductions from fiduciary net position for the years ended December 31, 2018 and 2017, were \$483.5 million and \$455.8 million, respectively. Benefits paid to retirees and beneficiaries were \$452.5 million in 2018, an increase of \$22.5 million, or 5.2% over 2017. The growth in benefit payments was due to a combination of the following: (1) the net increase in the number of retirees and beneficiaries for the year, and (2) the increase in the average retirement allowances of those added to the retirement payroll.

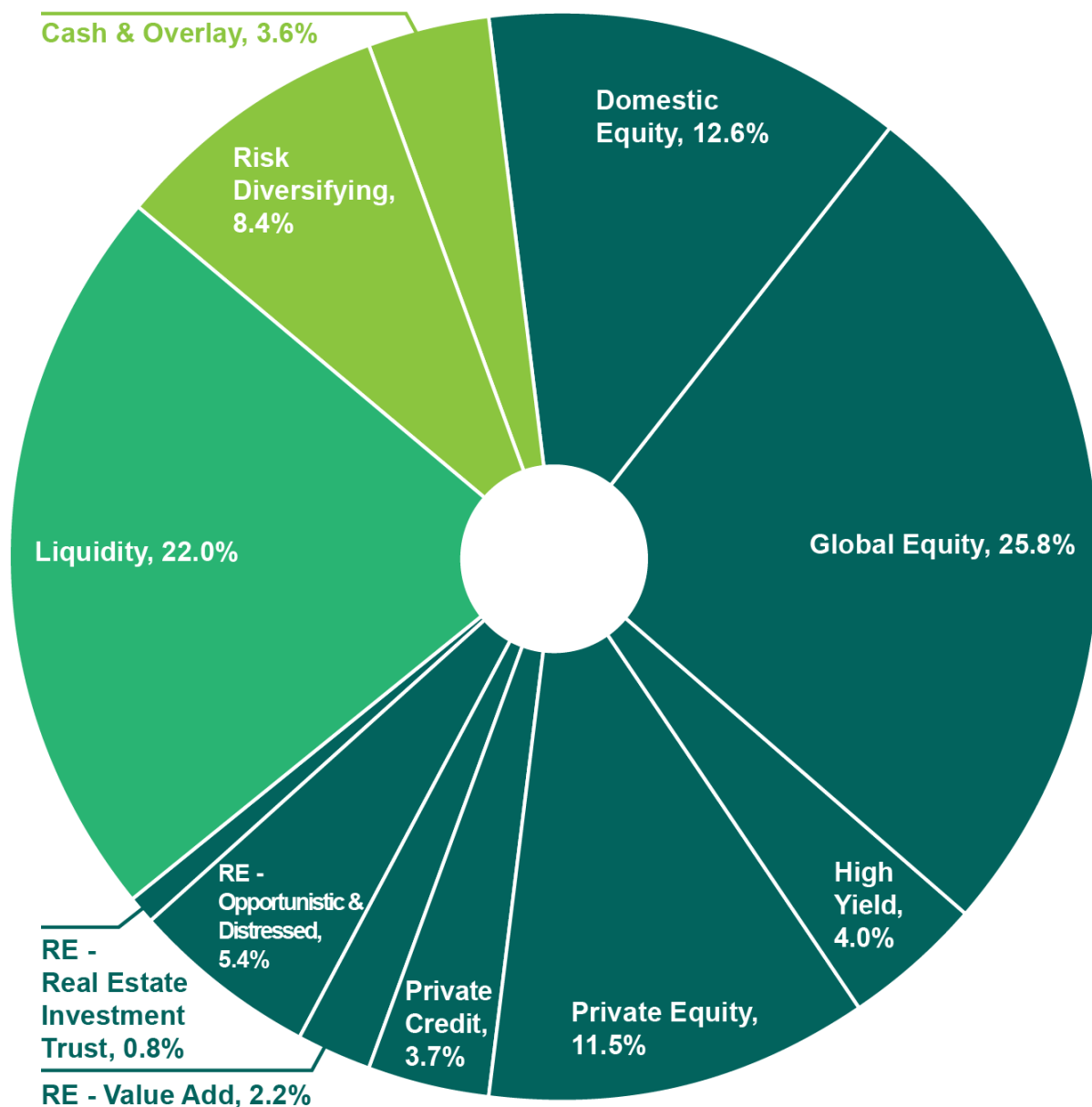
### CHANGES IN FIDUCIARY NET POSITION (Dollars in Thousands)

	Pension Plan		Amount Increase/ (Decrease)	Percent Increase/ (Decrease)	OPEB Trust
	2018	2017			2018
<b>Additions:</b>					
Employer Contributions	\$325,117	\$314,836	\$10,281	3.3%	\$2,542
Plan Member Contributions	103,542	96,467	7,075	7.3%	-
Net Investment Income (Loss)	(187,339)	995,678	(1,183,017)	(118.8%)	-
Net Securities Lending Income	1,582	878	704	80.2%	-
<b>Total Additions</b>	<b>242,902</b>	<b>1,407,859</b>	<b>(1,164,957)</b>	<b>(82.7%)</b>	<b>\$2,542</b>
<b>Deductions:</b>					
Pension Benefits	452,512	430,037	22,475	5.2%	-
Contribution Prepayment Discount	9,274	9,140	134	1.5%	-
Administrative	9,337	9,146	191	2.1%	-
Refunds	8,093	5,518	2,575	46.7%	-
Other Expenses	4,281	1,957	2,324	118.8%	-
<b>Total Deductions</b>	<b>483,497</b>	<b>455,798</b>	<b>27,699</b>	<b>6.1%</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET POSITION - RESTRICTED FOR BENEFITS</b>	<b>(\$240,595)</b>	<b>\$952,061</b>	<b>(\$1,192,656)</b>	<b>(125.3%)</b>	<b>\$2,542</b>

## ASSET ALLOCATION

Asset allocation is an integral part of CCCERA's investment policy. CCCERA's chief investment officer and the outside investment consultant (Verus) assist the Board of Retirement (Board) in designing strategic diversification strategies to maintain steady, long-term gain, with appropriate risk. Please refer to the CAFR for additional information.

The main investment goal is for the total fund return to exceed the policy index return, which was -0.9% for 2018. As mentioned, for the year ended December 31, 2018, the total fund return was -2.7% after fees.



Contra Costa County Employees' Retirement Association  
**ASSET ALLOCATION** (Concluded)

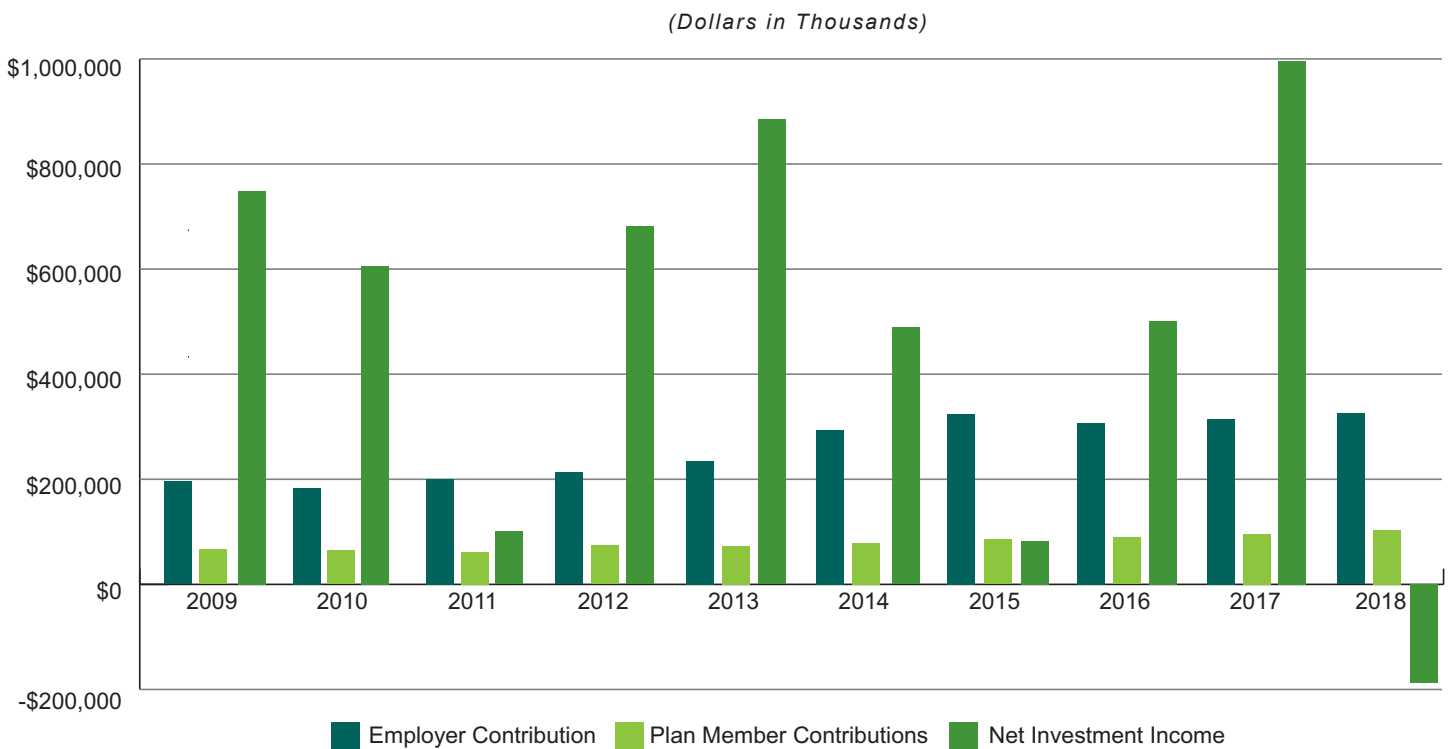
	<i>Annualized (net of fees)</i>			
	Current Year	3 Year	5 Year	10 Year
<b>Total Fund</b>	-2.7%	5.8%	5.4%	9.1%
Benchmark:				
Policy Index	-0.9%	7.1%	6.1%	-
<b>Total Fund excl. Overlay &amp; Cash</b>	-2.4%	5.9%	5.5%	9.2%
Benchmark:				
Policy Index	-0.9%	7.1%	6.1%	-
<b>Total Domestic Equity</b>	-7.6%	8.2%	7.2%	13.3%
Benchmark:				
Russell 3000	-5.2%	9.0%	7.9%	13.2%
<b>Total International Equity</b>	-14.7%	2.4%	1.1%	5.5%
Benchmarks:				
MSCI ACWI ex-USA Gross	-13.8%	5.0%	1.1%	7.1%
MSCI EAFE Gross	-13.4%	3.4%	1.0%	6.8%
<b>Total Global Equity</b>	-8.5%	6.3%	5.0%	7.3%
Benchmark:				
MSCI ACWI	-9.4%	6.6%	4.3%	9.5%
<b>Private Credit</b>	8.3%	8.5%	9.9%	13.0%
Benchmarks:				
ICE BofA ML High Yield Master II+2%	-0.3%	9.4%	5.9%	13.2%
<b>Total High Yield</b>	-3.6%	5.2%	2.5%	9.6%
Benchmark:				
ICE BofA ML High Yield Master II	-2.3%	7.3%	3.8%	11.0%
<b>Total Real Estate</b>	7.4%	7.7%	10.8%	10.5%
Benchmarks:				
Real Estate Benchmark	6.7%	6.8%	9.4%	9.3%
NCREIF - ODCE Index	8.3%	8.2%	10.4%	7.0%
NCREIF Property Index	6.7%	7.2%	9.3%	7.5%
<b>Private Equity</b>	12.1%	10.9%	11.6%	9.1%
Benchmark:				
S&P 500 + 4% Lagged	22.6%	21.9%	18.5%	16.4%
<b>Diversifying</b>	-2.3%	0.3%	0.2%	2.3%
Benchmark:				
Custom Diversifying Benchmark	1.5%	3.4%	3.6%	4.1%
<b>Liquidity</b>	1.7%	-	-	-
Benchmark:				
BBgBarc US Govt/Credit 1-3 Yr TR	1.6%	-	-	-
<b>Total Cash</b>	1.7%	1.2%	0.1%	-
Benchmark:				
91 Day T-Bills	1.9%	1.1%	0.6%	-

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

## REVENUE BY SOURCE

Employer and plan member basic and COLA (Cost of Living Adjustment) contributions are based on statute and rates recommended by an independent actuary and adopted by the Board.

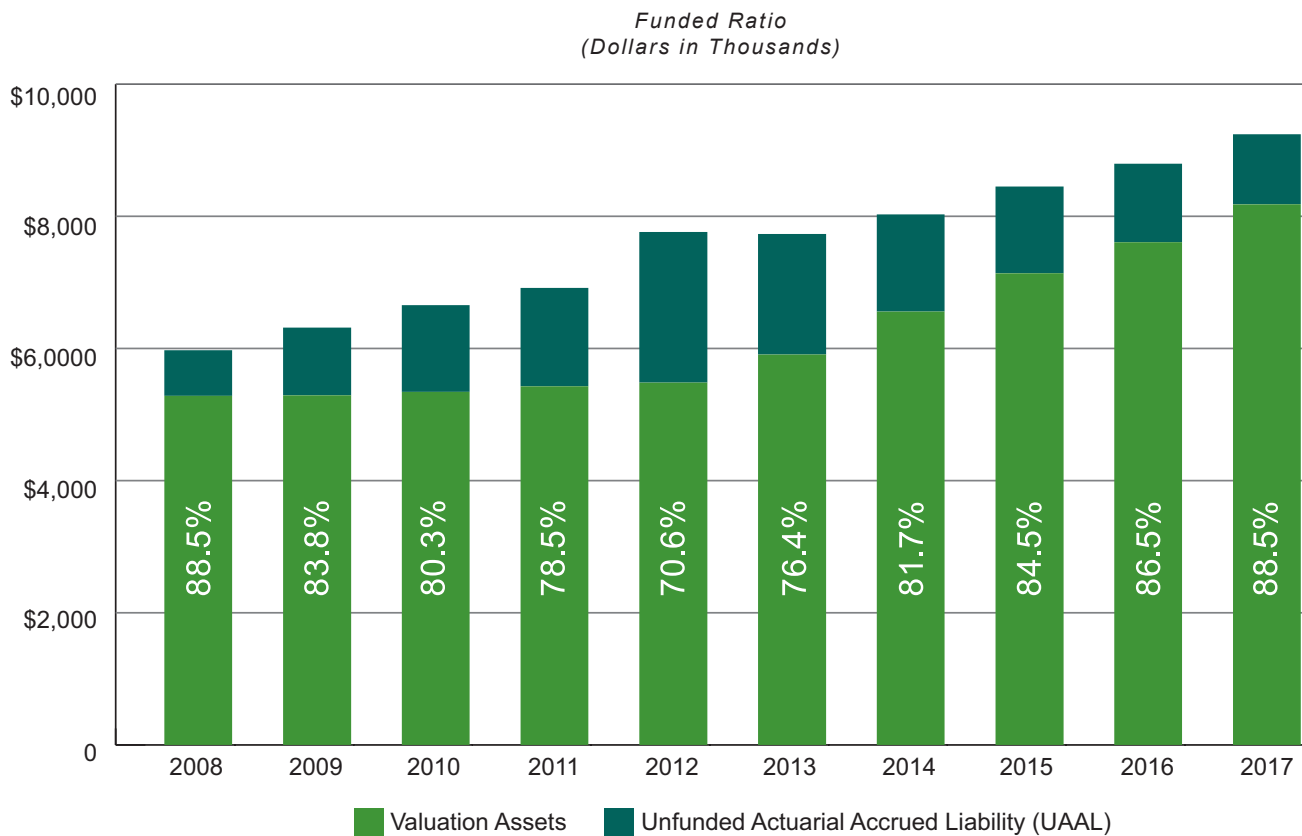
CCCERA's actuarial valuations are performed as of December 31 of each year; contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2017 rates become effective on July 1, 2019).



## ACTUARIAL FUNDING STATUS

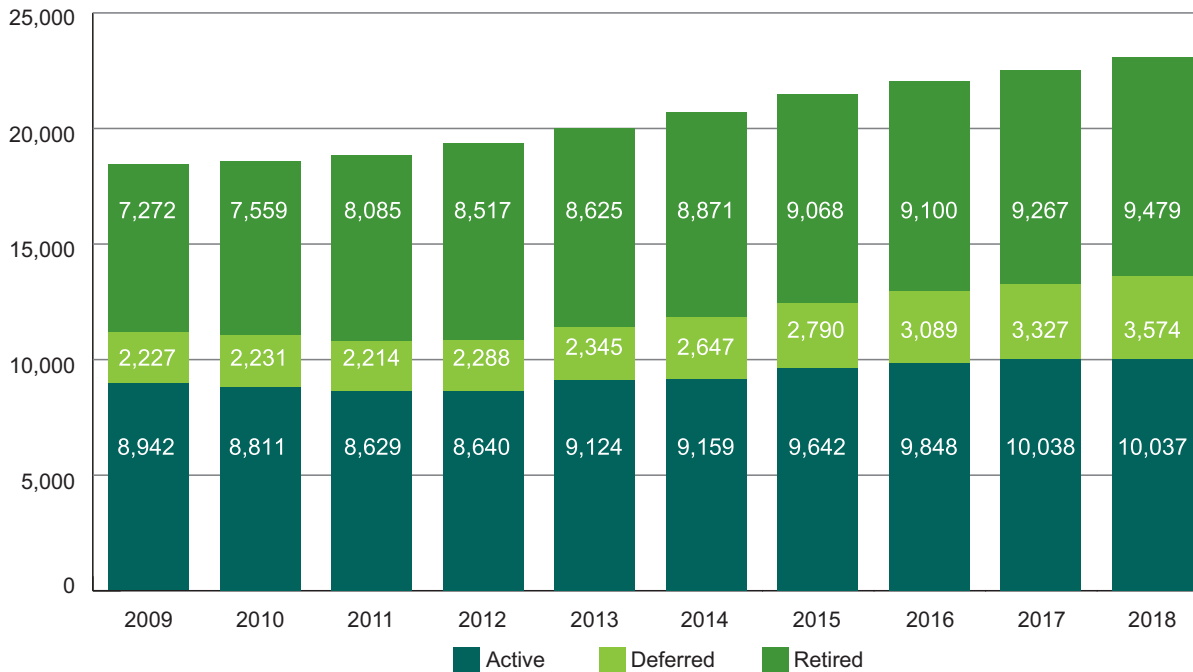
In order to determine whether the pension plan's net position restricted for benefits will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised, with gains and losses over the previous five years smoothed to avoid significant swings in the value of assets from one year to the next. These assets are compared to the actuarial accrued liabilities, which are the actuarial present value of future benefits (attributable to service already earned) expected to be paid for each member.

The purpose of the valuation is to determine what future contributions by the members and by the employers are needed to pay all expected future benefits.



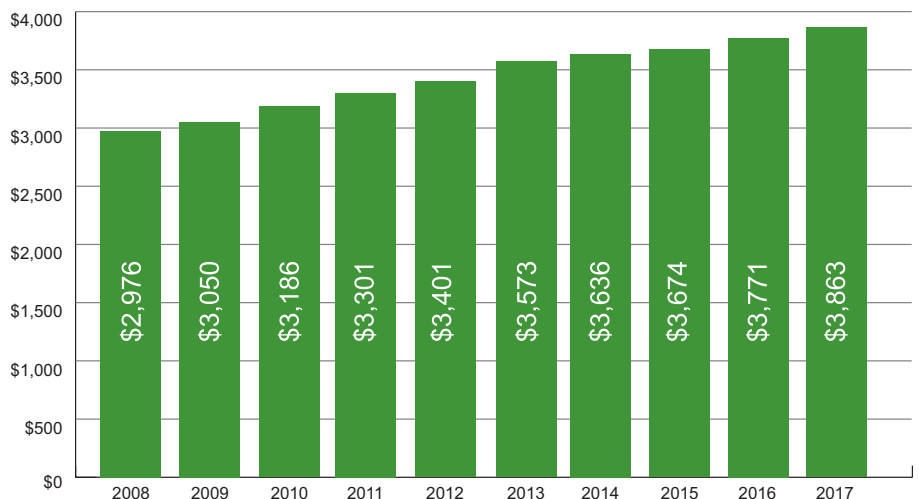
## MEMBERSHIP

CCCERA's membership consists of full and part-time employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from Contra Costa County and participating agencies. CCCERA's total membership as of December 31, 2018 is 23,090.



## AVERAGE BENEFIT PAYMENTS

The chart (right) is a broad representation of average benefits paid monthly over 10 years to retirees and survivors. Both general and safety member figures are combined in this calculation, as are all tiers. The chart includes all members who have retired through December 31, 2017.

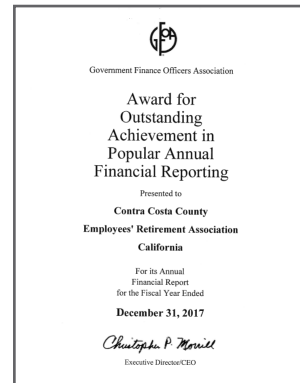
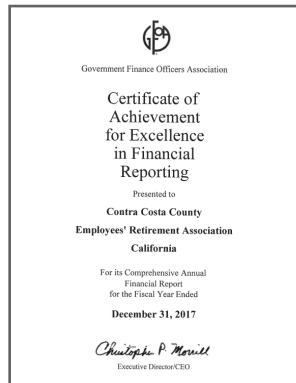




## AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to CCCERA for its PAFR for the fiscal year ended December 31, 2017. The Award for Outstanding Achievement in Popular Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports. In order to receive this award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. The award is valid for a period of one year only. CCCERA has received this award for the last nine consecutive years since fiscal year ended 2009. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and will submit it to the GFOA.

The GFOA has also awarded CCCERA its 18th Certificate of Achievement for Excellence in Financial Reporting Award for its CAFR for every year from 2000 through 2017. This is a prestigious



national award recognizing conformance with the highest standards for preparation of state and local government reports.

CCCERA has also earned the Public Pension Coordinating Council's (PPCC) Public Standards Award for 1998, 2000, and 2003 through 2018. The award is 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.

## 2018 BOARD OF RETIREMENT (As of December 31, 2018)

**Todd Smithey** *Chairperson*  
**Scott W. Gordon** *Vice-Chairperson*  
**David J. MacDonald** *Secretary*  
**Jerry Telles**  
**John B. Phillips**  
**Jerry R. Holcombe**

**Candace Andersen**  
**William Pigeon**  
**Russell V. Watts** *County Treasurer*  
**Louie Kroll** *(Retiree Alternate)*  
**Jay Kwon** *(Appointed Alternate)*  
**Vacant** *(Safety Alternate)*

## MORE ABOUT CCCERA

CCCERA's website, [cccera.org](http://cccera.org), provides resources for members, employers and the public. It features forms, handbooks, policies, a calculator to estimate retirement benefits, and more.



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OAKLAND, CA  
PERMIT # 3729

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cccera.org

# **2018**

# **POPULAR**

# **ANNUAL FINANCIAL**

# **REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2018

CCCERA's mission is to administer pension benefits earned by our members and to be prudent stewards of plan assets.

## **CCCERA PARTICIPATING AGENCIES**

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