Contra Costa County
Employees' Retirement Association

Comprehensive Annual Financial Report

for the year ended December 31, 2003

A Component
Unit of the
County of Contra Costa, California

On the Cover:
Almond trees bloom in a once-upon-a-time Contra Costa orchard at the base of Mt. Diablo. Circa 1905, this postcard cost 1 cent to mail.

Title Page:
Dr. John Strentzel (John Muir's future father-in-law) stands in the foreground of a panoramic view of the Vicente Martinez Adobe and adjoining farmlands. In this view, the John Muir House is not yet built. *(Courtesy Library of Congress Prints & Photographs Division HABS CA-1913)*

Above:
The same view, more than a century later. The John Muir House is located to the left of the frame. Note the landmark windmill in both photographs. *(Mark Yates Photography)*

Comprehensive Annual Financial Report

for the year ended December 31, 2003

Issued By:

Patricia F. Wiegert, CEBS — Retirement Admininstrator

Rick Koehler, CPA, CGFM — Accounting Manager

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

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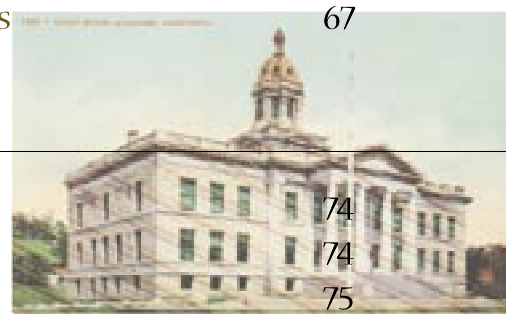

V. Statistical Section

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Introductory Section

2004

Employees' Retirement Association

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

Letter of Transmittal

April 30, 2004

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, 2003, our 58th year of operation.

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

REPORT CONTENTS

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

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

The FINANCIAL SECTION presents the financial condition and funding status of CCCERA. This section contains the opinion of the independent certified public accountants, Macias, Gini & Company LLP, Management's Discussion and Analysis of CCCERA's financial activities, the financial statements, and the related supplementary financial information.

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

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

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

CCCERA AND ITS SERVICES

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

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

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

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

FINANCIAL INFORMATION

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made.

An overview of CCCERA's fiscal operations for the year ended December 31, 2003, is presented in the Management's Discussion and Analysis (MD&A) which is located in the financial section of the CAFR. This transmittal letter, together with the MD&A, provides an expanded view of the activities of CCCERA.

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

ACTUARIAL FUNDING STATUS

CCCERA's funding objective is to meet long-term benefit promises by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to provisions in the County Employees Retirement Law of 1937, CCCERA engages an independent actuarial firm to perform an actuarial valuation of the system annually. Economic assumptions are reviewed annually. Additionally, every 3 years, a triennial experience study of the members of CCCERA is completed. The non-economic assumptions are updated at the time each triennial experience study is performed. The most recent triennial experience study, which was completed by Mercer Human Resource Consulting, was performed as of December 31, 2000. In 2003, CCCERA's Board replaced Mercer Human Resource Consulting with The Segal Company. The Segal Company's actuarial valuation as of December 31, 2002, determined the funding status (the ratio of system assets to system liabilities) to be 89.6%, using approved assumptions.

In March 1994, the County of Contra Costa issued $337,365,000 of pension obligation bonds, of which $333,724,000 was used to satisfy the Unfunded Actuarial Accrued Liability (UAAL) for the County, calculated as of that date. In April 2003, Contra Costa County issued $322,710,000 of pension obligation bonds, of which $319,094,719 was used to reduce the UAAL for the County, calculated as of that date. A more detailed discussion of funding is provided in the Actuarial Section of this report.

INVESTMENTS

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

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

On a market value basis, the total net assets held in trust increased from $2.37 billion at December 31, 2002, to $3.3 billion at December 31, 2003. For the year ended December 31, 2003, CCCERA's investment portfolio returned 23.5%, before investment management fees and reflected market conditions throughout the year. The Association's annualized rate of return was 3.0% over the last three years and 5.3% over the last five years, net of fees.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to CCCERA for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

CCCERA was awarded the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for 2003. 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

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

As of December 2003, 27 batches of retroactive payments had been made based on a total of 4,112 claims by retirees or their beneficiaries. The project is complete with the exception of 9 deceased or beneficiary claimants that CCCERA is unable to locate. The Board of Retirement, per the settlement agreement, set aside $90 million of excess earnings to cover the payments and any future liability. This is described in more detail in the footnotes to the December 31, 2003 financial statements.

Enhanced Retirement Benefits - Benefit enhancement law changes to Code sections 31664 and 31676.11, commonly know as 3% @ 50 for Safety members and 2% @ 55 for General members, were adopted by the Contra Costa County Board of Supervisors in 2002 for county employees. The 3% @ 50 for Safety members became effective on July 1, 2002, while the 2% @ 55 for General members became effective on January 1, 2003. In addition, Contra Costa County eliminated (with legislation) Tier 2 for all new county employees and transferred all (except the California Nurses Association members - CNA) Tier 2 employees into Tier 3 effective October 1, 2002. CNA members and their managers/supervisors did not *initially* ratify the enhanced benefit with the other bargaining units and continue under the old benefit structure through December 31, 2004, at which time they will have the enhanced benefits. Two special district fire agencies and four other special districts have also adopted the enhanced benefits. Other special districts are considering the enhanced benefits or have already re-opened negotiations to adopt the enhanced benefits.

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

Service purchase with transferred funds - EGTRRA, the Economic Growth and Tax Relief Reconciliation Act of 2001, provided many changes relating to retirement accounts, including those of CCCERA members. Members may now use their deferred compensation (457) account balances to purchase permissive service credit and increase their eventual benefit. Funds cannot, however, be used for converting any service, such as Tier 2 to Tier 3 conversions.

CCCERA members have decided to use this feature resulting in a significant increase in volume of those members purchasing service as well as the number of estimates requested. Despite being overwhelmed by this additional demand on our resources, staff stand ready to help our members increase their financial security.

<u>CCCERA Website Development</u> - In 2003, CCCERA launched a web site to augment existing member communication. Currently the site features Retirement Board meeting agendas and minutes, downloadable forms, newsletters and brochures, CCCERA's December 31, 2002 CAFR, and links our members may find useful. Site planning for the future includes an interactive benefits calculator, employee handbooks and secure PIN number database access for members. The web site will be an integral part of improved service delivery as the proposed benefits system software project takes shape.

<u>Custodial Change</u> - On January 31, 2003, the sale of Deutsche Bank Global Security Services to State Street Corporation was completed. On February 1, 2003, CCCERA transitioned from Deutsche Bank to State Street Corporation with the actual change in custodial reporting format taking place on June 1, 2003.

<u>Actuarial Firm Change</u> - In early January 2003, CCCERA issued an RFP for actuarial consulting services. The Segal Company was chosen to be CCCERA's actuarial firm at the Retirement Board meeting held on February 19, 2003.

ACKNOWLEDGEMENT

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

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

Respectfully submitted,

Patricia F. Wiegert

Patricia F. Wiegert, CEBS
Retirement Administrator

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Members of The Retirement Board

As of December 31, 2003

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

List of Professional Consultants

As of December 31, 2003

Actuary

The Segal Company

Benefit Statement Consultant

Automatic Data Processing, Inc.

Data Processing

Contra Costa County Department of Information Technology

Auditor

Macias, Gini & Company LLP

Legal Counsel

County Counsel of Contra Costa County
Milberg, Weiss, Bershad, Hynes & Lerach LLP
Morrison & Foerster LLP
Steefel, Levitt & Weiss

Investment Consultant

Milliman, USA

Master Custodian

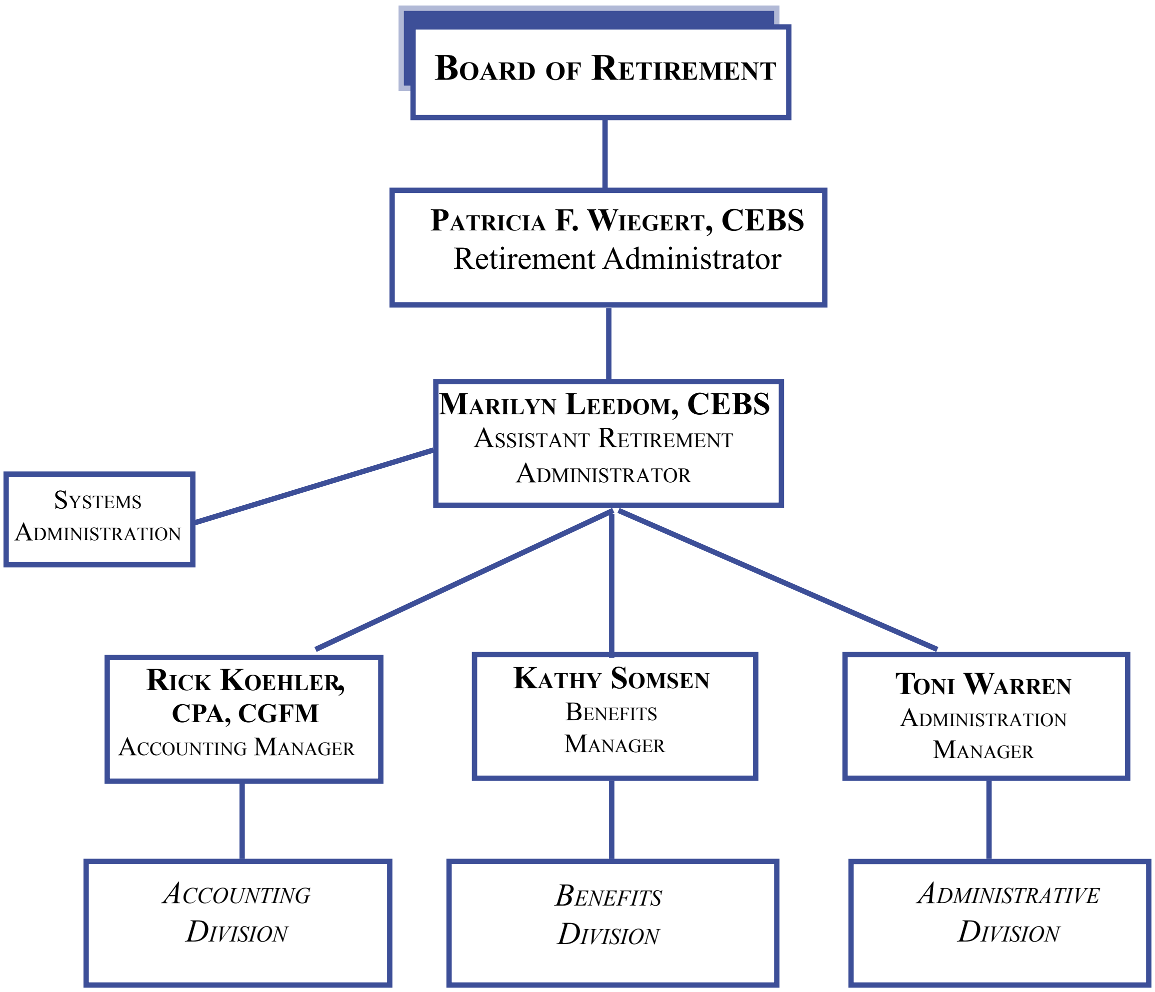
State Street Bank & Trust

Proxy Guideline Voting Agent Service

Institutional Shareholder Services

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

Administrative Organization Chart



GFOA Certificate of Achievement Award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Contra Costa County Employees' Retirement Association, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2002

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

President

Executive Director

Public Pension Coordinating Council
Public Pension Standards
2003 Award

Presented to

Contra Costa County Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Financial Section

Employees' Retirement Association

Macias Gini & Company LLP

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX

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

Independent Auditor's Report

We have audited the accompanying statement of plan net assets of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of December 31, 2003, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of CCCERA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of CCCERA as of December 31, 2003, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2004, on our consideration of CCCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

The other data included in this report, designated as the investment, actuarial and statistical sections in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
April 15, 2004

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of Contra Costa County Employees' Retirement Association (CCCERA) for the year ended December 31, 2003. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our Letter of Transmittal, as well as the Financial Statements.

Financial Highlights

‡ The net assets of CCCERA at the close of the calendar year total $3.3 billion (net assets held in trust for pension benefits), an increase of $948.0 million, or 40.1% from the prior year, primarily as a result of market gains and the receipt of pension obligation bond proceeds.

‡ Total Additions as reflected in the Statement of Changes in Plan Net assets, for the year were $1.1 billion, which includes employee and employer contributions of $479.4 million and an investment gain of $608.3 million and net securities lending income of $238,000.

‡ Employer contributions increased from $57.5 million in 2002 to $427.8 million in 2003 primarily because Contra Costa County contributed $319.1 million on May 1st from the issuance of pension obligation bonds as well as contribution rate increases attributed to the enhanced benefits adopted by Contra Costa County and six special districts.

‡ Employee contributions increased from $26.6 million to $51.6 million over the same period primarily as the result of enhanced benefits as well as employees paying for the full COL portion of contributions starting July 1, 2003.

‡ An addition to the Employer Reserves in the amount of $34.2 million was recorded in 2003 for the final Paulson Cost as a result of completion of that project. This is the final amount that was due from all employers (see Note 10 of the financial statements).

‡ Total Deductions as reflected in the Statement of Changes in Plan Net Assets increased from $152.2 million to $174.3 million over the prior year, or approximately14.5%. Benefits paid to retirees and beneficiaries increased from $140.1 million in 2002 to $163.9 million in 2003. This is mainly attributed to the completion of the Paulson lawsuit calculations as well as higher benefit payments due to the adoption of enhanced benefits.

‡ CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2002, the date of our last actuarial valuation, the funded ratio for CCCERA was 89.6%. In general, this indicates that for every dollar of benefits due, we have approximately $0.90 to cover it.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Other Supplementary Information. The schedules of administrative expenses, and investment expenses are presented following the required supplementary information.

Financial Analysis

Assets and Funding Ratio

As of December 31, 2003, CCCERA has $3.3 billion in net assets, which means that total assets of $4.1 billion exceed total liabilities of $.8 billion. The net assets represent funds available for future payments. Of importance and unlike private pension funds, public pension funds are not required to disclose the future liability of obligations owed to retirees. Only current liabilities are reported on the Statement of Plan Net Assets.

As of December 31, 2003, net assets increased by 40.1% over the prior year primarily due to an increase in the fair market value of investments and the receipt of the pension obligation bond proceeds. Current assets and current liabilities also increased by offsetting amounts due to the recording of the security lending cash collateral.

Capital Assets

CCCERA's investment in capital assets decreased from $516,289 to $359,971 (net of accumulated depreciation and amortization). This investment in capital assets includes equipment, furniture and leasehold improvements. The total decrease in CCCERA's investment in capital assets for the current year was 30% over 2002. CCCERA is in the process of reviewing its technology infrastructure, and has purchased computer servers and equipment for its imaging project. CCCERA remains committed to the addition of a Pension Benefit System; however, the challenge of budgeting funds for this project is ongoing.

PLAN NET ASSETS

	2003	2002	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentages
Current Assets	$ 955,725,327	$ 353,409,462	$ 602,315,865	170.4%
Investments	3,119,754,538	2,328,496,002	791,258,536	34.0%
Capital Assets	359,971	516,289	(156,318)	(30.3%)
Total Assets	4,075,839,836	2,682,421,753	1,393,418,083	51.9%
Total Liabilities	762,344,889	316,884,330	445,460,559	140.6%
Total Plan Net Assets	**$ 3,313,494,947**	**$ 2,365,537,423**	**$ 947,957,524**	**40.1%**

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

CCCERA's Activities

CHANGES IN PLAN NET ASSETS

Additions	2003	2002	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentage
Employer Contributions	$ 427,822,766	$ 57,474,043	$ 370,348,723	644.4%
Employee Contributions	51,602,939	26,605,875	24,997,064	94.0%
Net Investment Income	608,336,466	(268,163,039)	876,499,505	326.9%
Net Security Lending Income	238,147	182,490	55,657	30.5%
Total	**$ 1,088,000,318**	**($183,900,631)**	**$1,271,900,949**	**691.6%**

Deductions

Pension Benefits	$ 163,923,104	$140,096,811	$ 23,826,293	17.0%
Health Care Benefits Reimbursed	0	4,637,588	(4,637,588)	(100.0%)
Refunds	1,036,599	643,103	393,496	(61.2%)
Administrative	4,292,028	4,298,952	(6,924)	(0.2%)
Other Expenses	5,021,267	2,541,293	2,479,974	97.6%
Total	**$ 174,272,998**	**$152,217,747**	**$ 22,055,251**	**14.5%**

Final Paulson Cost Reimbursement	**$ 34,230,204**	**$ 0**	**$ 34,230,204**	**100%**
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	**$ 947,957,524**	**($ 336,118,378)**	**$1,284,075,902**	**382.0%**

Additions to Plan Net Assets

The primary sources to finance the benefits that CCCERA provides to its members are accumulated through the collection of member (employee) and employer contributions and through the earnings on investments (net of investment expenses). Although enhanced benefits were retroactively adopted by the County for its safety members effective July 1, 2002, and for general members effective January 1, 2003, the increase in the contribution rates took effect on January 1, 2003. Net investment income for the year ended December 31, 2003, totaled $608.6 million. The final Paulson settlement liability of $34.2 million is reflected as an increase in the employer reserves in 2003. This amount is the final liability owed by the employers and has been paid either by lump sum or will be paid over time per a contract executed between CCCERA and the employer.

By year end, overall additions had increased by $1.3 billion, or 691.6%, from the prior year due primarily to investment gains, pension obligation bond proceeds and increased contributions. The investment section of this report reviews the result of investment activity for the year ended December 31, 2003.

Deductions from Plan Net Assets

The primary uses of CCCERA's assets include the payment of benefits to retirees and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the system. Deductions in the year ended December 31, 2003, totaled $174.3 million, an increase of 14.5% over December 31, 2002. The increase is attributed to the additional benefit payments attributed to the settlement of the Paulson lawsuit for retirees as well as the growth in the number and average amount of benefits paid to retirees.

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

CCCERA's Fiduciary Responsibilities

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

Economic and Market Review

After a three-year bear market, stocks rallied in 2003 as investors were spurred by a resurgent economy and interest rates hovering at a 45-year low. The Dow Jones Industrial average again topped the 10,000 mark while the S&P 500 was up over 26% for the year and the Nasdaq composite index surged 50%. 2003 was a relief to many investors who had sustained continual and substantial losses over the past 3 years. Low interest rates continued to help the economy for 2003. With the economy back on track, many forecasters are carefully watching and expecting the Federal Reserve to begin raising interest rates in 2004. Stocks are not expected to have as good a year in 2004, but are still expected to continue to rise at a slower pace.

Bond returns were down in 2003 after exceeding stock returns for the past few years. Investors should look for bond prices to further decline if interest rates start to rise in 2004.

Hope remains that a sustained economic recovery and a strong stock market can continue for 2004. It remains to be seen what the future holds for the domestic as well as the global economy with the continuing instability in Iraq as well as the rest of the Middle East, and an upcoming presidential election in the U.S.

Requests for Information

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

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

CCCERA
1355 Willow Way, Suite 221
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Respectfully submitted,

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Retirement Accounting Manager

April 15, 2004

Statement of Plan Net Assets

As of December 31, 2003

Assets:	
Cash equivalents	$ 371,807,234
Cash collateral - securities lending	207,255,813
Total cash & cash equivalents	579,063,047
Receivables:	
Contributions	4,407,628
Investment trades	327,267,439
Investment income	11,562,167
Installment contracts - Paulson	31,466,613
Other	1,517,019
Total receivables	376,220,866
Investments at fair value:	
Stocks	1,610,790,021
Bonds	1,137,809,867
Real estate	309,831,014
Alternative investments	61,323,636
Total investments	3,119,754,538
Other Assets:	
Prepaid expenses/deposits	441,414
Capital assets, net of accumulated depreciation of $418,433	359,971
Total assets	4,075,839,836
Liabilities:	
Investment trades	477,723,512
Security lending	207,255,813
Employer contributions unearned	58,524,944
Retirement allowance payable	13,973,629
Accounts payable	3,432,338
Unclaimed contributions	596,205
Contributions refundable	427,139
Other liabilities	411,309
Total liabilities	762,344,889
Net Assets Held In Trust for Pension Benefits	**$ 3,313,494,947**

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

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

For the Year Ended December 31, 2003

Additions:	
Contributions:	
Employer	$ 427,822,766
Employee	51,602,939
Total contributions	479,425,705
Investment income:	
Net appreciation in fair value of investments	482,734,627
Net increase in fair value of real estate	41,867,522
Interest	56,645,490
Dividends	13,531,701
Real estate income, net	23,083,826
Investment expense	(13,320,718)
Other Income	3,794,018
Net investment income, before securities lending income	608,336,466
Securities lending income:	
Earnings	1,525,230
Rebates	(1,151,115)
Fees	(135,968)
Net securities lending income	238,147
Net investment income	608,574,613
Total additions (contributions and net investment income)	1,088,000,318
Deductions:	
Benefits paid	163,923,104
Administrative	4,292,028
Contribution prepayment discount	4,754,465
Refunds of contributions	1,036,599
Other	266,802
Total deductions	174,272,998
Net Increase Before Extraordinary Item	913,727,320
Extraordinary Item:	
Final Paulson Cost Reimbursement (See Note 10)	34,230,204
Net Increase	947,957,524
Net Assets Held in Trust for Pension Benefits:	
Beginning of year	2,365,537,423
End of year	**$3,313,494,947**

See accompanying notes to financial statements.

Notes To Financial Statements

For The Year Ended December 31, 2003

Note 1. Plan Description

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

General

CCCERA is a contributory defined benefit plan (the Plan) initially organized under the provisions of the 1937 Act on July 1, 1945. It provides benefits upon retirement, death or disability of members. CCCERA operates as a cost-sharing, multiple employer defined benefit pension plan that covers substantially all of the employees of the County of Contra Costa (the County) and 18 other member agencies. CCCERA membership at December 31, 2003 is presented below.

Retirees and Beneficiaries Receiving Benefits	5,936
Inactive Vested Members entitled to but not yet receiving benefits	1,255
Current Employees:	
Vested:	
General Employees	4,611
Safety Employees	1,145
Non-Vested:	
General Employees	3,163
Safety Employees	553
Total Membership	**16,663**

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

Benefit Provisions

The Plan is currently divided into seven benefit sections in accordance with the 1937 Act. These sections are known as General Tier I, enhanced and non-enhanced; Tier II; Tier III enhanced and non-enhanced; Safety enhanced and non-enhanced. On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provides enhanced benefit changes commonly known as 3% at 50 for safety members and 2% at 55 for general members, effective July 1, 2002 and January 1, 2003, respectively. The enhanced benefits do not apply to bargaining units represented by the California Nurses Association or to the nonrepresented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, or to the supervisors and managers of those employees until January 1, 2005. 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, 2003, four general member special districts have adopted enhanced benefits for their employees. Previously, two special district fire agencies have adopted the enhanced benefits for their safety and general employees, one in 2001 and the other in 2002.

Legislation was signed by the Governor in 2002 which 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 October 1, 1998 and made available to all members with five or more years of Tier II service who elected to transfer to Tier III coverage.

Tier I includes members not mandated to be in Tier II or Tier III and reciprocal members who elect Tier I membership. As of December 31, 2003, Tier II includes only the employees described in the paragraph above for whom the County did not adopt the enhanced benefits and employees of one special district agency. County employees who were moved to Tier III effective October 1, 2002, continue to have Tier II benefits for service prior to that date unless the service is converted to Tier III.

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

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

Pertinent provisions for each section follow:

General - Tier I
Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

General - Tier II
Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with ten years of service credit required. Those members who elected in 1980 to transfer from General - Tier I to General -Tier II are eligible for non-service connected

disability retirement with five years of service. The definition of disability is more strict under General - Tier II than in the General - Tier I plan. The retirement benefit is based on a three-year average salary in accordance with Government Code Section 31462.

General - Tier III
Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with ten years of service credit required. The definition of disability is the same as Tier II. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
CCCERA's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. All investment purchases and sales are recorded on the trade date. The net appreciation (depreciation) in fair value of investments held by CCCERA is recorded as an increase (decrease) to investment income based on the valuation of investments at June 30th and December 31st.

Cash Equivalents

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

Methods Used to Value Investments

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

Receivables

Receivables consist primarily of interest, dividends, installment contracts, investments in transition, i.e., traded but not yet settled, and contributions owed by the employing entities as of December 31, 2003.

Capital Assets

Capital assets, consisting of leasehold improvements, furniture and office equipment, are presented at historical cost, less accumulated depreciation. Depreciation is calculated using the straight-line method, with estimated lives of ten years for leasehold improvements and ranging from four to five years for office equipment. Depreciation for the year ended December 31, 2003 was $156,318.

Compensated Absences

The liability for accumulated annual leave earned by CCCERA employees totalling $186,210, included in other liabilities on the *Statement of Plan Net Assets*, is recorded when earned by the employee. Upon termination of employment, an employee receives compensation for hours of unused annual leave limited by the number of annual leave hours which can be accumulated in two years of employment.

Pre-1981 Retiree Health Care Benefits

Government Code Section 31592.2 authorizes the Retirement Board to pay for healthcare costs of County retired members from the County (Employer) Advance Reserves. In December 2002, the Board transferred $11 million from its excess earnings to the Employer Advance Reserve to cover the reimbursement of health care costs of approximately 383 pre-1981 retirees who previously were not eligible for health care coverage. The County extended an offer of health care coverage to this group and approximately 40 retirees or their beneficiaries elected coverage. Starting in January 2004, CCCERA will reduce the County employer contribution rate by the amount owed for the pre-1981 retiree's health insurance premiums.

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

NOTE 3. CASH EQUIVALENTS AND INVESTMENTS

Deposits
At year-end, the carrying amount of CCCERA's cash deposits was $1,220,677 (which are included in short term investment funds held with fiscal agents) and the bank balance was $1,303,864. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $300,000 was covered by federal depository insurance, and $1,003,864 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

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

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

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

Industry Concentrations of Portfolio Assets

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

Custodial Credit Risk Categories

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

Investments stated at fair value as of December 31, 2003 are presented below:

Cash Equivalents - Categorized	
Category 2	
Repurchase Agreements	$ 14,921,000
Cash Equivalents - Not Categorized	
Funds pooled with County	3,785,405
Short-term Investment Funds held with Fiscal Agents	353,100,829
Total Cash Equivalents - Not Categorized	356,886,234
TOTAL CASH EQUIVALENTS	371,807,234
Investments - Categorized	
Category 1	
Domestic Stocks	911,743,704
Domestic Bonds	719,147,262
International Stocks	40,624,477
International Bonds	136,383,539
Total Investments - Categorized	1,807,898,982
Investments - Not Categorized	
Investments held by broker dealers under securities loans with cash collateral:	
Domestic Stocks	36,230,456
Domestic Bonds	166,551,128
Mutual Funds:	
Domestic Stocks	156,775,949
Domestic Bonds	115,727,938
International Stocks	465,415,435
Real Estate	309,831,014
Private Equity	46,134,844
Natural resource funds	15,188,792
Securities lending collateral investment pool	207,255,813
Total Investments - Not Categorized	1,519,111,369
Total Investments	3,327,010,351
TOTAL CASH EQUIVALENTS & INVESTMENTS	$ 3,698,817,585

NOTE 4. SECURITIES LENDING TRANSACTIONS

The investment policy, adopted by the Board, permits the use of a securities lending program with its principal custodian bank. CCCERA lends domestic bonds and equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. The custodian bank provides loss indemnification to CCCERA if the borrower fails to return the securities.

The custodian bank manages the securities lending program and receives cash and/or securities as collateral. The collateral cash can be invested and is automatically rolled into a Short Term Investment Fund (STIF). The collateral securities cannot be pledged or sold by CCCERA without borrower default. Securities on loan must be collateralized at 102% and 105% of the fair value of domestic securities and non-domestic securities, respectively, plus accrued interest (in the case of debt securities).

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

At year-end, CCCERA has no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The fair value of investments on loan at December 31, 2003 is $202,781,584, which was collateralized by cash in the amount of $207,255,813, and has been reported as an asset and liability in the accompanying Statement of Plan Net Assets.

Note 5. Derivative Financial Instruments

As permitted by the California Government Code and the investment policy, CCCERA uses forward settlement contracts, forward currency contracts, futures and options contracts and other derivative products within fixed income financial instruments. These derivative financial instruments are used to reduce financial market risks, enhance yields and to participate in all market areas without increasing investment costs. At December 31, 2003, the following derivative financial instruments were held by investment managers:

> PIMCO and Western Asset Management manage fixed income portfolios that contain derivative type financial instruments. These instruments include government and corporate obligations consisting of asset-backed securities, call and put options, floating rate notes, constant maturity index, Adjustable Rate Mortgages (ARMs), Collateralized Mortgage Obligations and LIBOR Indexed ARMs. The fair value of derivative financial instruments at December 31, 2003 is $262,538,334 and reported within the domestic and international bonds, category 1, at the table in Note 3.
>
> CCCERA has made investments in forward currency contracts, which are unrecorded commitments to purchase or sell stated amounts of foreign currency. Gains or losses on the disposition of the commitments are recorded at the time of settlement. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of December 31, 2003, total commitments in forward currency contracts to purchase and sell foreign securities were $250,230,129 and $250,230,129, respectively, with market values of $259,191,588 and $253,766,314, respectively.

Note 6. Contributions

Employer and member basic and COLA contributions are based on statute and rates recommended by an independent actuary and adopted by the Retirement Board. Covered employees are required by statute to contribute toward their pensions. The rates are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and tier. CCCERA members are required to contribute between 3.45% and 17.44% of their annual covered salary. Member contributions are refundable upon termination of employment. County and Moraga Orinda Fire Protection District Safety members contribute, an additional amount per year, up to a maximum of 9.0%, of the employer's increase in contributions attributed to the adoption of the enhanced benefit package commonly known as 3% at 50.

Employers are required to contribute at an actuarially determined rate calculated on the alternate funding method permitted by Government Code Section 31453.5. Pursuant to provisions of the 1937 Act, the Retirement Board recommends annual contribution rates for adoption by the Board of Supervisors. The "Entry Age Normal," funding method is used to calculate the rate required to provide benefits to members. Increased contribution rates attributable to the enhanced benefit package adopted by the County and six districts became effective January 1, 2003, and will be in effect through June 30, 2004. County Safety members had a 2.25% retroactive contribution to April 1, 2002 and an additional 2.25% withheld in 2003 per the Memorandum of Understanding (MOU). In addition, all members started contributing the full employee COL rate effective July 1, 2003, which ranges from 1.18% up to 7.15% depending on tier coverage.

During the year, contributions totaled $479,425,705, which included $51,602,939 in employee contributions, $108,728,047 in employer contributions and $319,094,719 from the proceeds of the pension obligation bonds issued by Contra Costa County in April 2003.

Six-year historical trend information, designed to provide information about CCCERA's progress in accumulating sufficient assets to pay benefits when due, is presented as required supplementary information on page 42**.**

Employer contributions for 1997 through 2002 are less than 100% due to action taken by the Board to phase-in, over a three year period, increased contribution requirements associated with the December 31, 1997 actuarial experience study, as well as the *Ventura Decision* (discussed in Note 9). The Retirement Board, at its meeting on July 11, 2000, deferred for one year, the third year phase-in from the experience study and the second year phase-in of the *Ventura Decision*. This action had the effect of keeping contribution rates lower currently, while extending the time for the phase-in of rates. The increase in the ultimate employer contribution rate at the end of the phase-in schedule (in FY 2002-2003) is approximately 0.27% of payroll through the end of the amortization period.

Note 7. Reserves and Designations

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

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

Employer Advance Reserve represents the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and related earnings; deductions include transfers to Retired Member Reserve, lump sum death benefits, supplemental disability payments under legislated rehabilitation programs, and excess earnings transfers for enhanced benefits and retiree health insurance for certain pre-1981 retirees.

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

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

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 in paying interest to the reserve accounts.This acccount will be replenished in subsequent periods when there are sufficient earnings according to the interest crediting policy for CCCERA.

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 reduced in subsequent periods when there are sufficient earnings.

Market Stabilization Account represents the deferred return developed by the smoothing of realized and unrealized gains and losses based on a five-year smoothing.This method smoothes only the semi-annual deviation of total market return (net of expenses) from the return target, 8.35 percent per annum. This asumption rate was used in determining contribution rates for the period January 1, 2003, through June 30, 2004. As of December 31, 2003, the Market Stabilization Account is in a negative position due to market losses over three of the past four years.

Reserved and designated net assets at December 31, 2003 are as follows:

Valuation Reserves:	
Member Deposits	$ 255,755,850
Member Cost of Living	55,020,595
Employer Advance	941,615,281
Employer Cost of Living	628,089,811
Retired Member	1,096,454,015
Retired Cost of Living	407,626,515
New Dollar Power Cost of Living Supplement and Pre-Fund	35,759,327
Smoothed Market Value Valuation	135,142,694
Contra Tracking Account	(16,742,131)
Total Valuation Reserves	3,538,721,957
Supplemental Reserves:	
Post Retirement Death Benefit	12,078,771
Other Reserves/Designations:	
Statutory Contingency Reserve (one percent)	0
Total Allocated Reserves/Designations	3,550,800,728
Market Stabilization Account	(237,305,781)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$ 3,313,494,947**

Note 8. Risk Management

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

Note 9. Ventura Decision

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

Note 10. Paulson Lawsuit Settlement

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

The lawsuit was brought on behalf of a class of retired members of CCCERA regarding the inclusions and the exclusions from "final" compensation that are used in calculating member's retirement benefits as a result of the Ventura Decision (see Note 9). A settlement agreement has been entered into with all parties and a petitioner's class has been certified consisting of all retired members of CCCERA whose effective retirement date was on or before September 30, 1997 (i.e., the period prior to the October 1, 1997 effective date of the Ventura Decision).

The Board designated $90 million from unrestricted excess earnings to cover the anticipated liability of the settlement, per the settlement agreement. Interest at the actuarial assumed rate was credited to the settlement amount until the final liability was determined by Mercer Human Resource Consulting as of December 31, 2002.

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

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

The total liability as determined by Mercer Human Resource Consulting was $149.3 million before being offset by the $90 million from excess earnings plus $25.1 million of interest earned on these funds. The additional cost of the Paulson action due to CCCERA for the affected employers was determined as of December 31, 2002, and each employer was invoiced for their share of the $34.2 million additional liability plus interest up to the date of the payment. Per the settlement agreement, each employer may choose to pay this amount in a lump sum or for a period not to exceed 20 years. Two employers chose to pay their share of the liability due over 20 years and one over 19.5 years, and have entered into contracts with CCCERA while the remainder of the employers paid CCCERA in a lump sum in 2003 except for one employer who is challenging the liability owed. This challenge has been turned over to CCCERA's attorney for further review. The following summary lists the pertinent details of each agreement plus the amounts due at December 31, 2003.

INSTALLMENT PAYMENTS DUE FROM PAULSON FINAL LIABILITY

	City of Pittsburg	Contra Costa County	Contra Costa Fire Protection Dist.
Agreement Details:			
Effective Date of Agreement	November 7, 2003	December 16, 2003	August 28, 2003
First Payment Due	December 1, 2003	August 1, 2004	September 1, 2003
Last Payment Due	December 1, 2022	February 1, 2024	September 1, 2022
Rate of Interest	8%	8%	8%
Annual Principal and Interest Payment	$ 105,542	$ 2,759,911	$ 369,122
Original Principal	$ 1,119,124	$ 28,064,981	$ 3,914,020
Receivable at December 31, 2003:			
Future Principal Payments	$ 1,013,582	$ 24,821,154	$ 3,544,898
Interest Accrued for 2003	$ 6,757	$ 1,985,692	$ 94,530

Note 11. 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.

In November 2002, CCCERA sued Advanced Investment Management, Inc. (AIM) for violating their money management agreement with CCCERA by leveraging CCCERA's portfolio which resulted in a loss to the fund. In August 2003, CCCERA agreed to a settlement with AIM. Pursuant to the settlement, CCCERA received $2,114,000, included in other income, on September 30, 2003.

Required Supplementary Information

Schedule of Funding Progress (Dollars In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
12/31/97	$ 1,742,014	$ 1,983,394	$ 241,380	87.8%	$ 385,412	62.6%
12/31/98	1,868,521	2,320,315	451,794	80.5%	411,748	109.7%
12/31/99	2,137,554	2,433,614	296,060	87.8%	463,279	63.9%
12/31/00	2,355,179	2,643,526	288,347	89.1%	488,384	59.0%
12/31/01	2,613,220	2,983,551	370,331	87.6%	523,621	70.7%
12/31/02	3,296,736	3,677,624	380,888	89.6%	580,415	65.6%

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

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1998	$ 44,243,668 ***	92.5%
1999	52,565,912 ***	93.7%
2000	58,035,756 ***	91.3%
2001	58,642,407 ***	94.1%
2002	58,319,678 ***	98.6%
2003	108,728,047 ****	100.0%

*** The contribution percentage is less than 100% due to actions taken by the Board of Retirement to phase-in, over three years, increased contribution requirements associated with the significant actuarial assumption changes and the expansion of earnable compensation required by the "Ventura Decision," which is discussed in Note 9 of the *Notes to Financial Statements.*

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

Actuarial valuations of CCCERA are normally carried out as of December 31 of each year and contribution requirements resulting from such valuations become effective on July 1 of the following fiscal year, except as follows: The contribution requirements from the December 31, 2001 valuation become effective on January 1, 2003 per Retirement Board action and remain in effect through June 30, 2004.

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

Latest Actuarial Valuation Methods and Assumptions

Valuation Date	December 31, 2002
Actuarial Cost Method	Entry Age Normal Funding Method
Amortization Method	Level Percent - closed
Remaining Amortization Period	20 Years
Asset Valuation Method	5 year Smoothed Market, excluding non-valuation reserves and designations*
Actuarial Assumptions	
Investment Rate of Return	8.00%
Projected Salary Increases	5.71%
Attributed to Inflation	4.25%
Cost-of-Living Adjustments	Contingent upon CPI Increases with a 3% or 4% Maximum

* The exclusion of non-valuation reserves and designations was implemented in the January 1, 1997 actuarial study. The six year history on page 42 has been restated to reflect this change.

Macias Gini & Company LLP

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

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

Independent Auditor's Rerort On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

We have audited the financial statements of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of and for the year ended December 31, 2003, and have issued our report thereon dated April 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

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

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

Macias, Gini & Company LLP

Certified Public Accountants
Walnut Creek, California
April 15, 2004

Other Supplementary Information

Schedule of Administrative Expenses

for the year ended December 31, 2003

Personnel Services:	
Salaries and Wages	$ 2,077,241
Employee Retirement	1,007,584
Total Personnel Services	3,084,825
Professional Services:	
Actuarial Consulting Fees	23,959
Actuary - Benefit Statement	51,829
Attorney Fees	38,821
Computer and Software Services and Support	37,093
County Counsel - Disability	73,803
Disability Hearing Officer/Medical Reviews	48,085
Disability Stenographic Fees	1,931
External Audit Fees	33,068
Contra Costa Dept of Information Technology	29,977
Newsletters	12,520
Other Professional Services	32,528
Total Professional Services	383,614
Office Expenses:	
Office Lease	305,122
Office Supplies	35,213
Minor Equipment and Computer Supplies	17,604
Postage	47,335
Equipment Lease	24,703
Requested Maintenance	7,054
Communications/Telephone	16,681
Printing and Publications	25,788
Total Office Expenses	479,500
Miscellaneous:	
Fiduciary and Staff - Education/Travel	49,414
Fiduciary and Staff - Meetings/Other Travel	3,601
Insurance	126,079
Memberships	8,677
Total Miscellaneous	187,771
Depreciation and Amortization	156,318
Total Administrative Expenses	**$ 4,292,028**

Schedule of Investment Expenses

For the Year Ended December 31, 2003

Investment Management Fees, by portfolio:	
Stocks	$ 5,237,772
Bonds	2,567,163
Real Estate	3,562,718
Alternative	969,343
Cash and Short Term	9,592
Total Investment Management Fees	12,346,588
Investment Consulting Fees:	
Consulting Services	501,421
Actuarial Services	197,023
Total Investment Consulting Fees	698,444
Investment Custodian Fees	275,686
Total Investment Expenses	**$ 13,320,718**

Investment Section

Employees' Retirement Association

A MILLIMAN GLOBAL FIRM

Milliman USA
Consultants and Actuaries

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March 4, 2004

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

Dear Pat:

This letter reviews the investment performance of the Contra Costa County Employees' Retirement Association for the year ended December 31, 2003.

Contra Costa County Employees' Retirement Association had a total return on a market value basis before deduction of fees of 23.5% for the calendar year 2003. (This return may differ from other return calculations because it is before deduction of fees and treats private equity and some real estate investments with a one quarter lag due to timing constraints.) Annualized returns for the three years ended December 31, 2003 were 3.0% per year, and for five years were 5.3%. These returns were calculated by Milliman USA and its predecessor Dorn, Helliesen & Cottle, Inc., from custodial statements and other source data using methodology approved by the Bank Administration Institute Study and by AIMR.

2003 returns exceeded investment objectives, but three and five year returns did not meet investment objectives. The longer term returns fell short of the actuarial interest rate of 8.35% which is in effect, and did not meet the consumer price index plus 400 basis points target. Returns over many years usually have exceeded actuarial and inflation targets.

The total return for the year exceeded the median public fund return of 20.4% (from the Wilshire Cooperative database) as well as the total fund median at 19.1%. Three and five year results have been better that the database medians.

Patricia Wiegert
March 4, 2004
Page 2

Domestic equity markets posted strongly positive results in the year 2003, following three negative years in a row. The Standard and Poors 500 index was up 28.7% for 2003. The Russell 2000 small capitalization index was up 47.3% for the year. CCCERA's domestic equity returned 31.0%, better than the S&P 500 and equal to the median. International equity markets were also very strong in 2003, with the MSCI EAFE index up 39.2%. CCCERA's international equity was up 39.9%, at the top of the second quartile.

Domestic bond markets, after two years of out-performing equities, under-performed in 2003 with a return for the year of 4.1% for the Lehman Aggregate index and 4.6% for the median bond portfolio. CCCERA's domestic fixed income results were much stronger, with a return of 7.9% for 2003.

Helped by a strong performance for its real estate investment trust portfolio, CCCERA had very good results in its real estate portfolio, up 25.6%. Alternative investments had a positive but modest return of 3.5% for 2003. Private equity markets continued to lag.

Total assets in the Fund as of December 31, 2003 were $3.325 billion, compared to $2.388 billion a year earlier.

2003 was a very strong comeback year for investors following the disappointing 2002. We share with you the belief that future returns will be in keeping with long term trends, with positive returns around 8% per year on average.

Yours truly,

Robert I. Helliesen, CFA,
Principal

General Information

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

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

The Board has adopted an Investment Policy, which provides the framework for the management of CCCERA's investments. This policy establishes CCCERA's investment policies and objectives and defines the principal duties of the Board, custodian bank and investment managers. For the year ended December 31, 2003, the total fund return was 23.5%, greater than the targeted return of 6.5% (CPI plus 400 basis points), and greater than the median public fund return of 20.4%.

Summary of Proxy Voting Guidelines and Procedures

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

Investment Results Based on Fair Value*

As of December 31, 2003

		Current Year	Annualized 3 Year	Annualized 5 Year
Domestic Equity		31.00%	-5.00%	-0.20%
Benchmarks:	S&P 500	28.70%	-4.10%	-0.60%
	Russell 2000	47.30%	6.30%	7.10%
	Russell 3000	31.00%	-3.10%	0.40%
International Equity		39.90%	-0.70%	4.20%
Benchmarks:	MSCI EAFE Index	39.20%	-2.60%	0.30%
	MSCI EM Free Index	56.30%	12.80%	10.60%
Domestic Fixed Income		7.90%	8.00%	6.80%
Benchmarks:	Lehman Aggregate	4.10%	7.60%	6.60%
	Salomon Mortgage	3.10%	6.70%	6.60%
	Salomon High Yield	30.60%	10.70%	5.40%
	T-Bills	1.10%	2.40%	3.60%
International Fixed Income **		3.50%	5.40%	-
Benchmark:	Sal Non US Govt Hedged	1.90%	4.90%	5.40%
Real Estate		25.60%	14.30%	13.00%
Benchmarks:	NCREIF Property Index	9.00%	7.70%	9.30%
	CPI + 500 bps	7.50%	7.30%	7.60%
Alternative Investments		3.50%	-10.20%	7.30%
Total Fund		23.50%	3.00%	5.30%
CPI + 400 bps		6.50%	6.20%	6.50%

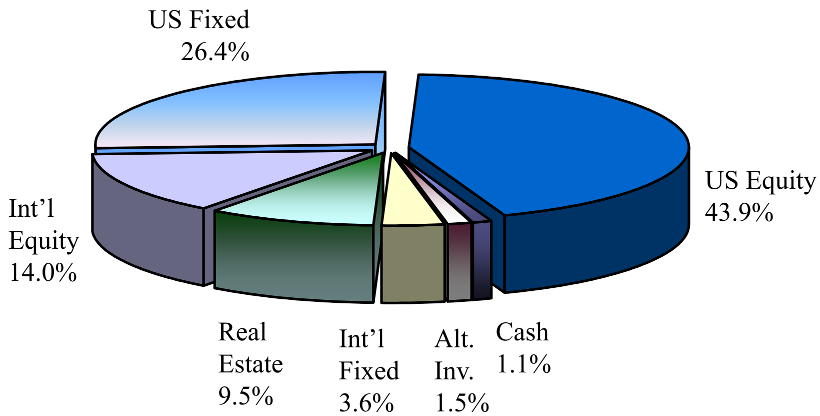
*Using time-weighted rate of return based on the market rate of return

**International Fixed Income returns not applicable for 5 years

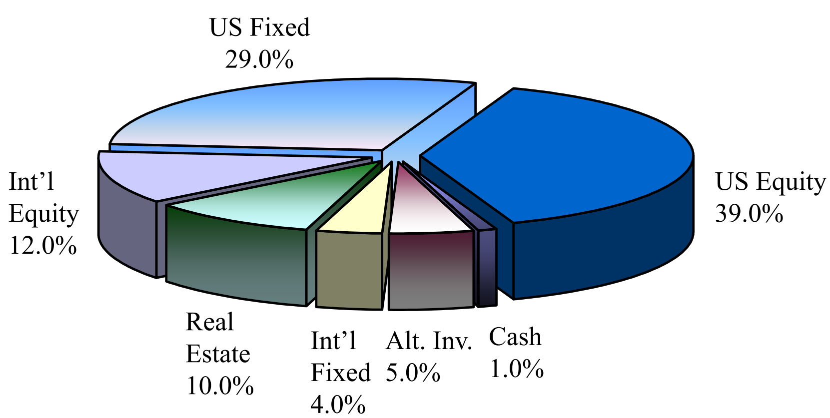
Asset Allocation

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

As of December 31, 2003



Actual Asset Allocation



Target Asset Allocation

10 Largest Stock Holdings as of 12/31/03

CUSIP	Shares	Security Name	Fair Value
782991921	6,239,342	Russell 1000 Growth Sl	$ 156,775,948
671997963	220,942	Ntgi Qm Collective Daily	101,498,162
67199D945	628,910	Ntgi Qm Collective Daily Japan	56,350,345
67199W927	50,075	Ntgi Qm Collective Daily	20,318,801
828806109	315,800	Simon Ppty Group Inc New	14,634,172
929042109	237,800	Vornado Rlty Tr	13,019,550
69806L104	231,300	Pan Pac Retail Pptys Inc	11,021,445
67199D937	34,116	Ntgi Qm Coll Daily Southwest	10,917,785
29476L107	364,700	Equity Residential	10,762,297
554382101	237,100	Macerich Co	10,550,950
		Total Largest Stock Holdings	**$405,849,455**

10 Largest Bond Holdings as of 12/31/03

CUSIP	Par Value	Security Name	Cost	Fair Value
722005600	$7,985,145	Pimco Fds Pac Invt Mgmt Ser	$86,758,198	$ 87,038,081
722005402	8,239,405	Pimco Fds Pac Invt Mgmt Ser	81,194,993	80,910,958
722005808	6,203,420	Pimco Fds Pac Invt Mgmt Ser	68,056,568	65,508,119
01N050610	33,015,000	Gnma Itba Jan 30, Single Fam	32,504,269	32,713,223
912795PT2	28,400,000	US Treasury Bills	28,257,140	28,257,140
722005832	2,270,251	Pimco Fds Pac Invt Mgmt Ser	25,506,459	25,721,942
01N070618	22,300,000	Gnma Itba Jan 30 Single Fam	23,733,781	23,752,983
722005873	2,119,077	Pimco Fds Pac Invt Mgmt Ser	22,902,687	23,415,796
912828AN0	20,800,000	United States Treas Nts	20,737,869	20,978,751
01F050411	19,700,000	Fnma Tba Jan 15 Single Fam	19,956,930	20,090,923
		Total Largest Bond Holdings		**$408,387,916**

A complete list of portfolio holdings is available on request.

Schedule of Investment Management Fees

FOR THE YEAR ENDED DECEMBER 31, 2003

Investment Activity	
Stock Managers	
Domestic	$ 4,289,566
International	948,206
Subtotal	5,237,772
Bond Managers	
Domestic	2,183,436
International	383,727
Subtotal	2,567,163
Real Estate Managers	3,562,718
Alternative Investment Managers	969,343
Cash & Short Term with County Treasurer	9,592
Total Fees from Investment Activity (see page 46)	12,346,588
Securities Lending Activity	
Management Fee	135,968
Borrower Rebate	1,151,115
Total Fees from Securities Lending Activity	1,287,083
TOTAL INVESTMENT MANAGEMENT FEES	13,633,671

Investment Summary

AS OF DECEMBER 31, 2003

TYPE OF INVESTMENT	FAIR VALUE	PERCENT OF TOTAL FAIR VALUE
Deposit	$ 1,220,677	0.03%
Short Term Investments held by Fiscal Agent	559,135,965	15.12%
Short Term Investments held by the County	18,706,405	0.51%
TOTAL SHORT TERM INVESTMENTS	579,063,047	15.66%
US Government and Agency Instruments	365,431,329	9.87%
Private Placement Bonds	315,832,910	8.54%
Domestic Corporate Bonds	320,162,089	8.66%
International Bonds	136,383,539	3.69%
TOTAL BONDS	1,137,809,867	30.76%
Domestic Stocks	1,104,750,109	29.87%
International Stocks	506,039,912	13.68%
TOTAL STOCKS	1,610,790,021	43.55%
Real Estate	309,831,014	8.38%
Alternative Investments	61,323,636	1.65%
TOTAL INVESTMENTS	**$ 3,698,817,585**	**100%**

Investment Managers

As of December 31, 2003

Alternative Assets
Adams Street Partners
Pathway Capital Management
Prudential Timber Investments Inc
Energy Investors Funds Group (EIF/Liberty)

Equity - Domestic
Boston Partners
Dreyfus Investment Advisors, Inc
Emerald Advisors, Inc.
ING Aeltus Investment Management
Intech
PIMCO
Rothschild Asset Management
State Street Global Advisors (SSGA)
Wentworth, Hauser and Violich

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

Equity - International
Capital Guardian Trust Company
Northern Trust Company

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

Cash & Short Term
Contra Costa County Treasurer
State Street Corporation

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

Securities Lending Program
State Street Corporation

Actuarial Section

cccera Actuarial

Actuary Certification Letter

SEGAL

THE SEGAL COMPANY
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March 31, 2004

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

Dear Members of the Board:

The Segal Company prepared the December 31, 2002 actuarial valuation of the Contra Costa County Employees' Retirement Association (CCCERA). We certify that the Retirement Association is in sound financial condition and that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters for the Governmental Accounting Standards Board Statement No. 25.

As part of the December 31, 2002, actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness; the scope of the examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are included in the Actuarial Section. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the semi-annual differences between the actual and expected market investment return over a five-year period.

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

Board of Retirement
Contra Costa County Employees'
Retirement Association
March 31, 2004
Page 2

The total UAAL is amortized as a level percentage of payroll over a decreasing 20-year period. The progress being made towards meeting the funding objective through December 31, 2002 is illustrated in the Actuarial Solvency Test that is included in the Actuarial Section.

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

The valuation assumptions included in the Actuarial Section are those adopted by the Retirement Board considering recommendations of the prior actuary following the December 31, 2000 Experience Analysis and the actuarial valuations that followed. It is our opinion that the assumptions used in the December 31, 2002 valuation produce results which, in the aggregate, reasonably reflect the future experience of the Plan. Two of the prior actuary's recommended assumption changes have not been adopted by the Retirement Board. These recommendations will be reviewed as part of the next experience analysis.

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, 2003.

Sincerely,

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

Drew Janes, FSA, MAAA
Actuary

JZM/czr

Summary of Assumptions and Funding Methods

The following assumptions have been adopted by the Board for the calendar year 2003 and the first six months of 2004. These assumptions were used for the December 31, 2001 valuation to determine contribution rates that were implemented on January 1, 2003 and will continue in effect until June 30, 2004, a period of 18 months.

Assumptions	
Valuation Interest rate	8.35%
Inflation Assumption	4.25%
Projected Salary Increases	5.71%
Cost of Living Adjustments (maximums)	3% for Tiers 1, 3 and Safety, 4% for Tier 2
Interest Rate Credited to Active Member Accounts	8.35%

The following assumptions have been adopted by the Board for the fiscal year 2004-2005 and were used for the December 31, 2002 valuation. The rates produced by this valuation will be implemented on July 1, 2004.

Assumptions	
Valuation Interest Rate	8.00%
Inflation Assumption	4.25%
Projected Salary Increases	5.71%
Cost of Living Adjustments (maximums)	3% for Tiers 1,3 and Safety, 4% for Tier 2
Interest Rate Credited to Active Member Accounts	8.00%

Post-Retirement Mortality

A. Service

General Tier 1, Tier 2 and Tier 3

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

B. Disability

General Tier 1, Tier 2 and Tier 3	1981 General Disability Mortality Table set back 3 years
Safety	1981 Safety Disability Mortality Table

C. For Employee Contribution Rate Purposes

	1994 Group Annuity Mortality Table (male) set back 3 years for General Members
	1994 Group Annuity Mortality Table (male) set forward 1 year for Safety Members

D. For Optional Benefit Purposes

	1994 Group Annuity Mortality Table (male) with a 3 year setback

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

Funding Method and Amortization of Actuarial Gains or Losses

The employer's liability is being funded on the Entry Age Normal Method and with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 20 years as of December 31, 2002.

Probability of Occurrence

Age	Service Retirement	Withdrawal <Five Years	Withdrawal >=Five Years	Terminated Vested	Non-Duty Disability	Service Disability	Non-Duty Death	Service Death
General Male Members - Tier 1								
25	0.00	7.50	3.50	1.19	0.04	0.10	0.02	0.01
35	0.00	5.00	1.28	4.50	0.08	0.20	0.04	0.01
45	0.00	3.50	0.25	2.00	0.21	0.31	0.08	0.01
55	16.96	1.50	0.00	0.36	0.25	0.08	0.48	0.01
65	46.73	0.00	0.00	0.00	0.25	1.50	1.56	0.01
General Male Members - Tier 2								
25	0.00	12.50	7.83	1.62	0.04	0.01	0.02	0.01
35	0.00	8.51	4.11	1.12	0.10	0.03	0.04	0.01
45	0.00	7.79	1.55	1.33	0.22	0.06	0.08	0.01
55	6.36	5.00	0.21	0.94	0.37	0.09	0.48	0.01
65	19.44	0.00	0.00	0.00	0.60	0.22	1.56	0.01
General Male Members - Tier 3								
25	0.00	12.50	3.50	5.00	0.04	0.01	0.02	0.01
35	0.00	8.51	1.28	3.00	0.09	0.03	0.04	0.01
45	0.00	7.79	0.25	2.50	0.12	0.06	0.08	0.01
55	16.96	5.00	0.00	0.50	0.17	0.09	0.48	0.01
65	46.73	0.00	0.00	0.00	0.82	0.24	1.56	0.01
General Female Members - Tier 1								
25	0.00	7.50	2.21	10.00	0.01	0.10	0.02	0.01
35	0.00	5.00	0.80	3.13	0.07	0.29	0.04	0.01
45	0.00	3.50	0.09	1.16	0.16	0.42	0.07	0.01
55	14.83	1.50	0.00	0.23	0.42	0.80	0.17	0.01
65	30.09	0.00	0.00	0.00	1.00	1.50	0.28	0.01
General Female Members - Tier 2								
25	0.00	12.48	2.75	0.43	0.03	0.01	0.02	0.01
35	0.00	8.00	2.25	1.00	0.09	0.02	0.04	0.01
45	0.00	6.50	1.42	0.84	0.15	0.03	0.07	0.01
55	4.58	5.50	0.77	0.69	0.55	0.24	0.17	0.01
65	29.16	0.00	0.00	0.00	3.25	0.35	0.28	0.01
General Female Members - Tier 3								
25	0.00	12.48	2.75	0.43	0.03	0.01	0.02	0.01
35	0.00	8.00	2.25	1.00	0.09	0.02	0.04	0.01
45	0.00	6.50	1.42	0.84	0.15	0.03	0.07	0.01
55	11.82	5.50	0.77	0.69	0.55	0.24	0.17	0.01
65	30.09	0.00	0.00	0.00	3.25	0.35	0.28	0.01
Male & Female Members - Safety								
25	0.00	6.24	2.00	1.18	0.05	0.06	0.01	0.01
35	0.00	3.75	0.78	1.25	0.06	0.60	0.02	0.02
45	0.00	2.60	0.35	0.43	0.12	1.10	0.03	0.04
55	50.00	0.00	0.00	0.06	0.17	2.50	0.05	0.06
65	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Summary of December 31, 2002 Valuation Results

	December 31, 2002		December 31, 2001	

Employer Contribution Rates (County and District combined):

	Total Rate	Estimated Annual Amount*	Total Rate	Estimated Annual Amount*
General Tier 1 Non-enhanced	25.48%	$7,839,000	26.54%	$ 8,165,000
General Tier 1 Enhanced	18.99%	14,466,000	21.75%	16,563,000
Genereal Tier 2	13.99%	2,193,000	14.88%	2,332,000
General Tier 3 Non-enhanced	16.78%	2,444,000	15.07%	2,195,000
General Tier 3 Enhanced	17.94%	56,008,000	17.89%	55,852,000
Safety Non-enhanced	32.40%	1,168,000	32.45%	1,170,000
Safety Enhanced	38.53%	49,105,000	42.61%	54,300,000
All Employers Combined	**22.95%**	**$133,223,000**	**24.22%**	**$140,577,000**

Average Member Contribution Rates:

	Total Rate	Estimated Annual Amount*	Total Rate	Estimated Annual Amount*
General Tier 1 Non-enhanced	6.65%	$2,046,000	5.75%	$1,769,000
General Tier 1 Enhanced	5.20%	3,961,000	5.51%	4,196,000
Genereal Tier 2	2.83%	443,000	2.71%	425,000
General Tier 3 Non-enhanced	6.00%	875,000	5.22%	761,000
General Tier 3 Enhanced	5.86%	18,289,000	5.03%	15,703,000
Safety Non-enhanced	8.56%	309,000	7.75%	279,000
Safety Enhanced	9.63%	12,276,000	9.08%	11,572,000
All Categories Combined	**6.58%**	**$38,199,000**	**5.98%**	**$34,705,000**

Key Actuarial Assumptions

	December 31, 2002	December 31, 2001
Annual Interest Rate:	8.00%	8.35%
Annual Inflation Return:	4.50%	4.25%
Average Annual Salary Increase:	5.71%	5.71%

* Based on December 31, 2002 projected annual payroll.

Summary of Significant Results

Association Membership	December 31, 2002	December 31, 2001	Increase/ (Decrease)
Active Members			
1. Number of Members	9,611	9,229	4.1%
2. Total Active Payroll	$580,415,000	$523,621,000	10.8%
3. Average Monthly Salary	$5,033	$4,728	6.5%
Retired Members			
1. Number of Members:			
Service Retirement	3,781	3,690	2.5%
Disability Retirement	835	818	2.1%
Beneficiaries	1,003	979	2.5%
2. Total Retired Payroll	$148,004,460	$131,885,532	12.2%
3. Average Monthly Pension	$2,195	$2,003	9.6%
Inactive Vested Members			
1. Number of Members*	1,067	955	11.7%
Asset Values (Net)			
*Market Value***	$2,402,058,000	$2,704,729,000	-11.2%
Return on Market Value	-10.28%	-4.23%	
*Actuarial Value***	$3,155,472,000	$3,090,177,000	2.1%
Return on Actuarial Value	8.53%	9.73%	
*Valuation Assets***	$2,977,642,000	$2,613,220,000	13.9%
Return on Valuation Assets	3.05%	7.92%	
Liability Values			
Actuarial Accrued Liability	$3,677,624,000	$2,983,551,000	23.3%
Unfunded Actuarial Accrued Liability (UAAL)	$380,888,000	$370,331,000	2.9%
Funding Ratio GASB No. 25	89%	88%	1.0%

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

**The asset values shown include $2,290,000 of additional contributions receivable for San Ramon Fire District and $34,230,204 additional contributions receivable for the final Paulson Settlement.

Schedule of Active Member Valuation

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
12/31/96	General	6,292	$263,616,000	$41,897	-0.79%
	Safety	1,504	90,122,000	59,922	-1.73%
	Total	**7,796**	**$353,738,000**	**$45,374**	**-1.26%**
12/31/97	General	6,514	$288,065,000	$44,222	5.55%
	Safety	1,577	97,347,000	61,729	3.02%
	Total	**8,091**	**$385,412,000**	**$47,635**	**4.98%**
12/31/98	General	6,808	$309,594,000	$45,475	2.83%
	Safety	1,607	102,154,000	63,568	2.98%
	Total	**8,415**	**$411,748,000**	**$48,930**	**2.72%**
12/31/99	General	7,127	$351,694,000	$49,347	8.51%
	Safety	1,674	111,586,000	66,658	4.86%
	Total	**8,801**	**$463,280,000**	**$52,639**	**7.58%**
12/31/00	General	7,243	$374,918,000	$51,763	4.90%
	Safety	1,641	113,465,000	69,144	3.73%
	Total	**8,884**	**$488,383,000**	**$54,973**	**4.43%**
12/31/01	General	7,529	$401,877,010	$53,377	3.12%
	Safety	1,700	121,744,376	71,614	3.57%
	Total	**9,229**	**$523,621,386**	**$56,737**	**3.21%**
12/31/02	General	7,854	$449,362,523	$57,214	7.19%
	Safety	1,757	131,052,957	74,589	4.15%
	Total	**9,611**	**$580,415,480**	**$60,391**	**6.44%**

Retirants and Beneficiaries Added To and Removed From Retiree Payroll

Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
1997	4,775	252	(100)	4,927	$ 82,019,428	9.29%	$ 16,647
1998	4,927	312	(68)	5,171	89,859,684	9.56%	17,378
1999	5,171	342	(127)	5,386	104,237,054	16.00%	19,353
2000	5,386	446	(274)	5,558	113,149,480	8.55%	20,358
2001	5,558	451	(112)	5,897	126,190,164	11.53%	21,399
2002	5,487[1]	267	(135)	5,619	140,096,811	11.02%	24,933

[1] Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.

Solvency Test

(Dollar Amounts in Thousands)

Valuation Date	Aggregate Accrued Liabilities (AAL) for: 1 Active Member Contributions	2 Retirants and Beneficiaries	3 Active Members Employer Portion	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets: 1	2	3
12/31/97	$ 206,642	$ 944,701	$ 832,051	$ 1,742,014	100%	100%	71%
12/31/98	210,483	1,070,102	1,039,720	1,868,521	100%	100%	57%
12/31/99	220,643	1,189,931	1,023,040	2,137,554	100%	100%	71%
12/31/00	235,308	1,279,927	1,128,291	2,355,179	100%	100%	74%
12/31/01	242,385	1,533,583	1,207,583	2,613,220	100%	100%	69%
12/31/02	258,072	1,749,725	1,669,827	3,296,736	100%	100%	77%

Actuarial Analysis of Financial Experience

For Years Ended December 31

(Dollar Amounts In Thousands)

Type of Activity	2002	2001	2000	1999	1998	1997	1996
Composite Gain (or Loss) During Year	($10,557)	($81,984)	$7,713	$155,734	($210,414)	($140,093)	$8,144

Summary of Major Pension Plan Provisions

Major Provisions of the Present System
Benefit Sections 31676.11, 31676,16, 31751, 31664 and 31664.1 of the 1937 County Act

Briefy summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through December 31, 2002, and as adopted by Contra Costa County and special district employees.

A. GENERAL MEMBERS[1]

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

Coverage

Tier 1:

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

Tier 3:

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

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

All county general members (except CNA employees) hired on or after October 1, 2003 will be placed in Tier 3.

Final Average Salary (FAS)

a. One year final average salary

Service Retirement

a. Requirement

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

Tier 2 Plan (Section 31751)

Coverage

Tier 2:

a. All General members hired on or after August 1, 1980 and all General members hired before August 1, 1980 electing to transfer to the Tier 2 Plan. Effective October 1, 2002, Tier 2 will be eliminated and all county employees (excluding CNA employees) and one special district's employees in Tier 2 will be placed in Tier 3.

Final Average Salary (FAS)

a. Three year final average salary

Service Retirement

a. Requirement

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

b. Non-Enhanced Benefit (Section 31676.11)

Retirement

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

b. Benefit

Retirement

Age	Benefit Formula
50:	(0.83%xFASxYrs-0.57%xYrs*xPIA)
55:	(1.13%xFASxYrs -0.87%xYrs*xPIA)
60:	(1.43%xFASxYrs-1.37%xYrs*xPIA)
62:	(1.55%xFASxYrs-1.67%xYrs*xPIA)
65:	(1.73%xFASxYrs-1.67%xYrs*xPIA)

Maximum Benefit 100% of FAS.

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

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

Retirement

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

Maximum Benefit - 100% of FAS

Disability Retirement

Tier 1:

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

b. Benefit
   (1) Service-connected. 50% FAS or Service Retirement benefit, if greater.
   (2) Nonservice-connected: 1-1/2% x FAS x years of service. Future service years projected to age 65. Generally leads to1/3 FAS benefit.

Disability Retirement

Tier 2 and Tier 3:

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

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

Death Before Retirement

Tier 1 and 3

a. Prior to disability retirement eligibility (less than five years):
   (1) One month's salary for each year of service
   (2) Return of contributions

b. While eligible to retire (after five years) 60% of Service or Disability Retirement Benefit. Generally the benefit is 20% of FAS.

c. Line of Duty Death - 1/2 FAS

Tier 2

a. Prior to eligibility to retire (less than ten years)
   (1) $2,000 lump sum benefit offset by any Social Security payment
   (2) Return of contributions

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

Death After Retirement

Tier 1 and 3 Plans Non-enhanced (Section 31676.11) and Enhanced (Sec. 31676.16)

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

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

c. Lump sum payment of $5,000

Tier 2 Plan (Section 31751)

a. After Service or Disability Retirement 60% of allowance continued to spouse plus 20% of allowance to each minor child. Minimum benefit is 60% of allowance. Maximum benefit is 100% of allowance.

b. Lump sum payment of $7,000 less any Social Security Lump sum payment.

Withdrawal Benefits

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

Cost of Living Benefit

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

Employee's Contribution[1] Rates

<u>Non-enhanced 31676.11</u>

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

<u>Enhanced 31676.16</u>

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

B. SAFETY MEMBERS (31664 and 31664.1)

Coverage

a. All Safety members

Final Average Salary (FAS)

a. One year final average salary

Service Retirement

a. Requirement

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

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

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

Maximum Benefit: 100% of FAS

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

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

Maximum Benefit: 100% of FAS

Disability Retirement

a. Requirements

(1) Service-connected: None

(2) Nonservice-connected: five years of service

b. Benefit

(1) Service-connected: 50% FAS or Service Retirement benefit if greater.

(2) Nonservice-connected: 1.8% x FAS x Yrs of service. Future service years projected to age 55. Generally leads to 1/3 FAS benefit.

Death Before Retirement

a. Prior to retirement eligibility (less than 5 years)

(1) One month's salary for each year of service

(2) Return of contributions

b. While eligible to retire (after five years)

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

c. Line of Duty death - 1/2 FAS

Death After Retirement

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

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

c. Lump sum payment of $5,000

Withdrawal Benefits

a. If less than five years of service, return of contributions, but can leave funds to earn interest

b. If greater than five years of service, right to have vested deferred retirement benefit

Cost of Living Benefit

3% maximum change per year

Employees' Non-enhanced (Section 31664) Contribution Rates

a. Basic - to provide for 1/2 of the Section 31664 benefits at age 50

b. COL - to pay for 1/2 of future COL costs

Employees' Enhanced (Section 31664.1) Contribution Rates

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

b. COL - to provide for 1/2 of future COL costs

Employer Contribution Rate

Enough to make up the balance and COL costs

Statistical Section

Employees' Retirement Association

Revenue by Source

FOR YEARS 1997 - 2003

Year Ending	Employee Contributions	Employer Contributions	Investment Income/(Loss)*	TOTAL
1997	$ 9,856,075	$ 36,687,901	$409,112,609	$455,656,585
1998	11,704,335	40,925,393	342,811,108	395,440,836
1999	14,460,506	49,254,260	402,876,035	466,590,801
2000	15,463,367	52,986,645	30,409,388	98,859,400
2001	18,681,239	55,182,505	(114,531,847)	(40,668,103)
2002	26,605,875	57,474,043	(267,980,549)	(183,900,631)
2003	51,602,939	427,822,766**	608,574,613	1,088,000,318

*Net of Investment Expenses

**Includes POB proceeds of $319,094,719

Expenses by Type

FOR YEARS 1997 - 2003

Year	Benefits*	Refunds	Retiree Healthcare Benefits Reimbursements**	Administrative	Other Expenses	TOTAL
1997	$82,019,428	$1,014,600	$ 6,665,785	$ 2,185,024	$ 1,650,880	$ 93,535,717
1998	89,859,684	765,618	11,361,045	2,590,124	2,467,215	107,043,686
1999	100,519,544	856,620	8,625,395	2,675,125	3,845,689	116,522,373
2000	113,149,480	1,060,249	12,408,770	3,128,624	3,904,263	133,651,386
2001***	126,190,164	858,013	12,342,644	3,745,158	3,527,656	146,663,635
2002	140,096,811	643,103	4,637,588	4,298,952	2,541,293	152,217,747
2003	163,923,104	1,036,599	0	4,292,028	5,021,267	174,272,998

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

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

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

Schedule of Benefit Expenses by Type

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

	2002	2001	2000	1999	1998	1997	1996
Service Retirement							
Payroll:							
General	$75,541,280	$69,426,588	$57,580,704	$53,205,888	$49,150,068	$44,141,628	$41,396,052
Safety	32,150,949	25,534,956	22,648,836	19,218,240	16,618,140	13,536,888	12,623,328
TOTAL	107,692,229	94,961,544	80,229,540	72,424,128	65,768,208	57,678,516	54,019,380
Disability Retirement							
Payroll:							
General	10,628,529	9,561,036	8,052,996	7,478,112	6,540,395	6,132,840	5,532,732
Safety	13,852,780	12,770,940	10,830,432	9,925,116	8,385,012	7,184,760	6,763,344
TOTAL	24,481,309	22,331,976	18,883,428	17,403,228	14,925,407	13,317,600	12,296,076
Beneficiary							
Payroll:							
General	10,603,910	9,825,504	7,600,296	7,078,608	6,685,716	5,977,404	5,484,900
Safety	5,148,537	4,982,532	3,635,004	3,151,620	2,814,048	2,421,012	2,247,900
TOTAL	15,752,447	14,808,036	11,235,300	10,230,228	9,499,764	8,398,416	7,732,800
Total Benefit							
Expense:							
General	96,773,719	88,813,128	73,233,996	67,762,608	62,376,179	56,251,872	52,413,684
Safety	51,152,266	43,288,428	37,114,272	32,294,976	27,817,200	23,142,660	21,634,572
TOTAL	**$147,925,985**	**$132,101,556**	**$110,348,268**	**$100,057,584**	**$90,193,379**	**$79,394,532**	**$74,048,256**

Schedule of Retired Members by Type of Benefit

Summary of Monthly Allowances Being Paid
As of December 31, 2002

Amount of Monthly Benefit General Members	Number of Retirees	Service	Disability	Beneficiaries
$0 to 399	477	343	4	130
$400 to 799	861	607	11	243
$800 to 1,199	703	476	61	166
$1,200 to1,599	583	337	165	81
$1,600 to 1,999	470	308	95	67
$2,000 to 2,399	335	234	72	29
$2,400 to 2,799	238	178	40	20
$2,800 to 3,199	187	156	17	14
$3,200 to 3,599	145	123	8	14
$3,600 to 3,999	98	89	3	6
$4,000 & Over	352	327	11	14
Totals	**4,449**	**3,178**	**487**	**784**

Safety Members	Number of Retirees	Service	Disability	Beneficiaries
$0 to 399	20	8	2	10
$400 to 799	47	17	-	30
$800 to 1,199	28	11	-	17
$1,200 to 1,599	54	16	6	32
$1,600 to 1,999	74	17	24	33
$2,000 to 2,399	87	24	39	24
$2,400 to 2,799	152	42	90	20
$2,800 to 3,199	131	41	70	20
$3,200 to 3,599	90	43	28	19
$3,600 to 3,999	80	58	17	5
$4,000 & Over	407	326	72	9
Totals	**1,170**	**603**	**348**	**219**

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+
2002 Average Monthly Benefit	$2885	$2381	$2064	$1603	$1497	$1319	$1110	$921	$560
Number Retirees & Beneficiaries	546	567	671	703	632	388	154	42	10
2001 Average Monthly Benefit	$2271	$1956	$1781	$1459	$1164	$1106	$ 810	$ 823	$566
Number Retirees & Beneficiaries	895	817	699	675	533	269	80	15	9
2000 Average Monthly Benefit	$2076	$1727	$1530	$1211	$ 873	$ 664	$ 469	$ 428	$1053
Number Retirees & Beneficiaries	830	822	704	696	505	228	74	12	43
1999 Average Monthly Benefit	$1850	$1679	$1401	$1103	$ 843	$ 588	$ 458	$ 328	$ 319
Number Retirees & Beneficiaries	902	796	736	683	472	208	59	10	7
1998 Average Monthly Benefit	$1689	$1584	$1300	$1029	$ 776	$ 555	$ 437	$ 304	$ 412
Number Retirees & Beneficiaries	883	827	761	679	445	182	46	12	2
1997 Average Monthly Benefit	$1526	$1495	$1224	$ 944	$ 707	$ 520	$ 414	$ 350	$ 565
Number Retirees & Beneficiaries	825	840	784	683	394	157	48	15	1
1996 Average Monthly Benefit	$1512	$1396	$1164	$ 812	$ 672	$ 442	$ 389	$ 319	$ 645
Number Retirees & Beneficiaries	882	796	785	666	390	127	33	13	2

Tier 2	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2002 Average Monthly Benefit	$809	$836	$829	$759	$1134				
Number Retirees & Beneficiaries	157	228	97	20	4				
2001 Average Monthly Benefit	$ 673	$ 644	$ 580	$ 480	$633				
Number Retirees & Beneficiaries	373	186	58	14	2				
2000 Average Monthly Benefit	$ 675	$ 571	$ 550	$ 288					
Number Retirees & Beneficiaries	316	160	32	13					
1999 Average Monthly Benefit	$ 654	$ 521	$ 584	$ 191					
Number Retirees & Beneficiaries	310	127	25	9					
1998 Average Monthly Benefit	$ 614	$ 535	$ 453	$ 216					
Number Retirees & Beneficiaries	268	107	22	6					
1997 Average Monthly Benefit	$ 584	$ 502	$ 416	$ 336					
Number Retirees & Beneficiaries	223	88	17	3					
1996 Average Monthly Benefit	$ 515	$ 491	$ 366	$ 475					
Number Retirees & Beneficiaries	187	61	13	2					

Schedule of Average Benefit Payment Amounts

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

Years Since Retirement

Tier 3	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2002 Average Monthly Benefit	$1178								
Number Retirees & Beneficiaries	230								
2001 Average Monthly Benefit	$490								
Number Retirees & Beneficiaries	182								
2000 Average Monthly Benefit	$ 388								
Number Retirees & Beneficiaries	92								
1999 Average Monthly Benefit	$ 397								
Number Retirees & Beneficiaries	47								
1998* Average Monthly Benefit	$ 244								
Number Retirees & Beneficiaries	4								

*Tier 3 started October 1998

Safety	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2002 Average Monthly Benefit	$5117	$3837	$3982	$3086	$3200	$2688	$1998	$1525	$1287
Number Retirees & Beneficiaries	324	226	214	128	120	100	35	18	5
2001 Average Monthly Benefit	$4004	$3265	$3218	$2944	$2914	$2399	$1609	$1149	
Number Retirees & Beneficiaries	326	278	156	144	100	56	23	5	
2000 Average Monthly Benefit	$3763	$3021	$3061	$2591	$2328	$1554	$1102	$ 704	
Number Retirees & Beneficiaries	307	262	150	130	96	51	17	5	
1999 Average Monthly Benefit	$3261	$2912	$2518	$2338	$2186	$1266	$ 977	$ 751	
Number Retirees & Beneficiaries	307	260	145	123	96	41	16	3	
1998 Average Monthly Benefit	$2866	$2795	$2437	$2248	$1854	$1190	$ 737	$ 884	$ 801
Number Retirees & Beneficiaries	285	237	145	117	89	37	14	2	1
1997 Average Monthly Benefit	$2581	$2543	$2331	$2069	$1544	$1072	$ 675	$ 832	
Number Retirees & Beneficiaries	261	197	151	114	81	31	8	3	
1996 Average Monthly Benefit	$2548	$2367	$2234	$1952	$1427	$ 896	$ 613	$ 755	
Number Retirees & Beneficiaries	283	166	155	110	69	27	7	1	

Participating Employers and Active Members

AS OF DECEMBER 31, 2003

County of Contra Costa:

General Members	7,133
Safety Members	1,104
TOTAL:	**8,237**

Participating Agencies:

Bethel Island Municipal Improvement District	3
Byron, Brentwood, Knightsen Union Cemetery District	4
Central Contra Costa Sanitary District	242
Contra Costa County Employees' Retirement Association	35
Contra Costa Housing Authority	112
Contra Costa Mosquito and Vector Control District	29
Delta Diablo Sanitation District	57
Diablo Water District	13
Local Agency Formation Commission (LAFCO)	1
Ironhouse Sanitary District	27
Rodeo Sanitary District	7
In-Home Supportive Services Authority (IHSS)	12
Children & Families Commission	11
Contra Costa County Fire Protection District	367
East Contra Costa Fire Protection District	55
Moraga-Orinda Fire Protection District	70
Rodeo-Hercules Fire Protection District	21
San Ramon Valley Fire Protection District	169
TOTAL:	**1,235**

TOTAL ACTIVE MEMBERSHIP:	**9,472**

Photographic Notes

Table of Contents: Two postcards, early twentieth century: A donkey entices tourists to a sparsely travelled California, and Martinez shows off its classically inspired courthouse.

Page 5: A view east of the future Walnut Creek area. (*Library of Congress, Prints & Photographs Division, Lawrence & Houseworth Collection LC-USZ 62-27236)*

Below: The same view from Dinosaur Hill today. *(Mark Yates Photography)*

Page 17: The cows and the cars come home on Highway 4. According to photographer Dorothea Lange, a cattle drive down this highway was a common sight in 1938. *(Library of Congress, Prints & Photographs Division, FSA-OWI 1935-1945 Collection LC-USF34-018765-E) (Below: Mark Yates Photography)*

Page 47: Talk about class size . . . this was the entire student body of Pacheco Grammar School in 1932. Note Old Glory with 48 stars, and the "business casual" dress code. *(Antoinette E. Warren Collection)*

Below: Three young ladies of the 1930's dress up in circa 1915 wardrobe finery.

Page 57: "There must be a pony . . ." The Courthouse steps host a Baby Buggy Parade and a Pet Parade of future Martinez movers and shakers, circa 1937. Note the NRA insignia, which stood for the "National Recovery Administration" in this era. *(Norma Jeanne Arnold Collection)*

Page 73: A Safety member patrols the "mean streets" of Martinez during the late 1940's. *(Collection of Antoinette E. Warren.)*

Below: Downtown Martinez in the early 1960's.

Design:

Joelle Luhn
Contra Costa County Employees' Retirement Association

Printing and Bindery Services:

Print & Mail Services
A Division of General Services,
Contra Costa County, California