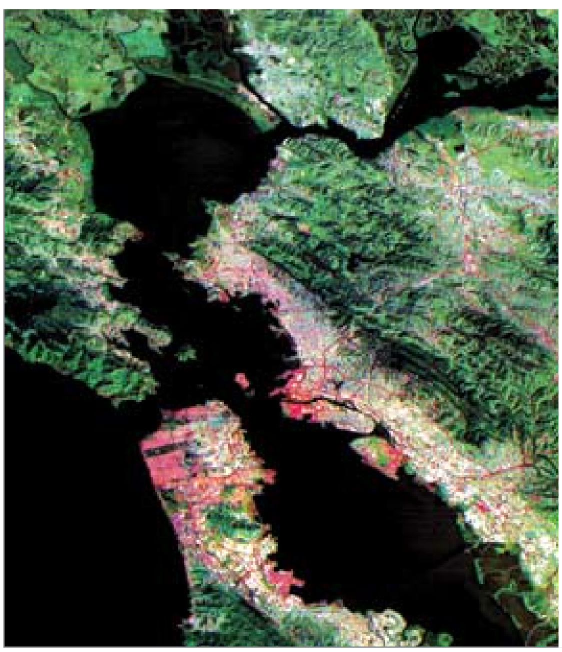
Contra Costa County
Employees' Retirement Association



for the year ended December 31, 2005

A Component Unit of the
County of Contra Costa, California

Comprehensive Annual Financial Report

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for the year ended December 31, 2005

Issued by:

Marilyn Leedom, CEBS	**Retirement Chief Executive Officer**
Rick Koehler, CPA, CGFM	**Retirement Accounting Manager**

Contra Costa County Employees' Retirement Association

A Component Unit of the County of Contra Costa, California

1355 Willow Way, Suite 221

Concord, California 94520-5728

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Introductory Section

contra costa county
Employees' Retirement Association

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

Letter of Transmittal

April 15, 2006

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, 2005, our 60th year of operation.

The Contra Costa County Employees' Retirement Association is a public employee retirement system that was established by the County of Contra Costa on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death and survivor benefits for County employees and 16 other participating agencies under the California State Government Code, Section 31450 et.seq. (County Employees Retirement Law of 1937).

REPORT CONTENTS

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

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

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

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

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

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

CCCERA AND ITS SERVICES

CCCERA was established on July 1, 1945, to provide retirement allowances and other benefits to the safety and general members employed by Contra Costa County. Currently, Contra Costa County and 16 other participating agencies are members of CCCERA. The participating agencies include:

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

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

Alamo-Lafayette Cemetery District
City of Pittsburg
Delta Diablo Sanitation District
Diablo Water District
Ironhouse Sanitary District
Office of Education
Stege Sanitary District

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

The 11 member Board is responsible for the general management of CCCERA. Of the eleven members, two are alternates, one for safety and one for retirees. 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. Two Board members are elected by the retirees, one as an alternate. The County Treasurer serves as an ex-officio member. Board members, with the exception of the County Treasurer, serve three year terms in office, with no term limits. Effective January 1, 2006, a Board of Supervisor appointee alternate member will join the Retirement Board.

FINANCIAL INFORMATION

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

An overview of CCCERA's fiscal operations for the year ended December 31, 2005, is presented in the Management's Discussion and Analysis (MD&A), located in the financial section of the CAFR. This transmittal letter, together with the MD&A, provides an expanded view of the activities of CCCERA.

Brown Armstrong CPAs, CCCERA's independent auditor, has audited the accompanying financial statements. Management believes an adequate system of internal control is in place and the accompanying statements, schedules and tables are fairly presented and free from material misstatement.

ACTUARIAL FUNDING STATUS

CCCERA's funding objective is to meet long-term benefit promises by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to provisions in the County Employees Retirement Law of 1937, CCCERA engages an independent actuarial firm to perform an actuarial valuation of the system annually. Economic assumptions are reviewed annually. Additionally, every 3 years, a triennial experience study of the members of CCCERA is completed. The non-economic assumptions are updated at the time each triennial experience study is performed. The most recent triennial experience study, which was completed by The Segal Company, was performed as of December 31, 2003. The Segal Company's actuarial valuation as of December 31, 2004, determined the funding status (the ratio of system assets to system liabilities) to be 82.0%, using approved assumptions. A more detailed discussion of funding is provided in the Actuarial Section of this report.

In July 2005, Contra Costa Fire Protection District issued $129,900,000 of pension obligation bonds, of which $124,917,000 was used to satisfy the Unfunded Actuarial Accrued Liability (UAAL) for the District, calculated as of December 31, 2004 and $3,709,580 was used to pay off the remaining Paulson Final Liability for the District. In October 2005, Moraga-Orinda Fire Protection District issued $28,435,000 of pension obligation bonds, of which $28,217,911 was used to satisfy the Unfunded Actuarial Accrued Liability (UAAL) for the District, calculated as of that date.

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 $3.7 billion at December 31, 2004, to $4.2 billion at December 31, 2005. For the year ended December 31, 2005, CCCERA's investment portfolio returned 10.8%, before investment management fees, reflecting market conditions throughout the year. The Association's annualized rate of return was 15.8% over the last three years and 6.6% over the last five years, and 10.2% over the last 10 years, net of fees.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to CCCERA for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2004. 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 2005. 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

Pension Administration System Project - After years of careful planning, detailed needs assessment and consideration of three qualified vendors, CCCERA chose Tier Technologies as implementers of a unified pension administration system. The project, with a tentative completion date of late 2007, will revolutionize business processes, safeguard archival data and streamline workflow for efficient, accurate service to our members. Staff productivity will increase due to computerization of vital tasks which currently require manual processing. Maintaining present service levels while intensive system development, installation, and training continue is a challenge, but one which CCCERA personnel has embraced enthusiastically.

Member Handbook Revision - Numerous legislative benefit changes and member requests for detailed information set the stage for a complete revision of CCCERA's existing Benefit Handbook series. After substantial analysis of usage patterns by the membership, a new format was developed, focusing on the information most members require to understand their benefits. References to the 1937 Act are also included to assist staff with questions from members who demand higher levels of information. Recent legislative changes in Contra Costa County have consolidated most general members into one benefit tier: Tier 3. In keeping with this structure, handbooks are categorized for General Members (all tiers), Safety Members, and Retired Members. The General Member handbook draft was completed and sent for management review at the close of 2005.

Group Counseling - Group Counseling continues to be a popular feature of CCCERA's member outreach. In 2004, the program expanded from 12 to 18 sessions. In 2005, this number increased to 20, with members asking for more. County budget constraints have decreased available training programs; CCCERA now presents retirement benefit information at all County New Employee Orientation meetings, and for District employee groups as requested.

Benefit Conversion Requests - Currently, CCCERA administers seven different benefit tiers, including four that apply to the old schedules and three that apply to enhanced benefits. As part of the County's adoption of the 2% at 55 benefit, Tier 2 closed to new members and allowed existing members to convert their Tier 2 time to Tier 3 (enhanced) time. The County offered to pay the cost to convert one year for each two years of service credit the member converted, up to a maximum of three years at the County's expense. Because this conversion opportunity featured a negotiated termination (sunset) date, CCCERA processed over 3800 requests to compute conversion costs and establish payment plans using pre-tax salary before the end of 2005.

ACKNOWLEDGEMENT

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

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

Respectfully submitted,

Marilyn Leedom

Marilyn Leedom, CEBS
Retirement Chief Executive Officer

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Members of The Retirement Board

As of December 31, 2005

Trustees	Term Expires	Appointed/ Elected by
Clifton A. Wedington, CFP Chairperson	June 30, 2008	Board of Supervisors
Brian Hast, Vice-Chairperson	June 30, 2007	General Members
William J. Pollacek, County Treasurer Secretary		Permanent by Office
Richard Cabral	June 30, 2008	General Members
John Gioia	June 30, 2008	Board of Supervisors
Paul Katz	June 30, 2008	Board of Supervisors
Bob Rey	June 30, 2008	Safety Members
Jerry Telles	June 30, 2007	Retirees
Maria Theresa Viramontes	June 30, 2007	Board of Supervisors
Louis Kroll (alternate)	June 30, 2008	Safety Members
Sharon Naramore (alternate)	June 30, 2007	Retirees

List of Professional Consultants

As of December 31, 2005

Actuary

The Segal Company

Benefit Statement Consultant

The Segal Company

Data Processing

Contra Costa County Department of Information Technology

Auditor

Brown Armstrong CPAs

Legal Counsel

County Counsel of Contra Costa County - Disability Counsel
Steefel, Levitt & Weiss - General Counsel

Investment Consultant

Milliman, USA

Master Custodian

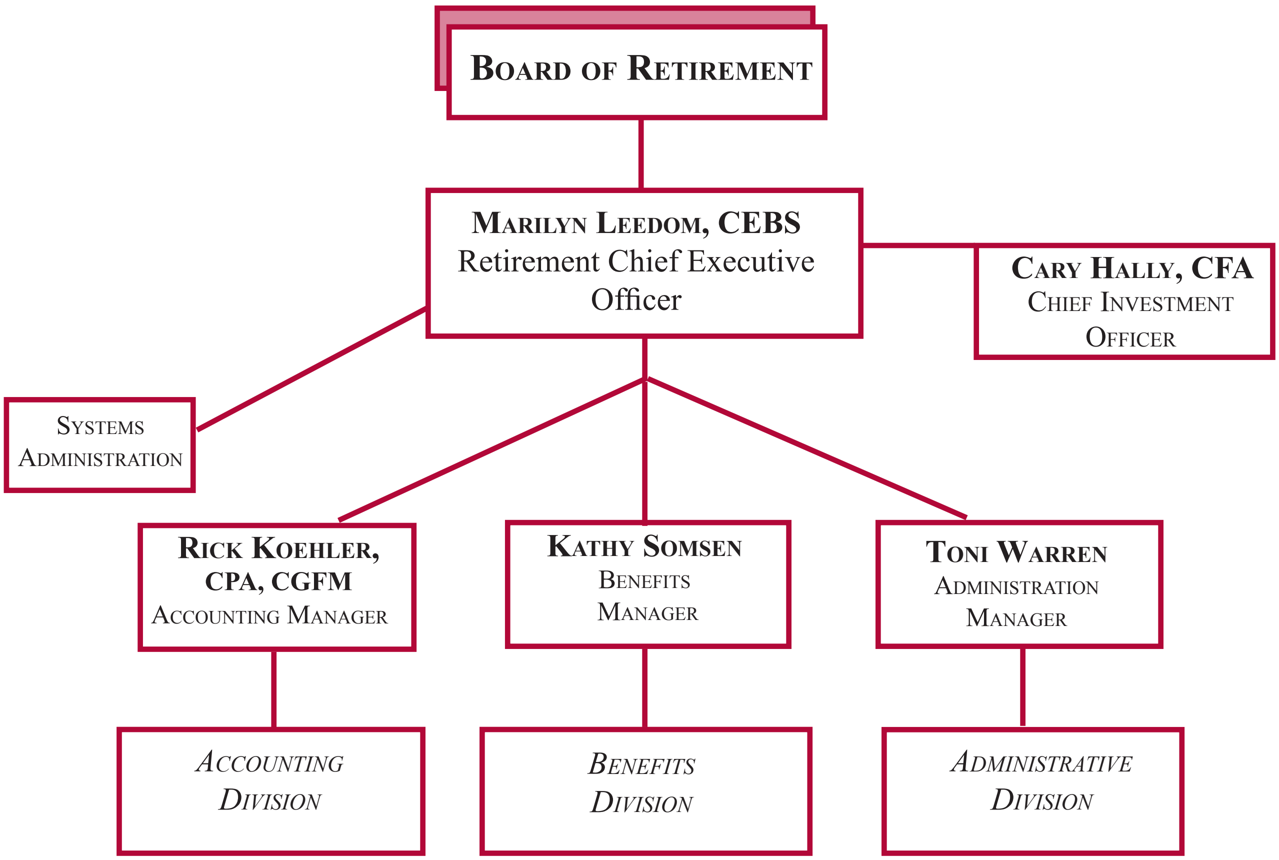
State Street Bank & Trust

Proxy Guideline Voting Agent Service

Institutional Shareholder Services

Note: List of Investment Managers is located on page 58 of the Investment Section of this report.

Administrative Organization Chart



GFOA Certificate of Achievement Award

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Contra Costa County Employees' Retirement Association, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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

2005 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

Alan H. Winkle
Program Administrator

Financial Section

contra costa county
Employees' Retirement Association

BROWN ARMSTRONG CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK & KEETER
Certified Public Accountants

Main Office
4200 Truxton Ave., Suite 300
Bakersfield, California 93309
Tel 661-324-4971 Fax 661-324-4997
e-mail: barrinfo@barrcpa.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661-746-2145 Fax 661-746-1218

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of plan net assets of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of December 31, 2005 and 2004, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of CCCERA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2005 and 2004, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, in 2005 CCCERA adopted the provisions of GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2006, 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.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
March 24, 2006

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, 2005. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our Letter of Transmittal, as well as the Financial Statements.

Financial Highlights

‡ The net assets of CCCERA at the close of the calendar year total $4.2 billion (net assets held in trust for pension benefits), an increase of $503 million, or 13.5% 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 $716.2 million, which includes employee and employer contributions of $373.8 million and an investment gain of $341.9 million and net securities lending income of $505,800.

‡ Employer contributions increased from $118.2 million in 2004 to $300.3 million in 2005 primarily because Consolidated Fire District and Moraga-Orinda Fire District contributed $124.9 million and $28.2 million, respectively, in 2005 from the issuance of pension obligation bonds. Contribution rate increases attributed to a reduced interest assumption, from 8.0% to 7.9%, also took effect in July 2005. Also included in the 2005 amount is $3.3 million paid by County departments as a result of employees converting prior Tier 2 service to Tier 3 service.

‡ Employee contributions increased from $65.3 million to $73.5 million over the same period primarily as the result of the reduction of the interest rate assumption from 8.0% to 7.9%.

‡ Total Deductions as reflected in the Statement of Changes in Plan Net Assets increased from $194.4 million to $213.1 million over the prior year, or approximately 9.6%. Benefits paid to retirees and beneficiaries increased from $179 million in 2004 to $196 million in 2005. Ironhouse Sanitary District and Diablo Water District terminated their membership with CCCERA effective March 31, 2005 and September 30, 2005, respectively, and their assets were transferred to CalPERS in 2005 for their active members (See Note 11 for additional disclosure).

‡ CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2004, the date of our last actuarial valuation, the funded ratio for CCCERA was 82%. In general, this indicates that for every dollar of benefits due, CCCERA has approximately $0.82 to cover it.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Financial Analysis

Assets and Funding Ratio

As of December 31, 2005, CCCERA has $4.2 billion in net assets, which means that total assets of $5.2 billion exceed total liabilities of $1.0 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, 2005, net assets increased by 13.5% 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 $215,238 to $94,204, (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 56.2% over 2004. CCCERA is in the process of reviewing its technology infrastructure, and has purchased computer servers and equipment for its imaging project. CCCERA started the design phase of a Pension Benefit System in early 2006 and costs associated with this project will be capitalized and amortized over a 10 year period. It is expected the project will take 20-24 months to complete.

PLAN NET ASSETS

	2005	2004	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentages
Current Assets	$ 1,017,577,724	$ 994,564,538	$ 23,013,186	2.3%
Investments	4,210,814,777	3,511,106,642	699,708,135	19.9%
Capital Assets	94,204	215,238	(121,034)	-56.2%
Total Assets	5,228,486,705	4,505,886,418	722,600,287	16.0%
Total Liabilities	1,006,764,453	787,270,522	219,493,931	27.9%
Total Plan Net Assets	**$ 4,221,722,252**	**$ 3,718,615,896**	**$ 503,106,356**	**13.5%**

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

CCCERA's Activities

CHANGES IN PLAN NET ASSETS

Additions	2005	2004	Increase/ (Decrease) Amount	Increase/ (Decrease) Percentage
Employer Pension Obligation Bond Proceeds	$ 147,165,108 153,134,911	$ 118,245,418 0	$ 28,919,690 153,134,911	24.5% 100.0%
Total Employer Contributions	$ 300,300,019	$118,245,418	$182,054.601	154.0%
Employee Contributions	73,474,816	65,297,397	8,177,419	12.5%
Net Investment Income	341,877,365	415,668,827	(73,791,462)	-17.8%
Net Security Lending Income	505,829	344,167	161,662	47.0%
Total	**$ 716,158,029**	**$ 599,555,809**	**$ 116,602,220**	**19.4%**

Deductions

Pension Benefits	$ 196,106,294	$ 178,979,297	$ 17,126,997	9.6%
Refunds	2,074,426	909,468	1,164,958	128.1%
Administrative	4,896,325	4,089,459	806,866	19.7%
Other Expenses	6,440,182	5,776,115	664,067	11.5%
Membership Withdrawal	3,534,446	4,680,521	(1,146,075)	-24.5%
Total	**$ 213,051,673**	**$ 194,434,860**	**$ 18,616,813**	**9.6%**

Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	**$ 503,106,356**	**$ 405,120,949**	**$ 97,985,407**	**24.2%**

Additions to Plan Net Assets

The primary sources to finance the benefits that CCCERA provides to its members are accumulated through the collection of member (employee) and employer contributions and through the earnings on investments (net of investment expenses). Net investment income for the year ended December 31, 2005, totaled $341.9 million.

By year end, overall additions had increased by $116.6 million, or 19.4%, from the prior year due primarily to investment gains and the receipt of Pension Obligation Bond proceeds from Consolidated Fire and Moraga-Orinda Fire Districts in 2005. The investment section of this report reviews the result of investment activity for the year ended December 31, 2005.

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, 2005, totaled $213.1 million, an increase of 9.6% over December 31, 2004. The increase is attributed to the additional benefit payments for retirees as well as the growth in the number and average amount of benefits paid to retirees. In addition, Ironhouse Sanitary District and Diablo Water District's assets of $2.3 million and $1.2 million, respectively, were transferred out of the fund.

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

CCCERA's Fiduciary Responsibilities

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

Requests for Information

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

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

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

Respectfully submitted,

Rick Koehler, CPA, CGFM
Retirement Accounting Manager

April 15, 2006

Statement of Plan Net Assets

AS OF DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS:		
Cash equivalents	$ 330,690,621	$ 324,177,985
Cash collateral - securities lending	364,436,020	332,937,664
Total cash & cash equivalents	695,126,641	657,115,649
Receivables:		
Contributions	6,772,172	5,244,608
Investment trades	276,625,254	285,421,487
Investment income	11,231,129	12,588,142
Installment contracts - Paulson	27,261,737	32,353,721
Other	112,073	1,372,205
Total receivables	322,002,365	336,980,163
Investments at fair value:		
Stocks	2,134,119,297	1,746,928,390
Bonds	1,589,582,763	1,311,420,447
Real estate	368,705,924	366,127,999
Alternative investments	118,406,793	86,629,806
Total investments	4,210,814,777	3,511,106,642
Other Assets:		
Prepaid expenses/deposits	448,718	468,726
Capital assets, net of accumulated depreciation of $610,451	94,204	215,238
Total assets	5,228,486,705	4,505,886,418
LIABILITIES:		
Investment trades	541,938,783	368,779,935
Security lending	364,436,020	332,937,664
Employer contributions unearned	76,972,624	64,949,247
Retirement allowance payable	16,876,257	15,452,375
Accounts payable	3,942,206	3,705,110
Unclaimed contributions	359,788	457,387
Contributions refundable	485,303	248,169
Other liabilities	1,753,472	740,635
Total liabilities	1,006,764,453	787,270,522
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$ 4,221,722,252**	**$ 3,718,615,896**

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

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
ADDITIONS:		
Contributions:		
Employer	$ 147,165,108	$ 118,245,418
Pension obligation bond proceeds (See Note 6)	153,134,911	-
Total employer contributions	300,300,019	118,245,418
Employee	73,474,816	65,297,397
Total contributions	373,774,835	183,542,815
Investment income:		
Net appreciation in fair value of investments	204,861,832	271,670,774
Net increase in fair value of real estate	14,288,126	57,987,583
Interest	75,322,314	61,066,377
Dividends	37,040,434	15,694,272
Real estate income, net	18,797,385	24,647,426
Investment expense	(18,808,186)	(20,042,432)
Other income and expense	10,375,460	4,644,827
Net investment income, before securities lending income	341,877,365	415,668,827
Securities lending income:		
Earnings	10,106,238	3,260,436
Rebates	(9,265,926)	(2,675,025)
Fees	(334,483)	(241,244)
Net securities lending income	505,829	344,167
Net investment income	342,383,194	416,012,994
Total additions (contributions and net investment income)	716,158,029	599,555,809
DEDUCTIONS:		
Benefits paid	196,106,294	178,979,297
Contribution prepayment discount	6,086,598	5,496,298
Administrative	4,896,325	4,089,459
Refunds of contributions	2,074,426	909,468
Other	353,584	279,817
Membership withdrawal (See Note 11)	3,534,446	4,680,521
Total deductions	213,051,673	194,434,860
NET INCREASE	503,106,356	405,120,949
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year, as previously stated	3,718,615,896	3,313,494,947
End of year	**$4,221,722,252**	**$3,718,615,896**

See accompanying notes to financial statements.

Notes To The Financial Statements

For The Year Ended December 31, 2005

Note 1. Plan Description

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

General

CCCERA is a contributory defined benefit plan (the Plan) initially organized under the provisions of the 1937 Act on July 1, 1945. It provides benefits upon retirement, death or disability of members. CCCERA operates as a cost-sharing, multiple employer defined benefit pension plan that covers substantially all of the employees of the County of Contra Costa (the County) and 16 other member agencies. CCCERA membership as of December 31, 2005 and 2004 is presented below.

	2005	2004
Retirees and Beneficiaries Receiving Benefits	6,437	6,118
Inactive Vested Members entitled to but not yet receiving benefits	1,731	1,517
Current Employees:		
Vested:		
General Employees	4,939	4,878
Safety Employees	1,177	1,195
Non-Vested:		
General Employees	2,655	2,795
Safety Employees	434	490
Total Membership	**17,373**	**16,993**

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

Benefit Provisions

The Plan is currently divided into seven benefit sections in accordance with the 1937 Act. These sections are known as General Tier I, enhanced and non-enhanced; Tier II; Tier III enhanced and non-enhanced; Safety enhanced and non-enhanced. On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provides enhanced benefit changes commonly known as 3% at 50 for safety members and 2% at 55 for general members, effective July 1, 2002 and January 1, 2003, respectively. Effective January 1, 2005, the enhanced benefits are applied to the bargaining units represented by the California Nurses Association and the nonrepresented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, as well as the supervisors and managers of those employees. Effective July 1, 2005, East Contra Costa Fire Protection District adopted the enhanced benefit structure for its employees. In addition, each Special District that is a participant of CCCERA, and whose staff are not County employees covered by Resolution No. 2002/608, may elect to participate in the enhanced benefits. As of December 31, 2005, seven general member agencies and four safety member agencies have adopted enhanced benefits for their employees. One additional general member agency is slated to adopt the enhanced benefit structure effective February 1, 2006.

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

Tier I includes members not mandated to be in Tier II or Tier III and reciprocal members who elected Tier I membership. As of December 31, 2005, Tier II includes only the employees of one special district agency. This agency will be moving its Tier II members to Tier III and adopting the enhanced benefit structures on February 1, 2006. All members who moved to Tier III with five or more years of service prior to October 1, 2002, or were moved to Tier III effective October 1, 2002, or are slated to be moved to Tier III on February 1, 2006, continue to have Tier II benefits for service prior to that date unless the service is converted to Tier III.

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

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

Pertinent provisions for each section follow:

General - Tier I

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

General - Tier II

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with ten years of service credit required. Those members who elected in 1980 to transfer from General - Tier I to General - Tier II are eligible for non-service connected disability retirement with five years of service. The definition of disability is more strict under General - Tier II than in the General - Tier I plan. The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 31462.

General - Tier III

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

Safety

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

Cost of Living Adjustments (COLA)

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

Terminations

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

Note 2. Summary of Significant Accounting Policies

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

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

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

Receivables
Receivables consist primarily of interest, dividends, installment contracts, investments in transition, i.e., traded but not yet settled, and contributions owed by the employing entities as of December 31, 2005 and 2004.

Capital Assets
Capital assets, consisting of leasehold improvements, furniture and office equipment, are presented at historical cost, less accumulated depreciation. Capital assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year are capitalized and depreciated. Depreciation is calculated using the straight-line method, with estimated lives of ten years for leasehold improvements and ranging from four to five years for office equipment. Depreciation for the year ended December 31, 2005 and 2004 was $137,741 and $144,732, respectively.

Compensated Absences
The December 31, 2005 and 2004 liability for accumulated annual leave earned by CCCERA employees totaling $169,574 and $166,467, respectively, 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 that can be accumulated in two years of employment.

Pre-1981 Retiree Health Care Benefits
Government Code Section 31592.2 authorizes the Retirement Board to pay for healthcare costs of County retired members from the County (Employer) Advance Reserves. In December 2002, the Board transferred $11 million from its excess earnings to the Employer Advance Reserve to cover the reimbursement of health care costs of approximately 383 pre-1981 retirees who previously were not eligible for health care coverage. The County extended an offer of health care coverage to this group and approximately 40 retirees or their beneficiaries elected coverage. Starting with January 2004, and continuing through December 2008, CCCERA will reduce the County employer 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. add new note

Implementation of New Accounting Pronouncements
CCCERA adopted the Governmental Accounting Standards Board's (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure*, an amendment of GASB Statement No. 3, effective for the year ended December 31, 2005. The required information is disclosed in Note 3.

NOTE 3. DEPOSITS AND INVESTMENT RISK DISCLOSURES

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

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

Investment Risk

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

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

The following schedule is a list of fixed income and short term investments and the related maturity schedule for CCCERA as of December 31, 2005:

Investment Maturities (in years)

Investment Type	Less than 1 year	1-5 years	6 -10 years	More than 10 years	Fair Value
Collateralized Mortgage Backed Securities (CMBS)	$ 1,152,105	$ 20,141,402	$ 51,526,401	$ 184,521,386	$ 257,341,294
Collateralized Mortgage Obligations (CMO)	-	1,589,712	1,879,375	145,982,366	149,451,453
Commerical Paper	133,069,897	-	-	-	133,069,897
Corporate Bonds	8,431,200	36,101,461	98,049,175	21,704,255	164,286,091
Private Placement	-	188,167,874	156,583,087	20,901,856	365,652,817
Short-term Investment Fund (STIF) Instruments	95,832,823	-	-	-	95,832,823
US Treasury Notes & Bonds	65,645,848	83,168,123	12,498,696	42,834,936	204,147,603
US Agencies (GNMA, FNMA,FHLMC)	63,739,480	30,299,914	40,551,926	392,396,082	526,987,402
TOTAL:	$367,871,353	$ 359,468,486	$ 361,088,660	$808,340,881	$1,896,769,380

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, CCCERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. Under California Government Code, a financial institution is required to secure deposits in excess of $100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is held by the pledging financial institution's trust department or agent in CCCERA's name.

At year-end, the carrying amount of CCCERA's cash deposits was $84,629 (which are included in cash equivalents) and the bank balance was $431,030. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $100,000 was covered by federal depository insurance, and $331,030 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, CCCERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in CCCERA's name, and held by the counterparty. CCCERA's investment securities are not exposed to custodial credit risk because all securities held by CCCERA's custodial bank are in CCCERA's name.

The Board's investment policies and guidelines permit investments in numerous specified asset classes to take advantage of professional investment management advice and a well-diversified portfolio. The investment portfolio contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5% or more of plan net assets.

Credit Risk

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

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

The following is a schedule of the credit risk ratings of CCCERA's fixed income and short term investments as of December 31, 2005, as rated by Standard & Poor's.

Quality Rating	Fair Value
AAA	$ 1,064,184,491
AA+	21,164,071
AA	2,090,169
AA-	23,081,314
A+	9,677,650
A	12,664,698
A-	49,633,714
BBB+	9,606,455
BBB	18,969,766
BBB-	8,301,140
BB+	21,075,905
BB	29,843,996
BB-	38,525,567
B+	22,736,177
B	24,222,896
B-	25,316,396
CCC+	2,658,356
CCC	635,975
CCC-	529,200
CC	17,992
NR	511,833,452
TOTAL:	$ 1,896,769,380

Foreign Currency Risk

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

Currency	Fair Value (in US $)
Argentine Peso	$ 289,653
Australian Dollar	12,278,009
Brazilian Real	2,976,635
British Pound Sterling	82,833,851
Canadian Dollar	14,616,917
Chilean Peso	12,329
Columbian Peso	466,688
Danish Krone	2,310,204
Egyptian Pound	758,678
Euro Currency	197,500,235
Hong Kong Dollar	5,596,212
Hungarian Forint	-84,517
Iceland Krona	984,414
Indian Rupee	4,432,692
Indonesian Rupiah	1,723,047
Israeli Shekel	1,281,062
Japanese Yen	170,937,005
Malaysian Ringgit	1,816,657
Mexican New Peso	5,078,324
Moroccan Dirham	40,190
New Turkish Lira	1,777,519
Norwegian Krone	11,343,959
Phillipine Peso	185,354
Polish Zloty	30,785
Singapore Dollar	3,938,832
South African Rand	6,144,688
South Korean Won	10,787,056
Sri Lankan Rupee	551
Swedish Krona	17,730,158
Swiss Franc	30,156,680
Taiwan New Dollar	7,446,458
Thai Baht	1,060,197
TOTAL:	**$596,450,522**

NOTE 4. SECURITIES LENDING TRANSACTIONS

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

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

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

At year-end, CCCERA has no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The fair value of investments on loan at December 31, 2005 is $356,382,267, which was collateralized by cash in the amount of $364,436,020, 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, 2005, the following derivative financial instruments were held by investment managers:

> Various investment managers for CCCERA manage fixed income portfolios that contain derivative type financial instruments. These instruments include government and corporate obligations consisting of asset-backed securities, call and put options, floating rate notes, constant maturity index, Adjustable Rate Mortgages (ARMs), Collateralized Mortgage Obligations (CMOs), Collateralized Mortgage Backed Securities (CMBS) and LIBOR Indexed ARMs. The fair value of derivative financial instruments at December 31, 2005 is $940,933,291.
>
> PIMCO and Western Asset Management have made investments in forward currency contracts, which are unrecorded commitments to purchase or sell stated amounts of foreign currency. Gains or losses on the disposition of the commitments are recorded at the time of settlement. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of December 31, 2005, total commitments in forward currency contracts to purchase and sell foreign securities were $209,626,550 and $209,626,550, respectively, with market values of $209,084,350 and $207,502,876, 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 4.56% and 18.89% of their annual covered salary, depending on their Tier and benefit. County Safety 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. Member contributions are refundable upon termination of employment.

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

During the year, contributions totaled $373,774,835, which included $73,474,816 in employee contributions and $147,165,108 in employer contributions and $153,134,911 from the proceeds of pension obligation bonds issued by Contra Costa Fire Protection District and Moraga-Orinda Fire Protection District. These figures also include employee and employer purchase, redeposit and conversion amounts.

Government Code Section 31582(b) allows the Board of Supervisors to authorize the county auditor to make an advance payment of all or part of the county's estimated annual contribution to the retirement fund. Code Section 31585 makes the same appropriations and transfers available to Districts. Contra Costa County and 11 participating employers "prepay" or make advance payments of all of the employer's estimated annual contributions discounted by the assumed interest rate in effect on July 1. At the end of the fiscal year, a "true-up" is completed and employers are either billed for an underpayment or apply their overpayment towards the following year contributions.

Six-year historical trend information, designed to provide information about CCCERA’s progress in accumulating sufficient assets to pay benefits when due, is presented as required supplementary information on page 45.

Employer contributions for 2000 through 2002 are less than 100% due to action taken by the Board to phase-in, over a three year period, increased contribution requirements associated with the December 31, 1997 actuarial experience study, as well as the *Ventura Decision* (see following paragraph). The Retirement Board, at its meeting on July 11, 2000, deferred for one year, the third year phase-in from the experience study and the second year phase-in of the *Ventura Decision*.

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

Note 7. Reserves and Designations

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

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

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

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

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

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

Statutory Contingency Reserve represents investment earnings accumulated for future earnings deficiencies, investment losses and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, funding of Supplemental COLA and transfers of excess earnings to other Reserves and other Designations. The Statutory Contingency Reserve is used to satisfy the California Government Code requirement that CCCERA reserve one percent of its assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies. As of December 31, 2003, the Statutory Contingency Reserve was completely used to pay interest to the reserve accounts.This acccount will be replenished in subsequent periods when there are sufficient earnings according to the interest crediting policy for CCCERA.

Market Stabilization Account represents the deferred return developed by the smoothing of realized and unrealized gains and losses based on a five-year smoothing.This method smoothes only the semi-annual deviation of total market return (net of expenses) from the return target, 7.9 percent per annum. This assumption rate was used in determining contribution rates for the period July 1, 2005 through June 30, 2006. As of December 31, 2005, the Market Stabilization Account is a positive amount due to significant market gains over the past three years.

Reserved and designated net assets at December 31, 2005 and December 31, 2004 are as follows:

	2005	2004
Valuation Reserves:		
Member Deposits	$ 347,341,888	$ 307,042,183
Member Cost of Living	96,991,433	71,729,876
Employer Advance	1,120,750,868	954,739,199
Employer Cost of Living	760,781,775	649,467,788
Retired Member	1,293,622,706	1,210,353,614
Retired Cost of Living	513,347,475	469,765,921
New Dollar Power Cost of Living Supplement and Pre-Fund	28,987,886	32,437,702
Smoothed Market Value Valuation	157,348,121	146,132,597
Contra Tracking Account	(257,115,009)	(167,810,806)
Total Valuation Reserves	4,062,057,143	3,673,858,074
Supplemental Reserves:		
Post Retirement Death Benefit	12,435,689	12,310,600
Other Reserves/Designations:		
Statutory Contingency Reserve (one percent)	0	0
Total Allocated Reserves/Designations	4,074,492,832	3,686,168,674
Market Stabilization Account	147,229,420	32,447,222
Net Assets held in trust for pension benefits	**$ 4,221,722,252**	**$ 3,718,615,896**

Note 8. Lease Obligation

CCCERA owns the Willows Office Park located at 1355 Willow Way, Concord, California and has held this property as a real estate investment since 1984. The property manager for the Willows Office Park is CB Richard Ellis. CCCERA has entered into a fair market lease to occupy a portion of the building. A commitment under an operating lease agreement for office facilities provides for minimum future rental payments through July 31, 2011. These future minimum rental payments as of December 31, 2005 are as follows:

Year Ending December 31	Amount
2005	$ 308,070
2006	324,108
2007	324,108
2008	324,108
2009	324,108
2010	324,108
2011*	189,063
Total	$ 2,117,673

*Lease expires July 31, 2011

NOTE 9. RISK MANAGEMENT

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

NOTE 10. PAULSON LAWSUIT SETTLEMENT

During the year ended December 31, 1999, CCCERA settled its litigation, entitled *Vernon D. Paulson, et al. vs. Board of Retirement of the Contra Costa County Employees' Retirement Association, et al*. The lawsuit was brought on behalf of a class of retired members of CCCERA regarding the inclusions and the exclusions from "final" compensation that are used in calculating member's retirement benefits as a result of the Ventura Decision (see Note 6). A settlement agreement was entered into with all parties and each employer was invoiced for their share of the $34.2 million additional liability plus interest up to the date of the payment. The City of Pittsburg and Contra Costa Fire Protection District chose to pay their share of the liability due over 20 years and Contra Costa County over 19.5 years. These three employers entered into contracts with CCCERA, while the remainder of the employers paid CCCERA in a lump sum in 2003. In July 2005, Contra Costa Fire Protection District issued a pension obligation bond with part of the proceeds being used to extinguish their remaining Paulson liability. The following summary lists the pertinent details of each agreement plus the amounts due at December 31, 2005.

INSTALLMENT PAYMENTS DUE FROM PAULSON FINAL LIABILITY

	City of Pittsburg	Contra Costa County
Agreement Details:		
Effective Date of Agreement	November 7, 2003	December 16, 2003
First Payment Due	December 1, 2003	August 1, 2004
Last Payment Due	December 1, 2022	February 1, 2024
Rate of Interest	8%	8%
Annual Principal and Interest Payment	$ 105,542	$ 2,759,911
Original Principal	$ 1,119,124	$ 28,064,981
Receivable at December 31, 2005:		
Future Principal Payments	$ 962,715	$ 26,191,483
Interest Accrued for 2005	$ 6,418	$ 873,049

Note 11. Litigation, Commitments and Contingencies

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

CCCERA accepted a settlement offer in September 2005 made to the Retirement Association by the San Ramon Fire Protection District. The agreement provided for the District's payment to CCCERA of the entire principal amount of $2.29 million in contributions that the Retirement Board had determined the District owed for "enhanced benefits," plus an additional cash payment to CCCERA of $327,250 to cover all of CCCERA's attorney fees incurred in litigating the case, as well as interest on the obligation.

CCCERA ratified a settlement agreement in October 2005 made between the Retirement Association and WorldCom officers and various banks. The agreement provided for WorldCom officers and various banks to pay CCCERA $3.6 million, net of attorney fees, for August 1998 and May 2001 bond losses, equity losses and interest through October 27, 2005.

CCCERA ratified a settlement agreement in February 2006 between the Retirement Association and Trust Company of the West (TCW) relating to a money management agreement. Without in any way acknowledging any liability, and to avoid future protracted litigation, the agreement provides that TCW shall pay to CCCERA $386,000 in settlement of disputed transaction fees and expenses. Furthermore, TCW will forgo and release any claim it has for management fees pursuant to the contract in dispute. Both parties exchanged mutual releases.

Ironhouse Sanitary District Withdrawal from Membership
Ironhouse Sanitary District terminated its membership with CCCERA effective March 31, 2005. The district held an election of its active members; the result was a decision to convert to California Public Employees' Retirement System (CalPERS) on April 1, 2005.

The retired and deferred Ironhouse members, who either currently draw a benefit or could draw a benefit in the future, will continue with CCCERA. A determination of the value of Ironhouse's accumulated assets, as well as their current and unfunded liability, was undertaken by CCCERA's actuary using methodology per CCCERA's Employer Termination Policy. The amount of $2,279,979 was transferred to CalPERS in 2005. Sufficient assets will remain with CCCERA to pay the ongoing benefits of the retirees and beneficiaries of Ironhouse. Ironhouse elected to use the termination methodology that will not require re-determination of the liability for their retirees and therefore will not be subject to future contributions to CCCERA.

Diablo Water District Withdrawal from Membership

Diablo Water District terminated its membership with CCCERA effective September 30, 2005. The district held an election of its active members and the result of that election was a decision to convert to California Public Employees' Retirement System (CalPERS) on October 1, 2005.

The retired and deferred members from Diablo Water, who either currently draw a benefit or could draw a benefit in the future, will continue with CCCERA. A determination of the value of Diablo Water's accumulated assets, as well as their current and unfunded liability, was undertaken by CCCERA's actuary using methodology per CCCERA's Employer Termination Policy. The amount of $1,254,467 was transferred to CalPERS in 2005. Sufficient assets will remain with CCCERA to pay the ongoing benefits of the retirees and beneficiaries of Diablo Water.

CCCERA's independent actuary will re-determine Diablo Water's liability as of December 31 of each year for which CCCERA conducts a triennial experience analysis, the most recent experience analysis being December 31, 2003. If the ratio of Diablo Water's assets to the termination liability (as measured by the termination agreement) is below 95% or above 105%, the difference between Diablo Water's assets and liability will be amortized and transferred as provided in the termination agreement.

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)
12/31/99	$ 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%
12/31/03	3,538,722	4,141,390	602,668	85.5%	600,274	100.4%
12/31/04	3,673,858	4,481,243	807,385	82.0%	619,132	130.4%

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

Schedule of Employer Contributions

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

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

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

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

Actuarial valuations of CCCERA are normally carried out as of December 31 of each year and contribution requirements resulting from such valuations become effective on July 1 of the following fiscal year, except as follows: The contribution requirements from the December 31, 2001 valuation became effective on January 1, 2003 per Retirement Board action and remained in effect through June 30, 2004. The contribution requirements resulting from subsequent valuations become effective 18 months after the valuation date. (i.e. December 31, 2003 became effective on July 1, 2005.)

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, 2004
Actuarial Cost Method	Entry Age Normal Funding Method
Amortization Method	Level Percent - closed
Remaining Amortization Period	18 Years
Asset Valuation Method	5 year Smoothed Market, excluding non-valuation reserves and designations*
Actuarial Assumptions	
Investment Rate of Return	7.90%
Projected Salary Increases	6.66%
Attributed to Inflation	4.00%
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 45 has been restated to reflect this change.

Other Supplementary Information

Schedule of Administrative Expenses

For the Years Ended December 31, 2005 and 2004

	2005	2004
Personnel Services:		
Salaries and Wages	$ 2,382,721	$ 2,002,827
Employee Retirement	1,197,906	959,714
Total Personnel Services	3,580,627	2,962,541
Professional Services:		
Actuary - Benefit Statement	75,526	42,024
Computer and Software Services and Support	35,545	27,156
County Counsel - Disability	74,325	36,882
Disability Hearing Officer/Medical Reviews	29,524	32,821
External Audit Fees	39,150	31,507
Contra Costa Dept of Information Technology	45,588	31,185
Newsletters	11,277	10,021
Other Professional Services	155,035	90,773
Total Professional Services	465,970	302,369
Office Expenses:		
Office Lease and Expenses	308,700	314,936
Office Supplies	46,018	50,111
Minor Equipment and Computer Supplies	85,014	43,546
Postage	40,757	32,669
Equipment Lease	18,021	31,287
Requested Maintenance	4,412	1,695
Communications/Telephone	16,030	15,498
Printing and Publications	6,883	21,002
Total Office Expenses	525,835	510,744
Miscellaneous:		
Fiduciary and Staff - Education/Travel	50,262	44,707
Fiduciary and Staff - Meetings/Other Travel	4,270	3,885
Insurance	121,086	116,459
Memberships	10,534	4,022
Total Miscellaneous	186,152	169,073
Depreciation and Amortization	137,741	144,732
Total Administrative Expenses	**$ 4,896,325**	**$ 4,089,459**

Schedule of Investment Expenses

For the Years Ended December 31, 2005 and 2004

	2005	2004
Investment Management Fees, by portfolio:		
Stocks	$ 6,731,721	$ 6,456,108
Bonds	4,101,093	4,826,339
Real Estate	4,208,776	3,763,404
Alternative	2,430,536	3,570,987
Cash and Short Term	10,140	6,275
Total Investment Management Fees	17,482,266	18,623,113
Investment Consulting Fees:		
Consulting Services	352,451	517,374
Attorney Services	144,175	231,232
Actuarial Services	153,780	86,813
Total Investment Consulting Fees	650,406	835,419
Investment Custodian Fees	347,440	325,075
Other Investment Related Expenses	328,074	258,825
Total Investment Expenses	**$ 18,808,186**	**$ 20,042,432**

Investment Section

contra costa county
Employees' Retirement Association

Report On Investment Activity

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

March 2, 2006

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

Re: *Chief Investment Officer Review of 2005 Investment Returns*

Members of the Board:

The Contra Costa County Employees' Retirement Association (CCCERA) experienced very strong performance for the calendar year ending December 31, 2005, both on an absolute basis versus performance objectives and on a relative basis versus universes of peer funds.

Total Fund Performance
CCCERA's Total Fund returned 10.8% for the one-year period ending December 31, 2005, outperforming the 7.9% actuarial interest rate and the 7.6% return for the performance objective of the CPI plus 400 basis points. Relative to peer universe comparisons, CCCERA's 2005 performance significantly exceeded the median total fund return of 6.1% and the median public fund return of 6.0%. For the year 2005, CCCERA ranked in the 5th percentile in the universe of total funds and in the 2nd percentile in the universe of public funds.

Domestic Equity Performance
For the calendar year 2005, CCCERA's domestic equities returned 8.8%, exceeding the 6.1% return of the Russell 3000 Index and the 4.9% return of the S&P 500 Index. CCCERA's domestic equities outperformed the 6.5% return of the median equity manager for the one-year period ending December 31, 2005, ranking in the 35th percentile in the universe of domestic equity managers.

International Equity Performance
CCCERA's international equities had very strong performance for 2005 with a return of 20.0%. This performance exceeded the 2005 calendar year return of 14.0% for the MSCI EAFE Index and the 15.9% return of the median international equity manager, ranking in the 32nd percentile in the universe of international equity portfolios.

Domestic Fixed Income Performance
CCCERA's total domestic fixed income returned 3.7% for the one-year period ending December 31, 2005, outperforming the 2.4% return of the Lehman Aggregate Index and the 2.5% return of the median fixed income manager. For 2005, CCCERA's domestic fixed income performance ranked in the 14th percentile in the universe of fixed income managers.

Trustees, Board of Retirement
March 2, 2006
Page 2

International Fixed Income Performance.
For the calendar year 2005, CCCERA's international fixed income returned 5.4%. This performance is slightly below the 5.7% return of the Citigroup Non-US Government Bond Index (fully hedged).

Real Estate Performance
CCCERA's combined real estate portfolio had very strong performance for 2005, both on an absolute basis and relative basis. The combined real estate portfolio returned 20.8% for the calendar year 2005, which is in line with the 20.1% return of the NCREIF Property Index and well above the 16.7% return of the median real estate portfolio.

Alternative Investment Performance
For the one-year period ending December 31, 2005, CCCERA's combined alternative investment portfolio had exceptionally strong performance. The combined alternative investment portfolio had a 2005 calendar year return of 33.5%, led by strong returns with energy fund investments and some private equity investments. (Several components of the combined alternative investment composite are reported on a lagging quarter basis due to financial data reporting constraints.)

Asset Allocation
As of December 31, 2005, CCCERA's market value of assets is $4.2 billion, an increase of approximately $540 million from the December 31, 2004 market value of $3.7 million. This is primarily the result of strong investment returns experienced in 2005.

In the spring of 2005, CCCERA completed an asset allocation study which resulted in several changes. The domestic equity target allocation was increased by 4% to a new target of 43%. High yield bonds, which had been part of the domestic fixed income allocation, were added as a separate asset class with a target of 2%. An allocation to commodities was added as an asset class with a 2% target allocation. The target allocation for domestic fixed income dropped by 6% to a target of 23%, and the real estate allocation target decreased by 1% to a target of 9%.

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

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

Sincerely,

Cary Hally, CFA,
Chief Investment Officer

General Information

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

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

The Board has adopted an Investment Policy, which provides the framework for the management of CCCERA's investments. This policy establishes CCCERA's investment policies and objectives and defines the principal duties of the Board, custodian bank and investment managers. For the year ended December 31, 2005, the total fund return was 10.8%, greater than the targeted return of 7.6% (CPI plus 400 basis points), and greater than the median public fund return of 6.0%.

Summary of Proxy Voting Guidelines and Procedures

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

Investment Results Based on Fair Value*

As of December 31, 2005

		Current Year	3 Year	Annualized 5 Year	10 Year
Domestic Equity		8.80%	17.20%	1.00%	9.35%
Benchmarks:	S&P 500	4.90%	14.40%	0.50%	9.08%
	Russell 2000	4.60%	22.10%	8.20%	9.26%
	Russell 3000	6.10%	15.90%	1.60%	9.20%
International Equity		20.00%	25.70%	6.80%	9.73%
Benchmarks:	MSCI EAFE Index	14.00%	24.20%	4.90%	6.18%
	MSCI EM Free Index	34.50%	38.40%	19.40%	5.81%
Domestic Fixed Income		3.70%	6.00%	6.80%	6.57%
Benchmarks:	Lehman Aggregate	2.40%	3.60%	5.90%	6.16%
	Citigroup Mortgage	2.70%	3.50%	5.50%	6.20%
	Citigroup High Yield	2.10%	13.90%	8.90%	6.75%
	T-Bills	3.10%	1.80%	2.30%	3.84%
International Fixed Income**		5.40%	5.10%	5.60%	-
Benchmark:	Cit Non US Govt	5.70%	4.20%	5.70%	7.19%
Real Estate		20.80%	25.50%	18.70%	16.23%
Benchmarks:	NCREIF Property	20.10%	14.40%	11.40%	12.10%
Index		8.60%	8.20%	7.80%	6.61%
Alternative Investments**		33.50%	15.20%	1.40%	-
Total Fund		10.80%	15.80%	6.60%	10.22%
CPI + 400 bps		7.60%	7.20%	6.70%	6.61%

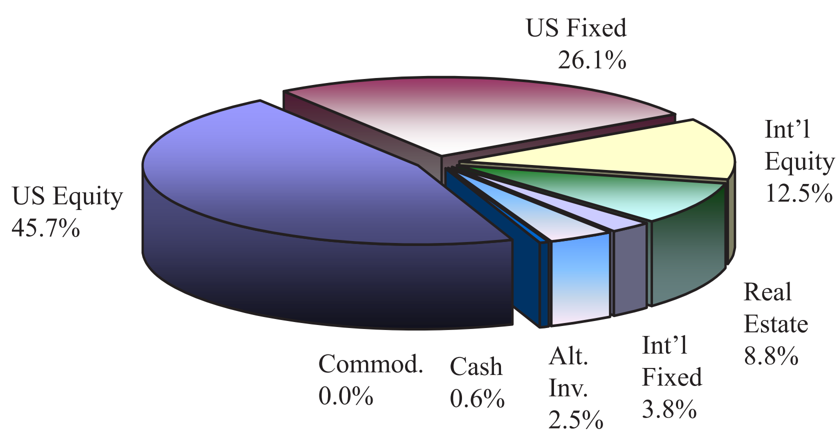
* Using time-weighted rate of return based on the market rate of return

** International Fixed Income and Alternative Investments not applicable for 10 years.

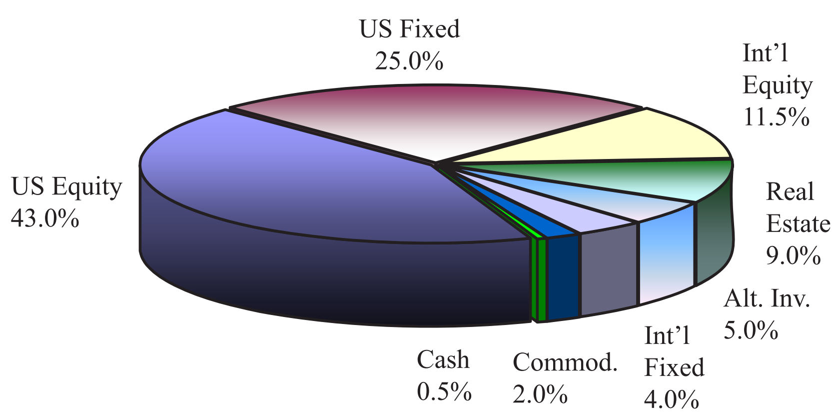
Asset Allocation

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

As of December 31, 2005



Actual Asset Allocation



Target Asset Allocation

10 Largest Stock Holdings as of 12/31/05

CUSIP	Shares	Security Name	Fair Value
828806109	235,000	Simon Ppty Group Inc New	$ 18,008,050
929042109	206,700	Vornado Rlty Tr	17,253,249
053484101	181,600	Avalonbay Cmntys Inc	16,207,800
29476L107	359,200	Equity Residential	14,051,904
69806L104	208,400	Pan Pac Retail Pptys Inc	13,939,876
368710406	150,000	Genentech Inc	13,875,000
747525103	320,000	Qualcomm Inc	13,785,600
101121101	177,500	Boston Pptys Inc	13,158,075
743410102	276,200	Prologis	12,904,064
80004C101	200,000	Sandisk Corp	12,564,000
		Total Largest Stock Holdings	**$145,747,618**

10 Largest Bond Holdings as of 12/31/05

CUSIP	Security Name	Cost	Fair Value
722005808	Pimco Fds Pac Invt Mgmt Ser	$ 157,008,513	$ 153,381,586
722005600	Pimco Fds Pac Invt Mgmt Ser	101,854,650	100,859,580
01F050619	FNMA TBA JAN 30 Single Fam	68,206,539	68,867,019
01F052615	FNMA TBA JAN 30 Single Fam	59,483,545	59,904,450
01F050627	FNMA TBA FEB 30 Single Fam	49,135,313	49,358,438
01F052615	FNMA TBA JAN 30 Single Fam	37,651,352	37,922,982
912828CW8	United States Treas Nts	27,811,059	27,616,109
975666991	Western Asset Invest	16,364,538	21,033,530
01N060619	GNMA 1 TBA JAN 30 Single Fam	20,715,406	20,876,532
912795WR8	United States Treas Bills	19,110,216	19,110,216
	Total Largest Bond Holdings		**$558,930,442**

A complete list of portfolio holdings is available on request.

Schedule of Investment Management Fees

For the year ended December 31, 2005

Investment Activity	
Stock Managers	
Domestic	$ 5,694,371
International	1,037,350
Subtotal	6,731,721
Bond Managers	
Domestic	3,611,801
International	489,292
Subtotal	4,101,093
Real Estate Managers	4,208,776
Alternative Investment Managers	2,430,536
Cash & Short Term with County Treasurer	10,140
Total Fees from Investment Activity (see page 48)	17,482,266
Securities Lending Activity	
Management Fee	334,483
Borrower Rebate	9,265,926
Total Fees from Securities Lending Activity	9,600,409
Total Investment Management Fees	$ 27,082,675

Investment Summary

As of December 31, 2005

Type of Investment	Fair Value	Percent of Total Fair Value
Deposit	$ 84,629	0.00%
Short Term Investments held by Fiscal Agent	672,258,494	13.71%
Short Term Investments held by the County	22,783,518	0.46%
Total Short Term Investments	695,126,641	14.17%
US Government and Agency Instruments	747,339,448	15.23%
Private Placement Bonds	365,652,817	7.45%
Domestic Corporate Bonds	358,494,003	7.31%
International Bonds	118,096,495	2.41%
Total Bonds	1,589,582,763	32.40%
Domestic Stocks	1,556,182,543	31.72%
International Stocks	577,936,754	11.78%
Total Stocks	2,134,119,297	43.50%
Real Estate	368,705,924	7.52%
Alternative Investments	118,406,793	2.41%
Total Investments	**$ 4,905,941,418**	**100%**

Investment Managers

As of December 31, 2005

Alternative Assets
Adams Street Partners
Bay Area Equity Fund
Energy Investors Funds Group (EIF/Liberty)
Nogales Investors LLC
Pathway Capital Management
Hancock PruTimber Fund III

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

Equity - International
Capital Guardian Trust Company
Grantham, Mayo, Van Otterloo & Co. LLC (GMO)

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

Cash & Short Term
Contra Costa County Treasurer
State Street Corporation

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

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

Securities Lending Program
State Street Corporation

Actuarial Section

contra costa county
Employees' Retirement Association

Actuary Certification Letter

SEGAL

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

February 13, 2006

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, 2004 actuarial valuation of the Contra Costa County Employees' Retirement Association (CCCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters for the Governmental Accounting Standards Board Statement No. 25.

As part of the December 31, 2004 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness; however, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are included in the Actuarial Section. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the semi-annual differences between the actual and expected market investment return over a five-year period.

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

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

Board of Retirement
Contra Costa County Employees' Retirement Association
February 13, 2006
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, 2004 is illustrated in the Actuarial Solvency Test that is included in the Actuarial Section.

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

The valuation assumptions included in the Actuarial Section are those adopted by the Retirement Board considering recommendations made by us following the December 31, 2004 Experience Analysis. It is our opinion that the assumptions used in the December 31, 2004 valuation produce results which, in the aggregate, reasonably reflect the future experience of the Plan.

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

Sincerely,

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

John Monroe, MAAA
Actuary

JZM/dvb

Summary of Assumptions and Funding Methods

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 were implemented on July 1, 2004 and were in effect through June 30, 2005.

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%

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

Assumptions

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

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

Assumptions

Valuation Interest rate	7.90%
Inflation Assumption	4.00%
Projected Salary Increases	6.66%
Cost of Living Adjustments (maximums)	3% for Tiers 1, 3 and Safety, 4% for Tier 2
Interest Rate Credited to Active Member Accounts	7.90%

Post-Retirement Mortality

A. Healthy:

General Tier 1, Tier 2 and Tier 3	1994 Group Annuity Mortality Table set forward 1 year
Safety Members	1994 Group Annuity Mortality Table set forward 2 years

B. Disabled:

General Tier 1, Tier`2 and Tier 3	1981 General Disability Mortality Table set back 3 years
Safety Members	1994 Group Annuity Mortality Table set forward 2 years

C. Employee Contribution Rate:

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

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

Pre-Retirement Mortality	Based upon the Experience Analysis as of 12/31/03
Withdrawal Rates	Based upon the Experience Analysis as of 12/31/03
Disability Rates	Based upon the Experience Analysis as of 12/31/03
Service Retirement Rates	Based upon the Experience Analysis as of 12/31/03
Salary Scales	Total increases of 6.66% per year reflecting approximately 4.00% for inflation, .25% for additional real "across the board" salary increases and approximately 2.41% for merit and longevity
Marriage Assumption At Retirement	80% for male members 55% for female members
Value of Assets for Contribution Rate Purposes	Actuarial Value as described in Actuarial Valuation Methods Section of Valuation Report

Funding Method and Amortization of Actuarial Gains or Losses

The employer's liability is being funded on the Entry Age Normal Method and with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 18 years as of December 31, 2004.

Probability of Occurrence

Termination Rates (%) Before Retirement

Mortality

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

Withdrawal
(<5 years of Service)

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

Disability

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

Withdrawal
(+5 years of Service)

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

Retirement Rates (%)

Non-Enhanced Benefits

Age	Tier 1	Tier 2	Tier 3	Safety
50	3.00	3.00	2.00	1.00
55	10.00	5.00	2.00	2.00
60	25.00	15.00	5.00	17.00
65	40.00	25.00	20.00	100.00

Enhanced Benefits

Age	Tier 1	Tier 3	Safety
50	3.00	0.00	30.00
55	20.00	10.00	45.00
60	25.00	15.00	100.00
65	35.00	35.00	100.00

Summary of December 31, 2004 Valuation Results

	December 31, 2004		December 31, 2003	
EMPLOYER CONTRIBUTION RATES (County and District combined)*:				
	Total Rate	Estimated Annual Amount	Total Rate	Estimated Annual Amount
General Tier 1 Non-enhanced	32.56%	$ 2,184,807	28.59%	$ 3,830,000
General Tier 1 Enhanced	30.01%	27,033,668	27.09%	24,789,000
General Tier 2	26.37%	274,628	18.22%	3,228,000
General Tier 3 Non-enhanced	30.53%	88,208	21.42%	3,746,000
General Tier 3 Enhanced	25.39%	94,971,255	22.51%	72,523,000
Safety Non-enhanced	36.28%	1,761,478	37.10%	1,668,000
Safety Enhanced	52.65%	74,849,920	49.57%	66,140,000
All Employers Combined	**32.49%**	**$201,163,964**	**29.31%**	**$ 175,924,000**

AVERAGE MEMBER CONTRIBUTION RATES*:

	Total Rate	Estimated Annual Amount	Total Rate	Estimated Annual Amount
General Tier 1 Non-enhanced	7.54%	$ 505,941	7.64%	$ 1,024,000
General Tier 1 Enhanced	6.82%	6,143,491	6.57%	6,012,000
General Tier 2	2.96%	30,827	3.12%	553,000
General Tier 3 Non-enhanced	6.76%	19,531	6.60%	1,154,000
General Tier 3 Enhanced	6.62%	24,757,430	6.38%	20,559,000
Safety Non-enhanced	14.32%	695,269	9.87%	444,000
Safety Enhanced	13.25%	18,838,415	11.15%	14,877,000
All Categories Combined	**8.24%**	**$ 50,990,904**	**7.43%**	**$ 44,623,000**

KEY ACTUARIAL ASSUMPTIONS

	December 31, 2004	December 31, 2003
Annual Interest Rate:	7.90%	7.90%
Annual Inflation Rate:	4.00%	4.00%
Average Annual Salary Increase:	6.66%	6.41%

* Based on December 31, 2004 projected annual payroll.

Summary of Significant Results

Association Membership	December 31, 2004	December 31, 2003	Increase/ (Decrease)
Active Members			
1. Number of Members	9,358	9,476	-1.2%
2. Total Active Payroll	$619,132,218	$600,274,000	3.1%
3. Average Monthly Salary	$ 5,513	$ 5,278	4.5%
Retired Members			
1. Number of Members:			
Service Retirement	4,144	3,998	3.7%
Disability Retirement	905	896	1.0%
Beneficiaries	1,069	1,042	2.6%
2. Total Retired Payroll	$178,979,000	$163,923,000	9.2%
3. Average Monthly Pension	$ 2,500	$ 2,453	1.9%
Inactive Vested Members			
1. Number of Members*	1,517	1,248	21.6%
Asset Values (Net)			
Market Value	$3,718,615,896	$3,313,495,000	12.2%
Return on Market Value	12.27%	23.44%	
Actuarial Value	$3,686,168,674	$3,550,801,000	3.8%
Return on Actuarial Value	3.85%	2.52%	
Valuation Assets	$3,673,858,074	$3,538,722,000	3.8%
Return on Valuation Assets	3.84%	7.41%	
Liability Values			
Actuarial Accrued Liability	$4,481,242,899	$4,141,390,000	8.2%
Unfunded Actuarial Accrued Liability (UAAL)	$ 807,384,825	$ 602,668,000	34.0%
Funding Ratio			
GASB No. 25	82%	86%	-4.0%

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

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
12/31/99	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%**
12/31/03	General	7,778	$462,351,361	$59,443	3.90%
	Safety	1,698	137,922,547	81,226	8.90%
	Total	**9,476**	**$600,273,908**	**$63,347**	**4.89%**
12/31/04	General	7,675	$472,100,272	$61,511	3.48%
	Safety	1,693	147,031,946	87,363	7.55%
	Total	**9,358**	**$619,132,218**	**$66,161**	**4.44%**

Retirants and Beneficiaries Added To and Removed From Retiree Payroll

Year	At Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
1999	5,171	342	N/A	(127)	N/A	5,386	$ 104,237,054	16.00%	$ 19,353
2000	5,386	446	N/A	(274)	N/A	5,558	113,149,480	8.55%	20,358
2001	5,558	451	N/A	(112)	N/A	5,897	126,190,164	11.53%	21,399
2002	5,487*	267	$18,430,647	(135)	$(4,524,000)	5,619	140,096,811	11.02%	24,933
2003	5,619	541	28,635,293	(224)	(4,809,000)	5,936	163,923,104	17.01%	27,615
2004	5,936	316	18,212,193	(134)	(3,156,000)	6,118	178,979,297	9.18%	29,255

*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
12/31/99	$ 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%
12/31/03	273,175	2,072,929	1,795,286	3,538,722	100%	100%	66%
12/31/04	351,578	2,212,082	1,947,583	3,673,858	100%	100%	100%

Actuarial Analysis of Financial Experience

For Years Ended December 31

(Dollar Amounts In Thousands)

Type of Activity	2004	2003	2002	2001	2000	1999	1998
Composite Gain (or Loss) During Year	($204,717)	($221,780)	($10,557)	($81,984)	$7,713	$155,734	($210,414)

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, 2004, and as adopted by Contra Costa County and special district employees.

A. GENERAL MEMBERS -

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

Coverage

Tier 1:

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

Tier 3:

Tier 2 members for one Special District 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, 2002 were placed in Tier 3. All CNA employees hired on or after January 1, 2005 were placed in Tier 3.

Final Average Salary (FAS)

a. One year final average salary

Service Retirement

a. Requirement

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

Tier 2 Plan (Section 31751)

Coverage

Tier 2:

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

One special district continues to have employees in Tier 2, but will move them to Tier 3 effective February 1, 2006.

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 $350x12)xYrs
55:	(2.00%xFAS-1/3x2.00%x $350x12)xYrs
60:	(2.26%xFAS-1/3x2.26%x $350x12)xYrs
62:	(2.37%xFAS-1/3x2.37%x $350x12)xYrs
65:	(2.42%xFAS-1/3x2.42%x $350x12)xYrs**

Maximum Benefit - 100% of FAS

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

Disability Retirement

Tier 1:

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

b. Benefit
  (1) Service-connected. 50% FAS or Service Retirement benefit, if greater.
  (2) Nonservice-connected: 1-1/2% x FAS x years of service. Future service years projected to age 65. Generally leads 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. b. If greater than five years of service, right to have vested deferred retirement benefit.	a. If less than five years of service, return of contributions, but can leave funds to earn interest. b. If greater than five years of service, right to have vested deferred retirement benefit.

Cost of Living Benefit

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

Employee's Contribution Rates

<u>Non-enhanced 31676.11</u> a. Basic: to provide for 1/2 of the Section 31676.11 benefit at age 55. b. COL: to pay for 1/2 of future COL costs.	a. 40% of the full Section 31676.11 employee contribution rate. b. COL: to pay for 1/2 of future COL
<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 was given under the Tier 2 Plan for future service only. The COL maximum is 4% only for the credit under the Tier 2 Plan. Transferred Tier 2 Plan members keep the five year requirement for nonservice-connected disability. Those who were members before April 1, 1973 will be exempt from paying member contributions after 30 years of service.

B. SAFETY MEMBERS (31664 and 31664.1)

Coverage

a. All Safety members

Final Average Salary (FAS)

a. One year final average salary

Service Retirement

a. Requirement

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

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

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

Maximum Benefit: 100% of FAS

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

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

Maximum Benefit: 100% of FAS

Disability Retirement

a. Requirements

(1) Service-connected: None

(2) Nonservice-connected: five years of service

b. Benefit

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

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

Death Before Retirement

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

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

(2) Return of contributions

b. While eligible to retire (after five years)

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

c. Line of Duty death - 1/2 FAS

Death After Retirement

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

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

c. Lump sum payment of $5,000

Withdrawal Benefits

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

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

Cost of Living Benefit

3% maximum change per year

Employees' Non-enhanced (Section 31664) Contribution Rates

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

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

Employees' Enhanced (Section 31664.1) Contribution Rates

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

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

Employer Contribution Rate

Enough to make up the balance and COL costs

Statistical Section

contra costa county
Employees' Retirement Association

Revenue by Source

For Years 1997 - 2005

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
2004	65,297,397	118,245,418	416,012,994	599,555,809
2005	73,474,816	300,300,019***	342,383,194	716,158,029

*Net of Investment Expenses

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

***Includes POB proceeds of $153,134,911

Expenses by Type

For Years 1997 - 2005

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
2004****	178,979,297	909,468	0	4,089,459	5,776,115	189,754,339
2005*****	196,106,294	2,074,426	0	4,896,325	6,440,182	209,517,227

*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 the prior period adjustment 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 payment of $10,791,085 for membership withdrawal by the City of Pittsburg is excluded from 2001.

****A payment of $4,680,521 for membership withdrawal by Delta Diablo Sanitation District is excluded from 2004.

*****Payments of $1,254,467 for membership withdrawal by Diablo Water District and $2,279,979 for membership withdrawal by Ironhouse Sanitary District are excluded from 2005.

Schedule of Benefit Expenses by Type

Estimates Based on Annualized Benefit Amounts as of December 31, of Each Year

	2004	2003	2002	2001	2000	1999	1998	1997	1996
Service Retirement Payroll:									
General	$83,153,340	$83,082,384	$75,541,280	$69,426,588	$57,580,704	$53,205,888	$49,150,068	$44,141,628	$41,396,052
Safety	44,566,272	42,524,880	32,150,949	25,534,956	22,648,836	19,218,240	16,618,140	13,536,888	12,623,328
Total	127,719,612	125,607,264	107,692,229	94,961,544	80,229,540	72,424,128	65,768,208	57,678,516	54,019,380
Disability Retirement Payroll:									
General	11,827,656	11,718,156	10,628,529	9,561,036	8,052,996	7,478,112	6,540,395	6,132,840	5,532,732
Safety	18,694,620	17,850,060	13,852,780	12,770,940	10,830,432	9,925,116	8,385,012	7,184,760	6,763,344
Total	30,522,276	29,568,216	24,481,309	22,331,976	18,883,428	17,403,228	14,925,407	13,317,600	12,296,076
Beneficiary Payroll:									
General	13,369,932	12,794,592	10,603.910	9,825,504	7,600,296	7,078,608	6,685,716	5,977,404	5,484,900
Safety	6,961,044	6,586,944	5,148,537	4,982,532	3,635,004	3,151,620	2,814,048	2,421,012	2,247,900
Total	20,330,976	19,381,536	15,752,447	14,808,036	11,235,300	10,230,228	9,499,764	8,398,416	7,732,800
Total Benefit Expense:									
General	108,350,928	107,775,132	96,773,719	88,813,128	73,233,996	67,762,608	62,376,179	56,251,872	52,413,684
Safety	70,221,936	66,961,884	51,152,266	43,288,428	37,114,272	32,294,976	27,817,200	23,142,660	21,634,572
Total	**$178,572,864**	**$174,737,016**	**$147,925,985**	**$132,101,556**	**$110,348,268**	**$100,057,584**	**$90,193,379**	**$79,394,532**	**$74,048,256**

Schedule of Retired Members by Type of Benefit

SUMMARY OF MONTHLY ALLOWANCES BEING PAID AS OF DECEMBER 31, 2004

Amount of Monthly Benefit General Members	Number of Retirees	Service	Disability	Beneficiaries
$0 to 499	684	515	4	165
$500 to 999	954	700	15	239
$1000 to 1,499	792	498	135	159
$1,500 to1,999	651	386	158	107
$2,000 to 2,499	457	301	99	57
$2,500 to 2,999	320	231	51	38
$3,000 to3,499	234	195	20	19
$3,500 to 3,999	161	138	9	14
$4,000 to 4,499	110	96	4	10
$4,500 to 4,999	104	95	3	6
$5,000 & Over	313	293	6	14
TOTALS	**4,780**	**3,448**	**504**	**828**

Safety Members	Number of Retirees	Service	Disability	Beneficiaries
$0 to 499	27	13	2	12
$500 to 999	57	21	2	34
$1,000 to 1,499	49	19	4	26
$1,500 to 1,999	68	22	21	25
$2,000 to 2,499	101	20	45	36
$2,500 to 2,999	181	47	101	33
$3,000 to 3,499	162	53	78	31
$3,500 to 3,999	98	53	30	15
$4,000 to 4,499	89	64	13	12
$4,500 to 4,999	58	43	10	5
$5,000 & Over	448	341	95	12
TOTALS	**1,338**	**696**	**401**	**241**

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+
2004 Average Monthly Benefit	$3399	$2698	$2304	$1831	$1563	$1585	$1360	$1092	$875
Number Retirees & Beneficiaries	639	609	604	638	621	450	182	45	10
2003 Average Monthly Benefit	$3245	$2553	$2224	$1764	$1548	$1561	$1299	$1152	$865
Number Retirees & Beneficiaries	675	583	629	669	620	390	154	35	11
2002 Average Monthly Benefit	$2885	$2381	$2064	$1603	$1497	$1319	$1110	$921	$560
Number Retirees & Beneficiaries	546	567	671	703	632	388	154	42	10
2001 Average Monthly Benefit	$2271	$1956	$1781	$1459	$1164	$1106	$ 810	$ 823	$566
Number Retirees & Beneficiaries	895	817	699	675	533	269	80	15	9
2000 Average Monthly Benefit	$2076	$1727	$1530	$1211	$ 873	$ 664	$ 469	$ 428	$1053
Number Retirees & Beneficiaries	830	822	704	696	505	228	74	12	43
1999 Average Monthly Benefit	$1850	$1679	$1401	$1103	$ 843	$ 588	$ 458	$ 328	$ 319
Number Retirees & Beneficiaries	902	796	736	683	472	208	59	10	7
1998 Average Monthly Benefit	$1689	$1584	$1300	$1029	$ 776	$ 555	$ 437	$ 304	$ 412
Number Retirees & Beneficiaries	883	827	761	679	445	182	46	12	2
1997 Average Monthly Benefit	$1526	$1495	$1224	$ 944	$ 707	$ 520	$ 414	$ 350	$ 565
Number Retirees & Beneficiaries	825	840	784	683	394	157	48	15	1
1996 Average Monthly Benefit	$1512	$1396	$1164	$ 812	$ 672	$ 442	$ 389	$ 319	$ 645
Number Retirees & Beneficiaries	882	796	785	666	390	127	33	13	2

Schedule of Average Benefit Payment Amounts

Years Since Retirement

Tier 2	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2004 Average Monthly Benefit	$840	$676	$948	$738	$1076	$768			
Number Retirees & Beneficiaries	540	122	257	128	25	8			
2003 Average Monthly Benefit	$857	$814	$887	$855	$778	$1009			
Number Retirees & Beneficiaries	530	155	242	109	18	6			
2002 Average Monthly Benefit	$809	$836	$829	$759	$1134				
Number Retirees & Beneficiaries	157	228	97	20	4				
2001 Average Monthly Benefit	$ 673	$ 644	$ 580	$ 480	$633				
Number Retirees & Beneficiaries	373	186	58	14	2				
2000 Average Monthly Benefit	$ 675	$ 571	$ 550	$ 288					
Number Retirees & Beneficiaries	316	160	32	13					
1999 Average Monthly Benefit	$ 654	$ 521	$ 584	$ 191					
Number Retirees & Beneficiaries	310	127	25	9					
1998 Average Monthly Benefit	$ 614	$ 535	$ 453	$ 216					
Number Retirees & Beneficiaries	268	107	22	6					
1997 Average Monthly Benefit	$ 584	$ 502	$ 416	$ 336					
Number Retirees & Beneficiaries	223	88	17	3					
1996 Average Monthly Benefit	$ 515	$ 491	$ 366	$ 475					
Number Retirees & Beneficiaries	187	61	13	2					

Tier 3	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2004 Average Monthly Benefit	$1438	$1126							
Number Retirees & Beneficiaries	396	46							
2003 Average Monthly Benefit	$1304	$ 429							
Number Retirees & Beneficiaries	346	1							
2002 Average Monthly Benefit	$1178								
Number Retirees & Beneficiaries	230								
2001 Average Monthly Benefit	$490								
Number Retirees & Beneficiaries	182								
2000 Average Monthly Benefit	$ 388								
Number Retirees & Beneficiaries	92								
1999 Average Monthly Benefit	$ 397								
Number Retirees & Beneficiaries	47								
1998* Average Monthly Benefit	$ 244								
Number Retirees & Beneficiaries	4								

*Tier 3 started October 1998

Schedule of Average Benefit Payment Amounts

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

Years Since Retirement

Safety	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2004 Average Monthly Benefit	$5550	$4598	$4182	$3298	$3278	$3520	$2731	$2299	$1459
Number Retirees & Beneficiaries	406	272	237	135	107	106	5	18	7
2003 Average Monthly Benefit	$5477	$4214	$4153	$3345	$3381	$3478	$2540	$2044	$1679
Number Retirees & Beneficiaries	431	241	215	133	109	100	42	17	5
2002 Average Monthly Benefit	$5117	$3837	$3982	$3086	$3200	$2688	$1998	$1525	$1287
Number Retirees & Beneficiaries	324	226	214	128	120	100	35	18	5
2001 Average Monthly Benefit	$4004	$3265	$3218	$2944	$2914	$2399	$1609	$1149	
Number Retirees & Beneficiaries	326	278	156	144	100	56	23	5	
2000 Average Monthly Benefit	$3763	$3021	$3061	$2591	$2328	$1554	$1102	$ 704	
Number Retirees & Beneficiaries	307	262	150	130	96	51	17	5	
1999 Average Monthly Benefit	$3261	$2912	$2518	$2338	$2186	$1266	$ 977	$ 751	
Number Retirees & Beneficiaries	307	260	145	123	96	41	16	3	
1998 Average Monthly Benefit	$2866	$2795	$2437	$2248	$1854	$1190	$ 737	$ 884	$ 801
Number Retirees & Beneficiaries	285	237	145	117	89	37	14	2	1
1997 Average Monthly Benefit	$2581	$2543	$2331	$2069	$1544	$1072	$ 675	$ 832	
Number Retirees & Beneficiaries	261	197	151	114	81	31	8	3	
1996 Average Monthly Benefit	$2548	$2367	$2234	$1952	$1427	$ 896	$ 613	$ 755	
Number Retirees & Beneficiaries	283	166	155	110	69	27	7	1	

Participating Employers and Active Members

AS OF DECEMBER 31, 2005

County of Contra Costa:

General Members	6,699
Safety Members	1,027
TOTAL:	7,726

Participating Agencies:

Bethel Island Municipal Improvement District	4
Byron, Brentwood, Knightsen Union Cemetery District	5
Central Contra Costa Sanitary District	249
Contra Costa County Employees' Retirement Association	35
Contra Costa Housing Authority	98
Contra Costa Mosquito and Vector Control District	31
Local Agency Formation Commission (LAFCO)	1
Rodeo Sanitary District	7
In-Home Supportive Services Authority (IHSS)	12
First 5 - Children & Families Commission	13
Contra Costa County Fire Protection District	361
East Contra Costa Fire Protection District	55
Moraga-Orinda Fire Protection District	73
Rodeo-Hercules Fire Protection District	21
Superior Court	342
San Ramon Valley Fire Protection District	172
TOTAL:	**1,479**

TOTAL ACTIVE MEMBERSHIP:	**9,205**

Illustration Notes

Cover The San Francisco Bay Area is portrayed in infrared from NASA's *ASTER* Terra Satellite. Vegetation is red, urban development is gray. Differences in soils and rock composition are blue to green *(upper right)*. Temperature differences are shown lower right. Warmer water is yellow to red; colder water of Suisun Bay is violet. *(Images courtesy of NASA)*

Title Page Contra Costa County takes center stage in a topographical map view of the San Francisco Bay Area. *(Graphic courtesy Nasa WorldWind)*

Page 5: A false color satellite view of Contra Costa County shows areas of dense vegetation *(red)* and urbanized areas *(gray)*.

Page 17: Iridescent blue and purple abstractions flank the Sacramento Delta system as water flows into Suisun and San Pablo Bays along the Contra Costa coastline. *(US Geological Survey and TerraServer)*

Page 49: MISR's nadir camera photographs the 9 Bay Area counties, the Sierra Nevada and Coast Ranges. *(NASA/GSFC/JPL, MISR and AirMISR Teams)*

Page 59: This relief map of Contra Costa County combines Landsat TM satellite imagery over Digital Elevation Models. *(created by Robert E. Crippen (JPL) and Ross Stein (USGS)* The view angle is 20 degrees below horizontal. The red lines represent active earthquake faults in the region. Mt. Diablo is in the upper right corner. *(Illustration courtesy PG&E and USGS)*

Page 74: This satellite view of Concord features the tan/gray runway area of Buchanan field. 2 inches below, the white roof of the Retirement Office looks like an upside down "L." Highways 4 and 680 create broad abstract strokes through this populated area. *(Image courtesy of NASA World Wind)*

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