

Contra Costa County Employees' Retirement Association

County of Contra Costa, California



Monte Del Diablo, 1873, by John Ross Key

Popular Annual Financial Report

for the Year Ended December 31, 2013

Dear Members,

We are pleased to present the *Popular Annual Financial Report (PAFR)* for the year ended December 31, 2013.

The financial data presented in the PAFR is derived from the Comprehensive Annual Financial Report (CAFR) and is consistent with generally accepted accounting principles (GAAP). Our goal is to provide a summary of CCCERA's annual financial report that allows members and other interested parties to review the fund's fiscal information and demographics.

CCCERA's Total Fund returned 16.5% for the one-year period ending December 31, 2013, exceeding the 7.75% actuarial interest rate and the 5.6% return for the performance objective of the CPI plus 400 basis points. Relative to the peer universe, CCCERA's 2013 performance exceeded the median public fund return of 15.5%, and ranked in the 43rd percentile of public funds.

As of December 31, 2013, CCCERA's net position totaled \$6.5 billion (net position restricted for pension benefits), which means that assets plus deferred outflows of resources of \$7.46 billion exceed liabilities and deferred inflows of resources of \$1.0 billion. The primary use of assets includes benefit payments to retirees and their beneficiaries, contribution refunds to terminating employees, and the cost of administering the system. The funded ratio is 70.6%, as of December 31, 2012, the date of CCCERA's most recent valuation.

This report does not replace the CAFR. Detailed information on the subjects included here and other important aspects of CCCERA's administration are available in our CAFR, posted on our web site, www.cccera.org.

Kurt Schneider, ASA, EA, MAAA
Deputy Retirement Chief Executive Officer

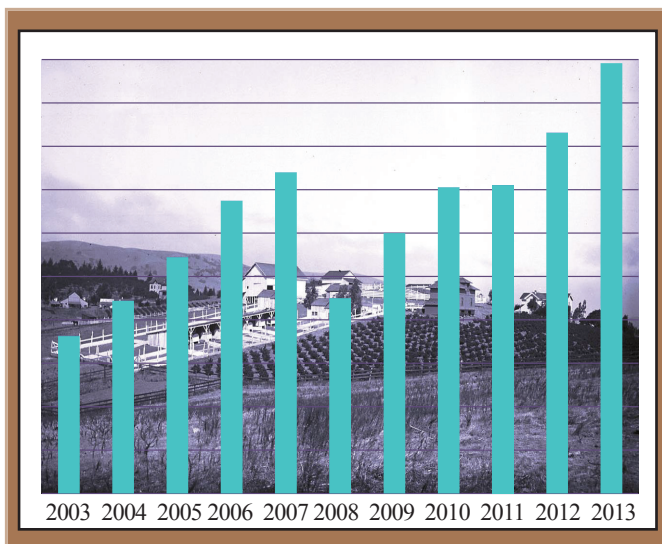
Vickie C. Kaplan, CPA
Accounting Manager

Net Position Held in Trust for Pension Benefits (Dollars in Thousands)

As of December 31, 2013, CCCERA had \$6.5 billion in net position restricted for pension benefits, which means that assets plus deferred outflows of resources of \$7.46 billion exceeded liabilities and deferred inflows of resources of \$1.0 billion.

As of December 31, 2013, the net position restricted for pension benefits increased by 14.2% over 2012, primarily due to changes in the market value¹ of investments. Net investment income for the year ended December 31, 2013, totaled \$884.9 million.

\$6,500,000
\$4,500,000
\$4,500,000
\$3,500,000
\$2,500,000
\$1,500,000



Rancho Bella Vista, Martinez (1860)

¹Market Value: A value established between a willing buyer and seller in an independent transaction.

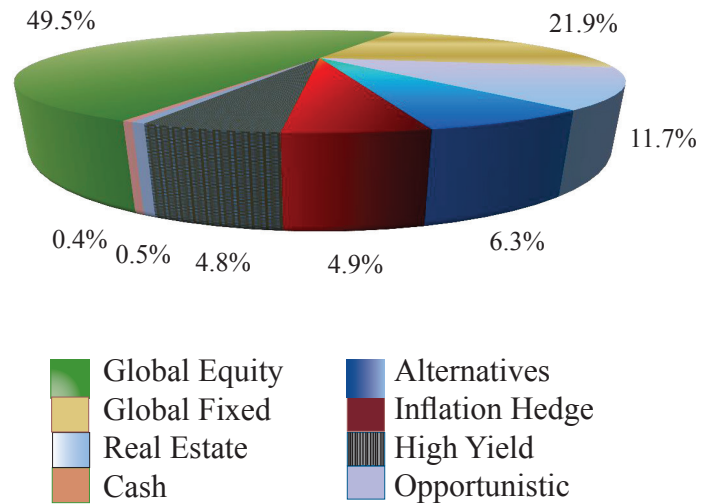
Changes In Net Position for the years ended December 31, 2013 and 2012 (Dollars in Thousands)

Additions	2013	2012	% Change 2013-2012
Employer Contributions	\$ 235,017	\$ 212,321	10.7%
Employee Contributions	72,373	73,362	-1.3%
Net Investment Income	884,870	680,538	30.0%
Net Security Lending Income	1,148	1,535	-25.2%
Total	\$1,193,408	\$ 967,756	23.3%
Deductions			
Pension Benefits	\$ 369,809	\$ 347,569	6.4%
Refunds	3,844	3,276	17.4%
Administrative	6,776	6,030	12.4%
Other Expenses	9,242	8,590	7.6%
Total	\$ 389,671	\$ 365,465	6.6%
Change in net position	\$ 803,737	\$ 602,291	33.4%

The primary sources (additions) used to finance benefits provided by CCCERA are accumulated through employee and employer contributions and by investment earnings (net of investment expenses). The primary uses (deductions) of CCCERA's assets include benefit payments to retirees and beneficiaries, contribution refunds to terminated employees, and the costs of administering the system.

Asset Allocation (as of December 31, 2013)

Asset allocation is an integral part of CCCERA's investment policy. The Board implements asset allocation plans by hiring investment managers to invest assets subject to guidelines incorporated into each firm's contract. CCCERA's Chief Investment Officer and our outside investment consultant, Milliman, assist the Board in designing strategic diversification strategies to maintain steady, long-term gain, with appropriate risk.



Investment Returns Based on Fair Value* (as of December 31, 2013)

	CURRENT	ANNUALIZED		
	YEAR	3 YEAR	5 YEAR	10 YEAR
DOMESTIC EQUITY	36.2%	17.6%	20.2%	8.8%
INTERNATIONAL EQUITY	17.8%	7.3%	10.6%	6.7%
GLOBAL EQUITY	23.7%	9.0%	-	-
INFLATION HEDGE**	-	-	-	-
DOMESTIC FIXED INCOME	1.7%	6.1%	9.3%	6.0%
HIGH YIELD	8.8%	9.7%	17.5%	8.7%
GLOBAL FIXED INCOME	-3.5%	2.8%	5.7%	4.5%
REAL ESTATE	10.5%	12.5%	11.4%	8.6%
ALTERNATIVES	15.0%	12.8%	9.5%	13.9%
TOTAL FUND	16.5%	11.0%	13.7%	8.1%

CCCERA's investment program objective is to provide participants and beneficiaries with benefits as required by the County Employees' Retirement Law of 1937. The main investment goal is for the total fund return to exceed the CPI (Consumer Price Index) plus 400 basis points (4%) over a market cycle (4 to 5 years). For the year ended December 31, 2013, the total fund gain was 16.5%, greater than the targeted return of 5.6% (CPI plus 400 basis points), and greater than the median total public fund return of 11.9%.

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

**Inflation Hedge Managers hired in 2013.

Funding Status

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

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

Actuarial Valuation Date	Funded Ratio
12/31/04	82.0%
12/31/05	84.8%
12/31/06	84.3%
12/31/07	89.9%
12/31/08	88.5%
12/31/09	83.8%
12/31/10	80.3%
12/31/11	78.5%
12/31/12	70.6%

Schedule of Employer and Employee Contributions

Employer and employee basic and COLA (Cost of Living Adjustment) contributions are based on statute and rates recommended by an independent actuary and adopted by the Retirement Board. The rates are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, depending on membership and tier.

Year Ended December 31	Employer Annual Required Contributions	Employee Contributions
(Dollars in Thousands)		
2008	\$ 206,519	\$ 76,452
2009	195,614	66,536
2010	183,951	64,330
2011	200,389	61,575
2012	212,321	73,362
2013	\$ 235,017	\$ 72,373

CCCERA's actuarial valuations are calculated as of December 31 of each year; contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2011 rates became effective on July 1, 2013).

Awards for Excellence in Financial Reporting

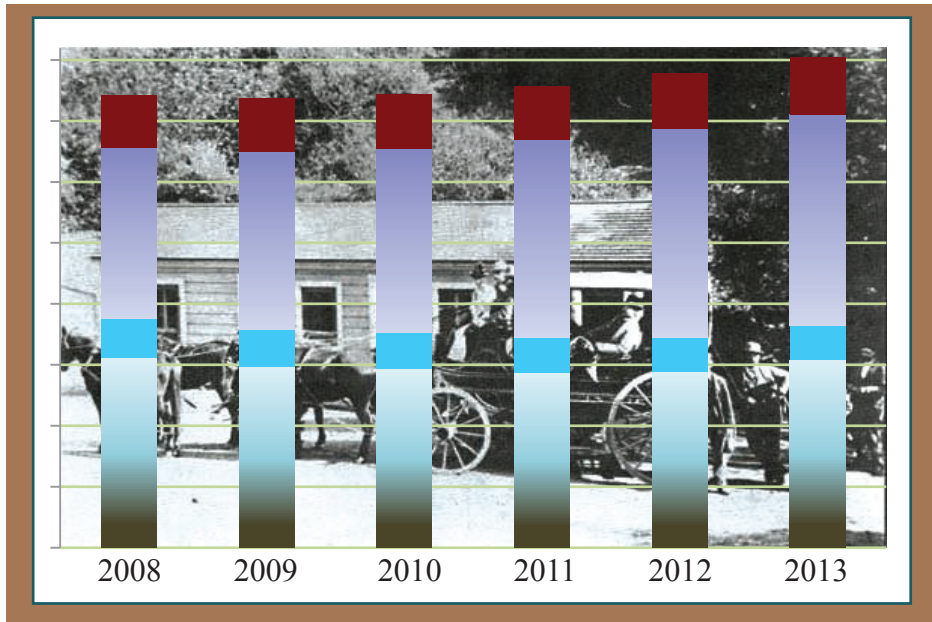
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded CCCERA *Certificates of Achievement for Excellence in Financial Reporting* for our *Comprehensive Annual Financial Reports* for every year from 2000 through 2012. 2013's CAFR was submitted in June of 2014. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.

CCCERA has also earned the Public Pension Coordinating Council's (PPCC) *Public Standards Award* for 1998, 2000, and 2003 through 2013. The Public Pensions 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.

Membership

- Inactive Vested ■
- Retirees and Beneficiaries ■
- Safety ■
- Active General Members ■

20,000
17,500
15,000
12,500
10,000
7,500
5,000
2,500
0

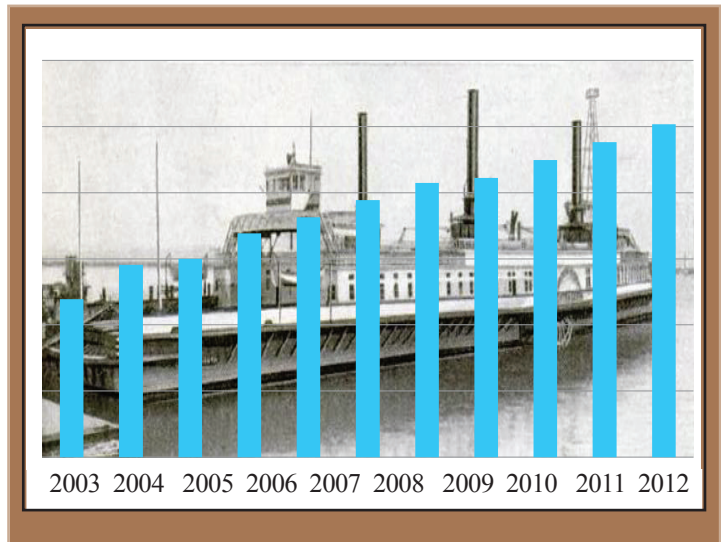


Diablo Stage Company at the Mountain House Hotel

Average Benefit Payments

The Average Benefit Payment chart is a broad representation of average benefits paid monthly over 10 years to retirees and survivors. Both General and Safety member figures are combined in this calculation, as are all tiers. The chart includes *all* members who have retired through 12/31/12.

\$4,500
\$4,000
\$3,500
\$3,000
\$2,500
\$2,000



World's Largest Ferry Boat, the Contra Costa

Noteworthy Accomplishments

During 2013, 1,800 retirement allowance and service purchase requests were received, with counselors processing 1,992 calculations. Successful recruitments were completed for several positions, including a Compliance Officer, IT Coordinator, Accountant, Senior Member Services Data Specialist and five retirement counselors. A total compensation study was performed by Anderson and Associates for all CCCERA positions. Public information access improvements included posting Board meeting audio recordings on the web site. Business continuity and disaster recovery operations have been tested and confirmed; in the event of a disaster, CCCERA will be able to continue operations from our “hot site” hosted at a sister county.

CCCERA established an implementation plan for GASB Statements No. 67 and No. 68, two new financial reporting standards for pension plans. Workshops were conducted with our plan sponsors (employers) on these new requirements. Ongoing communication and support will be provided throughout this complex task. Among other requirements, these standards require governments to recognize long-term pension benefit obligations as liabilities on their balance sheets.



PRESORTED STANDARD
U.S. POSTAGE
PAID
OAKLAND, CA
PERMIT # 3729

CCCERA office hours are
8 a.m. - Noon, 12:30 p.m. - 5 p.m.,
Monday through Friday.
Counselors are available by phone
9 a.m. - Noon, 12:30 p.m. - 4 p.m.

After business hours,
voicemail is available
to take your messages
24 hours a day at
925.521.3960.

CCCERA Participating Agencies

Bethel Island Municipal Improvement District
Byron, Brentwood, Knightsen Union Cemetery District
Central Contra Costa Sanitary District
Contra Costa County
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 County 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

The 2013 Popular Annual Financial Report was designed by
CCCERA's Communication Division.

Board of Retirement 2013

Brian Hast (Chairperson)
John B. Phillips (Vice-Chairperson)
Jerry Telles (Secretary)
Debora Allen
Karen Mitchoff
Scott Gordon
Richard Cabral
William Pigeon
Russell V. Watts, County Treasurer
Jerry R. Holcombe (Appointed Alternate)
Louie Kroll (Retiree Alternate)
Gabe Rodrigues (Safety Alternate)

Chief Executive Officer
Marilyn Leedom
Deputy Chief Executive Officer
Kurt Schneider
Chief Investment Officer
Timothy J. Price