

*Contra Costa County Employees' Retirement Association*

# *Popular Annual Financial Report*

*... for Year Ended December 31, 2009*

Dear Members,

We are pleased to present the first *Popular Annual Financial Report* for the year ended December 31, 2009.

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.

2009 was a challenging year for the economy, yet CCCERA's net assets increased 19.4% over 2008 due to prudent investment policies and careful management. As of 12/31/2008, the actuarial accrued liability was \$5.9 billion and the actuarial value of assets was \$5.28 billion. The funded ratio is 88.5%. The December 31, 2009 actuarial valuation is currently in progress; the results will be posted on our web site, [www.cccera.org](http://www.cccera.org), as soon as the valuation is adopted by the Retirement Board. The investment rate of return was 21.9% in 2009.

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

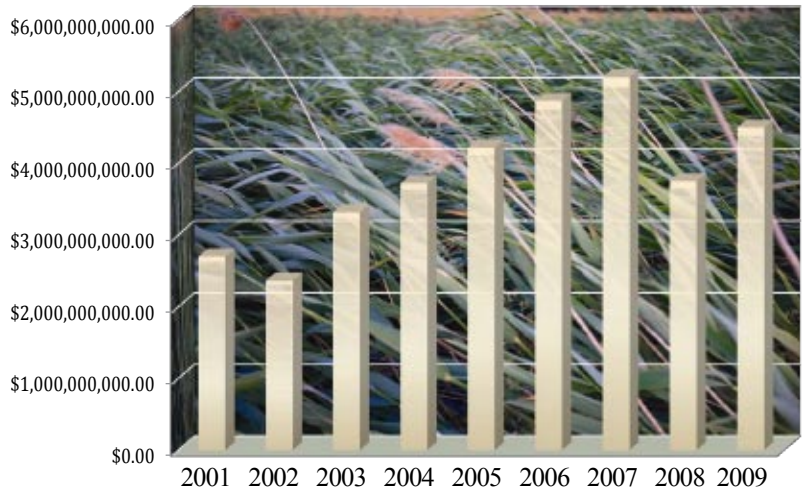
Marilyn Leedom, CEBS  
Chief Executive Officer

Rick Koehler, CPA, CGFM  
Accounting Manager

# Net Assets Held in Trust for Pension Benefits

As of December 31, 2009, CCCERA had \$4.5 billion in **net**<sup>1</sup> assets, meaning that **total**<sup>2</sup> assets of \$5.2 billion exceed total liabilities of \$750 million. At December 31, 2008 and 2007, CCCERA's net assets totaled \$3.7 billion and \$5.2 billion, respectively. Net assets represent funds available for future payments.

As of December 31, 2009, net assets increased by 19.4% over 2008, and decreased by 13.9% over 2007, primarily due to decreases in the **fair market value**<sup>3</sup> of investments.



<sup>1</sup>Net Assets: *Assets (what we hold) remaining after the deduction of all expenses and/or losses.*

<sup>2</sup>Total Assets: *The value of assets before deduction of liabilities (what we owe).*

<sup>3</sup>Fair Market Value: *A value established between a willing buyer and seller in an independent transaction.*

## Changes In Net Assets (for the years ended December 31, 2009 and 2008)

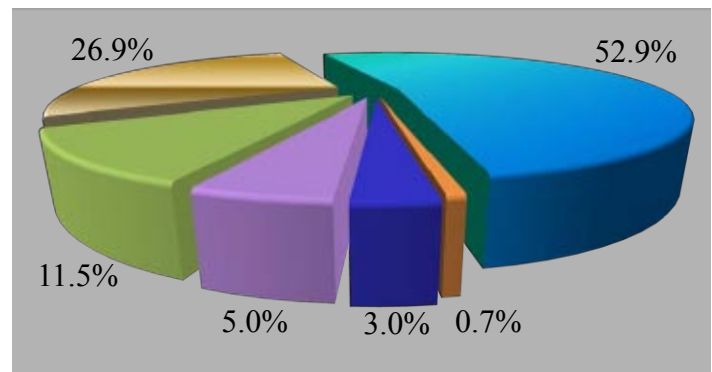
Additions	2009	2008	% Change 2009-2008
Employer Contributions	\$195,613,673	\$ 206,518,693	-5.3%
Employee Contributions	66,536,161	76,452,406	-13.0%
Net Investment Income/(Loss)	748,860,670	-1,467,872,206	151.0%
Net Security Lending Income	2,436,242	3,391,760	-28.2%
<b>Total</b>	<b>\$1,013,446,746</b>	<b>-\$1,181,509,347</b>	<b>185.8%</b>
<b>Deductions</b>			
Pension Benefits	\$266,866,460	\$250,444,562	6.6%
Refunds	4,628,272	3,730,320	24.1%
Administrative	7,358,750	5,601,126	31.4%
Other Expenses	7,562,546	8,132,415	-7.0%
<b>Total</b>	<b>\$286,416,028</b>	<b>\$267,908,423</b>	<b>6.9%</b>

<b>Increase (Decrease) in Net Assets Held in Trust for Pension Benefits</b>	<b>\$727,030,718</b>	<b>-\$1,449,417,770</b>	<b>150.2%</b>
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The primary sources used to finance benefits provided by CCCERA (additions) 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, 2009)

*Asset allocation* is an integral part of CCCERA's investment policy. The Board implements asset allocation plans by hiring active 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, 2009)

	CURRENT YEAR	3 YEAR	ANNUALIZED 5 YEAR	10 YEAR
<b>DOMESTIC EQUITY</b>	30.80%	-4.50%	1.40%	0.10%
<b>INTERNATIONAL EQUITY</b>	23.30%	-7.40%	3.90%	1.40%
<b>DOMESTIC FIXED INCOME</b>	17.80%	4.60%	5.00%	6.60%
<b>INTERNATIONAL FIXED INCOME**</b>	11.30%	-	-	-
<b>REAL ESTATE</b>	-0.50%	-14.20%	0.40%	8.20%
<b>ALTERNATIVE INVESTMENTS</b>	-1.50%	8.70%	15.30%	10.10%
<b>TOTAL FUND</b>	21.90%	-1.30%	4.20%	4.50%

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 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, 2009, the total fund gain was 21.9%, greater than the targeted return of 6.9% (CPI plus 400 basis points), and greater than the median total public fund return of 18.1%.

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

\*\* International Fixed Income Manager hired in December 2007

**For more detail on the information presented here, please see CCCERA's CAFR (Comprehensive Annual Financial Report) posted on our web site: [cccera.org](http://cccera.org).**

## Funding Status

In order to determine whether Pension Plan Net Assets 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. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits 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
12/31/03	85.4%
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%

## Schedule of Employer 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 Contribution	Employee Contributions
2007	\$ 196,929,570	\$ 75,590,807
2008	\$ 206,518,693	\$ 76,452,406
2009	\$ 195,613,673	\$ 66,536,161

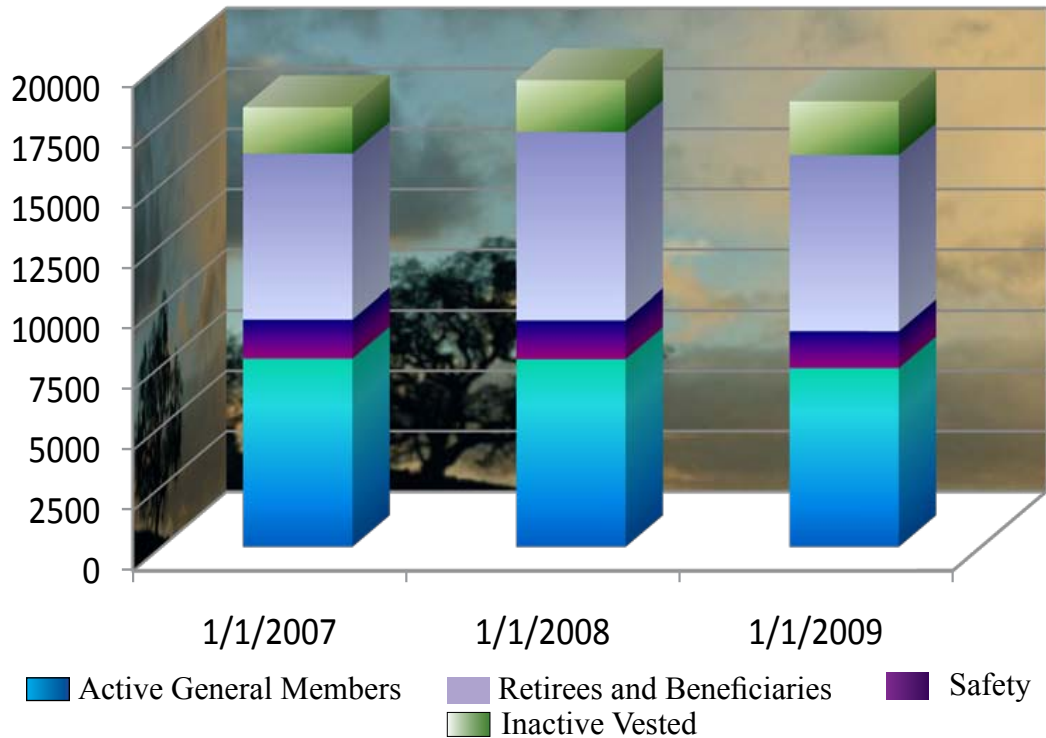
CCCERA actuarial valuations are normally carried out as of December 31 of each year and contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2007 rates became effective on July 1, 2009).

## 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 and 2008. 2009's CAFR was submitted in June of 2010. 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, 2003, 2004, 2005, 2006, 2007, 2008, and 2009. 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



## Average Benefit Payments

The *average benefits payment* chart is a broad representation of average benefits paid annually over 7 years to retirees and survivors. Both General and Safety member figures are combined in this calculation, as are all tiers. The chart includes retirees who have recently retired and retirees who have been retired more than 30 years.



## Noteworthy Accomplishments

2009 marked implementation of several carefully planned service improvements. Legal Counsel and a Deputy Chief Executive Officer joined the staff to assist with handling the increasing complexity of the pension industry. The 2008 audit by Brown Armstrong CPAs was completed with no reportable conditions and no agreed upon findings. CCCERA is moving forward with a comprehensive Disaster Recovery Plan, to ensure business continuity in emergency situations. We are establishing a *hot* (live, real time data), and a *cold* (archival data) site, where we can execute our most important tasks with current data and redundant hardware and software.

# 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  
Local Agency Formation Commission (LAFCO)  
Rodeo Sanitary District  
In-Home Support Services Authority (IHSS)  
First 5- Children & Families Commission  
Superior Courts of Contra Costa County  
Contra Costa County Fire Protection District  
East Contra Costa Fire Protection District  
Moraga-Orinda Fire District  
Rodeo-Hercules Fire Protection District  
San Ramon Valley Fire District

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The 2009 Popular Annual Financial Report was designed  
by CCCERA's Communication Division.

## Board of Retirement 2009:

William Pollacek (Chairperson)  
Jerry Telles (Vice-Chairperson)  
Dave Gaynor (Secretary)  
Richard Cabral  
Brian Hast  
Maria Theresa Viramontes  
John Gioia  
Paul Katz  
Terry Buck (Safety)  
Jim Remick (Safety Alternate)  
Sharon Naramore (Retiree Alternate)  
Jerry R. Holcombe (Appointed Alternate)

## Chief Executive Officer

Marilyn Leedom

## Deputy Chief Executive Officer

Silvina Leroux

After business hours,  
voicemail is available  
24 hours a day at  
925.521.3960.

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.

