

## Popular Annual Financial Report *for the Year Ended December 31, 2015*



### A Message to Our Members

We are pleased to present the *Popular Annual Financial Report (PAFR)* for the year ended December 31, 2015. 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 2.6% (gross of investment management fees) for the year ending December 31, 2015. This was less than the long-term objective of delivering CPI plus 400 basis points, which was 4.8% for 2015. Relative to the peer universe, CCCERA's 2015 performance exceeded the median public fund return of 0.3% and ranked in the 6<sup>th</sup> percentile of public funds.

As of December 31, 2015, CCCERA's net position totaled \$7.0 billion (net position restricted for pensions), which means that assets of \$8.1 billion exceed liabilities of \$1.1 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 81.7%, as of December 31, 2014, the date of CCCERA's most recent valuation.

CCCERA has a net pension liability (NPL) of \$1.5 billion as of December 31, 2015. The plan fiduciary net position as a percentage of the total pension liability as of December 31, 2015 is 82.2%. The net pension liability as a percentage of covered payroll is 212.3% as of December 31, 2015. The associated schedules and additional information for this requirement are shown in the Financial Section of the CAFR.

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

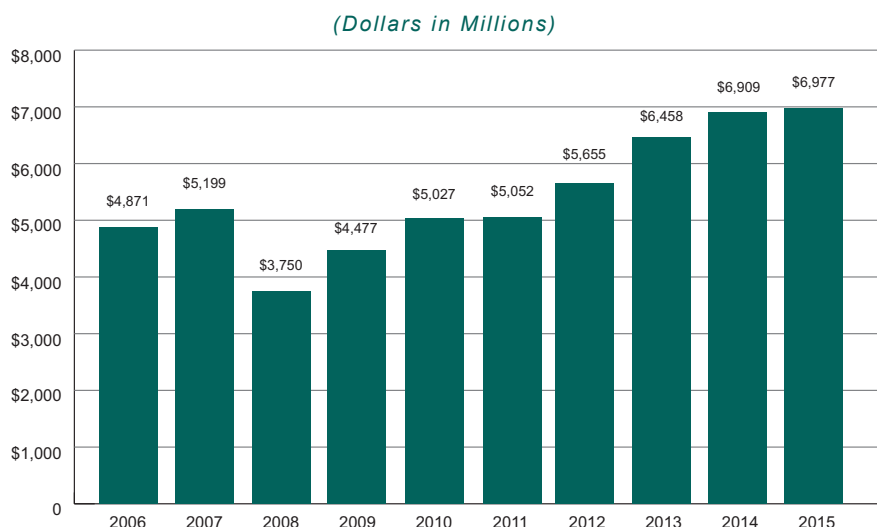
Gail Strohl  
*Chief Executive Officer*

## FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

As of December 31, 2015, CCCERA had \$7 billion in net position restricted for pensions, which means that assets of \$8.1 billion exceeded liabilities of \$1.1 billion.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report CCCERA's net position restricted for pensions and is one way to measure the plan's

financial position. Over time, increases and decreases in CCCERA's net position are indicators of whether its financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring CCCERA's overall financial position.



As of December 31, 2015, the net position restricted for pensions increased by 1.0% over 2014, primarily due to changes in the fair value\* of investments. CCCERA's total fund returned 2.6% before fees for the one-year period ending December 31, 2015, less than the long-term objective of delivering CPI plus 400 basis points, which was 4.8% for 2015. CCCERA's gross annualized rate of return was 9.0% over the last three years, 8.7% over the last five years, and 6.7% over the last 10 years.

\*Fair Value: A value established between a willing buyer and seller in an independent transaction.

### FIDUCIARY NET POSITION

*(Dollars in Thousands)*

<b>Assets</b>	<b>2015</b>	<b>2014</b>	<b>Amount Increase/ (Decrease)</b>	<b>Percent Increase/ (Decrease)</b>
Current and Other Assets	\$1,125,848	\$1,441,269	(\$315,421)	(21.9%)
Investments at Fair Value	6,922,863	6,705,204	217,659	3.2%
Capital Assets	302	468	(166)	(35.5%)
<b>Total Assets</b>	<b>8,049,013</b>	<b>8,146,941</b>	<b>(97,928)</b>	<b>(1.2%)</b>
<b>Liabilities</b>				
Current Liabilities	1,072,431	1,238,031	(165,600)	(13.4%)
<b>Total Liabilities</b>	<b>1,072,431</b>	<b>1,238,031</b>	<b>(165,600)</b>	<b>(13.4%)</b>
<b>NET POSITION - RESTRICTED FOR PENSIONS</b>	<b>\$6,976,582</b>	<b>\$6,908,910</b>	<b>\$67,672</b>	<b>1.0%</b>

## CHANGES IN FIDUCIARY NET POSITION

The primary sources of funding for CCCERA member benefits are employer contributions, plan member contributions and net investment income. Total additions to fiduciary net position for the years ended December 31, 2015 and 2014, were \$492.7 million and \$862.1 million, respectively. The decrease in the current year is primarily due to investment gains being lower than in the previous year. The increase in employer and plan member contributions is mostly due to higher employer and employee contribution rates. Net investment income for the year ended December 31, 2015 totaled \$82.4 million.

CCCERA's assets can only be used to make benefit payments to retirees and beneficiaries, contribution refunds to terminated employees, and pay the costs of administering the system. Total deductions from fiduciary net position for the years ended December 31, 2015 and 2014, were \$425.0 million and \$411.5 million, respectively. Benefits paid to retirees and beneficiaries were \$400.8 million in 2015, an increase of \$13.8 million, or 3.5% over 2014. The growth in benefit payments was due to a combination of the following: (1) the net increase in the number of retirees and beneficiaries for the year and (2) the increase in the average retirement allowances of those who were added to the retirement payroll.

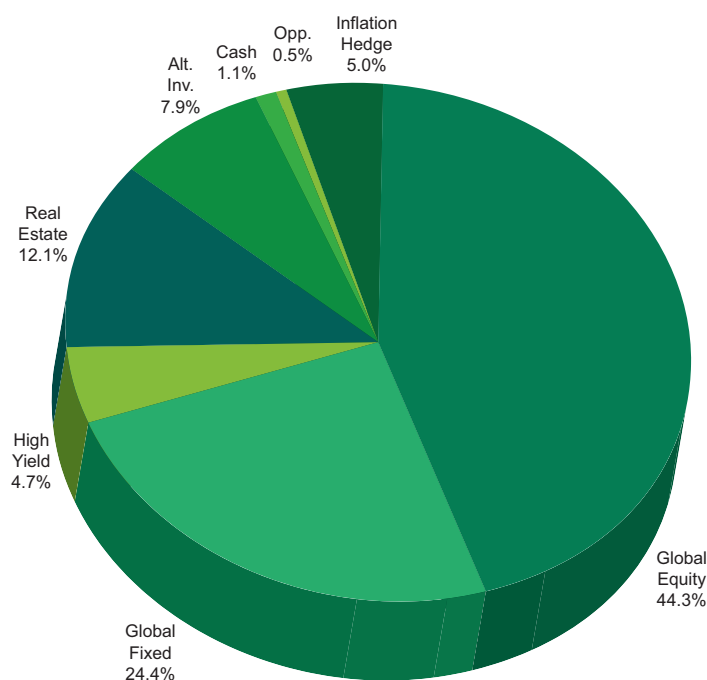
### CHANGES IN FIDUCIARY NET POSITION

	<i>(Dollars in Thousands)</i>			
	2015	2014	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Additions:</b>				
Employer Contributions	\$323,720	\$293,760	\$29,960	10.2%
Plan Member Contributions	85,361	78,258	7,103	9.1%
Net Investment Income	82,429	488,873	(406,444)	(83.1%)
Net Securities Lending Income	1,165	1,167	(2)	(0.1%)
<b>Total Additions</b>	<b>492,675</b>	<b>862,058</b>	<b>(369,383)</b>	<b>(42.8%)</b>
<b>Deductions:</b>				
Pension Benefits	400,759	387,026	13,733	3.5%
Refunds	4,434	6,798	(2,364)	(34.8%)
Administrative	8,115	6,980	1,135	16.3%
Other Expenses	11,695	10,662	1,033	9.7%
<b>Total Deductions</b>	<b>425,003</b>	<b>411,466</b>	<b>13,537</b>	<b>3.3%</b>
<b>INCREASE IN NET POSITION - RESTRICTED FOR PENSIONS</b>	<b>\$67,672</b>	<b>\$450,592</b>	<b>(\$382,920)</b>	<b>(85.0%)</b>

## ASSET ALLOCATION

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

For additional information, please refer to the *Schedule of Top Ten Equities and Fixed Income Securities* in the investment section of the CAFR.



Results may not add due to rounding.

The main investment goal is for the total fund return to exceed the long-term objective of delivering CPI plus 400 basis points, which was 4.8% for 2015. As mentioned earlier, for the year ended December 31, 2015, the total fund return was 2.6% before fees, less than the performance objective and greater than the median public fund return of 0.3%.

### INVESTMENT RESULTS BASED ON FAIR VALUE\*

As of December 31, 2015

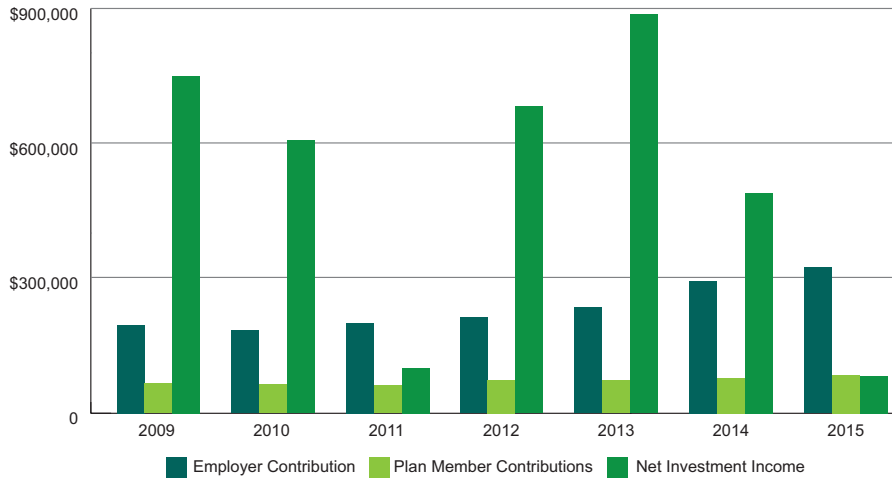
	Current Year	Annualized		
		3 Year	5 Year	10 Year
Domestic Equity	1.1%	15.3%	12.9%	7.9%
International Equity	-1.2%	5.3%	4.1%	2.9%
Global Equity	2.2%	10.0%	6.9%	--
Domestic Fixed Income	1.7%	3.4%	5.4%	5.9%
High Yield	-3.5%	2.0%	5.2%	7.1%
Global Fixed Income	-3.0%	-2.1%	1.1%	3.0%
Inflation Hedge**	-5.6%	-1.7%	--	--
Real Estate	12.3%	14.4%	14.1%	7.1%
Alternatives	14.0%	15.4%	13.9%	12.7%
Opportunistic***	-11.0%	4.1%	3.7%	--
<b>Total Fund</b>	<b>2.6%</b>	<b>9.0%</b>	<b>8.7%</b>	<b>6.7%</b>

\* Using time-weighted rate of return based on the market rate of return; \*\* Inflation Hedge Managers hired in 2013; \*\*\*Historically, funds were reflected in aggregate.

## REVENUE BY SOURCE

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

*(Dollars in Thousands)*

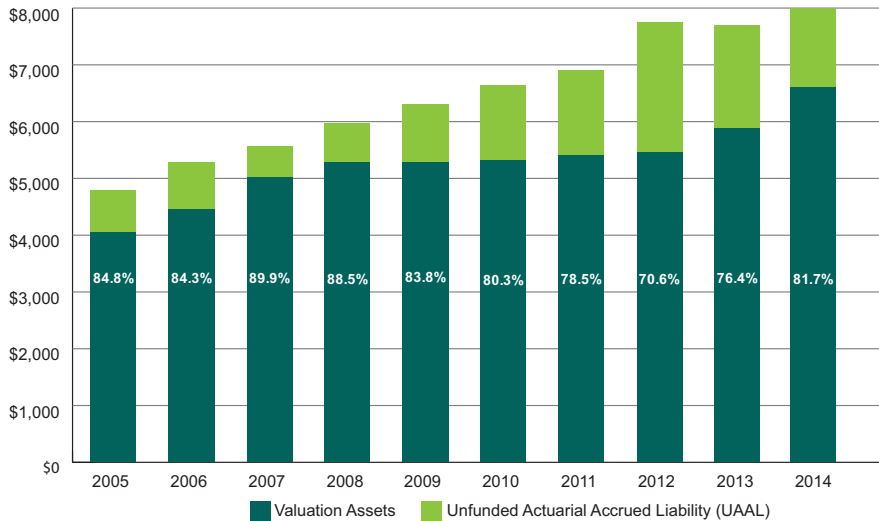


CCCERA's actuarial valuations are performed as of December 31 of each year; contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2013 rates became effective on July 1, 2015).

## ACTUARIAL FUNDING STATUS

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

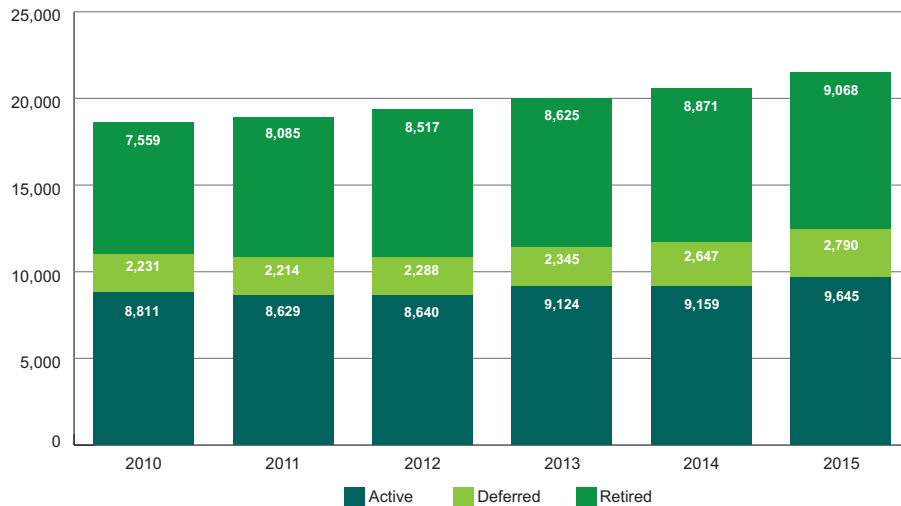
*Funded Ratio*



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

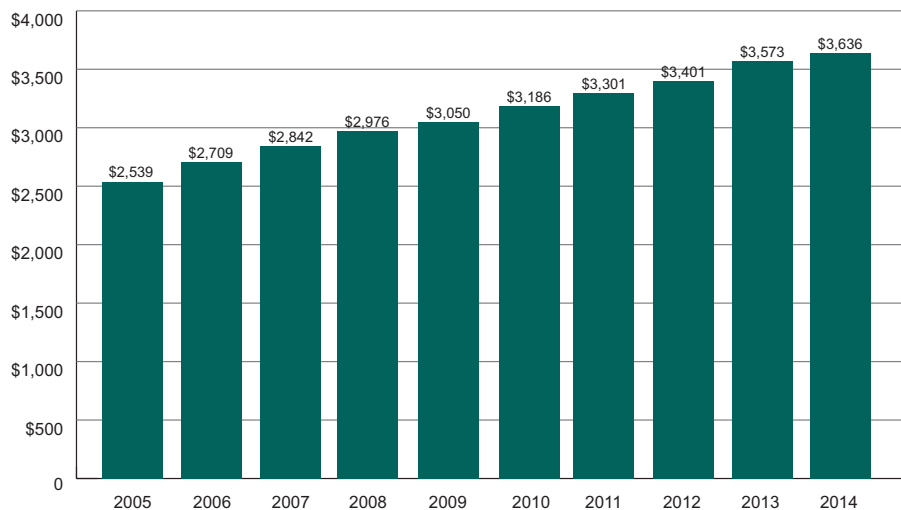
## MEMBERSHIP

CCCERA's membership consists of full and part-time employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from Contra Costa County and participating agencies. CCCERA's total membership as of December 31, 2015 is 21,503.



## AVERAGE BENEFIT PAYMENTS

The chart below is a broad representation of average benefits paid monthly over 10 years to retirees and survivors. Both General and Safety member figures are combined in this calculation, as are *all* tiers. The chart includes all members who have retired through December 31, 2014.



## NOTEWORTHY ACCOMPLISHMENTS

In August 2014, Governor Brown signed Senate Bill 673, allowing CCCERA to become an independent employer on January 1, 2015. This action has allowed CCCERA to facilitate many changes to improve organizational effectiveness and efficiency, which includes contracting directly with vendors in the areas of employee benefits and IT services to reduce costs in some areas and improve service.

In June 2015, the Board created an audit committee to assist in overseeing the audit function within CCCERA.

In October 2015, CCCERA deployed a new website. The website utilizes calculators to show member contribution rates and estimate retirement benefit payments. CCCERA also updated all member handbooks and published them on the website.

In December 2015, the Board adopted a new asset allocation that will begin to be implemented this year. It allows for the creation of a dedicated portfolio to provide monthly cash flows to fund benefit payments. The remainder of CCCERA funds will be deployed in a long-term growth allocation and a smaller diversifying allocation.

## 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 2014. 2015's CAFR was submitted in June of 2016. 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 2015. 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.



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cccera.org

## ABOUT CCCERA

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CCCERA's office is open Monday through Friday from 8 a.m. to 5 p.m.; counselors are available from 9 a.m. to 4 p.m. The office is closed daily for lunch, from Noon to 12:30 p.m.

CCCERA's voicemail system is available 24 hours a day. Please note that verbal instructions cannot be accepted or acted upon for transactions, applications for benefits and disbursement requests.

## CCCERA PARTICIPATING AGENCIES

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- 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 Court of Contra Costa County
- Contra Costa Fire Protection District
- East Contra Costa Fire Protection District
- Moraga-Orinda Fire District
- Rodeo-Hercules Fire Protection District
- San Ramon Valley Fire Protection District

## 2015 BOARD OF RETIREMENT

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**John B. Phillips** *Chairperson*  
**Todd Smithey** *Vice-Chairperson*  
**Scott Gordon** *Secretary*  
**Candace Andersen**  
**Debora Allen**  
**Brian Hast**  
**Gabe Rodrigues**  
**Jerry Telles**  
**Russell V. Watts** *County Treasurer*  
**Jerry R. Holcombe** *(Appointed Alternate)*  
**Louie Kroll** *(Retiree Alternate)*  
**William Pigeon** *(Safety Alternate)*

## CCCERA

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**Gail Strohl** *Chief Executive Officer*  
**Timothy J. Price** *Chief Investment Officer*