

Contra Costa County Employees' Retirement Association
County of Contra Costa, California

Popular Annual Financial Report

for the Year Ended December 31, 2012

Dear Members,

We are pleased to present the *Popular Annual Financial Report (PAFR)* for the year ended December 31, 2012.

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 14.1% for the one-year period ending December 31, 2012, exceeding the 7.75% actuarial interest rate and the 5.9% return for the performance objective of the CPI plus 400 basis points. Relative to the peer universe, CCCERA's 2012 performance exceeded the median total public fund return of 11.9% and ranked in the 8th percentile in the universe of public funds.

As of December 31, 2012, CCCERA's net position totaled \$5.7 billion (net position restricted for pension benefits), which means that total assets of \$6.34 billion (assets plus deferred outflows of resources) exceed total liabilities of \$681 million (liabilities plus deferred inflows of resources). 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 78.5%, as of December 31, 2011, 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.

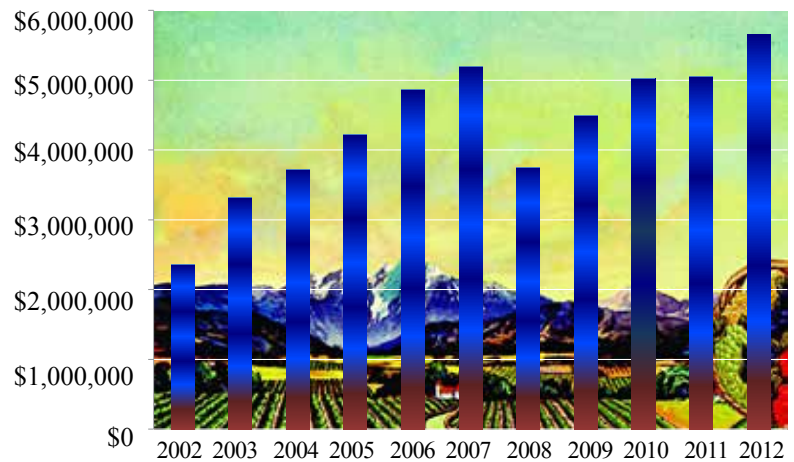
Marilyn Leedom, CEBS
Chief Executive Officer

Vickie C. Kaplan, CPA
Accounting Manager

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

As of December 31, 2012, CCCERA had \$5.7 billion in net position restricted for pension benefits, which means that assets plus deferred outflows of resources of \$6.34 billion exceeded liabilities and deferred inflows of resources of \$681 million.

As of December 31, 2012, the net position restricted for pension benefits increased by 11.9% over 2011, and increased by 12.5% over 2010, primarily due to changes in the fair market value¹ of investments. Net investment income for the year ended December 31, 2012, totaled \$680.5 million.



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

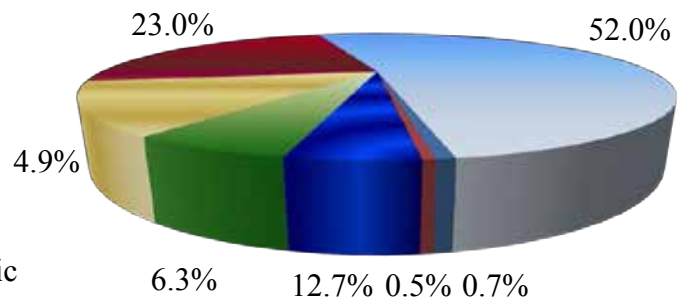
Changes In Net Position for the years ended December 31, 2012 and 2011 (Dollars in Thousands)

Additions	2012	2011	% Change 2012-2011
Employer Contributions	\$ 212,321	\$ 200,389	6.0%
Employee Contributions	73,362	61,575	19.1%
Net Investment Income	680,538	100,363	578.1%
Net Security Lending Income	1,535	951	61.4%
Total	\$ 967,756	\$ 363,278	166.4%
Deductions			
Pension Benefits	\$ 347,569	\$ 320,297	8.5%
Refunds	3,276	3,909	-16.2%
Administrative	6,030	6,290	-4.1%
Other Expenses	8,590	7,649	12.3%
Total	\$ 365,465	\$ 338,145	8.1%
Increase in net position restricted for pension benefits	\$ 602,291	\$ 25,133	2296.4%

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, 2012)

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, 2012)

	CURRENT	ANNUALIZED		
	YEAR	3 YEAR	5 YEAR	10 YEAR
DOMESTIC EQUITY	18.2%	12.1%	2.8%	8.4%
INTERNATIONAL EQUITY	18.5%	4.4%	-4.8%	8.5%
GLOBAL EQUITY**	10.6%	-	-	-
DOMESTIC FIXED INCOME	10.0%	9.3%	7.2%	6.7%
GLOBAL FIXED INCOME***	6.7%	7.0%	6.3%	5.3%
REAL ESTATE	16.7%	16.0%	0.4%	10.0%
OPPORTUNISTIC****	13.6%	6.4%	-	-
ALTERNATIVE INVESTMENTS	10.9%	11.3%	7.1%	12.7%
TOTAL FUND	14.1%	10.1%	3.6%	8.7%

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, 2012, the total fund gain was 14.1%, greater than the targeted return of 5.9% (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.

**Global Equity Manager hired in September 2010.

*** Global Fixed Income Manager hired in December 2007.

****Opportunistic Fund Managers hired in 2010.

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. 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%
12/31/09	83.8%
12/31/10	80.3%
12/31/11	78.5%

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)		
2007	\$ 196,930	\$ 75,591
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

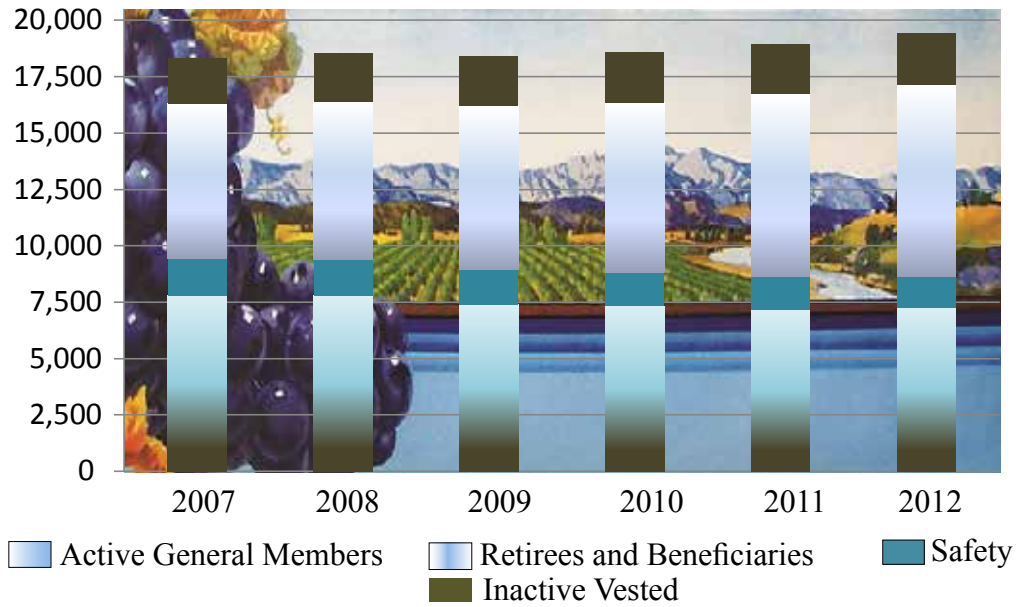
CCCERA's actuarial valuations are calculated as of December 31 of each year; contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2010 rates became effective on July 1, 2012).

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 2011. 2012's CAFR was submitted in June of 2013. 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 2012. 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 Benefit Payment chart is a broad representation of average benefits paid annually 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 12/31/11.



Noteworthy

Accomplishments

In 2012, the California Legislature passed two bills, AB 197 and AB 340, that changed the public pension landscape for CCCERA members and employers. Effective January 1, 2013, these new provisions cut across all facets of our business model. With very limited lead-time prior to implementation, CCCERA worked diligently, combining the efforts of actuaries, legal counsel, executive team, board trustees, and staff, to determine best practices for compliance with this complex law.

2,598 basic estimates were requested during 2012; 475 service purchases were processed. During the month of December, 187 members retired. New regulations, legislation, policies, MOU negotiations, and changing demographics of our members created the need for hours of data manipulation and file creation within the pension system software. Successful recruitments were completed for the Deputy Chief Executive Officer and the Chief Investment Officer positions. A Compliance Officer and an Assistant General Counsel position are under development.



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
Local Agency Formation Commission (LAFCO)
Rodeo Sanitary District
In-Home Supportive 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 Protection District
Rodeo-Hercules Fire Protection District
San Ramon Valley Fire Protection District

The 2012 Popular Annual Financial Report was designed by
CCCERA's Communication Division.

Board of Retirement 2012

Maria Theresa Viramontes (Chairperson)
Brian Hast (Vice-Chairperson)
John B. Phillips (Secretary)
Richard Cabral
John Gioia
Jerry Telles
Debora Allen
Terry Buck
Russell V. Watts, County Treasurer
Gabe Rodrigues (Safety Alternate)
Sharon Naramore (Retiree Alternate)
Jerry R. Holcombe (Appointed Alternate)

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