

Popular Annual Financial Report *for the Year Ended December 31, 2014*



A Message to Our Members

We are pleased to present the *Popular Annual Financial Report (PAFR)* for the year ended December 31, 2014.

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 8.4% before fees for the one-year period ending December 31, 2014, exceeding the performance objective of 4.9% (Consumer Price Index (CPI) plus 4%). Relative to the peer universe, CCCERA's 2014 performance exceeded the median public fund return of 5.8%, and ranked in the 4th percentile of public funds. CCCERA's investment return, net of administration and investment expenses, of 7.35% exceeded the 7.25% actuarial assumed rate of return.

As of December 31, 2014, CCCERA's net position totaled \$6.9 billion (net position restricted for pensions), which means that assets and deferred outflows of resources of \$8.1 billion exceed liabilities and deferred inflows of resources of \$1.2 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 76.4%, as of December 31, 2013, the date of CCCERA's most recent valuation.

CCCERA implemented Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, which established new accounting and financial reporting requirements for public pension plans. Based on GASB 67, CCCERA has a net pension liability (NPL) of \$1.2 billion as of December 31, 2014. The plan fiduciary net position as a percentage of the total pension liability as of December 31, 2014 is 85.2%. The net pension liability as a percentage of covered payroll is 178.1% as of December 31, 2014. The associated schedules and additional information for this new 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.

Gail Strohl
Retirement Chief Executive Officer

Vickie C. Kaplan, CPA
Retirement Accounting Manager

FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

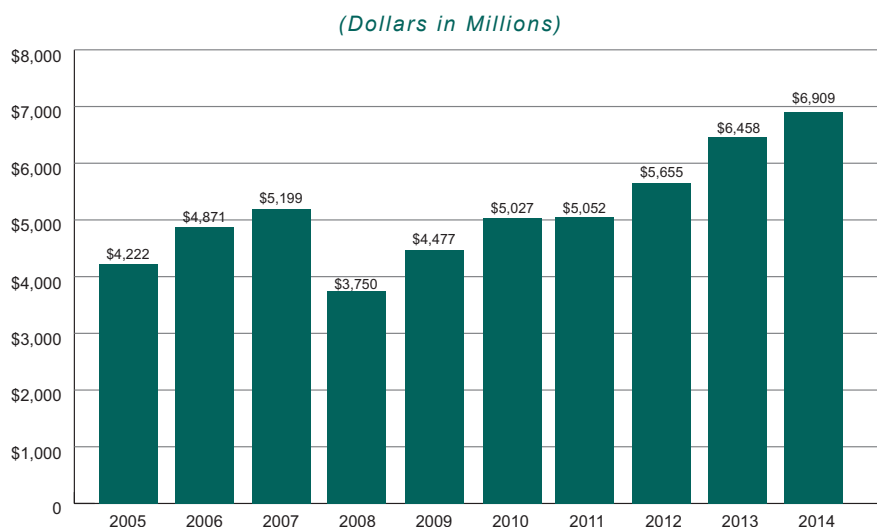
As of December 31, 2014, CCCERA had \$6.9 billion in net position restricted for pensions, which means that assets and deferred outflows of resources of \$8.1 billion exceeded liabilities and deferred inflows of resources of \$1.2 billion.

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, 2014, the net position restricted for pensions increased by 7.0% over 2013, primarily due to changes in the fair value* of investments. CCCERA's total fund returned 8.4% before fees for the one-year period ending December 31, 2014, exceeding the performance objective of 4.9% (CPI plus 4%). CCCERA's gross annualized rate of return was 13.0% over the last three years, 11.0% over the last five years, and 7.6% 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)

	2014	2013	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Assets				
Current and other assets	\$1,441,269	\$1,476,686	(\$35,417)	(2.4%)
Investments at fair value	6,705,204	5,981,408	723,796	12.1%
Capital Assets	468	603	(135)	(22.4%)
Total Assets	8,146,941	7,458,697	688,244	9.2%
Liabilities				
Current Liabilities	1,238,031	1,000,379	237,652	23.8%
Total Liabilities	1,238,031	1,000,379	237,652	23.8%
NET POSITION - RESTRICTED FOR PENSIONS	\$6,908,910	\$6,458,318	\$450,592	7.0 %

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, 2014 and 2013, were \$862.1 million and \$1.2 billion, 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, 2014 totaled \$488.9 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, 2014 and 2013, were \$411.5 million and \$389.7 million, respectively. Retirement allowances, survivor benefits, and permanent disability benefits were \$387.0 million as of December 31, 2014, an increase of \$17.2 million, or 4.7% over 2013. 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

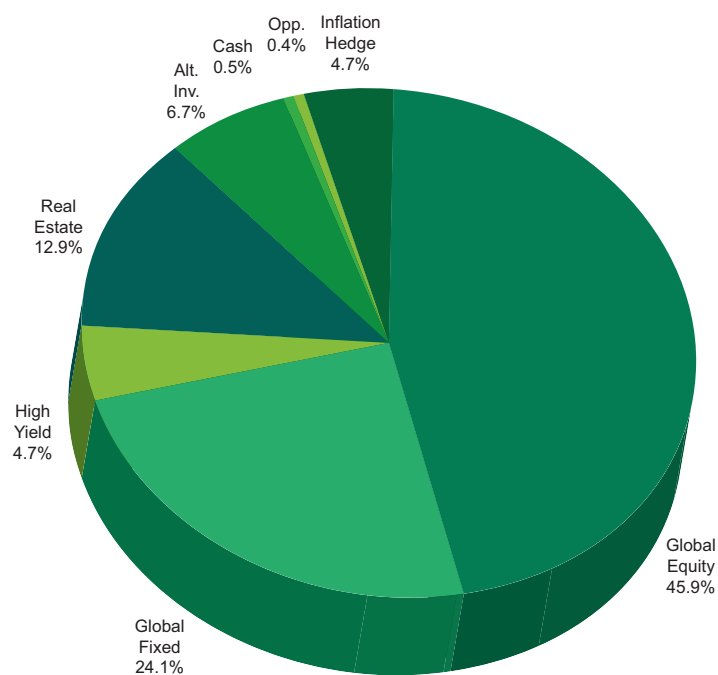
(Dollars in Thousands)

	2014	2013	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Additions:				
Employer Contributions	\$293,760	\$235,017	\$58,743	25.0%
Plan Member Contributions	78,258	72,373	5,885	8.1%
Net Investment Income	488,873	884,870	(395,997)	(44.8%)
Net Securities Lending Income	1,167	1,148	19	1.7%
Total Additions	862,058	1,193,408	(331,350)	(27.8%)
Deductions:				
Pension Benefits	387,026	369,809	17,217	4.7%
Refunds	6,798	3,844	2,954	76.8%
Administrative	6,980	6,776	204	3.0%
Other Expenses	10,662	9,242	1,420	15.4%
Total Deductions	411,466	389,671	21,795	5.6%
INCREASE IN NET POSITION - RESTRICTED FOR PENSIONS	\$450,592	\$803,737	(\$353,145)	(43.9%)

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 (Milliman) assist the Board in designing strategic diversification strategies to maintain steady, long-term gain, with appropriate risk.

CCCERA's top three equity securities as of December 31, 2014, were Microsoft Corporation, Allergan, Inc., and VISA Inc. For detailed 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 CPI plus 400 basis points (4%) over a market cycle (4 to 5 years). For the year ended December 31, 2014, the total fund return was 8.4% before fees, exceeding the performance objective of 4.9% (CPI plus 400 basis points), and greater than the median public fund return of 5.8%.

INVESTMENT RESULTS BASED ON FAIR VALUE*

As of December 31, 2014

	Current Year	Annualized		
		3 Year	5 Year	10 Year
Domestic Equity	11.4%	21.5%	16.4%	8.7%
International Equity	0.3%	11.9%	6.1%	5.0%
Global Equity	5.2%	13.0%	--	--
Domestic Fixed Income	7.3%	6.0%	7.2%	6.1%
High Yield	1.2%	7.9%	9.0%	7.9%
Global Fixed Income	0.4%	1.1%	3.5%	--
Inflation Hedge**	-0.6%	--	--	--
Real Estate	20.6%	15.9%	15.8%	7.8%
Alternatives	17.3%	14.4%	13.2%	14.5%
Opportunistic***	8.7%	13.0%	8.9%	--
Total Fund	8.4%	13.0%	11.0%	7.6%

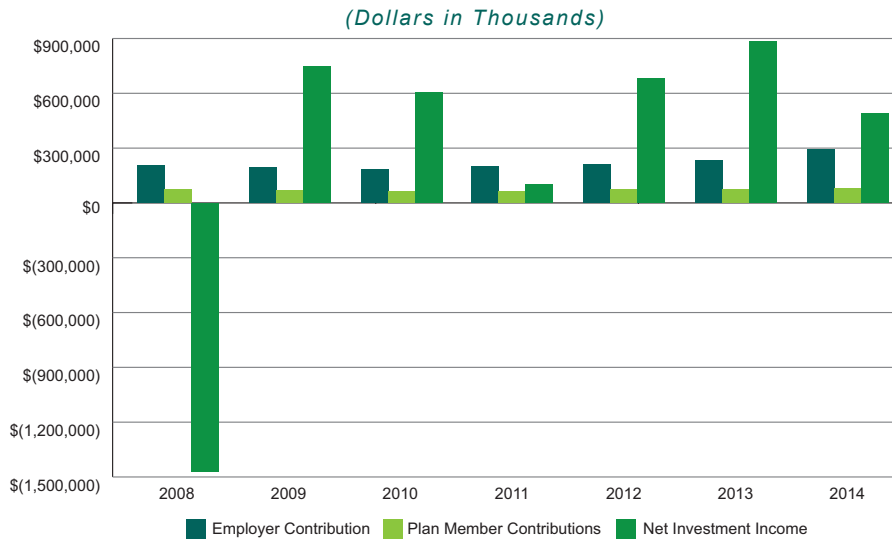
* Using time-weighted rate of return based on the market rate of return.

** Inflation Hedge Managers hired in 2013.

***Historically, funds were reflected in aggregate.

REVENUE BY SOURCE

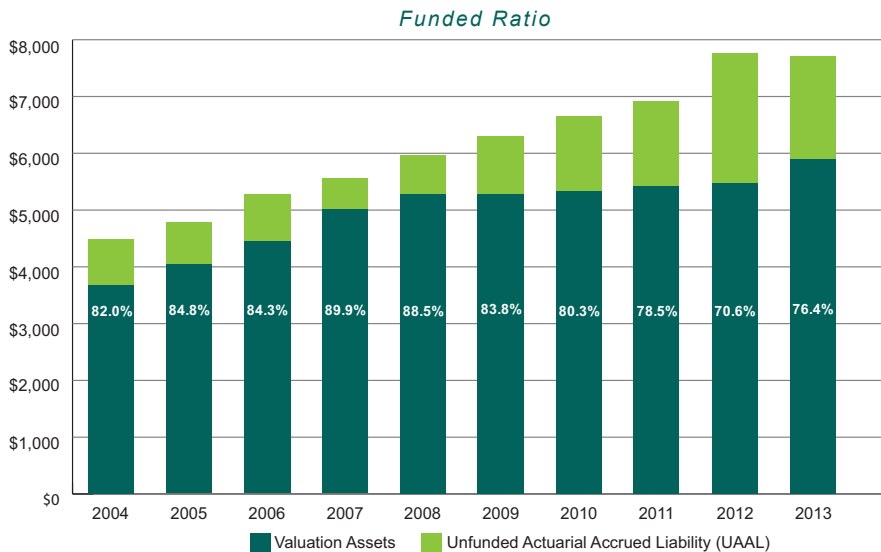
Employer and plan member basic and COLA (Cost of Living Adjustment) contributions are based on statute and rates recommended by an independent actuary and adopted by the Board.



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, 2012 rates became effective on July 1, 2014).

ACTUARIAL FUNDING STATUS

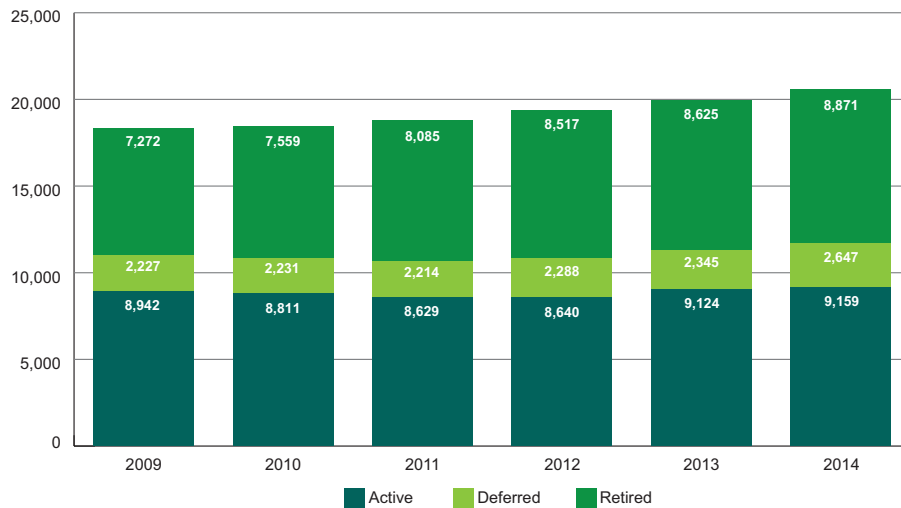
In order to determine whether the pension plan's net position restricted for pensions will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment 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.



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.

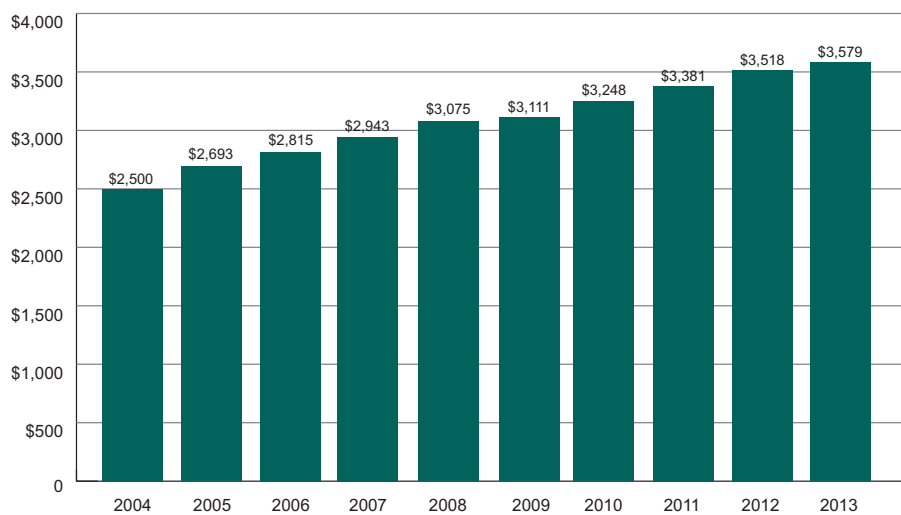
MEMBERSHIP

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, 2014 is 20,677.



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, 2013.



NOTEWORTHY ACCOMPLISHMENTS

During 2014, CCCERA implemented Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, which established new accounting and financial reporting requirements for public pension plans. The reporting changes include separating pension accounting from funding pension benefits; requiring the plan to calculate the collective net pension liability; and requiring additional note disclosures and required supplementary information. For CCCERA's participating employers, GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, is effective beginning with the fiscal year ended June 30, 2015. CCCERA is committed to continue to work with our consultants and participating employers to provide ongoing communication and support as our participating employers begin their implementation of GASB 68 this year.

In the fall of 2014, the accounting division upgraded their Multiview accounting system from client server to .NET. This upgrade provided a web-based accounting system with enhanced capabilities. The administration division planned and coordinated remodels throughout the suite to accommodate CCCERA's growing staff. In coordination with the remodels, security was increased with the installation of key pads at regularly used suite doors. The compliance division conducted three internal audits during the year including FPPC - Placement Agents, Employer Leave Cash-out Practices, and the Service Retirement Pension Application Process. The division also conducted five employer on-site field audits during the year. The information technology division replaced the CCCERA Reports web-based application with a more robust SQL Server Reporting System and has started the design of CPAS View web application to replace functionality of the Subledger system. The old voicemail system was replaced with a new system that keeps external and internal communications flowing seamlessly and efficiently.

Successful recruitments were completed for the following positions: retirement administrative/human resources coordinator, retirement communications coordinator, retirement office specialist, retirement investment analyst, two retirement benefits managers, two retirement counselors, and two retirement member services technicians.

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 2013. 2014's CAFR was submitted in June of 2015. 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 2014. 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.



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

1355 Willow Way, Suite 221, Concord, CA 94520
Phone: (925) 521-3960 Fax: (925) 646-5747
cccera.org

ABOUT CCCERA

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

- 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 Protection District
- Rodeo-Hercules Fire Protection District
- San Ramon Valley Fire Protection District

2014 BOARD OF RETIREMENT

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

CCCERA

Gail Strohl *Chief Executive Officer*
Kurt Schneider *Deputy Chief Executive Officer*
Timothy J. Price *Chief Investment Officer*