



Published for Active Members of the
Contra Costa County Employees
Retirement Association
Summer 2006

It's that time again

Contribution Rate Increase Reminder

CCCERA members will see a contribution rate increase reflected on their August 10 paychecks. The amount was approved by the Retirement Board in 2005, based on recommendations made in 2004 by The Segal Company, CCCERA's actuary.

The Segal Company proposes contribution rate adjustments for both employers and employees after completing periodic "actuarial valuations." These studies are conducted to assess the financial security and stability of the fund. Recommendations are presented annually to the Retirement Board for adoption.

At its discretion, the Board may revise or accept the recommendations. Board trustees carefully assess the potential impact on all fund members, and on the health of the fund itself, before adopting rates that affect all of our "bottom lines."

There are many factors that influence contribution rates, from investment returns to benefit enhancements. For a more detailed look, go to cccera.org. Click on *Member Information*, then the article "*Why Your Retirement Contribution Rates Rise.*"

The rate change amount depends on several variables specific to your membership: tier designation, age at entry into the system, your employer, subvention rate, etc. Generally, for all tiers, the difference from previous years will be .5%, of salary, or less. (*1/2 of 1 percent or less*)

During this budget conscious year, any rate increase might be cause for anxiety. Overall, this is a very modest increase. We must be realistic about the cost of benefits, in order to safeguard our retirement pensions. While it's a stretch to put the money aside now, we'll be glad when those benefits arrive every month after we retire.

The Pension System Project Continues

The new pension administration project is in full swing. System design sessions and conference calls fill staff schedules; "homework" assigned by the vendor maintains the momentum.

The project is divided into modules, with the first goal being the completion of the Retiree Payroll System. The "go live" date for this module is estimated to be October 2006. Retiree payroll is one of the most important functions of CCCERA; our current system is one of the most fragile technologically. Each month dedicated staff coax and coddle antiquated hardware and query software to produce pension benefits on time, with the correct deductions, in the proper amounts.

The new system will automate many tasks, and will allow virtually unlimited flexibility.

Concurrently, Core 1 analysis and design continue as Tier Technologies builds the system tailored to meet CCCERA's needs. This module includes calculation design, estimates, employer contribution interface, employer reporting, annual benefit statements, the new hire procedure, actuarial reporting and security.

Staff members are already attending intensive training sessions with system experts. CCCERA's network capacity and data servers are also being upgraded to successfully host the new system.

2005 Investment Returns Bring Spring to CCCERA's Portfolio

CCCERA experienced strong investment performance for the year ending December 31, 2005. The Total Fund returned 10.8%, out-performing the 7.9% actuarial interest rate. Relative to peer universe comparisons, CCCERA's performance significantly exceeded the median total fund return of 6.1% and the median public fund return of 6.0%. CCCERA ranked in the 5th percentile of the total fund universe and in the 2nd percentile of the universe of public funds. This ranking means CCCERA's total investment returns were higher than 95% of total funds, and 98% higher than other public funds.

Investment diversification is an important strategy practiced by CCCERA, to assure stability and lessen risk for the fund. All investment categories do not perform equally well during the same time periods. For example, CCCERA's real estate performance for 2005 returned 20.8%, but international fixed income returned 5.4%.

Domestic fixed income returned 3.7%, which is in the 14th percentile of the universe of fixed income managers. Domestic equities returned 8.8%, ranking in the 35th percentile in the universe of domestic equity managers. International equities returned 20.0%, above the 15.9% return of the median equity portfolios. Alternative investments returned 33.5%, due to strong returns from energy funds and some private equity investments. (Reported investment returns are gross of fees.)

As of December 31, 2005, CCCERA's market value of assets was \$4.26 billion, an increase of approximately \$540 million from the year before.

Positive investment returns are good news for CCCERA members, but we must consider the current economic rebound with the reality of losses that took place between 1999 and 2002. CCCERA uses a *five year smoothing method*, which means losses *or* gains are spread over five years to lessen volatility and maintain fiscal stability every year. Investment decisions are made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer and employee contributions, and defraying reasonable expenses for administering the system. Investment diversification is designed to minimize the risk of loss and to maximize the rate of return. The Board of Retirement has exclusive control over all retirement system investments, and is responsible for establishing investment objectives, strategies and policies.

For a more in-depth look at CCCERA's financial picture, members can view the Comprehensive Annual Financial Reports (CAFR) for the years 2002-2004 on our website, www.cccera.org. The 2005 CAFR will be available on line by the end of June 2006.

Thanks to Cary Hally, Chief Investment Officer, and Rick Koehler, Retirement Accounting Manager, for information contained in this article.

Some brief definitions:

Actuarial Interest Rate: an assumed annual interest rate

Alternative Investments: Investment vehicle with slightly higher risk, and therefore higher yields.

Basis Point: 1/100 of 1%.

Peer Universe: a group of agencies similar to CCCERA

Domestic Equity: American ownership interest stocks

International Equity: Foreign ownership interest stocks

Median Fund Return: The midpoint return amount in a dataset of ranked items

Defer or Not Defer: *That Is The Question*

CCCERA membership can terminate for many reasons, but essentially this means you no longer work for a participating employer, or have changed jobs to an ineligible position, such as “contract” or less than 20 hours per week employment.

Refunds of your contributions are **not allowed** if you are still working for a participating employer in an ineligible position. But if you have actually terminated employment for at least 45 days, you have two options:

1. Take a refund of your contributions and interest, OR
2. Defer your membership.

Previously, only *vested* members (five or more years of service credit) had the option to defer. Recent legislation allows *any* terminated member to use this option.

Deferment means you leave your contributions and interest in your CCCERA account. When you reach retirement age, you are entitled to a monthly benefit based on your years of service, final average salary and age factor, just as if you had continued your membership.

There is one big difference between deferred and *vested* membership: **vested members are eligible to retire and take a monthly benefit if they are age 50 with ten years of service. Deferred members with less than five years of service must wait to begin receiving benefits until they are age 70.** Your contributions will continue to earn interest while you are deferred. If you change your mind, you can request a lump sum refund at any time before you begin receiving monthly benefit payments. However, you may incur tax liability on your refund, depending on whether you take a cash payout or rollover the funds into another retirement account.

Call CCCERA to get more information on to this important decision.

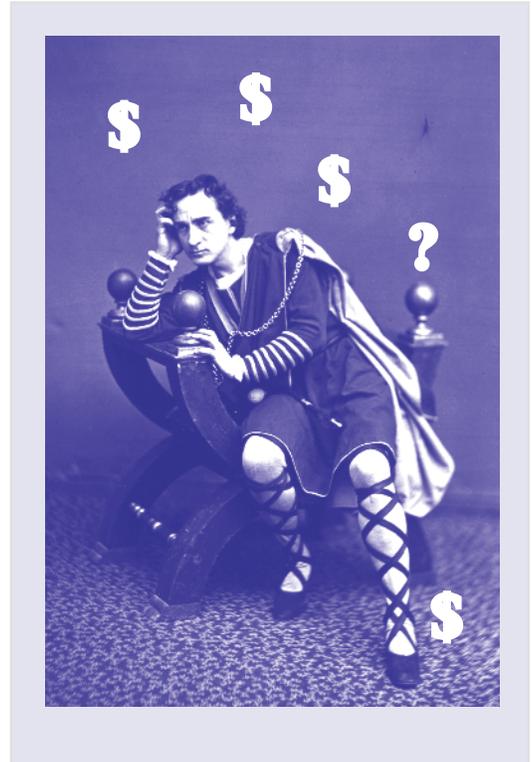
Dr. J. David Gaynor Joins Retirement Board

In July 2005, Governor Schwarzenegger signed A.B. 719 into law, which permitted the Contra Costa County Board of Supervisors to appoint an alternate member for Retirement Board seats 4,5, 6, or 9. (The new law prohibits this alternate member from serving for a supervisor who has been appointed to any of those seats, unless approved by a county majority election.)

Dr. J. David Gaynor was appointed to this alternate seat, beginning his term on January 1, 2006. Dr. Gaynor has substantial experience in

community affairs. Throughout his career he volunteered for a variety of organizations, including two terms with the Contra Costa County Grand Jury. He has won several professional awards for meritorius service. His dedication and interest in the Retirement Board has been demonstrated by his regular attendance prior to his appointment.

This alternate will only vote in the absence of the 4th, 5th or 9th member. If a vacancy occurs in these seats, the alternate will fill that vacancy until the Board of Supervisors appoints a new regular member.



Benefit Statement Slated for Late Summer Mailing

Your annual benefit statement is developed each year in close conjunction with CCCERA's actuaries, to help with financial planning for your future. Important features you need are included, such as retirement benefit estimates, account balances, beneficiary on record, and service credit through **12/31/05**. (12/10 County payroll)

This year, the statement arrival time is later than usual, due to our pension project timelines.

Most CCCERA staff are working two jobs right now: combining their usual intensive workload with the additional job of research, data cleansing and workflow analysis for the pension administration system.

The system project is a much needed technology upgrade with positive service effects for members. But remember this old database cliché,
"Garbage in, garbage out. . .?"

Going forward, the system will only be as accurate

as the historical data it holds, as effective as the streamlined processes we create. Retirement Office staff are doing their best to audit service credit, image files, verify account balances and other tasks needed to roll out the system successfully. Staff members with specialized expertise are advising system developers on the complicated processes that make up "business as usual" for CCCERA.

With any new system there are challenges. Even with the in-depth planning and effort devoted to this project, there will be issues to resolve.

With over 6,500 retired members, over 9,000 active members, 16 employers, 7 benefit tier designations, and decades of data that must be integrated, imagine the detail that must be maintained for each member.

We look forward to sharing the new system with you. CCCERA staff and the association membership have the same vested interests. First and foremost, we are members, too.

925.646.5741.

day at:
messages 24 hours a
available to take your
hours, voicemail is
After regular business
Monday through Friday.
12:30 p.m.-5:00 p.m.,
8 a.m.-12 p.m.,
CCCERA office hours are

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