

*Contra Costa County Employees' Retirement Association*

# Popular Annual Financial Report

*for the Year Ended December 31, 2010*

Dear Members,

We are pleased to present the *Popular Annual Financial Report (PAFR)* for the year ended December 31, 2010.

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% for the one year period ending December 31, 2010, exceeding the 7.75% actuarial interest rate. Investment performance for 2010 was a continuation of the strong performance experienced in 2009.

As of December 31, 2010, CCCERA has approximately \$5.0 billion in net assets, which means that total assets of \$5.85 billion exceed total liabilities of \$855 million. 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 83.8%, as of December 31, 2009, 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, [cccera.org](http://cccera.org).

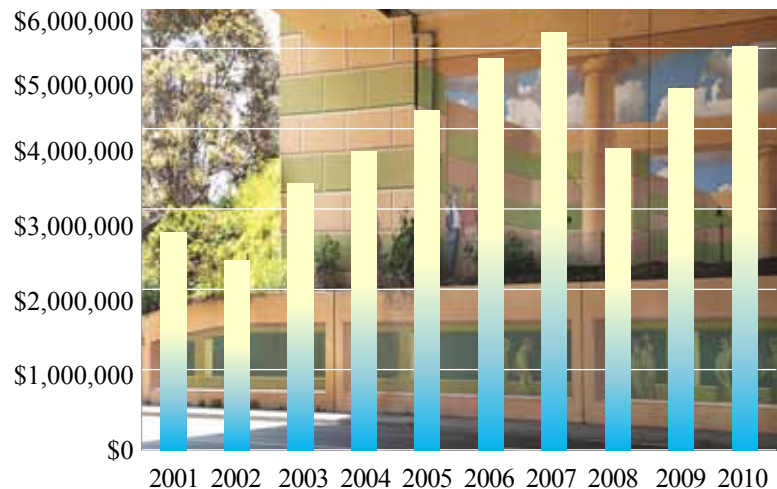
Marilyn Leedom, CEBS  
Chief Executive Officer

Rick Koehler, CPA, CGFM  
Accounting Manager

## Net Assets Held in Trust for Pension Benefits (Dollars in Thousands)

As of December 31, 2010, CCCERA had approximately \$5.0 billion in **net**<sup>1</sup> assets, meaning that **total**<sup>2</sup> assets of \$5.85 billion exceed total liabilities of \$855 million. At December 31, 2009 and 2008, CCCERA's net assets totaled \$4.5 billion and \$3.7 billion, respectively. Net assets represent funds available for future payments.

As of December 31, 2010, net assets increased by 12.3% over 2009, and increased by 34.1% over 2008, primarily due to changes 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.*

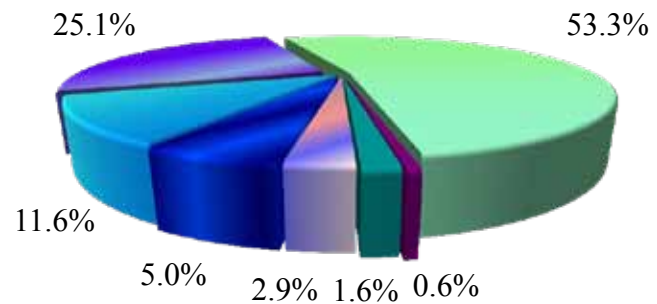
## Changes In Net Assets for the years ended December 31, 2010 and 2009 (Dollars in Thousands)

Additions	2010	2009	% Change 2010-2009
Employer Contributions	\$183,951	\$ 195,614	-6.0%
Employee Contributions	64,330	66,536	-3.3%
Net Investment Income/(Loss)	605,672	748,861	-19.1%
Net Security Lending Income	1,097	2,436	-55.0%
<b>Total</b>	<b>\$855,050</b>	<b>\$1,013,447</b>	<b>-15.6%</b>
<b>Deductions</b>			
Pension Benefits	\$288,969	\$266,866	8.3%
Refunds	2,647	4,628	-42.8%
Administrative	5,283	7,359	-28.2%
Other Expenses	7,723	7,563	2.1%
<b>Total</b>	<b>\$304,622</b>	<b>\$286,416</b>	<b>6.4%</b>
<b>Increase (Decrease) in Net Assets Held in Trust for Pension Benefits</b>	<b>\$550,428</b>	<b>\$727,031</b>	<b>-24.3%</b>

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, 2010)

*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, 2010)

	CURRENT YEAR	ANNUALIZED		
		3 YEAR	5 YEAR	10 YEAR
<b>DOMESTIC EQUITY</b>	17.80%	-1.30%	3.10%	2.10%
<b>INTERNATIONAL EQUITY</b>	8.30%	-9.30%	1.80%	4.30%
<b>DOMESTIC FIXED INCOME</b>	10.60%	6.20%	6.40%	6.60%
<b>GLOBAL FIXED INCOME**</b>	8.80%	6.50%	-	-
<b>REAL ESTATE</b>	21.00%	-7.50%	0.50%	9.20%
<b>ALTERNATIVE INVESTMENTS</b>	10.50%	3.50%	11.10%	6.20%
<b>TOTAL FUND</b>	14.00%	.70%	4.80%	5.70%

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, 2010, the total fund gain was 14.0%, greater than the targeted return of 5.6% (CPI plus 400 basis points), and greater than the median total public fund return of 12.2%.

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

\*\* Global 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%
12/31/09	83.8%

## 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
(Dollars in Thousands)		
2007	\$ 196,930	\$ 75,591
2008	\$ 206,519	\$ 76,452
2009	\$ 195,614	\$ 66,536
2010	\$ 183,951	\$ 64,330

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).

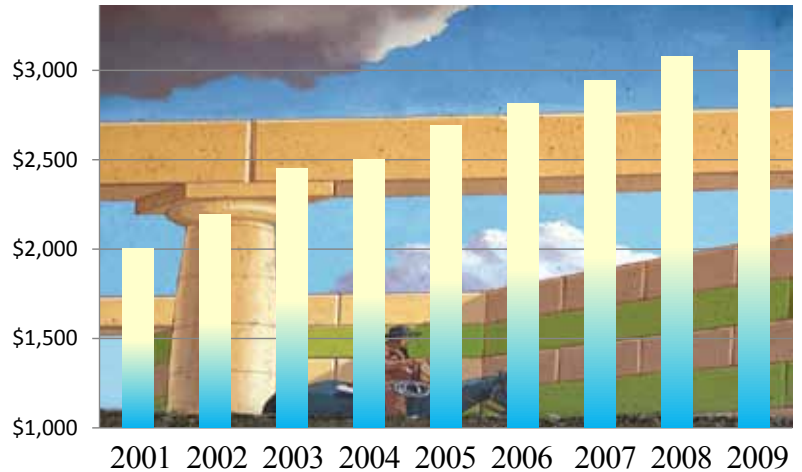
## Noteworthy Accomplishments

The Legal Division developed a CCCERA specific redaction of the County Employees's Retirement Law of 1937 (CERL 1937), the statutes that govern our operation. This resource is posted and linked to the member handbook on our web site. Board meeting agendas and background material on discussion items are also available on the web site. Employers are now reporting all data electronically to our pension system. The implementation of our new accounting system, Multiview, is helping to bring us closer to paperless workflow. The Board of Retirement voted to depool employer assets and liabilities, so intensive member record data verification has continued in order to input and report accurate demographic information. In 2010, CCCERA held eight Group Counseling sessions for 157 members nearing retirement.



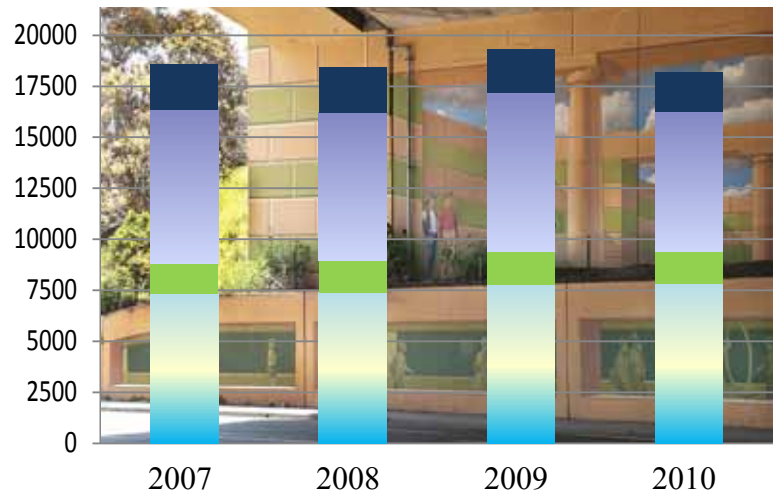
# Average Benefit Payments

The *average benefits payment* chart is a broad representation of average benefits paid annually over 9 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.



# Membership

- Active General Members
- Retirees and Beneficiaries
- Inactive Vested
- Safety

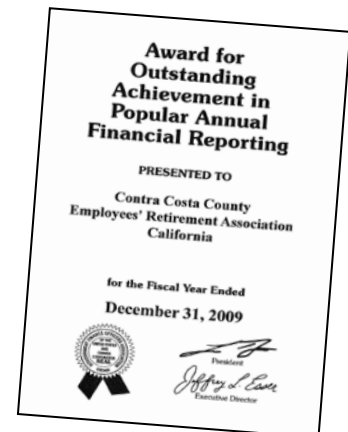


# Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to CCCERA for its *Popular Annual Financial Report (PAFR)* for the year ended December 31, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious international award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. 2009 was CCCERA's first submission for a Popular Award. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA for consideration.



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

The 2010 Popular Annual Financial Report was designed by  
CCCERA's Communication Division.

PAFR illustrations are from public murals painted by John Wehrle and Herschell West.

## *Board of Retirement 2010*

Jerry Telles (Chairperson)  
Dave Gaynor (Vice-Chairperson)  
Brian Hast (Secretary)  
Richard Cabral  
Maria Theresa Viramontes  
John Gioia  
Jerry R. Holcombe  
Terry Buck (Safety)  
Jim Remick (Safety Alternate)  
Sharon Naramore (Retiree Alternate)  
William J. Pollacek, County Treasurer  
(Retired January 4, 2011)  
Russell V. Watts, County Treasurer  
Assumed Duties January 3, 2011  
Vacant (Appointed Alternate)

## *Chief Executive Officer*

Marilyn Leedom

After business hours,  
voicemail is available  
to take your messages  
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.

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