



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

Popular Annual Financial Report

for the Year Ended December 31, 2011

Dear Members,

We are pleased to present the *Popular Annual Financial Report (PAFR)* for the year ended December 31, 2011.

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 2.7% for the one-year period ending December 31, 2011, trailing the 7.75% actuarial interest rate and the 7.1% return for the performance objective of the CPI plus 400 basis points. Relative to peer universe comparisons, CCCERA's 2011 performance exceeded the median total fund return of 0.8% and the median public fund return of 1.1%, ranking in the 21st percentile in the universe of total funds and the 13th percentile in the universe of public funds.

As of December 31, 2011, CCCERA has approximately \$5.1 billion in net assets, which means that total assets of \$5.93 billion exceed total liabilities of \$882 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 80.3%, as of December 31, 2010, 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*.

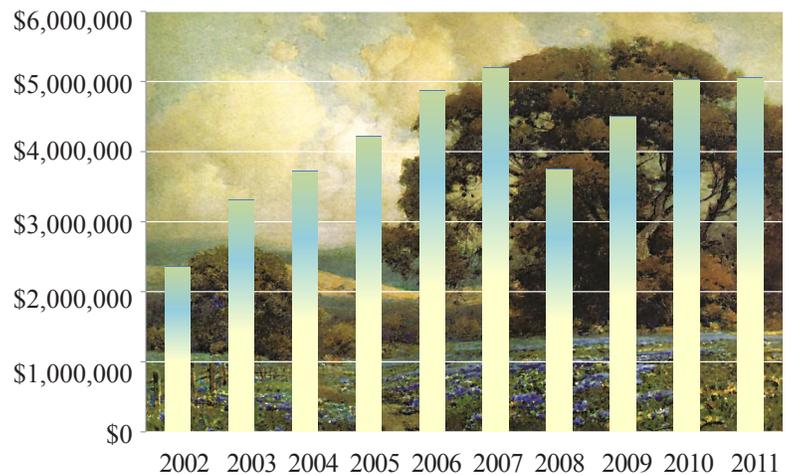
Marilyn Leedom, CEBS
Chief Executive Officer

Vickie C. Kaplan, CPA
Accounting Manager

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

As of December 31, 2011, CCCERA had approximately \$5.1 billion in **net**¹ assets, meaning that **total**² assets of \$5.93 billion exceed total liabilities of \$882 million. At December 31, 2010 and 2009, CCCERA's net assets totaled \$5.0 billion and \$4.5 billion, respectively. Net assets represent funds available for future payments.

As of December 31, 2011, net assets increased by 0.5% over 2010, and increased by 12.9% over 2009, primarily due to changes in the **fair market value**³ of investments.



¹Net Assets: *Assets (what we hold) at year-end, less expenses.*

²Total Assets: *The value of assets before deduction of liabilities (what we owe).*

³Fair Market Value: *A value established between a willing buyer and seller in an independent transaction.*

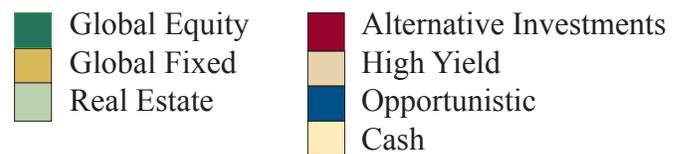
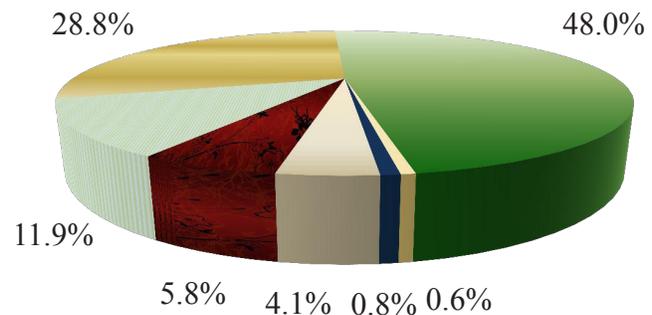
Changes In Net Assets for the years ended December 31, 2011 and 2010 (Dollars in Thousands)

Additions	2011	2010	% Change 2011-2010
Employer Contributions	\$ 200,389	\$ 183,951	8.9%
Employee Contributions	61,575	64,330	-4.3%
Net Investment Income	100,363	605,672	-83.4%
Net Security Lending Income	951	1,097	-13.3%
Total	\$ 363,278	\$ 855,050	-57.5%
Deductions			
Pension Benefits	\$ 320,297	\$ 288,969	10.8%
Refunds	3,909	2,647	47.7%
Administrative	6,290	5,283	19.1%
Other Expenses	7,649	7,723	-1.0%
Total	\$ 338,145	\$ 304,622	11.0%
Increase in Net Assets Held in Trust for Pension Benefits	\$ 25,133	\$ 550,428	-95.4%

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, 2011)

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, 2011)

	CURRENT	ANNUALIZED		
	YEAR	3 YEAR	5 YEAR	10 YEAR
DOMESTIC EQUITY	1.1%	15.9%	0.7%	3.2%
INTERNATIONAL EQUITY	-11.5%	5.7%	-5.3%	5.1%
GLOBAL EQUITY**	-5.6%	-	-	-
DOMESTIC FIXED INCOME	7.2%	11.8%	6.3%	6.6%
GLOBAL FIXED INCOME***	5.6%	8.6%	-	-
REAL ESTATE	10.4%	10.0%	-3.3%	9.1%
OPPORTUNISTIC****	-6.6%	-	-	-
ALTERNATIVE INVESTMENTS	13.4%	7.3%	10.0%	10.3%
TOTAL FUND	2.7%	12.6%	2.4%	6.2%

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, 2011, the total fund gain was 2.7%, less than the targeted return of 5.6% (CPI plus 400 basis points), and greater than the median total public fund return of 0.8%.

* 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 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%
12/31/10	80.3%

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 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

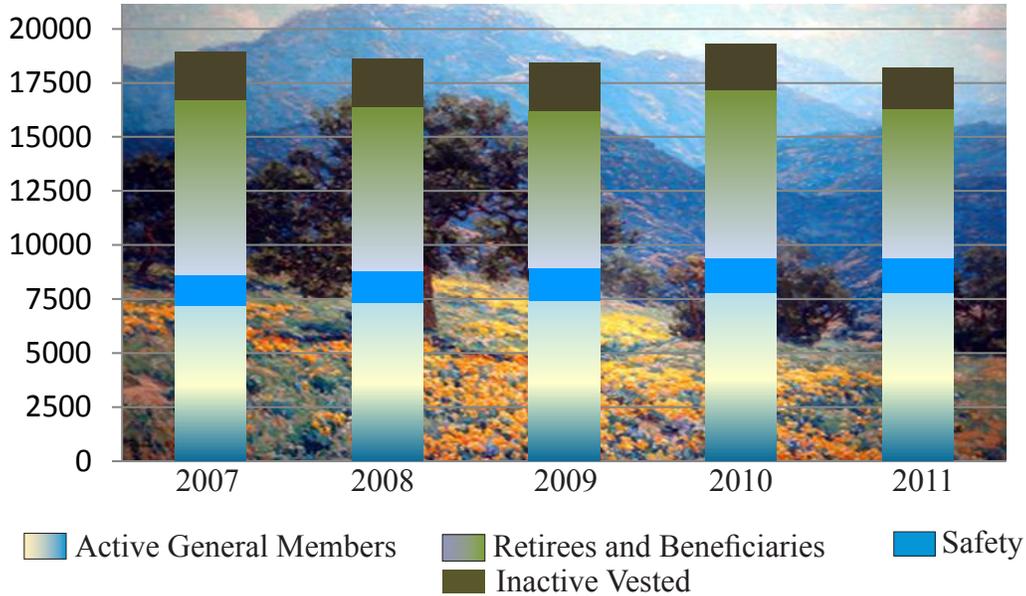
CCCERA's actuarial valuations are calculated as of December 31 of each year; contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2010 rates became effective on July 1, 2012).

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 2010. 2011's CAFR was submitted in June of 2012. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.

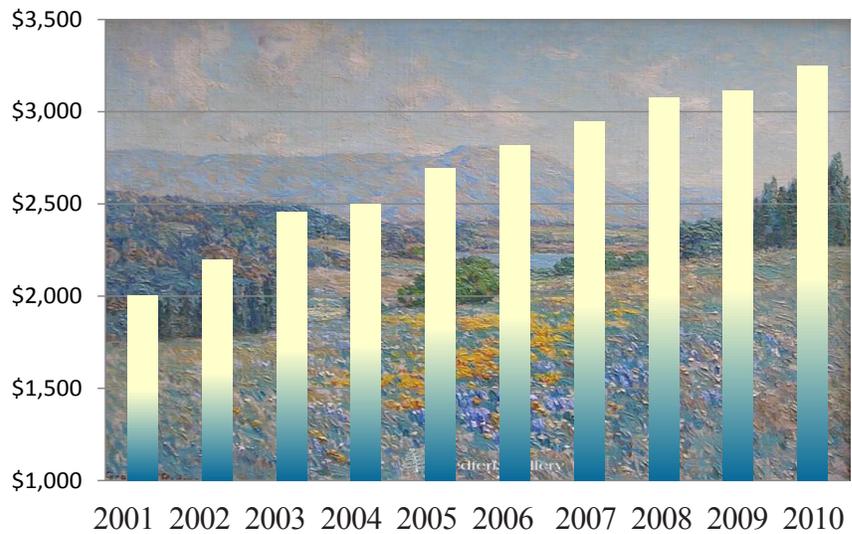
CCCERA has also earned the Public Pension Coordinating Council's (PPCC) *Public Standards Award* for 1998, 2000, and 2003 through 2011. The Public Pensions Standards are intended to reflect minimum expectations for public retirement system management and administration, and to serve as a benchmark by 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

Prospective benefit structure changes and collective bargaining agreements caused an increase in retiring members. In 2010, CCCERA processed 434 retirements; in 2011 we processed 696 retirements. Increases in service demand throughout the agency created a need for more staff and workspace. Vacant office space was annexed and remodeled to accommodate personnel. We hired a new Accounting Manager; recruitment continued for a new Deputy Chief Executive Officer and Chief Investment Officer. (Both of these positions were filled in early 2012.) The Legal Division prepared and assisted with preparation of administrative and board policies, including a Securities Litigation Monitoring Policy, and a Policy on Handling Actuarial Information Requests. As a result of increased interest in government practices and pension funding, the Legal Division has responded to many Public Record Requests, some requiring laborious research, compilation, and programming. A Request for Proposal for External Auditing Services was released. Brown Armstrong CPAs was the successful bidder.

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 2011 Popular Annual Financial Report was designed by
CCCERA's Communication Division.

Board of Retirement 2011

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
Sharon Naramore (Retiree Alternate)
Jerry R. Holcombe (Appointed Alternate)
Vacant (Safety Alternate)

Chief Executive Officer

Marilyn Leedom

Deputy Chief Executive Officer

Kurt Schneider (hired in 2012)

Chief Investment Officer

Timothy J. Price (hired in 2012)

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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