Contra Costa County Employees' Retirement Association

Comprehensive Annual Financial Report

For The Years Ended December 31, 2013 and 2012

A Pension Trust Fund of the County of Contra Costa, California

On the cover and title page:

Myriad legends tell how Contra Costa County's "Devil Mountain" acquired its name. The *Monte Del Diablo* was rumored to be visited by spirits of explorers and soldiers who perished on its slopes, that "poisoned" water on the mountain was a sign representing the evils of gold for seekers, that flames erupted spontaneously from caves in the foothills, that miraculous fogs emanated from its valleys. This 1873 painting by John Ross Key, displays a peaceful view of the mysterious mountain.

Rancho Los Meganos (later Medanos) is depicted, ca. 1865. This panoramic watercolor, by the French artist Edward Jump, includes the stone house built by John Marsh (photo on page 17), cattle grazing, and equestrians traversing a bucolic landscape. Within this area, there are 500 anthropological sites identified by the University of California at Berkeley, including 37 Native American burial grounds.

(Title Page) The Californios (citizens of Spanish descent native to California) were considered expert livestock wranglers. In this painting, three vacqueros are capturing a wayward steer. Note traditional details in the portrayal: double-reined bridles on Spanish Barb horses, wide brimmed hats and leggings with silver buttons, and braided reatas (lassos).

The first letter of the page headings in this comprehensive annual report are examples of California cattle brands, the original way of declaring livestock ownership prior to the yellow plastic ear tags of today. Each brand is listed in the California Brand Book; many designs have been in use since the 18th century.

CONTRA COSTA COUNTY CCCERA
Employees' Retirement Association

CCCERA's mission is to deliver retirement benefits to members and their beneficiaries through prudent asset management and effective administration, in accordance with all plan provisions.

Comprehensive Annual Financial Report

For The Years Ended December 31, 2013 and 2012

Issued by:

Kurt Schneider, ASA, EA, MAAA	Deputy Retirement Chief Executive Officer
Vickie C. Kaplan, CPA	Retirement Accounting Manager

Contra Costa County Employees' Retirement Association

A Pension Trust Fund of the County of Contra Costa, California

1355 Willow Way, Suite 221, Concord, California 94520-5728

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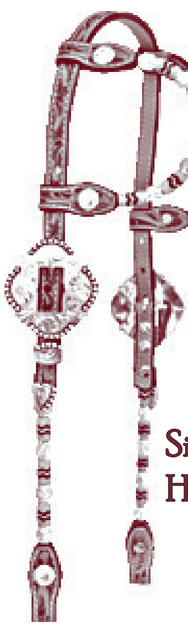


Silver Headstall

V. Statistical Section

Western Star

The County Map of California (*right page*) illustrates California's political and social development as early as 1860, the map's creation date. The inset maps show the San Francisco Bay Area Counties and the Great Salt Lake Country, complete with wagon roads and rail lines.

Contra Costa County had its share of villains, heroes, and colorful characters during the frontier era. Among them was Black Bart, the outlaw known as "the walking cowboy," and "the poet outlaw." Bart (whose real name was Charles E. Bolton) was a teacher in Concord between 1867 and 1877. He walked up to stagecoaches wearing a flour sack mask and carrying a shotgun (unloaded). He left a poem behind after each robbery, and was always a gentleman, according to his victims.

The area was also visited by James "Grizzly" Adams, famous for his ability to tame California's native bears. Symbolic images of this species with golden-tipped fur are featured on California's seal and flag. The last sighting of the Bear Flag state's mascot was in 1922.

Though the drama of the Gold Fields initially drew thousands of adventurers to California, Contra Costa's fortunes evolved from the interaction of a diverse group of entrepreneurs representing many cultures. These pioneers were interested in ranching, education, coal mining, shipping, law and order, rather than "get rich quick" schemes.

Introductory Section

Letter of Transmittal

June 6, 2014

Board of Retirement
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520-5728

Dear Board Members:

I am pleased to present the Contra Costa County Employees' Retirement Association's (CCCERA) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2013, our 68th year of operation.

The Contra Costa County Employees' Retirement Association is a public employee retirement system that was established by the County of Contra Costa (County) on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for County employees and 16 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937).

REPORT CONTENTS

CCCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information within this CAFR, including all disclosures. The Comprehensive Annual Financial Report is divided into five sections:

The INTRODUCTORY SECTION includes a description of CCCERA's management and organizational structure, a letter of transmittal, a listing of the members of the Board of Retirement, and a listing of professional consultants.

The FINANCIAL SECTION presents the financial condition and funding status of CCCERA. This section contains the opinion of the independent certified public accountants, Brown Armstrong CPAs, Management's Discussion and Analysis of CCCERA's financial activities, the financial statements, and the related supplementary financial information.

The INVESTMENT SECTION provides an overview of CCCERA's investment program. This section contains reports on investment activity, investment policies, investment results, and various investment schedules and charts/graphs.

The ACTUARIAL SECTION communicates CCCERA's funding status and presents other actuarial related information. This section contains the certification of the consulting actuary, Segal Consulting, actuarial statistics, and general plan provisions.

The STATISTICAL SECTION presents information on CCCERA's operations on a multi-year basis.

CCCERA AND ITS SERVICES

CCCERA was established on July 1, 1945, to provide retirement allowances and other benefits to the safety and general members employed by the County. Currently, Contra Costa County and 16 other participating agencies are members of CCCERA. The participating agencies include:

Bethel Island Municipal Improvement District	E
Byron, Brentwood, Knightsen Union Cemetery District	
Central Contra Costa Sanitary District	E
Contra Costa County Employees' Retirement Association	E
Contra Costa Housing Authority	E
Contra Costa Mosquito and Vector Control District	E
First 5 - Children & Families Commission	E
In-Home Supportive Services Authority (IHSS)	E
Local Agency Formation Commission (LAFCO)	E
Rodeo Sanitary District	
Superior Courts of Contra Costa County	E
Contra Costa Fire Protection District	E
East Contra Costa Fire Protection District	E
Moraga-Orinda Fire Protection District	E
Rodeo-Hercules Fire Protection District	E*
San Ramon Valley Fire Protection District	E

E - Adopted Enhanced Benefits (2% at 55 for General Members; 3% at 50 for Safety Members)
E* - Adopted Enhanced Benefits (2% at 55 for General Members only)

In addition, CCCERA administers retirement, disability, or survivor benefits to retirees or beneficiaries of the following former participating agencies:

Alamo-Lafayette Cemetery District
City of Pittsburg
Delta Diablo Sanitation District
Diablo Water District
Ironhouse Sanitary District
Kensington Fire Protection District
Superintendent of Schools - Contra Costa County Office of Education
Stege Sanitary District

CCCERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by CCCERA's Board of Retirement. The Contra Costa County Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect benefits of CCCERA members.

The 12 member Board of Retirement is responsible for the general management of CCCERA. Of the twelve members, three are alternates, one for the appointed members, one for safety, and one for retirees. Five Board members are appointed by the Contra Costa County Board of Supervisors, one as an alternate. Four Board members, including the safety alternate, are elected by CCCERA's active membership. Two Board members are elected by the retirees, one as an alternate. The County Treasurer serves as an ex-officio member. Board members, with the exception of the County Treasurer, serve three year terms in office, with no term limits.

FINANCIAL INFORMATION

This report has been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. CCCERA's MD&A can be found immediately following the independent auditor's report.

Management of CCCERA is responsible for establishing and maintaining an internal control structure designed to ensure CCCERA's assets are protected from loss, theft, or misuse. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance recognizes the cost of a control relative to the benefits likely to be derived and that these judgments by management are based on estimates. Responsibility for the accuracy, completeness, fair representation of information and all disclosures rests with CCCERA's management. The accounting firm of Brown Armstrong CPAs, a certified public accounting firm, provides financial statement independent audit services to CCCERA. The financial audit provides reasonable assurance that CCCERA's financial statements are presented in conformity with GAAP and are free from material misstatement.

ACTUARIAL FUNDING STATUS

CCCERA's funding objective is to meet long-term defined benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to provisions in the CERL, CCCERA engages an independent actuarial firm to perform an actuarial valuation of the system annually. Every 3 years, a triennial experience study of the members of CCCERA is completed. Both the economic and non-economic assumptions are reviewed and updated, if needed, at the time each triennial experience study is performed. The most recent triennial experience study, which was completed by Segal Consulting, was performed as of December 31, 2012. Segal Consulting's actuarial valuation as of December 31, 2012, determined the funding status (the ratio of system assets to system liabilities) to be 70.6%, using approved assumptions. A more detailed discussion of funding is provided in the Actuarial Section of this report.

INVESTMENTS

The Board has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies. The California Constitution and Government Code Sections 31594 and 31595 authorize the Board to invest in any investment deemed prudent in the Board's opinion.

The Board has adopted an Investment Policy, which provides the framework for the management of CCCERA's investments. This policy establishes CCCERA's investment objectives and defines the principal duties of the Board, custodial bank, and investment managers. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations that reflect expected liabilities. A summary of the asset allocation can be found in the Investment Section of this report.

On a fair value basis, the total net position restricted for pension benefits increased from $5.65 billion at December 31, 2012, to $6.46 billion at December 31, 2013. For the year ended December 31, 2013, CCCERA's investment portfolio returned 16.5%, before investment management fees, reflecting market conditions throughout the year. CCCERA's annualized rate of return was 11.0% over the last three years, 13.7% over the last five years, and 8.1% over the last 10 years, gross of fees.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to CCCERA for its CAFR for the year ended December 31, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which meet or exceed program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for evaluation.

CCCERA was awarded the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award in 2013. The Public Pension 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. CCCERA has met these standards.

SERVICE EFFORTS AND ACCOMPLISHMENTS

<u>Accounting Division</u> - The Division's responsiblities continue to increase as we expand our investment portfolio to include additional investment managers and/or investment types. The division's main goal is to ensure accounting accuracy for financial reporting purposes as well as to be in compliance with accounting standards generally accepted in the United States of America.

This year, CCCERA will implement a new required financial reporting standard, GASB Statement No. 67, Financial Reporting for Pension Plans. CCCERA's plan sponsors will implement GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in fiscal year 2015.

CCCERA has established an implementation plan for GASB 67 & 68, and has conducted several workshops for our plan sponsors related to their implementation of GASB 68. We will continue to work with our consultants to implement these new standards and will also provide ongoing communication and support to our plan sponsors as they implement GASB 68.

Administrative Services Division - The Willows Office Park, owned by CCCERA, is now 98% occupied. In 2013, the Administrative Services Division began working with CCCERA's property management company, Transwestern, to replace and repair all areas of the building containing dry rot. This project should be completed in the coming year. CCCERA increased public information access by providing audio recordings of Board meetings via our web site. Transparency improvements included posting Board member continuing education hours. Successful recruitments were completed in 2013 for several positions, including Compliance Officer, IT Coordinator, Accountant, Senior Member Services Data Specialist, and five retirement counselors. Information was collected and provided to Anderson and Associates as the basis for a total compensation survey for all positions.

Compliance Division - This new division supports CCCERA's executive management and the Board by providing guidance for compliance with laws, regulations, employer contract requirements, general plan operations, and public policy. The Compliance Officer assists in preparing and implementing policies and procedures, including internal audit procedures, to comply with statutory and regulatory requirements.

The Compliance Division reviewed CCCERA's governance, risk, and compliance (GRC) assets, and created an inventory of risk assignments matched to individual CCCERA operation components. These risk assignments were used to formulate a Compliance and Internal Audit program to meet regulatory requirements and provide executive management and the Board with ongoing GRC assessments.

In addition, PEPRA created a requirement for CCCERA to audit employers participating in the retirement system, to ensure the correctness of retirement benefits, reportable compensation, enrollments, Memoranda of Understanding (MOUs), and payroll reporting procedures. The Compliance Division formulated an audit methodology based on CERL and PEPRA regulatory requirements, and created an audit plan and schedule for future years.

Member Services - This division cut costs, streamlined production, and reduced errors by automating portions of the subledger update process. The manual data entry step, which was previously outsourced to a third party service, was eliminated. CCCERA is now uploading electronic wage and contribution import files into CPAS, our pension administration system, as soon as the files are received from the employer, providing real time information for staff and our members. The division's operations have become increasingly complex since the advent of new legislation, and distinct subvention and cost-of-living (COLA) provisions in the MOUs for multiple bargaining units.

Benefits Division - During 2013, 1,800 retirement allowance and purchase estimate requests were received, with counselors processing 1,992 calculations. Individual counseling appointments were held with 773 members; an additional 85 were seen in group counseling sessions. Final retirement allowances were calculated and processed for 536 new retirees. Workload remains heavy for the Benefits Division, due to telephone calls and estimate requests for "what if" scenarios for active members who continue to wait for the final decision on the Assembly Bill (AB) 197 lawsuit.

Information Technology (IT) - During 2013, IT staff replaced all aging workstations in the Training, Counseling, and Imaging departments. The old imaging system (server and scanners) was replaced with a new system that provides more secure and efficient access. IT staff also implemented a new CCCERA Reports Application which provides real-time flexible reporting to all managers and executives. The MacAfee anti-virus software was replaced with Sophos Protection to ensure consistency with countywide technology and security standards. The audio-visual system in the Board room has been improved with recording and Wi-Fi access. 2013 marked the activation of the T1 line between CCCERA and San Diego County Employees' Retirement Association (SDCERA) for disaster recovery. IT staff coordinated a system disaster test on the CPAS system, confirming our ability to provide CPAS system operation continuity from our "hot site" in San Diego.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined and dedicated effort of many people on CCCERA's staff. It is intended to provide complete and reliable information as the basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of CCCERA.

I would like to take this opportunity to express my thanks to the Board, the consultants, and staff for their commitment to CCCERA and for their diligent work to assure the continued successful operation of CCCERA.

Respectfully submitted,

Kurt Schneider, ASA, EA, MAAA
Deputy Retirement Chief Executive Officer

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Members of The Retirement Board

As of December 31, 2013

Trustees	Term Expires	Appointed/ Elected by
Brian Hast, Chairperson	June 30, 2016	General Members
John B. Phillips, Vice-Chairperson	June 30, 2014	Board of Supervisors
Jerry Telles, Secretary	June 30, 2016	Retirees
Debora Allen	June 30, 2014	Board of Supervisors
Karen Mitchoff	June 30, 2014	Board of Supervisors
Scott Gordon	June 30, 2016	Board of Supervisors
Richard Cabral	June 30, 2014	General Members
William Pigeon	June 30, 2014	Safety Members
Russell V. Watts, County Treasurer	Permanent by Office	
Jerry R. Holcombe (alternate)	June 30, 2014	Board of Supervisors
Louie Kroll (alternate)	June 30, 2016	Retirees
Gabe Rodrigues (alternate)	June 30, 2014	Safety Members

List of Professional Consultants

As of December 31, 2013

Actuary
Segal Consulting

Actuarial Audit
Milliman

Benefit Statement Consultant
Segal Consulting

Data Processing
Contra Costa County Department of Information Technology

Auditor
Brown Armstrong CPAs

Legal Counsel
County Counsel of Contra Costa County
Reed Smith LLP
Ice Miller LLP

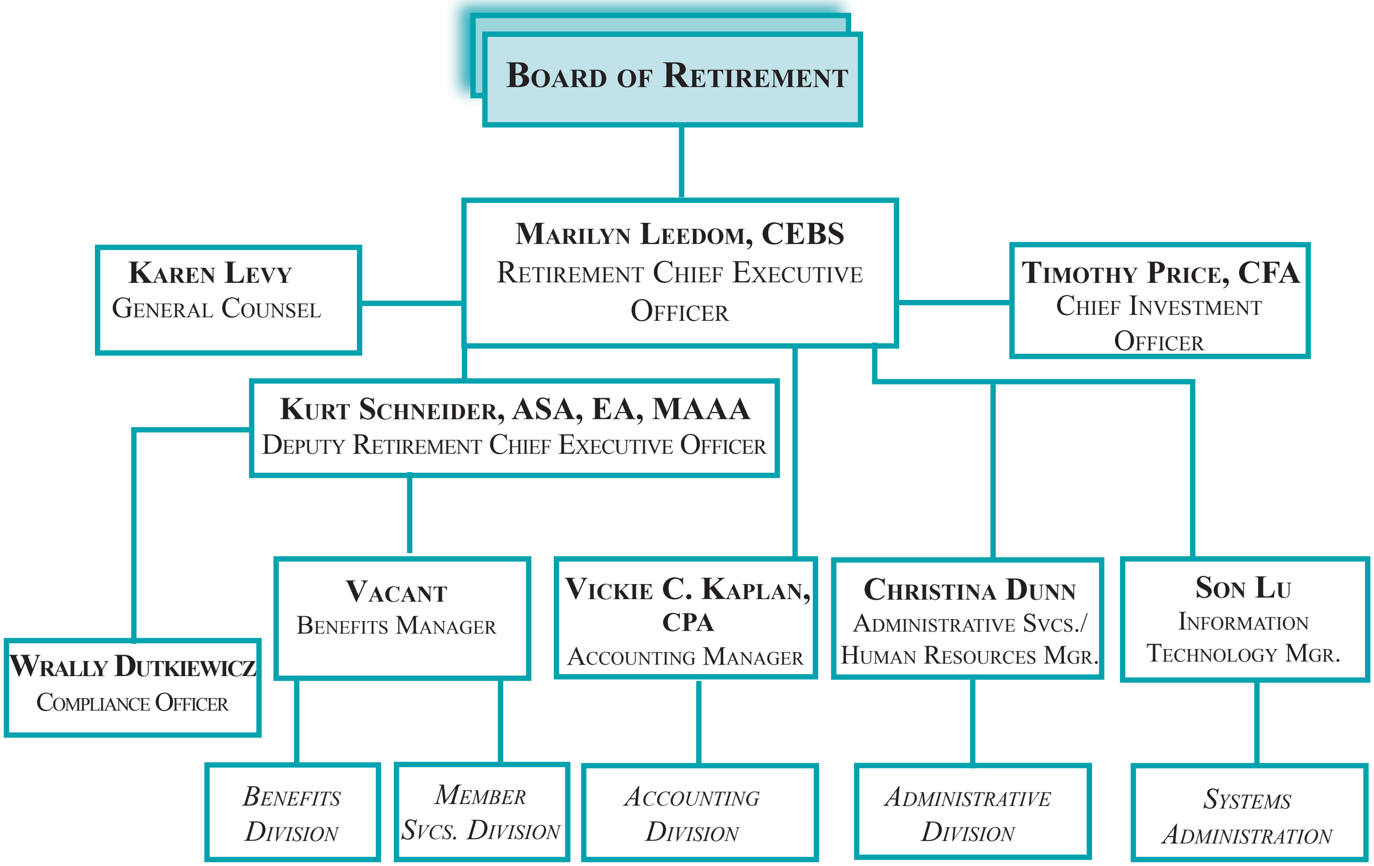
Investment Consultant
Milliman

Master Custodian
State Street Bank & Trust

Proxy Guideline Voting Agent Service
Institutional Shareholder Services Inc (ISS)

Note: List of Investment Professionals is located on page 67 of the Investment Section of this report.

Administrative Organization Chart



GFOA Certificate of Achievement Award

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Contra Costa County

Employees' Retirement Association

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Jeffrey R. Emer

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2013

Presented to

Contra Costa County Employees' Retirement Association

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Alan H. Winkle
Program Administrator




Financial Section

BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the
Contra Costa County Employees' Retirement Association

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of December 31, 2013, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise CCCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the UnitedStates of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CCCERA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CCCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCCERA as of December 31, 2013, and the changes in its fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CCCERA's basic financial statements. The other supplementary information and the introductory, investment, actuarial, and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited the Plan's December 31, 2012 financial statements, and our report dated June 12, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014, on our consideration of CCCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
June 6, 2014

Management's Discussion and Analysis

As management of the Contra Costa County Employees' Retirement Association (CCCERA), we offer readers of CCCERA's financial statements this narrative overview and analysis of the financial activities of CCCERA for the years ended December 31, 2013 and 2012. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal, included in the Introductory Section, as well as the basic financial statements as presented in this report.

Financial Highlights

‡ CCCERA's net position at the close of 2013 totaled $6.5 billion (net position restricted for pension benefits), an increase of $804 million, or 14.2% from 2012 of $5.7 billion, primarily as a result of the net appreciation in the Fair Value of Investments.

‡ Total Additions, as reflected in the Statement of Changes in Fiduciary Net Position, for the year ended December 31, 2013, were $1.2 billion, which includes employer and employee contributions of $307.4 million, an investment gain of $884.9 million, and net securities lending income of $1.2 million. Total additions, for the year ended December 31, 2012, were $967.8 million.

‡ Employer contributions increased from $212.3 million in 2012 to $235.0 million in 2013 primarily as the result of an increase in contribution rates and past losses recognized. Contribution rates are applied on a July through June fiscal year basis and increased as of July 1, 2013.

‡ Employee contributions decreased slightly for 2013 when compared to 2012. For 2013 and 2012, employee contributions were $72.4 million and $73.4 million, respectively.

‡ Total Deductions, as reflected in the Statement of Changes in Fiduciary Net Position, increased from $365.5 million to $389.7 million over the prior year, or approximately 7%, mainly attributed to the pension payroll. Benefits paid to retirees and beneficiaries increased from $347.6 million in 2012 to $369.8 million in 2013, or approximately 6.4%. This increase can be attributed to an increase in the number of new retirees and an annual cost-of-living (COLA) increase.

‡ CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2012, the date of CCCERA's last actuarial pension plan valuation, the funded status for CCCERA (the ratio of the valuation of assets to the actuarial liabilities) was 70.6%.

‡ Market conditions were favorable for 2013. The total investment portfolio finished the year with a strong return of 16.5%, compared to 14.1% in 2012, primarily due to the exposure to equities.

‡ In February 2013, CCCERA's Board voted to lower the inflation assumption from 3.50% to 3.25% and the discount rate from 7.75% to 7.25%. The discount rate is the rate at which a pension system discounts future liabilities of member benefits to determine their actuarial present value.

Overview of the Financial Statements

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to CCCERA's financial statements, which are comprised of these components:

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

The Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It indicates the assets and deferred outflows of resources available for future payments to retirees and their beneficiaries and any current liabilities and deferred inflows of resources that are owed as of year-end. The net position, which is the assets and deferred outflows of resources less the liabilities and deferred inflows of resources, reflect the funds available for future use.

The Statement of Changes in Fiduciary Net Position, on the other hand, provides a view of current year additions to and deductions from the plan. The trend of additions versus deductions to the plan will indicate whether CCCERA's financial position is improving or deteriorating over time.

Both financial statements and the required disclosures are in compliance with the accounting principles generally accepted in the United States of America and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), using the accrual basis of accounting. CCCERA complies with all material requirements of these principles and guidelines.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments, and all Property and Equipment (capital assets) are depreciated over their useful lives.

Other factors, such as market conditions, should be considered in measuring CCCERA's overall financial strength.

The Notes to the Financial Statements are an integral part of the financial report and provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide detailed discussion of key policies, programs, and activities that occurred during the year.

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning CCCERA's progress in funding its obligations to provide pension benefits to members. The Schedule of Funding Progress, a required supplementary schedule, includes historical trend information for the past six years about the actuarially funded status of the plan, and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the Schedule of Employer Contributions, presents historical trend information about annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

Other Supplementary Information. The schedules of administrative expenses and investment expenses are presented following the required supplementary information.

Financial Analysis

As of December 31, 2013, CCCERA has $6.5 billion in net position restricted for pension benefits, which means that assets plus deferred outflows of resources of $7.46 billion exceed liabilities and deferred inflows of resources of $1.0 billion. At December 31, 2012, CCCERA's net position totaled $5.7 billion, respectively. The net position restricted for pension benefits is available to meet CCCERA's ongoing obligation to plan participants and their beneficiaries.

As of December 31, 2013, the net position restricted for pension benefits increased by 14.2% over 2012, primarily due to the changes in the fair value of investments. Current assets and current liabilities also change by offsetting amounts due to the recording of the security lending cash collateral.

Capital Assets

CCCERA's investment in capital assets decreased from $0.8 million to $0.6 million (net of accumulated depreciation and amortization). The investment in capital assets includes servers, equipment, furniture, and leasehold improvements. The total decrease in CCCERA's investment in capital assets from 2012 to 2013 was 25.2% primarily due to the normal amortization and depreciation of assets taken by CCCERA annually.

Starting in 2008, CCCERA follows Government Code Section 31580.3, which allows expensing of software, hardware, and computer technology consulting services in support of the software or hardware used in the administration of the retirement system. During 2013 and 2012, CCCERA expensed $117,778 and $117,768 of software, hardware, and computer technology consulting services, respectively.

FIDUCIARY NET POSITION (Dollars in Thousands)

	2013	2012	% Change 2013-2012
Current Assets	$1,476,686	$ 774,087	90.8%
Investments	5,981,408	5,560,501	7.6%
Capital Assets	603	807	-25.2%
Total Assets	7,458,697	6,335,395	17.7%
Total Liabilities	1,000,379	680,814	46.9%
Total net position	**$6,458,318**	**$5,654,581**	**14.2%**

CCCERA has annual valuations completed by its independent actuary, Segal Consulting. The purpose of the valuation is to determine the future contributions by the members and employers needed to pay all the expected future benefits. Despite variations in the stock market, CCCERA's management and actuary concur that CCCERA remains in a financial position that will enable the plan to meet its obligations to participants and beneficiaries. CCCERA remains focused on the long-term performance of the fund, dependent on a strong and successful investment program, risk management, and strategic planning.

Reserves

Pension plans establish reserves for various anticipated liabilities. CCCERA's reserves have been established to account for the accumulation of employer and employee contributions, the amounts available to meet the obligation of retired members as well as other items. A complete listing of CCCERA's reserves and corresponding balances for December 31, 2013 are presented in Note 8, *Reserves and Designations*.

CCCERA's Activities

CHANGES IN CCCERA FIDUCIARY NET POSITION (Dollars in Thousands)

Additions	2013	2012	% Change 2013-2012
Employer Contributions	$ 235,017	$ 212,321	10.7%
Employee Contributions	72,373	73,362	-1.3%
Net Investment Income	884,870	680,538	30.0%
Net Security Lending Income	1,148	1,535	-25.2%
Total	**$1,193,408**	**$ 967,756**	**23.3%**

Deductions	2013	2012	% Change 2013-2012
Pension Benefits	$ 369,809	$ 347,569	6.4%
Refunds	3,844	3,276	17.4%
Administrative	6,776	6,030	12.4%
Other Expenses	9,242	8,590	7.6%
Total	**$ 389,671**	**$ 365,465**	**6.6%**

Change in net position	**$ 803,737**	**$ 602,291**	**33.4%**

Additions to Plan Net Position

The primary sources to finance the benefits that CCCERA provides to its members are accumulated through the collection of member (employee) and employer contributions and through the earnings on investments (net of investment expenses). The Net Investment Income, before securities lending, for the years ended December 31, 2013 and 2012 totaled $884.9 million and $680.5 million, respectively.

By year-end, overall additions had increased by $226 million over 2012, or 23.3%, due primarily to investment gains being higher than in the previous year. For 2012, total additions had increased by $605 million over 2011, or 166.4%. The Investment Section of this report reviews the result of investment activity for the year ended December 31, 2013.

Deductions from Plan Net Position

The primary uses of CCCERA's assets include the payment of benefits to retirees and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the system. Deductions in the year ended December 31, 2013 totaled $389.7 million, an increase of 6.6% over December 31, 2012. The increase is mostly attributed to the additional benefit payments for retirees as well as the growth in the number and average amount of benefits paid to retirees year over year.

The Board approves the annual budget for CCCERA. The California Government Code Section 31580.2(a) limits the annual administrative expense to not exceed the greater of either of the following: (1) twenty-one hundredths of one percent (0.21%) of the accrued actuarial liability of the retirement system; (2) two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5. Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products are not considered a cost of administration of the retirement system. CCCERA has consistently met its administrative expense budget for the current year and prior years.

Pension Reform

Governor Jerry Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA), which became effective January 1, 2013. While it has been called one of the largest pieces of pension reform legislation on record, it will have minimal impact on current and retired CCCERA members hired prior to January 1, 2013. Most changes and provisions will affect new public employees hired on or after January 1, 2013. The major provisions that affect current members include restricting the ability of a retiree to return to work for a public employer in the same retirement system without reinstatement to active service and a suspension of the retirement benefit unless certain conditions are met, and employers cannot adopt an enhanced benefit formula and apply it to past service. In addition, for new public employees, the legislation reduces benefit formulas, limits pensionable income, expands the final compensation period from one year to three years, and requires the new employee to pay a larger share of normal costs.

Future Standards

CCCERA will be subject to the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans* beginning with year ending December 31, 2014 and CCCERA's employers will be subject to the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* beginning with the fiscal year ending June 30, 2015. GASB Statement No. 67 replaces the requirements of GASB Statement No 25. *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50 *Pension Disclosures*, and GASB Statement No. 68 replaces the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50 as they related to pension plans. These new standards will require governments to recognize their long-term obligation for pension benefits as a liability on their balance sheets, to recognize their annual pension expense as a comprehensive measurement of the annual cost of pension benefits and expands note disclosures and Required Supplementary Information for pension plans and their employers. CCCERA will continue to keep our employers informed as new guidance becomes available related to these new standards.

CCCERA's Fiduciary Responsibilities

CCCERA's Board and Management are fiduciaries of the pension trust fund. Under the California Constitution, and other applicable law, the assets can only be used for the exclusive benefit of Plan participants and their beneficiaries, and to defray the administrative and investment expenses of the Plan.

Requests for Information

The Comprehensive Annual Financial Report (CAFR) is designed to provide the Retirement Board, our membership, taxpayers, investment managers, and others with a general overview of CCCERA's financial condition and to demonstrate CCCERA's accountability for the funds under its stewardship.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

CCCERA
Attn: Accounting Division
1355 Willow Way, Suite 221
Concord, CA 94520-5728

Respectfully submitted,

Vickie C. Kaplan, CPA
Retirement Accounting Manager
June 6, 2014

Statement of Fiduciary Net Position

As of December 31, 2013 (With Comparative Totals)
(Dollars in Thousands)

	2013	2012
Assets:		
Cash equivalents	$ 593,357	$ 229,628
Cash collateral - securities lending	262,984	145,423
Total cash & cash equivalents	856,341	375,051
Receivables:		
Contributions	8,068	8,105
Investment trades	560,197	349,375
Investment income	30,970	19,632
Installment contract (see Note 11)	19,760	20,937
Other	508	111
Total receivables	619,503	398,160
Investments at fair value:		
Stocks	2,523,486	2,733,435
Bonds	1,868,682	1,688,953
Real assets	318,617	-
Real estate	828,562	741,660
Alternative investments	442,061	396,453
Total investments	5,981,408	5,560,501
Other assets:		
Prepaid expenses/deposits	842	876
Capital assets, net of accumulated depreciation/amortization of $2,149 and $1,946, respectively	603	807
Total assets	7,458,697	6,335,395
Liabilities:		
Investment trades	610,568	429,062
Security lending	262,984	145,423
Employer contributions unearned	112,308	92,763
Retirement allowance payable	6,121	5,948
Accounts payable	6,221	5,497
Contributions refundable	223	173
Other liabilities	1,954	1,948
Total liabilities	1,000,379	680,814
Net position restricted for pension benefits	**$6,458,318**	**$5,654,581**

See accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2013 (With Comparative Totals)
(Dollars in Thousands)

Additions:	2013	2012
Contributions:		
Employer	$ 235,017	$ 212,321
Employee	72,373	73,362
Total contributions	307,390	285,683
Investment income:		
Net appreciation in fair value of investments	706,085	466,119
Net appreciation in fair value of real estate	50,947	81,250
Interest	93,462	90,027
Dividends	35,615	40,944
Real estate income, net	38,367	33,116
Investment expense	(38,158)	(34,363)
Other (expense) and income	(1,448)	3,445
Net investment income, before securities lending	884,870	680,538
Securities lending income (expense):		
Earnings	803	910
Rebates	689	1,167
Fees	(344)	(542)
Net securities lending income	1,148	1,535
Net investment income	886,018	682,073
Total additions	1,193,408	967,756
Deductions:		
Benefits paid	369,809	347,569
Contribution prepayment discount	8,257	7,903
Administrative	6,776	6,030
Refunds of contributions	3,844	3,276
Other	985	687
Total deductions	389,671	365,465
Change in net position	803,737	602,291
Net position restricted for pension benefits:		
Balance beginning of year	5,654,581	5,052,290
Balance end of year	**$ 6,458,318**	**$5,654,581**

See accompanying notes to the financial statements.

Notes To The Financial Statements

December 31, 2013

Note 1. Plan Description

The Contra Costa County Employees' Retirement Association (CCCERA) is governed by the Board of Retirement (Board) under the County Employees Retirement Law of 1937 (1937 Act) and the Public Employees' Pension Reform Act of 2013 (PEPRA). Members should refer to the 1937 Act and PEPRA for more complete information.

General

CCCERA is a contributory defined benefit plan (the Plan) initially organized under the provisions of the 1937 Act on July 1, 1945. It provides benefits upon retirement, death or disability of members. Prior to 2010, CCCERA operated as a cost-sharing, multiple employer defined benefit pension plan that covered substantially all of the employees of the County of Contra Costa (the County) and 16 other member agencies.

In October 2009, the Retirement Board depooled CCCERA's assets, actuarial accrued liability (AAL), and normal cost both by tier and employer for determining employer contribution rates. This Board action yielded 12 separate cost groups by employer, with the exception of smaller employers (those with less than 50 active members at that time) who continue to be pooled with the applicable County tier. The depooling action affected employer rates effective July 1, 2011. The Board instructed Segal Consulting (CCCERA's actuary) to calculate the new rates based on separate experience of each employer from December 31, 2002, which is the earliest date for which reliable data was available. The December 31, 2009 valuation was the first to incorporate the new "depooled" employer contribution rates.

CCCERA's membership as of December 31, 2013 and 2012 is presented below.

	2013	2012
Retirees and Beneficiaries Receiving Benefits	8,625	8,517
Inactive Vested Members Entitled to but not yet Receiving Benefits	2,345	2,288
Current Employees:		
Vested:		
General Employees	5,205	5,106
Safety Employees	1,125	1,112
Non-Vested:		
General Employees	2,478	2,138
Safety Employees	316	284
Total Membership	**20,094**	**19,445**

CCCERA, with its own governing board, is an independent governmental entity, separate and distinct from the County of Contra Costa. CCCERA is presented in the County's basic financial statements as a pension trust fund. Costs of administering the Plan are financed through contributions and investment earnings.

Benefit Provisions

The Plan is currently divided into thirteen benefit levels in accordance with the 1937 Act and PEPRA. These levels are known as General Tier I (enhanced and non-enhanced); Tier II; Tier III (enhanced and non-enhanced); Tier IV, Tier V (2% and 3% maximum COLAs); Safety Tier A (enhanced and non-enhanced); Safety Tier C, Safety Tier D, and Safety Tier E.

On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provides enhanced benefit changes commonly known as 3% at 50 for safety members and 2% at 55 for general members, effective on July 1, 2002 and January 1, 2003, respectively. Effective January 1, 2005, the enhanced benefits were applied to the bargaining units represented by the California Nurses Association and the nonrepresented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, as well as the supervisors and managers of those employees. Effective July 1, 2005, East Contra Costa Fire Protection District adopted the enhanced benefit structure for its employees. In addition, each Special District that is a participant of CCCERA, and whose staff are not County employees covered by Resolution No. 2002/608, may elect to participate in the enhanced benefits. As of December 31, 2012, nine (9) general member agencies and four (4) safety member agencies have adopted enhanced benefits for their employees. A fifth safety member agency adopted enhanced benefits for its general members in 2003, but not for safety members. Under PEPRA, which became effective January 1, 2013, Districts that have not adopted enhanced benefits will no longer be allowed to do so.

Legislation was signed by the Governor in 2002 which allowed the County, effective October 1, 2002, to provide Tier III to all new employees, to move those previously in Tier II to Tier III as of that date, and to apply all future service as Tier III. Tier III was originally created on October 1, 1998, and made available to all members with five or more years of Tier II service who elected to transfer to Tier III coverage.

Tier I includes members not mandated to be in Tier II or Tier III and reciprocal members who were placed in Tier I membership. As of December 31, 2012, there are no active Tier II member accounts. All members who moved to Tier III with five or more years of service prior to October 1, 2002, or were moved to Tier III effective October 1, 2002, January 1, 2005, or February 1, 2006, continue to have Tier II benefits for service prior to that date unless the service is converted to Tier III.

Safety includes members in active law enforcement, active fire suppression work, or certain other "Safety" classifications as defined in sections of the 1937 Act made operative by the Board of Supervisors.

Effective January 1, 2007, Contra Costa County and the Deputy Sheriff's Association agreed to adopt a new Safety Tier C for sworn employees hired by the County after December 31, 2006. A Deputy Sheriff hired on or after January 1, 2007 through December 31, 2012, had a 3% at 50 benefit formula with a 2% maximum COLA and a 36 month final average salary period. Due to PEPRA, a Deputy Sheriff hired on or after January 1, 2013, will have a 2.7% at 57 benefit formula with a 36 month final average salary period with compensation limited as noted below. The 2% maximum annual COLA is unchanged.

In March 2010, the Board adopted a change to terminal pay elements for members with membership dates on or after January 1, 2011. See Note 6, Contributions, for further description.

Effective January 1, 2012, new hires and employees within the Labor Coalition are now responsible for the payment of 100% of the employees' basic retirement benefit contributions, determined annually by the Retirement Board, without the County paying any part of the employees' contributions. See Note 6, Contributions, for further description.

In September 2012, the California Legislature passed bill Assembly Bill (AB) 197, that changed the public pension landscape for active employee and employer members. Changes mandated in AB 197, in which the legislation changed the definition of "compensation earnable" in Section 31461 of the Government Code, would apply to current CCCERA members. On November 28, 2012, the Deputy Sheriff's Association (DSA) and the International Association of Firefighters (IAFF 1230) filed a lawsuit against CCCERA and the Board of Retirement. The suit was filed in Contra Costa County Superior Court, on behalf of ALL active and deferred members of CCCERA, to stop CCCERA and the Board of Retirement from implementing AB 197. With CCCERA's agreement, the Court issued a stay order in this matter, requiring that CCCERA refrain from implementing AB 197, and requiring that CCCERA continue to follow its policy on final average salary calculations until after this matter is heard and decided. Until further order of the court, CCCERA continues to calculate the pensions of its members with membership dates prior to January 1, 2013 in the same manner as it has prior to the enactment of AB 197.

In September 2012, the California Public Employees' Pension Reform Act of 2013 (PEPRA) was signed into law by Governor Jerry Brown, establishing new tiers for General and Safety employees entering CCCERA membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Benefits under the new PEPRA tiers are based on a three-year final average compensation period. Additionally, PEPRA limits the amount of compensation CCCERA can use to calculate a retirement benefit. The 2014 compensation limits are $115,064 for members covered by Social Security and $138,077 for members not covered by Social Security and will be adjusted in future years for changes in the Consumer Price Index. Most CCCERA General members (including all employees of the County) are covered by Social Security, while CCCERA Safety members are not covered by Social Security.

In November 2012, the County Board of Supervisors approved two memoranda of understanding (deputy district attorneys and public defenders) that stipulated new CCCERA members who become members after December 31, 2012 within these bargaining units will earn retirement benefits that will be subject to a maximum annual COLA of 2%. As a result, CCCERA created a second Tier V for general members subject to this COLA provision. Other bargaining units have since agreed to this COLA provision for those who become members after a certain date.

At CCCERA's September 4, 2013 Board Meeting, the Board approved to use base pay only for purposes of pensionable compensation for PEPRA members and to exclude all other special compensation beyond base pay. In addition, the Board clarified that FLSA Pay and Fire Retirement Allotment pay items for the Moraga-Orinda Fire District are to be excluded from pensionable compensation.

In September 2013, CCCERA received a favorable letter of determination from the Internal Revenue Service (IRS). With a "Letter of Determination," the retirement plan is "tax-qualified" under the Internal Revenue Code and IRS rules, and therefore plan participants are not taxed when contributions are made to the plan, but rather upon receipt of benefits at retirement.

On November 6, 2013, the Board approved the Deputy Sheriff-Recruit-Fixed Term classification as a General member in CCCERA on the first day of the month following the member's hire date into the sheriff's academy and once the member is sworn into a Deputy Sheriff classification, the member will become a Safety member of CCCERA on the first day of the month following the date they are sworn in. This change was effective December 6, 2011, which was the adoption date of the Deputy Sheriff's Association's Memorandum of Understanding (MOU) that did not include this membership provision.

Benefits are administered by the Board under the provisions of the 1937 Act. Annual COLAs to retirement benefits may be granted by the Board as provided by State statutes. Service retirements are based on age, length of service, and final average salary. Employees may withdraw contributions plus interest credited or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

Pertinent provisions for each section follow:

General - Tier I

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a one-year final average salary in accordance with Government Code Section 31462.

General - Tier II

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Previously, disability retirements were granted as service connected with no minimum service credit required or non-service connected with ten years of service credit required. Those members who elected in 1980 to transfer from General - Tier I to General - Tier II were eligible for non-service connected disability retirement with five years of service. The definition of a disability is stricter under General - Tier II than in the General - Tier I plan. The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 31462.

General - Tier III

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with ten years of service credit required. The definition of disability is the same as General -Tier II. The retirement benefit is based on a one-year final average salary in accordance with Government Code Section 31462.

General - Tier IV

Members may elect service retirement at age 52 with 5 years of service. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with five years of service credit required. The definition of disability is the same as General -Tier I.
The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 7522.32.

General - Tier V
Members may elect service retirement at age 52 with 5 years of service. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with ten years of service credit required. The definition of disability is the same as General -Tier III. The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 7522.32.

Safety - Tier A
Members may elect service retirement at age 50 with 10 years of service or with 20 years of service regardless of age. Disability retirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a one-year final average salary in accordance with Government Code Section 31462.

Safety - Tier C
Members may elect service retirement at age 50 with 10 years of service or with 20 years of service regardless of age. Disability requirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 31462.

Safety - Tier D and Tier E
Members may elect service retirement at age 50 with 5 years of service. Disability requirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on a three-year final average salary in accordance with Government Code Section 7522.32. Safety Tiers D and E differ only in the COLA provision.

Cost-of-Living Adjustments (COLAs)
The 1937 Act authorizes the Retirement Board to grant annual automatic and ad hoc cost-of-living increases to all eligible retired members. Article 16.5 requires the Board to grant an annual automatic COLA effective April 1st. This benefit is based on the San Francisco-Oakland-San Jose area Consumer Price Index and is limited to the maximum of two percent for certain Tier IV and Tier V members, depending on Memoranda of Understanding (MOU), and all Safety Tier C and Safety Tier E members; a maximum of three percent for Tier I, Tier III (service retirement), certain Tier IV and Tier V (service retirement), Safety Tier A and Safety Tier D members; and a maximum of four percent for Tier II (service and disability retirement), Tier III (disability retirement), and certain Tier V (disability retirement) members. Government Code Section 31874.3 allows the granting of a supplemental cost-of-living benefit, on a prefunded basis, to eligible retirees whose unused Consumer Price Index increase accumulations equal or exceed 20 percent. This supplemental increase is a permanent part of the retirees' monthly benefit and is known as "New Dollar Power."

Terminations
Effective January 1, 2003, a member with less than five years of service may elect to leave accumulated contributions on deposit in the retirement fund regardless of years of service as a result of the enactment of AB 2766, which amends Section 31629.5 of the 1937 Act. A member who continues membership under this ruling is granted a deferred status and is subject to the same age, service, and disability requirements that apply to other members for service or disability retirement.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

CCCERA's financial statements are prepared using the accrual basis of accounting. Investment income is recognized when it is earned and expenses are recognized in the period in which they are incurred. Employee and employer contributions are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. All investment purchases and sales are recorded on the trade date. The net appreciation/(depreciation) in fair value of investments held by CCCERA is recorded as an increase/(decrease) to investment income based on the valuation of investments at June 30th and December 31st.

Cash Equivalents

Cash equivalents include deposits in the County Treasurer's commingled cash pool and certain investments held by the County Treasurer, custodian bank, and other investment managers. Cash equivalents are highly liquid investments with a maturity of three months or less when purchased. Short-term investments with the custodian bank include foreign currencies, cash held in short-term investment funds, and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value.

Methods Used to Value Investments

Investments are reported at fair value. Fair value is the amount that CCCERA can reasonably expect to receive in a current sale between a willing buyer and a willing seller - that is, other than in a forced or liquidation sale. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by real estate investment funds, generally using periodic independent appraisals, and alternative investment managers. Investments listed as alternative investments are comprised of private equity partnerships which invest in a diversified portfolio of venture capital, buyout, and other special situations, partnerships, and the U.S. power industry. CCCERA's Real Asset program contains investments in both publicly traded securities and private partnerships. These investments include, but are not limited to, equities, bonds, TIPS (Treasury Inflation Protected Securities), commodities, and natural resources. The goal of the program is to provide a hedge against inflation and to reduce market volatility over the investment cycle.

Certain alternative investments are reported in CCCERA's financial records on a quarter lag due to reporting constraints at the investment level. Four quarters of activity are recorded in each calendar year. At year-end, investment activity is shown through September 30th of that particular year. In addition, Willows Office Park, a real estate investment, is appraised every three years, with the most recent appraisal being February 24, 2014.

Receivables

Receivables consist primarily of interest, dividends, installment contracts, investments in transition (i.e., traded but not yet settled) and contributions owed by the employing entities as of December 31, 2013 and 2012.

Capital Assets

Capital assets, consisting of software, leasehold improvements, furniture, and office equipment, are presented at historical cost, less accumulated depreciation and amortization. Capital assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year are capitalized and depreciated/amortized. Starting in 2008, CCCERA implemented the expensing of certain costs for software, hardware, and computer technology consulting services as allowed in Government Code Section 31580.3. For 2013 and 2012, this amount totaled $117,778 and $117,768, respectively. Depreciation/amortization is calculated using the straight-line method, with estimated lives of ten years for all leasehold improvements and pension administration system assets, and ranging from four to five years for office equipment. Depreciation/amortization for the years ended December 31, 2013 and 2012 was $203,424 and $217,132, respectively. Accumulated depreciation/amortization for the years ended December 31, 2013 and 2012, was $2,149,052 and $1,945,628, respectively.

Compensated Absences

The December 31, 2013 and 2012 liability for accumulated annual leave earned by CCCERA employees totaling $276,499 and $256,325 respectively, included in the other liabilities on the Statement of Fiduciary Net Position, is recorded when earned by the employee. Upon termination of employment, an employee receives compensation for hours of unused annual leave limited by the number of annual leave hours that can be accumulated in two years of employment.

Use of Estimates

The preparation of CCCERA's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Implementation of New Accounting Pronouncements

For the year ended December 31, 2013, CCCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No.61, *The Financial Reporting Entity: Omnibus*, Statement No. 65, *Items Previously Reported as Assets and Liabilities,* and Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

Statement No. 61*, The Financial Report Entity: Omnibus*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity, in addition to ensuring that the primary government's financial statements do not understate financial position and provide for more consistent and understandable display of those equity interests. There was no current effect on the financial statments as a result of implementing this statement.

Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. There was no current effect on the financial statments as a result of implementing this statement.

Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.* The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in*

Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement amends No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. There was no current effect on the financial statements as a result of implementing this statement.

In 2012, GASB approved new accounting and reporting standards for pensions. GASB Statement No. 67, *Financial Reporting for Pension Plans*, replaces Statement No. 25 for Plan reporting and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, replaces Statement No. 27 for Employer reporting. CCCERA is currently planning for the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*, for its December 31, 2014 year end. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

Note 3. Deposits and Investment Risk Disclosures

Investment Stewardship

Except as otherwise expressly restricted by the California Constitution and by law, the Board may, at its discretion, invest, or delegate CCCERA to invest the assets of CCCERA through the purchase, holding, or sale of any form or type of instrument, or financial transaction when prudent in the informed opinion of the Board. In addition, the Board has established an investment policy, which places limits on the compositional mix of cash, fixed income and equity securities, real assets, alternative investments, and real estate investments. CCCERA currently employs external investment managers to manage its assets subject to the guidelines of the investment policy.

As permitted by the Government Code, CCCERA directs the County Treasurer to make specific investments on behalf of CCCERA. Investments made by the County Treasurer are subject to regulatory oversight by the County's Treasury Oversight Committee, as required by the California Government Code Section 27134.

Investment Risk

Investments are subject to certain types of risks, including interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk), and foreign currency risk. The following describes those risks:

Interest Rate Risk

The fair value of fixed maturity investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those investments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments may have call provisions that could result in shorter maturity periods.

Holdings of Fixed Income Futures are allowed, on an unleveraged basis, such that the market notional value of all long contracts shall be covered by cash, cash receivables, or cash equivalents with one-year or less in duration.

The following schedule is a list of fixed income and short-term investments and the related maturity schedule for CCCERA as of December 31, 2013:

Investment Maturities (in years)
(Dollars in thousands)

Investment Type	Less than 1 year	1-5 years	6 -10 years	More than 10 years	Fair Value
Collateralized Mortgage Backed Securities (CMBS)	$ 11,294	$ 132,616	$ 71,085	$ 150,318	$ 365,313
Collateralized Mortgage Obligations (CMO)	-	660	11,191	40,319	52,170
Commercial Paper	58,593	-	-	-	58,593
Corporate Bonds	32,503	221,224	339,660	29,980	623,367
Private Placements	-	40,467	191,653	52,259	284,379
Short-Term Investment Fund (STIF) Instruments	-	-	-	495,939	495,939
U.S. Treasury Notes & Bonds	97,238	95,401	23,877	15,343	231,859
U.S. Agencies (GNMA, FNMA, FHLMC)	25,322	46,618	100,070	138,213	310,223
TOTALS:	**$224,950**	**$ 536,986**	**$737,536**	**$ 922,371**	**$2,421,843**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, CCCERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. Under the California Government Code, a financial institution is required to secure deposits in excess of $250,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is held by the pledging financial institution's trust department or agent in CCCERA's name.

At year-end, the carrying amount of CCCERA's cash deposits in non-interest bearing accounts was $3,583,023 (which is included in cash equivalents) and the bank balance was $3,422,785. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Effective December 31, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) fully guaranteed all funds in non-interest bearing transaction deposit accounts held at Federal Deposit Insurance Corporation (FDIC) insured depository institutions.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, CCCERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in CCCERA's name, and held by the counterparty. CCCERA's investment securities are not exposed to custodial credit risk because all securities held by CCCERA's custodial bank are in CCCERA's name. CCCERA has no general policy on custodial credit risk for deposits.

Concentration of Credit Risk

The Board's investment policies and guidelines permit investments in numerous specified asset classes to take advantage of professional investment management advice and a well-diversified portfolio. The investment portfolio contained no concentration of investments in any one entity (other than those issued or guaranteed by the U.S. Government) that represented 5% or more of plan net position.

Credit Risk

CCCERA's general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and for the exclusive purposes of providing benefits, minimizing contributions, and defraying reasonable expenses of administering the Plan. Investments should be diversified so as to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so.

Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors. For example, the financial condition of the issuer provides investors with some idea of the issuer's ability to meet its obligations. Fixed-maturity investments may consist of rated or non-rated securities. Ratings can range from AAA (highest quality) to D (default). Debt securities with ratings of BBB or higher are considered investment grade issues, and debt securities with ratings of BB or lower are non-investment grade issues. Debt securities in the non-investment grade category are more speculative and are often referred to as "high-yield." This is due to the fact that lower rated debt securities generally carry a higher interest rate to compensate the buyer for taking on additional risk. To control credit risk, credit quality guidelines have been established.

The Global Core Plus Fixed Income Portfolio must meet the following credit qualities:

- Obligations of the U.S. Treasury.
- Obligations guaranteed by an agency of the United States.
- Government, agency, quasi-government and supranational bonds.
- Certificates of deposit and banker's acceptance of credit-worthy banks.
- Corporate, asset backed, and mortgage backed securities and structured notes and other evidences of debt.
- Eligible instruments issued pursuant to SEC Rule 144(a) or Regulation S.
- Commercial paper (including variable rate notes) of issuers rated not less than P-2 by Moody's Investor Services and A-2 by Standard & Poor's.
- Lower risk planned amortization class (PAC) collateralized mortgage obligations ("CMO") and Sequential CMOs. CMOs other than PACs and Sequentials are limited to a maximum of 10% of the fixed income portfolio at cost.

- Currency Forwards and Non-Deliverable Forwards (NDF's). Such currency forwards shall only be with counterparty banks with A or better credit ratings by Standard & Poor's or Moody's.
- Derivatives may be used to obtain exposure to the fixed income markets, to adjust portfolio risk, and to reduce unwanted exposure to foreign currencies.
- Other uses of derivatives than noted above, including credit default swaps, interest rate swaps (except for centrally cleared) IO's (Interest Only), PO's (Principal Only), inverse floaters and CMO support bonds, shall not in the aggregate exceed 15% of the portfolio measured at the time of investment.
- Other securities as detailed in accordance with the Investment Manager's agreement with CCCERA.

The High Yield Bond Portfolio must meet the same credit qualities as the Core Plus Fixed Income Portfolio listed above and/or:

- High yield securities as specified in accordance with the manager's investment agreement with CCCERA.

The following is a schedule of the credit risk ratings of CCCERA's fixed income and short-term investments as of December 31, 2013 as rated by Standard & Poor's **(Dollars in Thousands)**:

Quality Ratings	Fair Value
AAA	$ 344,349
AA+	161,381
AA	72,484
AA-	78,821
A+	33,202
A	67,153
A-	65,019
BAA+	7,554
BAA-	6,586
BBB+	60,008
BBB	64,525
BBB-	64,664
BB+	25,915
BB	29,928
BB-	47,362
B+	57,194
B	63,727
B-	61,467
CCC+	42,779
CCC	14,504
CCC-	6,621
CC	1,419
D	9,439
NR	1,035,742
Total Credit Risk Fixed Income Securities	**$ 2,421,843**

Investment Type	Quality Rating Range
Asset-backed securities*	AAA to CCC
Convertible bonds	Not rated
CMBS	AAA to CCC
CMO*	AAA to D
Corporate bonds*	AAA to CCC-
Municipals	AAA to BBB+
Private placements	AAA to BBB+
Real estate investment trust*	A- to B+
Short-term	AA to A+
U.S. & foreign agencies*	AAA to CCC+
Mutual funds	Not rated

*Investment type contained one or more investments that were not rated.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. CCCERA's external investment managers may invest in international securities and must follow CCCERA's investment guidelines pertaining to these types of investments.

CCCERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2013 is as follows **(Dollars in Thousands)**:

Currency	Fixed Income	Equity	Total
Australian Dollar	$ 17,951	$ 22,940	$ 40,891
Brazilian Real	4,093	11,759	15,852
British Pound Sterling	33,371	141,355	174,726
Canadian Dollar	15,895	18,671	34,566
Chilean Peso	2,306	-	2,306
Columbian Peso	1,680	-	1,680
Danish Krone	1,980	4,567	6,547
Euro Currency	84,743	128,515	213,258
Hong Kong Dollar	4,923	42,084	47,007
Indian Rupee	-	10,055	10,055
Israeli Shekel	6,346	-	6,346
Japanese Yen	52,494	99,199	151,693
Kenyan Shilling	-	483	483
Malaysian Ringgit	302	-	302
Mexican Peso	15,378	4,997	20,375
New Zealand Dollar	10,487	617	11,104
Nigeria Naira	-	582	582
Norwegian Krone	13,106	5,484	18,590
Peruvian Nuevo Sol	4,831	-	4,831
Philippines Peso	4,054	-	4,054
Polish Zloty	5,570	-	5,570
Russian Federation Rouble	2,350	-	2,350
Singapore Dollar	2,168	4,511	6,679
South African Rand	741	4,372	5,113
South Korean Won	6,088	13,953	20,041
Swedish Krona	2,860	23,210	26,070
Swiss Franc	4,942	23,110	28,052
Taiwan New Dollar	-	8,323	8,323
Thailand Bait	1,002	-	1,002
United Arab Emirates Dirham	-	2,067	2,067
Yuan Renminbi-China	11,210	-	11,210
Total Securities Subject to Foreign Currency Risk	**$ 310,871**	**$ 570,854**	**$ 881,725**

Note 4. Securities Lending Transactions

The investment policy, adopted by the Board, permits the use of a securities lending program with its principal custodian bank. CCCERA lends domestic bonds and equities, and non-domestic equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. The custodian bank provides loss indemnification to CCCERA if the borrower fails to return the securities.

The custodian bank manages the securities lending program and receives cash and/or securities as collateral. The collateral cash can be invested and is automatically rolled into a Short-Term Investment Fund (STIF). The collateral securities cannot be pledged or sold by CCCERA without borrower default.

Securities on loan must be collateralized at 102% and 105% of the fair value of domestic securities and non-domestic securities, respectively, plus accrued interest (in the case of debt securities).

There are no restrictions on the amount of the securities that can be loaned at one time. CCCERA has the right to terminate any loan in whole or in part by providing the custodian bank with written notice (a "Recall Notice"). Because the loans are terminable at will, the term to maturity of the security loans is generally not matched with the term to maturity of the cash collateral. There were no losses associated with securities lending transactions during the year.

At year-end, additional funds of $51 thousand are due as collateral for CCCERA's securities on loan. This is known as the "calculated mark" and will settle on the first business day of January 2014. CCCERA has no credit risk exposure to borrowers because the collateral will exceed the amount borrowed. The fair value of investments on loan at December 31, 2013, is $259.0 million which was collateralized by cash in the amount of $263.0 million. The fair value of the cash collateral in the amount of $263.0 million has been reported both as an asset and liability in the accompanying Statement of Fiduciary Net Position.

Securities Lending

The following securities were on loan and collateral received as of December 31, 2013 **(Dollars in Thousands)**:

Securities on Loan	Market Value of Securities on Loan	Cash Collateral*	Non-Cash Collateral	Calculated Mark*	Collateral Percentage
U.S. Corporate Fixed and Equity	$145,360	$146,956	$1,768	$121	102.4%
U.S. Government	113,619	116,028	-	(70)	102.1%
Total	**$258,979**	**$262,984**	**$1,768**	**$ 51**	**102.2%**

* Additional funds known as the "calculated mark" are due from/to the borrower to bring collateral to 102% for domestic securities.

Note 5. Derivative Financial Instruments

As of December 31, 2013, the derivative instruments held by CCCERA are considered investments and not hedges for accounting purposes. The term hedging, as it is used elsewhere in the notes to these financial statements, denotes an economic activity and not an accounting method. The gains and losses from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

CCCERA currently employs external investment managers to manage its assets as permitted by the California Government Code and CCCERA's investment policy and specific managers hold investments in swaps, options, futures, forward settlement contracts, rights, and warrants and enter into forward foreign currency exchange security contracts within fixed income financial instruments. The fair value of options, futures, rights, and warrants is determined based upon quoted market prices. The fair value of derivative investments that are not exchange traded, such as swaps, and TBAs (To Be Announced) is determined by an external pricing service using various proprietary methods, based upon the type of derivative instrument. Futures contracts are marked to market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated as the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign securities. Due to the level of risk associated with certain derivative investment securities, it is conceivable that changes in the values of investment securities will occur in the near term, and such changes could affect the amounts reported in the financial statements.

CCCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. CCCERA's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. CCCERA anticipates that the counterparties will be able to satisfy their obligations under the contracts. The following is a summary of derivative instruments at December 31, 2013 with the net appreciation/(depreciation) that has occurred during the year:

Fair Value as of December 31, 2013 (Dollars in Thousands)

Investment Derivatives by Type	Net Appreciation/ (Depreciation) in Fair Value Amount	Classification	Fair Value	Notional Amount
Credit Default Swaps Bought	$ 10	Debt Securities	$ (92)	$ 20,050
Credit Default Swaps Written	218	Debt Securities	104	16,600
Fixed Income Futures - Long	(2,921)	Debt Securities	-	124,400
Fixed Income Futures - Short	1,451	Debt Securities	-	(101,200)
Fixed Income Options - Bought	97	Debt Securities	221	13,800
Fixed Income Options - Written	71	Debt Securities	(463)	(110,700)
Futures Options Bought	(94)	Debt Securities	-	-
Futures Options Written	59	Debt Securities	(141)	(491)
FX Forwards	(1,487)	Contracts	5,245	522,857
Index Futures - Long	102,119	Various	-	84,532
Pay Fixed Interest Rate Swaps	3,103	Debt Securities	998	121,586
Receive Fixed Interest Rate Swaps	(2,060)	Debt Securities	(872)	109,583
Rights	3	Equities	-	-
Warrants	220	Equities	873	174
Total	**$100,789**		**$5,873**	

Valuation methods are more fully described in Note 2 to the basic financial statements. CCCERA's derivative instruments that are not exchange traded, including the swaps disclosed above, are valued using methods employed for debt securities. CCCERA's investment policy does not require collateral to be held for derivative investments.

Futures contracts are instruments that derive their value from underlying indices or reference rates and are marked to market daily. Settlement of gains or losses occur the following business day. As a result, those instruments and other similar instruments do not have a fair value at December 31, 2013, or any other trading day. Daily settlement of gains and losses enhances internal controls as it limits counterparty credit risk. Futures variation margin accounts are also settled daily and recognized in the financial statements under net appreciation/(depreciation) in fair value as they are incurred.

Foreign currency contracts are obligations to buy or sell a currency at a contractual exchange rate and quantity on a specific date in the future. The fair value of the foreign currency forwards is the unrealized gain or loss calculated as the difference between the contractual exchange rate and the closing exchange rate as of December 31, 2013.

Counterparty Credit Risk

Counterparty credit ratings of CCCERA’s non-exchange traded investment derivative instruments (approximately $13.2 million) and subject to loss as of December 31, 2013, ranged from AA- to A- per Standard and Poor's rating with similar ratings from Moody's and Fitch. No instruments that were non-exchange traded lacked ratings. In a case where a wholly owned broker-dealer does not engage the rating companies for a stand-alone rating, the subsidiary is assigned the parent company rating as the broker-dealer is an integral part of their business model(s). With the exception of forward trade commitments, CCCERA has a policy of requiring collateral posting provisions in non-exchange traded derivative instruments where it is market practice. As of December 31, 2013, CCCERA does not hold any collateral related to its non-exchange traded derivative instruments. The approximate $13.2 million represents the maximum loss that would be recognized at December 31, 2013, should the counterparties fail to perform. While no netting arrangements are used by CCCERA, the amount represents a net position of exposure for similar instruments.

Derivative Instruments Subject to Credit Risk

As of December 31, 2013, the following is a table of investment providers that are subject to credit risk, percentage of net exposure, and ratings:

Investment Provider Exposure to Credit Risk at December 31, 2013

Counterparty	Percentage of Net Exposure	Standard & Poor's
Deutsche Bank AG London	67%	A
Credit Suisse FOB CME	9%	A
CitiBank N.A.	8%	A
Canadian Imperial Bank of Commerce	5%	A+
Bank of New York	3%	A+
HSBC Bank USA	2%	AA-
Goldman Sachs Capital Markets LP	2%	A-
JP Morgan Chase Bank N.A.	1%	A+
Royal Bank of Canada	1%	AA-
Royal Bank of Canada (UK)	1%	AA-
UBS AG	1%	A
16 others	Less than 1%	Not rated to AA-

Custodial Credit Risk

The custodial credit risk for exchange traded derivative instruments is made in accordance with custodial credit risk disclosure requirements outlined in Generally Accepted Accounting Principles (GAAP). As of December 31, 2013, all of CCCERA's investments are held in CCCERA's name and are not subject to custodial credit risk.

Interest Rate Risk

As of December 31, 2013, CCCERA is exposed to interest rate risk on its swaps and options. Since CCCERA's investment managers can buy and sell the swaps and options on a daily basis, the investment managers actively manage the portfolio to minimize interest rate risk and it is unlikely that the swaps and options will be held to maturity. The total fair value subject to interest rate risk as of December 31, 2013 and maturities are as follows **(Dollars in Thousands)**:

Investment Derivatives by Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Credit Default Swaps Bought	$ (92)	$ (92)	$ -	$ -	$ -
Credit Default Swaps Written	104	-	201	-	(97)
Fixed Income Options Bought	221	5	216	-	-
Fixed Income Options Written	(463)	(243)	(220)	-	-
Pay Fixed Interest Rate Swaps	999	-	160	342	497
Receive Fixed Interest Rate Swaps	(872)	-	(405)	(325)	(142)
Total	**$ (103)**	**$ (330)**	**$ (48)**	**$ 17**	**$ 258**

The interest rate swaps and options are highly sensitive to interest rate changes. As of December 31, 2013, they had a fair value of approximately $53 thousand and an approximate notional value of $194 million.

Foreign Currency Risk in International Investment Securities

CCCERA is exposed to foreign currency risk on its various investments denominated in foreign currencies. As of December 31, 2013, the following currencies were either in a receivable position (purchased) or payable position (sold) with net exposure, denominated in United States Dollars:

Fair Value in United States Dollars as of December 31, 2013 (Dollars in Thousands)

Currency Name	Net Receivable (Purchased)	Net Payable (Sold)	Swaps	Exposure
Australian Dollar	$ (255)	$ 376	$ 10	$ 131
British Pound Sterling	3,030	(310)	86	2,806
Brazilian Real	164	218	(84)	298
Canadian Dollar	(211)	74	(110)	(247)
Chilean Peso	-	(1)	-	(1)
Colombian Peso	1	-	-	1
Czech Koruna	1	(4)	-	(3)
Danish Krone	76	(29)	-	47
Euro Currency	3,876	(393)	(9)	3,474
Indian Rupee	305	-	-	305
Indonesian Rupiah	-	8	-	8
Japanese Yen	(4,780)	1,380	66	(3,334)
Kazakhstan Ringgit	9	-	-	9
Malaysian Ringgit	(3)	-	-	(3)
Mexican Peso	37	56	-	93
New Russian Ruble	249	(10)	-	239
New Taiwan Dollar	(68)	1	-	(67)
New Zealand Dollar	1	7	(14)	(6)
Norwegian Krone	21	(283)	(1)	(263)
Peruvian Nuevo Sol	-	28	-	28
Philippine Peso	(7)	157	-	150
Polish Zloty	1	(142)	-	(141)
Singapore Dollar	35	20	-	55
South African Rand	(20)	3	-	(17)
South Korean Won	668	(36)	-	632
Swedish Krona	229	(4)	4	229
Swiss Franc	756	5	(2)	759
Turkish Lira	(32)	48	-	16
Yuan Renminbi-China	3	(10)	-	(7)
Total	**$ 4,086**	**$ 1,159**	**$ (54)**	**$ 5,191**

Contingent Features

As of December 31, 2013, CCCERA held no investments with contingent features.

Note 6. Contributions

Employer and member basic and COLA contributions are based on statute and rates recommended by an independent actuary and adopted by the Board. Covered employees are required by statute to contribute toward their pensions. The rates for Legacy members (those subject to a benefit formula in the 1937 Act) are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and tier. The rates for PEPRA members are equal to one-half the normal cost of their defined benefit plan. CCCERA members are required to contribute between 2.86 % and 20.83% of their annual covered salary, depending on their employer, tier and benefit. Certain County Safety (including Contra Costa Fire Protection District) and all Moraga-Orinda Fire Protection District Safety members contribute an additional 9.0% of the employer's increase in contributions attributed to the adoption of the enhanced benefit package commonly known as 3% at 50. Member contributions are refundable upon termination of employment.

In October 2011, the County subsidy for the management employee basic retirement contribution was eliminated for certain employees. These certain employees are responsible for paying 100% of both the employee's basic and COLA contribution as adopted by the Board. Effective January 1, 2012, new hires and employees within the Labor Coalition are now responsible for the payment of 100% of the employees' basic retirement benefit contributions, determined annually by the Board, without the County paying any part of the employees' contributions. These employees are also responsible for the payment of the employees' contributions to the retirement cost-of-living (COL) program as determined annually by the Board without the County paying any part of the employees' contribution. This will have no impact on the total contributions paid to CCCERA.

Effective April 18, 2012, Central Contra Costa Sanitary District members contribute 1.25% of the employee contribution rate toward their pension; an additional 1.25% in April 2014; an additional 1.25% in April 2015; an additional 1.25% in April 2016; and employees will pay the entire employee contribution rate toward their pension based on their age at the time of hire as calculated and determined by CCCERA starting in April 2017 (unless a prior year contribution obligation already brought employees to the full employee share). Members will continue to contribute to the employee COL share of the retirement system as required by CCCERA.

Employers are required to contribute at an actuarially determined rate calculated on the alternate funding method permitted by Government Code Section 31453.5. Pursuant to provisions of the 1937 Act, the Retirement Board recommends annual contribution rates for approval by the Board of Supervisors. The "Entry Age" funding method is used to calculate the rate required to provide benefits to members hired prior to January 1, 2013. As noted below for PEPRA members (members hired on or after January 1, 2013), the Board approved using the "Flat Rate" funding method for the calculation of contribution rates.

During the year ended December 31, 2013, contributions totaled approximately 307.4 million which included $235.0 million in employer contributions and $72.4 million in employee contributions. The contribution figures also include employee and employer purchase, redeposit, and conversion amounts.

Government Code Section 31582(b) allows the Board of Supervisors to authorize the County auditor to make an advance payment of all or part of the County's estimated annual contribution to the retirement fund. Government Code Section 31585 makes the same appropriations and transfers available to districts. The County and 10 participating employers "prepay" or make advance payments of all of the employer's estimated annual contributions discounted by the assumed interest rate in effect on July 1. At the end of the fiscal year, a "true-up" is completed and employers are either billed for an underpayment or apply their overpayment towards the following year contributions.

Six-year historical trend information, designed to provide information about CCCERA's progress in accumulating sufficient assets to pay benefits when due, is presented as required supplementary information on page 54.

On August 14, 1997, the Supreme Court of the State of California issued a decision in a case entitled *Ventura County Deputy Sheriff's Association vs. Board of Retirement of Ventura County Employees' Retirement Association* (Ventura Decision). On October 1, 1997, the Ventura Decision became final. The Supreme Court held that a County Retirement System operating under provisions of the County Employees Retirement Law of 1937 must include certain types of cash incentive payments and additional pay elements received by an employee within the employee's "compensation earnable" and "final" compensation when calculating the employee's retirement benefits. The Board voted to implement the changes to the retirement benefits as of October 1, 1997, the date the decision became final.

In March 2010, the Board adopted a policy change for members with membership dates on or after January 1, 2011. Under this amended policy, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes. In April 2011, the Board voted to develop terminal pay assumptions by cost group, beginning with the December 31, 2010 valuation. CCCERA's actuary prepared contribution rates that became effective for both employee and employer on July 1, 2011, for those members with membership dates on or after January 1, 2011.

As noted in Note 1, Plan Description, the California PEPRA was chaptered into law in September 2012, establishing a new tier for General and Safety employees entering CCCERA membership for the first time on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Benefits under the PEPRA tiers are based on a three-year final average compensation. Additionally, PEPRA limits the amount of compensation CCCERA can use to calculate a retirement benefit. The 2014 compensation limits are $115,064 for members covered by Social Security and $138,077 for members not covered by Social Security and will be adjusted in future years for changes in the Consumer Price Index. Most CCCERA General members (including all employees of the County) are covered by Social Security, while CCCERA Safety members are not covered by Social Security. In December 2012, the Board approved using the flat rate method for the calculation of contribution rates for PEPRA members. PEPRA members are required to contribute 50% of the normal cost of their defined benefit plan, unless this provision would impair an existing contract.

CCCERA's Note 1, Plan Description, also discusses AB 197, the bill that the California Legislature passed in 2012. Changes mandated in AB 197, in which the legislation changed the definition of "compensation earnable" in Section 31461 of the Government Code, applies to current CCCERA members. However, because the Contra Costa County Superior Court issued a stay order, as a result of the Deputy Sheriff's Association (DSA) and the International Association of Firefighters (IAFF 1230) filing a lawsuit against CCCERA and the Board of Retirement, CCCERA is prohibited from implementing AB 197 and continues to follow its current policy on final average salary calculations for all members who are not "new members" as defined in PEPRA, until after this matter is heard and decided. As noted in Note 12, Litigation, Commitments, and Contingencies, this lawsuit is pending.

Note 7. Funded Status

CCCERA's funded status based on the most recent actuarial valuation performed by Segal Consulting as of December 31, 2012, is as follows:

Schedule of Funded Status (Dollars In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	$5,482,257	$7,761,316	$2,279,059	70.64%	$652,312	349.38%

*Excludes Accounts Payable. Restated to exclude non-valuation reserves.

Disclosure of Information about Actuarial Methods and Assumptions

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employers and plan members to that point.

The projection of benefits for financial reporting does not explicitly incorporate the potential effect of legal or contractual funding limitations on the pattern of cost-sharing between the employer and the plan members in the future.

Actuarial calculations reflect a long-term prospective. Actuarial methods and assumptions used include techniques to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Latest Actuarial Valuation Methods and Assumptions

Valuation Date	December 31, 2012
Actuarial Cost Method	Entry Age Normal Funding Method
Amortization Method	Level Percent of payroll for total unfunded liability (4.00% payroll growth assumed)
Remaining Amortization Period	Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 10 years remaining as of December 31, 2012. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that specific valuation.
Asset Valuation Method	5 year Smoothed Market, excluding non-valuation reserves and designations*

Actuarial Assumptions:

Investment Rate of Return	7.25%
Inflation Rate	3.25%
Real Across-the-Board Salary Increases	0.75%
Projected Salary Increases - General	4.75% to 13.50%**
Projected Salary Increases - Safety	4.75% to 14.00%**

Post Retirement Cost-of-Living Adjustments Contingent upon Consumer Price Index Increases

Tier 1 Service and Disability	3% maximum
Tier 2 Service and Disability	4% maximum (valued at 3.25%)
Tier 3 Service	3% maximum
Tier 3 Disability	4% maximum (valued at 3.25%)
PEPRA Tier 4	3% maximum
PEPRA Tier 5 Service	3% maximum
PEPRA Tier 5 Disability	4% maximum (valued at 3.25%)
PEPRA Tier 5 (2% maximum COLA)	2% maximum
Safety Tier A	3% maximum
Safety Tier C	2% maximum
PEPRA Safety Tier D	3% maximum
PEPRA Safety Tier E	2% maximum

*Market value of assets less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.

**Includes inflation at 3.25% plus "across-the-board" salary increases of 0.75%, plus merit and promotional increases.

Note 8. Reserves and Designations

Reserves are established from member and employer contributions and the accumulations of investment income after satisfying investment and administrative expenses. The reserves are not fully funded to satisfy retirement and other benefits as they become due, as noted in the Schedule of Funding Progress. Following are brief explanations of the major classes of reserves and designations used by CCCERA:

Member Deposits Reserve represents the balance of member contributions. Additions include member contributions and related earnings; deductions include refunds of member contributions and transfers to Retired Member Reserve.

Employer Advance Reserve represents the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and related earnings; deductions include transfers to Retired Member Reserve, lump sum death benefits, and supplemental disability payments under legislated rehabilitation programs.

Retired Member Reserve represents the balance of transfers from Member Deposits Reserve and Employer Advance Reserve and related earnings, less payments to retired members. Included in the Retired Member Reserve is the Retirement Board Reserve for the New Dollar Power cost-of-living supplement for Retirees.

Contra Tracking Account (CTA) represents the amount of interest credited to the reserve accounts that has not been paid for out of current or excess earnings. A balance in this account is the result of applying the full interest crediting policy of the Board and will be replenished in subsequent periods when there are sufficient earnings.

Statutory Contingency Reserve represents investment earnings accumulated for future earnings deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, funding of Supplemental COLA, and transfers of excess earnings to other Reserves and other Designations. The Statutory Contingency Reserve is used to satisfy the California Government Code requirement that CCCERA reserve one percent of its assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies. As of December 31, 2003, the Statutory Contingency Reserve was completely used to pay interest to the reserve accounts. This acccount will be replenished in subsequent periods when there are sufficient earnings according to the interest crediting policy for CCCERA.

Total Deferred Return represents the unrecognized return after smoothing of investment gains and losses based on a five-year smoothing method. This method smoothes only the semi-annual deviation of total market return (net of expenses) from the actuarial assumption, currently 7.75% per annum.

Reserved and designated fiduciary net position as of December 31, 2013 and 2012 are as follows **(Dollars in Thousands)**:

	2013	2012
Valuation Reserves:		
Member Deposits	$ 554,689	$ 698,208
Member Cost-of-Living	289,979	334,088
Employer Advance	1,919,723	2,491,070
Employer Cost-of-Living	1,370,665	1,539,541
Retired Member	2,409,084	1,332,381
Retired Cost-of-Living	1,164,712	698,157
New Dollar Power Cost-of-Living Supplement and Pre-Fund	10,331	12,253
Contra Tracking Account	(1,811,766)	(1,623,441)
Total Valuation Reserves	5,907,417	5,482,257
Supplemental Reserves:		
Post Retirement Death Benefit	15,033	14,937
Other Reserves/Designations:		
Statutory Contingency Reserve (one percent)	0	0
Total Allocated Reserves/Designations	5,922,450	5,497,194
Total Deferred Return	535,868	157,387
Net position restricted for pension benefits	**$ 6,458,318**	**$ 5,654,581**

Note 9. Lease Obligation

CCCERA owns the Willows Office Park located at 1355 Willow Way, Concord, California and has held this property as a real estate investment since 1984. The property manager for the Willows Office Park is Transwestern. CCCERA has entered into a fair market lease to occupy a portion of the building. A commitment under an operating lease agreement for office facilities provides for minimum future rental payments through November 30, 2016. These future minimum rental payments as of December 31, 2013 are as follows:

Year ending December 31	Amount
2014	$ 352,033
2015	362,979
2016*	341,929
Total	$ 1,056,941

*Lease expires November 30, 2016

Note 10. Risk Management

CCCERA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. CCCERA manages and finances these risks by purchasing commercial insurance. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded CCCERA's commercial insurance coverage in any of the past three years.

Note 11. Paulson Lawsuit Settlement

During the year ended December 31, 1999, CCCERA settled its litigation, entitled *Vernon D. Paulson, et al. vs. Board of Retirement of the Contra Costa County Employees' Retirement Association, et al*. The lawsuit was brought on behalf of a class of retired members of CCCERA regarding the inclusions and the exclusions from "final" compensation that are used in calculating members' retirement benefits as a result of the Ventura Decision (see Note 6). A settlement agreement was entered into with all parties, and each employer was invoiced for their share of the $34.2 million additional liability plus interest up to the date of the payment. All employers except Contra Costa County have paid off their liability. Contra Costa County chose to pay its share of the liability due over 19.5 years and entered into an agreement with CCCERA. These employers entered into contracts with CCCERA. The following summary lists the pertinent details of the County's agreement plus the amounts due at December 31, 2013.

Installment Payments Due from Paulson Final Liability (Dollars In Thousands)

	Contra Costa County
Agreement Details:	
Effective Date of Agreement	December 16, 2003
First Payment Due	August 1, 2004
Last Payment Due	February 1, 2024
Rate of Interest	8%
Annual Principal and Interest Payment	$ 2,760
Original Principal	$ 28,065
Receivable at December 31, 2013:	$ 19,122
Future Principal Payments	$ 637
Interest Accrued for 2013	$ 19,759

Note 12. Litigation, Commitments, and Contingencies

CCCERA is subject to legal proceedings and claims arising in the ordinary course of its operations. CCCERA's management and legal counsel estimate that the ultimate outcome of such litigation will not have a material effect on CCCERA's financial statements.

As of May 14, 2013, the CCCERA Board and the County Board of Supervisors (BOS) entered into a court-approved settlement agreement resolving the *CCCERA BOR vs. Contra Costa County BOS* lawsuit. The agreement provides that CCCERA shall determine the salaries and most non-salary terms and conditions of employment for its unrepresented staff. The agreement provides that all existing terms of employment for CCCERA's represented staff will continue to be negotiated between the County and the applicable unions, and that CCCERA may make recommendations for consideration by the County BOS as to changes in the salaries and benefits of its represented staff. The parties have agreed to work on legislation that would make CCCERA the employer. As a result, the County and CCCERA have co-sponsored Senate Bill 673, which would separate CCCERA from the County and make the organization an autonomous district participating in CCCERA, with its own employees, who will continue to be members of the retirement system. CCCERA will continue to work jointly with the County to support passage of the bill in the Legislature.

On November 28, 2012, the DSA and other employee groups filed a petition for a writ of mandate with the Contra Costa County Superior Court, seeking to prevent CCCERA from implementing AB 197. AB 197 added Subdivision 31461(b) to the CERL, mandating certain exclusions from compensation for retirement purposes. The Court issued a stay order in this matter, requiring that CCCERA suspend implementation of AB 197 and continue to follow its pre-AB 197 policy on final average salary calculations for 60 days after a final judgment is entered. Final judgement was entered on May 12, 2014, and the matter has been appealed. Final resolution in the court could take several years.

Note 13. Subsequent Events

On January 22, 2014, CCCERA filed an application with the Internal Revenue Service (IRS) for a Letter of Determination during Cycle C. In September 2013, CCCERA received a favorable letter of determination from the IRS which expired on January 31, 2014.

On January 22, 2014, Richard Cabral, General Member representative, resigned from the CCCERA Board. Richard Cabral was a trustee with over 35.5 years of service to CCCERA. Because his board term ends in June 2014, his seat will remain vacant until elections are held.

CCCERA's Retirement Chief Executive Officer (CEO) Marilyn Leedom retired from CCCERA on March 8, 2014. The Board proceeded with the recruitment for the CEO position vacancy. During the recruitment period, department duties were covered by the remaining management staff, with any needed oversight provided by the Board of Retirement Chairperson.

In January 2014, the Board approved CCCERA staff to draft a Request for Proposal (RFP) for a general investment consultant. A Board commitee was formed to assist with the process of searching for an investment consultant. In April 2014, the committee requested and received Board approval to contract with Cortex Applied Research to provider investment consultant search services. CCCERA will retain the ultimate due diligence and selection responsibility.

The Board approved a $50 million capital commitment to the 2014 Adams Street Global Fund at its February 26, 2014 meeting, subject to due diligence and legal review. The contract with 2014 Adams Street Global Fund was signed on May 7, 2014.

On February 26, 2014, CCCERA's new funding policy was adopted by the Board. Generally speaking, the funding policy documented the current practice in the form of a written policy. There were no changes made to the actuarial cost method, the asset valuation method, or the amortization of any current sources of unfunded actuarial accrued liability. The changes to the amortization policy were restricted to situations that may arise in the future.

On March 16, 2014, CCCERA's proxy guideline voting agent service, Institutional Shareholder Services, Inc. (ISS), announced its parent company, MSCI Inc., had entered into a definitive agreement with Vestar Capital Partners (Vestar), pursuant to which Vestar has agreed to acquire ISS for $364 million. The transaction is expected to close in the second quarter, subject to customary closing conditions.

On April 23, 2014, Milliman's actuarial audit of CCCERA's Actuarial Valuation and Experience Study, provided by Segal Consulting, was presented to the Board. Milliman's report concluded that CCCERA's valuation accurately represents the actuarial condition of the fund based on a package of assumptions and methods that are reasonable and that Segal Consulting's recommended member and employer contributions rates are appropriate for funding CCCERA.

The Board approved a $30 million capital commitment to the Ocean Avenue Capital Fund II at its April 2, 2014 meeting, subject to due diligence and legal review. The contract with Ocean Avenue Capital Fund II was signed on May 7, 2014.

On May 12, 2014, the Superior Court entered a final Judgment in the lawsuit seeking to prevent CCCERA from implementing AB 197. The Judgment upheld the constitutionality of AB 197's exclusions from compensation for retirement purposes. According to the judgment, termination pay for unused leave should be excluded from compensation for retirement purposes. Standby/on-call pay should be included only to the extent it is paid for work required and worked by everyone in the same job classification for the applicable pay period. The Judgment carved out an exception under fairness and equity principles for a class of employees to the extent they meet certain elements, including having a bank of unused leave in 2012 and the ability to cash out more than what they can earn in one year. The matter has been appealed. Final resolution in the courts could take several years.

Subsequent events were evaluated through June 6, 2014, which is the date the financial statements were available to be issued. CCCERA did not have any other events requiring recording or disclosure in the financial statements for the year ended December 31, 2013.

Required Supplementary Information

Schedule of Funding Progress (Dollars In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	$ 5,016,137	$ 5,581,048	$ 564,911	89.9%	$ 671,618	84.1%
12/31/08	5,282,505	5,972,471	689,966	88.5%	704,948	97.9%
12/31/09	5,290,114	6,314,787	1,024,673	83.8%	694,444	147.6%
12/31/10	5,341,822	6,654,037	1,312,215	80.3%	687,443	190.9%
12/31/11	5,426,719	6,915,312	1,488,593	78.5%	666,394	223.4%
12/31/12	$ 5,482,257	$ 7,761,316	$2,279,059	70.6%	$ 652,312	349.4%

*Excludes Accounts Payable. Restated to exclude non-valuation reserves.

Schedule of Employer Contributions (Dollars in Thousands)

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2007	$ 196,930	100.0%
2008	206,519	100.0%
2009	195,614	100.0%
2010	183,951	100.0%
2011	200,389	100.0%
2012	$ 212,321	100.0%

Actuarial valuations of CCCERA are normally carried out as of December 31 of each year and contribution requirements resulting from such valuations become effective on July 1 of the following fiscal year, except as follows: The contribution requirements from the December 31, 2001 valuation became effective on January 1, 2003, per Retirement Board action and remained in effect through June 30, 2004. The contribution requirements resulting from subsequent valuations will become effective 18 months after the valuation date (i.e., December 31, 2010, became effective on July 1, 2012).

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Other Supplementary Information

Schedule of Administrative Expenses

For the Year Ended December 31, 2013 (With Comparative Totals)
(Dollars in Thousands)

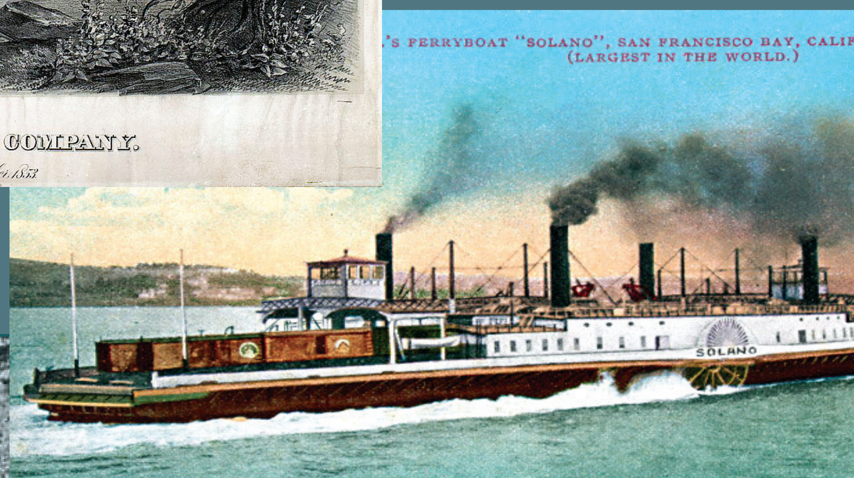
	2013	2012
Personnel Services:		
Salaries and Wages	$ 2,945	$ 2,645
Employee Retirement	2,066	1,732
Total Personnel Services	5,011	4,377
Professional Services:		
Actuary - Benefit Statement	59	59
Computer and Software Services and Support	268	230
County Counsel - Disability	104	110
Disability Hearing Officer/Medical Reviews	60	60
External Audit Fees	55	36
Contra Costa Dept of Information Technology	58	41
Newsletters	18	14
Other Professional Services	133	136
Total Professional Services	755	686
Office Expenses:		
Office Leases	341	334
Office Supplies	53	56
Minor Equipment and Computer Supplies	2	12
Postage	70	47
Equipment Lease	25	26
Requested Maintenance	4	(11)
Communications/Telephone	48	46
Printing and Publications	25	29
Total Office Expenses	568	539
Miscellaneous:		
Fiduciary and Staff - Education/Travel	93	87
Fiduciary and Staff - Meetings/Other Travel	2	3
Insurance	117	100
Memberships	26	21
Total Miscellaneous	238	211
Depreciation and Amortization	204	217
Total Administrative Expenses	**$ 6,776**	**$ 6,030**

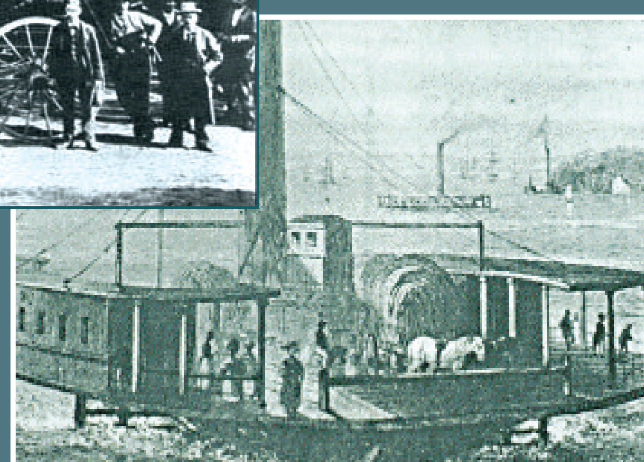
Schedule of Investment Expenses

For the Year Ended December 31, 2013 (With Comparative Totals)

(Dollars in Thousands)

	2013	2012
Investment Management Fees, by portfolio:		
Stocks	$ 10,607	$ 10,808
Bonds	6,447	5,918
Real Assets	946	-
Real Estate	9,550	7,832
Alternative	8,142	7,850
Cash and Short-Term	6	12
Total Investment Management Fees	35,698	32,420
Investment Consulting Fees:		
Consulting Services	382	307
Attorney Services	94	91
Actuarial Services	390	211
Total Investment Consulting Fees	866	609
Investment Custodian Fees	938	755
Other Investment Related Expenses	656	579
Total Investment Expenses	**$ 38,158**	**$ 34,363**





Investment Section

Report On Investment Activity

CONTRA COSTA COUNTY CCCERA Employees' Retirement Association

April 10, 2014

Trustees, Board of Retirement
Contra Costa County Employees' Retirement Association

Re: Chief Investment Officer Review of 2013 Investment Results

Members of the Board:

The Contra Costa County Employees' Retirement Association (CCCERA) experienced another period of strong performance for the calendar year ending December 31, 2013. CCCERA investments performed well compared against both a universe of peer funds as well as against the fund's long-term objectives. The strong returns were driven primarily by the exposure to equities. Most other asset classes delivered more modest results.

Total Fund Performance

CCCERA's Total Fund returned 16.5% (gross of investment management fees) for the year ending December 31, 2013. This exceeded the long-term objective of delivering a real return of 4% annually (measured as CPI plus 400 basis points), which was 5.6% for 2013. Relative to the peer universe, CCCERA's 2013 performance exceeded the median public fund return of 15.5%, and ranked in the 43rd percentile of public funds. Over the past 10 years ending December 31, 2013, CCCERA has returned 8.1%, well above the 6.5% return of the CPI + 400 basis points and ranked in the 3rd percentile of public funds.

Domestic Equity Performance

CCCERA's domestic equity program, as noted earlier, was the primary driver of strong 2013 results. The domestic equity program returned 36.2% in 2013, exceeding the 33.6% return of the Russell 3000 Index and the 32.4% return of the S&P 500 Index. The 2013 results also exceeded the median domestic equity manager, ranking in the 41st percentile of the peer universe.

Trustees, Board of Retirement
April 10, 2014
Page 2

International Equity Performance

CCCERA's International Equity program also had strong results for the calendar year 2013, though significantly less so than the U.S. markets. CCCERA's International Equity program returned 17.8% in 2013, exceeding the MSCI ACWI ex-US Index return of 15.3%, but trailing the 20.2% return of the median international equity manager. The CCCERA International Equity program ranked in the 69th percentile of international equity managers in 2013. Half of the international equity program was managed on a passive basis during most of 2013 while we conducted a search for a new value-oriented international equity manager. We expect this portion of the fund to be redeployed with the newly selected manager shortly.

Global Equity Performance

The Global Equity program returned 23.7% for the calendar year 2013, exceeding the MSCI ACWI Index return of 22.8%, but lagging the 26.2% return of the median global equity manager. CCCERA's global equity manager ranked in the 64th percentile of global equity portfolios.

Domestic Fixed Income Performance

CCCERA's total domestic fixed income program returned 1.7% for the year ending December 31, 2013. This was signficantly better than the -2.0% return of the Barclays Aggregate Index and the -1.4% return of the median fixed income manager. The domestic fixed income program ranked in the 1st percentile of fixed income managers over this period. Much of the excess return was driven by our non-traditional fixed income allocations.

High Yield Fixed Income Performance

CCCERA's high yield fixed income program returned 8.8% for the year ending December 31, 2013. This was significantly better than the 7.4% return of the Merrill Lynch High Yield Master II Index and the 7.6% return of the median high yield fixed income manager. The high yield fixed income program ranked in the 28th percentile of fixed income managers over this period.

Global Fixed Income Performance

CCCERA’s global fixed income program returned -3.5% for the year ending December 31, 2013. This return lagged the -2.6% return of the Barclays Global Aggregate Index and the 0.2% return of the median fixed income manager. The global fixed income program ranked in the 83rd percentile of fixed income managers over this period.

Trustees, Board of Retirement
April 10, 2014
Page 3

Inflation Hedge Performance
The Inflation Hedge program was funded during the course of 2013 and did not have a full year of performance. At year-end, the program was fully funded with its 5% target allocation. I will report on the performance of the program in next year's letter.

Real Estate Performance
CCCERA's real estate program returned 10.5% for the calendar year 2013. This return was better than the 7.1% return of the CCCERA custom benchmark but trailed the 12.4% return of the median real estate manager and ranked in the 67th percentile of real estate managers.

Opportunistic Investment Performance
The Opportunistic Investment program returned 16.8% for calendar year 2013. This was in line with overall fund results.

Alternative Investment Performance
For the year ended December 31, 2013, CCCERA's alternative investment program had good absolute performance, but trailed the public equity markets. The alternative investment program returned 15.0%. The program's goal is to outperform the S&P 500 by four percentage points annually. This benchmark returned 24.1% for 2013. Please note that several components of the alternative investment program are reported on a quarter lag basis due to financial data reporting constraints. The benchmark is also calculated on a quarter lag basis.

CCCERA assets, as of December 31, 2013, were above target in equities (49.5% vs. 46.6%). Asset classes below their respective targets included domestic fixed income (18.0% vs. 19.6%) and real estate (11.7% vs. 12.5%). All other asset classes were quite close to their respective targets. (Assets earmarked for alternative investments are temporarily invested in U.S. equities.) Assets have been rebalanced to their respective target allocations since year-end in accordance with CCCERA's investment policy guidelines.

All return figures in this review are presented gross of fees and time-weighted, and are calculated by CCCERA's investment consultant, Milliman.

Sincerely,

Timothy Price

Timothy Price, CFA
Chief Investment Officer

General Information

CCCERA's investment program objective is to provide CCCERA participants and beneficiaries with benefits as required by the County Employees Retirement Law of 1937. The plan's main investment objective is for the total fund return to exceed the CPI plus 400 basis points over a market cycle. This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The California Constitution and Government Code Sections 31594 and 31595 authorize the Board of Retirement (Board) to invest in any investment deemed prudent in the Board's opinion. Investment decisions are to be made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer contributions, and defraying reasonable expenses for administering the system. Investments are to be diversified to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent to not do so.

The Board has adopted an Investment Policy, which provides the framework for the management of CCCERA's investments. This policy establishes CCCERA's investment policies and objectives and defines the principal duties of the Board, custodian bank, and investment managers. For the year ended December 31, 2013, the total fund gain was 16.5%, greater than the targeted return of 5.6% (CPI plus 400 basis points) and greater than the median public fund return of 15.5%.

Summary of Proxy Voting Guidelines and Procedures

Voting of proxy ballots shall be in accordance with CCCERA's Proxy Voting Guidelines. CCCERA utilizes the services of Institutional Shareholder Services to research and vote CCCERA's U.S. proxy ballots in order to protect and enhance returns.

Investment Results Based on Fair Value*

As of December 31, 2013

		Current Year	3 Year	Annualized 5 Year	10 Year
Domestic Equity		36.2%	17.6%	20.2%	8.8%
Benchmark:	Russell 3000	33.6%	16.2%	18.7%	7.9%
International Equity		17.8%	7.3%	10.6%	6.7%
Benchmarks:	MSCI ACWI ex-US	15.3%	5.1%	12.8%	7.6%
	MSCI EAFE Gross	23.3%	8.7%	13.0%	7.4%
Global Equity		23.7%	9.0%	0.0%	0.0%
Benchmark:	MSCI ACWI	22.8%	9.7%	14.9%	7.2%
Inflation Hedge**		-	-	-	-
Benchmark:	CPI + 400bps	5.6%	6.2%	6.2%	6.5%
Domestic Fixed Income		1.7%	6.1%	9.3%	6.0%
Benchmarks:	Barclays U.S.Universal	-1.3%	3.8%	5.4%	4.9%
	Barclays Aggregate	-2.0%	3.3%	4.4%	4.5%
High Yield		8.8%	9.7%	17.5%	8.7%
Benchmark:	ML HYMaster II	7.4%	9.0%	18.6%	8.5%
Global Fixed Income		-3.5%	2.8%	5.7%	4.5%
Benchmark:	Barclays Global Aggregate	-2.6%	2.4%	3.9%	4.5%
Real Estate		10.5%	12.5%	11.4%	8.6%
Benchmarks:	Real Estate Benchmark	7.1%	11.4%	9.2%	9.4%
	NCREIF (ODCE) Index	13.9%	13.6%	3.7%	7.2%
	NCREIF Property Index	11.0%	11.9%	5.7%	8.6%
Alternatives		15.0%	12.8%	9.5%	13.9%
Benchmark:	S&P 500 + 4% QTR Lag	24.1%	20.9%	14.4%	11.9%
Total Fund		16.5%	11.0%	13.7%	8.1%
Benchmark:	CPI + 400 bps	5.6%	6.2%	6.2%	6.5%

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

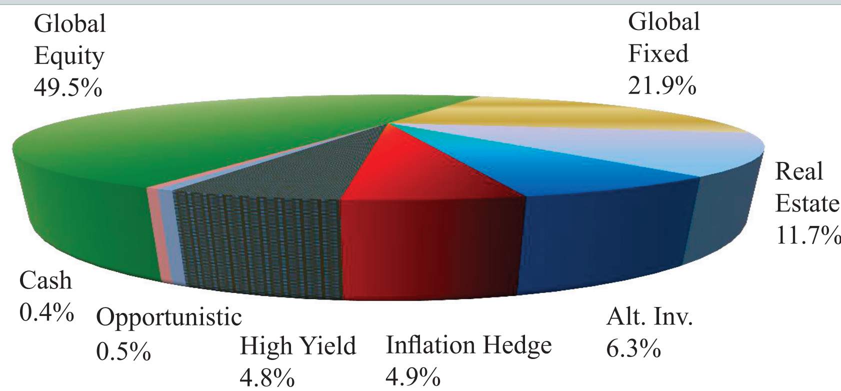
** Inflation Hedge Managers hired in 2013.

Asset Allocation

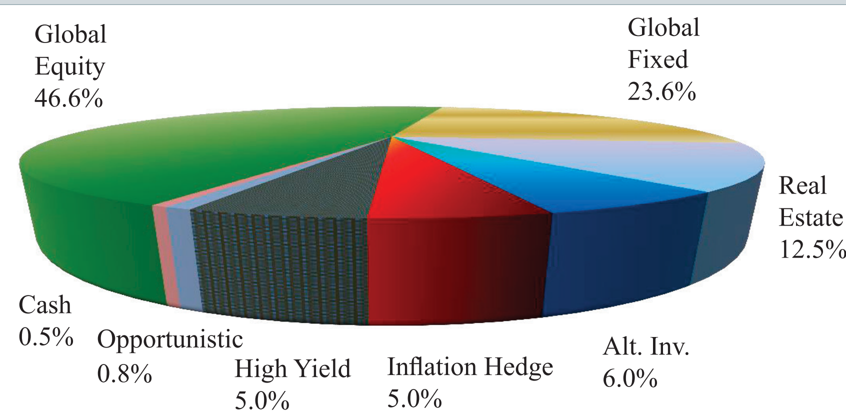
The asset allocation is an integral part of the Investment Policy. When a new asset class is implemented or a current asset class is expanded, the plan's policy is modified to reflect the change or revision. The Board implements the asset allocation plan by hiring investment managers to invest assets 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 with the design and implementation of the asset allocation as depicted in the following charts:

As of December 31, 2013

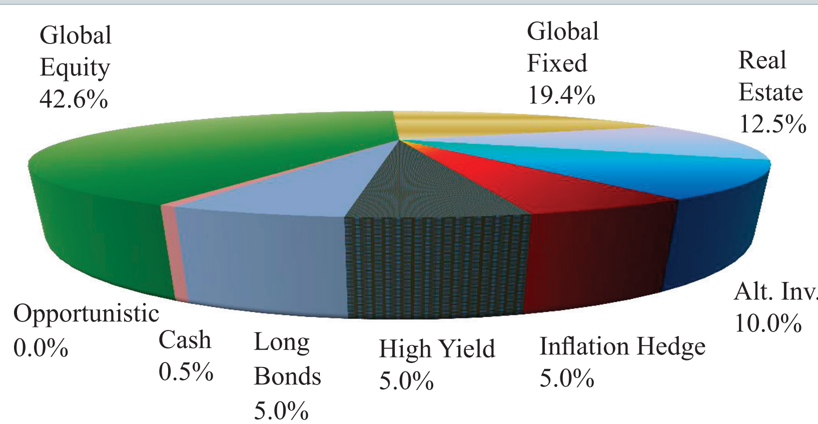
Actual Asset Allocation



Current Target Asset Allocation



Long-Term Target Asset Allocation



10 Largest Equity Holdings as of 12/31/13

(Dollars in Thousands)

CUSIP	Shares	Security Name	Fair Value
594918104	579,807	MICROSOFT CORP	$ 21,702
828806109	141,900	SIMON PROPERTY GROUP INC	21,592
92826C839	87,400	VISA INC CLASS A SHARES	19,462
57636Q104	23,250	MASTERCARD INC CLASS A	19,424
151020104	96,900	CELGENE CORP	16,372
53071M104	546,225	LIBERTY INTERACTIVE CORP A	16,032
30231G102	155,265	EXXON MOBIL CORP	15,713
26875P101	91,475	EOG RESOURCES INC	15,353
38259P508	13,675	GOOGLE INC CL A	15,326
747525103	201,550	QUALCOMM INC	14,965
		Total Largest Equity Holdings	**$ 175,941**

10 Largest Fixed Holdings as of 12/31/13

(Dollars in Thousands)

CUSIP	Security Name	Cost	Fair Value
99S0HV2W4	SR204625 IRS USD R F 2.92000	$ 23,920	$ 23,988
912828QU7	US TREASURY N/B	22,631	22,591
912828UW8	US TREASURY N/B	22,217	22,225
99S0HV2T1	BR204624 IRS USD R V 03MLIBOR	20,143	20,114
01F052615	FNMA TBA JAN 30 SINGLE FAM	15,088	15,157
912828SK7	US TREASURY N/B	14,550	14,550
99S0I1MB3	SR204686 IRS USD R F 2.75000	14,400	14,400
912828UD0	US TREASURY N/B	12,974	12,996
912828A34	US TREASURY N/B	13,137	12,971
912828RG7	US TREASURY N/B	12,241	12,238
	Total Largest Fixed Holdings		**$ 171,230**

A complete list of portfolio holdings is available on request.

Schedule of Investment Management Fees

For the year ended December 31, 2013
(Dollars in Thousands)

Investment Activity	
Stock Managers	
Domestic	$ 6,167
International	4,440
Subtotal	10,607
Bond Managers	
Domestic	5,655
International	792
Subtotal	6,447
Real Asset Managers	946
Real Estate Managers	9,550
Alternative Investment Managers	8,142
Cash & Short-Term with County Treasurer	6
Total Fees from Investment Activity (see page 56)	35,698
Securities Lending Activity	
Management Fee	344
Borrower Rebate	(689)
Total Fees from Securities Lending Activity	(345)
Total Investment Management Fees	**$ 35,353**

Investment Summary

As of December 31, 2013

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Deposit	$ 3,583	0.05%
Short-Term Investments held by Fiscal Agent	852,758	12.47%
Total Short-Term Investments	**856,341**	**12.52%**
U.S. Government and Agency Instruments	834,633	12.20%
Private Placement Bonds	284,379	4.16%
Domestic Corporate Bonds	472,292	6.91%
International Bonds	277,378	4.06%
Total Bonds	1,868,682	27.33%
Domestic Stocks	948,807	13.88%
Global Stocks	856,481	12.53%
International Stocks	718,198	10.50%
Total Stocks	2,523,486	36.91%
Real Assets	318,617	4.66%
Real Estate	828,562	12.12%
Alternative Investments	442,061	6.46%
Long-Term Investments at Fair Value	**5,981,408**	**87.48%**
Total Short and Long-Term Investments	**$ 6,837,749**	**100.00%**

Investment Managers

As of December 31, 2013

Alternative Assets
Adams Street Partners
Carpenter Bancfund
DBL Investors
Energy Investors Funds Group (EIF/Liberty)
Nogales Investors LLC
Paladin Capital Management
Pathway Capital Management

Equity - Domestic
Ceredex Value Advisors
Robeco Boston Partners
Delaware Investment Advisors
Emerald Advisors, Inc
Intech
PIMCO

Opportunistic
Oaktree Capital

Equity - International
State Street Global Markets
William Blair & Company

Fixed Income - Global
Lazard Asset Management

Global Equity
J.P. Morgan Asset Management
First Eagle Investment Management
Artisan
Intech

Fixed Income - Domestic
AFL-CIO Housing Investment Trust
Goldman Sachs
Torchlight
Lord Abbett
PIMCO

Real Assets
Aether Investment Partners
Commonfund
PIMCO
Wellington

Cash & Short-term
Contra Costa County Treasurer
State Street Corporation

Fixed Income - High Yield
Allianz Global Investors

Real Estate
Adelante Capital Management
Angelo Gordon
DLJ Real Estate Capital Partners LP
Long Wharf Real Estate Partners
Hearthstone Advisors
Invesco Real Estate
Oaktree
Siguler Guff
LaSalle
Paulson & Co.

Securities Lending Program
State Street Corporation

Actuarial Section

Actuary Certification Letter

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

January 27, 2014

Board of Retirement
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

Re: Contra Costa County Employees' Retirement Association

Dear Members of the Board:

Segal Consulting (Segal) prepared the December 31, 2012 actuarial valuation of the Contra Costa County Employees' Retirement Association (CCCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the December 31, 2012 actuarial valuation, Segal received member data and financial information from the Association's staff. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. However, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are included in the Actuarial Section. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the semi-annual differences between the actual and expected market investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish contribution rates that fully fund the Association's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current (normal) cost plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL. Members also contribute to the Plan according to statutory requirements.

Board of Retirement
January 27, 2014
Page 2

The remaining balance of the December 31, 2007 UAAL is amortized over a decreasing period with 10 years remaining as of December 31, 2012. Changes to the UAAL that occur after December 31, 2007 are separately amortized over decreasing 18-year periods. The progress being made towards meeting the funding objective through December 31, 2012 is illustrated in the Actuarial Solvency Test that is included in the Actuarial Section.

For the Financial Section of the Comprehensive Annual Financial Report, Segal provided the trend data shown in the Required Supplementary Information. The schedules presented in the Actuarial Section have also been prepared and/or reviewed by our firm.

The valuation assumptions included in the Actuarial Section are those adopted by the Retirement Board after considering recommendations made by us following the December 31, 2012 Experience Analysis. It is our opinion that the assumptions used in the December 31, 2012 valuation produce results which, in the aggregate, reasonably reflect the future experience of the Plan.

In the December 31, 2012 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities decreased from 78.5% to 70.6%, and the aggregate employer contribution rate increased from 37.87% of payroll to 49.82% of payroll.

The actuarial value of assets included $157 million in deferred investment gains, which represented about 3% of the market value of assets. If these deferred investment gains were recognized immediately in the actuarial value of assets, the funded percentage would have increased from 70.6% to 72.7% and the aggregate employer contribution rate, expressed as a percent of payroll, would have decreased from 49.8% to 48.0%.

Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2015.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

John Monroe, ASA, MAAA, EA
Vice President & Associate Actuary

JWL/bqb

Summary of Assumptions and Funding Methods

The following assumptions have been adopted by the Board for the fiscal year 2012-2013 and were used for the December 31, 2010 valuation. The rates produced by this valuation were implemented on July 1, 2012 and continued to be in effect through June 30, 2013.

Assumptions

Valuation Interest Rate	7.75%
Inflation Assumption	3.50%
Real "Across-the-Board" Salary Increases	0.75%
Merit Salary Increase Assumption	1.75%
Projected Salary Increases	6.00%
Cost-of-Living Adjustments	2% for Safety (Tier C) 3% for Tiers 1, 3 and Safety (Tier A) 4% (valued at 3.50%) for Tier 3 Disability and Tier 2
Interest Rate Credited to Active Member Accounts	7.75%

The following assumptions have been adopted by the Board for the fiscal year 2013-2014 and were used for the December 31, 2011 valuation. The rates produced by this valuation were implemented on July 1, 2013 and will continue to be in effect through June 30, 2014.

Assumptions

Valuation Interest Rate	7.75%
Inflation Assumption	3.50%
Real "Across-the-Board" Salary Increases	0.75%
Merit Salary Increase Assumption	1.55%
Projected Salary Increases	5.80%
Cost-of-Living Adjustments	2% for Safety (Tier C) 3% for Tiers 1, 3 and Safety (Tier A) 4% (valued at 3.50%) for Tier 3 Disability and Tier 2
Interest Rate Credited to Active Member Accounts	7.75%

Post Retirement Mortality (Data is from December 31, 2012 valuation.)

A. Healthy:

General Tier 1, Tier 2, and Tier 3	RP-2000 Combined Healthy Mortality Table projected to 2030 with Scale AA, set back one year.
Safety Members	RP-2000 Combined Healthy Mortality Table projected to 2030 with Scale AA, set back two years.

B. Disabled:

General Tier 1, Tier 2, and Tier 3	RP-2000 Combined Healthy Mortality Table projected to 2030 with Scale AA, set forward six years for males and seven years for females.
Safety Members	RP-2000 Combined Healthy Mortality Table projected to 2030 with Scale AA, set forward three years.

C. Beneficiaries: Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.

D. Employee Contribution Rate: For General Members: RP-2000 Combined Healthy Mortality Table projected to 2030 with Scale AA, set back one year, weighted 30% male and weighted 70% female.

For Safety Members: RP-2000 Combined Healthy Mortality Table projected to 2030 with Scale AA, set back two years, weighted 85% male and weighted 15% female.

Pre-Retirement Mortality	Based upon the Experience Analysis as of 12/31/12.
Withdrawal Rates	Based upon the Experience Analysis as of 12/31/12.
Disability Rates	Based upon the Experience Analysis as of 12/31/12.
Service Retirement Rates	Based upon the Experience Analysis as of 12/31/12.
Salary Scales	Total increases of 5.40% per year reflecting approximately 3.25% for inflation, 0.75% for additional real "across-the-board" salary increases and approximately 1.40% for merit and longevity.
Marriage Assumption At Retirement	75% for male members 50% for female members
Value of Assets for Contribution Rate Purposes	Actuarial Value as described in Actuarial Valuation Methods Section of Valuation Report

Funding Method and Amortization of Actuarial Gains or Losses

Remaining balance of the December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 10 years remaining as of December 31, 2012. Any changes in UAAL after December 31, 2007, are separately amortized over a fixed 18-year period effective with that valuation.

Probability of Occurrence

Termination Rates (%) Before Retirement

Mortality

	General		Safety	
Age	Male	Female	Male	Female
25	0.03	0.01	0.02	0.01
30	0.04	0.02	0.03	0.02
35	0.06	0.03	0.05	0.03
40	0.08	0.04	0.08	0.04
45	0.10	0.07	0.09	0.06
50	0.12	0.09	0.11	0.08
55	0.17	0.18	0.16	0.15
60	0.37	0.38	0.33	0.34
65	0.74	0.74	0.66	0.66

Disability

Age	General Tier 1	General Tier 2 & 3	Safety
20	0.01	0.01	0.02
25	0.02	0.02	0.22
30	0.04	0.03	0.42
35	0.08	0.05	0.56
40	0.16	0.08	0.66
45	0.32	0.13	0.94
50	0.52	0.17	2.54
55	0.66	0.21	4.10
60	0.70	0.27	4.80

Retirement Rates (%)

General Benefits

Age	Tier 1 (Enhanced)	Tier 3 (Enhanced)	Tier 1 (Non-enhanced)	PEPRA Tiers 4 and 5
50	5.00	4.00	3.00	0.00
55	20.00	10.00	10.00	5.00
60	30.00	15.00	25.00	10.00
65	40.00	40.00	40.00	27.00
70	100.00	40.00	100.00	50.00

Safety Benefits

Age	Tier A (Enhanced)	Tier C (Enhanced)	Tier A (Non-enhanced)	PEPRA Tiers D and E
50	25.00	15.00	5.00	5.00
55	30.00	20.00	6.00	6.00
60	40.00	35.00	20.00	20.00
65	100.00	100.00	100.00	100.00

Withdrawal

Years of Service	General	Safety
Less than 1	13.50	11.50
1	9.00	6.50
2	9.00	5.00
3	6.00	4.00
4	4.50	3.50
5	4.00	3.00
6	3.75	2.75
7	3.50	2.50
8	3.25	2.25
9	3.00	2.00
10	2.75	1.90
11	2.50	1.80
12	2.40	1.70
13	2.30	1.60
14	2.20	1.50
15	2.10	1.40
16	2.00	1.30
17	2.00	1.20
18	2.00	1.10
19	2.00	1.00
20 or more	2.00	1.00

Summary of December 31, 2012 and 2011 Valuation Results

	December 31, 2012		December 31, 2011	
	Total Rate*	Estimated Annual Amount**	Total Rate*	Estimated Annual Amount**
Average Employer Contribution Rates:				
General				
Cost Group #1 - County and Small Districts (Tier 1)	41.59%	$ 10,611,239	32.53%	$ 9,389,219
Cost Group #2 - County and Small Districts (Tier 3)	37.08%	168,815,252	28.78%	130,861,297
Cost Group #3 - Central Contra Costa Sanitary District (Tier 1)	73.93%	17,620,915	58.36%	14,435,891
Cost Group #4 - Contra Costa Housing Authority (Tier 1)	47.04%	2,377,319	35.26%	1,983,485
Cost Group #5 - Contra Costa County Fire Protection District (Tier 1)	42.81%	1,522,178	30.75%	1,080,023
Cost Group #6 - Small Districts (Tier 1 Non-Enhanced)	32.16%	240,133	24.88%	189,265
Safety				
Cost Group #7 - County (Tier A)	89.83%	59,805,301	66.42%	47,810,154
Cost Group #8 - Contra Costa and East County Fire Protection Districts (Tier A)	89.79%	29,274,716	59.05%	22,204,573
Cost Group #9 - County (Tier C)	81.53%	11,166,934	59.19%	6,001,376
Cost Group #10 - Moraga-Orinda Fire District (Tier A)	80.03%	5,669,942	52.94%	3,979,298
Cost Group #11 - San Ramon Valley Fire District (Tier A)	95.39%	15,961,561	68.39%	12,968,849
Cost Group #12 - Rodeo-Hercules Fire Protection District (Tier A Non-Enhanced)	110.02%	1,865,548	72.53%	1,433,817
All Employers Combined	**49.82%**	**$ 324,931,038**	**37.87%**	**$ 252,337,247**
Average Member Contribution Rates:				
General				
Cost Group #1 - County and Small Districts (Tier 1)	10.90%	2,781,559	9.55%	2,756,922
Cost Group #2 - County and Small Districts (Tier 3)	10.81%	49,226,376	9.75%	44,337,350
Cost Group #3 - Central Contra Costa Sanitary District (Tier 1)	11.26%	2,684,595	10.03%	2,481,328
Cost Group #4 - Contra Costa Housing Authority (Tier 1)	11.59%	585,541	10.44%	587,382
Cost Group #5 - Contra Costa County Fire Protection District (Tier 1)	11.14%	396,160	9.85%	345,958
Cost Group #6 - Small Districts (Tier 1 Non-Enhanced)	12.86%	96,073	11.34%	86,275
Safety				
Cost Group #7 - County (Tier A)	17.80%	11,851,328	15.85%	11,411,285
Cost Group #8 - Contra Costa and East County Fire Protection Districts (Tier A)	17.43%	5,681,658	15.26%	5,737,116
Cost Group #9 - County (Tier C)	14.06%	1,926,255	12.49%	1,265,845
Cost Group #10 - Moraga-Orinda Fire District (Tier A)	17.31%	1,226,374	15.34%	1,153,050
Cost Group #11 - San Ramon Valley Fire District (Tier A)	17.20%	2,878,150	14.54%	2,756,394
Cost Group #12 - Rodeo-Hercules Fire Protection District (Tier A Non-Enhanced)	16.36%	277,408	14.10%	278,737
All Categories Combined	**12.20%**	**$ 79,611,477**	**10.98%**	**$ 73,197,642**

*These rates do not include any employer subvention of member contributions or any member subvention of employer contributions.

**Based on projected payroll as of each valuation date shown.

Key Actuarial Assumptions:

	December 31, 2012	December 31, 2011
Annual Interest Rate:	7.25%	7.75%
Annual Inflation Rate:	3.25%	3.50%
Across-the-Board Salary Increase:	0.75%	0.75%
Average Annual Salary Increase:	5.40%	5.80%

Summary of Significant Results

Association Membership	December 31, 2012	December 31, 2011	Increase/ (Decrease)
Active Members			
1. Number of Members	8,640	8,629	0.1%
2. Average Age	45.9	46.2	N/A
3. Average Service	10.2	10.7	N/A
4. Projected Total Payroll (Compensation)	$ 652,312,178	$ 666,394,146	(2.1%)
5. Average Projected Monthly Payroll	$ 6,292	$ 6,436	(2.2%)
Retired Members			
1. Number of Members:			
Service Retirement	6,375	5,960	7.0%
Disability Retirement	923	920	0.3%
Beneficiaries	1,219	1,205	1.2%
2. Average Age	69.0	69.1	N/A
3. Actual Retired Payroll	$ 347,569,044	$ 320,297,817	8.5%
4. Average Monthly Benefit	$ 3,518	$ 3,381	4.1%
Inactive Vested Members			
1. Number of Members*	2,288	2,214	3.3%
2. Average Age	46.8	46.7	N/A

Asset Values (Net)			
Market Value of Assets	$ 5,654,581,124	$ 5,052,289,458	11.9%
Return on Market Value of Assets	13.31%	1.76%	
Actuarial Value of Assets	$ 5,497,193,662	$ 5,441,119,691	1.0%
Return on Actuarial Value of Assets	2.25%	2.78%	
Valuation Value of Assets	$ 5,482,257,062	$ 5,426,719,066	1.0%
Return on Valuation Value of Assets	2.24%	2.77%	
Liability Values			
Actuarial Accrued Liability (AAL)	$ 7,761,315,535	$ 6,915,311,649	12.2%
Unfunded Actuarial Accrued Liability (UAAL) on VVA basis	$ 2,279,058,473	$ 1,488,592,583	53.1%
Funding Ratio			
GASB Statement No. 25	70.6%	78.5%	

*Only includes members who are not active in any other tier.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase/ (Decrease) in Average Salary
12/31/03	General	7,778	$462,351,361	$59,443	3.90%
	Safety	1,698	137,922,547	81,226	8.90%
	Total	**9,476**	**$600,273,908**	**$63,347**	**4.89%**
12/31/04	General	7,675	$472,100,272	$61,511	3.48%
	Safety	1,683	147,031,946	87,363	7.55%
	Total	**9,358**	**$619,132,218**	**$66,161**	**4.44%**
12/31/05	General	7,594	$480,015,003	$63,210	2.76%
	Safety	1,611	147,531,405	91,578	4.82%
	Total	**9,205**	**$627,546,408**	**$68,175**	**3.04%**
12/31/06	General	7,602	$505,165,640	$66,452	5.13%
	Safety	1,608	148,787,523	92,530	1.04%
	Total	**9,210**	**$653,953,163**	**$71,005**	**4.15%**
12/31/07	General	7,806	$518,874,107	$66,471	0.03%
	Safety	1,615	152,743,825	94,578	2.21%
	Total	**9,421**	**$671,617,932**	**$71,289**	**0.40%**
12/31/08	General	7,781	$544,409,663	$69,967	5.26%
	Safety	1,604	160,538,005	100,086	5.82%
	Total	**9,385**	**$704,947,668**	**$75,114**	**5.37%**
12/31/09	General	7,406	$536,090,505	$72,386	3.46%
	Safety	1,532	158,353,494	103,364	3.28%
	Total	**8,938**	**$694,443,999**	**$77,696**	**3.44%**
12/31/10	General	7,325	$533,351,975	$72,813	0.59%
	Safety	1,486	154,091,231	103,695	0.32%
	Total	**8,811**	**$687,443,206**	**$78,021**	**0.42%**
12/31/11	General	7,183	$518,213,291	$72,144	(0.92%)
	Safety	1,446	148,180,855	102,476	(1.18%)
	Total	**8,629**	**$666,394,146**	**$77,227**	**(1.02%)**
12/31/12	General	7,244	$513,920,662	$70,944	(1.66%)
	Safety	1,396	138,391,516	99,134	(3.26%)
	Total	**8,640**	**$652,312,178**	**$75,499**	**(2.24%)**

Retirants and Beneficiaries Added To and Removed From Retiree Payroll

Year	At Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
2007	6,646	492	$ 24,184,795	(227)	($4,586,247)	6,911	$235,656,024	9.07%	$34,099
2008	6,911	317	20,853,808	(216)	(6,065,270)	7,012	250,444,562	6.28%	35,717
2009	7,012	505	22,693,682	(225)	(6,271,784)	7,292	266,866,460	6.56%	36,597
2010	7,292	486	27,459,315	(219)	(5,356,600)	7,559	288,969,175	8.28%	38,228
2011	7,559	758	37,949,896	(232)	(6,621,254)	8,085	320,297,817	10.84%	39,616
2012	8,085	657	$ 34,622,498	(225)	($7,351,271)	8,517	$347,569,044	8.51%	$40,809

Solvency Test

(Dollar Amounts in Thousands)

Valuation Date	Aggregate Accrued Liabilities (AAL) for:			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1 Active Member Contributions	2 Retirants and Beneficiaries	3 Active Members Employer Portion		1	2	3
12/31/07	$ 446,284	$ 3,070,770	$ 2,063,994	$ 5,016,137	100%	100%	73%
12/31/08	554,267	3,239,593	2,178,611	5,282,505	100%	100%	68%
12/31/09	598,973	3,523,414	2,192,400	5,290,114	100%	100%	53%
12/31/10	645,975	3,811,751	2,196,311	5,341,822	100%	100%	40%
12/31/11	637,614	4,268,202	2,009,496	5,426,719	100%	100%	26%
12/31/12	$ 653,236	$ 4,990,760	$ 2,117,320	$ 5,482,257	100%	97%	0%

Actuarial Analysis of Financial Experience

For Years Ended December 31

(Dollar Amounts In Thousands)

Type of Activity	2012	2011	2010	2009	2008	2007
Composite Gain (or Loss) During Year	($790,465)	($176,378)	($287,542)	($334,716)	($125,054)	$268,194

Summary of Major Pension Plan Provisions

Major Provisions of the Present System
Benefit Sections 31676.11, 31676.16, 31751, 31664 and 31664.1 of the 1937 County Act and Government Code (GC) Sections 7522.02-7522.74 of the California Public Employees' Pension Reform Act of 2013 (PEPRA) Assembly Bill (AB) 340

Briefy summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through December 31, 2012, and as adopted by Contra Costa County and special district employers. For CCCERA's new tiers related to PEPRA and AB 340, GC sections have been identified.

A. GENERAL MEMBERS -

Tier 1 and Tier 3 Plans (Non-Enhanced Section 31676.11 or Enhanced Section 31676.16)

Tier 2 Plan (Section 31751)

PEPRA Tier 4 Plan (GC 7522.02-7522.74)
PEPRA Tier 5 Plan (GC 7522.02-7522.74)

Coverage

Tier 1:

a. All General Members hired before July 1, 1980, and electing not to transfer to Tier 2 Plan.
b. Reciprocal General Members hired before October 1, 2002, electing to not enter Tier 2 Plan.
c. Participating agencies who have elected Tier 1.

Tier 3:

All County General Members (except CNA employees) hired on or after October 1, 2002, are placed in Tier 3. All CNA employees hired on or after January 1, 2005, are placed in Tier 3. All Contra Costa Mosquito and Vector Control District employees hired on or after February 1, 2006 are placed in Tier 3.

All Tier 2 members for each of the agencies listed above were placed in Tier 3 as of the above respective dates.

Tier 2:

a. All General Members hired on or after July 1, 1980, and all General Members hired before August 1, 1980, electing to transfer to the Tier 2 Plan. Effective October 1, 2002, Tier 2 was eliminated for all County employees (except CNA employees); employees were placed in Tier 3.

CNA employees in Tier 2 were placed in Tier 3 as of January 1, 2005.

One special district's Tier 2 employees were placed in Tier 3 effective February 1, 2006.

PEPRA Tier 4:
All General Members hired on or after January 1, 2013 hired by specific employers who did not adopt Tier 2 are placed in Tier 4.

PEPRA Tier 5:
All General Members hired on or after January 1, 2013 who are not placed in Tier 4 are placed in Tier 5.

Final Average Salary (FAS)

Tier 1 and Tier 3 Plans:

a. One-year final average salary
Note: For members with membership dates on or after January 1, 2011, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes.

PEPRA Tier 4 and Tier 5 Plans:

a. Three-year final of pensionable compensation.
Compensation will be limited to the Social Security Wage Base.

Tier 2 Plan:

a. Three-year final average salary

Service Retirement

Tier 1 and Tier 3 Plans:

a. Requirement

Age 50 and 10 years of service, age 70 regardless of service, or 30 years of service regardless of age.

b. Non-Enhanced Benefit (Section 31676.11)

Retirement Age	Benefit Formula
50:	(1.24%xFAS-1/3x1.24%x$350)x Yrs
55:	(1.67%xFAS-1/3x1.67%x$350)x Yrs
60:	(2.18%xFAS-1/3x2.18%x$350)x Yrs
62:	(2.35%xFAS-1/3x2.35%x$350)x Yrs
65 or later:	(2.61%xFAS-1/3x2.61%x$350)x Yrs

a. Requirement

Age 50 and 10 years of service, age 70 regardless of service, or 30 years of service regardless of age.

b. Benefit

Retirement Age	Benefit Formula
50:	(0.83%xFASxYrs-0.57%xYrs*xPIA)
55:	(1.13%xFASxYrs -0.87%xYrs*xPIA)
60:	(1.43%xFASxYrs-1.37%xYrs*xPIA)
62:	(1.55%xFASxYrs-1.67%xYrs*xPIA)
65 or later:	(1.73%xFASxYrs-1.67%xYrs*xPIA)

Maximum Benefit 100% of FAS.

* Not greater than 30 years, where PIA is the Social Security Primary Insurance Amount.

c. Tier 1 and 3 Plan Enhanced Benefit (Section 31676.16)

Retirement

Age	Benefit Formula
50:	(1.43%xFAS-1/3x1.43%x $350x12)xYrs
55:	(2.00%xFAS-1/3x2.00%x $350x12)xYrs
60:	(2.26%xFAS-1/3x2.26%x $350x12)xYrs
62:	(2.37%xFAS-1/3x2.37%x $350x12)xYrs
65 or later:	(2.42%xFAS-1/3x2.42%x $350x12)xYrs**

Maximum Benefit - 100% of FAS

** Current Tier 1 and 3 members retiring at age 62½ or older will receive the higher benefits formula under 31676.11. Employees with membership dates on or after the benefit enhancement effective date will retire with benefits computed under 31676.16.

PEPRA Tier 4 and Tier 5 Plans (GC) 7522.02

a. Requirement

Age 52 with 5 years of service or age 70 regardless of service.

b. Benefit

Retirement

Age	Benefit Formula
52:	(1.00%xFAS3)x Yrs
55:	(1.30%xFAS3)x Yrs
60:	(1.80%xFAS3)x Yrs
62:	(2.00%xFAS3)x Yrs
65:	(2.30%xFAS3)x Yrs
67 or later:	(2.50%xFAS3)xYrs

Disability Retirement

Tier 1 and Tier 4:

a. Requirements
   (1) Service-connected: None
   (2) Nonservice-connected: five years of service

Tier 2, Tier 3, and Tier 5:

a. Requirements
   (1) Service-connected: None
   (2) Nonservice-connected: ten years of service
   (3) Definition of disability is more strict than in Tier 1 Plan.

b. Benefit
(1) Service-connected: 50% FAS or Service retirement benefit, if greater.
(2) Nonservice-connected: 1.5% x FAS x years of service. Future service years projected to age 65. Generally leads to1/3 FAS benefit.

b. Benefit
(1) Service-connected or nonservice-connected is 40% FAS plus 10% FAS for each minor child (maximum of three).
(2) Disability benefits are offset by other plans of the County except Workers' Compensation and Social Security.

Death Before Retirement

Non-General Tier 2:

a. No eligibility requirement:
Refund of employee contributions with interest plus one month's compensation for each year of service to a maximum of 6 months compensation (31781); 50% of Final Compensation payable to spouse if Line of Duty Death (31787);
OR

b. 5 or more years of service (10 years for Tiers 3 and 5):
Option 2 (100%) continuance of Service Retirement or Ordinary Disability benefit payable to designated benficiary.

General Tier 2:

a. Prior to eligibility to retire (less than ten years):
(1) $2,000 lump sum benefit offset by any Social Security payment Return of contributions

b. While eligible to retire (ten years or service-connected death) 60% of Service or Disability Retirement Benefit (minimum benefit is 24% of FAS) plus, for each minor child, 20% of the allowance otherwise paid to the member. Minimum family benefit is 60% of the member's allowance. Maximum family benefit is 100% of member's allowance.

Death After Retirement

Non-General Tier 2 (Section 31760.2 and 31789.12)

a. After Service Retirement or Nonservice-Connected Disability- 60% of the allowance continued to the spouse or to minor children.

OR

b. After Service-Connected Disability- 100% of the allowance continued to the spouse or minor children.

AND

c. Lump sum payment of $5,000.

General Tier 2 (Section 31751)

a. After Service or Disability Retirement 60% of allowance continued to spouse plus 10% of allowance to each minor child. Minimum benefit is 60% of allowance. Maximum benefit is 100% of allowance.

AND

b. Lump sum payment of $7,000 less any Social Security lump sum payment.

Withdrawal Benefits

May elect a refund of accumulated contributions or defer retirement until eligible.*

*Deferred Retirement Eligibility

Less than five years of service: Age 70

At least five years of service:

Tier 1, Tier 2 and Tier 3
The later of age 50 and when the member would have reached 10 years of service had the member remained a full-time employee.

Tier 4 and Tier 5
Age 52

Cost-of-Living (COL) Benefit

Tier 1, Tier 3, Tier 4 and Tier 5
Based on changes in CPI.
3% maximum change per year except for Tier 3 and PEPRA Tier 5 disability benefits which can increase 4% per year. Benefits for PEPRA Tier 4 and Tier 5 members covered under certain Memoranda of Understanding have a maximum of 2% per year.

Tier 2
Based on changes in CPI.
4% maximum change per year.

Employee's Contribution Rates

Non-Enhanced 31676.11

a. Basic: to provide for an average annuity at age 55.
b. COL: to pay for 1/2 of future COL costs.

Enhanced 31676.16

a. Basic: to provide for an average annuity at age 60 equal to 1/120 of FAS1.
b. COL: to pay for 1/2 of future COL costs.

PEPRA General Tiers 4 and 5 (GC 7522.30)

a. 50% of the total Normal Cost rate.

Employer Contribution Rates

Tier 1, Tier 3, Tier 4 and Tier 5
Enough to make up for the balance of the basic and COL contributions needed.

Transfers from the Tier 1 Plan to the Tier 2 Plan were made on an individual, voluntary, irrevocable basis. Credit was given under the Tier 2 Plan for future service only. The COL maximum is 4% only for the credit under the Tier 2 Plan. Transferred Tier 2 Plan members keep the five year requirement for nonservice-connected disability. Those who were members on or before March 7, 1973 will be exempt from paying member contributions after 30 years of service.

B. SAFETY MEMBERS Tiers A and C (31664 and 31664.1) and
PEPRA SAFETY MEMBERS Tiers D and E (7522.02-7522.74)

Coverage

Tiers A and C
a. Safety members with membership dates before January 1, 2013.
b. County Sheriff's Department Safety members hired on or after January 1, 2007, but before January 1, 2013 will be placed in Safety Tier C Enhanced.

Tiers D and E
a. Safety members with membership dates on or after January 1, 2013. County Sheriff's Department Safety members are placed in Safety Tier E.

Final Average Salary (FAS)

Tiers A and C
a. One-year final average salary.
b. Three-year FAS for Safety Tier C.
Note: For members with membership dates on or after January 1, 2011, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes.

Tiers D and E
a. Three-year final of pensionable compensation. Compensation will be limited to the Social Security Wage Base.

Service Retirement

Tiers A and C
a. Requirement
Age 50 and 10 years of service, or with 20 years of service regardless of age.
b. Non-Enhanced Benefit at Retirement (Section 31664)-(Rodeo-Hercules Fire District)

Age	Benefit Formula
50	2.00% x FAS1 x Yrs
55 or later	2.62% x FAS1 x Yrs

Maximum Benefit: 100% of Final Compensation

c. Enhanced Benefit at Retirement (Section 31664.1)-(All others)

Age	Benefit Formula
50 or later	3.00% x FAS3 x Yrs (Tier C); 3.00% x FAS1 x Yrs (Tier A)

Maximum Benefit: 100% of Final Compensation

PEPRA Tiers D and E (GC7522.25)

a. Requirement

Age 50 with 5 years of service or age 70 regardless of service.

b. Benefit at Retirement

Age	Benefit Formula
50	2.00% x FAS3 x Yrs
55	2.50% x FAS3x Yrs
57 or later	2.70% x FAS3 x Yrs

Maximum Benefit: None

Disability Retirement

Tiers A,C,D, and E

a. Requirements
   (1) Service-connected: None
   (2) Nonservice-connected: five years of service

b. Benefit
   (1) Service-connected: 50% Final Compensation or Service Retirement benefit if greater.
   (2) Nonservice-connected: 1.8% x FAS x Yrs of service. Future service years projected to age 55. Generally leads to 1/3 Final Compensation benefit.

Death Before Retirement

Tiers A,C,D, and E

a. Prior to retirement eligibility (less than 5 years)
   (1) One month's salary for each year of service.
   (2) Return of contributions.

b. While eligible to retire (after five years)
   60% of Service or Disability Retirement Benefit.
   Generally the benefit is 20% of FAS.

Death After Retirement

Tiers A,C, D, and E

a. After Service Retirement or Nonservice-Connected Disability -
   60% of the allowance continued to the spouse or to minor children
   OR

b. After Service-Connected Disability -
   100% of the allowance continued to the spouse or to minor children
   AND

c. Lump sum payment of $5,000.

Withdrawal Benefits

May elect a refund of accumulated contributions or defer retirement until eligible.*

*Deferred Retirement Eligibility

Less than five years of service: Age 70

At least five years of service:

Tier A and Tier C	Tier D and Tier E
The later of age 50 and when the member would have reached 10 years of service had the member remained a full-time employee.	Age 50

Cost-of-Living (COL) Benefit

a. Based on change in CPI; 3% maximum change per year for Safety Tier A and Tier D.
b. Based on change in CPI; 2% maximum change per year for Safety Tier C and Tier E.

Employees' Safety Tier A Non-Enhanced (Section 31664) Contribution Rates

a. Basic - to provide for an average annuity at age 50.
b. COL - to pay for 1/2 of future COL costs.

Employees' Safety Tier A and Tier C Enhanced (Section 31664.1) Contribution Rates

a. Basic - to provide for an average annuity at age 50 equal to 1/100 of FAS1 (Tier A).
Basic - to provide for an average annuity at age 50 equal to 1/100 of FAS3 (Tier C).
b. COL - to provide for 1/2 of future COL costs.

PEPRA Safety Tiers D and E (GC 7522.30) Contribution Rates

a. 50% of the total Normal Cost rate.

Employer Contribution Rate

Enough to make up the balance of the basic and COL contributions needed.

Other Information

Safety members under the enhanced benefit formula with membership dates on or before January 1, 2013, will be exempt from paying member contributions after 30 years of service.

Statistical Section

Summary of Statistical Data

The objective of the Statistical Section is to provide users with additional detailed information in order to promote a more comprehensive understanding of CCCERA's financial statements, note disclosures, and supplementary information. In addition, the multi-year trend information for the financial and operating segments of CCCERA provided in this section is intended to facilitate understanding of how the financial activities and positions have changed over time. The information is presented in two major categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how CCCERA's financial activities and positions have changed over time. The Changes in Plan Net Position for Years 2004-2013 presents additions by source, deductions by type, and the total change in net position for each year. The Schedule of Benefit Expenses by Type for the Last Ten Years presents benefit deductions by type of benefit, such as by Service Retirement and Disability Retirement, as well as by General and Safety benefits.

Operating Information is intended to provide contextual information about CCCERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate CCCERA's fiscal condition. This section includes the Schedule of Retired Members by Type of Benefit, which presents information for the current year. The Schedule of Average Benefit Payment Amounts for the Last Ten Years shows the average monthly benefit, and number of retirees and beneficiaries, organized by five-year increments. Participating Employers and Active Members for Years 2004-2013 presents the employers and number of their corresponding covered employees.

Changes in Plan Net Position For Years 2004 - 2013

(Dollars in Thousands)

Additions	2013	2012	2011	2010	2009
Employer Pension Obligation Bond Proceeds	$ -	$ -	$ -	$ -	$ -
Employer Contributions	235,017	212,321	200,389	183,951	195,614
Employee Contributions	72,373	73,362	61,575	64,330	66,536
Net Investment Income (Loss)	884,870	680,538	100,363	605,672	748,861
Security Lending Income	1,148	1,535	951	1,097	2,436
Total Additions	**$ 1,193,408**	**$ 967,756**	**$ 363,278**	**$ 855,050**	**$ 1,013,447**
Deductions					
Pension Benefits	$ 369,809	$ 347,569	$ 320,297	$ 288,969	$ 266,866
Refunds	3,844	3,276	3,909	2,647	4,628
Administrative Expense	6,776	6,030	6,290	5,283	7,359
Other Expenses	9,242	8,590	7,649	7,723	7,563
Total Deductions	**$ 389,671**	**$ 365,465**	**$ 338,145**	**$ 304,622**	**$ 286,416**
Change in Plan Net Position	**$ 803,737**	**$ 602,291**	**$ 25,133**	**$ 550,428**	**$ 727,031**

Additions	2008	2007	2006	2005	2004
Employer Pension Obligation Bond Proceeds	$ -	$ -	$ 11,693	$ 153,135	$ -
Employer Contributions	206,519	196,930	179,755	147,165	118,246
Employee Contributions	76,452	75,591	73,469	73,475	65,297
Net Investment Income (Loss)	(1,467,872)	306,459	614,913	341,877	415,669
Security Lending Income	3,392	1,208	658	506	344
Total Additions	**$(1,181,509)**	**$ 580,188**	**$ 880,488**	**$ 716,158**	**$ 599,556**
Deductions					
Pension Benefits	$ 250,445	$ 235,656	$ 216,057	$ 196,106	$ 178,979
Refunds	3,730	3,113	3,232	2,075	910
Administrative Expense	5,601	5,942	4,860	4,896	4,089
Other Expenses	8,133	7,370	7,052	6,440	5,776
Membership Withdrawal	-	-	-	3,535	4,681
Total Deductions	**$ 267,909**	**$ 252,081**	**$ 231,201**	**$ 213,052**	**$ 194,435**
Change in Plan Net Position	**$ (1,449,418)**	**$ 328,107**	**$ 649,287**	**$ 503,106**	**$ 405,121**

Schedule of Benefit Expenses by Type

Annual Benefit Amounts
as of December 31 of Each Year (Dollars in Thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Service Retirement										
Payroll:										
General	$ 179,079	$ 163,514	$ 144,304	$ 131,646	$ 121,929	$ 113,955	$ 104,164	$ 94,018	$ 83,343	$ 83,082
Safety	96,403	87,198	78,221	70,782	66,953	62,705	56,215	49,532	44,668	42,525
Total	275,482	250,712	222,525	202,428	188,882	176,660	160,379	143,550	128,011	125,607
Disability Retirement										
Payroll:										
General	12,049	11,974	12,013	12,134	12,072	11,899	11,910	11,608	11,855	11,718
Safety	29,725	28,341	27,349	26,708	24,845	23,529	21,283	19,867	18,737	17,850
Total	41,774	40,315	39,362	38,842	36,917	35,428	33,193	31,475	30,592	29,568
Beneficiary										
Payroll:										
General	18,011	17,825	16,727	16,144	16,030	15,312	14,449	13,850	13,399	12,795
Safety	12,302	11,445	10,355	9,452	8,616	8,256	8,036	7,231	6,977	6,587
Total	30,313	29,270	27,082	25,596	24,646	23,568	22,485	21,081	20,376	19,382
Total Benefit										
Expense:										
General	209,139	193,313	173,044	159,924	150,031	141,166	130,523	119,476	108,597	107,595
Safety	138,430	126,984	115,925	106,942	100,414	94,490	85,534	76,630	70,382	66,962
Total	**$ 347,569**	**$ 320,297**	**$ 288,969**	**$ 266,866**	**$ 250,445**	**$ 235,656**	**$ 216,057**	**$ 196,106**	**$ 178,979**	**$ 174,557**

Schedule of Retired Members by Type of Benefit

SUMMARY OF MONTHLY ALLOWANCES BEING PAID AS OF DECEMBER 31, 2012

Amount of Monthly Benefit General Members	Number of Retirees & Beneficiaries	Service	Disability	Beneficiary
$0 to $999	1,569	1,219	8	342
$1,000 to $1,999	1,613	1,191	165	257
$2,000 to $2,999	1,168	857	160	151
$3,000 to $3,999	755	622	73	60
$4,000 to $4,999	461	397	18	46
$5,000 to $5,999	310	289	5	16
$6,000 to $6,999	229	219	2	8
$7,000 to $7,999	141	137	0	4
$8,000 to $8,999	94	92	0	2
$9,000 to $9,999	64	62	0	2
$10,000 & Over	123	123	0	0
TOTALS	**6,527**	**5,208**	**431**	**888**

Safety Members	Number of Retirees & Beneficiaries	Service	Disability	Beneficiary
$0 to $999	101	52	7	42
$1,000 to $1,999	120	48	10	62
$2,000 to $2,999	165	54	50	61
$3,000 to $3,999	343	101	162	80
$4,000 to $4,999	232	103	89	40
$5,000 to $5,999	157	110	28	19
$6,000 to $6,999	148	114	28	6
$7,000 to $7,999	166	136	24	6
$8,000 to $8,999	150	110	33	7
$9,000 to $9,999	119	95	22	2
$10,000 & Over	289	244	39	6
TOTALS	**1,990**	**1,167**	**492**	**331**

Schedule of Average Benefit Payment Amounts

Estimates Based on Years of Credited Service

Years of Credited Service

Retirement Effective Date	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30+	Totals
1/1/2012 - 12/31/2012								
Average monthly benefit	$1953	$1160	$2096	$3690	$4897	$5991	$6272	$3871
Average Final Average Salary	$10284	$5938	$6949	$8901	$9206	$9710	$8780	$8344
Number of retired members	19	70	126	77	149	81	58	580
1/1/2011 - 12/31/2011								
Average monthly benefit	$436	$1334	$1853	$2663	$4325	$6315	$6829	$4091
Average Final Average Salary	$7653	$5871	$6543	$7091	$8476	$9629	$9410	$8044
Number of retired members	12	77	102	86	156	114	116	663
1/1/2010 - 12/31/2010								
Average monthly benefit	$ 559	$1148	$1781	$3019	$4619	$6126	$6837	$4018
Average Final Average Salary	$8826	$6015	$6670	$7280	$9422	$9473	$9099	$8081
Number of retired members	9	55	73	56	57	69	81	400
1/1/2009 - 12/31/2009								
Average monthly benefit	$1039	$1368	$1844	$2697	$4532	$6595	$7046	$3810
Average Final Average Salary*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members	17	67	70	73	78	62	62	429
1/1/2008 - 12/31/2008								
Average monthly benefit	$1499	$1454	$2108	$3334	$4426	$5971	$7145	$3738
Average Final Average Salary*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members	15	45	38	51	43	42	28	262
1/1/2007 - 12/31/2007								
Average monthly benefit	$ 862	$1044	$1685	$2350	$3044	$6010	$7608	$3287
Average Final Average Salary*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members	21	65	71	79	64	66	51	417
1/1/2006 - 12/31/2006								
Average monthly benefit	$ 624	$1066	$1170	$2365	$3981	$5511	$6864	$3684
Average Final Average Salary*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members	16	24	50	53	44	48	65	300
1/1/2005 - 12/31/2005								
Average monthly benefit	$ 722	$1143	$1394	$2095	$3611	$5910	$5834	$3418
Average Final Average Salary*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members	23	38	82	83	59	62	107	454
1/1/2004 - 12/31/2004								
Average monthly benefit	$ 738	$1089	$1302	$2406	$3065	$5486	$6105	$3431
Average Final Average Salary*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members	12	27	40	39	38	40	57	253
1/1/2003 - 12/31/2003								
Average monthly benefit	$ 638	$1306	$1468	$1978	$3538	$5110	$6232	$3639
Average Final Average Salary*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of retired members	21	41	76	53	52	86	112	441

*Average Final Average Salary is not available on a historical basis due to system constraints. It is presented starting with the data for 2010 and subsequent years.

Schedule of Average Benefit Payment Amounts

Estimates Based on Annualized Benefit Amounts at December 31 of Each Year

Years Since Retirement

Tier 1	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2012 Average Monthly Benefit	$4697	$4202	$3693	$2854	$2618	$2055	$1986	$1773	$1490
Number Retirees & Beneficiaries	535	631	594	510	514	434	324	141	40
2011 Average Monthly Benefit	$4522	$4107	$3419	$2824	$2415	$1936	$1923	$1721	$1483
Number Retirees & Beneficiaries	524	633	621	550	486	440	328	124	32
2010 Average Monthly Benefit	$4261	$3933	$3238	$2744	$2336	$1764	$1900	$1531	$1477
Number Retirees & Beneficiaries	501	658	594	548	506	467	314	107	24
2009 Average Monthly Benefit	$3997	$3747	$3003	$2628	$2133	$1748	$1843	$1466	$1402
Number Retirees & Beneficiaries	530	633	580	550	535	461	293	94	26
2008 Average Monthly Benefit	$4135	$3506	$2897	$2490	$2057	$1773	$1830	$1388	$1509
Number Retirees & Beneficiaries	546	632	560	578	564	478	264	79	23
2007 Average Monthly Benefit	$3905	$3326	$2611	$2314	$1874	$1836	$1670	$1295	$1324
Number Retirees & Beneficiaries	632	631	537	607	578	478	241	59	18
2006 Average Monthly Benefit	$3856	$3139	$2575	$2164	$1783	$1660	$1604	$1138	$1376
Number Retirees & Beneficiaries	617	649	584	584	607	480	223	54	14
2005 Average Monthly Benefit	$3679	$2903	$2453	$2077	$1643	$1641	$1496	$1209	$1550
Number Retirees & Beneficiaries	659	619	587	594	628	467	194	48	19
2004 Average Monthly Benefit	$3399	$2698	$2304	$1831	$1563	$1585	$1360	$1092	$ 875
Number Retirees & Beneficiaries	639	609	604	638	621	450	182	45	10
2003 Average Monthly Benefit	$3245	$2553	$2224	$1764	$1548	$1561	$1299	$1152	$ 865
Number Retirees & Beneficiaries	675	583	629	669	620	390	154	35	11

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.

Schedule of Average Benefit Payment Amounts

Estimates Based on Annualized Benefit Amounts at December 31 of Each Year

Years Since Retirement

Tier 2	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40+**
2012 Average Monthly Benefit	$602	$613	$943	$1016	$1082	$951	$517		
Number Retirees & Beneficiaries	58	78	161	186	75	11	2		
2011 Average Monthly Benefit	$600	$651	$1023	$890	$1091	$923	$661		
Number Retirees & Beneficiaries	67	80	209	158	51	9	1		
2010 Average Monthly Benefit	$653	$721	$1039	$821	$1290	$662			
Number Retirees & Beneficiaries	71	109	215	143	30	8			
2009 Average Monthly Benefit	$611	$713	$1045	$ 802	$1153	$ 703			
Number Retirees & Beneficiaries	74	126	232	114	27	6			
2008 Average Monthly Benefit	$835	$886	$ 995	$1065	$ 913	$ 617			
Number Retirees & Beneficiaries	82	144	232	101	17	4			
2007 Average Monthly Benefit	$751	$887	$ 967	$1014	$ 906	$ 468			
Number Retirees & Beneficiaries	89	176	210	83	13	2			
2006 Average Monthly Benefit	$731	$956	$ 849	$ 895	$ 829	$ 592			
Number Retirees & Beneficiaries	89	225	176	58	12	1			
2005 Average Monthly Benefit	$749	$978	$ 778	$ 986	$ 726	$ 768			
Number Retirees & Beneficiaries	120	232	155	33	12	8			
2004 Average Monthly Benefit	$840	$676	$ 948	$ 738	$1076	$1009			
Number Retirees & Beneficiaries	540	122	257	128	25	6			
2003 Average Monthly Benefit	$857	$814	$ 887	$ 855	$ 778				
Number Retirees & Beneficiaries	530	155	242	109	18				

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.

Schedule of Average Benefit Payment Amounts

Estimates Based on Annualized Benefit Amounts at December 31 of Each Year

Years Since Retirement

Tier 3	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2012 Average Monthly Benefit	$2798	$2210	$1397	$680	$1563				
Number Retirees & Beneficiaries	1286	724	220	1	2				
2011 Average Monthly Benefit	$2672	$2020	$1291	$ 660	$1518				
Number Retirees & Beneficiaries	1102	626	164	1	2				
2010 Average Monthly Benefit	$2443	$1849	$1267	$1698	$1156				
Number Retirees & Beneficiaries	886	518	90	2	2				
2009 Average Monthly Benefit	$2347	$1651	$1465	$1213	$1183	$1965			
Number Retirees & Beneficiaries	852	398	54	6	3	1			
2008 Average Monthly Benefit	$2237	$1441	$1154	$1479	$1035				
Number Retirees & Beneficiaries	768	324	2	3	1				
2007 Average Monthly Benefit	$2020	$1327	$1115	$1287					
Number Retirees & Beneficiaries	752	224	2	3					
2006 Average Monthly Benefit	$1831	$1211							
Number Retirees & Beneficiaries	600	177							
2005 Average Monthly Benefit	$1667	$1170							
Number Retirees & Beneficiaries	538	97							
2004 Average Monthly Benefit	$1438	$1126							
Number Retirees & Beneficiaries	396	46							
2003 Average Monthly Benefit	$1304								
Number Retirees & Beneficiaries	346								

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.

Schedule of Average Benefit Payment Amounts

Estimates Based on Annualized Benefit Amounts at December 31 of Each Year

Years Since Retirement

Safety	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2012 Average Monthly Benefit	$6946	$7113	$6165	$5023	$4738	$3951	$4108	$3599	$3272
Number Retirees & Beneficiaries	487	471	364	205	158	125	91	61	28
2011 Average Monthly Benefit	$6763	$7040	$5513	$4892	$4409	$3909	$3880	$3711	$2940
Number Retirees & Beneficiaries	437	486	304	215	142	125	87	55	26
2010 Average Monthly Benefit	$6791	$6521	$5452	$4623	$4380	$3637	$3891	$3555	$2818
Number Retirees & Beneficiaries	406	453	287	223	133	107	86	50	21
2009 Average Monthly Benefit	$6620	$6093	$5110	$4706	$3929	$3756	$3780	$3178	$2619
Number Retirees & Beneficiaries	426	406	268	222	126	98	88	41	21
2008 Average Monthly Benefit	$6644	$6126	$4800	$4813	$3884	$3903	$3810	$2926	$2453
Number Retirees & Beneficiaries	409	406	236	202	128	101	83	30	16
2007 Average Monthly Benefit	$6517	$5758	$4573	$4438	$3625	$3909	$3397	$2830	$2420
Number Retirees & Beneficiaries	465	362	229	168	128	107	76	22	19
2006 Average Monthly Benefit	$6475	$5143	$4442	$4039	$3451	$3771	$3379	$2508	$2135
Number Retirees & Beneficiaries	467	301	244	150	132	105	62	25	10
2005 Average Monthly Benefit	$5984	$5042	$4171	$3911	$3339	$3684	$3160	$3053	$1635
Number Retirees & Beneficiaries	455	289	243	140	115	103	61	20	9
2004 Average Monthly Benefit	$5550	$4598	$4182	$3298	$3278	$3520	$2731	$2299	$1459
Number Retirees & Beneficiaries	406	272	237	135	135	106	5	18	7
2003 Average Monthly Benefit	$5477	$4214	$4153	$3345	$3381	$3478	$2540	$2044	$1679
Number Retirees & Beneficiaries	431	241	215	133	109	100	42	17	5

NOTE: Average Final Average Salary is not available on a historical basis due to system constraints for these schedules.

Participating Employers and Active Members For Years 2004-2013

	2013	% of Totals	2012	2011	2010	2009	2008	2007	2006	2005	2004
County of Contra Costa:											
General Members	6,784	74.36%	6,357	6,280	6,403	6,429	6,802	6,871	6,668	6,699	7,082
Safety Members	951	10.42%	912	888	935	956	1,020	1,023	1,025	1,027	1,089
TOTAL:	7,735	84.78%	7,269	7,168	7,338	7,385	7,822	7,894	7,693	7,726	8,171
Participating Agencies:											
Bethel Island Municipal Improvement District	2	0.02%	2	2	3	3	3	3	5	4	3
Byron, Brentwood, Knightsen Union Cemetery District	5	0.06%	5	5	4	3	3	5	5	5	4
Central Contra Costa Sanitary District	260	2.85%	255	248	252	266	266	257	258	249	253
Contra Costa County Employees' Retirement Association	44	0.48%	38	36	37	37	37	35	35	35	34
Contra Costa Housing Authority	83	0.91%	83	91	92	91	90	92	97	98	109
Contra Costa Mosquito and Vector Control District	34	0.37%	33	35	35	35	37	35	35	31	28
Delta Diablo Sanitation District*	-	-	-	-	-	-	-	-	-	-	-
Diablo Water District*	-	-	-	-	-	-	-	-	-	-	13
Local Agency Formation Commission (LAFCO)	2	0.02%	2	2	2	2	2	1	1	1	1
Ironhouse Sanitary District*	-	-	-	-	-	-	-	-	-	-	28
Rodeo Sanitary District	7	0.08%	6	8	7	8	8	7	7	7	7
In-Home Supportive Services Authority (IHSS)	12	0.13%	12	12	12	12	13	16	15	12	11
First 5 - Children & Families Commission	21	0.23%	20	22	24	22	16	14	14	13	10
Contra Costa County Fire Protection District	286	3.13%	299	331	321	349	354	344	354	361	373
East Contra Costa Fire Protection District	49	0.54%	38	48	49	50	50	52	55	55	55
Moraga-Orinda Fire District	70	0.77%	62	65	73	73	71	71	66	73	69
Rodeo-Hercules Fire Protection District	15	0.16%	14	17	21	21	21	21	21	21	21
Superior Court**	344	3.77%	342	357	360	405	407	395	370	342	-
San Ramon Valley Fire District	15	1.70%	160	182	181	180	185	179	179	172	168
TOTAL:	1,389	15.22%	1,371	1,461	1,473	1,557	1,563	1,527	1,517	1,479	1,187
TOTAL ACTIVE MEMBERSHIP	9,124	100.00%	8,640	8,629	8,811	8,942	9,385	9,421	9,210	9,205	9,358

* Districts that terminated their membership with CCCERA
** Superior Courts were part of the County prior to January 1, 2005

Illustration Notes and Credits

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The verdant hills and valleys of Contra Costa were the real gold that forward-thinking investors mined. The John Marsh House (*upper right*) was built in 1856. The sandstone house located in Brentwood is currently undergoing restoration, thanks to a heritage trust. Rancho Bella Vista (*center left*) was located on the crest of the hills overlooking Martinez. The Frog Farm, (*lower right*) was located in Stege, near modern day Richmond. Richard Stege was a "restaurant man" from San Francisco. At his ranch, he raised California red legged and American bullfrogs for market. The ranch boasted large lawns flanked by flowers and specimen trees, and four frog ponds, each encompassing 4 acres.

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Beyond "solo driver" horse and/or buggy, Contra Costa County (the *"Gateway to the Gold Fields"*) had a host of public transportation options, including a horse-powered ferry across the Carquinez Straits (*lower right*), whch was replaced later with the largest paddlewheel ferry in the world, the *Contra Costa*, and her sister ship, the *Solano*. The California and the Diablo Stage Companies routinely traversed the region. Later these stage lines operated as "shuttles" to the numerous railway stations built in the 1880s throughout the county. During its brief history, the Pony Express made routine stops in Lafayette and Orinda. The first Pony Express rider rode the ferry from Benicia to Martinez in the express' inaugural run from Sacramento to San Francisco.

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Parts of Contra Costa County developed into vacation and lesisure destinations for city dwellers. (A few early summer homes and cottages remain in the wooded glens of Marsh Creek Road and Reliez Valley.) The Byron Hot Springs Hotel, seen in this postcard, was first built in 1863. Advertised as "America's Greatest Spa," the hotel was popular with celebrities and statesmen. At the Bella Vista Ranch in Martinez, ladies rode side-saddle to picnics and afternoon visiting. The Mountain House (*below left*) was a 16 room hotel a mile below the Mt. Diablo summit. The Diablo Stagecoach line took visitors from Martinez up what is now Green Valley Road to stay and explore the mountain. The summit was also popular as a star-gazing site.

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(*upper left*) No one really knows whether Joaquin Murrieta was a living bandit or a "Robin Hood" legend. Tales are still told of his daring adventures and secret hideouts nestled in the willows at the base of Mt. Diablo. (*center*) Family portraits were valuable keepsakes among early settlers. Plumed hats and backdrops painted with exotic locales were desirable props. (*lower right*) The earliest Contra Costans were members of the Miwok Indian Tribe. Several "tribelets," including the Saklans, the Costanoans, and the Ohlones ranged across the temperate landscape. By the late 1880s, virtually all native Contra Costans had been absorbed into the general population.

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