

*Contra Costa County
Employees' Retirement Association*

NOTE: Graphics Removed for
PDF formatting

Comprehensive Annual Financial Report

for the year ended December 31, 2004

A Component Unit of the
County of Contra Costa, California

Comprehensive Annual Financial Report

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PDF formatting

for the year ended December 31, 2004

Issued By:

Marilyn Leedom, CEBS

Retirement Administrator

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Accounting Manager

***Contra Costa County Employees' Retirement Association
A Component Unit of the County of Contra Costa, California
1355 Willow Way, Suite 221
Concord, California 94520***

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Introductory Section





Letter of Transmittal

April 15, 2004

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, 2004, our 59th 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 on July 1, 1945, and administered by the Board of Retirement (Board) to provide service retirement, disability, death and survivor benefits for County employees and 17 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** describes the system'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, The Segal Company, 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 Contra Costa County. Currently, Contra Costa County and 17 other participating agencies are members of CCCERA. The participating agencies include:

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

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
Office of Education
Stege Sanitary District

CCCERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the regulations, procedures and policies adopted by CCCERA's Board.

The Contra Costa County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of CCCERA members.

The 11 member Board is responsible for the general management of CCCERA. Of the eleven members, two are alternates, one for safety and one for retirees. Four Board members are appointed by the Contra Costa County Board of Supervisors. 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

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made.

An overview of CCCERA's fiscal operations for the year ended December 31, 2004, is presented in the Management's Discussion and Analysis (MD&A), located in the financial section of the CAFR. This transmittal letter, together with the MD&A, provides an expanded view of the activities of CCCERA.

Brown Armstrong CPAs, CCCERA's independent auditor, has audited the accompanying financial statements. Management believes an adequate system of internal control is in place and the accompanying statements, schedules and tables are fairly presented and free from material misstatement.

ACTUARIAL FUNDING STATUS

CCCERA's funding objective is to meet long-term benefit promises by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to provisions in the County Employees Retirement Law of 1937, CCCERA engages an independent actuarial firm to perform an actuarial valuation of the system annually. Economic assumptions are reviewed annually. Additionally, every 3 years, a triennial experience study of the members of CCCERA is completed. The non-economic assumptions are updated at the time each triennial experience study is performed. The most recent triennial experience study, which was completed by The Segal Company, was performed as of December 31, 2003. The Segal Company's actuarial valuation as of December 31, 2003, determined the funding status (the ratio of system assets to system liabilities) to be 85.5%, 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, custodian 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 market value basis, the total net assets held in trust increased from \$3.3 billion at December 31, 2003, to \$3.7 billion at December 31, 2004. For the year ended December 31, 2004, CCCERA's investment portfolio returned 13.4%, before investment management fees, reflecting market conditions throughout the year. The Association's annualized rate of return was 8.2% over the last three years and 4.9% over the last five years, net 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 Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2003. 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 Comprehensive Annual Financial Report, the contents of which meet or exceed program standards. The CAFR must satisfy both generally accepted accounting principles 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 for 2004. 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

Personnel - In October 2004, CCCERA hired its first Chief Investment Officer (CIO) to oversee the management of \$3.7 billion in trust assets. This position enables CCCERA to increase the number of on-site meetings with existing managers, plus add more in-depth internal analysis of fund performance and tracking. The CIO is the primary liaison with all investment managers and the retained investment consultant. Risk analysis, strategic planning and investment policy development are key facets of the CIO classification.

Imaging - CCCERA continues to image files for electronic storage of documents and historical records, facilitating efficient recovery of documents by staff. The imaging system is an integral part of the disaster recovery program. In 2004, all CRT monitors were replaced with LCD flat panels to improve viewing of imaged files.

Website Update - CCCERA's website provides current agendas and minutes for Board Meetings, plus postings since 2002. All CAFRs, downloadable brochures, newsletters, and forms are available on the web site, with future content in development. Site planning includes an interactive benefits calculator, revised employee handbooks, secure PIN member database access, and feature articles on timely issues important to our members. The website is considered an important element of improved service delivery as the proposed benefit system software project takes shape.

Group Counseling - Due to budget constraints, Contra Costa County closed the existing Training Institute, which previously hosted pre-retirement benefit seminars presented by CCCERA staff. CCCERA is exploring the feasibility of hosting pre-retirement sessions in addition to Group Counseling. This project requires interdepartmental planning and funding. CCCERA's successful in-house Group Counseling program increased from 12 to 18 sessions in 2004, due to member demand. In addition to these sessions, CCCERA staff make presentations off-site to Special District employee groups who request the service.

ACKNOWLEDGEMENT

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 of Retirement, the consultants and staff for their commitment to the Association and for their diligent work to assure the continued successful operation of CCCERA.

Respectfully submitted,

A handwritten signature in cursive script that reads "Marilyn Leedom".

Marilyn Leedom, CEBS
Retirement Administrator

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Members of The Retirement Board

AS OF DECEMBER 31, 2004

| TRUSTEES | TERM EXPIRES | APPOINTED/ ELECTED BY |
|---|---------------------|----------------------------------|
| Bob Rey, Chairperson | June 30, 2005 | Safety Members |
| Clifton A. Wedington, CFP Vice-Chairperson | June 30, 2005 | Board of Supervisors |
| Brian Hast, Secretary | June 30, 2007 | General Members |
| Richard Cabral | June 30, 2005 | General Members |
| John Gioia | June 30, 2005 | Board of Supervisors |
| Paul Katz | June 30, 2005 | Board of Supervisors |
| William J. Pollacek, County Treasurer | | Permanent by Office |
| Jerry Telles | June 30, 2007 | Retirees |
| Maria Theresa Viramontes | June 30, 2007 | Board of Supervisors |
| Louis Kroll (alternate) | June 30, 2005 | Safety Members |
| Sharon Naramore (alternate) | June 30, 2007 | Retirees |

List of Professional Consultants

AS OF DECEMBER 31, 2004

ACTUARY

The Segal Company

BENEFIT STATEMENT CONSULTANT

The Segal Company

DATA PROCESSING

Contra Costa County Department of Information Technology

AUDITOR

Brown Armstrong CPAs

LEGAL COUNSEL

County Counsel of Contra Costa County
Steefel, Levitt & Weiss

INVESTMENT CONSULTANT

Milliman, USA

MASTER CUSTODIAN

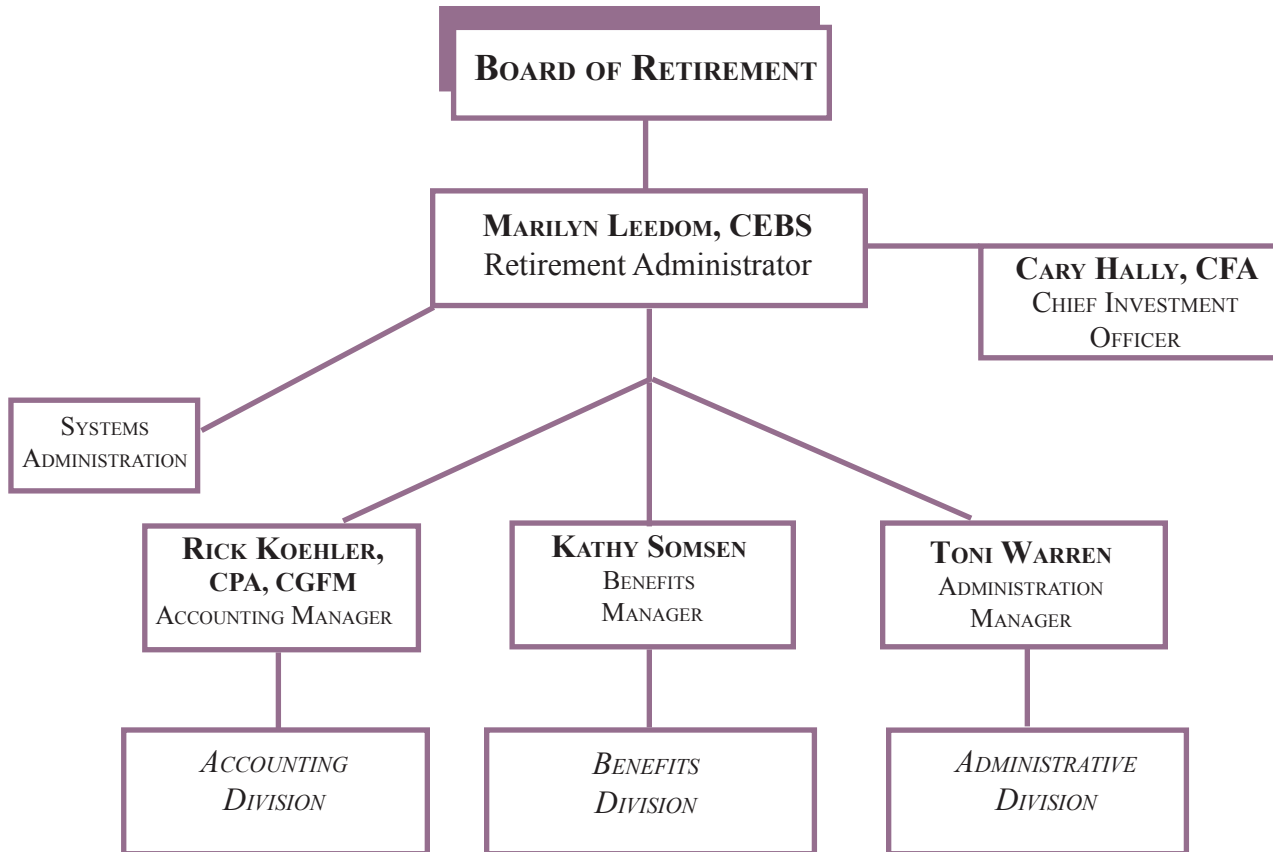
State Street Bank & Trust

PROXY GUIDELINE VOTING AGENT SERVICE

Institutional Shareholder Services

Note: List of Investment Managers is located on page 56 of the Investment Section of this report.

Administrative Organization Chart



GFOA Certificate of Achievement Award

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, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey L. Esser

Executive Director



Public Pension Coordinating Council
Public Pension Standards
2004 Award

Presented to

Contra Costa County Employees' Retirement System

In recognition of meeting professional standards for
plan design 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 of Teacher Retirement (NCTR)

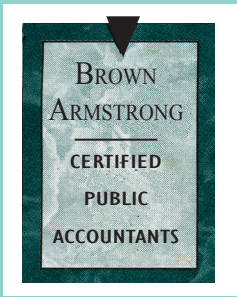
A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator



Financial Section





**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER**
Certified Public Accountants

Main Office

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Bakersfield, California 93309
Tel 661-324-4971 Fax 661-324-4997
e-mail: barrinfo@barrcpa.com

Shafter Office

560 Central Avenue
Shafter, California 93263
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Peter C. Brown, CPA
Burton H. Armstrong, CPA, MST
Andrew J. Paulden, CPA
Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA
Chris M. Thornburgh, CPA

Eric H. Xin, CPA, MBA
Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Melinda McDaniels, CPA
Thomas M. Young, CPA
Rosalva Flores, CPA
Connie M. Perez, CPA
Sharon Jones, CPA, MST
Diana Branthoover, CPA
Matthew Gilligan, CPA
Dominic Brown, CPA
Ryan Johnson, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of plan net assets of the Contra Costa County Employees' Retirement Association (CCCERA), a component unit of the County of Contra Costa, California, as of December 31, 2004, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of CCCERA's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of CCCERA as of December 31, 2004, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the schedules designated as required supplementary information in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

MEMBER of SEC Practice Section of the American Institute of Certified Public Accountants

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information designated as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the investment, actuarial and statistical sections in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2005, on our consideration of CCCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
April 1, 2005

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of Contra Costa County Employees' Retirement Association (CCCERA) for the year ended December 31, 2004. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our Letter of Transmittal, as well as the Financial Statements.

FINANCIAL HIGHLIGHTS

- ‡ The net assets of CCCERA at the close of the calendar year total \$3.7 billion (net assets held in trust for pension benefits), an increase of \$405.1 million, or 12.2% from the prior year, primarily as a result of market gains.
- ‡ Total Additions as reflected in the Statement of Changes in Plan Net assets, for the year were \$599.5 million, which includes employee and employer contributions of \$183.5 million and an investment gain of \$415.7 million and net securities lending income of \$344,000.
- ‡ Employer contributions decreased from \$427.8 million in 2003 to \$118.2 million in 2004 primarily because Contra Costa County contributed \$319.1 million on May 1, 2003 from the issuance of pension obligation bonds. Contribution rate increases attributed to a reduced interest assumption, from 8.35% to 8.0%, also took effect in July 2004. Also included in the 2004 amount is \$2.8 million paid by County departments as a result of employees converting prior Tier 2 service to Tier 3 service.
- ‡ Employee contributions increased from \$51.6 million to \$65.3 million over the same period primarily as the result of the reduction of the interest rate assumption from 8.35% to 8.0%.
- ‡ An addition to the Employer Reserves in the amount of \$34.2 million was recorded in 2003 for the final Paulson Cost as a result of completion of that project. This is the final amount that was due from all employers (see Note 10 of the financial statements).
- ‡ Total Deductions as reflected in the Statement of Changes in Plan Net Assets increased from \$174.3 million to \$194.4 million over the prior year, or approximately 11.6%. Benefits paid to retirees and beneficiaries increased from \$163.9 million in 2003 to \$179 million in 2004. Delta Diablo Sanitation District terminated its membership with CCCERA effective June 30, 2004 and its assets were transferred to CalPERS in 2004 for their active members (See Note 11 for additional disclosure).
- ‡ CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2003, the date of our last actuarial valuation, the funded ratio for CCCERA was 85.5%. In general, this indicates that for every dollar of benefits due, we have approximately \$0.86 to cover it.

Overview of the Financial Statements

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

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

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

The Statement of Changes in Plan Net Assets, 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 and reporting guidelines as set forth by the Governmental Accounting Standard 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

Assets and Funding Ratio

As of December 31, 2004, CCCERA has \$3.7 billion in net assets, which means that total assets of \$4.5 billion exceed total liabilities of \$800 million. The net assets represent funds available for future payments. Of importance and unlike private pension funds, public pension funds are not required to disclose the future liability of obligations owed to retirees. Only current liabilities are reported on the Statement of Plan Net Assets.

As of December 31, 2004, net assets increased by 12.2% over the prior year primarily due to an increase in the fair market value of investments. Current assets and current liabilities also increased by offsetting amounts due to the recording of the security lending cash collateral.

Capital Assets

CCCERA's investment in capital assets decreased from \$359,971 to \$215,238 (net of accumulated depreciation and amortization). This investment in capital assets includes equipment, furniture and leasehold improvements. The total decrease in CCCERA's investment in capital assets for the current year was 40.2% over 2003. CCCERA is in the process of reviewing its technology infrastructure, and has purchased computer servers and equipment for its imaging project. CCCERA remains committed to the addition of a Pension Benefit System and is moving forward to issue an RFP in early 2005.

PLAN NET ASSETS

| | 2004 | 2003 | Increase/ (Decrease) Amount | Increase/ (Decrease) Percentages |
|------------------------------|------------------------|-------------------------|-----------------------------------|--|
| Current Assets | \$ 994,564,538 | \$ 955,725,327 | \$ 38,839,211 | 4.1% |
| Investments | 3,511,106,642 | 3,119,754,538 | 391,352,104 | 12.5% |
| Capital Assets | 215,238 | 359,971 | (144,733) | -40.2% |
| Total Assets | 4,505,886,418 | 4,075,839,836 | 430,046,582 | 10.6% |
| Total Liabilities | 787,270,522 | 762,344,889 | 24,925,633 | 3.3% |
| Total Plan Net Assets | \$3,718,615,896 | \$ 3,313,494,947 | \$ 405,120,949 | 12.2% |

CCCERA has annual valuations performed by its independent actuary, The Segal Company. The purpose of the valuation is to determine what future contributions by the members and employers are 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 to meet its obligations to the plan participants and beneficiaries. The current financial position results from a strong and successful investment program over the long term.

CCCERA's Activities

CHANGES IN PLAN NET ASSETS

| Additions | 2004 | 2003 | Increase/ (Decrease) Amount | Increase/ (Decrease) Percentage |
|-----------------------------|-----------------------|-------------------------|-----------------------------------|---------------------------------------|
| Employer Contributions | \$ 118,245,418 | \$ 427,822,766 | \$ (309,577,348) | -72.4% |
| Employee Contributions | 65,297,397 | 51,602,939 | 13,694,458 | 26.5% |
| Net Investment Income | 415,668,827 | 608,336,466 | (192,667,639) | -31.7% |
| Net Security Lending Income | 344,167 | 238,147 | 106,020 | 44.5% |
| Total | \$ 599,555,809 | \$ 1,088,000,318 | \$(488,444,509) | -44.9% |

Deductions

| | | | | |
|-----------------------|-----------------------|-----------------------|----------------------|--------------|
| Pension Benefits | \$ 178,979,297 | \$ 163,923,104 | \$ 15,056,193 | 9.2% |
| Refunds | 909,468 | 1,036,599 | (127,131) | -12.3% |
| Administrative | 4,089,459 | 4,292,028 | (202,569) | -4.7% |
| Other Expenses | 5,776,115 | 5,021,267 | 754,848 | 15.0% |
| Membership Withdrawal | 4,680,521 | 0 | 4,680,521 | 100.0% |
| Total | \$ 194,434,860 | \$ 174,272,998 | \$ 20,161,862 | 11.6% |

| | | | | | |
|-------------------------------------|----|----------|----------------------|------------------------|--------------|
| Final Paulson Cost (to reserves) | \$ | 0 | \$ 34,230,204 | \$ (34,230,204) | -100% |
|-------------------------------------|----|----------|----------------------|------------------------|--------------|

**Increase (Decrease)
in Net Assets Held
in Trust for Pension
Benefits**

| | | | |
|-----------------------|-----------------------|-------------------------|---------------|
| \$ 405,120,949 | \$ 947,957,524 | \$ (542,836,575) | -57.3% |
|-----------------------|-----------------------|-------------------------|---------------|

Additions to Plan Net Assets

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). Net investment income for the year ended December 31, 2004, totaled \$415.7 million. The final Paulson settlement liability of \$34.2 million was reflected as an increase in the employer reserves in 2003. This amount was the final liability owed by the employers and has been paid either by lump sum or will be paid over time per a contract executed between CCCERA and the employer. (See Note 10 for a summary of installment payments due.)

By year end, overall additions had decreased by \$488.4 million, or -44.9%, from the prior year due primarily to fewer investment gains and the one time receipt of Pension Obligation Bond proceeds from the County in 2003. The investment section of this report reviews the result of investment activity for the year ended December 31, 2004.

Deductions from Plan Net Assets

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, 2004, totaled \$194.4 million, an increase of 11.6% over December 31, 2003. The increase is attributed to the additional benefit payments for retirees as well as the growth in the number and average amount of benefits paid to retirees. In addition, Delta Diablo Sanitation District's assets of \$4.7 million were transferred out of the fund. (See Note 11 for more detail of DDSD's withdrawal.)

The Board of Retirement approves the annual budget for CCCERA. The California Government Code Section 31580.2 limits the annual administrative expense to eighteen one hundredths of one percent (0.18%) of the total assets of the retirement system. CCCERA has consistently met its administrative expense budget for the current year and prior years.

CCCERA's Fiduciary Responsibilities

CCCERA's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Economic and Market Review

The stock market has posted back-to-back yearly gains for the first time since 1999. Investors will be closely watching in 2005 whether it will be three years in a row. The initial consensus is that moderate gains are possible for 2005, but with interest rates rising, the pace of corporate profit gains slowing, the Iraq war and the threat of terrorist attacks weighing on investor's minds, it is not a certainty.

Most of 2004's gains in the market came in the weeks after October 25 as stocks staged a year-end rally. The Dow Jones Industrial Average gained 3.15% in 2004, finishing at 10783.01 after gaining 25% in 2003. This is short of the record of 11722.98 hit five years ago in January 2000, but is moving closer and within reach. The S&P 500 was up 8.99% for 2004, after being up over 26% for the previous year. The Nasdaq Composite Index, which surged 50% in 2003, cooled off some and was up 8.59% for 2004, closing at 2175.44. The Nasdaq still would have to double in value to return to the record of 5048.62 hit in March 2000.

The Fed's five increases in short-term rates in 2004, to 2.25%, were the most in 10 years and brought short-term interest rates to their highest level in more than three years. These moves by the Fed were part of an effort to bring interest rates back to more normal levels when compared with inflation. For several years, rates were cut to prevent a potential bout of deflation, or falling prices. But with solid economic growth in 2004 and a choppy job market, those fears were put to rest and bond investors gave the recovery a split decision. In 2004, yields on shorter-term notes rose but yields on longer-term bonds fell from their peaks as the bonds' prices rose. Usually in economic recoveries, bond prices fall and yields rise as investors expect to see inflation. Part of the bond investor's response may be attributed to the Fed providing advance notice of its intentions throughout 2004. Corporate bonds, mortgage bonds and agency bonds all performed well in 2004.

Investors will continue to evaluate the market effects of the economic recovery, the job markets, the Iraq war, terrorism concerns, and the President's agenda on the overhaul of Social Security, changes to the Tax Code and the Tort System in 2005. Hope abounds that 2005 will continue a year of moderate gains for the stock market.

Requests for Information

This financial report is designed to provide the Board of Retirement, membership, taxpayers, investment managers and creditors 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
1355 Willow Way, Suite 221
Concord, CA 94520-5728

Respectfully submitted,



Rick Koehler, CPA, CGFM
Retirement Accounting Manager

April 15, 2004

Statement of Plan Net Assets

AS OF DECEMBER 31, 2004

ASSETS:

| | |
|--------------------------------------|----------------|
| Cash equivalents | \$ 324,177,985 |
| Cash collateral - securities lending | 332,937,664 |
| Total cash & cash equivalents | 657,115,649 |

Receivables:

| | |
|---------------------------------|-------------|
| Contributions | 5,244,608 |
| Investment trades | 285,421,487 |
| Investment income | 12,588,142 |
| Installment contracts - Paulson | 32,353,721 |
| Other | 1,372,205 |
| Total receivables | 336,980,163 |

Investments at fair value:

| | |
|-------------------------|---------------|
| Stocks | 1,746,928,390 |
| Bonds | 1,311,420,447 |
| Real estate | 366,127,999 |
| Alternative investments | 86,629,806 |
| Total investments | 3,511,106,642 |

Other Assets:

| | |
|---|---------------|
| Prepaid expenses/deposits | 468,726 |
| Capital assets, net of accumulated depreciation of \$530,595 | 215,238 |
| Total assets | 4,505,886,418 |

LIABILITIES:

| | |
|---------------------------------|-------------|
| Investment trades | 368,779,935 |
| Security lending | 332,937,664 |
| Employer contributions unearned | 64,949,247 |
| Retirement allowance payable | 15,452,375 |
| Accounts payable | 3,705,110 |
| Unclaimed contributions | 457,387 |
| Contributions refundable | 248,169 |
| Other liabilities | 740,635 |
| Total liabilities | 787,270,522 |

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS **\$ 3,718,615,896**

(A schedule of funding progress is presented on page 42)

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

FOR THE YEAR ENDED DECEMBER 31, 2004

Additions:

| | |
|---------------------|--------------------|
| Contributions: | |
| Employer | \$ 118,245,418 |
| Employee | 65,297,397 |
| Total contributions | <u>183,542,815</u> |

Investment income:

| | |
|---|--------------------|
| Net appreciation in fair value of investments | 271,670,774 |
| Net increase in fair value of real estate | 57,987,583 |
| Interest | 61,066,377 |
| Dividends | 15,694,272 |
| Real estate income, net | 24,647,426 |
| Investment expense | (20,042,432) |
| Other Income | 4,644,827 |
| Net investment income, before securities lending income | <u>415,668,827</u> |

Securities lending income:

| | |
|---|--------------------|
| Earnings | 3,260,436 |
| Rebates | (2,675,025) |
| Fees | (241,244) |
| Net securities lending income | <u>344,167</u> |
| Net investment income | 416,012,994 |
| Total additions (contributions and net investment income) | <u>599,555,809</u> |

Deductions:

| | |
|-------------------------------------|--------------------|
| Benefits paid | 178,979,297 |
| Contribution prepayment discount | 5,496,298 |
| Administrative | 4,089,459 |
| Refunds of contributions | 909,468 |
| Other | 279,817 |
| Membership withdrawal (See Note 11) | 4,680,521 |
| Total deductions | <u>194,434,860</u> |

Net Increase 405,120,949

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS: 3,313,494,947

 Beginning of year, as previously stated

 End of year **\$3,718,615,896**

See accompanying notes to financial statements.

Notes To The Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2004

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), as amended. Members should refer to the 1937 Act 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. CCCERA operates as a cost-sharing, multiple employer defined benefit pension plan that covers substantially all of the employees of the County of Contra Costa (the County) and 17 other member agencies. CCCERA membership at December 31, 2004 is presented below.

| | |
|--|--------------------------|
| Retirees and Beneficiaries Receiving Benefits | 6,118 |
| Inactive Vested Members entitled to but not yet receiving benefits | 1,517 |
| Current Employees: | |
| Vested: | |
| General Employees | 4,878 |
| Safety Employees | 1,195 |
| Non-Vested: | |
| General Employees | 2,795 |
| Safety Employees | <u>490</u> |
| TOTAL MEMBERSHIP | <u>16,993</u> |

CCCERA, with its own governing board, is an independent governmental entity, separate and distinct from the County of Contra Costa. CCCERA is a component unit of the County and is presented in the County's basic financial statements as a pension trust fund.

Benefit Provisions

The Plan is currently divided into seven benefit sections in accordance with the 1937 Act. These sections are known as General Tier I, enhanced and non-enhanced; Tier II; Tier III enhanced and non-enhanced; Safety enhanced and non-enhanced. 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 July 1, 2002 and January 1, 2003, respectively. The enhanced benefits do not apply to bargaining units represented by the California Nurses Association or to the nonrepresented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, or to the supervisors and managers of those employees until January 1, 2005. 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, 2004, four general member special districts have adopted enhanced benefits for their employees. Previously, two Special District Fire agencies have adopted the enhanced benefits for their safety and general employees, one in 2001 and the other in 2002.

Legislation was signed by the Governor in 2002 which allowed Contra Costa 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 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 elected Tier I membership. As of December 31, 2004, Tier II includes only the employees described in the paragraph above for whom the County did not adopt the enhanced benefits and employees of one special district agency. County employees who were moved to Tier III effective October 1, 2002, 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 designated by the Retirement Board.

Benefits are administered by the Board under the provisions of the 1937 Act. Annual cost-of-living adjustments (COLA) 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. Subject to vested status, 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 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. Disability retirements may be 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 are eligible for non-service connected

disability retirement with five years of service. The definition of disability is more strict under General - Tier II than in the General - Tier I plan. The retirement benefit is based on a three-year 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 Tier II. The retirement benefit is based on a one-year average salary in accordance with Government Code Section 31462.

Safety

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 average salary in accordance with Government Code Section 31462.

Cost of Living Adjustments (COLA)

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 three percent for Tier I, Tier III and Safety members, and four percent for Tier II 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 indefinitely as a result of the passing of AB2766, which amends Section 31629.5 of the Retirement Law of 1937. A member who continues membership under this ruling is granted a deferred non-vested 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 revenues 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 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 a U.S. timberland fund and private equity partnerships, that invest in a diversified portfolio of venture capital, buyout and other special situations partnerships, and the U.S. power industry.

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, 2004.

Capital Assets

Capital assets, consisting of leasehold improvements, furniture and office equipment, are presented at historical cost, less accumulated depreciation. Depreciation is calculated using the straight-line method, with estimated lives of ten years for leasehold improvements and ranging from four to five years for office equipment. Depreciation for the year ended December 31, 2004 was \$144,732.

Compensated Absences

The liability for accumulated annual leave earned by CCCERA employees totalling \$166,467, included in other liabilities on the *Statement of Plan Net Assets*, 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 which can be accumulated in two years of employment.

Pre-1981 Retiree Health Care Benefits

Government Code Section 31592.2 authorizes the Retirement Board to pay for healthcare costs of County retired members from the County (Employer) Advance Reserves. In December 2002, the Board transferred \$11 million from its excess earnings to the Employer Advance Reserve to cover the reimbursement of health care costs of approximately 383 pre-1981 retirees who previously were not eligible for health care coverage. The County extended an offer of health care coverage to this group and approximately 40 retirees or their beneficiaries elected coverage. Starting in January 2004, CCCERA reduced the County employer contribution rate by the amount owed for the pre-1981 retiree's health insurance premiums.

Use of Estimates

The preparation of CCCERA's financial statements in conformity with generally accepted accounting principles 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.

NOTE 3. CASH EQUIVALENTS AND INVESTMENTS*Deposits*

At year-end, the carrying amount of CCCERA's cash deposits was \$217,829 (which are included in cash equivalents) and the bank balance was \$640,684. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$440,684 was collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code.

Under the California Government Code, a financial institution is required to secure deposits in excess of \$100,000 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.

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, 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.

Industry Concentrations of Portfolio Assets

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 five percent or more of plan net assets.

Custodial Credit Risk Categories

Custodial credit risk categories have been established by the Governmental Accounting Standards Board (GASB) Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Category 1 includes investments that are insured or registered or for which the securities are held by CCCERA or its agents in CCCERA's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in CCCERA's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in CCCERA's name. Investments not represented by individual securities are not subject to categorization, including but not limited to pooled funds, mutual funds, real estate and alternative investments.

Investments stated at fair value as of December 31, 2004 are presented below:

Cash Equivalents - Categorized

Category 2

| | |
|-----------------------|------------|
| Repurchase Agreements | \$ 830,000 |
|-----------------------|------------|

Cash Equivalents - Not Categorized

| | |
|---|--------------------|
| Funds pooled with County | 17,362,283 |
| Short-term Investment Funds held with Fiscal Agents | 305,985,702 |
| Total Cash Equivalents - Not Categorized | <u>323,347,985</u> |

| | |
|-------------------------------|--------------------|
| TOTAL CASH EQUIVALENTS | <u>324,177,985</u> |
|-------------------------------|--------------------|

Investments - Categorized

Category 1

| | |
|--|----------------------|
| Domestic Stocks | 1,154,588,604 |
| Domestic Bonds | 800,497,736 |
| International Stocks | 40,063,661 |
| International Bonds | 121,570,959 |
| Total Investments - Categorized | <u>2,116,720,960</u> |

Investments - Not Categorized

Investments held by broker dealers under securities loans with cash collateral:

| | |
|---|----------------------|
| Domestic Stocks | 76,676,487 |
| Domestic Bonds | 249,103,806 |
| Mutual Funds: | |
| Domestic Bonds | 140,247,946 |
| International Stocks | 475,599,638 |
| Real Estate | 366,127,999 |
| Private Equity | 72,639,859 |
| Natural Resource Funds | 13,989,947 |
| Securities lending collateral investment pool | 332,937,664 |
| Total Investments - Not Categorized | <u>1,727,323,346</u> |

| | |
|--------------------------|----------------------|
| Total Investments | <u>3,844,044,306</u> |
|--------------------------|----------------------|

| | |
|---|-------------------------|
| TOTAL CASH EQUIVALENTS & INVESTMENTS | <u>\$ 4,168,222,291</u> |
|---|-------------------------|

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 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% of the fair value of domestic securities 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, CCCERA has no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The fair value of investments on loan at December 31, 2004 is \$325,780,293, which was collateralized by cash in the amount of \$332,937,664, and has been reported as an asset and liability in the accompanying Statement of Plan Net Assets.

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

As permitted by the California Government Code and the investment policy, CCCERA uses forward settlement contracts, forward currency contracts, futures and options contracts and other derivative products within fixed income financial instruments. These derivative financial instruments are used to reduce financial market risks, enhance yields and to participate in all market areas without increasing investment costs. At December 31, 2004, the following derivative financial instruments were held by investment managers:

Various investment managers for CCCERA manage fixed income portfolios that contain derivative type financial instruments. These instruments include government and corporate obligations consisting of asset-backed securities, call and put options, floating rate notes, constant maturity index, Adjustable Rate Mortgages (ARMs), Collateralized Mortgage Obligations and LIBOR Indexed ARMs. The fair value of derivative financial instruments at December 31, 2004 is \$513,580,458 and reported within the domestic and international bonds, category 1, at the table in Note 3.

PIMCO and Western Asset Management have made investments in forward currency contracts, which are unrecorded commitments to purchase or sell stated amounts of foreign currency. Gains or losses on the disposition of the commitments are recorded at the time of settlement. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of December 31, 2004, total commitments in forward currency contracts to purchase and sell foreign securities were \$262,209,309 and \$262,209,309, respectively, with market values of \$264,984,650 and \$269,757,473, respectively.

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 Retirement Board. Covered employees are required by statute to contribute toward their pensions. The rates are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and tier. CCCERA members are required to contribute between 3.73% and 18.02% of their annual covered salary, depending on their Tier and benefit. County and Moraga Orinda Fire Protection District Safety members contribute, an additional amount per year, up to a maximum of 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.

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 adoption by the Board of Supervisors. The "Entry Age Normal," funding method is used to calculate the rate required to provide benefits to members.

During the year, contributions totaled \$183,542,815, which included \$65,297,397 in employee contributions and \$118,245,418 in employer contributions. These 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. Code Section 31585 makes the same appropriations and transfers available to Districts. Contra Costa County and 12 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 42.

Employer contributions for 1999 through 2002 are less than 100% due to action taken by the Board to phase-in, over a three year period, increased contribution requirements associated with the December 31, 1997 actuarial experience study, as well as the *Ventura Decision*. The Retirement Board, at its meeting on July 11, 2000, deferred for one year, the third year phase-in from the experience study and the second year phase-in of the *Ventura Decision*. This action had the effect of keeping contribution rates lower currently, while extending the time for the phase-in of rates.

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.

NOTE 7. 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.

Smoothed Market Value Valuation represents the accumulated difference between the Actuarial Value of Assets for valuation and the accumulated balances in the valuation reserves. This was a one-time adjustment to increase the valuation reserves as a result of implementing Governmental Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

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 reduced 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 in paying interest to the reserve accounts. This account will be replenished in subsequent periods when there are sufficient earnings according to the interest crediting policy for CCCERA.

Market Stabilization Account represents the deferred return developed by the smoothing of realized and unrealized gains and losses based on a five-year smoothing. This method smoothes only the semi-annual deviation of total market return (net of expenses) from the return target, 8.0 percent per annum. This assumption rate was used in determining contribution rates for the period July 1, 2004 through June 30, 2005. As of December 31, 2004, the Market Stabilization Account has returned to a positive amount due to significant market gains over the past two years.

Reserved and designated net assets at December 31, 2004 are as follows:

| | |
|---|--------------------------------|
| Valuation Reserves: | |
| Member Deposits | \$ 307,042,183 |
| Member Cost of Living | 71,729,876 |
| Employer Advance | 954,739,199 |
| Employer Cost of Living | 649,467,788 |
| Retired Member | 1,210,353,614 |
| Retired Cost of Living | 469,765,921 |
| New Dollar Power Cost of Living Supplement and Pre-Fund | 32,437,702 |
| Smoothed Market Value Valuation | 146,132,597 |
| Contra Tracking Account | <u>(167,810,806)</u> |
| Total Valuation Reserves | <u>3,673,858,074</u> |
| Supplemental Reserves: | |
| Post Retirement Death Benefit | <u>12,310,600</u> |
| Other Reserves/Designations: | |
| Statutory Contingency Reserve (one percent) | <u>0</u> |
| Total Allocated Reserves/Designations | 3,686,168,674 |
| Market Stabilization Account | <u>32,447,222</u> |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS | <u>\$ 3,718,615,896</u> |

NOTE 8. 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 CB Richard Ellis. 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 July 31, 2011. These future minimum rental payments as of December 31, 2004 are as follows:

| Year Ending December 31 | Amount |
|-------------------------|---------------------|
| 2004 | \$ 308,533 |
| 2005 | 304,862 |
| 2006 | 304,862 |
| 2007 | 304,862 |
| 2008 | 304,862 |
| 2009 | 304,862 |
| 2010-2011 | 482,678 |
| <u>TOTAL</u> | <u>\$ 2,315,522</u> |

NOTE 9. 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 10. 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 member's 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. Two employers chose to pay their share of the liability due over 20 years and one over 19.5 years, and entered into contracts with CCCERA, while the remainder of the employers paid CCCERA in a lump sum in 2003. The following summary lists the pertinent details of each agreement plus the amounts due at December 31, 2004.

INSTALLMENT PAYMENTS DUE FROM PAULSON FINAL LIABILITY

| | <u>City of Pittsburg</u> | <u>Contra Costa County</u> | <u>Contra Costa Fire Protection Dist.</u> |
|---------------------------------------|------------------------------|--------------------------------|---|
| Agreement Details: | | | |
| Effective Date of Agreement | November 7, 2003 | December 16, 2003 | August 28, 2003 |
| First Payment Due | December 1, 2003 | August 1, 2004 | September 1, 2003 |
| Last Payment Due | December 1, 2022 | February 1, 2024 | September 1, 2022 |
| Rate of Interest | 8% | 8% | 8% |
| Annual Principal and Interest Payment | \$ 105,542 | \$ 2,759,911 | \$ 369,122 |
| Original Principal | \$ 1,119,124 | \$ 28,064,981 | \$ 3,914,020 |
| Receivable at December 31, 2004: | | | |
| Future Principal Payments | \$ 989,126 | \$ 26,806,846 | \$ 3,459,368 |
| Interest Accrued for 2004 | \$ 6,594 | \$ 893,562 | \$ 92,250 |

NOTE 11. 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.

Delta Diablo Sanitation Withdrawal from Membership

Delta Diablo Sanitation District (DDSD) terminated its membership with CCCERA effective June 30, 2004. The district held an election of its active members and the result of that election was a decision to convert to California Public Employees' Retirement System (CalPERS) on July 1, 2004.

The retired and deferred members from DDSD, who either currently draw a benefit or could draw a benefit in the future, will continue with CCCERA. A determination of the value of the DDSD's accumulated assets, as well as their current and unfunded liability, was undertaken using methodology per CCCERA's Employer Termination Policy. The amount of \$4,680,521 was transferred to CalPERS in 2004. Sufficient assets will remain with CCCERA to pay the ongoing benefits of the retirees and beneficiaries of DDSD.

CCCERA's independent actuary will re-determine DDSD's liability as of December 31 of each year for which CCCERA conducts a triennial experience analysis, the most recent experience analysis being December 31, 2003. If the ratio of DDSD's assets to the termination liability (as measured by the termination agreement) is below 95% or above 105%, the difference between DDSD's assets and liability will be amortized and transferred as provided in the termination agreement.

Other Membership Withdrawals

Ironhouse Sanitary District is terminating its membership with CCCERA effective March 31, 2005 and converting to California Public Employees' Retirement System (CalPERS) on April 1, 2005. A termination study has been completed by CCCERA's actuary and the appropriate amount will be transferred to CalPERS based upon the results of that study.

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) |
|--------------------------------|---|--|------------------------------------|--------------------------|---------------------------|--|
| 12/31/98 | \$ 1,868,521 | \$ 2,320,315 | \$ 451,794 | 80.5% | \$ 411,748 | 109.7% |
| 12/31/99** | 2,137,554 | 2,433,614 | 296,060 | 87.8% | 463,279 | 63.9% |
| 12/31/00 | 2,355,179 | 2,643,526 | 288,347 | 89.1% | 488,384 | 59.0% |
| 12/31/01 | 2,613,220 | 2,983,551 | 370,331 | 87.6% | 523,621 | 70.7% |
| 12/31/02 | 3,296,736 | 3,677,624 | 380,888 | 89.6% | 580,415 | 65.6% |
| 12/31/03 | 3,538,722 | 4,141,390 | 602,668 | 85.5% | 600,274 | 100.4% |

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

**Adjusted to reflect the Retirement Board's action to change the annual investment return assumption to 8.5%.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended December 31 | Annual Required Contribution | Percentage Contributed |
|------------------------------|------------------------------------|---------------------------|
| 1999 | \$ 52,565,912 ** | 93.7% |
| 2000 | 58,035,756 ** | 91.3% |
| 2001 | 58,642,407 ** | 94.1% |
| 2002 | 58,319,678 ** | 98.6% |
| 2003 | 108,728,047 *** | 100.0% |
| 2004 | 118,245,418 | 100.0% |

** The contribution percentage is less than 100% due to actions taken by the Board of Retirement to phase-in, over three years, increased contribution requirements associated with the significant actuarial assumption changes and the expansion of earnable compensation required by the "Ventura Decision," which is discussed in Note 6 of the *Notes to Financial Statements*.

*** Excludes Contra Costa County pension obligation bond proceeds of \$319,094,719.

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

Latest Actuarial Valuation Methods and Assumptions

| | |
|-------------------------------|---|
| Valuation Date | December 31, 2003 |
| Actuarial Cost Method | Entry Age Normal Funding Method |
| Amortization Method | Level Percent - closed |
| Remaining Amortization Period | 19 Years |
| Asset Valuation Method | 5 year Smoothed Market, excluding non-valuation reserves and designations* |
| Actuarial Assumptions | |
| Investment Rate of Return | 7.90% |
| Projected Salary Increases | 6.41% |
| Attributed to Inflation | 4.00% |
| Cost-of-Living Adjustments | Contingent upon CPI Increases with a 3% or 4% Maximum |

* The exclusion of non-valuation reserves and designations was implemented in the January 1, 1997 actuarial study. The six year history on page 42 has been restated to reflect this change.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

FOR THE YEAR ENDED DECEMBER 31, 2004

Personnel Services:

| | |
|---------------------------------|------------------|
| Salaries and Wages | \$ 2,002,827 |
| Employee Retirement | 959,714 |
| TOTAL PERSONNEL SERVICES | <u>2,962,541</u> |

Professional Services:

| | |
|---|----------------|
| Actuary - Benefit Statement | 42,024 |
| Computer and Software Services and Support | 27,156 |
| County Counsel - Disability | 36,882 |
| Disability Hearing Officer/Medical Reviews | 32,821 |
| External Audit Fees | 31,507 |
| Contra Costa Dept of Information Technology | 31,185 |
| Newsletters | 10,021 |
| Other Professional Services | 90,773 |
| TOTAL PROFESSIONAL SERVICES | <u>302,369</u> |

Office Expenses:

| | |
|---------------------------------------|----------------|
| Office Lease and Expenses | 314,936 |
| Office Supplies | 50,111 |
| Minor Equipment and Computer Supplies | 43,546 |
| Postage | 32,669 |
| Equipment Lease | 31,287 |
| Requested Maintenance | 1,695 |
| Communications/Telephone | 15,498 |
| Printing and Publications | 21,002 |
| TOTAL OFFICE EXPENSES | <u>510,744</u> |

Miscellaneous:

| | |
|---|----------------|
| Fiduciary and Staff - Education/Travel | 44,707 |
| Fiduciary and Staff - Meetings/Other Travel | 3,885 |
| Insurance | 116,459 |
| Memberships | 4,022 |
| TOTAL MISCELLANEOUS | <u>169,073</u> |

| | |
|-------------------------------|----------------|
| Depreciation and Amortization | <u>144,732</u> |
|-------------------------------|----------------|

| | |
|--------------------------------------|----------------------------|
| TOTAL ADMINISTRATIVE EXPENSES | <u>\$ 4,089,459</u> |
|--------------------------------------|----------------------------|

Schedule of Investment Expenses

FOR THE YEAR ENDED DECEMBER 31, 2004

| | |
|---|-----------------------------|
| Investment Management Fees, by portfolio: | |
| Stocks | \$ 6,456,108 |
| Bonds | 4,826,339 |
| Real Estate | 3,763,404 |
| Alternative | 3,570,987 |
| Cash and Short Term | <u>6,275</u> |
| TOTAL INVESTMENT MANAGEMENT FEES | <u>18,623,113</u> |
| Investment Consulting Fees: | |
| Consulting Services | 517,374 |
| Attorney Services | 231,232 |
| Actuarial Services | <u>86,813</u> |
| TOTAL INVESTMENT CONSULTING FEES | <u>835,419</u> |
| Investment Custodian Fees | <u>325,075</u> |
| Other Investment Related Expenses | 258,825 |
| TOTAL INVESTMENT EXPENSES | <u>\$ 20,042,432</u> |



Investment Section



Report On Investment Activity



March 2, 2005

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

Re: *Chief Investment Officer Review of 2004 Investment Returns*

Members of the Board:

The Contra Costa County Employees' Retirement Association (CCCERA) performed very well for the calendar year ending December 31, 2004, both on an absolute basis versus performance objectives and on a relative basis versus universes of peer funds. (All return figures mentioned in this review are gross of fee and are calculated by CCCERA's investment consultant, Milliman.)

Total Fund Performance

CCCERA's Total Fund returned 13.4% for the one-year period ending December 31, 2004, which is significantly above the 7.9% actuarial interest rate and the 7.4% return for the performance objective of the CPI plus 400 basis points. For 2004, the median total fund returned 10.4% and the median public fund returned 10.0%. CCCERA exceeded both medians, ranking in the 15th percentile in the universe of total funds and ranking in the 8th percentile in the universe of public funds.

Domestic Equity Performance

For the calendar year 2004, CCCERA's domestic equities returned 13.0%, above the 12.0% return of the Russell 3000 Index and the 10.9% return of the S&P 500 Index. CCCERA's domestic equities slightly exceeded the 12.9% return of the median equity manager for the one-year period ending December 31, 2004, ranking in the 49th percentile in the universe of domestic equity managers.

International Equity Performance

CCCERA's international equities returned 18.1% for 2004, which is below the 20.7% return of the MSCI EAFE Index and the 19.9% return of the median international equity manager. This performance ranked in the 68th percentile in the universe of international equity portfolios.

Domestic Fixed Income Performance

CCCERA's total domestic fixed income returned 6.3% for the one-year period ending December 31, 2004. This performance is well above the 4.3% return of the Lehman Aggregate Index and the 4.4% return of the median fixed income manager. For 2004, CCCERA's domestic fixed income performance ranked in the 16th percentile in the universe of fixed income managers.

Trustees, Board of Retirement
March 2, 2005
Page 2

International Fixed Income Performance

For the calendar year 2004, CCCERA's international fixed income returned 6.4%. This performance is above the 5.2% return of the Citigroup Non-US Government Bond Index (fully hedged).

Real Estate Performance

CCCERA's combined real estate portfolio had outstanding performance for 2004. The combined real estate portfolio returned 30.4% for the calendar year. This return was helped by strong results of the combined portfolio's allocation to publicly traded REITs, which were up 36.9% for the year. CCCERA's real estate performance significantly exceeded the 14.5% return of the NCREIF Property Index and the 12.3% return of the median real estate portfolio.

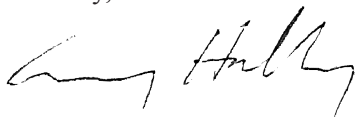
Alternative Investment Performance

For the one-year period ending December 31, 2004, CCCERA's combined alternative investment portfolio returned 10.5%. Several components of the combined alternative investment composite are reported on a lagging quarter basis due to financial data reporting constraints.

Asset Allocation

As of December 31, 2004, CCCERA's market value of assets is \$3.7 billion, an increase of approximately \$400 million from the December 31, 2003 market value of \$3.3 billion. This is primarily the result of strong investment returns experienced in 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "Cary Hally".

Cary Hally, 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 (four or five years). This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The California Constitution and Government Code Section 31594 and 31595 authorize the 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 not prudent to 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, 2004, the total fund return was 13.4%, greater than the targeted return of 7.4% (CPI plus 400 basis points), and greater than the median public fund return of 10.0%.

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 Shareholders Services (ISS) to research and vote CCCERA's U.S. proxy ballots in order to protect and enhance our returns.

Investment Results Based on Fair Value*

AS OF DECEMBER 31, 2004

| | CURRENT | ANNUALIZED | |
|--------------------------------------|---------|------------|--------|
| | YEAR | 3 YEAR | 5 YEAR |
| DOMESTIC EQUITY | 12.00% | 4.80% | -1.20% |
| Benchmarks: S&P 500 | 10.90% | 3.60% | -2.30% |
| Russell 2000 | 18.30% | 11.50% | 6.60% |
| Russell 3000 | 12.00% | 4.80% | -1.20% |
| | | | |
| INTERNATIONAL EQUITY | 18.10% | 12.20% | -1.10% |
| Benchmarks: MSCI EAFE Index | 20.70% | 12.30% | -0.80% |
| MSCI EM Free Index | 26.00% | 22.80% | 4.60% |
| | | | |
| DOMESTIC FIXED INCOME | 6.30% | 7.70% | 8.20% |
| Benchmarks: Lehman Aggregate | 4.30% | 6.20% | 7.70% |
| Citigroup Mortgage | 4.80% | 5.60% | 7.20% |
| Citigroup High Yield | 10.80% | 12.50% | 7.20% |
| T-Bills | 1.30% | 1.40% | 2.90% |
| | | | |
| INTERNATIONAL FIXED INCOME ** | 6.40% | 5.70% | - |
| Benchmark: Cit Non US Govt Hedged | 5.20% | 4.60% | 5.90% |
| | | | |
| REAL ESTATE | 30.40% | 20.70% | 16.50% |
| Benchmarks: NCREIF Property Index | 14.50% | 10.00% | 9.90% |
| CPI + 500 bps | 8.40% | 6.80% | 7.70% |
| | | | |
| ALTERNATIVE INVESTMENTS | 10.50% | 1.30% | 5.00% |
| | | | |
| TOTAL FUND | 13.40% | 8.20% | 4.90% |
| CPI + 400 bps | 7.40% | 6.80% | 6.70% |

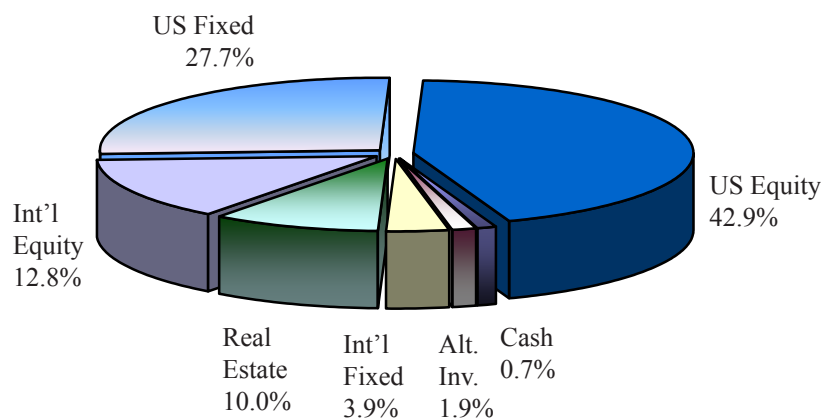
*Using time-weighted rate of return based on the market rate of return

**International Fixed Income returns not applicable for 5 years

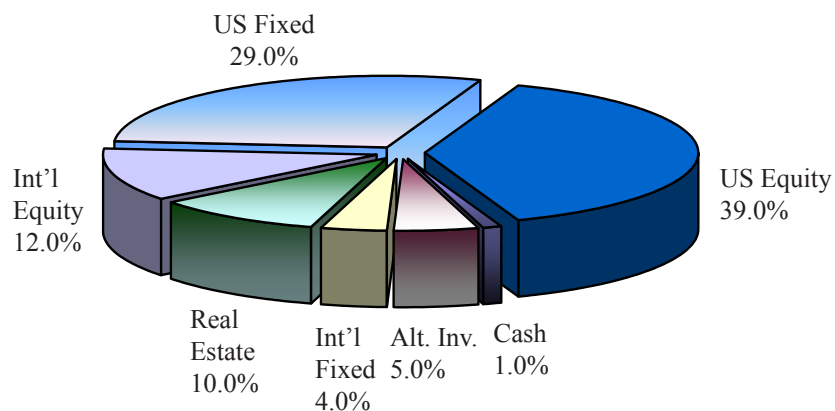
ASSET ALLOCATION

The Asset Allocation is an integral part of the Investment Policy. If 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 passive (index fund) and active investment managers to invest assets on CCCERA's behalf, subject to investment guidelines incorporated into each firm's investment manager contract. CCCERA's investment consultant assists the Board with the design and implementation of the asset allocation as depicted in the following chart:

AS OF DECEMBER 31, 2004



Actual Asset Allocation



Target Asset Allocation

10 Largest Stock Holdings as of 12/31/04

| CUSIP | SHARES | SECURITY NAME | FAIR VALUE |
|-------------------------------------|---------|--------------------------------|-----------------------------|
| 671997963 | 204,701 | Ntgi Qm Collective Daily | \$ 114,908,733 |
| 67199D945 | 464,060 | Ntgi Qm Collective Daily Japan | 48,153,222 |
| 67199W927 | 42,163 | Ntgi Qm Collective Daily | 20,424,881 |
| 929042109 | 264,400 | Vornado Rlty Tr | 20,128,772 |
| 828806109 | 293,600 | Simon Ppty Group Inc New | 18,987,112 |
| 053484101 | 236,500 | Avalonbay Cmnty Inc | 17,808,450 |
| 69806L104 | 279,500 | Pan Pac Retail Pptys Inc | 17,524,650 |
| 743315103 | 194,100 | Progressive Corp Ohio | 16,467,444 |
| 278642103 | 134,800 | Ebay Inc | 15,674,544 |
| 984332106 | 411,900 | Yahoo Inc | 15,520,392 |
| TOTAL LARGEST STOCK HOLDINGS | | | <u>\$305,598,200</u> |

10 Largest Bond Holdings as of 12/31/04

| CUSIP | SECURITY NAME | COST | FAIR VALUE |
|------------------------------------|--------------------------------|---------------|-----------------------------|
| 722005808 | Pimco Fds Pac Invt Mgmt Ser | \$101,723,640 | \$ 99,200,854 |
| 722005600 | Pimco Fds Pac Invt Mgmt Ser | 88,920,491 | 88,070,327 |
| 722005857 | Pimco Fds Pac Invt Mgmt Ser | 34,840,610 | 34,088,328 |
| 975995952 | Western Asset Oppty Non Dollar | 21,452,778 | 26,392,503 |
| 722005832 | Pimco Fds Pac Invt Mgmt Ser | 25,583,265 | 25,442,996 |
| 912828CW8 | United States Treas Nts | 23,966,235 | 23,752,221 |
| 01F052615 | Fnma Tba Jan 30 Single Fam | 21,326,484 | 21,315,000 |
| 912828CX6 | United States Treas Nts | 21,269,289 | 21,181,114 |
| 912828AN0 | United States Treas Nts | 21,085,644 | 21,011,177 |
| 672226110 | Japan (Government of) | \$ 19,922,547 | 20,666,361 |
| TOTAL LARGEST BOND HOLDINGS | | | <u>\$381,120,881</u> |

A complete list of portfolio holdings is available on request.

Schedule of Investment Management Fees

FOR THE YEAR ENDED DECEMBER 31, 2004

Investment Activity

Stock Managers

| | |
|---------------|------------------|
| Domestic | \$ 5,348,828 |
| International | <u>1,107,280</u> |
| Subtotal | 6,456,108 |

Bond Managers

| | |
|---------------|----------------|
| Domestic | 4,385,403 |
| International | <u>440,936</u> |
| Subtotal | 4,826,339 |

| | |
|----------------------|------------------|
| Real Estate Managers | <u>3,763,404</u> |
|----------------------|------------------|

| | |
|---------------------------------|------------------|
| Alternative Investment Managers | <u>3,570,987</u> |
|---------------------------------|------------------|

| | |
|---|--------------|
| Cash & Short Term with County Treasurer | <u>6,275</u> |
|---|--------------|

| | |
|--|-------------------|
| Total Fees from Investment Activity (see page 45) | <u>18,623,113</u> |
|--|-------------------|

Securities Lending Activity

| | |
|-----------------|------------------|
| Management Fee | 241,244 |
| Borrower Rebate | <u>2,675,025</u> |

| | |
|---|------------------|
| Total Fees from Securities Lending Activity | <u>2,916,269</u> |
|---|------------------|

| | |
|---|-----------------------------|
| TOTAL INVESTMENT MANAGEMENT FEES | <u>\$ 21,539,382</u> |
|---|-----------------------------|

Investment Summary

AS OF DECEMBER 31, 2004

| TYPE OF INVESTMENT | FAIR VALUE | PERCENT OF TOTAL FAIR VALUE |
|---|-------------------------|-----------------------------------|
| Deposit | \$ 217,829 | 0.01% |
| Short Term Investments held by Fiscal Agent | 638,705,537 | 15.32% |
| Short Term Investments held by the County | 18,192,283 | 0.44% |
| TOTAL SHORT TERM INVESTMENTS | 657,115,649 | 15.76% |
| US Government and Agency Instruments | 449,276,031 | 9.87% |
| Private Placement Bonds | 352,934,418 | 8.47% |
| Domestic Corporate Bonds | 387,639,039 | 9.30% |
| International Bonds | 121,570,959 | 2.92% |
| TOTAL BONDS | 1,311,420,447 | 31.46% |
| Domestic Stocks | 1,231,265,091 | 29.54% |
| International Stocks | 515,663,299 | 12.37% |
| TOTAL STOCKS | 1,746,928,390 | 41.91% |
| Real Estate | 366,127,999 | 8.78% |
| Alternative Investments | 86,629,806 | 2.08% |
| TOTAL INVESTMENTS | \$ 4,168,222,291 | 100% |

Investment Managers

AS OF DECEMBER 31, 2004

ALTERNATIVE ASSETS

Adams Street Partners
Bay Area Equity Fund
Energy Investors Funds Group (EIF/Liberty)
Nogales Investors LLC
Pathway Capital Management
Prudential Timber Investments Inc

EQUITY - DOMESTIC

Boston Partners
Dreyfus Investment Advisors, Inc
Emerald Advisors, Inc
ING Aeltus Investment Management
Intech
PIMCO
Progress Investment Management
Rothschild Asset Management
Trust Company of the West
Wentworth, Hauser and Violich

EQUITY - INTERNATIONAL

Capital Guardian Trust Company
Northern Trust Company

FIXED INCOME - INTERNATIONAL

Fischer, Francis, Trees & Watts, Inc

CASH & SHORT TERM

Contra Costa County Treasurer
State Street Corporation

FIXED INCOME - DOMESTIC

AFL-CIO Housing Investment Trust
Fountain Capital Management LLC
ING Clarion Investment Management
Nicholas-Applegate Capital Management
PIMCO
Western Asset Management

REAL ESTATE

Adelante Capital Management
DLJ Real Estate Capital Partners LP
FFCA Institutional Advisors, Inc
Fidelity Management Trust Company
Hearthstone Advisors
Invesco Realty Advisors
Prudential Investment Management Service
SSR Realty Advisors
US Realty Advisors

SECURITIES LENDING PROGRAM

State Street Corporation



Actuarial Section



Actuary Certification Letter



THE SEGAL COMPANY

120 Montgomery Street Suite 500 San Francisco, CA 94104-4308

T 415.263.8200 F 415.263.8290 www.segalco.com

February 4, 2005

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

Dear Members of the Board:

The Segal Company prepared the December 31, 2003 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, the assumptions and methods used for funding purposes meet the parameters for the Governmental Accounting Standards Board Statement No. 25.

As part of the December 31, 2003 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness; 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. We did not audit the Association's financial statements. 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.

The funding objective of the Plan is to establish normal contribution rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. 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 and are amortized over the same period. Members also contribute to the Plan according to statutory requirements.

Board of Retirement
Contra Costa County Employees'
Retirement Association
February 4, 2005
Page 2

The total UAAL is amortized as a level percentage of payroll over a decreasing 20-year period. The progress being made towards meeting the funding objective through December 31, 2003 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.

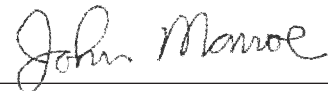
The valuation assumptions included in the Actuarial Section are those adopted by the Retirement Board considering recommendations made by us following the December 31, 2003 Experience Analysis. It is our opinion that the assumptions used in the December 31, 2003 valuation produce results which, in the aggregate, reasonably reflect the future experience of the Plan.

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, 2006.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Angelo".

Paul Angelo, FSA, MAAA, FCA
Vice-President & Actuary

A handwritten signature in black ink, appearing to read "John Monroe".

John Monroe, MAAA
Actuary

JZM/gxk

Summary of Assumptions and Funding Methods

The following assumptions were adopted by the Board for the calendar year 2003 and the first six months of 2004. These assumptions were used for the December 31, 2001 valuation to determine contribution rates that were implemented on January 1, 2003 and continued in effect until June 30, 2004, a period of 18 months.

ASSUMPTIONS

| | |
|--|---|
| Valuation Interest rate | 8.35% |
| Inflation Assumption | 4.25% |
| Projected Salary Increases | 5.71% |
| Cost of Living Adjustments (maximums) | 3% for Tiers 1, 3 and Safety, 4% for Tier 2 |
| Interest Rate Credited to Active Member Accounts | 8.35% |

The following assumptions have been adopted by the Board for the fiscal year 2004-2005 and were used for the December 31, 2002 valuation. The rates produced by this valuation were implemented on July 1, 2004 and will continue to be in effect through June 30, 2005.

ASSUMPTIONS

| | |
|--|--|
| Valuation Interest Rate | 8.00% |
| Inflation Assumption | 4.25% |
| Projected Salary Increases | 5.71% |
| Cost of Living Adjustments (maximums) | 3% for Tiers 1,3 and Safety, 4% for Tier 2 |
| Interest Rate Credited to Active Member Accounts | 8.00% |

The following assumptions have been adopted by the Board for the fiscal year 2005-2006 and were used for the December 31, 2003 valuation. The rates produced by this valuation will be implemented on July 1, 2005 and will continue to be in effect through June 30, 2006.

ASSUMPTIONS

| | |
|--|---|
| Valuation Interest rate | 7.90% |
| Inflation Assumption | 4.00% |
| Projected Salary Increases | 6.41% |
| Cost of Living Adjustments (maximums) | 3% for Tiers 1, 3 and Safety, 4% for Tier 2 |
| Interest Rate Credited to Active Member Accounts | 7.90% |

Post-Retirement Mortality

A. Healthy:

General Tier 1, Tier 2 and Tier 3 1994 Group Annuity Mortality Table set forward 1 year

Safety Members 1994 Group Annuity Mortality Table set forward 2 years

B. Disabled:

General Tier 1, Tier 2 and Tier 3 1981 General Disability Mortality Table set back 3 years

Safety 1994 Group Annuity Mortality Table set forward 2 years

C. Employee Contribution Rate:

1994 Group Annuity Mortality Table set forward 1 year for General Members (weighed 30% male and 70% female)

1994 Group Annuity Mortality Table set forward 2 years for Safety Members (weighed 85% male and 15% female)

Pre-Retirement Mortality

Based upon the Experience Analysis as of 12/31/03

Withdrawal Rates

Based upon the Experience Analysis as of 12/31/03

Disability Rates

Based upon the Experience Analysis as of 12/31/03

Service Retirement Rates

Based upon the Experience Analysis as of 12/31/03

Salary Scales

Total increases of 6.41% per year reflecting approximately 4.00% for inflation and approximately 2.41% for merit and longevity

Marriage Assumption At Retirement

80% for male members
55% 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

The employer's liability is being funded on the Entry Age Normal Method and with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 19 years as of December 31, 2003.

Probability of Occurrence

Termination Rates (%) Before Retirement

MORTALITY

| Age | General | | Safety | |
|-----|---------|--------|--------|--------|
| | Male | Female | Male | Female |
| 25 | 0.07 | 0.03 | 0.07 | 0.03 |
| 30 | 0.08 | 0.04 | 0.08 | 0.04 |
| 35 | 0.09 | 0.05 | 0.09 | 0.06 |
| 40 | 0.12 | 0.08 | 0.13 | 0.08 |
| 45 | 0.17 | 0.10 | 0.19 | 0.11 |
| 50 | 0.29 | 0.16 | 0.32 | 0.17 |
| 55 | 0.49 | 0.26 | 0.56 | 0.29 |
| 60 | 0.90 | 0.51 | 1.01 | 0.58 |
| 65 | 1.62 | 0.97 | 1.80 | 1.08 |

WITHDRAWAL

(<5 years of Service)

| Service Years | General | Safety |
|---------------|---------|--------|
| 0 | 13.00 | 9.00 |
| 1 | 7.00 | 6.00 |
| 2 | 6.00 | 5.00 |
| 3 | 5.00 | 4.00 |
| 4 | 4.00 | 3.00 |

DISABILITY

General

| Age | Tier 1 | Tier 2 & 3 | Safety |
|-----|--------|------------|--------|
| 20 | 0.04 | 0.00 | 0.06 |
| 25 | 0.11 | 0.02 | 0.16 |
| 30 | 0.24 | 0.04 | 0.44 |
| 35 | 0.36 | 0.08 | 0.84 |
| 40 | 0.52 | 0.11 | 1.12 |
| 45 | 0.66 | 0.17 | 1.56 |
| 50 | 0.79 | 0.34 | 2.22 |
| 55 | 0.94 | 0.56 | 2.50 |
| 60 | 1.15 | 0.80 | 0.00 |

WITHDRAWAL

(+5 years of Service)

| Age | General | Safety |
|-----|---------|--------|
| 20 | 4.00 | 3.00 |
| 25 | 4.00 | 3.00 |
| 30 | 4.00 | 2.78 |
| 35 | 4.00 | 2.00 |
| 40 | 3.84 | 1.46 |
| 45 | 3.21 | 0.95 |
| 50 | 1.52 | 0.00 |
| 55 | 0.33 | 0.00 |
| 60 | 0.00 | 0.00 |

RETIREMENT RATES (%)

Non-Enhanced Benefits

| Age | Tier 1 | Tier 2 | Tier 3 | Safety |
|-----|--------|--------|--------|--------|
| 50 | 3.00 | 3.00 | 2.00 | 1.00 |
| 55 | 10.00 | 5.00 | 2.00 | 2.00 |
| 60 | 25.00 | 15.00 | 5.00 | 17.00 |
| 65 | 40.00 | 25.00 | 20.00 | 100.00 |

Enhanced Benefits

| Age | Tier 1 | Tier 3 | Safety |
|-----|--------|--------|--------|
| 50 | 3.00 | 0.00 | 30.00 |
| 55 | 20.00 | 10.00 | 45.00 |
| 60 | 25.00 | 15.00 | 100.00 |
| 65 | 35.00 | 35.00 | 100.00 |

Summary of December 31, 2003 Valuation Results

December 31, 2003

December 31, 2002

EMPLOYER CONTRIBUTION RATES (County and District combined)*:

| | Total Rate | Estimated Annual Amount | Total Rate | Estimated Annual Amount |
|-------------------------------|---------------|----------------------------|---------------|----------------------------|
| General Tier 1 Non-enhanced | 28.59% | \$ 3,830,000 | 24.85% | \$ 3,329,000 |
| General Tier 1 Enhanced | 27.09% | 24,789,000 | 21.00% | 19,219,000 |
| General Tier 2 | 18.22% | 3,228,000 | 14.06% | 2,492,000 |
| General Tier 3 Non-enhanced | 21.42% | 3,746,000 | 16.76% | 2,930,000 |
| General Tier 3 Enhanced | 22.51% | 72,523,000 | 17.90% | 57,693,000 |
| Safety Non-enhanced | 37.10% | 1,668,000 | 32.38% | 1,456,000 |
| Safety Enhanced | 49.57% | 66,140,000 | 38.45% | 51,301,000 |
| All Employers Combined | 29.31% | \$ 175,924,000 | 23.06% | \$138,420,000 |

AVERAGE MEMBER CONTRIBUTION RATES*:

| | Total Rate | Estimated Annual Amount | Total Rate | Estimated Annual Amount |
|--------------------------------|--------------|----------------------------|--------------|----------------------------|
| General Tier 1 Non-enhanced | 7.64% | \$ 1,024,000 | 6.65% | \$ 891,000 |
| General Tier 1 Enhanced | 6.57% | 6,012,000 | 5.20% | 4,758,000 |
| General Tier 2 | 3.12% | 553,000 | 2.83% | 502,000 |
| General Tier 3 Non-enhanced | 6.60% | 1,154,000 | 6.00% | 1,049,000 |
| General Tier 3 Enhanced | 6.38% | 20,559,000 | 5.86% | 18,883,000 |
| Safety Non-enhanced | 9.87% | 444,000 | 8.56% | 385,000 |
| Safety Enhanced | 11.15% | 14,877,000 | 9.63% | 12,849,000 |
| All Categories Combined | 7.43% | \$ 44,623,000 | 6.55% | \$ 39,317,000 |

KEY ACTUARIAL ASSUMPTIONS

| | | |
|---------------------------------|-------|-------|
| Annual Interest Rate: | 7.90% | 8.00% |
| Annual Inflation Rate: | 4.00% | 4.25% |
| Average Annual Salary Increase: | 6.41% | 5.71% |

* Based on December 31, 2003 projected annual payroll.

Summary of Significant Results

| Association Membership | December 31, 2003 | December 31, 2002 | Increase/ (Decrease) |
|---|-------------------|-------------------|-------------------------|
| <i>Active Members</i> | | | |
| 1. Number of Members | 9,476 | 9,611 | -1.4% |
| 2. Total Active Payroll | \$600,274,000 | \$580,415,000 | 3.4% |
| 3. Average Monthly Salary | \$ 5,278 | \$ 5,033 | 4.9% |
| <i>Retired Members</i> | | | |
| 1. Number of Members: | | | |
| Service Retirement | 3,998 | 3,781 | 5.7% |
| Disability Retirement | 896 | 835 | 7.3% |
| Beneficiaries | 1,042 | 1,003 | 3.9% |
| 2. Total Retired Payroll | \$163,923,000 | \$148,004,460 | 10.8% |
| 3. Average Monthly Pension | \$ 2,453 | \$ 2,195 | 11.8% |
| <i>Inactive Vested Members</i> | | | |
| 1. Number of Members* | 1,248 | 1,067 | 17.0% |
| Asset Values (Net) | | | |
| Market Value** | \$3,313,495,000 | \$2,402,058,000 | 37.9% |
| Return on Market Value | 23.44% | -10.28% | |
| Actuarial Value** | \$3,550,801,000 | \$3,155,472,000 | 12.5% |
| Return on Actuarial Value | 2.52% | 8.53% | |
| Valuation Assets** | \$3,538,722,000 | \$2,977,642,000 | 18.8% |
| Return on Valuation Assets | 7.41% | 3.05% | |
| Liability Values | | | |
| Actuarial Accrued Liability | \$4,141,390,000 | \$3,677,624,000 | 12.6% |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 602,668,000 | \$ 380,888,000 | 58.2% |
| Funding Ratio | | | |
| GASB No. 25 | 86% | 89% | 1.0% |

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

**The asset values shown include \$2,290,000 of additional contributions receivable for San Ramon Fire District and \$34,230,204 additional contributions receivable for the final Paulson Settlement.

Schedule of Active Member Valuation Data

| Valuation Date | Plan Type | Number | Annual Salary | Average Annual Salary | % Increase in Average Salary |
|----------------|--------------|--------------|----------------------|-----------------------|------------------------------|
| 12/31/98 | General | 6,808 | \$309,594,000 | \$45,475 | 2.83% |
| | Safety | 1,607 | 102,154,000 | 63,568 | 2.98% |
| | TOTAL | 8,415 | \$411,748,000 | \$48,930 | 2.72% |
| 12/31/99 | General | 7,127 | \$351,694,000 | \$49,347 | 8.51% |
| | Safety | 1,674 | 111,586,000 | 66,658 | 4.86% |
| | TOTAL | 8,801 | \$463,280,000 | \$52,639 | 7.58% |
| 12/31/00 | General | 7,243 | \$374,918,000 | \$51,763 | 4.90% |
| | Safety | 1,641 | 113,465,000 | 69,144 | 3.73% |
| | TOTAL | 8,884 | \$488,383,000 | \$54,973 | 4.43% |
| 12/31/01 | General | 7,529 | \$401,877,010 | \$53,377 | 3.12% |
| | Safety | 1,700 | 121,744,376 | 71,614 | 3.57% |
| | Total | 9,229 | \$523,621,386 | \$56,737 | 3.21% |
| 12/31/02 | General | 7,854 | \$449,362,523 | \$57,214 | 7.19% |
| | Safety | 1,757 | 131,052,957 | 74,589 | 4.15% |
| | TOTAL | 9,611 | \$580,415,480 | \$60,391 | 6.44% |
| 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% |

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 |
|------|----------------------|-------------------|------------------|---------------------|--------------------|----------------|-----------------|-------------------------------|--------------------------|
| 1998 | 4,927 | 312 | N/A | (68) | N/A | 5,171 | \$ 89,859,684 | 9.56% | \$ 17,378 |
| 1999 | 5,171 | 342 | N/A | (127) | N/A | 5,386 | 104,237,054 | 16.00% | 19,353 |
| 2000 | 5,386 | 446 | N/A | (274) | N/A | 5,558 | 113,149,480 | 8.55% | 20,358 |
| 2001 | 5,558 | 451 | N/A | (112) | N/A | 5,897 | 126,190,164 | 11.53% | 21,399 |
| 2002 | 5,487 ¹ | 267 | \$18,430,647 | (135) | \$(4,524,000) | 5,619 | 140,096,811 | 11.02% | 24,933 |
| 2003 | 5,619 | 541 | \$28,635,293 | (224) | \$(4,809,000) | 5,936 | \$ 163,923,104 | 17.01% | \$ 27,615 |

¹ Adjusted to reflect a single record for members receiving benefit payments from multiple tiers.

Solvency Test (DOLLAR AMOUNTS IN THOUSANDS)

| Valuation Date | Aggregate Accrued Liabilities (AAL) for: | | | Reported Assets | Portion of Accrued Liabilities Covered by Reported Assets | | |
|----------------|--|-----------------------------|---------------------------------|-----------------|---|------|-----|
| | 1 | 2 | 3 | | 1 | 2 | 3 |
| | Active Member Contributions | Retirants and Beneficiaries | Active Members Employer Portion | | | | |
| 12/31/98 | \$ 210,483 | \$ 1,070,102 | \$ 1,039,720 | \$ 1,868,521 | 100% | 100% | 57% |
| 12/31/99 | 220,643 | 1,189,931 | 1,023,040 | 2,137,554 | 100% | 100% | 71% |
| 12/31/00 | 235,308 | 1,279,927 | 1,128,291 | 2,355,179 | 100% | 100% | 74% |
| 12/31/01 | 242,385 | 1,533,583 | 1,207,583 | 2,613,220 | 100% | 100% | 69% |
| 12/31/02 | 258,072 | 1,749,725 | 1,669,827 | 3,296,736 | 100% | 100% | 77% |
| 12/31/03 | \$ 273,175 | \$ 2,072,929 | \$ 1,795,286 | \$ 3,538,722 | 100% | 100% | 66% |

Actuarial Analysis of Financial Experience

FOR YEARS ENDED DECEMBER 31
(DOLLAR AMOUNTS IN THOUSANDS)

| Type of Activity | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|--------------------------------------|-------------|------------|------------|---------|-----------|-------------|
| Composite Gain (or Loss) During Year | (\$221,780) | (\$10,557) | (\$81,984) | \$7,713 | \$155,734 | (\$210,414) |

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

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through December 31, 2003, and as adopted by Contra Costa County and special district employees.

A. GENERAL MEMBERS -

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

Tier 2 Plan (Section 31751)

Coverage

Tier 1:

- a. All General Members hired before July 1, 1980 and electing not to transfer to Tier 2 Plan.

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 will be eliminated and all county employees (excluding CNA employees) and one special district's employees in Tier 2 will be placed in Tier 3.

Tier 3:

Tier 2 members can elect Tier 3 coverage (for future service) effective on the later of:

- October 1, 1998 or
- The day after achieving 5 years of service

All county general members (except CNA employees) hired on or after October 1, 2002 were placed in Tier 3.

Final Average Salary (FAS)

- a. One year final average salary

- a. Three year final average salary

Service Retirement

- a. Requirement

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

- 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: | $(1.24\% \times \text{FAS} - 1/3 \times 1.24\% \times \$350) \times \text{Yrs}$ |
| 55: | $(1.67\% \times \text{FAS} - 1/3 \times 1.67\% \times \$350) \times \text{Yrs}$ |
| 60: | $(2.18\% \times \text{FAS} - 1/3 \times 2.18\% \times \$350) \times \text{Yrs}$ |
| 62: | $(2.35\% \times \text{FAS} - 1/3 \times 2.35\% \times \$350) \times \text{Yrs}$ |
| 65: | $(2.61\% \times \text{FAS} - 1/3 \times 2.61\% \times \$350) \times \text{Yrs}$ |

Maximum Benefit 100% of FAS.

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

b. Benefit

Retirement

Age Benefit Formula

| | |
|-----|---|
| 50: | $(0.83\% \times \text{FAS} \times \text{Yrs} - 0.57\% \times \text{Yrs} \times \text{PIA})$ |
| 55: | $(1.13\% \times \text{FAS} \times \text{Yrs} - 0.87\% \times \text{Yrs} \times \text{PIA})$ |
| 60: | $(1.43\% \times \text{FAS} \times \text{Yrs} - 1.37\% \times \text{Yrs} \times \text{PIA})$ |
| 62: | $(1.55\% \times \text{FAS} \times \text{Yrs} - 1.67\% \times \text{Yrs} \times \text{PIA})$ |
| 65: | $(1.73\% \times \text{FAS} \times \text{Yrs} - 1.67\% \times \text{Yrs} \times \text{PIA})$ |

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

Retirement

Age Benefit Formula

| | |
|-----|---|
| 50: | $(1.43\% \times \text{FAS} - 1/3 \times 1.43\% \times \$350 \times 12) \times \text{Yrs}$ |
| 55: | $(2.00\% \times \text{FAS} - 1/3 \times 2.00\% \times \$350 \times 12) \times \text{Yrs}$ |
| 60: | $(2.26\% \times \text{FAS} - 1/3 \times 2.26\% \times \$350 \times 12) \times \text{Yrs}$ |
| 62: | $(2.37\% \times \text{FAS} - 1/3 \times 2.37\% \times \$350 \times 12) \times \text{Yrs}$ |
| 65: | $(2.42\% \times \text{FAS} - 1/3 \times 2.42\% \times \$350 \times 12) \times \text{Yrs}$ |

Maximum Benefit - 100% of FAS

Disability Retirement

Tier 1:

a. Requirements

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

b. Benefit

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

Disability Retirement

Tier 2 and Tier 3:

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 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

Tier 1 and 3

- a. Prior to disability retirement eligibility (less than five 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.
- c. Line of Duty Death - 1/2 FAS

Tier 2

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

Tier 1 and 3 Plans Non-enhanced (Section 31676.11) and Enhanced (Sec. 31676.16)

- a. After Service Retirement or Nonservice-Connected Disability- 60% of the allowance continued to the spouse or to minor children.
- b. After Service-Connected Disability- 100% of the allowance continued to the spouse or minor children.
- c. Lump sum payment of \$5,000

Tier 2 Plan (Section 31751)

- a. After Service or Disability Retirement 60% of allowance continued to spouse plus 20% of allowance to each minor child. Minimum benefit is 60% of allowance. Maximum benefit is 100% of allowance.
- b. Lump sum payment of \$7,000 less any Social Security Lump sum payment.

Withdrawal Benefits

- | | |
|--|--|
| <ul style="list-style-type: none"> a. If less than five years of service, return of contributions, but can leave funds to earn interest. b. If greater than five years of service, right to have vested deferred retirement benefit. | <ul style="list-style-type: none"> a. If less than five years of service, return of contributions, but can leave funds to earn interest. b. If greater than five years of service, right to have vested deferred retirement benefit. |
|--|--|

Cost of Living Benefit

3% maximum change per year except for Tier 3 disability benefits which can increase 4% per year.

4% maximum change per year

Employee's Contribution Rates

Non-enhanced 31676.11

- | | |
|--|---|
| <ul style="list-style-type: none"> a. Basic: to provide for 1/2 of the Section 31676.11 benefit at age 55. b. COL: to pay for 1/2 of future COL costs. | <ul style="list-style-type: none"> a. 40% of the full Section 31676.11 employee contribution rate. b. COL: to pay for 1/2 of future COL |
|--|---|

Enhanced 31676.16

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

Employer Contribution Rates

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

Enough to make up 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 is 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 before April 1, 1973 will be exempt from paying member contributions after 30 years of service.

B. SAFETY MEMBERS (31664 and 31664.1)

Coverage

- a. All Safety members

Final Average Salary (FAS)

- a. One year final average salary

Service Retirement

- 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 and East Contra Costa Fire Protection Districts)

| Age | Benefit Formula |
|-----|-------------------|
| 50 | 2.00% x FAS x Yrs |
| 55 | 2.62% x FAS x Yrs |
| 60 | 2.62% x FAS x Yrs |

Maximum Benefit: 100% of FAS

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

| Age | Benefit Formula |
|-----|-------------------|
| 50 | 3.00% x FAS x Yrs |
| 55 | 3.00% x FAS x Yrs |
| 60 | 3.00% x FAS x Yrs |

Maximum Benefit: 100% of FAS

Disability Retirement

- a. Requirements
 - (1) Service-connected: None
 - (2) Nonservice-connected: five years of service
- b. Benefit
 - (1) Service-connected: 50% FAS 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 FAS benefit.

Death Before Retirement

- 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.
- c. Line of Duty death - 1/2 FAS

Death After Retirement

- a. After Service Retirement or Nonservice-Connected Disability-
60% of the allowance continued to the spouse or to minor children
- b. After Service-Connected Disability -
100% of the allowance continued to the spouse or to minor children
- c. Lump sum payment of \$5,000

Withdrawal Benefits

- a. If less than five years of service, return of contributions, but can leave funds to earn interest
- b. If greater than five years of service, right to have vested deferred retirement benefit

Cost of Living Benefit

3% maximum change per year

Employees' Non-enhanced (Section 31664) Contribution Rates

- a. Basic - to provide for 1/2 of the Section 31664 benefits at age 50
- b. COL - to pay for 1/2 of future COL costs

Employees' Enhanced (Section 31664.1) Contribution Rates

- a. Basic - to provide for an average annuity at age 50 equal to 1/100 of FAS
- b. COL - to provide for 1/2 of future COL costs

Employer Contribution Rate

Enough to make up the balance and COL costs



Statistical Section



Revenue by Source

FOR YEARS 1997 - 2004

| Year Ending | Employee Contributions | Employer Contributions | Investment Income/(Loss)* | TOTAL |
|-------------|------------------------|------------------------|---------------------------|----------------|
| 1997 | \$ 9,856,075 | \$ 36,687,901 | \$ 409,112,609 | \$ 455,656,585 |
| 1998 | 11,704,335 | 40,925,393 | 342,811,108 | 395,440,836 |
| 1999 | 14,460,506 | 49,254,260 | 402,876,035 | 466,590,801 |
| 2000 | 15,463,367 | 52,986,645 | 30,409,388 | 98,859,400 |
| 2001 | 18,681,239 | 55,182,505 | (114,531,847) | (40,668,103) |
| 2002 | 26,605,875 | 57,474,043 | (267,980,549) | (183,900,631) |
| 2003 | 51,602,939 | 427,822,766** | 608,574,613 | 1,088,000,318 |
| 2004 | 65,297,397 | 118,245,418 | 416,012,994 | 599,555,809 |

*Net of Investment Expenses

**Includes POB proceeds of \$319,094,719

Expenses by Type

FOR YEARS 1997 - 2004

| Year | Benefits | Refunds | Retiree Healthcare Benefits Reimbursements* | Administrative | Other Expenses | TOTAL |
|---------|---------------|-------------|---|----------------|----------------|---------------|
| 1997 | \$ 82,019,428 | \$1,014,600 | \$ 6,665,785 | \$ 2,185,024 | \$ 1,650,880 | \$ 93,535,717 |
| 1998 | 89,859,684 | 765,618 | 11,361,045 | 2,590,124 | 2,467,215 | 107,043,686 |
| 1999 | 100,519,544 | 856,620 | 8,625,395 | 2,675,125 | 3,845,689 | 116,522,373 |
| 2000 | 113,149,480 | 1,060,249 | 12,408,770 | 3,128,624 | 3,904,263 | 133,651,386 |
| 2001** | 126,190,164 | 858,013 | 12,342,644 | 3,745,158 | 3,527,656 | 146,663,635 |
| 2002 | 140,096,811 | 643,103 | 4,637,588 | 4,298,952 | 2,541,293 | 152,217,747 |
| 2003 | 163,923,104 | 1,036,599 | 0 | 4,292,028 | 5,021,267 | 174,272,998 |
| 2004*** | 178,979,297 | 909,468 | 0 | 4,089,459 | 5,776,115 | 189,754,339 |

*Direct reimbursements were made for 1/2 year only in 2002 per Retirement Board direction.

**A payment of \$10,791,085 for membership withdrawal by the City of Pittsburg is excluded from 2001.

***A payment of \$4,680,521 for membership withdrawal by Delta Diablo Sanitation District is excluded from 2004.

Schedule of Benefit Expenses by Type

ESTIMATES BASED ON ANNUALIZED BENEFIT AMOUNTS
AS OF DECEMBER 31, OF EACH YEAR

| | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| Service Retirement | | | | | | | | |
| Payroll: | | | | | | | | |
| General | \$83,082,384 | \$75,541,280 | \$69,426,588 | \$57,580,704 | \$53,205,888 | \$49,150,068 | \$44,141,628 | \$41,396,052 |
| Safety | 42,524,880 | 32,150,949 | 25,534,956 | 22,648,836 | 19,218,240 | 16,618,140 | 13,536,888 | 12,623,328 |
| TOTAL | 125,607,264 | 107,692,229 | 94,961,544 | 80,229,540 | 72,424,128 | 65,768,208 | 57,678,516 | 54,019,380 |
| Disability Retirement | | | | | | | | |
| Payroll: | | | | | | | | |
| General | 11,718,156 | 10,628,529 | 9,561,036 | 8,052,996 | 7,478,112 | 6,540,395 | 6,132,840 | 5,532,732 |
| Safety | 17,850,060 | 13,852,780 | 12,770,940 | 10,830,432 | 9,925,116 | 8,385,012 | 7,184,760 | 6,763,344 |
| TOTAL | 29,568,216 | 24,481,309 | 22,331,976 | 18,883,428 | 17,403,228 | 14,925,407 | 13,317,600 | 12,296,076 |
| Beneficiary | | | | | | | | |
| Payroll: | | | | | | | | |
| General | 12,794,592 | 10,603,910 | 9,825,504 | 7,600,296 | 7,078,608 | 6,685,716 | 5,977,404 | 5,484,900 |
| Safety | 6,586,944 | 5,148,537 | 4,982,532 | 3,635,004 | 3,151,620 | 2,814,048 | 2,421,012 | 2,247,900 |
| TOTAL | 19,381,536 | 15,752,447 | 14,808,036 | 11,235,300 | 10,230,228 | 9,499,764 | 8,398,416 | 7,732,800 |
| Total Benefit Expense: | | | | | | | | |
| General | 107,775,132 | 96,773,719 | 88,813,128 | 73,233,996 | 67,762,608 | 62,376,179 | 56,251,872 | 52,413,684 |
| Safety | 66,961,884 | 51,152,266 | 43,288,428 | 37,114,272 | 32,294,976 | 27,817,200 | 23,142,660 | 21,634,572 |
| TOTAL | \$174,737,016 | \$147,925,985 | \$132,101,556 | \$110,348,268 | \$100,057,584 | \$90,193,379 | \$79,394,532 | \$74,048,256 |

Schedule of Retired Members by Type of Benefit

SUMMARY OF MONTHLY ALLOWANCES BEING PAID AS OF DECEMBER 31, 2003

| <u>Amount of Monthly Benefit</u> General Members | Number of | | | |
|---|--------------|--------------|------------|---------------|
| | Retirees | Service | Disability | Beneficiaries |
| \$0 to 399 | 449 | 338 | 4 | 107 |
| \$400 to 799 | 803 | 595 | 6 | 202 |
| \$800 to 1,199 | 683 | 471 | 52 | 160 |
| \$1,200 to 1,599 | 605 | 354 | 144 | 107 |
| \$1,600 to 1,999 | 488 | 293 | 111 | 84 |
| \$2,000 to 2,399 | 371 | 246 | 76 | 49 |
| \$2,400 to 2,799 | 279 | 191 | 51 | 37 |
| \$2,800 to 3,199 | 203 | 165 | 30 | 8 |
| \$3,200 to 3,599 | 158 | 134 | 8 | 16 |
| \$3,600 to 3,999 | 122 | 102 | 8 | 12 |
| \$4,000 & Over | 482 | 441 | 13 | 28 |
| TOTALS | 4,643 | 3,330 | 503 | 810 |

| Safety Members | Number of | | | |
|------------------|--------------|------------|------------|---------------|
| | Retirees | Service | Disability | Beneficiaries |
| \$0 to 399 | 16 | 6 | 2 | 8 |
| \$400 to 799 | 48 | 19 | 1 | 28 |
| \$800 to 1,199 | 27 | 11 | 1 | 15 |
| \$1,200 to 1,599 | 47 | 17 | 6 | 24 |
| \$1,600 to 1,999 | 56 | 19 | 18 | 19 |
| \$2,000 to 2,399 | 75 | 15 | 30 | 30 |
| \$2,400 to 2,799 | 145 | 34 | 79 | 32 |
| \$2,800 to 3,199 | 130 | 40 | 72 | 18 |
| \$3,200 to 3,599 | 111 | 36 | 53 | 22 |
| \$3,600 to 3,999 | 78 | 46 | 22 | 10 |
| \$4,000 & Over | 560 | 425 | 109 | 26 |
| TOTALS | 1,293 | 668 | 393 | 232 |

Schedule of Average Benefit Payment Amounts

ESTIMATES BASED ON ANNUALIZED BENEFIT AMOUNTS AT DECEMBER 31 OF EACH YEAR

| | YEARS SINCE RETIREMENT | | | | | | | | |
|-------------------------------------|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ |
| TIER 1 | | | | | | | | | |
| 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 |
| 2002 Average Monthly Benefit | \$2885 | \$2381 | \$2064 | \$1603 | \$1497 | \$1319 | \$1110 | \$921 | \$560 |
| Number Retirees & Beneficiaries | 546 | 567 | 671 | 703 | 632 | 388 | 154 | 42 | 10 |
| 2001 Average Monthly Benefit | \$2271 | \$1956 | \$1781 | \$1459 | \$1164 | \$1106 | \$ 810 | \$ 823 | \$566 |
| Number Retirees & Beneficiaries | 895 | 817 | 699 | 675 | 533 | 269 | 80 | 15 | 9 |
| 2000 Average Monthly Benefit | \$2076 | \$1727 | \$1530 | \$1211 | \$ 873 | \$ 664 | \$ 469 | \$ 428 | \$1053 |
| Number Retirees & Beneficiaries | 830 | 822 | 704 | 696 | 505 | 228 | 74 | 12 | 43 |
| 1999 Average Monthly Benefit | \$1850 | \$1679 | \$1401 | \$1103 | \$ 843 | \$ 588 | \$ 458 | \$ 328 | \$ 319 |
| Number Retirees & Beneficiaries | 902 | 796 | 736 | 683 | 472 | 208 | 59 | 10 | 7 |
| 1998 Average Monthly Benefit | \$1689 | \$1584 | \$1300 | \$1029 | \$ 776 | \$ 555 | \$ 437 | \$ 304 | \$ 412 |
| Number Retirees & Beneficiaries | 883 | 827 | 761 | 679 | 445 | 182 | 46 | 12 | 2 |
| 1997 Average Monthly Benefit | \$1526 | \$1495 | \$1224 | \$ 944 | \$ 707 | \$ 520 | \$ 414 | \$ 350 | \$ 565 |
| Number Retirees & Beneficiaries | 825 | 840 | 784 | 683 | 394 | 157 | 48 | 15 | 1 |
| 1996 Average Monthly Benefit | \$1512 | \$1396 | \$1164 | \$ 812 | \$ 672 | \$ 442 | \$ 389 | \$ 319 | \$ 645 |
| Number Retirees & Beneficiaries | 882 | 796 | 785 | 666 | 390 | 127 | | 13 | 2 |
| TIER 2 | | | | | | | | | |
| 2003 Average Monthly Benefit | \$857 | \$814 | \$887 | \$855 | \$778 | \$1009 | | | |
| Number Retirees & Beneficiaries | 530 | 155 | 242 | 109 | 18 | 6 | | | |
| 2002 Average Monthly Benefit | \$809 | \$836 | \$829 | \$759 | \$1134 | | | | |
| Number Retirees & Beneficiaries | 157 | 228 | 97 | 20 | 4 | | | | |
| 2001 Average Monthly Benefit | \$ 673 | \$ 644 | \$ 580 | \$ 480 | \$633 | | | | |
| Number Retirees & Beneficiaries | 373 | 186 | 58 | 14 | 2 | | | | |
| 2000 Average Monthly Benefit | \$ 675 | \$ 571 | \$ 550 | \$ 288 | | | | | |
| Number Retirees & Beneficiaries | 316 | 160 | 32 | 13 | | | | | |
| 1999 Average Monthly Benefit | \$ 654 | \$ 521 | \$ 584 | \$ 191 | | | | | |
| Number Retirees & Beneficiaries | 310 | 127 | 25 | 9 | | | | | |
| 1998 Average Monthly Benefit | \$ 614 | \$ 535 | \$ 453 | \$ 216 | | | | | |
| Number Retirees & Beneficiaries | 268 | 107 | 22 | 6 | | | | | |
| 1997 Average Monthly Benefit | \$ 584 | \$ 502 | \$ 416 | \$ 336 | | | | | |
| Number Retirees & Beneficiaries | 223 | 88 | 17 | 3 | | | | | |
| 1996 Average Monthly Benefit | \$ 515 | \$ 491 | \$ 366 | \$ 475 | | | | | |
| Number Retirees & Beneficiaries | 187 | 61 | 13 | 2 | | | | | |

Schedule of Average Benefit Payment Amounts

ESTIMATES BASED ON ANNUALIZED BENEFIT AMOUNTS AT DECEMBER 31 OF EACH YEAR

| TIER 3 | YEARS SINCE RETIREMENT | | | | | | | | |
|--------------------------------------|-------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ |
| 2003 Average Monthly Benefit | \$1304 | | | | | | | | |
| Number Retirees & Beneficiaries | 346 | | | | | | | | |
| 2002 Average Monthly Benefit | \$1178 | | | | | | | | |
| Number Retirees & Beneficiaries | 230 | | | | | | | | |
| 2001 Average Monthly Benefit | \$490 | | | | | | | | |
| Number Retirees & Beneficiaries | 182 | | | | | | | | |
| 2000 Average Monthly Benefit | \$ 388 | | | | | | | | |
| Number Retirees & Beneficiaries | 92 | | | | | | | | |
| 1999 Average Monthly Benefit | \$ 397 | | | | | | | | |
| Number Retirees & Beneficiaries | 47 | | | | | | | | |
| 1998* Average Monthly Benefit | \$ 244 | | | | | | | | |
| Number Retirees & Beneficiaries | 4 | | | | | | | | |
| *Tier 3 started October 1998 | | | | | | | | | |
| SAFETY | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ |
| 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 |
| 2002 Average Monthly Benefit | \$5117 | \$3837 | \$3982 | \$3086 | \$3200 | \$2688 | \$1998 | \$1525 | \$1287 |
| Number Retirees & Beneficiaries | 324 | 226 | 214 | 128 | 120 | 100 | 35 | 18 | 5 |
| 2001 Average Monthly Benefit | \$4004 | \$3265 | \$3218 | \$2944 | \$2914 | \$2399 | \$1609 | \$1149 | |
| Number Retirees & Beneficiaries | 326 | 278 | 156 | 144 | 100 | 56 | 23 | 5 | |
| 2000 Average Monthly Benefit | \$3763 | \$3021 | \$3061 | \$2591 | \$2328 | \$1554 | \$1102 | \$ 704 | |
| Number Retirees & Beneficiaries | 307 | 262 | 150 | 130 | 96 | 51 | 17 | 5 | |
| 1999 Average Monthly Benefit | \$3261 | \$2912 | \$2518 | \$2338 | \$2186 | \$1266 | \$ 977 | \$ 751 | |
| Number Retirees & Beneficiaries | 307 | 260 | 145 | 123 | 96 | 41 | 16 | 3 | |
| 1998 Average Monthly Benefit | \$2866 | \$2795 | \$2437 | \$2248 | \$1854 | \$1190 | \$ 737 | \$ 884 | \$ 801 |
| Number Retirees & Beneficiaries | 285 | 237 | 145 | 117 | 89 | 37 | 14 | 2 | 1 |
| 1997 Average Monthly Benefit | \$2581 | \$2543 | \$2331 | \$2069 | \$1544 | \$1072 | \$ 675 | \$ 832 | |
| Number Retirees & Beneficiaries | 261 | 197 | 151 | 114 | 81 | 31 | 8 | 3 | |
| 1996 Average Monthly Benefit | \$2548 | \$2367 | \$2234 | \$1952 | \$1427 | \$ 896 | \$ 613 | \$ 755 | |
| Number Retirees & Beneficiaries | 283 | 166 | 155 | 110 | 69 | 27 | 7 | 1 | |

Participating Employers and Active Members

AS OF DECEMBER 31, 2004

County of Contra Costa:

| | |
|-----------------|---------------------|
| General Members | 7,082 |
| Safety Members | <u>1,089</u> |
| TOTAL: | <u>8,171</u> |

Participating Agencies:

| | |
|---|---------------------|
| Bethel Island Municipal Improvement District | 3 |
| Byron, Brentwood, Knightsen Union Cemetery District | 4 |
| Central Contra Costa Sanitary District | 253 |
| Contra Costa County Employees' Retirement Association | 34 |
| Contra Costa Housing Authority | 109 |
| Contra Costa Mosquito and Vector Control District | 28 |
| Diablo Water District | 13 |
| Local Agency Formation Commission (LAFCO) | 1 |
| Ironhouse Sanitary District | 28 |
| Rodeo Sanitary District | 7 |
| In-Home Supportive Services Authority (IHSS) | 11 |
| First 5 - Children & Families Commission | 10 |
| Contra Costa County Fire Protection District | 373 |
| East Contra Costa Fire Protection District | 55 |
| Moraga-Orinda Fire Protection District | 69 |
| Rodeo-Hercules Fire Protection District | 21 |
| San Ramon Valley Fire Protection District | <u>168</u> |
| TOTAL: | <u>1,187</u> |

TOTAL ACTIVE MEMBERSHIP: 9,358

Photographic Notes

- Cover California native wildflowers sprawl beneath the protective boughs of a coast live oak on Mt. Diablo. An elderberry bush frames the scene, its fruit a favorite Spring feast for wildlife in Contra Costa.
- Title Page In rainy twilight, acacia blooms herald Spring with brilliant color and soft scent long before the equinox arrives.
- Page 5: At dawn, an egret strikes a dignified stance in the water feature outside the Pleasant Hill City Hall.
- Page 17: Deer make a good "grass roots" investment at sunset in the hills above Martinez.
- Page 47: A coyote uses a field of dried groundsel for camouflage as he keeps an eye on his territory on Mt. Diablo. (*upper right*)
- Nesting birds cantilever construction in a safe, but precarious perch.
- Page 57: A hollow tree hides an entire family of barn owls, who carefully scope out the lay of the land in Franklin Canyon before setting out for the night.
- Page 74: Baby raccoons rustle up some fun while raiding an old apricot tree in an abandoned orchard.

All photographs courtesy Mark Yates Photography

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Joelle Luhn
Contra Costa County Employees' Retirement Association

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