



AGENDA

RETIREMENT BOARD MEETING

SECOND MONTHLY MEETING
June 27, 2018
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Accept comments from the public.
3. Approve minutes from the May 23, 2018 meeting.

CLOSED SESSION

4. The Board will go into closed session pursuant to Govt. Code Section 54956.9(d)(1) to confer with legal counsel regarding pending litigation:
 - a. *Debra Fernandez v. CCCERA, et al.*, Contra Costa County Superior Court, Case No. CIVMSN17-0366

OPEN SESSION

5. Presentation from Brown Armstrong on the audit of the December 31, 2017 financial statements.
6. Education session from Verus on risk parity.
7. Consider and take possible action to adopt Board of Retirement Resolution No. 2018-2, Investment Asset Allocation Targets and Ranges.
8. Presentation of Annual Investment Funding Plan.
9. Update from Chief Investment Officer on AE Industrial Partners Fund II and Siris Partners IV.
10. Presentation of 2017 CCCERA budget vs. actual expenses report.
11. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.



Meeting Date
6/27/18
Agenda Item
#3

MINUTES

RETIREMENT BOARD MEETING MINUTES

SECOND MONTHLY MEETING

May 23, 2018

9:00 a.m.

Retirement Board Conference Room

The Willows Office Park

1355 Willow Way, Suite 221

Concord, California

Present: Candace Andersen, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, Gabe Rodrigues, Todd Smithey, Jerry Telles and Russell Watts

Absent: William Pigeon

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Colin Bishop, Member Services Manager

Outside Professional Support:
Ed Hoffman
Victoria May
Gerard Berrigan

Representing:
Verus Investments
Insight Investments
Insight Investments

1. **Pledge of Allegiance**

The Board, staff and audience joined in the *Pledge of Allegiance*.

2. **Accept comments from the public**

No member of the public offered comment.

3. **Review of total portfolio performance for period ending March 31, 2018**

a. Presentation from Verus

Hoffman reviewed the first quarter summary highlighting the changes that have taken place since March 31, 2018.

He reviewed CCCERA's investment performance for the period ending March 31, 2018 noting the ending market value of the total fund portfolio is \$8,445,903,088. He reviewed the total fund asset allocation vs. the long term target policy. He also reviewed the total fund risk analysis for 5 years stating the annualized return was 8.62% with a standard deviation of 4.40%.

Hoffman reviewed the performance of individual funds.

b. Presentation from staff

Price reported this is the first time this report is being presented and noted this report complements the Verus quarterly performance report. He stated it is intended to provide a thesis for what we are expecting from each portfolio and measures how well we are implementing each function. Strohl commented that this report will be included with every quarterly report.

Youngman reviewed the liquidity portfolio noting the target allocations are based on the Phase 2b implementation. He stated we are closely tracking excess cash and future benefit payments. He also reviewed the growth portfolio and the risk diversifying portfolio noting they are working as expected.

Price reviewed the format of the report including the appendix. He stated the appendix includes manager notes and a thesis on each manager.

4. **Review of Report on Liquidity Sub-portfolio**

Price reported this review is on the liquidity sub-portfolio only and will discuss the role of the sub-portfolio under the FFP structure, how they are staffed with managers, how they are operating in line with expectations and will review how the money flows through the system. He stated he will present the growth and risk diversified sub-portfolios later in the year. He also stated Insight is present to discuss their role in the program.

He briefly reviewed the role of the liquidity sub-portfolio noting the objectives are to match four years of benefit payments and produce cash flows to match the monthly benefit payments. He stated this sub-portfolio uses a multi-manager structure and is working well. He reviewed the roles of the managers noting Sit invests in high yielding government backed mortgages, DFA focuses on obtaining fixed income exposures via the most liquid securities available, and Insight matches liabilities with short duration government and corporate fixed income securities. He reviewed the annual, semi-annual and monthly processes to update the model and refresh the program noting the plan to refresh the liquidity sub-portfolio is presented to the Board each year in the Annual Funding Plan. He also reviewed the Board's decision to match four years of benefit payments which will be reviewed every 3-5 years and Zone 2 rebalancing which allows taking a portion of Growth for up to one year of benefit payments for rebalancing in extraordinary market environments. He noted Zone 2 rebalancing has not been utilized to date.

Insight – Victoria May, Gerard Berrigan

May gave an overview of the firm noting they are solutions specialists, have over \$830 billion in assets under management and are owned by BNY Mellon. She stated they have approximately \$40 billion in assets in North America and reviewed how their business has grown in the past two years. She noted the largest part of the growth of their U.S. business and team comes from corporate and public pensions.

Berrigan reviewed the portfolio construction noting that the portfolio is doing what it is designed to do, which is to make sure the cash is available to make the monthly benefit payments. He reviewed the asset allocation for benefit payments as of March 31, 2018. He stated that the market value of the portfolio will fluctuate but ideally we would never have to sell a security and realize a gain or loss. The benefit payments are made strictly from the cash flows coming off the securities.

He reviewed the portfolio attributes noting it is a very high quality portfolio, there are no below investment grade securities, the average rating is a solid AA-, and it is well diversified among major sectors and subsectors of the market.

5. **Consider and take possible action to adopt Board of Retirement Resolution 2018-1 to increase the salary ranges by 3% for all unrepresented classifications effective July 1, 2018, with the exception of the Chief Executive Officer**

Strohl recommended a 3% salary increase for all unrepresented classifications, except the Chief Executive Officer, in order to retain and recruit qualified individuals to work at CCCERA.

It was M/S/C to adopt Board of Retirement Resolution 2018-1 to increase the salary ranges by 3% for all unrepresented classifications effective July 1, 2018, with the exception of the Chief Executive Officer. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

6. **Consider and take possible action to adopt CCCERA Position Pay Schedules effective July 1, 2018 which reflects the salary range changes in Board of Retirement Resolution 2018-1.**

It was M/S/C to adopt CCCERA Position Pay Schedules effective July 1, 2018. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

7. **Consider authorizing the attendance of Board:**

- a. It was M/S/C to authorize the attendance of 1 Board member at the SACRS/UC Berkeley Program, July 15-18, 2018, Berkeley, CA. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
- b. It was M/S/C to authorize the attendance of 3 Board members at the NASRA Annual Conference, August 4-8, 2018, San Diego, CA. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)
- c. No action was taken on this item. CALAPRS Principles of Pension Management, August 27-30, 2018, Malibu, CA.

8. **Miscellaneous**

(a) Staff Report –

Strohl reported that at the All Staff Meeting, the Communications Coordinator gave an update on ways staff communicate with members; the external auditors are working on our 2017 audit; CCCERA staff are working on the CAFR; Segal is working on the valuation report; she acknowledged Henry Gudino and his staff for all of their hard work noting he has been here two years; she appreciated the help from the County as most of the data issues with the County have been resolved; Colin Bishop's prior experience has served him well as he is doing a great job; and Tim Hoppe in Retirement Services has been doing a great job also.

(b) Outside Professionals' Report -

None

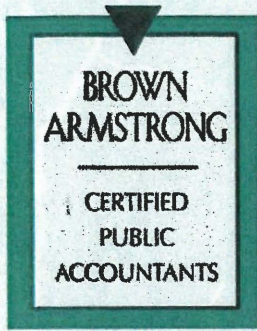
(c) Trustees' comments –

Phillips reported on his takeaways from the SACRS Conference and noted it was a very interesting conference.

It was **M/S/C** to adjourn the meeting. (Yes: Andersen, Gordon, Holcombe, MacDonald, Phillips, Rodrigues, Smithey, Telles and Watts)

Todd Smithey, Chairman

David MacDonald, Secretary



BROWN ARMSTRONG
Certified Public Accountants

Meeting Date
6/27/18
Agenda Item
#5

Contra Costa County Employees' Retirement Association
Board of Retirement Presentation
of the December 31, 2017 Audit Results
By: Andrew J. Paulden, CPA, and Brooke Baird, CPA
Brown Armstrong Accountancy Corporation
Date: June 27, 2018

BAKERSFIELD OFFICE
(MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

1. Purpose of the Audit
2. The Audit Process
 - a. Timeline coordination with CCCERA staff
 - b. Understanding and evaluation of internal controls through inquiry and observation
 - c. Confirmations with independent third parties
 - d. Interim testing
 - e. Final fieldwork testing
 - f. Report presentation
3. Significant Audit Areas/Scope of Audit Work
 - a. Risk based approach
 - b. Investments and related earnings
 - c. Participant data and actuarial information
 - d. Employee and employer contributions
 - e. Benefit payments
 - f. GASB 82
4. Audit Opinions
 - a. CAFR
 - i. Independent Auditor's Report (opinion) on Financial Statements – unmodified (“clean”) opinion
 - b. Report to the Board of Retirement and Audit Committee
 - i. Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)
 - ii. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - iii. Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting
5. Questions and/or Comments?

**CONTRA COSTA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

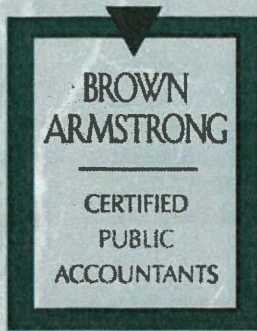
**REPORT TO THE BOARD OF RETIREMENT
AND AUDIT COMMITTEE**

FOR THE YEAR ENDED DECEMBER 31, 2017

**CONTRA COSTA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

TABLE OF CONTENTS

	<u>Page</u>
I. Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards	1
II. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
III. Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting	6



BROWN ARMSTRONG

Certified Public Accountants

REQUIRED COMMUNICATION TO THE BOARD OF RETIREMENT AND AUDIT COMMITTEE IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Board of Retirement and Audit Committee of
Contra Costa County Employees' Retirement Association
Concord, California

We have audited the financial statements of Contra Costa County Employees' Retirement Association (CCCERA) for the year ended December 31, 2017, and have issued our report dated June 22, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 9, 2018, and in our scope of services dated February 28, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CCCERA are described in Note 2, Summary of Significant Accounting Policies, to the financial statements. As discussed in Note 2 to the basic financial statements, in 2017, CCCERA adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues*. We noted no transactions entered into by CCCERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting CCCERA's financial statements were:

- Management's estimates of the fair value of investments and money-weighted rate of return were derived by various methods as detailed in Note 2, Summary of Significant Accounting Policies; Note 3, Deposits and Investment Risk Disclosures; and Note 4, Fair Value Measurements. We evaluated the key factors and assumptions used to develop the estimates of the fair value of investments and the money-weighted rate of return in determining that they are reasonable in relation to the financial statements taken as a whole.

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

- The net pension liability and contribution amounts as detailed in Note 6, Net Pension Liability, and Note 8, Contributions, respectively, which are based on the actuarially presumed interest rate and assumptions recommended by an independent actuary and adopted by the Board of Retirement, which involve estimates of the values of reported amounts and probabilities about the occurrence of future events. We evaluated the key factors and assumptions used to develop the net pension liability and contribution amounts in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for deposits and investments in Notes 2, 3, and 4 to the financial statements, Summary of Significant Accounting Policies, Deposits and Investment Risk Disclosures, and Fair Value Measurements, respectively, were derived from CCCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes.
- The disclosure for the net pension liability in Note 6, Net Pension Liability, which is based on actuarial evaluations and involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any misstatements as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 22, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CCCERA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CCCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We have applied certain limited procedures to the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information (RSI), which are all part of the RSI that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, Schedule of Investment Expenses, and Schedule of Payments to Consultants, which accompany the financial statements but are not RSI. With respect to the other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory, investment, actuarial, and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide assurance on it.

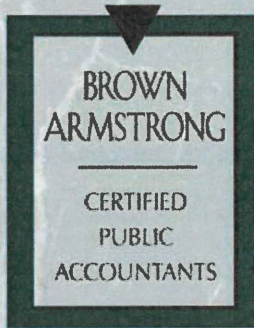
Restriction on Use

This information is intended solely for the use of the Board of Retirement, Audit Committee, and management of CCCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
June 22, 2018



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Retirement and Audit Committee of
Contra Costa County Employees' Retirement Association
Concord, California

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

We have audited, in accordance with the 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, the financial statements of the Contra Costa County Employees' Retirement Association (CCCERA), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise CCCERA's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCCERA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of CCCERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CCCERA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated June 22, 2018.

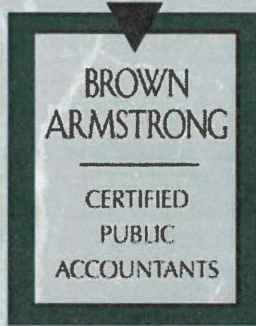
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CCCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCCERA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
June 22, 2018



BROWN ARMSTRONG

Certified Public Accountants

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING

To the Board of Retirement and Audit Committee of
Contra Costa County Employees' Retirement Association
Concord, California

In planning and performing our audit of the financial statements of CCCERA, we considered its internal control structure over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of CCCERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the CCCERA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of certain matters, listed as Agreed Upon Conditions that are opportunities for strengthening internal controls and operating efficiencies. The recommendations that are listed in this report summarize the conditions and suggestions regarding these matters.

We will review the status of these matters during our next audit engagement. We have already discussed these matters and suggestions with various personnel, and we will be pleased to discuss these in further detail at your convenience, to perform any additional study on the matters, or to assist you with implementation of the recommendations.

This communication is intended solely for the information and use of the Board of Retirement, Audit Committee, and management of CCCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
June 22, 2018

**BAKERSFIELD OFFICE
(MAIN OFFICE)**

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

CURRENT YEAR AGREED UPON CONDITIONS AND RECOMMENDATIONS

Agreed Upon Condition 1 – Incorrect Contribution Data in Participant Accounts

During our testing of fifteen current year lump-sum distribution testing, we noted three of the fifteen transactions still showed a contribution balance in their CPAS account subsequent to the participants receiving their lump-sum distribution. In addition, one of the three distributions that had a remaining balance in CPAS had no record of indication from the County of Contra Costa (the County) that the participant had terminated employment. Not removing contribution balances from CPAS can lead to incorrect data being transmitted to the actuary, thus causing the actuarial reports and assumptions to be incorrect.

Recommendation

We recommend that CCCERA implement internal controls to ensure participant accounts are accurate and updated timely in CPAS to ensure that information being transmitted to the actuary is accurate and complete.

Management Response

Currently, actuarial data for refunded members is extracted from Subledger. The contribution balances had been cleared from the Subledger system. Once the migration to CPAS is complete, the data will be extracted from CPAS.

CCCERA uses the County's Peoplesoft system to confirm employee terminations due to paper separation notices not always being provided and in late 2017 were discontinued by Contra Costa County. In 2018, CCCERA worked with Contra Costa County to design a customized Peoplesoft report to review terminated employees on a minimum of a monthly basis.

Agreed Upon Condition 2 – File Organization

During our retired member testing, we noted that one hard copy file contained photocopied documents from two other participants not related to the participant being tested.

Recommendation

We recommend that CCCERA staff ensure they are picking up items from the copy machine that they themselves printed in order to avoid picking up printed documents from another member's file and placing it in the file they are working on. Also, staff should double check names on documents before filing them into the participant's hard file.

Management Response

The pages were not original and had no effect on either of the retirees. CCCERA will provide reminders to staff regarding reviewing documents picked up from the photocopy machine. The process of reviewing all files prior to imaging the original documents will continue.

Agreed Upon Condition 3 – Incorrect I29 Employer Data

During our employer payroll testing, we noted that one of the forty samples tested contained incorrect pensionable salary information in CPAS when compared to the employer pensionable salary data provided to the auditor via confirmation. Per further discussion with CCCERA management the data provided to CCCERA monthly in the I30 download from the employer was incorrect. CCCERA has contacted the employer and made the necessary correction.

Recommendation

CCCERA is required to implement adequate internal controls to detect errors in pensionable salary provided to them by the employers. We recommend monthly sampling of active participants to ensure that all pensionable salary items are being correctly reflected.

Management Response

CCCERA does not have access to some of the District payroll systems. CCCERA will work with those employers to set up a schedule to receive monthly samples of employee pay statements.

Agreed Upon Condition 4 – Segregation of Administrative Access to CCCERA’s Multiview system

During our examination of administrative access to Multiview, we noted the Accounting department manager and supervisor are responsible for administrating user accounts within Multiview. There are also two other staff accountants who share similar access as the supervisor, but are not responsible for administering user accounts. This leads to a lack of segregation of duties in that employees responsible for accounting activities are also capable of and responsible for administering information technology (IT) security within the Multiview application. This may also increase the risk of unauthorized changes to the system or to user accounts within the system.

Recommendation

It is recommended that CCCERA permanently and completely reassign the responsibility of administering user accounts within the Multiview system to the IT department.

Management Response

Accounting will begin the process to reassign the responsibility of administering user accounts to the IT department with the implementation of a new version of Multiview scheduled in third quarter of 2018. User Access Request Forms, maintained by the IT department, will be modified to include a list of appropriate Multiview roles and security levels for user access consistent with job description duties and easily approved by supervisors or managers. Accounting will remove access of the two staff accountants who do not have user account administration responsibility.

Agreed Upon Condition 5 – Process of Removing Terminated Employees’ Access to Active Directory, CPAS, and Multiview Documentation

There are no procedures in place to document the process of removing terminated employees’ access to Active Directory, CPAS, and Multiview. Per our inquiries, CCCERA management has established a policy that user access is to be removed at the time of termination. However, management does not require tracking of information such as the dates on which access is removed or documented confirmation that the process has been completed. Failure to document the process of removing access to critical systems prevents management from confirming that access is removed in a timely manner in the event of a termination.

Recommendation

It is recommended that CCCERA formalize its termination procedures by introducing documentation methods (such as creating a help desk ticket within CCCERA’s existing ManageEngine ServiceDesk Plus system for each termination, or developing a paper or electronic form used for this purpose) in order to ensure that terminated employees’ access to critical CCCERA systems is removed within appropriate timeframes and according to established procedures. Such documentation should include, at a minimum: the employee’s official termination date, the date of the employee’s final day of work (if different from the official termination date), the date on which the IT department was notified of the termination (for instance, IT may wish to retain a copy of the all-staff email notification), and completion date of the activity.

Management Response

A process has already begun for FY2018 by the IT department to document the removal of terminated employees' access to systems by requesting a Help Desk Ticket or User Access Request form to be provided by the affected manager or supervisor.

Agreed Upon Condition 6 – Password Requirements for the Multiview System

Password requirements for the Multiview system should be configured to match the requirements specified by the IT Security and Control Guidelines. During our examination of the password requirement settings within the Multiview system, it was noted that the configured requirements do not meet or exceed the requirements specified by CCCERA's IT Security and Control Guidelines.

Recommendation

It is recommended that CCCERA examine and revise where appropriate the password requirement settings within the Multiview system to ensure that strong password requirements have been implemented.

Management Response

As part of the new version upgrade in Multiview, which will allow more capability for stringent passwords, CCCERA will increase password requirements to meet or exceed the IT Security and Control requirements along with transferring the responsibility of administering user accounts to the IT department.

Agreed Upon Condition 7 – Lack of Review of Audits Completed by Third Party IT Service Providers

During the course of the audit, audit staff identified the following third-party IT service providers utilized by CCCERA:

- Conduent, Inc.: CPAS software provider, CPAS support and development
- Multiview Corporation: Multiview software provider, Multiview support and development
- Quest Technology Management: disaster recovery hot site host, risk assessment vendor
- Corodata Records Management: offsite backup tape storage
- ADP: provider of hosted payroll system

SOC reports are not considered necessary by audit staff for the services provided to CCCERA by Conduent, Inc. or Multiview Corporation, given that these vendors do not host any of CCCERA's data. We noted that SOC reports are available for Quest Technology Management (SOC 3), Corodata Records Management (SOC 1 Type II), and ADP (SOC 1 Type II). Per our inquiries with CCCERA staff, IT management has reviewed the 2016 report for Quest Technology Management, but had not reviewed available SOC reports for Corodata or ADP as of the time of our inquiries. Failure to establish a clear and repeatable procedure for in-depth reviews of service provider audit reports prevents CCCERA from confirming that financial data held by these vendors is secure, and that any financial data provided through the services provided by these vendors is accurate and reliable. Additionally, failure to review such reports prevents CCCERA from determining whether any follow-up, such as discussion of identified exceptions or failures of vendors' controls with relevant parties, or in-depth investigation of the implementation status of any required applicable complementary user entity controls, is necessary.

Recommendation

It is recommended that CCCERA formalize its SOC report review process to ensure that such reports are continually obtained in a timely manner for each applicable vendor and for each applicable period, and that these reports are reviewed in a timely manner. Key aspects for management to note during their

review is whether the service auditor provided an unqualified or qualified opinion; any exceptions noted for individual controls tested should be reviewed to determine if additional risks are noted that will affect management's procedures, data accuracy and integrity, and/or use of the related application(s) (if applicable) and if such risks need to be addressed. CCCERA should also formally evaluate whether any complementary user entity controls noted by the reports are properly implemented at CCCERA as applicable. CCCERA should develop strategies for implementing any such controls that are not already in place.

While CCCERA management should determine the best methods by which to document its reviews and any required follow-up procedures, all documentation should include the following at a minimum: the dates on which the report(s) was obtained and reviewed, the name of the individual(s) conducting the review, the results of the review (e.g., whether any exceptions were noted), and a determination as to the status of any required complementary user entity controls (if any such controls are identified as not yet implemented, the documentation should also include details as to the proposed implementation steps and include updates on this process). If any additional follow-up is required as a result of the review, such as communication of noted exceptions by CCCERA IT staff to relevant departmental management or additional inquiry with the service provider, CCCERA should also include the details (e.g., copies of email chains) and results of these procedures in their documentation.

Management Response

A process has already begun in 2018 by the IT Department to regularly obtain SOC reports from vendors annually in order to review results along with Accounting and Compliance Officer.

PRIOR YEAR AGREED UPON CONDITIONS AND RECOMMENDATIONS

Agreed Upon Condition 1 – Age Waiver Form

In our testing of new member participants, an oversight was noted in that a member, hired in 2016, was not notified of their option to waive membership into the plan. CCCERA Board of Retirement Regulations state that newly hired employees age 60 and older may waive membership as authorized by Government Code Section 31552 of the California Retirement Law of 1937 (CERL).

Recommendation

We recommend that CCCERA implement procedures such as a checklist to help monitor the requirement to notify new participants of their option to opt out of the plan.

Management Response

During the course of the year, CCCERA has updated desk manuals, procedures, and provided cross-training of other staff.

Current Year Status

No similar current year conditions noted.

Agreed Upon Condition 2 – Examination of Internal Controls of the Service Organization (SSAE-16 / SOC 1)

During our audit we noted that CCCERA management does not formalize the collection and review of the SSAE-16 / SOC 1 reports of its investment managers. Since a significant amount of the processing of CCCERA's transactions are performed by investment managers, it is important that CCCERA review the reports on a consistent basis and document such review as part of the due diligence process.

Recommendation

We recommend CCCERA formalize an annual review and document any findings or significant issues to internal control.

Management Response

CCCERA management agrees that the quality of our investment managers' internal controls is an important part of our initial and ongoing review of managers. We collect information about internal controls in a variety of ways, including the formal proposals and Due Diligence Questionnaires. Beginning in FY2017, Management agrees to formally request SSAE-16 – SOC 1 reports from all managers on an initial and annual basis, document any exceptions, and follow up managers who have any exceptions.

Current Year Status

Partially implemented in 2017, with full implementation occurring in 2018.

Agreed Upon Condition 3 – Life Status Letters

During our testing of deceased participants, we noted that in the current year, Small World Solutions began operating under LifeStatus360 and that CCCERA uses this service to monitor and inform them of any deaths of both active and retired members, in addition to beneficiaries.

Recommendation

We recommend that, in addition to LifeStatus360 services, CCCERA expand its procedures to include participants who are at higher risk of being deceased (e.g., 90 years of age or older).

Management Response

Beginning in FY2017, CCCERA will begin implementing Alive & Well letters to higher risk participants, likely 90 years of age or older.

Current Year Status

Implemented.

Agreed Upon Condition 4 – Updated Procedures

During our documentation of internal controls in the current year, we observed that some procedures did not reflect current practice (e.g., electronic banking wire transfers) within the Accounting Department. Good internal controls involve establishing and maintaining current procedures when change occurs.

Recommendation

We recommend CCCERA update written procedures to reflect current practices or changes in technology (e.g., online banking).

Management Response

CCCERA is in the process of updating written procedures to reflect recent changes that occurred this year.

Current Year Status

Implemented.



2017

Comprehensive Annual Financial Report

for the Year Ended December 31, 2017

Concord, California

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

This page is intentionally left blank.

2017

Comprehensive Annual Financial Report

for the Year Ended December 31, 2017

Issued by:

Gail Strohl

Chief Executive Officer

Henry Gudino

Accounting Manager

Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, California 94520-5728
cccera.org

CCCERA's mission is to administer pension benefits earned by our members
and to be prudent stewards of plan assets.



— TABLE OF CONTENTS —

Introductory Section

- 8 Letter of Transmittal
- 14 Retirement Board
- 14 Professional Consultants
- 15 Administrative Organization Chart
- 16 GFOA Certificate of Achievement Award
- 16 PPCC Public Pension Standards Award

Financial Section

- 18 Independent Auditor's Report
- 21 Management's Discussion and Analysis (MD&A)

Basic Financial Statements

- 28 Statement of Fiduciary Net Position
- 29 Statement of Changes in Fiduciary Net Position
- 30 Notes to the Financial Statements

Required Supplementary Information

- 57 Schedule of Changes in Net Pension Liability and Related Ratios
- 58 Schedule of Employer Contributions
- 58 Schedule of Investment Returns
- 59 Notes to the Required Supplementary Information

Other Supplementary Information

- 61 Schedule of Administrative Expenses
- 62 Schedule of Investment Expenses
- 63 Schedule of Payments to Consultants

Investment Section

- 66 Chief Investment Officer's Report
- 67 General Information
- 68 Asset Allocation
- 69 Investment Results Based on Fair Value
- 70 Investment Managers
- 71 Investment Summary
- 72 Schedule of Investment Management Fees
- 73 Schedule of Brokerage Commissions
- 74 Schedule of Top Ten Equities and Fixed Income Securities

CCCERA 2017 Comprehensive Annual Financial Report

Actuarial Section

- 76 Actuary Certification Letter
- 79 Schedule of Funding Progress
- 80 Latest Actuarial Valuation Methods and Assumptions
- 84 Summary of December 31, 2016 Valuation Results
- 85 Summary of Significant Results
- 86 Schedule of Active Member Valuation Data
- 87 Solvency Test
- 87 Retirants and Beneficiaries Added To and Removed From Retiree Payroll
- 88 Actuarial Analysis of Financial Experience
- 89 Summary of Major Pension Plan Provisions

Statistical Section

- 98 Summary of Statistical Data
- 99 Changes in Fiduciary Net Position for Years 2008-2017
- 100 Schedule of Benefit Expenses by Type
- 101 Schedule of Retired Members by Type of Benefit
- 102 Schedule of Average Benefit Payment Amounts
- 108 Participating Employers and Active Members for Years 2008-2017

This page is intentionally left blank.

INTRODUCTORY

- 8 Letter of Transmittal
- 14 Retirement Board
- 14 Professional Consultants
- 15 Administrative Organization Chart
- 16 GFOA Certificate of Achievement Award
- 16 PPCC Public Pension Standards Award



LETTER OF TRANSMITTAL

June 22, 2018

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) (the Plan) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017, the 72nd year of operation.

CCCERA is a public employee retirement system that was established by the County of Contra Costa (County) on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for County employees and 16 other participating agencies under the California State Government Code, Section 31450 *et seq.* (County Employees Retirement Law of 1937) and Section 7522 *et seq.* (California Public Employees' Pension Reform Act of 2013).

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 CAFR is divided into five sections:

The INTRODUCTORY SECTION includes a description of CCCERA's management and organizational structure, a letter of transmittal, a listing of the members of the Board, 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 Accountancy Corporation, 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, and graphs.

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

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

CCCERA AND ITS SERVICES

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

- Bethel Island Municipal Improvement District
- Byron-Brentwood-Knightsen Union Cemetery
- Central Contra Costa Sanitary District
- Contra Costa County Employees' Retirement Association
- Contra Costa Housing Authority
- Contra Costa Mosquito and Vector Control District
- First 5 – Children & Families Commission
- In-Home Supportive Services Authority (IHSS)
- Local Agency Formation Commission (LAFCO)
- Rodeo Sanitary District
- Superior Court of California, Contra Costa County
- Contra Costa County Fire Protection District
- East Contra Costa Fire Protection District
- Moraga-Orinda Fire 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
- Diablo Water District
- Ironhouse Sanitary District
- Kensington Fire Protection District
- Superintendent of Schools - Contra Costa County Office of Education
- Stege Sanitary District

LETTER OF TRANSMITTAL *(Continued)*

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

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

FINANCIAL INFORMATION

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

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

ACTUARIAL FUNDING STATUS

CCCERA contracts with an independent actuarial consulting firm, Segal Consulting, to act as the Plan's actuary and conduct annual actuarial valuations, which are presented to the Board annually. On a triennial basis, the actuary also conducts an experience study of the members of CCCERA and makes recommendations to the Board on all economic and non-economic assumptions. The most recent triennial experience study was performed as of December 31, 2014.

LETTER OF TRANSMITTAL (Continued)

CCCERA's funding objective is to meet long-term defined benefit obligations through contributions and investment income. Funds are derived from the excess of additions, which include contributions and investment earnings, over deductions which are comprised of benefits and administrative expenses. Funds are accumulated to meet future benefit obligations to retirees and beneficiaries. This accumulated balance is referred to as the "net position restricted for pensions" in the Statement of Fiduciary Net Position in the Financial Section of the report. Due to GASB Statement No. 67, the total pension liability is not reported in the basic financial statements, but is disclosed in Note 6 to the basic financial statements and in the required supplementary information. The total pension liability is determined by the Plan's actuary and is a measure of the present value of actuarial accrued liabilities estimated to be payable in the future to current retirees, beneficiaries, and active members for service earned to date. The net pension liability is measured as the total pension liability less the amount of the Plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement purposes.

Segal Consulting's actuarial valuation as of December 31, 2016, determined the funding ratio to be 86.5%, using approved assumptions. This ratio compares the actuarial value of assets of the Plan to the actuarial accrued liabilities of the Plan. Higher ratios indicate a well-funded plan with assets sufficient to cover the Plan's actuarial liabilities. Lower ratios may indicate recent changes to benefit structures, funding of a plan below actuarial requirements, poor asset performance, or a variety of other changes. For a more in-depth review of the funding of the Plan, see the actuarial section of this report.

INVESTMENTS

The Board maintains 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 fair value basis, the total net position restricted for pension benefits increased from \$7.4 billion at December 31, 2016, to \$8.4 billion at December 31, 2017. For the year ended December 31, 2017, CCCERA's investment portfolio returned 14.2%, before investment management fees, reflecting market conditions throughout the year. CCCERA's annualized rate of return was 8.0% over the last three years, 9.7% over the last five years, and 6.7% over the last 10 years, gross of investment expenses.

LETTER OF TRANSMITTAL *(Continued)*

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to CCCERA for its CAFR for the year ended December 31, 2016. This was the 17th consecutive year that CCCERA has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements, and it is being submitted to the GFOA to determine its eligibility for another certificate.

CCCERA is a recipient also of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the year ended December 31, 2016. This marks the 8th consecutive year to receive this honor.

CCCERA was awarded the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award in 2017. 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.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Strategic Plan 2018-2020:

In 2017, CCCERA was proud to design and implement the first strategic plan developed for the organization. The strategic plan covers a three year period and identifies the mission statement, core values and strategic initiatives as a planning document for the organization. It is essential that the core values and strategic initiatives are aligned with the mission statement. Along with the strategic plan are the following core values: Trust; Innovation; and Accountability. These core values are supported with the following strategic initiatives:

- Improve communication within the organization and with external stakeholders.
- Expand use of technology across the organization to achieve goals in the most efficient manner.
- Implement measures to improve customer services to external and internal customers.
- Data integrity and security are of paramount importance. New projects will be implemented to ensure data is accurate and secured appropriately.
- Institute effective training and recognition programs to foster continued employee development.

LETTER OF TRANSMITTAL *(Concluded)*

The strategic plan was rolled out to staff in the form of a strategic plan reference card to make it a visual, living document. It is an effort to make the strategic direction of CCCERA at the forefront of all activities.

Investment Portfolio Management:

CCCERA has an internally developed portfolio construction methodology, known as the Functionally Focused Portfolio (FFP), to assign portfolio allocations according to strategic priorities as defined by the Board. Key to the FFP approach is the adoption of a dedicated portfolio to provide monthly cash flows to fund benefit payments. The Board selected a version of FFP that will target 48 months of projected benefits in this dedicated Liquidity allocation. The remainder of the CCCERA funds will be split between a long-term growth allocation and a smaller diversifying allocation.

In 2017, the Liquidity sub-portfolio had its first full year of operation. This portion of the portfolio is invested with three managers who utilize short-duration fixed income securities. The portfolios are designed to produce monthly cash flows that fund the benefit payments. CCCERA made significant progress on repositioning the Growth sub-portfolio in 2017, most notably with the selection of a private markets advisor to assist with the buildout of the private equity and private credit allocations. The design and implementation of the Diversifying sub-portfolio remains an ongoing project.

Audit Reporting:

CCCERA concluded the 2017 annual audit by Brown Armstrong Accountancy Corporation with no material weakness or significant deficiencies reported and received a GFOA award for Excellence in Financial Reporting for the 2016 CAFR.

ACKNOWLEDGMENT

The compilation of this report reflects the combined and dedicated effort of many individuals at CCCERA. 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.

Thank you to the Board, the consultants, and staff for their commitment to CCCERA.

Respectfully submitted,



Gail Strohl
Chief Executive Officer

RETIREMENT BOARD *(As of December 31, 2017)*

Chairperson

Todd Smithey

Term Expires June 30, 2020
Elected by General Members

John B. Phillips

Term Expires June 30, 2020
Appointed by Board of Supervisors

County Treasurer

Russell V. Watts

Ex Officio by Statute

Vice-Chairperson

Scott W. Gordon

Term Expires June 30, 2019
Appointed by Board of Supervisors

Jerry R. Holcombe

Term Expires June 30, 2020
Appointed by Board of Supervisors

(Alternate)

Louie Kroll

Term Expires June 30, 2019
Elected by Retirees

Secretary

David J. MacDonald

Term Expires June 30, 2019
Elected by General Membership

Candace Andersen

Term Expires June 30, 2020
Appointed by Board of Supervisors

(Alternate)

Jay Kwon

Term Expires June 30, 2020
Appointed by Board of Supervisors

Jerry Telles

Term Expires June 30, 2019
Elected by Retirees

William Pigeon

Term Expires June 30, 2020
Elected by Safety Members

(Alternate)

Gabriel Rodrigues

Term Expires June 30, 2020
Elected by Safety Members

PROFESSIONAL CONSULTANTS *(As of December 31, 2017)*

Actuary

Segal Consulting

Disability Counsel

Laughlin, Falbo, Levy & Moresi, LLP

Master Custodian

State Street Bank & Trust Company

Independent Auditor

Brown Armstrong Accountancy Corporation

Labor Relations Counsel

Wiley Price & Radulovich, LLP

Note: List of Investment Managers is located on page 70 of this report.

Fiduciary & Investment Counsel

Reed Smith, LLP

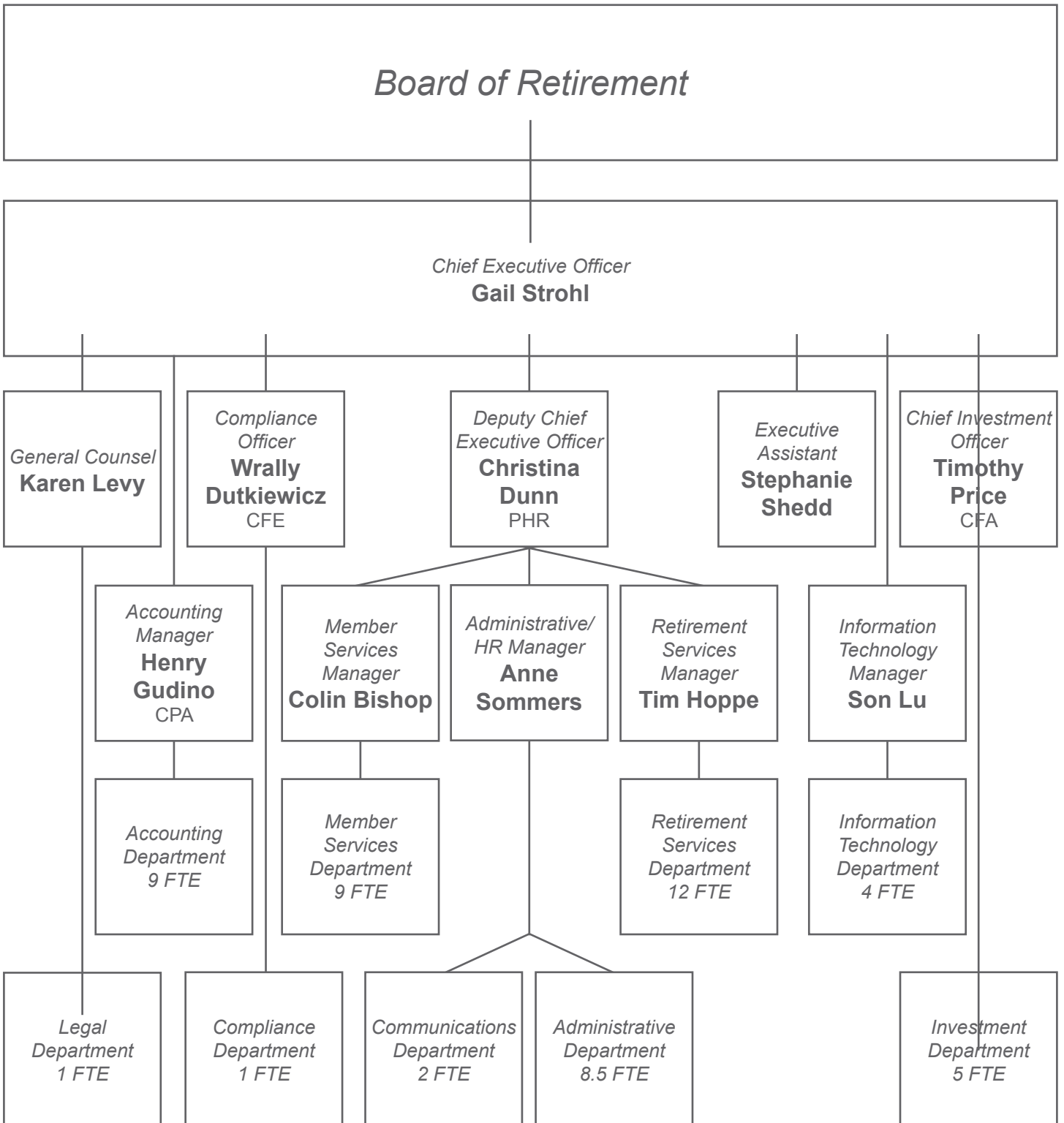
Investment Consultants

**Verus Investments
Stepstone Investments**

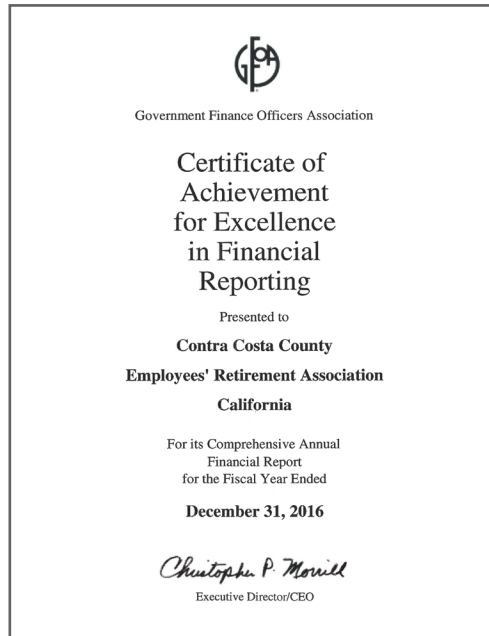
General & Tax Counsel

Ice Miller, LLP

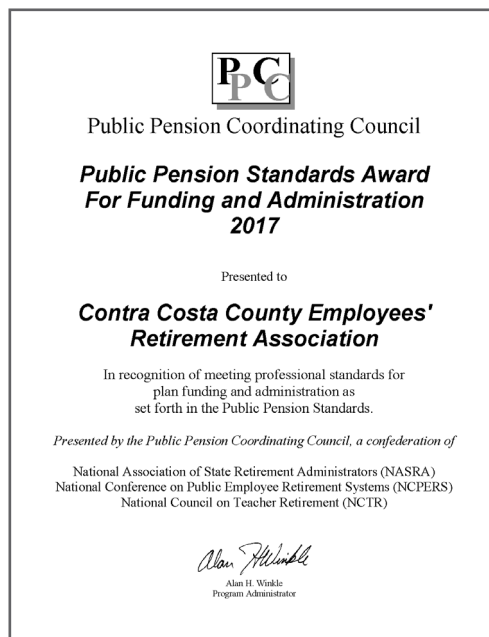
ADMINISTRATIVE ORGANIZATION CHART (As of December 31, 2017)



GFOA CERTIFICATE OF ACHIEVEMENT AWARD



PPCC PUBLIC PENSION STANDARDS AWARD



FINANCIAL

- 18 Independent Auditor's Report
- 21 Management's Discussion and Analysis (MD&A)

Basic Financial Statements

- 28 Statement of Fiduciary Net Position
- 29 Statement of Changes in Fiduciary Net Position
- 30 Notes to the Financial Statements

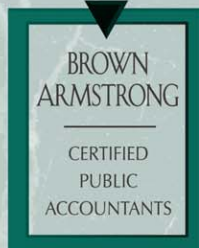
Required Supplementary Information

- 57 Schedule of Changes in Net Pension Liability and Related Ratios
- 58 Schedule of Employer Contributions
- 58 Schedule of Investment Returns
- 59 Notes to the Required Supplementary Information

Other Supplementary Information

- 61 Schedule of Administrative Expenses
- 62 Schedule of Investment Expenses
- 63 Schedule of Payments to Consultants

INDEPENDENT AUDITOR'S REPORT



**BAKERSFIELD OFFICE
(MAIN OFFICE)**

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and Audit Committee of
Contra Costa County Employees' Retirement Association
Concord, California

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the Contra Costa County Employees' Retirement Association (CCCERA), a pension trust fund of the County of Contra Costa, California, as of December 31, 2017; the related Statement of Changes in Fiduciary Net Position for the year then ended; and the related notes to the financial statements, which collectively comprise CCCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Fiduciary Net Position of CCCERA as of December 31, 2017, and the Changes in Fiduciary Net Position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Report on Summarized Comparative Information

We have previously audited CCCERA's December 31, 2016 financial statements, and our report dated June 14, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of CCCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
June 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Contra Costa County Employees' Retirement Association (CCCERA), we offer readers of CCCERA's financial statements this narrative overview and analysis of the financial position and results of operation for the years ended December 31, 2017 and 2016. The information presented here, in conjunction with the Notes to the Financial Statements beginning on page 30, provide a clear picture of CCCERA's overall financial status and activities.

FINANCIAL HIGHLIGHTS

- The net position – restricted for pensions of CCCERA at the close of December 31, 2017 and 2016 totaled \$8.4 billion and \$7.4 billion, respectively. All of the net position is available to meet CCCERA's ongoing obligations to plan participants and their beneficiaries.
- CCCERA's total net position – restricted for pensions increased by \$952.1 million, or 12.8%, and \$461.9 million, or 6.6%, as of December 31, 2017 and 2016, respectively. The increases in 2017 and 2016 are primarily the result of positive investment returns as well as contributions received.
- Total Additions, as reflected in the Statement of Changes in Fiduciary Net Position, for the years ended December 31, 2017 and 2016 were \$1,407.9 million and \$900.1 million, respectively. This includes employer and plan member contributions of \$411.3 million, investment income of \$995.7 million, and net securities lending income of \$0.9 million for the year ended December 31, 2017, along with employer and plan member contributions of \$396.7 million, investment income of \$501.8 million and net securities lending income of \$1.6 million for the year ended December 31, 2016. The 56.4% increase in additions to net position over the prior year is mainly due to net investment income.
- Total Deductions, as reflected in the Statement of Changes in Fiduciary Net Position, totaled \$455.8 million for the year ended December 31, 2017, an increase of \$17.7 million over the year ended December 31, 2016, or approximately 4.0%, mainly attributed to the increase in retiree payroll. Benefits paid to retirees and beneficiaries increased from \$412.1 million in 2016 to \$430.0 million in 2017, or approximately 4.4%. This increase can be attributed to an increase in the number of new retirees and an annual cost-of-living (COLA) increase.
- CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2016, the date of CCCERA's last actuarial pension plan valuation, the funded status for CCCERA (the ratio of the valuation of assets to the actuarial liabilities) was 86.5%, compared to 84.5% in the previous year. The increase in the funding ratio is due to contributions in excess of the value of benefits earned as well as investment earnings in excess of the assumed rate.
- The total investment portfolio finished 2017 with a solid gross return of 14.2%, compared to 7.4% in 2016.
- Based on the Governmental Accounting Standards Board (GASB) Statement No. 67, CCCERA has a net pension liability (NPL) of \$0.8 billion and \$1.4 billion as of December 31, 2017 and 2016, respectively. The plan fiduciary net position as a percentage of the total pension liability is 91.2% and 84.2% as of December 31, 2017 and 2016, respectively. The net pension liability as a percentage of covered payroll is 100.2% and 185.5% as of December 31, 2017 and 2016, respectively. Refer to Note 6, *Net Pension Liability*, and *Schedule of Changes in Net Pension Liability and Related Ratios* in the Required Supplementary Information section of this report for more information.

Contra Costa County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

Please note, however, that this report also contains clarifying information to supplement the basic financial statements listed above.

The implementation of GASB Statement No. 67 (GASB 67) in 2014 increased the number of schedules in the Required Supplementary Information section. These new schedules provide a spectrum of financial information, including a pension liability measurement and changes to the liability, historical contributions, money-weighted investment return and additional actuarial related disclosures.

CCCERA implemented GASB Statement No. 82 (GASB 82), *Pension Issues – an amendment of GASB 67, 68, and 73*, in the current year. GASB 82 was issued to address definition of payroll-related measures such as using covered payroll instead of covered-employee payroll; the selection of assumptions used to determine total pension liability and related measures; and classification of payments made by employers to satisfy employee contribution requirements (subvention). More information may be found in Note 2, *Summary of Significant Accounting Policies* in the Notes to the Financial Statements and Note 2, *Schedule of Employer Contributions* in the Notes to the Required Supplementary Information section.

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

The Statement of Changes in Fiduciary Net Position provides a view of all the activities that occurred during the fiscal year and shows the impact of those activities as additions and deductions to the plan.

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

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about CCCERA's activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are recognized when they are earned and incurred, regardless of when cash is received or paid. All investment purchases and sales are reported as of the trade date, not the settlement date. Investments are reported at current fair value. Both realized and unrealized investment gains and losses are recognized. Each component of capital assets is depreciated over its useful life.

These two statements report CCCERA's net position restricted for pensions and is one way to measure the plan's financial position. Over time, increases and decreases in CCCERA's net position are indicators of whether its financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring CCCERA's overall financial position. The increase in CCCERA's fiduciary net position for the year ended

Contra Costa County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

December 31, 2017, was 12.8%. This increase is due primarily to investment returns generated as well as contributions received. CCCERA's total fund return was 14.2% for the year ending December 31, 2017. CCCERA's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position appear on pages 28 and 29.

Notes to the Financial Statements 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. Asset allocation, the long-term expected rate of return, discount rate, key actuarial assumptions, and the Schedule of Net Pension Liability based on GASB 67 are also included in this section. Notes to the Financial Statements appear on page 30.

Required Supplementary Information follows the notes and includes several additional GASB 67 schedules. The Schedule of Net Pension Liability in the notes section, together with the Schedule of Changes in Net Pension Liability and Related Ratios, provides an up-to-date financial indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. This information will improve the financial statements users' ability to compare the total pension liability for similar types of pension plans. Please note that liabilities on these schedules are calculated solely for financial reporting purposes and are not intended to provide information about the funding of CCCERA's benefits.

Another additional schedule, the Schedule of Employer Contributions, helps the reader determine if plan sponsors are meeting the actuarially determined contributions over a period of time.

The Schedule of Investment Returns includes a money-weighted return performance calculation which is net of investment expenses. These schedules, as well as Notes to the Required Supplementary Information, appear on page 59.

The Schedule of Funding Progress for funding purposes is presented in the Actuarial section on page 79.

Other Supplementary Information includes the Schedule of Administrative Expenses, Schedule of Investment Expenses, and Schedule of Payments to Consultants. It appears on page 61.

Financial Analysis

As of December 31, 2017, CCCERA has \$8.4 billion in net position restricted for pensions, which means that assets of \$8.9 billion exceed liabilities of \$0.5 billion. As of December 31, 2016, CCCERA's net position restricted for pensions totaled \$7.4 billion. The net position restricted for pensions is available to meet CCCERA's ongoing obligation to plan participants and their beneficiaries.

As of December 31, 2017, the net position restricted for pensions increased by 12.8% over 2016, primarily due to changes in the fair value of investments. Current assets and current liabilities also changed by offsetting amounts due to recording of securities lending cash collateral.

Despite recent market volatility and competitive retirement benefits, CCCERA remains in a good financial position to meet its obligations to plan participants and beneficiaries.

CAPITAL ASSETS — Capital assets with an initial cost of more than \$10,000 and an estimated useful life in excess of three years may be capitalized and depreciated/amortized. Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets. CCCERA's capital assets increased from \$97 thousand as of December 31, 2016 to \$224 thousand (net of accumulated depreciation and amortization) as of December 31, 2017. The investment in capital assets includes servers, equipment, furniture, and leasehold improvements. The total increase in CCCERA's investment in capital assets from 2016 to 2017 was 131% primarily due to additions of new computer hardware and software assets offset by the normal amortization and depreciation of assets taken by CCCERA annually.

Contra Costa County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Starting in 2008, CCCERA follows Government Code Section 31580.3, which allows expensing of software, hardware, and computer technology consulting services in support of the software or hardware used in the administration of the retirement system. During 2017 and 2016, CCCERA expensed \$399 thousand and \$337 thousand of software, hardware, and computer technology consulting services, respectively.

FIDUCIARY NET POSITION (Dollars in Thousands)				
Assets	2017	2016	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Current and Other Assets	\$758,014	\$921,158	\$(163,144)	(17.7%)
Investments at Fair Value	8,153,588	7,191,764	961,824	13.4%
Capital Assets	224	97	127	130.9%
Total Assets	8,911,826	8,113,019	798,807	9.8%
Liabilities				
Current Liabilities	521,245	674,499	(153,254)	(22.7%)
Total Liabilities	521,245	674,499	(153,254)	(22.7%)
NET POSITION - RESTRICTED FOR PENSIONS	\$8,390,581	\$7,438,520	\$952,061	12.8%

CCCERA has annual valuations completed by its independent actuary, Segal Consulting. The purpose of the valuation is to determine the future contributions by the members and employers needed to provide for the prescribed benefits. The valuation takes into account CCCERA's policy to smooth the impact of market volatility by spreading each year's investment gains or losses over five years. Despite variations in the stock market, CCCERA's management and actuary concur that CCCERA remains in a financial position that will enable the plan to meet its obligations to participants and beneficiaries. CCCERA remains focused on the long-term performance of the fund, dependent on a strong and successful investment program, risk management, and strategic planning. CCCERA's latest Actuarial Valuation is as of December 31, 2016.

RESERVES — Pension plans establish reserves for various anticipated liabilities. CCCERA's reserves have been established to account for the accumulation of employer and employee contributions, the amounts available to meet the obligation of retired members as well as other items. A complete listing of CCCERA's reserves and corresponding balances for December 31, 2017 are presented in Note 9, *Reserves and Designations*.

CCCERA'S Activities

CHANGES IN FIDUCIARY NET POSITION (Dollars in Thousands)				
Additions:	2017	2016	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
Employer Contributions	\$314,836	\$307,909	\$6,927	2.2%
Plan Member Contributions	96,467	88,788	7,679	8.6%
Net Investment Income	995,678	501,733	493,945	98.4%
Net Securities Lending Income	878	1,630	(752)	(46.1%)
Total Additions	1,407,859	900,060	507,799	56.4%
Deductions:				
Pension Benefits	430,037	412,073	17,964	4.4%
Contribution Prepayment Discount	9,140	9,489	(349)	(3.7%)
Administrative	9,146	8,486	660	7.8%
Refunds	5,518	7,154	(1,636)	(22.9%)
Other Expenses	1,957	920	1,037	112.7%
Total Deductions	455,798	438,122	17,676	4.0%
INCREASE IN NET POSITION - RESTRICTED FOR PENSION BENEFITS	\$952,061	\$461,938	\$490,123	106.1%

ADDITIONS TO THE FIDUCIARY NET POSITION

— The primary sources of funding for CCCERA member benefits are employer contributions, plan member contributions, and net investment income. Total additions to fiduciary net position for the years ended December 31, 2017 and 2016, were \$1,407.9 million and \$900.1 million, respectively. The increase

Contra Costa County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

in the current year is primarily due to investment gains being higher than in the previous year. The Net Investment Income, before securities lending, for the years ended December 31, 2017 and 2016 totaled \$995.7 million and \$501.8 million, respectively. The investment section of this report reviews the result of investment activity for the year ended December 31, 2017. Employer Contributions were \$314.8 million as of December 31, 2017, an increase of \$6.9 million, or 2.2%, over 2016. Plan Member Contributions were \$96.5 million as of December 31, 2017, an increase of \$7.7 million, or 8.6%, from prior year. The increase is mostly due to higher employer and employee contribution rates.

DEDUCTIONS FROM FIDUCIARY NET POSITION —

CCCERA was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the plan, refund of contributions to terminated employees, and the cost of administering the system. Total deductions from fiduciary net position for the years ended December 31, 2017 and 2016, were \$455.8 million and \$438.1 million, respectively. Retirement allowances, survivor benefits, and permanent disability benefits were \$430.0 million as of December 31, 2017, an increase of \$18.0 million, or 4.4%, over 2016. The growth in benefit payments was due to the combined effects of the following: (1) the net increase in the number of retirees and beneficiaries for the year and (2) the increase in the average retirement allowance of those who were added to the retirement payroll.

Member refunds were \$5.5 million in 2017, a decrease of \$1.6 million, or 22.9% less than 2016. Member refunds were lower in 2017 due to a lower amount of terminated members who requested withdrawals.

Administrative expense was \$9.1 million for 2017. Administrative expense covers the basic costs of operating the retirement system, including information technology systems. Operating costs include personnel, professional services, insurance, office supplies and materials, software, hardware, depreciation and amortization, and miscellaneous

expenses. The system's administrative expenses increased by approximately \$660 thousand, or 7.8% in 2017. The increase was mainly due to personnel additions and employee retirement cost.

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

STATUTORY LIMITATION FOR ADMINISTRATIVE EXPENSES			
As of December 31, 2017 and 2016 (Dollars in Thousands)			
		2017	2016
Actuarial Accrued Liability (AAL)	a	\$8,448,624	\$8,027,438
Statutory Limit For Administrative Expenses (AAL x 0.21%)		17,742	16,858
Actual Administrative Expenses Subject To Statutory Limit	b	9,146	8,486
Excess Statutory Limit Over Actual Administrative Expenses		<u>\$8,596</u>	<u>\$8,372</u>
Actual Administrative Expenses as a Percentage of AAL	b/a	0.11%	0.11%

Deductions of \$455.8 million are less than additions of \$1,407.9 million, resulting in an increase of \$952.1 million in fiduciary net position for the year ended December 31, 2017.

CHANGE IN FIDUCIARY NET POSITION — The change in fiduciary net position consists of total additions reduced by total deductions. The change in fiduciary net position, as compared to the prior year, increased by \$490.1 million for the year ended December 31, 2017. This increase is due to investment gains being higher than in the previous year.

Contra Costa County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

NET PENSION LIABILITY — CCCERA is subject to the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, beginning with the year ended December 31, 2014, and CCCERA's participating employers are subject to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, beginning with the fiscal year ended June 30, 2015. These standards require governments to recognize their long-term obligation for pension benefits as a liability on their balance sheets, to recognize their annual pension expense as a comprehensive measurement of the annual cost of pension benefits, and expands note disclosures and Required Supplementary Information for pension plans and their participating employers.

Pursuant to GASB Statement No. 67, the funded status and unfunded actuarial accrued liability (UAAL) of the plan are no longer presented in the notes or required supplementary information. The UAAL was determined by subtracting the excess of the actuarial accrued liability (discounted at the plan's assumed rate of return) from the actuarial value of assets (determined by smoothing values over a certain number of years to reduce volatility) and represented the costs allocated to date for current plan members that are not covered by the actuarial value of assets. The UAAL has now been replaced by the net pension liability (NPL), which represents the excess of the total pension liability (using an entry age cost method, discounted at a discount rate that reflects the expected return on assets) over fiduciary net position (valued at fair value). NPL is similar to UAAL but uses market assets, not smoothed assets. This is a conceptual shift by the GASB in the measurement of pension liabilities to provide a consistent, standardized methodology that allows comparability of data and increased transparency of the pension liability across all plans. CCCERA has complied with GASB Statement No. 67 for the years ended December 31, 2017 and December 31, 2016.

Based on Segal Consulting's Governmental Accounting Standards Board (GASB) 67 Actuarial Valuation as of December 31, 2017, the Net Pension Liability (NPL) of participating employers on a market basis is \$0.8 billion as of December 31, 2017 and \$1.4 billion as of December 31, 2016. The decrease

is primarily due to the 13.3% return on the market value of assets during 2017 (that was higher than the assumed return of 7.00%) and to changes in actuarial assumptions. Refer to Note 6, *Net Pension Liability*, and the Required Supplementary Information section of this report for further information.

Changes in Net Pension Liability				
As of December 31, 2017 and 2016				
(Dollars in Thousands)				
	2017	2016	Amount	Percent
	(a)	(b)	Increase/ (Decrease)	Increase/ (Decrease)
			(c) = (a) - (b)	(c) / (b)
Total Pension Liability	\$9,202,018	\$8,838,975	\$363,043	4.1%
Less Plan Fiduciary Net Position	8,390,581	7,438,520	952,061	12.8%
Net Pension Liability	\$811,437	\$1,400,455	\$(589,018)	(42.1%)

PENSION REFORM — Governor Jerry Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA), which became effective January 1, 2013. While it has been called one of the largest pieces of pension reform legislation on record, it had minimal impact on current and retired CCCERA members hired prior to January 1, 2013. Most changes and provisions affected new public employees hired on or after January 1, 2013. Some new provisions that did impact current or retired CCCERA members were changes in what can be included in compensation for retirement purposes, new restrictions on the ability of a retiree to return to work with a CCCERA employer without reinstatement as an active member unless certain conditions are met, and elimination of employers' ability to adopt an enhanced benefit formula and apply it to past service. In addition, for new public employees, the legislation reduces benefit formulas, limits pensionable income, expands the final compensation period from one year to three years, and requires the new employee to pay a larger share of normal costs.

Contra Costa County Employees' Retirement Association
MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

OVERALL ANALYSIS — For the year ended December 31, 2017, CCCERA's financial position and results from operations have experienced an increase over the prior year. For 2017, CCCERA's net position increased to \$8.4 billion from \$7.4 billion in 2017. The overall increase in net position for December 31, 2017 is primarily attributable to the appreciation in the fair value of the plan's broadly diversified portfolio. Despite fluctuations in the financial markets, CCCERA remains in a sound financial position to meet its obligations to plan participants and beneficiaries. The current financial position results from a strong and successful investment program, risk management and strategic planning. As a long-term investor, CCCERA can take advantage of price volatility along with a diversified exposure to domestic and international equities, fixed income investments, natural resources, real estate, infrastructure, private equity and overlay programs. The plan is recovering well from the general market downturn which occurred in 2009 and 2008 and CCCERA is well positioned with value-focused assets to face market fluctuations.

CCCERA's Fiduciary Responsibilities

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

Requests for Information

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

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

Contra Costa County Employees' Retirement Association
Attn: Accounting Division
1355 Willow Way, Suite 221
Concord, CA 94520-5728
Telephone: (925) 521-3960
Facsimile: (925) 521-3969

Respectfully submitted,



Henry J. Gudino, CPA
Accounting Manager
June 22, 2018

BASIC FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION

Statement of Fiduciary Net Position

As of December 31, 2017 (With Comparative Totals)
(Dollars in Thousands)

ASSETS	2017	2016
Cash & Cash Equivalents:		
Cash equivalents	\$396,788	\$440,128
Cash collateral - securities lending	294,005	204,196
TOTAL CASH & CASH EQUIVALENTS	690,793	644,324
Receivables:		
Contributions	9,805	8,835
Investment trades	22,462	232,984
Investment income	20,294	18,879
Installment contract (see Note 11)	14,032	15,633
Other	335	333
TOTAL RECEIVABLES	66,928	276,664
Investments at fair value:		
Stocks	3,899,074	3,006,405
Bonds	2,385,461	2,428,570
Real assets	189,761	187,667
Real estate	652,386	639,448
Alternative investments	1,026,906	929,674
TOTAL INVESTMENTS AT FAIR VALUE	8,153,588	7,191,764
Other assets:		
Prepaid expenses/deposits	293	170
Capital assets, net of accumulated depreciation/amortization of \$2,790 and \$2,574 respectively	224	97
TOTAL ASSETS	8,911,826	8,113,019
LIABILITIES		
Investment Trades	25,353	302,096
Securities Lending Collateral	294,005	204,196
Employer Contributions Unearned	155,492	149,089
Retirement Allowance Payable	34,875	6,769
Accounts Payable	6,965	6,290
Contributions Refundable	2,094	2,548
Other Liabilities	2,461	3,511
TOTAL LIABILITIES	521,245	674,499
NET POSITION - RESTRICTED FOR PENSIONS	\$8,390,581	\$7,438,520

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Statement of Changes in Fiduciary Net Position		
For the year ended December 31, 2017 (With Comparative Totals)		
(Dollars in Thousands)		
ADDITIONS	2017	2016
Contributions:		
Employer contributions	\$314,836	\$307,909
Plan member contributions	96,467	88,788
TOTAL CONTRIBUTIONS	411,303	396,697
Investment income:		
Net appreciation in fair value of investments	754,329	334,193
Net appreciation in fair value of real estate	59,216	42,752
Interest	102,614	85,278
Dividends	51,833	49,922
Real estate income, net	19,309	32,326
Alternative income	64,732	8,691
Investment expense	(42,865)	(46,328)
Other income/(expense)	(13,490)	(5,101)
NET INVESTMENT INCOME, BEFORE SECURITIES LENDING	995,678	501,733
Securities lending income (expense):		
Earnings	2,576	2,315
Rebates	(1,419)	(142)
Fees	(279)	(543)
NET SECURITIES LENDING INCOME	878	1,630
NET INVESTMENT INCOME	996,556	503,363
TOTAL ADDITIONS	1,407,859	900,060
DEDUCTIONS		
Benefits paid	430,037	412,073
Contribution prepayment discount	9,140	9,489
Administrative	9,146	8,486
Refunds of contributions	5,518	7,154
Other	1,957	920
TOTAL DEDUCTIONS	455,798	438,122
NET INCREASE IN NET POSITION	952,061	461,938
NET POSITION - RESTRICTED FOR PENSIONS		
Beginning of year	7,438,520	6,976,582
End of Year	\$8,390,581	\$7,438,520

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (December 31, 2017)

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 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). Members should refer to CERL and PEPRA for more complete information.

General

CCCERA is a contributory defined benefit plan (the Plan) initially organized under the provisions of CERL 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 16 other member agencies.

In October 2009, the Board depooled CCCERA's assets, actuarial accrued liability (AAL), and normal cost both by tier and employer for determining employer contribution rates. This Board action yielded 12 separate cost groups by employer, with the exception of smaller employers (those with less than 50 active members at that time) who continue to be pooled with the applicable County tier. The December 31, 2009 valuation was the first to incorporate the new "depooled" employer contribution rates, and those rates were effective July 1, 2011.

CCCERA's membership as of December 31, 2017 and 2016 is presented below.

Comparative Membership		
CURRENT MEMBERS:	2017	2016
Vested		
General, Tier 1 Enhanced	504	494
General, Tier 1 Non-enhanced	7	6
General, Tier 2	0	0
General, Tier 3 Enhanced	4,485	4,406
General, Tier 4 (2% Max COLA)	0	0
General, Tier 4 (3% Max COLA)	2	1
General, Tier 5 (2% Max COLA)	1	10
General, Tier 5 (3%/4% Max COLA)	0	9
TOTAL GENERAL	4,999	4,926
Safety, Tier A Enhanced	914	940
Safety, Tier A Non-enhanced	13	13
Safety, Tier C Enhanced	116	88
Safety, Tier D	0	0
Safety, Tier E	0	0
TOTAL SAFETY	1,043	1,041
TOTAL VESTED	6,042	5,967
Non-Vested		
General, Tier 1 Enhanced	16	56
General, Tier 1 Non-enhanced	1	2
General, Tier 2	0	0
General, Tier 3 Enhanced	232	648
General, Tier 4 (2% Max COLA)	18	14
General, Tier 4 (3% Max COLA)	127	102
General, Tier 5 (2% Max COLA)	2,347	1,774
General, Tier 5 (3%/4% Max COLA)	801	856
TOTAL GENERAL	3,542	3,452
Safety, Tier A Enhanced	10	38
Safety, Tier A Non-enhanced	0	0
Safety, Tier C Enhanced	10	48
Safety, Tier D	114	106
Safety, Tier E	285	237
TOTAL SAFETY	419	429
TOTAL NON-VESTED	3,961	3,881
TOTAL CURRENT MEMBERS	10,003	9,848

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Comparative Membership (Continued)		
RETIREES AND BENEFICIARIES RECEIVING BENEFITS:		
	2017	2016
General - Service	5,733	5,619
General - Beneficiary	991	979
General - Nonservice-Connected Disability	144	150
General - Service-Connected Disability	235	244
TOTAL GENERAL	7,103	6,992
Safety - Service	1,236	1,206
Safety - Beneficiary	400	391
Safety - Nonservice-Connected Disability	21	22
Safety - Service-Connected Disability	495	489
TOTAL SAFETY	2,152	2,108
TOTAL RETIREES AND BENEFICIARIES	9,255	9,100
INACTIVE VESTED MEMBERS ENTITLED TO BUT NOT YET RECEIVING BENEFITS:		
General, Tier 1 Enhanced	214	218
General, Tier 1 Non-enhanced	13	16
General, Tier 2	191	214
General, Tier 3 Enhanced	1,724	1,687
General, Tier 4 (2% Max COLA)	4	1
General, Tier 4 (3% Max COLA)	13	11
General, Tier 5 (2% Max COLA)	382	256
General, Tier 5 (3%/4% Max COLA)	299	243
TOTAL GENERAL	2,840	2,646
Safety, Tier A Enhanced	294	323
Safety, Tier A Non-enhanced	7	8
Safety, Tier C Enhanced	74	72
Safety, Tier D	20	17
Safety, Tier E	32	23
TOTAL SAFETY	427	443
TOTAL INACTIVE VESTED MEMBERS	3,267	3,089
TOTAL MEMBERSHIP	22,525	22,037

CCCERA, with its own governing board, is an independent governmental entity, separate and distinct from the County of Contra Costa. Costs of administering the Plan are financed through contributions and investment earnings.

Effective January 1, 2015, California Senate Bill 673 (SB 673) makes the CCCERA retirement system an independent "district" and the employer for its entire staff, subject to terms and conditions of employment established by the Board.

Benefit Provisions

The Plan is currently divided into thirteen benefit levels in accordance with CERL and PEPR. These levels are known as General Tier 1 (Enhanced and Non-enhanced); General Tier 2, General Tier 3 Enhanced, General Tier 4 (2% and 3% maximum Cost-of-Living Adjustments (COLAs)), General Tier 5 (2% and 3%/4% maximum COLAs), Safety Tier A (Enhanced and Non-enhanced), Safety Tier C Enhanced, Safety Tier D, and Safety Tier E.

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

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

(4) safety member agencies have adopted enhanced benefits for their employees. A fifth safety member agency adopted enhanced benefits for its general members in 2003, but not for safety members. Under PEPRA, which became effective January 1, 2013, districts that have not adopted enhanced benefits will no longer be allowed to do so.

Legislation was signed by the Governor in 2002 which allowed the County, effective October 1, 2002, to provide Tier 3 to all new employees, to move those previously in Tier 2 to Tier 3 as of that date, and to apply all future service as Tier 3. Tier 3 was originally created on October 1, 1998, and made available to all members with five or more years of Tier 2 service who elected to transfer to Tier 3 coverage.

All members who moved to Tier 3 with five or more years of service prior to October 1, 2002, or were moved to Tier 3 effective October 1, 2002, January 1, 2005, or February 1, 2006, continue to have Tier 2 benefits for service prior to that date unless the service is converted to Tier 3. As of December 31, 2006, there are no active Tier 2 member accounts. Tier 1 includes members not mandated to be in Tier 2 or Tier 3 and reciprocal members who were placed in Tier 1 membership.

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

Effective January 1, 2007, Contra Costa County and the Deputy Sheriffs' Association agreed to adopt a new Safety Tier C for sworn employees hired by the County after December 31, 2006. A Deputy Sheriff hired on or after January 1, 2007 through November 30, 2012, had a 3% at 50 benefit formula with a 2% maximum COLA and a 36 month final average salary period. Due to PEPRA, a Deputy Sheriff hired on or after January 1, 2013, has a 2.7% at 57 benefit formula with a 36 month final average salary period with compensation limited as noted below. The 2% maximum annual COLA is unchanged.

Effective January 1, 2012, members employed by the County and within certain bargaining units

are responsible for the payment of 100% of the employees' basic retirement benefit contributions, determined annually by the Board, without the County paying any part of the employees' contributions. See Note 8, *Contributions*, for further description.

California Public Employees' Pension Reform Act (PEPRA)

In September 2012, the California Public Employees' Pension Reform Act of 2013 (PEPRA) was signed into law by the Governor of California, establishing new tiers for General and Safety members entering CCCERA membership on or after January 1, 2013. The benefit formula for General members is 2.5% at age 67 and the Safety formula is 2.7% at age 57. Benefits under the new PEPRA tiers are based on a three-year final average compensation period. Additionally, PEPRA limits the amount of compensation CCCERA can use to calculate a retirement benefit. The 2017 compensation limits are \$118,775 for members covered by Social Security and \$142,530 for members not covered by Social Security and these limits increase to \$121,388 and \$145,666, respectively, in 2018. The PEPRA annual compensation limits will be adjusted in future years based on changes in the Consumer Price Index. The majority of CCCERA General members are covered by Social Security, while CCCERA Safety members are not covered by Social Security.

In September 2013, the Governor approved Assembly Bill 1380 (AB 1380), which makes various technical corrections and conforming changes that align the CERL with the provisions of PEPRA. In particular, the bill clarifies that Tier 4, Tier 5, Safety Tier D and Safety Tier E members are eligible to retire at age 70, regardless of years of service, that the Board may, but is not required to, round these members contribution rates to the nearest quarter of one percent, and those rates may be adjusted for any change in the normal cost rate. AB 1380 was effective January 1, 2014. On January 22, 2014, CCCERA's Board exercised the discretion made available by AB 1380 to no longer round the members' contribution rates for PEPRA members to the nearest quarter of one percent as previously required by PEPRA. This allows for exactly one-half of the normal cost to be paid by the

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

employees and by the employers covered under the PEPRA tiers.

In November 2012, the County Board of Supervisors approved two memoranda of understanding (Deputy District Attorneys' Association and Contra Costa County Defenders' Association) that stipulated new CCCERA members who become members after December 31, 2012 within these bargaining units will earn retirement benefits that will be subject to a maximum annual COLA of 2%. As a result, CCCERA created a second Tier 5 for general members subject to this COLA provision. Other bargaining units (including units covering Tier 4 members) have since agreed to this COLA provision for those who become members after a certain date. Members in bargaining units subject to this COLA provision will be placed in General Tier 4 or Tier 5 (2% max COLA) or Safety Tier E.

In September 2013, the Board approved using base pay only for purposes of pensionable compensation for PEPRA members and to exclude all other special compensation beyond base pay. In addition, the Board clarified that separate pay items for premium pay to comply with the Fair Labor Standards Act (FLSA) and the Fire Retirement Allotment for the Moraga-Orinda Fire Protection District are to be excluded from pensionable compensation. In September 2014, the Board adopted a written policy to this effect, "Policy On Determining Pensionable Compensation Under PEPRA For Purposes Of Calculating Retirement Benefits."

Benefits are administered by the Board under the provisions of CERL and PEPRA. Annual COLAs to retirement benefits are provided for under CERL. Service retirements are based on age, length of service, and final compensation. Members 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 1

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 Government Code Section 31676.11 for the Non-enhanced tier and Section 31676.16 for the Enhanced tier. The final compensation is based on a one-year average.

General – Tier 2

Members may elect service retirement at age 70 regardless of service, at age 50 with 10 years of service, or with 30 years of service regardless of age. Previously, disability retirements were granted as service connected with no minimum service credit required or non-service connected with ten years of service credit required. Those members who elected in 1980 to transfer from Tier 1 to Tier 2 were eligible for non-service connected disability retirement with five years of service. The definition of a disability is stricter under Tier 2 than under Tier 1. The retirement benefit is based on Government Code Section 31752. The final compensation is based on a three-year average.

General – Tier 3

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 2. The retirement benefit is based on Government Code Section 31676.16. The final compensation is based on a one-year average.

General – Tier 4

Members may elect service retirement at age 70 regardless of service, or at age 52 with 5 years of service. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with five years of service credit required. The definition of disability is the same as

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Tier 1. The retirement benefit is based on Government Code Section 7522.20. The final compensation is based on a three-year average.

General – Tier 5

Members may elect service retirement at age 70 regardless of service, or at age 52 with 5 years of service. Disability retirements may be granted as service connected with no minimum service credit or non-service connected with ten years of service credit required. The definition of disability is the same as Tier 3. The retirement benefit is based on Government Code Section 7522.20. The final compensation is based on a three-year average.

Safety – Tier A

Members may elect service retirement at age 70 regardless of service, or 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 Government Code Section 31664 for the Non-enhanced tier and Section 31664.1 for the Enhanced tier. The final compensation is based on a one-year average.

Safety – Tier C

Members may elect service retirement at age 70 regardless of service, or at age 50 with 10 years of service, or with 20 years of service regardless of age. Disability requirements may be granted as service connected with no minimum service credit required or non-service connected with five years of service credit required. The retirement benefit is based on Government Code Section 31664.1. The final compensation is based on a three-year average.

Safety – Tier D and Tier E

Members may elect service retirement at age 70 regardless of service, or at 50 with 5 years of service. 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 Government Code Section 7522.25(d). The final compensation is based on a three-year average. Safety Tiers D and E differ only in the COLA provision.

Additional information regarding CCCERA's benefits is included in the Benefit Handbook, available at cccera.org.

Cost-of-Living Adjustments (COLA)

The CERL authorizes the Board to grant annual automatic and ad hoc cost-of-living increases to all eligible retired members. Article 16.5 requires the Board to apply a COLA effective April 1st of each year. This adjustment is based on the change in the San Francisco-Oakland-San Jose area Consumer Price Index and is limited to the maximum of two percent for certain Tier 4 and Tier 5 members, depending on Memoranda of Understanding (MOU), and all Safety Tier C and Safety Tier E members; a maximum of three percent for Tier 1, Tier 3 (service retirement), certain Tier 4 and Tier 5 (service retirement), Safety Tier A and Safety Tier D members; and a maximum of four percent for Tier 2, Tier 3 (disability retirement), and Tier 5 (disability retirement) members. Government Code Section 31874.3 allows the granting of a supplemental cost-of-living benefit, on a prefunded basis, to eligible retirees whose unused Consumer Price Index increase accumulations equal or exceed 20 percent. This supplemental increase is a permanent part of the retirees' monthly benefit and is known as "New Dollar Power".

Terminations

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

Note 2.
Summary of Significant Accounting Policies

Basis of Accounting

CCCERA follows the accounting principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) in the United States of America, under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Employee and employer contributions are recognized in the period in which the contributions are due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. All investment purchases and sales are recorded on the trade date. The net appreciation and/or depreciation in fair value of investments held by CCCERA is recorded as an increase or decrease to investment income based on the valuation of investments at June 30th and December 31st.

Cash Equivalents

Cash equivalents include deposits in the Plan's custodian bank, investment managers, and County Treasurer's commingled cash pool. Cash equivalents are highly liquid investments with maturities 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 carried at fair value. Fair values for investments are derived by various methods, as indicated in the following chart:

Investment Fair Value Sources	
Investments	Source
Publicly Traded Securities, such as stocks and bonds. Bonds include obligations of the U.S Treasury, U.S. agencies, non-U.S. governments, and both U.S. and non-U.S. corporations. Also included are mortgage-backed securities and asset-backed securities.	Valuations are provided by CCCERA's custodian bank based on end-of-day prices from external pricing vendors; Non-U.S. securities reflect currency exchange rates in effect at December 31, 2017 and 2016.
Private Real Estate	Fair value as provided by real estate fund managers, based on review of cash flow, exit capitalization rates, and market trends; fund managers commonly subject each property to independent third-party appraisal annually. Investments under development are carried at cumulative cost until developed.
Alternatives (Private Equity and Private Credit)	Fair value provided by investment managers as follows: Private investments - valued by the General Partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments - valued based on quoted market prices, less a discount, if appropriate, for restricted securities.
Public Market Equity and Fixed Income Investments held in Institutional Commingled Fund/ Partnership	Fair value is typically provided by a third-party fund administrator, who performs this service for the fund manager.

Investment Asset Allocation Policy

The allocation of investment assets within CCCERA's portfolio is approved by the Board as outlined in the investment policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. On September 28, 2016, the Board adopted a revised Investment Policy

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Statement that implements a long-term asset allocation over a three phase approach. The first phase focuses on building the liquidity sub-portfolio while phases two and three focus on restructuring of the growth and diversifying sub-portfolios. The first phase was completed on October 26, 2016. Phase two was largely implemented in 2017 and phase three is scheduled to be implemented in 2018. The following table provides the Board's adopted long-term asset allocation policy as of December 31, 2017.

Long Term Asset Allocation Policy As of December 31, 2017	
Asset Class	Target Allocation
Liquidity	27%
Growth:	
Domestic Equity	6%
Global & International Equity	22%
Private Equity	12%
Private Credit	12%
Real Estate - Value Add	4%
Real Estate - Opportunistic & Distressed	4%
Real Estate - REIT	1%
Total Growth	61%
Risk Diversifying	12%
TOTAL	100%

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, 2017 and 2016.

Capital Assets

Capital assets, consisting of computer hardware, software, leasehold improvements, furniture and office equipment, are presented at historical cost, less accumulated depreciation and amortization. Capital assets with an initial cost of more than \$10,000 and an estimated useful life in excess of three years are capitalized and depreciated/amortized. Depreciation/amortization is calculated using the straight-line method, with estimated lives of three years for software, five to ten years for all leasehold improvements and pension administration system assets, and five years for office equipment.

Income Taxes

The Internal Revenue Service has ruled that plans such as CCCERA qualify under Section 401(a) of the Internal Revenue Code and are not subject to tax under present tax laws. In December 2014, CCCERA received a favorable letter of determination from the Internal Revenue Service (IRS). Accordingly, no provision for income taxes has been made in the accompanying basic financial statements, as the Plan is exempt from federal and state income taxes under provisions of the Internal Revenue Code, Section 401, and California Revenue and Taxation Code, Section 23701, respectively.

Use of Estimates

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

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Also, certain accounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

Implementation of New GASB Pronouncements

CCCERA implemented GASB Statement No. 82 (GASB 82), *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*, in the current year. GASB 82 was issued to provide additional guidance and address issues relating to the presentation of payroll-related measures such as using covered payroll instead of covered-employee payroll in the required supplementary section (RSI); the selection of assumptions and treatment of deviations from the guidance in Actuarial Standards of Practice (ASP) issued by the Actuarial Standards Board (ASB); and the classification of payments made by employers to satisfy employee contribution requirements (subvention).

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This statement replaced GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as amended, and GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 50, *Pension Disclosures—An Amendment of GASB Statements No. 25 and No. 27*, for plans which provide defined benefit other postemployment benefits (OPEB) administered through a trust. Statement No. 74 was established to improve financial reporting of OPEB through enhanced note disclosures and schedules of required supplementary information that were presented by OPEB plans that are administered through trusts that meet the specific criteria. The new information enhances decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of the net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The provisions of Statement No. 74 are effective for financial reporting periods beginning after June 15, 2016. CCCERA's fiduciary net position is not materially affected by the implementation of Statement No. 74 in the current fiscal year because an OPEB irrevocable trust has not been created. An OPEB irrevocable trust is anticipated to be created in the next fiscal year and therefore the provisions of Statement No. 74 will affect next fiscal year ending December 31, 2018.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, was also issued in June 2015. This statement was established to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The consistency, comparability, and transparency of the information reported by employers and governmental non-employer contributing entities about OPEB transactions will be improved with this statement. CCCERA will be required to implement the provisions of Statement No. 75 for the next fiscal year ending December 31, 2018.

Note 3.

Deposits and Investment Risk Disclosures

Investment Stewardship

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

Investment Risk

Investments are subject to certain types of risks, including interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk), and foreign currency risk. The Board recognizes that the assumption of investment risk is necessary to meet the Plan's objectives. The goal in managing investment risk is to ensure that an acceptable level of risk is being taken at the total Plan portfolio level. CCCERA has no formal policy relating to interest rate risk. The following describes those risks:

Interest Rate Risk

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

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The following schedule is a list of fixed income and short-term investments and the related maturity schedule for CCCERA as of December 31, 2017:

Investment Maturities (In Years)					
As of December 31, 2017 (Dollars in Thousands)					
Investment Type	Less than 1 year	1-5 years	6-10 years	More than 10 years	Fair Value
Collateralized Mortgage Backed Securities (CMBS)	\$102,678	\$252,772	\$143,608	\$233,232	\$732,290
Collateralized Mortgage Obligations (CMO)	0	839	2,286	169,736	172,861
Corporate Bonds	103,828	862,810	201,614	7,381	1,175,633
Short-Term Investment Fund (STIF) Instruments	0	0	0	373,691	373,691
US Treasury Notes & Bonds	40,162	37,504	8,179	3,458	89,303
US Agencies (GNMA, FNMA, FHLMC)	30,775	80,727	4,933	288,459	404,894
TOTALS:	\$277,443	\$1,234,652	\$360,620	\$1,075,957	\$2,948,672

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, CCCERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. Under California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited

by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits. Such collateral is held by the pledging financial institution's trust department or agent in CCCERA's name.

At year-end, the carrying amount of CCCERA's cash deposits in non-interest bearing accounts was \$39,406,794 (which are included in cash equivalents) and the bank balance was \$39,160,124. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Effective January 1, 2013, funds deposited in a non-interest bearing account no longer receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Non-interest bearing bank account balances in excess of the FDIC insurance coverage of \$250,000 are collateralized with qualifying securities held in pooled pledged custodial accounts earmarked as collateral against public fund deposits.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, CCCERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in CCCERA's name, and held by the counterparty. CCCERA's investment securities are not exposed to custodial credit risk because all securities held by CCCERA's custodial bank are in CCCERA's name.

CCCERA has no general policy on custodial credit risk for deposits

Money-Weighted Rate of Return

For the years ended December 31, 2017 and 2016, the annual money-weighted rate of return on the assets of the Plan, net of investment expense, was 13.23% and 7.10%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

At the June 8, 2016 Board meeting, the Board adopted an investment return assumption for financial reporting purposes that is net of investment expenses and not net of administrative expenses equal to 7.00% per year.

Investment Concentrations

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. At December 31, 2017, CCCERA has no individual securities that represent five percent (5%) or more of the Plan's fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement. However, there are four portfolio positions that exceed the 5% threshold, but each of these positions represents a diversified portfolio. As of December 31, 2017 the portfolios that exceed 5% of the Plan's fiduciary net position are:

- Insight Short-Duration Fixed Income 9.9%
- SIT Short-Duration Fixed Income 5.6%
- Pyrford International Equity 5.5%
- William Blair International Equity 5.9%

As of December 31, 2016, CCCERA held four portfolio positions that represented more than 5% of the Plan's fiduciary net position.

Credit Risk

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

Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors. For example, the financial condition

of the issuer provides investors with some idea of the issuer's ability to meet its obligations. Fixed-maturity investments may consist of rated or non-rated securities. Ratings can range from AAA (highest quality) to D (default). An investment grade is a rating that indicates that a bond has a relatively low risk of default. Debt securities with ratings of BBB or higher are considered investment grade issues, and debt securities with ratings below BBB are non-investment grade issues. Debt securities in the non-investment grade category are more speculative and are often referred to as "high-yield". This is due to the fact that lower rated debt securities generally carry a higher interest rate to compensate the buyer for taking on additional risk.

The following is a schedule of the credit risk ratings of CCCERA's fixed income and short-term investments as of December 31, 2017 as rated by Standard & Poor's (Dollars in Thousands):

Credit Risk Ratings	
As of December 31, 2017	
Quality Ratings	Fair Value
AAA	\$532,372
AA+	80,344
AA	18,168
AA-	95,581
A+	71,681
A	168,780
A-	159,351
BBB+	167,202
BBB	87,809
BBB-	39,688
BB+	49,746
BB	45,675
BB-	77,778
B+	49,616
B	53,330
B-	46,968
CCC+	12,022
CCC	5,923
CCC-	4,971
NR	1,181,667
TOTAL CREDIT RISK FIXED INCOME SECURITIES	\$2,948,672

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. CCCERA has no formal policy related to foreign currency risk. CCCERA's external investment managers may invest in international securities and must follow CCCERA's investment guidelines pertaining to these types of investments.

CCCERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2017 is as follows:

Foreign Currency Risk			
As of December 31, 2017 (Dollars in Thousands)			
Currency	Fixed Income	Equity	Total
Australian Dollar	\$2,712	\$72,450	\$75,162
Brazilian Real	1,623	58,367	59,989
British Pound Sterling	12,557	172,596	185,153
Canadian Dollar	5,776	29,323	35,100
Chinese Yuan - China	48	-	48
Colombian Peso	-	2,695	2,695
Czech Koruna	(3)	-	(3)
Danish Krone	695	27,632	28,328
Euro Currency	28,647	290,476	319,123
Hong Kong Dollar	3,572	237,255	240,826
Hungarian Forint	-	1,540	1,540
Indian Rupee	-	71,369	71,369
Indonesian Rupiah	177	16,512	16,689
Israeli Shekel	375	7,568	7,943
Japanese Yen	43,980	170,137	214,117
Malaysian Ringgit	84	19,428	19,512
Mexican Peso	2,284	9,155	11,439
Norwegian Krone	150	9,632	9,782
Philippines Peso	-	764	764
Polish Zloty	577	8,786	9,362
Republic of Korea Won	5,508	135,281	140,789
Russian Federation Ruble	-	5,435	5,435
Singapore Dollar	1,179	21,340	22,519
South Africa Rand	0	61,794	61,794
Swedish Krona	2,517	30,346	32,863
Swiss Franc	5,116	89,096	94,212
Taiwan New Dollar	-	76,236	76,236
Thailand Bait	2,031	10,377	12,407
Turkish Lira	-	9,828	9,828
Yuan Renminbi - China	(48)	-	(48)
TOTAL SECURITIES SUBJECT TO FOREIGN CURRENCY RISK	\$119,558	\$1,645,418	\$1,764,976

Note 4. Fair Value Measurements

CCCERA implemented GASB Statement No. 72 (GASB 72), *Fair Value Measurements and Application*, in the year ending December 31, 2016. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. The Plan's investments are measured and reported within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- *Level 1* inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2* inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.
- *Level 3* inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

Schedule of Investments by Fair Value Hierarchy

Equity securities and real estate investment trusts classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The exchange traded Foreign Exchange Contracts classified in Level 1 of the fair value hierarchy are valued using a daily settlement when available or as a daily mark to market.

Debt and equity securities classified in Levels 1 or 2 of the fair value hierarchy are valued using a matrix pricing technique based on the availability of the market price, the pricing source and type, and the country of incorporation of the securities. The hierarchy levels are determined based on the level of corroborative information obtained from other market sources to assert that the prices provided represent observable data.

Equity mutual funds and real assets classified in Level 2 of the fair value hierarchy are valued based on the availability of market price of the underlying assets, and using either a discounted cash flow or Comparable Company Analysis with internal assumptions.

Certain investments which do not have a readily determinable fair value have been valued at Net Asset Value (NAV) per share (or its equivalent) provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements. These investments are not categorized within the fair value hierarchy but disclosed in the schedule of Investments Measured at the NAV.

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

CCCERA has the following recurring fair value measurements as of December 31, 2017 (in thousands):

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Schedule of Investments by Fair Value Hierarchy				
The Plan has the following recurring fair value measurements as of December 31, 2017 (Dollars in Thousands)				
Investments by Fair Value Level:				
Stocks:				
Domestic Equity	\$1,328,303	\$1,296,140	\$32,163	\$-
Global & International Equity	292,398	221,740	70,658	-
Real Estate - REIT	65,306	62,854	2,452	-
Total Stock Securities	1,686,007	1,580,734	105,273	-
Bonds:				
Liquidity Program	1,706,197	-	1,706,197	-
Held in Equity Portfolios	3,595	-	3,595	-
High Yield	348,538	-	348,538	-
Total Bond Securities	2,058,330	-	2,058,330	-
Real Assets:				
Risk Diversifying	189,761	-	189,761	-
Cash Overlay	38,859	-	38,859	-
Total Investments By Fair Value Level	3,972,957	1,580,734	2,392,223	-
Investments Measured at the Net Asset Value (NAV):				
Public Market Commingled Funds	2,501,361			
Real Estate:				
Value Added, Opportunistic & Distressed Funds	652,386			
Alternatives:				
Private Equity & Private Credit Funds	1,026,906			
Total Investments Measured at the NAV	4,180,653			
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	\$8,153,610			
Investment Derivative Instruments:				
Foreign Exchange Contracts	(22)	(22)	-	-
Total Investment Derivative Instruments	(22)	(22)	-	-

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Investments Measured at the Net Asset Value (NAV) (Dollars in Thousands)				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public Market Commingled Funds ⁽¹⁾	\$2,501,361	\$-	1-90 days	1-30 days
Real Estate:				
Value Added, Opportunistic & Distressed Funds ⁽²⁾	652,386	246,538	N/A	N/A
Alternatives:				
Private Equity & Private Credit Funds ⁽³⁾	1,026,906	618,254	N/A	N/A
Total Investments Measured at the NAV	\$4,180,653	\$864,792		

3. *Private Equity & Private Credit Funds:* This investment type consists of twenty-seven private equity and five private credit funds. The private equity funds invest primarily in privately held U.S. and non-U.S. companies. The five private credit funds invest primarily in commercial real estate debt and debt instruments of upstream energy firms. The fair value of these investments has been determined using a practical expedient based on the investments' NAV. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 15 years, depending on the vintage year of each fund.

1. *Public Market Commingled Funds:* This investment type consists of nine public market commingled funds that primarily invest in publicly traded stocks and bonds. The fair value of these investments has been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments typically have monthly liquidity with ten days notice.
2. *Value Added, Opportunistic & Distressed Real Estate Funds:* This investment type consists of twenty real estate funds that invest primarily in commercial real estate. The fair value of these investments has been determined using a practical expedient based on the investments' NAV. All of the funds are in closed-end fund vehicles and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

Note 5. Securities Lending Transactions

The investment policy, adopted by the Board, permits the use of a securities lending program with its principal custodian bank. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn CCCERA receives cash as collateral and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Earnings generated above and beyond the interest paid to the borrower represent the net income to CCCERA from the transaction. 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. The collateral is marked-to-market daily, and if the market value of the securities rises, CCCERA receives additional collateral.

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

There are no restrictions on the amount of the securities that can be loaned at one time. CCCERA has the right to terminate any loan in whole or in part by providing the custodian bank with written notice (a "Recall Notice"). Because the loans are terminable at will, the term to maturity of the security loans is generally not matched with the term to maturity of the cash collateral. At year-end, CCCERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of December 31, 2017, there were no violations of legal or contractual provisions. CCCERA had no losses on securities lending transactions resulting from the default of a borrower for the years ended December 31, 2017 and 2016.

At year-end, additional funds of \$973 thousand are owed to borrowers for CCCERA's collateral overpayments on CCCERA's securities on loan. This is known as the "calculated mark" and will settle on the first business day of January 2018. CCCERA has no credit risk exposure to borrowers because the collateral exceeds the amount borrowed. The fair value of investments on loan at December 31, 2017 is \$331.0 million which was collateralized by cash and securities in the amount of \$340.4 million. The fair value of the cash collateral in the amount of \$294.0 million has been reported both as an asset and liability in the accompanying Statement of Fiduciary Net Position.

Securities Lending

The following securities were on loan and collateral received as of December 31, 2017
(Dollars in Thousands)

<i>Securities on Loan</i>	Fair Value of Securities on Loan	Cash Collateral*	Non-Cash Collateral	Calculated Mark*	Collateral Percentage
U.S. Corporate Fixed and Equity	\$286,705	\$247,971	\$46,431	\$(995)	102.3%
U.S. Government	44,316	45,204	-	25	102.1%
Non-U.S. Equity	213	227	-	(3)	105.2%
Non-U.S. Fixed Income	592	604	-	-	102.0%
TOTAL	\$331,826	\$294,006	\$46,431	\$(973)	102.3%

*Additional funds known as the "calculated mark" are due from/to the borrower to bring collateral to 102% for domestic and non-U.S. debt securities.

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6.
Net Pension Liability

Statement No. 67 of the Governmental Accounting Standards Board (GASB) requires public pension plans to provide a net pension liability. The net pension liability is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of CCCERA's (the Plan's) net pension liability as of December 31, 2017 and 2016 are as follows:

Net Pension Liability (Dollars in Thousands)		
	December 31, 2017	December 31, 2016
Total Pension Liability (a)	\$9,202,018	\$8,838,975
Plan Fiduciary Net Position (b)	8,390,581	7,438,520
Net Pension Liability (a-b)	\$811,437	\$1,400,455
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	91.2%	84.2%

Actuarial Assumptions

In preparing an actuarial valuation, the actuary employs generally accepted actuarial methods and assumptions to evaluate the Plan's assets, liabilities, and future contributions requirements. The actuary utilizes member data and financial information provided by the Plan with economic and demographic assumptions made about the future to estimate the Plan's financial status as of a specified point in time. Examples of estimates include assumptions about future employment, mortality, future investment returns, future salary increases, expected retirements and other relevant factors. Actuarially determined amounts are subject to continual review or modification. The Board reviews the economic and demographic assumptions of the Plan every three years.

The actuarial assumptions used to determine the total pension liability as of December 31, 2017 were based on the results of the most recent Actuarial Experience Study which covered the period from January 1, 2012 through December 31, 2014. These same assumptions were used in the December 31, 2016 actuarial valuation, which is used to determine contribution rates for funding

purposes. Key methods and assumptions used in the latest actuarial valuation and the total pension liability are presented below.

Key Methods and Assumptions Used In Annual Actuarial Valuation and Total Pension Liability	
Valuation Date	December 31, 2017
Actuarial Experience Study	3 Year Period Ending December 31, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of payroll
Remaining Amortization Period	Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 6 years remaining as of December 31, 2016. Any changes in UAAL after December 31, 2007 is separately amortized over a fixed 18-year period effective with that valuation. Effective December 31, 2013, any changes in UAAL due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 10-year fixed period effective with that valuation. The entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.
Investment Rate of Return	7.00%, net of pension plan investment expenses, including inflation
Inflation Rate	2.75%
Administrative Expenses	1.13% of payroll allocated to both the employer and member based on the components of the normal cost rates for the employer and member.
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases ⁽¹⁾	General: 4.00% to 13.25% Safety: 4.00% to 13.75%, varying by service, including inflation.
Cost-of-Living Adjustments	2.75% per year except for Safety Tier C, PEPRA Tier E benefits and PEPRA Tier 4 (2% COLA) and Tier 5 (2% COLA) benefits for members covered under certain memoranda of understanding are assumed to increase at 2% per year. All increases are contingent upon actual increases in Consumer Price Index (CPI).
Other Assumptions:	Same as those used in the December 31, 2017 funding actuarial valuation.

(1)Includes inflation at 2.75% plus real across-the-board salary increase of 0.50% plus promotional and merit increases for December 31, 2017 and December 31, 2016.

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Long-Term Expected Real Rate of Return

The long-term expected rate of return on Plan investments was determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocations (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized in the table below.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	6.00%	5.75%
Developed International Equity	10.00%	6.99%
Emerging Markets Equity	14.00%	8.95%
Short-Term Govt/Credit	24.00%	0.20%
U.S. Treasury	2.00%	0.30%
Real Estate	7.00%	4.45%
Cash & Equivalents	1.00%	(0.46)%
Risk Diversifying Strategies	2.00%	4.30%
Private Credit	17.00%	6.30%
Private Equity	17.00%	8.10%
TOTAL	100.00%	

Mortality Rates

Mortality rates used in the latest actuarial valuation are based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2015 projection scale for General Members and set back three years, projected generationally with the two dimensional MP-2015 projection scale for Safety Members. The rates used

in evaluating disability allowances were based on the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward eight years, projected generationally with the two-dimensional MP-2015 projection scale for General Members and set forward three years for Safety Members.

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2017 and December 31, 2016 was 7.00%. The projection of cash flows used to determine the discount rate assumed Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current Plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan members and their beneficiaries, as well as projected contributions from future Plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2017 and December 31, 2016, respectively.

The following table presents the net pension liability of participating employers calculated using the discount rate of 7.00% as of December 31, 2017 as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

Sensitivity of Net Pension Liability to Changes in the Discount Rate			
As of December 31, 2017 (Dollars in Thousands)			
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$2,062,922	\$811,437	\$(208,444)

Note 7.
Derivative Financial Instruments

A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. As of December 31, 2017, the derivative instruments held by CCCERA are considered investments and not hedges for accounting purposes. The term hedging, as it is used elsewhere in the notes to these financial statements, denotes an economic activity and not an accounting method. The gains and losses from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

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

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

CCCERA could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. CCCERA's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. CCCERA anticipates that the counterparties will be able to satisfy their obligations under the contracts. The following is a summary of derivative instruments at December 31, 2017 with the net appreciation/ (depreciation) that has occurred during the year:

Fair Value				
As of December 31, 2017				
(Dollars in Thousands)				
<i>Investment Derivatives by Type</i>	<i>Net Appreciation/ (Depreciation) in Fair Value Amount</i>	<i>Classifications</i>	<i>Fair Value</i>	<i>Notional Amount</i>
Credit Default Swaps Bought	\$(2)	Debt Securities	\$-	-
Credit Default Swaps Written	126	Debt Securities	-	-
Fixed Income Futures Long	1,616	Debt Securities	-	47,900
Fixed Income Futures Short	34	Debt Securities	-	-
Fixed Income Options Bought	(956)	Debt Securities	-	-
Fixed Income Options Written	554	Debt Securities	-	-
Foreign Currency Options Bought	(119)	Debt Securities	-	-
Foreign Currency Options Written	325	Debt Securities	-	-
Futures Options Written	322	Debt Securities	-	-
FX Forwards	(3,079)	Debt Securities	(22)	13,527
Index Futures Long	39,414	Debt Securities	-	173
Index Futures Short	(297)			
Index Options Bought	(170)		-	-
Index Options Written	154	Debt Securities	-	-
Pay Fixed Interest Rate Swaps	(355)	Debt Securities	-	-

(Table continued on next page)

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Table continued from previous page)

Fair Value				
As of December 31, 2017 (Dollars in Thousands)				
<i>Investment Derivatives by Type</i>	<i>Net Appreciation/ (Depreciation) in Fair Value Amount</i>	<i>Classifications</i>	<i>Fair Value</i>	<i>Notional Amount</i>
Receive Fixed Interest Rate Swaps	211	Debt Securities	-	-
Total Return Swaps Equity	13,800	Equities	-	-
Warrants	-	Equities	-	224
TOTAL	\$51,578		\$(22)	

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

Futures contracts are instruments that derive their value from underlying indices or reference rates and are marked to market daily. Settlement of gains or losses occur the following business day. As a result, those instruments and other similar instruments do not have a fair value at December 31, 2017, or any other trading day. Daily settlement of gains and losses enhances internal controls as it limits counterparty credit risk. Futures variation margin accounts are also settled daily and recognized in the financial statements under net appreciation/(depreciation) in fair value as they are incurred.

Foreign currency contracts are obligations to buy or sell a currency at a contractual exchange rate and quantity on a specific date in the future. The fair value of the foreign currency forwards is the unrealized gain or loss calculated as the difference between the contractual exchange rate and the closing exchange rate as of December 31, 2017.

Counterparty Credit Risk

Counterparty credit ratings of CCCERA's non-exchange traded investment derivative instruments (approximately \$118 thousand) and subject to loss as of December 31, 2017, ranged from BBB+ to A+ per Standard & Poor's rating with similar ratings from Moody's and Fitch Ratings (Fitch). No instruments that were non-exchange traded lacked ratings. In a case where a wholly owned broker-dealer does not engage the rating companies for a standalone rating, the subsidiary is assigned the parent company rating as the broker-dealer is an integral part of their business model(s). With the exception of forward trade commitments, CCCERA has a policy of requiring collateral posting provisions in non-exchange traded derivative instruments where it is market practice. As of December 31, 2017, CCCERA does not hold any collateral related to its non-exchange traded derivative instruments. The approximate \$118 thousand represents the maximum loss that would be recognized at December 31, 2017 should the counterparties fail to perform. While no netting arrangements are used by CCCERA, the amount represents a net position of exposure for similar instruments.

Derivative Instruments Subject to Credit Risk

As of December 31, 2017, the following is a table of investment providers that are subject to credit risk, percentage of net exposure, and ratings:

Investment Provider Exposure to Credit Risk		
At December 31, 2017		
<i>Counterparty</i>	<i>Percentage of Net Exposure</i>	<i>Standard & Poor's</i>
JPMORGAN CHASE BANK N.A	78%	A+
UBS AG	11%	A+
GOLDMAN SACHS BANK USA	10%	BBB+
BANK OF NEW YORK	2%	A

Custodial Credit Risk

The custodial credit risk for exchange traded derivative instruments is made in accordance with custodial credit risk disclosure requirements outlined in generally accepted accounting principles

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

(GAAP). As of December 31, 2017, all of CCCERA's investments are held in CCCERA's name and are not subject to custodial credit risk.

Interest Rate Risk

As of December 31 2017, CCCERA is not exposed to interest rate risk on its swaps and options. Since CCCERA's investment managers can buy and sell the swaps and options on a daily basis, the investment managers actively manage the portfolio to minimize interest rate risk and it is unlikely that the swaps and options will be held to maturity. The total fair value subject to interest rate risk as of December 31, 2017 is zero.

The interest rate swaps and options are highly sensitive to interest rate changes. As of December 31, 2017, they had a fair value of zero and an approximate notional value of \$47.9 million.

FOREIGN CURRENCY RISK IN INTERNATIONAL INVESTMENT SECURITIES

CCCERA is exposed to foreign currency risk on its various investments denominated in foreign currencies. As of December 31, 2017, there were no currencies in a receivable position (purchased). As of December 31, 2017, the following currencies were in a payable position (sold) with net exposure, denominated in United States Dollars:

Foreign Currency Risk in International Investment (Dollars in Thousands)					
<i>Currency Name</i>	<i>Options</i>	<i>Net Receivable (Purchased)</i>	<i>Net Payable (Sold)</i>	<i>Swaps</i>	<i>Exposure</i>
EURO CURRENCY	\$-	\$-	\$(110)	-	\$(110)
POUND STERLING	-	-	(20)	-	(20)
JAPANESE YEN	-	-	108	-	108
SUBTOTAL	0	0	(22)	-	(22)
US DOLLAR	-	-	-	-	-
TOTAL	\$0	\$0	\$(22)	\$0	\$(22)

Contingent Features

As of December 31, 2017, CCCERA held no investments with contingent features.

**Note 8.
Contributions**

Participating employers and active Plan members are required to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code Sections 31453.5, 31454 and 7522.52, for participating employers, and Government Code Sections 31621.6, 31639.25 and 7522.30 for active Plan members. The contribution requirements are established and may be amended by the Board pursuant to Article 1 of CERL, which is consistent with the Plan's Actuarial Funding Policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that considers the mortality, service (including age at entry into the Plan, if applicable, and tier), and compensation experience of the members and beneficiaries, and also includes an evaluation of the Plan's assets and liabilities. Participating employers may pay a portion of the active Plan members' contributions through negotiations and bargaining agreements subject to restrictions in CERL and PEPRA.

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 CERL, the Retirement Board recommends annual contribution rates for approval by the Board of Supervisors. These contribution rates are determined in accordance with the Plan's Actuarial Funding Policy, which has the following goals:

1. To determine future contributions that, together with current plan assets, are expected to be sufficient to provide for all benefits provided by CCCERA;
2. To seek reasonable and equitable allocation of the cost of benefits over time including the goal that annual contributions should, to the extent reasonably possible, maintain a close relationship to both the expected cost of each year of service and to variations around that expected cost;

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. To manage and control future contribution volatility to the extent reasonably possible, consistent with other policy goals; and,
4. To support the general public policy goals of accountability and transparency by being clear as to both intent and effect, allowing for an assessment of whether, how and when the plan sponsors will meet the funding requirements of the Plan.

The "Entry Age" method is used to determine the normal cost and the Actuarial Accrued Liability (AAL). Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the Unfunded Actuarial Accrued Liability (UAAL). Normal cost under the Entry Age method is the annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement benefit if all underlying assumptions are met. The UAAL is the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets.

The rates for Legacy members (those subject to a benefit formula in CERL) are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and tier. The rates for PEPRA members (new members on or after January 1, 2013) are equal to one-half the normal cost of their defined benefit plan.

Member contribution rates for CCCERA members are between 7.81% and 22.31% of annual covered salary, depending on employer and tier. Certain Safety members, including Legacy members with Contra Costa County Fire Protection District and Moraga-Orinda Fire District, contribute an additional percent of base pay towards the employer's increase in cost of the enhanced (3% at 50) safety benefit. Contra Costa

County Fire Protection District members pay 3% of base pay and Moraga-Orinda members contribute 9% of base pay. Member contributions are refundable upon termination of employment.

As of December 31, 2017, Contra Costa County and eight other CCCERA employers subsidize some portion of the employee basic retirement contribution for at least some employees.

During the year ended December 31, 2017, contributions totaled approximately \$411.3 million which included \$314.8 million in employer contributions and \$96.5 million in employee contributions. The contribution figures also include employee and employer purchase, redeposit, and conversion amounts.

Government Code Section 31582(b) allows the Board of Supervisors to authorize the County auditor to make an advance payment of all or part of the County's estimated annual contribution to the retirement fund, provided that the payment is made no later than 30 days after the beginning of the County's fiscal year. If the advance is only a partial payment of the County's estimated annual contribution, remaining transfers will be done monthly or at the end of each pay period until the total amount required for the year is contributed.

Government Code Section 31582(b) was amended in July 17, 2017 with Senate Bill 671 approved by the Governor, to also allow the Board of Supervisors to authorize the County auditor to make a second advance payment for an additional year or partial year of contributions, provided that the payment is made no later than 30 days after the beginning of the County's fiscal year.

Government Code Section 31585(c) allows governing bodies of employer districts authorization for the same appropriations and transfers for all, part, or second additional annual advance payments. Contra Costa

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

County and nine other participating employer districts “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.

Ten-year historical trend information, designed to provide information about CCCERA’s progress in accumulating sufficient assets to pay benefits when due, is presented in the Actuarial Section of this report on page 79.

As noted in Note 1, *Plan Description*, the Governor approved Assembly Bill 1380 (AB 1380) in September 2013, which makes various technical corrections and conforming changes that align CERL with the provisions of PEPRA. In particular, the bill stipulates that the Board may, but is not required to, round the member contribution rates for PEPRA members to the nearest quarter of one percent, and those rates may be adjusted for any change in the normal cost rate. AB 1380 was effective January 1, 2014. On January 22, 2014, CCCERA’s Board exercised the discretion made available by AB 1380 to no longer round the member’s contribution rates for PEPRA members to the nearest quarter of one period as previously required. This should allow for exactly one-half of the normal cost to be paid by the employees and by the employers covered under the PEPRA plan.

The CERL requires an actuarial valuation to be performed at least every three years for the purpose of measuring the Plan’s funding progress and setting contribution rates. CCCERA exceeds this requirement by engaging an independent actuarial consulting firm to perform an actuarial valuation for the pension plan annually. The purpose of the valuation is to evaluate the assets and liabilities of the Plan and determine necessary changes in member and employer

contribution rates. The actuarial assumptions and methods have been selected in order to help ensure the systematic funding of future benefit payments for CCCERA members, and to maintain equity among generations of participants and taxpayers.

Actuarial standards guide the frequency to which an investigation of experience (experience study) is performed. CCCERA engages an independent actuarial consulting firm to perform the experience study at least every three years. The economic and demographic assumptions are reviewed and updated as required each time an experience study is performed. If assumptions are modified as a result of the experience study, member and employer contribution requirements are adjusted to take into account the change in the projected experience of the Plan. The most recent complete review of economic and demographic assumptions was for the period January 1, 2012 through December 31, 2014.

The latest valuation as of December 31, 2016 discloses the actuarial value of assets at \$7.6 billion with an actuarial accrued liability of \$8.8 billion for a funded ratio of 86.5%. The UAAL is \$1.2 billion, which is 151.38% of the \$784 million projected covered payroll. A schedule of CCCERA’s funding progress may be found in the Actuarial Section on page 79. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. Additional information regarding the actuarial methods and significant assumptions used as of the latest actuarial valuation of plan assets and liabilities is shown in the following table.

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Methods and Assumptions Used to Establish Actuarially Determined Contribution Rates

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two and a half years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of payroll for total unfunded liability (3.25% payroll growth assumed)
Amortization Period	<p>The UAAL (i.e., the difference between the AAL and the Valuation Value of Assets) as of December 31, 2014 will continue to be amortized over separate amortization layers based on the valuations during which each separate layer was previously established.</p> <ul style="list-style-type: none"> Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of December 31 will be amortized over a period of 18 years. Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 18 years.
Remaining Amortization Period	Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 6 years remaining as of December 31, 2016. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. Effective December 31, 2013, any changes in UAAL due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 10-year fixed period effective with that valuation. The entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of pension plan investment expenses, including inflation
Inflation Rate	2.75%
Administrative Expenses	1.12% of payroll allocated to both the employer and member based on the components of the normal cost rates for the employer and member
Real Across-the-Board Salary Increases	0.50%
Projected Salary Increases - General	4.00% to 13.25% ⁽¹⁾
Projected Salary Increases - Safety	4.00% to 13.75% ⁽¹⁾
Cost-of-Living Adjustments	2.75% per year except for Safety Tier C, PEPRA Tier E benefits and PEPRA Tier 4 (2% COLA) and Tier 5 (2% COLA) benefits for members covered under certain memoranda of understanding are assumed to increase at 2% per year. All increases are contingent upon actual increases in CPI.
Other Assumptions	Same as those used in the December 31, 2016 funding actuarial valuation.

(1) Includes inflation at 2.75%, plus "across-the-board" salary increases of 0.50%, plus merit and promotional increases for December 31, 2016.

Note 9. Reserves and Designations

All employer and Plan member contributions are allocated to various reserve accounts based on the recommendation of the Plan's actuary, as approved by the Board and, where applicable, as required by CERL. CCCERA currently does not set aside a separate reserve for purposes of benefit increases or reduced employer contributions. Reserves are established from member and employer contributions and the accumulations of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. Following are brief explanations of the major classes of reserves and designations used by CCCERA:

Member Deposits Reserve represents the balance of members' accumulated contributions. Additions include member contributions and credited interest; deductions include refunds of member contributions and transfers to Retired Member Reserve upon retirement.

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 transfers of accumulated contributions of members who have retired, employer contributions needed to fund retired member benefits as determined by the actuary and credited interest less payments to retired members.

Contra Tracking Account 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 to zero before replenishing the Contingency Reserve or allocating earnings to any discretionary uses.

Post Retirement Death Benefit Reserve represents the balance of transfers from excess earnings and related earnings, less lump sum death benefit payments to the beneficiaries of retirees.

Contingency Reserve represents reserves 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 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 Contingency Reserve was completely used to pay 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.

Total Deferred Return represents the unrecognized return after smoothing of investment gains and losses based on a five-year smoothing method. This method smooths only the semi-annual deviation of total market return (net of expenses) from the actuarial assumption, currently 7.00 percent per annum.

Contra Costa County Employees' Retirement Association
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reserves and designated fiduciary net position as of December 31, 2017 and 2016 are as follows:

Reserved and Designated Fiduciary Net Position		
As of December 31, 2017 and 2016 (Dollars in Thousands)		
	2017	2016
Valuation Reserves:		
Member Deposits Reserve		
Basic	\$795,727	\$729,443
Cost-of-Living	420,389	387,381
Employer Advance Reserve		
Basic	2,063,002	1,834,548
Cost-of-Living	928,965	824,863
Retired Member Reserve		
Basic	3,363,344	3,292,925
Cost-of-Living	2,444,582	2,333,428
New Dollar Power Cost-of-Living Supplement	3,947	5,348
Contra Tracking Account	(1,840,065)	(1,800,938)
TOTAL VALUATION RESERVES	8,179,891	7,606,998
Supplemental Reserves:		
Post Retirement Death Benefit Reserve	15,625	15,354
Other Reserves/Designations		
Contingency Reserve (one percent)	0	0
TOTAL ALLOCATED RESERVES/DESIGNATIONS	8,195,517	7,622,352
TOTAL DEFERRED RETURN	195,065	(183,832)
NET POSITION - RESTRICTED FOR PENSIONS	\$8,390,581	\$7,438,520

**Note 10.
Lease Obligation**

CCCERA was owner of the Willows Office Park headquarters building located at 1355 Willow Way, Concord, California, and had held this property as a real estate investment since 1984. The property was sold on March 24, 2016, and CCCERA entered into a fair value lease agreement with the new property manager, Paramount Company, to remain and occupy a portion of the building. A commitment under an operating lease agreement for office facilities provides for minimum future rental payments through September 30, 2019. These future minimum rental payments as of December 31, 2017 are as follows:

Lease Obligation	
Year Ending December 31	Amount
2018	\$433,091
2019*	331,558
TOTAL	\$764,649

* Lease expires September 30, 2019.

**Note 11.
 Paulson Lawsuit Settlement**

During the year ended December 31, 1999, CCCERA settled its litigation, entitled *Vernon D. Paulson, et al. vs. Board of Retirement of the Contra Costa County Employees' Retirement Association, et al.* The lawsuit was brought on behalf of a class of retired members of CCCERA regarding the inclusions and the exclusions from "final" compensation that are used in calculating members' retirement benefits. A settlement agreement was entered into with all parties and each employer was invoiced for their share of the \$34.2 million additional liability plus interest up to the date of the payment. All employers except Contra Costa County have paid off their liability. Contra Costa County chose to pay its share of the liability due over 19.5 years and entered into an agreement with CCCERA. The following summary lists the pertinent details of the County's agreement plus the amounts due at December 31, 2017.

Installment Payments Due from Paulson Final Liability (Dollars in Thousands)	
Contra Costa County	
Agreement Details:	
Effective Date of Agreement	December 16, 2003
First Payment Due	August 1, 2004
Last Payment Due	February 1, 2024
Rate of Interest	8%
Annual Principal and Interest Payment	\$2,760
Original Principal	\$28,065
Receivable at December 31, 2017:	
Future Principal Payments	\$13,579
Interest Accrued for 2017	\$453
	\$14,032

**Note 12.
 Litigation, Commitments, and Contingencies**

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

On November 28, 2012, the Contra Costa County Deputy Sheriff's Association (DSA) and other employee groups filed a petition for a writ of mandate with the Contra Costa County Superior Court, seeking to prevent CCCERA from implementing AB 197. AB 197 added Subdivision 31461(b) to the CERL, mandating certain exclusions from compensation for retirement purposes. Final judgment was entered on May 12, 2014, and the matter has been appealed. Final resolution of this lawsuit in the courts could take several years.

On August 21, 2014, the DSA and other employee groups filed a petition for a writ of mandate with the Contra Costa County Superior Court, seeking a permanent injunction requiring CCCERA to include multiple in-service leave cash outs in pensionable pay so long as the cash outs were paid or payable during the final average salary period. The lawsuit is related to the 2012 lawsuit referenced above, in that it involves questions regarding whether certain leave payments are "earned and payable" in the final average salary period and therefore pensionable. Final resolution in the courts could take several years.

A CCCERA retired member, Peter Nowicki, filed a claim challenging the Board's decision to reduce his retirement allowance after the exclusion of excess compensation was determined to have been improperly increased by the member.

A CCCERA retired member, Jon Wilmot, filed a claim challenging the Board's decision to reduce his retirement allowance as mandated by applicable felony forfeiture law following the member's conviction for a job-related felony.

As of December 31, 2017, CCCERA was committed to future investments in real estate of \$247 million and \$618 million in alternative investments.

Note 13.
Administrative Expenses

The Board of Retirement annually adopts the operating budget for the administration of CCCERA. The administrative expenses are charged against the earnings of the Plan.

California Government Code Section 31580.2(a) states that the annual budget for administrative expenses of a CERL retirement system may not exceed the greater of either of the following:

1. Twenty-one hundredths of one percent (0.21 percent) of the actuarial accrued liability of the retirement system or,
2. Two million dollars (\$2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5 (commencing with Section 31870).

CCCERA has adopted the provisions of CERL which allows CCCERA to exclude actuarial, investment, legal, and disaster recovery costs from administrative expenses subject to the budget limits described above. Therefore, actuarial and investment costs are offset against investment income, and legal and disaster recovery costs are all reported on the Statement of Changes in Fiduciary Net Position as other expense.

The Board approved the administrative budgets for fiscal years ended December 31, 2017 and December 31, 2016, which were prepared based upon the twenty-one hundredths of one percent (0.21 percent) CERL limit.

The following budget-to-actual analysis of administrative expenses schedule is based upon the budget as approved by the CCCERA Board in comparison to actual administrative expenses:

Budget-to-Actual Analysis of Administrative Expense		
As of December 31, 2017 and 2016 (Dollars in Thousands)		
	2017	2016
Basis for Budget Limitation, Actuarial Accrual Liability (AAL) ⁽¹⁾	\$8,448,624	\$8,027,438
Maximum Allowable For Administrative Expenses (AAL x 0.21%)	17,742	16,858
Approved Administrative Budget	9,946	9,262
Actual Administrative Expenses	(9,146)	(8,486)
Actual Expenses (over) under Administrative Budget	800	776
Actual Administrative Expenses	9,146	8,486
Actuarial Accrued Liability (AAL)	8,448,624	8,027,438
Actual Administrative Expenses as a Percentage of AAL	0.11%	0.11%
Statutory Limit Allowable For Administrative Expenses per CERL	0.21%	0.21%

(1) The AAL, as determined by CCCERA's actuary each year, is used to calculate the statutory limit for administrative expenses for the year after next. For example, the AAL as of December 31, 2015 was approved by the Board in October 2016, and was used to establish the statutory limit for administrative expenses for the year ended December 31, 2017.

Note 14.
Subsequent Events

Subsequent events were evaluated through June 22, 2018, which is the date the financial statements were available to be issued. CCCERA did not have any other events requiring recording or disclosure in the financial statements for the year ended December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY & RELATED RATIOS

The schedule of changes in net pension liability and related ratios displays the components of the total pension liability and plan fiduciary net position for the Plan, calculated in conformity with the requirements of GASB 67. Covered payroll represents payroll on which contributions to the pension plan are based.

Schedule of Changes in Net Pension Liability and Related Ratios					
For the years 2013 through 2017*					
(Dollars in Thousands)					
Year Ended December 31	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	\$212,258	\$202,697	\$192,923	\$192,257	\$196,463
Interest	616,273	591,972	582,343	561,216	564,441
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(29,192)	(19,957)	(62,118)	(183,605)	(77,223)
Changes of assumptions	-	-	72,186	(76)	(232,887)
Actual benefit payments, including refunds of employee contributions	(436,295)	(419,446)	(406,236)	(394,948)	(374,639)
Net Change in Total Pension Liability	363,043	355,266	379,098	174,844	76,156
Total Pension Liability - Beginning	8,838,975	8,483,709	8,104,611	7,929,767	7,853,611
Total Pension Liability - Ending (a)	9,202,018	8,838,975	8,483,709	8,104,611	7,929,767
Plan Fiduciary Net Position					
Contributions - employer ⁽¹⁾	314,836	307,909	323,720	293,760	235,017
Contributions - employee ⁽¹⁾	96,467	88,788	85,360	78,258	72,373
Net investment income, including prepayment discount	987,416	493,874	73,611	480,502	877,761
Benefit payments, including refunds of employee contributions	(436,295)	(419,446)	(406,236)	(394,948)	(374,639)
Administrative expense	(9,146)	(8,486)	(8,115)	(6,980)	(6,776)
Other	(1,217)	(701)	(668)	-	-
Net Changes in Plan Fiduciary Net Position	952,061	461,938	67,672	450,592	803,736
Plan Fiduciary Net Position - Beginning	7,438,520	6,976,582	6,908,910	6,458,318	5,654,581
Plan Fiduciary Net Position - Ending (b)	8,390,581	7,438,520	6,976,582	6,908,910	6,458,318
Net Pension Liability/(Asset) (a) - (b) = (c)	\$811,437	\$1,400,455	\$1,507,127	\$1,195,701	\$1,471,449
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (b) / (a)	91.2%	84.2%	82.2%	85.3%	81.4%
COVERED PAYROLL (d)	\$809,960	\$755,139	\$709,819	\$671,486	\$638,636
NET PENSION LIABILITY AS PERCENTAGE OF COVERED PAYROLL (c) / (d)	100.2%	185.5%	212.3%	178.1%	230.4%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) In accordance with GASB Statement No. 82, starting with the year ended December 31, 2016, employer-paid member contributions (employer subvention) are classified as Plan Member Contributions. Vice versa, plan member-paid employer contributions (reverse subvention) are classified as Employer Contributions.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Schedule of Employer Contributions

For the years 2008 through 2017
(Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions (a)	Contributions in Relation to the Actuarially Determined Contributions (b)	Contribution Deficiency/ (Excess) (b) - (a)	Covered Payroll (c)	(1)	Contributions as a Percentage of Covered Payroll (b) / (c)
2008	\$206,519	\$206,519	\$-	\$671,618		30.75%
2009	195,632	195,632	-	704,948		27.75%
2010	183,951	183,951	-	694,444		26.49%
2011	200,389	200,389	-	687,443		29.15%
2012	212,321	212,321	-	666,394		31.86%
2013	228,017	228,017 (2)	-	638,636		35.70%
2014	288,760	288,760 (3)	-	671,486		43.00%
2015	321,220	321,220 (4)	-	709,819		45.25%
2016	307,909	307,909	-	755,139		40.78%
2017	314,512	314,512 (5)	-	809,960		38.83%

(1) Covered payroll represents payroll on which contributions to the pension plan are based; (2) Excludes additional contributions towards unfunded actuarial liability (UAAL) of \$7,000,000; (3) Excludes additional contributions towards UAAL of \$5,000,000; (4) Excludes additional contributions towards UAAL of \$2,500,000; (5) Excludes additional contributions towards UAAL of \$324,000.

Please refer to accompanying Notes to Required Supplementary Information on following page.

SCHEDULE OF INVESTMENT RETURNS

Schedule of Investment Returns

For the years 2013 through 2017*

For Years	2017	2016	2015	2014	2013
Annual Money-Weighted Rate of Return, Net of Investment Expense	13.23%	7.10%	1.19%	7.51%	15.62%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Schedule of Changes in Net Pension Liability and Related Ratios

The total pension liability contained in this schedule was provided by the Plan's actuary, Segal Consulting. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Plan.

Note 2 Schedule of Employer Contributions

The required employer contributions and percent of those contributions actually made are presented in this schedule. Actuarial assumptions used for this schedule are presented in the following table.

Additional Actuarial Information for 2017 Methods and assumptions used to establish "actuarially determined contribution" rates:	
Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two and a half years prior to the end of the fiscal year in which contributions are reported.
Actuarial Experience Study	3 Year Period Ending December 31, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Amortization Policy	<p>The UAAL (i.e., the difference between the AAL and the Valuation Value of Assets) as of December 31, 2014 will continue to be amortized over separate amortization layers based on the valuations during which each separate layer was previously established.</p> <ul style="list-style-type: none"> Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of December 31 will be amortized over a period of 18 years. Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 18 years.
Remaining Amortization Period	Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 6 years remaining as of December 31, 2016. Any changes in UAAL after December 31, 2007 is separately amortized over a fixed 18-year period effective with that valuation. Effective December 31, 2013, any changes in UAAL due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 10-year fixed period effective with that valuation. The entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of pension plan investment expenses, including inflation.
Inflation Rate	2.75%

Additional Actuarial Information for 2017

(Continued)

Administrative Expenses	1.13% of payroll allocated to both the employer and member based on the components of the normal cost rates for the employer and member.
Real Across-the-Board Salary Increases	0.50%
Projected Salary Increases*	General: 4.00% to 13.25% Safety: 4.00% to 13.75%, varying by service, including inflation.
Cost-of-Living Adjustments	2.75% per year except for Safety Tier C, PEPRA Tier E benefits and PEPRA Tier 4 (2% COLA) and Tier 5 (2% COLA). Benefits for members covered under certain memoranda of understanding are assumed to increase at 2% per year. All increases are contingent upon actual increases in Consumer Price Index (CPI).

*Includes inflation at 2.75% plus real across-the-board salary increase of 0.50% plus merit and promotional increases.

Note 3

Schedule of Investment Returns

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

The information presented in the required supplementary schedules was determined as part of the Governmental Accounting Standards Board (GASB) 67 actuarial valuation as of December 31, 2017 provided by the Plan's actuary. Additional information as of the actuarial valuation as of December 31, 2016 is in the Actuarial Section.

CCCERA implemented GASB Statement No. 82, *Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73* during the fiscal year ended December 31, 2017. GASB 82 was issued to address definition of payroll-related measures such as using covered payroll instead of covered-employee payroll; the selection of assumptions used to determine total pension liability and related measures; and classification of payments made by employers to satisfy employee contribution requirements (subvention).

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

Schedule of Administrative Expenses		
For the year ended December 31, 2017 (with Comparative Totals)		
(Dollars in Thousands)		
	2017	2016
Personnel Services:		
Salaries and Wages	\$4,029	\$3,748
Employee Benefits and Retirement	3,045	2,882
TOTAL PERSONNEL SERVICES	7,074	6,630
Operational Expenses:		
Professional Services:		
Audit Services	222	59
Actuary - Benefit Statements	75	65
Disability Hearing/ Medical Reviews	143	96
Other Professional Services	50	144
Total Professional Services	490	364
Office Expenses:		
Office Lease	421	377
Telephone & Internet Services	58	73
Equipment Lease & Maintenance	20	18
Furniture & Equipment	19	6
Office Supplies & Maintenance	80	69
Printing & Postage	147	95
Training & Education	111	56
Travel & Transportation	121	73
Insurance	267	230
Total Office Expenses	1,244	997
Information Technology (IT) Systems:		
Support Service & Software Contracts	268	243
Hardware & Equipment Maintenance	8	43
Total IT Systems	276	286
ASSETS DEPRECIATION	62	209
TOTAL ADMINISTRATIVE EXPENSES	\$9,146	\$8,486

SCHEDULE OF INVESTMENT EXPENSES

Schedule of Investment Expenses		
For the year ended December 31, 2017 (with Comparative Totals)		
(Dollars in Thousands)		
	2017	2016
Investment Management Fees, by portfolio:		
Stocks:		
Domestic Equity	\$7,050	\$6,191
Global & International Equity	7,853	6,750
Real Estate - REIT	387	527
Total Stock Securities	15,290	13,468
Bonds:		
Liquidity	1,681	2,427
Domestic Equity	419	427
High Yield	1,407	1,301
Risk Diversifying	1,023	970
Total Bond Securities	4,530	5,125
Real Assets:		
Risk Diversifying	661	732
Real Estate:		
Value Added	1,187	3,098
Opportunistic & Distressed	5,203	7,590
Total Real Estate Funds	6,390	10,688
Alternatives:		
Private Equity	11,451	11,735
Private Credit	1,914	1,889
Total Alternative Funds	13,365	13,624
TOTAL INVESTMENT MANAGEMENT FEES	40,236	43,637
Investment Consulting Fees:		
Consulting Services	492	432
Legal Services	157	103
Actuarial Services	228	251
TOTAL INVESTMENT CONSULTING FEES	877	786
INVESTMENT CUSTODIAN & FISCAL AGENT FEES	435	801
OTHER INVESTMENT RELATED EXPENSES	1,317	1,104
TOTAL INVESTMENT EXPENSES	\$42,865	\$46,328

SCHEDULE OF PAYMENTS TO CONSULTANTS

Schedule of Payments to Consultants		
For the year ended December 31, 2017 (with Comparative Totals) (Dollars in Thousands)		
<i>Type of Service</i>	2017	2016
Actuarial Services & Consulting	\$228	\$251
Benefit Statement Services	75	65
Information Technology Consulting	47	58
Audit Services	222	59
Other Professional Services	33	29
Legal Services:		
Investment Legal Counsel	157	103
Disabilities	80	67
Outside Legal Counsel	357	311
Other Legal Services	40	28
TOTAL LEGAL SERVICES	634	509
Investment Consultant Services	468	408
Investment Custodian & Fiscal Agent Fees	435	801
Proxy Guideline Voting Agent Service	24	24
TOTAL PAYMENTS TO CONSULTANTS	\$2,166	\$2,204

This page is intentionally left blank.

INVESTMENT

66	Chief Investment Officer's Report
67	General Information
68	Asset Allocation
69	Investment Results Based on Fair Value
70	Investment Managers
71	Investment Summary
72	Schedule of Investment Management Fees
73	Schedule of Brokerage Commissions
74	Schedule of Top Ten Equities and Fixed Income Securities

CHIEF INVESTMENT OFFICER'S REPORT

May 14, 2018

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

Re: Chief Investment Officer Review of 2017
Investment Activity

Members of the Board:

The Contra Costa County Employees' Retirement Association (CCCERA) experienced strong absolute performance in calendar year 2017 on the strength of upward revisions of global growth and persistently low volatility in the equity markets. The positive returns at the total fund level were driven by the exceptionally strong year in publicly-traded equities around the world. Despite the strong absolute results, several areas of the CCCERA lineup lagged their benchmarks, most notably in the private equity area. CCCERA's fixed income and real estate programs performed well vs. their benchmarks. As noted later in this letter, CCCERA is in the late stages of restructuring several of these asset segments.

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

Total Fund Performance

CCCERA's Total Fund returned 14.2% (gross of investment management fees) for the year ending December 31, 2017. This was greater than the long-term objective of delivering a real return of 4% annually (measured as CPI plus 400 basis points), which was 6.0% for 2017. Relative to the peer universe, CCCERA's 2017 performance lagged the median public fund return of 16.2% and ranked in the 82nd percentile of public funds. Over the past 10 years ending December 31, 2017, CCCERA has returned 6.7% and ranked in the 12th percentile of public funds.

Strategic Review of Asset Allocation and Portfolio Construction

The Board has adopted an internally developed portfolio construction methodology, known as the Functionally Focused Portfolio (FFP), to assign portfolio allocations according to strategic priorities as defined by the Board. Key to the FFP approach is the adoption of a dedicated portfolio to provide monthly cash flows to fund benefit payments. The Board selected a version of FFP that will target 48 months of projected benefits in this dedicated Liquidity allocation. The remainder of the CCCERA funds will be split between a long-term growth allocation and a smaller diversifying allocation.

2017 marked the first full year of operation of the Liquidity sub-portfolio. This portion of the portfolio is invested with three managers who utilize short-duration fixed income securities. The portfolios are designed to produce monthly cash flows that fund the benefit payments. CCCERA made significant progress on repositioning the Growth sub-portfolio in 2017, most notably with the selection of a private markets advisor to assist with the buildout of the private equity and private credit allocations. The design and implementation of the Diversifying sub-portfolio remains an ongoing project.

Asset Allocation

As of December 31, 2017, CCCERA's market value of assets was \$8.2 billion, an increase of approximately \$1.0 billion from the December 31, 2016 market value of \$7.2 billion. This was primarily the result of investment returns generated in 2017. CCCERA assets as of December 31, 2017 were within 2% of their respective target allocations.

Sincerely,



Timothy Price, CFA
Chief Investment Officer

GENERAL INFORMATION

CCCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. The plan's main investment objective is for the total fund return to exceed the CPI plus 400 basis points over a market cycle. This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The California Constitution and Government Code Sections 31594 and 31595 authorize the Board of Retirement (Board) to invest in any investment deemed prudent in the Board's opinion. Investment decisions are to be made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer contributions, and defraying reasonable expenses for administering the system. Investments are to be diversified to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent to not do so. The Board has adopted an Investment Policy, which provides the framework for the management of CCCERA's investments. This policy establishes CCCERA's investment policies and objectives and defines the principal duties of the Board, staff, custodian bank and investment managers. For the year ended December 31, 2017, the total fund gain was 14.2%; greater than the targeted return of 6.0% (CPI plus 400 basis points) but less than the median public fund return of 16.2%.

SUMMARY OF PROXY VOTING GUIDELINES AND PROCEDURES

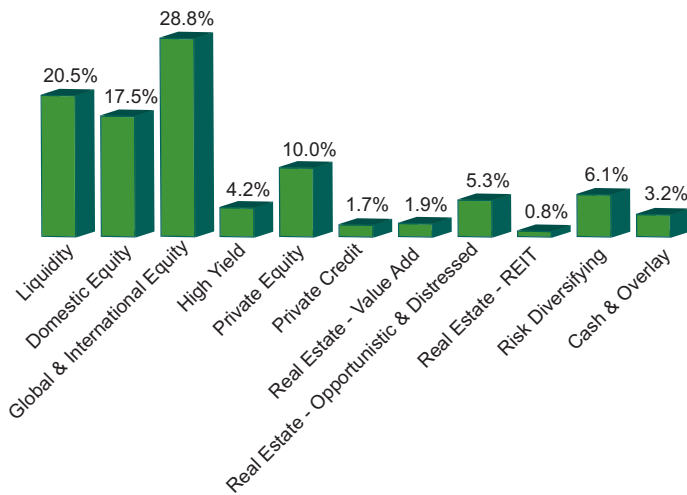
Voting of proxy ballots shall be in accordance with CCCERA's Proxy Voting Guidelines. CCCERA utilizes the services of Institutional Shareholder Services to research and vote CCCERA's U.S. proxy ballots in order to protect and enhance returns.

ASSET ALLOCATION

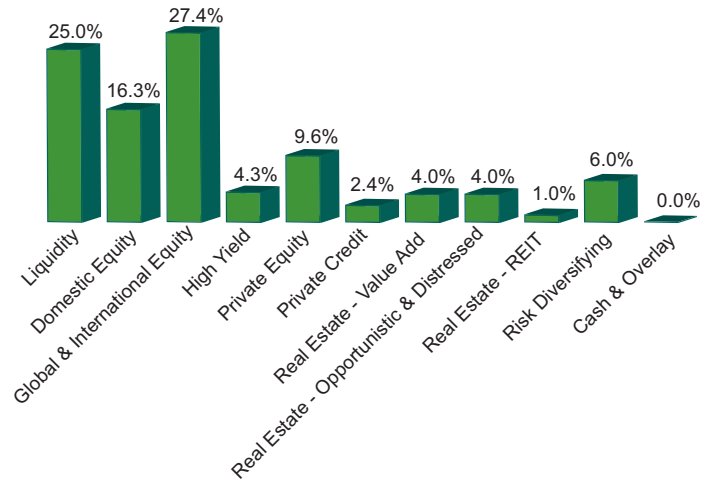
The asset allocation is an integral part of the Investment Policy. When a new asset class is implemented or a current asset class is expanded, the plan's policy is modified to reflect the change or revision. The Board implements the asset allocation plan by hiring investment managers to invest assets on CCCERA's behalf, subject to specific guidelines incorporated into each firm's contract. The Board follows an investment policy that allocates the portfolio into three unique functions: liquidity, growth,

and risk diversifying. The first phase, liquidity sub-portfolio, was implemented in October 2016. The growth sub-portfolio phase was largely restructured in 2017; the diversifying sub-portfolio phase is scheduled to be implemented in 2018. CCCERA's Chief Investment Officer and the outside investment consultant (Verus) assist the Board with the design and implementation of the new asset allocation as depicted in the following chart:

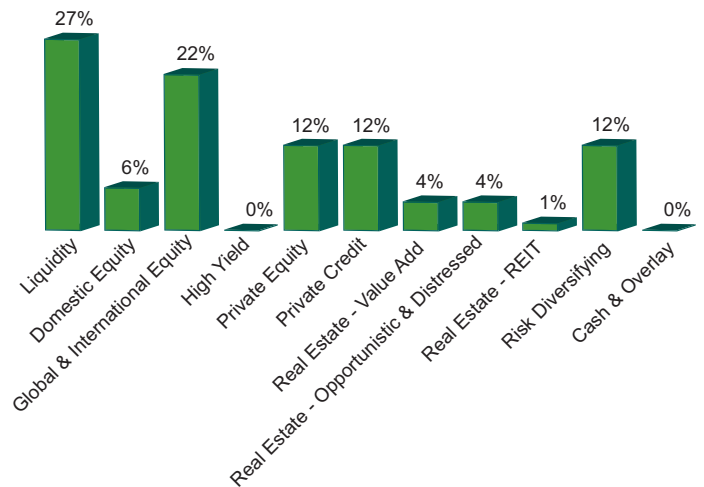
ACTUALS Allocation



PHASE 2b Allocation



LONG-TERM



INVESTMENT RESULTS BASED ON FAIR VALUE*

Investment Results Based on Fair Value*				
As of December 31, 2017				
		Annualized (gross of fees)		
	Current Year	3 Year	5 Year	10 Year
Total Fund	14.2%	8.0%	9.7%	6.7%
Benchmark:				
Policy Index	13.8%	7.6%	9.4%	-
Total Fund excl. Overlay & Cash	14.1%	8.0%	9.7%	6.6%
Benchmark:				
Policy Index	13.8%	7.6%	9.4%	-
Domestic Equity	23.9%	11.8%	16.2%	9.3%
Benchmark:				
Russell 3000	21.1%	11.1%	15.6%	8.6%
International Equity	25.5%	7.9%	8.2%	1.5%
Benchmarks:				
MSCI ACWI ex-USA Gross	27.8%	8.3%	7.3%	2.3%
MSCI EAFE Gross	25.6%	8.3%	8.4%	2.4%
Global Equity	23.7%	10.8%	12.1%	-
Benchmark:				
MSCI ACWI	24.0%	9.3%	10.8%	-
Domestic Fixed Income	7.5%	3.9%	4.2%	-
Benchmark:				
BofA ML High Yield Master II+2%	9.6%	8.5%	7.9%	-
High Yield	6.5%	5.5%	5.3%	7.8%
Benchmark:				
BofA ML High Yield Master II	7.5%	6.4%	5.8%	7.9%
Real Estate	11.1%	10.0%	12.1%	6.1%
Benchmarks:				
Real Estate Benchmark	7.1%	7.4%	9.5%	7.0%
NCREIF - ODCE Index	7.6%	10.4%	11.5%	5.0%
NCREIF Property Index	7.0%	9.4%	10.2%	6.1%
Alternatives	10.9%	11.1%	13.1%	10.0%
Benchmark:				
S&P 500 + 4% Lagged	23.3%	15.2%	18.7%	11.7%
Opportunistic	11.6%	2.6%	6.5%	-
Benchmark:				
CPI + 4%	6.2%	5.7%	5.5%	-
Risk Diversifying Fixed Income	3.6%	2.5%	2.4%	4.3%
Benchmark:				
CPI + 4%	6.2%	5.7%	5.5%	-
Inflation Hedge	8.2%	3.3%	2.1%	-
Benchmark:				
CPI + 4%	6.2%	5.7%	5.5%	-

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

INVESTMENT MANAGERS *(As of December 31, 2017)*

GROWTH

Domestic Equity

Ceredex Value Advisors
Robeco Boston Partners
Jackson Square Partners
Emerald Advisors, Inc.
Intech
Pimco
BlackRock
JP Morgan
Tradewinds

Global & International Equity

Pyrford International
William Blair & Company
First Eagle Investment Management
Artisan
Pimco/RAE
TT Emerging Markets

High Yield Fixed Income

Allianz Global Investors

Private Equity

Adams Street Partners
Carpenter Bancfund
DBL Investors
Ares Energy Investors Funds
Nogales Investors LLC
Ocean Avenue Capital Partners
Paladin Capital Management
Pathway Capital Management
Siguler Guff
Aether Investment Partners
Commonfund
Equilibrium Capital (Wastewater)
Oaktree Capital

Real Estate

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

Real Estate Investment Trust (REIT)

Adelante Capital Management

Private Credit

Torchlight
Angelo Gordon Energy
Step Stone

RISK DIVERSIFYING

Wellington
AFL-CIO Housing Investment Trust

LIQUIDITY

Dimensional Fund Advisors
Insight
SIT Investments

CASH OVERLAY

Parametric
State Street

SECURITIES LENDING PROGRAM

State Street Corporation

INVESTMENT SUMMARY

Investment Summary

For the year ended December 31, 2017
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Short-Term		
Deposit	\$396,788	4.5%
Short-Term Investments held by Fiscal Agent	294,005	3.3%
TOTAL SHORT-TERM INVESTMENTS	690,793	7.8%
Long-Term		
Investments By Fair Value Level		
Stocks		
Domestic Equity	1,328,281	15.0%
Global & International Equity	292,398	3.3%
Real Estate - REIT	65,306	0.7%
Public Market Commingled Funds	2,174,230	24.6%
Cash Overlay	38,859	0.4%
Total Stock Securities	3,899,074	44.1%
Bonds		
Liquidity Program	1,706,197	19.3%
Held In Equity Portfolios	3,595	0.0%
High Yield	348,538	3.9%
Public Market Commingled Funds	327,131	3.7%
Total Bond Securities	2,385,461	27.0%
Real Assets		
Risk Diversifying	189,761	2.1%
Real Estate		
Value Added, Opportunistic & Distressed Funds	652,386	7.4%
Alternatives		
Private Equity & Private Credit Funds	1,026,906	11.6%
TOTAL LONG-TERM INVESTMENTS AT FAIR VALUE	8,153,588	92.2%
TOTAL SHORT AND LONG-TERM INVESTMENTS	\$8,844,381	100.0%

SCHEDULE OF INVESTMENT MANAGEMENT FEES

Investment Management Fees		
For the year ended December 31, 2017 (Dollars in Thousands)		
<i>Investment Activity</i>	Assets Managed	Fees
Stock Managers		
Domestic Equity	\$1,473,163	\$7,050
Global & International Equity	2,360,605	7,853
Real Estate - REIT	65,306	387
TOTAL STOCK MANAGERS	3,899,074	15,290
Bond Managers		
Liquidity	1,706,197	1,681
Global & International Equity	3,595	419
High Yield	348,538	1,407
Risk Diversifying	327,131	1,023
TOTAL BOND MANAGERS	2,385,461	4,530
Real Asset Managers		
Risk Diversifying	189,761	661
Real Estate Managers		
Value Added	169,404	1,187
Opportunistic & Distressed	482,981	5,203
TOTAL REAL ESTATE MANAGERS	652,385	6,390
Alternative Investment Managers		
Private Equity	872,631	11,451
Private Credit	154,275	1,914
TOTAL ALTERNATIVE INVESTMENT MANAGERS	1,026,906	13,365
TOTAL FEES FROM INVESTMENT ACTIVITY	8,153,588	40,236
Custodian Cash and Cash Equivalents	690,793	435
Securities Lending Activity		
Management Fee	-	279
Borrower Rebate	-	1,419
TOTAL FEES FROM SECURITIES LENDING ACTIVITY	N/A	1,698
TOTAL INVESTMENT MANAGEMENT FEES	\$8,844,381	\$42,369

SCHEDULE OF BROKERAGE COMMISSIONS

Schedule of Brokerage Commissions			
For the year ended December 31, 2017 (Dollars and Shares in Thousands)			
Brokerage Firm	Commissions	Shares/Par Value Traded	Commission Per Share
JEFFERIES + COMPANY INC	86	4,113	0.021
COWEN AND COMPANY, LLC	84	2,191	0.038
BLOOMBERG TRADEBOOK LLC	56	1,860	0.030
WEEDEN + CO.	55	3,514	0.016
SANFORD C BERNSTEIN CO LLC	52	2,487	0.021
MORGAN STANLEY CO INCORPORATED	49	2,611	0.019
J.P. MORGAN SECURITIES LLC	48	1,935	0.025
GOLDMAN SACHS + CO	40	1,385	0.029
CREDIT SUISSE SECURITIES (USA) LLC	35	1,438	0.024
KEYBANC CAPITAL MARKETS INC	24	760	0.032
DEUTSCHE BANK SECURITIES INC	22	1,903	0.012
ROSENBLATT SECURITIES LLC	21	930	0.023
MERRILL LYNCH PIERCE FENNER + SMITH INC	21	689	0.030
CITIGROUP GLOBAL MARKETS INC	20	568	0.035
SJ LEVINSON & SONS LLC	19	1,137	0.017
STIFEL NICOLAUS + CO INC	19	484	0.039
HSBC BROKERAGE (USA) INC.	18	858	0.021
GUZMAN AND COMPANY	18	902	0.020
BARCLAYS CAPITAL LE	18	707	0.025
ISI GROUP INC	17	630	0.027
Top 20 Firms by Commission Dollars	722	31,102	0.023
All Other Brokerage Firms	356	11,631	0.031
TOTAL BROKERAGE COMMISSIONS	\$1,078	42,733	\$0.025

SCHEDULE OF TOP TEN EQUITIES AND FIXED INCOME SECURITIES

Top 10 Equity Securities

As of December 31, 2017
(Dollars and Shares in Thousands)

CUSIP	Shares	Security Name	Fair Value
ACI00DVB8	38,991	PYRFORD INTERNATIONAL TRUST	\$462,478
12999N909	14,954	CIF II REAL TOTAL RETURN	189,761
594918104	77	MICROSOFT CORP	37,341
70450Y103	384	PAYPAL HOLDINGS INC	28,274
989TGM908	20	GOLD COMMODITY IN OUNCES	25,611
92826C839	217	VISA INC CLASS A SHARES	24,746
57636Q104	138	MASTERCARD INC A	20,887
02079K305	20	ALPHABET INC CL A	20,562
060505104	682	BANK OF AMERICA CORP	20,143
46625H100	187	JPMORGAN CHASE + CO	20,001
TOTAL LARGEST EQUITY HOLDINGS			\$849,804

Top 10 Fixed Income Securities

As of December 31, 2017
(Dollars in Thousands)

CUSIP	Security Name	Cost	Fair Value
8574809S8	STATE STREET BANK + TRUST CO	\$373,691	\$373,691
14314MAC7	CARMAX AUTO OWNER TRUST	16,233	16,183
25468PDD5	WALT DISNEY COMPANY/THE	15,004	14,961
912828XW5	US TREASURY N/B	14,944	14,729
073902CD8	BEAR STEARNS COS LLC	13,253	12,868
713448CR7	PEPSICO INC	12,482	12,490
3138ET6W1	FNMA POOL AL8984	12,531	12,212
61747YCJ2	MORGAN STANLEY	12,498	12,108
06538PAC6	MUFG BANK LTD	11,727	11,582
263534BZ1	E.I. DU PONT DE NEMOURS	11,598	11,430
TOTAL LARGEST FIXED INCOME HOLDINGS			\$492,254

ACTUARIAL

76	Actuary Certification Letter
79	Schedule of Funding Progress
80	Latest Actuarial Valuation Methods and Assumptions
84	Summary of December 31, 2016 Valuation Results
85	Summary of Significant Results
86	Schedule of Active Member Valuation Data
87	Solvency Test
87	Retirants and Beneficiaries Added To and Removed From Retiree Payroll
88	Actuarial Analysis of Financial Experience
89	Summary of Major Pension Plan Provisions

ACTUARY CERTIFICATION LETTER



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

June 8, 2018

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

**Re: Contra Costa County Employees' Retirement Association
December 31, 2016 Actuarial Valuation for Funding Purposes**

Dear Members of the Board:

Segal Consulting (Segal) prepared the December 31, 2016 annual 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 and CCCERA's funding policy that was last reviewed with the Board in 2014. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the December 31, 2016 actuarial valuation, 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 provided in our valuation report. We did not audit the Association's financial statements, however, the Association's auditor attested to the Association's financial statements. For actuarial valuation purposes, retirement 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 total return at market value and the expected investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish contribution rates, which, over time, will remain level as a percentage of payroll for each generation of active members. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

In 2008, the Board of Retirement elected to amortize the remaining balance of the Association's unfunded actuarial accrued liability as of December 31, 2007 over a declining (or closed) period with 6 years remaining as of December 31, 2016. Any change in unfunded actuarial accrued liability that arises due to actuarial gains or losses or due to changes in actuarial assumptions or

Benefits, Compensation and HR Consulting. Member of The Segal Group. Offices throughout the United States and Canada

Contra Costa County Employees' Retirement Association
ACTUARY CERTIFICATION LETTER (Continued)

Board of Retirement
Contra Costa County Employees' Retirement Association
June 8, 2018
Page 2

methods at each valuation after December 31, 2007 is amortized over its own declining (or closed) 18-year period. Effective with the December 31, 2013 valuation, any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining (or closed) 10-year period (with the exception of a change due to retirement incentives, which is funded in full upon adoption of the incentive). The progress being made towards meeting the funding objective through December 31, 2016 is illustrated in the Schedule of Funding Progress.

Certain information found in the Notes to Basic Financial Statements and the Required Supplementary Information (RSI) included in the Financial Section was prepared by the Association based on the results of the Governmental Accounting Standards Board (GASB) Statement No. 67 actuarial valuation as of December 31, 2017 prepared by Segal. For the Financial Section of the Comprehensive Annual Financial Report (CAFR), Segal provided the Schedule of Changes in Net Pension Liability of Participating Employers and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules prepared by the Association based on additional information provided by Segal and the results of the actuarial valuation as of December 31, 2016 for funding purposes is listed below.

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Latest Actuarial Valuation Methods and Assumptions
- Summary of Valuation Results
- Summary of Significant Results
- Schedule of Active Member Valuation Data
- Retirants and Beneficiaries Added to and Removed from Retiree Payroll
- Solvency Test
- Actuarial Analysis of Financial Experience
- Summary of Statistical Data
- Schedule of Benefits Expenses by Type
- Schedule of Retired Members by Type of Benefit
- Schedule of Average Benefit Payment Amounts
- Participating Employers and Active Members

5538848v1/05337.002

Board of Retirement
Contra Costa County Employees' Retirement Association
June 8, 2018
Page 3

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the December 31, 2014 Experience Study (for both the economic and non-economic assumptions). It is our opinion that the assumptions used in the December 31, 2016 valuation produce results, which in the aggregate, reflect the future experience of the retirement plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and the next experience analysis is due to be performed after the December 31, 2017 valuation.

In the December 31, 2016 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities (funded percentage) increased from 84.5% to 86.5% while the funded percentage on a market value of assets basis increased from 82.6% to 84.6%. The aggregate employer contribution rate has decreased from 39.23% of payroll to 38.08% of payroll, while the aggregate member contribution rate has decreased from 12.09% of payroll to 12.08% of payroll.

Under the asset smoothing method, the total unrecognized net investment losses are \$184 million as of December 31, 2016. These net investment losses will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. The net deferred losses of \$184 million represent about 2.5% of the market value of assets as of December 31, 2016. Unless offset by future investment gains or other favorable experience, the recognition of the \$184 million market losses is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the net deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 86.5% to 84.4%.
- If the net deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate would increase from 38.1% to about 39.9% of payroll.

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

Sincerely,



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



John Monroe, ASA, MAAA, EA
Vice President and Actuary

EK/gxk

5538848v1/05337.002

SCHEDULE OF FUNDING PROGRESS

Funded Ratio is a measurement of the funded status of the plan. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. In the following table, Contra Costa County Employees' Retirement Association's (CCCERA) Funded Ratio indicates assets are approximately 14% less than liabilities. The most significant reasons for the increase in the funded ratio have been the market appreciation of investments and contributions by the employer and employee.

Schedule of Funding Progress						
For Years 2007 through 2016 (Dollars in Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL)** (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Projected Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
12/31/2007	\$5,016,137	\$5,581,048	\$564,911	89.9%	\$671,618	84.1%
12/31/2008	5,282,505	5,972,471	689,966	88.5%	704,948	97.9%
12/31/2009	5,290,114	6,314,787	1,024,673	83.8%	694,444	147.6%
12/31/2010	5,341,822	6,654,037	1,312,215	80.3%	687,443	190.9%
12/31/2011	5,426,719	6,915,312	1,488,593	78.5%	666,394	223.4%
12/31/2012	5,482,257	7,761,316	2,279,059	70.6%	652,312	349.4%
12/31/2013	5,907,416	7,731,097	1,823,681	76.4%	679,429	268.4%
12/31/2014	6,557,496	8,027,438	1,469,942	81.7%	697,832	210.6%
12/31/2015	7,136,801	8,448,624	1,311,823	84.5%	746,353	175.8%
12/31/2016	7,606,997	8,794,434	1,187,437	86.5%	784,412	151.4%

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

**Excludes liabilities for non-valuation reserves.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

The Entry Age Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of CCCERA and of CCCERA itself in areas that affect the projected benefit flow and anticipated investment earnings.

The actuarial assumptions used to determine the liabilities for the December 31, 2016 valuation are based on the results of the actuarial experience study

for the period January 1, 2012, through December 31, 2014. The study was prepared using updated economic and demographic assumptions, and mortality rates adopted by the Board of Retirement (Board) in April 2016. The experience study was adopted by the Board on June 8, 2016. An actuarial valuation is performed annually.

The actuarial assumptions and methods listed below were recommended by the Plan's independent actuary, Segal Consulting, and were approved by the Board.

Latest Actuarial Valuation of Plan Assets and Liabilities	
Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of payroll for total unfunded liability (3.25% payroll growth assumed)
Amortization Policy	<p>The UAAL (i.e., the difference between the AAL and the Valuation Value of Assets) as of December 31, 2014 will continue to be amortized over separate amortization layers based on the valuations during which each separate layer was previously established.</p> <ul style="list-style-type: none"> Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of December 31 will be amortized over a period of 18 years. Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period of 18 years.
Remaining Amortization Period	Remaining balance of December 31, 2007 UAAL is amortized over a fixed (decreasing or closed) period with 6 years remaining as of December 31, 2016. Any changes in UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. Effective December 31, 2013, any changes in UAAL due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 10-year fixed period effective with that valuation. The entire increase in UAAL resulting from a temporary retirement incentive will be funded in full upon adoption of the incentive.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized semi-annually over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of pension plan investment expenses, including inflation
Inflation Rate	2.75%
Administrative Expenses	1.12% of payroll allocated to both the employer and member based on the components of the normal cost rates for the employer and member
Real Across-the-Board Salary Increases	0.50%
Projected Salary Increases - General	4.00% to 13.25% ⁽¹⁾
Projected Salary Increases - Safety	4.00% to 13.75% ⁽¹⁾

Contra Costa County Employees' Retirement Association
LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS (Continued)

Latest Actuarial Valuation of Plan Assets and Liabilities (Continued)	
Cost-of-Living Adjustments (COLA)	2.75% per year except for Safety Tier C, PEPRA Tier E benefits and PEPRA Tier 4 (2% COLA) and Tier 5 (2% COLA) benefits for members covered under certain memoranda of understanding are assumed to increase at 2% per year. All increases are contingent upon actual increases in Consumer Price Index (CPI).
Other Assumptions	Same as those used in the December 31, 2015 funding actuarial valuation.

(1) Includes inflation at 2.75%, plus "across-the-board" salary increases of 0.50%, plus promotional and merit increases that vary by service for December 31, 2016.

Demographic Assumptions	
Healthy	
General Members	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table projected generationally with the two-dimensional MP-2015 projection scale.
Safety Members	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set back three years, projected generationally with the two-dimensional MP-2015 projection scale.
Disabled	
General Members	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward eight years, projected generationally with the two-dimensional MP-2015 projection scale.
Safety Members	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward three years, projected generationally with the two-dimensional MP-2015 projection scale.
Beneficiaries	
	Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who has taken a service (non-disability) retirement.
	The RP-2014 mortality tables and adjustments as shown above reflect the mortality experience as of the measurement date. The generational projection is a provision for future mortality improvement.
Member Contribution Rate	
General Members	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected to 2034 with the two-dimensional MP-2015 projection scale, weighted 30% male and 70% female.
Safety Members	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, set back three years, projected to 2034 with the two-dimensional MP-2015 projection scale, weighted 85% male and 15% female.
Pre-Retirement Mortality Rates	
	Headcount-Weighted RP-2014 Employee Mortality Table times 75%, projected generationally with the two-dimensional MP-2015 projection scale.
Disability Rates	
	Based upon the Experience Analysis as of 12/31/14
Withdrawal Rates	
	Based upon the Experience Analysis as of 12/31/14
Service Retirement Rates	
	Based upon the Experience Analysis as of 12/31/14
Salary Scales	
	Total increase of 5.4% per year reflecting approximately 2.75% for inflation, 0.50% for additional real "across-the-board" salary increases and approximately 2.15% for merit and longevity.
Marriage Assumption At Retirement	
Male members	75%
Female members	50%
Value of Assets for Contribution Rate Purposes	
	Actuarial Value as described in Actuarial Valuation Methods Section of Valuation Report.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS (Continued)

Service Retirement Rates for General and Safety (%)

Age	General				Safety			
	Tier 1 (Enhanced)	Tier 3 (Enhanced)	Tier 1 (Non-Enhanced)	Tiers 4 and 5 (PEPRA)	Tier A (Enhanced)	Tier C (Enhanced)	Tier A (Non-Enhanced)	Tiers D and E (PEPRA)
45	-	-	-	-	4.00	2.00	0.00	0.00
50	5.00	4.00	3.00	0.00	30.00	18.00	5.00	5.00
55	20.00	10.00	10.00	5.00	28.00	18.00	10.00	10.00
60	28.00	15.00	25.00	10.00	35.00	30.00	20.00	18.00
65	35.00	35.00	40.00	25.00	100.00	100.00	100.00	30.00
70	50.00	40.00	50.00	50.00	-	-	-	-
75	100.00	100.00	100.00	100.00	-	-	-	-

Termination Rates (%) Before Retirement

Mortality

Age	General		Safety	
	Male	Female	Male	Female
25	0.05	0.02	0.05	0.02
30	0.05	0.02	0.05	0.02
35	0.05	0.03	0.05	0.03
40	0.06	0.04	0.06	0.04
45	0.09	0.06	0.09	0.06
50	0.16	0.10	0.16	0.10
55	0.26	0.16	0.26	0.16
60	0.42	0.23	0.42	0.23
65	0.73	0.33	0.73	0.33

All pre-retirement deaths are assumed to be non-service connected.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS (Concluded)

Termination Rates (%) Before Retirement			
Disability			
Age	General Tier 1 and Tier 4*	General Tier 3 and Tier 5**	Safety***
20	0.01	0.01	0.02
25	0.02	0.02	0.22
30	0.04	0.03	0.42
35	0.08	0.05	0.56
40	0.22	0.08	0.66
45	0.36	0.13	1.00
50	0.52	0.16	2.88
55	0.60	0.20	4.60
60	0.60	0.28	5.00
65	0.60	0.32	5.00
70	0.60	0.32	5.00

*65% of General Tier 1 and Tier 4 disabilities are assumed to be duty disabilities. The other 35% are assumed to be ordinary disabilities.

**30% of General Tier 3 and Tier 5 disabilities are assumed to be duty disabilities. The other 70% are assumed to be ordinary disabilities.

***100% of Safety disabilities are assumed to be duty disabilities.

Termination Rates (%) Before Retirement		
Withdrawal*		
Years of Service	General	Safety
Less than 1	13.50	13.00
1	9.25	8.00
2	9.00	7.00
3	6.00	5.50
4	4.50	3.75
5	4.25	3.25
6	3.75	3.00
7	3.50	2.75
8	3.25	2.50
9	3.00	2.25
10	2.75	2.00
11	2.50	1.90
12	2.40	1.80
13	2.30	1.70
14	2.20	1.60
15	2.10	1.50
16	2.00	1.40
17	2.00	1.30
18	2.00	1.20
19	1.75	1.10
20 or more	1.50	1.00

*The member is assumed to receive the greater of the member's contribution balance or a deferred retirement benefit. No withdrawal is assumed after a member is first assumed to retire.

SUMMARY OF DECEMBER 31, 2016 VALUATION RESULTS

Summary of December 31, 2016 Valuation Results

December 31, 2016

<i>Average Employer Contribution Rates*:</i>	Total Rate	Estimated Annual Amount
General		
Cost Group #1 - County and Small Districts (Tiers 1 and 4)	32.24%	\$7,255,727
Cost Group #2 - County and Small Districts (Tiers 3 and 5)	27.79%	158,011,177
Cost Group #3 - Central Contra Costa Sanitary District	51.06%	16,647,933
Cost Group #4 - Contra Costa Housing Authority	41.39%	2,292,585
Cost Group #5 - Contra Costa County Fire Protection District	32.30%	1,373,964
Cost Group #6 - Small Districts (Non-Enhanced Tiers 1 and 4)	28.88%	231,953
Safety		
Cost Group #7 - County (Tiers A and D)	75.62%	45,850,943
Cost Group #8 - Contra Costa and East Contra Costa Fire Protection Districts	77.06%	26,794,496
Cost Group #9 - County (Tiers C and E)	67.42%	17,836,505
Cost Group #10 - Moraga-Orinda Fire District	70.26%	4,947,214
Cost Group #11 - San Ramon Valley Fire Protection District	80.73%	15,490,933
Cost Group #12 - Rodeo-Hercules Fire District	96.93%	2,012,833
ALL EMPLOYERS COMBINED	38.08%	\$298,746,263

Average Member Contribution Rates:*

General		
Cost Group #1 - County and Small Districts (Tiers 1 and 4)	10.78%	\$2,425,734
Cost Group #2 - County and Small Districts (Tiers 3 and 5)	10.84%	61,630,010
Cost Group #3 - Central Contra Costa Sanitary District	11.56%	3,769,197
Cost Group #4 - Contra Costa Housing Authority	11.57%	640,888
Cost Group #5 - Contra Costa County Fire Protection District	10.99%	467,521
Cost Group #6 - Small Districts (Non-Enhanced Tiers 1 and 4)	13.55%	108,839
Safety		
Cost Group #7 - County (Tiers A and D)	17.83%	10,810,732
Cost Group #8 - Contra Costa County and East Contra Costa Fire Protection Districts	17.12%	5,953,027
Cost Group #9 - County (Tiers C and E)	16.08%	4,253,979
Cost Group #10 - Moraga-Orinda Fire District	17.14%	1,206,917
Cost Group #11 - San Ramon Valley Fire Protection District	16.63%	3,190,924
Cost Group #12 - Rodeo-Hercules Fire District	15.44%	320,617
ALL CATEGORIES COMBINED	12.08%	\$94,778,385

Key Actuarial Assumptions

Annual Interest Rate:	7.00%
Annual Inflation Rate:	2.75%
Across-the-Board Salary Increase:	0.50%
Average Annual Salary Increase:	5.40%

*Based on projected payroll as of each valuation date shown. These rates do not include any employer subvention of member contributions or any member subvention of employer contributions. The rates shown are averages based on all members regardless of their membership date.

SUMMARY OF SIGNIFICANT RESULTS

Summary of Significant Results	
<i>Association Membership</i>	<i>December 31, 2016</i>
Active Members:	
1. Number of Members	9,848
2. Average Age	45.9
3. Average Service	9.9
4. Projected Total Payroll (Compensation)	\$784,412,260
5. Average Projected Monthly Payroll	\$79,652
Retired Members and Beneficiaries:	
1. Number of Members:	
Service Retirement	6,825
Disability Retirement	905
Beneficiaries	1,370
2. Average Age	70
3. Actual Retired Payroll	\$411,779,400
4. Average Monthly Benefit	\$3,799
Vested Terminated Members:	
1. Number of Terminated Vested Members*	3,089
2. Average Age	46.6
Summary of Financial Data:	
Market Value of Assets	\$7,438,519,504
Return on Market Value of Assets	7.10%
Actuarial Value of Assets	\$7,622,351,103
Return on Actuarial Value of Assets	7.04%
Valuation Value of Assets	\$7,606,997,530
Return on Valuation Value of Assets	7.04%
Funded Status:	
Actuarial Accrued Liability (AAL)	\$8,794,434,139
Unfunded Actuarial Accrued Liability (UAAL) on VVA basis	\$1,187,436,609
Funded Ratio	
GASB Statement No. 25	86.5%

*Includes 1,543 terminated members with member contributions on deposit as of December 31, 2016.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Schedule of Active Member Valuation Data					
Valuation Date	Plan Type	Number	Projected Payroll	Average Annual Salary	% Increase/ (Decrease) in Average Salary
12/31/2007	General	7,806	\$518,874,107	\$66,471	0.03%
	Safety	1,615	152,743,825	94,578	2.21%
	Total	9,421	\$671,617,932	\$71,289	0.40%
12/31/2008	General	7,781	\$544,409,663	\$69,967	5.26%
	Safety	1,604	160,538,005	100,086	5.82%
	Total	9,385	\$704,947,668	\$75,114	5.37%
12/31/2009	General	7,406	\$536,090,505	\$72,386	3.46%
	Safety	1,532	158,353,494	103,364	3.28%
	Total	8,938	\$694,443,999	\$77,696	3.44%
12/31/2010	General	7,325	\$533,351,975	\$72,813	0.59%
	Safety	1,486	154,091,231	103,695	0.32%
	Total	8,811	\$687,443,206	\$78,021	0.42%
12/31/2011	General	7,183	\$518,213,291	\$72,144	(0.92%)
	Safety	1,446	148,180,855	102,476	(1.18%)
	Total	8,629	\$666,394,146	\$77,227	(1.02%)
12/31/2012	General	7,244	\$513,920,662	\$70,944	(1.66%)
	Safety	1,396	138,391,516	99,134	(3.26%)
	Total	8,640	\$652,312,178	\$75,499	(2.24%)
12/31/2013	General	7,682	\$540,431,355	\$70,350	(0.84%)
	Safety	1,442	138,997,556	96,392	(2.77%)
	Total	9,124	\$679,428,911	\$74,466	(1.37%)
12/31/2014	General	7,774	\$561,430,096	\$72,219	2.66%
	Safety	1,385	136,401,741	98,485	2.17%
	Total	9,159	\$697,831,837	\$76,191	2.32%
12/31/2015	General	8,213	\$602,047,448	\$73,304	1.50%
	Safety	1,429	144,305,217	100,983	2.54%
	Total	9,642	\$746,352,665	\$77,406	1.60%
12/31/2016	General	8,378	\$634,246,734	\$75,704	3.27%
	Safety	1,470	150,165,527	102,153	1.16%
	Total	9,848	\$784,412,261	\$79,652	2.90%

SOLVENCY TEST

Solvency Test (Dollars in Thousands)							
Valuation Data	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1 Active Member Contributions*	2 Retirants and Beneficiaries	3 Active Members Employer Portion		1	2	3
12/31/2007	\$446,284	\$3,070,770	\$2,063,994	\$5,016,137	100%	100%	73%
12/31/2008	554,267	3,239,593	2,178,611	5,282,505	100%	100%	68%
12/31/2009	598,973	3,523,414	2,192,400	5,290,114	100%	100%	53%
12/31/2010	645,975	3,811,751	2,196,311	5,341,822	100%	100%	40%
12/31/2011	637,614	4,268,202	2,009,496	5,426,719	100%	100%	26%
12/31/2012	653,236	4,990,760	2,117,320	5,482,257	100%	97%	0%
12/31/2013	844,668	5,086,529	1,799,900	5,907,416	100%	100%	0%
12/31/2014	899,220	5,328,622	1,799,596	6,557,496	100%	100%	18%
12/31/2015	1,011,434	5,525,212	1,911,978	7,136,801	100%	100%	31%
12/31/2016	1,116,824	5,670,811	2,006,799	7,606,998	100%	100%	41%

*Beginning 12/31/2013, Active Member Contributions are set equal to the reserve account maintained for member contributions.

RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

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	% Increase in Annual Allowance
2007	6,646	492	\$24,184,795	(227)	\$(4,586,247)	6,911	\$235,656,024	9.07%	\$34,099	4.89%
2008	6,911	317	20,853,808	(216)	(6,065,270)	7,012	250,444,562	6.28%	35,717	4.74%
2009	7,012	505	22,693,682	(225)	(6,271,784)	7,292	266,866,460	6.56%	36,597	2.47%
2010	7,292	486	27,459,315	(219)	(5,356,600)	7,559	288,969,175	8.28%	38,228	4.46%
2011	7,559	758	37,949,896	(232)	(6,621,254)	8,085	320,297,817	10.84%	39,616	3.63%
2012	8,085	657	34,622,498	(225)	(7,351,271)	8,517	347,569,044	8.51%	40,809	3.01%
2013	8,517	379	30,637,741	(271)	(8,397,382)	8,625	369,809,403	6.40%	42,876	5.07%
2014	8,625	494	25,732,590	(248)	(8,515,665)	8,871	387,026,328	4.66%	43,628	1.75%
2015	8,871	391	19,997,703	(194)	(7,180,211)	9,068	399,843,820	3.31%	44,094	1.07%
2016	9,068	418	25,627,155	(386)	(13,691,575)	9,100	411,779,400	2.99%	45,250	2.62%

*Beginning 12/31/2015, Retiree Payroll excludes death benefits.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Actuarial Analysis of Financial Experience

Changes in the Unfunded Actuarial Accrued Liability (UAAL) During the Years Ended December 31, 2007 through 2016
(Dollars in Thousands)

December 31	Expected UAAL	Change in Plan Provisions	Change in Assumptions/Methods	(Gain) or Loss			UAAL
				Investment Return	Salary Increases (Decreases)	Other*	
2007	\$809,840	\$0	\$-	\$(171,935)	\$(47,443)	\$(25,550)	\$564,912
2008	515,421	1,100	-	154,986	5,838	12,621	689,966
2009	674,485	0	63,871	394,647	(47,181)	(61,149)	1,024,673
2010	1,050,996	0	15,521	313,478	(83,073)	15,293	1,312,215
2011	1,293,836	0	-	264,597	(77,127)	7,287	1,488,593
2012	1,463,568	0	570,155	297,215	(102,697)	50,818	2,279,059
2013	2,238,120	0	(205,332)	(96,259)	(114,771)	1,923	1,823,681
2014	1,773,291	0	(52)	(244,463)	(42,976)	(15,858)	1,469,942
2015	1,409,789	0	115,137	(100,727)	(9,036)	(103,340)	1,311,823
2016	1,234,411	0	0	(2,853)	11,445	(55,566)	1,187,437

*Other experience includes employer and employee contributions, COLA increases, mortality, disability, withdrawal, retirement, and leave cashout other than expected.

SUMMARY OF MAJOR PENSION PLAN PROVISIONS

Major Provisions of the Present System

Briefly summarized below are the major provisions of CERL and PEPRA, as amended through December 31, 2013, and as adopted by Contra Costa County and special district employers.

A. GENERAL MEMBERS —

- Tier 1 and Tier 3 Plans Non-Enhanced (Government Code (GC) 31676.11)
- Tier 1 and Tier 3 Plans Enhanced (GC 31676.16)
- Tier 2 Plan (GC 31752)
- PEPRA Tier 4 and Tier 5 Plan (GC 7522.20 (a))

Coverage

Tier 1:

- a. All General Members hired before July 1, 1980, and electing not to transfer to Tier 2 Plan.
- b. Reciprocal General Members hired before October 1, 2002, electing to not enter Tier 2 Plan.
- c. Participating agencies who have elected Tier 1.
- d. Certain General Members with membership dates before January 1, 2013 hired by specific employers who did not adopt Tier 2 are placed in Tier 1.

Tier 2:

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

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

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

Tier 3:

All County General Members (except CNA employees) hired on or after October 1, 2002, are placed in Tier 3. All CNA employees hired on or after January 1, 2005, are placed in Tier 3. All Contra Costa Mosquito and Vector Control District employees hired on or after February 1, 2006 are placed in Tier 3. General Members with membership dates before January 1, 2013 who are not placed in Tier 1 are placed in Tier 3.

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

PEPRA Tier 4:

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

PEPRA Tier 5:

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

Final Compensation (FC)

Tier 1 and Tier 3 Plans (GC 31462.1, 31462):

- a. Highest consecutive twelve months of compensation earnable.

Tier 2 Plan (GC 31462):

- a. Highest consecutive thirty-six months of compensation earnable.

PEPRA Tier 4 and Tier 5 Plans (GC 7522.32, 7522.34):

- a. Highest consecutive thirty-six months of pensionable compensation. Base compensation subject to annual limit.

SUMMARY OF MAJOR PENSION PLAN PROVISIONS (Continued)

Service Retirement

Tier 1 and Tier 3 Plans:

- a. Requirement (GC 31672): Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years of service, regardless of age.
- b. Non-Enhanced Benefit (GC 31676.11)

Retirement

Age	Benefit Formula
50:	$(1.24\% \times FC - 1/3 \times 1.24\% \times \$350 \times 12) \times Yrs$
55:	$(1.67\% \times FC - 1/3 \times 1.67\% \times \$350 \times 12) \times Yrs$
60:	$(2.18\% \times FC - 1/3 \times 2.18\% \times \$350 \times 12) \times Yrs$
62:	$(2.35\% \times FC - 1/3 \times 2.35\% \times \$350 \times 12) \times Yrs$
65 or later:	$(2.61\% \times FC - 1/3 \times 2.61\% \times \$350 \times 12) \times Yrs$

Maximum Benefit: 100% of Final Compensation.

Tier 2 Plan:

- a. Requirement: Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years of service, regardless of age.
- b. Benefit (GC 31752)

Retirement

Age	Benefit Formula
50:	$(0.83\% \times FC \times Yrs - 0.57\% \times Yrs^* \times PIA)$
55:	$(1.13\% \times FC \times Yrs - 0.87\% \times Yrs^* \times PIA)$
60:	$(1.43\% \times FC \times Yrs - 1.37\% \times Yrs^* \times PIA)$
62:	$(1.55\% \times FC \times Yrs - 1.67\% \times Yrs^* \times PIA)$
65 or later:	$(1.73\% \times FC \times Yrs - 1.67\% \times Yrs^* \times PIA)$

Maximum Benefit: None.

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

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

Retirement

Age	Benefit Formula
50:	$(1.43\% \times FC - 1/3 \times 1.43\% \times \$350 \times 12) \times Yrs$
55:	$(2.00\% \times FC - 1/3 \times 2.00\% \times \$350 \times 12) \times Yrs$
60:	$(2.26\% \times FC - 1/3 \times 2.26\% \times \$350 \times 12) \times Yrs$
62:	$(2.37\% \times FC - 1/3 \times 2.37\% \times \$350 \times 12) \times Yrs$
65 or later:	$(2.42\% \times FC - 1/3 \times 2.42\% \times \$350 \times 12) \times Yrs^{**}$

Maximum Benefit: 100% of Final Compensation

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

The offsets shown in all of the above formulas only apply to members integrated with Social Security.

PEPRA Tier 4 and Tier 5 Plans

- a. Requirement (GC 7522.20 (a), 31672.3): Age 52 with 5 years of service, or age 70 regardless of service.
- b. Benefit (GC 7522.20 (a))

Retirement

Age	Benefit Formula
52:	$1.00\% \times FC3 \times Yrs$
55:	$1.30\% \times FC3 \times Yrs$
60:	$1.80\% \times FC3 \times Yrs$
62:	$2.00\% \times FC3 \times Yrs$
65:	$2.30\% \times FC3 \times Yrs$
67 or later:	$2.50\% \times FC3 \times Yrs$

Maximum Benefit: None.

SUMMARY OF MAJOR PENSION PLAN PROVISIONS (Continued)

Disability Retirement

Tier 1 and Tier 4:

- a. Requirements (GC 31720)
 - (1) Service-connected: None
 - (2) Nonservice-connected: five years of service
- b. Benefit
 - (1) Service-connected: 50% Final Compensation or Service retirement benefit, if greater. (GC 31727.4)
 - (2) Nonservice-connected: 1.5% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65, but total benefit cannot be more than one-third of Final Compensation. (GC 31727)

Tier 2, Tier 3, and Tier 5:

- a. Requirements (GC 31720.1)
 - (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 (GC 31727.01)
 - (1) Service-connected or nonservice-connected is 40% Final Compensation plus 10% Final Compensation 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

All tiers other than General Tier 2:

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

- OR -

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

General Tier 2:

- a. Prior to eligibility to retire (less than ten years):
 - (1) \$2,000 lump sum benefit offset by any Social Security payment Return of contributions
- b. While eligible to retire (ten years or service-connected death) 60% of Service or Disability Retirement Benefit (minimum benefit is 24% of Final Compensation) plus, for each minor child, 10% 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

All tiers other than General Tier 2 (GC 31760.1, 31760.2)

- a. After Service Retirement or Nonservice-Connected Disability - 60% of unmodified allowance continued to eligible spouse.
- OR -
- b. After Service-Connected Disability - 100% of the allowance continued to eligible spouse. (GC 31786, 31786.1)
- AND -
- c. Lump sum payment of \$5,000. (GC 31789.5)

General Tier 2 (GC 31760.11)

- a. After Service or Disability Retirement 60% of unmodified allowance continued to eligible spouse plus 20% of allowance to each minor child. Minimum benefit is 60% of allowance. Maximum benefit is 100% of allowance.
- AND -
- b. Lump sum payment of \$7,000 less any Social Security lump sum payment. (GC 31789.01, 31789.5)

SUMMARY OF MAJOR PENSION PLAN PROVISIONS *(Continued)*

Withdrawal Benefits

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

Less than five years of service: Age 70

At least five years of service:

Tier 1, Tier 2 and Tier 3

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

Tier 4 and Tier 5

Age 52

Cost-of-Living (COL) Benefits

Tier 1, Tier 3, Tier 4 and Tier 5

Based on changes in Consumer Price Index (CPI).

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

Tier 2

Based on changes in CPI.

4% maximum change per year.

Employee's Contribution Rates

Tier 1 Non-Enhanced (GC 31621.1)

- a. Basic: to provide for an average annuity at age 55 equal to 1/120 of FC1.
- b. COL: to provide for one-half of future COL costs.

Tier 1 and Tier 3 Enhanced (GC 31621)

- a. Basic: to provide for an average annuity at age 60 equal to 1/120 of FC1.
- b. COL: to provide for one-half of future COL costs.

PEPRA General Tiers 4 and 5 (GC 7522.30)

- a. 50% of the total normal cost rate.

Employer Contribution Rates

Tier 1, Tier 3, Tier 4 and Tier 5

Enough to make up for the balance of the basic and COL contributions needed plus the amount required to amortize the Unfunded Actuarial Accrued Liability.

Other Information

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 on or before March 7, 1973 will be exempt from paying member contributions after 30 years of service.

Contra Costa County Employees' Retirement Association
SUMMARY OF MAJOR PENSION PLAN PROVISIONS (Continued)

B. SAFETY MEMBERS —

- Tiers A and C (GC 31664 and 31664.1)
- PEPRAs Safety Members Tiers D and E (GC 7522.25(d))

Coverage

Tiers A and C

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

Tiers D and E

- a. Safety members with membership dates on or after January 1, 2013. Safety members from certain bargaining units are placed in Safety Tier E.

Final Compensation (FC)

Tiers A and C (GC 31462.1, 31462)

- a. Highest consecutive twelve months of compensation earnable.
- b. Highest consecutive thirty-six months of compensation earnable for Safety Tier C.

Tiers D and E (GC 7522.32, 7522.34)

- a. Highest consecutive thirty-six months of pensionable compensation. Base compensation will be subject to annual limit.

Service Retirement

Tiers A and C

- a. Requirement (GC 31663.25): Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years of service, regardless of age.
- b. Non-Enhanced Benefit at Retirement (GC 31664) (Rodeo-Hercules Fire Protection District)

Age	Benefit Formula
50	2.00% x FC1 x Yrs
55 or later	2.62% x FC1 x Yrs

Maximum Benefit: 100% of Final Compensation

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

Age	Benefit Formula
50 or later	3.00% x FC1 x Yrs (Tier A); 3.00% x FC3 x Yrs (Tier C)

Maximum Benefit: 100% of Final Compensation

PEPRA Tiers D and E

- a. Requirement (GC 7522.25(a) and 31672.3): Age 50 with 5 years of service, or age 70 regardless of service.
- b. Benefit at Retirement (GC 7522.25 (d))

Age	Benefit Formula
50	2.00% x FC3 x Yrs
55	2.50% x FC3 x Yrs
57 or later	2.70% x FC3 x Yrs

Maximum Benefit: None

SUMMARY OF MAJOR PENSION PLAN PROVISIONS *(Continued)*

Disability Retirement

- a. Requirements (GC 31720)
 - (1) Service-connected: None
 - (2) Nonservice-Connected: five years of service
- b. Benefit
 - (1) Service-connected: 50% Final Compensation or Service Retirement benefit if greater. (GC 31727.4)
 - (2) Nonservice-Connected: 1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service projected to 55, but total benefit cannot be more than one-third of Final Compensation. (GC 31727.2)

Death Before Retirement

Non-service Connected

- a. Prior to retirement eligibility (less than 5 years)
 - (1) One month's salary for each year of service to a maximum of six month's compensation.
 - (2) Return of contributions.
- b. While eligible to retire (after five years) 60% of Service or Disability Retirement Benefit.

Service connected

- a. 50% of Final Compensation

Death After Retirement

- a. After Service Retirement or Nonservice-Connected Disability - 60% of unmodified allowance continued to eligible spouse. (GC 31785, 31785.1)
- OR -
- b. After Service-Connected Disability - 100% of the allowance continued to eligible spouse. (GC 31786, 31786.1)
- AND -
- c. Lump sum payment of \$5,000. (GC 31789.5)

Withdrawal Benefits

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

Less than five years of service: Age 70

At least five years of service:

Tier A and Tier C

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

Tier D and Tier E

Age 50

Cost-of-Living (COL) Benefits

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

SUMMARY OF MAJOR PENSION PLAN PROVISIONS (Concluded)

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

- a. Basic - to provide for an average annuity at age 50 equal to 1/100 of FC1 (Tier A). (GC 31639.25)
- b. COL - to provide for one-half of future COL costs.

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

- a. Basic - to provide for an average annuity at age 50 equal to 1/100 of FC1 (Tier A). (GC 31139.25)

Basic - to provide for an average annuity at age 50 equal to 1/100 of FC3 (Tier C).

- b. COL - to provide for one-half of future COL costs.

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

- a. 50% of the total normal cost rate.

Employer Contribution Rate

Tiers A, C, D, and E

Enough to make up the balance of the basic and COL contributions needed plus the amount required to amortize the Unfunded Actuarial Accrued Liability.

Other Information

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

This page is intentionally left blank.

STATISTICAL

- 98 Summary of Statistical Data
- 99 Changes in Fiduciary Net Position for Years 2008-2017
- 100 Schedule of Benefit Expenses by Type
- 101 Schedule of Retired Members by Type of Benefit
- 102 Schedule of Average Benefit Payment Amounts
- 108 Participating Employers and Active Members for Years 2008-2017

SUMMARY OF STATISTICAL DATA

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

Financial Trends Information is intended to assist readers in understanding how CCCERA's financial activities and positions have changed over time. The Changes in Fiduciary Net Position for Years 2008 – 2017 presents additions by source, deductions by type, and the total change in net position for each year. The Schedule of Benefit Expenses by Type for the Last Ten Years presents benefit deductions by type of benefit, such as by Service Retirement and Disability Retirement, as well as by General and Safety benefits.

Operating Information is intended to provide contextual information about CCCERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate CCCERA's fiscal condition. This section includes the Schedule of Retired Members by Type of Benefit, which presents information as of the current valuation period. The Schedule of Average Benefit Payment Amounts for the Last Ten Years shows the average monthly benefit, and number of retirees and beneficiaries, organized by five-year increments. Participating Employers and Active Members for Years 2008 – 2017 presents the employers and number of their corresponding covered employees.

CHANGES IN FIDUCIARY NET POSITION FOR YEARS 2008 - 2017

Changes in Fiduciary Net Position					
For Years 2008 - 2017					
(Dollars in Thousands)					
	2017	2016	2015	2014	2013
Additions					
Employer Contributions	\$314,836	\$307,909	\$323,720	\$293,760	\$235,017
Employee Contributions	96,467	88,788	85,361	78,258	72,373
Net Investment Income (Loss)	995,678	501,733	82,429	488,873	884,870
Security Lending Income	878	1,630	1,165	1,167	1,148
Total Additions	1,407,859	900,060	492,675	862,058	1,193,408
Deductions					
Pension Benefits	430,037	412,073	400,759	387,026	369,809
Refunds	5,518	7,154	4,434	6,798	3,844
Administrative Expense	9,146	8,486	8,115	6,980	6,776
Other Expenses	11,097	10,409	11,695	10,662	9,243
Total Deductions	455,798	438,122	425,003	411,466	389,672
CHANGE IN FIDUCIARY NET POSITION	\$952,061	\$461,938	\$67,672	\$450,592	\$803,736
	2012	2011	2010	2009	2008
Additions					
Employer Contributions	\$212,321	\$200,389	\$183,951	\$195,614	\$206,519
Employee Contributions	73,362	61,575	64,330	66,536	76,452
Net Investment Income (Loss)	680,538	100,363	605,672	748,861	(1,467,872)
Security Lending Income	1,535	951	1,097	2,436	3,392
Total Additions	967,756	363,278	855,050	1,013,447	(1,181,509)
Deductions					
Pension Benefits	347,569	320,297	288,969	266,866	250,445
Refunds	3,276	3,909	2,647	4,628	3,730
Administrative Expense	6,030	6,290	5,283	7,359	5,601
Other Expenses	8,590	7,649	7,723	7,563	8,133
Total Deductions	365,465	338,145	304,622	286,416	267,909
CHANGE IN FIDUCIARY NET POSITION	\$602,291	\$25,133	\$550,428	\$727,031	\$(1,449,418)

SCHEDULE OF BENEFIT EXPENSES BY TYPE *(Annual Benefit Amounts)*

Schedule of Benefit Expenses by Type										
Annual Benefit Amounts as of December 31 of Each Year (Dollars in Thousands)										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Service Retirement Payroll:										
General	\$213,394	\$205,760	\$198,783	\$188,945	\$179,079	\$163,514	\$144,304	\$131,646	\$121,929	\$113,955
Safety	110,178	107,643	107,103	102,791	96,403	87,198	78,221	70,782	66,953	62,705
Total	323,572	313,403	305,886	291,736	275,482	250,712	222,525	202,428	188,882	176,660
Disability Retirement Payroll:										
General	12,432	12,531	12,215	12,371	12,049	11,974	12,013	12,134	12,072	11,899
Safety	35,664	35,168	33,631	32,346	29,725	28,341	27,349	26,708	24,845	23,529
Total	48,096	47,699	45,846	44,717	41,774	40,315	39,362	38,842	36,917	35,428
Beneficiary Payroll:										
General	22,877	22,938	20,249	19,511	18,011	17,825	16,727	16,144	16,030	15,312
Safety	17,528	16,718	15,044	13,845	12,302	11,445	10,355	9,452	8,616	8,256
Total	40,405	39,656	35,293	33,356	30,313	29,270	27,082	25,596	24,646	23,568
Total Benefit Expense:										
General	248,703	241,229	231,248	220,827	209,139	193,313	173,044	159,924	150,031	141,166
Safety	163,370	159,528	155,777	148,982	138,430	126,984	115,925	106,942	100,414	94,490
TOTAL	\$412,073	\$400,759	\$387,026	\$369,809	\$347,569	\$320,297	\$288,969	\$266,866	\$250,445	\$235,656

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

Schedule of Retired Members by Type of Benefit

Summary of Monthly Allowances Being Paid as of December 31, 2016

<i>Amount of Monthly Benefit</i>	<i>Number of Retirees & Beneficiaries</i>	<i>Service</i>	<i>Disability</i>	<i>Beneficiary</i>
General Members				
\$0 to \$999	1,456	1,131	5	320
\$1,000 to \$1,999	1,703	1,303	103	297
\$2,000 to \$2,999	1,300	974	169	157
\$3,000 to \$3,999	826	653	82	91
\$4,000 to \$4,999	524	453	24	47
\$5,000 to \$5,999	357	316	6	35
\$6,000 to \$6,999	252	236	4	12
\$7,000 to \$7,999	186	175	1	10
\$8,000 to \$8,999	112	110	0	2
\$9,000 to \$9,999	84	82	0	2
\$10,000 & Over	192	186	0	6
TOTALS	6,992	5,619	394	979
Safety Members				
\$0 to \$999	95	50	6	39
\$1,000 to \$1,999	126	53	6	67
\$2,000 to \$2,999	160	57	38	65
\$3,000 to \$3,999	281	79	119	83
\$4,000 to \$4,999	288	99	128	61
\$5,000 to \$5,999	173	106	42	25
\$6,000 to \$6,999	142	102	23	17
\$7,000 to \$7,999	147	112	29	6
\$8,000 to \$8,999	157	125	23	9
\$9,000 to \$9,999	137	95	29	13
\$10,000 & Over	402	328	68	6
TOTALS	2,108	1,206	511	391

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS

Schedule of Average Benefit Payment Amounts

Estimates Based on Years of Credited Service - General and Safety Combined

Retirement Effective Date	Years of Credited Service							Totals
	0-5	5-10	10-15	15-20	20-25	25-30	30+	
1/1/2016 - 12/31/2016								
Average monthly benefit	\$988	\$1,445	\$1,887	\$2,611	\$3,569	\$4,158	\$4,590	\$2,719
Average Final Compensation	\$8,064	\$7,085	\$6,616	\$6,783	\$7,368	\$7,953	\$7,674	\$7,208
Number of retired members	19	48	59	67	51	47	21	312
1/1/2015 - 12/31/2015								
Average monthly benefit	\$1,344	\$1,151	\$1,990	\$2,478	\$3,351	\$4,409	\$3,619	\$2,257
Average Final Compensation	\$8,753	\$6,379	\$6,536	\$6,418	\$7,670	\$8,065	\$7,706	\$6,867
Number of retired members	13	55	83	53	34	17	7	262
1/1/2014 - 12/31/2014								
Average monthly benefit	\$1,292	\$1,139	\$1,976	\$3,048	\$4,431	\$6,048	\$5,318	\$3,408
Average Final Compensation	\$7,236	\$6,426	\$6,959	\$7,834	\$8,740	\$9,941	\$8,260	\$7,959
Number of retired members	11	51	98	77	68	66	33	404
1/1/2013 - 12/31/2013								
Average monthly benefit	\$533	\$1,150	\$1,824	\$3,215	\$4,454	\$5,020	\$4,991	\$2,739
Average Final Compensation	\$7,171	\$6,454	\$6,399	\$8,744	\$8,625	\$8,993	\$9,138	\$7,537
Number of retired members	12	52	87	41	43	27	15	277
1/1/2012 - 12/31/2012								
Average monthly benefit	\$1,953	\$1,160	\$2,096	\$3,690	\$4,897	\$5,991	\$6,272	\$3,871
Average Final Compensation	\$10,284	\$5,938	\$6,949	\$8,901	\$9,206	\$9,710	\$8,780	\$8,344
Number of retired members	19	70	126	77	149	81	58	580
1/1/2011 - 12/31/2011								
Average monthly benefit	\$436	\$1,334	\$1,853	\$2,663	\$4,325	\$6,315	\$6,829	\$4,091
Average Final Compensation	\$7,653	\$5,871	\$6,543	\$7,091	\$8,476	\$9,629	\$9,410	\$8,044
Number of retired members	12	77	102	86	156	114	116	663
1/1/2010 - 12/31/2010								
Average monthly benefit	\$559	\$1,148	\$1,781	\$3,019	\$4,619	\$6,126	\$6,837	\$4,018
Average Final Compensation	\$8,826	\$6,015	\$6,670	\$7,280	\$9,422	\$9,473	\$9,099	\$8,081
Number of retired members	9	55	73	56	57	69	81	400

(Schedule continued on next page)

Contra Costa County Employees' Retirement Association
SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS (Continued)

Schedule of Average Benefit Payment Amounts

Estimates Based on Years of Credited Service - General and Safety Combined

<i>Retirement Effective Date</i>	<i>Years of Credited Service</i>							<i>Totals</i>
	<i>0-5</i>	<i>5-10</i>	<i>10-15</i>	<i>15-20</i>	<i>20-25</i>	<i>25-30</i>	<i>30+</i>	
1/1/2009 - 12/31/2009								
Average monthly benefit	\$1,039	\$1,368	\$1,844	\$2,697	\$4,532	\$6,595	\$7,046	\$3,810
Average Final Compensation	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Number of retired members	17	67	70	73	78	62	62	429
1/1/2008 - 12/31/2008								
Average monthly benefit	\$1,499	\$1,454	\$2,108	\$3,334	\$4,426	\$5,971	\$7,145	\$3,738
Average Final Compensation	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Number of retired members	15	45	38	51	43	42	28	262
1/1/2007 - 12/31/2007								
Average monthly benefit	\$862	\$1,044	\$1,685	\$2,350	\$3,044	\$6,010	\$7,608	\$3,287
Average Final Compensation	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Number of retired members	21	65	71	79	64	66	51	417

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

Contra Costa County Employees' Retirement Association
SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS (Continued)

Schedule of Average Benefit Payment Amounts

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

GENERAL TIER 1	<i>Years of Retirement</i>								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2016 Average Monthly Benefit	\$3,364	\$5,011	\$4,649	\$3,853	\$3,116	\$2,694	\$2,188	\$2,117	\$2,011
Number Retirees & Beneficiaries	282	534	622	586	478	377	303	187	81
2015 Average Monthly Benefit	\$4,178	\$4,674	\$4,452	\$3,570	\$3,025	\$2,519	\$2,006	\$2,081	\$1,627
Number Retirees & Beneficiaries	387	503	650	550	489	395	341	194	78
2014 Average Monthly Benefit	\$4,505	\$4,453	\$4,203	\$3,336	\$2,952	\$2,325	\$1,927	\$2,069	\$1,543
Number Retirees & Beneficiaries	471	515	612	543	482	405	322	169	59
2013 Average Monthly Benefit	\$4,531	\$4,417	\$3,861	\$3,123	\$2,784	\$2,240	\$1,868	\$1,999	\$1,465
Number Retirees & Beneficiaries	500	559	602	528	487	435	317	158	47
2012 Average Monthly Benefit	\$4,697	\$4,202	\$3,693	\$2,854	\$2,618	\$2,055	\$1,986	\$1,773	\$1,490
Number Retirees & Beneficiaries	535	631	594	510	514	434	324	141	40
2011 Average Monthly Benefit	\$4,522	\$4,107	\$3,419	\$2,824	\$2,415	\$1,936	\$1,923	\$1,721	\$1,483
Number Retirees & Beneficiaries	524	633	621	550	486	440	328	124	32
2010 Average Monthly Benefit	\$4,261	\$3,933	\$3,238	\$2,744	\$2,336	\$1,764	\$1,900	\$1,531	\$1,477
Number Retirees & Beneficiaries	501	658	594	548	506	467	314	107	24
2009 Average Monthly Benefit	\$3,997	\$3,747	\$3,003	\$2,628	\$2,133	\$1,748	\$1,843	\$1,466	\$1,402
Number Retirees & Beneficiaries	530	633	580	550	535	461	293	94	26
2008 Average Monthly Benefit	\$4,135	\$3,506	\$2,897	\$2,490	\$2,057	\$1,773	\$1,830	\$1,388	\$1,509
Number Retirees & Beneficiaries	546	632	560	578	564	478	264	79	23
2007 Average Monthly Benefit	\$3,905	\$3,326	\$2,611	\$2,314	\$1,874	\$1,836	\$1,670	\$1,295	\$1,324
Number Retirees & Beneficiaries	632	631	537	607	578	478	241	59	18

NOTE: Average Final Compensation is not available on a historical basis due to system constraints for this schedule.

Contra Costa County Employees' Retirement Association
SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS (Continued)

Schedule of Average Benefit Payment Amounts									
Estimates Based on Annualized Benefit Amounts at December 31 of Each Year									
GENERAL TIER 2	<i>Years of Retirement</i>								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2016 Average Monthly Benefit	\$303	\$698	\$905	\$1,115	\$945	\$1,356	\$1,030		
Number Retirees & Beneficiaries	34	66	94	197	129	42	8		
2015 Average Monthly Benefit	\$366	\$731	\$940	\$1,091	\$929	\$1,643	\$681		
Number Retirees & Beneficiaries	37	72	122	193	120	25	6		
2014 Average Monthly Benefit	\$413	\$671	\$762	\$1,109	\$1,005	\$1,365	\$732		
Number Retirees & Beneficiaries	39	73	114	206	100	21	4		
2013 Average Monthly Benefit	\$440	\$654	\$919	\$1,003	\$1,140	\$922	\$524		
Number Retirees & Beneficiaries	45	77	136	202	85	15	3		
2012 Average Monthly Benefit	\$602	\$613	\$943	\$1,016	\$1,082	\$951	\$517		
Number Retirees & Beneficiaries	58	78	161	186	75	11	2		
2011 Average Monthly Benefit	\$600	\$651	\$1,023	\$890	\$1,091	\$923	\$661		
Number Retirees & Beneficiaries	67	80	209	158	51	9	1		
2010 Average Monthly Benefit	\$653	\$721	\$1,039	\$821	\$1,290	\$662			
Number Retirees & Beneficiaries	71	109	215	143	30	8			
2009 Average Monthly Benefit	\$611	\$713	\$1,045	\$802	\$1,153	\$703			
Number Retirees & Beneficiaries	74	126	232	114	27	6			
2008 Average Monthly Benefit	\$835	\$886	\$995	\$1,065	\$913	\$617			
Number Retirees & Beneficiaries	82	144	232	101	17	4			
2007 Average Monthly Benefit	\$751	\$887	\$967	\$1,014	\$906	\$468			
Number Retirees & Beneficiaries	89	176	210	83	13	2			

NOTE: Average Final Compensation is not available on a historical basis due to system constraints for this schedule.

Contra Costa County Employees' Retirement Association
SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS (Continued)

Schedule of Average Benefit Payment Amounts									
Estimates Based on Annualized Benefit Amounts at December 31 of Each Year									
GENERAL TIER 3	<i>Years of Retirement</i>								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2016 Average Monthly Benefit	\$2,549	\$3,043	\$2,307	\$1,494	\$1,398	\$1,466			
Number Retirees & Beneficiaries	1,150	1,105	568	140	2	1			
2015 Average Monthly Benefit	\$2,721	\$2,742	\$2,053	\$1,464	\$1,986	\$1,423			
Number Retirees & Beneficiaries	1,368	858	476	77	1	1			
2014 Average Monthly Benefit	\$2,772	\$2,577	\$1,811	\$1,520	\$1,634				
Number Retirees & Beneficiaries	1,364	844	375	46	2				
2013 Average Monthly Benefit	\$2,769	\$2,374	\$1,518	\$1,677	\$1,594				
Number Retirees & Beneficiaries	1,297	776	306	3	2				
2012 Average Monthly Benefit	\$2,798	\$2,210	\$1,397	\$680	\$1,563				
Number Retirees & Beneficiaries	1,286	724	220	1	2				
2011 Average Monthly Benefit	\$2,672	\$2,020	\$1,291	\$660	\$1,518				
Number Retirees & Beneficiaries	1,102	626	164	1	2				
2010 Average Monthly Benefit	\$2,443	\$1,849	\$1,267	\$1,698	\$1,156				
Number Retirees & Beneficiaries	886	518	90	2	2				
2009 Average Monthly Benefit	\$2,347	\$1,651	\$1,465	\$1,213	\$1,183	\$1,965			
Number Retirees & Beneficiaries	852	398	54	6	3	1			
2008 Average Monthly Benefit	\$2,237	\$1,441	\$1,154	\$1,479	\$1,035				
Number Retirees & Beneficiaries	768	324	2	2	1				
2007 Average Monthly Benefit	\$2,020	\$1,327	\$1,115	\$1,287					
Number Retirees & Beneficiaries	752	224	2	3					

NOTE: Average Final Compensation is not available on a historical basis due to system constraints for this schedule.

Contra Costa County Employees' Retirement Association
SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS (Concluded)

Schedule of Average Benefit Payment Amounts

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

SAFETY TIER A and TIER C	Years of Retirement								
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
2016 Average Monthly Benefit	\$6,069	\$7,582	\$7,890	\$6,126	\$5,409	\$4,857	\$4,176	\$4,459	\$3,833
Number Retirees & Beneficiaries	341	459	470	298	208	123	108	64	43
2015 Average Monthly Benefit	\$6,590	\$7,444	\$7,262	\$5,984	\$5,033	\$4,775	\$3,983	\$4,336	\$3,676
Number Retirees & Beneficiaries	440	412	438	288	213	122	94	69	49
2014 Average Monthly Benefit	\$6,837	\$7,376	\$6,771	\$5,715	\$5,227	\$4,298	\$4,157	\$4,170	\$3,397
Number Retirees & Beneficiaries	487	426	403	263	205	121	89	73	38
2013 Average Monthly Benefit	\$6,858	\$7,145	\$6,583	\$5,150	\$5,117	\$4,155	\$4,255	\$3,986	\$3,093
Number Retirees & Beneficiaries	493	421	404	226	186	123	90	69	33
2012 Average Monthly Benefit	\$6,946	\$7,113	\$6,165	\$5,023	\$4,738	\$3,951	\$4,108	\$3,599	\$3,272
Number Retirees & Beneficiaries	487	471	364	205	158	125	91	61	28
2011 Average Monthly Benefit	\$6,763	\$7,040	\$5,513	\$4,892	\$4,409	\$3,909	\$3,880	\$3,711	\$2,940
Number Retirees & Beneficiaries	437	486	304	215	142	125	87	55	26
2010 Average Monthly Benefit	\$6,791	\$6,521	\$5,452	\$4,623	\$4,380	\$3,637	\$3,891	\$3,555	\$2,818
Number Retirees & Beneficiaries	406	453	287	223	133	107	86	50	21
2009 Average Monthly Benefit	\$6,620	\$6,093	\$5,110	\$4,706	\$3,929	\$3,756	\$3,780	\$3,178	\$2,619
Number Retirees & Beneficiaries	426	406	268	222	126	98	88	41	21
2008 Average Monthly Benefit	\$6,644	\$6,126	\$4,800	\$4,813	\$3,884	\$3,903	\$3,810	\$2,926	\$2,453
Number Retirees & Beneficiaries	409	406	236	202	128	101	83	30	16
2007 Average Monthly Benefit	\$6,517	\$5,758	\$4,573	\$4,438	\$3,625	\$3,909	\$3,397	\$2,830	\$2,420
Number Retirees & Beneficiaries	465	362	229	168	128	107	76	22	19

NOTE: Average Final Compensation is not available on a historical basis due to system constraints for this schedule.

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS FOR YEARS 2008 - 2017

Participating Employers and Active Members for Years 2008 - 2017											
County of Contra Costa:	2017	% of Totals	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Members	7,608	76.06%	7,436	7,306	6,897	6,784	6,357	6,280	6,403	6,429	6,802
Safety Members	947	9.47%	951	936	894	951	912	888	935	956	1,020
TOTAL:	8,555	85.52%	8,387	8,242	7,791	7,735	7,269	7,168	7,338	7,385	7,822
Participating Agencies:											
Bethel Island Municipal Improvement District	4	0.04%	1	1	1	2	2	2	3	3	3
Byron, Brentwood, Knightsen Union Cemetery District	4	0.04%	4	5	5	5	5	5	4	3	3
Central Contra Costa Sanitary District	279	2.79%	282	272	262	260	255	248	252	266	266
Contra Costa County Employees' Retirement Association	51	0.51%	47	48	43	44	38	36	37	37	37
Contra Costa Housing Authority	82	0.82%	87	84	82	83	83	91	92	91	90
Contra Costa Mosquito and Vector Control District	35	0.35%	33	33	33	34	33	35	35	35	37
Delta Diablo Sanitation District*	-	0.00%	-	-	-	-	-	-	-	-	-
Diablo Water District*	-	0.00%	-	-	-	-	-	-	-	-	-
Local Agency Formation Commission (LAFCO)	2	0.02%	2	2	2	2	2	2	2	2	2
Ironhouse Sanitary District*	-	0.00%	-	-	-	-	-	-	-	-	-
Rodeo Sanitary District	7	0.07%	7	8	7	7	6	8	7	8	8
In-Home Supportive Services Authority (IHSS)	15	0.15%	15	13	12	12	12	12	12	12	13
First 5 - Children & Families Commission	29	0.29%	28	26	22	21	20	22	24	22	16
Contra Costa County Fire Protection District	326	3.26%	337	304	297	286	299	331	321	349	354
East Contra Costa Fire Protection District	36	0.36%	43	35	38	49	38	48	49	50	50
Moraga-Orinda Fire Protection District	64	0.64%	63	62	62	70	62	65	73	73	71
Rodeo-Hercules Fire Protection District	19	0.19%	18	24	23	15	14	17	21	21	21
Superior Court of Contra Costa County	323	3.23%	330	331	324	344	342	357	360	405	407
San Ramon Valley Fire Protection District	172	1.72%	164	152	155	155	160	182	181	180	185
TOTAL:	1,448	14.48%	1,461	1,400	1,368	1,389	1,371	1,461	1,473	1,557	1,563
TOTAL ACTIVE MEMBERSHIP	10,003	100.00%	9,848	9,642	9,159	9,124	8,640	8,629	8,811	8,942	9,385

*Districts that terminated their membership with CCCERA

This page is intentionally left blank.

Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, California 94520-5728
cccera.org



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

Meeting Date
06/27/18
Agenda Item
#6

JUNE 2018

Risk Parity Education

Contra Costa County Employees' Retirement Association

Table of Contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

Executive summary	3
Risk parity overview	5
Leverage and futures	9
Scenario analysis	16
Next Steps	24
Appendix	26

***Past performance is no guarantee of future results.** This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Verus Advisory Inc. and Verus Investors, LLC (“Verus”) file a single form ADV under the United States Investment Advisors Act of 1940, as amended.*

Executive summary

Executive summary

- CCCERA’s asset allocation prescribes a 5% allocation to Risk Parity
 - Risk Parity will be a relatively small part of the Growth sub-portfolio, which holds 67% of Plan assets
- Prior discussions with the Board raised important questions with regard to how risk parity mandates achieve their exposures and whether these methods are appropriate for the Plan
- This presentation seeks to provide additional content and facilitate discussion on the use of leverage and futures with the strategy
 - How to use leverage intelligently and monitor its risk
 - How to use futures effectively to employ the leverage
 - Under which scenarios does Risk Parity work well and under which does it perform poorly
 - How Risk Parity can be additive or detrimental to the Plan’s asset allocation
- No formal proposal is being made. To satisfy the Plan’s asset allocation, Staff and Verus will revisit the prior RFP and make a specific recommendation at a future meeting.

Risk parity overview

What is risk parity?

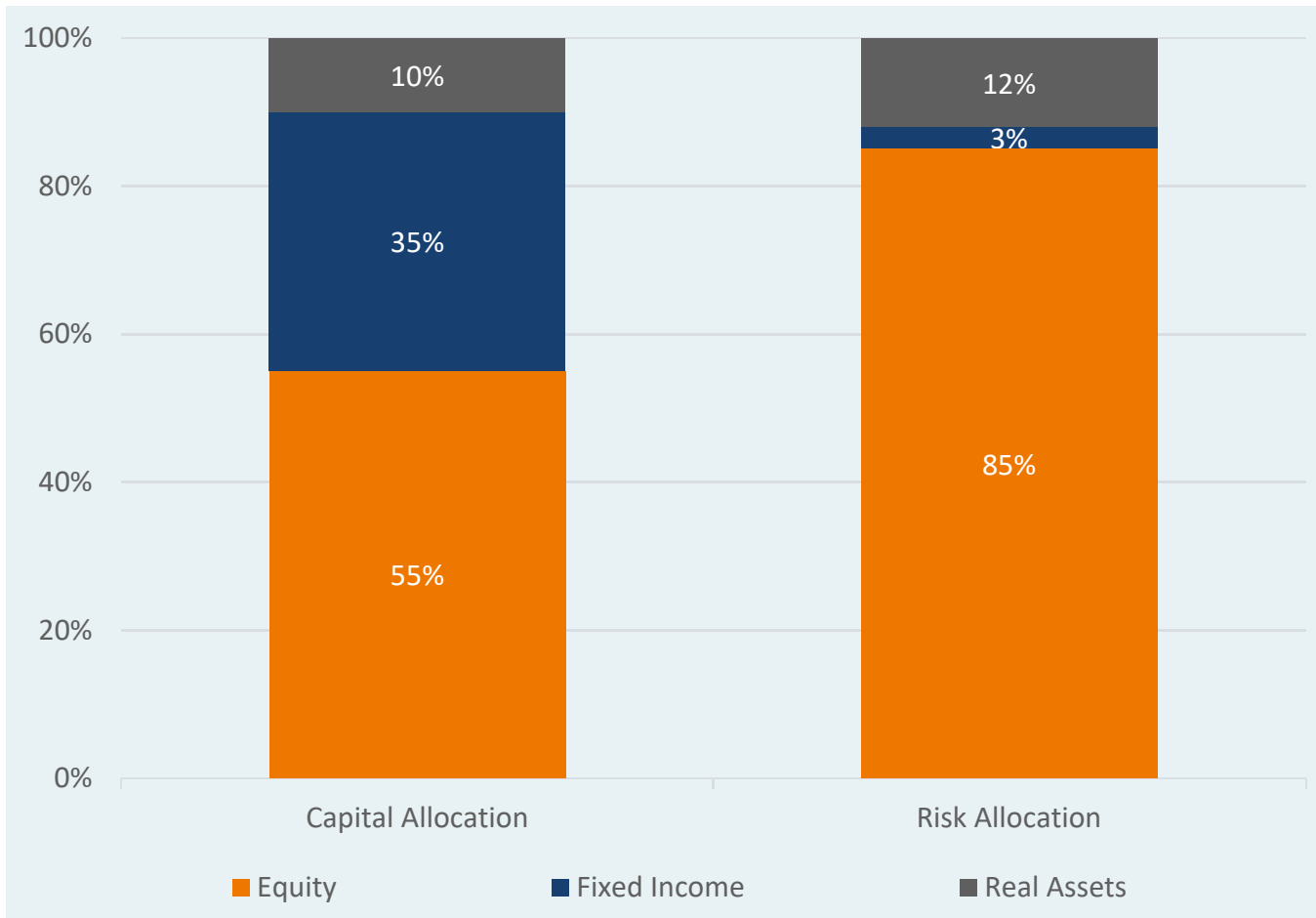
A long-only portfolio seeking to generate returns through persistent exposure to Global Equity, Global Fixed Income, and Global Inflation-Protected Assets

- Global Equities for upside participation in periods of strong growth
- Global Fixed Income for downside protection in periods of weaker growth
- Commodities and Global Inflation-Linked Bonds to preserve real rates of return in inflationary periods

Risk parity strategies seek balanced exposure for consistent performance across market environments by targeting expected levels of risk (i.e. volatility of returns).

Traditional portfolio

CAPITAL AND RISK ALLOCATION

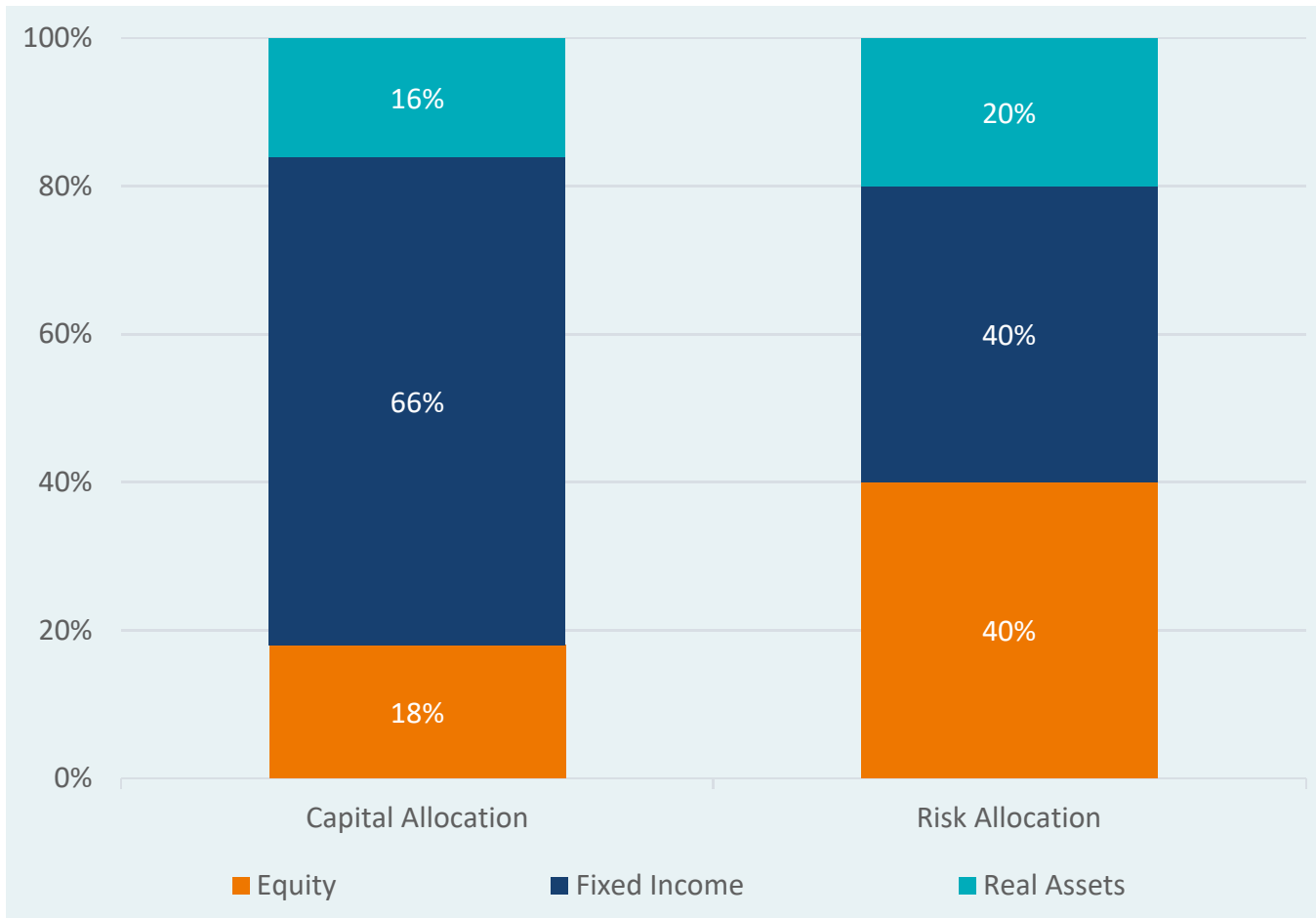


The Traditional Approach may result in the Plan closely tracking the outcome of the equity market.

Source: PanAgora Asset Management, Inc.

Risk parity portfolio

CAPITAL AND RISK ALLOCATION

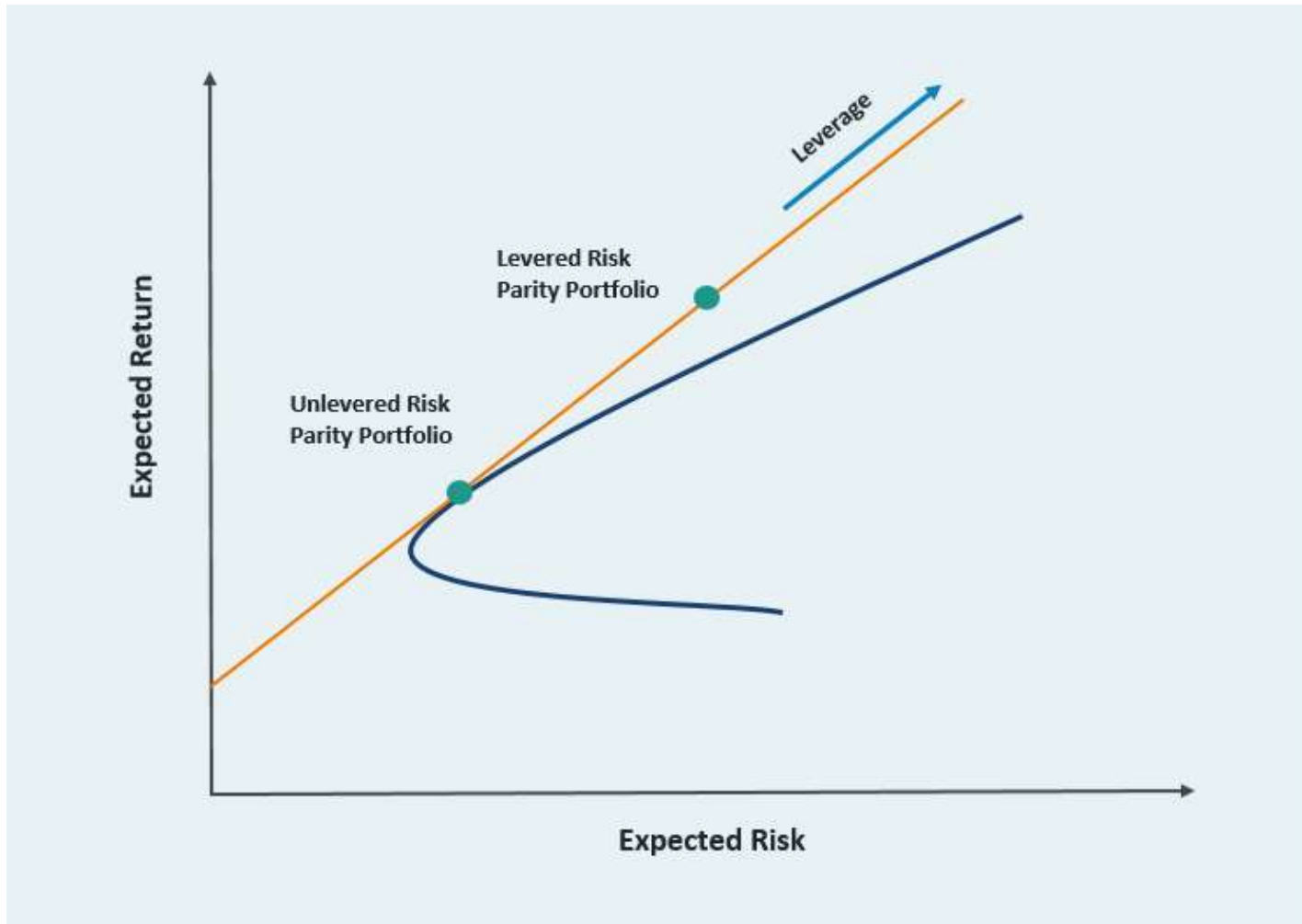


The Risk Parity Approach, through the use of futures, increases the exposure to fixed income assets so that each asset class contributes meaningfully to the total volatility of the portfolio.

Source: PanAgora Asset Management, Inc.

Leverage and futures

Risk parity concept: leveraging the most efficient portfolio



For illustrative purposes only

Leverage

Just like Risk Parity, most investments contain leverage

- Public and Private Equity, Real Estate, Infrastructure, and Hedge Funds
 - Leverage is embedded throughout the portfolio but often encapsulated
- Securitization (or in the case of Risk Parity – commingled fund) allows it to be non-recourse leverage so adverse market conditions within the strategy never extend beyond the assets allocated to the strategy

Why leverage is used by these strategies

- Diversification is the only free lunch: lower risk while maintaining return, or enhancing return while maintaining risk.
- A portfolio with capital allocation of 60/40 to stocks and bonds will have approximately 90% of its risk coming from stocks and only 10% from bonds. To achieve a truly diversified portfolio where risk is split equally, the allocation would need to be 30% in stocks and 70% in bonds.
- Investors must hold enough risky assets to achieve return targets, so the only option to balance risk is to use leverage to buy enough of the safe assets.
- Controlled, moderate use of effective leverage should allow investors to achieve their required rate but with a much more diversified portfolio (higher Sharpe ratio).

In Risk Parity, leverage is generally obtained through the use of futures rather than outright borrowing

Leverage continued

Considerations when evaluating strategies that use leverage

- Explicit limits and controls in place to measure, monitor, and manage risk levels, trades, and leverage calculations
- Specific futures contracts being traded and their liquidity relative to fund size (manager should have limits in place for positions to be below a certain % of average daily traded volume for specific securities)
- Level of unencumbered cash to fund daily margin requirements and what that “Cash” really is (short term Treasury Bills are the safest and most liquid)
- Understanding of various assets in underlying legal vehicles, master/feeder structure, etc. to understand how costs are shared and assets are invested

Futures contracts offer the most efficient and effective way to gain the desired amount of exposure to truly achieve parity across sources of investment volatility.

Futures

Definition: A futures contract is an agreement to buy or sell an underlying asset or index on a specified date (several expiry dates are offered at varying points in the future that traders can choose from) with daily changes in the index reflected as gains or losses to the buyer or seller.

Characteristics:

- Standardized terms for each asset
- Highly regulated and traded on centralized exchange
- Small initial margin required
- Daily mark to market
- Significant and growing liquidity
- Low transaction costs compared to cost of buying underlying assets
- Widely used by institutional investors and corporations for hedging FX, interest rate, and commodity price risks

Futures continued

In most cases futures contracts are more liquid than the underlying asset they track, such as Treasuries

- 2-Year Treasury futures are based on all underlying issues of 2 Year Treasury Notes, facilitating exposure across issuance dates

Risk Parity managers will continuously roll their futures contracts before expiration

- This allows the managers to effectively manage and maintain consistent exposure to individual assets while minimizing transactions costs and market impact by spreading out trades rather than trading all at once on expiry date
- Avoids requirement to take delivery of physical goods (they don't want to actually buy and store thousands of barrels of oil!)

Futures contracts are valued based on the actual return of the underlying asset or index being tracked plus a return on cash

- $\text{Futures contract} + \text{cash return} = \text{Underlying asset return} + \text{dividends received} - \text{carrying costs}$

How futures work

S&P Index Level: 1,000

Multiplier: \$250

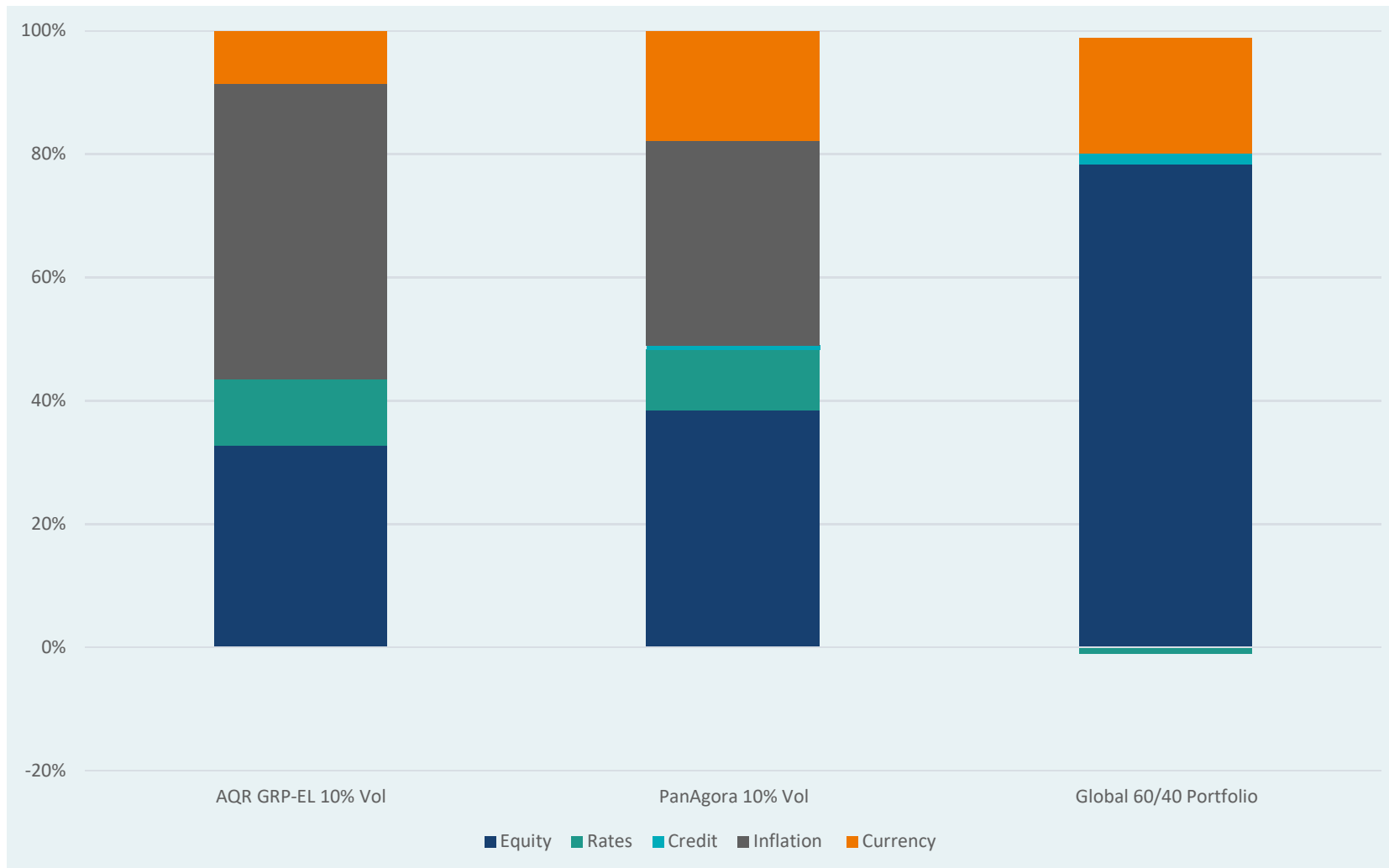
Futures Contract Value: \$250,000

Initial Margin at 5%: \$12,500

Index movement of + 1 point = + \$250 contract value

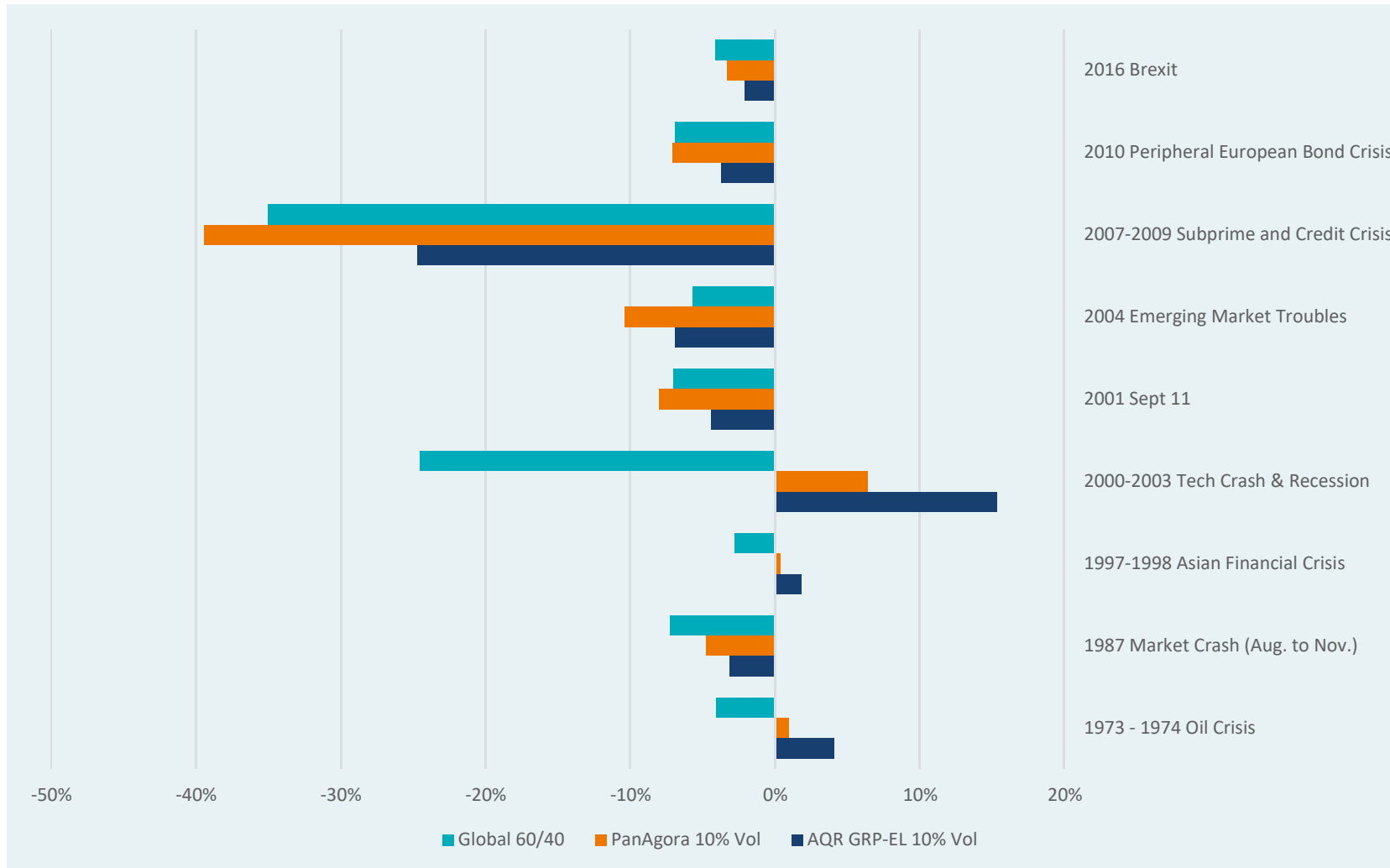
Scenario analysis

Risk parity risk decomposition



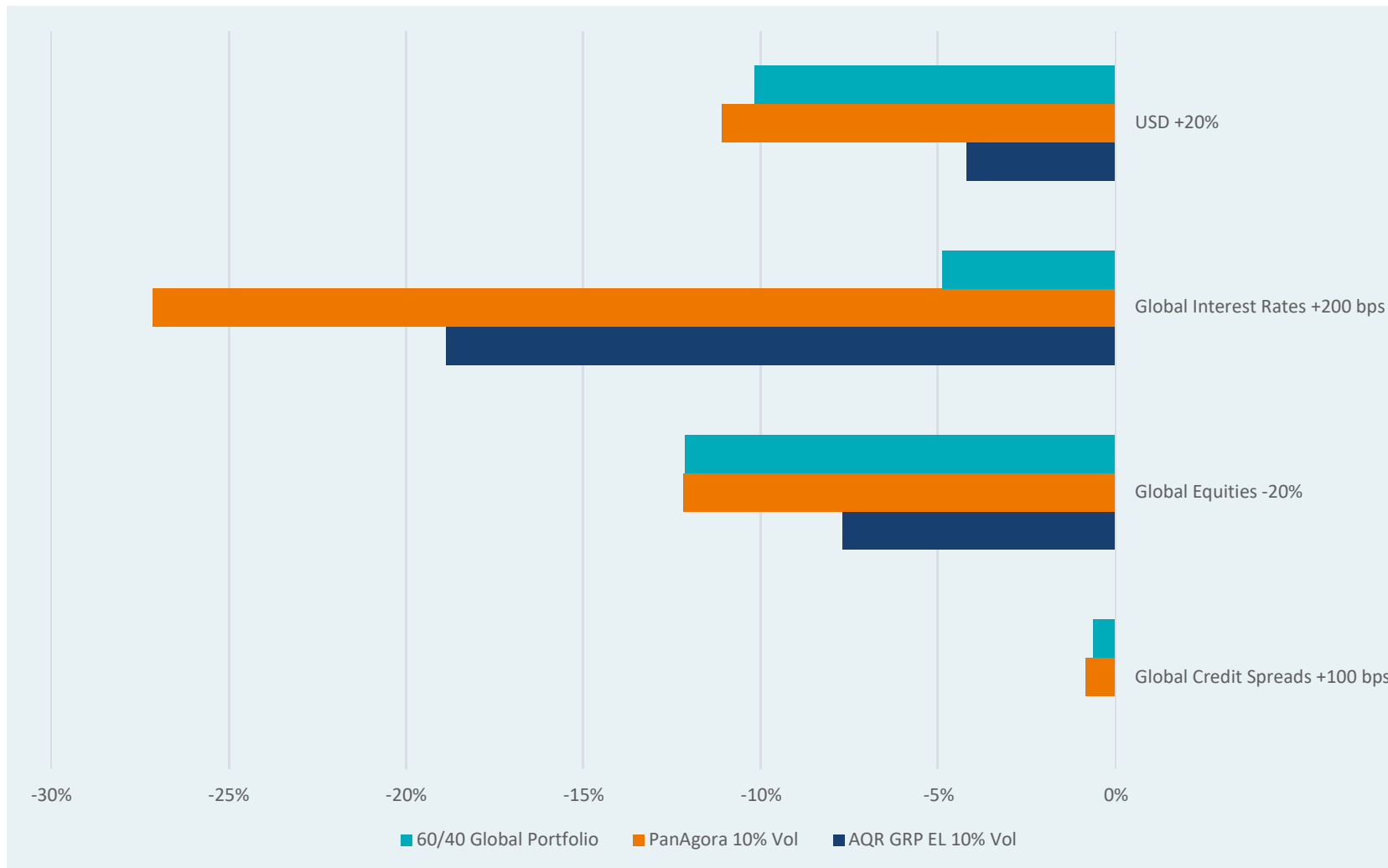
Risk parity holdings were modelled as of 4/30/18; the global 60/40 portfolio contains 60% MSCI ACWI Index and 40% BBgBarc Global Aggregate Index

Risk parity scenario analysis



Risk parity holdings were modelled as of 4/30/18; the global 60/40 portfolio contains 60% MSCI ACWI Index and 40% BBgBarc Global Aggregate Index

Risk parity stress tests



Risk parity holdings were modelled as of 4/30/18; the global 60/40 portfolio contains 60% MSCI ACWI Index and 40% BBgBarc Global Aggregate Index

Risk parity downside exposures














	Equity	Core Bonds	High Yield	Risk Parity
Rising interest rates				
Falling equities				
Higher credit spreads				
Rising interest rates, falling equities, and higher credit spreads				

Table for illustrative purposes only

Adding risk parity to portfolios

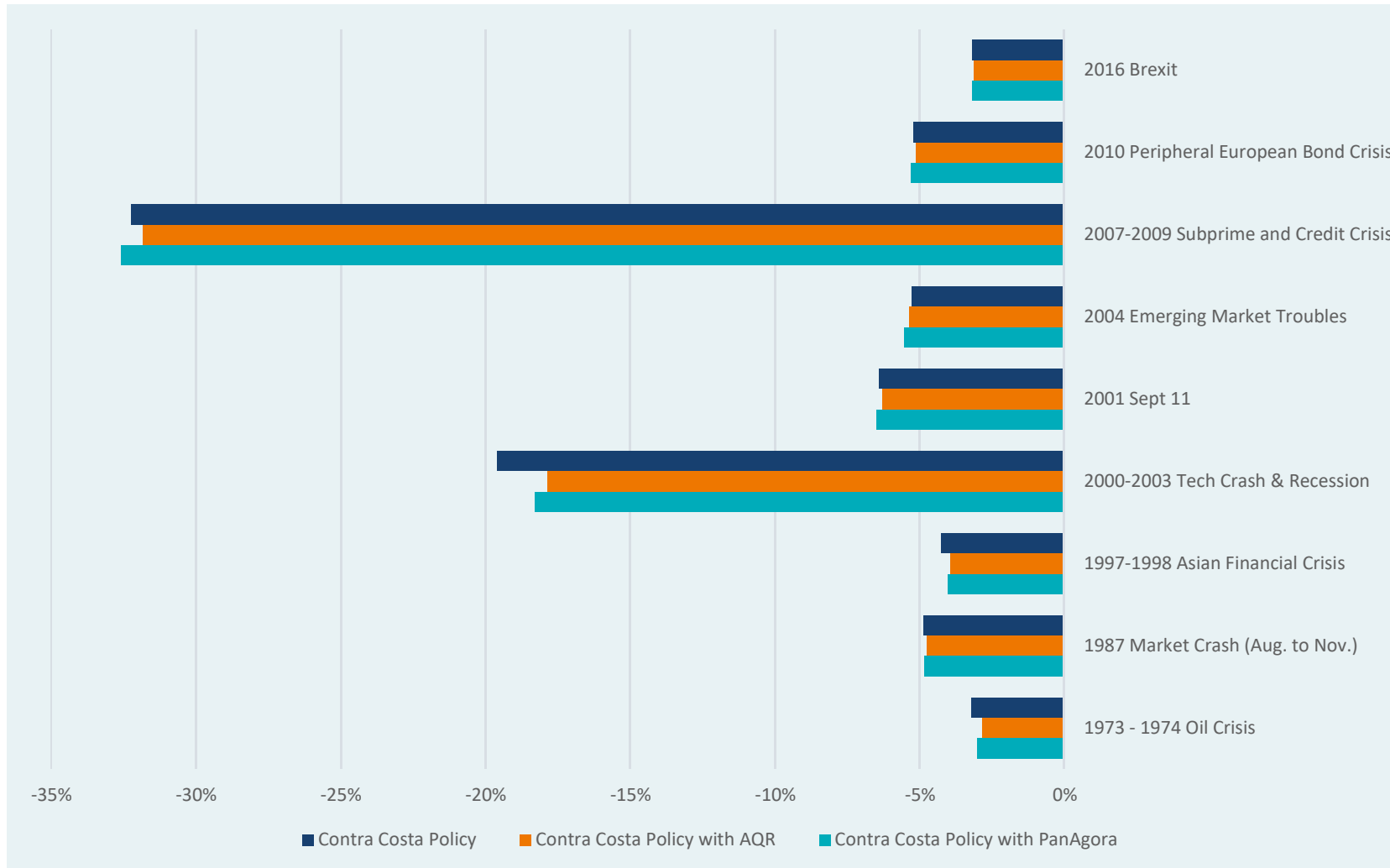
Risk Parity can improve expected outcomes

- The “Typical Peer” has no allocation to risk parity
- The other examples allocate 5, 10, or 20% while proportionately reducing exposures to the other asset classes
- Sharpe ratios increased through the addition of Risk Parity
- 50th percentile returns increased with the addition of Risk Parity
- The poorest outcomes were mitigated with Risk Parity

	Typical Peer	+5% RP	+10% RP	+20% RP
Volatility	10.6	10.4	10.2	9.9
Sharpe Ratio	0.34	0.35	0.37	0.40
Median (50th percentile) Forecasted Return	5.3	5.5	5.6	5.8
1 Year (5th Percentile) Drawdown	-11.2	-11.0	-10.6	-9.9

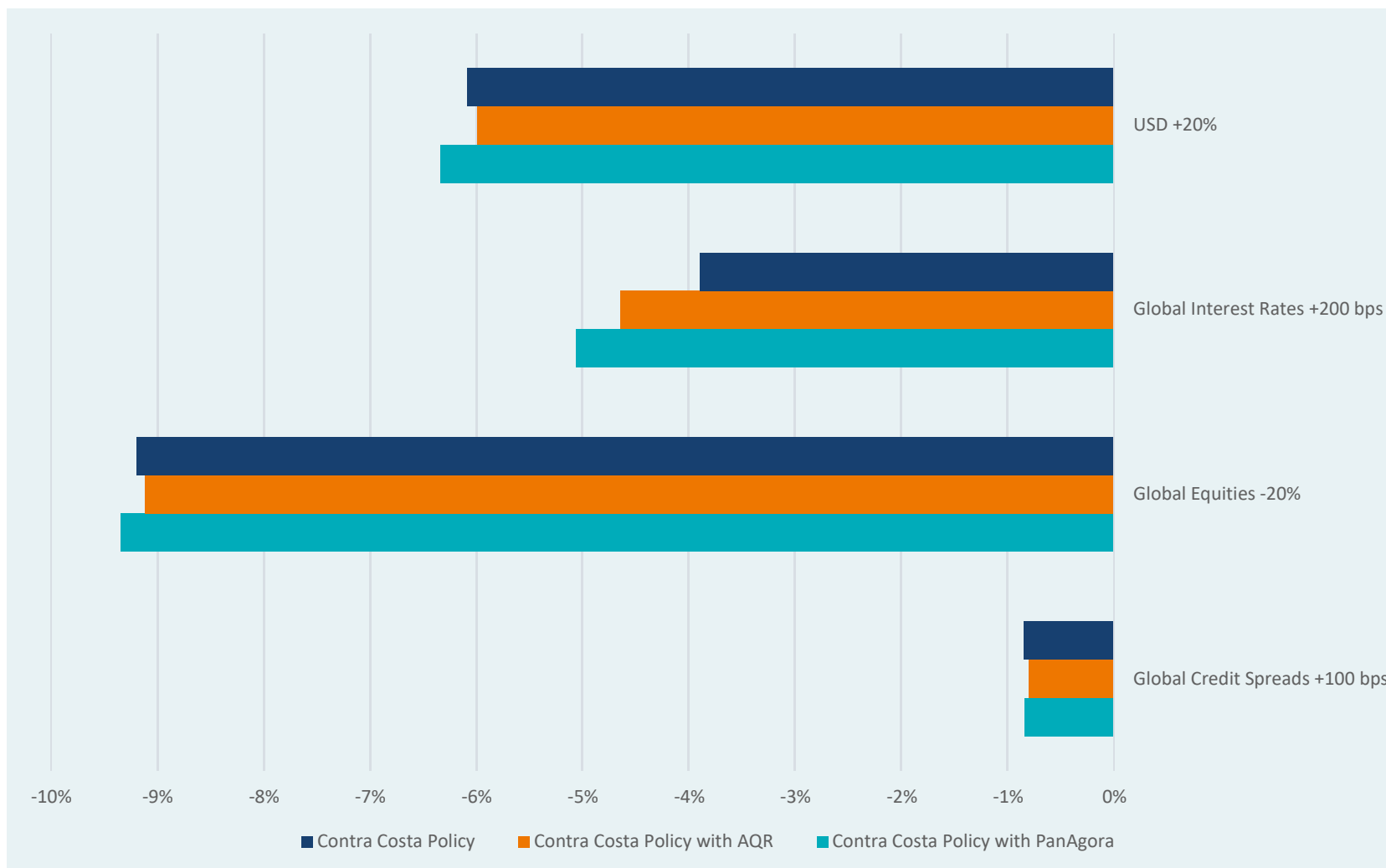
Typical Peer is based on BNY Mellon Universe data of DB Plans >\$2 Billion and is composed of 45% Global Equity, 35% Core Fixed Income, 5% Private Equity, 5% Real Estate, 5% Hedge Funds, and 5% Commodities

Portfolio scenario analysis



Risk parity holdings were modelled as of 4/30/18; the global 60/40 portfolio contains 60% MSCI ACWI Index and 40% BBgBarc Global Aggregate Index

Portfolio stress tests



Risk parity holdings were modelled as of 4/30/18; the global 60/40 portfolio contains 60% MSCI ACWI Index and 40% BBgBarc Global Aggregate Index

Next steps

Next steps

1. Verus and Staff to revisit, and update as needed, prior research on risk parity managers.
2. Staff to provide recommendation to the Board at the August meeting.

Appendix

Portfolio analysis

	Current Portfolio	Phase 2a Target	Long-Term Target	Alt. Mix 1	Alt. Mix 2	Alt. Mix 3	Return (10 Yr)	Standard Deviation	Sharpe Ratio
US Large	10.9	10.0	6.0	6.0	5.0	4.0	4.5	15.7	0.15
US Small	6.5	6.6	-	-	-	-	4.4	21.5	0.10
International Developed	8.5	8.6	12.0	13.0	13.0	13.0	8.6	18.1	0.35
Emerging Markets	11.4	10.6	10.0	11.0	11.0	11.0	7.3	26.6	0.19
Global Equity	8.8	8.6	-	-	-	-	6.3	17.5	0.23
High Yield Corp. Credit	4.2	5.0	-	-	-	-	3.7	11.6	0.13
Private Equity*	10.7	10.7	12.0	12.0	11.0	10.0	6.4	25.8	0.16
Private Credit	1.7	1.9	12.0	12.0	12.0	12.0	6.9	10.5	0.45
Core Real Estate	1.5	1.6	-	-	-	-	6.0	12.7	0.30
Value Add Real Estate	3.3	3.3	4.0	5.0	5.0	5.0	8.0	19.5	0.30
Opportunistic Real Estate	2.7	3.3	4.0	4.0	4.0	4.0	10.0	26.0	0.30
REITs	0.8	1.0	1.0	1.0	1.0	1.0	6.0	19.5	0.19
Risk Parity	-	-	5.0	5.0	5.0	5.0	7.2	10.0	0.50
Total Growth Portfolio	71.0	71.1	66.0	69.0	67.0	65.0			
Short-Term Gov't/Credit	20.3	22.0	27.0	23.0	23.0	23.0	2.5	3.7	0.08
Cash	2.7	1.4	-	-	-	-	2.2	1.2	-
Total Liquidity Portfolio	23.0	23.4	27.0	23.0	23.0	23.0			
Commodities	1.1	1.0	-	-	-	-	4.3	15.9	0.13
US TIPS	1.1	1.0	-	-	-	-	2.6	5.5	0.07
US Treasury	3.8	3.5	3.0	3.0	3.0	4.0	2.4	6.8	0.03
Risk Diversifying	-	-	4.0	5.0	7.0	8.0	4.0	7.9	0.23
Total Risk Diversifying	6.0	5.5	7.0	8.0	10.0	12.0			
Total Allocation	100	100	100	100	100	100			

As of December 31, 2017

Based on Verus' 2018 Capital Market Assumptions

*Includes a 3% allocation to Infrastructure (return of 7.1% with a standard deviation of 18.9%)

Portfolio analysis

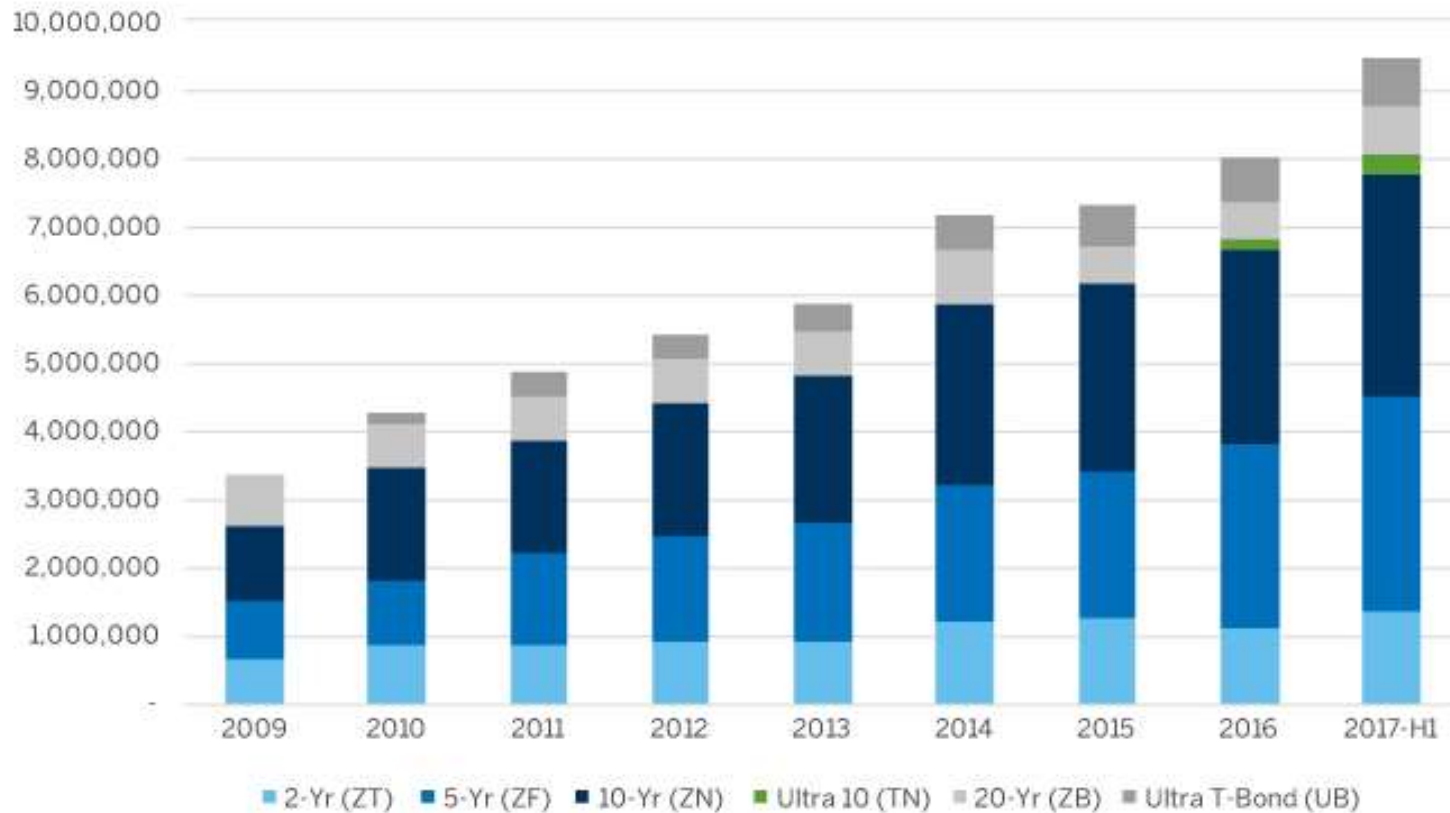
	Current Portfolio	Phase 2a Target	Long-Term Target	Alt. Mix 1	Alt. Mix 2	Alt. Mix 3
Mean Variance Analysis						
Forecast 10 Year Return	6.0	6.0	6.5	6.6	6.6	6.5
Standard Deviation	12.4	12.3	10.4	10.9	10.7	10.4
Sharpe Ratio	0.36	0.36	0.45	0.45	0.45	0.45
Expected Return less 1 Stnd. Dev.	-6.4	-6.2	-4.0	-4.2	-4.1	-3.9
Expected Return less 2 Stnd. Devs.	-18.7	-18.5	-14.4	-15.1	-14.7	-14.3

As of December 31, 2017

Based on Verus' 2018 Capital Market Assumptions

Growing liquidity of U.S. Treasury futures

Treasury Futures Average Daily Open Interest (ADOI)



Source: <http://www.cmegroup.com/education/us-treasury-futures-liquidity-update.html> June 11, 2018

Notices & disclosures

Past performance is no guarantee of future results. *The information presented in this report is provided pursuant to the contractual agreement (the “Contract”) by and between Contra Costa Employees’ Retirement Association (“Client”) and Verus Advisory, Inc. (“Company”). In the event of conflict between the terms of this disclosure and the Contract, the Contract shall take precedence. Client is an institutional counter-party and in no event should the information presented be relied upon by a retail investor.*

The information presented has been prepared by the Company from sources that it believes to be reliable and the Company has exercised all reasonable professional care in preparing the information presented. However, the Company cannot guarantee the accuracy of the information contained therein. The Company shall not be liable to Client or any third party for inaccuracy or in-authenticity of information obtained or received from third parties in the analysis or for any errors or omissions in content.

The information presented does not purport to be all-inclusive nor does it contain all information that the Client may desire for its purposes. The information presented should be read in conjunction with any other material furnished by the Company. The Company will be available, upon request, to discuss the information presented in the report that Client may consider necessary, as well as any information needed to verify the accuracy of the information set forth therein, to the extent Company possesses the same or can acquire it without unreasonable effort or expense. Nothing contained therein is, or should be relied on as, a promise, representation, or guarantee as to future performance or a particular outcome. Even with portfolio diversification, asset allocation, and a long-term approach, investing involves risk of loss that the client should be prepared to bear.

The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward-looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.



MEMORANDUM

Date: June 27, 2018
To: CCCERA Board of Retirement
From: Timothy Price, Chief Investment Officer
Subject: Phase 3 Implementation of Investment Asset Allocation

Overview

In the Investment Policy Statement adopted by the Board on September 29, 2016, the Board approved a structure whereby annual adjustments to the target asset allocation would be expressed in the form of investment resolutions adopted by the Board. To date, the Board has adopted three investment resolutions allowing for the buildout of the liquidity program and the initial phases of restructuring the growth and risk diversifying portfolios. The full history of investment resolutions is shown in the table below:

	Phase 1	Phase 2a	Phase 2b	Phase 3
Date of Adoption	October 26, 2016	March 8, 2017	July 12, 2017	--
Phase Purpose	Build out of liquidity program	Initial steps of restructuring growth portfolio	Funding of emerging market mandates. On-going re-structuring of growth portfolio	Initial build-out of risk diversifying with Parametric Shift risk parity strategy from diversifying to growth and funding of the mandate

BOR Resolution 2018-2 allows for the formal reclassification of risk parity as a growth asset (moved from risk diversifying) and the funding of the Parametric Defensive Equity portfolio. Implementation of BOR Resolution 2018-2 will occur during the annual funding plan in late July and early August of 2018.

Background

Verus has previously outlined a three-phase implementation process. The initial phase focused on building the liquidity sub-portfolio, and while phases two and three focus on restructuring the growth and diversifying sub-portfolios, respectively. On March 28, 2018 Verus and CCCERA Investment Staff presented updated capital market assumptions and recommended several changes to CCCERA's strategic asset allocation. BOR Resolution 2018-2 encompasses the direction provided by the Board at the March 28, 2018 meeting.

Recommendation

Consider and take possible action to adopt BOR Resolution 2018-2, Investment Asset Allocation Targets and Ranges.

**RESOLUTION OF THE BOARD OF RETIREMENT
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

INVESTMENT ASSET ALLOCATION TARGETS AND RANGES

WHEREAS, Article XVI, §17 of the Constitution of the State of California vests the Board of Retirement (Board) with "plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"; and

WHEREAS, the Board has exclusive control of the investment of CCCERA and may, in its discretion and subject to applicable law, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding or sale or any form or type of investment, financial instrument, or financial transaction when prudent in the informed decision of the board, pursuant to the County Employees Retirement Law of 1937 (CERL), Government Code Section 31595; and

WHEREAS, the Board has adopted an Investment Policy Statement ("IPS"), pursuant to which the Board is to periodically set, review and revise its asset allocation targets.

NOW, THEREFORE BE IT RESOLVED that it shall be the policy of CCCERA to invest assets in the following manner:

Asset Allocation

Section 6.B of the Investment Policy Statement ("IPS"), adopted September 28, 2016, provides that "annually the Board shall review the relative size and composition of [the] sub-portfolios and revise them as necessary through Investment Resolutions." During this annual review, the Investment Consultant will recommend the targets, weightings, and the rationale for any deviation to an under-weight or over-weight across the asset allocation. The Board will consider and take action to adopt or revise asset allocation targets. Under the direction of the Board of Retirement, investment staff will administer the asset allocation per the Board's action.

As of 2018 the long-term asset allocation targets determined by the Board are as follows:

Liquidity:	23%
Growth:	67%
Diversifying:	10%

The Phase 3 targets reflect the continued build out of the diversifying allocation. As additional strategies are identified and funded, we expect to make further progress towards funding this sub-portfolio to its full 10% allocation from its Phase 3 allocation of 8%. On an interim basis, remaining 2% remains in the growth sub-portfolio.

The Liquidity sub-portfolio will have a target allocation of 23% once the annual funding has been completed. Over the course of the following 12 months, the Liquidity sub-portfolio will be used to pay benefits and expenses. As a result, and aside from market fluctuations, the funds in the Liquidity sub-portfolio will decline from the targeted allocation and, therefore, the relative allocations to the Growth and Diversifying sub-portfolios will increase proportionately.

Phase 3 Targets

Sub-Portfolio Strategy	Phase 3 Target	Range
Growth	69.0%	60-80%
Jackson Square	3.0%	
Boston Partners	3.0%	
Emerald	2.0%	
Ceredex	2.0%	
BlackRock Index Fund	1.0%	
Pyrford	5.5%	
William Blair	5.5%	
Artisan	4.0%	
First Eagle	4.0%	
TT Emerging Markets	4.0%	
PIMCO/RAE Emerging Markets	4.0%	
Adelante	1.0%	
Private Real Estate	9.0%	
Private Equity	10.0%	
Private Credit	4.0%	
Allianz	2.0%	
Risk Parity Manager(s)	5.0%	
Liquidity	23.0%	16-28%
Insight	12.0%	
DFA	5.5%	
Sit	5.5%	
Risk Diversifying	8.0%	0-10%
AFL-CIO HIT	3.5%	
Wellington Real Total Return	2.0%	
Parametric Defensive Equity	2.5%	
Total	100.0%	

THIS RESOLUTION WAS ADOPTED BY THE AFFIRMATIVE VOTE OF THE BOARD OF RETIREMENT OF THE CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION THIS ____ DAY OF _____, 2018.

AYES:
 NOES:
 ABSTAIN:
 ABSENT:

 Todd Smithey
 Chairperson of the Board of Retirement

 Attest:
 David J. MacDonald
 Secretary of the Board of Retirement

Meeting Date
6/27/18
Agenda Item
#8



Memorandum

Date: June 27, 2018
To: CCCERA Board of Retirement
From: Timothy Price, Chief Investment Officer
Subject: 2018 Annual Investment Funding Plan

Overview

As detailed in the outline of the Investment Policy Statement dated September 28, 2016, the Annual Funding Plan ("AFP") is the process of keeping the liquidity program funded with the Board's targeted number of months of benefit payments. The liquidity program acts as a drawdown vehicle to fund benefit payments, and during the course of the year will have between 36 and 48 months' worth of benefit payments invested in low-risk assets. The AFP outlines the expected sources of additional monies to replenish the liquidity program on an annual basis.

The Annual Funding Plan also serves as an opportunity to rebalance the portfolio. This year, the AFP also happens to coincide with the funding of the new Parametric Defensive Equity mandate and Phase 3 of the asset allocation implementation.

Implementation of the asset allocation continues with the expansion of private market mandates, reduction of public domestic equity, and a buildout of the risk diversifying sub-portfolio. During the Annual Funding Plan process, CCCERA Investment Staff reviews sources of capital to fund an additional year of benefit payments. The liquidity program is sized in months of benefits stored and is targeted to hold a maximum 48 months of benefit payments. The current balance of the liquidity program is \$1.55bn (approximately 36 months of benefit payments), and an additional \$504mm is needed to fund the program through June 2022.

Background

The Annual Funding Plan provides a road map of where the next "Year 4" tranche of benefit payments will likely come from. CCCERA has two sources of funds available for this rebalancing: the annual employer pre-payments, and redemptions of existing investments. The Annual Funding Plan is presented to the Board as a guiding document and subject to revision as market dynamics may change and impact the prudence of the trades outlined. The Annual Funding Plan also provides an opportunity for Investment Staff to communicate a strategy for rebalancing the portfolio around the cash flows needed to fund the liquidity program.

Investment staff believes the best source for funds for the 2018 liquidity program refresh are the employer pre-payments (estimated at \$290mm) and partial redemptions of CCCERA's domestic equity managers (totaling approximately \$214mm). The partial redemptions from CCCERA's domestic equity managers

allows for both the harvesting of investment gains and rebalancing towards long-term target allocations. In future years when the asset allocation is fully implemented Investment Staff may opportunistically use the pre-payment to purchase long-term assets and harvest other investment gains to fund the liquidity program.

Size of Required Top-Up

Each year, we use the most current actuarial projections to determine the necessary size of the next “Year 4” of benefit payments. For this AFP cycle, we are funding projected benefit payments for the period July 2021 – June 2022. The projected benefit payments are noted below. The present value of each cash flow has been calculated by discounting back each cash flow at the blended Liquidity sub-portfolio projected yield of 3.1%.

<i>Period</i>	<i>Projected Benefit Payment (Future Value)</i>	<i>Projected Benefit Payment (Present Value)</i>
7/21	44,299,191	41,603,497
8/21	44,460,076	41,681,837
9/21	44,621,544	41,760,324
10/21	44,783,600	41,838,960
11/21	44,946,243	41,917,743
12/21	45,109,478	41,996,675
1/22	45,273,305	42,075,755
2/22	45,437,727	42,154,984
3/22	45,602,747	42,234,362
4/22	45,768,365	42,313,890
5/22	45,934,586	42,393,568
6/22	46,101,409	42,473,395
Total	\$542,338,271	\$504,444,990

Anticipated Cash Flows

The employer pre-payments for 2018-19 are projected to total approximately \$290 mm. Staff is proposing the following transactions to top up the Liquidity sub-portfolio:

Employer Pre-payments	\$290 mm
<u>Rebalancing from Growth sub-portfolio</u>	<u>\$214 mm</u>
Total	\$504 mm

Investment Staff will fund Parametric Defensive Equity through the liquidation of select equity portfolios and conduct broader rebalancing trades at that time as well.

These trades will be completed over the next six weeks. The Board will be notified after all trades are executed and transfers completed.

Meeting Date
6/27/18
Agenda Item
#9



Memorandum

Date: June 27, 2018

To: CCCERA Board of Retirement

From: Timothy Price, Chief Investment Officer

Subject: Update on Private Equity Commitments

Overview

CCCERA has recently made two commitments to private equity funds using the delegated authority granted in the Investment Policy Statement. Commitments of \$35 mm each were made to AE Industrial Partners Fund II and Siris Partners IV. These funds were researched and underwritten with the assistance of the StepStone Group utilizing our private equity consulting relationship. An overview of the manager underwriting process as well as a brief description of each fund is included below. This memo is for informational purposes only and no action is required from the Board at this time.

Investment Policy Statement

The CCCERA Investment Policy Statement adopted by the Board on September 28, 2016 outlines the hiring process for new investment mandates. Mandates below a \$100 mm threshold are approved via a staff review process, while mandates above this threshold require approval by the Board. The relevant section of the policy is highlighted below.

Hiring a new manager

The CIO shall have the authority to hire new managers (i.e., purchase interests in new investment vehicles) in accordance with the Plan's active risk budget and up to an investment amount of \$100 million. The \$100 million shall represent the cumulative total amount of originally committed capital under the management of a single investment manager and its affiliates. (By way of example, two vintage year funds under one manager with a commitment of \$50 million each would reach the total of \$100 million.) The CEO shall have authority to execute the contracts, consistent with the delegation of authority outlined in this IPS. Any cumulative commitment above \$100 million shall require explicit Board approval. In all cases, the hiring process must be consistent with the requirements for vendor selection detailed in the Procedures and other Plan policy documents, including but not limited to the Code of Fiduciary Conduct and Ethics, Conflict of Interest Code, Placement Agent Disclosure Policy and Procurement of Products and Services Policy.

Subject to the foregoing limitations, the CIO, with the assistance of the Consultant and Specialty Consultants, shall conduct all due diligence activities in connection with hiring new managers. The CIO shall invite the involvement of one or more Board members in the due diligence process.

Staff Procedures

The CCCERA investment staff procedures that govern the investment office's internal workflow are outlined below. Among other items, the procedures outline the various steps involved in the investment mandate vetting process. Broadly speaking, this process has five main components:

1. Of Interest Initial expression of interest based upon fit with CCCERA guidelines and needs.
2. Prospective Initial review of organization, team and opportunity set.
3. Due Diligence Deeper review of strategy, including operational aspects and initial legal review.
4. Underwriting Formal recommendation drafted and presented.
5. Contracting CEO executes final version of agreement(s).

AE Industrial Partners Fund II

AE Industrial Partners Fund II is a North America, mid-market buyout fund investing in highly specialized industrial manufacturing and servicing companies. AE Industrial's investment focus is on companies that supply the large industrial complex that is the backbone of global transportation, power generation, and industry production. AE Industrial focuses on acquiring companies that make indispensable products or provide critical services to top global industrial groups such as GE, United Technologies, Gulfstream, Raytheon, etc. The target portfolio companies typically have a long history of product innovations and a strong customer base, but nonetheless are in situations where AE Industrial's ownership can bring them to the next level. Fund II raised \$1.4 billion (\$35 mm of which is the CCCERA commitment).

AE Industrial Fund II is led by the firm's two founders, David Rowe and Michael Greene. David Rowe co-founded AE Industrial's predecessor firm, AeroEquity Partners in 1998. Prior to AE Industrial Mr. Rowe was executive vice president at Gulfstream Aerospace Corp. Earlier in his career, he spent 12 years at GE Aerospace and GE Capital. Michael Greene joined AE Industrial in 2008. Prior to AE Industrial Mr. Greene was with UBS Capital for 18 years, during which he was a principal architect in creating the firm's internal investment review process. The firm is based in Boca Raton, FL.

Siris Partners IV

Siris Partners IV is a buyout fund specialized in restructuring of technology companies. Siris focuses on extracting value from legacy technologies that are producing predictable cash flows. Together with acquisitions of legacy technology platforms it also acquires investment options on emerging technologies incubated in those platforms. The combination of predictable cash flows and start-up like upsides make Siris IV a unique investment opportunity. Fund IV has raised \$2.5 bn to date, with a hard cap of \$3.5 bn (\$35 mm of which is the CCCERA commitment).

The firm is led by three founding partners, Frank Baker, Peter Berger, and Jeff Hendren. All three have a professional history having worked together at a prior firm and have been working together in this niche technology sector for two decades. This history has allowed them to cultivate a wealth of networks with industry executives who can assist in researching technologies, sourcing opportunities and monitoring the restructuring efforts, giving Siris a strong competitive edge. The firm is based in New York, NY.



Meeting Date
6/27/18
Agenda Item
#10

MEMORANDUM

Date: June 27, 2018
To: CCCERA Board of Retirement
From: Henry Gudino, Accounting Manager
Subject: Review of 2017 CCCERA budget versus actual expense report

Background

Enclosed please find a Budget versus Actuals expense update report for the 2017 fiscal year from January 1 through December 31, 2017. The update is divided into three budget versus actuals sections: Total CCCERA expenses (p.1), followed by Total Administrative (p.2) and Total Non-Administrative expense sections (p.3).

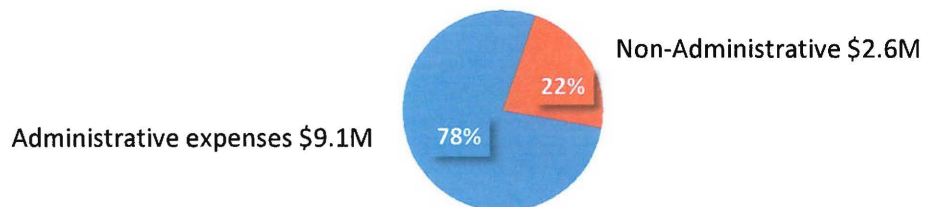
Administrative expenses include Executive, Compliance, Administration/ HR, Accounting, Information Technology, Benefits, and Member Services departments. Non-Administrative expenses include Investments and Legal departments, and the Disaster Recovery program.

For the year ended December 31, 2017; total CCCERA expenses amounted to \$11,790,112 of which \$9,146,115 was Administrative and \$2,643,997 was Non-Administrative. The Administrative expenses when compared to the 2017 approved Administrative budget of \$9,946,200 resulted in a favorable under budget variance of \$800,085 or 8% of budget.

Section 31580.2 of the California Government Code sets a statutory limit for administrative expenses to be capped at 0.21% of the most current Actuarial Accrued Liability (AAL). Measured as of December 31, 2016, the AAL is \$8,794,434,139 which results in a statutory limit of approximately \$18.5 million. The 2017 Administrative expenses of \$9.1 million are 0.11% of the AAL and well under the limit amount.

**Contra Costa County Employees' Retirement Association
FY2017 Total Budget vs Actual Expenses
Including Administrative & Non-Administrative Departments**

	2017 Budget	2017 Actuals	\$ (over) under Budget	% (over) under Budget
Personnel Services:				
Salaries & Wages	\$ 5,991,800	\$ 5,082,854	\$ 908,946	15%
Employee Benefits & Retirement	4,437,600	3,736,483	701,117	16%
Total Personnel Services	10,429,400	8,819,337	1,610,063	15%
Operational Expenses:				
Professional Services				
Outside Legal Counsel Services	573,000	633,975	(60,975)	(11%)
Audit Services	265,000	222,204	42,796	16%
Actuary - Benefit Statements	65,000	75,350	(10,350)	(16%)
Disability Hearings/ Medical Reviews	162,000	142,402	19,598	12%
Other Professional Services	45,600	50,480	(4,880)	(11%)
Total Professional Services	1,110,600	1,124,411	(13,811)	(1%)
Office Expenses:				
Office Lease	387,000	421,110	(34,110)	(9%)
Telephone & Internet Services	69,200	59,224	9,976	14%
Equipment Lease & Maintenance	31,000	20,414	10,586	34%
Furniture & Equipment	12,500	27,983	(15,483)	(124%)
Office Supplies & Maintenance	83,000	86,707	(3,707)	(4%)
Printing & Postage	101,900	149,184	(47,284)	(46%)
Training & Education	149,400	131,488	17,912	12%
Travel & Transportation	227,600	205,588	22,012	10%
Insurance	253,700	267,150	(13,450)	(5%)
Total Office Expenses	1,315,300	1,368,848	(53,548)	(4%)
Information Technology Systems:				
Support Service & Software Contracts	373,100	365,625	7,475	2%
Hardware & Equipment Maintenance	41,400	38,374	3,026	7%
Project Consulting	67,000	-	67,000	100%
Total IT Systems	481,500	403,999	77,501	16%
Assets Depreciation	91,000	73,517	17,483	19%
Total Expenses	\$ 13,427,800	\$ 11,790,112	\$ 1,637,688	12%



**CCCERA Administrative
FY2017 Budget vs Actual Expenses**

	2017 Budget	2017 Actuals	\$ (over) under Budget	% (over) under Budget
<u>Personnel Services:</u>				
Salaries & Wages	\$ 4,385,000	\$ 4,028,719	\$ 356,281	8%
Employee Benefits & Retirement	3,484,100	3,045,679	438,421	13%
Total Personnel Services	7,869,100	7,074,398	794,702	10%
<u>Operational Expenses:</u>				
Professional Services				
Audit Services	265,000	222,204	42,796	16%
Actuary - Benefit Statements	65,000	75,350	(10,350)	(16%)
Disability Hearing/ Medical Reviews	162,000	142,402	19,598	12%
Other Professional Services	43,600	50,323	(6,723)	(15%)
Total Professional Services	535,600	490,279	45,321	8%
Office Expenses:				
Office Lease	387,000	421,110	(34,110)	(9%)
Telephone & Internet Services	57,800	58,414	(614)	(1%)
Equipment Lease & Maintenance	31,000	20,414	10,586	34%
Furniture & Equipment	11,500	18,553	(7,053)	(61%)
Office Supplies & Maintenance	76,500	80,024	(3,524)	(5%)
Printing & Postage	101,900	146,638	(44,738)	(44%)
Training & Education	119,500	111,170	8,330	7%
Travel & Transportation	111,600	120,847	(9,247)	(8%)
Insurance	253,700	267,150	(13,450)	(5%)
Total Office Expenses	1,150,500	1,244,320	(93,820)	(8%)
Information Technology Systems:				
Support Service & Software Contracts	242,600	267,895	(25,295)	(10%)
Hardware & Equipment Maintenance	12,900	7,508	5,392	42%
Project Consulting	61,000	-	61,000	100%
Total IT Systems	316,500	275,403	41,097	13%
Assets Depreciation	74,500	61,715	12,785	17%
Total Administrative Expenses	\$ 9,946,200	\$ 9,146,115	\$ 800,085	8%

**CCCERA Non-Administrative
FY2017 Budget vs Actual Expenses**

	2017 Budget	2017 Actuals	\$ (over) under Budget	% (over) under Budget
<u>Personnel Services:</u>				
Salaries & Wages	\$ 1,606,800	\$ 1,054,135	\$ 552,665	34%
Employee Benefits & Retirement	953,500	690,804	262,696	28%
Total Personnel Services	2,560,300	1,744,939	815,361	32%
<u>Operational Expenses:</u>				
Professional Services				
Fiduciary & General Legal Counsel	398,000	397,328	672	0%
Investment Legal Counsel	75,000	157,079	(82,079)	(109%)
Disabilities Legal Services	100,000	79,568	20,432	20%
Other Professional Services	2,000	157	1,843	92%
Total Professional Services	575,000	634,132	(59,132)	(10%)
Office Expenses:				
Telephone & Internet Services	11,400	810	10,590	93%
Furniture & Equipment	1,000	9,430	(8,430)	(843%)
Office Supplies & Maintenance	6,500	6,683	(183)	(3%)
Printing & Postage	-	2,546	(2,546)	(100%)
Training & Education	29,900	20,318	9,582	32%
Travel & Transportation	116,000	84,741	31,259	27%
Total Office Expenses	164,800	124,528	40,272	24%
Information Technology Systems:				
Support Service & Software Contracts	130,500	97,730	32,770	25%
Hardware & Equipment Maintenance	28,500	30,866	(2,366)	(8%)
Project Consulting	6,000	-	6,000	100%
Total IT Systems	165,000	128,596	36,404	22%
Assets Depreciation	16,500	11,802	4,698	28%
Total Non-Administrative Expenses	\$ 3,481,600	\$ 2,643,997	\$ 837,603	24%