

**Kate Sibley**

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**From:** CCCERA <info=cccera.org@mail100.suw17.mcsv.net> on behalf of CCCERA <info@cccera.org>  
**Sent:** Thursday, July 27, 2017 11:13 AM  
**To:** Kate Sibley  
**Subject:** 2016 Popular Annual Financial Report (PAFR) Now Available

August 9, 2017  
Agenda Item 10



July 19, 2016

Contra Costa County Employees' Retirement Association »

## 2016 Popular Annual Financial Report (PAFR)

Summary of CAFR highlights

Now available.

[December 31, 2016 PAFR](#)

[See the 2016 Comprehensive Annual Financial Report \(CAFR\)](#)

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

# 2016

## Popular

# Annual Financial Report

for the Year Ended December 31, 2016



### A Message to Members

I am pleased to present the Popular Annual Financial Report (PAFR) for the year ended December 31, 2016. The financial data presented in the PAFR is derived from the Comprehensive Annual Financial Report (CAFR) and is consistent with generally accepted accounting principles (GAAP). The goal is to provide a summary of CCCERA's annual financial report that allows members and other interested parties to review the fund's fiscal information and demographics.

CCCERA's Total Fund returned 7.4% (gross of investment management fees) for the year ending December 31, 2016. This was greater than the long-term objective of delivering CPI plus 400 basis points, which was 6.2% for 2016.

As of December 31, 2016, CCCERA's net position totaled \$7.4 billion which means that assets of \$8.1 billion exceed liabilities of \$0.7 billion. The primary use of assets includes benefit payments to retirees and their beneficiaries, contribution refunds to terminating employees, and the cost of administering the system. The funded ratio is 84.5%, as of December 31, 2015, the date of CCCERA's most recent actuarial valuation.

CCCERA has a net pension liability (NPL) of \$1.4 billion as of December 31, 2016. The plan fiduciary net position as a percentage of the total pension liability as of December 31, 2016 is 84.2%. The net pension liability as a percentage of covered payroll is 185.5% as of December 31, 2016. The associated schedules and additional information for this requirement are shown in the Financial Section of the CAFR.

This report does not replace the CAFR. Detailed information on the subjects included here and other important aspects of CCCERA's administration are in our CAFR at [cccera.org](http://cccera.org).

Gail Strohl  
Chief Executive Officer

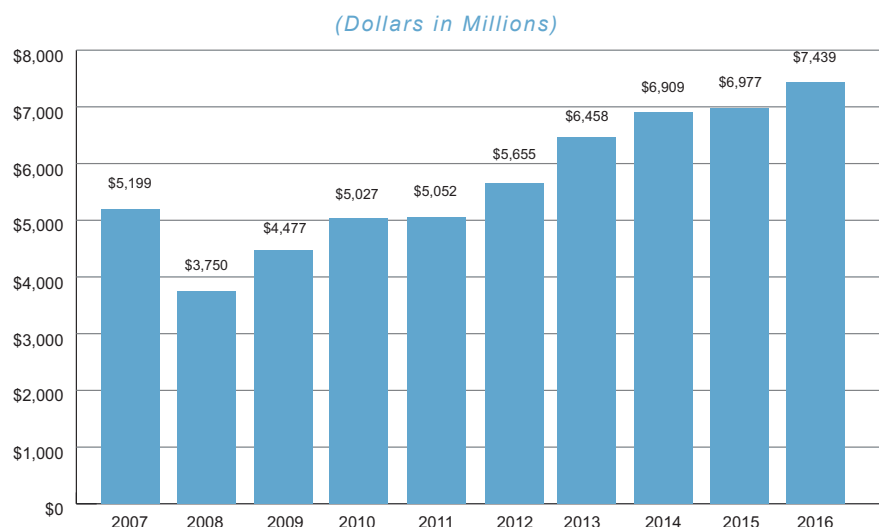


## FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

As of December 31, 2016, CCCERA had \$7.4 billion in net position restricted for pensions, which means that assets of \$8.1 billion exceeded liabilities of \$0.7 billion.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position 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.



As of December 31, 2016, the net position restricted for pensions increased by 6.6% over 2015, primarily due to positive investment returns. CCCERA's total fund returned 7.4% before fees for the one-year period ending December 31, 2016, greater than the long-term objective of delivering CPI plus 400 basis points, which was 6.2% for 2016. CCCERA's gross annualized rate of return was 6.1% over the last three years, 9.7% over the last five years, and 6.0% over the last 10 years.

### FIDUCIARY NET POSITION

*(Dollars in Thousands)*

	2016	2015	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Assets</b>				
Current and Other Assets	\$921,158	\$1,125,848	(\$204,690)	(18.2%)
Investments at Fair Value	7,191,764	6,922,863	268,901	3.9%
Capital Assets, Net	97	302	(205)	(67.9%)
<b>Total Assets</b>	<b>8,113,019</b>	<b>8,049,013</b>	<b>64,006</b>	<b>0.8%</b>
<b>Liabilities</b>				
Current Liabilities	674,499	1,072,431	(397,932)	(37.1%)
<b>Total Liabilities</b>	<b>674,499</b>	<b>1,072,431</b>	<b>(397,932)</b>	<b>(37.1%)</b>
<b>NET POSITION - RESTRICTED FOR PENSIONS</b>	<b>\$7,438,520</b>	<b>\$6,976,582</b>	<b>\$461,938</b>	<b>6.6%</b>

## CHANGES IN 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, 2016 and 2015, were \$900.1 million and \$492.7 million, respectively. The increase in the current year is primarily due to investment gains being higher than in the previous year. The decrease in employer contributions is mostly due to lower employer contribution rates over the prior year. Employee contributions increased over the prior year mostly due to an increase in plan members. Net investment income for the year ended December 31, 2016 totaled \$501.7 million.

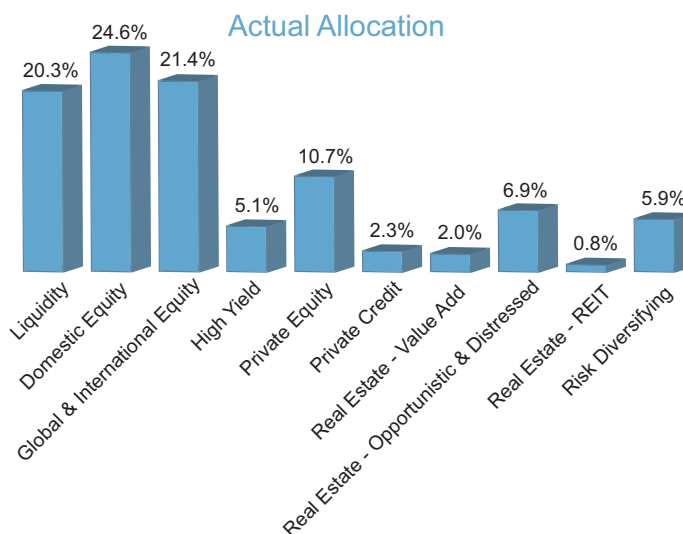
CCCERA's assets can only be used to make benefit payments to retirees and beneficiaries, contribution refunds to terminated employees, and pay the costs of administering the system. Total deductions from fiduciary net position for the years ended December 31, 2016 and 2015, were \$438.1 million and \$425.0 million, respectively. Benefits paid to retirees and beneficiaries were \$412.1 million in 2016, an increase of \$11.3 million, or 2.8% over 2015. The growth in benefit payments was due to a combination 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 allowances of those who were added to the retirement payroll.

### CHANGES IN FIDUCIARY NET POSITION

	<i>(Dollars in Thousands)</i>			
	2016	2015	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Additions:</b>				
Employer Contributions	\$307,457	\$323,720	(\$16,263)	(5.0%)
Plan Member Contributions	89,240	85,361	3,879	4.5%
Net Investment Income	501,733	82,429	419,304	508.7%
Net Securities Lending Income	1,630	1,165	465	39.9%
<b>Total Additions</b>	<b>900,060</b>	<b>492,675</b>	<b>407,385</b>	<b>82.7%</b>
<b>Deductions:</b>				
Benefits Paid	412,073	400,759	11,314	2.8%
Contribution Prepayment Discount	9,489	9,983	(494)	(4.9%)
Administrative	8,486	8,115	371	4.6%
Refunds	7,154	4,434	2,720	61.3%
Other Expenses	920	1,712	(792)	(46.3%)
<b>Total Deductions</b>	<b>438,122</b>	<b>425,003</b>	<b>13,119</b>	<b>3.1%</b>
<b>NET INCREASE IN NET POSITION - RESTRICTED FOR PENSIONS</b>	<b>\$461,938</b>	<b>\$67,672</b>	<b>\$394,266</b>	<b>582.6%</b>

## ASSET ALLOCATION

Asset allocation is an integral part of CCCERA's investment policy. The Retirement Board (Board) implements the asset allocation plan by hiring investment managers to invest assets on CCCERA's behalf, subject to specific guidelines incorporated into each firm's contract. CCCERA's chief investment officer and the outside investment consultant (Verus) assist the Board in designing strategic diversification strategies to maintain steady, long-term gain, with appropriate risk. Please refer to the CAFR for additional information.



The main investment goal is for the total fund return to exceed the long-term objective of delivering CPI plus 400 basis points, which was 6.2% for 2016. As mentioned, for the year ended December 31, 2016, the total fund return was 7.4% before fees, greater than the performance objective and less than the median public fund return of 7.9%.

### Investment Results Based on Fair Value\* As of December 31, 2016

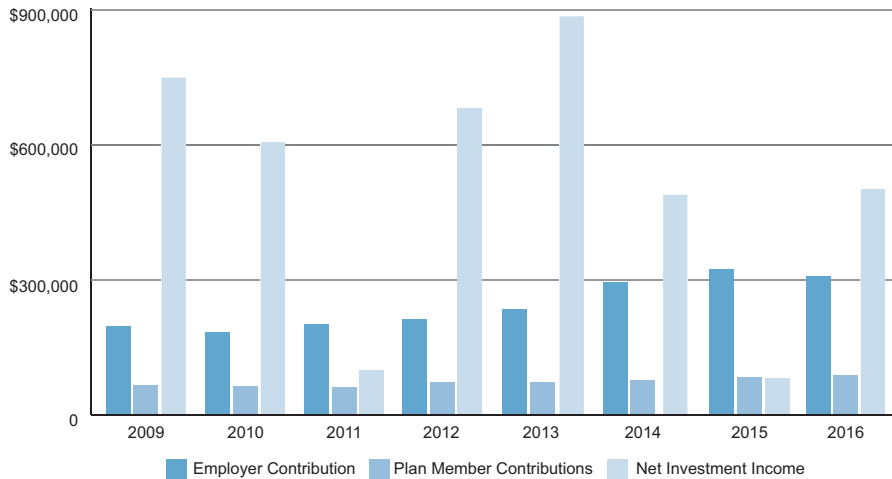
Asset Class:	Benchmark:	Current Year	Annualized (gross of fees)		
			3 Year	5 Year	10 Year
Domestic Equity		11.5%	7.9%	15.1%	7.7%
	Russell 3000	12.7%	8.4%	14.7%	7.1%
International Equity		1.2%	0.1%	7.0%	0.7%
	MSCI ACWI ex-USA Gross	5.0%	-1.3%	5.5%	1.4%
	MSCI EAFE Gross	1.5%	-1.2%	7.0%	1.2%
Global Equity		7.6%	5.0%	9.7%	-
	MSCI ACWI	7.9%	3.1%	9.4%	-
Domestic Fixed Income		4.8%	4.5%	4.9%	5.6%
	BBgBarc US Aggregate TR Universal	2.6%	3.0%	2.2%	4.3%
	BBgBarc US Govt/Credit 1-3 TR	1.3%	0.9%	0.9%	2.4%
High Yield		14.3%	3.7%	6.7%	7.5%
	BofA ML High Yield Master II	17.5%	4.7%	7.4%	7.3%
Inflation Hedge		7.4%	0.5%	-	-
	CPI + 4%	6.2%	5.2%	-	-
Real Estate		5.5%	13.1%	13.3%	4.6%
	Real Estate Benchmark	6.7%	11.1%	10.8%	6.9%
	NCREIF (ODCE) Index	8.8%	12.1%	12.2%	5.8%
	NCREIF Property Index	8.0%	11.0%	10.9%	6.9%
Alternatives		9.0%	13.2%	13.1%	11.6%
	S&P 500 + 4% Lagged	20.0%	15.6%	21.0%	11.5%
Opportunistic		10.1%	1.7%	6.9%	-
	CPI + 4	6.2%	5.2%	5.4%	-
Total Fund		7.4%	6.1%	9.7%	6.0%
	Policy Index	8.8%	6.1%	9.6%	-
	CPI + 4%	6.2%	5.2%	5.4%	-

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

## REVENUE BY SOURCE

Employer and plan member basic and COLA (Cost of Living Adjustment) contributions are based on statute and rates recommended by an independent actuary and adopted by the Board.

*(Dollars in Thousands)*

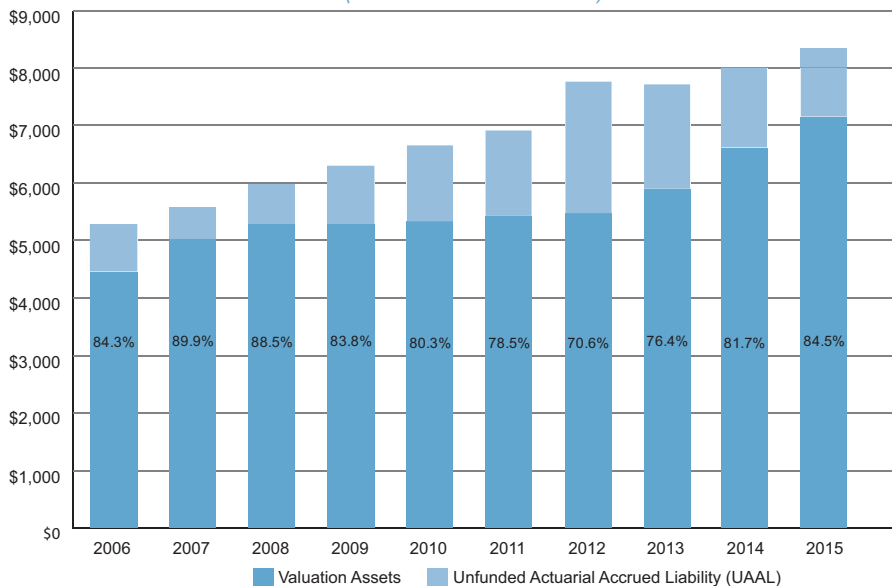


CCCERA's actuarial valuations are performed as of December 31 of each year; contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2015 rates become effective on July 1, 2017).

## ACTUARIAL FUNDING STATUS

In order to determine whether the pension plan's net position restricted for pensions will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised, with gains and losses over the previous five years smoothed to avoid significant swings in the value of assets from one year to the next. These

*Funded Ratio  
(Dollars in Thousands)*

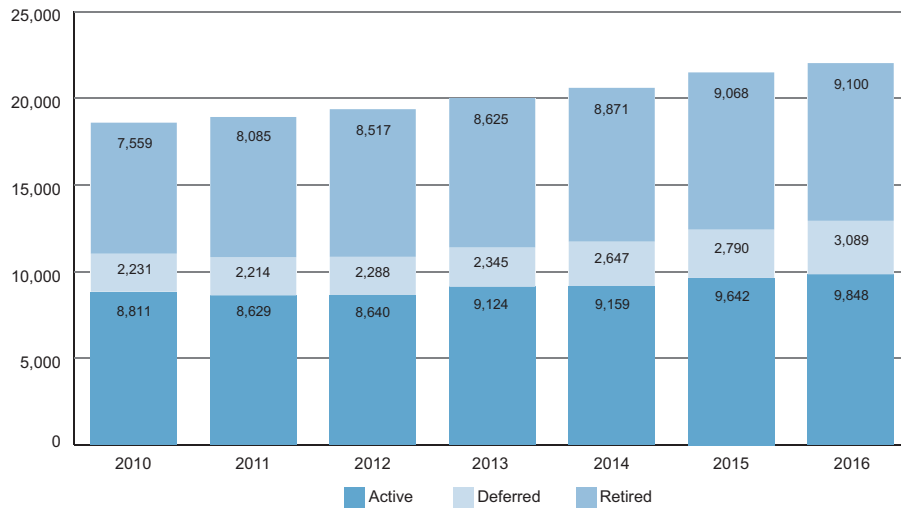


assets are compared to the actuarial accrued liabilities, which are the actuarial present value of future benefits (attributable to service already earned) expected to be paid for each member.

The purpose of the valuation is to determine what future contributions by the members and by the employers are needed to pay all expected future benefits.

## MEMBERSHIP

CCCERA's membership consists of full and part-time employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from Contra Costa County and participating agencies. CCCERA's total membership as of December 31, 2016 is 22,037.



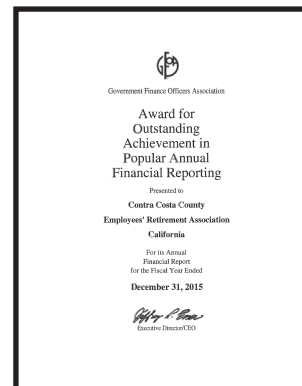
## AVERAGE BENEFIT PAYMENTS

The chart below is a broad representation of average benefits paid monthly over 10 years to retirees and survivors. Both general and safety member figures are combined in this calculation, as are all tiers. The chart includes all members who have retired through December 31, 2015.

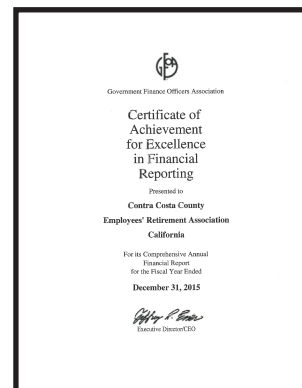


## AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to CCCERA for its PAFR for the fiscal year ended December 31, 2015. The Award for Outstanding Achievement in Popular Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports. In order to receive this award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. The award is valid for a period of one year only. CCCERA has received this award for the last seven consecutive years since fiscal year ended 2009. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and will submit it to the GFOA.



The GFOA has also awarded CCCERA its sixteenth Certificate of Achievement for Excellence in Financial Reporting Award for its CAFR for every year from 2000 through 2015. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.



CCCERA has also earned the Public Pension Coordinating Council's (PPCC) Public Standards Award for 1998, 2000, and 2003 through 2016. The award is 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.

## 2016 BOARD OF RETIREMENT (As of December 31, 2016)

**John B. Phillips** *Chairperson*  
**Todd Smithey** *Vice-Chairperson*  
**Scott Gordon** *Secretary*  
**Candace Andersen**  
**Debora Allen**  
**David MacDonald**

**Gabe Rodrigues**  
**Jerry Telles**  
**Russell V. Watts** *County Treasurer*  
**Jerry R. Holcombe** *(Appointed Alternate)*  
**Louie Kroll** *(Retiree Alternate)*  
**William Pigeon** *(Safety Alternate)*

## ABOUT CCCERA

CCCERA is open Monday through Friday from 8 a.m. to 5 p.m.; counselors are available from 9 a.m. to 4 p.m. The office is closed daily from Noon to 12:30 p.m.

CCCERA's website, [cccera.org](http://cccera.org), provides resources for members, employers and the public. It features forms, handbooks, policies, a calculator to estimate retirement benefits, and more.





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# 2016

## Popular Annual Financial Report

for the Year Ended December 31, 2016

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

### CCCERA PARTICIPATING AGENCIES

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- Contra Costa County
- Bethel Island Municipal Improvement District
- Byron-Brentwood-Knightesen 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, County of Contra Costa
- Contra Costa Fire Protection District
- East Contra Costa Fire Protection District
- Moraga-Orinda Fire District
- Rodeo-Hercules Fire Protection District
- San Ramon Valley Fire Protection District



## ***MEMORANDUM***

Date: August 1, 2017

To: Employers

From: Gail Strohl, Chief Executive Officer

Subject: August 9, 2017 CCCERA Retirement Board Meeting

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On August 3, 2017, you will receive the agenda for the Retirement Board meeting on August 9, 2017. Of particular importance, Segal Consulting will present the results of the annual *Actuarial Valuation and Review as of December 31, 2016*. The report will include proposed employer and member contribution rates for the period July 1, 2018 through June 30, 2019. You are invited to attend this meeting.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the system's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

Copies of the full Valuation Report:

- Will be provided to attendees at the meeting.
- May be picked up from CCCERA starting on August 2, 2017.
- Will be mailed to employers who were not able to attend the meeting.
- Will be available on our website at [www.cccera.org](http://www.cccera.org) on Thursday, August 3, 2017.

This is an opportunity for all interested parties, including staff and Boards of our participating employers, to learn more about the actuarial process. Segal Consulting will present their findings and answer questions regarding the valuation.

We invite you to attend this meeting, ask questions and learn more about this critical subject.