



For Active and Retired Members of the Contra Costa County Employees' Retirement Association

Fall 2008

Follow Your Money

CCCERA's Investment Policies: Tailored to Keep Your Pension Benefits Looking Good

Unsettling economic news is almost as popular in the mainstream media as the newest Hollywood scandal. One day domestic stocks are down; the next day they climb higher than ever. What does CCCERA do to maintain the stability of the fund, and the long range viability of our benefits? The answer is *diversification*.

CCCERA's investment program is designed to provide members and beneficiaries with benefits defined by the 1937 Act. The objective is for the total fund return from investments to exceed the CPI (Consumer Price Index) plus 400 basis points, over a market cycle (4 to 5 years). Investments are structured to maintain steady, long term gain, with appropriate risk through careful diversification.



The California Constitution and Government Code Sections 31594 and 31595 authorize the Board of Retirement to invest in any investment deemed *prudent*. For example, pet rocks may be the hot stock for a week or two, but the risk of loss would be too great for CCCERA. After all, we are investing to secure the future for every member. Investment decisions are made in the sole interest and for the exclusive purpose of providing benefits, minimizing contributions, and defraying reasonable expenses for administering the system. The Board has adopted an Investment Policy, which guides investment management, objectives, and outlines the duties of the Board, custodian bank and investment managers. You can read this policy on our web site, www.cccera.org. The Investment Policy is posted on the Retirement Board page.

Before making investments, the Board also considers advice from highly qualified investment professionals, beginning with CCCERA's Chief Investment Officer, Cary Hally. Milliman, Inc., is our outside investment consultant. Each month, the Board holds meetings to review all facets of the investment process, from receiving reports from fund managers to closely following developing market issues. Trustees and executive staff attend educational seminars year round to keep abreast of market conditions, and perform on-site visits to verify money management information and personnel. This intensive process is designed to eliminate potential conflicts of interest, provide secure returns on investments and safeguard the value of the fund.

What Does CCCERA Invest In?

CCCERA invests in asset classes that have proven track records of continued growth, sustainability and appropriate risk. Our overall mandate is investing in assets that improve the fund.

As of 12/31/07, fund assets are divided into seven categories, according to the Board's investment policy:

Domestic Equity: Common stock and other securities which can be converted into common stock and cash equivalents, plus securities used as substitutes for common stock. These stocks may be divided into large capitalization and small capitalization, which in turn, may be divided into growth, value and core.

International Equity: Common stock and other securities (as above), which may be divided into growth and value stocks. Holdings *outside* the United States.

Domestic Fixed Income: Fixed income securities including cash equivalents. May be divided into Core+, High Yield (publicly traded) and Non-Traditional/Fixed Income. Holdings *within* the United States.

Global Fixed Income Portion: Fixed income securities including cash equivalents within and outside the United States.

Real Estate: Real estate through the use of commingled and direct investments, and publicly traded real estate investment trusts (REITs), including cash equivalents.

Alternative Investments: Other investments of recognized institutional merit not included in the previous categories which may be commingled and/or direct.

Incidental Cash: Short term monies not allocated to managed accounts, including but not limited to unallocated or prepaid contributions and funds formerly allocated to Investment Manager(s). This

These asset categories are managed by investment professionals, who are carefully chosen and monitored by the Board of Trustees. At this time, CCCERA contracts with over 30 different managers, who oversee diverse investments in all asset classes. The Board reviews investment trends and gauges performance against specific market benchmarks, such as returns for the S&P 500, Russell 2000, and the Lehman Aggregate.

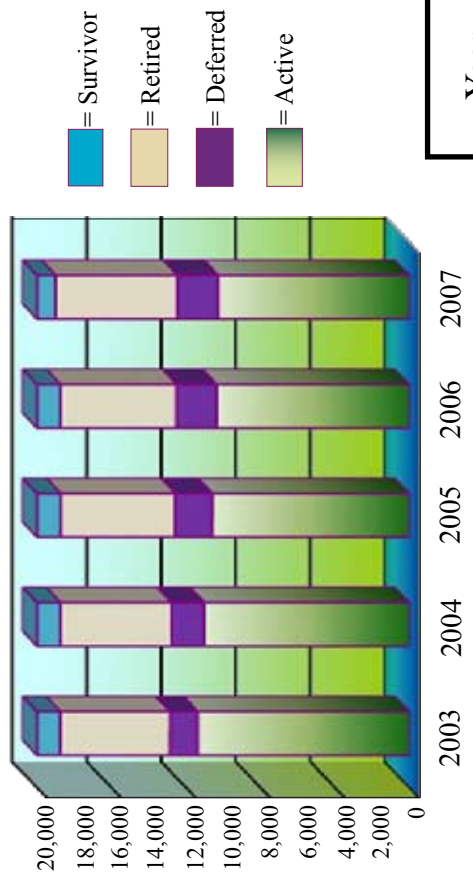


Asset Allocation

The pie chart on page 3 shows how CCCERA's assets are allocated (divided) among investment classes. Asset allocation provides diversity, thus reducing risk (by not having *all your eggs in one basket*) while offering opportunity to take advantage of strong performance in some asset classes, if other asset classes aren't performing as well. Diversification is the key.

CCCERA's Chief Investment Officer and outside investment consultant assist the Board with the design and implementation of asset allocation.

MEMBERSHIP



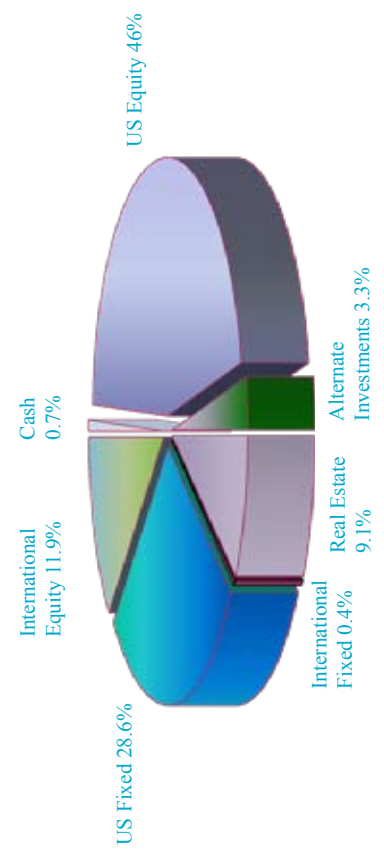
ANNUAL REPORT

For the Year Ending December 31, 2007

MEMBERSHIP

Year	Active	Deferred	Retired	Survivors/ Beneficiaries
2003	9472	1255	4894	1042
2004	9358	1517	5049	1069
2005	9205	1731	5335	1102
2006	9210	1919	5528	1118
2007	9421	2015	5984	912

ASSET ALLOCATION = \$5,199,116,582



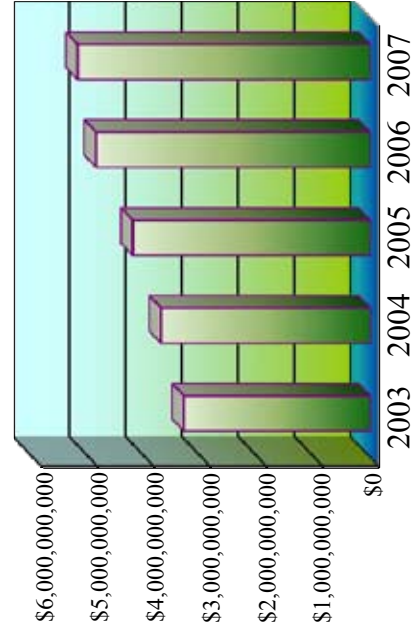
CCCERA ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 31, 2007

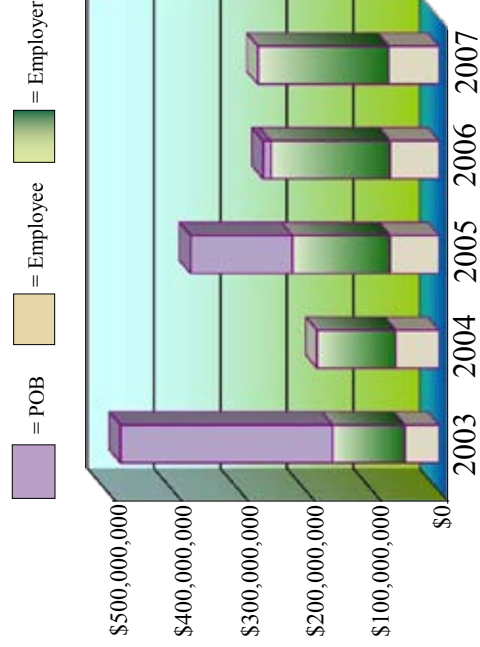
Historical Perspective 2003 - 2007

Year	Net Assets in Trust For Pension Benefits	Year	Employer Contributions	Employee Contributions	Net Investment Income	Year	Benefits Paid	Refund of Contributions
2003	\$ 3,313,495,000	2003	\$ 108,728,000	\$ 51,603,000	\$ 608,575,000	2003	\$ 163,923,000	\$ 1,037,000
2004	3,718,616,000	2004	<u>319,095,000</u> 427,823,000	65,297,000	416,013,000	2004	178,979,000	909,000
2005	4,221,722,000	2005	147,165,000	73,475,000	342,383,000	2005	196,106,000	2,074,000
2006	4,871,010,000	2006	153,135,000	73,469,000	615,570,000	2006	216,057,000	3,232,000
2007	\$ 5,199,117,000	2007	<u>300,300,000</u> 191,448,000	\$ 75,591,000	\$ 307,668,000	2007	\$ 235,656,000	\$ 3,113,000
			2006					
			2007					
			POBs					
			Total					
			2006					
			POBs					
			Total					
			2007					
			POBs					
			Total					

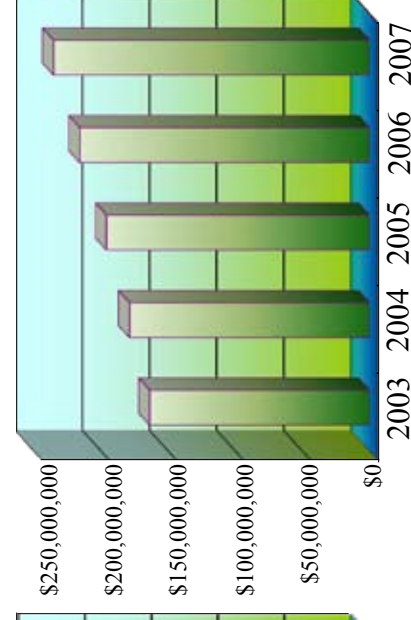
(POB = Pension Obligation Bonds)



NET ASSETS



CONTRIBUTIONS



BENEFITS PAID

A Few Investment Terms

Basis point: One hundredth of a percentage point (0.01%)

Common stock: Securities representing equity ownership in a corporation, providing voting rights, and entitling the holder to a share of the company's success through dividends and/or capital appreciation

Consumer Price Index (CPI): An economic indicator that measures the change in the cost of a fixed group of products and services. The CPI is published monthly, and is also called the cost-of-living index.

Core: Substantial long-term holding in a portfolio or fund. A core holding is bought with the purpose of being held for a long time, and is often a high quality security with a history of steady performance.

Equity: The ownership interest of common and preferred stockholders in a company. Total assets minus total liabilities.

Preferred stock: Stock which provides a specific dividend that is paid before any dividends are paid to common stock holders, and which takes precedence over common stock in the event of a liquidation.

Security: an investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government, or other organization, that offers evidence of debt or equity.

(Definitions courtesy of InvestmentWords.com.)

What About Investment Returns?

For the previous 5 year period, CCCERA's investments have returned positive percentages each year:

2007	7.3%
2006	15.3%
2005	10.8%
2004	13.38%
2003	23.5%

(These figures are before management fees.) Our funding ratio increased from 84.3% to 89.9% as of December 2007, according to our Actuarial Valuation and Review prepared by CCCERA's actuary, The Segal Company.

2008 has been tumultuous for investments. However, since CCCERA's investment strategy is designed for long range goals, stock market storms are merely fluctuations, not cause for alarm.

For more detailed information, see the 2007 CAFR and the complete Actuarial Valuation and Review on our web site.

Viewpoint

CCCERA - www.cccera.org
1355 Willow Way, Ste 221
Concord, CA 94520
phone: (925) 521-3960
fax: (925) 646-5747

Board of Retirement 2008:

Brian Hast (Chairperson)
William Pollacek (Vice Chairperson)
Jerry Telles (Board Secretary)
Richard Cabral
Maria Theresa Viramontes
John Gioia
Paul Katz
Dave Gaynor
Terry Buck (Safety)
Jim Remick (Safety Alternate)
Sharon Naramore (Retiree Alternate)
Appointed Alternate: Jerry R. Holcombe

Chief Executive Officer

Marilyn Leedom

Chief Investment Officer

Cary Hally

Please ask about our monthly Group Counseling sessions - available to all active members. Reservations are required.

Retirement Board Meetings are typically held on the 2nd and 4th Wednesday of each month starting at 9:00 a.m. in the Retirement Office Boardroom. Below are meeting dates for 2008. (Meeting dates and times may be subject to change.)

September 3, 10
October 8, 16, 22
November 5, 25
November 28
December 10

Retirement Board Election and Appointment Results

The County Board of Supervisors reappointed several experienced trustees to the Retirement Board. Paul Katz and Dave Gaynor will return for the new term, which continues through June 2011. John Gioia, Contra Costa County Supervisor, will also serve CCCERA for the same term. The County Board of Supervisors appointed Jerry R. Holcombe to fill the alternate trustee position. Holcombe has an extensive business background, and was Foreperson of the Contra Costa County Grand Jury during the 2007-2008 session. This position may vote in the absence of board members who occupy the 4,5,6, or 9th chairs.

Long time trustee Richard Cabral retained his seat with no opposition, precluding a formal election process. Terry Buck was elected by the Safety membership. He has been a safety member for 25 years, and a fire captain for 16 of those years. He has attended Board meetings since 2006 to gain familiarity with the complex duties required of a retirement board trustee. In a quote from his candidate statement, he said, "The growth of the pension fund has not been by accident. It is the product of a diverse group constantly seeking an understanding in today's challenging economy. The challenge is not having predetermined, rigid answers to the future, but being able to understand that complex issues need a wide range of questions."

Jim Remick, who completed retired trustee Louis Kröll's term, will serve as Safety alternate.



CCCERA office hours are
8 a.m.-Noon, 12:30 p.m.-5 p.m.,
Monday through Friday. Counselors
are available by phone
9 a.m.-Noon, 12:30 p.m.-4 p.m.
After business hours,
voicemail is available
to take your messages
24 hours a day at
925.521.3960.

