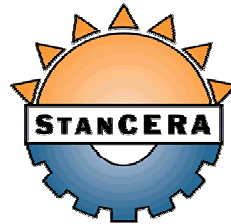


ANNUAL REPORT

For the Year
Ending June 30, 2006
Of The

Stanislaus County Employees' Retirement Association



Members of the **BOARD OF RETIREMENT** As of June 30, 2005

- (1) **GORDON B. FORD**, (County Treasurer-Ex officio)
- (2) **MARIA DEANDA**, Elected by Members
- (3) **STEVE YAUCH**, Elected by Members
- (4) **RON MARTIN**, Appointed by Board of Supervisors
- (5) **MIKE LYNCH**, Appointed by Board of Supervisors
- (6) **JIM DeMARTINI**, Appointed by Board of Supervisors
- (7) **DARIN GHARAT**, Elected by Safety Members (Chair)
ALTERNATE, Vacant, Elected by Safety Members
- (8) **WESLEY W. HALL**, Elected by Retired Members (Vice-Chair)
LINDA STOTTS-BURNETT, ALTERNATE, Elected by Retired Members
- (9) **MIKE FISHER**, Appointed by Board of Supervisors

CONTACT INFORMATION

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Fax: (209) 525-4334
Internet: www.stancera.org
E-Mail: Retirement@stancera.org

TO STANCERA MEMBERS

I am pleased to provide you with the Annual Report of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2005.

StanCERA remains very healthy despite several years of down financial markets. Investments for the year returned 8.5%. The 8.5% result slightly fell short of StanCERA's policy benchmark of 9.0% but exceeded the actuarial assumed rate of 8.16% (4.0% semi-annually compounded).

Total assets of the fund were \$1.176 billion. Current year earnings in excess of the actuarial assumed rate were used to reduce the undistributed losses from prior years.

Interest of .125% semi-annually was credited to all members' accounts. StanCERA expects an 8% average annual return on investments over the long term.

The fund provided \$53 million in retirement benefits during the year consisting of \$46 million in regular retirement benefits and \$7 million in supplemental, non-vested benefits. The supplemental benefits provided a substantial offset for the cost of health insurance for our retired members and their beneficiaries during the year. Administrative expenses amounted to \$1.4 million or 0.12% of assets.

StanCERA's independent auditor, Brown Armstrong, has audited the financial statements and provided an opinion that the financial statements present fairly, in all material respects, the financial position of StanCERA for the years ended June 30, 2005 and 2004, and the results of its operations for the years then ended in accordance with generally accepted accounting principles. A complete Comprehensive Annual Financial Report (CAFR) can be located on StanCERA's website: www.stancera.org.

Sincerely,

Tom Watson, Retirement Administrator
Stanislaus County Employees' Retirement Association

GENERAL INFORMATION

StanCERA has been in existence since July 1, 1948 and is governed by the nine member Board of Retirement consisting of the following:

Two General Members of StanCERA elected by the General Members; four qualified electors of the County who are not connected with the County government in any capacity, except one may be a Supervisor, all appointed by the Board of Supervisors; a Safety Member of StanCERA elected by the Safety Members; a Retired Member elected by the Retired Members; the County Treasurer as an ex-officio member. In addition to these nine members, a Safety Member whose duties are different than those of the Safety Member, elected by the Safety Members and a Retired Member elected by the Retired Members serve as alternates on the Board.

SERVICE RETIREMENT

Tiers 1, 2, 4, and 5 Miscellaneous Members with ten years of service, who have attained the age of 50, are eligible to retire. Tiers 1, 2, 4 and 5 Miscellaneous Members with 30 years of service, regardless of age, are eligible to retire.

Safety Members with ten years of service, who have attained the age of 50, are eligible to retire. Safety Members with 20 years of service, regardless of age, are eligible to retire.

Tier 3 members with ten years of service, who have attained the age of 55, are eligible to retire.

DEFERRED RETIREMENT

A Tier 1, 2, 4 or 5 member with 5 years of service who separates from County employment may elect within 180 days to leave the members deposit with the Retirement Association and take a deferred retirement.

A Tier 3 member must have 10 years of service before the member is vested and eligible to elect deferred retirement.

DISABILITY RETIREMENT

Any Tier 1, 2, 4, or 5 member permanently incapacitated for the performance of duty not as a result of injury or disease arising out of and in the course of employment shall receive a retirement allowance regardless of age, but only if the member has credit for at least 5 years of service (A non-service connected disability retirement).

Any Tier 1, 2, 4 or 5 member permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment shall be retired for disability with retirement allowance regardless of age or amount of service (A service connected disability retirement).

There are no disability retirement benefits payable by the Association to Tier 3 members.

DEATH BENEFIT

In case of death of a Tier 1, 2, 4 or 5 member, before retirement, the members beneficiary is entitled to receive all of the member's contributions, with interest, plus an amount equal to one-twelfth of the annual compensation earnable by the deceased during the twelve months immediately preceding the members death for each completed year of service under the system, but not to exceed fifty percent of such annual compensation. A spouse or surviving minor child(ren) may elect a continuance if a Tier 1, 2, 4 or 5 member has 5 years of service at the time of death.

Upon the death of a Tier 1, 2, 4 or 5 member who was married and eligible to retire, the surviving spouse may elect to receive, for life, in lieu of a lump sum death benefit, 60% of the monthly retirement allowance to which the member would have been entitled if retired on the day of death.

After retirement, a Tier 1, 2, 4 or 5 member whose last employment was with Stanislaus County, is eligible for a \$5,000 death benefit payable to the member's written beneficiary on file with the Retirement Board.

There are no death benefits payable to Tier 3 members.

BENEFICIARY

When a member enters the retirement system, a written beneficiary is named on the enrollment questionnaire. A member may change the beneficiary by completing a new form in writing and filing the form with the Retirement Board. Death benefits are paid upon death of a member and it is very important that the name of your beneficiary, on file with the Retirement Board, is correct.

REDEPOSITS/BUYBACKS

A member may redeposit accumulated contributions previously withdrawn plus interest accrued from date of separation, at any time prior to the date of retirement. Tier 1, 2, 4 and 5 members are eligible to buyback up to one year of unpaid leave of absence due to illness (including time lost due to SDI or Workers' Compensation claim).

SERVICE BEFORE MEMBERSHIP

A member who prior to entrance into the retirement system held a position in County service the tenure of which was such as to exclude the member from membership (extra help, part-time, seasonal or temporary) shall have the right to receive credit for such service if the member elects to pay for it and thereafter pays in accordance with such election and prior to retirement.

TRANSFER TO OTHER CALIFORNIA PUBLIC EMPLOYMENT

A member who discontinues employment and within 6 months goes to work for another County that is covered by the 1937 Retirement Act or any employer which is covered by the California Public Employees' Retirement System, has the privilege of leaving retirement contributions on deposit and taking advantage of certain benefits. The member enters the new system at the rate of contribution that applies to the age at which the member entered the first system. Upon retirement from both systems concurrently, the retirement allowance will be based on the highest average compensation from any reciprocal system. Service may be combined in all systems to meet the minimum requirements for service retirement, disability retirement and death benefit.

INVESTMENTS

	<u>Market Value</u>
BONDS	
U S Government	\$ 274,702,812
Corporate Bonds	120,130,321
TOTAL BONDS	\$ 394,833,133
 STOCKS	
Technology	\$ 95,409,182
Capital Goods & Services	16,377,442
Energy	32,409,378
Materials & Services	136,348,018
Consumer	117,217,337
Financial	67,654,672
Transportation	14,263,845
Utilities	22,592,985
S&P 500	60,416,260
Miscellaneous Common Stock	2,347,414
TOTAL DOMESTIC STOCK	565,036,531
International Stock	187,195,620
TOTAL STOCKS	\$ 752,232,151

STATEMENT OF PLAN NET ASSETS JUNE 30, 2005

	POST EMPLOYMENT HEALTH INSURANCE	DEFINED BENEFIT PENSION PLAN	2005 TOTAL
ASSETS			
Cash And Cash Equivalents	\$ 2,030,533	\$ 23,277,208	\$ 25,307,741
Receivables:			
Interest & Dividends	361,053	4,138,959	4,500,012
Securities Transactions	278,719	3,195,122	3,473,841
Contributions	180,252	2,066,332	2,246,584
Other	440	5,068	5,508
Total Receivables	820,464	9,405,481	10,225,945
Fixed Assets			
Capitalized Software	-	654,664	654,664
Investments at Fair Value:			
Bonds	31,678,915	363,154,218	394,833,133
Stocks	60,354,354	691,877,797	752,232,151
Real Estate	-	2,479,788	2,479,788
Collateral on Loaned Securities	-	177,668,253	177,668,253
Total Investments	92,033,269	1,235,180,056	1,327,213,325
Total Assets	94,884,266	1,268,517,409	1,363,401,675
 LIABILITIES			
Payables:			
Accounts Payable	-	9,469,765	9,469,765
Collateral Held for Loaned Securities	-	177,668,253	177,668,253
Total Payables	-	187,138,018	187,138,018
Net Assets Held In Trust For Pension And Post-Employment Health Benefits	\$ 94,884,266	\$ 1,081,379,391	\$ 1,176,263,657

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	POST EMPLOYMENT HEALTH INSURANCE	DEFINED BENEFIT PENSION PLAN	2005 TOTAL
ADDITIONS			
Contributions:			
Employer	\$ -	\$ 19,792,748	\$ 19,792,748
Plan Members	-	19,088,340	19,088,340
Total Contributions	-	38,881,088	38,881,088
Investment Income (Loss)			
Net Appreciation (Depreciation) in Fair Value of Assets	-	60,546,322	60,546,322
Interest & Dividends	-	32,938,537	32,938,537
Total Investment Income/(Loss)	-	93,484,860	93,484,860
Less Investment Expense	-	(3,339,926)	(3,339,926)
Net Investment Income/(Loss)	-	90,144,934	90,144,934
Securities Lending Activities:			
Securities Lending Income	-	3,316,479	3,316,479
Less: Securities Lending Expenses	-	(3,007,384)	(3,007,384)
Net Securities Lending Income	-	309,095	309,095
Miscellaneous Income	-	249,166	249,166
Total Additions	-	129,584,283	129,584,283
DEDUCTIONS			
Benefit Payments	-	45,881,596	45,881,596
Insurance Subsidies	7,294,513	-	7,294,513
Member Refunds	-	2,347,241	2,347,241
Administrative Expenses	115,688	1,289,150	1,404,838
Total deductions	7,410,201	49,517,987	56,928,188
Net increase(decrease)	(7,410,201)	80,066,296	72,656,095
Transfer of Plan Assets	4,370,509	(4,370,509)	
Net Assets Held in Trust for Pension and Post -Employment Health Benefits:			
Beginning of year	97,923,958	1,005,683,604	1,103,607,562
End of year	\$ 94,884,266	\$ 1,081,379,391	\$ 1,176,263,657

STATISTICS

Number of Active Members	4,338
Number of Retired-for-Service Members	1,890
Number of Disability Retirements	348
Number of Survivors Death Benefits	35
Deferred Retirements	862

IMPORTANT

MEMBERS SHOULD NOTIFY
StanCERA OF ANY
CHANGE OF BENEFICIARY!

StanCERA should be notified two months prior
to a members anticipated retirement date.
This time is needed in order to obtain
pertinent information regarding
various retirement options.

DEFERRED MEMBERS

Please notify StanCERA of any change of address

GENERAL INFORMATION

The Board of Retirement meets on the
2nd Wednesday and 4th Tuesday
of the month. Meetings are open to the public.

Interest is credited June 30th and December 31st
to contributions on deposit six months
immediately prior to these dates.

VISIT US ON THE INTERNET
www.stancera.org