StanCERA

Monthly Investment Performance Summary

Provided by
Strategic Investment Solutions Inc.

May 2008

U.S. EQUITY

Federal Reserve policy makers signaled that an economic contraction in the first half won't be enough to spur further interest-rate cuts due to a rising threat from inflation. The nationwide average price for regular unleaded gasoline ended the month of May at $3.95 a gallon. Energy prices continue to have a profoundly negative effect on the financial markets and consumers.

The U.S. equity market had its second straight positive month in May with growth and small caps leading the way. The Russell 1000 Growth was up by +3.7% and the Russell 1000 Value lost -0.2%. In the Small Cap class, the Russell 2000 Growth was up by +5.7% and the Russell 2000 Value gained +3.4%. The S&P 500 Index ended the month up +1.3%.

Corporate merger activity highlights for the month included: Cablevision made a $650 million bid for Tribune's Newsday newspaper in an offer that includes a joint venture with Tribune; Microsoft withdrew its $47.5 billion bid for Yahoo; Deutsche Telekom is reportedly considering a bid for Sprint Nextel; Target will sell a 47% interest in its credit card business to JPMorgan Chase for an initial investment of $3.6 billion; BlackRock will buy sub-prime mortgage debt from UBS for $15 billion; Westpac Banking, Australia's 3rd largest bank, made a $14 billion offer for rival St. George Bank; Hewlett-Packard will buy Electronic Data Systems for $13.9 billion; Finmeccanica, Europe's No. 4 aerospace and defense group, will buy DRS Technologies, a maker of radar and surveillance equipment, for $5.2 billion; Clear Channel accepted a revised $17.9 billion bid after settling disputes with banks financing the deal; CBS will acquire online technology news and entertainment company CNET Networks for about $1.8 billion; Caryle Group will buy Booz Allen Hamilton's U.S. government-consulting business for $2.5 billion; Italian appliance maker Indesit may bid for GE's appliance unit, expected to sell for $5 to $8 billion; Staples launched a hostile $2.3 billion offer for Dutch office supplier Corporate Express; OAO Severstal, Russia's largest steelmaker made a $670 million bid for West Virginia-based Esmark; Corporate Express is seeking to buy French rival Lyreco for $2.7 billion as it fends off a hostile bid from Staples; Power company NRG Energy made an unsolicited offer to buy competitor Calpine for $11 billion; Belgian brewer InBev, the world's second largest brewer by sales, is working on a $46 billion bid to buy U.S. rival Anheuser Busch; Goldman Sachs and Candover raised their offer for UK oil services company Expro International by 8% to $3.4 billion, topping a bid from Halliburton; XTO Energy will buy Bakken Shale assets in Montana and North Dakota from Headington Oil for $1.85 billion; and, Bear Stearns shareholders approved JPMorgan Chase's $2.2 billion buyout at about $10 per share (the shares traded at $171 in January of 2007).

FIXED INCOME

A national CNN/Opinion Research poll found that 79% of respondents believe the economy is now in a recession, up from 74% in March. Federal Reserve Chairman Ben Bernanke said financial markets remain unsettled and the central bank will increase its auctions of cash to banks as needed. U.S. gross domestic product grew at an upwardly revised 0.9% annual rate in the 1st quarter, slightly better than the previously estimated 0.6% rate. Economists surveyed forecasted GDP in the current quarter would expand at an annualized rate of 0.2%, sharply below their prior forecast of 1.3%. The Federal Reserve cut its projection for economic growth to 0.3%-1.2% in 2008, down from 1.3%-2.0% it estimated three months ago. The United Nations said that the world economy is expected to grow by 1.8% in 2008.

Long-term interest rates were higher in May. The bellwether 10-year Treasury note ended the month at 4.04% up from 3.75% at the close of April. At month-end, the 30-year long bond yield was 4.70% and the 3-month T-bill was at 1.85%. The Lehman Aggregate Index was down by -0.7% in May. High-yield bonds continued to gain ground in May with the Merrill Lynch High Yield Master II Index up by +0.4%.

On the economic front, the following key data was released in May:

*The Institute for Supply Management said its index of national factory activity was unchanged in April from March at 48.6. The Institute's index of non-manufacturing businesses, which makes up almost 90% of the economy, rose to 52 in April from 49.6 in March.

*Construction spending dropped by 1.1% in March, the fifth decline in the past six months.

*The Labor Dept. reported that productivity, the amount of output per hour of work, increased at an annual rate of 2.2% in the 1st quarter.

*The Treasury Dept. reported that the U.S. government took in a record $404 billion in revenue in April, up 5% from a year earlier, but outlays rose 19% to $244 billion, cutting the monthly surplus down to $159 billion.

*The Commerce Dept. reported that retail sales dipped 0.2% in April, the 2nd drop in the last 3 months.

*The Labor Dept. reported that U.S. import prices rose 1.8% in April.

*The median price for a single-family home in the U.S. dropped 7.7% to $196,300 in the 1st quarter, the biggest 12-month decline in at least 29 years.

*The Labor Dept. reported that the consumer price index rose a smaller-than-expected 0.2% in April, compared with 0.3% in March.

*The New York Fed's Empire State manufacturing index dropped to a reading of negative 3.2 in May from a positive 0.6 in April.

*Industrial production decreased 0.7% in April from the previous month.

*Construction starts on new U.S. homes rose by a surprisingly strong 8.2% in April and applications for new building permits turned up for the first time in five months.

*The Conference Board's index of leading U.S. economic indicators rose 0.1% in April for a second month, the first back-to-back gain since October 2006.

*The Labor Dept. reported that the Producer Price Index increased by 0.2% in April following a 1.1% jump in March. Outside of food and energy, prices rose by 0.4%.

*The Commerce Dept. reported that orders for durable goods dropped by a smaller-than-expected 0.5% in April.

The Conference Board's consumer confidence index declined more than forecast to 57.2 in May, the lowest level since October 1992.

NON-U.S. MARKETS

Spain's economy expanded at its slowest pace in almost 13 years in the first quarter. The economy grew 0.3% from the previous three months, the National Statistics Institute reported. That was the slowest pace since the third quarter of 1995 and less than half the 0.7% rate for the euro region. Spain had created the majority of euro region jobs between 2002 and 2006.

In its Spring Economic Forecast, the European Commission revised downwards its previous growth projections. Economic growth is now set "to ease significantly over the forecast horizon" in the euro-area, with outcomes of 1.7% real GDP growth in 2008 and 1.5% in 2009.

India's economic growth held at the weakest pace since 2005 as the highest interest rates in six years discouraged consumer spending and investment. Asia's third largest economy expanded 8.8% in the three months to March 31 from a year earlier.

Corporate earnings in Japan are deteriorating as the overseas economy slows down, especially in the U.S. and the cost burden increases on raw materials price rises.

Non-U.S. markets also had a positive performance in the month. The MSCI ACWI Ex-U.S. was up by +1.7% (US dollars) in May. Developed stocks (EAFE) were up +1.2% while Emerging Markets were up by +1.9%.

CONCLUSIONS

Consumers in the U.S. remain under strain from weak employment conditions, falling home values, tight credit conditions and higher energy and food prices which is taking a toll on their ability to spend. Growth will most likely remain below potential for some time to come. There has also been a sharp buildup in inflationary concerns over the past year. The Federal Reserve will have to continue to play a balancing act of keeping inflation under control while it simultaneously attempts to keep the economy out of a prolonged slow growth environment. Those of us who have been in the investment business for some time well remember the economic challenges of the implications here: stagflation. Not a pleasant memory.

MARKET UPDATE

For May 2008

US Equity Indices	Style	Month	YTD	11 Months	1 Year	3 Years	5 Years	10 Years
Russell 3000	Broad US Equity	2.05%	(3.05%)	(4.83%)	(6.61%)	8.03%	10.55%	4.76%
Russell 200	Large Cap Equity	0.74%	(4.59%)	(4.78%)	(6.45%)	6.92%	8.65%	3.20%
Russell 200 Growth	Large Cap Growth	2.93%	(3.15%)	1.59%	0.21%	7.29%	7.66%	1.20%
Russell 200 Value	Large Cap Value	(1.44%)	(6.05%)	(10.59%)	(12.51%)	6.62%	9.75%	4.74%
S&P 500	Large Cap Equity	1.30%	(3.80%)	(5.12%)	(6.70%)	7.57%	9.77%	4.21%
Russell 1000	Large Cap Equity	1.83%	(3.15%)	(4.42%)	(6.25%)	8.03%	10.40%	4.66%
Russell 1000 Growth	Large Cap Growth	3.67%	(2.00%)	1.34%	(0.17%)	8.45%	9.24%	2.32%
Russell 1000 Value	Large Cap Value	(0.16%)	(4.42%)	(10.18%)	(12.28%)	7.45%	11.41%	6.11%
Russell Mid Cap	Mid Cap Equity	4.53%	0.46%	(3.47%)	(5.65%)	10.83%	15.20%	9.16%
Russell Mid Cap Growth	Mid Cap Growth	5.27%	0.54%	0.96%	(0.79%)	11.65%	14.36%	6.74%
Russell Mid Cap Value	Mid Cap Value	3.55%	0.36%	(8.97%)	11.56%	9.45%	15.29%	9.50%
Russell 2000	Small Cap Equity	4.59%	(1.81%)	(9.20%)	(10.53%)	7.95%	12.47%	6.40%
Russell 2000 Growth	Small Cap Growth	5.66%	(3.16%)	(5.18%)	(5.72%)	9.43%	12.16%	3.54%
Russell 2000 Value	Small Cap Value	3.42%	(0.27%)	(13.31%)	(15.33%)	6.38%	12.64%	8.50%

Non-US Indices

MSCI ACWI Ex-US	Broad Non-US Equity	1.73%	(1.79%)	2.17%	3.04%	20.27%	22.15%	8.62%
MSCI EAFE	Developed Non-US Equity	1.16%	(2.64%)	(2.17%)	(2.02%)	17.13%	19.76%	7.22%
MSCI Emerging Mkts.	Emerging Non-US Equity	1.88%	(1.87%)	16.49%	22.00%	33.56%	34.39%	15.44%
Lehman Global Ex-US Bond	Global Bonds	(1.53%)	4.95%	17.20%	16.37%	5.99%	6.52%	6.26%
Euro	Currency	(0.18%)	6.31%	15.11%	15.49%	7.97%	5.73%	N/A-
Japanese Yen	Currency	(1.00%)	5.90%	17.16%	15.40%	0.69%	2.53%	2.76%
British Pound	Currency	(0.22%)	(0.72%)	(1.51%)	(0.09%)	2.73%	3.82%	1.94%

US Fixed Income Indices

3 month Treasury Bills	Cash	0.03%	1.02%	3.45%	3.85%	4.29%	3.17%	3.65%
Lehman Aggregate	Core Bonds	(0.73%)	1.21%	7.22%	6.90%	4.30%	3.83%	5.78%
Lehman US Universal	Core Bonds Plus	(0.62%)	1.13%	6.55%	6.10%	4.49%	4.22%	5.88%
Lehman Gov't/Credit	Core Bonds	(1.03%)	0.88%	7.14%	6.91%	4.03%	3.48%	5.78%
Citigroup (Salomon) Corporate	Corporate Bonds	(0.99%)	(0.07%)	4.13%	3.56%	3.21%	3.47%	5.79%
Citigroup (Salomon) Mortgage	Mortgages	(0.58%)	1.89%	8.08%	7.52%	4.98%	4.65%	5.85%
Merrill Lynch High Yield Master II	High Yield Bonds	0.43%	1.44%	0.59%	(1.10%)	6.25%	8.08%	5.25%

(not annualized if less than 1 year)
Source: Zephyr Style Advisor
Preliminary data

STANCERA

MONTHLY PERFORMANCE REVIEW

PERIOD ENDING MAY 31, 2008

PRELIMINARY BASIS

SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	TARGET	POLICY RANGE
DOMESTIC EQUITIES	608,879,491	43.7%	46.4%	36.5% - 56.3%
INTERNATIONAL EQUITIES	284,574,375	20.4%	20.0%	16.0% - 24.0%
FIXED INCOME	453,471,978	32.5%	30.6%	27.6% - 33.6%
REAL ESTATE	20,683,790	1.5%	3.0%	1.5% - 4.5%
CASH (equity managers only)	26,080,618	1.9%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,393,690,252	100.0%	100.0%	

	CURRENT	TARGET
DODGE & COX - LARGE CAP VALUE	16.8%	17.5%
DELAWARE - LARGE CAP GROWTH	8.8%	8.9%
LOOMIS SAYLES - LARGE CAP GROWTH	5.9%	5.9%
RUSSELL 2000 VALUE i-Shares	4.9%	5.0%
MAZAMA - SMALL CAP GROWTH	4.0%	4.3%
BNY - S&P 500 INDEX	4.7%	4.8%
LSV ASSET MGMT - INTL EQ	10.1%	10.0%
FIDELITY - INTL EQ	10.8%	10.0%
DODGE & COX FIXED INCOME	32.5%	30.6%
INVESCO - GLOBAL REIT	1.5%	3.0%
TOTALS	100%	100%

STANCERA

Monthly Performance Review

PERIOD ENDING MAY 31, 2008

PRELIMINARY BASIS

GROWTH OF ASSETS AND CHANGES IN ALLOCATION

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
MARKET VALUE					
DOMESTIC EQUITIES	608,879,491	593,617,345	2.57%	698,021,382	-12.77%
INTERNATIONAL EQUITIES	284,574,375	283,183,939	0.49%	296,062,424	-3.88%
FIXED INCOME	453,471,978	454,702,848	-0.27%	438,541,398	3.40%
REAL ESTATE	20,683,790	21,339,337	-3.07%	0	N/A
CASH (equity managers only)	26,080,618	26,390,441	-1.17%	18,305,486	42.47%
TOTAL PORTFOLIO	1,393,690,252	1,379,233,910	1.05%	1,450,930,690	-3.95%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	43.69%	43.04%	0.6%	48.11%	-4.4%
INTERNATIONAL EQUITIES	20.42%	20.53%	-0.1%	20.41%	0.0%
FIXED INCOME	32.54%	32.97%	-0.4%	30.22%	2.3%
REAL ESTATE	1.48%	1.55%	-0.1%	0.00%	1.5%
CASH (equity managers only)	1.87%	1.91%	0.0%	1.26%	0.6%
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%

* % Change represents changes in cash balances, including cash transfers, and does not represent investment returns

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING MAY 31, 2008
PRELIMINARY BASIS

MANAGER ALLOCATION

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	POLICY RANGE
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	234,410,651	16.8%	17.5%	14.5% - 20.5%
DELAWARE - LARGE CAP GROWTH	122,686,402	8.8%	8.9%	6.9% - 10.9%
LOOMIS SAYLES - LARGE CAP GROWTH	81,862,363	5.9%	5.9%	4.5% - 7.3%
RUSSELL 2000 Value i-Shares	67,681,608	4.9%	5.0%	3.9% - 6.1%
MAZAMA - SMALL CAP GROWTH	56,272,227	4.0%	4.3%	2.9% - 5.7%
BNY - S&P 500 INDEX	65,157,947	4.7%	4.8%	3.8% - 5.8%
TOTAL DOMESTIC EQUITIES	628,071,198	45.1%	46.4%	
FIXED INCOME				
DODGE & COX	453,471,978	32.5%	30.6%	27.6% - 33.6%
TOTAL FIXED INCOME	453,471,978	32.5%	30.6%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	141,179,733	10.1%	10.0%	8.0% - 12.0%
FIDELITY	150,283,552	10.8%	10.0%	8.0% - 12.0%
TOTAL INTERNATIONAL EQUITIES	291,463,285	20.9%	20.0%	
REAL ESTATE				
INVESCO	20,683,790	1.5%	3.0%	1.5% - 4.5%
TOTAL REAL ESTATE	20,683,790	1.5%	3.0%	
TOTAL StanCERA PORTFOLIO	1,393,690,251	100.0%	100.0%	

STANCERA

MONTHLY PERFORMANCE REVIEW

PERIOD ENDING 5/31/08

PRELIMINARY

TOTAL FUND

	CASH	BONDS	EQUITIES	TOTAL
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	12,584,223		221,826,428	234,410,651
DELAWARE - LARGE CAP GROWTH	1,729,864		120,956,538	122,686,402
LOOMIS SAYLES - LARGE CAP GROWTH	1,475,014		80,387,349	81,862,363
RUSSELL 2000 Value i-Shares	2,080,429		65,601,179	67,681,608
MAZAMA - SMALL CAP GROWTH	1,322,178		54,950,049	56,272,227
BNY - S&P 500 INDEX	0		65,157,947	65,157,947
TOTAL DOMESTIC EQUITIES	19,191,708		608,879,490	628,071,198
FIXED INCOME				
DODGE & COX	22,660,169	430,811,809		453,471,978
TOTAL FIXED INCOME	22,660,169	430,811,809		453,471,978
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	3,661,712		137,518,021	141,179,733
FIDELITY	3,227,198		147,056,354	150,283,552
TOTAL INTERNATIONAL EQUITIES	6,888,910		284,574,375	291,463,285
REAL ESTATE				
INVESCO	0		20,683,790	20,683,790
TOTAL REAL ESTATE	0		20,683,790	20,683,790
TOTAL STANCERA PORTFOLIO	48,740,787	430,811,809	914,137,655	1,393,690,251
	3.5%	30.9%	65.6%	100.0%

STANCERA

MONTHLY PERFORMANCE REVIEW

PERIOD ENDING MAY 31, 2008

PRELIMINARY BASIS

CURRENT PERFORMANCE

	MARKET VALUE	MAY	ALPHA	APRIL	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	**221,826,428**	**1.12%**	**1.28%**	**5.90%**	**1.03%**	**-11.12%**	**-0.94%**
RUSSELL 1000 VALUE		*-0.16%*		*4.87%*		*-10.18%*	
DELAWARE - LARGE CAP GROWTH	**120,956,538**	**3.60%**	**-0.07%**	**3.67%**	**-1.58%**	**3.28%**	**1.94%**
RUSSELL 1000 GROWTH		*3.67%*		*5.25%*		*1.34%*	
LOOMIS SAYLES - LARGE CAP GROWTH	**80,387,349**	**2.59%**	**-1.08%**	**6.93%**	**1.68%**	**3.13%**	**1.79%**
RUSSELL 1000 GROWTH		*3.67%*		*5.25%*		*1.34%*	
R2000 V i-Shares	**65,601,179**	**3.02%**	**-0.40%**	**3.83%**	**0.67%**	**-13.14%**	**0.17%**
RUSSELL 2000 VALUE		*3.42%*		*3.16%*		*-13.31%*	
MAZAMA - SMALL CAP GROWTH	**54,950,049**	**5.96%**	**0.69%**	**4.81%**	**-1.22%**	**-20.55%**	**-18.99%**
RUSSELL 2500 GROWTH		*5.27%*		*6.03%*		*-1.56%*	
BNY - S&P 500 INDEX	**65,157,947**	**1.30%**	0.00%	**4.87%**	0.00%	**-5.14%**	**-0.02%**
S&P 500		*1.30%*		*4.87%*		*-5.12%*	
TOTAL DOMESTIC EQUITY	**608,879,490**	**2.43%**	**0.38%**	**5.17%**	**0.17%**	**-7.30%**	**-2.47%**
Russell 3000 Index		*2.05%*		*5.00%*		*-4.83%*	
FIXED INCOME							
DODGE & COX	**453,471,978**	**-0.27%**	**0.46%**	**1.21%**	**1.42%**	**5.66%**	**-1.56%**
LEHMAN AGGREGATE BOND		*-0.73%*		*-0.21%*		*7.22%*	
INTERNATIONAL INVESTMENTS							
LSV ASSET MGMT	**137,518,021**	**0.94%**	**-0.79%**	**6.06%**	**-0.09%**	**-4.42%**	**-6.59%**
MSCI ACWI Free ex-US		*1.73%*		*6.15%*		*2.17%*	
PYRAMIS	**147,056,354**	**2.10%**	**0.37%**	**6.51%**	**0.36%**	**4.39%**	**2.22%**
MSCI ACWI Free ex-US		*1.73%*		*6.15%*		*2.17%*	
TOTAL INTERNATIONAL EQUITY	**284,574,375**	**1.54%**	**-0.19%**	**6.29%**	**0.14%**	**-0.08%**	**-2.25%**
MSCI ACWI Free ex-US		*1.73%*		*6.15%*		*2.17%*	
REAL ESTATE							
INVESCO	**20,683,790**	**-3.07%**	**-0.62%**	**5.85%**	**-0.40%**	**3.42%**	**-0.63%**
FTSE EPRA/NAREIT Global REIT		*-2.45%*		*6.25%*		*4.05%*	
CASH & SHORT-TERM INVESTMENTS							
CASH	**26,080,618**	**0.20%**	0.17%	**0.22%**	0.11%	**3.99%**	**0.54%**
90 DAY TREASURY BILL		*0.03%*		*0.11%*		*3.45%*	
TOTAL StanCERA Fund	**1,393,690,251**	**1.27%**	**0.06%**	**4.06%**	**0.63%**	**-1.79%**	**-2.32%**
Policy Index		*1.21%*		*3.43%*		*0.53%*	
Actuary Rate of Assumption (8.16%)		*0.66%*	**0.61%**	*0.66%*	**3.40%**	*7.50%*	**-9.29%**
Actuary Rate of Inflation (4.00%)		*0.33%*	**0.94%**	*0.33%*	**3.73%**	*3.67%*	**-5.46%**