

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, 2006

- (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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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, 2006.

StanCERA remains very healthy. Investments for the year returned 10.3%. The 10.3% result exceeded StanCERA's policy benchmark of 9.0% and the actuarial assumed rate of 8.16% (4.0% semi-annually compounded). Net assets of the fund were \$1.275 billion. Current year earnings in excess of the actuarial assumed rate posted to vested benefits reserves were used to add to retiree ad hoc reserves that have not received the actuarial rate of interest in past years. This is in accordance with Retirement Board policy on interest posting.

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 \$58 million in retirement benefits during the year consisting of \$50 million in regular retirement benefits and \$8 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 \$1.6 million or 0.13% 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, 2006 and 2005, 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

INVESTMENTS

BONDS	<u>MARKET VALUE</u>
U S Government Bonds	\$ 283,473,311
Corporate Bonds	<u>140,489,879</u>
TOTAL BONDS	<u>\$ 423,963,190</u>
STOCKS	
Consumer Non-Durables	\$ 107,696,559
Consumer Durables	20,860,806
Materials & Services	140,508,046
Capital Goods & Services	14,113,158
Technology	97,491,849
Energy	32,252,260
Transportation	14,860,279
Utilities	21,384,350
Financial	84,207,059
S&P 500	65,658,157
Miscellaneous Common Stock	<u>4,682,102</u>
Total Domestic Stock	603,714,625
International Stock	<u>198,045,308</u>
TOTAL STOCK	<u>\$ 801,759,933</u>

STATEMENT OF PLAN NET ASSETS
JUNE 30, 2006

	June 30, 2006		
	POST EMPLOYMENT HEALTH INSURANCE	DEFINED BENEFIT PENSION PLAN	TOTAL
	INSURANCE	PENSION PLAN	TOTAL
ASSETS			
Cash And Cash Equivalents	\$ 2,692,347	28,243,522	\$ 30,935,869
Receivables:			
Interest & Dividends	571,193	5,991,988	6,563,181
Securities Transactions	797,928	8,370,499	9,168,427
Contributions (Note 3)	383,982	4,028,090	4,412,072
Other	274	2,874	3,148
Total Receivables	<u>1,753,377</u>	<u>18,393,451</u>	<u>20,146,828</u>
Capital Assets			
Capitalized Software	-	739,533	739,533
Real Estate Occupied	-	1,737,956	1,737,956
Real Estate Leased	-	1,088,298	1,088,298
Total Capital Assets	<u>-</u>	<u>3,565,787</u>	<u>3,565,787</u>
Investments at Fair Value (Note 4):			
Bonds	36,897,488	387,065,702	423,963,190
Stocks	69,777,113	731,982,820	801,759,933
Real Estate	-	-	-
Collateral on Loaned Securities (Note 5)	-	165,417,766	165,417,766
Total Investments	<u>106,674,600</u>	<u>1,284,466,289</u>	<u>1,391,140,889</u>
Total Assets	<u>111,120,324</u>	<u>1,334,669,049</u>	<u>1,445,789,373</u>
LIABILITIES			
Payables:			
Accounts Payable	-	4,763,057	4,763,057
Collateral Held for Loaned Securities (Note 5)	-	165,417,766	165,417,766
Total Payables	<u>-</u>	<u>170,180,823</u>	<u>170,180,823</u>
Net Assets Held In Trust For Pension And Post-Employment Health Benefits (Note 7)	<u>\$ 111,120,324</u>	<u>\$ 1,164,488,226</u>	<u>\$ 1,275,608,550</u>

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

	June 30, 2006		
	POST EMPLOYMENT HEALTH INSURANCE	DEFINED BENEFIT PENSION PLAN	TOTAL
ADDITIONS			
Contributions (Note 6):			
Employer	\$ -	\$ 24,421,977	\$ 24,421,977
Plan Members	-	19,860,676	19,860,676
Total Contributions	-	44,282,653	44,282,653
Investment Income (Loss)			
Net Appreciation (Depreciation) in Fair Value of Assets	-	84,634,957	84,634,957
Interest & Dividends	-	35,692,980	35,692,980
Total Investment Income/(Loss)	-	120,327,937	120,327,937
Less Investment Expense (Note 8)	-	(3,453,356)	(3,453,356)
Net Investment Income/(Loss)	-	116,874,581	116,874,581
Securities Lending Activities (Note 5):			
Securities Lending Income	-	8,267,484	8,267,484
Less: Securities Lending Expenses	-	(7,920,296)	(7,920,296)
Net Securities Lending Income	-	347,188	347,188
Miscellaneous Income	-	51,174	51,174
Total Additions	-	161,555,596	161,555,596
DEDUCTIONS			
Benefit Payments	-	50,506,696	50,506,696
Insurance Subsidies	7,623,202	-	7,623,202
Member Refunds	-	2,482,105	2,482,105
Administrative Expenses (Note 2)	115,931	1,482,769	1,598,700
Total deductions	7,739,133	54,471,570	62,210,703
Net increase(decrease)	(7,739,133)	107,084,026	99,344,893
Transfer of Plan Assets	23,975,191	(23,975,191)	
Net Assets Held in Trust for Pension and Post -Employment Health Benefits (Note 7):			
Beginning of year	94,884,266	1,081,379,391	1,176,263,657
End of year	\$ 111,120,324	\$ 1,164,488,226	\$ 1,275,608,550

STATISTICS

Number of Active Members	4,391
Number of Retired-for-Service Members.....	2,035
Number of Disability Retirements	373
Number of Survivors Death Benefits	37
Deferred Retirements	710