StanCERA

Stanislaus County Employees' Retirement Association

(A Pension Trust Fund for The County of Stanislaus, California)

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2004 and 2003

On the Cover:

Architects drawing of 12th Street Project.
Future home of StanCERA

STANCERA

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2004 and 2003

Issued By

Tom Watson
Acting Retirement Administrator

Hank Skau, CPA
Operations Manager

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STANISLAUS COUNTY EMPLOYEES'
EMPLOYEES' RETIREMENT ASSOCIATION
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P.O. Box 3150
Modesto, CA 95353-3150

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Fax (209) 525-4334
www.stancera.org
retirement@stancera.org

TRANSMITTAL LETTER

September 30, 2004

Board of Retirement
Stanislaus County Employees' Retirement Association
Modesto, CA 95354

Dear Board Members:

Please find enclosed the annual financial report of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ending June 30, 2004, our 56th year of operations.

StanCERA is a multi-agency public employees retirement system, established by the County of Stanislaus on July 1, 1948. StanCERA is operated and administered by the Board of Retirement (Board) to provide retirement, disability, death and survivors benefits for its members under the California State Government Code, Section 31450 et.seq. (County Employees Retirement Law of 1937).

The financial statements have been prepared in accordance with generally accepted accounting principles and California State law. The accounting firm of Brown Armstrong Paulden McCown Starbuck & Keeter has audited the statements and their report follows.

This report is divided into five sections as follows:

Introductory Section: This section describes the organization and structure of StanCERA, including this transmittal letter and a list of professional consultants.

Financial Section: This section presents the general-purpose financial statements, report of the independent auditor, management discussion and analysis and supplemental schedules and notes to the financial statements.

Investment Section: This section reports on investment activity, investment policy, asset allocation and diversification and historical investment performance.

Actuarial Section: This section communicates the plans funded status and related actuarial information. It also contains the actuarial certification, actuarial assumptions and statistics and general plan information.

Statistical Section: This section presents information pertaining to membership and benefit payments on a multi-year basis.

StanCERA and its Services

StanCERA was established by Stanislaus County to provide retirement allowances and other benefits to general and safety members employed by Stanislaus County. Currently, Stanislaus County and seven participating agencies are members of StanCERA. The participating agencies are:

City of Ceres
Stanislaus Council of Governments (StanCOG)
Stanislaus County Superior Courts
East Side Mosquito Abatement District
Hills Ferry Cemetery District
Keyes Community Services District
Salida Sanitary District

StanCERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, regulations, policies and procedures adopted by the Board of Retirement. The Stanislaus County Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect benefits to StanCERA members.

The Board of Retirement is responsible for the management of StanCERA and is comprised of nine members and two alternate members, one of whom is a safety alternate and the other a retiree alternate. Four board members are appointed by the Stanislaus County Board of Supervisors, one board member and the alternate safety member are elected by the safety members, two board members are elected by the general members, and one board member and the alternate retiree member are elected by the retired members. The County Treasurer serves as an ex-officio member. Board members, with the exception of the County Treasurer, serve three-year terms with no term limits.

Financial Information

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made. Investments are recorded at the fair-value of the asset.

Actuarial Funding Status

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to CERL, StanCERA engages an independent actuary to perform an actuarial valuation of the system on an annual basis. Economic assumptions are reviewed annually. Additionally, every three years, a triennial experience study is conducted, at which time non-economic assumptions are also updated. The most recent triennial experience study was conducted as of June 30, 2000 by Buck Consultants. Buck Consultants, since renamed Mellon Human Resource Consulting, conducted the last actuarial valuation as of June 30, 2003 and determined the plan's funding ratio (ration of plan assets to plan liabilities) to be 98.1% using the recommended assumptions.

Stanislaus County issued $108 million of pension obligation bonds in September 1995 to satisfy the Unfunded Accrued Actuarial Liability (UAAL) for the County, calculated as of that date. A more detailed discussion of funding is provided in the Actuarial Section of this report.

Investments

The Board of Retirement has exclusive control of all StanCERA investments and is responsible for establishing investment objectives, strategies and policies. The California Constitution and Government Code Sections 31594 and 31595 authorize the Board of Retirement to invest in any investment deemed prudent in the Board's opinion.

The Board has adopted an Investment Policy, which provides a framework for the management of StanCERA's investments. This policy establishes StanCERA's investment objectives and defines the duties of the Board of Retirement, investment managers and custodial banks. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations to insure growth of assets to meet future liabilities, minimize employer contributions and defray reasonable administrative costs. StanCERA engages an Investment Consultant to analyze investment policy and strategy and conduct periodic asset allocation and asset/liability studies on behalf of StanCERA. A summary of the asset allocation can be found in the Investment Section of this report.

Service Efforts and Accomplishments

StanCERA has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34 which require disclosure of more information and a Management Discussion and Analysis of the information presented, which follows.

StanCERA staff continue to work with County staff on planning for a move to the 12th Street Office Building in 2005.

While the legal issues surrounding the Ventura decision have been settled, the plaintiffs, the Stanislaus County Board of Supervisors and the Retirement Board continue to discuss the details of implementing this multi-faceted decision.

In addition to providing monthly retirement benefits to over 2,000 retirees and survivors, StanCERA provided retirees with health insurance payments and plans to help meet their medical needs.

Acknowledgement

The compilation of this report reflects the combined efforts of many people on StanCERA's staff. It is intended to provide reliable information as the basis for making management decisions, as a means for determining compliance with legal provisions and as a means of determining responsible stewardship of the funds of StanCERA. Both the accuracy of the data presented and the completeness and fairness of the presentation of the CAFR is the responsibility of the management of StanCERA.

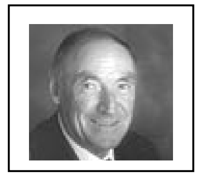
I congratulate the Board, staff and service providers of the Association for their commitment to StanCERA and for their diligent work to assure the continued successful operation of StanCERA.

Sincerely,

Tom Watson
Acting Retirement Administrator

BOARD OF RETIREMENT
JUNE 30, 2004

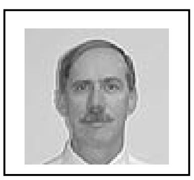
Trustee
Tom Watson
Treasurer/Tax Collector,
Ex-Officio Trustee



Trustee
Nick Blom
Appointed by Board of
Supervisors

Chair
Maria DeAnda
Elected by Active General
Membership

Trustee
Kent Crawford
Appointed by Board of
Supervisors



Vice-Chair
Gary Dial
Elected by Active General
Membership

Trustee
Darin Gharat
Elected by Active Safety
Membership

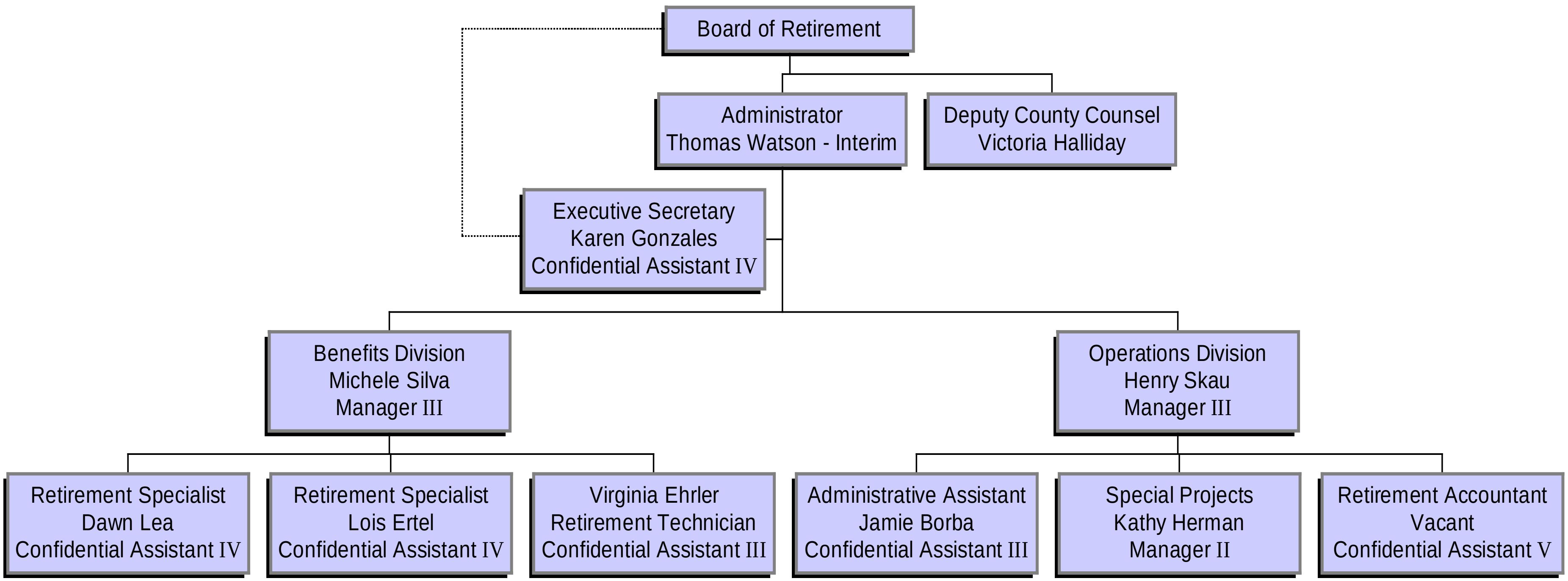
Trustee
Al Sarina
Appointed by Board of
Supervisors

Trustee
Wes Hall
Elected by Retired
Membership

Trustee
Mike Fisher
Appointed by Board of
Supervisors

Alternate Trustee
Linda Stotts-Burnett
Elected by Retired
Membership

StanCERA Organization Chart
Effective July 26, 2004



PROFESSIONAL CONSULTANTS

Consulting Services

Actuary
Mellon Consultants, Inc.

Auditors
Brown Armstrong Paulden McCown Starbuck & Keeter, CPA's

Investment Custodian
The Bank of New York

Investment Consultant
Strategic Investment Solutions, Inc.

Health Insurance Consultant
Stemler's Insurance Agency, Inc.

Legal Counsel
County Counsel, County of Stanislaus

Curtis & Arata

Petrulakis, Jensen, Friedrich & Cabral, LLP

Philip B Avila, Esq.

Technical & Data Services
Blue Sun Studios

TACS, Inc.

Investment Management Services

Fixed Income
Dodge & Cox

Large Cap Value Equity
Dodge & Cox

Large Cap Growth Equity
MFS Institutional Advisors, Inc.

Small Cap Value Equity
Charlotte Capital, LLC

Small Cap Growth Equity
TCW Group

International Equity
Putnam Investments

Domestic Equity Index Funds
The Bank of New York

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FINANCIAL SECTION

BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

BROWN ARMSTRONG
PAULDEN MCCOWN STARBUCK & KEETER
CERTIFIED PUBLIC ACCOUNTANTS

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661-324-4971 Fax 661-324-4997
e-mail: barrinfo@barrcpa.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661-746-2145 Fax 661-746-1218

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Stanislaus County Employees' Retirement Association

We have audited the accompanying statement of plan net assets of the Stanislaus County Employees' Retirement Association (StanCERA) as of June 30, 2003 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of management of StanCERA. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Stanislaus County Employees' Retirement Association as of and for the year ended June 30, 2002 were audited by other auditors, whose report dated October 10, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Stanislaus County Employees' Retirement Association as of June 30, 2003 and its changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 12 through 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental schedules and supporting schedules on pages 36 through 41, and the investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of StanCERA. The required supplemental schedules and supporting schedules on pages 36 through 40 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the schedule of rate of return on investments, and the investment, actuarial and statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2003, on our consideration of StanCERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
August 27, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2004

This discussion and analysis of the Stanislaus County Employees' Retirement Association (StanCERA) financial performance provides an overview of the financial activities and funding conditions for the fiscal year ending June 30, 2004. Please review it in conjunction with the transmittal letter (starting on page 1) and the Financial Statements beginning on page 1.

Financial Highlights

- Plan net assets increased by $140.7 Million (or 16.4 %) as a result of the fiscal year's activities
- Contributions (employer and member), in total, increased by $1.3 Million (or 3.8%)
- Net investment income (including unrealized gains and losses) increased by $106.9 Million
- Benefit payments increased by $4.8 Million (or 10.8%) over the prior year

Plan Highlights

- Benefit changes to the plan, effective March 9, 2002 (for County) and March 23, 2002 (for select districts), changed the retirement formula to 2% at age 55 ½ for active general members, and 3% at 50 for active safety members. These changes applied only to members active as of the implementation date. One (1) district still has not implemented the new benefit plans, but is expected to do so in 2004/05. Members in the non-contributory Plan 3 were allowed to transfer prospectively into a contributory plan.
- Post Retirement Health Care allowance for health insurance remained constant at $18.50 per year of service (for a maximum of 20 years or $370 per month).
- Due to the down market in 2002/03 The Board of Retirement voted to not pay a special cost of living benefit in January 2004 to retirees who retired prior to April 1981.
- In April of 2004, a 1.0% cost of living increase was given to all retired, disabled and beneficiary members receiving a recurring allowance, except Tier 3. Retirees who had previously stored COLA credits received a 3% cost of living increase.

MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2004

Using the Annual Report

The financial statements reflect the activities of the Stanislaus County Employees' Retirement Association and are composed of the Statement of Plan Net Assets (see page 18) and the Statement of Changes in Plan Net Assets (see page 19). These statements are presented on an accrual basis and reflect all trust activities as incurred.

This annual report is comprised of five sections:

- **The Introductory Section** contains the transmittal letter from the plan administrator.

- **The Financial Section** presents the financial condition and funding status of StanCERA. This section contains the opinion of the independent auditors, Brown Armstrong Paulden McCown Starbuck & Keeter, CPA's, Management's Discussion and Analysis, the financial statements, notes to the financial statements and required supplemental information.

- **The Investment Section** reports on investment activity, investment policy, asset allocation and diversification and historical investment performance.

- **The Actuarial Section** communicates the plans funded status and related actuarial information. It also contains the actuarial certification, actuarial assumptions and statistics and general plan information.

- **The Statistical Section** presents information on membership, benefits and other plan activity over a ten-year period in graphical form.

Statement of Plan Net Assets

The Statement of Plan Net Assets shows the assets available for future payments to retirees and current liabilities as of the fiscal year end. The following condensed comparative summary of Plan Net Assets demonstrates that the pension trust is primarily focused on the cash and investments and the restricted net assets. This statement is also a good indicator of the financial well being of the Retirement System.

Statement of Changes in Plan Net Assets

The Statement of Changes in Plan Net Assets provides an account of the current year's additions and deductions to/from the System.

Financial Analysis

A review of the Statement of Plan Net Assets shows the current fiscal period closed with assets exceeding liabilities by $1,104 million with all of the net assets available to meet StanCERA's ongoing obligations to plan participants and their beneficiaries. The $140.8 million increase in plan assets further strengthened the very good financial condition of the Retirement System.

The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. These income sources for fiscal year 2003-2004 totaled $191.3 million. This gain is a result of the reallocation of our investment portfolio and a significant rebound in the broad market over the past year. Employer and member contributions resulted in an increase of $1.3 million (or 3.8%) over the contributions made in 2002-2003. The increase is due in large part to higher employer and member contribution rates as a result of the increased salaries.

The primary uses of StanCERA's assets are in payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. These expenses for fiscal year 2003-2004 were $50.6 million, an increase of $4.4 million (9.6%) over 2002-2003. This increase is due to an increase in the number of retirees and the average amount they are paid. Administrative costs to operate the system were $1,301,337, which increased 13.4% over the prior year. Administrative costs represented .11% of net plan assets.

Investment Analysis

The Plan's investment activity is a function of the underlying marketplace for the period measured and the investment policy's asset allocation.

The equity market returns improved significantly over the past year. And is a welcome change from the sub par performance of the prior three years.

Fixed income was flat over most of the year. In general, this result was a function of the government holding short term interest rates at historically low levels

StanCERA’s total portfolio outperformed its policy benchmark by 80 basis points and achieved an overall absolute return of +16.4%. This out-performance was due in large to StanCERA’s diversified positions in the broad market and benefiting from these holdings.

Funding Status

Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. Stanislaus County has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. No net pension obligation exists for the fund as of June 30, 2003, the date of the last actuarial valuation.

An indicator of funding status is the ratio of the actuarial value of the assets to the actuarial accrued liability (AAL). An increase in the percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the AAL. Performance in the stock and bond markets can have a material impact on the actuarial value of assets.

The funding ratio as of June 30, 2003 was 98.1% using the entry age normal method. StanCERA does not smooth the actuarial value of assets. As of the fiscal year ended June 30, 2003, the actuarial value of assets $1.07 billion. The next actuarial valuation is scheduled for July 2004.

In February 2003, the Board of Retirement made several significant changes to the plans assumptions regarding smoothing of assets. These changes will be reflected in the next actuarial valuation and have no reported results.

The current improvement in the stock market, and the associated increase in StanCERA’s net assets, should improve the funding ratio at the next actuarial valuation. While the impact should not be significant, this increase may affect employer contribution rates.

StanCERA’s Fiduciary Responsibilities

StanCERA’s Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Ventura Litigation

Subsequent to the balance sheet date, the Ventura Litigation (discussed in Note 12 of the Notes to the Financial Statements), has been finalized. The State Supreme Court has declined to rule on the final appeal and has let the appellate court ruling stand.

This outcome, considered the most likely outcome, and anticipated by StanCERA brings an end to the litigation phase of Ventura and starts the implementation phase. StanCERA staff, in conjunction with County staff, have begun the process of determining affected retirees and preparing to recalculate final average salary for affected retirees. Those affected will receive retroactive benefit payments and a change to the higher benefit based on a higher final average salary. Due primarily to the complexity of the calculations and the unavailability of data, StanCERA has estimated that it will take up to two years to recalculate all affected retirees.

Requests for Information

This financial report is designed to provide the Board of Retirement, plan participants, taxpayers, investment professionals and creditors with a general overview of StanCERA's financial condition and to demonstrate StanCERA's accountability for the funds under its stewardship.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

StanCERA
1010 Tenth Street, Suite 5800
Modesto, CA 95354

STATEMENT OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003

	POST EMPLOYMENT HEALTH INSURANCE	DEFINED BENEFIT PENSION PLAN	2004 TOTAL	2003 TOTAL
ASSETS				
Cash And Cash Equivalents	2,924,869	30,038,545	32,963,414	33,049,585
Receivables:				
Interest & Dividends	268,944	2,762,060	3,031,004	3,844,442
Securities Transactions	369,823	3,798,090	4,167,913	5,355,057
Contributions	162,173	1,665,515	1,827,688	1,596,493
Total Receivables	800,940	8,225,666	9,026,605	10,795,992
Fixed Assets				
Capitalized Software	-	440,501	440,501	-
Investments (At Fair Value):				
Bonds Total Bonds	33,874,975	347,896,616	381,771,591	317,660,231
Stocks	62,115,641	637,928,777	700,044,419	610,069,808
Real Estate		2,477,403	2,477,403	-
Collateral on Loaned Securities		146,657,871	146,657,871	185,576,210
Total Investments	95,990,616	1,134,960,667	1,230,951,283	1,113,306,249
Total Assets	99,716,425	1,173,665,378	1,273,381,804	1,157,151,826
LIABILITIES				
Payables:				
Accrued Expenses				
Accounts Payable		23,116,371	23,116,371	8,738,684
Collateral Held for Loaned Securities		146,657,871	146,657,871	185,576,210
Total Payables	0	169,774,242	169,774,242	194,314,894
Net Assets Held In Trust For Pension And Post-E	99,716,425	1,003,891,137	1,103,607,562	962,836,932

(A schedule of Funding Progress is presented in the Required Supplementary Information in this section)

The accompanying notes are an integral part of this financial statement

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	POST EMPLOYMENT HEALTH INSURANCE	DEFINED BENEFIT PENSION PLAN	TOTAL	2,003 TOTAL
ADDITIONS				
Contributions:				
Employer		17,113,973	17,113,973	16,207,877
Plan Members		18,941,508	18,941,508	18,520,605
Total Contributions	0	36,055,481	36,055,481	34,728,482
Investment Income (Loss)				
Net appreciation(depreciation) in fair value of assets		131,310,914	131,310,914	20,845,657
Interest & Dividends		26,276,509	26,276,509	29,614,117
Total Investment Income/(l		157,587,424	157,587,424	50,459,774
Less Investment Expense		(2,847,706)	(2,847,706)	(2,623,591)
Net Investment Income/(Loss)		154,739,718	154,739,718	47,836,183
Securities Lending Activities:				
Securities Lending Income		2,428,825	2,428,825	3,922,504
Less: Securities Lending Expenses		(2,013,165)	(2,013,165)	(3,325,188)
Net Securities Lending Income		415,659	415,659	597,316
Miscellaneous Income		114,058	113,959	126,162
Total Additions	0	191,324,916	191,324,817	83,288,143
DEDUCTIONS				
Benefit Payments		40,999,778	40,999,778	36,981,411
Insurance Subsidies	6,926,401	0	6,926,401	6,454,071
Member Refunds	0	1,326,769	1,326,769	1,561,286
Administrative expenses	106,562	1,194,775	1,301,337	1,147,117
Total deductions	7,032,963	43,521,322	50,554,286	46,143,885
Net increase(decrease)	(7,032,963)	147,803,594	140,770,531	37,144,258
Transfer of plan assets	(106,562)	106,562		98,425
Net assets held in trust for pension and health benefits:(at market value)				
Beginning of year	104,850,359	857,986,573	962,836,932	925,692,674
End of year	97,710,834	1,005,896,729	1,103,607,562	962,836,932

The accompanying notes are an integral part of this financial statement

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF PLAN

Description of System and Applicable Provisions of the Law

The Stanislaus County Employees' Retirement Association is an integrated public retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Retirement Act of 1937. (Chapter 677 Statutes of 1937). It is a multiple-employer "Cost Sharing" plan. The system was voter approved by the Board of Supervisors on July 1, 1948. The system was integrated with Social Security on January 1,1956. Members of the system at that time had a one-time option to convert to the new system or to remain with the old one.

Membership

Each person entering employment full-time or permanent part-time (50% or more of the regular hours) becomes a member on the first day of employment.

The Stanislaus County Employees' Retirement Association consists of employees from County of Stanislaus, Eastside Mosquito Abatement District, Hills Ferry Cemetery District, Keyes Community Service District, City of Ceres, Salida Sanitary District, Stanislaus County Superior Court and Stanislaus Council of Governments. The structure of the Membership is as follows:

Vesting

Active members of the system receive a 100% vested interest in the fund after 5 years of service, except Plan 3, and ten years of service for Plan 3, but cannot get a service retirement until completing ten years of membership in the Association.

Benefits

StanCERA provides for retirement, disability, death, beneficiary, cost-of-living and ad-hoc retirement benefits.

Service Retirement Benefit

Members with 10 years of service, who have attained the age of 50, are eligible to retire. Members with 30 years of service (20 years for safety), regardless of age, are eligible to retire.

The benefit is a percentage of monthly final average salary per year of service, depending on age at retirement and is illustrated below for representative ages. For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage shown below times the first $350 of monthly final average salary per year of service credited after January 1, 1956.

Percentage of Final Average Salary (FAS)

	General					Safety	
Age	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 1/2	Plan 4/5
50	1.34	1.18	N/A	1.48	1.48	2.00	3.00
55	1.77	1.49	.68*	1.95	1.95	2.62	3.00
60	2.34	1.92	1.14*	2.44	2.44	2.62	3.00
65	2.62	2.43	2.00*	2.62	2.62	N/A	N/A

* (Less l/35th of Social Security benefits at age 65) per year of service. For each year of service over 35, 1% of (FAS) with no Social Security reduction.)

Retiring members may choose from four different beneficiary retirement allowances. Most retirees elect to receive an unmodified allowance which includes 60% of the allowance continued to the retirees' surviving spouse.

Death Benefit-Before Retirement

Employed less than 5 Years

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) months salary (except Plan 3).

Employed More than 5 Years

If a member dies while eligible for service retirement or non-service connected disability, the spouse receives 60% of the allowance that the member would have received for retirement on the day of his or her death (except Plan 3).

If a member dies in the performance of duty, the spouse receives a monthly benefit of 50% of the member's final average salary (except Plan 3).

Death Benefit-After Retirement

If a member dies after retirement, a lump sum amount of $ 5,000 is paid to the beneficiary or estate (except Plan 3).

If the retirement was for service-connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life for Plans l, 2, 4 and 5.

If the retirement was for other than service-connected disability, 60% of the member's allowance is continued to the spouse for life (except Plan 3).

Disability Benefit

Members with 5 years of service, regardless of age, are eligible for non-service connected disability (except Plan 3). The benefit is usually 1/3 of final average salary (FAS). If the disability is service connected, the member may retire regardless of length of service, and the benefit is 50% of final average salary (except Plan 3).

Cost of Living Benefit

The current maximum increase in retirement allowance is 3% a year (except Plan 3). The increases are based on the change in the Bureau of Labor Statistics Consumer Price Index in the San Francisco Bay area from January 1 to December 31, effective the following April 1.

Post-Employment Health Care and Death Benefits

In addition to providing pension benefits, StanCERA offers medical, dental and vision insurance sponsored by StanCERA for certain retirees and their dependents. Substantially all of the active members may become eligible for those benefits if they reach normal retirement age. Currently, 1,296 retirees (of 1,841 eligible) are active participants in the health care plans, and they received post-employment health care benefits in the amount of $6,926,401 for the year ending June 30, 2004.

StanCERA also provides a death benefit of $5,000 paid to the beneficiary or estate if a member dies after retirement.

Stipends paid to retirees to offset the cost of post-employment health care benefits are funded from excess earnings of the retirement association. The County does not contribute towards post-employment benefits other than retirement. The actuarial study dated June 30, 1998 projected the liability level for the health care stipend to be $ 93,346,000 based on current policy and member utilization. As of June 30, 2004, there are reserves of $97,710,834 for payment of this stipend. This is not a vested benefit and may be eliminated by the Board of Retirement by giving 90 days notice to retirees.

The Association's maximum stipend is $370 monthly to eligible members. There is no planned increase in the contribution for the upcoming fiscal year. Each such member is eligible for a graduated Association stipend of five percent of the maximum per full year of StanCERA service. Payment is applied towards the cost of a retiree's insurance plan(s) as approved by the Retirement Board and/or direct payment to the eligible member.

Past practice has been that each January 1, the monthly maximum dollar amount was increased by the automatic cost of living percentage adjustment paid to retirees on the prior May 1 retiree payroll (not to exceed 3%) except that on January 1 following a triennial actuarial study related to a truer percentage increase, such increase for the period may be used. For the upcoming year, the Board authorized that rates not be increased.

Ad-Hoc Benefits

Ad-hoc benefits are non-vested benefits which are determined by the Board of Retirement on an annual basis subject to funding availability. StanCERA may pay a special, supplemental cost-of-living adjustment to retirees who have suffered erosion of their cost-of-living benefits due to high inflation. This benefit is determined and paid annually.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Association is governed by the Board of Retirement and is considered an independent entity and therefore, does not report as a component unit of the County of Stanislaus. StanCERA's annual financial statements are referenced by footnote in the County of Stanislaus' Annual Financial Report.

Basis of Accounting

StanCERA follows Governmental Accounting Standards Board (GASB) accounting principles and reporting guidelines. The financial statements are prepared on an accrual basis of accounting, which recognizes income when earned and expenditures when the obligation has been incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Cash and Deposits

Cash includes deposits with a financial institution and pooled cash and deposits with the Stanislaus County Treasurer. Pooled cash approximates fair value. Income on pooled cash is allocated on StanCERA's average daily balance in relation to total pooled assets.

Administrative Expenses

The Association's general administrative expense is funded by the investment income and it is limited to eighteen-hundredths of one percent (.18%) of the Association's total assets pursuant to Government Code Section 31580.2. The actual administration expense for the year was $1,301,337 of which $106,562 was not subject to the .18% limitation. Administrative expenses subject to the limitation amounted to .1083%.

Investments

The Board of Retirement has exclusive control of the investments of the Association. Statutes authorize the Board to invest, or to delegate the authority to invest, in any investment allowed by statue and considered prudent in the informed opinion of the Board.

Investments are stated at fair value in accordance with GASB Statement No. 25. Values for stocks, publicly traded bonds, issues of the U.S. Government and its agencies are valued according to sale prices of recognized exchanges as of the fiscal year end, with international securities reflecting currency exchange rates in effect at June 30, 2004 and 2003. Both domestic and international investments are denominated in U.S. currency.

Income Taxes

StanCERA qualifies under Section 401(a) of the Internal Revenue Code and is therefore not subject to tax under present income tax laws. No provision for income taxes has been made in the accompanying financial statements, as the plan is exempt from Federal and State income taxes under the provisions of the Internal Revenue Code. Section 501 and the California Revenue and Taxation Code Section 23701, respectively.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

GASB 34

StanCERA adopted Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", which requires accrual accounting and extended analysis of the activities of the Plan for the fiscal year ending June 30, 2002.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statements of Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in the prior year's data have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents money withheld from employee salaries and employers' shares of retirement contributions for the month of June and received in July. Contributions Receivable as of June 30, 2004 and 2003 were $1,827,688 and $1,596,493, respectively.

NOTE 4 – CASH AND INVESTMENTS

The California State Constitution and the County Employees Retirement Law of 1937 give the Board of Retirement the exclusive authority to invest the assets of the Plan and the Board may, at its discretion, invest, or delegate the authority to invest, the assets of the Plan through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when deemed prudent in the informed decision of the Board. StanCERA invests the assets of the Plan according to a written Investment Policy established by the Board of Retirement and currently employs external investment managers to manage the assets subject to the guidelines in the investment policy.

<u>Categories of Investment Risk</u>

GASB Statement No. 3 defines three categories of credit risk, which give an indication of the level of risk assumed by StanCERA for deposits and investments. Except for amounts on deposit with the Stanislaus County Treasurer, StanCERA maintains all deposits and investments with its custodian, The Bank of New York.

Deposits are categorized as follows, to give an indication of the level of risk assumed by the Association at year-end:

Category 1 – Includes deposits insured or collateralized with securities held by the Association or by its agent in the Association's name.

Category 2 – Includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Association's name.

Category 3 - Includes deposits uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Association's name.

Investments are categorized as follows, to give an indication of the level of risk assumed by the Association at year-end:

Category 1 – Includes investments insured or registered, or securities held by the Association or its agent in the Association's name.

Category 2 – Includes investments uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Association's name.

Category 3 - Includes investments uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Association's name.

Summary of Investments

The following is a schedule of deposits and investments, at fair value, by category:

	June 30, 2004	June 30, 2003
Investments – Category 1		
U.S. Government Obligations	$252,945,362	$157,817,662
Corporate Bonds	128,826,229	101,329,730
Domestic Stocks	480,149,650	294,549,699
Subtotal	861,921,241	553,697,091
Investments – Uncategorized		
Investments held by broker-dealers under securities loans with cash collateral:		
U.S. Government Obligations	70,605,803	32,021,423
Corporate Bonds	11,497,239	26,491,416
Domestic Stocks	61,635,417	121,736,163
Domestic Equity Index Fund	56,783,592	47,668,206
International Equity Commingled Fund	163,111,177	146,115,740
Stanislaus County Treasury Investment Pool	564,077	5,004,019
Subtotal	364,197,305	379,036,967
Deposits and Short-Term Investments – Category 3		
Securities Lending Cash Collateral	146,657,871	185,576,210
Bank of New York: Cash in Custodial Account	32,399,337	28,045,566
Subtotal	179,057,208	213,621,776
Total Deposits and Investments	$1,405,175,754	$1,146,355,834

StanCERA held no Category 2 investments at June 30, 2004 or 2003.

Deposits in County Treasury

Cash needed for StanCERA's daily operational purposes is pooled with other County funds by the County Treasurer for short-term investment purposes. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds. Investments in the County Investment Pool are managed according to the Investment Policy established by the County. Participation in the County Investment Pool is not mandatory.

Portfolio Concentrations

There were no individual securities that exceeded five percent (5%) of the assets of the association at June 30, 2004.

NOTE 5 – SECURITIES LENDING

State statutes and Board of Retirement Investment Policy permit StanCERA to participate in a securities lending program. Securities lending transactions, which are short-term collateralized loans of StanCERA securities to broker-dealers and other entities that allow StanCERA to invest and receive collateral for a loan rebate fee. Either StanCERA or the borrower can terminate all securities loans on demand, although the average term of the loans is one week. There are no restrictions on the amount of securities that may be lent.

StanCERA's custodial bank administers its securities lending program. The custodian is responsible for maintaining an adequate level of collateral in an amount equal to 102% of the market value of loaned securities. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, StanCERA cannot pledge or sell securities collateral unless the borrower defaults.

At year-end, StanCERA had no credit risk exposure to borrowers because the amounts StanCERA owed to borrowers exceeded the amounts the borrowers owed to StanCERA. StanCERA's contract with the custodian requires it to indemnify StanCERA if the borrower fails to return the securities and the collateral is inadequate to replace the securities lent or fail to pay StanCERA for income distributions by securities issuers while securities are on loan.

As of June 30, 2004, StanCERA had securities on loan with a carrying value of $143,738,459 and cash collateral of $146,657,871. The accrued market value of loaned securities was $148,854,057. The difference between the carrying value and the cash collateral is referred to as the securities lending collateral margin. As the securities on loan at year-end were collateralized by cash, investments are presented as unclassified in the preceding schedule of custodial credit risk. Investments made with cash collateral are classified by risk category.

	June 30, 2004	June 30, 2003
Gross Income	2,428,825	3,922,504
Expenses		
Borrower Rebates	1,805,996	2,927,676
Bank Fees	207,170	397,512
Total Expenses	2,013,166	3,325,188
Net Securities Lending Income	415,659	597,316

Securities Transactions and Related Investment Income

Security Transactions are accounted for on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities.

NOTE 6 - CONTRIBUTIONS

Contribution Rates

Member basic rates are based on a formula reflecting the age at entry into the system. The rates are such as to provide an average annuity at age 55 for Plan 1 of 1/200th of the final average salary for General and Safety members; Plans 2, 4 and 5 of 1/120 of the final average salary for General members, and 1/200th of the final average salary for safety members. County (and former County agency) members in Plans 1 and 4 pay "half-rates".

Member cost of living contributions, expressed as a percentage of their basic rates, are designed to pay for one-half of the cost of living liabilities for future service. For members integrated with Social Security, the above contributions are reduced by 1/3 of that portion of such contribution payable with respect to the first $350 of monthly salary. Member contributions are refundable upon termination from the system (except Plan 3).

The County rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Retirement System (both basic and cost of living).

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his contributions plus interest will be refunded.

Contributions Required and Contributions Made

Stanislaus County Employees' Retirement Association's policies for employer contributions are actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Stanislaus County Employees' Retirement Association also uses the level entry age normal cost method with an Unfunded Actuarial Accrued Liability (UAAL) to amortize the unfunded liability.

During September 1995, Stanislaus County issued "Pension Obligation Bonds" and contributed $107,500,000 to the retirement association to help fund any unfunded pension liabilities. During the fiscal year 1995-1996, the retirement board adopted the following schedule to fund any future unfunded liability for Stanislaus County (other employers amortization period remains unchanged):

Amount of Unfunded Actuarial Accrued Liability (UAAL)	Amortization Period
Less than $2,000,000	3 years
$2,000,000 to $5,000,000	5 years
$5,000,001 and over	10 years

In February 2003, the retirement board adopted a new amortization policy, where unfunded liabilities are amortized over a rolling 20-year period. This new policy applies to existing and future unfunded liabilities.

2004 contributions totaling $36,055,481 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed at June 30, 2003. Employer contributions were 8.25% of covered payroll for Stanislaus County and 11.44% of covered payroll for other employers. Employee contributions, on an average, were 9.44% of covered payroll. Stanislaus County represented 91.06% of covered payroll and 90.19% of total contributions.

Significant actuarial assumptions used to compute contribution requirements differ from those used to compute the standardized measure of the pension obligation discussed below.

The valuation interest rate is 8.00% and the total salary scale increases of 5.5% (4.5%

for inflation) per year were based on a study as of June 30, 2003 and dated June 7, 2004 and adopted by the Board of Retirement as of July 22, 2004.

Covered Payroll	182,608,813	91.06%	17,934,622	8.94%	200,543,435	100.00%
Employer Contributions	15,063,284	8.25%	2,051,314	11.44%	17,114,598	8.53%
Member Contributions	17,456,907	9.56%	1,483,976	8.27%	18,940,884	9.44%
Total Contributions	32,520,191	90.19%	3,535,290	9.81%	36,055,481	100%

Funding Method

The liability is being funded on the Entry Age Normal Cost method with an Unfunded Actuarial Accrued Liability (UAAL). The unfunded actuarial liability (UAAL) is being amortized as a level dollar amount. The amortization period is based on a rolling 20-year amortization with an accrual reset.

NOTE 7 – RESERVES

As required by the County Employee's Retirement Law of 1937 or the Board of Retirement's policies, the following reserves from Net Assets in Trust for Pension Benefits and Post Employment Healthcare Benefits must be established and used to account for the members, employees, and retirees' contributions.

Active Members' Reserve

This reserve represents the cumulative contributions made by active employees, after deducting refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary. For 2004, overall assumption rates were 8.0%. The Board of Retirement approved a change to a market rate driven interest policy for crediting member accounts. Based on prior the year's returns interest of .125% semi annually was credited to member's accounts. The balance, 3.875%, was posted to reserve for unvested interest. The earnings are credited to all appropriate active and deferred member accounts. In addition, upon retirement, the active employee's contributions, portion of the unvested interest, plus interest credited to his/her account, are transferred from this reserve to Retired Members' Annuity Reserves.

Employer Advance Reserves

This reserve represents the cumulative contributions made by the County and certain special districts. Interest earnings are credited, semi-annually, to the reserves at assumption rates determined by the actuary.

Upon the retirement of an active member, an actuarially determined amount of his/her vested interests is transferred from the County Advance Reserves to the Retired Members' Pension Reserve.

As part of this advance funding of the County's pension obligation the County and the Retirement Board entered into an agreement whereby "Excess Earnings" as defined in the agreement will be allocated to the County's (Employer Advance Reserve) at a rate of 25% for each full year. As of June 30, 2004 this money has been set-aside in the following reserve account "County Advance Reserve - P.O.B. Distribution" and amounted to $29,840,290.

Retired Members' Reserves

These reserves are established to account for the unpaid retiree's pension benefits. Upon the retirement of an employee, his/her contributions plus the interest earnings credited to his/her account are transferred from the Active Members' Reserve account to the Retired Members' Annuity Reserve account. In addition, the present value of the actuarially determined pension benefits are also transferred from the County Advance Reserves to the Retired Members' Pension Reserve account.

From these reserves, the Association pays the retiree his/her pension benefits in an amount computed in accordance with the County Employee's Retirement Law of 1937.

The Reserves are also credited with interest earnings semi-annually at assumption rates determined by the actuary.

Post Retirement Health Benefits

This reserve was established in 1981 to pay a portion of the retiree's health insurance premiums for those retirees with at least 5 years of StanCERA service. This reserve is not subject to market fluctuations and can only be decreased or increased by permission of the Retirement Association.

Undistributed Earnings/(Losses)

This "designation" account was established on June 30, 2003. It is used to minimize the impact of actuarial smoothing of assets and contains an accumulation of earnings or losses which have not been distributed to any other reserve.

Other Reserves

These reserves are for Contingencies, Retiree's Burial Allowance, Retiree's Special Cost of Living, Tier 3 Disability and Legal Contingencies. Reserve Account Balances are as follows:

	June 30, 2004	June 30, 2003
Active Members' Reserves	$166,805,532	$176,621,754
Employer Advance Reserves	244,079,048	321,745,149
Retired Members' Reserves	563,038,994	402,325,725
Other Reserves		
3% Contingency Reserve	33,108,227	29,031,935
Retiree Burial Allowance Reserve	3,265,633	3,265,633
Retiree Special Cost Of Living Reserve	3,068,899	3,068,899
Legal Contingency Reserve	2,599,174	2,599,174
Tier 3 Disability Reserve	6,686	6,429
Undistributed Earnings/(Losses)	-10,288,589	-80,678,125
Post Retirement Health Benefits	97,923,958	104,850,359
Total Reserves	$1,103,607,562	$962,836,932

NOTE 8 - INVESTMENT EXPENSES

Investment expenses include fees paid for investment consulting services, fund evaluation services, securities custodian services. Fees paid are charged against the Association's investment earnings pursuant to Government Code, Sections 31596.1 and 31592.5.

Investment Expenses

	June 30, 2004	June 30, 2003
Investment Managers	2,452,395	2,233,316
Investment Consultants	157,982	141,738
Custodial Fees	148,889	189,475
Actuarial Fees	58,927	52,012
Audit Fees	29,512	7,050
Total Investment Expenses	$2,847,705	$2,623,591

NOTE 9 - SIX - YEAR AND TEN - YEAR HISTORICAL TREND INFORMATION

The six and ten year historical trend information designed to provide information about the Association's progress made in accumulating sufficient assets to pay pension benefits when due is presented as required in the Required Supplemental Schedules Section.

NOTE 10 – VENTURA LITIGATION

StanCERA and the County of Stanislaus have been named as parties in litigation over the inclusion of certain items of pay and the calculation of final average salary in the case of *Randall Francis v Stanislaus County and the Stanislaus County Employees Retirement Association*. The case has been finalized. The state Supreme Court has declined to rule on the final appeal and has let the Appellate Court ruling stand.

StanCERA has estimated the cost of implementing this ruling, as it currently stands, in excess of $1.5 million. The cost of implementing the ruling will not have an adverse impact on StanCERA or the funding of the Plan.

REQUIRED SUPPLEMENTAL SCHEDULES

REQUIRED SUPPLEMENTAL SCHEDULES

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) as a Percentage Of Covered Payroll ((b-a)/c)
7/1/1997	667,248 *	512,349	-154,899	130.20%	121,275	-127.70%
7/1/1998	590,598	558,462	-32,136	105.80%	120,172	-26.70%
7/1/1999	638,180	610,280	-27,900	104.60%	141,799	-19.70%
7/1/2000	679,421	666,114	-13,307	102.00%	157,010	-8.50%
7/1/2001	784,114	781,495	-2,619	100.30%	174,595	-1.50%
7/1/2002	878,821	870,768	-8,053	100.90%	196,471	-4.10%
7/1/2003	937,797	958,095	20,298	96.90%	197,664	15.20%

* Includes “Other Designated Reserves” and the liabilities associated with these reserves

SCHEDULE OF CONTRIBUTIONS FROM PLAN EMPLOYERS PENSION BENEFIT PLAN FOR THE TEN YEARS ENDING JUNE 30, 2003 GASB 25

(Dollar amounts in thousands)

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/1993	$11,991	100%
6/30/1994	$12,775	100%
6/30/1995	$8,505	100%
6/30/1996	$8,809	100%
6/30/1997	$6,864	100%
6/30/1998	$7,438	100%
6/30/1999	$5,338	100%
6/30/2000	$5,899	100%
6/30/2001	$7,509	100%
6/30/2002	$11,341	100%
6/30/2003	$16,208	100%

The Association applied the parameters established by GASB Statements #25 and #26 in calculating and presenting the required actuarially determined information contained in both the Schedule of Funding Progress and Schedule of Employer Contributions.

Schedule of Funding Progress

Analysis of the dollar amounts of the pension benefit plan (Plan) net assets, actuarial accrued liability, and unfunded actuarial accrued liability, as presented on the Schedule of Funding Progress, in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability, however, provides one indication of the Association funding status on a going-concern basis. Analysis of this percentage over time will indicate whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusted for the effects of inflation will also aid analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

SUPPORTING SCHEDULES

SUPPORTING SCHEDULES
JUNE 30, 2004

SCHEDULE OF REVENUES BY SOURCE
(Dollars)

Fiscal Year Ending	Employee Contributions	Employer Contributions	% of Covered Payroll	Investment Income	Other Income	Total
6/30/1995	6,729,536	12,456,178	11.83%	39,048,987	1,401	58,236,102
6/30/1996	7,353,666	** 8,808,912	7.70%	57,685,085	172	73,847,835
6/30/1997	7,752,872	6,863,689	5.93%	91,629,759	118,199	106,364,519
6/30/1998	7,937,422	7,438,176	12.46%	99,455,177	248,795	115,079,570
6/30/1999	9,348,912	5,320,323	10.48%	87,721,314	419,890	102,810,439
6/30/2000	10,139,886	5,899,393	11.14%	58,374,163	156,778	74,570,220
6/30/2001	11,227,370	7,509,294	11.99%	68,306,772	116,452	87,159,888
6/30/2002	13,939,517	11,340,678	13.72%	-40,758,016	97,700	-15,380,121
6/30/2003	18,520,605	16,207,877	17.93%	50,459,774	723,478	85,911,734
6/30/2004	17,113,973	18,941,508	17.97%	154,739,718	529,717	191,324,916

** Does not consider County Bond Proceeds of $107,500,000.

SCHEDULE OF EXPENSES BY TYPE
(Dollars)

Fiscal Year Ending	Benefits	Administrative & Investment Expenses	Refunds	Total
6/30/1995	18,196,442	1,142,050	1,334,354	20,672,846
6/30/1996	19,486,620	1,263,440	1,219,811	21,969,871
6/30/1997	21,070,309	1,481,672	1,533,530	24,085,511
6/30/1998	23,262,399	2,064,303	1,681,310	27,008,012
6/30/1999	28,231,589	1,998,312	1,279,841	31,509,742
6/30/2000	32,129,054	3,380,142	1,728,978	37,238,174
6/30/2001	34,965,706	3,777,637	1,163,380	39,906,723
6/30/2002	38,118,054	3,808,011	1,547,588	43,473,653
6/30/2003	43,435,482	3,770,708	1,561,286	48,767,476
6/30/2004	47,926,179	4,149,043	1,326,769	53,401,991

SUPPORTING SCHEDULES
JUNE 30, 2004

SUPPORTING SCHEDULES
JUNE 30, 2004

SCHEDULE OF RATE OF RETURN ON INVESTMENT
(Dollars)

Total Assets At Book Cost (6-30-94 through 6-30-96) and at Market (6-30-97 through 6-30-04)

Fiscal Year Ending		Investment Income	Beginning of Fiscal Year	Ending of Fiscal Year	Average of Fiscal Year	Annualized Rate of Return on Investment
6/30/1995		39,048,993	310,848,864	350,609,494	330,729,179	11.81%
6/30/1996		57,685,085	350,609,494	508,173,201	429,391,348	13.43%
6/30/1997	MV	152,293,514	508,173,201	741,566,635	624,869,918	24.37%
6/30/1998		99,456,261	741,566,635	829,075,862	785,321,248	12.66%
6/30/1999		72,197,586	829,075,862	901,273,448	865,174,655	8.34%
6/30/2000		58,374,163	901,273,448	939,335,834	920,304,641	6.34%
6/30/2001		68,306,772	939,335,834	988,786,681	964,061,258	7.09%
6/30/2002		-40,758,016	988,786,681	940,260,995	964,523,838	-4.23%
6/30/2003		50,459,774	940,260,995	1,157,151,826	1,048,706,410	4.80%
6/30/2004		157,587,424	1,157,151,826	1,273,381,804	1,215,266,815	12.97%

(1) The figures presented are from the Annual Report of Financial Transactions of Public Retirement Systems to the State Controller, which is audited annually. The book values of assets have been rounded to thousands.

[1] No longer provided to the State.

[2] Beginning Market Value = $614,284,199. Market to market Annualized Rate of Return = 20.4%.

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INVESTMENT SECTION

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

STANISLAUS COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Summary

Fiscal year 2004 saw a reversal of the downward trends of the previous three years within the equity markets resulting in healthy gains in US and foreign stock markets and a relatively flat performance for the US Fixed Income markets. As a diversified investor, StanCERA participated in each of these markets while experiencing a +16.4% return for the year. The +16.4% result exceeded StanCERA's policy benchmark of +15.6% by +80 basis points for the year.

Fiscal year 2004 was positive for both the U.S. equity markets and foreign equity markets. For the fiscal year, the Russell 3000 US Stock Index gained +20.5% and the MSCI EAFE Index of foreign stocks gained +32.9%. Attempts by the Federal Reserve Bank to stimulate the economy by keeping short-term interest rates at historically low levels (1.0%) were offset by a stronger economy and resulted in the US fixed income markets to return +0.3% for the fiscal year, as measured by the Lehman Aggregate Bond Index.

Investment Policy, Asset Deployment Policy and Performance Measurement Standards

StanCERA periodically reviews and updates its policy statement. The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The system's actuary estimates this return requirement to be 8.00%.

Secondary goals are to outperform the asset allocation-weighted benchmark (48.6% US Equities, 15.0% Non-US Equities and 36.4% Fixed Income) and to rank in the top forty percent of a universe of public pension funds.

At quarterly intervals, the System reviews performance at the total fund, asset class and individual manager levels. At each level, returns are evaluated versus appropriate indexes and peers. Comparisons with peers seek top forty percentile results.

Investment Objectives

Investment returns achieved through June 30, 2004 have been calculated using the return methodology endorsed by the Association for Investment Management and Research (AIMR). In fiscal year 2004, StanCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards, and adding marginal value.

Investment Results

PERIODS ENDED 6/30/04	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+25.3%	+2.8%	+3.7%
Russell 3000	+20.5%	+0.2%	-1.1%
Rank	42*	42	44
Non-US Equity	+23.9%	+1.9%	+4.0%
MSCI EAFE	+32.9%	+4.3%	+0.4%
Rank	92	80	50
Fixed Income	+1.8%	+7.6%	+7.9%
Lehman Aggregate	+0.2%	+6.4%	+7.0%
Rank	26	29	21
Total Fund	+16.4%	+5.4%	+6.0%
*Policy Benchmark****	+15.6%	+3.6%	+2.1%
Public Fund Median	+14.7%	+4.4%	+4.1%
Rank**	25	26	10

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

***Policy Benchmark is 39% Russell 1000/ 10% Russell 2000/ 36% Lehman Agg/ 15% MSCI EAFE

Returns for periods greater than one year are annualized. Results of all publicly traded investments are presented in conformance with AIMR performance presentation standards.

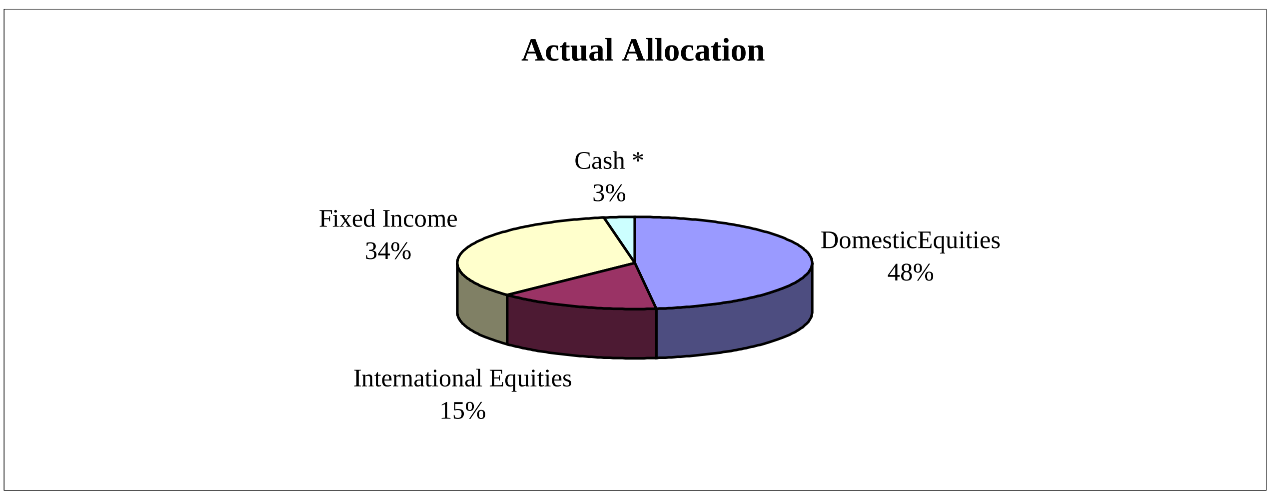
Paul S. Harte

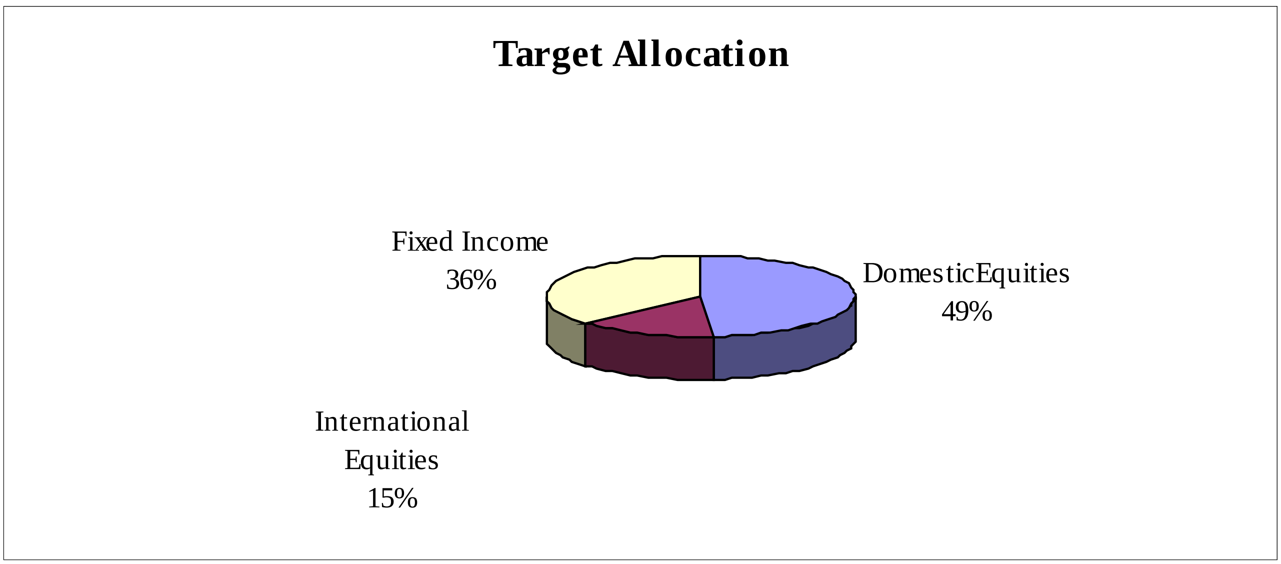
Paul S. Harte
Vice President
Strategic Investment Solutions, Inc.
August 3, 2004

ALLOCATION
), 2004

ass	Market Value	Actual Allocation	Target Allocation
cEquities	536,933,242	48.19%	48.60%
onal Equities	163,111,177	14.64%	15.00%
come	381,771,591	34.26%	36.40%
	32,399,337	2.91%	0.00%
PORTFOLIO	1,114,215,347	100.00%	100.00%

; Pooled Cash in County Treasury of $564,000




Target Allocation
Fixed Income
36%
DomesticEquities
49%
International
Equities
15%

LARGEST HOLDINGS (BY MARKET VALUE)
JUNE 30, 2004

Bonds

Par	Bond	Market Value
38,046,993	U S TREAS NTS 1.5% due 2/28/2005	37,928,750
22,646,876	COLLECTIVE SHORT TERM INVEST FDNON-DISCRETIONARY	22,646,876
23,041,250	U S TREAS NTS 6.75% due 5/15/2005	21,853,125
17,741,250	U S TREAS NTS 2.0% due 5/15/2006	17,786,250
17,353,182	FNMA 6.5% due 9/1/2017	17,241,351
11,476,640	FNMA 6.0% due 8/01/2017	11,439,610
9,255,913	FHLMC 6.5% due 1/1/2017	9,195,464
7,618,985	GMAC NT 8.875% due 6/1/2010	8,002,680
7,884,980	FNMA 6.5% due 5/1/2017	7,916,716
7,777,818	FHLMC 5.5% due 3/1/2014	7,648,230
7,535,742	U S TREAS NTS 3.0% due 11/15/2002	7,429,688

Stocks

Shares	Stock	Market Value
264,160	MICROSOFT CORP COM	7,544,410
445,000	AT&T WIRELESS SERVICES	6,372,400
109,150	JOHNSON & JOHNSON COM	6,079,655
244,250	CISCO SYS INC	5,788,725
175,170	GENERAL ELECTRIC CO	5,675,508
127,000	HCA INC	5,281,930
244,205	HEWLETT PACKARD CO	5,152,726
145,600	NEWS CORP LTD SPONS ADR PRF	4,787,328
114,019	DOW CHEMICAL CO	4,640,573
172,500	MC DONALDS CORP	4,485,000

INVESTMENT SECTION

SCHEDULE OF INVESTMENT FEES

		2004	2003
Domestic Equities			
Dodge & Cox		$362,120	$474,055
TCW Asset Management		204,864	141,432
MFS Institutional Advisors		442,496	479,559
Charlotte Capital		678,991	145,693
Bank of New York		15,835	3,551
	Total Domestic Equity	1,704,306	1,244,290
International Equities			
Putnam Investments		460,326	564,772
	Total International Equities	460,326	564,772
Fixed Income			
Dodge & Cox		303,598	424,254
	Total Fixed Income	303,598	424,254
	Total Investment Management Fees	$2,468,230	$2,233,316
Other Investment Fees and Expenses			
Custodial Fees		$133,054	$189,475
Consultant Fees		157,982	141,738
Miscellaneous Fees		88,439	59,062
	Total Other Investment Expenses	$379,475	$390,275
Total Investment Fees and Expenses		$2,847,705	$2,623,591

INVESTMENT SUMMARY

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
DOMESTIC EQUITIES					
DODGE & COX - LARGE CAP VALUE	197,342,071	17.71%	30.93%	9.37%	10.34%
RUSSELL 1000 VALUE			21.13%	2.96%	1.87%
MFS - LARGE CAP GROWTH	157,940,100	14.18%	13.65%	-5.49%	N/A
RUSSELL 1000 GROWTH			17.89%	-3.74%	-6.48%
CC - SMALL CAP VALUE	74,798,067	6.71%	35.78%	N/A	N/A
RUSSELL 2000 VALUE			35.18%	12.16%	12.82%
TCW - SMALL CAP GROWTH	50,069,412	4.49%	28.67%	-12.22%	-8.55%
RUSSELL 2000 GROWTH			31.56%	-0.23%	-0.45%
BNY - S&P 500 INDEX	56,783,592	5.10%	19.09%	N/A	N/A
S&P 500			19.11%	-0.70%	-2.20%
TOTAL DOMESTIC EQUITIES	536,933,242	48.19%	25.27%	2.81%	3.74%
RUSSELL 3000			20.45%	0.14%	-1.08%
FIXED INCOME					
DODGE & COX	381,771,591	34.26%	1.79%	7.56%	7.93%
LEHMAN AGGREGATE BOND			0.33%	6.36%	6.95%
INTERNATIONAL INVESTMENTS					
PUTNAM INVESTMENTS	163,111,177	14.64%	23.91%	1.86%	3.97%
MSCI EAFE			32.35%	3.87%	0.08%
CASH & SHORT-TERM INVESTMENTS *					
CASH	32,399,337	2.91%	1.22%	2.00%	3.63%
30 DAY TREASURY BILL			0.91%	1.52%	2.93%
TOTAL FUND					
TOTAL FUND	1,114,215,347	100.00%	16.39%	5.35%	6.02%
STANCERA POLICY COMPOSITE			15.59%	3.63%	2.07%

* Excludes Pooled Cash in County Treasury of $564,077

FOR THE YEAR ENDED JUNE 30, 2004

INVESTMENT SECTION

ACTUARIAL SECTION

Mellon

Human Resources & Investor Solutions

ACTUARY'S CERTIFICATION LETTER

Mellon Consultants, Inc.
525 Market Street 34th Floor
San Francisco, California 94105

December 23, 2003

Board of Retirement
Stanislaus County
Employees' Retirement Association
1010 10th Street, Suite 5800
Modesto, California 95353

Members of the Board:

Re: *Actuarial Certification of the Stanislaus County Employees' Retirement Association*

Mellon Consultants, Inc. is the Consulting Actuary for the Stanislaus County Employees' Retirement Association.

The date of the most recent actuarial valuation was June 30, 2002. In each actuarial study, we conduct an examination of all participant data for reasonableness.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level dollar to amortize the unfunded actuarial accrued liability (UAAL). As of June 30, 2002, the amortization period for the UAAL was 20 years. The funding objective of the Plan is to establish contribution rates which, over time, will remain as a level percentage of payroll unless Plan benefit provisions are changed.

For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all gains and losses (returns above or below expected returns) over five years and is being phased in over a 5-year period beginning June 30, 2001. The System's financial statements are audited by an outside auditor.

Our firm has prepared all of the schedules presented in the actuarial report. The actuarial assumptions shown in the schedules were selected by us as being appropriate for use under the Plan. An analysis of the Plan's noneconomic experience was performed as of June 30, 2000 to establish the validity of these assumptions. The assumptions used in the most recent valuation produce results which, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is due to be performed as of June 30, 2003.

We certify that the Retirement Association is in sound financial condition and that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

Respectfully submitted,

Mike Moehle

Michael Moehle, F.S.A., E.A., M.A.A.A.
Principal and Consulting Actuary

Eva Yum

Eva Yum, F.S.A., E.A.
Associate Principal and Consulting Actuary
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525 Market Street • 34th Floor • San Francisco, CA 94105-2742
www.mellon.com
A Mellon Financial Company℠

Actuarial Assumptions

Post-Retirement Mortality

(1) Service

General	
Males	1983 Group Annuity Mortality Table with 1 -year setback (Male)
Females	1983 Group Annuity Mortality Table with l -year set forward (Female)
Safety	1983 Group Annuity Mortality Table with no set back (Male)

(2) Disability

General	1981 Disability Mortality Table with no set back for General Members
Safety	1981 Disability Mortality Table for Safety Members with no set back

(3) For Employee Contribution Rate Purposes

General	1994 Group Annuity Table for Males, set back three years
Safety	1994 Group Annuity Table for Males, with no set backs

Pre-Retirement Mortality	Rates vary by age, gender and classification
Withdrawal Rates	Rates vary by age, gender and classification
Disability Rates	Rates vary by age, gender and classification
Service Retirement Rates	Rates vary by age, gender and classification
Asset Valuation	Actuarial Values

Actuarial Assumptions (continued)

Valuation date	June 30, 2002
Actuarial cost method	Entry age normal actuarial cost method
Amortization method	The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount. The amortization period is based on a rolling 20 year amortization, with an annual reset.
Amortization method (continued)	The (UAAL) attributed to Other Employers is amortized as a level percentage of pay over the period ending June 30, 2023.
Asset valuation method	90 % of market value.
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.5%
* includes inflation at:	4.5%
Retirees' cost-of-living adjustments	3.0% (Max)

ACTUARIAL SECTION

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

General Members Male

Age	Duty Death	Ordinary Death	Death While Eligible	Duty Disability	Ordinary Disability	Service	Terminated Vested	Withdraw
20	0.000000	0.000300	0.000000	0.000130	0.000260	0.000000	0.000000	0.143016
25	0.000000	0.000300	0.000100	0.000307	0.000614	0.000000	0.017380	0.119520
30	0.000000	0.000400	0.000100	0.000632	0.000632	0.000000	0.028930	0.104100
35	0.000000	0.000500	0.000200	0.000852	0.000852	0.000000	0.032450	0.083808
40	0.000000	0.000600	0.000300	0.001204	0.001203	0.000000	0.030800	0.064680
45	0.000000	0.000900	0.000500	0.001840	0.001841	0.000000	0.024200	0.042240
50	0.000000	0.001000	0.001100	0.002690	0.002690	0.040000	0.016170	0.023520
55	0.000000	0.001200	0.002000	0.003680	0.003680	0.075000	0.010890	0.013560
60	0.000000	0.001700	0.003100	0.004912	0.004913	0.120000	0.006600	0.007200
65	0.000000	0.002200	0.004500	0.000000	0.000000	0.500000	0.000000	0.000000
70	0.000000	0.000000	0.000000	0.000000	0.000000	0.999999	0.000000	0.000000

General Members – Females

Age	Duty Death	Ordinary Death	Death While Eligible	Duty Disability	Ordinary Disability	Service	Terminated Vested	Withdraw
20	.000000	.000200	.000000	.000025	.000050	.000000	.000000	.142344
25	.000000	.000300	.000075	.000050	.000100	.000000	.012989	.101016
30	.000000	.000300	.000075	.000100	.000200	.000000	.019751	.086022
35	.000000	.000500	.000075	.000282	.000562	.000000	.022938	.066825
40	.000000	.000600	.000150	.000669	.000892	.000000	.020520	.050616
45	.000000	.000700	.000225	.001211	.001616	.000000	.019170	.038907
50	.000000	.000800	.000600	.001942	.002590	.047500	.023490	.031320
55	.000000	.000900	.001275	.002984	.003980	.047500	.020520	.023490
60	.000000	.001100	.002100	.004192	.005588	.095000	.017190	.017190
65	.000000	.001700	.003225	.000000	.000000	.380000	.000000	.000000
70	.000000	.000000	.000000	.000000	.000000	1.000000	.000000	.000000

Safety Members

Age	Duty Death	Ordinary Death	Death While Eligible	Duty Disability	Ordinary Disability	Service	Terminated Vested	Withdraw
20	0.000150	0.000151	0.000000	0.001012	0.000173	0.000000	0.000000	0.094900
25	0.000189	0.000190	0.000130	0.002576	0.000409	0.000000	0.012276	0.074700
30	0.000254	0.000254	0.000130	0.004609	0.000421	0.000000	0.018612	0.056300
35	0.000357	0.000357	0.000130	0.007079	0.000568	0.000000	0.014784	0.029800
40	0.000564	0.000564	0.000260	0.009283	0.000802	0.000000	0.010956	0.016600
45	0.000885	0.001178	0.000520	0.011297	0.001227	0.005000	0.005148	0.006200

50	0.000703	0.000937	0.001300	0.015092	0.001793	0.090000	0.001848	0.001900
55	0.001055	0.001406	0.002990	0.017230	0.002453	0.333300	0.001188	0.001000
60	0.000000	0.000000	0.000000	0.000000	0.000000	1.000000	0.000000	0.000000

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Effective as June 30, 2002, the Board has adopted an actuarial value of assets method that recognizes the difference between expected and actual market returns, net of expenses, over a 5-year period. The resulting actuarial value cannot exceed 120% of market value or be less than 80% of market value. The new method is being phased in over a five-year period starting June 30, 2001.

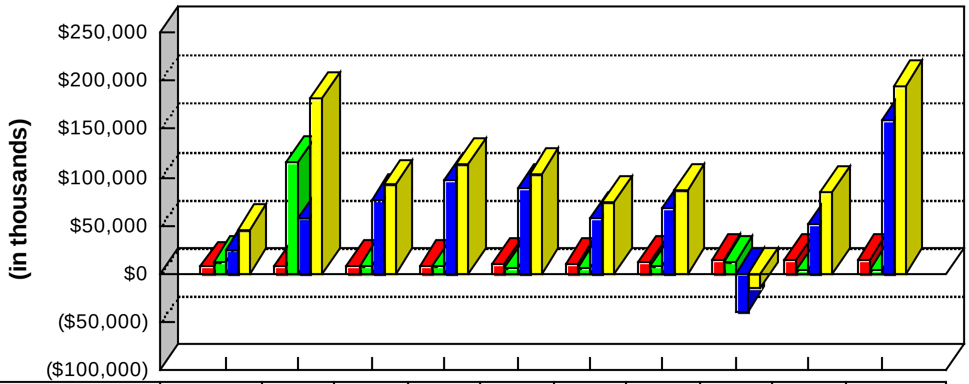
Under this method, the Actuarial Value of Assets as of June 30, 2003 was determined as follows:

1.		Contributions	Benefit Payments	Expected Investment Return	Actual Investment Return	Additional Earnings	Portion Deferred	Deferred Earnings
	2001	$18,736,664	$36,129,086	$69,234,589	$64,645,587	$(4,589,002)	40%	(1,835,601)
	2002	25,280,195	39,665,643	80,063,142	(44,468,326)	(124,531,468)	60%	(74,718,881)
	2003	34,728,482	44,996,768	83,479,883	47,412,544	(36,067,339)	80%	(28,853,871)
	Total							(105,408,353)
2.	Market Value of Assets as of June 30, 2003							962,836,932
3.	Actuarial Value of Assets as of June 30, 2003: (2)-(1)							1,068,245,285
4.	Corridor Limit							
	a.							770,269,546
								1,155,404,318
5.	Actuarial Value of Assets After corridor as of June 30, 2003							1,068,245,285
6.	Health Insurance Reserve							104,850,359
	Burial Allowance Reserve							3,265,633
	Special COLA Reserve							3,068,899
	2% Contingency Reserve							19,256,739
	Tier 3 Disability Reserve							6,429
	Total Special Reserves							130,448,059
7.	Valuation Assets as of June 30, 2003: (5)-(6)							937,797,226

ACTUARIAL SECTION

STATISTICAL INFORMATION

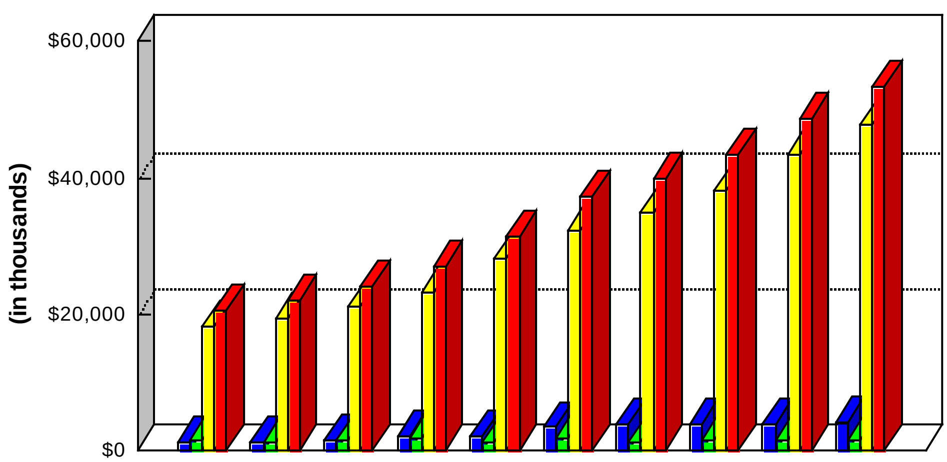
Revenue by Source



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Employee Contrib.	$6,730	$7,354	$7,753	$7,937	$9,349	$10,140	$11,227	$13,940	$13,501	$13,833
Employer Contrib.	$12,456	$116,309	$6,864	$7,438	$5,337	$5,899	$7,509	$11,341	$3,052	$3,187
Investments	$25,149	$57,685	$77,058	$97,256	$87,721	$58,374	$68,423	($40,377)	$50,460	$158,117
Total	$44,335	$181,348	$91,675	$112,631	$102,407	$74,413	$87,159	($15,096)	$85,188	$194,173

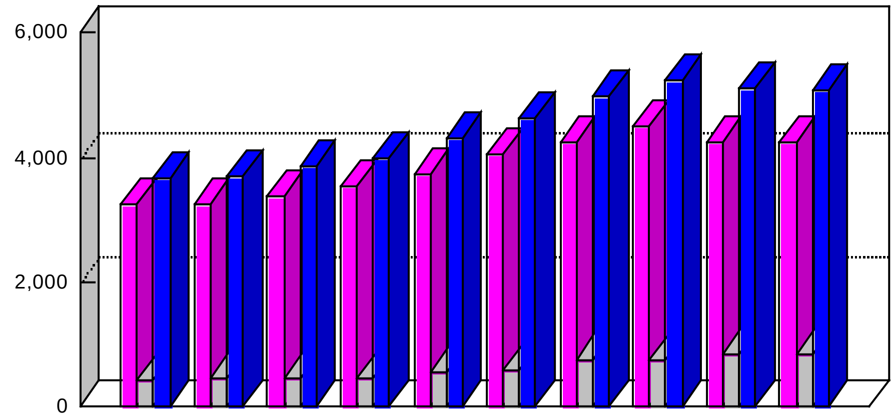
1996 includes $107.5M Pension Obligation Bonds
Investments excludes unrealized gains/losses

Expenses by Type



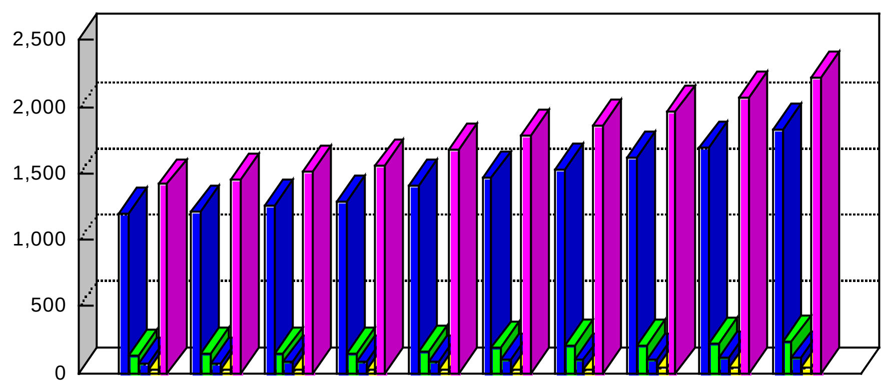
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Administrative	$1,082	$1,263	$1,482	$2,064	$1,998	$3,380	$3,778	$3,808	$3,771	$4,149
Withdrawals	$1,334	$1,220	$1,534	$1,681	$1,280	$1,729	$1,163	$1,548	$1,561	$1,327
Benefits	$18,196	$19,487	$21,070	$23,262	$28,232	$32,130	$34,966	$38,118	$43,435	$47,926
Total	$20,613	$21,970	$24,086	$27,008	$31,510	$37,239	$39,907	$43,474	$48,767	$53,402

Membership History
(Active and Deferred)



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Active	3,249	3,263	3,389	3,538	3,749	4,045	4,235	4,507	4,263	4,248
Deferred	425	453	460	458	550	602	767	745	841	832
Total	3,674	3,716	3,849	3,996	4,299	4,647	5,002	5,252	5,104	5,080

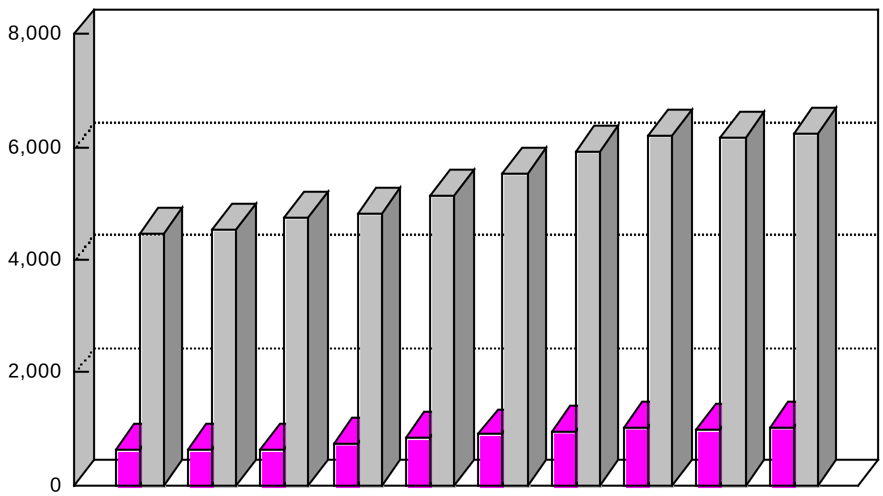
Membership History
(Retired)



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Service	1,193	1,209	1,262	1,293	1,404	1,465	1,524	1,615	1,701	1,831
Serv. Conn. Dis.	128	140	145	144	166	187	205	210	221	231
Non-Serv. Dis.	70	77	80	85	85	99	102	104	110	117
Surv. Death Ben.	25	26	23	30	28	29	30	34	35	38
Total	1,416	1,452	1,510	1,552	1,683	1,780	1,861	1,963	2,067	2,217

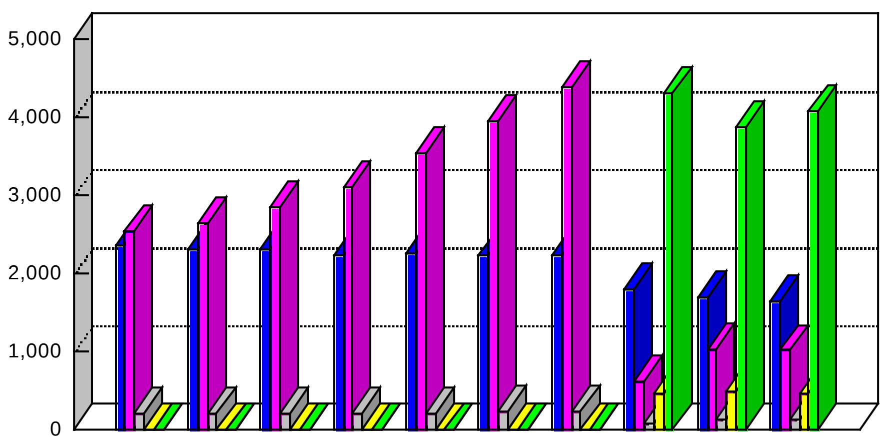
STATISTICAL INFORMATION
JUNE 30, 2004

Membership Classification



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Safety	627	632	621	730	844	900	944	1,017	1,004	1,040
General	4,463	4,536	4,738	4,818	5,138	5,527	5,919	6,198	6,167	6,257

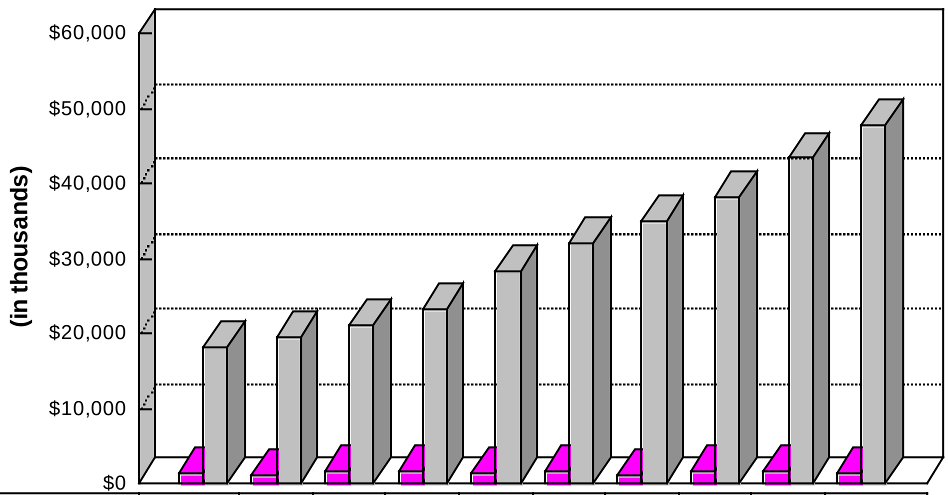
Membership by Tier



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Tier 1	2,362	2,315	2,301	2,235	2,246	2,238	2,236	1,783	1,685	1,639
Tier 2	2,534	2,647	2,856	3,111	3,539	3,967	4,399	609	1,023	1,006
Tier 3	194	206	202	202	197	222	228	67	120	116
Tier 4	0	0	0	0	0	0	0	443	471	463
Tier 5	0	0	0	0	0	0	0	4,313	3,872	4,073

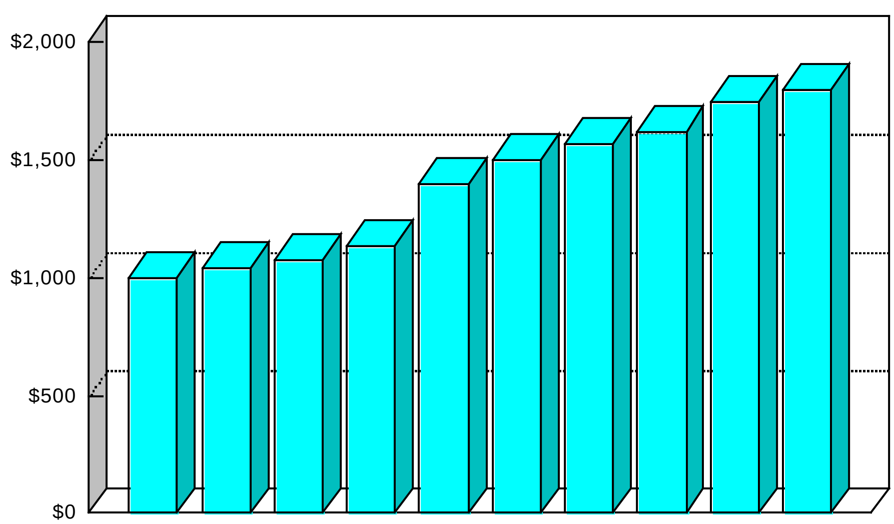
Note: 2003 was revised from last year to reflect more accurate data

Withdrawals and Benefits Paid



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Withdrawals	$1,334	$1,220	$1,534	$1,681	$1,280	$1,729	$1,163	$1,548	$1,561	$1,327
Benefits	$18,196	$19,487	$21,070	$23,262	$28,232	$32,130	$34,966	$38,118	$43,435	$47,926

Average Monthly Retirement Benefits



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2,004
Monthly Allowance	$999	$1,044	$1,075	$1,131	$1,398	$1,504	$1,566	$1,618	$1,751	$1,801