

Stanislaus County Employees'
Retirement Association
P O Box 3150
Modesto, CA 95353

BOARD OF RETIREMENT

June 30, 2012

Gordon B. Ford, Trustee
Ex-Officio, County Treasurer

Maria De Anda, Trustee
Elected by Active General Membership

Donna Riley, Trustee
Elected by Active General Membership

Ron Martin, Trustee
Appointed by the Board of Supervisors

Mike Lynch, Chair
Appointed by the Board of Supervisors

Jim DeMartini, Vice Chair
Appointed by the Board of Supervisors

Darin Gharat, Trustee
Elected by Active Safety Membership

Michael O'Neal, Trustee
Elected by Retiree Membership

Joan Clendenin, Alternate Trustee
Elected by Retired Membership

Jeff Grover, Trustee
Appointed by the Board of Supervisors

Ensuring tomorrow's benefits through prudent management.

Popular Annual Financial Report

For the Fiscal Years Ended
June 30, 2012 and 2011



Stanislaus County
Employees' Retirement Association
(Pension Trust Fund of the County of Stanislaus, California)

TO STANCERA MEMBERS

I am pleased to provide you with the Popular Annual Financial Report (PAFR) of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2012. The PAFR is intended to provide a snapshot and brief discussion of the financial activities of StanCERA for the year. The selected financial data in the PAFR is derived from generally accepted accounting principles data in StanCERA's Comprehensive Annual Financial Report (CAFR) for 2012 and 2011, which contains more detailed information regarding the financial position of StanCERA. A complete CAFR can be located on StanCERA's website: www.stancera.org.

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. The most recent actuarial valuation, conducted as of June 30, 2011, reported StanCERA's funded ratio as 78.1%. The actuarial valuation is performed annually taking into account the smoothed value of the assets used to determine employer contribution rates and spreading all asset gains and losses over five years. The next actuarial valuation is in process and determines the funded status as of June 30, 2012. Based upon the new study, the Board of Retirement sets contribution rates for fiscal year 2013 - 2014.

Although the recovery of the stock market and collapsed housing market has been slow, management believes the plan remains in a strong financial position to meet its obligations to the plan participants and beneficiaries. For the fiscal year ended June 30, 2012, StanCERA's total portfolio underperformed its policy benchmark of 1.7% with an overall return of 0.7%. The StanCERA Board continues to explore options to optimize returns with minimum risk for members and sponsors.

The Plan net assets decreased from \$1.419 billion to \$1.386 billion between 2011 and 2012. Normal contributions (member and employer) increased by \$2.4 million due to increases in employer rates and member purchases of lost service time. Benefit payments increased by \$3.3 million over the prior year as more employees moved from active to retired status. Administrative costs to operate the System increased by \$0.1 million for temporary staff expense, and training of new employees and trustees.

StanCERA's independent auditor, Macias Gini & O'Connell, LLP, 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, 2012 and 2011, and the results of its operations for the years then ended in accordance with generally accepted accounting principles.

Sincerely,

Rick Santos
Executive Director

Stanislaus County Employees' Retirement Association can be contacted at:
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Modesto, CA 95354
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

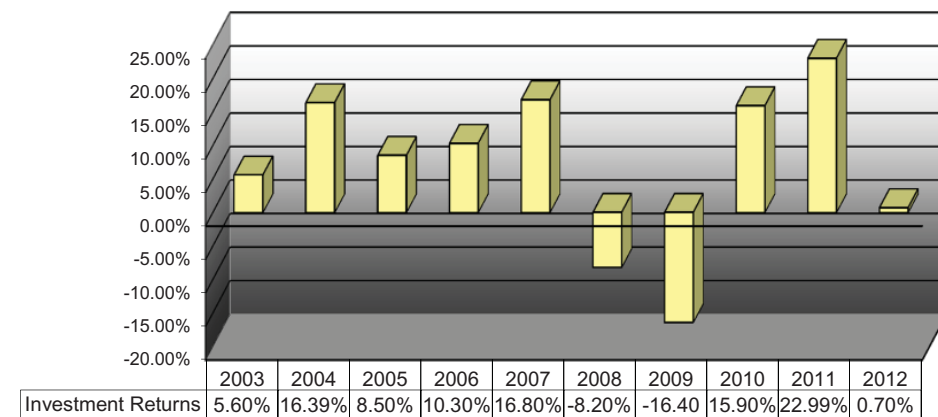
(\$ in millions)

| Fiscal Year Ending June 30 | Total Plan Net Assets | Increase (Decrease) in Net Assets |
|----------------------------|-----------------------|-----------------------------------|
| 2012 | \$1,386 | -\$33 |
| 2011 | 1,419 | 229 |
| 2010 | 1,190 | 132 |
| 2009 | 1,058 | -253 |
| 2008 | 1,311 | -150 |
| 2007 | 1,461 | 188 |
| 2006 | 1,273 | 97 |
| 2005 | 1,176 | 73 |
| 2004 | 1,103 | 141 |
| 2003 | 962 | 37 |

Total Plan Net Assets are the assets at market value available for future payments to retirees less liabilities.

The Plan's investment activity is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Shown below are StanCERA's investment returns for the last ten years and a schedule of investments held by StanCERA at June 30, 2012.

INVESTMENT RETURNS FOR YEARS ENDING JUNE 30



INVESTMENTS HELD AT JUNE 30, 2012

| Asset Class | Market Value | Annual Return | Actual Allocation | Target Allocation |
|------------------------|-------------------------|---------------|-------------------|-------------------|
| Domestic Equities | \$ 586,541,102 | 3.30% | 42.52% | 40.90% |
| International Equities | 224,687,670 | -14.30% | 16.29% | 19.00% |
| Fixed Income | 515,494,956 | 6.90% | 37.37% | 37.10% |
| Global REIT's | 19,736,261 | 2.70% | 1.43% | 3.00% |
| Cash | 32,900,956 | 0.00% | 2.39% | 0.00% |
| TOTAL PORTFOLIO | \$ 1,379,360,945 | | 100.00% | 100.00% |

The Total Portfolio is total investments at market value only. These amounts do not include cash in Stanislaus County Treasury or capital assets.

SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN FOR THE TEN YEARS ENDED JUNE 30, 2011

(Dollar amounts in thousands)

| Actuarial Valuation | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) | Funded Ratio |
|---------------------|---------------------------|---|---------------------|--------------|
| Date | (a) | (b) | (b-a) | (a/b) |
| 6/30/2011 | \$1,372,046 | \$1,757,717 | \$385,671 | 78.1% |
| 6/30/2010 | 1,325,801 | 1,737,824 | 412,023 | 76.3% |
| 6/30/2009 | 1,171,767 | 1,653,716 | 481,949 | 70.9% |
| 6/30/2008 | 1,317,167 | 1,548,824 | 231,657 | 85.0% |
| 6/30/2007 * | N/A | N/A | N/A | N/A |
| 6/30/2006 | 1,154,048 | 1,329,375 | 175,327 | 86.8% |
| 6/30/2005 | 1,049,691 | 1,116,310 | 66,619 | 94.0% |
| 6/30/2004 | 993,180 | 1,035,345 | 42,165 | 95.9% |
| 6/30/2003 | 937,797 | 958,095 | 20,298 | 97.9% |
| 6/30/2002 | 878,821 | 870,768 | (8,053) | 100.9% |

* Actuarial valuation was not performed for fiscal year ended June 30, 2007. Data provided from last actuarial valuation, as of June 30, 2011.

HISTORICAL MEMBERSHIP

| Fiscal Year Ending June 30 | Number of Active Members | Number of Deferred & Inactive Members | Number of Retired Members & Beneficiaries | Average Monthly Benefit |
|----------------------------|--------------------------|---------------------------------------|---|-------------------------|
| 2012 | 3,868 | 1,032 | 3,123 | \$2,177 |
| 2011 | 3,854 | 1,042 | 2,976 | \$2,153 |
| 2010 | 4,085 | 1,075 | 2,818 | \$2,115 |
| 2009 | 4,366 | 1,075 | 2,757 | \$2,232 |
| 2008 | 4,450 | 1,062 | 2,666 | \$2,080 |
| 2007 | 4,435 | 1,093 | 2,545 | \$2,181 |
| 2006 | 4,391 | 886 | 2,445 | \$2,068 |
| 2005 | 4,338 | 924 | 2,273 | \$1,994 |
| 2004 | 4,248 | 832 | 2,217 | \$1,801 |
| 2003 | 4,263 | 841 | 2,067 | \$1,751 |

StanCERA's membership consists of full and percentage time (working over 50% time) employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from the County of Stanislaus, Stanislaus Superior Court, the City of Ceres, Stanislaus Council of Governments, Eastside Mosquito Abatement District, Hills Ferry Cemetery, Keyes Community Service District, and Salida Sanitary District.

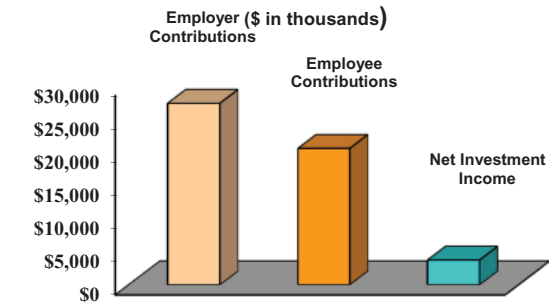
Full CAFR is available at:
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Or on our web site at www.stancera.org

FUND REVENUE

(\$ in thousands)

| Fiscal Year ending June 30 | Employer Contributions | Employee Contributions | Net Investment Income (Loss) |
|----------------------------|------------------------|------------------------|------------------------------|
| 2012 | \$27,314 | \$20,525 | \$3,725 |
| 2011 | 26,257 | 19,197 | 261,842 |
| 2010 | 21,814 | 20,746 | 165,054 |
| 2009 | 23,411 | 20,923 | -221,031 |
| 2008 | 22,555 | 20,689 | -121,409 |
| 2007 | 32,562 | 20,543 | 207,192 |
| 2006 | 22,549 | 19,861 | 117,273 |
| 2005 | 19,793 | 19,088 | 90,703 |
| 2004 | 17,114 | 18,942 | 155,269 |
| 2003 | 16,207 | 18,521 | 48,560 |

StanCERA Revenue fiscal year ended June 30, 2012



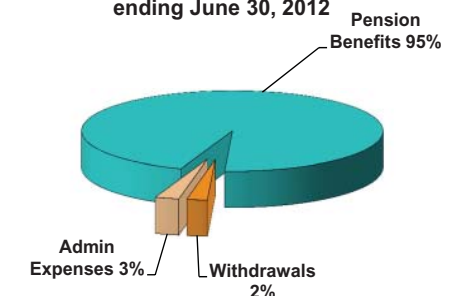
The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. Net investment income is the total interest, dividends and net realized and unrealized gains or losses on all investments less investment fees.

FUND EXPENSES

(\$ in thousands)

| Fiscal Year ending June 30 | Benefits | Withdrawals | Administrative Expense |
|----------------------------|----------|-------------|------------------------|
| 2012 | \$80,157 | \$1,833 | \$2,145 |
| 2011 | 74,826 | 1,906 | 2,037 |
| 2010 | 71,465 | 1,732 | 2,307 |
| 2009 | 71,861 | 2,538 | 2,080 |
| 2008 | 67,785 | 2,442 | 2,044 |
| 2007 | 67,599 | 2,730 | 1,981 |
| 2006 | 58,130 | 2,482 | 1,599 |
| 2005 | 53,176 | 2,347 | 1,405 |
| 2004 | 47,926 | 1,327 | 1,301 |
| 2003 | 43,435 | 1,561 | 1,147 |

StanCERA Expenses fiscal year ending June 30, 2012



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. Administrative costs increased over the prior year due to temporary staffing, filling of a vacancy, and training costs of new employees and Trustees.