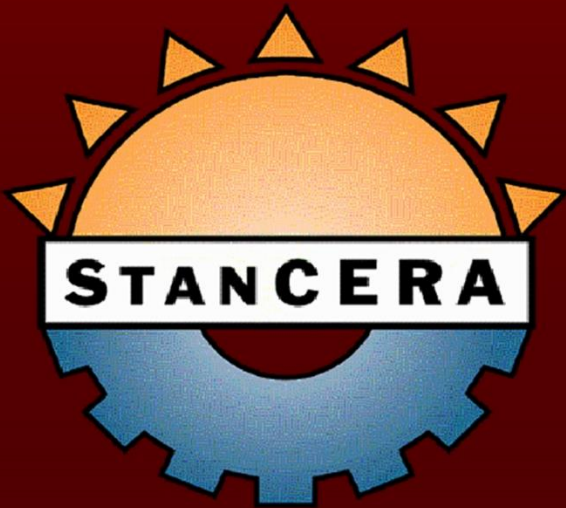


**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
PENSION TRUST FUND OF THE COUNTY OF STANISLAUS, CALIFORNIA**

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2017 and 2016



**ENSURING TOMORROW'S BENEFITS
THROUGH PRUDENT MANAGEMENT**



Government Finance Officers Association

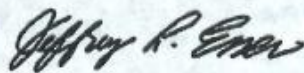
**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Stanislaus County
Employees' Retirement Association
California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016



Executive Director/CEO



BOARD OF RETIREMENT

JUNE 30, 2017

Seat

1.	Gordon Ford, Ex-Officio, Trustee	Treasurer/Tax Collector
2.	Mandip Dhillon, Trustee	Elected by Active General Membership
3.	Donna Riley, Trustee	Elected by Active General Membership
4.	Darin Gharat, Chair	Appointed by the Board of Supervisors
5.	Mike Lynch, Vice Chair	Appointed by the Board of Supervisors
6.	Jim DeMartini, Trustee	Appointed by the Board of Supervisors
7.	Sam Sharpe, Trustee	Elected by Active Safety Membership
7a.	Vacant, Alternate Trustee	Elected by Active Safety Membership
8.	Michael O'Neal, Trustee	Elected by Retired Membership
8a.	Joan Clendenin, Alternate Trustee	Elected by Retired Membership
9.	Jeff Grover, Trustee	Appointed by the Board of Supervisors



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, 2017. The PAFR is intended to provide a snapshot and brief discussion of the financial activities of StanCERA for the year. The selected financial information in the PAFR is derived from generally accepted accounting principles and data presented in StanCERA's Comprehensive Annual Financial Report (CAFR) for 2017 and 2016, which contains more detailed information regarding the financial position of StanCERA. The 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, 2016, reported StanCERA's actuarial funded ratio at 72.8% and fair value funded ratio at 75.0%. The funded ratio is the actuarial assets available to pay the actuarial liabilities. The actuarial valuation is performed annually to determine employer contribution rates taking into account the smoothed value of the assets by spreading all asset gains and losses over a rolling five year period. The next actuarial valuation is in process and determines the funded status as of June 30, 2017. Based upon the new study, the Board of Retirement will set contribution rates for fiscal year 2018 - 2019.

For the fiscal year ended June 30, 2017, StanCERA's total portfolio outperformed its policy benchmark of 11.3% with an overall return of 14.4% due to capital market conditions and active investing. The overall financial position of StanCERA remains strong to meet its obligations to the plan participants and beneficiaries. The StanCERA Board continues to explore options to optimize returns with minimum risk to members and sponsors.

The Fiduciary Net Position increased from \$1.773 billion to \$1.994 billion between 2016 and 2017. Normal contributions (member and employer) increased by \$6.4 million due to an increase in overall participant membership and resulting payroll increases. Benefit payments increased by \$7.3 million over the prior year as more employees moved from active to retired status. Administrative costs to operate the System increased by \$393,074.

StanCERA's independent auditor, Brown Armstrong Accountancy Corporation, has audited the financial statements contained in the CAFR 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, 2017 and 2016, in accordance with generally accepted accounting principles.

Sincerely,

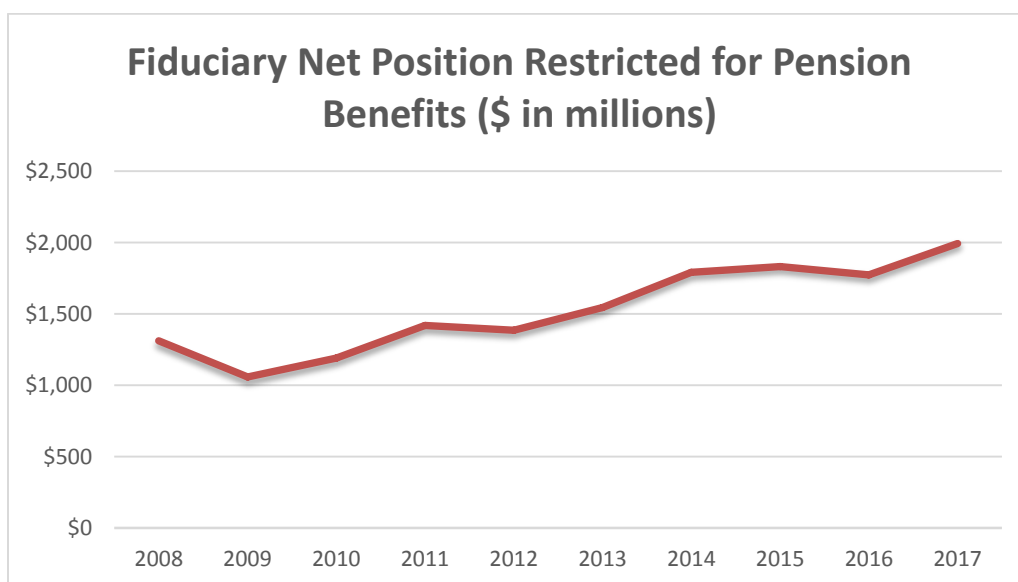
Rick Santos

Executive Director

FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

(\$ in millions)

Fiscal Year Ending June 30	Fiduciary Net Position Held in Trust	Increase (Decrease) in Net Position
2017	\$1,994	\$221
2016	1,773	(60)
2015	1,833	42
2014	1,791	246
2013	1,545	159
2012	1,386	(33)
2011	1,419	229
2010	1,190	132
2009	1,058	(253)
2008	1,311	(150)



Total Fiduciary Net Position is the difference between the assets at fair value and the liabilities, representing funds available for future benefit payments to plan participants and their beneficiaries. Increases and decreases in the fiduciary net position over time are indicators of whether the financial health of StanCERA is improving or declining. Management believes the plan remains in strong financial health to meet its obligations to the plan participants and their beneficiaries.

The complete CAFR can be located on StanCERA's website: www.stancera.org.

FIDUCIARY NET POSITION

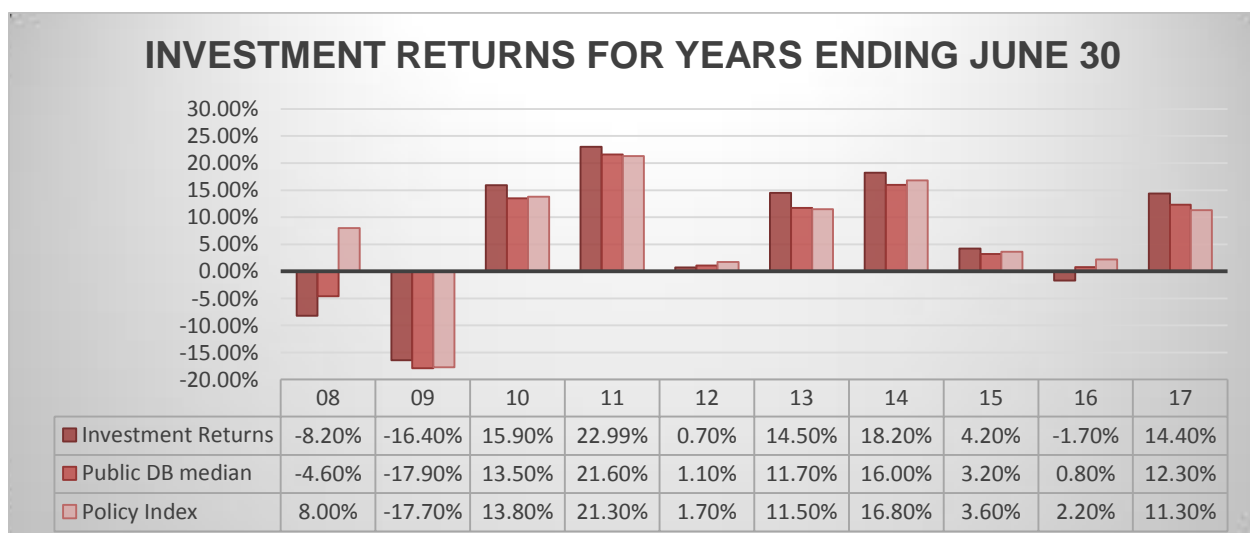
	06/30/2017	06/30/2016	Dollar Change	Percent Change
Current Assets	\$166,714,182	\$114,518,914	\$52,195,268	45.58%
Investments	2,062,347,484	1,932,507,165	129,840,319	6.72%
Capital Assets	3,910,685	3,358,623	552,062	16.44%
Total Assets	2,232,972,351	2,050,384,702	182,587,649	8.91%
Total Liabilities	238,749,040	277,470,989	(38,721,949)	-13.96%
<i>Fiduciary Net Position Restricted for Pension Benefits</i>	<u>\$ 1,994,223,311</u>	<u>\$ 1,772,913,713</u>	<u>\$ 221,309,598</u>	

CHANGES IN FIDUCIARY NET POSITION

	06/30/2017	06/30/2016	Dollar Change	Percent Change
Employer Contributions	\$63,024,560	\$58,196,310	\$4,828,250	8.30%
Plan Member Contributions	25,463,745	23,916,508	1,547,237	6.47%
Net Investment Income	252,309,705	(31,322,276)	283,631,981	-905.53%
Total Additions	\$340,798,010	\$50,790,542	\$290,007,468	570.99%
Benefit Payments	\$114,290,758	\$106,946,768	\$7,343,990	6.87%
Member Refunds - Termination	2,297,328	1,219,042	1,078,286	88.45%
Member Refunds - Death	255,772	0	255,772	100.00%
Administrative Expenses	2,644,554	2,315,223	329,331	14.22%
Total Deductions	\$119,488,412	\$110,481,033	\$9,007,379	8.15%
Net Additions	<u>\$221,309,598</u>	<u>(\$59,690,491)</u>	<u>\$281,000,089</u>	-470.76%

StanCERA closed with assets exceeding liabilities by \$1.994 billion for fiscal year ended June 30, 2017. The \$290.0 million increase in Fiduciary Net Position is a direct result of the financial market activity. The primary sources to finance benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions.

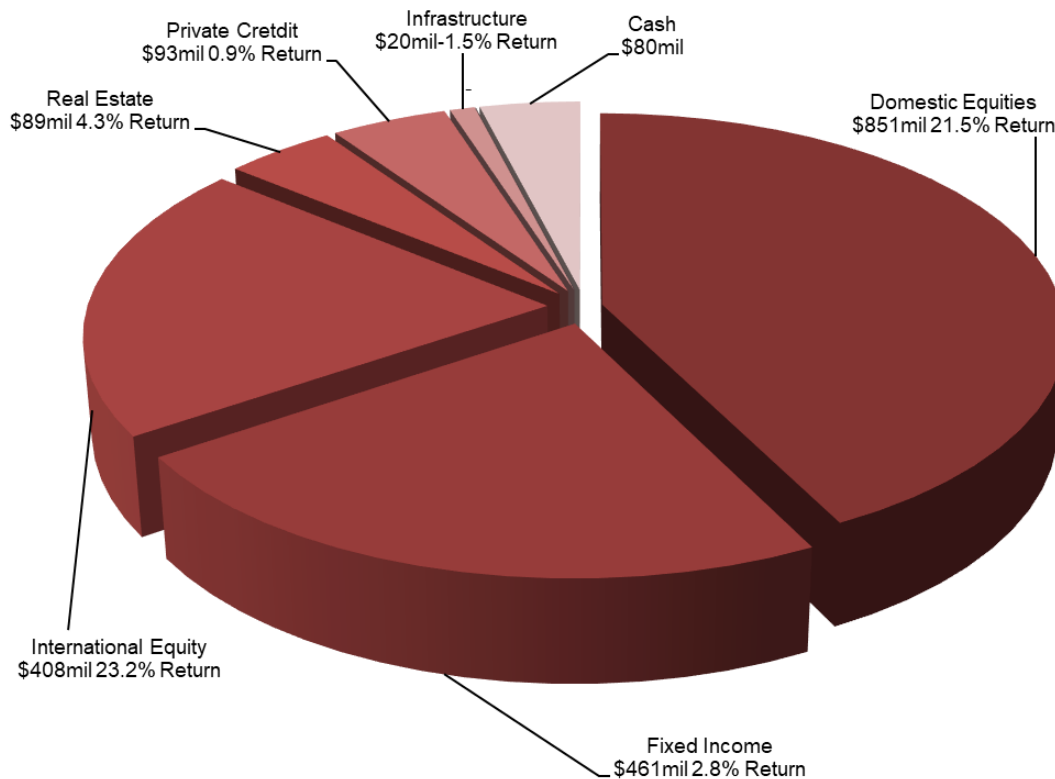
The Plan's investment activity is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Shown below are StanCERA's investment returns for the last ten years. The investment returns are compared to StanCERA's policy index return, a standard used to evaluate performance, and the Public Defined Benefit Median which is the 50th percentile return for StanCERA's defined benefit plan peers.



INVESTMENTS HELD AT JUNE 30, 2017

Asset Class	Fair Value	Annual Return	Actual Allocation	Target Allocation
Domestic Equities	\$851,315,999	21.50%	43.70%	24.00%
Fixed Income	460,780,851	2.80%	25.00%	22.00%
International Equity	408,187,210	23.20%	21.10%	24.00%
Real Estate	88,725,597	4.30%	4.40%	9.40%
Private Credit	92,820,985	0.90%	4.70%	5.00%
Infrastructure	19,932,549	-1.50%	1.00%	0.60%
Risk Parity	-	0.00%	0.00%	14.00%
Cash *	80,086,881	0.00%	0.10%	1.00%
TOTAL PORTFOLIO	\$2,001,850,072		100.00%	100.00%

StanCERA's investment consultant, Verus Strategies, Inc., assists the Retirement Board in designing strategic diversification to maintain a steady, long-term positive return with appropriate risk. At the May 2016 Board Meeting, StanCERA's Retirement Board approved a new asset allocation, which is reflected in the above table. There is one new asset class which has not been funded as of June 30, 2017. While the new allocation was selected at the May meeting, it will take time to implement the new strategies and fund these asset classes.



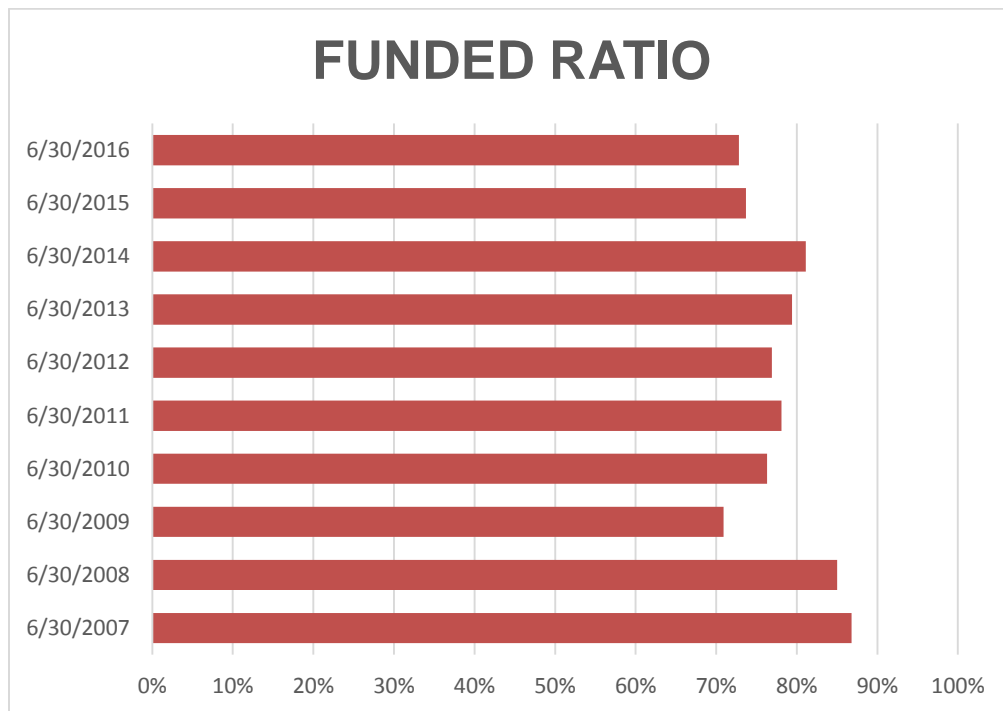
The Total Portfolio is total investments at fair value only. These amounts do not include cash in Stanislaus County Treasury, capital assets, or securities lending cash collateral.

SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN
FOR THE TEN YEARS ENDING JUNE 30
(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)
6/30/2016	\$1,845,764	\$2,537,067	\$691,303	72.80%
6/30/2015	1,763,629	2,391,522	627,893	73.70%
6/30/2014	1,644,007	2,026,371	382,294	81.10%
6/30/2013	1,524,076	1,919,227	395,151	79.40%
6/30/2012	1,451,764	1,888,713	436,950	76.90%
6/30/2011	1,372,046	1,757,717	385,671	78.10%
6/30/2010	1,325,801	1,737,824	412,023	76.30%
6/30/2009	1,171,767	1,653,716	481,949	70.90%
6/30/2008	1,317,167	1,548,824	231,657	85.00%
6/30/2007	N/A	N/A	N/A	86.80%

* Actuarial valuation was not performed for fiscal year ended June 30, 2007

Data provided by last actuarial valuation as of June 30, 2016.



As of June 30, 2017, StanCERA's actuarial funded ratio (assets divided by liabilities) decreased from 73.7% to 72.8% due to a decrease in Plan assets of 1.7% for fiscal year ending June 30, 2016. Changes in assumptions based on StanCERA's actuarial experience study from July 1, 2012 through June 30, 2015 were adopted by the StanCERA Board of Retirement in April 2016. The increase in Plan cost due to the changes is phased in over a three year period. This is the

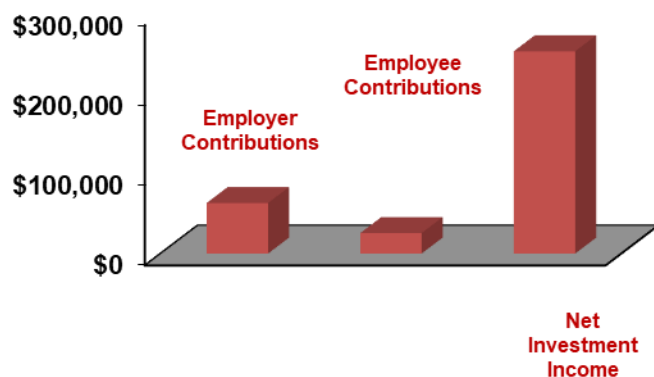
second year of the phase in. The decrease in fiscal year 2009 was due to devaluation of assets during the fiscal year.

FUND REVENUE

(\$ in thousands)

Fiscal Year ending June 30	Employer Contributions	Employee Contributions	Net Investment Income (Loss)
2017	\$63,025	\$25,464	\$252,310
2016	58,196	23,917	(31,322)
2015	53,849	22,960	68,723
2014	46,764	21,868	274,896
2013	39,077	20,286	189,988
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)

StanCERA Revenue fiscal year ending June 30, 2017



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. For the fiscal year ended June 30, 2017, StanCERA had a \$129.8 million gain on the investments mainly due to market activity.

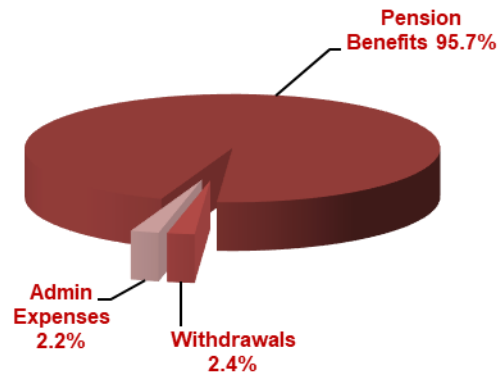
The increase in employer and employee contributions is a direct result of overall participant membership increases and projected payroll increases.

FUND EXPENSES

(\$ in thousands)

Fiscal Year ending June 30	Benefits	Withdrawals	Administrative Expense
2017	\$114,291	\$2,553	\$2,645
2016	106,947	1,219	2,315
2015	100,099	1,759	2,379
2014	93,116	1,516	2,249
2013	87,103	1,546	2,065
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

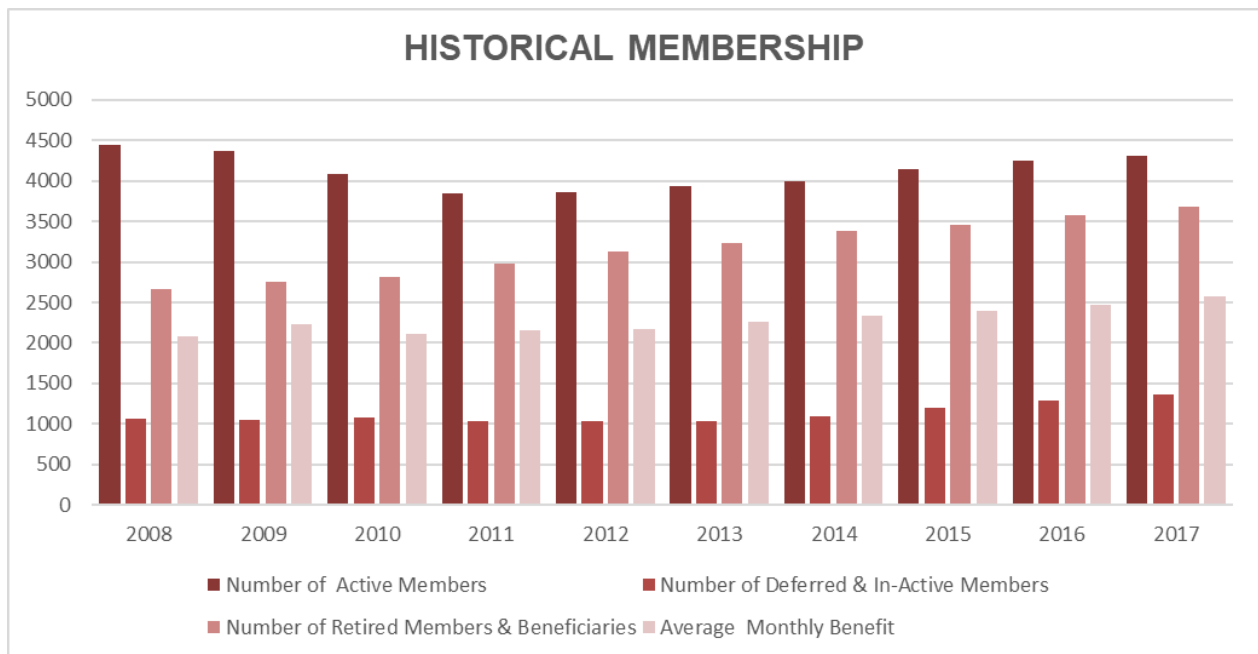
StanCERA Expenses fiscal year ending June 30, 2017



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. Benefit expenses continue to increase as the number of retirement allowances for retirees increases with higher pension benefit amounts. The increase in withdrawals is mainly due to active and retired members who deceased with refundable contributions on account. Administrative costs increased due to the costs to implement a new pension administration system.

HISTORICAL MEMBERSHIP

Fiscal Year Ending June 30	Number of Active Members	Number of Deferred & In-Active Members	Number of Retired Members & Beneficiaries	Average Monthly Benefit
2017	4,309	1,367	3,683	\$2,568
2016	4,249	1,289	3,582	2,478
2015	4,145	1,198	3,465	2,398
2014	3,993	1,095	3,381	2,337
2013	3,931	1,028	3,234	2,260
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	1,044	2,757	2,232
2008	4,450	1,062	2,666	2,080



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.



Stanislaus County Employees'
Retirement Association
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Modesto CA 95353-3150