



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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Modesto, CA 95354
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AGENDA

BOARD OF RETIREMENT
832 12th Street, Suite 600 – **Wesley W. Hall Board Room**
Modesto, CA 95354

January 28, 2014
2:00 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday of each month. Your interest is encouraged and appreciated.

CONSENT ITEMS: These matters include routine administrative actions and are identified under the Consent Items heading.

PUBLIC COMMENT: Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

BOARD AGENDAS & MINUTES: Board agendas, Minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: www.stancera.org.

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

AUDIO: All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at <http://www.stancera.org/sections/aboutus/agendas>.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Meeting Called to Order
2. Roll Call
3. Rotation of Officers
4. Announcements
5. Public Comment
6. Consent Items
 - a. Approval of the December 11, 2013, Administrative/Investment Meeting Minutes [View](#)

6. Consent Items (Cont.)

- b. Approval of the December 11, 2013, Special Meeting Minutes [View](#)
- c. Approval of the 2014 StanCERA's Anticipated Executive Master Calendar [View](#)
- d. Receipt of the 2014 Board of Retirement Standing Committee Assignments [View](#)
- e. Receipt of the 2013 4th Quarter Update of the Executive Director's Goals and Strategic Action Plan [View](#)
- f. Approval of StanCERA's 2014 – 2016 Strategic Plan [View](#)
- g. StanCERA Complaint Log of October 1, 2013 through January 15, 2014 [View](#)
- h. Receipt of Strategic Investment Solutions Inc.'s November 30, 2013 Monthly Performance Review for StanCERA [View](#)
- i. Report on Earnings Allocation for Fiscal Year End June 30, 2013 [View](#)
- j. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 - 1. Terry Allen, HSA, Effective 01-07-14
 - 2. Zeinab Benatia, HSA, Effective 01-18-14
 - 3. Michelle Brooks, GSA, Effective 12-25-13
 - 4. Linda Christy, DCSS, Effective 01-03-14
 - 5. Melvin Eslinger, Public Works, Effective 01-24-14
 - 6. John Honnette, DER, Effective 01-03-14
 - 7. Isaac Montelongo, HSA, Effective 01-11-14
 - 8. Edna New, DCSS, Effective 01-23-14
 - 9. Steven Owens, Sheriff, Effective 01-10-14
 - 10. Diane Pearson, Risk Management, Effective 01-07-14
 - 11. Jennifer Piciucco, HSA, Effective 01-19-14
 - 12. Sheila Pules, Sheriff, Effective 01-07-14
 - 13. Marianne Rucker, Planning, Effective 01-25-14
 - 14. Mary Saldana, HSA, Effective 01-03-14
 - 15. Marlys Stafford, CSA, Effective 12-08-13
 - 16. Inette Strojjan, Superintendent of Schools, Effective 01-04-14

6. Consent Items (Cont.)

k. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

17. Cathy Switzer, CSA, Effective 01-07-14

l. Approval of Deferred Retirement(s) – Section 31700

1. Amy Au, HSA, Effective 05-18-13
2. Kimothy Bankston, Sheriff, Effective 01-10-14
3. Yolanda Castillo, Sheriff, Effective 12-19-13
4. Letisia Corona, Public Works, Effective 01-04-14
5. Regina Guzman, CSA, Effective 11-26-13
6. Lao Lauren Ha, CSA, Effective 07-27-13
7. Susan Harper, Sheriff, Effective 10-18-13
8. Angela Jameson, CSA, Effective 12-21-13
9. Jill Johnson, CSA, Effective 01-04-14
10. John Boy Palarca, Sheriff, Effective 12-14-13

7. Strategic Investment Solutions (SIS), Inc.

- a. Monthly Performance Review for the Month Ending December 31, 2013 [View](#)
- b. Report on “Top 10 Holdings” by StanCERA Investment Managers as of December 31, 2013 [View](#)
- c. Real Estate Asset Class Introduction [View](#)

8. Executive Director

- a. Discussion and Action Regarding Extension of Cheiron Contract [View](#)
- b. Discussion and Action Regarding Securities Lending Collateral Pools with Northern Trust [View](#)

9. Closed Session
 - a. Public Employment:
Discussion and Action on the Executive Director's 2014 Goals
Government Code Section 54954.5
 - b. Conference with Legal Counsel – Pending Litigation – One Case:
StanCERA v. Buck Consultants, LLC
Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(a)
10. Members' Forum (Information and Future Agenda Requests Only)
11. Adjournment



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PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

December 11, 2013

Members Present: Gordon Ford, Maria De Anda, Donna Riley, Jason Gordo
Mike Lynch, Jeff Grover, Jim DeMartini, Darin Gharat
and Michael O'Neal

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Luiana Irizarry, Investment/Accounting Technician
Dawn Lea, Benefits Manager
Kathy Herman, Operations Manager
Natalie Elliot, Accountant

Others Present: Fred Silva, General Legal Counsel
Paul Harte (present) & Nate Pratt (via phone),
Strategic Investment Solutions (SIS), Inc.
Doris Foster, County Chief Executive Office

1. Meeting called to order at 2:01 p.m. by Darin Gharat, Chair.

2. **Roll Call**

Jim DeMartini arrived 2:03 p.m.

3. **Announcements**

Director announced that the California Actuarial Advisory Panel recommended a 1% increase in the pensionable compensation for those members that fall under the new PEPPRA legislation instituted January 1, 2013. The new pensionable wage cap for members integrated with Social Security is \$115,064 and is \$138,077 for those that are not.

Director announced that due to the uncertainty of having a quorum for the January administrative meeting, that we will be combining our administrative and investment meeting for that month which will take place January 28th, 2014.

Director announced that we would be having a special meeting today due to an emergency submission of a disability decision.

3. **Announcements (Cont.)**

Director asked that anyone interested in serving on a committee next year to please contact Kellie Gomes or Luiana Irizarry. The following Committees will need members for 2014:

- Due diligence
- Internal Governance
- Performance and Review

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Michael O'Neal to approve consent items as presented:

Motion carried.

- a. Approval of the November 26, 2013 Administrative/Investment Meeting Minutes
- b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 - 1. Allen, Kevin, CSA Effective 12/3/13
 - 2. Bank, Sebron , Sheriff Effective 12/28/13
 - 3. Bellmares, Olivia, Clerk Recorder, Effective 12/3/13
 - 4. Blueford, Carolyn, DA, Effective 12/31/13
 - 5. Hawks, Lenore, HSA, Effective 12/14/13
 - 6. Karlin, Cecilia, DCSS, Effective 12/21/13
 - 7. Love-Popp, Dorothy, CSA, Effective 12/14/13
 - 8. Mayotte, Stephen, Stanislaus County Fire, Effective 12/06/13
 - 9. Scoonover, Cynthia, HSA, Effective 12/28/13
 - 10. Teval, Charles, Library, Effective 12/14/13
- c. Approval of Deferred Retirement(s) – **Section 31700**
 - 1. Michael Corcel, Animal Services, Effective 11/19/2013
 - 2. Johanna Salvador, HSA, Effective 09/10/2013
 - 3. Jessica Tucker, BHRS, Effective 10/05/2013
 - 4. Donna Witt, Library, Effective 08/02/2013
 - 5. Aja Verburg, Public Works, Effective 11/30/2013

6. Strategic Investment Solutions (SIS), Inc.

a. Capital Market Expectations Review

Paul Harte from SIS reported out the changes in the expectations for StanCERA's portfolio. Essentially, equities and real estate are expected to be down by 40 basis points while fixed income has been adjusted up by 10 basis points. Director pointed out that without any changes in the discount rate these new expectations imply a 4 basis point reduction in the margin for conservatism. Prior, StanCERA had a 10 basis point margin, this change in expectation reduces that margin to 6.

7. Executive Director

a. Discussion and Action Regarding Recommendation for Custodian Bank – Kathy Herman

Motion was made by Michael Lynch and seconded by Maria De Anda to accept the proposal as submitted by Northern Trust and send contract to Hanson & Bridget for legal review and analysis.

8. Committee Reports and Recommendations for Action

STANDING COMMITTEES

a. Internal Governance Committee

i. Discussion and Action to Approve the Revised StanCERA Bylaws

Motion was made by Maria De Anda and seconded by Jeff Grover to approve recommended changes to the Revised StanCERA Bylaws.

ii. Discussion and Action to Approve the Compensation Assessment Policy

Motion was made by Michael O'Neal and seconded by Maria De Anda to accept staff's recommendation for StanCERA's Compensation Assessment Policy and include additional language suggested by Trustee Gharat.

9. Closed Session

Motion was made by Maria De Anda and seconded by Michael O'Neal to move into Closed Session at 3:19 p.m.

Motion carried.

Motion was made by Maria De Anda and seconded by Jeff Grover to return to Open Session at 3:45 p.m.

Motion carried.

9. Closed Session (Cont.)

Regarding matter a. Discussion and Action Regarding Legal Review for the Inclusion of PRIMA Mortgage Investment Trust Government Code Section 54956.81, Mr. Gharat read the findings of the Closed Session:

No Report.

- a. Discussion and Action Regarding Legal Review for the Inclusion of PRIMA Mortgage Investment Trust Government Code Section 54956.81.
- b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants, LLC,
Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(d)(4)
- c. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- d. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
District, Case No. H038894
Government Code Section 54956.9(d)(1)

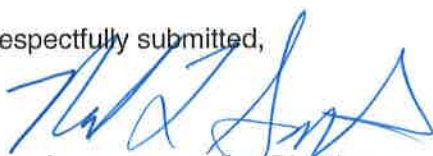
10. Members' Forum (Information and Future Agenda Requests Only)

Mr. Ford requested an updated Cash Flow Report for Direct Lenders.

11. Adjournment


Meeting adjourned at 3:47 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By: 
Fred A. Silva, General Legal Counsel



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SPECIAL MEETING

PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

December 11, 2013

Members Present: Gordon Ford, Maria De Anda, Donna Riley, Jason Gordo
Mike Lynch, Jeff Grover, Jim DeMartini, Darin Gharat
and Michael O'Neal

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Luiana Irizarry, Investment/Accounting Technician
Dawn Lea, Benefits Manager
Kathy Herman, Operations Manager

Others Present: Fred Silva, General Legal Counsel

1. Meeting called to order at 3:54 p.m. by Darin Gharat, Chair.

2. **Roll Call**

3. **Announcements**

None.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Michael O'Neal to approve consent items presented:

Motion carried.

a. Approval of Disability Retirement – Section 31724

1. Maribel Navarro, CSA, Non-Service Connected, Effective 5/10/13

11. **Members' Forum (Information and Future Agenda Requests Only)**
12. **Adjournment**

Meeting adjourned at 3:59 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:
FRED A. SILVA, GENERAL LEGAL COUNSEL

By: 
Fred A. Silva, General Legal Counsel



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**For the Retirement Board meeting
Held on January 28, 2014**

1-28-14

Item #6c

TO: Retirement Board

FROM: Luiana Irizarry, Investment/Accounting Technician

- I. SUBJECT: StanCERA's Anticipated Executive Master Calendar
- II. RECOMMENDATION: None
- III. ANALYSIS: Please find attached StanCERA's Anticipated Executive Master Calendar for calendar year 2014. The calendar includes a schedule of StanCERA's Board meetings, anticipated agenda items, as well as educational opportunities for the year. Upon Board of Retirement approval, this calendar will be displayed on StanCERA's website for reference.

This calendar is an anticipated list of StanCERA's executive events for calendar year 2014 and may be updated over the course of the year. Please refer to this calendar prior to each meeting in order to stay informed of events that may be of interest.

- IV. RISK: None
- V. STRATEGIC PLAN: *Objective #4; Refine StanCERA's business policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.*
- IV. BUDGET IMPACT: None

Luiana Irizarry, Investment/Accounting Technician

Rick Santos, Executive Director

2014 Calendar

January, 2014	February, 2014	March, 2014	April, 2014
M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
May, 2014	June, 2014	July, 2014	August, 2014
M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
September, 2014	October, 2014	November, 2014	December, 2014
M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Quick Dates:

Administrative Mtg – Second Wednesday of the Month*

Investment Mtg – Fourth Tuesday of the Month*

*Admin./Inv. Combo Mtgs - May, November & December

SACRS Conferences – May & November

Investment Manager Presentations

January	None
February	Raven Capital Management, LLC
March	White Oak Global Advisors, LLC
April	Medley Opportunity Fund II, LP
May	Capital Prospects, LLC
June	Legato Capital Management, LLC
July	Delaware Investments
August	PIMCO
September	Dodge & Cox Fixed Income/Equities
October	Pyramis Global Advisors
November	LSV Asset Management
December	None

StanCERA's Anticipated Executive Master Calendar **2014**

Revised 01/16/14

January

01/28 Administrative/ Investment Mtg.	Approve 2014 StanCERA Master Calendar Approve 2014 StanCERA Committee Assignments Rotation of Officers Strategic Action Plan Quarterly Update – Q4 Executive Director's 2013 Quarterly Goals Update – Q4 Executive Director's 2014 Annual Goals 2013-2014 FPPC 700 Forms SIS – Real Estate Asset Class Presentation StanCERA Quarterly Complaint Log 10/01/13 – 12/31/13 SIS Monthly Performance Review as of 11/30/13 & 12/31/13 SIS Monthly Report on "Top 10 Holdings" as of 12/31/13
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Education:

Opal Public Funds Summit	7-9	Scottsdale, AZ
CALAPRS Administrators Roundtable	24	Burbank, CA
CALAPRS Attorneys Roundtable	24	Burbank, CA
NCPERS Legislative Conference	26 - 28	Washington, DC
CALAPRS Adv. Princ. of Pension Mgmt	22 - 24	Los Angeles, CA

February

02/12 Administrative Mtg.	Approve 2013 StanCERA Continuing Education Record COLA Approval Effective 04/01/14, Paid 05/01/14 EFI Actuaries Presentation Actuarial Valuation as of 06/30/13
02/25 Investment Mtg.	Raven Capital Management, LLC Presentation Approve FY2013-2014 Employer/Employee Contribution Rates StanCERA Quarterly Inv. Mgrs. Peer Rankings as of 12/31/13 SIS Semi-Annual Investment Managers Fees as of 12/31/13 SIS Quarterly Investment Performance Ending 12/31/13 SIS Monthly Performance Review as of 01/31/14 SIS Monthly Report on "Top 10 Holdings" as of 01/31/14 SIS Monthly Investment Manager Review List as of 01/31/14

Education:

NAPPA Winter Seminar Meetings	19 - 20	Washington, DC
CALAPRS Benefits Roundtable	7	Burbank, CA
CALAPRS Investment Officers Roundtable	7	Burbank, CA
CALAPRS Trustees Roundtable	7	Burbank, CA
PRJ 24th Annual Public Ret. Seminar	27	Lakewood, CA

March

- 03/12 Administrative Mtg. SACRS Spring Conference Voting Proxy
SACRS Nominating Committee Rec. Ballot for Board of Directors
- 03/25 Investment Mtg. **White Oak Global Advisors, LLC Presentation**
SIS Monthly Performance Review as of 02/28/14
SIS Monthly Report on "Top 10 Holdings" as of 02/28/14

Education:

No Scheduled Educational Opportunities

April

- 04/09 Administrative Mtg. Strategic Action Plan Quarterly Update – Q1
Executive Director's 2014 Goals Quarterly Update – Q1
SACRS Nominating Committee Final Ballot for Board of Directors
- 04/29 Investment Mtg. **Medley Opportunity Fund II, LP Presentation**
StanCERA Quarterly Complaint Log 01/15/14 – 03/31/14
SIS – Manager Structure Review of Fixed Income
SIS Monthly Performance Review as of 03/31/14
SIS Monthly Report on "Top 10 Holdings" as of 03/31/14
SIS Monthly Investment Manager Review List as of 03/31/14

Education:

CALAPRS Accountants Roundtable	11	Burbank, CA
CALAPRS Administrative Asst. Roundtable	11	Burbank, CA
CALAPRS Information Tech. Roundtable	11	Burbank, CA
CALAPRS Management Academy: Module 1	14 - 15	Pasadena, CA
NCPERS Annual Conference	27 – May 1	Chicago, IL

May

05/27	Administrative/ Investment Mtg.	Capital Prospects, LLC Presentation Approve StanCERA FY2013-2014 Administrative Budget StanCERA Quarterly Inv. Mgrs. Peer Rankings as of 03/31/14 SIS Semi-Annual Investment Managers Fees as of 03/31/14 SIS Quarterly Investment Performance Ending 03/31/14 SIS Monthly Performance Review as of 04/30/14 SIS Monthly Report on "Top 10 Holdings" as of 04/30/14 SIS Monthly Investment Manager Review List as of 04/30/14
05/27	Due Diligence Committee Mtg.	Determine BOR 2014 Due Diligence Schedule

Education:

CALAPRS Overview Staff Training	2	San Francisco, CA
SACRS Spring Conference	13 - 16	Sacramento, CA

June

06/11	Administrative Mtg.	No Scheduled Items
06/24	Investment Mtg.	Legato Capital Management, LLC Presentation SIS Monthly Performance Review as of 05/31/14 SIS Monthly Report on "Top 10 Holdings" as of 05/31/14 SIS Monthly Investment Manager Review List as of 05/31/14

Education:

CALAPRS Management Academy: Module 2	02 - 04	Pasadena, CA
CALAPRS Communications Roundtable	12	San Francisco, CA
CALAPRS Attorneys Roundtable	13	San Francisco, CA
CALAPRS Benefits Roundtable	13	San Francisco, CA
CALAPRS Investment Officers Roundtable	20	San Francisco, CA
CALAPRS Trustees Round Table	13	San Francisco, CA
CALAPRS Administrators Roundtable	20	San Francisco, CA
NAPPA Legal Education Conference	25 - 27	Nashville, TN

July

- 07/09 Administrative Mtg. Seating of New Board Member(s)
Strategic Action Plan Quarterly Update – Q2
Executive Director's 2014 Goals Quarterly Update – Q2
- 07/22 Investment Mtg. **Delaware Investments Presentation**
StanCERA Quarterly Complaint Log 04/01/14 – 06/30/14
SIS Monthly Performance Review as of 06/30/14
SIS Monthly Report on "Top 10 Holdings" as of 06/30/14
SIS Monthly Investment Manager Review List as of 06/30/14

Education:

CALAPRS Management Academy: Module 3	21 - 23	Pasadena, CA
SACRS Public Pension Investment Mgmt	20 - 23	Berkeley, CA

August

- 08/13 Administrative Mtg. No Scheduled Items
- 08/13 Internal Governance Committee Mtg. Annual Financial Audit Entrance Conference
- 08/26 Investment Mtg. **PIMCO Presentation**
StanCERA Quarterly Inv. Mgrs. Peer Rankings as of 06/30/14
SIS Semi-Annual Investment Managers Fees as of 06/30/14
SIS Quarterly Investment Performance Ending 06/30/14
SIS Monthly Performance Review as of 07/31/14
SIS Monthly Report on "Top 10 Holdings" as of 07/31/14
SIS Monthly Investment Manager Review List as of 07/31/14

Education:

CALAPRS Adv. Princ. of Pension Mgmt	5 - 8	Palo Alto, CA
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September

09/10 Administrative Mtg.	SACRS Fall Conference Voting Proxy
09/23 Investment Mtg.	Dodge & Cox Fixed Income/Equities Presentation SIS – Review Potential Real Estate Fund Options SIS Monthly Performance Review as of 08/31/14 SIS Monthly Report on “Top 10 Holdings” as of 08/31/14 SIS Monthly Investment Manager Review List as of 08/31/14

Education:

CALAPRS Disability Staff Training	11	Burbank, CA
CALAPRS Attorneys Roundtable	12	Burbank, CA
CALAPRS Benefits Roundtable	12	Burbank, CA
CALAPRS Trustees Round Table	12	Burbank, CA
CALAPRS Administrators Institute	24 - 26	Long Beach, CA

October

10/08 Administrative Mtg.	Strategic Action Plan Quarterly Update – Q3 Executive Director's 2014 Goals Quarterly Update – Q4
10/28 Internal Governance Committee Mtg.	Annual Financial Audit Meeting Review of Bylaws
10/28 Investment Mtg.	Pyramis Global Advisors Presentation Capital Markets Review StanCERA Quarterly Complaint Log 07/01/14 – 09/30/14 SIS Monthly Performance Review as of 09/30/14 SIS Monthly Report on “Top 10 Holdings” as of 09/30/14 SIS Monthly Investment Manager Review List as of 09/30/14

Education:

CALAPRS Intermediate Staff Training	8 - 9	Burbank, CA
CALAPRS Accountants Roundtable	24	San Francisco, CA
CALAPRS Administrative Asst. Roundtable	24	San Francisco, CA
CALAPRS Information Tech. Roundtable	24	San Francisco, CA

November

11/25 Administrative/
Investment Mtg.

LSV Asset Management Presentation

Approval of FY 06/30/14 CAFR & Audited Financial Statements
Approval of Bylaws Revision
StanCERA Quarterly Inv. Mgrs. Peer Rankings as of 09/30/14
SIS Quarterly Investment Performance Ending 09/30/14
SIS Monthly Performance Review as of 10/31/14
SIS Monthly Report on "Top 10 Holdings" as of 10/31/14
SIS Monthly Investment Manager Review List as of 10/31/14

Education:

SACRS – Fall Conference

11 - 14

Monterey, CA

December

12/10 Administrative/
Investment Mtg.

Approval of Investment Policy Revisions
Approve 2015 StanCERA Master Calendar
Approve 2015 StanCERA Committee Assignments
StanCERA Report on Earnings Allocation as of 06/30/14

Education:

CALAPRS – Advanced Staff Training

3 - 5

Burbank, CA



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**For the Retirement Board meeting
Held on January 28, 2014**

TO: Retirement Board

1-28-14
Item #6d

FROM: Rick Santos, Executive Director

- I. SUBJECT: 2014 Board of Retirement Committee Assignments
- II. RECOMMENDATION: None
- III. ANALYSIS: Please find attached the 2014 Board of Retirement Committee Assignments. In accordance to StanCERA Bylaws Article 1.7., regarding Committees,

"The Retirement Board Chair at his/her discretion may appoint Retirement Board members or staff to any standing or ad-hoc committee as the Chair deems necessary."

The committee assignments have been reviewed and approved by StanCERA's Board Chairperson. Committee assignments may change during the year due to upcoming elections. Additionally, from time to time, ad-hoc committees may need to be formed to accommodate unforeseen issues.

- IV. RISK: None
- V. STRATEGIC PLAN: *Objective #4; Refine StanCERA's business policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.*
- IV. BUDGET IMPACT: None

Rick Santos, Executive Director

Luiana Irizarry, Investment/Accounting Technician

Standing Committees

Internal Governance Committee

Areas of Responsibility: *Audits, Bylaws Revisions, Policy Revisions, Board Member Education*

Donna Riley, Chair
Joan Clendenin
Mike Lynch
Staff: As needed

Due Diligence Committee

(Pursuant to Bylaw 1.7a the Board's Vice Chair is the Committee Chair on a rotating basis)

Areas of Responsibility: *Perform onsite due diligence for StanCERA's active investment managers, custodial bank and actuary*

Maria De Anda, Chair
Jason Gordo
Jeff Grover
StanCERA Investment Consultants: Paul Harte and Nathan Pratt, Strategic Investment Solutions
Staff: As needed

Strategic Planning Objectives Committee

Areas of Responsibility: *May include Current Strategic Planning Objectives (Review of AAROR, Defined Benefit Plans and Alternatives; Improving Communications with BOS, CEO, Plan Sponsor Decision Makers and the Public), and Future Objectives*

Michael O'Neal, Chair, (Joan Clendenin, Alternate)
Jim DeMartini
Darin Gharat
Staff: As needed



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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For the Retirement Board Meeting

Held on January 28, 2014

1-28-14

Item #6e

TO: StanCERA Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: Executive Director Goals and Strategic Action Plan Quarter 4 2013 Update
- II. ITEM TYPE: Consent
- III. RECOMMENDATION: Approve progress on Director Goals and Strategic Action Plan
- IV. ANALYSIS: This is the fourth and final quarter update on the Executive Director Goals for 2013 and a final update on the progress for the Organizational Strategic Action Plan for 2010-2013.

Executive Director Goals (Attachment 1)

This document lists the goals set forth by the Executive Director and approved by the Board of Retirement in January 2013. For tasks that are expected to be ongoing and regular throughout the year, a list of the Quarter 4 progress is laid out. For other tasks that ultimately have a resolution, their 4th quarter status is reported out.

This document takes a different approach to reporting. It uses color coding and the following “stop light” symbols to suggest progress:

- Green light = Tasks completed thus far
- Yellow light = Tasks incomplete but not late; yet still on the Director’s radar
- Red light = Tasks incomplete and have missed their intended deadline

One item of note is Goal # 10, which has to do with the implementation of a formal peer review process. This task was not completed this year and has instead become a part of the new Strategic Plan for 2014-2016.

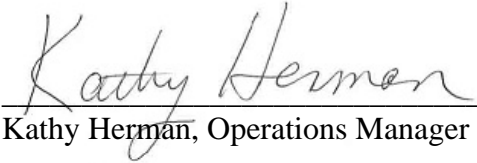
Another area of note is Goal # 2, which has to do with the revision of the redeposit process. This task became much more involved than originally anticipated due to staff’s underestimation of the number of redeposit possibilities and the desire to incorporate the changes into our pension software. Staff anticipates completing this task mid-year 2015.

Strategic Action Plan (Attachment 2)

This document is divided into two sections; tasks that are ongoing in nature and those that have a specific resolution. Only tasks that are on going or have not been completed are part of this document. Many of the tasks in the original Strategic Action Plan have been completed and as such, are not a part of this document. Tasks that are ongoing will simply list the action taken during the quarter being reported out. This information will then be updated each subsequent quarter and the prior quarter's action removed. Those tasks that have a specific resolution will list whether the item has been completed and if so, it will be removed in subsequent quarters.



Rick Santos, Executive Director



Kathy Herman, Operations Manager

Attachment 1

Executive Director's Goals for 2013

Quarter 4 Update

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and employee groups

Anticipated Completion Date: Ongoing



- **Quarter 4 Progress**

- ✓ Status updates with plan sponsors regarding StanCERA litigation
- ✓ Meetings with County officials and other Plan Sponsors regarding PEPRA implementation
- ✓ Meetings with Retiree Organization and County officials regarding changes in health care administration
- ✓ StanCERA staff attendance in regular County meetings regarding payroll and human resources policies and procedures
- ✓ Communication with union officials regarding pension costs and calculations

2. Revise member redeposit process

Anticipated Completion Date: **Spring 2015**



- **Tasks Completed**

- ✓ Process has been developed and documented
- ✓ Rationale for the process change has been documented



- **Tasks Not completed**

- ✓ May need buyoff from plan sponsors
- ✓ Review to make sure all possible redeposit types are covered
- ✓ Incorporate process into Tyler

3. Complete Custodial Bank Study and possible transition



- **Complete**

Executive Director's Goals for 2013

Quarter 4 Update

4. *Complete Organization Strategic Plan*

- Complete



5. *Complete Actuarial audit of experience study and 2012 annual valuation*

- Complete



6. *Revise Investment Policy Statement*

- Complete



7. *Complete transition to alternative investments - ongoing*

Anticipated Completion Date: Quarter 2 2014/Quarter 3 2015

- Quarter 4 Progress



- ✓ Legal review of PRIMA
- ✓ Ongoing funding and oversight for all three Direct Lenders

8. *Incorporate cash flow matching of short-term liabilities*

- Complete



- ✓ Short-term cash flows (out to 3 years) matched
- ✓ Staff education on immunization and glide path de-risking strategies

Executive Director's Goals for 2013

Quarter 4 Update

Note: The de-risking process will always be an ongoing function of the Organization. During 2014, staff will be presenting a long-term glide path strategy intended to de-risk the plan's liabilities over time

9. Complete Trustee Elections

- Complete



10. Begin studying and implementation of an internal formal peer review process

- Incomplete



✓ This task is now a part of the 2014-2016 strategic plan

11. Complete biennial review of by-laws

- Complete



12. Complete a preliminary review of capital market conditions

- Complete



13. Continue ongoing process review and organizational structure review

- Complete



Executive Director's Goals for 2013

Quarter 4 Update

14. Continued monitoring of StanCERA lawsuits - ongoing

- **Quarter 4 Progress**



- ✓ Assist in the discovery process

15. Explore opportunities for Board educational sessions - ongoing

- **Complete**



16. Director Professional Development - ongoing

- **Quarter 4 Progress**



- ✓ Society of Actuaries annual conference

17. Oversee administrative functions - ongoing

- **Quarter 4 Progress**



- ✓ All agenda and minute production for all Board and Committee Meetings
- ✓ Facilitation of Board and Staff travel
- ✓ All retiree payrolls complete
- ✓ Member contributions and refunds up to date
- ✓ Presentation and Completion of the June 30, 2013 audit
- ✓ Goal: 18 or less outstanding disability applications
- Currently, there are 15 outstanding disability applications. Staff continues to improve and refine the disability process and is working to get this statistic even lower

Attachment 2 - 2013 Strategic Action Plan (SAP) Quarter 4 Progress Update

SAP Tasks on going in nature

- 1) Periodically review and revise the investment policy as needed
 - ✓ Investment Policy Statement revisions completed and approved by Board of Retirement
- 2) Periodically review and revise assumptions as needed
 - ✓ Capital Markets Review completed
- 3) Conduct regular discussions with Strategic Investment Solutions (SIS)
 - ✓ Monthly Investment Meetings
 - ✓ Ongoing and regular meetings with alternative investment legal counsel
 - ✓ Meetings regarding performance measurements
 - ✓ Meetings regarding cash transitions to alternative investments
 - ✓ Due diligence discussions and preparations regarding possible custodial bank transition
 - ✓ Discussions regarding changes to fixed income portfolio
 - ✓ Discussions regarding manager performance monitoring
- 4) Periodically discuss key investment decisions with experts as needed
 - ✓ Monthly SIS reports
 - ✓ Monthly Investment Manager reports
 - ✓ Alternative monitoring and discussion
 - ✓ Due diligence on potential new custodial banks
 - ✓ Capital market expectations research
 - ✓ Positioning of fixed income portfolio in today's economic environment
- 5) Maintain current information on website
 - ✓ Current quarter information
 - Board Agenda information
 - Board minutes
 - Board audio
- 6) Maintain educational sessions for interested stakeholders
 - ✓ Nothing to report out
- 7) Explore other sources of communication with Plan Sponsors and Members
 - ✓ Nothing to report out

Attachment 2 - 2013 Strategic Action Plan (SAP) Quarter 4 Progress Update

- 8) Gather and report benchmarking data against other Systems
 - ✓ Nothing to report out
- 9) Analyze benchmarking data
 - ✓ Nothing to report out
- 10) Communicate with peers in other pension Systems
 - ✓ Continuous email and telephone communication with other System Leaders
 - ✓ SACRS meeting
- 11) Continue to contract with established knowledgeable attorneys
 - ✓ Current contracts
 - Hanson and Bridgett
 - Damrell, Nelson, Schrimp, Pallios, Pacher & Silva
 - Reed Smith
 - Ted Cabral, Disability Attorney
- 12) Explore opportunities to offer educational sessions at StanCERA
 - ✓ Nothing to report out
- 13) Identify high quality educational opportunities and inform Board Members
 - ✓ Nothing to report out
- 14) Ensure that major StanCERA processes are completed on time and to standards
 - ✓ All StanCERA plan sponsors are now reporting payroll in compliance with the new PEPRA standards
 - ✓ All major processes completed on time
 - Board agenda and minute production
 - 4th quarter retiree payrolls
 - 4th quarter member refunds
 - Outstanding disability applications – 15; *Note: StanCERA has had an ongoing goal of no more than 18 outstanding applications at any time and expects to lower this standard in the near future*
- 15) Staff and Board to attend approved educational opportunities
 - ✓ Staff
 - CALAPRS Benefits Roundtable
 - CALAPRS Attorney's Roundtable
 - CALAPRS Accountant's Roundtable
 - Society of Actuaries annual conference
 - ✓ Board
 - SACRS

Attachment 2 - 2013 Strategic Action Plan (SAP) Quarter 4 Progress Update

16) Search out other Systems' websites for best practices and ideas for the future

✓ Nothing to report out

17) Enhance website based on research of other Systems' websites

✓ Nothing to report out

18) Track and resolve post-implementation Tyler issues as needed

✓ All StanCERA plan sponsors are now reporting payroll in compliance with the new PEPRA standards and data is successfully being imported into Tyler

SAP Tasks with a specific resolution

All tasks contained within the 2010-2013 Strategic Plan with a specific resolution have been completed



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**For the Board of Retirement meeting
Held on January 28, 2014**

TO: Board of Retirement

1-28-14

Item #6f

FROM: Rick Santos, Executive Director

- I. SUBJECT: StanCERA 2014-2016 Strategic Plan
- II. ITEM TYPE: Consent
- III. STAFF RECOMMENDATION: None
- IV. ANALYSIS: Attachment 1 displays the final submission of the 2014-2016 Strategic Plan for StanCERA. On October 4th, 2013, the Strategic Planning Committee recommended acceptance of the 2014-2016 Strategic Plan to the full Board which was unanimously accepted.

This final version now has included the tasks portion of the plan with deliverable dates and should be considered as complete.
- V. RISK: None
- VI. STRATEGIC PLAN: N/A
- VII. ADMINISTRATIVE BUDGET IMPACT: None

Rick Santos, Executive Director

Kathy Herman, Operations Manager



Strategic Objective #1

Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability

Background

StanCERA understands that the first priority of the system is the timely payment of all benefit obligations. In this context, pension risk should be defined as the ability of StanCERA to meet its contractual promises to its members. It is also understood that StanCERA's plan sponsors have limited resources with which to make contributions to the System. As a result, StanCERA believes assets that produce cash flows similar in timing and size to the required benefit obligations is the most efficient and effective way to minimize pension risk while balancing the stability and sustainability of required plan sponsor contributions.

Strategy

StanCERA's strategy to meet this strategic objective is driven by a balance between the economic environment and the plan sponsor's ability and desire to minimize pension risk. When the general level of interest rates is low, the cost to minimize pension risk is high. As a result, StanCERA adopts the following strategies:

- I. Monitor current costs and risks
- II. Enhance the understanding of the financial tools available
- III. Communicate with plan sponsors
- IV. Implement a well-defined policy for minimizing pension risk
- V. Develop policy triggers for potential opportunities

Desired Outcome

While StanCERA acknowledges that assets that produce cash flows similar in timing and size to the required benefit obligations is the most efficient and effective way to minimize pension risk, it is also believed that long duration pension liabilities do have some correlation with the general level of economic activity. Because of this, StanCERA believes assets that are inherently correlated with economic growth provide a hedge for some of its longer duration liabilities. As such, a long-term (5 to 10 years) desired outcome would be a portfolio consisting of 60% to 75% fixed income with the remainder in longer duration, growth oriented assets.



Strategic Plan Objective #1: Action Plan with Deliverables 1/28/2014

- I. *Monitor current costs and risks*
 - a. Create a program that projects StanCERA cash flows for a period of up to 3 years – 12/31/2014
 - b. Create a program that allows StanCERA to determine the approximate cost to immunize any portion (percentage) of StanCERA's future benefit obligations using current yields available on government treasuries and corporate bonds – 12/31/2014
 - c. Each year after the annual valuation, have the StanCERA actuary maintain a program that allows StanCERA to project future required plan sponsor contributions and funded ratios based on StanCERA's current or proposed asset allocation – 12/31/2014
- II. *Enhance the understanding of the financial tools available*
 - a. Contract with specialists in the area of asset-liability management – 12/31/2014
 - b. Staff attendance at seminars dedicated to asset-liability management – 12/31/2014
 - c. Board education regarding the use of synthetic assets (futures, options, etc.) to manage risk – 6/30/2014
- III. *Communicate with plan sponsors*
 - a. Meet with plan sponsors annually to discuss any issues that may affect StanCERA's future projected cash flows – ongoing; 12/31 of each year
 - b. Meet with plan sponsors at least annually to determine the sponsor's willingness and capacity to take pension risk – ongoing; 12/31 of each year
- IV. *Implement a well-defined policy for minimizing pension risk*
 - a. Develop a high-level policy that defines StanCERA's short, intermediate and long-term goals and approach to minimizing pension risk. The policy should describe ranges for acceptable future outcomes – 12/31/2014
- V. *Develop policy triggers for potential opportunities*
 - a. Within StanCERA's policy for minimizing pension risk, develop a "glide-path" approach that defines when StanCERA believes it is efficient and economically feasible to shift parts of its portfolio to risk minimizing assets. The policy should describe explicitly the steps StanCERA would take when these trigger points are realized – 12/31/2014



Strategic Objective # 2

Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA's active managers

Background

Over time, capital markets have become increasingly more efficient while the ability of an active manager to consistently outperform has become more difficult. Further, as System assets and the number of different asset types grow, so does the need for enhanced investment governance and the ability for StanCERA to efficiently and effectively assess and monitor the performance of its active managers.

Strategy

- I. Develop clear and concise processes and policies dedicated to the continual assessment, monitoring and disposition of StanCERA's active managers
- II. Processes are intended to provide a roadmap for the assessment of potential new managers and what should be considered when performing onsite due diligence
- III. Rework or augmentation of current monthly and quarterly reporting standards with an eye towards simplicity and understanding
- IV. StanCERA staff to take a more proactive role in the reporting and assessment process

Desired Outcome

The intent of this objective is to enhance StanCERA's understanding and assessment of the investment process and those that are managing it. Ambiguity regarding manager performance will be kept to a minimum. Ultimately, StanCERA's fiduciary duty to all stakeholders will be enhanced as well.



Strategic Plan Objective #2: Action Plan with Deliverables 1/28/2014

- I. Develop clear and concise processes and policies dedicated to the continual assessment, monitoring and disposition of StanCERA's active managers*
 - a. Develop:
 - i. a list of reports that the Organization would be comfortable with in their assessment of StanCERA active managers and how their performance relates to risk management principles – 12/31/2015
 - ii. reasonable criteria that defines satisfactory performance with an eye towards asset liability and total risk management – 12/31/2015
 - iii. processes and remedies for active managers when performance is deemed to be unsatisfactory – 12/31/2015
 - b. Develop processes/policies for:
 - i. onsite active manager visits to StanCERA – 3/31/2014
 - ii. reporting intervals – 3/31/2014
 - iii. trustee directed investment opportunities – 3/31/2014
- II. Processes are intended to provide a roadmap for the assessment of potential new managers and what should be considered when performing onsite due diligence*
 - a. develop objective criteria for determining whether a new investment is suitable for StanCERA – 12/31/2014
 - b. develop criterion or a checklist for what is expected at onsite due diligence trips – 12/31/2014
- III. Rework or augmentation of current monthly and quarterly reporting standards with an eye towards simplicity and understanding*
 - a. Work with StanCERA's investment consultant to change the reporting structure of the monthly and quarterly (if necessary) performance reports. Changes to the report(s) should focus on the following: – 12/31/2016
 - i. *Relevance* – present information that the Organization needs to meet its strategic objectives
 - ii. *Visuality* – to the extent possible, information presented visually should take preference
 - iii. *Assimilation* – information should be conveyed in such a way that allows the Organization to quickly assimilate and understand what's being presented
 - iv. *Executive Summary* – a short summary of the most relevant aspects of the report as they relate to the strategic objectives of the Organization



Strategic Plan Objective #2: Action Plan with Deliverables 1/28/2014 (continued)

- IV. *StanCERA to take a more proactive role in the reporting and assessment process*
 - a. StanCERA staff to develop the ability to quickly access and download information necessary to produce all reports – 12/31/2016
 - b. Subscribe to reporting services necessary for StanCERA to meet its reporting obligations – 12/31/2016
 - c. StanCERA staff to ultimately be accountable and responsible for the conveyance and reporting (both verbal and written) of most investment related information and reporting – 12/31/2016



Strategic Objective # 3

Continue to foster an organizational culture that values and promotes team work, education, awareness, accountability and achievement.

Background

The defined benefit that StanCERA administers is a valuable asset and a critical part of the compensation package that has been promised to its members. In addition, while the County Employees Retirement Law of 1937 (CERL) gives StanCERA the authority to require the contributions needed to fund these benefits, understanding the constraints of the plan sponsors is also important. Fostering an organizational culture that values and promotes teamwork, education, and awareness, demonstrates that we value our own human resources and is the first step towards ensuring that the needs of all the stakeholders are considered. In fiscal year 2010-2011, StanCERA experienced a major turnover in staff including leadership. It was the knowledge and diligence of the StanCERA team that made the transition possible.

Strategy

- I. Optimize StanCERA's organizational resources
- II. Ensure organizational quality and performance through continuous improvement
- III. Identify potential programs that will enhance skills and advance development of staff
- IV. Enhance StanCERA's system of accountability that increases awareness and rewards effort

Desired Outcome

The intent of this objective is to preserve an agency that leads with transparency and promotes teamwork throughout and to foster an environment of creativity while maintaining accountability and personal responsibility. Additionally, the objective seeks to enable StanCERA staff by providing the knowledge and the skills necessary to fulfill the benefits that have been promised to all of its members as well as preparing staff for future challenges and professional opportunities.



Strategic Plan Objective #3: Action Plan with Deliverables 1/28/2014

- I. Optimize StanCERA's organizational resources
 - a. Reorganize office layout – 9/30/2014
 - b. Review and reassess the Organizational Structure in alignment with the long-term goals and needs of the Organization – 12/31/2014
 - c. In conjunction with a potential Organizational Structure realignment, review current job duties as they relate to the position and job classification – 12/31/2014
 - d. Continue to cross-train staff with a goal of establishing multiple levels of backup – *Ongoing*
 - e. Complete review and amendment of process manuals – 12/31/2016
- II. Ensure organizational quality and performance through continuous improvement
 - a. Reestablish Monthly Team Meetings with emphases on open communication and teamwork – 6/30/2014
 - b. Ensure that all StanCERA documents are standardized with respect to font, formatting, etc. – 6/30/2014
 - c. Establish a formal peer-review process for internal and external documents and external communications – 6/30/2015
 - d. Establish an IT forum at monthly staff meetings with an emphasis on software/applications, Tyler issues and any update issues – 6/30/2014
- III. Identify potential programs that will enhance skills and advance development of staff
 - a. Establish in-house staff training opportunities – *ongoing*
 - b. Develop an educational policy for staff with an emphasis on cost/benefit for each opportunity/program and Organizational justification – 12/31/2016
- IV. Enhance StanCERA's system of accountability that increases awareness and rewards effort
 - a. Develop an Employee Incentive Program with an emphasis on specific descriptions of exemplary actions that should be rewarded and how those actions benefit the Organization: - 12/31/2015



Strategic Objective # 4

Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.

Background

StanCERA enjoys strong relationships with plan members and sponsors. As the system continues to grow, both demographically and financially, enhanced communication and interaction with stakeholders will be essential. The quality and effectiveness of member services must be maintained. Policies and procedures need to be explored to insure that benefits are administered efficiently.

Strategy

- I. Formalize a process to educate stakeholders
- II. Enhance StanCERA technology in order to optimize our human resources and productivity
- III. Expand technology to insure continuity of operations during a natural disaster or a period of major outage

Desired Outcomes

The intent of this objective is to enhance stakeholder awareness, understanding and comfort with the investment and benefit process through training and communication. Continuing to explore new technology will enable us to effectively and efficiently serve StanCERA members.



Strategic Plan Objective #4: Action Plan with Deliverables 1/28/2014

- I. Formalize a process to educate stakeholders
 - a. Develop an education /advocacy committee – 12/31/2014
 - b. Identify Stakeholders-12/31/2014
 - c. Outline job duties/responsibilities for a Communications Specialist – 12/31/2014
 - d. Determine areas of educational need/ 6/30/2015
 1. Members
 2. Plan Sponsors/Employers
 3. Tax Payers/Members of the public
 - e. Review and amend the media policy – 12/31/2015
 - f. Draft a policy for the maintenance and creation of educational material – 12/31/2015
 - g. Establish standards for all outgoing communication and educational material including peer review. – 12/31/2016
 - h. Draft a policy for member outreach (posters, on-site visits with access to Tyler member information while on-site) – 12/31/2016
- II. Enhance StanCERA technology in order to optimize our human resources and productivity
 - a. Designate responsibility for web site content to a specific person or position – 12/31/2014
 - b. Determine optimal option for pension management system (renew contract with Tyler with a possible upgrade vs. changing vendors) – 12/31/2014
 - c. Create a Focus Group to identify possible technology enhancements – 12/31/2014
 - d. Prepare a series of short videos for specific subjects (reciprocity, buy backs, contributions, NEO) - 6/30/2015
 - e. Evaluate accounting and investment software needs – 12/31/2016
 - f. Incorporate an electronic knowledge base – 12/31/2016
 - g. Establish a process to send payroll advice notices and other communication to members/retirees via e-mail – 12/31/2016
 - h. Establish the ability to have live on-line chat communication with members/retirees through StanCERA web site – 12/31/2016
- III. Expand technology and training to ensure continuity of operations during a natural disaster or a period of major outage
 - a. Develop testing and training for COOP – 12/31/2014
 - b. Develop a formal schedule and process for disaster drills of Technology systems. – 12/31/2014
 - c. Determine optimal level of redundancy for continuity of operations – 12/31/2016



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**For the Board of Retirement meeting
Held on January 28, 2014**

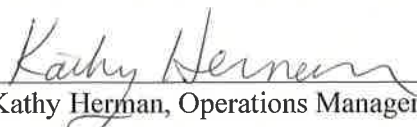
1-28-14
Item #6g

TO: Retirement Board
FROM: Kathy Herman, Operations Manager
SUBJECT: StanCERA Complaint Log

There were nineteen (19) retiree complaints logged between October 1, 2013, and January 15, 2014. A summary of these complaints follows:

Number of Complaints	Caller Status	Nature of Complaints
2	Retiree	RESCO Insurance failed to return calls regarding health insurance coverage after several messages were left (3 more complaints were not recorded as they were mentioned along with 3 of the following items)
2	Retiree	RESCO Insurance prescription coverage was not honored at retiree's pharmacy (1 more complaint was not recorded as it was mentioned along with 1 of the following items)
1	Retiree	RESCO Insurance vision coverage was not honored at retiree's optometrist
1	Retiree	StanCERA should require RESCO Insurance to obtain a physical address
3	Retiree	Retirees received cancellation notices from insurance companies even though premiums were being deducted from their retirement payroll
2	Retiree	An incorrect amount was withheld from retirement payroll for health insurance premiums
1	Retired	Medical insurance ID card had retiree's name spelled incorrectly
5	Retiree	Health insurance premiums were not deducted from retirement payroll
1	Retiree	Patrick McTighe promised retiree that he would have a new insurance provider effective 10/1/13; however, no confirmation had been received
1	Retired	The new health insurance enrollment forms were too confusing

This is a decrease of 298 complaints from the previous report.


Kathy Herman, Operations Manager


Rick Santos, Executive Director

/mew

U.S. EQUITY

Overall, the S&P 500, Dow and Nasdaq are all up more than 20% in 2013, thanks to a slowly recovering economy and continued bond buying from the Federal Reserve.

U.S. equity markets added another month of positive performance in November. Growth performed in-line with Value and Small Caps outperformed Large Caps. The Russell 1000 Growth Index was up +2.8% and the Russell 1000 Value Index was also up +2.8% for the month. The Russell 2000 Growth Index was up +4.1% and the Russell 2000 Value was up +3.9%. The S&P 500 Index ended the month higher by +3.1%.

The S&P 500 Index has a trailing P/E ratio of 17.8, a forward 12-month estimate P/E ratio of 16.2 and dividend yield of 2.0%.

Corporate merger highlights for the month included: Tri Pointe Homes will buy Weyerhaeuser's homebuilding division for \$2.7 billion; Canadian business software maker Open Text will buy privately-held cloud computing company GXG Group for \$1.2 billion; Endo Health Solutions will buy Canadian specialty pharmaceutical company Paladin Labs for about \$1.6 billion; Siemens will sell part of its water technologies unit for \$865 million to NY private equity firm AEA Investors; Experian will buy Passport Health Communications for \$850 million; Cisco Systems will buy out its data center technology start-up Insieme for a maximum cost of \$860 million; Nestle, the world's largest food and drink company, sold off its Jenny Craig weight management business outside of France to a U.S. private equity firm; Toll Brothers is buying the home building business of Shapell Industries for about \$1.6 billion in a move at strengthening its position in California; Salix Pharmaceuticals will buy Santarus for about \$2.1 billion to add to its roster of drugs focused on gastrointestinal disorders; Shire will acquire ViroPharma for \$4.2 billion to strengthen its portfolio of lucrative drugs to treat rare diseases; Novartis will sell its blood transfusion diagnostics unit to Spain's Grifols for \$1.7 billion; RDA Microelectronics will be acquired by a unit of Chinese state owned Tsinghua Holdings in a deal estimated at \$910 million; PetroChina, China's top oil and gas firm, will acquire the Peruvian oil and gas assets from Petrobras for \$2.6 billion; Advent International will acquire software maker Unit4 for about \$1.6 billion; Cepsa, the Abu Dhabi-owned oil refiner, will acquire

Coastal Energy for \$2.2 billion; Nokia shareholders approved the sale of the company's mobile phone business to Microsoft for \$7.4 billion; Devon Energy will buy GeoSouthern Energy's core assets in the Eagle Ford shale region of South Texas for \$6 billion; The government plans to sell its remaining 31.1 million shares of GM by year-end with the taxpayer loss on the bailout estimated at about \$11 billion; Deutsche Telekom is selling a 70% stake in its online classified business for \$2 billion to private equity firm Hellman & Friedman; Invel Real Estate will buy most of National Bank of Greece's real estate unit for \$880 million; Bayer offered to pay \$2.4 billion for Norway's Algeta, its partner for a new prostate cancer treatment; and, Men's Wearhouse offered to buy fellow retailer Jos. A. Bank Clothiers for \$1.5 billion.

FIXED INCOME

The U.S. economy grew at an annual rate of 2.8% in the 3rd quarter. However, consumer spending slowed down to 1.5% from 1.8% in the previous quarter, a sign of possible weakness. The U.S. economy is now expected to expand at a 1.8% annualized rate in the current quarter, less than economists projected (2.3%) before the budget impasse, according to the Philadelphia Federal Reserve's quarterly survey.

U.S. job openings and overall hiring both rose to five-year highs in September, signaling improvement in the job market. In addition, the U.S. economy added 204,000 jobs in October; more than double what was expected.

The yield on the bellwether 10-year Treasury note rose to 2.75% at the close of November from its October close at 2.57%. At month-end, the 30-year bond yield was 3.82% with the 3-month T-bill at 0.06%. The Barclays Capital US Aggregate Index was down -0.37% in November. U.S. High Yield bonds were the strongest sector up +0.51% as measured by the Barclays US High Yield Index.

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

THE GOOD

*U.S. manufacturing output grew for a fifth straight month in October, suggesting stronger economic growth

in the fourth quarter according to the Institute for Supply Management.

*The Commerce Dept. reported that factory orders jumped 1.7% in September to \$490.8 billion.

*The Institute for Supply Management reported that its survey of purchasing managers rose to 55.4% last month from 54.4% in September.

*The Conference Board's leading economic index increased 0.7% in September for the second month in a row.

*U.S. crude oil production exceeded imports in October for the first month since February 1995.

*National manufacturing output increased 0.3% in October. In the 12 months through October, factory production was up 3.3%, the fastest since December of 2012.

*The Labor Dept. reported that the Employment Cost Index, the broadest measure of labor costs, increased 0.4% in the 3rd quarter after advancing 0.5% in the 2nd quarter.

*The Consumer Price Index dipped to 0.1% in October and has risen by only 1.0% for the 12 months through October, the smallest year-over-year increase since 2009.

*The Case-Shiller Index on home prices increased 0.7% in September from August and was 13.3% ahead of a year ago.

*The manufacturing purchasing managers index increased to 54.7 in November, above the flash and up from the 51.8 reading in October.

*The Institute for Supply Management reported that its index of national factory activity rose to 57.3 in November, its best showing since April 2011.

THE NOT SO GOOD

*The October U.S. Treasury Budget showed a deficit of \$91.6 billion, following a \$120 billion deficit in September.

*The U.S. trade deficit widened more than expected by \$3.1 billion to \$41.8 billion in September. Exports slipped -0.2% while imports rose +1.2%.

*Black Friday sales fell 13.2% from the previous year to \$9.74 billion but combined spending over Thanksgiving and Black Friday rose 2.3% to \$12.3 billion.

The Conference Board reported that its consumer confidence index fell in November to 70.4 from 71.2 in October.

NON-U.S. MARKETS

The Bank of England's latest quarterly Inflation Report revealed an upgraded assessment of economic prospects including stronger GDP growth, falling unemployment and lower inflation. The Bank projects a much higher likelihood that GDP will be expanding at a pace materially above 2.0% and even close to 3.0% in 2014 and 2015.

A weak eurozone recovery slowed in the 3rd quarter with growth of just 0.1%. German eked out growth of 0.3%, down from 0.7% in the 2nd quarter while France's economy shrank -0.1%. The eurozone's purchasing index fell in November adding weight to evidence that their economic recovery is not gaining traction. The European Central Bank (ECB) responded by cutting its key policy rate, the main refinancing rate, a quarter point to 0.25%. It also cut its marginal lending rate a quarter point to 0.75% but left the deposit rate unchanged at zero.

The recovery in Japan continues with GDP rising another 0.5% in the 3rd quarter to record its fourth consecutive gain. GDP has now risen 2.7% year-over-year.

Russia's GDP growth remained below average in Q3 at just +1.2% year-over-year, a pace unchanged from the previous quarter.

Non-U.S. Developed equities were slightly higher in November. The MSCI ACWI Ex-U.S. was up +0.2% (US dollars) for the month. International Developed stocks (EAFE) were up +0.8% while Emerging Markets lost -1.5%.

CONCLUSION

Many have written off the likelihood that the Federal Reserve would begin QE tapering this year. As stocks hit new records and small investors – finally – return to the market, some analysts are getting worried.

Risk assets have rallied to previous bubble conditions. Powered by unprecedented refinancing and recapitalization activity, 2013 is now the most productive year ever for new-issue leveraged loans, for example. This has been great for corporations as financing and refinancing has put them on a stronger footing. Where M&A activity still lags the highs of the last boom, issuers have jumped into the opportunistic pool with both feet.

And why not? Secondary prices are high and new-issue clearing yields remain low. Yet very inadequate movement has been evidenced on the hiring front. And after all the improvement in EBITDA, where do we go from here?

Forward guidance will clearly be harder. One might argue that we are back in a Goldilocks fantasy world, where the economy is not so strong (as to cause inflation and trigger serious monetary tightening) or so weak (as to cause recession and a collapse in profits) but “just right”. Yet, it seems unlikely that issuers with weaker credit quality could find it so easy to sell debt without the excess liquidity created by the Fed and other central banks. Weaning everyone off the “liquidity fix” may be tough!

Wishing all a happy and healthy Holiday Season!

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Nov-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.90	11.26	30.12	31.71	23.58	17.78	18.54	6.28	8.09
Russell TOP 200 Index	3.32	11.52	29.09	29.78	23.15	17.96	16.72	5.79	7.15
Russell TOP 200 Growth Index	3.11	13.15	29.17	28.23	22.01	17.84	19.00	7.94	7.39
Russell TOP 200 Value Index	3.53	9.94	28.98	31.31	24.28	18.14	14.37	3.65	6.92
S&P 500 Index	3.05	11.16	29.12	30.30	23.01	17.73	17.60	5.96	7.69
Russell 1000 Index	2.81	11.07	29.61	30.96	23.35	17.78	18.33	6.23	8.00
Russell 1000 Growth Index	2.82	12.15	29.78	29.74	22.11	17.44	20.14	7.86	7.89
Russell 1000 Value Index	2.79	9.98	29.25	31.92	24.48	18.05	16.40	4.48	7.96
Russell Mid-Cap Index	1.66	10.07	30.87	33.81	23.81	17.34	22.67	7.38	10.22
Russell Mid-Cap Growth Index	2.21	10.06	31.55	33.91	22.50	16.76	23.49	7.90	9.55
Russell Mid-Cap Value Index	1.05	10.08	29.90	33.33	24.85	17.75	21.66	6.54	10.42
Russell 2000 Index	4.01	13.42	36.14	40.99	26.27	17.89	20.97	6.96	9.08
Russell 2000 Growth Index	4.11	13.38	40.43	44.47	26.71	18.90	23.38	8.59	9.23
Russell 2000 Value Index	3.90	13.47	32.03	37.60	25.82	16.85	18.61	5.25	8.79
DJ US REIT Index	-5.49	1.50	0.65	4.45	11.10	10.53	20.08	0.55	8.48
DJ-UBS US Commodity Index TR	-0.80	-4.76	-10.63	-12.96	-7.74	-5.33	0.34	-3.85	1.46
DJ-UBS US Gold Index TR	-5.61	-10.50	-25.80	-27.40	-16.06	-3.99	8.06	8.82	11.19

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Nov-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.19	11.12	14.75	18.75	15.42	7.98	14.38	2.94	8.74
MSCI AC World Index	1.46	11.05	21.31	24.11	18.93	12.31	15.97	4.38	8.20
MSCI EAFE Index	0.78	11.90	21.46	25.36	19.10	10.97	13.95	2.49	8.04
MSCI Emerging Markets index	-1.45	10.10	-0.84	4.02	7.81	1.03	17.24	4.98	12.47
ML Global Government Bond Ex. U.S. Index	-2.10	0.68	-7.45	-9.46	-4.58	0.13	3.44	4.56	4.38
Euro	0.15	3.26	3.27	4.69	0.57	1.51	1.42	0.38	1.28
Japanese Yen	-4.16	-4.15	-15.53	-19.44	-12.92	-6.46	-1.43	1.76	0.68
UK Pound Sterling	1.96	5.89	0.77	2.21	2.05	1.70	1.32	-2.58	-0.49

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Nov-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.01	0.06	0.08	0.08	0.10	0.12	1.14	1.68
BarCap Aggregate Bond Index	-0.37	1.38	-1.47	-1.61	1.89	3.09	5.33	4.91	4.71
ML U.S. Corp/Govt Master Index	-0.37	1.36	-1.98	-2.27	2.10	3.32	5.49	4.92	4.68
ML U.S. Corporate Master Index	-0.29	2.04	-1.28	-1.30	5.38	5.08	10.15	5.81	5.47
BarCap Mortgage Backed Securities Index	-0.62	1.46	-0.95	-0.81	1.16	2.40	4.13	4.83	4.77
ML U.S. High Yield Master Index	0.45	3.96	6.79	8.47	12.41	9.43	20.08	8.48	8.57
JPM EMBI Global	-2.91	2.34	-7.72	-6.86	5.20	5.75	12.92	7.17	8.48

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Nov-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.90	11.26	30.12	31.71	23.58	17.78	18.54	6.28	8.09
Russell TOP 200 Index	3.32	11.52	29.09	29.78	23.15	17.96	16.72	5.79	7.15
Russell TOP 200 Growth Index	3.11	13.15	29.17	28.23	22.01	17.84	19.00	7.94	7.39
Russell TOP 200 Value Index	3.53	9.94	28.98	31.31	24.28	18.14	14.37	3.65	6.92
S&P 500 Index	3.05	11.16	29.12	30.30	23.01	17.73	17.60	5.96	7.69
Russell 1000 Index	2.81	11.07	29.61	30.96	23.35	17.78	18.33	6.23	8.00
Russell 1000 Growth Index	2.82	12.15	29.78	29.74	22.11	17.44	20.14	7.86	7.89
Russell 1000 Value Index	2.79	9.98	29.25	31.92	24.48	18.05	16.40	4.48	7.96
Russell Mid-Cap Index	1.66	10.07	30.87	33.81	23.81	17.34	22.67	7.38	10.22
Russell Mid-Cap Growth Index	2.21	10.06	31.55	33.91	22.50	16.76	23.49	7.90	9.55
Russell Mid-Cap Value Index	1.05	10.08	29.90	33.33	24.85	17.75	21.66	6.54	10.42
Russell 2000 Index	4.01	13.42	36.14	40.99	26.27	17.89	20.97	6.96	9.08
Russell 2000 Growth Index	4.11	13.38	40.43	44.47	26.71	18.90	23.38	8.59	9.23
Russell 2000 Value Index	3.90	13.47	32.03	37.60	25.82	16.85	18.61	5.25	8.79
DJ US REIT Index	-5.49	1.50	0.65	4.45	11.10	10.53	20.08	0.55	8.48
DJ-UBS US Commodity Index TR	-0.80	-4.76	-10.63	-12.96	-7.74	-5.33	0.34	-3.85	1.46
DJ-UBS US Gold Index TR	-5.61	-10.50	-25.80	-27.40	-16.06	-3.99	8.06	8.82	11.19

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Nov-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.19	11.12	14.75	18.75	15.42	7.98	14.38	2.94	8.74
MSCI AC World Index	1.46	11.05	21.31	24.11	18.93	12.31	15.97	4.38	8.20
MSCI EAFE Index	0.78	11.90	21.46	25.36	19.10	10.97	13.95	2.49	8.04
MSCI Emerging Markets Index	-1.45	10.10	-0.84	4.02	7.81	1.03	17.24	4.98	12.47
ML Global Government Bond Ex. U.S. Index	-2.10	0.68	-7.45	-9.46	-4.58	0.13	3.44	4.56	4.38
Euro	0.15	3.26	3.27	4.69	0.57	1.51	1.42	0.38	1.28
Japanese Yen	-4.16	-4.15	-15.53	-19.44	-12.92	-6.46	-1.43	1.76	0.68
UK Pound Sterling	1.96	5.89	0.77	2.21	2.05	1.70	1.32	-2.58	-0.49

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Nov-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.01	0.06	0.08	0.08	0.10	0.12	1.14	1.68
BarCap Aggregate Bond Index	-0.37	1.38	-1.47	-1.61	1.89	3.09	5.33	4.91	4.71
ML U.S. Corp/Govt Master Index	-0.37	1.36	-1.98	-2.27	2.10	3.32	5.49	4.92	4.68
ML U.S. Corporate Master Index	-0.29	2.04	-1.28	-1.30	5.38	5.08	10.15	5.81	5.47
BarCap Mortgage Backed Securities Index	-0.62	1.46	-0.95	-0.81	1.16	2.40	4.13	4.83	4.77
ML U.S. High Yield Master Index	0.45	3.96	6.79	8.47	12.41	9.43	20.08	8.48	8.57
JPM EMBI Global	-2.91	2.34	-7.72	-6.86	5.20	5.75	12.92	7.17	8.48

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STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING NOV 30, 2013
PRELIMINARY BASIS

SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	CURRENT POLICY ALLOCATION	RANGE	TARGET POLICY ALLOCATION	RANGE
DOMESTIC EQUITIES	791,282,552	<u>46.8%</u>	41.9%	36.9% - <u>46.9%</u>	38.2%	32.2% - 44.2%
INTERNATIONAL EQUITIES	308,569,653	18.2%	19.0%	16.0% - 22.0%	18.0%	15.0% - 21.0%
FIXED INCOME	498,211,443	<u>29.4%</u>	35.6%	31.9% - 39.3%	<u>29.8%</u>	26.0% - 33.6%
ALTERNATIVES:	80,601,193	4.8%	3.5%		14.0%	
DIRECT LENDING	59,267,233	3.5%	2.0%	1.0% - 3.0%	7.5%	2.5% - 9.0%
REAL ESTATE	21,333,960	1.3%	1.5%	1.0% - 2.0%	3.5%	1.0% - 4.5%
INFRASTRUCTURE	0	0.0%	0.0%	0.0% - 0.0%	3.0%	0.0% - 4.0%
SECURITY LENDING	(626,283)	0.0%	0.0%	0.0% - 0.0%	0.0%	0.0% - 0.0%
CASH (equity managers only)	13,923,338	0.8%	0.0%	0.0% - 3.0%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,691,961,894	100.0%	100.0%		100.0%	
			ACTUAL	CURRENT ALLOCATION	TARGET ALLOCATION	
DODGE & COX LARGE CAP VALUE			10.8%	9.8%	8.9%	
BlackRock - R1000 VALUE INDEX			6.3%	6.0%	5.5%	
DELAWARE LARGE CAP GROWTH			8.6%	7.3%	6.7%	
BlackRock R1000 GROWTH INDEX			5.4%	5.0%	4.6%	
CAPITAL PROSPECTS			5.5%	4.5%	4.0%	
LEGATO CAPITAL			5.2%	4.0%	3.7%	
BNY - S&P 500 INDEX			5.6%	5.3%	4.8%	
LSV ASSET MGMT - INTL EQ			9.0%	9.5%	9.0%	
PYRAMIS - INTL EQ			9.3%	9.5%	9.0%	
DODGE & COX FIXED INCOME			23.2%	28.1%	23.8%	
PIMCO			6.2%	7.5%	6.0%	
MEDLEY			1.0%	1.0%	2.1%	
RAVEN			1.2%	1.0%	2.7%	
WHITE OAK			1.3%	0.0%	2.7%	
BlackRock US REAL ESTATE SECURITIES INDEX			1.3%	1.5%	1.5%	
Unallocated Private Real Estate			0.0%	0.0%	2.0%	
Infrastructure			0.0%	0.0%	3.0%	
SECURITY LENDING			0.0%	0.0%	0.0%	
TOTALS		100.0%	100.0%	100.0%		

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING NOV 30, 2013
PRELIMINARY BASIS

GROWTH OF ASSETS AND CHANGES IN ALLOCATION

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
MARKET VALUE					
DOMESTIC EQUITIES	791,282,552	767,589,626	3.09%	627,240,223	26.15%
INTERNATIONAL EQUITIES	308,569,653	306,149,843	0.79%	245,603,112	25.64%
FIXED INCOME	498,211,443	503,849,219	-1.12%	535,871,192	-7.03%
DIRECT LENDING	59,267,233	50,418,379	17.55%	0	N/A
REAL ESTATE	21,333,960	22,566,912	-5.46%	20,395,582	4.60%
SECURITIES LENDING	(626,283)	(677,511)	7.56%	(1,025,713)	38.94%
CASH (equity managers only)	13,923,338	17,607,023	-20.92%	14,467,148	-3.76%
TOTAL PORTFOLIO	1,691,961,894	1,667,503,490	1.47%	1,442,551,543	17.29%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	46.77%	46.03%	0.7%	43.48%	3.3%
INTERNATIONAL EQUITIES	18.24%	18.36%	-0.1%	17.03%	1.2%
FIXED INCOME	29.45%	30.22%	-0.8%	37.15%	-7.7%
DIRECT LENDING	3.50%	3.02%	0.5%	0.00%	3.5%
REAL ESTATE SECURITIES	1.26%	1.35%	-0.1%	1.41%	-0.2%
SECURITY LENDING	-0.04%	-0.04%	0.0%	-0.07%	0.0%
CASH (equity managers only)	0.82%	1.06%	-0.2%	1.00%	-0.2%
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%

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

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+24.4MM

+250MM

wow!

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING NOV 30, 2013
PRELIMINARY BASIS

MANAGER ALLOCATION

ASSET CLASS	MARKET VALUE	PERCENT	CURRENT POLICY TARGET	RANGE
DOMESTIC EQUITIES				
DODGE & COX LARGE CAP VALUE	183,255,867	10.8%	9.8%	7.8% - 11.8%
BLACKROCK R1000 VALUE INDEX	106,782,572	6.3%	6.0%	5.0% - 7.0%
DELAWARE LARGE CAP GROWTH	144,969,772	8.6%	7.3%	5.8% - 8.8%
BLACKROCK R1000 GROWTH INDEX	92,141,249	5.4%	5.0%	4.0% - 6.0%
CAPITAL PROSPECTS SMALL CAP VALUE	93,145,439	5.5%	4.5%	3.5% - 5.5%
LEGATO CAPITAL SMALL CAP GROWTH	87,526,010	5.2%	4.0%	3.0% - 5.0%
BNY - S&P 500 INDEX	94,820,669	5.6%	5.3%	4.3% - 6.3%
TOTAL DOMESTIC EQUITIES	802,641,578	47.4%	41.9%	
FIXED INCOME				
DODGE & COX	392,552,185	23.2%	28.1%	25.6% - 30.6%
PIMCO	105,659,257	6.2%	7.5%	6.0% - 9.0%
TOTAL FIXED INCOME	498,211,443	29.4%	35.6%	
DIRECT LENDING				
MEDLEY CAPITAL	17,134,633	1.0%	1.5%	1.0% - 3.0%
RAVEN CAPITAL	20,702,819	1.2%	0.5%	0.0% - 2.0%
WHITE OAK	21,429,781	1.3%	0.0%	0.0% - 2.0%
TOTAL DIRECT LENDING	59,267,233	3.5%	2.0%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	153,091,764	9.0%	9.5%	8.0% - 11.0%
PYRAMIS	158,042,201	9.3%	9.5%	8.0% - 11.0%
TOTAL INTERNATIONAL EQUITIES	311,133,965	18.4%	19.0%	
REAL ESTATE SECURITIES				
BlackRock US RE SECURITIES INDEX	21,333,960	1.3%	1.5%	1.0% - 2.0%
TOTAL SPECIAL SITUATIONS	21,333,960	1.3%	1.5%	0.0% - 3.0%
SECURITIES LENDING	(626,283)	0.0%	0.0%	0.0% - 0.0%
TOTAL STANCERA PORTFOLIO	1,691,961,894	100.0%	100.0%	

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING NOV 30, 2013
PRELIMINARY

TOTAL FUND				
	CASH	BONDS	EQUITIES	TOTAL
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	2,250,689		181,005,177	183,255,867
BLACKROCK R1000 VALUE INDEX	0		106,782,572	106,782,572
DELAWARE - LARGE CAP GROWTH	3,745,104		141,224,668	144,969,772
BLACKROCK R1000 GROWTH INDEX	0		92,141,249	92,141,249
CAPITAL PROSPECTS - SMALL CAP VALUE	2,838,055		90,307,384	93,145,439
LEGATO CAPITAL - SMALL CAP GROWTH	2,524,948		85,001,062	87,526,010
BNY - S&P 500 INDEX	228		94,820,440	94,820,669
TOTAL DOMESTIC EQUITIES	11,359,026		791,282,552	802,641,578
FIXED INCOME				
DODGE & COX	8,026,542	384,525,643		392,552,185
PIMCO	6,786,419	98,872,838		105,659,257
TOTAL FIXED INCOME	14,812,961	483,398,481		498,211,443
DIRECT LENDING				
MEDLEY	0	17,134,633		17,134,633
RAVEN	0	20,702,819		20,702,819
WHITE OAK	0	21,429,781		21,429,781
TOTAL DIRECT LENDING	0	59,267,233		59,267,233
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	1,115,510		151,976,254	153,091,764
PYRAMIS	1,448,802		156,593,399	158,042,201
TOTAL INTERNATIONAL EQUITIES	2,564,312		308,569,653	311,133,965
REAL ESTATE SECURITIES				
BLACKROCK US REAL ESTATE SECURITIES INDEX	0		21,333,960	21,333,960
TOTAL REAL ESTATE	0		21,333,960	21,333,960
SECURITIES LENDING				
	(626,283)			(626,283)
TOTAL STANCERA PORTFOLIO	28,110,015	542,665,714	1,121,186,164	1,691,961,894
	1.7%	32.1%	66.3%	100.0%

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STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING NOV. 30, 2013
PRELIMINARY BASIS

CURRENT PERFORMANCE

	MARKET VALUE	NOV	ALPHA	OCT	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	181,005,177	4.35%	1.56%	4.25%	-0.13%	15.61%	4.13%
RUSSELL 1000 VALUE		2.79%		4.38%		11.48%	
BLACKROCK - R1000 VALUE INDEX	106,782,572	2.79%	0.00%	4.39%	0.01%	11.58%	0.10%
RUSSELL 1000 VALUE		2.79%		4.38%		11.48%	
DELAWARE - LARGE CAP GROWTH	141,224,668	4.25%	1.43%	3.70%	-0.72%	19.04%	2.97%
RUSSELL 1000 GROWTH		2.82%		4.42%		16.07%	
BLACKROCK - R1000 GROWTH INDEX	92,141,249	2.83%	0.01%	4.43%	0.01%	16.05%	-0.02%
RUSSELL 1000 GROWTH		2.82%		4.42%		16.07%	
CAPITAL PROSPECTS	90,307,384	3.08%	-0.82%	3.36%	0.11%	17.48%	2.06%
RUSSELL 2000 VALUE		3.90%		3.25%		15.42%	
LEGATO CAPITAL	85,001,062	3.05%	-1.06%	2.26%	0.44%	19.70%	0.13%
RUSSELL 2000 GROWTH		4.11%		1.82%		19.57%	
BNY - S&P 500 INDEX	94,820,440	3.05%	0.00%	4.60%	0.00%	13.44%	0.00%
S&P 500		3.05%		4.60%		13.44%	
TOTAL DOMESTIC EQUITY	791,282,552	3.50%	0.60%	3.90%	-0.35%	16.10%	2.01%
Russell 3000 Index		2.90%		4.25%		14.09%	
FIXED INCOME							
DODGE & COX	392,552,185	0.10%	0.47%	1.07%	0.26%	2.08%	0.74%
BARCLAYS US AGGREGATE BOND		-0.37%		0.81%		1.34%	
PIMCO	105,659,257	-0.40%	-0.03%	0.86%	0.05%	1.14%	-0.20%
BARCLAYS US AGGREGATE BOND		-0.37%		0.81%		1.34%	
TOTAL FIXED INCOME	498,211,443	0.00%	0.37%	1.02%	0.21%	1.88%	0.54%
BARCLAYS US AGGREGATE BOND		-0.37%		0.81%		1.34%	
DIRECT LENDING							
MEDLEY CAPITAL	17,134,633	0.00%	-0.75%	0.94%	0.19%	0.93%	-2.88%
CUSTOM 9% ANNUAL		0.75%		0.75%		3.81%	
RAVEN CAPITAL	20,702,819	1.37%	0.62%	11.42%	10.67%	5.09%	1.28%
CUSTOM 9% ANNUAL		0.75%		0.75%		3.81%	
WHITE OAK	21,429,781	2.65%	1.90%	5.02%	4.27%	13.36%	10.33%
CUSTOM 9% ANNUAL		0.75%		0.75%		3.03%	
TOTAL DIRECT LENDING	59,267,233	1.44%	0.69%	4.31%	3.56%	5.22%	1.41%
CUSTOM 9% ANNUAL		0.75%		0.75%		3.81%	
INTERNATIONAL EQUITY							
LSV ASSET MGMT	151,976,254	0.50%	0.33%	4.62%	0.95%	17.00%	2.79%
MSCI ACWI ex-US		0.17%		3.67%		14.21%	
PYRAMIS	156,593,399	1.15%	0.98%	3.26%	-0.41%	14.03%	-0.18%
MSCI ACWI ex-US		0.17%		3.67%		14.21%	
TOTAL INTERNATIONAL EQUITY	308,569,653	0.83%	0.66%	3.94%	0.27%	15.49%	1.09%
MSCI ACWI ex-US		0.17%		3.67%		14.40%	
REAL ESTATE SECURITIES							
BlackRock US RE Index	21,333,960	-5.46%	0.01%	4.08%	-0.01%	0.78%	0.01%
DOW JONES US SELECT RE INDEX		-5.47%		4.09%		0.77%	
SECURITIES LENDING							
BNY MELLON	(626,283)						
CASH and SHORT-TERM INVESTMENTS							
CASH	13,923,338	0.01%	0.00%	0.01%	0.00%	0.07%	0.01%
90-day US Treasury Bill		0.01%		0.01%		0.06%	
Total Stancera Fund	1,691,961,894	1.69%	0.58%	3.22%	0.47%	10.72%	1.68%
Current Policy Index*		1.11%		2.75%		9.04%	
Actuary Rate of Assumption (7.75%)		0.64%	1.65%	0.64%	2.58%	3.18%	7.54%
Actuary Rate of Inflation (3.25%)		0.27%	1.42%	0.27%	2.95%	1.34%	9.38%

*Policy Index represents Current Policy Index that will be built up over time to reach the Target Policy Index.

Page 5

D+C Equity ++
Delaware ++
Cap Prospects ++

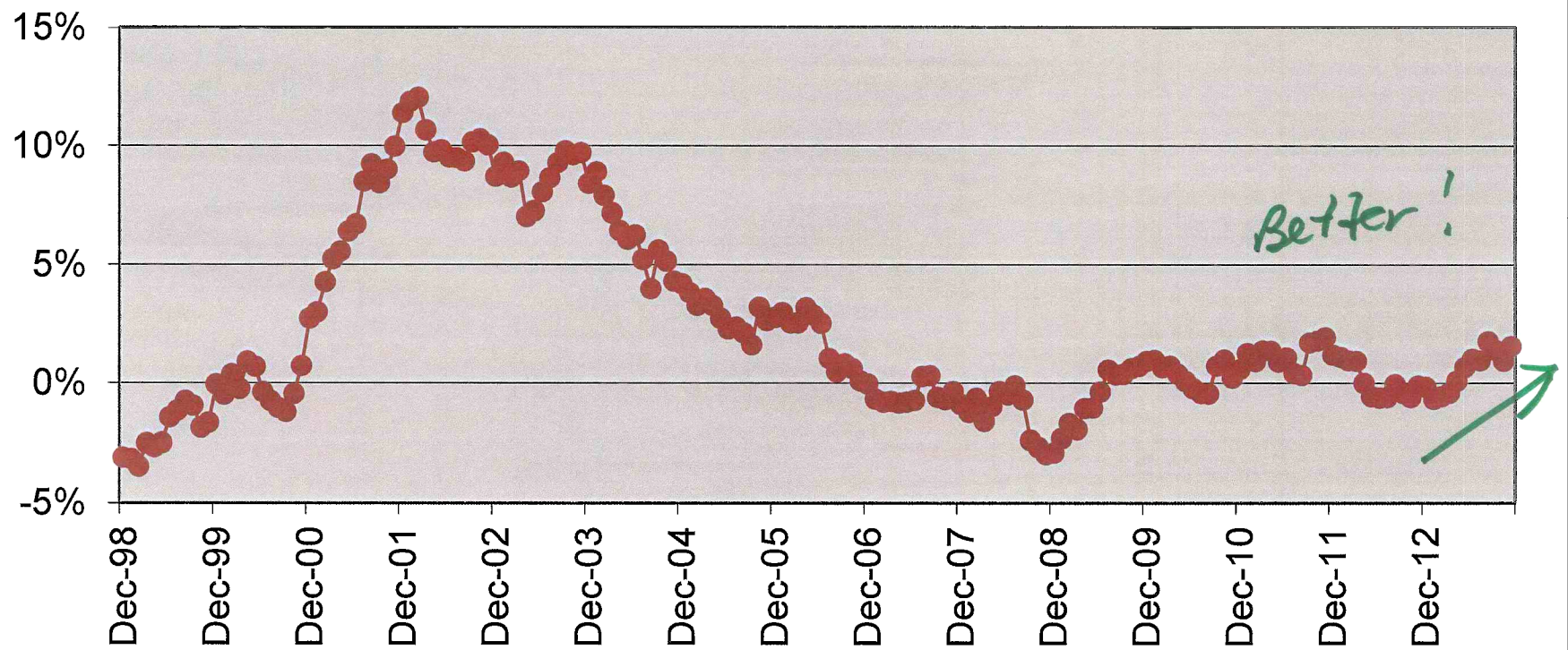
D+C FI +

Direct Lending.
Seeing nice write-ups last
2-3 months!

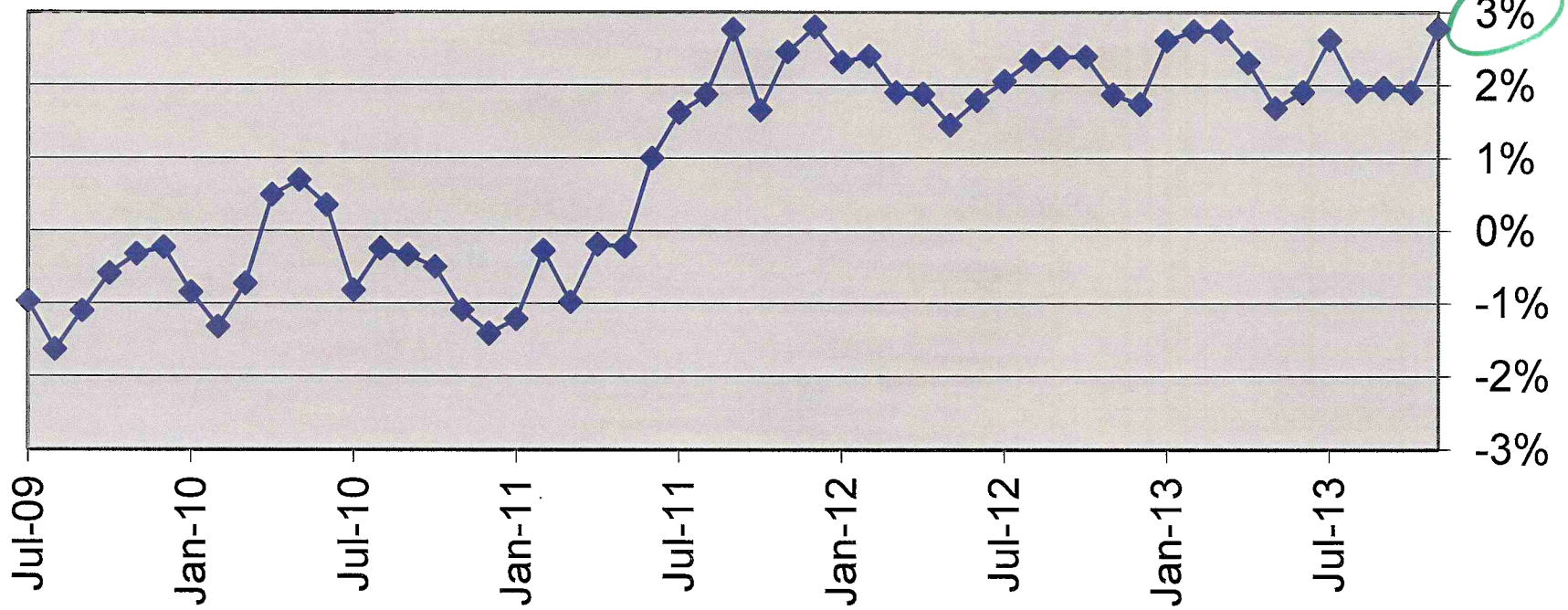
LSV ++

Total Fund - nice return!
nice Alpha!

Dodge & Cox Equity
Rolling 3-Years Annualized Alpha
Monthly Observations

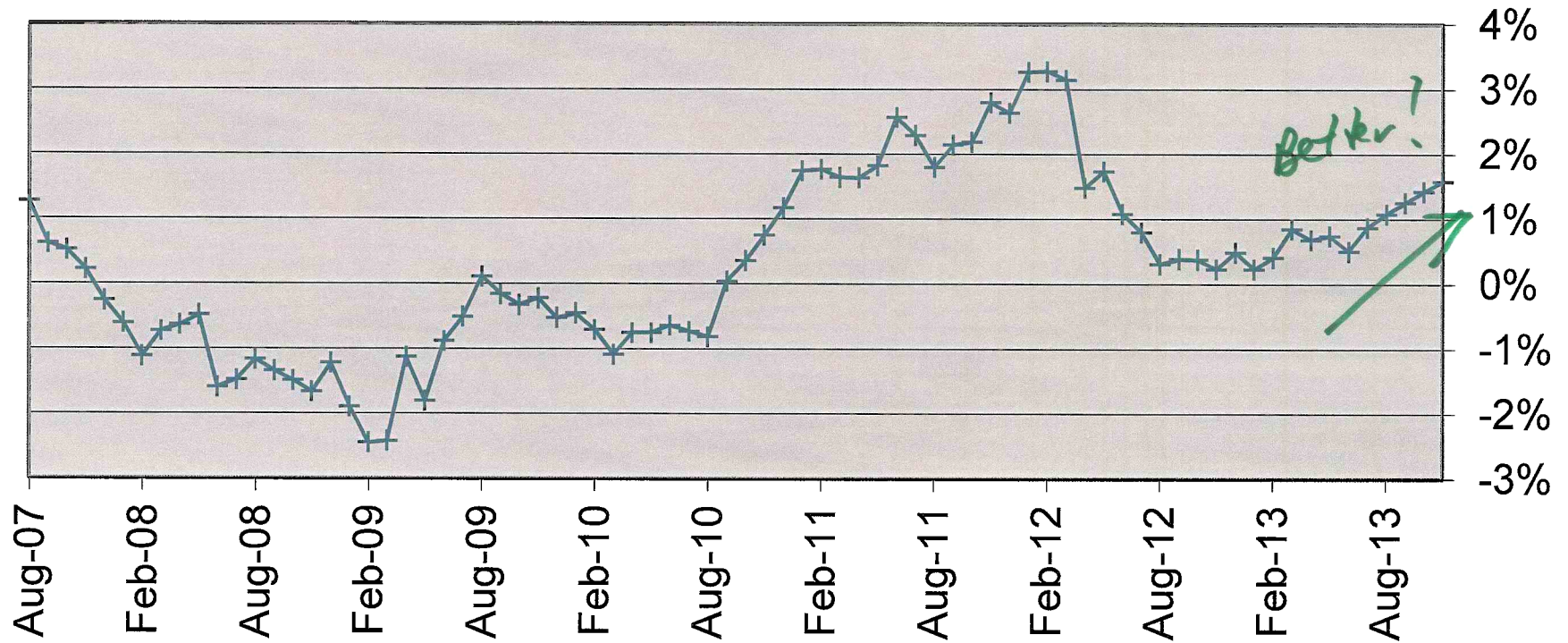


Delaware
Rolling 3-Years Annualized Alpha
Monthly Observations

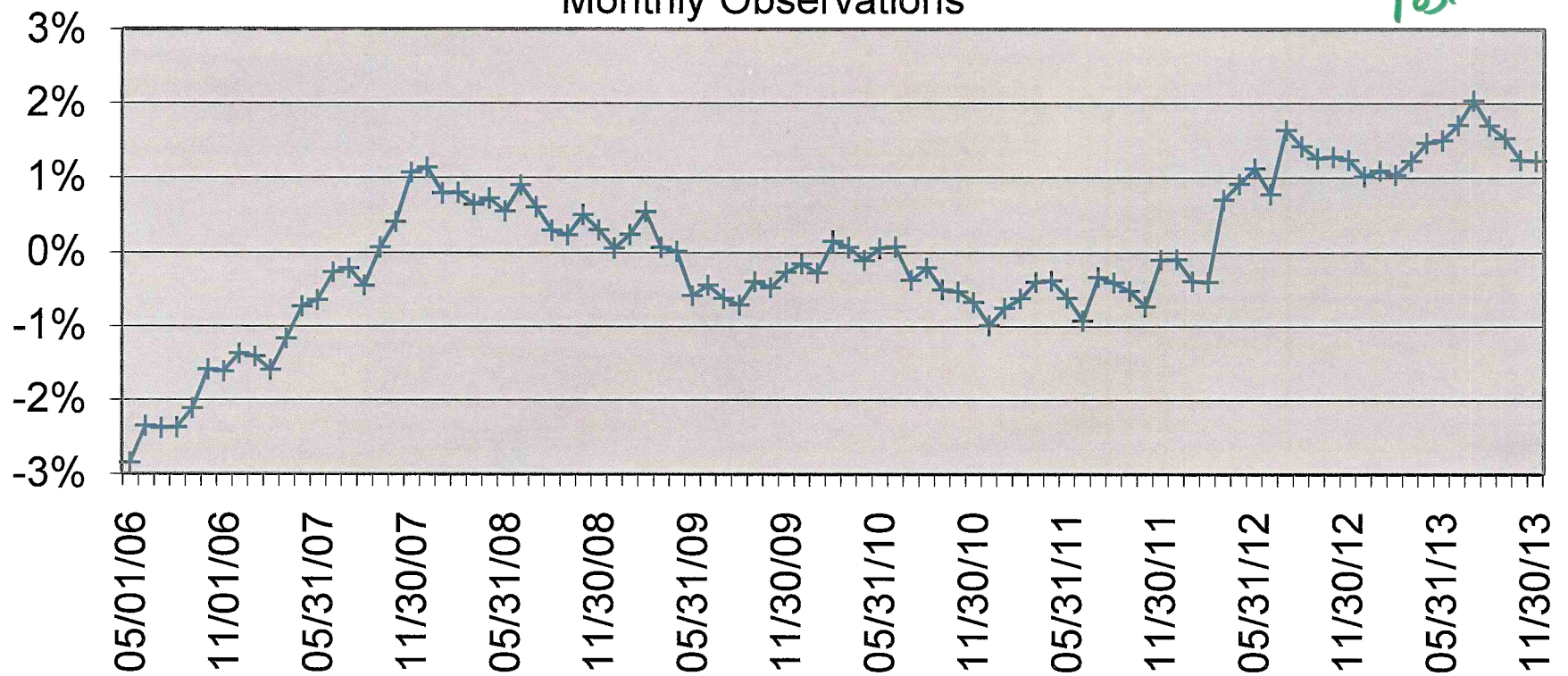


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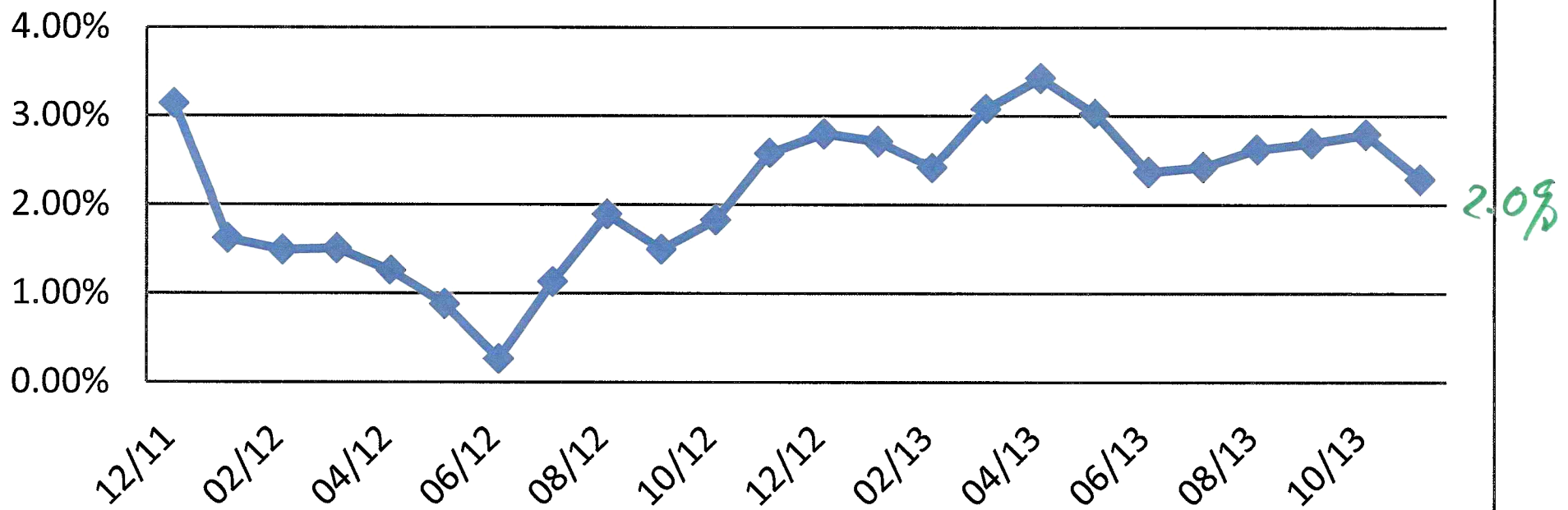
LSV
Rolling 3-Years Annualized Alpha
Monthly Observations



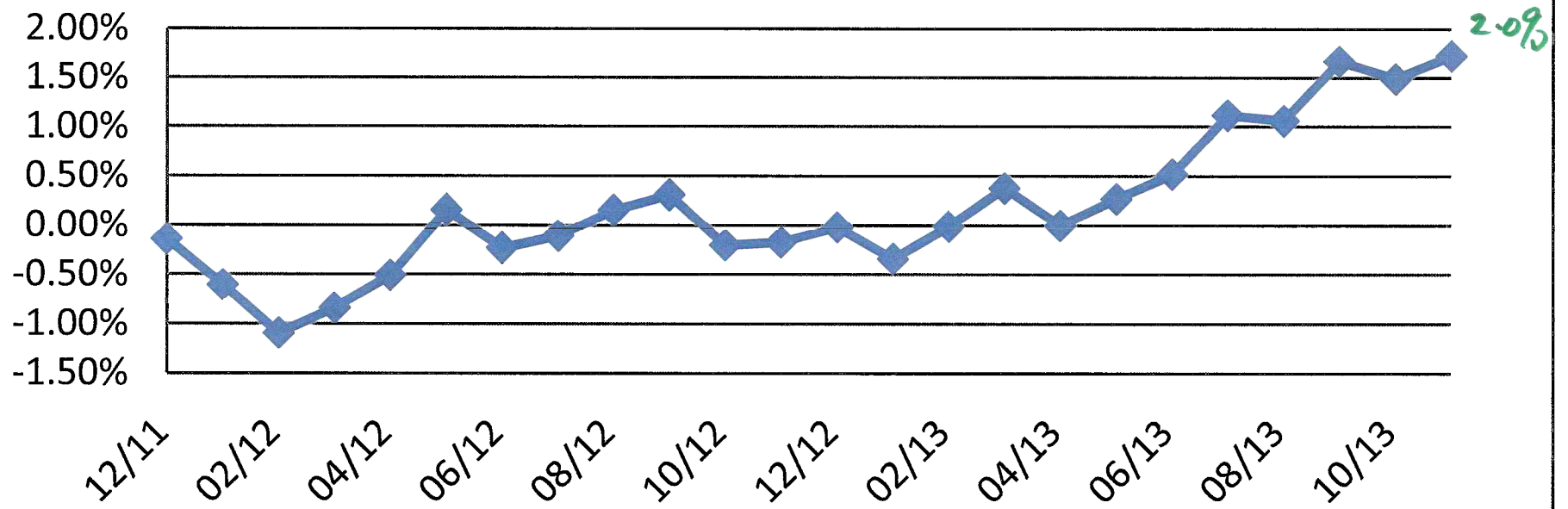
Pyramis (May 2006)
Rolling 3-Years Annualized Alpha
Monthly Observations



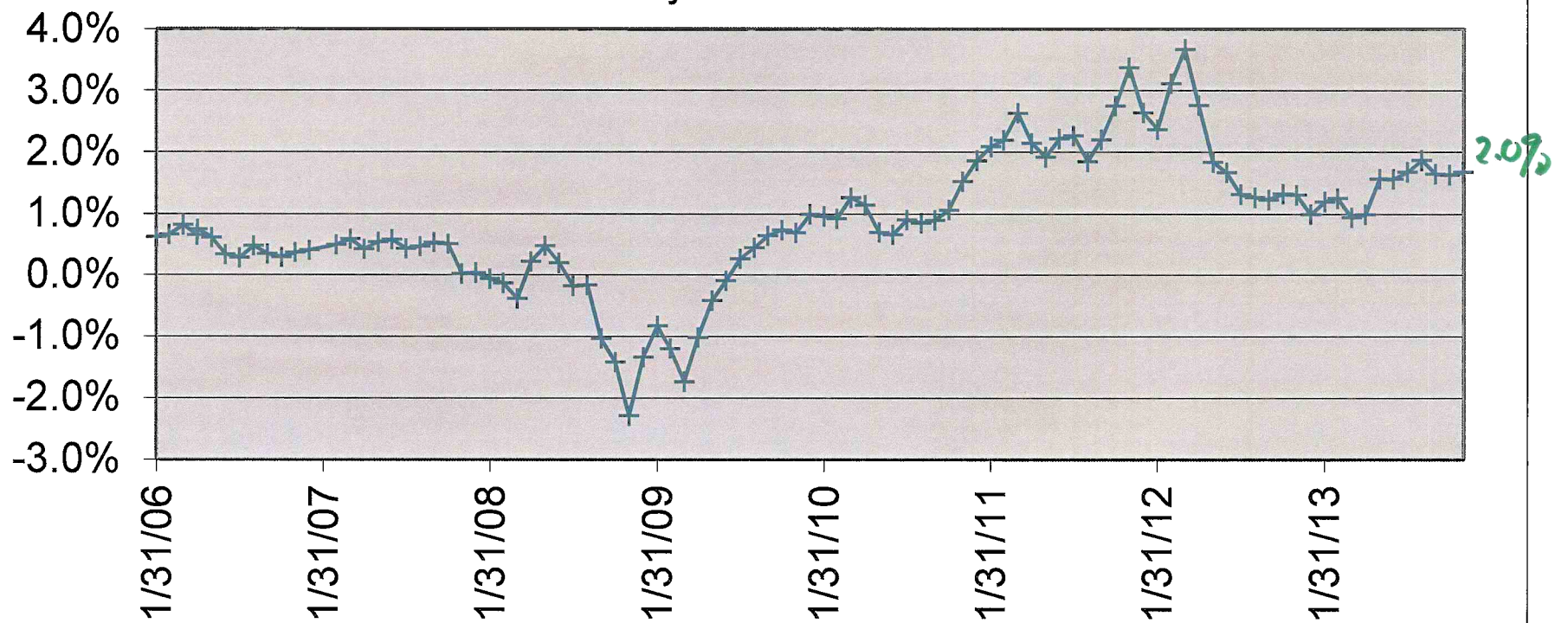
Capital Prospects
Rolling 3-Year
Alphas
Monthly Observations



Legato Rolling
3-Year Alphas
Annualized
Monthly Observations



Dodge & Cox Fixed Income
Rolling 3-Year Alphas Annualized
Monthly Observations





**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
832 12th Street, Suite 600
Modesto, CA 95354
P.O. Box 3150 Modesto, CA 95353-3150

**Phone (209) 525-6393
Fax (209) 558-4976
www.stancera.org
e-mail: retirement@stancera.org**

**For the Retirement Board meeting
Held on January 28, 2014**

1-28-14

TO: Retirement Board

Item #6i

FROM: Natalie Elliott, Retirement Accountant

- I. SUBJECT: Report on the Earnings Allocation for the Fiscal Year Ended June 30, 2013
- II. ITEM TYPE: Informational item only
- III. RECOMMENDATION: Accept the Report on the Earnings Allocation for the Fiscal Year Ended June 30, 2013
- IV. ANALYSIS:

Fiscal year 2012/2013 ended with investment earnings of \$198,696,965. This report explains the allocation of excess earnings in accordance with the Excess Earnings Policy, effective May 25, 2012.

After payment of Administrative, Investment and Actuarial expenses, \$10,911,174, and replenishment of \$270,000 to the Burial Allowance Reserve for future benefits (Policy items #1 and #2), a surplus of \$187,515,791 was available for Interest Crediting to Active (Non-Retired), Employer and Retiree Reserves. This excess was distributed at the rate of 8.00% to the Active Reserves, 7.75% to the Unvested Interest Reserve and 15.52% on a pro rata basis between the remaining Reserves (Policy item #5). Regular interest of 3.803% shall be credited on December 31, 2013 and June 30, 2014 to all Non-Retired members' contributions in the retirement fund which have been on deposit for six months immediately prior to that date.

The Prior Loss Contra-Reserve was settled in FY2010/2011, and no earnings were needed from the FY2012/2013 excess. (Policy item #4)

Funds of \$431,163 were allocated pro rata to the Employer and Retiree Reserves for the Contingency Reserve maintaining it at the minimum level of 1% of Net Assets (Policy item #3), as voted by the Board of Retirement in May 2012.

- V. RISK: None
- VI. STRATEGIC PLAN: None
- VII. ADMINISTRATIVE BUDGET IMPACT: None


Kathy Herman, Operations Manager


Natalie Elliott, Retirement Accountant

StanCERA's Earnings Allocations per the Excess Earnings Policy, effective May 25, 2012, for the Fiscal Year Ended June 30, 2013

1. Total investment earnings for Fiscal Year 2012- 2013:			\$ 198,696,965
2. Less Administrative, Investment and Actuarial Expenses:			
(Per the Excess Earnings Policy item #1)			
Administrative Expenses	\$	2,065,345	
Investment Expenses		8,751,346	
Actuarial Expenses		<u>94,483</u>	
			10,911,174
Remaining after payment of Administrative, Investment and Actuarial expenses:			187,785,791
3. Less maintenance of Retiree \$5,000 Burial Allowance Reserve:			270,000
(Per Excess Earnings Policy item #2)			
4. Balance of Investment Earnings available to allocate as Excess Earnings:			
(Per the Excess Earnings Policy item #5)			
Distributed between:			
Reserves - Active (Non-Retiree) - Basic	\$	13,102,508	
Reserves - Active (Non-Retiree)- COL		4,315,764	
Reserve for Unvested (Non-Retiree) Interest		3,643,848	
Reserves - Employer - Normal		15,372,508	
Reserves - Employer - Special		13,715,910	
Reserves - Employer - Transfer		15,028,731	
Reserves - Retired - Annuity		18,311,082	
Reserves - Retired - Pension		94,877,711	
Reserves - Retired - Service Disability Benefit		1,445,275	
Reserves - Retired - COL		<u>7,702,453</u>	
	\$	<u>187,515,791</u>	<u>\$ 187,515,791</u>
Special allocation to Reserves to maintain 1% Contingency Reserve			
(Per Excess Earnings Policy item #3)			
Distributed to:			
Reserves - Employer - Normal	\$	39,819	
Reserves - Employer - Special		35,528	
Reserves - Employer - Transfer		38,929	
Reserves - Retired - Annuity		47,431	
Reserves - Retired - Pension		245,761	
Reserves - Retired - Service Disability Benefit		3,744	
Reserves - Retired - COL		<u>19,951</u>	
	\$	<u>431,163</u>	<u>\$ 431,163</u>

U.S. EQUITY

Wall Street rallied once again in December after the Federal Reserve announced plans to trim its stimulus program by \$10 billion a month, though it said its key interest rate would stay lower longer than previously promised. The Dow hit an all-time high at the end of the year as 2013 was certainly a great year for equities.

Growth performed in-line with Value and Large Caps outperformed Small Caps. The Russell 1000 Growth Index was up +2.9% and the Russell 1000 Value Index was up +2.5% for the month. The Russell 2000 Growth Index was up +2.1% and the Russell 2000 Value was up +1.9%. The S&P 500 Index ended the month higher by +2.5%.

The S&P 500 Index has a trailing P/E ratio of 19.0, a forward 12-month estimate P/E ratio of 16.7 and dividend yield of 1.9%.

One note of caution for the U.S. equity markets according to FactSet – for Q4 2013, 94 companies in the S&P 500 have issued negative EPS guidance and 13 have issued positive guidance. This marks the highest number of negative and lowest number of positive guidance since FactSet began tracking the data in 2006.

Corporate merger highlights for the month included: Energy company Hess will sell its Indonesia assets for \$1.3 billion; NCR will acquire Digital Insight for \$1.65 billion; Sysco will buy fellow food-services distributor US Foods in a deal valued at \$3.5 billion; Medical device maker Covidien will buy Given Imaging for \$860 million; WhiteWave Foods will buy organic food brand Earthbound Farm for about \$600 million; Volvo will sell its North American construction equipment rental business to Platinum Equity for \$1.1 billion; U.S. cable group Liberty Global is in talks to buy Dutch operator Ziggo in a deal that could reach \$7 billion; Charter Communication will reportedly send an offer letter to acquire the much larger Time Warner Cable; American International Group will sell its aircraft-leasing business to Aer-Cap in a deal valued at \$5.4 billion; Avago Technologies, a designer and developer of analog semiconductors, will acquire LSI Corp for \$6.6 billion; AT&T will sell its wireless operations in Connecticut to Frontier Communications for \$2 billion; Silver Lake Management and William Morris Endeavor Entertainment will buy IMG Worldwide for about \$2.4 billion; AstraZeneca will buy Bristol-Myers Squibb's

stake in their diabetes venture for up to \$4.1 billion; Textron, the maker of Cessna aircraft and Bell helicopters, is reportedly nearing a \$1.4 billion purchase of plane-maker Beechcraft.

FIXED INCOME

The U.S. economy grew at a 4.1% annual rate during the 3rd quarter, the fastest since early 2012. However, nearly half of the growth came from a buildup in business stockpiles, a trend that could reverse in the next quarter or two. A poll of more than 60 economists forecast GDP stepping up to a 2.5% annualized rate in the 1st quarter of 2014, and reaching 3.0% by year-end.

A total of 203,000 non-farm jobs were added in November, helping the U.S. jobless rate fall to 7.0%, a five-year low.

The Labor Dept. reported that its Consumer Price Index in the 12 months through November rose by just +1.2%.

The yield on the bellwether 10-year Treasury note rose to 3.04% at the close of December from its November close at 2.75%. At month-end, the 30-year bond yield was 3.96% with the 3-month T-bill at 0.07%. The Barclays Capital US Aggregate Index was down -0.57% in December.

The U.S. Federal Reserve announced that it would begin reducing the amount of monthly asset purchases by \$10 billion a month from \$85 billion beginning in January. This "tapering" process should continue over the remainder of the 2014 calendar year, with purchases likely ending sometime in the fourth quarter (unless economic conditions weaken).

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

THE GOOD

*The manufacturing purchasing manager's index increased to 54.7 in November up from the 51.8 reading in October.

*The Institute for Supply Management reported that its index of national factory activity rose to 57.3 in November, its highest reading since April 2011.

*Spending on U.S. construction projects rose +0.8% in October to a seasonally-adjusted annual rate of \$908 billion.

*Cyber Monday sales surged 21% from 2012.

*The Commerce Dept. reported that the trade deficit narrowed 5.4% to \$40.6 billion in October as exports hit a record high.

*New home sales jumped 25.4% in October.

*Consumer spending rose 0.3% in October a slight acceleration from the 0.2% rate in September.

*Household net worth increased \$1.9 trillion to \$77.3 trillion in the 3rd quarter, the highest level since records started in 1945.

*The National Federation of Independent Business reported that its small-business optimism index rose +0.9 points to 92.5.

*U.S. wholesale prices fell in November for the third consecutive month, pushed down again by cheaper gasoline and lower home heating costs – the producer price index declined -0.1%.

*The Labor Dept. reported that U.S. productivity was revised to a +3.0% increase in the 3rd quarter from an initial read of +1.9%, the largest rise since the 4th quarter of 2009.

*The U.S. Energy Dept. reported that U.S. oil production will continue its surge to hit a record 9.6 million barrels a day in 2016.

Consumer confidence improved in December, leaving it close to its recovery high. The Conference Board index jumped 6.1 points to 78.1, just 4.0 points below the recovery high reached in June. Expectations surged 8.3 points to 79.4.

THE NOT SO GOOD

*Black Friday sales fell -13.2% from the previous year to \$9.74 billion but combined spending over Thanksgiving and Black Friday rose +2.3% to \$12.3 billion.

*The Institute for Supply Management's survey of purchasing managers fell to 53.9% in November from 55.4% in October.

*Several major U.S. retailers posted disappointing sales for November, a sign that the holiday season is shaping up to be a tough one.

*Americans boosted their borrowing in October, led by another big increase in auto and student loans and the biggest rise in credit card debt in five months.

NON-U.S. MARKETS

Canadian GDP was up a solid 2.7% annual rate in the third quarter and year-over-year, GDP rose 1.9%.

The Bank of England as expected left its Bank Rate at 0.50% and the stock of assets purchased at £375 billion.

The European Central Bank decided to keep its key interest rate at a record low of 0.25% in December. Eurozone industrial output fell -1.1% in October, stoking concerns a fragile recovery may be stalling. Overall Eurozone GDP rose 0.1% in the third quarter, unchanged from preliminary estimates.

Japan is preparing an economic stimulus package worth about \$53 billion to bolster its economy ahead of an increase in the national sales tax in April. The labor market remains tight with unemployment at 4.0% in October. CPI inflation year-over-year was at 1.1% in October, the highest in five years.

India's GDP rose 4.9% in Q3 from a year earlier. GDP growth has been below 5.0% for four straight quarters, compared to the pace between 9% and 10% that was the norm before the global recession.

Non-U.S. Developed equities were higher in December. The MSCI ACWI Ex-U.S. was up +0.9% (US dollars) for the month. International Developed stocks (EAFE) were up +1.5% while Emerging Markets lost -1.4% for the month.

CONCLUSION

The level of economic activity on a global basis has recovered to roughly normal levels following the financial crisis and has been fairly stable for a few years now. The world economy should snap a three-year stretch of slowing growth in 2014, although the growth trajectory appears more incremental rather than a leap forward.

That said, there are wide divergences across countries with the U.S. being the strongest in the developed world. Levels of activity remain strong in China however recently begun showing signs of slowing down. Europe is at the other end of the spectrum – sickly banks, massive unemployment and poor domestic demand will continue to hold back most of Europe's economies, even if many of them have started to grow again.

Supported by massive liquidity infusions, the amazing rebounds in equity markets, which far outpaced actual economic performance, may have created a palpable anxiety among investors. Gains that robust will be difficult to repeat and could be subject to setbacks.

Wishing all a Happy New Year!

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Dec-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.64	10.10	33.55	33.55	24.69	16.24	18.71	6.50	7.88
Russell TOP 200 Index	2.58	11.06	32.41	32.41	23.96	16.47	17.16	5.90	6.85
Russell TOP 200 Growth Index	2.70	11.49	32.66	32.66	23.55	16.89	19.36	8.21	7.25
Russell TOP 200 Value Index	2.45	10.62	32.14	32.14	24.34	16.06	14.88	3.61	6.45
S&P 500 Index	2.53	10.51	32.39	32.39	23.93	16.18	17.94	6.13	7.41
Russell 1000 Index	2.70	10.23	33.11	33.11	24.49	16.30	18.59	6.44	7.78
Russell 1000 Growth Index	2.86	10.44	33.48	33.48	24.04	16.45	20.39	8.24	7.83
Russell 1000 Value Index	2.53	10.01	32.53	32.53	24.79	16.06	16.67	4.52	7.58
Russell Mid-Cap Index	2.98	8.39	34.76	34.76	25.72	15.88	22.36	7.83	10.22
Russell Mid-Cap Growth Index	3.19	8.23	35.74	35.74	25.38	15.63	23.37	8.53	9.77
Russell Mid-Cap Value Index	2.74	8.56	33.46	33.46	25.76	15.97	21.16	6.80	10.25
Russell 2000 Index	1.97	8.72	38.82	38.82	27.09	15.67	20.08	7.20	9.07
Russell 2000 Growth Index	2.05	8.17	43.30	43.30	28.14	16.82	22.58	8.94	9.41
Russell 2000 Value Index	1.88	9.30	34.52	34.52	26.02	14.49	17.64	5.40	8.61
DJ US REIT Index	0.56	-1.09	1.22	1.22	8.88	9.04	16.36	0.96	8.22
DJ-UBS US Commodity Index TR	1.24	-1.05	-9.52	-9.52	-5.38	-8.11	1.51	-3.03	0.87
DJ-UBS US Gold Index TR	-3.84	-9.46	-28.65	-28.65	-13.00	-6.03	5.59	8.51	10.26

US
Equities
another good
month!
1-year
performance
fabulous

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Dec-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.90	4.81	15.78	15.78	16.58	5.61	13.32	2.62	8.04
MSCI AC World Index	1.76	7.42	23.44	23.44	20.07	10.33	15.53	4.30	7.72
MSCI EAFE Index	1.51	5.75	23.29	23.29	20.57	8.66	12.96	2.26	7.39
MSCI Emerging Markets index	-1.44	1.86	-2.27	-2.27	7.67	-1.74	15.15	4.10	11.52
ML Global Government Bond Ex. U.S. Index	-1.68	-3.11	-9.00	-9.00	-5.74	-1.42	1.62	4.66	3.78
Euro	1.20	1.79	4.52	4.52	3.03	0.90	-0.17	0.63	0.89
Japanese Yen	-2.61	-6.64	-17.73	-17.73	-14.44	-8.28	-2.92	1.81	0.19
UK Pound Sterling	1.11	2.28	1.89	1.89	3.23	1.89	2.87	-2.36	-0.77

Non-US
gains for
month
but below US

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Dec-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.02	0.07	0.07	0.09	0.10	0.12	1.08	1.68
BarCap Aggregate Bond Index	-0.57	-0.14	-2.02	-2.02	1.05	3.26	4.44	4.91	4.55
ML U.S. Corp/Govt Master Index	-0.71	-0.18	-2.68	-2.68	1.13	3.57	4.47	4.93	4.50
ML U.S. Corporate Master Index	-0.18	1.02	-1.46	-1.46	4.29	5.35	8.93	5.92	5.31
BarCap Mortgage Backed Securities Index	-0.47	-0.42	-1.41	-1.41	0.57	2.42	3.69	4.80	4.61
ML U.S. High Yield Master Index	0.55	3.48	7.38	7.38	11.33	9.01	18.46	8.40	8.38
JPM EMBI Global	1.23	0.91	-6.58	-6.58	5.23	6.30	11.52	7.26	8.30

Bond yields
continue
to rise
+ spreads
continue to
narrow

A

Revised with White Oak

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING DEC 31, 2013
PRELIMINARY BASIS

Future
Direct lending
Capital Call
source primarily
US Equities

SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	CURRENT POLICY		TARGET POLICY	
			ALLOCATION	RANGE	ALLOCATION	RANGE
DOMESTIC EQUITIES	808,475,855	47.2%	41.9%	36.9% - 46.9%	38.2%	32.2% - 44.2%
INTERNATIONAL EQUITIES	312,509,415	18.2%	19.0%	16.0% - 22.0%	18.0%	15.0% - 21.0%
FIXED INCOME	493,519,932	28.8%	35.6%	31.9% - 39.3%	29.8%	26.0% - 33.6%
ALTERNATIVES:	85,669,599	5.0%	3.5%		14.0%	
DIRECT LENDING	64,219,628	3.7%	2.0%	1.0% - 3.0%	7.5%	2.5% - 9.0%
REAL ESTATE	21,449,971	1.3%	1.5%	1.0% - 2.0%	3.5%	1.0% - 4.5%
INFRASTRUCTURE	0	0.0%	0.0%	0.0% - 0.0%	3.0%	0.0% - 4.0%
SECURITY LENDING	(596,363)	0.0%	0.0%	0.0% - 0.0%	0.0%	0.0% - 0.0%
CASH (equity managers only)	13,342,488	0.8%	0.0%	0.0% - 3.0%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,712,920,927	100.0%	100.0%		100.0%	

	ACTUAL	CURRENT ALLOCATION	TARGET ALLOCATION
DODGE & COX LARGE CAP VALUE	10.8%	9.8%	8.9%
BlackRock R1000 VALUE INDEX	6.4%	6.0%	5.5%
DELAWARE - LARGE CAP GROWTH	8.6%	7.3%	6.7%
BlackRock R1000 GROWTH INDEX	5.5%	5.0%	4.6%
CAPITAL PROSPECTS	5.6%	4.5%	4.0%
LEGATO CAPITAL	5.2%	4.0%	3.7%
BNY S&P 500 INDEX	5.7%	5.3%	4.8%
LSV ASSET MGMT - INTL EQ	9.0%	9.5%	9.0%
PYRAMIS INTL EQ	9.4%	9.5%	9.0%
DODGE & COX FIXED INCOME	22.7%	28.1%	23.8%
PIMCO	6.1%	7.5%	6.0%
MEDLEY	1.3%	1.0%	2.1%
RAVEN	1.2%	1.0%	2.7%
WHITE OAK	1.2%	0.0%	2.7%
BlackRock US REAL ESTATE SECURITIES INDEX	1.3%	1.5%	1.5%
Unallocated Private Real Estate	0.0%	0.0%	2.0%
Infrastructure	0.0%	0.0%	3.0%
SECURITY LENDING	0.0%	0.0%	0.0%
TOTALS	100.0%	100.0%	100.0%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING DEC. 31, 2013
PRELIMINARY BASIS

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
MARKET VALUE					
DOMESTIC EQUITIES	808,475,855	791,282,552	2.17%	633,656,471	27.59%
INTERNATIONAL EQUITIES	312,509,415	308,569,653	1.28%	250,322,716	24.84%
FIXED INCOME	493,519,932	498,211,443	-0.94%	536,620,520	-8.03%
DIRECT LENDING	64,219,628	59,267,233	8.36%	0	N/A
REAL ESTATE	21,449,971	21,333,960	0.54%	20,395,582	5.17%
SECURITIES LENDING	(596,363)	(626,283)	4.78%	(1,025,713)	41.86%
CASH (equity managers only)	13,342,488	13,923,338	-4.17%	15,102,718	-11.66%
TOTAL PORTFOLIO	1,712,920,927	1,691,961,895	1.24%	1,455,072,294	17.72%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	47.20%	46.77%	0.4%	43.55%	3.7%
INTERNATIONAL EQUITIES	18.24%	18.24%	0.0%	17.20%	1.0%
FIXED INCOME	28.81%	29.45%	-0.6%	36.88%	-8.1%
DIRECT LENDING	3.75%	3.50%	0.2%	0.00%	3.7%
REAL ESTATE SECURITIES	1.25%	1.26%	0.0%	1.40%	-0.1%
SECURITY LENDING	-0.03%	-0.04%	0.0%	-0.07%	0.0%
CASH (equity managers only)	0.78%	0.82%	0.0%	1.04%	-0.3%
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%

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

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STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING DEC 31, 2013
PRELIMINARY BASIS

ASSET CLASS	MARKET VALUE	PERCENT	CURRENT POLICY TARGET	RANGE
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	185,655,627	10.8%	9.8%	7.8% - 11.8%
BLACKROCK - R1000 VALUE INDEX	109,487,191	6.4%	6.0%	5.0% - 7.0%
DELAWARE LARGE CAP GROWTH	146,632,022	8.6%	7.3%	5.8% - 8.8%
BLACKROCK R1000 GROWTH INDEX	94,772,905	5.5%	5.0%	4.0% - 6.0%
CAPITAL PROSPECTS - SMALL CAP VALUE	95,603,557	5.6%	4.5%	3.5% - 5.5%
LEGATO CAPITAL SMALL CAP GROWTH	89,685,179	5.2%	4.0%	3.0% - 5.0%
BNY - S&P 500 INDEX	97,221,628	5.7%	5.3%	4.3% - 6.3%
TOTAL DOMESTIC EQUITIES	819,058,109	47.8%	41.9%	
FIXED INCOME				
DODGE & COX	388,696,352	22.7%	28.1%	25.6% - 30.6%
PIMCO	104,823,580	6.1%	7.5%	6.0% - 9.0%
TOTAL FIXED INCOME	493,519,932	28.8%	35.6%	
DIRECT LENDING				
MEDLEY CAPITAL	22,240,287	1.3%	1.5%	1.0% - 3.0%
RAVEN CAPITAL	20,952,219	1.2%	0.5%	0.0% - 2.0%
WHITE OAK	21,027,122	1.2%	0.0%	0.0% - 2.0%
TOTAL DIRECT LENDING	64,219,628	3.7%	2.0%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	154,766,738	9.0%	9.5%	8.0% - 11.0%
PYRAMIS	160,502,911	9.4%	9.5%	8.0% - 11.0%
TOTAL INTERNATIONAL EQUITIES	315,269,649	18.4%	19.0%	
REAL ESTATE SECURITIES				
BlackRock US RE SECURITIES INDEX	21,449,971	1.3%	1.5%	1.0% - 2.0%
TOTAL SPECIAL SITUATIONS	21,449,971	1.3%	1.5%	0.0% - 3.0%
SECURITIES LENDING	(596,363)	0.0%	0.0%	0.0% - 0.0%
TOTAL STANCERA PORTFOLIO	1,712,920,927	100.0%	100.0%	

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING DEC 31, 2013
PRELIMINARY

	CASH	BONDS	EQUITIES	TOTAL
DOMESTIC EQUITIES				
DODGE & COX - LARGE CAP VALUE	2,649,100		183,006,527	185,655,627
BLACKROCK - R1000 VALUE INDEX	0		109,487,191	109,487,191
DELAWARE - LARGE CAP GROWTH	2,521,007		144,111,015	146,632,022
BLACKROCK R1000 GROWTH INDEX	0		94,772,905	94,772,905
CAPITAL PROSPECTS - SMALL CAP VALUE	3,144,430		92,459,127	95,603,557
LEGATO CAPITAL - SMALL CAP GROWTH	2,267,489		87,417,690	89,685,179
BNY - S&P 500 INDEX	228		97,221,399	97,221,628
TOTAL DOMESTIC EQUITIES	10,582,254		808,475,855	819,058,109
FIXED INCOME				
DODGE & COX	12,881,431	375,814,922		388,696,352
PIMCO	5,653,749	99,169,831		104,823,580
TOTAL FIXED INCOME	18,535,180	474,984,752		493,519,932
DIRECT LENDING				
MEDLEY	0	22,240,287		22,240,287
RAVEN	0	20,952,219		20,952,219
WHITE OAK	0	21,027,122		21,027,122
TOTAL DIRECT LENDING	0	64,219,628		64,219,628
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT.	1,123,530		153,643,209	154,766,738
PYRAMIS	1,636,705		158,866,206	160,502,911
TOTAL INTERNATIONAL EQUITIES	2,760,234		312,509,415	315,269,649
REAL ESTATE SECURITIES				
BLACKROCK US REAL ESTATE SECURITIES INDEX	0		21,449,971	21,449,971
TOTAL REAL ESTATE	0		21,449,971	21,449,971
SECURITIES LENDING	(596,363)			(596,363)
TOTAL STANCERA PORTFOLIO	31,281,305	539,204,380	1,142,435,241	1,712,920,927
	1.8%	31.5%	66.7%	100.0%

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STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING DEC. 31, 2013
PRELIMINARY BASIS

	MARKET VALUE	DEC	ALPHA	NOV	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	183,006,527	1.31%	-1.22%	4.35%	1.56%	17.12%	2.82%
RUSSELL 1000 VALUE		2.53%		2.79%		14.30%	
BLACKROCK - R1000 VALUE INDEX	109,487,191	2.53%	0.00%	2.79%	0.00%	14.40%	0.10%
RUSSELL 1000 VALUE		2.53%		2.79%		14.30%	
DELAWARE - LARGE CAP GROWTH	144,111,015	2.86%	0.00%	4.25%	1.43%	22.44%	3.07%
RUSSELL 1000 GROWTH		2.86%		2.82%		19.37%	
BLACKROCK - R1000 GROWTH INDEX	94,772,905	2.86%	0.00%	4.43%	1.61%	19.36%	-0.01%
RUSSELL 1000 GROWTH		2.86%		2.82%		19.37%	
CAPITAL PROSPECTS	92,459,127	2.64%	0.78%	3.08%	-0.82%	20.58%	2.99%
RUSSELL 2000 VALUE		1.88%		3.90%		17.59%	
LEGATO CAPITAL	87,417,690	2.47%	0.42%	3.05%	-1.06%	22.65%	0.63%
RUSSELL 2000 GROWTH		2.05%		4.11%		22.02%	
BNY - S&P 500 INDEX	97,221,399	2.53%	0.00%	3.05%	0.00%	16.31%	0.00%
S&P 500		2.53%		3.05%		16.31%	
TOTAL DOMESTIC EQUITY	808,475,855	2.36%	-0.28%	3.50%	0.60%	18.84%	1.74%
Russell 3000 Index		2.64%		2.90%		17.10%	
FIXED INCOME							
DODGE & COX	388,696,352	-0.07%	0.50%	0.10%	0.47%	2.01%	1.25%
BARCLAYS US AGGREGATE BOND		-0.57%		-0.37%		0.76%	
PIMCO	104,823,580	-0.79%	-0.22%	-0.40%	-0.03%	0.34%	-0.42%
BARCLAYS US AGGREGATE BOND		-0.57%		-0.37%		0.76%	
TOTAL FIXED INCOME	493,519,932	-0.11%	0.46%	0.00%	0.37%	1.77%	1.01%
BARCLAYS US AGGREGATE BOND		-0.57%		-0.37%		0.76%	
DIRECT LENDING							
MEDLEY CAPITAL	22,240,287	0.00%	-0.75%	0.00%	-0.75%	0.93%	-3.57%
CUSTOM 9% ANNUAL		0.75%		0.75%		4.50%	
RAVEN CAPITAL	20,952,219	1.27%	0.52%	1.37%	0.62%	6.42%	1.92%
CUSTOM 9% ANNUAL		0.75%		0.75%		4.50%	
WHITE OAK	21,027,122	-5.92%	-6.67%	2.65%	1.90%	6.65%	2.88%
CUSTOM 9% ANNUAL		0.75%		0.75%		3.77%	
TOTAL DIRECT LENDING	64,219,628	-1.52%	-2.27%	1.44%	0.69%	3.62%	-0.88%
CUSTOM 9% ANNUAL		0.75%		0.75%		4.50%	
INTERNATIONAL EQUITY							
LSV ASSET MGMT	153,643,209	1.09%	0.19%	0.50%	0.33%	18.28%	3.04%
MSCI ACWI ex-US		0.90%		0.17%		15.24%	
PYRAMIS	158,866,206	1.56%	0.66%	1.15%	0.98%	15.81%	0.57%
MSCI ACWI ex-US		0.90%		0.17%		15.24%	
TOTAL INTERNATIONAL EQUITY	312,509,415	1.33%	0.43%	0.83%	0.66%	17.03%	1.79%
MSCI ACWI ex-US		0.90%		0.17%		15.24%	
REAL ESTATE SECURITIES							
BlackRock US RE Index	21,449,971	0.54%	0.00%	-5.46%	0.01%	-4.14%	0.00%
DOW JONES US SELECT RE INDEX		0.54%		-5.47%		-4.14%	
SECURITIES LENDING							
BNY MELLON	(596,363)						
CASH and SHORT-TERM INVESTMENTS							
CASH	13,342,488	0.01%	0.00%	0.01%	0.00%	0.08%	0.01%
90-day US Treasury Bill		0.01%		0.01%		0.07%	
Total Stancera Fund	1,712,920,927	1.42%	0.36%	1.69%	0.58%	12.29%	2.09%
Current Policy Index*		1.06%		1.11%		10.20%	
Actuary Rate of Assumption (7.75%)		0.64%	0.78%	0.64%	1.05%	3.88%	8.42%
Actuary Rate of Inflation (3.25%)		0.27%	1.15%	0.27%	1.42%	1.63%	10.67%

*Policy Index represents Current Policy Index that will be built up over time to reach the Target Policy Index.

Once Again:
+ Positive month of returns
+ Excess returns active mgrs.

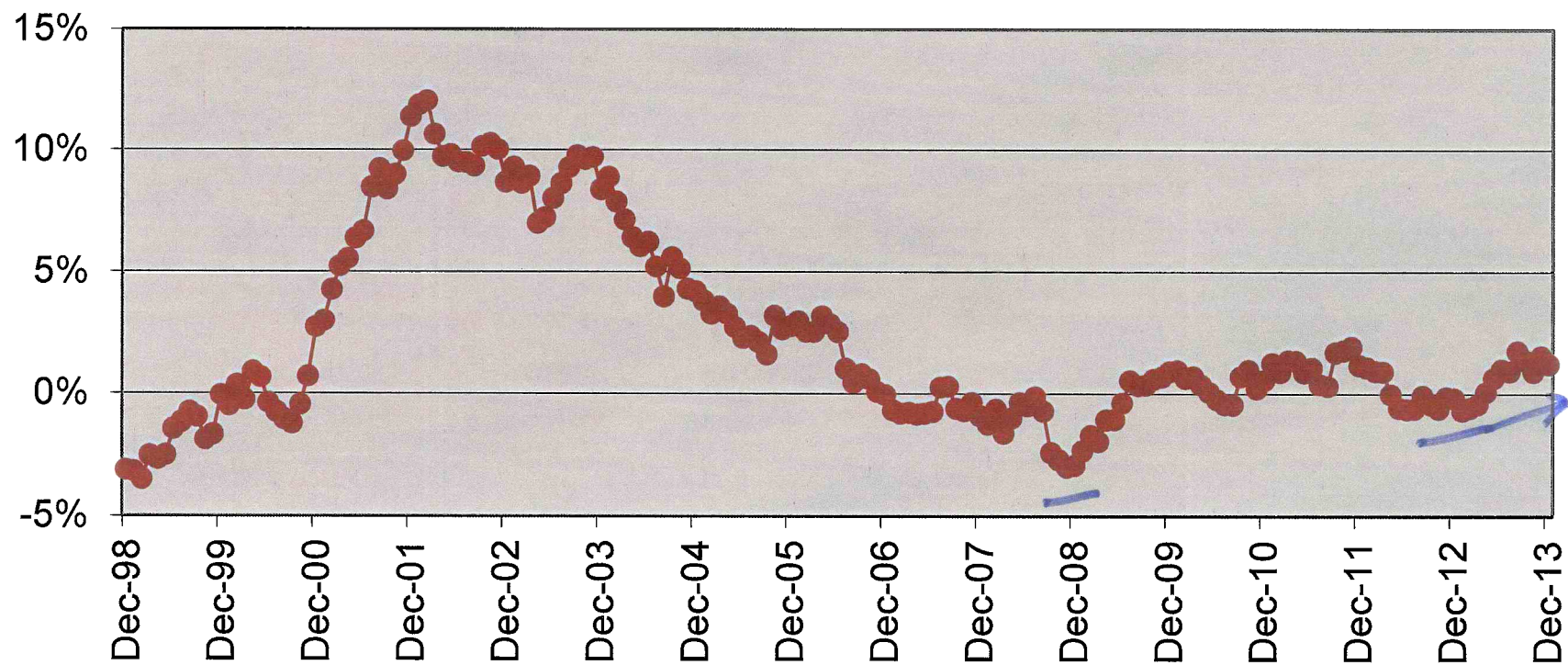
6 mos of Fiscal '14
+12.29% vs. +10.20%

+ overweight US Equities
+ underweight FI
+ Direct Lending build-up
+ Excess Returns

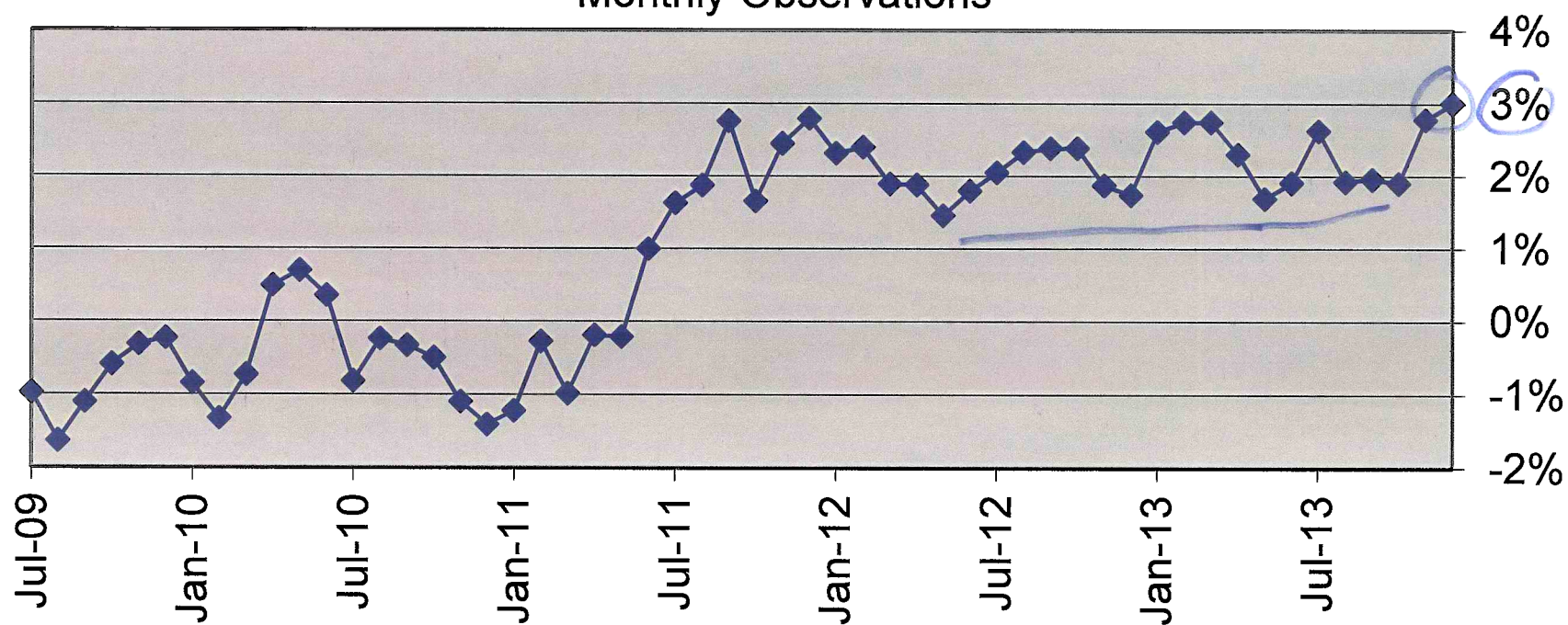
- D+C Equity
- Delaware
- Cap Prospects
- LSU
- D+C Fixed Inc.

wow!

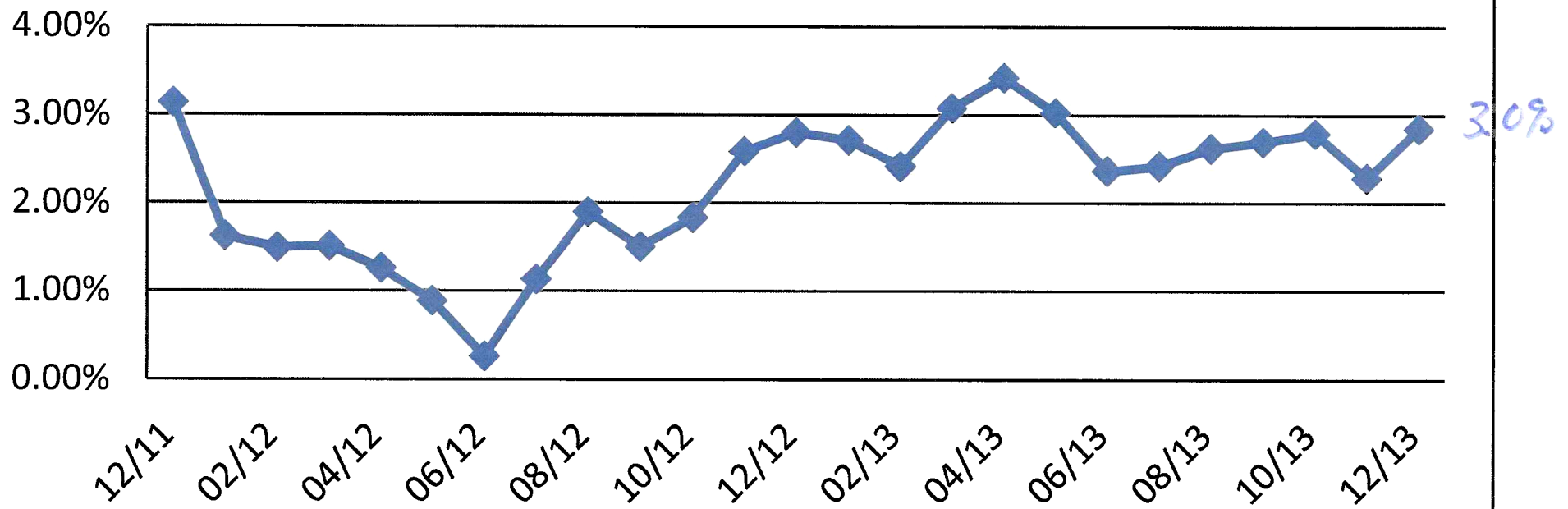
Dodge & Cox Equity
Rolling 3-Years Annualized Alpha
Monthly Observations



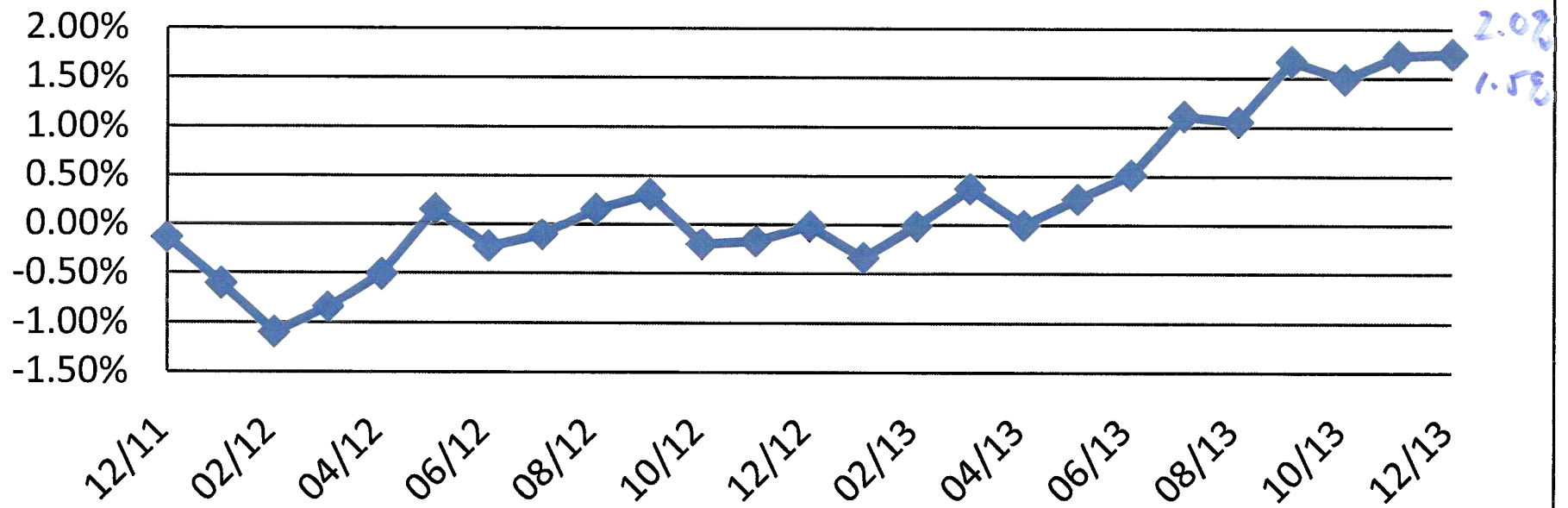
Delaware
Rolling 3-Years Annualized Alpha
Monthly Observations



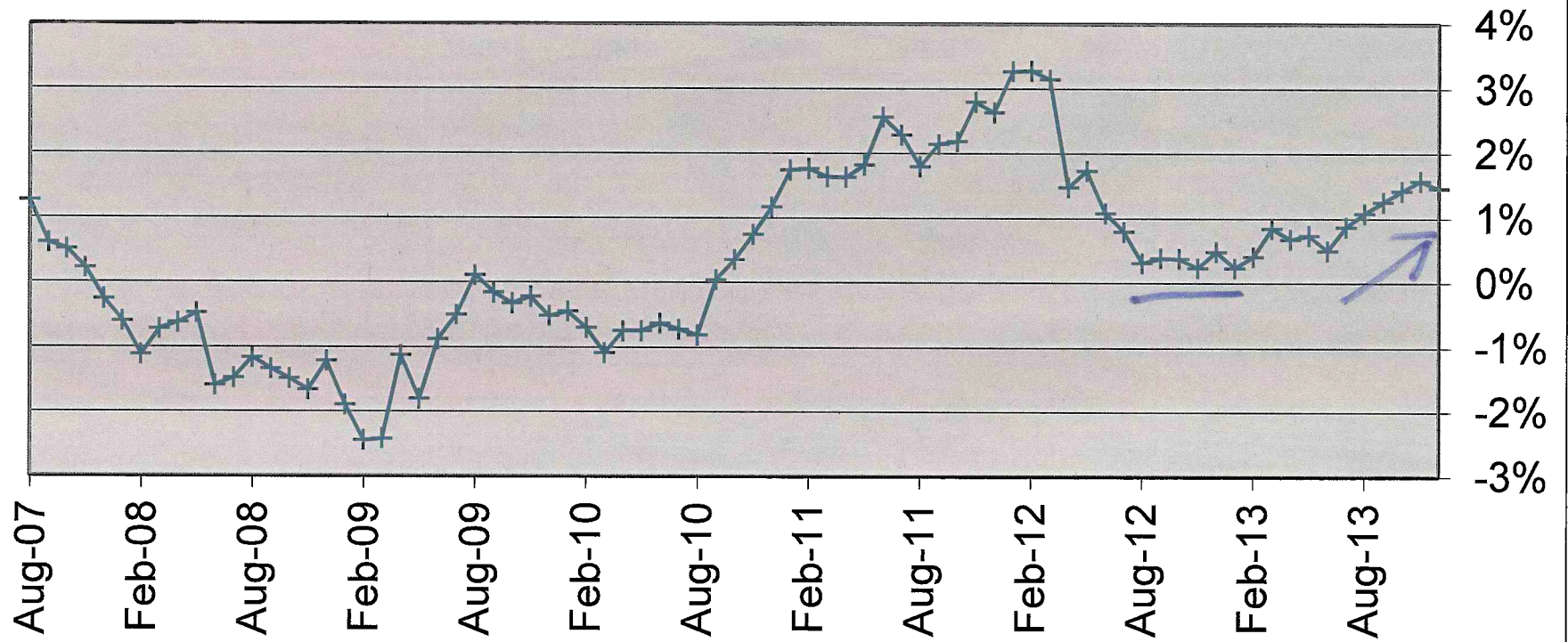
Capital Prospects
Rolling 3-Year
Alphas
Monthly Observations



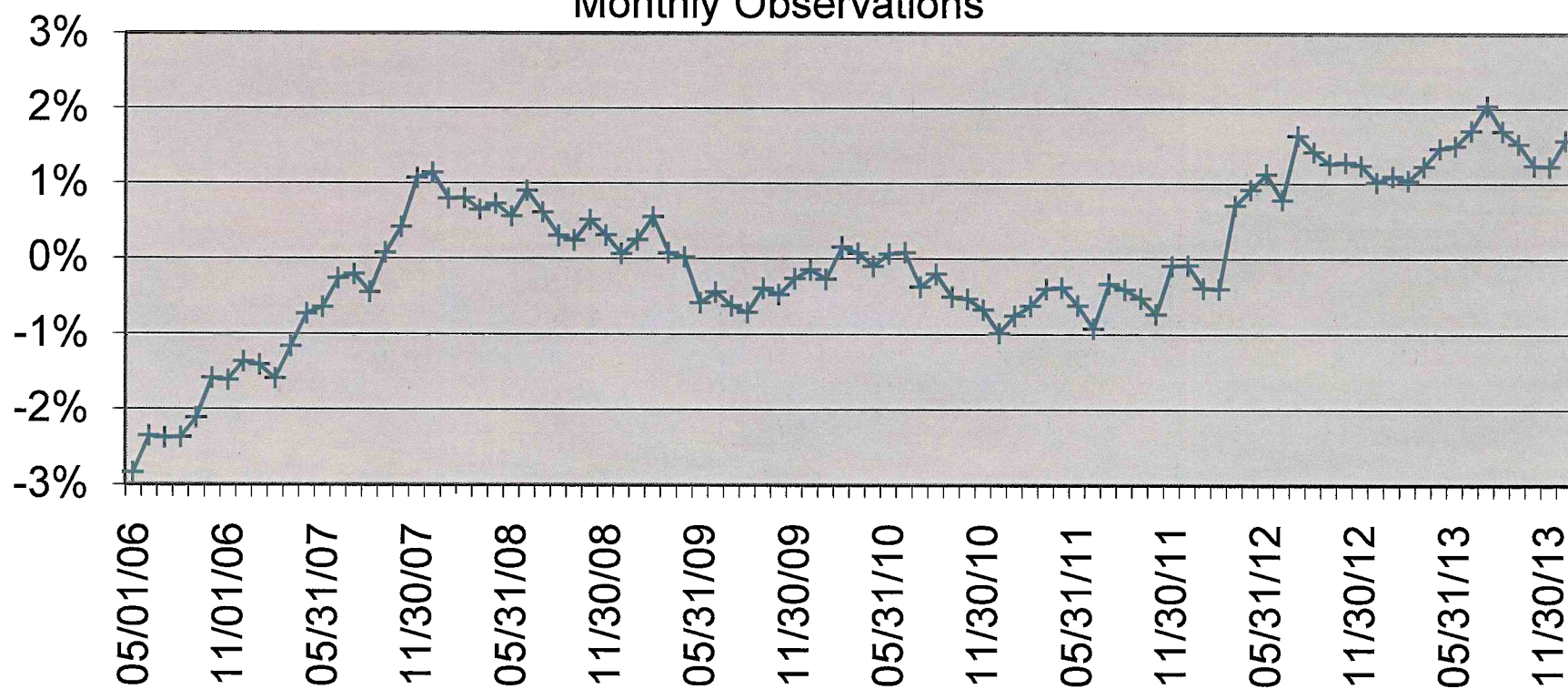
Legato Rolling
3-Year Alphas
Annualized
Monthly Observations



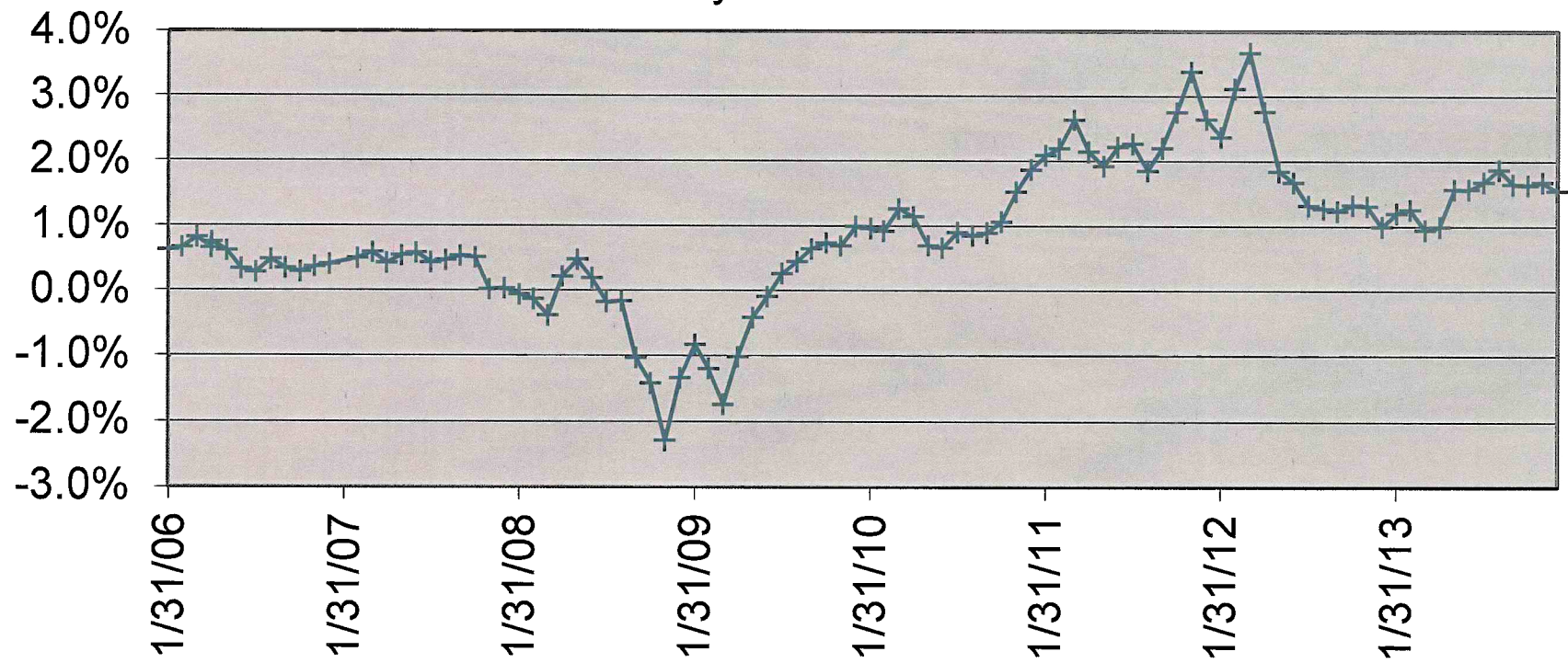
LSV
Rolling 3-Years Annualized Alpha
Monthly Observations



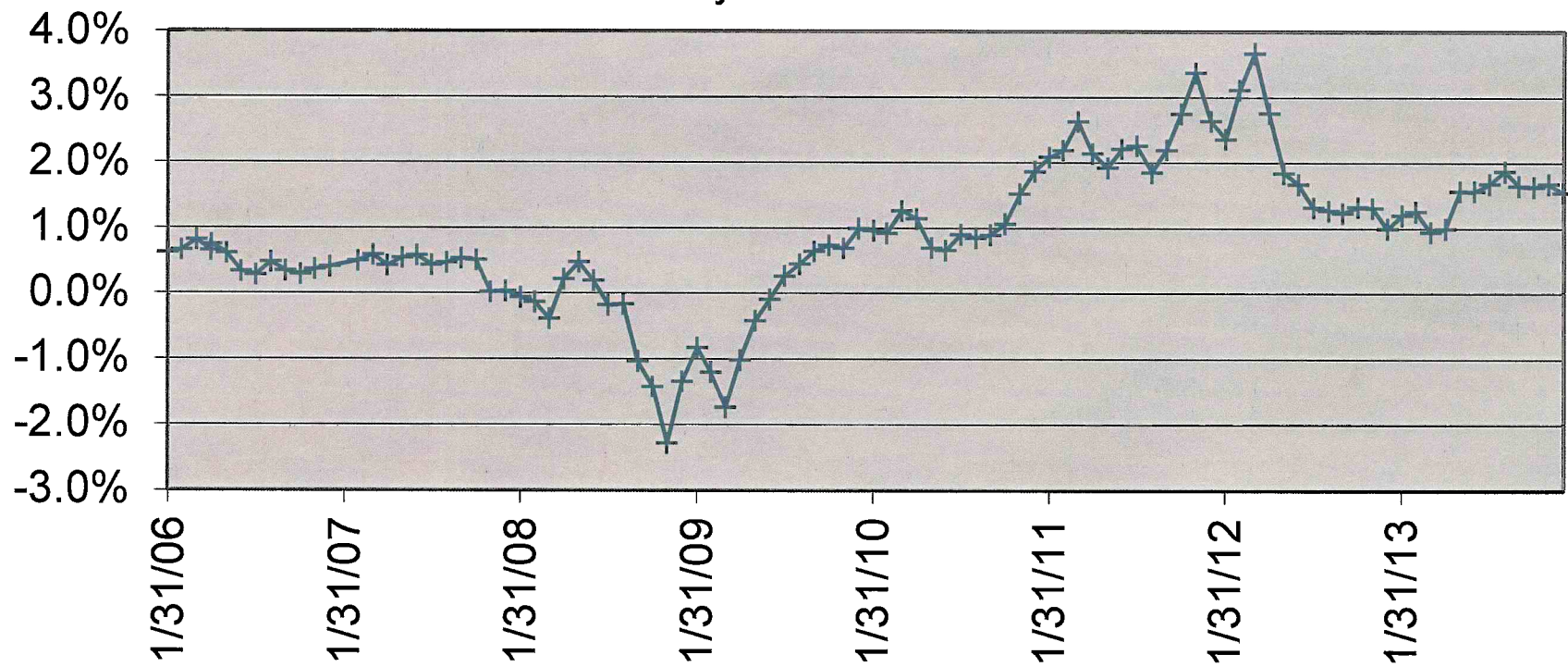
Pyramis (May 2006)
Rolling 3-Years Annualized Alpha
Monthly Observations



Dodge & Cox Fixed Income
Rolling 3-Year Alphas Annualized
Monthly Observations



Dodge & Cox Fixed Income
Rolling 3-Year Alphas Annualized
Monthly Observations



STANCERA
Price Monitor Position Report

1-28-14
Item #7b

BlackRock
Passive Large Cap Growth Manager
Positions as of December 31, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	12/31/2013 \$ PX	1/17/2014 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	6,842	\$3,838,303	4.05%	0.22%	561.02	540.67	-3.63%	-3.34%
Google Inc.	GOOG	2,715	\$3,042,210	3.21%	0.18%	1120.71	1150.53	2.66%	2.95%
Microsoft Corp.	MSFT	80,307	\$3,004,301	3.17%	0.18%	37.41	36.38	-2.75%	-2.46%
INTL Business Machines	IBM	10,206	\$1,914,413	2.02%	0.11%	187.57	190.09	1.34%	1.63%
Coca-Cola Co.	KO	35,789	\$1,478,457	1.56%	0.09%	41.31	39.28	-4.91%	-4.62%
Amazon.com Inc	AMZN	3,565	\$1,421,594	1.50%	0.08%	398.79	399.61	0.21%	0.50%
Verizon Communications	VZ	27,579	\$1,355,253	1.43%	0.08%	49.14	48.35	-1.61%	-1.32%
Philip Morris Intl.	PM	15,446	\$1,345,775	1.42%	0.08%	87.13	83.33	-4.36%	-4.07%
Oracle Corp	ORCL	34,679	\$1,326,821	1.40%	0.08%	38.26	38.21	-0.13%	0.16%
Comcast Corp	CMCSA	24,436	\$1,269,957	1.34%	0.07%	51.97	53.54	3.02%	3.31%
TOP TEN HOLDINGS			\$19,997,083	21.10%	1.17%	Russell 1000 Growth:		-0.29%	

Total Portfolio Value
Total StanCERA Value

\$94,772,905
\$1,714,184,938

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Value Manager
Positions as of December 31, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	12/31/2013 \$ PX	1/17/2014 \$ PX	Position % Change	Relative % Change
EXXON MOBIL CORP	XOM	51,065	\$5,167,795	4.72%	0.30%	101.20	99.16	-2.02%	-1.54%
GENERAL ELECTRIC CO	GE	117,963	\$3,306,513	3.02%	0.08%	28.03	26.58	-5.17%	-4.70%
JOHNSON & JOHNSON	JNJ	29,766	\$2,726,231	2.49%	0.08%	91.59	95.06	3.79%	4.27%
CHEVRON CORP	CVX	21,650	\$2,704,334	2.47%	0.16%	124.91	119.29	-4.50%	-4.02%
WELLS FARGO & CO	WFC	57,879	\$2,627,693	2.40%	0.15%	45.40	46.39	2.18%	2.66%
JPMORGAN CHASE & CO	JPM	44,746	\$2,616,744	2.39%	0.15%	58.48	58.11	-0.63%	-0.15%
PROCTER & GAMBLE CO	PG	31,874	\$2,594,846	2.37%	0.06%	81.41	79.88	-1.88%	-1.40%
PFIZER INC	PFE	80,069	\$2,452,513	2.24%	0.06%	30.63	31.09	1.50%	1.98%
BERKSHIRE HATHAWAY INC	BRK-B	20,593	\$2,441,564	2.23%	0.06%	118.56	115.07	-2.94%	-2.47%
BANK OF AMERICA	BAC	139,232	\$2,167,846	1.98%	0.13%	15.57	17.01	9.25%	9.73%
TOP TEN HOLDINGS			\$28,806,080	26.31%	1.24%	Russell 1000 Value		-0.48%	

Total Portfolio Value
Total StanCERA Value

\$109,487,191

\$1,714,184,938

STANCERA
Price Monitor Position Report

Capital Prospects
Active US Small Cap Value Manager
Positions as of December 31, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000V	12/31/2013 \$ PX	1/17/2014 \$ PX	Position % Change	Relative % Change
Hillenbrand, Inc	HI	45,495	\$1,338,450	1.40%	0.08%	0.10%	29.42	28.89	-1.80%	-0.98%
Belden Inc	BDC	18,727	\$1,319,329	1.38%	0.08%	0.19%	70.45	69.57	-1.25%	-0.42%
Regal Beloit Corp	RBC	15,822	\$1,166,363	1.22%	0.07%	0.00%	73.72	78.77	6.85%	7.67%
Littelfuse, Inc	LFUS	12,448	\$1,156,803	1.21%	0.07%	0.12%	92.93	93.15	0.24%	1.06%
Broadridge	BR	25,643	\$1,013,398	1.06%	0.06%	0.00%	39.52	38.43	-2.76%	-1.93%
First AM	FAF	33,902	\$956,036	1.00%	0.06%	0.00%	28.20	26.57	-5.78%	-4.96%
MB Financial, Inc	MBFI	29,224	\$936,915	0.98%	0.05%	0.11%	32.06	30.44	-5.05%	-4.23%
Meredith Corporation	MDP	17,533	\$908,234	0.95%	0.05%	0.00%	51.80	45.78	-11.62%	-10.80%
Polyone Corporation	POL	24,881	\$879,553	0.92%	0.05%	0.21%	35.35	34.39	-2.72%	-1.89%
Iberiabank Corp	IBKC	13,994	\$879,553	0.92%	0.05%	0.11%	62.85	62.28	-0.91%	-0.08%
TOP TEN HOLDINGS			\$10,554,633	11.04%	0.62%	0.84%	Russell 2000 Value:		-0.82%	

Total Portfolio Value
Total StanCERA Value

\$95,603,557
\$1,714,184,938

STANCERA
Price Monitor Position Report

Delaware Investments Advisers
Active Large Cap Growth Portfolio
Positions as of December 31, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	12/31/2013 \$ PX	1/17/2014 \$ PX	Position % Change	Relative % Change
Visa Inc. Class A	V	39,075	\$8,701,221	5.93%	0.51%	1.20%	222.68	232.18	4.27%	4.56%
MasterCard Incorporated Class A	MA	10,400	\$8,688,784	5.93%	0.51%	1.01%	835.46	818.42	-2.04%	-1.75%
Celgene Corporation	CELG	43,250	\$7,307,866	4.98%	0.43%	0.73%	168.97	167.04	-1.14%	-0.85%
Liberty Interactive Corporation Class A	LINTA	244,250	\$7,168,738	4.89%	0.42%	0.01%	29.35	28.10	-4.26%	-3.97%
EOG Resources, Inc.	EOG	40,925	\$6,868,852	4.68%	0.40%	0.44%	167.84	168.96	0.67%	0.96%
Google Inc. Class A	GOOG	6,125	\$6,864,349	4.68%	0.40%	3.12%	1120.71	1150.53	2.66%	2.95%
QUALCOMM Incorporated	QCOM	89,975	\$6,680,644	4.56%	0.39%	1.32%	74.25	74.73	0.65%	0.94%
Crown Castle International Corp.	CCI	90,925	\$6,676,623	4.55%	0.39%	0.25%	73.43	74.22	1.08%	1.37%
priceline.com Incorporated	PCLN	5,200	\$6,044,480	4.12%	0.35%	0.62%	1162.40	1178.04	1.35%	1.64%
Walgreen Co.	WAG	103,650	\$5,953,656	4.06%	0.35%	0.42%	57.44	59.16	2.99%	3.29%
TOP TEN HOLDINGS			\$70,955,212	48.39%	4.14%	9.12%	Russell 1000 Growth:		-0.29%	

Total Portfolio Value
Total StanCERA Value

\$146,632,022
\$1,714,184,938

STANCERA
Price Monitor Position Report

Dodge & Cox Equity
Active US Large Cap Value Manager
Positions as of December 31, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	12/31/2013 \$ PX	1/17/2014 \$ PX	Position % Change	Relative % Change
WELLS FARGO & CO	WFC	160,072	\$7,267,268	3.91%	0.42%	2.40%	45.40	46.39	2.18%	2.47%
CAPITAL ONE FINANCIAL CORP	COF	92,500	\$7,086,425	3.82%	0.41%	0.50%	76.61	72.39	-5.51%	-5.22%
COMCAST CORP-CLASS A	CMCSA	135,063	\$7,018,548	3.78%	0.41%	0.10%	51.97	53.54	3.02%	3.31%
HEWLETT-PACKARD CO	HPQ	232,705	\$6,511,085	3.51%	0.38%	0.60%	27.98	29.80	6.50%	6.80%
MICROSOFT CORP	MSFT	170,000	\$6,363,100	3.43%	0.37%	0.00%	37.41	36.38	-2.75%	-2.46%
MERCK & CO. INC.	MRK	117,500	\$5,880,875	3.17%	0.34%	1.60%	50.05	51.95	3.80%	4.09%
GENERAL ELECTRIC CO	GE	200,000	\$5,606,000	3.02%	0.33%	3.10%	28.03	26.58	-5.17%	-4.88%
TIME WARNER INC	TWX	80,232	\$5,593,775	3.01%	0.33%	0.70%	69.72	64.40	-7.63%	-7.34%
NOVARTIS AG-ADR	NVS	66,000	\$5,305,080	2.86%	0.31%	0.00%	80.38	81.18	1.00%	1.29%
SCHWAB (CHARLES) CORP	SCHW	204,000	\$5,304,000	2.86%	0.31%	0.30%	26.00	26.77	2.96%	3.25%
TOP TEN HOLDINGS			\$61,936,156	33.36%	3.61%	9.30%	Russell 1000 Growth:		-0.29%	

Total Portfolio Value
Total StanCERA Value

\$185,655,627
\$1,714,184,938

STANCERA
Price Monitor Position Report

Legato Capital Management
Active US Small Cap Growth Manager
Positions as of December 31, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000G	12/31/2013 \$ PX	1/17/2014 \$ PX	Position % Change	Relative % Change
CoStar Group, Inc.	CSGP	7,737	\$1,428,095.46	1.59%	0.08%	0.61%	184.58	178.82	-3.12%	-4.82%
The Ultimate Software Group, Inc.	ULTI	7,701	\$1,179,947.22	1.32%	0.07%	0.49%	153.22	157.05	2.50%	0.80%
Cepheid	CPHD	22,968	\$1,071,962.50	1.20%	0.06%	0.36%	46.67	48.33	3.56%	1.86%
United Natural Foods, Inc.	UNFI	12,697	\$957,226.83	1.07%	0.06%	0.43%	75.39	73.71	-2.23%	-3.93%
Portfolio Recovery Associates, Inc.	PRAA	18,040	\$953,233.60	1.06%	0.06%	0.31%	52.84	53.42	1.10%	-0.60%
athenahealth, Inc.	ATHN	6,637	\$892,676.50	1.00%	0.05%	0.58%	134.50	139.34	3.60%	1.90%
Vantiv, Inc. Class A	VNTV	27,301	\$890,285.61	0.99%	0.05%	0.00%	32.61	32.60	-0.03%	-1.73%
MAXIMUS, Inc.	MMS	19,621	\$863,127.79	0.96%	0.05%	0.35%	43.99	43.72	-0.61%	-2.31%
Neogen Corporation	NEOG	18,663	\$852,899.10	0.95%	0.05%	0.19%	45.70	43.17	-5.54%	-7.23%
The Advisory Board Company	ABCO	13,182	\$839,297.94	0.94%	0.05%	0.26%	63.67	61.54	-3.35%	-5.04%
TOP TEN HOLDINGS			\$9,928,752.55	11.07%	0.58%	3.58%	Russell 2000 Growth:		1.70%	

Total Portfolio Value
Total StanCERA Value

\$89,685,179
\$1,714,184,938

STANCERA
Price Monitor Position Report

BNY - S&P 500 Index
Passive S&P 500 Index Fund
Positions as of December 31, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	12/31/2013 \$ PX	1/17/2014 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	5,112	\$2,868,038	2.95%	0.17%	561.02	540.67	-3.63%	-3.14%
Exxon Mobil Corp	XOM	25,170	\$2,547,207	2.62%	0.15%	101.20	99.16	-2.02%	-1.53%
Google Inc.	GOOG	1,700	\$1,905,544	1.96%	0.11%	1120.71	1150.53	2.66%	3.15%
Microsoft	MSFT	43,400	\$1,623,601	1.67%	0.09%	37.41	36.38	-2.75%	-2.27%
General Electric Co	GE	56,536	\$1,584,713	1.63%	0.09%	28.03	26.58	-5.17%	-4.69%
Johnson & Johnson	JNJ	17,196	\$1,574,990	1.62%	0.09%	91.59	95.06	3.79%	4.27%
Chevron Corp	CVX	10,819	\$1,351,381	1.39%	0.08%	124.91	119.29	-4.50%	-4.01%
Wells Fargo & Co.	WFC	28,910	\$1,312,492	1.35%	0.08%	45.40	46.39	2.18%	2.67%
JP Morgan Chase & Co	JPM	21,945	\$1,283,325	1.32%	0.07%	58.48	58.11	-0.63%	-0.15%
Procter & Gamble	PG	15,764	\$1,283,325	1.32%	0.07%	81.41	79.88	-1.88%	-1.39%
TOP TEN HOLDINGS			\$17,334,616	17.83%	1.01%	S&P 500 Index:		-0.48%	

Total Portfolio Value
Total StanCERA Value

\$97,221,628

\$1,714,184,938

STANCERA
Price Monitor Position Report

LSV Asset Management
International Large Cap Value
Positions as of December 31, 2013

Company	Symbol	Market	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	12/31/2013 \$ PX*	1/17/2014 \$ PX*	Position % Change	Relative % Change
ROYAL DUTCH SHELL	RDS-A	London	49,077	\$3,497,728	2.26%	0.20%	1.28%	71.27	70.57	-0.98%	0.52%
ASTRAZENECA PLC	AZN	London	47,183	\$2,801,278	1.81%	0.16%	0.41%	59.37	63.73	7.34%	8.84%
BT GROUP PLC	BT	Paris	42,412	\$2,677,465	1.73%	0.16%	0.28%	63.13	62.88	-0.40%	1.10%
ALLIANZ SE	ALV.DE	Germany	19,116	\$2,491,744	1.61%	0.15%	0.45%	130.35	133.90	2.72%	4.22%
LEGAL & GENERAL GROUP PLC	LGEN.L	Japan	11,050	\$2,460,791	1.59%	0.14%	0.12%	222.70	230.30	3.41%	4.91%
MAGNA INTERNATIONAL INC	MGA	Canada	27,159	\$2,228,641	1.44%	0.13%	0.10%	82.06	87.85	7.06%	8.56%
SANOFI S.A.	SNY	London	39,536	\$2,120,304	1.37%	0.12%	0.70%	53.63	50.83	-5.22%	-3.72%
BASF SE	BASFY	Germany	19,096	\$2,058,398	1.33%	0.12%	0.54%	107.79	107.22	-0.53%	0.97%
DAIMLER AG	DAI.DE	Germany	32,479	\$2,042,921	1.32%	0.12%	0.46%	62.90	66.09	5.07%	6.57%
SWISS RE LTD	SSREY	Switzerland	21,612	\$1,996,491	1.29%	0.12%	0.18%	92.38	87.47	-5.32%	-3.82%
TOP TEN HOLDINGS				\$24,375,761	15.75%	1.42%	4.52%	MSCI ACWI ex-U.S.		-1.50%	

Total Portfolio Value
Total StanCERA Value

\$154,766,738

\$1,714,184,938

*Company quotes are provided directly in USD

STANCERA
Price Monitor Position Report

Pyramis Global Advisors
Active Non-US Growth Manager
Positions as of December 31, 2013

Company	Symbol	Market	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	12/31/2013 PX*	1/17/2014 PX*	Position % Change	Relative % Change
NESTLE SA (REG)	7123870	Switzerland	32,409	\$2,379,612	1.48%	0.14%	1.29%	65.25	67.45	3.37%	4.87%
TOYOTA MOTOR CORP	6900643	Hong Kong	35,400	\$2,162,295	1.35%	0.13%	0.92%	61.60	59.40	-3.57%	-2.07%
ROYAL DUTCH SHELL PLC CL A(NL)	B09CBL4	Amsterdam	60,032	\$2,142,890	1.34%	0.13%	1.26%	25.91	26.35	1.70%	3.20%
BAYER AG	5069211	Germany	15,119	\$2,123,947	1.32%	0.12%	0.63%	142.00	136.84	-3.63%	-2.13%
SANOFI	5671735	Paris	19,785	\$2,102,503	1.31%	0.12%	0.69%	24.63	24.65	0.08%	1.58%
HSBC HOLDINGS PLC (UK REG)	540528	London	188,698	\$2,070,206	1.29%	0.12%	1.11%	10.81	11.11	2.78%	4.28%
VODAFONE GROUP PLC	B16GWD5	London	482,438	\$1,893,720	1.18%	0.11%	1.04%	2.84	2.91	2.46%	3.96%
LLOYDS BANKING GROUP PLC	870612	London	1,262,703	\$1,649,658	1.03%	0.10%	0.36%	1.29	1.44	11.63%	13.13%
ALLIANZ SE (REGD)	5231485	Germany	9,007	\$1,617,799	1.01%	0.09%	0.45%	130.35	133.90	2.72%	4.22%
SOFTBANK CORP	6770620	Japan	17,300	\$1,514,295	0.94%	0.09%	0.46%	87.85	85.36	-2.83%	-1.33%
TOP TEN HOLDINGS				\$19,656,925	12.25%	1.15%	8.20%	MSCI ACWI ex-US:		-1.50%	

Total Portfolio Value
Total StanCERA Value

\$160,502,911

\$1,714,184,938

*Company quotes are provided in foreign currency and then converted to USD

STANISLAUS COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

REAL ESTATE ASSET CLASS INTRODUCTION

JANUARY 28, 2013

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

Paul S. Harte
Sr. Vice President

Nathan Pratt
Consultant Analyst



Real Estate Asset Class Introduction

Agenda

- StanCERA Real Estate – Capital Markets Expectations and Asset Allocation
- Introduction of Private Real Estate Asset Class
- Proposed Three Private RE Partnerships
 - American Realty Advisors
 - JP Morgan
 - Greenfield Partners
- Next Steps



Summary of Updated Capital Market Projections

	EXPECTED RETURN DEC 2012	EXPECTED STD DEV DEC 2012	EXPECTED RETURN DEC 2013	EXPECTED STD DEV DEC 2013
US LARGE CAP EQUITY	8.0%	18.0%	7.6%	17.0%
US SMALL CAP EQUITY	8.3%	21.0%	7.9%	19.5%
INTL DEVELOPED EQUITY	8.0%	18.5%	7.8%	20.0%
EM MARKET EQUITY	8.5%	27.5%	8.5%	32.0%
US FIXED INCOME	2.8%	4.5%	2.9%	5.0%
DIRECT LENDING	8.3%	10.0%	8.3%	10.0%
REAL ESTATE	6.6%	18.5%	6.2%	18.0%
INFRASTRUCTURE	7.1%	25.0%	6.7%	26.0%
CASH	1.5%	1.0%	1.5%	1.0%
CPI	2.4%	1.2%	2.3%	1.2%

Real Estate expected return of 6.2% and expected risk of 18.0% is based upon US REITs. Private RE has a different set of returns and correlations.

StanCERA Revised Portfolio Expectations

	Dec 2012	Dec 2012	Dec 2013	Dec 2013
	Current	New Policy	Current	New Policy
Asset	Mix	Mix	Mix	Mix
-----	---	---	---	---
US Lrg Cap	33.10%	30.50%	33.40%	30.50%
US Sml Cap	8.30%	7.70%	8.50%	7.70%
US Fixed	37.10%	29.80%	35.60%	29.80%
Intl Stock	15.00%	13.50%	14.00%	13.50%
EM Stock	5.00%	4.50%	5.00%	4.50%
Real Estate	1.50%	3.50%	1.50%	3.50%
Dir Lend	0.00%	7.50%	2.00%	7.50%
Infrastructure	0.00%	3.00%	0.00%	3.00%
-----	---	---	---	---
Totals	100.00%	100.00%	100.00%	100.00%
Exp. Return (Gm Mean)	6.63%	7.00%	6.57%	6.86%
Std Dev	11.30%	11.65%	11.15%	11.49%
SIS Infl	2.40%	2.40%	2.30%	2.30%
SIS Real	4.23%	4.60%	4.27%	4.56%
Actuary Inflation Rate				3.25%
SIS Real + Actuary Infl.				7.81%
Actuary Assumed Rate				7.75%

StanCERA Real Estate needs to go from a 1.5% to a 3.5% target weight, or an additional 2.0%. Focus will be on Private RE.



Private Real Estate - Introduction

- Private Real Estate remains a key asset class in Inflation-Hedged portfolios
 - The rental income has positive correlation to inflation
 - The land value provides the better inflation hedge longer term
- Private Real Estate has delivered fairly steady returns with attractive income characteristics for longer duration assets
- Cap rate compression presents an issue for new investors particularly in core real estate



Private Real Estate Returns

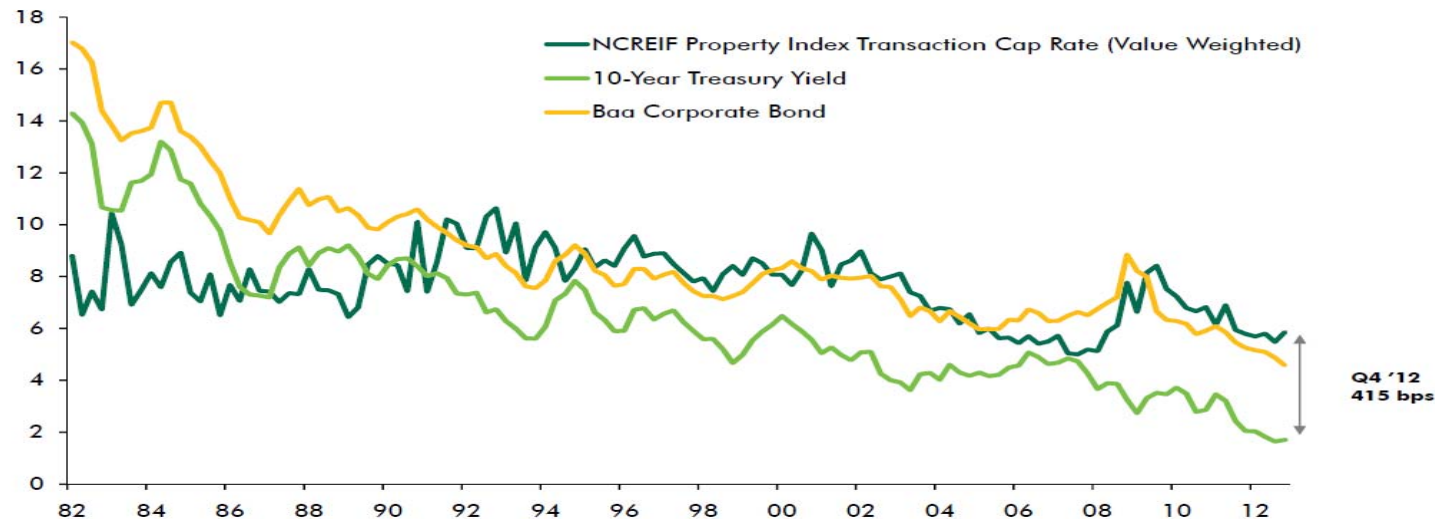
- National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index is a time series composite of total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment performance only.
- BlackRock US Real Estate Securities Index Fund is an open-end fund with its net assets in a portfolio of equity investments that are primarily engaged in or related to the real estate industry inside the U.S. and tracks the Dow Jones US Select Real Estate Securities Index. StanCERA is an investor in this fund.

	NCREIF	BlackRock
Year	Return	US RE Fund
2013 YTD	8.25%	2.42%
2012	10.54%	17.13%
2011	14.26%	8.85%
2010	13.11%	28.46%
2009	-16.98%	29.25%
2008	-6.43%	-39.69%
2007	15.84%	-17.66%
2006	16.82%	35.53%
2005	20.16%	13.79%
2004	14.68%	34.69%

The NCREIF Index tends to be less volatile than the BlackRock REIT Index due to valuation pricing methodology and a lower correlation to the equity markets

Private Real Estate Cap Rate

- Core real estate has largely recovered from the '08-'09 period and in certain markets has hit high valuations again.
- Opportunistic, **value-add** and core real estate in secondary cities still have attractive valuations relative to other income producing assets.
- Real estate cap rates are a way of quoting observed property prices in relation to expected first year asset-level income. The first year income yield on an income property investment. Defined as net operating income (NOI) to current market value (V).





Private Real Estate Construction

Primary categories of portfolio construction within the private real estate allocation consist of the following:

- Risk/Return
 - Core
 - Value added
 - Opportunistic
- Investment Structure
 - Closed-end Funds
 - Open-end Funds
 - REITs
 - Direct Property/Separate Accounts
- Additional Portfolio Factors
 - Property and Geographical Diversification
 - Capital Structure
 - Leverage
 - Liquidity



Private Real Estate Return/Risk Profiles

■ Core	6-8% Return	Lower Risk
■ Core Plus	9-10% Return	
■ Value Added	11-12% Return	Middle Risk
■ Value Plus	13-14% Return	
■ Opportunistic	15%+ Return	Higher Risk

Total Net of Fees, Nominal Returns



Investment Structure

Structure	Advantages	Concerns
OPEN-END FUNDS (Private)	<ul style="list-style-type: none">• Immediate diversification• Long track records• Conservative strategy• Large organizations• Right to redeem with quarterly liquidity	<ul style="list-style-type: none">• Potential exit queue delays• Alignment of interests (no co-investment)• Reasonableness of share values (appraised-based)• Manager/ownership changes (bank sponsors)
CLOSED-END FUNDS (Private)	<ul style="list-style-type: none">• Finite life• Incentive fees based on performance• Manager alignment through co-investment• Higher return targets• Specific strategies	<ul style="list-style-type: none">• Can include non-traditional property types• Typically smaller organizations• High asset concentration• Illiquid
REITs (Public)	<ul style="list-style-type: none">• Total return• Dividend yields• Liquidity• Alignment of interests• Cost of REIT management	<ul style="list-style-type: none">• Volatility• Liquidity (generally small caps)• Stock or Real Estate?• Manager talent• Depth of market in certain property types



StanCERA Existing RE Portfolio

Real Estate		Current \$	Current %	Target \$	Current %
BlackRock	US RE Securities Fund	\$21,333,960	1.26%	\$59,218,666	3.50%
Total StanCERA		\$1,691,961,894	100.00%		
Values as of 11/30/13					

StanCERA to get to a 3.5% Real Estate asset class target needs consideration to:

1. Keep existing BlackRock public markets REIT portfolio and add about \$38 million to fund 1-2 new private real estate managers, or
2. Terminate BlackRock public markets REIT portfolio and add about \$59.2 million to fund 2-3 new private real estate managers



StanCERA Real Estate Strategy

SIS preference for StanCERA within the RE Asset Class would be:

- Place 100% of 3.5% RE Target in Private Real Estate
 - Correlation benefits – reduce equity dependent exposure within RE asset class
 - Longer dated securities to better match StanCERA's liabilities
 - Private nature should equate to higher, more stable returns
- Focus on the Value added space within the Private RE Asset Class
 - Core space today is crowded with corresponding low yields and cap rates
 - Opportunistic space tends to be higher in risk along with higher amounts of leverage
 - Value added space has the best risk/return profile within the private real estate class
- Look to hire 2-3 top quartile Value Added Private Real Estate Managers
 - Place bulk of assets in open-ended space
 - Liquidity
 - Ability to place all of assets in existing fund up-front
 - Reduce burden of capital calls for StanCERA Staff
 - Consider one mandate in private closed-end space with top quartile manager



StanCERA Real Estate Strategy

Private Real Estate Value-Added Manager Search

■ Open-End Funds

- Review Top 100 Commingled RE Funds
- Fund Type Open-End and Strategy Value-added
- **JP Morgan** and Clarion Partners
- SIS experience – Add **American Realty**

■ Closed-End Funds

- Review Funds out in the market raising capital
- Fund Type Closed-End and Strategy Value-added
- Preference to stay away from the largest private closed-end funds
- SIS experience with other clients employing a Private Real Estate strategy – Add **Greenfield Partners**

■ Recommend an initial review of 3 Funds:

- JP Morgan – JPMCB Special Situation Property Fund (Open-End and Value-Added) Cue to get in is 12-months subject to change
- American Realty – American Strategic Value Realty Fund, LP (Open-End and Value-Added)
- Greenfield Partners – GAP VII (Closed-End and Value-Added)

Value-Added Manager Comparison

	American Strategic Value Realty Fund, LP	JPMCB Special Situation Property Fund (1 yr. cue)	GAP VII
Current (open-ended) Targeted (closed-ended) Fund Size	\$303.6 million (open-ended commingled fund). Inception date 12/30/2009	\$3.3 billion (open-ended commingled fund). Inception date 1/1/1998.	\$750 million
Sponsor	American Realty Advisors, a privately-held real estate manager founded in 1988, specializing in core and value-added investing	J.P. Morgan Asset Management, a subsidiary of JP Morgan Chase, a publicly-traded NYSE company. One of the largest real estate investment managers with over 40 years of experience	Greenfield Partners is a privately-held company founded by Gene Gorab in 1997. Greenfield has sponsored 9 investment vehicles
GP Co-Investment	American Realty will co-invest an amount equal to 1% of the aggregate commitments of the Limited Partners, up to a total maximum of \$5 million.	JP Morgan individuals can not invest in fund because of its legal structure as a bank commingled trust.	1%
Strategy	The fund seeks to provide income and appreciation to the moderately higher risk of value-added real estate investments	The fund seeks maximum flexibility, moderate leverage to develop, renovate and/or re-lease to create value. Focus on first tier markets	Contrarian approach seeking investment types that are out of favor, with an emphasis on current income
Expected Returns	11-13% net	10-12% net	13% net
Management Fees	1.25% up to \$10 million; 1.20% next \$15 million; 1.10% next \$25 million; 1.00% on commitment thereafter	1.25% of the NAV plus a debt component whereby total fees capped at 1.60% of the NAV	1.5% on committed capital
Preferred Return	10% IRR over a 3-year period	Not applicable	9% IRR
Incentive Fees after recovery of Capital and Preferred Return (LP/GP ratio)	80/20 (with a clawback)	Not applicable	GP catch-up to 20% of cumulative distributions at 50/50 only above a 6% return; 80/20 thereafter

Value-Added Manager Performance

American Realty Advisors				
Net of Fees Annualized Returns				
				Since
as of 9/30/13	2013 YTD	1-Year	3-Years	Inception*
Income	3.72%	4.59%	4.03%	3.19%
<u>Appreciation</u>	<u>4.59%</u>	<u>5.85%</u>	<u>7.27%</u>	<u>10.66%</u>
Total Return	8.31%	10.63%	11.55%	14.20%
*Since inception date 12/30/2009				

JPMCB Special Situation Property Fund					
Net of Fees Annualized Returns					
					Since
as of 9/30/13	2013 YTD	1-Year	3-Years	5-Years	Inception*
Income	2.3%	3.3%	4.3%	4.3%	5.5%
<u>Appreciation</u>	<u>12.2%</u>	<u>14.0%</u>	<u>14.8%</u>	<u>-5.1%</u>	<u>2.1%</u>
Total Return	14.5%	17.3%	19.1%	-0.8%	7.6%
*Since inception date 1/1/1998					

Greenfield Partners Track Record						
<u>Fund</u>	<u>GAP I</u>	<u>GAP II</u>	<u>GAP III</u>	<u>GAP IV</u>	<u>GAP V</u>	<u>GAP VI</u>
Year Formed	1997	2000	2002	2005	2007	2011
Net IRR	18.1%	10.8%	8.4%	N/M	11.0%	15.9%
Multiple	1.9x	1.4x	1.6x	0.6x	1.6x	1.8x



Investment Deployment Considerations

Scenario I – Retain BlackRock US RE Securities at current \$ amount

Fund	\$ Amount
BlackRock US RE Securities Fund	\$21.3 million
Private RE Fund #1	\$19 million
Private RE Fund #2	\$19 million

Scenario II – Terminate BlackRock and hire 2-3 new Private RE Managers

Fund	\$ Amount
BlackRock US RE Securities Fund	\$0 million
Private RE Fund #1	\$20 million
Private RE Fund #2	\$20 million
Private RE Fund #3	\$20 million

Private Real Estate commitments can vary based upon the number of managers hired and the conviction level for each individual manager



StanCERA Real Estate Next Steps

- Direction from StanCERA Board to proceed in reviewing Private Real Estate Value-Added funds (January 2014)
- Invite Private Real Estate Managers to present to StanCERA Board (February 2014 to June 2014)
 - Greenfield VII
 - American Strategic Value Realty Fund, LP
 - JPMCP Special Situations Property Fund
 - Other Funds?
- Finalize Real Estate Structure (Q1-Q2 2014)
 - Retain or Terminate BlackRock Real Estate Securities Fund
 - Hiring of Private Real Estate Managers



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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Modesto, CA 95354
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Fax (209) 558-4976
www.stancera.org
e-mail: retirement@stancera.org**

**For the Retirement Board meeting
Held on January 28, 2014**

1-28-14
Item #8a

TO: Retirement Board

FROM: Kathy Herman, Operations Manager

- I. SUBJECT: Extension of Actuarial Service Contract with Cheiron EFI, a division of Cheiron, Inc. (formerly known as EFI Actuaries)
- II. RECOMMENDATION: Authorize the Executive Director to enter into and sign an amended agreement to extend the Cherion EFI actuarial services contract through January 31, 2016.
- III. ANALYSIS: Pursuant to Government Code section 31453 an actuarial valuation shall be conducted at intervals not to exceed three years. Following an extensive request for proposal and screening process in 2008, EFI Actuaries was hired to perform actuarial services for five years. An option to extend this contract for up to 3 additional years was included.

Since then, an independent study and the actuarial audit performed by The Segal Group concurred that Cherion EFI is using acceptable assumptions, with the following recommendations to be addressed by the Board of Retirement when the 2013 valuation is presented in February.

- Switch from the Aggregate and Funding to decrement methodology to the Individual and Funding to final decrement methodology.
- Document actuarial methodology used to allocate costs to fund the total benefit for those employees that work more than 30 years and cease contributions at that time.
- Document that the administrative expenses of the System being funded entirely by the employer, which represents a change from past practice
- Consideration of a decrease in the discount rate used for funding.
- Applying the cash out of unused vacation load to employees that are eligible to retire with less than 20 years of service.

In addition to the contracted valuations and experience study, Cheiron EFI has successfully completed the actuarial work necessary to reopen Tier 2 on January 1, 2011 and implement Tier 6 (PEPRA) on January 1, 2013.

The original contract included the annual Actuarial Valuation, Triennial Experience analysis and the \$8,000 retainer. Studies that commence after July 1, 2009 are subject to reasonable increases based on the changes in the Consumer Price Index or in the Company's general rate structure. A survey of other systems was conducted and the fees being charge by Cheiron EFI are still reasonable. Cheiron EFI is willing to extend the contract for two years without changes.

Total fees paid to EFI:	FY 2008-2009	\$63,692.50
	FY 2009-2010	\$78,075.00
	FY 2010-2011	\$89,881.80
	FY 2011-2012	\$54,153.83
	FY 2012-2013	\$67,010.78

**For the Retirement Board meeting
Held on January 28, 2014**

- IV. RISK: None identified.
- V. STRATEGIC PLAN: Strategic Objective # 4 Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System efficiently.
- VI. ADMINISTRATIVE BUDGET IMPACT: Pursuant to Government Code section 31596.1, fees for the investment consultant are not included in the administrative budget, however staff expects the impact to the portfolio return to be nominal.



Kathy Herman, Operations Manager



Rick Santos, Executive Director



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**For the Board of Retirement meeting
Held on January 28, 2014**

TO: Board of Retirement

1-28-14
Item #8b

FROM: Rick Santos, Executive Director

- I. SUBJECT: Securities Lending Collateral Pool
- II. ITEM TYPE: Discussion and Action
- III. STAFF RECOMMENDATION: Pending contractual agreement with Northern Trust for custodial services, authorize the Executive Director to enter into a Securities Lending agreement with Northern Trust using the U.S. Government/Agency Non-Cash Collateral Pool and the Basic Collateral Section for the cash collateral schedule
- IV. ANALYSIS: Since at least 1999, the Organization has engaged its custodian bank to lend out securities from the StanCERA portfolio in an attempt to earn a small rate of return that generally helps to offset custodial fees. A securities lending program lends out securities held in trust by an institution such as StanCERA, while the borrower puts up cash or non-cash collateral in excess of the market value of the securities actually being borrowed. At some point in time, the borrower returns the securities (or StanCERA can actually call back the loans) and StanCERA returns the collateral or cash to the borrower. While the securities are out on loan, the collateral actually accrues cash returns for StanCERA. StanCERA and the custodian bank then split these proceeds with StanCERA receiving 70% while the bank keeps 30%.

Northern Trust requires StanCERA to choose both:

1. a *non-cash collateral schedule* that spells out securities that a borrower could actually give to StanCERA as collateral and
2. a schedule of investments that Northern Trust can invest in if the borrower puts up cash as collateral (*cash collateral schedule*)

Staff believes that since our overall asset allocation explains over 90% of the returns StanCERA will receive over time, the securities lending program should not be counted on to enhance overall returns, but to offset quarterly custodial fees. As such, staff recommends investing in the least risky assets as possible and to choose Northern Trust's Basic Collateral Section as its cash collateral schedule and the U.S. Government/Agency Non-Cash Pool for its non-cash collateral schedule. Investment elements of both are summarized below.

Basic Collateral Section (cash collateral schedule):

1. Obligations issued by the U.S. Government or its agencies
2. Obligations of domestic or foreign banks
3. Commercial paper
4. Repo agreements collateralized by Government/Agency debt obligations

U.S. Government/Agency Non-Cash Pool (non-cash collateral schedule)

1. Obligations issued or guaranteed by the U.S. Government or its agencies

While Northern Trust does offer one other cash collateral schedule, staff feels that the combination of the two recommended are the safest.

- V. RISK: Very minimal investment risk
- VI. STRATEGIC PLAN: Strategic Objective #1. Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contributions stability and sustainability.
- VII. ADMINISTRATIVE BUDGET IMPACT: Nominal offset to our quarterly custodial fees



Rick Santos, Executive Director



Kathy Herman, Operations Manager