



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12th Street, Suite 600  
Modesto, CA 95354  
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Phone (209) 525-6393  
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[www.stancera.org](http://www.stancera.org)  
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## AGENDA

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

**October 22, 2013**  
**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](http://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. Announcements
4. Public Comment
5. Consent Items

- a. Approval of the October 9, 2013 Administrative Meeting Minutes [View](#)

6. Semi-Annual Performance Report by LSV – International [View](#)
7. Strategic Investment Solutions (SIS), Inc.
  - a. Monthly Performance Review for the Month Ending September 30, 2013
  - b. Report on “Top 10 Holdings” of StanCERA Investment Managers as of September 30, 2013
8. Executive Director
  - a. Discussion and Action Regarding Fixed Income Manager Structure – Paul Harte, SIS [View](#)
  - b. Discussion and Action Regarding Review of the Biennial Investment Policy Revision [View](#)
9. Committee Reports and Recommendations for Action

#### STANDING COMMITTEES

- a. Internal Governance Committee
  - i. Discussion and Action to Accept the Internal Governance Committees’ Recommendation Regarding the June 30, 2013 and 2012 Comprehensive Annual Financial Report (CAFR) [View](#)
10. Closed Session
  - a. 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)
  - b. 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)
  - c. 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)
11. Members’ Forum (Information and Future Agenda Requests Only)
12. Adjournment



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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

October 9, 2013

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

**Alternate Member:** Joan Clendenin Alternate Retiree Representative

**Members Absent:** Maria DeAnda

**Staff Present:** Rick Santos, Executive Director  
Kellie Gomes, Executive Board Secretary  
Kathy Herman, Operations Manager  
Dawn Lea, Benefits Manager

**Others Present:** Fred Silva, General Legal Counsel  
Doris Foster, County Chief Executive Office  
Stan Risen, County Chief Executive Office  
Andy Yeung, The Segal Group  
Graham Schmidt, Cheiron

1. Meeting Called to Order

Meeting called to order at 2:02p.m. by Darin Gharat, Chair.

2. Roll Call

3. Announcements

Trustee O'Neal gave the Board an update on his attendance to the Opal Summit. Mr. O'Neal commented on the topics of convertible and municipal bonds.

Trustee Ford apprised the Board of an article in the Wall Street Journal discussing how some banks are pulling out even more from the private/direct lending space.

Executive Director Santos announced the resignation of SACRS Treasurer Tom Ford.

Executive Director Santos announced he will not be in attendance for the October 22 Board meeting due to attendance of an actuarial conference

Trustee Jason Gordo arrived at 2:06 p.m.

4. Public Comment

None

5. Consent Items

Motion was made by Michael O'Neal and seconded by Donna Riley to approve the following consent items as presented:

Motion Carried

- a. Approval of the September 24, 2013 Investment Meeting Minutes
- b. StanCERA Complaint Log for July 2013 through September 2013
- c. Executive Director Goals Update Quarter 3 2013 and Strategic Action Plan
- d. Approval of Holiday Office Closure
- e. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
  - 1. Juan Alonzo, HSA, Effective 10/05/2013
  - 2. Kathy Causey, CSA, Effective 09/04/2013
  - 3. Aurora De Vera, CSA, Effective 10/31/2013
  - 4. Merry Egan, CSA, Effective 09/30/2013
  - 5. Debbie Gutierrez, CSA, Effective 10/02/2013
  - 6. Gregg Halladay, PW, Effective 10/01/2013
  - 7. Judy Oxford, DCSS, Effective 10/02/2013
  - 8. Charles Turner, StanCOG, Effective 10/05/2013
  - 9. Liliana Velassquez, BHRS, Effective 10/04/2013
  - 10. Joanne Warner, BHRS, Effective 10/05/2013
  - 11. Consuelo Williams Clerk Recorder/Elections, Effective 10/05/2013
- f. Approval of Deferred Retirement(s) – **Section 31700**
  - 1. Fredrick Harper, Ceres, Effective 08/15/2013
  - 2. Sarah Hernandez, CSA, Effective 08/22/2013
  - 3. Sergio Jimenez-Gudino, Ceres, Effective 09/01/2013
  - 4. Troy Silcox, Sheriff, Effective 06/29/2013
  - 5. Kym Vieira, CEO, Effective 08/31/2013
  - 6. Daisy Villasenor, CSA, Effective 08/24/2013



6. Executive Director

a. Discussion and Action Regarding the Actuarial Audit Performed by the Segal Group

Motion was made by Michael O'Neal and seconded by Jeff Grover to accept the 2013 actuarial audit of the 2009-2012 experience study and 2012 actuarial valuation as presented by Andy Yeung from the Segal Group with the following recommendations from the actuarial audit:

- Switch from the Aggregate and Funding to decrement methodology to the Individual and Funding to final decrement methodology. This switch will still need to be addressed at the first draft of the 2013 Actuarial valuation
- 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. This change will still need to be considered and addressed at the presentation of the first draft of the 2013 actuarial valuation
- Applying the cash out of unused vacation load to employees that are eligible to retire with less than 20 years of service. This change will be made in the 2013 valuation.

7. Committee Reports and Recommendations for Action

STANDING COMMITTEES

a. Strategic Planning Committee

i. Discussion and Action to Accept the Recommendation of the Strategic Planning Committee on the 2014-2016 Strategic Plan

Motion was made by Gordon Ford and seconded by Michael O'Neal to approve the Committee's recommendation to accept the 2014-2016 Strategic Plan as presented with the following changes:

Strategic Objective 2: Change the Desired Outcome to the following: 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.

7. Committee Reports and Recommendations for Action (Cont.)

STANDING COMMITTEES

a. Strategic Planning Committee

- i. Discussion and Action to Accept the Recommendation of the Strategic Planning Committee on the 2014-2016 Strategic Plan

Strategic Objective 4: Change the Desired Outcome to the following: 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.

A minor correction was made to the actual agenda item itself. It was noted that the Strategic Facilitator met with most Board members instead of all of them

Motion Carried

8. Closed Session

- a. 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)
- b. 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)
- c. 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)

No Closed Session Items to Report

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

None

10. Adjournment

Meeting adjourned at 3:38 p.m

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Rick Santos".

Rick Santos, Executive Director

APPROVED AS TO FORM:

FRED A. SILVA, GENERAL LEGAL COUNSEL

By:

A handwritten signature in blue ink, appearing to read "Fred A. Silva".  
Fred A. Silva, General Legal Counsel

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**Stanislaus County Employees'**  
**Retirement Association**

October 22, 2013

Keith Bruch, CFA  
Partner & Director, Client Portfolio Services  
(312) 460-2336



# Organizational Update

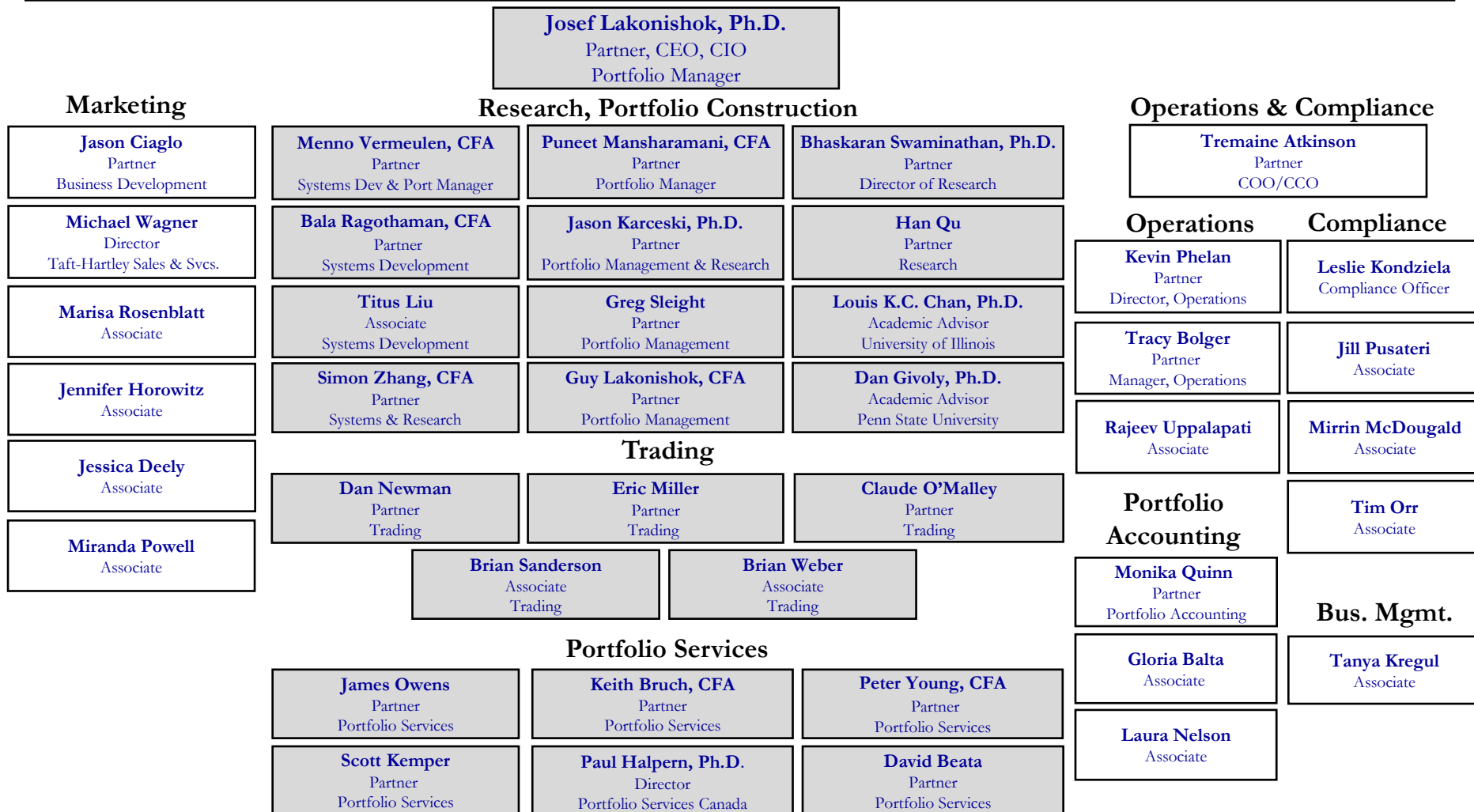
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- ◆ LSV'S KEY ORGANIZATIONAL STRENGTHS:
  - ◆ ACADEMIC FOUNDATION
  - ◆ 25+ YEARS OF RESEARCH
  - ◆ SUCCESSFULLY APPLIED MODELS FOR 20 YEARS
  - ◆ VALUE EQUITY FOCUS – OUR SOLE BUSINESS
  - ◆ CONSISTENCY OF PEOPLE, PHILOSOPHY & PORTFOLIO
  - ◆ EMPLOYEE OWNERSHIP
  
- ◆ ALL STRATEGIES BUILT FROM SAME INVESTMENT MODEL
  - ◆ \$77.0 BILLION IN FIRMWIDE ASSETS UNDER MANAGEMENT
  - ◆ \$18.2 BILLION IN INTERNATIONAL LARGE CAP VALUE ASSETS
  - ◆ LIMITED CAPACITY OFFERINGS

| <u>U.S.</u>               | <u>Non-U.S.</u>                            | <u>Global</u>                   |
|---------------------------|--------------------------------------------|---------------------------------|
| Large Cap Value           | Developed Markets Large Cap Value          | Developed Markets Global Value  |
| Mid Cap Value             | All-Country Large Cap Value                | All-Country Global Value        |
| Small/ Mid Cap Value      | Developed Markets Small Cap Value (Closed) | Global Small Cap Value (Closed) |
| Small Cap Value (Closed)* | Emerging Markets Value (Closed)            | Managed Volatility              |
| Micro Cap Value (Closed)* | Emerging Markets Small Cap Value (Closed)  | Concentrated Value              |
| Enhanced Index            | Regional Strategies - Lg/Sm Cap            |                                 |
| Managed Volatility        | Europe, Asia, Canada, Japan, Australia     |                                 |
| Concentrated Value        | Enhanced Index                             |                                 |
|                           | Concentrated Value                         |                                 |

\* Select Strategies Open to Existing Clients

# Organizational Structure



## Relationship Summary

### Stanislaus County Employees' Retirement Association

|                      |                                      |                                   |                              |
|----------------------|--------------------------------------|-----------------------------------|------------------------------|
| Investment Strategy: | International Large Cap Value Equity |                                   | <u>Portfolio Growth</u>      |
| Inception Date:      | September 14, 2004                   | <b>Beginning Value - 9/14/04:</b> | <b>\$ 81,163,381</b>         |
| Initial Funding:     | \$81,163,381                         | Net Contributions/Withdrawals:    | \$ (27,100,000)              |
| Custodian:           | Mellon                               | Return on Investment:             | \$ 91,176,744                |
| Consultant:          | Strategic Investment Solutions       | <b>Ending Value - 9/30/13:</b>    | <b><u>\$ 145,240,125</u></b> |
| Benchmark:           | MSCI ACWI Ex U.S.                    |                                   |                              |
| Restrictions:        | None                                 |                                   |                              |

#### Objectives/Investment Process:

The objective of our International Large Cap Value Equity strategy is to outperform the benchmark by approximately 250 basis points (gross of fees) per annum over a full investment cycle. LSV will attempt to meet this performance objective with a tracking error of approximately 5-6% relative to the Index.

The process used to select stocks is a **quantitative** approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of **value and momentum** factors and seeks to invest approximately 150-175 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be **broadly diversified** across industry groups and **fully invested** (cash balances are typically less than 1% of the portfolio). Initial positions must be in stocks with a market capitalization greater than \$500 million.

# Market Update

|                                          | Periods Ending 9/30/13 |              |              |              |              |              |               |
|------------------------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| <u>Large Cap International Indices</u>   | <u>3Q13</u>            | <u>YTD</u>   | <u>1 Yr</u>  | <u>2 Yrs</u> | <u>3 Yrs</u> | <u>5 Yrs</u> | <u>10 Yrs</u> |
| MSCI EAFE                                | 11.6%                  | 16.1%        | 23.8%        | 18.7%        | 8.5%         | 6.4%         | 8.0%          |
| MSCI EAFE Value                          | 12.6%                  | 15.7%        | 24.3%        | 18.3%        | 8.0%         | 5.9%         | 7.9%          |
| MSCI ACWI Ex-U.S.                        | 10.1%                  | 10.0%        | 16.5%        | 15.5%        | 6.0%         | 6.3%         | 8.8%          |
| MSCI World Ex-U.S.                       | 11.3%                  | 14.7%        | 21.5%        | 17.6%        | 7.9%         | 6.1%         | 8.2%          |
| MSCI EAFE (Local)                        | 7.5%                   | 19.3%        | 28.3%        | 20.7%        | 9.1%         | 5.5%         | 6.3%          |
| <b>MSCI EAFE Value vs Growth Spread:</b> | <b>2.1%</b>            | <b>-0.8%</b> | <b>1.0%</b>  | <b>-0.7%</b> | <b>-0.9%</b> | <b>-0.9%</b> | <b>-0.1%</b>  |
| <u>Small Cap International Indices</u>   |                        |              |              |              |              |              |               |
| S&P Developed ex US Small Cap            | 14.5%                  | 18.8%        | 24.9%        | 19.1%        | 10.0%        | 9.8%         | 10.5%         |
| S&P Developed ex US Small Cap Value      | 15.8%                  | 20.2%        | 28.0%        | 19.9%        | 10.5%        | 9.8%         | 11.1%         |
| <b>Value vs Growth Spread:</b>           | <b>2.7%</b>            | <b>3.0%</b>  | <b>6.3%</b>  | <b>1.6%</b>  | <b>1.2%</b>  | <b>0.1%</b>  | <b>1.1%</b>   |
| <u>Emerging Markets Indices</u>          |                        |              |              |              |              |              |               |
| MSCI Emerging Markets                    | 5.8%                   | -4.4%        | 1.0%         | 8.7%         | -0.3%        | 7.2%         | 12.8%         |
| MSCI Emerging Markets Value              | 7.2%                   | -5.7%        | -1.2%        | 6.8%         | -1.2%        | 7.1%         | 14.1%         |
| <b>Value vs Growth Spread:</b>           | <b>2.8%</b>            | <b>-2.5%</b> | <b>-4.2%</b> | <b>-3.7%</b> | <b>-1.6%</b> | <b>-0.2%</b> | <b>2.6%</b>   |
| <u>Comparative U.S. Indices</u>          |                        |              |              |              |              |              |               |
| S&P 500                                  | 5.3%                   | 19.8%        | 19.3%        | 24.7%        | 16.3%        | 10.0%        | 7.6%          |
| Russell 2000                             | 10.2%                  | 27.7%        | 30.1%        | 31.0%        | 18.3%        | 11.2%        | 9.6%          |

All returns are in USD; periods longer than one year are annualized.

# International Value Equity Investment Performance

Periods Ended September 30, 2013

Assets Managed: \$145,240,125

| <u>LSV International Value Equity</u> | <u>3Q13</u> | <u>6 Mo</u> | <u>YTD</u> | <u>1 Year</u> | <u>3 Years</u> | <u>5 Years</u> | <u>7 Years</u> | <u>Return Since Inception*</u> |
|---------------------------------------|-------------|-------------|------------|---------------|----------------|----------------|----------------|--------------------------------|
| Stanislaus County Portfolio- Gross    | 11.3%       | 8.6%        | 13.3%      | 19.8%         | 7.9%           | 8.3%           | 3.5%           | 8.2%                           |
| Stanislaus County Portfolio- Net      | 11.1%       | 8.3%        | 12.8%      | 19.1%         | 7.2%           | 7.6%           | 2.9%           | 7.6%                           |
| MSCI ACWI Ex US                       | 10.1%       | 6.7%        | 10.0%      | 16.5%         | 6.0%           | 6.3%           | 3.0%           | 7.3%                           |
| MSCI ACWI Ex US Value                 | 11.4%       | 7.8%        | 9.7%       | 16.8%         | 5.8%           | 6.1%           | 2.5%           | 7.1%                           |

Calendar Years

| <u>LSV International Value Equity</u> | <u>YTD</u><br><u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004*</u> |
|---------------------------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Stanislaus County Portfolio- Gross    | 13.3%                     | 16.8%       | -12.3%      | 13.4%       | 48.6%       | -47.9%      | 12.0%       | 32.2%       | 16.0%       | 16.9%        |
| Stanislaus County Portfolio- Net      | 12.8%                     | 16.0%       | -12.9%      | 12.7%       | 47.7%       | -48.3%      | 11.4%       | 31.4%       | 15.3%       | 16.7%        |
| MSCI ACWI Ex US                       | 10.0%                     | 16.8%       | -13.7%      | 11.2%       | 41.5%       | -45.5%      | 16.7%       | 26.7%       | 16.6%       | 15.6%        |
| MSCI ACWI Ex US Value                 | 9.7%                      | 17.0%       | -13.2%      | 7.8%        | 44.3%       | -45.5%      | 12.3%       | 29.8%       | 16.4%       | 16.2%        |

\*Inception Date: 9/15/2004

Note: All returns are in USD; indices shown net of withholding taxes. Periods greater than one year are annualized.

Value Equity

Investment Specialists



## Portfolio Characteristics

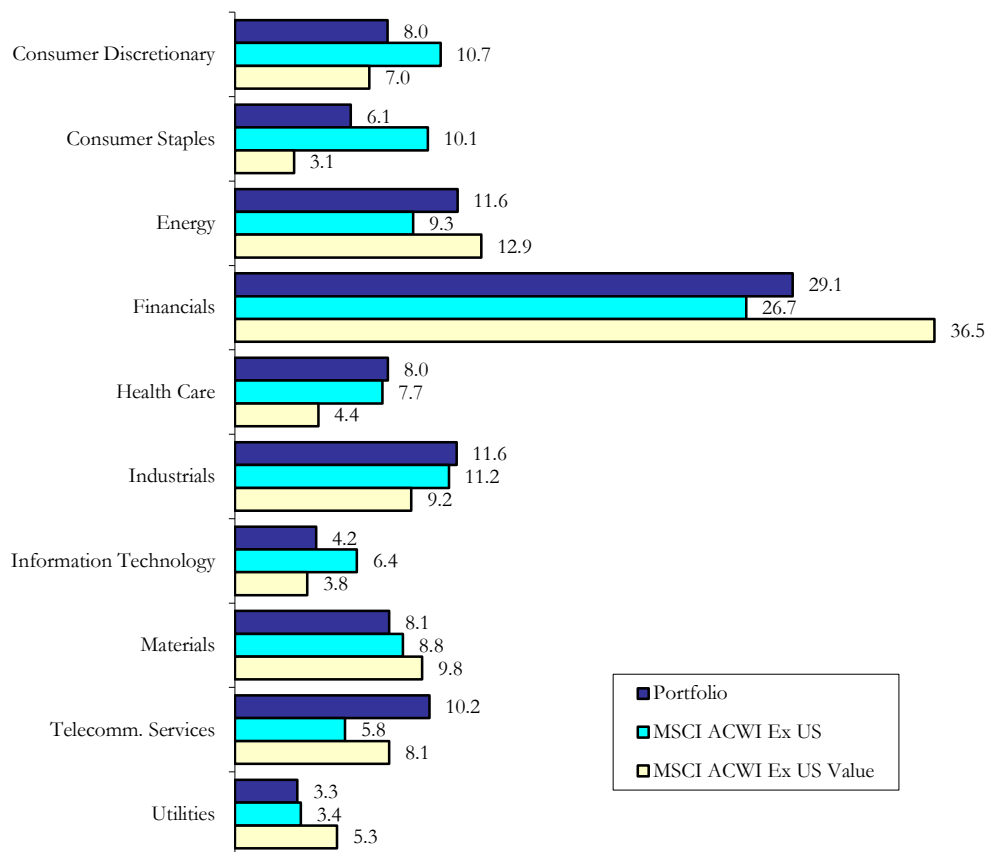
### International Large Cap Value

As of 9/30/13

|                                    | <b>Stanislaus<br/><u>Portfolio</u></b> | <b>MSCI ACWI<br/><u>Ex US</u></b> | <b>MSCI ACWI<br/><u>Ex US Value</u></b> |
|------------------------------------|----------------------------------------|-----------------------------------|-----------------------------------------|
| <b>Price / Earnings (FY1)</b>      | 11.2x                                  | 14.7x                             | 12.8x                                   |
| <b>Price / Earnings (FY2)</b>      | 10.5x                                  | 13.4x                             | 11.7x                                   |
| <b>Price / Cash Flow</b>           | 5.9x                                   | 9.0x                              | 6.9x                                    |
| <b>Price / Book</b>                | 1.2x                                   | 1.6x                              | 1.2x                                    |
| <b>Dividend Yield</b>              | 3.7%                                   | 3.0%                              | 3.7%                                    |
| <b>Weighted Average Market Cap</b> | \$41.2 billion                         | \$58.2 billion                    | \$60.4 billion                          |
| <b>Weighted Median Market Cap</b>  | \$18.9 billion                         | \$34.1 billion                    | \$36.3 billion                          |

# Portfolio Characteristics

## Diversification by Sector as of 9/30/13



## Top Ten Holdings as of 9/30/13

| Description        | % of Portfolio |
|--------------------|----------------|
| ROYAL DUTCH SHELL  | 2.2%           |
| ASTRAZENECA        | 1.7%           |
| BT GROUP           | 1.6%           |
| MAGNA INTL INC     | 1.5%           |
| ALLIANZ SE         | 1.5%           |
| LEGAL & GENERAL GP | 1.5%           |
| SANOFI             | 1.4%           |
| VODAFONE GROUP     | 1.4%           |
| BASF               | 1.3%           |
| DAIMLER AG         | 1.3%           |

## Country Weights

| Developed<br>Countries | Stanislaus<br>Portfolio | MSCI ACWI<br>Ex US | MSCI ACWI<br>Ex US Value | Emerging<br>Countries | Stanislaus<br>Portfolio | MSCI ACWI<br>Ex US | MSCI ACWI<br>Ex US Value |
|------------------------|-------------------------|--------------------|--------------------------|-----------------------|-------------------------|--------------------|--------------------------|
| Australia              | 5.58                    | 5.70               | 5.67                     | Brazil                | 2.24                    | 2.45               | 2.38                     |
| Austria                | 1.30                    | 0.21               | 0.24                     | Chile                 | 0.00                    | 0.36               | 0.38                     |
| Belgium                | 0.68                    | 0.83               | 0.31                     | China                 | 4.45                    | 4.07               | 3.98                     |
| Canada                 | 7.20                    | 7.15               | 7.30                     | Colombia              | 0.00                    | 0.25               | 0.25                     |
| Denmark                | 0.00                    | 0.80               | 0.26                     | Czech Republic        | 0.00                    | 0.05               | 0.05                     |
| Finland                | 0.59                    | 0.64               | 0.89                     | Egypt                 | 0.00                    | 0.04               | 0.03                     |
| France                 | 7.84                    | 7.10               | 8.01                     | Hungary               | 0.00                    | 0.04               | 0.04                     |
| Germany                | 6.30                    | 6.30               | 7.61                     | India                 | 0.72                    | 1.23               | 1.16                     |
| Greece                 | 0.41                    | 0.03               | 0.06                     | Indonesia             | 0.20                    | 0.49               | 0.48                     |
| Hong Kong              | 1.53                    | 2.12               | 1.97                     | Korea (South)         | 3.88                    | 3.35               | 3.55                     |
| Ireland                | 0.02                    | 0.24               | 0.24                     | Malaysia              | 0.74                    | 0.79               | 0.79                     |
| Israel                 | 1.16                    | 0.32               | 0.33                     | Mexico                | 0.00                    | 1.08               | 1.06                     |
| Italy                  | 1.61                    | 1.57               | 1.96                     | Morocco               | 0.00                    | 0.02               | 0.02                     |
| Japan                  | 15.82                   | 15.45              | 15.13                    | Peru                  | 0.00                    | 0.09               | 0.08                     |
| Netherlands            | 1.03                    | 1.91               | 1.59                     | Philippines           | 0.00                    | 0.19               | 0.18                     |
| New Zealand            | 0.00                    | 0.09               | 0.08                     | Poland                | 0.00                    | 0.36               | 0.31                     |
| Norway                 | 1.48                    | 0.58               | 1.08                     | Russia                | 2.13                    | 1.30               | 1.28                     |
| Portugal               | 0.00                    | 0.13               | 0.14                     | South Africa          | 2.53                    | 1.57               | 1.52                     |
| Singapore              | 0.83                    | 1.11               | 1.14                     | Taiwan                | 1.95                    | 2.41               | 2.43                     |
| Spain                  | 2.45                    | 2.32               | 3.85                     | Thailand              | 0.94                    | 0.52               | 0.52                     |
| Sweden                 | 1.81                    | 2.34               | 1.98                     | Turkey                | <u>1.19</u>             | <u>0.36</u>        | <u>0.38</u>              |
| Switzerland            | 5.57                    | 6.50               | 2.49                     | <b>Total</b>          | <b>21%</b>              | <b>21%</b>         | <b>21%</b>               |
| UK                     | <u>15.81</u>            | <u>15.54</u>       | <u>16.82</u>             |                       |                         |                    |                          |
| <b>Total</b>           | <b>79%</b>              | <b>79%</b>         | <b>79%</b>               |                       |                         |                    |                          |

Value Equity

# Portfolio Holdings by Country

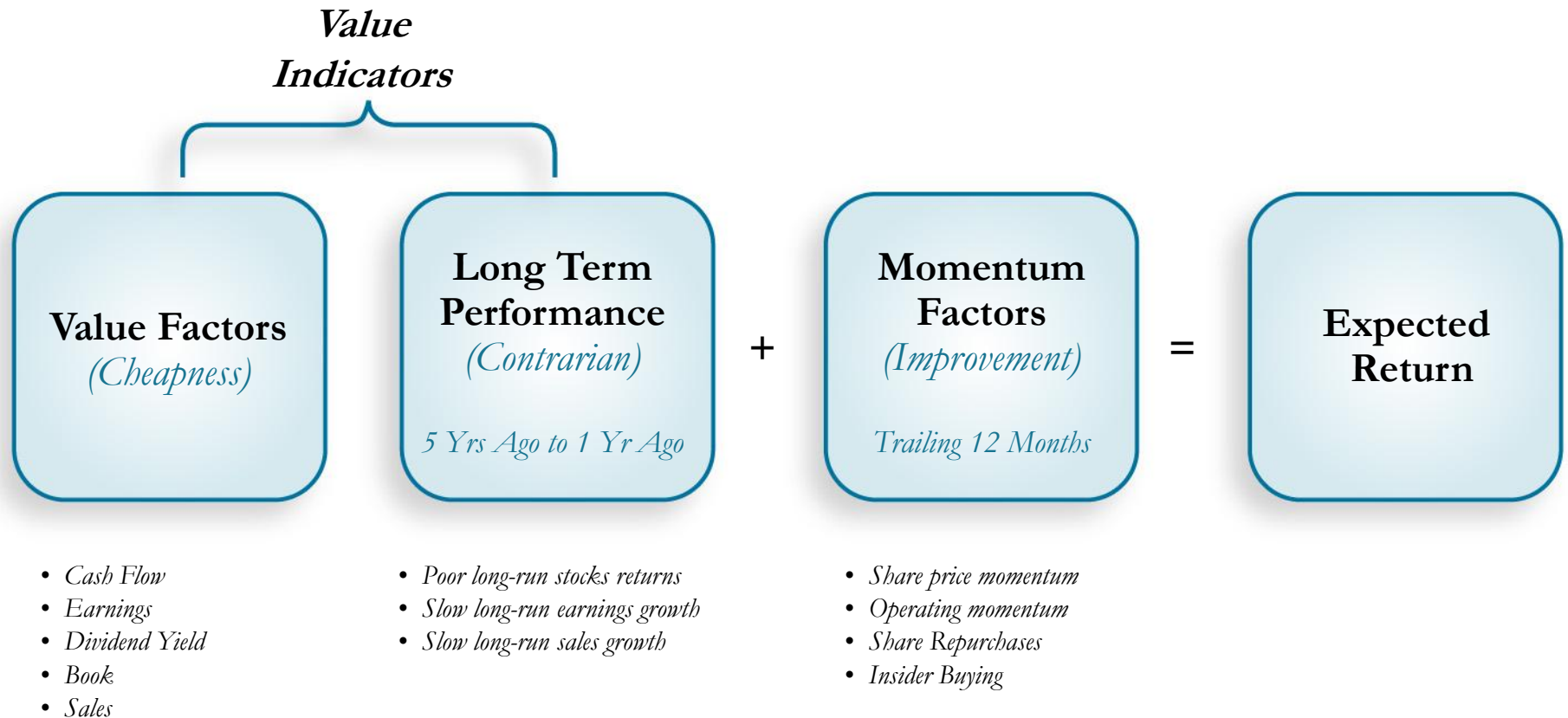
| COUNTRY                                  | % PORT.     | COUNTRY                                  | % PORT.     | COUNTRY                                  | % PORT.      |
|------------------------------------------|-------------|------------------------------------------|-------------|------------------------------------------|--------------|
| <b>AUSTRALIA</b>                         | <b>5.5%</b> | <b>CHINA</b>                             | <b>4.4%</b> | <b>HONG KONG</b>                         | <b>1.5%</b>  |
| Macquarie Group Limited                  | 1.1%        | China Petroleum & Chemical Corporation   | 1.2%        | Dah Chong Hong Holdings Limited          | 0.4%         |
| Rio Tinto Limited                        | 0.9%        | Bank Of China Limited                    | 1.1%        | Johnson Electric Holdings Limited        | 0.4%         |
| National Australia Bank Limited          | 0.8%        | China Railway Construction Corporation L | 0.5%        | Yue Yuen Industrial (Holdings) Limited   | 0.3%         |
| Lend Lease Corporation Ltd               | 0.7%        | Chongqing Rural Commercial Bank Co., Ltd | 0.4%        | Kingboard Chemical Holdings Limited      | 0.3%         |
| Seven Group Holdings Limited             | 0.4%        | China Minsheng Banking Corp., Ltd.       | 0.4%        | China Shineway Pharmaceutical Group Ltd. | 0.1%         |
| Dow ner Edi Limited                      | 0.4%        | Weiqiao Textils Co.,Ltd.                 | 0.3%        |                                          |              |
| Arrium Limited                           | 0.4%        | Tianneng Pow er International Limited    | 0.3%        | <b>INDIA</b>                             | <b>0.7%</b>  |
| Metcash Limited                          | 0.3%        | China Shanshui Cement Group Limited      | 0.2%        | Tata Motors Limited                      | 0.5%         |
| Bank Of Queensland Limited               | 0.3%        |                                          |             | Tata Steel Limited                       | 0.2%         |
| Mount Gibson Mining Limited              | 0.2%        |                                          |             |                                          |              |
|                                          |             | <b>FINLAND</b>                           | <b>0.6%</b> | <b>INDONESIA</b>                         | <b>0.2%</b>  |
| <b>AUSTRIA</b>                           | <b>1.3%</b> | Huhtamaki Oyj                            | 0.6%        | Pt Timah (Persero) Tbk.                  | 0.2%         |
| Omv Aktiengesellschaft                   | 1.1%        |                                          |             |                                          |              |
| At&S Austria Technologie & Systemtechnik | 0.2%        | <b>FRANCE</b>                            | <b>7.8%</b> | <b>ISRAEL</b>                            | <b>1.1%</b>  |
|                                          |             | Sanofi                                   | 1.4%        | Teva Pharmaceutical Industries Limited   | 0.6%         |
| <b>BELGIUM</b>                           | <b>0.7%</b> | Total Sa                                 | 1.0%        | Ebit Systems Ltd.                        | 0.6%         |
| Delhaize Group                           | 0.7%        | Societe Generale                         | 1.0%        |                                          |              |
|                                          |             | Bnp Paribas                              | 0.8%        | <b>ITALY</b>                             | <b>1.6%</b>  |
| <b>BRAZIL</b>                            | <b>2.2%</b> | Arkema                                   | 0.6%        | Eni S.P.A.                               | 1.2%         |
| Companhia De Saneamento Basico Do Estado | 0.7%        | Scor Se                                  | 0.6%        | Enel Spa                                 | 0.3%         |
| Banco Do Brasil S.A.                     | 0.6%        | Thales                                   | 0.5%        | Finmeccanica S.P.A.                      | 0.1%         |
| Petroleo Brasileiro S.A. - Petrobras     | 0.4%        | Vivendi                                  | 0.5%        |                                          |              |
| Vale S.A.                                | 0.4%        | Alstom                                   | 0.5%        | <b>JAPAN</b>                             | <b>15.6%</b> |
| Centrais Electricas Brasileiras Sa       | 0.1%        | Axa                                      | 0.4%        | Kddi Corporation                         | 1.2%         |
|                                          |             | Renault Flins                            | 0.4%        | Marubeni Corporation                     | 1.0%         |
| <b>CANADA</b>                            | <b>7.1%</b> |                                          |             | Nippon Telegraph And Telephone Corporati | 0.9%         |
| Magna International Inc.                 | 1.5%        | <b>GERMANY</b>                           | <b>6.2%</b> | Sumitomo Mitsui Financial Group, Inc.    | 0.9%         |
| Canadian Imperial Bank Of Commerce       | 1.1%        | Allianz Se                               | 1.5%        | Sumitomo Corporation                     | 0.7%         |
| Metro Inc.                               | 0.8%        | Basf Se                                  | 1.3%        | Otsuka Holdings Co.,Ltd.                 | 0.7%         |
| Empire Company Limited                   | 0.8%        | Daimler Ag                               | 1.3%        | Itochu Corporation                       | 0.7%         |
| Westjet Airlines Ltd.                    | 0.7%        | Bayer Aktiengesellschaft                 | 0.6%        | Seino Holdings Co., Ltd.                 | 0.6%         |
| National Bank Of Canada                  | 0.7%        | Rheinmetall Aktiengesellschaft           | 0.4%        | Mizuho Financial Group, Inc.             | 0.6%         |
| Celestica Inc.                           | 0.6%        | Deutsche Bank Aktiengesellschaft         | 0.4%        | Mitsubishi Ufj Financial Group, Inc.     | 0.6%         |
| Teck Resources Ltd.                      | 0.5%        | EOn Se                                   | 0.4%        | Kyorin Seiyaku Holdings Kabusihiki Kaish | 0.6%         |
| Agrium Inc.                              | 0.3%        | Rw e Aktiengesellschaft                  | 0.4%        | Ntt Docomo, Inc                          | 0.6%         |
| Blackberry Limited                       | 0.1%        |                                          |             | Brother Industries, Ltd.                 | 0.5%         |
|                                          |             | <b>GREECE</b>                            | <b>0.4%</b> | The Yokohama Rubber Co., Ltd.            | 0.4%         |
|                                          |             | Hellenic Telecommunications Organization | 0.4%        |                                          |              |

# Portfolio Holdings by Country

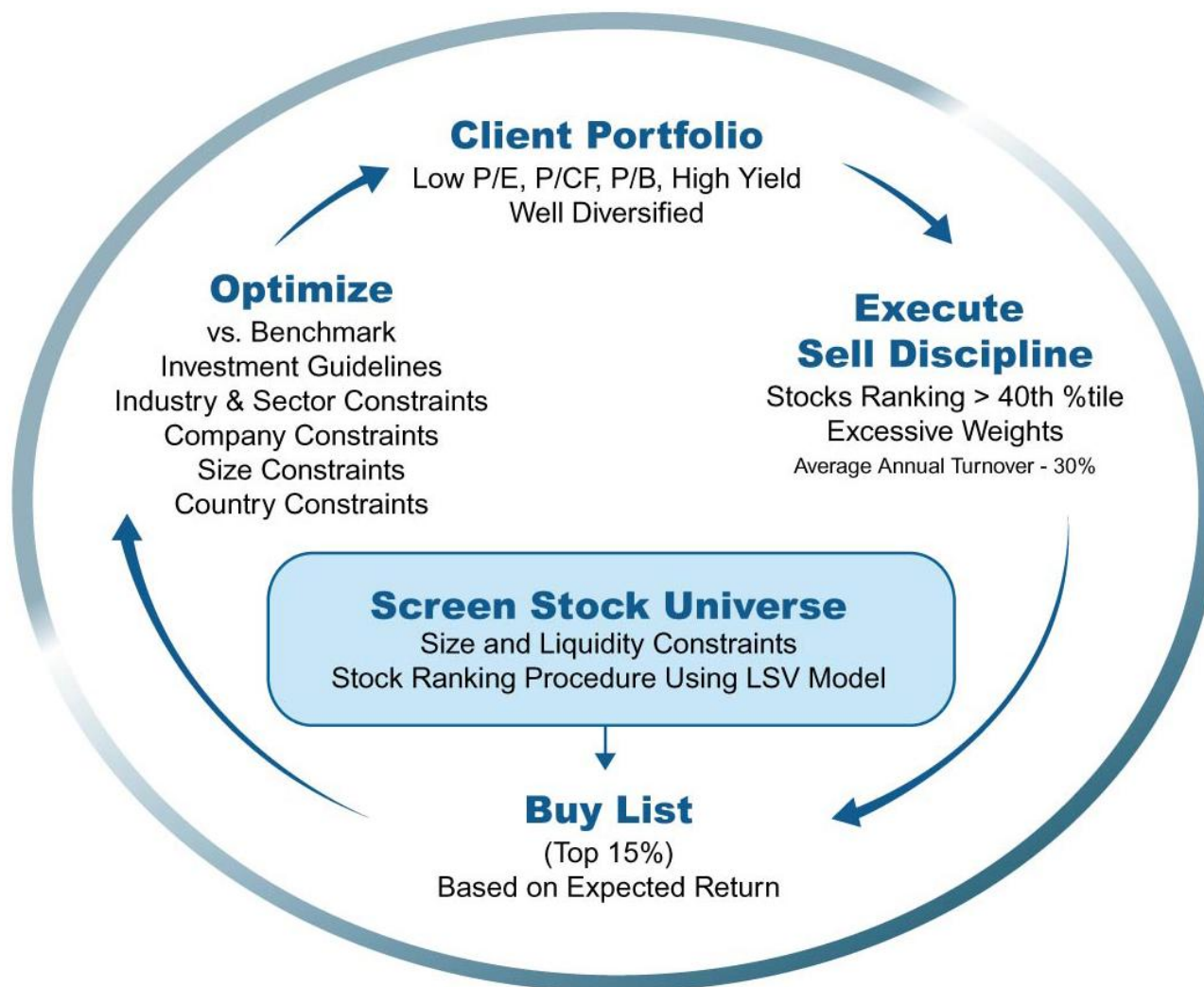
| COUNTRY                           | % PORT.     | COUNTRY                                  | % PORT.     | COUNTRY                                  | % PORT.      |
|-----------------------------------|-------------|------------------------------------------|-------------|------------------------------------------|--------------|
| <b>JAPAN (continued)</b>          |             | <b>RUSSIAN FEDERATION</b>                | <b>2.1%</b> | <b>TAIWAN (continued)</b>                |              |
| North Pacific Bank, Ltd.          | 0.4%        | Mobile Telesystems Ojsc                  | 0.7%        | Giga-Byte Technology Co., Ltd.           | 0.4%         |
| West Japan Railway Company        | 0.4%        | Mining And Metallurgical Company Norilsk | 0.6%        | Compal Electronics, Inc.                 | 0.3%         |
| Jx Holdings, Inc.                 | 0.4%        | Oao Gazprom                              | 0.5%        | King Yuan Electronics Co., Ltd.          | 0.3%         |
| Nichirei Corporation              | 0.4%        | Open Joint Stock Company "Oil Company "L | 0.3%        | Tripod Technology Corporation            | 0.3%         |
| Aisin Seiki Co., Ltd.             | 0.4%        |                                          |             |                                          |              |
| Eizo Nanao Corporation            | 0.4%        | <b>SINGAPORE</b>                         | <b>0.8%</b> | <b>THAILAND</b>                          | <b>0.9%</b>  |
| Fuji Machine Mfg. Co., Ltd.       | 0.4%        | United Overseas Bank Limited             | 0.5%        | The Bangchak Petroleum Public Company Li | 0.4%         |
| Kyowa Exeo Corporation            | 0.4%        | Golden Agri-Resources Ltd.               | 0.3%        | Thanachart Capital Public Company Limite | 0.3%         |
| Hanwa Co., Ltd.                   | 0.3%        |                                          |             | Thai Vegetable Oil Public Company Limite | 0.2%         |
| Maeda Road Construction Co., Ltd. | 0.3%        | <b>SOUTH AFRICA</b>                      | <b>2.5%</b> |                                          |              |
| Uny Co., Ltd.                     | 0.3%        | Imperial Holdings Limited                | 0.8%        | <b>TURKEY</b>                            | <b>1.2%</b>  |
| Hitachi Capital Corporation       | 0.3%        | Mtn Group Limited                        | 0.7%        | Tofas Turk Otomobil Fabrikasi A.S.       | 0.8%         |
| Geo Holdings Corporation          | 0.3%        | Mmi Holdings Limited                     | 0.7%        | Selcuk Ecza Deposu Ticaret Ve Sanayi A.S | 0.3%         |
| Miraca Holdings Inc.              | 0.3%        | Astral Foods Limited                     | 0.3%        | Ford Otomotiv Sanayi Anonim Sirketi      | 0.1%         |
| Yodogawa Steel Works, Ltd.        | 0.2%        |                                          |             |                                          |              |
| Nippon Electric Glass Co., Ltd.   | 0.2%        | <b>SPAIN</b>                             | <b>2.4%</b> | <b>UNITED KINGDOM</b>                    | <b>15.6%</b> |
|                                   |             | Repsol, S.A.                             | 0.9%        | Astrazeneca Plc                          | 1.7%         |
| <b>KOREA, REPUBLIC OF</b>         | <b>3.8%</b> | Banco Santander Sa                       | 0.6%        | Bt Group Plc                             | 1.6%         |
| Kt Corporation                    | 0.8%        | Telefonica, S.A.                         | 0.5%        | Royal Dutch Shell Plc                    | 1.5%         |
| Sk Telecom Co., Ltd.              | 0.7%        | Banco Bilbao Vizcaya Argentaria, S.A.    | 0.4%        | Legal & General Group Plc                | 1.5%         |
| Bs Financial Group Inc.           | 0.6%        |                                          |             | Vodafone Group Public Limited Company    | 1.4%         |
| Kt&G Corporation                  | 0.6%        | <b>SWEDEN</b>                            | <b>1.8%</b> | Old Mutual Public Limited Company        | 1.2%         |
| Hana Financial Group Inc.         | 0.5%        | Nordea Bank Ab (Publ)                    | 0.7%        | Bp P.L.C.                                | 1.0%         |
| Dgb Financial Group Co., Ltd.     | 0.5%        | Boliden Ab                               | 0.6%        | Bae Systems Plc                          | 0.9%         |
| Daishin Securities Co., Ltd.      | 0.2%        | Skandinaviska Enskilda Banken Ab (Publ)  | 0.5%        | J Sainsbury Plc                          | 0.8%         |
|                                   |             |                                          |             | Royal Dutch Shell Plc                    | 0.7%         |
| <b>MALAYSIA</b>                   | <b>0.7%</b> | <b>SWITZERLAND</b>                       | <b>5.5%</b> | Centrica Plc                             | 0.6%         |
| Kuching Port Authority            | 0.7%        | Novartis Ag                              | 1.2%        | Barclays Plc                             | 0.5%         |
|                                   |             | Swiss Re Ag                              | 1.2%        | Amec Plc                                 | 0.5%         |
| <b>NETHERLANDS</b>                | <b>1.0%</b> | Credit Suisse Group Ag                   | 1.1%        | Wm Morrison Supermarkets P L C           | 0.5%         |
| Aegon N.V.                        | 0.4%        | Baloise Holding Ag                       | 0.6%        | Glaxosmithkline Plc                      | 0.4%         |
| Ing Groep N.V.                    | 0.4%        | Zurich Insurance Group Ag                | 0.6%        | Aviva Plc                                | 0.4%         |
| Koninklijke Kpn N.V.              | 0.2%        | Oc Oerlikon Corporation Ag, Pfaffikon    | 0.5%        | Vesuvius Plc                             | 0.3%         |
|                                   |             | Bucher Industries Ag                     | 0.3%        | Alent Plc                                | 0.3%         |
| <b>NORWAY</b>                     | <b>1.5%</b> | <b>TAIWAN</b>                            | <b>1.9%</b> | <b>CASH</b>                              | <b>1.1%</b>  |
| Dnb Asa                           | 0.6%        | Vanguard International Semiconductor Cor | 0.6%        |                                          |              |
| Yara International Asa            | 0.4%        |                                          |             | <b>TOTAL</b>                             | <b>100%</b>  |
| Statoil Asa                       | 0.4%        |                                          |             |                                          |              |



# Expected Return Model



# Rebalancing Process



## How Cheap Are Cheap Stocks?

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| <u>LSV Strategy</u>           | <u>Price/Earnings</u> | <u>Price/Cash Flow</u> | <u>Price/Book</u> | <u>Dividend Yield</u> |
|-------------------------------|-----------------------|------------------------|-------------------|-----------------------|
| U.S. Large Cap Value          | 11.9x                 | 7.4x                   | 1.6x              | 2.2%                  |
| U.S. Mid Cap Value            | 12.1x                 | 7.1x                   | 1.5x              | 2.3%                  |
| U.S. Small Cap Value          | 12.7x                 | 7.0x                   | 1.4x              | 1.9%                  |
| U.S. Micro Cap Value          | 13.5x                 | 7.1x                   | 1.3x              | 1.8%                  |
| International Large Cap Value | 11.6x                 | 6.2x                   | 1.2x              | 3.6%                  |
| International Small Cap Value | 12.2x                 | 6.9x                   | 1.1x              | 3.1%                  |
| Emerging Markets Value        | 9.2x                  | 5.7x                   | 1.0x              | 3.9%                  |

# Global Equity Valuations

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| <u>Market Index</u>           | <u>Price/Earnings</u> | <u>Price/Cash Flow</u> | <u>Price/Book</u> | <u>Dividend Yield</u> |
|-------------------------------|-----------------------|------------------------|-------------------|-----------------------|
| S&P 500                       | 15.5x                 | 11.0x                  | 2.4x              | 2.1%                  |
| Russell Mid Cap               | 18.3x                 | 12.0x                  | 2.6x              | 1.6%                  |
| Russell 2000                  | 23.0x                 | 15.7x                  | 2.2x              | 1.2%                  |
| MSCI World ex U.S.            | 15.4x                 | 9.5x                   | 1.7x              | 3.1%                  |
| S&P Developed ex US Small Cap | 17.8x                 | 11.1x                  | 1.5x              | 2.4%                  |
| MSCI Emerging Markets         | 12.5x                 | 7.6x                   | 1.5x              | 2.6%                  |

## Research and Investment Team

| Name                     | Years of Experience/LSV | Role and Responsibilities                                                                                                  | Education                                                                                                                                                                             |
|--------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Josef Lakonishok         | 36/19                   | CEO, CIO<br>Founding Partner<br>Portfolio Manager                                                                          | Ph.D. Cornell University, Finance<br>MS Cornell University, Statistics<br>MBA/BA Tel-Aviv University, Economics & Statistics                                                          |
| Menno Vermeulen, CFA     | 22/18                   | Partner<br>Portfolio Manager<br>Systems Development                                                                        | MS Erasmus University-Rotterdam, Econometrics                                                                                                                                         |
| Puneet Mansharamani, CFA | 15/13                   | Partner<br>Portfolio Manager                                                                                               | MS Case Western Reserve University, Engineering<br>BS Delhi University, Engineering                                                                                                   |
| Bhaskaran Swaminathan    | 24/8                    | Partner<br>Director of Research                                                                                            | Ph.D. University of California at Los Angeles, Finance<br>MBA University of Denver, Finance; BE College of Engineering, Guindy, Madras, India, Mechanical Engineering                 |
| Jason Karceski           | 20/5                    | Partner<br>Portfolio Management<br>Research                                                                                | Ph.D. University of Illinois, Finance; MBA University of North Florida; BS California Institute of Technology, Electrical Engineering                                                 |
| Han Qu                   | 20/19                   | Partner<br>Research                                                                                                        | MS University of Illinois, Finance<br>MS University of Illinois, Statistics<br>BS Shanghai University, Computer Science                                                               |
| Simon Zhang, CFA         | 15/15                   | Partner<br>Systems & Research                                                                                              | MBA/MS University of Illinois, Finance & MIS Civil Engineering<br>MS Tongji University, Shanghai, Engineering Management<br>BS Shanghai Institution of Building Material, Engineering |
| Bala Ragothaman, CFA     | 16/7                    | Partner<br>Systems Development                                                                                             | MS University of Iowa, Computer Science and Networks<br>BS PSG College, Bharathiar University, Computer Engineering                                                                   |
| Titus Liu                | 12/3                    | Associate<br>Systems Development                                                                                           | MBA University of Chicago, Finance, Econometrics & Accounting<br>BS University of Illinois, Electrical Engineering                                                                    |
| Greg Sleight             | 7/7                     | Partner<br>Portfolio Management                                                                                            | MBA University of Chicago, Econometrics, Econ. & Analytic Fin.<br>BS University of Illinois, Material Science & Engineering                                                           |
| Guy Lakonishok, CFA      | 13/5                    | Partner<br>Portfolio Management                                                                                            | MBA University of Chicago, Analytical Finance & Accounting<br>BS Washington University, Electrical Engineering                                                                        |
| Dan Givoly, CPA (Isr.)   | 29/8                    | Academic Advisor; Ernst & Young Professor of Accounting; Chairman, Department of Accounting, Pennsylvania State University | Ph.D. New York University, Accounting & Finance<br>MBA Tel-Aviv University; BA Hebrew University, Jerusalem<br>Economics & Statistics                                                 |
| Louis Chan               | 31/13                   | Academic Advisor<br>Professor Finance, University of Illinois                                                              | Ph.D. University of Rochester, Finance & Applied Economics<br>BS University of Hawaii, Business Administration                                                                        |



## Client Portfolio Services Team

| Name              | Years of Experience/LSV | Role and Responsibilities                                                                                               | Education                                                                               |
|-------------------|-------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| James Owens       | 24/13                   | Partner<br>Portfolio Services                                                                                           | BA Iowa State University, Finance                                                       |
| Keith Bruch, CFA  | 25/10                   | Partner<br>Portfolio Services                                                                                           | MBA University of Chicago, Finance<br>BA Northwestern University,<br>Economics          |
| Peter Young, CFA  | 25/9                    | Partner<br>Portfolio Services                                                                                           | BS Wake Forest University,<br>Business/Mathematics                                      |
| Scott Kemper      | 17/7                    | Partner<br>Portfolio Services                                                                                           | MBA University of Chicago<br>BA DePauw University                                       |
| Jason Ciaglo      | 15/5                    | Partner<br>Business Development                                                                                         | MBA University of Chicago<br>BA University of California-Berkeley,<br>English           |
| Michael Wagner    | 26/2                    | Director<br>Taft-Hartley Sales & Services                                                                               | MBA Loyola University, Finance<br>BS Elmhurst College, Marketing                        |
| Paul Halpern      | 42/9                    | Director, Client Portfolio Services, Canada<br>Director, Capital Markets Institute<br>The University of Toronto, Rotman | Ph.D. University of Chicago<br>MBA University of Chicago<br>Bcomm University of Toronto |
| Tremaine Atkinson | 25/15                   | Partner<br>Chief Operating Officer<br>Chief Compliance Officer                                                          | BA University of California-San Diego,<br>Economics                                     |

# Representative Client List

## Public Clients

Alberta Investment Management Corporation  
 Arizona State Retirement System  
 AustralianSuper  
 Bayerische Versorgungskammer (BVK)  
 Baltimore County Employees' Retirement System  
 Bristol County Retirement System  
 Chicago Firemen's Annuity & Benefit Fund  
 City and County of San Francisco Employees' Retirement System  
 City of Gainesville Police Officers' & Firefighters' Ret. Plan  
 City of Kansas City Employee's Retirement System  
 City of Richmond  
 City of Stamford, CT Employees' Retirement Fund  
 City of St. Louis Employees Retirement System  
 Denver Employees Retirement Plan  
 District of Columbia Retirement Board  
 Fairfax County Employees' Retirement System  
 Firefighters' Retirement System of Louisiana  
 Frederick County Employees' Retirement Plan  
 Howard County (MD) Master Trust  
 Illinois Municipal Retirement Fund  
 Illinois State Board of Investment  
 Kansas City Police Employees' Retirement System  
 Louisiana State Employees' Retirement System  
 Metropolitan Water Reclamation District  
 Minnesota State Board of Investment  
 Municipal Police Employees' Ret. System of Louisiana  
 Municipal Employees' Annuity & Benefit Fund of Chicago  
 New Hampshire Retirement System  
 New Jersey Transit Corporation  
 New York State Teachers' Retirement System  
 New Zealand Superannuation Fund  
 Nexcom

## Public Clients (Cont.)

North Dakota State Investment Board  
 Ohio Highway Patrol Retirement System  
 Ohio Public Employees Retirement System  
 Ohio School Employees' Retirement System  
 Parochial Employees' Retirement System of Louisiana  
 Pennsylvania Municipal Retirement System  
 RTD (Denver) Salaried Employees' Pension Trust  
 Sacramento County Employees' Retirement System  
 San Antonio Fire and Police Pension Fund  
 South Carolina Retirement System Investment Commission  
 Stanislaus County Employees' Retirement Association  
 State of Idaho Endowment Fund  
 State of Michigan Retirement Systems  
 State of Wisconsin Investment Board  
 Teachers' Retirement System of Illinois  
 Teachers' Retirement System of Louisiana  
 Virgin Islands Government Employees' Retirement System  
 Virginia Retirement System  
 West Virginia Investment Management Board

## Taft Hartley Clients

1199 National Benefit & Pension Fund  
 Automobile Mechanics Local 701  
 Bricklayers & Trowel Trades International Pension Fund  
 Carpenters Labor Management Pension Trust Fund  
 Carpenters Pension Fund of Illinois  
 Carpenters Pension Trust of St. Louis  
 Central Pennsylvania Teamsters Pension Fund  
 Chicago Laborers  
 Empire State Carpenters  
 I.A.T.S.E. National Pension Fund  
 I.B.E.W. Local #103  
 I.B.E.W. Local #134  
 I.U.O.E. Local 302 & 612  
 I.U.O.E. Local 825

## Taft Hartley Clients (Cont.)

Laborers' National Pension Fund  
 Mid-Atlantic Regional Council of Carpenters  
 National Asbestos Workers Pension Fund  
 National Roofing Industry Pension Fund  
 New England Healthcare Workers  
 New York City District Council of Carpenters  
 Northern Illinois Plumbers Local 501  
 Northwest Indiana Carpenters  
 S.E.I.U. Local 25  
 Sheet Metal Workers Local 73  
 Teamsters Joint Council No. 83 of Virginia  
 Twin City Pipe Trades  
 U.A. Plumbers & Pipefitters Nat'l Pension Fund Staff Plan  
 U.M.W.A. 1974 Pension Trust  
 U.F.C.W. International Union-Industry Pension Fund  
 U.F.C.W. Midwest Pension Fund

## Not-For-Profit & Eleemosynary

Archdiocese of Cincinnati  
 Diocese of Buffalo  
 Evangelical Lutheran Church in America  
 Ministers and Missionaries Benefit Board  
 National Geographic Society  
 Pacific Salmon Commission  
 The Salvation Army  
 The Seeing Eye, Inc.  
 Sisters of St. Francis of Philadelphia  
 United Church of Canada  
 YMCA

# Representative Client List

## Corporate Clients

ACT, Inc. (American College Testing)  
Altria Group  
AMP Capital Investors  
Anadarko Petroleum Corporation  
AT&T  
Bank of America  
BASF  
Bridger Coal Company - Reclamation Trust  
Caterpillar Inc.  
Chrysler Group  
Cox Enterprises, Inc.  
Daimler NA  
Deere & Company  
Desjardins Global Asset Management  
Diebold, Inc.  
Dominion  
Duke Energy  
FM Global  
Harbor Capital  
Harsco Corporation  
Hess Corporation  
Hoogovens Pensioenfond  
Kraft Foods  
L-3 Communications Corporation  
Lufkin Industries, Inc.  
LyondellBasell  
Marsh & McLennan Companies, Inc.

## Corporate Clients (Cont.)

NCR Corporation  
Nissan North America  
Olin Corporation  
OnePath  
PacifiCorp  
Pensioenfond Vervoer  
Prudential  
Raytheon Company  
SEI Investments  
Shell Pensioenfond  
Stagecoach PLC  
Telstra Super Pty, Ltd  
Thomson Reuters  
Twin Disc, Inc.  
Wells Fargo Funds  
Westpac Staff Superannuation Plan  
Wilmington Trust Investment Advisors

## Endowment & Foundation Clients

Alma College Endowment  
Ancilla Systems, Inc.  
Roy J. Carver Charitable Trust  
Chagnon Foundation  
College of the Ozarks  
Cullen Foundation  
DePaul University  
Irving S. Gilmore Foundation

## Endowment & Foundation Clients (Cont.)

Jewish Healthcare Foundation  
John D. & Catherine T. MacArthur Foundation  
McConnell Foundation  
McGill University  
New Jersey Health Foundation  
Saint Louis University  
Stanford University  
Texas Presbyterian Foundation  
Triad Foundation  
University of Guelph  
University of Manitoba  
York University

## Health Care

Advocate Health Care  
Christiana Care Health Services  
CHRISTUS Health  
Covenant Health  
Dignity Health  
Froedtert Health  
Kaiser Foundation Hospitals  
Methodist Hospital System  
Methodist Le Bonheur Healthcare  
Trinity Health  
WellSpan Health System



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12<sup>th</sup> 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 October 22, 2013**

10/22/13  
Item # 8.a

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Fixed Income Manager Structure
- II. ITEM TYPE: Discussion and Action
- III. STAFF RECOMMENDATION: Do not change PIMCO's core bond mandate. Invest an initial amount of at least \$25,000,000 in the Prima Mortgage Investment trust, taking the initial proceeds from our current fixed income managers. Direct staff to begin a fund review of the trust and its principals.
- IV. ANALYSIS:

*PIMCO Unconstrained Strategy*

StanCERA staff concurs with SIS' recommendation. Staff feels there is a lack of comfort associated with the unconstrained strategy and as a result, it is not an appropriate investment for StanCERA at this time.

*PRIMA Mortgage Investment Trust*

StanCERA staff also concurs with SIS' recommendation, however, feels a smaller initial investment size, say \$25,000,000, would be a prudent place to start. If the Board is comfortable with the investment in PRIMA, after a suitable period of time, it can choose to invest more. Prima has stated that the fund is open-ended and will accept additional contributions (after the initial) on a quarterly basis.

Staff performed an internal analysis looking at the impact of how changing interest rates historically have affected Prima's returns. The period analyzed was 1996 through 2012. Staff chose this period, since Prima's presentation in September included performance results for that same period. Prima's reported results were broken down into three components: net income from the investment (loans), changes in valuation (capital appreciation) and total return.

The analysis showed no significant effect on Prima's *total* returns given future changes in interest rates. This means that in general, it can't be determined whether future interest rate changes (rising or falling) will affect Prima's future total returns.

The analysis did reveal that rising interest rates have some statistically significant effect on the *income* component of Prima's total return. The data revealed that over historical periods four or five years long, when interest rates rose in general, the income component of Prima's

total return fell. While the data showed this relationship not to be extremely strong over the period analyzed, it was statistically significant<sup>1</sup>.

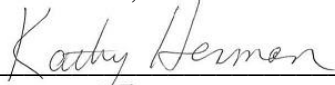
It should be noted that the Prima investment is reasonably liquid. If an investor wants to liquidate their position (or a portion of), they must give the fund 30 days' notice. However, if the fund does not have enough liquid securities or cash on hand to accommodate the redemption, the fund does reserve the right to wait until a suitable market environment exists to sell assets to accommodate the investor's request. This protects other investors in the trust from necessarily realizing unfavorable results due to the exit of another investor.

- V. RISK: *General economic conditions*. If the economy were to fall back into a recession, real estate investments may suffer. *General investment risk*. Those systemic risks that face all investments are inherent.
- VI. STRATEGIC PLAN: Strategy C, Investment Information: Review investment decisions regularly and ensure that the Board has a full range of information to make informed decisions regarding investment policy.
- VII. ADMINISTRATIVE BUDGET IMPACT: None



---

Rick Santos, Executive Director



---

Kathy Herman, Operations Manager

---

<sup>1</sup>  $R^2 \sim 50\%$ ; Confidence level  $> 95\%$

# Attachment 1

## STRATEGIC INVESTMENT SOLUTIONS, INC.

---

### *memorandum*

TO: StanCERA Board  
Rick Santos, Executive Director

FROM: Paul Harte and Nathan Pratt, SIS

DATE: October 22, 2013

SUBJECT: Fixed Income Manager Structure Discussion and Recommendations

---

At the September 24, 2013 StanCERA Board of Retirement meeting, there were two Fixed Income Education Sessions provided by current fixed income manager PIMCO on “A Tactical and Unconstrained Strategy” and by PRIMA Capital Advisors, LLC on “Commercial Mortgage Lending.”

#### **PIMCO**

PIMCO was hired in May 2010 by StanCERA to manage a domestic US Core Fixed Income mandate. The initial funding was at \$75 million and there was an additional \$20 million added in December 2011. As of August 31, 2013 the value of the PIMCO portfolio stood at \$108.3 million. Performance has been adequate since inception with PIMCO returning +4.11% net on an annualized basis vs. +3.59% for the BC US Aggregate Bond Index.

The BC Aggregate Bond Index has returned -2.5% over the past 12-months and -2.8% year-to-date (as of August 31, 2013) as interest rates have backed up since setting a historic low in 2012. The SJCERA portfolio currently has 32.5% of the total portfolio invested in the fixed income asset class. The new fixed income asset allocation target adopted last Fall is at a 29.8% target.

The challenge facing all pension plans is how to achieve their actuarial rate of return when interest rates are at historical lows and there exist a strong possibility of rates rising in the future. PIMCO was asked to respond to this challenge facing fixed income investors in its education session.

The following themes were proposed by PIMCO for optimizing a fixed income allocation:

- Theme 1: Increase duration flexibility
- Theme 2: Employ tactical spread exposure
- Theme 3: Embrace global diversification

The PIMCO unconstrained approach would be different from its current portfolio and StanCERA guidelines. Duration flexibility would involve the use of derivatives and futures to potentially



achieve negative duration. Tactical spread exposure would also involve the potential for a higher allocation to non-investment grade bonds (Non-Agency RMBS, EM Debt and/or High Yield).

#### **RECOMMENDATION**

SIS perceives that the StanCERA Board has reservation towards such an unconstrained strategy. PIMCO is managing approximately 7% of StanCERA total assets and does provide diversification to Dodge & Cox. SIS recommends no change to PIMCO's US Core Bond mandate.

#### **PRIMA CAPITAL ADVISORS, LLC**

Prima had previously presented its Commercial Mortgage Investment Advisory Services to the StanCERA Board several years ago. Prima presented the same Commercial Real Estate Debt strategy in September. Prima primarily invests in investment grade commercial mortgage whole loans, investment grade CMBS and REIT bonds.

Prima has an 18-year history with only one minor loss (approximately \$2 million). Prima performs intense due diligence on potential investments that goes well beyond the profiling performed by its competitors. Prima concentrates on CMBS backed by a single or small number of properties and physically visits each property prior to an investment decision.

Prima currently manages approximately \$2.5 billion on behalf of public pension funds (San Joaquin County and San Francisco City & County), corporate, and insurance companies. Prima is a very conservative manager with a focus on producing high quality investments in stable-income producing properties. Performance has been quite satisfactory producing returns well above the BC US Aggregate Bond Index.

Prima will also package and sell its loan portfolio from time-to-time when it believes the market has become expensive. The current Prima portfolio metrics are attractive with a current yield-to-maturity of 6.4%, duration of 4.2 years (manager is focused at keeping duration low should interest rates rise) and portfolio value at a 11% discount to par.

Prima would provide further diversification to Dodge & Cox and PIMCO while providing an attractive yield advantage at a reasonably low duration.

#### **RECOMMENDATION**

SIS recommends StanCERA consider an initial investment of \$50 million with Prima with sourcing from the existing fixed income managers. The investment would be situated in the Prima Mortgage Investment Trust ("PMIT"); a private commingled fund.

Pending the Board's interest in proceeding, a fund review should be considered by external legal counsel; Hanson & Bridgett.



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12<sup>th</sup> 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

10/22/13  
Item # 8.b

**For the Retirement Board meeting  
Held on October 22, 2013**

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Review of the Biennial Investment Policy revision
- II. ITEM TYPE: Discussion and Action
- III. STAFF RECOMMENDATION: Direct either the Internal Governance Committee or appoint an ad hoc Committee to review the biennial revisions to the Investment Policy for presentation to the full Board for approval in November or December
- IV. ANALYSIS: StanCERA staff, along with SIS has completed their Biennial review of the Investment Policy and have made recommended changes. Given the recent changes to StanCERA's asset allocation and dedication to a risk centric strategy, there are many recommended changes to the document. Normally, the task of Board oversight regarding the document would fall to the Internal Governance (IG) Committee. However, given the recent workload of the IG Committee and the fact that one of the Committee members is currently involved in the Custodial Bank evaluation, staff feels that it may be more efficient and expedient for the Board to create an ad hoc Committee dedicated specifically to this task. Pending the Board's decision today, a first draft of the revised Investment Policy will be given today to those chosen to review the document. This will give the Committee ample time to review and make recommendations when the Committee meets on November 26<sup>th</sup>.
- V. RISK: None
- VI. STRATEGIC PLAN: Strategy C, Investment Information. Review investment decisions regularly and ensure that the Board has a full range of information to make informed decisions regarding investment policy.
- VII. ADMINISTRATIVE BUDGET IMPACT: None

  
Rick Santos, Executive Director

  
Kathy Herman, Operations Manager



STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION  
832 12<sup>th</sup> 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 October 22, 2013

10/22/13  
Item 9.a.1

TO: Retirement Board

FROM: Internal Governance Committee

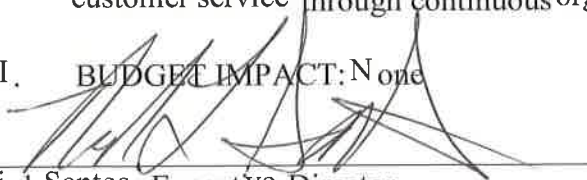
- I. SUBJECT: Receipt of the [Comprehensive Annual Financial Report](#) for the Fiscal Years Ended June 30, 2013 and 2012
- II. RECOMMENDATION: Accept the audited financial statements and other materials in the Comprehensive Annual Financial Report.
- III. ANALYSIS: The Internal Governance Committee met earlier today with staff and the Auditors from Macias, Gina and O'Connell (MGO) for the StanCERA financial statements audit.

MGO performed its audit in accordance with Generally Accepted Auditing Standards. MGO did not provide any opinion regarding internal controls however it was noted that no internal control weaknesses were found. StanCERA received an unqualified opinion that the basic financial statements (**beginning on page 26**) present fairly the financial position of StanCERA in accordance with Generally Accepted Accounting Principles.

In the management comments, there were no material weaknesses or deficiencies found for FY 2012-2013. In addition, there were no new observations made. All observations noted in previous audits have been implemented satisfactorily. This is particularly rare.

There were no changes in accounting policy during the fiscal year. There were some adjustments made, but these did not affect the balance sheets ([Statements of Plan Net Position](#)) or income statements ([Statements of Changes in Plan Net Position](#)).

- IV. RISK: None
- V. STRATEGIC PLAN: Goal 3: StanCERA will maintain excellence in governance and customer service through continuous organizational improvement.
- VI. BUDGET IMPACT: None

  
Rick Santos, Executive Director

  
Kathy Herman, Operations Manager



Comprehensive Annual Financial Report  
For the Fiscal Years Ended  
June 30, 2013 and 2012



Ensuring Tomorrow's Benefits Through Prudent Management.  
Stanislaus County Employees' Retirement Association  
(Pension Trust Fund of the County of Stanislaus, California)

DRAFT

# Stanislaus County Employees' Retirement Association

(A Pension Trust Fund of the County of Stanislaus, California)

## Comprehensive Annual Financial Report

For the Years Ended  
June 30, 2013 and 2012

### Issued By

Rick Santos, CFA, ASA, MAAA  
Executive Director

StanCERA  
Staff

# Table of Contents

## Introductory Section

|                                                                                   |    |
|-----------------------------------------------------------------------------------|----|
| Letter of Transmittal .....                                                       | 3  |
| Board of Retirement.....                                                          | 8  |
| Organizational Chart.....                                                         | 9  |
| Professional Consultants.....                                                     | 10 |
| GFOA Certificate of Achievement for Excellence in Financial Reporting.....        | 11 |
| GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting..... | 12 |
| Public Pension Standards Award for Funding and Administration.....                | 13 |

## Financial Section

|                                            |    |
|--------------------------------------------|----|
| Independent Auditor's Report.....          | 17 |
| Management's Discussion and Analysis ..... | 21 |

### Basic Financial Statements

|                                                 |    |
|-------------------------------------------------|----|
| Statements of Plan Net Position.....            | 26 |
| Statements of Changes in Plan Net Position..... | 27 |
| Notes to Basic Financial Statements.....        | 28 |

### Required Supplementary Information

|                                                  |    |
|--------------------------------------------------|----|
| Schedule of Funding Progress.....                | 46 |
| Schedule of Employer Contributions.....          | 46 |
| Notes to Required Supplementary Information..... | 47 |

### Other Supplemental Information

|                                                                           |    |
|---------------------------------------------------------------------------|----|
| Schedule of Administrative Expenses.....                                  | 48 |
| Schedule of Investment Management Fees and Other Investment Expenses..... | 49 |

## Investment Section

|                                             |    |
|---------------------------------------------|----|
| Investment Consultant's Report.....         | 53 |
| Asset Allocation.....                       | 55 |
| Largest Bond and Stock Holdings.....        | 56 |
| Schedule of Investment Management Fees..... | 57 |
| Investment Summary.....                     | 58 |



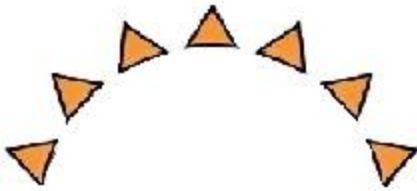
# *Table of Contents* (continued)

## *Actuarial Section*

|                                                                           |    |
|---------------------------------------------------------------------------|----|
| Actuarial Certification Letter.....                                       | 61 |
| Summary of Assumptions and Funding Methods.....                           | 63 |
| Probabilities of Separation Prior to Retirement.....                      | 65 |
| Development of Actuarial Value of Position.....                           | 67 |
| Schedule of Active Member Valuation Data.....                             | 68 |
| Retirees and Beneficiaries Added to and Removed from Retiree Payroll..... | 69 |
| Solvency Test.....                                                        | 69 |
| Actuarial Analysis of Financial Experience.....                           | 69 |

## *Statistical Section*

|                                                 |    |
|-------------------------------------------------|----|
| Changes in Plan Net Position.....               | 73 |
| Additions by Source.....                        | 74 |
| Deductions by Type.....                         | 74 |
| Benefit Expense by Type.....                    | 75 |
| Average Monthly Retirement Benefits.....        | 75 |
| Retired Members by Benefit Type.....            | 76 |
| Average Benefit Payments.....                   | 77 |
| Membership History (Retired).....               | 78 |
| Membership History (Active & Deferred).....     | 78 |
| Participating Employers and Active Members..... | 79 |



---

### **Mission**

*StanCERA secures and manages investment funds to provide benefits to its members.*

### **Vision**

*Ensuring tomorrow's benefits through prudent management.*

---





# Introductory Section

DRAFT



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12<sup>th</sup> 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](http://www.stancera.org)  
e-mail: [retirement@stancera.org](mailto:retirement@stancera.org)

---

## LETTER OF TRANSMITTAL

October 16, 2013

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

Dear Board Members:

Please find enclosed the Comprehensive Annual Financial Report (CAFR) of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal years ended June 30, 2013 and 2012. As of June 30, 2013, it is StanCERA's 65<sup>th</sup> year of operations.

The CAFR is a detailed financial report established by the Government Finance Officers Association (GFOA) for publicly disclosing the viability of a defined benefit public retirement system. The CAFR is intended to provide users with extensive reliable information for making management decisions, determining compliance with legal provisions, and demonstrates the responsible management and stewardship of StanCERA. StanCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information within this CAFR, including all disclosures.

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

## StanCERA and it's Services

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

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

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

The Board of Retirement is responsible for the management of StanCERA and is comprised of nine members and two alternate members, one of whom is a safety alternate and the other a retiree alternate. The safety alternate seat is not currently filled. Four members are appointed by the Stanislaus County Board of Supervisors, one member and the alternate safety member are elected by the safety members, two members are elected by the general members, while the retiree and alternate retiree member are elected by the retired members. The County Treasurer serves as an ex-officio member. Members, with the exception of the County Treasurer, serve three-year terms with no term limits.

## Financial Information

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned, which in the case of employer contributions occurs pursuant to formal commitments by the employers. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when corresponding liabilities are incurred regardless of when payment is due or made. Investments are recorded at the fair value of the asset.

An overview of StanCERA's fiscal operations for the years ended June 30, 2013 and 2012, is presented in the Management's Discussion and Analysis (MD&A) located in the financial section of the CAFR. This transmittal letter, together with the MD&A, provides an expanded view of the activities of StanCERA.

Macias, Gini & O'Connell LLP, StanCERA's independent auditor, has audited the accompanying financial statements. Management believes an adequate system of internal control is in place and the accompanying statements, schedules, and tables are fairly presented and free from material misstatement. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and that second, the valuation of the cost and benefits requires estimates and judgments by management. (Note: Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations.

## Financial Information (Cont.)

Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected within a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design safeguards into the process to reduce, but not eliminate, this risk.)

## Actuarial Funding Status

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to the CERL, StanCERA engages an independent actuary to perform an actuarial valuation of the System on an annual basis. Economic assumptions are normally reviewed every three years. Additionally, every three years, a triennial experience study is conducted, at which time non-economic assumptions are also updated. The most recent triennial experience study was conducted as of June 30, 2012 by Cheiron EFI (formerly EFI Actuaries). Cheiron EFI conducted the last actuarial valuation as of June 30, 2012 and determined the plan's funding ratio (ratio of actuarial value of assets to actuarial accrued liability) to be 76.9% using the recommended assumptions.

Stanislaus County issued \$108 million in pension obligation bonds in September 1995 to satisfy the Unfunded Accrued Actuarial Liability (UAAL) for the County, calculated as of that date. Final payment of these bonds was made in August 2013.

## Investments

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

The Board has adopted an Investment Policy, which provides a framework for the management of StanCERA's investments. This policy establishes StanCERA's investment objectives and defines the duties of the Board of Retirement, investment managers, and custodial bank. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations to ensure growth of assets to meet future liabilities, minimize employer contributions, and defray reasonable administrative costs. StanCERA engages an Investment Consultant to analyze investment policy and strategy and to conduct periodic asset allocation and asset/liability studies on behalf of StanCERA. For the fiscal years ended June 30, 2013 and 2012, the Plan's investments provided a positive 14.5% and positive 0.7% rate of return, respectively. A summary of the asset allocation can be found in the Investment Section of this report.



## Awards

StanCERA is the recipient of several awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to StanCERA for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the eighth consecutive year StanCERA has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), the contents of which meet or exceed program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for evaluation.

StanCERA received the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2012. This report replaces the Members' Annual Report providing all StanCERA members more concise and condensed information than can be found in the CAFR.

StanCERA also received the Public Pension Coordinating Council's Public Pension Standards 2012 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

The Public Pension Coordinating Council (PPCC) is a coalition of the following associations that represent public pension funds that cover the vast majority of public employees in the U.S.:

- National Association of State Retirement Administrators (NASRA)
- National Council on Teacher Retirement (NCTR)
- National Conference on Public Employee Retirement Systems (NCPERS)

The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured.

## Service Efforts and Accomplishments

Total written communication for members has improved and stabilized over the last few years. In addition to special mass mailings of critical information, all members receive four newsletters a year and the Popular Annual Financial Report (PAFR). The PAFR has a fresh, concise look that will further communicate the financial health of the fund to our members. Non-retired members also receive two Member Statements.

## Service Efforts and Accomplishments (continued)

StanCERA continues to increase its visibility by giving benefits presentations to interested employees where they work. These individual department presentations continue to be well received and staff encourages departments to request presentations.

Information available to the public is being expanded as well. Major retirement policies and guidelines along with forms are updated regularly. Audio and/or video recordings of educational seminars and Board meetings are available on the web along with electronic agendas and minutes for each meeting. The benefit calculators remain the most visited page on the website.

The Excess Earnings Policy has recently been updated and currently requires that all investment earnings will be used to fund vested retirement benefits until a market funded level of 100% is achieved.

## Acknowledgement

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Santos".

Rick Santos, CFA, ASA, MAAA  
Executive Director

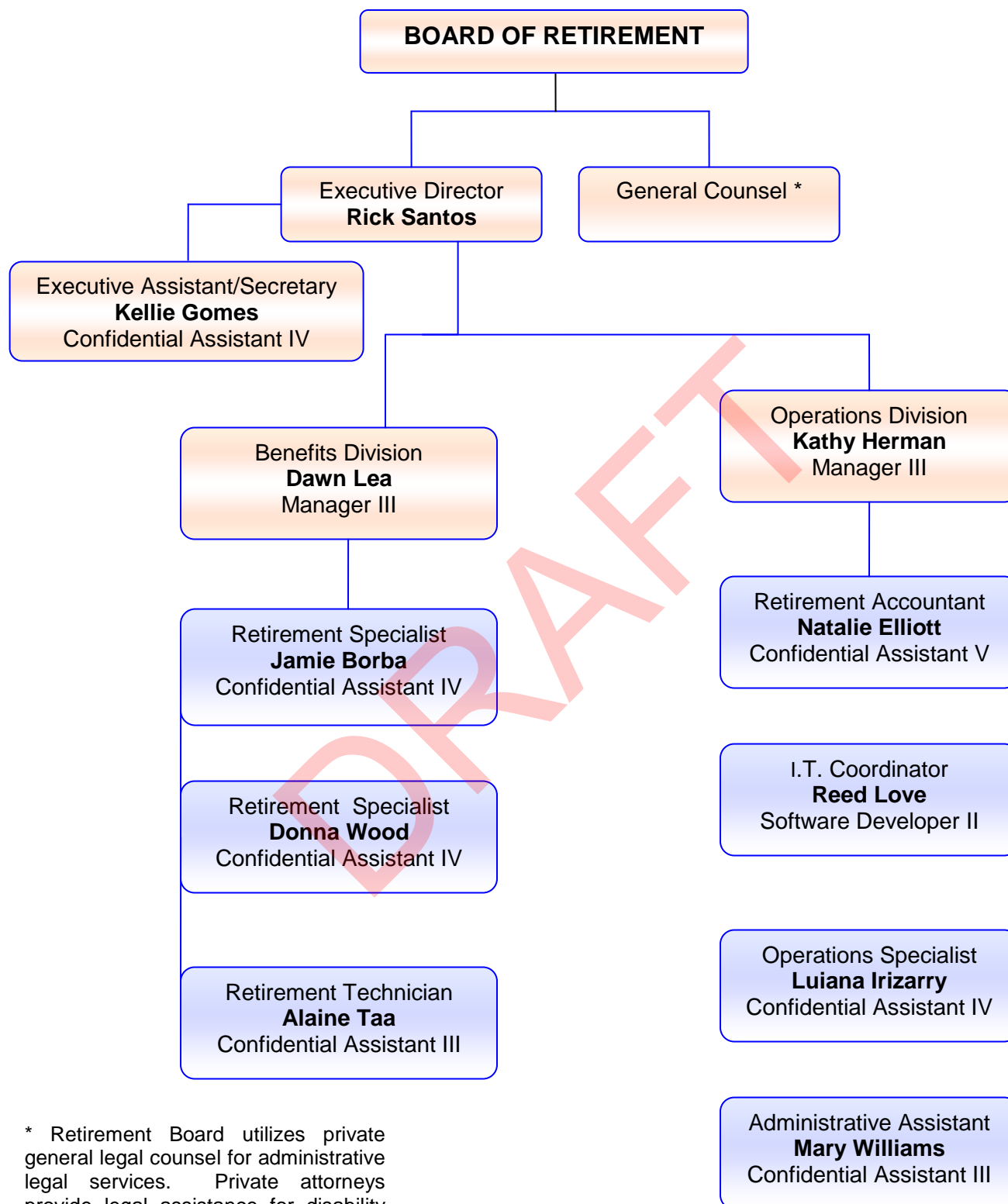
**BOARD OF RETIREMENT  
JUNE 30, 2013**

Seat#

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

# StanCERA ORGANIZATIONAL CHART

Effective 2013



\* Retirement Board utilizes private general legal counsel for administrative legal services. Private attorneys provide legal assistance for disability retirement applications.

## PROFESSIONAL CONSULTANTS

JUNE 30, 2013

### **Actuary**

Cheiron EFI (formerly EFI Actuaries)

### **Auditors**

Macias Gini & O'Connell LLP

### **Investment Custodian**

The Bank of New York Mellon

### **Investment Consultant**

Strategic Investment Solutions, Inc.

### **Legal Counsel**

Damrell Nelson Schrimp Pallios

Pacher & Silva (General Legal Counsel)

Law Office of Ted M Cabral

Hansen Bridgett LLP

Reed Smith LLP

Fores Macko

Gordon & Reese LLP

### **Technical & Data Services**

Tyler, Inc.

SBT, County of Stanislaus

### **Investment Management Services\***

#### **Fixed Income**

Dodge & Cox

PIMCO

#### **Large Cap Value Equity**

Dodge & Cox

BlackRock R1000 Value

#### **Large Cap Growth Equity**

Delaware Management Company

BlackRock R1000 Growth

#### **Small Cap Value Equity**

Capital Prospects

#### **Small Cap Growth Equity**

Legato Capital Management

#### **International Equity**

LSV Asset Management (Value)

Pyramis Global Advisors (Growth)

#### **Domestic Equity Index Funds**

Mellon Capital Management

#### **Real Estate Securities**

Black Rock US Real Estate Index

#### **Direct Lending**

Medley Opportunity Fund

Raven Capital Management

\*Refer to the Investment Section, page 55,  
for the Schedule of Investment Management  
Fees.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Stanislaus County**

**Employees' Retirement Association**

**California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO



Government Finance Officers Association

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

Presented to

**Stanislaus County  
Employees' Retirement Association  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO





Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2012***

Presented to

***Stanislaus County Employees' Retirement Association***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle  
Program Administrator

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# Financial Section

DRAFT

## INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the  
Stanislaus County Employees' Retirement Association  
Modesto, California

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the Stanislaus County Employees' Retirement Association (StanCERA), a component unit of the County of Stanislaus, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise StanCERA's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stanislaus County Employees' Retirement Association as of June 30, 2013 and 2012, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

As discussed in Note 2 to the basic financial statements, StanCERA adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

As described in Note 5 to the basic financial statements, based on the most recent actuarial valuation as of June 30, 2012, StanCERA's independent actuaries determined that, at June 30, 2012, the actuarial accrued obligation exceeded the actuarial value of its assets by \$437 million. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 25 and the schedules of funding progress and employer contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise StanCERA's basic financial statements. The introductory section, other supplemental schedules in the financial section, the investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental schedules in the financial section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013 on our consideration of StanCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering StanCERA's internal control over financial reporting and compliance.

*Macie Mini & O'Connell LLP*

Sacramento, California  
October 16, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Stanislaus County Employees' Retirement Association's (StanCERA) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended June 30, 2013 and 2012. Please review it in conjunction with the transmittal letter (page 3) and the Basic Financial Statements (beginning on page 24).

### Financial Highlights

- Plan Net Position increased by \$158.6 million (or 11.44%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by \$11.5 million (or 24.09%).
- Net investment income (including Net Appreciation in Fair Value of Investments) increased by \$185.7 million (or 5575.12%).
- Benefit payments increased by \$6.9 million (or 8.66%) from the prior year.

### Plan Highlights

- Benefit plans for Tiers 2 and 3 were closed to new hires and Tiers 4 and 5 were adopted effective March 9, 2002 to provide retirement formulas commonly known as 2% at age 55 for active general members, and 3% at age 50 for active safety members. One district has not implemented the new benefit plans. Members in the non-contributory Tier 3 were allowed to transfer into a contributory plan. Effective January 1, 2011, Tier 5 was closed and Tier 2 was re-opened for all new hires for Stanislaus County, with the reduced benefit formulas of 2% at age 61 for most general members, and 2% at 50 for safety members. Tier 2 was closed and Tier 6 was adopted effective January 1, 2013 for all new hires and provides 2% at 62 for general members, and 2.7% at age 57 for safety members.
- Effective January 1, 2010 the Revocable Health Benefits Subsidy was suspended.
- In April of 2013 and 2012, a 2% and 3% cost of living increase respectively was given to all retired, disabled, and beneficiary members receiving a recurring allowance, except those retirees who received pensions for service as a Tier 3 non-contributory member.

### Using the Annual Report

The financial statements reflect the activities of the Stanislaus County Employees' Retirement Association and are composed of the Statement of Plan Net Position (see page 26) and the Statement of Changes in Plan Net Position (see page 27). These statements are presented on an accrual basis and reflect all trust activities as incurred.

## Overview of the Basic Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to StanCERA's basic financial statements, which are comprised of these components:

1. Statement of Plan Net Position
2. Statement of Changes in Plan Net Position
3. Notes to the Basic Financial Statements
4. Required Supplementary Information
5. Other Supplemental Information

## Financial Analysis

### Statement of Plan Net Position

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

Plan Net Position, as of  
June 30, 2013, 2012 and 2011

|                         | 2013             | 2012             | 2011             | \$ Change<br>2013 - 2012 | \$ Change<br>2012 - 2011 |
|-------------------------|------------------|------------------|------------------|--------------------------|--------------------------|
| Current Assets          | \$ 77,468,649    | \$ 88,141,472    | \$ 69,294,750    | \$ (10,672,823)          | \$ 18,846,722            |
| Investments             | 1,633,578,676    | 1,458,674,520    | 1,506,879,134    | 174,904,156              | (48,204,614)             |
| Capital Assets          | 3,817,082        | 3,760,839        | 3,760,576        | 56,243                   | 263                      |
| Total Assets            | 1,714,864,407    | 1,550,576,831    | 1,579,934,460    | 164,287,576              | (29,357,629)             |
| Total Liabilities       | 170,051,412      | 164,401,585      | 161,188,514      | 5,649,827                | 3,213,071                |
| Total Plan Net Position | \$ 1,544,812,995 | \$ 1,386,175,246 | \$ 1,418,745,946 | \$ 158,637,749           | \$ (32,570,700)          |

## Statement of Changes in Plan Net Position

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

### Additions To Plan Net Position For The Fiscal Years Ended June 30, 2013, 2012 and 2011

|                             | 2013                  | 2012                 | 2011                  | \$ Change<br>2013 - 2012 | \$ Change<br>2012 - 2011 |
|-----------------------------|-----------------------|----------------------|-----------------------|--------------------------|--------------------------|
| Employer Contributions      | \$ 39,077,480         | \$ 27,314,032        | \$ 26,256,729         | \$ 11,763,448            | \$ 1,057,303             |
| Plan Member Contributions   | 20,285,888            | 20,525,295           | 19,197,052            | (239,407)                | 1,328,243                |
| Net Investment Income       | 189,034,853           | 3,330,939            | 261,380,696           | 185,703,914              | (258,049,757)            |
| Net Litigation Recovery     | 8,950                 | 571                  | 16,849                | 8,379                    | (16,278)                 |
| Net Security Lending Income | 944,484               | 393,244              | 444,947               | 551,240                  | (51,703)                 |
| <i>Total Additions</i>      | <u>\$ 249,351,655</u> | <u>\$ 51,564,081</u> | <u>\$ 307,296,273</u> | <u>\$ 197,787,574</u>    | <u>\$ (255,732,192)</u>  |

### Deductions From Plan Net Position For The Fiscal Years Ended June 30, 2013, 2012 and 2011

|                         |                      |                      |                      |                     |                     |
|-------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| Benefit Payments        | \$ 87,102,798        | \$ 80,157,222        | \$ 74,826,404        | \$ 6,945,576        | \$ 5,330,818        |
| Member Refunds          | 1,545,763            | 1,832,811            | 1,906,153            | (287,048)           | (73,342)            |
| Administrative Expenses | 2,065,345            | 2,144,748            | 2,037,167            | (79,403)            | 107,581             |
| <i>Total Deductions</i> | <u>\$ 90,713,906</u> | <u>\$ 84,134,781</u> | <u>\$ 78,769,724</u> | <u>\$ 6,579,125</u> | <u>\$ 5,365,057</u> |

### Increase (Decrease) in Plan Net Position Restricted for Pension Benefits

|  |                |                 |                |                |                  |
|--|----------------|-----------------|----------------|----------------|------------------|
|  | \$ 158,637,749 | \$ (32,570,700) | \$ 228,526,549 | \$ 191,208,449 | \$ (261,097,249) |
|--|----------------|-----------------|----------------|----------------|------------------|

### Plan Net Position Restricted for Pension Benefits

|                   |                         |                         |                         |                       |                        |
|-------------------|-------------------------|-------------------------|-------------------------|-----------------------|------------------------|
| Beginning of Year | 1,386,175,246           | 1,418,745,946           | 1,190,219,397           | (32,570,700)          | 228,526,549            |
| End of Year       | <u>\$ 1,544,812,995</u> | <u>\$ 1,386,175,246</u> | <u>\$ 1,418,745,946</u> | <u>\$ 158,637,749</u> | <u>\$ (32,570,700)</u> |

## Additions to Plan Net Position

A review of the Statement of Plan Net Position shows that June 30, 2013 closed with assets exceeding liabilities by \$1.545 billion with all of the Plan Net Position available to meet StanCERA's ongoing obligations to plan participants and their beneficiaries. Last fiscal year, ending June 30, 2012, closed with assets exceeding liabilities by \$1.386 billion. The \$158.6 million increase and \$32.6 million decrease, respectively, in Plan Net Position is a direct result of the changes in the financial market over the past two years. StanCERA remains in very good financial condition.

### *Additions to Plan Net Position (continued)*

The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. These income sources for fiscal year 2012-2013 resulted in a gain of \$249.4 million, where fiscal year 2011-2012 resulted in a gain of \$51.6 million. This gain is primarily a result of growth in the broad market over the two past years, as discussed in the Investment Analysis below. Employer and member contributions increased by \$11.5 million (or 24.09%) from the contributions made in 2011-2012. Employer contributions increased in 2013 mainly due to changes in economic assumptions and opening of new Tier 6 due to the Public Employees' Pension Reform Act effective January 1, 2013.

### *Deductions from Plan Net Position*

The primary uses of StanCERA's assets are the payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. These expenses for fiscal year 2012-2013 were \$90.7 million, an increase of \$6.6 million from prior year. This increase is mainly due to the increase in the number of retirees and the average amount that they are paid. For fiscal year 2011-2012 these expenses were \$84.1 million, an increase of \$5.4 million from the prior year also due to an increase in the number of retirees and the average amount they are paid. For fiscal year 2012-2013 administrative expense decreased by 3.70% over fiscal year 2011-2012. Total administrative expense represented 0.0936% of the accrued actuarial liability for fiscal year 2012-2013 and 0.1044% for fiscal year 2011-2012.

### **Overall Financial Condition**

#### *Investment Analysis*

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

Domestic equity returns as of June 30, 2013 outperformed their benchmark by 260 basis points and international equity outperformed the benchmark by 330 basis points. Domestic equity returns as of June 30, 2012 underperformed their benchmark by 50 basis points and international equity underperformed by 20 basis points as of June 30, 2012. All major domestic indices rose over the past two years, as it appears the market continues to recover from the impact of the sub-prime lending crisis, the collapse of the housing market, and the decline in consumer confidence.

Although the U.S. bond market generated a negative return, StanCERA's fixed income returns for the year were up and outperformed their benchmark by 130 basis points as of June 30, 2013. For the year ending June 30, 2012, the Fund's fixed income returns underperformed their benchmark by 60 basis points.

For the fiscal year ending June 30, 2013, StanCERA's total portfolio outperformed its policy benchmark by 300 basis points with an overall return of 14.5%. For fiscal year ending June 30, 2012, it underperformed its policy benchmark by 100 basis points with an overall return of 0.7%. The positive returns for fiscal 2013 continue to strengthen StanCERA's financial position, and further enhanced its ability to meet its obligations to the Plan participants and beneficiaries.

## *Funding Status*

The primary concern to most pension plan participants is the amount of resources available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to StanCERA. All employers have traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. No net pension obligation exists for the fund as of June 30, 2012, the date of the last actuarial valuation.

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

The funding ratio as of June 30, 2012 was 76.9%, down from 78.1% as of June 30, 2011, using the entry age normal method and the increase of asset valuations. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. The Board of Retirement approves the assumptions used by the Actuary to perform their calculation. As of the most recent actuarial valuation date of June 30, 2012, the actuarial value of assets was \$1.5 billion. The next actuarial valuation is scheduled for June 30, 2013.

## *StanCERA's Fiduciary Responsibilities*

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

## *Requests for Information*

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

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

Rick Santos, CFA, ASA, MAAA  
Executive Director  
Stanislaus County Employees' Retirement Association  
832 12<sup>th</sup> Street, Suite 600  
Modesto, CA 95354

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
STATEMENTS OF PLAN NET POSITION  
As of June 30, 2013 and 2012

|                                                            | June 30, 2013           | June 30, 2012           |
|------------------------------------------------------------|-------------------------|-------------------------|
| <b>ASSETS</b>                                              |                         |                         |
| Cash And Cash Equivalents (Note 4):                        | \$ 44,461,336           | \$ 39,960,025           |
| Receivables:                                               |                         |                         |
| Interest & Dividends                                       | 6,090,300               | 6,288,878               |
| Securities Transactions                                    | 24,493,236              | 40,073,173              |
| Contributions (Note 3)                                     | 2,380,496               | 1,814,176               |
| Other                                                      | 43,281                  | 5,220                   |
| Total Receivables                                          | <u>33,007,313</u>       | <u>48,181,447</u>       |
| Capital Assets (Note 2):                                   |                         |                         |
| Tenant Improvements                                        | 390,438                 | 167,483                 |
| Tyler Software, net                                        | 473,903                 | 599,528                 |
| Real Estate Occupied, net                                  | 1,745,853               | 1,764,829               |
| Real Estate Leased, net                                    | 1,164,133               | 1,176,787               |
| Leasehold Improvements, net                                | 31,653                  | 42,204                  |
| Office Equipment, net                                      | 2,859                   | 5,471                   |
| Audio Recording System, net                                | 3,241                   | 4,537                   |
| Security & Monitoring Equipment, net                       | 5,002                   | -                       |
| Total Capital Assets, net                                  | <u>3,817,082</u>        | <u>3,760,839</u>        |
| Investments at Fair Value (Note 4):                        |                         |                         |
| U.S. Government and Agency Obligations                     | 278,578,812             | 268,902,899             |
| Corporate Bonds                                            | 192,004,280             | 211,121,622             |
| Municipal Bonds                                            | 31,682,578              | 31,022,263              |
| Emerging Market / Non-US Bonds                             | 2,748,685               | 4,448,172               |
| Domestic Stocks                                            | 435,862,122             | 359,747,438             |
| Domestic Equity Index Fund                                 | 264,390,778             | 226,793,664             |
| International Equity                                       | 263,833,964             | 224,687,670             |
| Real Estate Securities                                     | 22,377,219              | 19,736,261              |
| Direct Lending                                             | 29,098,868              | -                       |
| Securities Lending Collateral                              | 113,001,370             | 112,214,531             |
| Total Investments                                          | <u>1,633,578,676</u>    | <u>1,458,674,520</u>    |
| Total Assets                                               | <u>1,714,864,407</u>    | <u>1,550,576,831</u>    |
| <b>LIABILITIES</b>                                         |                         |                         |
| Current Liabilities:                                       |                         |                         |
| Accounts Payable                                           | 9,708,506               | 8,241,988               |
| Securities Transactions                                    | 43,986,634              | 39,036,066              |
| Deferred Rents                                             | 325,118                 | 167,483                 |
| Securities Lending Obligation (Note 4)                     | 115,636,154             | 116,551,048             |
| Total Current Liabilities                                  | <u>169,656,412</u>      | <u>163,996,585</u>      |
| Long Term Liabilities:                                     |                         |                         |
| Grant Deed Extension Fee                                   | <u>395,000</u>          | <u>405,000</u>          |
| Total Liabilities                                          | <u>170,051,412</u>      | <u>164,401,585</u>      |
| Plan Net Position Restricted For Pension Benefits (Note 6) | <u>\$ 1,544,812,995</u> | <u>\$ 1,386,175,246</u> |

The accompanying notes are an integral part of these financial statements.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
STATEMENTS OF CHANGES IN PLAN NET POSITION  
For the Years Ended June 30, 2013 and 2012

|                                                                                      | June 30, 2013           | June 30, 2012           |
|--------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>ADDITIONS</b>                                                                     |                         |                         |
| Contributions (Note 5):                                                              |                         |                         |
| Employer                                                                             | \$ 39,077,480           | \$ 27,314,032           |
| Plan Members                                                                         | 20,285,888              | 20,525,295              |
| Total Contributions                                                                  | <u>59,363,368</u>       | <u>47,839,327</u>       |
| Investment Income:                                                                   |                         |                         |
| Net Appreciation/(Depreciation) in Fair Value of Investments                         | 159,601,338             | (29,202,695)            |
| Interest & Dividends                                                                 | 38,144,730              | 37,434,050              |
| Total Investment Gain                                                                | 197,746,068             | 8,231,355               |
| Net Income from Commission Recapture                                                 | 28,794                  | 37,189                  |
| Less: Investment Expense (Note 7)                                                    | (8,845,829)             | (4,937,605)             |
| Net Investment Income                                                                | <u>188,929,033</u>      | <u>3,330,939</u>        |
| Other Investment Income:                                                             |                         |                         |
| Net Litigation Recovery Income                                                       | 8,950                   | 571                     |
| Borrower Fees                                                                        | 1,000                   | -                       |
| Rental Income                                                                        | 104,820                 | -                       |
| Net Other Investment Income                                                          | <u>114,770</u>          | <u>571</u>              |
| Securities Lending Activities (Note 4):                                              |                         |                         |
| Securities Lending Income                                                            | 546,343                 | 713,368                 |
| Less: Securities Lending Expense                                                     | (162,956)               | (213,916)               |
| Less: Net Appreciation/(Depreciation) in Fair Value of Securities Lending Collateral | 561,097                 | (106,208)               |
| Net Securities Lending Income                                                        | <u>944,484</u>          | <u>393,244</u>          |
| Total Investment Income                                                              | <u>189,988,287</u>      | <u>3,724,754</u>        |
| Total Additions                                                                      | <u>249,351,655</u>      | <u>51,564,081</u>       |
| <b>DEDUCTIONS</b>                                                                    |                         |                         |
| Benefit Payments & Subsidies                                                         | 87,102,798              | 80,157,222              |
| Member Refunds - Termination                                                         | 1,115,209               | 1,389,148               |
| Member Refunds - Death                                                               | 430,554                 | 443,663                 |
| Administrative Expenses (Note 2)                                                     | 2,065,345               | 2,144,748               |
| Total Deductions                                                                     | <u>90,713,906</u>       | <u>84,134,781</u>       |
| Net Increase/(Decrease)                                                              | 158,637,749             | (32,570,700)            |
| Plan Net Position Restricted for Pension Benefits (Note 6)                           |                         |                         |
| Beginning of Year                                                                    | 1,386,175,246           | 1,418,745,946           |
| End of Year                                                                          | <u>\$ 1,544,812,995</u> | <u>\$ 1,386,175,246</u> |

The accompanying notes are an integral part of these financial statements.

# NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

## NOTE 1 - DESCRIPTION OF PLAN

### Description of System and Applicable Provisions of the Law

The Stanislaus County Employees' Retirement Association (StanCERA) is an integrated public employee retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Employees Retirement Law of 1937 (Chapter 677 Statutes of 1937) and the Public Employees' Pension Reform Act. It is a multiple-employer "Cost Sharing" plan. StanCERA was established by the Board of Supervisors on July 1, 1948 and was integrated with Social Security on January 1, 1956.

### Membership

The Stanislaus County Employees' Retirement Association consists of employees from the County of Stanislaus, East Side Mosquito Abatement District, Hills Ferry Cemetery District, Keyes Community Service District, City of Ceres, Salida Sanitary District, Stanislaus County Superior Court, and Stanislaus Council of Governments. Each person entering employment full-time or permanent part-time (50% or more of the regular hours) becomes a member on the first day of employment. The structure of the Membership is as follows:

|                         | June 30, 2013 |              |              | June 30, 2012 |              |              |
|-------------------------|---------------|--------------|--------------|---------------|--------------|--------------|
|                         | General       | Safety       | Total        | General       | Safety       | Total        |
| Active Members:         |               |              |              |               |              |              |
| Vested & Non-vested     | 3,237         | 694          | 3,931        | 3,213         | 655          | 3,868        |
| Total Active            | <u>3,237</u>  | <u>694</u>   | <u>3,931</u> | <u>3,213</u>  | <u>655</u>   | <u>3,868</u> |
| Inactive Members:       |               |              |              |               |              |              |
| Deferred Members        | 706           | 163          | 869          | 723           | 157          | 880          |
| Unclaimed Contributions | 144           | 15           | 159          | 140           | 12           | 152          |
| Total Inactive          | <u>850</u>    | <u>178</u>   | <u>1,028</u> | <u>863</u>    | <u>169</u>   | <u>1,032</u> |
| Retired Members:        |               |              |              |               |              |              |
| Service Retirements     | 2,455         | 359          | 2,814        | 2,358         | 339          | 2,697        |
| Disability Retirements  | 226           | 149          | 375          | 233           | 148          | 381          |
| Survivor Payments       | 37            | 8            | 45           | 36            | 9            | 45           |
| Total Retired           | <u>2,718</u>  | <u>516</u>   | <u>3,234</u> | <u>2,627</u>  | <u>496</u>   | <u>3,123</u> |
| Total Membership        | <u>6,805</u>  | <u>1,388</u> | <u>8,193</u> | <u>6,703</u>  | <u>1,320</u> | <u>8,023</u> |

### Active

Members of the System receive a 100% vested interest in the fund after 5 years of service, except Tier 3 which requires 10 years of service.



## NOTE 1 – DESCRIPTION OF PLAN (continued)

### Benefits

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

### Service Retirement Benefit

Members of Tiers 1, 2, 4, and 5 with 10 years of service, who have attained the age of 50, are eligible to retire. Tier 3 members are eligible to retire with 10 years of service at age 55. Tier 6 members are eligible to retire with 5 years of service at age 50 for Safety members and age 52 for General members. Members of Tiers 1, 2, 4, and 5 with 30 years of service (20 years for safety), regardless of age, are eligible to retire. The benefit is a percentage of monthly final average salary per year of service, depending on age at retirement, and is illustrated below for representative ages. Government Code Section 31462 of the County Employees Retirement Law of 1937 defines final average salary as a member's average monthly compensation earned during any consecutive 12 months (applicable to members of Plans 1, 4, and 5). Government Code Sections 31462.1 and 7522.32 use the member's average monthly compensation earned during any 36 consecutive months (applicable to members of Tiers 2, 3, and 6). For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage shown below times the first \$350 of monthly final average salary per year of service credited after January 1, 1956. Tier 6 is not integrated with Social Security.

#### Percentage of Final Average Salary (FAS)

| Age | General |        |        |        |        |        | Safety    |           |        |
|-----|---------|--------|--------|--------|--------|--------|-----------|-----------|--------|
|     | Tier 1  | Tier 2 | Tier 3 | Tier 4 | Tier 5 | Tier 6 | Tiers 1&2 | Tiers 4&5 | Tier 6 |
| 50  | 1.34    | 1.18   | N/A    | 1.48   | 1.48   | N/A    | 2.00      | 3.00      | 2.00   |
| 55  | 1.77    | 1.49   | 0.68*  | 1.95   | 1.95   | 1.30   | 2.62      | 3.00      | 2.50   |
| 60  | 2.34    | 1.92   | 1.14*  | 2.44   | 2.44   | 1.80   | 2.62      | 3.00      | 2.70   |
| 65  | 2.62    | 2.43   | 2.00*  | 2.62   | 2.62   | 2.30   | N/A       | N/A       | 2.70   |

\* 1% of (FAS) for each year of service over 35 reduced by 1/35 of Social Security Benefits at age 65 not to exceed 35 years

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

### Death Benefit-Before Retirement

#### Employed Less Than 5 Years

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

## **NOTE 1 – DESCRIPTION OF PLAN (continued)**

### **Death Benefit-Before Retirement (continued)**

#### *Employed More than 5 Years*

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

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

### **Death Benefit-After Retirement**

If a member dies after retirement, a burial allowance of \$5,000 is paid to the beneficiary or estate (except Tier 3 members).

If the retirement benefit is for service-connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for Tiers 1, 2, 4, 5, and 6. Tier 3 Members have no allowance continued to the surviving spouse.

If the retirement benefit is for other than service-connected disability, 60% of the member's allowance is continued to the surviving spouse for Tiers 1, 2, 4, 5, and 6, and 50% of the member's allowance is continued to the surviving spouse if the unmodified option is chosen at time of retirement.

### **Disability Benefit**

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

### **Cost of Living Benefit**

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

### **Ad-Hoc Benefits**

Ad-hoc benefits are non-vested benefits which are determined by the Board of Retirement subject to funding availability.

No ad-hoc benefits are currently being paid (effective since January 1, 2010). Changes in the excess earnings policy approved by the Board of Retirement on May 25, 2012 have placed additional restrictions on the Board

## **NOTE 1 – DESCRIPTION OF PLAN (continued)**

### **Ad-Hoc Benefits (continued)**

of Retirement's ability to grant these benefits; the greatest restriction currently is that the System must be 100% actuarially funded.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Reporting Entity**

StanCERA is governed by the Board of Retirement and is considered an independent legal entity. StanCERA is a component unit of the County of Stanislaus and is being reported as a Pension Trust Fund in the County's Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

### **Basis of Accounting**

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

### **Cash and Cash Equivalents**

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

### **Investments**

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

Investments are stated at fair value in accordance with GASB Statement No. 25. Values for stocks, publicly traded bonds, issues of the U.S. Government and its agencies, and real estate securities are valued according to sale prices of recognized exchanges as of the fiscal year end, with international securities reflecting currency exchange rates in effect at June 30, 2013 and 2012. Both domestic and international investments are denominated in U.S. currency. Direct Lending Partnerships are valued using their respective net asset value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the partnerships on a quarterly basis and the assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Securities Transactions and Related Investment Income

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

### Capital Assets

Capital assets, consisting of software development, the purchase of a condominium interest in one floor of an office building, and office equipment are presented at historical cost. StanCERA occupies 60% of the 6<sup>th</sup> floor of the office building, and 40% has been developed as office space which is currently leased out. Depreciation expense totaled \$172,484 and \$171,304 for the years ending June 30, 2013 and 2012 respectively. Depreciation is calculated using the straight-line method with an estimated life of 10 years for the software development, an estimated life of 99 years for the office space, an estimated life of 10 years for the leasehold improvements, and an estimated life of 5 years for office equipment.

| CAPITAL ASSETS                  | Net Balance at<br>June 30, 2012 | Reclassifications<br>& Additions | Less<br>Depreciation | Net Balance at<br>June 30, 2013 |
|---------------------------------|---------------------------------|----------------------------------|----------------------|---------------------------------|
| Tenant Improvements             | \$ 167,483                      | \$ 222,955                       | \$ -                 | \$ 390,438                      |
| Tyler Software                  | 599,528                         | -                                | 125,625              | 473,903                         |
| Real Estate Occupied            | 1,764,829                       | -                                | 18,976               | 1,745,853                       |
| Real Estate Leased              | 1,176,787                       | -                                | 12,654               | 1,164,133                       |
| Leasehold Improvements          | 42,204                          | -                                | 10,551               | 31,653                          |
| Office Equipment                | 5,471                           | -                                | 2,612                | 2,859                           |
| Audio Recording System          | 4,537                           | -                                | 1,296                | 3,241                           |
| Security & Monitoring Equipment | -                               | 5,772                            | 770                  | 5,002                           |
| TOTAL                           | <u>\$ 3,760,839</u>             | <u>\$ 228,727</u>                | <u>\$ 172,484</u>    | <u>\$ 3,817,082</u>             |

| CAPITAL ASSETS         | Net Balance at<br>June 30, 2011 | Reclassifications<br>& Additions | Less<br>Depreciation | Net Balance at<br>June 30, 2012 |
|------------------------|---------------------------------|----------------------------------|----------------------|---------------------------------|
| Tenant Improvements    | \$ -                            | \$ 167,483                       | \$ -                 | \$ 167,483                      |
| Tyler Software         | 725,153                         | -                                | 125,625              | 599,528                         |
| Real Estate Occupied   | 1,783,805                       | -                                | 18,976               | 1,764,829                       |
| Real Estate Leased     | 1,189,439                       | -                                | 12,652               | 1,176,787                       |
| Leasehold Improvements | 52,755                          | -                                | 10,551               | 42,204                          |
| Office Equipment       | 3,590                           | 4,084                            | 2,203                | 5,471                           |
| Audio Recording System | 5,834                           | -                                | 1,297                | 4,537                           |
| TOTAL                  | <u>\$ 3,760,576</u>             | <u>\$ 171,567</u>                | <u>\$ 171,304</u>    | <u>\$ 3,760,839</u>             |

### Administrative Expenses

StanCERA's administrative expense is funded by the investment income and is limited to 0.21% of StanCERA's actuarial accrued liability (AAL) pursuant to Government Code Section 31580.2. The law provides exemption from the limitation for the cost of computer consultation, hardware, and software. Total administrative expenses for the years ending June 30, 2013 and 2012 were \$2,065,345 and \$2,144,748, respectively, of which \$297,968 and \$329,036 respectively, were not subject to the administrative expense limitation. Administrative expenses subject to the limitation amounted to 0.0936% of AAL for the year ending June 30, 2013 and 0.1044% for the year ending June 30, 2012.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income Taxes

StanCERA qualifies as a pension trust under Section 401(a) of the Internal Revenue Code. No provision for income taxes has been made in the accompanying financial statement as the plan is exempt from Federal and State income taxes under the provisions of the Internal Revenue Code Section 501 and the California Revenue and Taxation Code Section 23701, respectively.

### Management's Estimates

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

### Reclassifications

Certain fiscal year 2012 amounts have been reclassified to conform with the fiscal year 2013 presentation.

### Implementation of New Accounting Pronouncement

Effective July 1, 2012, StanCERA adopted the provisions of Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures.

### Effect of Future Pronouncement

StanCERA will be subject to the provisions of GASB Statement No. 67 beginning with the fiscal year ending June 30, 2014. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

## NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents withdrawals from employee's salaries and liabilities due by employers' retirement contributions for the month of June that were received in July. Contributions Receivable as of June 30, 2013 and 2012 were \$2,380,496 and \$1,814,176 respectively.

## NOTE 4 – CASH AND INVESTMENTS

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

### Deposits in County Treasury

Cash needed for StanCERA's daily operational purposes is pooled with other County funds by the County Treasurer for short-term investment purposes. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds. Investments in the County Investment Pool are managed according to the Investment Policy established by the County and are subject to regulatory oversight by the County's Treasury Oversight Committee. Participation in the County Investment Pool is not mandatory. The fair value of StanCERA's cash invested with the County Treasurer totaled \$8,488,606 and \$7,059,069 at June 30, 2013 and 2012 respectively. Cash and investments included within the County Treasurer's Pool are described in the County's Financial Report.

The following is a schedule of StanCERA's deposits and investments at fair value:

#### Summary of Investments

|                                             | <u>June 30, 2013</u>    | <u>June 30, 2012</u>    |
|---------------------------------------------|-------------------------|-------------------------|
| Investments                                 |                         |                         |
| U.S. Government and Agency Obligations      | \$ 278,578,812          | \$ 268,902,899          |
| Corporate Bonds                             | 192,004,280             | 211,121,622             |
| Municipal Bonds                             | 31,682,578              | 31,022,263              |
| Emerging Market / Non-US Bonds              | 2,748,685               | 4,448,172               |
| Domestic Stocks                             | 435,862,122             | 359,747,438             |
| Domestic Equity Index Fund                  | 264,390,778             | 226,793,664             |
| International Equity                        | 263,833,964             | 224,687,670             |
| Real Estate Securities                      | 22,377,219              | 19,736,261              |
| Direct Lending                              | 29,098,868              | -                       |
| Securities Lending Collateral               | 113,001,370             | 112,214,531             |
| Subtotal                                    | <u>1,633,578,676</u>    | <u>1,458,674,520</u>    |
| Deposits and Short-Term Investments         |                         |                         |
| Bank of New York: Cash in Custodial Account | 35,972,730              | 32,900,956              |
| Stanislaus County Treasury Investment Pool  | 8,488,606               | 7,059,069               |
| Subtotal                                    | <u>44,461,336</u>       | <u>39,960,025</u>       |
| Total Investments and Deposits              | <u>\$ 1,678,040,012</u> | <u>\$ 1,498,634,544</u> |

## NOTE 4 – CASH AND INVESTMENTS (continued)

### Securities Lending Program

State statutes and Board of Retirement Investment Policy permit StanCERA to participate in a securities lending program. StanCERA lends domestic bonds and equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. Transactions are collateralized at 102% of market value for domestic securities and 105% of market value for international securities. Collateral received may include cash, letters of credit, or securities. Because the loans were terminable-at-will their duration did not match the duration of the investments made with cash collateral. Either StanCERA or the borrower can terminate all securities loans on demand, although the average term of the loans is one week. There are no restrictions on the amount of securities that may be lent.

StanCERA's custodial bank administers its securities lending program. As of June 30, 2013 StanCERA had securities on loan with a carrying value of \$111,886,737 and had received cash collateral (securities lending obligation) of \$115,636,154 with a non-cash collateral of \$716,147. As of fiscal year ending June 30, 2012, StanCERA's securities on loan had a carrying value of \$113,293,086 and had received cash collateral (securities lending obligation) of \$116,551,048. On the reinvested cash collateral, StanCERA had an unrealized gain of \$561,097 for the fiscal year ended June 30, 2013, and had an unrealized loss of \$106,208 for the fiscal year ended June 30, 2012.

StanCERA does not have the ability to pledge or sell collateral securities delivered absent a borrower default. The contract with the security lending agent requires them to indemnify StanCERA if the borrower fails to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay StanCERA for income distributions while the securities are on loan. Investments made with cash collateral are classified by risk category. As of June 30, 2013 and 2012 StanCERA had no credit risk exposure to borrowers because the amount StanCERA owes the borrower exceeds the amount the borrower owes StanCERA. These are separate investments made on StanCERA's behalf and not StanCERA's share of pooled investments.

#### SECURITIES LENDING COLLATERAL at June 30, 2013

| Investment Type              | Fair Value by Maturity Date |           |            |              | Total Fair Value | Effective Duration (in years) |
|------------------------------|-----------------------------|-----------|------------|--------------|------------------|-------------------------------|
|                              | < 1 year                    | 1-5 years | 5-15 years | > 15 years   |                  |                               |
| Asset Backed Securities      | \$ -                        | \$ -      | \$ -       | \$ 1,641,538 | \$ 1,641,538     | 0.070                         |
| Certificate of Deposit       | 44,492,572                  | -         | -          | -            | 44,492,572       | 0.150                         |
| Commercial Paper             | 30,440,469                  | -         | -          | -            | 30,440,469       | 0.110                         |
| Corporate Floating Rate      | 881,908                     | -         | -          | -            | 881,908          | 0.020                         |
| Reverse Repurchase Agreement | 35,544,883                  | -         | -          | -            | 35,544,883       | 0.010                         |
| TOTALS                       | \$ 111,359,832              | \$ -      | \$ -       | \$ 1,641,538 | \$ 113,001,370   | 0.090                         |

#### SECURITIES LENDING COLLATERAL at June 30, 2012

| Investment Type              | Fair Value by Maturity Date |           |            |              | Total Fair Value | Effective Duration (in years) |
|------------------------------|-----------------------------|-----------|------------|--------------|------------------|-------------------------------|
|                              | < 1 year                    | 1-5 years | 5-15 years | > 15 years   |                  |                               |
| Asset Backed Securities      | \$ 218,022                  | \$ -      | \$ -       | \$ 1,177,731 | \$ 1,395,753     | 0.070                         |
| Certificate of Deposit       | 54,864,245                  | -         | -          | -            | 54,864,245       | 0.130                         |
| Commercial Paper             | 45,649,097                  | -         | -          | -            | 45,649,097       | 0.100                         |
| Corporate Floating Rate      | 737,487                     | -         | -          | -            | 737,487          | 0.038                         |
| Reverse Repurchase Agreement | 9,567,949                   | -         | -          | -            | 9,567,949        | 0.010                         |
| TOTALS                       | \$ 111,036,800              | \$ -      | \$ -       | \$ 1,177,731 | \$ 112,214,531   | 0.100                         |



## NOTE 4 – CASH AND INVESTMENTS (continued)

### Securities Lending Program (continued)

The following table shows the credit quality of StanCERA's investments in Securities Lending Collateral on June 30, 2013 and 2012.

| S&P<br>Credit Rating | June 30, 2013                                           |                                  | June 30, 2012                                           |                                  |
|----------------------|---------------------------------------------------------|----------------------------------|---------------------------------------------------------|----------------------------------|
|                      | Percentage of Total<br>Securities Lending<br>Collateral | Securities Lending<br>Collateral | Percentage of Total<br>Securities Lending<br>Collateral | Securities Lending<br>Collateral |
| AA-                  | 0.51%                                                   | \$ 580,000                       | 0.00%                                                   | \$ -                             |
| A                    | 0.27%                                                   | 300,264                          | 0.00%                                                   | -                                |
| A-1                  | 66.31%                                                  | 74,933,041                       | 89.57%                                                  | 100,513,342                      |
| B                    | 0.14%                                                   | 158,243                          | 0.19%                                                   | 218,022                          |
| CCC                  | 0.48%                                                   | 537,080                          | 0.40%                                                   | 447,570                          |
| D                    | 0.84%                                                   | 946,215                          | 0.65%                                                   | 730,161                          |
| N/R - Repo           | 31.45%                                                  | 35,544,883                       | 8.53%                                                   | 9,567,949                        |
| N/R - Other          | 0.00%                                                   | 1,644                            | 0.66%                                                   | 737,487                          |
|                      | <u>100.00%</u>                                          | <u>\$ 113,001,370</u>            | <u>100.00%</u>                                          | <u>\$ 112,214,531</u>            |

\*N/R represents securities that are not rated.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. StanCERA's average effective duration of all fixed income holdings, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus 1.5 years of the Barclays Aggregate Bond Index duration. For the year ending June 30, 2013 the Barclays Aggregate Bond Index was yielding 2.40% with an effective duration of 5.50 years. For the year ending June 30, 2012 the Barclays Aggregate Bond Index yielded 1.98% with an effective duration of 5.10 years. StanCERA had a yield of 3.00% and 2.65% for the fiscal years ended June 30, 2013 and 2012 respectively with an effective duration of 4.40 and 3.90 years respectively. As of June 30, 2013 and 2012 the County's pool had a fair value of \$942 million and \$932 million respectively, and a weighted average maturity of 457 days and 542 days respectively.

Highly Sensitive Investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include such variables as embedded options, coupon multipliers, benchmark indexes, and reset dates. StanCERA's fixed income investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the fixed income investment.



## NOTE 4 – CASH AND INVESTMENTS (continued)

### Interest Rate Risk (continued)

The following table shows the effective duration of StanCERA's fixed income investments by investment type as of June 30, 2013 and 2012:

|                                           | June 30, 2013         |                                  | June 30, 2012         |                                  |
|-------------------------------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|
|                                           | Fair Value            | Effective Duration<br>(in years) | Fair Value            | Effective Duration<br>(in years) |
| <b><u>Fixed Income Securities</u></b>     |                       |                                  |                       |                                  |
| U S Treasuries                            | \$ 89,422,064         | 3.9                              | \$ 93,049,244         | 3.7                              |
| Single-Family Mortgage Backed Securities  | 143,375,567           | 2.7                              | 150,053,841           | 1.3                              |
| Multi-Family Mortgage Backed Securities   | 6,216,414             | 3.0                              | 7,434,532             | 4.0                              |
| Collateralized Mortgage Backed Securities | 22,657,727            | 1.9                              | 9,586,248             | 3.0                              |
| Federal Agency                            | 9,030,115             | 4.0                              | 8,044,405             | 4.0                              |
| Asset Backed                              | 7,876,925             | 2.6                              | 734,629               | 0.0                              |
| Corporate Bonds                           | 192,004,280           | 5.4                              | 211,121,622           | 5.7                              |
| Municipal Bonds                           | 31,682,578            | 9.9                              | 31,022,263            | 10.6                             |
| Emerging Market / Non-US Bonds            | 2,748,685             | 7.9                              | 4,448,172             | 6.2                              |
| Total Fixed Income Securities             | <u>\$ 505,014,355</u> |                                  | <u>\$ 515,494,956</u> |                                  |

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Under StanCERA policy, the fixed income portfolio must have an average quality rating of A or better in the aggregate as measured by at least one credit rating service. In cases where credit ratings differ among rating agencies, the manager shall use the lowest of Moody's, Standard & Poor's, or Fitch ratings. Should the rating of a fixed income security fall below investment grade, the manager may continue to hold the security if they believe the security will be upgraded in the future, there is a low risk of default, and buyers will continue to be available throughout the anticipated holding period. The manager has the responsibility of notifying the Board whenever an issue falls below investment grade. Investment grade quality is defined as a Standard & Poor's rating of BBB or higher. The notification should include the manager's assessment of the issue's credit rating and its ongoing role in the portfolio. The County's pool and the short term investment funds held with fiscal agent are unrated.

## NOTE 4 – CASH AND INVESTMENTS (continued)

### Credit Risk (continued)

The following table shows the quality of StanCERA's investments in fixed income securities on June 30, 2013 and 2012.

| Credit Rating      | June 30, 2013                          |                                       | June 30, 2012                          |                                       |
|--------------------|----------------------------------------|---------------------------------------|----------------------------------------|---------------------------------------|
|                    | Percentage of<br>Total<br>Fixed Income | StanCERA's Fixed<br>Income Securities | Percentage of<br>Total<br>Fixed Income | StanCERA's Fixed<br>Income Securities |
| Aaa/AAA/AAA        | 2.79%                                  | \$ 14,071,776                         | 1.43%                                  | \$ 7,353,266                          |
| Aa1 / AA+ / AA+    | 33.71%                                 | 170,287,141                           | 32.37%                                 | 166,871,770                           |
| AA                 | 0.26%                                  | 1,309,337                             | 0.33%                                  | 1,704,817                             |
| AA-                | 1.25%                                  | 6,304,713                             | 1.23%                                  | 6,356,803                             |
| A1 / A+ / A+       | 2.24%                                  | 11,312,668                            | 3.07%                                  | 15,844,725                            |
| A2 / A / A         | 0.38%                                  | 1,923,595                             | 3.34%                                  | 17,216,845                            |
| A3 / A- / A-       | 6.86%                                  | 34,656,612                            | 6.76%                                  | 34,862,517                            |
| BAA+               | 0.00%                                  | -                                     | 0.70%                                  | 3,598,081                             |
| BAA                | 0.00%                                  | -                                     | 1.09%                                  | 5,632,363                             |
| BAA-               | 0.00%                                  | -                                     | 0.14%                                  | 701,269                               |
| BA+                | 0.00%                                  | -                                     | 0.38%                                  | 1,944,017                             |
| BA                 | 0.00%                                  | -                                     | 0.05%                                  | 240,540                               |
| BA-                | 0.00%                                  | -                                     | 0.08%                                  | 433,750                               |
| Baa1 / BBB+ / BBB+ | 6.08%                                  | 30,693,053                            | 3.66%                                  | 18,849,824                            |
| Baa2 / BBB / BBB   | 12.80%                                 | 64,629,944                            | 12.48%                                 | 64,341,689                            |
| Baa3 / BBB- / BBB- | 5.07%                                  | 25,597,130                            | 4.99%                                  | 25,714,759                            |
| Ba1 / BB+ / BB+    | 3.77%                                  | 19,018,154                            | 3.26%                                  | 16,825,483                            |
| Ba2 / BB / BB      | 1.91%                                  | 9,648,549                             | 2.20%                                  | 11,344,719                            |
| Ba3 / BB- / BB-    | 1.36%                                  | 6,849,103                             | 0.25%                                  | 1,278,125                             |
| B1 / B+ / B+       | 1.24%                                  | 6,242,349                             | 1.59%                                  | 8,198,249                             |
| B                  | 0.38%                                  | 1,935,034                             | 0.11%                                  | 562,491                               |
| B3 / B- / B-       | 1.69%                                  | 8,554,573                             | 2.16%                                  | 11,118,987                            |
| CAA+               | 0.00%                                  | -                                     | 0.07%                                  | 376,216                               |
| CAA                | 0.00%                                  | -                                     | 0.01%                                  | 75,052                                |
| CCC                | 0.11%                                  | 556,328                               | 0.00%                                  | -                                     |
| N/R                | 0.01%                                  | 44,688                                | 0.19%                                  | 999,358                               |
| N/A                | 18.09%                                 | 91,379,608                            | 18.05%                                 | 93,049,241                            |
| <b>Total</b>       | <b>100.00%</b>                         | <b>\$ 505,014,355</b>                 | <b>100.00%</b>                         | <b>\$ 515,494,956</b>                 |

N/R represents securities that are not rated

N/A represents securities that are not applicable to the rating disclosure requirements

### Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss due to a large concentration of investments in any one issuer. Investments issued or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from the disclosure requirements. StanCERA's policy requires that not more than 5% of the total stock portfolio, valued at market, may be held in the common stock of any one corporation. Not more than 5% of the outstanding shares of any one company may be held. Individual investment managers are to hold no more than 8% of the market value of the manager's entire stock portfolio in any one company's stock. Not more than 25% of the stock valued at market may be held in any one industry category, as defined by StanCERA's consultant, without special permission from the Board. With the exception of securities issued by the U.S. Government and its agencies, no single fixed income issue will represent more than 5% of the total portfolio as measured by the market value at time of purchase. Holdings of any individual issue must be 5% or less of the value of the total issue. StanCERA is in compliance with its policy however, as of June 30, 2013 and 2012 StanCERA had investments of \$108,614,496 and \$83,017,528 respectively in a single issuer (Fannie Mae) which represented 5% or more of the Plan Net Position.

## NOTE 4 – CASH AND INVESTMENTS (continued)

### Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. StanCERA does not have a formal policy for custodial credit risk for deposits. Under California Government Code, a financial institution is required to secure deposits in excess of \$250,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secure public deposits. Such collateral is held by the pledging financial institution's trust department or agent in StanCERA's name. At year end, StanCERA had no custodial credit risk exposure to any depository financial institution. All deposits are placed with a custodial bank.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. StanCERA does not have a formal policy for custodial credit risk for investments. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the governmental entity's name, and held by the counter-party. StanCERA's investment securities are not exposed to custodial credit risk because all securities held by StanCERA's custodial bank are in StanCERA's name.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. StanCERA's external investment managers may invest in international securities and must follow StanCERA's Investment Guidelines pertaining to these types of investments. At least 80% of all non-US equity holdings at market value shall be highly liquid securities issued by corporations headquartered in countries included in the Morgan Stanley Capital International All Country World (ACWI) ex-US Index. The maximum limit in any single country shall not exceed the greater of two times the country's weighting in the MSCI ACWI ex-US Index or 20% of the market value of a portfolio managed on behalf of StanCERA.

## NOTE 4 – CASH AND INVESTMENTS (continued)

### Foreign Currency Risk (continued)

StanCERA's exposure to foreign currency risk in US dollars as of June 30, 2013 and 2012 is as follows:

| Currency               | June 30, 2013<br>Fair Value (in US \$) | June 30, 2012<br>Fair Value (in US \$) |
|------------------------|----------------------------------------|----------------------------------------|
| Australian Dollar      | \$ 13,030,178                          | \$ 11,855,700                          |
| Brazil Real            | 505,722                                | 801,262                                |
| British Pound Sterling | -                                      | 35,378,317                             |
| Canadian Dollar        | 19,064,800                             | 17,513,609                             |
| Chilean Peso           | 589,543                                | -                                      |
| Danish Krone           | 1,524,864                              | 1,111,057                              |
| Euro Currency          | 55,603,361                             | 46,367,961                             |
| Hong Kong Dollar       | 10,327,831                             | 8,442,774                              |
| Indonesian Rupiah      | 215,808                                | 460,686                                |
| Israeli Shekel         | 876,734                                | -                                      |
| Japanese Yen           | 46,160,496                             | 34,624,264                             |
| Malaysian Ringgit      | 1,005,190                              | -                                      |
| Mexican Nuevo Peso     | 335,060                                | 871,057                                |
| New Taiwan Dollar      | 2,507,997                              | 3,000,337                              |
| New Turkish Lira       | 2,306,789                              | 1,713,582                              |
| New Zealand Dollar     | 96,971                                 | 134,857                                |
| Norwegian Krone        | 2,776,352                              | 2,454,896                              |
| Pound Sterling         | 41,179,897                             | -                                      |
| Singapore Dollar       | 2,163,718                              | 2,170,004                              |
| South African Rand     | 3,442,601                              | 4,304,979                              |
| South Korean Won       | 4,975,670                              | 3,676,374                              |
| Swedish Krona          | 2,587,924                              | 2,496,890                              |
| Swiss Franc            | 15,963,772                             | 12,154,803                             |
| Thailand Baht          | 666,084                                | -                                      |
| US Dollar              | 35,926,602                             | 35,154,261                             |
| <b>TOTAL</b>           | <b>\$ 263,833,964</b>                  | <b>\$ 224,687,670</b>                  |

American Depositary Receipts (ADR) are included in the US Dollars. ADR represents underlying securities of non-US companies traded on the US stock exchanges. Although the transactions are denominated in US Dollars and not subject to foreign currency risk, these securities are reflected as part of the non-US equities within International Equity Investments reported in the Statements of Plan Net Position (page 26).

### Commitments to Direct Lending

At June 30, 2013 StanCERA's total capital commitments to direct lending partnerships was \$70,000,000. Of this amount, \$41,446,757 remained unfunded and is not recorded on StanCERA's statements of plan net position.

## NOTE 5 - CONTRIBUTIONS

### Contribution Rates

The County Employees' Retirement Law of 1937 establishes the basic obligations for employer and member contributions to the retirement system. The actual employer and member contribution rates in effect each year are based on recommendations made by an independent actuary and adopted by the Board of Retirement.

Member basic rates are based on a formula reflecting the age at entry into the System. For Tier 5 Safety, the rates are such as to provide an average monthly annuity at age 50 equal to 1/100 of the final average salary (FAS). Tier 1 General members pay rates that will provide an average annuity at age 60 of 1/100 of the FAS. Tier 4 General members pay rates that will provide an average annuity at age 55 of 1/120 of the FAS. County (and former County agency) Safety and General Members in Tiers 1 and 4 pay one half of the aforementioned rates. General members in Tier 2 pay rates to provide an average annuity of 1/120 of FAS at age 60. General members in Tier 3 pay no member contributions. General members in Tier 5 pay rates to provide an average annuity at age 55 of 1/120 of FAS. Both General and Safety Tier 6 Members pay approximately half of the actuarial determined normal cost rate for the benefit.

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

### Return of Contributions

If a member should resign or die before becoming eligible for retirement, the member's contributions plus refundable interest will be returned if so requested by the member or survivor.

### Contributions Required and Contributions Made

StanCERA's policy for employer contributions states that actuarially determined rates expressed as a percentage of annual covered payroll are required to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. StanCERA also uses the level entry age normal cost method with an unfunded actuarial accrued liability (UAAL) to amortize the unfunded liability.

## NOTE 5 - CONTRIBUTIONS (continued)

### Contributions Required and Contributions Made (continued)

Contributions for fiscal year ended June 30, 2013 totaling \$59,363,368 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed as of June 30, 2011. Employer contributions were 17.92% of covered payroll for Stanislaus County and 17.74% of covered payroll for other employers. Employee contributions, on average, were 9.29% of covered payroll. Stanislaus County represented 87.90% of covered payroll and 87.89% of total contributions.

Contributions for fiscal year ended June 30, 2012 totaling \$47,839,327 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed as of June 30, 2010. Employer contributions were 12.44% of covered payroll for Stanislaus County and 11.43% of covered payroll for other employers. Employee contributions, on average, were 9.25% of covered payroll. Stanislaus County represented 87.38% of covered payroll and 87.77% of total contributions.

| 2013                   | County               | %      | Districts           | %      | Total                | %       |
|------------------------|----------------------|--------|---------------------|--------|----------------------|---------|
| Covered Payroll        | <u>\$191,874,441</u> | 87.90% | <u>\$26,418,096</u> | 12.10% | <u>\$218,292,537</u> | 100.00% |
| Employer Contributions | \$34,389,970         | 17.92% | \$4,687,510         | 17.74% | \$39,077,480         | 17.90%  |
| Member Contributions   | <u>\$17,784,879</u>  | 9.27%  | <u>\$2,501,009</u>  | 9.47%  | <u>\$20,285,888</u>  | 9.29%   |
| Total Contributions    | <u>\$52,174,849</u>  | 87.89% | <u>\$7,188,519</u>  | 12.11% | <u>\$59,363,368</u>  | 100.00% |
| 2012                   | County               | %      | Districts           | %      | Total                | %       |
| Covered Payroll        | <u>\$193,848,830</u> | 87.38% | <u>\$27,990,531</u> | 12.62% | <u>\$221,839,361</u> | 100.00% |
| Employer Contributions | \$24,113,522         | 12.44% | \$3,200,510         | 11.43% | \$27,314,032         | 12.31%  |
| Member Contributions   | <u>\$17,874,760</u>  | 9.22%  | <u>\$2,650,535</u>  | 9.47%  | <u>\$20,525,295</u>  | 9.25%   |
| Total Contributions    | <u>\$41,988,282</u>  | 87.77% | <u>\$5,851,045</u>  | 12.23% | <u>\$47,839,327</u>  | 100.00% |

### Funded Status & Method

The funding ratio as of June 30, 2012 was 76.9% using the entry age normal cost method. StanCERA's actuary uses a 5 year smoothing of market gains and losses to derive the actuarial value of assets. Based on the most recent actuarial valuation report as of June 30, 2012, the actuarial value of assets was \$1.45 billion.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

The liability is being funded on the entry age normal cost method with an unfunded actuarial accrued liability (UAAL). The UAAL is being amortized as a percent of pay amount. The amortization is based on a 24-year closed amortization period.

#### SCHEDULE OF FUNDED STATUS – PENSION BENEFIT PLAN FOR YEAR ENDED JUNE 30, 2012 (Dollar amounts in thousands)

| Actuarial<br>Valuation | Actuarial<br>Value of<br>Assets | Actuarial Accrued<br>Liability (AAL)<br>Entry Age | Unfunded<br>AAL (UAAL) | Funded<br>Ratio | Covered<br>Payroll | (UAAL) as a<br>Percentage of<br>Covered Payroll |
|------------------------|---------------------------------|---------------------------------------------------|------------------------|-----------------|--------------------|-------------------------------------------------|
| 6/30/2012              | \$ 1,451,764                    | \$ 1,888,713                                      | \$ 436,950             | 76.9%           | \$ 215,057         | 203.2%                                          |

## NOTE 5 - CONTRIBUTIONS (continued)

### Funded Status and Method (continued)

The valuation discount rate is 7.75% compounded and the total salary scale increases of 3.50% (3.25% for inflation) per year were based on a study as of June 30, 2012 and dated February 8, 2013 adopted by the Board of Retirement on of February 13, 2013.

#### ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

|                                      |                                                                                              |                                                                                              |
|--------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <b>Valuation Date</b>                | June 30, 2012                                                                                | June 30, 2011 and 2010                                                                       |
| <b>Actuarial Cost Method</b>         | Entry Age Normal                                                                             | Entry Age Normal                                                                             |
| <b>Amortization Method</b>           | Level Percent of Pay                                                                         | Level Percent of Pay                                                                         |
| <b>Remaining Amortization Period</b> | 24 Years                                                                                     | 25 Years                                                                                     |
| <b>Asset Valuation Method</b>        | Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market | Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market |
| <b>Actuarial Assumptions</b>         |                                                                                              |                                                                                              |
| Investment Rate of Return            | 7.75%                                                                                        | 8.00%                                                                                        |
| Projected Salary Increases           | 3.50%, plus service-based rates                                                              | 3.75%, plus service-based rates                                                              |
| Attributed to Inflation              | 3.25%                                                                                        | 3.50%                                                                                        |
| Cost-of-Living Adjustments           | 100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed                     | 100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed                     |

## NOTE 6 – RESERVES

As required by the County Employee's Retirement Law of 1937 or the Board of Retirement's policies, the following reserves from Net Position Restricted for Pension Benefits must be established and used to account for the member's (employees and retirees) contributions.

### Active Members' Reserve

This reserve represents the cumulative contributions made by active members (employees), after deducting refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary. For 2013 and 2012, the actuarial assumption rate was 8.0%. Due to significant market value losses experienced in fiscal year 2008-2009, and adopted changes to the excess earnings policy, interest was not posted to reserve amounts from July 1, 2008 to July 1, 2012. Based on Retirement Board policy where the Fund is below 100% funded on a market basis, the percentage allocated to Active Member Reserves is capped at the actuarially determined assumption and will determine the semi-annual percent of interest to be posted to individual member account balances in the subsequent fiscal year.



## NOTE 6 – RESERVES (continued)

### Employer Advance Reserves

This reserve represents the cumulative contributions made by the County and other employers. Interest earnings are credited to this reserve based on StanCERA's excess earnings policy and will determine the semi-annual percent of interest to be posted to individual member account balances in the subsequent fiscal year.

Upon the retirement of an active member, an actuarially determined amount of the member's vested interest is transferred from the Employer Advance Reserve to the Retired Members' Pension Reserve.

### Retired Members' Reserves

These reserves are established to account for the unpaid retirees' pension benefits. Upon the retirement of an employee, member contributions plus the interest earnings credited to the member's account are transferred from the Active Members' Reserve account to the Retired Members' Annuity and Cost of Living Reserve accounts. In addition, the present value of the actuarially determined pension benefits is also transferred from the Employer Advance Reserve to the Retired Members' Pension Reserve account.

From these reserves, StanCERA pays the retiree benefits in an amount computed in accordance with the County Employee's Retirement Law of 1937. Interest earnings are credited to this reserve based on StanCERA's excess earnings policy.

### Contingency Reserve

This optional reserve represents earnings in excess of the total interest credited to contributions of the employer and employee and is funded at a minimum 1% of total valuation reserves prior to excess earnings distribution (Government Code Section 31592). It is used as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The Retirement Board set this reserve to 1% in May 2012 and it is reviewed and adjusted annually.

### Undistributed Earnings/(Losses)

This "designation" account was established on June 30, 2003. It was used to minimize the impact of actuarial smoothing of assets and contains an accumulation of earnings or losses, which have not been distributed to any other reserve. This reserve has no undistributed earnings or losses as of June 30, 2013 and 2012.



## NOTE 6 – RESERVES (continued)

### Other Reserves

These reserves are for Retiree's Burial Allowance, Retiree's Special Cost of Living, Tier 3 Disability and Legal Contingencies.

Reserve Account Balances are as follows:

|                                              | June 30, 2013           | June 30, 2012           |
|----------------------------------------------|-------------------------|-------------------------|
| Active Members' Reserve                      | \$ 285,807,917          | \$ 263,964,988          |
| Employer Advance Reserve                     | 216,207,531             | 200,268,026             |
| Employer Transfer from Non-Valuation Reserve | 111,705,105             | 96,630,058              |
| Retired Members' Reserve                     | 909,299,254             | 802,977,221             |
| Contingency Reserve                          | 13,431,644              | 13,862,807              |
| Other Reserves                               |                         |                         |
| Revocable Health Benefit Subsidy             | 117                     | 117                     |
| Retiree Burial Allowance Reserve             | 5,855,000               | 5,855,000               |
| Retiree Special Cost of Living Reserve       | -                       | -                       |
| Legal Contingency Reserve                    | 2,500,240               | 2,609,033               |
| Tier 3 Disability Reserve                    | 6,187                   | 7,996                   |
| Total Reserves                               | <u>\$ 1,544,812,995</u> | <u>\$ 1,386,175,246</u> |

## NOTE 7 – INVESTMENT EXPENSES

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

### Investment Expense

|                           | June 30, 2013       | June 30, 2012       |
|---------------------------|---------------------|---------------------|
| Investment Managers       | \$ 6,252,375        | \$ 4,119,693        |
| Investment Consultants    | 156,378             | 152,500             |
| Investment Attorney       | 47,023              | (12,683)            |
| Investment Funding        | 1,558,628           | -                   |
| Custodial Fees            | 736,942             | 614,018             |
| Actuarial Fees            | 94,483              | 64,077              |
| Total Investment Expenses | <u>\$ 8,845,829</u> | <u>\$ 4,937,605</u> |

## NOTE 8 – LITIGATION

StanCERA is a defendant in various lawsuits and claims arising in the ordinary course of its operations. StanCERA's management and legal counsel estimate the ultimate outcome of such litigation will not have a material effect on StanCERA's financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN FOR THE SEVEN YEARS ENDING JUNE 30, 2012 (Dollar amounts in thousands)

| Actuarial Valuation | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) (Funding Excess) | Funded Ratio | Covered Payroll | (UAAL) as a Percentage of Covered Payroll |
|---------------------|---------------------------|---------------------------------------------|--------------------------------------|--------------|-----------------|-------------------------------------------|
| Date                | (a)                       | (b)                                         | (b-a)                                | (a/b)        | (c)             | ((b-a)/c)                                 |
| 6/30/2005           | \$ 1,049,691              | \$ 1,116,310                                | \$ 66,619                            | 94.0%        | \$ 211,681      | 31.5%                                     |
| 6/30/2006           | \$ 1,154,048              | \$ 1,329,375                                | \$ 175,327                           | 86.8%        | \$ 212,011      | 82.7%                                     |
| 6/30/2008           | \$ 1,317,167              | \$ 1,548,824                                | \$ 231,657                           | 85.0%        | \$ 242,009      | 95.7%                                     |
| 6/30/2009           | \$ 1,171,767              | \$ 1,653,716                                | \$ 481,949                           | 70.9%        | \$ 248,316      | 194.1%                                    |
| 6/30/2010           | \$ 1,325,801              | \$ 1,737,824                                | \$ 412,023                           | 76.3%        | \$ 231,538      | 178.0%                                    |
| 6/30/2011           | \$ 1,372,046              | \$ 1,757,717                                | \$ 385,671                           | 78.1%        | \$ 221,541      | 174.1%                                    |
| 6/30/2012           | \$ 1,451,764              | \$ 1,888,713                                | \$ 436,950                           | 76.9%        | \$ 215,057      | 203.2%                                    |

Note: The actuarial valuation as of June 30, 2006 was revised due to changes in assumptions. Actuarial valuation was not performed for the fiscal year ending June 30, 2007. Data was included in the actuarial valuation as of June 30, 2008.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION BENEFIT PLAN FOR THE SEVEN YEARS ENDING JUNE 30, 2012 (Dollar amounts in thousands)

| Year End  | Annual Required Contribution | Percentage Contributed |
|-----------|------------------------------|------------------------|
| 6/30/2006 | \$ 22,549                    | 100%                   |
| 6/30/2007 | \$ 32,563                    | 100%                   |
| 6/30/2008 | \$ 22,555                    | 100%                   |
| 6/30/2009 | \$ 23,411                    | 100%                   |
| 6/30/2010 | \$ 31,814 *                  | 100%                   |
| 6/30/2011 | \$ 47,657 **                 | 100%                   |
| 6/30/2012 | \$ 41,614 ***                | 100%                   |

\* The Actual Contribution was comprised of a \$21,814,194 payment by the employers plus an additional \$10,000,000 in assets transferred from the non-valuation to valuation reserves.

\*\* The Actual Contribution was comprised of a \$26,256,729 payment by the employers plus an additional \$21,400,000 in assets transferred from the non-valuation to valuation reserves.

\*\*\* The Actual Contribution was comprised of a \$27,314,032 payment by the employers plus an additional \$14,300,000 in assets transferred from the non-valuation to valuation reserves.

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Funding Progress

StanCERA applied the parameters established by Governmental Accounting Standards Board (GASB) Statements No. 25 in calculating and presenting the required actuarially determined information contained in both the Schedule of Funding Progress and Schedule of Employer Contributions.

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

### Change in Plan Net Cost from June 30, 2012 to June 30, 2013

The current year employer contribution rate increased from 17.83% of payroll based on the June 30, 2011 actuarial valuation to 20.73% of payroll based on the June 30, 2012 actuarial valuation primarily due to changes in economic assumptions. Other factors that had an impact on the change in Plan Net Cost are:

- Demographic experience caused a decrease in the contribution rate
- New members entered the Plan
- Changes in the valuation assets produced an actuarial gain
- Changes in the payroll used to amortize the unfunded liability increased the cost as a percentage of payroll
- Changes were made to demographic assumptions as well as the economic assumptions
- New Tier 6 was adopted on January 1, 2013 due to the Public Employees' Pension Reform Act

## OTHER SUPPLEMENTAL INFORMATION

### SCHEDULE OF ADMINISTRATIVE EXPENSES For the Years Ended June 30, 2013 and 2012

|                                                      | 2013                       | 2012                       |
|------------------------------------------------------|----------------------------|----------------------------|
| Personnel Services:                                  |                            |                            |
| Salaries and Employee Benefits                       | \$ 1,043,475               | \$ 1,137,397               |
| Total Personnel Services                             | <u>1,043,475</u>           | <u>1,137,397</u>           |
| Professional Services:                               |                            |                            |
| Computer and Software Services and Support           | 72,797                     | 177,244                    |
| County Counsel                                       | 828                        | 1,909                      |
| Outside Legal Counsel                                | 332,990                    | 209,127                    |
| Disability Hearing Officer/Medical Exams and Reviews | 13,740                     | 64,864                     |
| External Audit Fees                                  | 38,838                     | 33,716                     |
| Stanislaus County Strategic Business Technology Dept | 21,847                     | 20,379                     |
| Other Professional Services                          | 977                        | 16,141                     |
| Total Professional Services                          | <u>482,017</u>             | <u>523,380</u>             |
| Office Expenses:                                     |                            |                            |
| Office Supplies                                      | 8,514                      | 11,782                     |
| Minor Equipment and Computer Supplies                | 6,003                      | 5,788                      |
| Stanislaus County Central Services and Mail Room     | 30,882                     | 27,670                     |
| Stanislaus County Support Services                   | 112,943                    | 78,137                     |
| Contract Services                                    | 4,245                      | 25,223                     |
| Requested Maintenance                                | 20,622                     | 10,140                     |
| Communications                                       | 29,619                     | 14,713                     |
| Printing and Publications                            | 2,632                      | 8,567                      |
| Other Office Expenses                                | 27,266                     | 23,014                     |
| Total Office Expenses                                | <u>242,726</u>             | <u>205,034</u>             |
| Miscellaneous:                                       |                            |                            |
| Fiduciary and Staff - Education/Travel               | 41,464                     | 26,099                     |
| Fiduciary and Staff - Meetings/Other Travel          | 10,825                     | 22,528                     |
| Insurance                                            | 63,056                     | 51,826                     |
| Memberships                                          | 9,298                      | 7,180                      |
| Depreciation                                         | 172,484                    | 171,304                    |
| Total Miscellaneous                                  | <u>297,127</u>             | <u>278,937</u>             |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b>                 | <u><u>\$ 2,065,345</u></u> | <u><u>\$ 2,144,748</u></u> |

## OTHER SUPPLEMENTAL INFORMATION

### SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES

For the Years Ended June 30, 2013 and 2012

|                                             | 2013                       | 2012                       |
|---------------------------------------------|----------------------------|----------------------------|
| Investment Management Fees:                 |                            |                            |
| Domestic Stocks                             | \$ 2,097,999               | \$ 1,755,620               |
| International Stocks                        | 1,423,631                  | 1,310,407                  |
| Domestic Bonds                              | 824,946                    | 865,122                    |
| Direct Lending                              | 1,828,557                  | -                          |
| Real Estate Securities & Special Situations | 77,242                     | 188,544                    |
| Total Investment Management Fees            | <u>6,252,375</u>           | <u>4,119,693</u>           |
| Investment Consulting Fees                  | 156,378                    | 152,500                    |
| Investment Custodian Fees                   | 736,942                    | 614,018                    |
| Investment Legal Fees                       | 47,023                     | (12,683)                   |
| Investment Funding                          | 1,558,628                  | -                          |
| Other Investment Related Expenses           | <u>94,483</u>              | <u>64,077</u>              |
| <b>TOTAL INVESTMENT EXPENSES</b>            | <u><u>\$ 8,845,829</u></u> | <u><u>\$ 4,937,605</u></u> |

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# Investment Section

DRAFT



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## STANISLAUS COUNTY EMPLOYEES' RETIREMENT SYSTEM

### Summary

Fiscal year 2013 (June 30, 2013) saw a continuation of the rally in equities off of their lows from March 9, 2009 with strong gains in US equities in excess of 20% and positive returns in Non-US stocks. The US Fixed Income markets ended the fiscal year relatively flat as a discussion of tapering quantitative easing in the May-June 2013 period led to a fairly dramatic rise in interest rates. As a diversified investor, StanCERA experienced a +14.5% return for the fiscal year. The +14.5% result was above StanCERA's policy benchmark of +11.5% for the fiscal year by +300 basis points.

Fiscal year 2013 was once again positive for the U.S. equity markets while foreign equity markets also experienced positive results but trailed the US markets by a significant amount as a rising US dollar had a negative effect on foreign markets returns. For the fiscal year, the Russell 3000 US Stock Index gained +21.5% and the MSCI ACWI (All Country World) ex-US Index of foreign stocks gained +14.1%.

Within the US equity market, stocks of small companies outperformed large companies (+24.2% versus +21.2%) for the fiscal year. Value stocks outperformed growth on a relative basis in large caps (+25.3% versus +17.1%) and within small caps value stocks also outperformed growth stocks on a relative basis (+24.8% versus +23.7%).

The US fixed income market produced a negative return (-0.7% Barclays US Aggregate Index) for the fiscal year ending June 30, 2013.

Real estate returns were positive in the US Real Estate Investment Trust public markets. The DJ US Select Real Estate Securities Index returned +7.7% for the fiscal year ending June 30, 2013.

### Investment Policy, Asset Deployment Policy and Performance Measurement Standards

StanCERA periodically reviews and updates its policy statement. The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The system's actuary estimates this return requirement to be 8.00%. Secondary goals are to outperform the asset allocation-weighted benchmark (41.9% US Equities, 19.0% Non-US Equities, 35.6% Fixed Income, and 1.5% US REITs, and 2% in Direct Lending Fixed Income) and to rank in the top forty percent of a universe of public pension funds.

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

### Investment Objectives

Investment returns achieved through June 30, 2013 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2013, StanCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards, and adding marginal value.

### Investment Results

| PERIODS ENDED 6/30/13            | ONE YEAR | THREE YEARS | FIVE YEARS |
|----------------------------------|----------|-------------|------------|
| <b>Domestic Equity</b>           | +24.1%   | +19.7%      | +7.6%      |
| <i>Russell 3000</i>              | +21.5%   | +18.6%      | +7.2%      |
| Rank                             | 13*      | 11          | 39         |
| <b>Non-US Equity</b>             | +17.4%   | +9.7%       | +0.7%      |
| <i>MSCI ACWI ex-US</i>           | +14.1%   | +8.5%       | -0.3%      |
| Rank                             | 34       | 47          | 36         |
| <b>US Fixed Income</b>           | +2.0%    | +4.9%       | +7.2%      |
| <i>Barclays Cap US Aggregate</i> | -0.7%    | +3.5%       | +5.2%      |
| Rank                             | 28       | 52          | 33         |
| <b>US Real Estate</b>            | +5.7%    |             |            |
| <i>DJ US Select Real Estate</i>  | +5.7%    |             |            |
| <b>Total Fund</b>                | +14.5%   | +12.3%      | +6.5%      |
| <i>Policy Benchmark***</i>       | +11.5%   | +11.2%      | +5.4%      |
| <i>Public Fund Median</i>        | +11.7%   | +10.8%      | +5.4%      |
| Rank**                           | 10       | 14          | 8          |

\* Ranking 1 is highest, 100 is lowest.

\*\* Rankings source – InvestorForce universes.

\*\*\* Policy Benchmark is 33.4% Russell 1000/ 8.5% Russell 2000/ 35.6% BC US Agg./

19.0% MSCI ACWI ex-US/ 1.5% DJ US Select Real Estate/ 2.0% at 9.0% Annual Return (Direct Lending)

\*\*\*\*Direct Lending managers funded in May 2013 (Medley Capital and Raven Capital)

Returns for periods greater than one year are annualized. Results of all publicly traded investments are consistent with Global Investment Performance Standards (GIPS) as adopted by the CFA Board of Governors.



Paul S. Harte  
Senior Vice President  
Strategic Investment Solutions, Inc.  
August 19, 2013

## ASSET ALLOCATION

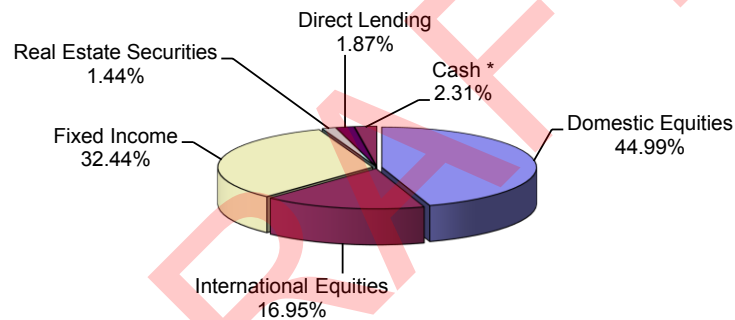
JUNE 30, 2013

| Asset Class              | Fair Market Value       | Actual Allocation | Target Allocation |
|--------------------------|-------------------------|-------------------|-------------------|
| Domestic Equities        | \$ 700,252,900          | 44.99%            | 41.40%            |
| International Equities   | 263,833,964             | 16.95%            | 20.00%            |
| Fixed Income             | 505,014,355             | 32.44%            | 35.10%            |
| Real Estate Securities   | 22,377,219              | 1.44%             | 1.50%             |
| Direct Lending           | 29,098,868              | 1.87%             | 2.00%             |
| Cash *                   | 35,972,730              | 2.31%             | 0.00%             |
| <b>TOTAL PORTFOLIO**</b> | <b>\$ 1,556,550,036</b> | <b>100.00%</b>    | <b>100.00%</b>    |

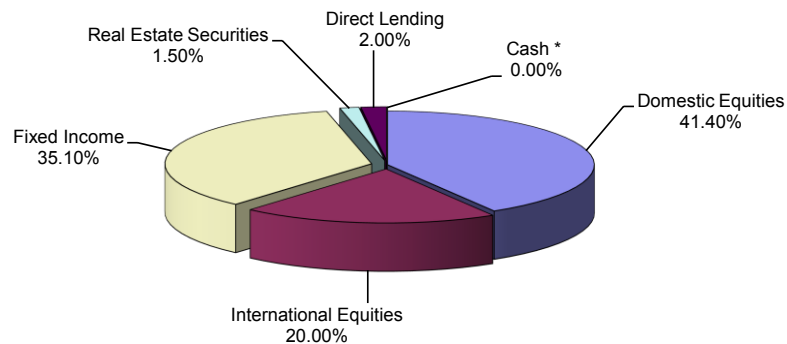
\* Excludes Pooled Cash in County Treasury of \$8,488,606

\*\* Excludes Securities Lending Cash Collateral

### Actual Allocation



### Target Allocation



## LARGEST BOND HOLDINGS (BY MARKET VALUE)

JUNE 30, 2013

| Shares         | Bond                         | Maturity Date | Market Value  |
|----------------|------------------------------|---------------|---------------|
| 16,300,000.000 | UNITED STATES OF AMERICA     | 5/15/2022     | \$ 15,542,376 |
| 13,490,000.000 | UNITED STATES OF AMERICA     | 10/31/2013    | 13,496,880    |
| 10,100,000.000 | UNITED STATES OF AMERICA     | 11/15/2013    | 10,114,544    |
| 9,214,754.570  | FANNIE MAE, WASHINGTON, D.C. | 10/1/2040     | 10,014,135    |
| 7,600,000.000  | UNITED STATES OF AMERICA     | 2/28/2014     | 7,605,624     |
| 7,600,000.000  | UNITED STATES OF AMERICA     | 2/15/2023     | 7,314,392     |
| 6,387,969.090  | FANNIE MAE, WASHINGTON, D.C. | 5/1/2041      | 6,934,651     |
| 6,000,000.000  | FANNIE MAE, WASHINGTON, D.C. | 7/1/2043      | 6,348,780     |
| 5,645,000.000  | XEROX CORP, NORWALK, CT      | 3/15/2016     | 6,284,353     |
| 4,645,000.000  | STATE OF CALIFORNIA          | 4/1/2034      | 6,021,221     |
| 5,380,063.960  | FANNIE MAE, WASHINGTON, D.C. | 11/25/2042    | 5,391,039     |
| 4,692,614.245  | FANNIE MAE, WASHINGTON, D.C. | 11/1/2034     | 5,169,478     |
| 4,642,423.850  | FREDDIE MAC                  | 1/1/2035      | 5,092,832     |
| 5,000,000.000  | UNITED STATES OF AMERICA     | 6/30/2014     | 5,002,950     |
| 4,414,415.860  | FANNIE MAE, WASHINGTON, D.C. | 11/1/2030     | 4,603,265     |
| 4,525,000.000  | ALLY FINANCIAL INC, DETROIT  | 2/11/2014     | 4,563,463     |
| 4,183,696.410  | FREDDIE MAC                  | 7/1/2038      | 4,455,637     |
| 4,232,000.820  | FREDDIE MAC                  | 5/1/2027      | 4,439,707     |
| 4,047,880.320  | FANNIE MAE, WASHINGTON, D.C. | 6/1/2033      | 4,430,203     |
| 4,197,503.020  | FREDDIE MAC                  | 8/1/2025      | 4,403,516     |

## LARGEST STOCK HOLDINGS (BY MARKET VALUE)

JUNE 30, 2013

| Shares      | Stock                          | Market Value |
|-------------|--------------------------------|--------------|
| 42,625.000  | VISA INC                       | \$ 7,789,719 |
| 51,150.000  | EOG RESOURCES INC              | 6,735,432    |
| 160,072.000 | WELLS FARGO & CO               | 6,606,171    |
| 11,225.000  | MASTERCARD INC                 | 6,448,763    |
| 87,700.000  | CROWN CASTLE INTERNATIONAL COR | 6,348,603    |
| 133,525.000 | ADOBE SYSTEMS INC              | 6,083,399    |
| 157,140.000 | KINDER MORGAN INC/DELAWARE     | 5,994,891    |
| 92,500.000  | CAPITAL ONE FINANCIAL CORP     | 5,809,925    |
| 93,350.000  | QUALCOMM INC                   | 5,702,752    |
| 165,000.000 | MICROSOFT CORP                 | 5,699,925    |
| 135,063.000 | COMCAST CORP                   | 5,638,880    |
| 225,005.000 | HEWLETT-PACKARD CO             | 5,580,124    |
| 120,000.000 | MERCK & CO INC                 | 5,574,000    |
| 238,700.000 | LIBERTY INTERACTIVE CORP       | 5,492,487    |
| 44,925.000  | CELGENE CORP                   | 5,255,327    |
| 6,300.000   | PRICELINE.COM INC              | 5,208,021    |
| 117,200.000 | WALGREEN CO                    | 5,180,240    |
| 98,255.000  | SANOFI                         | 5,061,115    |
| 5,725.000   | GOOGLE INC                     | 5,040,118    |
| 210,000.000 | GENERAL ELECTRIC CO            | 4,869,900    |

A complete list of portfolio holdings is available on the website [www.stancera.org](http://www.stancera.org) or upon request.

## SCHEDULE OF INVESTMENT MANAGEMENT FEES

### For the Years Ended June 30, 2013 and 2012

|                                           | 2013         | 2012         |
|-------------------------------------------|--------------|--------------|
| <u>Domestic Equities</u>                  |              |              |
| Capital Prospects                         | \$ 555,426   | \$ 451,149   |
| BlackRock                                 | 34,723       | 27,802       |
| Delaware Management Company               | 610,778      | 536,420      |
| Dodge & Cox                               | 304,790      | 216,229      |
| Legato Capital Management                 | 592,282      | 499,020      |
| Mellon Capital Management                 | 28,042       | 25,000       |
| Total Domestic Equity                     | 2,126,041    | 1,755,620    |
| <u>International Equities</u>             |              |              |
| LSV                                       | 772,093      | 700,869      |
| Pyramis Global Advisors Holding Company   | 651,538      | 609,538      |
| Total International Equities              | 1,423,631    | 1,310,407    |
| <u>Fixed Income</u>                       |              |              |
| Dodge & Cox                               | 452,929      | 527,864      |
| PIMCO                                     | 372,017      | 337,258      |
| Total Fixed Income                        | 824,946      | 865,122      |
| <u>Direct Lending</u>                     |              |              |
| Medley Opportunity Fund                   | 955,477      | -            |
| Raven Capital Management                  | 873,080      | -            |
| Total Direct Lending                      | 1,828,557    | -            |
| <u>Special Situations</u>                 |              |              |
| Research Affiliates                       | -            | 61,386       |
| Invesco                                   | 34,724       | 127,158      |
| BlackRock Real Estate                     | 14,476       | -            |
| Total Special Situations                  | 49,200       | 188,544      |
| Total Investment Management Fees          | 6,252,375    | 4,119,693    |
| <u>Other Investment Fees and Expenses</u> |              |              |
| Custodial Fees                            | 736,942      | 614,018      |
| Consultant Fees                           | 156,378      | 152,500      |
| Investment Attorney                       | 47,023       | (12,683)     |
| Investment Funding Costs                  | 1,558,628    | -            |
| Miscellaneous Fees                        | 94,483       | 64,077       |
| Total Other Investment Expenses           | 2,593,454    | 817,912      |
| Total Investment Fees and Expenses        | \$ 8,845,829 | \$ 4,937,605 |

### Commission Recapture Program

In July 2000, StanCERA entered into a Directed Brokerage Agreement with BNY ESI & Co to administer the Commission Recapture Program per StanCERA's Investment Policy. Subsequently, this agreement was moved to LJR Recapture Services, a subsidiary of BNY ConvergeX Group. The strategic objective of the Commission Recapture Program is to recapture a portion of trade commissions paid to brokers. The primary goal is to ensure that investment managers provide the best effort to optimize use of StanCERA's assets for the benefit of the members and beneficiaries by recapturing 65% or more of commissions paid on a specific percentage of trades sent to correspondent brokers on a timely basis. For fiscal years ending June 30, 2013 and 2012. Commission Recapture Income was \$28,794 and \$37,189 respectively (see page 25).

## INVESTMENT SUMMARY

### For the Year Ended JUNE 30, 2013

|                                                                   | MARKET VALUE            | Percentage<br>of Assets | Current<br>Year<br>Return      | 3 Year<br>Return               | 5 Year<br>Return              |
|-------------------------------------------------------------------|-------------------------|-------------------------|--------------------------------|--------------------------------|-------------------------------|
| <b>DOMESTIC EQUITIES</b>                                          |                         |                         |                                |                                |                               |
| Dodge & Cox - LARGE CAP VALUE<br>RUSSELL 1000 VALUE               | \$ 161,136,524          | 10.35%                  | 29.70%<br>25.32%               | 19.60%<br>18.50%               | 7.50%<br>6.70%                |
| BlackRock R1000V - LARGE CAP VALUE<br>RUSSELL 1000 VALUE          | 98,154,086              | 6.31%                   | 25.37%<br>25.32%               | 18.60%<br>18.60%               | N/A<br>6.70%                  |
| Delaware - LARGE CAP GROWTH<br>RUSSELL 1000 GROWTH                | 122,215,252             | 7.85%                   | 17.41%<br>17.07%               | 21.10%<br>18.70%               | 9.30%<br>7.50%                |
| BlackRock R1000G - LARGE CAP GROWTH<br>RUSSELL 1000 GROWTH        | 81,631,256              | 5.24%                   | 17.18%<br>17.07%               | 18.80%<br>18.70%               | N/A<br>2.90%                  |
| Capital Prospects - SMALL CAP VALUE<br>RUSSELL 2000 VALUE         | 79,224,067              | 5.09%                   | 31.00%<br>24.76%               | 20.30%<br>17.30%               | N/A<br>N/A                    |
| Legato Capital Mgmt - SMALL CAP GROWTH<br>RUSSELL 2000 GROWTH     | 73,286,278              | 4.71%                   | 26.92%<br>23.67%               | 21.30%<br>20.00%               | N/A<br>N/A                    |
| Mellon Capital Management<br>S&P 500 INDEX                        | 84,605,437              | 5.44%                   | 20.62%<br>20.60%               | 18.50%<br>18.50%               | 7.10%<br>7.00%                |
| <b>TOTAL DOMESTIC EQUITIES</b><br>RUSSELL 3000                    | <b>700,252,900</b>      | <b>44.99%</b>           | <b>24.10%</b><br><b>21.46%</b> | <b>19.70%</b><br><b>18.60%</b> | <b>7.60%</b><br><b>7.20%</b>  |
| <b>FIXED INCOME</b>                                               |                         |                         |                                |                                |                               |
| Dodge & Cox<br>BARCLAYS US AGGREGATE BOND                         | 388,641,264             | 24.97%                  | 2.59%<br>-0.69%                | 5.10%<br>3.50%                 | 7.20%<br>5.20%                |
| Pimco<br>BARCLAYS US AGGREGATE BOND                               | 116,373,091             | 7.48%                   | 0.00%<br>-0.69%                | 4.40%<br>3.50%                 | N/A<br>5.20%                  |
| <b>TOTAL FIXED INCOME</b><br>BARCLAYS US AGGREGATE BOND           | <b>505,014,355</b>      | <b>32.44%</b>           | <b>2.09%</b><br><b>-0.69%</b>  | <b>4.90%</b><br><b>3.50%</b>   | <b>7.20%</b><br><b>5.20%</b>  |
| <b>DIRECT LENDING</b>                                             |                         |                         |                                |                                |                               |
| Medley Opportunity Fund<br>CUSTOM 9% ANNUAL                       | 19,142,238              | 1.23%                   | 0.00%<br>1.50%                 | N/A<br>N/A                     | N/A<br>N/A                    |
| Raven Capital Management<br>CUSTOM 9% ANNUAL                      | 9,956,630               | 0.64%                   | 0.38%<br>1.50%                 | N/A<br>N/A                     | N/A<br>N/A                    |
| <b>TOTAL DIRECT LENDING</b><br>CUSTOM 9% ANNUAL                   | <b>29,098,868</b>       | <b>1.87%</b>            | <b>0.12%</b><br><b>1.50%</b>   |                                |                               |
| <b>INTERNATIONAL INVESTMENTS</b>                                  |                         |                         |                                |                                |                               |
| Pyramis Investments<br>MSCI ACWI - ex US Index                    | 136,443,325             | 8.77%                   | 17.93%<br>14.14%               | 10.50%<br>8.50%                | 0.50%<br>-0.30%               |
| LSV Investments<br>MSCI ACWI - ex US Index                        | 127,390,639             | 8.18%                   | 16.86%<br>14.14%               | 9.00%<br>8.50%                 | 1.00%<br>-0.30%               |
| <b>TOTAL INTERNATIONAL INVESTMENTS</b><br>MSCI ACWI - ex US Index | <b>263,833,964</b>      | <b>16.95%</b>           | <b>17.47%</b><br><b>14.14%</b> | <b>8.80%</b><br><b>7.40%</b>   | <b>0.70%</b><br><b>-0.30%</b> |
| <b>SPECIAL SITUATIONS</b>                                         |                         |                         |                                |                                |                               |
| Blackrock US RE Index<br>DOW JONES US SELECT RE INDEX             | 22,377,219              |                         | 8.14%<br>8.14%                 | N/A<br>N/A                     | N/A<br>N/A                    |
| <b>TOTAL SPECIAL SITUATIONS</b><br>DOW JONES US SELECT RE INDEX   | <b>22,377,219</b>       | <b>1.44%</b>            | <b>8.14%</b><br><b>8.14%</b>   |                                |                               |
| <b>CASH &amp; SHORT-TERM INVESTMENTS *</b>                        |                         |                         |                                |                                |                               |
| Cash<br>90 DAY TREASURY BILL                                      | 35,972,730              | 2.31%                   | 0.13%<br>0.13%                 | N/A<br>N/A                     | N/A<br>N/A                    |
| <b>TOTAL FUND</b>                                                 |                         |                         |                                |                                |                               |
| <b>TOTAL FUND</b>                                                 | <b>\$ 1,556,550,036</b> | <b>100.00%</b>          | <b>14.50%</b>                  | <b>12.30%</b>                  | <b>6.50%</b>                  |
| <b>STANCERA POLICY COMPOSITE</b>                                  |                         |                         | <b>11.53%</b>                  | <b>11.20%</b>                  | <b>5.40%</b>                  |

\* Excludes Pooled Cash in County Treasury of \$8,488,606

Note: % taken from SIS Quarterly Report presented to Board of Retirement on 8-27-2013  
Using time-weighted rate of return based on the market rate of return  
Does not include Securities Lending Collateral





# Actuarial Section

DRAFT



September 17, 2013

***VIA ELECTRONIC MAIL*****Actuarial Certification**

This report presents the results of the annual actuarial review of the StanCERA Retirement Plan (the Plan) as of June 30, 2012. The prior review was conducted as of June 30, 2011.

In this study, financial information and data on active and inactive Members and their beneficiaries as of the valuation date was supplied by the Plan Administrator on electronic media. As is usual in studies of this type, Member data was neither verified nor audited. However, we conducted an examination of all participant data for reasonableness and consistency. The financial information included the Statement of Changes in Plan Net Assets Available for Benefits and Statement of Plan Net Assets Available for Benefits, both of which are included in the Comprehensive Annual Financial Report.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). As of the valuation date, the amortization period is 24 years.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of five years. As of June 30, 2011, the Actuarial Value of Assets was reset to equal the market value.

Our firm has prepared all of the schedules presented in the actuarial report. We reviewed the actuarial assumptions shown in the schedules and found them to be reasonably appropriate for use under the Plan. The assumptions used in this report reflect the results of an Experience Study performed by EFI covering the period from July 1, 2009 through June 30, 2012, and approved by the Board. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2015.



GASB Statement No. 25 requires preparation of trend data schedules of funding status and employer contributions. To produce the required schedules, we have relied upon information from our files and contained in the reports of other actuaries employed by the sponsor in completing the schedules.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,



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## SUMMARY OF ASSUMPTIONS AND FUNDING METHODS

The following assumptions along with the post retirement and pre-retirement demographic experiences are based on StanCERA's actuarial experience study through June 30, 2012. The rates produced by the June 30, 2011 valuation were adopted by StanCERA Board of Retirement on March 14, 2012 and were effective July 1, 2012. The actuarial valuation for fiscal year ending June 30, 2012 will be effective beginning July 1, 2013.

### Actuarial Assumptions

#### Post-Retirement Mortality

##### (1) Service

General

Males

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA Table with adjustment (Male)

Females

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA Table with adjustment (Female)

Safety

Males

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA Table with adjustment (Male)

Females

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA Table with adjustment (Female)

##### (2) Disability

General

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA with 7 year set forward (Male & Female)

Safety

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA with 7 year set forward (Male & Female)

##### (3) For Employee Contribution Rate Purposes

General

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA (Male & Female)

Safety

RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA Duty related mortality rates are only applicable for  
Safety Active members (Male & Female)

Pre-Retirement Mortality

Rates vary by age, gender and classification

Withdrawal Rates

Rates vary by age, gender and classification

Disability Rates

Rates vary by age, gender and classification

Service Retirement Rates

Rates vary by age, gender and classification

## Summary of Assumptions (continued)

|                                      |                                                                                                              |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Valuation date                       | June 30, 2012                                                                                                |
| Actuarial cost method                | Entry age normal actuarial cost method                                                                       |
| Amortization method                  | The unfunded actuarial accrued liability (UAAL) is being amortized as a percentage of payroll over 24 Years. |
| Asset valuation method               | Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market.                |
| Actuarial assumptions:               |                                                                                                              |
| Investment rate of return            | 7.75%                                                                                                        |
| Projected salary increases           | 3.50%, plus service-based rates                                                                              |
| Attributed to Inflation:             | 3.25%                                                                                                        |
| Retirees' cost-of-living adjustments | 100% of CPI to 3.0% annually with banking                                                                    |

## Funding Method and Amortization of Actuarial Gains or Losses

The employer's liability is being funded on the entry age normal cost method and with an unfunded actuarial accrued liability (UAAL). The current amortization period for the UAAL is 24 years. The above methods and assumptions were selected by the actuary as being appropriate for StanCERA and were used in the latest actuarial valuation.

## PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions, forfeiting entitlement to future benefits. Separate rates of withdrawal are assumed among Safety and General Members, and are based on service. The rates do not overlap with service retirement rates.

50% of General Member terminations with less than 10 years of service, and 20% of General Member terminations with 10 or more years of service are assumed to take a refund of contributions.

35% of all Safety Member terminations with less than 10 years of service, and 10% of Safety Member terminations with 10 or more years of service are assumed to take a refund of contributions.

Rates of vested termination apply to active Members who terminate their employment after five years of service and leave their member contributions on deposit with StanCERA. Vested terminated Tier 3 General members are assumed to begin receiving benefits at age 65 while other General Members are assumed to begin receiving benefits at age 58. Terminated Safety Members are assumed to begin receiving benefits at age 53. 25% of vested terminated General members are assumed to be reciprocal, and 50% of vested Safety members are assumed to be reciprocal.

Rates of termination apply to all active Members who terminate their employment. Separate rates of termination are assumed among Safety and General Members

| Termination (all types) |         |         |         |
|-------------------------|---------|---------|---------|
| Service                 | Safety  | General |         |
|                         | All     | Female  | Male    |
| 0                       | 15.000% | 14.000% | 24.000% |
| 1                       | 15.000% | 9.400%  | 14.000% |
| 2                       | 10.500% | 7.900%  | 11.700% |
| 3                       | 10.000% | 7.900%  | 9.400%  |
| 4                       | 6.000%  | 7.100%  | 7.100%  |
| 5                       | 3.700%  | 5.000%  | 5.000%  |
| 10                      | 3.400%  | 3.500%  | 3.500%  |
| 15                      | 1.900%  | 2.900%  | 2.900%  |
| 20                      | 0.000%  | 1.500%  | 1.500%  |
| 25                      | 0.000%  | 1.300%  | 1.300%  |
| 30+                     | 0.000%  | 0.000%  | 0.000%  |

## PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT (continued)

Retirement is assumed to occur among eligible members in accordance with the table below.

| Service Retirement |         |         |
|--------------------|---------|---------|
| Age                | Safety  | General |
| 40-44              | 5.00%   | 0.00%   |
| 45-49              | 5.00%   | 0.00%   |
| 50                 | 15.00%  | 5.00%   |
| 51                 | 15.00%  | 4.00%   |
| 52                 | 15.00%  | 4.00%   |
| 53                 | 15.00%  | 5.00%   |
| 54                 | 15.00%  | 6.00%   |
| 55                 | 15.00%  | 10.00%  |
| 56                 | 15.00%  | 10.00%  |
| 57                 | 20.00%  | 10.00%  |
| 58                 | 30.00%  | 12.00%  |
| 59                 | 30.00%  | 15.00%  |
| 60                 | 100.00% | 18.00%  |
| 61                 | 100.00% | 18.00%  |
| 62                 | 100.00% | 30.00%  |
| 63                 | 100.00% | 25.00%  |
| 64                 | 100.00% | 25.00%  |
| 65                 | 100.00% | 40.00%  |
| 66                 | 100.00% | 30.00%  |
| 67                 | 100.00% | 30.00%  |
| 68                 | 100.00% | 30.00%  |
| 69                 | 100.00% | 30.00%  |
| 70                 | 100.00% | 100.00% |

Duty related mortality rates are only applicable for Safety Active members.

| Active Member Mortality |            |                    |         |
|-------------------------|------------|--------------------|---------|
| Age                     | Duty Death | Ordinary Death     |         |
|                         | Safety All | General and Safety |         |
|                         |            | Female             | Male    |
| 20                      | 0.0150%    | 0.0138%            | 0.0235% |
| 25                      | 0.0189%    | 0.0156%            | 0.0308% |
| 30                      | 0.0254%    | 0.0216%            | 0.0402% |
| 35                      | 0.0357%    | 0.0381%            | 0.0699% |
| 40                      | 0.0564%    | 0.0522%            | 0.0919% |
| 45                      | 0.0885%    | 0.0814%            | 0.1161% |
| 50                      | 0.0703%    | 0.1189%            | 0.1487% |
| 55                      | 0.1055%    | 0.2314%            | 0.2469% |
| 60                      | 0.0000%    | 0.4573%            | 0.4887% |
| 65                      | 0.0000%    | 0.8780%            | 0.9607% |
| 70                      | 0.0000%    | 1.5145%            | 1.6413% |

Separate rates of duty disability are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined below.

| Service-Connected Disability |         |         |         |
|------------------------------|---------|---------|---------|
| Age                          | Safety  | General |         |
|                              | All     | Female  | Male    |
| 20                           | 0.0759% | 0.0002% | 0.0043% |
| 25                           | 0.1932% | 0.0004% | 0.0102% |
| 30                           | 0.3457% | 0.0008% | 0.0211% |
| 35                           | 0.5309% | 0.0024% | 0.0284% |
| 40                           | 0.7426% | 0.0056% | 0.0401% |
| 45                           | 1.1297% | 0.0101% | 0.0613% |
| 50                           | 1.5092% | 0.0162% | 0.0897% |
| 55                           | 1.7230% | 0.0249% | 0.1227% |
| 60                           | 0.0000% | 0.0349% | 0.1637% |
| 65                           | 0.0000% | 0.0000% | 0.0000% |

Separate rates of ordinary disability are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined below.

| Non Service-Connected Disability |         |         |         |
|----------------------------------|---------|---------|---------|
| Age                              | Safety  | General |         |
|                                  | All     | Female  | Male    |
| 20                               | 0.0173% | 0.0025% | 0.0130% |
| 25                               | 0.0409% | 0.0050% | 0.0307% |
| 30                               | 0.0421% | 0.0100% | 0.0316% |
| 35                               | 0.0568% | 0.0281% | 0.0426% |
| 40                               | 0.0802% | 0.0446% | 0.0602% |
| 45                               | 0.1227% | 0.0808% | 0.0920% |
| 50                               | 0.1793% | 0.1295% | 0.1345% |
| 55                               | 0.2453% | 0.1990% | 0.1840% |
| 60                               | 0.0000% | 0.2794% | 0.2456% |
| 65                               | 0.0000% | 0.0000% | 0.0000% |

## DEVELOPMENT OF ACTUARIAL VALUE OF POSITION

Effective June 30, 2002, the Board adopted an actuarial value of assets method that recognizes the difference between expected and actual market returns, net of expenses, over a 5-year period. The resulting actuarial value cannot exceed 120% of market value or be less than 80% of market value. The method was phased in over a 5-year period that started June 30, 2001. Under this method, the Actuarial Value of Assets as of June 30, 2012 was determined as follows:

|                                                                                                                                                                                                                     | Contributions                                                          | Benefit Payments         | Expected Investment Return * | Actual Investment Return | Additional Earnings | Percentage Deferred | Deferred Earnings |                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|--------------------------|------------------------------|--------------------------|---------------------|---------------------|-------------------|------------------|
| 1.                                                                                                                                                                                                                  | 2009                                                                   | \$ 44,333,858            | \$ 74,399,189                | \$ (223,111,526)         | \$ (223,111,526)    | \$ -                | 20%               | \$ -             |
|                                                                                                                                                                                                                     | 2010                                                                   | \$ 42,560,605            | \$ 73,196,706                | \$ 162,746,408           | \$ 162,746,408      | \$ -                | 40%               | \$ -             |
|                                                                                                                                                                                                                     | 2011                                                                   | \$ 45,453,781            | \$ 76,732,557                | \$ 259,805,325           | \$ 259,805,325      | \$ -                | 60%               | \$ -             |
|                                                                                                                                                                                                                     | 2012                                                                   | \$ 47,839,327            | \$ 81,990,033                | \$ 112,159,927           | \$ 1,580,006        | \$ (110,579,921)    | 80%               | \$ (88,463,937)  |
|                                                                                                                                                                                                                     | Total Unrecognized Dollars                                             |                          |                              |                          |                     |                     |                   | \$ (88,463,937)  |
| 2.                                                                                                                                                                                                                  | Market Value of Assets as of June 30, 2012                             |                          |                              |                          |                     |                     |                   | \$ 1,386,175,246 |
| 3.                                                                                                                                                                                                                  | Actuarial Value of Assets as of June 30, 2012: (2)-(1)                 |                          |                              |                          |                     |                     |                   | \$ 1,474,639,183 |
| 4.                                                                                                                                                                                                                  | Corridor Limit                                                         |                          |                              |                          |                     |                     |                   |                  |
|                                                                                                                                                                                                                     | a.                                                                     | 80% of Net Market Value  |                              |                          |                     |                     | \$ 1,108,940,197  |                  |
|                                                                                                                                                                                                                     | b.                                                                     | 120% of Net Market Value |                              |                          |                     |                     | \$ 1,663,410,295  |                  |
| 5.                                                                                                                                                                                                                  | Actuarial Value of Assets After Corridor                               |                          |                              |                          |                     |                     |                   | \$ 1,474,639,183 |
| 6.                                                                                                                                                                                                                  | Ratio of Actuarial Value to Market Value: (5)/(2)                      |                          |                              |                          |                     |                     |                   | 106.4%           |
| 7.                                                                                                                                                                                                                  | Special (Non Valuation) Reserves                                       |                          |                              |                          |                     |                     |                   |                  |
|                                                                                                                                                                                                                     | \$5,000 Death Benefits                                                 |                          |                              |                          |                     | \$ 5,855,000        |                   |                  |
|                                                                                                                                                                                                                     | Revocable Health Insurance Stipend                                     |                          |                              |                          |                     | 117                 |                   |                  |
|                                                                                                                                                                                                                     | Special COL Reserve                                                    |                          |                              |                          |                     | 0                   |                   |                  |
|                                                                                                                                                                                                                     | Legal Contingency Reserve                                              |                          |                              |                          |                     | 2,609,033           |                   |                  |
|                                                                                                                                                                                                                     | Tier 3 Disability Reserve                                              |                          |                              |                          |                     | 7,996               |                   |                  |
|                                                                                                                                                                                                                     | Contingency Reserve                                                    |                          |                              |                          |                     | <u>13,862,807</u>   |                   |                  |
|                                                                                                                                                                                                                     | Total Special Reserves (Market Value)                                  |                          |                              |                          |                     |                     |                   | \$ 22,334,953    |
| 8.                                                                                                                                                                                                                  | Adjusted Total Special Reserves (106.4% of Market, Except Contingency) |                          |                              |                          |                     |                     |                   | \$ 22,875,635    |
| 9.                                                                                                                                                                                                                  | Pension Reserves at Actuarial Value (Valuation Assets): (5)-(8)        |                          |                              |                          |                     |                     |                   | \$ 1,451,763,548 |
| * The Actuarial Value of Assets was reset to equal the Market Value as of June 30, 2011. This was done by eliminating the prior gain/loss bases (i.e. by setting the expected returns equal to the actual returns). |                                                                        |                          |                              |                          |                     |                     |                   |                  |

## SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| Valuation Date | Plan Type | Number | Annual Salary  | Average Annual Salary | % Increase in Average Salary |
|----------------|-----------|--------|----------------|-----------------------|------------------------------|
| 6/30/2003      | General   | 3,626  | \$ 163,505,000 | \$ 45,092             | 6.76%                        |
|                | Safety    | 637    | 34,159,000     | 53,625                | 3.98%                        |
|                | Total     | 4,263  | 197,664,000    | 46,367                | 5.23%                        |
| 6/30/2004      | General   | 3,618  | 164,462,000    | 45,457                | 0.81%                        |
|                | Safety    | 630    | 35,501,000     | 56,351                | 5.08%                        |
|                | Total     | 4,248  | 199,963,000    | 47,072                | 1.52%                        |
| 6/30/2005      | General   | 3,651  | 173,399,000    | 47,494                | 4.48%                        |
|                | Safety    | 687    | 38,282,000     | 55,723                | -1.11%                       |
|                | Total     | 4,338  | 211,681,000    | 48,797                | 3.66%                        |
| 6/30/2006      | General   | 3,702  | 179,767,000    | 48,559                | 2.24%                        |
|                | Safety    | 689    | 40,001,000     | 58,057                | 4.19%                        |
|                | Total     | 4,391  | 219,768,000    | 50,050                | 2.57%                        |
| 6/30/2008      | General   | 3,719  | 230,942,000    | 62,098                | 27.88%                       |
|                | Safety    | 731    | 44,638,000     | 61,064                | 5.18%                        |
|                | Total     | 4,450  | 275,580,000    | 61,928                | 23.73%                       |
| 6/30/2009      | General   | 3,627  | 201,144,000    | 55,457                | -10.69%                      |
|                | Safety    | 739    | 47,172,000     | 63,832                | 4.53%                        |
|                | Total     | 4,366  | 248,316,000    | 56,875                | -8.16%                       |
| 6/30/2010      | General   | 3,464  | 202,200,198    | 58,372                | 5.26%                        |
|                | Safety    | 685    | 46,630,275     | 68,073                | 6.64%                        |
|                | Total     | 4,149  | 248,830,473    | 59,974                | 5.45%                        |
| 6/30/2011      | General   | 3,232  | 184,906,498    | 57,211                | -1.99%                       |
|                | Safety    | 637    | 41,800,298     | 65,621                | -3.60%                       |
|                | Total     | 3,869  | \$ 226,706,796 | \$ 58,596             | -2.30%                       |
| 6/30/2012      | General   | 3,233  | 179,260,736    | 55,447                | -3.08%                       |
|                | Safety    | 661    | 41,657,273     | 63,022                | -3.96%                       |
|                | Total     | 3,894  | \$ 220,918,009 | \$ 56,733             | -3.18%                       |

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



## RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

| Plan Year<br>Ending | At<br>Beginning<br>of Year | Added<br>During<br>Year | Allowances<br>Added | Removed<br>During<br>Year | Allowances<br>Removed | At End<br>of Year | Retiree<br>Payroll | % Increase<br>in Retiree<br>Payroll | Average<br>Annual<br>Allowance |
|---------------------|----------------------------|-------------------------|---------------------|---------------------------|-----------------------|-------------------|--------------------|-------------------------------------|--------------------------------|
| 6/30/2006           | 2,273                      | 247                     | \$ 3,495,143        | 75                        | \$ 700,133            | 2,445             | \$ 53,111,000      | 12.00%                              | \$ 21,744                      |
| 6/30/2008           | 2,445                      | 369                     | \$ 9,084,777        | 148                       | \$ 1,731,738          | 2,666             | \$ 63,296,000      | 19.18%                              | \$ 23,742                      |
| 6/30/2009           | 2,666                      | 156                     | \$ 2,168,425        | 71                        | \$ 647,870            | 2,751             | \$ 66,720,003      | 5.41%                               | \$ 24,253                      |
| 6/30/2010           | 2,751                      | 159                     | \$ 3,349,900        | 80                        | \$ 751,427            | 2,830             | \$ 71,464,735      | 7.11%                               | \$ 25,334                      |
| 6/30/2011           | 2,830                      | 263                     | \$ 4,724,416        | 78                        | \$ 1,194,042          | 3,015             | \$ 74,826,404      | 4.70%                               | \$ 25,732                      |
| 6/30/2012           | 3,015                      | 226                     | \$ 3,565,634        | 99                        | \$ 978,729            | 3,142             | \$ 80,157,222      | 7.12%                               | \$ 26,737                      |

## SOLVENCY TEST

| Valuation<br>Date | Actuarial Accrued Liabilities (AAL) for: |                             |                                       | Reported<br>Assets | Portion of Accrued Liabilities<br>Covered by Reported Assets |      |     |
|-------------------|------------------------------------------|-----------------------------|---------------------------------------|--------------------|--------------------------------------------------------------|------|-----|
|                   | 1                                        | 2                           | 3                                     |                    | 1                                                            | 2    | 3   |
|                   | Active<br>Member<br>Contributions        | Retirees &<br>Beneficiaries | Active Members<br>Employer<br>Portion |                    |                                                              |      |     |
| 6/30/2006         | \$ 219,907,000                           | \$ 614,576,000              | \$ 494,892,000                        | \$ 1,154,048,000   | 100%                                                         | 100% | 65% |
| 6/30/2008         | \$ 272,657,000                           | \$ 739,838,000              | \$ 536,329,000                        | \$ 1,317,167,000   | 100%                                                         | 100% | 57% |
| 6/30/2009         | \$ 298,342,000                           | \$ 781,082,000              | \$ 574,292,000                        | \$ 1,171,767,000   | 100%                                                         | 100% | 16% |
| 6/30/2010         | \$ 323,940,000                           | \$ 829,323,000              | \$ 584,561,000                        | \$ 1,325,801,000   | 100%                                                         | 100% | 30% |
| 6/30/2011         | \$ 337,201,000                           | \$ 897,384,000              | \$ 523,133,000                        | \$ 1,372,046,000   | 100%                                                         | 100% | 26% |
| 6/30/2012         | \$ 351,569,000                           | \$ 987,546,000              | \$ 549,598,000                        | \$ 1,451,764,000   | 100%                                                         | 100% | 20% |

## ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

| Plan<br>Year<br>Ending | Actuarial (Gains)/Losses |                      |                | Changes<br>in Plan<br>Provisions | Changes in<br>Assumption/<br>Methods |
|------------------------|--------------------------|----------------------|----------------|----------------------------------|--------------------------------------|
|                        | Asset<br>Sources         | Liability<br>Sources | Total          |                                  |                                      |
| 6/30/2006              | \$ (27,756,878)          | \$ 21,366,204        | \$ 21,366,204  | \$ -                             | \$ (14,845,293)                      |
| *6/30/2007             | \$ 86,178,774            | \$ -                 | \$ 86,178,774  | \$ -                             | \$ 134,470,779                       |
| 6/30/2008              | \$ (50,709,169)          | \$ 67,324,195        | \$ 67,324,195  | \$ -                             | \$ -                                 |
| 6/30/2009              | \$ 228,905,354           | \$ 12,996,828        | \$ 241,902,182 | \$ -                             | \$ -                                 |
| 6/30/2010              | \$ (76,507,113)          | \$ 37,492,978        | \$ 37,492,978  | \$ -                             | \$ (51,743,766)                      |
| 6/30/2011              | \$ 49,205,018            | \$ (2,387,353)       | \$ 46,817,665  | \$ -                             | \$ (72,085,966)                      |
| 6/30/2012              | \$ (5,283,786)           | \$ 6,191,029         | \$ 907,243     | \$ -                             | \$ 52,606,350                        |

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

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# Statistical Section

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## STATISTICAL INFORMATION

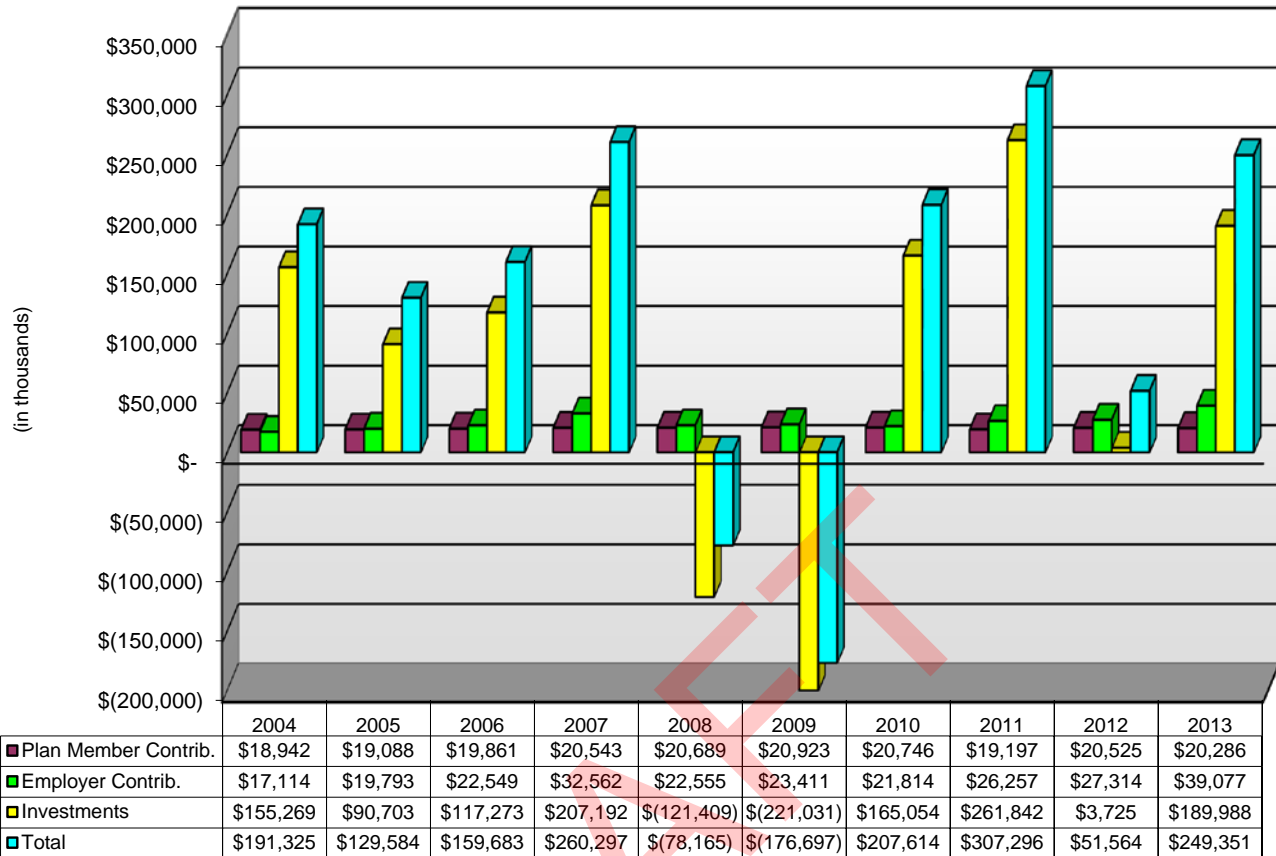
This section provides a multi-year trend of financial and demographic information to facilitate a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information covering StanCERA's Plan. The financial and operating information provides additional perspective, context, and detail for StanCERA's plan net position, revenues, and expenses by source, number of retirees by benefit type, payments made to retirees by benefit type, membership history, and the participating employers. The financial and operating trend information is located on the following pages.

### CHANGES IN PLAN NET POSITION

*Last Ten Fiscal Years ending June 30*

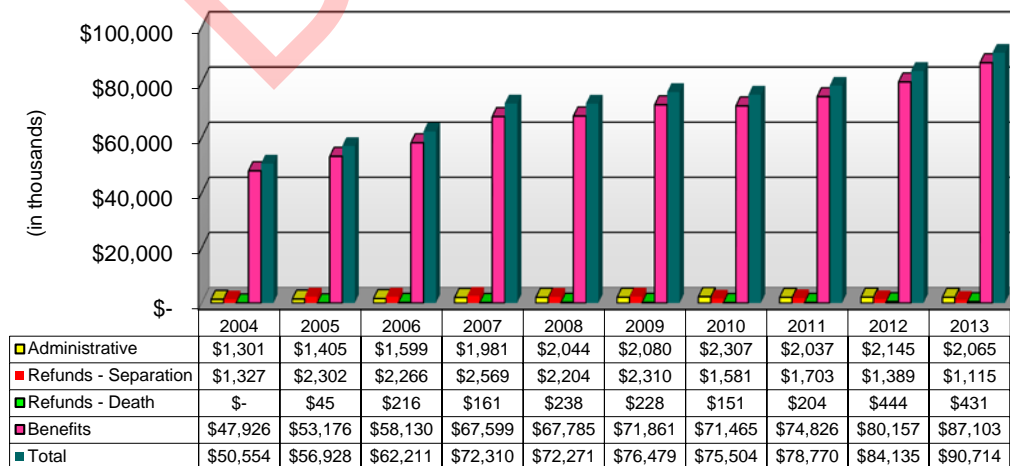
|                                                                          |                         |                         |                         |                         |                         |
|--------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Additions To Plan Net Position                                           |                         |                         |                         |                         |                         |
|                                                                          | 2013                    | 2012                    | 2011                    | 2010                    | 2009                    |
| Employer Contributions                                                   | \$ 39,077,480           | \$ 27,314,032           | \$ 26,256,729           | \$ 21,814,194           | \$ 23,410,965           |
| Plan Member Contributions                                                | 20,285,888              | 20,525,295              | 19,197,052              | 20,746,411              | 20,922,893              |
| Investment Income (Loss)                                                 | 188,929,033             | 3,330,939               | 261,380,696             | 161,234,157             | (215,302,029)           |
| Net Other Investment Income(Loss)                                        | 114,770                 | 571                     | 16,849                  | 680,579                 | 57,010                  |
| Net Security Lending Income (Loss)                                       | 944,484                 | 393,244                 | 444,947                 | 3,139,108               | (5,786,378)             |
| <i>Total Additions</i>                                                   | <u>\$ 249,351,655</u>   | <u>\$ 51,564,081</u>    | <u>\$ 307,296,273</u>   | <u>\$ 207,614,449</u>   | <u>\$ (176,697,539)</u> |
| Deductions From Plan Position                                            |                         |                         |                         |                         |                         |
| Pension Benefits                                                         | \$ 87,102,798           | \$ 80,157,222           | \$ 74,826,404           | \$ 71,464,735           | \$ 71,861,210           |
| Refunds                                                                  | 1,545,763               | 1,832,811               | 1,906,153               | 1,731,971               | 2,537,978               |
| Administrative Expense and Misc                                          | 2,065,345               | 2,144,748               | 2,037,167               | 2,307,436               | 2,080,130               |
| <i>Total Deductions</i>                                                  | <u>\$ 90,713,906</u>    | <u>\$ 84,134,781</u>    | <u>\$ 78,769,724</u>    | <u>\$ 75,504,142</u>    | <u>\$ 76,479,318</u>    |
| Increase (Decrease) in Plan Net Position Restricted for Pension Benefits | \$ 158,637,749          | \$ (32,570,700)         | \$ 228,526,549          | 132,110,307             | (253,176,857)           |
| Plan Net Position Restricted for Pension Benefits                        |                         |                         |                         |                         |                         |
| Beginning of year                                                        | 1,386,175,246           | 1,418,745,946           | 1,190,219,397           | 1,058,109,090           | 1,311,285,947           |
| End of year                                                              | <u>\$ 1,544,812,995</u> | <u>\$ 1,386,175,246</u> | <u>\$ 1,418,745,946</u> | <u>\$ 1,190,219,397</u> | <u>\$ 1,058,109,090</u> |
| Additions To Plan Net Position                                           |                         |                         |                         |                         |                         |
|                                                                          | 2008                    | 2007                    | 2006                    | 2005                    | 2004                    |
| Employer Contributions                                                   | \$ 22,555,416           | \$ 32,562,514           | \$ 22,548,754           | \$ 19,792,748           | \$ 17,113,973           |
| Plan Member Contributions                                                | 20,689,439              | 20,542,837              | 19,860,676              | 19,088,340              | 18,941,508              |
| Investment Income (Loss)                                                 | (122,548,769)           | 206,631,146             | 116,898,276             | 90,280,931              | 154,739,718             |
| Litigation Recovery                                                      | 117,351                 | 177,775                 | 27,479                  | 113,169                 | 114,058                 |
| Net Security Lending Income (Loss)                                       | 1,022,295               | 382,991                 | 347,188                 | 309,095                 | 415,659                 |
| <i>Total Additions</i>                                                   | <u>\$ (78,164,268)</u>  | <u>\$ 260,297,263</u>   | <u>\$ 159,682,373</u>   | <u>\$ 129,584,283</u>   | <u>\$ 191,324,916</u>   |
| Deductions From Plan Position                                            |                         |                         |                         |                         |                         |
| Pension Benefits                                                         | \$ 67,785,111           | \$ 67,599,163           | \$ 58,129,898           | \$ 53,176,109           | \$ 47,926,179           |
| Refunds                                                                  | 2,442,426               | 2,730,463               | 2,482,105               | 2,347,241               | 1,326,769               |
| Administrative Expense and Misc                                          | 2,044,286               | 1,980,926               | 1,598,700               | 1,404,838               | 1,301,338               |
| <i>Total Deductions</i>                                                  | <u>\$ 72,271,823</u>    | <u>\$ 72,310,552</u>    | <u>\$ 62,210,703</u>    | <u>\$ 56,928,188</u>    | <u>\$ 50,554,286</u>    |
| Increase (Decrease) in Plan Net Position Restricted for Pension Benefits | (150,436,091)           | 187,986,711             | 97,471,670              | 72,656,095              | 140,770,630             |
| Plan Net Position Restricted for Pension Benefits                        |                         |                         |                         |                         |                         |
| Beginning of year                                                        | 1,461,722,038           | 1,273,735,327           | 1,176,263,657           | 1,103,607,562           | 962,836,932             |
| End of year                                                              | <u>\$ 1,311,285,947</u> | <u>\$ 1,461,722,038</u> | <u>\$ 1,273,735,327</u> | <u>\$ 1,176,263,657</u> | <u>\$ 1,103,607,562</u> |

### Additions by Source (for years ending June 30)



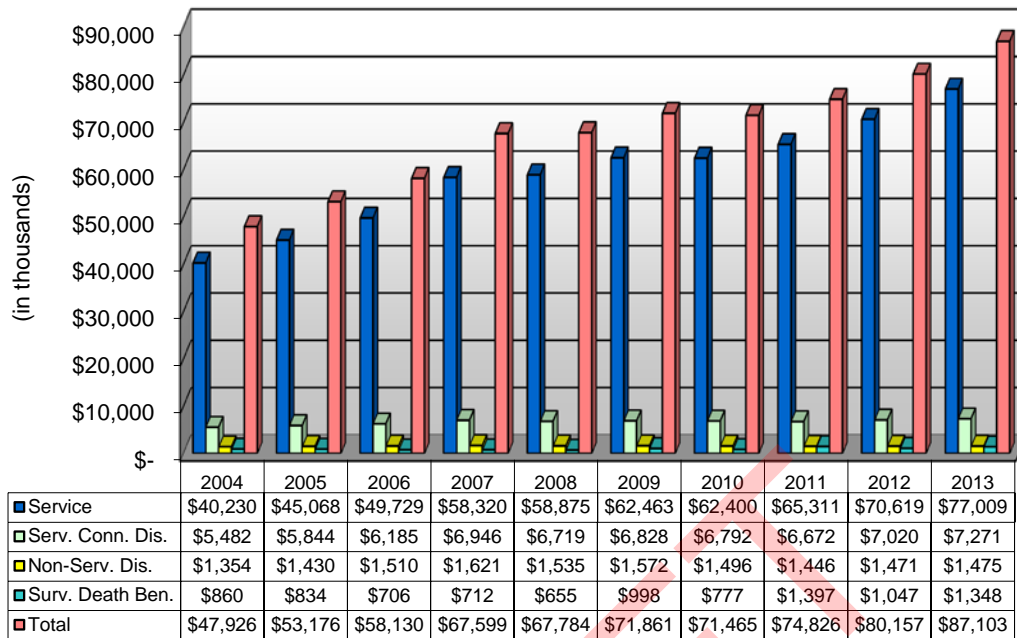
Note: 2007 Employer Contributions include income from the post-Ventura *Francis* settlement

### Deductions by Type (for years ending June 30)



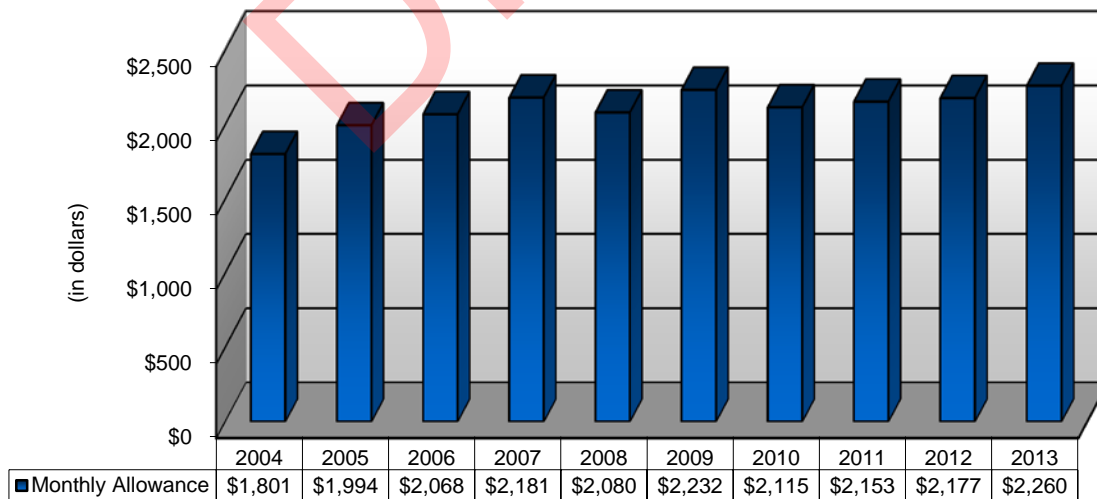
Note: 2007 benefits include expenses for the post-Ventura *Francis* settlement

### Benefit Expense by Type (for years ending June 30)



Note: 2007 Benefit expenses include expenses for the post-Ventura *Francis* settlement

### Average Monthly Retirement Benefits (for years ending June 30)



Note: Data does not include one time payment for post-Ventura *Francis* settlement.

**RETIRED MEMBERS BY BENEFIT TYPE**  
**as of June 30, 2013**

| <u>Amount Monthly Benefit</u> | <u>Total # Retirees</u> | <u>Service Retirement</u> | <u>Service Connected Disability</u> | <u>Non-Service Disability</u> | <u>Survivors</u> |
|-------------------------------|-------------------------|---------------------------|-------------------------------------|-------------------------------|------------------|
| <b>General Members</b>        |                         |                           |                                     |                               |                  |
| \$0-500                       | 375                     | 355                       | 3                                   | 12                            | 5                |
| 501-1,000                     | 519                     | 448                       | 5                                   | 44                            | 22               |
| 1,001-1,500                   | 473                     | 401                       | 35                                  | 33                            | 3                |
| 1,501-2,000                   | 347                     | 296                       | 41                                  | 8                             | 3                |
| 2,001-2,500                   | 273                     | 240                       | 26                                  | 5                             | 2                |
| 2,501-3,000                   | 166                     | 159                       | 7                                   | 0                             | 0                |
| 3,001-3,500                   | 128                     | 126                       | 1                                   | 0                             | 1                |
| 3,501-4,000                   | 104                     | 100                       | 3                                   | 1                             | 1                |
| 4,001-4,500                   | 69                      | 66                        | 2                                   | 0                             | 0                |
| 4,501-5,000                   | 55                      | 55                        | 0                                   | 0                             | 0                |
| over 5,000                    | 209                     | 209                       | 0                                   | 0                             | 0                |
| <b>Totals</b>                 | <u>2,718</u>            | <u>2,455</u>              | <u>123</u>                          | <u>103</u>                    | <u>37</u>        |
| <b>Safety Members</b>         |                         |                           |                                     |                               |                  |
| \$0-500                       | 26                      | 15                        | 8                                   | 2                             | 1                |
| 501-1,000                     | 24                      | 19                        | 4                                   | 0                             | 1                |
| 1,001-1,500                   | 39                      | 33                        | 2                                   | 3                             | 1                |
| 1,501-2,000                   | 48                      | 36                        | 7                                   | 5                             | 0                |
| 2,001-2,500                   | 58                      | 26                        | 31                                  | 0                             | 1                |
| 2,501-3,000                   | 83                      | 29                        | 53                                  | 0                             | 1                |
| 3,001-3,500                   | 48                      | 31                        | 17                                  | 0                             | 0                |
| 3,501-4,000                   | 39                      | 32                        | 6                                   | 0                             | 1                |
| 4,001-4,500                   | 19                      | 18                        | 0                                   | 0                             | 1                |
| 4,501-5,000                   | 26                      | 24                        | 1                                   | 0                             | 1                |
| over 5,000                    | 106                     | 96                        | 10                                  | 0                             | 0                |
| <b>Totals</b>                 | <u>516</u>              | <u>359</u>                | <u>139</u>                          | <u>10</u>                     | <u>8</u>         |
| <b>TOTALS</b>                 | <u>3,234</u>            | <u>2,814</u>              | <u>262</u>                          | <u>113</u>                    | <u>45</u>        |

(Data retrieved from StanCERA's data base)



**AVERAGE BENEFIT PAYMENTS**

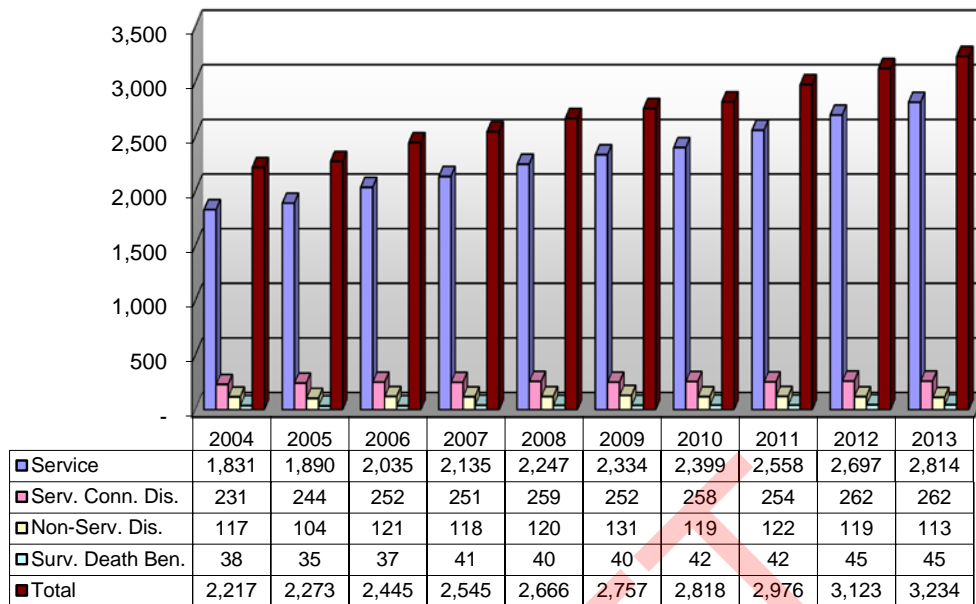
As of Fiscal End of Year

|                                  | <b>Beneficiaries</b> |            | <b>Service Years Credited</b> |              |              |              |              |            |
|----------------------------------|----------------------|------------|-------------------------------|--------------|--------------|--------------|--------------|------------|
|                                  | <b>&amp; Dro's</b>   | <b>0-5</b> | <b>5-10</b>                   | <b>10-15</b> | <b>15-20</b> | <b>20-25</b> | <b>25-30</b> | <b>30+</b> |
| Fiscal Year Ending June 30, 2004 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | -                    | \$621      | \$1,008                       | \$1,127      | \$1,605      | \$2,170      | \$3,168      | \$4,017    |
| Number of Active Retirees        | -                    | 153        | 275                           | 507          | 418          | 382          | 293          | 190        |
| Fiscal Year Ending June 30, 2005 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | -                    | \$615      | \$1,053                       | \$1,175      | \$1,710      | \$2,253      | \$3,290      | \$4,185    |
| Number of Active Retirees        | -                    | 160        | 284                           | 508          | 424          | 386          | 307          | 204        |
| Fiscal Year Ending June 30, 2006 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | -                    | \$618      | \$1,063                       | \$1,176      | \$1,741      | \$2,322      | \$3,400      | \$4,341    |
| Number of Active Retirees        | -                    | 169        | 306                           | 532          | 446          | 417          | 338          | 237        |
| Fiscal Year Ending June 30, 2007 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | -                    | \$644      | \$1,102                       | \$1,206      | \$1,796      | \$2,438      | \$3,562      | \$4,485    |
| Number of Active Retirees        | -                    | 170        | 321                           | 568          | 466          | 424          | 345          | 251        |
| Fiscal Year Ending June 30, 2008 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | -                    | \$382      | \$1,016                       | \$1,284      | \$1,836      | \$2,594      | \$3,778      | \$4,599    |
| Number of Active Retirees        | -                    | 246        | 427                           | 522          | 523          | 398          | 365          | 251        |
| Fiscal Year Ending June 30, 2009 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | \$1,426              | \$627      | \$1,095                       | \$1,257      | \$1,934      | \$2,641      | \$3,912      | \$5,332    |
| Avg Final Average Salary         | \$1,037              | \$3,053    | \$2,621                       | \$2,332      | \$2,445      | \$2,586      | \$3,249      | \$4,547    |
| Number of Active Retirees        | 365                  | 159        | 312                           | 528          | 425          | 390          | 325          | 253        |
| Fiscal Year Ending June 30, 2010 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | \$1,345              | \$602      | \$1,038                       | \$1,171      | \$1,834      | \$2,550      | \$3,753      | \$5,172    |
| Avg Final Average Salary         | \$1,106              | \$3,177    | \$2,516                       | \$2,322      | \$2,400      | \$2,486      | \$3,233      | \$4,192    |
| Number of Active Retirees        | 366                  | 157        | 330                           | 536          | 434          | 405          | 318          | 270        |
| Fiscal Year Ending June 30, 2011 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | \$1,362              | \$621      | \$1,044                       | \$1,192      | \$1,843      | \$2,581      | \$3,785      | \$5,260    |
| Avg Final Average Salary         | \$1,176              | \$3,840    | \$3,286                       | \$2,862      | \$3,009      | \$3,364      | \$3,790      | \$5,232    |
| Number of Active Retirees        | 389                  | 169        | 350                           | 574          | 454          | 424          | 331          | 298        |
| Fiscal Year Ending June 30, 2012 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | \$1,405              | \$596      | \$1,040                       | \$1,212      | \$1,918      | \$2,654      | \$3,860      | \$5,152    |
| Avg Final Average Salary         | \$2,612              | \$4,848    | \$3,857                       | \$3,620      | \$3,963      | \$4,393      | \$4,812      | \$5,815    |
| Number of Active Retirees        | 383                  | 176        | 366                           | 606          | 484          | 446          | 335          | 320        |
| Fiscal Year Ending June 30, 2013 |                      |            |                               |              |              |              |              |            |
| Average Monthly Benefit          | \$1,430              | \$657      | \$1,100                       | \$1,295      | \$2,003      | \$2,792      | \$4,007      | \$5,309    |
| Avg Final Average Salary         | \$2,662              | \$5,058    | \$4,110                       | \$3,748      | \$4,047      | \$4,516      | \$4,962      | \$5,872    |
| Number of Active Retirees        | 387                  | 195        | 376                           | 634          | 498          | 469          | 344          | 331        |

Data for Beneficiaries &amp; Dro's (Domestic Relations Orders) was not available until June 30, 2009 due to system constraints.

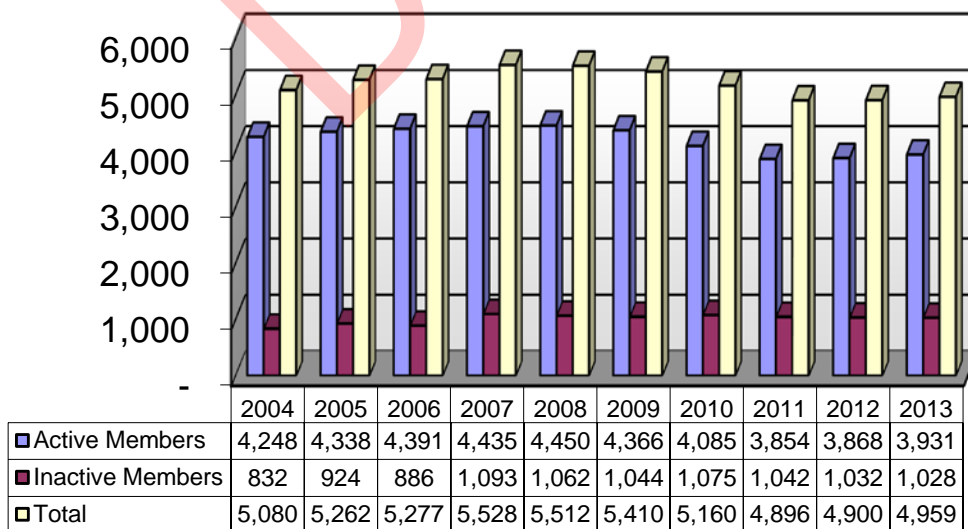
Data for Average Final Average Salary was not available until June 30, 2009 due to system constraints.

### Membership History (Retired) (for years ending June 30)



Data retrieved from StanCERA's data base.

### Membership History (Active & Deferred) (for years ending June 30)



Data retrieved from StanCERA's data base.

**PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS**  
**with PERCENTAGE OF TOTAL SYSTEM**  
for years ended June 30

|                           | <u>2013</u>  |       | <u>2012</u>  |       | <u>2011</u>  |       | <u>2010</u>  |       | <u>2009</u>  |       |
|---------------------------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|
| <b>Stanislaus County:</b> |              |       |              |       |              |       |              |       |              |       |
| General Members           | 2,903        | 73.8% | 2,852        | 73.7% | 2,841        | 73.7% | 3,013        | 73.8% | 3,227        | 73.9% |
| Safety Members            | <u>606</u>   | 15.4% | <u>574</u>   | 14.8% | <u>553</u>   | 14.3% | <u>601</u>   | 14.7% | <u>658</u>   | 15.1% |
| <b>Total</b>              | <u>3,509</u> |       | <u>3,426</u> |       | <u>3,394</u> |       | <u>3,614</u> |       | <u>3,885</u> |       |

**Participating Agencies:**

|                                       |            |      |            |      |            |      |            |      |            |      |
|---------------------------------------|------------|------|------------|------|------------|------|------------|------|------------|------|
| Stanislaus County Superior Court      | 205        | 5.2% | 229        | 5.9% | 245        | 6.4% | 252        | 6.2% | 263        | 6.0% |
| City of Ceres                         | 178        | 4.5% | 173        | 4.5% | 173        | 4.5% | 178        | 4.4% | 178        | 4.1% |
| East Side Mosquito Abatement District | 10         | 0.3% | 10         | 0.3% | 11         | 0.3% | 11         | 0.3% | 11         | 0.3% |
| Hills Ferry Cemetery                  | 4          | 0.1% | 4          | 0.1% | 4          | 0.1% | 4          | 0.1% | 4          | 0.1% |
| Keyes Community Services District     | 5          | 0.2% | 6          | 0.2% | 6          | 0.2% | 6          | 0.1% | 6          | 0.1% |
| Salida Sanitary District              | 7          | 0.2% | 7          | 0.2% | 7          | 0.2% | 7          | 0.1% | 6          | 0.1% |
| Stanislaus Council of Governments     | 13         | 0.3% | 13         | 0.3% | 14         | 0.3% | 13         | 0.3% | 13         | 0.3% |
| <b>Total</b>                          | <b>422</b> |      | <b>442</b> |      | <b>460</b> |      | <b>471</b> |      | <b>481</b> |      |

|                                |              |              |              |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total Active Membership</b> | <b>3,931</b> | <b>3,868</b> | <b>3,854</b> | <b>4,085</b> | <b>4,366</b> |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|

|                           | <u>2008</u>  |       | <u>2007</u>  |       | <u>2006</u>  |       | <u>2005</u>  |       | <u>2004</u>  |       |
|---------------------------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|
| <b>Stanislaus County:</b> |              |       |              |       |              |       |              |       |              |       |
| General Members           | 3,313        | 74.4% | 3,311        | 74.7% | 3,330        | 75.8% | 3,320        | 76.5% | 3,239        | 76.2% |
| Safety Members            | 663          | 14.9% | 660          | 14.9% | 626          | 14.3% | 618          | 14.2% | 583          | 13.7% |
| <b>Total</b>              | <b>3,976</b> |       | <b>3,971</b> |       | <b>3,956</b> |       | <b>3,938</b> |       | <b>3,822</b> |       |

**Participating Agencies:**

|                                       |            |      |            |      |            |      |            |      |            |      |
|---------------------------------------|------------|------|------------|------|------------|------|------------|------|------------|------|
| Stanislaus County Superior Court      | 254        | 5.7% | 246        | 5.5% | 232        | 5.3% | 211        | 4.9% | 220        | 5.2% |
| City of Ceres                         | 186        | 4.2% | 183        | 4.1% | 172        | 3.9% | 161        | 3.7% | 173        | 4.1% |
| East Side Mosquito Abatement District | 10         | 0.3% | 10         | 0.2% | 9          | 0.2% | 8          | 0.2% | 6          | 0.1% |
| Hills Ferry Cemetery                  | 4          | 0.1% | 4          | 0.1% | 4          | 0.1% | 3          | 0.1% | 3          | 0.1% |
| Keyes Community Services District     | 6          | 0.1% | 6          | 0.2% | 5          | 0.1% | 5          | 0.1% | 5          | 0.1% |
| Salida Sanitary District              | 4          | 0.1% | 4          | 0.1% | 4          | 0.1% | 4          | 0.1% | 5          | 0.1% |
| Stanislaus Council of Governments     | 10         | 0.2% | 11         | 0.2% | 9          | 0.2% | 8          | 0.2% | 14         | 0.3% |
| <b>Total</b>                          | <b>474</b> |      | <b>464</b> |      | <b>435</b> |      | <b>400</b> |      | <b>426</b> |      |

|                                |              |              |              |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total Active Membership</b> | <b>4,450</b> | <b>4,435</b> | <b>4,391</b> | <b>4,338</b> | <b>4,248</b> |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|

(Data retrieved from StanCERA's data base)

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