



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

Phone (209) 525-6393
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AGENDA

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

**November 25, 2014
2:00 p.m.**

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

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

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

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

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

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

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

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

1. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
 - a. Approval of the October 28, 2014 Investment Meeting Minutes [View](#)
 - b. StanCERA Investment Managers Peer Rankings for Quarter Ending September 30, 2014 [View](#)

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

1. Alexander, Barbara – Library – Effective 11-07-2014
2. Brown, Roxann –Regional 911 – Effective 11-03-2014
3. Carrillo, Ruthie – Auditor/Controller – Effective 11-04-2014
4. Castillo, Yolanda – Sheriff – Effective 11-16-2014
5. Cumberland, Sheila – City of Ceres – Effective 11-08-2014
6. Fife, Amanda – Parks & Recreations – Effective 11-14-2014
7. Greer, Jeanene – BHRS – Effective 10-02-2014
8. Johnson, Terry – Sheriff – Effective 11-15-2014
9. Klaschus, Frank – Sheriff – Effective 11-15-2014
10. Northern, Gracie – Sheriff – Effective 11-05-2014
11. Olson, Raymond – Env Res – Effective 11-08-2014
12. Phipps, Cory – Sheriff – Effective 11-15-2014
13. Robbins, James – City of Ceres – Effective 11-23-2014
14. Vernon, Gary – Sheriff – Effective 10-03-2014
15. Winter, Rosemary – KCSD – Effective 11-14-2014

d. Approval of Deferred Retirement(s) – **Section 31700**

1. Aguirre, Nancy – CSA – Effective 11-01-2014
2. Delgado, Joseph – Sheriff – Effective 09-12-2014
3. Hawthorne, Elizabeth – CSA – Effective 10-04-2014
4. Hodges, Rachelle – Regional 911 – Effective 07-06-2014
5. Inderbitzen, Daniel – DA – Effective 10-04-2014
6. McBride, Shannon – Public Defender – Effective 12-01-2012
7. Meneses, Lea – City of Ceres – Effective 02-27-2014
8. Moore, Britton – City of Ceres – Effective 07-16-2014
9. Naylor, Traci – Alliance Worknet – Effective 08-01-2014
10. Nunes, Joey – CSA – Effective 10-11-2014
11. Pelican, Timothy – Ag Commissioner – Effective 10-04-2014
12. Perez, Rachel – BHRS – Effective 10-04-2014

e. Approval of Hearing Officers' Findings and Recommendations to Deny the Application for a Service-Connected Disability Retirement by StanCERA Retired Member
Sirv Man - **Section 54957**

6. Annual Performance Report by LSV – International [View](#)

a. Value Added Report [View](#)

7. Strategic Investment Solutions (SIS), Inc.

a. Fiduciary Review & Strategic Investment Solutions Update – Presented by
Barry Dennis – Chairman/CEO

7. Strategic Investment Solutions (SIS), Inc.(Cont.)
 - b. StanCERA Investment Managers Review List for Quarter Ending September 30, 2014 [View](#)
 - c. Investment Performance Analysis for the Quarter Ending September 30, 2014 [View](#)
 - d. Monthly Flash Report for the Month Ending October 31, 2014 [View](#)
 - e. Report on “Top 10 Holdings” of StanCERA Investment Managers as of October 31, 2014 [View](#)
 - f. Discussion and Action Regarding Securities Lending Cash Collateral Pool - [View](#)
8. Executive Director
 - a. Value Added / Cash Flow Report [View](#)
 - b. Monthly Staff Report [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, 2014 and 2013 Comprehensive Annual Financial Report (CAFR) [View](#)
 - ii. Discussion and Action to Accept the Internal Governance Committees’ Recommendation Regarding the StanCERA Investment Guidelines [View](#)
 - iii. Receipt of I.T. Security Review
10. Closed Session
 - a. Discussion and Action Regarding Allocation of StanCERA’s Infrastructure Assets Government Code Section 54956.81
 - b. Discussion and Action Regarding Allocation of StanCERA’s Real Estate Assets Government Code Section 54956.81
 - c. 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)

10. Closed Session (Cont.)

- d. 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)
- e. 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 28, 2014

Members Present: Gordon Ford, Darin Gharat, Michael O'Neal
Jim DeMartini, Donna Riley and Jeff Grover

Member Absent: Maria De Anda, Mike Lynch and Jason Gordo

Alternate Member Present: Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Kathy Herman, Fiscal Services/Operations Manager
Kellie Gomes, Executive Board Secretary

Others Present: Fred Silva, General Legal Counsel
Doris Foster, Chief Executive Office
Sue Curran, Pyramis Global Advisors
Chris Steward, Pyramis Global Advisors
Eileen Dibb, Pyramis Global Advisors
Paul Harte, Strategic Investment Solutions INC.
John Meier, Strategic Investment Solutions INC.

1. Meeting Called to Order

Meeting called to order at 2:02 p.m. by Gordon Ford, Chair.

2. Roll Call

3. Announcements

None

4. Public Comment

None

5. Consent Items

- a. Approval of the October 8, 2014 Investment Meeting Minutes

Motion was made by Darin Gharat and seconded by Michael O'Neal to approve consent item 5.a as presented.

Motion carried unanimously.

- b. Correspondence – Mendocino County

- c. Correspondence – SACRS

Items 5.b and 5.c were pulled by Joan Clendenin

Motion was made by Darin Gharat and seconded by Michael O'Neal to approve consent item 5.b and 5.c as presented after discussion.

Motion carried unanimously.

- d. Correspondence – Raven Capital Management LLC

Item 5.d was pulled by Gordon Ford

Motion was made by Darin Gharat and seconded by Michael O'Neal to approve consent item 5.d as presented after discussion.

Motion carried unanimously.

6. Closed Session

Motion was made by Darin Gharat and seconded by Michael O'Neal to enter into closed session at 2:07 p.m.

Motion carried unanimously.

- a. Discussion and Action Regarding Legato Capital Management
Government Code Section 54956.81

Motion was made by Jeff Grover and seconded by Darin Gharat to enter into open session at 2:20p.m.

Motion carried unanimously.

Read Out for Closed Session Item # 6.a

Motion was made by Jeff Grover and seconded by Michael O'Neal to accept Legato's proposal offered in the letter dated October 21, 2014.

7. Annual Update and Review – Pyramis Global Advisors

Chris Steward discussed a change in the Pacific Basin Ex-Japan manager of StanCERA's portfolio. Specifically, the old manager was replaced by Eileen Dibb, Eileen was originally hired to manage the Japan portfolio and will now use the same strategy that turned the portfolio around for the Pacific Basin EX-Japan portfolio. Eileen gave a brief overview of the strategy.

- a. Quarterly Value Added Report

8. Strategic Investment Solutions (SIS), Inc.

- a. Monthly Performance Review for the Month Ending September 30, 2014

Paul announced his retirement, shared his reasons for the decision, and introduced John Meier. John is a cofounder and will be partnering with Nathan Pratt as SIS continues to serve StanCERA.

- Monthly Return: -2.03%
- Fiscal YTD: -1.07%
- Fiscal YTD alpha: 0.22%
- Total Fund Value as of September 30, 2014: \$1,754,694,784

- b. Report on "Top 10 Holdings" by StanCERA Investment Managers as of September 30, 2014

9. Executive Director

- a. Quarterly Alternative Investment Update

Staff reviewed the handouts used for tracking the alternative managers.

10. Closed Session

Motion was made by Michael O'Neal and seconded by Jeff Grover to enter into closed session at 3:27 p.m.

Motion carried unanimously.

- a. Discussion and Action Regarding Pryamis Global Advisors
Government Code Section 54956.81
- b. Discussion and Action Regarding Executive Director Annual Review

10. Closed Session (Cont.)

- c. Discussion and Action Regarding Allocation of StanCERA's Infrastructure Assets
Government Code Section 54956.81
- d. 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
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Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
District, Case No. H038894 Government Code Section 54956.9(d)(1)

Motion was made by Darin Gharat and seconded by Michael O'Neal to enter into open session at 3:41 p.m.

Motion carried unanimously.

Read Out for Closed Session Item # 10.b

Motion was made by Michael O'Neal and seconded by Donna Riley to Approve the Performance Review Compensation Committee's recommendation as presented and grant Director Rick Santos a 5% increase.

Motion carried unanimously

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

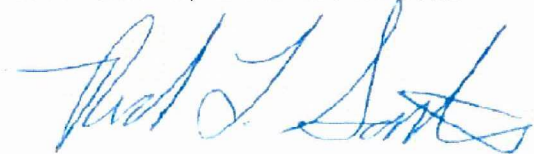
None

12. Adjournment

Meeting adjourned at 3:42 p.m.

Respectfully submitted,

Rick Santos, Executive Director

A handwritten signature in blue ink, appearing to read "Rick Santos", written over a horizontal line.

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

By: 
Fred A. Silva, General Legal Counsel

A handwritten signature in blue ink, appearing to read "Fred A. Silva", written over a horizontal line.

StanCERA Investment Managers Peer Ranking

Total Fund

Taken From SIS Quarterly Investment Performance Analysis Reports

6/30/2011 through 9/30/2014

	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014
1 Quarter	68	85	30	16	69	5	27	13	38	14	14	63	40	43
1 Year	30	77	85	70	62	12	5	6	22	13	12	13	48	23
Over 3 years	16	8	14	10	23	21	28	27	14	9	10	15	12	12
Over 5 years	38	59	54	43	41	62	61	12	8	2	3	3	7	9

Note: Ranking 1 is highest & 100 lowest

Revised 11/20/2014

StanCERA Investment Managers Peer Ranking
Peer Ranking For Returns Over 5 Years
Taken From SIS Quarterly Investment Performance Analysis Reports
6/30/2011 through 9/30/2014

	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014
S&P 500	66	64	60	61	58	54	33	38	29	16	55	48	36	48	45
BlackRock 1,000 G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	63	n/a	n/a	n/a	n/a
Delaware/Jackson Square	n/a	n/a	43	34	32	22	21	23	16	11	13	10	14	10	8
BlackRock 1,000 V	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	15	n/a	n/a	n/a	51
Dodge & Cox	75	69	72	73	73	65	73	71	55	50	3	17	13	23	28
Legato	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	53	70	61
Capital Prospects	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	45	46	41	35
LSV	35	40	48	42	39	56	74	67	62	60	34	19	18	33	46
Pyramis	n/a	34	34	24	27	26	60	68	71	64	74	71	72	73	81
Dodge & Cox FI	18	21	36	39	27	33	25	15	8	9	6	9	8	12	13
Pimco	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
BlackRock US Real Estate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note: Ranking 1 is highest & 100 lowest

Revised 11/20/2014

StanCERA Investment Managers Peer Ranking

Peer Ranking For Returns Over 3 Years

Taken From SIS Quarterly Investment Performance Analysis Reports

6/30/2011 through 9/30/2014

	6/30/2011	9/30/2011	12/30/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2013	6/30/2014	9/30/2014
S&P 500	57	52	50	56	44	20	11	18	16	48	50	55	47	47
BlackRock 1,000 G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29	63	39	39	36	45
Delaware/Jackson Square	26	15	6	11	12	4	7	4	5	13	5	6	6	27
BlackRock 1,000 V	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	41	15	47	45	40	40
Dodge & Cox	60	46	39	35	62	55	44	50	23	3	17	17	13	8
Legato	n/a	n/a	61	62	58	60	59	53	54	39	40	30	45	46
Capital Prospects	n/a	n/a	64	66	48	42	21	22	34	32	30	35	31	36
LSV	29	26	17	23	34	49	57	57	71	60	70	74	73	51
Pyramis	54	38	36	34	34	67	65	74	72	67	68	80	73	77
Dodge & Cox FI	15	17	32	20	38	31	40	39	17	9	12	13	12	7
Pimco	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	45	52	52	58	61	77
BlackRock US Real Estate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Note: Ranking 1 is highest & 100 lowest

Revised 11/20/2014

StanCERA Investment Managers Peer Ranking

Peer Ranking For Returns Over 1 Year

Taken From SIS Quarterly Investment Performance Analysis Reports

6/30/2011 through 9/30/2014

	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014
S&P 500	52	32	28	35	34	24	16	18	29	63	58	66	60	37
BlackRock 1,000 G	49	29	23	34	27	37	53	37	37	63	56	63	55	38
Delaware/Jackson Square	35	16	2	8	4	24	36	29	57	13	39	41	31	47
BlackRock 1,000 V	64	44	30	50	26	19	30	17	44	15	59	61	55	43
Dodge & Cox	39	63	83	81	55	4	3	7	29	3	15	17	19	22
Legato	60	56	61	58	35	34	24	16	28	28	41	53	70	65
Capital Prospects	42	34	42	56	37	35	9	9	68	29	53	47	43	47
LSV	35	46	48	54	78	64	75	69	53	54	39	40	34	29
Pyramis	37	60	34	35	37	80	52	35	40	52	61	80	84	65
Dodge & Cox FI	27	70	89	72	77	12	9	20	7	4	3	4	6	9
Pimco	56	30	14	25	19	55	54	28	74	63	89	87	80	89
BlackRock US Real Estate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Invesco	15	94	95	76	76	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Research Affiliates	n/a	n/a	n/a	100	100	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Managers in red no longer managing funds														

Note: Ranking 1 is highest & 100 lowest

Revised 11/20/2014

StanCERA Investment Managers Peer Ranking

Peer Ranking For Returns Over 1 Quarter

Taken From SIS Quarterly Investment Performance Analysis Reports

6/30/2011 through 9/30/2014

	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	3/31/2014	12/31/2013	3/31/2014	6/30/2014	9/30/2014
S&P 500	53	30	50	65	29	14	24	49	28	63	41	62	33	30
BlackRock 1,000 G	52	30	25	67	24	55	64	34	48	13	60	43	31	42
Delaware	26	7	10	40	44	40	40	16	88	15	41	62	21	66
BlackRock 1,000 V	57	35	42	76	19	33	45	30	62	3	48	33	41	53
Dodge & Cox	38	73	65	34	22	7	24	50	19	22	12	59	58	23
Legato	27	56	65	41	13	52	51	31	38	46	64	52	74	34
Capital Prospects	50	37	73	71	21	15	10	47	80	24	59	69	42	33
LSV	71	61	51	66	83	31	75	26	66	33	24	75	24	29
Pyramis	71	61	42	41	44	38	43	50	37	68	58	82	51	38
Dodge & Cox FI	71	90	41	10	83	21	9	7	9	11	5	9	13	43
Pimco	23	13	54	79	12	57	52	29	90	42	95	82	59	94
BlackRock US Real Estate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Invesco	42	99	7	3	47	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Managers in red no longer managing funds

Note: Ranking 1 is highest & 100 lowest

Revised 11/20/2014

Stanislaus County Employees'
Retirement Association

November 25, 2014

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

Bhaskaran Swaminathan, Ph.D.
Partner & Director of Research
(312) 327-5103

Organizational Update

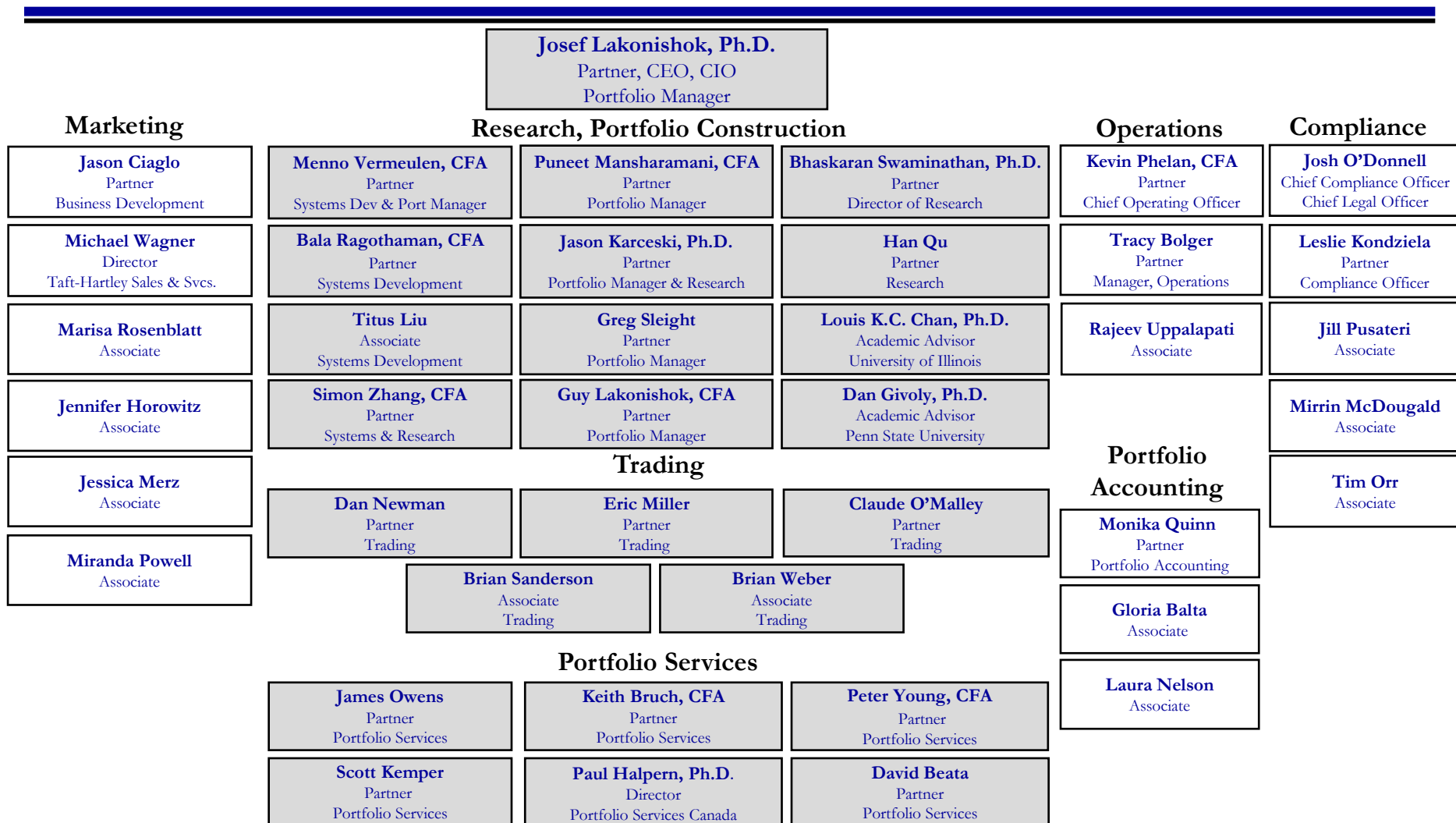
- ◆ LSV'S KEY ORGANIZATIONAL STRENGTHS:
 - ◆ ACADEMIC FOUNDATION
 - ◆ 25+ YEARS OF RESEARCH
 - ◆ SUCCESSFULLY APPLIED MODELS FOR 20 YEARS
 - ◆ VALUE EQUITY FOCUS – OUR SOLE BUSINESS
 - ◆ CONSISTENCY OF PEOPLE, PHILOSOPHY & PORTFOLIO
 - ◆ EMPLOYEE OWNERSHIP

- ◆ ALL STRATEGIES BUILT FROM SAME INVESTMENT MODEL
 - ◆ \$89.2 BILLION IN FIRMWIDE ASSETS UNDER MANAGEMENT
 - ◆ \$19.0 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	

* Select Strategies Open to Existing Clients

Organizational Structure



Research and Investment Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
Josef Lakonishok	37/20	CEO, CIO Founding Partner Portfolio Management	Ph.D. Cornell University, Finance MS Cornell University, Statistics MBA/BA Tel-Aviv University, Economics & Statistics
Menno Vermeulen, CFA	23/19	Partner Portfolio Management Systems Development	MS Erasmus University-Rotterdam, Econometrics
Puneet Mansharamani, CFA	16/14	Partner Portfolio Management	MS Case Western Reserve University, Engineering BS Delhi University, Engineering
Bhaskaran Swaminathan	25/9	Partner Director of Research	Ph.D. University of California at Los Angeles, Finance MBA University of Denver, Finance; BE College of Engineering, Guindy, Madras, India, Mechanical Engineering
Jason Karceski	21/6	Partner Portfolio Management Research	Ph.D. University of Illinois, Finance; MBA University of North Florida; BS California Institute of Technology, Electrical Engineering
Han Qu	21/20	Partner Research	MS University of Illinois, Finance MS University of Illinois, Statistics BS Shanghai University, Computer Science
Simon Zhang, CFA	16/16	Partner Systems & Research	MBA/MS University of Illinois, Finance & MIS Civil Engineering MS Tongji University, Shanghai, Engineering Management BS Shanghai Institution of Building Material, Engineering
Bala Ragothaman, CFA	17/8	Partner Systems Development	MS University of Iowa, Computer Science and Networks BS PSG College, Bharathiar University, Computer Engineering
Titus Liu	13/4	Associate Systems Development	MBA University of Chicago, Finance, Econometrics & Accounting BS University of Illinois, Electrical Engineering
Greg Sleight	8/8	Partner Portfolio Management	MBA University of Chicago, Econometrics, Econ. & Analytic Fin. BS University of Illinois, Material Science & Engineering
Guy Lakonishok, CFA	14/6	Partner Portfolio Management	MBA University of Chicago, Analytical Finance & Accounting BS Washington University, Electrical Engineering
Dan Givoly, CPA (Isr.)	30/9	Academic Advisor; Ernst & Young Professor of Accounting; Department of Accounting, Pennsylvania State University	Ph.D. New York University, Accounting & Finance MBA Tel-Aviv University; BA Hebrew University, Jerusalem Economics & Statistics
Louis Chan	32/14	Academic Advisor Professor Finance, University of Illinois	Ph.D./MS University of Rochester, Finance & Applied Economics BBA University of Hawaii, Business Administration

Client Portfolio Services Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
James Owens	25/14	Partner Portfolio Services	BA Iowa State University, Finance
Keith Bruch, CFA	26/11	Partner Portfolio Services	MBA University of Chicago, Finance BA Northwestern University, Economics
Peter Young, CFA	26/10	Partner Portfolio Services	BS Wake Forest University, Business/Mathematics
Scott Kemper	18/8	Partner Portfolio Services	MBA University of Chicago BA DePauw University
Jason Ciaglo	16/6	Partner Business Development	MBA University of Chicago BA University of California-Berkeley, English
Michael Wagner	27/3	Director Taft-Hartley Sales & Services	MBA Loyola University, Finance BS Elmhurst College, Marketing
Paul Halpern	43/10	Director, Client Portfolio Services, Canada Director, Capital Markets Institute The University of Toronto, Rotman	Ph.D. University of Chicago MBA University of Chicago Bcomm University of Toronto
Kevin Phelan, CFA	13/10	Partner Chief Operating Officer	BA University of Chicago, Economics
Josh O'Donnell	10/1	Chief Compliance Officer Chief Legal Officer	JD Vanderbilt University Law School BA Wake Forest University, Politics

Relationship Summary

Stanislaus County Employees' Retirement Association

Investment Strategy:	International Large Cap Value Equity		<u>Portfolio Growth</u>
Inception Date:	September 14, 2004	Beginning Value - 9/14/04:	\$ 81,163,381
Initial Funding:	\$81,163,381	Net Contributions/Withdrawals:	\$ (27,100,000)
Custodian:	Northern Trust	Return on Investment:	\$ 101,255,895
Consultant:	Strategic Investment Solutions	Ending Value - 9/30/14:	\$ 155,319,276
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 175-200 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 9/30/14						
<u>Large Cap International Indices</u>	<u>3Q14</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	-5.9%	-1.4%	4.3%	13.6%	13.7%	6.6%	6.3%
MSCI EAFE Value	-6.2%	-0.6%	5.7%	14.6%	13.9%	5.5%	5.9%
MSCI ACWI Ex-U.S.	-5.3%	0.0%	4.8%	10.5%	11.8%	6.0%	7.1%
MSCI World Ex-U.S.	-5.7%	-0.7%	4.9%	12.9%	13.2%	6.5%	6.5%
MSCI EAFE (Local)	0.9%	4.1%	10.7%	19.2%	17.3%	8.1%	5.9%
MSCI EAFE Value vs Growth Spread:	-0.7%	1.6%	2.8%	2.0%	0.6%	-2.0%	-0.7%
<u>Small Cap International Indices</u>							
MSCI EAFE Small Cap	-7.8%	-2.7%	3.0%	15.5%	14.5%	8.9%	8.0%
MSCI EAFE Small Cap Value	-8.4%	-2.3%	4.0%	18.1%	15.3%	8.2%	8.4%
Value vs Growth Spread:	-1.1%	0.9%	2.0%	5.2%	1.7%	-1.5%	0.3%
<u>Emerging Markets Indices</u>							
MSCI Emerging Markets	-3.5%	2.4%	4.3%	2.6%	7.2%	4.4%	10.7%
MSCI Emerging Markets Value	-3.4%	2.5%	3.1%	0.9%	5.5%	3.5%	11.2%
Value vs Growth Spread:	0.1%	0.2%	-2.4%	-3.3%	-3.3%	-1.9%	1.1%
<u>Comparative U.S. Indices</u>							
S&P 500	1.1%	8.3%	19.7%	19.5%	23.0%	15.7%	8.1%
Russell 2000	-7.4%	-4.4%	3.9%	16.3%	21.3%	14.3%	8.2%

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

International Value Equity Investment Performance

Periods Ended September 30, 2014

Assets Managed: \$155,319,276

<u>LSV International Value Equity</u>	<u>3Q14</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>Return Since Inception*</u>
Stanislaus County Portfolio- Gross	-5.1%	0.6%	7.0%	13.8%	7.8%	0.8%	8.0%	8.1%
Stanislaus County Portfolio- Net	-5.2%	0.1%	6.3%	13.1%	7.1%	0.1%	7.4%	7.4%
MSCI ACWI Ex US	-5.3%	0.0%	4.8%	11.8%	6.0%	-0.2%	7.1%	7.1%
MSCI ACWI Ex US Value	-5.7%	0.4%	5.3%	11.8%	5.3%	-0.4%	6.9%	6.9%

Calendar Years

<u>LSV International Value Equity</u>	<u>YTD</u>										
	<u>2014</u>	<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	0.6%	20.5%	16.8%	-12.3%	13.4%	48.6%	-47.9%	12.0%	32.2%	16.0%	16.9%
Stanislaus County Portfolio- Net	0.1%	19.7%	16.0%	-12.9%	12.7%	47.7%	-48.3%	11.4%	31.4%	15.3%	16.7%
MSCI ACWI Ex US	0.0%	15.3%	16.8%	-13.7%	11.2%	41.5%	-45.5%	16.7%	26.7%	16.6%	15.6%
MSCI ACWI Ex US Value	0.4%	15.0%	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

Performance Attribution

1 Year Ended September 30, 2014

Sector	Avg. Portfolio Weight	Avg. Bench Weight	Weight Diff.	Port Return	Bench Return	Return Diff.	Sector Selection	Stock Selection	Total Effect
Financials	30.07%	26.88%	3.19%	9.79	5.37	4.41	0.04	1.33	1.38
Telecommunication Services	9.28%	5.32%	3.96%	12.45	7.67	4.78	0.13	0.41	0.55
Materials	8.55%	8.65%	-0.10%	-0.45	-3.68	3.23	0.01	0.25	0.26
Energy	11.62%	9.07%	2.55%	6.57	5.29	1.27	0.11	0.13	0.24
Consumer Discretionary	7.96%	10.74%	-2.79%	-0.09	-0.30	0.21	0.12	0.03	0.15
Health Care	8.36%	8.05%	0.31%	20.25	20.63	-0.38	0.02	-0.02	0.01
Information Technology	4.05%	6.80%	-2.75%	16.09	11.60	4.49	-0.16	0.16	0.00
Utilities	3.19%	3.52%	-0.32%	6.99	10.98	-3.99	-0.02	-0.07	-0.09
Industrials	10.81%	11.04%	-0.23%	-0.34	3.10	-3.45	0.00	-0.39	-0.39
Consumer Staples	6.11%	9.94%	-3.83%	-6.88	2.55	-9.43	0.09	-0.56	-0.47
TOTAL	100.00%	100.00%		6.95	5.31	1.64	0.35	1.28	1.63

Portfolio Characteristics

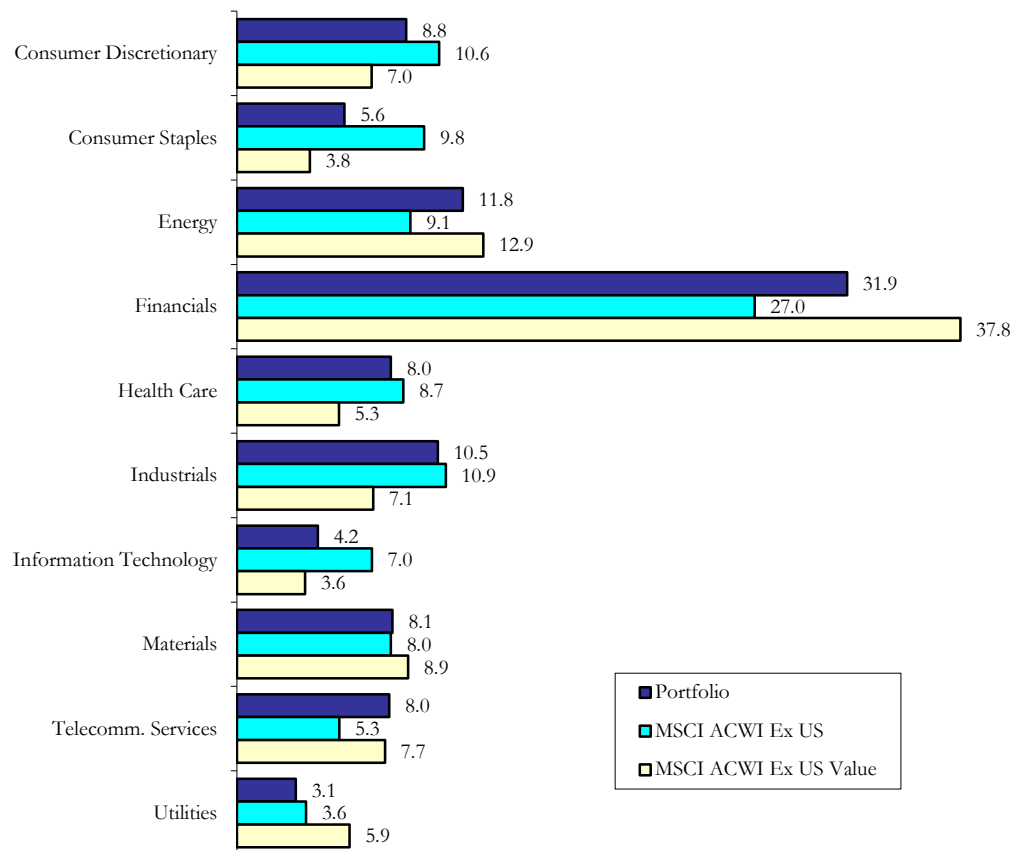
International Large Cap Value

As of 9/30/14

	<u>Stanislaus Portfolio</u>	<u>MSCI ACWI Ex US</u>	<u>MSCI ACWI Ex US Value</u>
Price / Earnings (FY1)	11.5x	15.3x	12.9x
Price / Earnings (FY2)	10.4x	13.8x	11.9x
Price / Cash Flow	6.4x	8.8x	6.7x
Price / Book	1.2x	1.7x	1.3x
Dividend Yield	3.7%	2.9%	3.7%
Weighted Average Market Cap	\$41.9 billion	\$59.3 billion	\$64.9 billion
Weighted Median Market Cap	\$20.0 billion	\$35.3 billion	\$40.3 billion

Portfolio Characteristics

Diversification by Sector as of 9/30/14



Top Ten Holdings as of 9/30/14

Description	% of Portfolio
ROYAL DUTCH SHELL	2.2%
MAGNA INTL INC	1.7%
ASTRAZENECA	1.6%
ALLIANZ SE	1.4%
CHINA PETROLEUM & CHEMICAL CORP	1.3%
SANOFI	1.2%
DAIMLER AG	1.2%
OLD MUTUAL PLC	1.2%
CANADIAN IMP BANK	1.2%
MACQUARIE GP LTD	1.2%

Country Weights

	Stanislaus	MSCI ACWI	MSCI ACWI		Stanislaus	MSCI ACWI	MSCI ACWI
<u>Developed Countries</u>	<u>Portfolio</u>	<u>Ex US</u>	<u>Ex US Value</u>	<u>Emerging Countries</u>	<u>Portfolio</u>	<u>Ex US</u>	<u>Ex US Value</u>
Australia	5.47	5.29	5.27	Brazil	2.57	2.24	2.18
Austria	0.95	0.15	0.18	Chile	0.00	0.31	0.33
Belgium	0.71	0.89	0.30	China	4.27	4.21	4.29
Canada	8.22	7.60	7.53	Colombia	0.00	0.22	0.21
Denmark	0.00	1.11	0.31	Czech Republic	0.00	0.05	0.05
Finland	0.63	0.62	0.62	Egypt	0.00	0.06	0.05
France	7.20	7.01	7.87	Greece	0.02	0.14	0.11
Germany	5.91	6.23	6.57	Hungary	0.00	0.04	0.04
Hong Kong	2.10	2.06	2.21	India	1.13	1.53	1.54
Ireland	0.02	0.22	0.19	Indonesia	0.43	0.58	0.57
Israel	1.42	0.39	0.37	Korea (South)	3.24	3.27	3.15
Italy	1.95	1.79	2.09	Malaysia	0.40	0.85	0.87
Japan	15.04	14.84	14.69	Mexico	0.82	1.17	1.19
Netherlands	1.23	1.93	1.18	Peru	0.00	0.10	0.09
New Zealand	0.00	0.09	0.10	Philippines	0.00	0.26	0.29
Norway	1.70	0.59	1.08	Poland	0.00	0.37	0.37
Portugal	0.00	0.13	0.14	Qatar	0.00	0.14	0.13
Singapore	1.59	1.06	1.10	Russia	1.69	1.00	1.00
Spain	1.98	2.57	3.68	South Africa	3.05	1.60	1.57
Sweden	2.71	2.14	1.88	Taiwan	2.37	2.58	2.64
Switzerland	5.27	6.52	4.26	Thailand	0.98	0.53	0.53
UK	<u>14.66</u>	<u>15.05</u>	<u>16.67</u>	Turkey	0.27	0.34	0.34
Total	79%	78%	78%	United Arab Emirates	<u>0.00</u>	<u>0.13</u>	<u>0.14</u>
				Total	21%	22%	22%

Portfolio Holdings by Country

COUNTRY	% PORT.
AUSTRALIA	5.4%
Macquarie Group Limited	1.1%
Lend Lease Finance Limited	0.9%
Rio Tinto Limited	0.7%
National Australia Bank Limited	0.7%
Dow ner Edi Limited	0.3%
Primary Health Care Limited	0.3%
Bank Of Queensland Limited	0.3%
Metcash Limited	0.3%
Seven Group Holdings Limited	0.3%
Arrium Limited	0.2%
Mount Gibson Mining Limited	0.1%
Panoramic Resources Limited	0.1%
AUSTRIA	0.9%
Omni Aktiengesellschaft	0.7%
At&S Austria Technologie & Systemtechnik	0.3%
BELGIUM	0.7%
Delhaize Group	0.7%
BRAZIL	2.5%
Companhia De Saneamento Basico Do Estado	0.5%
Banco Do Brasil S.A	0.5%
Paranaense De Energia Copel _ Cia	0.5%
Vale S.A.	0.5%
Petroleo Brasileiro S/A Petrobras.	0.4%
Petroleo Brasileiro S/A Petrobras.	0.2%
CANADA	8.1%
Magna International Inc.	1.6%
Canadian Imperial Bank Of Commerce	1.1%
Metro Inc.	0.8%
Westjet Airlines Ltd.	0.8%
Empire Company Limited	0.7%
National Bank Of Canada	0.7%
Shaw Communications Inc.	0.5%
Celestica Inc.	0.5%
West Fraser Timber Co. Ltd.	0.5%
Teck Resources Ltd.	0.4%
Agrium Inc.	0.3%
Blackberry Limited	0.2%

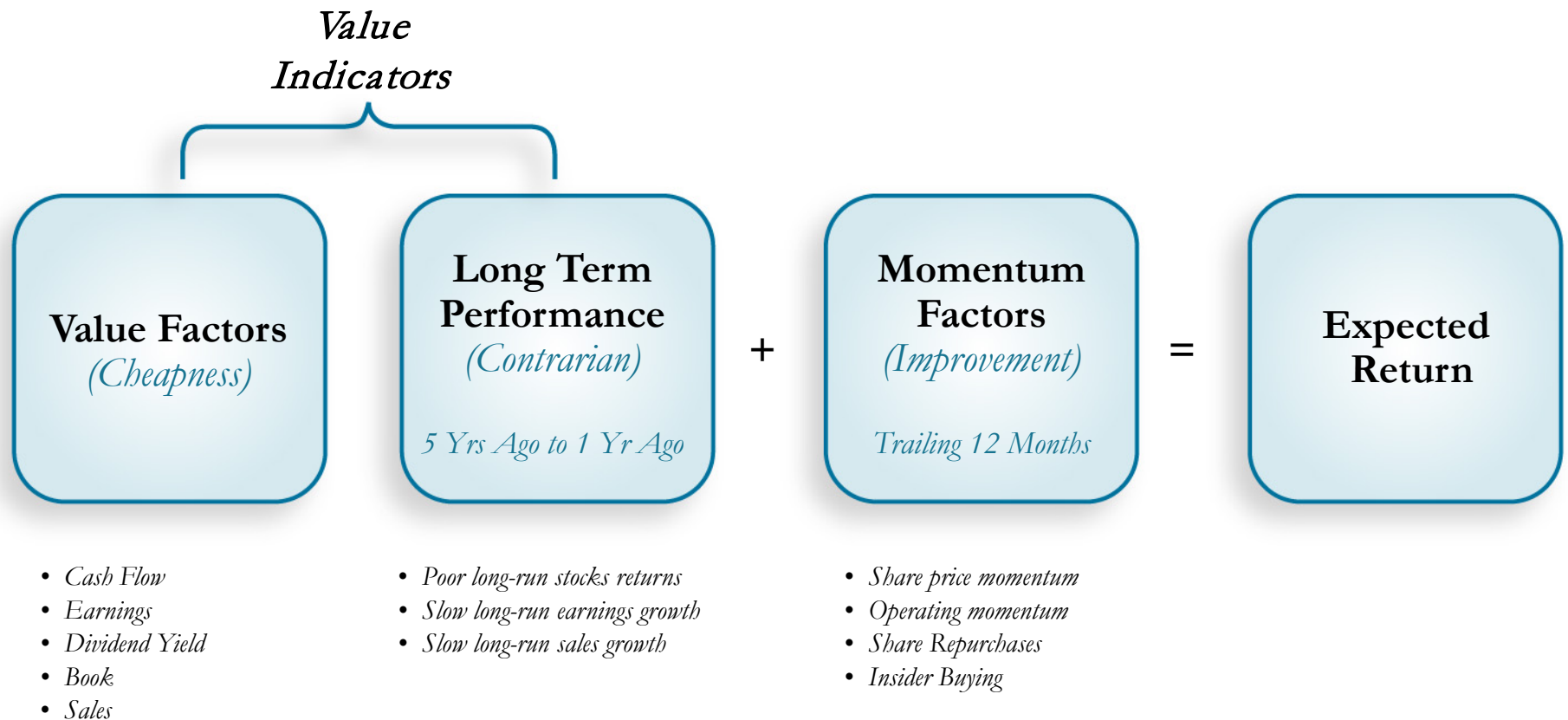
COUNTRY	% PORT.
CHINA	4.2%
China Petroleum & Chemical Corporation	1.3%
Bank Of China Limited	1.0%
Chongqing Rural Commercial Bank	0.5%
China Railway Construction Corporation L	0.4%
China Minsheng Banking Corp. , Ltd.	0.3%
Weiqiao Textils Co.,Ltd.	0.3%
Tianneng Power International Limited	0.2%
China Shanshui Cement Group Limited	0.1%
China Lifestyle Food And Beverages Group	0.1%
FINLAND	0.6%
Neste Oil Oyj	0.6%
FRANCE	7.1%
Sanofi	1.4%
Total Sa	1.1%
Societe Generale	0.9%
Alstom	0.8%
Bnp Paribas	0.8%
Scor Se	0.5%
Thales	0.5%
Axa	0.4%
Renault	0.3%
Arkema	0.3%
GERMANY	5.8%
Allianz Se	1.4%
Daimler Ag	1.2%
Basf Se	1.1%
Bayerische Motoren Werke Aktiengesellsch	0.6%
Volkswagen Aktiengesellschaft	0.4%
E.ON Se	0.4%
Rheinmetall Aktiengesellschaft	0.3%
Deutsche Bank Aktiengesellschaft	0.3%
Bilfinger Se	0.1%
HONG KONG	2.1%
Skyworth Digital Holdings Limited	0.4%
Dah Chong Hong Holdings Limited	0.4%
China Resources Cement Holdings Limited	0.3%
Yue Yuen Industrial (Holdings) Limited	0.3%

COUNTRY	% PORT.
HONG KONG (continued)	
Kingboard Chemical Holdings Limited	0.3%
Television Broadcasts Limited	0.2%
China Shineway Pharmaceutical Group Limi	0.1%
INDIA	1.1%
Tata Motors Limited	0.7%
Tata Steel Limited	0.4%
INDONESIA	0.4%
Pt. Bank Negara Indonesia(Persero)Tbk.	0.4%
ISRAEL	1.4%
Teva Pharmaceutical Industries Limited	0.8%
Elbit Systems Ltd.	0.6%
ITALY	1.9%
Eni S.P.A.	1.1%
Enel - Spa	0.8%
JAPAN	14.8%
Nippon Telegraph And Telephone Corporati	1.0%
Resona Holdings, Inc.	1.0%
Kddi Corporation	0.8%
Marubeni Corporation	0.8%
Otsuka Holdings Co.,Ltd.	0.8%
Brother Industries, Ltd.	0.8%
Sumitomo Mitsui Financial Group, Inc.	0.7%
Itochu Corporation	0.6%
Sumitomo Corporation	0.6%
West Japan Railway Company	0.6%
Ntt Docomo, Inc	0.5%
Kyorin Seiyaku Holdings Kabushiki Kaish	0.5%
Mitsubishi Ufj Financial Group, Inc.	0.5%
Mizuho Financial Group, Inc.	0.5%
Ain Pharmaciez Inc.	0.4%
North Pacific Bank, Ltd.	0.4%
Kyowa Exeo Corporation	0.4%
Seino Holdings Co., Ltd.	0.4%
The Yokohama Rubber Co., Ltd.	0.4%
Jx Holdings, Inc.	0.3%
Fuji Machine Mfg. Co., Ltd.	0.3%

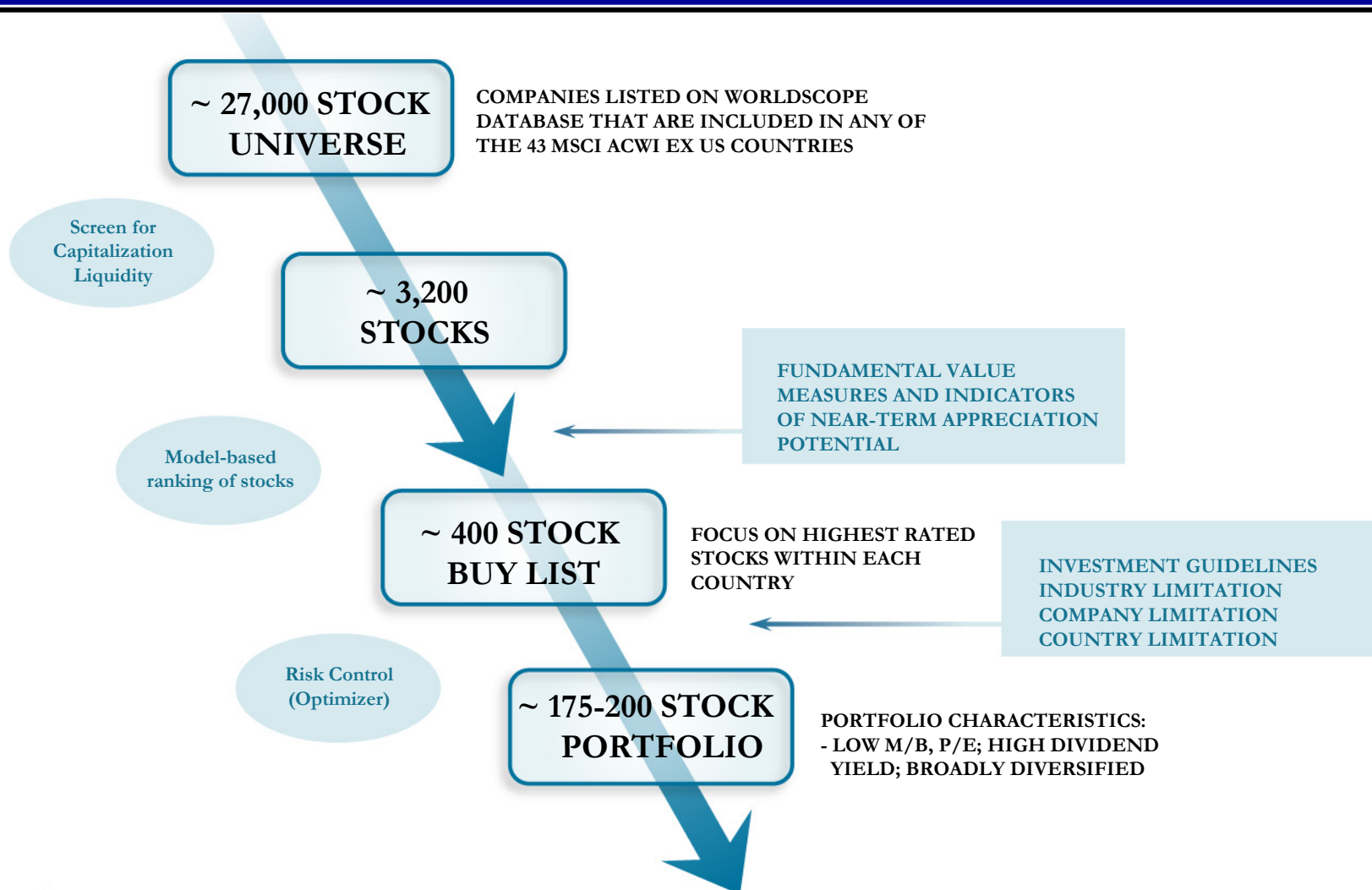
Portfolio Holdings by Country

COUNTRY	% PORT.	COUNTRY	% PORT.	COUNTRY	% PORT.
JAPAN (continued)		SINGAPORE	1.6%	THAILAND	1.0%
Eizo Nanao Corporation	0.3%	Dbx Group Holdings Ltd	1.1%	The Bangchak Petroleum Public Company Li	0.4%
Sumitomo Metal Mining Co., Ltd.	0.3%	United Overseas Bank Limited	0.5%	Thanachart Capital Public Company Limite	0.3%
Aisin Seiki Co., Ltd.	0.3%			Thai Vegetable Oil Public Company Limite	0.2%
Maeda Road Construction Co., Ltd.	0.3%	SOUTH AFRICA	3.0%		
Geo Holdings Corporation	0.3%	Vodacom Group Limited	0.8%	TURKEY	0.3%
Nichi-Iko Pharmaceutical Co., Ltd.	0.2%	Mtn Group	0.7%	Selcuk Ecza Deposu Ticaret Ve Sanayi A.S	0.3%
Miraca Holdings Inc.	0.2%	Mmi Holdings Limited	0.6%		
Paramount Bed Co., Ltd.	0.2%	Imperial Holdings	0.6%	UNITED KINGDOM	14.5%
Nichirei Corporation	0.1%	Astral Foods Limited	0.4%	Royal Dutch Shell Plc	1.6%
Yodogawa Steel Works, Ltd.	0.1%			Astrazeneca Plc	1.5%
		SPAIN	1.9%	Old Mutual Public Limited Company	1.1%
KOREA, REPUBLIC OF	3.2%	Repsol, S.A.	0.8%	Bp P.L.C.	1.0%
Sk Telecom Co., Ltd.	0.8%	Banco Santander, S.A.	0.7%	Bt Group Plc	0.9%
Bs Financial Group Inc.	0.6%	Telefonica, S.A.	0.4%	Bae Systems Plc	0.9%
Hana Financial Group Inc.	0.5%			Centrica Plc	0.8%
Kt&G Corporation	0.5%	SWEDEN	2.7%	Legal & General Group Plc	0.8%
Dgb Financial Group Co., Ltd.	0.5%	Nordea Bank Ab	0.7%	Royal Dutch Shell Plc	0.8%
Daishin Securities Co., Ltd.	0.2%	Boliden Ab	0.5%	J Sainsbury Plc	0.7%
		Skandinaviska Enskilda Banken Ab	0.5%	Direct Line Insurance Group Plc	0.6%
MALAYSIA	0.4%	Teliaasonera Ab	0.5%	Wm Morrison Supermarkets P L C	0.5%
Malaysia Building Society Berhad	0.4%	Securitas Ab	0.4%	Anglo American Plc	0.5%
				Aviva Plc	0.4%
MEXICO	0.8%	SWITZERLAND	5.2%	Rexam Plc	0.4%
America Movil, S.A.B. De C.V.	0.8%	Sw iss Re Ag	1.1%	Barclays Plc	0.4%
		Novartis Ag	1.1%	Man Group Plc	0.4%
NETHERLANDS	1.2%	Credit Suisse Group Ag	0.9%	Amec Plc	0.4%
Ing Groep N.V.	0.5%	Baloise-Holding Ag	0.7%	Vesuvius Plc	0.3%
Aegon N.V.	0.4%	Zurich Insurance Group Ag	0.6%	Glaxosmithkline Plc	0.3%
Postnl N.V.	0.3%	Pargesa Holding Sa	0.3%	Alent Plc	0.1%
		Bucher Industries Ag	0.3%	Tate & Lyle Public Limited Company	0.1%
NORWAY	1.7%	Gam Holding Ag	0.2%		
Dnb Asa	0.7%			CASH	1.8%
Yara International Asa	0.5%	TAIWAN	2.3%		
Statoil Asa	0.5%	King'S Tow n Bank	0.5%	TOTAL	100%
		King Yuan Electronics Co., Ltd.	0.5%		
RUSSIAN FEDERATION	1.7%	Giga-Byte Technology Co., Ltd.	0.5%		
Mining And Metallurgical Company Norilsk	0.6%	Micro-Star International Co., Ltd.	0.3%		
Mobile Telesystems Ojsc	0.4%	Compal Electronics, Inc.	0.3%		
Oao Gazprom	0.4%	Tripod Technology Corporation	0.3%		
Open Joint Stock Company "Oil Company "L	0.2%				

Expected Return Model



International Value Investment Process



Sell Discipline

A STOCK IS SOLD WHEN:

- ◆ **MODEL RANKING FALLS BELOW THE TOP 40%.**

A STOCK IS CUT BACK WHEN:

- ◆ **PORTFOLIO WEIGHT EXCEEDS BENCHMARK WEIGHT BY 1.5% FOR SMALL CAP STOCKS AND 2.5% FOR LARGE CAP STOCKS.**

TURNOVER

- ◆ **APPROXIMATELY 30% PER YEAR.**

How Cheap Are Cheap Stocks?

<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	13.1x	8.1x	1.7x	2.3%
U.S. Mid Cap Value	12.4x	7.9x	1.6x	2.4%
U.S. Small Cap Value	12.8x	7.3x	1.4x	2.3%
U.S. Micro Cap Value	13.5x	7.4x	1.3x	2.0%
International Large Cap Value	12.1x	6.6x	1.2x	3.6%
International Small Cap Value	11.9x	7.4x	1.1x	3.1%
Emerging Markets Value	9.5x	6.0x	1.0x	3.7%

Global Equity Valuations

<u>Market Index</u>	<u>Price/Earnings</u>	<u>Price/Cash Flow</u>	<u>Price/Book</u>	<u>Dividend Yield</u>
S&P 500	16.9x	11.9x	2.7x	2.0%
Russell Mid Cap	19.1x	13.2x	2.7x	1.6%
Russell 2000	22.5x	16.9x	2.1x	1.3%
MSCI World ex U.S.	16.0x	9.1x	1.8x	3.0%
S&P Developed ex US Small Cap	18.0x	10.9x	1.5x	2.3%
MSCI Emerging Markets	13.1x	7.8x	1.5x	2.7%

Representative Client List

Public Clients

Alaska Permanent Fund
 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
 Kentucky Retirement Systems
 Louisiana School 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 Mexico State Investment Council
 New York State Teachers' Retirement System
 New Zealand Superannuation Fund

Public Clients (Cont.)

Nexcom
 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
 SOKA-BAU
 South Carolina Retirement System Investment Commission
 Stanislaus County Employees' Retirement Association
 State of Idaho Endowment Fund
 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
 Chicago Regional Council of Carpenters
 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

Taft Hartley Clients (Cont.)

I.U.O.E. Local 825
 Laborers' National Pension Fund
 LIUNA Pension Plans
 Mid-Atlantic Regional Council of Carpenters
 National Asbestos Workers Pension Fund
 National Elevator Industry Plan
 National Roofing Industry Pension Fund
 New England Healthcare Workers
 New York City District Council of Carpenters
 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
 Canadian Medical Protective Association
 Evangelical Lutheran Church in America
 Ministers and Missionaries Benefit Board
 National Geographic Society
 Pacific Salmon Commission
 The Salvation Army
 The Seeing Eye, Inc.
 United Church of Canada
 YMCA

Value Equity

Investment Specialists

Representative list is selected based on regional and client type considerations. Some clients choose not to be listed.

For more information please call (312) 242-2489.

It is not known whether the listed clients approve or disapprove of LSV Asset Management or the advisory services provided.

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
Foresters
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
Twin Disc, Inc.
Voya Investments
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
Parkland Health & Hospital System
Trinity Health
WellSpan Health System

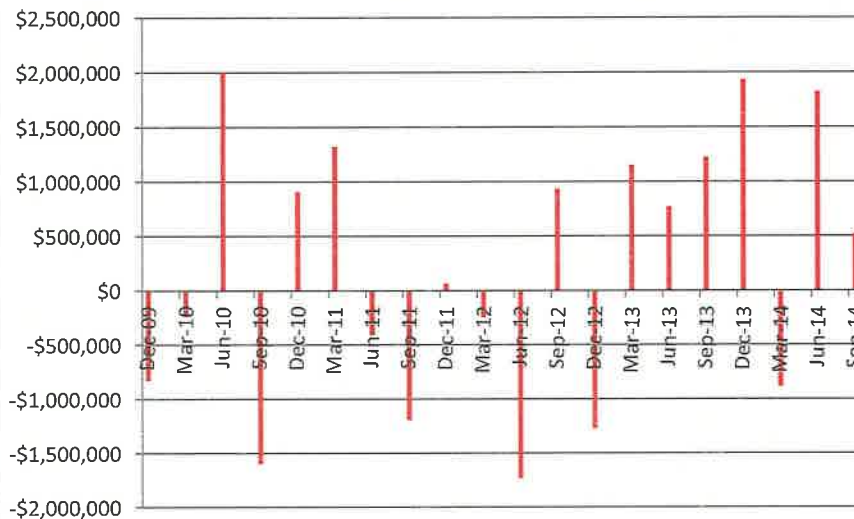
LSV ASSET MGMT Quarterly Value Added

11/25/14

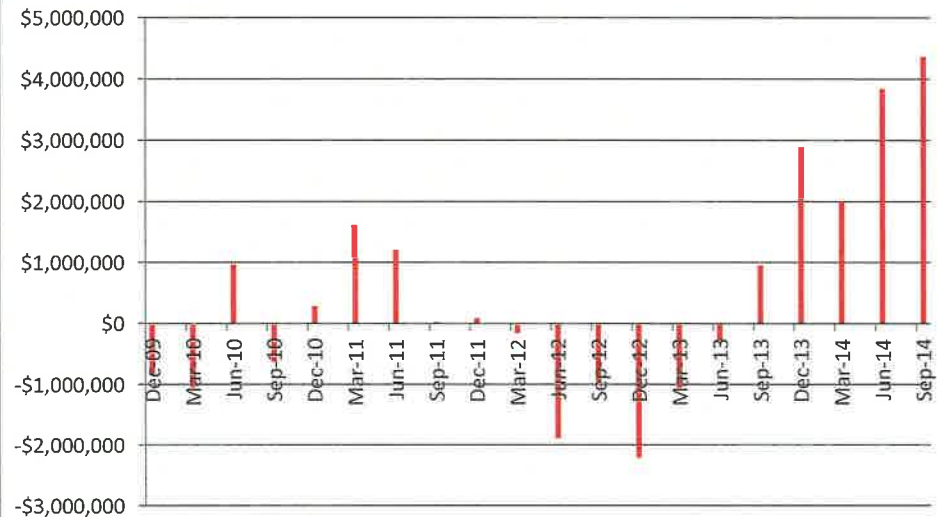
Item 6.a

Quarter	Begin Date	End Date	Fees			Value Added
			Alpha	Managerial	Custodial	
1	9/30/2009	12/31/2009	-\$594,243	\$198,631	\$30,417	-\$823,291
2	12/31/2009	3/31/2010	\$12,530	\$197,281	\$31,000	-\$215,751
3	3/31/2010	6/30/2010	\$2,217,667	\$175,374	\$28,763	\$2,013,530
4	6/30/2010	9/30/2010	-\$1,372,452	\$193,603	\$28,530	-\$1,594,585
5	9/30/2010	12/31/2010	\$1,147,771	\$204,620	\$31,330	\$911,821
6	12/31/2010	3/31/2011	\$1,566,189	\$206,820	\$33,859	\$1,325,510
7	3/31/2011	6/30/2011	-\$164,056	\$205,220	\$34,467	-\$403,742
8	6/30/2011	9/30/2011	-\$1,004,436	\$163,726	\$19,932	-\$1,188,094
9	9/30/2011	12/31/2011	\$251,061	\$168,642	\$15,576	\$66,843
10	12/31/2011	3/31/2012	-\$33,570	\$180,121	\$26,254	-\$239,945
11	3/31/2012	6/30/2012	-\$1,538,936	\$168,468	\$21,326	-\$1,728,730
12	6/30/2012	9/30/2012	\$1,147,740	\$181,141	\$26,629	\$939,969
13	9/30/2012	12/31/2012	-\$1,051,237	\$189,009	\$23,035	-\$1,263,282
14	12/31/2012	3/31/2013	\$1,391,454	\$191,543	\$43,031	\$1,156,880
15	3/31/2013	6/30/2013	\$1,004,560	\$190,029	\$39,759	\$774,771
16	6/30/2013	9/30/2013	\$1,475,950	\$208,847	\$38,465	\$1,228,639
17	9/30/2013	12/31/2013	\$2,200,502	\$219,252	\$42,595	\$1,938,655
18	12/31/2013	3/31/2014	-\$732,010	\$95,219	\$49,656	-\$876,885
19	3/31/2014	6/30/2014	\$2,076,245	\$207,872	\$39,729	\$1,828,645
20	6/30/2014	9/30/2014	\$653,260	\$97,872	\$31,469	\$523,919

LSV ASSET MGMT Quarterly Value Added



LSV ASSET MGMT Quarterly Cumulative Value Added



StanCERA Manager Review List

Performance Through September 30, 2014

Returns are Gross of Fees

		Expected Manager		6 Month Alpha > -1 St. Dev	12 Month Alpha > -1 St. Dev	Annualized Alpha 3 Years	Annualized Alpha 5 Years	Peer Ranking 3 Years	Peer Ranking 5 Years	Manager		
Manager Name	Status	Tracking Error (bps)	Benchmark							in Compliance with Guidelines	Organization Personnel Continuity	Adherence to Style
Domestic Equity												
Dodge & Cox (Lg Cap Value)	Good Standing	600	R1000V	Yes	Yes	340	100	8	28	Yes	Yes	Yes
BlackRock (Passive Lg Cap Value)	Good Standing	0	R1000V	Yes	Yes	10	10	40	51	Yes	Yes	Yes
Jackson Square (Lg Cap Growth)	Good Standing	500	R1000G	Yes	Yes	130	200	27	8	Yes	Yes	Yes
BlackRock (Passive Lg Cap Growth)	Good Standing	0	R1000G	Yes	Yes	10	N/A	45	N/A	Yes	Yes	Yes
Mellon Capital (Passive SP 500)	Good Standing	0	S&P 500	Yes	Yes	0	0	47	45	Yes	Yes	Yes
Capital Prospects (Sm Cap Value)	Good Standing	400	R2000V	Yes	Yes	400	340	46	35	Yes	Yes	Yes
Legato (Small Cap Growth)	Good Standing	400	R2000G	Yes	Yes	90	90	46	61	Yes	Yes	Yes
International Equity												
LSV Asset	Good Standing	600	MSCI ACWI ex US	Yes	Yes	140	120	51	46	Yes	Yes	Yes
Pyramis	Good Standing	400	MSCI ACWI ex US	Yes	Yes	110	100	77	81	Yes	Yes	Yes
REITS												
BlackRock (Passive US Real Estate Securities)	Good Standing	0	DJ US Select RESI	Yes	Yes	N/A	N/A	N/A	N/A	Yes	Yes	Yes
Fixed Income												
Dodge & Cox	Good Standing	300	Barclays Aggregate	Yes	Yes	290	180	7	13	Yes	Yes	Yes
PIMCO	Good Standing	100	Barclays Aggregate	Yes	Yes	30	N/A	77	N/A	Yes	No	Yes

Note:

1.0 x reported negative tracking error equates to the bottom 15% of the expected return distribution, assuming an alpha of 0%

If a manager has an expected tracking error of 800 basis points, that manager would be Under Review if its return was 800 basis points below the benchmark for the 6 and or 12 months time periods

If the manager has a negative alpha for 3 and or 5 years or is ranked in the bottom quartile, that manager could be placed on Under Review Status

Recommend keeping all managers in "Good Standing" status

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

INVESTMENT PERFORMANCE SUMMARY

THIRD QUARTER 2014



- Continued economic expansion in the US and strong employment metrics helped support the S&P 500, which rose 1.1% during the third quarter.
- Small cap equities significantly underperformed in the US as the Russell 2000 index declined 7.4% in the third quarter.
- Declining energy supply fears and the stronger US dollar led to a decrease in Russell 3000 energy stocks, which fell 9.2% during the third quarter.
- The euro fell 7.7% versus the dollar during the third quarter as weaker growth in the Eurozone, including economic contractions in Italy and Germany, soft Eurozone inflation, and monetary policy divergence boosted the attractiveness of the US dollar.
- The Treasury curve flattened as 1 through 5-year rates rose while 10 through 30-year rates declined. The shorter maturity rate increases were driven by increased expectations of a Federal Reserve rate hike in the middle of 2015.
- The MSCI Emerging Markets Net Return Index fell 3.5% during the third quarter on commodity price declines, a stronger dollar, and fears over Chinese growth.
- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. With confidence increasing among European institutions, the Global ICI rose 4.6 points during the quarter to 123.9, remaining well above the neutral level of 100.
- For the period ending 9/30/14, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), are -3.1% and 2.9%; one-year, 13.1% and 11.2%; three-year, 16.7% and 11.3%; and five-year, 15.9% and 9.7%.
- US banks held more than \$1 billion of commercial construction loans at year-end 2013. There has been a year-over-year net construction lending increase of over \$65 million at the end of 2013, which includes both commercial and multifamily mortgages.
- At the same time, the national vacancy rate for neighborhood and community shopping centers was reported to be 10.3%. Causes mentioned include weak demand as the primary culprit; additionally, there has been the continuing impact of e-commerce.

- The composite fund returned -1.2% in the third quarter of 2014 and ranked in the 43rd percentile among other public funds (-1.3% median). The fund beat its policy index (-1.3%) during this time period. Longer term, the three and five-year returns of 14.7% and 11.0%, ranked above the median among public plans (12.3% and 9.6%, respectively).
- Third quarter results were enhanced by the following factors:
 1. The Mellon Capital S&P 500 Index Fund returned 1.1% for the quarter. The Fund matched the S&P 500 Index and ranked above the median large cap core manager (0.6%).
 2. The BlackRock Russell 1000 Growth Index Fund returned 1.5% for the quarter and matched its benchmark. The large cap growth equity median return is 1.2%.
 3. The BlackRock Russell 1000 Value Index Fund (-0.2%) matched its benchmark return and was just behind its median large cap value manager return of -0.1%.
 4. Dodge & Cox-Equity, 0.8%, ranked above the large cap value manager median of -0.1%. It was ahead of the Russell 1000 Value Index return of -0.2% during the quarter. An above par stock selection in the Industrials sector (FedEx, ADT), significant exposure to Info Tech, and zero weight to Utilities, aided results. Three year returns were in front of its benchmark (27.3% vs. 23.9%).
 5. Fund of funds manager Legato lost 4.8% for the quarter and ranked in the 34th percentile among other small cap growth managers (-5.5% median). The Russell 2000 Growth Index returned -6.1%. The portfolio was boosted by its stock selection in the Info Tech and Healthcare sectors. Lee Munder depreciated 1.1% while CastleArk lost the most, down 6.6% during the quarter. Riverbridge and Stephens Investment were terminated and replaced by AMI Asset and Rice Hall James in September. Over three years, Legato returned above its benchmark (22.8% vs. 21.9%).
 6. Fund of funds manager Capital Prospects was ahead of its benchmark, the Russell 2000 Value Index (-6.0% vs. -8.6%) and ranked in the 33rd percentile among small cap value managers. Performance attribution was primarily from its Industrials and Energy stock picks. Pacific Ridge contributed the most, at -2.2%. Walthausen trailed during the quarter, at -8.3%. For the three-year period, Capital Prospects was in front of its benchmark (24.6% vs. 20.6%).

Executive Performance Summary

Third Quarter 2014

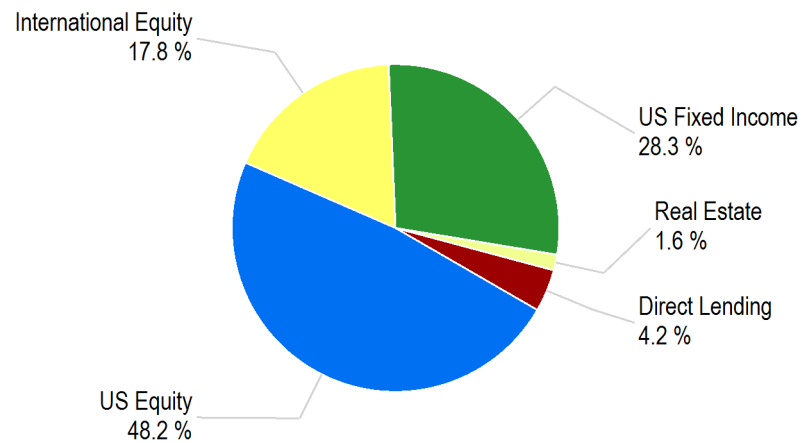
7. Pyramis' return of -4.7% outperformed the MSCI ACWI ex US Index return of -5.2%. It placed above the median among ACWI ex US growth equity managers (-4.9% median). Industrials (KEPCO, Canadian Pacific Railway), Financials (Far East Horizon) and Info Tech (Murata Manufacturing, Seiko Epson) investments were additive. Its three-year results led the benchmark (13.4% vs. 12.3%).
8. LSV (-5.1%) was slightly above par with the MSCI ACWI ex US (-5.2%) and ranked 29th among ACWI ex US value equity managers (median of -5.5%). LSV carried relatively strong Korean and French investments. Over three years, LSV (13.7%) surpassed its benchmark (12.3%).
9. The Dodge & Cox Bond 0.2% return matched its benchmark, the Barclays Aggregate Index, and ranked in the second quartile among core bond managers, median return of 0.2%. The portfolio's credit and Agency MBS holdings, and nominal yield advantage boosted relative returns. D&C was up 5.3% for three years while its benchmark was up 2.4%.
10. The BlackRock US Real Estate Index Fund matched its benchmark, the DJ US Select RESI (-3.0%). Greenfield Gap was funded in July. Its benchmark will be the NCREIF ODCE +1% Index.

- Third quarter results were hindered by the following factors:

1. Jackson Square (formerly known as Delaware) returned 0.7%, comparing unfavorably to the Russell 1000 Growth Index's (1.5%); it ranked in the third quartile among large cap growth managers. Below par Consumer Staples investment (Walgreen) and intra-quarter trading decreased relative performance. Over three years, Jackson Square returned above its benchmark and peer group median.
2. PIMCO returned -0.1% and the Barclays Aggregate Index added 0.2%. The median core bond manager return was 0.2%. PIMCO's TIPS exposure, yield curve steepening position and underweight to the long-end of the US yield curve dampened performance. Over three years, the portfolio returned above its benchmark and below its peer group median.
3. Direct Lending investments lost 0.8% and was below its target return of 9% per annum or 2.2% per quarter. Quarterly returns for Medley, Raven and White Oak were 0.0%, -4.3% and 2.7%, respectively.

Asset Allocation Analysis

As of September 30, 2014

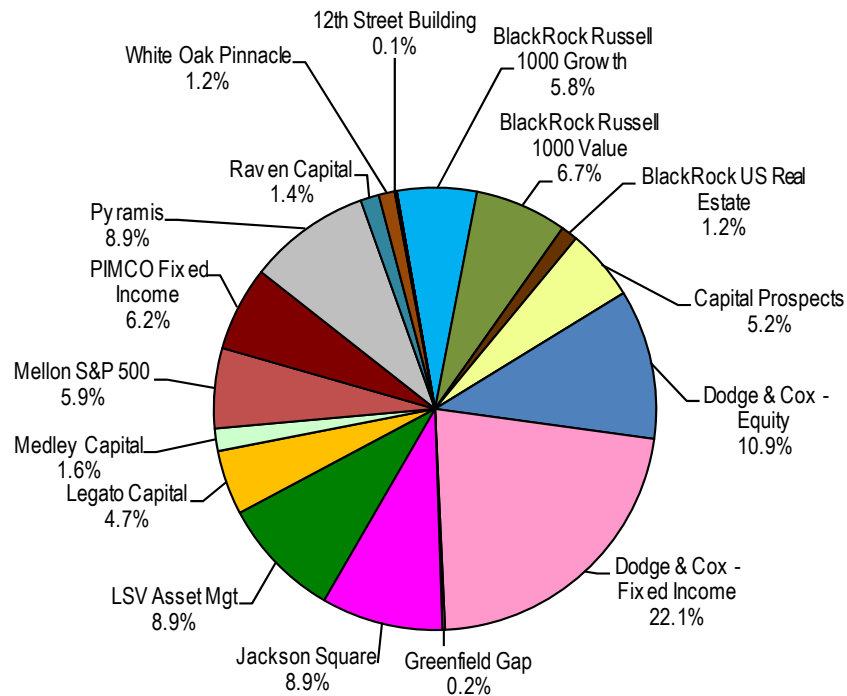


	Actual \$	Actual %
US Equity	\$846,427,094	48.2%
International Equity	\$312,494,126	17.8%
US Fixed Income	\$496,640,836	28.3%
Opportunistic	\$0	0.0%
Real Estate	\$27,247,048	1.6%
Direct Lending	\$73,332,123	4.2%
Cash	\$29,151	0.0%
Other	\$0	0.0%
Total	\$1,756,170,379	

Stanislaus County Employees' Retirement Association

Manager Allocation Analysis - Total Plan

As of September 30, 2014



Manager	Market Value	Current %
BlackRock Russell 1000 Growth	\$ 102,271,001	5.8%
BlackRock Russell 1000 Value	\$ 118,358,599	6.7%
BlackRock US Real Estate	\$ 21,396,037	1.2%
Capital Prospects	\$ 91,984,507	5.2%
Dodge & Cox - Equity	\$ 192,013,603	10.9%
Dodge & Cox - Fixed Income	\$ 388,076,309	22.1%
Greenfield Gap	\$ 3,350,873	0.2%
Jackson Square	\$ 156,121,209	8.9%
LSV Asset Mgt	\$ 155,633,024	8.9%
Legato Capital	\$ 82,817,827	4.7%
Medley Capital	\$ 28,859,417	1.6%
Mellon S&P 500	\$ 102,860,347	5.9%
PIMCO Fixed Income	\$ 108,564,527	6.2%
Pyramis	\$ 156,861,102	8.9%
Raven Capital	\$ 23,789,227	1.4%
White Oak Pinnacle	\$ 20,683,479	1.2%
12th Street Building	\$ 2,500,000	0.1%
Cash	\$ 29,151	0.0%
Invesco	\$ 138	0.0%
Total	\$ 1,756,170,379	100.0%

Performance Summary

Periods Ending September 30, 2014

	1 QTR		YTD		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
Total Fund *	-1.2	43	4.0	48	10.4	23	12.7	9	14.7	12	11.0	9
<i>Policy Index ¹</i>	<i>-1.3</i>	<i>49</i>	<i>4.4</i>	<i>28</i>	<i>9.8</i>	<i>37</i>	<i>10.9</i>	<i>43</i>	<i>13.1</i>	<i>39</i>	<i>9.9</i>	<i>42</i>
<i>InvestorForce Public DB median</i>	<i>-1.3</i>		<i>3.9</i>		<i>9.2</i>		<i>10.4</i>		<i>12.3</i>		<i>9.6</i>	
US EQUITY MANAGERS												
LARGE CORE												
Mellon S&P 500 - gross of fees	1.1	30	8.3	42	19.7	37	19.6	51	23.0	47	15.7	45
Mellon S&P 500 - net of fees	1.1		8.3		19.7		19.5		23.0		15.6	
<i>S&P 500 Index</i>	<i>1.1</i>	<i>30</i>	<i>8.3</i>	<i>42</i>	<i>19.7</i>	<i>37</i>	<i>19.5</i>	<i>51</i>	<i>23.0</i>	<i>47</i>	<i>15.7</i>	<i>45</i>
LARGE GROWTH												
BlackRock Russell 1000 Growth - gross of fees	1.5	42	7.9	33	19.2	38	19.3	51	22.5	45		
BlackRock Russell 1000 Growth - net of fees	1.5		7.9		19.2		19.2		22.5			
Jackson Square - gross of fees	0.7	66	6.5	51	18.4	47	19.8	42	23.7	27	18.5	8
Jackson Square - net of fees	0.7		6.2		18.0		19.3		23.2		18.0	
<i>Russell 1000 Growth Index</i>	<i>1.5</i>	<i>42</i>	<i>7.9</i>	<i>33</i>	<i>19.1</i>	<i>38</i>	<i>19.2</i>	<i>51</i>	<i>22.4</i>	<i>46</i>	<i>16.5</i>	<i>37</i>
LARGE VALUE												
BlackRock Russell 1000 Value- gross of fees	-0.2	53	8.1	41	18.9	43	20.6	51	24.0	40	15.4	51
BlackRock Russell 1000 Value - net of fees	-0.2		8.1		18.9		20.6		24.0		15.3	
Dodge & Cox Equity - gross of fees	0.8	23	8.0	44	20.8	22	24.1	15	27.3	8	16.3	28
Dodge & Cox Equity - net of fees	0.8		7.9		20.6		23.9		27.1		16.1	
<i>Russell 1000 Value Index</i>	<i>-0.2</i>	<i>53</i>	<i>8.1</i>	<i>42</i>	<i>18.9</i>	<i>43</i>	<i>20.6</i>	<i>52</i>	<i>23.9</i>	<i>40</i>	<i>15.3</i>	<i>54</i>

Rankings: 1=highest, 100=lowest.

* Managers are ranked against the eVestment Alliance (eA) style universes. Asset class composites are ranked against the InvestorForce universes.

¹ Effective 12/1/13, Policy Index is 37.3% Russell 1000 / 9.4% Russell 2000 / 18% MSCI ACWI ex US / 29.8% Barclays Aggregate / 1.5% DJ US Select RESI / 4% 9% -Annual.

Performance Summary

Periods Ending September 30, 2014

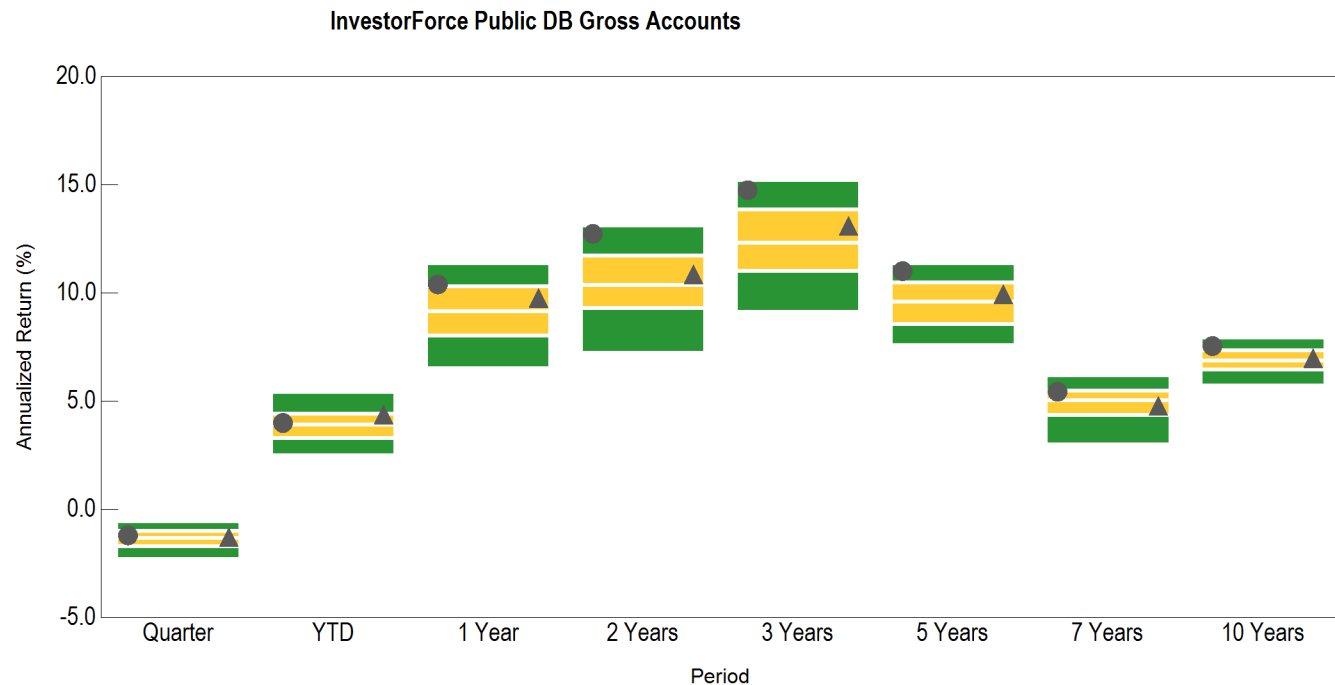
	1 QTR		YTD		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
SMALL GROWTH												
Legato Capital - gross of fees	-4.8	34	-5.6	65	1.9	65	17.9	52	22.8	46	16.4	61
Legato Capital - net of fees	-4.8		-5.8		1.5		17.2		22.0		15.5	
Russell 2000 Growth Index	-6.1	68	-4.0	49	3.8	51	17.5	57	21.9	55	15.5	72
SMALL VALUE												
Capital Prospects - gross of fees	-6.0	33	-1.5	45	7.7	47	20.3	37	24.6	36	16.4	35
Capital Prospects - net of fees	-6.0		-1.9		7.1		19.5		23.8		15.6	
Russell 2000 Value Index	-8.6	82	-4.7	81	4.1	81	15.0	87	20.6	76	13.0	88
US Equity Composite	-0.6	46	5.2	55	16.2	45	20.7	14	24.3	8	16.5	11
80% R1000/20% R2000	-1.0	63	5.4	48	15.9	50	19.3	61	22.9	44	15.8	39
Russell 3000 Index	0.0	18	7.0	13	17.8	14	19.7	45	23.1	36	15.8	42
InvestorForce All DB US Eq Gross Median	-0.7		5.4		15.9		19.6		22.8		15.6	
INTERNATIONAL EQUITY MANAGERS												
LSV Asset Mgt - gross of fees	-5.1	29	0.6	38	6.9	29	13.2	46	13.7	51	7.7	46
LSV Asset Mgt - net of fees	-5.1		0.4		6.5		12.6		13.2		7.1	
Pyramis - gross of fees	-4.7	38	-2.3	68	3.7	65	11.3	68	13.4	77	7.5	81
Pyramis - net of fees	-4.7		-2.5		3.3		10.8		12.9		7.0	
International Equity Composite	-4.9	40	-0.9	64	5.2	45	12.2	42	13.5	46	7.5	36
MSCI ACWI ex US Index	-5.2	50	0.4	32	5.2	45	10.9	66	12.3	75	6.5	60
InvestorForce All DB ex-US Eq Gross Median	-5.2		-0.3		5.0		11.7		13.4		6.9	

Performance Summary

Periods Ending September 30, 2014

	1 QTR		YTD		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
US FIXED INCOME MANAGER												
CORE												
Dodge & Cox Fixed - gross of fees	0.2	43	5.2	13	6.3	9	3.6	3	5.3	7	5.9	13
Dodge & Cox Fixed - net of fees	0.2		5.1		6.2		3.5		5.2		5.8	
PIMCO Fixed Income - gross of fees	-0.1	94	3.6	83	3.2	89	0.9	88	2.7	77		
PIMCO Fixed Income - net of fees	-0.1		3.4		3.0		0.6		2.5			
Barclays Aggregate Index	0.2	57	4.1	65	4.0	72	1.1	82	2.4	87	4.1	82
US Fixed Income Composite	0.2	43	4.8	39	5.7	41	3.0	29	4.7	45	5.7	50
Barclays Aggregate Index	0.2	41	4.1	57	4.0	69	1.1	82	2.4	87	4.1	81
InvestorForce All DB US Fix Inc Gross Median	0.1		4.4		5.1		2.3		4.5		5.7	
REAL ESTATE												
BlackRock US Real Estate - gross of fees	-3.0		14.6		13.4		9.0					
BlackRock US Real Estate - net of fees	-3.0		14.6		13.4		9.0					
DJ US Select RESI TR USD	-3.0		14.6		13.4		9.0					
12th Street Building	0.0		-9.8		-9.8		-5.0		-3.4		-2.0	
DIRECT LENDING												
Medley Capital	0.0		3.7		5.0							
Raven Capital	-4.3		4.2		6.2							
White Oak Pinnacle	2.7		12.2		5.8							
Direct Lending Composite	-0.8		6.1		5.2							
9% Annual	2.2		6.7		9.0							

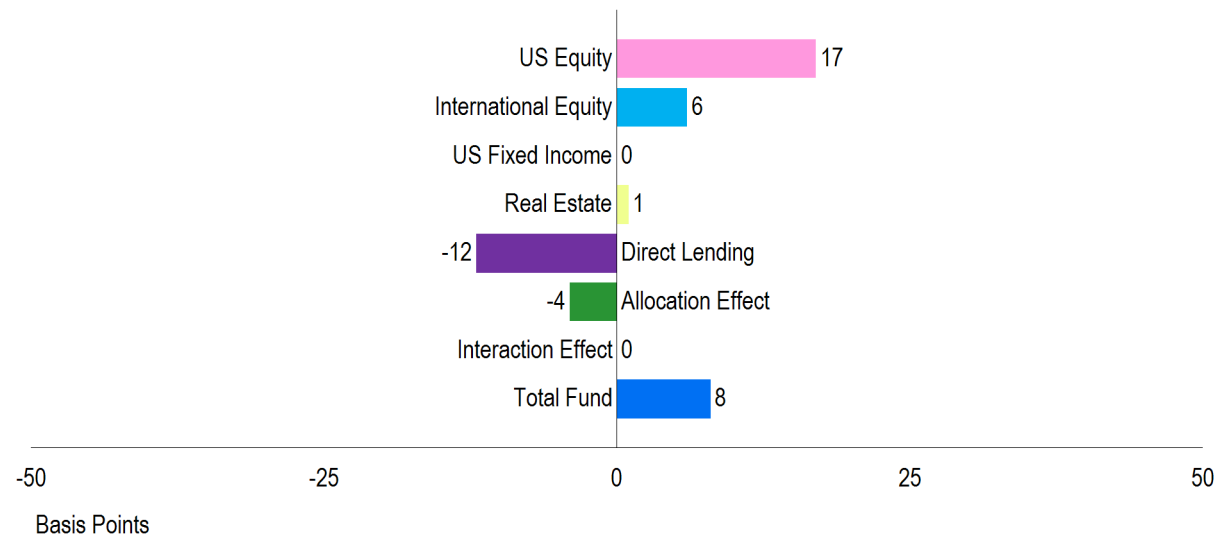
Periods Ending September 30, 2014



	Return (Rank)							
5th Percentile	-0.6	5.4	11.4	13.1	15.2	11.4	6.2	7.9
25th Percentile	-1.0	4.4	10.3	11.8	13.9	10.5	5.5	7.4
Median	-1.3	3.9	9.2	10.4	12.3	9.6	5.1	6.9
75th Percentile	-1.7	3.3	8.0	9.3	11.0	8.6	4.4	6.5
95th Percentile	-2.3	2.5	6.5	7.2	9.1	7.6	3.0	5.7
# of Portfolios	202	199	196	190	180	166	158	143
● Total Fund	-1.2 (43)	4.0 (48)	10.4 (23)	12.7 (9)	14.7 (12)	11.0 (9)	5.4 (30)	7.5 (15)
▲ Policy Index	-1.3 (49)	4.4 (28)	9.8 (37)	10.9 (43)	13.1 (39)	9.9 (42)	4.8 (62)	7.0 (44)

Performance Attribution - Total Plan

Quarter Ending September 30, 2014



Attribution Summary

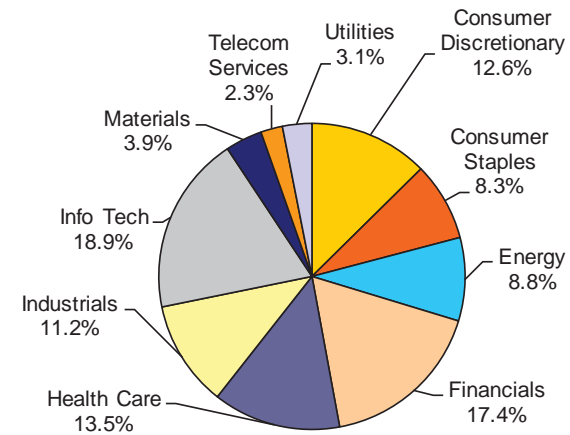
	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
US Equity	-0.58%	-0.97%	0.39%	0.17%	0.00%	0.01%	0.18%
International Equity	-4.89%	-5.19%	0.30%	0.06%	-0.01%	0.00%	0.04%
US Fixed Income	0.15%	0.17%	-0.01%	0.00%	-0.03%	0.00%	-0.03%
Real Estate	-2.37%	-2.99%	0.62%	0.01%	0.00%	0.00%	0.01%
Direct Lending	-0.81%	2.18%	-2.99%	-0.12%	0.00%	0.00%	-0.12%
Total	-1.21%	-1.28%	0.08%	0.12%	-0.04%	0.00%	0.08%

U.S. MARKETS

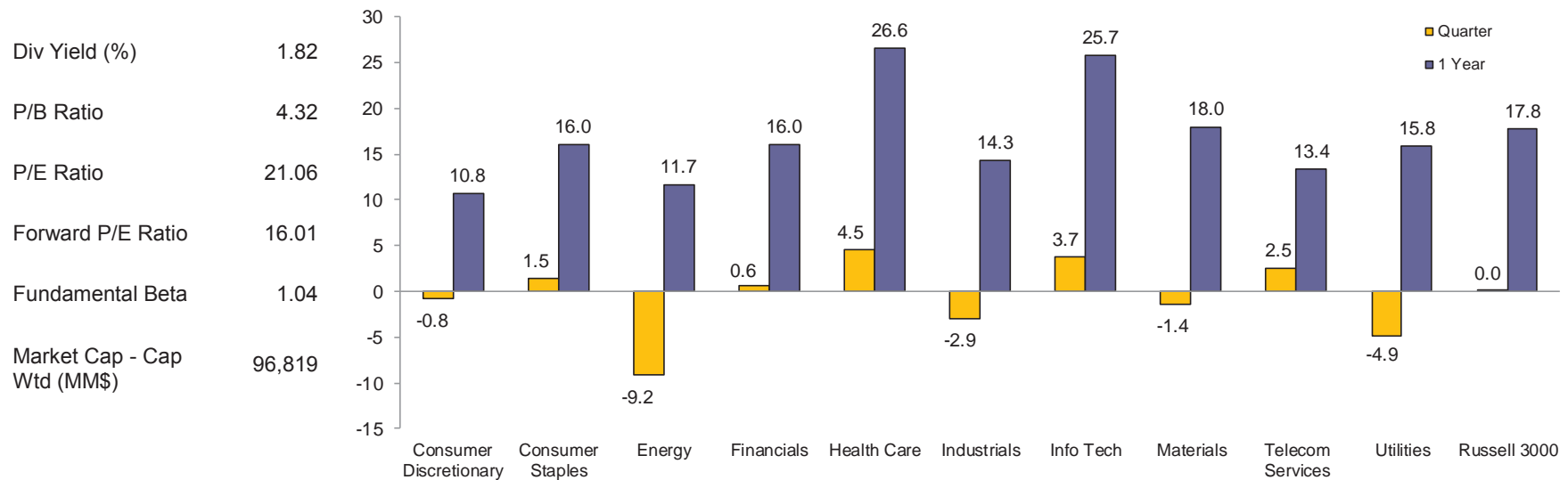
U.S. Equity – Russell 3000

- Increasing energy supplies and the stronger U.S. dollar led to a decrease in energy stocks, which fell 9.2% during the third quarter.
- Healthcare and telecom rose 4.5% and 2.5%, respectively, in the third quarter.
- Overall, the Russell 3000 index was flat during the third quarter; the yearly return was 17.8%.

Ending Sector Weights



Characteristics

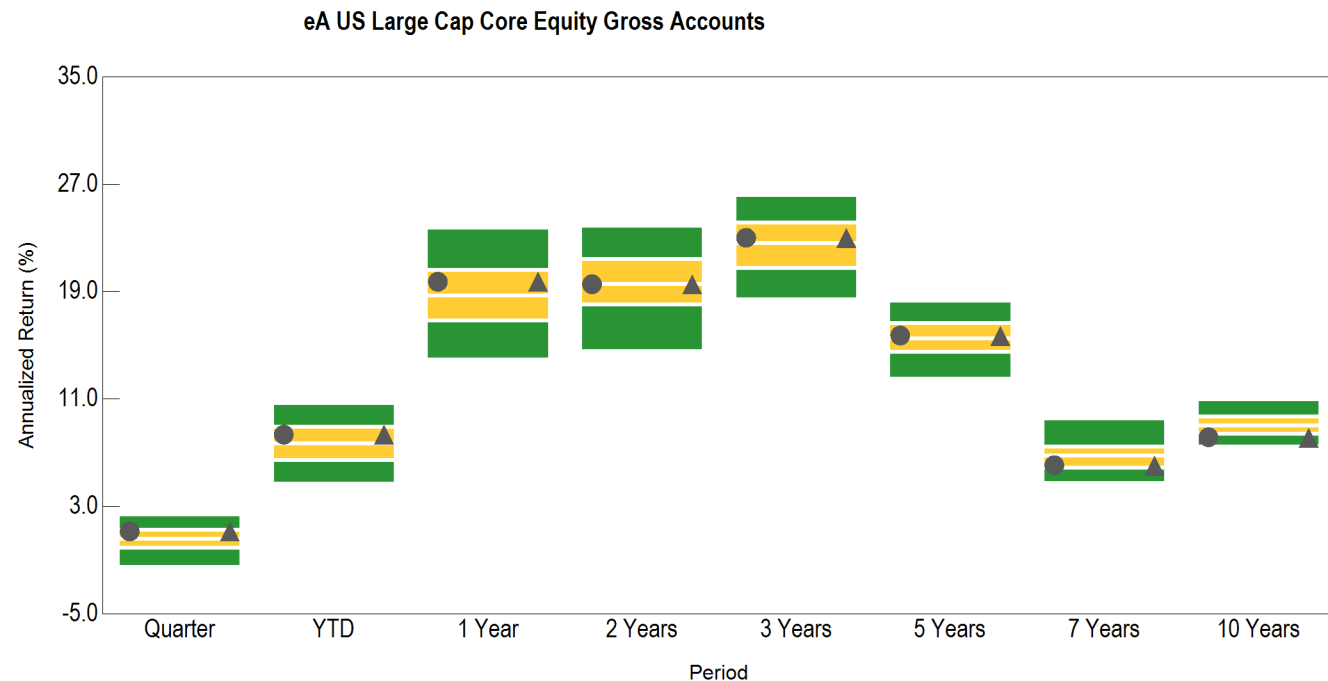


Contribution to Return:

Qtr	-0.1	0.1	-0.9	0.1	0.6	-0.3	0.7	-0.1	0.1	-0.2	0.0
1 Year	1.5	1.4	1.1	2.8	3.4	1.6	4.6	0.7	0.3	0.5	17.8

Total Returns - Large Cap Core Equity

Periods Ending September 30, 2014



Return (Rank)

5th Percentile	2.4	10.7	23.8	23.9	26.2	18.3	9.5	11.0
25th Percentile	1.3	9.0	20.6	21.4	24.2	16.7	7.5	9.7
Median	0.6	7.7	18.8	19.6	22.7	15.6	6.8	9.1
75th Percentile	-0.1	6.5	16.9	18.1	20.8	14.5	5.9	8.4
95th Percentile	-1.5	4.7	14.0	14.6	18.4	12.5	4.8	7.5
# of Portfolios	257	257	257	254	251	237	218	185
● Mellon S&P 500	1.1 (30)	8.3 (42)	19.7 (37)	19.6 (51)	23.0 (47)	15.7 (45)	6.1 (73)	8.2 (84)
▲ S&P 500	1.1 (30)	8.3 (42)	19.7 (37)	19.5 (51)	23.0 (47)	15.7 (45)	6.0 (73)	8.1 (84)

Equity Only Summary Statistics - Mellon S&P 500

Quarter Ending September 30, 2014

Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	673	674
Weighted Avg. Market Cap. (\$B)	110.2	110.2
Median Market Cap. (\$B)	8.5	8.5
Price To Earnings	24.8	22.8
Price To Book	6.5	6.0
Price To Sales	4.3	3.7
Return on Equity (%)	26.7	24.7
Yield (%)	1.5	1.5
Beta (holdings; domestic)	1.0	1.0

Top Holdings

APPLE	3.4%
EXXON MOBIL	2.3%
MICROSOFT	2.2%
JOHNSON & JOHNSON	1.7%
GENERAL ELECTRIC	1.5%
BERKSHIRE HATHAWAY 'B'	1.4%
WELLS FARGO & CO	1.4%
PROCTER & GAMBLE	1.3%
CHEVRON	1.3%
JP MORGAN CHASE & CO.	1.3%

Best Performers

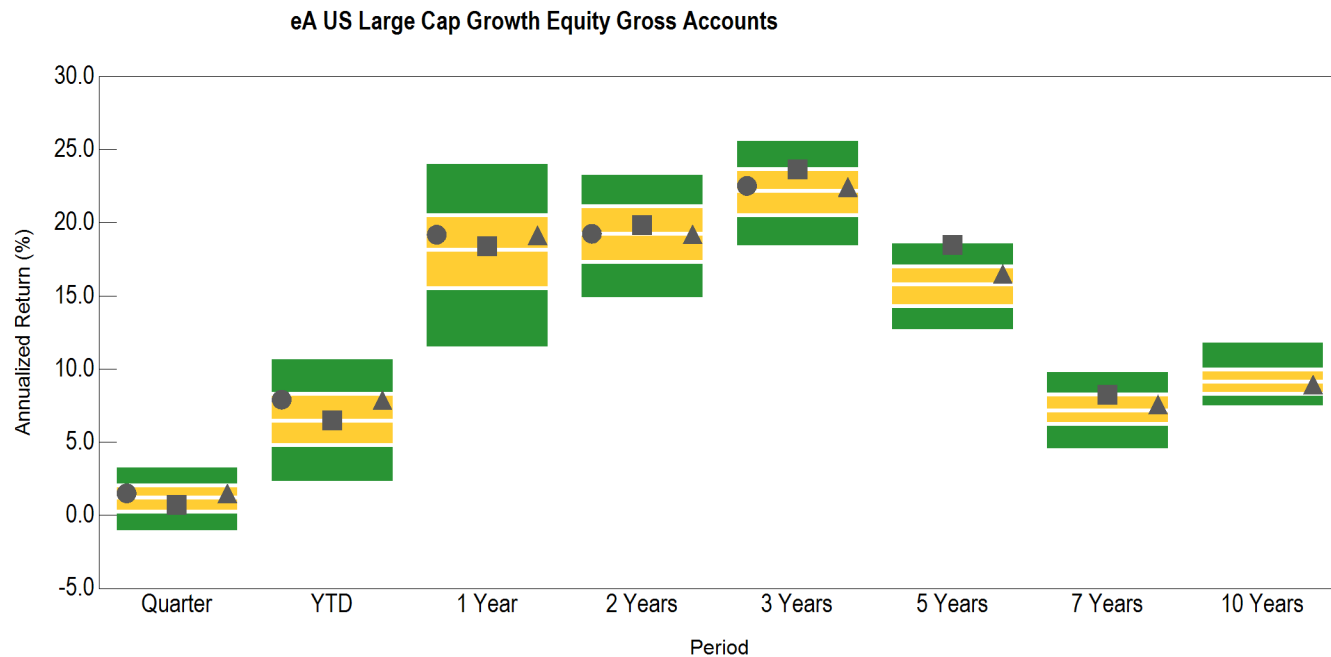
	Return %
UNITED STATES STEEL (X)	50.6%
SIGMA ALDRICH (SIAL)	34.3%
MONSTER BEVERAGE (MNST)	29.1%
GILEAD SCIENCES (GILD)	28.4%
REGENERON PHARMS. (REGN)	27.6%
TENET HEALTHCARE (THC)	26.5%
SOUTHWEST AIRLINES (LUV)	26.0%
AVAGO TECHNOLOGIES (AVGO)	21.2%
AMGEN (AMGN)	19.2%
EDWARDS LIFESCIENCES (EW)	19.0%

Worst Performers

	Return %
DIAMOND OFFS.DRL. (DO)	-29.7%
TRANSOCEAN (RIG)	-27.6%
OWENS ILLINOIS NEW (OI)	-24.8%
GENWORTH FINANCIAL CL.A (GNW)	-24.7%
ENSCO CLASS A (ESV)	-24.5%
PEABODY ENERGY (BTU)	-23.9%
SOUTHWESTERN ENERGY (SWN)	-23.2%
NOBLE (NE)	-23.2%
NABORS INDUSTRIES (NBR)	-22.3%
RANGE RES. (RRC)	-22.0%

Total Returns - Large Cap Growth Equity

Periods Ending September 30, 2014



	Return (Rank)											
5th Percentile	3.4		10.8		24.1		23.4		25.7		18.7	
25th Percentile	2.1		8.3		20.6		21.1		23.7		17.0	
Median	1.2		6.5		18.2		19.3		22.2		15.8	
75th Percentile	0.3		4.8		15.6		17.3		20.5		14.3	
95th Percentile	-1.1		2.3		11.5		14.8		18.3		12.6	
# of Portfolios	288		287		287		281		277		265	
● BlackRock Russell 1000 Growth	1.5	(42)	7.9	(33)	19.2	(38)	19.3	(51)	22.5	(45)	--	(--)
■ Jackson Square	0.7	(66)	6.5	(51)	18.4	(47)	19.8	(42)	23.7	(27)	18.5	(8)
▲ Russell 1000 Growth	1.5	(42)	7.9	(33)	19.1	(38)	19.2	(51)	22.4	(46)	16.5	(37)

Equity Only Summary Statistics - BlackRock Russell 1000 Growth

Quarter Ending September 30, 2014

Characteristics	Portfolio	Russell 1000 Growth
Number of Holdings	673	674
Weighted Avg. Market Cap. (\$B)	110.2	110.2
Median Market Cap. (\$B)	8.5	8.5
Price To Earnings	24.8	22.8
Price To Book	6.5	6.0
Price To Sales	4.3	3.7
Return on Equity (%)	26.7	24.7
Yield (%)	1.5	1.5
Beta (holdings; domestic)	1.0	1.0

Top Holdings

APPLE	5.9%
MICROSOFT	2.4%
VERIZON COMMUNICATIONS	2.0%
INTERNATIONAL BUS.MCHS.	1.8%
COCA COLA	1.7%
GOOGLE 'A'	1.6%
GOOGLE 'C'	1.6%
GILEAD SCIENCES	1.6%
FACEBOOK CLASS A	1.5%
PEPSICO	1.4%

Best Performers

	Return %
UNITED THERAPEUTICS (UTHR)	45.4%
CONCUR TECHS. (CNQR)	35.9%
SIGMA ALDRICH (SIAL)	34.3%
PHARMACYCLICS (PCYC)	30.9%
ULTA SALON CO&FRA. (ULTA)	29.3%
DRESSER-RAND GROUP (DRC)	29.1%
MONSTER BEVERAGE (MNST)	29.1%
GILEAD SCIENCES (GILD)	28.4%
MEDIVATION (MDVN)	28.3%
REGENERON PHARMS. (REGN)	27.6%

Worst Performers

	Return %
NU SKIN ENTERPRISES 'A' (NUS)	-38.6%
SEARS HOLDINGS (SHLD)	-36.9%
RITE AID (RAD)	-32.5%
HERBALIFE (HLF)	-32.2%
AARON'S (AAN)	-31.7%
SEAWORLD ENTERTAINMENT (SEAS)	-31.4%
KATE SPADE & COMPANY (KATE)	-31.2%
SEADRILL (NYS) (SDRL)	-31.1%
OCWEN FINANCIAL (OCN)	-29.4%
MANITOWOC (MTW)	-28.6%

Stanislaus County Employees' Retirement Association
Equity Only Summary Statistics - Jackson Square

Quarter Ending September 30, 2014

Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	32	674
Weighted Avg. Market Cap. (\$B)	79.1	110.2
Median Market Cap. (\$B)	47.2	8.5
Price To Earnings	32.6	22.8
Price To Book	5.9	6.0
Price To Sales	7.0	3.7
Return on Equity (%)	17.8	24.7
Yield (%)	1.0	1.5
Beta (holdings; domestic)	1.0	1.0

Top Holdings

CELGENE	6.3%
MICROSOFT	6.1%
ALLERGAN	5.4%
EBAY	5.0%
VISA 'A'	5.0%
QUALCOMM	4.8%
MASTERCARD	4.6%
CROWN CASTLE INTL.	4.5%
EOG RES.	4.4%
WALGREEN	4.3%

Best Performers

	Return %
BAIDU 'A' ADR 10:1 (BIDU)	16.8%
NIKE 'B' (NKE)	15.4%
L BRANDS (LB)	14.8%
CME GROUP (CME)	13.4%
EBAY (EBAY)	13.1%
MICROSOFT (MSFT)	11.9%
CELGENE (CELG)	10.4%
SALLY BEAUTY HOLDINGS (SBH)	9.1%
INTUIT (INTU)	9.1%
CROWN CASTLE INTL. (CCI)	8.9%

Worst Performers

	Return %
WALGREEN (WAG)	-19.6%
SYNGENTA SPN.ADR 5:1 (SYT)	-15.3%
EOG RES. (EOG)	-15.2%
YELP CLASS A (YELP)	-11.0%
VERIFONE SYSTEMS (PAY)	-6.4%
QUALCOMM (QCOM)	-5.1%
ADOBE SYSTEMS (ADBE)	-4.4%
WILLIAMS (WMB)	-4.0%
PRICELINE GROUP (PCLN)	-3.7%
LIBERTY INTACT.'A' (QVCA)	-2.9%

Equity Sector Attribution - Jackson Square

Quarter Ending September 30, 2014

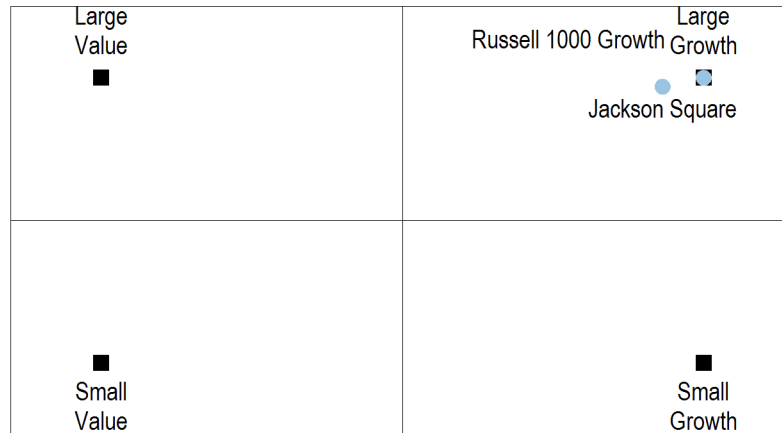
Jackson Square Performance Attribution vs. Russell 1000 Growth

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.4%	0.0%	-0.4%	0.0%	-10.5%	-10.3%	8.6%	6.4%			
Materials	-0.2%	-0.7%	0.0%	0.4%	-15.3%	-0.2%	1.7%	4.3%			
Industrials	0.4%	--	0.4%	--	--	-1.5%	0.0%	12.2%			
Cons. Disc.	0.3%	0.4%	0.0%	-0.1%	2.5%	0.5%	14.8%	18.4%			
Cons. Staples	-1.1%	-2.2%	0.0%	1.1%	-19.6%	0.8%	5.4%	10.5%			
Health Care	0.0%	-0.2%	0.2%	0.0%	6.5%	8.0%	15.7%	12.8%			
Financials	0.5%	0.4%	-0.1%	0.2%	6.4%	-1.4%	10.4%	5.3%			
Info. Tech	-0.2%	-0.4%	0.4%	-0.2%	2.7%	4.1%	43.2%	27.7%			
Telecomm.	-0.1%	--	-0.1%	--	--	3.8%	0.0%	2.3%			
Utilities	0.0%	--	0.0%	--	--	-3.1%	0.0%	0.1%			
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	--	0.2%	0.0%			
Portfolio	-0.7%	=	-2.6%	+	0.4%	+	1.5%	0.8%	1.5%	100.0%	100.0%

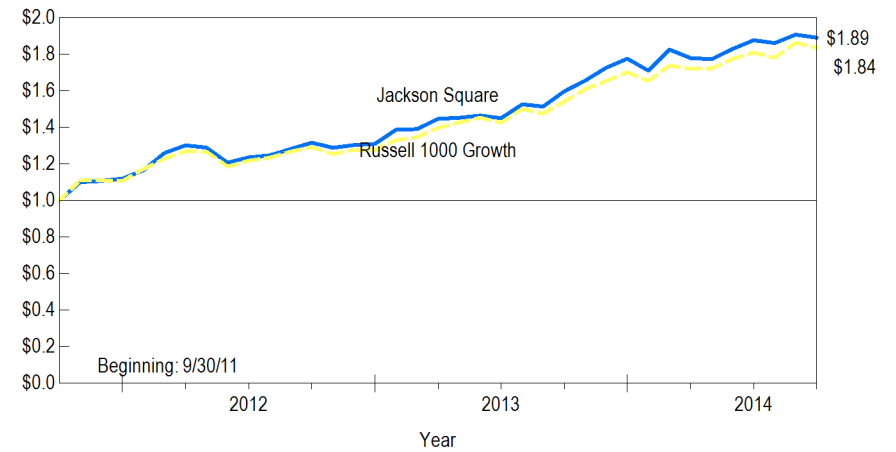
Return Based Style Analysis - Jackson Square

3 Years Ending September 30, 2014

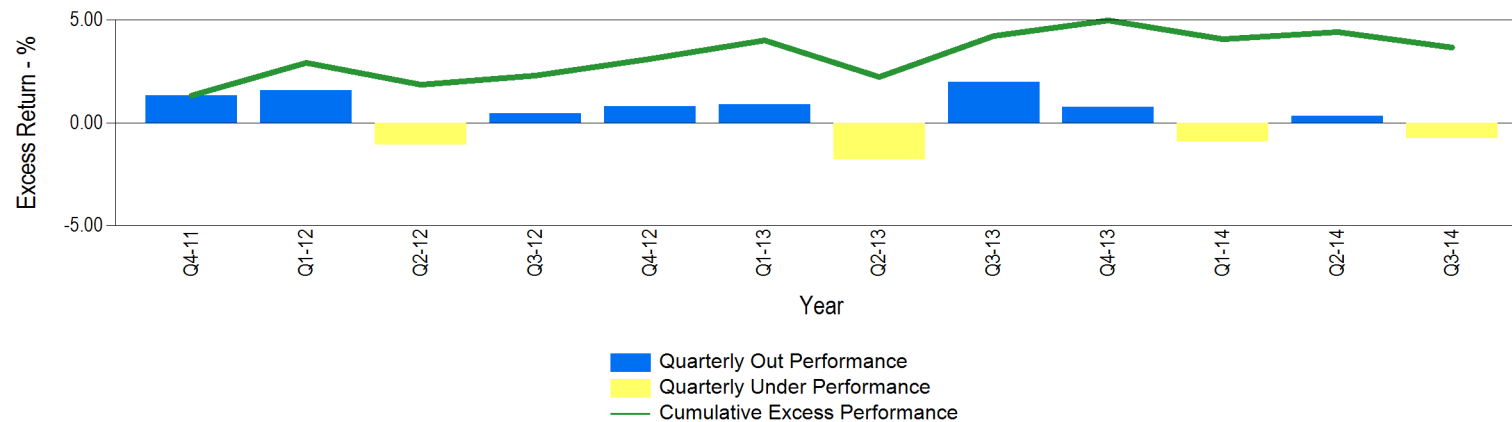
US Effective Style Map



Growth of a Dollar

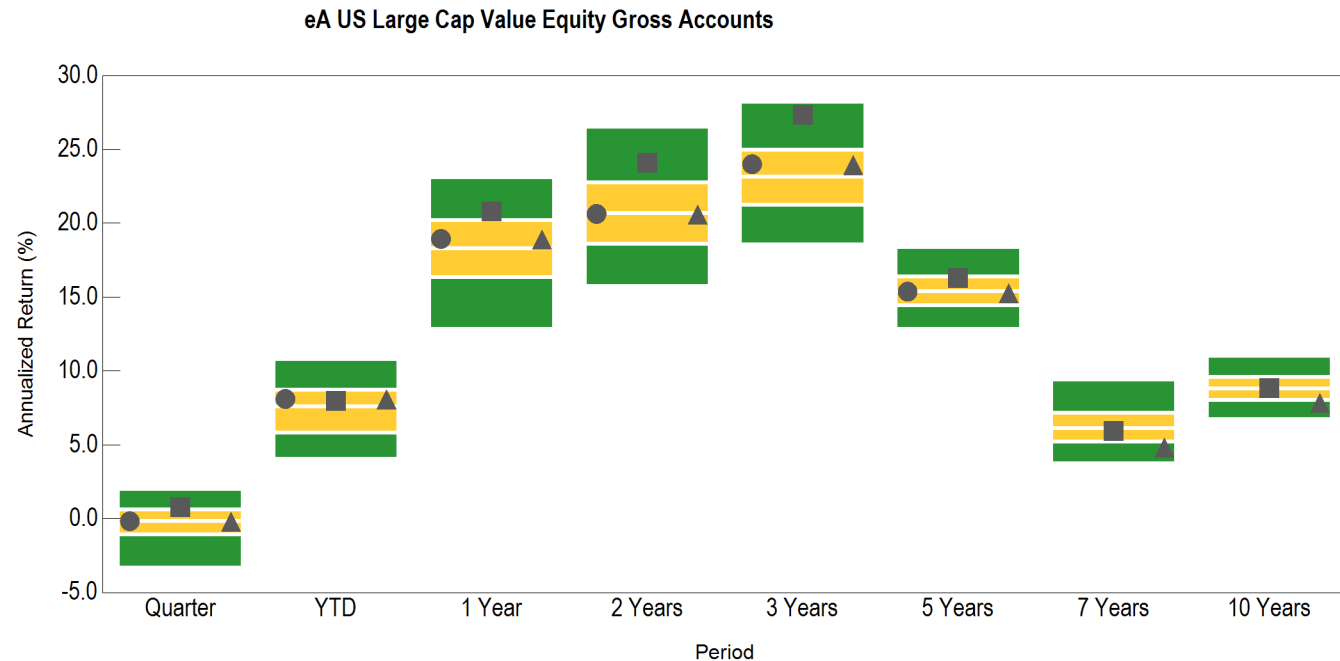


Quarterly and Cumulative Excess Performance



Total Returns - Large Cap Value Equity

Periods Ending September 30, 2014



	Return (Rank)							
5th Percentile	2.0	10.8	23.1	26.5	28.2	18.4	9.4	11.0
25th Percentile	0.7	8.8	20.2	22.8	25.0	16.4	7.2	9.6
Median	-0.1	7.6	18.3	20.7	23.2	15.4	6.2	8.9
75th Percentile	-1.0	5.9	16.4	18.6	21.3	14.5	5.3	8.1
95th Percentile	-3.3	4.1	12.9	15.8	18.6	12.9	3.8	6.8
# of Portfolios	310	310	310	309	305	292	274	240
● BlackRock Russell 1000 Value	-0.2 (53)	8.1 (41)	18.9 (43)	20.6 (51)	24.0 (40)	15.4 (51)	-- (--)	-- (--)
■ Dodge & Cox-Equity	0.8 (23)	8.0 (44)	20.8 (22)	24.1 (15)	27.3 (8)	16.3 (28)	5.9 (56)	8.8 (51)
▲ Russell 1000 Value	-0.2 (53)	8.1 (42)	18.9 (43)	20.6 (52)	23.9 (40)	15.3 (54)	4.8 (85)	7.8 (79)

Equity Only Summary Statistics - BlackRock Russell 1000 Value

Quarter Ending September 30, 2014

Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	689	690
Weighted Avg. Market Cap. (\$B)	106.9	106.8
Median Market Cap. (\$B)	6.8	6.8
Price To Earnings	19.5	18.5
Price To Book	2.3	2.2
Price To Sales	2.3	2.2
Return on Equity (%)	13.2	12.9
Yield (%)	2.4	2.3
Beta (holdings; domestic)	1.0	1.0

Top Holdings

MICROSOFT	2.1%
BNP DAX TRS 13P	1.9%
EBAY	1.1%
WELLS FARGO & CO	1.1%
CELGENE	1.0%
APPLE	0.9%
VISA 'A'	0.9%
QUALCOMM	0.8%
ALLERGAN	0.8%
HEWLETT-PACKARD	0.8%

Best Performers

	Return %
UNITED STATES STEEL (X)	50.6%
SIGMA ALDRICH (SIAL)	34.3%
STEEL DYNAMICS (STLD)	26.6%
URS (URS)	26.1%
SOUTHWEST AIRLINES (LUV)	26.0%
HCA HOLDINGS (HCA)	25.1%
ALNYLAM PHARMACEUTICALS (ALNY)	23.6%
ROYAL CARIBBEAN CRUISES (RCL)	21.6%
COMMUNITY HEALTH SYSTEMS (CYH)	20.8%
AMGEN (AMGN)	19.2%

Worst Performers

	Return %
SANDRIDGE ENERGY (SD)	-40.0%
SEARS HOLDINGS (SHLD)	-36.9%
RITE AID (RAD)	-32.5%
AARON'S (AAN)	-31.7%
SEADRILL (NYS) (SDRL)	-31.1%
CLIFFS NATURAL RESOURCES (CLF)	-30.4%
TIDEWATER (TDW)	-30.1%
DIAMOND OFFS.DRL. (DO)	-29.7%
CARPENTER TECH. (CRS)	-28.4%
LAREDO PETROLEUM (LPI)	-27.7%

Stanislaus County Employees' Retirement Association

Equity Only Summary Statistics - Dodge & Cox Equity

Quarter Ending September 30, 2014

Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	70	690
Weighted Avg. Market Cap. (\$B)	107.4	106.8
Median Market Cap. (\$B)	39.0	6.8
Price To Earnings	20.4	18.5
Price To Book	2.7	2.2
Price To Sales	2.4	2.2
Return on Equity (%)	14.9	12.9
Yield (%)	1.9	2.3
Beta (holdings; domestic)	1.2	1.0

Top Holdings

HEWLETT-PACKARD	4.3%
MICROSOFT	4.2%
WELLS FARGO & CO	4.1%
CAPITAL ONE FINL.	4.1%
NOVARTIS 'B' SPN.ADR 1:1	3.5%
COMCAST 'A'	3.2%
TIME WARNER	3.2%
SANOFI ADR 2:1	3.0%
CHARLES SCHWAB	2.8%
FEDEX	2.7%

Best Performers

	Return %
NETAPP (NTAP)	18.2%
EBAY (EBAY)	13.1%
AOL (AOL)	13.0%
NOKIA SPN.ADR 1:10 (NOK)	11.9%
MICROSOFT (MSFT)	11.9%
EMC (EMC)	11.5%
BANK OF AMERICA (BAC)	11.3%
GOLDMAN SACHS GP. (GS)	10.0%
CHARLES SCHWAB (SCHW)	9.4%
TARGET (TGT)	9.1%

Worst Performers

	Return %
SPRINT (S)	-25.7%
NOW (DNO)	-16.0%
SCHLUMBERGER (SLB)	-13.5%
GLAXOSMITHKLINE SPN.ADR 1:2 (GSK)	-12.9%
BAKER HUGHES (BHI)	-12.4%
CORNING (GLW)	-11.5%
CARMAX (KMX)	-10.7%
TE CONNECTIVITY (TEL)	-10.2%
MAXIM INTEGRATED PRDS. (MXIM)	-9.7%
WEATHERFORD INTL. (WFT)	-9.6%

Equity Sector Attribution - Dodge & Cox Equity

Quarter Ending September 30, 2014

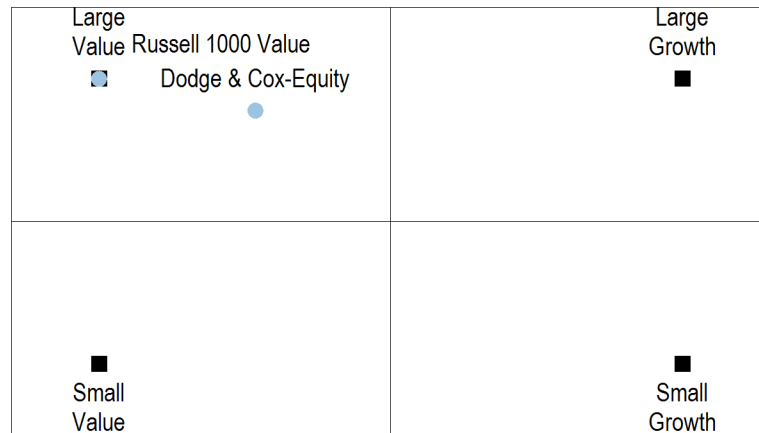
Dodge & Cox-Equity Performance Attribution vs. Russell 1000 Value

	Attribution Effects							Returns		Sector Weights		
	Total Effects		Selection Effect		Allocation Effect		Interaction Effects		Portfolio	Benchmark	Portfolio	Benchmark
Energy	0.1%		-0.4%		0.3%		0.1%	-10.4%	-7.7%	9.7%	13.9%	
Materials	-0.1%		-0.1%		0.0%		0.0%	-4.9%	-1.7%	2.3%	3.4%	
Industrials	0.4%		0.5%		0.1%		-0.2%	1.7%	-2.9%	7.0%	10.5%	
Cons. Disc.	0.2%		0.1%		-0.1%		0.2%	1.0%	-1.4%	15.0%	6.3%	
Cons. Staples	-0.2%		-0.2%		-0.1%		0.1%	0.3%	2.9%	2.8%	6.9%	
Health Care	-0.3%		-0.3%		0.1%		-0.1%	0.2%	2.5%	17.3%	13.1%	
Financials	0.0%		0.2%		-0.1%		0.0%	2.6%	2.0%	23.6%	28.5%	
Info. Tech	0.6%		0.0%		0.7%		-0.1%	4.7%	5.2%	21.9%	8.9%	
Telecomm.	-0.1%		-0.6%		0.0%		0.5%	-25.7%	1.0%	0.4%	2.3%	
Utilities	0.3%		--		0.3%		--	--	-4.4%	0.0%	6.3%	
Cash	0.0%		0.0%		0.0%		0.0%	0.0%	--	0.0%	0.0%	
Portfolio	1.0%	=	-0.8%	+	1.2%	+	0.6%	0.8%	-0.2%	100.0%	100.0%	

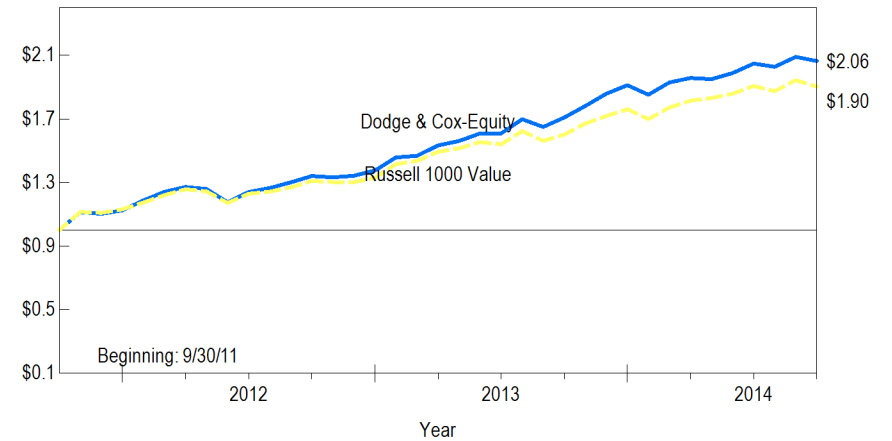
Return Based Style Analysis - Dodge & Cox Equity

3 Years Ending September 30, 2014

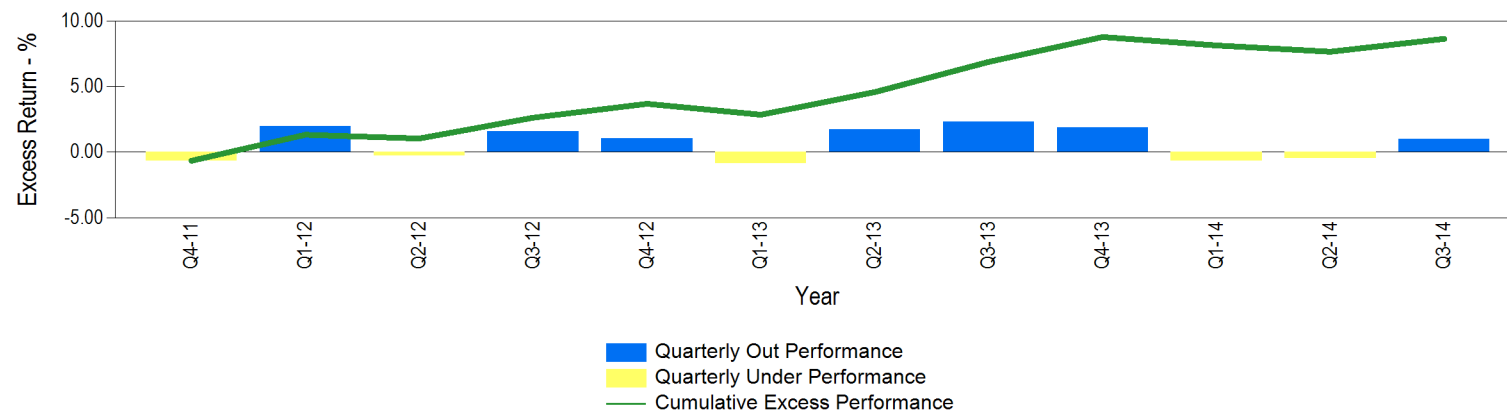
US Effective Style Map



Growth of a Dollar

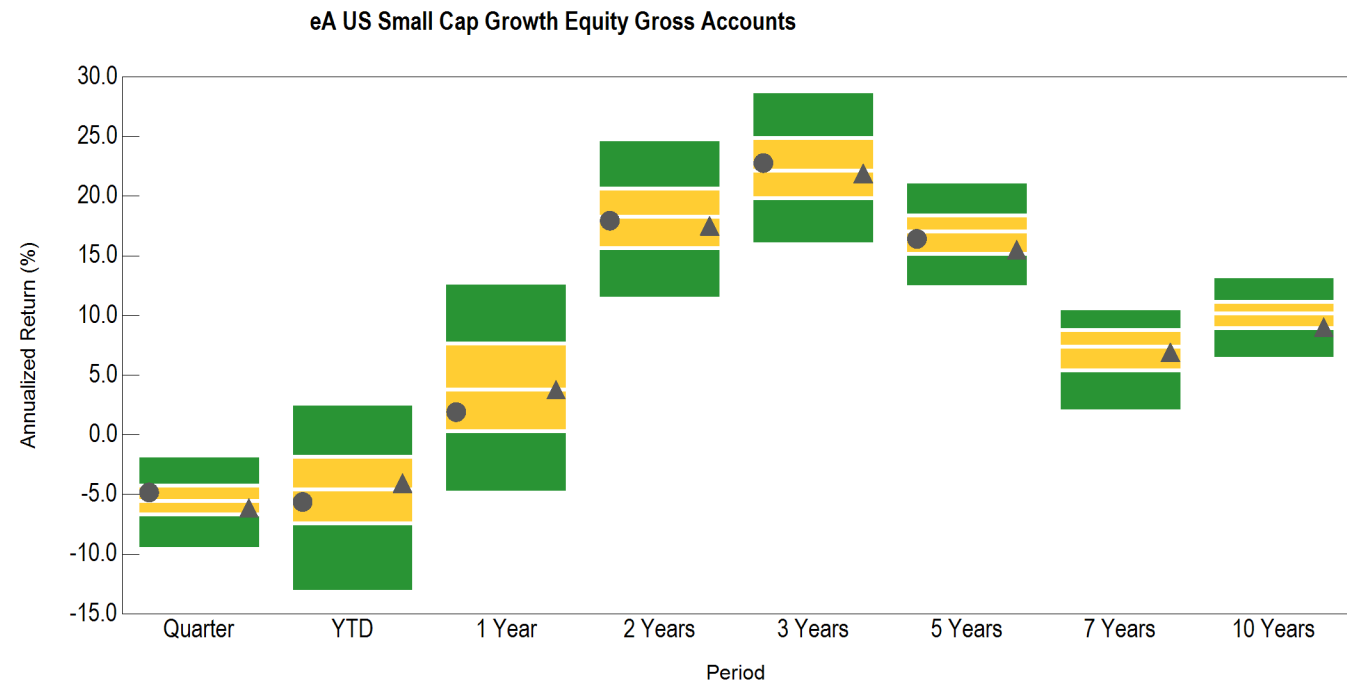


Quarterly and Cumulative Excess Performance



Total Returns - Small Cap Growth Equity

Periods Ending September 30, 2014



	Return (Rank)							
5th Percentile	-1.7	2.6	12.7	24.7	28.7	21.2	10.6	13.2
25th Percentile	-4.2	-1.8	7.7	20.7	24.9	18.4	8.8	11.1
Median	-5.5	-4.6	3.8	18.3	22.1	17.0	7.4	10.2
75th Percentile	-6.6	-7.4	0.3	15.7	19.8	15.2	5.4	9.0
95th Percentile	-9.5	-13.1	-4.8	11.4	16.0	12.4	2.0	6.4
# of Portfolios	157	157	157	153	151	145	133	115
● Legato Capital	-4.8 (34)	-5.6 (65)	1.9 (65)	17.9 (52)	22.8 (46)	16.4 (61)	-- (--)	-- (--)
▲ Russell 2000 Growth	-6.1 (68)	-4.0 (49)	3.8 (51)	17.5 (57)	21.9 (55)	15.5 (72)	6.9 (60)	9.0 (75)

Stanislaus County Employees' Retirement Association
Equity Only Summary Statistics - Legato Capital

Quarter Ending September 30, 2014

Characteristics

	Portfolio	Russell 2000 Growth
Number of Holdings	404	1,151
Weighted Avg. Market Cap. (\$B)	2.0	1.8
Median Market Cap. (\$B)	1.3	0.8
Price To Earnings	30.4	26.6
Price To Book	4.5	4.7
Price To Sales	4.0	3.3
Return on Equity (%)	14.4	15.8
Yield (%)	0.4	0.4
Beta (holdings; domestic)	1.3	1.4

Top Holdings

ISHARES RUSSELL 2000 GW.	3.6%
SYNCHRONOSS TECHNOLOGIES	2.2%
CONSTANT CONTACT	1.7%
CARDTRONICS	1.6%
LIFELOCK	1.4%
ECHO GLOBAL LOGISTICS	1.3%
SHUTTERFLY	1.2%
AMSURG	1.2%
AKORN	1.2%
ADVENT SOFTWARE	1.0%

Best Performers

	Return %
PUMA BIOTECHNOLOGY (PBYI)	261.5%
AVANIR PHARMS.'A' (AVNR)	111.3%
AMICUS THERAPEUTICS (FOLD)	78.1%
IGI LABORATORIES (IG)	75.5%
ENPHASE ENERGY (ENPH)	75.3%
PTC THERAPEUTICS (PTCT)	68.4%
INTERMUNE (ITMN)	66.4%
CENTURY ALUMINUM (CENX)	65.6%
VASCO DATA SCTY.INTL. (VDSI)	61.9%
NEOGENOMICS (NEO)	56.9%

Worst Performers

	Return %
MARCHEX 'B' (MCHX)	-65.4%
EXONE (XONE)	-47.3%
GOODRICH PTL. (GDP)	-46.3%
HALCON RESOURCES (HK)	-45.7%
REVANCE THERAPEUTICS (RVNC)	-43.1%
REPROS THERAPEUTICS (RPRX)	-42.8%
MAXWELL TECHNOLOGIES (MXWL)	-42.4%
GT ADVANCED TECHS. (GTATQ)	-41.8%
TILE SHOP HOLDINGS (TTS)	-39.5%
CUMULUS MDA.'A' (CMLS)	-38.8%

Equity Sector Attribution - Legato Capital

Quarter Ending September 30, 2014

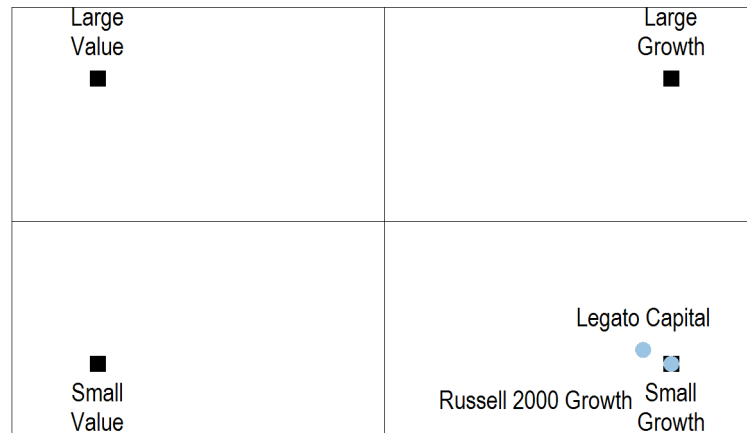
Legato Capital Performance Attribution vs. Russell 2000 Growth

	Attribution Effects				Returns		Sector Weights				
	Total Effects	Selection Effect	Allocation Effect	Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark			
Energy	-0.1%	0.0%	0.0%	0.0%	-18.0%	-17.2%	6.4%	5.2%			
Materials	0.1%	0.2%	0.0%	-0.1%	-3.4%	-7.2%	2.3%	5.6%			
Industrials	0.0%	0.1%	0.0%	0.0%	-7.6%	-8.1%	17.4%	14.7%			
Cons. Disc.	-0.7%	-0.6%	0.0%	0.0%	-12.2%	-8.2%	16.1%	15.2%			
Cons. Staples	0.0%	0.1%	-0.1%	0.0%	3.2%	0.5%	2.8%	3.7%			
Health Care	1.3%	1.3%	0.0%	0.0%	1.7%	-4.7%	21.3%	21.5%			
Financials	-0.2%	-0.3%	0.0%	0.1%	-9.9%	-6.1%	5.8%	7.5%			
Info. Tech	0.7%	0.6%	0.0%	0.1%	-2.8%	-5.0%	26.9%	25.7%			
Telecomm.	0.0%	0.0%	0.0%	0.0%	-9.2%	-5.1%	1.0%	0.7%			
Utilities	0.0%	--	0.0%	--	--	-5.6%	0.0%	0.2%			
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	--	0.0%	0.0%			
Portfolio	1.2%	=	1.3%	+	-0.1%	+	-0.1%	-5.3%	-6.5%	100.0%	100.0%

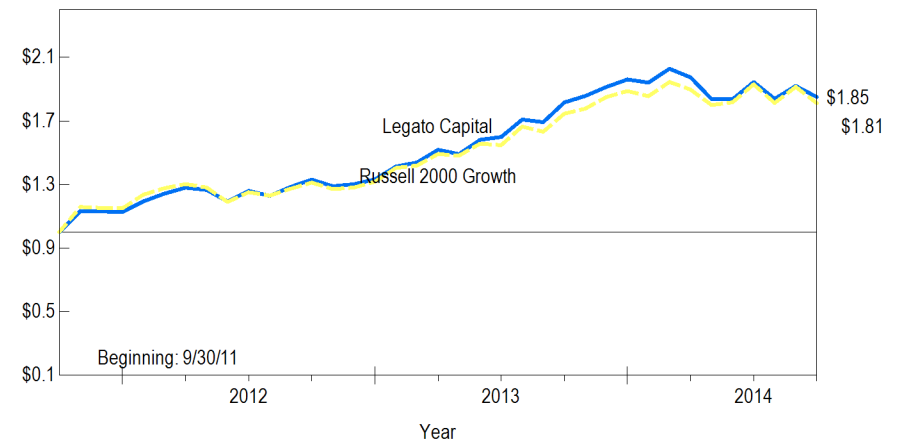
Return Based Style Analysis - Legato Capital

3 Years Ending September 30, 2014

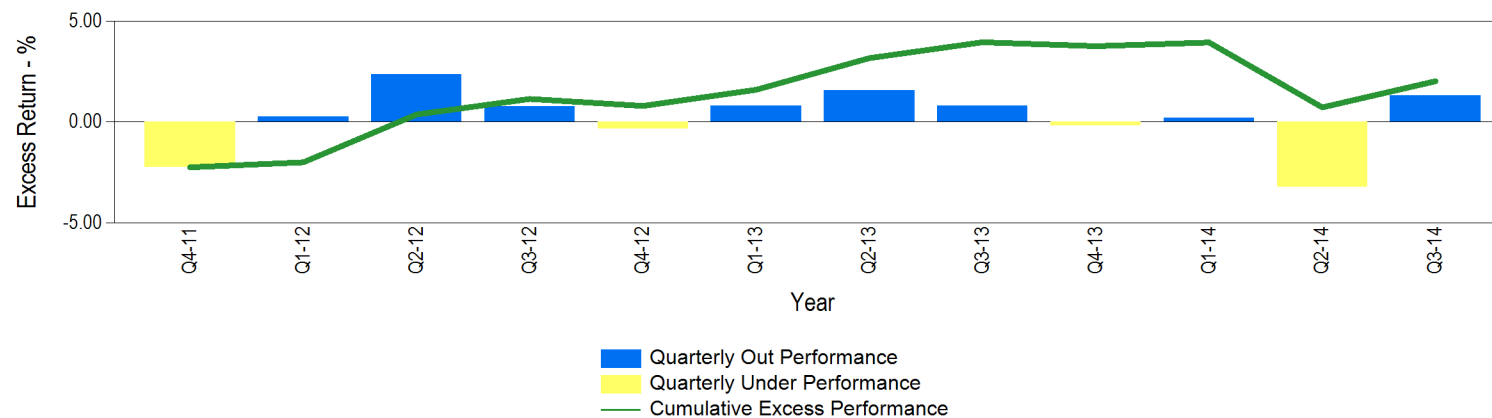
U.S. Effective Style Map



Growth of a Dollar

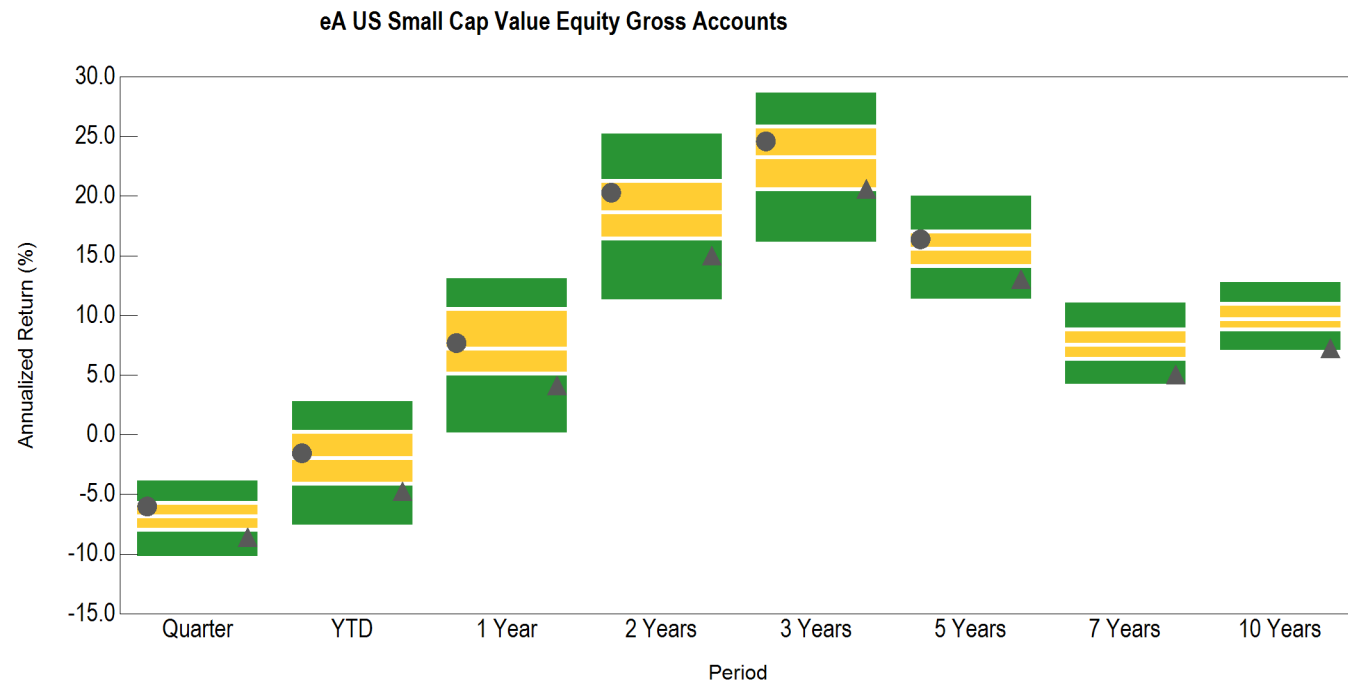


Quarterly and Cumulative Excess Performance



Total Returns - Small Cap Value Equity

Periods Ending September 30, 2014



	Return (Rank)							
5th Percentile	-3.7	3.0	13.3	25.4	28.8	20.2	11.2	12.9
25th Percentile	-5.7	0.3	10.6	21.3	25.8	17.1	8.9	11.0
Median	-6.8	-1.9	7.3	18.7	23.3	15.6	7.6	9.7
75th Percentile	-7.9	-4.1	5.1	16.5	20.6	14.1	6.4	8.9
95th Percentile	-10.3	-7.7	0.1	11.2	16.0	11.3	4.1	7.0
# of Portfolios	208	208	208	207	204	195	176	149
● Capital Prospects	-6.0 (33)	-1.5 (45)	7.7 (47)	20.3 (37)	24.6 (36)	16.4 (35)	-- (--)	-- (--)
▲ Russell 2000 Value	-8.6 (82)	-4.7 (81)	4.1 (81)	15.0 (87)	20.6 (76)	13.0 (88)	5.1 (90)	7.3 (95)

Stanislaus County Employees' Retirement Association

Equity Only Summary Statistics - Capital Prospects

Quarter Ending September 30, 2014

Characteristics

	Portfolio	Russell 2000 Value
Number of Holdings	287	1,307
Weighted Avg. Market Cap. (\$B)	2.0	1.5
Median Market Cap. (\$B)	1.3	0.6
Price To Earnings	21.8	18.6
Price To Book	2.3	1.6
Price To Sales	2.0	2.4
Return on Equity (%)	12.9	7.4
Yield (%)	1.8	1.8
Beta (holdings; domestic)	1.3	1.3

Top Holdings

ASBURY AUTOMOTIVE GP.	1.2%
DELUXE	1.2%
VERINT SYSTEMS	1.2%
CINEMARK HOLDINGS	1.2%
HILLENBRAND	1.1%
AMERICAN EQ.INV.LF.HLDG.	1.1%
TOTAL SYSTEM SERVICES	0.9%
ENPRO INDS.	0.9%
MERITOR	0.9%
BARRETT BUS.SVS.	0.8%

Best Performers

	Return %
SL INDUSTRIES (SLI)	65.5%
CROSS COUNTRY HLTHCR. (CCRN)	42.5%
ARC DOCUMENT SOLUTIONS (ARC)	38.2%
LAWSON PRODUCTS (LAWS)	36.8%
CONVERSANT (CNVR)	34.8%
HURCO COMPANIES (HURC)	33.8%
PAM TRANSPORTATION SVS. (PTSI)	29.6%
DRESSER-RAND GROUP (DRC)	29.1%
STEEL DYNAMICS (STLD)	26.6%
ALMOST FAMILY (AFAM)	23.1%

Worst Performers

	Return %
RUBICON TECHNOLOGY (RBCN)	-51.4%
PHOTOMEDEX (PHMD)	-49.4%
GOODRICH PTL. (GDP)	-46.3%
GT ADVANCED TECHS. (GTATQ)	-41.8%
TRIMAS (TRS)	-36.2%
HANGER (HGR)	-34.8%
STONE ENERGY (SGY)	-33.0%
SEAWORLD ENTERTAINMENT (SEAS)	-31.4%
SANCHEZ ENERGY (SN)	-30.1%
CLAYTON WILLIAMS EN. (CWEI)	-29.8%

Equity Sector Attribution - Capital Prospects

Quarter Ending September 30, 2014

Capital Prospects Performance Attribution vs. Russell 2000 Value

	Attribution Effects							Returns		Sector Weights					
	Total		Selection		Allocation		Interaction		Portfolio	Benchmark	Portfolio	Benchmark			
	Effects		Effect		Effect		Effects								
Energy	0.8%		0.8%		0.1%		-0.1%		-11.9%		-22.8%		6.7%		7.5%
Materials	0.2%		0.1%		0.0%		0.1%		-6.4%		-9.5%		7.1%		4.7%
Industrials	0.9%		0.7%		-0.2%		0.5%		-6.2%		-11.1%		22.8%		13.4%
Cons. Disc.	0.7%		0.5%		0.0%		0.2%		-4.2%		-9.0%		15.7%		11.1%
Cons. Staples	0.2%		0.2%		0.0%		-0.1%		0.2%		-8.7%		2.3%		2.6%
Health Care	0.1%		0.1%		0.0%		0.0%		-4.3%		-6.8%		5.4%		4.9%
Financials	-0.7%		-0.3%		-0.6%		0.1%		-5.7%		-5.1%		21.7%		38.5%
Info. Tech	0.4%		0.2%		0.1%		0.1%		-4.9%		-6.8%		15.5%		10.1%
Telecomm.	0.0%		0.0%		0.0%		0.0%		0.0%		-8.7%		0.3%		0.8%
Utilities	0.1%		0.1%		0.1%		-0.1%		-8.5%		-10.3%		2.5%		6.5%
Cash	0.0%		0.0%		0.0%		0.0%		0.0%		--		0.0%		0.0%
Portfolio	2.8%	=	2.6%	+	-0.6%	+	0.8%		-5.8%		-8.6%		100.0%		100.0%

Stanislaus County Employees' Retirement Association

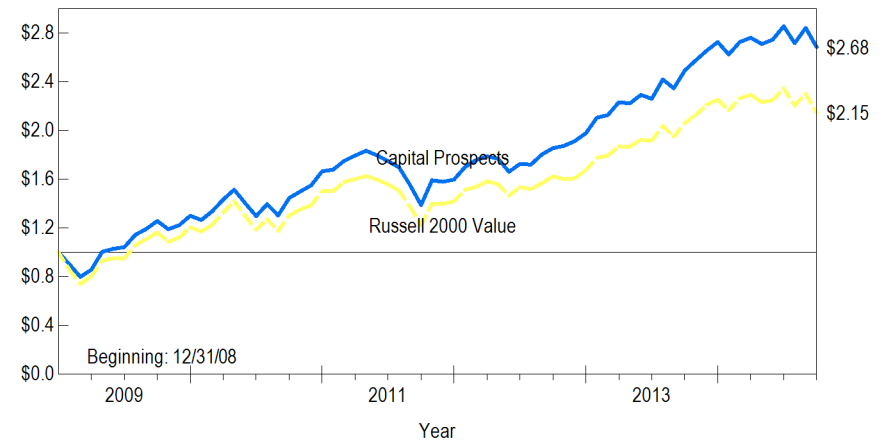
Return Based Style Analysis - Capital Prospects

3 Years Ending September 30, 2014

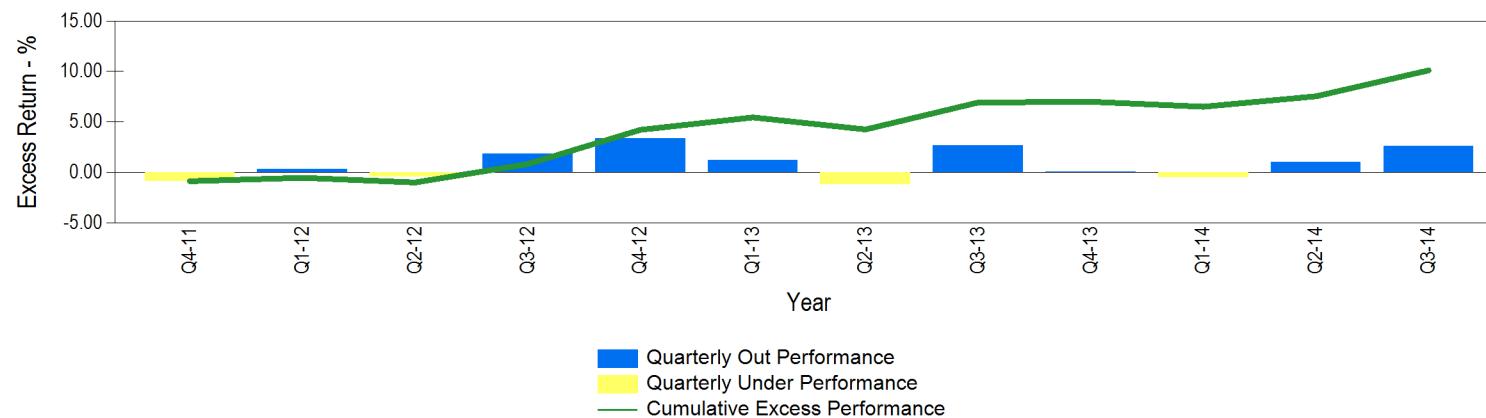
US Effective Style Map



Growth of a Dollar

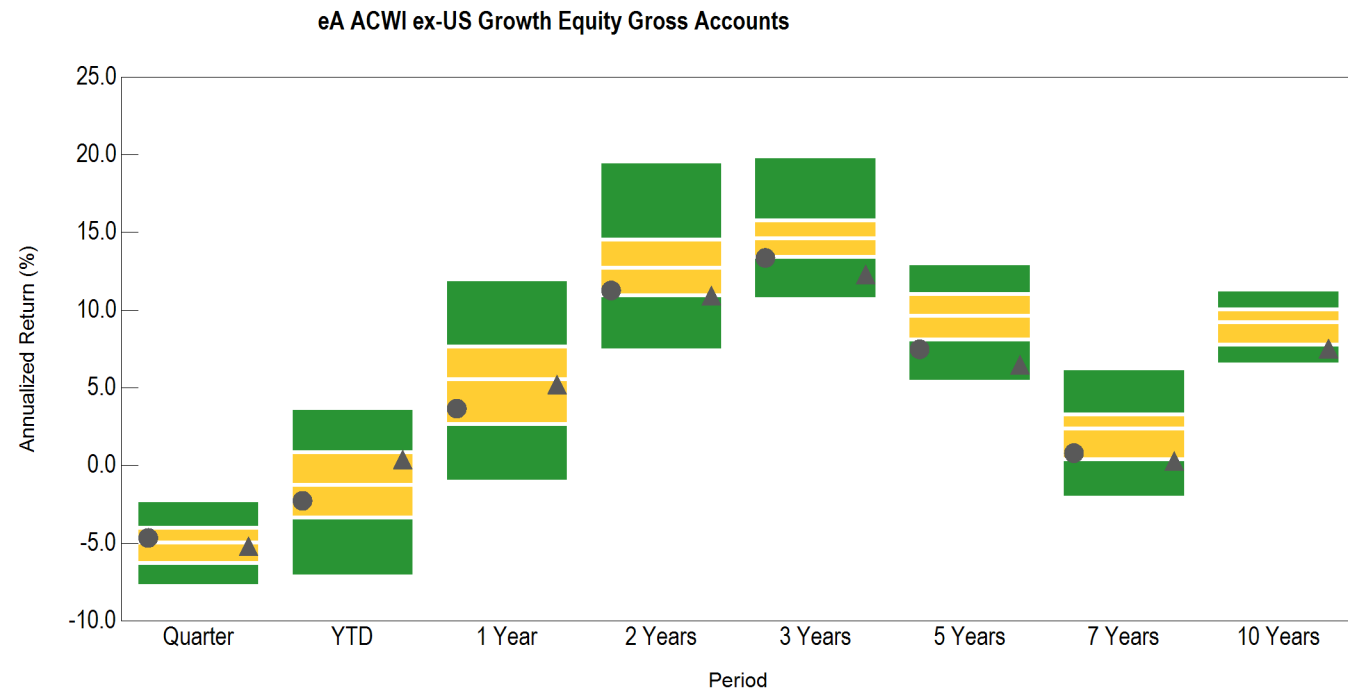


Quarterly and Cumulative Excess Performance



Total Returns - ACWI ex-US Growth Equity

Periods Ending September 30, 2014



	Return (Rank)							
5th Percentile	-2.3	3.7	12.0	19.6	19.9	13.0	6.3	11.3
25th Percentile	-4.0	0.9	7.7	14.5	15.8	11.0	3.3	10.1
Median	-4.9	-1.2	5.6	12.8	14.7	9.7	2.4	9.2
75th Percentile	-6.3	-3.3	2.7	11.0	13.4	8.1	0.4	7.8
95th Percentile	-7.7	-7.1	-1.0	7.4	10.7	5.4	-2.1	6.5
# of Portfolios	53	53	53	53	52	50	42	30
● Pyramis	-4.7 (38)	-2.3 (68)	3.7 (65)	11.3 (68)	13.4 (77)	7.5 (81)	0.8 (68)	-- (--)
▲ MSCI ACWI ex USA Gross	-5.2 (55)	0.4 (33)	5.2 (54)	10.9 (76)	12.3 (88)	6.5 (89)	0.3 (79)	7.5 (80)

Equity Only Summary Statistics - Pyramis

Quarter Ending September 30, 2014

Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	258	1,829
Weighted Avg. Market Cap. (\$B)	65.1	53.5
Median Market Cap. (\$B)	14.0	7.0
Price To Earnings	20.5	18.4
Price To Book	3.4	2.4
Price To Sales	2.3	2.0
Return on Equity (%)	17.2	14.5
Yield (%)	2.4	2.9
Beta (holdings; global)	1.0	0.9

Top Holdings

ROYAL DUTCH SHELL A	2.3%
NESTLE 'R'	2.0%
ROCHE HOLDING	1.8%
SANOFI	1.8%
HSBC HDG. (ORD \$0.50)	1.7%
BAYER	1.5%
NOVARTIS 'R'	1.5%
LLOYDS BANKING GROUP	1.4%
TOYOTA MOTOR	1.4%
ALLIANZ	1.3%

Best Performers

	Return %
TIM HORTONS (C:THI)	44.7%
INTERTAPE POLYMER GP. (C:ITP)	32.2%
DHX MEDIA (C:DHX)	24.1%
MURATA MANUFACTURING (J:SM@N)	22.2%
FUJI HEAVY INDS. (J:FJ@N)	20.3%
HITACHI METALS (J:HM@N)	19.6%
CALBEE (J:CALB)	18.7%
ALIMENTATION CCH.TARD	17.1%
SUBD.VTG.SHS. (C:ATD.B)	16.6%
HONG KONG EXS. & CLEAR. (K:HKEX)	16.6%
WHELOCK AND CO. (K:WHEL)	15.5%

Worst Performers

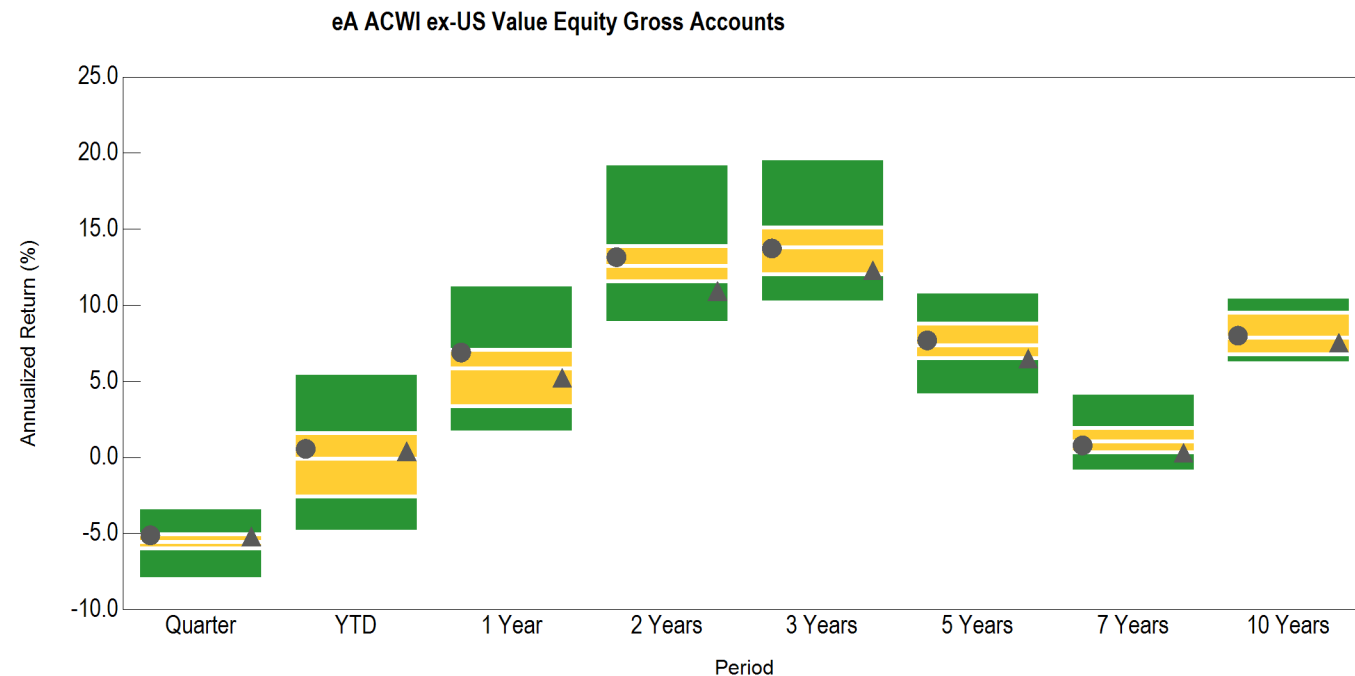
	Return %
DETOUR GOLD (C:DGC)	-42.7%
AFRICA OIL (OME) (W:AOI)	-36.7%
AUTOCANADA (C:ACQ)	-34.1%
ARKEMA (F:AKE)	-31.0%
SANDS CHINA (K:SNDC)	-31.0%
ILIAD (F:ILD)	-29.9%
ACOM (J:ACOM)	-29.7%
TULLOW OIL (UKIR:TLW)	-28.0%
GALAXY ENTERTAINMENT GP. (K:PIPE)	-26.7%
SERCO GROUP (UKIR:SERC)	-25.0%

Equity Sector Attribution - Pyramis

Quarter Ending September 30, 2014

Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Attribution Effects							Returns		Sector Weights					
	Total		Selection		Allocation		Interaction		Portfolio	Benchmark	Portfolio	Benchmark			
	Effects		Effect		Effect		Effects								
Energy	0.3%		0.2%		0.1%		0.0%		-8.3%		-10.0%		7.9%		9.6%
Materials	-0.2%		-0.2%		0.0%		0.0%		-12.1%		-9.6%		8.1%		8.5%
Industrials	0.1%		0.2%		0.0%		-0.1%		-4.3%		-5.8%		12.3%		10.9%
Cons. Disc.	-0.5%		-0.1%		-0.1%		-0.3%		-9.3%		-7.8%		14.4%		10.8%
Cons. Staples	0.2%		0.2%		0.0%		0.0%		-4.1%		-5.8%		9.3%		9.9%
Health Care	-0.1%		0.0%		0.3%		-0.4%		0.2%		0.9%		12.9%		8.2%
Financials	0.1%		0.1%		-0.1%		0.1%		-3.8%		-3.6%		22.7%		26.5%
Info. Tech	0.4%		0.6%		0.0%		-0.2%		2.3%		-3.6%		5.2%		6.9%
Telecomm.	-0.1%		-0.1%		0.0%		0.0%		-5.6%		-1.9%		4.2%		5.1%
Utilities	0.1%		0.0%		0.0%		0.1%		-5.7%		-5.2%		1.2%		3.6%
Cash	0.0%		0.0%		0.0%		0.0%		0.0%		--		1.7%		0.0%
Portfolio	0.3%	=	0.8%	+	0.2%	+	-0.8%		-5.0%		-5.2%		100.0%		100.0%

**Return (Rank)**

5th Percentile	-3.3	5.5	11.4	19.3	19.7	10.9	4.2	10.5
25th Percentile	-5.0	1.6	7.1	13.9	15.1	8.8	2.0	9.5
Median	-5.5	-0.1	5.9	12.6	13.8	7.4	1.1	7.9
75th Percentile	-5.9	-2.5	3.4	11.6	12.0	6.5	0.4	6.8
95th Percentile	-8.0	-4.9	1.7	8.9	10.2	4.1	-0.9	6.2
# of Portfolios	36	36	36	36	32	30	27	21
● LSV Asset Mgt	-5.1 (29)	0.6 (38)	6.9 (29)	13.2 (46)	13.7 (51)	7.7 (46)	0.8 (60)	8.0 (44)
▲ MSCI ACWI ex USA Gross	-5.2 (31)	0.4 (40)	5.2 (54)	10.9 (82)	12.3 (71)	6.5 (81)	0.3 (78)	7.5 (67)

Stanislaus County Employees' Retirement Association
Equity Only Summary Statistics - LSV Asset Mgt

Quarter Ending September 30, 2014

Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	209	1,829
Weighted Avg. Market Cap. (\$B)	35.6	53.5
Median Market Cap. (\$B)	7.2	7.0
Price To Earnings	15.0	18.4
Price To Book	1.6	2.4
Price To Sales	1.1	2.0
Return on Equity (%)	12.9	14.5
Yield (%)	3.9	2.9
Beta (holdings; global)	1.0	0.9

Top Holdings

MAGNA INTL.	1.7%
ROYAL DUTCH SHELL B	1.6%
ASTRAZENECA	1.6%
SANOFI	1.5%
ALLIANZ	1.5%
CHINA PTL.& CHM. 'H'	1.3%
DAIMLER	1.2%
CANADIAN IMP.BK.COM.	1.2%
ENI	1.2%
BASF	1.1%

Best Performers

	Return %
DAISHIN SECURITIES (KO:DSE)	24.1%
AMX 'L' (MX:AML)	22.8%
KING'S TOWN BANK (TW:MBT)	20.6%
PAPERLINX (A:PPXX)	18.9%
SK TELECOM (KO:SKT)	17.6%
ASTRAL FOODS (R:ARLJ)	17.5%
FUJI MACHINE MNFG. (J:FUMF)	14.6%
WESTJET AIRL.VAR.SHS. (C:WJA.A)	14.4%
BANK NEGARA INDONESIA (ID:BNE)	12.8%
TATA MOTORS SPN.ADR 1:5 (TTM)	12.4%

Worst Performers

	Return %
ARRIUM (A:ARIX)	-48.9%
LABIXIAOXIN SNACKS GROUP (K:CLFB)	-45.3%
BILFINGER BERGER (D:GBF)	-44.5%
RHEINMETALL (D:RHM)	-31.4%
ARKEMA (F:AKE)	-31.0%
SEINO HDG. (J:YK@N)	-29.4%
OMV (O:OMV)	-25.5%
GIGA-BYTE TECHNOLOGY (TW:GBT)	-25.4%
BUCHER INDUSTRIES (S:BUC)	-25.1%
PANORAMIC RESOURCES (A:PANX)	-24.9%

Equity Sector Attribution - LSV Asset Mgt

Quarter Ending September 30, 2014

LSV Asset Mgt Performance Attribution vs. MSCI ACWI ex USA Gross

	Attribution Effects							Returns		Sector Weights	
	Total Effects		Selection Effect	Allocation Effect		Interaction Effects	Portfolio	Benchmark	Portfolio	Benchmark	
Energy	-0.3%		-0.1%		-0.1%		-0.1%	-10.0%	-10.0%	12.4%	9.6%
Materials	-0.2%		-0.2%		0.0%		0.1%	-11.6%	-9.6%	8.5%	8.5%
Industrials	0.0%		-0.1%		0.0%		0.0%	-6.5%	-5.8%	10.4%	10.9%
Cons. Disc.	0.1%		-0.3%		0.1%		0.4%	-8.7%	-7.8%	8.2%	10.8%
Cons. Staples	0.3%		0.1%		0.0%		0.3%	-4.4%	-5.8%	6.3%	9.9%
Health Care	-0.1%		-0.1%		0.0%		0.1%	0.2%	0.9%	8.2%	8.2%
Financials	0.5%		0.6%		0.0%		-0.1%	-1.5%	-3.6%	29.7%	26.5%
Info. Tech	0.0%		-0.3%		0.0%		0.3%	-7.9%	-3.6%	4.0%	6.9%
Telecomm.	0.1%		0.1%		0.1%		-0.1%	0.6%	-1.9%	8.4%	5.1%
Utilities	-0.2%		-0.3%		0.0%		0.1%	-14.8%	-5.2%	2.8%	3.6%
Cash	0.0%		0.0%		0.0%		0.0%	0.0%	--	0.9%	0.0%
Portfolio	0.2%	=	-0.6%	+	0.0%	+	0.9%	-5.0%	-5.2%	100.0%	100.0%

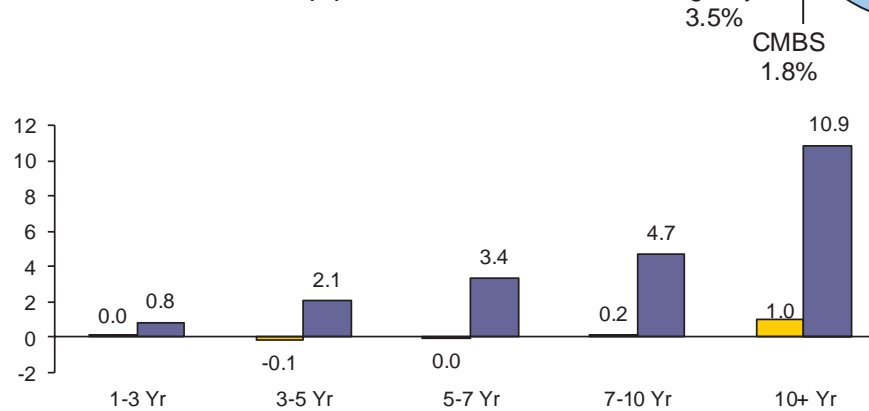
U.S. Bond Market Returns – Barclays Capital Aggregate

- Declining global growth and geopolitical risk boosted demand for U.S. Treasuries, with the aggregate index rising by 0.3% in the third quarter.
- Longer duration treasuries outperformed; Treasuries with durations over 10 years rose 1.0% during the third quarter.
- Lower-rated corporate bonds (BAA) fell 0.2% during the third quarter as markets factored in expectations of rate rises by the Fed.

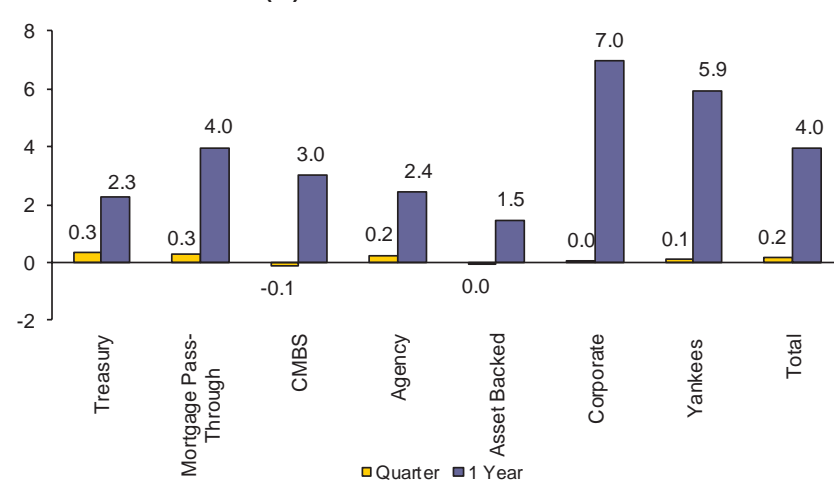
Quality Performance (%)



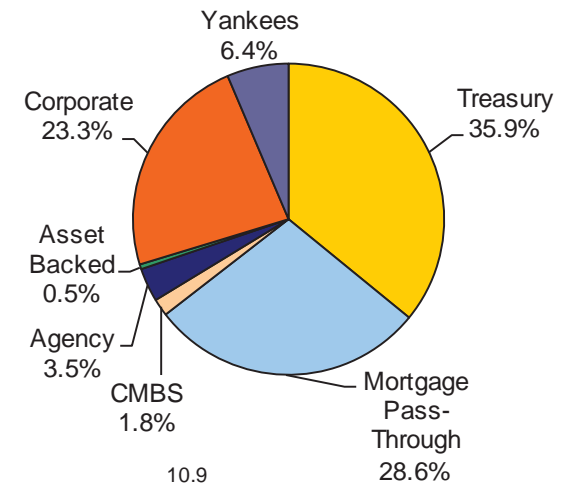
Duration Performance (%)



Sector Performance (%)

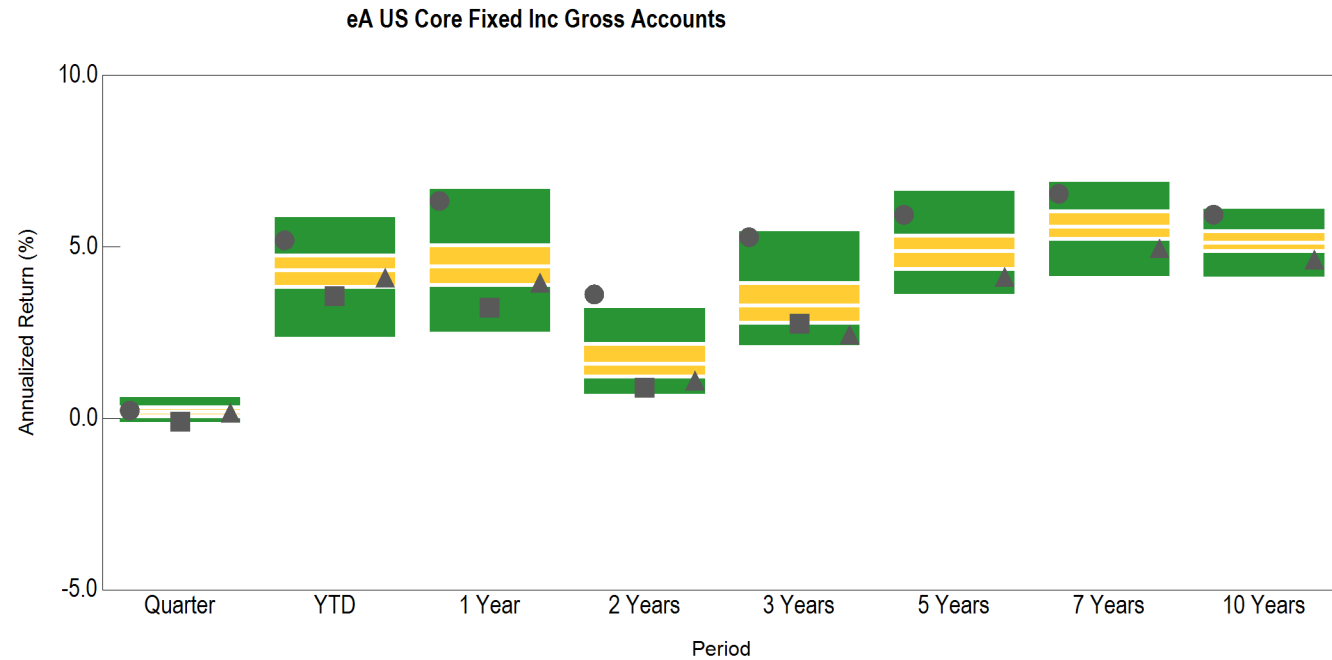


Sector Weights



Total Returns - Core Fixed Income

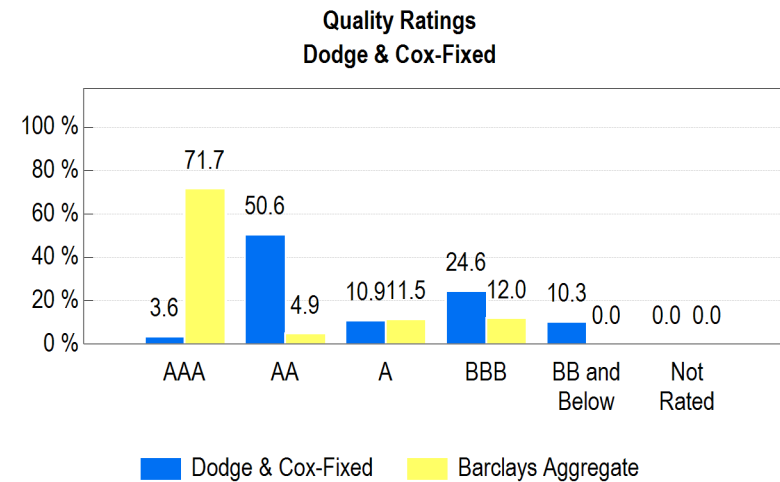
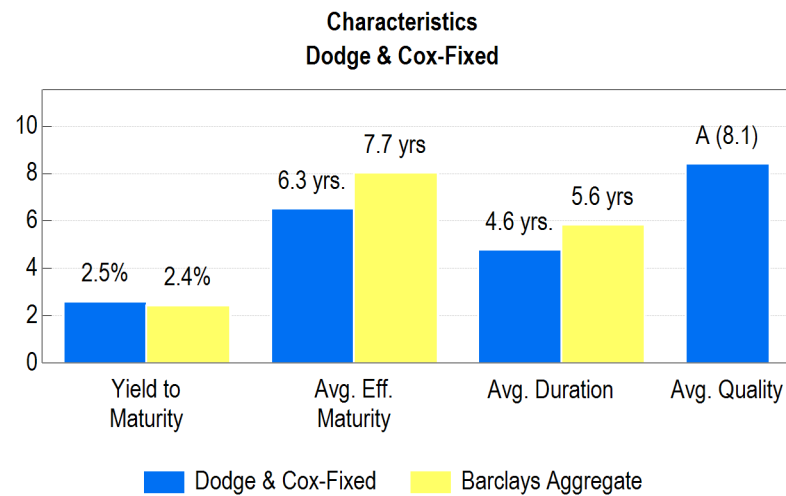
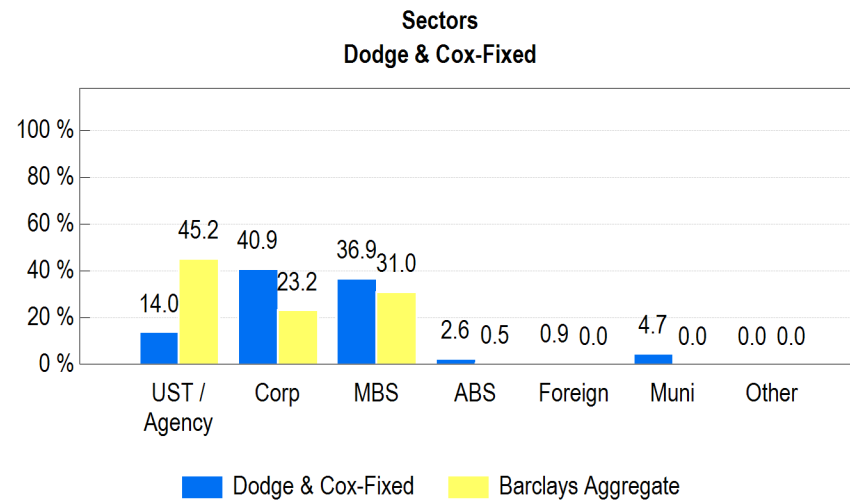
Periods Ending September 30, 2014



	Return (Rank)							
5th Percentile	0.7	5.9	6.7	3.3	5.5	6.7	6.9	6.2
25th Percentile	0.3	4.7	5.0	2.2	3.9	5.3	6.0	5.5
Median	0.2	4.3	4.4	1.6	3.3	4.9	5.6	5.1
75th Percentile	0.1	3.8	3.9	1.2	2.8	4.4	5.2	4.9
95th Percentile	-0.2	2.3	2.5	0.7	2.1	3.6	4.1	4.1
# of Portfolios	229	229	229	228	227	216	206	189
● Dodge & Cox-Fixed	0.2 (43)	5.2 (13)	6.3 (9)	3.6 (3)	5.3 (7)	5.9 (13)	6.5 (8)	5.9 (8)
■ PIMCO	-0.1 (94)	3.6 (83)	3.2 (89)	0.9 (88)	2.7 (77)	-- (--)	-- (--)	-- (--)
▲ Barclays Aggregate	0.2 (57)	4.1 (65)	4.0 (72)	1.1 (82)	2.4 (87)	4.1 (82)	4.9 (84)	4.6 (86)

Bond Summary Statistics - Dodge & Cox Fixed Income

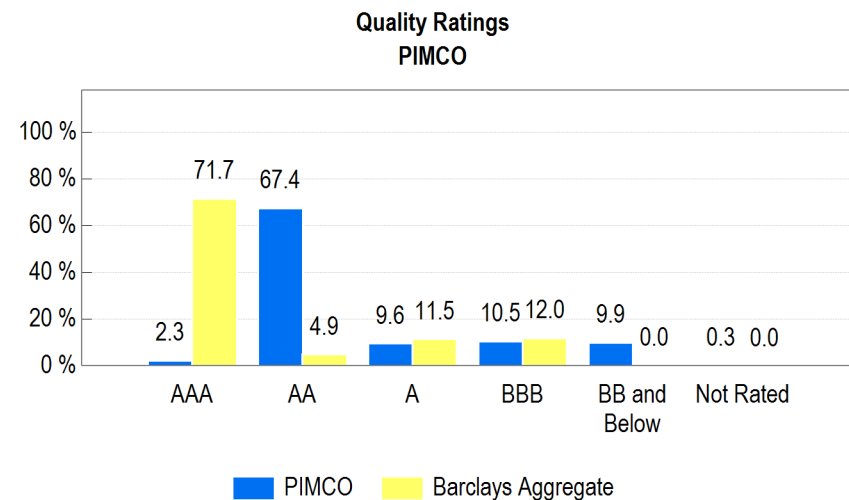
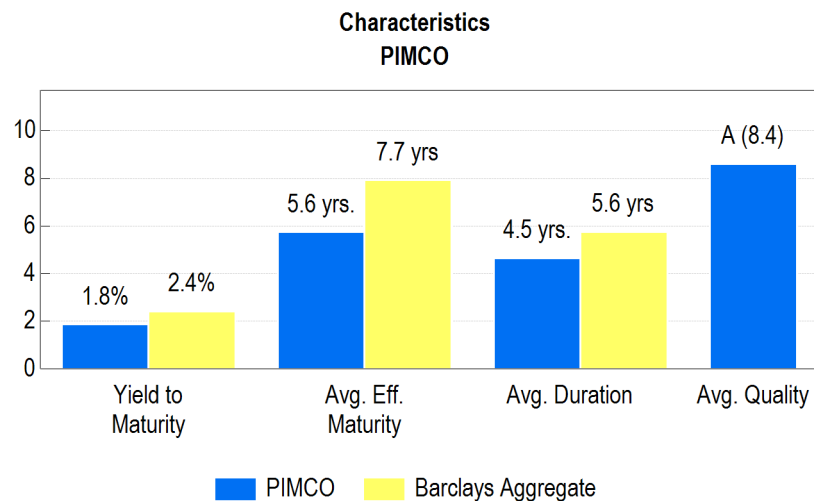
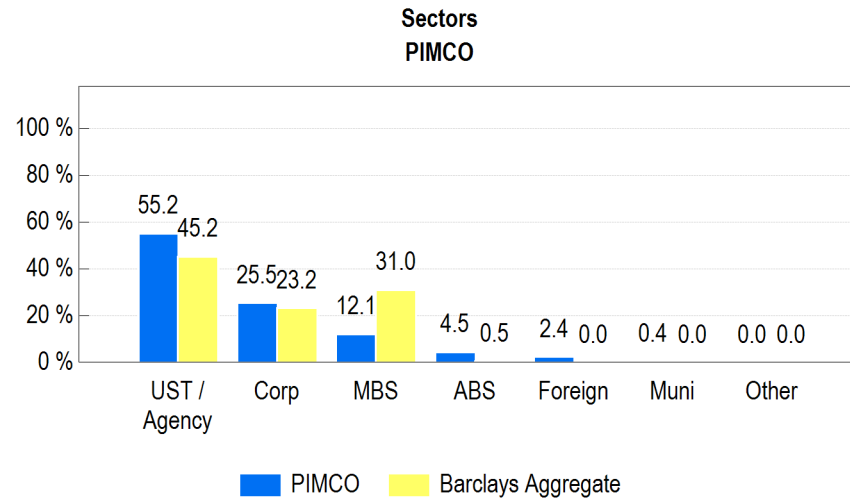
As of September 30, 2014



Stanislaus County Employees' Retirement Association

Bond Summary Statistics - PIMCO Fixed Income

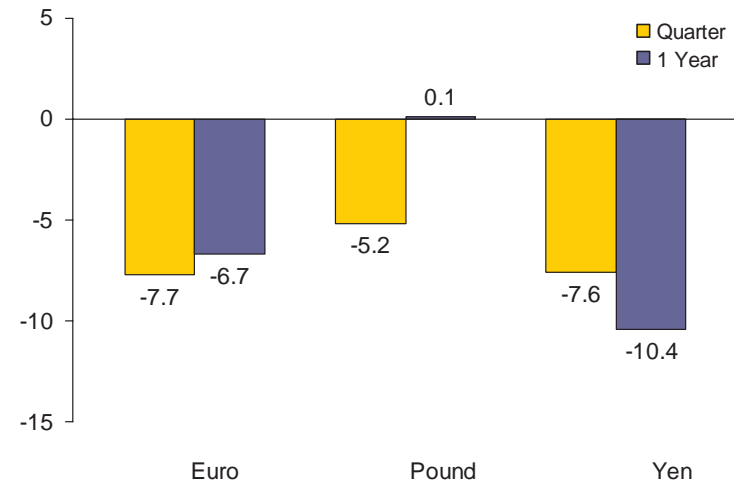
As of September 30, 2014



Currency Markets

- Expectations of additional easing by the Bank of Japan led to a weaker yen, which fell 7.6% versus the dollar during the third quarter.
- The euro fell 7.7% versus the dollar during the third quarter, driven by weaker growth and inflation and expectations of additional measures by the ECB.
- The U.S. dollar trade-weighted index, which measures the dollar's movement against a basket of currencies, rose 7.7% in the third quarter.

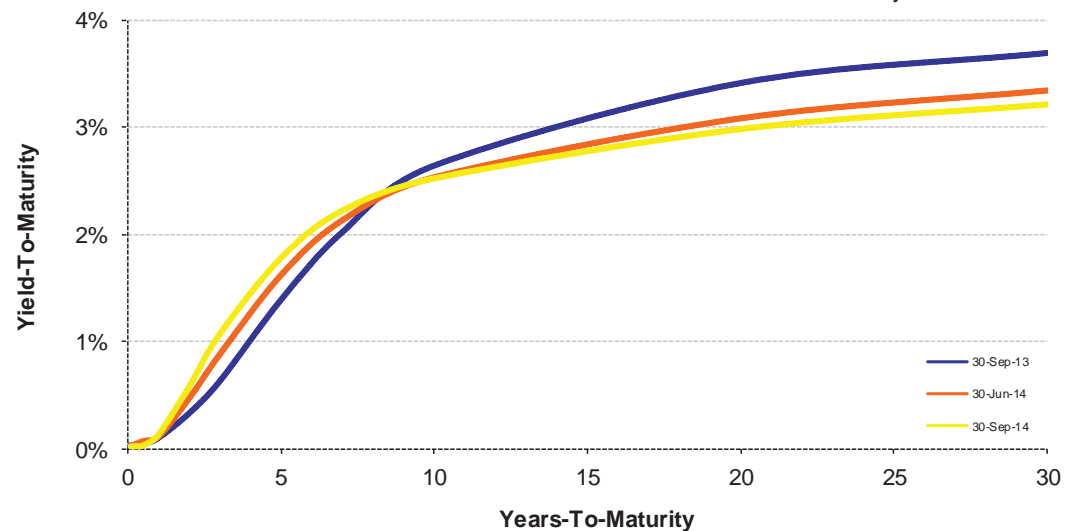
Currency Returns (%)



Yield Curve

- The Treasury curve flattened as 1 through 5-year rates rose while 10 through 30-year rates declined. The shorter maturity rate increases were driven by increased expectations of a Federal Reserve rate hike in the middle of 2015.
- Thirty-year yields fell 13 basis points while 5-year yields rose 16 basis points during the third quarter.

INTEREST RATE TERM STRUCTURE
Government Issues - 3 Months to 30 Years Maturity



MARKET UPDATE

FOR OCTOBER 2014

U.S. EQUITY

Volatility continued in the month of October with global equities selling off sharply over the first-half of the month and then staging a dramatic recovery during the second-half of the month.

In the U.S., Growth slightly outperformed Value and Small Caps strongly outperformed Large Caps. For the month, the Russell 1000 Growth Index was up by +2.6% and the Russell 1000 Value Index rose by +2.3%. The Russell 2000 Growth was up by +6.2% and the Russell 2000 Value Indices gained +7.0%. The S&P 500 Index ended the month higher by +2.4%.

The S&P 500 Index has a trailing P/E ratio of 18.9, a forward 12-month estimate P/E ratio of 16.5 and a dividend yield of 1.9%.

Of the 446 companies that have reported earnings for Q3 2014, 77% have reported above the mean estimate and 60% have reported sales above the mean estimate. Earnings Growth: The blended earnings growth rate for Q3 2014 is 7.6%.

Corporate merger highlights for the month included: Hilton Worldwide will sell the Waldorf Astoria New York to Beijing-based Anbang Insurance for \$1.95 billion; Becton Dickinson, a medical products supplier, will acquire CareFusion for \$12.2 billion; Vista Equity Partners is in talks to acquire TransFirst, a payment processing company, for as much as \$1.5 billion; Ireland's Endo International will buy Auxilium Pharmaceuticals in a sweetened deal valued at \$2.6 billion; Time Warner shareholders approved its acquisition by Comcast, clearing another hurdle for the \$45 billion deal; General Electric's aircraft leasing unit will buy Dublin-based helicopter leasing company Milestone Aviation Group for \$1.78 billion; Targa Resources Corp. and Targa Resources Partners will buy Atlas Energy and Atlas Pipeline Partners for a combined total of \$7.7 billion; Danaher will sell its communications business to NetScout Systems in a stock deal valued at \$2.6 billion; Qualcomm will acquire British chip maker CSR for \$2.5 billion; A consortium of investors from Hong Kong and Abu Dhabi is interested in buying the Reebok brand from Adidas for \$2.2 billion; Cleco Corp., a Louisiana-based public utility company, will be bought out by a group of North American investors in a deal valued at \$4.7 billion; Brazilian juice maker Grupo Cutrale and investment firm Safra Group will buy banana producer Chiquita Brands in a deal valued at \$1.3 billion;

and, Omega Healthcare will buy rival Aviv in a \$3.0 billion deal combining two companies with hundreds of nursing homes.

Ireland's plan to close a 'Double Irish' tax loophole could cost U.S. companies billions of dollars and have an effect on future merger activity.

FIXED INCOME

The U.S. economy grew at a solid annual rate of 3.5% in the third quarter, propelled by solid gains in business investment, export sales and the largest jump in military spending in five years. Results were slightly better than expected. In the past five quarters GDP has risen 4.5%, 3.5%, -2.1%, 4.6% and 3.5%.

The International Monetary Fund cut its forecast for world growth to 3.3% from 3.7% in 2014 and reduced its forecast for 2015 to 3.8%.

U.S. employers added 248,000 jobs in September and helped drive down the unemployment rate to 5.9%, the lowest since July 2008.

The yield on the bellwether 10-year Treasury note fell to 2.35% at the close of October from its September close at 2.52%. At month-end, the 30-year bond yield was 3.07% with the 3-month T-bill at 0.03%. The Barclays Capital US Aggregate Index was up +1.0% in October.

At its October meeting the Federal Reserve reaffirmed its plan to keep its short-term interest rate near zero "for a considerable time". The Fed also said it would conclude its monthly bond purchase program and signaled confidence that the U.S. recovery would remain on track.

On the economic front, the following key data was released in October and once again decidedly positive:

THE GOOD

*The U.S. trade deficit shrank for the fourth straight month in August, falling to \$40.1 billion, the lowest level since January.

*The National Retail Federation reported that U.S. retail sales are expected to rise 4.1% this holiday season to \$616.9 billion compared to a 3.1% rise in 2013.

*The U.S. budget deficit fell by nearly a third during fiscal 2014 to \$486 billion from the \$680 billion budget gap recorded in fiscal 2013.

*The Labor Dept. reported that U.S. producer prices slipped -0.1% in September, the first decline in over a year.

*Production at U.S. factories, mines and utilities advanced by 1.0% in September.

*The Labor Dept. reported that its Consumer Price Index edged up +0.1% in September after declining 0.2% in August.

*The Conference Board's index of leading indicators posted a solid gain of 0.8% in September following a flat reading in August. The gauge is designed to predict the economy's future health.

The Conference Board reported that its index of consumer attitudes increased to 94.5 this month, the highest reading since October 2007.

THE NOT SO GOOD

*Orders to U.S. factories fell in August by -10.1%, the largest amount on record, but the drop was heavily weighted by an expected plunge in volatile aircraft orders.

*The Federal Reserve reported that total consumer credit rose \$13.5 billion to a record \$3.25 trillion in August.

*Total retail sales dropped -0.3% in September as auto production cooled and oil prices fell sharply on signs of slowing global economic growth.

NON-U.S. MARKETS

S&P reiterated its assessment of a year ago in a recent report that the Eurozone's underlying problems – largely related to debt – have not been addressed.

German investor sentiment is collapsing. The headline ZEW index of investor expectations fell another 10.5 points to -3.6 in October, the tenth consecutive decline and lowest level in almost two years.

The Bank of Japan sprung a small surprise by opting to increase the pace of monetary expansion. The Monetary Policy Board decided by a five to four majority to: conduct money market operations so that the monetary base will increase by 80 trillion yen a year (compared to 70 trillion yen previously); increase purchases of Japanese Government Securities (JGB) so that the amount outstanding on the Bank's balance sheet will increase by

80 trillion yen a year (compared to 50 trillion yen previously); raise the average maturity of the Bank's JGZB purchases to seven to ten years (compared to seven previously); and further purchase ETFs and Japan real estate investment trusts.

China's gross domestic product grew by +7.3% during the 3rd quarter, the weakest showing in China's economy in more than five years.

Non-U.S. equities were mixed in October. The MSCI ACWI Ex-U.S. was down -1.0% (US dollars) for the month. International Developed stocks (EAFE) were down -1.5% while Emerging Markets gained +1.2% for the month.

CONCLUSION

The current bull market is now in its 68th month. In the modern history of the U.S. stock market, 1921-2014, there have been only five bull markets that have lasted five calendar years or longer. And, two of those lasted exactly 60 months. We are currently experiencing the third longest bull market in nearly 100 years.

The two longest previous bull markets each had a catalyst. During the 1921-1929 bull market it was the introduction of the expansion of consumer credit. During the 1987-2000 bull market it was the introduction and expansion of the worldwide web. This bull market has also had a catalyst: Central Bank asset purchasing programs, commonly known as Quantitative Easing (QE).

Each of these previously ended in a speculative bubble.

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Oct-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.75	4.83	9.90	16.07	22.36	19.77	17.01	6.38	8.55
Russell TOP 200 Index	2.16	4.96	10.81	17.43	21.72	19.84	16.20	5.85	7.83
Russell TOP 200 Growth Index	2.58	6.07	11.69	18.27	22.16	19.60	17.05	7.52	8.74
Russell TOP 200 Value Index	1.74	3.86	9.93	16.60	21.27	20.06	15.34	4.12	6.90
S&P 500 Index	2.44	5.05	10.99	17.27	22.12	19.77	16.69	6.15	8.20
Russell 1000 Index	2.44	4.81	10.61	16.78	22.45	19.90	16.98	6.36	8.54
Russell 1000 Growth Index	2.64	5.78	10.73	17.11	22.57	19.30	17.43	7.46	9.05
Russell 1000 Value Index	2.25	3.82	10.50	16.46	22.23	20.42	16.49	5.14	7.90
Russell Mid-Cap Index	3.08	4.45	10.16	15.32	24.21	20.05	18.97	7.68	10.37
Russell Mid-Cap Growth Index	2.76	5.15	8.65	14.59	23.88	18.74	18.73	7.49	10.17
Russell Mid-Cap Value Index	3.43	3.71	11.91	16.18	24.51	21.25	19.19	7.74	10.29
Russell 2000 Index	6.59	5.11	1.90	8.06	21.36	18.18	17.39	6.58	8.67
Russell 2000 Value Index	6.99	4.10	1.92	7.89	19.72	17.94	16.15	5.93	7.81
Russell 2000 Growth Index	6.20	6.12	1.90	8.26	23.04	18.42	18.61	7.17	9.42
DJ US REIT Index	10.73	7.18	26.99	20.69	15.20	14.83	19.25	5.01	8.73
DJ-UBS US Commodity Index TR	-0.80	-7.95	-6.35	-5.94	-9.13	-7.59	-2.17	-5.80	-1.28
DJ-UBS US Gold Index TR	-3.30	-8.66	-2.72	-11.70	-17.79	-12.59	1.80	4.86	9.65

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Oct-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	-0.98	-5.20	-0.59	0.49	10.18	8.25	6.55	-0.62	7.06
MSCI AC World Index	0.73	-0.31	4.92	8.32	15.87	13.59	11.15	2.49	7.65
MSCI EAFE Index	-1.45	-5.34	-2.42	-0.17	12.78	10.17	7.00	-0.49	6.29
MSCI Emerging Markets index	1.19	-4.14	3.97	0.98	3.90	3.59	4.98	-1.20	10.90
ML Global Government Bond Ex. U.S. Index	-0.88	-5.37	-1.40	-5.10	-6.89	-4.34	0.43	3.28	3.20
Euro	-0.82	-6.36	-9.07	-7.84	-1.67	-3.51	-3.22	-2.03	-0.15
Japanese Yen	-2.15	-8.27	-6.24	-12.48	-15.56	-11.40	-4.19	0.40	-0.54
UK Pound Sterling	-1.31	-5.24	-3.41	-0.42	-0.35	-0.30	-0.60	-3.66	-1.35

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Oct-14	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.00	0.01	0.03	0.05	0.07	0.07	0.09	0.49	1.58
BarCap Aggregate Bond Index	0.98	1.40	5.12	4.14	1.49	2.73	4.22	4.96	4.64
ML U.S. Corp/Govt Master Index	1.03	1.43	5.57	4.44	1.40	2.94	4.50	5.02	4.64
ML U.S. Corporate Master Index	0.93	1.10	6.99	6.49	2.63	5.19	6.58	6.38	5.51
BarCap Mortgage Backed Securities Index	0.97	1.75	5.23	4.08	1.83	2.40	3.53	4.86	4.71
ML U.S. High Yield Master Index	1.16	0.56	4.73	5.77	7.26	9.19	10.21	8.51	8.04
JPM EMBI Global	1.65	-0.15	9.06	7.20	2.19	6.70	8.27	7.69	8.38

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MONTHLY FLASH REPORT

OCTOBER 31, 2014



333 BUSH STREET | SAN FRANCISCO | 94104 | 415.362.3484

As of October 31, 2014

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Oct-14	1 Month	3 Month	Calendar YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	2.75	4.83	9.90	16.07	23.28	19.77	17.01	7.35	8.55
Russell TOP 200 Index	2.16	4.96	10.81	17.43	23.26	19.84	16.20	6.76	7.83
Russell TOP 200 Growth Index	2.58	6.07	11.69	18.27	23.92	19.60	17.05	8.36	8.74
Russell TOP 200 Value Index	1.74	3.86	9.93	16.60	22.59	20.06	15.34	5.11	6.90
S&P 500 Index	2.44	5.05	10.99	17.27	23.36	19.77	16.69	7.08	8.20
Russell 1000 Index	2.44	4.81	10.61	16.78	23.49	19.90	16.98	7.30	8.54
Russell 1000 Growth Index	2.64	5.78	10.73	17.11	23.76	19.30	17.43	8.30	9.05
Russell 1000 Value Index	2.25	3.82	10.50	16.46	23.13	20.42	16.49	6.20	7.90
Russell Mid-Cap Index	3.08	4.45	10.16	15.32	24.05	20.05	18.97	8.70	10.37
Russell Mid-Cap Growth Index	2.76	5.15	8.65	14.59	23.61	18.74	18.73	8.34	10.17
Russell Mid-Cap Value Index	3.43	3.71	11.91	16.18	24.46	21.25	19.19	8.97	10.29
Russell 2000 Index	6.59	5.11	1.90	8.06	20.82	18.18	17.39	7.93	8.67
Russell 2000 Growth Index	6.20	6.12	1.90	8.26	22.94	18.42	18.61	8.38	9.42
Russell 2000 Value Index	6.99	4.10	1.92	7.89	18.78	17.94	16.15	7.43	7.81
Bloomberg Commodity Index TR	-0.80	-7.95	-6.35	-5.94	-8.64	-7.59	-2.17	-6.12	-1.28
DJ US REIT Index	10.73	7.18	26.99	20.69	14.67	14.83	19.25	7.57	8.73
DJ-UBS US Gold Index TR	-3.30	-8.66	-2.72	-11.70	-18.06	-12.59	1.80	4.22	9.65

Non-US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Oct-14	1 Month	3 Months	Calendar YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	-0.98	-5.20	-0.59	0.49	7.97	8.25	6.55	0.25	7.06
MSCI AC World Index	0.73	-0.31	4.92	8.32	15.15	13.59	11.15	3.39	7.65
MSCI EAFE Index	-1.45	-5.34	-2.42	-0.17	10.61	10.17	7.00	0.32	6.29
MSCI Emerging Markets index	1.19	-4.14	3.97	0.98	0.88	3.59	4.98	-0.21	10.90
ML Global Government Bond Ex. U.S. Index	-0.88	-5.37	-1.40	-5.10	-5.75	-4.34	0.43	2.99	3.20
Japanese Yen	-2.15	-8.27	-6.24	-12.48	-13.21	-11.40	-4.19	-0.05	-0.54
Euro	-0.82	-6.36	-9.07	-7.84	-2.74	-3.51	-3.22	-2.23	-0.15
UK Pound Sterling	-1.31	-5.24	-3.41	-0.42	-0.86	-0.30	-0.60	-3.15	-1.35

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Oct-14	1 Month	3 Month	Calendar YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.00	0.01	0.03	0.05	0.06	0.07	0.09	0.39	1.58
BarCap Aggregate Bond Index	0.98	1.40	5.12	4.14	1.62	2.73	4.22	4.77	4.64
BarCap Mortgage Backed Securities Index	0.97	1.75	5.23	4.08	2.02	2.40	3.53	4.68	4.71
ML U.S. Corp/Govt Master Index	1.03	1.43	5.57	4.44	1.49	2.94	4.50	4.81	4.64
ML U.S. Corporate Master Index	0.93	1.10	6.99	6.49	2.92	5.19	6.58	6.41	5.51
ML U.S. High Yield Master Index	1.16	0.56	4.73	5.77	6.61	9.19	10.21	9.01	8.04
JPM EMBI Global	1.65	-0.15	9.06	7.20	1.02	6.70	8.27	7.85	8.38

ASSET CLASS	MARKET VALUE	PERCENT	CURRENT POLICY		TARGET POLICY	
			ALLOCATION	RANGE	ALLOCATION	RANGE
DOMESTIC EQUITIES	869,538,729	48.8%	46.7%	41.7% - 51.7%	38.2%	32.2% - 44.2%
BlackRock Russell 1000 Growth	104,972,084	5.9%	5.5%	4.0% - 6.0%	4.6%	
Jackson Square	161,355,647	9.1%	8.5%	7.0% - 10.0%	6.7%	
BlackRock Russell 1000 Value	121,023,460	6.8%	6.5%	5.5% - 6.5%	5.5%	
Dodge & Cox - Equity	192,085,003	10.8%	9.7%	7.7% - 11.7%	8.9%	
Legato Capital	87,999,082	4.9%	5.5%	4.0% - 6.0%	3.7%	
Capital Prospects	96,728,381	5.4%	5.5%	4.0% - 6.0%	4.0%	
Mellon S&P 500	105,375,072	5.9%	5.5%	4.0% - 6.0%	4.8%	
INTERNATIONAL EQUITIES	309,816,440	17.4%	18.0%	15.0% - 21.0%	18.0%	15.0% - 21.0%
LSV Asset Mgt	153,900,775	8.6%	9.0%	7.5% - 10.5%	9.0%	
Pyramis	155,915,665	8.8%	9.0%	7.5% - 10.5%	9.0%	
FIXED INCOME	497,929,781	28.0%	29.8%	26.0% - 33.6%	29.8%	26.0% - 33.6%
Dodge & Cox - Fixed	388,311,375	21.8%	23.8%	20.8% - 26.8%	23.8%	
PIMCO	109,618,406	6.2%	6.0%	5.0% - 7.0%	6.0%	
ALTERNATIVES:	102,824,964	5.8%	5.5%		14.0%	
REAL ESTATE	31,398,256	1.8%	1.5%	1.0% - 2.0%	3.5%	1.0% - 4.5%
BlackRock US Real Estate	20,570,353	1.2%	1.5%	0.0% - 2.0%	0.0%	
Greenfield Gap	8,327,903	0.5%	0.0%	0.0% - 1.5%	1.0%	
12th Street Building	2,500,000	0.1%	0.0%		0.0%	
Unallocated Private Real Estate	0	0.0%	0.0%		2.5%	
DIRECT LENDING	71,426,708	4.0%	4.0%	2.0% - 6.0%	7.5%	2.5% - 9.0%
Medley Capital	29,413,555	1.7%	1.0%	1.0% - 3.0%	2.1%	
Raven Capital	22,290,442	1.3%	1.5%	1.0% - 3.0%	2.7%	
White Oak Pinnacle	19,722,711	1.1%	1.5%	1.0% - 3.0%	2.7%	
INFRASTRUCTURE	0	0.0%	0.0%	0.0% - 0.0%	3.0%	0.0% - 4.0%
CASH	9,380	0.0%	0.0%	0.0% - 3.0%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,780,119,430	100.0%	100.0%		100.0%	

Asset Class Market Value Summary

As of October 31, 2014

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
MARKET VALUE					
DOMESTIC EQUITIES	869,538,729	846,427,094	2.73%	779,354,225	11.57%
INTERNATIONAL EQUITIES	309,816,439	312,494,126	-0.86%	308,571,267	0.40%
FIXED INCOME	497,929,781	496,640,836	0.26%	503,893,907	-1.18%
DIRECT LENDING	71,426,708	73,332,123	-2.60%	51,701,746	38.15%
REAL ESTATE	31,398,392	27,247,048	15.24%	25,338,485	23.92%
SECURITIES LENDING	0	0	0.00%	(652,973)	100.00%
CASH	9,380	29,151	-67.82%	-	N/A
TOTAL PORTFOLIO	1,780,119,430	1,756,170,378	1.36%	1,668,206,657	6.71%
ASSET ALLOCATION (ACTUAL)					
DOMESTIC EQUITIES	48.85%	48.20%	0.6%	46.72%	2.1%
INTERNATIONAL EQUITIES	17.40%	17.79%	-0.4%	18.50%	-1.1%
FIXED INCOME	27.97%	28.28%	-0.3%	30.21%	-2.2%
DIRECT LENDING	4.01%	4.18%	-0.2%	3.10%	0.9%
REAL ESTATE	1.76%	1.55%	0.2%	1.52%	0.2%
SECURITY LENDING	0.00%	0.00%	0.0%	-0.04%	0.0%
CASH	0.00%	0.00%	0.0%	-	N/A
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%
* % Change represents changes in cash balances, including cash transfers, and does not represent investment returns					

Periods Ending October 31, 2014

	Market Value	1 Mo	9/1/14 - 9/30/14	Fiscal YTD
Total Fund	\$1,780,119,430	1.53%	-2.16%	0.31%
<i>Policy Index</i>		<u>1.84%</u>	<u>-2.35%</u>	<u>0.52%</u>
Excess Return		-0.31%	0.19%	-0.21%
US Equity	\$869,538,729	2.73%	-2.06%	2.13%
<i>US Equity Blended</i>		<u>3.27%</u>	<u>-2.61%</u>	<u>2.27%</u>
Excess Return		-0.54%	0.55%	-0.14%
BlackRock Russell 1000 Growth	\$104,972,084	2.64%	-1.44%	4.18%
<i>Russell 1000 Growth</i>		<u>2.64%</u>	<u>-1.45%</u>	<u>4.16%</u>
Excess Return		0.00%	0.01%	0.02%
Jackson Square	\$161,355,647	3.35%	-0.88%	4.11%
<i>Russell 1000 Growth</i>		<u>2.64%</u>	<u>-1.45%</u>	<u>4.16%</u>
Excess Return		0.71%	0.57%	-0.05%
BlackRock Russell 1000 Value	\$121,023,460	2.25%	-2.05%	2.08%
<i>Russell 1000 Value</i>		<u>2.25%</u>	<u>-2.06%</u>	<u>2.05%</u>
Excess Return		0.00%	0.01%	0.03%
Dodge & Cox-Equity	\$192,085,003	0.04%	-1.25%	0.83%
<i>Russell 1000 Value</i>		<u>2.25%</u>	<u>-2.06%</u>	<u>2.05%</u>
Excess Return		-2.21%	0.81%	-1.22%
Legato Capital	\$87,999,082	6.26%	-3.64%	1.12%
<i>Russell 2000 Growth</i>		<u>6.20%</u>	<u>-5.36%</u>	<u>-0.31%</u>
Excess Return		0.06%	1.72%	1.43%
Capital Prospects	\$96,728,381	5.16%	-5.55%	-1.16%
<i>Russell 2000 Value</i>		<u>6.99%</u>	<u>-6.75%</u>	<u>-2.19%</u>
Excess Return		-1.83%	1.20%	1.03%

	Market Value	1 Mo	9/1/14 - 9/30/14	Fiscal YTD
Mellon S&P 500	\$105,375,072	2.44%	-1.40%	3.60%
<i>S&P 500</i>		<u>2.44%</u>	<u>-1.40%</u>	<u>3.60%</u>
Excess Return		0.00%	0.00%	0.00%
International Equity	\$309,816,439	-0.86%	-4.71%	-5.70%
<i>MSCI ACWI ex US</i>		<u>-0.98%</u>	<u>-4.81%</u>	<u>-6.12%</u>
Excess Return		0.12%	0.10%	0.42%
LSV Asset Mgt	\$153,900,775	-1.11%	-5.43%	-6.18%
<i>MSCI ACWI ex USA Gross</i>		<u>-0.98%</u>	<u>-4.81%</u>	<u>-6.12%</u>
Excess Return		-0.13%	-0.62%	-0.06%
Pyramis	\$155,915,665	-0.60%	-3.98%	-5.23%
<i>MSCI ACWI ex USA Gross</i>		<u>-0.98%</u>	<u>-4.81%</u>	<u>-6.12%</u>
Excess Return		0.38%	0.83%	0.89%
US Fixed Income	\$497,929,781	0.86%	-0.59%	1.02%
<i>Barclays Aggregate</i>		<u>0.98%</u>	<u>-0.68%</u>	<u>1.15%</u>
Excess Return		-0.12%	0.09%	-0.13%
Dodge & Cox-Fixed	\$388,311,375	0.84%	-0.55%	1.06%
<i>Barclays Aggregate</i>		<u>0.98%</u>	<u>-0.68%</u>	<u>1.15%</u>
Excess Return		-0.14%	0.13%	-0.09%
PIMCO	\$109,618,406	0.97%	-0.74%	0.86%
<i>Barclays Aggregate</i>		<u>0.98%</u>	<u>-0.68%</u>	<u>1.15%</u>
Excess Return		-0.01%	-0.06%	-0.29%
Real Estate	\$28,898,392	8.21%	-5.07%	5.64%
<i>DJ US Select RESI</i>		<u>10.70%</u>	<u>-5.83%</u>	<u>7.39%</u>
Excess Return		-2.49%	0.76%	-1.75%

	Market Value	1 Mo	9/1/14 - 9/30/14	Fiscal YTD
BlackRock US Real Estate	\$20,570,353	10.67%	-5.83%	7.35%
<i>DJ US Select RESI TR USD</i>		<u>10.70%</u>	<u>-5.83%</u>	<u>7.39%</u>
Excess Return		-0.03%	0.00%	-0.04%
Greenfield Gap	\$8,327,903	0.04%	0.02%	--
<i>NCREIF ODCE +1%</i>		<u>0.08%</u>	<u>-0.22%</u>	<u>3.47%</u>
Excess Return		-0.04%	0.24%	
Direct Lending	\$71,426,708	0.17%	-1.66%	-0.64%
<i>9% Annual</i>		<u>0.72%</u>	<u>0.72%</u>	<u>2.91%</u>
Excess Return		-0.55%	-2.38%	-3.55%
Medley Capital	\$29,413,555	1.92%	0.00%	1.92%
Raven Capital	\$22,290,442	0.39%	-5.74%	-3.93%
White Oak Pinnacle	\$19,722,711	-2.53%	1.45%	0.10%
12th Street Building	\$2,500,000	0.00%	0.00%	0.00%
Cash Account	\$9,380	0.00%	0.03%	0.03%

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Growth Manager
Positions as of October 31, 2014

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	10/31/2014 \$ PX	11/14/2014 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	62,886	\$6,791,694	6.47%	0.38%	108.00	114.18	5.72%	4.36%
Microsoft Corp.	MSFT	55,672	\$2,613,805	2.49%	0.15%	46.95	49.58	5.60%	4.24%
Verizon Communications	VZ	41,989	\$2,109,939	2.01%	0.12%	50.25	51.50	2.49%	1.13%
Coca-Cola Co.	KO	40,355	\$1,690,051	1.61%	0.09%	41.88	42.73	2.03%	0.67%
INTL Business Machines	IBM	9,322	\$1,532,592	1.46%	0.09%	164.40	164.16	-0.15%	-1.51%
Gilead Sciences	SLB	15,428	\$1,522,095	1.45%	0.09%	98.66	95.32	-3.39%	-4.75%
Google Inc. - Class A	GOOG	2,722	\$1,522,095	1.45%	0.09%	559.08	544.40	-2.63%	-3.99%
Google Inc. - Class C	GOOGL	2,662	\$1,511,598	1.44%	0.08%	567.87	555.19	-2.23%	-3.60%
Pepscio	PEP	15,391	\$1,480,106	1.41%	0.08%	96.17	97.72	1.61%	0.25%
Facebook Inc.	FB	19,317	\$1,448,615	1.38%	0.08%	74.99	74.88	-0.15%	-1.51%
TOP TEN HOLDINGS			\$22,222,590	21.17%	1.25%	Russell 1000 Growth:		1.36%	

Total Portfolio Value
Total StanCERA Value

\$104,972,084
\$1,780,119,430

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Value Manager
Positions as of October 31, 2014

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	10/31/2014 \$ PX	11/14/2014 \$ PX	Position % Change	Relative % Change
EXXON MOBIL CORP	XOM	49,681	\$4,804,631	3.97%	0.27%	96.71	95.09	-1.68%	-2.88%
GENERAL ELECTRIC CO	GE	121,445	\$3,134,508	2.59%	0.18%	25.81	26.46	2.52%	1.31%
BERKSHIRE HATHAWAY INC	BRK-B	22,364	\$3,134,508	2.59%	0.18%	140.16	145.52	3.82%	2.62%
JOHNSON & JOHNSON	JNJ	28,184	\$3,037,689	2.51%	0.17%	107.78	108.16	0.35%	-0.85%
WELLS FARGO & CO	WFC	56,534	\$3,001,382	2.48%	0.17%	53.09	53.35	0.49%	-0.71%
JPMORGAN CHASE & CO	JPM	44,423	\$2,686,721	2.22%	0.15%	60.48	60.28	-0.33%	-1.53%
PROCTER & GAMBLE CO	PG	30,232	\$2,638,311	2.18%	0.15%	87.27	88.11	0.96%	-0.24%
CHEVRON CORP	CVX	21,592	\$2,589,902	2.14%	0.15%	119.95	116.32	-3.03%	-4.23%
PFIZER INC	PFE	75,968	\$2,275,241	1.88%	0.13%	29.95	30.34	1.30%	0.10%
AT&T CORP	T	62,874	\$2,190,525	1.81%	0.12%	34.84	35.90	3.04%	1.84%
TOP TEN HOLDINGS			\$29,493,417	24.37%	1.66%	Russell 1000 Value		1.20%	

Total Portfolio Value
Total StanCERA Value

\$121,023,460
\$1,780,119,430

STANCERA
Price Monitor Position Report

BNY - S&P 500 Index
Passive S&P 500 Index Fund
Positions as of October 31, 2014

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	10/31/2014 \$ PX	11/14/2014 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	36,686	\$3,962,103	3.76%	0.22%	108.00	114.18	5.72%	4.45%
Exxon Mobil Corp	XOM	24,407	\$2,360,402	2.24%	0.13%	96.71	95.09	-1.68%	-2.95%
Microsoft	MSFT	50,275	\$2,360,402	2.24%	0.13%	46.95	49.58	5.60%	4.33%
Johnson & Johnson	JNJ	16,425	\$1,770,301	1.68%	0.10%	107.78	108.16	0.35%	-0.92%
General Electric Co	GE	60,016	\$1,549,014	1.47%	0.09%	25.81	26.46	2.52%	1.24%
Berkshire Hathaway Inc.	BRK-B	10,977	\$1,538,476	1.46%	0.09%	140.16	145.52	3.82%	2.55%
Wells Fargo & Co.	WFC	27,788	\$1,475,251	1.40%	0.08%	53.09	53.35	0.49%	-0.79%
Procter & Gamble	PG	15,818	\$1,380,413	1.31%	0.08%	87.27	88.11	0.96%	-0.31%
JPMorgan Chase & Co.	JPM	21,779	\$1,317,188	1.25%	0.07%	60.48	60.28	-0.33%	-1.61%
Chevron Corp	CVX	10,630	\$1,275,038	1.21%	0.07%	119.95	116.32	-3.03%	-4.30%
TOP TEN HOLDINGS			\$18,988,588	18.02%	1.07%	S&P 500 Index:		1.28%	

Total Portfolio Value
Total StanCERA Value

\$105,375,072

\$1,780,119,430

STANCERA
Price Monitor Position Report

Dodge & Cox Equity
Active US Large Cap Value Manager
Positions as of October 31, 2014

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	10/31/2014 \$ PX	11/14/2014 \$ PX	Position % Change	Relative % Change
MICROSOFT CORP	MSFT	170,000	\$7,981,500	4.16%	0.45%	1.40%	46.95	49.58	5.60%	4.24%
WELLS FARGO & CO	WFC	146,072	\$7,754,962	4.04%	0.44%	2.50%	53.09	53.35	0.49%	-0.87%
CAPITAL ONE FINANCIAL CORP	COF	92,500	\$7,656,225	3.99%	0.43%	0.50%	82.77	81.76	-1.22%	-2.58%
HEWLETT-PACKARD CO	HPQ	210,105	\$7,538,567	3.92%	0.42%	0.70%	35.88	36.92	2.90%	1.54%
NOVARTIS AG-SPONSORED ADR	NVS	68,600	\$6,358,534	3.31%	0.36%	0.00%	92.69	93.95	1.36%	0.00%
TIME WARNER INC	TWX	78,232	\$6,217,097	3.24%	0.35%	0.70%	79.47	79.75	0.35%	-1.01%
COMCAST CORP-CLASS A	CMCSA	110,363	\$6,108,592	3.18%	0.34%	0.10%	55.35	54.10	-2.26%	-3.62%
SCHLUMBERGER LTD	SLB	54,300	\$5,357,238	2.79%	0.30%	0.00%	98.66	95.32	-3.39%	-4.75%
FEDEX CORP	FDX	30,900	\$5,172,660	2.69%	0.29%	0.30%	167.40	171.56	2.49%	1.12%
SCHWAB (CHARLES) CORP	SCHW	180,000	\$5,160,600	2.69%	0.29%	0.30%	28.67	28.87	0.70%	-0.66%
TOP TEN HOLDINGS			\$65,305,975	34.00%	3.67%	6.50%	Russell 1000 Growth:		1.36%	

Total Portfolio Value
Total StanCERA Value

\$192,085,003
\$1,780,119,430

STANCERA
Price Monitor Position Report

Jackson Square Partners
Active Large Cap Growth Portfolio
Positions as of October 31, 2014

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	10/31/2014 \$ PX	11/14/2014 \$ PX	Position % Change	Relative % Change
Celgene Corporation	CELG	100,025	\$10,711,677	6.64%	0.60%	0.82%	107.09	104.05	-2.84%	-4.20%
Microsoft Corporation	MSFT	198,200	\$9,305,490	5.77%	0.52%	2.39%	46.95	49.58	5.60%	4.24%
Allergan, Inc.	AGN	47,750	\$9,075,365	5.62%	0.51%	0.54%	190.06	198.65	4.52%	3.16%
Visa Inc. Class A	V	34,800	\$8,401,764	5.21%	0.47%	1.15%	241.43	248.84	3.07%	1.71%
QUALCOMM Incorporated	QCOM	100,050	\$7,854,926	4.87%	0.44%	1.26%	78.51	70.85	-9.76%	-11.12%
MasterCard Incorporated Class A	MA	92,225	\$7,723,844	4.79%	0.43%	0.80%	83.75	84.05	0.36%	-1.00%
eBay Inc.	EBAY	139,200	\$7,308,000	4.53%	0.41%	0.63%	52.50	54.36	3.54%	2.18%
Crown Castle International Corp.	CCI	93,150	\$7,276,878	4.51%	0.41%	0.25%	78.12	80.39	2.91%	1.54%
Walgreen Co.	WAG	112,950	\$7,253,649	4.50%	0.41%	0.44%	64.22	66.93	4.22%	2.86%
EOG Resources, Inc.	EOG	73,400	\$6,976,670	4.32%	0.39%	0.49%	95.05	98.16	3.27%	1.91%
TOP TEN HOLDINGS			\$81,888,263	50.75%	4.60%	8.78%	Russell 1000 Growth:		1.36%	

Total Portfolio Value
Total StanCERA Value

\$161,355,647

\$1,780,119,430

STANCERA
Price Monitor Position Report

Capital Prospects
Active US Small Cap Value Manager
Positions as of October 31, 2014

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000V	10/31/2014 \$ PX	11/14/2014 \$ PX	Position % Change	Relative % Change
Hillenbrand, Inc	HI	44,747	\$1,489,617	1.54%	0.08%	0.00%	33.29	34.17	2.64%	2.47%
Littelfuse, Inc	LFUS	12,396	\$1,209,105	1.25%	0.07%	0.04%	97.54	97.37	-0.17%	-0.34%
Regal Beloit Corp	RBC	15,265	\$1,083,358	1.12%	0.06%	0.00%	70.97	71.12	0.21%	0.04%
MB Financial, Inc	MBFI	32,805	\$1,034,994	1.07%	0.06%	0.24%	31.55	31.73	0.57%	0.40%
First AM	FAF	31,903	\$967,284	1.00%	0.05%	0.06%	30.32	30.81	1.62%	1.45%
Deluxe Corporation	DLX	15,591	\$947,938	0.98%	0.05%	0.17%	60.80	59.78	-1.68%	-1.85%
Iberiabank Corp	IBKC	13,766	\$947,938	0.98%	0.05%	0.25%	68.86	68.44	-0.61%	-0.78%
Asbury Auto GP	ABG	13,396	\$938,265	0.97%	0.05%	0.00%	70.04	74.01	5.67%	5.50%
Steelcase Inc	SCS	51,858	\$918,920	0.95%	0.05%	0.00%	17.72	17.95	1.30%	1.13%
Hexcel Corp New	HXL	21,475	\$899,574	0.93%	0.05%	0.00%	41.89	43.21	3.15%	2.98%
TOP TEN HOLDINGS			\$10,436,992	10.79%	0.59%	0.76%	Russell 2000 Value:		0.17%	

Total Portfolio Value
Total StanCERA Value

\$96,728,381
\$1,780,119,430

STANCERA
Price Monitor Position Report

Legato Capital Management
Active US Small Cap Growth Manager
Positions as of October 31, 2014

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000G	10/31/2014 \$ PX	11/14/2014 \$ PX	Position % Change	Relative % Change
Constant Contact, Inc.	CTCT	47,361	\$1,674,685	1.90%	0.09%	0.13%	35.36	34.64	-2.04%	-2.20%
LifeLock, Inc.	LOCK	88,376	\$1,494,438	1.70%	0.08%	0.16%	16.91	17.68	4.55%	4.39%
Synchronoss Technologies, Inc.	SNCR	28,902	\$1,493,366	1.70%	0.08%	0.21%	51.67	48.38	-6.37%	-6.53%
Cardtronics, Inc.	CATM	35,595	\$1,366,492	1.55%	0.08%	0.20%	38.39	37.39	-2.60%	-2.76%
Akorn, Inc.	AKRX	28,580	\$1,273,239	1.45%	0.07%	0.32%	44.55	38.21	-14.23%	-14.39%
AmSurg Corp.	AMSG	22,360	\$1,207,664	1.37%	0.07%	0.06%	54.01	50.00	-7.42%	-7.58%
Echo Global Logistics, Inc	ECHO	42,570	\$1,112,354	1.26%	0.06%	0.07%	26.13	27.41	4.90%	4.74%
FleetMatics Group Ltd.	FLTX	28,061	\$1,042,186	1.18%	0.06%	0.16%	37.14	37.10	-0.11%	-0.27%
iShares Russell 2000 Growth ETF	IWO	7,291	\$1,003,460	1.14%	0.06%	0.00%	137.63	137.85	0.16%	0.00%
Shutterfly, Inc.	SFLY	23,291	\$974,263	1.11%	0.05%	0.11%	41.83	42.48	1.55%	1.39%
TOP TEN HOLDINGS			\$12,642,147	14.37%	0.71%	1.42%	Russell 2000 Growth:		0.16%	

Total Portfolio Value
Total StanCERA Value

\$87,999,082

\$1,780,119,430

STANCERA
Price Monitor Position Report

LSV Asset Management
International Large Cap Value
Positions as of October 31, 2014

Company	Symbol	Market	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	10/31/2014 \$ PX*	11/14/2014 \$ PX*	Position % Change	Relative % Change
MAGNA INTERNATIONAL INC	MGA	Canada	27,285	\$2,693,264	1.75%	0.15%	0.12%	98.71	103.92	5.28%	6.12%
ASTRAZENECA PLC	AZN	London	33,759	\$2,462,412	1.60%	0.14%	0.51%	72.94	72.85	-0.12%	0.71%
ALLIANZ SE	ALV.DE	Germany	17,491	\$2,216,171	1.44%	0.12%	0.41%	126.70	131.20	3.55%	4.39%
CHINA PETROLEUM & CHEMICAL-H	SNP	Hong Kong	22,648	\$1,969,930	1.28%	0.11%	0.12%	86.98	82.83	-4.77%	-3.93%
SANOFI S.A.	SNY	London	39,940	\$1,846,809	1.20%	0.10%	0.61%	46.24	46.68	0.95%	1.79%
DAIMLER AG	DAI.DE	Germany	29,773	\$1,846,809	1.20%	0.10%	0.42%	62.03	61.12	-1.47%	-0.63%
OLD MUTUAL PLC	OML.L	London	9,544	\$1,846,809	1.20%	0.10%	0.09%	193.50	198.30	2.48%	3.32%
CANADIAN IMPERIAL BANK OF COMMER	CM.TO	Toronto	17,800	\$1,831,419	1.19%	0.10%	0.20%	102.89	104.45	1.52%	2.35%
MACQUARIE GROUP LIMITED	MQG.AX	Australia	29,688	\$1,816,029	1.18%	0.10%	0.09%	61.17	60.34	-1.36%	-0.52%
SWISS RE LTD	SSREY	Germany	21,724	\$1,754,469	1.14%	0.10%	0.16%	80.76	84.14	4.19%	5.02%
TOP TEN HOLDINGS				\$20,284,122	13.18%	1.14%	2.73%	MSCI ACWI ex-U.S.		-0.84%	

Total Portfolio Value
Total StanCERA Value

\$153,900,775

\$1,780,119,430

*Company quotes are provided directly in USD

STANCERA
Price Monitor Position Report

Pyramis Global Advisors
Active Non-US Growth Manager
Positions as of October 31, 2014

Company	Symbol	Market	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	10/31/2014 PX*	11/14/2014 PX*	Position % Change	Relative % Change
ROYAL DUTCH SHELL PLC CL A(NL)	B09CBL4	Amsterdam	73,771	\$2,633,265	1.69%	0.15%	1.28%	28.49	27.58	-3.19%	-2.36%
NESTLE SA (REG)	7123870	Switzerland	33,640	\$2,460,654	1.58%	0.14%	1.31%	70.35	71.40	1.49%	2.33%
ROCHE HLDGS AG (GENUSSCHEINE)	7110388	Germany	8,087	\$2,383,793	1.53%	0.13%	1.15%	36.81	36.92	0.30%	1.14%
HSBC HOLDINGS PLC (UK REG)	540528	London	204,183	\$2,089,005	1.34%	0.12%	1.08%	10.13	9.97	-1.58%	-0.74%
NOVARTIS AG (REG)	7103065	Germany	21,258	\$1,972,403	1.27%	0.11%	1.18%	92.69	93.95	1.36%	2.20%
BAYER AG	5069211	Germany	13,478	\$1,915,783	1.23%	0.11%	0.65%	36.81	36.92	0.30%	1.14%
LLOYDS BANKING GROUP PLC	870612	London	1,394,874	\$1,721,225	1.10%	0.10%	0.39%	1.23	1.19	-3.25%	-2.41%
TOYOTA MOTOR CORP	6900643	Tokyo	28,600	\$1,657,757	1.06%	0.09%	0.89%	121.35	119.82	-1.26%	-0.42%
SANOFI	5671735	Paris	17,882	\$1,650,305	1.06%	0.09%	0.61%	46.24	46.68	0.95%	1.79%
ALLIANZ SE (REGD)	5231485	Germany	9,506	\$1,509,006	0.97%	0.08%	0.40%	126.70	131.20	3.55%	4.39%
TOP TEN HOLDINGS				\$19,993,196	12.83%	1.12%	8.94%	MSCI ACWI ex-US:		-0.84%	

Total Portfolio Value
Total StanCERA Value

\$155,915,665
\$1,780,119,430

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



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e-mail: retirement@stancera.org

November 25, 2014, Retirement Board meeting


TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Change to Securities Lending Cash Collateral Pool
- II. ITEM NUMBER: 7.f
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Change securities lending cash collateral pool from the Basic Pool to the SL Core STIF Pool
- V. ANALYSIS: In September, staff received a notice from our Custodial Bank, Northern Trust, informing us that StanCERA must make a change to the investment pool (Basic) in which we invest our cash collateral for securities lent. Northern Trust is taking this action in light of the restrictions imposed on their cash collateral pools by Section 619 of the Dodd-Frank Act. In order for StanCERA to continue to invest cash collateral, we must choose another pool.

Northern has put together a new lending pool called the Collective SL Core Short Term Investment Fund (SL Core STIF). This fund is consistent with the guidelines of our current cash collateral pool, including investments, maturity, liquidity, diversification and credit quality guidelines. The new recommended STIF fund has a slightly higher fee structure than our current pool. For completeness, there is another pool that Northern Trust is offering (NILAP - an institutional money market fund), however, this fund appears slightly less conservative relative to our current pool. A comparison of all 3 funds is attached to this item.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective I: Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability
- VIII. ADMINISTRATIVE BUDGET IMPACT: Pursuant to Government Code section 31596.1, fees for the Custodial banking and related services are not included in the administrative budget.


Rick Santos, Executive Director


Kathy Herman, Fiscal Services Manager

The Northern Trust Company

50 South LaSalle Street

Chicago, IL 60603

(312) 630-6000



Northern Trust

VIA FEDERAL EXPRESS

September 19, 2014

Kathy Herman

Stanislaus County Employees' Retirement Association

832 12th Street, Suite 600

Modesto, CA 95353

RE: Action Required for Securities Lending Program

Dear Kathy,

On August 27, 2014, we wrote to inform you that the securities lending cash collateral pool in which you currently participate, Basic, will no longer be offered. Northern Trust is taking this action in light of the restrictions imposed on many of our cash collateral pools by Section 619 of the Dodd-Frank Act (the Volcker Rule).

In order to continue accepting cash as collateral for your securities lending program, you will need to select a different cash collateral investment fund. The options available to you are described below. Please complete and return the signed Addendum and Authorization Form to us by **January 23, 2015**.

Cash Collateral Investment Funds

Northern Trust has formed a new collective fund that is solely for investment of securities lending cash collateral, Collective SL Core Short Term Investment Fund (SL Core STIF). SL Core STIF is consistent with the guidelines of your current cash collateral pool, including eligible investments, credit quality, diversification and maturity and liquidity guidelines.

In addition, a registered 2a-7 institutional prime money market fund is also available. The Northern Institutional Liquid Assets Portfolio (NILAP) is solely for investment of securities lending cash collateral. Please note that the SEC recently published rules requiring new reforms for institutional prime money market funds, which apply to NILAP. Northern Trust will comply with these SEC rules by the compliance date of October 14, 2016. If you would like further information on NILAP, please contact me.



Northern Trust

Kathy Herman

Page – 2 –

September 19, 2014

The enclosed comparison chart highlights the key similarities and differences between your current cash collateral pool, SL Core STIF, and NILAP.

Documentation for Review

- Declaration of Trust of Northern Trust Investments Securities Lending Collateral Collective Funds Trust
- Fund Declaration of Northern Trust Collective SL Core Short Term Investment Fund
- Comparison Chart: Cash Collateral Pool Investment Guidelines, SL Core STIF Fund Declaration, and NILAP

Documentation Requiring Action

- Form of SL Core STIF Global Addendum to Securities Lending Authorization Agreement
- Exhibit I (Collateral Authorization Form) to Securities Lending Authorization Agreement

Please complete and return two copies of the Form SL Core STIF Global Addendum to Securities Lending Authorization Agreement and Exhibit I (Collateral Authorization Form) to Securities Lending Authorization Agreement. After January 23, 2015, we will confirm your transition date to your selected cash collateral investment fund. As always, we are happy to address your questions at any time and we invite you to contact us if you need any assistance. We look forward to working with you as we advance toward the completion of these changes.

Sincerely,

Donald S. Anderson

Securities Lending Relationship Manager

Global Securities Lending, Northern Trust

312-444-5386

DSA3@ntrs.com

Enclosures – [5]

**Northern Trust - Securities Lending
Comparison Chart**

Investment criteria	Basic	SL Core STIF (Collective)	NILAP (2a-7)
Eligible Investments			
Obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities	✓	✓	✓
Obligations of U.S. and Non-U.S. commercial banks	✓	✓	✓
Obligations of U.S. and Non-U.S. corporations, including asset-backed commercial paper (excluding SIVs, ECNs & LNs)	✓	✓	✓
Obligations of OECD governments or political subdivisions thereof, and their agencies or instrumentalities	N/A	✓	✓
Obligations issued by U.S. states or political subdivisions thereof	✓	✓	✓
Asset-backed securities	N/A	N/A	✓
Guaranteed Investment Contracts	✓	N/A	N/A
Units/Shares of money market funds and other liquidity funds	N/A	✓	2a7 funds only
Fully Collateralized repurchase agreements with counterparties approved by the Agent's appropriate credit committee (Repo collateral may include US Government and Agency securities, commercial paper/cds (A1/P1), investment grade and high yield corporate debt, and equities of major US indices (such as S&P500/Russell 1000) as approved by internal committee)	Only US Government and Agency securities	In addition to municipal securities and other equity indices	In addition to municipal securities and other equity indices
Residual cash sweep (Northern Trust Cayman Branch)	✓	✓	Treasury Repo
Permitted Currencies (USD)	✓	✓	✓
Liquidity Guidelines - Measured to Maturity			
Overnight Liquidity Minimum (20%)	✓	✓	10% (including US Treasuries)
Maturing in 1 week	N/A	N/A	30% (including all US Treasuries and any Agency Discount Notes maturing in 60 days)
Maximum maturing beyond 97 days (40%)	20%	✓	n/a
Maximum "Illiquid" securities	N/A	As established by internal policies	5%
Maturity Guidelines			
Security Maturity Maximum (13 months, except 762 days for variable rate Government Securities and 97 days for ABCP)	9 months for BA, CD, CP and TDs, 13 months for all other fixed rate securities, 18 months for floating rate securities	✓	13 months, except 2 year legal final for adjustable rate Government Securities. Second Tier Securities limited to 45 days.
WAM Max of 60 days (measured to interest reset)	✓	✓	✓
WAM Max of 120 days (measured to maturity date)	NA	✓	✓
Second Tier securities maturity maximum	N/A	N/A	45 days
Credit Quality Guidelines			
Short-Term Ratings (Security rated (or issued by an issuer that has received a ST rating from an NRSRO w/r/t a class of debt obligations) by 2 NRSROs in the highest ST rating category or if only one NRSRO then in the highest by that NRSRO, or unrated and deemed of comparable quality)	✓	✓	First Tier Ratings shall also include money market funds and Government Securities
Short-Term Ratings: Second Tier Securities	N/A	N/A	Security rated (or issued by an issuer) in the second highest ST rating category by at least 2 NRSROs, or if only one NRSRO, then rated in the second highest rating category by that NRSRO.

Northern Trust - Securities Lending Comparison Chart

Investment criteria	Basic	SL Core STIF (Collective)	NILAP (2a-7)
Long-Term Ratings (Security rated (or issued by an issuer that has received a LT rating from an NRSRO w/r/t a class of debt obligations) by 2 NRSROs in the two highest LT rating categories or if only one NRSRO then in the two highest by that NRSRO, or unrated and deemed of comparable quality)	✓	✓	Rated (or issued by an issuer that has received a LT rating from an NRSRO w/r/t a class of debt obligations) by 2 NRSROs in one of the four highest LT rating categories or if only one NRSRO then in one of the four highest by that NRSRO, or unrated securities deemed of comparable quality
Diversification Guidelines			
Government Securities (No Limit)	✓	✓	✓
Maximum per Issuer (5% - excluding Government Securities & residual cash)	5%	✓	5%
Temporary Issuer Rule: May exceed 5% (but not 25%) for up to 3 days	N/A	✓	✓
ABCP total limit (10%)	N/A	✓	N/A
Maximum per Second Tier Issuer	N/A	N/A	0.5% per issuer and a 3% max for all holdings
Maximum 25% per Repurchase Agreement Counterparty	✓	✓	✓
Maximum 10% per Repurchase Agreement Counterparty with collateral consisting of non-OECD/US Government Securities	N/A	✓	5% per counterparty unless look through to the repo collateral and treat as acquisition of collateral
Maximum 25% total Repurchase Agreements with non-OECD or US Government Securities collateral	N/A	✓	Internal limit of 25%
Maximum 10% per type of Repurchase Agreement collateral (excluding OECD/US Government Securities)	N/A	✓	Internal limit of 10%
Maximum 5% per Demand Features/Guarantees	10%	✓	10%
Other Information			
Estimate of net investment spread vs Fed Fund Effective for next 12 months (after fees)*	FFE+10 bps	FFE+16 bps	FFE+6 bps
Fees / Cost Recovery	0.72 bps Cost Recovery	.95 bps, with a cap of 1 bps Custody and Fund Administration Fee	3 bps Management Fee

*This estimate is for a 12 month time horizon. Given the continued low rate environment in the short-term financial markets, the estimate may materially change based upon future policy decisions of the US Federal Reserve Bank and general market conditions. In addition, the estimate takes into account current Internal policies for cash collateral investments.

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**For the Retirement Board meeting
Held on November 25, 2014**

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: 2014 Quarter 3 Value Added and Cash Flow Report
- II. ITEM NUMBER: 8.a
- III. RECOMMENDATION: None; Information item only
- IV. ANALYSIS: This report is meant to associate the fees StanCERA pays to manage its active portfolio with the returns the active managers are achieving. Among other things, the report shows all fees StanCERA pays in an attempt to earn a return greater than its policy benchmark. It breaks this information down by each active manager and shows how much value a manager is adding to the portfolio. "Value Added" in its purest form can simply be defined as the number of dollars a manager earns above the benchmark, less all fees StanCERA pays associated with that manager. The exhibits below are presented to the Board on a quarterly basis and the dialogue focuses specifically on notable information in this quarter's report. Also included with this analysis is a cash flow report detailing all cash flows into and out of the system between July 1, 2014 and September 30, 2014.

Quarterly Value Added Report

- *Value Added Summary* – This summary gives aggregate information for our current active managers for the most recent quarter and for the past 4 years. It also presents the same information by asset class and style.

Quarter 2 proved to rebound quite nicely from the prior quarter as the total value added to the portfolio was approximately \$5.4 million. Jackson Square and PIMCO were the only detractors of value, while Pyramis and Legato rebounded and were among those contributing to value added this quarter.

Over the past 4 years, active management has added approximately \$46 million in value added. This represents over 300 basis points of value added relative to the average portfolio size over this same period, showing that active management at StanCERA is still proving to be a positive proposition.

Over the last 4 years, Legato and PIMCO are slightly below water; however, PIMCO's results are somewhat a function of their sector allocation relative to the benchmark. PIMCO is overweight/underweight Government/Credit which most likely creates a headwind to the yield component of its overall return. This issue is most relevant when one compares StanCERA Fixed Income Managers.

- *Total Fee Summary* - This summary shows fees in dollars and expressed in annualized basis points as a percentage of the average portfolio size for the most recent quarter and 4 year period.

Quarter over quarter, overall manager fees decreased dramatically from 32.8 to 28.9 basis points, representing a dollar decrease of approximately \$160,000. Of this amount, about half can be attributed to the new Custodial contract in place and the rest to a new performance based fee schedule implemented with one of StanCERA's active managers.

- *5 - Year Individual Manager Quarterly Value Added* - This summary gives the quarterly value added and cumulative amounts for each individual manager for the past 5 years. Cumulatively, all active managers except Legato have added value over the past 5 years.

Cash Flow Report

Also attached to this item is the cash flow report for the period July 1, 2014 through September 30, 2014. The report is self-explanatory.

- V. RISK: None
- VI. 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. BUDGET IMPACT: None



Rick Santos, Executive Director



Kathy Herman, Operations Manager

Total Fee Summary

	6/30/2014	Through	9/30/2014				
Manager	Average Dollars Managed	Managerial Fees		Custodial Fees		Total Fees	
		Total	Annualized Basis Points	Total	Annualized Basis Points	Total	Annualized Basis Points
DODGE & COX - LARGE CAP VALUE	186,441,486	89,424	19.2	4,980	1.1	94,404	20.3
MAZAMA - SMALL CAP GROWTH	-	-	0.0	-	0.0	-	0.0
* Terminated 12/2008							
JACKSON SQUARE - LARGE CAP GROWTH	154,868,356	187,760	48.5	5,505	1.4	193,265	49.9
LOOMIS SAYLES - LARGE CAP GROWTH	-	-	0.0	-	0.0	-	0.0
* Terminated 6/2010							
Capital Prospects - By Manager							
Bernzott	12,772,462	24,716		2,229		26,945	
Channing	21,165,793	40,959		3,693		44,652	
InView	19,888,547	38,487		3,470		41,957	
Keeley	11,768,911	22,774		2,054		24,828	
Ten/Pacific Ridge	12,407,534	24,010		2,165		26,175	
Walthausen	13,228,621	25,599		2,308		27,907	
CAPITAL PROSPECTS	91,231,868	176,546	77.4	15,919	7.0	192,465	84.4
Legato - By Manager							
CastleArk	13,562,719	30,989		2,982		33,971	
Lee Munder/Crosswinds	17,672,634	40,379		3,886		44,265	
Eudaimonia	11,507,761	26,294		2,530		28,824	
Riverbridge	19,727,591	45,075		4,337		49,412	
Stephens	19,727,591	45,075		4,337		49,412	
LEGATO CAPITAL	82,198,296	187,811	91.4	18,072	8.8	205,883	100.2
LSV ASSET MGMT	158,237,015	97,872	24.7	31,469	8.0	129,341	32.7
PYRAMIS	158,999,852	183,040	46.0	28,803	7.2	211,843	53.3
DODGE & COX FI	391,531,346	106,193	10.8	8,055	0.8	114,248	11.7
PIMCO	108,753,259	91,348	33.6	3,950	1.5	95,298	35.1
* Inception Date 5/2010							
INVESCO	-	-	0.0	-	0.0	-	0.0
* Terminated 9/2012							
RAFI**	-	-	0.0	-	0.0	-	0.0
* Terminated 6/2012							
STRATEGIC INVESTMENT SOLUTIONS	1,769,679,127	42,500	1.0	N/A	N/A	42,500	1.0
TOTAL	1,769,679,127	1,162,495	26.3	116,753	2.6	1,279,247	28.9

** RAFI fees are taken from the actual portfolio

Total Fee Summary

9/30/2010 Through 9/30/2014

Manager	Average Dollars Managed	Managerial Fees		Custodial Fees		Total Fees	
		<u>Total</u>	<u>Annualized Basis Points</u>	<u>Total</u>	<u>Annualized Basis Points</u>	<u>Total</u>	<u>Annualized Basis Points</u>
DODGE & COX - LARGE CAP VALUE	162,434,496	1,291,506	19.9	65,405	1.0	1,356,911	20.9
MAZAMA - SMALL CAP GROWTH	-	-	0.0	-	0.0	-	0.0
* Terminated 12/2008							
JACKSON SQUARE - LARGE CAP GROWTH	120,448,639	2,397,003	49.8	51,261	1.1	2,448,264	50.8
LOOMIS SAYLES - LARGE CAP GROWTH	-	-	0.0	-	0.0	-	0.0
* Terminated 6/2010							
Capital Prospects - By Manager							
Bernzott	10,296,583	319,419		17,590		337,009	
Channing	17,062,909	529,323		29,149		558,472	
InView	16,033,250	497,381		27,390		524,771	
Keeley	9,487,566	294,322		16,208		310,530	
Ten/Pacific Ridge	10,002,395	310,293		17,087		327,380	
Walthausen	10,664,318	330,827		18,218		349,045	
CAPITAL PROSPECTS	73,547,020	2,281,564	77.6	125,642	4.3	2,407,206	81.8
Legato - By Manager							
CastleArk	11,123,860	411,875		57,772		469,647	
Lee Munder/Crosswinds	14,494,726	536,686		75,279		611,965	
Eudaimonia	9,438,426	349,470		49,019		398,489	
Riverbridge	16,180,159	599,091		84,032		683,123	
Stephens	16,180,159	599,091		84,032		683,123	
LEGATO CAPITAL	67,417,331	2,496,213	92.6	350,134	13.0	2,846,347	105.5
LSV ASSET MGMT	134,260,474	2,878,401	53.6	517,112	9.6	3,395,513	63.2
PYRAMIS	138,390,143	2,677,450	48.4	1,336,285	24.1	4,013,734	72.5
DODGE & COX FI	407,594,907	1,758,663	10.8	103,124	0.6	1,861,786	11.4
PIMCO	100,799,764	1,380,109	34.2	96,219	2.4	1,476,327	36.6
* Inception Date 5/2010							
INVESCO	18,831,965	258,682	68.7	48	0.0	258,730	68.7
* Terminated 9/2012							
RAFI**	-	-	0.0	-	0.0	-	0.0
* Terminated 6/2012							
STRATEGIC INVESTMENT SOLUTIONS	1,504,413,046	634,177	1.1	N/A	N/A	634,177	1.1
TOTAL	1,504,413,046	18,053,767	30.0	2,645,229	4.4	20,698,996	34.4

** RAFI fees are taken from the actual portfolio

Value Added Summary

6/30/2014

Through

9/30/2014

By Current Active Managers

<u>Current Active Managers</u>	<u>Changes in Portfolio Value</u>					<u>Fees</u>		<u>Value Added</u>		<u>Monthly</u>	
	<u>Beginning</u>	<u>Passive Return</u>	<u>Excess Return</u>	<u>Net Cash Flows</u>	<u>Ending</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>	<u>% of Portfolio</u>	<u>Average Value Added</u>	<u>Probability of Adding Value</u>
DODGE & COX - LARGE CAP VALUE	185,525,687	(139,608)	1,730,824	(1,085,105)	186,031,798	(89,424)	(4,980)	\$1,636,420	0.9%	545,473	64.4%
JACKSON SQUARE - LARGE CAP GROWTH	154,417,260	2,469,231	(1,282,465)	(171,564)	155,432,462	(187,760)	(5,505)	(\$1,475,730)	-1.0%	(491,910)	42.1%
CAPITAL PROSPECTS	94,347,658	(7,758,628)	2,429,920	(28,521)	88,990,429	(176,546)	(15,919)	\$2,237,454	2.4%	745,818	93.2%
Legato Capital	85,567,336	(4,871,022)	1,004,243	(84,518)	81,616,039	(187,811)	(18,072)	\$798,360	1.0%	266,120	58.9%
LSV ASSET MGMT	162,319,234	(8,313,780)	653,260	(1,864,536)	152,794,178	(97,872)	(31,469)	\$523,919	0.3%	174,640	57.0%
Pyramis	162,272,896	(8,371,963)	1,021,665	14,814	154,937,413	(183,040)	(28,803)	\$809,822	0.5%	269,941	60.8%
DODGE & COX FI	396,498,077	682,611	1,367,551	(10,516,618)	388,031,622	(106,193)	(8,055)	\$1,253,304	0.3%	417,768	65.9%
PIMCO	108,679,737	185,087	(293,684)	(6,613)	108,564,527	(91,348)	(3,950)	(\$388,982)	-0.4%	(129,661)	0.0%

By Asset Class

<u>Value Added By Asset Class</u>	<u>Changes in Portfolio Value</u>					<u>Fees</u>		<u>Value Added</u>		<u>Monthly</u>	
	<u>Beginning</u>	<u>Passive Return</u>	<u>Excess Return</u>	<u>Net Cash Flows</u>	<u>Ending</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>	<u>% of Portfolio</u>	<u>Average Value Added</u>	<u>Probability of Adding Value</u>
1. Equity											
a. Domestic	519,857,941	(10,300,027)	3,882,521	(1,369,708)	512,070,728	(641,541)	(44,476)	\$3,196,504	0.6%	\$1,065,501	62.1%
b. International	<u>324,592,130</u>	<u>(16,685,742)</u>	<u>1,674,925</u>	<u>(1,849,722)</u>	<u>307,731,591</u>	<u>(280,912)</u>	<u>(60,272)</u>	<u>\$1,333,742</u>	<u>0.4%</u>	<u>\$444,581</u>	<u>58.9%</u>
Equity Total	844,450,071	(26,985,769)	5,557,447	(3,219,430)	819,802,319	(922,453)	(104,748)	\$4,530,245	0.5%	\$1,510,082	60.9%
2. Fixed Income	505,177,814	867,698	1,073,867	(10,523,231)	496,596,149	(197,541)	(12,005)	\$864,321	0.2%	\$288,107	51.7%
3. Total Equity and Fixed Income	1,349,627,885	(26,118,071)	6,631,314	(13,742,660)	1,316,398,468	(1,119,995)	(116,753)	\$5,394,567	0.4%	\$1,798,189	57.4%

By Style

<u>Value Added By Asset Class</u>	<u>Changes in Portfolio Value</u>					<u>Fees</u>		<u>Value Added</u>		<u>Monthly</u>	
	<u>Beginning</u>	<u>Passive Return</u>	<u>Excess Return</u>	<u>Net Cash Flows</u>	<u>Ending</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>	<u>% of Portfolio</u>	<u>Average Value Added</u>	<u>Probability of Adding Value</u>
Large Cap	339,942,947	2,329,623	448,359	(1,256,669)	341,464,260	(277,184)	(10,484)	\$160,690	0.0%	\$53,563	54.3%
Small Cap	179,914,994	(12,629,650)	3,434,163	(113,038)	170,606,468	(364,357)	(33,992)	\$3,035,814	1.7%	\$1,011,938	76.8%
Value	442,192,579	(16,212,016)	4,814,004	(2,978,162)	427,816,405	(363,842)	(52,367)	\$4,397,794	1.0%	\$1,465,931	67.8%
Growth	402,257,492	(10,773,753)	743,443	(241,268)	391,985,914	(558,611)	(52,380)	\$132,452	0.0%	\$44,151	53.2%

Value Added Summary

9/30/2010

Through

9/30/2014

By Current Active Managers

Current Active Managers	Changes in Portfolio Value					Fees		Value Added		Monthly	
	Beginning	Passive Return	Excess Return	Net Cash Flows	Ending	Managerial	Custodial	Total	% of Portfolio	Average Value Added	Probability of Adding Value
DODGE & COX - LARGE CAP VALUE	164,392,066	104,068,386	6,019,994	(88,448,648)	186,031,798	(1,291,506)	(65,405)	\$4,663,084	2.7%	97,148	53.1%
JACKSON SQUARE - LARGE CAP GROWTH	84,660,635	80,828,196	6,444,573	(16,500,942)	155,432,462	(2,397,003)	(51,261)	\$3,996,309	3.3%	83,256	52.6%
CAPITAL PROSPECTS	61,422,579	39,910,542	8,095,133	(20,437,825)	88,990,429	(2,281,564)	(125,642)	\$5,687,927	7.6%	118,498	57.9%
Legato Capital	53,459,284	42,848,903	2,591,322	(17,283,470)	81,616,039	(2,496,213)	(350,134)	(\$255,025)	-0.4%	(5,313)	49.7%
LSV ASSET MGMT	132,038,164	37,491,999	8,390,487	(25,126,473)	152,794,178	(2,878,401)	(517,112)	\$4,994,975	3.5%	104,062	55.5%
Pyramis	135,713,503	38,431,458	5,215,737	(24,423,285)	154,937,413	(2,677,450)	(1,336,285)	\$1,202,003	0.8%	25,042	50.9%
DODGE & COX FI	372,719,340	51,894,064	27,788,840	(64,370,622)	388,031,622	(1,758,663)	(103,124)	\$25,927,053	6.8%	540,147	59.5%
PIMCO	80,218,266	11,930,929	1,182,084	15,233,249	108,564,527	(1,380,109)	(96,219)	(\$294,244)	-0.3%	(6,130)	48.7%

By Asset Class

Value Added By Asset Class	Changes in Portfolio Value					Fees		Value Added		Monthly	
	Beginning	Passive Return	Excess Return	Net Cash Flows	Ending	Managerial	Custodial	Total	% of Portfolio	Average Value Added	Probability of Adding Value
1. Equity											
a. Domestic	363,934,564	267,656,028	23,151,022	(142,670,886)	512,070,728	(8,466,286)	(592,442)	\$14,092,294	3.2%	\$293,589	53.3%
b. International	267,751,667	75,923,457	13,606,225	(49,549,758)	307,731,591	(5,555,851)	(1,853,396)	\$6,196,978	2.2%	\$129,104	53.2%
Equity Total	631,686,231	343,579,485	36,757,247	(192,220,644)	819,802,319	(14,022,136)	(2,445,839)	\$20,289,272	2.8%	\$422,693	53.2%
2. Fixed Income	452,937,606	63,824,992	28,970,924	(49,137,373)	496,596,149	(3,138,771)	(199,342)	\$25,632,810	5.4%	\$534,017	57.6%
3. Total Equity and Fixed Income	1,084,623,837	407,404,477	65,728,171	(241,358,017)	1,316,398,468	(17,160,908)	(2,645,181)	\$45,922,082	3.8%	\$956,710	55.0%

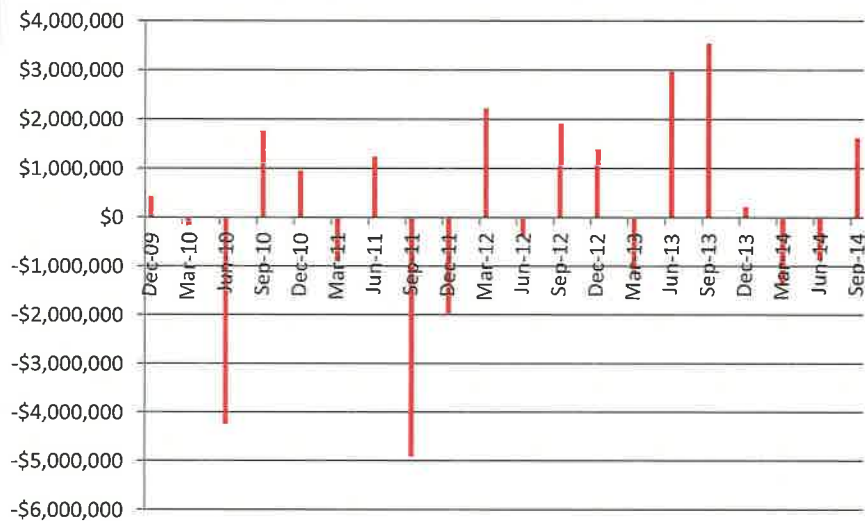
By Style

Value Added By Asset Class	Changes in Portfolio Value					Fees		Value Added		Monthly	
	Beginning	Passive Return	Excess Return	Net Cash Flows	Ending	Managerial	Custodial	Total	% of Portfolio	Average Value Added	Probability of Adding Value
Large Cap	249,052,701	184,896,582	12,464,567	(104,949,591)	341,464,260	(3,688,509)	(116,666)	\$8,659,393	2.9%	\$180,404	52.9%
Small Cap	114,881,863	82,759,445	10,686,455	(37,721,295)	170,606,468	(4,777,777)	(475,776)	\$5,432,902	3.8%	\$113,185	54.1%
Value	357,852,809	181,470,927	22,505,615	(134,012,946)	427,816,405	(6,451,470)	(708,159)	\$15,345,985	3.9%	\$319,708	54.8%
Growth	273,833,422	162,108,557	14,251,632	(58,207,698)	391,985,914	(7,570,666)	(1,737,680)	\$4,943,287	1.5%	\$102,985	51.2%

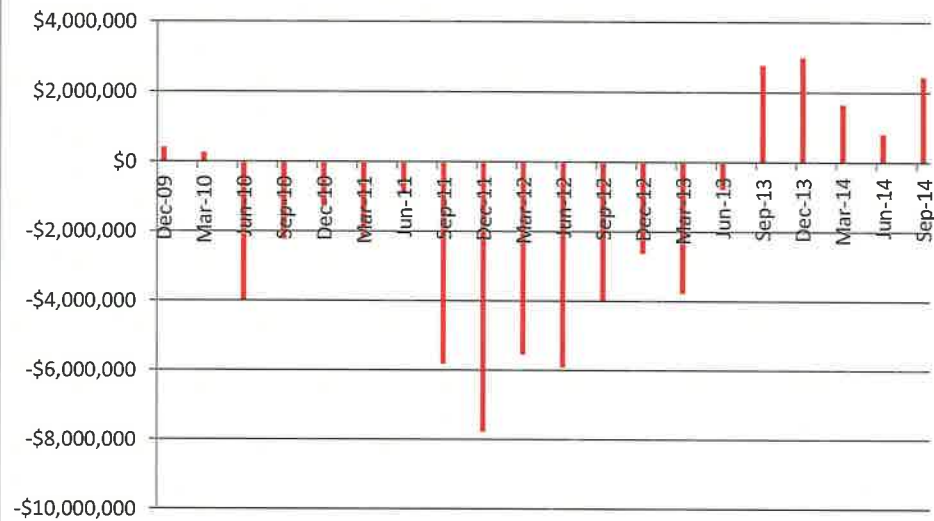
DODGE & COX - LARGE CAP VALUE Quarterly Value Added

Quarter	Begin Date	End Date	Alpha	Fees		Value Added
				Managerial	Custodial	
1	9/30/2009	12/31/2009	\$515,303	\$88,756	\$4,122	\$422,425
2	12/31/2009	3/31/2010	-\$57,048	\$92,709	\$4,312	-\$154,069
3	3/31/2010	6/30/2010	-\$4,161,579	\$74,563	\$4,009	-\$4,240,151
4	6/30/2010	9/30/2010	\$1,841,032	\$79,904	\$3,653	\$1,757,475
5	9/30/2010	12/31/2010	\$1,043,825	\$86,729	\$3,997	\$953,099
6	12/31/2010	3/31/2011	-\$785,178	\$90,267	\$4,388	-\$879,833
7	3/31/2011	6/30/2011	\$1,340,497	\$88,927	\$4,499	\$1,247,071
8	6/30/2011	9/30/2011	-\$4,824,229	\$72,824	\$3,136	-\$4,900,189
9	9/30/2011	12/31/2011	-\$1,888,926	\$75,694	\$2,344	-\$1,966,964
10	12/31/2011	3/31/2012	\$2,303,140	\$68,984	\$1,476	\$2,232,680
11	3/31/2012	6/30/2012	-\$301,101	\$67,711	\$2,236	-\$371,048
12	6/30/2012	9/30/2012	\$1,983,489	\$71,825	\$1,072	\$1,910,592
13	9/30/2012	12/31/2012	\$1,467,208	\$73,225	\$2,092	\$1,391,891
14	12/31/2012	3/31/2013	-\$1,072,291	\$79,186	\$4,665	-\$1,156,142
15	3/31/2013	6/30/2013	\$3,074,425	\$80,061	\$6,119	\$2,988,245
16	6/30/2013	9/30/2013	\$3,641,556	\$81,796	\$6,026	\$3,553,733
17	9/30/2013	12/31/2013	\$313,275	\$87,811	\$5,815	\$219,650
18	12/31/2013	3/31/2014	-\$1,247,256	\$88,200	\$5,993	-\$1,341,450
19	3/31/2014	6/30/2014	-\$759,263	\$88,840	\$6,566	-\$854,669
20	6/30/2014	9/30/2014	\$1,730,824	\$89,424	\$4,980	\$1,636,420

DODGE & COX - LARGE CAP VALUE Quarterly Value Added



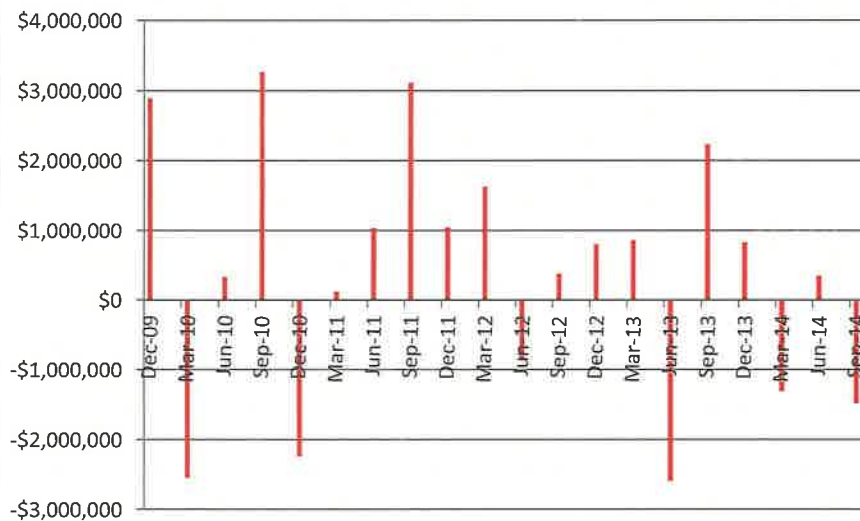
DODGE & COX - LARGE CAP VALUE Quarterly Cumulative Value Added



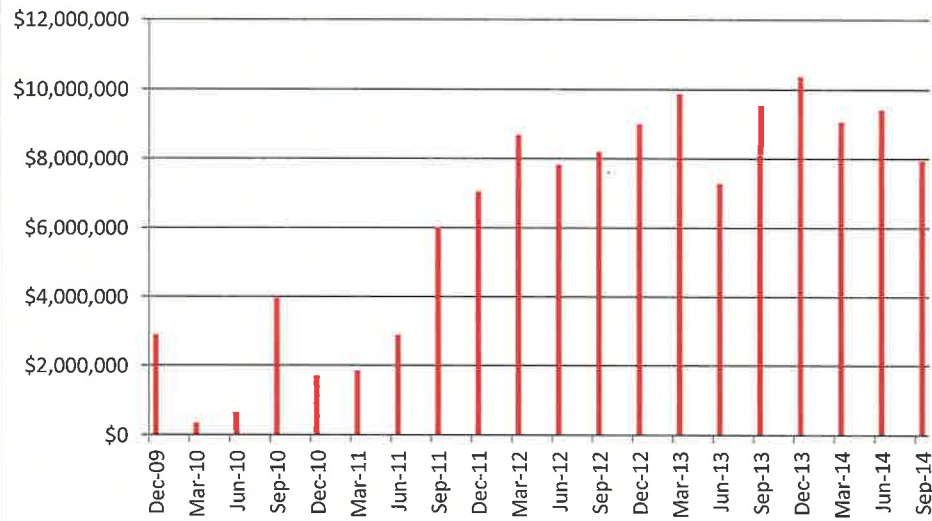
JACKSON SQUARE LARGE CAP GROWTH Quarterly Value Added

Quarter	Begin Date	End Date	Alpha	Fees		Value Added
				Managerial	Custodial	
1	9/30/2009	12/31/2009	\$3,043,032	\$143,212	\$2,680	\$2,897,140
2	12/31/2009	3/31/2010	-\$2,395,031	\$144,649	\$2,754	-\$2,542,434
3	3/31/2010	6/30/2010	\$442,133	\$106,047	\$2,162	\$333,923
4	6/30/2010	9/30/2010	\$3,378,675	\$101,839	\$1,869	\$3,274,967
5	9/30/2010	12/31/2010	-\$2,113,459	\$115,269	\$2,140	-\$2,230,869
6	12/31/2010	3/31/2011	\$253,486	\$125,411	\$2,342	\$125,734
7	3/31/2011	6/30/2011	\$1,170,665	\$129,638	\$2,425	\$1,038,603
8	6/30/2011	9/30/2011	\$3,241,561	\$123,443	\$1,098	\$3,117,020
9	9/30/2011	12/31/2011	\$1,180,312	\$127,986	\$1,178	\$1,051,148
10	12/31/2011	3/31/2012	\$1,778,217	\$141,840	\$1,694	\$1,634,683
11	3/31/2012	6/30/2012	-\$723,810	\$142,009	\$1,954	-\$867,773
12	6/30/2012	9/30/2012	\$528,838	\$145,968	\$1,824	\$381,046
13	9/30/2012	12/31/2012	\$957,854	\$147,904	\$2,026	\$807,924
14	12/31/2012	3/31/2013	\$1,030,783	\$159,111	\$4,988	\$866,684
15	3/31/2013	6/30/2013	-\$2,421,912	\$156,738	\$4,430	-\$2,583,080
16	6/30/2013	9/30/2013	\$2,406,424	\$160,682	\$4,282	\$2,241,460
17	9/30/2013	12/31/2013	\$1,015,086	\$173,996	\$4,333	\$836,758
18	12/31/2013	3/31/2014	-\$1,120,390	\$177,076	\$4,840	-\$1,302,306
19	3/31/2014	6/30/2014	\$543,382	\$182,171	\$6,204	\$355,007
20	6/30/2014	9/30/2014	-\$1,282,465	\$187,760	\$5,505	-\$1,475,730

JACKSON SQUARE LARGE CAP GROWTH
Quarterly Value Added



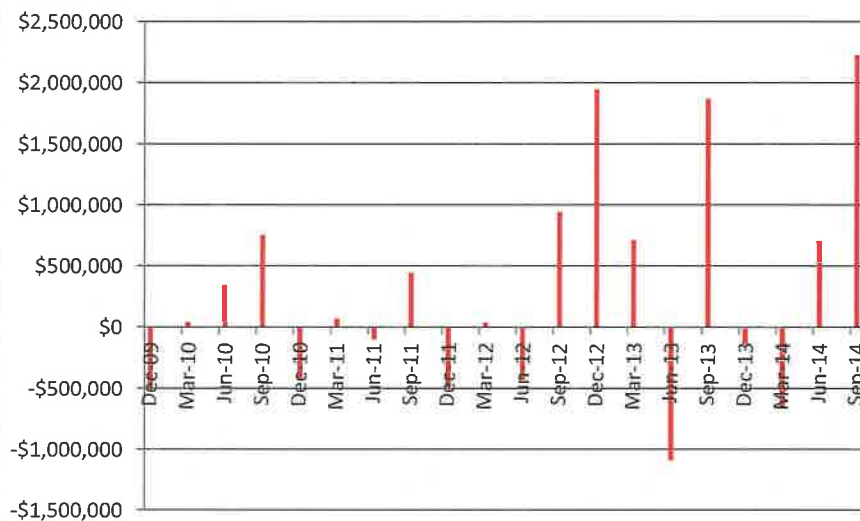
JACKSON SQUARE - LARGE CAP GROWTH
Quarterly Cumulative Value Added



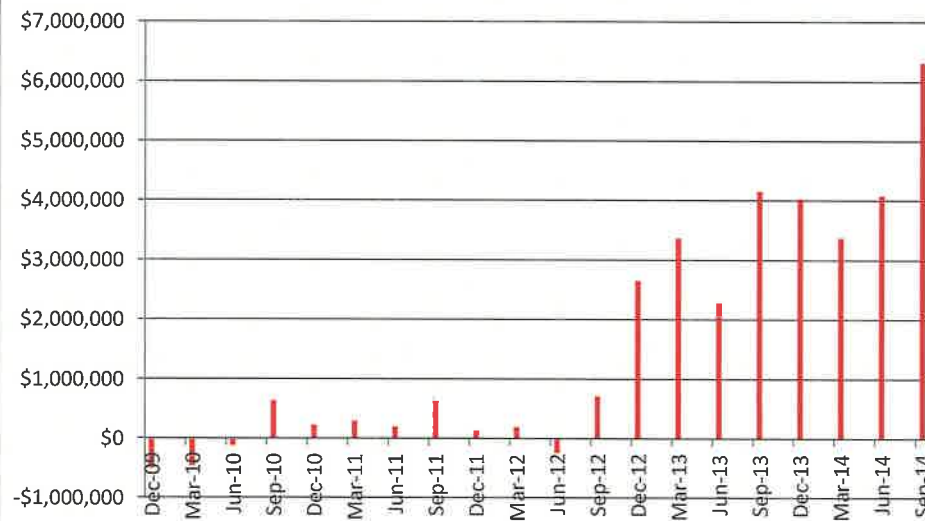
CAPITAL PROSPECTS Quarterly Value Added

Quarter	Begin Date	End Date	Alpha	Fees		Value Added
				Managerial	Custodial	
1	9/30/2009	12/31/2009	-\$380,938	\$113,833	\$5,846	-\$500,617
2	12/31/2009	3/31/2010	\$172,742	\$123,719	\$6,289	\$42,735
3	3/31/2010	6/30/2010	\$469,514	\$120,854	\$6,261	\$342,399
4	6/30/2010	9/30/2010	\$873,418	\$113,604	\$5,806	\$754,009
5	9/30/2010	12/31/2010	-\$279,802	\$127,372	\$6,457	-\$413,631
6	12/31/2010	3/31/2011	\$218,674	\$139,484	\$7,171	\$72,018
7	3/31/2011	6/30/2011	\$44,992	\$136,107	\$7,292	-\$98,407
8	6/30/2011	9/30/2011	\$557,229	\$105,623	\$5,628	\$445,978
9	9/30/2011	12/31/2011	-\$378,530	\$108,585	\$4,888	-\$492,003
10	12/31/2011	3/31/2012	\$163,761	\$119,481	\$5,222	\$39,057
11	3/31/2012	6/30/2012	-\$301,042	\$117,427	\$5,636	-\$424,106
12	6/30/2012	9/30/2012	\$1,072,679	\$122,499	\$5,054	\$945,126
13	9/30/2012	12/31/2012	\$2,086,673	\$131,297	\$5,086	\$1,950,290
14	12/31/2012	3/31/2013	\$868,837	\$147,222	\$7,282	\$714,334
15	3/31/2013	6/30/2013	-\$924,866	\$154,313	\$7,805	-\$1,086,983
16	6/30/2013	9/30/2013	\$2,047,762	\$165,329	\$9,476	\$1,872,957
17	9/30/2013	12/31/2013	\$56,814	\$174,451	\$13,162	-\$130,799
18	12/31/2013	3/31/2014	-\$461,309	\$177,806	\$10,791	-\$649,906
19	3/31/2014	6/30/2014	\$893,341	\$178,020	\$8,773	\$706,548
20	6/30/2014	9/30/2014	\$2,429,920	\$176,546	\$15,919	\$2,237,454

CAPITAL PROSPECTS Quarterly Value Added



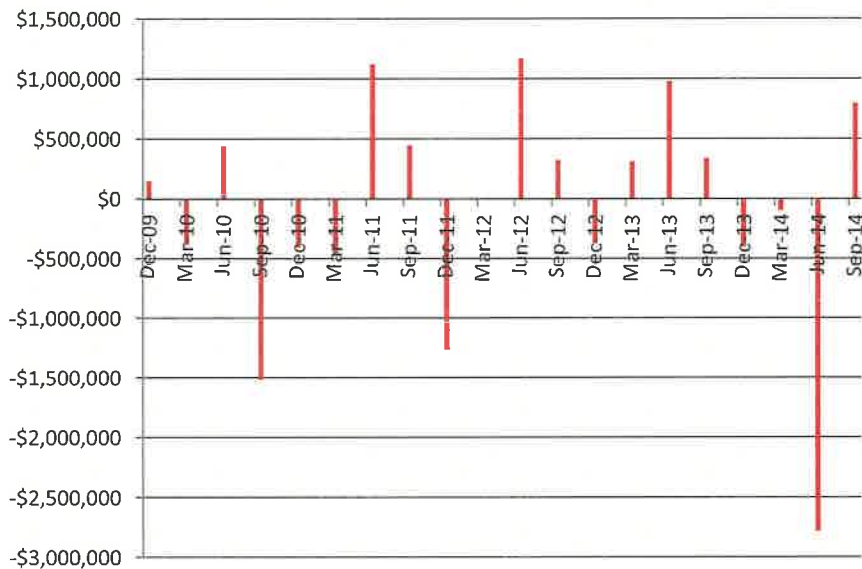
CAPITAL PROSPECTS Quarterly Cumulative Value Added



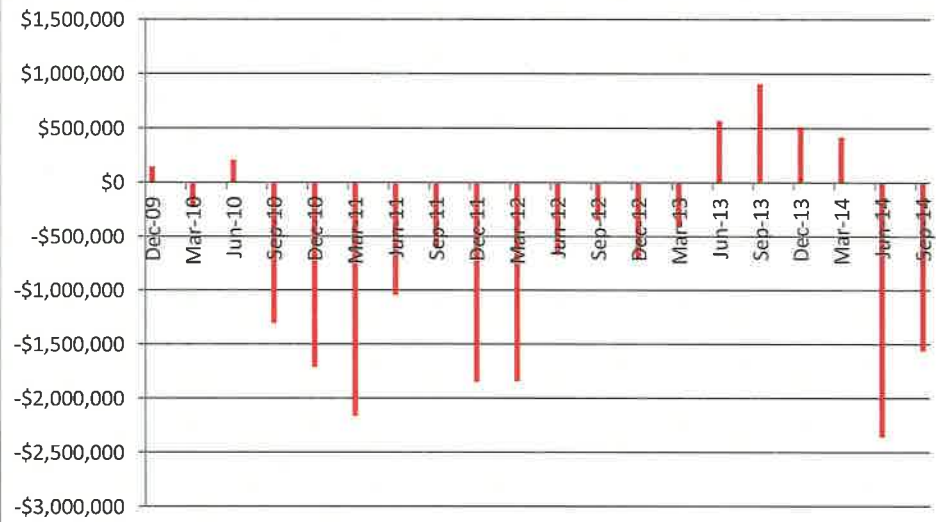
Legato Capital Quarterly Value Added

Quarter	Begin Date	End Date	Fees			Value Added
			Alpha	Managerial	Custodial	
1	9/30/2009	12/31/2009	\$274,823	\$108,982	\$16,133	\$149,708
2	12/31/2009	3/31/2010	-\$246,517	\$116,353	\$17,238	-\$380,108
3	3/31/2010	6/30/2010	\$579,733	\$120,704	\$18,097	\$440,932
4	6/30/2010	9/30/2010	-\$1,377,562	\$117,787	\$17,211	-\$1,512,560
5	9/30/2010	12/31/2010	-\$246,064	\$137,368	\$19,740	-\$403,172
6	12/31/2010	3/31/2011	-\$280,084	\$151,931	\$22,252	-\$454,267
7	3/31/2011	6/30/2011	\$1,299,087	\$154,501	\$23,323	\$1,121,263
8	6/30/2011	9/30/2011	\$582,439	\$117,446	\$18,692	\$446,301
9	9/30/2011	12/31/2011	-\$1,117,167	\$119,430	\$16,508	-\$1,253,105
10	12/31/2011	3/31/2012	\$159,474	\$130,946	\$22,688	\$5,841
11	3/31/2012	6/30/2012	\$1,322,961	\$131,021	\$22,120	\$1,169,820
12	6/30/2012	9/30/2012	\$479,877	\$135,442	\$19,914	\$324,521
13	9/30/2012	12/31/2012	-\$213,207	\$138,254	\$21,088	-\$372,549
14	12/31/2012	3/31/2013	\$485,352	\$153,975	\$21,977	\$309,400
15	3/31/2013	6/30/2013	\$1,167,286	\$164,612	\$21,657	\$981,017
16	6/30/2013	9/30/2013	\$546,533	\$183,840	\$23,292	\$339,402
17	9/30/2013	12/31/2013	-\$169,512	\$198,693	\$27,808	-\$396,013
18	12/31/2013	3/31/2014	\$135,426	\$202,405	\$25,425	-\$92,404
19	3/31/2014	6/30/2014	-\$2,565,323	\$188,539	\$25,578	-\$2,779,440
20	6/30/2014	9/30/2014	\$1,004,243	\$187,811	\$18,072	\$798,360

Legato Capital Quarterly Value Added



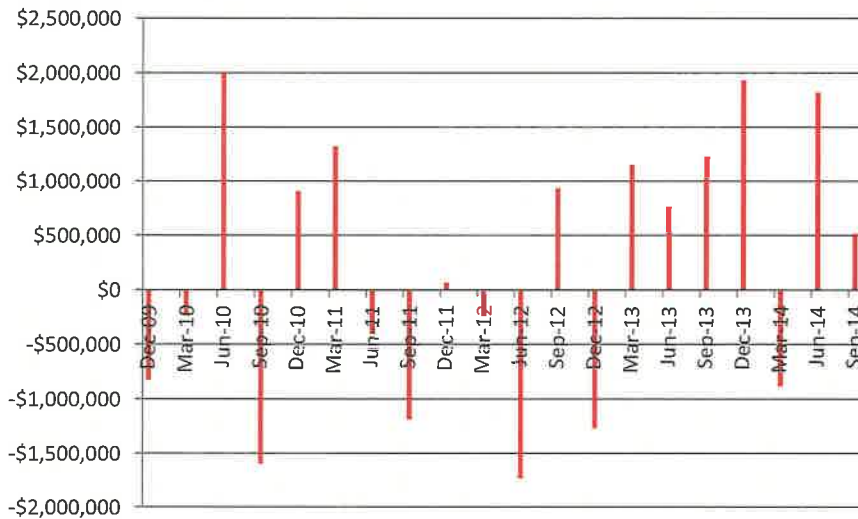
Legato Capital Quarterly Cumulative Value Added



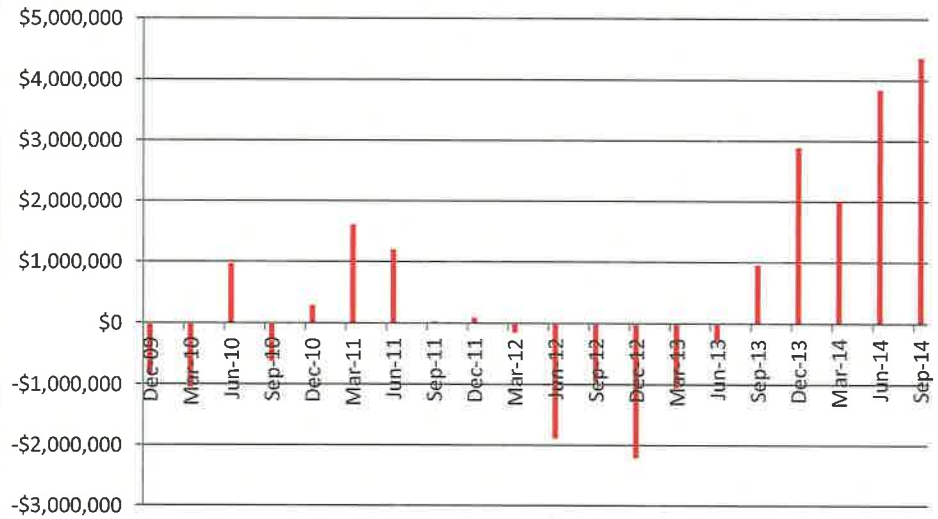
LSV ASSET MGMT Quarterly Value Added

Quarter	Begin Date	End Date	Alpha	Fees		Value Added
				Managerial	Custodial	
1	9/30/2009	12/31/2009	-\$594,243	\$198,631	\$30,417	-\$823,291
2	12/31/2009	3/31/2010	\$12,530	\$197,281	\$31,000	-\$215,751
3	3/31/2010	6/30/2010	\$2,217,667	\$175,374	\$28,763	\$2,013,530
4	6/30/2010	9/30/2010	-\$1,372,452	\$193,603	\$28,530	-\$1,594,585
5	9/30/2010	12/31/2010	\$1,147,771	\$204,620	\$31,330	\$911,821
6	12/31/2010	3/31/2011	\$1,566,189	\$206,820	\$33,859	\$1,325,510
7	3/31/2011	6/30/2011	-\$164,056	\$205,220	\$34,467	-\$403,742
8	6/30/2011	9/30/2011	-\$1,004,436	\$163,726	\$19,932	-\$1,188,094
9	9/30/2011	12/31/2011	\$251,061	\$168,642	\$15,576	\$66,843
10	12/31/2011	3/31/2012	-\$33,570	\$180,121	\$26,254	-\$239,945
11	3/31/2012	6/30/2012	-\$1,538,936	\$168,468	\$21,326	-\$1,728,730
12	6/30/2012	9/30/2012	\$1,147,740	\$181,141	\$26,629	\$939,969
13	9/30/2012	12/31/2012	-\$1,051,237	\$189,009	\$23,035	-\$1,263,282
14	12/31/2012	3/31/2013	\$1,391,454	\$191,543	\$43,031	\$1,156,880
15	3/31/2013	6/30/2013	\$1,004,560	\$190,029	\$39,759	\$774,771
16	6/30/2013	9/30/2013	\$1,475,950	\$208,847	\$38,465	\$1,228,639
17	9/30/2013	12/31/2013	\$2,200,502	\$219,252	\$42,595	\$1,938,655
18	12/31/2013	3/31/2014	-\$732,010	\$95,219	\$49,656	-\$876,885
19	3/31/2014	6/30/2014	\$2,076,245	\$207,872	\$39,729	\$1,828,645
20	6/30/2014	9/30/2014	\$653,260	\$97,872	\$31,469	\$523,919

LSV ASSET MGMT Quarterly Value Added



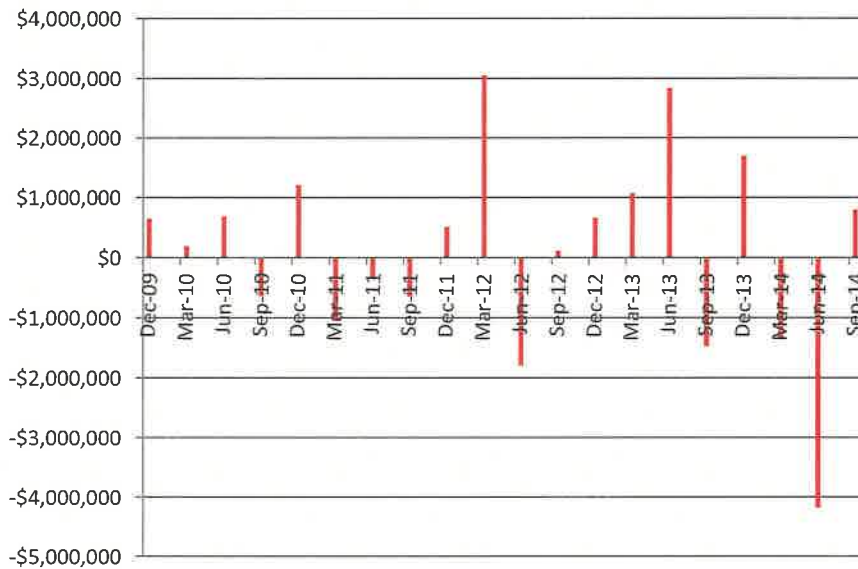
LSV ASSET MGMT Quarterly Cumulative Value Added



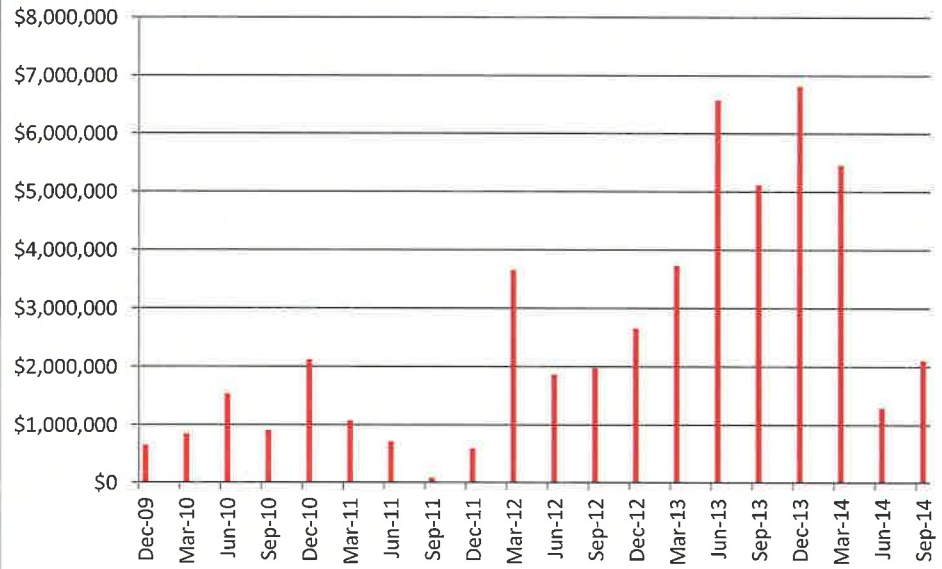
Pyramis Quarterly Value Added

Quarter	Begin Date	End Date	Alpha	Fees		Value Added
				Managerial	Custodial	
1	9/30/2009	12/31/2009	\$899,710	\$157,601	\$85,989	\$656,121
2	12/31/2009	3/31/2010	\$439,347	\$157,772	\$86,437	\$195,138
3	3/31/2010	6/30/2010	\$934,572	\$154,446	\$86,232	\$693,894
4	6/30/2010	9/30/2010	-\$387,602	\$159,074	\$86,739	-\$633,414
5	9/30/2010	12/31/2010	\$1,481,008	\$168,380	\$96,144	\$1,216,484
6	12/31/2010	3/31/2011	-\$772,440	\$174,287	\$101,681	-\$1,048,408
7	3/31/2011	6/30/2011	-\$81,072	\$173,911	\$103,461	-\$358,445
8	6/30/2011	9/30/2011	-\$383,265	\$153,665	\$98,953	-\$635,883
9	9/30/2011	12/31/2011	\$749,781	\$148,898	\$86,186	\$514,697
10	12/31/2011	3/31/2012	\$3,315,164	\$155,807	\$101,988	\$3,057,369
11	3/31/2012	6/30/2012	-\$1,542,684	\$151,167	\$89,339	-\$1,783,190
12	6/30/2012	9/30/2012	\$367,768	\$154,539	\$92,086	\$121,143
13	9/30/2012	12/31/2012	\$937,742	\$160,345	\$107,241	\$670,156
14	12/31/2012	3/31/2013	\$1,346,178	\$167,103	\$102,864	\$1,076,211
15	3/31/2013	6/30/2013	\$3,098,710	\$169,551	\$87,738	\$2,841,421
16	6/30/2013	9/30/2013	-\$1,227,803	\$171,817	\$63,218	-\$1,462,838
17	9/30/2013	12/31/2013	\$1,939,479	\$181,175	\$50,982	\$1,707,322
18	12/31/2013	3/31/2014	-\$1,113,822	\$179,698	\$65,276	-\$1,358,796
19	3/31/2014	6/30/2014	-\$3,920,672	\$184,067	\$60,323	-\$4,165,062
20	6/30/2014	9/30/2014	\$1,021,665	\$183,040	\$28,803	\$809,822

Pyramis Quarterly Value Added



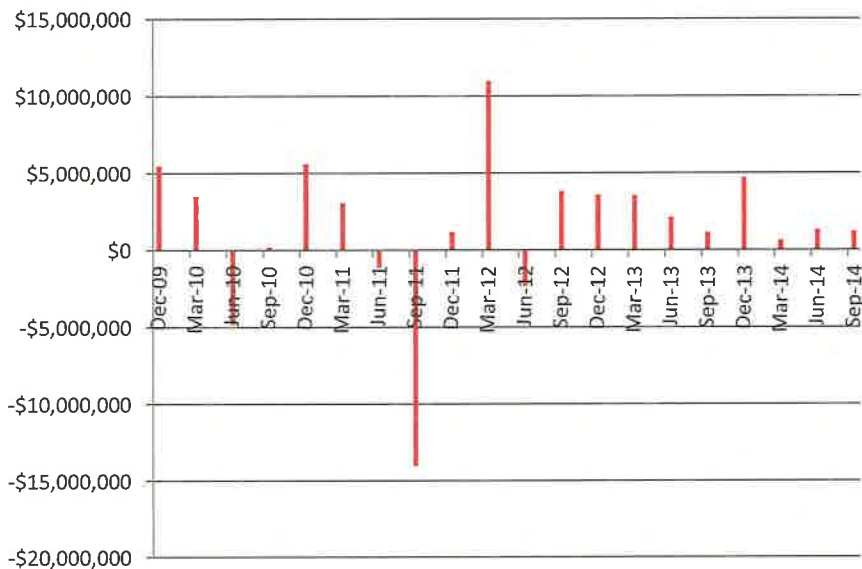
Pyramis Quarterly Cumulative Value Added



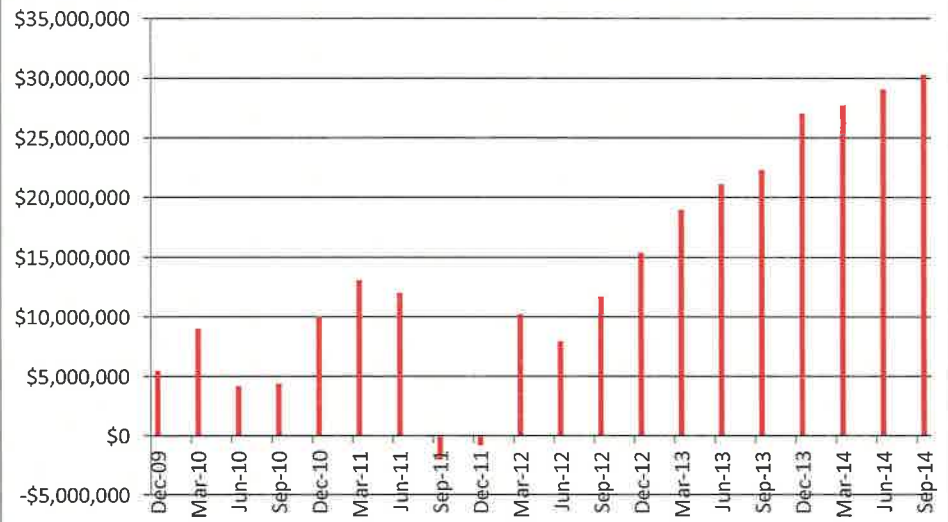
DODGE & COX FI Quarterly Value Added

Quarter	Begin Date	End Date	Alpha	Fees		Value Added
				Managerial	Custodial	
1	9/30/2009	12/31/2009	\$5,598,814	\$94,950	\$4,729	\$5,499,134
2	12/31/2009	3/31/2010	\$3,610,418	\$96,543	\$4,719	\$3,509,156
3	3/31/2010	6/30/2010	-\$4,695,333	\$98,358	\$4,807	-\$4,798,498
4	6/30/2010	9/30/2010	\$304,813	\$100,758	\$4,940	\$199,115
5	9/30/2010	12/31/2010	\$5,724,549	\$100,934	\$5,014	\$5,618,601
6	12/31/2010	3/31/2011	\$3,197,808	\$102,236	\$5,036	\$3,090,536
7	3/31/2011	6/30/2011	-\$969,737	\$107,254	\$5,260	-\$1,082,251
8	6/30/2011	9/30/2011	-\$13,865,344	\$116,701	\$1,899	-\$13,983,943
9	9/30/2011	12/31/2011	\$1,326,142	\$115,860	\$1,433	\$1,208,849
10	12/31/2011	3/31/2012	\$11,121,304	\$113,310	\$1,364	\$11,006,630
11	3/31/2012	6/30/2012	-\$2,191,044	\$113,009	\$1,363	-\$2,305,417
12	6/30/2012	9/30/2012	\$3,967,160	\$113,951	\$1,395	\$3,851,813
13	9/30/2012	12/31/2012	\$3,730,794	\$113,934	\$1,355	\$3,615,505
14	12/31/2012	3/31/2013	\$3,702,213	\$114,526	\$11,741	\$3,575,946
15	3/31/2013	6/30/2013	\$2,279,219	\$110,496	\$11,520	\$2,157,204
16	6/30/2013	9/30/2013	\$1,298,298	\$108,799	\$11,616	\$1,177,882
17	9/30/2013	12/31/2013	\$4,842,996	\$106,646	\$11,529	\$4,724,821
18	12/31/2013	3/31/2014	\$789,086	\$106,850	\$12,264	\$669,972
19	3/31/2014	6/30/2014	\$1,467,846	\$107,964	\$12,280	\$1,347,602
20	6/30/2014	9/30/2014	\$1,367,551	\$106,193	\$8,055	\$1,253,304

DODGE & COX FI Quarterly Value Added



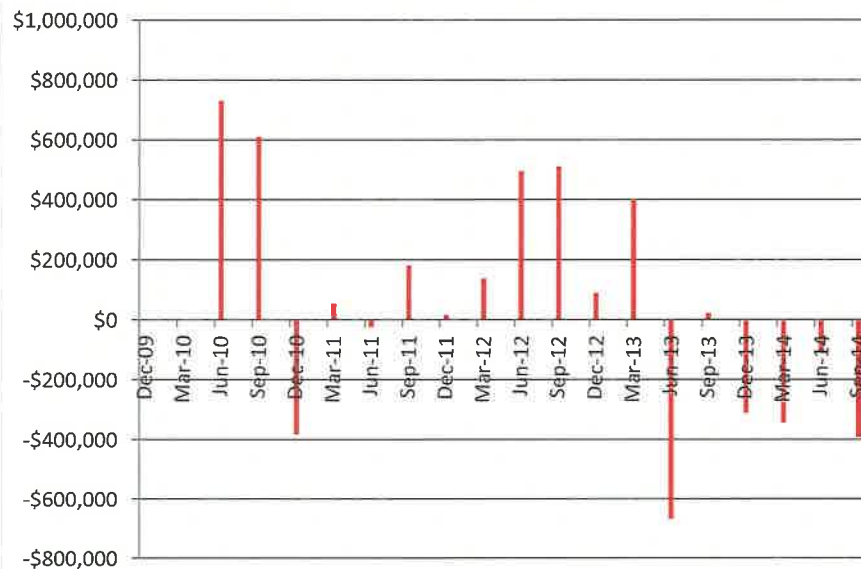
DODGE & COX FI Quarterly Cumulative Value Added



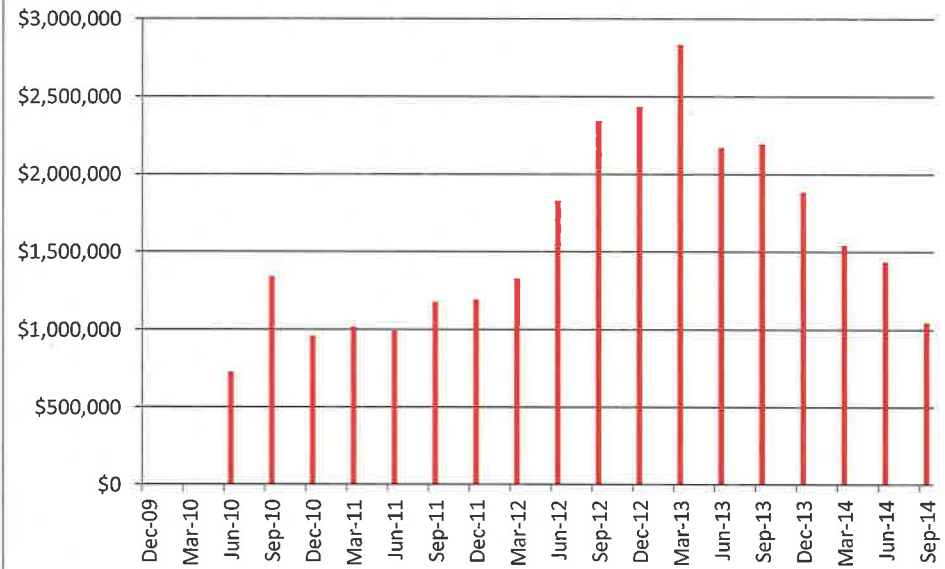
PIMCO Quarterly Value Added

Quarter	Begin Date	End Date	Fees			Value Added
			Alpha	Managerial	Custodial	
1	9/30/2009	12/31/2009	\$0	\$0	\$0	\$0
2	12/31/2009	3/31/2010	\$0	\$0	\$0	\$0
3	3/31/2010	6/30/2010	\$780,844	\$46,533	\$2,719	\$731,591
4	6/30/2010	9/30/2010	\$689,748	\$73,608	\$4,686	\$611,454
5	9/30/2010	12/31/2010	-\$302,620	\$72,769	\$4,742	-\$380,131
6	12/31/2010	3/31/2011	\$134,401	\$73,072	\$4,688	\$56,641
7	3/31/2011	6/30/2011	\$56,698	\$74,250	\$4,779	-\$22,331
8	6/30/2011	9/30/2011	\$263,605	\$76,362	\$4,339	\$182,904
9	9/30/2011	12/31/2011	\$100,614	\$79,352	\$4,814	\$16,448
10	12/31/2011	3/31/2012	\$233,707	\$89,913	\$5,312	\$138,482
11	3/31/2012	6/30/2012	\$592,931	\$91,631	\$4,314	\$496,986
12	6/30/2012	9/30/2012	\$610,260	\$93,044	\$4,589	\$512,627
13	9/30/2012	12/31/2012	\$190,266	\$93,384	\$4,741	\$92,141
14	12/31/2012	3/31/2013	\$502,849	\$93,617	\$8,030	\$401,202
15	3/31/2013	6/30/2013	-\$564,526	\$91,614	\$8,540	-\$664,680
16	6/30/2013	9/30/2013	\$121,688	\$89,248	\$9,381	\$23,058
17	9/30/2013	12/31/2013	-\$212,034	\$89,017	\$8,072	-\$309,124
18	12/31/2013	3/31/2014	-\$243,594	\$90,077	\$8,159	-\$341,830
19	3/31/2014	6/30/2014	-\$8,476	\$91,410	\$7,769	-\$107,655
20	6/30/2014	9/30/2014	-\$293,684	\$91,348	\$3,950	-\$388,982

PIMCO Quarterly Value Added



PIMCO Quarterly Cumulative Value Added



Cash Flow Report

July 2014 through Sept 2014

Beginning Cash Balance	\$10,205,102
------------------------	--------------

Cash Flow In

Sales of Investments	\$9,500,000
Plan Sponsor Contributions	\$11,886,536
Employee Contributions	\$5,088,322
Employee Buybacks	\$49,453
Interest Income	\$0
Rental Income	\$13,086
Commission Recapture	\$0
Litigation Recovery	<u>\$64,596</u>

Total Cash Flow In	\$26,601,993
--------------------	--------------

Cash Flow Out

Retirement Benefits	\$24,202,634
StanCERA Payroll	\$254,868
Operations Expense	\$335,638
Pension Software	\$0
Fixed Asset Purchases	\$0
Employee Refunds	\$495,127
Post Retirement Death Benefits	\$0
Burial Allowances	\$100,000
Retiree Death - Return of Contributions	\$68,033
Investment Consultant Fees	\$42,500
Actuarial Fees	\$50,789
Custodial Fees	\$67,924
Investment Management Fees	\$1,254,155
Audit Fees	\$41,859
Legal Fees	<u>\$37,309</u>

Total Cash Flow Out	\$26,950,836
---------------------	--------------

Ending Cash Balance	\$9,856,259
---------------------	-------------

Change in Cash Balance	-\$348,843
------------------------	------------



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

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

November 25, 2014, Retirement Board Meeting

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: StanCERA Monthly Staff Report
- II. ITEM NUMBER: 8.b
- III. ITEM TYPE: Information
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: The monthly staff report's intent is to report out to the Board of Retirement important issues/tasks staff has been working on over the past month.
 - a) *Data Audit Project* – The data audit project has been resumed and is in full swing. Most of the work now is being performed by temporary help, with peer checking being done by StanCERA staff. This project is the first and necessary step towards the implementation of a new pension software system. Staff currently estimates the project at 5% complete with a current completion date expectation of December 2015.
 - b) *Allocation to the Alternative Asset Class* – Allocation to the real estate asset class is nearly complete as negotiations with the final manager should be finished this week. Staff has just begun the negotiation process with the sole infrastructure manager and is looking to finish before the end of the year. After this last deployment with the infrastructure manager, StanCERA will have completed the allocation to the alternative class.
 - c) *IRS Normal Retirement Age Analysis* - The StanCERA Board of Retirement will be required to adopt a "normal retirement age" to be included in the next IRS Compliance Filing in January 2015. In order to use an age less than 62 years, the system will be required to have actuarial data to back it up. Staff research has revealed that the majority of 1937 Act Systems have opted for ages less than 62 years. Staff is providing data to Cheiron Actuaries to determine the appropriate age for StanCERA members. Staff plans to bring this item to the Board for a decision in December 2014.
 - d) *Cash Flow Projection Model* – Staff continues to work on a quantitative model to project future contributions, investment receipts (fixed income) and benefit payments. This model will allow StanCERA to become more efficient managing its cash shortfalls in relation to money received from investments. Staff expects this project to be finished by the end of the year. This project is the final task from the Strategic Plan that is to be completed in 2014.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.

VIII. BUDGET IMPACT: None

A handwritten signature in blue ink, appearing to read "Rick J. Santos", written over a horizontal line.

Rick Santos, Executive Director

A handwritten signature in blue ink, appearing to read "Kathy Herman", written over a horizontal line.

Kathy Herman, Fiscal Services Manager



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

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

**For the Retirement Board Meeting
Held on November 25, 2014**

TO: Retirement Board

FROM: Internal Governance Committee

- I. SUBJECT: Receipt of the [Comprehensive Annual Financial Report](#) for the Fiscal Years Ended June 30, 2014 and 2013
- II. ITEM NUMBER: 9.a.i
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Accept the audited financial statements and other materials in the Comprehensive Annual Financial Report.
- V. ANALYSIS: The Internal Governance Committee met November 6, 2014 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 25**) 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 2013-2014. However, three observations were made and management has made corrections. ([Report to the Audit Committee](#))

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 Fiduciary Net Position](#)) or income statements ([Statements of Changes in Fiduciary Net Position](#)).

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


Rick Santos, Executive Director
Kathy Herman, Fiscal Service & Operations Manager

Ensuring Tomorrow's Benefits Through Prudent Management

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

Comprehensive Annual Financial Report



For the Fiscal Years Ended
June 30, 2013 and 2014

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, 2014 and 2013**

Issued By

**Rick Santos, CFA, ASA, MAAA
Executive Director**

**StanCERA
Staff**

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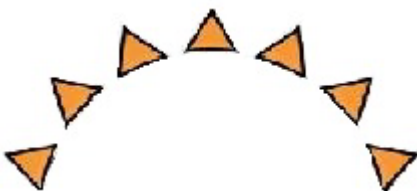
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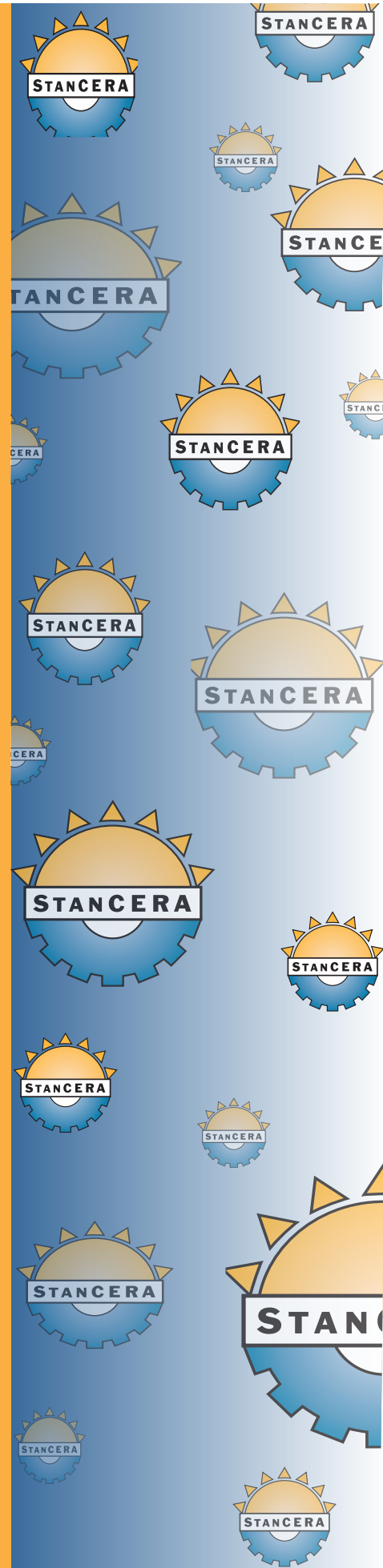
Mission

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

Vision

Ensuring tomorrow's benefits through prudent management.





Introductory Section

Stan.CERA [stan-sarah]

acronym

1. Ensuring tomorrow's benefits through prudent management.
2. Stanislaus County Employees' Retirement Association, Pension Trust Fund of the County of Stanislaus, California.



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

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

LETTER OF TRANSMITTAL

November 6, 2014

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, 2014 and 2013. As of June 30, 2014, it is StanCERA's 66th 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 multiple employer 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 (PEPRA).

StanCERA and Its Services

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

City of Ceres
Stanislaus Council of Governments
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 the 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 when received or when due pursuant to legal requirements. 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, 2014 and 2013, 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.

Financial Information (continued)

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. 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.)

Net Pension Liability and Actuarial Funding

In 2012, the Governmental Accounting Standards Board (GASB) issued two standards (Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*), which fundamentally changes the accounting and financial reporting requirements for pension benefits. GASB's intention with the new standards is to increase transparency in financial reporting. The new standards require pension systems to allocate the net pension liability to all participating employers. StanCERA implemented GASB Statement No. 67 for the fiscal year ended June 30, 2014. Participating employers will be required to implement GASB Statement No. 68 for the fiscal year ended June 30, 2015.

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, 2013, the results of which were rolled forward to StanCERA's fiscal year ended June 30, 2014, and determined the plan's funding ratio (ratio of market value of assets to net pension liability) to be 88.5% 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

Investments (continued)

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, 2014 and 2013, the Plan's investments provided an 18.2% and 14.5% 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, 2013. 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 ninth 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, 2013. This report provides 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 2013 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.

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.

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 StanCERA for their commitment 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

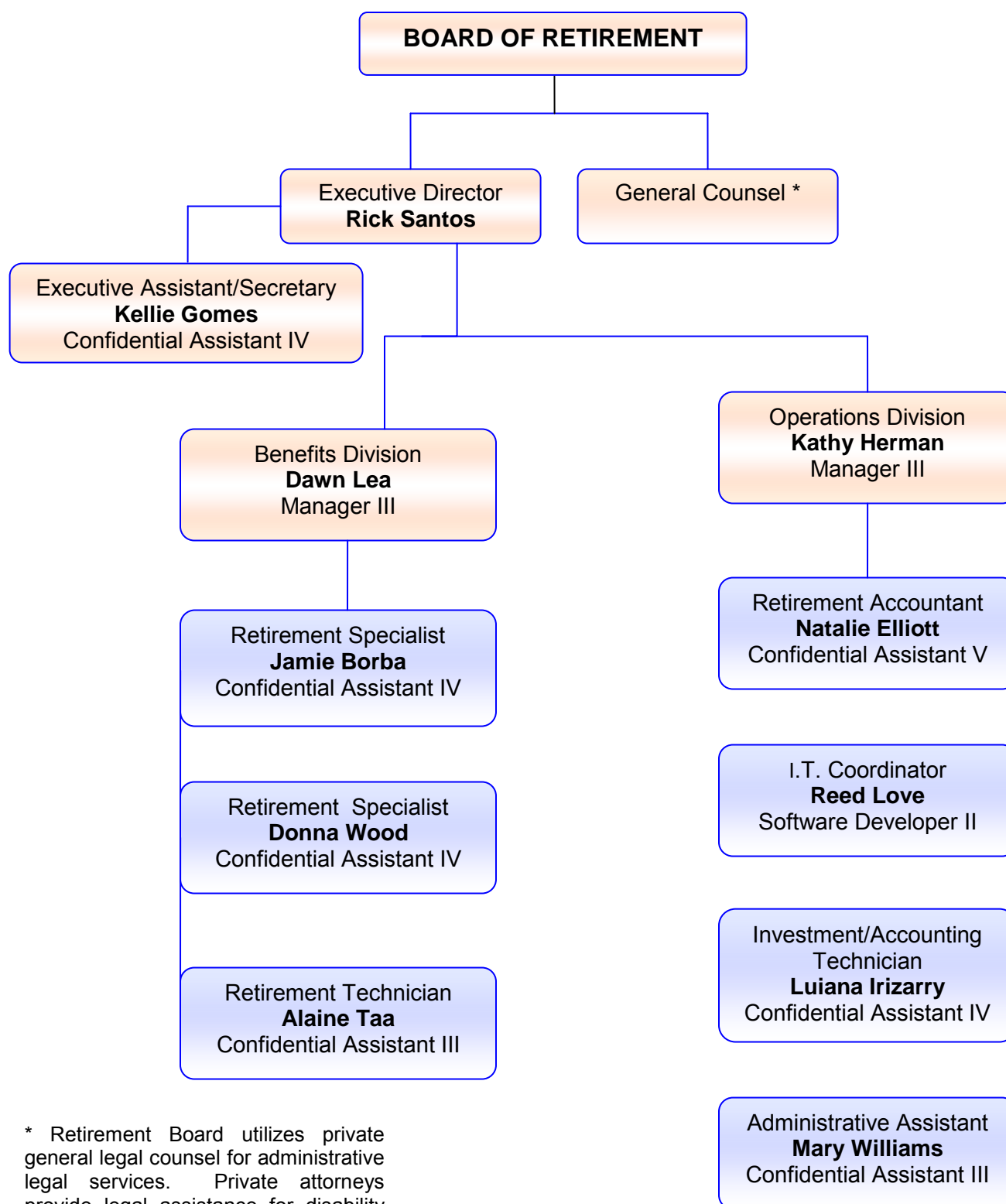
**BOARD OF RETIREMENT
JUNE 30, 2014**

Seat#

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

StanCERA ORGANIZATIONAL CHART

Effective 2014



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

PROFESSIONAL CONSULTANTS

JUNE 30, 2014

Actuary

Cheiron EFI (formerly EFI Actuaries)

Auditors

Macias Gini & O'Connell LLP

Investment Custodian

Northern Trust

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

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

Jackson Square Partners

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 II LP

Raven Capital Management, LLC

White Oak Global Advisors, LLC

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

GFOA Certificate of Achievement Award

CAFR



GFOA Certificate of Achievement Award

PAFR





Public Pension Coordinating Council

**PUBLIC PENSION
STANDARDS AWARD
For Funding and Administration
2013**

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)

Alan H. Winkle
Program Administrator

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Assets

Reserves

Risk

Net
Pension
Liability

Sec
Lending

Cash

Financial Section

fi·nan·cial [fi-nan-shuhl]

adjective

1. pertaining to monetary receipts and expenditures; pertaining or relating to money matters; pecuniary: financial operations.
2. of or pertaining to those commonly engaged in dealing with money and credit.

noun

3. financials, financial information or data about a company, as balance sheets and price-earnings ratio.

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, 2014 and 2013, 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, 2014 and 2013, 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. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

As described in Note 8 to the basic financial statements, the total pension liabilities of participating employers exceeded the plan's fiduciary net position by \$233 million. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.75 percent, which represents the long-term expected rate of return. 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, the schedule of changes in net pension liability and related ratios, schedule of employer's net pension liability, schedule of employer contributions, and schedule of investment returns, as listed in the table of contents, 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 November 6, 2014 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.



Sacramento, California
November 6, 2014

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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, 2014 and 2013. Please review it in conjunction with the transmittal letter (page 3) and the Basic Financial Statements (beginning on page 27).

Financial Highlights

- Fiduciary Net Position increased by \$246.5 million (or 15.96%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by \$9.3 million (or 15.61%).
- Net investment income (including Net Appreciation in Fair Value of Investments) increased by \$86.8 million (or 45.93%).
- Benefit payments increased by \$6.0 million (or 6.90%) 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 did not implement 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 2014 and 2013, respectively, a 2.5% and 2.0% cost of living increase 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 Statements of Fiduciary Net Position (see page 27) and the Statements of Changes in Fiduciary Net Position (see page 28). 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 the following three components:

1. Statements of Fiduciary Net Position
2. Statements of Changes in Fiduciary Net Position
3. Notes to the Basic Financial Statements

StanCERA's basic financial statements and the note disclosures to the basic financial statements are in compliance with accounting principles generally accepted for governments (GAAP) within the United States as established by the Governmental Accounting Standards Board.

Financial Analysis

Statements of Fiduciary Net Position

The Statements of Fiduciary Net Position show the assets available for future payments to retirees and liabilities as of the fiscal year end. The following condensed comparative summary of Fiduciary 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 strength of StanCERA.

Fiduciary Net Position, as of
June 30, 2014, 2013 and 2012

	2014	2013	2012	\$ Change 2014 - 2013	\$ Change 2013 - 2012
Current Assets	\$ 71,222,397	\$ 77,468,649	\$ 88,141,472	\$ (6,246,252)	\$ (10,672,823)
Investments	1,948,165,095	1,633,578,676	1,458,674,520	314,586,419	174,904,156
Capital Assets	3,669,013	3,817,082	3,760,839	(148,069)	56,243
Total Assets	2,023,056,505	1,714,864,407	1,550,576,831	308,192,098	164,287,576
Total Liabilities	231,747,226	170,051,412	164,401,585	61,695,814	5,649,827
Total Fiduciary Net Position	\$ 1,791,309,279	\$ 1,544,812,995	\$ 1,386,175,246	\$ 246,496,284	\$ 158,637,749

Financial Analysis (continued)

Statements of Changes in Fiduciary Net Position

The Statements of Changes in Fiduciary Net Position provide an account of the fiscal years' additions to and deductions from StanCERA.

Additions To Fiduciary Net Position For The Fiscal Years Ended June 30, 2014, 2013 and 2012

	2014	2013	2012	\$ Change 2014 - 2013	\$ Change 2013 - 2012
Employer Contributions	\$ 46,763,996	\$ 39,077,480	\$ 27,314,032	\$ 7,686,516	\$ 11,763,448
Plan Member Contributions	21,867,911	20,285,888	20,525,295	1,582,023	(239,407)
Net Investment Income	275,864,058	188,929,033	3,330,939	86,935,025	185,598,094
Net Other Investment Income	123,840	114,770	571	9,070	114,199
Net Security Lending Income	(1,091,790)	944,484	393,244	(2,036,274)	551,240
<i>Total Additions</i>	<u>\$ 343,528,015</u>	<u>\$ 249,351,655</u>	<u>\$ 51,564,081</u>	<u>\$ 94,176,360</u>	<u>\$ 197,787,574</u>

Deductions From Fiduciary Net Position For The Fiscal Years Ended June 30, 2014, 2013 and 2012

Benefit Payments	\$ 93,116,413	\$ 87,102,798	\$ 80,157,222	\$ 6,013,615	\$ 6,945,576
Member Refunds - Termination	1,515,567	1,115,209	1,389,148	400,358	(273,939)
Member Refunds - Death	150,491	430,554	443,663	(280,063)	(13,109)
Administrative Expenses	2,249,260	2,065,345	2,144,748	183,915	(79,403)
<i>Total Deductions</i>	<u>\$ 97,031,731</u>	<u>\$ 90,713,906</u>	<u>\$ 84,134,781</u>	<u>\$ 6,317,825</u>	<u>\$ 6,579,125</u>

Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits

	\$ 246,496,284	\$ 158,637,749	\$ (32,570,700)	\$ 87,858,535	\$ 191,208,449
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Fiduciary Net Position Restricted for Pension Benefits

Beginning of Year	1,544,812,995	1,386,175,246	1,418,745,946	158,637,749	(32,570,700)
End of Year	<u>\$ 1,791,309,279</u>	<u>\$ 1,544,812,995</u>	<u>\$ 1,386,175,246</u>	<u>\$ 246,496,284</u>	<u>\$ 158,637,749</u>

Additions to Fiduciary Net Position

A review of the Statement of Fiduciary Net Position shows that June 30, 2014 closed with assets exceeding liabilities by \$1.791 billion with all of the Fiduciary Net Position restricted for StanCERA's ongoing obligations to plan participants and their beneficiaries. The fiscal year ended June 30, 2013, closed with assets exceeding liabilities by \$1.545 billion. The \$246.5 million increase and \$158.6 million increase respectively, in Fiduciary Net Position is a direct result of the changes in the financial market over the past two years. StanCERA remains in good financial condition.

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 2013-2014 resulted in a gain of \$343.5 million, where fiscal year 2012-2013 resulted in a gain of \$249.4 million. This gain is primarily a result of growth in the broad market over the past two years, as discussed in the Investment Analysis below. Employer and member contributions increased by \$9.3 million (or 15.61%) from

Financial Analysis (continued)

Additions to Fiduciary Net Position (continued)

the contributions made in 2012-2013. Employer contribution increases in 2014 are mainly due to changes in economic assumptions from the actuarial valuations of June 30, 2011 to June 30, 2012, and a reduction of the discount rate from 8.00% to 7.75% respectively. Employer contribution increases in 2013 were also due to changes in economic assumptions and opening of Tier 6 due to the Public Employees' Pension Reform Act effective January 1, 2013.

Deductions from Fiduciary 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 2013-2014 were \$97.0 million, an increase of \$6.3 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 2012-2013 these expenses were \$90.7 million, an increase of \$6.6 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 2013-2014 administrative expense increased by 8.90% over fiscal year 2012-2013. Total administrative expense represented 0.1042% of the accrued actuarial liability (funding basis) for fiscal year 2013-2014 and 0.0936% for fiscal year 2012-2013.

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 for the fiscal year ended June 30, 2014 outperformed their benchmark by 100 basis points and international equity underperformed the benchmark by 40 basis points. Domestic equity returns for the fiscal year ended June 30, 2013 outperformed their benchmark by 260 basis points and international equity outperformed by 330 basis points for the fiscal year ended June 30, 2013. 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.

StanCERA's fixed income returns were up and outperformed their benchmark by 200 basis points for the fiscal year ended June 30, 2014. For the fiscal year ended June 30, 2013, the Plan's fixed income returns underperformed their benchmark by 130 basis points.

For the fiscal year ended June 30, 2014, StanCERA's total portfolio outperformed its policy benchmark by 140 basis points with an overall return of 18.2%. For the fiscal year ended June 30, 2013, the portfolio outperformed its policy benchmark by 300 basis points with an overall return of 14.5%. The positive returns for fiscal 2014 continue to strengthen StanCERA's financial position, and further enhance its ability to meet its obligations to the Plan participants and beneficiaries.

Overall Financial Condition (continued)

Net Pension Liability

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 fails to make actuarially determined contributions. All StanCERA employers have traditionally contributed the actuarially determined contribution as determined by the Plan's actuary.

An indicator of funding status is the ratio of the Plan Fiduciary Net Position to the Total Pension Liability (TPL). 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 Net Pension Liability (NPL). Performance in the stock and bond markets can have a material impact on the fair value of assets and Plan Fiduciary Net Position.

The Net Pension Liability (NPL) as of June 30, 2013, rolled forward to StanCERA's fiscal year ended June 30, 2014, was \$233.1 million using the entry age normal cost method. The Board of Retirement approves the assumptions used by the actuary to perform their calculation. As of the most recent actuarial valuation dated June 30, 2013, rolled forward to June 30, 2014, StanCERA's Fiduciary Net Position was 88.5% of the total pension liability. The next actuarial valuation is scheduled for June 30, 2014 to be rolled forward to fiscal year ended June 30, 2015.

StanCERA's Fiduciary Responsibilities

StanCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the Fiduciary 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 12th Street, Suite 600
Modesto, CA 95354

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF FIDUCIARY NET POSITION
As of June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ASSETS		
Cash and Cash Equivalents (Note 4):	\$ 44,078,286	\$ 44,461,336
Receivables:		
Interest and Dividends	5,829,241	6,090,300
Securities Transactions	18,227,509	24,493,236
Contributions (Note 3)	3,051,590	2,380,496
Other	35,771	43,281
Total Receivables	<u>27,144,111</u>	<u>33,007,313</u>
Capital Assets (Note 2):		
Tenant Improvements	390,438	390,438
Tyler Software, net	348,278	473,903
Real Estate Occupied, net	1,726,876	1,745,853
Real Estate Leased, net	1,151,479	1,164,133
Leasehold Improvements, net	43,723	31,653
Office Equipment, net	2,042	2,859
Audio Recording System, net	1,945	3,241
Security and Monitoring Equipment, net	4,232	5,002
Total Capital Assets, net	<u>3,669,013</u>	<u>3,817,082</u>
Investments at Fair Value (Note 4):		
U.S. Government and Agency Obligations	270,703,895	278,578,812
Corporate Bonds	197,641,123	192,004,280
Municipal Bonds	22,318,375	31,682,578
Emerging Market / Non-US Bonds	3,083,644	2,748,685
Domestic Stocks	519,619,265	435,862,122
Domestic Equity Index Fund	321,021,385	264,390,778
International Equity	323,400,806	263,833,964
Real Estate Securities	25,348,384	22,377,219
Direct Lending	74,084,729	29,098,868
Securities Lending Collateral	190,943,489	113,001,370
Total Investments	<u>1,948,165,095</u>	<u>1,633,578,676</u>
Total Assets	<u>2,023,056,505</u>	<u>1,714,864,407</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	10,031,091	9,708,506
Securities Transactions	30,566,509	43,986,634
Deferred Rents	247,089	325,118
Securities Lending Obligation (Note 4)	190,507,537	115,636,154
Total Current Liabilities	<u>231,352,226</u>	<u>169,656,412</u>
Long Term Liabilities:		
Grant Deed Extension Fee	<u>395,000</u>	<u>395,000</u>
Total Liabilities	<u>231,747,226</u>	<u>170,051,412</u>
Fiduciary Net Position Restricted For Pension Benefits (Note 6)	<u>\$ 1,791,309,279</u>	<u>\$ 1,544,812,995</u>

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ADDITIONS		
Contributions (Note 5):		
Employer	\$ 46,763,996	\$ 39,077,480
Plan Members	<u>21,867,911</u>	<u>20,285,888</u>
Total Contributions	<u>68,631,907</u>	<u>59,363,368</u>
Investment Income:		
Net Appreciation in Fair Value of Investments	239,719,981	159,601,338
Interest and Dividends	<u>44,870,019</u>	<u>38,144,730</u>
Total Investment Gain	284,590,000	197,746,068
Net Income from Commission Recapture	31,360	28,794
Less: Investment Expense (Note 4)	<u>(8,757,302)</u>	<u>(8,845,829)</u>
Net Investment Income	<u>275,864,058</u>	<u>188,929,033</u>
Other Investment Income:		
Net Litigation Recovery Income	256	8,950
Borrower Fees	332	1,000
Rental Income	<u>123,252</u>	<u>104,820</u>
Net Other Investment Income	<u>123,840</u>	<u>114,770</u>
Securities Lending Activities (Note 4):		
Securities Lending Income	479,545	546,343
Less: Securities Lending Expense	(131,917)	(162,956)
Less: Net Appreciation/(Depreciation) in Fair Value of Securities Lending Collateral	<u>(1,439,418)</u>	<u>561,097</u>
Net Securities Lending Income/(Loss)	<u>(1,091,790)</u>	<u>944,484</u>
Total Investment Income	<u>274,896,108</u>	<u>189,988,287</u>
Total Additions	<u>343,528,015</u>	<u>249,351,655</u>
DEDUCTIONS		
Benefit Payments and Subsidies	93,116,413	87,102,798
Member Refunds - Termination	1,515,567	1,115,209
Member Refunds - Death	150,491	430,554
Administrative Expenses (Note 2)	<u>2,249,260</u>	<u>2,065,345</u>
Total Deductions	<u>97,031,731</u>	<u>90,713,906</u>
Net Increase	246,496,284	158,637,749
Fiduciary Net Position Restricted for Pension Benefits (Note 6)		
Beginning of Year	1,544,812,995	1,386,175,246
End of Year	<u>\$ 1,791,309,279</u>	<u>\$ 1,544,812,995</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

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 cost-sharing multiple-employer pension 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, 2014			June 30, 2013		
	General	Safety	Total	General	Safety	Total
Active Members:						
Vested & Non-vested	3,304	689	3,993	3,237	694	3,931
Total Active	<u>3,304</u>	<u>689</u>	<u>3,993</u>	<u>3,237</u>	<u>694</u>	<u>3,931</u>
Inactive Members:						
Deferred Members	724	189	913	706	163	869
Unclaimed Contributions	161	21	182	144	15	159
Total Inactive	<u>885</u>	<u>210</u>	<u>1,095</u>	<u>850</u>	<u>178</u>	<u>1,028</u>
Retired Members:						
Service Retirements	2,583	373	2,956	2,455	359	2,814
Disability Retirements	226	153	379	226	149	375
Survivor Payments	38	8	46	37	8	45
Total Retired	<u>2,847</u>	<u>534</u>	<u>3,381</u>	<u>2,718</u>	<u>516</u>	<u>3,234</u>
Total Membership	<u><u>7,036</u></u>	<u><u>1,433</u></u>	<u><u>8,469</u></u>	<u><u>6,805</u></u>	<u><u>1,388</u></u>	<u><u>8,193</u></u>

Active

Members of the Plan receive a 100% vested interest in the Plan 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 or registered domestic partner.

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 or registered domestic partner 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 or registered domestic partner 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 or registered domestic partner for Tiers 1, 2, 4, 5, and 6. Tier 3 Members have no allowance continued to the surviving spouse or registered domestic partner.

If the retirement benefit is for other than service-connected disability, 60% of the member's allowance is continued to the surviving spouse or registered domestic partner for Tiers 1, 2, 4, 5, and 6, and 50% of the member's allowance is continued to the surviving spouse or registered domestic partner 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 Tier 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.

NOTE 1 – DESCRIPTION OF PLAN (continued)

Ad-Hoc Benefits (continued)

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, placed additional restrictions on the Board of Retirement's ability to grant these benefits. The greatest restriction currently is that the System must be 100% funded on a market basis prior to funding any ad-hoc benefit.

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.

StanCERA's policy for contributions states that actuarially determined rates expressed as a percentage of annual covered payroll are required to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. For funding purposes, StanCERA also uses the level entry age normal cost method with the Unfunded Actuarial Accrued Liability (UAAL) to amortize the unfunded liability. StanCERA's actuarially determined employer contribution rates for the years ended June 30, 2014 and June 30, 2013 were 21.08% and 17.97% respectively of annual payroll. Employee contribution rates are based on age of entry and range between 4.83% and 9.34% for the fiscal years ended June 30, 2014 and June 30, 2013.

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. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of 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 a full accrual basis of accounting, which recognizes income when earned and expenses when incurred. Contributions from employers and members are recognized when received or when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 67, *Financial Reporting for Pension Plans – an Amendment of 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, 2014 and 2013. 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.

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 6th floor of the office building, and 40% has been developed as office space which is currently leased out. Depreciation expense totaled \$170,690 and \$172,484 for the years ending June 30, 2014 and 2013 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

CAPITAL ASSETS	Net Balance at June 30, 2013	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2014
Tenant Improvements	\$ 390,438	\$ -	\$ -	\$ 390,438
Tyler Software	473,903	-	125,625	348,278
Real Estate Occupied	1,745,853	-	18,977	1,726,876
Real Estate Leased	1,164,133	-	12,654	1,151,479
Leasehold Improvements	31,653	22,621	10,551	43,723
Office Equipment	2,859	-	817	2,042
Audio Recording System	3,241	-	1,296	1,945
Security and Monitoring Equipment	5,002	-	770	4,232
TOTAL	\$ 3,817,082	\$ 22,621	\$ 170,690	\$ 3,669,013

CAPITAL ASSETS	Net Balance at June 30, 2012	Reclassifications & Additions	Less Depreciation	Net Balance at 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 and Monitoring Equipment	-	5,772	770	5,002
TOTAL	\$ 3,760,839	\$ 228,727	\$ 172,484	\$ 3,817,082

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, 2014 and 2013 were \$2,249,260 and \$2,065,345, respectively, of which \$281,204 and \$297,968 respectively, were not subject to the administrative expense limitation. Administrative expenses subject to the limitation amounted to 0.1042% of AAL for the fiscal year ended June 30, 2014 and 0.0936% for the fiscal year ended June 30, 2013.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2013 amounts have been reclassified to conform with the fiscal year 2014 presentation.

Implementation of New Accounting Pronouncement

Effective July 1, 2013, StanCERA adopted the provisions of Government Accounting Standards Board Statement No. 67, which establishes standards for improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The financial statements as of and for the year ended June 30, 2013 have been restated to conform to the requirements of GASB Statement No. 67.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents withdrawals from employees' salaries and liabilities due by employers' for retirement contributions for the month of June that were received in July. Contributions Receivable as of June 30, 2014 and 2013 were \$3,051,590 and \$2,380,496 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.

NOTE 4 – CASH AND INVESTMENTS (continued)

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 \$9,993,564 and \$8,488,606 at June 30, 2014 and 2013 respectively. Cash and investments included within the County Treasurer's Pool are described in the County's Financial Report.

Investments

Investment Policy – StanCERA's policy in regard to the allocation of invested assets is established and may be amended by the StanCERA Board of Retirement. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was StanCERA Board's adopted asset allocation policy as of June 30, 2014 and June 30, 2013:

<u>Asset Class</u>	<u>June 30, 2014 Target Allocation</u>	<u>June 30, 2013 Target Allocation</u>
Domestic Equities	38.20%	38.20%
International Equities	18.00%	18.00%
Fixed Income	29.80%	29.80%
Alternatives:		
Direct Lending	7.50%	7.50%
Real Estate	3.50%	3.50%
Infrastructure	3.00%	3.00%
Cash	0.00%	0.00%
	<u>100.00%</u>	<u>100.00%</u>

June 30, 2013 target allocation was amended in November 2012 to reduce the allocation to domestic equities and increase the allocation to alternatives.

Rate of Return – For the year ended June 30, 2014 and June 30, 2013, the annual money-weighted rate of return on StanCERA's investments was 17.40% and 13.87% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 – CASH AND INVESTMENTS (continued)

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

Summary of Investments

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Investments		
U.S. Government and Agency Obligations	\$ 270,703,895	\$ 278,578,812
Corporate Bonds	197,641,123	192,004,280
Municipal Bonds	22,318,375	31,682,578
Emerging Market / Non-US Bonds	3,083,644	2,748,685
Domestic Stocks	519,619,265	435,862,122
Domestic Equity Index Fund	321,021,385	264,390,778
International Equity	323,400,806	263,833,964
Real Estate Securities	25,348,384	22,377,219
Direct Lending	74,084,729	29,098,868
Securities Lending Collateral	190,943,489	113,001,370
Subtotal	<u>1,948,165,095</u>	<u>1,633,578,676</u>
Deposits and Short-Term Investments		
Northern Trust: Cash in Custodial Account	34,084,722	35,972,730
Stanislaus County Treasury Investment Pool	9,993,564	8,488,606
Subtotal	<u>44,078,286</u>	<u>44,461,336</u>
Total Investments and Deposits	<u>\$ 1,992,243,381</u>	<u>\$ 1,678,040,012</u>

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 loaned 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, 2014 StanCERA had securities on loan with a carrying value of \$186,958,555 and had received cash collateral (securities lending obligation) of \$190,507,537 with a non-cash collateral of \$684,120. 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. On the reinvested cash collateral, StanCERA had an unrealized loss of \$1,439,418 for the fiscal year ended June 30, 2014, and had an unrealized gain of \$561,097 for the fiscal year ended June 30, 2013.

NOTE 4 – CASH AND INVESTMENTS (continued)

Securities Lending Program (continued)

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, 2014 and 2013 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 REINVESTED COLLATERAL at June 30, 2014

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	\$ 18,881,055	\$ 9,837,807	\$ -	\$ -	\$ 28,718,862	0.096
Certificate of Deposit	102,654,860	-	-	-	102,654,860	0.124
Commercial Paper	42,211,297	-	-	-	42,211,297	0.242
Corporate Floating Rate	-	-	-	-	-	0.000
Repurchase Agreement	7,216,165	7,212,726	-	-	14,428,891	0.003
Reverse Repurchase Agreement	-	-	-	-	-	0.000
Sweep Vehicle	2,245,459	-	-	-	2,245,459	0.003
Treasuries	-	-	-	684,120	684,120	0.000
TOTALS	\$ 173,208,836	\$ 17,050,533	\$ -	\$ 684,120	\$ 190,943,489	0.468

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
Repurchase Agreement	-	-	-	-	-	0.000
Reverse Repurchase Agreement	35,544,883	-	-	-	35,544,883	0.010
Treasuries	-	-	-	-	-	0.000
TOTALS	\$ 111,359,832	\$ -	\$ -	\$ 1,641,538	\$ 113,001,370	0.090

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, 2014 and 2013.

S&P Credit Rating	June 30, 2014		June 30, 2013	
	Percentage of Total Securities Lending Collateral	Securities Lending Collateral	Percentage of Total Securities Lending Collateral	Securities Lending Collateral
A-1+	34.44%	\$ 65,761,019	0.51%	\$ 580,000
A-1	54.04%	103,194,986	66.57%	75,233,305
B	0.00%	-	0.14%	158,243
C	0.00%	-	0.48%	537,080
D	0.00%	-	0.84%	946,215
N/R - Repo	7.56%	14,425,451	31.46%	35,544,883
N/R - Other	3.60%	6,877,913	0.00%	1,644
N/A	0.36%	684,120	0.00%	-
	<u>100.00%</u>	<u>\$ 190,943,489</u>	<u>100.00%</u>	<u>\$ 113,001,370</u>

N/R represents securities that are not rated.

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

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, 2014 the Barclays Aggregate Bond Index was yielding 2.20% with an effective duration of 5.60 years. For the year ending June 30, 2013 the Barclays Aggregate Bond Index yielded 2.40% with an effective duration of 5.50 years. StanCERA had a yield of 2.60% and 3.00% for the fiscal years ended June 30, 2014 and 2013 respectively with an effective duration of 5.00 and 4.40 years respectively. As of June 30, 2014 and 2013 the County's pool had a fair value of \$977 million and \$942 million respectively, and a weighted average maturity of 554 days and 457 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, 2014 and 2013:

	June 30, 2014		June 30, 2013	
	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
<u>Fixed Income Securities</u>				
U S Treasuries	\$ 90,132,453	3.6	\$ 89,422,064	3.9
Commercial Mortgage Backed Securities	7,108,273	2.4	6,216,414	3.0
Government Mortgage Backed Securities	154,319,004	2.6	143,375,567	2.7
Collateralized Mortgage Obligations	2,312,534	0.6	22,657,727	1.9
Federal Agency	6,619,685	3.8	9,030,115	4.0
Asset Backed	10,211,946	2.0	7,876,925	2.6
Corporate Bonds	193,182,387	5.4	192,004,280	5.4
Municipal Bonds	22,318,375	7.9	31,682,578	9.9
Emerging Market / Non-US Bonds	3,083,644	3.9	2,748,685	7.9
Bank Loans	787,098	4.0	-	
Total Fixed Income Securities	<u>\$ 490,075,399</u>		<u>\$ 505,014,355</u>	
<u>No Effective Duration</u>				
Corporate Bonds	<u>\$ 3,671,638</u>			
Total Fixed Income Securities	<u>\$ 493,747,037</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 the ratings provided. StanCERA's custodial bank provided ratings for Moody's and Standard & Poor's. 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, 2014 and 2013.

S&P/Moodys Credit Rating	June 30, 2014		June 30, 2013	
	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
Aaa / AAA	1.01%	\$ 4,984,176	2.79%	\$ 14,071,776
Aa1 / AA+	0.82%	4,053,839	1.27%	6,388,607
Aa2 / AA	0.45%	2,232,246	0.26%	1,309,337
Aa3 / AA-	0.64%	3,137,092	1.25%	6,304,713
A1 / A+	2.37%	11,683,238	2.24%	11,312,668
A2 / A	1.36%	6,733,102	0.38%	1,923,595
A3 / A-	4.97%	24,529,431	6.86%	34,656,612
Baa1 / BBB+	6.44%	31,774,186	6.08%	30,693,053
Baa2 / BBB	14.79%	73,016,341	12.80%	64,629,944
Baa3 / BBB-	5.27%	26,040,765	5.07%	25,597,130
Ba1 / BB+	0.06%	313,264	3.77%	19,018,154
Ba2 / BB	0.91%	4,471,624	1.91%	9,648,549
Ba3 / BB-	1.85%	9,154,760	1.36%	6,849,103
B1 / B+	6.15%	30,358,252	1.24%	6,242,349
B2 / B	0.29%	1,449,190	0.38%	1,935,034
B3 / B-	0.25%	1,244,089	1.69%	8,554,573
CCC	0.03%	160,255	0.11%	556,328
N/R	32.87%	162,293,056	31.32%	158,218,003
N/A	19.47%	96,118,131	19.22%	97,104,827
Total	100.00%	\$ 493,747,037	100.00%	\$ 505,014,355

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, 2014 and 2013 StanCERA had investments of \$96,946,306 and \$108,614,496 respectively in a single issuer (Fannie Mae) which represented 5% or more of the Fiduciary Net Position and total investments.

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, 2014 and 2013 is as follows:

Currency	June 30, 2014 Fair Value (in US \$)	June 30, 2013 Fair Value (in US \$)
Australian Dollar	\$ 18,367,182	\$ 13,030,178
Brazil Real	1,155,975	505,722
Canadian Dollar	24,935,035	19,064,800
Chilean Peso	-	589,543
Danish Krone	1,834,612	1,524,864
Euro Currency	76,597,681	55,603,361
Hong Kong Dollar	11,914,037	10,327,831
Indonesian Rupiah	574,011	215,808
Israeli Shekel	-	876,734
Japanese Yen	47,805,620	46,160,496
Malaysian Ringgit	415,280	1,005,190
Mexican Nuevo Peso	1,019,558	335,060
New Israeli Shekel	1,200,957	-
New Taiwan Dollar	3,365,607	2,507,997
New Turkish Lira	-	2,306,789
New Zealand Dollar	671,860	96,971
Norwegian Krone	3,022,249	2,776,352
Pound Sterling	49,722,041	41,179,897
Singapore Dollar	2,647,150	2,163,718
South African Rand	4,888,710	3,442,601
South Korean Won	6,412,812	4,975,670
Swedish Krona	6,062,938	2,587,924
Swiss Franc	19,115,125	15,963,772
Thailand Baht	1,335,587	666,084
Turkish Lira	478,114	-
US Dollar	39,858,665	35,926,602
TOTAL	<u>\$ 323,400,806</u>	<u>\$ 263,833,964</u>

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 Fiduciary Net Position (page 27).

Commitments to Direct Lending

At June 30, 2014 StanCERA's total capital commitments to direct lending partnerships was \$110,000,000. Of this amount, \$40,666,739 remained unfunded and is not recorded on StanCERA's Statements of Fiduciary Net Position.

NOTE 4 – CASH AND INVESTMENTS (continued)

Commitments to Private Real Estate

At June 30, 2014 StanCERA's total capital commitments to private real estate partnerships was \$15,000,000. This commitment was unfunded and is not recorded in StanCERA's Statement of Fiduciary Net Position.

Investment Expense

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, 2014	June 30, 2013
Investment Managers	\$ 7,234,638	\$ 6,252,375
Investment Consultants	170,000	156,378
Custodial Fees	681,938	736,942
Investment Attorney	65,364	47,023
Investment Funding	453,798	1,558,628
Actuarial Fees	151,564	94,483
Total Investment Expenses	<u>\$ 8,757,302</u>	<u>\$ 8,845,829</u>

NOTE 5 - CONTRIBUTIONS

Contribution Rates

The County Employees' Retirement Law of 1937 establishes the basic obligations for employer and member contributions to the retirement plan. 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.

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 any unfunded liability.

Member basic rates are based on a formula reflecting the age at entry into the Plan. 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

NOTE 5 – CONTRIBUTIONS (continued)

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.

Contributions as a percentage of covered payroll for fiscal year ended June 30, 2014 are shown in the following table:

Employer	Employer Contributions	Member Contributions	% of Covered Payroll
Stanislaus County	\$ 41,477,186	\$ 19,395,678	88.6947%
City of Ceres	2,661,947	1,244,787	5.6923%
Stanislaus Superior Court	2,147,262	1,004,109	4.5917%
Stanislaus Council of Governments	185,793	86,881	0.3973%
East Side Mosquito Abatement District	125,889	58,868	0.2692%
Salida Sanitary District	95,913	44,851	0.2051%
Keyes Community Services District	42,228	19,747	0.0903%
Hills Ferry Cemetery District	27,778	12,990	0.0594%
	<u>\$ 46,763,996</u>	<u>\$ 21,867,911</u>	<u>100.0000%</u>
Covered Payroll	\$ 221,863,110		

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 Fiduciary Net Position Restricted for Pension Benefits must be established and used to account for the members' (employees and retirees) contributions.

Active Members' Reserve

This reserve represents the cumulative contributions made by active members (employees), after deducting refunds to the members, plus the investment earnings credited to the reserve at the assumed rate of return determined by the actuary. For 2014 and 2013, the actuarial assumed rate of return was 7.75%. Based on Retirement Board policy where the Plan is below 100% funded on a market basis, the percentage allocated to Active Member Reserves is capped at the actuarial assumed rate of return 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 Reserves

These reserves represent the cumulative contributions made by the County and other employers. Interest earnings are credited to these reserves 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 Reserves 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.

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.

Retiree Burial Allowance Reserve

The burial allowance reserve is a benefit the Board of Retirement offers which pays the family member of a deceased retiree a lump sum death benefit. This benefit is available for all retirees whose last work in a 1937 Act Retirement System or California Public Employees Retirement System (PERS) was in the Stanislaus County Employees' Retirement Association. 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 Board of Retirement set this reserve to 1% in May 2012 and it is reviewed and adjusted annually.

NOTE 6 – RESERVES (continued)

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, 2014 and 2013.

Other Reserves

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

Reserve Account Balances are as follows:

	June 30, 2014	June 30, 2013
Active Members' Reserve	\$ 330,586,551	\$ 285,807,917
Employer Advance Reserve	241,512,041	216,207,531
Employer Transfer from Non-Valuation Reserve	132,584,491	111,705,105
Retired Members' Reserve	1,062,313,234	909,299,254
Retiree Burial Allowance Reserve	6,640,791	5,855,000
Contingency Reserve	15,250,299	13,431,644
Other Reserves		
Revocable Health Benefit Subsidy	117	117
Retiree Special Cost of Living Reserve	-	-
Legal Contingency Reserve	2,417,378	2,500,240
Tier 3 Disability Reserve	4,377	6,187
Total Reserves	<u>\$ 1,791,309,279</u>	<u>\$ 1,544,812,995</u>

NOTE 7 – 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.

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2012. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2014 and the Total Pension Liability as of the valuation date, June 30, 2013, using update procedures to roll forward to StanCERA's fiscal year end of June 30, 2014. The Total Pension Liability as of the valuation date includes the liability associated with the \$5,000 lump sum death benefit, which was not included in the original valuation. There were no significant events between the

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (continued)

Actuarial Assumptions (continued)

valuation date and the measurement date, so the roll forward procedures only included the addition of service cost offset by actual benefit payments.

The components of the Net Pension Liability of StanCERA at June 30, 2014, were as follows:

	<u>FYE June 30, 2014</u>	<u>FYE June 30, 2013</u>
Total Pension Liability	\$ 2,024,376,761	\$ 1,925,565,638
Plan Fiduciary Net Position	<u>(1,791,309,279)</u>	<u>(1,544,812,995)</u>
Net Pension Liability	<u>\$ 233,067,482</u>	<u>\$ 380,752,643</u>
Fiduciary Net Position as a percentage of the Total Pension Liability	88.5%	80.2%

The Total Pension Liability was determined based on the June 30, 2013 actuarial valuation rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

ACTUARIAL VALUATION ASSUMPTIONS

	June 30, 2013
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%, plus service-based rates
Attributed to Inflation	3.25%
Cost-of-Living Adjustments	100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed

Post-retirement mortality rates were based on the RP2000 Combined tables projected to the year 2020 with adjustments for mortality improvements based on Scale AA.

For pre-retirement mortality, withdrawal rates, disability rates and service retirement rates, the rates vary by age, service, gender and classification.

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (continued)

The long-term defined benefit pension plan return expectations were determined using a building-block approach. An inflation forecast is the baseline and various real return premiums (e.g. bonds, equities, etc.) are added to create nominal return expectations for each asset class. These expectations are combined to produce the long-term expected rate of return by weighting the expected nominal rates of return by the target asset allocation percentages and including an expected return from rebalancing uncorrelated asset classes. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2014 and June 30, 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	
US Large Cap	5.30%
US Small Cap	5.60%
International Equities	
Int'l Development	5.60%
Emerging Market Equity	6.40%
US Fixed Income	0.70%
Real Estate Securities	3.90%
Direct Lending	5.60%
Infrastructure	3.70%
Cash	-0.70%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of StanCERA calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

<u>Sensitivity of Net Pension Liability to Changes in Discount Rate</u>					
		1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)	
June 30, 2014	Net Pension Liability	\$ 498,955,783	\$ 233,067,482	\$ 12,742,703	
June 30, 2013	Net Pension Liability	\$ 636,032,401	\$ 380,752,643	\$ 169,406,051	

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014 and 2013

Schedule of Employers' Net Pension Liability

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Total pension liability	\$ 2,024,376,761	\$ 1,925,565,638
Plan fiduciary net position	(1,791,309,279)	(1,544,812,995)
StanCERA net pension liability	<u>\$ 233,067,482</u>	<u>\$ 380,752,643</u>

Fiduciary net position as a percentage of the total pension liability	88.5%	80.2%
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Note: Data for fiscal years ending June 20, 2005 through June 30, 2012 is not available

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>June 30, 2014</u>
<u>Total Pension Liability</u>	
Service cost	\$ 46,209,346
Interest (includes interest on service cost)	147,384,248
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(94,782,471)
Net change in total pension liability	<u>98,811,123</u>
Total pension liability - beginning	<u>1,925,565,638</u>
Total pension liability - ending	<u>\$ 2,024,376,761</u>
<u>Fiduciary net position</u>	
Contributions - employer	\$ 46,763,996
Contributions - member	21,867,911
Total investment income	274,896,108
Benefit payments, including refunds of member contributions	(94,782,471)
Administrative expense	(2,249,260)
Net change in fiduciary net position	<u>246,496,284</u>
Fiduciary net position - beginning	<u>1,544,812,995</u>
Fiduciary net position - ending	<u>\$ 1,791,309,279</u>
Net pension liability - ending	<u>\$ 233,067,482</u>
Fiduciary net position as a percentage of the total pension liability	88.5%
Covered employee payroll	\$ 221,863,110
Net pension liability as a percentage of covered employee payroll	105.1%

Note: Data not provided for fiscal years ended June 30, 2005 through June 30, 2013 due to implementation of GASB 67

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Schedule of Employer Contributions

Last 10 Fiscal Years for Fiscal Years Ending June 30
(Dollar amounts in thousands)

	2014	2013	2012	2011	2010
Actuarially Determined Contributions	\$ 46,764	\$ 39,077	\$ 41,614	\$ 47,657	\$ 31,814
Contributions in Relation to the					
Actuarially Determined Contributions	46,764	39,077	41,614	47,657	31,814
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 221,863	\$ 217,491	\$ 215,057	\$ 221,541	\$ 231,538
Contributions as a Percentage of					
Covered Employee Payroll	21.08%	17.97%	19.35%	21.51%	13.74%
	2009	2008	2007	2006	2005
Actuarially Determined Contributions	\$ 23,411	\$ 22,555	\$ 32,563	\$ 22,549	\$ 19,793
Contributions in Relation to the					
Actuarially Determined Contributions	23,411	22,555	32,563	22,549	19,793
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 248,316	\$ 242,009	N/A	\$ 212,011	\$ 211,681
Contributions as a Percentage of					
Covered Employee Payroll	9.42%	9.32%	N/A	10.64%	9.35%

Note: No actuarial valuation was done in 2007, therefore, no payroll to report.

Schedule of Investment Returns

Last 10 Fiscal Years for Fiscal Years ending June 30

	2014	2013	2012	2011	2010
Annual money- weighted rate of					
return, net of investment expense	18.20%	14.50%	0.70%	22.90%	15.90%
	2009	2008	2007	2006	2005
Annual money- weighted rate of					
return, net of investment expense	-16.40%	-8.20%	16.80%	10.30%	8.50%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms

There were no changes of benefit terms for fiscal year ended June 30, 2014.

Changes of assumptions

There were no changes in assumptions approved by the Board of Retirement for fiscal year ended June 30, 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of June 30, 2012, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	Closed period - 23 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%
Cost-of-Living Adjustments	100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed
Mortality	Sex distinct RP 2000 Combined Mortality projected to 2020 using Scale AA

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Personnel Services:		
Salaries and Employee Benefits	\$ 1,114,873	\$ 1,043,475
Total Personnel Services	<u>1,114,873</u>	<u>1,043,475</u>
Professional Services:		
Computer and Software Services and Support	41,068	72,797
County Counsel	-	828
Outside Legal Counsel	458,098	332,990
Disability Hearing Officer/Medical Exams and Reviews	13,187	13,740
External Audit Fees	34,163	38,838
Stanislaus County Strategic Business Technology Dept	26,200	21,847
Other Professional Services	38,497	977
Total Professional Services	<u>611,213</u>	<u>482,017</u>
Office Expenses:		
Office Supplies	7,604	8,514
Minor Equipment and Computer Supplies	4,496	6,003
Stanislaus County Central Services and Mail Room	36,661	30,882
Stanislaus County Support Services	95,757	112,943
Contract Services	-	4,245
Requested Maintenance	18,267	20,622
Communications	22,382	29,619
Printing and Publications	2,002	2,632
Other Office Expenses	19,961	27,266
Total Office Expenses	<u>207,130</u>	<u>242,726</u>
Miscellaneous:		
Fiduciary and Staff - Education/Travel	47,607	41,464
Fiduciary and Staff - Meetings/Other Travel	11,200	10,825
Insurance	78,763	63,056
Memberships	7,785	9,298
Depreciation	170,689	172,484
Total Miscellaneous	<u>316,044</u>	<u>297,127</u>
TOTAL ADMINISTRATIVE EXPENSES	<u><u>\$ 2,249,260</u></u>	<u><u>\$ 2,065,345</u></u>

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES For the Years Ended June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Investment Management Fees:		
Domestic Stocks	\$ 2,587,263	\$ 2,126,041
International Stocks	1,471,301	1,423,631
Domestic Bonds	791,603	824,946
Direct Lending	2,363,847	1,828,557
Real Estate Securities & Special Situations	20,624	49,200
Total Investment Management Fees	<u>7,234,638</u>	<u>6,252,375</u>
Investment Consulting Fees	170,000	156,378
Investment Custodian Fees	681,938	736,942
Investment Legal Fees	65,364	47,023
Investment Funding	453,798	1,558,628
Other Investment Related Expenses	<u>151,564</u>	<u>94,483</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 8,757,302</u>	<u>\$ 8,845,829</u>

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Investment Section

in·vest·ment [in-vest-muhnt]

noun

1. the investing of money or capital in order to gain profitable returns, as interest, income, or appreciation in value.
2. a particular instance or mode of investing.
3. a thing invested in, as a business, a quantity of shares of stock, etc.
4. something that is invested; sum invested.

STRATEGIC INVESTMENT SOLUTIONS, INC.

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STANISLAUS COUNTY EMPLOYEES' RETIREMENT SYSTEM

Summary

Fiscal year 2014 (June 30, 2014) 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 with positive returns as yields fell over the last six months (January to June) of the fiscal year. As a diversified investor, StanCERA experienced a +18.2% gross return for the fiscal year. The +18.2% gross result was above StanCERA's policy benchmark of +16.8% for the fiscal year by +140 basis points.

Fiscal year 2014 was once again positive for the U.S. equity markets while foreign equity markets also experienced strong positive results but lagged the U.S. returns. For the fiscal year, the Russell 3000 US Stock Index gained +25.2% and the MSCI ACWI (All Country World) ex-US Index of foreign stocks gained +22.3%.

Within the US equity market, stocks of large companies outperformed small companies (+25.4% versus +23.6%) for the fiscal year. Growth stocks outperformed value on a relative basis in large caps (+26.9% versus +23.8%) and within small caps growth stocks also outperformed value stocks on a relative basis (+24.7% versus +22.5%).

The US fixed income market produced a positive return (+4.4% Barclays US Aggregate Index) for the fiscal year ending June 30, 2014.

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, 2014.

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 7.75%. Secondary goals are to outperform the asset allocation-weighted benchmark (38.2% US Equities, 18.0% Non-US Equities, 29.8% Fixed Income, 7.5% in Direct Lending Fixed Income, 3.5% Real Estate, and 3.0% Infrastructure) 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 (on a gross basis) achieved through June 30, 2014 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2014, 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 (Gross basis)

PERIODS ENDED 6/30/14	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+26.1%	+17.4%	+20.1%
<i>Russell 3000</i>	+25.2%	+16.5%	+19.3%
Rank	22*	8	20
Non-US Equity	+21.9%	+7.0%	+13.0%
<i>MSCI ACWI ex-US</i>	+22.3%	+6.2%	+11.6%
Rank	52	53	30
US Fixed Income	+6.4%	+5.1%	+7.0%
<i>Barclays Cap US Aggregate</i>	+4.4%	+3.7%	+4.9%
Rank	48	53	48
Direct Lending Fixed Income	+11.0%		
<i>9% Annual Return</i>	+9.0%		
US Real Estate	+13.3%		
<i>DJ US Select Real Estate</i>	+13.3%		
Total Fund	+18.2%	+10.9%	+14.2%
<i>Policy Benchmark***</i>	+16.8%	+9.8%	+13.0%
<i>Public Fund Median</i>	+16.0%	+9.5%	+12.3%
Rank**	14	11	7

* Ranking 1 is highest, 100 is lowest.

** Rankings source – InvestorForce universes.

*** Policy Benchmark is 37.3% Russell 1000/ 9.4% Russell 2000/ 29.8% BC US Aggregate/ 18.0% MSCI ACWI ex-US/ 1.5% DJ US Select Real Estate/ 4.0%at 9.0% Annual Return (Direct Lending)

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.
September 10, 2014

ASSET ALLOCATION

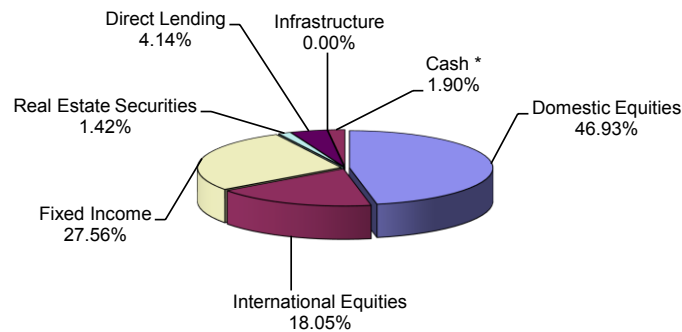
JUNE 30, 2014

Asset Class	Fair Market Value	Actual Allocation	Target Allocation
Domestic Equities	\$ 840,640,650	46.93%	38.20%
International Equities	323,400,806	18.05%	18.00%
Fixed Income	493,747,037	27.56%	29.80%
Real Estate Securities	25,348,384	1.42%	3.50%
Direct Lending	74,084,729	4.14%	7.50%
Infrastructure	-	0.00%	3.00%
Cash *	34,084,722	1.90%	0.00%
TOTAL PORTFOLIO**	\$ 1,791,306,328	100.00%	100.00%

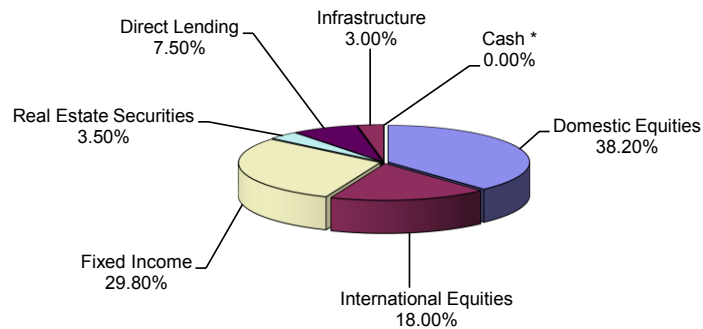
* Excludes Pooled Cash in County Treasury of \$9,993,563

** Excludes Securities Lending Cash Collateral

Actual Allocation



Target Allocation



LARGEST BOND HOLDINGS (BY MARKET VALUE)
JUNE 30, 2014

Shares	Bond	Market Value
11,900,000	U.S. TREASURY NOTES 0.25% DUE 01-15-2015	\$ 11,911,162
9,000,000	U.S. TREASURY NOTES 1.625% DUE 03-31-2019	9,026,019
9,000,000	U.S. TREASURY BOND 0.375% DUE 04-30-2016	8,997,192
7,122,148	FNMA MTG POOL 5% DUE 09-01-2039	7,941,865
7,000,000	FNMA SINGLE FAMILY MORTGAGE 3.5% 30 YEARS SETTLES AUG	7,183,750
7,000,000	U.S. TREASURY NOTES 0.25% DUE 10-31-2014	7,003,556
5,180,000	FHLM CORP VAR RT DUE 12-15-2043	5,740,782
5,600,000	U.S. TREASURY NOTES 0.875% DUE 06-15-2017	5,602,190
4,525,000	VERIZON COMMUNICATIONS 5.15% DUE 09-15-2023	5,063,896
4,830,796	FNMA REMIC FLTG RT DUE 11-25-2042	4,859,017
4,884,760	FNMA POOL 3.0% DUE 06-01-2043	4,831,267
4,625,000	PETROBRAS INTL FIN 5.375% DUE 01-27-2021	4,820,314
4,398,167	FNMA MTG POOL 4.5% DUE 01-01-2031	4,810,495
4,650,000	U.S. TREASURY NOTES 1.5% DUE 02-28-2019	4,642,369
4,500,000	U.S. TREASURY BOND 1.375% DUE 09-30-2018	4,494,375
4,600,000	U.S. TREASURY BOND 1.75% DUE 05-15-2022	4,427,859
4,200,000	CHASE SERIES 0.54% DUE 10-16-2017	4,203,402
3,800,000	ROYAL BANK SCOTLAND 6.125% DUE 12-15-2022	4,156,189
2,990,000	AOL TIME WARNER 7.7% DUE 05-01-2032	4,152,046
3,581,000	GENERAL ELECTRIC CAPITAL CORPORATION 5.5% DUE 01-08-2020	4,151,124

LARGEST STOCK HOLDINGS (BY MARKET VALUE)
JUNE 30, 2014

Shares	Stock	Market Value
365,275	MICROSOFT CORPORATION	\$ 15,231,968
104,200	CELGENE CORPORATION	8,948,696
74,125	EOG RESOURCES INC	8,662,248
112,950	WALGREEN COMPANY	8,372,984
38,950	VISA INC COM CL A STK	8,207,155
47,750	ALLERGAN INC	8,080,255
100,050	QUALCOMM INC	7,923,960
232,705	HEWLETT PACKARD COMPANY	7,837,504
146,072	WELLS FARGO & COMPANY	7,677,544
92,500	CAP 1 FINANCIAL	7,640,500
103,650	MASTERCARD INC	7,615,166
93,125	CROWN CASTLE INTERNATIONAL CORPORATION	6,915,463
94,475	ADOBE SYS INC	6,836,211
215,625	LIBERTY INTERACTIVE CORPORATION	6,330,750
5,175	THE PRICELINE GROUP INC	6,225,525
68,600	ADR NOVARTIS AG	6,210,358
110,363	COMCAST CORPORATION	5,924,286
78,232	TIME WARNER INC	5,495,798
104,625	EBAY INC	5,237,528
44,300	SCHLUMBERGER LTD COM	5,225,185

A complete list of portfolio holdings is available on the website www.stancera.org or upon request.

SCHEDULE OF INVESTMENT MANAGEMENT FEES

For the Years Ended June 30, 2014 and 2013

	2014	2013
<u>Domestic Equities</u>		
Capital Prospects	\$ 696,304	\$ 555,426
BlackRock	40,276	34,723
Jackson Square Partners	694,314	610,778
Dodge & Cox	348,930	304,790
Legato Capital Management	773,603	592,282
Mellon Capital Management	33,836	28,042
Total Domestic Equity	<u>2,587,263</u>	<u>2,126,041</u>
<u>International Equities</u>		
LSV	751,011	772,093
Pyramis Global Advisors Holding Company	720,290	651,538
Total International Equities	<u>1,471,301</u>	<u>1,423,631</u>
<u>Fixed Income</u>		
Dodge & Cox	434,142	452,929
PIMCO	357,461	372,017
Total Fixed Income	<u>791,603</u>	<u>824,946</u>
<u>Direct Lending</u>		
Medley Opportunity Fund	305,851	955,477
Raven Capital Management	656,646	873,080
White Oak Global Investors	1,401,350	-
Total Direct Lending	<u>2,363,847</u>	<u>1,828,557</u>
<u>Special Situations</u>		
Invesco	-	34,724
BlackRock Real Estate	20,624	14,476
Total Special Situations	<u>20,624</u>	<u>49,200</u>
Total Investment Management Fees	<u>7,234,638</u>	<u>6,252,375</u>
<u>Other Investment Fees and Expenses</u>		
Consultant Fees	170,000	156,378
Custodial Fees	681,938	736,942
Investment Attorney	65,364	47,023
Investment Funding Costs	453,798	1,558,628
Miscellaneous Fees	151,564	94,483
Total Other Investment Expenses	<u>1,522,664</u>	<u>2,593,454</u>
Total Investment Fees and Expenses	<u>\$ 8,757,302</u>	<u>\$ 8,845,829</u>

Commission Recapture Program

StanCERA participates in a commission recapture program administered by ConvergeX Execution Solutions, LLC. 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, 2014 and 2013 Commission Recapture Income was \$31,360 and \$28,794 respectively (see page 25).

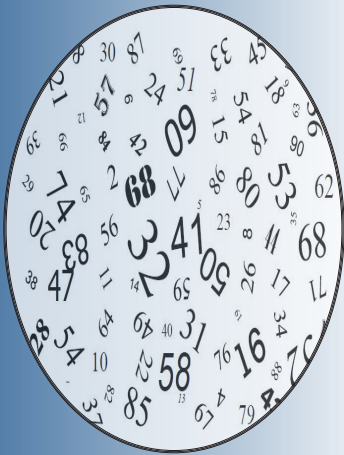
INVESTMENT SUMMARY

For the Year Ended JUNE 30, 2014

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
DOMESTIC EQUITIES					
Dodge & Cox - LARGE CAP VALUE RUSSELL 1000 VALUE	\$ 185,263,216	10.36%	27.10% 23.80%	18.30% 16.90%	20.10% 19.20%
BlackRock R1000V - LARGE CAP VALUE RUSSELL 1000 VALUE	118,556,810	6.62%	23.80% 23.80%	17.00% 16.90%	N/A 19.20%
Jackson Square - LARGE CAP GROWTH RUSSELL 1000 GROWTH	154,406,916	8.62%	28.80% 26.90%	18.50% 16.30%	20.60% 19.20%
BlackRock R1000G - LARGE CAP GROWTH RUSSELL 1000 GROWTH	100,755,731	5.62%	26.90% 26.90%	16.30% 16.30%	N/A 19.20%
Capital Prospects - SMALL CAP VALUE RUSSELL 2000 VALUE	94,612,051	5.28%	25.40% 22.50%	17.00% 14.60%	21.50% 19.90%
Legato Capital Mgmt - SMALL CAP GROWTH RUSSELL 2000 GROWTH	85,337,082	4.76%	20.90% 24.70%	14.50% 14.50%	19.90% 20.50%
Mellon Capital Management S&P 500 INDEX	101,708,844	5.68%	24.60% 24.60%	16.60% 16.60%	18.80% 18.80%
TOTAL DOMESTIC EQUITIES RUSSELL 3000	840,640,650	46.94%	26.10% 25.20%	17.40% 16.50%	20.10% 19.30%
FIXED INCOME					
Dodge & Cox BARCLAYS US AGGREGATE BOND	382,620,801	21.36%	6.90% 4.40%	5.30% 3.70%	7.00% 4.90%
Pimco BARCLAYS US AGGREGATE BOND	111,126,235	6.20%	3.40% 4.40%	3.90% 3.70%	N/A 4.90%
TOTAL FIXED INCOME BARCLAYS US AGGREGATE BOND	493,747,036	27.56%	6.40% 4.40%	5.10% 3.70%	7.00% 4.90%
DIRECT LENDING					
Medley Opportunity Fund CUSTOM 9% ANNUAL	28,379,499	1.58%	6.90% 9.00%	N/A N/A	N/A N/A
Raven Capital Management CUSTOM 9% ANNUAL	26,457,579	1.48%	3.10% 9.00%	N/A N/A	N/A N/A
White Oak Global Advisors CUSTOM 9% ANNUAL	19,247,651	1.07%	50.61% 9.00%	N/A N/A	N/A N/A
TOTAL DIRECT LENDING CUSTOM 9% ANNUAL	74,084,729	4.13%	11.00% 9.00%	N/A N/A	N/A N/A
INTERNATIONAL INVESTMENTS					
Pyramis Investments MSCI ACWI - ex US Index	161,753,704	9.03%	18.20% 22.30%	6.30% 6.20%	12.10% 11.60%
LSV Investments MSCI ACWI - ex US Index	161,647,103	9.02%	24.80% 22.30%	6.70% 6.20%	12.90% 11.60%
TOTAL INTERNATIONAL INVESTMENTS MSCI ACWI - ex US Index	323,400,807	18.05%	21.90% 22.30%	7.00% 6.20%	13.00% 11.60%
SPECIAL SITUATIONS					
Blackrock US RE Index DOW JONES US SELECT RE INDEX	25,348,384	1.42%	13.30% 13.30%	N/A N/A	N/A N/A
TOTAL SPECIAL SITUATIONS DOW JONES US SELECT RE INDEX	25,348,384	1.42%	13.30% 13.30%	N/A N/A	N/A N/A
CASH & SHORT-TERM INVESTMENTS *					
Cash 90 DAY TREASURY BILL	34,084,722	1.90%	0.13% 0.13%	N/A N/A	N/A N/A
TOTAL FUND					
TOTAL FUND	\$ 1,791,306,328	100.00%	18.20%	11.00%	14.20%
STANCERA POLICY COMPOSITE			16.80%	9.80%	13.00%

* Excludes Pooled Cash in County Treasury of \$9,993,563

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

ac·tu·ar·y [ak-choo-er-ee]

noun, plural ac·tu·ar·ies.

1. Actuaries mathematically evaluate the probability of events and quantify the contingent outcomes in order to minimize the impacts of financial losses associated with uncertain undesirable events.



September 19, 2014

VIA ELECTRONIC MAIL

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the StanCERA Retirement Plan (the Plan) as of June 30, 2014. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2013 (transmitted March 25, 2014) and the GASB 67/68 Report as of June 30, 2014 (transmitted September 17, 2014).

Actuarial Valuation Report as of June 30, 2013

The purpose of the annual Actuarial Valuation Report as of June 30, 2013 is to determine the actuarial funding status of StanCERA on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2014-2015. The prior review was conducted as of June 30, 2012, and included recommended contribution rates for the Fiscal Year 2013-2014.

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 (June 30, 2013), the amortization period is 23 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.

The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan, subject to the laws of the State of California enacted under the County Employees Retirement Law of 1937 and subsequent legislation.

We prepared the following schedules, which we understand will be included in the Actuarial Section of the CAFR, based on the June 30, 2013 actuarial valuation. All historical information prior to the June 30, 2008 actuarial valuation shown in these schedules is based on information reported by the prior actuary, Buck Consultants.



- Statement of Current Actuarial Assumptions and Methods
- Membership Information (Active, Deferred and Retired)
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Development of 2013 Experience Gain/(Loss) (Analysis of Financial Experience)
- Solvency Test
- Schedule of Funding Progress
- Summary of Plan Provisions

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 Actuaries 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.

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 requirements of the Actuarial Standards of Practice, in particular Standards No.4, 27, 35 and 44.

GASB 67/68 Report as of June 30, 2014

The purpose of GASB 67/68 Report as of June 30, 2014 is to provide accounting and financial reporting information under GASB 67 for StanCERA and under GASB 68 for Stanislaus County and the other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for StanCERA.

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2013 actuarial valuation updated to the measurement date of June 30, 2014. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

Beginning of year measurements are also based on the actuarial valuation as of June 30, 2013. The June 30, 2013 Total Pension Liability presented in the GASB 67/68 Report was based upon the same data, actuarial methods and assumptions as were used in the Actuarial Valuation Report as of June 30, 2013. The GASB 67/68 Report reflected the same plan provisions as were used in the Actuarial Valuation Report as of June 30, 2013, with the exception that the Total Pension Liability as of June 30, 2013 reported in the GASB 67/68 Report included the value of a \$5,000 lump sum post-retirement death benefit that was not included in the Actuarial Valuation Report, but was disclosed in a separate report dated April 2, 2014.



Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. In future years, liability gains and losses will be reported reflecting the liability gains and losses between actuarial valuation dates as well as any significant events during the update period.

Please refer to our GASB 67 report as of June 30, 2014 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2014 GASB 67/68 report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Notes to the Schedule of Employer Contributions

We certify that the report was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by StanCERA. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

These reports are for the use of StanCERA, the participating employers, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party.

Cheiron's reports were prepared solely for StanCERA for the purposes described herein, except that the Plan and participating employers' auditors may rely on these reports solely for the purpose of completing an audit related to the matters herein. They are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.



September 19, 2014

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We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. These reports do 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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Principal Consulting Actuary
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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 from July 1, 2009 through June 30, 2012. A review was also performed on the actuarial valuation as of June 30, 2012 and the actuarial experience study from July 1, 2009 through June 30, 2012. The overall assessment from the review is that all major actuarial functions are being appropriately addressed. The rates produced by the June 30, 2012 valuation were adopted by the StanCERA Board of Retirement on February 13, 2013 and were effective July 1, 2013. The actuarial valuation for fiscal year ending June 30, 2013 will be effective beginning July 1, 2014. The methods and assumptions were selected by the actuary as being appropriate for StanCERA and were used in the latest actuarial valuation.

Plan Description

A summary of plan provisions can be found in Note 1 of the Notes to Basic Financial Statements.

Actuarial Methods

Actuarial Cost Method

Annual contributions are computed under the Entry Age Normal Actuarial Cost Method, computed to the final decrement. A schedule of actuarially determined contributions compared to actual contributions can be found in the Required Supplementary Information section following the Notes to the Basic Financial Statements.

The excess of the Actuarial Accrued Liability over Plan assets is the Unfunded Actuarial Accrued Liability. The liability for each valuation group is amortized as a level percentage of payroll over a closed period (23 years as of the current valuation).

Actuarial Value of Plan Assets

The Actuarial Value of Plan assets is a modified market-related value. The market value of assets is adjusted to recognize, over a five-year period, differences between actual investment earnings and the assumed investment return. The Actuarial Value of Assets is limited to no less the 80% and no more than 120% of the market value. As of June 30, 2011, the Actuarial Value was reset to equal market value.

Valuation Date	June 30, 2013	June 30, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay
Remaining Amortization Period	23 Years	24 Years
Asset Valuation Method	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

Actuarial Assumptions

1. Rate of Return – The annual rate of return is assumed to be 7.75% net of investment expenses.
2. Cost of Living – The cost of living is assumed to be 3.25% per year as measured by the Consumer Price Index.
3. Administrative Expenses – An allowance of \$2,100,000 has been included in the annual cost calculated
4. Interest Credited to Employee Accounts – 0.25% annually
5. Increases in Pay – Base salary increase for County Safety is 13.40% for 2013 and 3.50% thereafter. All other members base salary increase is 3.50% for 2013 and thereafter. Assumed pay increases for active Members consist of increases due to salary adjustments (as noted above), plus service-based increases due to longevity and promotion, as shown below.

Longevity & Promotion Increases		
Service	Safety	General
0	8.00%	4.00%
1	7.00%	4.00%
2	6.00%	4.00%
3	5.00%	4.00%
4	4.00%	4.00%
5-9	2.00%	2.00%
10-19	1.00%	1.00%
20-29	1.00%	0.50%
30+	0.50%	0.50%

6. PEPRA Compensation Limit – Assumption used for increasing the compensation limit that applies to PEPRA members is 3.25%.
7. Post Retirement COLA – 100% of Consumer Price Index up to 3% annually with banking, 2.7% annual increases assumed.
8. Social Security Wage Base – For projecting the Social Security Benefit, the annual Social Security Wage Base increase is assumed to be 3.5% per year.
9. Internal Revenue Code Section 414 Limit – not reflected in the valuation for funding purposes.
10. Internal Revenue Code Section 401(a)(17) – not reflected in the valuation for funding purposes.
11. Mortality Improvement – No mortality improvement is explicitly assumed. A margin is built in the mortality assumption between the actual and expected number of deaths in order to assume some future mortality improvements.

Actuarial Assumptions (continued)

12. Active Member Mortality – Specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries projected from 2000 to 2020 using Scale AA,

Active Member Mortality			
Age	Duty Death	Ordinary Death General and Safety	
	Safety All	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%

13. Retired Member Mortality - Specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries projected from 2000 to 2020 using Scale AA,

Retired Member Mortality		
Age	Female	Male
45	0.0810%	0.1160%
50	0.1190%	0.1490%
55	0.2310%	0.2470%
60	0.4570%	0.4890%
65	0.8680%	0.9610%
70	1.5140%	1.6410%
75	2.3930%	2.8540%
80	3.9870%	5.2650%
85	6.8660%	9.6240%
90	12.4000%	16.9280%

Actuarial Assumptions (continued)

14. Disabled Member Mortality - Specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries projected from 2000 to 2020 using Scale AA,

Diabled Member Mortality		
Age	Female	Male
45	0.1520%	0.1780%
50	0.3150%	0.3330%
55	0.6020%	0.6470%
60	1.1000%	1.2370%
65	1.8320%	2.0160%
70	2.9630%	3.6110%
75	4.8920%	6.8540%
80	8.8920%	12.0620%
85	14.8430%	20.3970%
90	21.0980%	28.8080%

15. Service Retirement – Assumed to occur among eligible members in accordance with the following table.

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%

Actuarial Assumptions (continued)

16. Service Connected Disability – Separate rates are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined.

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%

17. Non Service Connected Disability - Separate rates are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined. Rates shown are applied after five years of service.

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%

Actuarial Assumptions (continued)

18. Rates of Separation – Applies to all active Members who terminate employment. Separate rates are assumed among Safety and General Members.

Termination (all types)			
Service	Safety	General	
	All	Female	Male
0	15.0%	14.0%	24.0%
1	15.0%	9.4%	14.0%
2	10.5%	7.9%	11.7%
3	10.0%	7.9%	9.4%
4	6.0%	7.1%	7.1%
5	3.7%	5.0%	5.0%
10	3.4%	3.5%	3.5%
15	1.9%	2.9%	2.9%
20	0.0%	1.5%	1.5%
25	0.0%	1.3%	1.3%
30+	0.0%	0.0%	0.0%

19. Withdrawal – Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions. 50% of all General Member terminations with less than ten years of service and 20% of those with ten or more years of service are assumed to take a refund of contributions. 35% of all Safety Member terminations with less than ten years of service and 10% of those with ten or more years of service are assumed to take a refund of contributions.
20. Vested Termination – 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 the Plan. Tier 3 General Members are assumed to begin receiving benefits at age 65; all other General Members at age 58. 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. Reciprocal members are assumed to receive 4% annual pay increases from the date of transfer to the assumed retirement date.
21. Family Composition – 50% of female members and 90% of male members are assumed to be married at retirement. Women are assumed to be three years younger than men.
22. Accumulated Vacation Time Load – Active members' service retirement and disability benefits are loaded by 2.5% for Safety Members and 3.5% for General Members for conversion of vacation time.
23. Changes in actuarial assumptions – Last year's valuation assumed employee accounts were credited with 0.00% interest annually and the base salary increase was assumed to be 3.50% for all members (no special increase for County Safety for 2014).

Participant data on active and inactive Members and their beneficiaries as of the valuation date was supplied by the Plan staff on direction of the Executive Director on electronic media. Member data was neither verified nor audited.

**SCHEDULE OF ACTIVE MEMBER VALUATION DATA
FOR FISCAL YEARS ENDED JUNE 30**

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary	Number of Employers
6/30/2004	General	3,618	\$ 164,462,000	\$ 45,457	0.81%	8
	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%	8
	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%	8
	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%	8
	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%	8
	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%	8
	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%	8
	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%	8
	Safety	661	41,657,273	63,022	-3.96%	
	Total	3,894	\$ 220,918,009	\$ 56,733	-3.18%	
6/30/2013	General	3,230	\$ 176,437,755	\$ 54,625	-1.48%	8
	Safety	694	42,590,563	61,370	-2.62%	
	Total	3,924	\$ 219,028,318	\$ 55,818	-1.61%	

Note: Actuarial valuation was not performed for fiscal year June 30, 2007. The total number of members differs from the membership data in the notes to the financial statements due to actuary cleansing of the data.

Note: The annual salary presented here is annualized historical salary. The covered payroll shown in the Notes to the Basic Financial Statements is actual pensionable salaries. Salary shown in the schedule of Funding Progress is based on projected salary from the actuarial valuation.

The employers participating in the Plan include Stanislaus County, Stanislaus County Superior Court, City of Ceres and five small districts.

SCHEDULE OF FUNDING PROGRESS FOR YEARS ENDED JUNE 30

Actuarial Valuation Date	Valuation Assets ¹	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a % of Covered Payroll
6/30/2003	\$ 937,797,000	\$ 958,095,000	\$ 20,298,000	97.9%	\$ 197,664,000	10.3%
6/30/2004	993,180,000	1,035,345,000	42,165,000	95.9%	199,963,000	21.1%
6/30/2005	1,049,691,000	1,116,310,000	66,619,000	94.0%	211,681,000	31.5%
6/30/2006	1,154,048,000	1,329,375,000 ²	175,327,000	86.8%	212,011,000	82.7%
6/30/2008	1,317,167,000 ³	1,548,824,000	231,657,000	85.0%	242,009,000	95.7%
6/30/2009	1,171,767,000	1,653,716,000	481,949,000	70.9%	248,316,000	194.1%
6/30/2010	1,325,801,000	1,737,824,000	412,023,000	76.3%	231,538,000	178.0%
6/30/2011	1,372,046,000	1,757,717,000	385,671,000	78.1%	221,541,000	174.1%
6/30/2012	1,451,764,000	1,888,713,000	436,950,000	76.9%	215,057,000	203.2%
6/30/2013	1,524,076,000	1,919,227,000	395,151,000	79.4%	222,898,000	177.3%

¹ Excludes value of Non-Valuation Reserves

² The Accrued Liability as of June 30, 2006 was recomputed to reflect the change in Actuary and in the retirement, termination and refund assumptions

³ Includes \$50 million tranferred from Non-Valuation Reserves as of 6/30/2008

RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL FOR YEARS ENDED JUNE 30

Plan Year Ending	At Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
6/30/2003	1,963	166	N/A	62	N/A	2,067	\$ 38,348,000	15.40%	\$ 18,670
6/30/2004	2,067	214	N/A	64	N/A	2,217	\$ 43,467,000	13.30%	\$ 20,064
6/30/2005	2,217	99	\$ 4,210,853	43	\$ 637,963	2,273	\$ 47,423,000	9.10%	\$ 20,682
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
6/30/2013	3,142	198	\$ 6,036,138	91	\$ 1,144,584	3,249	\$ 89,975,736	12.25%	\$ 27,694

Note: Amounts for Allowances Added and Allowances Removed for fiscal years ending June 30, 2003 & 2004 was not available due to system constraints.

SOLVENCY TEST FOR YEARS ENDED JUNE 30

Valuation Date	Actuarial Accrued Liabilities (AAL) for:			Actuarial Accrued Liabilities	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3			1	2	3
	Active Member Contributions	Retirees & Beneficiaries	Active Members Employer Portion					
6/30/2003	\$ 176,622,000	\$ 455,784,000	\$ 325,689,000	\$ 958,095,000	\$ 937,797,000	100%	100%	91%
6/30/2004	\$ 166,806,000	\$ 518,922,000	\$ 349,617,000	\$ 1,035,345,000	\$ 993,180,000	100%	100%	88%
6/30/2005	\$ 205,556,000	\$ 551,810,000	\$ 358,994,000	\$ 1,116,310,000	\$ 1,049,691,000	100%	100%	81%
6/30/2006 ¹	\$ 219,907,000	\$ 619,109,000	\$ 355,888,000	\$ 1,194,904,000	\$ 1,154,048,000	100%	100%	89%
6/30/2008 ²	\$ 272,657,000	\$ 739,838,000	\$ 536,329,000	\$ 1,548,824,000	\$ 1,317,167,000	100%	100%	57%
6/30/2009	\$ 298,342,000	\$ 781,082,000	\$ 574,292,000	\$ 1,653,716,000	\$ 1,171,767,000	100%	100%	16%
6/30/2010	\$ 323,940,000	\$ 829,323,000	\$ 584,561,000	\$ 1,737,824,000	\$ 1,325,801,000	100%	100%	30%
6/30/2011	\$ 337,201,000	\$ 897,384,000	\$ 523,133,000	\$ 1,757,717,000	\$ 1,372,046,000	100%	100%	26%
6/30/2012	\$ 351,569,000	\$ 987,546,000	\$ 549,598,000	\$ 1,888,713,000	\$ 1,451,764,000	100%	100%	20%
6/30/2013 ³	\$ 191,968,000	\$ 1,065,792,000	\$ 661,466,000	\$ 1,919,227,000	\$ 1,524,076,000	100%	100%	40%

¹ Results recalculated, reflecting Level 1 assumption changes (new retirement, termination and withdrawal decrements) and new EFI EAN methodology

² Reflects transfer as of June 30, 2008 of \$50 million from Non-Valuation to Valuation Reserves

³ Reflects change to include only refundable contribution balance

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE FOR YEARS ENDED JUNE 30

Plan Year Ending	Actuarial (Gains)/Losses			Changes in Plan Provisions	Changes in Assumption/Methods
	Asset Sources	Liability Sources	Total		
6/30/2004	\$ 8,536,049	\$ 12,492,070	\$ 21,028,119	\$ -	\$ (2,088,246)
6/30/2005	\$ 26,573,640	\$ 11,238,430	\$ 37,812,070	\$ -	\$ -
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
6/30/2013	\$ 10,200,000	\$ 8,500,000	\$ 18,700,000	\$ -	\$ (63,400,000)

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

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Statistical Section



sta·tis·tics [stuh-tis-tiks]

noun

1. (used with a singular verb) the science that deals with the collection, classification, analysis, and interpretation of numerical facts or data, and that, by use of mathematical theories of probability, imposes order and regularity on aggregates of more or less disparate elements.

2. (used with a plural verb) the numerical facts or data themselves.



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 Fiduciary 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 below and on the following pages.

CHANGES IN FIDUCIARY NET POSITION

Last Ten Fiscal Years ending June 30

Additions To Fiduciary Net Position

	2014	2013	2012	2011	2010
Employer Contributions	\$ 46,763,996	\$ 39,077,480	\$ 27,314,032	\$ 26,256,729	\$ 21,814,194
Plan Member Contributions	21,867,911	20,285,888	20,525,295	19,197,052	20,746,411
Investment Income (Loss)	275,864,058	188,929,033	3,330,939	261,380,696	161,234,157
Net Other Investment Income(Loss)	123,840	114,770	571	16,849	680,579
Net Security Lending Income (Loss)	(1,091,790)	944,484	393,244	444,947	3,139,108
<i>Total Additions</i>	<u>\$ 343,528,015</u>	<u>\$ 249,351,655</u>	<u>\$ 51,564,081</u>	<u>\$ 307,296,273</u>	<u>\$ 207,614,449</u>

Deductions From Plan Position

Pension Benefits	\$ 93,116,413	\$ 87,102,798	\$ 80,157,222	\$ 74,826,404	\$ 71,464,735
Refunds	1,666,058	1,545,763	1,832,811	1,906,153	1,731,971
Administrative Expense and Misc	2,249,260	2,065,345	2,144,748	2,037,167	2,307,436
<i>Total Deductions</i>	<u>\$ 97,031,731</u>	<u>\$ 90,713,906</u>	<u>\$ 84,134,781</u>	<u>\$ 78,769,724</u>	<u>\$ 75,504,142</u>

Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits

	\$ 246,496,284	\$ 158,637,749	\$ (32,570,700)	\$ 228,526,549	132,110,307
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Fiduciary Net Position Restricted for Pension Benefits

Beginning of year	1,544,812,995	1,386,175,246	1,418,745,946	1,190,219,397	1,058,109,090
End of year	<u>\$ 1,791,309,279</u>	<u>\$ 1,544,812,995</u>	<u>\$ 1,386,175,246</u>	<u>\$ 1,418,745,946</u>	<u>\$ 1,190,219,397</u>

Additions To Fiduciary Net Position

	2009	2008	2007	2006	2005
Employer Contributions	\$ 23,410,965	\$ 22,555,416	\$ 32,562,514	\$ 22,548,754	\$ 19,792,748
Plan Member Contributions	20,922,893	20,689,439	20,542,837	19,860,676	19,088,340
Investment Income (Loss)	(215,302,029)	(122,548,769)	206,631,146	116,898,276	90,280,931
Litigation Recovery	57,010	117,351	177,775	27,479	113,169
Net Security Lending Income (Loss)	(5,786,378)	1,022,295	382,991	347,188	309,095
<i>Total Additions</i>	<u>\$ (176,697,539)</u>	<u>\$ (78,164,268)</u>	<u>\$ 260,297,263</u>	<u>\$ 159,682,373</u>	<u>\$ 129,584,283</u>

Deductions From Plan Position

Pension Benefits	\$ 71,861,210	\$ 67,785,111	\$ 67,599,163	\$ 58,129,898	\$ 53,176,109
Refunds	2,537,978	2,442,426	2,730,463	2,482,105	2,347,241
Administrative Expense and Misc	2,080,130	2,044,286	1,980,926	1,598,700	1,404,838
<i>Total Deductions</i>	<u>\$ 76,479,318</u>	<u>\$ 72,271,823</u>	<u>\$ 72,310,552</u>	<u>\$ 62,210,703</u>	<u>\$ 56,928,188</u>

Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits

	(253,176,857)	(150,436,091)	187,986,711	97,471,670	72,656,095
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Fiduciary Net Position Restricted for Pension Benefits

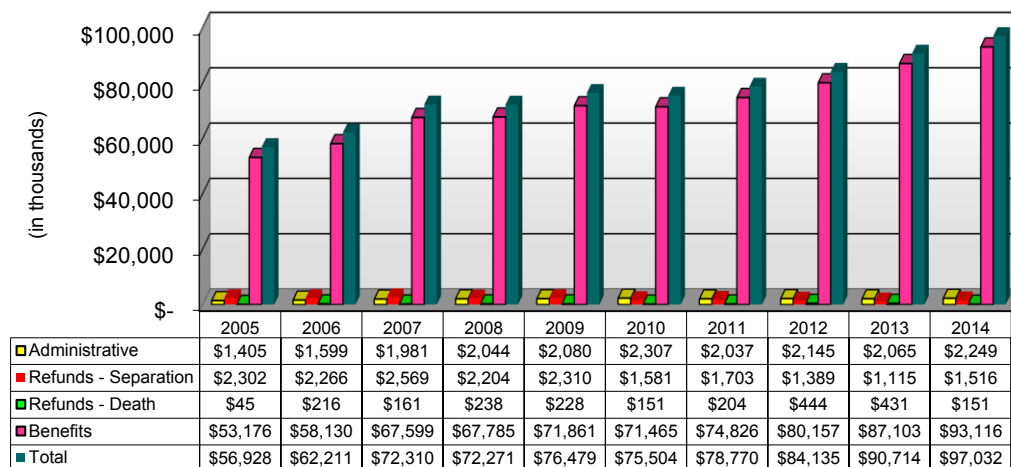
Beginning of year	1,311,285,947	1,461,722,038	1,273,735,327	1,176,263,657	1,103,607,562
End of year	<u>\$ 1,058,109,090</u>	<u>\$ 1,311,285,947</u>	<u>\$ 1,461,722,038</u>	<u>\$ 1,273,735,327</u>	<u>\$ 1,176,263,657</u>

Additions by Source (for years ending June 30)



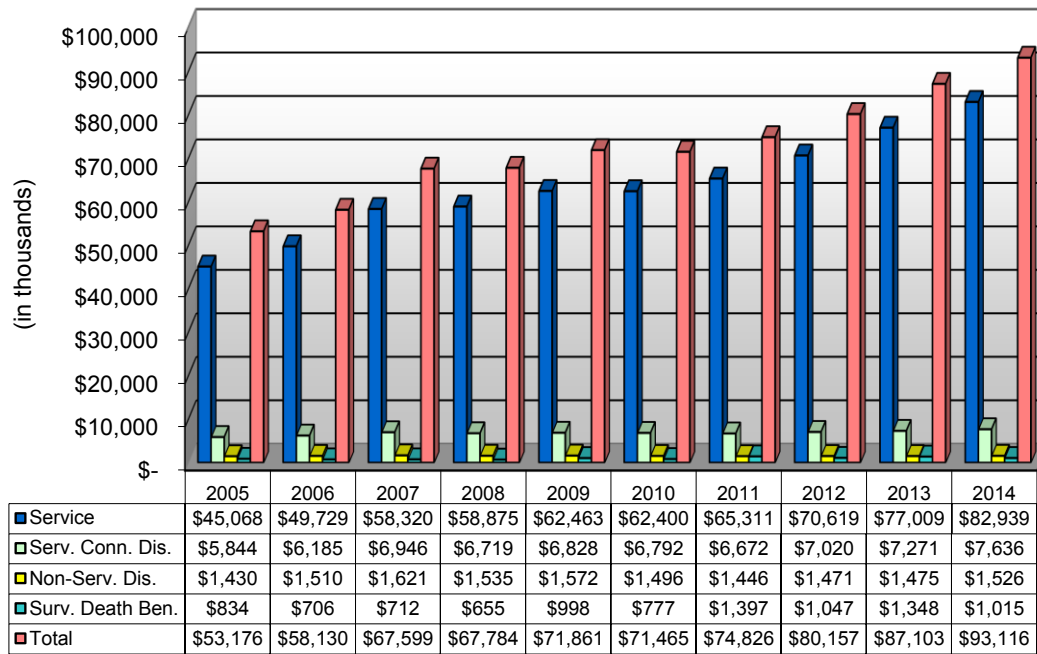
Note: 2007 Employer Contributions include income from the post-Ventura *Francis* settlement

Deductions by Type (for years ending June 30)



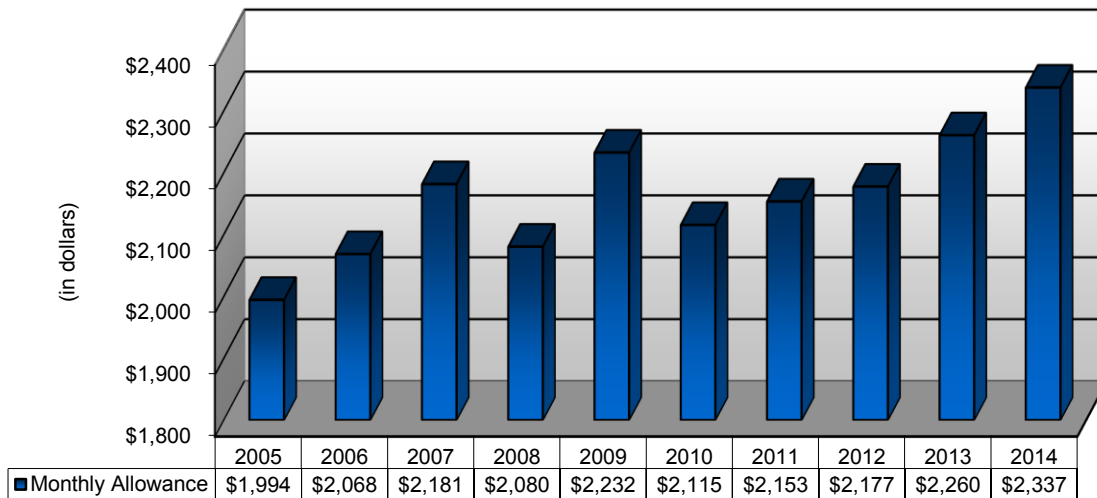
Note: 2007 benefits include expenses for the post-Ventura *Francis* settlement

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, 2014

<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>
General Members					
\$0-500	384	365	1	12	6
501-1,000	510	445	5	40	20
1,001-1,500	500	423	33	39	5
1,501-2,000	361	310	39	9	3
2,001-2,500	289	258	26	3	2
2,501-3,000	182	173	7	2	0
3,001-3,500	139	134	3	0	2
3,501-4,000	115	112	3	0	0
4,001-4,500	77	73	3	1	0
4,501-5,000	59	59	0	0	0
over 5,000	231	231	0	0	0
Totals	2,847	2,583	120	106	38
Safety Members					
\$0-500	28	17	8	2	1
501-1,000	19	15	3	0	1
1,001-1,500	39	33	3	2	1
1,501-2,000	57	45	6	6	0
2,001-2,500	51	22	28	0	1
2,501-3,000	82	27	54	0	1
3,001-3,500	60	38	22	0	0
3,501-4,000	41	32	8	0	1
4,001-4,500	20	19	0	0	1
4,501-5,000	25	24	0	0	1
over 5,000	112	101	11	0	0
Totals	534	373	143	10	8
TOTALS	3,381	2,956	263	116	46

(Data retrieved from StanCERA's data base)

AVERAGE BENEFIT PAYMENTS

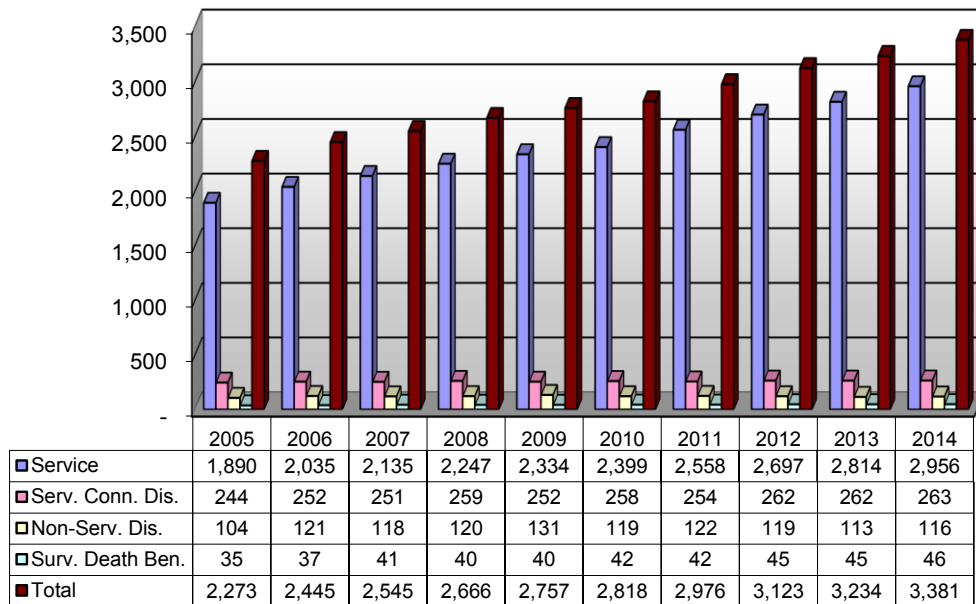
As of Fiscal Year End June 30

	Beneficiaries & Dro's	Service Years Credited						
		0-5	5-10	10-15	15-20	20-25	25-30	30+
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
Fiscal Year Ending June 30, 2014								
Average Monthly Benefit	\$1,467	\$651	\$1,124	\$1,354	\$2,082	\$2,836	\$4,088	\$5,427
Avg Final Average Salary	\$2,745	\$5,272	\$4,205	\$3,927	\$4,235	\$4,596	\$5,089	\$5,948
Number of Active Retirees	388	206	394	679	524	488	353	349

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

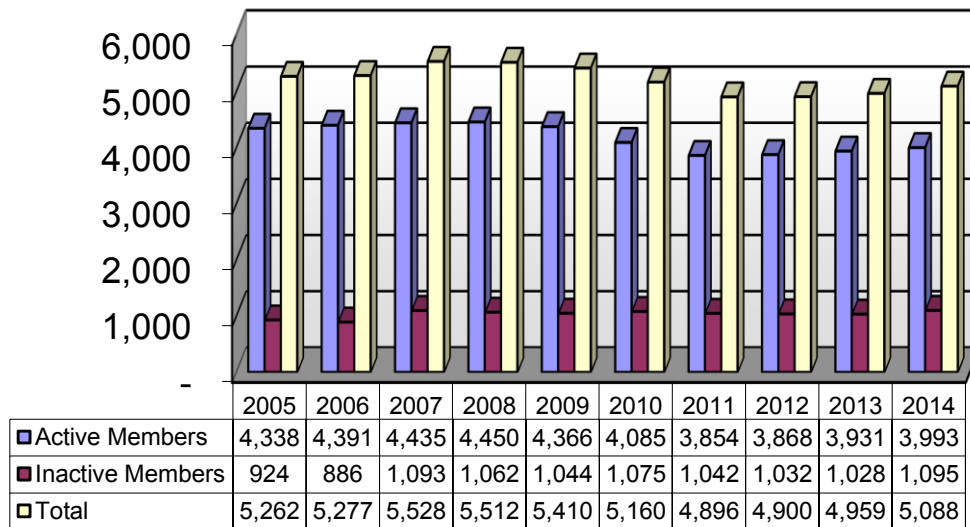
Data for Average Final Average Salary was not available until June 30, 2009 due to system constraints.

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>2014</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>	
Stanislaus County:										
General Members	2,963	74.2%	2,903	73.8%	2,852	73.7%	2,841	73.7%	3,013	73.8%
Safety Members	<u>602</u>	15.1%	<u>606</u>	15.4%	<u>574</u>	14.8%	<u>553</u>	14.3%	<u>601</u>	14.7%
Total	<u>3,565</u>		<u>3,509</u>		<u>3,426</u>		<u>3,394</u>		<u>3,614</u>	
Participating Agencies:										
Stanislaus County Superior Court	212	5.3%	205	5.2%	229	5.9%	245	6.4%	252	6.2%
City of Ceres	181	4.5%	178	4.5%	173	4.5%	173	4.5%	178	4.4%
East Side Mosquito Abatement District	9	0.2%	10	0.3%	10	0.3%	11	0.3%	11	0.3%
Hills Ferry Cemetery	3	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Keyes Community Services District	6	0.2%	5	0.2%	6	0.2%	6	0.2%	6	0.1%
Salida Sanitary District	7	0.2%	7	0.2%	7	0.2%	7	0.2%	7	0.1%
Stanislaus Council of Governments	<u>10</u>	0.3%	<u>13</u>	0.3%	<u>13</u>	0.3%	<u>14</u>	0.3%	<u>13</u>	0.3%
Total	<u>428</u>		<u>422</u>		<u>442</u>		<u>460</u>		<u>471</u>	
Total Active Membership	<u>3,993</u>		<u>3,931</u>		<u>3,868</u>		<u>3,854</u>		<u>4,085</u>	
	<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>	
Stanislaus County:										
General Members	3,227	73.9%	3,313	74.4%	3,311	74.7%	3,330	75.8%	3,320	76.5%
Safety Members	<u>658</u>	15.1%	<u>663</u>	14.9%	<u>660</u>	14.9%	<u>626</u>	14.3%	<u>618</u>	14.2%
Total	<u>3,885</u>		<u>3,976</u>		<u>3,971</u>		<u>3,956</u>		<u>3,938</u>	
Participating Agencies:										
Stanislaus County Superior Court	263	6.0%	254	5.7%	246	5.5%	232	5.3%	211	4.9%
City of Ceres	178	4.1%	186	4.2%	183	4.1%	172	3.9%	161	3.7%
East Side Mosquito Abatement District	11	0.3%	10	0.3%	10	0.2%	9	0.2%	8	0.2%
Hills Ferry Cemetery	4	0.1%	4	0.1%	4	0.1%	4	0.1%	3	0.1%
Keyes Community Services District	6	0.1%	6	0.1%	6	0.2%	5	0.1%	5	0.1%
Salida Sanitary District	6	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Stanislaus Council of Governments	<u>13</u>	0.3%	<u>10</u>	0.2%	<u>11</u>	0.2%	<u>9</u>	0.2%	<u>8</u>	0.2%
Total	<u>481</u>		<u>474</u>		<u>464</u>		<u>435</u>		<u>400</u>	
Total Active Membership	<u>4,366</u>		<u>4,450</u>		<u>4,435</u>		<u>4,391</u>		<u>4,338</u>	

(Data retrieved from StanCERA's data base)

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**STANISLAUS COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

Report to the Audit Committee

For the Fiscal Year Ended June 30, 2014



Certified Public Accountants.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Report to the Audit Committee

For the Fiscal Year Ended June 30, 2014

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Certified Public Accountants.

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Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

November 6, 2014

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

In planning and performing our audit of the financial statements of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered StanCERA's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of StanCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of StanCERA's internal control. However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes the current year comments and recommendations. This letter does not affect our report dated November 6, 2014, on the financial statements of StanCERA.

Additionally, we have included in this letter a report on communications with the Audit Committee as required by auditing standards generally accepted in the United States of America.

We would like to thank StanCERA's management and staff for the courtesy and cooperation extended to us during the course of our engagement.

The accompanying report is intended solely for the information and use of the Board of Retirement, Audit Committee and management of StanCERA and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Sacramento, California
November 6, 2014

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Report to the Audit Committee

Required Communications

For the Fiscal Year Ended June 30, 2014

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 27, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by StanCERA are described in Note 2 to the financial statements. As discussed in Note 2 to the basic financial statements, StanCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25* for the fiscal year ended June 30, 2014. We noted no transactions entered into by StanCERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Actuarial valuations of the total pension liability used to measure the net pension liability
- Fair value of direct lending investments

The actuarial valuations were based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Management's estimate of the fair value of direct lending investments is based on the partnership's respective Net Asset Value (NAV) on a quarterly basis using assumptions based on the nature of the investment and the underlying business. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements as a result of our audit.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Report to the Audit Committee

Required Communications (Continued)

For the Fiscal Year Ended June 30, 2014

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as StanCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Report to the Audit Committee
Current Year Comments and Recommendations
For the Fiscal Year Ended June 30, 2014

Observation #1 - Actuarial Valuation Member Census Data

Management provides StanCERA's actuary with active, inactive and retired member data files which are used to prepare the annual actuarial valuation including the calculation of the total pension liability of participating employers. During the current year, we identified differences between the files provided by StanCERA and the files that were ultimately used to prepare the actuarial valuation as of June 30, 2013. The differences had no impact on the actuarial valuation results as the actuary may exclude certain member data received from StanCERA. However, we recommend a process be implemented for staff to reconcile the member data used by the actuary to StanCERA's files and for management to evaluate the items that are excluded by the actuary from the actuarial valuation.

Management Response

This is the first year StanCERA has been made aware of the need for this reconciliation. StanCERA's staff will implement a process to reconcile the member counts used by the actuary with the member data provided to them including analysis of any variances.

Observation #2 - Completeness and Accuracy of Investment Related Disclosures

Small Business Administration (SBA) and Governmental National Mortgage Association (GNMA) securities, totaling \$4,089,857 and \$1,895,922 respectively, were disclosed as not being rated by a Nationally Recognized Statistical Rating Organization (NRSRO). The Association's disclosure of N/R ratings was provided by the custodian bank. Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, paragraph 7 states that unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. SBA and GNMA securities are explicitly guaranteed by the U.S. Government and therefore do not require a credit quality disclosure and should be classified as not applicable or N/A. The disclosure was subsequently revised to properly reflect the disclosure requirements for the SBA and GNMA securities explicitly guaranteed by the U.S. government.

Additionally, we noted that the custodian bank reported Government Bond securities, totaling \$218,000 as not being rated by Standard and Poor's (S&P) and having a Moody's rating of Baa2. Question and Answer 1.9.1 of the GASB Comprehensive Implementation Guide states that when multiple ratings exist and the government is aware of the different ratings, the rating indicative of the greatest degree of risk should be presented. StanCERA determined the S&P credit rating and subsequently revised the note disclosure to properly reflect the credit quality disclosures.

Although the disclosures were corrected in the audited financial statements, MGO recommends that StanCERA reevaluate and refine current processes to ensure that investment disclosure data provided by the custodian bank is complete and accurate, which should include validating data on a sample basis using third-party vendor sources or obtaining supporting evidence from the custodian bank to validate the data.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Report to the Audit Committee
Current Year Comments and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2014

Observation #2 - Completeness and Accuracy of Investment Related Disclosures (Continued)

Management Response

This is the first year with StanCERA's custodial bank. The reports provided by the custodial bank were new to StanCERA's staff. StanCERA's staff will put processes in place to ensure the data provided by the custodial bank is complete and accurate. Processes will be put into place to validate the data provided for disclosure purposes.

Observation #3 - Financial Reporting of Securities Lending Activities

During our testing of securities lending activities, we identified several errors in the reported amounts in the draft financial statements.

1. The Fair Value of Securities on Loan totaling \$186,958,555 (i.e. the amount of securities on loan at June 30, 2014) was incorrectly reported as Securities Lending Collateral (i.e. the market value of reinvested cash collateral) in the statement of net position. GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 5 states that governmental entities should report securities lent (the underlying securities) as assets in their balance sheets.
2. The Fair Value of Reinvested Cash Collateral totaling \$190,943,489 (i.e. the fair value of cash collateral subsequently invested) was incorrectly reported as Securities Lending Obligation (i.e. the cash collateral received from brokers) in the statement of net position. GASB Statement No. 28, paragraph 6 states cash received as collateral on securities lending transactions and investments made with that cash should be reported as assets.
3. Cash Collateral Received totaling \$190,507,537 (i.e. the cash due to borrowers) was incorrectly omitted from the statement of net position. GASB Statement No 28, paragraph 6 states that liabilities from these securities lending transactions also should be reported in the balance sheet.

Appendix B: Basis for Conclusions in GASB Statement No. 28 further explains that securities lent should remain in the government's balance sheet (statement of net position), as the government has beneficial ownership, that is, it retains the risks and rewards of changes in the value of the underlying securities during the term of the loan, has a contractual right to the income distributions, and retains the right to sell the securities. It further states that securities lending transactions with cash collateral should be accounted for in the balance sheet (statement of net position) as financing transactions – reporting assets for the cash received (and subsequently invested) and liabilities to the borrowers to return the cash.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Report to the Audit Committee
Current Year Comments and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2014

Observation #3 - Financial Reporting of Securities Lending Activities (Continued)

These errors resulted in the Securities Lending Collateral being understated by \$4.0 million, the Securities Lending Obligation being overstated by \$400 thousand, and Net Depreciation in Fair Value of Securities Lending Collateral being overstated by \$4.4 million in the draft financial statements. These errors were subsequently corrected in StanCERA's audited financial statements.

MGO recommends that StanCERA update policies and procedures to reflect the new custodian's procedures for retrieving securities lending reports to properly reflect appropriate balances and notes disclosures.

Management Response

This is the first year with StanCERA's custodial bank. The reports provided by the custodial bank were new to StanCERA's staff. Unknown to staff, the original reports provided for the Securities Lending activity were not complete and were monthly averages rather than actual balances at month end. The journal entry was prepared and presented for review to the auditors who originally approved the transaction. During the audit process the auditors and staff became aware that the reports were not complete and requested the appropriate reports for the Securities Lending activity and subsequently made the corrections to the financial statements.

StanCERA's staff will implement procedures to ensure completeness and accuracy to ensure appropriate balances are reported and note disclosures are correct.



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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e-mail: retirement@stancera.org

November 25, 2014, Retirement Board Meeting

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Investment Guidelines
- II. ITEM NUMBER: 9.a.ii
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Accept the Internal Governance Recommendation for Approval of 4 Investment Guidelines/Policies
- V. ANALYSIS: In July of 2013, the StanCERA Board of Retirement recommended a Strategic Plan that had a strong focus towards investment governance. Focus points included things such as investment manager visits, suitability guidelines for new investments and trustee directed investment opportunities. In January of 2014, the Board of Retirement approved staff's final draft of the 2014-2016 Strategic Plan. Included in the plan for 2014 are the creation of 4 investment policies or guidelines that cover the aforementioned topics. On November 6th, the Internal Governance Committee approved for recommendation to the full Board the 4 Investment guidelines/policies.

The following is a short summary of those guidelines/policies (attachments 1, 2, 3 and 4):

Manager Visits to StanCERA

Policy is meant to make the most out of investment manager visits to StanCERA. The Board will receive similar information each visit for each manager that will focus not only on return but risk as well. The managers will be asked to focus on specific issues meant to assist the Board in their assessment and reaffirmation of each manager.

Onsite Due Diligence Visits

Policy is meant to make the most out of Diligence Committee onsite visits to the investment manager. Policy focuses on the concept of the Diligence Committee meeting prior to the onsite visit to strategize, formulate questions and evaluate areas of potential concern.

Suitability Guidelines for New Investments

Guidelines focus on those concepts that should be discussed when evaluating new investments. The guidelines do not mandate any required steps before an investment can be made. The guidelines are only meant to provoke discussion on those issues that may help determine whether a specific investment may be prudent.

Trustee Directed Investment Opportunities

Policy is meant to promote transparency in the process used to select investment managers or to invest in certain asset classes in those cases where opportunities are recommended by a Board Trustee

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective II: Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA's active managers
- VII. BUDGET IMPACT: None



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager

Stanislaus County Employees' Retirement Association

Investment Manager Visits to StanCERA

Rationale

StanCERA understands that each investment management firm appears in person only once a year before the Board of Retirement. In that regard, this policy attempts to provide a process for efficient manager visits and to extract the greatest value from these visits.

Purpose

StanCERA acknowledges that removing and replacing managers is not only time consuming but also very expensive. As a result, the objective of this policy is to minimize manager turnover by providing information, procedure and protocol that will allow the Organization the ability to retain superior managers and to remove inferior managers before the latter can produce long term, sub-optimal results. Another objective is to attempt to pick up on future poor performance and for the Organization to feel that it would again hire the firm today. It is intended that these procedures and protocol be applied consistently, regardless of changes in the Board of Retirement or staff.

Policy

Prior to each Investment meeting, the Board of Retirement will receive summarized information from staff that focuses on past performance, risk metrics (individual and overall portfolio contribution), management fees and value added. The information will be presented with an eye towards long and intermediate term trend and will focus less on recent performance. The information should be consistent across managers, however, it is understood that the alternative class of investments may require different reporting tools.

Prior to each meeting, the managers will be informed that they will be required to focus on recent operational and staff changes at the firm, recent client money flows into and out of the firm, their recent strategies relative to their respective benchmark and how those strategies performed. The manager will also discuss their current strategies relative to the benchmark and why they believe they will prove successful going forward.

Draft 11/06/14

Approved by the Board of Retirement

Rick Santos, Executive Director

Date: _____

Stanislaus County Employees' Retirement Association

Investment Manager Onsite Due Diligence Visits

Rationale

StanCERA acknowledges that onsite diligence visits are only undertaken once every 4 years. In that regard, the diligence team understands that it doesn't have a lot of time to spend onsite and it wishes to extract the most value from these visits. Further, StanCERA also acknowledges that performance matters are generally discussed each month at regular investment meetings and as such, this policy places slightly more weight on qualitative rather than quantitative issues.

Purpose

The purpose of the policy is to:

1. Identify warning signs of adverse changes in an existing manager's organization
 - a. Has anything fundamentally changed in the manager's operations?
 - b. Is the change significant?
 - c. What are the likely ramifications of the change?
2. Pick up on indications of future poor performance
3. To reassure StanCERA that we would again hire the manager in question today

Policy

Questionnaire: A questionnaire will be sent to the investment manager at least 6 weeks prior to the onsite visit and should be returned to StanCERA at least 4 weeks prior to the onsite visit. The completed questionnaire covering all aspects of the Organization will be submitted by the investment manager to StanCERA's investment consultant and/or internal investment officer. This version will be kept on hand and reviewed by the consultant and/or investment officer prior to the visit and also handed out and emailed to the diligence committee. A shorter, succinct version will also be given to the diligence committee approximately 2 to 3 weeks prior to the visit and this version will focus on those questions that may reveal any recent changes within the Organization that could help fulfill the purpose above.

Onsite Interview: The goal of the onsite interview is to allow the diligence committee the ability to address any concerns that may have arisen from the questionnaire and reassure themselves that StanCERA would again hire the firm today. *The committee should drive the discussion*, much the same as in an interview setting. The diligence team will meet prior to the diligence trip with StanCERA's investment consultant to discuss what concerns they would like addressed and to formulate a general strategy of discussion points and questions.

The onsite interview should have at a minimum, the individual(s) that are in charge of driving the investment process for the StanCERA portfolio. Individuals that can articulate past, current and prospective investment philosophies and performance should be involved as well.

StanCERA Investment Manager Due Diligence Onsite Visits

Onsite Inspection: Onsite inspection allows the team the ability to visually “inspect” certain aspects of the Organization that may reveal operational risk. It is not the intent of this policy to proscribe methodologies to determine whether operational risk exists. Instead, after a thorough review of the completed questionnaire, the consultant and/or investment officer may suggest some areas that the diligence committee may want to explore while onsite.

Draft 11/06/14

Approved by the Board of Retirement

Rick Santos, Executive Director

Date: _____

Stanislaus County Employees' Retirement Association

Suitability Guidelines for New Investments

Rationale

StanCERA acknowledges that it manages short, intermediate and long-term benefit payments. StanCERA also acknowledges that current law states that the assets of the trust fund are held for the exclusive purpose of providing benefits to the participants of the System and defraying reasonable expenses of the System. With these mandates in place, StanCERA believes that it is the best interest of the participants and plan sponsors that the System manage its investment and pension risk and cash flows in the most efficient way possible.

Purpose

The purpose of this policy is to lay out criteria that the Organization should consider when determining whether an investment is suitable for StanCERA. It is meant to facilitate the discussion of an investment's suitability, particularly investments that are efficient in terms of asset allocation, cash flow timing, risk allocation and managing drawdown risk.

Guidelines

Cash Flow Timing – For near-term benefit payments coming due, StanCERA should use its fixed income portfolio to make up the shortfall between plan sponsor contributions and benefits paid. Fixed income investments are efficient in the sense that magnitude and timing of cash flows are known with reasonable certainty. These fixed income investments should be of high quality and have determinable and predictable cash flows. StanCERA should always keep at least 10 years of contribution shortfalls invested in its fixed income portfolio and that part of the portfolio should maintain a duration roughly the same as the 10 years of contribution shortfalls.

It is perfectly acceptable to invest in illiquid assets that have cash flows that are uncertain in timing and size, so long as those assets are not counted on to provide short or intermediate term liquidity. StanCERA understands that half of its cash flow schedule on a present value basis is not due for at least 10-12 years. As a result, it is perfectly acceptable that a significant part of the portfolio be invested in assets with durations greater than 10. As an example, real estate (direct or indirect) with or without a cash yield component and infrastructure investments with or without a cash yield component are suitable investments. If these types of investments produce fixed income type cash yields, those payments may be used to maintain the duration and principal of the fixed income portfolio, maintain proper asset allocation across the total portfolio or to reinvest back into the investment itself. There should always be some rational justification related to the timing of StanCERA's cash flow schedule for investing in assets that possess or do not possess certain cash flow characteristics.

Investment Quality and Characteristics – Fixed income should be of high quality and adhere to the current standards laid out in StanCERA's investment policy. For alternatives and non-public equity, to the extent possible, StanCERA should refrain from investments where the

Suitability Guidelines for New Investments

ability to perform meaningful due diligence is limited. The proposed fee structure should be easy to understand (pre investment) and easily verifiable (post investment). Expected cash flow patterns should be examined and judged with respect to future benefit payment timing and in conjunction with other assets that could be expected to fund benefit payments (too much liquidity). The Organization should work to understand the nature of the individual investments within the prospective manager's portfolio prior to directing StanCERA assets towards these types of investments.

Drawdown Risk – Drawdown risk can be defined as a large drop in the value of a portfolio due to market conditions over a short to intermediate period of time. It is usually accompanied by a large drop in the System's funded ratio and a moderate to large increase in plan sponsor contributions. Large drawdowns are a function of the System's asset allocation and probabilistically will happen from time to time.

Assets or portfolios that mitigate the effects of a drawdown should be considered. Forms of portfolio insurance overlay should also be considered. Portfolios that tilt or optimize their investments towards assets that have low relative volatility or may be exposed to "preferable risks" should also be considered.

Long-Term Equity Allocation and Diversification – While individual public equities are generally under the control of the active manager, StanCERA does control how money is allocated across asset class and investment manager (see also risk allocation). In this sense, the traditional approach of using equity investments or asset classes that diversify and reduce overall portfolio volatility while maximizing returns should be followed.

Risk Allocation – On at least a quarterly basis, StanCERA will monitor individual active managers and asset classes to determine their contributions to overall portfolio risk. StanCERA understands that managers producing excess returns even after fees may be assuming a level of risk that is undesirable or not efficient. StanCERA should seek active managers that produce consistent excess returns at optimal or desired levels of risk.

StanCERA understands that certain asset classes may be exposed to specific financial or economic risks and that those risks may possibly be transient. StanCERA should seek to allocate some of its assets across classes that provide optimal exposure to current financial or economic risks.

A balance must be struck between fees paid to a manager, consistency in excess returns and optimal risk profiles. Before StanCERA decides to fund a new manager or asset class, it should to the greatest extent possible, analyze the historical returns of the manager or class and decide whether they can add value on a risk-adjusted basis.

Guideline Checklist – The following list of questions is a guide for determining whether an investment may be a suitable one for StanCERA. It is not meant to be the definitive screening process for determining suitability. It is only a means for provoking discussion and insight on an investment's suitability.

Suitability Guidelines for New Investments

1. Is the potential investment meant to provide liquidity (high cash yield component)?
 - a. Is it of high quality?
 - b. Does the investment have determinable and predictable cash flows (like fixed income)?
 - c. Does the System truly need this type of liquidity?
 - d. Is the yield component being used to fund System shortfalls or replenish fixed income investments meant to fund System shortfalls? How important is the yield component?
2. Is the potential investment meant to fund cash flows that aren't due for 10 years or more?
 - a. Does the investment provide a fair or market illiquidity premium?
 - b. Is it possible that the System may need to sell this investment prior to 10 years?
 - c. Does the investment have a duration greater than 10?
3. Is the investment fixed income?
 - a. Does it adhere to the credit qualities inherent in StanCERA's Investment Policy Statement?
4. Can the investment be considered part of the alternative asset class?
 - a. Is it possible to perform enhanced due diligence on the investment?
 - b. Is the fee structure easy to understand and can its implementation be easily verified?
 - c. Can the proposed investment offer up reasonably reliable expected cash flow patterns?
 - d. If so, do the expected cash flow patterns provide liquidity at optimal times in the future? If not, is the proposed investment providing unnecessary liquidity?
 - e. Is the Organization comfortable with the investment types within the manager's portfolio? Is StanCERA comfortable directing assets at those types of investments?
5. Is the potential investment meant to mitigate the effects of a large drawdown of the portfolio?
6. Does the potential investment improve the overall risk profile of the portfolio? Is it improving upon the diversification benefits for the portfolio?
7. Does the potential asset class or manager improve the overall risk profile of the portfolio?
 - a. Is it expected that the potential manager will provide excess returns at a lower level of risk?
 - b. Is it expected that the potential manager or asset class expose the portfolio to more "desirable risks" or to move away from undesirable risks?

Draft 11/06/14

Suitability Guidelines for New Investments

Approved by the Board of Retirement

Rick Santos, Executive Director

Date: _____

DRAFT

Stanislaus County Employees' Retirement Association's Trustee Directed Investment Opportunities

Rationale

The rationale for this policy is to promote transparency in the process used to select specific investment managers or to invest in certain asset classes (space) in those cases where opportunities are recommended by a StanCERA Board Trustee.

Purpose

Create an unambiguous and transparent process to follow when a StanCERA Board Trustee wishes to recommend a particular investment manager or asset class for inclusion into the portfolio.

Policy

Investment manager or asset class recommendations must be brought up in an open session, during member's forum at any regular Board of Retirement meeting. Any investment must eventually meet suitability requirements. If the Board feels that the recommended investment manager or asset class may be a suitable investment, staff will bring an agenda item at a future meeting with the intent of fully vetting the investment manager or asset class, seeking approval from the Board to proceed in bringing forth the recommended manager or begin searching for competent and qualified managers to fill the asset class.

Draft 11/06/14

Approved by the Board of Retirement

Rick Santos, Executive Director

Date: _____