



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

**November 27, 2012  
2:00 p.m.**

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

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

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

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

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

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

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

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

1. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
  - a. Approval of the October 23, 2012, Administrative Meeting Minutes [View](#)
  - b. Approval of the November 7, 2012, Administrative Meeting Minutes [View](#)
  - c. StanCERA Investment Managers Peer Rankings for Quarter Ending September 30, 2012 [View](#)

5. Consent Items (Cont.)

- d. Approval of the Continuing Education Calendar Record for 2011 [View](#)
- e. Receipt of the June 30, 2012, and 2011, Comprehensive Annual Financial Report (CAFR) and Receipt of StanCERA's Audited Financial Statements and Management Comments by Macias, Gini & O'Connell (MGO) Certified Public Accountants, for Fiscal Year Ended June 30, 2012 [View](#)
- f. Receipt of the State Association of County Retirement Systems' (SACRS) November 16, 2012 Business Meeting Packet [View](#)
- g. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
  - 1. Christine Applegate, CSA, Effective 11-03-12
  - 2. Rhonda Brink, CSA, Effective 11-03-12
  - 3. Emma Chavez, BHRS, Effective 11-09-12
  - 4. Lillie Clark, BHRS, Effective 11-03-12
  - 5. Brenda Cleary, Stanislaus Regional 911, Effective 10-17-12
  - 6. Wagner De Freitas, Sheriff, Effective 11-17-12
  - 7. Richard Dodge, District Attorney, Effective 11-02-12
  - 8. Sysvanh Kabkeo, CSA, Effective 11-02-12
  - 9. Kim Kilby, CSA, Effective 10-09-12
  - 10. Sandra Parrish, CSA, Effective 11-02-12
  - 11. Kenneth Patterson, CSA, Effective 11-04-12
  - 12. Catherine Pierce, CSA, Effective 11-03-12
  - 13. Susan Seibert, CEO/BOS, Effective 11-17-12
  - 14. Linda Spencer, HSA, Effective 11-03-12
  - 15. Sharon Trejo, HSA, Effective 11-03-12
  - 16. Myrnice Valentine, CSA, Effective 11-10-12
- h. Approval of Deferred Retirement(s) – **Section 31700**
  - 1. Anthony Barbagallo, CSA, Effective 09-29-12
  - 2. Ramon Bawanan, DA, Effective 10-20-12
  - 3. Aaron Farnon, Planning & Community Dev., Effective 10-1-12
  - 4. Della Garcia, HSA, Effective 08-25-12
  - 5. Sarah Harcrow, Sheriff, Effective 6-15-07

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

- 6. Beth Holmes, Library, Effective 10-9-12
- 7. Jean Laurie Lopez, CSA, Effective 10-10-12
- 8. Erica Inacio, Children & Families Commission, Effective 10-6-12
- 9. Evelina McDowall, HSA, Effective 9-1-12
- 10. Timothy Reed, Sheriff, Effective 7-14-12
- 11. Sharon Wardale-Trejo, DCSS, 9-14-12
- 12. Christopher Yamada, Public Defender, 8-4-12

6. Strategic Investment Solutions (SIS), Inc.

- a. Investment Performance Analysis for the Quarter Ending September 30, 2012 [View](#)
- b. StanCERA Investment Managers Review List for Quarter Ending September 30, 2012 [View](#)
- c. Monthly Performance Review for the Month Ending October 31, 2012 [View](#)
- d. Report on “Top 10 Holdings” by StanCERA Investment Managers as of October 31, 2012 [View](#)

7. Executive Director

- a. Report on Investment Funds Transfer – Invesco to BlackRock [View](#)
- b. Discussion and Action – California Public Employees’ Pension Act (PEPRA) Determination of the Allowable Pay Elements in the Calculation of Pensionable Compensation for Current Members and New StanCERA Members Hired after December 31, 2012 [View](#)
- c. Inclusion of the 6% Pay Deduction/Exemption in the Pensionable Compensation of those Members Retiring Prior to July 1, 2014 and Compliance with Public Employees’ Pension Reform Act [View](#)
- d. New Legislation Update

8. Closed Session

- a. Compliance with Public Employees' Pension Reform Act – Government Code Section 54956.9(b)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:  
O'Neal et al v. Stanislaus County Employees' Retirement Association  
Stanislaus County Superior Court Case No. 648469  
Government Code Section 54956.9(a)
- c. Conference with Legal Counsel – Pending Litigation – One Case:  
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County  
Superior Court Case No. 1-11-CV202224  
Government Code Section 54956.9(b)

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

10. Adjournment





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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

October 23, 2012

- Members Present:** Gordon Ford, Maria De Anda, Donna Riley, Ron Martin  
Mike Lynch, Jim DeMartini, Darin Gharat, Michael O'Neal,  
and Jeff Grover
- Alternate Member Present:** Joan Clendenin, Alternate Retiree Representative
- Staff Present:** Rick Santos, Executive Director  
Luiana Irizarry, Interim Executive Assistant  
Dawn Lea, Benefits Manager  
Kathy Herman, Operations Manager  
Kathy Johnson, Accountant
- Others Present:** Fred Silva, General Legal Counsel  
Paul Harte & Nathan Pratt, Strategic Investment  
Solutions (SIS), Inc.  
Brian Higgins, Michael Strong & Sue Curran, Pyramis Global  
Advisors via teleconference  
Keith Bruch & Puneet Mansharamani, LSV Asset Management  
via teleconference  
Doris Foster & Stan Risen, County Chief Executive Office

1. Meeting called to order at 2:01 p.m. by Jim DeMartini, Chair.

2. **Roll Call**

3. **Announcements**

None.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Mike Lynch to approve the following items with corrections.

Motion carried.

5. **Consent Items (Cont.)**

- a. Approval of the October 10, 2012 Administrative Meeting Minutes
- b. StanCERA Complaint Log of July 1 – September 30, 2012

J. Clendenin arrived at 2:05 p.m.

6. **Semi-Annual Performance Report by Pyramis Global Advisors**

Brian Higgins, Senior Account Executive, Michael Strong, Lead Portfolio Manager and Senior Vice President, and Sue Curran, Relationship Manager, gave the semi-annual presentation of StanCERA's international growth equity investment performance for the period ending September 30, 2012. The presentation was held via teleconference.

StanCERA's cumulative return (net of fees) for international growth for the quarter is 12.18% compared with the benchmark MSCI ACWI Ex-U.S. (Morgan Stanley Capital International All Country World Index Ex-U.S.) index rate of return of 10.38%. StanCERA's portfolio total net assets as of September 30, 2012 are \$126.65 million. Portfolio returns for one and three years (net of fees) are 17.05% and 4.57% compared with index returns of 14.48% and 3.17% for the same time periods. Since inception of the portfolio (May 11, 2006) the return is 0.84%.

7. **Semi-Annual Performance Report by LSV Asset Management**

Keith Bruch, Partner and Director, Client Portfolio Services, and Puneet Mansharamani, Portfolio Manager and Partner, gave the semi-annual presentation of StanCERA's international value equity investment performance for the period ending September 30, 2012. The presentation was held via teleconference.

As of September 30, 2012, StanCERA's international value equity portfolio totaled \$121.2 million. StanCERA's 2012 third quarter return was 8.4% (net of fees). The one, three, and five year returns (net of fees) were 14.3%, 3.7% and -4.4%, respectively, compared with the value index returns of 13.5%, 1.7% and -4.5% for the same time periods.

8. **Strategic Investment Solutions (SIS), Inc.**

- a. Monthly Performance Review for the Month Ending September 30, 2012

Mr. Harte presented the monthly performance review for the period ending September 30, 2012. As of September 2012, StanCERA's portfolio is \$1.45 billion, a 1.91% increase from the prior month. The fiscal year to date return is 5.44%, above StanCERA's policy index of 4.64%.

- b. Report on "Top 10 Holdings" by StanCERA Investment Managers as of September 30, 2012

R. Martin left at 3:41 p.m.

8. **Strategic Investment Solutions (SIS), Inc. (Cont.)**

c. Discussion and Action on Asset Allocation Mixes for Review

No action taken. The Board requested staff to utilize all data presented and provide a recommendation at the Asset/Liability Study on November 7, 2012.

9. **Executive Director**

a. Public Employees' Pension Reform Act of 2012 – AB 340 and AB 197

Staff plans on presenting how pensionable compensation should be calculated for new and current members for final approval on November 27, 2012.

b. New Legislation Update

10. **Correspondence**

a. Discussion and Action on Dodge & Cox Letter Dated September 20, 2012 – Response to Equity Account Question

No action taken.

**Heard Out of Order**

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

Mr. Ford inquired whether Trustees can receive educational credit for any of the presentations that were given throughout the past calendar year. Staff confirmed that education credit would be provided and stated that the forms necessary to claim the credit would be provided in November.

Mr. Santos reiterated that there will be an agenda item regarding the value derived from active investing in the near future.

11. **Committee Reports & Recommendations for Action**

**STANDING COMMITTEES**

a. Due Diligence Committee – Darin Gharat, Chair

i. SIS, Inc.'s Memorandum – Investment Managers Due Diligence Review

ii. Pyramis International Growth - Due Diligence Questionnaire Response Dated August 30, 2012 and Presentation Booklet

iii. Capital Prospects LLC - Due Diligence Questionnaire Response Dated August 30, 2012 and Presentation Booklet

iv. BNY Mellon Capital Management - Due Diligence Questionnaire Response Dated September 6, 2012 and Presentation Booklet

11. **Committee Reports & Recommendations for Action (Cont.)**

**STANDING COMMITTEES (Cont.)**

a. Due Diligence Committee – Darin Gharat, Chair (Cont.)

v. Legato Capital Management - Due Diligence Questionnaire Response  
Dated September 6, 2012 and Presentation Booklet

12. **Closed Session**

Motion was made by Darin Gharat and seconded by Maria De Anda to commence to Closed Session at 4:11 p.m.

Motion carried.

R. Santos and L. Irizarry recused themselves at 4:12 p.m.

Motion was made by Darin Gharat and seconded by Jeff Grover to return to Open Session at 4:30 p.m.

Motion carried.

**Heard Out of Order**

c. Conference with Legal Counsel – Personnel Matter Pursuant to Government Code Section 54957 (b)

Mr. Gharat read the findings of the Closed Session:

Motion was made by Jeff Grover and seconded by Darin Gharat to adopt the Ad-Hoc Committees recommendations to increase the Executive Director's salary to the top of the existing County pay band for Retirement Administrator. This was based upon a review by the Ad-Hoc Committee of the Executive Director's prior year's performance.

R. Santos and L. Irizarry returned at 4:20 p.m.

J. Clendenid and M. O'Neal recused themselves at 4:21 p.m.

a. 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(a)

No Report.

b. 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  
Government Code Section 54956.9(b)

No Report

14. **Adjournment**

Meeting adjourned at 4:31 p.m.

Respectfully submitted,

Rick Santos, Executive Director

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

By:   
Fred A. Silva, General Legal Counsel



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## PLEASE POST FOR EMPLOYEE VIEWING

### DIFFERENT LOCATION- Asset/Liability Study

#### BOARD OF RETIREMENT MINUTES

November 7, 2012

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

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

**Staff Present:** Rick Santos, Executive Director  
Luiana Irizarry, Interim Executive Assistant  
Kathy Herman, Operations Manager  
Kathy Johnson, Accountant  
Reed Love, IT Coordinator

**Others Present:** Paul Harte & Nathan Pratt, Strategic Investment  
Solutions (SIS), Inc.  
Grahm Schmidt, EFI Actuaries  
Monica Nino, Doris Foster & Stan Risen, County Chief Executive  
Office

1. Meeting called to order at the Oakdale Golf and Country Club at 9:30 a.m. by Jim DeMartini, Chair.

2. **Roll Call**

3. **Announcements**

None.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Donna Riley to approve the following items.

Motion carried.

- a. CALAPRS – Election of Members to the Board of Directors

7. **Asset/Liability Study**

Darin Gharat arrived at 9:35 a.m.

Joan Clendenin Arrived at 10:19 a.m.

Break at 10:40 – 10:51 a.m.

Lunch at 11:40 a.m. – 12:47 p.m.

The following assumptions were adopted at StanCERA's Asset/Liability Study:

Inflation: 3.25%

Real Wage Inflation: 0.25

Scenario: C

Asset Mix: 5

Economic assumptions and environment will be reassessed in 1 year

Voting Distribution:

Board Member	Price Inflation	Real Wage Inflation	Scenario	Mix	Review Economic Assumptions in 1 Year
Michael O'Neal	3.25%	0.25%	C	5	YES
Gordon Ford	3.00%	0.25%	B	4	YES
Darin Gharat	3.25%	0.25%	C	4	YES
Jim DeMartini	3.00%	0.25%	B	5	YES
Mike Lynch	3.00%	0.25%	C	5	YES
Maria De Anda	3.25%	0.25%	C	4	YES
Donna Riley	3.25%	0.25%	C	5	YES

8. **Adjournment**

Meeting adjourned at 1:41 p.m.

Respectfully submitted,

Rick Santos, Executive Director

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

By:   
Fred A. Silva, General Legal Counsel

StanCERA Investment Managers

**Total Fund**

Taken From SIS Quarterly Investment Performance Analysis Reports

9/30/2009 through 9/30/2012

11/27/12

Item #5c

	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012
1 Quarter	11	7	13	92	29	16	45	68	85	30	16	69	5
1 Year	7	5	7	16	36	19	22	30	77	85	70	62	12
Over 3 years	51	35	31	47	41	38	13	16	8	14	10	23	21
Over 5 years	52	45	37	43	47	41	47	38	59	54	43	41	62

Note: Ranking 1 is highest & 100 lowest

Revised 11/21/2012



StanCERA Investment Managers

**Peer Ranking For Returns Over 5 Years**

Taken From SIS Quarterly Investment Performance Analysis Reports

9/30/2009 through 9/30/2012

	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012
S&P 500	83	73	73	69	67	68	66	64	60	61	58	54	33
BlackRock 1,000 G	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 1,000 V	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
Delaware	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	43	34	32	22	21
Dodge & Cox	40	57	58	59	70	71	75	69	72	73	73	65	73
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	n/a
Capital Prospects	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
LSV	35	36	41	34	40	31	35	40	48	42	39	56	74
Pyramis	n/a	n/a	n/a	n/a	n/a	n/a	n/a	34	34	24	27	26	60
Dodge & Cox FI	15	18	18	22	25	16	18	21	36	39	27	33	25
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
BlackRock US Real Estate													

Note: Ranking 1 is highest & 100 lowest

Revised 11/21/2012

StanCERA Investment Managers

**Peer Ranking For Returns Over 3 Years**

Taken From SIS Quarterly Investment Performance Analysis Reports

9/30/2009 through 9/30/2012

9/30/2009 12/31/2009 3/31/2010 6/30/2010 9/30/2010 12/31/2010 3/31/2011 6/30/2011 9/30/2011 12/30/2011 3/31/2012 6/30/2012 9/30/2012

S&P 500	74	67	64	62	60	62	62	57	52	50	56	44	20
BlackRock 1,000 G	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 1,000 V	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
Delaware	65	51	59	49	54	68	60	26	15	6	11	12	4
Dodge & Cox	57	54	57	70	62	65	61	60	46	39	35	62	55
Legato	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	61	62	58	60
Capital Prospects	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	64	66	48	42
LSV	48	53	54	52	52	39	34	29	26	17	23	34	49
Pyramis	31	31	26	27	45	48	39	54	38	36	34	34	67
Dodge & Cox FI	25	29	18	33	27	16	11	15	17	32	20	38	31
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
BlackRock US Real Estate													

Note: Ranking 1 is highest & 100 lowest

Revised 11/21/2012

StanCERA Investment Managers

**Peer Ranking For Returns Over 1 Year**

Taken From SIS Quarterly Investment Performance Analysis Reports

9/30/2009 through 9/30/2012

	9/30/2009	12/31/2009	3/31/2010	6/30/2010	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012
S&P 500	61	48	56	56	47	46	55	52	32	28	35	34	24
BlackRock 1,000 G	n/a	n/a	n/a	n/a	n/a	47	47	49	29	23	34	27	37
BlackRock 1,000 V	n/a	n/a	n/a	n/a	50	59	68	64	44	30	50	26	19
Delaware	19	20	54	39	13	55	52	35	16	2	8	4	24
Dodge & Cox	18	39	40	59	83	23	41	39	63	83	81	55	4
Legato	39	64	63	62	66	69	71	60	56	61	58	35	34
Capital Prospects	76	89	85	82	40	43	39	42	34	42	56	37	35
LSV	17	12	16	13	34	47	25	35	46	48	54	78	64
Pyramis	41	19	21	28	28	22	26	37	60	34	35	37	80
Dodge & Cox FI	7	22	18	29	45	21	22	27	70	89	72	77	12
Pimco	n/a	n/a	n/a	n/a	n/a	56	59	56	30	14	25	19	55
BlackRock US Real Estate													
Invesco	17	5	6	8	11	8	11	15	94	95	76	76	n/a
Research Affiliates	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	100	n/a
Loomis Sayles	84	30	26	35	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 11/21/2012

StanCERA Investment Managers

**Peer Ranking For Returns Over 1 Quarter**

Taken From SIS Quarterly Investment Performance Analysis Reports

9/30/2009 through 9/30/2012

6/30/2009 9/30/2009 12/31/2009 3/31/2010 6/30/2010 9/30/2010 12/31/2010 3/31/2011 6/30/2011 9/30/2011 12/31/2011 3/31/2012 6/30/2012 9/30/2012

S&P 500	51	67	47	56	46	51	53	60	53	30	50	65	29	
BlackRock 1,000 G	n/a	n/a	n/a	n/a	n/a	50	53	36	52	30	25	67	24	
BlackRock 1,000 V	n/a	n/a	73	42	25	65	44	59	57	35	42	76	19	
Delaware	43	75	6	95	34	24	87	27	26	7	10	40	44	
Dodge & Cox	21	31	63	42	78	44	21	73	38	73	65	34	22	
Legato	25	69	54	60	42	69	52	63	27	56	65	41	13	
Capital Prospects	70	87	71	52	34	31	67	43	50	37	73	71	21	
LSV	5	8	36	45	26	71	28	12	71	61	51	66	83	
Pyramis	30	33	19	38	40	36	22	56	71	61	42	41	44	
Dodge & Cox FI	10	28	20	16	93	72	8	22	71	90	41	10	83	
Pimco	n/a	n/a	n/a	n/a	n/a	25	91	63	23	13	54	79	12	
Invesco	5	5	10	15	92		29	60	42	99	7	3	47	
Loomis Sayles	92	69	10	23	67	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 11/21/2012



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**For the Retirement Board meeting  
Held on November 27, 2012**

11/27/12

Item #5d

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Board of Retirement Continuing Education Record
- II. RECOMMENDATION: None
- III. ANALYSIS: Please find attached the 2011 Board of Retirement Continuing Education Record. This information is typically presented every January upon completion of the prior year's educational events. There were many high priority events occurring in the past year, coupled with staff restrictions that prevented the 2011 record to be presented timely.

In addition to the above, the "Continuing Education Report for Retirement Board Members" for the remainder of events attended in 2012 will be distributed at the November 27, 2012 Board of Retirement meeting. Please complete the form(s) to claim credit and return to the Executive Board Secretary.

Please note, the 2012 Board of Retirement Continuing Education Record will be presented at the January 2012 Board of Retirement Administrative meeting.

Beginning in 2012, in accordance to Assembly Bill 1519, approved on June 15, 2012; Government Code Section 31522.8, a Board of Retirement shall present the Continuing Education Record on the Internet Web site of the retirement system. Thus commencing in January 2012 the Board of Retirement Continuing Education Record will be posted on StanCERA's Web site, [www.stancera.com](http://www.stancera.com).

- IV. RISK: None
- V. STRATEGIC PLAN: Goal 3: 1.a. Maintain Excellence in governance through orientation of new members and high-quality educational activities for Board members.
- IV. BUDGET IMPACT: None

## 2011 CONTINUING EDUCATION RECORD - PART I

EDUCATION 2011 - Part I	MONTH	G.	M.	C.	R.	M.	J.	D.	L.*	L.	
		FORD	DE ANDA	WILLMON	MARTIN	LYNCH	DEMARTINI	GHARAT	BETTENCOURT	S. BURNETT	
CALAPRS General Assembly	Mar.	8.50	8.50					8.50			
SACRS Spring 2011 Conference	May							16.00			
SACRS Webinar: "GASB Statements 25 & 27"	Aug.	2.00			2.00						
CALAPRS Trustees Roundtable	Oct.										
SACRS Fall 2011 Conference	Nov.		16.00	8.00				16.00			
<b>TOTAL</b>		<b>10.50</b>	<b>24.50</b>	<b>8.00</b>	<b>2.00</b>	<b>0.00</b>	<b>0.00</b>	<b>40.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Gordon Ford appointed Treasurer-Tax Collector Ex-Officio on

01/04/05 elected in 2006 (replacing Tom Watson)

Jim DeMartini appointed 1/25/05 Seat #6 (replacing Kent Crawford)

Mike Lynch appointed 9/20/05 Seat #5 (replacing Nick Blom)

\*\*\*Clarence Willmon elected 7/01/08 Seat #3 (replacing Steve Yauch)

Lyn Bettencourt elected 03/23/10 Seat #8 (replacing Wes Hall)

\*Deceased 01/28/2011

\*\*Due 2010

Appointed 01/18/11 (replaced M. Fisher)

### ETHICS TRAINING:

Maria De Anda	6/8/2006	9/30/2008	12/29/2010
Ron Martin	5/10/2006	5/13/2008	10/1/2010
Mike Fisher	6/8/2006	9/30/2008	Resigned 2010
Jim DeMartini	8/22/2006	12/2/2008	1/20/2011**
Clarence Willmon***	3/25/2009	N/A	N/A
Lyn Bettencourt	N/A	N/A	5/11/2010
Jeff Grover	3/23/2011		
Gordon Ford	10/31/2007	10/23/2009	12/19/2011
Darin Gharat	11/13/2007	5/12/2009	9/22/2011
Linda Stotts-Burnett	11/13/2007	5/12/2009	Due 2011
Mike Lynch	12/29/2007	12/24/2009	12/10/2011

Ethics Training per AB1234 Effective January 1, 2006

Must be taken every two years.

## 2011 CONTINUING EDUCATION RECORD - PART II

<b>EDUCATION 2011- Part II</b>	<b>MONTH</b>		<b>D.</b>		<b>M.</b>		<b>J.</b>		<b>J.</b>			
			<b>RILEY</b>		<b>O'NEAL</b>		<b>CLENDENIN</b>		<b>GROVER</b>			
CALAPRS Principles of Pension Mgmt.	Mar.								25.50			
SACRS Spring 2011 Conference	May								16.00			
P&I Webinar: "Pension Risk in a New Era"	Jul.		1.00									
P&I Webinar: "International Investing"					1.00							
PPIC 2011 Speaker Series BL Bill Lockyer	Aug.						1.50					
CALAPRS Trustees' Roundtable	Oct.				6.00		6.00					
SACRS Fall 2011 Conference	Nov.				16.00		16.00					
<b>TOTAL</b>		<b>0.00</b>	<b>1.00</b>	<b>0.00</b>	<b>23.00</b>	<b>0.00</b>	<b>23.50</b>	<b>0.00</b>	<b>41.50</b>	<b>0.00</b>	<b>0.00</b>	

D. Riley Elected 07/01/2011  
 M. O'Neal Elected 07/01/2011  
 J. Clendenin Elected 07/01/2011  
 J. Grover Appointed 01/18/2011  
 (J. Grover replaced M. Fisher who resigned 11/2010)

ETHICS TRAINING: Jeff Grover 3/23/2011 3/23/2013  
 Donna Riley  
 Michael O'Neal  
 Joan Clendenin

(Ethics Training per AB1234 Effective January 1, 2006 Must be Taken Every 2 Years)





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

Phone (209) 525-6393  
Fax (209) 558-4976  
[www.stancera.org](http://www.stancera.org)  
e-mail: [retirement@stancera.org](mailto:retirement@stancera.org)

**For the Retirement Board meeting  
Held on November 27, 2012**

11/27/12

Item #5e

TO: Retirement Board

FROM: Internal Governance Committee, Maria De Anda, Chair and Donna Riley, Trustee  
Trustee Ron Martin was absent.

- I. SUBJECT: Receipt of the June 30, 2012 [Comprehensive Annual Financial Report](#) with [Audited Financial Statements and Management Comments](#) Made by Auditors of Macias, Gina and O'Connell
- II. RECOMMENDATION: Accept the audited financial statements and other materials in the Comprehensive Annual Financial Report (attached) along with the MGO Management comments (also attached).
- III. ANALYSIS: The Internal governance Committee met on November 7, 2012 with Richard Green, and Craig Harner from Macias, Gina and O'Connell (MGO) Supervising auditors for the StanCERA financial statements audit, and staff Rick Santos, Executive Director; Kathy Herman, Operations Manager and Kathy Johnson, StanCERA Accountant.

Richard Green reviewed how MGO auditors performed its audit in accordance with Generally Accepted Auditing Standards. MGO did not provide any opinion regarding internal controls. He noted on page 17 that StanCERA received an unqualified opinion that the financial statements 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 2011-2012. All observations noted in previous audits have been implemented satisfactorily. Two observations were added this year. 1) Reconciliation of trades that settle in the subsequent fiscal year, 2) update the Deposit and Investment Risk Disclosures to reflect changes in GASB.

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

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



# Comprehensive Annual Financial Report

For the Fiscal Years Ended  
June 30, 2012 and 2011



Ensuring tomorrow's benefits through prudent management.



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

**Cover Source:**  
Irizarry, Luiana M.

# 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, 2012 and 2011

### **Issued By**

Rick Santos, CFA, ASA, MAAA  
Executive Director

StanCERA  
Staff

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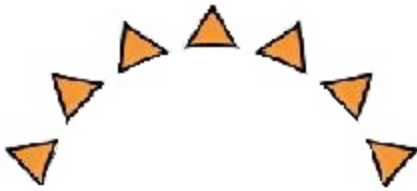
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### **Mission**

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

### **Vision**

*Ensuring tomorrow's benefits through prudent management.*

---



# Introductory Section



**Cover Source:**  
Irizarry, Luiana M.





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

Phone (209) 525-6393  
Fax (209) 558-4976  
[www.stancera.org](http://www.stancera.org)  
e-mail: [retirement@stancera.org](mailto:retirement@stancera.org)

---

## LETTER OF TRANSMITTAL

November 1, 2012

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, or the System) for the fiscal years ended June 30, 2012 and 2011. As of June 30, 2012, it is StanCERA's 64<sup>th</sup> year of operations.

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

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

## **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 (StanCOG)  
Stanislaus County Superior Courts  
East Side Mosquito Abatement District  
Hills Ferry Cemetery District  
Keyes Community Services District  
Salida Sanitary District

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

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

## **Financial Information**

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

An overview of StanCERA's fiscal operations for the years ended June 30, 2012 and 2011, 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 second, the valuation of the cost and benefits requires estimates and judgments by management. (Note that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations.

## **Financial Information (Cont.)**

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

## **Actuarial Funding Status**

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to 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, 2009 by EFI Actuaries. EFI Actuaries also conducted the last actuarial valuation as of June 30, 2011 and determined the plan's funding ratio (ratio of plan assets to plan liabilities) to be 78.1% using the recommended assumptions.

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

## **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 banks. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations to ensure growth of assets to meet future liabilities, minimize employer contributions and defray reasonable administrative costs. StanCERA engages an Investment Consultant to analyze investment policy and strategy and conduct periodic asset allocation and asset/liability studies on behalf of StanCERA. For the fiscal years ended June 30, 2012 and June 30, 2011, the Plan's investments provided a positive 0.7% and positive 22.9% 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, 2011. 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 seventh 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, 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, 2011. This report replaces the Members' Annual Report providing all StanCERA members more concise and condensed information than can be found in the CAFR.

StanCERA also received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2011 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

The PPCC is a coalition of the following associations that represent public pension funds that cover the vast majority of public employees in the U.S.:

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

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

## Service Efforts and Accomplishments

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

## **Service Efforts and Accomplishments (continued)**

StanCERA continues to increase its visibility by giving benefit 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 for each meeting. The benefits calculators remain the most visited page on the website.

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

## **Acknowledgement**

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Santos", is positioned above the printed name.

Rick Santos, CFA, ASA, MAAA  
Executive Director

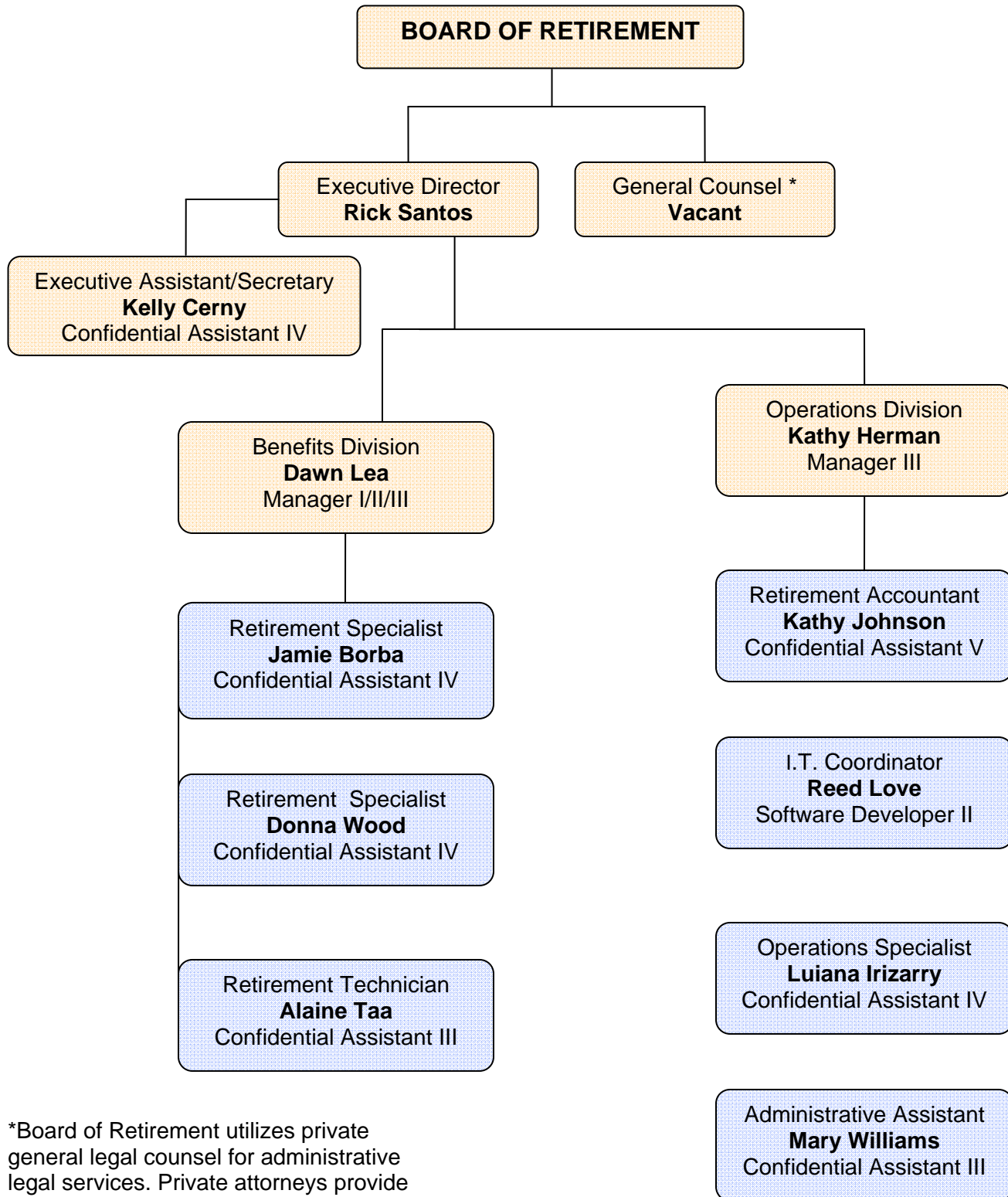
**BOARD OF RETIREMENT  
JUNE 30, 2012**

Seat#

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

# StanCERA ORGANIZATIONAL CHART

Effective 2012



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

**PROFESSIONAL CONSULTANTS**  
**JUNE 30, 2012**

**Actuary**

EFI Actuaries  
Milliman, Inc (Actuary Audit)

**Auditors**

Macias Gini & O'Connell LLP (Financial Statements)  
Vavrinek, Trine and Day (Operational)

**Investment Custodian**

The Bank of New York Mellon

**Investment Consultant**

Strategic Investment Solutions, Inc.

**Legal Counsel**

Damrell Nelson Schrimp Pallios  
Pacher & Silva (General Legal Counsel)  
Law Office of Ted M Cabral  
Hansen Bridgett LLP  
Reed Smith LLP

**Technical & Data Services**

Tyler, Inc.  
SBT, County of Stanislaus

**Investment Management Services\***

**Fixed Income**

Dodge & Cox  
PIMCO

**Large Cap Value Equity**

Dodge & Cox  
BlackRock R1000 Value

**Large Cap Growth Equity**

Delaware Management Company  
BlackRock R1000 Growth

**Small Cap Value Equity**

Capital Prospects

**Small Cap Growth Equity**

Legato Capital Management

**International Equity**

LSV Asset Management (Value Style)  
Pyramis Global Advisors (Growth Style)

**Domestic Equity Index Funds**

Mellon Capital Management

**Global REIT's**

Invesco National Trust Company

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



# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Stanislaus County  
Employees' Retirement Association  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial  
Reporting is presented by the Government Finance Officers  
Association of the United States and Canada to  
government units and public employee retirement  
systems whose comprehensive annual financial  
reports (CAFRs) achieve the highest  
standards in government accounting  
and financial reporting.



*Linda C. Sandison*

President

*Jeffrey R. Enner*

Executive Director

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

**PRESENTED TO**

**Stanislaus County  
Employees' Retirement Association  
California**

**for the Fiscal Year Ended**

**June 30, 2011**



*Christopher P. Morrell*  
President

*Jeffrey L. Esser*  
Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2011***

Presented to

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

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

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

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

A handwritten signature in black ink, reading 'Alan H. Winkle'. The signature is fluid and cursive, with the first name 'Alan' and last name 'Winkle' clearly distinguishable.

Alan H. Winkle  
Program Administrator

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# Financial Section



**Cover Source:**  
Irizarry, Luiana M.



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

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of the Stanislaus County Employees' Retirement Association (StanCERA), as of June 30, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the StanCERA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of StanCERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Stanislaus County Employees' Retirement Association as of June 30, 2012 and 2011, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5, based on the most recent actuarial valuation as of June 30, 2011, StanCERA's independent actuaries determined that, at June 30, 2011, the actuarial accrued liability exceeded the actuarial value of its assets by \$385.7 million.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of StanCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 23 and the schedules of funding progress and employer contributions on page 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, other supplemental information 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 information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the 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.

*Maclean Mini & O'Connell LLP*

Sacramento, California  
October 31, 2012



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Stanislaus County Employees' Retirement Association (StanCERA) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ending June 30, 2012 and 2011. Please review it in conjunction with the transmittal letter (starting on page 3) and the Basic Financial Statements beginning on page 24.

### Financial Highlights

- Plan net assets decreased by \$32.6 million (or 2.30%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by \$2.4 million (or 5.25%).
- Net investment income (including Net Appreciation in Fair Value of Investments) decreased by \$258.0 million (or 98.73%).
- Benefit payments increased by \$5.3 million (or 7.12%) 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 most active general members, and 3% at age 50 for most active safety members. One district has not implemented the new benefit plans. Members in the non-contributory Tier 3 were allowed to transfer prospectively 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, resuming the reduced benefit formulas of 2% at age 61 for most general members, and 2% at 50 for most safety members.
- Effective January 1, 2010, the Revocable Health Benefits Subsidy was suspended.
- In April of 2012, a 3% 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.
- In April of 2011, a cost of living increase was given to all retired, disabled and beneficiary members receiving a recurring allowance, per the schedule below, except those retirees who receive pensions for service as a Tier 3 non-contributory member.

Members who retired between	4/2/1970 – 4/1/1985	3.0%
Members who retired between	4/2/1985 – 4/1/1986	2.5%
Members who retired between	4/2/1986 – 4/1/2011	1.5%

## Using the Annual Report

The financial statements reflect the activities of the Stanislaus County Employees' Retirement Association and are composed of the Statements of Plan Net Assets (see page 24) and the Statements of Changes in Plan Net Assets (see page 25). These statements are presented on an accrual basis and reflect all trust activities as incurred.

## Overview of the Basic Financial Statements

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

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

## Financial Analysis

### Statement of Plan Net Assets

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

Plan Net Assets  
For The Fiscal Years Ended  
June 30, 2012, 2011 and 2010

	2012	2011	2010	\$ Change 2012 - 2011	\$ Change 2011 - 2010
Current Assets	\$ 88,141,472	\$ 69,294,750	\$ 90,116,604	\$ 18,846,722	\$ (20,821,854)
Investments	1,458,674,520	1,506,879,134	1,228,683,230	(48,204,614)	278,195,904
Capital Assets	3,760,839	3,760,576	3,924,345	263	(163,769)
Total Assets	1,550,576,831	1,579,934,460	1,322,724,179	(29,357,629)	257,210,281
Total Liabilities	164,401,585	161,188,514	132,504,782	3,213,071	28,683,732
Total Plan Net Assets	\$ 1,386,175,246	\$ 1,418,745,946	\$ 1,190,219,397	\$ (32,570,700)	\$ 228,526,549

## Statement of Changes in Plan Net Assets

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

### Additions To Plan Net Assets For The Fiscal Years Ended June 30, 2012, 2011 and 2010

	2012	2011	2010	\$ Change 2012 - 2011	\$ Change 2011 - 2010
Employer Contributions	\$ 27,314,032	\$ 26,256,729	\$ 21,814,194	\$ 1,057,303	\$ 4,442,535
Plan Member Contributions	20,525,295	19,197,052	20,746,411	1,328,243	(1,549,359)
Net Investment Income	3,330,939	261,380,696	161,234,157	(258,049,757)	100,146,539
Net Litigation Recovery	571	16,849	680,579	(16,278)	(663,730)
Net Security Lending Income	393,244	444,947	3,139,108	(51,703)	(2,694,161)
<i>Total Additions</i>	<u>\$ 51,564,081</u>	<u>\$ 307,296,273</u>	<u>\$ 207,614,449</u>	<u>\$ (255,732,192)</u>	<u>\$ 99,681,824</u>

### Deductions From Plan Net Assets For The Fiscal Years Ended June 30, 2012, 2011 and 2010

	2012	2011	2010	\$ Change 2012 - 2011	\$ Change 2011 - 2010
Benefit Payments	\$ 80,157,222	\$ 74,826,404	\$ 71,464,735	\$ 5,330,818	\$ 3,361,669
Member Refunds	1,832,811	1,906,153	1,731,971	(73,342)	174,182
Administrative Expenses	2,144,748	2,037,167	2,307,436	107,581	(270,269)
<i>Total Deductions</i>	<u>\$ 84,134,781</u>	<u>\$ 78,769,724</u>	<u>\$ 75,504,142</u>	<u>\$ 5,365,057</u>	<u>\$ 3,265,582</u>

### Increase (Decrease) in Net Assets Held in Trust for Pension Benefits

\$ (32,570,700)	\$ 228,526,549	\$ 132,110,307	\$ (261,097,249)	\$ 96,416,242
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### Net Assets Held in Trust for Pension Benefits

Beginning of Year	1,418,745,946	1,190,219,397	1,058,109,090	228,526,549	132,110,307
End of Year	<u>\$ 1,386,175,246</u>	<u>\$ 1,418,745,946</u>	<u>\$ 1,190,219,397</u>	<u>\$ (32,570,700)</u>	<u>\$ 228,526,549</u>

## Additions to Plan Net Assets

A review of the Statement of Plan Net Assets shows that June 30, 2012 closed with assets exceeding liabilities by \$1.386 billion with all of the net assets available to meet StanCERA's ongoing obligations to plan participants and their beneficiaries. Last fiscal year, ending June 30, 2011, closed with assets exceeding liabilities by \$1.419 billion. The \$32.6 million decrease and \$228.5 million increase, respectively, in plan assets is a direct result of the changes in the financial market over the past two years. The System remains in very good financial condition.

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

The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. These income sources for fiscal year 2011-2012 resulted in a gain of \$51.6 million, where fiscal year 2010-2011 resulted in a gain of \$307.3 million. This gain is primarily a result of growth in the broad market over the two past years, as discussed in the Investment Analysis below. Employer and member contributions increased by of \$2.4 million (or 5.25%) from the contributions made in 2010-2011. Fiscal year 2011 Employer contribution rates were lowered by a transfer of non-valuation reserves. No transfer was done in 2012, effecting higher contribution rates for all Plans. Employee contributions increased in 2012, as a result of more employees purchasing lost service time.

### *Deductions from Plan Net Assets*

The primary uses of StanCERA's assets are in payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. These expenses for fiscal year 2011-2012 were \$84.1 million, an increase of \$5.4 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 2010-2011 these expenses were \$78.8 million, an increase of \$3.3 million from the prior year also due to an increase in the number of retirees and the average amount they are paid. Administrative costs to operate the system were \$2.1 million and \$2.0 million for fiscal years 2011-2012 and 2010-2011, respectively. Due to temporary staff costs, new full-time and part-time positions, and training of new staff and trustees, costs increased by 5.28% over fiscal year 2010-2011. Total administrative costs represented 0.1044% of the accrued actuarial liability for fiscal year 2011-2012 and 0.0986% for fiscal year 2010-2011.

## **Overall Financial Condition**

### *Investment Analysis*

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

Domestic equity returns as of June 30, 2012 underperformed their benchmark by 50 basis points and international equity underperformed the benchmark by 20 basis points. Domestic equity returns outperformed their benchmark by 130 basis points and international equity outperformed by 100 basis points as of June 30, 2011. All major domestic indices rose over the past two years, as it appears the market continues to recover from the impact of the sub-prime lending crisis, the collapse of the housing market and the decline in consumer confidence.

Although the U.S. bond market continued to generate positive returns, StanCERA's fixed income returns for the year were down and underperformed their benchmark by 60 basis points as of June 30, 2012. For the year ending June 30, 2011, the Fund's fixed income returns outperformed their benchmark by 210 basis points.

For the fiscal year ending June 30, 2012, StanCERA's total portfolio underperformed its policy benchmark by 100 basis points with an overall return of 0.7%. For fiscal year ending June 30, 2011, it outperformed its policy benchmark by 160 basis points with an overall return of 22.9%. The moderate returns for fiscal 2012 continue to strengthen StanCERA's financial position, and further enhanced its ability to meet its obligations to the Plan participants and beneficiaries.

## *Funding Status*

The primary concern to most pension plan participants is the amount of resources available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. All employers have traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. No net pension obligation exists for the fund as of June 30, 2011, the date of the last actuarial valuation.

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

The funding ratio as of June 30, 2011 was 78.1%, up from 76.3% as of June 30, 2010, using the entry age normal method and the increase of asset valuations. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. The Board of Retirement approves the assumptions used by the Actuary to perform their calculation. As of the most recent actuarial valuation date of June 30, 2011, the actuarial value of assets was \$1.4 billion. The next actuarial valuation is scheduled for June 30, 2012.

## *StanCERA's Fiduciary Responsibilities*

StanCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the Net Assets 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:

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
STATEMENTS OF PLAN NET ASSETS  
As of June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Cash And Cash Equivalents (Note 4):	\$ 39,960,025	\$ 49,487,217
Receivables:		
Interest & Dividends	6,288,878	7,068,358
Securities Transactions	40,073,173	11,099,645
Contributions (Note 3)	1,814,176	1,599,785
Other	5,220	39,745
Total Receivables	<u>48,181,447</u>	<u>19,807,533</u>
Capital Assets (Note 2):		
Tenant Improvements	167,483	-
Tyler Software, net	599,528	725,153
Real Estate Occupied, net	1,764,829	1,783,805
Real Estate Leased, net	1,176,787	1,189,439
Leasehold Improvements, net	42,204	52,755
Office Equipment, net	5,471	3,590
Audio Recording System, net	4,537	5,834
Total Capital Assets, net	<u>3,760,839</u>	<u>3,760,576</u>
Investments at Fair Value (Note 4):		
U.S. Government and Agency Obligations	268,902,899	306,192,444
Corporate Bonds	211,121,622	178,481,739
Municipal Bonds	31,022,263	3,880,467
Emerging Market / Non-US Bonds	4,448,172	13,675,024
Domestic Stocks	359,747,438	403,303,382
Domestic Equity Index Fund	226,793,664	179,922,188
International Equity	224,687,670	263,243,866
Global REIT's	19,736,261	19,355,304
Securities Lending Collateral	112,214,531	138,824,720
Total Investments	<u>1,458,674,520</u>	<u>1,506,879,134</u>
Total Assets	<u>1,550,576,832</u>	<u>1,579,934,460</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	8,241,988	7,736,755
Securities Transactions	39,036,066	8,593,470
Deferred Rents	167,483	-
Securities Lending Obligation (Note 4)	116,551,048	144,453,289
Total Current Liabilities	<u>163,996,585</u>	<u>160,783,514</u>
Long Term Liabilities		
Grant Deed Extension Fee	<u>405,000</u>	<u>405,000</u>
Total Liabilities	<u>164,401,585</u>	<u>161,188,514</u>
Net Assets Held In Trust For Pension Benefits (Note 6)	<u>\$ 1,386,175,246</u>	<u>\$ 1,418,745,946</u>

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
STATEMENTS OF CHANGES IN PLAN NET ASSETS  
For the Years Ended June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
<b>ADDITIONS</b>		
Contributions (Note 5):		
Employer	\$ 27,314,032	\$ 26,256,729
Plan Members	20,525,295	19,197,052
Total Contributions	<u>47,839,327</u>	<u>45,453,781</u>
Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	(29,202,695)	229,909,853
Interest & Dividends	37,434,050	36,699,779
Total Investment Gain	<u>8,231,355</u>	<u>266,609,632</u>
Net Income from Commission Recapture	37,189	39,220
Less: Investment Expense (Note 7)	(4,937,605)	(5,268,156)
Net Investment Income	<u>3,330,939</u>	<u>261,380,696</u>
Other Investment Income:		
Net Litigation Recovery Income	571	16,849
Securities Lending Activities (Note 4):		
Securities Lending Income	713,368	463,269
Less: Securities Lending Expenses	(213,916)	(141,229)
Less: Net Appreciation/(Depreciation) in Fair Value of Securities Lending Collateral	<u>(106,208)</u>	<u>122,907</u>
Net Securities Lending Income	<u>393,244</u>	<u>444,947</u>
Total Investment Income	<u>3,724,754</u>	<u>261,842,492</u>
Total Additions	<u>51,564,081</u>	<u>307,296,273</u>
<b>DEDUCTIONS</b>		
Benefit Payments & Subsidies	80,157,222	74,826,404
Member Refunds - Termination	1,389,148	1,702,540
Member Refunds - Death	443,663	203,613
Administrative Expenses (Note 2)	2,144,748	2,037,167
Total Deductions	<u>84,134,781</u>	<u>78,769,724</u>
Net Increase/(Decrease)	(32,570,700)	228,526,549
Net Assets Held in Trust for Pension Benefits (Note 6)		
Beginning of Year	1,418,745,946	1,190,219,397
End of Year	<u>\$ 1,386,175,246</u>	<u>\$ 1,418,745,946</u>

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

# NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

## NOTE 1 - DESCRIPTION OF PLAN

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

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

### Membership

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.

	June 30, 2012			June 30, 2011		
	General	Safety	Total	General	Safety	Total
Active Members:						
Vested & Non-vested	3,213	655	3,868	3,220	634	3,854
Total Active	3,213	655	3,868	3,220	634	3,854
Inactive Members:						
Deferred Members	723	157	880	734	158	892
Unclaimed Contributions	140	12	152	135	15	150
Total Inactive	863	169	1,032	869	173	1,042
Retired Members:						
Service Retirements	2,358	339	2,697	2,245	313	2,558
Disability Retirements	233	148	381	237	139	376
Survivor Payments	36	9	45	33	9	42
Total Retired	2,627	496	3,123	2,515	461	2,976
Total Membership	6,703	1,320	8,023	6,604	1,268	7,872

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. The structure of the Membership is as follows:

### Vesting

Active members of the System receive a 100% vested interest in the fund after 5 years of service, except Plan 3 which requires ten years of service, but cannot receive a service retirement until completing ten years of membership in the System.



## 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

Plan members 1, 2, 4 and 5 with 10 years of service, who have attained the age of 50, are eligible to retire. Plan 3 members are eligible with 10 years of service at age 55. Members 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 Retirement Act 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 Section 31462.1 uses the member's average monthly compensation earned during 36 consecutive months (applicable to members of Plans 2 and 3). 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.

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

Age	General					Safety	
	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 1/2	Plan 4/5
50	1.34	1.18	N/A	1.48	1.48	2.00	3.00
55	1.77	1.49	0.68*	1.95	1.95	2.62	3.00
60	2.34	1.92	1.14*	2.44	2.44	2.62	3.00
65	2.62	2.43	2.00*	2.62	2.62	N/A	N/A

\* Less 1/35th of Social Security benefits at age 65 per year of service. For each year of service over 35, 1% of (FAS) with no Social Security reduction.

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

### Death Benefit-Before Retirement

#### *Employed Less Than 5 Years*

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

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

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

#### *Employed More than 5 Years*

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

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

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

If the retirement was for service-connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life for Plans 1, 2, 4 and 5.

If the retirement was for other than service-connected disability, 60% of the member's allowance is continued to the spouse for life (except Plan 3 which allows 50% of the member's allowance continued to the spouse for life).

### **Disability Benefit**

Members with 5 years of service, regardless of age, are eligible for non-service connected disability (except Plan 3). The benefit is usually 1/3 of final average salary (FAS). 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 Plan 3).

### **Cost of Living Benefit**

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

### **Ad-Hoc Benefits**

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

No ad-hoc benefits are currently being paid effective January 1, 2010. Changes in the excess earnings policy approved by the Board of Retirement on May 25, 2012 have placed additional restrictions on the Retirement Board's ability to grant these benefits, the greatest restriction currently being that the System must be 100% actuarially funded.

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

### **Reporting Entity**

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

### **Basis of Accounting**

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

### **Cash and Cash Equivalents**

Cash includes deposits with a financial institution and pooled cash and deposits 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 the Association. Statutes authorize the Board to invest, or to delegate the authority to invest, in any investment allowed by statute and considered prudent in the informed opinion of the Board.

Investments are stated at fair value in accordance with GASB Statement No. 25. Values for stocks, publicly traded bonds, issues of the U.S. Government and its agencies 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, 2012 and 2011. Both domestic and international investments are denominated in U.S. currency.

### **Securities Transactions and Related Investment Income**

Security 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.

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

### Capital Assets

Capital assets, consisting of software development, the purchase of a condominium interest in one floor of an office building, and office equipment are presented at historical cost. StanCERA occupies 60% of the 6<sup>th</sup> floor of the office building. The other 40% is being developed as office space to be leased out. Depreciation expense totaled \$171,306 and \$170,251 for years ending June 30, 2012 and 2011 respectively. Depreciation is calculated using the straight-line method, with an estimated life of ten years for the software development, an estimated life of ninety-nine years for the office space, an estimated life of ten years for the leasehold improvements, and an estimated life of five years for office equipment.

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

CAPITAL ASSETS	Net Balance at June 30, 2010	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2011
Tyler Software	\$ 850,778	\$ -	\$ 125,625	\$ 725,153
Real Estate Occupied	1,802,782	-	18,977	1,783,805
Real Estate Leased	1,202,093	-	12,654	1,189,439
Leasehold Improvements	63,306	-	10,551	52,755
Office Equipment	5,386	-	1,796	3,590
Audio Recording System	-	6,482	648	5,834
<b>TOTAL</b>	<b>\$ 3,924,345</b>	<b>\$ 6,482</b>	<b>\$ 170,251</b>	<b>\$ 3,760,576</b>

### Administrative Expenses

The Association's general administrative expense is funded by the investment income and it is limited to twenty one-hundredths of one percent (0.21%) of the Association's Actuarial Accrued Liability (AAL) pursuant to Government Code Section 31580.2, effective July 1, 2011. The law provides for the cost of computer consultation, hardware and software as exempt from the limitation. Total administrative expenses for the years ending June 30, 2012 and 2011 were \$2,144,748 and \$2,037,167, respectively, of which \$329,036 and \$324,134, respectively, was not subject to the administrative expense limitations. Administrative expenses subject to the limitation amounted to 0.1044% of AAL for the year ending June 30, 2012 and 0.0986% for the year ending June 30, 2011.

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

### **Income Taxes**

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

### **Management's Estimates**

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

### **Reclassifications**

Certain fiscal year 2011 amounts have been reclassified to conform with the fiscal year 2012 presentation.

## **NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions Receivable represents money withheld from employee salaries and employers' shares of retirement contributions for the month of June and received in July. Contributions Receivable as of June 30, 2012 and 2011 were \$1,814,176 and \$1,599,785, 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 the Plan and the Board may, at its discretion, invest, or delegate the authority to invest, the assets of the Plan 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 of the Plan according to a written Investment Policy established by the Board of Retirement and currently employs external investment managers to manage the assets subject to the guidelines in the investment policy.

### **Deposits in County Treasury**

Cash needed for StanCERA's daily operational purposes is pooled with other County funds by the County Treasurer for short-term investment purposes. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds. Investments in the County Investment Pool are managed according to the Investment Policy established by the County and are subject to regulatory oversight by the County's Treasury Oversight Committee. Participation in the County Investment Pool is not mandatory. The fair value of the System's cash invested with the County Treasurer totaled \$7,059,069 and \$10,507,587 at June 30, 2012 and 2011, respectively. Cash and investments included within the County Treasurer's Pool is described in the County's Financial Report.

## 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, 2012</u>	<u>June 30, 2011</u>
Investments		
U.S. Government and Agency Obligations	\$ 268,902,899	\$ 306,192,444
Corporate Bonds	211,121,622	178,481,739
Municipal Bonds	31,022,263	3,880,467
Emerging Market / Non-US Bonds	4,448,172	13,675,024
Domestic Stocks	359,747,438	403,303,382
Domestic Equity Index Fund	226,793,664	179,922,188
International Equity	224,687,670	263,243,866
Global REIT's	19,736,261	19,355,304
Securities Lending Collateral	112,214,531	138,824,720
Subtotal	<u>1,458,674,520</u>	<u>1,506,879,134</u>
Deposits and Short-Term Investments		
Bank of New York: Cash in Custodial Account	32,900,956	38,979,630
Stanislaus County Treasury Investment Pool	7,059,069	10,507,587
Subtotal	<u>39,960,025</u>	<u>49,487,217</u>
Total Investments and Deposits	<u>\$ 1,498,634,545</u>	<u>\$ 1,556,366,351</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 loans on demand, although the average term of the loans is one week. There are no restrictions on the amount of securities that may be lent.

StanCERA's custodial bank administers its securities lending program. As of June 30, 2012, StanCERA had securities on loan with a carrying value of \$113,293,086 and had received cash collateral (securities lending obligation) of \$116,551,048. As of fiscal year ending June 30, 2011, StanCERA's securities on loan had a carrying value of \$140,392,169, and had received cash collateral (securities lending obligation) of \$144,453,289 with non-cash collateral of \$1,285,598. On the reinvested cash collateral, StanCERA had an unrealized loss of (\$106,208) for the fiscal year ended June 30, 2012, and had an unrealized gain of \$122,907 for the fiscal year ended June 30, 2011. As a result of certain investments in securities issued by Lehman Brothers Holdings Incorporated and others having been purchased for StanCERA's account in which our securities lending cash collateral was invested with cash collateral delivered by borrowers in our securities lending program, the aggregate value of such investments is less than the amount required to be returned to such borrowers (a "Collateral Insufficiency"). Pursuant to the securities lending agreement, StanCERA is responsible for such Collateral Insufficiency. In 2008, StanCERA's custodial bank agreed to absorb 30% of the Lehman Brothers Holdings Incorporated loss (\$2.4 million as of June 30, 2010).

## 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, 2012 and 2011 StanCERA has no credit risk exposure to borrowers because the amount StanCERA owes the borrower exceeds the amount the borrower owes StanCERA. These are separate investments made on StanCERA's behalf and not StanCERA's share of pooled investments.

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

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

#### SECURITIES LENDING COLLATERAL at June 30, 2011

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	\$ -	\$ -	\$ -	\$ 2,053,567	\$ 2,053,567	0.068
Certificate of Deposit	46,623,920	-	-	-	46,623,920	0.104
Commercial Paper	56,227,134	-	-	-	56,227,134	0.107
Corporate Floating Rate	5,282,550	-	-	-	5,282,550	0.038
Corporate Floating Rate - Defaulted	1,287,500	-	-	-	1,287,500	0.000
Reverse Repurchase Agreement	27,350,049	-	-	-	27,350,049	0.005
TOTALS	<u>\$ 136,771,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,053,567</u>	<u>\$ 138,824,720</u>	<u>0.322</u>

The following table shows the credit quality of StanCERA's investments in Securities Lending Collateral on June 30, 2012 and 2011.

Credit Rating	June 30, 2012		June 30, 2011	
	Percentage of Total Securities Lending Collateral	Securities Lending Collateral	Percentage of Total Securities Lending Collateral	Securities Lending Collateral
AA	0.00%	\$ -	1.60%	\$ 2,222,266
A+	0.00%	-	1.41%	1,960,336
A	0.00%	-	0.79%	1,099,948
A-1+	0.00%	-	24.02%	33,349,586
A-1	89.57%	100,513,342	50.07%	69,504,821
B	0.19%	218,022	0.00%	-
B+	0.00%	-	0.42%	586,597
CCC	0.40%	447,570	0.38%	525,078
D	0.65%	730,161	0.68%	941,892
N/R - Repo	8.53%	9,567,949	19.70%	27,350,049
N/R - Other	0.66%	737,487	0.93%	1,284,147
	<u>100.00%</u>	<u>\$ 112,214,531</u>	<u>100.00%</u>	<u>\$ 138,824,720</u>

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

## NOTE 4 – CASH AND INVESTMENTS (continued)

### 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, 2012, the Barclays Aggregate Bond Index was yielding 1.98% with an effective duration of 5.10 years. For the year ending June 30, 2011 the Barclays Aggregate Bond Index yielded 2.83% with an effective duration of 5.20 years. StanCERA had a yield of 2.65% and 3.18% for the fiscal years ended June 30, 2012 and 2011 respectively with an effective duration of 3.90 and 4.20 in years respectively. As of June 30, 2012 and 2011 the County's pool had a fair value of \$932 million and \$1.05 billion respectively, and a weighted average maturity of 542 days and 426 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. The System'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.

The following table shows the effective duration of the System's fixed income investments by investment type as of June 30, 2012 and 2011:

	June 30, 2012		June 30, 2011	
	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
<u>Fixed Income Securities</u>				
U S Treasuries	\$ 93,049,244	3.7	\$ 88,359,573	3.9
Single Family Mortgage Backed Securities	150,053,841	1.3	162,144,106	2.7
Multi Family Mortgage Backed Securities	7,434,532	4.0	3,254,452	1.1
Collateralized Mortgage Backed Securities	9,586,248	3.0	16,388,781	3.4
Federal Agency	8,044,405	4.0	35,074,428	8.4
Asset Backed	734,629	0.0	971,104	0.5
Corporate Bonds	211,121,622	5.7	178,481,739	5.6
Municipal Bonds	31,022,263	10.6	3,880,467	10.8
Emerging Market / Non-US Bonds	4,448,172	6.2	13,675,024	1.5
Total Fixed Income Securities	<u>\$ 515,494,956</u>		<u>\$ 502,229,674</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 middle of the Moody's, Standard & Poor's, and Fitch ratings to determine compliance with quality guidelines, so long as all three ratings exist. If two ratings are provided, the lower (more conservative) rating shall be used. If only one rating is provided, that rating shall be used. 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 at time of purchase. 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, 2012 and 2011.

Credit Rating	June 30, 2012		June 30, 2011	
	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
AAA	1.43%	\$ 7,353,266	41.14%	\$ 206,637,063
Aa1 / AA+ / AA+	32.37%	166,871,770	0.20%	993,909
AA	0.33%	1,704,817	1.28%	6,441,310
AA-	1.23%	6,356,803	2.40%	12,033,228
A1 / A+ / A+	3.07%	15,844,725	2.97%	14,931,295
A2 / A / A	3.34%	17,216,845	5.73%	28,793,119
A3 / A- / A-	6.76%	34,862,517	4.31%	21,652,199
BAA+	0.70%	3,598,081	0.65%	3,265,996
BAA	1.09%	5,632,362	0.77%	3,860,771
BAA-	0.14%	701,269	0.12%	605,648
BA+	0.38%	1,944,017	0.09%	448,699
BA	0.05%	240,540	0.00%	-
BA-	0.08%	433,750	0.00%	-
Baa1 / BBB+ / BBB+	3.66%	18,849,824	3.71%	18,627,742
Baa2 / BBB / BBB	12.48%	64,341,689	8.86%	44,507,673
Baa3 / BBB- / BBB-	4.99%	25,714,759	3.89%	19,537,118
Ba1 / BB+ / BB+	3.26%	16,825,483	0.38%	1,911,975
Ba2 / BB / BB	2.20%	11,344,719	0.56%	2,807,703
Ba3 / BB- / BB-	0.25%	1,278,125	1.85%	9,294,567
B1 / B+ / B+	1.59%	8,198,249	1.81%	9,089,655
B	0.11%	562,491	0.04%	194,751
B3 / B- / B-	2.16%	11,118,987	1.62%	8,148,736
CAA+	0.07%	376,216	0.00%	-
CAA	0.01%	75,051	0.02%	86,945
N/R	0.19%	999,357	0.00%	-
N/A	18.05%	93,049,244	17.59%	88,359,572
<b>Total</b>	<b>100.00%</b>	<b>\$ 515,494,956</b>	<b>100.00%</b>	<b>\$ 502,229,674</b>

N/R represents securities that are not rated

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

### Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss due to a large concentration of investments in any one issuer. Investments issued or explicitly guaranteed by the U.S. 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 StanCERA 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 market value at time of purchase. Holdings of any individual issue must be 5% or less of the value of the total issue. As of June 30, 2012 and 2011, StanCERA had investments of \$83,017,538 and \$122,253,634, respectively, in Fannie Mae securities which represent 5% or more of the total plan assets.

## **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 ex-US (ACWI) 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, 2012 and 2011 is as follows:

Currency	June 30, 2012	June 30, 2011
	Fair Value (in US \$)	Fair Value (in US \$)
Australian Dollar	\$ 11,855,700	\$ 15,142,936
Brazil Real	801,262	-
British Pound Sterling	35,378,317	39,375,762
Canadian Dollar	17,513,609	20,682,999
Danish Krone	1,111,057	2,051,373
Euro Currency	46,367,961	62,775,396
Hong Kong Dollar	8,442,774	9,593,013
Indonesian Rupiah	460,686	-
Japanese Yen	34,624,264	36,576,724
Malaysian Ringgit	-	291,227
Mexican Nuevo Peso	871,057	638,657
New Taiwan Dollar	3,000,337	2,727,642
New Turkish Lira	1,713,582	788,374
New Zealand Dollar	134,857	194,060
Norwegian Krone	2,454,896	2,999,619
Singapore Dollar	2,170,004	1,560,735
South African Rand	4,304,979	2,844,869
South Korean Won	3,676,374	5,644,203
Swedish Krona	2,496,890	2,177,734
Swiss Franc	12,154,803	11,889,365
US Dollar	35,154,260	45,289,177
<b>TOTAL</b>	<b>\$ 224,687,669</b>	<b>\$ 263,243,865</b>

American Depositary Receipts (ADR) are included in the US Dollars. ADR represents underlying securities of non-US companies traded on the US stock exchanges. Although the transactions are denominated in US Dollars and not subject to foreign currency risk, these securities are reflected as part of the non-US equities within International Equity Investments on page 32.

## **NOTE 5 - CONTRIBUTIONS**

### **Contribution Rates**

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

Member basic rates are based on a formula reflecting the age at entry into the System. For Plan 5 Safety, the rates are such as to provide an average monthly annuity at age 50 equal to 1/100th of the final average salary (FAS). Plan 1 General members pay rates that will provide an average annuity at age 60 of 1/100<sup>th</sup> of the FAS; Plan 4 General members pay rates that will provide an average annuity at age 55 of 1/120<sup>th</sup> of the FAS. County (and former County agency) Safety and General Members in Plans 1 and 4 pay half of the aforementioned rates. General members in Plan 2 pay rates to provide an average annuity of 1/120<sup>th</sup> of FAS at age 60. General members in Plan 3 pay no member contributions. General members in Plan 5 pay rates to provide an average annuity at age 55 of 1/120<sup>th</sup> of FAS.

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 system.

### **Return of Contributions**

If a member should resign or die before becoming eligible for retirement, his/her contributions plus refundable interest will be returned.

### **Contributions Required and Contributions Made**

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

## NOTE 5 - CONTRIBUTIONS (continued)

### Contributions Required and Contributions Made (continued)

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

Contributions for fiscal year ended June 30, 2011 totaling \$45,453,781 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed as of June 30, 2009. Employer contributions were 11.57% of covered payroll for Stanislaus County and 10.79% of covered payroll for other employers. Employee contributions, on average, were 8.39% of covered payroll. Stanislaus County represented 87.51% of covered payroll and 88.02% of total contributions.

2012	County	%	Districts	%	Total	%
Covered Payroll	<u>\$193,848,830</u>	87.38%	<u>\$27,990,531</u>	12.62%	<u>\$221,839,361</u>	100.00%
Employer Contributions	\$24,113,522	12.44%	\$3,200,510	11.43%	\$27,314,032	12.31%
Member Contributions	<u>\$17,874,760</u>	9.22%	<u>\$2,650,535</u>	9.47%	<u>\$20,525,295</u>	9.25%
Total Contributions	<u>\$41,988,282</u>	87.77%	<u>\$5,851,045</u>	12.23%	<u>\$47,839,327</u>	100.00%
2011	County	%	Districts	%	Total	%
Covered Payroll	<u>\$200,310,439</u>	87.51%	<u>\$28,593,941</u>	12.49%	<u>\$228,904,380</u>	100.00%
Employer Contributions	\$23,170,387	11.57%	\$3,086,342	10.79%	\$26,256,729	11.47%
Member Contributions	<u>\$16,835,846</u>	8.40%	<u>\$2,361,206</u>	8.26%	<u>\$19,197,052</u>	8.39%
Total Contributions	<u>\$40,006,233</u>	88.02%	<u>\$5,447,548</u>	11.98%	<u>\$45,453,781</u>	100.00%

### Funded Status & Method

The funding ratio as of June 30, 2011 was 78.1% using the entry age normal method. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. Based on the most recent actuarial valuation report as of June 30, 2011, the actuarial value of assets was \$1.37 billion.

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

The liability is being funded on the Entry Age Normal Cost method with an UAAL. The UAAL is being amortized as a percent of pay amount. The amortization period is based on a rolling 25-year amortization with an accrual reset.

#### SCHEDULE OF FUNDED STATUS – PENSION BENEFIT PLAN FOR YEAR ENDED JUNE 30, 2011 (Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
6/30/2011	\$ 1,372,046	\$ 1,757,717	\$ 385,671	78.1%	\$ 221,541	174.1%

## NOTE 5 - CONTRIBUTIONS (continued)

### Funded Status & Method (continued)

The valuation interest rate is 8.00% compounded and the total salary scale increases of 3.75% (3.5% for inflation) per year were based on a study as of June 30, 2011 and dated March 2, 2012 adopted by the Board of Retirement on of March 14, 2012.

#### ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

<b>Valuation Date</b>	June 30, 2011 and June 20, 2010	June 30, 2009
<b>Actuarial Cost Method</b>	Entry Age Normal	Entry Age Normal
<b>Amortization Method</b>	Level Percent of Pay	Level Percent of Pay
<b>Remaining Amortization Period</b>	25 Years	25 Years
<b>Asset Valuation Method</b>	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market
<b>Actuarial Assumptions</b>		
Investment Rate of Return	8.00%	8.16%
Projected Salary Increases	3.75%, plus service-based rates	4.0%, plus service-based rates
Attributed to Inflation	3.50%	4.00%
Cost of Living Adjustments	100% of CPI to 3.0% annually with banking	100% of CPI to 3.0% annually with banking

## NOTE 6 – RESERVES

As required by the County Employee's Retirement Law of 1937 or the Board of Retirement's policies, the following reserves from Net Assets Held in Trust 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 assumption rates determined by the actuary. For 2010 and 2009, overall assumption rates were 8.0%. Based upon Retirement Board policy, interest of 0.125% semi-annually is credited to a member's (employee's) contributions, a portion of the unvested interest, plus interest credited to his/her account, are transferred from this reserve to Retired Members' Annuity and Cost of Living Reserves. Due to significant market value losses experienced in fiscal year 2008-2009, and adopted changes to the Excess Earnings policy, interest has not been posted to reserve amounts since July 1, 2008.

### Employer Advance Reserves

This reserve represents the cumulative contributions made by the County and other employers. Normally interest earnings are credited, semi-annually, to the reserves at assumption rates determined by the actuary. However due to the significant market value losses experienced in fiscal year 2008-2009, no interest has been posted to reserve amounts since July 1, 2008.

## **NOTE 6 – RESERVES (continued)**

### **Employer Advance Reserves (continued)**

Upon the retirement of an active member, an actuarially determined amount of his/her 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, his/her contributions plus the interest earnings credited to his/her account are transferred from the Active Members' Reserve account to the Retired Members' Annuity and Cost of Living Reserve accounts. In addition, the present value of the actuarially determined pension benefits are also transferred from the Employer Advance Reserves to the Retired Members' Pension Reserve account.

From these reserves, StanCERA pays the retiree his/her pension benefits in an amount computed in accordance with the County Employee's Retirement Law of 1937.

Normally the Reserves are also credited with interest earnings semi-annually at assumption rates determined by the actuary. However due to the significant market value losses experienced in fiscal year 2008-2009, no interest has been posted to reserve amounts since July 1, 2008.

### **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 net assets (Government Code Section 31592). It is used as a reserve against deficiencies in interest earning in other years, losses on investments and other contingencies. For fiscal year ending June 30, 2008, the contingency reserve was used to offset the deficiency due to losses from investment activities. The Retirement Board reduced the contingency reserve to its minimum in May 2012 by transferring it to the valuation reserves.

### **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/losses as of June 30, 2012 and 2011.



## NOTE 6 – RESERVES (continued)

### Other Reserves

These reserves are for Revocable Health Benefits Subsidy, Retiree's Burial Allowance, Retiree's Special Cost of Living, Tier 3 Disability and Legal Contingencies. Reserve Account Balances are as follows:

	June 30, 2012	June 30, 2011
Active Members' Reserves	\$ 263,964,988	\$ 266,526,623
Employer Advance Reserves	200,268,026	233,996,928
Employer Transfer from Non-Valuation Reserve	96,630,058	81,400,000
Retired Members' Reserves	802,977,221	790,122,689
Contingency Reserve	13,862,807	23,804,388
Other Reserves		
Revocable Health Benefit Subsidy	117	11,966,689
Retiree Burial Allowance Reserve	5,855,000	5,855,000
Retiree Special Cost Of Living Reserve	-	1,831,267
Legal Contingency Reserve	2,609,033	3,232,556
Tier 3 Disability Reserve	7,996	9,806
Total Reserves	<u>\$ 1,386,175,246</u>	<u>\$ 1,418,745,946</u>

At the March 22, 2011 Retirement Board meeting, Trustees approved the transfer of approximately \$14.3 million from non-valuation reserves to valuation reserves to partially pay for the amortization of the Unfunded Accrued Actuarial Liability (UAAL) for FY 2011-2012. The transfer occurs solely on the accounting records of StanCERA between various reserves and no money or assets leave the retirement system.

## NOTE 7 – INVESTMENT EXPENSES

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

### Investment Expense

	June 30, 2012	June 30, 2011
Investment Managers	\$ 4,119,693	\$ 4,321,407
Investment Consultants	152,500	149,375
Investment Attorney	(12,683)	33,125
Custodial Fees	614,018	696,913
Actuarial Fees	64,077	67,336
Total Investment Expenses	<u>\$ 4,937,605</u>	<u>\$ 5,268,156</u>

Investment Attorney fees were recovered from an investment company who cancelled their offering.

## NOTE 8 – LITIGATION

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

## NOTE 9 – SUBSEQUENT EVENTS

### Change in Governmental Standards Board Reporting Requirements

In June 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. Statement No. 67 addresses reporting by pension plans that administer benefits for governments, and is effective for financial statements for periods beginning after June 15, 2013. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014. These standards were subsequently published in August 2012.

Key changes include:

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods (StanCERA's current Actuarial studies utilize the entry age normal assumption).
- Requiring more extensive note disclosures and required supplementary information.

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

## **NOTE 9 – SUBSEQUENT EVENTS (Cont.)**

### **Pension Reform Act of 2012**

On September 12, 2012, Governor Brown signed into law AB 340, the Pension Reform Act (PRA) of 2012.

The PRA of 2012 attempted to address many issues, including the following reform measures: (1) equal sharing of the annual normal cost of benefits; (2) compulsory reduced retirement formulas and increased retirement ages; (3) limitations on pensionable compensation; (4) anti-spiking provisions; (5) limitations on post-retirement employment; (6) forfeiture of pension benefits upon the conviction of certain felonies; (7) prohibition of pension funding holidays; and (8) industrial disability retirement benefits.

The full impact of this bill is not known at this time, but StanCERA will be administering lower benefit formulas with revised contribution requirements for new employees hired after January 1, 2013.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN FOR THE SEVEN YEARS ENDING JUNE 30, 2011 (Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/2004	\$ 993,180	\$ 1,035,345	\$ 42,165	95.9%	\$ 199,963	21.1%
6/30/2005	\$ 1,049,691	\$ 1,116,310	\$ 66,619	94.0%	\$ 211,681	31.5%
6/30/2006	\$ 1,154,048	\$ 1,329,375	\$ 175,327	86.8%	\$ 212,011	82.7%
6/30/2008	\$ 1,317,167	\$ 1,548,824	\$ 231,657	85.0%	\$ 242,009	95.7%
6/30/2009	\$ 1,171,767	\$ 1,653,716	\$ 481,949	70.9%	\$ 248,316	194.1%
6/30/2010	\$ 1,325,801	\$ 1,737,824	\$ 412,023	76.3%	\$ 231,538	178.0%
6/30/2011	\$ 1,372,046	\$ 1,757,717	\$ 385,671	78.1%	\$ 221,541	174.1%

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

### SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION BENEFIT PLAN FOR THE SEVEN YEARS ENDING JUNE 30, 2011 (Dollar amounts in thousands)

Year End	Annual Required Contribution	Percentage Contributed
6/30/2005	\$19,793	100%
6/30/2006	\$22,549	100%
6/30/2007	\$32,563	100%
6/30/2008	\$22,555	100%
6/30/2009	\$23,411	100%
6/30/2010	\$31,814 *	100%
6/30/2011	\$47,657 **	100%

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

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

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Funding Progress

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

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

## OTHER SUPPLEMENTAL INFORMATION

### SCHEDULE OF ADMINISTRATIVE EXPENSES For the Years Ended June 30, 2012 and 2011

	2012	2011
Personnel Services:		
Salaries and Employee Benefits	\$ 1,137,397	\$ 1,063,127
Total Personnel Services	<u>1,137,397</u>	<u>1,063,127</u>
Professional Services:		
Computer and Software Services and Support	177,244	170,096
County Counsel	1,909	20,640
Outside Legal Counsel	209,127	144,578
Disability Hearing Officer/Medical Exams and Reviews	64,864	90,678
External Audit Fees	33,716	32,174
Stanislaus County Strategic Business Technology Dept	20,379	26,062
Other Professional Services	16,141	14,067
Total Professional Services	<u>523,380</u>	<u>498,295</u>
Office Expenses:		
Office Supplies	11,782	8,588
Minor Equipment and Computer Supplies	5,788	3,844
Stanislaus County Central Services and Mail Room	27,670	39,546
Stanislaus County Support Services	78,137	81,041
Contract Services	25,223	3,176
Requested Maintenance	10,140	7,440
Communications	14,713	28,023
Printing and Publications	8,567	4,118
Other Office Expenses	23,014	39,267
Total Office Expenses	<u>205,034</u>	<u>215,043</u>
Miscellaneous:		
Fiduciary and Staff - Education/Travel	26,099	19,579
Fiduciary and Staff - Meetings/Other Travel	22,525	21,645
Insurance	51,826	43,508
Memberships	7,180	5,720
Depreciation	171,307	170,250
Total Miscellaneous	<u>278,937</u>	<u>260,702</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 2,144,748</u>	<u>\$ 2,037,167</u>

## OTHER SUPPLEMENTAL INFORMATION

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

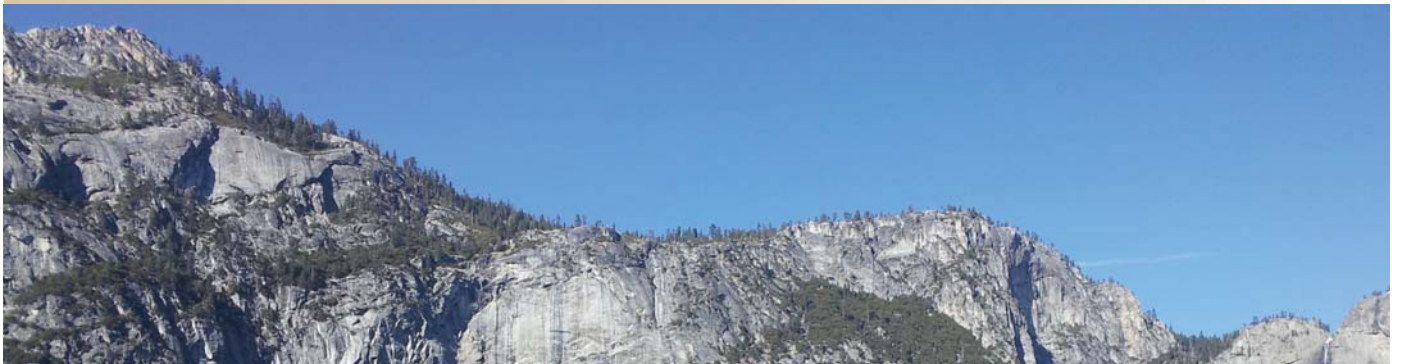
For the Years Ended June 30, 2012 and 2011

	2012	2011
Investment Management Fees:		
Domestic Stocks	\$ 1,755,620	\$ 1,944,523
International Stocks	1,310,407	1,499,745
Domestic Bonds	865,122	751,414
Global REIT's & Special Situations	188,544	125,725
Total Investment Management Fees	<u>4,119,693</u>	<u>4,321,407</u>
Investment Consulting Fees	152,500	149,375
Investment Custodian Fees	614,018	696,913
Investment Legal Fees	(12,683)	33,125
Other Investment Related Expenses	<u>64,077</u>	<u>67,336</u>
<b>TOTAL INVESTMENT EXPENSES</b>	<u><u>\$ 4,937,605</u></u>	<u><u>\$ 5,268,156</u></u>

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# Investment Section



**Cover Source:**  
Irizarry, Luiana M.

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## STANISLAUS COUNTY EMPLOYEES' RETIREMENT SYSTEM

### Summary

Fiscal year 2012 (June 30, 2012) saw a mix set of equity returns for the twelve month period with positive returns in US stock markets and losses in foreign stock markets in excess of -14%. The US Fixed Income markets continued to generate positive return in fiscal year 2012 as short-term interest rates were kept at historical low levels and US Treasuries rallied due to a flight to quality by investors. Spread fixed income instruments such as corporate bonds also rallied during the last nine months of the fiscal year. As a diversified investor, StanCERA experienced a +0.7% return for the fiscal year. The +0.7% result was below StanCERA's policy benchmark of +1.7% for the fiscal year by -100 basis points.

Fiscal year 2012 was once again positive for the U.S. equity markets and foreign equity markets experienced negative results as the sovereign debt crisis in Europe continued to be an issue with investors. For the fiscal year, the Russell 3000 US Stock Index gained +3.8% and the MSCI ACW (All Country World) ex-US Index of foreign stocks lost -14.1%. The US fixed income market produced a positive return (+7.5% Barclays Capital US Aggregate Index) for the fiscal year ending June 30, 2012.

Within the US equity market, stocks of large companies outperformed small companies (+4.4% versus -2.1%) for the fiscal year. Growth stocks outperformed value on a relative basis in large caps (+5.8% versus +3.1%) and within small caps value stocks outperformed growth stocks on a relative basis (-1.4% versus -2.7%).

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

StanCERA periodically reviews and updates its policy statement. The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The system's actuary estimates this return requirement to be 8.00%. Secondary goals are to outperform the asset allocation-weighted benchmark (40.9% US Equities, 19.0% Non-US Equities, 37.1% Fixed Income, 1.5% Global REITs, and 1.5% Cash) and to rank in the top forty percent of a universe of public pension funds.

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

## Investment Objectives

Investment returns achieved through June 30, 2012 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2012, StanCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards, and adding marginal value.

## Investment Results

PERIODS ENDED 6/30/12	ONE YEAR	THREE YEARS	FIVE YEARS
<b>Domestic Equity</b> <i>Russell 3000</i> Rank	+3.3% +3.8% 36*	+16.9% +16.7% 49	-0.6% +0.4% 79
<b>Non-US Equity</b> <i>MSCI ACWI ex-US</i> Rank	-14.3% -14.1% 57	+8.8% +7.4% 34	-4.2% -4.2% 39
<b>Fixed Income</b> <i>Barclays Cap US Aggregate</i> Rank	+6.9% +7.5% 58	+8.8% +6.9% 51	+7.7% +6.8% 42
<b>Global Real Estate</b> <i>FTSE EPRA/NAREIT</i> Rank	+2.7% +2.4% 76	+18.2% +19.5% 11	
<b>Total Fund</b> <i>Policy Benchmark***</i> <i>Public Fund Median</i> Rank**	+0.7% +1.7% +1.1% 63	+12.8% +12.3% +11.7% 23	+1.9% +2.0% +1.8% 41

\* Ranking 1 is best, 100 is worst.

\*\* Rankings source - ICC Public Funds Universe

\*\*\*Policy Benchmark is 32.4% Russell 1000/ 8.5% Russell 2000/ 37.1% BC US Agg./ 19.0% MSCI ACWI ex-US/1.5% FTSE EPRA-NAREIT/1.5% Citigroup 1-month T-Bill

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

Vice President

Strategic Investment Solutions, Inc.

August 1, 2012

## ASSET ALLOCATION

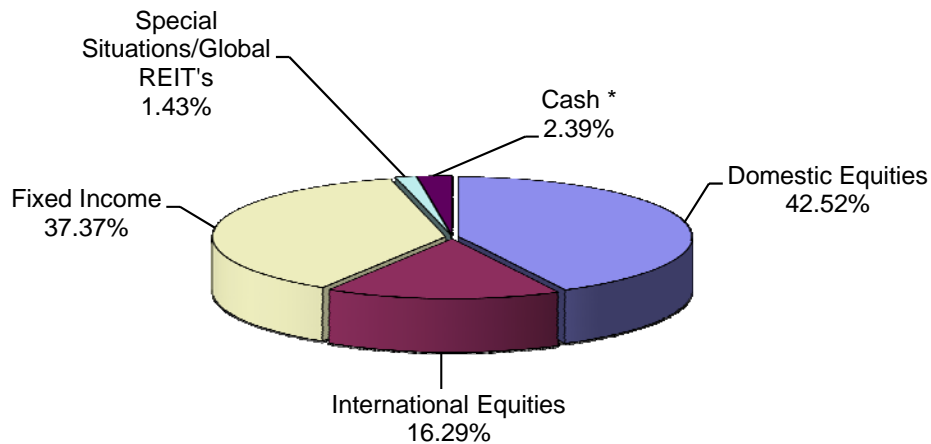
JUNE 30, 2012

Asset Class	Fair Market Value	Actual Allocation	Target Allocation
Domestic Equities	\$ 586,541,102	42.52%	40.90%
International Equities	224,687,670	16.29%	19.00%
Fixed Income	515,494,956	37.37%	37.10%
Special Situations/Global REIT's	19,736,261	1.43%	3.00%
Cash *	32,900,956	2.39%	0.00%
<b>TOTAL PORTFOLIO**</b>	<b>\$ 1,379,360,945</b>	<b>100.00%</b>	<b>100.00%</b>

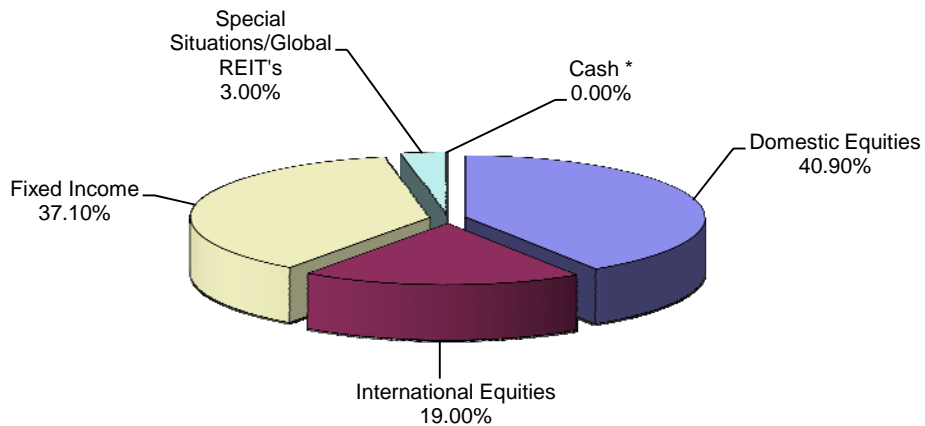
\* Excludes Pooled Cash in County Treasury of \$ 7,059,069

\*\* Excludes Securities Lending Cash Collateral

### Actual Allocation



### Target Allocation



Investment



## LARGEST BOND HOLDINGS (BY MARKET VALUE)

JUNE 30, 2012

Shares	Bond	Maturity Date	Market Value
16,300,000	UNITED STATES OF AMERICA	5/15/2021	\$ 18,556,572
17,500,000	UNITED STATES OF AMERICA	1/31/2013	17,544,450
9,300,000	UNITED STATES OF AMERICA	4/4/2013	9,284,872
7,536,486	FREDDIE MAC	1/1/2035	8,250,116
7,272,298	FANNIE MAE, WASHINGTON, D.C.	10/1/2040	8,014,073
7,000,000	FANNIE MAE, WASHINGTON, D.C.	8/1/2042	7,503,160
6,582,503	FANNIE MAE, WASHINGTON, D.C.	6/1/2033	7,236,672
6,525,000	ALLY FINANCIAL INC, DETROIT	2/11/2014	6,614,719
6,500,000	UNITED STATES OF AMERICA	11/30/2012	6,508,645
5,645,000	XEROX CORP, NORWALK, CT	3/15/2016	6,455,509
6,325,000	UNITED STATES OF AMERICA	7/31/2012	6,327,467
5,800,000	UNITED STATES OF AMERICA	11/15/2021	6,013,440
5,327,433	FANNIE MAE, WASHINGTON, D.C.	4/1/2037	5,860,229
5,307,540	FHLMC	2/1/2039	5,859,843
5,160,432	FANNIE MAE, WASHINGTON, D.C.	11/1/2034	5,810,956
4,645,000	STATE OF CALIFORNIA	4/1/2034	5,802,720
5,400,000	UNITED STATES OF AMERICA	5/30/2013	5,390,694
4,475,000	THE ROYAL BANK OF SCOTLAND PLC, EDINBU	1/11/2021	4,971,367
4,850,000	UNITED STATES OF AMERICA	5/31/2013	4,861,155
4,008,685	FANNIE MAE, WASHINGTON, D.C.	2/1/2038	4,490,850

## LARGEST STOCK HOLDINGS (BY MARKET VALUE)

JUNE 30, 2012

Shares	Stock	Market Value
16,900	APPLE INC	\$ 9,869,600
146,816	SANOFI	7,393,631
105,800	CROWN CASTLE INTERNATIONAL CORP	6,206,228
49,250	VISA INC	6,088,778
13,725	MASTERCARD INC	5,903,260
4,852,763	COMCAST CORP	5,683,083
128,050	BMC SOFTWARE INC	5,465,174
97,100	QUALCOMM INC	5,406,528
160,072	WELLS FARGO & CO	5,352,808
57,400	ALLERGAN INC/UNITED STATES	5,313,518
7,800	PRICELINE.COM INC	5,183,256
159,200	ADOBE SYSTEMS INC	5,153,304
122,500	MERCK & CO INC	5,114,375
4,542,500	CAPITAL ONE FINANCIAL CORP	5,056,050
54,950	EOG RESOURCES INC	4,951,545
230,000	GENERAL ELECTRIC CO	4,793,200
77,700	INTUIT INC	4,611,495
7,700	GOOGLE INC	4,466,539
31,400	INTERCONTINENTALEXCHANGE INC	4,269,772
95,950	VERISIGN INC	4,180,542

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

**SCHEDULE OF INVESTMENT MANAGEMENT FEES**  
**For the Years Ended June 30, 2012 and 2011**

	2012	2011
Domestic Equities		
Capital Prospects	\$ 451,149	\$ 516,567
Blackrock	27,802	23,360
Delaware Management Company	536,420	472,157
Dodge & Cox	216,229	345,827
Legato Capital Management	499,020	561,612
Mellon Capital Management	25,000	25,000
Total Domestic Equity	1,755,620	1,944,523
International Equities		
LSV	700,869	824,085
Pyramis Global Advisors Holding Company	609,538	675,660
Total International Equities	1,310,407	1,499,745
Fixed Income		
Dodge & Cox	527,864	411,182
PIMCO	337,258	340,232
Total Fixed Income	865,122	751,414
Special Situations		
Research Affiliates	61,386	-
Invesco	127,158	125,725
Total Special Situations	188,544	125,725
Total Investment Management Fees	4,119,693	4,321,407
Other Investment Fees and Expenses		
Custodial Fees	614,018	696,913
Consultant Fees	152,500	149,375
Investment Attorney	(12,683)	33,125
Miscellaneous Fees	64,077	67,336
Total Other Investment Expenses	817,912	946,749
Total Investment Fees and Expenses	\$ 4,937,605	\$ 5,268,156

**Commission Recapture Program**

In July 2000, StanCERA entered into a Directed Brokerage Agreement with BNY ESI & Co to administer the Commission Recapture Program per StanCERA's Investment Policy. Subsequently, this agreement was moved to LJR Recapture Services, a subsidiary of BNY ConvergeX Group. The strategic objective of the 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 the 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, 2012 and 2011, Commission Recapture Income was \$37,189 and \$39,220 respectively (see page 25).

# INVESTMENT SUMMARY

## FOR THE YEAR ENDED JUNE 30, 2012

### INVESTMENT SUMMARY For the Year Ended June 30, 2012

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
<b>DOMESTIC EQUITIES</b>					
Dodge & Cox - LARGE CAP VALUE RUSSELL 1000 VALUE	\$ 128,229,986	9.30%	0.70% 3.00%	15.10% 15.80%	-2.50% -2.20%
BlackRock R1000V - LARGE CAP VALUE RUSSELL 1000 VALUE	89,184,616	6.47%	3.10% 3.00%	N/A 15.80%	N/A -2.20%
Delaware - LARGE CAP GROWTH RUSSELL 1000 GROWTH	112,707,971	8.17%	11.00% 5.80%	19.80% 17.50%	4.30% 2.90%
BlackRockR 1000G - LARGE CAP GROWTH RUSSELL 1000 GROWTH	74,700,350	5.42%	5.90% 5.80%	N/A 17.50%	N/A 2.90%
Capital Prospects - SMALL CAP VALUE RUSSELL 2000 VALUE	61,325,428	4.45%	-1.30% -1.40%	18.30% 17.40%	N/A N/A
Legato Capital Mgmt - SMALL CAP GROWTH RUSSELL 2000 GROWTH	57,484,053	4.17%	-0.70% -2.70%	18.70% 18.10%	N/A N/A
Mellon Capital Management S&P 500 INDEX	62,908,698	4.56%	5.50% 5.40%	16.40% 16.40%	0.30% 0.20%
<b>TOTAL DOMESTIC EQUITIES</b> RUSSELL 3000	<b>586,541,102</b>	<b>42.52%</b>	<b>3.30%</b> <b>3.80%</b>	<b>16.90%</b> <b>16.70%</b>	<b>-0.60%</b> <b>0.40%</b>
<b>FIXED INCOME</b>					
Dodge & Cox BARCLAYS US AGGREGATE BOND	389,107,216	28.21%	6.60% 7.50%	8.70% 6.90%	7.70% 6.80%
Pimco BARCLAYS US AGGREGATE BOND	126,387,740	9.16%	8.70% 7.50%	N/A 6.90%	N/A 6.80%
<b>TOTAL FIXED INCOME</b> BARCLAYS US AGGREGATE BOND	<b>515,494,956</b>	<b>37.37%</b>	<b>6.90%</b> <b>7.50%</b>	<b>8.80%</b> <b>6.90%</b>	<b>7.70%</b> <b>6.80%</b>
<b>INTERNATIONAL INVESTMENTS</b>					
Pyramis Investments MSCI ACWI - ex US Index	115,788,582	8.39%	-13.00% -14.10%	8.90% 7.40%	-3.40% -4.20%
LSV Investments MSCI ACWI - ex US Index	108,899,088	7.89%	-15.70% -14.10%	8.70% 7.40%	-5.00% -4.20%
<b>TOTAL INTERNATIONAL INVESTMENTS</b> MSCI ACWI - ex US Index	<b>224,687,670</b>	<b>16.29%</b>	<b>-14.30%</b> <b>-14.10%</b>	<b>8.80%</b> <b>7.40%</b>	<b>-4.20%</b> <b>-4.20%</b>
<b>SPECIAL SITUATIONS</b>					
GLOBAL REIT's Invesco FTSE EPRA/NAREIT Global REIT	19,736,261	1.43%	2.70% 2.40%	18.20% 19.50%	N/A N/A
GLOBAL LONG/SHORT EQUITY Enhanced RAFI CITIGROUP 1 MONTH T-BILL	-	0.00%	-40.50% 0.00%	N/A N/A	N/A N/A
<b>TOTAL SPECIAL SITUATIONS</b>	<b>19,736,261</b>	<b>1.43%</b>	<b>-19.30%</b>	<b>N/A</b>	<b>N/A</b>
<b>CASH &amp; SHORT-TERM INVESTMENTS *</b>					
Cash 90 DAY TREASURY BILL	32,900,956	2.39%	0.00% 0.00%	N/A N/A	N/A N/A
<b>TOTAL FUND</b>					
<b>TOTAL FUND</b>	<b>\$ 1,379,360,945</b>	<b>100.00%</b>	<b>0.70%</b>	<b>12.80%</b>	<b>1.90%</b>
<b>STANCERA POLICY COMPOSITE</b>			<b>1.70%</b>	<b>12.30%</b>	<b>2.00%</b>

\* Excludes Pooled Cash in County Treasury of \$7,059,069

Note: % taken from SIS Quarterly Report presented to Board of Retirement on 8-28-12  
Using time-weighted rate of return based on the market rate of return  
Does not include Securities Lending Collateral



# Actuarial Section



**Cover Source:**  
Irizarry, Luiana M.

October 24, 2012

### Actuarial Certification

This report presents the results of the annual actuarial review of the StanCERA Retirement Plan (the Plan) as of June 30, 2011. The prior review was conducted as of June 30, 2010.

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

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). As of the valuation date, the amortization period is 25 years.

The funding objective of the Plan is to establish contribution rates that, over time, are likely to remain as a level percentage of payroll unless Plan benefit provisions are changed. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of five years. As of June 30, 2011, the Actuarial Value of Assets has been reset to equal the market value.

Our firm has prepared all of the schedules presented in the actuarial report. We reviewed the actuarial assumptions shown in the schedules and found them to be reasonably appropriate for use under the Plan. The assumptions used in this report reflect the results of an Experience Study performed by EFI covering the period from July 1, 2006 through June 30, 2009, 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 2012.

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

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully Submitted,



Robert T. McCrory, FSA

(206) 328-8628



Graham A. Schmidt, ASA

(415) 829-7122

## Summary of Assumptions and Funding Methods

The following assumptions along with the post retirement and pre-retirement demographic experiences are based on the plan's actuarial experience study through June 30, 2009. The rates produced by the June 30, 2010 valuation were adopted by StanCERA Board of Retirement on March 22, 2011 and were effective July 1, 2011. The next actuarial valuation is in process for the fiscal year ending June 30, 2012.

### Actuarial Assumptions

#### Post-Retirement Mortality

##### (1) Service

###### General

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

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

###### Safety

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

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

##### (2) Disability

General RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA with 7 year set forward for General Members

Safety RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA with 7 year set forward for Safety Members

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

General RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA with 7 year set forward for General Members  
Blending weighting 25% Male / 75% Female

Safety RP 2000 Group Annuity Mortality Table, Projected to 2020  
Using Scale AA with 7 year set forward for General Members  
Blending weighting 80% Male / 20% Female

Pre-Retirement Mortality Rates vary by age, gender and classification

Withdrawal Rates Rates vary by age, gender and classification

Disability Rates Rates vary by age, gender and classification

Service Retirement Rates Rates vary by age, gender and classification

## Actuarial Assumptions (continued)

Valuation date	June 30, 2011
Actuarial cost method	Entry age normal actuarial cost method
Amortization method	The unfunded actuarial accrued liability (UAAL) is being amortized as a percentage of payroll over 25 Years.
Asset valuation method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.75%, plus service-based rates
Attributed to Inflation:	3.50%
Retirees' cost-of-living adjustments	100% of CPI to 3.0% annually with banking
Retiree cost-of-living assumption	2.7%

## Funding Method and Amortization of Actuarial Gains or Losses

The employer's liability is being funded on the Entry Age Normal Cost Method and with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 25 years. The above methods and assumptions were selected by the actuary as being appropriate for the Plan and were used in the latest actuarial valuation.

## PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

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

Withdrawal		
Service	Safety	General
0	8.000%	13.500%
1	6.000%	9.000%
2	5.000%	6.375%
3	4.000%	4.875%
4	3.000%	4.125%
5	1.238%	2.025%
10	0.945%	1.470%
15	0.680%	0.850%
20	0.000%	0.336%
25	0.000%	0.072%
30	0.000%	0.000%

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. Vested terminated Tier 3 General members are assumed to begin receiving benefits at age 65 while other General Members are assumed to begin at age 58; terminated Safety Members are assumed to begin receiving benefits at age 53. 25% of vested terminated General members are assumed to be reciprocal; 50% of vested Safety members are assumed to be reciprocal. Separate rates of termination are assumed among Safety and General Members. The rates shown do not overlap with the service retirement rates.

Vested Termination		
Service	Safety	General
0	5.000%	5.000%
1	4.500%	5.000%
2	4.000%	3.000%
3	3.500%	3.000%
4	3.000%	3.000%
5	2.500%	3.000%
10	2.500%	2.000%
15	1.250%	2.000%
20	0.000%	1.200%
25	0.000%	1.200%
30 +	0.000%	0.000%

## PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT (continued)

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

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

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

Active Member Mortality			
Age	Duty Death	Ordinary Death - 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%

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

Service-Connected Disability			
Age	Safety	General	
	All	Female	Male
20	0.0759%	0.0007%	0.0065%
25	0.1932%	0.0013%	0.0153%
30	0.3457%	0.0025%	0.0316%
35	0.5309%	0.0071%	0.0426%
40	0.7426%	0.0168%	0.0602%
45	1.1297%	0.0303%	0.0920%
50	1.5092%	0.0486%	0.1345%
55	1.7230%	0.0746%	0.1840%
60	0.0000%	0.1048%	0.2456%
65	0.0000%	0.0000%	0.0000%

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

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



## DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Effective June 30, 2002, the Board has adopted an actuarial value of assets method that recognizes the difference between expected and actual market returns, net of expenses, over a 5-year period. The resulting actuarial value cannot exceed 120% of market value or be less than 80% of market value. The new method was phased in over a five-year period that started June 30, 2001. Under this method, the Actuarial Value of Assets as of June 30, 2011 was determined as follows:

		Benefit	Expected	Actual	Additional	Percentage	Deferred
1.	Contributions	Payments	Investment	Investment	Earnings	Deferred	Earnings
			Return *	Return			
	2008	43,244,855	70,227,537	(123,453,409)	(123,453,409)	0	20%
	2009	44,333,858	74,399,189	(223,111,526)	(223,111,526)	0	40%
	2010	42,560,605	73,196,706	162,746,408	162,746,408	0	60%
	2011	45,453,781	76,732,557	259,805,325	259,805,325	0	80%
	Total Unrecognized Dollars						0
2.	Market Value of Assets as of June 30, 2011						1,418,745,946
3.	Actuarial Value of Assets as of June 30, 2011: (2)-(1)						1,418,745,946
4.	Corridor Limit						
	a.	80% of Net Market Value					1,134,996,757
	b.	120% of Net Market Value					1,702,495,135
5.	Actuarial Value of Assets After Corridor						1,418,745,946
6.	Ratio of Actuarial Value to Market Value: (5)/(2)						100.0%
7.	Special (Non Valuation) Reserves						
	\$5,000 Death Benefits					5,855,000	
	Revocable Health Insurance Stipend					11,966,689	
	Special COL Reserve					1,831,267	
	Legal Contingency Reserve					3,232,556	
	Tier 3 Disability Reserve					9,806	
	Contingency Reserve					<u>23,804,388</u>	
	Total Special Reserves (Market Value)						46,699,706
8.	Adjusted Total Special Reserves (100.0% of Market, Except Contingency)						46,699,706
9.	Pension Reserves at Actuarial Value (Valuation Assets): (5)-(8)						\$1,372,046,240
* The Actuarial Value of Assets was reset to equal the Market Value as of June 30, 2011. This was done by eliminating the prior gain/loss bases (i.e. by setting the expected returns equal to the actual returns). In the absence of this change, the Actuarial Value of Assets would have been \$1,419,410,035, or \$664,089 greater than the current Market Value.							

## SCHEDULE OF ACTIVE MEMBER VALUATION DATA

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

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

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

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
6/30/2005	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%	\$ 27,414

## SOLVENCY TEST

Valuation Date	Actuarial Accrued Liabilities (AAL) for:			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				
6/30/2005	\$ 205,556,000	\$ 551,810,000	\$ 358,944,000	\$ 1,049,691,000	100%	100%	81%
6/30/2006	\$ 219,907,000	\$ 619,109,000	\$ 355,888,000	\$ 1,154,048,000	100%	100%	89%
6/30/2008	\$ 272,657,000	\$ 739,838,000	\$ 536,329,000	\$ 1,317,167,000	100%	100%	57%
6/30/2009	\$ 298,342,000	\$ 781,082,000	\$ 574,292,000	\$ 1,171,767,000	100%	100%	16%
6/30/2010	\$ 323,940,000	\$ 829,323,000	\$ 584,561,000	\$ 1,325,801,000	100%	100%	30%
6/30/2011	\$ 337,201,000	\$ 897,384,000	\$ 523,133,000	\$ 1,372,046,000	100%	100%	26%

## ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Plan Year Ending	Actuarial (Gains)/Losses			Changes in Plan Provisions	Changes in Assumption/ Methods
	Asset Sources	Liability Sources	Total		
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)

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

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# Statistical Section



**Cover Source:**  
Irizarry, Luiana M.

## 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 net assets, revenues and expenses by source, number of retirees by benefit type, payments made to retirees by benefit type, membership history and the participating employers. The financial and operating trend information is located on the following pages.

### CHANGES IN PLAN NET ASSETS

*Last Ten Fiscal Years ending June 30*

#### Additions To Plan Net Assets

	2012	2011	2010	2009	2008
Employer Contributions	\$ 27,314,032	\$ 26,256,729	\$ 21,814,194	\$ 23,410,965	\$ 22,555,416
Plan Member Contributions	20,525,295	19,197,052	20,746,411	20,922,893	20,689,439
Investment Income (Loss)	3,330,939	261,380,696	161,234,157	(215,302,029)	(122,548,769)
Litigation Recovery	571	16,849	680,579	57,010	117,351
Net Security Lending Income (Loss)	393,244	444,947	3,139,108	(5,786,378)	1,022,295
<i>Total Additions</i>	<u>\$ 51,564,081</u>	<u>\$ 307,296,273</u>	<u>\$ 207,614,449</u>	<u>\$ (176,697,539)</u>	<u>\$ (78,164,268)</u>

#### Deductions From Plan Assets

Pension Benefits	\$ 80,157,222	\$ 74,826,404	\$ 71,464,735	\$ 71,861,210	\$ 67,785,111
Refunds	1,832,811	1,906,153	1,731,971	2,537,978	2,442,426
Administrative Expense and Misc	2,144,748	2,037,167	2,307,436	2,080,130	2,044,286
<i>Total Deductions</i>	<u>\$ 84,134,781</u>	<u>\$ 78,769,724</u>	<u>\$ 75,504,142</u>	<u>\$ 76,479,318</u>	<u>\$ 72,271,823</u>

#### Increase (Decrease) in Net

Assets Held in Trust for Pension Benefits	\$ (32,570,700)	\$ 228,526,549	132,110,307	(253,176,857)	(150,436,091)
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#### Net Assets Held in Trust for Pension Benefits

Beginning of year	<u>1,418,745,946</u>	<u>1,190,219,397</u>	<u>1,058,109,090</u>	<u>1,311,285,947</u>	<u>1,461,722,038</u>
End of year	<u>\$ 1,386,175,246</u>	<u>\$ 1,418,745,946</u>	<u>\$ 1,190,219,397</u>	<u>\$ 1,058,109,090</u>	<u>\$ 1,311,285,947</u>

#### Additions To Plan Net Assets

	2007	2006	2005	2004	2003
Employer Contributions	\$ 32,562,514	\$ 22,548,754	\$ 19,792,748	\$ 17,113,973	\$ 16,207,877
Plan Member Contributions	20,542,837	19,860,676	19,088,340	18,941,508	18,520,605
Investment Income (Loss)	206,631,146	116,898,276	90,280,931	154,739,718	47,836,183
Litigation Recovery	177,775	27,479	113,169	114,058	126,162
Net Security Lending Income (Loss)	382,991	347,188	309,095	415,659	597,316
<i>Total Additions</i>	<u>\$ 260,297,263</u>	<u>\$ 159,682,373</u>	<u>\$ 129,584,283</u>	<u>\$ 191,324,916</u>	<u>\$ 83,288,143</u>

#### Deductions From Plan Assets

Pension Benefits	\$ 67,599,163	\$ 58,129,898	\$ 53,176,109	\$ 47,926,179	\$ 43,435,482
Refunds	2,730,463	2,482,105	2,347,241	1,326,769	1,561,286
Administrative Expense and Misc	1,980,926	1,598,700	1,404,838	1,301,338	1,147,117
<i>Total Deductions</i>	<u>\$ 72,310,552</u>	<u>\$ 62,210,703</u>	<u>\$ 56,928,188</u>	<u>\$ 50,554,286</u>	<u>\$ 46,143,885</u>

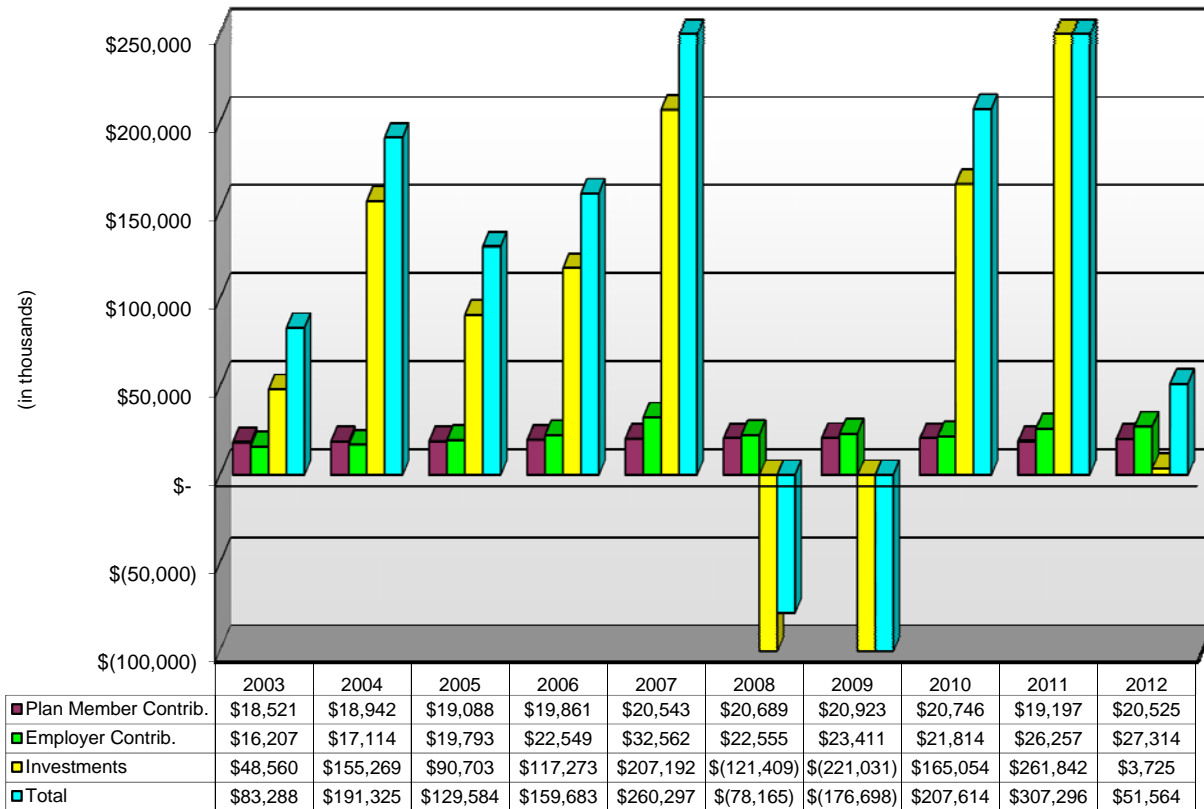
#### Increase (Decrease) in Net

Assets Held in Trust for Pension Benefits	187,986,711	97,471,670	72,656,095	140,770,630	37,144,258
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#### Net Assets Held in Trust for Pension Benefits

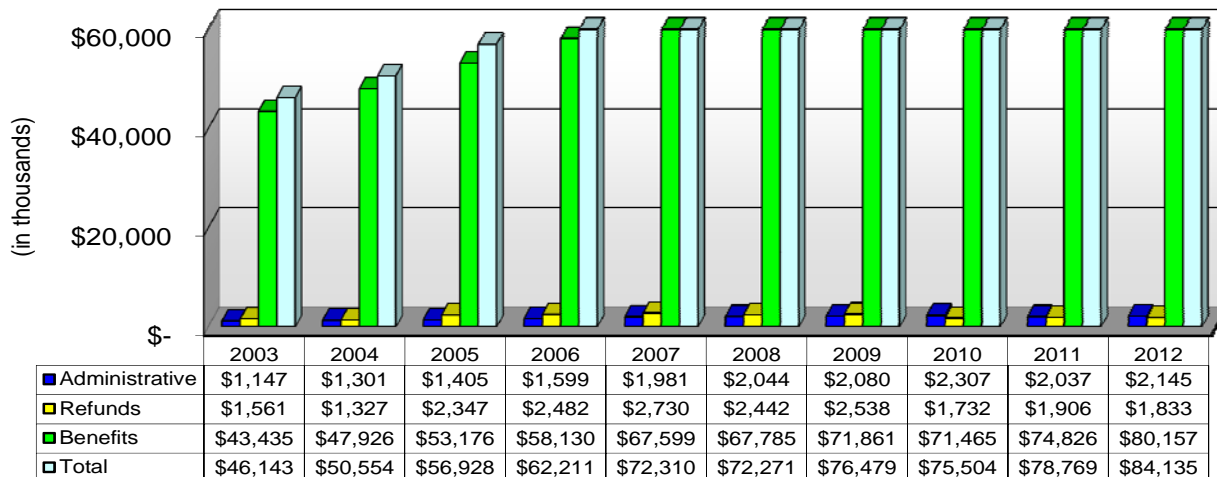
Beginning of year	<u>1,273,735,327</u>	<u>1,176,263,657</u>	<u>1,103,607,562</u>	<u>962,836,932</u>	<u>925,692,674</u>
End of year	<u>\$ 1,461,722,038</u>	<u>\$ 1,273,735,327</u>	<u>\$ 1,176,263,657</u>	<u>\$ 1,103,607,562</u>	<u>\$ 962,836,932</u>

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



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

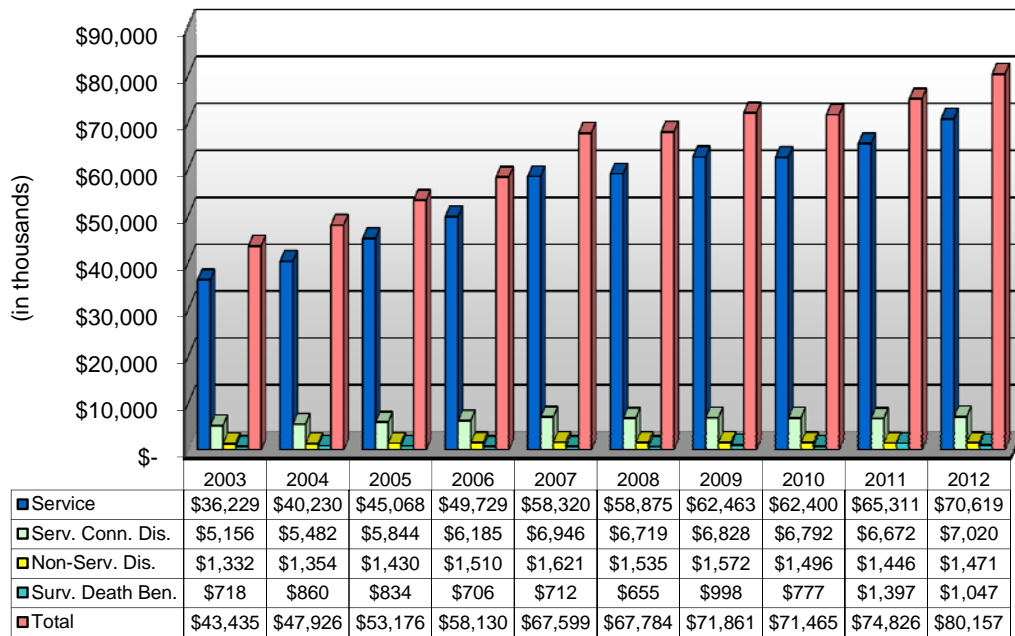
### Deductions by Type (for years ending June 30)



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

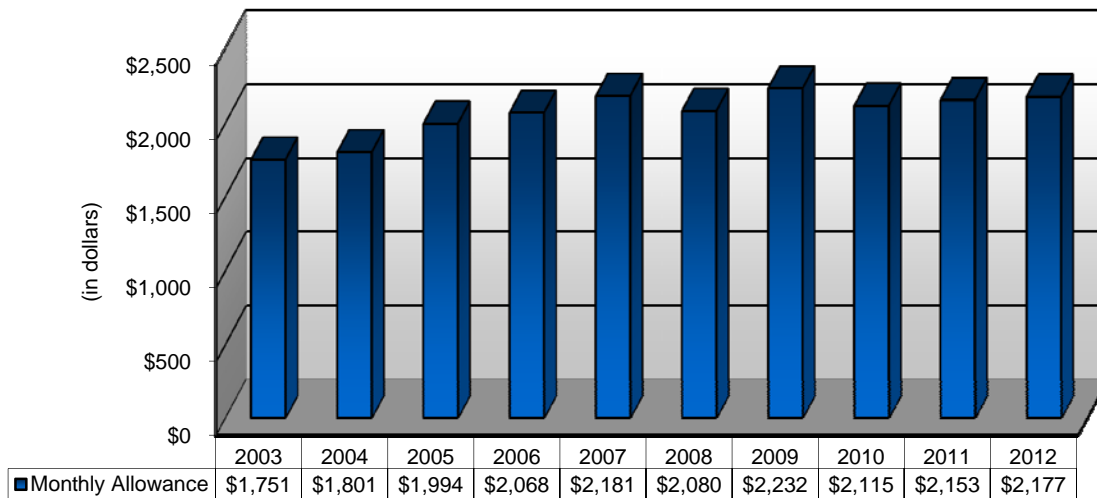


### Benefit Expense by Type (for years ending June 30)



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, 2012**

<u>Amount Monthly Benefit</u>	<u>Total # Retirees</u>	<u>Service Retirement</u>	<u>Service Connected Disability</u>	<u>Non-Service Disability</u>	<u>Survivors</u>
<b>General Members</b>					
\$0-500	392	371	3	12	6
501-1,000	530	454	6	49	21
1,001-1,500	466	388	38	36	4
1,501-2,000	332	280	44	6	2
2,001-2,500	252	225	20	5	2
2,501-3,000	155	148	7	0	0
3,001-3,500	115	113	1	0	1
3,501-4,000	81	77	3	1	0
4,001-4,500	70	68	2	0	0
4,501-5,000	44	44	0	0	0
over 5,000	190	190	0	0	0
<b>Totals</b>	<u>2,627</u>	<u>2,358</u>	<u>124</u>	<u>109</u>	<u>36</u>
<b>Safety Members</b>					
\$0-500	30	19	8	2	1
501-1,000	24	18	4	0	2
1,001-1,500	38	31	2	4	1
1,501-2,000	44	33	7	4	0
2,001-2,500	60	23	36	0	1
2,501-3,000	82	30	51	0	1
3,001-3,500	50	31	18	0	1
3,501-4,000	26	25	1	0	0
4,001-4,500	20	19	0	0	1
4,501-5,000	22	20	1	0	1
over 5,000	100	90	10	0	0
<b>Totals</b>	<u>496</u>	<u>339</u>	<u>138</u>	<u>10</u>	<u>9</u>
<b>TOTALS</b>	<u>3,123</u>	<u>2,697</u>	<u>262</u>	<u>119</u>	<u>45</u>

(Data retrieved from StanCERA's data base)

**AVERAGE BENEFIT PAYMENTS**

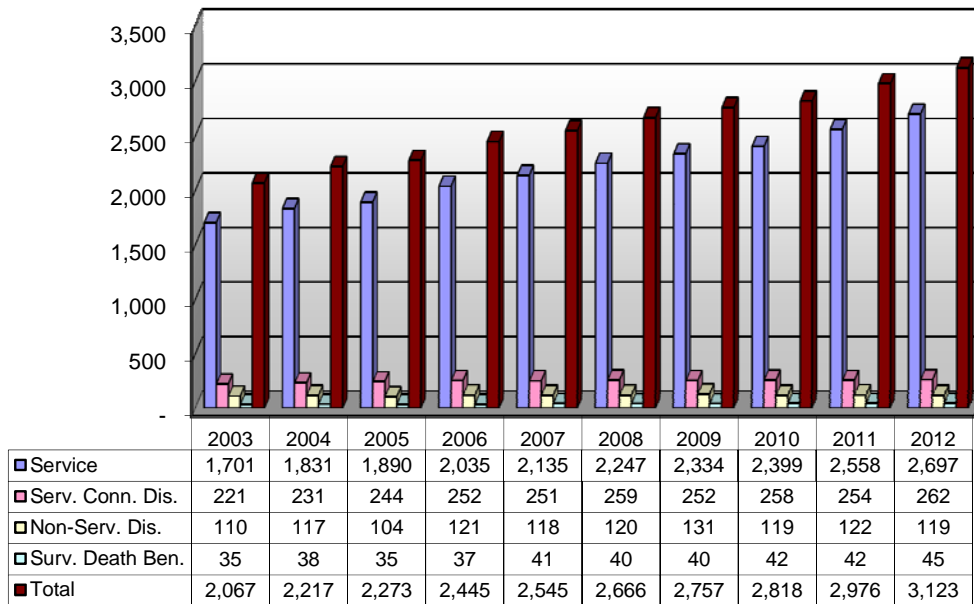
As of Fiscal End of Year

	<b>Beneficiaries</b>		<b>Service Years Credited</b>					
	<b>&amp; Dro's</b>	<b>0-5</b>	<b>5-10</b>	<b>10-15</b>	<b>15-20</b>	<b>20-25</b>	<b>25-30</b>	<b>30+</b>
Fiscal Year Ending June 30, 2003								
Average Monthly Benefit	-	\$617	\$990	\$1,086	\$1,594	\$2,129	\$3,094	\$3,782
Number of Active Retirees	-	150	256	480	390	358	271	162
Fiscal Year Ending June 30, 2004								
Average Monthly Benefit	-	\$621	\$1,008	\$1,127	\$1,605	\$2,170	\$3,168	\$4,017
Number of Active Retirees	-	153	275	507	418	382	293	190
Fiscal Year Ending June 30, 2005								
Average Monthly Benefit	-	\$615	\$1,053	\$1,175	\$1,710	\$2,253	\$3,290	\$4,185
Number of Active Retirees	-	160	284	508	424	386	307	204
Fiscal Year Ending June 30, 2006								
Average Monthly Benefit	-	\$618	\$1,063	\$1,176	\$1,741	\$2,322	\$3,400	\$4,341
Number of Active Retirees	-	169	306	532	446	417	338	237
Fiscal Year Ending June 30, 2007								
Average Monthly Benefit	-	\$644	\$1,102	\$1,206	\$1,796	\$2,438	\$3,562	\$4,485
Number of Active Retirees	-	170	321	568	466	424	345	251
Fiscal Year Ending June 30, 2008								
Average Monthly Benefit	-	\$382	\$1,016	\$1,284	\$1,836	\$2,594	\$3,778	\$4,599
Number of Active Retirees	-	246	427	522	523	398	365	251
Fiscal Year Ending June 30, 2009								
Average Monthly Benefit	\$1,426	\$627	\$1,095	\$1,257	\$1,934	\$2,641	\$3,912	\$5,332
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
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
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
Number of Active Retirees	383	176	366	606	484	446	335	320

Data for Final Average Salary is not available due to system constraints. StanCERA is implementing a new Pension Software program which will provide this data in future years.

## Membership History (Retired)

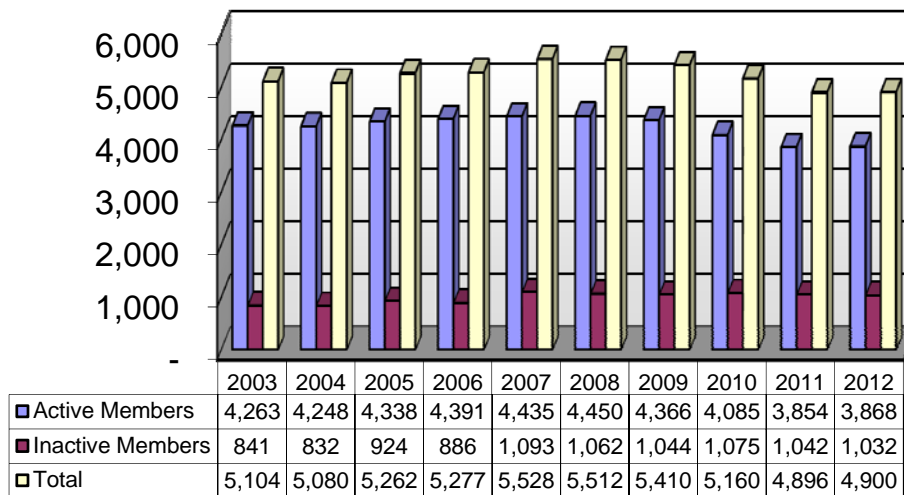
(for years ending June 30)



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>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>	
<b>Stanislaus County:</b>										
General Members	2,852	73.7%	2,841	73.7%	3,013	73.8%	3,227	73.9%	3,313	74.4%
Safety Members	<u>574</u>	14.8%	<u>553</u>	14.3%	<u>601</u>	14.7%	<u>658</u>	15.1%	<u>663</u>	14.9%
<b>Total</b>	<u>3,426</u>		<u>3,394</u>		<u>3,614</u>		<u>3,885</u>		<u>3,976</u>	
<b>Participating Agencies:</b>										
Stanislaus County Superior Courts	229	5.9%	245	6.4%	252	6.2%	263	6.0%	254	5.7%
City of Ceres	173	4.5%	173	4.5%	178	4.4%	178	4.1%	186	4.2%
East Side Mosquito Abatement District	10	0.3%	11	0.3%	11	0.3%	11	0.3%	10	0.2%
Hills Ferry Cemetery	4	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Keyes Community Services District	6	0.2%	6	0.2%	6	0.1%	6	0.1%	6	0.1%
Salida Sanitary District	7	0.2%	7	0.2%	7	0.2%	6	0.1%	4	0.1%
Stanislaus Council of Governments	<u>13</u>	0.3%	<u>14</u>	0.3%	<u>13</u>	0.3%	<u>13</u>	0.3%	<u>10</u>	0.2%
<b>Total</b>	<u>442</u>		<u>460</u>		<u>471</u>		<u>481</u>		<u>474</u>	
<b>Total Active Membership</b>	<u><u>3,868</u></u>		<u><u>3,854</u></u>		<u><u>4,085</u></u>		<u><u>4,366</u></u>		<u><u>4,450</u></u>	
	<u>2007</u>		<u>2006</u>		<u>2005</u>		<u>2004</u>		<u>2003</u>	
<b>Stanislaus County:</b>										
General Members	3,311	74.7%	3,330	75.8%	3,320	76.5%	3,239	76.2%	3,292	77.2%
Safety Members	<u>660</u>	14.9%	<u>626</u>	14.3%	<u>618</u>	14.2%	<u>583</u>	13.7%	<u>580</u>	13.6%
<b>Total</b>	<u>3,971</u>		<u>3,956</u>		<u>3,938</u>		<u>3,822</u>		<u>3,872</u>	
<b>Participating Agencies:</b>										
Stanislaus County Superior Courts	246	5.5%	232	5.3%	211	4.9%	220	5.2%	198	4.6%
City of Ceres	183	4.1%	172	3.9%	161	3.7%	173	4.1%	161	3.8%
East Side Mosquito Abatement District	10	0.2%	9	0.2%	8	0.2%	6	0.1%	6	0.2%
Hills Ferry Cemetery	4	0.1%	4	0.1%	3	0.1%	3	0.1%	3	0.1%
Keyes Community Services District	6	0.2%	5	0.1%	5	0.1%	5	0.1%	4	0.1%
Salida Sanitary District	4	0.1%	4	0.1%	4	0.1%	5	0.1%	5	0.1%
Stanislaus Council of Governments	<u>11</u>	0.2%	<u>9</u>	0.2%	<u>8</u>	0.2%	<u>14</u>	0.3%	<u>14</u>	0.3%
<b>Total</b>	<u>464</u>		<u>435</u>		<u>400</u>		<u>426</u>		<u>391</u>	
<b>Total Active Membership</b>	<u><u>4,435</u></u>		<u><u>4,391</u></u>		<u><u>4,338</u></u>		<u><u>4,248</u></u>		<u><u>4,263</u></u>	

\* Stanislaus County Superior Courts were part of Stanislaus County until March 2002  
(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, 2012**

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**Report to the Audit Committee**

**For the Fiscal Year Ended June 30, 2012**

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**Certified Public Accountants.**

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Sacramento, CA 95816  
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

October 31, 2012

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, 2012, 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 our auditing procedures 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 as well as the current year status of prior year comments and recommendations (We previously reported on StanCERA's internal control in our report dated October 31, 2012). This letter does not affect our report dated October 31, 2012, 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.

*Maclean Mini & O'Connell LLP*

Sacramento, California  
October 31, 2012

## **STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

### **Report to the Audit Committee Required Communications For the Fiscal Year Ended June 30, 2012**

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 April 23, 2012. 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. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2012. 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 the funded status and annual required contributions derived from actuarial valuations.

The actuarial valuations were based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*. 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.

##### ***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. The attached schedule summarizes the material misstatements detected as a result of our audit procedures which were corrected by management.

##### ***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.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**Report to the Audit Committee  
Required Communications (Continued)  
For the Fiscal Year Ended June 30, 2012**

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 31, 2012.

***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, 2012**

**TRADE DATE ACCOUNTING**

**Observation #1** During our testing of unsettled investment trades, MGO noted seven securities which were recorded on the settlement date rather than the trade date. Per Governmental Accounting Standards Board (GASB) Statement No. 25 – *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, paragraph 20, investment trades should be recorded based on the trade date. The trades occurred before year-end but were settled after year-end, which resulted in an adjustment to reduce investments and increase receivables by \$17,719,764.

MGO recommends policies and procedures are implemented to ensure unsettled trades are reviewed and accounted for using trade date accounting in accordance with generally accepted accounting principles.

**Fiscal Year 2012 Management Response**

Management concurs with this recommendation. Procedures will be implemented to ensure unsettled trades are reviewed and accounted for using trade date accounting.

**INVESTMENT DISCLOSURES**

**Observation #2** During our review of investment disclosures, MGO noted the following disclosures were not prepared in accordance with GASB Statement No. 40 – *Deposit and Investment Risk Disclosures*:

Per question and answer 1.9.1 of the GASB Comprehensive Implementation Guide, 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. During our review of the draft credit risk disclosures, we determined that StanCERA presented the middle rating rather than the lowest rating when three ratings existed.

Per paragraph 12 of GASB Statement No. 40 defined benefit pension plans are required to identify, by amount and issuer, investments in any one issuer that represent 5 percent or more of plan net assets. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Based on our review of the detail schedules supporting StanCERA's concentration of credit risk disclosure, Fannie Mae securities totaling \$83,017,538 representing 6% of plan net assets in 2012 and \$122,253,634 representing 8% of plan net assets in 2011 were not properly disclosed.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Report to the Audit Committee**  
**Current Year Comments and Recommendations (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**INVESTMENT DISCLOSURES (CONTINUED)**

Although the disclosures were corrected in the audited financial statements, MGO recommends StanCERA review their financial reporting policies to ensure disclosures are prepared in compliance with GASB Statement No. 40.

**Fiscal Year 2012 Management Response**

Management concurs with this recommendation. Staff will review the financial reporting policies to ensure disclosures are prepared in compliance with GASB Statement No. 40.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Report to the Audit Committee**  
**Status of Prior Year Comments and Recommendations**  
**For the Fiscal Year Ended June 30, 2012**

**INVESTMENT RELATED ACCOUNTS**

**Observation #1** We noted cash, investments and certain investment-related accounts are not being reconciled between the general ledger, the custodian bank and the investment manager's records which resulted in material audit adjustments.

Cash, investments and certain investment-related accounts should be reconciled to the investment managers' records on a monthly basis. This practice will help to ensure that all investment-related transactions are recorded properly and consistently by the investment manager, custodian bank and the general ledger. Any discrepancies or reconciling items should be investigated on a timely basis by appropriate accounting personnel so that errors and adjustments can be quickly identified and corrected.

**Fiscal Year 2009 Management Response**

Management concurs with this recommendation. Management receives reconciliations with the custodial bank from the investment managers every quarter at a minimum. During review of the reconciliation the investment in transition was not reported as a receivable with the custodial bank. The custodial bank cannot post transactions until they have a valid cusip number therefore this transaction was not included in the audited holdings provided by the custodial bank. This is an abnormal occurrence due to timing. Management will request a reconciliation from the investment managers with the custodial bank on a monthly basis rather than quarterly. Appropriate personnel will review the investment managers' reconciliation and investigate any discrepancies.

**Fiscal Year 2010 Status**

During our audit of cash, investments, security transactions receivable and payable, we continued to note discrepancies between the general ledger, the custodian bank and the investment managers' records. We strongly recommend that appropriate personnel review the investment managers' reconciliation and compare the balances to the custodian bank's records. Any discrepancies should be investigated and resolved.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Report to the Audit Committee**  
**Status of Prior Year Comments and Recommendations (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**INVESTMENT RELATED ACCOUNTS (CONTINUED)**

**Fiscal Year 2010 Management Response**

StanCERA currently receives monthly reconciliations from BNYM, the custodial bank, and each individual manager of the non-commingled accounts. The focus of both the custodian bank and the investment manager when they perform their reconciliation is the variance in net asset value between the two entities' reports. In cases where the net asset value variance is immaterial StanCERA passes on any further investigation. Causes for the variances may be timing differences on trade transactions, i.e. how transactions are accrued, how dividends and interest are accounted for, etc. StanCERA management agrees with the custodian manager approach as timing differences etc. work themselves out in reconciliations from month to month. We concur that at fiscal year end, a more detailed review of the variances in the reconciliations should occur, to ensure proper reporting. The first adjustment resulting from the June 30, 2010 audit occurred because of the closing of individually managed accounts on June 25, 2010, to a commingled account. As noted previously, StanCERA does not receive reconciliations from commingled managers, thus we relied on the custodian's records. The second adjustment was a classification difference that should have been made, but as noted previously, both the investment manager and custodian bank showed a variance in net asset value of \$48,834, in their reconciliations which is immaterial.

**Fiscal Year 2011 Status**

During our audit of cash, investments and security transactions receivable and payable, we noted discrepancies between the general ledger, the custodian bank and the investment managers' records for one investment manager. We strongly recommend that appropriate personnel review the investment managers' reconciliation and compare the balances to the custodian bank's records for all investment managers. Any discrepancies should be investigated and resolved.

**Fiscal Year 2011 Management Response**

Management concurs with this recommendation. StanCERA still receives monthly reconciliations from BNYM, the custodial bank, and each individual manager of the non-commingled accounts. The focus of both the custodian bank and the investment manager when they perform their reconciliation is the variance in net asset value between the two entities' reports. In cases where the net asset value variance is immaterial StanCERA passes on any further investigation. Causes for the variances may be timing differences on trade transactions, i.e. how transactions are accrued, how dividends and interest are accounted for, etc. StanCERA management agrees with the custodian manager approach as timing differences etc. work themselves out in reconciliations from month to month. In the case of this one investment manager a more detailed review of the variances in the reconciliations will occur quarterly to ensure proper reporting.

**Fiscal Year 2012 Status**

During our audit of cash, investments and security transactions receivable and payable, we noted that StanCERA is reconciling the custodian records to the management records at an individual security level. MGO considers this recommendation implemented.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Report to the Audit Committee**  
**Status of Prior Year Comments and Recommendations (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**SYSTEM ACCESS**

**Observation #2** Currently, the member data system does not have any limitation access and allows any employee to access the application and make changes to member and retiree information. Unauthorized employees can access the member data system and make unauthorized changes to the member's pertinent information.

MGO recommends that management implement controls to ensure that only authorized personnel can have access to the required modules within the member data system to perform their job duties to mitigate the chance of unauthorized access and data manipulation.

**Fiscal Year 2009 Management Response**

Management concurs with this recommendation. System access security is in the process of being programmed by the member data system vendor. The last module to be implemented is just now being finalized and the system access security will be put into place.

**Fiscal Year 2010 Status**

The results of our testing revealed the following matters:

- Based on the job function, one of the employees should only have access to one module within the member data system; however this employee has access to three modules.
- One employee departed StanCERA; however their access was not terminated at the time of our testing.

Management should continue to improve system controls to ensure that only authorized personnel can have access to the required modules within the system and that access is terminated for former employees.



**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Report to the Audit Committee**  
**Status of Prior Year Comments and Recommendations (Continued)**  
**For the Fiscal Year Ended June 30, 2012**

**SYSTEM ACCESS (CONTINUED)**

**Fiscal Year 2010 Management Response**

System security was installed in April 2010. It limits access to modify modules and data in the Tyler system. Access to modify data is restricted to authorized staff based upon job duties performed. Access to read only member data is available to all staff. Each user has a pass code which expires every 45 days and allows limited access to individual modules. During the audit, it was noted that regular maintenance was not being performed, as one terminated employee still had authorized access and one current employee had access to a module from which they should have been restricted. StanCERA has now put into place a quarterly monitoring to review staff module access to minimize unauthorized access to member data.

**Fiscal Year 2011 Status**

We were unable to verify a quarterly monitoring process is in place to review staff module access to minimize unauthorized access to member data. We recommend management implement a formal process which should include documentation to record the results of their review.

**Fiscal Year 2011 Management Response**

Management concurs with this recommendation. MGO recommends that management implement controls to ensure that only authorized personnel can have access to the required modules within the member data system to perform their job duties to mitigate the chance of unauthorized access and data manipulation.

System security is in place and is being monitored on a quarterly basis. However, to improve this process staff will create written controls to ensure that only authorized personnel have access to the required modules. This form will be used when auditing access and be signed off by the appropriate personnel quarterly.

**Fiscal Year 2012 Status**

MGO verified a quarterly monitoring process is in place to review staff module access to minimize unauthorized access to member data. MGO considers this recommendation implemented.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Summary of Material Financial Statement Adjustments**  
**June 30, 2012**

Account Description and Explanation	Increase / (Decrease)			
	Assets	Liabilities	Additions	Deductions
<b>1</b> Security Transactions Receivable	\$ 16,550,311			
Unrealized Gain			\$ 182,624	
U.S. Government Obligation	(16,655,819)			
Realized Gain			(77,116)	
To record pending investment sales as of June 30, 2012 which were recorded on the settlement date rather than the trade date as required by generally accepted accounting principles.				
<b>2</b> Security Transactions Receivable	1,063,945			
Unrealized Gain			(2,051)	
U.S. Government Obligation	(1,063,945)			
Realized Gain			2,051	
To record pending investment sales as of June 30, 2012 which were recorded on the settlement date rather than the trade date as required by generally accepted accounting principles.				
<b>3</b> Security Transactions Receivable	692,213			
Security Transactions Payable		691,949		
Cash	(264)			
To record foreign exchange receivables and payables at gross values as they were reported at net values as of June 30, 2012.				



11/27/12

Item #5f

**SACRS Business Meeting Agenda**  
**Friday, November 16, 2012**  
**10:00 a.m.**  
**The Hollywood Loews**  
**Hollywood, CA**

**SACRS Parliamentarian – Dave Muir, Los Angeles County Retiree**  
**Sergeant at Arms – Need Volunteer - TBD**

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**1. County Roll Call**

John Kelly, SACRS Secretary

**2. Secretary's Report**

John Kelly, SACRS Secretary

- May 2012 SACRS Business Meeting Minutes – Receive and File

**3. Treasurer's 2011-2012 Report – Receive and File**

Tom Ford, SACRS Treasurer

- SACRS Financials – May 2012 – September 2012

**4. Board of Directors Report – No Action**

Doug Rose, SACRS President

- Board of Directors Update

**5. Audit Committee Report – SACRS 2011-2012 Fiscal Audit- Receive and File**

Steve Delaney, Audit Committee Chair

- 2011 – 2012 Audit

**6. SACRS Executive Director Report – No Action**

Robert Palmer, SACRS Executive Director

- Projects for 2012-2013

**7. SACRS Legislative Proposals 2012-2012 – Action Item**

Richard Stensrud, Legislative Committee Chair

**Proposals recommended by the Committee for 2013 SACRS Sponsorship:**

- LACERA #1 Telephone Transactions
- LACERA #2 Disclosure of Real Estate Investments
- SAN JOAQUIN #1 Alternative Investment Disclosure Rules

8. SACRS Nomination Committee – No Action  
Ray McCray, Nomination Committee Chair

- Schedule for the Spring 2013 Board of Directors Election

DEADLINE	DESCRIPTION
February 1, 2013	Nominating Committee receives nominations from SACRS membership
March 1, 2013	Nominating Committee submits its recommended ballot to each 1937 Act Board
March 24, 2013	Nominating Committee receives nominations from any 1937 Act Board
April 1, 2013	Nominating Committee submits final ballot to each 1937 Act Board – ballot consists of recommended ballot plus anybody else who is nominated but not recommended by the NC
May 11, 2013	Conduct elections during the SACRS Business Meeting (at end of the May 2013 conference)
May 11, 2013	Board of Directors take office for 1 year

9. SACRS Committee & Breakout Reports:

<b><i>Committee</i></b>	<b><i>Breakout Reports</i></b>
Affiliate	Administrators
Audit	Counsels
Bylaws	Disability
Education	Internal Auditors
Legislative	Investment Officers
Nomination	Internet Technology
Program	Operations & Benefits
	Safety Trustees
	General Trustees

Next scheduled SACRS Association Business Meeting will be held Friday, May 17, 2013 at the Napa Valley Marriott Hotel and Spa, Napa, California.



**SACRS Business Meeting Agenda**  
**Friday, November 16, 2012**  
**10:00 a.m.**  
**The Hollywood Loews**  
**Hollywood, CA**

**2. Secretary's Report**

John Kelly, SACRS Secretary

- May 2012 SACRS Business Meeting Minutes – Receive and File

**SACRS Parliamentarian – Dave Muir, LACERA Retiree**  
**Sergeant at Arms – NA**  
**Meeting called to order at 9:15 AM**

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**1. SACRS System Roll Call**

Vacant, SACRS Secretary -In absence of a Secretary, Doug Rose, SACRS President, took roll call.

19 Systems present at the time of roll call. However, Mendocino arrived at the end of the meeting, raising the total to all 20 Systems present at the end of the meeting.

**2. Secretary's Report**

Vacant, SACRS Secretary – In absence of a Secretary, Doug Rose, SACRS President, presented the Secretary's report.

**A. November 2011 SACRS Business Meeting Minutes – Receive and File**

**Motion:** A motion to receive and file the November 2011 SACRS Business Meeting Minutes was submitted by San Diego.

**2<sup>nd</sup>:** San Bernardino

**Yes:** All

**Absent:** Mendocino

**Motion Passes**

**3. Treasurer's 2011-2012 Report – Receive and File**

Vacant, SACRS Treasurer - In absence of a Treasurer, Doug Rose, SACRS President, presented the Treasurer's report.

**A. July 2011 Thru March 2012 – Receive and File**

**B. SACRS 2012-2013 Budget – Receive and File**

**Motion:** A motion to receive and file the treasurer's report, item A & B, were submitted by San Diego.

**2<sup>nd</sup>:** Sonoma

**Yes:** All

**Absent:** Mendocino

**Motion Passes**

**4. Board of Directors Report – No Action**

Doug Rose, SACRS President

- **Board of Directors Update – A verbal update was given by Doug Rose, SACRS President.**

Mr. Rose updated the membership on the current vacancies on the Board and reasons:

Rich White, SACRS President

Step Down/Retired

Doug Rose, SACRS Vice President

Moved Up to President, per bylaws

Yves Chery, SACRS Secretary

Moved Up to Vice President, per bylaws

Secretary

Vacant

Treasurer

Vacant

5. SACRS Executive Director Report – No Action

Robert Palmer, SACRS Executive Director

- Projects for 2012 – A verbal report was given by Robert Palmer, SACRS Executive Director, on the SACRS Projects for 2012. Mr. Palmer showed a power point presentation and reviewed.

6. SACRS Nomination Committee – 2012-2013 SACRS BOD Elections

Ray McCray, Nomination Committee Chair

A. Nomination Committee Slate

**Motion:** A motion to approve the Nomination Committee 2012-2013 SACRS BOD slate of candidates was submitted by San Diego.

**2<sup>nd</sup>:** San Bernardino

**Yes:** All

**Motion Passes**

SACRS elected officers that will serve as SACRS BOD 2012-2013 are:

Doug Rose, SACRS President	San Diego
Yves Chery, SACRS Vice President	Los Angeles
Tom Ford, SACRS Treasurer	Sonoma
John Kelly, SACRS Secretary	Sacramento
Ray McCray, SACRS Past President	San Joaquin (automatic position/non-elected)

7. SACRS Committee & Breakout Reports:

Committee	Representative	Report	Breakout Reports	Representative	Report
Affiliate	Susan Marshall	Reviewed new lobbyist law, looking for ideas for next meeting, and review with new member	Administrators	Jeff Wickman	3 New Administrators, discussed discount rate, looking for a fall representative
Audit	Steve Delaney	Unhappy with audit timeline, has an rfp for auditors	Counsels	Jeff Berk	No Report
Bylaws	Maya Gladstern	Looking forward to reviewing proposed bylaw changes for Audit committee	Disability	Ricki Contreras	No Report
Education	Christie Porter	Report given by Kathy Foster, conference well received, good sessions, updating the trustee handbook the committee would like to see more evaluations turned in, looking for ideas for participation	Internal Auditors	Harsh Jadhav	Report given by Kathy Foster, good turn out and Harsh will serve as fall representative
Legislative	Richard Stensrud	Update on the 2012 leg platform	Investment Officers	Don Pierce	No Report

		and PEPRA – deferred to the leg mtg			
Nomination	Ray McCray	Discussed the new slate	Operations & Benefits	Helen Olson	Report given by Kathy Foster, good session, LACERA will find a fall representative
Program	Doug Rose	Great job to the program committee and SACRS BOD, Volunteers and Sulema, Maria and Sarah - SLGS	Safety Trustees	Tracy Towner	Report given by Skip Murphy, well attended, Tracy will be fall representative
			General Trustees	Don Neely	Report given by Don, great discussion during the roundtable, Jim Lites did a great job and Darryl and Don will serve as the fall representatives

**Meeting Adjourned at: 11:05 a.m.**

**Next scheduled SACRS Business Meeting will be held Friday, November 16<sup>th</sup>, 2012 at the Loews Hollywood Hotel, Hollywood, CA**

Minutes respectfully submitted by

*John Kelly, SACRS Secretary*

*Sulema H. Peterson, SACRS Administrator*





**SACRS Business Meeting Agenda**  
**Friday, November 16, 2012**  
**10:00 a.m.**  
**The Hollywood Loews**  
**Hollywood, CA**

3. Treasurer's 2011-2012 Report – Receive and File  
Tom Ford, SACRS Treasurer
- SACRS Financials – May 2012 – September 2012

**State Association of County Retirement System**  
**Balance Sheet**  
As of May 31, 2012

	<u>Total</u>
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
Bank of Sacramento - Checking	17,726.77
Bank of Sacramento CD FLEX #0642	56,214.93
Bank of Sacramento CDARS #1837	252,735.40
Bank of Sacramento MMA #0719	167.83
BofA Interest Checking 4389	310,958.00
BofA Interest Maximizer 3168	646,259.61
Total Bank Accounts	<u>\$ 1,284,062.54</u>
Total Current Assets	<u>\$ 1,284,062.54</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,284,062.54</u></u>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Total Liabilities	
Equity	
Opening Balance Equity	678,041.75
Retained Earnings	424,942.46
Net Income	181,078.33
Total Equity	<u>\$ 1,284,062.54</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>\$ 1,284,062.54</u></u>

**State Association of County Retirement System**  
**Budget vs. Actuals: 11-SACRS 2011-2012 - FY12 P&L**  
 July 2011 - May 2012

	<b>Total</b>		
	<b>Actual</b>	<b>Budget</b>	<b>Budget Variance</b>
<b>Income</b>			
<b>Billable Expense Income</b>	692.00	55,682.00	(54,990.00)
<b>Conference Registration</b>	917,905.57	779,163.00	138,742.57
<b>Membership Dues -</b>			
<b>Affiliates</b>	208,000.00	183,326.00	24,674.00
<b>Membership Dues-</b>			
<b>Systems</b>	94,000.00	86,163.00	7,837.00
<b>Non Profit Income</b>	8,895.30	8,701.00	194.30
<b>Refunds-Allowances</b>	1,076.16		1,076.16
<b>Service/Fee Income</b>	0.00		-
<b>Sponsorships</b>	20,500.00	45,826.00	(25,326.00)
<b>UC Berkeley Registration</b>	30,022.24	68,750.00	(38,727.76)
<b>Total Income</b>	<b>\$ 1,281,091.27</b>	<b>\$ 1,227,611.00</b>	<b>53,480.27</b>
<b>Gross Profit</b>	<b>\$ 1,281,091.27</b>	<b>\$ 1,227,611.00</b>	<b>53,480.27</b>
<b>Expenses</b>			
<b>Administrative Fee</b>	146,342.25	151,250.00	(4,907.75)
<b>Audio/Visual equipment</b>	78,700.00	68,750.00	9,950.00
<b>Bank Charges</b>	31,427.59	13,750.00	17,677.59
<b>Berkeley &amp; Symposium</b>	139,439.40	123,750.00	15,689.40
<b>BofA Credit Card Holding</b>			
<b>Account</b>	593.58		593.58
<b>CEO</b>	40,013.44	91,663.00	(51,649.56)
<b>CERL</b>		22,913.00	(22,913.00)
<b>Commissions &amp; Fees</b>	6,997.27		6,997.27
<b>Consulting</b>	28,337.02	27,500.00	837.02
<b>Dues &amp; Subscriptions</b>	395.00	407.00	(12.00)
<b>Education</b>	20,534.72	25,113.00	(4,578.28)
<b>Hotels</b>	369,945.37	363,957.00	5,988.37
<b>Legal &amp; Professional Fees</b>	20,278.26	22,913.00	(2,634.74)
<b>Lobby</b>	38,500.00	38,500.00	-
<b>Meals and Entertainment</b>	79,432.91	75,163.00	4,269.91

	<b>Total</b>		
	<b>Actual</b>	<b>Budget</b>	<b>Budget Variance</b>
Office Expenses	1,030.07	1,782.00	(751.93)
Postage	2,741.20	1,375.00	1,366.20
Printing/badges	2,913.07	27,500.00	(24,586.93)
Program Material	29,831.91		29,831.91
Speakers	48,330.96	55,000.00	(6,669.04)
Stationery & Printing	646.50		646.50
Supplies	267.33		267.33
Travel	12,459.27	13,750.00	(1,290.73)
Travel Meals	1,207.91		1,207.91
<b>Total Expenses</b>	<b>\$ 1,100,365.03</b>	<b>\$ 1,125,036.00</b>	<b>(24,670.97)</b>
<b>Net Operating Income</b>	<b>\$ 180,726.24</b>	<b>\$ 102,575.00</b>	<b>78,151.24</b>
Other Income			
Interest Earned	740.65	990.00	(249.35)
Safety Trust		2,728.00	(2,728.00)
<b>Total Other Income</b>	<b>\$ 740.65</b>	<b>\$ 3,718.00</b>	<b>(2,977.35)</b>
Other Expenses			
Miscellaneous	138.56		138.56
Refunds	250.00		250.00
<b>Total Miscellaneous</b>	<b>\$ 388.56</b>	<b>\$ 0.00</b>	<b>388.56</b>
<b>Total Other Expenses</b>	<b>\$ 388.56</b>	<b>\$ 0.00</b>	<b>388.56</b>
<b>Net Other Income</b>	<b>\$ 352.09</b>	<b>\$ 3,718.00</b>	<b>(3,365.91)</b>
<b>Net Income</b>	<b>\$ 181,078.33</b>	<b>\$ 106,293.00</b>	<b>74,785.33</b>

# **State Association of County Retirement System**

## **Profit & Loss**

July 2011 - May 2012

	<u>Total</u>
<b>Income</b>	
Billable Expense Income	692.00
Conference Registration	917,905.57
Membership Dues - Affiliates	208,000.00
Membership Dues-Systems	94,000.00
Non Profit Income	8,895.30
Refunds-Allowances	1,076.16
Service/Fee Income	0.00
Sponsorships	20,500.00
UC Berkeley Registration	30,022.24
<b>Total Income</b>	<b>\$ 1,281,091.27</b>
<b>Gross Profit</b>	<b>\$ 1,281,091.27</b>
<b>Expenses</b>	
Administrative Fee	146,342.25
Audio/Visual equipment	78,700.00
Bank Charges	31,427.59
Berkeley & Symposium	139,439.40
BofA Credit Card Holding	
Account	593.58
CEO	40,013.44
Commissions & Fees	6,997.27
Consulting	28,337.02
Dues & Subscriptions	395.00
Education	20,534.72
Hotels	369,945.37
Legal & Professional Fees	20,278.26
Lobby	38,500.00
Meals and Entertainment	79,432.91
Office Expenses	1,030.07
Postage	2,741.20
Printing/badges	2,913.07

Program Material	29,831.91
Speakers	48,330.96
Stationery & Printing	646.50
Supplies	267.33
Travel	12,459.27
Travel Meals	1,207.91
<b>Total Expenses</b>	<b>\$ 1,100,365.03</b>
<b>Net Operating Income</b>	<b>\$ 180,726.24</b>
Other Income	
Interest Earned	740.65
<b>Total Other Income</b>	<b>\$ 740.65</b>
Other Expenses	
Miscellaneous	138.56
Refunds	250.00
<b>Total Miscellaneous</b>	<b>\$ 388.56</b>
<b>Total Other Expenses</b>	<b>\$ 388.56</b>
<b>Net Other Income</b>	<b>\$ 352.09</b>
<b>Net Income</b>	<b>\$ 181,078.33</b>

**State Association of County Retirement System**  
**General Ledger**  
May 2012

**Bank of Sacramento - Checking**

Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Beginning Balance							61,062.80
05/02/2012	Check	1031	Gary Dietrich	Speaker Fee	Speakers	-2,750.00	58,312.80
05/02/2012	Deposit				-SPLIT-	11,250.00	69,562.80
05/02/2012	Check	1035	Commerce Printing The Xceptional Music	Invoice #023528 - Spring Conference Brochures/Mailers	Printing/badges	-2,218.30	67,344.50
05/02/2012	Check	1034	Company	Spring Conference Music	Speakers	-6,000.00	61,344.50
05/02/2012	Check	1033	SLGS	Invoice #934 - Financial Services	Administrative Fee	-291.66	61,052.84
05/02/2012	Check	1032	Robert Palmer	April 2012 Services - 41.99 hours	CEO	-4,199.00	56,853.84
05/08/2012	Deposit				Conference Registration	2,260.00	59,113.84
05/08/2012	Deposit				-SPLIT-	22,680.00	81,793.84
05/14/2012	Check	1040	UC Regents/Haas/Executive Education	SACRS July 2012 Program, Third of Three Installments	Berkeley & Symposium	-26,368.00	55,425.84
05/14/2012	Check	1036	Institute for Local Government Edelstein Gilbert Robson &	Ethics Materials - Spring 2012 May 2012 Legislative Services & April 13 Travel	Education	-2,430.00	52,995.84
05/14/2012	Check	1037	Smith	Reimbursement	-SPLIT-	-3,841.60	49,154.24
05/14/2012	Check	1038	Schott & Lites	Consulting Services April 2012	Consulting	-2,500.00	46,654.24
05/14/2012	Check	1039	SLGS	Invoice #940 - Management Services	Administrative Fee	-12,027.50	34,626.74
05/22/2012	Check	1041	Bank of America Credit Card	Account #5926 - 4/6/12 - 5/5/12	-SPLIT-	-330.50	34,296.24
05/22/2012	Deposit				Conference Registration	1,320.00	35,616.24
05/22/2012	Check	1045	Commerce Printing	Invoice #022785	Program Material	-576.46	35,039.78
05/22/2012	Check	1044	Marco	Invoice #257385	-SPLIT-	-213.20	34,826.58
05/22/2012	Check	1043	Harrison Marketing	Invoice #2671	Program Material	-3,099.63	31,726.95
05/22/2012	Check	1042	Ambience Sound and Video	Invoice #051412	Audio/Visual equipment	-5,500.00	26,226.95
05/22/2012	Check	1046	Commerce Printing	Invoice #023702	Education	-8,402.56	17,824.39
05/22/2012	Check	1047	Commerce Printing	Invoice #023788	-SPLIT-	-8,779.70	9,044.69
05/22/2012	Deposit				-SPLIT-	12,980.00	22,024.69
			INTERE				
05/31/2012	Deposit	ST		Interest Earned	Interest Earned	8.58	22,033.27
05/31/2012	Check	1051	Commerce Printing	Invoice #023802	Berkeley & Symposium	-2,951.50	19,081.77
05/31/2012	Deposit				Conference Registration	3,800.00	22,881.77

Total for Bank of Sacramento - Checking Bank of Sacramento CD FLEX #0642	05/31/2012	Check	1052	Sacramento Convention Center	Contract #26690 - Deposit for Spring 2014	Hotels	-4,700.00	18,181.77
	05/31/2012	Check	1050	Cisco WebEx, LLC	Invoice #4909450	Administrative Fee	-455.00	17,726.77
	05/31/2012	Check	1048		Voided - check printed on by mistake	Administrative Fee	0.00	17,726.77
	05/31/2012	Check	1049		Voided - check printed on by mistake	Administrative Fee	0.00	17,726.77
							<u>-43,336.03</u>	
Total for Bank of Sacramento CD FLEX #0642 Bank of Sacramento CDARS #1837	Beginning Balance							56,214.93
	Beginning Balance							252,671.01
Total for Bank of Sacramento CDARS #1837 Bank of Sacramento MMA #0719	05/31/2012	Deposit	INTEREST	Interest Earned	Interest Earned		64.39	252,735.40
							<u>64.39</u>	
Total for Bank of Sacramento MMA #0719 BofA Interest Checking 4389	Beginning Balance							167.83
	Beginning Balance							237,770.29
	05/01/2012	Deposit				-SPLIT-	3,289.99	241,060.28
	05/01/2012	Deposit				Conference Registration	7,190.00	248,250.28
	05/03/2012	Deposit				Conference Registration	7,880.00	256,130.28
	05/04/2012	Deposit				-SPLIT-	7,367.85	263,498.13
	05/04/2012	Deposit				Conference Registration	720.00	264,218.13
	05/07/2012	Deposit				-SPLIT-	1,242.24	265,460.37
	05/07/2012	Deposit				Conference Registration	3,560.00	269,020.37
	05/07/2012	Deposit				-SPLIT-	9,015.94	278,036.31
	05/08/2012	Deposit				-SPLIT-	7,773.70	285,810.01
	05/08/2012	Deposit				Conference Registration	2,560.00	288,370.01
	05/09/2012	Deposit				Conference Registration	1,280.00	289,650.01
	05/11/2012	Deposit				-SPLIT-	1,242.24	290,892.25
	05/14/2012	Deposit				-SPLIT-	2,591.23	293,483.48
	05/15/2012	Check	EFT	Member Clicks	Invoice #102970	Bank Charges	-2,144.40	291,339.08



	05/16/2012	Deposit			Conference Registration	12.00	291,351.08
	05/18/2012	Deposit			-SPLIT-	2,591.23	293,942.31
	05/23/2012	Deposit			Conference Registration	5,120.00	299,062.31
	05/29/2012	Deposit			-SPLIT-	13,868.20	312,930.51
	05/31/2012	Check	SVCCH RG	Service Charge	Bank Charges	-1,974.98	310,955.53
	05/31/2012	Deposit	INTERE ST	Interest Earned	Interest Earned	2.47	310,958.00
<b>Total for BofA Interest Checking 4389</b>						<b>73,187.71</b>	
<b>BofA Interest Maximizer 3168</b>							
	Beginning						646,219.88
	Balance						
	05/31/2012	Deposit	INTERE ST	Interest Earned	Interest Earned	54.73	646,274.61
	05/31/2012	Check	SVCCH RG	Service Charge	Bank Charges	-15.00	646,259.61
<b>Total for BofA Interest Maximizer 3168</b>						<b>39.73</b>	
<b>Opening Balance Equity</b>							
	Beginning						678,041.75
	Balance						
<b>Total for Opening Balance Equity</b>							
<b>Billable Expense Income</b>							
	Beginning						692.00
	Balance						
<b>Total for Billable Expense Income</b>							
<b>Retained Earnings</b>							
	Beginning						424,942.46
	Balance						
<b>Total for Retained Earnings</b>							
<b>Conference Registration</b>							
	Beginning						797,303.57
	Balance						
	05/01/2012	Deposit		3 @ \$1,130	BofA Interest Checking 4389	3,390.00	800,693.57
	05/01/2012	Deposit		4 @ \$1,130 / 1 @ \$2,670	BofA Interest Checking 4389	7,190.00	807,883.57
	05/02/2012	Deposit		7 @ \$120 / 7 @ \$1,130	Bank of Sacramento - Checking	8,750.00	816,633.57
	05/03/2012	Deposit		3 @ \$1,280 / 2 @ \$120 / 1 @ \$1,130 / 1 @ \$2,670	BofA Interest Checking 4389	7,880.00	824,513.57
	05/04/2012	Deposit		2 @ \$2,670 / 2 @ \$1,130	BofA Interest Checking 4389	7,600.00	832,113.57

	05/04/2012	Deposit	6 @ \$120	BofA Interest Checking 4389	720.00	832,833.57
	05/07/2012	Deposit	1 @ \$1,280 / 3 @ \$2,670	BofA Interest Checking 4389	9,290.00	842,123.57
	05/07/2012	Deposit	1 @ \$1,280	BofA Interest Checking 4389	1,280.00	843,403.57
	05/07/2012	Deposit	1 @ \$1,000 / 2 @ \$1,280	BofA Interest Checking 4389	3,560.00	846,963.57
	05/08/2012	Deposit	3 @ \$2,670	BofA Interest Checking 4389	8,010.00	854,973.57
	05/08/2012	Deposit	2 @ \$1,280	BofA Interest Checking 4389	2,560.00	857,533.57
	05/08/2012	Deposit	11 @ \$120 / 1 @ \$1,020 / 9 @ \$1,130 / 1 @ \$2,670	Bank of Sacramento - Checking	15,180.00	872,713.57
	05/08/2012	Deposit	2 @ \$1,130	Bank of Sacramento - Checking	2,260.00	874,973.57
	05/09/2012	Deposit	1 @ \$1,280	BofA Interest Checking 4389	1,280.00	876,253.57
	05/11/2012	Deposit	1 @ \$1,280	BofA Interest Checking 4389	1,280.00	877,533.57
	05/14/2012	Deposit	1 @ \$2,670	BofA Interest Checking 4389	2,670.00	880,203.57
	05/16/2012	Deposit	1 @ \$12	BofA Interest Checking 4389	12.00	880,215.57
	05/18/2012	Deposit	1 @ \$2,670	BofA Interest Checking 4389	2,670.00	882,885.57
	05/22/2012	Deposit	11 @ \$120	Bank of Sacramento - Checking	1,320.00	884,205.57
	05/22/2012	Deposit	9 @ \$120 / 3 @ \$500 / 2 @ \$1,280 / 2 @ 2,670	Bank of Sacramento - Checking	10,480.00	894,685.57
	05/23/2012	Deposit	4 @ \$1,280	BofA Interest Checking 4389	5,120.00	899,805.57
	05/29/2012	Deposit	7 @ \$1,280 / 2 @ \$2,670	BofA Interest Checking 4389	14,300.00	914,105.57
	05/31/2012	Deposit	1 @ \$1,130 / 1 @ \$2,670	Bank of Sacramento - Checking	3,800.00	917,905.57
Total for Conference Registration Membership Dues - Affiliates					<u>120,602.00</u>	
		Beginning Balance				206,000.00
	05/08/2012	Deposit	2 @ \$1,000	Bank of Sacramento - Checking	<u>2,000.00</u>	208,000.00
Total for Membership Dues - Affiliates Membership Dues-Systems					<u>2,000.00</u>	

Total for Membership Dues-Systems Non Profit Income	Beginning Balance							94,000.00
Total for Non Profit Income Refunds-Allowances	Beginning Balance							8,895.30
Total for Refunds-Allowances Sponsorships	Beginning Balance							1,076.16
Total for Sponsorships UC Berkeley Registration	Beginning Balance							20,000.00
	05/08/2012	Deposit		1 @ \$500	Bank of Sacramento - Checking	<u>500.00</u>	20,500.00	
						<b>500.00</b>		
Total for UC Berkeley Registration Administrative Fee	Beginning Balance							20,022.24
	05/02/2012	Deposit		1 @ \$2,500	Bank of Sacramento - Checking	2,500.00	22,522.24	
	05/08/2012	Deposit		2 @ \$2,500	Bank of Sacramento - Checking	5,000.00	27,522.24	
	05/22/2012	Deposit		1 @ \$2,500	Bank of Sacramento - Checking	<u>2,500.00</u>	30,022.24	
						<b>10,000.00</b>		
Total for Administrative Fee Audio/Visual equipment	Beginning Balance							133,513.99
	05/02/2012	Check	1033	SLGS Invoice #934 - Financial Services	Bank of Sacramento - Checking	291.66	133,805.65	
	05/14/2012	Check	1039	SLGS Invoice #940 - Management Services	Bank of Sacramento - Checking	12,027.50	145,833.15	
	05/22/2012	Check	1041	Bank of America Credit Card Pay Flow Pro	Bank of Sacramento - Checking	54.10	145,887.25	
	05/31/2012	Check	1049		Bank of Sacramento - Checking	0.00	145,887.25	
	05/31/2012	Check	1050	Cisco WebEx, LLC Invoice #455.00	Bank of Sacramento - Checking	455.00	146,342.25	
	05/31/2012	Check	1048		Bank of Sacramento - Checking	<u>0.00</u>	146,342.25	
						<b>12,828.26</b>		

							Beginning Balance		73,200.00
Total for Audio/Visual equipment Bank Charges	05/22/2012	Check	1042	Ambience Sound and Video	Invoice #051412		Bank of Sacramento - Checking	<u>5,500.00</u> <b>5,500.00</b>	78,700.00
							Beginning Balance		25,770.83
	05/01/2012	Deposit					BofA Interest Checking 4389	100.01	25,870.84
	05/04/2012	Deposit					BofA Interest Checking 4389	232.15	26,102.99
	05/07/2012	Deposit					BofA Interest Checking 4389	37.76	26,140.75
	05/07/2012	Deposit					BofA Interest Checking 4389	274.06	26,414.81
	05/08/2012	Deposit					BofA Interest Checking 4389	236.30	26,651.11
	05/11/2012	Deposit					BofA Interest Checking 4389	37.76	26,688.87
	05/14/2012	Deposit					BofA Interest Checking 4389	78.77	26,767.64
	05/15/2012	Check	EFT	Member Clicks			BofA Interest Checking 4389	2,144.40	28,912.04
	05/18/2012	Deposit					BofA Interest Checking 4389	78.77	28,990.81
	05/22/2012	Check	1041	Bank of America Credit Card	Monthly Reporting Fee		Bank of Sacramento - Checking	15.00	29,005.81
	05/29/2012	Deposit					BofA Interest Checking 4389	431.80	29,437.61
	05/31/2012	Check	SVCCH RG SVCCH				BofA Interest Checking 4389	1,974.98	31,412.59
Total for Bank Charges Berkeley & Symposium	05/31/2012	Check	RG				BofA Interest Maximizer 3168	<u>15.00</u> <b>5,656.76</b>	31,427.59
							Beginning Balance		110,119.90
	05/14/2012	Check	1040	UC Regents/Haas/Executive Education	SACRS July 2012 Program, Third of Three Installments		Bank of Sacramento - Checking	26,368.00	136,487.90
Total for Berkeley & Symposium	05/31/2012	Check	1051	Commerce Printing	Design & Layout of Program		Bank of Sacramento - Checking	<u>2,951.50</u> <b>29,319.50</b>	139,439.40



	Beginning Balance							35,000.00
	05/14/2012	Check	1037	Edelstein Gilbert Robson & Smith	May 2012 Legislative Services	Bank of Sacramento - Checking	<u>3,500.00</u>	38,500.00
<b>Total for Lobby Meals and Entertainment</b>							<b>3,500.00</b>	
	Beginning Balance							79,432.91
<b>Total for Meals and Entertainment Office Expenses</b>								
	Beginning Balance							1,030.07
<b>Total for Office Expenses Postage</b>								
	Beginning Balance							2,741.20
<b>Total for Postage Printing/badges</b>								
	Beginning Balance							497.57
	05/02/2012	Check	1035	Commerce Printing	Invoice #023528 - Spring Conference Brochures/Mailers	Bank of Sacramento - Checking	2,218.30	2,715.87
	05/22/2012	Check	1044	Marco	Badges and badge holders	Bank of Sacramento - Checking	<u>197.20</u>	2,913.07
<b>Total for Printing/badges Program Material</b>							<b>2,415.50</b>	
	Beginning Balance							17,676.12
	05/22/2012	Check	1045	Commerce Printing	Invoice #022785 - Board Meeting Report January 2012	Bank of Sacramento - Checking	576.46	18,252.58
	05/22/2012	Check	1043	Harrison Marketing	Invoice #2671 - Beenies, Scarves & Gloves Programs, pocket agenda, design, name tags & conference posters	Bank of Sacramento - Checking	3,099.63	21,352.21
	05/22/2012	Check	1047	Commerce Printing		Bank of Sacramento - Checking	<u>8,479.70</u>	29,831.91
<b>Total for Program Material Speakers</b>							<b>12,155.79</b>	
	Beginning Balance							39,280.96
	05/02/2012	Check	1031	Gary Dietrich	Speaker Fee	Bank of Sacramento - Checking	2,750.00	42,030.96
	05/02/2012	Check	1034	The Xceptional Music Company	Spring Conference Music	Bank of Sacramento - Checking	6,000.00	48,030.96
	05/22/2012	Check	1047	Commerce Printing	Misc. Copies	Bank of Sacramento - Checking	300.00	48,330.96

Total for Speakers								<u>9,050.00</u>	
Stationery & Printing									
				Beginning					
				Balance					646.50
Total for Stationery & Printing									
Supplies									
				Beginning					
				Balance					40.93
	05/22/2012	Check	1041	Bank of America Credit Card	Quill	Bank of Sacramento -			
						Checking	173.91	214.84	
	05/22/2012	Check	1041	Bank of America Credit Card	Containerstore	Bank of Sacramento -			
						Checking	36.49	251.33	
	05/22/2012	Check	1044	Marco	Table Tents	Bank of Sacramento -			
						Checking	<u>16.00</u>	267.33	
Total for Supplies								<u>226.40</u>	
Travel									
				Beginning					
				Balance					12,066.67
	05/14/2012	Check	1037	Edelstein Gilbert Robson & Smith	April 13 PERS Hearing	Bank of Sacramento -			
						Checking	341.60	12,408.27	
	05/22/2012	Check	1041	Bank of America Credit Card	Parking - 24 City Park	Bank of Sacramento -			
						Checking	<u>51.00</u>	12,459.27	
Total for Travel								<u>392.60</u>	
Travel Meals									
				Beginning					
				Balance					1,207.91
Total for Travel Meals									
Interest Earned									
				Beginning					
				Balance					610.48
	05/31/2012	Deposit		INTERE		BofA Interest Maximizer			
				ST		3168	54.73	665.21	
	05/31/2012	Deposit		INTERE		Bank of Sacramento -			
				ST		Checking	8.58	673.79	
	05/31/2012	Deposit		INTERE		Bank of Sacramento			
				ST		CDARS #1837	64.39	738.18	
	05/31/2012	Deposit		INTERE		BofA Interest Checking			
				ST		4389	<u>2.47</u>	740.65	
Total for Interest Earned								<u>130.17</u>	
Miscellaneous									
				Beginning					
				Balance					138.56
Total for Miscellaneous									
Refunds									

Total for Refunds	Beginning		
Total for Miscellaneous with sub-accounts	Balance	_____	250.00
		_____	

Tuesday, Jun 19, 2012 01:33:32 PM GMT-7 - Cash Basis



# State Association of County Retirement System

## Balance Sheet Summary

As of June 30, 2012

	<u>Total</u>
<b>ASSETS</b>	
Current Assets	
Bank Accounts	1,106,758.59
Total Current Assets	<u>\$ 1,106,758.59</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,106,758.59</u>
 <b>LIABILITIES AND EQUITY</b>	
Liabilities	
Total Liabilities	
Equity	1,106,758.59
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 1,106,758.59</u>

Friday, Jul 13, 2012 10:17:00 AM GMT-7 - Cash Basis

**State Association of County Retirement System**  
**Budget vs. Actuals: 11-SACRS 2011-2012 - FY12 P&L**  
 July 2011 - June 2012

	<u>Actual</u>	<u>Total Budget</u>	<u>Over Budget</u>
<b>Income</b>			
Billable Expense Income	692.00	60,750.00	-60,058.00
Conference Registration	926,945.57	850,000.00	76,945.57
Membership Dues - Affiliates	208,000.00	200,000.00	8,000.00
Membership Dues-Systems	94,000.00	94,000.00	0.00
Non Profit Income	8,895.30	9,500.00	-604.70
Refunds-Allowances	1,076.16		1,076.16
Service/Fee Income	0.00		0.00
Sponsorships	41,000.00	50,000.00	-9,000.00
UC Berkeley Registration	50,022.24	75,000.00	-24,977.76
UC Berkeley Sponsorships	10,000.00		10,000.00
<b>Total Income</b>	<b>\$ 1,340,631.27</b>	<b>\$ 1,339,250.00</b>	<b>\$ 1,381.27</b>
<b>Gross Profit</b>	<b>\$ 1,340,631.27</b>	<b>\$ 1,339,250.00</b>	<b>\$ 1,381.27</b>
<b>Expenses</b>			
Administrative Fee	160,260.99	165,000.00	-4,739.01
Audio/Visual equipment	78,700.00	75,000.00	3,700.00
Bank Charges	33,837.20	15,000.00	18,837.20
Berkeley & Symposium	139,439.40	135,000.00	4,439.40
CEO	44,363.44	100,000.00	-55,636.56
CERL		25,000.00	-25,000.00
Commissions & Fees	21,424.08		21,424.08
Consulting	30,837.02	30,000.00	837.02
Dues & Subscriptions	395.00	445.00	-50.00
Education	32,683.97	27,400.00	5,283.97
Hotels	545,627.22	397,050.00	148,577.22
Legal & Professional Fees	20,278.26	25,000.00	-4,721.74
Lobby	42,000.00	42,000.00	0.00
Meals and Entertainment	79,786.91	82,000.00	-2,213.09
Office Expenses	1,030.07	1,950.00	-919.93
Postage	3,023.46	1,500.00	1,523.46
Printing/badges	2,913.07	30,000.00	-27,086.93
Program Material	29,831.91		29,831.91
Speakers	50,466.24	60,000.00	-9,533.76
Stationery & Printing	646.50		646.50
Supplies	339.49		339.49

Travel	17,794.73	15,000.00	2,794.73
Travel Meals	1,435.62		1,435.62
<b>Total Expenses</b>	<b>\$ 1,337,114.58</b>	<b>\$ 1,227,345.00</b>	<b>\$ 109,769.58</b>
<b>Net Operating Income</b>	<b>\$ 3,516.69</b>	<b>\$ 111,905.00</b>	<b>-\$ 108,388.31</b>
<b>Other Income</b>			
Interest Earned	846.69	1,080.00	-233.31
Safety Trust		2,979.00	-2,979.00
<b>Total Other Income</b>	<b>\$ 846.69</b>	<b>\$ 4,059.00</b>	<b>-\$ 3,212.31</b>
<b>Other Expenses</b>			
Miscellaneous	339.00		339.00
Refunds	250.00		250.00
<b>Total Miscellaneous</b>	<b>\$ 589.00</b>	<b>\$ 0.00</b>	<b>\$ 589.00</b>
<b>Total Other Expenses</b>	<b>\$ 589.00</b>	<b>\$ 0.00</b>	<b>\$ 589.00</b>
<b>Net Other Income</b>	<b>\$ 257.69</b>	<b>\$ 4,059.00</b>	<b>-\$ 3,801.31</b>
<b>Net Income</b>	<b>\$ 3,774.38</b>	<b>\$ 115,964.00</b>	<b>-\$ 112,189.62</b>

Friday, Jul 13, 2012 10:18:52 AM GMT-7 - Cash Basis

# **State Association of County Retirement System**

## **Profit & Loss**

July 2011 - June 2012

	<u>Total</u>
<b>Income</b>	
Billable Expense Income	692.00
Conference Registration	926,945.57
Membership Dues - Affiliates	208,000.00
Membership Dues-Systems	94,000.00
Non Profit Income	8,895.30
Refunds-Allowances	1,076.16
Service/Fee Income	0.00
Sponsorships	41,000.00
UC Berkeley Registration	50,022.24
UC Berkeley Sponsorships	10,000.00
<b>Total Income</b>	<b>\$ 1,340,631.27</b>
<b>Gross Profit</b>	<b>\$ 1,340,631.27</b>
<b>Expenses</b>	
Administrative Fee	160,260.99
Audio/Visual equipment	78,700.00
Bank Charges	33,837.20
Berkeley & Symposium	139,439.40
CEO	44,363.44
Commissions & Fees	21,424.08
Consulting	30,837.02
Dues & Subscriptions	395.00
Education	32,683.97
Hotels	545,627.22
Legal & Professional Fees	20,278.26
Lobby	42,000.00
Meals and Entertainment	79,786.91
Office Expenses	1,030.07
Postage	3,023.46

Printing/badges	2,913.07
Program Material	29,831.91
Speakers	50,466.24
Stationery & Printing	646.50
Supplies	339.49
Travel	17,794.73
Travel Meals	1,435.62
<b>Total Expenses</b>	<b>\$ 1,337,114.58</b>
<b>Net Operating Income</b>	<b>\$ 3,516.69</b>
<b>Other Income</b>	
Interest Earned	846.69
<b>Total Other Income</b>	<b>\$ 846.69</b>
<b>Other Expenses</b>	
Miscellaneous	339.00
Refunds	250.00
<b>Total Miscellaneous</b>	<b>\$ 589.00</b>
<b>Total Other Expenses</b>	<b>\$ 589.00</b>
<b>Net Other Income</b>	<b>\$ 257.69</b>
<b>Net Income</b>	<b>\$ 3,774.38</b>

Friday, Jul 13, 2012 10:19:46 AM GMT-7 - Cash Basis

**Bank of Sacramento - Checking**

**Total for Bank of Sacramento - Checking**

**Total for Bank of Sacramento CD FLEX #0642**

Beginning Balance	56,214.93
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**Total for Bank of Sacramento CDARS #0679**

**Bank of Sacramento MMA #0719**

Beginning Balance						252,735.40
06/29/2012	Deposit	INTEREST		Interest Earned	Interest Earned	252,797.73
					<u>62.33</u>	
					<b>62.33</b>	

[illegible]

Total for Retained Earnings Conference Registration	Beginning Balance					424,942.46
	Beginning Balance					917,905.57
	06/11/2012	Deposit	17 @ \$120	Bank of Sacramento - Checking	2,040.00	919,945.57
	06/22/2012	Deposit		BofA Interest Checking 4389	1,280.00	921,225.57
	06/25/2012	Check		BofA Interest Checking 4389	-120.00	921,105.57
	06/26/2012	Deposit	1 @ \$2,670 / 2 @ \$1,280 / 5 @ \$120	Bank of Sacramento - Checking	5,830.00	926,935.57
	06/26/2012	Check		BofA Interest Checking 4389	-1,390.00	925,545.57
	06/29/2012	Deposit	1 @ \$120 / 1 @ \$1,280	Bank of Sacramento - Checking	1,400.00	926,945.57
					<u>9,040.00</u>	
Total for Conference Registration Membership Dues - Affiliates	Beginning Balance					208,000.00
Total for Membership Dues - Affiliates Membership Dues-Systems	Beginning Balance					94,000.00
Total for Membership Dues-Systems Non Profit Income	Beginning Balance					8,895.30
Total for Non Profit Income Refunds-Allowances	Beginning Balance					1,076.16
Total for Refunds-Allowances Sponsorships	Beginning Balance					20,500.00
	06/01/2012	Deposit	1 @ \$500 / 1 @ \$2,500	Bank of Sacramento - Checking	3,000.00	23,500.00



Total for Sponsorships UC Berkeley Registration	06/11/2012	Deposit			1 @ \$5,000	Bank of Sacramento - Checking	5,000.00	28,500.00
	06/26/2012	Deposit			1 @ \$10,000	Bank of Sacramento - Checking	10,000.00	38,500.00
	06/29/2012	Deposit			1 @ \$2,500	Bank of Sacramento - Checking	<u>2,500.00</u>	41,000.00
							<b>20,500.00</b>	
		Beginning Balance						30,022.24
	06/11/2012	Deposit				BofA Interest Checking 4389	2,500.00	32,522.24
	06/11/2012	Deposit			2 @ \$2,500	Bank of Sacramento - Checking	5,000.00	37,522.24
	06/26/2012	Deposit				BofA Interest Checking 4389	2,500.00	40,022.24
	06/26/2012	Deposit			2 @ \$2,500	Bank of Sacramento - Checking	5,000.00	45,022.24
	06/29/2012	Deposit			2 @ \$2,500	Bank of Sacramento - Checking	<u>5,000.00</u>	50,022.24
							<b>20,000.00</b>	
Total for UC Berkeley Registration UC Berkeley Sponsorships								
	06/11/2012	Deposit				BofA Interest Checking 4389	<u>10,000.00</u>	10,000.00
							<b>10,000.00</b>	
Total for UC Berkeley Sponsorships Administrative Fee								
		Beginning Balance						146,369.06
	06/26/2012	Check	1054	SLGS	Invoice #945 - Financial Services	Bank of Sacramento - Checking	291.66	146,660.72
	06/27/2012	Check	1057	Bank of America Credit Card	Pay Flow Pro	Bank of Sacramento - Checking	54.10	146,714.82
	06/27/2012	Check	1058	Cisco WebEx, LLC	Invoice #4960606	Bank of Sacramento - Checking	1,138.67	147,853.49
	06/27/2012	Check	1061	SLGS	Invoice #950 - Management Services	Bank of Sacramento - Checking	12,027.50	159,880.99
	06/27/2012	Check	1060	Simplified Solutions, LLC	Invoice #12-221 - Support Plan	Bank of Sacramento - Checking	360.00	160,240.99
	06/27/2012	Check	1059	Secretary of State Office	Statement of Information Form 2012/2013	Bank of Sacramento - Checking	<u>20.00</u>	160,260.99
							<b>13,891.93</b>	
Total for Administrative Fee								

[illegible]

Total for Consulting Dues & Subscriptions	06/27/2012	Check	1055	Schott & Lites	Consulting Services May 2012	Bank of Sacramento - Checking	<u>2,500.00</u> <b>2,500.00</b>	30,837.02
	Beginning Balance							395.00
Total for Dues & Subscriptions Education	Beginning Balance							20,534.72
Total for Education Hotels	06/29/2012	Check	1062	Commerce Printing	Membership Roster 2012	Bank of Sacramento - Checking	<u>12,149.25</u> <b>12,149.25</b>	32,683.97
	Beginning Balance							369,945.37
Total for Hotels Legal & Professional Fees	06/29/2012	Check	2552	Resort at Squaw Creek	AV	BofA Interest Checking 4389	1,365.24	371,310.61
	06/29/2012	Check	2552	Resort at Squaw Creek	Miscellaneous	BofA Interest Checking 4389	235.25	371,545.86
	06/29/2012	Check	2552	Resort at Squaw Creek	Transportation	BofA Interest Checking 4389	11,830.00	383,375.86
	06/29/2012	Check	2552	Resort at Squaw Creek	Meals	BofA Interest Checking 4389	<u>162,251.36</u> <b>175,681.85</b>	545,627.22
	Beginning Balance							20,278.26
Total for Legal & Professional Fees Lobby	Beginning Balance							38,500.00
Total for Lobby Meals and Entertainment	06/27/2012	Check	1056	Edelstein Gilbert Robson & Smith	June 2012 Legislative Services	Bank of Sacramento - Checking	<u>3,500.00</u> <b>3,500.00</b>	42,000.00
	Beginning Balance							79,432.91
Total for Meals and Entertainment	06/29/2012	Check	2552	Resort at Squaw Creek	Entertainment	BofA Interest Checking 4389	<u>354.00</u> <b>354.00</b>	79,786.91

[illegible]

	Beginning Balance							1,207.91
	06/27/2012	Check	1057	Bank of America Credit Card	Staff Travel - Mamasake	Bank of Sacramento - Checking	89.29	1,297.20
	06/27/2012	Check	1057	Bank of America Credit Card	Staff Travel - Burger King	Bank of Sacramento - Checking	24.17	1,321.37
	06/29/2012	Check	2552	Resort at Squaw Creek	Staff	BofA Interest Checking 4389	114.25	1,435.62
<b>Total for Travel Meals</b>							<b>227.71</b>	
<b>Interest Earned</b>								
	Beginning Balance							740.65
	06/21/2012	Deposit	INTEREST			Bank of Sacramento - Checking	7.60	748.25
	06/29/2012	Deposit	INTEREST			Bank of Sacramento CDARS #0679	62.33	810.58
	06/30/2012	Deposit	INTEREST			BofA Interest Maximizer 3168	33.55	844.13
	06/30/2012	Deposit	INTEREST			BofA Interest Checking 4389	2.56	846.69
<b>Total for Interest Earned</b>							<b>106.04</b>	
<b>Miscellaneous</b>								
	Beginning Balance							138.56
	06/27/2012	Check	1057	Bank of America Credit Card	Awards - Things Remembered	Bank of Sacramento - Checking	200.44	339.00
<b>Total for Miscellaneous Refunds</b>							<b>200.44</b>	
	Beginning Balance							250.00
<b>Total for Refunds</b>								
<b>Total for Miscellaneous with sub-accounts</b>							<b>200.44</b>	

Friday, Jul 13, 2012 10:20:20 AM GMT-7 - Cash Basis

**State Association of County Retirement System**  
**Balance Sheet Summary**  
**As of July 31, 2012**

	<u>Total</u>
<b>ASSETS</b>	
Current Assets	
Bank Accounts	1,247,517.14
Total Current Assets	<u>\$ 1,247,517.14</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,247,517.14</u>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Total Liabilities	
Equity	1,247,517.14
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 1,247,517.14</u>

Tuesday, Aug 14, 2012 11:37:39 AM GMT-7 - Cash Basis

# State Association of County Retirement System

## Budget vs. Actuals: 12-SACRS 2012-2013 - FY13 P&L

July 2012

	Actual	Total Budget	Over Budget
Income			
Billable Expense			
Income		83.00	-83.00
Conference			
Registration	6,500.00	70,833.00	-64,333.00
Membership Dues -			
Affiliates	111,750.00	17,916.00	93,834.00
Membership Dues-			
Systems	52,000.00	7,833.00	44,167.00
Non Profit Income		750.00	-750.00
Sales of Product			
Income	25.00		25.00
UC Berkeley			
Registration	22,149.81	6,250.00	15,899.81
UC Berkeley			
Sponsorships		4,166.00	-4,166.00
Total Income	<b>\$ 192,424.81</b>	<b>\$ 107,831.00</b>	<b>\$ 84,593.81</b>
Gross Profit	<b>\$ 192,424.81</b>	<b>\$ 107,831.00</b>	<b>\$ 84,593.81</b>
Expenses			
Administrative Fee	13,645.89	13,750.00	-104.11
Audio/Visual			
equipment	25,500.00	6,250.00	19,250.00
Bank Charges	1,093.40	2,500.00	-1,406.60
Berkeley & Symposium		11,250.00	-11,250.00
CEO	2,817.00	8,333.00	-5,516.00
CERL		1,083.00	-1,083.00
Commissions & Fees		416.00	-416.00
Consulting	2,500.00	2,575.00	-75.00
Dues & Subscriptions		37.00	-37.00
Education		2,283.00	-2,283.00
Hotels		31,666.00	-31,666.00

	<b>Actual</b>	<b>Total Budget</b>	<b>Over Budget</b>
<b>Legal &amp; Professional</b>			
<b>Fees</b>	56.00	2,083.00	-2,027.00
<b>Lobby</b>	3,500.00	3,605.00	-105.00
<b>Meals and</b>			
<b>Entertainment</b>	292.86	6,666.00	-6,373.14
<b>Office Expenses</b>		162.00	-162.00
<b>Postage</b>		166.00	-166.00
<b>Printing/badges</b>		16.00	-16.00
<b>Program Material</b>		2,500.00	-2,500.00
<b>Speakers</b>		5,000.00	-5,000.00
<b>Stationery &amp; Printing</b>	743.48	100.00	643.48
<b>Supplies</b>	18.30	83.00	-64.70
<b>Travel</b>	1,944.14	1,250.00	694.14
<b>Travel Meals</b>	79.79	166.00	-86.21
<b>Total Expenses</b>	<b>\$ 52,190.86</b>	<b>\$ 101,940.00</b>	<b>-\$ 49,749.14</b>
<b>Net Operating Income</b>	<b>\$ 140,233.95</b>	<b>\$ 5,891.00</b>	<b>\$ 134,342.95</b>
<b>Other Income</b>			
<b>Interest Earned</b>	88.90		88.90
<b>Total Other Income</b>	<b>\$ 88.90</b>	<b>\$ 0.00</b>	<b>\$ 88.90</b>
<b>Net Other Income</b>	<b>\$ 88.90</b>	<b>\$ 0.00</b>	<b>\$ 88.90</b>
<b>Net Income</b>	<b>\$ 140,322.85</b>	<b>\$ 5,891.00</b>	<b>\$ 134,431.85</b>

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# State Association of County Retirement System

## Profit & Loss

July 2012

	<u>Total</u>
<b>Income</b>	
Conference Registration	6,500.00
Membership Dues - Affiliates	111,750.00
Membership Dues-Systems	52,000.00
Sales of Product Income	25.00
UC Berkeley Registration	22,149.81
<b>Total Income</b>	<b>\$ 192,424.81</b>
<b>Gross Profit</b>	<b>\$ 192,424.81</b>
<b>Expenses</b>	
Administrative Fee	13,645.89
Audio/Visual equipment	25,500.00
Bank Charges	1,093.40
CEO	2,817.00
Consulting	2,500.00
Legal & Professional Fees	56.00
Lobby	3,500.00
Meals and Entertainment	292.86
Stationery & Printing	743.48
Supplies	18.30
Travel	1,944.14
Travel Meals	79.79
<b>Total Expenses</b>	<b>\$ 52,190.86</b>
<b>Net Operating Income</b>	<b>\$ 140,233.95</b>
<b>Other Income</b>	
Interest Earned	88.90
<b>Total Other Income</b>	<b>\$ 88.90</b>
<b>Net Other Income</b>	<b>\$ 88.90</b>
<b>Net Income</b>	<b>\$ 140,322.85</b>

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## July 2012

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Bank of Sacramento - Checking								
	Beginning Balance							671,235.30
	07/06/2012	Check	1067	Robert Palmer	April-June Travel Reimbursement Claim	Travel	-962.24	670,273.06
	07/06/2012	Check	1063	Arbor Press	Invoice #1101	Administrative Fee	-165.97	670,107.09
	07/06/2012	Check	1064	SLGS	Invoice #959 - Management Services	Administrative Fee	-12,027.50	658,079.59
	07/06/2012	Check	1065	SLGS	Invoice #958 - Financial Services	Administrative Fee	-291.66	657,787.93
	07/06/2012	Check	1066	Robert Palmer	June Services - 18.17 hours	CEO	-2,817.00	654,970.93
	07/06/2012	Deposit				UC Berkeley Registration	10,000.00	664,970.93
	07/11/2012	Check	1068	Rick Rogers	Refund of Spring Conference Registration	Conference Registration	-120.00	664,850.93
	07/12/2012	Check	1069	Ambience Sound and Video	Invoice #061512	Audio/Visual equipment	-25,500.00	639,350.93
	07/12/2012	Check	1070	Schott & Lites	Consulting Services June 2012	Consulting	-2,500.00	636,850.93
	07/12/2012	Check	1072	Bank of America Credit Card	Account #5926 - 6/6/12-7/5/12	-SPLIT-	-535.05	636,315.88
				Edelstein Gilbert Robson & Smith				
	07/12/2012	Check	1071	Smith	July 2012 Legislative Services	Lobby	-3,500.00	632,815.88
	07/13/2012	Deposit				-SPLIT-	37,750.00	670,565.88
				Kronick Moskovits Tiedemann & Girard				
	07/20/2012	Check	1079		Invoice #262822	Legal & Professional Fees	-56.00	670,509.88
					Speaker Travel Reimbursement - 2012 Spring Conference			
	07/20/2012	Check	1073	Ian Lanoff		Travel	-981.90	669,527.98
	07/23/2012	Check	1076	Cisco WebEx, LLC	Invoice #5009742	Administrative Fee	-455.00	669,072.98
	07/23/2012	Check	1078	Simplified Solutions, LLC	Invoice #12-254 - Support Plan	Administrative Fee	-360.00	668,712.98
	07/23/2012	Check	1077	Commerce Printing	Invoice #024465	Stationery & Printing	-743.48	667,969.50
					Public Pension Program Cancellation Refund - Patricia Crawford			
	07/23/2012	Check	1074	TCERA		UC Berkeley Registration	-2,500.00	665,469.50
	07/23/2012	Deposit				-SPLIT-	74,700.00	740,169.50
	07/23/2012	Check	1075	Commerce Printing	Invoice #024439	UC Berkeley Registration	-350.19	739,819.31
	07/27/2012	Deposit				-SPLIT-	72,920.00	812,739.31
	07/31/2012	Check	1080	SLGS	Invoice #966 - Financial Services	Administrative Fee	-291.66	812,447.65
Total for Bank of Sacramento - Checking							141,212.35	
Bank of Sacramento CD FLEX #0642								
	Beginning Balance							56,650.63
	07/08/2012	Deposit	INTEREST		Interest Earned	Interest Earned	23.22	56,673.85
Total for Bank of Sacramento CD FLEX #0642							23.22	
Bank of Sacramento CDARS #0679								
	Beginning Balance							252,797.73
	07/31/2012	Deposit	INTEREST		Interest Earned	Interest Earned	64.42	252,862.15

Total for Bank of Sacramento CDARS #0679								<u>64.42</u>	
Bank of Sacramento MMA #0719									
	Beginning								
	Balance								167.83
Total for Bank of Sacramento MMA #0719									
BofA Interest Checking 4389									
	Beginning								
	Balance								126,299.25
	07/06/2012	Deposit					-SPLIT-	24.26	126,323.51
					Transfer of Balance to Close Interest Maximizer		BofA Interest Maximizer		
	07/13/2012	Transfer			Account		3168	43.55	126,367.06
	07/17/2012	Check	EFT	Member Clicks	Invoice #105418		Bank Charges	-340.60	126,026.46
	07/31/2012	Check	SVCCHRG		Service Charge		Bank Charges	-662.06	125,364.40
	07/31/2012	Deposit	INTEREST		Interest Earned		Interest Earned	<u>1.26</u>	125,365.66
Total for BofA Interest Checking 4389								<u>-933.59</u>	
BofA Interest Maximizer 3168									
	Beginning								
	Balance								43.55
					Transfer of Balance to Close Interest Maximizer		BofA Interest Checking		
	07/13/2012	Transfer			Account		4389	<u>-43.55</u>	0.00
Total for BofA Interest Maximizer 3168								<u>-43.55</u>	
Opening Balance Equity									
	Beginning								
	Balance								678,041.75
Total for Opening Balance Equity									
Retained Earnings									
	Beginning								
	Balance								429,152.54
Total for Retained Earnings									
Conference Registration									
	07/11/2012	Check	1068	Rick Rogers	Refund of Spring Conference Registration		Bank of Sacramento -		
							Checking	-120.00	-120.00
	07/23/2012	Deposit			1 @ \$1,280 / 1 @ \$2,670		Bank of Sacramento -		
							Checking	3,950.00	3,830.00
	07/27/2012	Deposit					Bank of Sacramento -		
							Checking	<u>2,670.00</u>	6,500.00
Total for Conference Registration								<u>6,500.00</u>	
Membership Dues - Affiliates									
	07/13/2012	Deposit			Non-Profit 1 @ \$250 / 1 @ 1500		Bank of Sacramento -		
							Checking	1,750.00	1,750.00
	07/13/2012	Deposit			6 @ \$1,000		Bank of Sacramento -		
							Checking	6,000.00	7,750.00
	07/23/2012	Deposit			Non-Profits - 1 @ \$250 / 1 @ \$1,500		Bank of Sacramento -		
							Checking	1,750.00	9,500.00

	07/23/2012	Deposit		42 @ \$1,000	Bank of Sacramento - Checking	42,000.00	51,500.00
	07/27/2012	Deposit		Non-Profit - 2 @ \$1,500 / 1 @ \$250 /	Bank of Sacramento - Checking	3,250.00	54,750.00
	07/27/2012	Deposit		57 @ \$1,000	Bank of Sacramento - Checking	<u>57,000.00</u>	111,750.00
<b>Total for Membership Dues - Affiliates Membership Dues-Systems</b>							<b>111,750.00</b>
	07/13/2012	Deposit		2 @ \$4,000 / 2 @ \$6,000	Bank of Sacramento - Checking	20,000.00	20,000.00
	07/23/2012	Deposit		4 @ \$4,000 / 1 @ \$6,000	Bank of Sacramento - Checking	22,000.00	42,000.00
	07/27/2012	Deposit		1 @ \$4,000 / 1 @ 6,000	Bank of Sacramento - Checking	<u>10,000.00</u>	52,000.00
<b>Total for Membership Dues-Systems Sales of Product Income</b>							<b>52,000.00</b>
<b>Total for Sales of Product Income UC Berkeley Registration</b>	07/06/2012	Deposit		Conference DVD	BofA Interest Checking 4389	<u>25.00</u>	25.00
						<b>25.00</b>	
	07/06/2012	Deposit		4 @ \$2,500	Bank of Sacramento - Checking	10,000.00	10,000.00
	07/13/2012	Deposit		4 @ \$2,500	Bank of Sacramento - Checking	10,000.00	20,000.00
	07/23/2012	Check	1075	Commerce Printing	Bank of Sacramento - Checking	-350.19	19,649.81
	07/23/2012	Check	1074	TCERA	Bank of Sacramento - Checking	-2,500.00	17,149.81
	07/23/2012	Deposit		2 @ \$2,500	Bank of Sacramento - Checking	<u>5,000.00</u>	22,149.81
						<b>22,149.81</b>	
<b>Total for UC Berkeley Registration Administrative Fee</b>							
	07/06/2012	Check	1063	Arbor Press	Bank of Sacramento - Checking	165.97	165.97
	07/06/2012	Check	1064	SLGS	Bank of Sacramento - Checking	12,027.50	12,193.47
	07/06/2012	Check	1065	SLGS	Bank of Sacramento - Checking	291.66	12,485.13
	07/12/2012	Check	1072	Bank of America Credit Card	Bank of Sacramento - Checking	54.10	12,539.23
	07/23/2012	Check	1076	Cisco WebEx, LLC	Bank of Sacramento - Checking	455.00	12,994.23
	07/23/2012	Check	1078	Simplified Solutions, LLC	Bank of Sacramento - Checking	360.00	13,354.23

Total for Administrative Fee Audio/Visual equipment	07/31/2012	Check	1080	SLGS	Invoice #966 - Management Services	Bank of Sacramento - Checking	<u>291.66</u>	13,645.89
							<b>13,645.89</b>	
Total for Audio/Visual equipment Bank Charges	07/12/2012	Check	1069	Ambience Sound and Video	Invoice #061512	Bank of Sacramento - Checking	<u>25,500.00</u>	25,500.00
							<b>25,500.00</b>	
Total for Bank Charges CEO	07/06/2012	Deposit				BofA Interest Checking 4389	0.74	0.74
	07/12/2012	Check	1072	Bank of America Credit Card	Monthly Reporting Fee/VISA Rewards Fee	Bank of Sacramento - Checking	90.00	90.74
	07/17/2012	Check	EFT	Member Clicks		BofA Interest Checking 4389	340.60	431.34
	07/31/2012	Check	SVCCHRG			BofA Interest Checking 4389	<u>662.06</u>	1,093.40
							<b>1,093.40</b>	
Total for CEO Consulting	07/06/2012	Check	1066	Robert Palmer	June Services - 18.17 hours	Bank of Sacramento - Checking	<u>2,817.00</u>	2,817.00
							<b>2,817.00</b>	
Total for Consulting Legal & Professional Fees	07/12/2012	Check	1070	Schott & Lites	Consulting Services June 2012	Bank of Sacramento - Checking	<u>2,500.00</u>	2,500.00
							<b>2,500.00</b>	
Total for Legal & Professional Fees Lobby	07/20/2012	Check	1079	Kronick Moskovits Tiedemann & Girard	Invoice #262822	Bank of Sacramento - Checking	<u>56.00</u>	56.00
							<b>56.00</b>	
Total for Lobby Meals and Entertainment	07/12/2012	Check	1071	Edelstein Gilbert Robson & Smith	July 2012 Legislative Services	Bank of Sacramento - Checking	<u>3,500.00</u>	3,500.00
							<b>3,500.00</b>	
Total for Meals and Entertainment Stationery & Printing	07/12/2012	Check	1072	Bank of America Credit Card	Panera Bread & Ettore's European Bakery	Bank of Sacramento - Checking	<u>292.86</u>	292.86
							<b>292.86</b>	
Total for Stationery & Printing Supplies	07/23/2012	Check	1077	Commerce Printing	Letterhead & Envelopes	Bank of Sacramento - Checking	<u>743.48</u>	743.48
							<b>743.48</b>	
	07/12/2012	Check	1072	Bank of America Credit Card	Quill	Bank of Sacramento - Checking	18.30	18.30

<b>Total for Supplies</b>							<u>18.30</u>	
<b>Travel</b>								
	07/06/2012	Check	1067	Robert Palmer	April-June Travel Reimbursement Claim	Bank of Sacramento - Checking	962.24	962.24
	07/20/2012	Check	1073	Ian Lanoff	Speaker Travel Reimbursement - 2012 Spring Conference	Bank of Sacramento - Checking	<u>981.90</u>	1,944.14
<b>Total for Travel</b>							<b>1,944.14</b>	
<b>Travel Meals</b>								
	07/12/2012	Check	1072	Bank of America Credit Card	Staff Meals	Bank of Sacramento - Checking	<u>79.79</u>	79.79
<b>Total for Travel Meals</b>							<b>79.79</b>	
<b>Interest Earned</b>								
	07/08/2012	Deposit	INTEREST			Bank of Sacramento CD FLEX #0642	23.22	23.22
	07/31/2012	Deposit	INTEREST			Bank of Sacramento CDARS #0679	64.42	87.64
	07/31/2012	Deposit	INTEREST			BofA Interest Checking 4389	<u>1.26</u>	88.90
<b>Total for Interest Earned</b>							<b>88.90</b>	

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**State Association of County Retirement System**  
**Balance Sheet Summary**

As of August 31, 2012

	<u>Total</u>
<b>ASSETS</b>	
Current Assets	
Bank Accounts	1,336,333.31
Total Current Assets	<u>\$ 1,336,333.31</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,336,333.31</u>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Total Liabilities	
Equity	1,336,333.31
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 1,336,333.31</u>

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**State Association of County Retirement System**  
**Budget vs. Actuals: 12-SACRS 2012-2013 - FY13 P&L**  
**July - August, 2012**

	<b>Actual</b>	<b>Budget</b>	<b>over Budget</b>
<b>Income</b>			
Billable Expense Income		166.00	-166.00
Conference Registration	22,500.00	141,666.00	-119,166.00
Membership Dues - Affiliates	176,750.00	35,832.00	140,918.00
Membership Dues-Systems	84,000.00	15,666.00	68,334.00
Non Profit Income		1,500.00	-1,500.00
Sales of Product Income	50.00		50.00
UC Berkeley Registration	24,649.81	12,500.00	12,149.81
UC Berkeley Sponsorships		8,332.00	-8,332.00
<b>Total Income</b>	<b>\$ 307,949.81</b>	<b>\$ 215,662.00</b>	<b>\$ 92,287.81</b>
<b>Gross Profit</b>	<b>\$ 307,949.81</b>	<b>\$ 215,662.00</b>	<b>\$ 92,287.81</b>
<b>Expenses</b>			
Administrative Fee	28,504.75	27,500.00	1,004.75
Audio/Visual equipment	25,500.00	12,500.00	13,000.00
Bank Charges	1,562.86	5,000.00	-3,437.14
Berkeley & Symposium		22,500.00	-22,500.00
CEO	6,916.00	16,666.00	-9,750.00
CERL		2,166.00	-2,166.00
Commissions & Fees		832.00	-832.00
Consulting	5,000.00	5,150.00	-150.00
Dues & Subscriptions		74.00	-74.00
Education		4,566.00	-4,566.00
Hotels		63,332.00	-63,332.00
Legal & Professional Fees	828.50	4,166.00	-3,337.50
Lobby	7,000.00	7,210.00	-210.00
Meals and Entertainment	292.86	13,332.00	-13,039.14
Office Expenses		324.00	-324.00
Postage	12.00	332.00	-320.00
Printing/badges		32.00	-32.00
Program Material		5,000.00	-5,000.00
Speakers	61.05	10,000.00	-9,938.95
Stationery & Printing	743.48	200.00	543.48
Supplies	18.30	166.00	-147.70
Travel	2,272.65	2,500.00	-227.35
Travel Meals	276.76	332.00	-55.24
<b>Total Expenses</b>	<b>\$ 78,989.21</b>	<b>\$ 203,880.00</b>	<b>-\$ 124,890.79</b>
<b>Net Operating Income</b>	<b>\$ 228,960.60</b>	<b>\$ 11,782.00</b>	<b>\$ 217,178.60</b>
<b>Other Income</b>			
Interest Earned	178.42		178.42
<b>Total Other Income</b>	<b>\$ 178.42</b>	<b>\$ 0.00</b>	<b>\$ 178.42</b>



	<u>Actual</u>	<u>Budget</u>	<u>over Budget</u>
Other Expenses			
Miscellaneous	0.00		0.00
Total Other Expenses	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Net Other Income	<u>\$ 178.42</u>	<u>\$ 0.00</u>	<u>\$ 178.42</u>
Net Income	<u>\$ 229,139.02</u>	<u>\$ 11,782.00</u>	<u>\$ 217,357.02</u>

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# State Association of County Retirement System

## Profit & Loss

### July - August, 2012

	<u>Total</u>
<b>Income</b>	
Conference Registration	22,500.00
Membership Dues - Affiliates	176,750.00
Membership Dues-Systems	84,000.00
Sales of Product Income	50.00
UC Berkeley Registration	24,649.81
<b>Total Income</b>	<b>\$ 307,949.81</b>
<b>Gross Profit</b>	<b>\$ 307,949.81</b>
<b>Expenses</b>	
Administrative Fee	28,504.75
Audio/Visual equipment	25,500.00
Bank Charges	1,562.86
CEO	6,916.00
Consulting	5,000.00
Legal & Professional Fees	828.50
Lobby	7,000.00
Meals and Entertainment	292.86
Postage	12.00
Speakers	61.05
Stationery & Printing	743.48
Supplies	18.30
Travel	2,272.65
Travel Meals	276.76
<b>Total Expenses</b>	<b>\$ 78,989.21</b>
<b>Net Operating Income</b>	<b>\$ 228,960.60</b>
<b>Other Income</b>	
Interest Earned	178.42
<b>Total Other Income</b>	<b>\$ 178.42</b>
<b>Other Expenses</b>	
Miscellaneous	0.00
<b>Total Other Expenses</b>	<b>\$ 0.00</b>
<b>Net Other Income</b>	<b>\$ 178.42</b>
<b>Net Income</b>	<b>\$ 229,139.02</b>

**State Association of County Retirement System  
General Ledger  
August 2012**

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Bank of Sacramento - Checking	Beginning Balance							812,447.65
	08/01/2012	Check	1082	SLGS	Invoice #971	-SPLIT-	-12,362.54	800,085.11
	08/01/2012	Check	1081	Robert Palmer	July 2012 Services - 40.99 Hours	CEO	-4,099.00	795,986.11
	08/06/2012	Deposit				Membership Dues - Affiliates	2,000.00	797,986.11
	08/06/2012	Deposit				-SPLIT-	59,500.00	857,486.11
				SVCCH				
	08/09/2012	Check	RG		Service Charge	Bank Charges	-135.00	857,351.11
	08/10/2012	Deposit				-SPLIT-	12,500.00	869,851.11
	08/14/2012	Check	1085	Schott & Lites	Consulting Services July 2012 & Travel Reimbursement	-SPLIT-	-2,561.05	867,290.06
	08/14/2012	Check	1084	Bank of America Credit Card	Account #5926 - 7/6/12-8/5/12	-SPLIT-	-698.80	866,591.26
				Edelstein Gilbert Robson & Smith				
	08/14/2012	Check	1083		August 2012 Legislative Services	Lobby	-3,500.00	863,091.26
	08/14/2012	Deposit				Membership Dues - Affiliates	1,000.00	864,091.26
						Membership Dues - Affiliates	3,000.00	867,091.26
	08/14/2012	Deposit				Administrative Fee	-2,335.00	864,756.26
	08/21/2012	Check	1086	Cisco WebEx, LLC	Invoice #561631	Bank Charges	-15.00	864,741.26
	08/21/2012	Check	1087	Bank of America Credit Card	Account #5926 - 7/6/12-8/5/12	-SPLIT-	15,250.00	879,991.26
	08/21/2012	Deposit				Miscellaneous	0.00	879,991.26
	08/29/2012	Check	1089	Kate Wagner	Voided	Speakers	0.00	879,991.26
	08/29/2012	Check	1090	Kate Wagner	Voided - Reimbursement for Travel	-SPLIT-	6,250.00	886,241.26
	08/29/2012	Deposit						
				Kronick Moskovits Tiedemann & Girard				
08/29/2012	Check	1088		Invoice #263278-1	Legal & Professional Fees	-772.50	885,468.76	
Total for Bank of Sacramento - Checking							73,021.11	
Bank of Sacramento CD FLEX #0642	Beginning Balance							56,673.85
	08/08/2012	Deposit				Interest Earned	24.00	56,697.85
Total for Bank of Sacramento CD FLEX #0642							24.00	
Bank of Sacramento CDARS #0679	Beginning Balance							252,862.15
	08/31/2012	Deposit				Interest Earned	64.43	252,926.58

Total for Bank of Sacramento CDARS #0679  
Bank of Sacramento MMA #0719

Total for Bank of Sacramento MMA #0719  
BofA Interest Checking 4389

Total for BofA Interest Checking 4389  
Opening Balance Equity

Total for Opening Balance Equity  
Retained Earnings

Total for Retained Earnings  
Conference Registration

Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
						64.43	
			Beginning Balance				167.83
			Beginning Balance				125,365.66
08/08/2012	Deposit			Conference Registration		2,500.00	127,865.66
08/16/2012	Check	EFT	Member Clicks	Bank Charges		-175.95	127,689.71
08/21/2012	Deposit			-SPLIT-		24.26	127,713.97
08/24/2012	Deposit			Conference Registration		2,670.00	130,383.97
08/27/2012	Deposit			-SPLIT-		989.91	131,373.88
08/27/2012	Deposit			Conference Registration		1,020.00	132,393.88
08/28/2012	Deposit			Conference Registration		1,020.00	133,413.88
08/29/2012	Deposit			Conference Registration		2,040.00	135,453.88
08/31/2012	Deposit			Conference Registration		3,690.00	139,143.88
08/31/2012	Check	RG		Service Charge	Bank Charges	-52.50	139,091.38
08/31/2012	Deposit	ST		Interest Earned	Interest Earned	1.09	139,092.47
08/31/2012	Deposit			-SPLIT-		1,979.82	141,072.29
						15,706.63	
			Beginning Balance				678,041.75
			Beginning Balance				429,152.54
			Beginning Balance				6,500.00
08/08/2012	Deposit			BofA Interest Checking 4389		2,500.00	9,000.00
08/24/2012	Deposit			BofA Interest Checking 4389		2,670.00	11,670.00
08/27/2012	Deposit			BofA Interest Checking 4389		1,020.00	12,690.00
08/27/2012	Deposit			BofA Interest Checking 4389		1,020.00	13,710.00

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
	08/28/2012	Deposit				BofA Interest Checking 4389	1,020.00	14,730.00
	08/29/2012	Deposit		2		BofA Interest Checking 4389	2,040.00	16,770.00
	08/31/2012	Deposit		2 @ 1,020		BofA Interest Checking 4389	2,040.00	18,810.00
	08/31/2012	Deposit		1 @ 1,020 / 1 @ 2670		BofA Interest Checking 4389	3,690.00	22,500.00
	Total for Conference Registration Membership Dues - Affiliates							16,000.00
	Beginning Balance							111,750.00
	08/06/2012	Deposit		29 @ \$1,000 / 1 @ \$900 / 1 @ 100		Bank of Sacramento - Checking	30,000.00	141,750.00
	08/06/2012	Deposit		2 @ \$1,000		Bank of Sacramento - Checking	2,000.00	143,750.00
	08/06/2012	Deposit		Non-Profits 4 @ 250		Bank of Sacramento - Checking	1,000.00	144,750.00
	08/10/2012	Deposit		Non-Profit - 2 @ \$250		Bank of Sacramento - Checking	500.00	145,250.00
	08/10/2012	Deposit		12 @ \$1,000		Bank of Sacramento - Checking	12,000.00	157,250.00
	08/14/2012	Deposit		3 @ \$1,000		Bank of Sacramento - Checking	3,000.00	160,250.00
	08/14/2012	Deposit		1 @ \$1,000		Bank of Sacramento - Checking	1,000.00	161,250.00
	08/21/2012	Deposit		Non-Profit - 1 @ \$250		Bank of Sacramento - Checking	250.00	161,500.00
	08/21/2012	Deposit		9 @ \$1,000		Bank of Sacramento - Checking	9,000.00	170,500.00
	08/29/2012	Deposit		6 @ \$1,000		Bank of Sacramento - Checking	6,000.00	176,500.00
	08/29/2012	Deposit		Non-Profit - 1 @ \$250		Bank of Sacramento - Checking	250.00	176,750.00
Total for Membership Dues - Affiliates Membership Dues-Systems							65,000.00	
	Beginning Balance							52,000.00
	08/06/2012	Deposit		5 @ 4,000 / 1 @ 6,000		Bank of Sacramento - Checking	26,000.00	78,000.00
	08/21/2012	Deposit		1 @ \$6,000		Bank of Sacramento - Checking	6,000.00	84,000.00
Total for Membership Dues-Systems							32,000.00	

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Sales of Product Income								
				Beginning Balance				25.00
	08/21/2012	Deposit			Spring Conference DVD	BofA Interest Checking 4389	25.00	50.00
<b>Total for Sales of Product Income UC Berkeley Registration</b>							<b>25.00</b>	
				Beginning Balance				22,149.81
	08/06/2012	Deposit				Bank of Sacramento - Checking	2,500.00	24,649.81
<b>Total for UC Berkeley Registration Administrative Fee</b>							<b>2,500.00</b>	
				Beginning Balance				13,645.89
	08/01/2012	Check	1082	SLGS	Association Management	Bank of Sacramento - Checking	12,027.50	25,673.39
	08/14/2012	Check	1084	Bank of America Credit Card	Intuit QB Online	Bank of Sacramento - Checking	442.26	26,115.65
	08/14/2012	Check	1084	Bank of America Credit Card	PayFlow Pro	Bank of Sacramento - Checking	54.10	26,169.75
	08/21/2012	Check	1086	Cisco WebEx, LLC	Invoice #5061631	Bank of Sacramento - Checking	2,335.00	28,504.75
<b>Total for Administrative Fee Audio/Visual equipment</b>							<b>14,858.86</b>	
				Beginning Balance				25,500.00
<b>Total for Audio/Visual equipment Bank Charges</b>								
				Beginning Balance				1,093.40
	08/09/2012	Check	SVCCH RG		Canadian Item Collection Fee/Non-Canadian Foreign Item Collection Fee	Bank of Sacramento - Checking	135.00	1,228.40
	08/16/2012	Check	EFT	Member Clicks	Auto Deduction Payment	BofA Interest Checking 4389	175.95	1,404.35
	08/21/2012	Check	1087	Bank of America Credit Card	Monthly Reporting Fee	Bank of Sacramento - Checking	15.00	1,419.35
	08/21/2012	Deposit				BofA Interest Checking 4389	0.74	1,420.09
	08/27/2012	Deposit				BofA Interest Checking 4389	30.09	1,450.18
	08/31/2012	Check	SVCCH RG			BofA Interest Checking 4389	52.50	1,502.68

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Total for Bank Charges CEO	08/31/2012	Deposit				BofA Interest Checking 4389	<u>60.18</u> <b>469.46</b>	1,562.86
	Beginning Balance							2,817.00
Total for CEO Consulting	08/01/2012	Check	1081	Robert Palmer	July 2012 Services - 40.99 hours	Bank of Sacramento - Checking	<u>4,099.00</u> <b>4,099.00</b>	6,916.00
	Beginning Balance							2,500.00
Total for Consulting Legal & Professional Fees	08/14/2012	Check	1085	Schott & Lites	Consulting Services July 2012	Bank of Sacramento - Checking	<u>2,500.00</u> <b>2,500.00</b>	5,000.00
	Beginning Balance							56.00
Total for Legal & Professional Fees Lobby	08/29/2012	Check	1088	Kronick Moskovits Tiedemann & Girard	Invoice #263278-1	Bank of Sacramento - Checking	<u>772.50</u> <b>772.50</b>	828.50
	Beginning Balance							3,500.00
Total for Lobby Meals and Entertainment	08/14/2012	Check	1083	Edelstein Gilbert Robson & Smith	August 2012 Legislative Services	Bank of Sacramento - Checking	<u>3,500.00</u> <b>3,500.00</b>	7,000.00
	Beginning Balance							292.86
Total for Meals and Entertainment Postage	08/14/2012	Check	1084	Bank of America Credit Card	Priority Package	Bank of Sacramento - Checking	<u>12.00</u> <b>12.00</b>	12.00
	08/14/2012	Check	1085	Schott & Lites	Travel Reimbursement	Bank of Sacramento - Checking	61.05	61.05
Total for Speakers Stationery & Printing	08/29/2012	Check	1090	Kate Wagner	Reimbursement for Travel	Bank of Sacramento - Checking	<u>0.00</u> <b>61.05</b>	61.05

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Total for Stationery & Printing Supplies	Beginning Balance							743.48
Total for Supplies Travel	Beginning Balance							18.30
Total for Travel Travel Meals	Beginning Balance							1,944.14
	08/01/2012	Check	1082	SLGS	Sulema & Maria - Travel Reimbursement - UC Berkeley	Bank of Sacramento - Checking	328.51	2,272.65
							<b>328.51</b>	
	Beginning Balance							79.79
	08/01/2012	Check	1082	SLGS	Sulema - Meal Reimbursement - UC Berkeley	Bank of Sacramento - Checking	6.53	86.32
Total for Travel Meals Interest Earned	08/14/2012	Check	1084	Bank of America Credit Card	Claremont / Rick & Anns Restaurant / In-N-Out Burger	Bank of Sacramento - Checking	190.44	276.76
							<b>196.97</b>	
	Beginning Balance							88.90
	08/08/2012	Deposit				Bank of Sacramento CD FLEX #0642	24.00	112.90
	08/31/2012	Deposit		INTERE ST		BofA Interest Checking 4389	1.09	113.99
Total for Interest Earned Miscellaneous	08/31/2012	Deposit				Bank of Sacramento CDARS #0679	64.43	178.42
							<b>89.52</b>	
Total for Miscellaneous	08/29/2012	Check	1089	Kate Wagner		Bank of Sacramento - Checking	0.00	0.00
							<b>0.00</b>	

Wednesday, Sep 12, 2012 02:12:39 PM GMT-7 - Cash Basis



**State Association of County Retirement System**  
**Balance Sheet Summary**  
As of September 30, 2012

	<u>Total</u>
<b>ASSETS</b>	
Current Assets	
Bank Accounts	\$ 1,445,081
Total Current Assets	<u>1,445,081</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,445,081</u></u>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	\$ 26,609
Total Current Liabilities	<u>26,609</u>
Total Liabilities	<u>26,609</u>
Equity	1,418,472
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><u>\$ 1,445,081</u></u>

**State Association of County Retirement System**  
**Budget vs. Actuals: 12-SACRS 2012-2013 - FY13 P&L**  
**July - September, 2012**

	<u>Actual</u>	<u>Total Budget</u>	<u>over Budget</u>
<b>Income</b>			
Billable Expense Income		\$ 249	\$ (249)
Conference Registration	161,420	212,499	(51,079)
Membership Dues - Affiliates	194,750	53,748	141,002
Membership Dues-Systems	94,000	23,499	70,501
Non Profit Income		2,250	(2,250)
Sales of Product Income	100		100
UC Berkeley Registration	24,650	18,750	5,900
UC Berkeley Sponsorships		12,498	(12,498)
<b>Total Income</b>	<b>474,920</b>	<b>323,493</b>	<b>151,427</b>
<b>Gross Profit</b>	<b>474,920</b>	<b>323,493</b>	<b>151,427</b>
<b>Expenses</b>			
Administrative Fee	43,608	41,250	2,358
Audio/Visual equipment	25,500	18,750	6,750
Bank Charges	5,572	7,500	(1,928)
Berkeley & Symposium		33,750	(33,750)
CEO	9,008	24,999	(15,991)
CERL		3,249	(3,249)
Commissions & Fees		1,248	(1,248)
Consulting	7,500	7,725	(225)
Dues & Subscriptions		111	(111)
Education	82	6,849	(6,767)
Hotels		94,998	(94,998)
Legal & Professional Fees	4,329	6,249	(1,921)
Lobby	10,500	10,815	(315)
Meals and Entertainment	464	19,998	(19,534)
Office Expenses		486	(486)
Postage	12	498	(486)
Printing/badges		48	(48)
Program Material		7,500	(7,500)
Speakers	955	15,000	(14,045)
Stationery & Printing	743	300	443
Supplies	18	249	(231)
Travel	2,273	3,750	(1,477)
Travel Meals	277	498	(221)

Total Expenses	<u>110,841</u>	<u>305,820</u>	<u>(194,979)</u>
Net Operating Income	<u>364,078</u>	<u>17,673</u>	<u>346,405</u>
Other Income			
Interest Earned	<u>266</u>	<u></u>	<u>266</u>
Total Other Income	<u>266</u>	<u>-</u>	<u>266</u>
Other Expenses			
Miscellaneous	<u>-</u>	<u></u>	<u>-</u>
Total Other Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net Other Income	<u>266</u>	<u>-</u>	<u>266</u>
Net Income	<u>\$ 364,345</u>	<u>\$ 17,673</u>	<u>\$ 346,672</u>

# State Association of County Retirement System

## Profit & Loss

July - September, 2012

	<u>Total</u>
<b>Income</b>	
Conference Registration	\$ 161,420
Membership Dues - Affiliates	194,750
Membership Dues-Systems	94,000
Sales of Product Income	100
UC Berkeley Registration	24,650
<b>Total Income</b>	<b>474,920</b>
<b>Gross Profit</b>	<b>474,920</b>
<b>Expenses</b>	
Administrative Fee	43,608
Audio/Visual equipment	25,500
Bank Charges	5,572
CEO	9,008
Consulting	7,500
Education	82
Legal & Professional Fees	4,329
Lobby	10,500
Meals and Entertainment	464
Postage	12
Speakers	955
Stationery & Printing	743
Supplies	18
Travel	2,273
Travel Meals	277
<b>Total Expenses</b>	<b>110,841</b>
<b>Net Operating Income</b>	<b>364,078</b>
<b>Other Income</b>	
Interest Earned	266
<b>Total Other Income</b>	<b>266</b>
<b>Other Expenses</b>	
Miscellaneous	-
<b>Total Other Expenses</b>	<b>-</b>
<b>Net Other Income</b>	<b>266</b>
<b>Net Income</b>	<b>\$ 364,345</b>

**Bank of Sacramento - Checking**

**Total for Bank of Sacramento - Checking**  
**Bank of Sacramento CD FLEX #0642**

**Total for Bank of Sacramento CD FLEX #0642**  
**Bank of Sacramento CDARS #0679**

Beginning	
Balance	252,926.58

Total for Bank of Sacramento CDARS #0679  
Bank of Sacramento MMA #0719

Total for Bank of Sacramento MMA #0719  
BofA Interest Checking 4389

Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
09/30/2012	Deposit	INTERE ST		Interest Earned	Interest Earned	62.37	252,988.95
						<b>62.37</b>	
	Beginning Balance						167.83
	Beginning Balance						141,072.29
09/04/2012	Deposit				-SPLIT-	989.91	142,062.20
09/04/2012	Deposit				Conference Registration	1,020.00	143,082.20
09/04/2012	Deposit				-SPLIT-	6,308.24	149,390.44
09/05/2012	Deposit				Conference Registration	2,040.00	151,430.44
09/06/2012	Deposit				-SPLIT-	3,060.00	154,490.44
09/07/2012	Deposit				Conference Registration	1,020.00	155,510.44
09/10/2012	Deposit				-SPLIT-	2,096.28	157,606.72
09/10/2012	Deposit				Conference Registration	2,670.00	160,276.72
09/10/2012	Deposit				-SPLIT-	1,975.74	162,252.46
09/11/2012	Deposit				-SPLIT-	1,979.82	164,232.28
	Journal			Credit Card credit of \$1,650 and credit card charge of \$1,020			
09/12/2012	Entry	141			-SPLIT-	-630.00	163,602.28
09/13/2012	Deposit				Conference Registration	1,020.00	164,622.28
09/14/2012	Deposit				-SPLIT-	2,969.73	167,592.01
09/14/2012	Deposit				-SPLIT-	4,571.05	172,163.06
09/17/2012	Deposit				Conference Registration	1,770.00	173,933.06
09/17/2012	Deposit				-SPLIT-	2,824.15	176,757.21
09/18/2012	Deposit				-SPLIT-	2,591.23	179,348.44
09/19/2012	Deposit				Conference Registration	6,150.00	185,498.44
09/20/2012	Deposit				-SPLIT-	9,780.00	195,278.44
09/21/2012	Deposit				Conference Registration	1,500.00	196,778.44
09/24/2012	Deposit				Conference Registration	1,020.00	197,798.44
09/24/2012	Deposit				-SPLIT-	43,177.54	240,975.98
09/24/2012	Deposit				-SPLIT-	4,571.05	245,547.03
09/25/2012	Deposit				-SPLIT-	3,581.14	249,128.17
09/25/2012	Deposit				-SPLIT-	1,140.00	250,268.17
09/26/2012	Deposit				Conference Registration	3,480.00	253,748.17
09/28/2012	Deposit				-SPLIT-	8,152.20	261,900.37
09/28/2012	Deposit				Conference Registration	120.00	262,020.37
09/30/2012	Deposit	INTERE ST		Interest Earned	Interest Earned	1.53	262,021.90
09/30/2012	Check	SVCCH RG		Service Charge	Bank Charges	-1,382.71	260,639.19

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Total for BofA Interest Checking 4389							119,566.90	
Other Current Liabilities								
	09/21/2012	Journal Entry			Opening Balance	-SPLIT-	53,067.00	53,067.00
	09/21/2012	Check	1102	Lucky Strikes Hollywood	Invoice #LSH10140 - Deposit for Fall Conference	Bank of Sacramento - Checking	-26,458.50	26,608.50
Total for Other Current Liabilities							26,608.50	
Opening Balance Equity								
		Beginning Balance						678,041.75
	09/21/2012	Journal Entry			Opening Balance	-SPLIT-	-53,067.00	624,974.75
Total for Opening Balance Equity							-53,067.00	
Retained Earnings								
		Beginning Balance						429,152.54
Total for Retained Earnings								
Conference Registration								
		Beginning Balance						22,500.00
	09/04/2012	Deposit				BofA Interest Checking 4389	1,020.00	23,520.00
	09/04/2012	Deposit				BofA Interest Checking 4389	6,450.00	29,970.00
	09/04/2012	Deposit				BofA Interest Checking 4389	1,020.00	30,990.00
	09/05/2012	Deposit				BofA Interest Checking 4389	2,040.00	33,030.00
	09/06/2012	Deposit				BofA Interest Checking 4389	2,040.00	35,070.00
	09/06/2012	Deposit				BofA Interest Checking 4389	1,020.00	36,090.00
	09/07/2012	Deposit				BofA Interest Checking 4389	1,020.00	37,110.00
	09/07/2012	Deposit				Bank of Sacramento - Checking	1,020.00	38,130.00
	09/10/2012	Deposit				BofA Interest Checking 4389	2,670.00	40,800.00
	09/10/2012	Deposit				BofA Interest Checking 4389	2,160.00	42,960.00
	09/10/2012	Deposit				BofA Interest Checking 4389	2,040.00	45,000.00

Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
09/11/2012	Deposit				BofA Interest Checking 4389	2,040.00	47,040.00
09/12/2012	Journal Entry	141		Credit Card credit of \$1,650 and credit card charge of \$1,020	-SPLIT- BofA Interest Checking 4389	-630.00	46,410.00
09/13/2012	Deposit				BofA Interest Checking 4389	1,020.00	47,430.00
09/14/2012	Deposit				BofA Interest Checking 4389	3,060.00	50,490.00
09/14/2012	Deposit				BofA Interest Checking 4389	4,710.00	55,200.00
09/14/2012	Deposit			5 @ 1,020	Bank of Sacramento - Checking BofA Interest Checking 4389	5,100.00	60,300.00
09/17/2012	Deposit				BofA Interest Checking 4389	2,910.00	63,210.00
09/17/2012	Deposit				BofA Interest Checking 4389	1,770.00	64,980.00
09/18/2012	Deposit				BofA Interest Checking 4389	2,670.00	67,650.00
09/19/2012	Deposit				BofA Interest Checking 4389	6,150.00	73,800.00
09/20/2012	Deposit				BofA Interest Checking 4389	5,220.00	79,020.00
09/20/2012	Deposit				BofA Interest Checking 4389	4,560.00	83,580.00
09/21/2012	Deposit				BofA Interest Checking 4389	1,500.00	85,080.00
09/24/2012	Deposit			8 @ \$1,020 / 1 @1,130	Bank of Sacramento - Checking BofA Interest Checking 4389	9,290.00	94,370.00
09/24/2012	Deposit				BofA Interest Checking 4389	44,490.00	138,860.00
09/24/2012	Deposit				BofA Interest Checking 4389	4,710.00	143,570.00
09/24/2012	Deposit				BofA Interest Checking 4389	1,020.00	144,590.00
09/25/2012	Deposit				BofA Interest Checking 4389	3,690.00	148,280.00
09/25/2012	Deposit				BofA Interest Checking 4389	1,020.00	149,300.00
09/25/2012	Deposit				BofA Interest Checking 4389	120.00	149,420.00
09/26/2012	Deposit				BofA Interest Checking 4389	3,480.00	152,900.00



	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Total for Conference Registration Membership Dues - Affiliates	09/28/2012	Deposit				BofA Interest Checking 4389	8,400.00	161,300.00
	09/28/2012	Deposit				BofA Interest Checking 4389	120.00	161,420.00
							<u>138,920.00</u>	
		Beginning Balance						176,750.00
Total for Membership Dues - Affiliates Membership Dues-Systems	09/07/2012	Deposit		11 @ \$1,000		Bank of Sacramento - Checking	11,000.00	187,750.00
	09/13/2012	Deposit				Bank of Sacramento - Checking	1,000.00	188,750.00
	09/14/2012	Deposit		2 @ 1,000 - Renewal Dues		Bank of Sacramento - Checking	2,000.00	190,750.00
	09/14/2012	Deposit		2 @ 1,000 - New Dues		Bank of Sacramento - Checking	2,000.00	192,750.00
	09/24/2012	Deposit		2 @ \$1,000		Bank of Sacramento - Checking	2,000.00	194,750.00
							<u>18,000.00</u>	
Total for Membership Dues-Systems Sales of Product Income		Beginning Balance						84,000.00
	09/07/2012	Deposit				Bank of Sacramento - Checking	4,000.00	88,000.00
	09/24/2012	Deposit		1		Bank of Sacramento - Checking	6,000.00	94,000.00
							<u>10,000.00</u>	
Total for Sales of Product Income UC Berkeley Registration		Beginning Balance						50.00
	09/04/2012	Deposit		2 DVDs		BofA Interest Checking 4389	50.00	100.00
							<u>50.00</u>	
Total for UC Berkeley Registration Administrative Fee		Beginning Balance						24,649.81
		Beginning Balance						28,504.75
	09/07/2012	Check	1091	SLGS	Association Management	Bank of Sacramento - Checking	12,027.50	40,532.25

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
	09/07/2012	Check	1093	SLGS	Financial Services	Bank of Sacramento - Checking	291.66	40,823.91
	09/12/2012	Check	1100	Bank of America Credit Card	PayFlow Pro	Bank of Sacramento - Checking	54.10	40,878.01
	09/12/2012	Check	1097	Schott & Lites	Conference Call	Bank of Sacramento - Checking	114.57	40,992.58
	09/12/2012	Check	1095	Simplifed Solutions, LLC	Invoices 12-147; 12-186; 12-288 - Support Plan	Bank of Sacramento - Checking	1,080.00	42,072.58
	09/24/2012	Check	1103	Cisco WebEx, LLC	Invoice #5111076	Bank of Sacramento - Checking	1,175.00	43,247.58
	09/24/2012	Check	1104	Simplifed Solutions, LLC	Invoice #12-325 - Support Plan	Bank of Sacramento - Checking	360.00	43,607.58
<b>Total for Administrative Fee Audio/Visual equipment</b>							<b>15,102.83</b>	
	Beginning Balance							25,500.00
<b>Total for Audio/Visual equipment Bank Charges</b>								
	Beginning Balance							1,562.86
	09/04/2012	Deposit				BofA Interest Checking 4389	191.76	1,754.62
	09/04/2012	Deposit				BofA Interest Checking 4389	30.09	1,784.71
	09/10/2012	Deposit				BofA Interest Checking 4389	64.26	1,848.97
	09/10/2012	Deposit				BofA Interest Checking 4389	63.72	1,912.69
	09/11/2012	Deposit				BofA Interest Checking 4389	60.18	1,972.87
	09/12/2012	Check	1100	Bank of America Credit Card	Monthly Reporting Fee	Bank of Sacramento - Checking	15.00	1,987.87
	09/14/2012	Deposit				BofA Interest Checking 4389	138.95	2,126.82
	09/14/2012	Deposit				BofA Interest Checking 4389	90.27	2,217.09
	09/17/2012	Deposit				BofA Interest Checking 4389	85.85	2,302.94
	09/18/2012	Deposit				BofA Interest Checking 4389	78.77	2,381.71
	09/24/2012	Deposit				BofA Interest Checking 4389	138.95	2,520.66

	Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
Total for Bank Charges CEO	09/24/2012	Deposit				BofA Interest Checking 4389	1,312.46	3,833.12
	09/25/2012	Deposit				BofA Interest Checking 4389	108.86	3,941.98
	09/28/2012	Deposit				BofA Interest Checking 4389	247.80	4,189.78
	09/30/2012	Check	SVCCH RG			BofA Interest Checking 4389	1,382.71	5,572.49
							<u>4,009.63</u>	
Total for CEO Consulting		Beginning Balance						6,916.00
	09/07/2012	Check	1092	Robert Palmer	August 2012 Services - 20.92 Hours	Bank of Sacramento - Checking	2,092.00	9,008.00
							<u>2,092.00</u>	
Total for Consulting Education		Beginning Balance						5,000.00
	09/12/2012	Check	1097	Schott & Lites	Consulting Services August 2012	Bank of Sacramento - Checking	2,500.00	7,500.00
							<u>2,500.00</u>	
Total for Education Legal & Professional Fees	09/12/2012	Check	1100	Bank of America Credit Card	IFEBP Milwaukee	Bank of Sacramento - Checking	82.00	82.00
							<u>82.00</u>	
		Beginning Balance						828.50
Total for Legal & Professional Fees Lobby	09/12/2012	Check	1098	James Marta & Company	Invoice #5815 - Progress Billing on Fiscal Year 2011 Audit	Bank of Sacramento - Checking	3,500.00	4,328.50
							<u>3,500.00</u>	
		Beginning Balance						7,000.00
Total for Lobby Meals and Entertainment	09/12/2012	Check	1096	Edelstein Gilbert Robson & Smith	September 2012 Legislative Services	Bank of Sacramento - Checking	3,500.00	10,500.00
							<u>3,500.00</u>	
		Beginning Balance						292.86
	09/12/2012	Check	1100	Bank of America Credit Card	La Bou - Audit Committee	Bank of Sacramento - Checking	13.40	306.26

[illegible]

Date	Type	Num	Name	Memo/Description	Split	Amount	Balance
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Monday, Oct 15, 2012 11:29:02 AM GMT-7 - Cash Basis



**SACRS Business Meeting Agenda**

**Friday, November 16, 2012**

**10:00 a.m.**

**The Hollywood Loews**

**Hollywood, CA**

5. Audit Committee Report – SACRS 2011-2012 Fiscal Audit- Receive and File  
Steve Delaney, Audit Committee Chair

- 2011 – 2012 Audit

**STATE ASSOCIATION OF  
COUNTY RETIREMENT SYSTEMS**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2011 AND 2010**

**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**

**JUNE 30, 2011**

---

**EXECUTIVE COMMITTEE**

**Richard White**  
President

**Doug Rose**  
Vice President

**VACANT**  
Treasurer

**Yves Chery**  
Secretary

**Bob Helliesen**  
Affiliate Chair

**Raymond McCray**  
Immediate Past President

\* \* \* \*

**Robert Palmer**  
SACRS Executive Director

**Sulema Peterson,**  
**Strategic Local Government Services LLC**  
Association Management



STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2011

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GRAPHICAL PRESENTATION OF CASH RECEIPTS	7
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS	9



**James Marta & Company**  
**Certified Public Accountants**

*Accounting Auditing Tax and Consulting*

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## **INDEPENDENT AUDITOR'S REPORT**

Executive Committee  
State Association of County Retirement Systems  
Sacramento, California

We have audited the accompanying statement of cash receipts and disbursements of the State Association of County Retirement Systems for the fiscal years ended June 30, 2011 and 2010. These financial statements are the responsibility of State Association of County Retirement Systems' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the cash of State Association of County Retirement Systems for the fiscal years ended June 30, 2011 and 2010, and its revenue collected and expenses paid during the years then ended, on the basis of accounting described in Note 1.

The combining statement of cash receipts and disbursements and the graphical presentation of cash receipts and cash disbursements are provided for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*James Marta & Company*

James Marta & Company  
Certified Public Accountants  
June 20, 2012

## **FINANCIAL SECTION**

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2010-2011	2009-2010
<b><u>Cash Receipts</u></b>		
Dues	\$ 290,573	288,750
Conference		
Fall	540,367	309,103
Spring	413,383	406,850
Seminars	129,973	35,543
Other Admin Receipts	1,826	298,699
Other Conference Receipts	6,400	15,900
Interest	1,941	3,935
Total Cash Receipts	<u>1,384,463</u>	<u>1,358,780</u>
<b><u>Cash Disbursements</u></b>		
Conference		
Fall - 2010 and 2009		
Hotel and meals	246,429	174,486
Audio and visual	42,860	45,239
Program materials	54,303	22,791
Spring - 2011 and 2010		
Hotel and meals	10,000	211,577
Audio and visual	10,000	26,416
Printing and badges	-	152
Program materials	27,333	41,450
Seminars	210,923	64,610
Conference Administration	11,431	11,095
Other	300	28,572
Total conference disbursements	<u>613,579</u>	<u>626,388</u>
Administration	257,043	207,587
Legislative representation	340	426
Lobbying	79,099	106,204
Newsletters	9,592	13,474
Committee meetings	1,093	2,070
Special projects	47,761	175,180.00
Total administration disbursements	<u>394,928</u>	<u>504,941</u>
Total Cash Disbursements	<u>1,008,507</u>	<u>1,131,329</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	375,956	227,451
Cash, Beginning	<u>716,645</u>	<u>489,194</u>
Cash, Ending	<u>\$ 1,092,601</u>	<u>\$ 716,645</u>

The accompanying notes are an integral part of this financial statement.

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ORGANIZATION

State Association of County Retirement Systems (SACRS) is a not-for-profit association of 20 California county retirement systems, enacted under the County Employees Retirement Law of 1937. SACRS was formed in the early 1970's to provide forums for disseminating knowledge of, and developing expertise in, the operation of county retirement systems existing under current law, as well as to foster and take an active role in the legislative process. To accomplish SACRS' mission of addressing issues of importance to members, SACRS, contracting with Strategic Local Government Services, provides a variety of association management services, including three magazines a year, membership directory, semi-annual conferences, and oversight of SACRS.org. The Association is supported primarily through membership dues and conference fees.

#### B. BASIS OF ACCOUNTING

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

#### C. INCOME TAXES

The Association is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and Section 23701f of the California Revenue and Taxation Code.

The initial electronic submission of the 2009 Form 990 to the Internal Revenue Service (IRS) was rejected due to a typo and was successfully re-filed subsequent to the extended due date. The IRS initially levied penalties on SACRS for the late filing, but abated those penalties in full upon request. SACRS tax exempt status remains valid and its tax filings are current.

#### D. CONTRACTUAL AGREEMENTS

The Association has entered into various contractual agreements for professional services. These agreements include compensation for services rendered to the Association.

#### E. COMPARATIVE DATA

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the Association's financial position and operations.

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

### 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2011 consisted of the following:

	Bank of America		Bank of Sacramento		Total
	General Checking	Interest-Max Checking	Certificate of Deposit	Checking	
Per Bank	\$ 110,525	\$ 613,114	\$ 56,606	\$ 251,967	\$ 1,032,212
Checks Outstanding	60,389	-	-	-	60,389
Deposits in Transit	-	-	-	-	-
Per Books	\$ 170,914	\$ 613,114	\$ 56,606	\$ 251,967	\$ 1,092,601

Cash and cash equivalents at June 30, 2010 consisted of the following:

	Bank of America		Bank of Sacramento		Alliance Bank	Superior Bank	Total
	General Checking	Interest-Max Checking	Certificate of Deposit	Checking	Certificate of Deposit	Certificate of Deposit	
Per Bank	\$ 304,986	\$ 346,109	\$ 56,080	\$ 168	\$ 244,861	\$ 5,508	\$ 957,712
Checks Outstanding	(241,067)	-	-	-	-	-	(241,067)
Deposits in Transit	-	-	-	-	-	-	-
Per Books	\$ 63,919	\$ 346,109	\$ 56,080	\$ 168	\$ 244,861	\$ 5,508	\$ 716,645

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The amount in excess of FDIC as of June 30, 2011 and 2010 was \$532,212 and \$401,095, respectively.

### 3. CONTRACTS

SACRS has entered into contracts with various hotels to reserve facilities and guest rooms for its upcoming conferences and events. Cancellation fees associated with these contracts vary by date of notice. All hotel contracts specify the total number of guest room nights reserved at a group rate. If guest nights attributed to the convention fall below a specified minimum, SACRS is obligated to pay a room attrition rate for every guest night below the contracted minimum; standard room rates exceed the attrition rate. The organization is also responsible for food and beverage minimums as specified below. Hotel contracts entered into as of the audit date are summarized here:

Conference	Cancellation Fees	Food and Beverage Minimums	Guest Room Nights Reserved	Guest Room Nights Minimum	Rooms Attrition
Fall 2011	\$20,000 - \$177,000	\$72,000	901	766	\$ 164.00 plus tax
Spring 2012	\$128,701 - \$231,661	\$90,840	847	847	\$ 196.65 plus tax
Seminar 2012	\$14,884 - \$21,263.20	\$7,088	75	67.5	\$189 plus commissions and tax
Fall 2012	\$66,707 - \$266,830	\$89,000	970	825	\$ 239.00 plus tax
Spring 2013	\$95,819-159,699	\$79,300	794	595.5	\$189 plus tax
Fall 2013	\$51,000 - \$225,900	\$150,000	990	842	\$ 215.00 plus tax

# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

## NOTES TO THE FINANCIAL STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2011

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SACRS has entered into contracts with the UC Berkeley Hass School of Business to reserve facilities for its upcoming seminars. Details of these contracts are summarized here:

<b>Seminar Dates</b>	<b>Program Fee</b>	<b>Cancellation Fee</b>	<b>Program Participants</b>	<b>Additional Participant</b>
7/11/2011 - 7/13/2011	\$99,500	\$74,625 - \$99,500	30	\$500 per person
7/16/2012 - 7/18/2012	\$105,470	\$79,102.50 - \$105,470	30	\$500 per person

#### 4. DONATED SERVICES

Directors and officers have made a significant contribution of their time to develop the organization and its programs. No amounts have been recognized in the accompanying statement of activities and changes in net assets because their criteria for recognition of such efforts under GAAP have not been satisfied.

#### 5. SUBSEQUENT EVENTS

SACRS management has evaluated subsequent events through June 20, 2012, the date which the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

## **SUPPLEMENTAL INFORMATION**



**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**

**COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

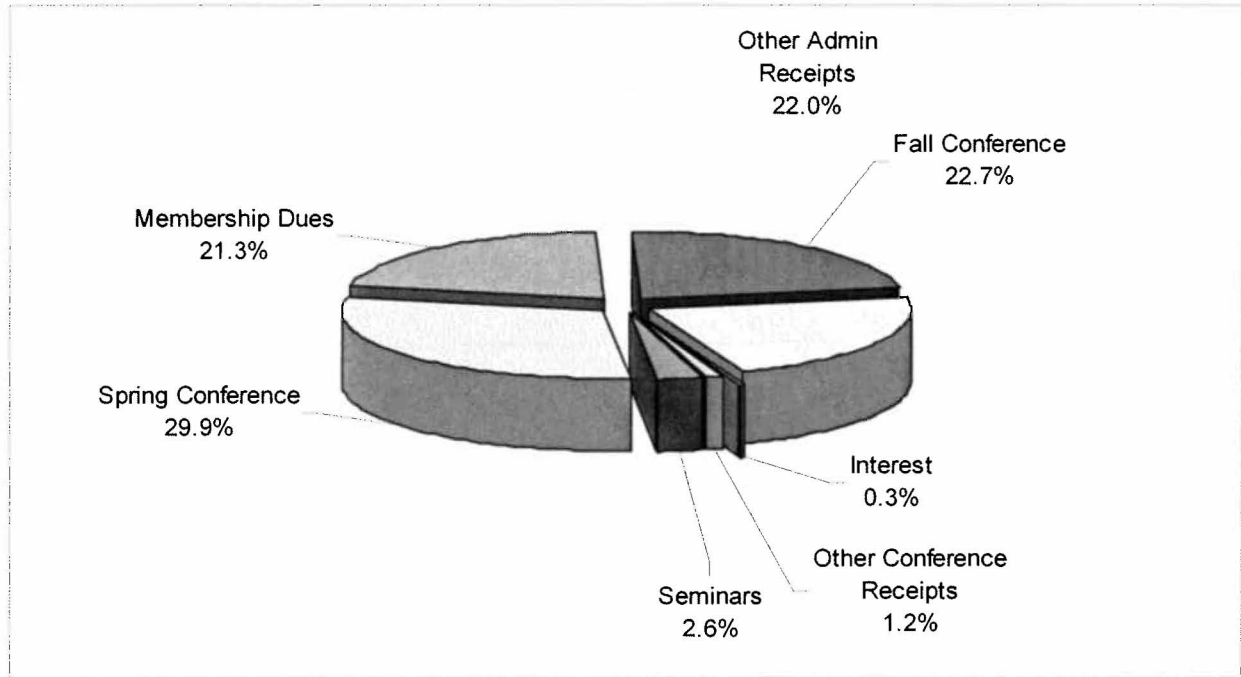
	<u>Conference</u>	<u>Administration</u>	<u>Total</u>
<b><u>Cash Receipts</u></b>			
Dues	\$ -	\$ 290,573	\$ 290,573
Conference			
Fall	540,367	-	540,367
Spring	413,383	-	413,383
Seminars	129,973		129,973
Other Admin Receipts	-	1,826	1,826
Other Conference Receipts	6,400	-	6,400
Interest	1,941	-	1,941
Total Cash Receipts	<u>1,092,064</u>	<u>292,399</u>	<u>1,384,463</u>
<b><u>Cash Disbursements</u></b>			
Conference			
Fall - 2010			
Hotel and meals	246,429	-	246,429
Audio and visual	42,860	-	42,860
Program materials	54,303	-	54,303
Spring - 2011			
Hotel and meals	10,000	-	10,000
Audio and visual	10,000	-	10,000
Program materials	27,333	-	27,333
Seminars	210,923	-	210,923
Conference Administration	11,431	-	11,431
Other	300	-	300
Total conference disbursements	<u>613,579</u>	<u>-</u>	<u>613,579</u>
Administration	-	257,043	257,043
Legislative representation	-	340	340
Lobbying	-	79,099	79,099
Newsletters	-	9,592	9,592
Committee meetings	-	1,093	1,093
Special projects	-	47,761	47,761
Total administration disbursements	<u>-</u>	<u>394,928</u>	<u>394,928</u>
Total Cash Disbursements	<u>613,579</u>	<u>394,928</u>	<u>1,008,507</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	478,485	(102,529)	375,956
Cash, Beginning	<u>705,079</u>	<u>11,566</u>	<u>716,645</u>
Cash, Ending	<u>\$ 1,183,564</u>	<u>\$ (90,963)</u>	<u>\$ 1,092,601</u>

**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**

**GRAPHICAL PRESENTATION OF CASH RECEIPTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**CASH RECEIPTS BY SOURCE**



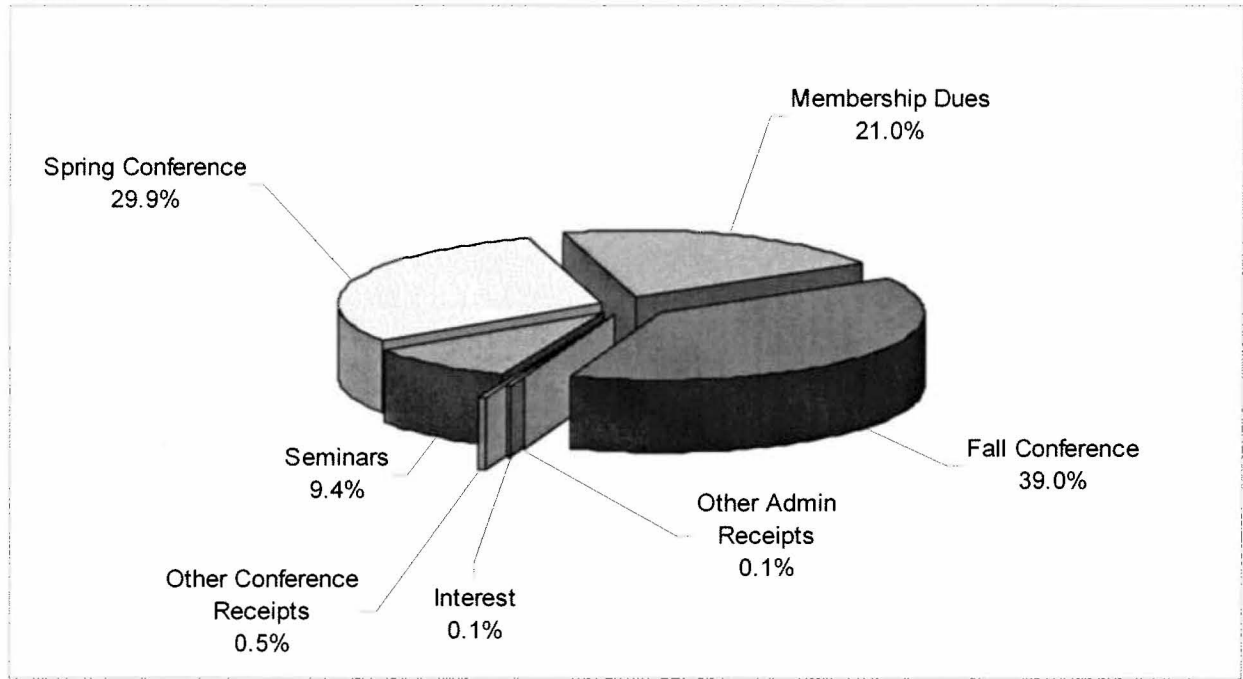
**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**

**GRAPHICAL PRESENTATION OF CASH RECEIPTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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**CASH RECEIPTS BY SOURCE**

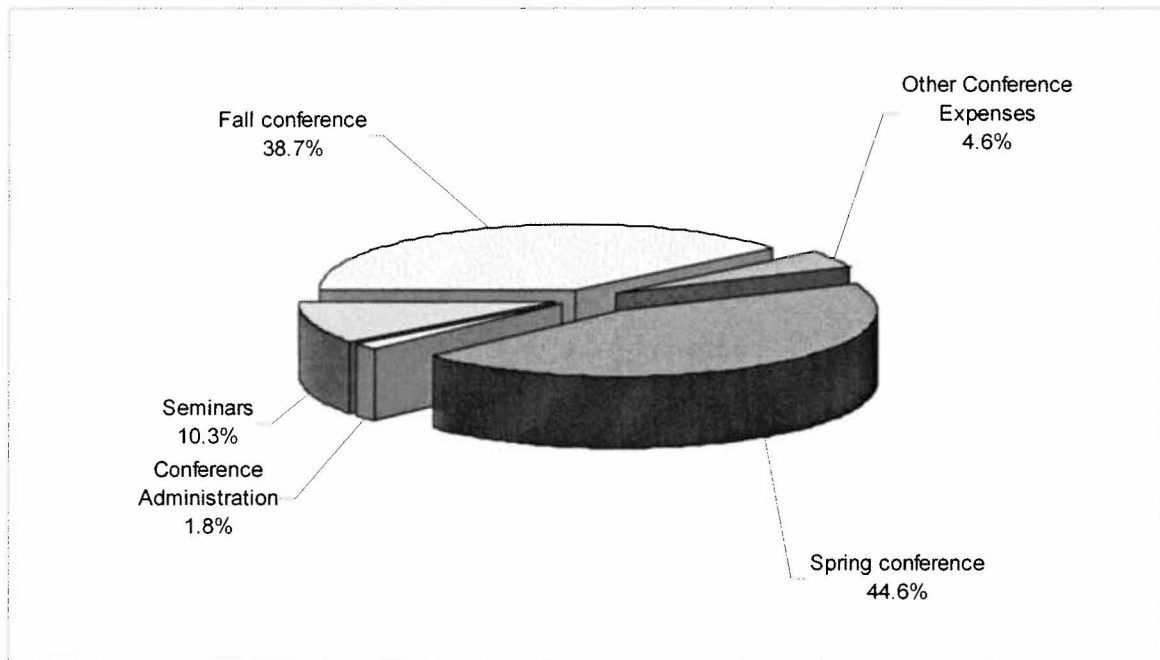


# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

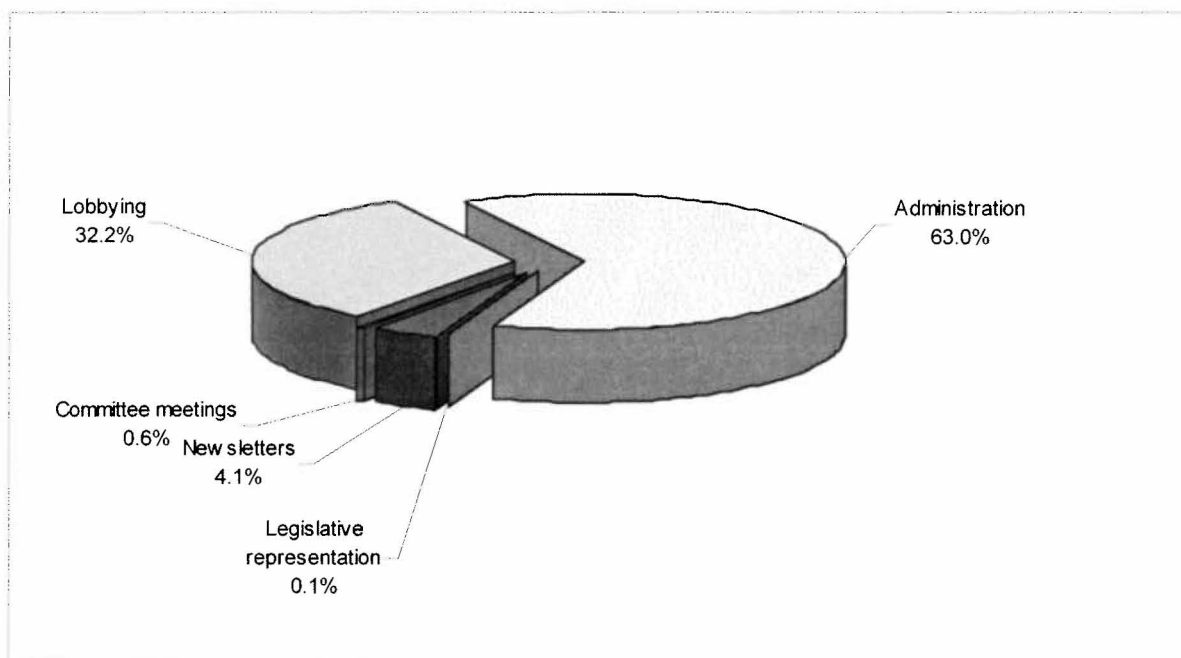
## GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

### CONFERENCE CASH DISBURSEMENTS



### ADMINISTRATION CASH DISBURSEMENTS

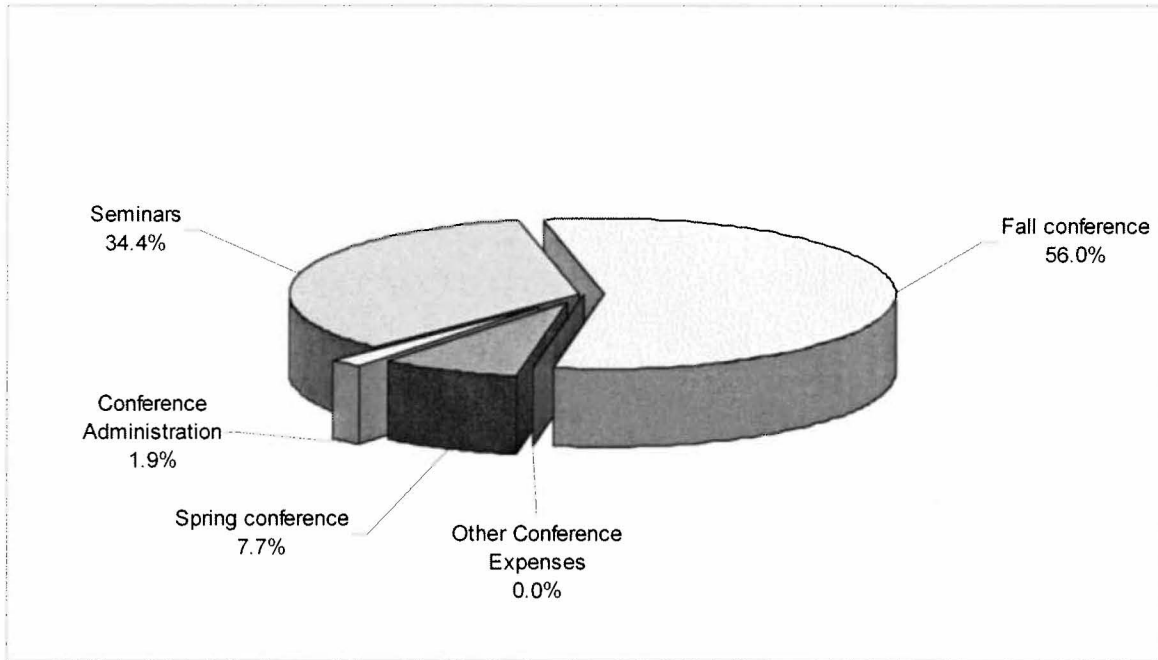


# STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

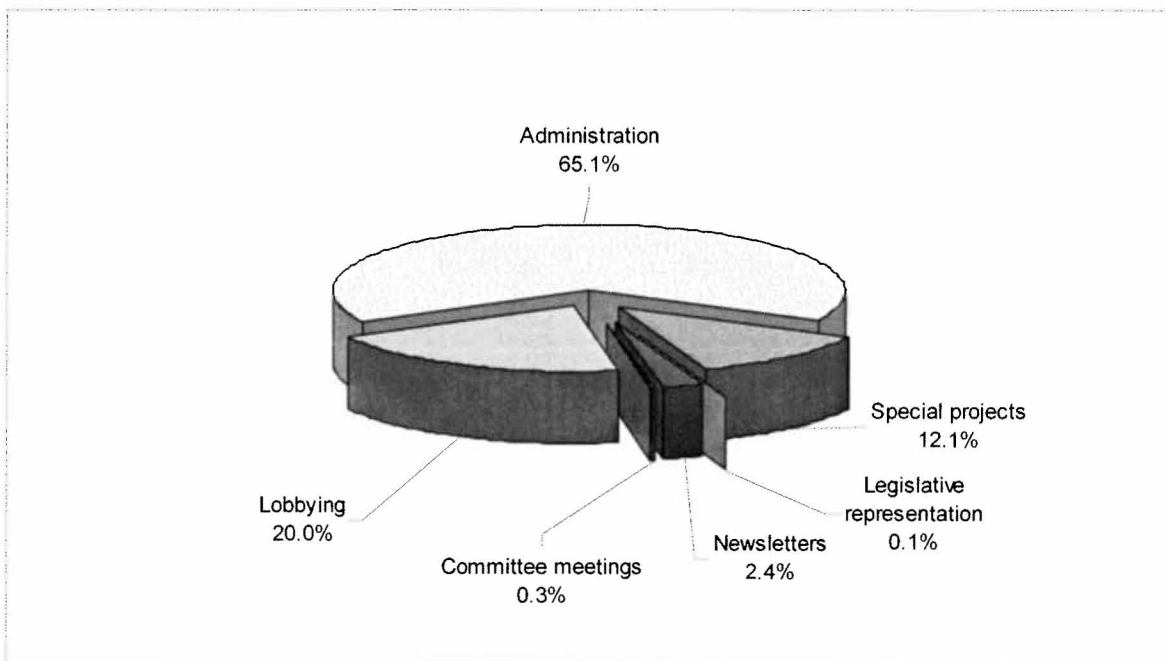
## GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### CONFERENCE CASH DISBURSEMENTS



### ADMINISTRATION CASH DISBURSEMENTS





**James Marta & Company**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**COMMUNICATION WITH THOSE CHARGED  
WITH GOVERNANCE**

To the Audit Committee  
State Association of County Retirement Systems  
Sacramento, California

We have audited the financial statements of the State Association of County Retirement Systems for the years ended June 30, 2011 and 2010 and have issued our report thereon dated June 20, 2012. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated October 21, 2011, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of State Association of County Retirement Systems solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and material weaknesses and other matters noted during our audit in a separate letter to you dated June 20, 2012.

**Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Organization's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. At the time of the preparation of this letter, we have no knowledge of any documents that contained audit report or financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Qualitative Aspects of the Organization's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by State Association of County Retirement Systems is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2011. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. As the accounting of the entity is prepared on a cash basis, no estimates are necessary for the preparation of the financial statements.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. No disclosures presented in the financial statements are particularly sensitive to judgement.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The

following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: (see attached journal entry listing).

**Disagreements with Management**

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

**Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated June 20, 2012.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Findings or Issues**

In the normal course of our professional association with State Association of County Retirement Systems, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

This report is intended solely for the information and use of the board of directors and management of State Association of County Retirement Systems and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



James Marta & Company  
Certified Public Accountants  
June 20, 2012





## MANAGEMENT REPRESENTATION LETTER

June 20, 2012

To James Marta & Company:

We are providing this letter in connection with your audit of the statements of cash receipts and disbursements of State Association of County Retirement Systems for the years June 30, 2011 and 2010 for the purpose of expressing an opinion as to whether the financial statement presents fairly, in all material respects the cash receipts and disbursements of State Association of County Retirement Systems, in conformity with generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the statement of cash receipts and disbursements of State Association of County Retirement Systems in conformity with generally accepted accounting principles. We further confirm to you that we are responsible for adopting sound accounting policies in conformance with generally accepted accounting practices and establishing and maintaining adequate internal controls for the prevention and detection of fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of June 20, 2012, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with generally accepted accounting principles (or, if applicable, another comprehensive basis of accounting).
2. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the elected body or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

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1415 L Street • Suite 1000 • Sacramento • California • 95814 • (916) 441-1850  
Operating under County Employees Retirement Law of 1937, Government Code 31450 et seq

4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe that the effects of the uncorrected misstatements in the financial statements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. management,
  - b. employees who have significant roles in internal controls, or
  - c. others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers or others.
9. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
  - a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the State Association of County Retirement Systems is contingently liable.
  - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources or supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

11. There are no:

- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB-5.

12. The State Association of County Retirement Systems has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

14. We represent to you the following for the Organization's fair value measurements and disclosures:

- a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
- b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
- c. The disclosures related to fair values are complete, adequate, and in conformity with GAAP.
- d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: \_\_\_\_\_

Title: Executive Director

Signed: \_\_\_\_\_

Title: SACPS Administrator

Client: **SACRS - State Association of County Retirement Systems**  
Engagement: **SACRS11 - State Association of County Retirement Systems'**  
Period Ending: **6/30/2011**  
Workpaper: **2506 - Adjusting Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entry JE # 1</b>		<b>4530</b>		
To adjust Bank of Sacramento CD balance for unrecorded interest.				
1050	Bank of Sacramento - CD		223.00	
1630	Interest Income - CD			223.00
<b>Total</b>			<u><b>223.00</b></u>	<u><b>223.00</b></u>
<b>Adjusting Journal Entry JE # 2</b>		<b>4105</b>		
To record unrecorded account balance: Bank of Sacramento DDA - 0390000719 and correct related understatement in interest income.				
1050	Bank of Sacramento - CD		168.00	
1630	Interest Income - CD			168.00
<b>Total</b>			<u><b>168.00</b></u>	<u><b>168.00</b></u>
<b>Adjusting Journal Entry JE # 3</b>		<b>4510</b>		
To record unrecorded interest earned during FY 2011 on BofA Interest Max 3168				
1020	Interest Max -#3168		471.00	
1630.1	Other Income - Interest Earned - General			471.00
<b>Total</b>			<u><b>471.00</b></u>	<u><b>471.00</b></u>

Client: **SACRS - State Association of County Retirement Systems**  
Engagement: **SACRS11 - State Association of County Retirement Systems'**  
Period Ending: **6/30/2011**  
Trial Balance: **2505 - Trial Balance**  
Workpaper: **2507 - Reclassifying Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
<b>Reclassifying Journal Entry JE # 4</b>		<b>7730</b>		
To reclassify magazine expenses				
1830.3	Expense - Printing/badges - SACRS Magazine		9,592.00	
1476.6	Expense - Education - Trustee Education			9,592.00
<b>Total</b>			<u><b>9,592.00</b></u>	<u><b>9,592.00</b></u>
<b>Reclassifying Journal Entry JE # 5</b>		<b>7640</b>		
To reclassify "Printing and Badges" from its own financial statement line item to be included with the Program Materials for the Spring Conference.				
1465.30	Expense - Program Material - Spring Conference		12,023.00	
1460.30	Expense - Printing/badges - Spring Conference			12,023.00
<b>Total</b>			<u><b>12,023.00</b></u>	<u><b>12,023.00</b></u>



**James Marta & Company**  
***Certified Public Accountants***

***Accounting, Auditing, Consulting, and Tax***

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Directors  
State Association of County Retirement Systems  
Sacramento, CA

We have audited the financial statements of State Association of County Retirement Systems (a non-profit organization) as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated [report date]. We conducted our audit in accordance with auditing standards generally accepted in the United State of America.

In planning and performing our audit, we considered the organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in 2011-1 and 2010-1 to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## 2011-1 Segregation of Duties

Observation: Due to the limited number of people working on behalf of SACRS, many of the critical duties are combined and assigned to a small number of personnel. During the audit period, a small number of individuals performed the majority of the accounting functions without the routine oversight of a competent Treasurer. The oversight of SACRS management provided by the Treasurer can serve a valuable internal control function, provided that individual is engaged, informed and performs timely review and reconciliation of the organization's financial activity.

Recommendation: To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. Duties of the Treasurer should be committed to writing and provided to potential volunteers before each election. The board should consider removal and replacement of any Treasurer that does not perform their duties completely and timely. Further, the board could consider the costs and benefits of contracting out some of the duties that are currently the responsibility of the volunteer Treasurer position.

Management Response: For fiscal year 2010-11, the individual performing the Treasurer duties for SACRS organization resigned part way through the year. To address this matter, the SACRS Administrator first hired an independent CPA to reconcile the cash accounts. When it appeared that the SACRS Treasurer position would remain vacant for the rest of the fiscal year, the SACRS Board of Directors approved the utilization of a SLGS bookkeeper to process payments. For the rest of the fiscal year, there was a separation of duties between the Administrator and the Bookkeeper with regard to approving and processing the SACRS accounts.

For fiscal year 2012-13, the SACRS organization once again has an elected Treasurer from the membership of the organization. SACRS will continue to utilize the services of the SLGS bookkeeper who will provide the accounting services separate from the SACRS Administrator who will process claims and invoices and initially verify and approve for payment. The Treasurer will be able to oversee the activities through "Quick Books" on line and will be responsible for reconciliation and account transfers within the organization.

## Status of Prior Year Findings

### 2010-1 Conference Revenue Reconciliations Incomplete

Observation: Strategic Local Government Services, LLC (SLGS) tracks SACRS conference registration and payments; SLGS provides detailed deposit information to the SACRS Treasurer. During the audit period, the sum of each deposit type was to be recorded in the Treasurer's records. However, a reconciliation of the *physical conference attendance* and payments received/outstanding was not fully completed. Physical conference attendance was compared to related cash received data, however there was not sufficient investigation of the difference between the revenue presented on financial statements from the event and the attendance figures to substantially reconcile the two figures upon presentation to the auditor. We found that the 2009 Fall conference was overstated by over \$17,000 (refunds included in bank fees) and the 2010 Spring conference was overstated by \$9,900 because prior year revenue was included in the current year. New accounts were established during the year to provide for better recording of prior year funds.

## 2010-1 Conference Revenue Reconciliations Incomplete (continued)

Recommendation: Ideally, the reconciliation should be prepared to compare physical conference attendance, related collections, and conference revenue on SACRS' financial statements *identifying differences between the three sets of information*. This information should be compiled through the combined efforts of the Treasurer and organization management at SLGS within 90 days of the conference.

Status: Comment repeated. On the reconciliations provided to the auditor for the 2010 Fall conference and the 2011 Spring conference, the physical attendance figures were used to estimate revenues from the events but no comparison was made to the income recognized on the books.

Management Response: This matter was addressed in the 2010-11 Audit. As last year, again this year management was able to reconcile the attendance numbers to the fees received for each conference. The auditors would prefer to see the actual names of the attendees with the fees they paid. This is possible when participants pay by check. When they use credit cards (which most are doing) the credit card company report does not track the names of the individuals to the card reports. When several individuals from an entity file for attendance using different credit card entries, there is no real record to directly tie the card to the specific attendees.

For the past three years, management has worked with the auditor to develop a method that directly identifies the attendee to the payment. Each method has not resulted in success.

Again, management has been able to reconcile the attendance to the fees received.

Auditor Response: (we received the management response on 6/29/12)

We would like to clarify; *A list of individual conference attendees and names is not necessary to substantiate reconciliation of the conference attendance, receipts and revenue.*

We do recommend that the physical conference attendance (i.e. number of attendees), related collections (i.e. monies received by SACRS) and conference revenue (i.e. amounts presented as revenue on the Association's financials) be reconciled after each conference. For the 2010-11 Audit, the auditors were presented with a management calculation that presented the number of conference attendees at each registration fee level, which **projected** income to be recognized from the respective conference. On this calculation, there was no evidence of comparison to revenue recognized on the Association's financials. In addition, the revenue on the Association's financials did not match the projected revenue calculated by management. Accordingly, we are repeating our comment above.

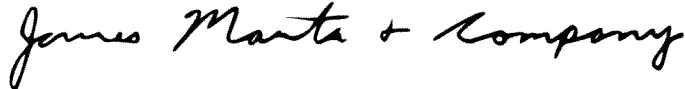
Management's calculation of projected income is in the calculated column below. We calculated the following differences.

	Calculated	Per Books	Difference
Fall Conference 2010	\$530,535	\$540,367	\$ 9,832
Spring Conference 2011	\$452,515	\$413,383	\$39,132

We noted certain matters that we reported to management of the organizations in a separate letter dated June 20, 2012.

Management's responses to our findings are described above. We did not audit the Management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Marta & Company". The script is cursive and fluid, with the words connected together.

James Marta & Company  
Certified Public Accountants  
June 20, 2012





**James Marta & Company**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**MANAGEMENT LETTER**

To the Management  
State Association of County Retirement Systems  
Sacramento, CA, 95814

We have recently completed the audit of the financial statements of State Association of County Retirement Systems and have issued our report thereon dated June 20, 2012. In planning and performing our audit of your financial statements for period ending June 30, 2011, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies/material weaknesses, and communicated them in writing to management and those charged with governance in a separate letter dated June 20, 2012. Although our audit was not designed to provide assurance on the internal control structure and its operation, we noted certain matters that we are submitting for your consideration for the improvement of the State Association of County Retirement Systems accounting and financial reporting functions. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. We will review the status of these comments during our next audit engagement. This letter does not affect our report dated June 20, 2012 on the financial statements of the State Association of County Retirement Systems.

**Current Year Recommendations**

**2011-2 Cash Management Policy**

Observation: The Cash Management Policy approved by the board on March 10, 2009 states that “one primary bank will have a commercial account for check responsibilities of the association...other three banks will be used for holding the association’s reserves.” As of June 30, 2011, SACRS had deposits in only two banks: Bank of America and Bank of Sacramento. Deposits with Bank of America were in excess of FDIC insured limits by \$532,212 at June 30, 2011.

Recommendation: Auditor recommends that accounts be maintained with balances below the federally insured limits – i.e. no more than \$250,000 on deposit per institution. Further, the cash management policy and management’s compliance with the policy should be reviewed at least annually by the Treasurer to ensure that the policy represents current facts and circumstances and that cash is being managed consistent with the policy.

## 2011-2 Cash Management Policy (continued)

Management Response: With the semi-annual SACRS conferences, cash balances are higher in June and December each year as conference fees are received from attendees and invoices are received from various conference vendors. The Cash Management policy of SACRS requires that the balances not exceed the FDIC insured levels.

We have situations where for a few days in these particular months the cash does exceed the SACRS policy. In discussions with the SACRS Audit Committee, they would prefer that the FDIC limits never be exceeded. Since SACRS has two separate checking accounts, one with Bank of Sacramento and one with Bank of America, staff will make deposits accordingly. We will use the Bank of America account for credit card receipts from conference attendees. We will use the Bank of Sacramento account for all other receipts for the conferences. Splitting the revenue between these two accounts should keep both checking accounts below the FDIC limits.

## 2011-3 Old Outstanding Checks

Observation: At June 30, 2011, the following checks were outstanding more than ninety days:

Check Date	Check Number	Payee	Memo/Description	Check Amount
08/06/2010	2275	Secretary of State Office	Statement of Information Form 2010	\$ 20.00
12/22/2010	2350	Schott & Lites	Consulting Services November 2010	2,500.00
12/22/2010	2353	Edelstein Gilbert Robson & Smith	Lobbying Services December 2010	4,046.82
Total				<u>\$ 6,566.82</u>

Recommendation: Management should investigate the outstanding checks listed above. If necessary, they should be voided and reissued.

Management Response: Management was aware of the three outstanding checks that were identified in the audit. Management was notified by the previous Treasurer that the checks were lost. Management moved ahead to reissue new checks. As part of the SACRS established segregation of duties, the Treasurer is responsible for voiding checks. With that position vacant, there was no one in the position to take action. Management will have the newly appointed Treasurer move to void these checks.

## Status of Prior Year Recommendations

### 2010-2 Cash in Excess of FDIC Limits

Observation: Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The amount of cash held by SACRS in excess of FDIC as of June 30, 2010 was \$151,095 - all in Bank of America.

Recommendations: Auditor recommends that accounts be maintained with balances below the federally insured limits.

## **2010-2 Cash in Excess of FDIC Limits (continued)**

Status: Comment repeated. The amount of cash held by SACRS in excess of FDIC as of June 30, 2011 was \$532,212 – all in Bank of America.

Further, the amount of cash held by SACRS in excess of FDIC as of June 30, 2010 was misreported on our prior finding. We were applying the FDIC to each individual account instead of all accounts held with a single institution. The total on deposit with Bank of America at June 30, 2010 was \$651,095. Accordingly, the amount in excess of FDIC should have been reported as \$401,095.

Management Response: This matter has been raised in both the 2010-11 and the 2011-12 audits. The SACRS Board of Directors requires that the various SACRS accounts stay below the FDIC limits. Management has worked with the Bank of Sacramento to establish CDARS accounts to spread SACRS funds among several banking institutions. There are certain periods in the fiscal year when SACRS is receiving revenue in for its semi-annual conferences and at the same time paying out various vendor invoices for the conference. This occurs in the months of June and December.

Management is working on a procedure that would have two separate checking accounts in separate banks. Thus the cash flows in and out should stay below the FDIC limits.

## **2010-3 Limitations of Cash Basis Accounting**

Observation: One of the limitations of cash-basis accounting is that it does not recognize revenues earned or expenses incurred until the underlying cash receipt or disbursement occurs. In the past, SACRS management has recognized this limitation and classified cash flows from events of the previous year as Prior Year Revenue and Prior Year Expenses. This practice appears to have been abandoned during the 2009 fiscal year as, for example, Spring 2008 conference receipts and disbursements were included in the Spring conference revenue and expenses, respectively, for the 2009 fiscal year. The auditor adjusted prior year receipts and disbursements, as identified, into the Prior Year classifications.

Recommendation: Moving forward, management should endeavor to identify cash flows attributable to events in the prior year and classify these transactions as prior year revenue or expenses in the accounting system. Consistent identification and classification of these transactions will allow for more accurate reporting of the cash flows related to the current period conferences.

Status: Implemented. No significant expenses associated with the previous year were identified in the conference expenses for the 2010 Fall conference or the 2011 Spring conference.

Management Response: Management has established accounting line items to separate previous year conference expenses from current year. The auditor found no significant expenses of the prior year were found in the conference expenses for 2010 Fall Conference or the 2011 Spring Conference.

We believe that the implementation of these recommendations will provide State Association of County Retirement Systems with a stronger system of internal accounting control while also making its operations more efficient.

Management's responses to our recommendations are described above. We did not audit the Management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and others within the association and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "James Marta & Company". The script is cursive and fluid, with the words connected together.

James Marta & Company  
Certified Public Accountants  
June 20, 2012



**SACRS Business Meeting Agenda**  
**Friday, November 16, 2012**  
**10:00 a.m.**  
**The Hollywood Loews**  
**Hollywood, CA**

7. SACRS Legislative Proposals 2012-2012 – Action Item  
Richard Stensrud, Legislative Committee Chair

**Proposals recommended by the Committee for 2013 SACRS Sponsorship:**

- LACERA #1 Telephone Transactions
- LACERA #2 Disclosure of Real Estate Investments
- SAN JOAQUIN #1 Alternative Investment Disclosure Rules

**SACRS LEGISLATIVE PROPOSAL**

Title of Issue: Telephone Transactions

Association: Los Angeles County Employees Retirement Association

Contact Person: Robert S. Van Der Volgen, Jr.

Phone No.: 626-564-2340

Fax No.: 626-564-2336

1. **Description of problem:** Effective January 1, 2013, a county retirement system may adopt, at their election, regulations allowing for the use and acceptance of a member's digital signature with the same force and effect as a manual signature, provided it is submitted using electronic technology that the board determines sufficient to ensure its integrity, security and authenticity.

While many members are computer literate, there are many who currently do not have access to or choose not to perform transactions over the web. Additionally, some members need assistance navigating through difficult transactions and are seeking help by telephone.

Allowing members to perform transactions over the telephone with the same force and effect as a manual signature not only results in greater service delivery to system members, but also increases efficiency and reduces costs to the systems' administration. Procedures adequate to protect the systems and members, including method(s) to validate and authenticate the member's identity and the permanent retention of the recorded communication, would be approved by each respective board.

2. **Recommended solution:** Amend existing Government Code Section 31527 of the County Employees Retirement Law (CERL) to allow county retirement systems to adopt, at their election, regulations allowing for the secure processing of member requests by telephone with the same force and effect as a manual signature.
3. **Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?** If enacted, the proposed legislation would be applicable to all '37 Act systems.
4. **Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or creating a problem with any of the other 19 SACRS retirement associations?** No.
5. **Who will support or oppose this proposed change in law?** Unknown.

6. **Who will be available from your association to testify before the legislature?** Robert S. Van Der Volgen, Jr., Chief Counsel, LACERA.

Existing Government Code Section 31527 is amended to read:

31527. In its regulations, the board may include the following provisions:

(a) From what warrants deductions of members' contributions shall be made.

(b) For a period of time longer than one year during which a member may redeposit in the retirement fund an amount equal to all of the accumulated normal contributions that he or she has withdrawn, plus regular interest thereon from the date of return to service.

(c) For a period of time longer than one year during which a member brought within the field of membership may pay into the retirement fund the amount equal to the contributions he or she would have made plus interest, if he or she had been a member from the date of its organization, or from the date of his or her entrance into service, whichever is later.

(d) For a withdrawal charge against a member who withdraws his or her accumulated contributions. The withdrawal charge shall not exceed the interest credited to the member subsequent to the effective date of the regulation.

(e) For the exemption or exclusion from membership as a peace officer member or as a safety member or from membership altogether, in the discretion of the board, of persons whose tenure is temporary, seasonal, intermittent, or for part time only, or persons whose compensation is fixed at a rate by the day or hour.

(f) For the periodic physical examination, at county expense, of safety members.

(g) The amount of additional deductions from the salaries or wages of members pursuant to Article 15.5 (commencing with Section 31841) or Article 16 (commencing with Section 31861). Such a provision may be adopted in anticipation of, and prior to Article 15.5 (commencing with Section 31841) or Article 16 (commencing with Section 31861) becoming operative in the particular county.

(h) The day upon which each person becomes a member of the association if it is to be other than the first day of the calendar month after his or her entrance into service. However, that day shall be no later than 12 weeks after his or her entrance into service, or the day upon which the member terminates service credited by the association, and that the day shall be no earlier than 12 weeks prior to the member's termination from employment.

(i) Notwithstanding any other law, for the use and acceptance of a document requiring a signature that is submitted by a member using an electronic signature, if the document and electronic signature are submitted using technology the board deems sufficient to ensure its integrity, security, and authenticity. A document submitted pursuant to the regulation shall be given the same force as a signed, valid original document.

(j) Notwithstanding any other law, for member authorization of transactions affecting the member's account via recorded telephone communications, provided procedures adequate to protect the system and members, including method(s) to validate and



authenticate the member's identity and the permanent retention of the recorded communication, are approved by the board.

**SACRS LEGISLATIVE PROPOSAL**

Title of Issue: Disclosure of Real Estate Investments

Association: Los Angeles County Employees Retirement Association

Contact Person: Robert S. Van Der Volgen, Jr.

Phone No.: 626-564-2340

Fax No.: 626-564-2336

1. **Description of problem:** The California Public Records Act (CPRA) provides for inspection and/or disclosure of governmental records to the public upon request, unless exempted by law.

In balancing the public's right to access public records with the recognized individual right of privacy and the need for public agencies to be able to competently perform their duties, the Legislature has established certain categories of records which may be exempt from public disclosure under Government Code Sections 6254 and 6275 et seq.

In addition, the CPRA allows an agency with the discretion to claim an exemption from public disclosure for records, which do not qualify for a specific exemption, if "the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record."

Existing Government Code Section 6254.26 provides that "alternative investments" in which public investment funds invest are exempt from disclosure, unless the information has already been publicly released by the keeper of the information. As defined under this section, "alternative investment" includes investments in a private equity fund, venture fund, hedge fund, or absolute return fund. However, this definition does not include real estate investments.

LACERA's Investment staff believes that real estate investments should be added to the list of alternative investments exempt from public disclosure. Many real estate investments share the same elements of market sensitivity as private equity transactions. Indeed, disclosure of certain material terms of these investments could put the investment at a competitive disadvantage and hinder or reduce return on investment. By including real estate in the present alternative investment exemption, the public would be given access to information necessary to monitor fund performance with reduced risk of impeding return.

2. **Recommended solution:** Amend Government Code Section 6254.26 to include non-publicly traded real estate investments.

In addition, a minor technical change to Section 6254.26(a)(4) is proposed to provide consistency within the statute.

3. **Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?** If enacted, the proposed legislation would be applicable to all California pension systems, including all '37 Act systems.
4. **Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or creating a problem with any of the other 19 SACRS retirement associations?** No.
5. **Who will support or oppose this proposed change in law?** Public agencies with investments in real estate are likely to support this. We may also expect support from real estate investment interests and opposition from public access groups such as the Newspaper Publishers.
6. **Who will be available from your association to testify before the legislature?** Robert S. Van Der Volgen, Jr., Chief Counsel, LACERA.

## YEAR 2013 SACRS LEGISLATIVE PLATFORM WORKSHEET

PLEASE COMPLETE AND RETURN BY SEPTEMBER 7, 2012

Title of Issue: SJCERA #1 - Alternative Investments and Public Disclosure

Association: San Joaquin County Employees' Retirement Association

**STAFF DRAFT – SET FOR SJCERA BOARD OF RETIREMENT ACTION 9/28/12**

Contact Person: Annette St. Urbain, CEO

Phone #: (209) 468-2163

Fax #: (209) 468-0480

### 1. Description of issues.

The Ralph M. Brown Act (California Government Code sections 54950-54963) requires that deliberations and actions of public local agencies be conducted in an open forum. The Brown Act also specifies exemptions allowing certain matters to be discussed and acted upon by a local agency in closed session.

The California Public Records Act, or CPRA, (Government Code sections 6250-6276.48) governs the public's access to information concerning the conduct of the people's business, and specifies types of records or information exempt from disclosure under the CPRA.

#### Issue 1:

Subdivision (a) of Section 54957.5 of the Brown Act states the general rule that, despite any protections offered under the CPRA, agendas of public meetings and any other writings distributed to a majority of the members of a legislative body of a local agency in connection with open session become subject to mandatory disclosure under CPRA. This subdivision then provides that this section of the Brown Act shall not include any writing exempt from public disclosure under specified sections of the CPRA. The list of exceptions does not include 6254.26 of the CPRA, which exempts specified records regarding alternative investments in which public investment funds invest from disclosure.

SJCERA proposes that failure to include in Section 54957.5 (a) of the Brown Act a reference to Section 6254.26 of the CPRA is likely to have been an oversight, rather than a deliberate policy choice by the Legislature.

The effect of the inconsistency in current law is that while certain information regarding a board of retirement's alternative investments is exempt from disclosure under the CPRA, if the information is provided to a majority of board members in connection with periodic reporting or due diligence reviews as part of an open session, that same information is subject to disclosure under the Brown Act.

#### Issue 2:

Section 54956.81 of the Brown Act allows a local agency that invests pension funds to hold a closed session to consider the **purchase or sale** of particular, specific pension fund investments. With regard to alternative investments, it is common for boards of retirement, as limited partner investors, to consider and act on amendments to limited partnership agreements quite some time after the board's initial decision to "purchase" or invest in the alternative investment vehicle was made in closed session. Subdivision (a) of Section 6254.26 of the CPRA specifies the alternative investments records that are not subject to disclosure, including alternative investment agreements and all related documents.

Boards of retirement should have the authority to hold a closed session to consider information on its alternative investments that is exempt from public disclosure under the CPRA.

**2. Recommended solution.**

Issue 1:

Add a reference to CPRA section 6254.26 to the list of code sections specified in Section 54957.5(a) of the Brown Act to correct this oversight and ensure that information regarding a board of retirement's alternative investments that is exempt from disclosure under the CPRA would also be exempt from disclosure under the Brown Act.

Issue 2:

Amend Section 54956.81 of the Brown Act to authorize a local agency to hold a closed session to consider information regarding alternative investments that is exempt from disclosure as specified in CPRA Section 6254.26 (a).

**3. Specific statutory language that you would like changed or added.**

Please see attached.

**4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association?**

The Brown Act and CPRA apply to all SACRS member systems.

**5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations?**

No.

**6. Who will support or oppose this proposed change in the law?**

All public agencies subject to these provisions that have alternative investments would likely support the proposed changes.

Issue 1:

In the event failure to include a reference to CPRA Section 6254.26 was, or is perceived as, a deliberate policy choice rather than an oversight, there could be opposition to this proposed change, most likely from the newspaper publishers.

Issue 2:

Allowing public local agencies to hold a closed session to consider information regarding alternative investments that is exempt from disclosure under the CPRA would correct an inconsistency in current law. To the extent this is perceived as an infringement on the public's access to the conduct of the people's business in an open forum, there could be opposition to this proposed change, most likely from the newspaper publishers.

**7. Who will be available from your association to testify before the Legislature?**

Annette St. Urbain, CEO

**Amend Government Code Section 54957.5 (a) to read:**

54957.5. (a) Notwithstanding Section 6255 or any other provisions of law, agendas of public meetings and any other writings, when distributed to all, or a majority of all, of the members of a legislative body of a local agency by any person in connection with a matter subject to discussion or consideration at an open meeting of the body, are public records subject to disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), and shall be made available upon request without delay. However, this section shall not include any writing exempt from public disclosure under Section 6253.5, 6254, 6254.3, 6254.7, 6254.15, 6254.16, ~~or~~ 6254.22, **or 6254.26.**

**Amend Government Code Section 54956.81 to read:**

54956.81. Notwithstanding any other provision of this chapter, a legislative body of a local agency that invests pension funds may hold a closed session to consider the purchase or sale of particular, specific pension fund investments ***or the information specified in subdivision (a) of Section 6254.26.*** All investment transaction decisions made during the closed session shall be made by rollcall vote entered into the minutes of the closed session as provided in subdivision (a) of Section 54957.2.

## CPRA Section 6254.26 - Current Statute (Included for Reference Only)

6254.26. (a) Notwithstanding any provision of this chapter or other law, the following records regarding alternative investments in which public investment funds invest shall not be subject to disclosure pursuant to this chapter, unless the information has already been publicly released by the keeper of the information:

- (1) Due diligence materials that are proprietary to the public investment fund or the alternative investment vehicle.
- (2) Quarterly and annual financial statements of alternative investment vehicles.
- (3) Meeting materials of alternative investment vehicles.
- (4) Records containing information regarding the portfolio positions in which alternative investment funds invest.

- (5) Capital call and distribution notices.

- (6) Alternative investment agreements and all related documents.

(b) Notwithstanding subdivision (a), the following information contained in records described in subdivision (a) regarding alternative investments in which public investment funds invest shall be subject to disclosure pursuant to this chapter and shall not be considered a trade secret exempt from disclosure:

- (1) The name, address, and vintage year of each alternative investment vehicle.
- (2) The dollar amount of the commitment made to each alternative investment vehicle by the public investment fund since inception.
- (3) The dollar amount of cash contributions made by the public investment fund to each alternative investment vehicle since inception.
- (4) The dollar amount, on a fiscal yearend basis, of cash distributions received by the public investment fund from each alternative investment vehicle.
- (5) The dollar amount, on a fiscal yearend basis, of cash distributions received by the public investment fund plus remaining value of partnership assets attributable to the public investment fund's investment in each alternative investment vehicle.

- (6) The net internal rate of return of each alternative investment vehicle since inception.
  - (7) The investment multiple of each alternative investment vehicle since inception.
  - (8) The dollar amount of the total management fees and costs paid on an annual fiscal yearend basis, by the public investment fund to each alternative investment vehicle.
  - (9) The dollar amount of cash profit received by public investment funds from each alternative investment vehicle on a fiscal year-end basis.
- (c) For purposes of this section, the following definitions shall apply:
- (1) "Alternative investment" means an investment in a private equity fund, venture fund, hedge fund, or absolute return fund.
  - (2) "Alternative investment vehicle" means the limited partnership, limited liability company, or similar legal structure through which the public investment fund invests in portfolio companies.
  - (3) "Portfolio positions" means individual portfolio investments made by the alternative investment vehicles.
  - (4) "Public investment fund" means any public pension or retirement system, and any public endowment or foundation.



**SACRS Business Meeting Agenda**  
**Friday, November 16, 2012**  
**10:00 a.m.**  
**The Hollywood Loews**  
**Hollywood, CA**

**8. SACRS Nomination Committee – No Action**  
**Ray McCray, Nomination Committee Chair**

- Schedule for the Spring 2013 Board of Directors Election





## SACRS MEMORANDUM

**To: SACRS Trustees & SACRS Administrators/CEO's**  
**From: Raymond McCray, SACRS Nominating Committee Chair**  
**SACRS Nominating Committee**

**Re: SACRS Board of Director Elections – Reminder for upcoming 2013-2014 BOD Elections**

SACRS BOD 2013-2014 Election process begins in January 2013. Please review the following timeline:

DEADLINE	DESCRIPTION
Friday, February 1, 2013	Nominating Committee receives nominations from SACRS membership
Friday, March 1, 2013	Nominating Committee submits its recommended ballot to each 1937 Act Board
Monday, March 25, 2013	Nominating Committee receives nominations from any 1937 Act Board
Monday, April 1, 2013	Nominating Committee (NC) submits final ballot to each 1937 Act Board – ballot consists of NC's recommended ballot plus anybody else who is nominated but not recommended by the NC
Friday, May 17, 2013	Conduct elections during the SACRS Business Meeting (at end of the May 2013 conference)
Friday, May 17, 2013	Board of Directors take office for 1 year

### Per SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office

*“The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected.”*

### Per SACRS Bylaws, Article VI ~Section 4 - Officer Elections

*“...The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee's final ballot provided the Nominating Committee receives those write-in candidates prior to March 25<sup>th</sup>.*

*The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.*

*The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee...”*



The elections will be held at the SACRS Spring Conference May 14-17, 2013 at the Napa Valley Marriott, Napa, California. Elections will be held during the Annual Business meeting on Friday, May 17th, 2012 at 10 a.m.

If you have any questions or require assistance, please contact me directly at 209-468-2163 or [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net) . Thank you for your prompt attention to this timely matter.

Sincerely,

*Raymond McCray*

Raymond McCray, San Joaquin County  
SACRS Nominating Committee Chair

CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Administrator

RMC:shp

STANISLAUS COUNTY EMPLOYEES' RETIREMENT  
ASSOCIATION

**INVESTMENT PERFORMANCE SUMMARY  
ANALYSIS**

SEPTEMBER 30, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

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



## Capital Market Review

Third Quarter 2012

- Fears over the U.S. fiscal cliff and a pronounced slowdown in China have limited upside gains in risk markets in the wake of the quantitative easing throughout the developed world. The Federal Reserve announced QE3 with unlimited MBS purchases until the labor market improves. Meanwhile, the European Central Bank's Outright Monetary Transactions (OMT), provided that a distressed country agrees to conditionality, allows the ECB to purchase the short-term sovereign debt of distressed governments on secondary markets. As a result, the S&P 500 outperformed during the quarter, returning 6.4%.
- The German Constitutional Court ratified the European Stability Mechanism (ESM), helping to reduce fears of tail risks across the Eurozone. As a result, Europe-ex UK equities rose 9.7% in the third quarter.
- Spain must agree to the conditionality in the Memorandum of Understanding before the ECB and ESM can purchase government bonds. Spanish 10-year yields declined in the wake of the OMT announcement; however, at about 6%, yields remain well above the lows reached in February.
- The Bank of Japan increased the size of their asset purchase program by JPY10trn (5trn in T-bills and 5trn in JGBs). However, the strong yen and export concerns continued to hamper equities in Japan, where stocks fell 0.8% in the third quarter.
- Safe-haven demand waned in Q3, which led to Treasuries returning only 0.6%. Meanwhile, in the currency markets, the increase in risk appetite led to a quarterly decline in the trade-weighted U.S. dollar index of 2.9%.
- In India, officials announced a number of key market liberalization measures, including a hike in subsidized fuel prices and steps to allow increased foreign investment and the privatization of government companies. Fiscal policies helped boost equities in Emerging Markets Asia, which rose 8.9% in the third quarter.
- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. As a result of declining confidence in the North American and Asian regions, the Global ICI fell to 86.9 in September, remaining well below the neutral level of 100. The decrease in confidence was most pronounced in Asia, while European institutional investors' appetite for equities is the strongest, at 101.
- For the period ending 9/30/12, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 0.16% and 2.68%; one year, 32.61% and 12.04%; three years, 20.38% and 8.82%; and five years, 2.11% and 2.51%.
- The Fed launched a third round of quantitative easing to assist the commercial housing debt markets and forecast near zero interest rates until 2015. As the US economy continue to improve (albeit slowly), homebuilding and housing data indicate a recovery in the housing markets. Builders are still cautious and waiting to see if the recovery continues.
- Outside the US, a great deal of caution is prevalent in Europe as investors wait to see if central bank intervention continues. In contrast, in Asia Hong Kong and China developers continue to report strong demand.

## Executive Performance Summary

Third Quarter 2012

- The composite fund returned 5.4% in the third quarter of 2012 and ranked in the 5<sup>th</sup> percentile among other public funds (4.6% median). The fund beat its policy index (4.6%) during this time period. Longer term, the three and five-year returns of 9.9% and 2.6%, ranked below the median among total public plans (8.9% and 2.9%, respectively).
- Third quarter results were enhanced by the following factors:
  1. The Mellon Capital S&P 500 Index Fund returned 6.4% for the quarter. The Fund matched the S&P 500 Index and ranked above the median passive S&P 500 manager (6.3%).
  2. The BlackRock Russell 1000 Growth Index Fund returned 6.2% for the quarter, edged out its benchmark return of 6.1% and matched the large cap growth median.
  3. Delaware's return of 6.6% ranked in the second quartile among large cap growth managers (median 6.2%), and was ahead of its benchmark, the Russell 1000 Growth Index (6.1%). Above par Consumer Staples (Walgreen) and an overweight to Energy investments helped relative performance. Over three years, Delaware returned above its benchmark and peer group median.
  4. The BlackRock Russell 1000 Value Index Fund (6.6%) was slightly ahead of its benchmark return of 6.5% and was ahead of its median large cap value manager return of 6.0%.
  5. Dodge & Cox-Equity, 8.1%, returned above the median large cap value manager (6.00%) and the Russell 1000 Value Index (6.5%), ranking its portfolio in the 7<sup>th</sup> percentile among its peers. Good stock selection in Telecommunication Services (Sprint Nextel) and zero exposure in the Utilities sectors boosted performance. Three year returns were behind its benchmark (11.4% vs. 11.8%).
  6. Fund of funds manager Legato Capital surpassed its benchmark, the Russell 2000 Growth Index (5.6% vs. 4.8%) and ranked in the 52<sup>nd</sup> percentile among small cap growth managers. It was helped by its stock selection to the Info Tech sector. Lee Munder led during the quarter, at 8.9%. Stephens Investment had the toughest quarter, at 3.1%. Over three years, Legato returned above its benchmark.

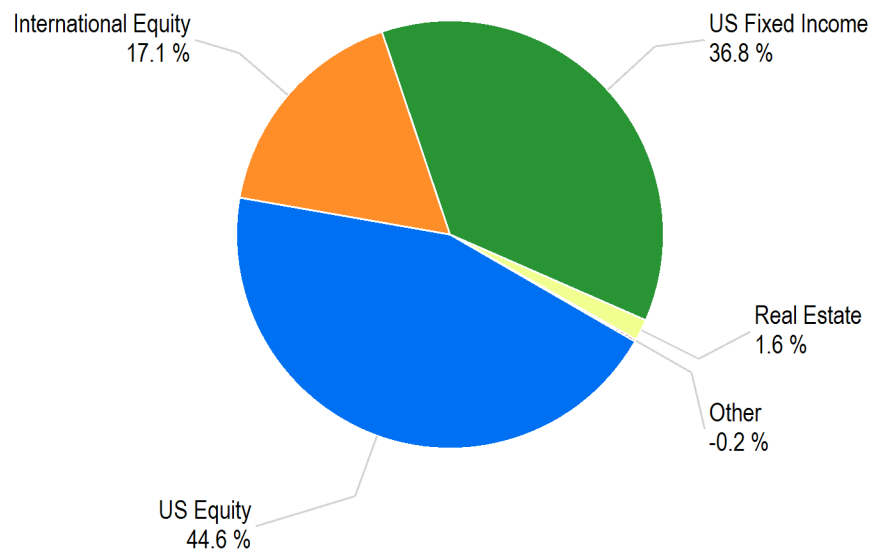
## Executive Performance Summary

Third Quarter 2012

7. Fund of funds manager Capital Prospects appreciated 7.5% for the quarter, and ranked in the 15<sup>th</sup> percentile among its small cap value peers (5.4% median). The Russell 2000 Value Index returned 5.7%. The portfolio was boosted by its Energy, Industrials and Info Tech investments. Walthausen gained the most, up 10.7% during the quarter. InView lagged, at 6.6%.
8. LSV (8.5%) was above par with the MSCI ACWI -ex US (7.5%) and ranked 31<sup>st</sup> among ACWI -ex US value equity managers (median of 7.9%). LSV carried relatively strong British and French investments. Over three years, LSV (4.2%) surpassed its benchmark (3.6%).
9. Pyramis' return of 7.8% beat the MSCI ACWI-ex US Index return of 7.5%. It placed in the second quartile among ACWI ex US growth equity managers (7.2% median). It fared well due to its European (Lanxess, Arkema), Japanese and Canadian portfolios. Its three-year results led the benchmark (5.0% vs. 3.6%).
10. The Dodge & Cox-Fixed Income's 2.5% return beat its benchmark, the Barclays Aggregate Index return of 1.6% and ranked in the top quartile among core bond managers, with a median return of 2.2%. D&C's underweight to longer maturities, modest allocation to high yield corporates, and non-Agency MBS exposure boosted relative returns. D&C was up 7.5% for three years while its benchmark was up 6.2%.
11. PIMCO returned 2.1%, as the Barclays Aggregate Index gained 1.6%. The median core bond manager return was 2.2%. PIMCO's underweight to corporates, select high yield bonds and allocation to non-Agency and commercial MBS boosted performance.
12. The Special Situations composite outperformed its custom index for the quarter (7.7% vs. 5.5%). The Enhanced RAFI and Invesco Realty Fund were liquidated in July and September, respectively, to fund the BlackRock US Real Estate Index strategy at September-end. BlackRock's benchmark will be the DJ US Select RESI.

## Asset Allocation Analysis

As of September 30, 2012

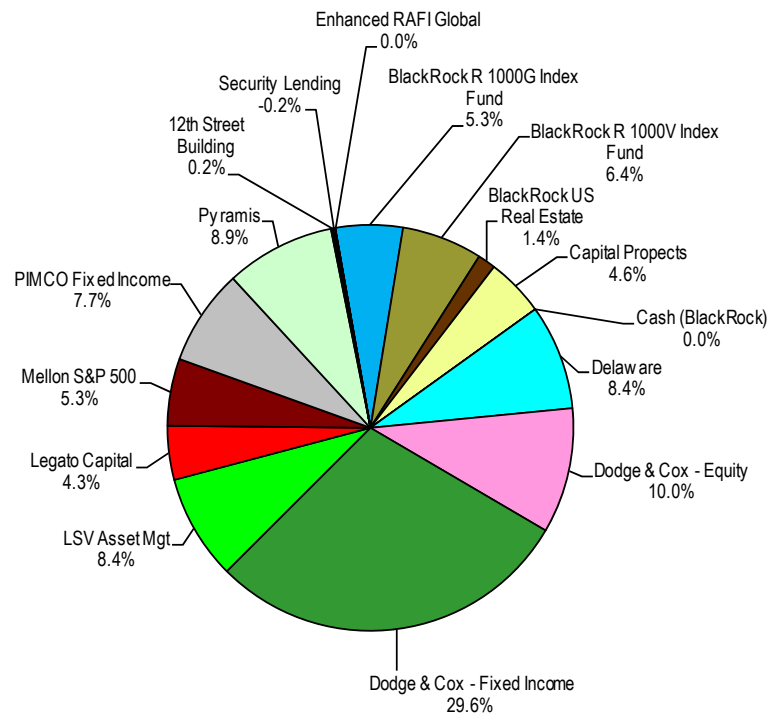


	Actual \$	Actual %
US Equity	\$645,946,638	44.6%
International Equity	\$248,235,656	17.1%
US Fixed Income	\$533,999,225	36.8%
Hedge Fund	\$30	0.0%
Real Estate	\$23,462,955	1.6%
Other	(\$2,318,615)	-0.2%
Total	\$1,449,325,890	



## Manager Allocation Analysis – Total Plan

As of September 30, 2012



Manager	Current	Current %
BlackRock R 1000G Index Fund	\$ 77,769,722	5.4%
BlackRock R 1000V Index Fund	\$ 93,499,966	6.5%
BlackRock US Real Estate	\$ 20,691,519	1.4%
Capital Projects	\$ 67,604,467	4.7%
Cash (BlackRock)	\$ 6,244	0.0%
Delaware	\$ 121,852,074	8.4%
Dodge & Cox - Equity	\$ 145,120,549	10.0%
Dodge & Cox - Fixed Income	\$ 422,719,533	29.2%
LSV Asset Mgt	\$ 121,536,363	8.4%
Legato Capital	\$ 62,507,069	4.3%
Mellon S&P 500	\$ 77,586,547	5.4%
PIMCO Fixed Income	\$ 111,279,692	7.7%
Pyramis	\$ 126,699,294	8.7%
12th Street Building	\$ 2,771,436	0.2%
Security Lending	\$ (2,318,615)	-0.2%
Enhanced RAFI Global	\$ 30	0.0%
<b>Total</b>	<b>\$ 1,449,325,890</b>	<b>100.0%</b>

## Performance Summary

Periods Ending September 30, 2012

	FISCAL 1		CALENDAR		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
	QTR		YTD									
<b>Total Fund *</b>	<b>5.4</b>	<b>5</b>	<b>12.0</b>	<b>5</b>	<b>18.9</b>	<b>12</b>	<b>9.3</b>	<b>22</b>	<b>9.9</b>	<b>21</b>	<b>2.6</b>	<b>62</b>
<i>Policy Index <sup>1</sup></i>	4.6	46	10.6	37	17.7	27	8.7	37	9.3	37	2.4	67
<i>IF Public DB median</i>	4.6		10.2		16.1		8.2		8.9		2.9	
<b>US EQUITY MANAGERS</b>												
LARGE CORE												
<b>Mellon Capital - gross of fees</b>	<b>6.4</b>	<b>14</b>	<b>16.5</b>	<b>31</b>	<b>30.2</b>	<b>24</b>	<b>14.8</b>	<b>16</b>	<b>13.2</b>	<b>20</b>	<b>1.1</b>	<b>33</b>
<i>Mellon Capital - net of fees</i>	6.3		16.4		30.2		14.6		13.1		1.1	
<i>S&amp;P 500 Index</i>	6.4	22	16.4	41	30.2	39	14.8	38	13.2	56	1.1	88
LARGE GROWTH												
<b>BlackRock R1000G - gross of fees</b>	<b>6.2</b>	<b>55</b>	<b>16.9</b>	<b>46</b>	<b>29.4</b>	<b>37</b>	<b>15.9</b>	<b>25</b>				
<i>BlackRock R1000G - net of fees</i>	6.1		16.9		29.3		15.9					
<b>Delaware</b>	<b>6.6</b>	<b>40</b>	<b>17.6</b>	<b>37</b>	<b>31.6</b>	<b>19</b>	<b>18.3</b>	<b>6</b>	<b>17.6</b>	<b>4</b>	<b>4.0</b>	<b>21</b>
<i>Delaware - net of fees</i>	6.4		17.3		31.2		17.8		17.1		3.5	
<i>Russell 1000 Growth Index</i>	6.1	57	16.8	48	29.2	38	15.8	27	14.7	28	3.2	33
LARGEVALUE												
<b>BlackRock R1000V - gross of fees</b>	<b>6.6</b>	<b>39</b>	<b>15.8</b>	<b>24</b>	<b>31.0</b>	<b>24</b>	<b>13.4</b>	<b>40</b>				
<i>BlackRock R1000V - net of fees</i>	6.5		15.8		31.0		13.4					
<b>Dodge &amp; Cox - gross of fees</b>	<b>8.1</b>	<b>7</b>	<b>19.2</b>	<b>3</b>	<b>34.1</b>	<b>4</b>	<b>13.5</b>	<b>37</b>	<b>11.4</b>	<b>55</b>	<b>-0.6</b>	<b>73</b>
<i>Dodge &amp; Cox - net of fees</i>	8.0		19.1		33.9		13.3		11.2		-0.8	
<i>Russell 1000 Value Index</i>	6.5	41	15.7	26	30.9	25	13.3	42	11.8	48	-0.9	79
SMALL GROWTH												
<b>Legato Capital - gross of fees</b>	<b>5.6</b>	<b>52</b>	<b>18.0</b>	<b>20</b>	<b>33.0</b>	<b>34</b>	<b>16.1</b>	<b>47</b>	<b>15.4</b>	<b>60</b>		
<i>Legato Capital - net of fees</i>	5.4		17.5		32.2		15.2		14.5			
<i>Russell 2000 Growth Index</i>	4.8	65	14.1	59	31.2	51	13.9	68	14.2	70		
SMALL VALUE												
<b>Capital Prospects - gross of fees</b>	<b>7.5</b>	<b>15</b>	<b>16.1</b>	<b>24</b>	<b>33.7</b>	<b>35</b>	<b>13.3</b>	<b>41</b>	<b>13.9</b>	<b>42</b>		
<i>Capital Prospects - net of fees</i>	7.3		15.7		32.9		12.5		13.1			
<i>Russell 2000 Value Index</i>	5.7	47	14.4	35	32.6	38	11.7	65	11.7	77		
<b>US Equity Composite</b>	<b>6.8</b>	<b>13</b>	<b>17.4</b>	<b>6</b>	<b>31.9</b>	<b>9</b>	<b>14.9</b>	<b>17</b>	<b>13.8</b>	<b>26</b>	<b>0.6</b>	<b>73</b>
<i>80% R1000/20% R2000</i>	6.1	52	16.2	23	30.7	19	14.6	26	13.6	31	1.7	37
<i>Russell 3000 Index</i>	6.2	40	16.1	25	30.2	31	14.4	32	13.3	45	1.3	51

Rankings: 1=highest, 100=low est.

\* Total Fund and US managers are ranked against appropriate peer universes. Other managers and asset class composites are ranked against asset class universes.

<sup>1</sup> Effective 7/1/2011, Policy Index is 32.4% Russell 1000, 8.5% Russell 2000, 19% MSCI ACWI-ex US, 37.1% Barclays Aggregate, 1.5% FTSE EPRA/NAREIT, 1.5% Citigroup 1-month T-Bill. MSCI ACWI-ex US return is linked with previous MSCI EAFE returns. Effective 5/1/10, Policy Index is 32.9% Russell 1000, 8.5% Russell 2000, 20% MSCI ACWI-ex US, 37.1% Barclays Aggregate, 1.5% FTSE EPRA/NAREIT. MSCI ACWI-ex US return is linked with previous MSCI EAFE returns.

# Performance Summary

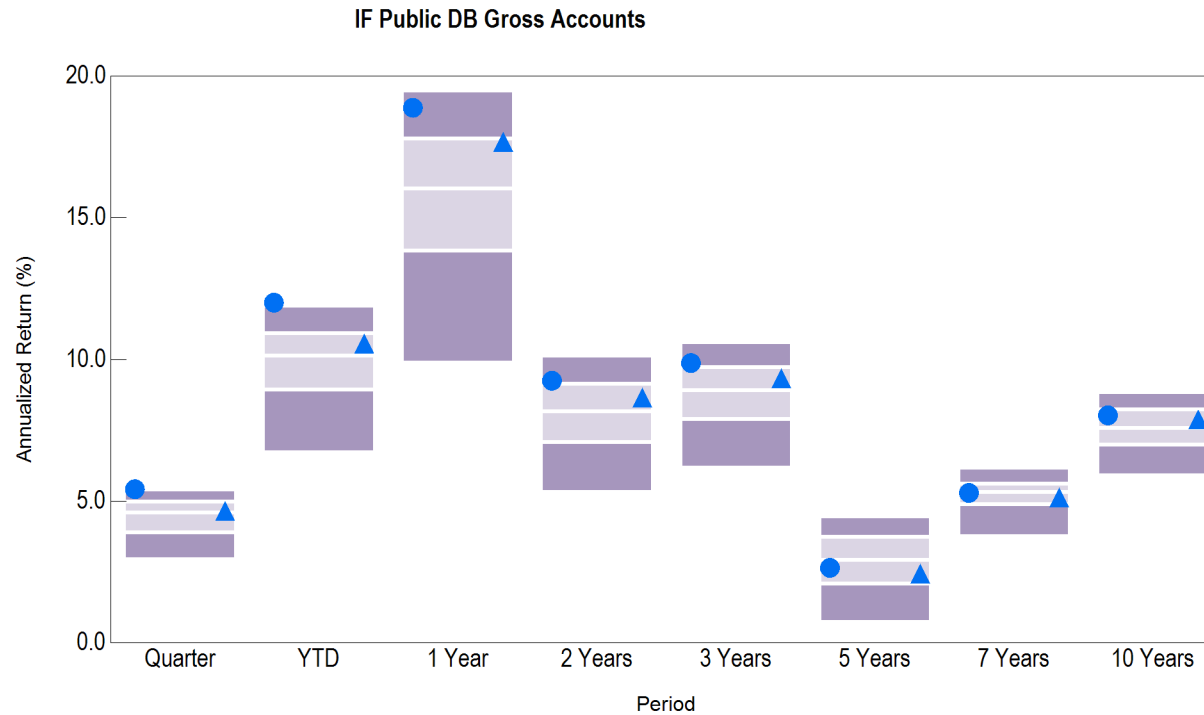
Periods Ending September 30, 2012

	FISCAL 1		CALENDAR		1 YEAR		2 YEAR		3 YEAR		5 YEAR	
	QTR		YTD									
INTERNATIONAL EQUITY MANAGERS												
LSV - gross of fees	8.5	31	10.4	67	14.9	64	2.2	68	4.2	49	-3.8	74
LSV - net of fees	8.4		10.0		14.4		1.6		3.6		-4.3	
Pyramis - gross of fees	7.8	38	12.6	50	17.7	80	2.8	59	5.0	67	-3.1	60
Pyramis - net of fees	7.7		12.3		17.2		2.3		4.6		-3.6	
International Equity Composite	8.2	13	11.5	45	16.3	45	2.4	33	4.6	23	-3.4	35
MSCI ACWI -ex US Index	7.5	28	10.9	58	15.0	63	1.5	55	3.6	41	-3.7	39
US FIXED INCOME MANAGER												
CORE												
Dodge & Cox - gross of fees	2.5	21	7.2	11	8.7	12	6.4	28	7.5	31	7.7	25
Dodge & Cox - net of fees	2.5		7.2		8.6		6.3		7.4		7.6	
PIMCO - gross of fees	2.1	57	5.3	53	6.6	55	6.0	48				
PIMCO - net of fees	2.0		5.1		6.3		5.7					
Barclays Aggregate Index	1.6	87	4.0	90	5.2	89	5.2	83	6.2	83	6.5	83
US Fixed Income Composite	2.4	57	6.8	52	8.2	56	6.3	55	7.6	58	7.8	46
Barclays Aggregate Index	1.6	86	4.0	89	5.2	89	5.2	77	6.2	81	6.5	72
SPECIAL SITUATIONS												
DOMESTIC REAL ESTATE												
BlackRock US Real Estate - gross of fees <sup>2</sup>												
BlackRock US Real Estate - net of fees												
Special Situations Composite	7.7		3.1		3.7		-1.2		4.6			
Special Situation Custom Index	5.5		13.5		17.9		10.0		12.7			
REAL ESTATE												
12th Street	0.0											

Rankings: 1=highest, 100=low est.

<sup>2</sup> Funded on 9/26/2012.

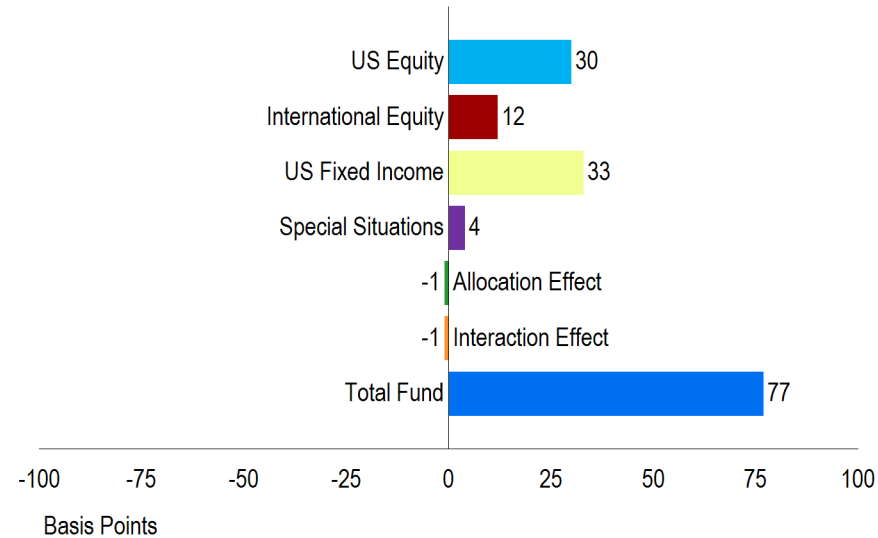
Periods Ending September 30, 2012



	Return (Rank)							
5th Percentile	5.4	11.9	19.5	10.1	10.6	4.5	6.2	8.8
25th Percentile	5.0	10.9	17.8	9.2	9.7	3.8	5.6	8.3
Median	4.6	10.2	16.1	8.2	8.9	2.9	5.3	7.6
75th Percentile	3.9	9.0	13.9	7.1	7.9	2.1	4.9	7.0
95th Percentile	3.0	6.7	9.9	5.3	6.2	0.7	3.8	5.9
# of Portfolios	161	160	156	138	132	126	121	103
● Total Fund	5.4 (5)	12.0 (5)	18.9 (12)	9.3 (22)	9.9 (21)	2.6 (62)	5.3 (56)	8.0 (36)
▲ Policy Index	4.6 (46)	10.6 (37)	17.7 (27)	8.7 (37)	9.3 (37)	2.4 (67)	5.1 (63)	7.9 (42)

## Performance Attribution - Total Plan

Quarter Ending September 30, 2012



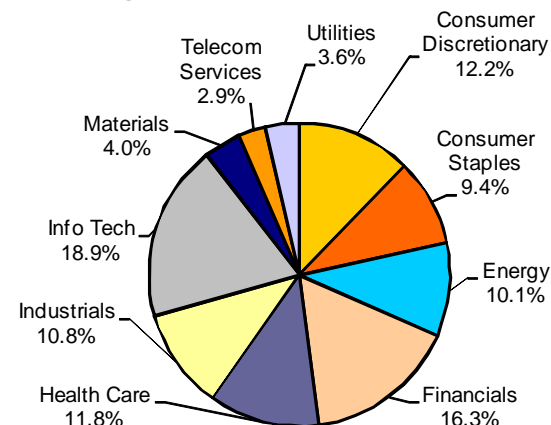
## Attribution Summary

	Actual Return	Target Return	Relative Return	Selection Effect	Asset Allocation Effect	Interaction Effects	Total Effects
US Equity	6.82%	6.10%	0.72%	0.30%	0.03%	0.01%	0.35%
International Equity	8.17%	7.49%	0.67%	0.12%	-0.06%	-0.02%	0.05%
US Fixed Income	2.45%	1.58%	0.86%	0.33%	0.00%	0.00%	0.33%
Special Situations	8.38%	5.51%	2.88%	0.04%	0.02%	-0.01%	0.06%
<b>Total</b>	<b>5.42%</b>	<b>4.65%</b>	<b>0.77%</b>	<b>0.80%</b>	<b>-0.01%</b>	<b>-0.01%</b>	<b>0.77%</b>

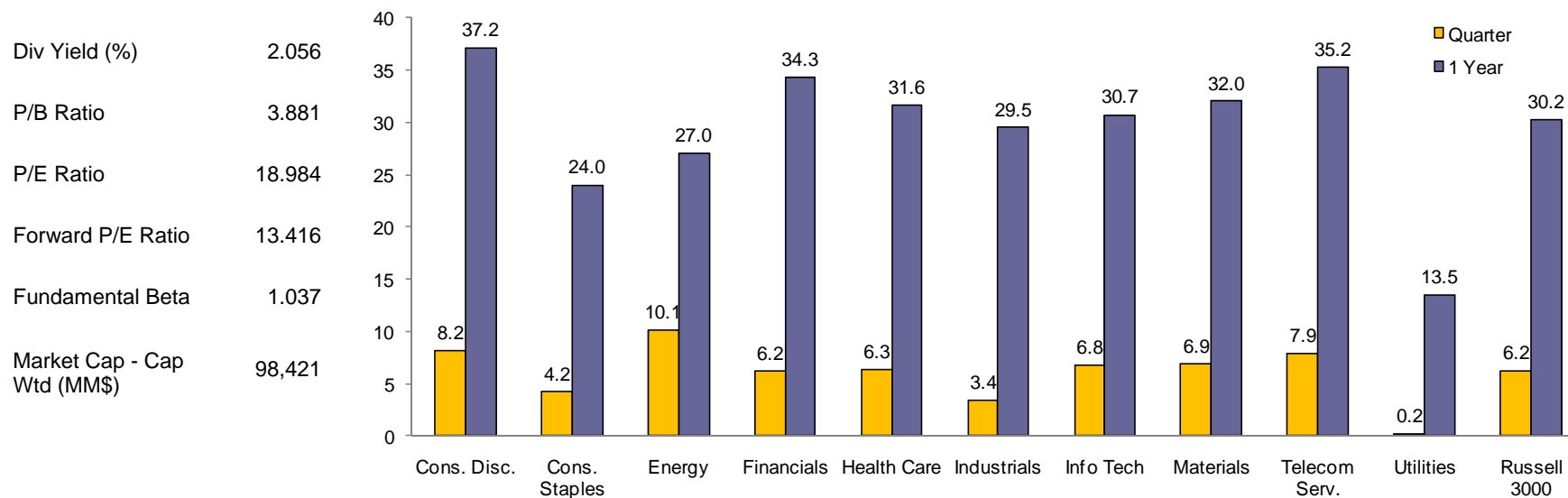
## U.S. Equity – Russell 3000

- Quantitative easing throughout the developed world helped improve the performance of higher beta sectors; the energy sector returned 10.1 percent in the third quarter, while consumer discretionary stocks rose 8.2%.
- The pickup in risk-seeking behavior left the more defensive utilities sector with only a 0.2% return in the third quarter.
- Overall, the Russell 3000 index returned 6.2% during the quarter, boosting the yearly return to 30.2%.

Ending Sector Weights



### Characteristics

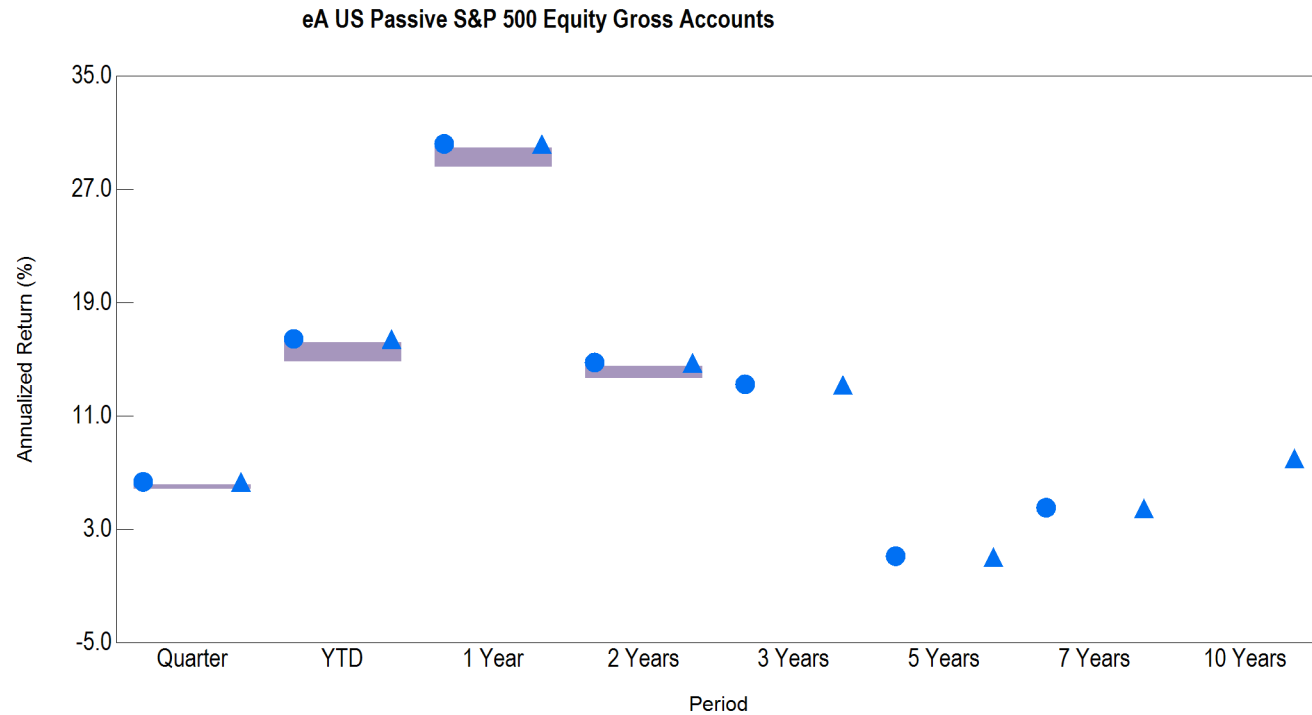


### Contribution to Return:

Qtr	1.0	0.4	1.0	1.0	0.8	0.4	1.3	0.3	0.2	0.0	6.2
1 Year	4.3	2.4	2.8	5.1	3.8	3.2	5.7	1.2	1.1	0.6	30.2

## Total Returns - Passive S&amp;P 500

Periods Ending September 30, 2012

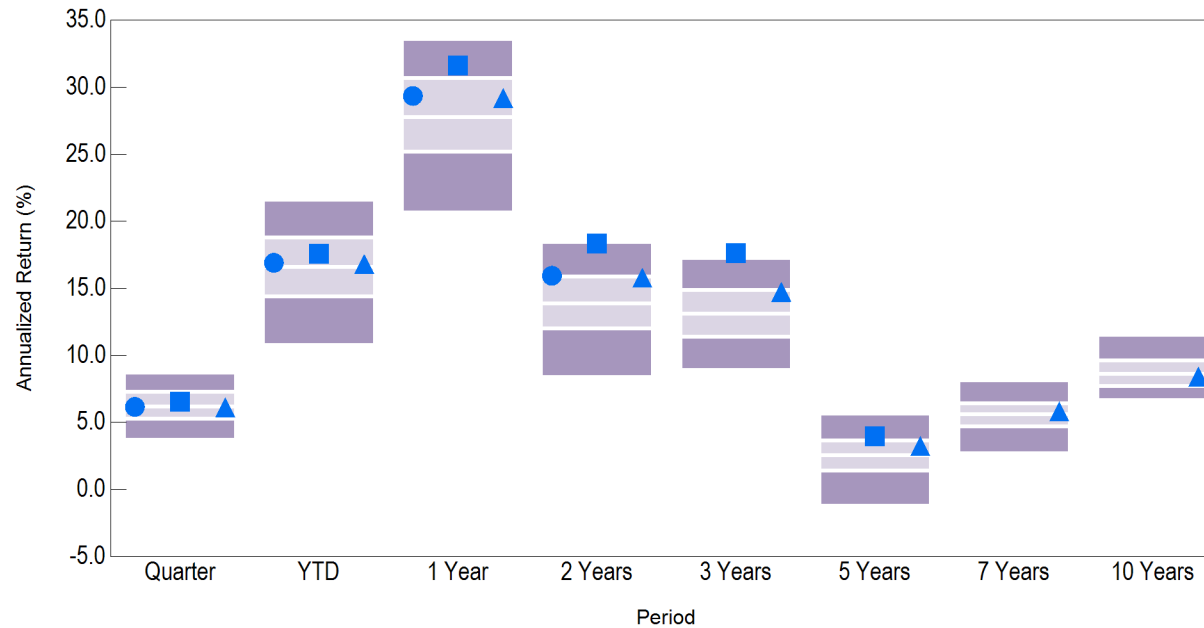


	Return (Rank)															
5th Percentile	6.4	16.6	30.3	14.8	13.4	1.4	4.7	8.2								
25th Percentile	6.3	16.5	30.2	14.8	13.2	1.1	4.6	8.1								
Median	6.3	16.4	30.2	14.8	13.2	1.1	4.5	8.0								
75th Percentile	6.3	16.4	30.1	14.7	13.2	1.1	4.5	8.0								
95th Percentile	5.8	14.8	28.5	13.6	13.0	0.9	4.3	7.9								
# of Portfolios	22	22	22	22	22	22	22	18								
● Mellon S&P 500	6.4 (14)	16.5 (31)	30.2 (24)	14.8 (16)	13.2 (20)	1.1 (33)	4.5 (50)	-- (--)								
▲ S&P 500	6.4 (22)	16.4 (41)	30.2 (39)	14.8 (38)	13.2 (56)	1.1 (88)	4.5 (89)	8.0 (82)								

## Total Returns - Large Cap Growth

Periods Ending September 30, 2012

eA US Large Cap Growth Equity Gross Accounts



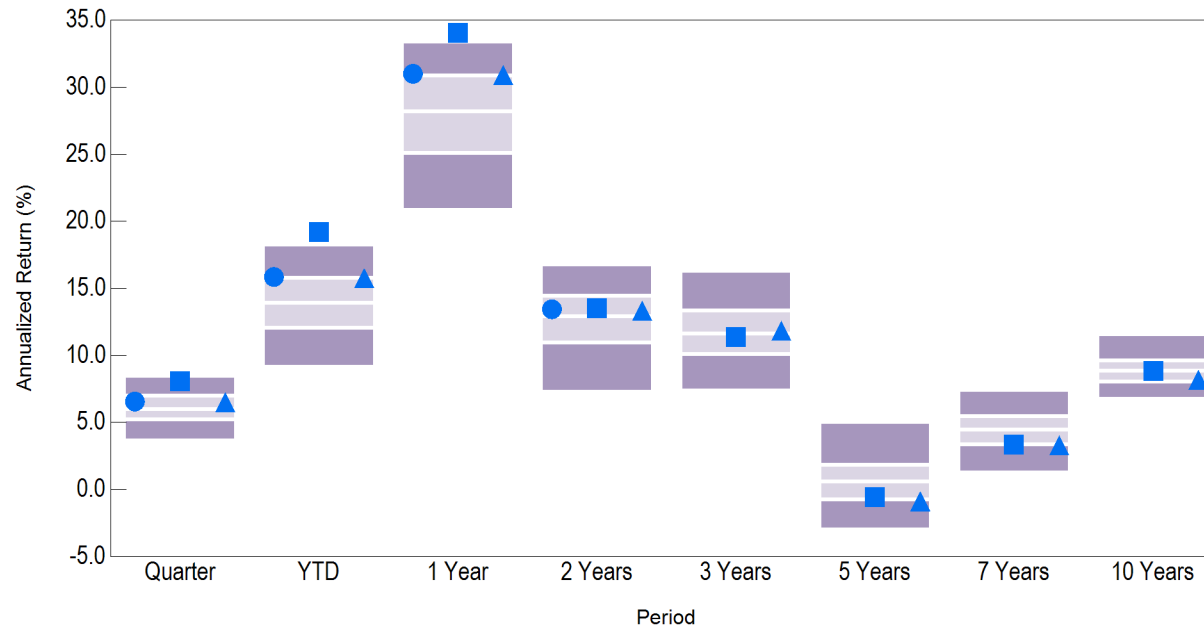
	Return (Rank)							
5th Percentile	8.7	21.6	33.6	18.4	17.2	5.6	8.1	11.5
25th Percentile	7.3	18.8	30.7	15.9	14.9	3.7	6.4	9.6
Median	6.2	16.6	27.8	13.9	13.1	2.6	5.7	8.7
75th Percentile	5.3	14.4	25.2	12.1	11.4	1.4	4.7	7.7
95th Percentile	3.7	10.8	20.7	8.4	8.9	-1.2	2.7	6.7
# of Portfolios	286	286	286	285	281	266	241	200
● BlackRock Russell 1000 Growth	6.2 (55)	16.9 (46)	29.4 (37)	15.9 (25)	-- (--)	-- (--)	-- (--)	-- (--)
■ Delaware	6.6 (40)	17.6 (37)	31.6 (19)	18.3 (6)	17.6 (4)	4.0 (21)	-- (--)	-- (--)
▲ Russell 1000 Growth	6.1 (57)	16.8 (48)	29.2 (38)	15.8 (27)	14.7 (28)	3.2 (33)	5.8 (45)	8.4 (54)



## Total Returns - Large Cap Value

Periods Ending September 30, 2012

eA US Large Cap Value Equity Gross Accounts

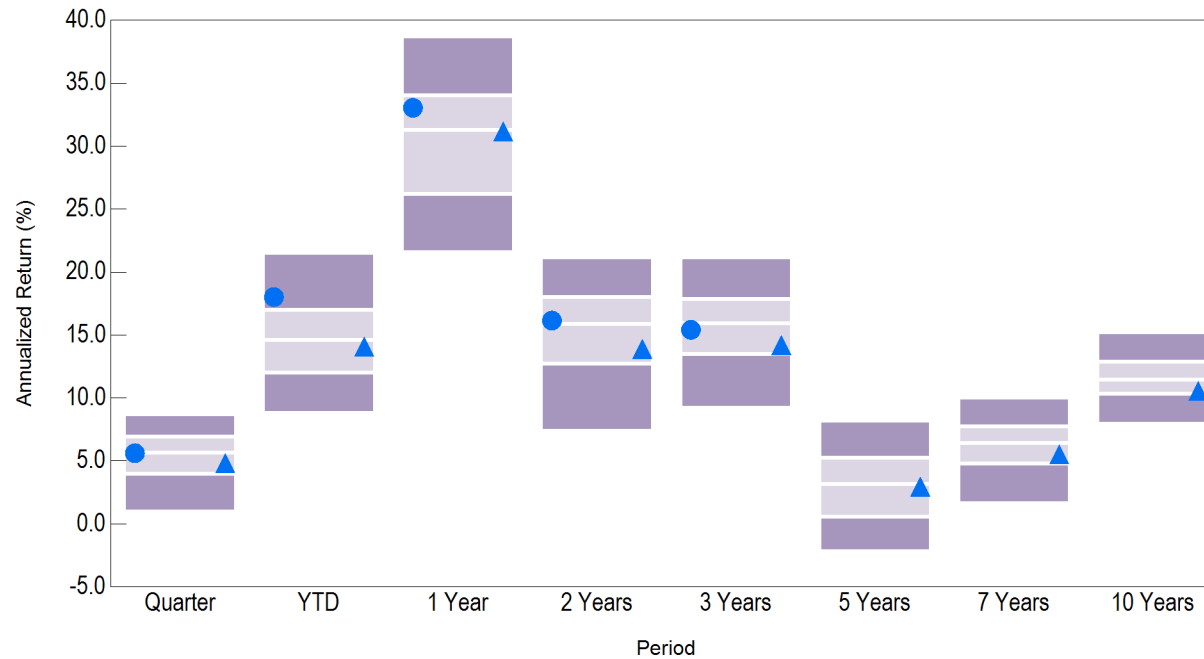


	Return (Rank)							
5th Percentile	8.4	18.2	33.4	16.8	16.3	5.0	7.4	11.6
25th Percentile	7.0	15.8	30.9	14.5	13.4	1.9	5.5	9.7
Median	6.0	14.0	28.2	12.9	11.7	0.6	4.5	8.9
75th Percentile	5.3	12.1	25.1	11.0	10.1	-0.7	3.4	8.1
95th Percentile	3.7	9.2	20.9	7.3	7.4	-3.0	1.3	6.8
# of Portfolios	315	315	315	315	308	292	273	210
● BlackRock Russell 1000 Value	6.6 (39)	15.8 (24)	31.0 (24)	13.4 (40)	-- (--)	-- (--)	-- (--)	-- (--)
■ Dodge & Cox-Equity	8.1 (7)	19.2 (3)	34.1 (4)	13.5 (37)	11.4 (55)	-0.6 (73)	3.4 (76)	8.9 (51)
▲ Russell 1000 Value	6.5 (41)	15.7 (26)	30.9 (25)	13.3 (42)	11.8 (48)	-0.9 (79)	3.3 (78)	8.2 (74)

## Total Returns - Small Cap Growth

Periods Ending September 30, 2012

eA US Small Cap Growth Equity Gross Accounts

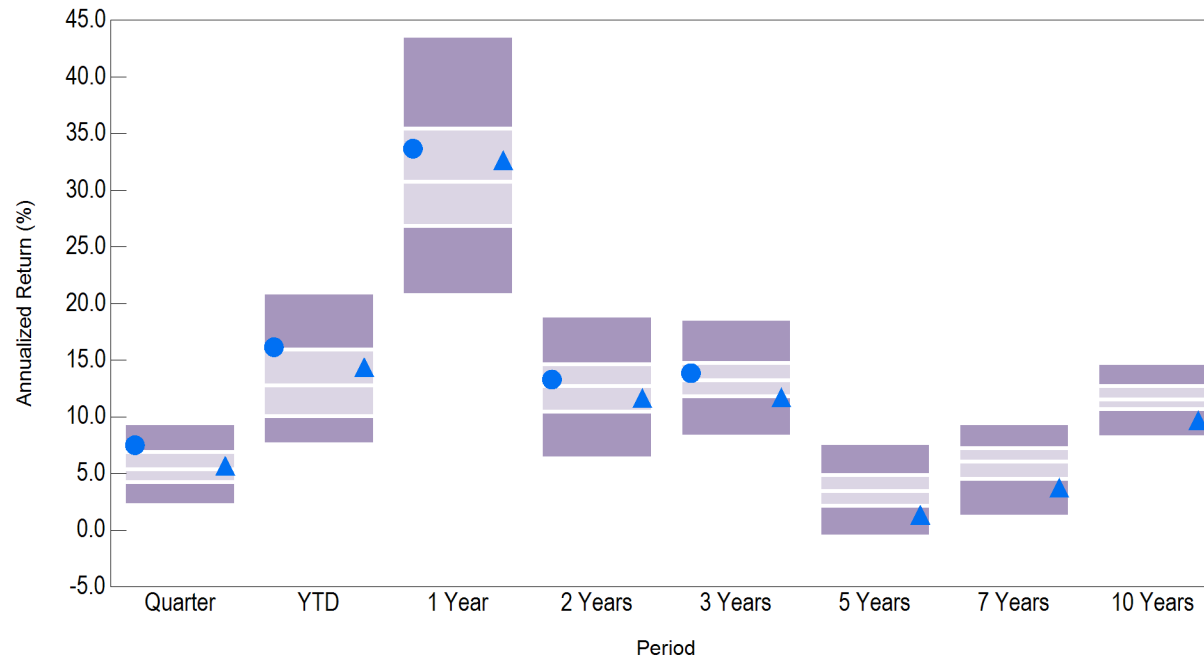


	Return (Rank)							
5th Percentile	8.7	21.5	38.7	21.2	21.2	8.2	10.0	15.2
25th Percentile	7.0	17.0	34.1	18.1	17.9	5.3	7.8	12.9
Median	5.7	14.6	31.3	15.9	15.9	3.2	6.4	11.5
75th Percentile	4.0	12.1	26.2	12.7	13.5	0.6	4.8	10.3
95th Percentile	1.0	8.8	21.6	7.4	9.3	-2.2	1.7	8.0
# of Portfolios	166	166	166	165	162	145	134	110
● Legato Capital	5.6 (52)	18.0 (20)	33.0 (34)	16.1 (47)	15.4 (60)	-- (--)	-- (--)	-- (--)
▲ Russell 2000 Growth	4.8 (65)	14.1 (59)	31.2 (51)	13.9 (68)	14.2 (70)	3.0 (54)	5.5 (66)	10.5 (74)

## Total Returns - Small Cap Value

Periods Ending September 30, 2012

eA US Small Cap Value Equity Gross Accounts



	Return (Rank)							
5th Percentile	9.4	20.9	43.6	18.9	18.6	7.7	9.4	14.7
25th Percentile	6.9	16.0	35.5	14.7	14.8	4.9	7.3	12.8
Median	5.4	12.8	30.8	12.7	13.3	3.5	6.1	11.6
75th Percentile	4.3	10.1	26.9	10.5	11.9	2.2	4.6	10.7
95th Percentile	2.2	7.6	20.8	6.4	8.3	-0.5	1.2	8.2
# of Portfolios	187	187	187	186	184	169	153	128
● Capital Prospects	7.5 (15)	16.1 (24)	33.7 (35)	13.3 (41)	13.9 (42)	-- (--)	-- (--)	-- (--)
▲ Russell 2000 Value	5.7 (47)	14.4 (35)	32.6 (38)	11.7 (65)	11.7 (77)	1.3 (86)	3.7 (87)	9.7 (88)

## Equity Only Summary Statistics - BlackRock Russell 1000 Growth Index Fund

Quarter Ending September 30, 2012

## Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	569	567
Weighted Avg. Market Cap. (\$B)	119.5	119.5
Median Market Cap. (\$B)	6.2	6.1
Price To Earnings	21.1	21.2
Price To Book	5.8	5.8
Price To Sales	3.0	2.9
Return on Equity (%)	40.9	30.0
Yield (%)	1.7	1.7
Beta		1.0
R-Squared		1.0

## Top Holdings

APPLE	8.6%
INTERNATIONAL BUS.MCHS.	3.1%
MICROSOFT	3.1%
GOOGLE 'A'	2.7%
COCA COLA	2.0%
PHILIP MORRIS INTL.	2.0%
VERIZON COMMUNICATIONS	1.8%
ORACLE	1.7%
PEPSICO	1.5%
QUALCOMM	1.5%

## Best Performers

	Return %
RACKSPACE HOSTING (RAX)	50.4%
TAHOE RESOURCES (C:THO)	47.4%
FUSION-IO (FIO)	44.9%
RIVERBED TECHNOLOGY (RVBD)	44.1%
ARIAD PHARMS. (ARIA)	40.7%
WESTLAKE CHEMICAL (WLK)	40.2%
SIRIUS XM RADIO (SIRI)	40.0%
AMERIGROUP (AGP)	38.7%
ALLIED NEVADA GOLD (ANV)	37.6%
URBAN OUTFITTERS (URBN)	36.1%

## Worst Performers

	Return %
GROUPON (GRPN)	-55.2%
ZYNGA 'A' (ZNGA)	-47.9%
ITT EDUCATIONAL SVS. (ESI)	-46.9%
MOLYCORP (MCP)	-46.6%
ADVANCED MICRO DEVC. (AMD)	-41.2%
FACEBOOK CLASS A (FB)	-30.3%
BIG LOTS (BIG)	-27.5%
TRIPADVISOR 'A' (TRIP)	-26.3%
ROVI (ROVI)	-26.0%
MATSON (MATX)	-25.1%

## Equity Only Summary Statistics - BlackRock Russell 1000 Value Index Fund

Quarter Ending September 30, 2012

## Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	693	690
Weighted Avg. Market Cap. (\$B)	91.8	91.7
Median Market Cap. (\$B)	4.9	4.9
Price To Earnings	15.5	15.5
Price To Book	2.0	1.9
Price To Sales	1.7	1.6
Return on Equity (%)	15.0	12.9
Yield (%)	2.5	2.5
Beta		1.0
R-Squared		1.0

## Top Holdings

EXXON MOBIL	5.8%
GENERAL ELECTRIC	3.2%
CHEVRON	3.1%
AT&T	3.0%
PFIZER	2.5%
PROCTER & GAMBLE	2.4%
WELLS FARGO & CO	2.3%
BERKSHIRE HATHAWAY 'B'	2.1%
JP MORGAN CHASE & CO.	2.1%
JOHNSON & JOHNSON	2.0%

## Best Performers

	Return %
METROPCS COMMS. (PCS)	93.6%
SPRINT NEXTEL (S)	69.3%
TESORO (TSO)	68.4%
SHAW GROUP (SHAW)	59.7%
TAHOE RESOURCES (C:THO)	47.4%
CORELOGIC (CLGX)	44.9%
PULTEGROUP (PHM)	44.9%
PHILLIPS 66 (PSX)	40.3%
BOOZ ALLEN HAMILTN.HLDG. (BAH)	40.2%
WESTLAKE CHEMICAL (WLK)	40.2%

## Worst Performers

	Return %
MOLYCORP (MCP)	-46.6%
DEVRY (DV)	-26.5%
WALTER ENERGY (WLT)	-26.2%
ROVI (ROVI)	-26.0%
NAVISTAR INTL. (NAV)	-25.7%
MATSON (MATX)	-25.1%
ALPHA NATURAL RESOURCES (ANR)	-24.6%
CON-WAY (CNW)	-24.0%
NII HDG. (NIHD)	-23.5%
COMMONWEALTH REIT (CWH)	-21.8%

Stanislaus County Employees' Retirement Association

## Equity Only Summary Statistics - Capital Prospects

Quarter Ending September 30, 2012

Characteristics	Portfolio	Russell 2000 Value
Number of Holdings	342	1,406
Weighted Avg. Market Cap. (\$B)	1.9	1.1
Median Market Cap. (\$B)	1.2	0.4
Price To Earnings	13.0	12.3
Price To Book	2.1	1.4
Price To Sales	1.4	1.7
Return on Equity (%)	11.9	5.1
Yield (%)	1.5	1.8
Beta	0.9	1.0
R-Squared	1.0	1.0

Top Holdings	
REGAL BELOIT	1.3%
BRINK'S	1.2%
HANESBRANDS	1.2%
POLYONE	1.1%
GULFPORT EN.	1.1%
MEREDITH	1.1%
BELDEN	1.1%
LITTELFUSE	1.1%
FIRST AMER.FINL.	1.0%
SMITH (AO)	1.0%

Best Performers	Return %
TELECM.SYSTEMS 'A' (TSYS)	76.4%
FIVE STAR QLT.CARE (FVE)	66.4%
ENERGYSOLUTIONS (ES)	61.5%
SHAW GROUP (SHAW)	59.7%
WALTER INVESTMENT MAN. (WAC)	57.9%
CHIQUITA BRANDS INTL. (CQB)	52.8%
GULFPORT EN. (GPOR)	51.5%
ANN (ANN)	48.0%
OCWEN FINL. (OCN)	46.0%
DELEK US HOLDINGS (DK)	45.9%

Worst Performers	Return %
LONE PINE RESOURCES (LPR)	-43.3%
ACCO BRANDS (ACCO)	-37.2%
COINSTAR (CSTR)	-34.5%
TITAN INTL.ILLINOIS (TWI)	-28.0%
KEMET (KEM)	-26.8%
WALTER ENERGY (WLT)	-26.2%
NAVISTAR INTL. (NAV)	-25.7%
HALCON RESOURCES (HK)	-22.4%
FREIGHTCAR AMERICA (RAIL)	-22.3%
COMMONWEALTH REIT (CWH)	-21.8%

## Equity Sector Attribution - Capital Prospects

Quarter Ending September 30, 2012

## 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	0.5%	0.7%	0.0%	-0.1%	17.1%	6.4%	5.1%	6.4%			
Materials	-0.2%	-0.3%	0.2%	-0.1%	10.0%	14.9%	6.4%	5.1%			
Industrials	0.7%	0.6%	-0.1%	0.3%	8.5%	4.1%	18.9%	13.1%			
Cons. Disc.	0.3%	0.1%	0.2%	0.0%	9.0%	8.4%	18.4%	11.5%			
Cons. Staples	-0.1%	0.0%	0.0%	0.0%	1.5%	3.2%	3.5%	2.7%			
Health Care	0.4%	0.3%	0.0%	0.1%	15.3%	8.5%	6.1%	4.8%			
Financials	0.0%	0.0%	0.0%	0.0%	5.8%	5.8%	23.4%	35.8%			
Info. Tech	0.6%	0.6%	0.0%	0.0%	4.4%	-0.2%	13.1%	13.0%			
Telecomm.	0.0%	0.0%	0.0%	0.0%	-0.8%	10.6%	0.0%	0.6%			
Utilities	-0.2%	-0.4%	0.0%	0.2%	0.4%	5.8%	2.6%	6.9%			
Cash	-0.2%	0.0%	-0.2%	0.0%	0.0%	--	2.4%	0.0%			
Portfolio	1.9%	=	1.5%	+	0.0%	+	0.4%	7.6%	5.7%	99.9%	100.0%

# Stanislaus County Employees' Retirement Association

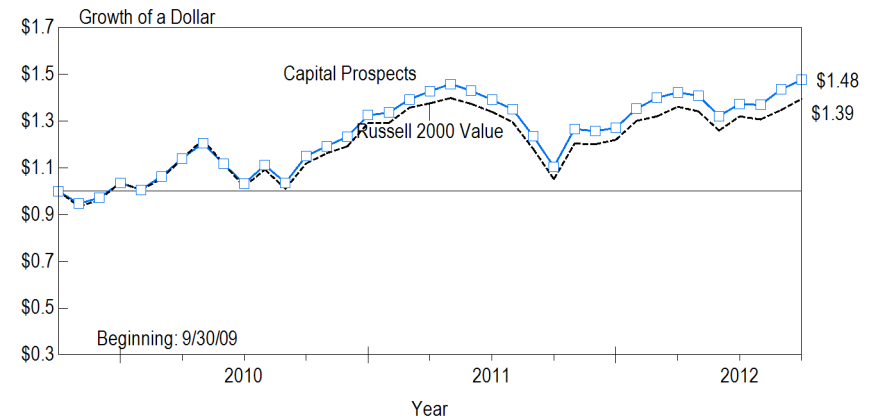
## Return Based Style Analysis - Capital Prospects

3 Years Ending September 30, 2012

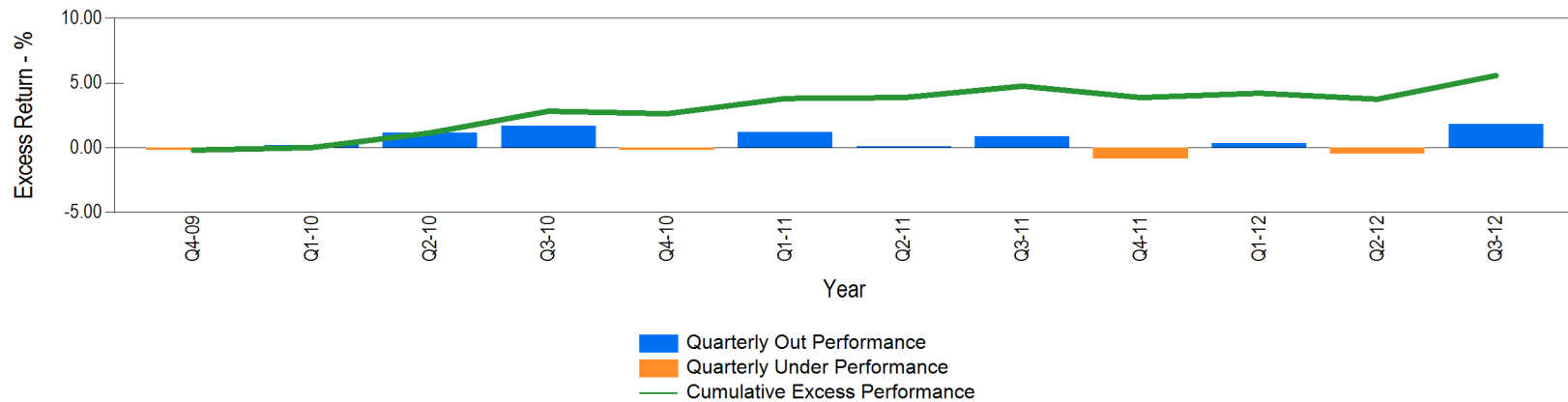
U.S. Effective Style Map



GROWTH OF A DOLLAR



Quarterly and Cumulative Excess Performance





## Equity Only Summary Statistics - Delaware

Quarter Ending September 30, 2012

Characteristics	Portfolio	Russell 1000 Growth
Number of Holdings	30	567
Weighted Avg. Market Cap. (\$B)	96.5	119.5
Median Market Cap. (\$B)	23.6	6.1
Price To Earnings	26.3	21.2
Price To Book	5.7	5.8
Price To Sales	4.3	2.9
Return on Equity (%)	26.9	30.0
Yield (%)	1.0	1.7
Beta	0.9	1.0
R-Squared	0.9	1.0

Top Holdings	
APPLE	9.4%
CROWN CASTLE INTL.	5.4%
VISA 'A'	5.2%
EOG RES.	5.1%
QUALCOMM	5.0%
MASTERCARD	4.9%
GOOGLE 'A'	4.8%
ALLERGAN	4.4%
KINDER MORGAN	4.3%
INTUIT	3.8%

Best Performers	
	Return %
KINDER MORGAN WTS. (KMIW)	61.6%
GOOGLE 'A' (GOOG)	30.1%
EOG RES. (EOG)	24.6%
WALGREEN (WAG)	24.1%
LIBERTY INTACT.'A' (LINTA)	16.4%
APPLE (AAPL)	14.7%
QUALCOMM (QCOM)	12.7%
VERISIGN (VRSN)	11.8%
KINDER MORGAN (KMI)	11.3%
SYNGENTA SPN.ADR 5:1 (SYT)	9.4%

Worst Performers	
	Return %
APOLLO GP.'A' (APOL)	-19.7%
STAPLES (SPLS)	-10.9%
PRICELINE.COM (PCLN)	-6.8%
POLYCOM (PLCM)	-6.4%
EXPEDITOR INTL.OF WASH. (EXPD)	-6.2%
BMC SOFTWARE (BMC)	-2.8%
INTERCONTINENTAL EX. (ICE)	-1.9%
PERRIGO (PRGO)	-1.4%
ALLERGAN (AGN)	-1.0%
INTUIT (INTU)	-0.5%

## Equity Sector Attribution - Delaware

Quarter Ending September 30, 2012

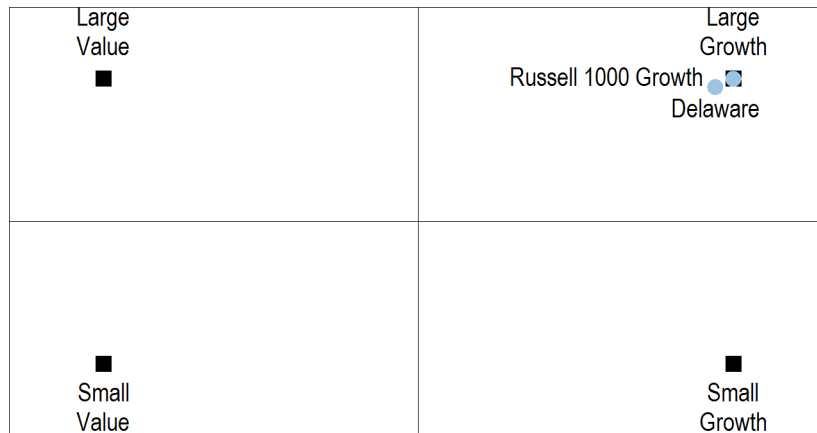
## Delaware Performance Attribution vs. Russell 1000 Growth

	Attribution Effects				Returns		Sector Weights				
	Total	Selection	Allocation	Interaction	Portfolio	Benchmark	Portfolio	Benchmark			
	Effects	Effect	Effect	Effects							
Energy	0.7%	0.2%	0.4%	0.2%	19.4%	14.8%	7.6%	3.7%			
Materials	0.1%	0.2%	0.0%	-0.1%	9.4%	4.9%	2.9%	3.9%			
Industrials	0.3%	-0.5%	0.4%	0.4%	-2.1%	1.9%	3.4%	12.4%			
Cons. Disc.	-1.4%	-2.0%	0.0%	0.6%	-4.7%	7.3%	10.7%	16.1%			
Cons. Staples	0.9%	3.1%	0.5%	-2.7%	24.1%	1.7%	1.6%	13.2%			
Health Care	-0.5%	-0.6%	0.0%	0.1%	2.1%	7.2%	10.4%	11.9%			
Financials	-0.3%	-0.1%	-0.2%	-0.1%	1.0%	2.2%	10.1%	4.5%			
Info. Tech	0.6%	0.2%	0.3%	0.1%	9.0%	8.4%	46.5%	31.7%			
Telecomm.	0.2%	0.1%	0.0%	0.1%	9.3%	4.6%	5.4%	2.3%			
Utilities	0.0%	--	0.0%	--	--	12.3%	0.0%	0.2%			
Cash	-0.1%	0.0%	-0.1%	0.0%	0.0%	--	1.4%	0.0%			
Portfolio	0.3%	=	0.6%	+	1.2%	+	-1.4%	6.4%	6.1%	100.0%	100.0%

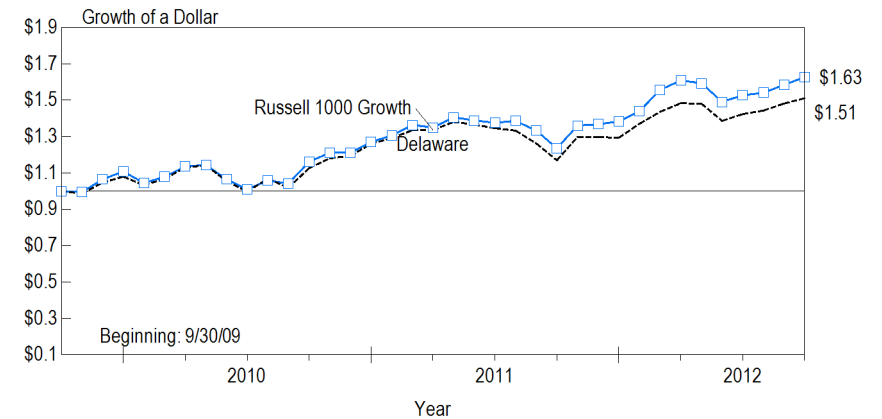
# Return Based Style Analysis - Delaware

3 Years Ending September 30, 2012

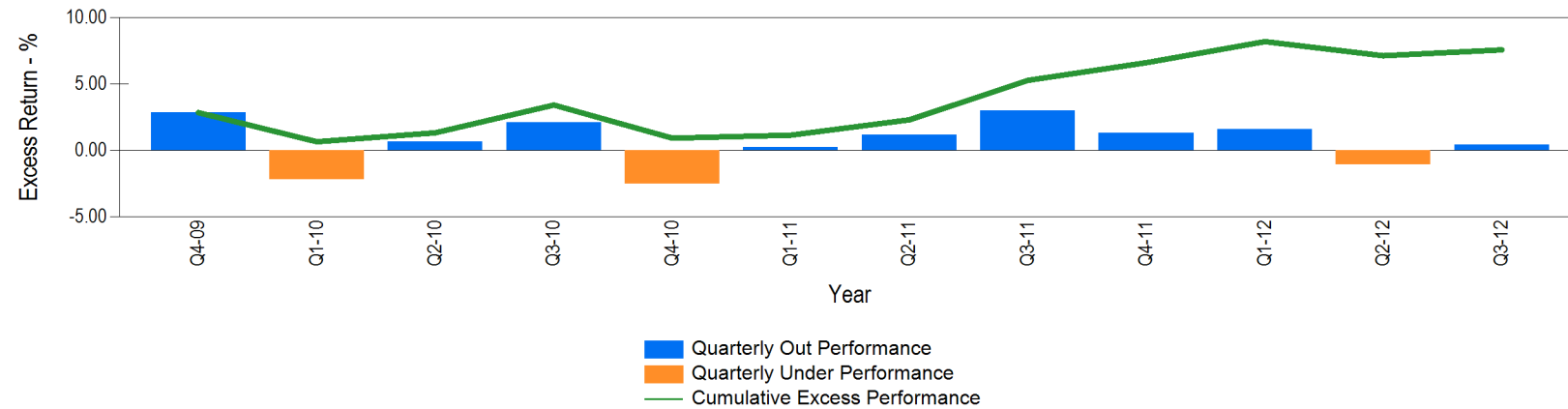
U.S. Effective Style Map



GROWTH OF A DOLLAR



Quarterly and Cumulative Excess Performance



## Equity Only Summary Statistics - Dodge &amp; Cox

Quarter Ending September 30, 2012

Characteristics	Portfolio	Russell 1000 Value
Number of Holdings	77	690
Weighted Avg. Market Cap. (\$B)	79.0	91.7
Median Market Cap. (\$B)	18.3	4.9
Price To Earnings	14.4	15.5
Price To Book	2.2	1.9
Price To Sales	1.6	1.6
Return on Equity (%)	11.5	12.9
Yield (%)	2.1	2.5
Beta	1.1	1.0
R-Squared	1.0	1.0

## Top Holdings

COMCAST 'A'	4.5%
MERCK & CO.	4.0%
WELLS FARGO & CO	3.9%
CAPITAL ONE FINL.	3.8%
GENERAL ELECTRIC	3.8%
TIME WARNER	3.2%
SANOFI ADR 2:1	3.0%
PFIZER	2.7%
NOVARTIS 'B' SPN.ADR 1:1	2.7%
GLAXOSMITHKLINE SPN.ADR 1:2	2.7%

## Best Performers

	Return %
SPRINT NEXTEL (S)	69.3%
COMPUTER SCIS. (CSC)	30.6%
GOOGLE 'A' (GOOG)	30.1%
AOL (AOL)	25.5%
NOKIA SPN.ADR 1:10 (NOK)	24.4%
CEMEX SPN.ADR 1:10 (CX)	23.8%
SYMANTEC (SYMC)	23.0%
LIBERTY GLOBAL CL.A (LBTYA)	22.4%
MCGRAW-HILL (MHP)	21.9%
PHILIPS ELTN.KON.SPN. 2000 NEW.ADR 1:1 (PHG)	19.2%

## Worst Performers

	Return %
DELL (DELL)	-20.4%
PANASONIC ADR 1:1 (PC)	-18.9%
SONY ADR 1:1 (SNE)	-17.8%
HEWLETT-PACKARD (HPQ)	-14.5%
GENWORTH FINANCIAL (GNW)	-7.6%
FEDEX (FDX)	-7.5%
DOW CHEMICAL (DOW)	-7.1%
LEGG MASON (LM)	-6.4%
XEROX (XRX)	-6.2%
PITNEY-BOWES (PBI)	-5.2%

## Equity Sector Attribution - Dodge &amp; Cox

Quarter Ending September 30, 2012

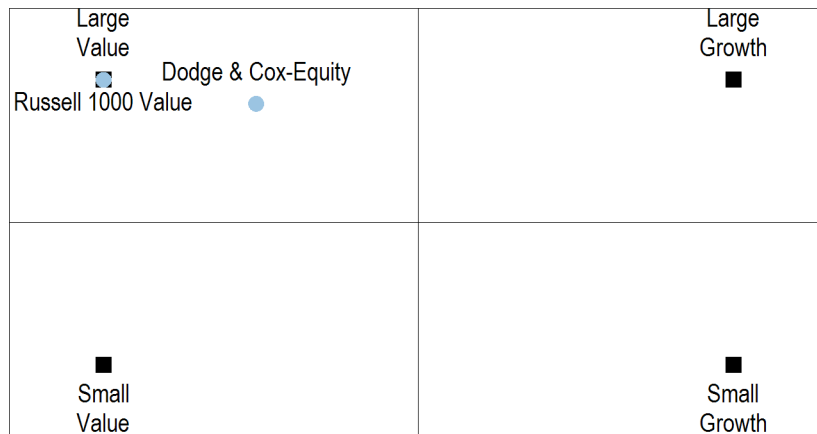
## Dodge &amp; Cox-Equity Performance Attribution vs. Russell 1000 Value

	Attribution Effects						Returns		Sector Weights		
	Total	Selection	Allocation		Interaction	Portfolio	Benchmark	Portfolio	Benchmark		
	Effects	Effect	Effect	Effects							
Energy	-0.3%	-0.2%	-0.2%		0.1%	8.1%	9.1%	7.3%	16.5%		
Materials	-0.1%	-0.1%	0.0%		0.0%	5.6%	7.2%	3.6%	3.9%		
Industrials	-0.1%	-0.1%	0.0%		0.0%	4.7%	5.9%	7.8%	9.2%		
Cons. Disc.	0.7%	0.2%	0.3%		0.2%	11.9%	9.4%	16.1%	7.7%		
Cons. Staples	-0.1%	0.0%	-0.1%		0.0%	7.3%	8.0%	2.4%	7.2%		
Health Care	0.6%	0.4%	0.0%		0.2%	9.4%	6.0%	17.7%	11.8%		
Financials	0.0%	0.0%	0.0%		0.0%	6.9%	6.9%	19.0%	26.2%		
Info. Tech	-0.2%	0.2%	-0.8%		0.4%	3.6%	0.4%	19.0%	6.7%		
Telecomm.	0.8%	1.0%	0.0%		-0.2%	39.4%	10.0%	2.8%	3.7%		
Utilities	0.5%	--	0.5%		--	--	-0.3%	0.0%	7.3%		
Cash	-0.2%	0.0%	-0.2%		0.0%	0.0%	--	4.2%	0.0%		
Portfolio	1.6%	=	1.5%	+	-0.7%	+	0.8%	8.1%	6.5%	100.0%	100.0%

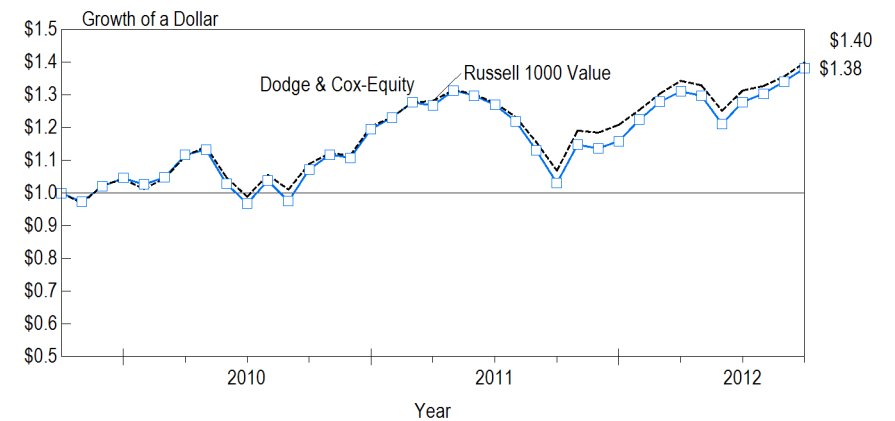
## Return Based Style Analysis - Dodge &amp; Cox

3 Years Ending September 30, 2012

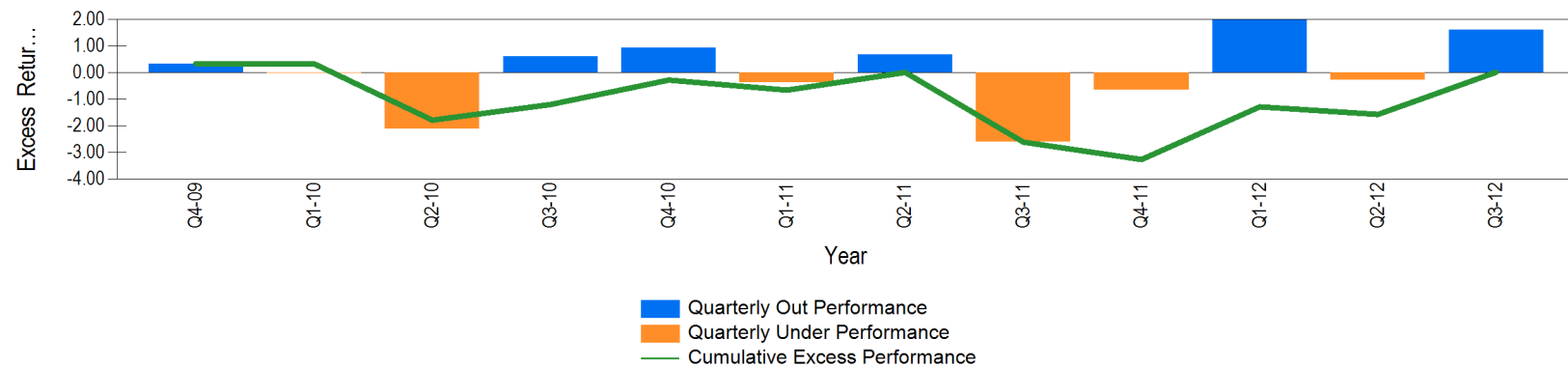
U.S. Effective Style Map



GROWTH OF A DOLLAR



Quarterly and Cumulative Excess Performance



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

Quarter Ending September 30, 2012

Characteristics	Portfolio	Russell 2000 Growth
Number of Holdings	433	1,112
Weighted Avg. Market Cap. (\$B)	1.7	1.5
Median Market Cap. (\$B)	1.1	0.6
Price To Earnings	20.8	18.7
Price To Book	4.4	4.5
Price To Sales	3.0	3.0
Return on Equity (%)	9.4	7.2
Yield (%)	0.3	0.6
Beta	0.9	1.0
R-Squared	1.0	1.0

Top Holdings	
ISHARES TST RUSSEL 2000 GW.IDX.FD.	2.1%
ULTIMATE SOFTWARE GP.	1.6%
UTD.NTRL.FOODS	1.2%
PRTF.REC.ASSOCS.	1.2%
LKQ	1.1%
HEALTH MAN.ASSOCS.	1.1%
SEMTECH	1.1%
KENEXA	1.0%
COSTAR GP.	1.0%
GEO GROUP	1.0%

Best Performers	Return %
SAREPTA THERAPEUTICS (SRPT)	313.5%
GENMARK DIAGNOSTICS (GNMK)	112.2%
XENOPORT (XNPT)	89.6%
AUTHENTEC (AUTH)	85.1%
ARRAY BIOPHARMA (ARRY)	68.4%
REPROS THERAPEUTICS (RPRX)	67.7%
AFFYMAX (AFFY)	63.5%
GENTIVA HLTH.SVS. (GTIV)	63.3%
ALNYLAM PHARMACEUTICALS (ALNY)	61.3%
KIMBALL INTL. (KBALB)	59.3%

Worst Performers	Return %
DIGITAL DOMAIN MEDIA GP. (DDMGQ)	-99.0%
PROGENICS PHARMS. (PGNX)	-70.6%
AUDIENCE (ADNC)	-67.8%
QUESTCOR PHARMS. (QCOR)	-65.3%
HORIZON PHARMA (HZNP)	-50.9%
MOLYCORP (MCP)	-46.6%
SYNACOR (SYNC)	-44.7%
ADTRAN (ADTN)	-42.5%
NETLIST (NLST)	-42.5%
NEONODE (NEON)	-38.7%

## Equity Sector Attribution - Legato Capital

Quarter Ending September 30, 2012

## 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	0.0%	0.1%	0.0%	0.0%	9.6%	8.5%	4.1%	5.5%
Materials	-0.2%	0.0%	-0.2%	0.0%	11.1%	10.3%	0.8%	4.2%
Industrials	-0.1%	-0.1%	0.0%	0.0%	2.1%	3.0%	17.7%	16.9%
Cons. Disc.	0.1%	0.2%	0.0%	0.0%	7.8%	6.5%	14.1%	16.2%
Cons. Staples	0.2%	0.2%	0.0%	-0.1%	5.8%	2.1%	3.4%	4.8%
Health Care	0.1%	0.1%	0.0%	0.0%	4.3%	3.9%	22.4%	22.1%
Financials	0.0%	0.1%	0.0%	0.0%	6.0%	5.1%	4.5%	6.8%
Info. Tech	0.4%	0.4%	-0.1%	0.1%	5.7%	4.0%	28.6%	22.1%
Telecomm.	0.1%	0.0%	0.1%	0.0%	17.0%	15.3%	1.5%	1.1%
Utilities	0.0%	--	0.0%	--	--	6.4%	0.0%	0.3%
Cash	-0.2%	0.0%	-0.2%	0.0%	0.0%	--	2.9%	0.0%
<b>Portfolio</b>	<b>0.5%</b>	<b>=</b>	<b>0.9%</b>	<b>+</b>	<b>-0.4%</b>	<b>+</b>	<b>0.0%</b>	
					<b>5.3%</b>	<b>4.9%</b>	<b>100.0%</b>	<b>100.0%</b>



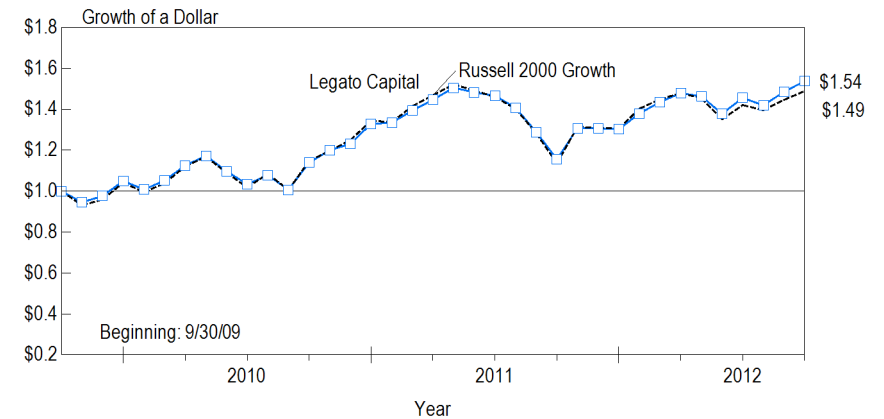
## Return Based Style Analysis - Legato Capital

3 Years Ending September 30, 2012

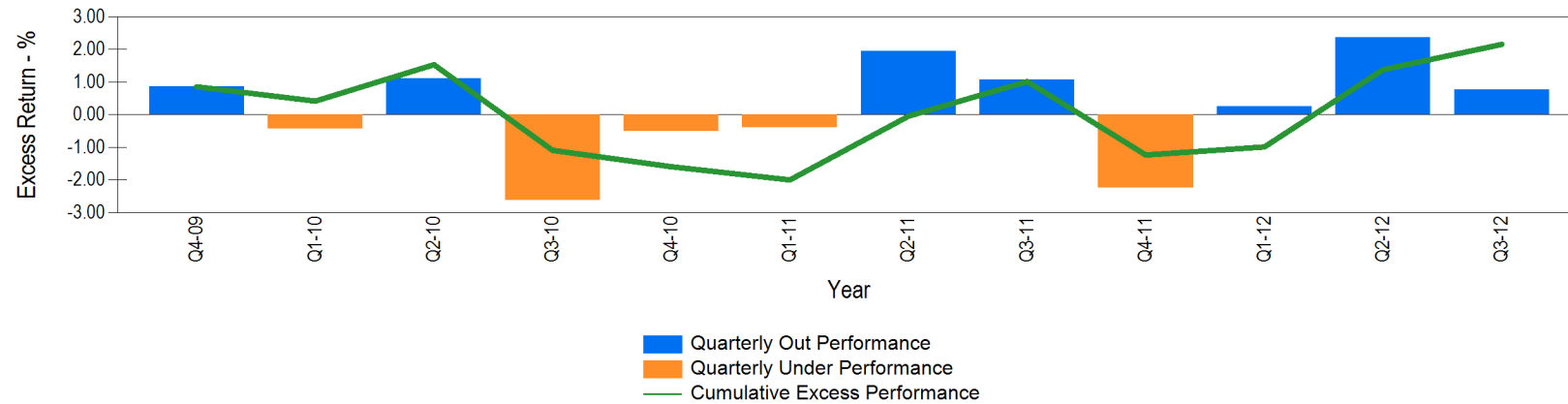
U.S. Effective Style Map



GROWTH OF A DOLLAR



Quarterly and Cumulative Excess Performance



## Equity Only Summary Statistics - Mellon S&amp;P 500

Quarter Ending September 30, 2012

Characteristics	Portfolio	S&P 500
Number of Holdings	459	500
Weighted Avg. Market Cap. (\$B)	96.7	118.7
Median Market Cap. (\$B)	12.1	12.3
Price To Earnings	18.7	18.4
Price To Book	3.5	3.8
Price To Sales	2.2	2.1
Return on Equity (%)	28.6	21.5
Yield (%)	2.3	2.2
Beta	1.0	1.0
R-Squared	1.0	1.0

Top Holdings	Best Performers	Worst Performers
	Return %	Return %
EXXON MOBIL 3.8%	METROPCS COMMS. (PCS) 93.6%	ADVANCED MICRO DEVC. (AMD) -41.2%
GENERAL ELECTRIC 2.1%	SPRINT NEXTEL (S) 69.3%	BIG LOTS (BIG) -27.5%
CHEVRON 2.0%	TESORO (TSO) 68.4%	DEVRY (DV) -26.5%
MICROSOFT 2.0%	FIRST SOLAR (FSLR) 47.0%	TRIPADVISOR 'A' (TRIP) -26.3%
INTERNATIONAL BUS.MCHS. 2.0%	PULTEGROUP (PHM) 44.9%	ALPHA NATURAL RESOURCES (ANR) -24.6%
AT&T 1.9%	PHILLIPS 66 (PSX) 40.3%	MONSTER BEVERAGE (MNST) -24.1%
GOOGLE 'A' 1.8%	WHIRLPOOL (WHR) 36.5%	NETFLIX (NFLX) -20.5%
PROCTER & GAMBLE 1.7%	URBAN OUTFITTERS (URBN) 36.1%	DELL (DELL) -20.4%
JOHNSON & JOHNSON 1.7%	VALERO ENERGY (VLO) 32.0%	APOLLO GP.'A' (APOL) -19.7%
PFIZER 1.7%	COVENTRY HEALTH CARE (CVH) 31.5%	CLIFFS NATURAL RESOURCES (CLF) -19.5%

## Total Returns - ACWI ex-US Value

Periods Ending September 30, 2012

eA ACWI ex-US Value Equity Gross Accounts



	Return (Rank)							
5th Percentile	10.2	16.4	23.0	8.1	8.0	0.0	7.2	13.5
25th Percentile	8.9	15.0	20.1	5.4	6.1	-1.8	5.0	11.7
Median	7.9	12.0	15.7	2.9	4.0	-3.0	3.5	9.6
75th Percentile	6.8	8.6	13.0	-0.2	2.7	-3.9	2.5	8.9
95th Percentile	5.6	5.8	8.8	-4.5	-0.5	-6.0	1.2	8.5
# of Portfolios	31	31	31	31	30	27	22	13
● LSV Asset Mgt	8.5 (31)	10.4 (67)	14.9 (64)	2.2 (68)	4.2 (49)	-3.8 (74)	3.7 (44)	-- (--)
▲ MSCI ACWI ex USA Gross	7.5 (59)	10.9 (62)	15.0 (64)	1.5 (71)	3.6 (59)	-3.7 (70)	3.8 (43)	10.3 (40)

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

Quarter Ending September 30, 2012

**Characteristics**

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	183	1,837
Weighted Avg. Market Cap. (\$B)	31.9	45.1
Median Market Cap. (\$B)	6.4	5.9
Price To Earnings	11.0	14.7
Price To Book	1.7	2.5
Price To Sales	0.8	1.7
Return on Equity (%)	14.9	15.5
Yield (%)	4.5	3.3
Beta	1.0	1.0
R-Squared	1.0	1.0

**Top Holdings**

SANOFI	2.1%
ROYAL DUTCH SHELL B	1.9%
ASTRAZENECA	1.7%
ALLIANZ	1.4%
BASF	1.4%
ENI	1.4%
CHINA PTL.& CHM. 'H'	1.3%
OLD MUTUAL	1.3%
VODAFONE GROUP	1.3%
BT GROUP	1.3%

**Best Performers**

	Return %
HERACLES GEN.CEMENT (G:HPAK)	56.7%
ARKEMA (F:AKE)	43.3%
BLUESCOPE STEEL (A:BSLX)	42.0%
BARCLAYS (UKIR:BARC)	36.6%
THYSSENKRUPP (D:TKA)	30.6%
DANSKE BANK (DK:DAB)	30.0%
BANCO BRASIL SPN.ADR 1:1 (BDORY)	28.8%
ASUSTEK COMPUTER (TW:ASU)	25.9%
TOTAL PRODUCE (ESM) (UKIR:T70)	25.7%
KINGBOARD CHEMICAL HDG. (K:KINC)	25.6%

**Worst Performers**

	Return %
BOART LONGYEAR (A:BLYX)	-38.9%
ARRIUM (A:ARIX)	-32.7%
GLOBAL BIO-CHEM TECH.GP. (K:GBIO)	-26.1%
FUJI MACH.MNFG. (J:FUMF)	-21.8%
KPN KON (H:KPN)	-18.8%
BROTHER INDUSTRIES (J:BI@N)	-16.5%
CENEL.BRASL.ELETROBRAS ON ADR 1:1 (EBR)	-15.6%
EXXARO RESOURCES (R:EXXJ)	-14.4%
MOUNT GIBSON IRON (A:MGXX)	-11.5%
YODOGAWA STEEL WKS. (J:YH@N)	-11.0%

## Equity Sector Attribution - LSV Asset Mgt

Quarter Ending September 30, 2012

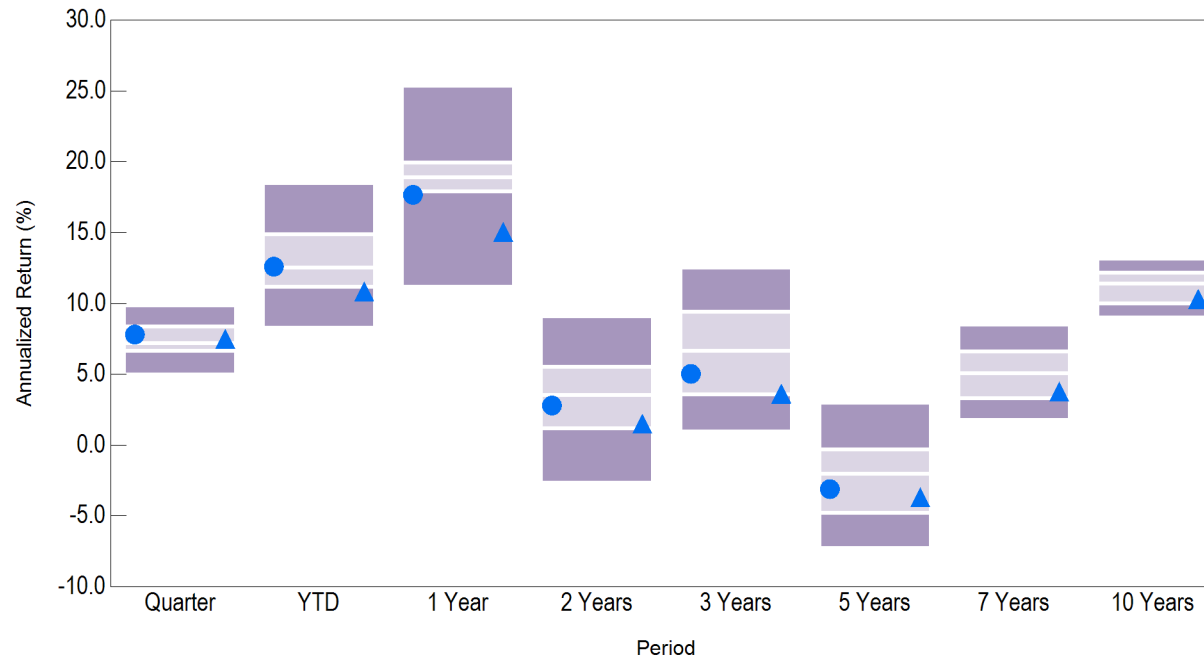
## LSV Asset Mgt Performance Attribution vs. MSCI ACWI ex USA Gross

	Attribution Effects							Returns		Sector Weights		
	Total		Selection		Allocation		Interaction		Portfolio	Benchmark	Portfolio	Benchmark
	Effects		Effect		Effect		Effects					
Energy	-0.1%		-0.1%		0.0%		-0.1%		7.4%	8.8%	13.0%	10.9%
Materials	-0.2%		-0.1%		0.0%		-0.1%		6.3%	8.0%	8.8%	11.0%
Industrials	-0.2%		-0.2%		0.0%		0.0%		3.6%	5.6%	10.1%	10.6%
Cons. Disc.	0.5%		0.6%		0.1%		-0.2%		9.8%	4.1%	7.7%	9.4%
Cons. Staples	0.2%		0.3%		0.0%		-0.1%		11.2%	7.2%	6.4%	10.4%
Health Care	0.2%		0.2%		0.0%		0.1%		11.5%	9.2%	8.7%	7.3%
Financials	0.4%		0.4%		0.0%		0.0%		11.6%	10.0%	23.3%	24.1%
Info. Tech	-0.2%		-0.2%		0.0%		0.0%		3.1%	6.4%	4.8%	6.4%
Telecomm.	0.2%		0.1%		0.0%		0.2%		7.9%	6.1%	10.7%	6.1%
Utilities	0.2%		0.2%		0.0%		0.0%		7.2%	1.7%	4.2%	3.9%
Cash	-0.1%		0.0%		-0.1%		0.0%		0.0%	--	2.3%	0.0%
Portfolio	0.9%	=	1.3%	+	-0.1%	+	-0.3%		8.4%	7.5%	100.0%	100.0%

## Total Returns - ACWI ex-US Growth

Periods Ending September 30, 2012

eA ACWI ex-US Growth Equity Gross Accounts



	Return (Rank)							
5th Percentile	9.9	18.5	25.4	9.1	12.5	3.0	8.5	13.1
25th Percentile	8.4	14.9	20.0	5.6	9.4	-0.3	6.6	12.2
Median	7.2	12.5	19.0	3.5	6.7	-2.0	5.1	11.4
75th Percentile	6.7	11.2	17.9	1.2	3.6	-4.8	3.3	10.0
95th Percentile	5.0	8.3	11.2	-2.6	1.0	-7.2	1.8	9.0
# of Portfolios	54	54	54	54	53	44	38	21
● Pyramis	7.8 (38)	12.6 (50)	17.7 (80)	2.8 (59)	5.0 (67)	-3.1 (60)	-- (--)	-- (--)
▲ MSCI ACWI ex USA Gross	7.5 (44)	10.9 (79)	15.0 (90)	1.5 (73)	3.6 (75)	-3.7 (66)	3.8 (69)	10.3 (74)

## Equity Only Summary Statistics - Pyramis

Quarter Ending September 30, 2012

Characteristics	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	265	1,837
Weighted Avg. Market Cap. (\$B)	49.7	45.1
Median Market Cap. (\$B)	12.8	5.9
Price To Earnings	14.1	14.7
Price To Book	2.3	2.5
Price To Sales	1.9	1.7
Return on Equity (%)	17.7	15.5
Yield (%)	2.8	3.3
Beta	1.0	1.0
R-Squared	1.0	1.0

Top Holdings	
ROYAL DUTCH SHELL A	2.1%
NESTLE 'R'	2.0%
BHP BILLITON	1.9%
BP	1.7%
SANOFI	1.7%
VODAFONE GROUP	1.6%
ROCHE HOLDING	1.4%
BRITISH AMERICAN TOBACCO	1.3%
BAYER	1.3%
SAP	1.2%

Best Performers	
	Return %
ARKEMA (F:AKE)	43.3%
SPARTAN OIL (C:STO)	37.9%
CELTIC EXP. (C:CLT)	37.5%
SECURE ENERGY SERVICES (C:SES)	36.8%
BARCLAYS (UKIR:BARC)	36.6%
TIBET 5100 WT.RES.HDG. (K:TWRH)	36.6%
GALAXY ENTERTAINMENT GP. (K:PIPE)	35.8%
AKER SOLUTIONS (N:AKSO)	34.3%
NEW WORLD DEV. (K:NWDV)	33.5%
SHIP HEALTHCARE HOLDINGS (J:GHSI)	33.5%

Worst Performers	
	Return %
KANSAI ELECTRIC PWR. (J:KE@N)	-34.5%
PIONEER (J:PIOE)	-29.8%
WHITEHAVEN COAL (A:WHCX)	-29.1%
NEXON (J:NXCL)	-29.0%
FORTESCUE METALS GP. (A:FMGX)	-26.9%
HITACHI METALS (J:HM@N)	-23.5%
SUMITOMO BAKELITE (J:DX@N)	-23.5%
ACRUX (A:ACRX)	-20.8%
NHK SPRING (J:GL@N)	-19.4%
CANON (J:CN@N)	-19.2%

## Equity Sector Attribution - Pyramis

Quarter Ending September 30, 2012

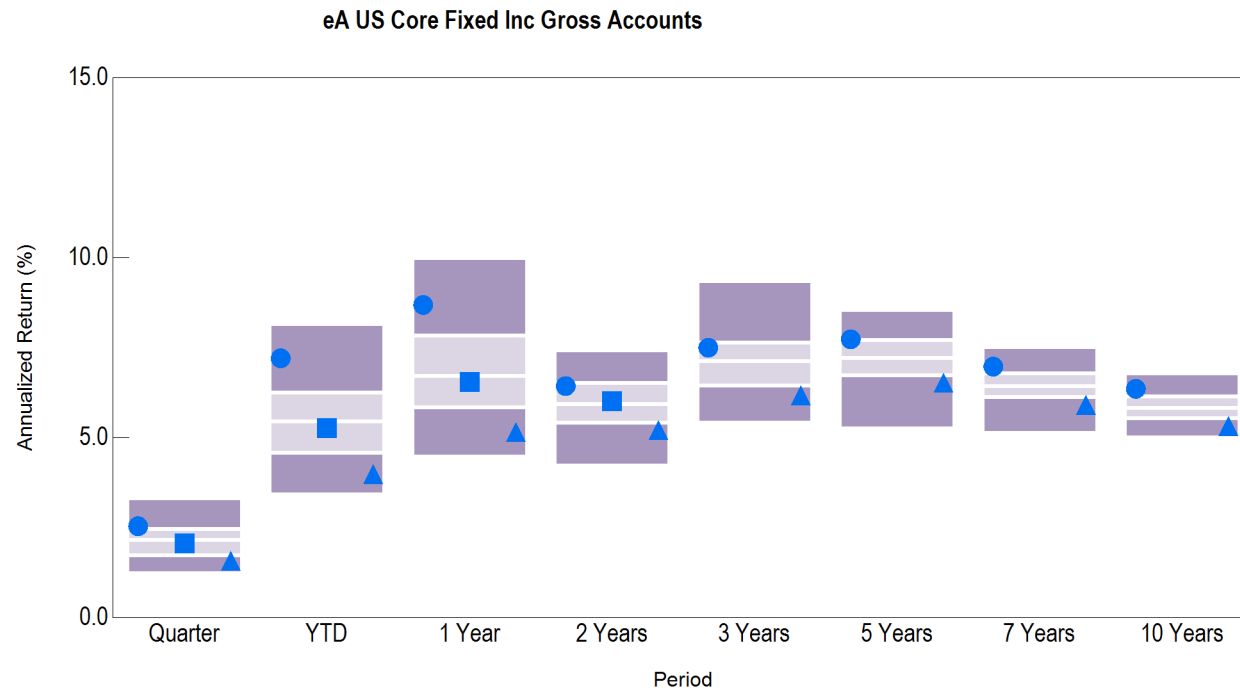
## Pyramis Performance Attribution vs. MSCI ACWI ex USA Gross

	Attribution Effects							Returns		Sector Weights	
	Total	Selection	Allocation		Interaction	Portfolio	Benchmark	Portfolio	Benchmark		
	Effects	Effect	Effect	Effects							
Energy	-0.1%	-0.1%	0.0%		0.0%	7.5%	8.8%	11.1%	10.9%		
Materials	0.4%	0.5%	0.0%		-0.1%	12.6%	8.0%	10.1%	11.0%		
Industrials	0.5%	0.4%	0.0%		0.1%	9.4%	5.6%	12.0%	10.6%		
Cons. Disc.	0.0%	0.0%	-0.1%		0.1%	4.3%	4.1%	12.8%	9.4%		
Cons. Staples	-0.1%	-0.1%	0.0%		0.0%	6.0%	7.2%	10.8%	10.4%		
Health Care	0.2%	0.1%	0.0%		0.0%	10.9%	9.2%	8.6%	7.3%		
Financials	0.2%	0.3%	-0.1%		-0.1%	11.5%	10.0%	21.6%	24.1%		
Info. Tech	-0.1%	-0.1%	0.0%		0.0%	4.3%	6.4%	4.8%	6.4%		
Telecomm.	0.1%	0.1%	0.0%		0.0%	7.6%	6.1%	5.1%	6.1%		
Utilities	0.1%	0.0%	0.1%		0.0%	1.0%	1.7%	1.5%	3.9%		
Cash	-0.1%	0.0%	-0.1%		0.0%	0.0%	--	1.7%	0.0%		
Portfolio	0.9%	=	1.0%	+	-0.1%	+	0.1%	8.4%	7.5%	100.0%	100.0%



## Total Returns - Core Fixed

Periods Ending September 30, 2012

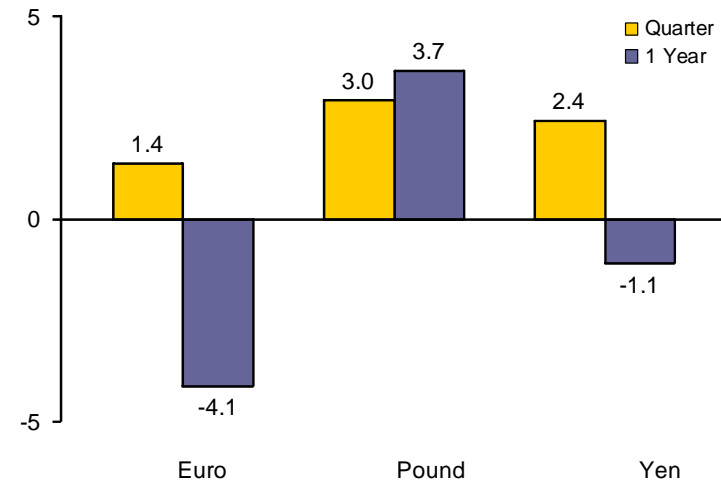


	Return (Rank)							
5th Percentile	3.3	8.2	10.0	7.4	9.3	8.5	7.5	6.8
25th Percentile	2.5	6.3	7.9	6.5	7.7	7.7	6.8	6.2
Median	2.2	5.5	6.7	6.0	7.1	7.2	6.5	5.8
75th Percentile	1.8	4.6	5.9	5.4	6.5	6.7	6.1	5.6
95th Percentile	1.2	3.4	4.5	4.2	5.4	5.3	5.2	5.0
# of Portfolios	227	227	227	226	224	216	203	185
● Dodge & Cox-Fixed	2.5 (21)	7.2 (11)	8.7 (12)	6.4 (28)	7.5 (31)	7.7 (25)	7.0 (19)	6.4 (14)
■ PIMCO Fixed Income	2.1 (57)	5.3 (53)	6.6 (55)	6.0 (48)	-- (--)	-- (--)	-- (--)	-- (--)
▲ Barclays Aggregate	1.6 (87)	4.0 (90)	5.2 (89)	5.2 (83)	6.2 (83)	6.5 (83)	5.9 (84)	5.3 (88)

## Currency Markets

- The euro strengthened 1.4% in the quarter as fears of a Euro collapse was eased by the ECB's recent policy action and the German Constitutional Court's ruling.
- However, overall weak growth in the developed world led to continued purchases of the yen, which rose 2.4% in the 3<sup>rd</sup> quarter.
- The U.S. dollar trade-weighted index, which measures dollar's movement against a basket of currencies, fell 2.9% in the third quarter as investors took on more risk and positioned for QE3.

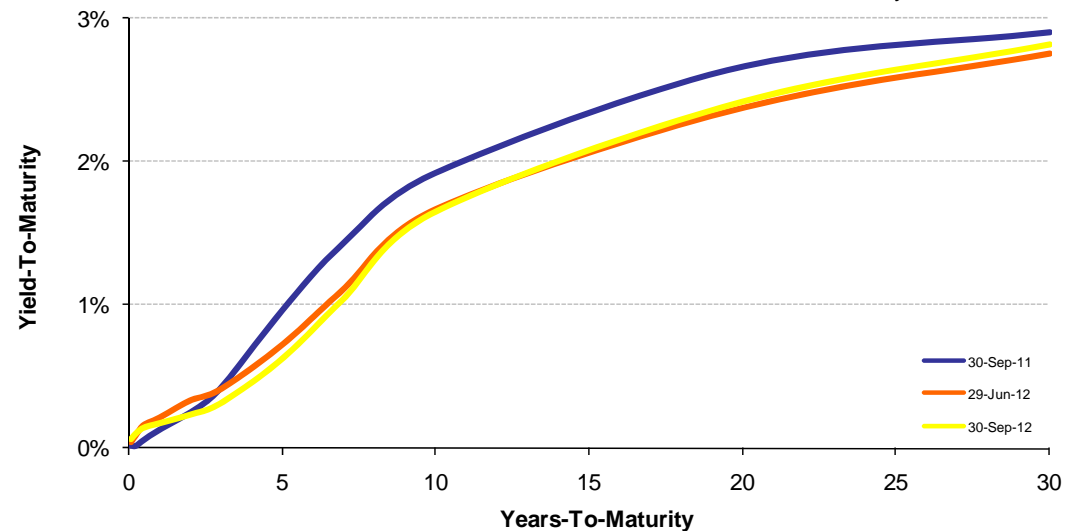
Currency Returns (%)



## Yield Curve

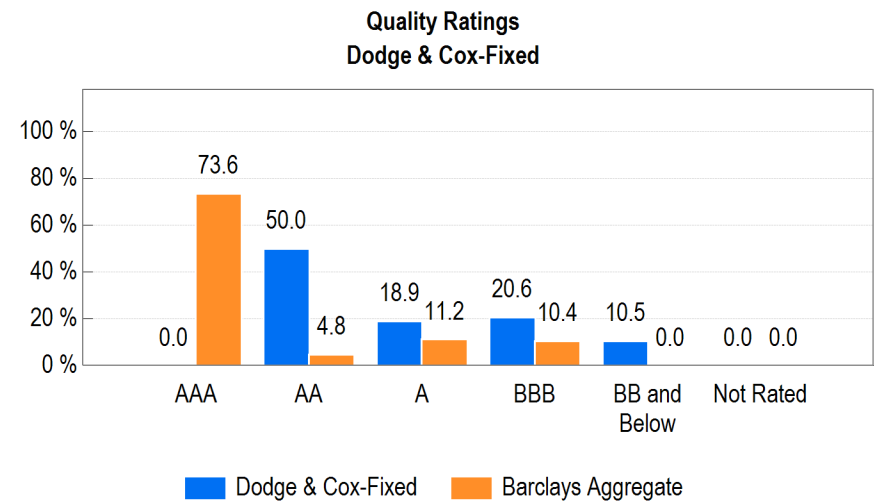
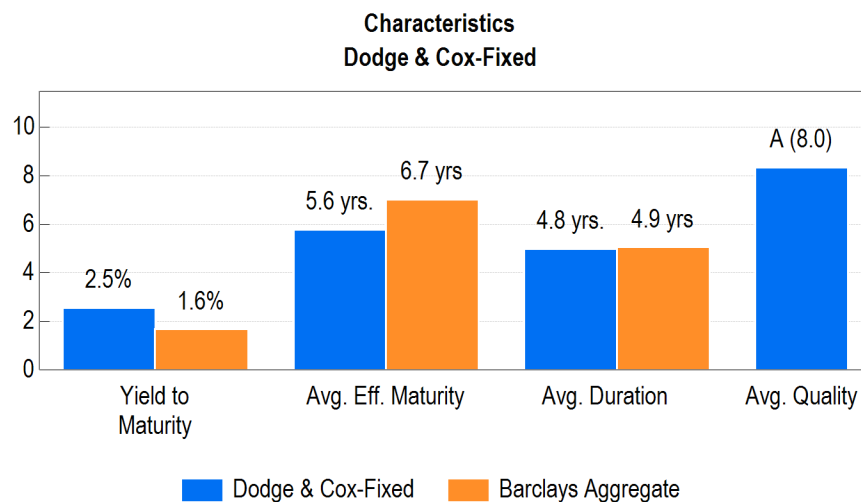
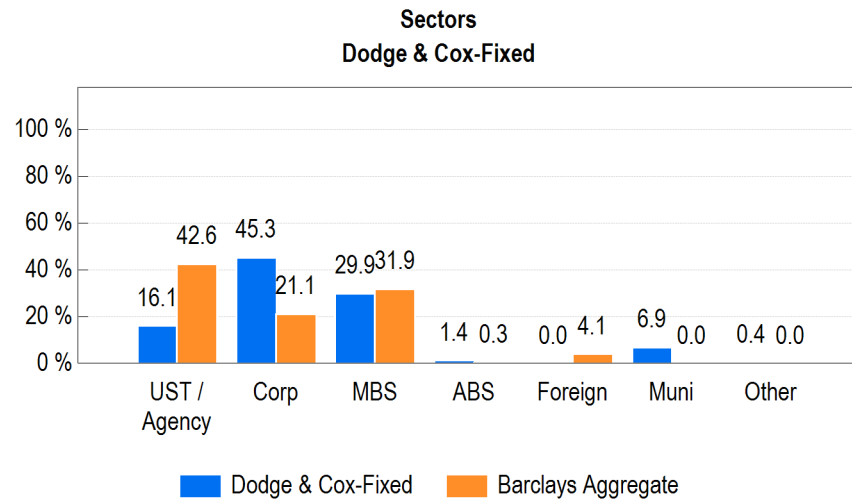
- Despite the Federal Reserve's extension of QE3 and Operation Twist, the long-end of the yield curve twisted upward, while rates at the short end fell slightly.
- Thirty-year yields rose six basis points, while rates for bonds with maturities between two and seven years fell between two and ten basis points.

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



## Bond Summary Statistics - Dodge &amp; Cox

As of September 30, 2012



**StanCERA Manager Review List**  
Performance Through September 30, 2012

11/27/12  
Item #6b

Returns are Gross of Fees

Manager Name	Status	Expected Manager Tracking Error (bps)	Benchmark	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 in Compliance with Guidelines	Organization Personnel Continuity	Adherence to Style
<i>Domestic Equity</i>												
Dodge & Cox (Lg Cap Value)	Good Standing	600	R1000V	Yes	Yes	-40	30	60	64	Yes	Yes	Yes
BlackRock (Passive Lg Cap Value)	Good Standing	0	R1000V	Yes	Yes	20	N/A	41	N/A	Yes	Yes	Yes
Delaware (Lg Cap Growth)	Good Standing	500	R1000G	Yes	Yes	290	80	12	33	Yes	Yes	Yes
BlackRock (Passive Lg Cap Growth)	Good Standing	0	R1000G	Yes	Yes	N/A	N/A	N/A	N/A	Yes	Yes	Yes
Mellon Capital (Passive SP 500)	Good Standing	0	S&P 500	Yes	Yes	0	0	40	54	Yes	Yes	Yes
Capital Prospects (Sm Cap Value)	Good Standing	400	R2000V	Yes	Yes	50	N/A	63	N/A	Yes	Yes	Yes
Legato (Small Cap Growth)	Good Standing	400	R2000G	Yes	Yes	220	N/A	22	N/A	Yes	Yes	Yes
<i>International Equity</i>												
LSV Asset	Good Standing	600	MSCI ACWI ex US	Yes	Yes	60	-10	43	40	Yes	Yes	Yes
Pyramis	Good Standing	400	MSCI ACWI ex US	Yes	Yes	140	60	26	29	Yes	Yes	Yes
<i>REITS</i>												
INVESCO	Replaced by BlackRock											
<i>Fixed Income</i>												
Dodge & Cox	Good Standing	300	Barclays Aggregate	Yes	Yes	130	120	57	46	Yes	Yes	Yes
PIMCO	Good Standing	100	Barclays Aggregate	Yes	Yes	N/A	N/A	N/A	N/A	Yes	Yes	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

Dodge & Cox (Equity) 3-yr alpha of -40 an improvement from -70 and 5-yr alpha of +30 an improvement from -30 one-quarter ago.

**Recommend keeping Dodge & Cox Equity in "Good Standing" as trend is improving.**

LSV has a 3-yr alpha of +60 bps with above-average peer group rankings (43) and 5-yr. alpha of -10 with above-average peer rankings (40). Recommend keep in "Good Standing".

INVESCO has been replaced by a BlackRock US REITS Index Fund at the end of September 2012.

PIMCO hired Q2-2010. Above benchmark short-term performance since hired (+80 bps past 2-years annualized).

## U.S. EQUITY

U.S. equity markets pulled back a bit in October. Within the U.S. markets, Value outperformed Growth and Large caps outperformed Small caps. The Russell 1000 Growth Index was down -2.9% for the month and the Russell 1000 Value Index was down -0.5%. The Russell 2000 Growth Index was down -3.1% and the Russell 2000 Value was down -1.3%. The S&P 500 Index ended the month down -1.9%.

The S&P 500 Index has a trailing P/E ratio of 16.4 and a forward 12-month estimate P/E ratio of 13.7.

With about half of the S&P 500 companies having reported third-quarter earnings a trend of weak revenue and earnings growth year-over-year is being seen. The EPS growth rate for the S&P 500 reporting companies (240 out of 500) is at 2.25% and the revenue growth rate is only 1.57%. Concern over revenue and earnings growth rates had an effect on the market correction that occurred in the second-half of the month of October.

Corporate merger highlights for the month included:

3M will acquire ceramic armor maker Ceradyne for about \$860 million; Softbank, Japan's 3<sup>rd</sup> largest mobile phone company, will pay \$2.3 billion to acquire rival eAccess; French hotel group Accor completed the sale of Motel 6 in North America to Blackstone Real Estate for \$1.9 billion; UnitedHealth is buying a 90% stake in Amil Participacoes SA, Brazil's largest health insurer and hospital operator, for \$4.9 billion; Marathon will buy BP's Texas City refinery, one of the largest in the country, for up to \$2.5 billion; Chemical coating maker Cytec Industries has agreed to sell its coating resins business to private equity firm Advent International for \$1.0 billion; Ecolab will buy privately-held Champion Technologies, a provider of energy specialty products and services, in a deal valued at \$2.2 billion; Spain's telecommunications giant Telefonica will sell Atento, a call-center firm, to Bain Capital for \$1.34 billion; Softbank, a Japanese wireless carrier, will acquire 70% of Sprint Nextel for \$20.1 billion; Advent International made a \$1.94 billion takeover offer for German perfume and jewelry retailer Douglas Holding; Exxon Mobil will buy Canadian oil and gas producer Celtic Exploration in a deal worth about \$3.1 billion; ASML launched a \$2.6 billion offer for Cymer, a developer of new ways to pattern semiconductor chips; ING Groep is close to selling its Hong Kong and Thailand insurance assets to Hong Kong businessman Richard Li for over \$2 billion;

Indian Hotels made a \$1.86 billion offer to acquire international luxury hotels operator Orient-Express Hotels; Cooper Industries agreed to an \$11.8 billion acquisition by industrial conglomerate Eaton; Carrefour will sell its operations in Columbia to Cencosud of Chile at an enterprise value of \$2.6 billion; Russian oil company Rosneft struck a 2-part deal worth about \$55 billion to buy TNK-BP and make BP a nearly 20% Rosneft shareholder; Canada blocked a \$5.2 billion acquisition of Progress Energy by Malaysia's state oil company Petronas; Ancestry.com agree to be acquired in a deal valued at about \$1.6 billion; McKesson will acquire PSS World Medical for roughly \$1.46 billion; Bayer will buy U.S. vitamins maker Schiff Nutrition for \$1.2 billion; Walt Disney will acquire George Lucas's Lucasfilm for \$4.05 billion; and, PVH Corp. will acquire Warnaco Group for about \$2.9 billion.

## FIXED INCOME

The U.S. gross domestic product grew at a 2.0% pace in the 3<sup>rd</sup> quarter, fueled by higher consumer and government spending and more home building.

The IMF warned that the global economic slowdown is worsening as it cut its growth forecasts for the second time since April; estimating global growth for 2012 at 3.3%. A Reuters poll of hundreds of economists worldwide forecasts world economic growth at 3.4% in 2013.

Employers added 114,000 jobs in September, about what economists expected and the unemployment rate fell to 7.8% from 8.1% as health care, transportation and warehousing led job gains.

Long-term interest rates rose slightly in the month of October. The bellwether 10-year Treasury note ended the month yielding 1.72% up from 1.65% at the close of September. At month-end, the 30-year bond yield was 2.85% with the 3-month T-bill at 0.11%. The Barclays Capital US Aggregate Index was up by +0.2% in October. Long Credit was the best performing sector up +2.1% for the month.

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

## THE GOOD

\*The Institute of Supply Management reported that its index of national factory activity rose in September to 51.5 from 49.6 in August. The ISM services index rose to 55.1 from 53.7 in August.

\*GM's vehicle sales rose 1.5% in September versus a year ago, Ford 4%, Chrysler 12%, Volkswagen jumped 34% and Toyota 42%.

\*The ADP National Employment Report showed private employers added 162,000 jobs in September. Average hourly wages rose 7 cents, or 0.4%, to \$23.58 in September.

\*The Commerce Dept. reported that retail sales rose 1.1% in September, following a revised 1.2% increase in August.

\*The Empire State manufacturing activity index rose to negative 6.2 in October from negative 10.4 in September.

\*The Labor Dept. reported that the core Consumer Price Index, which excludes food and energy prices, increased a slight 0.1% in September. U.S. inflation has been stable at around 2.0% the last two years.

\*The Commerce Dept. reported that September housing starts increased 15% to a seasonally adjusted annual rate of 872,000, the fastest pace since July 2008.

\*The Conference Board reported that its index of leading economic indicators rose a better-than-expected 0.6% in September.

\*The Commerce Dept. reported that new home sales rose 5.7% in September to a seasonally adjusted 389,000 annual rate.

\*The Commerce Dept. reported that durable goods orders increased 9.9% in September, marking the biggest gain in more than a year and a half.

\*Personal incomes rose 0.8% in the third quarter, after inflation and taxes, following a 3.1% pace the prior quarter.

\*The S&P's/Case Shiller index reported that national home prices increased 2% in August compared with the same month a year ago.

Consumer confidence continued to improve in October. The University of Michigan-Thomson Reuters' consumer sentiment gauge final reading rose to 82.6 in October from 78.3 in September and its highest level in five years.

## THE NOT SO GOOD

\*The Commerce Dept. reported that construction spending fell 0.6% to an annual rate of \$837.1 billion, the largest drop since July last year.

\*The National Retail Federation expects retail sales during the holiday shopping period in November and December to rise 4.1% this year, the smallest increase since 2009.

\*The Commerce Dept. reported that factory orders dropped 5.2% in August after a 2.6% decrease in July.

\*Wholesale inventories grew 0.5% in August to a seasonally adjusted \$487.5 billion, or a 5.3% gain from a year-ago.

\*The Commerce Dept. reported that the U.S. trade deficit increased to \$44.2 billion in August from \$42.5 billion in July.

\*The Labor Dept. reported that its seasonally adjusted Producer Price Index increased 1.1% in September.

\*The National Association of Realtors reported that sales of existing homes fell 1.7% to a seasonally adjusted annual rate of 4.75 million in September.

\*The Dept. of Agriculture sees food price increases of 3.5 to 4.0% next year.

## NON-U.S. MARKETS

The Bank of England left its policy rate unchanged in October at 0.5% and also kept the size of the asset-purchase program unchanged at £375 billion. Industrial production fell 0.5% in August. Retail sales rose by a better than expected 0.6% in September, the strongest print since May. Inflation continues to slow at the consumer level as CPI fell in September to 2.2% year-over-year.

The European Commission's Eurostat statistics agency reported that unemployment in the eurozone rose in September to a record high of 11.6%.

The European Central Bank left its policy rates unchanged in October as the key minimum bid rate remains at 0.75% and the deposit rate at 0.0%. President Mario Draghi struck a notably downbeat tone about the economy, acknowledging the persisting weakness in economic conditions across the eurozone with risks to growth still skewed to the downside.

German industrial production appears on track to improve significantly in Q3 relative to the previous

quarter, by about 1.3%. In France, industrial production unexpectedly jumped 1.5% in August.

The Bank of Japan also made no changes to policy, leaving rates at 0.0-0.1%, its credit lending facility at ¥25 trillion, and its asset purchase program at ¥55 trillion. Industrial production is now heading lower as output fell by 1.6% in August which is the third decline in the last four months.

Non-U.S. equities were up slightly for the month of October. The MSCI ACWI Ex-U.S. was up +0.4% (US dollars) in October. Developed stocks (EAFE) were up +0.8% while Emerging Markets fell by -0.6% for the month.

## CONCLUSION

U.S. economic growth has improved these past few months from 1.0% to about 2.0-2.5%. The improvement in growth has been driven by:

1. A bounce in housing from very weak levels
2. A decline in the household savings rate
3. A stabilization in energy prices

The U.S. fiscal cliff, a combination of tax increases and spending cuts totaling about \$600 billion are scheduled to take effect in 2013. If these scheduled cuts do take place next year, the fiscal drag on the economy could be almost 3% of GDP. If so, that could put the economy in a recessionary environment. In addition, the three factors listed above may be transitory in nature contributing to a slowdown in growth.



## Monthly Market Update

### US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Oct-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	-1.72	3.37	14.12	14.75	11.27	13.58	0.59	4.62	7.47
Russell TOP 200 Index	-1.96	2.89	14.92	16.15	12.05	12.66	0.09	4.20	6.17
Russell TOP 200 Growth Index	-3.16	1.11	14.24	14.64	12.35	13.77	2.17	5.50	6.39
Russell TOP 200 Value Index	-0.75	4.71	15.58	17.67	11.80	11.55	-2.04	2.90	5.97
S&P 500 Index	-1.85	2.96	14.29	15.21	11.59	13.21	0.36	4.46	6.91
Russell 1000 Index	-1.69	3.29	14.32	14.97	11.44	13.48	0.53	4.61	7.31
Russell 1000 Growth Index	-2.92	1.65	13.39	13.02	11.46	14.12	1.95	5.50	7.15
Russell 1000 Value Index	-0.49	4.90	15.18	16.89	11.40	12.81	-1.00	3.59	7.34
Russell Mid-Cap Index	-1.01	4.28	12.85	12.15	9.97	15.59	1.70	5.68	10.52
Russell Mid-Cap Growth Index	-2.28	3.08	11.29	9.09	9.58	15.42	1.55	5.77	10.03
Russell Mid-Cap Value Index	0.11	5.33	14.16	14.99	10.32	15.77	1.68	5.32	10.63
Russell 2000 Index	-2.17	4.41	11.75	12.08	9.36	14.82	1.19	4.83	9.58
Russell 2000 Growth Index	-3.11	3.38	10.53	9.70	9.77	15.74	1.41	5.61	9.66
Russell 2000 Value Index	-1.25	5.42	12.93	14.47	8.87	13.83	0.87	3.93	9.38
DJ US REIT Index	-0.91	-3.13	13.43	14.09	12.87	22.03	1.19	5.53	11.79
DJ-UBS US Commodity Index TR	-3.87	-0.96	1.54	-4.44	-1.47	2.77	-4.43	-0.50	4.89
DJ-UBS US Gold Index TR	-3.08	6.50	8.95	-1.19	11.75	17.40	15.57	19.31	17.40

### Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Oct-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.40	6.39	11.30	4.48	0.02	4.20	-4.63	4.40	9.79
MSCI AC World Index	-0.64	4.81	12.66	9.17	4.97	8.10	-2.42	4.44	8.32
MSCI EAFE Index	0.84	6.66	11.52	5.15	0.66	3.31	-5.35	2.88	8.21
MSCI Emerging Markets index	-0.60	5.12	11.66	2.98	-2.37	5.70	-3.17	9.93	16.56
ML Global Government Bond Ex. U.S. Index	-1.58	-0.06	1.05	0.96	3.21	5.62	7.65	7.30	7.28
Euro	0.72	5.22	-0.18	-7.10	-3.44	-4.24	-2.18	1.13	2.73
Japanese Yen	-2.66	-2.29	-3.74	-2.45	0.39	4.23	7.60	5.52	4.36
UK Pound Sterling	-0.23	2.82	3.67	-0.19	0.38	-0.76	-4.96	-1.34	0.29

### US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Oct-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.03	0.08	0.08	0.10	0.11	0.66	1.85	1.81
BarCap Aggregate Bond Index	0.20	0.40	4.20	5.25	5.13	6.08	6.38	6.07	5.39
ML U.S. Corp/Govt Master Index	0.34	0.49	5.00	6.09	5.62	6.62	6.50	6.11	5.51
ML U.S. Corporate Master Index	1.32	2.47	10.48	10.51	8.00	9.31	7.92	7.04	6.79
BarCap Mortgage Backed Securities Index	-0.17	0.15	2.63	3.54	4.03	4.68	6.10	5.98	5.18
ML U.S. High Yield Master Index	0.83	3.45	12.84	13.15	8.90	12.23	9.02	8.87	10.79
JPM EMBI Global	0.82	3.49	15.65	16.32	10.02	12.52	9.98	9.94	11.94



**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING OCTOBER 31, 2012**  
**PRELIMINARY BASIS**

**SUMMARY OF INVESTMENTS**

ASSET CLASS	MARKET VALUE	PERCENT	POLICY	
			TARGET	RANGE
DOMESTIC EQUITIES	622,536,757	43.2% ✓	41.9%	36.9% - 46.9%
INTERNATIONAL EQUITIES	245,603,112	17.1% ✓	19.0%	16.0% - 22.0%
FIXED INCOME	535,871,192	37.2% ✓	37.6%	33.9% - 41.3%
SPECIAL SITUATIONS	20,503,301	1.4% ✓	1.5%	1.0% - 2.0%
SECURITY LENDING	- (1,025,713)	-0.1%	0.0%	0.0% - 0.0%
CASH (equity managers only)	16,249,910	1.1%	0.0%	0.0% - 3.0%
<b>TOTAL PORTFOLIO</b>	<b>1,439,738,559</b>	<b>100.0%</b>	<b>100.0%</b>	

	CURRENT	TARGET
DODGE & COX - LARGE CAP VALUE	10.0%	9.8%
BlackRock - R1000 VALUE INDEX	6.4%	6.0%
DELAWARE - LARGE CAP GROWTH	8.3%	7.3%
BlackRock - R1000 GROWTH INDEX	5.2%	5.0%
CAPITAL PROSPECTS	4.7%	4.5%
LEGATO CAPITAL	4.2%	4.0%
BNY - S&P 500 INDEX	5.3%	5.3%
LSV ASSET MGMT - INTL EQ	8.5%	9.5%
PYRAMIS - INTL EQ	8.8%	9.5%
DODGE & COX FIXED INCOME	29.5%	30.1%
PIMCO	7.7%	7.5%
BlackRock - US REAL ESTATE SECURITIES INDEX	1.4%	1.5%
SECURITY LENDING	-0.1%	0.0%
<b>TOTALS</b>	<b>100.0%</b>	<b>100.0%</b>

replaces INVESCO

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**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING OCTOBER 31, 2012**  
PRELIMINARY BASIS

**GROWTH OF ASSETS AND CHANGES IN ALLOCATION**

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
<b>MARKET VALUE</b>					
DOMESTIC EQUITIES	622,536,757	635,438,964	-2.03%	537,920,065	15.73%
INTERNATIONAL EQUITIES	245,603,112	244,004,219	+ 0.66%	230,496,287	6.55%
FIXED INCOME	535,871,192	534,089,667	+ 0.33%	522,065,787	2.64%
SPECIAL SITUATIONS	20,503,301	20,691,519	-0.91%	34,485,930	-40.55%
SECURITIES LENDING	(1,025,713)	(2,318,615)	55.76%	(2,683,267)	61.77%
CASH (equity managers only)	16,249,910	14,739,111	10.25%	11,599,748	40.09%
TOTAL PORTFOLIO	1,439,738,559	1,446,644,866	-0.48%	1,333,884,549	7.94%
		-77MM		+8106MM	
<b>ASSET ALLOCATION (ACTUAL)</b>					
DOMESTIC EQUITIES	43.24%	43.93%	-0.7%	40.33%	2.9%
INTERNATIONAL EQUITIES	17.06%	16.87%	0.2%	17.28%	-0.2%
FIXED INCOME	37.22%	36.92%	0.3%	39.14%	-1.9%
SPECIAL SITUATIONS	1.42%	1.43%	0.0%	2.59%	-1.2%
SECURITY LENDING	-0.07%	-0.16%	0.1%	-0.20%	0.0%
CASH (equity managers only)	1.13%	1.02%	0.1%	0.87%	0.3%
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%

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

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*Lehman  
liquidation*

**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING OCTOBER 31, 2012**  
PRELIMINARY BASIS

**MANAGER ALLOCATION**

ASSET CLASS	MARKET VALUE	PERCENT	POLICY	
			TARGET	RANGE
<b>DOMESTIC EQUITIES</b>				
DODGE & COX LARGE CAP VALUE	144,229,398	10.0%	✓ 9.8%	7.8% - 11.8%
BLACKROCK R1000 VALUE INDEX	92,287,500	6.4%	✓ 6.0%	5.0% - 7.0%
DELAWARE LARGE CAP GROWTH	119,232,898	8.3%	✓ 7.3%	5.8% - 8.8%
BLACKROCK R1000 GROWTH INDEX	74,766,483	5.2%	✓ 5.0%	4.0% - 6.0%
CAPITAL PROSPECTS SMALL CAP VALUE	68,272,903	4.7%	✓ 4.5%	3.5% - 5.5%
LEGATO CAPITAL SMALL CAP GROWTH	60,551,391	4.2%	✓ 4.0%	3.0% - 5.0%
BNY S&P 500 INDEX	76,155,591	5.3%	✓ 5.3%	4.3% - 6.3%
<b>TOTAL DOMESTIC EQUITIES</b>	<b>635,496,165</b>	<b>44.1%</b>	<b>41.9%</b>	
<b>FIXED INCOME</b>				
DODGE & COX	424,412,372	29.5%	✓ 30.1%	27.6% - 32.6%
PIMCO	111,458,820	7.7%	✓ 7.5%	6.0% - 9.0%
<b>TOTAL FIXED INCOME</b>	<b>535,871,192</b>	<b>37.2%</b>	<b>37.6%</b>	
<b>INTERNATIONAL INVESTMENTS</b>				
LSV ASSET MGMT.	121,780,365	8.5%	✓ 9.5%	8.0% - 11.0%
PYRAMIS	127,113,219	8.8%	✓ 9.5%	8.0% - 11.0%
<b>TOTAL INTERNATIONAL EQUITIES</b>	<b>248,893,584</b>	<b>17.3%</b>	<b>19.0%</b>	
<b>SPECIAL SITUATIONS</b>				
<u>BlackRock - US RE SECURITIES INDEX</u>	20,503,301	1.4%	✓ 1.5%	1.0% - 2.0%
<b>TOTAL SPECIAL SITUATIONS</b>	<b>20,503,301</b>	<b>1.4%</b>	<b>1.5%</b>	<b>0.0% - 3.0%</b>
<b>SECURITIES LENDING</b>	<b>(1,025,713)</b>	<b>-0.1%</b>	<b>0.0%</b>	<b>0.0% - 0.0%</b>
<b>TOTAL STANCERA PORTFOLIO</b>	<b>1,439,738,529</b>	<b>100.0%</b>	<b>100.0%</b>	

replaces INVESCO

**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING OCT 31, 2012**  
**PRELIMINARY**

TOTAL FUND			
	CASH	BONDS	EQUITIES TOTAL
<b>DOMESTIC EQUITIES</b>			
DODGE & COX LARGE CAP VALUE	5,536,671		138,692,727 144,229,398
BLACKROCK R1000 VALUE INDEX	6,244		92,281,256 92,287,500
DELAWARE LARGE CAP GROWTH	1,864,303		117,368,596 119,232,898
BLACKROCK R1000 GROWTH INDEX	0		74,766,483 74,766,483
CAPITAL PROSPECTS SMALL CAP VALUE	3,420,411		64,852,492 68,272,903
LEGATO CAPITAL SMALL CAP GROWTH	2,131,557		58,419,834 60,551,391
BNY S&P 500 INDEX	222		76,155,369 76,155,591
TOTAL DOMESTIC EQUITIES	12,959,408		622,536,757 635,496,165
<b>FIXED INCOME</b>			
DODGE & COX	11,214,041	413,198,330	424,412,372
PIMCO	19,566,006	91,892,814	111,458,820
TOTAL FIXED INCOME	30,780,047	505,091,145	535,871,192
<b>INTERNATIONAL INVESTMENTS</b>			
LSV ASSET MGMT.	1,404,517		120,375,849 121,780,365
PYRAMIS	1,885,955		125,227,263 127,113,219
TOTAL INTERNATIONAL EQUITIES	3,290,472		245,603,112 248,893,584
<b>SPECIAL SITUATIONS</b>			
BLACKROCK US REAL ESTATE SECURITIES INDEX	0		20,503,301 20,503,301
TOTAL SPECIAL SITUATIONS	0		20,503,301 20,503,301
<b>SECURITIES LENDING</b>	(1,025,713)		(1,025,713)
<b>TOTAL STANCERA PORTFOLIO</b>	46,004,214	505,091,145	888,643,170 1,439,738,529
	3.2%	35.1%	61.7% 100.0%



**STANCERA**  
MONTHLY PERFORMANCE REVIEW  
PERIOD ENDING OCTOBER 31, 2012

PRELIMINARY BASIS

CURRENT PERFORMANCE

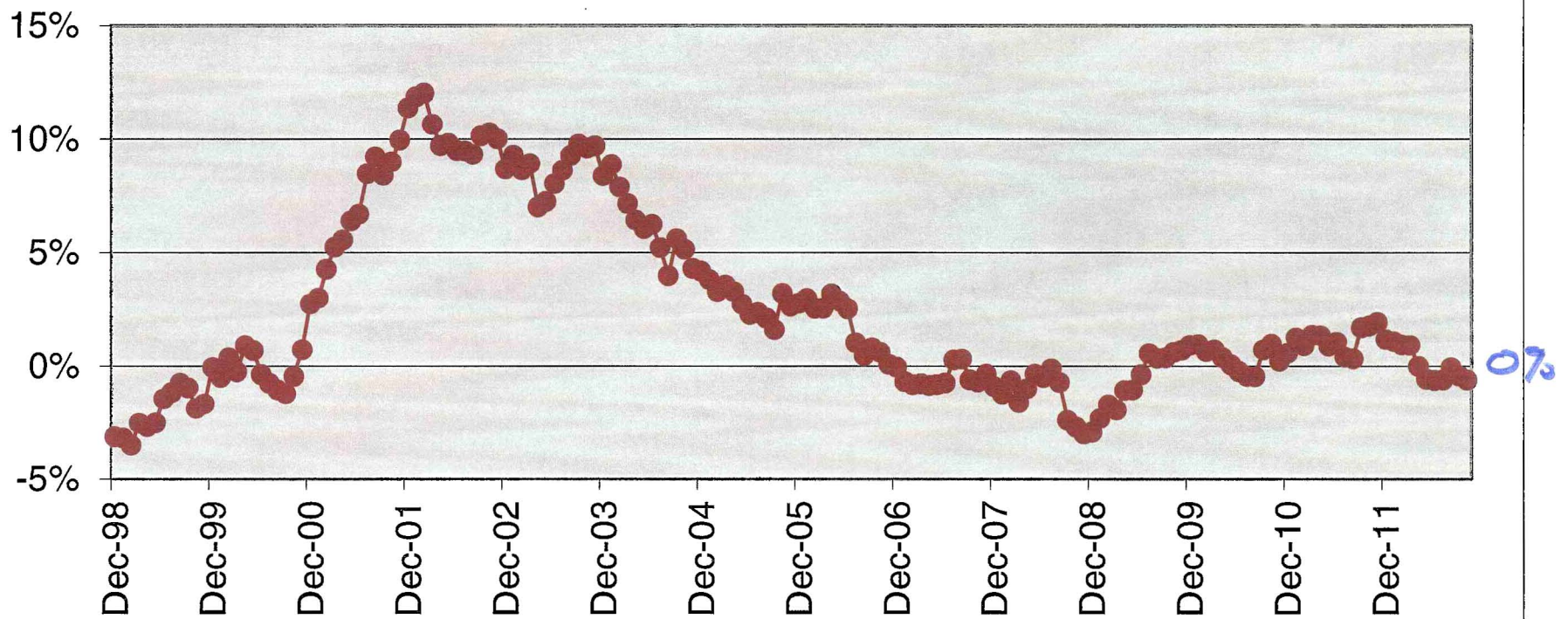
	MARKET VALUE	OCTOBER	ALPHA	SEPT	ALPHA	FISCAL YTD	ALPHA
<b>DOMESTIC EQUITIES</b>							
DODGE & COX - LARGE CAP VALUE	138,692,727	-0.61%	-0.12%	3.06%	-0.11%	7.43%	1.44%
RUSSELL 1000 VALUE		-0.49%		3.17%		5.99%	
BLACKROCK - R1000 VALUE INDEX	92,281,256	-0.51%	-0.02%	3.17%	0.00%	6.01%	0.02%
RUSSELL 1000 VALUE		-0.49%		3.17%		5.99%	
DELAWARE - LARGE CAP GROWTH	117,368,596	-2.15%	0.77%	2.70%	0.74%	4.26%	1.25%
RUSSELL 1000 GROWTH		-2.92%		1.96%		3.01%	
BLACKROCK - R1000 GROWTH INDEX	74,766,483	-2.92%	0.00%	1.96%	0.00%	3.05%	0.04%
RUSSELL 1000 GROWTH		-2.92%		1.96%		3.01%	
CAPITAL PROSPECTS	64,852,492	0.99%	2.24%	2.87%	-0.69%	8.56%	4.21%
RUSSELL 2000 VALUE		-1.25%		3.56%		4.35%	
LEGATO CAPITAL	58,419,834	-3.13%	-0.02%	3.52%	0.52%	2.31%	0.73%
RUSSELL 2000 GROWTH		-3.11%		3.00%		1.58%	
BNY - S&P 500 INDEX	76,155,369	-1.84%	0.01%	2.59%	0.01%	4.40%	0.02%
S&P 500		-1.85%		2.58%		4.38%	
TOTAL DOMESTIC EQUITY	622,536,757	-1.39%	0.33%	2.85%	0.22%	5.35%	0.95%
Russell 3000 Index		-1.72%		2.63%		4.40%	
<b>FIXED INCOME</b>							
DODGE & COX	424,412,372	0.88%	0.68%	0.65%	0.51%	3.45%	1.66%
BARCLAYS US AGGREGATE BOND		0.20%		0.14%		1.79%	
PIMCO	111,458,820	0.08%	-0.12%	0.46%	0.32%	2.23%	0.44%
BARCLAYS US AGGREGATE BOND		0.20%		0.14%		1.79%	
TOTAL FIXED INCOME	535,871,192	0.72%	0.52%	0.61%	0.47%	3.21%	1.42%
BARCLAYS US AGGREGATE BOND		0.20%		0.14%		1.79%	
<b>INTERNATIONAL INVESTMENTS</b>							
LSV ASSET MGMT	120,375,849	0.20%	-0.20%	3.88%	0.11%	8.76%	0.84%
MSCI ACWI Free ex-US		0.40%		3.77%		7.92%	
PYRAMIS	125,227,263	0.33%	-0.07%	3.76%	-0.01%	7.81%	-0.11%
MSCI ACWI Free ex-US		0.40%		3.77%		7.92%	
TOTAL INTERNATIONAL EQUITY	245,603,112	0.27%	-0.13%	3.82%	0.05%	8.47%	0.55%
MSCI ACWI Free ex-US		0.40%		3.77%		7.92%	
<b>SPECIAL SITUATIONS</b>							
BlackRock US RE Index	20,503,301	-0.91%	0.00%			-0.91%	0.00%
FTSE EPRA/NAREIT Global REIT		-0.91%				-0.91%	
<b>SECURITIES LENDING</b>							
BNY MELLON	(1,025,713)						
<b>CASH and SHORT-TERM INVESTMENTS</b>							
CASH	16,249,880	0.01%	0.00%	0.01%	0.00%	0.04%	0.00%
90-day US Treasury Bill	0	0.01%		0.01%		0.04%	
Total StancERA Fund	1,439,738,529	-0.24%	0.37%	2.16%	0.23%	5.19%	1.19%
Policy Index		-0.61%		1.93%		4.00%	
Actuary Rate of Assumption (8.00%)		0.67%	-0.91%	0.67%	1.49%	2.67%	2.52%
Actuary Rate of Inflation (3.50%)		0.29%	-0.53%	0.29%	1.87%	1.17%	4.02%

US Equity  
Active Managers  
Alpha ✓

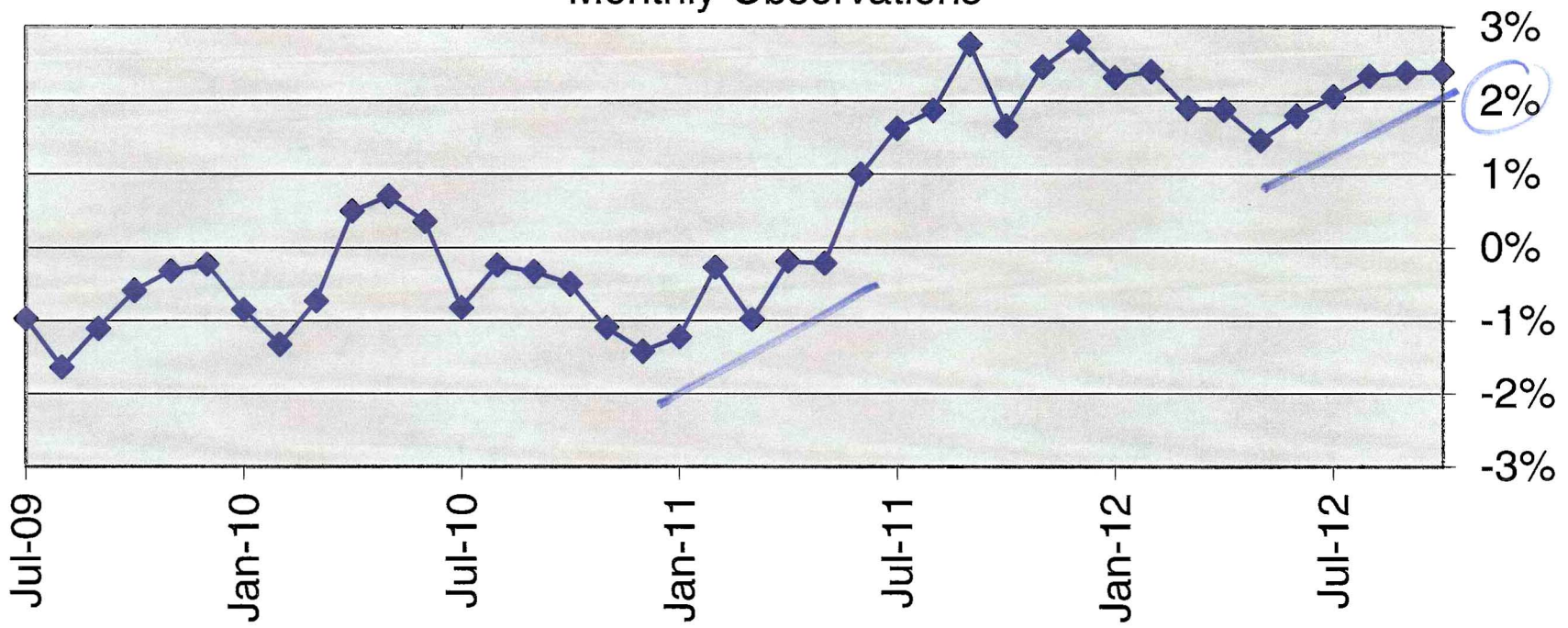
Fixed Income ✓

Steadily consistent  
Alpha Fiscal YTD ✓

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

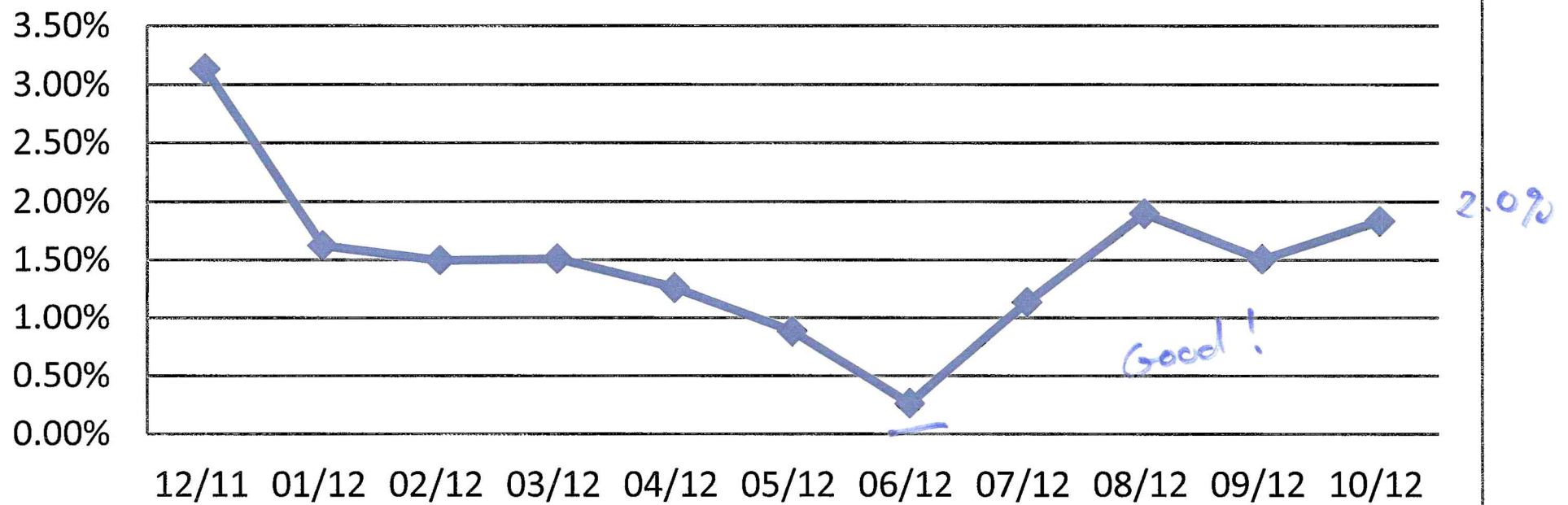


Delaware  
Rolling 3-Years Annualized Alpha  
Monthly Observations



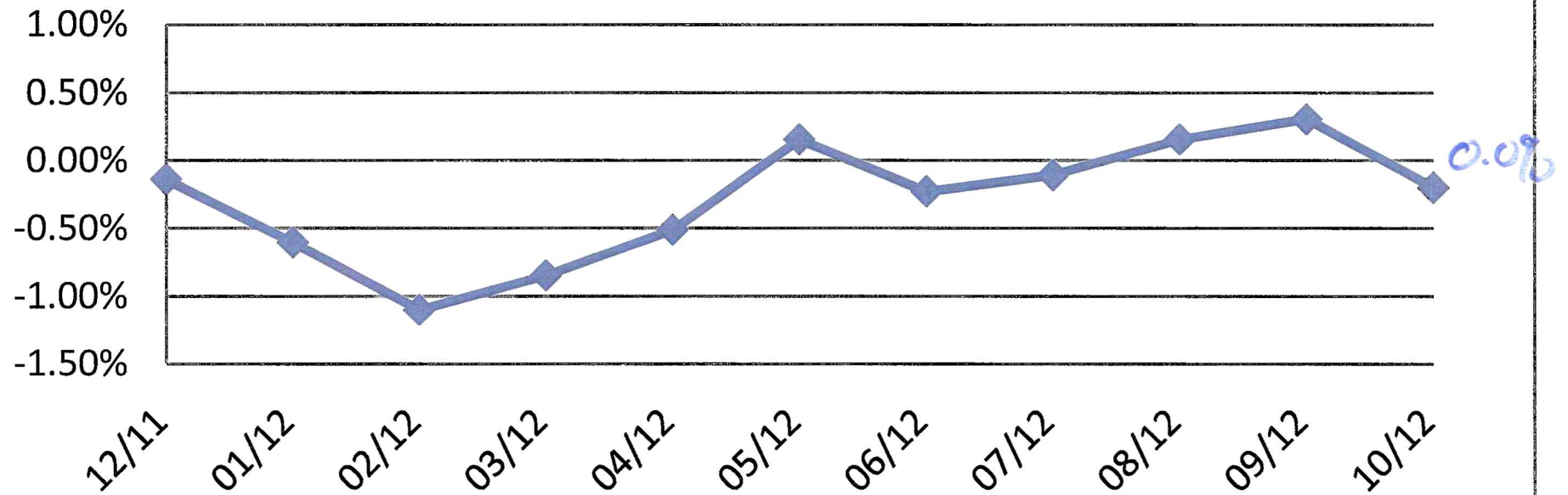


Capital Prospects  
Rolling 3-Year  
Alphas  
Monthly Observations

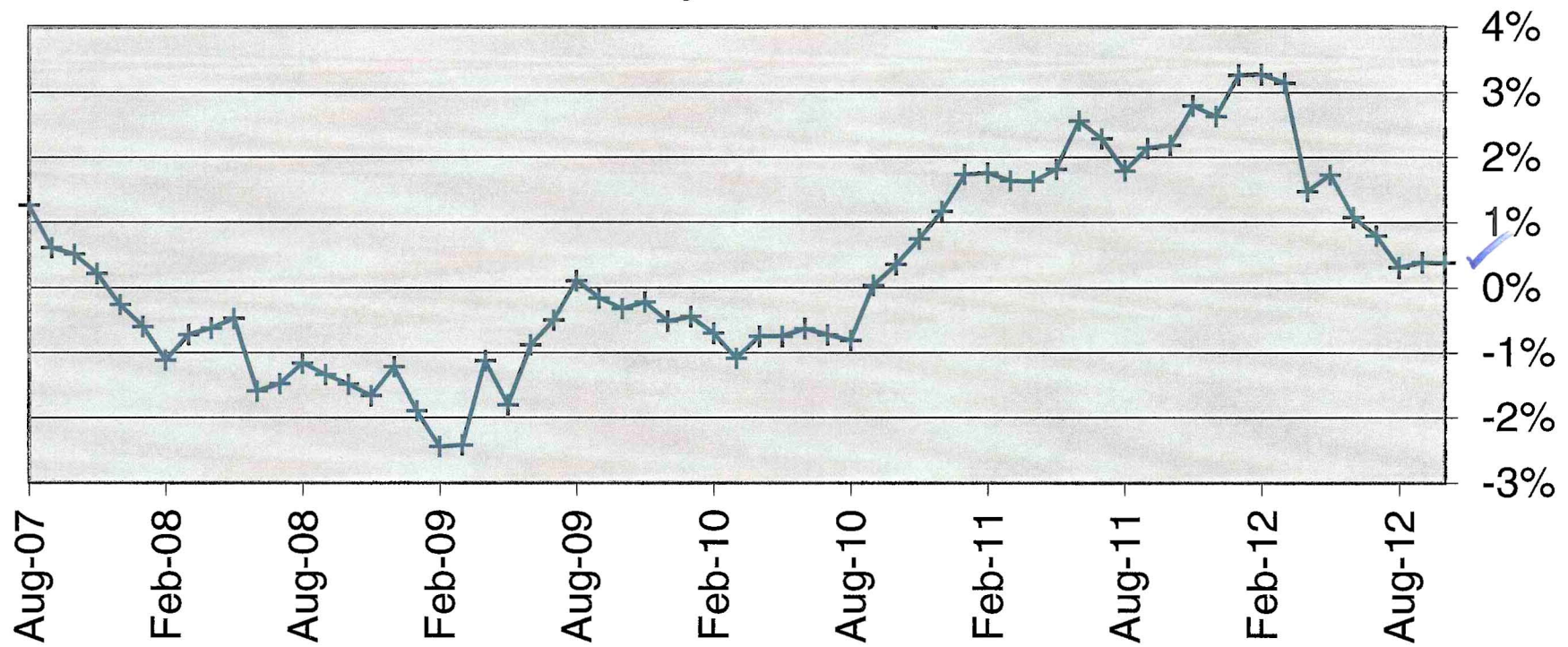




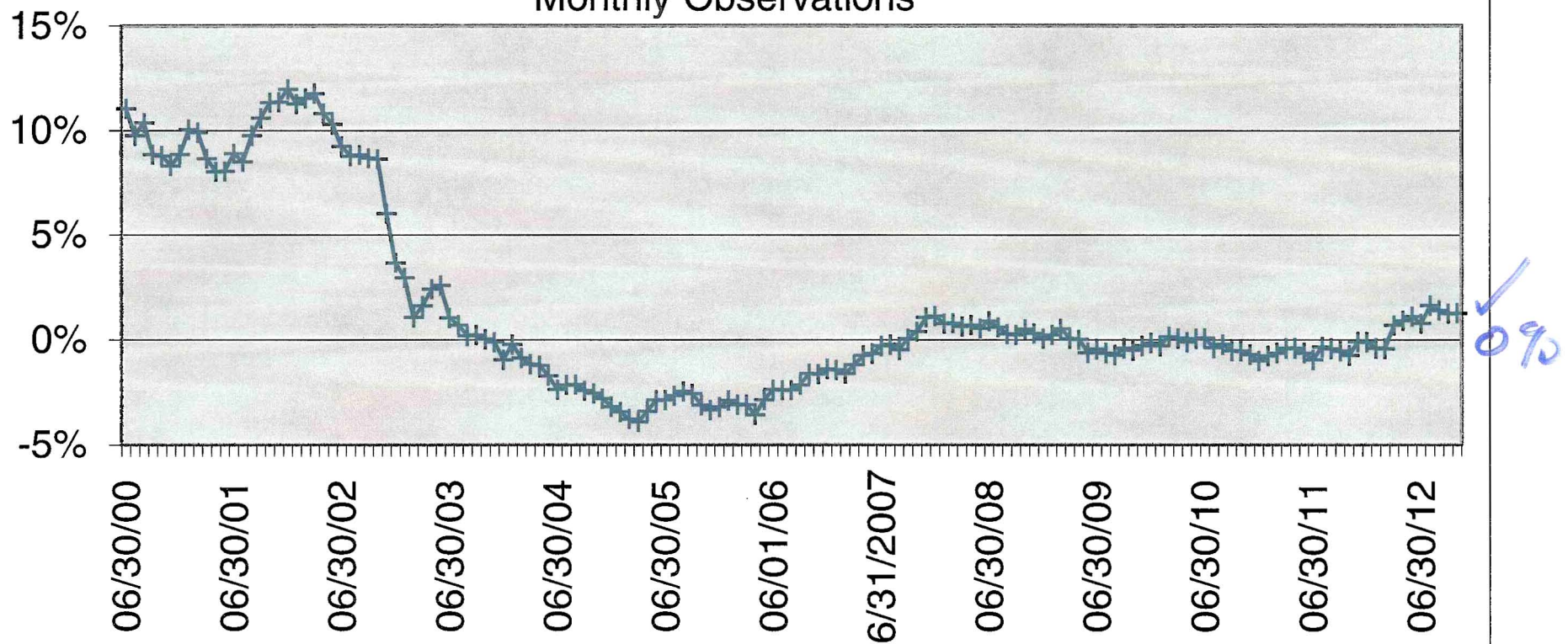
Legato Rolling  
3-Year Alphas  
Annualized  
Monthly Observations



LSV  
Rolling 3-Years Annualized Alpha  
Monthly Observations

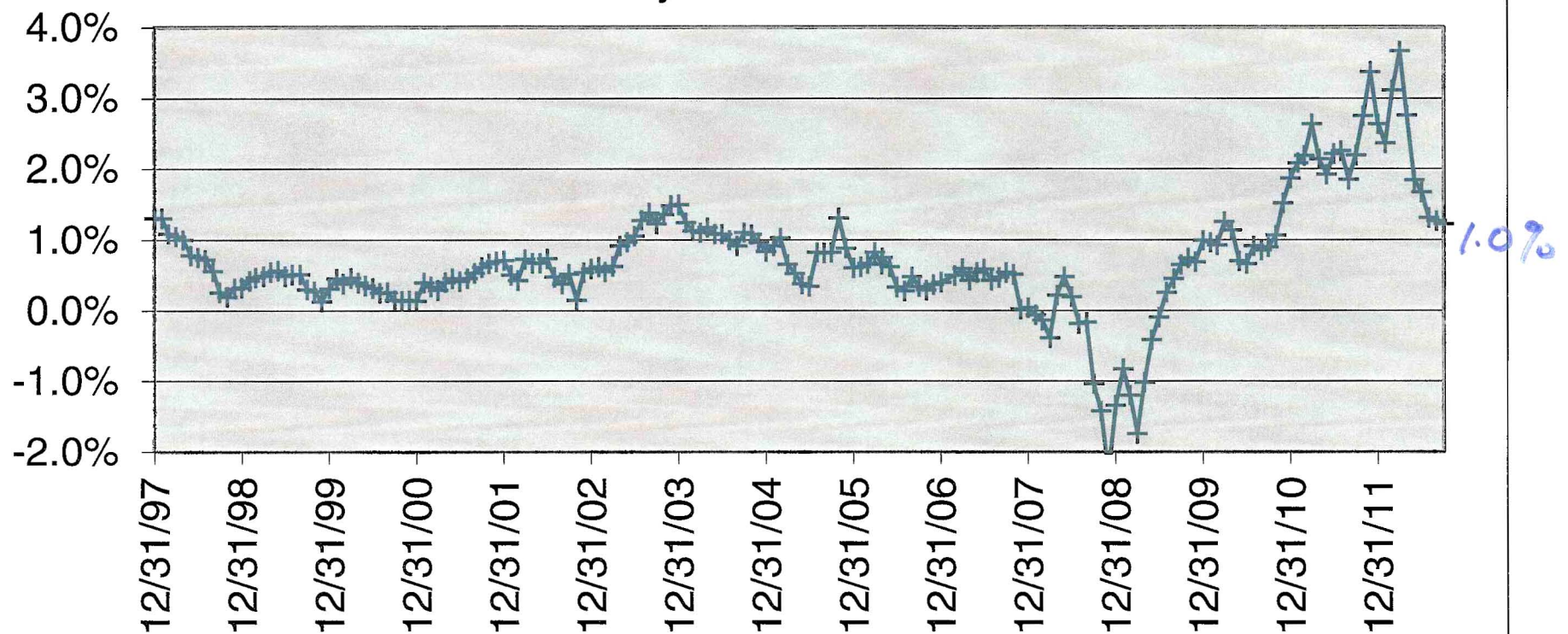


Pyramis (May 2006)  
Rolling 3-Years Annualized Alpha  
Monthly Observations





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



STANCERA  
Price Monitor Position Report

BlackRock  
Passive Large Cap Growth Manager  
Positions as of October 31, 2012

11/27/12  
Item #6d

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	10/31/2012 \$ PX	11/16/2012 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	9,172	\$5,435,523	7.27%	0.38%	592.61	527.68	-10.96%	-8.13%
INTL Business Machines	IBM	11,581	\$2,242,994	3.00%	0.16%	193.68	186.94	-3.48%	-0.65%
Microsoft Corp.	MSFT	78,437	\$2,220,565	2.97%	0.15%	28.31	26.52	-6.32%	-3.49%
Google Inc.	GOOG	2,726	\$1,854,209	2.48%	0.13%	680.30	647.18	-4.87%	-2.04%
Coca-Cola Co.	KO	42,028	\$1,562,619	2.09%	0.11%	37.18	36.56	-1.67%	1.16%
Philip Morris Intl.	PM	16,463	\$1,457,946	1.95%	0.10%	88.56	84.93	-4.10%	-1.27%
Verizon Communications	VZ	29,310	\$1,308,413	1.75%	0.09%	44.64	41.40	-7.26%	-4.43%
Oracle Corp	ORCL	40,655	\$1,263,554	1.69%	0.09%	31.08	30.00	-3.47%	-0.64%
Pepsico Inc.	PEP	17,061	\$1,181,310	1.58%	0.08%	69.24	68.31	-1.34%	1.49%
Qualcomm Inc.	QCOM	19,773	\$1,158,880	1.55%	0.08%	58.61	61.93	5.66%	8.49%
TOP TEN HOLDINGS			\$19,686,015	26.33%	1.37%	Russell 1000 Growth:		<b>-2.83%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$74,766,483**  
\$1,439,738,529

STANCERA  
Price Monitor Position Report

BlackRock  
Passive Large Cap Value Manager  
Positions as of October 31, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	10/31/2012 \$ PX	11/16/2012 \$ PX	Position % Change	Relative % Change
EXXON MOBIL CORP	XOM	58,062	\$5,260,388	5.70%	0.37%	90.60	86.45	-4.58%	-0.75%
GENERAL ELECTRIC CO	GE	131,902	\$2,777,854	3.01%	0.08%	21.06	20.15	-4.32%	-0.49%
CHEVRON CORP	CVX	23,980	\$2,620,965	2.84%	0.08%	109.30	102.40	-6.31%	-2.48%
AT&T INC	T	73,905	\$2,556,364	2.77%	0.18%	34.59	33.14	-4.19%	-0.36%
PFIZER INC	PFE	93,972	\$2,316,416	2.51%	0.16%	24.65	23.86	-3.20%	0.63%
PROCTER & GAMBLE CO	PG	31,855	\$2,205,671	2.39%	0.15%	69.24	66.82	-3.50%	0.33%
WELLS FARGO & CO	WFC	60,385	\$2,021,096	2.19%	0.06%	33.47	31.94	-4.57%	-0.74%
BERKSHIRE HATHAWAY INC	BRK/B	22,978	\$1,984,181	2.15%	0.06%	86.35	85.91	-0.51%	3.32%
JPMORGAN CHASE & CO	JPM	46,941	\$1,956,495	2.12%	0.06%	41.68	39.53	-5.16%	-1.33%
JOHNSON & JOHNSON	JNJ	27,105	\$1,919,580	2.08%	0.13%	70.82	69.19	-2.30%	1.53%
TOP TEN HOLDINGS			\$25,619,010	27.76%	1.34%	Russell 1000 Value		<b>-3.83%</b>	

Total Portfolio Value  
Total StanCERA Value

<b>\$92,287,500</b>
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\$1,439,738,529

STANCERA  
Price Monitor Position Report

Capital Prospects  
Active US Small Cap Value Manager  
Positions as of October 31, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000V	10/31/2012 \$ PX	11/16/2012 \$ PX	Position % Change	Relative % Change
Regal Beloit Corp	RBC	13,722	\$894,375	1.31%	0.06%	0.00%	65.18	65.00	-0.28%	4.94%
The Brink's Co	BCO	33,602	\$880,720	1.29%	0.06%	0.00%	26.21	25.38	-3.17%	2.05%
Polyone Corporation	POL	44,722	\$846,584	1.24%	0.06%	0.06%	18.93	18.65	-1.48%	3.74%
Hanesbrands Inc	HBI	25,090	\$839,757	1.23%	0.06%	0.00%	33.47	33.68	0.63%	5.85%
Gulfport Energy Corp	GPOR	24,898	\$826,102	1.21%	0.06%	0.20%	33.18	32.05	-3.41%	1.81%
Meredith	MDP	22,642	\$757,829	1.11%	0.05%	0.20%	33.47	29.68	-11.32%	-6.10%
NEWELL	NWL	36,386	\$751,002	1.10%	0.05%	0.00%	20.64	20.94	1.45%	6.67%
Belden Inc	BDC	20,787	\$744,175	1.09%	0.05%	0.03%	35.80	34.04	-4.92%	0.30%
Hillenbrand, Inc	HI	35,354	\$723,693	1.06%	0.05%	0.00%	20.47	19.18	-6.30%	-1.08%
Littelfuse, Inc	LFUS	13,120	\$703,211	1.03%	0.05%	0.02%	53.60	51.93	-3.12%	2.10%
TOP TEN HOLDINGS			\$7,967,448	11.67%	0.55%	0.51%	Russell 2000 Value:		<b>-5.22%</b>	

Total Portfolio Value  
Total StanCERA Value

<b>\$68,272,903</b>
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\$1,439,738,529

STANCERA  
Price Monitor Position Report

Delaware Investments Advisers  
Active Large Cap Growth Portfolio  
Positions as of October 31, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	10/31/2012 \$ PX	11/16/2012 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	16,175	\$9,629,301	8.08%	0.67%	7.95%	592.61	527.68	-10.96%	-8.13%
EOG Resources Inc.	EOG	54,950	\$6,401,126	5.37%	0.44%	0.45%	116.49	116.67	0.15%	2.98%
Crown Castle International Corp.	CCI	93,900	\$6,267,825	5.26%	0.44%	0.28%	66.75	65.18	-2.35%	0.48%
Visa Inc.	V	43,400	\$6,022,184	5.05%	0.42%	1.04%	138.44	142.71	3.08%	5.91%
QUALCOMM Inc.	QCOM	97,100	\$5,691,031	4.77%	0.40%	1.44%	58.61	61.93	5.66%	8.49%
MasterCard Inc. Cl A	MA	12,100	\$5,577,253	4.68%	0.39%	0.71%	460.93	464.59	0.79%	3.62%
Kinder Morgan Inc.	KMI	154,990	\$5,379,703	4.51%	0.37%	0.24%	34.71	32.3	-6.94%	-4.11%
Allergan Inc.	AGN	57,400	\$5,161,408	4.33%	0.36%	0.39%	89.92	88.71	-1.35%	1.48%
Google Inc. Cl A	GOOG	7,050	\$4,796,098	4.02%	0.33%	2.52%	680.30	647.18	-4.87%	-2.04%
Intuit Inc.	INTU	77,700	\$4,617,711	3.87%	0.32%	0.25%	59.43	59.28	-0.25%	2.58%
TOP TEN HOLDINGS			\$59,543,639	49.94%	4.14%	15.26%	Russell 1000 Growth:		<b>-2.83%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$119,232,898**  
\$1,439,738,529



## STANCERA

## Price Monitor Position Report

Dodge &amp; Cox Equity

Active US Large Cap Value Manager

Positions as of October 31, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000V	10/31/2012 \$ PX	11/16/2012 \$ PX	Position % Change	Relative % Change
COMCAST CORP-CLASS A	CMCSA	163,163	\$6,120,244	4.24%	0.43%	0.70%	37.53	35.45	-5.54%	-1.71%
MERCK & CO. INC.	MRK	122,500	\$5,589,675	3.88%	0.39%	1.90%	45.63	43.07	-5.61%	-1.78%
CAPITAL ONE FINANCIAL CORP	COF	92,500	\$5,565,725	3.86%	0.39%	0.50%	60.17	55.70	-7.43%	-3.60%
WELLS FARGO & CO	WFC	160,072	\$5,392,825	3.74%	0.37%	2.20%	33.69	31.94	-5.19%	-1.36%
GENERAL ELECTRIC CO	GE	230,000	\$4,843,800	3.36%	0.34%	3.00%	21.06	20.15	-4.32%	-0.49%
SANOFI-ADR	SNY	98,255	\$4,308,481	2.99%	0.30%	-	43.85	42.60	-2.85%	0.98%
TIME WARNER INC	TWX	94,932	\$4,124,795	2.86%	0.29%	0.60%	43.47	44.70	2.83%	6.66%
NOVARTIS AG-ADR	NVS	67,000	\$4,050,820	2.81%	0.28%	-	60.46	59.00	-2.41%	1.42%
GLAXOSMITHKLINE PLC-SPON ADR	GSK	87,500	\$3,928,750	2.72%	0.27%	-	44.90	41.98	-6.50%	-2.67%
PFIZER INC	PFE	153,100	\$3,807,597	2.64%	0.26%	2.50%	24.87	23.86	-4.06%	-0.23%
TOP TEN HOLDINGS			\$47,732,712	33.09%	3.32%	11.40%	Russell 1000 Value:		<b>-3.83%</b>	

Total Portfolio Value

**\$144,229,398**

Total StanCERA Value

\$1,439,738,529

STANCERA  
Price Monitor Position Report

Legato Capital Management  
Active US Small Cap Growth Manager  
Positions as of October 31, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000G	10/31/2012 \$ PX	11/16/2012 \$ PX	Position % Change	Relative % Change
ULTIMATE SOFTWARE GROUP INC	ulti	9,575	970,522.00	1.60%	0.07%	0.47%	101.36	87.88	-13.30%	-8.73%
PORTFOLIO RECOVERY ASSOCIATES	praa	7,076	740,503.40	1.22%	0.05%	0.31%	104.65	97.85	-6.50%	-1.93%
SEMTECH CORP	smtc	28,652	715,440.44	1.18%	0.05%	0.29%	24.97	23.38	-6.37%	-1.80%
LKQ CORP	lkqx	32,970	688,077.31	1.14%	0.05%	--	20.87	20.86	-0.05%	4.52%
UNITED NATURAL FOODS INC	unfi	12,907	685,877.98	1.13%	0.05%	0.45%	53.14	51.22	-3.61%	0.96%
DEALERTRACK HOLDINGS INC.	trak	22,655	619,161.15	1.02%	0.04%	0.18%	27.33	24.11	-11.78%	-7.21%
COSTAR GROUP INC	csgp	7,434	616,278.60	1.02%	0.04%	0.41%	82.90	78.21	-5.66%	-1.09%
TRIUMPH GROUP INC	tgi	9,252	605,265.84	1.00%	0.04%	--	65.42	62.10	-5.07%	-0.50%
BEACON ROOFING SUPPLY INC	becn	18,635	602,655.90	1.00%	0.04%	0.27%	32.34	30.55	-5.53%	-0.96%
FRESH MKT INC	tfm	10,270	581,179.30	0.96%	0.04%	--	56.59	59.48	5.11%	9.68%
TOP TEN HOLDINGS			\$ 6,824,961.92	11.27%	0.47%	2.38%	Russell 2000 Growth:		<b>-4.57%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$ 60,551,391**  
\$1,439,738,529

STANCERA  
Price Monitor Position Report

BNY - S&P 500 Index  
Passive S&P 500 Index Fund  
Positions as of October 31, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	10/31/2012 \$ PX	11/16/2012 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	5,320	\$3,152,841	4.14%	0.22%	592.61	527.68	-10.96%	-7.26%
Exxon Mobil Corp	XOM	27,319	\$2,475,057	3.25%	0.17%	90.60	86.45	-4.58%	-0.88%
General Electric Co	GE	64,367	\$1,355,570	1.78%	0.09%	21.06	20.15	-4.32%	-0.62%
Chevron Corp	CVX	11,706	\$1,279,414	1.68%	0.09%	109.30	102.4	-6.31%	-2.61%
Microsoft Corp.	MSFT	44,655	\$1,264,183	1.66%	0.09%	28.31	26.52	-6.32%	-2.62%
INTL Business Machines	IBM	6,488	\$1,256,567	1.65%	0.09%	193.68	186.94	-3.48%	0.22%
AT&T	T	35,006	\$1,210,874	1.59%	0.08%	34.59	33.14	-4.19%	-0.49%
Johnson & Johnson	JNJ	16,775	\$1,188,027	1.56%	0.08%	70.82	69.19	-2.30%	1.40%
Procter & Gamble Co	PG	16,498	\$1,142,334	1.50%	0.08%	69.24	66.82	-3.50%	0.20%
Pfizer Inc	PFE	45,106	\$1,111,872	1.46%	0.08%	24.65	23.86	-3.20%	0.50%
TOP TEN HOLDINGS			\$15,436,738	20.27%	1.07%	S&P 500 Index:		<b>-3.70%</b>	

Total Portfolio Value  
Total StanCERA Value

<b>\$76,155,591</b>
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\$1,439,738,529

STANCERA  
Price Monitor Position Report

LSV Asset Management  
International Large Cap Value  
Positions as of October 31, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	10/31/2012 \$ PX*	11/16/2012 \$ PX*	Position % Change	Relative % Change
ROYAL DUTCH SHELL	RDS/A	48,993	\$3,312,426	2.72%	0.23%	1.47%	67.61	65.03	-3.82%	-1.17%
SANOFI S.A.	SNY	61,098	\$2,679,168	2.20%	0.19%	0.70%	43.85	42.60	-2.85%	-0.20%
ASTRAZENECA PLC	AZN	41,993	\$1,948,486	1.60%	0.14%	0.39%	46.40	44.34	-4.44%	-1.79%
CHINA PETROLEUM & CHEMICAL	SNP	17,710	\$1,863,240	1.53%	0.13%	0.12%	105.21	102.03	-3.02%	-0.37%
ALLIANZ SE	ALV.DE	18,077	\$1,729,281	1.42%	0.12%	0.38%	95.66	92.40	-3.41%	-0.76%
ENI - ENTE NAZIONALE IDROCARBURI	ENI	101,364	\$1,717,103	1.41%	0.12%	0.39%	16.94	16.45	-2.89%	-0.24%
OLD MUTUAL PLC	OML.L	9,558	\$1,644,035	1.35%	0.11%	0.09%	172.00	166.10	-3.43%	-0.78%
BASF SE	BAS.DE	25,145	\$1,607,501	1.32%	0.11%	0.51%	63.93	62.50	-2.24%	0.41%
CANADIAN IMPERIAL BANK	CM.TO	19,997	\$1,570,967	1.29%	0.11%	0.21%	78.56	77.18	-1.76%	0.89%
VODAFONE GROUP	VOD	56,798	\$1,546,611	1.27%	0.11%	0.89%	27.23	25.27	-7.20%	-4.55%
TOP TEN HOLDINGS			\$19,618,817	16.11%	1.36%	5.15%	MSCI ACWI ex-U.S.		<b>-2.65%</b>	

Total Portfolio Value

**\$121,780,365**

Total StanCERA Value

\$1,439,738,529

\*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, 2012

Company	Symbol	Market	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	10/31/2012 PX*	11/16/2012 PX*	Position % Change	Relative % Change
NESTLE SA (REG)	7123870	Switzerland	31619	\$2,006,747	1.58%	0.14%	1.38%	62.65	61.91	-1.18%	1.46%
ROYAL DUTCH SHELL PLC CL A(NL)	B09CBL4	Amsterdam	57568	\$1,973,453	1.55%	0.14%	1.45%	33.83	32.44	-4.12%	-1.47%
SANOFI	5671735	Paris	19258	\$1,692,415	1.33%	0.12%	0.69%	86.71	84.98	-2.01%	0.64%
BP PLC	798059	London	225629	\$1,611,394	1.27%	0.11%	0.89%	705.29	662.81	-6.02%	-3.37%
VODAFONE GROUP PLC	B16GWD5	London	544581	\$1,476,137	1.16%	0.10%	0.88%	267.69	251.06	-6.21%	-3.56%
ROCHE HLDGS GENUSSSCHEINE	7110388	Swiss	7223	\$1,389,217	1.09%	0.10%	0.89%	189.86	184.67	-2.74%	-0.09%
UBS AG (REGD)	B18YFJ4	Swiss	85324	\$1,279,127	1.01%	0.09%	0.36%	14.80	14.74	-0.43%	2.22%
BRITISH AMER TOBACCO PLC (UK)	287580	London	25100	\$1,241,225	0.98%	0.09%	0.64%	4883.57	4978.24	1.94%	4.59%
BAYER AG	5069211	Germany	14192	\$1,235,624	0.97%	0.09%	0.47%	85.91	83.52	-2.78%	-0.13%
SAP AG	4846288	Germany	16641	\$1,211,864	0.95%	0.08%	0.44%	71.86	70.98	-1.23%	1.42%
TOP TEN HOLDINGS				\$15,117,203	11.73%	1.05%	8.09%	MSCI ACWI ex-US:		<b>-2.65%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$127,113,219**  
\$1,439,738,529

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



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

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

**For the Retirement Board meeting  
Held on November 27, 2012**

TO: Retirement Board

11/27/12

Item #7a

FROM: Kathy Herman, Operations Manager

- I. SUBJECT: Report on the Investment Funds Transfer – Invesco to BlackRock
- II. RECOMMENDATION: None.
- III. ANALYSIS: Due to Invesco's low relative three year performance of the benchmark, on August 28, 2012 the Board of Retirement voted to move all funds (approximately \$19.6 million) from the Invesco Global REIT account to a similar index fund at Black Rock. Paul Harte of Strategic Investment Solutions researched which funds were available and suggested staff work directly with BlackRock to move the funds as efficiently as possible to the BlackRock U.S. Real Estate Securities Index Fund. (Future Fees - First \$100,000,000 - .09% , and the Balance - .07%. )

Once the contract fee structure was amended and signed, BlackRock's transition team identified the highest risk areas and set a timeline for completion of the transfer.

BlackRock worked closely with the Bank of New York to settle the security redemption in the transition account ahead of the upcoming global holidays that would have delayed the asset transfer. As part of the redemption, the portfolio received approximately \$1.1 million in cash from Invesco. BlackRock invested that cash directly into the target fund on September 28<sup>th</sup>. On October 1<sup>st</sup>, BlackRock received the certified list of legacy assets from BNY Mellon and as allowed in the Statement of Investments policy, executed currency hedge trades at the benchmark point on October 2<sup>nd</sup>. Equity market trading began as scheduled on October 3<sup>rd</sup>. All trades were completed in one trading day. On October 4<sup>th</sup> the total investment into the BlackRock US Real Estate Securities fund was valued at \$19,554,912.50

In aggregate, BlackRock sold 80 securities worth approximately \$1.5 million and purchased 66 securities worth \$11.3 million. Approximately \$8 million was also identified in overlapping securities. This was instrumental in minimizing market impact and trading costs.

- IV. RISK: The actual implementation cost was -37 basis points or \$72,716 of the legacy fund.
- V. STRATEGIC PLAN: None
- VI. BUDGET IMPACT: None

Kathy Herman, Operations Manager



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

## November 27, 2012 Board of Retirement Meeting

TO: Retirement Board

FROM: Rick Santos, Executive Director

11/27/12

Item #7b

**SUBJECT: California Public Employees Pension Reform Act. Determination of the allowable pay elements in the calculation of pensionable compensation for current members and new StanCERA members hired after December 31, 2012**

### I. RECOMMENDATIONS:

- 1) Direct staff to make the determination on a case by case basis whether bonuses should be included in pensionable compensation for current members.
- 2) For new members, in the determination of pensionable compensation:
  - i. Adopt a special pay element schedule or
  - ii. Use base pay only or
  - iii. Use base pay only until further Legislative clarification

### II. ANALYSIS:

#### *Distinction and Definitions of Compensation Earnable and Pensionable Compensation*

AB 340 draws a clear distinction of compensation elements that may or may not be used in the calculation of a member's retirement benefit between current members and new members hired after January 1, 2013. Government Code 7522.34 uses the term "Pensionable Compensation" and governs those elements for new members, while Government Code 31461 uses the traditional term, "Compensation Earnable" and governs those elements for current members.

#### *Board of Retirement's Responsibility in Determining Pensionable Compensation*

Both Government Codes 7522.34 and 31461 provide examples of what may and may not be considered pensionable compensation. However, 7522.34 is much more specific than 31461 as it mentions several specific pay elements by name. There appears to be a clear attempt here by the Legislature to change the "rules of the game" going forward.

Where any doubt exists, AB 340 clearly conveys the ultimate responsibility to determine what pensionable compensation is to the Board of Retirement. Government Codes 7522.34 and 31461 both contain the following language related to what is not pensionable compensation or compensation earnable:

*“Any compensation determined by the Board to have been paid to increase a member’s retirement benefit under that System.”*

Additionally, effective January 1, 2013, the new section CERL 31542 will provide that the board “shall establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member’s retirement benefit.”

As a result, it is ultimately the Board of Retirement’s responsibility to interpret AB 340 and what is pensionable compensation or compensation earnable to the best of their ability.

Given the way both Codes are written, it is clear that the Legislature intended to preserve most pay elements for current members, while eliminating specific elements for new members. Over the past few months, staff has relied on several sources to come up with a workable and defensible determination of what pensionable compensation is. These sources include:

1. Legal opinions
2. What other Systems are doing
3. Research, analysis and a reasonable interpretation of AB 340
4. Meetings with the bill’s author and Legislative Committee staff

Consequently, staff believes there are two areas of pensionable compensation that require input, discussion and affirmation from the Board of Retirement.

#### *Discussion Regarding Pensionable Compensation or Compensation Earnable Elements*

#### **1. Bonuses. Recommendation: Allow staff to make the determination on a case by case basis for current members.**

For new members, it is clear that AB 340’s intent is to eliminate bonuses from pensionable compensation. For new members, 7522.34 expressly states that pensionable compensation does not include:

*“Any bonus paid in addition to the compensation described in subdivision (a)”*

Subdivision (a) defines pensionable compensation as “the monthly rate of pay or base pay for a new member paid to similarly situated members of the same group or class of employment for services rendered on a full time basis, during normal working hours, pursuant to publicly available pay schedules”.

For current members, the reference to this specific element does not exist. It is staff’s belief that the Legislature’s intent was to not disrupt the vested rights that may be associated with this pay element. However, that does not preclude this Board’s decision regarding bonuses.



With regard to bonuses for current members, staff sought and received the following legal opinion:

*“We believe that the inclusion or exclusion of bonuses may turn on the specific facts related to the specific bonus payments at issue (e.g. whether the member received it before, whether it was paid to similarly situated members, etc.)”*

As a result, staff is making the following recommendation concerning the inclusion of bonuses in compensation earnable for current members:

**Direct staff to make the determination on a case by case basis whether a bonus should be included in compensation earnable, based on a set of principles and/or rules set forth in a Board policy to be adopted at a later date, pursuant to the new CERL section 31542. Staff will monitor and observe the history of bonus payments and whether members in similarly situated classes have received or will receive this type of payment.**

Should staff’s determination ever be challenged, we would rely on the Board of Retirement and/or the Courts to ultimately make the final decision.

**2. Special Pay Elements. Recommendation: For new members, in the determination of pensionable compensation:**

- 1. Adopt a special pay element schedule or**
- 2. Use base pay only or**
- 3. Use base pay only until further Legislative clarification**

*Current Members*

For current members, all forms of special pay elements already appear to be in compliance with AB 340 and are being relied upon based on the Retirement Board’s past interpretation, affirmation and implementation of the Ventura decision.

There is reference to vacation cash outs being limited to that which can be earned and payable in each 12 or 36 month final average salary period, however, StanCERA already enforces that requirement. Additionally, overtime is specifically excluded, however as before, StanCERA already enforces that requirement. Thus, staff recommends no changes or new exclusions for current employees.

*New Members*

For new members, the determination of what special pay elements may or may not be included is not as well defined. 7522.34 defines pensionable compensation as:

*“Pensionable compensation of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.”*

If one were to simply use the definition of pensionable compensation, base pay would appear to be the only logical choice for pensionable compensation. However, AB 340 goes on to list several specific items that may not be included in pensionable compensation. Items such as unused vacation, annual leave, personal leave, sick leave, bonuses and employer contributions to defined contribution plans are explicitly prohibited. Also explicitly prohibited is reimbursement or allowances for vehicles, housing and uniforms.

In light of the uncertainty in the determination of what can be used in pensionable compensation, several representatives from SACRS met with the Legislative Committee staff in October and posed the question about pensionable compensation for new members. The following is an excerpt of the comments made by the Committee staff regarding this topic:

*“For new members of plans 1/1/2013 and after, the PEPRA definition of “pensionable compensation” applies. The intent is to have compensation for service performed (regular hours, shift differentials, K-9 hour for caring for the dog, etc.) and skills based compensation (bilingual pay, certifications for CPA, CFA, POST, etc.) be included in pensionable compensation provided these elements of compensation are paid to all employees in a group or class who perform the same work/shift and meet all the requirements. When elements of comp are only paid to some, but not all, similarly situated employees, these are more subject to manipulation and “timing” by the employer/employee and should not be included in pensionable compensation. In general, payments that compensate employees for job-related expenses (housing, uniform, auto, etc.) can be paid to the employee, but should not be included in pensionable compensation.”*

It should be noted that most 1937 Act Systems are coming up with their own schedules based on their own interpretation of AB 340. Attachment 1 is a resolution that the Tulare County Board of Retirement recently approved that includes a line by line breakdown of what’s allowed and what isn’t. On the contrary, there is at least 1 County, Sacramento, which is allowing base pay only.

Additionally, the California Public Employees’ Retirement System (CalPERS) is taking a different approach. As of January 1, 2013, they are allowing local governments to report base pay only, since they have not yet resolved the issue. When CalPERS ultimately does resolve the issue, then they will allow employers to report the additional special pay items and collect contributions retroactively at that time.

As a result, StanCERA staff feels that the three logical choices for determining pensionable compensation for new members are base pay only, base pay only while waiting for further Legislative clarity, or creating a schedule that distinguishes allowable special pay elements.

By working with the County and other plan sponsors, StanCERA staff has already created a schedule that follows the intent of the Legislative Committee staff in the event the Board chooses this alternative. There are literally hundreds of special pay elements that have been categorized as either service/skill based or reimbursement based. Rather than list those here, should the Board agree to this schedule, staff would present a resolution for approval at the December Board meeting that will include the schedule and other decisions that the Board makes today. A representative example of such a resolution recently approved by the Tulare County Board of Retirement is attached (Attachment 1). In the future, should new pay codes be developed, staff would analyze them using the same distinction prior to including them in the schedule.

Consequently, staff is recommending the following:

**For new members, in the determination of pensionable compensation:**

- 1. Adopt a special pay element schedule or**
- 2. Use base pay only or**
- 3. Use base pay only until further Legislative clarification**

Legal counsel will be present today to answer any questions that the Board may have.

*Employer and Employee Contributions Rates*

Employer and employee contribution rates will be presented for discussion and approval at our December 12<sup>th</sup> meeting. We had originally intended for these to be discussed today, however, our actuary has not finished developing assumptions for the new formulas. Upon the Board of Retirement's approval on December 12<sup>th</sup>, the rates can be brought before the Board of Supervisors for approval on December 18<sup>th</sup>.

III. RISK: None

IV. STRATEGIC PLAN: None

V. BUDGET IMPACT: No marginal increases beyond those already required for implementation of the new legislation



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Rick Santos, Executive Director

Attachment



## COUNTY OF TULARE BOARD OF RETIREMENT

**David J. Kehler**  
Retirement Administrator

136 N. AKERS STREET  
VISALIA, CA 93291

TELEPHONE (559) 713-2900  
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### Tulare County Employees' Retirement Association

#### **Resolution Regarding Pay Codes Included as Pensionable Income**

In accordance with the provisions of the California Public Employees' Pension Reform Act of 2012 (AB 340), the Board of Retirement for the Tulare County Employees' Retirement Association finds as follows:

- 1) For those current members who became active members prior to January 1, 2013, and those members who became active members on or after January 1, 2013, but who are not subject to Government Code §7522.34 of the California Public Employees' Pension Reform Act, the determination of compensation earnable for remuneration earned by those members is governed by Government Code §31461; and
- 2) For those members who became active members on or after January 1, 2013 and who are subject to the California Public Employees' Pension Reform Act contained in Government Code §7522 et seq., the determination of pensionable compensation is governed by Government Code §7522.34; and
- 3) Government Code §31461 provides that compensation earnable by a member means the average compensation as determined by the Board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay; and
- 4) The pension compensation for those members who are subject to Government Code §7522.34 shall be the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules; and
- 5) Government Code §31461 provides that this Board shall determine which items of remuneration earned by members constitute "compensation earnable"; and
- 6) The Board has reviewed the current pay items and has determined which of those items are to be included in "compensation earnable" and which items are not to be included; and

The Board hereby makes the following determinations to be effective January 1, 2013, as to what is included in "compensation earnable" and items of remuneration that are not included:

**TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**PAY CODES INCLUDED AS COMPENSATION EARNABLE PURSUANT TO GOVERNMENT**  
**CODE §31461 AND §7522.34**

	DESCRIPTION	Current Treatment	As of 1/1/2013 Legacy EE	As of 1/1/2013 New EE
21	Extended Clinic	Y	Y	Y
62	Hazard Pay	Y	Y	Y
65	Mgmt Pay – Drs1	Y	Y	Y
67	Ret 30 year member	Y	Y	Y
69	K-9 Pay	Y	Y	Y
73	Blood Draws	Y	Y	Y
74	License Pay	Y	Y	Y
101	Bilingual 5%	Y	Y	Y
118	Encounter Incentive	Y	Y	Y
119	Committee Assignment	Y	Y	Y
120	Adv Career Development	Y	Y	Y
121	Sr Career Development	Y	Y	Y
122	Lev III Career	Y	Y	Y
124	Sr Career Dev2	Y	Y	Y
125	Lev III Career2	Y	Y	Y
126	Midwife 15%	Y	Y	Y
130	Special Pay – Advance Career Develop	Y	Y	Y
131	Special Pay – Senior Level Career Dev	Y	Y	Y
132	Special Pay – Level III Career Develop	Y	Y	Y
134	Special Pay – Senior Level Career Dev	Y	Y	Y
135	Special Pay – Level III Career Develop	Y	Y	Y
136	Masters Degree Stipend in CWS	Y	Y	Y
140	Out-of-Class 5%	Y	Y	Y
141	Out-of-Class10%	Y	Y	Y
150	Limited Dual License	Y	Y	Y
151	Dual License	Y	Y	Y
160	Mgmt Pay – BOS	Y	Y	Y
161	Mgmt Pay – Drs2	Y	Y	Y
162	Mgmt Pay – Capt	Y	Y	Y
177	Bilingual .50/hr	Y	Y	Y
178	Acting Chief Pay	Y	Y	Y
179	Acting Officer Pay	Y	Y	Y
180	Certification Pay	Y	Y	Y
182	Fire FLSA Pay	Y	Y	Y
20	BOS C/VC	Y	Y	Y
201	BOS Chair Pay	Y	Y	Y
202	BOS Vice Chair	Y	Y	Y
361	Shift Differential - 4%	Y	Y	Y
362	Shift Differential - 6%	Y	Y	Y
48	Retro Pay Adjustment	Y	Y	Y
63	Field Training Officer	Y	Y	Y
66	Additional Pay: Y-rate	Y	Y	Y
68	STEP Pay	Y	Y	Y
70	Detective Pay	Y	Y	Y
71	Bomb Pay	Y	Y	Y
72	Shift Differential Adjustment	Y	Y	Y
77	Bilingual	Y	Y	Y
D	Dr Patient Satisfaction	Y	Y	Y
H	RVU Incentive	Y	Y	Y
M	Criminal Justice 15%	Y	Y	Y

**PAY CODES EXCLUDED AS COMPENSATION EARNABLE PURSUANT TO GOVERNMENT  
CODES §31461 AND §7522.34**

10	Benefits Taxable	Y	Y	Y
181	Order to Cover (for EE out of County)	Y	N	N
183	Out of County/Office (Emergency Services)	Y	N	N
19	BOS Car Allow	Y	Y	N
22	Benefits Non-Taxable	N	N	N
434	Non-Tax Assign Pay (Div Chief Acting as Chief)	Y	N	N
435	Non-Tax Acting Pay (Company Officer)	Y	N	N
436	Non-Tax Pay (Education Incentive)	Y	N	N
438	Non-Tax Order to Cover Pay	Y	N	N
45	Car Allowance	Y	Y	N
46	Sick Leave Buy Back	Y	Y	N
79	Uniform Allow	Y	Y	N
L	K-9 Feed	Y	N	N

The TCERA Board further determines that payments associated with the provision of insurance benefits, or other third party payments, such as professional membership dues, that are not received in cash by a member, shall be excluded from compensation earnable.

Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code shall be excluded from compensation earnable.

Employer contributions, if any, to deferred compensation or defined contribution plans shall be excluded from compensation earnable.

For those employees subject to Government Code §31461(b), compensation earnable shall not include, in any case, the following:

A. Any compensation determined by the Board to have been paid to enhance a member's retirement benefit under the pension system. That compensation may include:

- (1) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment in the final average salary period.
- (2) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member's grade or class.
- (3) Any payment that is made solely due to the termination of the member's employment, but is received by the member while employed, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period regardless of when reported or paid.

B. Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

C. Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

D. Payments made at the termination of employment, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

E. Pursuant to Government Code §31461(c), terms listed above are intended to be consistent with and not in conflict with the holdings in *Salus v, San Diego County Employees Retirement Association* (2004) 117 Cal.App.4<sup>th</sup> 734 and *In re Retirement Cases* (2003)110 Cal.App.4<sup>th</sup> 426.

Those employees who are subject to Government Code §7522.34 shall, in addition to those elements of pay described above, have the following excluded from compensation earnable:

A) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.

B) Any bonus paid in addition to the compensation described in subdivision (a) of Government Code §7522.34.

The above listed determinations by the Board of what is included or not included in compensation earnable, shall be in effect until such time as action taken by the Board or action by the Legislature or the Courts as a matter of law requires a different determination.

The foregoing Regulation was adopted by the Board of Retirement upon motion of Board member Roland Hill, seconded by Board member Gary Reed, at a regular adjourned meeting of this Board held on November 7, 2012, by the following vote:

Ayes: Cox, Woodard, Henry, Reed, Hill, Lippincott

Noes: Crawford, Bennett

Abstain: None

Absent: Watson



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
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**For the Retirement Board meeting  
Held on November 27, 2012**

TO: Retirement Board

11/27/12

FROM: Rick Santos, Executive Director

Item #7c

- I. SUBJECT: Inclusion of the 6% pay deduction/exemption in the pensionable compensation of those members retiring prior to July 1, 2014
- II. RECOMMENDATION: None
- III. ANALYSIS: Currently, there is a 6% pay deduction in place for all County employees until July 1, 2014. Part of the same agreement that includes the deduction and reached with all bargaining groups, also allows those employees retiring prior to July 1, 2014 to recoup the 6% of pay in the final year prior to retirement.

The County posed the question to StanCERA staff whether exempting retiring employees from the 6% deduction could be considered spiking. Staff posed this same question to legal counsel. In their response, they suggested that the answer may rest with the parties' collective bargaining agreement, the application of the process itself and applicable case law.

StanCERA staff feels that discussion between the Board of Retirement and legal counsel should take place regarding this issue before a decision is made. Legal counsel from Reed Smith will be available on the 27<sup>th</sup> to discuss. For the Board's convenience, an excerpt from the County's current MOU regarding the 6% deduction/exemption and the CERL/AB 340 sections that may be applicable are given here:

**Excerpt from the County's current collective bargaining agreement**

*"Employees retiring from County service will be exempted from 6% salary deductions for a one year period prior to their identified date of retirement. In order to receive this exemption, retiring employees will need to sign an irrevocable notice of their retirement/resignation from County service on forms provided by the County. Employees may request Department Head approval to extend their planned retirement/resignation date, however, any approved extension of their planned retirement/resignation date will require an adjustment of salary deductions and special accrued leave time to ensure that the employee is not exempted from the salary deductions for a period greater than 12 months. Employees must be eligible for a regular service retirement in order to receive this exemption."*

**Current CERL Section 31461; "Compensation earnable" defined**

*"Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in*



*Section 31460, that has been deferred shall be deemed “compensation earnable” when earned, rather than when paid.”*

**AB 340’s revision of CERL Section 31461; Definition of Compensation earnable**

*31461. (a) “Compensation earnable” by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed “compensation earnable” when earned, rather than when paid.*

*(b) “Compensation earnable” does not include, in any case, the following:*

*(1) Any compensation determined by the board to have been paid to enhance a member’s retirement benefit under that system. That compensation may include:*

*(A) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment in the final average salary period.*

*(B) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member’s grade or class.*

*(C) Any payment that is made solely due to the termination of the member’s employment, but is received by the member while employed, except those payments that do not exceed what is earned in each 12-month period during the final average salary period regardless of when reported or paid.*

*(2) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned in each 12-month period during the final average salary period, regardless of when reported or paid.*

*(3) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.*

*(4) Payments made at the termination of employment, except those payments that do not exceed what is earned in each 12-month period during the final average salary period, regardless of when reported or paid.*

**AB 340’s Section 31542**

*31542. (a) The board shall establish a procedure for assessing and determining whether an element of compensation was paid to enhance a member’s retirement benefit. If the board determines that compensation was paid to enhance a member’s benefit, the member or the employer may present evidence that the compensation was not paid for that purpose. Upon receipt of sufficient evidence to the contrary, a board may reverse its determination that compensation was paid to enhance a member’s retirement benefits.*

*(b) Upon a final determination by the board that compensation was paid to enhance a member's retirement benefit, the board shall provide notice of that determination to the member and employer. The member or employer may obtain judicial review of the board's action by filing a petition for writ of mandate within 30 days of the mailing of that notice.*

*(c) Compensation that a member was entitled to receive pursuant to a collective bargaining agreement that was subsequently deferred or otherwise modified as a result of a negotiated amendment of that agreement shall be considered compensation earnable and shall not be deemed to have been paid to enhance a member's retirement benefit.*

IV. RISK: None

V. STRATEGIC PLAN: None

VI. BUDGET IMPACT: None



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Rick Santos, Executive Director