



Stanislaus County Employees' Retirement Association

832 12th Street, Ste. 600, Modesto, CA 95354 • PO Box 3150, Modesto, CA 95353 • www.stancera.org • 209-525-6393 • 209-558-4976 Fax

AGENDA

BOARD OF RETIREMENT

832 12th Street Ste. 600, **Wesley W. Hall Board Room**
Modesto, CA 95354

November 27, 2018
1:30 p.m.

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

CONSENT/ACTION ITEMS: Consent matters include routine administrative actions and are identified under the Consent Items heading. All other items are considered to be action items "Action" means that the Board may dispose of any item by any action, including but not limited to the following acts: approve, disapprove, authorize, modify, defer, table, take no action, or receive and file.

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

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

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

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

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. Call Meeting to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
 - a. Approval of the September 25, 2018 Meeting Minutes [View](#)
 - b. Monthly Staff Report
Agenda Item [View](#)
 - c. StanCERA Complaint Log of July 1 – September 30, 2018 [View](#)
 - d. Executive Director Goals Update Quarter 3 2018
Agenda Item [View](#) Attachment 1 [View](#)
 - e. Approval of the 2019 StanCERA Master Calendar [View](#)
 - f. Receipt of the 2019 Board of Retirement Standing Committee Assignments [View](#)
 - g. Investment Work Plan [View](#)

5. Consent Items (Cont.)

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

1. Atinsky, Michael – Sheriff – Effective 10-26-2018
 2. Branco, Catherine – District Attorney – Effective 10-24-2018
 3. Bristow, Alice – BHRS – Effective 11-10-2018
 4. Castillo, Bertha – Ag Comm – Effective 11-10-2018
 5. Clark, Dorris – Probation – Effective 10-05-2018 *
 6. Corcel, Michael – Animal Services – Effective 11-10-2018
 7. Flores, Ramona – CSA – Effective 10-22-2018
 8. Green, Monica – HSA – Effective 10-11-2018
 9. Hager, Mary – Superior Court – Effective 11-23-18
 10. Hutchinson, Kenneth – Sheriff – Effective 10-03-2018 *
 11. Jackson, Priscilla – DCSS – Effective 10-02-2018
 12. King, Thomas – Public Works – Effective 09-19-2018
 13. Lavito, Shamira – HSA – Effective 10-30-2018
 14. Munoz, Michael – Probation – Effective 11-14-2018 *
 15. Parga, Charlotte – CSA – Effective 10-19-2018
 16. Radford, Michael – Sheriff – Effective 10-27-2018 *
 17. Raja, Jegan – Treasurer/Tax Collector – Effective 11-02-2018
 18. Reed, Jeffrey – Sheriff – Effective 10-24-2018 *
 19. Robertson, Cindy – CSA – Effective 11-01-2018
 20. Smyers, Janet – County Counsel – Effective 10-27-2018
 21. Taylor, Elizabeth – Stan Reg 911 – Effective 11-22-2018
 22. Travao, Karen – CSA – Effective 10-20-2018
 23. Valenzuela, Dolores – Assessor – Effective 10-09-18
- * Indicates Safety Personnel*

i. Approval of Deferred Retirement(s) – **Government Code Section 31700**

1. Allen, Thomas - Mental Health – Effective 10-2-17
 2. Anderson, Meghan – District Attorney – Effective 6-1-18
 3. Bergendahl, Corey - City of Ceres, Public Works – Effective 10-16-17
 4. Henderson, Denzel – Planning – Effective 8-26-18
 5. Locarnini, Meko – Probation – Effective 6-25-18 *
 6. Lopez, Lourdes – Health Services Agency – Effective 5-25-18
 7. Luu, Chris Trong - Environmental. Resources – Effective 6-8-18
 8. Ochoa, Nelda – CSA – Effective 9-5-18
 9. Pratap, Yashweeni – CSA – Effective 9-4-18
 10. Titre, Tanja – District Attorney – Effective 7-16-18
 11. Tobon, Jorge – Probation – Effective 8-3-18 *
 12. Uch, Sovann - Environmental. Resources – Effective 10-16-17
 13. Waddell, Anne – District Attorney – Effective 1-16-18
 14. Waskiewicz, Michael - City of Ceres, Public Works – Effective 2-20-18
 15. Zamora, Tomás – CSA – Effective 8-3-18
- * Indicates Safety Personnel*

5. Consent Items (Cont.)

j. Disability Retirement – **Government Code Section 31725**

1. Orante, Julia – Stanislaus County Library, Service-Connected, Application Filed August 11, 2017

k. Approval of Death Benefit – **Government Section 31781, 31781.1, 31781.3**

1. Camacho, Kelly, Deceased October 21, 2018, CSA – Active Member

6. Verus – Investment Consultant

- a. September Flash Report [View](#)
- b. October Flash Report [View](#)
- c. Investment Performance 2018 Quarter 3 Review [View](#)

7. Investment

- a. ILPA (Institutional Limited Partners Association) Summit
Agenda Item [View](#)
- b. Private Investment Fund Tax & Accounting Forum
Agenda Item [View](#)

8. Administrative

- a. Information Technology Solutions (ITS) Project Update [View](#)
- b. Board Room Committee Update
- c. StanCERA Bylaw Revision
Agenda Item [View](#) Attachment 1 [View](#) Attachment 2 [View](#)

9. Committee Reports and Recommendations for Action

STANDING COMMITTEES

a. Internal Governance Committee

- i. Discussion and Action to accept the Internal Governance Committees' Recommendation Regarding:
 - The June 30, 2018 and 2017 Comprehensive Annual Financial Report (CAFR) and Independent Auditor Report
Agenda Item [View](#) Attachment 1 [View](#) Attachment 2 [View](#)

10. Closed Session

- a. Discussion and Action regarding the Executive Director's Annual Review
Public Employment Government Code Section 54954.5
- b. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- c. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

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

12. Adjournment



BOARD OF RETIREMENT MINUTES
September 25, 2018

1. Call Meeting to Order

Meeting called to order 1:30 p.m. by Trustee Lynch, Chair

2. Roll Call

Trustees Present: Mike Lynch, Jim DeMartini, Donna Riley, Darin Gharat, Jeff Grover, Sam Sharpe, Mandip Dhillon, Jeff Mangar, and Michael O'Neal,

Trustees Absent:

Alternate Trustee: Rhonda Biesemeier, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Natalie Elliott, Fiscal Services Manager
Dawn Lea, Member and Employer Services Manager
Chris Wisdom, Investment Officer
Kellie Gomes, Executive Board Assistant

Others Present: Fred Silva, General Legal Counsel

3. Announcements

Rick Santos, Director welcomed new trustee Jeff Manger to seat 3.

Natalie Elliot, Fiscal Services Manager asked for the minutes to reflect item 5.c be changed to reflect no budget impact.

4. Public Comment

5. Consent Items

- a. Approval of the August 28, 2018 Meeting Minutes
- b. Monthly Staff Report
- c. Legal/Legislation Update
- d. Approval of Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**
 1. Achterberg, Stephanie – HSA – Effective 09-15-18
 2. Burns, Dennis – Fire Warden – Effective 09-09-18
 3. Childs, Amy – BHRS – Effective 09-15-18
 4. Cotter, Desiree – CSA – Effective 05-10-18
 5. Hively, Arthur – City of Ceres – Effective 09-01-18 *
 6. Jimeson, Angela – CSA – Effective 09-25-18
 7. Lukins, Concepcion – HSA – Effective 09-08-18

5. Consent Items (Cont.)

8. Lyon, Teresa – BHRS – Effective 09-08-18
 9. Moore, Michael – Probation – Effective 09-01-18 *
 10. Pellegrini, Terri – Superior Court – Effective 09-05-18
 11. Ricci, Anastasia – BHRS – Effective 09-29-18
 12. Shaw, Vance – GSA – Effective 09-13-18
 13. Solana, Jeffrey – GSA – Effective 09-28-18
- * Indicates Safety Personnel*

e. Approval of Deferred Retirement(s) – **Government Code Section 31700**

1. Avitia, Valarie - CPS- Effective 8-6-18
 2. Cain, Toni – SO – Effective 7-4-2018 *
 3. Martinez, Elizabeth – CSA- Effective 10-31-17
 4. Melgar, Delores - HSA - Effective 8-17-18
 5. Robertson, Carol – CSA- Effective 5-14-18
 6. VanCleave, Becky, - AG Comm – Effective 8-18-18
- * Indicates Safety Personnel*

Motion was made by Trustee Gharat and seconded by Trustee Grover to accept the consent items as presented

Motion carried unanimously

6. Verus – Investment Consultant

- a. August Flash Report
- b. Private Markets Pacing Study

1:48 p.m. Fred Silva called to Jury Duty

7. Investment

- a. Fiscal Year 2017-2018 Auxiliary Investment Report
- b. Updates to Existing Governance Docs

Motion was made by Trustee Riley and seconded by Trustee Dhillon to accept the updates to the existing governance documents as presented.

Motion carried unanimously

8. Administrative

- a. Information Technology Solutions (ITS) Project Update
- b. Board Room Committee Update
- c. Voting Delegates of State Association of County Retirement Systems (SACRS) at the 2018 Fall Business Meeting.

Motion was made by Trustee Gharat and seconded by Trustee Grover to accept Trustee Dhillon as Proxy and Trustee O'Neal as Alternate Proxy for the SACRS 2018 Fall Business Meeting.

Motion carried unanimously

10. Closed Session

O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)

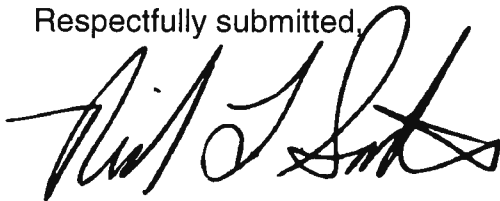
- a. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants, LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

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

11. Adjournment

Meeting adjourned at 2:22 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:
Fred Silva, GENERAL LEGAL COUNSEL

By: 
Fred Silva, General Legal Counsel



November 27, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Monthly Staff Report

II. ITEM NUMBER: 5.b

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS:

- a) *Member & Employer Services (MESS)* – During the month of September 2018, Member and Employer Services Staff processed 42 new hires (12 Safety and 30 General), 29 terminations, 20 member requests resulting in 50 estimates and 12 member requests resulting in 33 buy back contracts. There were 30 individual counseling sessions.

During the month of October 2018, Member and Employer Services Staff processed 63 new hires (8 Safety and 55 General), 12 terminations, 21 member requests resulting in 45 estimates and 9 member requests resulting in 38 buy back contracts. There were 48 individual counseling sessions.

A problem was identified with the Tyler benefits calculator regarding the Social Security modification option affecting safety members that retired on or after July 1, 2016. Staff completed the research to determine those that were affected, calculated the correct benefit amount and the retroactive overpayments. Letters were sent to approximately 40 members regarding this issue. Staff is in the process of collecting the over payments from those affected.

Staff continues to devote many hours to meeting with the Tegrity Analysts to continue defining the business rules necessary to ensure that StanCERA's needs will be met with the Arrivos system as well as testing each part of the system that has already been developed.

Staff continues to audit member files in anticipation of the data conversion that will be required with the implementation of the Arrivos pension administration system.

- b) *Investment Governance and Compliance* – During the months of September and October, staff participated in several calls or meetings with investment managers including Insight, White Oak, Raven, and Medley. Staff also held discussions with a handful of investment managers with whom StanCERA is not currently invested.

Staff arranged for various capital calls to be paid and began the process of opening a Russell 3000 index fund account at Northern Trust. Funds in this account will be used to fund StanCERA's private equity allocation over the next several years.

Finally, staff registered for and prepared to participate in the ILPA Summit which was held in November.

- c) *Fiscal Services September* – Employer and employee contributions totaling \$8,821,283 were received through 15 different payroll batches in September. 30 contribution refunds and death benefit payouts totaling \$223,674 were processed which includes refund of contributions for one retired member. The retiree payroll for September totaled \$10,762,402 and was processed as scheduled.

Fiscal Services October - Employer and employee contributions totaling \$9,128,069 were received through 16 different payroll batches in October. 19 contribution refunds and death benefit payouts totaling \$146,278 were processed. The retiree payroll for October totaled \$10,500,954 and was processed as scheduled.

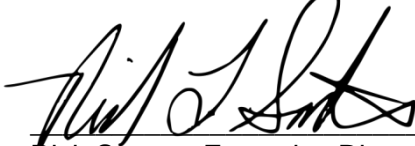
Staff continues to partner with Member Services in defining the business rules for the new pension software. Two of the upload employers have produced the new import file for testing. Tegrity has tested these files and we are ready to start parallel testing for these two in January 2019. We continue to be on time and within budget for this project.

The plans for the Board Room tenant improvements went out for bid and StanCERA received one bid for the project. Staff has researched the contractor who submitted the bid and a meeting with the committee members and the contractor has taken place. A contract has not been signed yet waiting for insurance documents to be provided. Research has also started on the audio/video piece of this project.

VI. RISK: None

VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently*

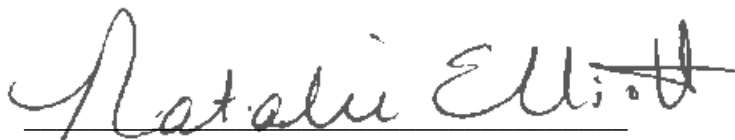
VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Rick Santos, Executive Director



Dawn Lea, Member and Employer Services Manager



Natalie Elliott, Fiscal Services Manager



Chris Wisdom, Retirement Investment Officer



November 27, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Alaine Taa, Administrative Assistant

- I. SUBJECT: StanCERA Complaint Log
- II. ITEM NUMBER: 5.c
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS:

There were several complaints between July 1 and September 30, 2018. Staff keeps a tally of duplicate complaints to better gauge the extent of any problems. A summary of these complaints follows:

Number of Complaints	Caller Status	Nature of Complaints
1	Active	A terminated member was upset that she could not receive her refund immediately.
1	Retiree	None.

The number of complaints this quarter decreased compared to the previous report period April 1 through June 30, 2018.

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. ADMINISTRATIVE BUDGET IMPACT: None

Alaine Taa, Administrative Assistant

Natalie Elliott, Interim Fiscal Services Manager



November 27, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Executive Director Goals Update - Quarter 3
- II. ITEM NUMBER: 5.d
- III. ITEM TYPE: Consent
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: This is the Quarter 3 Executive Director goals update for 2018 (Attachment 1). Overall progress is denoted by green bullet points and is cumulative throughout 2018. Quarter 3 progress may be characterized by asset allocation work, pension administration system progress, plan sponsor engagement on various issues, database maintenance and report augmentation.

By the close of Quarter 3, staff has completed a majority of the work assigned to it through the strategic plan. There are 2 tasks that staff acknowledges will not be completed by year's end:

- 1. **Strategic Objective #3, Action Plan 1:** This objective and corresponding action plan relates to Organizational planning and staff training related to *succession planning*. A specific deliverable required by this objective is the analysis and creation of a new Organization Structure. Staff recommends waiting until implementation of most of the functionality associated with the new pension administration system. In particular, work flow functionality may ultimately change the way the Organization looks at and conducts its business. Staffing issues and Organizational hierarchy could potentially change the way we look at succession planning and how best to promote and circulate knowledge transfer from within. Additionally, StanCERA still has 2 unfilled positions and their disposition may also affect succession planning and how the Organization processes its work.
- 2. **Strategic Objective #3, Action Plan 2:** This objective and corresponding action plan relates to communication training and a formal peer-review process or philosophy. The specific deliverable in question requires the formalization of a peer review philosophy. For the same reasons as Action Plan 2 above, staff recommends waiting until our work flow functionality for the Pension Administration System (PAS) has been completed and incorporated into StanCERA's business processes. It is anticipated that the peer review process will be greatly influenced by the ability to transfer work around the Organization quickly and efficiently.

As such, staff will place these two particular items on its 2019 Strategic Objective Plan deliverables.

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

Rick Santos, Executive Director



Executive Director Goals **2018**

Strategic Goals 2018 Progress Quarter 3

(Attachment 1)

General and/or Ongoing Items

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
 - Various meetings with Ceres, Courts and County staff regarding pension software implementation
2. Facilitate transition of StanCERA's asset allocation
 - Retention of Verus consulting for private equity implementation
3. Continued progress on the System data clean-up project
 - Ongoing member file audit work
4. Continued monitoring of StanCERA lawsuits
5. Director Professional Development
6. Facilitate RFP for General Legal Counsel – *to be completed in 2019*
7. Oversee Information Technology Solutions Project
 - Attend several meetings per week
 - Consult with consultants from Linea and Tegrit regularly
 - Consult with subject matter experts on all phases of the project
8. Oversee and completion of day to day administrative functions
 - All normal administrative functions completed on time
 - Outstanding disabilities (as of 10/2/2018): 13
9. Training of Investment Officer
 - Begun training of intermediate and long-term goals for the position
10. Biennial By-Law Review
 - Process complete, waiting for BOS approval
 - Currently reviewing in-house policies and procedures

Items Tied to the Strategic Plan

Strategic Objective #1

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

Strategic Plan Objective #1: Action Plan with Deliverables

1. Implementation of Functionally Focused Portfolio Concept
 - ✓ Fund the Liquidity sub-portfolio by June 30th
 - Benefit projection matrix complete (Q1)
 - Contribution projection matrix complete (Q1)



Executive Director Goals | 2018

- Expense projection matrix complete (Q1)
 - Liquidity sub portfolio funding complete (Q 2)
- ✓ Training of new investment staff on FFP process and maintenance of reporting projection and process tools
- 2. Consult regularly with plan sponsors regarding salary and retirement projections
 - Meet with Stanislaus County officials each year
 - Met with County officials on payroll projections (Q1)
 - Discuss salary projections with Courts (Q1)
 - Meet with City of Ceres officials each year
 - Discuss salary projections with City of Ceres (Q1)
- 3. Consult regularly with plan sponsors regarding pension contribution projections
 - ✓ Meet each year with all plan sponsors
 - Discussed anticipated demographic changes related to future pension costs with most plan sponsors (Q2/Q3)
- 4. Monitor and assess capital market expectations on a continual basis
 - ✓ Monitor trends in the general level of interest rates and market value of StanCERA liabilities
 - Complete (Q2)
 - ✓ Report at least annually (April/May) to the Board of Retirement on the general level of interest rates and market value of StanCERA liabilities and trends
 - Complete (Q2)
 - ✓ Report annually (April/May) to the Board of Retirement the consideration of any changes in the FFP process
 - Complete (Q2)
 - ✓ Provide the Board, at least annually, a review of capital market conditions and assumptions on a forward-looking basis for all major asset classes
 - Complete (Q2)
 - ✓ At least annually, recommend asset allocation changes (if applicable) to the Board of Retirement for consideration
 - Complete (Q2)
- 5. Maintain awareness of the cash flow process
 - ✓ Work with alternative investment managers on contribution and distribution projections
 - Pacing schedule completed (Q3)
 - ✓ Project and reconcile (semi-annually) budget expenditures
 - Mid-year budget review complete February 27, 2018 (Q1)
 - Expense matrix for FFP process complete (Q1)
 - Monitor and report cash flow process each quarter (Q1, Q2)



- ✓ Annual reconciliation (July/August) of the FFP shortfall projections and source of cash flows
 - Complete (Q2)

Strategic Objective # 2

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

Strategic Plan Objective #2: Action Plan with Deliverables

1. Maintain and improve the comprehensive internal investment governance process
 - ✓ Train internal investment staff on general processes and procedures and the data collection process
 - Training begun on general processes and database maintenance (Q1)
 - ✓ Monitor IPS compliance
 - ✓ Monitor investment manager thesis
2. Maintain a comprehensive internal investment data repository
 - Database up to date as of 9/30/2018
3. Develop and maintain auxiliary performance reporting
 - ✓ Continue to develop and enhance auxiliary reporting with an eye towards simplicity
 - Reworked Value-Added analysis to account for long-term cumulative experience (Q1)
 - Reworked Investment Fee Summary to account for manager ins and outs (Q2)
 - ✓ Enhance reporting format and aesthetics
 - ✓ Work to develop a valid benchmark for alternative investments
 - Benchmarks developed for alternative investments (Q3)
4. Provide StanCERA staff opportunities to enhance their knowledge regarding the investment governance process
 - ✓ Provide opportunities for internal staff to attend seminars and conferences dedicated to alternative investments
 - Staff attendance of the ILPA Conference (Q2)
 - ✓ Provide opportunities for internal staff to attend seminars and conferences related to understanding investment contracts, ADV and SOC reports
 - Approved attendance to SSAE/SOC training seminars (Q3)



Strategic Objective # 3

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

Strategic Plan Objective #3: Action Plan with Deliverables

1. Train for succession planning to prepare for StanCERA's future and continue to cross-train staff to optimize efficacies for staffing level fluctuations.
 - ✓ Develop training plan and philosophy for staff succession into manager roles
 - Recently completed StanCERA Education Policy is one component of succession planning (Q1)
 - ✓ Implement new StanCERA Org Structure
 - In development phase of StanCERA Org Structure (Q2)
 - *Q3 Note: Recommend waiting until implementation of most functionality of new pension administration system. Work flow functionality may change the way the Organization does business which could in turn influence the Org structure decision*
2. Standardize communication and establish a formal peer-review process for internal and external documents and external communications.
 - ✓ Annual staff training on communication standards and implementation
 - ✓ Formalize StanCERA's peer review philosophy
3. Develop and implement an educational policy and plan for staff.
 - ✓ Formalize expected training requirements
 - Processes laid out in new StanCERA Education Policy (Q1)
 - ✓ Identify individual staff educational needs annually through the annual employee evaluation process
 - Processes laid out in new StanCERA Education Policy (Q1)
 - ✓ Formalize the individual employee education expected outcome
 - Processes laid out in new StanCERA Education Policy (Q1)
 - Note that these directives were laid out in the completed StanCERA Education Policy. The execution of these directives will be accomplished at the staff-supervisor level, generally during the annual evaluation (Q1)
4. Develop and implement a team-building action plan.
 - ✓ Hold a minimum one team building event annually



Strategic Objective # 4

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

Strategic Plan Objective #4: Action Plan with Deliverables

1. Implementation of Electronic Member Filing Content Management System
 - ✓ Complete the internal verification of back file conversion
 - Task complete (Q1)
 - ✓ Ongoing EDMS plan developed
 - Long-term plan developed (not yet documented) to use part-time help on imaging and scanning documents (Q2)
 - ✓ Paper member files archived
 - Task complete (Q1)
 - Archived member files moved offsite (Q2)
2. Enhance stakeholder education and communication opportunities
 - ✓ Formally meet with all plan sponsors, no less than annually
 - Various meetings with all plan sponsors regarding pension administration system (Q3)
 - Board of Supervisors Review of 2017 Actuarial valuation (Q2)
 - Meet with Special District regarding pension funding and the state of future contribution rates (Q3)
3. Substantial completion of Pension Software System implementation
 - Implementation on track and current as of 9/30/2018
4. Design and rollout of improved StanCERA website (2019)
5. Create an organizational structure that maximizes recruitment potential and encourages staff development for future leadership positions
 - ✓ Formal implementation of new StanCERA Org Structure
 - In development stage (Q2)
 - Q3 Note: *Recommend waiting until implementation of most functionality of new pension administration system. Work flow functionality may change the way the Organization does business which could in turn influence the Org structure decision*

StanCERA's Board Meeting Master Calendar **2019**

2019 Calendar

11/27/18

Item 5.e

Board Meetings are held every 4th Tuesday at 1:30p.m.

***Exception December's Board Meeting will be moved to 3rd Tuesday, December 17th Due to the Holiday**

JANUARY

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FEBRUARY

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MARCH

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APRIL

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26	27	28	29	30		

MAY

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JUNE

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9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

JULY

s	m	t	w	t	f	s
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

AUGUST

s	m	t	w	t	f	s
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

SEPTEMBER

s	m	t	w	t	f	s
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

OCTOBER

s	m	t	w	t	f	s
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

NOVEMBER

s	m	t	w	t	f	s
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

DECEMBER *

s	m	t	w	t	f	s
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Standing Committees

11/27/18

Item 5.f

Internal Governance Committee

This committee shall consist of three (3) Retirement Board members. The Committee Chair may request administrative staff and/or legal counsel to attend Committee meetings as needed. At least one of the Retirement Board members of the committee shall have sufficient background in accounting, financial or managerial matters to understand, relate to and communicate accounting and organizational matters especially as they relate to audit reports. This committee shall have the responsibility for oversight of all financial audits (both external and internal), compliance audits, Bylaw revisions, Policy revisions, Retirement Board member education and training (including ethics) and other internal governance matters.

2019

Mandip Dhillon, Chair

Rhonda Bieseemeier

Jeff Manger

Staff as needed

Due Diligence Committee

This committee may consist of the Vice-Chair as Chair, one (1) other Board member the Executive Director, the Investment Officer and one (1) staff member appointed by the Executive Director (or a designee of the Executive Director), to act as the recorder. This committee shall insure that Due Diligence visits are carried out and reports provided to the Retirement Board of investment manager and other vendor business reviews on a schedule as determined by these Bylaws and the committee.

2019

Darin Gharat, Chair

Jeff Grover

Executive Director, Rick Santos

Investment Officer, TBD

Executive Assistant, Kellie Gomes

Strategic Planning Objectives Committee

This Committee shall consist of no less than two (2) Retirement Board members. The committee may request input from administrative staff and attendance for staff at its meetings as the Committee so desires. The committee shall oversee and review staff reports related to the study and recommendations of Retirement Board approved strategic planning objectives. The committee shall have authority to survey, research, request actuarial and other studies as it deems necessary. The committee shall only make "final" reports to the Retirement Board or recommendations to the Retirement Board that require the Board's action. This committee meets at least once every three (3) years, however, may not always have Board members assigned due to the cyclical nature of the needs required of this Committee.

2019

Donna Riley

Michael O'Neal

Performance Review and Compensation Committee (PRCC).

This committee shall consist of current Chair, past Chair, and current Vice Chair. As needed, the PRCC will meet to discuss the performance and compensation of the position of Executive Director.

2019

Jim DeMartini, Chair
Sam Sharpe, Vice Chair
Michael Lynch, Past Chair
Staff as needed

Ad-Hoc Committees

Pension Administration System Implementation

2019

Michael O'Neal
Darin Gharat

Board Room Tenant Improvement Committee

2019

Jeff Grover
Rhonda Biesemeier
Mike Lynch as needed

StanCERA Investment Program Quarterly Plan

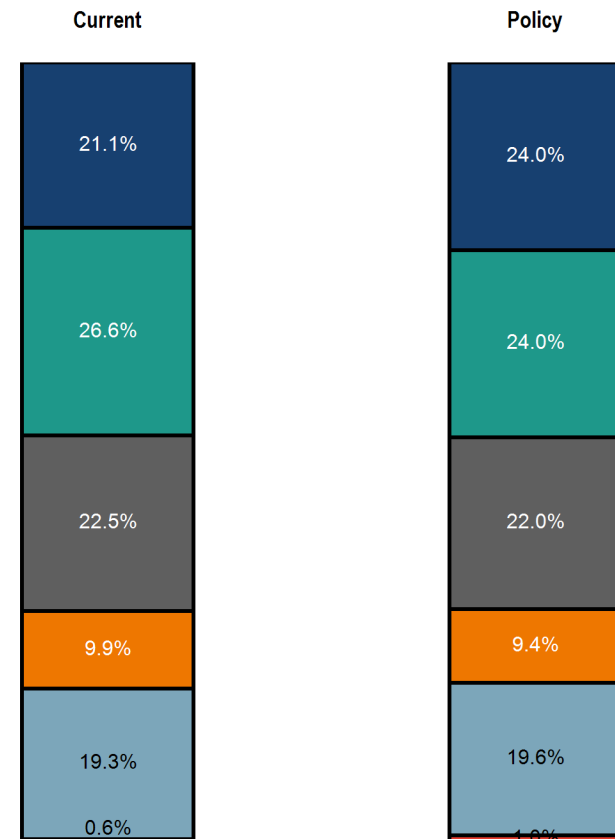
	Time	Changes from prior plan
November, 2018	0:35	
Flash report and 12-month workplan	0:05	
Quarterly investment performance report	0:30	
December, 2018	0:35	
Flash report and 12-month workplan	0:05	
Private credit fund structure	0:30	New
January, 2019	0:05	
Flash report and 12-month workplan	0:05	
February, 2019	0:35	
Flash report and 12-month workplan	0:05	
Quarterly investment performance report	0:30	

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: September 30, 2018

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Total Fund	2,143,692,124	100.0	-0.2	2.5	1.7
<i>Policy Index</i>			0.0	2.7	2.3
US Equity	453,161,818	21.1	-0.1	10.6	6.6
<i>US Equity Blended</i>			-0.2	10.7	6.7
<i>Russell 3000</i>			0.2	10.6	7.1
Northern Trust Russell 1000	122,805,219	5.7	0.4	10.5	7.4
<i>Russell 1000</i>			0.4	10.5	7.4
BlackRock Russell 1000 Growth	123,374,232	5.8	0.6	17.0	9.2
<i>Russell 1000 Growth</i>			0.6	17.1	9.2
BlackRock Russell 1000 Value	42,259,355	2.0	0.2	4.0	5.7
<i>Russell 1000 Value</i>			0.2	3.9	5.7
Dodge & Cox-Equity	79,912,688	3.7	0.3	7.9	6.5
<i>Russell 1000 Value</i>			0.2	3.9	5.7
Capital Prospects	84,810,294	4.0	-2.3	5.9	2.3
<i>Russell 2000 Value</i>			-2.5	7.1	1.6
International Equity	570,632,473	26.6	0.5	-3.7	0.5
<i>MSCI ACWI ex USA Gross</i>			0.5	-2.7	0.8
LSV Asset Mgt	286,004,208	13.3	1.1	-4.7	0.8
<i>MSCI ACWI ex USA Gross</i>			0.5	-2.7	0.8
Fidelity	284,628,265	13.3	-0.2	-2.7	0.1
<i>MSCI ACWI ex USA Gross</i>			0.5	-2.7	0.8
US Fixed Income	482,081,656	22.5	-0.2	-0.2	0.4
<i>BBgBarc US Aggregate TR</i>			-0.6	-1.6	0.0
Insight	216,717,182	10.1	-0.1	-0.2	0.6
<i>BBgBarc US Govt/Credit 1-5 Yr. TR</i>			-0.2	-0.1	0.3
DFA	207,824,567	9.7	-0.1	0.1	0.6
<i>ICE BofAML 1-5 Yrs US Corp & Govt TR</i>			-0.2	-0.1	0.3
Northern Trust Intermediate Gov't Bond	43,236,037	2.0	-0.5	-0.8	-0.1
<i>BBgBarc US Govt Int TR</i>			-0.5	-0.8	-0.1
Northern Trust Long Term Gov't Bond	14,303,869	0.7	-2.9	-5.7	-2.8
<i>BBgBarc US Govt Long TR</i>			-2.9	-5.7	-2.8

	Current	%	Policy	%
Domestic Equity	\$453,161,818	21.1%	\$514,486,110	24.0%
International Equity	\$570,632,473	26.6%	\$514,486,110	24.0%
Domestic Fixed Income	\$482,081,656	22.5%	\$471,612,267	22.0%
Real Estate	\$212,094,058	9.9%	\$201,507,060	9.4%
Alternatives	\$413,710,107	19.3%	\$420,163,656	19.6%
Cash and Equivalents	\$12,012,012	0.6%	\$21,436,921	1.0%
Total	\$2,143,692,124	100.0%	\$2,143,692,124	100.0%



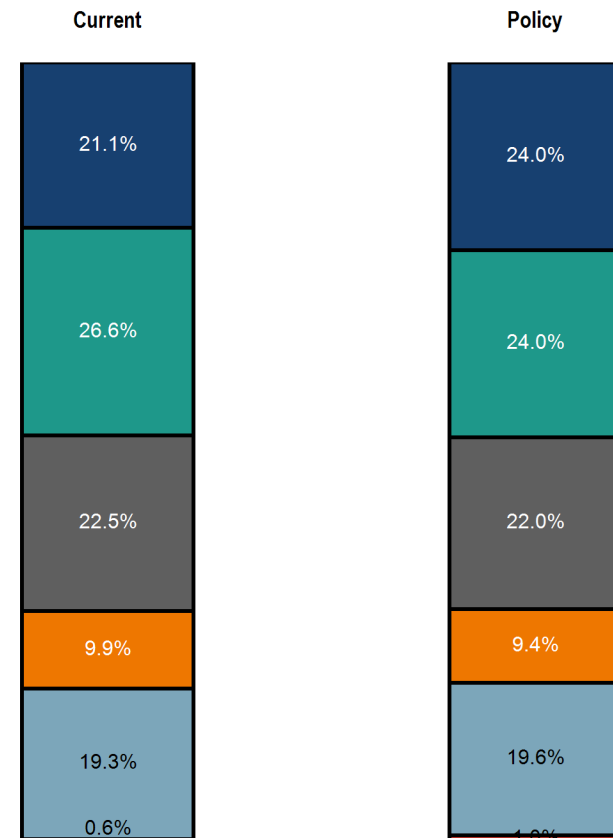
Policy Index (7/1/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: September 30, 2018

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Real Estate	212,094,058	9.9	-1.4	4.8	1.6
DJ US Select RESI			-2.7	2.6	0.7
Prime Property Fund	54,448,749	2.5	2.0	5.9	2.0
NCREIF-ODCE			0.0	4.3	0.0
American Strategic Value Realty	41,123,661	1.9	0.0	5.5	0.0
NCREIF Property Index			0.0	3.5	0.0
BlackRock US Real Estate	65,926,530	3.1	-2.7	2.6	0.7
DJ US Select RESI TR USD			-2.7	2.6	0.7
Greenfield Gap VII	14,726,739	0.7	0.0	12.4	4.7
Greenfield Gap VIII	7,658,582	0.4	0.0	--	20.9
PGIM Real Estate US Debt Fund	28,209,798	1.3	--	--	--
Direct Lending	93,754,679	4.4	0.0	3.5	-0.5
Medley Capital	16,782,245	0.8	0.0	-6.3	-1.2
Raven Capital	15,518,543	0.7	0.0	3.1	-7.4
Raven Opportunity III	31,780,560	1.5	0.0	8.7	1.9
White Oak Pinnacle	29,673,331	1.4	0.0	5.6	1.3
Risk Parity	280,212,252	13.1	-1.0	-1.9	-1.1
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			-0.1	1.4	2.2
AQR Global Risk Premium - EL	143,724,480	6.7	-0.6	--	-0.1
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			-0.1	--	2.2
PanAgora Risk Parity Multi Asset	136,487,772	6.4	-1.5	-3.6	-2.1
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			-0.1	1.4	2.2
Infrastructure	39,743,176	1.9	0.0	6.5	2.8
MS Infrastructure Partners II	39,743,176	1.9	0.0	6.5	2.8
Cash Account	12,012,012	0.6	0.2	1.2	0.5

	Current	%	Policy	%
Domestic Equity	\$453,161,818	21.1%	\$514,486,110	24.0%
International Equity	\$570,632,473	26.6%	\$514,486,110	24.0%
Domestic Fixed Income	\$482,081,656	22.5%	\$471,612,267	22.0%
Real Estate	\$212,094,058	9.9%	\$201,507,060	9.4%
Alternatives	\$413,710,107	19.3%	\$420,163,656	19.6%
Cash and Equivalents	\$12,012,012	0.6%	\$21,436,921	1.0%
Total	\$2,143,692,124	100.0%	\$2,143,692,124	100.0%



Policy Index (7/1/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

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The information presented may be deemed to contain forward-looking information. Examples of forward looking information include, but are not limited to, (a) projections of or statements regarding return on investment, future earnings, interest income, other income, growth prospects, capital structure and other financial terms, (b) statements of plans or objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking information can be identified by the use of forward looking terminology such as believes, expects, may, will, should, anticipates, or the negative of any of the foregoing or other variations thereon comparable terminology, or by discussion of strategy. No assurance can be given that the future results described by the forward-looking information will be achieved. Such statements are subject to risks, uncertainties, and other factors which could cause the actual results to differ materially from future results expressed or implied by such forward looking information. The findings, rankings, and opinions expressed herein are the intellectual property of Verus and are subject to change without notice. The information presented does not claim to be all-inclusive, nor does it contain all information that clients may desire for their purposes. The information presented should be read in conjunction with any other material provided by Verus, investment managers, and custodians.

Verus will make every reasonable effort to obtain and include accurate market values. However, if managers or custodians are unable to provide the reporting period's market values prior to the report issuance, Verus may use the last reported market value or make estimates based on the manager's stated or estimated returns and other information available at the time. These estimates may differ materially from the actual value. Hedge fund market values presented in this report are provided by the fund manager or custodian. Market values presented for private equity investments reflect the last reported NAV by the custodian or manager net of capital calls and distributions as of the end of the reporting period. These values are estimates and may differ materially from the investments actual value. Private equity managers report performance using an internal rate of return (IRR), which differs from the time-weighted rate of return (TWRR) calculation done by Verus. It is inappropriate to compare IRR and TWRR to each other. IRR figures reported in the illiquid alternative pages are provided by the respective managers, and Verus has not made any attempts to verify these returns. Until a partnership is liquidated (typically over 10-12 years), the IRR is only an interim estimated return. The actual IRR performance of any LP is not known until the final liquidation.

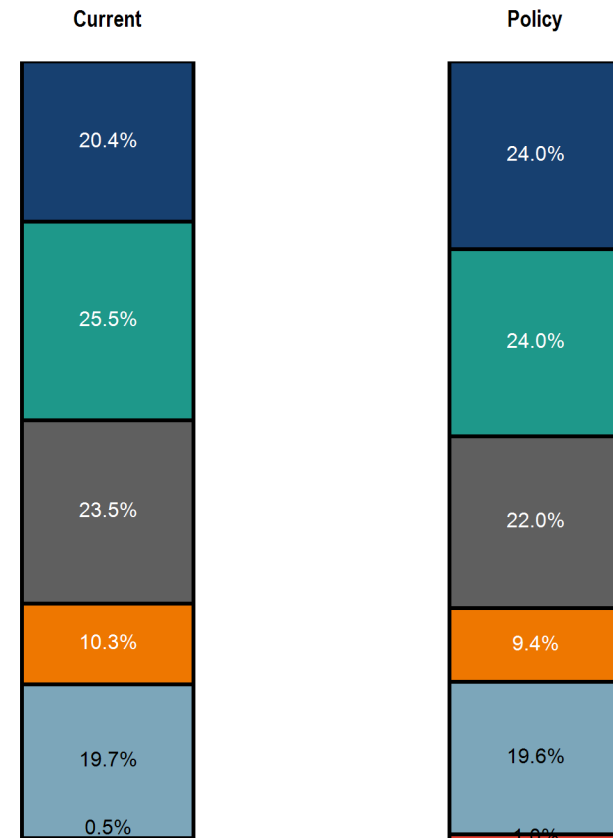
Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: October 31, 2018

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Total Fund	2,043,172,556	100.0	-4.7	-2.2	-3.1
<i>Policy Index</i>			-4.6	-1.8	-2.3
US Equity	417,792,151	20.4	-7.8	2.0	-1.8
<i>US Equity Blended</i>			-7.8	2.1	-1.7
<i>Russell 3000</i>			-7.4	2.4	-0.8
Northern Trust Russell 1000	114,102,194	5.6	-7.1	2.6	-0.2
<i>Russell 1000</i>			-7.1	2.7	-0.2
BlackRock Russell 1000 Growth	112,366,694	5.5	-8.9	6.6	-0.6
<i>Russell 1000 Growth</i>			-8.9	6.6	-0.6
BlackRock Russell 1000 Value	40,068,041	2.0	-5.2	-1.4	0.3
<i>Russell 1000 Value</i>			-5.2	-1.5	0.2
Dodge & Cox-Equity	75,342,421	3.7	-5.7	1.7	0.4
<i>Russell 1000 Value</i>			-5.2	-1.5	0.2
Capital Prospects	75,912,802	3.7	-10.5	-5.3	-8.5
<i>Russell 2000 Value</i>			-9.0	-2.5	-7.5
International Equity	520,845,481	25.5	-8.7	-12.1	-8.3
<i>MSCI ACWI ex USA Gross</i>			-8.1	-10.6	-7.4
LSV Asset Mgt	261,729,591	12.8	-8.5	-12.8	-7.7
<i>MSCI ACWI ex USA Gross</i>			-8.1	-10.6	-7.4
Fidelity	259,115,890	12.7	-9.0	-11.4	-8.9
<i>MSCI ACWI ex USA Gross</i>			-8.1	-10.6	-7.4
US Fixed Income	479,536,618	23.5	-0.2	-0.4	0.2
<i>BBgBarc US Aggregate TR</i>			-0.8	-2.4	-0.8
Insight	214,661,593	10.5	-0.3	-0.5	0.3
<i>BBgBarc US Govt/Credit 1-5 Yr. TR</i>			0.1	0.0	0.3
DFA	207,734,325	10.2	0.0	0.1	0.6
<i>ICE BofAML 1-5 Yrs US Corp & Govt TR</i>			0.1	0.0	0.4
Northern Trust Intermediate Gov't Bond	43,259,221	2.1	0.1	-0.7	-0.1
<i>BBgBarc US Govt Int TR</i>			0.0	-0.7	-0.1
Northern Trust Long Term Gov't Bond	13,881,479	0.7	-3.0	-8.5	-5.7
<i>BBgBarc US Govt Long TR</i>			-3.0	-8.5	-5.7

	Current	%	Policy	%
Domestic Equity	\$417,792,151	20.4%	\$490,361,413	24.0%
International Equity	\$520,845,481	25.5%	\$490,361,413	24.0%
Domestic Fixed Income	\$479,536,618	23.5%	\$449,497,962	22.0%
Real Estate	\$211,194,578	10.3%	\$192,058,220	9.4%
Alternatives	\$403,294,136	19.7%	\$400,461,821	19.6%
Cash and Equivalents	\$10,509,592	0.5%	\$20,431,726	1.0%
Total	\$2,043,172,556	100.0%	\$2,043,172,556	100.0%



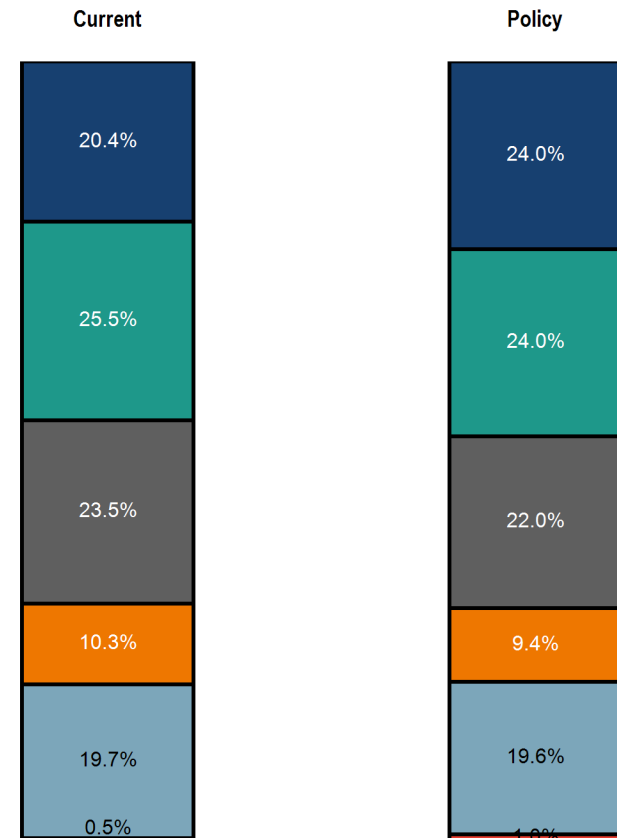
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Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: October 31, 2018

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Real Estate	211,194,578	10.3	-0.8	4.4	1.2
DJ US Select RESI			-2.5	-0.1	-1.8
Prime Property Fund	54,448,749	2.7	0.0	5.9	2.0
NCREIF-ODCE			0.0	6.5	2.1
American Strategic Value Realty	41,918,052	2.1	0.0	7.5	1.9
NCREIF Property Index			0.0	5.3	1.7
BlackRock US Real Estate	62,730,589	3.1	-2.5	-0.1	-1.8
DJ US Select RESI TR USD			-2.5	-0.1	-1.8
Greenfield Gap VII	14,726,739	0.7			
Greenfield Gap VIII	9,160,652	0.4			
PGIM Real Estate US Debt Fund	28,209,798	1.4			
Direct Lending	95,375,862	4.7			
Medley Capital	16,265,914	0.8			
Raven Capital	15,518,543	0.8			
Raven Opportunity III	33,918,073	1.7			
White Oak Pinnacle	29,673,331	1.5			
Risk Parity	268,175,098	13.1	-4.3	-6.1	-5.3
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			-4.9	-3.6	-2.9
AQR Global Risk Premium - EL	137,968,187	6.8	-4.0	--	-4.1
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			-4.9	--	-2.9
PanAgora Risk Parity Multi Asset	130,206,911	6.4	-4.6	-8.1	-6.6
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			-4.9	-3.6	-2.9
Infrastructure	39,743,176	1.9			
MS Infrastructure Partners II	39,743,176	1.9			
Cash Account	10,509,592	0.5	0.2	1.4	0.7

	Current	%	Policy	%
Domestic Equity	\$417,792,151	20.4%	\$490,361,413	24.0%
International Equity	\$520,845,481	25.5%	\$490,361,413	24.0%
Domestic Fixed Income	\$479,536,618	23.5%	\$449,497,962	22.0%
Real Estate	\$211,194,578	10.3%	\$192,058,220	9.4%
Alternatives	\$403,294,136	19.7%	\$400,461,821	19.6%
Cash and Equivalents	\$10,509,592	0.5%	\$20,431,726	1.0%
Total	\$2,043,172,556	100.0%	\$2,043,172,556	100.0%



Policy Index (7/1/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

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PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



PERIOD ENDING: SEPTEMBER 30, 2018

Investment Performance Review for

Stanislaus County Employees' Retirement Association

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Investment Landscape

TAB I

Investment Performance
Review

TAB II

A decorative geometric pattern of overlapping triangles in blue and gold is overlaid on the left side of the image. A white triangle is positioned to the left of the main title text.

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

4TH QUARTER 2018
Investment Landscape

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3rd quarter summary

THE ECONOMIC CLIMATE

- The U.S., Mexico, and Canada reached a new trade agreement. The new deal, USMCA, involves few changes to NAFTA, but may create mildly more favorable terms for U.S. businesses. [p. 13](#)
- The U.S. continued to outshine other developed economies in Q2 with its strongest quarterly growth since 2014. A few smaller emerging market economies experienced idiosyncratic weakness that led to concerns of economic contagion, but fundamentals in most countries still appear strong. [p. 14, 16](#)

PORTFOLIO IMPACTS

- Emerging market equities delivered slight losses in Q3, but seem to have stabilized as currency depreciation recently subsided (MSCI Emerging Markets Index -1.1%, JP Morgan EM Currency Index -1.6%). We maintain a positive outlook on emerging market equities. [p. 30](#)
- The Fed raised the target range for the fed funds rate by 0.25% to a range of 2.00%-2.25%. The probability of a December rate hike was 78%, as of October 8th. [p. 20, 22](#)
- U.S. trade discussions have narrowed in on China. Negotiations between the two countries in recent months do not appear to have produced tangible results. [p. 17](#)

THE INVESTMENT CLIMATE

- Another strong quarter of U.S. corporate earnings is expected in Q3 on both an absolute and relative basis. S&P 500 earnings and revenue growth are forecast to be 19.3% and 6.9% YoY, respectively. [p. 27](#)
- Fixed income yields around the world rose slightly. The U.S. Treasury yield hit a 7-year high of 3.23%, reigniting investor concerns over rising interest rates. [p. 20](#)
- The Italian coalition government sparred with the European Commission over its fiscal spending plans. Fading ECB stimulus will likely lift interest rates on European bonds, which is creating doubts around the sustainability of Italy's debt. [p. 14, 15](#)

ASSET ALLOCATION ISSUES

- Capital market returns have been largely flat-to-negative in 2018, with U.S. equities being the exception. Diversification remains important, but has been painful for investors in this environment. [p. 26](#)
- Trade conflicts between the U.S. and its trading partners appear to be mostly resolved. All eyes are on negotiations between U.S. and Chinese representatives, though it increasingly appears that these negotiations are broader in nature than trade alone. [p. 17](#)

A neutral to mild risk overweight may be warranted in today's environment

What drove the market in Q3?

"Bullish U.S. stocks leave the rest of the world trailing"

S&P 500 VS. MSCI ACWI EX U.S. RELATIVE MONTHLY PERFORMANCE

Apr	May	Jun	Jul	Aug	Sep
-3.1%	3.2%	1.4%	1.4%	4.6%	-0.1%

Article Source: Financial Times, September 13th, 2018

"Traders take Fed's cues, pile on bets on U.S. rate hikes"

YEAR-END 2020 MARKET IMPLIED FED FUNDS RATE

Apr	May	Jun	Jul	Aug	Sep
2.70%	2.55%	2.65%	2.72%	2.62%	2.82%

Article Source: Reuters, September 17th, 2018

"Fitch cuts Italy's credit outlook on debt and governance concerns"

10-YEAR ITALIAN-GERMAN YIELD SPREAD

Apr	May	Jun	Jul	Aug	Sep
123	245	238	228	291	268

Article Source: Financial Times, August 31st, 2018

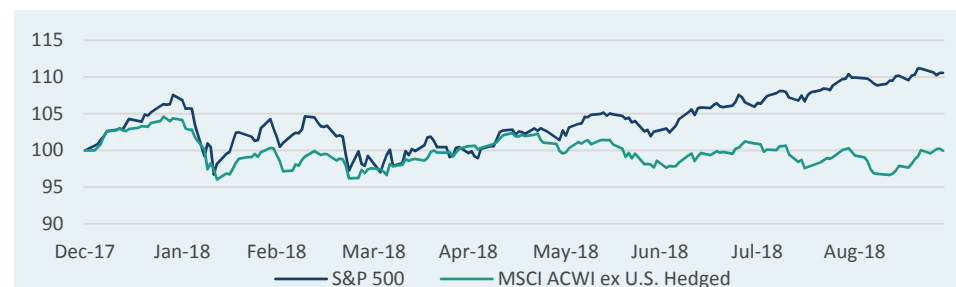
"No breakthrough in U.S.-China trade talks as new tariffs kick in"

U.S. IMPORTS SUBJECT TO RECENTLY ENACTED TARIFFS (\$ BILLIONS)

Apr	May	Jun	Jul	Aug	Sep
33	33	56	90	106	306

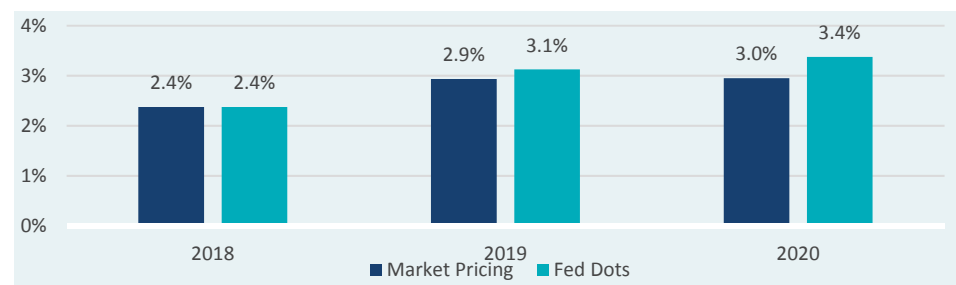
Article Source: CNBC, August 23rd, 2018

U.S. VS. NON-U.S. EQUITY YTD PERFORMANCE



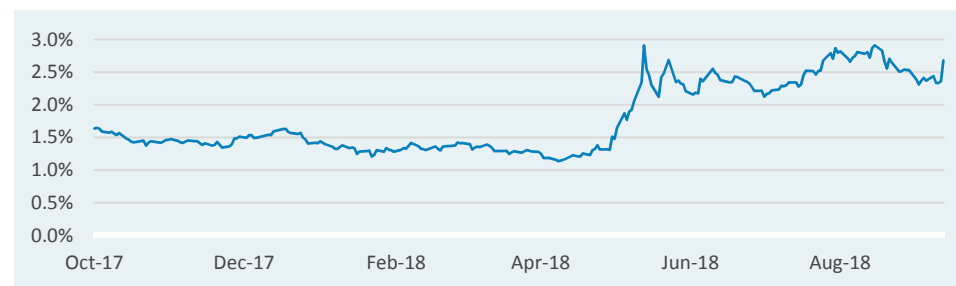
Source: Bloomberg, as of 9/30/18

MARKET IMPLIED FED FUNDS PRICING VS. FED DOTS (YEAR-END)



Source: Bloomberg, Federal Reserve, as of 10/8/18

10-YEAR ITALIAN-GERMAN SOVEREIGN YIELD SPREAD



Source: Bloomberg, as of 9/30/18

Economic environment

U.S. economics summary

— Real GDP growth was 2.9% year-over-year in the second quarter. Expectations for third quarter growth have risen alongside recently strengthening U.S. economic data.

— U.S. inflation fell slightly to 2.3% YoY, moving closer to the U.S. Core CPI rate of 2.2% YoY.

— Non-farm payrolls added 134,000 jobs in September, missing the consensus estimate of 185,000. Hurricane Florence likely contributed to the miss, as leisure and hospitality employment fell by 17,000, the largest drop in a year.

— The U3 unemployment rate fell from 3.9% to 3.7% in September, the lowest rate since 1969. The U6 unemployment increased from 7.4% to 7.5%.

— The United States, Mexico, and Canada reached an agreement on a new trade deal to replace NAFTA.

The new deal, USMCA, included provisions aimed towards protecting the business interests of North American auto manufacturers as well as workers' wages. The deal also partially opened the Canadian dairy market to U.S. farmers.

— The U.S. imposed 10% tariffs on \$200 billion of Chinese goods on September 24th. The White House claimed that the tariff rate will advance from 10% to 25% at year-end if no progress is made through negotiations in the meantime. China retaliated with tariffs of 10% on \$60 billion of U.S. imports.

— As expected, the Federal Open Market Committee raised the target range for the fed funds rate by 0.25%, moving the new range to 2.00%-2.25%. The market implied odds for an additional December rate hike were 78%, as of October 8th.

	Most Recent	12 Months Prior
GDP (YoY)	2.9% 6/30/18	2.1% 6/30/17
Inflation (CPI YoY, Core)	2.2% 9/30/18	1.7% 9/30/17
Expected Inflation (5yr-5yr forward)	2.2% 9/30/18	2.0% 9/30/17
Fed Funds Target Range	2.00 – 2.25% 9/30/18	1.00 – 1.25% 9/30/17
10 Year Rate	3.1% 9/30/18	2.3% 9/30/17
U-3 Unemployment	3.7% 9/30/18	4.2% 9/30/17
U-6 Unemployment	7.5% 9/30/18	8.3% 9/30/17

GDP growth

Real GDP growth accelerated to 2.9% YoY (4.2% quarterly annualized rate) in the second quarter, driven in part by fiscal stimulus. This quarterly growth rate marked the fastest pace of expansion since the third quarter of 2014.

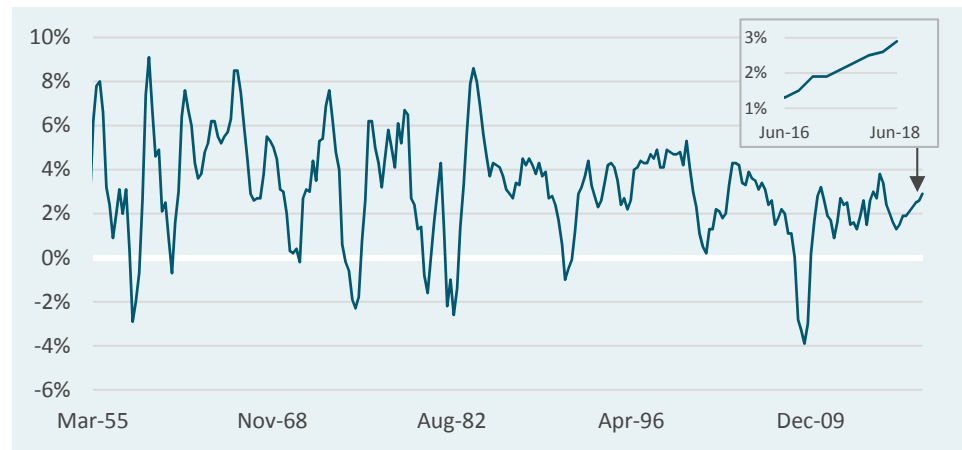
The consumer was once again the biggest contributor to growth after a slowdown in the previous quarter. Consumer spending added 2.6% to the quarterly growth rate. Exports and business investment also boosted growth – each contributed 1.1% to GDP growth. However, some of the increase in exports may have been a result of businesses

attempting to ship goods ahead of pending tariffs, pulling future growth into the current quarter.

Although the current expansion is near the longest on record, it still appears the economy is on solid footing without many typical signs of late-cycle overheating. While we are cautious about a potential prolonged economic war between the U.S. and China, we do not believe the tariffs that have been implemented thus far will in themselves create a material drag on the domestic economy. We remain watchful for any indirect effects on consumer and business confidence that could lead to a slowdown in activity.

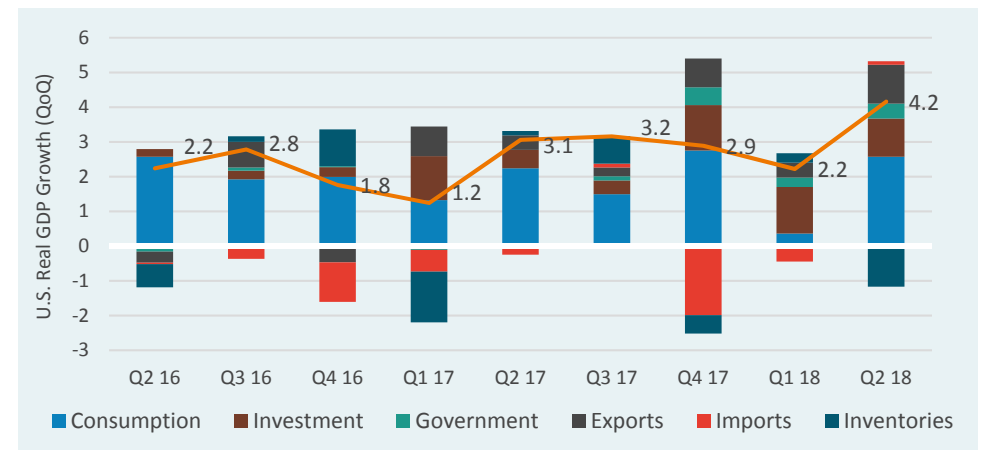
GDP growth was the highest since Q3 2014

U.S. REAL GDP GROWTH (YOY)



Source: Bloomberg, as of 6/30/18

U.S. GDP COMPONENTS



Source: BEA, annualized quarterly rate, as of 6/30/18

Inflation

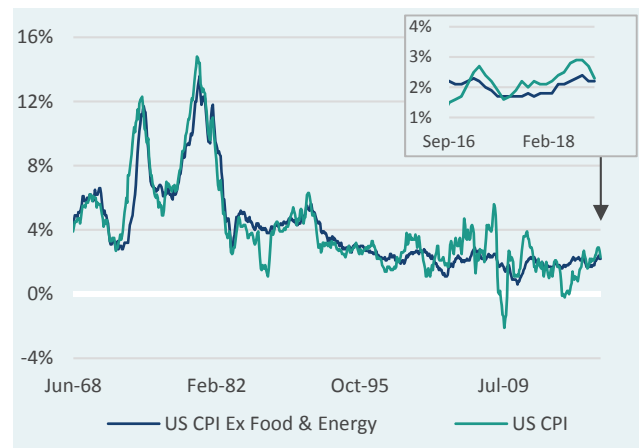
Inflation has remained relatively muted throughout the current economic cycle. Headline and core CPI rose 2.2% and 2.3%, respectively over the 12 months ending in September.

Although there has been some occasional concern in the market over a potential spike in inflation, we have yet to see any sustained pressure on consumer prices. This effect has not been confined to the current cycle. In fact, secular disinflation caused in part by automation and

globalization has contributed to stable core inflation of around 1-3% per annum since the early 1990s.

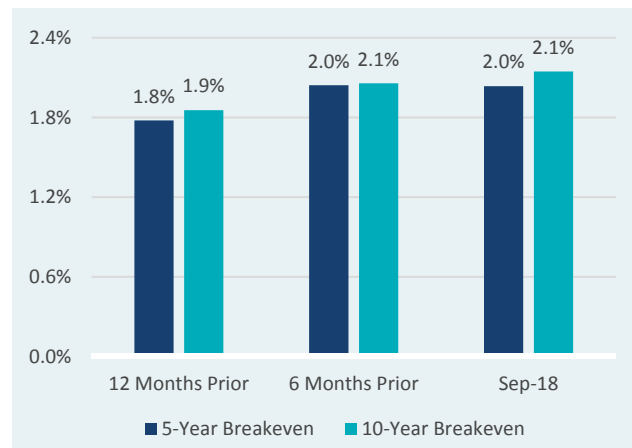
The potential impact of tariffs on inflation has been widely scrutinized, but it is important to note that the flow-through from import prices to consumer prices is ambiguous. The flow-through will depend on numerous factors including substitution effects and the price elasticity of demand. At this point, we do not expect a material increase in inflation due to tariffs.

U.S. CPI (YOY)



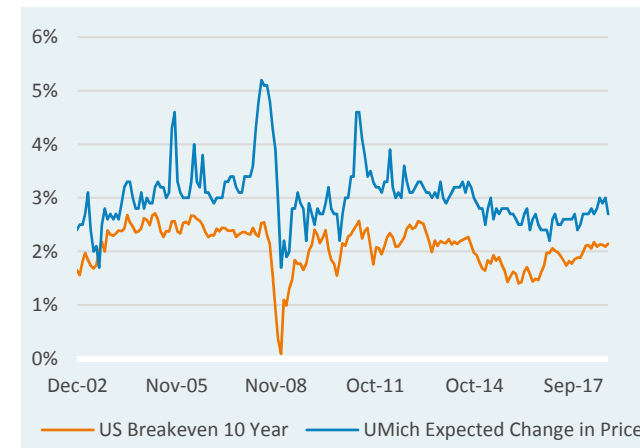
Source: Bloomberg, as of 9/30/18

BREAKEVEN INFLATION RATES



Source: Bloomberg, as of 9/30/18

INFLATION EXPECTATIONS



Source: Bloomberg, as of 9/30/18

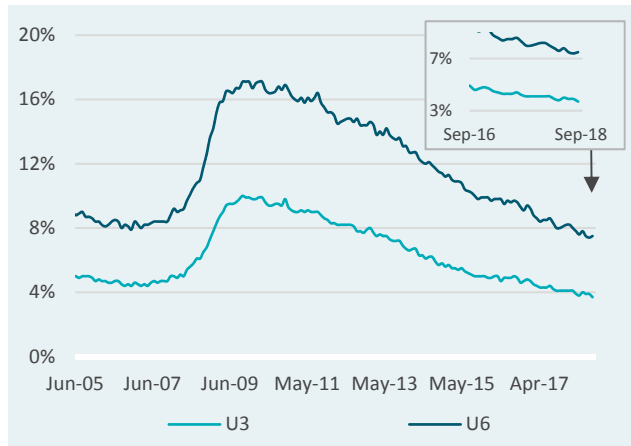
Labor market

Labor market trends were largely unchanged over the quarter. The economy continued to add jobs at a fairly steady pace and the U-3 unemployment rate fell further from 4.0% to 3.7% in September. The broader U-6 unemployment rate also tightened, dropping from 7.8% to 7.5%. This measure has finally recovered to below its pre-global financial crisis level, indicating that there may be fewer pockets of labor market slack as potential workers increasingly search for and find employment. However, looking at the broadest measure of employment – the percentage of Americans currently employed, we are currently at 60%, compared to 63% prior in 2006. This seems to suggest that labor slack remains.

Wage growth remained moderate as average hourly earnings for private workers rose 2.7% from the previous year in September. On a real basis, however, wages rose 0.7% YoY, in-line with the long-term average since 1970.

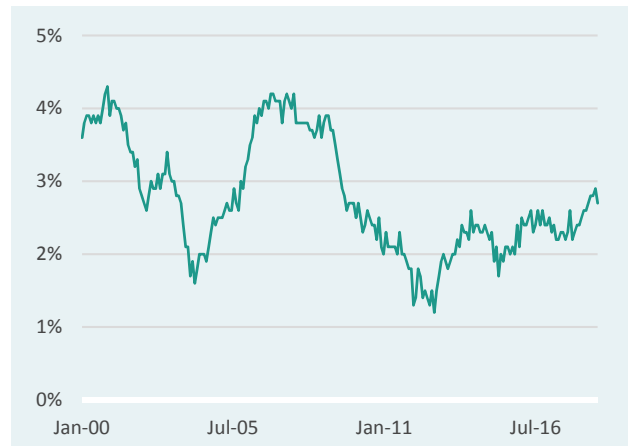
Surging job openings, along with business survey responses, suggest companies are having a difficult time finding qualified workers. As of August, there were 7.1 million job openings compared to only 6.2 million people classified as unemployed.

UNEMPLOYMENT RATE



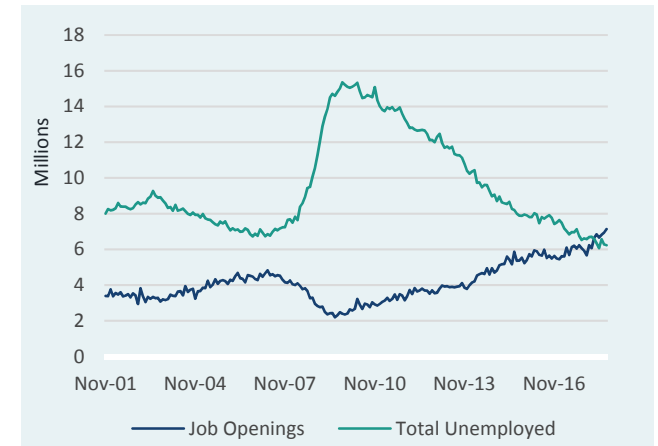
Source: FRED, as of 9/30/18

AVERAGE HOURLY EARNINGS (YOY)



Source: Bloomberg, as 9/30/18

JOB OPENINGS VS TOTAL UNEMPLOYED



Source: Bloomberg, as of 8/31/18

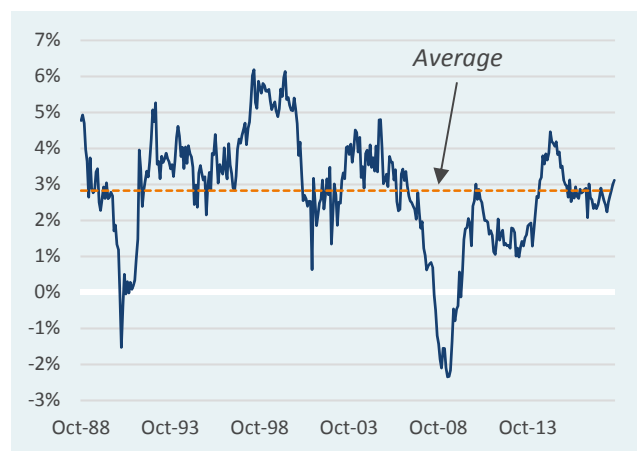
The consumer

Real consumer spending rose 3.1% from the previous year in August, in-line with the long-term average over the past 30 years. Conditions facing consumers, including moderate income gains, a tight labor market, and low interest rates are still supportive of spending. Despite some evidence that the U.S. is moving into the later stages of the economic cycle, we have yet to see big increases in consumer spending, which is often indicative of overconfidence.

With the 30-year mortgage rate nearing 5%, there have been increasing concerns over the impact of rising rates on the

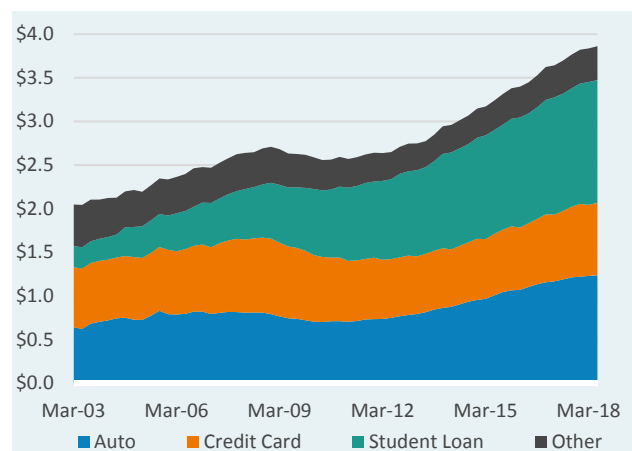
cost of living. However, a rise in market interest rates will impact various types of debt in different ways. For example, nearly all U.S. mortgage debt issued since the global financial crisis has been with fixed interest rates. Higher mortgage rates will have a greater impact on new home buyers, rather than all homeowners. In fact, household mortgage debt service fell to a cycle low of 4.2% of disposable income in the second quarter. On the other hand, interest rates on shorter-term debt, such as auto and credit card loans, will be much quicker to reflect changes in market rates.

REAL CONSUMER SPENDING (YOY)



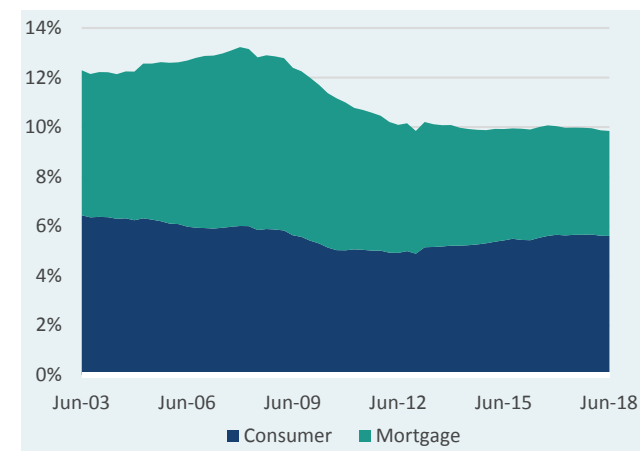
Source: Bloomberg, as of 8/31/18

NON-HOUSING DEBT BALANCE (TRILLIONS)



Source: FRBNY, as of 6/30/18

DEBT SERVICE AS % OF DISPOSABLE INCOME



Source: Federal Reserve, as of 6/30/18

Sentiment

Sentiment readings from both households and businesses are incredibly strong. Americans across all income subgroups expressed optimism for the future, according to the University of Michigan Consumer Sentiment survey. The most often cited concern was U.S. tariffs, which were mentioned by one third of respondents. Those surveyed were optimistic about their personal financial situation, continued economic growth, and low inflation.

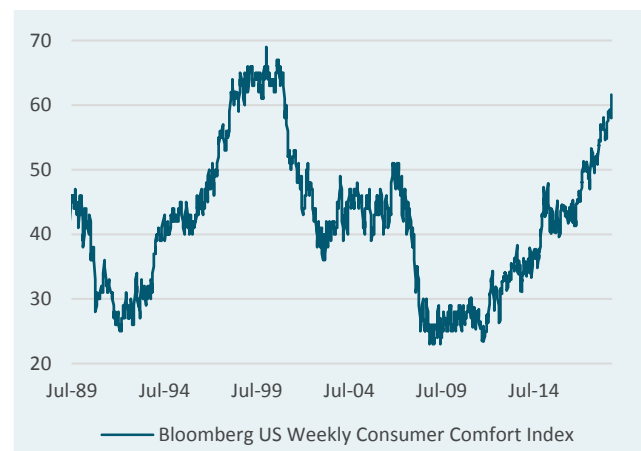
The Bloomberg U.S. Weekly Consumer Confidence Index has surpassed its 17-year high of 59.3, reflecting a rosy outlook

for personal finances, wages, and the economy.

The NFIB Small Business Optimism Index reached 107.9 in September – the third strongest reading in the 45-year history of the index. NFIB commented, “In the small business half of the economy, 2018 has produced 45-year record high measures of job openings, hiring plans, actual job creation, compensation increases (actual and planned), profit growth, and inventory investment.” The positive outlook of small business owners is likely supportive of continued economic growth.

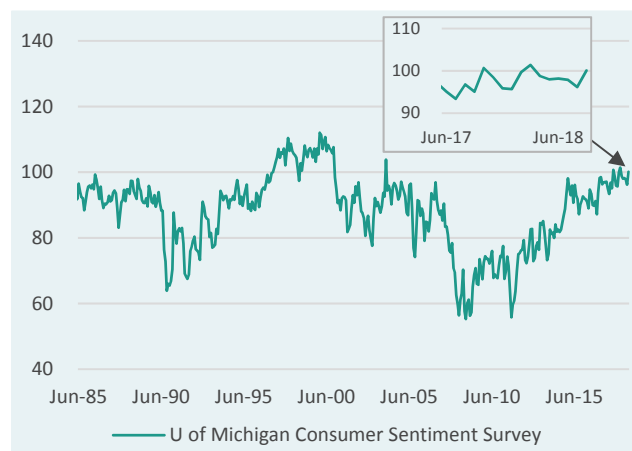
Consumers and business are confident about the future

CONSUMER COMFORT INDEX



Source: Bloomberg, as of 9/30/18 (see Appendix)

CONSUMER SENTIMENT



Source: University of Michigan, as of 9/30/18 (see Appendix)

NFIB SMALL BUSINESS OPTIMISM INDEX



Source: NFIB, as of 9/30/18 (see Appendix)

Housing

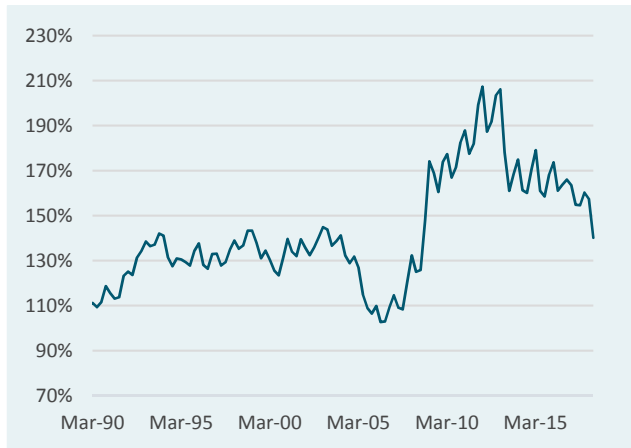
Single-family home prices appreciated at a strong pace. As of July, the Case-Shiller National Home Price Index was up 4.7% year-to-date. Over the past 5 years home prices have risen 5.3% per annum, outpacing wage growth and likely creating difficulties for those planning new purchases.

Nationwide home prices are now 11% above the previous high reached in mid-2006. Lower interest rates have partially offset rising prices, though this effect is fading as

borrowing rates have moved back towards pre-2008 levels.

U.S. home affordability has dropped materially in 2018 and is now back to a level not seen since late 2008. The 30-year fixed mortgage interest rate rose from 4.0% in January to more than 4.7% through the end of September. Home sales have recently slowed - perhaps a result of less buyer-friendly conditions.

HOUSING AFFORDABILITY INDEX



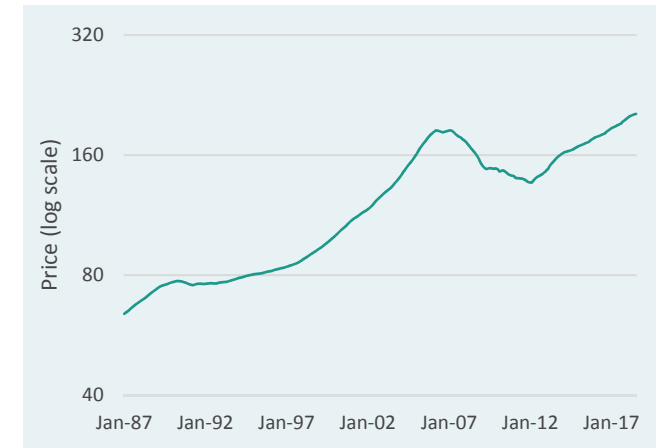
Source: Bloomberg, as of 6/30/18

EXISTING HOME SALES (MILLIONS)



Source: Bloomberg, SAAR, as of 8/31/18

U.S. HOME PRICE INDEX



Source: Case-Shiller National Home Price Index, as of 7/31/18

International economics summary

- The U.S., Mexico, and Canada reached an agreement on a trade deal to replace NAFTA. The new U.S.-Mexico-Canada Agreement (USMCA) involves few material changes to NAFTA, but the terms appear mildly more favorable for U.S. businesses.
- U.S. negotiations with China, its largest trading partner, continued with little apparent progress. The U.S. imposed 10% tariffs on \$200 billion of Chinese goods on September 24th. The White House claimed that the tariff rate will advance from 10% to 25% at year-end if no progress is made in the meantime. China responded with retaliatory tariffs of 10% on \$60 billion of U.S. imports.
- Trade negotiations with other trading partners appear to be mostly resolved, easing concerns of a global trade war.
- Developed market economies are expected to grow less quickly in the coming years, while emerging economy growth rates are expected to rise.
- PMI readings around the globe have weakened during 2018, led by the Eurozone. U.S. PMIs remain very high, indicating expansion in the manufacturing and services sectors.
- The Italian coalition government sparred with the European Commission over its fiscal spending plans. Fading ECB stimulus will likely lift interest rates on European bonds, creating doubts around the sustainability of Italy's debt.
- The U.S. dollar appreciated by 1% during the quarter. A stable dollar would help dampen the volatility of unhedged equity investments, particularly in emerging markets where currency moves have been larger.

Area	GDP (Real, YoY)	Inflation (CPI, YoY)	Unemployment
United States	2.9% 6/30/18	2.7% 8/31/18	3.8% 9/30/18
Eurozone	2.1% 6/30/18	2.1% 9/30/18	8.3% 6/30/18
Japan	1.3% 6/30/18	1.3% 8/31/18	2.4% 6/30/18
BRICS Nations	5.8% 6/30/18	2.5% 6/30/18	5.5% 6/30/18
Brazil	1.0% 6/30/18	4.5% 9/30/18	12.2% 9/30/18
Russia	1.9% 6/30/18	3.4% 9/30/18	4.6% 8/31/18
India	8.2% 6/30/18	3.7% 8/31/18	8.8% 12/31/17
China	6.7% 6/30/18	2.3% 8/31/18	3.8% 6/30/18

International economics

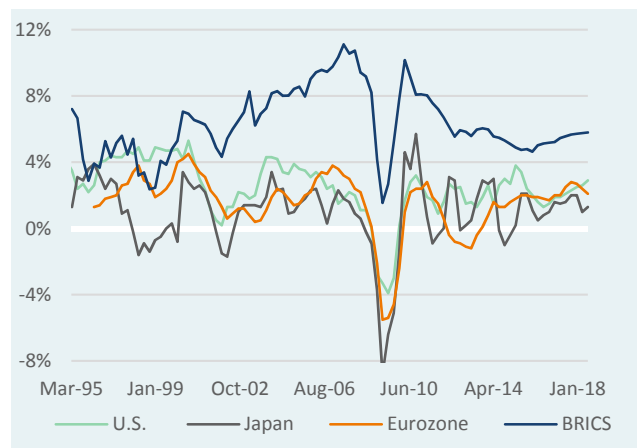
While U.S. economic growth improved, international growth remained moderate. In the Eurozone, real GDP rose 2.1% YoY in Q2, down from 2.4% in Q1. In addition to slowing growth, political uncertainty in Italy and less stimulus from the European Central Bank has clouded the economic outlook. The political situation in Italy highlights the problems caused by an uneven recovery across the Eurozone. While the French and German economies may be in a position to withstand monetary tightening, it does not appear that this is the case in places such as Italy, Spain, and Portugal.

Political issues have also created much uncertainty in the United Kingdom with the March 2019 deadline for a Brexit deal fast approaching. Theresa May's initial plan was rejected by the European Union, and it appears both sides have at least considered how to move forward without a deal.

Developed international inflation remains well below central bank targets, which may provide greater flexibility for management of these economic imbalances.

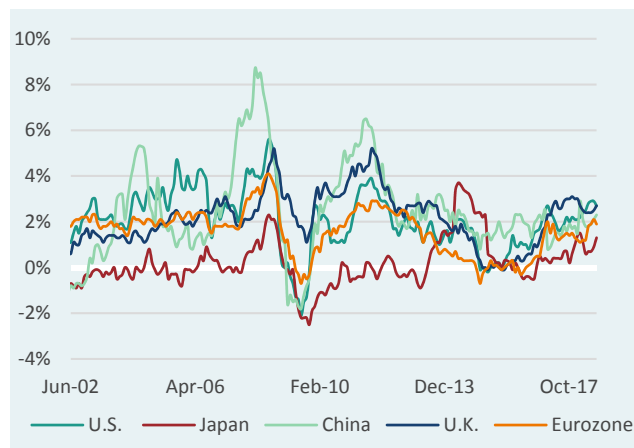
Synchronized
global growth
has moderated

REAL GDP GROWTH (YOY)



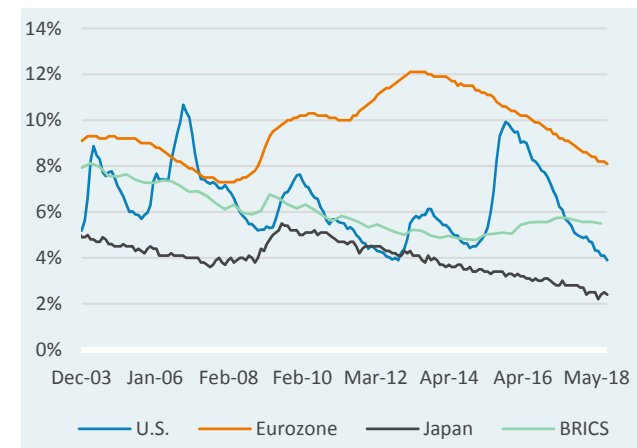
Source: Bloomberg, as of 6/30/18

INFLATION (CPI YOY)



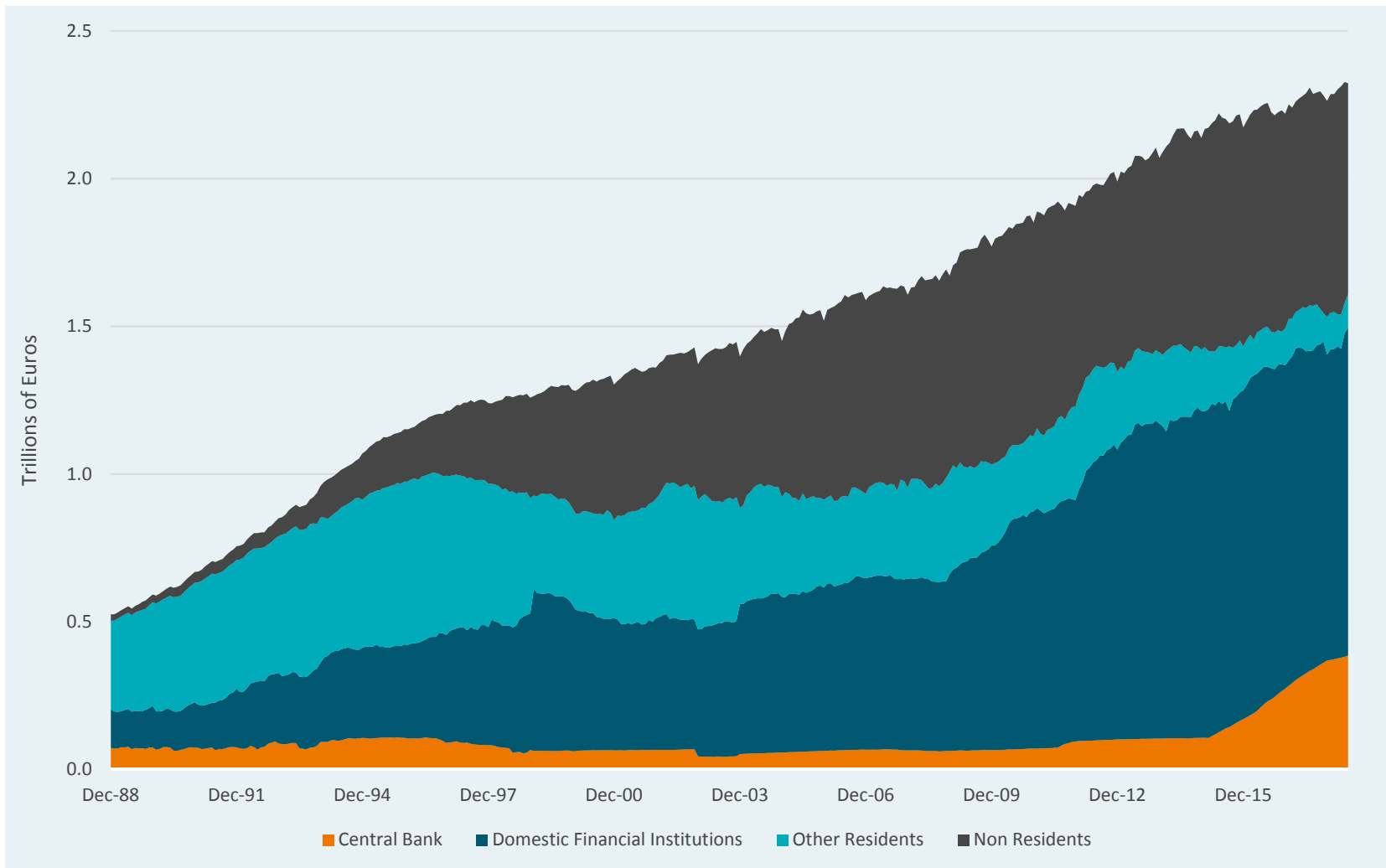
Source: Bloomberg, as of 8/31/18

UNEMPLOYMENT RATE



Source: Bloomberg, as of 8/31/18 or most recent release

Italian debt ownership



European banks have helped suppress Italian bond yields

This support may be dwindling as central bank stimulus ends

Source: Bank of Italy, as of 6/30/18

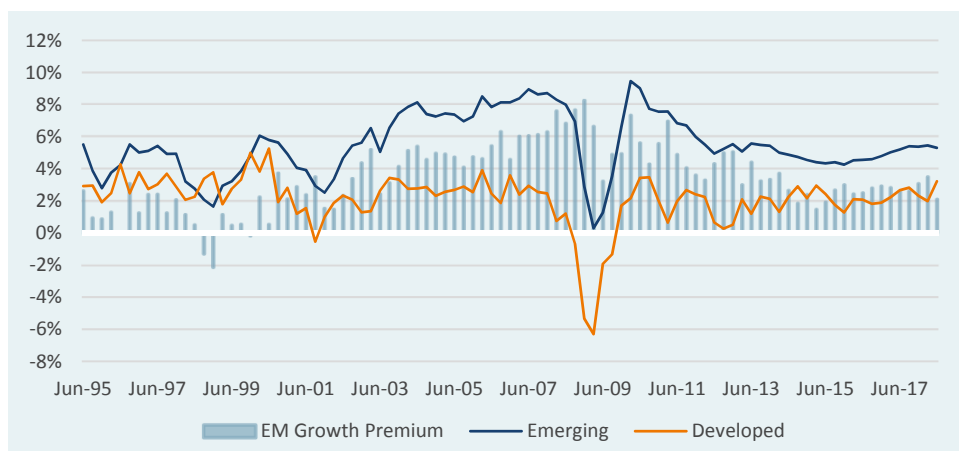
Emerging economies

Several events over the quarter helped lead to broad weakness in emerging markets assets and to investor concerns about contagion, including a 25% plunge in the Turkish lira in August and Argentina securing a \$50 billion bailout from the IMF. Contagion events in EM economies, such as the Asian financial crisis in the 1990s, have been characterized by a trigger event that caused mass capital outflows, currency depreciation, rising domestic interest rates, and eventually recession. These economies have withstood multiple recent shocks, but the last serious emerging market contagion occurred nearly 20 years ago. This likely reflects material changes in these economies that have made them more resilient to exogenous events.

First, the development of local savings institutions has created a marginal buyer of debt when foreign investors sell that has helped combat interest rate shocks. Second, more emerging economies have moved to flexible exchange rate systems and accumulated significant FX reserves, which gives them more control to slow currency depreciation. Third, many emerging markets have trimmed their reliance on foreign capital, particularly in terms of hard currency debt. Overall, we believe emerging economies remain on solid footing, and provide investors with opportunities in both the short- and long-term.

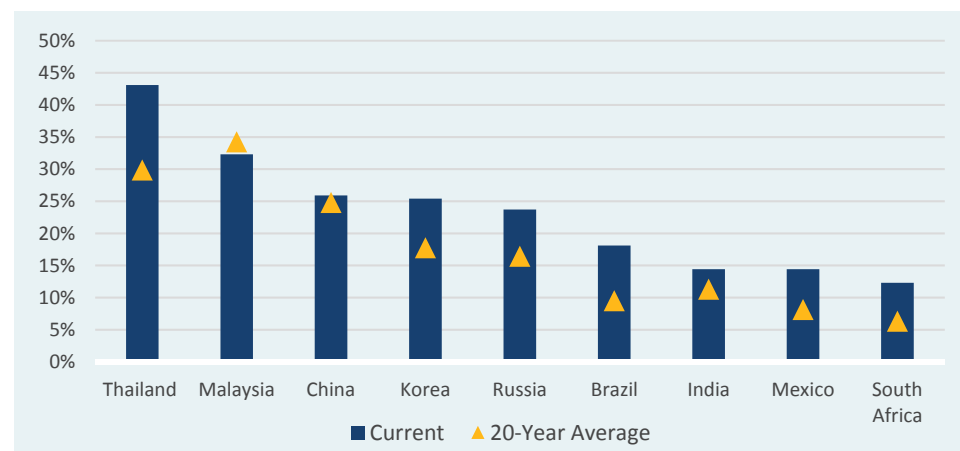
Economic contagion fears seem overblown

EMERGING VS. DEVELOPED ECONOMY REAL GDP GROWTH (YOY)



Source: IMF, as of 6/30/18

FX RESERVES (% OF GDP)



Source: IMF, GDP as of 6/30/18, FX reserves as of 8/31/18

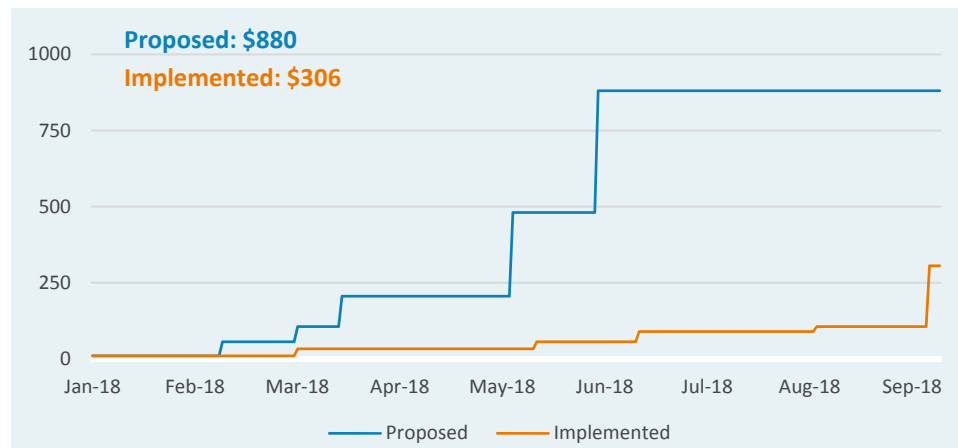
U.S.-China trade

Following the successful renegotiation of NAFTA, the Trump Administration has clearly focused in on U.S. and China trade terms. The U.S. implemented 10% tariffs on an additional \$200 billion of Chinese imports that may rise to a 25% rate at the beginning of next year if no progress is made in the meantime. China responded with retaliatory tariffs of 5-10% on \$60 billion of U.S. imports. Based on equity market reactions to this point, and the growing divide between U.S. and China market performance, it appears investors may be more concerned with the impact of trade on China. Chinese equities are down more than 30% from their recent peak in January, while U.S. equities have moved steadily higher.

As the conflict between the two side continues to drag on, it appears that this may be more than just a trade war. Recent developments, including U.S. sanctions on Chinese military leaders and naval run-ins in the South China Sea, point towards a much broader struggle centered around global hegemony. U.S. policy focused on confronting China's rise as a world power would represent a marked break from the past and widen the potential outcomes. If this is the case, the chances of a trade deal may be lower, and even the conclusion of a successful trade deal may not be a safe indicator of a return to stable relations between the two countries.

The U.S.-China conflict appears to be about more than just trade

U.S. IMPORTS SUBJECT TO TARIFFS (\$ BILLIONS)



Source: Verus, as of 9/30/18, only includes recently proposed or implemented tariffs

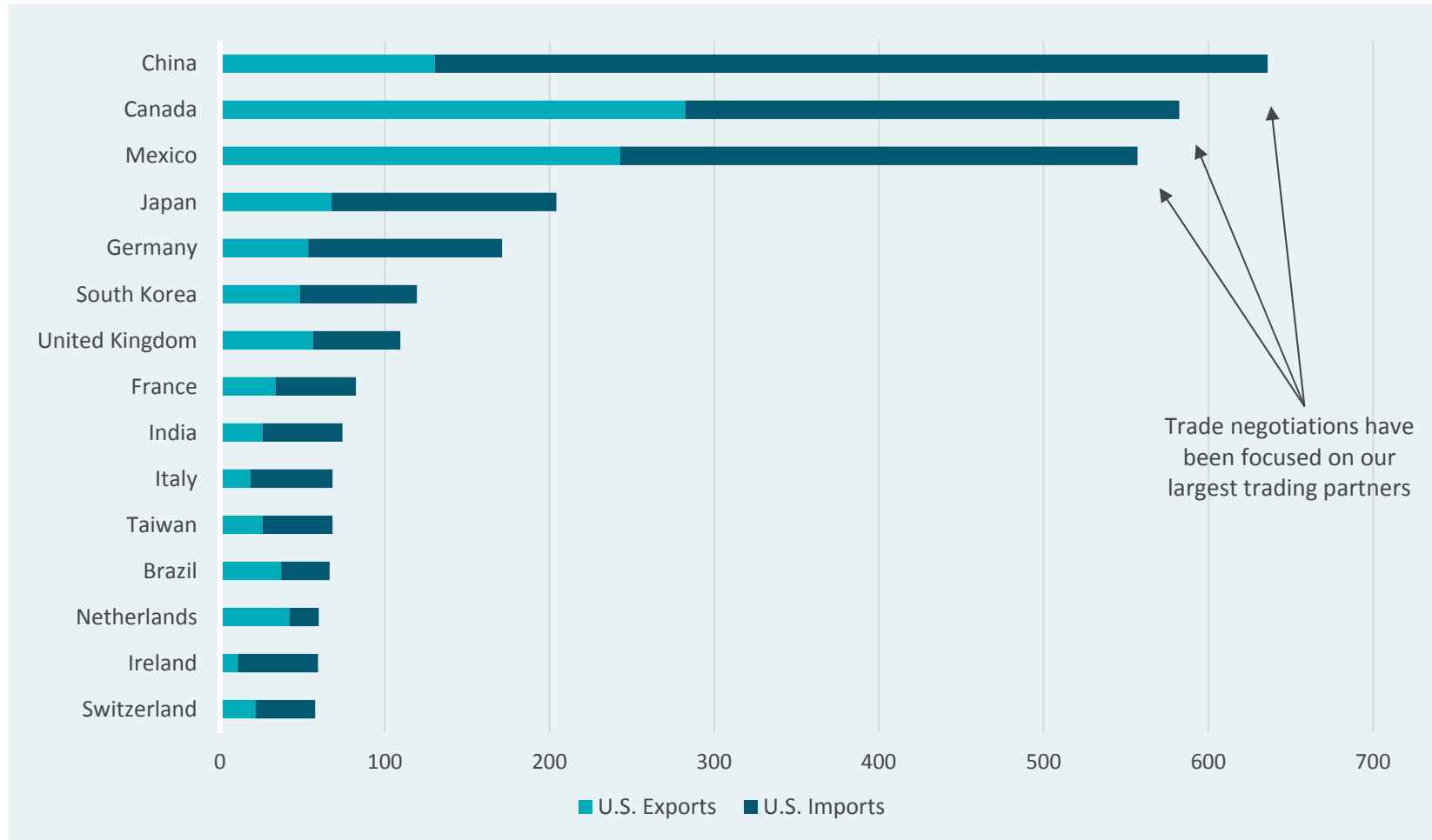
1-YEAR EQUITY PRICE MOVEMENT (INDEXED TO 100)



Source: Bloomberg, as of 9/30/18, China A shares are represented by the CSI 300 Index

U.S. trade

U.S. TRADING PARTNERS (\$BILLIONS)



U.S. negotiations have focused on our largest trade partners

NAFTA will be replaced by the U.S.-Mexico-Canada Agreement (USMCA)

Trade negotiations have been focused on our largest trading partners

Source: U.S. Census Bureau, year 2017

Fixed income rates & credit

Interest rate environment

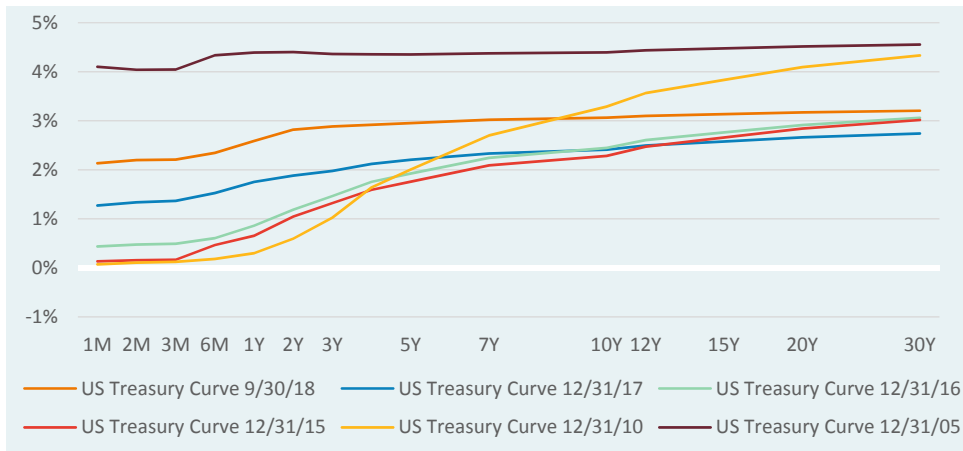
- The Federal Reserve raised the target range for the fed funds rate by 0.25%, to a range of 2.00%-2.25%. The odds for a December rate hike were 78%, as of October 8th.
- Fixed income yields around the world moved slightly higher during the quarter. The U.S. Treasury yield rose to a 7-year high of 3.23%, reigniting investor concerns over rising interest rates. The spread between 2- and 10-year yields has remained steady at around 30 bps.
- In September, the European Central Bank left interest rates unchanged, and confirmed its intent to leave rates at current levels “at least through the summer of 2019, and in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.” The ECB also stated that bond purchases of \$30 billion euros per month would be cut in half beginning in October, and would stop altogether at the end of the year.
- The yield spread between Italian and German 10-year bonds has exhibited significant volatility following Italy’s political shakeup in the second quarter. Discussions around compliance with European Union budget rules, and the general fear that Italy may push either for structural monetary policy changes, or to leave the Eurozone, contributed to a tumultuous quarter.
- Emerging market local and hard yields were rangebound in Q3, but remained elevated due to continued idiosyncratic risks in countries such as Turkey and Argentina.

Area	Short Term (3M)	10 Year
United States	2.19%	3.06%
Germany	(0.56%)	0.47%
France	(0.56%)	0.80%
Spain	(0.39%)	1.50%
Italy	0.01%	3.15%
Greece	1.12%	4.18%
U.K.	0.77%	1.57%
Japan	(0.13%)	0.13%
Australia	1.89%	2.67%
China	2.97%	3.63%
Brazil	6.58%	11.76%
Russia	7.02%	8.69%

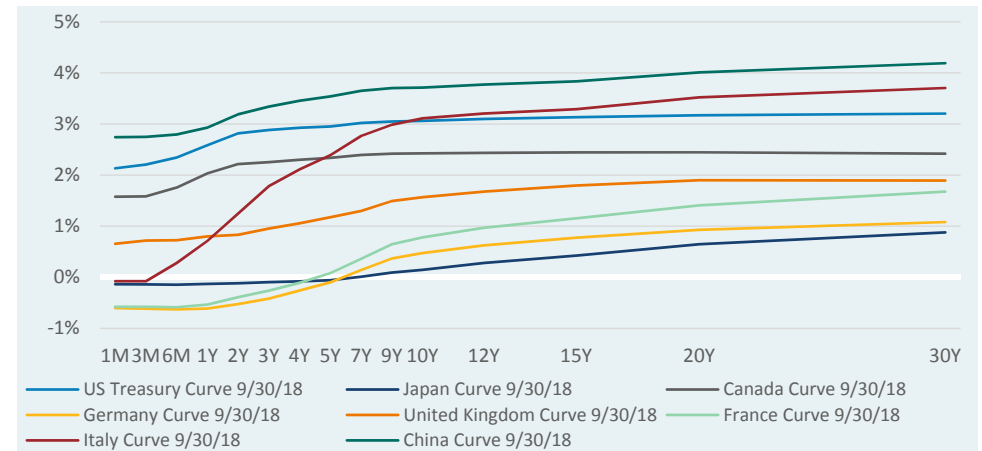
Source: Bloomberg, as of 9/30/18

Yield environment

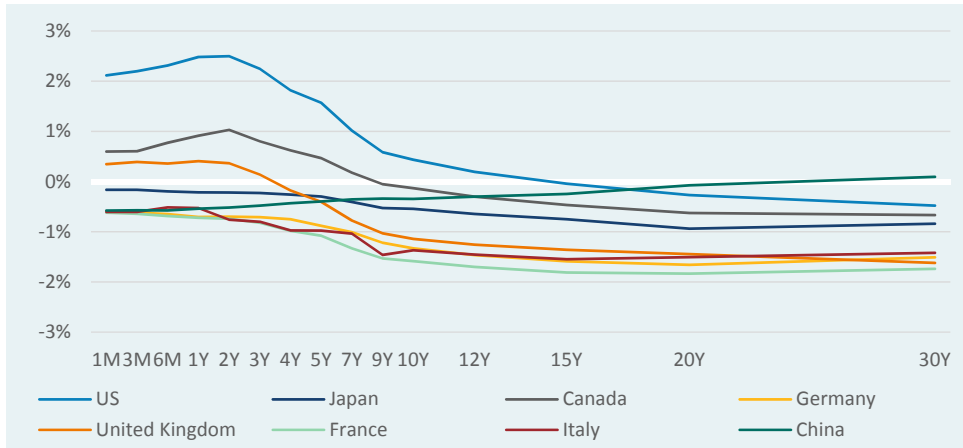
U.S. YIELD CURVE



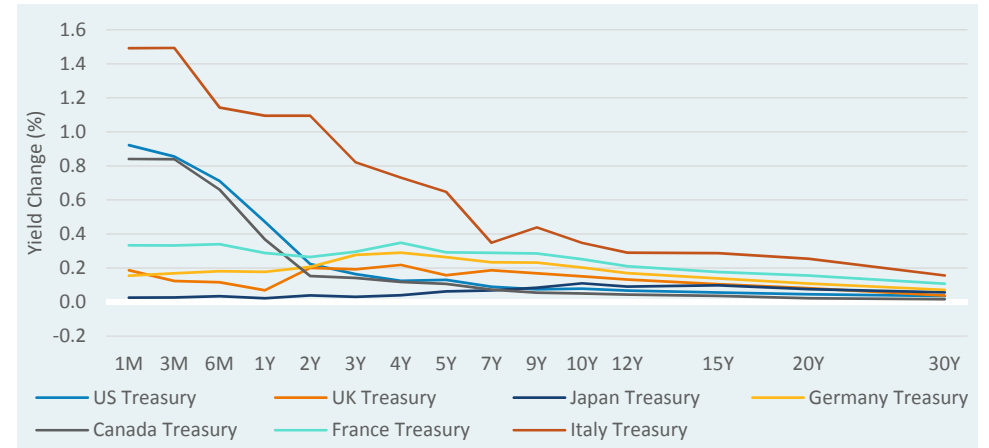
GLOBAL GOVERNMENT YIELD CURVES



YIELD CURVE CHANGES OVER LAST FIVE YEARS



IMPLIED CHANGES OVER NEXT YEAR



Source: Bloomberg, as of 9/30/18

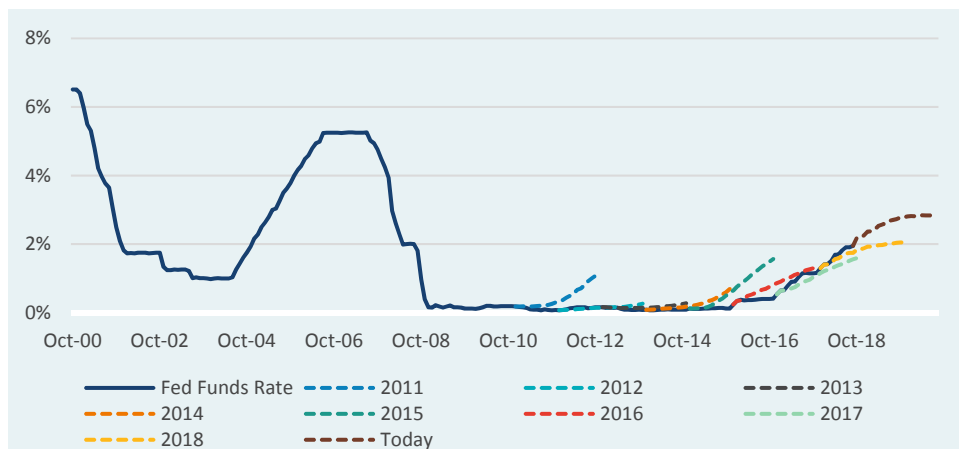
Fed tightening vs. expectations

The market raised its expectations for further Fed tightening during the quarter. Investors are now pricing in a fourth rate hike in December, but only two more through the end of 2020, which would bring the fed funds rate to near 3%. Meanwhile, Fed officials have communicated a slightly more aggressive path of tightening with expectations to increase the benchmark interest rate to 3.4% by the end of 2020.

Over the past few years, there has been an interesting shift in how Fed policy has come in relative to market

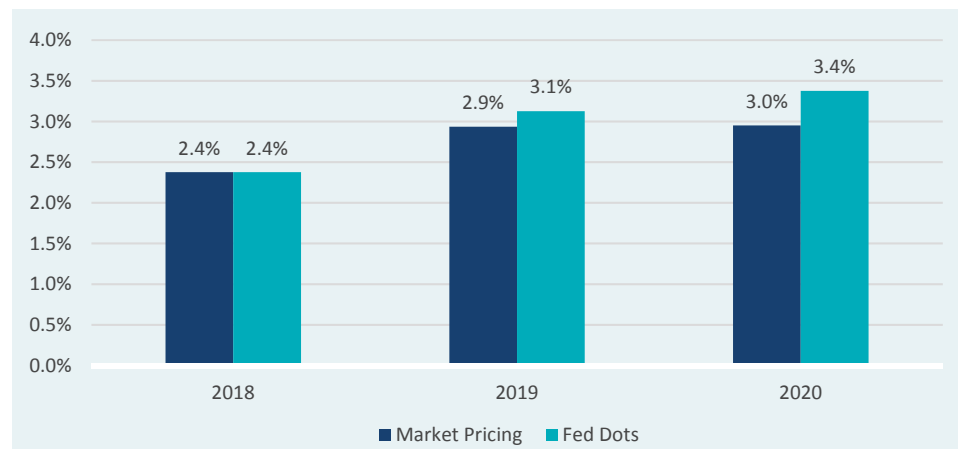
expectations. From 2010 to 2015, the market consistently overestimated when and by how much the Fed would hike rates. However, beginning in 2016 the Fed has been more aggressive than the market expected. Given the current differences between market pricing and Fed expectations, this trend has the potential to continue, which would likely act as a headwind to financial asset prices. However, it is important to remember that official guidance from the Fed dot plot assumes that economic conditions unfold as expected. Based on the uncertain future state of the economy, the Fed may be cautious relative its current expectations.

FED FUNDS RATE VS. MARKET EXPECTATIONS



Source: Bloomberg, as of 9/30/18, dotted lines are forward pricing at the start of the year

FED FUNDS EXPECTATIONS AT YEAR-END



Source: Bloomberg, Federal Reserve, as of 10/8/18

Credit environment

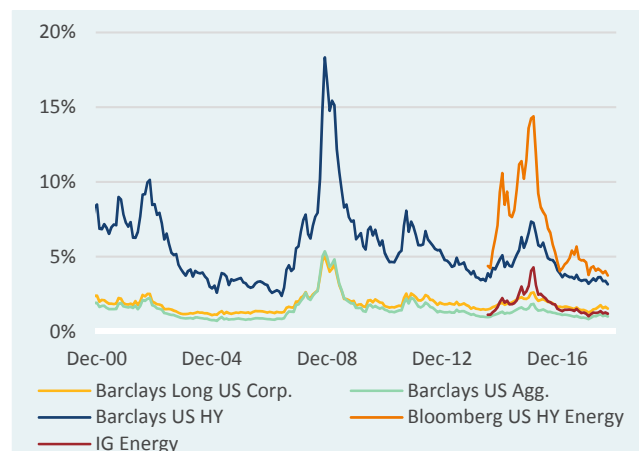
Spreads in both bank loans and high yield credit are well below their historical averages. Loans are outperforming high yield bonds for only the second time in the last 13 years. Bank loans have limited duration risk due to their floating-rate nature, which is a quality that some investors have seen as attractive due to the rising rate story. However, credit quality in bank loans has deteriorated throughout the cycle as covenant-lite loans have dominated new issuance. While bank loans offer interest rate protection and a small spread premium over high yield, investors may be paying for this by taking greater downside risk.

U.S. high yield option-adjusted spreads tightened to a decade low in September, despite concerns over a global growth slowdown, rising U.S. Treasury yields, and a volatile landscape in emerging markets. The asset class generated a 2.4% total return over the quarter.

Based on low interest rates and tight spreads, we do not believe investors are being properly compensated for credit risk and recommend an underweight to U.S. investment and high yield credit.

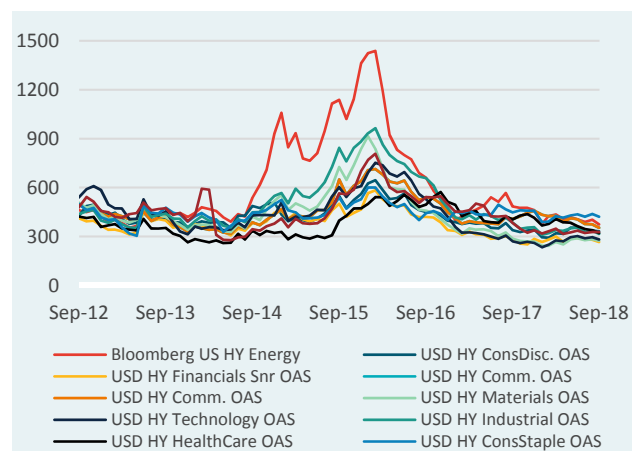
Credit spreads are tight across the capital structure

SPREADS



Source: Barclays, Bloomberg, as of 9/30/18

HIGH YIELD SECTOR SPREADS (BPS)



Source: Bloomberg, as of 9/30/18

Market	Credit Spread (OAS 9/30/18)	Credit Spread (1 Year Ago)
Long US Corporate	1.5%	1.5%
US Aggregate	1.0%	1.0%
US High Yield	3.2%	3.5%
US Bank Loans*	3.7%	4.2%

Source: Barclays, Credit Suisse, Bloomberg, as of 9/30/18

*Discount margin 4-year life

Issuance and default

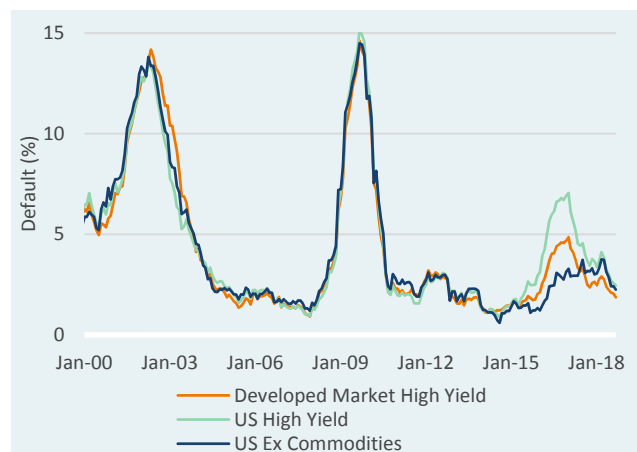
Default activity has been low and stable in the U.S. credit market. The par-weighted default rate remains below its long-term average of 3.0-3.5%, currently at 2.0% for high yield bonds. Total default activity in the last six months encompassed five defaults and \$3.8 billion in affected bonds and loans, the lightest volume over a six-month period since June 2011.

Senior loan and high yield markets have essentially recovered from a wave of defaults seen in 2015-2016, generated from the energy and metals/mining sectors.

Recovery rates for high yield bonds have vastly improved since that time.

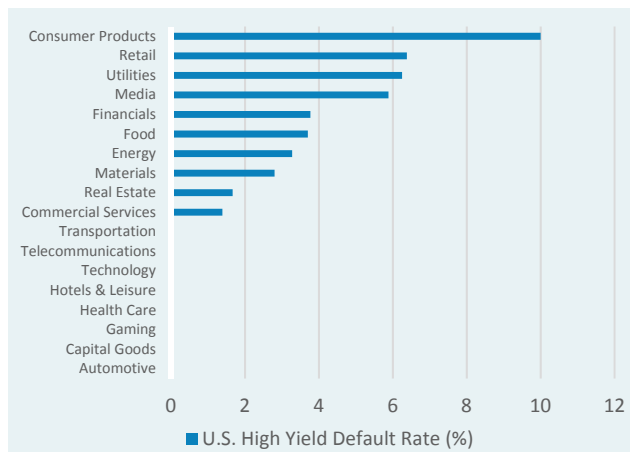
High yield new issue activity has totaled \$175 billion so far this year, which is down 35% over the same period a year ago. Meanwhile, issuance in leveraged loans totaled \$611 billion year-to-date. Notably, repricing activity represents 38% of total volume. New issue spreads continue to compress with strong demand supported by significant retail and institutional inflows into both high yield and senior loan asset classes, as well as CLO formation.

HY DEFAULT TRENDS (ROLLING 1 YEAR)



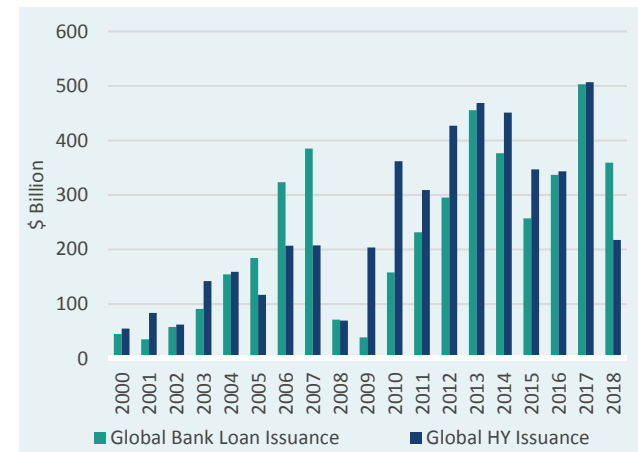
Source: BofA Merrill Lynch, as of 9/30/18

HY SECTOR DEFAULTS (LAST 12 MONTHS)



Source: BofA Merrill Lynch, as of 9/30/18 – par weighted

GLOBAL ISSUANCE (BILLIONS)



Source: Bloomberg, BofA Merrill Lynch, as of 9/30/18

Equity

Equity environment

- U.S. equities delivered strong returns during the quarter (S&P 500 +7.7%), and have outperformed year-to-date. We remain concerned about the large valuation difference between U.S. and international equities, though the relatively positive outlook for the domestic economy should justify some of the valuation difference.
- Emerging market equities delivered slight losses in Q3, but seem to have stabilized as currency depreciation subsided (MSCI Emerging Markets Index -1.1%, JP Morgan EM Currency Index -1.6%). Many emerging market currencies have rebounded from their lows. We maintain a positive outlook on emerging market equities.
- Developed non-U.S. equities have remained range bound following the selloff in the first quarter. International equity performance outside of emerging markets has been flat (MSCI EAFE +1.4% unhedged, +2.9% hedged).
- Another strong quarter of U.S. corporate earnings is expected in Q3 on both an absolute and relative basis. S&P 500 earnings and revenue growth is expected to be 19.3% and 6.9% YoY, respectively. Earnings growth in 2019 is expected to be 10.2% YoY.
- Large cap equities (Russell 1000 7.4%) outperformed small cap (Russell 2000 3.6%) during the quarter. Value stocks lagged growth by a similar margin (Russell 1000 Value 5.7% vs. Russell 1000 Growth 9.2%).
- The performance gap between growth and value equities widened further in Q3. The differential continued to be driven by strong returns generated by large names in the tech sector.

	QTD TOTAL RETURN		YTD TOTAL RETURN		1 YEAR TOTAL RETURN	
	(unhedged)	(hedged)	(unhedged)	(hedged)	(unhedged)	(hedged)
US Large Cap (Russell 1000)	7.4%		10.5%		17.8%	
US Small Cap (Russell 2000)	3.6%		11.5%		15.2%	
US Large Value (Russell 1000 Value)	5.7%		3.9%		9.5%	
US Large Growth (Russell 1000 Growth)	9.2%		17.1%		26.3%	
International Large (MSCI EAFE)	1.4%	2.9%	0.1%	2.9%	2.7%	7.1%
Eurozone (Euro Stoxx 50)	(0.2%)	1.2%	(2.5%)	1.6%	(4.6%)	(0.3%)
U.K. (FTSE 100)	(1.8%)	(0.2%)	(2.7%)	2.0%	3.2%	7.4%
Japan (NIKKEI 225)	6.2%	8.7%	6.8%	7.4%	19.7%	20.7%
Emerging Markets (MSCI Emerging Markets)	(1.1%)	(0.2%)	(7.7%)	(3.8%)	(0.8%)	1.9%

Source: Russell Investments, MSCI, STOXX, FTSE, Nikkei, as of 9/30/18

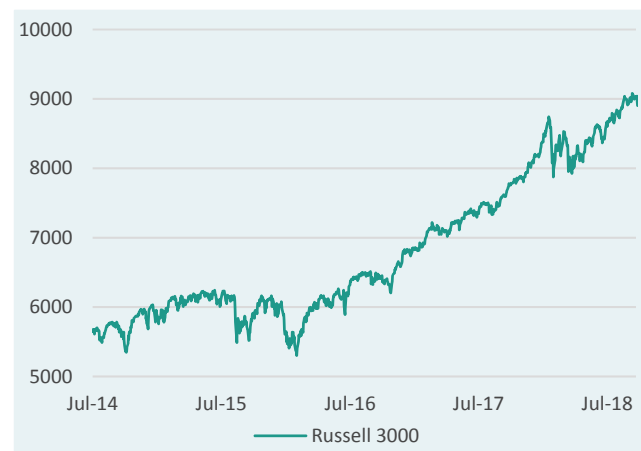
Domestic equity

U.S. equities delivered strong returns during the quarter (S&P 500 +7.7%), and have outperformed year-to-date. Fears of trade conflict crowded the headlines, with the focus nearly all on China as the U.S. successfully concluded negotiations with other trading partners. Equity markets on both sides have generally rallied on news of potential resolution, though the performance gap between U.S. and Chinese equities has trended wider. Trade frictions will likely remain a headwind to performance.

Another strong quarter of U.S. corporate earnings is expected in Q3 on both an absolute and relative basis. S&P 500 earnings and revenue growth are expected to be 19.3% and 6.9% YoY, respectively. Earnings growth in 2019 is expected to be 10.2% YoY. If analyst forecasts are as overly optimistic as they typically are, this would put 2019 earnings growth at a more average rate of 5-6%. While average earnings growth can be conducive to moderate positive equity returns, current relatively high valuations could case concerns once growth rates decelerate.

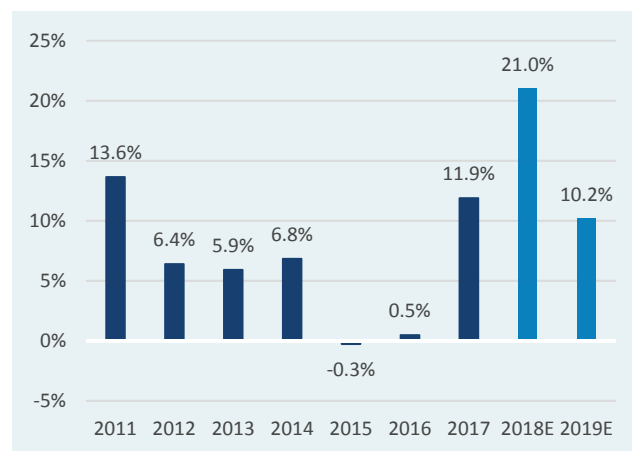
U.S. equities have risen with earnings growth and strong fundamentals, despite trade concerns

U.S. EQUITIES



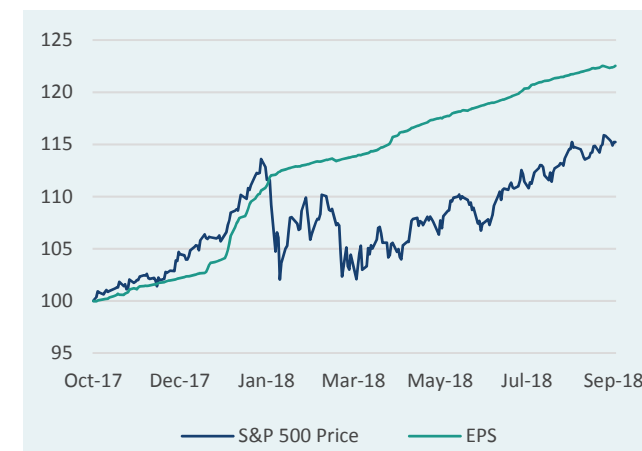
Source: Russell Investments, as of 9/30/18

CALENDAR YEAR EARNINGS GROWTH



Source: FactSet, as of 10/12/18

S&P 500 PRICE & EARNINGS



Source: Bloomberg, as of 9/30/18

Domestic equity size & style

Large cap equities (Russell 1000 7.4%) outperformed small cap equities (Russell 2000 3.6%) during the quarter.

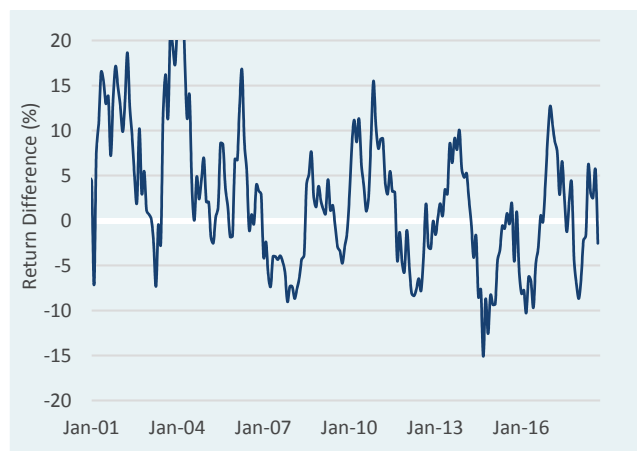
Growth stocks outpaced value stocks by a similar margin (Russell 1000 Growth 9.2% vs. Russell 1000 Value 5.7%).

Differences between sector composition in large-cap style benchmarks have explained much of the recent growth outperformance. Nearly 50% of the Russell 1000 Growth Index is in the more cyclical Information Technology and Consumer Discretionary sectors, which have been by far

and away the best performing sectors over the past year.

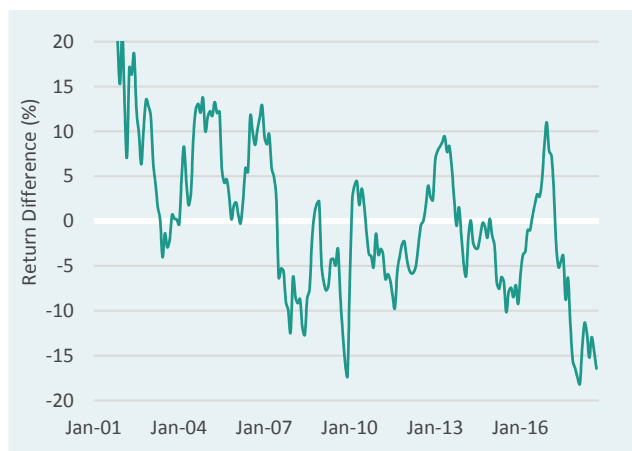
Size and value factor performance continues to frustrate investors. While the extent of underperformance is not anomalous, it may be testament to the long-term nature of factor investing. Unless an investor believes that these risk premia no longer exist, maintaining exposure and avoiding capitulation should be the primary goal.

SMALL CAP VS LARGE CAP (YOY)



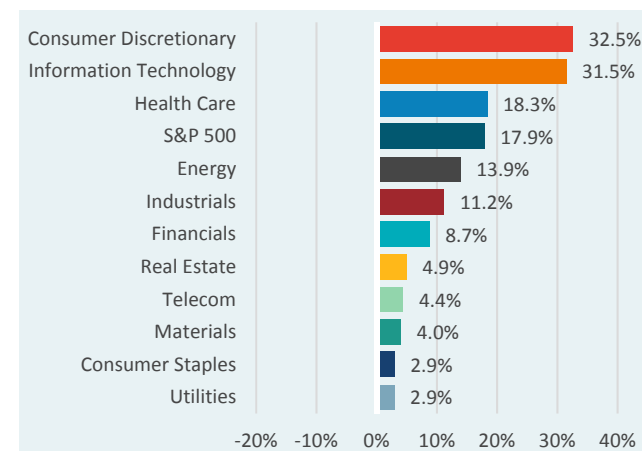
Source: FTSE, as of 9/30/18

VALUE VS GROWTH (YOY)



Source: FTSE, as of 9/30/18

1-YEAR S&P 500 SECTOR RETURNS



Source: Morningstar, as of 9/30/18

International developed equity

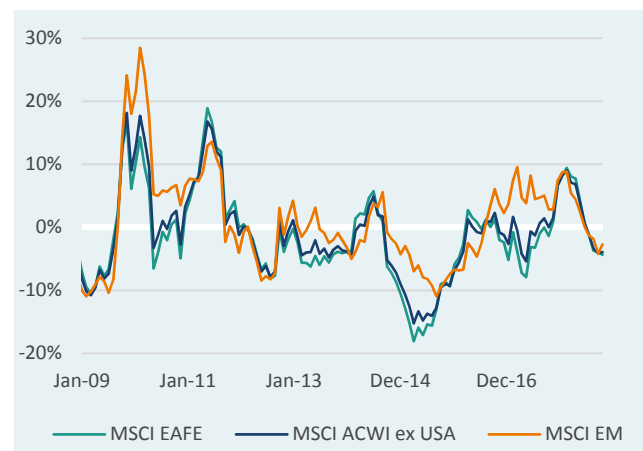
Unhedged international equities underperformed U.S. equities during Q3 (MSCI EAFE +1.4% vs. S&P 500 +7.7%). On a currency hedged basis, international equities delivered returns of 2.9%.

Currency movement continued to create losses for unhedged equity investors. U.S. investors that hedged their international equity exposure outperformed their unhedged peers by approximately 5% year-to-date (MSCI EAFE Index).

Regional divergence in earnings remained a story in Q3. Year-over-year growth in forward earnings reached 23% for U.S. equities, while estimates fell from 14% to 9% in emerging markets and from 12% to 10% in international developed markets, according to MSCI estimates.

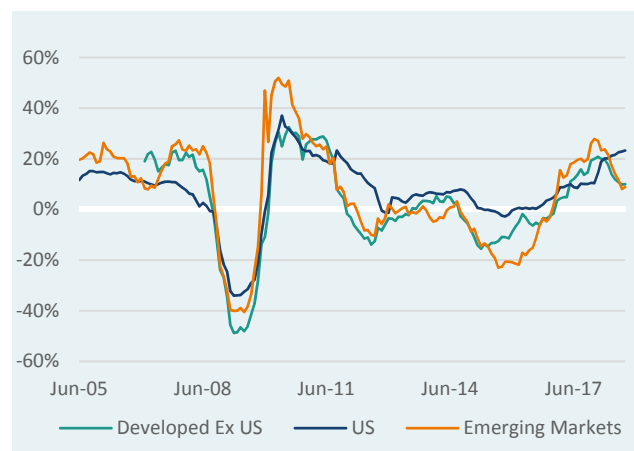
Differences in forward P/E multiples between U.S. and non-U.S. equities remained high. At quarter-end, this valuation gap relative to international developed equity ranked in the 96th percentile since 2005. The U.S.-EM valuation gap ranked in the 89th percentile over the same period.

EFFECT OF CURRENCY (1-YEAR ROLLING)



Source: MSCI, as of 9/30/18

EARNINGS GROWTH (YOY)



Source: MSCI, as of 9/30/18 – YoY growth in forward earnings

FORWARD P/E SPREADS RELATIVE TO U.S.



Source: MSCI, as of 9/30/18

Emerging market equity

Emerging market equities delivered a slight loss in Q3 but seem to have stabilized as currency depreciation subsided (MSCI Emerging Markets Index -1.1%, JP Morgan EM Currency Index -1.6%). Many of these currencies have rebounded from their lows.

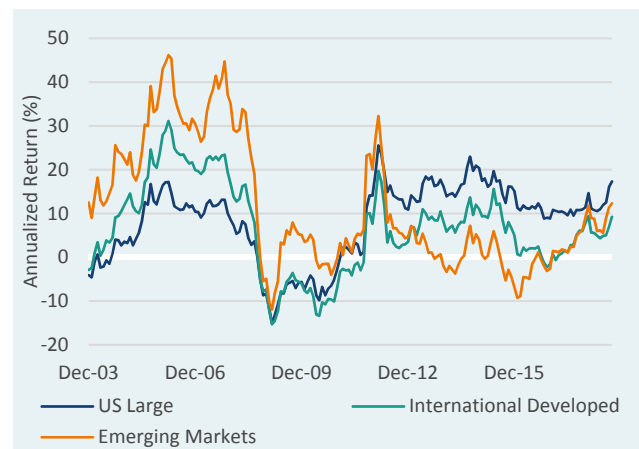
Developed markets are expected to grow less quickly in the coming years while emerging economic growth is expected to rise. A positive growth premium of emerging economies relative to developed economies has

historically acted as a tailwind for EM outperformance.

We believe positive emerging economy growth trends, attractive valuations, a strong earnings environment, and depressed currencies should provide an environment of strong relative equity performance across these markets.

Conditions remain positive for medium-term EM equity performance, though volatility may persist

EQUITY PERFORMANCE (3YR ROLLING)



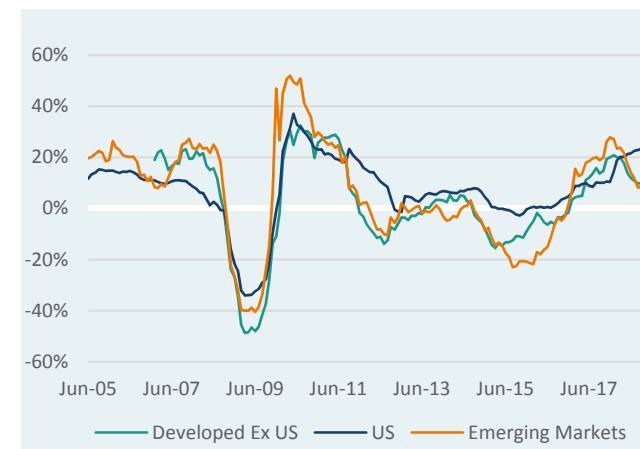
Source: Standard & Poor's, MSCI, as of 9/30/18

GDP GROWTH EXPECTATIONS (%)



Source: Bloomberg, as of 9/30/18

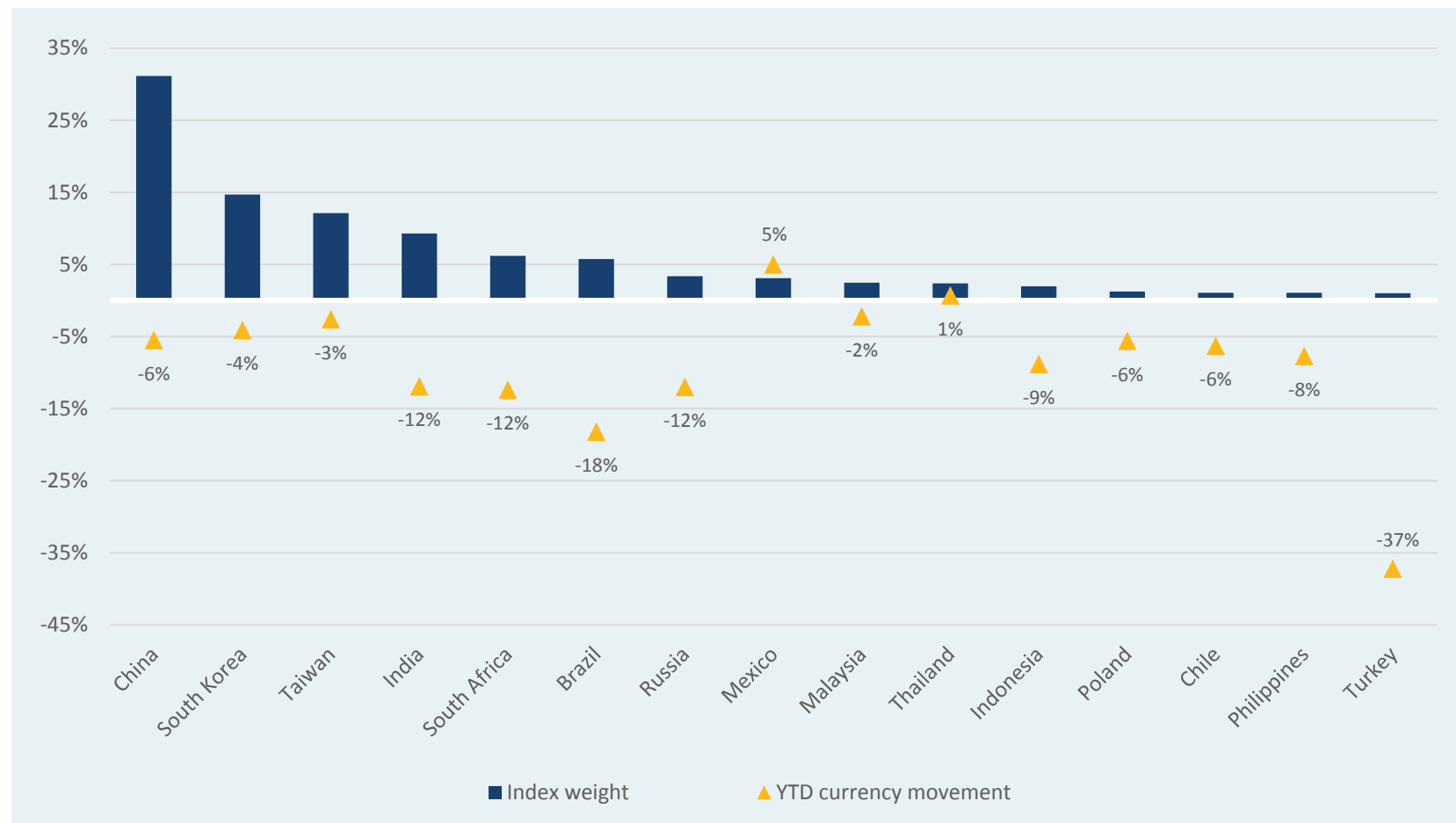
EARNINGS GROWTH (YOY)



Source: MSCI, as of 9/30/18 – YoY growth in forward earnings

Emerging market currency movement

Currency moves across most of EM are in-line with DM (~5% depreciation)



South Africa, Brazil, and Russia are causing greater currency pain in EM

Many of these currencies have recovered some of their losses

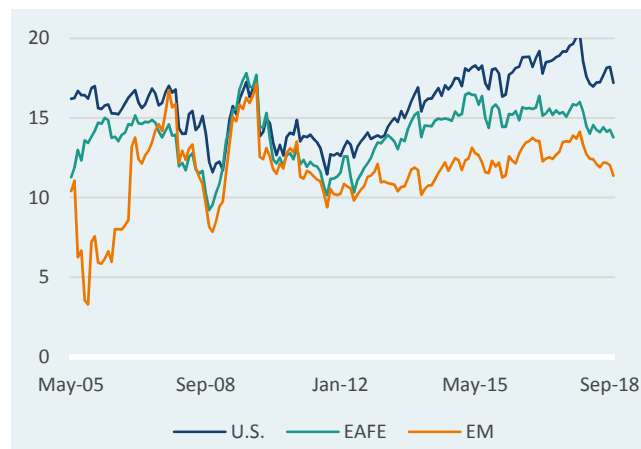
Source: MSCI, Bloomberg, as of 9/30/18

Equity valuations

Forward equity P/E multiples moved lower during the quarter and year-to-date as strong earnings growth expectations came to fruition. We remain concerned about the large valuation difference between U.S. and international equities, though the relatively positive domestic economic outlook and strong expected earnings growth through year-end should justify some of the valuation difference. However, because a significant portion of U.S. earnings outperformance has been due to a one-time tax cut, it may become more difficult to justify the valuation disparity beyond 2018.

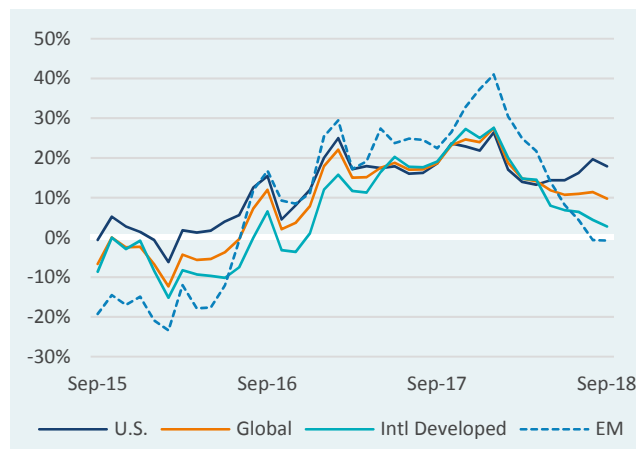
Looking at markets through our *carry, value, trend, and macro* lens, carry and value have improved through lower prices and higher underlying earnings. Trend has flattened out in international markets as equity performance has been rangebound year-to-date. The macro environment has weakened outside the U.S., with economic data indicating a more average backdrop.

FORWARD P/E RATIOS



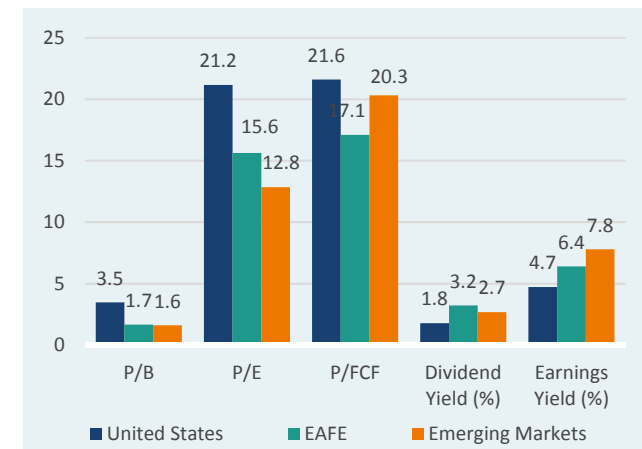
Source: MSCI, as of 9/30/18

MOMENTUM (1YR)



Source: Standard & Poor's, MSCI, as of 9/30/18

VALUATION METRICS (3-MONTH AVERAGE)



Source: Bloomberg, as of 9/30/18 - trailing P/E

Equity volatility

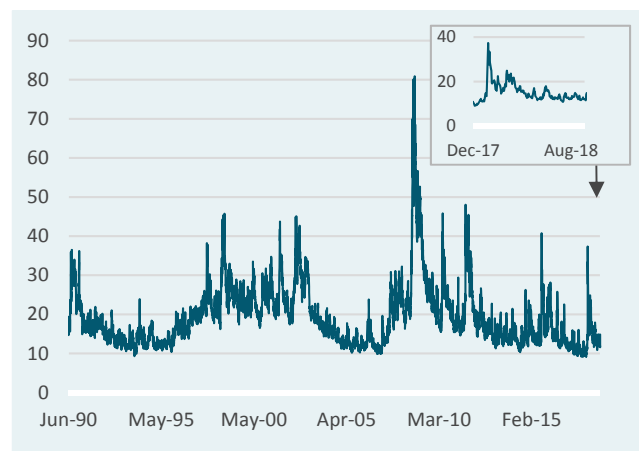
U.S. equity volatility remains muted. The VIX index ranged from 11 to 16 for the entirety of the quarter. Despite such an extended period of below-average volatility, it may be helpful to remember that the VIX Index has averaged 19.3 since 1990. Volatility has remain depressed or elevated for extended periods of time.

Realized volatility of the S&P 500 was below average at 9.1%. International equities have also exhibited muted volatility (MSCI EAFE 9.1%, MSCI Emerging Markets 13.3%).

Stories of idiosyncratic emerging market crises dominated news headlines over the quarter. However, emerging market equity volatility is at an average level (MSCI EM). At the end of the third quarter, the one-month implied volatility of the index was 17.1%, slightly below its three-year average of 18.5%. In Q3, the MSCI EM Index fell 1.1%, bringing the year-to-date decline to 7.7%.

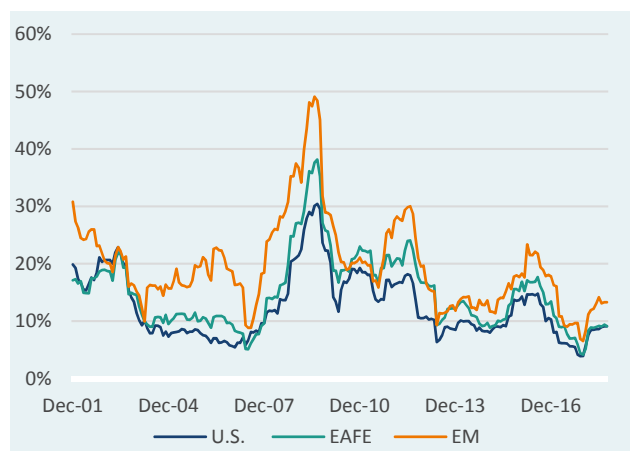
Global equity volatility remained below average

U.S. IMPLIED VOLATILITY (VIX)



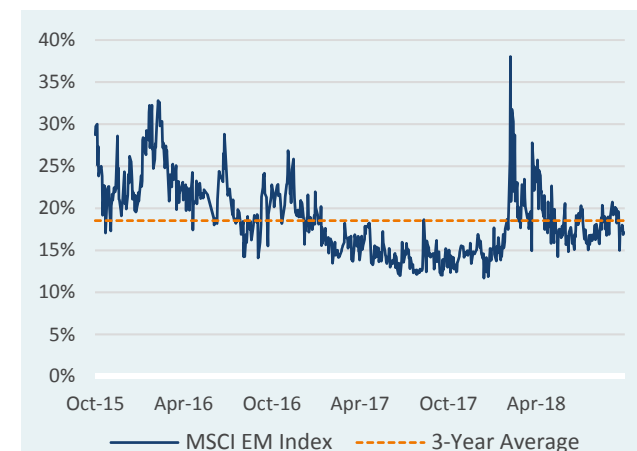
Source: CBOE, as of 9/30/18

REALIZED 1-YEAR ROLLING VOLATILITY



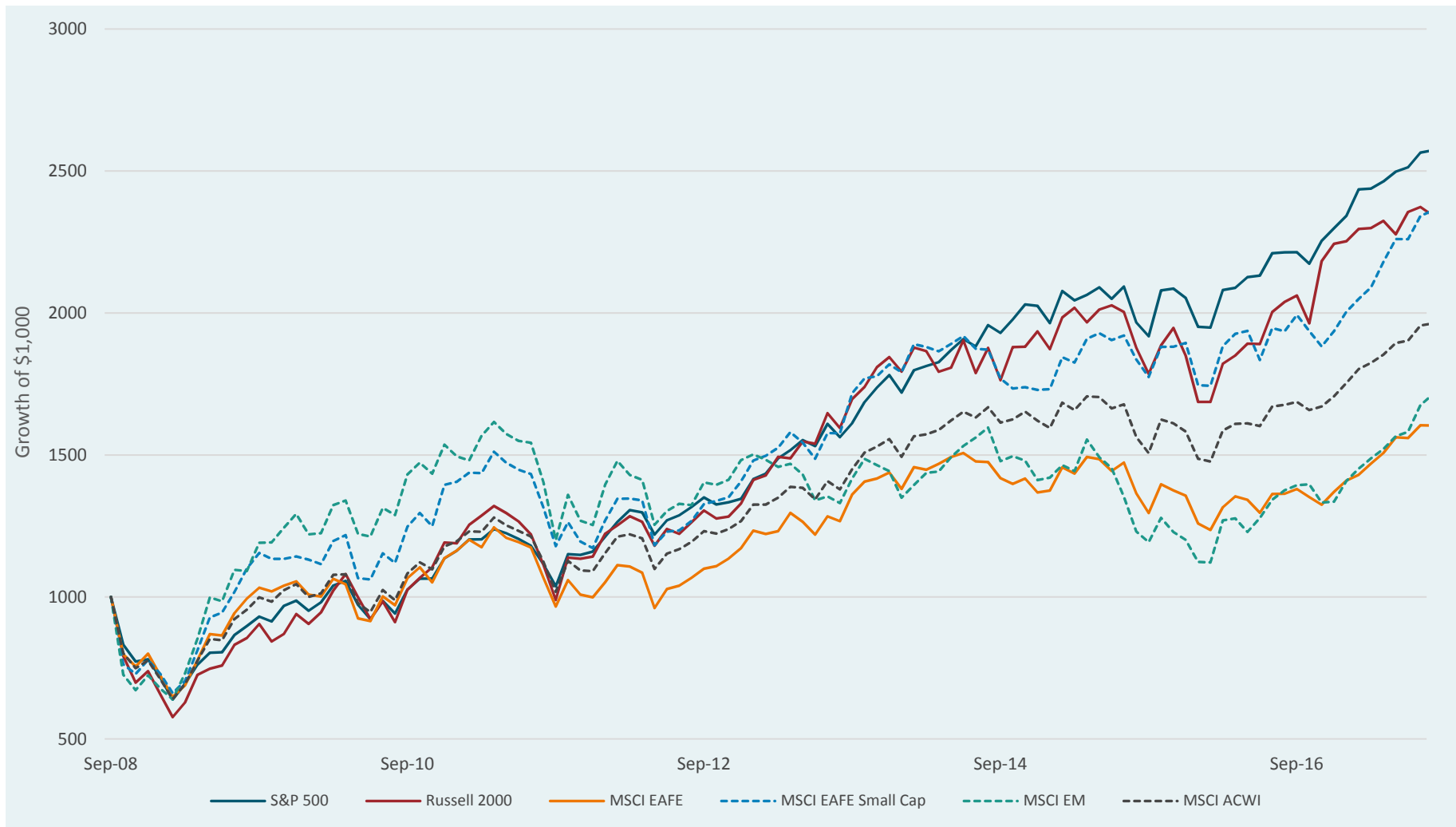
Source: Bloomberg, as of 9/30/18

MSCI EM INDEX 1-MONTH IMPLIED VOLATILITY



Source: Bloomberg, as of 9/30/18

Long-term equity performance



Source: Morningstar, as of 9/30/18

Other assets

Currency

The U.S. dollar appreciated 1% during the quarter on a trade-weighted dollar basis. A stable dollar going forward would help dampen the volatility of unhedged equity investments, particularly in emerging markets where currency moves have been larger. Some of the worst performing emerging market currencies have partially recovered from 2nd quarter losses.

Major currencies have fluctuated widely relative to the U.S. dollar in 2018. Most currencies strengthened through the first quarter, but this trend reversed when international economic growth began to show weakness, which helped

push up the value of the dollar. Because foreign currencies have been positively correlated with equity markets, these movements have added to total volatility.

Wide short-term interest rate differentials between the U.S. and the rest of the world have created a tailwind for those hedging U.S. dollar exposures. For example, based on current FX forward pricing, an investor would lock in an annualized gain of 3.3% when hedging the euro, which is typically the biggest foreign currency exposure in portfolios.

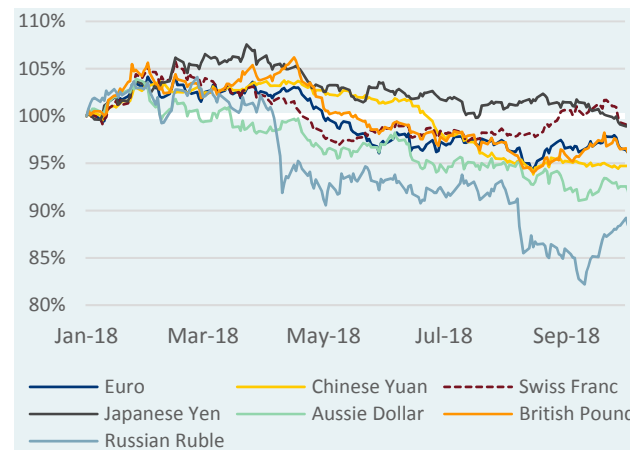
The U.S. dollar materially appreciated, reversing a multi-year downtrend

U.S. DOLLAR TRADE WEIGHTED INDEX



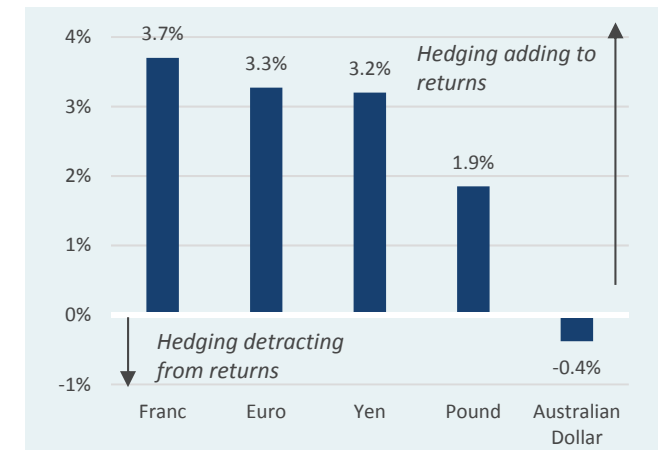
Source: Federal Reserve, as of 9/30/18

USD MOVES VS MAJOR CURRENCIES



Source: Verus, Bloomberg, as of 9/30/18

ANNUALIZED FX HEDGING COSTS (GAINS)



Source: Bloomberg, as of 9/30/18, based on 3-month FX forwards

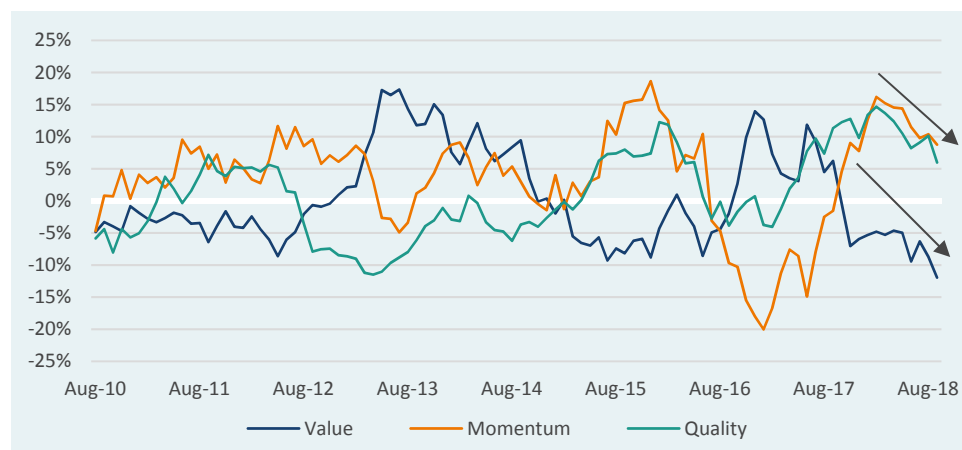
Alternative beta

Alternative beta strategies have suffered sharp losses so far this year, near a two standard deviation downside event for many strategies based on historical returns and volatility. Returns from managers we follow were better in the third quarter, but most strategies are still digging out of a hole created in the first two quarters of the year. Factor exposure, in particular equity value, can help explain some of the poor performance. The long drawdown in the value factor has come at a time when other factors that are often relied on in alt beta strategies, including trend-following and short volatility, have also experienced losses. The magnitude of the

drawdown in the value factor is within normal bounds based on history, but it has been the longest on record. Momentum in U.S. equities has performed well, but this has not been enough to offset negative value returns.

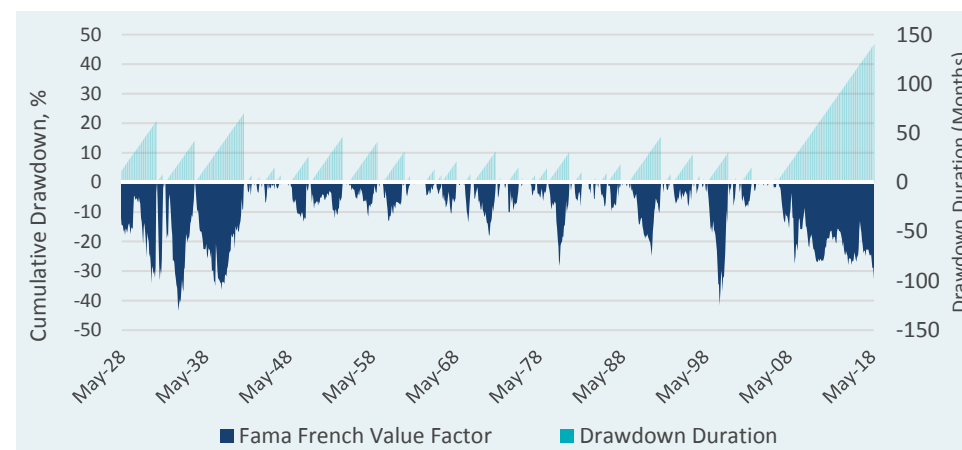
We reiterate our belief that alternative beta strategies are not “broken” per se, but instead have reflected extreme drawdowns in some factors and muted returns in others. We will continue to closely monitor these strategies and engage in frequent discussions with managers.

U.S. MARKET NEUTRAL FACTOR PERFORMANCE (12-MONTH ROLLING)



Source: S&P Dow Jones, Thematic Market Neutral Indices, as of 9/30/18

VALUE FACTOR DRAWDOWN MAGNITUDE AND DURATION



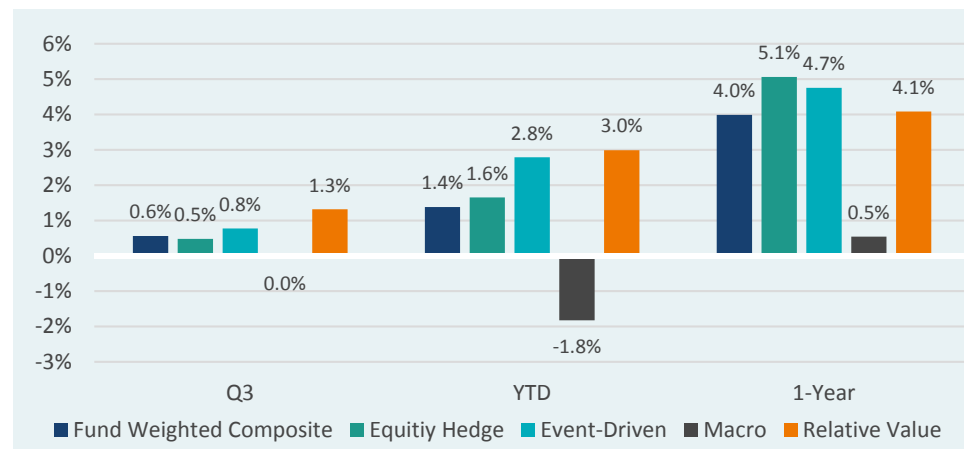
Source: Kenneth French Data Library, as of 8/31/18

Hedge funds

Hedge funds delivered modestly positive results across strategies in Q3 (HFRI Fund Weighted Composite +0.6%). Equity-focused managers had mixed results. Funds specializing in health care (+5.0%) stood out as strong performers. At the beginning of the quarter, growth-oriented managers had enjoyed a run of favorable results relative to value-oriented peers dating back to Q4 2017. Growth manager results relative to peers suffered as a narrow set of high growth equity names sold off in the quarter. Many other equity-focused managers were marginally positive or flat. Emerging market fund results ranged from small losses in Latin America to significant losses in China and India.

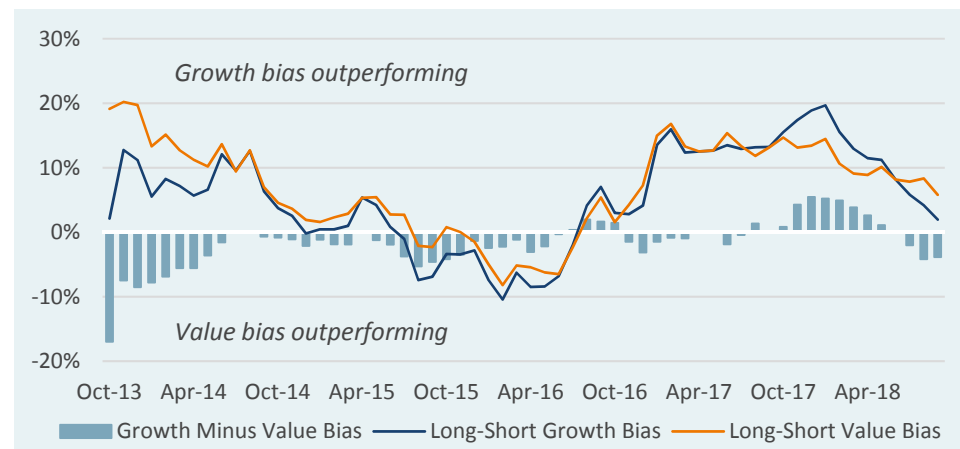
Within the fixed income markets, managers that focused on the credit and asset-backed securities sectors, in aggregate, were up about +1.5% for the quarter. Most other fixed income focused investment styles were modestly positive to flat for the period. Due to the relatively tight credit spreads, many credit-oriented managers are now carefully allocating capital to idiosyncratic long positions to protect against downside losses from a potential increase in spreads.

HFRI HEDGE FUND STYLE PERFORMANCE



Source: HFRI, as of 9/30/18

GROWTH VS VALUE BIAS IN LONG-SHORT EQUITY MANAGERS (1-YR ROLLING PERFORMANCE)



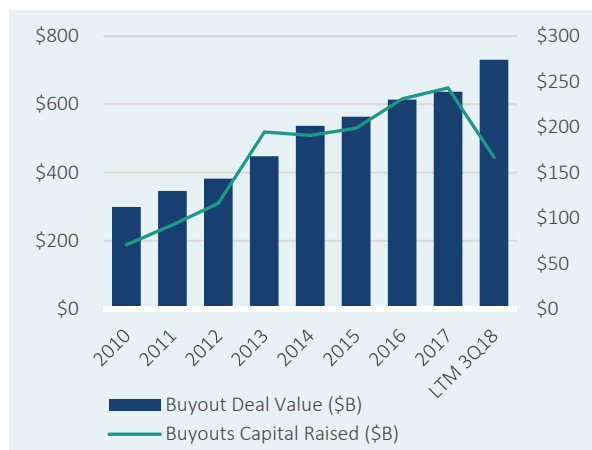
Source: HFRI, as of 9/30/18

Private markets

Deals increased in buyouts and venture; multiples are steady; buyout fundraising has slowed

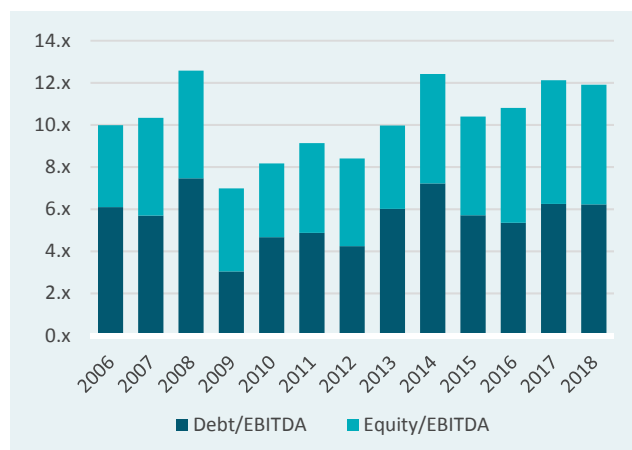
- Buyout activity has continued to increase in 2018. Through the third quarter buyouts are up 25% and 24% when measured by dollar value and number of transactions, respectively. The size of the average buyout is virtually unchanged from 2017 (\$142 million). Unlike deal flow, fund capital raising has slowed from the peaks of 2017. Only 143 buyout funds representing \$121 billion closed so far this year, down from 184 funds representing \$178 billion through the same period last year. Trailing-twelve-month funds raised is down 25% from a record \$224 billion in 2017.
- Buyout multiples are largely unchanged from 2017. Average EV/EBITDA is 11.9x through September 30, 2018 (down from 12.1x in 2017) with debt multiples averaging 5.7x through the third quarter. Debt as a percentage of transaction value remains at 50%, which is down from 60% in 2013.
- Venture capital fundraising and deal volumes continue to set records. \$32 billion of venture capital has been raised in the U.S. through the first 9 months of 2018, an increase of 33% over the same period last year. Similarly, venture deals are up 37%. In fact, year-to-date venture deal volume (\$84 billion) exceeds the record of \$82 billion that was set in 2017.
- Balancing high deal multiples and a growing number of deals against a slowdown in fundraising, we advocate selectivity in fund investments.

BUYOUTS DEAL VOLUME & CAPITAL RAISED



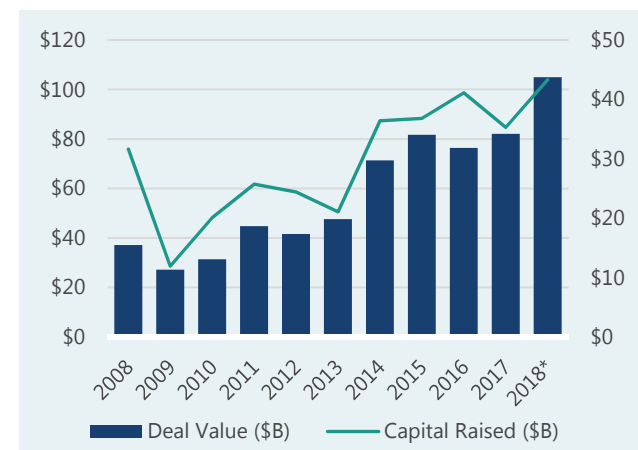
Source: PitchBook

TRANSACTION MULTIPLES



Source: PitchBook

VENTURE DEAL VOLUME & FUNDRAISING



Source: PitchBook

Appendix

Periodic table of returns

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	5-Year	10-Year
Large Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	17.1	16.6	14.3
Small Cap Growth	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	15.8	13.7	12.7
Small Cap Equity	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	11.5	12.1	12.1
Large Cap Equity	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	10.5	11.1	11.1
Small Cap Value	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	7.1	10.7	9.8
Large Cap Value	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	3.9	9.9	9.5
Real Estate	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	3.5	9.2	6.3
60/40 Global Portfolio	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	1.4	5.6	6.2
Cash	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	1.3	4.4	5.4
Hedge Funds of Funds	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	1.2	3.6	5.4
International Equity	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	5.1	-1.4	3.2	3.8
US Bonds	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-1.6	2.2	2.6
Commodities	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-2.0	0.5	0.3
Emerging Markets Equity	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-7.7	-7.2	-6.2

Large Cap Equity

Large Cap Value

Large Cap Growth

Small Cap Equity

Small Cap Value

Small Cap Growth

International Equity

Emerging Markets Equity

US Bonds

Cash

Commodities

Real Estate

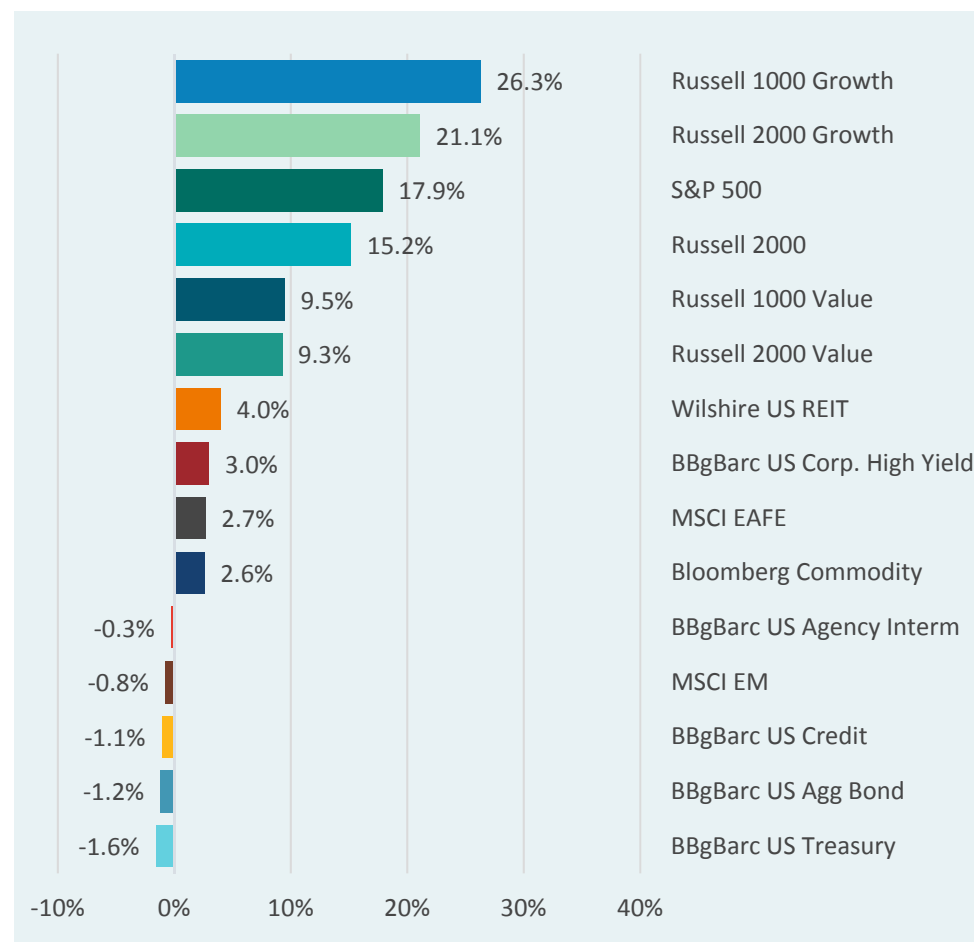
Hedge Funds of Funds

60% MSCI ACWI/40% BBgBarc Global Bond

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 6/30/18.

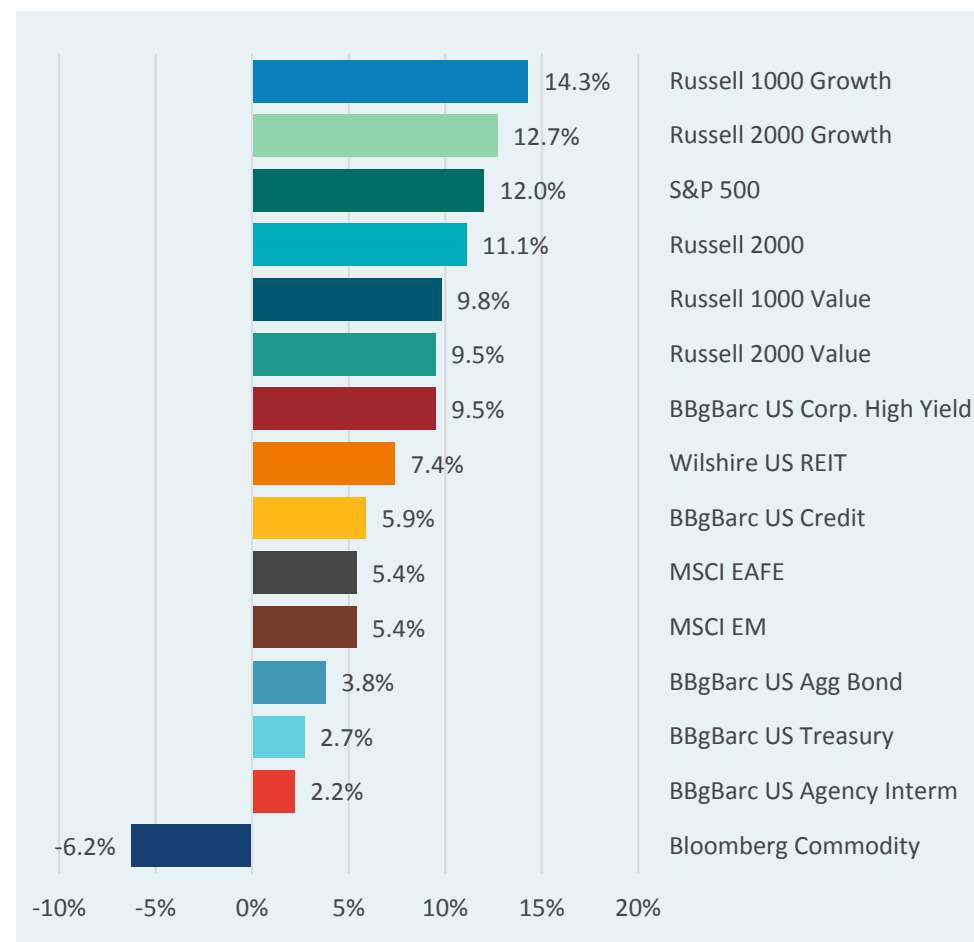
Major asset class returns

ONE YEAR ENDING SEPTEMBER



Source: Morningstar, as of 9/30/18

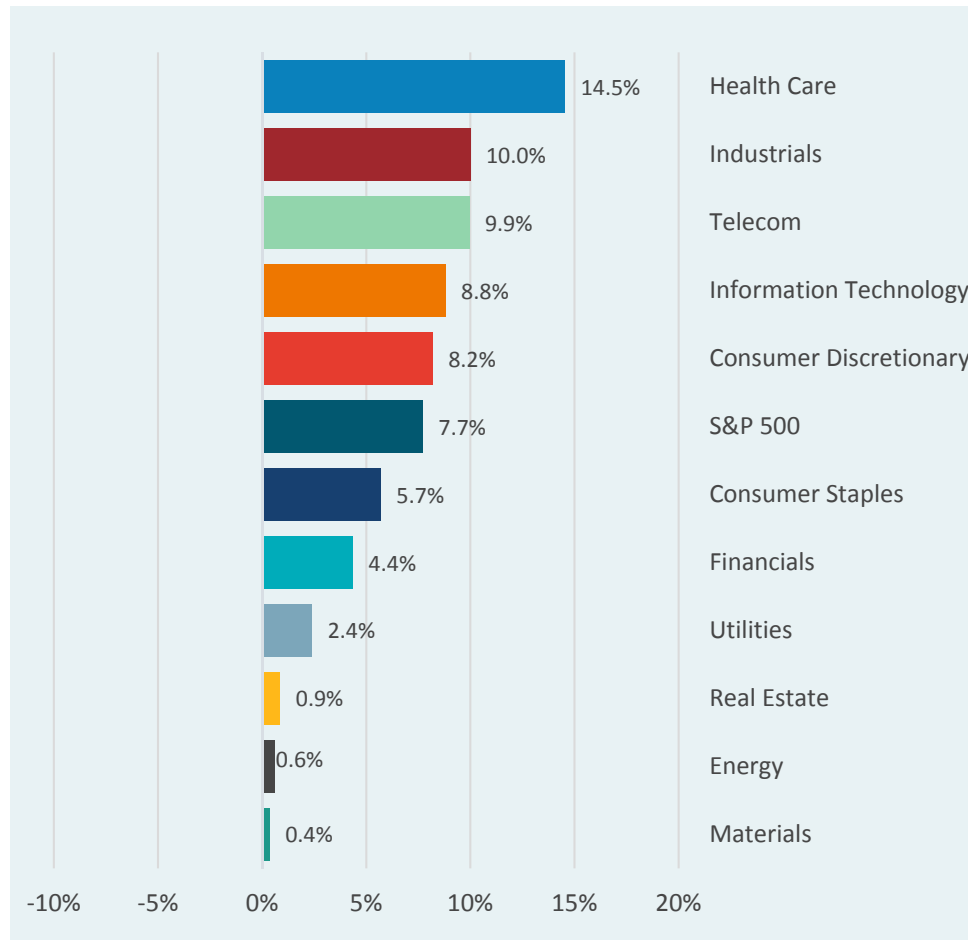
TEN YEARS ENDING SEPTEMBER



Source: Morningstar, as of 9/30/18

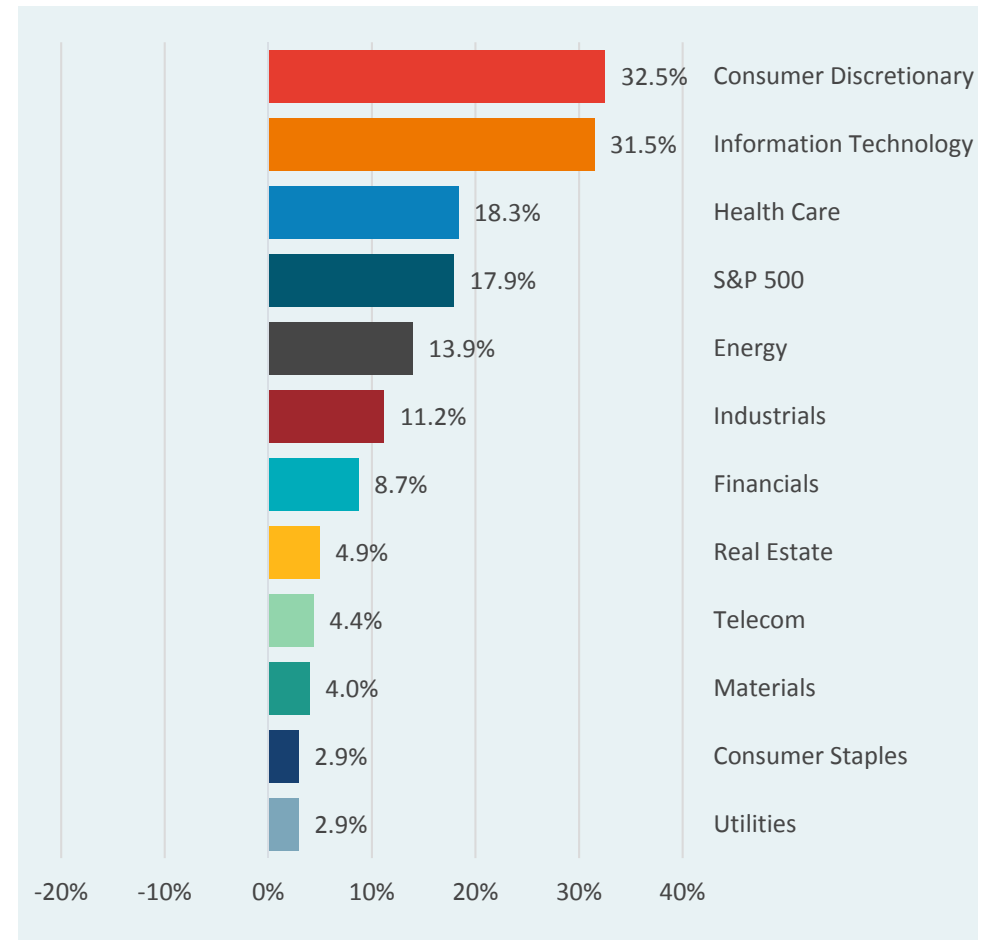
S&P 500 sector returns

THIRD QUARTER



Source: Morningstar, as of 9/30/18

ONE YEAR ENDING SEPTEMBER



Source: Morningstar, as of 9/30/18

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	0.6	7.7	10.6	17.9	17.3	13.9	12.0
S&P 500 Equal Weighted	0.1	5.4	7.3	13.9	15.4	12.5	13.1
DJ Industrial Average	2.0	9.6	8.8	20.8	20.5	14.6	12.2
Russell Top 200	0.8	8.4	11.7	19.3	18.1	14.5	12.0
Russell 1000	0.4	7.4	10.5	17.8	17.1	13.7	12.1
Russell 2000	(2.4)	3.6	11.5	15.2	17.1	11.1	11.1
Russell 3000	0.2	7.1	10.6	17.6	17.1	13.5	12.0
Russell Mid Cap	(0.6)	5.0	7.5	14.0	14.5	11.7	12.3
Style Index							
Russell 1000 Growth	0.6	9.2	17.1	26.3	20.6	16.6	14.3
Russell 1000 Value	0.2	5.7	3.9	9.5	13.6	10.7	9.8
Russell 2000 Growth	(2.3)	5.5	15.8	21.1	18.0	12.1	12.7
Russell 2000 Value	(2.5)	1.6	7.1	9.3	16.1	9.9	9.5

INTERNATIONAL EQUITY

Broad Index							
MSCI ACWI	0.4	4.3	3.8	9.8	13.4	8.7	8.2
MSCI ACWI ex US	0.5	0.7	(3.1)	1.8	10.0	4.1	5.2
MSCI EAFE	0.9	1.4	(1.4)	2.7	9.2	4.4	5.4
MSCI EM	(0.5)	(1.1)	(7.7)	(0.8)	12.4	3.6	5.4
MSCI EAFE Small Cap	(0.7)	(0.9)	(2.2)	3.7	12.4	8.0	9.7
Style Index							
MSCI EAFE Growth	(0.2)	1.5	0.6	5.8	10.3	5.6	6.2
MSCI EAFE Value	2.1	1.2	(3.5)	(0.4)	8.1	3.1	4.5
Regional Index							
MSCI UK	1.8	(1.7)	(2.7)	2.9	6.2	2.2	4.9
MSCI Japan	3.0	3.7	1.6	10.2	12.1	6.8	6.0
MSCI Euro	(0.1)	(0.4)	(3.6)	(3.2)	8.5	3.9	3.4
MSCI EM Asia	(1.7)	(1.8)	(6.8)	1.0	13.5	6.7	8.2
MSCI EM Latin American	4.7	4.8	(6.9)	(9.1)	13.7	(2.3)	0.7

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	(1.1)	(0.8)	(0.8)	0.4	2.0	1.4	3.3
BBgBarc US Treasury Bills	0.2	0.5	1.3	1.5	0.8	0.5	0.4
BBgBarc US Agg Bond	(0.6)	0.0	(1.6)	(1.2)	1.3	2.2	3.8
Duration							
BBgBarc US Treasury 1-3 Yr	(0.1)	0.2	0.2	(0.0)	0.4	0.6	1.1
BBgBarc US Treasury Long	(3.0)	(2.9)	(5.8)	(3.6)	0.7	4.4	5.5
BBgBarc US Treasury	(0.9)	(0.6)	(1.7)	(1.6)	0.2	1.3	2.7
Issuer							
BBgBarc US MBS	(0.6)	(0.1)	(1.1)	(0.9)	1.0	2.0	3.3
BBgBarc US Corp. High Yield	0.6	2.4	2.6	3.0	8.1	5.5	9.5
BBgBarc US Agency Interm	(0.2)	0.2	0.0	(0.3)	0.6	1.1	2.2
BBgBarc US Credit	(0.3)	0.9	(2.1)	(1.1)	3.0	3.4	5.9

OTHER

Index							
Bloomberg Commodity	1.9	(2.0)	(2.0)	2.6	(0.1)	(7.2)	(6.2)
Wilshire US REIT	(2.8)	(5.4)	2.2	4.0	7.1	9.2	7.4
CS Leveraged Loans	0.7	4.4	4.4	5.6	5.4	4.4	5.8
Alerian MLP	(2.0)	7.0	5.2	3.3	3.9	(2.8)	10.0
Regional Index							
JPM EMBI Global Div	1.5	2.3	(3.0)	(1.9)	6.0	5.4	7.5
JPM GBI-EM Global Div	2.6	(1.8)	(8.1)	(7.4)	5.2	(1.7)	2.7
Hedge Funds							
HFRI Composite	(0.2)	0.6	1.5	4.1	5.4	4.1	4.6
HFRI FOF Composite	(0.0)	0.4	1.2	3.3	3.4	3.2	2.6
Currency (Spot)							
Euro	(0.2)	(0.5)	(3.3)	(1.8)	1.3	(3.0)	(1.9)
Pound	0.3	(1.2)	(3.6)	(2.8)	(4.9)	(4.2)	(3.1)
Yen	(2.4)	(2.5)	(0.8)	(0.9)	1.8	(2.9)	(0.7)

Source: Morningstar, HFR, as of 9/30/18

Definitions

Bloomberg US Weekly Consumer Comfort Index - tracks the public's economic attitudes each week, providing a high-frequency read on consumer sentiment. The index, based on cell and landline telephone interviews with a random, representative national sample of U.S. adults, tracks Americans' ratings of the national economy, their personal finances and the buying climate on a weekly basis, with views of the economy's direction measured separately each month. (www.lanqerresearch.com)

University of Michigan Consumer Sentiment Index - A survey of consumer attitudes concerning both the present situation as well as expectations regarding economic conditions conducted by the University of Michigan. For the preliminary release approximately three hundred consumers are surveyed while five hundred are interviewed for the final figure. The level of consumer sentiment is related to the strength of consumer spending. (www.Bloomberg.com)

NFIB Small Business Outlook - Small Business Economic Trends (SBET) is a monthly assessment of the U.S. small-business economy and its near-term prospects. Its data are collected through mail surveys to random samples of the National Federal of Independent Business (NFIB) membership. The survey contains three broad question types: recent performance, near-term forecasts, and demographics. The topics addressed include: outlook, sales, earnings, employment, employee compensation, investment, inventories, credit conditions, and single most important problem. (<http://www.nfib-sbet.org/about/>)

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Stanislaus County Employees' Retirement Association

Investment Performance Review

Period Ending: September 30, 2018



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SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

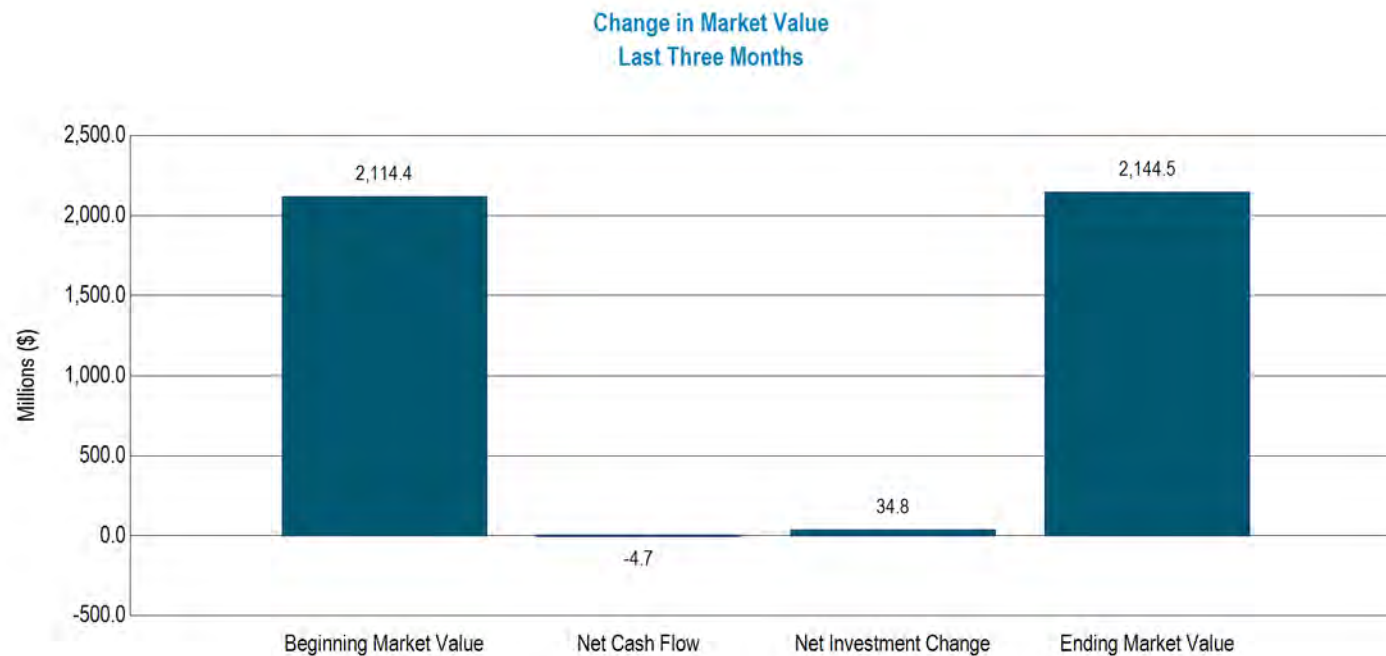
SAN FRANCISCO 415-362-3484

Total Fund
Portfolio Reconciliation

Period Ending: September 30, 2018

Portfolio Reconciliation

	Last Three Months	Fiscal Year-To-Date	Year-To-Date
Beginning Market Value	\$2,114,397,932	\$2,114,397,932	\$2,108,788,448
Net Cash Flow	-\$4,746,751	-\$4,746,751	-\$17,268,063
Net Investment Change	\$34,835,333	\$34,835,333	\$52,966,130
Ending Market Value	\$2,144,486,515	\$2,144,486,515	\$2,144,486,515

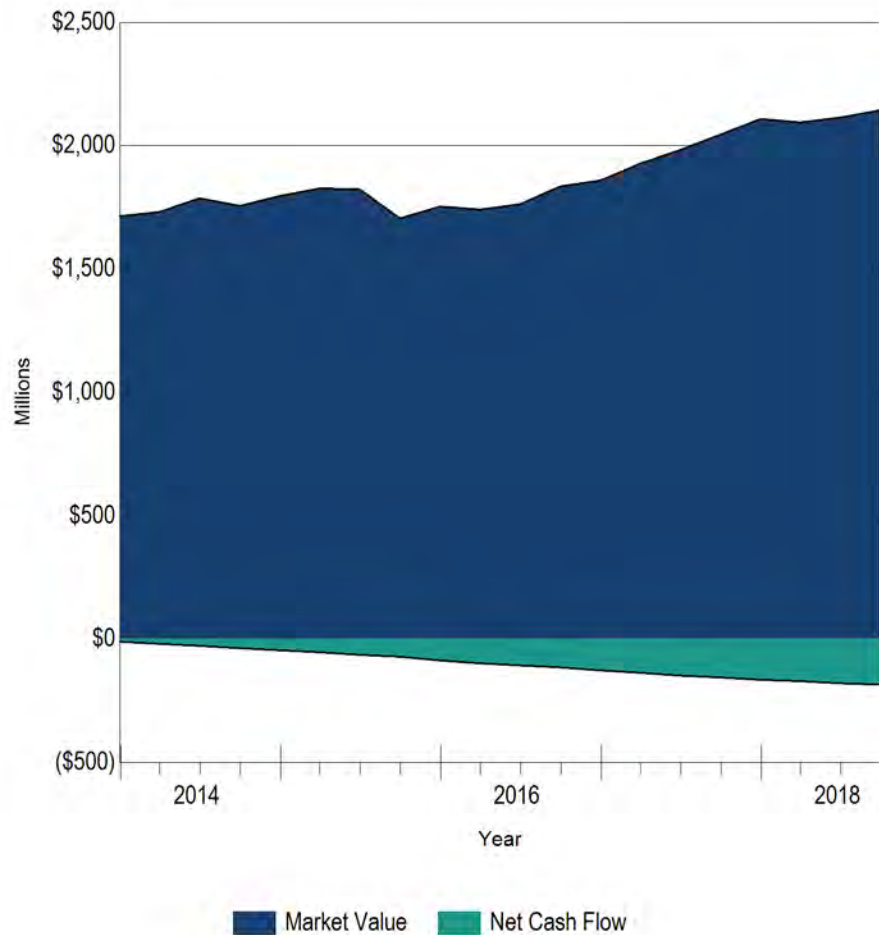


Contributions and withdrawals may include intra-account transfers between managers/funds.

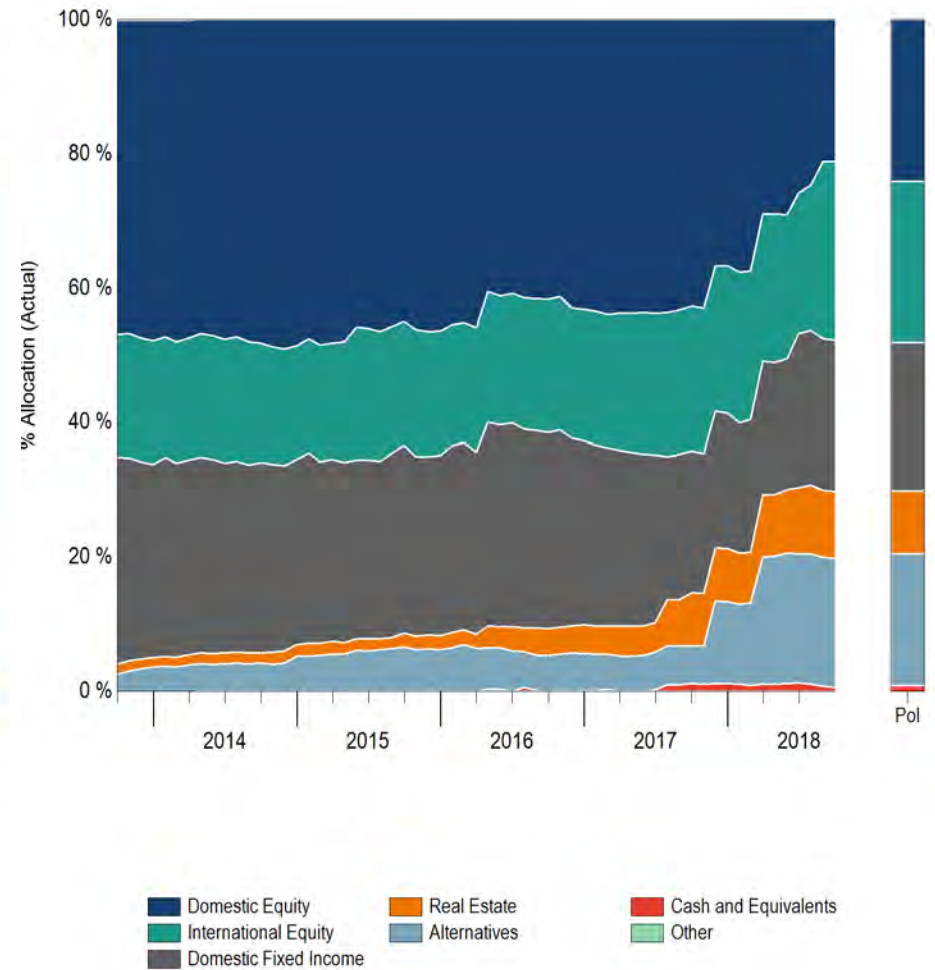
Total Fund Asset Allocation History

Period Ending: September 30, 2018

Market Value History
Cumulative Cash Flows

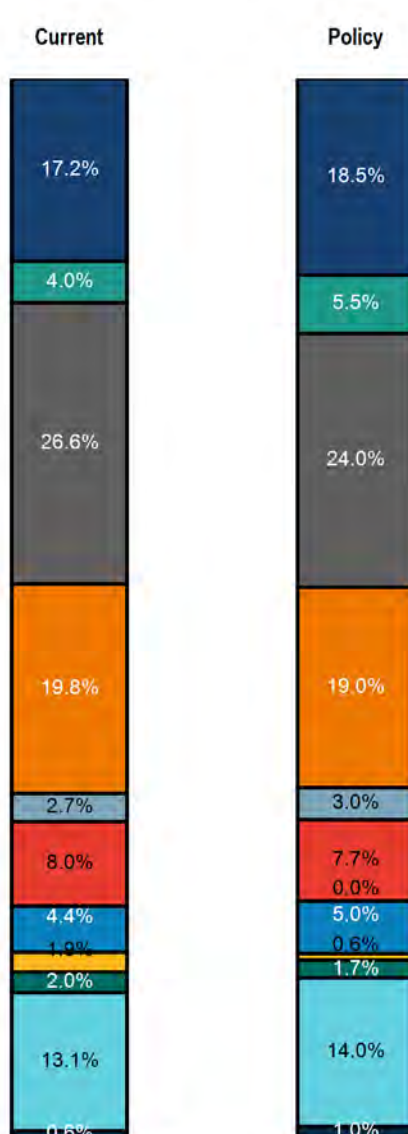


Asset Allocation History



Total Fund Asset Allocation vs. Policy

Period Ending: September 30, 2018



	Current Balance	Current Allocation	Policy	Difference	Policy Range	Within IPS Range?
U.S. Equity Large Cap	\$368,351,523	17.2%	18.5%	-\$28,378,482	14.0% - 23.0%	Yes
U.S. Equity Small Cap	\$84,810,294	4.0%	5.5%	-\$33,136,464	1.0% - 10.0%	Yes
International Equity	\$570,632,473	26.6%	24.0%	\$55,955,709	15.0% - 33.0%	Yes
U.S. Fixed Income Short Term	\$424,541,750	19.8%	19.0%	\$17,089,312	15.0% - 23.0%	Yes
U.S. Fixed Income Treasuries	\$57,539,906	2.7%	3.0%	-\$6,794,689	0.0% - 6.0%	Yes
Real Estate	\$170,970,397	8.0%	7.7%	\$5,844,936	5.0% - 11.0%	Yes
Private Equity	--	--	0.0%	\$0	0.0% - 10.0%	Yes
Direct Lending	\$93,754,679	4.4%	5.0%	-\$13,469,647	0.0% - 10.0%	Yes
Infrastructure	\$39,743,176	1.9%	0.6%	\$26,876,257	0.0% - 3.0%	Yes
Value Added	\$41,918,052	2.0%	1.7%	\$5,461,781	0.0% - 5.0%	Yes
Risk Parity	\$280,212,252	13.1%	14.0%	-\$20,015,860	9.0% - 19.0%	Yes
Cash and Equivalents	\$12,012,012	0.6%	1.0%	-\$9,432,853	0.0% - 1.5%	Yes
Total	\$2,144,486,515	100.0%	100.0%			

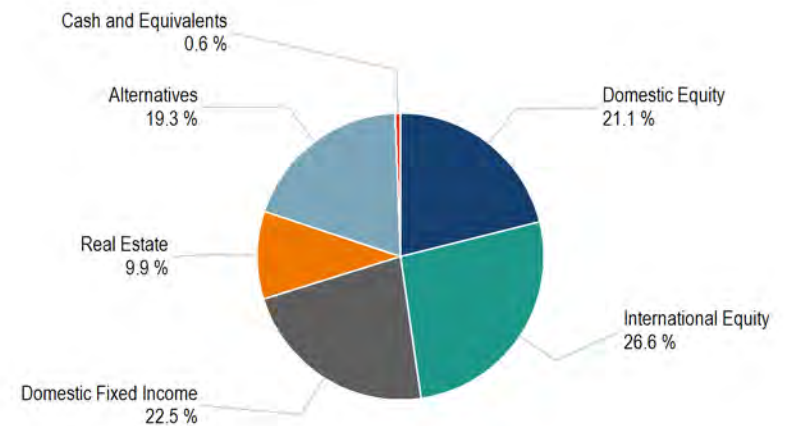
Cash Account includes cash held at Northern Trust for all closed end funds.

Total Fund Executive Summary (Gross of Fees)

Period Ending: September 30, 2018

	QTD	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Total Fund	1.7	2.7	1.7	6.4	10.0	7.8	9.0
Policy Index	2.4	2.9	2.4	6.3	9.6	7.5	8.0
InvestorForce Public DB Gross Rank	93	78	93	75	41	39	7
US Equity	6.6	10.8	6.6	16.4	16.5	12.8	12.3
US Equity Blended	6.7	10.7	6.7	17.3	17.1	13.2	12.1
Russell 3000	7.1	10.6	7.1	17.6	17.1	13.5	12.0
InvestorForce All DB US Eq Gross Rank	54	33	54	67	59	60	25
International Equity	0.5	-3.4	0.5	1.6	10.8	5.1	6.6
MSCI ACWI ex USA Gross	0.8	-2.7	0.8	2.3	10.5	4.6	5.7
InvestorForce All DB ex-US Eq Gross Rank	39	58	39	50	31	42	27
US Fixed Income	0.5	-0.1	0.5	-0.2	3.1	3.3	5.7
BBgBarc US Aggregate TR	0.0	-1.6	0.0	-1.2	1.3	2.2	3.8
InvestorForce All DB US Fix Inc Gross Rank	36	25	36	38	40	41	31
Real Estate	2.0	5.3	2.0	7.3	8.6	11.6	6.7
DJ US Select RESI	0.7	2.6	0.7	4.6	6.9	9.1	7.6
Direct Lending	-0.5	3.5	-0.5	3.2	2.7	4.9	--
9% Annual	2.2	6.7	2.2	9.0	9.0	9.0	--
Risk Parity	-1.1	-1.9	-1.1	--	--	--	--
60% MSCI ACWI Net/40% BBgBarc Global Aggregate	2.2	1.4	2.2	--	--	--	--
Infrastructure	2.8	6.5	2.8	24.9	13.1	--	--
CPI + 5%	1.4	6.2	1.4	7.4	7.1	--	--

Current Allocation

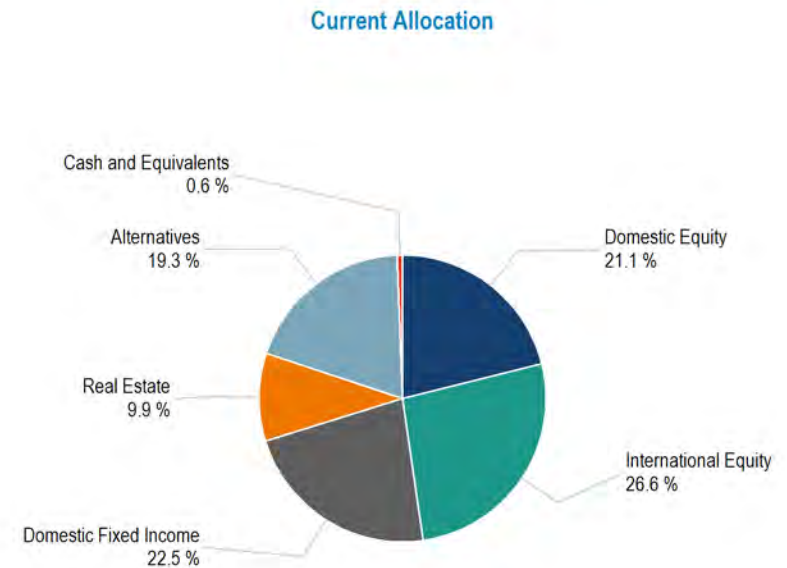


Policy Index (7/1/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. US Equity Blended: 80% Russell 1000, 20% Russell 2000.

Total Fund Executive Summary (Net of Fees)

Period Ending: September 30, 2018

	QTD	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Total Fund	1.7	2.5	1.7	6.2	9.7	7.4	8.7
<i>Policy Index</i>	2.4	2.9	2.4	6.3	9.6	7.5	8.0
US Equity	6.6	10.6	6.6	16.2	16.2	12.5	12.0
<i>US Equity Blended</i>	6.7	10.7	6.7	17.3	17.1	13.2	12.1
<i>Russell 3000</i>	7.1	10.6	7.1	17.6	17.1	13.5	12.0
International Equity	0.5	-3.7	0.5	1.3	10.3	4.7	6.1
<i>MSCI ACWI ex USA Gross</i>	0.8	-2.7	0.8	2.3	10.5	4.6	5.7
US Fixed Income	0.4	-0.2	0.4	-0.3	2.9	3.1	5.5
<i>BBgBarc US Aggregate TR</i>	0.0	-1.6	0.0	-1.2	1.3	2.2	3.8
Real Estate	2.0	5.2	2.0	7.3	8.1	10.9	5.8
<i>DJ US Select RESI</i>	0.7	2.6	0.7	4.6	6.9	9.1	7.6
Direct Lending	-0.5	3.5	-0.5	3.2	1.9	3.4	--
<i>9% Annual</i>	2.2	6.7	2.2	9.0	9.0	9.0	--
Risk Parity	-1.1	-1.9	-1.1	--	--	--	--
<i>60% MSCI ACWI Net/40% BBgBarc Global Aggregate</i>	2.2	1.4	2.2	--	--	--	--
Infrastructure	2.8	6.5	2.8	24.9	9.4	--	--
<i>CPI + 5%</i>	1.4	6.2	1.4	7.4	7.1	--	--

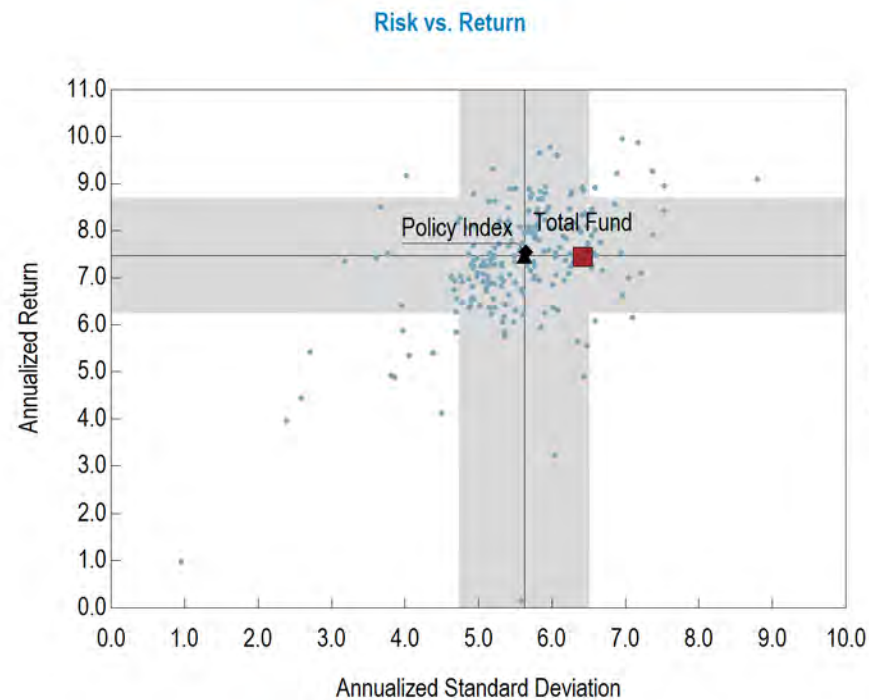


Policy Index (7/1/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. US Equity Blended: 80% Russell 1000, 20% Russell 2000.

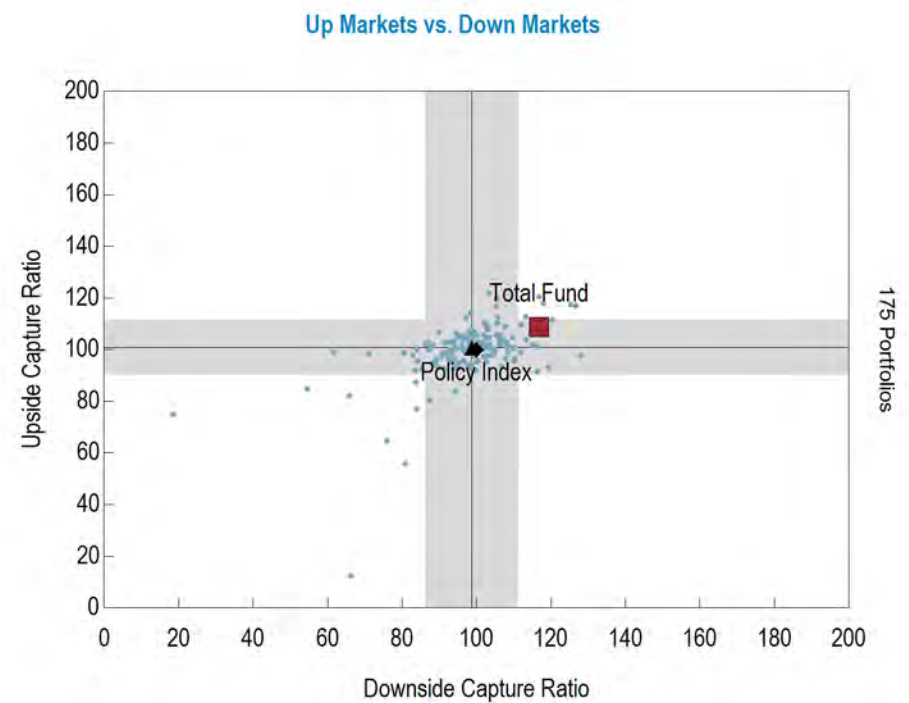
Total Fund
Risk Analysis - 5 Years (Net of Fees)

Period Ending: September 30, 2018

	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
Total Fund	7.45%	-0.09%	6.42%	-0.94%	1.11	1.45%	0.96	1.08	-0.06	108.81%	116.88%



- Total Fund
- ◆ Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB Gross



- Total Fund
- ◆ Policy Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB Gross

Total Fund Performance Summary (Gross of Fees)

Period Ending: September 30, 2018

	Market Value	% of Portfolio	3 Mo	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2017	2016	2015	2014	2013	Inception	Inception Date
Total Fund	2,144,486,515	100.0	1.7	2.7	1.7	6.4	10.0	7.8	9.0	15.6	8.3	-0.2	6.9	19.8	9.3	Dec-94
Policy Index			2.4	2.9	2.4	6.3	9.6	7.5	8.0	14.3	8.5	0.2	7.5	15.4	8.2	Dec-94
InvestorForce Public DB Gross Rank			93	78	93	75	41	39	7	45	29	60	23	12		
US Equity	453,161,818	21.1	6.6	10.8	6.6	16.4	16.5	12.8	12.3	19.7	12.4	-0.2	10.9	36.9	7.8	Jun-01
US Equity Blended			6.7	10.7	6.7	17.3	17.1	13.2	12.1	20.3	13.9	-0.1	11.6	34.3	7.8	Jun-01
Russell 3000			7.1	10.6	7.1	17.6	17.1	13.5	12.0	21.1	12.7	0.5	12.6	33.6	7.6	Jun-01
InvestorForce All DB US Eq Gross Rank			54	33	54	67	59	60	25	72	58	63	54	13		
Northern Trust Russell 1000	122,805,219	5.7	7.4	10.5	7.4	17.8	--	--	--	--	--	--	--	--	18.6	Aug-17
Russell 1000			7.4	10.5	7.4	17.8	--	--	--	--	--	--	--	--	18.6	Aug-17
eV US Large Cap Equity Gross Rank			40	40	40	41	--	--	--	--	--	--	--	--		
BlackRock Russell 1000 Growth	123,374,232	5.8	9.2	17.1	9.2	26.2	20.6	16.6	--	30.2	7.2	5.7	13.1	33.5	18.0	Jun-10
Russell 1000 Growth			9.2	17.1	9.2	26.3	20.6	16.6	--	30.2	7.1	5.7	13.0	33.5	17.9	Jun-10
eV US Large Cap Growth Equity Gross Rank			27	47	27	39	25	32	--	42	26	42	37	56		
BlackRock Russell 1000 Value	42,259,355	2.0	5.7	4.0	5.7	9.6	13.6	10.8	--	13.8	17.3	-3.6	13.5	32.6	13.3	Jul-09
Russell 1000 Value			5.7	3.9	5.7	9.5	13.6	10.7	--	13.7	17.3	-3.8	13.5	32.5	13.2	Jul-09
eV US Large Cap Value Equity Gross Rank			51	69	51	74	72	66	--	86	26	62	31	59		
Dodge & Cox-Equity	79,912,688	3.7	6.6	8.0	6.6	13.2	17.2	12.9	12.1	17.1	21.4	-3.9	10.9	39.1	12.5	Dec-94
Russell 1000 Value			5.7	3.9	5.7	9.5	13.6	10.7	9.8	13.7	17.3	-3.8	13.5	32.5	10.1	Dec-94
eV US Large Cap Value Equity Gross Rank			31	18	31	38	8	15	16	52	6	64	72	15		
Capital Prospects	84,810,294	4.0	2.5	6.5	2.5	10.8	17.1	11.1	--	15.5	28.1	-7.0	5.8	37.9	15.9	Dec-08
Russell 2000 Value			1.6	7.1	1.6	9.3	16.1	9.9	--	7.8	31.7	-7.5	4.2	34.5	13.1	Dec-08
eV US Small Cap Value Equity Gross Rank			36	41	36	37	26	36	--	18	40	72	51	53		
International Equity	570,632,473	26.6	0.5	-3.4	0.5	1.6	10.8	5.1	6.6	27.9	6.0	-3.5	-4.2	20.0	6.1	Jun-01
MSCI ACWI ex USA Gross			0.8	-2.7	0.8	2.3	10.5	4.6	5.7	27.8	5.0	-5.3	-3.4	15.8	6.4	Jun-01
InvestorForce All DB ex-US Eq Gross Rank			39	58	39	50	31	42	27	61	21	50	70	35		
LSV Asset Mgt	286,004,208	13.3	1.0	-4.3	1.0	1.0	11.3	5.3	6.8	28.2	8.8	-5.1	-4.0	20.4	7.2	Aug-04
MSCI ACWI ex USA Gross			0.8	-2.7	0.8	2.3	10.5	4.6	5.7	27.8	5.0	-5.3	-3.4	15.8	6.8	Aug-04
eV ACWI ex-US Equity Unhedged Gross Rank			36	81	36	74	46	63	65	67	10	86	65	46		
Fidelity	284,628,265	13.3	0.1	-2.5	0.1	2.3	9.9	4.7	6.3	27.3	2.4	-2.0	-4.5	19.6	4.3	Apr-06
MSCI ACWI ex USA Gross			0.8	-2.7	0.8	2.3	10.5	4.6	5.7	27.8	5.0	-5.3	-3.4	15.8	3.7	Apr-06
eV ACWI ex-US Equity Unhedged Gross Rank			64	54	64	53	70	74	72	74	46	66	70	55		

Individual closed end funds are not shown in performance summary table.

Total Fund Performance Summary (Gross of Fees)

Period Ending: September 30, 2018

	Market Value	% of Portfolio	3 Mo	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2017	2016	2015	2014	2013	Inception	Inception Date
US Fixed Income	482,081,656	22.5	0.5	-0.1	0.5	-0.2	3.1	3.3	5.7	3.9	5.4	0.3	6.2	0.3	5.5	Jun-01
BBgBarc US Aggregate TR			0.0	-1.6	0.0	-1.2	1.3	2.2	3.8	3.5	2.6	0.6	6.0	-2.0	4.4	Jun-01
InvestorForce All DB US Fix Inc Gross Rank			36	25	36	38	40	41	31	68	47	42	42	21		
Insight	216,717,182	10.1	0.7	-0.1	0.7	0.1	--	--	--	--	--	--	--	--	0.5	Jun-17
BBgBarc US Govt/Credit 1-5 Yr. TR			0.3	-0.1	0.3	-0.4	--	--	--	--	--	--	--	--	0.0	Jun-17
eV US Short Duration Fixed Inc Gross Rank			18	98	18	84	--	--	--	--	--	--	--	--		
DFA	207,824,567	9.7	0.6	0.2	0.6	0.0	--	--	--	--	--	--	--	--	0.1	Jul-17
ICE BofAML 1-5 Yrs US Corp & Govt TR			0.3	0.0	0.3	-0.3	--	--	--	--	--	--	--	--	-0.2	Jul-17
eV US Short Duration Fixed Inc Gross Rank			21	86	21	90	--	--	--	--	--	--	--	--		
Northern Trust Intermediate Gov't Bond	43,236,037	2.0	-0.1	-0.8	-0.1	-1.2	--	--	--	--	--	--	--	--	-1.0	Jul-17
BBgBarc US Govt Int TR			-0.1	-0.8	-0.1	-1.2	--	--	--	--	--	--	--	--	-1.0	Jul-17
eV US Government Fixed Inc Gross Rank			41	47	41	83	--	--	--	--	--	--	--	--		
Northern Trust Long Term Gov't Bond	14,303,869	0.7	-2.8	-5.7	-2.8	-3.4	--	--	--	--	--	--	--	--	-2.0	Jul-17
BBgBarc US Govt Long TR			-2.8	-5.7	-2.8	-3.5	--	--	--	--	--	--	--	--	-2.0	Jul-17
eV US Government Fixed Inc Gross Rank			99	99	99	99	--	--	--	--	--	--	--	--		
Real Estate	212,888,449	9.9	2.0	5.3	2.0	7.3	8.6	11.6	6.7	7.5	7.5	12.1	28.3	1.4	4.4	Feb-08
DJ US Select RESI			0.7	2.6	0.7	4.6	6.9	9.1	7.6	3.8	6.6	4.5	31.9	1.3	5.2	Feb-08
Prime Property Fund	54,448,749	2.5	2.0	5.9	2.0	8.1	9.5	--	--	8.8	10.4	--	--	--	9.5	Sep-15
NCREIF-ODCE			2.1	6.5	2.1	8.7	8.8	--	--	7.6	8.8	--	--	--	8.8	Sep-15
American Strategic Value Realty	41,918,052	2.0	1.9	7.5	1.9	9.9	12.1	--	--	10.1	13.1	21.4	--	--	13.8	Dec-14
NCREIF Property Index			1.7	5.3	1.7	7.2	7.8	--	--	7.0	8.0	13.3	--	--	8.9	Dec-14
BlackRock US Real Estate	65,926,530	3.1	0.7	2.6	0.7	4.6	6.9	9.1	--	3.8	6.6	4.4	31.9	1.4	8.4	Sep-12
DJ US Select RESI TR USD			0.7	2.6	0.7	4.6	6.9	9.1	--	3.8	6.6	4.5	31.9	1.3	8.4	Sep-12
eV US REIT Gross Rank			61	30	61	49	78	84	--	90	68	58	39	91		
Risk Parity	280,212,252	13.1	-1.1	-1.9	-1.1	--	--	--	--	--	--	--	--	--	-0.7	Nov-17
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			2.2	1.4	2.2	--	--	--	--	--	--	--	--	--	2.5	Nov-17
AQR Global Risk Premium - EL	143,724,480	6.7	-0.1	--	-0.1	--	--	--	--	--	--	--	--	--	2.7	Mar-18
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			2.2	--	2.2	--	--	--	--	--	--	--	--	--	1.1	Mar-18
PanAgora Risk Parity Multi Asset	136,487,772	6.4	-2.1	-3.6	-2.1	--	--	--	--	--	--	--	--	--	-2.5	Nov-17
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			2.2	1.4	2.2	--	--	--	--	--	--	--	--	--	2.5	Nov-17

Individual closed end funds are not shown in performance summary table.

Total Fund Performance Summary (Net of Fees)

Period Ending: September 30, 2018

	Market Value	% of Portfolio	3 Mo	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2017	2016	2015	2014	2013	Inception	Inception Date
Total Fund	2,144,486,515	100.0	1.7	2.5	1.7	6.2	9.7	7.4	8.7	15.3	7.8	-0.6	6.5	19.2	9.1	Dec-94
<i>Policy Index</i>			2.4	2.9	2.4	6.3	9.6	7.5	8.0	14.3	8.5	0.2	7.5	15.4	8.2	Dec-94
US Equity	453,161,818	21.1	6.6	10.6	6.6	16.2	16.2	12.5	12.0	19.4	12.1	-0.4	10.7	36.5	7.5	Jun-01
<i>US Equity Blended</i>			6.7	10.7	6.7	17.3	17.1	13.2	12.1	20.3	13.9	-0.1	11.6	34.3	7.8	Jun-01
<i>Russell 3000</i>			7.1	10.6	7.1	17.6	17.1	13.5	12.0	21.1	12.7	0.5	12.6	33.6	7.6	Jun-01
Northern Trust Russell 1000	122,805,219	5.7	7.4	10.5	7.4	17.7	--	--	--	--	--	--	--	--	18.5	Aug-17
<i>Russell 1000</i>			7.4	10.5	7.4	17.8	--	--	--	--	--	--	--	--	18.6	Aug-17
BlackRock Russell 1000 Growth	123,374,232	5.8	9.2	17.0	9.2	26.2	20.6	16.6	--	30.2	7.2	5.7	13.1	33.5	18.0	Jun-10
<i>Russell 1000 Growth</i>			9.2	17.1	9.2	26.3	20.6	16.6	--	30.2	7.1	5.7	13.0	33.5	17.9	Jun-10
BlackRock Russell 1000 Value	42,259,355	2.0	5.7	4.0	5.7	9.6	13.6	10.8	--	13.8	17.3	-3.6	13.5	32.6	13.3	Jul-09
<i>Russell 1000 Value</i>			5.7	3.9	5.7	9.5	13.6	10.7	--	13.7	17.3	-3.8	13.5	32.5	13.2	Jul-09
Dodge & Cox-Equity	79,912,688	3.7	6.5	7.9	6.5	13.0	16.9	12.7	11.9	16.9	21.2	-4.0	10.7	38.8	12.3	Dec-94
<i>Russell 1000 Value</i>			5.7	3.9	5.7	9.5	13.6	10.7	9.8	13.7	17.3	-3.8	13.5	32.5	10.1	Dec-94
Capital Prospects	84,810,294	4.0	2.3	5.9	2.3	10.0	16.2	10.4	--	14.7	27.1	-7.5	5.2	36.8	15.1	Dec-08
<i>Russell 2000 Value</i>			1.6	7.1	1.6	9.3	16.1	9.9	--	7.8	31.7	-7.5	4.2	34.5	13.1	Dec-08
International Equity	570,632,473	26.6	0.5	-3.7	0.5	1.3	10.3	4.7	6.1	27.4	5.3	-3.8	-4.5	19.4	5.6	Jun-01
<i>MSCI ACWI ex USA Gross</i>			0.8	-2.7	0.8	2.3	10.5	4.6	5.7	27.8	5.0	-5.3	-3.4	15.8	6.4	Jun-01
LSV Asset Mgt	286,004,208	13.3	0.8	-4.7	0.8	0.4	10.7	4.8	6.2	27.5	8.2	-5.4	-4.2	19.8	6.7	Aug-04
<i>MSCI ACWI ex USA Gross</i>			0.8	-2.7	0.8	2.3	10.5	4.6	5.7	27.8	5.0	-5.3	-3.4	15.8	6.8	Aug-04
Fidelity	284,628,265	13.3	0.1	-2.7	0.1	2.1	9.5	4.4	5.8	27.0	1.8	-2.3	-4.9	19.1	3.8	Apr-06
<i>MSCI ACWI ex USA Gross</i>			0.8	-2.7	0.8	2.3	10.5	4.6	5.7	27.8	5.0	-5.3	-3.4	15.8	3.7	Apr-06
US Fixed Income	482,081,656	22.5	0.4	-0.2	0.4	-0.3	2.9	3.1	5.5	3.8	5.2	0.2	6.1	0.1	5.3	Jun-01
<i>BBgBarc US Aggregate TR</i>			0.0	-1.6	0.0	-1.2	1.3	2.2	3.8	3.5	2.6	0.6	6.0	-2.0	4.4	Jun-01
Insight	216,717,182	10.1	0.6	-0.2	0.6	0.0	--	--	--	--	--	--	--	--	0.4	Jun-17
<i>BBgBarc US Govt/Credit 1-5 Yr. TR</i>			0.3	-0.1	0.3	-0.4	--	--	--	--	--	--	--	--	0.0	Jun-17
DFA	207,824,567	9.7	0.6	0.1	0.6	-0.1	--	--	--	--	--	--	--	--	0.0	Jul-17
<i>ICE BofAML 1-5 Yrs US Corp & Govt TR</i>			0.3	0.0	0.3	-0.3	--	--	--	--	--	--	--	--	-0.2	Jul-17
Northern Trust Intermediate Gov't Bond	43,236,037	2.0	-0.1	-0.8	-0.1	-1.2	--	--	--	--	--	--	--	--	-1.0	Jul-17
<i>BBgBarc US Govt Int TR</i>			-0.1	-0.8	-0.1	-1.2	--	--	--	--	--	--	--	--	-1.0	Jul-17
Northern Trust Long Term Gov't Bond	14,303,869	0.7	-2.8	-5.7	-2.8	-3.5	--	--	--	--	--	--	--	--	-2.0	Jul-17
<i>BBgBarc US Govt Long TR</i>			-2.8	-5.7	-2.8	-3.5	--	--	--	--	--	--	--	--	-2.0	Jul-17

Individual closed end funds are not shown in performance summary table.

Total Fund Performance Summary (Net of Fees)

Period Ending: September 30, 2018

	Market Value	% of Portfolio	3 Mo	YTD	Fiscal YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	2017	2016	2015	2014	2013	Inception	Inception Date
Real Estate	212,888,449	9.9	2.0	5.2	2.0	7.3	8.1	10.9	5.8	7.5	6.6	10.5	27.4	1.3	3.5	Feb-08
DJ US Select RESI			0.7	2.6	0.7	4.6	6.9	9.1	7.6	3.8	6.6	4.5	31.9	1.3	5.2	Feb-08
Prime Property Fund	54,448,749	2.5	2.0	5.9	2.0	8.1	9.0	--	--	8.8	9.2	--	--	--	9.0	Sep-15
NCREIF-ODCE			2.1	6.5	2.1	8.7	8.8	--	--	7.6	8.8	--	--	--	8.8	Sep-15
American Strategic Value Realty	41,918,052	2.0	1.9	7.5	1.9	9.9	11.3	--	--	10.1	11.7	18.3	--	--	12.7	Dec-14
NCREIF Property Index			1.7	5.3	1.7	7.2	7.8	--	--	7.0	8.0	13.3	--	--	8.9	Dec-14
BlackRock US Real Estate	65,926,530	3.1	0.7	2.6	0.7	4.6	6.8	9.1	--	3.7	6.6	4.4	31.9	1.3	8.3	Sep-12
DJ US Select RESI TR USD			0.7	2.6	0.7	4.6	6.9	9.1	--	3.8	6.6	4.5	31.9	1.3	8.4	Sep-12
Risk Parity	280,212,252	13.1	-1.1	-1.9	-1.1	--	--	--	--	--	--	--	--	--	-0.7	Nov-17
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			2.2	1.4	2.2	--	--	--	--	--	--	--	--	--	2.5	Nov-17
AQR Global Risk Premium - EL	143,724,480	6.7	-0.1	--	-0.1	--	--	--	--	--	--	--	--	--	2.7	Mar-18
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			2.2	--	2.2	--	--	--	--	--	--	--	--	--	1.1	Mar-18
PanAgora Risk Parity Multi Asset	136,487,772	6.4	-2.1	-3.6	-2.1	--	--	--	--	--	--	--	--	--	-2.5	Nov-17
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			2.2	1.4	2.2	--	--	--	--	--	--	--	--	--	2.5	Nov-17

Individual closed end funds are not shown in performance summary table.

Total Fund
Closed End Funds - Investment Summary

Period Ending: September 30, 2018

Verus Internal Analysis										
Inception Date	Manager Name/Fund Name	Estimated Market Value as of 9/30/2018 ³	Total Commitment	Capital Called	% Called	Remaining Commitment	Total Distributions	Distrib./ Paid-In (DPI) ¹	Tot. Value/ Paid-In (TVPI) ²	Latest Valuation
Real Estate										
7/31/2014	Greenfield Gap VII	\$14,726,739	\$15,000,000	\$14,335,328	96%	\$664,672	\$5,346,884	37.3%	140.0%	6/30/2018
6/30/2018	Greenfield Gap VIII	\$7,658,582	\$40,000,000	\$6,570,334	16%	\$33,429,666	\$0	N/A	116.6%	6/30/2018
9/30/2018	PGIM Real Estate US Debt Fund	\$28,209,798	\$54,000,000	\$28,209,798	52%	\$25,790,202	\$0	N/A	N/A	N/A
Total Real Estate		\$50,595,119	\$109,000,000	\$49,115,460	45%	\$59,884,540	\$5,346,884	10.9%	113.9%	
% of Portfolio (Market Value)		2.4%								
Direct Lending										
5/31/2013	Medley Capital	\$16,782,245	\$30,000,000	\$29,000,453	97%	\$999,547	\$21,394,902	73.8%	131.6%	6/30/2018
5/31/2013	Raven Capital	\$15,518,543	\$40,000,000	\$34,505,763	86%	\$5,494,237	\$20,937,722	60.7%	105.7%	6/30/2018
7/31/2015	Raven Opportunity III	\$31,780,560	\$50,000,000	\$31,573,500	63%	\$18,426,500	\$801,344	2.5%	103.2%	6/30/2018
8/31/2013	White Oak Pinnacle	\$29,673,331	\$40,000,000	\$40,000,000 ⁴	100%	\$4,530,589	\$37,612,175	94.0%	168.2%	6/30/2018
Total Direct Lending		\$93,754,679	\$160,000,000	\$135,079,716	84%	\$29,450,873	\$80,746,143	59.8%	129.2%	
% of Portfolio (Market Value)		4.4%								
Infrastructure										
5/31/2015	MS Infrastructure Partners II	\$39,743,176	\$50,000,000	\$42,070,308	84%	\$7,929,692	\$7,313,875	17.4%	111.9%	6/30/2018
Total Infrastructure		\$39,743,176	\$50,000,000	\$42,070,308	84%	\$7,929,692	\$7,313,875	17.4%	111.9%	
% of Portfolio (Market Value)		1.9%								

1 (DPI) is equal to (capital returned / capital called)

2 (TVPI) is equal to (market value + capital returned) / capital called

3 Last known market value + capital calls - distributions

4 Includes deemed contributions, which are amounts withheld from distributions and applied to fulfill capital calls.

Total Fund
Closed End Funds - IRR Summary

Period Ending: September 30, 2018

Real Estate	Inception	Fund Level (G)	StanCERA (G)	Fund Level (N)	StanCERA (N)	IRR Date
Greenfield Gap VII	7/31/2014	18.8%	19.7%	15.0%	14.7%	6/30/2018
Direct Lending						
Medley Capital	5/31/2013	6.6%	5.4%	4.8%	3.2%	6/30/2018
Raven Capital	5/31/2013	5.6%	5.6%	1.9%	1.9%	6/30/2018
Raven Opportunity III	7/31/2015	10.1%	10.1%	2.6%	2.6%	6/30/2018
White Oak Pinnacle	8/31/2013	11.4%	11.5%	7.5%	7.5%	6/30/2018
Infrastructure						
MS Infrastructure Partners II	5/31/2015	22.9%	22.9%	13.6%	11.3%	6/30/2018

IRR information provided by managers.

Total Fund

Performance Analysis - 3 and 5 Years (Net of Fees)

Period Ending: September 30, 2018

3 Years

	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
BlackRock Russell 1000 Growth	20.57%	0.02%	10.17%	0.02%	1.00	0.04%	1.00	1.94	0.43	100.08%	100.00%
BlackRock Russell 1000 Value	13.61%	0.06%	9.34%	0.08%	1.00	0.06%	1.00	1.37	1.09	100.14%	99.50%
Dodge & Cox-Equity	16.93%	3.38%	11.06%	2.14%	1.09	4.34%	0.85	1.45	0.78	118.78%	95.02%
Capital Prospects	16.20%	0.08%	12.57%	1.63%	0.90	3.04%	0.95	1.22	0.02	88.72%	82.14%
LSV Asset Mgt	10.74%	0.25%	11.82%	-0.32%	1.05	2.88%	0.94	0.84	0.09	109.68%	109.68%
Fidelity	9.46%	-1.03%	10.18%	-0.16%	0.92	2.20%	0.96	0.84	-0.47	86.66%	90.41%
Prime Property Fund	9.04%	0.24%	3.69%	0.18%	1.01	0.55%	0.98	2.22	0.44	103.01%	--
American Strategic Value Realty	11.32%	3.57%	4.59%	0.54%	1.39	1.66%	0.94	2.28	2.15	146.20%	--
BlackRock US Real Estate	6.82%	-0.05%	12.70%	-0.04%	1.00	0.03%	1.00	0.47	-1.56	99.77%	100.06%

5 Years

	Anlzd Ret	Ann Excess BM Return	Anlzd Std Dev	Anlzd Alpha	Beta	Tracking Error	R-Squared	Sharpe Ratio	Info Ratio	Up Mkt Cap Ratio	Down Mkt Cap Ratio
BlackRock Russell 1000 Growth	16.60%	0.02%	10.33%	0.02%	1.00	0.04%	1.00	1.56	0.49	100.14%	100.03%
BlackRock Russell 1000 Value	10.79%	0.08%	9.60%	0.09%	1.00	0.06%	1.00	1.07	1.30	100.27%	99.65%
Dodge & Cox-Equity	12.69%	1.97%	11.14%	1.07%	1.08	4.01%	0.88	1.09	0.49	115.31%	100.11%
Capital Prospects	10.39%	0.48%	12.54%	1.38%	0.91	2.82%	0.96	0.79	0.17	89.35%	89.75%
LSV Asset Mgt	4.80%	0.19%	12.07%	-0.05%	1.05	2.58%	0.96	0.35	0.08	112.29%	106.30%
Fidelity	4.37%	-0.23%	10.37%	0.19%	0.91	2.15%	0.97	0.37	-0.11	86.12%	91.73%
BlackRock US Real Estate	9.06%	-0.05%	13.63%	-0.04%	1.00	0.04%	1.00	0.63	-1.10	99.70%	100.01%

Performance Analysis excludes closed end funds and those funds without 3 and 5 years of performance.

Total Fund Investment Fund Fee Analysis

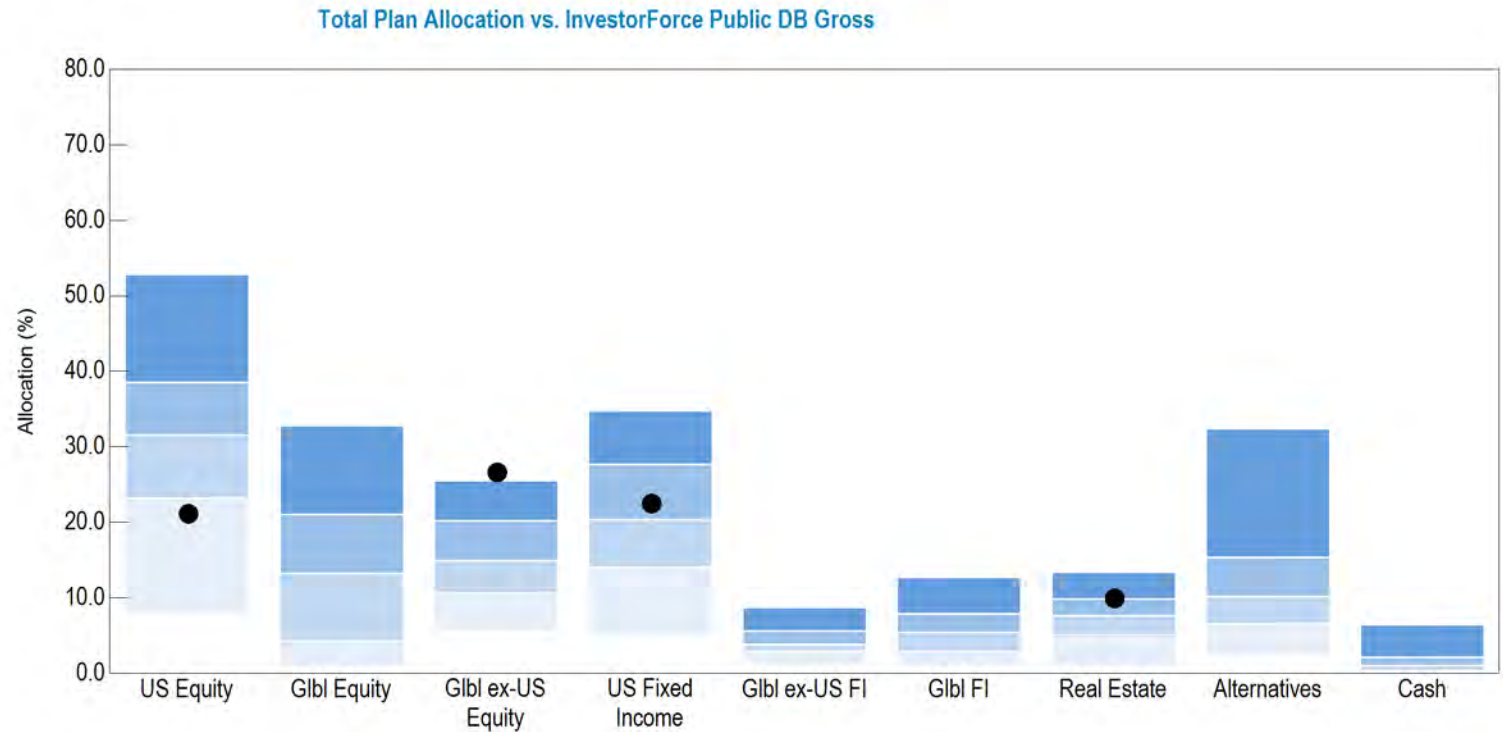
Period Ending: September 30, 2018

Name	Asset Class	Fee Schedule	Market Value	Estimated Fee Value	Estimated Fee
Northern Trust Russell 1000	Domestic Equity	0.02% of Assets	\$122,805,219	\$18,421	0.02%
BlackRock Russell 1000 Growth	Domestic Equity	0.02% of Assets	\$123,374,232	\$24,675	0.02%
BlackRock Russell 1000 Value	Domestic Equity	0.02% of Assets	\$42,259,355	\$8,452	0.02%
Dodge & Cox-Equity	Domestic Equity	0.40% of First 10.0 Mil, 0.20% of Next 90.0 Mil, 0.15% Thereafter	\$79,912,688	\$179,825	0.23%
Capital Prospects	Domestic Equity	0.75% of Assets	\$84,810,294	\$636,077	0.75%
LSV Asset Mgt	International Equity	0.75% of First 25.0 Mil, 0.65% of Next 25.0 Mil, 0.55% of Next 50.0 Mil, 0.45% Thereafter	\$286,004,208	\$1,462,019	0.51%
Fidelity	International Equity	0.25% of Assets	\$284,628,265	\$711,571	0.25%
Insight	Domestic Fixed Income	0.12% of Assets	\$216,717,182	\$260,061	0.12%
DFA	Domestic Fixed Income	0.20% of First 25.0 Mil, 0.10% Thereafter	\$207,824,567	\$232,825	0.11%
Northern Trust Intermediate Gov't Bond	Domestic Fixed Income	0.05% of First 25.0 Mil, 0.04% Thereafter	\$43,236,037	\$19,794	0.05%
Northern Trust Long Term Gov't Bond	Domestic Fixed Income	0.05% of First 25.0 Mil, 0.04% Thereafter	\$14,303,869	\$7,152	0.05%
Prime Property Fund	Real Estate	0.84% of Assets	\$54,448,749	\$457,369	0.84%
American Strategic Value Realty	Real Estate	1.25% of First 10.0 Mil, 1.20% of Next 15.0 Mil, 1.10% of Next 25.0 Mil, 1.00% Thereafter	\$41,918,052	\$491,099	1.17%
BlackRock US Real Estate	Real Estate	0.09% of First 100.0 Mil, 0.07% Thereafter	\$65,926,530	\$59,334	0.09%
AQR Global Risk Premium - EL	Alternatives	0.38% of Assets	\$143,724,480	\$546,153	0.38%
PanAgora Risk Parity Multi Asset	Alternatives	0.35% of Assets	\$136,487,772	\$477,707	0.35%
Cash Account	Cash and Equivalents	0.10% of Assets	\$12,012,012	\$12,012	0.10%
Total			\$1,960,393,512	\$5,604,545	0.30%

Closed end funds excluded from fee analysis. Fidelity has performance based fees which are not included in the analysis above; fee shown is the annual base fee only. Northern Trust aggregates StanCERA's Northern Trust Bond Funds.

Total Fund
Peer Universe Comparison: Asset Allocation

Period Ending: September 30, 2018

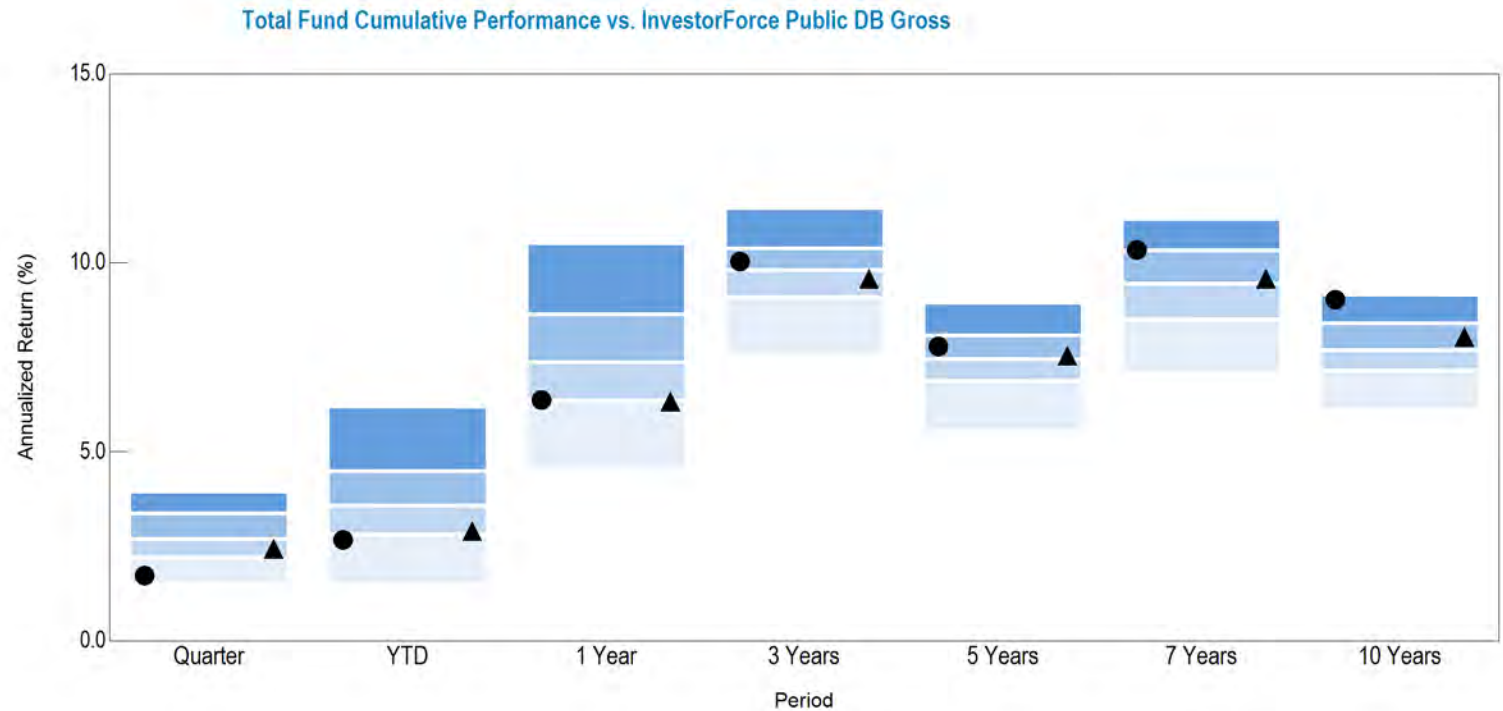


	Allocation (Rank)																	
5th Percentile	52.8		32.8		25.5		34.8		8.7		12.7		13.4		32.4		6.4	
25th Percentile	38.6		21.1		20.3		27.8		5.7		8.0		10.0		15.5		2.2	
Median	31.6		13.4		15.0		20.4		3.9		5.5		7.7		10.3		1.1	
75th Percentile	23.3		4.4		10.7		14.1		3.0		3.0		5.2		6.6		0.4	
95th Percentile	8.0		1.0		5.7		5.0		1.1		1.0		1.1		2.5		0.1	
# of Portfolios	184		87		211		173		49		44		172		163		234	
● Total Fund	21.1	(82)	--	--	26.6	(5)	22.5	(39)	--	--	--	--	9.9	(26)	--	--	--	--

Total Fund

Peer Universe Comparison: Cumulative Performance (Gross of Fees)

Period Ending: September 30, 2018

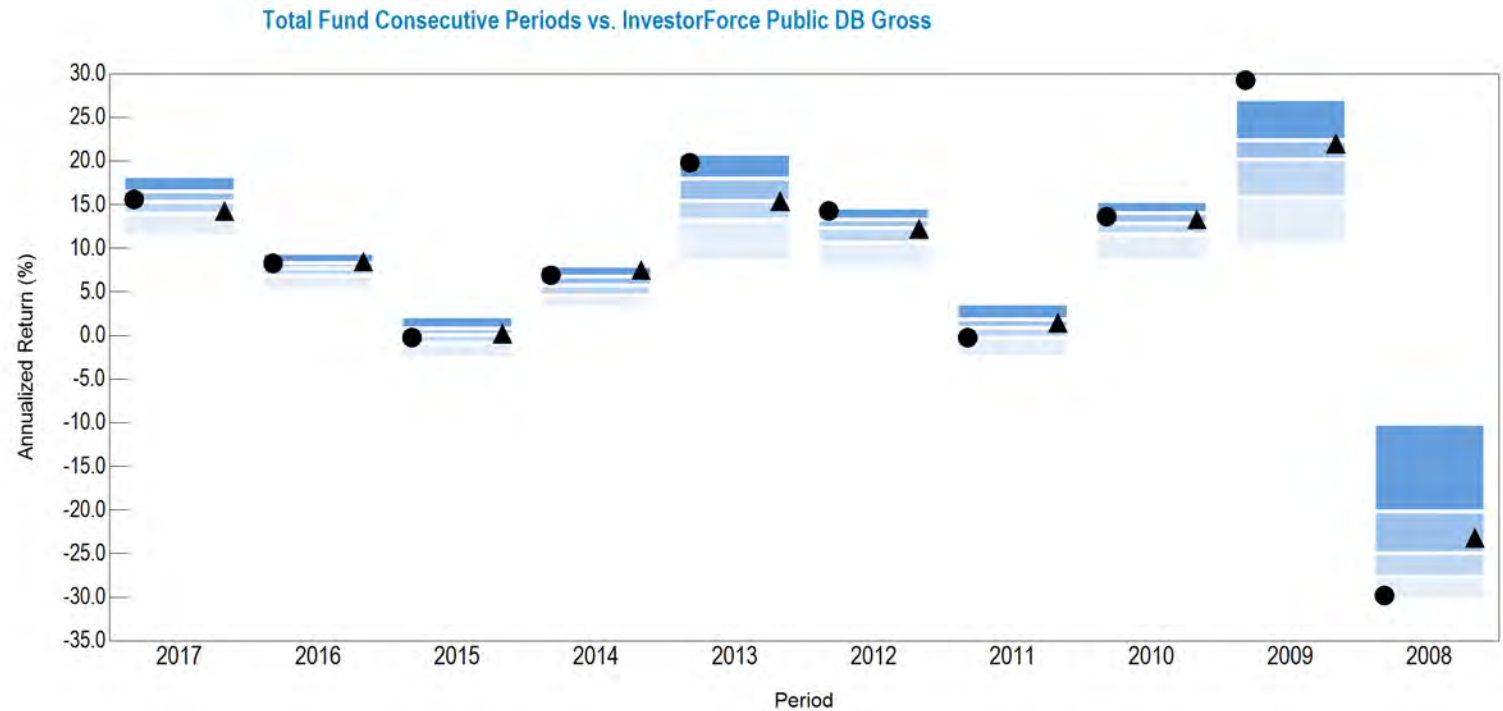


	Return (Rank)						
5th Percentile	3.9	6.2	10.5	11.4	8.9	11.1	9.2
25th Percentile	3.4	4.5	8.6	10.4	8.1	10.3	8.4
Median	2.7	3.6	7.4	9.8	7.5	9.5	7.7
75th Percentile	2.2	2.8	6.4	9.1	6.9	8.5	7.2
95th Percentile	1.5	1.5	4.5	7.6	5.6	7.1	6.1
# of Portfolios	267	266	265	255	240	226	208
● Total Fund	1.7 (93)	2.7 (78)	6.4 (75)	10.0 (41)	7.8 (39)	10.3 (26)	9.0 (7)
▲ Policy Index	2.4 (62)	2.9 (73)	6.3 (76)	9.6 (57)	7.5 (46)	9.6 (46)	8.0 (36)

Total Fund

Peer Universe Comparison: Consecutive Periods (Gross of Fees)

Period Ending: September 30, 2018



	Return (Rank)									
5th Percentile	18.2	9.4	2.2	8.0	20.8	14.6	3.6	15.4	27.0	-10.1
25th Percentile	16.5	8.4	0.9	6.8	18.0	13.4	1.9	14.0	22.4	-20.1
Median	15.3	7.7	0.1	5.8	15.5	12.4	0.9	12.9	20.2	-24.9
75th Percentile	14.0	6.9	-0.9	4.6	13.3	10.7	-0.3	11.7	15.9	-27.6
95th Percentile	11.3	5.3	-2.6	3.2	8.5	7.8	-2.5	8.6	10.5	-30.3
# of Portfolios	304	305	316	248	231	236	206	188	184	181
● Total Fund	15.6 (45)	8.3 (29)	-0.2 (60)	6.9 (23)	19.8 (12)	14.3 (10)	-0.3 (75)	13.6 (35)	29.3 (1)	-29.8 (92)
▲ Policy Index	14.3 (71)	8.5 (23)	0.2 (46)	7.5 (12)	15.4 (52)	12.3 (53)	1.4 (35)	13.3 (42)	22.0 (29)	-23.2 (37)

Domestic Equity Managers

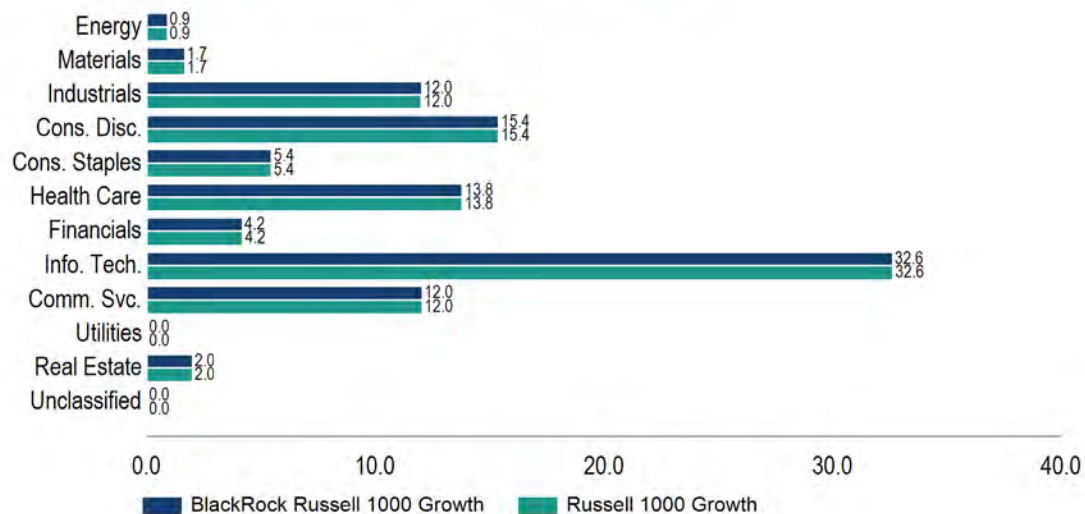
BlackRock Russell 1000 Growth Manager Portfolio Overview

Period Ending: September 30, 2018

Characteristics

	Portfolio	Russell 1000 Growth
Number of Holdings	540	542
Weighted Avg. Market Cap. (\$B)	291.58	291.64
Median Market Cap. (\$B)	12.73	12.71
Price To Earnings	40.37	28.60
Price To Book	10.90	9.17
Price To Sales	5.51	5.45
Return on Equity (%)	33.55	32.14
Yield (%)	1.18	1.17
Beta	1.00	1.00

Sector Allocation (%) vs Russell 1000 Growth



Largest Holdings

	End Weight	Return
APPLE	7.88	22.38
MICROSOFT	5.93	16.43
AMAZON.COM	5.87	17.84
FACEBOOK CLASS A	2.82	-15.37
ALPHABET 'C'	2.62	6.98
ALPHABET A	2.60	6.90
VISA 'A'	1.94	13.49
UNITEDHEALTH GROUP	1.84	8.80
HOME DEPOT	1.72	6.72
MASTERCARD	1.48	13.42

Top Contributors

	Avg Wgt	Return	Contribution
APPLE	2.37	22.38	0.53
AMAZON.COM	1.80	17.84	0.32
MICROSOFT	1.84	16.43	0.30
VISA 'A'	0.62	13.49	0.08
NVIDIA	0.36	18.69	0.07
MASTERCARD	0.47	13.42	0.06
ALPHABET 'C'	0.88	6.98	0.06
ALPHABET A	0.88	6.90	0.06
BOEING	0.48	11.40	0.05
UNITEDHEALTH GROUP	0.61	8.80	0.05

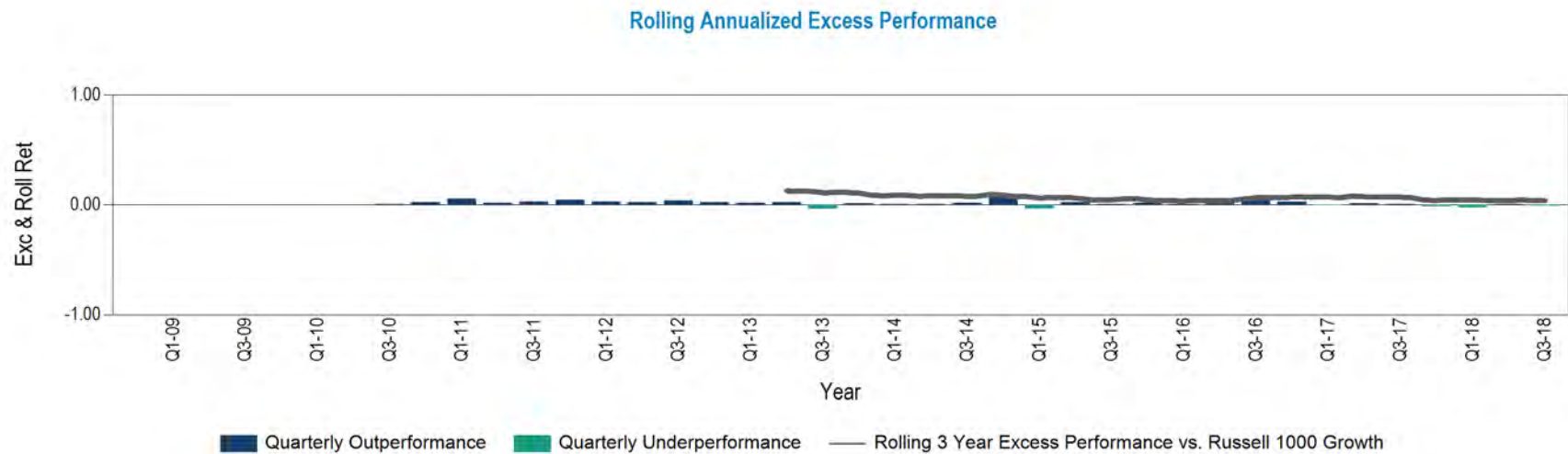
Bottom Contributors

	Avg Wgt	Return	Contribution
FACEBOOK CLASS A	1.20	-15.37	-0.18
TWITTER	0.08	-34.83	-0.03
TESLA	0.12	-22.80	-0.03
APPLIED MATS.	0.13	-15.93	-0.02
NETFLIX	0.42	-4.42	-0.02
MICRON TECHNOLOGY	0.12	-13.75	-0.02
ELECTRONIC ARTS	0.11	-14.56	-0.02
WYNN RESORTS	0.04	-23.66	-0.01
HALLIBURTON	0.10	-9.64	-0.01
LAS VEGAS SANDS	0.04	-21.34	-0.01

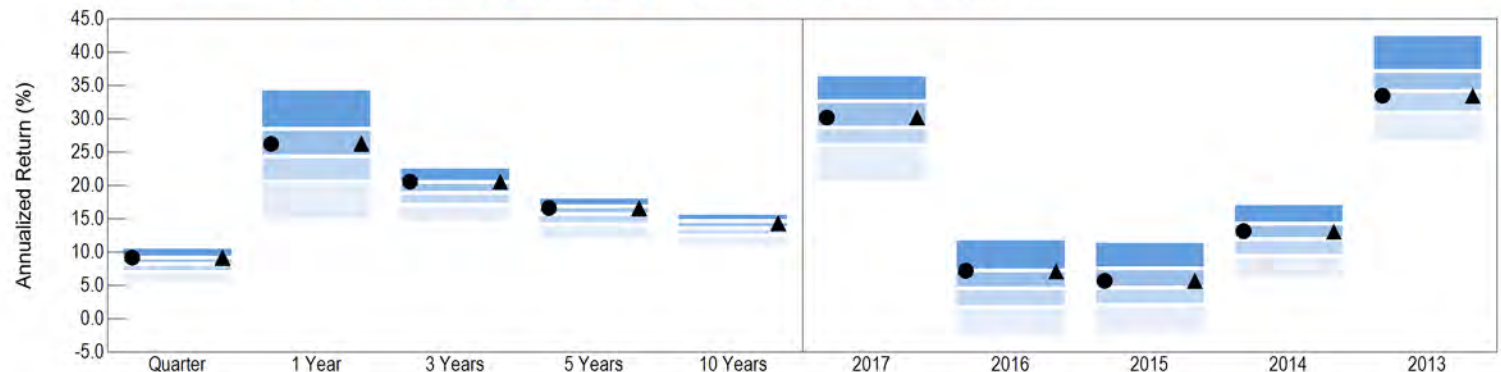
Unclassified sector allocation includes cash allocations.

BlackRock Russell 1000 Growth Manager Performance Comparisons (Gross of Fees)

Period Ending: September 30, 2018



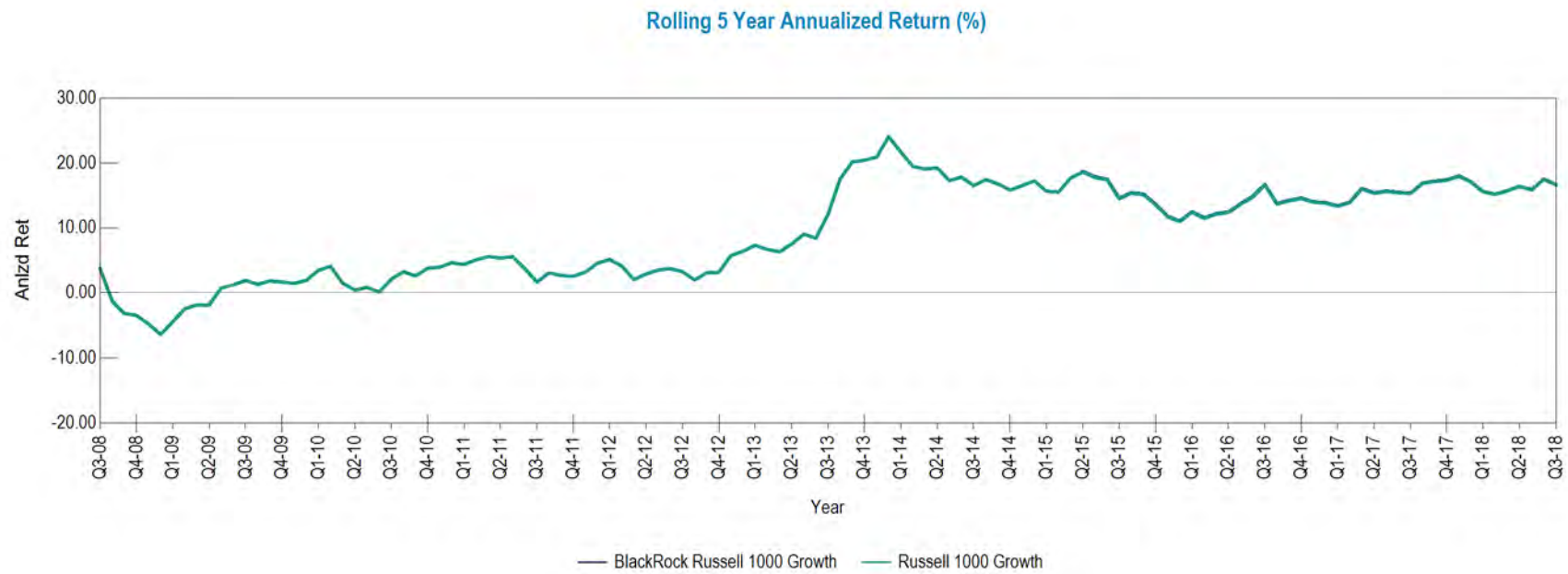
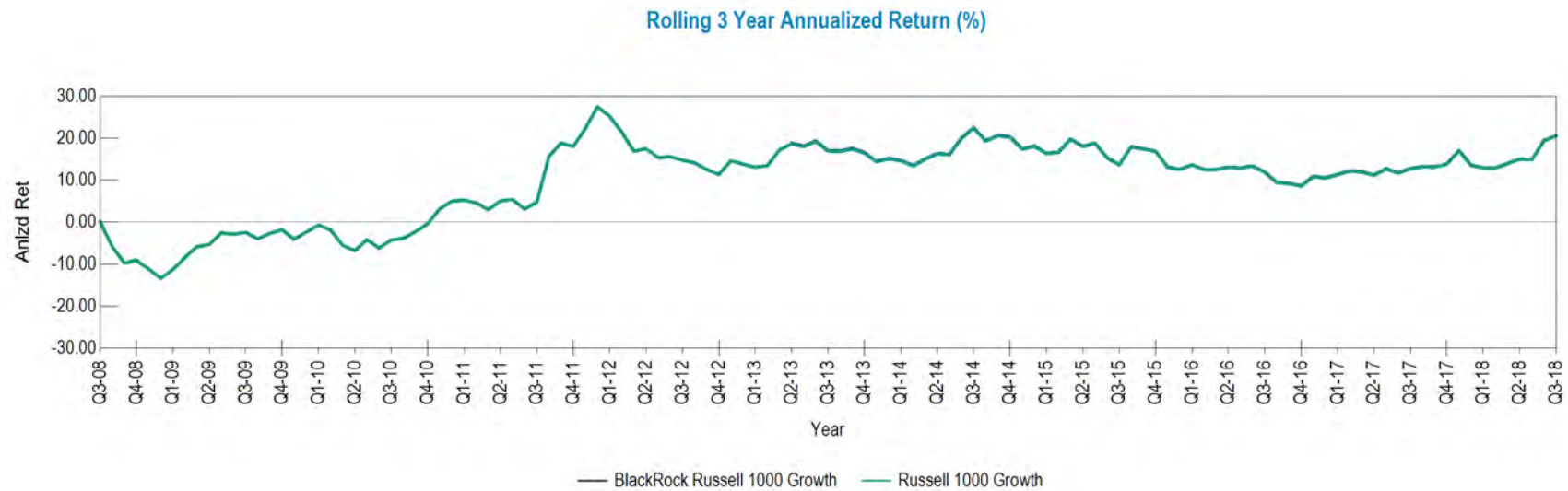
BlackRock Russell 1000 Growth vs. eV US Large Cap Growth Equity Gross Universe



	Return (Rank)		1 Year		3 Years		5 Years		10 Years		2017		2016		2015		2014		2013	
5th Percentile	10.8		34.5		22.8		18.3		15.9		36.7		12.0		11.6		17.3		42.8	
25th Percentile	9.2		28.5		20.5		16.9		14.7		32.7		7.3		7.6		14.3		37.3	
Median	8.3		24.5		19.0		15.8		13.7		28.8		4.6		4.7		12.0		34.3	
75th Percentile	7.0		20.7		17.2		14.2		12.6		26.2		1.8		2.1		9.5		31.0	
95th Percentile	5.3		14.8		14.5		11.9		10.7		20.5		-2.7		-2.4		5.8		26.6	
# of Portfolios	253		253		246		242		216		265		282		270		291		274	
● BlackRock Russell 1000 Growth	9.2	(27)	26.2	(39)	20.6	(25)	16.6	(32)	--	(--)	30.2	(42)	7.2	(26)	5.7	(42)	13.1	(37)	33.5	(56)
▲ Russell 1000 Growth	9.2	(27)	26.3	(39)	20.6	(25)	16.6	(34)	14.3	(34)	30.2	(42)	7.1	(26)	5.7	(42)	13.0	(38)	33.5	(56)

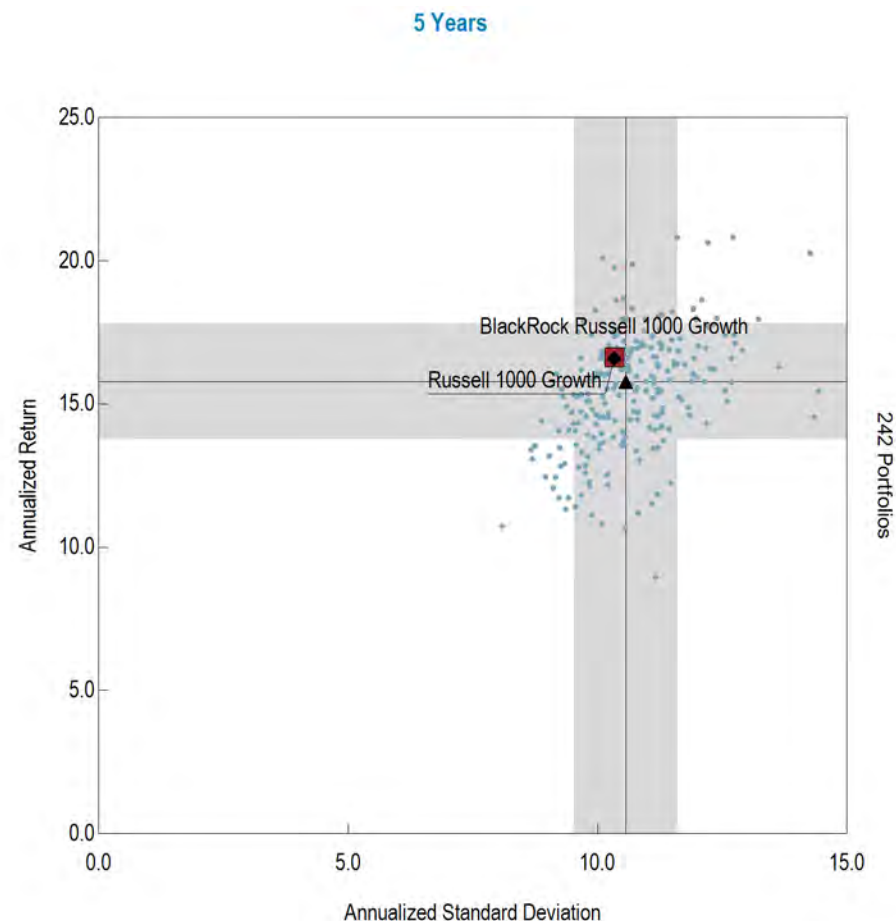
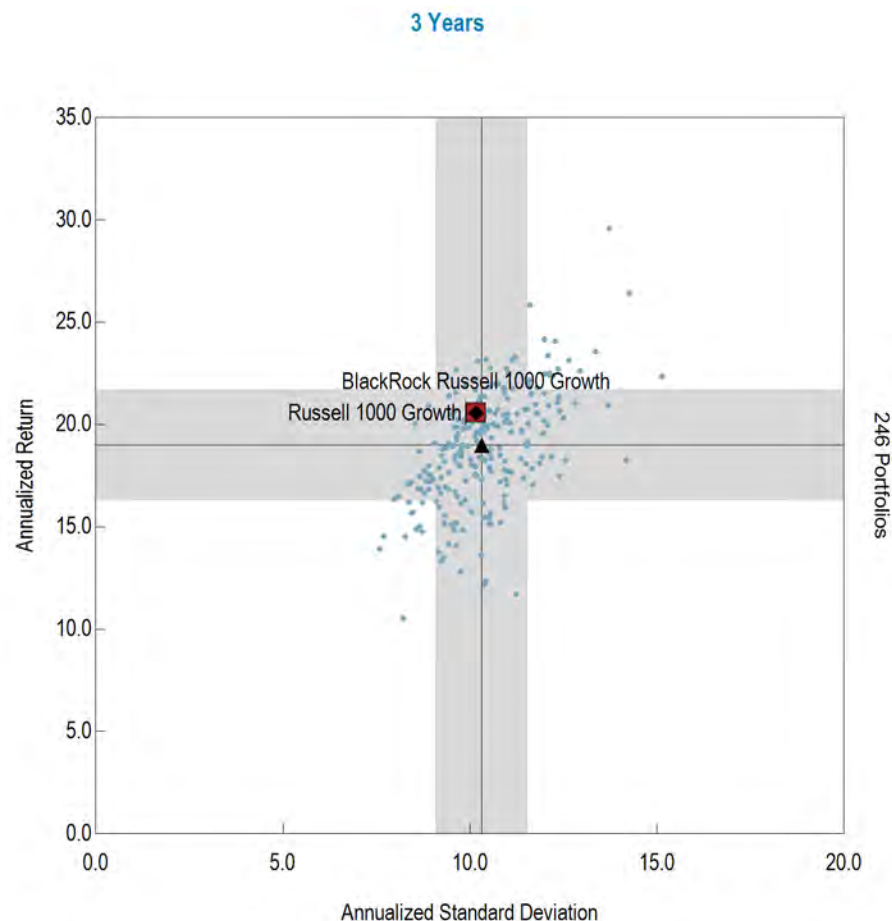
BlackRock Russell 1000 Growth
Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: September 30, 2018



BlackRock Russell 1000 Growth Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: September 30, 2018



	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Growth	20.59%	10.17%	1.94
Russell 1000 Growth	20.55%	10.17%	1.94
eV US Large Cap Growth Equity Gross Median	18.99%	10.32%	1.78

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Growth	16.6%	10.3%	1.6
Russell 1000 Growth	16.6%	10.3%	1.6
eV US Large Cap Growth Equity Gross Median	15.8%	10.6%	1.4

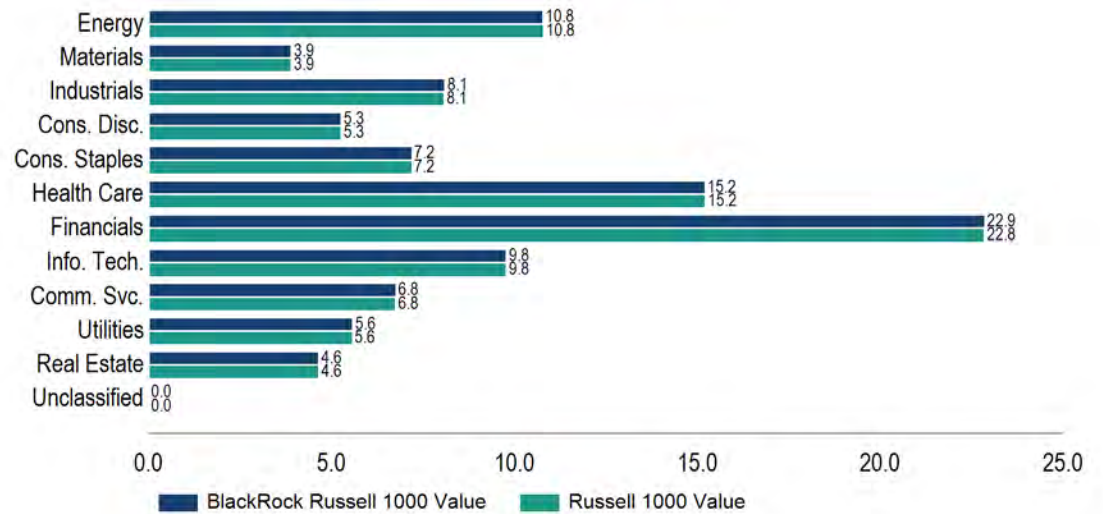
BlackRock Russell 1000 Value Manager Portfolio Overview

Period Ending: September 30, 2018

Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	725	727
Weighted Avg. Market Cap. (\$B)	119.72	119.71
Median Market Cap. (\$B)	9.71	9.69
Price To Earnings	22.23	20.58
Price To Book	2.69	2.85
Price To Sales	3.01	2.99
Return on Equity (%)	13.35	12.85
Yield (%)	2.49	2.47
Beta	1.00	1.00

Sector Allocation (%) vs Russell 1000 Value



Largest Holdings

	End Weight	Return
JP MORGAN CHASE & CO.	2.77	8.88
BERKSHIRE HATHAWAY 'B'	2.66	14.71
EXXON MOBIL	2.64	3.83
JOHNSON & JOHNSON	2.23	14.63
BANK OF AMERICA	2.01	5.01
PFIZER	1.88	22.51
AT&T	1.79	6.20
CHEVRON	1.71	-2.36
CISCO SYSTEMS	1.68	13.94
WELLS FARGO & CO	1.68	-4.50

Top Contributors

	Avg Wgt	Return	Contribution
PFIZER	0.54	22.51	0.12
BERKSHIRE HATHAWAY 'B'	0.81	14.71	0.12
JOHNSON & JOHNSON	0.68	14.63	0.10
JP MORGAN CHASE & CO.	0.90	8.88	0.08
CISCO SYSTEMS	0.53	13.94	0.07
MERCK & COMPANY	0.39	17.67	0.07
QUALCOMM	0.21	29.49	0.06
ABBOTT LABORATORIES	0.27	20.82	0.06
ORACLE	0.29	17.48	0.05
MEDTRONIC	0.30	16.17	0.05

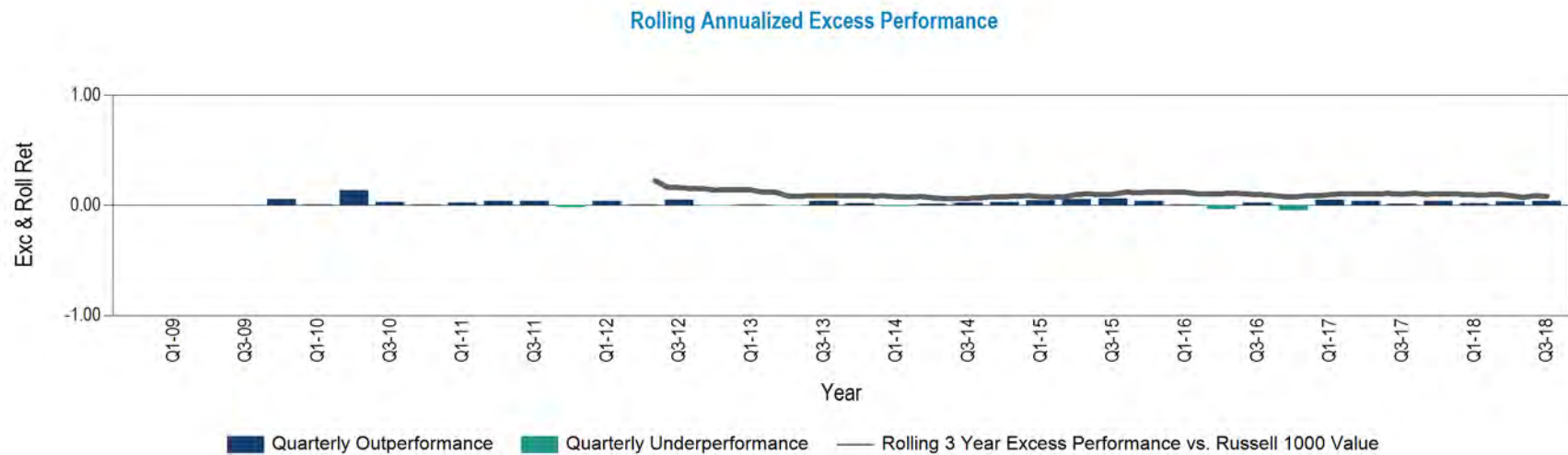
Bottom Contributors

	Avg Wgt	Return	Contribution
GENERAL ELECTRIC	0.30	-16.26	-0.05
WELLS FARGO & CO	0.62	-4.50	-0.03
INTEL	0.59	-4.29	-0.03
SCHLUMBERGER	0.24	-8.38	-0.02
NXP SEMICONDUCTORS	0.09	-21.54	-0.02
GENERAL MOTORS	0.13	-13.60	-0.02
FORD MOTOR	0.11	-15.25	-0.02
CHEVRON	0.61	-2.36	-0.01
WESTERN DIGITAL	0.06	-23.73	-0.01
FREEPORT-MCMORAN	0.06	-19.12	-0.01

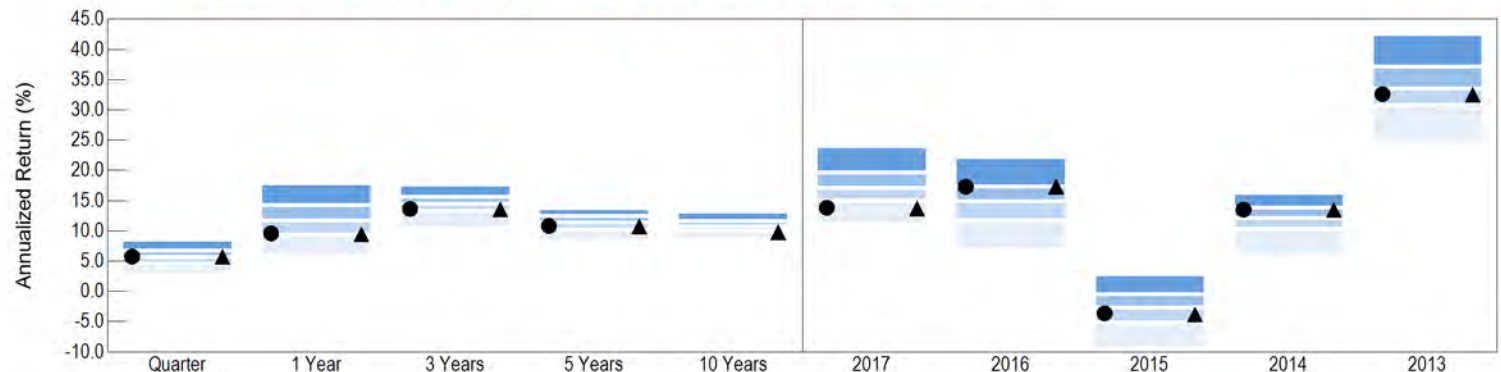
Unclassified sector allocation includes cash allocations.

BlackRock Russell 1000 Value Manager Performance Comparisons (Gross of Fees)

Period Ending: September 30, 2018



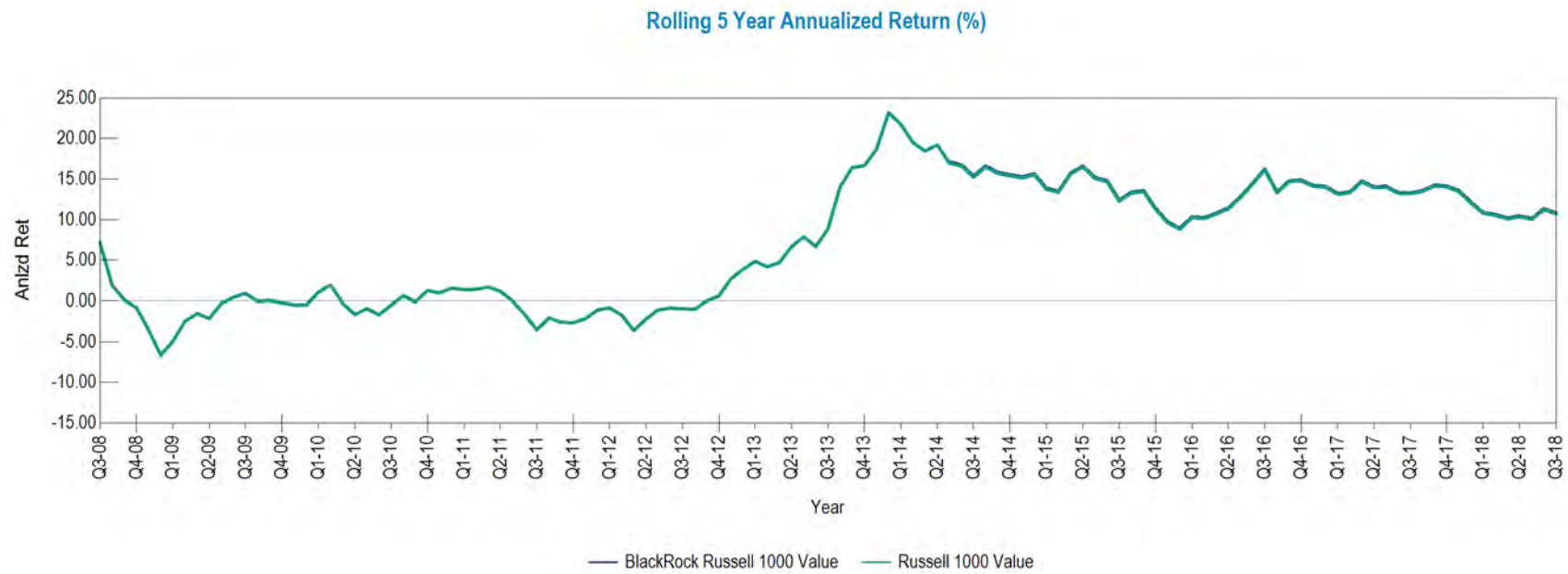
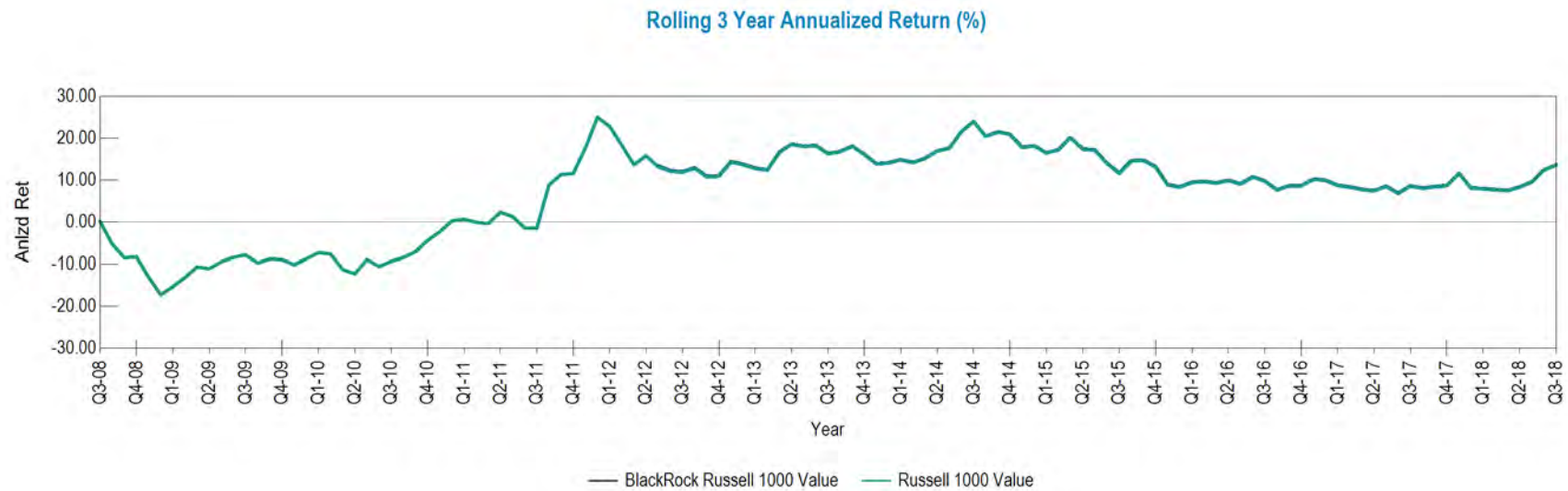
BlackRock Russell 1000 Value vs. eV US Large Cap Value Equity Gross Universe



	Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)	
5th Percentile	8.5		17.8		17.6		13.7		13.2		24.0		22.1		2.8		16.3		42.5	
25th Percentile	6.8		14.3		15.7		12.5		11.7		19.8		17.4		-0.4		13.9		37.2	
Median	5.8		11.8		14.6		11.4		10.8		17.2		15.0		-2.6		12.2		33.6	
75th Percentile	4.7		9.5		13.3		10.3		10.1		15.1		11.8		-5.1		10.4		30.8	
95th Percentile	2.9		5.9		10.5		8.2		8.7		11.2		7.0		-9.4		5.9		24.6	
# of Portfolios	334		334		332		323		267		342		346		312		307		310	
● BlackRock Russell 1000 Value	5.7	(51)	9.6	(74)	13.6	(72)	10.8	(66)	--	(--)	13.8	(86)	17.3	(26)	-3.6	(62)	13.5	(31)	32.6	(59)
▲ Russell 1000 Value	5.7	(53)	9.5	(76)	13.6	(73)	10.7	(68)	9.8	(82)	13.7	(87)	17.3	(26)	-3.8	(64)	13.5	(33)	32.5	(60)

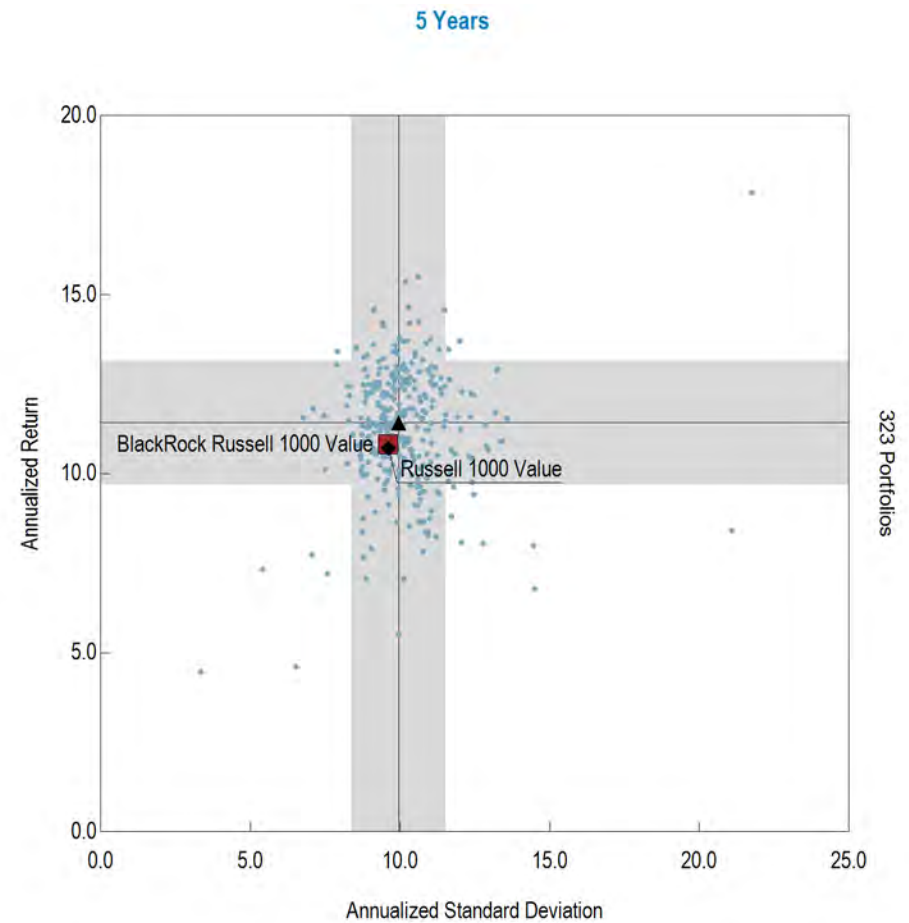
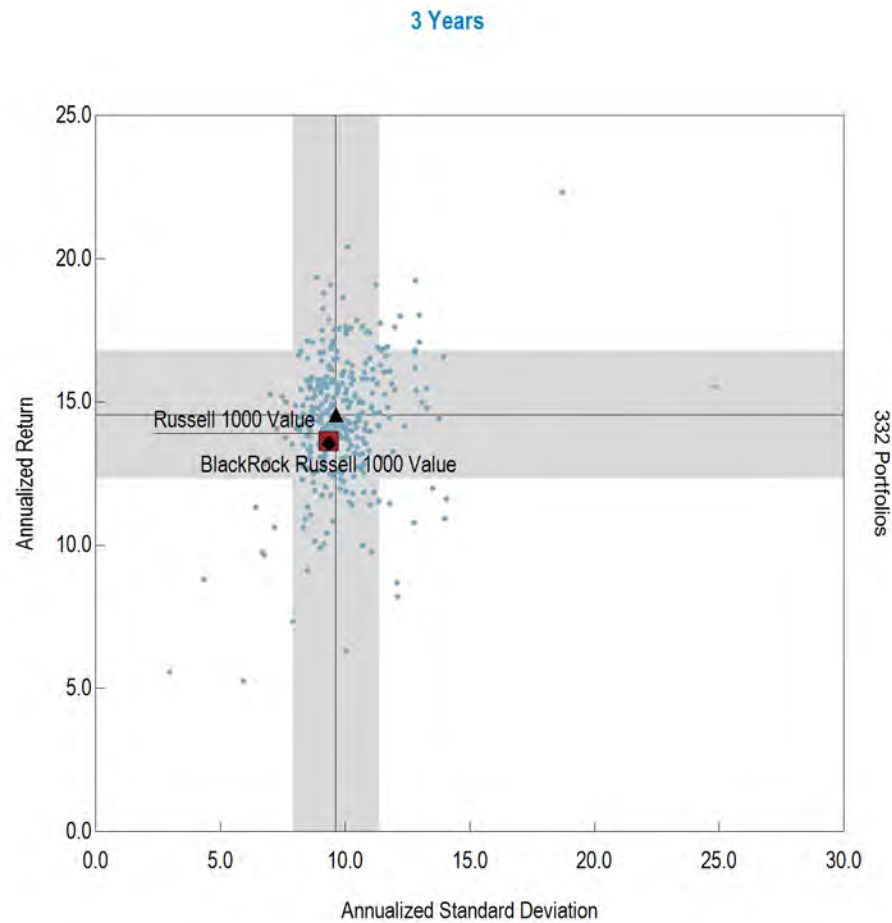
BlackRock Russell 1000 Value
Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: September 30, 2018



BlackRock Russell 1000 Value Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: September 30, 2018



	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Value	13.6%	9.3%	1.4
Russell 1000 Value	13.6%	9.4%	1.4
eV US Large Cap Value Equity Gross Median	14.6%	9.6%	1.4

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
BlackRock Russell 1000 Value	10.8%	9.6%	1.1
Russell 1000 Value	10.7%	9.6%	1.1
eV US Large Cap Value Equity Gross Median	11.4%	10.0%	1.1

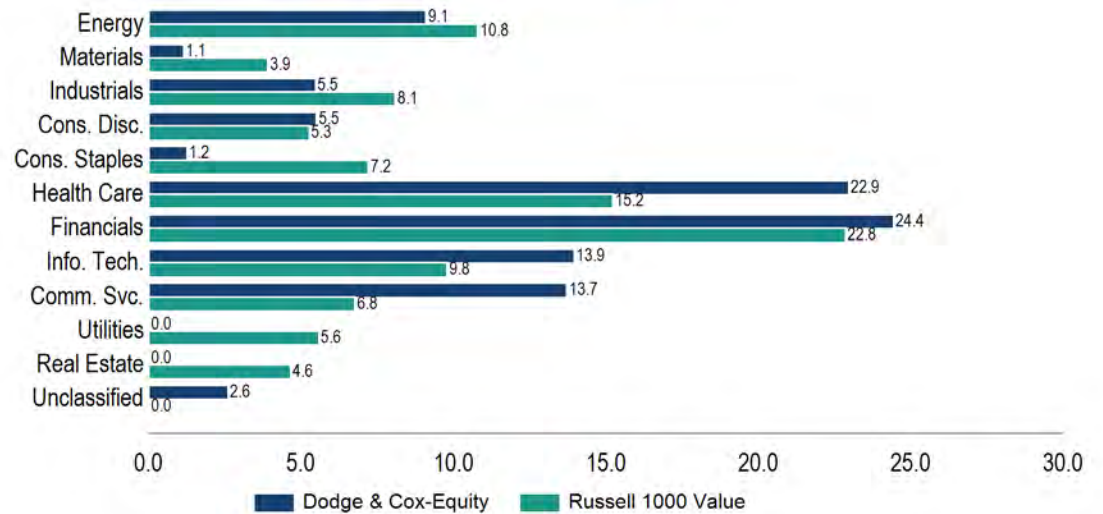
Dodge & Cox-Equity Manager Portfolio Overview

Period Ending: September 30, 2018

Characteristics

	Portfolio	Russell 1000 Value
Number of Holdings	71	727
Weighted Avg. Market Cap. (\$B)	137.51	119.71
Median Market Cap. (\$B)	45.42	9.69
Price To Earnings	21.34	20.58
Price To Book	3.12	2.85
Price To Sales	3.08	2.99
Return on Equity (%)	15.05	12.85
Yield (%)	2.00	2.47
Beta	1.00	1.00

Sector Allocation (%) vs Russell 1000 Value



Largest Holdings

	End Weight	Return
COMCAST A	3.77	8.54
WELLS FARGO & CO	3.44	-4.50
MICROSOFT (SGO)	3.43	10.96
CHARLES SCHWAB	3.16	-3.57
EXPRESS SCRIPTS HOLDING	3.11	23.05
CHARTER COMMS.CL.A	3.11	11.14
ALPHABET 'C'	2.99	6.98
CAPITAL ONE FINL.	2.93	3.72
NOVARTIS 'B' SPN.ADR 1:1	2.80	14.06
SANOFI ADR 2:1	2.74	11.65

Top Contributors

	Avg Wgt	Return	Contribution
EXPRESS SCRIPTS HOLDING	2.78	23.05	0.64
ELI LILLY	2.29	26.45	0.61
NOVARTIS 'B' SPN.ADR 1:1	2.62	14.06	0.37
MICROSOFT (SGO)	3.32	10.96	0.36
CIGNA	1.48	22.54	0.33
CHARTER COMMS.CL.A	2.90	11.14	0.32
COMCAST A	3.74	8.54	0.32
SANOFI ADR 2:1	2.55	11.65	0.30
ASTRAZENECA SPN.ADR.2:1	1.95	13.98	0.27
HP	1.64	14.22	0.23

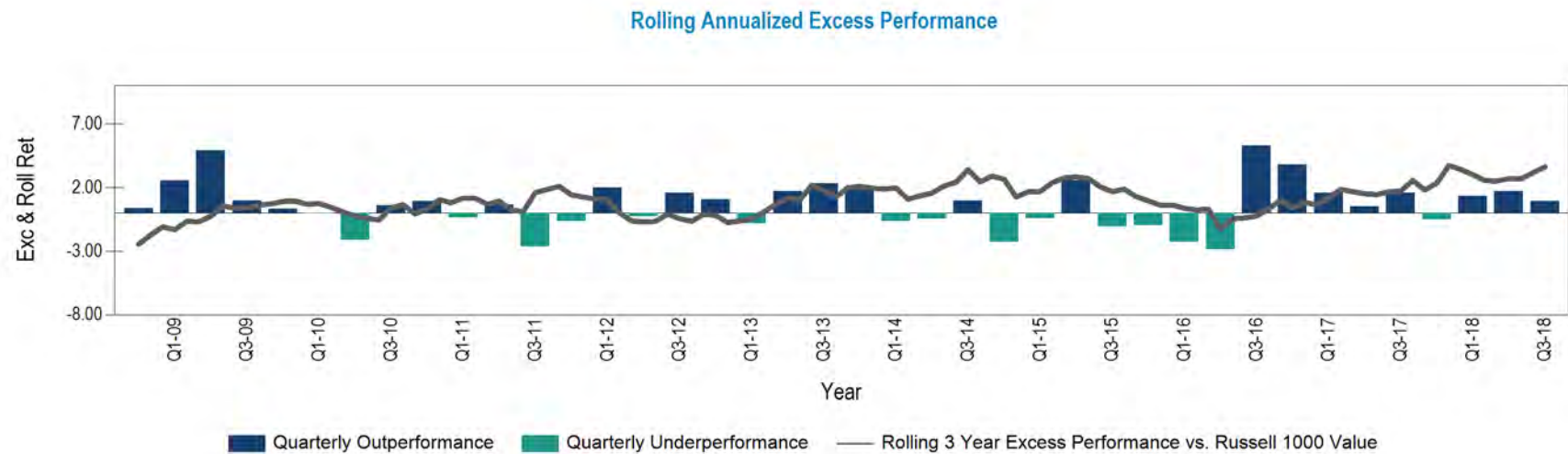
Bottom Contributors

	Avg Wgt	Return	Contribution
ANADARKO PETROLEUM	2.59	-7.60	-0.20
WELLS FARGO & CO	3.77	-4.50	-0.17
CHARLES SCHWAB	3.28	-3.57	-0.12
SCHLUMBERGER	1.33	-8.38	-0.11
BANK OF NEW YORK MELLON	1.96	-4.96	-0.10
ALNYLAM	0.49	-11.14	-0.05
PHARMACEUTICALS	0.49	-11.14	-0.05
MOLSON COORS BREWING 'B'	0.43	-9.06	-0.04
TWENTY-FIRST CENTURY FOX CL.B	0.58	-6.62	-0.04
ZAYO GROUP HOLDINGS	0.70	-4.82	-0.03
BB&T	0.82	-3.01	-0.02

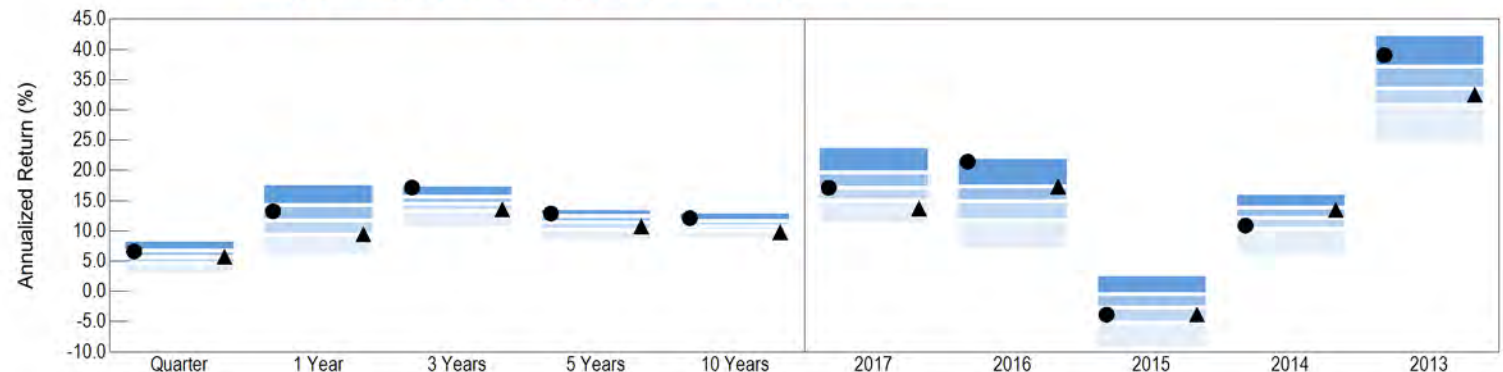
Unclassified sector allocation includes cash allocations.

Dodge & Cox-Equity Manager Performance Comparisons (Gross of Fees)

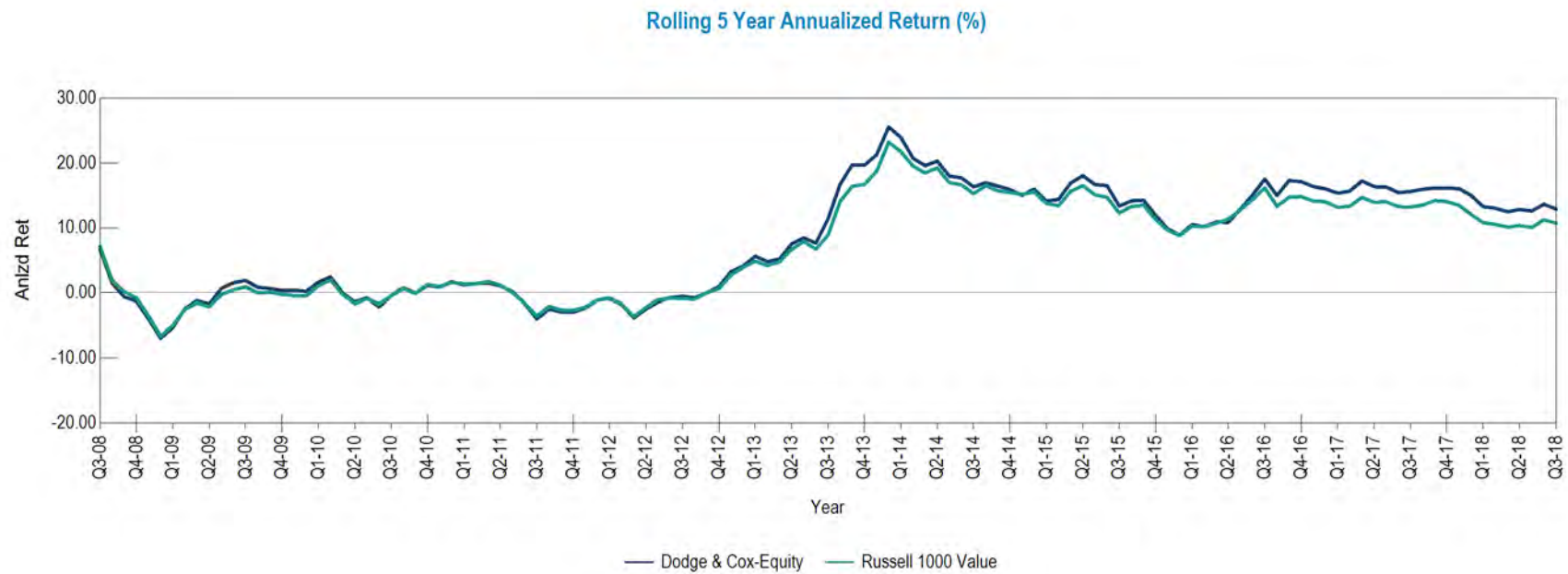
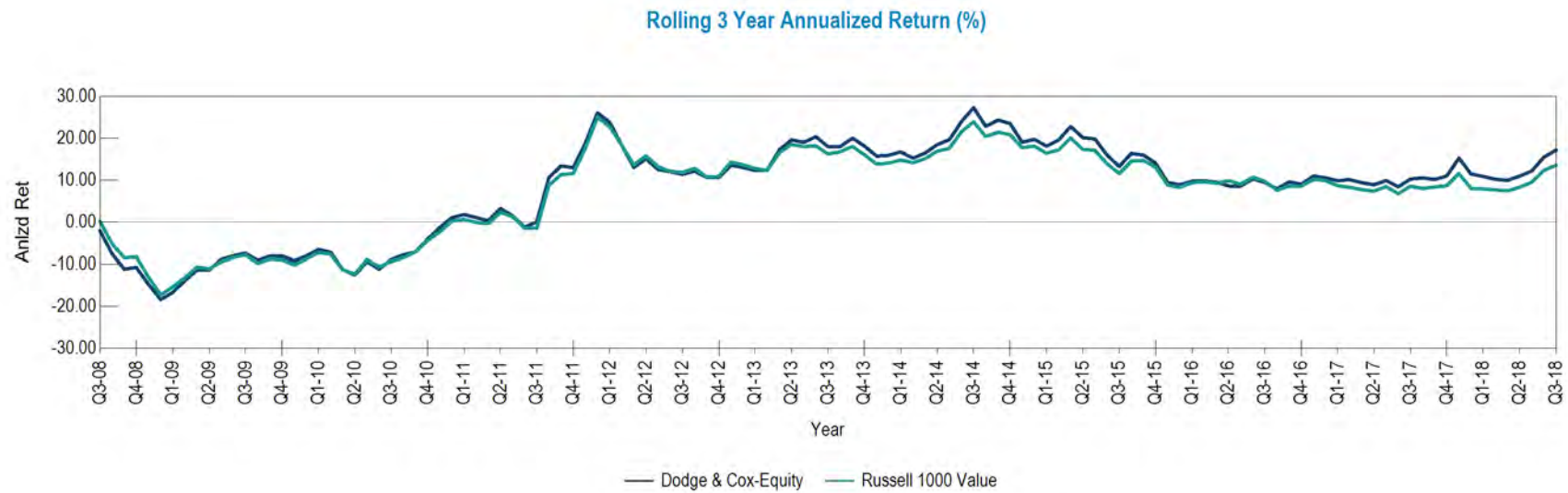
Period Ending: September 30, 2018



Dodge & Cox-Equity vs. eV US Large Cap Value Equity Gross Universe

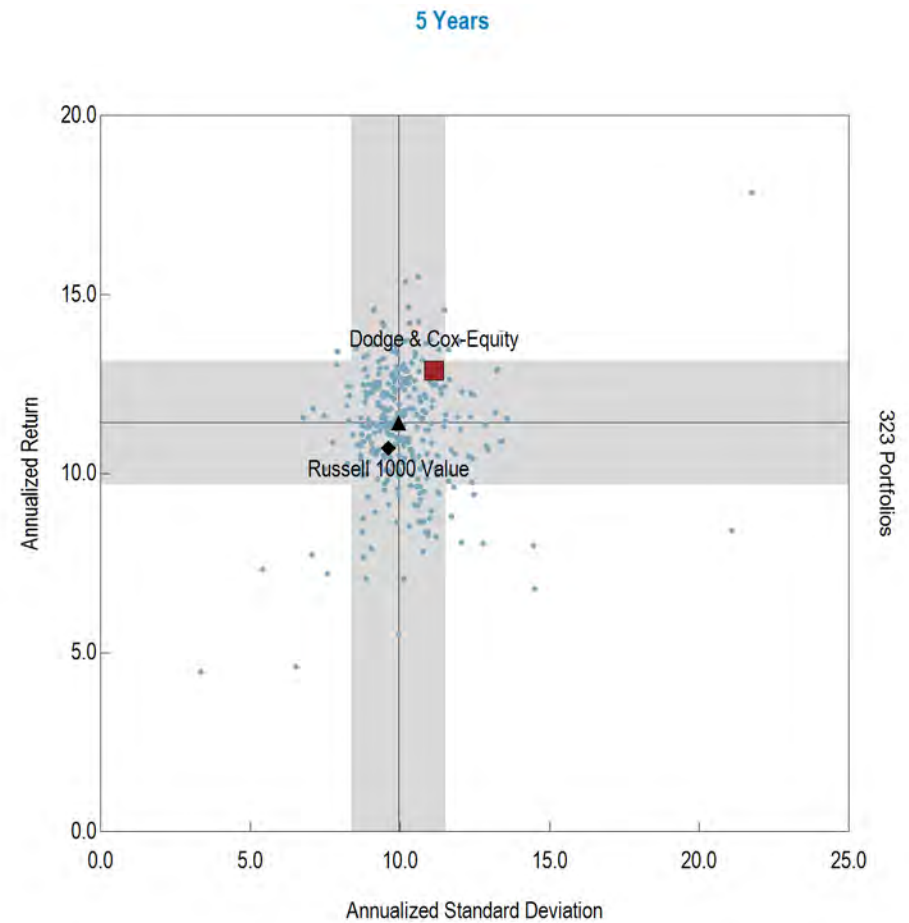
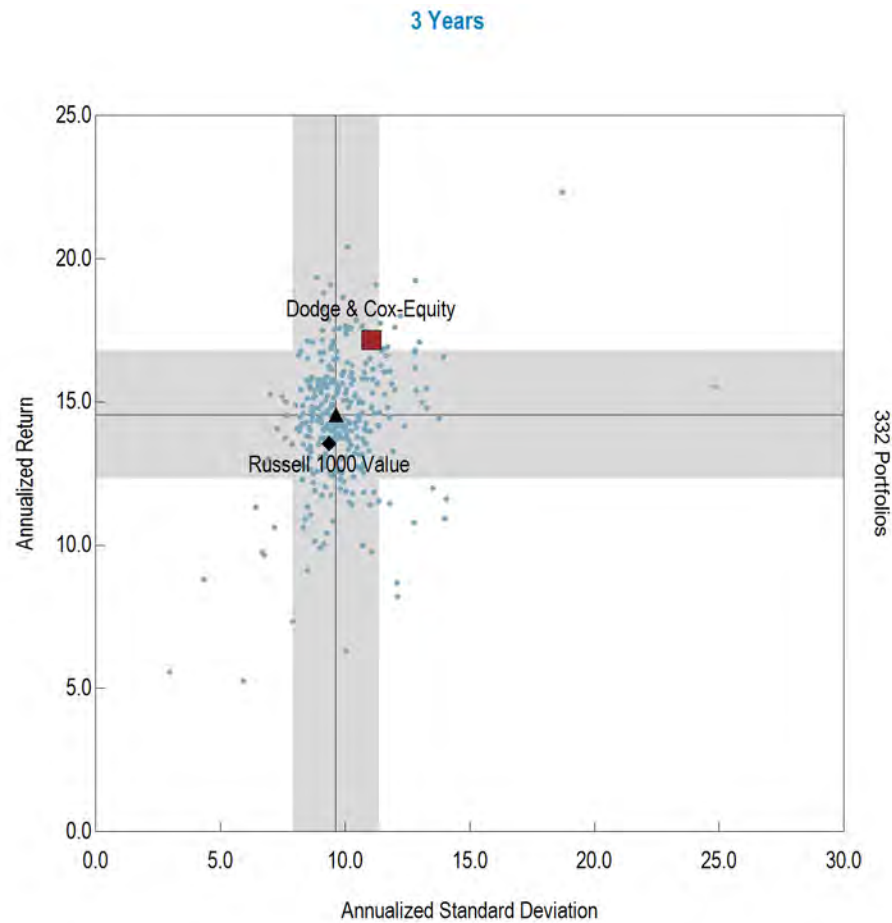


	Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)		Return (Rank)	
5th Percentile	8.5	(31)	17.8	(38)	17.6	(8)	13.7	(15)	13.2	(16)	24.0	(52)	22.1	(6)	2.8	(64)	16.3	(72)	42.5	(15)
25th Percentile	6.8	(53)	14.3	(76)	15.7	(73)	12.5	(68)	11.7	(82)	19.8	(87)	17.4	(26)	-0.4	(64)	13.9	(33)	37.2	(60)
Median	5.8		11.8		14.6		11.4		10.8		17.2		15.0		-2.6		12.2		33.6	
75th Percentile	4.7		9.5		13.3		10.3		10.1		15.1		11.8		-5.1		10.4		30.8	
95th Percentile	2.9		5.9		10.5		8.2		8.7		11.2		7.0		-9.4		5.9		24.6	
# of Portfolios	334		334		332		323		267		342		346		312		307		310	
Dodge & Cox-Equity	6.6	(31)	13.2	(38)	17.2	(8)	12.9	(15)	12.1	(16)	17.1	(52)	21.4	(6)	-3.9	(64)	10.9	(72)	39.1	(15)
Russell 1000 Value	5.7	(53)	9.5	(76)	13.6	(73)	10.7	(68)	9.8	(82)	13.7	(87)	17.3	(26)	-3.8	(64)	13.5	(33)	32.5	(60)



Dodge & Cox-Equity Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: September 30, 2018



	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Dodge & Cox-Equity	17.2%	11.1%	1.5
Russell 1000 Value	13.6%	9.4%	1.4
eV US Large Cap Value Equity Gross Median	14.6%	9.6%	1.4

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Dodge & Cox-Equity	12.9%	11.1%	1.1
Russell 1000 Value	10.7%	9.6%	1.1
eV US Large Cap Value Equity Gross Median	11.4%	10.0%	1.1

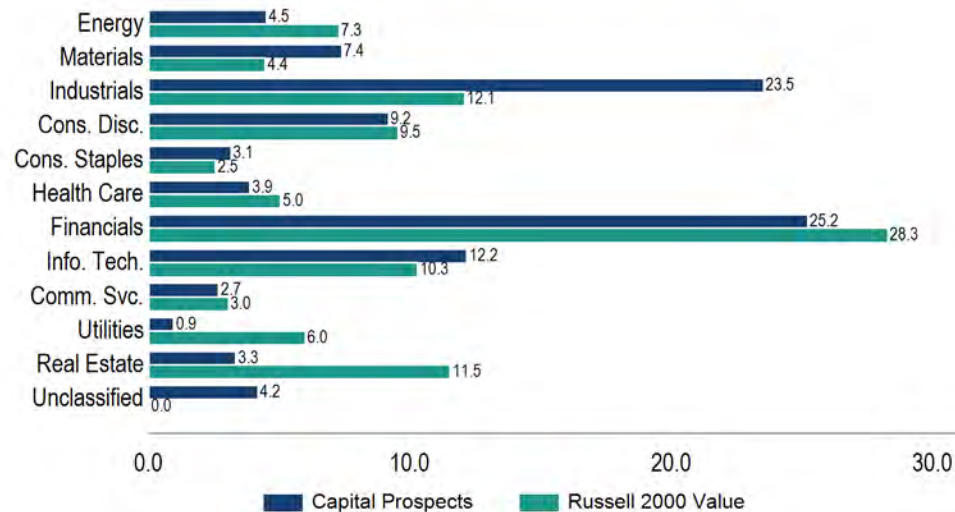
Capital Prospects Manager Portfolio Overview

Period Ending: September 30, 2018

Characteristics

	Portfolio	Russell 2000 Value
Number of Holdings	288	1,387
Weighted Avg. Market Cap. (\$B)	2.56	2.12
Median Market Cap. (\$B)	1.39	0.80
Price To Earnings	16.27	14.47
Price To Book	2.93	1.78
Price To Sales	2.39	2.56
Return on Equity (%)	14.18	7.12
Yield (%)	1.48	1.79
Beta	0.80	1.00

Sector Allocation (%) vs Russell 2000 Value



Largest Holdings

	End Weight	Return
VERSO 'A'	1.71	54.73
HILLENBRAND	1.09	11.36
LITTELFUSE	1.07	-13.10
ARCONIC	1.04	29.76
HOSTESS BRANDS CL.A	1.04	-18.60
PAC.PREMIER BANC.	1.04	-2.49
AIR LEASE	1.00	9.56
ARTISAN PTNS.ASTMGMT.	0.97	9.47
AMERICAN EQ.INV.LF.HLDG.	0.91	-1.78
OFG BANCORP	0.84	15.37

Top Contributors

	Avg Wgt	Return	Contribution
VERSO 'A'	1.16	54.73	0.64
BOTTOMLINE TECHS.	0.61	45.92	0.28
ARCONIC	0.88	29.76	0.26
PAM TRANSPORTATION SVS.	0.47	38.58	0.18
INGEVITY	0.55	26.00	0.14
PCM	0.48	29.04	0.14
SHUTTERSTOCK	0.60	21.73	0.13
CALLAWAY GOLF	0.46	28.10	0.13
MEDPACE HOLDINGS	0.33	39.33	0.13
CHAS.RVR.LABS.INTL.	0.58	19.85	0.11

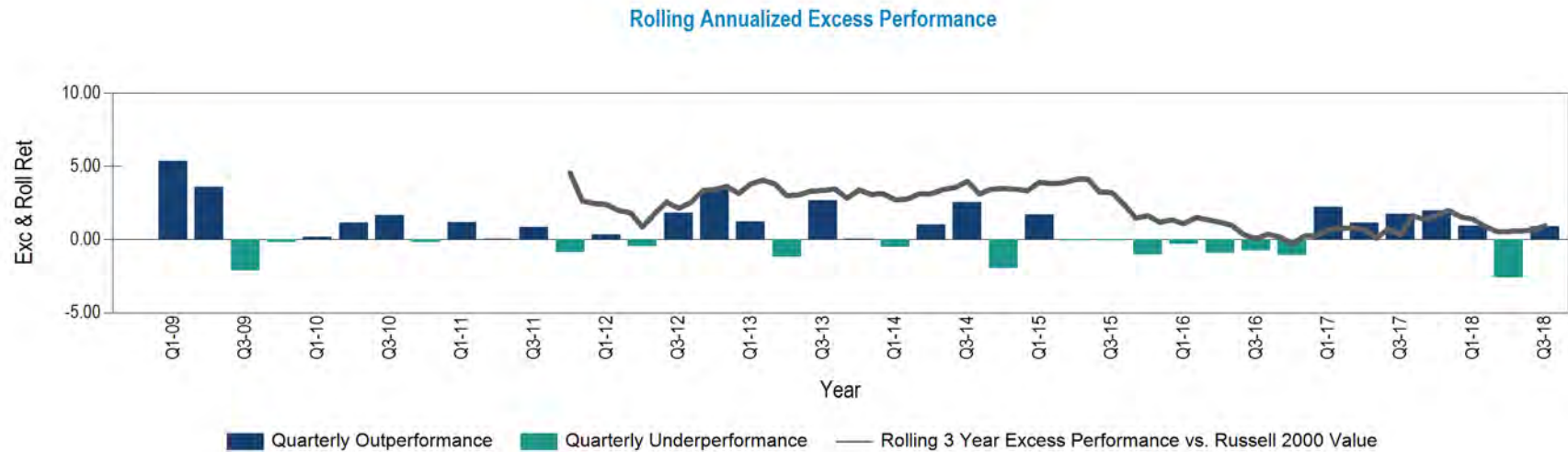
Bottom Contributors

	Avg Wgt	Return	Contribution
HOSTESS BRANDS CL.A	1.26	-18.60	-0.24
LITTELFUSE	1.15	-13.10	-0.15
MODINE MANUFACTURING	0.75	-18.36	-0.14
NEW HOME	0.60	-19.16	-0.12
BARRETT BUS.SVS.	0.33	-30.62	-0.10
ASURE SOFTWARE	0.36	-22.13	-0.08
OCH-ZIFF	0.34	-22.54	-0.08
CAP.MAN.GP.CL.A	0.30	-24.40	-0.07
ULTRA CLEAN HOLDINGS	0.30	-24.40	-0.07
MANITEX INTERNATIONAL	0.44	-15.62	-0.07
ZAGG	0.41	-14.74	-0.06

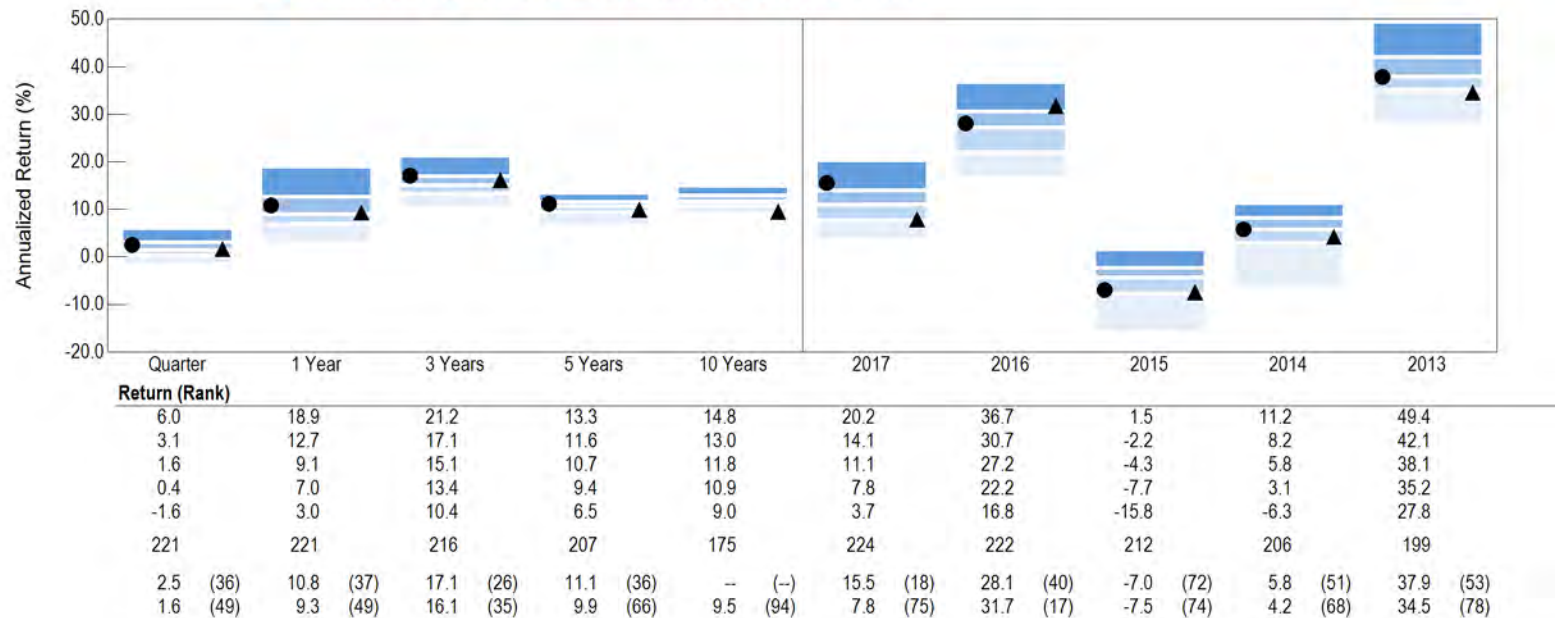
Unclassified sector allocation includes cash allocations.

Capital Prospects Manager Performance Comparisons (Gross of Fees)

Period Ending: September 30, 2018



Capital Prospects vs. eV US Small Cap Value Equity Gross Universe

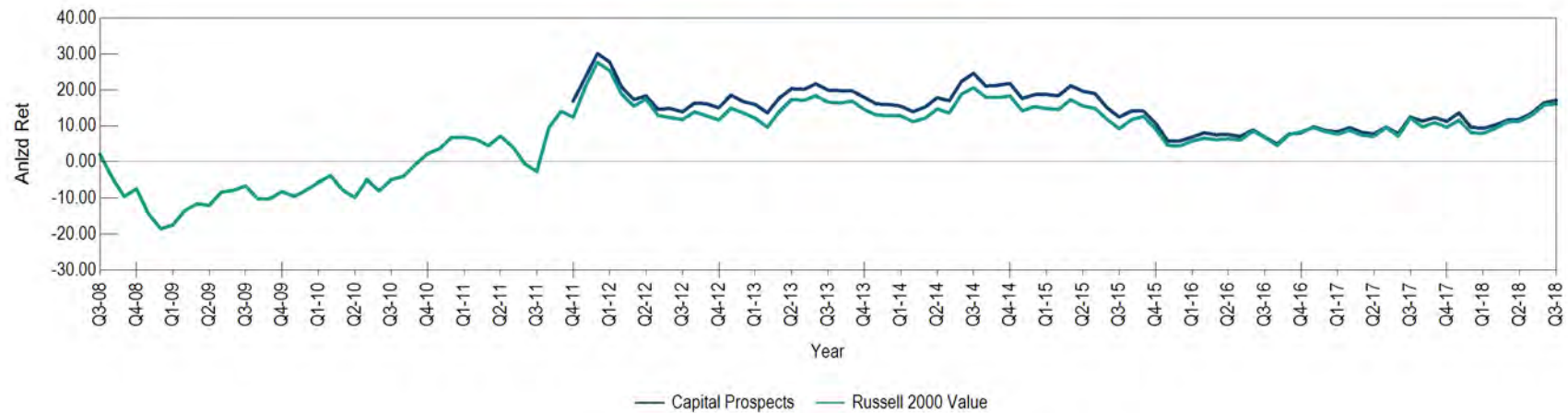


Capital Prospects

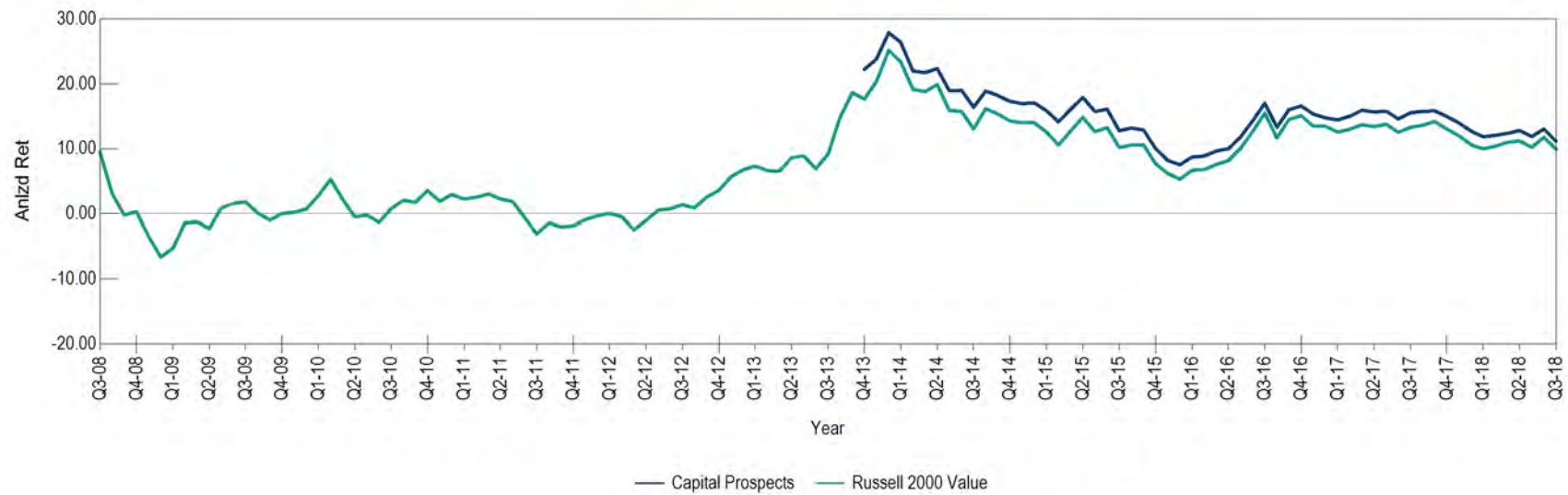
Manager Performance - Rolling 3 & 5 Year (Gross of Fees)

Period Ending: September 30, 2018

Rolling 3 Year Annualized Return (%)

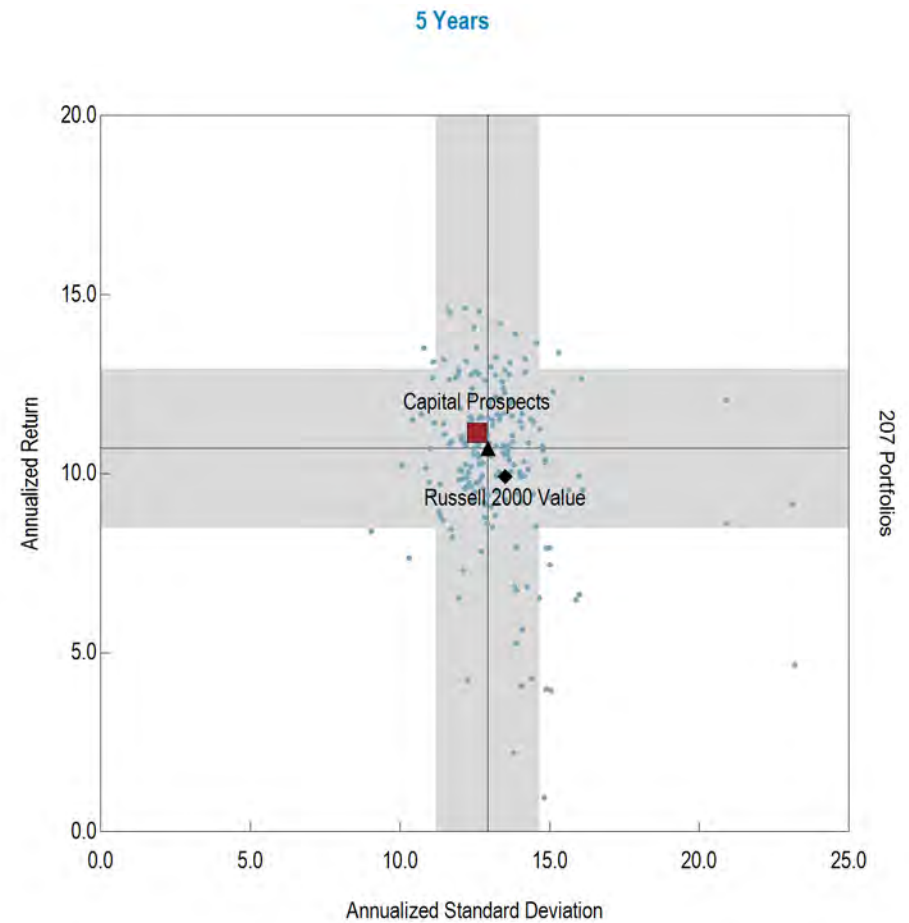
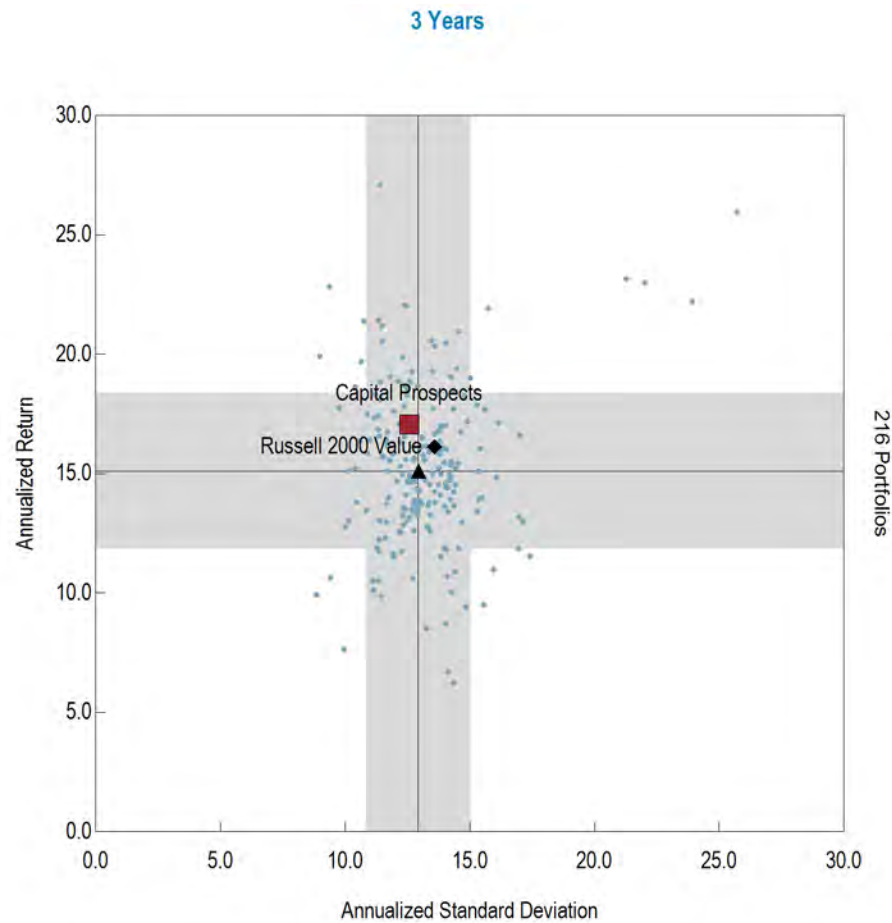


Rolling 5 Year Annualized Return (%)



Capital Prospects Risk vs. Return 3 & 5 Year (Gross of Fees)

Period Ending: September 30, 2018



	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Capital Prospects	17.1%	12.6%	1.3
Russell 2000 Value	16.1%	13.6%	1.1
eV US Small Cap Value Equity Gross Median	15.1%	12.9%	1.1

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Capital Prospects	11.1%	12.6%	0.8
Russell 2000 Value	9.9%	13.5%	0.7
eV US Small Cap Value Equity Gross Median	10.7%	12.9%	0.8

International Equity Managers

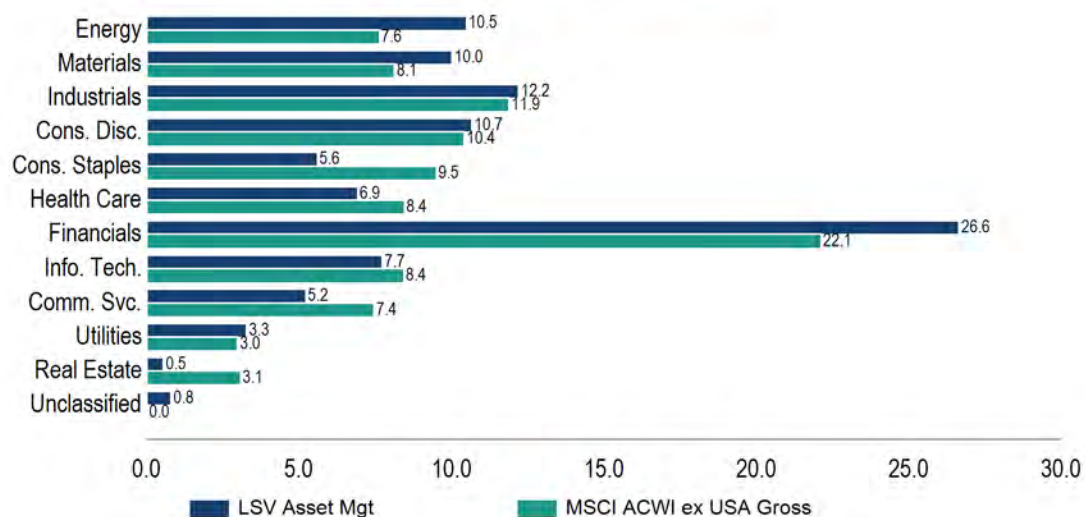
LSV Asset Mgt Manager Portfolio Overview

Period Ending: September 30, 2018

Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	270	2,166
Weighted Avg. Market Cap. (\$B)	37.05	62.23
Median Market Cap. (\$B)	6.93	7.68
Price To Earnings	13.20	18.84
Price To Book	1.63	2.62
Price To Sales	1.15	2.40
Return on Equity (%)	14.65	15.63
Yield (%)	3.94	3.00
Beta	1.07	1.00

Sector Allocation (%) vs MSCI ACWI ex USA Gross



Largest Holdings

	End Weight	Return
ROYAL DUTCH SHELL B	2.03	-0.75
ROCHE HOLDING	1.93	9.59
SANOFI	1.77	10.94
SAMSUNG ELECTRONICS	1.73	0.04
TOTAL	1.59	7.62
KDDI	1.32	2.61
REPSOL YPF	1.27	1.85
BP	1.26	2.07
NIPPON TELG. & TEL.	1.21	0.99
GLAXOSMITHKLINE	1.20	0.41

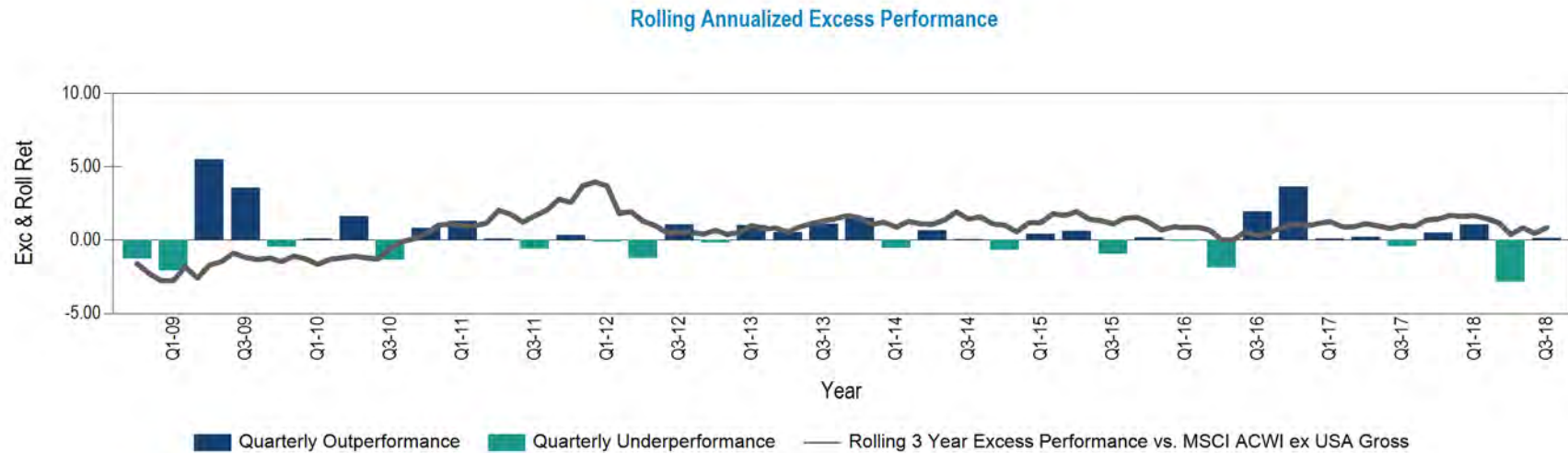
Top Contributors

	Avg Wgt	Return	Contribution
SANOFI	1.74	10.94	0.19
ROCHE HOLDING	1.53	9.59	0.15
SINOTRUK (HONG KONG)	0.35	40.60	0.14
CHINA RAILWAY CON.'H'	0.37	36.84	0.14
MARUBENI	0.61	22.02	0.13
MOTOR OIL	0.39	30.13	0.12
GRIEG SEAFOOD	0.45	25.26	0.11
SCOR SE	0.43	25.05	0.11
SK TELECOM	0.49	21.60	0.10
SWISS LIFE HOLDING	1.09	9.61	0.10

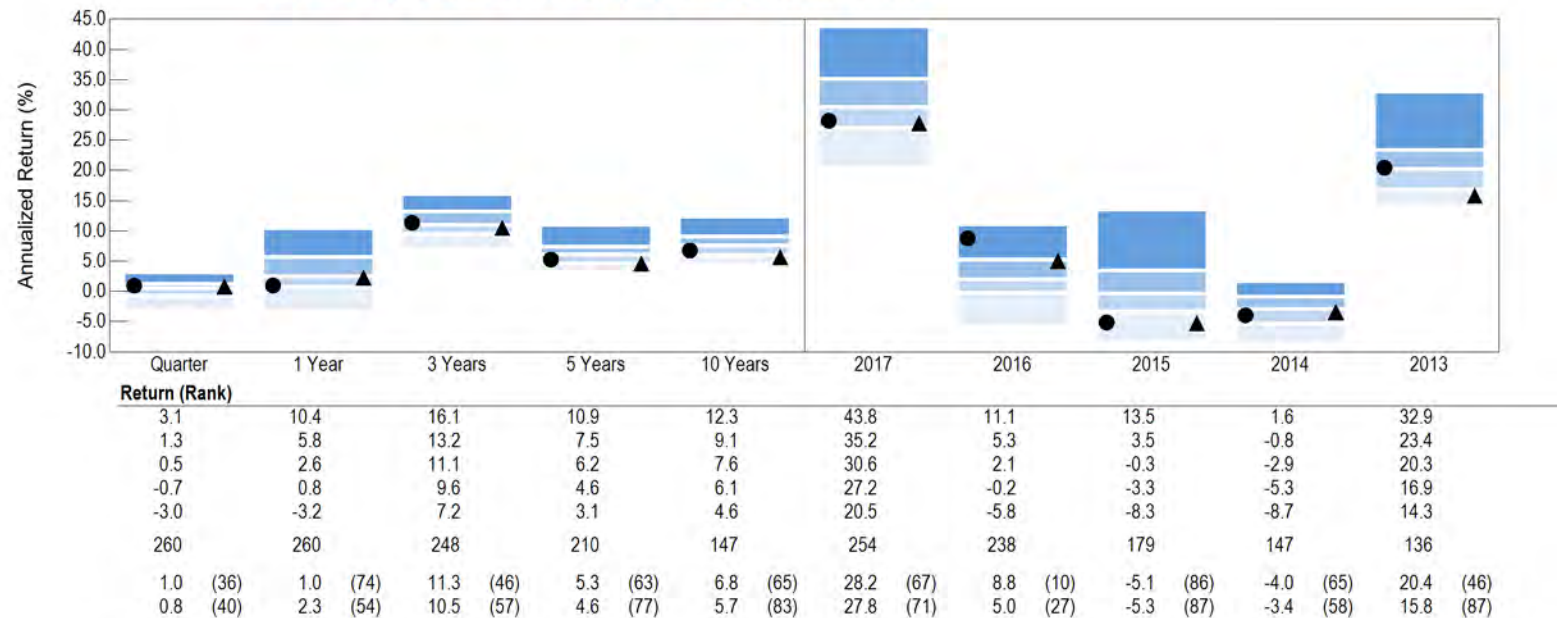
Bottom Contributors

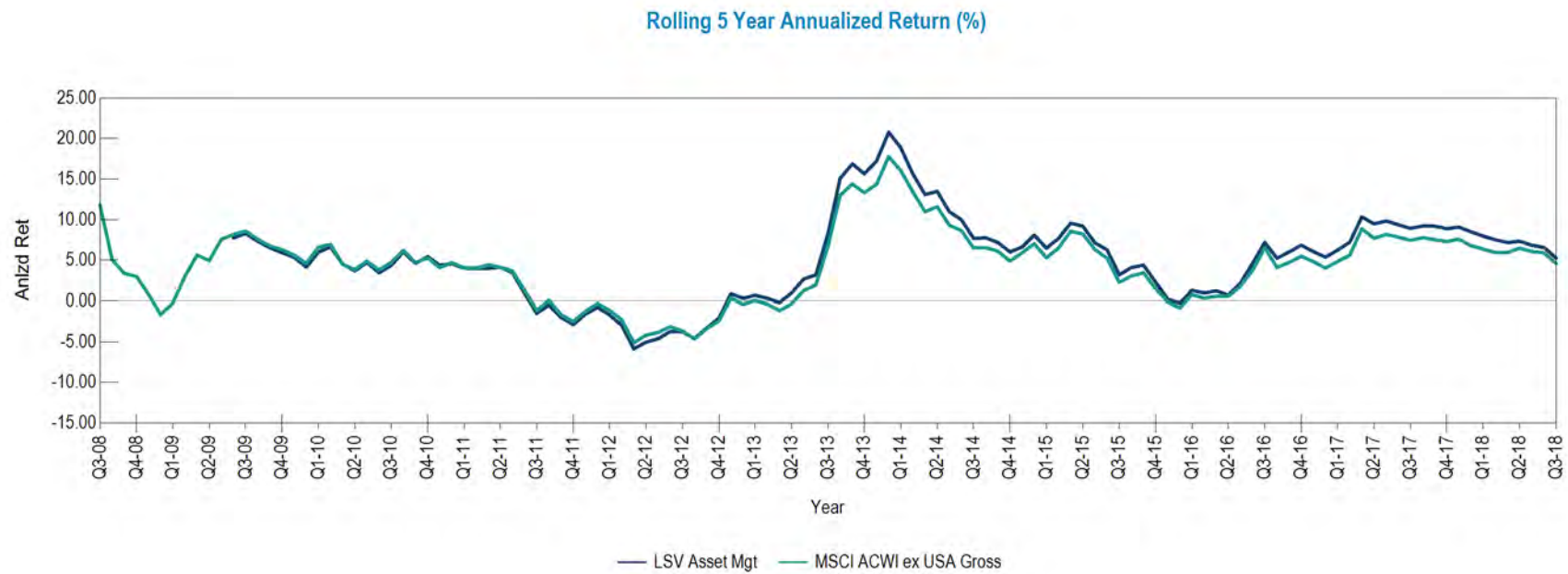
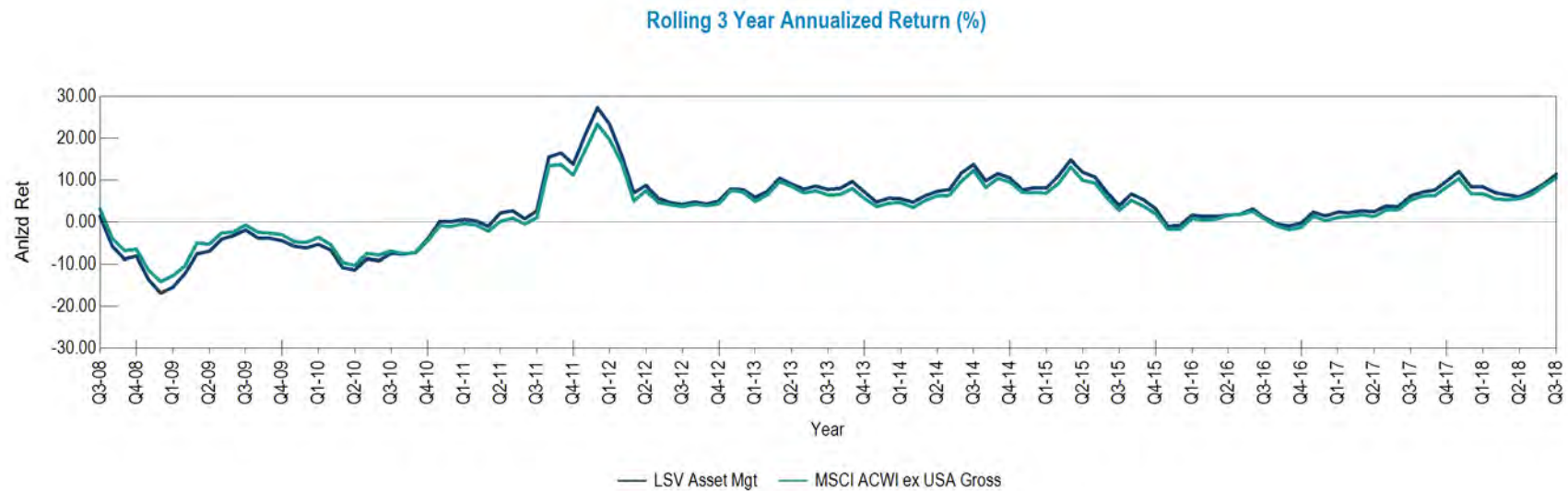
	Avg Wgt	Return	Contribution
TIANNENG POWER INTL.	0.61	-43.30	-0.27
GIGA-BYTE TECHNOLOGY	0.53	-23.68	-0.12
MAGNA INTL.	1.29	-9.16	-0.12
SPIRE HEALTHCARE GP.	0.27	-43.83	-0.12
ST BARBARA	0.33	-27.81	-0.09
LONKING HOLDINGS	0.29	-29.73	-0.09
ATOS	0.66	-12.81	-0.08
SKYWORTH DIGITAL HDG.	0.23	-34.53	-0.08
DANSKE BANK	0.48	-16.06	-0.08
FUJIKURA	0.29	-24.89	-0.07

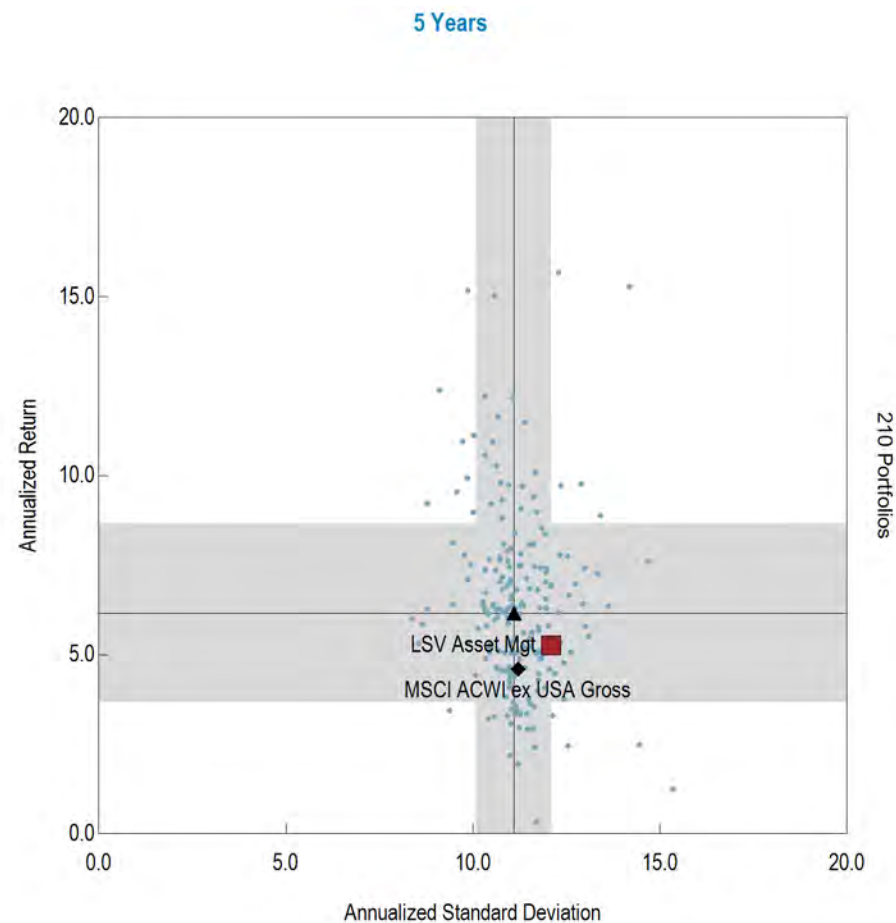
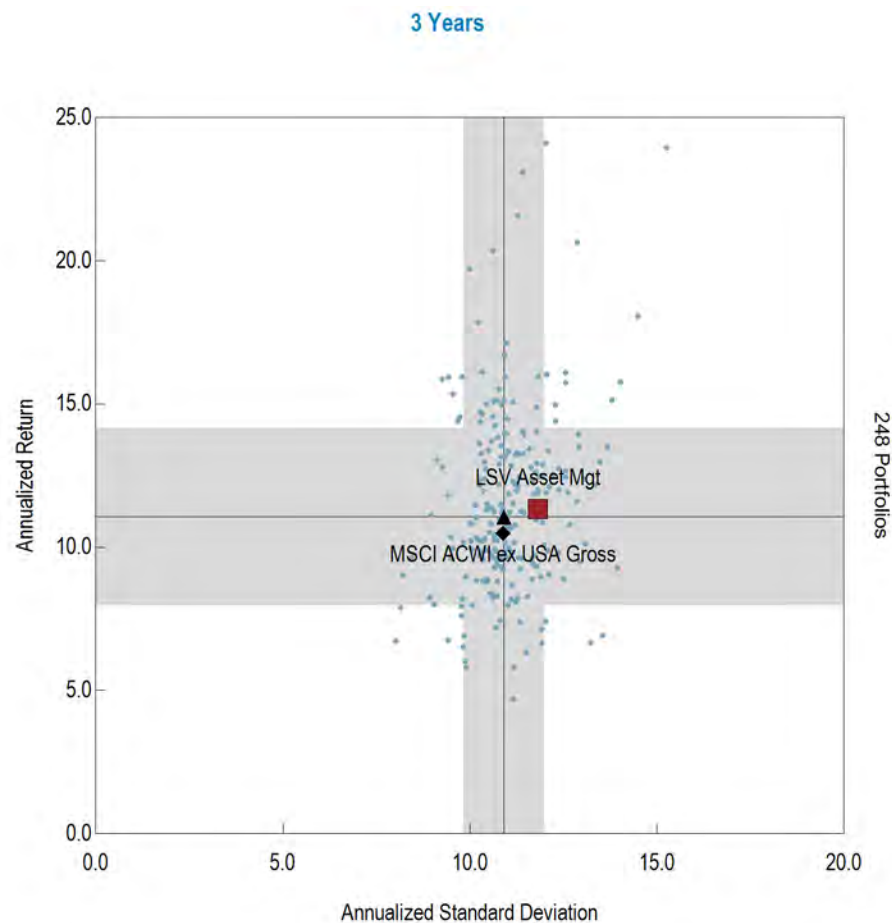
Unclassified sector allocation includes cash allocations.



LSV Asset Mgt vs. eV ACWI ex-US Equity Unhedged Gross Universe







	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
LSV Asset Mgt	11.3%	11.8%	0.9
MSCI ACWI ex USA Gross	10.5%	10.9%	0.9
eV ACWI ex-US Equity Unhedged Gross Median	11.1%	10.9%	0.9

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
LSV Asset Mgt	5.3%	12.1%	0.4
MSCI ACWI ex USA Gross	4.6%	11.2%	0.4
eV ACWI ex-US Equity Unhedged Gross Median	6.2%	11.1%	0.5

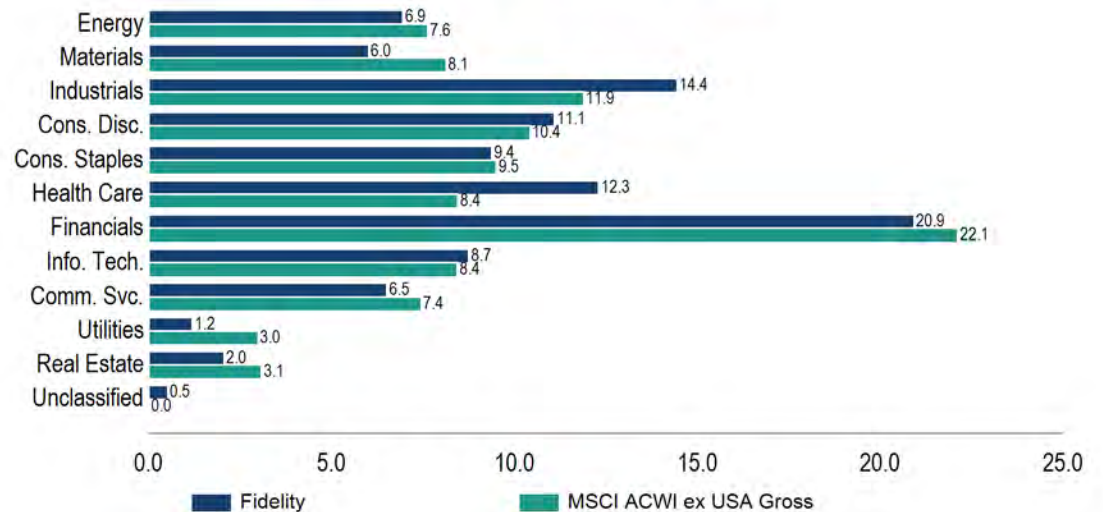
Fidelity Manager Portfolio Overview

Period Ending: September 30, 2018

Characteristics

	Portfolio	MSCI ACWI ex USA Gross
Number of Holdings	231	2,166
Weighted Avg. Market Cap. (\$B)	59.00	62.23
Median Market Cap. (\$B)	15.13	7.68
Price To Earnings	20.29	18.84
Price To Book	3.96	2.62
Price To Sales	3.09	2.40
Return on Equity (%)	21.65	15.63
Yield (%)	2.48	3.00
Beta	0.96	1.00

Sector Allocation (%) vs MSCI ACWI ex USA Gross



Largest Holdings

	End Weight	Return
AIA GROUP	1.84	2.65
SAP	1.78	6.59
NESTLE 'R'	1.70	8.16
ROYAL DUTCH SHELL	1.57	0.23
SONY	1.52	20.20
SOFTBANK GROUP	1.44	40.57
BP	1.24	2.07
ROCHE HOLDING	1.19	9.59
TECHTRONIC INDS.	1.15	15.49
TAIWAN SEMICON.MNFG.	1.12	21.07

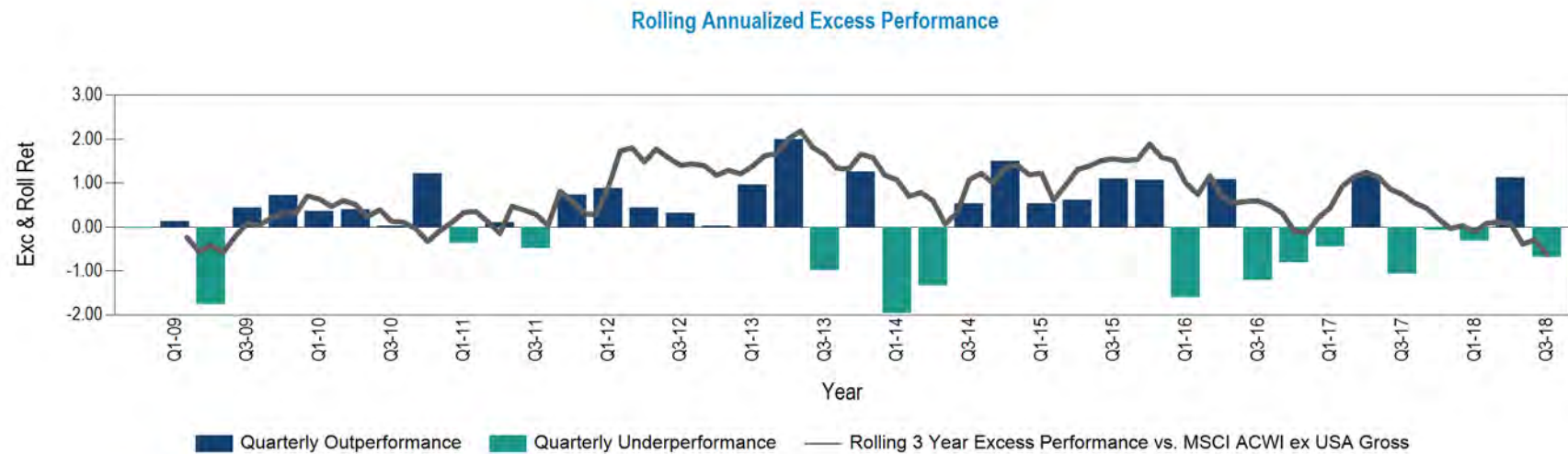
Top Contributors

	Avg Wgt	Return	Contribution
SOFTBANK GROUP	0.93	40.57	0.38
SONY	1.26	20.20	0.25
RECRUIT HOLDINGS	0.68	21.04	0.14
MARUI GROUP	0.77	18.14	0.14
NESTLE 'R'	1.61	8.16	0.13
ROCHE HOLDING	1.21	9.59	0.12
SAFRAN	0.75	15.39	0.12
SAP	1.73	6.59	0.11
TECHTRONIC INDS.	0.66	15.49	0.10
AMADEUS IT GROUP	0.56	17.75	0.10

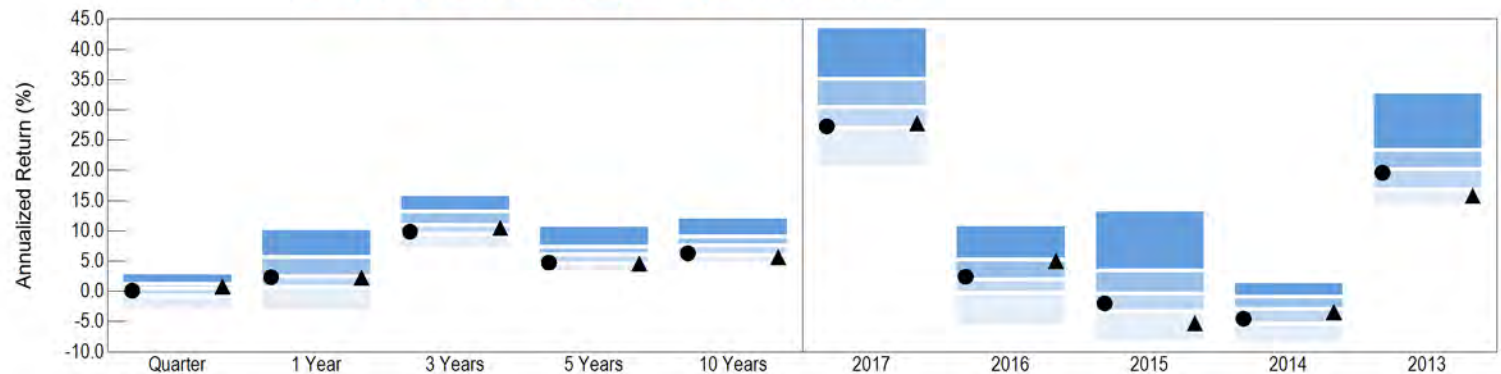
Bottom Contributors

	Avg Wgt	Return	Contribution
BAYER	0.89	-20.12	-0.18
ASAHI GROUP HOLDINGS	0.64	-15.33	-0.10
TOKYO ELECTRON	0.51	-18.02	-0.09
BRITISH AMERICAN TOBACCO	1.00	-7.56	-0.08
RENESAS ELECTRONICS	0.20	-36.25	-0.07
ILIAD	0.41	-17.32	-0.07
START TODAY	0.42	-16.11	-0.07
PUBLICIS GROUPE	0.45	-13.11	-0.06
CRH (DUB)	0.81	-7.00	-0.06
GLENCORE	0.74	-7.20	-0.05

Unclassified sector allocation includes cash allocations.

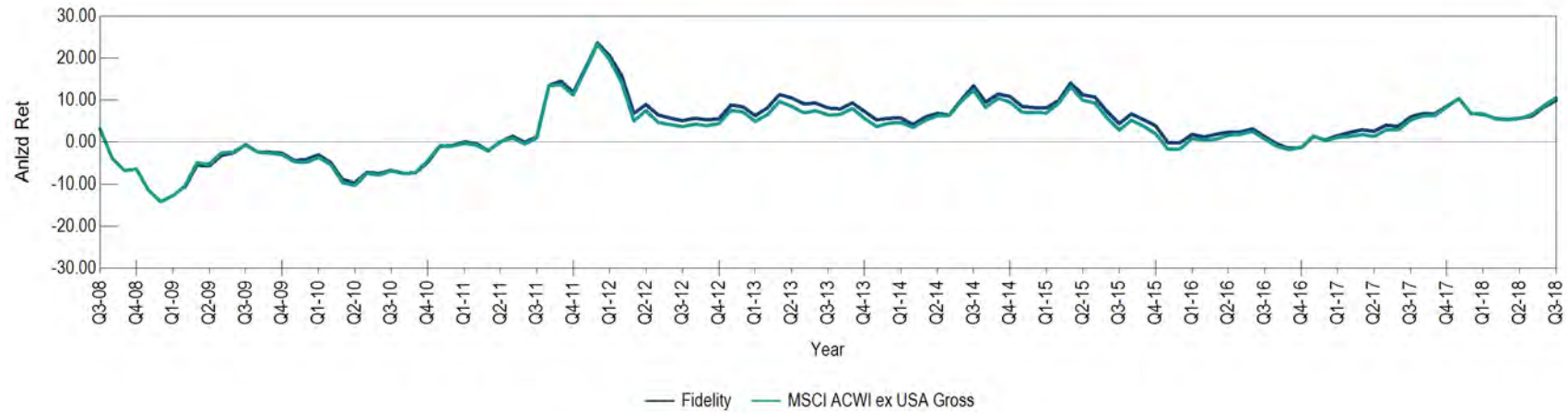


Fidelity vs. eV ACWI ex-US Equity Unhedged Gross Universe



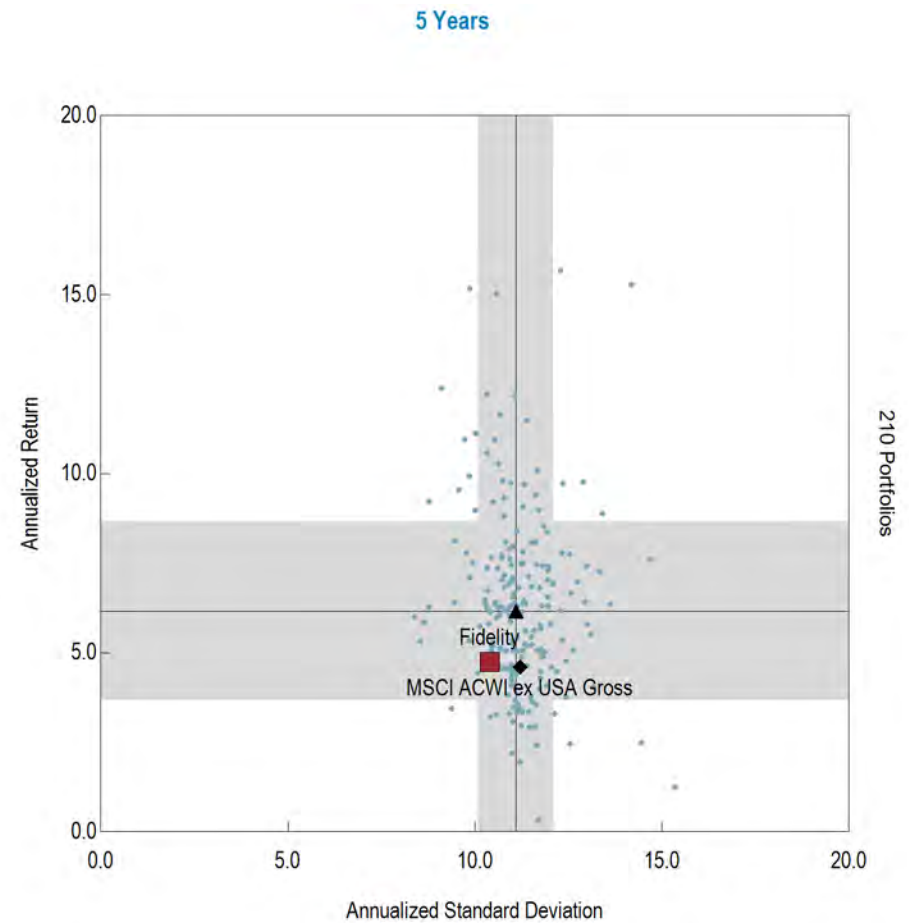
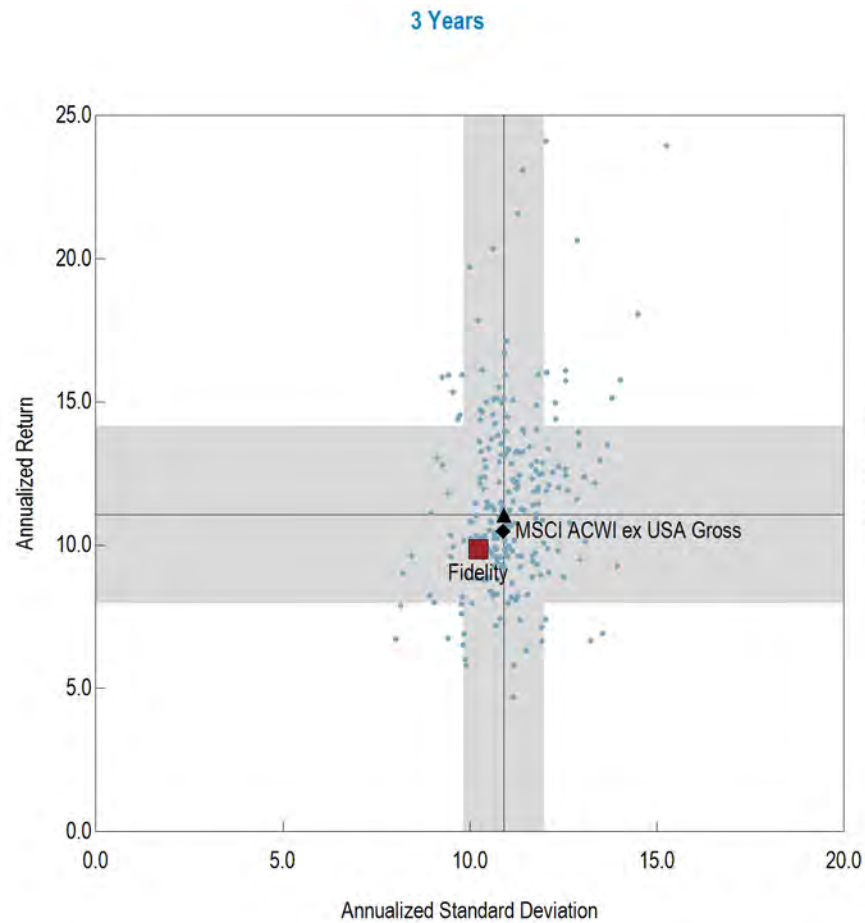
	Quarter	1 Year	3 Years	5 Years	10 Years	2017	2016	2015	2014	2013
5th Percentile	3.1	10.4	16.1	10.9	12.3	43.8	11.1	13.5	1.6	32.9
25th Percentile	1.3	5.8	13.2	7.5	9.1	35.2	5.3	3.5	-0.8	23.4
Median	0.5	2.6	11.1	6.2	7.6	30.6	2.1	-0.3	-2.9	20.3
75th Percentile	-0.7	0.8	9.6	4.6	6.1	27.2	-0.2	-3.3	-5.3	16.9
95th Percentile	-3.0	-3.2	7.2	3.1	4.6	20.5	-5.8	-8.3	-8.7	14.3
# of Portfolios	260	260	248	210	147	254	238	179	147	136
● Fidelity	0.1 (64)	2.3 (53)	9.9 (70)	4.7 (74)	6.3 (72)	27.3 (74)	2.4 (46)	-2.0 (66)	-4.5 (70)	19.6 (55)
▲ MSCI ACWI ex USA Gross	0.8 (40)	2.3 (54)	10.5 (57)	4.6 (77)	5.7 (83)	27.8 (71)	5.0 (27)	-5.3 (87)	-3.4 (58)	15.8 (87)

Rolling 3 Year Annualized Return (%)



Rolling 5 Year Annualized Return (%)





	3 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Fidelity	9.9%	10.2%	0.9
MSCI ACWI ex USA Gross	10.5%	10.9%	0.9
eV ACWI ex-US Equity Unhedged Gross Median	11.1%	10.9%	0.9

	5 Years		
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
Fidelity	4.7%	10.4%	0.4
MSCI ACWI ex USA Gross	4.6%	11.2%	0.4
eV ACWI ex-US Equity Unhedged Gross Median	6.2%	11.1%	0.5

Domestic Fixed Income Managers

Insight Manager Portfolio Overview

Period Ending: September 30, 2018

Summary	Portfolio
Average Quality	A
Effective duration (years)	3.45
Average Coupon	3.51%
Yield to Worst	3.58%

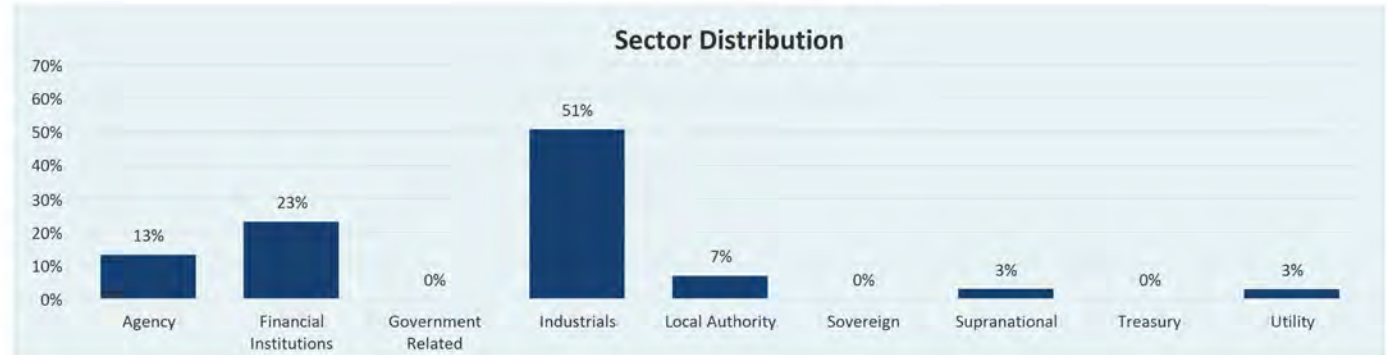


DFA

Manager Portfolio Overview

Period Ending: September 30, 2018

Summary	Portfolio
Average Quality	A+
Effective duration (years)	2.67
Average Coupon	2.80%
Yield to Worst	3.42%



Performance Return Calculations

Performance is calculated using Time Weighted Rates of Return (TWRR) methodologies. Monthly returns are geometrically linked and annualized for periods longer than one year.

Data Source

Verus is an independent third party consulting firm and calculates returns from best source book of record data. Returns calculated by Verus may deviate from those shown by the manager in part, but not limited to, differences in prices and market values reported by the custodian and manager, as well as significant cash flows into or out of an account. It is the responsibility of the manager and custodian to provide insight into the pricing methodologies and any difference in valuation.

Illiquid Alternatives

Due to the inability to receive final valuation prior to report production, closed end funds (including but are not limited to Real Estate, Hedge Funds, Private Equity, and Private Credit) performance is typically reported at a one-quarter lag. Valuation is reported at a one-quarter lag, adjusted for current quarter flow (cash flows are captured real time). Closed end fund performance is calculated using a time-weighted return methodology consistent with all portfolio and total fund performance calculations. For Private Markets, performance reports also include Verus-calculated multiples based on flows and valuations (e.g. DPI and TVPI) and manager-provided IRRs.

Manager Line Up

<u>Manager</u>	<u>Fund Incepted</u>	<u>Data Source</u>	<u>Manager</u>	<u>Fund Incepted</u>	<u>Data Source</u>
Northern Trust Russell 1000	8/31/2017	Mellon	Prime Property Fund	9/30/2015	Prime Property
BlackRock Russell 1000 Growth	6/30/2010	BlackRock	American Strategic Value Realty	12/31/2014	American Realty
BlackRock Russell 1000 Value	7/31/2009	BlackRock	BlackRock US Real Estate	9/30/2012	BlackRock
Dodge & Cox - Equity	12/31/1994	Northern Trust	Greenfield Gap	7/31/2014	Greenfield
Capital Prospects	12/31/2008	Northern Trust	Medley Capital	5/31/2013	Medley Capital
LSV Asset Mgt	8/31/2004	Northern Trust	Raven Capital	5/31/2013	Raven Capital
Fidelity	4/30/2006	Northern Trust	Raven Opportunity III	7/31/2015	Raven Capital
Insight	6/29/2017	Northern Trust	White Oak Pinnacle	8/31/2013	White Oak
DFA	7/31/2017	Northern Trust	PanAgora Risk Parity Multi Asset	11/30/2017	PanAgora
Northern Trust Intermediate Gov't Bond	7/31/2017	Northern Trust	AQR Global Risk Premium - EL	3/5/2018	AQR
Northern Trust Long Term Gov't Bond	7/31/2017	Northern Trust	MS Infrastructure	5/31/2015	Morgan Stanley
			PGIM Real Estate US Debt Fund	9/28/2018	Prudential

Policy & Custom Index Composition

Policy Index (7/01/2017): 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills.

US Equity Blended: 80% Russell 1000, 20% Russell 2000.

Prior Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% BBgBarc US Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%.

Other Disclosures

Fiscal Year End: 6/30

Cash Account includes cash held at Northern Trust for all closed end funds and cash held by BlackRock.

Effective 1/01/2017, only traditional asset class (public equity, public fixed income, REITs) investment management fees will be included in the gross of fee return calculation.

All data prior to 6/30/2015 provided by the previous consultant.

As of 3/31/2018, Total Fund market value includes liquidation value of \$120,838.27 for Jackson Square.

Glossary

Allocation Effect: An attribution effect that describes the amount attributable to the managers' asset allocation decisions, relative to the benchmark.

Alpha: The excess return of a portfolio after adjusting for market risk. This excess return is attributable to the selection skill of the portfolio manager. Alpha is calculated as: $\text{Portfolio Return} - [\text{Risk-free Rate} + \text{Portfolio Beta} \times (\text{Market Return} - \text{Risk-free Rate})]$.

Benchmark R-squared: Measures how well the Benchmark return series fits the manager's return series. The higher the Benchmark R-squared, the more appropriate the benchmark is for the manager.

Beta: A measure of systematic, or market risk; the part of risk in a portfolio or security that is attributable to general market movements. Beta is calculated by dividing the covariance of a security by the variance of the market.

Book-to-Market: The ratio of book value per share to market price per share. Growth managers typically have low book-to-market ratios while value managers typically have high book-to-market ratios.

Capture Ratio: A statistical measure of an investment manager's overall performance in up or down markets. The capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen (up market) or fallen (down market). The capture ratio is calculated by dividing the manager's returns by the returns of the index during the up/down market, and multiplying that factor by 100.

Correlation: A measure of the relative movement of returns of one security or asset class relative to another over time. A correlation of 1 means the returns of two securities move in lock step, a correlation of -1 means the returns of two securities move in the exact opposite direction over time. Correlation is used as a measure to help maximize the benefits of diversification when constructing an investment portfolio.

Excess Return: A measure of the difference in appreciation or depreciation in the price of an investment compared to its benchmark, over a given time period. This is usually expressed as a percentage and may be annualized over a number of years or represent a single period.

Information Ratio: A measure of a manager's ability to earn excess return without incurring additional risk. Information ratio is calculated as: excess return divided by tracking error.

Interaction Effect: An attribution effect that describes the portion of active management that is contributable to the cross interaction between the allocation and selection effect. This can also be explained as an effect that cannot be easily traced to a source.

Portfolio Turnover: The percentage of a portfolio that is sold and replaced (turned over) during a given time period. Low portfolio turnover is indicative of a buy and hold strategy while high portfolio turnover implies a more active form of management.

Price-to-Earnings Ratio (P/E): Also called the earnings multiplier, it is calculated by dividing the price of a company's stock into earnings per share. Growth managers typically hold stocks with high price-to-earnings ratios whereas value managers hold stocks with low price-to-earnings ratios.

R-Squared: Also called the coefficient of determination, it measures the amount of variation in one variable explained by variations in another, i.e., the goodness of fit to a benchmark. In the case of investments, the term is used to explain the amount of variation in a security or portfolio explained by movements in the market or the portfolio's benchmark.

Selection Effect: An attribution effect that describes the amount attributable to the managers' stock selection decisions, relative to the benchmark.

Sharpe Ratio: A measure of portfolio efficiency. The Sharpe Ratio indicates excess portfolio return for each unit of risk associated with achieving the excess return. The higher the Sharpe Ratio, the more efficient the portfolio. Sharpe ratio is calculated as: $\text{Portfolio Excess Return} / \text{Portfolio Standard Deviation}$.

Sortino Ratio: Measures the risk-adjusted return of an investment, portfolio, or strategy. It is a modification of the Sharpe Ratio, but penalizes only those returns falling below a specified benchmark. The Sortino Ratio uses downside deviation in the denominator rather than standard deviation, like the Sharpe Ratio.

Standard Deviation: A measure of volatility, or risk, inherent in a security or portfolio. The standard deviation of a series is a measure of the extent to which observations in the series differ from the arithmetic mean of the series. For example, if a security has an average annual rate of return of 10% and a standard deviation of 5%, then two-thirds of the time, one would expect to receive an annual rate of return between 5% and 15%.

Style Analysis: A return based analysis designed to identify combinations of passive investments to closely replicate the performance of funds

Style Map: A specialized form or scatter plot chart typically used to show where a Manager lies in relation to a set of style indices on a two-dimensional plane. This is simply a way of viewing the asset loadings in a different context. The coordinates are calculated by rescaling the asset loadings to range from -1 to 1 on each axis and are dependent on the Style Indices comprising the Map.

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The information presented may be deemed to contain forward-looking information. Examples of forward looking information include, but are not limited to, (a) projections of or statements regarding return on investment, future earnings, interest income, other income, growth prospects, capital structure and other financial terms, (b) statements of plans or objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking information can be identified by the use of forward looking terminology such as believes, expects, may, will, should, anticipates, or the negative of any of the foregoing or other variations thereon comparable terminology, or by discussion of strategy. No assurance can be given that the future results described by the forward-looking information will be achieved. Such statements are subject to risks, uncertainties, and other factors which could cause the actual results to differ materially from future results expressed or implied by such forward looking information. The findings, rankings, and opinions expressed herein are the intellectual property of Verus and are subject to change without notice. The information presented does not claim to be all-inclusive, nor does it contain all information that clients may desire for their purposes. The information presented should be read in conjunction with any other material provided by Verus, investment managers, and custodians.

Verus will make every reasonable effort to obtain and include accurate market values. However, if managers or custodians are unable to provide the reporting period's market values prior to the report issuance, Verus may use the last reported market value or make estimates based on the manager's stated or estimated returns and other information available at the time. These estimates may differ materially from the actual value. Hedge fund market values presented in this report are provided by the fund manager or custodian. Market values presented for private equity investments reflect the last reported NAV by the custodian or manager net of capital calls and distributions as of the end of the reporting period. These values are estimates and may differ materially from the investments actual value. Private equity managers report performance using an internal rate of return (IRR), which differs from the time-weighted rate of return (TWRR) calculation done by Verus. It is inappropriate to compare IRR and TWRR to each other. IRR figures reported in the illiquid alternative pages are provided by the respective managers, and Verus has not made any attempts to verify these returns. Until a partnership is liquidated (typically over 10-12 years), the IRR is only an interim estimated return. The actual IRR performance of any LP is not known until the final liquidation.

Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.



November 27, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Chris Wisdom, Retirement Investment Officer

I. SUBJECT: ILPA Summit

II. ITEM NUMBER: 7.a

III. ITEM TYPE: Information/Discussion

IV. STAFF RECOMMENDATION: None.

V. EXECUTIVE SUMMARY: Earlier this month, Staff attended the ILPA (Institutional Limited Partners Association) Summit in New York.

The ILPA Summit is a proven world class event that brings together General Partners and Limited Partners from around the globe for a series of private meetings and networking events. The event included nine scheduled private meetings, a professional development event, networking events, and a keynote speaker.

The event is a time and cost effective forum for meeting with private equity professionals to develop, build, and maintain relationships. Qualified GPs and engaged LPs are scheduled to meet based on optimized preferences to ensure productive and mutually beneficial meetings. ILPA uses a proprietary algorithm created specifically for this unique event which is modified annually to continually improve attendee schedules.

Prior to the event, Staff solicited input from Verus in order to rank order the list of GPs. The ILPA algorithm then matched Staff with the following firms: Great Hill Partners, Scale Venture Partners, Brightstar Capital Partners, Gryphon Investors, Lincolnshire Management, Lexington Partners, The Riverside Company, Providence Equity Partners, and Arsenal Capital Partners.

All meetings were incredibly valuable, despite the fact that they were introductory in nature. Rather than focus on investment performance, the discussions typically revolved around the GP's investment philosophy and potential to add value to their portfolio companies.

The ILPA Summit is a worthwhile event for StanCERA investment staff to continue to attend in future years as the private markets program is built out.

VI. RISK: None.

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

VIII. ADMINISTRATIVE BUDGET IMPACT: None

A handwritten signature in black ink, appearing to read 'C. Wisdom', written above a horizontal line.

Chris Wisdom, Retirement Investment Officer

A handwritten signature in black ink, appearing to read 'Rick Santos', written above a horizontal line.

Rick Santos, Executive Director



November 27, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Natalie Elliott, Fiscal Services Manager

- I. SUBJECT: Private Investment Fund Tax & Accounting Forum
- II. ITEM NUMBER: 7.b
- III. ITEM TYPE: Information/Discussion
- IV. STAFF RECOMMENDATION: None.
- V. EXECUTIVE SUMMARY: Earlier this month, Staff attended the Foundation Research Associates (FRA) Private Investment Fund Tax & Accounting Forum in New York.

The FRA provides resources for professionals seeking cutting-edge information on the next wave of business opportunities in the areas of finance, law enforcement, government, legal and compliance. Staff was invited by the FRA to attend a three day forum discussing accounting and tax issues faced by Private Equity Funds and Hedge Funds.

The Forum provided insight and understanding of the accounting and tax issues these funds face. Subjects covered were Latest Tax and Regulatory Legislation (2017 Tax Cut and Job Acts), Fund Accounting Best Practices, Strategizing for the Coming Tax Season, and Fair Value Measurement Accounting. Although the Forum was presented for the General Partners, Tax Accountants and Auditors, it was an enlightening experience to partake in as a representative of the Limited Partner side.

The FRA provides worthwhile events for StanCERA staff to attend and in future years as StanCERA enters into the private markets these events can be invaluable.
- VI. RISK: None.
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. ADMINISTRATIVE BUDGET IMPACT: None


Natalie Elliott, Fiscal Services Manager

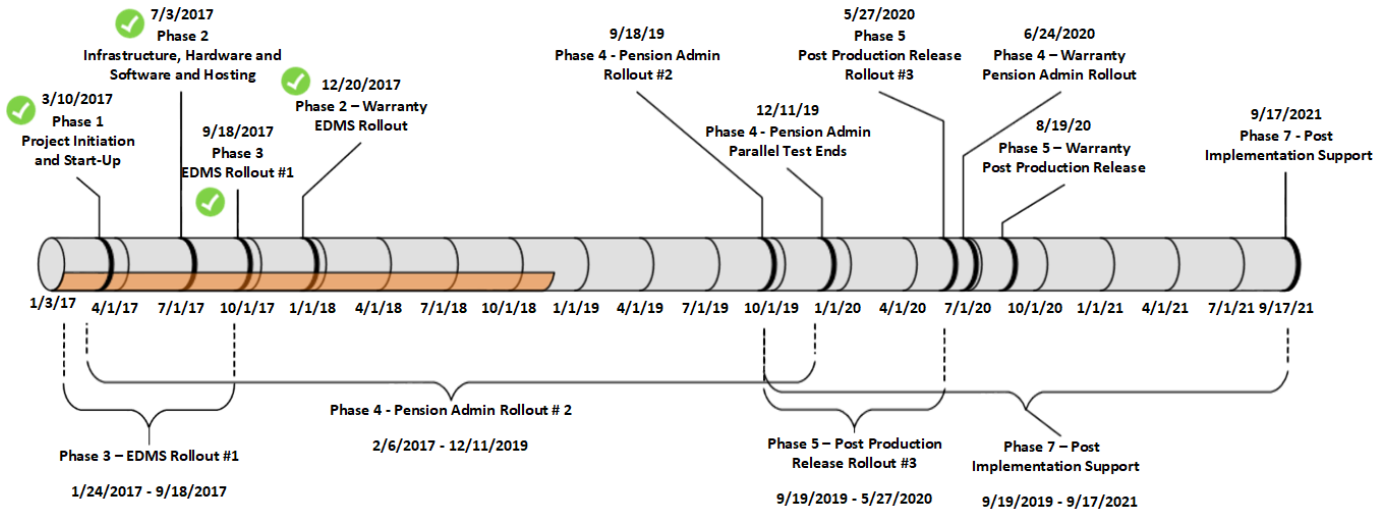

Rick Santos, Executive Director



PAS IMPLEMENTATION LINEA BI-WEEKLY STATUS UPDATE



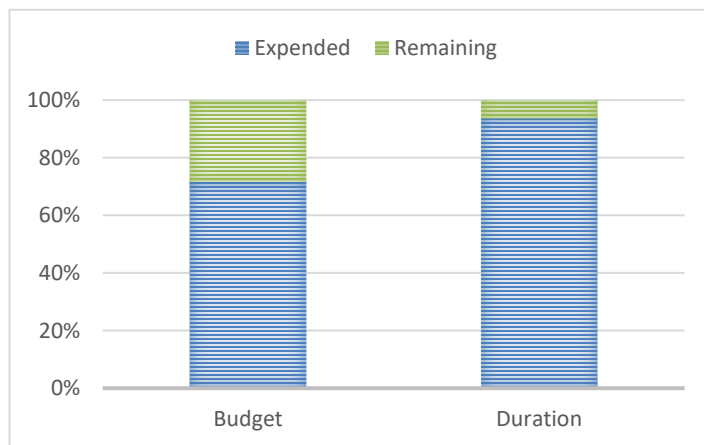
SPONSOR: Rick Santos **REPORT DATE:** 11-16-2018



Baseline 12/01/2016

STATUS

Risks & Issues:



Linea Budget as of 10/31/18

No new high-level risks have been identified at this time.

Accomplishments:

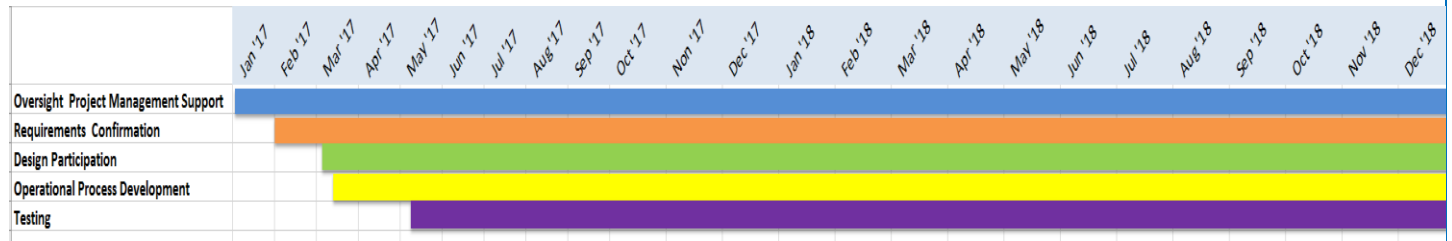
Upcoming:

- Participated with StanCERA in meeting City of Ceres to discuss options for employer reporting.
- Completed development of implementation strategy for special document type permissions in Imaging system and created instructional documents and user tools for implementation.
- Kicked-off UAT Release 9 for benefit calculator interface.
- Held Employer Integration strategy meeting with StanCERA and review progress and next steps.

- Continue to analyze and test new employer reporting data files from County and Courts in Arrivos.
- Implement special document type permissions in Imaging production environment.
- Continue to lead calculator UAT testing including tracking and reporting results throughout the UAT periods.
- Participate with Tegrity and StanCERA in defining scope of go-live functionality.

Ongoing Project Contributions

- Facilitate weekly Project Manager's meetings and create meeting minutes.
- Facilitate monthly Steering Committee Meetings and create meeting minutes.
- Participate in Tegrat work sessions, review meeting minutes, and compile resulting decision logs and action items (Calculators).
- Regularly review action items for follow up and completion.
- Review and hold group review sessions for BSRD deliverables made by Tegrat (BSR023).
- Track requirements, as discussed in work sessions and BSRDs, using the RTM and meet with StanCERA PM to update requirements confirmation.
- Manage and participate in system testing efforts, including review of test scripts, compiling of results, input of PIRs, and tracking of issue resolution.





November 27, 2018

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: StanCERA Bylaw Revision
- II. ITEM NUMBER: 8.c.
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Approve the recommended bylaw changes
- V. ANALYSIS: In April of this year, staff presented the final draft of the biennial bylaw review to the Board of Retirement for approval. After Retirement Board approval, County Employees' Retirement Law require approval by the Board of Supervisors. Since then, our County plan sponsor has brought up some issues regarding our disability article (#4) and the subpoena article (#7) (Attachment 1). The StanCERA Executive Director and Disability Counsel, Ted Cabral, met with representatives from the County on November 14th. Essentially, there were 3 issues still in question which were worked out to StanCERA's satisfaction. Below is a quick summary of each issue and its resolution:

1. *The use of language stating that Disability Counsel is the Executive Director's Counsel* – the County's objection to this language is that it is not customary for Retirement Systems to refer to Disability Counsel as Counsel for the Executive Director. Interestingly, this language has been in our bylaws for at least 15 years and was not initiated by this administration. Ultimately, staff concluded that this is not an issue for us and agreed to revise the language. The revised language (in several places) essentially states that Disability Counsel, chosen by the Board of Retirement, represents the Executive Director
2. *The ability for Disability Counsel to sign subpoenas* – the County objected to the ability of Disability Counsel to sign subpoenas on behalf of the Executive Director. Staff does not find this to be an issue, since the Director will generally always sign subpoenas based on direction from Counsel
3. *The restriction on Disability Counsel's ability to depose and subpoena prior to setting a case for hearing* – the County objected to the ability of Disability Counsel to subpoena and depose various parties to a disability case *prior to setting the case for hearing*, on grounds that it appeared to be adversarial and biased against the member. Staff disagreed with this assessment.

Part of an efficient, well-managed disability process includes our ability to research and gather information regarding the case at hand. This allows staff to make sound and informed recommendations to the Board of Retirement regarding the disposition of disability cases. This process has been in place for quite some time now and has worked very well. Should the System be required to set matters for hearing before initiating any type of discovery, nearly all cases would necessarily be set for hearing which in turn would ultimately drive costs up for the System and our plan sponsors. As such, Article 4.5 remains as originally approved by the Board of Retirement

Also attached (Attachment 2) is the final draft of the 2018 StanCERA Bylaws with all agreed upon changes.

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

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

Rick Santos, Executive Director

ARTICLE 4 - CLAIMS FOR DISABILITY RETIREMENT

4.1. DEFINITIONS

In this article, unless the context or subject matter otherwise requires:

- A. "Executive Director" means the StanCERA Retirement Administrator or designee of Executive Director.
- B. "Applicant" means a person, Stanislaus County, a contracting district or other legally authorized entity claiming benefits, rights, or privileges under the County Employees Retirement Law of 1937, section 31450, et seq. of the California Government Code (hereinafter "the 1937 Act").
- C. "StanCERA" means the Stanislaus County Employees' Retirement Association.
- D. "Retirement Board" means the StanCERA Board of Retirement.
- E. "Party" means any person disclosed by the records of the retirement system or by the application to have an interest in any subject matter including the applicant and the subject employee.
- F. "Referee" means a person appointed by the Retirement Board to make a determination pursuant to Section 31533 of the Government Code. A referee may also be referred to as a "Hearing Officer".
- G. "Subject employee" means the member of the retirement system on behalf of whom an application is filed.
- H. "Disability" or "disabled" means the subject employee's permanent physical and/or mental inability to substantially perform his or her usual job duties, with or without accommodations.
- I. "Accommodations" means an agreement by the subject employee's employer, either Stanislaus County or contracting district, to modify the regularly assigned duties and/or work environment as necessary to allow the subject employee to continue to work within the limitations established by medical evidence.
- J. "Pending" file status refers to an application which has been filed with the Executive Director's office but which cannot be processed because requisite documentation and/or information (e.g., medical records, medical reports, job descriptions, employer information, completed questionnaires, etc.) has not been received by the Executive Director's office.
- K. "Active" file status refers to an application, which has been filed with the Executive Director's office and for which the Executive Director's office has received all requisite documentation and/or information necessary to process it. A "pending" file becomes "active" as of the date on which the last requisite documentation and information is received by the Executive Director's office. Any time limits or file status dates will use the date the file becomes "active" as a reference date.
- L. "Disability Counsel" means the independent legal counsel obtained by the Executive Director on StanCERA's behalf.

4.1. Amended 02-25-2014

4.1. Amended 12-16-2015

4.2. FILING AND AMENDMENT OF APPLICATIONS

- A. A claim for disability retirement shall be made by filing with the Executive Director's office a completed application on a form approved by the Retirement Board for that purpose together with all information required in Section 4.3 of these Bylaws. Upon the filing of an application, the Executive Director shall serve the applicant with a copy of this article. Upon receipt of all requisite information and documentation, the Executive Director, acting on behalf of StanCERA, shall review and investigate the matter and issue a recommendation to the Retirement Board pursuant to the provisions of this article.
- B. If during the pendency of an application there is any change in any of the facts or claims set forth in the application, or any information submitted pursuant to Section 4.3 of these Bylaws, the applicant shall immediately file with the Executive Director's office and serve on all interested parties written notice of the change. Upon the filing of such notice with the Executive Director's office, the application shall be deemed amended accordingly.
- C. In the event that the applicant modifies the basis of his / her claim for disability benefits, or changes the application from a claim for non-service to a claim for service-connected disability benefits, the date of that applicant's active filing date will be amended to reflect the later date upon which the Executive Director's office receives the additional information or modified claim. Failing to file an accurate or fully complete application form or failing to timely amend an already active application form may, at the discretion of the Retirement Board or referee, preclude the applicant from asserting or introducing evidence of the omitted or changed fact(s) or claim(s).
- D. An applicant may file an application for non-service connected disability benefits and/or service connected disability benefits. If the applicant files an application for service connected disability benefits only and the Retirement Board finds that the subject employee is disabled, but not on a service connected basis, upon application the subject employee, if eligible, shall be retired for non-service connected disability.

4.2. Amended 02-25-2014

4.2. Amended 12-16-2015

4.3. DOCUMENTS TO BE COMPLETED AND FURNISHED BY APPLICANT

- A. The following documents must be furnished to the Executive Director's office by the applicant in connection with the initial disability application.
1. Completed Application for Disability Retirement (includes statement signed under penalty of perjury by the applicant that the materials provided are all the materials available in relation to the claim for disability benefits.
 2. Responses to Disability Retirement Questionnaire, signed, under penalty of perjury.
 3. Duly executed authorizations for release of employment/workers' compensation information, medical information, and, if applicable, psychiatric information.
 4. Third party claims form.

5. IME missed appointment form.
 6. Completed Treating/Attending Physician's Statement. A minimum of one statement is required.
 7. Pursuant to Government Code Section 31722, if member applies for disability retirement four (4) or more months after date of termination, member shall include a letter from treating physician stating member has remained permanently disabled since date of termination.
 8. Employer's Job Task Analysis.
 9. Employer's Job Description.
 10. All other relevant medical reports and other relevant evidence the applicant would like the Retirement Board to consider.
 11. Member's Statement Description of Employee's Job Duties The responses on the Disability Retirement Questionnaire shall be provided under penalty of perjury and the applicant shall sign and attach to his / her responses, the signature page, which StanCERA provides with the questionnaire. If the responses are not returned with the appropriate signature page, they shall be deemed not to have been filed and shall be returned to the applicant with additional instructions.
- B. At any time during the pendency of an application, the Executive Director, the Retirement Board, or counsel for the Executive Director may, by written notice to the applicant, request that the applicant serve within thirty (30) days, or such further time as may be designated, any or all of the following items:
1. Copies of all other documents upon which the applicant relies in support of the application.
 2. A narrative physician's report of the subject employee's current medical condition.
 3. Sworn written responses to written questions concerning any matter, which is either relevant to the subject matter of the application or is reasonably calculated to lead to the discovery of evidence, which would be admissible at hearing including, but not limited to the subject employee's medical history, employment history, current medical condition, and current employment status.
- C. The Executive Director and/or Disability Counsel~~the Executive Director's counsel~~ shall, in their sole and complete discretion, independently obtain copies of all of the applicant's medical records, employment records, and other relevant documents. However, in no event shall the applicant be relieved of his or her strict obligation to file and/or furnish to the Executive Director's office all medical records and necessary documents described in this section 4.3. StanCERA shall bear the costs incurred by the Executive Director and/or Disability Counsel~~the Executive Director's counsel~~ in independently obtaining copies of relevant documents. The applicant shall bear the costs he or she incurs in obtaining copies of documents filed and/or furnished by him or her in connection with the application.

4.3. Amended 02-25-2014

4.3. Amended 12-16-2015

4.4. MEDICAL AND PSYCHIATRIC EXAMINATIONS

- A. At any time during the pendency of an application, the Executive Director, the Retirement Board, or ~~Disability Counsel~~ ~~counsel for the Executive Director~~ may, by written notice to the applicant (and to the subject employee if the application was filed on behalf of the employee), request that the subject employee submit within thirty (30) days, or such further time as may be designated, to one or more medical examinations by physicians designated by the requesting party at the times and places specified in the notice of the examination(s). As used in this article, the words "medical" and "physician" include, but not limited to, duly licensed medical doctors, osteopathic doctors, psychologists, chiropractors, and other legally recognized practitioners of the healing arts.
- B. StanCERA shall bear the fees charged by the examining physician(s) in connection with any examination conducted pursuant to this section. Notwithstanding the foregoing, in the event the subject employee fails to timely appear for a duly noticed medical examination, he or she shall be liable for any cancellation fee or other fee charged by the physician in connection with the subject employee's failure to appear. In the event the subject employee is, thereafter, granted disability benefits, such cancellation fee may be charged against said benefits.

4.4. Amended 02-25-2014

4.4. Amended 12-16-2015

4.5. DISCOVERY AVAILABLE

In addition to any form of discovery available, pursuant to this article, at any time during the pendency of the application, any interested party shall be entitled to any of the discovery procedures prescribed by the Code of Civil Procedure, provided that such discovery is limited to the subject matter of the application. All forms of discovery authorized by this article and all remedies and procedures related thereto, shall be available in conjunction with any disability re-evaluation under Government Code Section 31729.

4.5. Amended 12-16-2015

4.6. APPLICANT'S FAILURE TO FURNISH DOCUMENTS, INFORMATION, OR FAILURE TO SUBMIT TO MEDICAL EXAMINATION

- A. If the applicant and/or the subject employee fails or refuses to comply with any request pursuant to section 4.3 within the time provided, or if the requesting party deems that a further response is required, or if the subject employee fails or refuses to appear for any medical examination pursuant to section 4.4 or fails or refuses to cooperate with an examining physician, or if the applicant and/or the subject employee otherwise fails or refuses to comply with any discovery request, the requesting party may move the Retirement Board for an order to compel compliance with the request.
- B. Such a motion shall be made by filing with the Retirement Board and serving on all interested parties a copy of the written request and proof of service thereof, a copy of the response, if any, and a statement of the facts and arguments supporting the motion. Upon the filing of such a motion, the Executive Director or ~~Disability Counsel~~ ~~the Executive Director's counsel~~ shall set a hearing thereon either before the Retirement Board or a referee and

serve all interested parties with notice thereof. Said motion shall be heard no sooner than 30 days after notice thereof is served on all interested parties. No later than five (5) days before the date set for hearing, any interested party may file and serve written opposition to the motion. After hearing the motion, the Retirement Board or referee shall rule thereon and serve notice of its order on all interested parties.

- C. If the applicant and/or the subject employee fails or refuses to obey an order of the Retirement Board or referee made pursuant to this section, the Retirement Board may upon the further motion of the requesting party (notice of which shall be given pursuant to paragraph 4.6.B., above) take any further action which it determines to be just and reasonable, including, but not limited to, precluding the applicant and/or the subject employee from asserting or introducing evidence of specified facts or claims, deeming specified facts or claims to be admitted, or dismissing the application with or without prejudice.

4.6. Amended 02-25-2014

4.7. DOCUMENTS AND INFORMATION TO BE FURNISHED BY EMPLOYER

At any time during the pendency of an application, the Executive Director, the Retirement Board, or ~~Disability Counsel~~ counsel for the Executive Director may issue a written request, with a copy to employer's counsel, to the subject employee's department head, supervisor(s), co-workers, personnel department or the risk management department seeking information regarding the subject employee's job duties, illness or injury and other pertinent data. The department head or other designated person(s) shall provide, or direct the provision of, the necessary data in written form to the requesting party within ten (10) days of receipt of the request.

4.7. Amended 02-25-2014

4.8. COMMUNICATION WITH INDIVIDUAL RETIREMENT BOARD MEMBERS

The members of the Retirement Board may review and decide all disability hearings and their decision shall be final. As such, once an application for disability benefits is filed, communications between individual Retirement Board members and interested parties or their representatives concerning any issue pertaining to the application, are forbidden until such time as the Retirement Board issues its final written decision. Any violation of this section may result in the Retirement Board member being found ineligible to participate in any discussion regarding the application, or to vote on the disability application.

4.9. RIGHT TO COUNSEL

- A. Any applicant is entitled, at his/her/its expense, to be represented by legal counsel at any and all stages of the proceedings. If the applicant decides to retain legal counsel, he/she/it must immediately file, with the Executive Director's office, a written notice designating his/her/its counsel and providing the name, address and telephone number of said counsel. Absent such written designation, StanCERA is not obligated to recognize any party claiming to represent an applicant.

- B. ~~In all matters pertaining to disability retirement, the Executive Director, who is acting on behalf of StanCERA, is entitled to be~~
~~represented by legal Disability Counsel~~ counsel chosen by the Retirement Board. In addition, ~~the Retirement~~

~~Board shall be entitled to representation by legal counsel of its choosing. In all matters pertaining to disability retirement, the Executive Director, who is acting on behalf of StanCERA, is entitled to be represented by Disability Counsel, subject to the approval of the Retirement Board. In addition, the Retirement Board shall be entitled to representation by legal counsel of its choosing.~~

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4.9. Amended 02-25-2014

4.9 Amended 4-24-2018

4.10. STIPULATIONS OF OTHER ENTITIES NOT BINDING

No stipulation, agreement, understanding, act or omission on behalf of the County of Stanislaus or on behalf of a contracting district by an officer, employee, or agent of the County of Stanislaus or of a contracting district in a worker's compensation or any other proceeding to which neither the Retirement Board nor StanCERA is a party, shall be binding upon the Retirement Board or StanCERA insofar as such stipulation, agreement, understanding, act or omission may be asserted to relate to disability retirement or the disposition of a particular application for disability retirement, unless such stipulation, agreement, understanding, act or omission has previously been approved by the Retirement Board through a duly adopted motion, which has been recorded in the official minutes of the Retirement Board. The provisions of this section shall not be deemed to constitute a new policy, but rather a formalization and continuation of an existing unwritten policy, which has been in effect during the life of StanCERA.

4.10. Amended 12-16-2015

4.11. ADMINISTRATIVE RECOMMENDATION

- A. After reviewing the application, and all other documents and information obtained in connection therewith and conducting any necessary investigation, the Executive Director shall make an appropriate recommendation to the Retirement Board. The recommendation may consist of one or more of the following:
1. "Grant service connected disability retirement" where the Executive Director determines that the applicant has proved by a preponderance of the evidence all the elements legally necessary to entitle the subject employee to service-connected disability retirement.
 2. "Deny service connected disability retirement" where the Executive Director determines that the applicant has clearly failed to establish one or more of the elements legally necessary to entitle the subject employee to service-connected disability retirement.
 3. "Grant non-service connected disability retirement" where the Executive Director determines that the applicant has proved by a preponderance of the evidence all elements legally necessary to entitle the subject employee to non-service-connected disability retirement.
 4. "Deny non-service connected disability retirement" where the Executive Director determines that the applicant has clearly failed to establish one or more of the elements legally necessary to entitle the subject employee to non-service connected disability retirement.
 5. "Refer for hearing" where the Executive Director determines that there is substantial evidence to support the disability claim, but the evidence does not, in the Executive

Director's opinion, prove by a preponderance of the evidence all the elements necessary to grant the disability claim.

B. The Executive Director's recommendation to the Retirement Board shall be made at a Retirement Board meeting after placing the matter on the agenda of a Retirement Board meeting.

4.11. Amended 02-25-2014

4.11. Amended 12-16-2015

4.12. PROCEDURE UPON ADMINISTRATIVE RECOMMENDATION

With respect to each application for which the Retirement Board has received an administrative recommendation pursuant to section 4.11, the Retirement Board shall at the first meeting where the matter properly appears on its agenda take the following action or any other action that the Retirement Board may deem appropriate: grant the disability retirement; deny the disability retirement; remand the application to the Executive Director for further investigation; or refer any or all issues for hearing.

4.12. Amended 02-25-2014

4.13. REQUEST FOR HEARING

Whenever the Retirement Board denies an application for service connected or non-service connected disability retirement without a hearing, the applicant shall, upon request, be entitled to a hearing before the Retirement Board, or before a referee appointed by the Retirement Board. Any such request for hearing shall be in writing and shall be made within thirty (30) days after notice of the Retirement Board's action denying the application and is mailed by certified or registered mail to the applicant or to his / her counsel, if the applicant is represented by counsel. A request for hearing shall be deemed made on the date mailed if mailed by certified or registered mail, on the date postmarked if mailed by first class mail and actually received by StanCERA, or on the date actually received by StanCERA, whichever is earlier.

4.13. Amended 02-25-2014

4.13. Amended 12-16-2015

4.13 Amended 04-24-2018

4.14. SETTING FOR HEARING

A. If the Retirement Board determines that a matter is to be set for hearing, the matter shall be heard by a referee unless the Retirement Board moves to hear the matter itself. If the Retirement Board determines that the matter shall be heard by a referee, the Executive Director shall notify Disability Counsel ~~Executive Director's counsel~~ who shall promptly schedule a hearing, taking into consideration the availability of a qualified referee, the availability of witnesses for the parties, and any other matter necessary and appropriate for the hearing. Disability Counsel ~~The Executive Director's counsel~~ shall give written notice of the date, time and

place of the hearing to all interested parties at least 30 days in advance of the scheduled hearing, unless otherwise stipulated by all interested parties.

- B. The Executive Director shall maintain a list of retired judges or qualified licensed attorneys who are approved by the Retirement Board and who are available to serve as hearing referees. The Executive Director shall appoint the referee for each hearing by determining which person on the list served last and selecting the person next in order. In the event the person next in order declines to serve as referee or is unavailable to serve within a reasonable period of time, the Executive Director shall appoint the person on the list next in order. The notice of hearing shall include the identity of the person appointed as referee. Any interested party may promptly object in writing to the appointment of a particular referee. If said written objection is not filed with the Executive Director's office at least 10 days prior to the date first set for hearing, any such objection shall be waived. In the event such objection is timely filed, the Executive Director shall appoint as referee the person next in order on the referee list.
- C. Upon stipulation by the interested parties or upon a showing of good cause, the referee or the Retirement Board may continue a hearing to a new date.
- D. The party requesting the continuance shall bear all costs relating to the continuance unless good cause is shown to the referee or to the Retirement Board. Such costs include, but not limited to, referee fees, court reporter fees, witness fees, and any other costs, fees and expenses incurred by the Retirement Board, by anyone on behalf of StanCERA or by any other interested party as a result of the continuance.

4.14. Amended 02-25-2014

4.14. Amended 12-16-2015

4.15. HEARING PROCEDURES

- A. Every hearing before a referee shall be reported by a certified shorthand reporter, and every hearing before the Retirement Board shall be electronically recorded.
- B. At any hearing, any interested party may be represented by legal counsel, at his/her/its own cost.
- C. The referee or, with respect to hearings before the Retirement Board, the Chair or the Chair's designee, shall exercise such control over the hearing as is reasonable and necessary including, but not limited to, prescribing the order of proof, ruling upon the admissibility of evidence, ordering medical examinations; requiring the additional relevant evidence be gathered and presented; questioning witnesses, and determining whether the matter shall proceed or be adjourned subject to continuation.
- D. Except as otherwise provided in this Article, any relevant evidence shall be admitted if it is the sort of evidence on which reasonable and responsible persons are accustomed to rely in the conduct of serious affairs regardless of the existence of any common law or statutory rule, which might make improper the admission of such evidence over objections in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence, but shall not be sufficient in and of itself to support a finding unless it would be admissible over objection in civil actions.
- E. Oral evidence shall be taken only on oath or affirmation.
- F. On any relevant matter, each interested party shall have the right to call and examine

witnesses, introduce documentary and other physical evidence, and cross-examine opposing witnesses. Any interested party who does not testify on his own behalf may be called and examined as a witness, as if, under cross-examination.

G. Refusal of the applicant or subject employee to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purpose of that hearing to be answered in a way unfavorable to the refusing party.

H. The production of medical evidence, in the form of written reports, is favored. Such reports should include the following:

1. A history of the subject injury or illness;
2. The subject employee's prior and subsequent medical history;
3. The subject employee's current subjective complaints;
4. The findings upon examination;
5. The nature and extent of disability;
6. The anticipated nature and extent of further treatment or care;

7. Whether or not the subject employee has a disability, which permanently incapacitates him/her from performing his/her usual and customary job duties, and the basis for that opinion, including the specific job duties for which he/she is incapacitated and the specific medical conditions, which so incapacitate him/her.

I. Any interested party may offer, and the Retirement Board or referee shall receive in evidence, medical records and reports, provided that copies of the said documents have been served on all other interested parties at least fifteen (15) days prior to the hearing, along with written notice of intention to offer the said documents into evidence. Any other interested party may subpoena the author of such a medical report or record as a witness and examine him/her as if under cross-examination.

J. Any interested party may offer, and the referee or Retirement Board shall receive, into evidence the written statement of any non-medical witness provided that:

1. It is made by affidavit or by declaration under penalty of perjury; and,
2. A copy has been served on all interested parties at least fifteen (15) days prior to the hearing along with notice of intention to offer the same into evidence.

K. Any interested party may offer, and the Retirement Board or referee shall receive into evidence the deposition of any witness subject to the objections available under Code of Civil Procedure Section 2025.010 et seq., notwithstanding that the deponent is not "unavailable as a witness" within the meaning of Section 240 of the Evidence Code, and no exceptional circumstances exist if:

1. The deposition was taken in the manner provided for by law or by stipulation of the parties; and

2. At least fifteen (15) days prior to the hearing the proponent of the deposition delivered to all interested parties notice of intention to offer the same into evidence. Any interested party upon receiving such notice may subpoena the deponent and, if he does so, at the discretion of the Retirement Board or referee, either the deposition may be excluded from evidence or the deposition may be admitted and the deponent may be further cross-examined by the party who subpoenaed him/her.

L. For the purposes of this article, "service" of a document or notice may be accomplished manually or by mail in the manner provided by section 9.21. If delivery is by mail, the times prescribed in this Article for delivery of documents and notices shall be increased by five (5) days.

M. Applicants shall personally appear at all hearings pertaining to their application. Service by mail of written notice of hearing shall be sufficient to compel an Applicant's appearance at hearing. Failure of an applicant to personally appear and testify at any duly noticed hearing, whether before a Referee or the Retirement Board shall be deemed a withdrawal of the corresponding disability retirement application with prejudice, unless the hearing is continued by agreement of the parties or upon a showing of good cause. All hearing notices shall include a ~~statement warning~~ in substantially the following form: "The applicant must personally appear and testify at this hearing. Failure to do so will result in a denial of the disability retirement application."

4.15. Amended 02-25-2014

4.15. Amended 12-16-2015

4.15 (M) added 4-24-2018

4.16. DECISION OF THE REFEREE

A. When a hearing is held before a referee, the referee shall prepare, in writing, proposed findings of fact and a recommended decision and reasons therefor.

B. Within forty-five (45) days after the matter is submitted, the referee shall file with the Executive Director's office his / her proposed findings of fact and recommended decision, which shall include those documents received into evidence. Simultaneously therewith, he / she shall serve the proposed findings of fact and recommended decision on all interested parties. The referee shall not be entitled to remuneration for his services until the aforesaid documents have been filed and served. For the purposes of this section, a matter is considered "submitted" on the last day of the hearing, unless the referee, for good cause, orders otherwise.

C. In the absence of good cause, as determined by the referee, any post hearing briefs or other pleadings shall be filed with the Executive Director's office and served on the referee and on all interested parties within twenty (20) days of the last day of the hearing. The filing of post hearing briefs shall not extend the date the matter is submitted.

D. Upon the service of the referee's proposed findings of fact and recommended decision, the interested parties shall have ten (10) days to submit objections thereto by filing the same with the Retirement Board and serving the same on all interested parties whereupon the said objections shall be incorporated in the record to be considered by the Retirement Board.

4.16. Amended 02-25-2014

4.16. Amended 12-16-2015

4.17. ACTION BY THE RETIREMENT BOARD UPON REFEREE'S DECISION

- A. Upon receiving the proposed findings of fact and recommendation of the referee, the Retirement Board may:
1. Approve and adopt the proposed findings and recommendation of the referee; or
 2. Require a transcript or summary of all the testimony, plus all other evidence received by the referee. Upon the receipt thereof, the Retirement Board shall take such action as in its opinion is indicated by such evidence; or
 3. Refer the matter back with / without instructions to the referee for further proceedings; or
 4. Set the matter for hearing before itself. At such hearing, the Retirement Board shall hear and decide the matter as if it had not been referred to a referee.
- B. Upon approving and adopting the referee's decision or any subsequently modified decision, thereof, the Retirement Board shall comply with Subsection 4.18(C).

4.17. Amended 02-25-2014

4.17. Amended 12-16-2015

4.18. HEARINGS BEFORE THE RETIREMENT BOARD

- A. Five (5) members of the Retirement Board constitute a quorum for the making of any decision at a hearing held pursuant to the provisions of this Article. No findings of fact or decision by the Retirement Board shall be valid unless:
1. A majority of all members present; or
 2. Four (4) members, whichever is greater, concur therein.
- B. When a hearing is held before the Retirement Board, the Retirement Board shall, no later than the second regular meeting following the meeting at which the matter is submitted, determine all material issues and shall incorporate such determinations in a written decision and findings of fact.
- C. Within ten (10) days following the date the Retirement Board renders its decision and findings of fact, the Retirement Board shall serve all interested parties with a copy of the same together with a notice of the right to judicial review of the Retirement Board's decision as set forth in Section 4.20.

4.18. Amended 02-25-2014

4.18. Amended 12-16-2015

4.19. DATE OF FINAL DECISION AND NOTICE THEREOF

The decision of the Retirement Board shall be final on the date the notice is mailed to the applicant by first class mail, postage prepaid, including a copy of the affidavit or certificate of mailing. A copy of the decision along with the affidavit or certificate of mailing shall simultaneously be mailed to the subject employee, if other than the applicant, and to all other interested parties and their respective counsel.

4.19. Amended 02-25-2014

4.19. Amended 12-16-2015

4.20. JUDICIAL REVIEW OF RETIREMENT BOARD DECISIONS

The time to seek judicial review of final Retirement Board decisions is governed by Code of Civil Procedure section 1094.6. Each notice of decision shall include a statement substantially as follows: "The time to seek judicial review (appeal) from this decision is governed by Code of Civil Procedure section 1094.6. If you disagree with this decision and wish to appeal it, you must file a petition for writ of mandate with the superior court within 90 days of the date of this notice. If you fail to do so, you will lose your right to appeal this decision".

4.20. Amended 02-25-2014

4.20. Amended 12-16-2015

4.21. SERVICE OF NOTICE

- A. Unless otherwise provided by these Bylaws or by statute, where the provisions of this Article require service of a notice, demand, request, or other written communication, service shall be made on the party on whom service is required unless the said party has filed notice of representation by counsel, in which case service shall be made upon counsel of record for that party.
- B. Where the provisions of this Article require service on "interested parties," such service shall be made on the Executive Director, on all interested parties who have appeared in the subject proceedings, and on all interested parties who have not appeared in such proceedings and have filed a request to be served with documents, which are served and filed in such proceedings. Pursuant to Government Code section 31532, unless otherwise ordered by a court of competent jurisdiction or necessary for the processing of an application, sworn statements and individual records of members shall not be disclosed by StanCERA.
- C. Unless otherwise provided in these Bylaws or by statute, the service of all notices, orders, requests, and other written communications, which are not personally served shall be effected by sealing the same in an envelope properly addressed to the party to be served and depositing the envelope in the United States mail with first class postage fully prepaid, and any applicable time limitations shall be extended in the manner prescribed by Code of Civil Procedure Section 1013.
- D. For purposes of determining the effectiveness of service on an applicant or subject employee, correspondence shall be deemed "properly addressed" if it bears the address specified on the application, or if the application has been amended, the address specified on the most recently filed amended application.

4.21. Amended 02-25-2014

4.21. Amended 12-16-2015

Article 4 Amended 12-04-2007

Article 4 Amended 11-23-2010

Article 4 Amended 02-25-2014

Article 4 Amended 12-16-2015

Article 4 Amended 04-24-2018

Article 6 Amended 02-25-2014
Article 6 Amended 12-16-2015

ARTICLE 7 - SUBPOENAS

7.1. POWER TO ISSUE SUBPOENAS

The Retirement Board, the Executive Director or a Referee appointed under these Bylaws may issue subpoenas or subpoenas duces tecum in accordance with the provisions of Government Code Section 31535. Subpoenas shall be signed by the Chair of the Retirement Board, the Secretary of the Retirement Board, the Executive Director, or the Referee, or counsel for the Executive Director on the Executive Director's behalf.

7.2 PARTIES ENTITLED TO ISSUANCE OF SUBPOENAS

Any Party to a pending transaction or other proceeding under these Bylaws may request that subpoenas be issued on the party's behalf by the Retirement Board, the Referee, or the Executive Director. The scope of such subpoenas shall be limited to the subject matter of the application or proceeding. The party requesting such subpoenas shall be solely responsible for enforcing them in the same manner found in Government Code section 25170 et seq. as set forth in Government Code section 31535. and shall bear all costs incurred in connection with issuance of such subpoenas.

7.1. Amended 02-25-2014
7.1. Amended on 12-16-2015
7.1. Amended on 04-24-2018
7.2. Added on 04-24-2018

Article 7 Amended 12-11-2002
Article 7 Amended 03-22-2005
Article 7 Amended 02-25-2014
Article 7 Amended 12-16-2015
Article 7 Amended 04-24-2018

HISTORICAL NOTES

Approved by the Board of Supervisors on September 27, 1988.

Amendment to Sections 4.4.(A), 4.6.(B), and 4.6.(C) approved by the Board of Supervisors on April 25, 1989.

Amendment to Sections 4.4.(A), 4.4.(B), 4.6.(B), 4.6.(C) and 4.7.(A) and deletion of Section 4.6.(D) approved by the Board of Supervisors on December 19, 1989.

Amendment to Section 1.5. approved by the Board of Supervisors on March 27, 1990.

Amendment of Section 1.2 by addition of Subsection (J) approved by the Board of Supervisors on October 2, 1990.

Stanislaus County

Employees'

Retirement Association

11/27/18

Item 8.c. Attachment 2

BYLAWS

Amended and Approved by the

Board of Retirement April 24, 2018

BYLAWS

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ARTICLE 1 – ADMINISTRATION

1.1 NAME

The name of this association is "the "STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION"(hereinafter "StanCERA").

1.1. Amended 12-16-2015

1.2. PURPOSE

StanCERA is established, in accordance with and subject to the County Employees' Retirement Law of 1937 (CERL), section 31450, et seq., of the California Government Code (hereinafter "the 1937 Act"). For the purpose of carrying out the provisions of said law within Stanislaus County, California, StanCERA is governed by the 1937 Act, California Public Employees' Pension Reform Act of 2013 (PEPRA) and other Government Code Sections applicable to CERL Systems as supplemented by these Bylaws.

1.2. Amended 02-25-2014

1.2. Amended 12-16-2015

1.3. DEFINITIONS

- A. "Executive Director" means the StanCERA Retirement Administrator or designee of Executive Director.
- B. "Applicant" means a person, the Retirement Board, or StanCERA claiming benefits, rights, or privileges under the 1937 Act.
- C. "Retirement Board" means the StanCERA Board of Retirement.
- D. "Hearing Officer" means the person designated by the Retirement Board to conduct a hearing, and make recommendations pursuant to Government Code section 31533.
- E. "Part-time employee" means an employee of Stanislaus County or a contracting district or other local government who is not employed in a permanent position as established by the Board of Supervisors or other local governing body by budget or ordinance or who regularly works less than fifty-five percent (55%) of the normal workweek.
- F. "Party" means any person disclosed by the records of the retirement system or by the application to have an interest in any subject matter including the applicant and the subject employee.
- G. "Subject employee" means the member of the retirement system on behalf of whom an application is filed.
- H. "Member contributions" means as the actuarially determined rate as applied to the member's compensation earnable or pensionable compensation for each pay period.
- I. "It" means "non-person"

J. "Shall" imposes a duty

L. "May" creates discretionary authority or grants permission or power

M. "Must" creates or recognizes a right; and

N. "May not" imposes a prohibition and is synonymous with shall not.

1.3. Amended 02-25-2014

1.3. Amended 12-16-2015

1.3. Amended 04-24-2018

1.4. POLICY AND ADMINISTRATIVE

Policy directives of the retirement system is vested in the Retirement Board. Day-to-day administration of the retirement system is delegated to the Executive Director. Appointment or election of members of the Retirement Board shall be as provided by Government Code Section 31520.1.

1.4. Amended 02-25-2014

1.4. Amended 12-16-2015

1.5. OFFICERS

At the first regular meeting in January, the positions of chair and vice chair will rotate in ascending order by succession by the number assigned to the Retirement Board member and shall be held for a period of one (1) year. If a member has not served at least two (2) years on the Retirement Board, that member shall skip the normal rotation and the next successor shall be appointed to chair or vice-chair. Should any officer fail for any reason to complete his or her term, the normal successor shall perform the balance of the unexpired term. If the unexpired term is for less than nine (9) months, then the successor shall also hold office for their normal term immediately following the completion of the unexpired term. If the unexpired term is for nine (9) months or more, the successor shall only hold office for the completion of the unexpired term. The secretary of the Retirement Board shall be the Executive Director. The alternate safety member shall serve as provided in Government Code Section 31520.1 of the 1937 Act.

Pursuant to Government Code Section 31520.1, the alternate safety member shall sit in place of the seventh member during determinations of retirement benefits of a person from the same service as the alternate safety member.

1.5. Amended 08-31-1999

1.5. Amended 10-31-2000

1.5. Amended 02-25-2014

1.5. Amended 12-16-2015

1.5. Amended 04-24-2018

1.6. RETIREMENT BOARD MEMBER ELECTION PROCEDURES

RETIREMENT BOARD MEMBERS WHO ARE ELECTED by members of StanCERA of the same category of membership (Second and Third seats by General members, Seventh and Alternate seats by Safety members, and Eighth and Alternate Seats by Retired members) shall

be elected according to the procedures set forth in this Section of the StanCERA Bylaws. In all cases where the word "Department" appears in this Section, the meaning shall be construed to include all Stanislaus County Departments, the City of Ceres and contracting Districts (all employers who use StanCERA for administration of retirement benefits). The Executive Director shall prepare a NOTICE OF ELECTION, which shall contain the deadlines for the submission of nomination papers, date of distribution of ballots, date of final receipt of ballots and the date for canvassing the ballots.

The distribution of the notice of election to active and/or retired members shall be made no more than sixty (60) calendar days and no less than forty-five (45) calendar days prior to the final date for receipt of ballots. The distribution of the notice of election will be distributed by U. S. postal services.

The Executive Director shall prepare a NOMINATION PAPER, which upon completion will contain the following information:

Name of candidate; candidate's Agency (if General or Safety member) or city and state of residence (if Retired member); a candidate's statement of not more than two hundred (200) words; signatures of the specific membership electorate in support of the candidate (General – at least twenty-five (25); Safety - at least ten (10); Retired - at least fifteen (15)). If it is determined that 2 or more candidates for the same seat have duplicate membership electorate signatures, then the candidate that turned in their membership electorate document first shall be the only candidate that may count that signature towards fulfilling the signature requirement above); A prepared statement of willingness to serve on the Retirement Board; the Retirement Board seat number and category (General, Safety or Retired); and final date for filing the paper. Completed nomination papers must be submitted to the Executive Director by 5:00 p.m. on the date specified in the notice of election and on the nomination paper (no later than thirty (30) days before the final date for receipt of ballots). Candidates shall only be placed on the election ballot if the above nomination papers and procedures are completed. If only one (1) nomination paper is received by the Executive Director on or before the deadline specified for receipt, the Executive Director shall declare that the candidate is the new Retirement Board member of the seat for which the candidate sought election (pursuant to Government Code Section 31523) and shall prepare and distribute a declaration of election results showing a unanimous ballot for the candidate to all Departments.

If two (2) or more nomination papers are received by the Executive Director on or before the deadline for receipt, the Executive Director shall prepare ELECTION BALLOT MATERIALS, which shall consist of:

- A. A ballot with the candidates' names, Agency (if General or Safety member) or city and state of residence if Retired member), candidates' statements, final date for receipt of ballots and a listing of candidates' names in alphabetical order by last name with appropriate places to indicate the member's choice of a particular candidate;
- B. A "secret" envelope to hold the completed ballot;
- C. A "return to" envelope, which will have the Executive Director's address for receipt of ballots, space for the member's printed name, space for the member's signature, and prepaid return postage; and
- D. A "cover" envelope with the member's name and mailing address. The ballots must be received back in the Executive Director's office by 5:00 p.m. on the final date indicated on the ballot regardless of the method of delivery or postmark date (if applicable) or the ballot material will be voided. The date for final receipt of ballots shall be no less than twenty (20) days following the date of disbursement of the ballot material.

Ballot material may be REISSUED to members who file a notice of non-receipt of election material prepared and filed in the Executive Director's office. The Executive Director shall make a second and final attempt to send out any RETURNED BALLOT MATERIAL at a reasonable cost of staff time and money.

The ballots shall be CANVASSED on the business day following the final date for receipt of ballots by the Executive Director (or his/her designee), one (1) member of the Retirement Board, not associated with the election in any way, and any staff from the Executive Director's office, as may be necessary to expeditiously handle the canvassing of the ballots.

The candidate who receives the HIGHEST NUMBER OF VOTES of the ballots cast shall be declared the WINNER and member of the Retirement Board to assume the seat for which the candidate ran at any Retirement Board meetings following the expiration of the term of the incumbent. The new member will serve three (3) years or for the remaining period of time in which a seat may become vacant for any reason other than the expiration of the incumbent's term of office.

The Executive Director shall prepare a DECLARATION OF ELECTION RESULTS to include the seat of the Retirement Board, the final date of the receipt of ballots, and the name of all the candidates who ran with their corresponding number of votes received in the election. The declaration shall also state the winner of the election and the date on which the winner assumes the seat on the Retirement Board.

The Executive Director shall telephone or email each candidate with the results of the election and the declaration shall be posted in a conspicuous place in or near the Executive Director's office in the afternoon following the canvassing. Copies of the declaration shall be delivered to each candidate and each Agency/Department Director (if General member or Safety member election) or the Retired Employees of Stanislaus County Organization, Inc.(RESCO), (if a Retired Member election) with a message to retirees of the winner to appear on the next retiree payroll check following the canvassing.

If any of the specific electorate desires a RECOUNT of the ballots cast, the member must make a written petition to the Retirement Board for a recount and include a \$500.00 payment for costs incurred. The petition must be received by the Executive Director no later than fourteen (14) days following the original canvassing of the ballots. The Executive Director shall forward the petition on to the Chair of the Retirement Board who shall call a special meeting of the Retirement Board for a recount. The date of the recount shall be no later than thirty (30) days from the date of the original canvassing. The petitioner or designee must attend the recount, which shall be accomplished in the same manner as the original count. If the recount shows that a different candidate is the winner by receiving the highest number of votes, a DECLARATION OF REVISED ELECTION RESULTS shall be prepared and distributed in the same fashion as the original declaration of election results.

All member election material shall be DESTROYED thirty (30) days after the original canvassing of the ballots if there is no petition for a recount. Member election material shall be destroyed one (1) week following the completion of all procedures of a recount.

1.6. Amended 02-25-2014

1.6. Amended 12-16-2015

1.6. Amended 04-24-2018

1.7. COMMITTEES

The Retirement Board has determined that the following are standing committees.

- A. **Due Diligence Committee.** This committee may consist of the Vice-Chair as Chair, one (1) other Board member the Executive Director, the Investment Officer and one (1) staff member appointed by the Executive Director (or a designee of the Executive Director), to act as the recorder. This committee shall insure that Due Diligence visits are carried out and reports provided to the Retirement Board of investment manager and other vendor business reviews on a schedule as determined by these Bylaws and the committee.
- B. **Internal Governance Committee.** This committee shall consist of three (3) Retirement Board members. The Committee Chair may request administrative staff and/or legal counsel to attend Committee meetings as needed. At least one of the Retirement Board members of the committee shall have sufficient background in accounting, financial or managerial matters to understand, relate to and communicate accounting and organizational matters especially as they relate to audit reports. This committee shall have the responsibility for oversight of all financial audits (both external and internal), compliance audits, Bylaw revisions, Policy revisions, Retirement Board member education and training (including ethics) and other internal governance matters.
- C. **Strategic Planning Objectives Committee.** This Committee shall consist of no less than two (2) Retirement Board members. The committee may request input from administrative staff and attendance for staff at its meetings as the Committee so desires. The committee shall oversee and review staff reports related to the study and recommendations of Retirement Board approved strategic planning objectives. The committee shall have authority to survey, research, request actuarial and other studies as it deems necessary. The committee shall only make "final" reports to the Retirement Board or recommendations to the Retirement Board that require the Board's action. This committee meets at least once every three (3) years, however, may not always have Board members assigned due to the cyclical nature of the needs required of this Committee.
- D. **Performance Review and Compensation Committee (PRCC).** This committee shall consist of current Chair, past Chair, and current Vice Chair. As needed, the PRCC will meet to discuss the performance and compensation of the position of Executive Director.

The Committee's evaluation process should include but not be limited to the following criteria:

Goals: Whether the subject position's stated goals at the beginning of the evaluation period were effectively and meaningfully carried out.

Added Value: Whether the subject position added value to the retirement process in all areas of administration. Added value can be measured in (but not limited to) areas such as financial, administrative efficiency, member services, internal and external communication, and enhanced investment governance.

Strategic Plan: Whether the subject position's actions are consistent with the Strategic Plan and whether the Strategic Plan is being meaningfully implemented.

After the Committee meets regarding performance review and compensation, the Committee will draft a memorandum with its recommendation regarding the disposition of the subject position to the full Board of Retirement for approval.

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

1.7. Amended 02-25-2014

1.7. Amended 12-16-2015

1.7. Amended 04-24-2018

1.8. POLICY, PROCEDURE AND PRACTICE

In governing administration matters the following hierarchy is established in order of priority.

A. Federal Law

B. State Law

C. Local ordinances and resolutions when not in conflict with higher laws

D. StanCERA Bylaws

E. Policies and procedures formally adopted by the Retirement Board

F. Informal policies and procedures

G. Practice

1.8. Amended 12/16/2015

1.9. INDEPENDENT OPERATIONS

StanCERA is a separate legal entity from Stanislaus County and is governed by the Retirement Board. California Constitution provides that the Retirement Board has the full responsibility and authority to invest StanCERA member retirement funds and provide necessary services in administering retirement benefits as provided in the 1937 Act, and as adopted in multiple employer-employee agreements. To fulfill the mission of StanCERA, the Retirement Board hires staff, contracts with investment managers, hires consultants, and adopts an administrative budget.

To save the time and effort of establishing its own set of Personnel Policies and tracking labor laws (and in accordance with California State law), the Retirement Board hires staff who are Stanislaus County employees. This means that in general and in most instances, these staff will be treated (hired, paid, promoted, demoted, retired or fired) the same as other Stanislaus County employees in like classifications. However, given that StanCERA staff provide services to a variety of public agencies and administer retirement benefits, staff are not subject to mandates from the Board of Supervisors or its agents that would interfere with or otherwise supersede the delivery of those services. To that end this Statement of Independent Operation acknowledges that from time to time, the Retirement Board may act to overrule or set aside a personnel decision or action that emanates from Stanislaus County personnel authority involving staff hired by the Retirement Board or its Executive Director. In matters of retirement benefit administration, the Retirement Board shall have final say in its handling of staff. The Retirement Board has and will continue to utilize Stanislaus County Personnel staff to handle recruitments and Stanislaus County payroll with its contingent of payroll-related items

such as: extra help, Personal Services Contracts, leave time and termination cash out payments, retirement benefits, Social Security coverage, deferred compensation program, group health insurances, unemployment insurance, long term disability, workers compensation insurance, professional development, employee assistance program, cafeteria plan cash out, auto allowance and mileage reimbursement the same as other Stanislaus County employees.

The Retirement Board has used and will continue to use its hired investment consultant to aid in its decision on specific investment managers to hire, their performance and possible termination, as well as providing education on investments.

The Retirement Board has used and will continue to use a variety of special consultants and attorneys.

Since fiscal year 2003-2004, the administrative budget for StanCERA has been approved and monitored solely by the Retirement Board. While the budget includes costs for Stanislaus County services through the Stanislaus County's cost allocation plan (CAP), these services are approved for payment since they support the staff in its mission to provide the promised retirement benefits. While StanCERA may choose not to utilize Stanislaus County services, it intends on continuing its use of and payment for services obtained through the Stanislaus County's CAP as needed. StanCERA will not pay for general Stanislaus County costs to the extent that it does not receive services for such costs.

1.9. Amended 02-25-2014

1.9. Amended 12-16-2015

1.9. Amended 04-24-2018

1.10. ADMINISTRATION OF EXECUTIVE DIRECTOR POSITION, INVESTMENT CLASSIFICATION AND OTHER EXECUTIVE LEVEL STAFF

Specifically regarding the position of Executive Director, the Investment Officer Series and any other executive level classifications, the Board of Retirement shall have full control over the creation, assessment and disposition of these positions, including salary, and will administer and achieve this control using the processes currently in place at the County. It is understood that the processes used to achieve this control should not be limited to the administration of existing executive level County classifications, as StanCERA, from time to time, may need to create and administer other executive level classifications that do not currently exist. The Retirement Board will continue to work with County Personnel to ensure that any other County classifications used by StanCERA in the administration of the retirement plan are properly structured within the County's salary and position guidelines.

1.10. Amended 02-25-2014

1.10. Amended 12-16-2015

1.10 Amended 04-24-2018

Article 1 Amended 07-13-2005

Article 1 Amended 12-04-2007

Article 1 Amended 03-25-2008

Article 1 Amended 11-23-2010

Article 1 Amended 02-25-2014

Article 1 Amended 12-16-2015

Article 1 Amended 04-24-2018

ARTICLE 2 – MEETINGS

2.1. REGULAR MEETINGS

Regular meetings of the Retirement Board shall be held on the fourth Tuesday of each month beginning May 1, 2016. This will be a combined meeting with Investment and Finance items being heard first, to be followed by Administrative and Member and Employer items. When appropriate, StanCERA staff or the Retirement Chair can alter this order if necessary. All regular meetings shall be held at 1:30 p.m. on the aforementioned day in **the Wesley W. Hall Board Room located on the sixth floor of 832 12th Street, Modesto**, California, unless changed by the chair and proper notice given by the Executive Director.

2.1. Amended 02-25-2014

2.1. Amended 12-16-2015

2.1. Amended 04-20-2016

2.1. Amended 04-24-2016

2.2. SPECIAL MEETINGS

Special meetings of the Retirement Board may be scheduled at any time by the Chair of the Retirement Board or any five (5) members of the Retirement Board. The Executive Director shall publicly post and give each Retirement Board member the minimum notice required by the Ralph M. Brown Act.

2.2. Amended 02-25-2014

2.2. Amended 12-16-2015

2.3. PERSONS ATTENDING MEETINGS

All meetings of the Retirement Board shall be open to the public, except closed sessions, permitted by law.

2.3. Amended 12/16/2015

2.4. RULES OF ORDER

ROBERT'S RULES OF ORDER shall guide the Retirement Board in its proceedings, except as otherwise provided herein or in the 1937 Act. The Chair shall have a vote on all questions and motions and shall not be required to relinquish the Chair in order to participate in discussions. The Chair shall not make or second a motion. The order of business shall include:

- A. Roll Call
- B. Announcements
- C. Public Comment
- D. Consent Items (e.g., Approval of minutes & retirements)

- E. Investment Matters
- F. Administrative and Member and Employer Matters
- G. Committee Reports and Recommendations
- H. Closed Session
- I. Members' Forum (Information and Future Agenda Requests Only)
- J. Adjournment

The Retirement Board Chair may make changes in the above order at his / her discretion.

Requests for Staff Support by the Board

The Board shall request any research, analyses and reports from staff as are necessary for the Board's effective oversight of StanCERA operations. Such requests will be agendaized and Considered at regularly scheduled Board meetings. If approved, the Executive Director will be responsible for coordinating the completion of the approved project or report within a reasonable time or by the completion date specified in the Board action.

Requests by Individual Board Members for Staff or External Support

Board members making individual requests for information will be advised to make the request with the full Board during Member's Forum, unless the information is readily available and the Executive Director determines that a response will not require any significant commitment of staff time or other external StanCERA resources.

2.4. Amended 02-25-2014

2.4. Amended 12-16-2015

2.4 Amended 04-24-2018

2.5. QUORUM

Five (5) members of the Retirement Board shall constitute a quorum. No business may be transacted without a quorum.

No motion may be passed without a majority of the quorum voting affirmatively.

2.6. CORRESPONDENCE

All correspondence to the Retirement Board must be in writing and received by the Executive Director one hundred twenty (120) hours prior to any regularly scheduled Retirement Board meeting to appear on the Retirement Board agenda.

2.6. Amended 02-25-2014

2.6. Amended 12-16-2015

2.7. MINUTES

The Executive Director shall cause to be recorded in the minutes the time and place of each meeting, the name of each Board member present, a summary of official actions taken by the Retirement Board, and such other information that will concisely reflect each meeting's content. The minutes shall be presented for Retirement Board approval at its next regular meeting. Such minutes shall be signed by the Executive Director, approved as to form by general legal counsel, and shall become a part of the Retirement Board's permanent record. Meetings shall be audibly recorded and available on the StanCERA website.

2.7. Amended 02-25-2014

2.7. Amended 12-16-2015

2.8. COMPENSATION OF MEMBERS

Pursuant to Government Code Sections 31520.5 and 31521, those members (appointed by the Board of Supervisors and the retiree representative) shall be eligible to receive the maximum allowance per meeting of the Retirement Board or meeting of a committee for not more than the maximum meetings allowed per month.

Article 2 Amended 12-04-2007

Article 2 Amended 11-23-2010

Article 2 Amended 02-25-2014

Article 2 Amended 12-16-2015

Article2 Amended 4-24-2018

ARTICLE 3 – MEMBERSHIP

3.1. MEMBERSHIP DEFINED

Membership shall be as defined by the 1937 Act as supplemented by these Bylaws.

3.1. Amended 02-25-2014

3.2. PROVISIONS FOR MEMBERSHIP

Every employee of Stanislaus County or of any district, municipality or local government participating in StanCERA, who is appointed to a permanent full-time position, as specified in the ordinances of Stanislaus County or of the included districts, municipalities or local governments shall become a member of StanCERA. Employees hired prior to October 1, 1988, became members on the first day of the calendar month after entrance into service. Employees hired on or after October 1, 1988, shall become members on the date of hire.

3.2. Amended 4/24/2018

3.3. CONTRACTING DISTRICTS

Whenever any contracting district is required to make an additional appropriation pursuant to Government Code Section 31627.6, for the purpose of paying for a member's service with the district prior to the district's joining StanCERA, the district may make the additional appropriation by periodic payments (including interest at the current actuarial rate which shall remain in effect until the principal is exhausted) over a period of time not to exceed fifteen (15) years or may pay the entire balance to the System in one lump sum.

3.3. Amended 12-16-2015

3.3. Amended 4-24-2018

3.4. WAIVER BY EMPLOYEES OVER SIXTY (60)

An employee of Stanislaus County or of any district included in StanCERA, appointed to a permanent full-time position who is age sixty (60) or over at time of entry, may waive the StanCERA membership requirement pursuant to Government Code Section 31552.

3.5. EXCLUSIONS

Temporary, seasonal, intermittent part-time employees, and independent and personal service contractors are excluded from membership in StanCERA.

3.6. ENROLLMENT QUESTIONNAIRE AND PROOF OF BIRTH

Every member of StanCERA shall file a sworn enrollment questionnaire showing that member's date of birth, date of hire, position, classification (general or safety) and the compensation received. The questionnaire shall be in the form provided by StanCERA. Every member shall submit with the enrollment questionnaire proof of the member's date of birth within ninety (90) days of hire. If a proper questionnaire with proof of birth is not filed within ninety (90) days of

hire, the rate of contribution shall be based on the highest age for the member's retirement tier and classification. When the questionnaire is filed or proof of age is submitted to the Executive Director, the normal age rates will be applied and excess contributions shall not be refunded to the member. The following documents will be acceptable for proof of birth:

A. Any one (1) of the following:

1. Infant baptismal certificate
2. Census record
3. School age record
4. Naturalization certificate
5. A photocopy of a certified birth certificate
6. Passport
7. Alien registration card with photograph
8. Military record (i.e. DD214, ID) if date of birth is shown

B. Any two (2) of the following:

1. Photocopy of certified Marriage Certificate if date of birth is shown
2. Photocopy of Child's certified birth certificate, showing date of birth of member
3. Affidavit by older relative, notarized
4. Hospital birth record

3.6. Amended 02-25-2014

3.6. Amended 12-16-2015

3.6. Amended 4-24-2018

3.7. PROOF OF MARRIAGE

- A. Every member, at the time of retirement, shall submit a copy of a certified proof of marriage or registered domestic partnership certification and an affidavit that the marriage continues if a designated beneficiary is the spouse or registered domestic partner, and the option pursuant to Government Code Section 31760, et seq., is elected.
- B. Every applicant for a spousal continuance based upon a death of a member may be required to submit an affidavit that the marriage continued up until the time of death of the member.

3.7. Amended 02-25-2014

3.7. Amended 12-16-2015

3.8. BENEFICIARY PROOF OF BIRTH

Every member, at the time of retirement, shall submit a copy of proof of birth certification (see 3.6) of designated beneficiary or beneficiaries selected pursuant to the exercise of an option contained within Government Code Section 31760, et seq.,.

3.8. Amended 02-25-2014

3.8. Amended 12-16-2015

3.8. Amended 4-24-2018

3.9. CORRECTION OF DATE OF BIRTH

Repealed 12/16/2015 See StanCERA Internal Policies – Member Contributions

3.9. Amended 02-25-2014

3.9. Amended 04-24-2018

3.10. PROOF OF DEATH

Every applicant, at the time of application for a death benefit or continuance, shall submit a copy of a certified final death certificate or a court decree establishing the fact of death.

3.10. Amended 02-25-2014

3.10. Amended on 12-16-2015

3.11. TIER 3 AND SAFETY MEMBERSHIP

- A. Any Tier III member who transfers to a Safety eligible position shall be required to become a contributing member of the retirement system as of the date of the transfer to the Safety eligible position. Any Tier III member whose position becomes Safety eligible through law or collective bargaining process shall be required to become a contributing member of the retirement system as of the effective date of the legislation or negotiated agreement.

3.11. Amended 02-25-2014

3.11. Amended on 12-16-2015

3.11. Amended on 4-24-2018

3.12. SPOUSE/REGISTERED DOMESTIC PARTNER

Wherever in the Bylaws the term “spouse” is used, this term shall also include registered domestic partners.

Article 3 Amended 12-04-2007

Article 3 Amended 11-23-2010

Article 3 Amended 02-25-2014

Article 3 Amended 12-16-2015

ARTICLE 4 - CLAIMS FOR DISABILITY RETIREMENT

4.1. DEFINITIONS

In this article, unless the context or subject matter otherwise requires:

- A. "Executive Director" means the StanCERA Retirement Administrator or designee of Executive Director.
- B. "Applicant" means a person, Stanislaus County, a contracting district or other legally authorized entity claiming benefits, rights, or privileges under the County Employees Retirement Law of 1937, section 31450, et seq. of the California Government Code (hereinafter "the 1937 Act").
- C. "StanCERA" means the Stanislaus County Employees' Retirement Association.
- D. "Retirement Board" means the StanCERA Board of Retirement.
- E. "Party" means any person disclosed by the records of the retirement system or by the application to have an interest in any subject matter including the applicant and the subject employee.
- F. "Referee" means a person appointed by the Retirement Board to make a determination pursuant to Section 31533 of the Government Code. A referee may also be referred to as a "Hearing Officer".
- G. "Subject employee" means the member of the retirement system on behalf of whom an application is filed.
- H. "Disability" or "disabled" means the subject employee's permanent physical and/or mental inability to substantially perform his or her usual job duties, with or without accommodations.
- I. "Accommodations" means an agreement by the subject employee's employer, either Stanislaus County or contracting district, to modify the regularly assigned duties and/or work environment as necessary to allow the subject employee to continue to work within the limitations established by medical evidence.
- J. "Pending" file status refers to an application which has been filed with the Executive Director's office but which cannot be processed because requisite documentation and/or information (e.g., medical records, medical reports, job descriptions, employer information, completed questionnaires, etc.) has not been received by the Executive Director's office.
- K. "Active" file status refers to an application, which has been filed with the Executive Director's office and for which the Executive Director's office has received all requisite documentation and/or information necessary to process it. A "pending" file becomes "active" as of the date on which the last requisite documentation and information is received by the Executive Director's office. Any time limits or file status dates will use the date the file becomes "active" as a reference date.
- L. "Disability Counsel" means the independent legal counsel obtained by the Executive Director on StanCERA's behalf.

4.1. Amended 02-25-2014

4.1. Amended 12-16-2015

4.2. FILING AND AMENDMENT OF APPLICATIONS

- A. A claim for disability retirement shall be made by filing with the Executive Director's office a completed application on a form approved by the Retirement Board for that purpose together with all information required in Section 4.3 of these Bylaws. Upon the filing of an application, the Executive Director shall serve the applicant with a copy of this article. Upon receipt of all requisite information and documentation, the Executive Director, acting on behalf of StanCERA, shall review and investigate the matter and issue a recommendation to the Retirement Board pursuant to the provisions of this article.
- B. If during the pendency of an application there is any change in any of the facts or claims set forth in the application, or any information submitted pursuant to Section 4.3 of these Bylaws, the applicant shall immediately file with the Executive Director's office and serve on all interested parties written notice of the change. Upon the filing of such notice with the Executive Director's office, the application shall be deemed amended accordingly.
- C. In the event that the applicant modifies the basis of his / her claim for disability benefits, or changes the application from a claim for non-service to a claim for service-connected disability benefits, the date of that applicant's active filing date will be amended to reflect the later date upon which the Executive Director's office receives the additional information or modified claim. Failing to file an accurate or fully complete application form or failing to timely amend an already active application form may, at the discretion of the Retirement Board or referee, preclude the applicant from asserting or introducing evidence of the omitted or changed fact(s) or claim(s).
- D. An applicant may file an application for non-service connected disability benefits and/or service connected disability benefits. If the applicant files an application for service connected disability benefits only and the Retirement Board finds that the subject employee is disabled, but not on a service connected basis, upon application the subject employee, if eligible, shall be retired for non-service connected disability.

4.2. Amended 02-25-2014

4.2. Amended 12-16-2015

4.3. DOCUMENTS TO BE COMPLETED AND FURNISHED BY APPLICANT

- A. The following documents must be furnished to the Executive Director's office by the applicant in connection with the initial disability application.
 - 1. Completed Application for Disability Retirement (includes statement signed under penalty of perjury by the applicant that the materials provided are all the materials available in relation to the claim for disability benefits.
 - 2. Responses to Disability Retirement Questionnaire, signed, under penalty of perjury.
 - 3. Duly executed authorizations for release of employment/workers' compensation information, medical information, and, if applicable, psychiatric information.
 - 4. Third party claims form.

5. IME missed appointment form.
 6. Completed Treating/Attending Physician's Statement. A minimum of one statement is required.
 7. Pursuant to Government Code Section 31722, if member applies for disability retirement four (4) or more months after date of termination, member shall include a letter from treating physician stating member has remained permanently disabled since date of termination.
 8. Employer's Job Task Analysis.
 9. Employer's Job Description.
 10. All other relevant medical reports and other relevant evidence the applicant would like the Retirement Board to consider.
 11. Member's Statement Description of Employee's Job Duties The responses on the Disability Retirement Questionnaire shall be provided under penalty of perjury and the applicant shall sign and attach to his / her responses, the signature page, which StanCERA provides with the questionnaire. If the responses are not returned with the appropriate signature page, they shall be deemed not to have been filed and shall be returned to the applicant with additional instructions.
- B. At any time during the pendency of an application, the Executive Director, the Retirement Board, or counsel for the Executive Director may, by written notice to the applicant, request that the applicant serve within thirty (30) days, or such further time as may be designated, any or all of the following items:
1. Copies of all other documents upon which the applicant relies in support of the application.
 2. A narrative physician's report of the subject employee's current medical condition.
 3. Sworn written responses to written questions concerning any matter, which is either relevant to the subject matter of the application or is reasonably calculated to lead to the discovery of evidence, which would be admissible at hearing including, but not limited to the subject employee's medical history, employment history, current medical condition, and current employment status.
- C. The Executive Director and/or Disability Counsel shall, in their sole and complete discretion, independently obtain copies of all of the applicant's medical records, employment records, and other relevant documents. However, in no event shall the applicant be relieved of his or her strict obligation to file and/or furnish to the Executive Director's office all medical records and necessary documents described in this section 4.3. StanCERA shall bear the costs incurred by the Executive Director and/or Disability Counsel in independently obtaining copies of relevant documents. The applicant shall bear the costs he or she incurs in obtaining copies of documents filed and/or furnished by him or her in connection with the application.

4.3. Amended 02-25-2014

4.3. Amended 12-16-2015

4.4. MEDICAL AND PSYCHIATRIC EXAMINATIONS

- A. At any time during the pendency of an application, the Executive Director, the Retirement Board, or Disability Counsel may, by written notice to the applicant (and to the subject employee if the application was filed on behalf of the employee), request that the subject employee submit within thirty (30) days, or such further time as may be designated, to one or more medical examinations by physicians designated by the requesting party at the times and places specified in the notice of the examination(s). As used in this article, the words "medical" and "physician" include, but not limited to, duly licensed medical doctors, osteopathic doctors, psychologists, chiropractors, and other legally recognized practitioners of the healing arts.
- B. StanCERA shall bear the fees charged by the examining physician(s) in connection with any examination conducted pursuant to this section. Notwithstanding the foregoing, in the event the subject employee fails to timely appear for a duly noticed medical examination, he or she shall be liable for any cancellation fee or other fee charged by the physician in connection with the subject employee's failure to appear. In the event the subject employee is, thereafter, granted disability benefits, such cancellation fee may be charged against said benefits.

4.4. Amended 02-25-2014

4.4. Amended 12-16-2015

4.5. DISCOVERY AVAILABLE

In addition to any form of discovery available, pursuant to this article, at any time during the pendency of the application, any interested party shall be entitled to any of the discovery procedures prescribed by the Code of Civil Procedure, provided that such discovery is limited to the subject matter of the application. All forms of discovery authorized by this article and all remedies and procedures related thereto, shall be available in conjunction with any disability re-evaluation under Government Code Section 31729.

4.5. Amended 12-16-2015

4.6. APPLICANT'S FAILURE TO FURNISH DOCUMENTS, INFORMATION, OR FAILURE TO SUBMIT TO MEDICAL EXAMINATION

- A. If the applicant and/or the subject employee fails or refuses to comply with any request pursuant to section 4.3 within the time provided, or if the requesting party deems that a further response is required, or if the subject employee fails or refuses to appear for any medical examination pursuant to section 4.4 or fails or refuses to cooperate with an examining physician, or if the applicant and/or the subject employee otherwise fails or refuses to comply with any discovery request, the requesting party may move the Retirement Board for an order to compel compliance with the request.
- B. Such a motion shall be made by filing with the Retirement Board and serving on all interested parties a copy of the written request and proof of service thereof, a copy of the response, if any, and a statement of the facts and arguments supporting the motion. Upon the filing of such a motion, the Executive Director or Disability Counsel shall set a hearing thereon either before the Retirement Board or a referee and serve all interested parties with notice thereof. Said motion shall be heard no sooner than 30 days after notice thereof is served on all interested parties. No later than five (5) days before the date set for hearing,

any interested party may file and serve written opposition to the motion. After hearing the motion, the Retirement Board or referee shall rule thereon and serve notice of its order on all interested parties.

- C. If the applicant and/or the subject employee fails or refuses to obey an order of the Retirement Board or referee made pursuant to this section, the Retirement Board may upon the further motion of the requesting party (notice of which shall be given pursuant to paragraph 4.6.B., above) take any further action which it determines to be just and reasonable, including, but not limited to, precluding the applicant and/or the subject employee from asserting or introducing evidence of specified facts or claims, deeming specified facts or claims to be admitted, or dismissing the application with or without prejudice.

4.6. Amended 02-25-2014

4.7. DOCUMENTS AND INFORMATION TO BE FURNISHED BY EMPLOYER

At any time during the pendency of an application, the Executive Director, the Retirement Board, or Disability Counsel may issue a written request, with a copy to employer's counsel, to the subject employee's department head, supervisor(s), co-workers, personnel department or the risk management department seeking information regarding the subject employee's job duties, illness or injury and other pertinent data. The department head or other designated person(s) shall provide, or direct the provision of, the necessary data in written form to the requesting party within ten (10) days of receipt of the request.

4.7. Amended 02-25-2014

4.8. COMMUNICATION WITH INDIVIDUAL RETIREMENT BOARD MEMBERS

The members of the Retirement Board may review and decide all disability hearings and their decision shall be final. As such, once an application for disability benefits is filed, communications between individual Retirement Board members and interested parties or their representatives concerning any issue pertaining to the application, are forbidden until such time as the Retirement Board issues its final written decision. Any violation of this section may result in the Retirement Board member being found ineligible to participate in any discussion regarding the application, or to vote on the disability application.

4.9. RIGHT TO COUNSEL

- A. Any applicant is entitled, at his/her/its expense, to be represented by legal counsel at any and all stages of the proceedings. If the applicant decides to retain legal counsel, he/she/it must immediately file, with the Executive Director's office, a written notice designating his/her/its counsel and providing the name, address and telephone number of said counsel. Absent such written designation, StanCERA is not obligated to recognize any party claiming to represent an applicant.
- B. In all matters pertaining to disability retirement, the Executive Director, who is acting on behalf of StanCERA, is entitled to be represented by Disability Counsel, subject to the approval of the Retirement Board. In addition, the Retirement Board shall be entitled to representation by legal counsel of its choosing.

4.9. Amended 02-25-2014

4.9 Amended 4-24-2018

4.10. STIPULATIONS OF OTHER ENTITIES NOT BINDING

No stipulation, agreement, understanding, act or omission on behalf of the County of Stanislaus or on behalf of a contracting district by an officer, employee, or agent of the County of Stanislaus or of a contracting district in a worker's compensation or any other proceeding to which neither the Retirement Board nor StanCERA is a party, shall be binding upon the Retirement Board or StanCERA insofar as such stipulation, agreement, understanding, act or omission may be asserted to relate to disability retirement or the disposition of a particular application for disability retirement, unless such stipulation, agreement, understanding, act or omission has previously been approved by the Retirement Board through a duly adopted motion, which has been recorded in the official minutes of the Retirement Board. The provisions of this section shall not be deemed to constitute a new policy, but rather a formalization and continuation of an existing unwritten policy, which has been in effect during the life of StanCERA.

4.10. Amended 12-16-2015

4.11. ADMINISTRATIVE RECOMMENDATION

- A. After reviewing the application, and all other documents and information obtained in connection therewith and conducting any necessary investigation, the Executive Director shall make an appropriate recommendation to the Retirement Board. The recommendation may consist of one or more of the following:
1. "Grant service connected disability retirement" where the Executive Director determines that the applicant has proved by a preponderance of the evidence all the elements legally necessary to entitle the subject employee to service-connected disability retirement.
 2. "Deny service connected disability retirement" where the Executive Director determines that the applicant has clearly failed to establish one or more of the elements legally necessary to entitle the subject employee to service-connected disability retirement.
 3. "Grant non-service connected disability retirement" where the Executive Director determines that the applicant has proved by a preponderance of the evidence all elements legally necessary to entitle the subject employee to non-service-connected disability retirement.
 4. "Deny non-service connected disability retirement" where the Executive Director determines that the applicant has clearly failed to establish one or more of the elements legally necessary to entitle the subject employee to non-service connected disability retirement.
 5. "Refer for hearing" where the Executive Director determines that there is substantial evidence to support the disability claim, but the evidence does not, in the Executive Director's opinion, prove by a preponderance of the evidence all the elements necessary to grant the disability claim.
- B. The Executive Director's recommendation to the Retirement Board shall be made at a Retirement Board meeting after placing the matter on the agenda of a Retirement Board meeting.

4.11. Amended 02-25-2014

4.11. Amended 12-16-2015

4.12. PROCEDURE UPON ADMINISTRATIVE RECOMMENDATION

With respect to each application for which the Retirement Board has received an administrative recommendation pursuant to section 4.11, the Retirement Board shall at the first meeting where the matter properly appears on its agenda take the following action or any other action that the Retirement Board may deem appropriate: grant the disability retirement; deny the disability retirement; remand the application to the Executive Director for further investigation; or refer any or all issues for hearing.

4.12. Amended 02-25-2014

4.13. REQUEST FOR HEARING

Whenever the Retirement Board denies an application for service connected or non-service connected disability retirement without a hearing, the applicant shall, upon request, be entitled to a hearing before the Retirement Board, or before a referee appointed by the Retirement Board. Any such request for hearing shall be in writing and shall be made within thirty (30) days after notice of the Retirement Board's action denying the application and is mailed by certified or registered mail to the applicant or to his / her counsel, if the applicant is represented by counsel. A request for hearing shall be deemed made on the date mailed if mailed by certified or registered mail, on the date postmarked if mailed by first class mail and actually received by StanCERA, or on the date actually received by StanCERA, whichever is earlier.

4.13. Amended 02-25-2014

4.13. Amended 12-16-2015

4.13 Amended 04-24-2018

4.14. SETTING FOR HEARING

- A. If the Retirement Board determines that a matter is to be set for hearing, the matter shall be heard by a referee unless the Retirement Board moves to hear the matter itself. If the Retirement Board determines that the matter shall be heard by a referee, the Executive Director shall notify Disability Counsel who shall promptly schedule a hearing, taking into consideration the availability of a qualified referee, the availability of witnesses for the parties, and any other matter necessary and appropriate for the hearing. Disability Counsel shall give written notice of the date, time and place of the hearing to all interested parties at least 30 days in advance of the scheduled hearing, unless otherwise stipulated by all interested parties.
- B. The Executive Director shall maintain a list of retired judges or qualified licensed attorneys who are approved by the Retirement Board and who are available to serve as hearing referees. The Executive Director shall appoint the referee for each hearing by determining which person on the list served last and selecting the person next in order. In the event the person next in order declines to serve as referee or is unavailable to serve within a

reasonable period of time, the Executive Director shall appoint the person on the list next in order. The notice of hearing shall include the identity of the person appointed as referee. Any interested party may promptly object in writing to the appointment of a particular referee. If said written objection is not filed with the Executive Director's office at least 10 days prior to the date first set for hearing, any such objection shall be waived. In the event such objection is timely filed, the Executive Director shall appoint as referee the person next in order on the referee list.

- C. Upon stipulation by the interested parties or upon a showing of good cause, the referee or the Retirement Board may continue a hearing to a new date.
- D. The party requesting the continuance shall bear all costs relating to the continuance unless good cause is shown to the referee or to the Retirement Board. Such costs include, but not limited to, referee fees, court reporter fees, witness fees, and any other costs, fees and expenses incurred by the Retirement Board, by anyone on behalf of StanCERA or by any other interested party as a result of the continuance.

4.14. Amended 02-25-2014

4.14. Amended 12-16-2015

4.15. HEARING PROCEDURES

- A. Every hearing before a referee shall be reported by a certified shorthand reporter, and every hearing before the Retirement Board shall be electronically recorded.
- B. At any hearing, any interested party may be represented by legal counsel, at his/her/its own cost.
- C. The referee or, with respect to hearings before the Retirement Board, the Chair or the Chair's designee, shall exercise such control over the hearing as is reasonable and necessary including, but not limited to, prescribing the order of proof, ruling upon the admissibility of evidence, ordering medical examinations; requiring the additional relevant evidence be gathered and presented; questioning witnesses, and determining whether the matter shall proceed or be adjourned subject to continuation.
- D. Except as otherwise provided in this Article, any relevant evidence shall be admitted if it is the sort of evidence on which reasonable and responsible persons are accustomed to rely in the conduct of serious affairs regardless of the existence of any common law or statutory rule, which might make improper the admission of such evidence over objections in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence, but shall not be sufficient in and of itself to support a finding unless it would be admissible over objection in civil actions.
- E. Oral evidence shall be taken only on oath or affirmation.
- F. On any relevant matter, each interested party shall have the right to call and examine witnesses, introduce documentary and other physical evidence, and cross-examine opposing witnesses. Any interested party who does not testify on his own behalf may be called and examined as a witness, as if, under cross-examination.
- G. Refusal of the applicant or subject employee to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purpose of that hearing to be answered in a way unfavorable to the refusing party.

- H. The production of medical evidence, in the form of written reports, is favored. Such reports should include the following:
1. A history of the subject injury or illness;
 2. The subject employee's prior and subsequent medical history;
 3. The subject employee's current subjective complaints;
 4. The findings upon examination;
 5. The nature and extent of disability;
 6. The anticipated nature and extent of further treatment or care;
 7. Whether or not the subject employee has a disability, which permanently incapacitates him/her from performing his/her usual and customary job duties, and the basis for that opinion, including the specific job duties for which he/she is incapacitated and the specific medical conditions, which so incapacitate him/her.
- I. Any interested party may offer, and the Retirement Board or referee shall receive in evidence, medical records and reports, provided that copies of the said documents have been served on all other interested parties at least fifteen (15) days prior to the hearing, along with written notice of intention to offer the said documents into evidence. Any other interested party may subpoena the author of such a medical report or record as a witness and examine him/her as if under cross-examination.
- J. Any interested party may offer, and the referee or Retirement Board shall receive, into evidence the written statement of any non-medical witness provided that:
1. It is made by affidavit or by declaration under penalty of perjury; and,
 2. A copy has been served on all interested parties at least fifteen (15) days prior to the hearing along with notice of intention to offer the same into evidence.
- K. Any interested party may offer, and the Retirement Board or referee shall receive into evidence the deposition of any witness subject to the objections available under Code of Civil Procedure Section 2025.010 et seq., notwithstanding that the deponent is not "unavailable as a witness" within the meaning of Section 240 of the Evidence Code, and no exceptional circumstances exist if:
1. The deposition was taken in the manner provided for by law or by stipulation of the parties; and
 2. At least fifteen (15) days prior to the hearing the proponent of the deposition delivered to all interested parties notice of intention to offer the same into evidence. Any interested party upon receiving such notice may subpoena the deponent and, if he does so, at the discretion of the Retirement Board or referee, either the deposition may be excluded from evidence or the deposition may be admitted and the deponent may be further cross-examined by the party who subpoenaed him/her.
- L. For the purposes of this article, "service" of a document or notice may be accomplished manually or by mail in the manner provided by section 9.21. If delivery is by mail, the times

prescribed in this Article for delivery of documents and notices shall be increased by five (5) days.

- M. Applicants shall personally appear at all hearings pertaining to their application. Service by mail of written notice of hearing shall be sufficient to compel an Applicant's appearance at hearing. Failure of an applicant to personally appear and testify at any duly noticed hearing, whether before a Referee or the Retirement Board shall be deemed a withdrawal of the corresponding disability retirement application with prejudice, unless the hearing is continued by agreement of the parties or upon a showing of good cause. All hearing notices shall include a statement in substantially the following form: "The applicant must personally appear and testify at this hearing. Failure to do so will result in a denial of the disability retirement application."

4.15. Amended 02-25-2014

4.15. Amended 12-16-2015

4.15 (M) added 4-24-2018

4.16. DECISION OF THE REFEREE

- A. When a hearing is held before a referee, the referee shall prepare, in writing, proposed findings of fact and a recommended decision and reasons therefor.
- B. Within forty-five (45) days after the matter is submitted, the referee shall file with the Executive Director's office his / her proposed findings of fact and recommended decision, which shall include those documents received into evidence. Simultaneously therewith, he / she shall serve the proposed findings of fact and recommended decision on all interested parties. The referee shall not be entitled to remuneration for his services until the aforesaid documents have been filed and served. For the purposes of this section, a matter is considered "submitted" on the last day of the hearing, unless the referee, for good cause, orders otherwise.
- C. In the absence of good cause, as determined by the referee, any post hearing briefs or other pleadings shall be filed with the Executive Director's office and served on the referee and on all interested parties within twenty (20) days of the last day of the hearing. The filing of post hearing briefs shall not extend the date the matter is submitted.
- D. Upon the service of the referee's proposed findings of fact and recommended decision, the interested parties shall have ten (10) days to submit objections thereto by filing the same with the Retirement Board and serving the same on all interested parties whereupon the said objections shall be incorporated in the record to be considered by the Retirement Board.

4.16. Amended 02-25-2014

4.16. Amended 12-16-2015

4.17. ACTION BY THE RETIREMENT BOARD UPON REFEREE'S DECISION

- A. Upon receiving the proposed findings of fact and recommendation of the referee, the Retirement Board may:
1. Approve and adopt the proposed findings and recommendation of the referee; or

2. Require a transcript or summary of all the testimony, plus all other evidence received by the referee. Upon the receipt thereof, the Retirement Board shall take such action as in its opinion is indicated by such evidence; or

3. Refer the matter back with / without instructions to the referee for further proceedings; or

4. Set the matter for hearing before itself. At such hearing, the Retirement Board shall hear and decide the matter as if it had not been referred to a referee.

B. Upon approving and adopting the referee's decision or any subsequently modified decision, thereof, the Retirement Board shall comply with Subsection 4.18(C).

4.17. Amended 02-25-2014

4.17. Amended 12-16-2015

4.18. HEARINGS BEFORE THE RETIREMENT BOARD

A. Five (5) members of the Retirement Board constitute a quorum for the making of any decision at a hearing held pursuant to the provisions of this Article. No findings of fact or decision by the Retirement Board shall be valid unless:

1. A majority of all members present; or

2. Four (4) members, whichever is greater, concur therein.

B. When a hearing is held before the Retirement Board, the Retirement Board shall, no later than the second regular meeting following the meeting at which the matter is submitted, determine all material issues and shall incorporate such determinations in a written decision and findings of fact.

C. Within ten (10) days following the date the Retirement Board renders its decision and findings of fact, the Retirement Board shall serve all interested parties with a copy of the same together with a notice of the right to judicial review of the Retirement Board's decision as set forth in Section 4.20.

4.18. Amended 02-25-2014

4.18. Amended 12-16-2015

4.19. DATE OF FINAL DECISION AND NOTICE THEREOF

The decision of the Retirement Board shall be final on the date the notice is mailed to the applicant by first class mail, postage prepaid, including a copy of the affidavit or certificate of mailing. A copy of the decision along with the affidavit or certificate of mailing shall simultaneously be mailed to the subject employee, if other than the applicant, and to all other interested parties and their respective counsel.

4.19. Amended 02-25-2014

4.19. Amended 12-16-2015

4.20. JUDICIAL REVIEW OF RETIREMENT BOARD DECISIONS

The time to seek judicial review of final Retirement Board decisions is governed by Code of Civil Procedure section 1094.6. Each notice of decision shall include a statement substantially as

follows: "The time to seek judicial review (appeal) from this decision is governed by Code of Civil Procedure section 1094.6. If you disagree with this decision and wish to appeal it, you must file a petition for writ of mandate with the superior court within 90 days of the date of this notice. If you fail to do so, you will lose your right to appeal this decision".

4.20. Amended 02-25-2014

4.20. Amended 12-16-2015

4.21. SERVICE OF NOTICE

- A. Unless otherwise provided by these Bylaws or by statute, where the provisions of this Article require service of a notice, demand, request, or other written communication, service shall be made on the party on whom service is required unless the said party has filed notice of representation by counsel, in which case service shall be made upon counsel of record for that party.
- B. Where the provisions of this Article require service on "interested parties," such service shall be made on the Executive Director, on all interested parties who have appeared in the subject proceedings, and on all interested parties who have not appeared in such proceedings and have filed a request to be served with documents, which are served and filed in such proceedings. Pursuant to Government Code section 31532, unless otherwise ordered by a court of competent jurisdiction or necessary for the processing of an application, sworn statements and individual records of members shall not be disclosed by StanCERA.
- C. Unless otherwise provided in these Bylaws or by statute, the service of all notices, orders, requests, and other written communications, which are not personally served shall be effected by sealing the same in an envelope properly addressed to the party to be served and depositing the envelope in the United States mail with first class postage fully prepaid, and any applicable time limitations shall be extended in the manner prescribed by Code of Civil Procedure Section 1013.
- D. For purposes of determining the effectiveness of service on an applicant or subject employee, correspondence shall be deemed "properly addressed" if it bears the address specified on the application, or if the application has been amended, the address specified on the most recently filed amended application.

4.21. Amended 02-25-2014

4.21. Amended 12-16-2015

Article 4 Amended 12-04-2007

Article 4 Amended 11-23-2010

Article 4 Amended 02-25-2014

Article 4 Amended 12-16-2015

Article 4 Amended 04-24-2018

ARTICLE 5 - CLAIMS FOR BENEFITS, RIGHTS, OR PRIVILEGES OTHER THAN DISABILITY RETIREMENT

5.1. PURPOSE

The purpose of this article is to provide a procedure for acting upon applications for rights, benefits, and privileges other than applications for disability retirement under the 1937 Act to the end that applications can be expeditiously processed with a minimum lapse of time and that when a hearing is required by law, the Applicant will have notice of the hearing and an opportunity to appear before the Retirement Board and present his / her case.

5.1. Amended 12-16-2015

5.2. FILING AND AMENDMENT OF APPLICATIONS

- A. A claim for rights, benefits, and privileges other than applications for disability retirement shall be made by filing with the Retirement Board a completed application, on a form approved by the Retirement Board, for that purpose, together with all facts, information, and documentation supporting such claim. Upon the filing of such an application, the Retirement Board shall serve the Applicant with a copy of this article and forward the application to the Executive Director for the Executive Director's review, investigation, and recommendation, pursuant to the provisions of this article.
- B. If, during the pendency of an application, there is any change in any of the facts or claims set forth in the application, the Applicant shall immediately file with the Retirement Board and serve on all interested parties written notice of the change. Upon the filing of such notice with the Retirement Board, the application shall be deemed amended accordingly.
- C. Failure to accurately and fully complete or timely amend an application may delay its processing or, in the discretion of the Retirement Board or referee, preclude the Applicant from asserting or introducing evidence of the omitted or changed fact(s) or claim(s).

5.2. Amended 02-25-2014

5.2. Amended 12-16-2015

5.3. FURTHER INFORMATION TO BE FURNISHED BY APPLICANT

- A. At any time during the pendency of an application, the Executive Director, the Retirement Board, or the counsel for StanCERA may, by written notice to the Applicant, request that the Applicant serve, within thirty (30) days or such further time as may be designated, any or all of the following items: copies of all pertinent records and reports, copies of all other documents upon which the Applicant relies in support of the application, and sworn written responses to written inquiries concerning any matter, which is, either relevant to the subject matter of the application or is reasonably calculated to lead to the discovery of evidence, which would be admissible at hearing including, but not limited to, the subject employee's medical history, employment history, current medical condition, and current employment status.
- B. With respect to any request, pursuant to Subsection 5.2. (A), if the Applicant or subject employee

fails or refuses to respond within the time allowed for response or if the propounding party deems a further response to be required, the propounding party may move the Retirement Board for an order to compel compliance with the request. Such a motion shall be made by filing with the Retirement Board and serving on all interested parties a copy of the written request and proof of service thereof, a copy of the response, if any, and a statement of the facts and arguments supporting the motion.

Upon the filing of such a motion, the Executive Director shall set a hearing thereon either before the Retirement Board or a referee and serve all interested parties with notice thereof. No later than five (5) days before the date set for hearing, any interested party may file and serve written opposition to The motion. After hearing the motion, the Retirement Board or referee shall rule thereon and serve notice of the ruling on all interested parties. If the Applicant or subject employee fails or refuses to obey an order of the Retirement Board or referee made, pursuant to this subsection, the Retirement Board may take any further action upon the noticed request of any interested party, which it determines to be reasonable and just, including, but not limited to, precluding the Applicant from asserting or introducing evidence of specified facts or claims, deeming specified facts or claims to be admitted, or dismissing the application with or without prejudice. Nothing in this Section shall be construed to limit the right of any interested party to seek judicial review of action taken by the Retirement Board or referee pursuant to this Section.

5.3. Amended 02-25-2014

5.3. Amended 12-16-2015

5.4. ADMINISTRATIVE RECOMMENDATION

A. Upon review of the application and information submitted by the Applicant, and all other relevant material, the Executive Director shall make one of the following recommendations to the Retirement Board:

1. "Grant claim for benefits" where the Executive Director determines, from all available information that there is no substantial conflict with respect to the facts necessary to grant an application for benefits, rights, or privileges.

2. "Refer for hearing:" where the Executive Director is unable to find, from all available information, the necessary conditions to recommend granting a claim for benefits, rights, or privileges. At any time prior to hearing, the Executive Director may, in accordance with the standards set forth in Subsection 5.4, withdraw his recommendation to refer to hearing and recommend that the claim for benefits, rights, or privileges be granted, and the Retirement Board may act, thereon, in the manner prescribed in Section 5.5 of this Article.

3. "Deny claim for benefits" where the Executive Director determines from all available information that there is no substantial evidence to support the facts necessary to grant such a benefit.

B. The Executive Director's recommendation to the Retirement Board shall be made at a regular meeting of the Retirement Board after placing the matter on the agenda of a Retirement Board meeting.

5.4. Amended 02-25-2014

5.4. Amended 12-16-2015

5.5. PROCEDURE UPON ADMINISTRATIVE RECOMMENDATION

With respect to each application, for which the Retirement Board has received an administrative recommendation, pursuant to Section 5.4, the Retirement Board shall, at the first meeting where the matter properly appears on its agenda, take the following action or any other action that the Retirement Board may deem appropriate:

- A. If the administrative recommendation is "grant claim for benefits" the Retirement Board may either grant such a claim or refer all issues for hearing.
- B. If the administrative recommendation is "refer for hearing", the Retirement Board may either refer all issues for hearing or remand to the Executive Director for further investigation.
- C. If the administrative recommendation is "deny claim for benefits",, the Retirement Board may either deny such benefit, grant such benefit, or refer all issues to hearing.

5.5. Amended 02-25-2014

5.5. Amended 12-16-2015

5.6. SETTING FOR HEARING

- A. If the Retirement Board determines that a matter is to be set for hearing, the matter shall be heard by a referee unless the Retirement Board moves to hear the matter itself. If the Retirement Board determines that the matter shall be heard by a referee, the Executive Director shall notify counsel, who shall promptly schedule a hearing, taking into consideration the availability of a qualified referee, the availability of witnesses for the parties, and any other matter necessary and appropriate for the hearing. The Executive Director's counsel shall give written notice of the date, time and place of the hearing to all interested parties at least 30 days in advance of the scheduled hearing, unless otherwise stipulated by all interested parties.
- B. The Executive Director shall maintain a list of retired judges or qualified licensed attorneys who are approved by the Retirement Board and who are available to serve as hearing referees. The Executive Director shall appoint the referee for each hearing by determining which person on the list served last and selecting the person next in order. In the event the person next in order declines to serve as referee or is unavailable to serve within a reasonable period of time, the Executive Director shall appoint the person on the list next in order. The notice of hearing shall include the identity of the person appointed as referee. Any interested party may promptly object in writing to the appointment of a particular referee. If said written objection is not filed with the Executive Director's office at least ten (10) days prior to the date first set for hearing, any such objection shall be waived. In the event such objection is timely filed, the Executive Director shall appoint as referee the person next in order on the referee list.
- C. Upon stipulation by the interested parties or upon a showing of good cause, the referee or the Retirement Board may continue a hearing to a new date.
- D. The party requesting the continuance shall bear all costs relating to the continuance unless good cause is shown to the referee or to the Retirement Board. Such costs include, but are not limited to, referee fees, court reporter fees, witness fees, and any other costs, fees and expenses incurred by the Retirement Board, by anyone on behalf of StanCERA or by any other interested party as a result of the continuance.

5.6. Amended 02-25-2014

5.6. Amended on 12-16-2015

5.7. PRE-HEARING PROCESS

- A. The Executive Director shall schedule a date for the hearing. The Retirement Board or referee may, upon stipulation by the interested parties or showing of good cause, continue a hearing to a new date. The party requesting the continuance shall bear all costs relating to the continuance, unless good cause is shown to the Retirement Board.
- B. Within thirty (30) days of the date of the hearing, the Applicant shall provide a copy of all documents and writings, which the Applicant proposes to introduce at the hearing to the Executive Director, and the Executive Director shall provide a copy of documents and writings that the Executive Director intends to introduce at the hearing to the Applicant. Any interested party may request a pre-hearing conference. The Applicant or the Executive Director may set a pre-hearing conference by serving all interested parties with written notice of the conference at least fifteen (15) days in advance. Such conferences shall be attended by all interested parties and their counsel.
- C. Any interested party shall at any time after filing of the application, be entitled to undertake discovery in the form of requests for admissions, interrogatories or depositions in the manner prescribed by the Code of Civil Procedure, provided that such discovery is limited to the matters set forth in the application.
- D. Formal discovery shall be limited to those procedures provided in this Article and the 1937 Act, except as otherwise stipulated between the parties or as authorized by the Retirement Board or referee upon a showing of good cause.

5.7. Amended 02-25-2014

5.7. Amended on 12-16-2015

5.8. HEARING PROCEDURES

- A. Every hearing before a referee shall be reported by a certified shorthand reporter, and every hearing before the Retirement Board shall be electronically recorded.
- B. At any hearing, any interested party may be represented by legal counsel, at his/her/its own cost.
- C. The referee or, with respect to hearings before the Retirement Board, the Chair or the Chair's designee, shall exercise such control over the hearing as is reasonable and necessary including, but not limited to, prescribing the order of proof; ruling upon the admissibility of evidence; ordering medical examinations; requiring that additional relevant evidence be gathered and presented; questioning witnesses; and determining whether the matter shall proceed or be adjourned subject to continuation.
- D. Except as otherwise provided in this Article, any relevant evidence shall be admitted if it is the sort of evidence on which reasonable and responsible persons are accustomed to rely on in the conduct of serious affairs regardless of the existence of any common law or statutory rule, which might make improper the admission of such evidence over objections

in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence, but shall not be sufficient in and of itself to support a finding unless it would be admissible over objection in civil actions.

- E. Oral evidence shall be taken only on oath or affirmation.
- F. On any relevant matter, each interested party shall have the right to call and examine witnesses, introduce documentary and other physical evidence, and cross-examine opposing witnesses. Any interested party who does not testify on his own behalf may be called and examined as a witness, as if, under cross-examination.
- G. Refusal of the Applicant or interested party to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purpose of that hearing to be answered in a way unfavorable to the refusing party.
- H. Any interested party may offer, and the Retirement Board or referee shall receive into evidence, the deposition of any witness subject to the objections available under Code of Civil Procedure Section 205.010 et seq., notwithstanding, that the deponent is not "unavailable as a witness" within the meaning of Section 240 of the Evidence Code and no exceptional circumstances exist if:
 - 1. The deposition was taken in the manner provided for by law or by stipulation of the parties; and
 - 2. At least thirty (30) days prior to the hearing, the proponent of the deposition delivered to all interested parties notice of intention to offer the same into evidence. Any interested party, upon receiving such notice, may subpoena the deponent and, if he does so, at the discretion of the Retirement Board or referee, either the deposition may be excluded from evidence or the deposition may be admitted and the deponent may be further cross-examined by the party who subpoenaed him. These limitations are not applicable to a deposition admissible under the terms of Section 205.010 of the Code of Civil Procedure.
- I. For the purposes of this Section, "delivery" of a document or notice may be accomplished manually or by mail in the manner provided by Subsection 5.14. If delivery is by mail, the times prescribed in this subsection for delivery of documents and notices shall be increased by five (5) days.

5.8. Amended 02-25-2014

5.8. Amended on 12-16-2015

5.8 Amended on 04-24-2018

5.9. DECISION OF THE REFEREE

- A. Where a hearing is held before a referee, the referee shall prepare, in writing, proposed findings of fact and recommended decisions and reasons therefor.
- B. Within forty-five (45) days after the matter is submitted, the referee shall file with the Retirement Board his proposed findings of fact and recommended decision, which shall include those documents received into evidence or rejected and shall serve the same on all interested parties. The referee shall not be entitled to remuneration for his services, until the aforesaid documents have been filed and served.

- C. Within ten (10) days following the service of the referee's proposed findings of fact and recommended decision, any interested party may submit objections, thereto, by filing the same with the Retirement Board and serving the same on all interested parties.

5.9. Amended on 12-16-2015

5.10. ACTION BY THE RETIREMENT BOARD UPON REFEREE'S DECISION

Upon receiving the proposed findings of fact and recommended decision, the Retirement Board may:

- A. Approve and adopt the proposed findings and recommendations of the referee; or
- B. Require a transcript or summary of all the testimony plus all other evidence received by the referee and, thereupon, take such action as in its opinion is indicated by such evidence; or
- C. Refer the matter back with / without instructions to the referee for further proceedings; or
- D. Set the matter for hearing before the Retirement Board on a date within the next forty-five (45) days. At such a hearing, the Retirement Board shall hear and decide the matter as if it had not been referred to a referee.

5.10. Amended 02-25-2014

5.10. Amended on 12-16-2015

5.11. HEARINGS BEFORE THE RETIREMENT BOARD

- A. Five (5) members of the Retirement Board constitute a quorum for the making of any decision at a hearing held, pursuant to the provisions of this Article. No findings of fact or decision by the Retirement Board shall be valid unless:
 - 1. A majority of all members present; or
 - 2. Four (4) members, whichever is greater, concur therein.
- B. When a hearing is held before the Retirement Board, the Retirement Board shall, no later than the second regular meeting following the meeting at which the matter is submitted, determine all material issues and shall incorporate such determinations in a written decision and findings of fact.
- C. Within ten (10) days following the date the Retirement Board renders its decision and findings of fact, the Retirement Board shall serve all interested parties with a copy of the same together with a notice of the right to judicial review of the Retirement Board's decision as set forth in Section 5.14.

5.11. Amended on 12-16-2015

5.12. DATE OF FINAL DECISION AND NOTICE THEREOF

The decision of the Retirement Board shall be final on the date notice, thereof, is mailed to the subject employee by US first class mail, postage prepaid, including a copy of the affidavit or certificate of mailing. A copy of the decision along with the affidavit or certificate of mailing shall simultaneously be mailed to the applicant, if other than the subject employee, and to all other interested parties and their respective counsel.

5.12. Amended on 12-16-2015

5.13. JUDICIAL REVIEW OF THE RETIREMENT BOARD'S DECISION

Judicial review of the final retirement decisions shall be subject to Code of Civil Procedure Section 1094.6. This section has been made applicable by the Retirement Board and the Stanislaus County Board of Supervisors. Following each final decision, the Executive Director shall include in the notice of decision a statement substantially as follows: "The time within which judicial review of this decision must be sought is governed by Code of Civil Procedure section 1094.6, which has been made applicable to StanCERA by the Retirement Board and the Stanislaus County Board of Supervisors. Generally, any petition or other paper seeking judicial review must be filed in the appropriate court not later than the ninetieth (90) day following the date on which this decision becomes final. Judicial review of a final decision is reviewable, pursuant to Code of Civil Procedure section 1094.5 only if the petition for writ of mandate made pursuant to Code of Civil Procedure section 1094.06 is filed within the time limits specified in latter section.

5.13. Amended 02-25-2014

5.13. Amended on 12-16-2015

5.14. SERVICE OF NOTICE

- A. Unless otherwise provided by these Bylaws or by statute, where the provisions of this Article require service of a notice, demand, request, or other written communication, service shall be made on the party on whom service is required unless the said party has filed notice of representation by counsel, in which case service shall be made upon counsel of record for that party.
- B. Where the provisions of this article require service on "interested parties," such service shall be made on StanCERA, on all interested parties who have appeared in the subject proceedings, and on all interested parties who have not appeared in such proceedings and who have filed a request to be served with documents, which are served and filed in such proceedings. Pursuant to Government Code section 31532, unless otherwise ordered by a court of competent jurisdiction or necessary for the processing of an application, sworn statements and individual records of members shall not be disclosed by StanCERA.
- C. Unless otherwise provided by these Bylaws or by statute, the service of all notices, orders, requests, and other written communications, which are not personally served, shall be effected by sealing the same in an envelope properly addressed to the party to be served and depositing the envelope in the United States mail with first class postage fully prepaid, and any applicable time limitations shall be extended in the manner prescribed by Code of Civil Procedure Section 1013.
- D. For purposes of determining the effectiveness of service on an Applicant, correspondence shall be deemed "properly addressed" if it bears the address specified on the application,

or, if the application has been amended, the address specified on the most recently filed amended application.

5.14. Amended 02-25-2014

5.14. Amended on 12-16-2015

Article 5 Amended 12-11-2002

Article 5 Amended 12-04-2007

Article 5 Amended 11-23-2010

Article 5 Amended 02-25-2014

Article 5 Amended 12-16-2015

Article 5 Amended 04-24-2018

ARTICLE 6 - AMENDMENTS AND REPEALS

6.1. AMENDMENTS

The Retirement Board may, as it deems necessary and desirable, by an affirmative vote of five (5) members, amend these Bylaws to be effective when approved by the Stanislaus County Board of Supervisors.

6.1. Amended 02-25-2014

6.1. Amended 12-16-2015

6.2. REPEALS

All former Bylaws and amendments thereto are hereby repealed. The foregoing Bylaws become effective when approved by the Board of Supervisors as provided by Government Code Section 31525.

6.2. Amended 02-25-2014

6.2. Amended 12-16-2015

6.3. BYLAWS REVIEW

The Bylaws shall be reviewed by a committee appointed by the Chair of the Retirement Board and revisions and/or amendments brought before the Board on or before December 31st at each odd year, or as needed.

6.3. Amended 02/25/2014

Article 6 Amended 07-02-2002

Article 6 Amended 02-25-2014

Article 6 Amended 12-16-2015

ARTICLE 7 - SUBPOENAS

7.1. POWER TO ISSUE SUBPOENAS

The Retirement Board, the Executive Director or a Referee appointed under these Bylaws may issue subpoenas or subpoenas duces tecum in accordance with the provisions of Government Code Section 31535. Subpoenas shall be signed by the Chair of the Retirement Board, the Secretary of the Retirement Board, the Executive Director, or the Referee.

7.2 PARTIES ENTITLED TO ISSUANCE OF SUBPOENAS

Any Party to a pending transaction or other proceeding under these Bylaws may request that subpoenas be issued on the party's behalf by the Retirement Board, the Referee, or the Executive Director. The scope of such subpoenas shall be limited to the subject matter of the application or proceeding. The party requesting such subpoenas shall be solely responsible for enforcing them in the same manner found in Government Code section 25170 et seq, as set forth in Government Code section 31535, and shall bear all costs incurred in connection with issuance of such subpoenas.

7.1. Amended 02-25-2014

7.1. Amended on 12-16-2015

7.1. Amended on 04-24-2018

7.2. Added on 04-24-2018

Article 7 Amended 12-11-2002

Article 7 Amended 03-22-2005

Article 7 Amended 02-25-2014

Article 7 Amended 12-16-2015

Article 7 Amended 04-24-2018

HISTORICAL NOTES

Approved by the Board of Supervisors on September 27, 1988.

Amendment to Sections 4.4.(A), 4.6.(B), and 4.6.(C) approved by the Board of Supervisors on April 25, 1989.

Amendment to Sections 4.4.(A), 4.4.(B), 4.6.(B), 4.6.(C) and 4.7.(A) and deletion of Section 4.6.(D) approved by the Board of Supervisors on December 19, 1989.

Amendment to Section 1.5. approved by the Board of Supervisors on March 27, 1990.

Amendment of Section 1.2 by addition of Subsection (J) approved by the Board of Supervisors on October 2, 1990.

Addition of Section 3.11, (A), (B), and (C) approved by the Board of Supervisors on October 2, 1990.

Amendment of Article 1, addition of Section 1.6 approved by the Board of Supervisors on April 27, 1993.

Revision of the Bylaws approved by the Board of Supervisors on August 18, 1998.

Amendment of Article 2 approved by the Board of Supervisors on April 6, 1999

Amendment of Article 1 approved by the Board of Supervisors on August 31, 1999

Amendment of Article 1, Section 1.5, approved by the Board of Supervisors on October 31, 2000

Revision of the Bylaws approved by the Board of Supervisors on July 2, 2002

Revision of the Bylaws approved by the Board of Supervisors on December 11, 2002

Amendment of Article 2, Section 2.1, approved by the Board of Supervisors on December 5, 2006

Revision of the Bylaws approved by the Board of Supervisors on December 4, 2007

Amendment of Article 1, Section 1.7, approved by the Board of Supervisors on March 25, 2008

Revision of the Bylaws approved by the Board of Supervisors on May 24, 2011

Amendment of Articles 1-3, 8-11 approved by the Board of Supervisors on February 25, 2014

Amendment of Article 1.7 approved by the Board of Supervisors on March 15, 2016

Removal of Prior Articles 4 (Member Contributions), 5 (Service Retirement), 6 (Service), 7 (Compensation Earnable) and 14 (Continuing Education and Due Diligence Visitations). Prior articles 4, 5, 6, 7 and 14 reclassified as StanCERA Internal Policies. Prior articles 9 (Claims for Disability Retirement), 10 (Claims for Benefits, Rights, or Privileges Other Than Disability), 8 (Amendments and Repeals) and 11 (Subpoenas) reclassified to articles 4, 5, 6 and 7, respectively. Approved by the Board of Supervisors on MM/DD/2018



Stanislaus County Employees' Retirement Association

832 12th Street, Ste. 600, Modesto, CA 95354 • PO Box 3150, Modesto, CA 95353 • www.stancera.org • 209-525-6393 • 209-558-4976 Fax

November 27, 2017

Retirement Board Agenda Item

11/27/18

Item 9.a.

TO: Retirement Board

FROM: Sam Sharpe, Internal Governance Committee Chair

- I. SUBJECT: Internal Governance Committee Recommendation for Receipt of the Comprehensive Annual Financial Report (CAFR) for Fiscal Years ended June 30, 2018 and 2017
- II. ITEM NUMBER: 9.a
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Accept Committee's Recommendation for Receipt of the Comprehensive Annual Financial Report (Attachment 1)
- V. ANALYSIS: The Internal Governance Committee met November 13, 2018 with internal staff and a partner from the Brown Armstrong accountancy group. Brown Armstrong performed its audit in accordance with generally accepted auditing standards and did not provide any opinion regarding internal controls, however, it was noted that no internal control weaknesses were found. StanCERA received an unqualified opinion that the basic financial statements present fairly the financial position of StanCERA in accordance with generally accepted accounting principles.

There was an agreed upon condition regarding cost methodology and reconciliation of the value of alternative investments. The auditor noted that the methodology for valuing alternative investments was different between StanCERA and the custodian bank. The auditors note that both methods are acceptable, however, recommends consulting with the custodian bank regarding using the same recording process. StanCERA management concurs with this finding and will take appropriate steps to rectify the difference.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. ADMINISTRATIVE BUDGET IMPACT:

Rick Santos, Executive Director

Natalie Elliott, Fiscal Services Manager

Comprehensive Annual Financial Report

For the Fiscal Years Ended
June 30, 2018 and 2017



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

Ensuring Tomorrow's Benefits Through Prudent Management

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, 2018 and 2017**

Issued By

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

**StanCERA
Staff**

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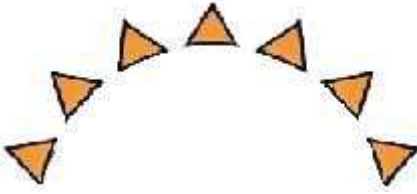
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StanCERA secures and manages investment funds to provide benefits to its members.

Vision

Ensuring tomorrow's benefits through prudent management.





LETTER OF TRANSMITTAL

November 05, 2018

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 Plan) for the fiscal years ended June 30, 2018 and 2017. As of June 30, 2018, it is StanCERA's 70th year of operations.

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

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

StanCERA and Its Services

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

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

StanCERA and Its Services (continued)

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

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

Financial Information

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized when received or when due pursuant to legal requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when corresponding liabilities are incurred regardless of when payment is due or made. Investments are recorded at the fair value of the asset.

An overview of StanCERA's fiscal operations for the years ended June 30, 2018 and 2017, 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.

Brown Armstrong Accountancy Corporation, StanCERA's independent auditor, has audited the accompanying financial statements. Management believes an adequate system of internal controls is in place and the accompanying statements, schedules, and tables are fairly presented and free from material misstatement. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and that second, the valuation of the cost and benefits requires estimates and judgments by management.

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

Net Pension Liability and Actuarial Funding

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to the CERL, StanCERA engages an independent actuary to perform an actuarial valuation of the Plan 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, 2015 by Cheiron, Inc. Cheiron, Inc. conducted the last actuarial valuation as of June 30, 2017, the results of which were rolled forward to StanCERA's fiscal year ended June 30, 2018, and determined the Plan's funding ratio (ratio of fair value of assets to net pension liability) to be 76.7% using the recommended assumptions.

Investments

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

The Board has adopted an Investment Policy, which provides a framework for the management of StanCERA's investments. This policy establishes StanCERA's investment objectives and defines the duties of the Board of Retirement, investment managers, and custodial bank. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations to ensure growth of assets to meet future liabilities, minimize employer contributions, and defray reasonable administrative costs. StanCERA engages an Investment Consultant to analyze the investment policy and strategy and to conduct periodic asset allocation and asset/liability studies on behalf of StanCERA. For the fiscal years ended June 30, 2018 and 2017, the Plan's investments provided a 8.1% and 14.4% 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, 2017. 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 eleventh consecutive year StanCERA has achieved this prestigious award.

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

Awards (continued)

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, 2017. This report provides all StanCERA members more concise and condensed information than can be found in the CAFR.

StanCERA also received the Public Pension Coordinating Council's Public Pension Standards 2017 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

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

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

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

Service Efforts and Accomplishments

Written communication for members continues to be a focus for StanCERA. Non retired members receive statements twice a year. Retirees receive printed advice notices with critical information monthly and to communicate the financial health of the fund, an easy-to-read Popular Annual Financial Report (PAFR) is distributed to all members annually.

StanCERA sponsors a one half day pre-retirement seminar to potential retirees annually, participates in the Stanislaus County new employee orientation workshop and continues to provide group educational programs at the work site for interested employees.

In addition, StanCERA continues to increase its website presence. Audio recordings of education seminars and Board meetings are available. Meeting agendas and minutes are posted timely. Policies, by-laws, member services and forms can be easily identified and downloaded. Members continue to visit the contribution and benefit calculators regularly.

Acknowledgement

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

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

Sincerely,

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

Rick Santos, CFA, ASA, MAAA
Executive Director

BOARD OF RETIREMENT
JUNE 30, 2018



Seat # 1. **Lauren Klein**, Ex-Officio,
Treasurer/Tax Collector



Seat # 6. **Jim DeMartini**, Trustee,
Appointed by the Board of Supervisors



Seat #2. **Mandip Dhillon**, Trustee,
Elected by Active General Membership



Seat #7. **Sam Sharpe**, Trustee, Elected by
Active Safety Membership



Seat #3. **Donna Riley**, Trustee, Elected by
Active General Membership

Seat #7a. **Vacant**, Alternate Trustee,
Elected by Active Safety Membership



Seat # 8. **Michael O'Neal**, Trustee, Elected
by Retired Membership



Seat #4. **Darin Gharat**, Chair, Appointed
by the Board of Supervisors



Seat # 8a. **Rhonda Biesemeier**, Alternate
Trustee, Elected by Retired Membership



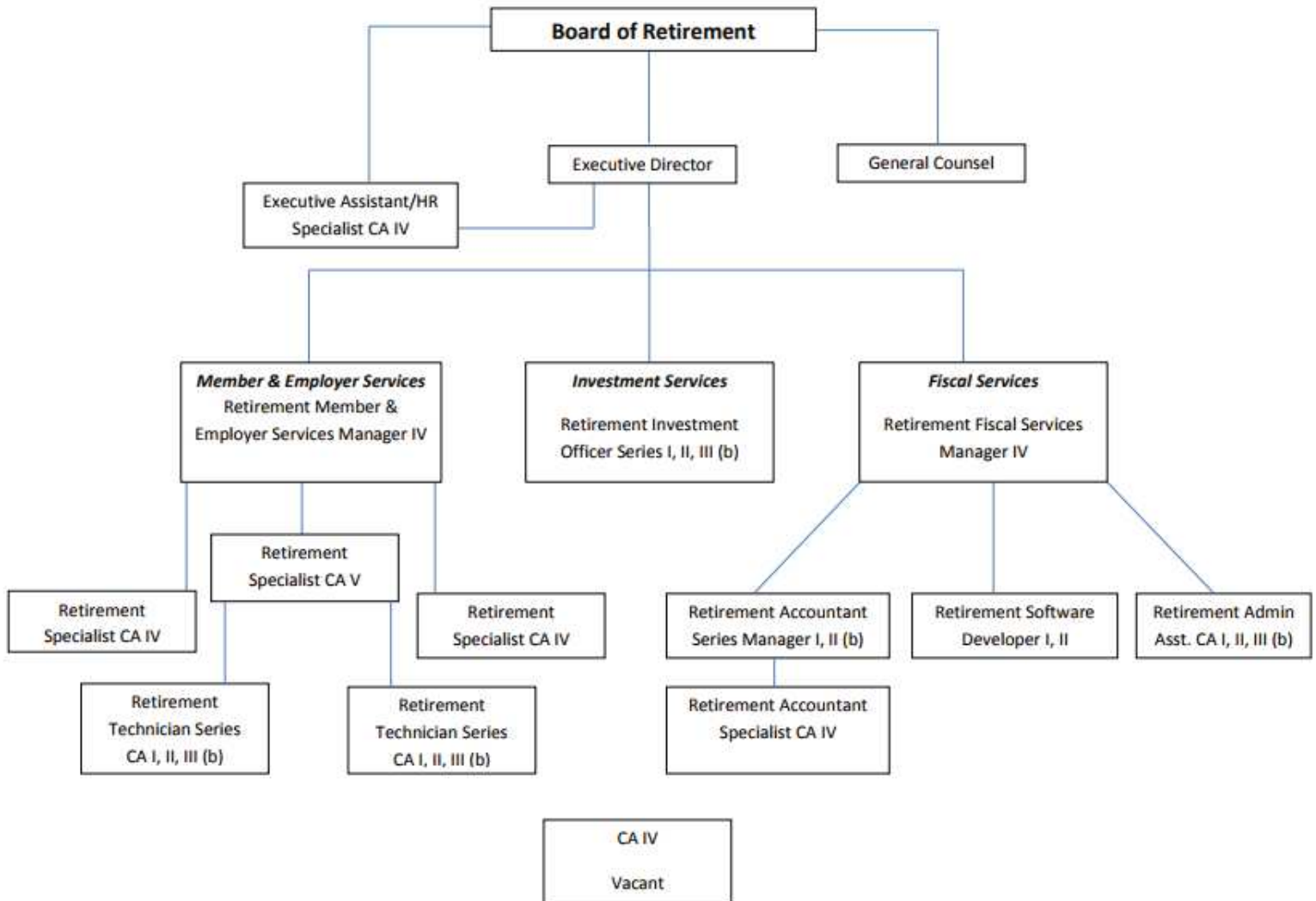
Seat # 5. **Mike Lynch**, Vice Chair,
Appointed by the Board of Supervisors



Seat # 9. **Jeff Grover**, Trustee, Appointed
by the Board of Supervisors

StanCERA ORGANIZATIONAL CHART

Effective 2016



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

PROFESSIONAL CONSULTANTS
JUNE 30, 2018

Consulting Services

Actuary

Cheiron, Inc.

Auditors

Brown Armstrong Accountancy Corporation

Investment Custodian

Northern Trust

Investment Consultant

Verus, 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

Insight (Pareto)

Dimensional Fund Advisors

Northern Trust Intermediate Bond

Northern Trust Long Term Bond

Large Cap Value Equity

Dodge & Cox

BlackRock R1000 Value

Large Cap Growth Equity

BlackRock R1000 Growth

Northern Trust Russell 1000

Small Cap Value Equity

Capital Prospects

International Equity

LSV Asset Management (Value)

Fidelity Asset Management (Growth)

Real Estate Securities

Black Rock US Real Estate Index

Private Credit

Medley Opportunity Fund II LP

Raven Capital Management, LLC

White Oak Global Advisors, LLC

Private Real Estate

American Realty Advisors

Greenfield Acquisition Partners VII LP

Greenfield Acquisition Partners VIII LP

Morgan Stanley Prime Property Fund

Infrastructure

North Haven Partners II LP

Risk Parity

AQR GRP EL Fund, L.P.

PanAgora Diversified Risk Multit-Asset Fund Ltd

*Refer to the Investment Section for the Schedule of Investment Management Fees and Schedule of Commissions Paid.



Government Finance Officers Association

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

Presented to

**Stanislaus County
Employees' Retirement Association
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



Government Finance Officers Association

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

Presented to

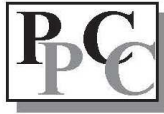
**Stanislaus County
Employees' Retirement Association
California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2017***

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 cursive script, reading 'Alan H. Winkle', is positioned above the printed name and title.

Alan H. Winkle
Program Administrator

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and Internal Governance Committee of
Stanislaus County Employees' Retirement Association
Modesto, California

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position of the Stanislaus County Employees' Retirement Association (StanCERA) as of June 30, 2018 and 2017, the related Statements of Changes in Fiduciary Net Position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise StanCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of StanCERA as of June 30, 2018 and 2017, and the changes in fiduciary net position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of StanCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering StanCERA's internal control over financial reporting and compliance.

Bakersfield, California
November 5, 2018

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Stanislaus County Employees' Retirement Association's (StanCERA or the Plan) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended June 30, 2018 and 2017. Please review information presented here in conjunction with the Letter of Transmittal and additional information provided.

Financial Highlights

- Fiduciary Net Position increased by \$132.7 million (or 6.7%) during fiscal year 2018 as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by \$15.2 million (or 17.2%) during fiscal year 2018.
- Net investment income (including Net Appreciation in Fair Value of Investments) decreased by \$97.3 million (or -38.6%) during fiscal year 2018.
- Benefit payments increased by \$6.9 million (or 6.0%) during fiscal year 2018 from the prior fiscal year.

Plan Highlights

- Benefit plans for Tiers 2 and 3 were closed to new hires and Tiers 4 and 5 were adopted effective March 9, 2002 to provide retirement formulas commonly known as 2% at age 55 for active general members, and 3% at age 50 for active safety members. One district did not implement the new benefit plans. Members in the non-contributory Tier 3 were allowed to transfer into a contributory plan. Effective January 1, 2011, Tier 5 was closed and Tier 2 was re-opened for all new hires for Stanislaus County with the reduced benefit formulas of 2% at age 61 for most general members and 2% at 50 for safety members. Tier 2 was closed and Tier 6 was adopted effective January 1, 2013 for all new hires and provides 2% at 62 for general members and 2.7% at age 57 for safety members.
- In April of 2018 and 2017, a 3.0% cost of living increase was given to all retired, disabled, and beneficiary members receiving a recurring allowance except those retirees who received pensions for service as a Tier 3 non-contributory member.

Using the Annual Report

The financial statements reflect the activities of the Stanislaus County Employees' Retirement Association and are composed of the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. These statements are presented on an accrual basis of accounting and reflect all trust activities as incurred.

Overview of the Basic Financial Statements

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

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

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

Financial Analysis

Statements of Fiduciary Net Position

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

Fiduciary Net Position, as of
June 30, 2018, 2017, and 2016

	2018	2017	2016	\$ Change 2018 - 2017	\$ Change 2017 - 2016
Current Assets	\$ 238,347,078	\$ 166,714,182	\$ 114,518,914	\$ 71,632,896	\$ 52,195,268
Investments	2,012,777,600	2,062,347,484	1,932,507,165	(49,569,884)	129,840,319
Capital Assets	5,326,791	3,910,685	3,358,623	1,416,106	552,062
Total Assets	2,256,451,469	2,232,972,351	2,050,384,702	23,479,118	182,587,649
Total Liabilities	129,490,724	238,749,040	277,470,989	(109,258,316)	(38,721,949)
<i>Total Fiduciary Net Position Restricted for Pension Benefits</i>	<u>\$2,126,960,745</u>	<u>\$1,994,223,311</u>	<u>\$ 1,772,913,713</u>	<u>\$ 132,737,434</u>	<u>\$ 221,309,598</u>

Financial Analysis (continued)

Statements of Changes in Fiduciary Net Position

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

Additions To Fiduciary Net Position
For The Fiscal Years Ended
June 30, 2018, 2017, and 2016

	2018	2017	2016	\$ Change 2018 - 2017	\$ Change 2017 - 2016
Employer Contributions	\$ 76,966,471	\$ 63,024,560	\$ 58,196,310	\$ 13,941,911	\$ 4,828,250
Plan Member Contributions	26,746,289	25,463,745	23,916,508	1,282,544	1,547,237
Net Investment Income (Loss)	154,988,199	252,309,705	(31,322,276)	(97,321,506)	283,631,981
<i>Total Additions</i>	<u>\$ 258,700,959</u>	<u>\$ 340,798,010</u>	<u>\$ 50,790,542</u>	<u>\$ (82,097,051)</u>	<u>\$ 290,007,468</u>

Deductions From Fiduciary Net Position
For The Fiscal Years Ended
June 30, 2018, 2017, and 2016

Benefit Payments	\$ 120,978,337	\$ 114,094,308	\$ 106,928,097	\$ 6,884,029	\$ 7,166,211
Member Refunds - Termination	1,905,488	2,297,328	1,219,042	(391,840)	1,078,286
Member Refunds/Payouts - Death	288,291	452,222	18,671	(163,931)	433,551
Administrative Expenses	2,791,409	2,644,554	2,315,223	146,855	329,331
<i>Total Deductions</i>	<u>\$ 125,963,525</u>	<u>\$ 119,488,412</u>	<u>\$ 110,481,033</u>	<u>\$ 6,475,113</u>	<u>\$ 9,007,379</u>

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

	\$ 132,737,434	\$ 221,309,598	\$ (59,690,491)	\$ (88,572,164)	\$ 281,000,089
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Fiduciary Net Position Restricted
for Pension Benefits

Beginning of Year	1,994,223,311	1,772,913,713	1,832,604,204	221,309,598	(59,690,491)
End of Year	<u>\$2,126,960,745</u>	<u>\$1,994,223,311</u>	<u>\$1,772,913,713</u>	<u>\$ 132,737,434</u>	<u>\$ 221,309,598</u>

Additions to Fiduciary Net Position

A review of the Statement of Fiduciary Net Position shows that June 30, 2018 closed with assets exceeding liabilities by \$2.127 billion with all of the Fiduciary Net Position restricted for StanCERA's ongoing obligations to plan participants and their beneficiaries. The fiscal year ended June 30, 2017, closed with assets exceeding liabilities by \$1.994 billion. The \$132.7 million increase and \$221.3 million increase, respectively, in Fiduciary Net Position is a direct result of the changes in the financial market over the past two years. StanCERA remains in good financial condition.

Financial Analysis (continued)

Additions to Fiduciary Net Position (continued)

The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. The total for these income sources for fiscal year 2017-2018 resulted in a decrease of \$82.1 million, where fiscal year 2016-2017 resulted in an increase of \$290.0 million. This decrease and increase is primarily a result of the activity in the broad market, as discussed in the Investment Analysis below. Employer and member contributions increased by \$15.2 million (or 17.2%) from the contributions made in 2016-2017. Employer contribution increases in 2018 and 2017 are due mainly to a three-year phase in of the impact of changes to the economic and demographic assumptions first adopted for the June 30, 2015 actuarial valuation.

Deductions from Fiduciary Net Position

The primary uses of StanCERA's assets are the payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. These expenses for fiscal year 2017-2018 were \$126.0 million, an increase of \$6.5 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 as well as acquiring a new pension system. For fiscal year 2016-2017, these expenses were \$119.5 million, an increase of \$9.0 million from the prior year due to the increase in the number of retirees and the average amount they are paid. For fiscal year 2017-2018, administrative expense increased by 5.6% over fiscal year 2016-2017. Total administrative expense represented 0.1000% of the accrued actuarial liability (funding basis) for fiscal year 2017-2018 and 0.0960% for fiscal year 2016-2017.

Overall Financial Condition

Investment Analysis

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

Domestic equity returns for the fiscal year ended June 30, 2018 underperformed their benchmark by 110 basis points and international equity underperformed the benchmark by 160 basis points. Domestic equity returns for the fiscal year ended June 30, 2017 outperformed their benchmark by 210 basis points and international equity outperformed the benchmark by 220 basis points.

StanCERA's fixed income returns outperformed their benchmark by 60 basis points for the fiscal year ended June 30, 2018. For the fiscal year ended June 30, 2017, the Plan's fixed income returns outperformed their benchmark by 310 basis points.

For the fiscal year ended June 30, 2018, StanCERA's total portfolio outperformed its policy benchmark by 60 basis points with an overall return of 8.1%. For the fiscal year ended June 30, 2017, the portfolio outperformed its policy benchmark by 290 basis points with an overall return of 14.4%. Management believes the Plan remains in a very strong financial position to meet its obligations to the Plan participants and beneficiaries.

Overall Financial Condition (continued)

Net Pension Liability

The primary concern to most pension plan participants is the amount of resources available to pay benefits. Historically, pension plans have been under-funded when the employer fails to make actuarially determined contributions. All StanCERA employers have traditionally contributed the actuarially determined contribution as determined by the Plan's actuary.

An indicator of funding status is the ratio of the Fiduciary Net Position to the Total Pension Liability (TPL). An increase in the percentage over time usually indicates a plan is becoming financially stronger; however, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the Net Pension Liability (NPL). Performance in the stock and bond markets can have a material impact on the fair value of assets and Fiduciary Net Position.

The Net Pension Liability (NPL) as of June 30, 2017, rolled forward to StanCERA's fiscal year ended June 30, 2018, was \$645.7 million using the entry age normal cost method. The Board of Retirement approves the assumptions used by the actuary to perform their calculation. As of the most recent actuarial valuation dated June 30, 2017, rolled forward to June 30, 2018, StanCERA's Fiduciary Net Position was 76.7% of the total pension liability. The next actuarial valuation is scheduled for June 30, 2018 to be rolled forward to fiscal year ended June 30, 2019.

StanCERA's Fiduciary Responsibilities

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

Requests for Information

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

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

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF FIDUCIARY NET POSITION
As of June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ASSETS		
Cash and Cash Equivalents (Note 4):	\$ 195,650,852	\$ 92,153,518
Receivables:		
Interest and Dividends	5,372,554	6,443,406
Securities Transactions	31,398,072	62,995,717
Contributions (Note 3)	5,897,011	5,039,247
Total Receivables	<u>42,667,637</u>	<u>74,478,370</u>
Prepaid Insurance	28,589	82,294
Capital Assets (Note 2):	5,326,791	3,910,685
Investments at Fair Value (Note 4):		
U.S. Government and Agency Obligations	67,691,981	285,753,443
Corporate Bonds	163,597,930	96,612,255
Municipal Bonds	-	11,528,044
Emerging Market / Non-US Bonds	104,365,150	66,887,109
Domestic Equity	187,088,783	534,781,978
Domestic Equity Index Fund	355,389,874	316,534,021
International Equity	432,304,594	408,187,210
Real Estate Securities	128,978,153	35,190,426
Private Credit	94,881,719	92,820,985
Private Real Estate	79,771,614	53,535,171
Infrastructure	30,177,146	19,932,549
Risk Parity	283,242,444	-
Securities Lending Collateral	85,288,212	140,584,293
Total Investments	<u>2,012,777,600</u>	<u>2,062,347,484</u>
Total Assets	<u>2,256,451,469</u>	<u>2,232,972,351</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	12,052,811	11,953,339
Securities Transactions	31,754,701	85,803,403
Deferred Rents	-	13,005
Securities Lending Obligation (Note 4)	85,288,212	140,584,293
Total Current Liabilities	<u>129,095,724</u>	<u>238,354,040</u>
Long-Term Liabilities:		
Grant Deed Extension Fee	<u>395,000</u>	<u>395,000</u>
Total Liabilities	<u>129,490,724</u>	<u>238,749,040</u>
Fiduciary Net Position Restricted For Pension Benefits (Note 6)	<u>\$ 2,126,960,745</u>	<u>\$ 1,994,223,311</u>

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Years Ended June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
ADDITIONS		
Contributions (Note 5):		
Employer	\$ 76,966,471	\$ 63,024,560
Plan Members	26,746,289	25,463,745
Total Contributions	<u>103,712,760</u>	<u>88,488,305</u>
Investment Income:		
Net Appreciation in Fair Value of Investments	124,664,847	216,142,516
Interest and Dividends	40,576,311	45,117,367
Total Investment Gain	165,241,158	261,259,883
Net Income from Commission Recapture	15,091	20,827
Less: Investment Expense (Note 4)	<u>(11,120,770)</u>	<u>(9,985,798)</u>
Net Investment Income	<u>154,135,479</u>	<u>251,294,912</u>
Other Investment Income:		
Net Litigation Recovery Income	11,552	5,200
Rental Income	102,595	130,371
Other Investment Income	189,290	24,125
Net Other Investment Income	<u>303,437</u>	<u>159,696</u>
Securities Lending Activities (Note 4):		
Securities Lending Income	784,420	1,221,133
Less: Securities Lending Expense	<u>(235,137)</u>	<u>(366,036)</u>
Net Securities Lending Income	549,283	855,097
Total Investment Income	<u>154,988,199</u>	<u>252,309,705</u>
Total Additions	<u>258,700,959</u>	<u>340,798,010</u>
DEDUCTIONS		
Benefit Payments and Subsidies	120,978,337	114,094,308
Member Refunds - Termination	1,905,488	2,297,328
Member Refunds - Death	288,291	452,222
Administrative Expenses (Note 2)	2,791,409	2,644,554
Total Deductions	<u>125,963,525</u>	<u>119,488,412</u>
Net Increase	132,737,434	221,309,598
Fiduciary Net Position Restricted for Pension Benefits (Note 6)		
Beginning of Year	1,994,223,311	1,772,913,713
End of Year	<u>\$ 2,126,960,745</u>	<u>\$ 1,994,223,311</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1 - DESCRIPTION OF PLAN

Description of System and Applicable Provisions of the Law

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

Membership

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

	June 30, 2018			June 30, 2017		
	General	Safety	Total	General	Safety	Total
Active Members:						
Vested & Non-vested	3,658	794	4,452	3,551	758	4,309
Total Active	3,658	794	4,452	3,551	758	4,309
Inactive Members:						
Deferred Members	780	207	987	773	204	977
Unclaimed Contributions	393	65	458	343	47	390
Total Inactive	1,173	272	1,445	1,116	251	1,367
Retired Members:						
Service Retirements	2,908	451	3,359	2,819	426	3,245
Disability Retirements	218	164	382	224	161	385
Survivor Payments	45	10	55	43	10	53
Total Retired	3,171	625	3,796	3,086	597	3,683
Total Membership	8,002	1,691	9,693	7,753	1,606	9,359

Active

StanCERA has Tiers 1, 2, 3, 4, 5 and 6 for General Members and Tiers 2, 4, 5 and 6 for Safety Members. All tiers are closed with the exception of Tier 6 for both General and Safety Members. Members of the Plan receive a 100% vested interest in the Plan after 5 years of service, except Tier 3 which requires 10 years of service.

NOTE 1 – DESCRIPTION OF PLAN (continued)

Benefits

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

Service Retirement Benefit

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

Percentage of FAS:

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

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

Retiring members may choose from 4 different beneficiary retirement allowances. Most retirees elect to receive an unmodified allowance, which includes a continuation of 60% of the allowance to the retirees' surviving spouse or registered domestic partner.

Death Benefit-Before Retirement

Employed Less Than 5 Years

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to 1 month of salary for each completed year of service under the retirement system, based on the final year's average salary, not to exceed 6 months of salary (except Tier 3 members).

NOTE 1 – DESCRIPTION OF PLAN (continued)

Death Benefit-Before Retirement (continued)

Employed More than 5 Years

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

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

Death Benefit-After Retirement

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

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

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

Disability Benefit

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

Cost-of-Living Benefit

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

Ad-Hoc Benefits

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

NOTE 1 – DESCRIPTION OF PLAN (continued)

Ad-Hoc Benefits (continued)

No ad-hoc benefits are currently being paid (effective since January 1, 2010). Changes in the excess earnings policy, approved by the Board of Retirement (Board) on May 25, 2012, placed additional restrictions on the Board of Retirement's ability to grant these benefits. The greatest restriction currently is the Plan must be 100% funded on a market basis prior to funding any ad-hoc benefit.

Contribution Rates

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

StanCERA's policy for contributions states that actuarially determined rates expressed as a percentage of annual covered payroll are required to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. For funding purposes, StanCERA also uses the level entry age normal cost method with the Unfunded Actuarial Accrued Liability (UAAL) to amortize the unfunded liability. StanCERA's actuarially determined composite employer contribution rates for the years ended June 30, 2018 and June 30, 2017 were 29.01% and 24.99%, respectively, of annual payroll. Employee contribution rates are based on age of entry for Tiers 1, 2, 4 and 5 and range between 3.26% and 18.91% for the fiscal years ended June 30, 2018 and June 30, 2017. Tier 6 employer rates are based on 50% of the total normal cost. Tier 6 employee contribution rates are not based on age of entry and are a flat rate ranging between 8.06% and 14.29%, for fiscal year ended June 30, 2018 and June 30, 2017.

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 Stanislaus County (the County) and is being reported as a Pension Trust Fund in the County's Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*.

Basis of Accounting

StanCERA follows GASB accounting principles and reporting guidelines. The financial statements are prepared on a full accrual basis of accounting, which recognizes income when earned and expenses when incurred. Contributions from employers and members are recognized when received or when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Investments

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

Investments are stated at fair value in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Values for stocks, publicly traded bonds, issues of the U.S. Government and its agencies, and real estate securities are valued according to sale prices of recognized exchanges as of the fiscal year end, with international securities reflecting currency exchange rates in effect at June 30, 2018 and 2017. Both domestic and international investments are denominated in U.S. currency. Private Credit Partnerships, Private Real Estate and Infrastructure investments are valued using their respective Net Asset Value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the partnerships on a quarterly basis and the assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

Securities Transactions and Related Investment Income

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

Capital Assets

Capital assets, consisting of software development, the purchase of a condominium interest in 1 floor of an office building, and office equipment are presented at historical cost. StanCERA occupies 60% of the 6th floor of the office building, and 40% has been developed as office space which is currently leased out. Total cost of the capital assets as of June 30, 2018, and June 30, 2017 was \$7,094,384 and \$5,605,313, respectively, with accumulated depreciation of \$1,767,593, and \$1,694,628, respectively. Out of the total amount \$2,401,150 and \$932,383, respectively, were not being depreciated due to the assets not being placed in service as of June 30, 2018. Depreciation expense for the fiscal years ending June 30, 2018 and June 30, 2017 totaled \$72,965 and \$72,837, respectively. Depreciation is calculated using the straight-line method with an estimated life of 10 years for the software development, an estimated life of 99 years for the office space, an estimated life of 10 years for the leasehold improvements, and an estimated life of 5 years for office equipment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

	Net Balance at June 30, 2017	Reclassifications & Additions	Reclassifications & Deletions	Less Depreciation	Net Balance at June 30, 2018
Capital Assets, not being depreciated					
Tenant Improvements	\$ 390,438	\$ -	\$ -	\$ -	\$ 390,438
Pension Administration System	541,945	1,468,767	-	-	2,010,712
Total Capital Assets, not being depreciated	932,383	1,468,767	-	-	2,401,150
Capital Assets, being depreciated					
Tyler Software	64,686	-	-	32,342	32,344
Real Estate Occupied	1,669,945	-	-	18,977	1,650,968
Real Estate Leased	1,113,517	-	-	12,654	1,100,863
Leasehold Improvements	122,193	14,750	-	5,703	131,240
Office Equipment	3,833	-	-	1,022	2,811
Audio Recording System	-	-	-	-	-
Security & Monitoring Equipment	385	-	-	385	-
Video Conferencing Equipment	3,743	-	-	864	2,879
Microfiche Scanner	-	5,554	-	1,018	4,536
Total Capital Assets, being depreciated	2,978,302	20,304	-	72,965	2,925,641
TOTAL	\$ 3,910,685	\$ 1,489,071	\$ -	\$ 72,965	\$ 5,326,791

	Net Balance at June 30, 2016	Reclassifications & Additions	Reclassifications & Deletions	Less Depreciation	Net Balance at June 30, 2017
Capital Assets, not being depreciated					
Tenant Improvements	\$ 390,438	\$ -	\$ -	\$ -	\$ 390,438
Pension Administration System	-	541,945	-	-	541,945
Total Capital Assets, not being depreciated	390,438	541,945	-	-	932,383
Capital Assets, being depreciated					
Tyler Software	97,028	-	-	32,342	64,686
Real Estate Occupied	1,688,922	-	-	18,977	1,669,945
Real Estate Leased	1,126,171	-	-	12,654	1,113,517
Leasehold Improvements	49,261	78,635	-	5,703	122,193
Office Equipment	5,264	-	-	1,431	3,833
Audio Recording System	-	-	-	-	-
Security & Monitoring Equipment	1,539	-	-	1,154	385
Video Conferencing Equipment	-	4,319	-	576	3,743
Total Capital Assets, being depreciated	2,968,185	82,954	-	72,837	2,978,302
TOTAL	\$ 3,358,623	\$ 624,899	\$ -	\$ 72,837	\$ 3,910,685

Administrative Expenses

StanCERA's administrative expense is funded by the investment income and is limited to 0.21% of StanCERA's Actuarial Accrued Liability (AAL) pursuant to Government Code Section 31580.2. The law provides exemption from the limitation for the cost of computer consultation, hardware, and software. Total administrative expenses for the fiscal years ending June 30, 2018 and 2017 were \$2,791,409 and \$2,644,554, respectively, of which \$253,810 and \$349,750 respectively, were not subject to the administrative expense limitation. Administrative expenses subject to the limitation amounted to 0.1000% of AAL for the fiscal year ended June 30, 2018 and 0.0960% for the fiscal year ended June 30, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

StanCERA qualifies as a pension trust under Section 401(a) of the Internal Revenue Code. No provision for income taxes has been made in the accompanying financial 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, contingent assets and liabilities, revenue, and expenses as of the date of the financial statements. Actual results could differ from those estimates.

Reclassifications

Certain fiscal year 2017 amounts have been reclassified to conform with the fiscal year 2018 presentation.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable represents withdrawals from employees' salaries and liabilities due by employers for retirement contributions for the month of June that were received in July. Contributions receivable as of June 30, 2018 and 2017 were \$5,897,011 and \$5,039,247, respectively.

NOTE 4 – CASH AND INVESTMENTS

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

Deposits in Stanislaus County Treasury

Cash needed for StanCERA's daily operational purposes is pooled with other County funds by the County Treasurer for short-term investment purposes. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds. Investments in the County Investment Pool are managed according to the Investment Policy established by the County and are subject to regulatory oversight by the County's Treasury Oversight Committee. Participation in the County Investment Pool is not mandatory.

The fair value of StanCERA's shares in the pooled funds is the same as the value of the County Investment Pool. StanCERA's cash invested with the County Treasurer is reported at amortized cost, which approximates fair value totaling \$10,881,315 and \$12,066,637 at June 30, 2018 and 2017 respectively. Cash and investments included within the County Treasurer's Pool are described in the County's Financial Report.

NOTE 4 – CASH AND INVESTMENTS (continued)

Investments

Investment Policy – StanCERA’s policy in regard to the allocation of invested assets is established and may be amended by the Board. The investments of the Plan are trust funds and are held for the exclusive purpose of providing benefits to the participants in the Plan and their beneficiaries and defraying reasonable expenses of administering the Plan. The investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return.

StanCERA’s Investment Program employs three functional Sub-portfolios to construct the comprehensive asset allocation: the Liquidity Sub-portfolio, the Growth Sub-portfolio and the Diversifying Sub-portfolio. The Liquidity Sub-portfolio will ensure adequate assets are available to pay benefits over an extended timeframe. The Growth Sub-portfolio will grow the invested assets over the long-term in order to pay future benefits. The Diversifying Sub-portfolio is to offset the investment risk of the Growth Sub-portfolio. The allocations to the Liquidity, Growth and Diversifying Sub-portfolios will vary over time and will be reviewed on an annual basis. The adopted asset allocation for the three Sub-portfolios is:

Asset Class	June 30, 2018 Target Allocation	June 30, 2017 Target Allocation
Domestic Equities	24.00%	24.00%
International Equities	24.00%	24.00%
Fixed Income	22.00%	22.00%
Real Estate Securities	7.70%	7.70%
Alternatives:		
Private Credit	5.00%	5.00%
Private Equity	0.00%	0.00%
Private Real Estate	1.70%	1.70%
Infrastructure	0.60%	0.60%
Risk Parity	14.00%	14.00%
Cash	1.00%	1.00%
	<u>100.00%</u>	<u>100.00%</u>

Rate of Return – For the fiscal years ended June 30, 2018 and June 30, 2017, the annual money-weighted rate of return on StanCERA’s investments was 8.1% and 14.40%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 4 – CASH AND INVESTMENTS (continued)

Fair Value Measurement

Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, was adopted by StanCERA during the fiscal year June 30, 2016 and was issued to address accounting and financial reporting issues related to fair value measurement.

StanCERA classifies the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value measurements are classified according to the following hierarchy:

- Level 1 – Unadjusted quoted prices for identical investments in active markets.
- Level 2 – Quoted prices for similar investments in active markets; quoted prices for identical or similar investments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.
- Level 3 – Investments with valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy; in which case, StanCERA defaults to the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, a detailed analysis was performed of the assets and liabilities that are subject to GASB 72.

The following tables present fair value measurements as of June 30, 2018 and June 30, 2017:

Investments Measured at Fair Value				
Investments by Fair Value Level	6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities				
Asset-Backed Securities	\$ -	\$ -	\$ -	\$ -
Collateralized Mortgage Obligations	-	-	-	-
Commercial Mortgage-Backed Securities	-	-	-	-
Corporate and Other Credit	163,597,930	-	163,597,930	-
Government Mortgage-Backed Securities	-	-	-	-
Municipal/Revenue Bonds	-	-	-	-
Emerging Market Non-U.S. Bonds	104,365,150	-	104,365,150	-
U.S. Government Agency	59,741,009	-	59,741,009	-
U.S. Treasury	7,950,972	-	7,950,972	-
Total Fixed Income Securities	335,655,061	-	335,655,061	-
Equity Securities				
Non-U.S. Equity	386,997,697	386,480,576	-	517,121
U.S. Equity	187,088,783	187,088,783	-	-
Commingled Equity Funds	355,389,874	-	355,389,874	-
Emerging Market Equity	45,306,897	-	45,306,897	-
Commingled Real Estate Funds	128,978,153	-	128,978,153	-
Total Equity Securities	1,103,761,404	573,569,359	529,674,924	517,121
Collateral from Securities Lending	85,288,212	-	85,288,212	-
Total Investments by Fair Value Level	\$ 1,524,704,677	\$ 573,569,359	\$ 950,618,197	\$ 517,121
Investments Measured at the Net Asset Value (NAV)				
Private Credit	\$ 94,881,719			
Private Real Estate	79,771,614			
Infrastructure	30,177,146			
Risk Parity	283,242,444			
Total Investments Measured at the NAV	488,072,923			
Total Investments	\$ 2,012,777,600			

NOTE 4 – CASH AND INVESTMENTS (continued)

Fair Value Measurement (continued)

Investments Measured at Fair Value				
Investments by Fair Value Level	6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income Securities				
Asset-Backed Securities	\$ 2,797,008	\$ -	\$ 2,797,008	\$ -
Collateralized Mortgage Obligations	1,087,450	-	1,087,450	-
Commercial Mortgage-Backed Securities	2,239,743	-	2,239,743	-
Corporate and Other Credit	96,612,255	-	96,612,255	-
Government Mortgage-Backed Securities	120,887,939	-	120,887,939	-
Municipal/Revenue Bonds	11,528,044	-	11,528,044	-
Emerging Market Non-U.S. Bonds	66,887,109	-	66,887,109	-
U.S. Government Agency	7,311,898	-	7,311,898	-
U.S. Treasury	151,429,405	-	151,429,405	-
Total Fixed Income Securities	460,780,851	-	460,780,851	-
Equity Securities				
Non-U.S. Equity	363,925,061	362,831,162	-	1,093,899
U.S. Equity	534,781,978	534,781,978	-	-
Commingled Equity Funds	316,534,020	-	316,534,020	-
Emerging Market Equity	44,262,149	-	44,262,149	-
Commingled Real Estate Funds	35,190,427	-	35,190,427	-
Total Equity Securities	1,294,693,635	897,613,140	395,986,596	1,093,899
Collateral from Securities Lending	140,584,293	-	140,584,293	-
Total Investments by Fair Value Level	\$ 1,896,058,779	\$ 897,613,140	\$ 997,351,740	\$ 1,093,899
Investments Measured at the Net Asset Value (NAV)				
Private Credit	\$ 92,820,985			
Private Real Estate	53,535,171			
Infrastructure	19,932,549			
Total Investments Measured at the NAV	166,288,705			
Total Investments	\$ 2,062,347,484			

Fixed Income Securities

Asset-Backed Securities, Mortgage-Backed Securities, and Non-U.S. Bonds are valued using a combination of the discounted cash flow income model and the matrix market model. Two proprietary discounted cash flow models are used: non-volatile tranche and volatile tranche. Prepayment speeds are derived from market participant quotes along with terms and conditions of the tranche and both are entered into the model to determine the evaluated price. Matrices are developed based on trade and quote activity of bonds with similar features including issuer, vintage and purpose of the underlying loan, prepayment speeds and credit ratings in order to identify trades and quotes for similar securities.

Corporate Bonds and Municipal Bonds are valued using the matrix market model. Model inputs are derived from the market, brokers, dealer, mutual funds, and vendor client base. Model inputs include, but are not limited to: spread benchmark curves, prepayment speeds, inputs to build curves/spreads, comparable trades, bid price or spread, discount rates, quotes, trade reports, and financial reports. US Government Agency and US Treasury Bills are valued using the consensus evaluation model and the matrix evaluation model. These model inputs come from market sources and integrate relative credit information, observed market movements, and sector news.

NOTE 4 – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

Prices are updated regularly by obtaining dealer quotes and other market information including live trading levels, when available.

Equity Securities

Equity securities are valued using the NASDAQ Official Closing Price which determines the market specific closing price for NASDAQ listed issues. For equity securities listed on exchanges, the last trade price is used. The last trade price is the price at which a specific security was last traded on the primary exchange. If the NASDAQ Official Closing Price or the last trade price is not available, a bid, ask/offer quote, is obtained from a third-party vendor.

Commingled funds are valued using the net asset value (NAV) which is the market value of all securities owned by the fund, minus its total liabilities, divided by the number of shares issued. Funds that are valued using the NAV are usually not reported within the fair value hierarchy. However, StanCERA's commingled funds are supported by audited financial statements which provide observable market data. Commingled funds are legally or contractually required to redeem at the NAV and therefore are classified as Level 2.

Investments Measured at the Net Asset Value (NAV)

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Private Credit Funds consist of investments in four limited partnerships. The types of partnership strategies included in these funds are venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These funds are not eligible for redemption. Distributions are received as the underlying funds are liquidated, which can occur over the span of three to seven years. Total commitments for these funds are \$160.0 million, of which \$33.6 million is unfunded.

Private Real Estate Funds consist of investments in five limited partnerships. These funds are mainly invested in US commercial real estate. Shares of three of these funds can be redeemed at the request of the shareholders after a lockout period of up to two years. Distributions from each of these funds will be received as the underlying investments are liquidated. Three of these funds are open-ended and the distributions are reinvested. Liquidation of the underlying investments for one fund can occur over time up to eight years. Total commitments for these funds are \$182.0 million, of which \$115.7 million is unfunded.

Infrastructure Funds consist of one investment in a limited partnership. This fund is focused on opportunities in the energy, utilities and transportation sectors, and target investments in infrastructure assets globally within the Organization for Economic Cooperation and Development countries. The funds are not eligible for redemption. Distributions from this fund will be received as the underlying investments are liquidated, which can occur over the span of twelve years. Total commitments for this fund are \$50.0 million, of which \$32.4 million is unfunded.

NOTE 4 – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

Risk Parity Funds are mutual funds that invest in multiple asset classes represented by equity, fixed income, and commodities strategies in order to generate attractive risk-adjusted returns over time. These are open-ended funds and shares can be redeemed at the end of any given month at the request of the shareholder. Distributions for this fund are reinvested into the fund. Total commitments for this fund are \$280.0 million and they are fully funded.

Securities Lending Program

The Board of Retirement permits StanCERA to participate in a securities lending program. StanCERA lends 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 fair value for domestic securities and 105% of fair value for international securities. Collateral received may include cash, letters of credit, or securities. Because the loans were terminable-at-will, their duration did not match the duration of the investments made with cash collateral. Either StanCERA or the borrower can terminate all securities loaned on demand. There are no restrictions on the amount of securities that may be lent.

StanCERA's custodial bank administers its securities lending program. The cash collateral is reported on the financial statements as an asset and as a liability of StanCERA while the non-cash collateral is reported neither as an asset nor a liability in accordance with GASB Statement No. 28. StanCERA does not have the ability to pledge or sell collateral securities delivered absent a borrower default. The contract with the securities 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. The average maturity of the loans is 1 week and are rated at least "A1" or "P1" by 2 nationally recognized statistical rating organizations or, if unrated, be determined by the bank to be of comparable quality. As of June 30, 2018, the fair value of securities on loan was \$83.1 million with collateral received of \$85.3 million and non-cash collateral of \$13.6 million. As of June 30, 2017, the fair value of the securities on loan was \$137.2 million with collateral received of \$140.6 million and non-cash collateral of \$30.9 million.

As of June 30, 2018 and 2017, StanCERA had no credit risk exposure to borrowers because the amount StanCERA owes the borrower exceeds the amount the borrower owes StanCERA. StanCERA's pro-rata share of net income derived from the securities lending transactions during fiscal years 2018 and 2017 was \$549,283 and \$855,097, respectively. These are separate investments made on StanCERA's behalf and not StanCERA's share of pooled investments. At June 30, 2018 and 2017 StanCERA had the following securities out on loan:

NOTE 4 – CASH AND INVESTMENTS (continued)

	June 30, 2018		June 30, 2017	
	Fair Value of Securities on Loan	Collateral Received	Fair Value of Securities on Loan	Collateral Received
U.S. Equities	\$ 43,828,737	\$ 45,059,247	\$ 86,015,018	\$ 88,088,566
U.S. Corporate Fixed	24,918,932	25,507,304	16,828,939	17,213,321
U.S. Agencies	2,743,737	2,800,888	5,500,725	5,616,113
U.S. Government Fixed	4,810,639	4,921,920	22,887,861	23,372,341
Non-U.S. Equities	3,843,821	3,978,228	5,979,492	6,293,952
Non-U.S. Government Fixed	1,978,688	2,015,000	-	-
Non-U.S. Agencies	986,816	1,005,625	-	-
Total Securities	83,111,370	85,288,212	137,212,035	140,584,293
Total Non-Cash Collateral	12,821,766	13,567,259	29,757,018	30,859,465
Total	<u>\$ 95,933,136</u>	<u>\$ 98,855,471</u>	<u>\$ 166,969,053</u>	<u>\$ 171,443,758</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in market interest rates. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

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 indices and reset dates. StanCERA's fixed income investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the fixed income investment.

The following table shows the effective duration of StanCERA's fixed income investments by investment type.

	June 30, 2018		June 30, 2017	
	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
<u>Fixed Income Securities</u>				
Corporate Bonds	\$ 163,597,930	2.9	\$ 93,836,929	6.6
U.S. Treasuries	-	0.0	151,429,405	4.2
Commercial Mortgage-Backed Securities	-	0.0	2,239,743	3.9
Government Mortgage-Backed Securities	-	0.0	120,887,939	2.6
Collateralized Mortgage Obligations	-	0.0	1,087,450	0.2
Federal Agency	-	0.0	7,311,898	3.8
Asset-Backed Securities	-	0.0	2,797,008	0.7
Municipal Bonds	-	0.0	11,528,044	6.9
Emerging Market / Non-U.S. Bonds	104,365,150	3.0	66,887,109	5.9
Government Bonds	7,950,972	3.5	-	0.0
Government Agencies	59,741,009	0.1	-	0.0
Total Fixed Income Securities	<u>335,655,061</u>		<u>458,005,525</u>	
<u>No Effective Duration</u>				
Bank Loans	-		98,824	
Other Bonds	-		2,676,502	
Total Fixed Income Securities	<u>\$ 335,655,061</u>		<u>\$ 460,780,851</u>	

NOTE 4 – CASH AND INVESTMENTS (continued)

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. In cases where credit ratings differ among rating agencies, the manager shall use the lowest of the ratings provided. StanCERA's custodial bank provided ratings for Moody's Investor Service (Moody's) and Standard & Poor's (S&P). Should the rating of a fixed income security fall below investment grade, the manager may continue to hold the security if they believe the security will be upgraded in the future, there is a low risk of default, and buyers will continue to be available throughout the anticipated holding period. The manager has the responsibility of notifying the Board whenever an issue falls below investment grade. Investment grade quality is defined as a Standard & Poor's rating of BBB or higher. The notification should include the manager's assessment of the issue's credit rating and its ongoing role in the portfolio. The Stanislaus County Investment Pool and the short-term investment funds held with fiscal agent are unrated.

The following table shows the quality of StanCERA's investments in fixed income securities.

S&P/Moody's Credit Rating	June 30, 2018		June 30, 2017	
	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
Aaa / AAA	9.99%	\$ 33,538,553	0.24%	\$ 1,099,420
Aa1 / AA+	3.39%	11,392,391	1.55%	7,162,393
Aa2 / AA	0.44%	1,475,963	0.37%	1,717,017
Aa3 / AA-	7.33%	24,597,113	1.07%	4,910,983
A1 / A+	13.22%	44,382,479	1.23%	5,690,205
A2 / A	5.77%	19,351,750	0.89%	4,092,236
A3 / A-	9.13%	30,658,890	1.66%	7,630,802
Baa1 / BBB+	12.26%	41,140,602	7.04%	32,458,568
Baa2 / BBB	12.43%	41,716,009	7.08%	32,611,260
Baa3 / BBB-	6.38%	21,431,517	9.51%	43,797,693
Ba1 / BB+	0.00%	-	4.32%	19,894,398
Ba2 / BB	0.00%	-	1.06%	4,906,899
Ba3 / BB-	0.00%	-	0.90%	4,124,392
B1 / B+	0.00%	-	1.00%	4,599,110
B2 / B	0.00%	-	0.29%	1,354,560
B3 / B-	0.00%	-	0.12%	537,581
Caa2/CCC	0.00%	-	1.10%	5,081,346
N/R	17.29%	58,018,822	27.11%	124,934,789
N/A	2.37%	7,950,972	33.46%	154,177,199
Total	100.00%	\$ 335,655,061	100.00%	\$ 460,780,851

N/R represents securities that are not rated.

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

NOTE 4 – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss due to a large concentration of investments in any one issuer. Investments issued or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from the disclosure requirements. As of June 30, 2018 and 2017, for separately managed investment accounts, StanCERA did not have investments in any one issuer representing 5% or more of the total portfolio.

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 fair 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 fiscal 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.

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

NOTE 4 – CASH AND INVESTMENTS (continued)

Foreign Currency Risk (continued)

StanCERA's exposure to foreign currency risk in U.S. dollars is as follows:

Currency	June 30, 2018	June 30, 2017
	Fair Value (in U.S. \$)	Fair Value (in U.S. \$)
Australian Dollar	\$ 22,572,293	\$ 22,305,405
Brazilian Real	1,129,731	1,095,326
British Pound	57,527,396	46,612,396
Canadian Dollar	27,534,006	26,000,999
Chilean Peso	1,524,385	845,878
Danish Krone	4,147,832	4,851,802
Euro Dollars	103,808,118	103,052,094
Hong Kong Dollar	28,646,018	23,103,895
Hungarian Forint	1,004,927	1,244,746
Indonesian Rupiah	1,256,863	1,105,930
Japanese Yen	72,637,597	68,986,121
Malaysian Renggit	1,041,961	947,026
New Israeli Shekel	538,455	750,661
New Taiwan Dollar	8,110,790	8,387,345
New Zealand Dollar	1,010,451	1,765,526
Norwegian Krone	4,896,867	3,380,274
Singapore Dollar	3,067,923	3,171,522
South African Rand	2,317,508	1,782,798
South Korean Won	9,721,857	10,198,702
Swedish Krona	5,372,742	4,353,319
Swiss Franc	20,970,083	23,278,290
Thailand Baht	1,208,436	1,588,645
Turkish Lira	1,652,052	1,160,637
U.S. Dollar	50,606,303	48,217,873
TOTAL	<u>\$ 432,304,594</u>	<u>\$ 408,187,210</u>

NOTE 4 – CASH AND INVESTMENTS (continued)

Commitments to Private Credit

At June 30, 2018 and June 30, 2017, StanCERA's total capital commitments to private credit partnerships was \$160,000,000 for both fiscal years. Of this amount, \$33,618,205 and \$41,520,071, respectively, remained unfunded and is not recorded on StanCERA's Statements of Fiduciary Net Position.

Commitments to Private Real Estate

At June 30, 2018 and June 30, 2017, StanCERA's total capital commitments to private real estate partnerships was \$182,000,000 and \$60,000,000, respectively. Of this amount, \$115,712,327 and \$16,636,887, respectively, was unfunded and is not recorded in StanCERA's Statement of Fiduciary Net Position.

Commitments to Infrastructure

At June 30, 2018 and June 30, 2017, StanCERA's total capital commitments to infrastructure was \$50,000,000 for both fiscal years. Of this amount, \$32,347,520 and \$36,723,557, respectively, was unfunded and is not recorded in StanCERA's Statement of Fiduciary Net Position.

Commitments to Risk Parity

At June 30, 2018 and June 30, 2017, StanCERA's total commitments to risk parity was \$280,000,000 and \$0, respectively. Of this amount it is 100% funded and 0, respectively.

Investment Expense

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

Investment Expense

	June 30, 2018	June 30, 2017
Investment Managers	\$ 8,904,759	\$ 7,939,132
Investment Consultants	291,039	282,572
Custodial Fees	243,531	428,916
Investment Attorney	74,163	13,723
Other Investment Costs	1,515,476	1,171,152
Total Other Investment Expenses	\$ 11,028,968	\$ 9,835,495
Actuarial Fees	91,802	150,303
Total Investment Expenses	\$ 11,120,770	\$ 9,985,798

NOTE 5 - CONTRIBUTIONS

Contribution Rates

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

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

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

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

Employer contributions as a percentage of covered payroll and member contributions for fiscal year ended June 30, 2018, are shown in the following table:

Employer	Employer Contributions	Member Contributions	Employer Contributions as a % of Covered Payroll
Stanislaus County	\$ 68,667,117	\$ 23,954,827	25.6212%
City of Ceres	4,265,800	1,347,708	1.5917%
Stanislaus Superior Court	3,305,021	1,185,394	1.2332%
Stanislaus Council of Governments	227,154	93,687	0.0848%
East Side Mosquito Abatement District	187,708	89,148	0.0700%
Salida Sanitary District	182,609	32,659	0.0681%
Keyes Community Services District	78,515	25,516	0.0293%
Hills Ferry Cemetery District	52,547	17,350	0.0196%
	<u>\$ 76,966,471</u>	<u>\$ 26,746,289</u>	<u>28.7179%</u>
Covered Payroll	\$ 268,009,042		

NOTE 5 – CONTRIBUTIONS (continued)

Contributions Rates (continued)

Employer contributions as a percentage of covered payroll and member contributions for fiscal year ended June 30, 2017, are shown in the following table:

Employer	Employer Contributions	Member Contributions	Employer Contributions as a % of Covered Payroll
Stanislaus County	\$ 55,715,221	\$ 22,584,452	21.7939%
City of Ceres	3,831,916	1,397,426	1.4989%
Stanislaus Superior Court	2,857,220	1,211,449	1.1176%
Stanislaus Council of Governments	195,591	93,954	0.0765%
East Side Mosquito Abatement District	174,683	105,068	0.0683%
Salida Sanitary District	146,199	30,827	0.0572%
Keyes Community Services District	61,826	24,085	0.0242%
Hills Ferry Cemetery District	41,904	16,484	0.0164%
	<u>\$ 63,024,560</u>	<u>\$ 25,463,745</u>	<u>24.6530%</u>
Covered Payroll	\$ 255,646,515		

NOTE 6 – RESERVES

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

Active Members' Reserve

This reserve represents the cumulative contributions made by active members (employees), after deducting refunds to the members, plus the investment earnings credited to the reserve at the assumed rate of return determined by the actuary. For fiscal years ended June 30, 2018 and 2017, the actuarial assumed rate of return was 7.25%. Based on Retirement Board policy where the Plan is below 100% funded on a market basis, the percentage allocated to Active Members' Reserve is capped at the actuarial assumed rate of return and will determine the semi-annual percent of interest to be posted to individual member account balances in the subsequent fiscal year.

Employer Reserves

These reserves represent the cumulative contributions made by the County and other employers. Interest earnings are credited to these reserves based on StanCERA's excess earnings policy.

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

NOTE 6 – RESERVES (continued)

Retired Members' Pension Reserve

These reserves are established to account for the unpaid retirees' pension benefits. Upon the retirement of an employee, member contributions plus the interest earnings credited to the member's account are transferred from the Active Members' Reserve account to the Retired Members' Annuity and Cost-of-Living Reserve accounts.

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

Retiree Burial Allowance Reserve

The burial allowance reserve is a benefit the Board of Retirement offers which pays the family member of a deceased retiree a lump sum death benefit. This benefit is available for all retirees whose last work in a 1937 Act Retirement System or California Public Employees Retirement System (PERS) was with StanCERA. Interest earnings are credited to this reserve based on StanCERA's excess earnings policy.

Contingency Reserve

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

Undistributed Earnings/(Losses)

This "designation" account was established on June 30, 2003. It was used to minimize the impact of actuarial smoothing of assets and contains an accumulation of earnings or losses, which have not been distributed to any other reserve. This reserve has undistributed earnings or losses of \$0 and \$0 as of June 30, 2018 and 2017.

Other Reserves

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

NOTE 6 – RESERVES (continued)

Reserve Account Balances are as follows:

	June 30, 2018	June 30, 2017
Active Members' Reserve	\$ 535,714,800	\$ 475,779,191
Employer Advance Reserve	279,928,797	262,053,928
Employer Transfer from Non-Valuation Reserve	162,513,672	152,899,953
Retired Members' Pension Reserve	1,120,383,999	1,076,561,103
Retiree Burial Allowance Reserve	6,535,408	6,553,797
Contingency Reserve	19,760,251	18,171,020
Undistributed Losses	-	-
Other Reserves		
Legal Contingency Reserve	2,122,258	2,202,759
Tier 3 Disability Reserve	1,560	1,560
Total Reserves	<u>\$ 2,126,960,745</u>	<u>\$ 1,994,223,311</u>

NOTE 7 – LITIGATION

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

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2015. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2018, and the Total Pension Liability as of the valuation date, June 30, 2017, using update procedures to roll forward to StanCERA's fiscal year end of June 30, 2018. There were no significant events between the valuation date and the measurement date, so the roll forward procedures only included the addition of service cost offset by actual benefit payments.

The components of the Net Pension Liability of StanCERA at June 30, 2018 and June 30, 2017 were as follows:

	June 30, 2018	June 30, 2017
Total Pension Liability	\$ 2,772,667,458	\$ 2,659,510,907
Plan Fiduciary Net Position	<u>\$ (2,126,960,745)</u>	<u>\$ (1,994,223,311)</u>
Net Pension Liability	<u>\$ 645,706,713</u>	<u>\$ 665,287,596</u>
Fiduciary Net Position as a percentage of the Total Pension Liability	76.7%	75.0%

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

Actuarial Assumptions (continued)

The Total Pension Liability was determined based on the June 30, 2017 actuarial valuations rolled forward to June 30, 2018 and June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

ACTUARIAL VALUATION ASSUMPTIONS		
Valuation Date	June 30, 2018	June 30, 2017
Investment Rate of Return	7.25%, net of investment expense	7.25%, net of investment expense
Projected Salary Increases	3.25%, plus service-based rates	3.25%, plus service-based rates
Attributed to Inflation	3.00%	3.00%
Cost-of-Living Adjustments	100% of Consumer Price Index (CPI) up to 3.0% annually with banking, 2.7% annual increases assumed	100% of Consumer Price Index (CPI) up to 3.0% annually with banking, 2.7% annual increases assumed

Post-retirement mortality rates for active Members are specified by the California Public Employees Retirement System (CalPERS) Pre-Retirement Non-Industrial Mortality table adjusted by 100.3% for males and 98.8% for females with generational mortality improvements projected from 2009 using Scale MP-2015. Duty related mortality rates are only applicable for Safety Active Members and are based on the CalPERS Pre-Retirement Industrial Death table without adjustment or projection.

Rates of mortality for retired Members and their beneficiaries are specified by the CalPERS Healthy Annuitant table adjusted by 93.4% for males and 108.9% for females with generational mortality improvements projected from 2009 using Scale MP-2015.

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

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

Actuarial Assumptions (continued)

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 and June 30, 2017 are summarized in the following table:

Asset Class	2018	2017
	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return
Domestic Equities		
U.S. Large Cap	4.50%	4.70%
U.S. Small Cap	4.40%	4.80%
International Equities		
Int'l Development	8.60%	9.70%
Emerging Market Equity	7.30%	8.60%
U.S. Fixed Income		
Core fixed income	0.00%	3.30%
U.S. Treasury	2.40%	2.40%
Short-term Gov/Credit	2.50%	2.60%
Real Estate		
Core	6.00%	4.60%
Value-add	8.00%	6.60%
Risk Parity	7.20%	7.20%
Private Equity	6.40%	7.80%
Private Credit	6.90%	6.50%
Infrastructure	7.10%	4.60%
Cash	2.20%	2.20%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2018 and June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The following presents the net pension liability of StanCERA calculated using the discount rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate for fiscal years ending June 30, 2018 and 2017:

Sensitivity of Net Pension Liability to Changes in Discount Rate				
		1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
June 30, 2018	Net Pension Liability	\$ 1,036,523,014	\$ 645,706,713	\$ 327,139,828
	Fiduciary Net Postion as a Percentage of Total Pension Liability	67.2%	76.7%	86.7%
		1% Decrease 6.25%	Prior Discount Rate 7.25%	1% Increase 8.25%
June 30, 2017	Net Pension Liability	\$ 1,044,102,015	\$ 665,287,596	\$ 356,774,544
	Fiduciary Net Postion as a Percentage of Total Pension Liability	65.6%	75.0%	84.8%

NOTE 9 – SUBSEQUENT EVENTS

StanCERA has evaluated events through November 05, 2018, which is the date the financial statements were issued. No subsequent events took place after June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	6/30/2014 ⁽¹⁾
Total Pension Liability					
Service cost	\$ 58,007,036	\$ 57,465,280	\$ 55,351,509	\$ 48,242,363	\$ 46,209,346
Interest (includes interest on service cost)	190,493,637	179,875,553	171,938,615	154,850,353	147,384,248
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(12,172,006)	28,801,984	(6,424,597)	2,148,638	-
Changes of assumptions (4)	-	-	269,752,272	-	-
Benefit payments, including refunds of member contributions	(123,172,116)	(116,843,858)	(108,165,810)	(101,858,156)	(94,782,471)
Net change in total pension liability	113,156,551	149,298,959	382,451,989	103,383,198	98,811,123
Total pension liability - beginning	2,659,510,907	2,510,211,948	2,127,759,959	2,024,376,761	1,925,565,638
Total pension liability - ending	\$ 2,772,667,458	\$ 2,659,510,907	\$ 2,510,211,948	\$ 2,127,759,959	\$ 2,024,376,761
Fiduciary Net Position					
Contributions - employer	\$ 76,966,471	\$ 63,024,560	\$ 58,196,310	\$ 53,849,031	\$ 46,763,996
Contributions - member ⁽²⁾	26,746,289	25,463,745	23,916,508	22,960,235	21,867,911
Total investment income (loss)	154,988,199	252,309,705	(31,322,276)	68,722,781	274,896,108
Benefit payments, including refunds of member contributions	(123,172,116)	(116,843,858)	(108,165,810)	(101,858,156)	(94,782,471)
Administrative expense	(2,791,409)	(2,644,554)	(2,315,223)	(2,378,966)	(2,249,260)
Net change in fiduciary net position	132,737,434	221,309,598	(59,690,491)	41,294,925	246,496,284
Fiduciary net position - beginning	1,994,223,311	1,772,913,713	1,832,604,204	1,791,309,279	1,544,812,995
Fiduciary net position - ending	\$ 2,126,960,745	\$ 1,994,223,311	\$ 1,772,913,713	\$ 1,832,604,204	\$ 1,791,309,279
Net pension liability - ending	\$ 645,706,713	\$ 665,287,596	\$ 737,298,235	\$ 295,155,755	\$ 233,067,482
Fiduciary net position as a percentage of the total pension liability	76.7%	75.0%	70.6%	86.1%	88.5%
Covered payroll ⁽³⁾	\$ 268,009,042	\$ 255,646,515	\$ 245,751,576	\$ 237,263,160	\$ 221,863,110
Net pension liability as a percentage of covered payroll	240.9%	260.2%	300.0%	124.4%	105.1%

(1) Trend Information: Schedule will ultimately show information for ten years. Additional years will be displayed as they become available.

(2) In accordance with GASB Statement No. 82, employer-paid member contributions are classified as Member Contributions.

(3) In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based.

(4) In 2016, amounts reported as changes of assumptions resulted primarily from changes to the assumed earnings rate from 7.75% to 7.25% and from adjustments to assumed life expectancies as a result of adopting mortality tables with generational improvements.

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Schedule of Employer Contributions

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

	2018	2017	2016	2015	2014
Actuarially Determined Contributions	\$ 76,966	\$ 63,025	\$ 58,196	\$ 53,849	\$ 46,764
Contributions in Relation to the					
Actuarially Determined Contributions	76,966	63,025	58,196	53,849	46,764
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ⁽¹⁾	\$ 268,009	\$ 255,647	\$ 245,752	\$ 237,263	\$ 221,863
Contributions as a Percentage of					
Covered Payroll	28.72%	24.65%	23.68%	22.70%	21.08%
	2013	2012	2011	2010	2009
Actuarially Determined Contributions	\$ 39,077	\$ 41,614	\$ 47,657	\$ 31,814	\$ 23,411
Contributions in Relation to the					
Actuarially Determined Contributions	39,077	41,614	47,657	31,814	23,411
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ⁽¹⁾	\$ 217,491	\$ 215,057	\$ 221,541	\$ 231,538	\$ 248,316
Contributions as a Percentage of					
Covered Payroll	17.97%	19.35%	21.51%	13.74%	9.43%

(1) In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based.

Schedule of Investment Returns

Last 10 Fiscal Years for Fiscal Years ending June 30

	2018	2017	2016	2015	2014
Annual money- weighted rate of					
return, net of investment expense	8.10%	14.40%	-1.70%	4.20%	18.20%
	2013	2012	2011	2010	2009
Annual money- weighted rate of					
return, net of investment expense	14.50%	0.70%	22.90%	15.90%	-16.40%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms

There were no changes of benefit terms for fiscal year ended June 30, 2018.

Changes of assumptions

There were no changes in assumptions approved by the Board of Retirement for fiscal year ended June 30, 2018.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution amounts in the schedule of employer contributions are calculated as of June 30, 2016, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	Closed period - 20 Years
Asset Valuation Method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market

Actuarial Assumptions

Investment Rate of Return	7.25%, net of investment expenses
Projected Salary Increases	3.25%, plus service-based rates
Attributed to Inflation	3.00%
Cost-of-Living Adjustments	100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed
Mortality	<p>Rates of ordinary death for active Members are specified by the CalPERS Pre-Retirement Non-Industrial Mortality table, adjusted by 100.3% for males and 98.8% for females, with generational mortality improvements projected from 2009 using Scale MP-2015. Duty related mortality rates are only applicable for Safety Active Members, and are based on the CalPERS Pre-Retirement Individual Death table without adjustment or projection.</p> <p>Rates of mortality for healthy retired Members and their beneficiaries are specified by the CalPERS Healthy Annuitant table, adjusted by 93.4% for males and 107.9% for females, with generational mortality improvements projected from 2009 using Scale MP-2015. Separate mortality assumptions are used for disabled retirees.</p>

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2016 actuarial valuation report located on StanCERA's website, www.stancera.org.

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018	2017
Personnel Services:		
Salaries and Employee Benefits	\$ 1,370,711	\$ 1,515,162
Total Personnel Services	<u>1,370,711</u>	<u>1,515,162</u>
Professional Services:		
Computer and Software Services and Support	220,591	229,871
Outside Legal Counsel	604,623	312,792
Disability Hearing Officer/Medical Exams and Reviews	16,000	23,209
External Audit Fees	44,452	45,505
Other Professional Services	6,959	1,775
Total Professional Services	<u>892,625</u>	<u>613,152</u>
Office Expenses:		
Office Supplies	14,333	15,424
Minor Equipment and Computer Supplies	13,248	24,732
Stanislaus County Support Services	134,958	144,908
Contract Services	32,968	35,674
Communications	66,595	54,882
Publications	4,327	2,259
Total Office Expenses	<u>266,429</u>	<u>277,879</u>
Miscellaneous:		
Fiduciary and Staff - Education/Travel	89,627	73,474
Fiduciary and Staff - Meetings/Other Travel	6,800	7,100
Insurance	80,972	77,830
Memberships	11,280	7,120
Depreciation	72,965	72,837
Total Miscellaneous	<u>261,644</u>	<u>238,361</u>
TOTAL ADMINISTRATIVE EXPENSES	<u><u>\$ 2,791,409</u></u>	<u><u>\$ 2,644,554</u></u>

OTHER SUPPLEMENTAL INFORMATION (continued)

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES For the Years Ended June 30, 2018 and 2017

	2018	2017
Investment Management Fees:		
Domestic Equity	\$ 1,708,833	\$ 2,209,023
International Equity	1,569,198	1,664,072
Fixed Income	475,320	819,446
Private Credit	1,972,012	1,945,999
Private Real Estate	1,853,891	494,702
Infrastructure	721,071	703,254
Real Estate Securities & Special Situations	147,006	102,636
Risk Parity	457,428	-
Total Investment Management Fees	<u>8,904,759</u>	<u>7,939,132</u>
Investment Consulting Fees	291,039	282,572
Investment Custodian Fees	243,531	428,916
Investment Legal Fees	74,163	13,723
Other Investment Related Expenses	<u>1,515,476</u>	<u>1,171,152</u>
Total Other Investment Expenses	<u>2,124,209</u>	<u>1,896,363</u>
Actuarial Fees	<u>91,802</u>	<u>150,303</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 11,120,770</u>	<u>\$ 9,985,798</u>

SCHEDULE OF PAYMENTS TO CONSULTANTS For the Years Ended June 30, 2018 and 2017

	2018	2017
Investment Professional Service Fees		
Investment Consultants	\$ 291,039	\$ 282,572
Custodial Fees	243,531	428,916
Investment Attorney	74,163	13,723
Actuarial Fees	91,802	150,303
Total Investment Professional Service Fees	<u>\$ 700,535</u>	<u>\$ 875,514</u>
Administrative Professional Services Fees:		
Computer and Software Services and Support	\$ 220,591	\$ 229,871
Outside Legal Counsel	604,623	312,792
Disability Hearing Officer/Medical Exams and Reviews	16,000	23,209
External Audit Fees	44,452	45,505
Other Professional Services	6,959	1,775
Total Administrative Professional Services Fees	<u>\$ 892,625</u>	<u>\$ 613,152</u>



Investment Section

Stanislaus County Employee Retirement System

Summary

Verus independently calculates the Plan's performance using portfolio market valuation and transaction data provided by the Plan's custodian bank, Northern Trust. Performance calculations are presented, to the greatest degree possible, in accordance with the Global Investment Performance Standards published by the CFA Institute.

The StanCERA Total Fund returned 8.1% net of fees for the fiscal year compared to 7.5% for the Policy Index. The Total Fund earned 6.7%, 8.3%, and 7.2% net of fees for the trailing three-, five-, and ten-year periods ending June 30, 2018, respectively.

The one-year period ending June 30, 2018 saw Domestic Equities post a strong year. The S&P 500 returned 14.4% while the Russell 1000 Value and Russell 1000 Growth returned 6.8% and 22.5%, respectively. StanCERA's Domestic Equity Portfolio returned 14.1% net of fees for the fiscal year compared to 15.2% for its custom policy index (80% Russell 1000 / 20% Russell 2000). The Plan's Domestic Equity Portfolio returned 10.4%, 12.8%, and 10.0% net of fees over the trailing three-, five-, and ten-year periods ending June 30, 2018, respectively.

International Equities also posted a positive fiscal year but underperformed Domestic Equities. Both Developed and Emerging Market Equities generated slightly higher returns than in recent history. StanCERA's International Equity Portfolio returned 6.2% net of fees for the fiscal year compared to 7.8% for the MSCI All Country World ex-U.S. Index. The Plan's International Equity Portfolio returned 5.5%, 6.6%, and 3.4% net of fees over the trailing three-, five-, and ten-year periods ending June 30, 2018, respectively.

The Domestic Fixed Income market generally ended the fiscal year with a slightly negative return. Interest rates and bond prices experienced volatility with the Federal Reserve hiking its key interest rate 3 times to a range of 1.75% - 2.00% as of June 13, 2018. StanCERA's Domestic Fixed Income portfolio returned 0.2% net of fees for the fiscal year compared to -0.4% for the Bloomberg Barclays US Aggregate Index. The Plan's Domestic Fixed Income Portfolio returned 2.7%, 3.2%, and 5.1% net of fees over the trailing three-, five-, and ten-year periods ending June 30, 2018, respectively.

The US Real Estate market also experienced some volatility but generated a positive return for the fiscal year. StanCERA's Real Estate Portfolio returned 6.8% net of fees for the fiscal year compared to 4.2% for the Dow Jones US Select RESI Index. The Plan's Real Estate Portfolio

returned 8.1%, 9.8%, and 4.5% net of fees over the trailing three-, five-, and ten-year periods ending June 30, 2018, respectively.

StanCERA's Direct Lending Portfolio returned 4.4% net of fees for the fiscal year compared to a custom benchmark index of 9% annual. The Plan's Direct Lending Portfolio returned 2.7% and 4.1% over the trailing three- and five-year periods ending June 30, 2018, respectively.

StanCERA's Risk Parity Portfolio returned -0.8% net of fees for the 6-month period ending June 30, 2018 compared to -0.8% for the 60% MSCI ACWI / 40% Bloomberg Barclays Global Aggregate Index.

StanCERA's Infrastructure Portfolio returned 26.6% net of fees for the fiscal year compared to 8.0% for the CPI +5% Index. The Plan's Infrastructure Portfolio returned 10.2% over the trailing three-year period ending June 30, 2018.

Investment Policy, Asset Deployment Policy and Performance Measurement Standards

StanCERA periodically reviews and updates its investment policy statement, asset allocation, and related procedures and processes. The primary investment objective is to earn a long-term return sufficient to avoid deterioration in funded status while assuming an acceptable level of investment risk. A secondary goal is to outperform the asset allocation-weighted benchmark (i.e. the "policy index"). At quarterly intervals, the System reviews performance at the total fund, asset-class composite and individual investment strategy levels. At each level, returns are evaluated against pre-determined benchmarks and peers.

As of June 30, 2018, the below table reflects the current asset allocation. While this allocation was approved at the April 2017 meeting, it will take time to fully implement through the selection of investment strategies and deployment of capital.

ASSET CLASS	TARGET ALLOCATION
Domestic Equity	19%
International Equity	24%
Domestic Fixed Income	21%
Real Assets	10%
Alternatives*	25%
Cash	1%
Total	100%

* Private Equity, Private Credit, Risk Parity

Investment Objectives

Investment returns achieved through June 30, 2018 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2018, StanCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards. The following table provides gross-of-fees returns and comparative rankings at the asset class composite and total fund levels:

Periods Ending June 30, 2018	One Year	Three Years	Five Years
US Equity	14.3%	10.7%	13.1%
80% Russell 1000 / 20% Russell 2000	15.2%	11.6%	13.3%
Rank*	66	71	53
International Equity	6.7%	6.0%	7.1%
MSCI ACWI ex-US Index	7.8%	5.6%	6.5%
Rank	66	45	45
US Fixed Income	0.3%	2.8%	3.3%
Barclays US Aggregate	-0.4%	1.7%	2.3%
Rank	44	44	43
Real Estate	6.8%	8.8%	10.5%
DJ US Select Real Estate	4.2%	7.7%	8.3%
Direct Lending	4.4%	3.6%	6.2%
Custom Index (9% annual)	9.0%	9.0%	9.0%
Risk Parity**	--	--	--
60% MSCI ACWI / 40% Bloomberg	--	--	--
Barclays Global Aggregate	--	--	--
Infrastructure	26.6%	14.6%	--
CPI + 5%	8.0%	6.9%	--
Total Fund	8.3%	7.1%	8.6%
Policy Benchmark***	7.5%	7.0%	8.0%
Public Fund Median	8.1%	6.9%	7.9%
Rank	42	40	20

* Rankings based on InvestorForce's universe of all Public Defined Benefit Plans. Ranking 1 is highest, 100 is lowest.

** Risk Parity is a new allocation in fiscal year 2018. PanAgora Risk Parity Multi-Asset and AQR Global Risk Premium-EL were funded in November 2017 and March 2018, respectively.

*** 18.5% Russell 1000, 5.5% Russell 2000, 24% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 7.7% NCREIF Property, 1.7% NCREIF Property +2%, 0.6% CPI +5%, 5% BBgBarc US High Yield +2%, 14% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills.

Returns are gross of fees. 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.

All of us here at Verus appreciate the opportunity to assist StanCERA in meeting the Plan's investment objectives. We look forward to continuing in our role of investment advisor and providing guidance to help navigate ever-changing markets.

Respectfully,

A handwritten signature in black ink, appearing to read "E. Hoffman", with a horizontal line above it.

Edward J. Hoffman, CFA, FRM
Managing Director, Senior Consultant

ASSET ALLOCATION

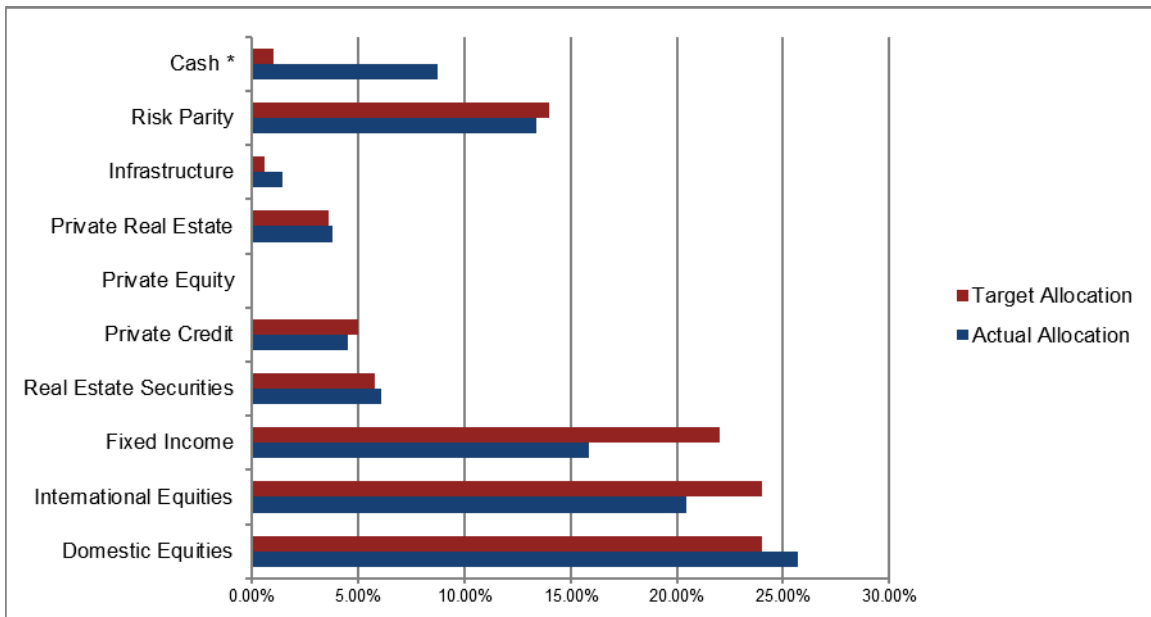
JUNE 30, 2018

Asset Class	Fair Value	Actual Allocation	Target Allocation
Domestic Equities	\$ 542,478,657	25.67%	24.00%
International Equities	432,304,594	20.47%	24.00%
Fixed Income	335,655,061	15.89%	22.00%
Real Estate Securities	128,978,153	6.11%	5.81%
Private Credit	94,881,719	4.49%	5.00%
Private Equity	-	0.00%	0.00%
Private Real Estate	79,771,614	3.78%	3.59%
Infrastructure	30,177,146	1.43%	0.60%
Risk Parity	283,242,444	13.41%	14.00%
Cash *	184,769,537	8.75%	1.00%
TOTAL PORTFOLIO**	\$ 2,112,258,925	100.00%	100.00%

* Excludes Pooled Cash in County Treasury of \$10,881,315.

** Excludes Securities Lending Cash Collateral.

StanCERA's Asset Allocation



SCHEDULE OF INVESTMENT RETURNS
Performance as of June 30, 2018

Investment Managers	One Year	Three Year	Five Year	Ten Year
DOMESTIC EQUITY				
Northern Trust Russell 1000	N/A	N/A	N/A	N/A
<i>Russell 1000</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Dodge & Cox	11.0%	10.7%	12.6%	9.9%
BlackRock R1000 Value	6.9%	8.3%	10.4%	N/A
<i>Russell 1000 Value Index</i>	<i>6.8%</i>	<i>8.3%</i>	<i>10.3%</i>	<i>N/A</i>
BlackRock R1000 Growth	22.5%	15.0%	16.4%	N/A
Capital Prospects	14.6%	10.9%	12.0%	N/A
<i>Russell 2000 Value Index</i>	<i>13.1%</i>	<i>11.2%</i>	<i>11.2%</i>	<i>N/A</i>
FIXED INCOME				
Diemensional Fund Advisors	N/A	N/A	N/A	N/A
<i>ICE BofAML 1-5 Yrs US Corp & Govt TR</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Insight	-0.1%	N/A	N/A	N/A
<i>Barclays US Govt/Credit 1-5 Yr. TR Int TR</i>	<i>-0.2%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Northern Trust Intermediate Gov't Bond	N/A	N/A	N/A	N/A
<i>Barclays US Govt Int TR</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Northern Trust Long Term Gov't Bond	N/A	N/A	N/A	N/A
<i>Barclays US Govt Long TR</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
INTERNATIONAL EQUITY				
LSV Asset Management	5.3%	5.4%	6.9%	3.6%
Fidelity Asset Management	7.2%	5.2%	6.2%	3.0%
<i>MSCI ACWI ex US Index</i>	<i>7.8%</i>	<i>5.6%</i>	<i>6.5%</i>	<i>3.0%</i>
REAL ESTATE SECURITIES				
BlackRock US Real Estate Index	4.2%	7.6%	8.2%	N/A
<i>DJ US Select RESI TR USD</i>	<i>4.2%</i>	<i>7.7%</i>	<i>8.3%</i>	<i>6.3%</i>
PRIVATE CREDIT				
Medley Opportunity Fund II	3.6%	N/A	N/A	N/A
Raven Opportunity Fund I	3.1%	N/A	N/A	N/A
Raven Opportunity Fund III	1.6%			
White Oak Global Advisors	7.6%	N/A	N/A	N/A
<i>9% Annual</i>	<i>9.0%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
PRIVATE REAL ESTATE				
Prime Property Fund	8.4%	N/A	N/A	N/A
<i>NCREIF ODCE</i>	<i>8.4%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
American Strategic Value Realty	10.2%	12.1%	N/A	N/A
<i>NCREIF Property Index</i>	<i>7.2%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
BlackRock US Real Estate Index	4.2%	7.6%	8.2%	N/A
<i>DJ US Select RESI TR USD</i>	<i>4.2%</i>	<i>7.7%</i>	<i>8.3%</i>	<i>6.3%</i>
Greenfield Acquisition Partners VII	14.1%	N/A	N/A	N/A
Greenfield Acquisition Partners VIII	N/A	N/A	N/A	N/A
<i>NCREIF ODCE</i>	<i>8.0%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
INFRASTRUCTURE				
North Haven Partners II	11.1%	N/A	N/A	N/A
<i>CPI + 5%</i>	<i>7.1%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
RISK PARITY				
AQR Global Risk Premium - EL	N/A	N/A	N/A	N/A
PanAgora Risk Parity Multi Asset	N/A	N/A	N/A	N/A
<i>60% MSCI ACWI</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
TOTAL FUND	8.1%	6.7%	8.3%	7.2%
<i>Policy Index</i>	<i>7.5%</i>	<i>7.0%</i>	<i>8.0%</i>	<i>7.0%</i>

Note: % taken from Verus Quarterly Report presented to Board of Retirement on 8/22/2018.

Using time-weighted rate of return based on the market rate of return.

Does not include Securites Lending Collateral.

SCHEDULE OF INVESTMENTS BY ASSET CLASS AND MANAGER
As of June 30, 2018

Investment Managers	Asset Class	Assets Under Management	% of Fund
DOMESTIC EQUITY			
Dodge & Cox	Large Cap Value	\$ 80,198,120	3.80%
BlackRock R1000 Value	Large Cap Value	74,727,887	3.54%
BlackRock R1000 Growth	Large Cap Growth	125,738,011	5.95%
Northern Trust Russell 1000	Large Cap Growth	154,923,977	7.33%
Capital Prospects	Small Cap Value	106,890,662	5.06%
FIXED INCOME			
Dimensional Fund Advisors	Core Bond	203,465,845	9.63%
Insight	Core Bond	74,170,394	3.51%
NT Intermediate Bond	Core Bond	43,294,427	2.05%
NT Long Term Bond	Core Bond	14,724,395	0.70%
INTERNATIONAL EQUITY			
LSV Asset Management	Equity Value	216,514,698	10.25%
Fidelity Asset Management	Equity Growth	215,789,895	10.22%
REAL ESTATE SECURITIES			
BlackRock US Real Estate	Real Estate Index	128,978,153	6.11%
PRIVATE CREDIT			
Medley Opportunity Fund II	Private Equity	17,815,009	0.84%
Raven Opportunity Fund I	Private Equity	15,518,541	0.73%
Raven Opportunity Fund III		30,353,636	1.44%
White Oak Global Advisors	Private Equity	31,194,534	1.48%
PRIVATE REAL ESTATE			
American Realty Advisors	Private Real Estate	37,427,661	1.77%
Greenfield Acquisition Partners VII LP	Private Real Estate	16,975,153	0.80%
Greenfield Acquisition Partners VIII LP	Private Real Estate	6,293,065	0.30%
Prime Property Fund	Private Real Estate	19,075,735	0.90%
INFRASTRUCTURE			
North Haven Partners II LP	Infrastructure	30,177,146	1.43%
RISK PARITY			
AQR	Risk Parity	143,809,104	6.81%
PanAgora	Risk Parity	139,433,340	6.60%
Total Assets Under Management		1,927,489,388	
Cash and Short-Term Investments	90 Day T-Bill	184,769,537	8.75%
Total Fund		\$ 2,112,258,925	100.00%

Note: Does not include Securities Lending Collateral.
Does not include cash in Treasury Pool.

LARGEST BOND HOLDINGS (BY FAIR VALUE)
JUNE 30, 2018

Shares	Bond	Fair Value
5,000,000	NEDER WATERSCHAPS BANK 1.875% DUE 04-14-2022	4,803,540
4,500,000	DEXIA CREDIT LOCAL 2.375% DUE 09-20-22	4,363,648
3,000,000	AB SVENSK 1.75% DUE 08-28-2020	2,932,830
2,600,000	TOTAL CAP INTL 2.7% DUE 01-25-2023	2,529,959
2,500,000	MANITOBA PROV CDA GLOBAL DEB SER GP 2.125% DUE 05-04-2022	2,408,900
2,500,000	WESTPAC BKG CORP 2.5% DUE 06-28-2022	2,402,830
2,500,000	MAN PROV CDA 2.1% DUE 09-06-2022	2,401,255
2,100,000	JOHNSON & JOHNSON 5.15% DUE 07-15-2018	2,102,394
2,000,000	TOTAL CAP INTL 2.875% DUE 02-17-2022	1,981,148
2,000,000	ROYAL BK CDA GLOBAL MEDIUM TERM SR BK NT 2.15% DUE 03-06-2020	1,970,728
2,000,000	KOMMUNALBANKEN AS 1.625% DUE 01-15-2020	1,968,868
2,000,000	KOMMUNINVEST I SVE 1.75% DUE 03-19-2020	1,968,480
2,000,000	BANK NEDERLANDSE GEMEENTEN 1.75% DUE 03-24-2020	1,966,228
2,000,000	ROYAL BANK OF CANADA 2.75% DUE 02-01-2022	1,964,302
2,000,000	EXXON MOBIL CORP 2.397% DUE 03-06-2022	1,955,594
2,000,000	EUROPEAN INVT BK GLOBAL BD 1.375% DUE 06-15-2020	1,950,316
2,000,000	ASIAN DEV BK SR NT 1.625% DUE 03-16-2021	1,940,418
2,000,000	APPLE INC 2.4% DUE 05-03-2023	1,926,852
1,800,000	ORACLE CORP 2.5% DUE 10-15-2022	1,744,951
1,707,000	PVTPL BAYER US FINANCE LLC 2.375% DUE 10-08-2019	1,692,455

LARGEST STOCK HOLDINGS (BY FAIR VALUE)
JUNE 30, 2018

Shares	Stock	Fair Value
110,000	SAMSUNG ELECTRONIC KRW5000	4,604,307
32,824	SAP SE	3,792,127
47,200	SANOFI EUR	3,783,189
43,495	NESTLE SA CHF (REGD)	3,368,514
93,200	ROYAL DUTCH SHELL 'B'ORD EUR	3,338,889
119,100	KDDI CORP NPV	3,259,081
93,351	ROYAL DUTCH SHELL 'A'SHS EUR	3,244,691
56,572	WELLS FARGO & CO NEW COM STK	3,136,352
366,500	BAE SYSTEMS ORD GBP	3,129,682
53,600	MAGNA INTL INC COM NPV	3,115,478
68,000	NIPPON TELEGRAPH & TELEPHONE CORP NPV	3,091,663
90,026	COMCAST CORP NEW-CL A	2,953,753
386,543	BP ORD USD	2,951,258
143,800	GLAXOSMITHKLINE ORD GBP	2,904,355
31,000	CAPITAL ONE FINL CORP COM	2,848,900
13,700	ALLIANZ SE NPV(REGD)(VINKULIERT)	2,831,512
508,100	ENEL SPA EUR	2,822,006
55,000	SCHWAB CHARLES CORP COM NEW	2,810,500
12,100	ROCHE HLDGS AG GENUSSSCHEINE NPV	2,687,603
95,000	BANK OF AMERICA CORP	2,678,050

A complete list of portfolio holdings is available on StanCERA's website at www.stancera.org or upon request.

SCHEDULE OF INVESTMENT MANAGEMENT FEES

For the Years Ended June 30, 2018 and 2017

	2018	2017
<u>Domestic Equities</u>		
BlackRock	\$ 43,792	\$ 41,034
Capital Prospects	843,544	732,274
Dodge & Cox	304,642	362,775
Jackson Square Partners	421,699	612,064
Legato Capital Management	118,106	501,910
Mellon Capital Management	5,902	33,462
NT Russell 1000	20,842	-
Total Domestic Equities	1,758,527	2,283,519
<u>International Equities</u>		
LSV Asset Management	938,512	1,078,138
Fidelity Asset Management	630,686	585,934
Total International Equities	1,569,198	1,664,072
<u>Fixed Income</u>		
Dimensional Fund Advisors	281,946	-
Dodge & Cox	16,762	435,293
Insight	127,888	-
NT Intermediate Bond	18,551	-
NT Long Term Bond	4,652	-
PIMCO	25,521	384,153
Total Fixed Income	475,320	819,446
<u>Real Estate Securities</u>		
BlackRock US Real Estate Index	97,312	28,140
Total Real Estate Securities	97,312	28,140
<u>Private Credit</u>		
Medley Opportunity Fund II	186,445	265,567
Raven Opportunity Fund I	276,921	330,988
Raven Opportunity Fund III	875,000	968,340
White Oak Global Advisors	633,646	381,104
Total Direct Lending	1,972,012	1,945,999
<u>Private Real Estate</u>		
American Realty Advisors	349,359	129,571
Greenfield Acquisition Partners VII	400,313	225,000
Greenfield Acquisition Partners VIII	939,726	-
Prime Property Fund	164,493	140,131
Total Private Real Estate	1,853,891	494,702
<u>Infrastructure</u>		
North Haven Partners, LP	721,071	703,254
Total Infrastructure	721,071	703,254
<u>Risk Parity</u>		
AQR	171,396	-
PanAgora	286,032	-
Total Infrastructure	457,428	-
Total Investment Management Fees	8,904,759	7,939,132
<u>Other Investment Fees and Expenses</u>		
Consultant Fees	291,039	282,572
Custodial Fees	243,531	428,916
Investment Attorney	74,163	13,723
Other Investment Costs	1,515,476	1,171,152
Actuarial Fees	91,802	150,303
Total Other Investment Expenses	2,216,011	2,046,666
Total Investment Fees and Expenses	\$11,120,770	\$ 9,985,798

Commission Recapture Program

StanCERA participates in a commission recapture program administered by Cowen. The strategic objective of the Commission Recapture Program is to recapture a portion of trade commissions paid to brokers. The primary goal is to ensure that investment managers provide the best effort to optimize use of StanCERA's assets for the benefit of the members and beneficiaries by recapturing commissions paid on a specific percentage of trades sent to correspondent brokers on a timely basis. For fiscal years ending June 30, 2018 and 2017, Commission Recapture Income was \$15,091 and \$20,827, respectively.

Are the commissions paid by StanCERA for fiscal year ending June 30:

		2018		
		# Shares	Commissions	Per Share
<u>Domestic Equities</u>				
Capital Prospects		3,877,864	\$ 104,423	\$ 0.027
Dodge & Cox		3,508,233	23,237	0.007
Jackson Square Partners		2,662,942	77,838	0.029
Legato Capital Management		4,639,225	131,318	0.028
Total Domestic Equities		14,688,264	336,816	0.023
<u>International Equities</u>				
LSV Asset Management		35,115,634	30,657	0.001
Fidelity Asset Management		9,030,800	118,520	0.013
Total International Equities		44,146,434	149,177	0.003
Total Investment Broker Commissions		<u>58,834,698</u>	<u>\$ 485,993</u>	<u>\$ 0.008</u>
		2017		
		# Shares	Commissions	Per Share
<u>Domestic Equities</u>				
Capital Prospects		3,057,631	\$ 87,064	\$ 0.028
Dodge & Cox		991,674	10,282	0.010
Jackson Square Partners		1,153,356	41,081	0.036
Legato Capital Management		9,756,711	181,278	0.019
Total Domestic Equities		14,959,372	319,705	0.021
<u>International Equities</u>				
LSV Asset Management		18,038,454	23,190	0.001
Fidelity Asset Management		10,641,883	121,401	0.011
Total International Equities		28,680,337	144,591	0.005
Total Investment Broker Commissions		<u>43,639,709</u>	<u>\$ 464,296</u>	<u>\$ 0.011</u>



Actuarial Section

Via Electronic Mail

September 21, 2018

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the StanCERA Retirement Plan (the Plan) as of June 30, 2018. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2017 (transmitted February 21, 2018) and the GASB 67/68 Report as of June 30, 2018 (transmitted September 21, 2018).

Actuarial Valuation Report as of June 30, 2017

The purpose of the annual Actuarial Valuation Report as of June 30, 2017 is to determine the actuarial funding status of StanCERA on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2018-2019. The prior review was conducted as of June 30, 2016, and included recommended contribution rates for the Fiscal Year 2017-2018.

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) plus expected administrative expenses. As of the valuation date (June 30, 2017), the amortization period is 19 years.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of five years. The Actuarial Value is limited to no less than 80% and no more than 120% of market value.

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

We prepared the following schedules, which we understand will be included in the Actuarial Section of the CAFR, based on the June 30, 2017 actuarial valuation. All historical information prior to the June 30, 2008 actuarial valuation shown in these schedules is based on information reported by the prior actuary, Buck Consultants.

- Statement of Current Actuarial Assumptions and Methods
- Membership Information (Active, Deferred, and Retired)

- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Development of 2017 Experience Gain/(Loss)
- GASB Solvency Test
- Summary of Plan Provisions

We reviewed the actuarial assumptions shown in the schedules and found them to be reasonably appropriate for use under the Plan. The assumptions used in this report reflect the results of an Experience Study performed by Cheiron covering the period from July 1, 2012 through June 30, 2015, 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 2018.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 27, 35, and 44.

GASB 67/68 Report as of June 30, 2018

The purpose of GASB 67/68 Report as of June 30, 2018 is to provide accounting and financial reporting information under GASB 67 for StanCERA and under GASB 68 for Stanislaus County and the other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for StanCERA.

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2017 actuarial valuation updated to the measurement date of June 30, 2018. There were no significant events of which we were aware between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 67/68 report as of June 30, 2018 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2018 GASB 67/68 report:

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

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



Disclaimers

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

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

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

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

We hereby certify that, to the best of our knowledge, these reports and their contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. These reports do not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Respectfully Submitted,



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SUMMARY OF ASSUMPTIONS AND FUNDING METHODS

The following assumptions along with the post-retirement and pre-retirement demographic experiences are based on StanCERA's actuarial experience study from July 1, 2012 through June 30, 2015, approved by the StanCERA Board of Retirement on April 20, 2016. The actuarial valuation for fiscal year ending June 30, 2017 was approved by the StanCERA Board of Retirement on February 28, 2018, which incorporated the following assumptions. The purpose of the annual actuarial valuation report as of June 30, 2017 is to determine the actuarial funding status of StanCERA on that date and to calculate recommended contribution rates for the participating employers and StanCERA members for the fiscal year 2018-2019. The prior actuarial valuation conducted as of June 30, 2016 included recommended contribution rates for the fiscal year 2017-2018 which was approved by the StanCERA Board of Retirement on March 28, 2017.

Plan Description

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

Actuarial Methods

Actuarial Cost Method

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

The excess of the Actuarial Accrued Liability over Plan assets is the Unfunded Actuarial Accrued Liability. The liability for each valuation group is amortized as a level percentage of payroll over a closed period (19 years as of the current valuation).

Actuarial Value of Plan Assets

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

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS		
Valuation Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level percent of Pay	Level percent of Pay
Remaining Amortization Period	19 Years	20 Years
Asset Valuation Method	Modified Market-Related Value smoothed over a five year period	Modified Market-Related Value smoothed over a five year period

Actuarial Assumptions

1. Rate of Return – The annual rate of return is assumed to be 7.25% net of investment expenses.
2. Cost of Living – The cost of living is assumed to be 3.00% per year as measured by the Consumer Price Index.
3. Administrative Expenses – An allowance of \$2,546,160 has been included in the annual cost calculation.
4. Interest Credited to Employee Accounts – 0.25% annually.
5. Increases in Pay – Base salary increase is assumed at 3.25%. Assumed pay increases for active Members consist of increases due to salary adjustments (as noted above), plus service-based increases due to longevity and promotion, as shown below.

Longevity & Promotion Increases		
Service	Safety	General
0	7.00%	6.00%
1	6.00%	5.00%
2	5.00%	4.00%
3	4.00%	3.00%
4	3.00%	2.00%
5	2.00%	1.50%
6	1.75%	1.00%
7	1.50%	0.75%
8	1.25%	0.50%
9	1.00%	0.50%
10	0.75%	0.50%
11+	0.50%	0.50%

6. PEPRA Compensation Limit – Assumption used for increasing the compensation limit that applies to PEPRA members is 3.00%.
7. Post Retirement COLA – 100% of Consumer Price Index up to 3% annually with banking, 2.7% annual increases assumed.
8. Social Security Wage Base – For projecting the Social Security Benefit, the annual Social Security Wage Base increase is assumed to be 3.25% per year. General Tier 3 members have their benefits offset by an assumed Social Security Benefit.
9. Internal Revenue Code Section 415 Limit – not reflected in the valuation for funding purposes.
10. Internal Revenue Code Section 401(a)(17) – not reflected in the valuation for funding purposes.
11. Family Composition – Spouses of male members are assumed to be three years younger than the member. Spouses of female members are assumed to be two years older than the member.

Percent Married	
Gender	Percentage
Males	80%
Females	50%

Actuarial Assumptions (continued)

12. Accumulated Vacation Time Load – Active members' service retirement and related benefits are loaded by 3.0% for Safety Members and 3.5% for General Members.

13. Rates of Separation – Separate rates of termination are assumed among Safety and General Members. Termination rates do not apply once a member is eligible for retirement.

Termination (all types)		
Service	Safety	General
	All	All
0	18.0%	18.0%
1	12.0%	14.0%
2	9.0%	11.7%
3	7.0%	9.4%
4	6.0%	7.1%
5	5.0%	5.0%
10	5.0%	3.5%
15	3.4%	2.9%
20	0.0%	1.5%
25	0.0%	1.3%
30+	0.0%	0.0%

14. Withdrawal – Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions. 50% of all General Member terminations with less than ten years of service and 20% of those with ten or more years of service are assumed to take a refund of contributions. 35% of all Safety Member terminations with less than ten years of service and 10% of those with ten or more years of service are assumed to take a refund of contributions.

15. Vested Termination – Rates of vested termination apply to active Members who terminate their employment after five years of service and leave their member contributions on deposit with the Plan. Tier 3 General Members are assumed to begin receiving benefits at age 65; all other General Members at age 58. Safety Members are assumed to begin receiving benefits at age 53. 25% of vested terminated General members are assumed to be reciprocal, and 50% of vested Safety members are assumed to be reciprocal. Reciprocal members are assumed to receive 4% annual pay increases from the date of transfer to the assumed retirement date.

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

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

Actuarial Assumptions (continued)

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

Non Service-Connected Disability			
Age	Safety	General	
	All	Female	Male
20	0.0100%	0.0100%	0.0170%
25	0.0100%	0.0100%	0.0170%
30	0.0200%	0.0240%	0.0190%
35	0.0300%	0.0810%	0.0490%
40	0.0400%	0.1550%	0.1220%
45	0.0500%	0.2180%	0.1910%
50	0.0800%	0.2290%	0.2130%
55	0.1300%	0.1790%	0.2210%
60	0.2000%	0.1350%	0.2220%
65	0.2000%	0.1180%	0.2100%
70	0.2000%	0.1140%	0.1800%
75	0.2000%	0.1180%	0.1420%
80	0.2000%	0.1180%	0.1420%
81+	0.0000%	0.0000%	0.0000%

18. Rates for Mortality for Healthy Lives – Rates of mortality for active Members are specified by the CalPERS Pre-Retirement Non-Industrial Mortality table, adjusted by 100.3% for males and 98.8% for females, with generational mortality improvements projected from 2009 using Scale MP-2015.

Mortality Rates			
Age	Duty Death	Ordinary Death - General & Safety	
	Safety All	Female	Male
20	0.0030%	0.0209%	0.0330%
25	0.0070%	0.0241%	0.0426%
30	0.0100%	0.0262%	0.0522%
35	0.0120%	0.0368%	0.0607%
40	0.0130%	0.0525%	0.0798%
45	0.0140%	0.0745%	0.1129%
50	0.0150%	0.1049%	0.1651%
55	0.0160%	0.1508%	0.2428%
60	0.0170%	0.2198%	0.3556%
65	0.0180%	0.3233%	0.5107%
70	0.0190%	0.4616%	0.7110%

Actuarial Assumptions (continued)

19. Disabled Member Mortality –

Nonservice-Connected Disability Members are specified by the CalPERS Non-Industrial Disable Annuitant Mortality table, adjusted by 96.4% for males and 110.4% for females, with generational mortality improvements projected from 2009 using Scale MP-2015.

Service-Connected Disability Members are adjusted by 100.2% for males and 100.1% for females using the same table and scale.

Diabled Mortality Rates				
	NonService Connected		Service Connected	
Age	Female	Male	Female	Male
45	0.9430%	1.2500%	0.2980%	0.3390%
50	1.3580%	1.7200%	0.4960%	0.5330%
55	1.4020%	2.0200%	0.4600%	0.6370%
60	1.6670%	2.5390%	0.6340%	0.8690%
65	2.2590%	3.0080%	1.0680%	1.4310%
70	3.1070%	3.7500%	1.7770%	2.2160%
75	4.2690%	5.2040%	2.9550%	3.8420%
80	6.6420%	7.9340%	4.9830%	6.6420%
85	10.9100%	12.6920%	7.9670%	10.4100%
90	17.7550%	17.8040%	12.3470%	16.2180%

20. Retired Member and Beneficiary Mortality - specified by the CalPERS Non-Industrial Disable Annuitant Mortality table, adjusted by 93.4% for males and 107.9% for females, with generational mortality improvements projected from 2009 using Scale MP-2015.

Retired Mortality Rates		
Age	Female	Male
45	0.2290%	0.2250%
50	0.5340%	0.4970%
55	0.4960%	0.5940%
60	0.5760%	0.7630%
65	0.8070%	0.9860%
70	1.3650%	1.6490%
75	2.3660%	2.7860%
80	3.9870%	4.9280%
85	7.2020%	8.8070%
90	13.3100%	15.1180%

21. Mortality Improvement – The mortality assumptions employ a fully generational mortality improvement projection from base year 2009 using Scale MP-2015.

Actuarial Assumptions (continued)

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

Service Retirement - General				Service Retirement - Safety			
	Years of Service				Years of Service		
Age	0-9	10-29	30+	Age	0-9	10-29	30+
40-44	0.00%	0.00%	0.00%	40-44	0.00%	0.00%	5.00%
45-49	0.00%	0.00%	10.00%	45-48	0.00%	0.00%	5.00%
50-54	0.00%	5.00%	10.00%	49	0.00%	0.00%	20.00%
55	0.00%	10.00%	25.00%	50	0.00%	10.00%	30.00%
56	0.00%	10.00%	25.00%	51	0.00%	10.00%	20.00%
57	0.00%	10.00%	25.00%	52	0.00%	10.00%	20.00%
58	0.00%	15.00%	25.00%	53	0.00%	10.00%	20.00%
59	0.00%	15.00%	25.00%	54	0.00%	10.00%	20.00%
60	0.00%	15.00%	25.00%	55	0.00%	10.00%	30.00%
61	0.00%	20.00%	25.00%	56	0.00%	10.00%	30.00%
62	0.00%	25.00%	40.00%	57	0.00%	10.00%	30.00%
63	0.00%	20.00%	25.00%	58	0.00%	10.00%	30.00%
64	0.00%	25.00%	25.00%	59	0.00%	10.00%	30.00%
65	0.00%	35.00%	35.00%	60	0.00%	25.00%	100.00%
66	0.00%	45.00%	45.00%	61	0.00%	25.00%	100.00%
67	0.00%	20.00%	25.00%	62	0.00%	25.00%	100.00%
68	0.00%	20.00%	25.00%	63	0.00%	25.00%	100.00%
69	0.00%	20.00%	25.00%	64	0.00%	25.00%	100.00%
70	50.00%	50.00%	100.00%	65	0.00%	100.00%	100.00%
71	50.00%	50.00%	100.00%	66	0.00%	100.00%	100.00%
72	50.00%	50.00%	100.00%	67	0.00%	100.00%	100.00%
73	50.00%	50.00%	100.00%	68	0.00%	100.00%	100.00%
74	50.00%	50.00%	100.00%	69	0.00%	100.00%	100.00%
75+	100.00%	100.00%	100.00%	70+	100.00%	100.00%	100.00%

23. Changes in actuarial assumptions – StanCERA's Board of Retirement adopted a three year phase in of the increase in Plan cost due to the change in assumptions as a result of Actuarial Experience Study Report for the period covering July 1, 2012 through June 30, 2015.

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

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

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase (Decrease) in Average Salary	Number of Employers
6/30/2008	General	3,719	\$ 230,942,000	\$ 62,098	27.88%	8
	Safety	731	44,638,000	61,064	5.18%	
	Total	4,450	\$ 275,580,000	\$ 61,928	23.73%	
6/30/2009	General	3,627	\$ 201,144,000	\$ 55,457	-10.69%	8
	Safety	739	47,172,000	63,832	4.53%	
	Total	4,366	\$ 248,316,000	\$ 56,875	-8.16%	
6/30/2010	General	3,464	\$ 202,200,198	\$ 58,372	5.26%	8
	Safety	685	46,630,275	68,073	6.64%	
	Total	4,149	\$ 248,830,473	\$ 59,974	5.45%	
6/30/2011	General	3,232	\$ 184,906,498	\$ 57,211	-1.99%	8
	Safety	637	41,800,298	65,621	-3.60%	
	Total	3,869	\$ 226,706,796	\$ 58,596	-2.30%	
6/30/2012	General	3,233	\$ 179,260,736	\$ 55,447	-3.08%	8
	Safety	661	41,657,273	63,022	-3.96%	
	Total	3,894	\$ 220,918,009	\$ 56,733	-3.18%	
6/30/2013	General	3,230	\$ 176,437,755	\$ 54,625	-1.48%	8
	Safety	694	42,590,563	61,370	-2.62%	
	Total	3,924	\$ 219,028,318	\$ 55,818	-1.61%	
6/30/2014	General	3,303	\$ 179,606,090	\$ 54,377	-0.45%	8
	Safety	689	43,422,198	63,022	2.69%	
	Total	3,992	\$ 223,028,288	\$ 55,869	0.09%	
6/30/2015	General	3,421	\$ 188,550,804	\$ 55,116	1.36%	8
	Safety	723	49,166,923	68,004	7.91%	
	Total	4,144	\$ 237,717,727	\$ 57,364	2.68%	
6/30/2016	General	3,521	\$ 198,457,059	\$ 56,364	2.26%	8
	Safety	727	52,020,521	71,555	5.22%	
	Total	4,248	\$ 250,477,580	\$ 58,964	2.79%	
6/30/2017	General	3,552	\$ 201,758,423	\$ 56,801	0.78%	8
	Safety	757	54,385,261	71,843	0.40%	
	Total	4,309	\$ 256,143,684	\$ 59,444	0.81%	

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

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

**SCHEDULE OF FUNDING PROGRESS
FOR YEARS ENDED JUNE 30**

Actuarial Valuation Date	Valuation Assets	¹	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Covered Payroll
2008	\$ 1,317,167,000	²	\$ 1,548,824,000	\$ 231,657,000	85.0%	\$ 275,580,000	84.1%
2009	\$ 1,171,767,000		\$ 1,653,716,000	\$ 481,949,000	70.9%	\$ 248,316,000	194.1%
2010	\$ 1,325,801,000		\$ 1,737,824,000	\$ 412,023,000	76.3%	\$ 248,830,473	165.6%
2011	\$ 1,372,046,000		\$ 1,757,717,000	\$ 385,671,000	78.1%	\$ 226,706,796	170.1%
2012	\$ 1,451,764,000		\$ 1,888,713,000	\$ 436,950,000	76.9%	\$ 220,918,009	197.8%
2013	\$ 1,524,076,000		\$ 1,919,227,000	\$ 395,151,000	79.4%	\$ 219,028,318	180.4%
2014	\$ 1,644,077,000		\$ 2,026,371,000	\$ 382,294,000	81.1%	\$ 223,028,288	171.4%
2015	\$ 1,763,629,000		\$ 2,391,522,000	\$ 627,893,000	73.7%	\$ 237,717,727	264.1%
2016	\$ 1,845,764,000		\$ 2,537,067,000	\$ 691,302,000	72.8%	\$ 250,477,580	276.0%
2017	\$ 1,968,231,000		\$ 2,648,162,000	\$ 679,930,000	74.3%	\$ 256,143,684	265.4%

¹ Excludes value of Non-Valuation Reserves.

² Includes \$50 million transferred from Non-Valuation Reserves as of June 30, 2008.

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

Actuarial Valuation Date	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
2008	2,445	369	\$ 9,084,777	148	\$ 1,731,738	2,666	\$ 63,296,000	19.18%	\$ 23,742
2009	2,666	156	\$ 2,168,425	71	\$ 647,870	2,751	\$ 66,720,003	5.41%	\$ 24,253
2010	2,751	159	\$ 3,349,900	80	\$ 751,427	2,830	\$ 71,464,735	7.11%	\$ 25,334
2011	2,830	263	\$ 4,724,416	78	\$ 1,194,042	3,015	\$ 74,826,404	4.70%	\$ 25,732
2012	3,015	226	\$ 3,565,634	99	\$ 978,729	3,142	\$ 80,157,222	7.12%	\$ 26,737
2013	3,142	198	\$ 6,036,138	91	\$ 1,144,584	3,249	\$ 89,975,736	12.25%	\$ 27,694
2014	3,249	222	\$ 6,703,273	86	\$ 1,725,066	3,385	\$ 96,405,454	7.15%	\$ 28,480
2015	3,385	237	\$ 7,778,716	83	\$ 2,043,313	3,539	\$ 104,052,097	7.93%	\$ 29,402
2016	3,539	211	\$ 7,066,750	99	\$ 2,160,689	3,651	\$ 111,260,240	6.93%	\$ 30,474
2017	3,651	202	\$ 6,749,973	107	\$ 2,471,229	3,746	\$ 117,901,627	5.97%	\$ 31,474

**SOLVENCY TEST
FOR YEARS ENDED JUNE 30**

Valuation Date		Actuarial Accrued Liabilities (AAL) for:			Actuarial Accrued Liabilities	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		1	2	3			1	2	3
		Active Member Contributions	Retirees & Beneficiaries	Active Members Employer Portion					
2008	¹	\$ 272,657,000	\$ 739,838,000	\$ 536,329,000	\$ 1,548,824,000	\$ 1,317,167,000	100%	100%	57%
2009		\$ 298,342,000	\$ 781,082,000	\$ 574,292,000	\$ 1,653,716,000	\$ 1,171,767,000	100%	100%	16%
2010		\$ 323,940,000	\$ 829,323,000	\$ 584,561,000	\$ 1,737,824,000	\$ 1,325,801,000	100%	100%	30%
2011		\$ 337,201,000	\$ 897,384,000	\$ 523,133,000	\$ 1,757,717,000	\$ 1,372,046,000	100%	100%	26%
2012		\$ 351,569,000	\$ 987,546,000	\$ 549,598,000	\$ 1,888,713,000	\$ 1,451,764,000	100%	100%	20%
2013	²	\$ 191,968,000	\$ 1,065,792,000	\$ 661,466,000	\$ 1,919,227,000	\$ 1,524,076,000	100%	100%	40%
2014		\$ 193,301,000	\$ 1,144,734,000	\$ 688,335,000	\$ 2,026,371,000	\$ 1,644,077,000	100%	100%	44%
2015		\$ 196,074,000	\$ 1,328,846,000	\$ 850,510,000	\$ 2,375,430,000	\$ 1,763,629,000	100%	100%	28%
2016		\$ 200,960,000	\$ 1,427,166,000	\$ 908,941,000	\$ 2,537,067,000	\$ 1,845,764,000	100%	100%	24%
2017		\$ 206,386,000	\$ 1,510,151,000	\$ 931,625,000	\$ 2,648,162,000	\$ 1,968,231,000	100%	100%	27%

¹ Reflects transfer as of June 30, 2008 of \$50 million from Non-Valuation to Valuation Reserves.

² Reflects change to include only refundable contribution balance.

**ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE
FOR YEARS ENDED JUNE 30**

Plan Year Ending	Actuarial (Gains)/Losses			Changes in Plan Provisions	Changes in Assumption/Methods
	Asset Sources	Liability Sources	Total		
2008	\$ (50,709,169)	\$ 67,324,195	\$ 67,324,195	\$ -	\$ -
2009	\$ 228,905,354	\$ 12,996,828	\$ 241,902,182	\$ -	\$ -
2010	\$ (76,507,113)	\$ 37,492,978	\$ 37,492,978	\$ -	\$ (51,743,766)
2011	\$ 49,205,018	\$ (2,387,353)	\$ 46,817,665	\$ -	\$ (72,085,966)
2012	\$ (5,283,786)	\$ 6,191,029	\$ 907,243	\$ -	\$ 52,606,350
2013	\$ 10,200,000	\$ 8,500,000	\$ 18,700,000	\$ -	\$ (63,400,000)
2014	\$ (22,600,000)	\$ 6,100,000	\$ (16,500,000)	\$ -	\$ 400,000
2015	\$ (20,600,000)	\$ (5,600,000)	\$ (26,200,000)	\$ -	\$ 269,800,000
2016	¹ \$ 16,300,000	\$ 28,900,000	\$ 45,200,000	\$ -	\$ -
2017	\$ (20,800,000)	\$ (8,900,000)	\$ (29,700,000)	\$ -	\$ -

¹ Changes due to Actuarial Audit included as Liability Loss of \$700,000.

A 10 year schedule of actuarially determined contributions compared to actual contributions can be found in the Required Supplementary Information to the Financial Statements on page 46.



Statistical Section

STATISTICAL INFORMATION

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

CHANGES IN FIDUCIARY NET POSITION

Last Ten Fiscal Years ending June 30

Additions To Fiduciary Net Position	2018	2017	2016	2015	2014
Employer Contributions	\$ 76,966,471	\$ 63,024,559	\$ 58,196,310	\$ 53,849,031	\$ 46,763,996
Plan Member Contributions	26,746,289	25,463,745	23,916,508	22,960,235	21,867,911
Net Investment Income (Loss)	154,988,199	252,309,706	(31,322,276)	68,722,781	274,896,108
<i>Total Additions</i>	<u>\$ 258,700,959</u>	<u>\$ 340,798,010</u>	<u>\$ 50,790,542</u>	<u>\$ 145,532,047</u>	<u>\$ 343,528,015</u>

Deductions From Fiduciary Net Position					
Pension Benefits	\$ 120,978,337	\$ 114,094,308	\$ 106,928,097	\$ 99,811,849	\$ 93,076,127
Refunds	2,193,779	2,749,550	1,237,713	2,046,307	1,706,344
Administrative Expense	2,791,409	2,644,554	2,315,223	2,378,966	2,249,260
<i>Total Deductions</i>	<u>\$ 125,963,525</u>	<u>\$ 119,488,412</u>	<u>\$ 110,481,033</u>	<u>\$ 104,237,122</u>	<u>\$ 97,031,731</u>

Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	\$ 132,737,434	\$ 221,309,598	\$ (59,690,491)	\$ 41,294,925	\$ 246,496,284
---	----------------	----------------	-----------------	---------------	----------------

Fiduciary Net Position Restricted for Pension Benefits					
Beginning of Year	1,994,223,311	1,772,913,713	1,832,604,204	1,791,309,279	1,544,812,995
End of Year	<u>\$2,126,960,745</u>	<u>\$1,994,223,311</u>	<u>\$1,772,913,713</u>	<u>\$1,832,604,204</u>	<u>\$1,791,309,279</u>

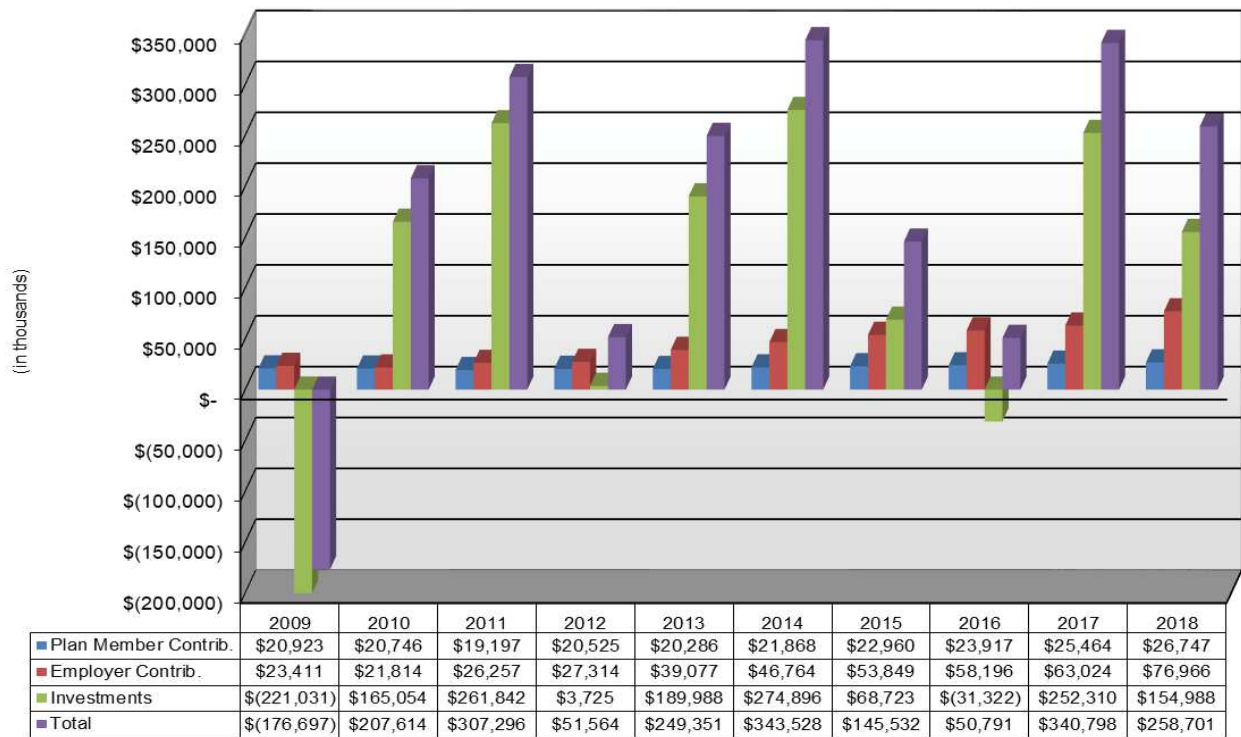
Additions To Fiduciary Net Position	2013	2012	2011	2010	2009
Employer Contributions	\$ 39,077,480	\$ 27,314,032	\$ 26,256,729	\$ 21,814,194	\$ 23,410,965
Plan Member Contributions	20,285,888	20,525,295	19,197,052	20,746,411	20,922,893
Net Investment Income (Loss)	189,988,287	3,724,754	261,842,492	165,053,844	(221,031,397)
<i>Total Additions</i>	<u>\$ 249,351,655</u>	<u>\$ 51,564,081</u>	<u>\$ 307,296,273</u>	<u>\$ 207,614,449</u>	<u>\$ (176,697,539)</u>

Deductions From Fiduciary Net Position					
Pension Benefits	\$ 86,722,499	\$ 80,062,975	\$ 74,725,248	\$ 71,286,016	\$ 71,774,918
Refunds	1,926,062	1,927,058	2,007,309	1,910,690	2,624,270
Administrative Expense	2,065,345	2,144,748	2,037,167	2,307,436	2,080,130
<i>Total Deductions</i>	<u>\$ 90,713,906</u>	<u>\$ 84,134,781</u>	<u>\$ 78,769,724</u>	<u>\$ 75,504,142</u>	<u>\$ 76,479,318</u>

Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	\$ 158,637,749	\$ (32,570,700)	\$ 228,526,549	132,110,307	(253,176,857)
---	----------------	-----------------	----------------	-------------	---------------

Fiduciary Net Position Restricted for Pension Benefits					
Beginning of Year	1,386,175,246	1,418,745,946	1,190,219,397	1,058,109,090	1,311,285,947
End of Year	<u>\$1,544,812,995</u>	<u>\$1,386,175,246</u>	<u>\$1,418,745,946</u>	<u>\$1,190,219,397</u>	<u>\$1,058,109,090</u>

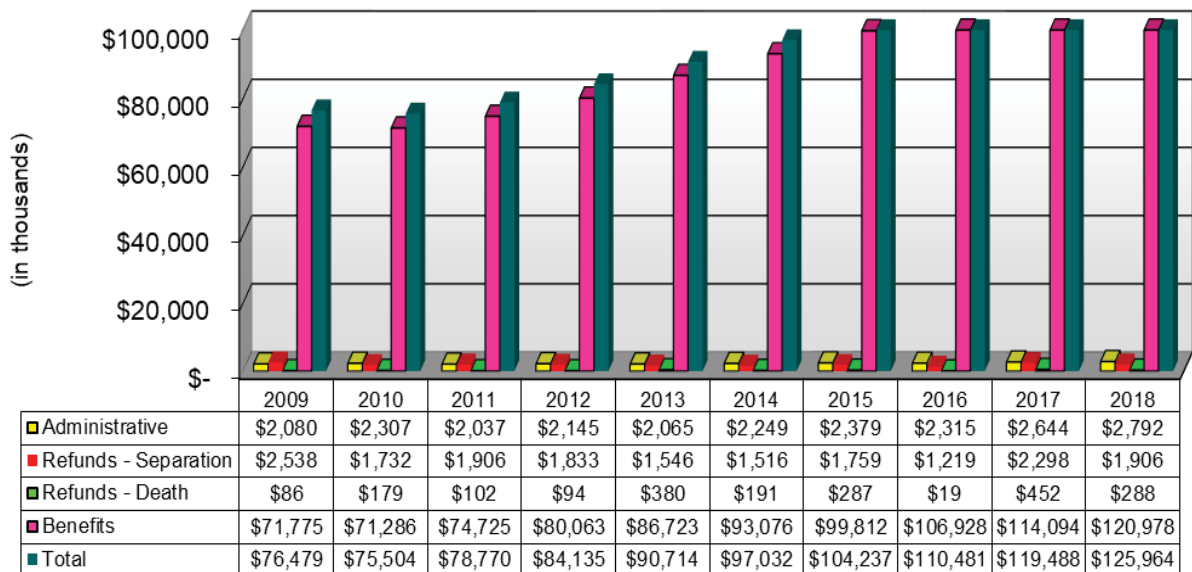
Additions by Source
(for years ending June 30)



Data Source:

CAFR Financial Section, Statement of Changes in Fiduciary Net Position in Management Discussion

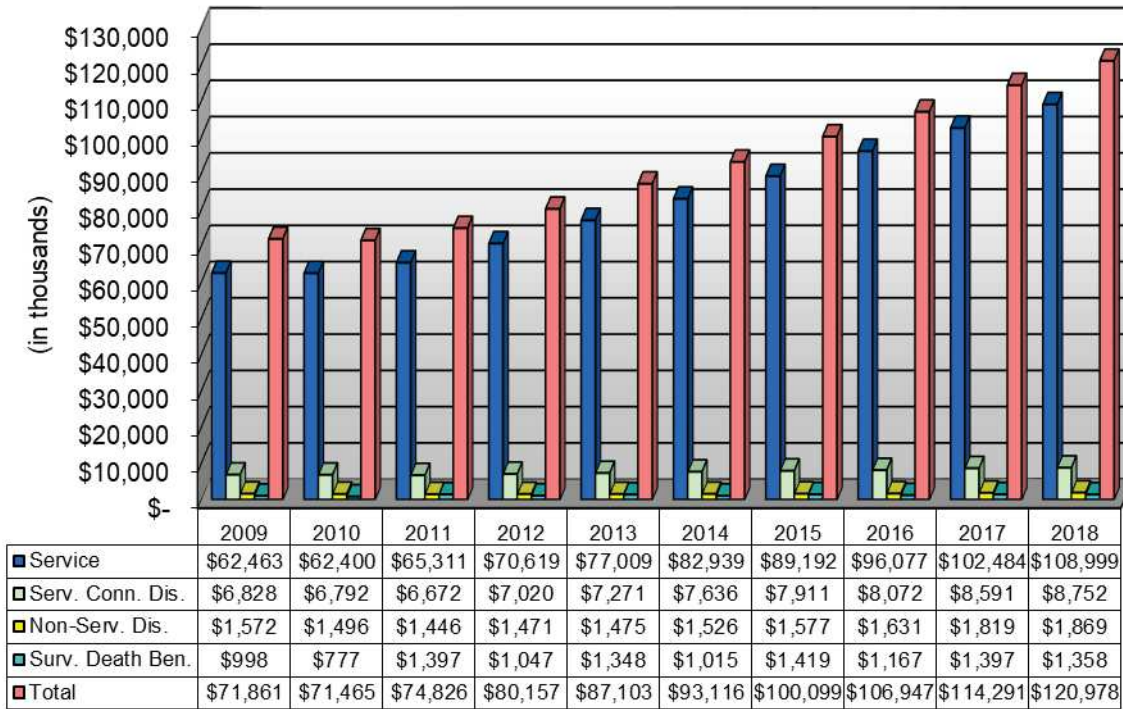
Deductions by Type
(for years ending June 30)



Data Source:

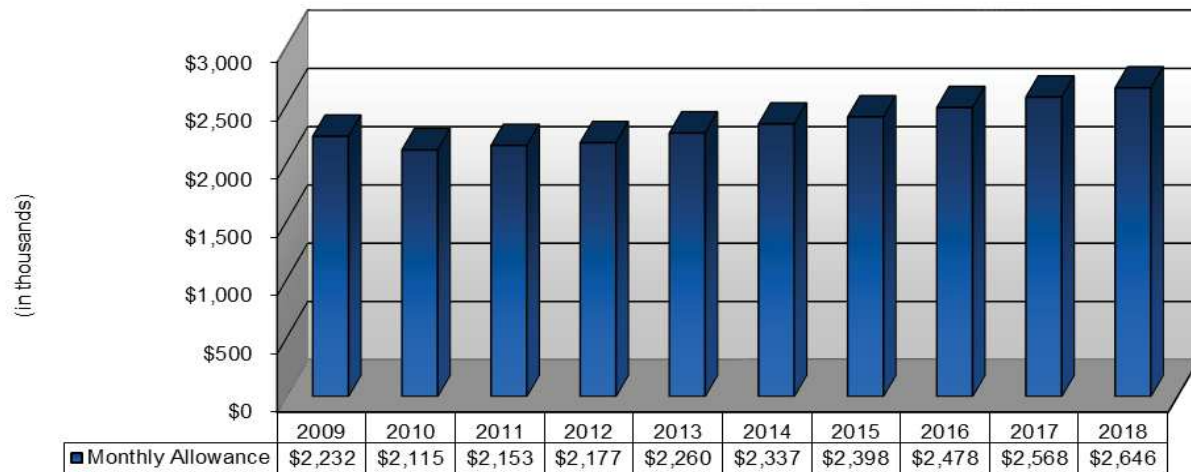
CAFR Financial Section, Statement of Changes in Fiduciary Net Position

Benefit Expense by Type (for years ending June 30)



Data Source: StanCERA Pension Administration System

Average Monthly Retirement Benefits (for years ending June 30)



Data Source: StanCERA Pension Administration System

RETIRED MEMBERS BY BENEFIT TYPE

as of June 30, 2018

<u>Amount Monthly Benefit</u>	<u>Total # Retirees</u>	<u>Service Retirement</u>	<u>Service Connected Disability</u>	<u>Non-Service Disability</u>	<u>Survivors</u>
General Members					
\$0-500	364	345	3	10	6
501-1,000	482	428	3	31	20
1,001-1,500	497	434	15	40	8
1,501-2,000	386	331	37	16	2
2,001-2,500	304	270	27	5	2
2,501-3,000	241	222	12	4	3
3,001-3,500	159	152	7	0	0
3,501-4,000	139	137	0	0	2
4,001-4,500	111	109	2	0	0
4,501-5,000	91	87	3	1	0
over 5,000	397	393	0	2	2
Totals	3,171	2,908	109	109	45
Safety Members					
\$0-500	23	13	8	2	0
501-1,000	20	17	1	0	2
1,001-1,500	22	19	0	2	1
1,501-2,000	55	48	3	4	0
2,001-2,500	40	30	7	2	1
2,501-3,000	80	29	50	0	1
3,001-3,500	93	43	48	1	1
3,501-4,000	45	26	19	0	0
4,001-4,500	48	41	6	0	1
4,501-5,000	22	20	1	0	1
over 5,000	177	165	10	0	2
Totals	625	451	153	11	10
TOTALS	3,796	3,359	262	120	55

Data Source: StanCERA Pension Administration System

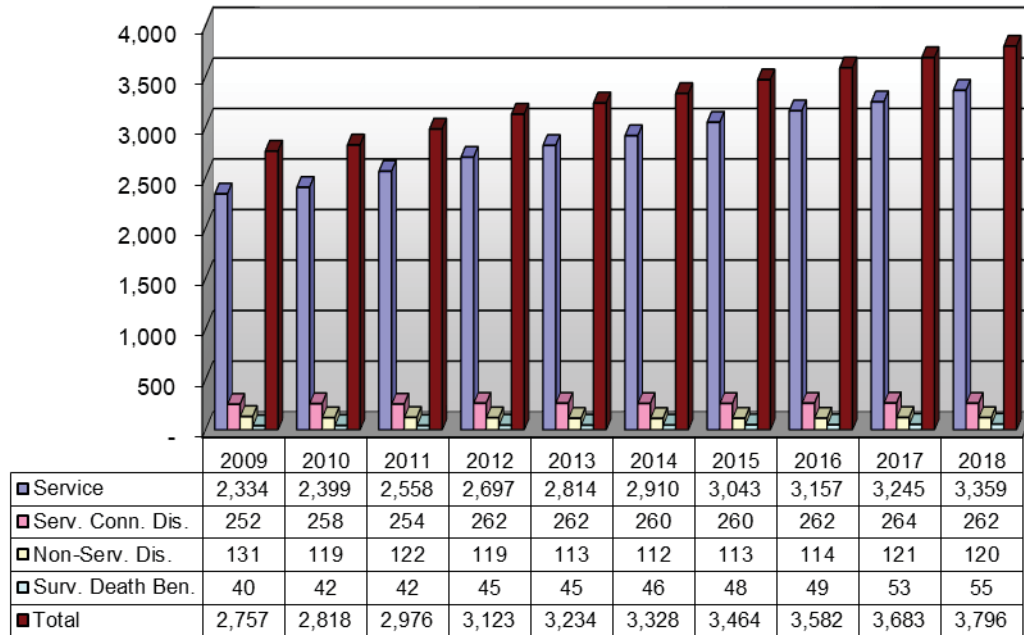
AVERAGE BENEFIT PAYMENTS

As of Fiscal Year End June 30

	Beneficiaries		Service Years Credited					
	& Dro's	0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year Ending June 30, 2009								
Average Monthly Benefit	\$1,426	\$627	\$1,095	\$1,257	\$1,934	\$2,641	\$3,912	\$5,332
Avg Final Average Salary	\$1,037	\$3,053	\$2,621	\$2,332	\$2,445	\$2,586	\$3,249	\$4,547
Number of Active Retirees	365	159	312	528	425	390	325	253
Fiscal Year Ending June 30, 2010								
Average Monthly Benefit	\$1,345	\$602	\$1,038	\$1,171	\$1,834	\$2,550	\$3,753	\$5,172
Avg Final Average Salary	\$1,106	\$3,177	\$2,516	\$2,322	\$2,400	\$2,486	\$3,233	\$4,192
Number of Active Retirees	366	157	330	536	434	405	318	270
Fiscal Year Ending June 30, 2011								
Average Monthly Benefit	\$1,362	\$621	\$1,044	\$1,192	\$1,843	\$2,581	\$3,785	\$5,260
Avg Final Average Salary	\$1,176	\$3,840	\$3,286	\$2,862	\$3,009	\$3,364	\$3,790	\$5,232
Number of Active Retirees	389	169	350	574	454	424	331	298
Fiscal Year Ending June 30, 2012								
Average Monthly Benefit	\$1,405	\$596	\$1,040	\$1,212	\$1,918	\$2,654	\$3,860	\$5,152
Avg Final Average Salary	\$2,612	\$4,848	\$3,857	\$3,620	\$3,963	\$4,393	\$4,812	\$5,815
Number of Active Retirees	383	176	366	606	484	446	335	320
Fiscal Year Ending June 30, 2013								
Average Monthly Benefit	\$1,430	\$657	\$1,100	\$1,295	\$2,003	\$2,792	\$4,007	\$5,309
Avg Final Average Salary	\$2,662	\$5,058	\$4,110	\$3,748	\$4,047	\$4,516	\$4,962	\$5,872
Number of Active Retirees	387	195	376	634	498	469	344	331
Fiscal Year Ending June 30, 2014								
Average Monthly Benefit	\$1,467	\$651	\$1,124	\$1,354	\$2,082	\$2,836	\$4,088	\$5,427
Avg Final Average Salary	\$2,745	\$5,272	\$4,205	\$3,927	\$4,235	\$4,596	\$5,089	\$5,948
Number of Active Retirees	389	206	394	680	524	488	353	349
Fiscal Year Ending June 30, 2015								
Average Monthly Benefit	\$1,508	\$638	\$1,143	\$1,403	\$2,164	\$2,938	\$4,217	\$5,566
Avg Final Average Salary	\$2,846	\$5,627	\$4,328	\$4,055	\$4,379	\$4,675	\$5,175	\$6,047
Number of Active Retirees	399	222	407	699	551	511	375	360
Fiscal Year Ending June 30, 2016								
Average Monthly Benefit	\$1,548	\$652	\$1,186	\$1,462	\$2,231	\$3,034	\$4,342	\$5,669
Avg Final Average Salary	\$2,901	\$5,766	\$4,535	\$4,187	\$4,513	\$4,779	\$5,297	\$6,061
Number of Active Retirees	412	230	420	699	573	525	398	380
Fiscal Year Ending June 30, 2017								
Average Monthly Benefit	\$1,620	\$791	\$1,203	\$1,520	\$2,338	\$3,172	\$4,482	\$5,790
Avg Final Average Salary	\$3,006	\$5,453	\$4,588	\$4,293	\$4,666	\$4,946	\$5,413	\$6,076
Number of Active Retirees	378	274	438	716	593	547	413	384
Fiscal Year Ending June 30, 2018								
Average Monthly Benefit	\$1,768	\$801	\$1,208	\$1,551	\$2,406	\$3,289	\$4,600	\$5,912
Avg Final Average Salary	\$3,617	\$5,738	\$4,679	\$4,379	\$4,776	\$5,123	\$5,512	\$6,102
Number of Active Retirees	333	281	461	732	614	548	430	397

Membership History (Retired)

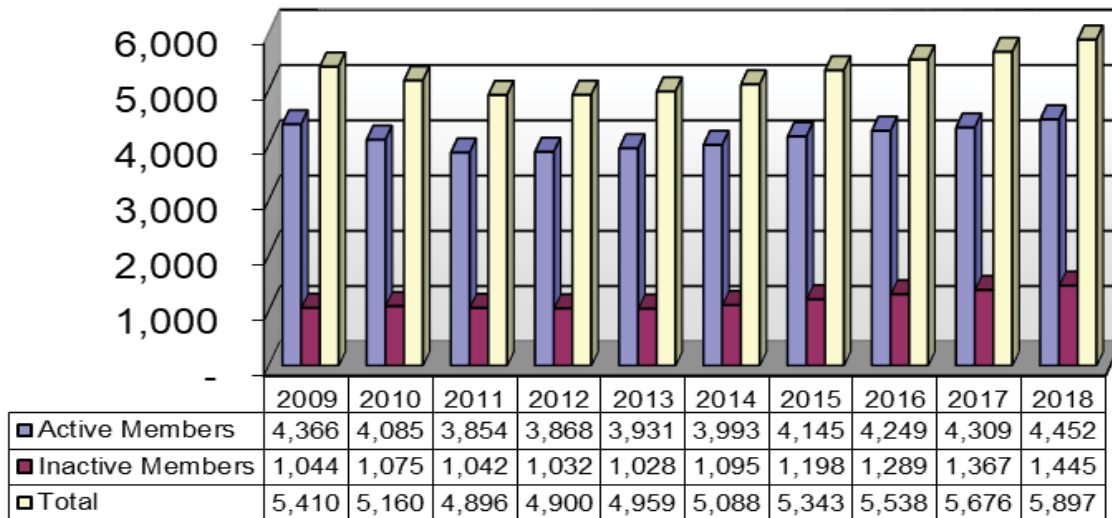
(for years ending June 30)



Data Source: StanCERA Pension Administration System

Membership History (Active & Deferred)

(for years ending June 30)



Data Source: StanCERA Pension Administration System

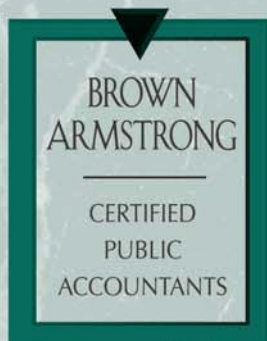
**PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS
WITH PERCENTAGE OF TOTAL SYSTEM**

for years ended June 30

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>	
Stanislaus County:										
General Members	3,307	74.3%	3,202	74.3%	3,156	74.3%	3,062	73.9%	2,963	74.2%
Safety Members	<u>721</u>	16.2%	<u>676</u>	15.7%	<u>645</u>	15.2%	<u>643</u>	15.5%	<u>602</u>	15.1%
Total	<u>4,028</u>		<u>3,878</u>		<u>3,801</u>		<u>3,705</u>		<u>3,565</u>	
Participating Agencies:										
Stanislaus County Superior Court	219	4.9%	217	5.0%	228	5.4%	224	5.4%	212	5.3%
City of Ceres	171	3.8%	180	4.2%	184	4.3%	181	4.4%	181	4.5%
East Side Mosquito Abatement District	9	0.2%	9	0.2%	10	0.2%	8	0.2%	9	0.2%
Hills Ferry Cemetery	3	0.1%	3	0.1%	3	0.1%	3	0.1%	3	0.1%
Keyes Community Services District	6	0.2%	6	0.2%	6	0.2%	6	0.2%	6	0.2%
Salida Sanitary District	6	0.1%	7	0.2%	7	0.2%	7	0.2%	7	0.2%
Stanislaus Council of Governments	<u>10</u>	0.2%	<u>9</u>	0.2%	<u>10</u>	0.2%	<u>11</u>	0.3%	<u>10</u>	0.3%
Total	<u>424</u>		<u>431</u>		<u>448</u>		<u>440</u>		<u>428</u>	
Total Active Membership	<u>4,452</u>		<u>4,309</u>		<u>4,249</u>		<u>4,145</u>		<u>3,993</u>	
	<u>2012</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>	
Stanislaus County:										
General Members	2,852	73.7%	2,852	73.7%	2,841	73.7%	3,013	73.8%	3,227	73.9%
Safety Members	<u>574</u>	14.8%	<u>574</u>	14.8%	<u>553</u>	14.3%	<u>601</u>	14.7%	<u>658</u>	15.1%
Total	<u>3,426</u>		<u>3,426</u>		<u>3,394</u>		<u>3,614</u>		<u>3,885</u>	
Participating Agencies:										
Stanislaus County Superior Court	229	5.9%	229	5.9%	245	6.4%	252	6.2%	263	6.0%
City of Ceres	173	4.5%	173	4.5%	173	4.5%	178	4.4%	178	4.1%
East Side Mosquito Abatement District	10	0.3%	10	0.3%	11	0.3%	11	0.3%	11	0.4%
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	0.2%	6	0.1%	6	0.1%
Salida Sanitary District	7	0.2%	7	0.2%	7	0.2%	7	0.1%	6	0.1%
Stanislaus Council of Governments	<u>13</u>	0.3%	<u>13</u>	0.3%	<u>14</u>	0.3%	<u>13</u>	0.3%	<u>13</u>	0.3%
Total	<u>442</u>		<u>442</u>		<u>460</u>		<u>471</u>		<u>481</u>	
Total Active Membership	<u>3,868</u>		<u>3,868</u>		<u>3,854</u>		<u>4,085</u>		<u>4,366</u>	

Data Source: StanCERA Pension Administration System

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BROWN ARMSTRONG

Certified Public Accountants

11/27/18
Item 9.a.
Attachment 2

**Stanislaus County Employees' Retirement Association
Board of Retirement and
Internal Governance Committee presentation
of the June 30, 2018 audit results
By: Andrew J. Paulden, CPA
Brown Armstrong Accountancy Corporation
November 13, 2018**

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WWW.BACPAS.COM

1. Purpose of the Audit
2. The Audit Process
 - a. Timeline coordination with StanCERA staff
 - b. Understanding and evaluation of StanCERA internal controls through inquiry and observation
 - c. Confirmations with independent third parties
 - d. Interim testing
 - e. Final fieldwork testing
 - f. Report presentation
3. Significant Audit Areas/Scope of Audit Work
 - a. Risk based approach
 - b. Investments and related earnings
 - c. Participant data and actuarial information
 - d. Employee and employer contributions
 - e. Benefit payments
 - f. GASB Statement No. 67
4. Audit Reports
 - a. Comprehensive Annual Financial Report (CAFR)
 - i. Independent Auditor's Report (opinion) on Financial Statements – unmodified (clean) opinion
 - b. Report to the Board of Retirement and Internal Governance Committee
 - i. Required Communication to the Members of the Board of Retirement and Internal Governance Committee in Accordance with Professional Standards (SAS 114)
 - ii. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - iii. Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)
5. Questions and/or Comments?

**STANISLAUS COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

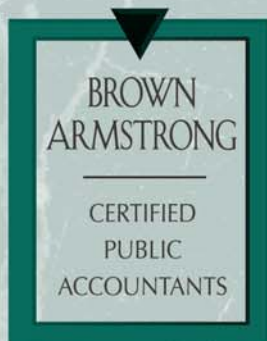
**REPORT TO THE BOARD OF RETIREMENT AND
INTERNAL GOVERNANCE COMMITTEE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**STANISLAUS COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

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BROWN ARMSTRONG

Certified Public Accountants

REQUIRED COMMUNICATION TO THE MEMBERS OF THE BOARD OF RETIREMENT AND INTERNAL GOVERNANCE COMMITTEE IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Board of Retirement and Internal Governance Committee of
Stanislaus County Employees' Retirement Association
Modesto, California

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We have audited the financial statements of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2018, and have issued our report dated November 5, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America 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 July 20, 2018. 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, Summary of Significant Accounting Policies, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2018. 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 StanCERA's financial statements were:

- Management's estimate of the fair value of investments, which was derived by various methods as detailed in the notes to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.
- The contribution amounts and net pension liability as detailed in the notes to the financial statements, which are based on the actuarially-presumed interest rate and assumptions. We evaluated the key factors and assumptions used to develop the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for deposits and investments in Notes 2 and 4 to the financial statements, Summary of Significant Accounting Policies and Cash and Investments Disclosures, respectively, were derived from StanCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the financial statements.
- Additionally, the disclosures related to the funding policies, net pension liability, and actuarial methods and assumptions in Note 1, Description of Plan; Note 5, Contributions; and Note 8, Net Pension Liability of Participating Employers Disclosures were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

Adjusting Journal Entries JE # 1

To correct the AP and AR account as a result of our pending trades testing.

Investment Security Transactions			
Receivables	6,191,300.00		
Investment Security Transactions			
Receivables	20,000,000.00		
Investment Security Transactions			
Payable		6,191,300.00	
Investment Security Transactions			
Payable		20,000,000.00	
Total	<u>26,191,300.00</u>		<u>26,191,300.00</u>

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2018.

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 StanCERA'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 each year 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 Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information (RSI), which are RSI that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, Schedule of Investment Management Fees and Other Investment Expenses, and Schedule of Payments to Consultants, which accompany the financial statements but are not RSI. With respect to this other supplemental information, 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 other supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory, investment, actuarial, and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

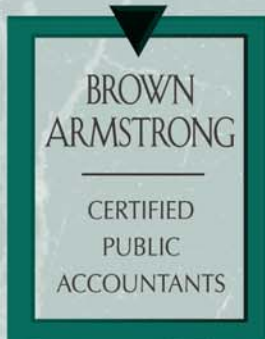
Restricted on Use

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 5, 2018



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Retirement and Internal Governance Committee of
Stanislaus County Employees' Retirement Association
Modesto, California

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We have audited, in accordance with the 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, the financial statements of the Stanislaus County Employees' Retirement Association (StanCERA) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise StanCERA's basic financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered StanCERA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of StanCERA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether StanCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

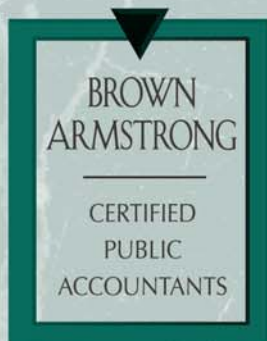
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of StanCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering StanCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
November 5, 2018



BROWN ARMSTRONG

Certified Public Accountants

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING (MANAGEMENT LETTER)

To the Board of Retirement and Internal Governance Committee of
Stanislaus County Employees' Retirement Association
Modesto, California

We have audited the financial statements of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2018 and 2017, and have issued our report dated November 5, 2018. In planning and performing our audit of the financial statements of StanCERA, we considered its internal control structure over financial reporting (internal control) 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.

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 a 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. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we considered to be material weaknesses or significant deficiencies.

However, during our audit, we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiencies. The recommendation listed in this report summarizes our comments and suggestions regarding these matters.

We will review the status of the comment during our next audit engagement. We have already discussed the comment and suggestion with various StanCERA personnel, and we will be pleased to discuss this in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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Restriction on Use

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Bakersfield, California
November 5, 2018

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Current Year Agreed Upon Conditions and Recommendations

Agreed Upon Condition 1 – Cost Methodology and Reconciliation

During our analysis of the cost value of alternative investments, we noted cost value differences between the Custodian and StanCERA's records. The differences noted appear to be a result of StanCERA and the Custodian using different methodologies to record investments. StanCERA uses the equity method of accounting for alternative investments, however, the Custodian does not record the investments in the same manner. As a result, it appears the cost of the investments in the general ledger is different in comparison to the Custodian's record. Both the Cost Method and Equity are acceptable valuation methods, but it is at StanCERA's discretion to choose which method to use. However, it is common practice to reconcile with the Custodian as the book of record, which is not being performed by StanCERA.

Recommendation

We recommend StanCERA consult with the Custodian to ensure the Custodian follows the same recording process, which should in turn will minimize the reconciliation differences between StanCERA and the Custodian.

Management Response

StanCERA concurs with the above and will perform an analysis of the alternative investments and will adjust them to be reported using the Cost Method. StanCERA will also perform a reconciliation not only with the investment managers but with the custodial bank as well.

Prior Year Agreed Upon Conditions and Recommendations

None.