



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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AGENDA

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

**December 14, 2011
2:00 p.m.**

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

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

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

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

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

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

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

1. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
 - a. Approval of the November 22, 2011 Meeting Minutes [View](#)
 - b. Approval of the 2012 Calendar of Board of Retirement Meetings Including Investment Managers' Reporting Schedule [View](#)

5. Consent Items (Cont.)

- c. Receipt of the June 30, 2011, and 2010, Comprehensive Annual Financial Report (CAFR), and the Popular Annual Financial Report (PAFR) for Fiscal Years Ended June 30, 2011 and 2010 (PAFR) [View](#)
- d. Receipt of StanCERA's Audited Financial Statements and Management Comments by Macias, Gini & O'Connell (MGO) Certified Public Accountants, for Fiscal Year Ended June 30, 2011 [View](#)
- e. Receipt of the Annual Audit Update on the Operational Audit by Vavrinek, Trine, Day & Co. (VTD) [View](#)
- f. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 - 1. Rose Ann Alfaro, Superior Courts, Effective 12-17-11
 - 2. Richard Allen, CSA, Effective 12-03-11
 - 3. Darian Bashaw, HSA, Effective 12-31-11
 - 4. Christine Bitonti, BHRS, Effective 12-17-11
 - 5. Cheryl Guinard, HSA, Effective 12-13-11
 - 6. Kenneth Hedrick, Sheriff, Effective 12-29-11
 - 7. Barbara Jackson, SBT, Effective 12-17-11
 - 8. Linda Juarez, CSA, Effective 12-17-11
 - 9. Walter Kruse, Env. Resources, Effective 12-27-11
 - 10. Kipp Loving, District Attorney, Effective 12-28-11
 - 11. Steve Perales, Auditor-Controller, Effective 12-27-11
 - 12. Scott Pettygrove, CSA Effective 12-17-11
 - 13. Richard Robinson, CEO, Effective 12-30-11
 - 14. Linda Tucker, CSA, Effective 12-01-11
 - 15. Laura Wilcoxson, Sheriff, Effective 12-16-11
- g. Approval of Deferred Retirement(s) – **Section 31700**
 - 1. Sokea Kiep, HSA, Effective 10-01-11
 - 2. Melissa Lee, CSA, Effective 11-19-11
 - 3. Susana Mascorro, HSA, Effective 10-01-11
 - 4. Patricia Wirowek, Probation, Effective 09-24-11
- 6. Presentation by Capital Prospects LLC of the Small Cap Value Equity Portfolio Semi-Annual Performance Report [View](#)
- 7. Presentation by Legato Capital Management LLC of the Small Cap Growth Equity Portfolio Semi-Annual Performance Report [View](#)

8. Strategic Investment Solutions (SIS), Inc.
 - b. Verbal Update on BNY Mellon Securities Lending
9. Executive Director
 - a. Executive Director's Verbal Report on Meetings with County Chief Executive Staff
 - b. Executive Director's Discussion on Harvard Law School's Infrastructure Survey
10. Closed Session
 - a. Conference with Legal Counsel – Potential Litigation Pursuant to Government Code Section 54956.9(b)(1)
11. Members' Forum (Information and Future Agenda Requests Only)
12. Adjournment



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PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

November 22, 2011

Members Present:

Maria De Anda, Jim DeMartini, Gordon Ford, Darin Gharat, Jeff Grover, Mike Lynch, Ron Martin, Michael O'Neal, and Donna Riley

Alternate Member Present:

Joan Clendenin, Alternate Retiree Representative

Staff Present:

Rick Santos, Executive Director
Kelly Cerny, Executive Secretary
Michele Silva, Benefits Manager
Kathy Herman, Operations Manager
Dawn Lea, Retirement Specialist
Luiana Irizarry, Administrative Assistant
Jamie Borba, Retirement Specialist

Others Present:

Fred Silva, General Legal Counsel
Paul Harte, & Nathan Pratt, Strategic Investment Solutions (SIS), Inc.
Richard Moreau, BNY Mellon via teleconference

1. Meeting called to order at 2:00 p.m. by Mike Lynch, Chair

2. **Roll Call**

3. **Announcements**

Mr. Santos announced he invited all StanCERA staff members to attend Board meetings to get an idea of what is going on with pension systems and to listen to what Board members are thinking and doing.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Jeff Grover and seconded by Darin Gharat to approve the following items as listed.

Motion carried.

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

- a. Approval of the October 25, 2011, Investment Meeting Minutes
- b. StanCERA Third Quarter Investment Managers Peer Ranking
- c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

- 1. Diane Aiello, Superior Court, Effective 10-22-11
- 2. Cathy Autrand, HSA, Effective 10-18-11
- 3. Nick Babaian, CSA, Effective 11-04-11
- 4. Gayle Case, BHRS, Effective 11-18-11
- 5. Elizabeth Cooper, HSA, Effective 11-05-11
- 6. Keith Crabtree, Stanislaus County Fire, Effective 10-11-11
- 7. Aaron Green, Sheriff, Effective 11-10-11
- 8. Barbara Heiland, Sheriff, Effective 11-05-11
- 9. Janice Husman, HSA, Effective 11-05-11
- 10. Clarine Johnstad, ESMAD, Effective 11-01-11
- 11. Catherine Kleinfelder, CSA, Effective 09-27-11
- 12. Edward Malberg, Probation, Effective 11-19-11
- 13. Vito Mangipane, Env. Resources, Effective 09-10-11
- 14. Martin Martinez, Probation, Effective 11-05-11
- 15. Ofelia Mejia, CSA, Effective 11-02-11
- 16. Thomas Watson, StanCERA, Effective 11-19-11
- 17. Lorraine Webber, HSA, Effective 11-08-11

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

- 1. Kristi Ah You, Sheriff, Effective 11-05-11
- 2. Sonia Alves, CSA, Effective 10-04-11
- 3. Brendan Caraway, Sheriff, Effective 04-18-11
- 4. Tivoli, Cooley, CSA, Effective 09-02-11
- 5. Dawn Costa, CSA, Effective 10-28-11
- 6. Celeste Edwards, Probation, Effective 10-15-11
- 7. Richard Francis, CSA, Effective 11-05-11
- 8. Patricia Lewman, Env. Resources, Effective 08-25-11
- 9. Garth Sutton, Sheriff, Effective 04-18-11
- 10. Jolynn Young, HSA, Effective 12-01-10

9. **Closed Session** – **Heard Out of Order**

Motion was made by Jeff Grover and seconded by Michael O'Neal to commence to Closed Session at 2:02 p.m.

Motion was made by Maria De Anda and seconded by Donna Riley to return to Open Session at 2:54 p.m.

Individual Closed Session Items were heard out of order.

Ms. Cerny read the findings of the Closed Session for Items #9b, #9a, and #9d.
Mr. Lynch read the finding of Closed Session Item #9c.

9. **Closed Session** – Heard Out of Order (Cont.)

Item #9b. Heard Out of Order

Mr. Gharat recused himself at 2:02 p.m.

- b. Discussion and Action on the Recommendation on Retired Member Charley Corle's Application for a Service-Connected Disability Retirement Benefit

Motion was made by Maria De Anda and seconded by Ron Martin to approve Charley Corle's application for a service-connected disability retirement benefit effective May 3, 2007.

Motion carried.

Motion was made by Ron Martin and seconded by Maria De Anda to authorize counsel to negotiate a settlement for attorneys' fees with opposing counsel.

Motion carried.

Mr. Gharat returned at 2:20 p.m.

- a. Conference with Legal Counsel – Real Estate Negotiations
Government Code Section 54956.8

Motion was made by Jeff Grover and seconded by Ron Martin to approve staff's recommended counter proposal.

Motion carried.

Item #9d Heard Out of Order

Mr. O'Neal and Joan Clendenin recused themselves at 2:33 p.m.

- d. Conference with Legal Counsel - Pending Litigation – One Case:
Dennis Nasrawi et al v. Buck Consultants, LLC, Santa Clara County
Superior Court Case No. 1-11-CV202224
Government Code Section 54956.9 (a)

Motion was made by Jeff Grover and seconded by Ron Martin to authorize counsel to respond to plaintiff's third amended complaint as recommended.

Motion carried.

Mr. O'Neal and Joan Clendenin returned at 2:49 p.m.

9. **Closed Session – Heard Out of Order (Cont.)**

Ms. Cerny, Ms. Herman, and Ms. Lea recused themselves at 2:49 p.m.

- c. Conference with Legal Counsel – Personnel Matter Pursuant to Government Code Section 54957(b)(1)

Motion was made by Donna Riley and seconded by Maria De Anda to unanimously approve the Executive Director's Employment Agreement.

Motion carried.

6. **Strategic Investments Solutions (SIS), Inc.**

Ms. Cerny, Ms. Irizarry, and Ms. Herman returned at 2:54 p.m.

Mr. Gharat left at 2:54 p.m.

Item #6f. Heard Out of Order

- f. Presentation of The BNY Mellon Securities Lending Earnings Review Through October 18, 2011

Mr. Harte gave a brief review of the BNY Mellon securities lending earnings through October 18, 2011. Mr. Richard Moreau, BNY Mellon Relationship Manager, was present via teleconference for the presentation.

Mr. Harte will bring back to the Board information on a cap proposal for the securities lending program.

- a. Investment Performance Analysis for the Third Quarter Ending September 30, 2011

The composite fund returned -10.7% in the third quarter of 2011 and ranked in the 85th percentile among other public funds greater than \$100 million (-9.0% median). The fund trailed its policy index (-9.9%) during this time period. Longer term, the three and five year returns of 6.0% and 1.9%, ranked above and below the median among total public plans (4.2% and 2.0%, respectively).

6. **Strategic Investments Solutions (SIS), Inc. [Cont.]**

b. StanCERA Manager Review List – Performance Through September 30, 2011

Motion was made by Gordon Ford and seconded by Michael O'Neal to place Research Affiliates on under review status.

Motion carried.

Motion was made by Ron Martin and seconded by Maria De Anda to increase Dodge & Cox's fixed income expected manager tracking error from 100 basis points to 300 basis points.

Motion carried.

Item #6d. Heard Out of Order

d. Monthly Performance Review for the Month Ending October 31, 2011

Mr. Harte presented the monthly performance review for the period ending October 31, 2011. As of October 31, 2011, StanCERA's portfolio is \$1.3 billion, a 6.50% increase from the prior month. The fiscal year to date return is -4.62%, which is -1.92% below StanCERA's policy index. The fiscal year to date actuarially assumed rate of return for the period is 2.68%, with the assumed rate of inflation at 1.16%.

c. Report on "Top 10 Holdings" by StanCERA Investment Managers as of October 31, 2011

e. Discussion and Action on StanCERA's Investment Managers Structure of U.S. Equity and Fixed Income Asset Classes

Motion was made by Maria De Anda and seconded by Ron Martin to take a total of \$40 million from Dodge & Cox equity and place it in the BlackRock Russell 1000 Value Index.

J. De Martini opposed.

Motion carried.

Motion was made by Gordon Ford and seconded by Jim DeMartini to transfer \$20 million from Dodge & Cox fixed income to the PIMCO fund.

Motion carried.

7. **Administrator**

a. Discussion and Action on StanCERA's Potential Holiday Office Closure

Motion was made by Ron Martin and seconded by Maria De Anda to approve the closure of the StanCERA office at Noon on Friday, December 23, 2011; allowing employees to use vacation or compensatory time or work the requisite hours to ensure no additional personnel costs are incurred.

Motion carried.

8. **Committee Reports and Recommendations for Action**

STANDING COMMITTEES

a. Internal Governance Committee – Maria De Anda, Chair

i. Discussion and Action on Attendance and Travel Costs
for The Opal Financial Group's Public Funds Summit,
January 10-12, 2012, Scottsdale, AZ

Motion was made by Gordon Ford and seconded by Michael O'Neal to approve attendance and travel costs for The Opal Financial Group's Public Funds Summit, January 10-12, 2012, Scottsdale, AZ

Motion carried.

9. **Closed Session** – Heard Out of Order

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

Mr. Santos updated Board members that the requested reimbursement costs from RBC Global Asset Management for the defunct infrastructure venture had been received.

Mr. Santos noted that Capital Prospects was notified of the concern of a potential violation of StanCERA's Statement of Investment Policy regarding holdings of MF Global. The Policy states notification is required on any fraudulent behavior and notification of adverse news on a significant portfolio holding. Capital Prospects' response was that StanCERA's position in MF Global was sold before any announcement of fraudulent behavior occurred and, that StanCERA's position in MF Global was not significant (0.12% of Capital Prospects' portfolio).

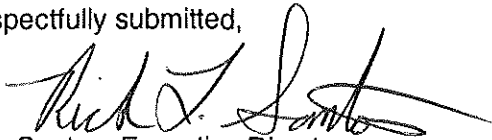
Mr. DeMartini and Mr. Lynch commented that SIS, Inc. gave an exceptionally good investment analysis.

Mr. Ford made a request to avoid scheduling Board meetings on County furlough days.

11. Adjournment

Meeting adjourned at 4:48 p.m.

Respectfully submitted,

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

Rick Santos, Executive Director

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

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

Fred A. Silva, General Legal Counsel

StanCERA – BOARD OF RETIREMENT

2012 SCHEDULE

January 2012 M T W T F S S 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	February 2012 M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	March 2012 M T W T F S S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	April 2012 M T W T F S S 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
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ADMINISTRATIVE MEETING – SECOND WEDNESDAY OF THE MONTH

INVESTMENT MEETING – FOURTH TUESDAY OF THE MONTH

SACRS CONFERENCES – MAY 8-11 & NOV. 13-16

INVESCO NATIONAL TRUST AND RESEARCH AFFILIATES – JAN 24

SIS, INC. QUARTERLY REPORTS - FEB. 28, MAY 22, AUG. 28 & NOV. 27

DODGE & COX AND PIMCO – FEB. 28 & AUG. 28

DELAWARE INVESTMENTS – MAR. 27 & SEPT. 25

PYRAMIS AND LSV – APR. 24 & OCT. 23

CAPITAL PROSPECTS AND LEGATO CAPITAL MGMT. – JUNE 26 & DEC. 12

Comprehensive Annual Financial Report

12/14/11
Item #5c

For the Fiscal Years Ended
June 30, 2011 and 2010

*"Everything should be made as simple as possible,
but not simpler." -Albert Einstein*

Ensuring tomorrow's benefits through prudent management.



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

Cover Source:

Irizarry, Luiana M. *Auf Wiedersehen*. 2011. jpg. StanCERA, Modesto.

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, 2011 and 2010

Issued By

Tom Watson
Retirement Administrator

StanCERA
Staff

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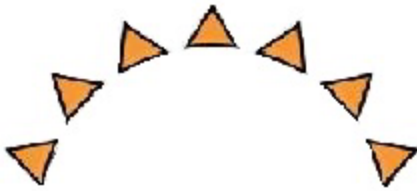
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Mission

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

Vision

Ensuring tomorrow's benefits through prudent management.



Introductory Section

"The best thing about the future is that it comes only one day at a time." -Abraham Lincoln

Stanislaus County

Stanislaus County

Stanislaus County

Stanislaus County

Stanislaus County

Cover Source:

Irizarry, Luiana M. *Busy Work*. 2011. jpg. StanCERA, Modesto.



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LETTER OF TRANSMITTAL

November 9, 2011

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

Dear Board Members:

Please find enclosed the Comprehensive Annual Financial Report (CAFR) of the Stanislaus County Employees' Retirement Association (StanCERA, or the System) for the fiscal years ending June 30, 2011 and 2010. As of June 30, 2011, it is StanCERA's 63rd year of operations.

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

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

StanCERA and its Services

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

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

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

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

Financial Information

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. 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, 2011 and 2010, is presented in the Management's Discussion and Analysis (MD&A) located in the financial section of the CAFR. This transmittal letter, together with the MD&A, provides an expanded view of the activities of StanCERA.

Macias Gini & O'Connell LLP, StanCERA's independent auditor, has audited the accompanying financial statements. Management believes an adequate system of internal control is in place and the accompanying statements, schedules and tables are fairly presented and free from material misstatement. (Note that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design safeguards into the process to reduce, but not eliminate, this risk.)

Actuarial Funding Status

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to CERL, StanCERA engages an independent actuary to perform an actuarial valuation of the System on an annual basis. Economic assumptions are reviewed annually. Additionally, every three years, a triennial experience study is conducted, at which time non-economic assumptions are also updated. The most recent triennial experience study was conducted as of June 30, 2009 by EFI Actuaries. EFI Actuaries also conducted the last actuarial valuation as of June 30, 2010 and determined the plan's funding ratio (ratio of plan assets to plan liabilities) to be 76.3% using the recommended assumptions.

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

Investments

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

The Board has adopted an Investment Policy, which provides a framework for the management of StanCERA's investments. This policy establishes StanCERA's investment objectives and defines the duties of the Board of Retirement, investment managers and custodial banks. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations to ensure growth of assets to meet future liabilities, minimize employer contributions and defray reasonable administrative costs. StanCERA engages an Investment Consultant to analyze investment policy and strategy and conduct periodic asset allocation and asset/liability studies on behalf of StanCERA. For the fiscal years ended June 30, 2011 and June 30, 2010, the Plan's investments provided a positive 22.9% and positive 15.9% rate of return, respectively. A summary of the asset allocation can be found in the Investment Section of this report.

Awards

StanCERA is the recipient of several awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to StanCERA for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010. 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 fifth consecutive year StanCERA has achieved this prestigious award.

Awards (continued)

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

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

StanCERA received the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ending June 30, 2010. This report replaces the Members' Annual Report providing all StanCERA members more concise and condensed information than can be found in the CAFR.

StanCERA also received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2010 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

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

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

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

Service Efforts and Accomplishments

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

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

Service Efforts and Accomplishments (continued)

Information available to the public is being expanded as well. Major retirement policies and guidelines along with forms are updated regularly. Audio and video recordings of educational seminars and Board meetings are available on the web. The electronic agenda process has been updated to include all attachments and documentation for each meeting. A contribution calculator has been added and with the benefits calculator is the most visited page on the website.

Due to the extreme stock market and other economic conditions in both fiscal years ending June 30, 2008 and 2009, payments of the Revocable Health Benefit Subsidy for our retirees were discontinued beginning with the January 4, 2010 payroll. An updated Excess Earnings Policy requires that all investment earnings will be used to fund vested retirement benefits until all losses are offset by gains and an actuarial funded level of 90% is achieved.

Acknowledgement

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

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

Sincerely,

A handwritten signature in black ink that reads "Tom Watson". The script is cursive and fluid, with the first letters of "Tom" and "Watson" being capitalized and prominent.

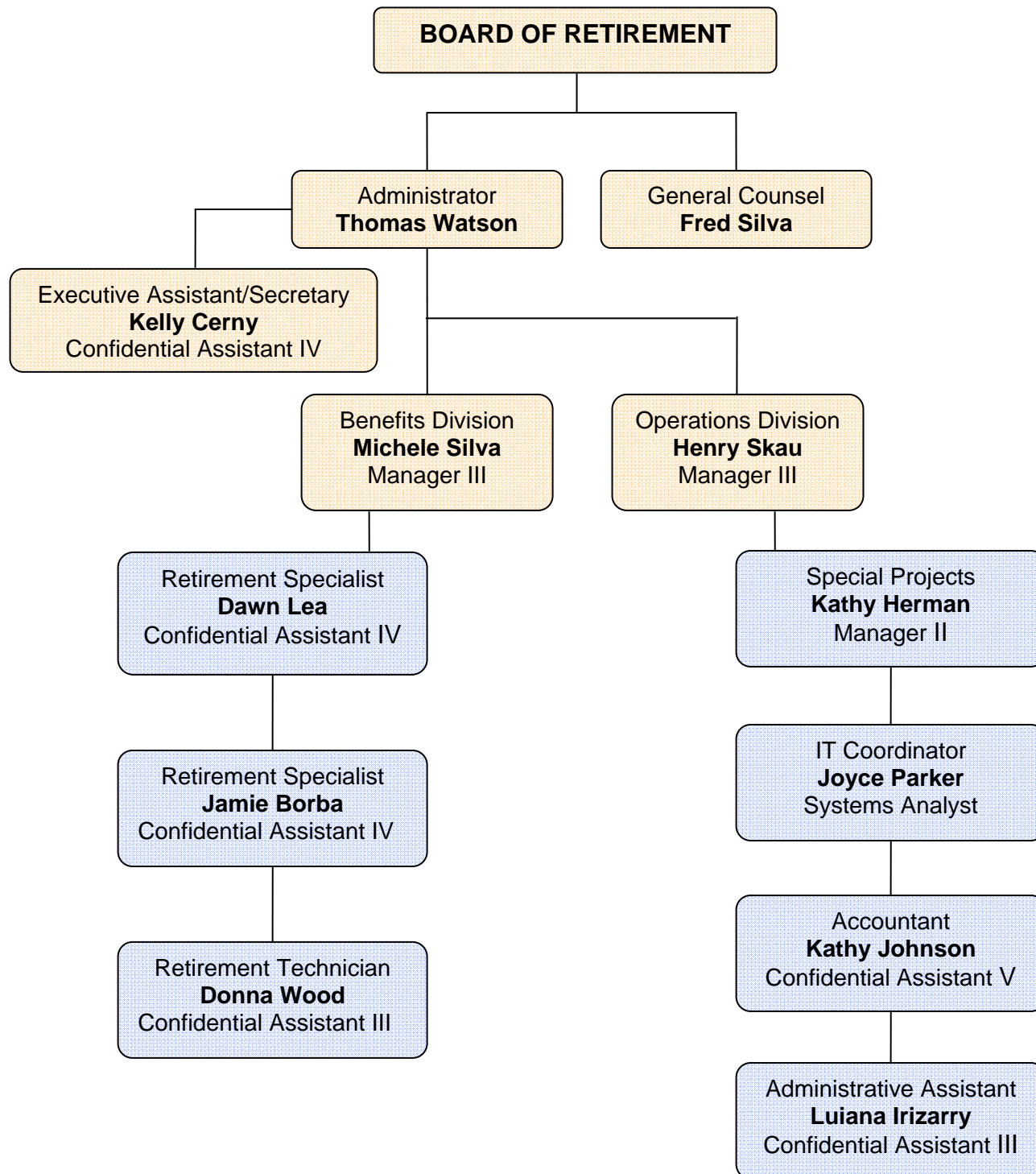
Tom Watson
Retirement Administrator

BOARD OF RETIREMENT
JUNE 30, 2011

<i>Gordon Ford</i> , Ex-Officio	Treasurer/Tax Collector
<i>Maria DeAnda</i> , Trustee	Elected by Active General Membership
<i>Clarence Willmon</i> , Trustee	Elected by Active General Membership
<i>Ron Martin</i> , Trustee	Appointed by the Board of Supervisors
<i>Darin Gharat</i> , Trustee	Elected by Active Safety Membership
<i>Mike Lynch</i> , Chair	Appointed by the Board of Supervisors
<i>Jim DeMartini</i> , Vice Chair	Appointed by the Board of Supervisors
<i>Vacant</i> , Trustee	Elected by Retired Membership
<i>Linda Stotts-Burnett</i> , Alternate Trustee	Elected by Retired Membership
<i>Jeff Grover</i> , Trustee	Appointed by the Board of Supervisors

StanCERA ORGANIZATIONAL CHART

Effective November 20, 2010



PROFESSIONAL CONSULTANTS
JUNE 30, 2011

Actuary

EFI Actuaries
Milliman, Inc (Actuary Audit)

Auditors

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

Investment Custodian

The Bank of New York Mellon

Investment Consultant

Strategic Investment Solutions, Inc.

Health Insurance Consultant

Stemler, McTighe & Lewis, Ins.

Legal Counsel

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

Technical & Data Services

Tyler, Inc.
SBT, County of Stanislaus

Investment Management Services*

Fixed Income

Dodge & Cox
PIMCO

Large Cap Value Equity

Dodge & Cox
BlackRock R1000 Value

Large Cap Growth Equity

Delaware Investments
BlackRock R1000 Growth

Small Cap Value Equity

Capital Prospects

Small Cap Growth Equity

Legato Capital Management

International Equity

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

Domestic Equity Index Funds

Mellon Capital Management

Global REIT's

Invesco National Trust Company

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Stanislaus County
Employees' Retirement Association
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

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

PRESENTED TO

**Stanislaus County
Employees' Retirement Association
California**

for the Fiscal Year Ended

June 30, 2010



Linda C. Davidson
President

Jeffrey L. Esser
Executive Director



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2010***

Presented to

Stanislaus County Employees' Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

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Financial Section

"Our greatest glory is not in never falling but in rising every time we fall." -Confucious

Cover Source:

Irizarry, Luiana M. *Vision*. 2011. jpg. StanCERA, Modesto.

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of the Stanislaus County Employees' Retirement Association (StanCERA), as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the StanCERA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of StanCERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Stanislaus County Employees' Retirement Association as of June 30, 2011 and 2010, and the changes in plan net assets for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 5, based on the most recent actuarial valuation as of June 30, 2010, StanCERA's independent actuaries determined that, at June 30, 2010, the actuarial accrued obligation exceeded the actuarial value of its assets by \$412.0 million.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of StanCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 23 and the schedules of funding progress and employer contributions on page 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, other supplemental information in the financial section, the investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to 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.

Macinn Mini & O'Connell LLP

Sacramento, California
November 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Stanislaus County Employees' Retirement Association (StanCERA) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ending June 30, 2011 and 2010. Please review it in conjunction with the transmittal letter (starting on page 3) and the Basic Financial Statements beginning on page 24.

Financial Highlights

- Plan net assets increased by \$228.5 million (or 19.20%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by \$2.9 million (or 6.80%).
- Net investment income (including Net Appreciation in Fair Value of Investments) increased by \$100.1 million (or 62.11%).
- Benefit payments increased by \$3.4 million (or 4.70%) from the prior year.

Plan Highlights

- Benefit plans for Tiers 2 and 3 were closed to new hires and Tiers 4 and 5 were adopted effective March 9, 2002 to provide retirement formulas commonly known as 2% at age 55 for most active general members, and 3% at age 50 for most active safety members. One district has not implemented the new benefit plans. Members in the non-contributory Tier 3 were allowed to transfer prospectively into a contributory plan. Effective January 1, 2011, Tier 5 was closed and Tier 2 was re-opened for all new hires for Stanislaus County, resuming the reduced benefit formulas of 2% at age 61 for most general members, and 2% at 50 for most safety members.
- Effective January 1, 2010, the Revocable Health Benefits Subsidy was suspended.
- The Board of Retirement voted to not pay a special cost of living benefit in calendar year 2010 and in calendar year 2009. In years prior to 2009 this benefit was paid to retirees who retired prior to April 1981 with over 20 accumulated percentage credits in their "COLA Bank" for a total not to exceed \$2,400 per retiree.
- In April of 2011, a cost of living increase was given to all retired, disabled and beneficiary members receiving a recurring allowance, per the schedule below, except those retirees who receive pensions for service as a Tier 3 non-contributory member.

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

Plan Highlights (Cont.)

- In April of 2010, a cost of living increase was given to all retired, disabled and beneficiary members receiving a recurring allowance, per the schedule below, except those retirees who receive pensions for service as a Tier 3 non-contributory member.

Members who retired between	4/2/1970 – 4/1/1989	3.0%
Members who retired between	4/2/1989 – 4/1/2010	2.5%

Using the Annual Report

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

Overview of the Basic Financial Statements

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

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

Financial Analysis

Statement of Plan Net Assets

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

Plan Net Assets

For The Fiscal Years Ended
June 30, 2011, 2010 and 2009

	2011	2010	2009	\$ Change 2011 - 2010	\$ Change 2010 - 2009
Current Assets	\$ 69,294,750	\$ 90,116,604	\$ 91,033,967	\$ (20,821,854)	\$ (917,363)
Investments	1,506,879,134	1,228,683,230	1,186,224,547	278,195,904	42,458,683
Capital Assets	3,760,576	3,924,345	3,857,958	(163,769)	66,387
Total Assets	1,579,934,460	1,322,724,179	1,281,116,472	257,210,281	41,607,707
Total Liabilities	161,188,514	132,504,782	223,007,382	28,683,732	(90,502,600)
Total Plan Net Assets	1,418,745,946	\$ 1,190,219,397	\$ 1,058,109,090	\$ 228,526,549	\$ 132,110,307

Statement of Changes in Plan Net Assets

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

Additions To Plan Net Assets

For The Fiscal Years Ended
June 30, 2011, 2010 and 2009

	2011	2010	2009	\$ Change 2011 - 2010	\$ Change 2010 - 2009
Employer Contributions	\$ 26,256,729	\$ 21,814,194	\$ 23,410,965	\$ 4,442,535	\$ (1,596,771)
Plan Member Contributions	19,197,052	20,746,411	20,922,893	(1,549,359)	(176,482)
Net Investment Income (Loss)	261,380,696	161,234,157	(215,302,029)	100,146,539	376,536,186
Net Litigation Recovery	16,849	680,579	57,010	(663,730)	623,569
Net Security Lending Income (Loss)	444,947	3,139,108	(5,786,378)	(2,694,161)	8,925,486
<i>Total Additions</i>	<u>\$ 307,296,273</u>	<u>\$ 207,614,449</u>	<u>\$ (176,697,539)</u>	<u>\$ 99,681,824</u>	<u>\$ 384,311,988</u>

Deductions From Plan Net Assets

For The Fiscal Years Ended
June 30, 2011, 2010 and 2009

	2011	2010	2009	\$ Change 2011 - 2010	\$ Change 2010 - 2009
Benefit Payments	\$ 74,826,404	\$ 71,464,735	\$ 71,861,210	\$ 3,361,669	\$ (396,475)
Member Refunds	1,906,153	1,731,971	2,537,978	174,182	(806,007)
Administrative Expense	2,037,167	2,307,436	2,080,130	(270,269)	227,306
<i>Total Deductions</i>	<u>\$ 78,769,724</u>	<u>\$ 75,504,142</u>	<u>\$ 76,479,318</u>	<u>\$ 3,265,582</u>	<u>\$ (975,176)</u>

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

	\$ 228,526,549	\$ 132,110,307	\$ (253,176,857)	\$ 96,416,242	\$ 385,287,164
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Net Assets Held in Trust for Pension Benefits

Beginning of Year	1,190,219,397	1,058,109,090	1,311,285,947	132,110,307	(253,176,857)
End of Year	<u>\$ 1,418,745,946</u>	<u>\$ 1,190,219,397</u>	<u>\$ 1,058,109,090</u>	<u>\$ 228,526,549</u>	<u>\$ 132,110,307</u>

Additions to Plan Net Assets

A review of the Statement of Plan Net Assets shows that June 30, 2011 closed with assets exceeding liabilities by \$1.419 billion with all of the net assets available to meet StanCERA's ongoing obligations to plan participants and their beneficiaries. Last fiscal year, ending June 30, 2010, closed with assets exceeding liabilities by \$1.190 billion. The \$228.5 million increase and \$132.1 million increase, respectively, in plan assets is a direct result of the changes in the financial market over the past two years. The Retirement System remains in very good financial condition.

Additions to Plan Net Assets (continued)

The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. These income sources for fiscal year 2010-2011 resulted in a gain of \$307.3 million, where fiscal year 2009-2010 resulted in a gain of \$207.6 million. This gain is a result of growth in the broad market over the past year. Employer and member contributions also resulted in an increase of \$2.9 million (or 6.80%) from the contributions made in 2009-2010. The increase is due in large part to higher employer contributions.

Deductions from Plan Net Assets

The primary uses of StanCERA's assets are in payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. These expenses for fiscal year 2010-2011 were \$78.8 million, an increase of \$3.3 million from prior year. This increase is mainly due to the increase in the number of retirees and the average amount that they are paid. For fiscal year 2009-2010 these expenses were \$75.5 million, a decrease of \$1.0 million from the prior year. Administrative costs to operate the system were \$2.04 million and \$2.31 million for fiscal years 2010-2011 and 2009-2010, respectively. Due to a staffing vacancy and a decrease in external professional services, costs decreased by 11.7% over fiscal year 2009-2010. Total administrative costs represented 0.14% of total plan assets for fiscal year 2010-2011 and .19% for fiscal 2009-2010.

Overall Financial Condition

Investment Analysis

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

Equity markets continued to have positive returns. Domestic equity returns as of June 30, 2011 outperformed their benchmark by 130 basis points, international equity outperformed the benchmark by 100 basis points. Domestic equity returns outperformed their benchmark by 10 basis points and international equity outperformed by 300 basis points as of June 30, 2010. All major indices rose over the past year, as it appears the market has rebounded from the impact of the sub-prime lending crisis, the falling housing market and the decline in consumer confidence.

As the bond market continued to improve, fixed income returns for the year were up and outperformed their benchmark by 210 basis points as of June 30, 2011. For the year ending June 30, 2010 fixed income returns outperformed their benchmark by 430 basis points.

For the fiscal year ending June 30, 2011, StanCERA's total portfolio outperformed its policy benchmark by 160 basis points with an overall return of 22.99%. For fiscal year ending June 30, 2010, it outperformed its policy benchmark by 210 basis points with an overall return of 15.90%. The strong returns for fiscal 2011 continue to strengthen StanCERA's financial position, and further enhanced its ability to meet its obligations to the Plan participants and beneficiaries.

Funding Status

The primary concern to most pension plan participants is the amount of resources available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. Stanislaus County has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. No net pension obligation exists for the fund as of June 30, 2010, the date of the last actuarial valuation.

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

The funding ratio as of June 30, 2010 was 76.3%, up from 70.9% as of June 30, 2009, using the entry age normal method and the increase of asset valuations. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. The Board of Retirement approves the assumptions used by the Actuary to perform their calculation. As of the most recent actuarial valuation date of June 30, 2010, the actuarial value of assets was \$1.4 billion. The next actuarial valuation is scheduled for June 30, 2011.

StanCERA's Fiduciary Responsibilities

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

Requests for Information

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

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

Tom Watson, Retirement Administrator
Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600
Modesto, CA 95354

STATEMENTS OF PLAN NET ASSETS
As of June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ASSETS		
Cash And Cash Equivalents	\$ 49,487,217	\$ 47,033,733
Receivables:		
Interest & Dividends	7,068,358	6,632,608
Securities Transactions	11,099,645	35,100,676
Contributions (Note 3)	1,599,785	1,346,604
Other	39,745	2,983
Total Receivables	<u>19,807,533</u>	<u>43,082,871</u>
Capital Assets (Note 2):		
Capitalized Software, net	725,153	850,778
Real Estate Occupied, net	1,783,805	1,802,782
Real Estate Leased, net	1,189,439	1,202,093
Leasehold Improvements, net	52,755	63,306
Office Equipment, net	3,590	5,386
Audio Recording System, net	5,834	-
Total Capital Assets, net	<u>3,760,576</u>	<u>3,924,345</u>
Investments at Fair Value (Note 4):		
Fixed Income	502,229,675	430,777,936
Equity	865,824,739	725,757,057
Securities Lending Collateral	138,824,720	72,148,237
Total Investments	<u>1,506,879,134</u>	<u>1,228,683,230</u>
Total Assets	<u>1,579,934,460</u>	<u>1,322,724,179</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	7,736,755	2,942,686
Security Transactions	8,593,470	50,999,227
Securities Lending Obligation (Note 4)	144,453,289	78,152,869
Total Current Liabilities	<u>160,783,514</u>	<u>132,094,782</u>
Long Term Liabilities		
Grant Deed Extension Fee	405,000	410,000
Total Liabilities	<u>161,188,514</u>	<u>132,504,782</u>
Net Assets Held In Trust For Pension Benefits (Note 6)	<u>\$ 1,418,745,946</u>	<u>\$ 1,190,219,397</u>

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

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ADDITIONS		
Contributions (Note 5):		
Employer	\$ 26,256,729	\$ 21,814,194
Plan Members	<u>19,197,052</u>	<u>20,746,411</u>
Total Contributions	<u>45,453,781</u>	<u>42,560,605</u>
Investment Income (Loss):		
Net Appreciation in		
Fair Value of Investments	229,909,853	132,734,348
Interest & Dividends	<u>36,699,779</u>	<u>33,239,016</u>
Total Investment Gain	266,609,632	165,973,364
Net Income from Commission Recapture	39,220	10,926
Less: Investment Expense (Note 7)	<u>(5,268,156)</u>	<u>(4,750,133)</u>
Net Investment Income	<u>261,380,696</u>	<u>161,234,157</u>
Other Investment Income:		
Net Litigation Recovery Income	<u>16,849</u>	<u>680,579</u>
Securities Lending Activities (Note 4):		
Securities Lending Income	463,269	368,167
Less: Securities Lending Expenses	(141,229)	(85,810)
Less: Net Appreciation in Fair Value of		
Securities Lending Collateral	<u>122,907</u>	<u>2,856,751</u>
Net Securities Lending Income	<u>444,947</u>	<u>3,139,108</u>
Total Investment Income	<u>261,842,492</u>	<u>165,053,844</u>
Total Additions	<u>307,296,273</u>	<u>207,614,449</u>
DEDUCTIONS		
Benefit Payments	74,826,404	71,464,735
Member Refunds	1,906,153	1,731,971
Administrative Expenses (Note 2)	<u>2,037,167</u>	<u>2,307,436</u>
Total Deductions	<u>78,769,724</u>	<u>75,504,142</u>
Net Increase	228,526,549	132,110,307
Net Assets Held in Trust for Pension Benefits (Note 6)		
Beginning of Year	<u>1,190,219,397</u>	<u>1,058,109,090</u>
End of Year	<u>\$ 1,418,745,946</u>	<u>\$ 1,190,219,397</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 1 - DESCRIPTION OF PLAN

Description of System and Applicable Provisions of the Law

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

Membership

Each person entering employment full-time or permanent part-time (50% or more of the regular hours) becomes a member on the first day of employment.

	June 30, 2011			June 30, 2010		
	General	Safety	Total	General	Safety	Total
Active Members:						
Vested & Non-vested	3,220	634	3,854	3,404	681	4,085
Total Active	3,220	634	3,854	3,404	681	4,085
Inactive Members:						
Deferred and Inter-System Members	734	158	892	759	167	926
Unclaimed Contributions	135	15	150	134	15	149
Total Inactive	869	173	1,042	893	182	1,075
Retired Members:						
Service Retirements	2,245	313	2,558	2,098	301	2,399
Disability Retirements	237	139	376	237	140	377
Survivor Payments	33	9	42	32	10	42
Total Retired	2,515	461	2,976	2,367	451	2,818
Total Membership	6,604	1,268	7,872	6,664	1,314	7,978

The Stanislaus County Employees' Retirement Association consists of employees from the County of Stanislaus, East Side Mosquito Abatement District, Hills Ferry Cemetery District, Keyes Community Service District, City of Ceres, Salida Sanitary District, Stanislaus County Superior Court and Stanislaus Council of Governments. The structure of the Membership is as follows:

Vesting

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

NOTE 1 – DESCRIPTION OF PLAN (continued)

Benefits

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

Service Retirement Benefit

Plan members 1, 2, 4 and 5 with 10 years of service, who have attained the age of 50, are eligible to retire. Plan 3 members are eligible with 10 years of service at age 55. Members with 30 years of service (20 years for safety), regardless of age, are eligible to retire. The benefit is a percentage of monthly final average salary per year of service, depending on age at retirement and is illustrated below for representative ages. For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage shown below times the first \$350 of monthly final average salary per year of service credited after January 1, 1956.

Percentage of Final Average Salary (FAS)

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

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

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

Death Benefit-Before Retirement

Employed Less Than 5 Years

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

Employed More than 5 Years

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

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

NOTE 1 – DESCRIPTION OF PLAN (continued)

Death Benefit-After Retirement

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

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

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

Disability Benefit

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

Cost of Living Benefit

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

Ad-Hoc Benefits

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

No ad-hoc benefits are currently being paid effective January 1, 2010. Changes in the excess earnings policy approved by the Board of Retirement on May 24, 2010 have placed additional restrictions on the Retirement Board's ability to grant these benefits, the greatest restriction currently being that the System must be 90% actuarially funded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

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

Investments are stated at fair value in accordance with GASB Statement No. 25. Values for stocks, publicly traded bonds, issues of the U.S. Government and its agencies are valued according to sale prices of recognized exchanges as of the fiscal year end, with international securities reflecting currency exchange rates in effect at June 30, 2011 and 2010. Both domestic and international investments are denominated in U.S. currency.

Securities Transactions and Related Investment Income

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, consisting of software development, the purchase of a condominium interest in one floor of an office building, and office equipment are presented at historical cost. StanCERA occupies 60% of the 6th floor of the office building. The other 40% is un-developed office space to be leased out. Depreciation expense totaled \$170,251 and \$169,603 for years ending June 30, 2011 and 2010 respectively. Depreciation is calculated using the straight-line method, with an estimated life of ten years for the software development, an estimated life of ninety-nine years for the office space, an estimated life of ten years for the leasehold improvements, and an estimated life of five years for office equipment.

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

CAPITAL ASSETS	Net Balance at June 30, 2009	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2010
Tyler Software	\$ 740,414	\$ 235,990	\$ 125,626	\$ 850,778
Real Estate Occupied	1,821,759	-	18,977	1,802,782
Real Estate Leased	1,214,747	-	12,654	1,202,093
Leasehold Improvements	73,857	-	10,551	63,306
Office Equipment	7,181	-	1,795	5,386
TOTAL	<u>\$ 3,857,958</u>	<u>\$ 235,990</u>	<u>\$ 169,603</u>	<u>\$ 3,924,345</u>

Administrative Expenses

The Association's general administrative expense is funded by the investment income and it is limited to eighteen-hundredths of one percent (0.18%) of the Association's total assets pursuant to Government Code Section 31580.2 through December 31, 2010. As of January 1, 2011, administrative expenses are limited to 0.21% of the Actuarial Accrued Liability (AAL). The law provides for the cost of computer consultation hardware and software as exempt from the limitation. Total administrative expenses for the years ending June 30, 2011 and 2010 were \$2,037,167 and \$2,307,436, respectively, of which \$324,134 and \$415,938, respectively, was not subject to the administrative expense limitations. Administrative expenses subject to the limitation amounted to 0.0986% of AAL for the year ending June 30, 2011 and 0.1430% of total assets for the year ending June 30, 2010.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

StanCERA qualifies under Section 401(a) of the Internal Revenue Code and is therefore not subject to tax under present income tax laws. No provision for income taxes has been made in the accompanying financial statements, as the plan is exempt from Federal and State income taxes under the provisions of the Internal Revenue Code Section 501 and the California Revenue and Taxation Code Section 23701, respectively.

Management's Estimates

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

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents money withheld from employee salaries and employers' shares of retirement contributions for the month of June and received in July. Contributions Receivable as of June 30, 2011 and 2010 were \$1,599,785 and \$1,346,604, respectively.

NOTE 4 – CASH AND INVESTMENTS

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

Deposits in County Treasury

Cash needed for StanCERA's daily operational purposes is pooled with other County funds by the County Treasurer for short-term investment purposes. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds. Investments in the County Investment Pool are managed according to the Investment Policy established by the County and are subject to regulatory oversight by the County's Treasury Oversight Committee. Participation in the County Investment Pool is not mandatory. The fair value of the System's cash invested with the County Treasurer totaled \$10,507,586 and \$11,636,634 at June 30, 2011 and 2010, respectively. Cash and investments included within the County Treasurer's Pool is described in the County's Financial Report.

NOTE 4 – CASH AND INVESTMENTS (continued)

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

Summary of Investments

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Investments		
U.S. Government Obligations	\$ 306,192,444	\$ 260,997,168
Corporate Bonds	178,481,739	168,601,149
Municipal Bonds	3,880,467	1,179,619
Emerging Market / Non-US Bonds	13,675,025	-
Domestic Stocks	403,303,382	328,963,392
Domestic Equity Index Fund	179,922,188	154,032,744
International Equity	263,243,865	228,097,324
Global REIT's	19,355,304	14,663,597
Securities Lending Collateral	138,824,720	72,148,237
Subtotal	<u>1,506,879,134</u>	<u>1,228,683,230</u>
Deposits and Short-Term Investments		
Bank of New York: Cash in Custodial Account	38,979,630	35,397,099
Stanislaus County Treasury Investment Pool	10,507,587	11,636,634
Subtotal	<u>49,487,217</u>	<u>47,033,733</u>
Total Investments and Deposits	<u>\$ 1,556,366,351</u>	<u>\$ 1,275,716,963</u>

Securities Lending Program

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

StanCERA's custodial bank administers its securities lending program. As of June 30, 2011, StanCERA had securities on loan with a carrying value of \$140,392,169 and had received cash collateral (securities lending obligation) of \$144,453,289 with non-cash collateral of \$1,285,598. As of fiscal year ending June 30, 2010, StanCERA's securities on loan had a carrying value of \$75,229,542 and a cash collateral (securities lending obligation) of \$78,152,869 with non-cash collateral of \$1,752,946. StanCERA had an unrealized gain of \$122,907 for the year ended June 30, 2011, and had an unrealized gain of \$2,856,751 for the year ended June 30, 2010. As a result of certain investments in securities issued by Lehman Brothers Holdings Incorporated and others, having been purchased for StanCERA's account in which our securities lending cash collateral was invested with cash collateral delivered by borrowers in our securities lending program, the aggregate value of such investments is less than the amount required to be returned to such borrowers (a "Collateral Insufficiency"). Pursuant to the securities lending agreement, StanCERA is responsible for such Collateral Insufficiency. StanCERA's custodial bank has agreed to absorb 30% of the Lehman Brothers Holdings Incorporated loss (\$2.4 million).

NOTE 4 – CASH AND INVESTMENTS (continued)

Securities Lending Program (continued)

StanCERA does not have the ability to pledge or sell collateral securities delivered absent a borrower default. The contract with the security lending agent requires them to indemnify StanCERA if the borrower fails to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay StanCERA for income distributions while the securities are on loan. Investments made with cash collateral are classified by risk category. As of June 30, 2011 and 2010 StanCERA has no credit risk exposure to borrowers because the amount StanCERA owes the borrower exceeds the amount the borrower owes StanCERA.

SECURITIES LENDING COLLATERAL at June 30, 2011

Investment Type	Fair Value by Maturity Date				Total Fair Value	Effective Duration (in years)
	< 1 year	1-5 years	5-15 years	> 15 years		
Asset Backed Security	\$ -	\$ -	\$ -	\$ 2,053,567	\$ 2,053,567	0.068
Certificate of Deposit	46,623,920	-	-	-	46,623,920	0.104
Commercial Paper	56,227,134	-	-	-	56,227,134	0.107
Corporate Floating Rate	5,282,550	-	-	-	5,282,550	0.038
Corporate Floating Rate - Defaulted	1,287,500	-	-	-	1,287,500	0.000
Reverse Repurchase Agreement	27,350,049	-	-	-	27,350,049	0.005
TOTALS	\$ 136,771,153	\$ -	\$ -	\$ 2,053,567	\$ 138,824,720	0.322

SECURITIES LENDING COLLATERAL at June 30, 2010

Investment Type	Fair Value by Maturity Date				Total Fair Value	Effective Duration (in years)
	< 1 year	1-5 years	5-15 years	> 15 years		
Asset Backed Security	\$ 200,904	\$ 320,297	\$ -	\$ 2,993,667	\$ 3,514,868	0.071
Certificate of Deposit	12,301,211	-	-	-	12,301,211	0.145
Commercial Paper	12,810,866	-	-	-	12,810,866	0.153
Corporate Floating Rate	5,700,150	-	-	-	5,700,150	0.129
Corporate Floating Rate - Defaulted	975,000	-	-	-	975,000	0.000
Reverse Repurchase Agreement	36,846,142	-	-	-	36,846,142	0.003
TOTALS	\$ 68,834,273	\$ 320,297	\$ -	\$ 2,993,667	\$ 72,148,237	0.501

The following table shows the quality of StanCERA's investments in Securities Lending Collateral on June 30, 2011 and 2010.

Credit Rating	June 30, 2011		June 30, 2010	
	Percentage of Total Securities Lending Collateral	Securities Lending Collateral	Percentage of Total Securities Lending Collateral	Securities Lending Collateral
AA	1.60%	\$2,222,266	0.00%	\$0
AA-	0.00%	-	1.25%	900,653
A+	1.41%	1,960,336	0.00%	-
A	0.79%	1,099,948	6.93%	5,000,400
A-1+	24.02%	33,349,586	0.00%	-
A-1	50.07%	69,504,821	34.81%	25,112,074
B+	0.42%	586,597	1.24%	891,145
B-	0.00%	-	2.24%	1,618,293
CCC	0.38%	525,078	1.12%	804,526
D	0.68%	941,892	0.00%	-
N/R	20.63%	28,634,196	52.42%	37,821,146
	100.00%	\$138,824,720	100.00%	\$72,148,237

*N/R represents securities that are not rated.

NOTE 4 – CASH AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. StanCERA's average effective duration of all fixed income holdings, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus 1.5 years of the Barclay Aggregate bond index duration. For the year ending June 30, 2011, the Barclay Aggregate Bond Index was yielding 2.83% with an effective duration of 5.20 years. For the year ending June 30, 2010 the Barclay Aggregate Bond yielded 2.83% with an effective duration of 4.30 years. StanCERA had a yield of 3.18% and 3.69% for years ending June 30, 2011 and 2010 respectively with an effective duration of 4.20 and 4.01 in years respectively. As of June 30, 2011 and 2010 the County's pool had a fair value of \$1.05 billion and \$1.08 billion respectively, and a weighted average maturity of 426 days and 349 days, respectively.

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

The following table shows the effective duration of the System's fixed income investments by investment type as of June 30, 2011 and 2010:

	June 30, 2011		June 30, 2010	
	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
<u>Fixed Income Securities</u>				
U S Treasuries	\$ 88,359,573	3.9	\$ 65,215,957	1.8
Single Family Mortgage Backed Securities	162,144,106	2.7	147,772,763	1.9
Multi Family Mortgage Backed Securities	3,254,452	1.1	8,378,600	1.6
Collateralized Mortgage Backed Securities	16,388,781	3.4	14,598,887	2.7
Federal Agency	35,074,428	8.4	22,962,603	8.1
Asset Backed	971,104	0.5	2,068,358	1.0
Corporate Bonds	178,481,739	5.6	168,601,149	5.5
Municipal Bonds	3,880,467	10.8	1,179,619	7.3
Emerging Market / Non-US Bonds	13,675,025	1.5	-	-
<u>Total Fixed Income Securities</u>	<u>\$ 502,229,675</u>		<u>\$ 430,777,936</u>	

Credit Risk

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

NOTE 4 – CASH AND INVESTMENTS (continued)

Credit Risk (continued)

The following table shows the quality of StanCERA's investments in fixed income securities on June 30, 2011 and 2010.

Credit Rating	June 30, 2011		June 30, 2010	
	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
AAA	41.14%	\$ 206,637,063	42.65%	\$ 183,728,651
AA+	0.20%	993,909	0.00%	-
AA	1.28%	6,441,310	0.00%	-
AA-	2.40%	12,033,228	1.64%	7,060,559
A+	2.97%	14,931,295	1.83%	7,867,627
A	5.73%	28,793,119	1.57%	6,750,463
A-	4.31%	21,652,199	6.29%	27,098,190
BAA+	0.65%	3,265,996	4.41%	18,984,573
BAA	0.77%	3,860,771	0.52%	2,243,894
BAA-	0.12%	605,648	0.84%	3,631,182
BA+	0.09%	448,699	0.00%	-
BBB+	3.71%	18,627,742	0.33%	1,417,749
BBB	8.86%	44,507,673	4.03%	17,377,154
BBB-	3.89%	19,537,118	9.27%	39,943,834
BB+	0.38%	1,911,975	3.37%	14,532,034
BB	0.56%	2,807,703	0.82%	3,536,000
BB-	1.85%	9,294,567	0.56%	2,425,000
B+	1.81%	9,089,655	2.96%	12,733,327
B	0.04%	194,751	0.24%	1,013,610
B-	1.62%	8,148,736	1.96%	8,443,524
CAA	0.02%	86,945	0.00%	-
CCC+	0.00%	-	1.57%	6,774,250
CCC	0.00%	-	0.00%	-
C	0.00%	-	0.00%	358
N/R	0.00%	-	0.00%	-
N/A	17.59%	88,359,573	15.14%	65,215,957
	100.00%	\$ 502,229,675	100.00%	\$ 430,777,936

N/R represents securities that are not rated

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

Concentration of Credit Risk

Concentration of Credit Risk is the risk of loss due to a large concentration of investments in any one issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are not considered to have concentration credit risk. StanCERA's policy requires that not more than 5% of the total StanCERA stock portfolio, valued at market, may be held in the common stock of any one corporation. Not more than 5% of the outstanding shares of any one company may be held. Individual investment managers are to hold no more than 8% of the market value of the manager's entire stock portfolio in any one company's stock. Not more than 25% of the stock valued at market may be held in any one industry category, as defined by the Retirement Association's consultant, without special permission from the Board. With the exception of securities issued by the U.S. Government and its agencies, no single fixed income issue will represent more than 5% of the total portfolio as measured by market value at time of purchase. Holdings of any individual issue must be 5% or less of the value of the total issue. There was no single issuer that exceeds 5% of total investments at June 30, 2011 and 2010. There is no concentration of securities in excess of 5% of Net Assets.

NOTE 4 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. StanCERA does not have a formal policy for custodial credit risk for deposits. Under California Government Code, a financial institution is required to secure deposits in excess of \$100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secure public deposits. Such collateral is held by the pledging financial institution's trust department or agent in StanCERA's name. At year end, StanCERA had no custodial credit risk exposure to any depository financial institution. All deposits are placed with a custodial bank.

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

Foreign Currency Risk

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

NOTE 4 – CASH AND INVESTMENTS (continued)

Foreign Currency Risk (continued)

StanCERA's exposure to foreign currency risk in US dollars as of June 30, 2011 and 2010 is as follows:

Currency	June 30, 2011	June 30, 2010
	Fair Value (in US \$)	Fair Value (in US \$)
Australian Dollar	\$ 15,142,936	\$ 11,494,976
British Pound Sterling	39,375,762	32,147,808
Canadian Dollar	20,682,999	18,291,290
Danish Krone	2,051,373	1,354,428
Euro Currency	62,775,396	51,567,371
Hong Kong Dollar	9,593,013	7,843,113
Japanese Yen	36,576,724	37,023,881
Malaysian Renggit	291,227	-
Mexican Nuevo Peso	638,657	503,490
New Taiwan Dollar	2,727,642	3,975,985
New Turkish Lira	788,374	845,634
New Zealand Dollar	194,060	-
Norwegian Krone	2,999,619	1,932,466
Singapore Dollar	1,560,735	717,621
South African Rand	2,844,869	2,109,097
South Korean Won	5,644,203	6,108,612
Swedish Krona	2,177,734	2,076,640
Swiss Franc	11,889,365	12,633,959
US Dollar	45,289,177	37,470,953
TOTAL	\$ 263,243,865	\$ 228,097,324

StanCERA is invested in a Global REIT's commingled fund. Approximately 60% of the total investment of \$19,355,304 and \$14,663,597 at June 30, 2011 and 2010 in Global REIT's is foreign investments traded in their respective currencies. Due to the nature of the commingled fund, the specific investments cannot be organized by the currency denominations. Thus, Global REIT's are excluded from the aforementioned schedule for foreign currency risk.

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

NOTE 5 - CONTRIBUTIONS

Contribution Rates

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

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

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

Return of Contributions

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

Contributions Required and Contributions Made

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

NOTE 5 - CONTRIBUTIONS (continued)

Contributions Required and Contributions Made (continued)

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

Contributions for fiscal year ending June 30, 2010 totaling \$42,560,605 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed at June 30, 2008. Employer contributions were 8.87% of covered payroll for Stanislaus County and 8.90% of covered payroll for other employers. Employee contributions, on an average, were 8.44% of covered payroll. Stanislaus County represented 88.29% of covered payroll and 87.23% of total contributions.

2011	County	%	Districts	%	Total	%
Covered Payroll	<u>\$200,310,439</u>	87.51%	<u>\$28,593,941</u>	12.49%	<u>\$228,904,380</u>	100.00%
Employer Contributions	\$23,170,387	11.57%	\$3,086,342	10.79%	\$26,256,729	11.47%
Member Contributions	<u>\$16,835,846</u>	8.40%	<u>\$2,361,206</u>	8.26%	<u>\$19,197,052</u>	8.39%
Total Contributions	<u>\$40,006,233</u>	88.02%	<u>\$5,447,548</u>	11.98%	<u>\$45,453,781</u>	100.00%
2010	County	%	Districts	%	Total	%
Covered Payroll	<u>\$216,990,039</u>	88.29%	<u>\$28,778,967</u>	11.71%	<u>\$245,769,006</u>	100.00%
Employer Contributions	\$19,253,308	8.87%	\$2,560,886	8.90%	\$21,814,194	8.88%
Member Contributions	<u>\$17,870,589</u>	8.24%	<u>\$2,875,822</u>	9.99%	<u>\$20,746,411</u>	8.44%
Total Contributions	<u>\$37,123,897</u>	87.23%	<u>\$5,436,708</u>	12.77%	<u>\$42,560,605</u>	100.00%

Funding Status & Method

The funding ratio as of June 30, 2010 was 76.3% using the entry age normal method. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. Based on the most recent actuarial valuation report as of June 30, 2010, the actuarial value of assets was \$1.33 billion.

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

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

SCHEDULE OF FUNDED STATUS – PENSION BENEFIT PLAN FOR YEAR ENDING JUNE 30, 2010 (Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
6/30/2010	\$ 1,325,801	\$ 1,737,824	\$ 412,023	76.30%	\$ 231,538	177.95%

NOTE 5 - CONTRIBUTIONS (continued)

Funding Status & Method (continued)

The valuation interest rate is 8.00% compounded and the total salary scale increases of 3.75% (3.5% for inflation) per year were based on a study as of June 30, 2010 and dated April 5, 2011 adopted by the Board of Retirement on of April 13, 2011.

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

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

NOTE 6 – RESERVES

As required by the County Employee's Retirement Law of 1937 or the Board of Retirement's policies, the following reserves from Net Assets Held in Trust for Pension Benefits must be established and used to account for the members, employees, and retirees' contributions.

Active Members' Reserve

This reserve represents the cumulative contributions made by active members (employees), after deducting refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary. For 2010 and 2009, overall assumption rates were 8.0%. Based upon Retirement Board policy, interest of 0.125% semi-annually is credited to a member's (employee's) contributions, portion of the unvested interest, plus interest credited to his/her account, are transferred from this reserve to Retired Members' Annuity and Cost of Living Reserves. Due to significant market value losses experienced in fiscal year 2008-2009, and adopted changes to the Excess Earnings policy, interest has not been posted to reserve amounts since July 1, 2008.

Employer Advance Reserves

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

NOTE 6 – RESERVES (continued)

Employer Advance Reserves (continued)

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

A new Excess Earnings Policy effective May 25, 2010 specifies that all earnings will be used to offset losses and then towards funding vested benefits.

Retired Members' Reserves

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

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

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

Contingency Reserve

This reserve represents earnings in excess of the total interest credited to contributions of the employer and employee equal to 2% of net assets (Government Code Section 31592) and are used as a reserve against deficiencies in interest earning in other years, losses on investment and other contingencies. For fiscal year ending June 30, 2008, the contingency reserve was used to offset the deficiency due to losses from investment activities. The Retirement Board reinstated the 2% contingency reserve as of June 30, 2010 by transferring non-valuation reserves from the Retiree Revocable Health Benefit Subsidy.

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. As of June 30, 2009 the Undistributed Earnings (Losses) were allocated between the valuation reserves and the non-valuation reserves with two new Reserve accounts, Reserves - Valuation Losses and Reserves - Non Valuation Losses.

NOTE 6 – RESERVES (continued)

Other Reserves

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

	June 30, 2011	June 30, 2010
Active Members' Reserves	\$ 266,526,623	\$ 269,909,492
Employer Advance Reserves	233,996,928	274,685,357
Employer Transfer from Non-Valuation Reserve	81,400,000	60,000,000
Retired Members' Reserves	790,122,689	722,881,919
Reserves - Valuation Losses	-	(205,651,148)
Reserves - Non-Valuation Losses	-	(30,811,861)
Reserve - Offset Non-Valuation Losses	-	30,811,861
Contingency Reserve	23,804,388	23,804,388
Other Reserves		
Revocable Health Benefit Subsidy	11,966,689	33,366,572
Retiree Burial Allowance Reserve	5,855,000	6,100,000
Retiree Special Cost Of Living Reserve	1,831,267	1,831,267
Legal Contingency Reserve	3,232,556	3,279,934
Tier 3 Disability Reserve	9,806	11,616
Total Reserves	\$ 1,418,745,946	\$ 1,190,219,397

NOTE 7 – INVESTMENT EXPENSES

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

Investment Expense

	June 30, 2011	June 30, 2010
Investment Managers	\$ 4,321,407	\$ 3,872,842
Investment Consultants	149,375	150,000
Investment Attorney	33,125	-
Custodial Fees	696,913	621,152
Actuarial Fees	67,336	106,139
Total Investment Expenses	\$ 5,268,156	\$ 4,750,133

NOTE 8 – LITIGATION

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

NOTE 9 – SUBSEQUENT EVENTS

In August 2011, Standard & Poor's lowered its long-term credit rating from AAA to AA+ on debt of the U.S. government, U.S. government-sponsored enterprises, and public debt issues that have credit enhancement guarantees by U.S. government sponsored enterprises. These credit downgrades relate to the credit risk associated with U.S. government investments in U.S. Treasury, U.S. Agency securities, and U.S. Mortgage backed securities which are included in the category "NA" on the credit risk table in Note 4.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN FOR THE SIX YEARS ENDING JUNE 30, 2010 (Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/2004	\$ 993,180	\$ 1,035,345	\$ 42,165	95.90%	\$ 199,963	21.10%
6/30/2005	\$ 1,049,691	\$ 1,116,310	\$ 66,619	94.00%	\$ 211,681	31.50%
6/30/2006	\$ 1,154,048	\$ 1,329,375	\$ 175,327	86.80%	\$ 212,011	82.70%
6/30/2008	\$ 1,317,167	\$ 1,548,824	\$ 231,657	85.00%	\$ 242,009	95.70%
6/30/2009	\$ 1,171,767	\$ 1,653,716	\$ 481,949	70.90%	\$ 248,316	194.10%
6/30/2010	\$ 1,325,801	\$ 1,737,824	\$ 412,023	76.30%	\$ 231,538	177.95%

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION BENEFIT PLAN FOR THE SIX YEARS ENDING JUNE 30, 2010 (Dollar amounts in thousands)

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

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

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

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES For the Years Ended June 30, 2011 and 2010

	2011	2010
Personnel Services:		
Salaries and Employee Benefits	\$ 1,063,127	\$ 1,104,169
Total Personnel Services	1,063,127	1,104,169
Professional Services:		
Computer and Software Services and Support	170,096	134,935
County Counsel	20,640	63,942
Outside Legal Counsel	144,578	234,620
Disability Hearing Officer/Medical Exams and Reviews	90,678	60,632
External Audit Fees	32,174	51,227
Stanislaus County Strategic Business Technology Dept	26,062	24,191
Health Insurance Consultant	-	84,528
Other Professional Services	14,067	59,214
Total Professional Services	498,295	713,289
Office Expenses:		
Office Supplies	8,588	8,372
Minor Equipment and Computer Supplies	3,844	2,682
Stanislaus County Central Services and Mail Room	39,546	37,117
Stanislaus County Support Services	81,041	105,324
Contract Services	3,176	1,561
Requested Maintenance	7,440	10,328
Communications	28,023	14,199
Printing and Publications	4,118	5,871
Other Office Expenses	39,267	28,351
Total Office Expenses	215,043	213,805
Miscellaneous:		
Fiduciary and Staff - Education/Travel	19,579	24,726
Fiduciary and Staff - Meetings/Other Travel	21,645	23,842
Insurance	43,508	52,283
Memberships	5,720	5,720
Depreciation	170,250	169,602
Total Miscellaneous	260,702	276,173
TOTAL ADMINISTRATIVE EXPENSES	\$ 2,037,167	\$ 2,307,436

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Investment Management Fees:		
Domestic Stocks	\$ 1,944,523	\$ 1,989,541
International Stocks	1,499,745	1,392,780
Domestic Bonds	751,414	385,873
Global REIT's	125,725	104,648
Total Investment Management Fees	<u>4,321,407</u>	<u>3,872,842</u>
Investment Consulting Fees	149,375	150,000
Investment Custodian Fees	696,913	621,152
Investment Legal Fees	33,125	-
Other Investment Related Expenses	<u>67,336</u>	<u>106,139</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 5,268,156</u>	<u>\$ 4,750,133</u>

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Investment Section

"Quality means doing the right thing when no one is looking."
-Henry Ford

MARKET UPDATE

U.S. EQUITY

Fear of recession and concerns about European bank funding continued to fuel a flight to safety for investors looking for a safe haven. Second-quarter earnings were mostly in the US, UK and Euro-zone.

The S&P 500 Index has a trailing 12-month P/E ratio of 13.9 (estimated P/E ratio of 11.6 on forward looking twelve-month operating earnings) and a dividend yield of 2.2%.

Corporate merger activity highlights for the month included: Telecom carrier Windstream will acquire Pricer for \$2.3 billion; EADS will buy global satellite-based mobility communication services provider Vizada from French private equity fund Apax Franke for \$960 million; Fresenius Medical Care will buy Liberty Dialysis for \$1.7 billion to expand its U.S. clinic network; Hong Kong tycoon Li Ka-shing will buy British utility Northern Water Group for \$3.9 billion; GE agreed to sell shipping container lessor GE SeaCo for \$1.0 billion to China-based HNA Group and Bravia Capital;

American Movil, Latin America's largest wireless carrier, offered \$6.5 billion to buy the 40% of Telefonos de Mexico it doesn't already own; Kirin Holdings, Japan's 2nd largest brewer, paid \$2.5 billion to gain a majority stake in Schinardi, the Brazilian brewer of Nova Schin beer; Belgian chemicals group Solvay won EU approval to acquire French peer Rhodia for \$4.8 billion; Berkshire Hathaway made a \$3.25 billion unsolicited offer for Transatlantic Holdings; International Paper extended its \$3.1 billion offer for Temple-Inland by a month to Sept. 8; HSBC, Europe's largest bank, will sell its U.S. credit card division to Capital One Financial for \$32.7 billion; Google will buy Motorola Mobility for \$12.5 billion, giving the company access to Motorola's more than 17,000 patents related to wireless technology; Time Warner Cable will buy Insight Communications for \$3 billion to increase its presence in the Midwest.

FIXED INCOME

The Commerce Department reported that U.S. gross domestic product rose at an annual rate of 1.0% in the 2nd quarter, a downward revision of a prior estimate of 1.3%. Year-over-year GDP rose just 1.5%. The IMF lowered its forecast for U.S. 2011 growth to 1.5% from a 2.5% forecast made 2 months ago.

The Labor Department reported that hiring picked up slightly in July and the unemployment rate dipped to 9.1% from 9.2% in June.

The Federal Reserve said that it intends to hold interest rates low (short-term rates 0.00-0.25%) at least through mid-2013. The decision came as the FOMC acknowledged that the recovery has been "considerably slower" than expected, that its forecast for the recovery is now weaker as well, and the downside risks to the outlook have increased.

Long-term interest rates were lower in the month of August. The bellwether 10-year Treasury note ended the month yielding 2.22% down from 2.80% at the close of June. At month-end, the 30-year long bond yield was 3.59% with the 3-month T-bill remaining lower at +1.5% in August.

Cover Source:

Irizarry, Luiana M. *Market Update*. 2011. jpg. StanCERA, Modesto.

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STANISLAUS COUNTY EMPLOYEES' RETIREMENT SYSTEM

Summary

Fiscal year 2011 (June 30, 2011) saw a continuation of the strong rally in equities off of their lows from March 9, 2009 with gains in US and in Non-US stock markets in excess of 30%. The US Fixed Income markets continued to generate positive returns in fiscal year 2011 as short-term interest rates were kept at historical low levels and spread fixed income instruments such as corporate bonds continued to rally. As a diversified investor, StanCERA experienced a +22.9% return for the fiscal year. The +22.9% result was above StanCERA's policy benchmark of +21.3% by 160 basis points.

Fiscal year 2011 was positive for both the U.S. equity markets and foreign equity markets continuing the rebound from the previous fiscal year. For the fiscal year 2011, the Russell 3000 US Stock Index gained +32.4% and the MSCI ACW (All Country World) ex-US Index of foreign stocks gained +30.3%. The US fixed income market produced a positive return (+3.9% Barclays Capital US Aggregate Index) for the fiscal year ending June 30, 2011.

Within the US equity market, stocks of small companies outperformed large companies (+37.4% vs. +31.9%) for the fiscal year 2011. Growth stocks outperformed value stocks within large caps (+35.0% vs. +28.9%) and within small caps (+43.5% vs. +31.4%).

Investment Policy, Asset Deployment Policy and Performance Measurement Standards

StanCERA periodically reviews and updates its policy statement. The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The system's actuary estimates this return requirement to be 8.00%.

Secondary goals are to outperform the asset allocation-weighted benchmark (41.4% US Equities, 20.0% Non-US Equities, 37.1% Fixed Income and 1.5% Global REITs) and to rank in the top forty percent of a universe of public pension funds.

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

Investment Objectives

Investment returns achieved through June 30, 2011 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2011, StanCERA met its management goals of ensuring sufficient funds available to pay vested retiree benefits, complying with applicable fiduciary standards, and adding marginal value above its policy index.

Investment Results

PERIODS ENDED 6/30/11	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity <i>Russell 3000</i> Rank	+33.7% +32.4% 50*	+3.9% +4.0% 63	+2.2% +3.4% 87
Non-US Equity <i>MSCI ACWI ex-US Free</i> Rank	+31.3% +30.3% 40	+1.0% +0.1% 42	+4.3% +4.1% 37
Fixed Income <i>US Barclays Aggregate</i> Rank	+6.0% +3.9% 47	+9.1% +6.5% 34	+7.8% +6.5% 36
Total Fund <i>Policy Benchmark***</i> <i>Public Fund > \$100 Million</i> <i>Median Rank**</i>	+22.9% +21.3% +21.6% 30	+6.0% +4.6% +4.4% 16	+5.0% +4.9% +4.8% 38

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

*** Policy Benchmark is 32.9% Russell 1000/ 8.5% Russell 2000 / 37.1% Barclays Capital US Aggregate / 20.0% MS ACWI ex-US Free / 1.5% FTSE EPRA-NAREIT



Paul S. Harte
Senior Vice-President

ASSET ALLOCATION

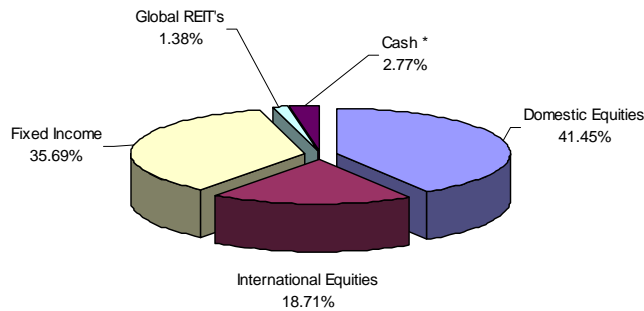
JUNE 30, 2011

Asset Class	Market Value	Actual Allocation	Target Allocation
Domestic Equities	\$583,225,568	41.45%	41.40%
International Equities	263,243,865	18.71%	20.00%
Fixed Income	502,229,675	35.69%	37.10%
Global REIT's	19,355,304	1.38%	1.50%
Cash *	38,979,631	2.77%	0.00%
TOTAL PORTFOLIO**	\$1,407,034,043	100.00%	100.00%

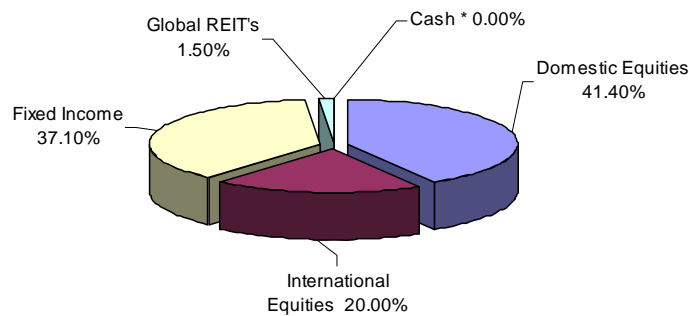
* Excludes Pooled Cash in County Treasury of \$ 10,507,586

** Excludes Securities Lending Cash Collateral

Actual Allocation



Target Allocation



20 LARGEST BOND HOLDINGS (BY MARKET VALUE)
JUNE 30, 2011

Par	Bond	Maturity Date	Market Value
15,000,000	U S TREASURY NOTE	05/31/2016	\$15,023,400
12,700,000	U S TREASURY NOTE	05/31/2018	12,632,563
10,649,600	FHLMC POOL #G0-1749	01/01/2035	11,585,168
9,459,625	FNMA POOL #0555531	06/01/2033	10,300,964
10,150,000	U S TREASURY NOTE	11/30/2011	10,177,304
9,500,000	U S TREASURY NOTE	05/31/2013	9,509,975
8,048,000	FHLMC POOL #G0-6570	02/01/2039	8,872,196
7,729,597	FNMA POOL #0AD0249	04/01/2037	8,417,068
6,786,798	FNMA POOL #0AD0163	11/01/2034	7,528,460
6,502,832	FNMA POOL #0AE0020	12/01/2038	7,154,546
6,600,000	U S TREASURY NOTE	12/31/2015	6,775,296
5,645,000	XEROX CORP	03/15/2016	6,460,985
6,000,000	U S TREASURY NOTE	05/15/2021	5,983,140
5,272,846	FNMA POOL #0995952	02/01/2038	5,924,886
5,231,789	FNMA POOL #0976947	02/01/2023	5,751,358
5,300,000	U S TREASURY NOTE	04/30/2012	5,335,192
4,645,000	CALIFORNIA ST	04/01/2034	5,253,495
4,450,000	CAPITAL ONE FINANCIAL CORP	09/15/2017	5,144,779
4,754,000	ALLY FINANCIAL INC	09/15/2011	4,789,655
4,176,032	FHLMC POOL #G0-6084	12/01/2038	4,714,155

LARGEST STOCK HOLDINGS (BY MARKET VALUE)
JUNE 30, 2011

Shares	Stock	Market Value
174,078	SANOFI	\$8,851,336
205,105	HEWLETT-PACKARD CO	7,465,822
270,063	COMCAST CORP	6,843,396
19,000	APPLE INC	6,377,730
120,000	CAPITAL ONE FINANCIAL CORP	6,200,400
211,272	WELLS FARGO & CO	5,928,292
222,700	BANK OF NEW YORK MELLON CORP/T	5,705,574
300,000	GENERAL ELECTRIC CO	5,658,000
160,000	MERCK & CO INC	5,646,400
54,000	OCCIDENTAL PETROLEUM CORP	5,618,160
64,000	SCHLUMBERGER LTD	5,529,600
97,100	QUALCOMM INC	5,514,309
62,100	VISA INC	5,232,546
85,000	NOVARTIS AG	5,194,350
250,000	PFIZER INC	5,150,000
16,500	MASTERCARD INC	4,972,110
275,000	NEWS CORP	4,867,500
57,400	ALLERGAN INC/UNITED STATES	4,778,550
45,100	EOG RESOURCES INC	4,715,205
9,100	PRICELINE.COM INC	4,658,563

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

SCHEDULE OF INVESTMENT MANAGEMENT FEES
For the Years Ending June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Domestic Equities		
Capital Prospects	\$ 516,567	\$ 468,563
Blackrock	23,360	7,234
Delaware Management Company	472,157	527,260
Dodge & Cox	345,827	341,680
Legato Capital Management	561,612	450,655
Loomis Sayles & Company	-	166,696
Mellon Capital Management	25,000	27,453
Total Domestic Equity	<u>1,944,523</u>	<u>1,989,541</u>
International Equities		
LSV	824,085	771,615
Pyramis Global Advisors Holding Company	675,660	621,166
Total International Equities	<u>1,499,745</u>	<u>1,392,780</u>
Fixed Income		
Dodge & Cox	411,182	385,873
PIMCO	340,232	-
Total Fixed Income	<u>751,414</u>	<u>385,873</u>
Global REIT's		
Invesco	125,725	104,648
Total Global REIT's	<u>125,725</u>	<u>104,648</u>
Total Investment Management Fees	<u>4,321,407</u>	<u>3,872,842</u>
Other Investment Fees and Expenses		
Custodial Fees	696,913	621,152
Consultant Fees	149,375	150,000
Investment Attorney	33,125	-
Miscellaneous Fees	67,336	106,139
Total Other Investment Expenses	<u>946,749</u>	<u>877,291</u>
Total Investment Fees and Expenses	<u>\$ 5,268,156</u>	<u>\$ 4,750,133</u>

Commission Recapture Program

In July 2000, StanCERA entered into a Directed Brokerage Agreement with BNY ESI & Co to administer the Commission Recapture Program per StanCERA's Investment Policy. Subsequently, this agreement was moved to LJR Recapture Services, a subsidiary of BNY ConvergeX Group. The strategic objective of the Program is to recapture a portion of trade commissions paid to brokers. The primary goal is to ensure that investment managers provide the best effort to optimize use of the StanCERA's assets for the benefit of the members and beneficiaries by recapturing 65% or more of commissions paid on a specific percentage of trades sent to correspondent brokers on a timely basis. For fiscal years ending June 30, 2011 and 2010, Commission Recapture Income was \$39,220 and \$10,926 respectively (see page 25).

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

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
DOMESTIC EQUITIES					
DODGE & COX - LARGE CAP VALUE RUSSELL 1000 VALUE	\$181,348,674	12.89%	31.10% 28.90%	3.20% 2.30%	1.10% 1.20%
BlackRock R1000V RUSSELL 1000 VALUE	43,108,500	3.06%	29.10% 28.90%	N/A N/A	N/A N/A
Delaware - LARGE CAP GROWTH RUSSELL 1000 GROWTH	101,149,508	7.19%	36.30% 35.00%	6.20% 5.00%	N/A N/A
BlackRockR 1000G - LARGE CAP GROWTH RUSSELL 1000 GROWTH	74,284,017	5.28%	35.10% 35.00%	N/A N/A	N/A N/A
Capital Prospects - SMALL CAP VALUE RUSSELL 2000 VALUE	62,182,929	4.42%	34.70% 31.40%	N/A N/A	N/A N/A
Legato Capital Mgmt - SMALL CAP GROWTH RUSSELL 2000 GROWTH	58,622,271	4.17%	41.80% 43.50%	N/A N/A	N/A N/A
Mellon Capital Management S&P 500	62,529,670	4.44%	30.70% 30.70%	3.40% 3.30%	3.00% 2.90%
TOTAL DOMESTIC EQUITIES RUSSELL 3000	583,225,569	41.45%	33.70% 32.40%	3.90% 4.00%	2.20% 3.40%
FIXED INCOME					
DODGE & COX BARCLAYS US AGGREGATE BOND	430,117,721	30.57%	6.30% 3.90%	9.00% 6.50%	7.70% 6.50%
PIMCO BARCLAYS US AGGREGATE BOND	72,111,954	5.13%	4.70% 3.90%	N/A N/A	N/A N/A
TOTAL FIXED INCOME BARCLAYS US AGGREGATE BOND	502,229,675	35.69%	6.00% 3.90%	9.10% 6.50%	7.80% 6.50%
INTERNATIONAL INVESTMENTS					
PYRAMIS INVESTMENTS	133,432,846	9.48%	31.40% 31.30%	0.00% 1.00%	4.40% 4.30%
LSV INVESTMENTS	129,811,019	9.23%	31.50% 31.30%	2.10% 1.00%	4.10% 4.30%
TOTAL INTERNATIONAL INVESTMENTS MSCI ACWI - ex US Index	263,243,865	18.71%	31.30% 30.30%	1.00% 0.10%	4.30% 4.10%
GLOBAL REIT's					
INVESCO FTSE EPRA/NAREIT Global REIT	19,355,304	1.38%	32.90% 33.40%	2.80% 2.30%	N/A N/A
CASH & SHORT-TERM INVESTMENTS *					
CASH 90 DAY TREASURY BILL	38,979,630	2.77%	1.44% 0.03%	N/A N/A	N/A N/A
TOTAL FUND					
TOTAL FUND STANCERA POLICY COMPOSITE	\$1,407,034,043	100.00%	22.90% 21.30%	6.00% 4.60%	5.00% 4.90%
* Excludes Pooled Cash in County Treasury of \$10,507,586					

Note: % taken from SIS Quarterly Report presented to Board of Retirement
Using time-weighted rate of return based on the market rate of return

Actuarial Section

*"If you live to the age of a hundred, you've got it made,
because very few people die past the age of a hundred."*

-George Burns

Cover Source:

Irizarry, Luiana M. *Looking Into The Future*. 2011. jpg. StanCERA, Modesto

September 1, 2011

Actuarial Certification

This report presents the results of the annual actuarial review of the StanCERA Retirement Plan (the Plan) as of June 30, 2010. The prior review was conducted as of June 30, 2009.

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

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

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

Our firm has prepared all of the schedules presented in the actuarial report. We reviewed the actuarial assumptions shown in the schedules and found them to be reasonably appropriate for use under the Plan. The assumptions used in this report reflect the results of an Experience Study performed by EFI covering the period from July 1, 2006 through June 30, 2009, and approved by the Board. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2012.

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

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

EFI ACTUARIES | EFI/LIABILITY MANAGEMENT SERVICES, INC.

The nation's leader in plan-specific, interactive asset allocation optimization counseling

WASHINGTON, DC ■ PHILADELPHIA ■ SEATTLE ■ SAN FRANCISCO

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Robert T. McCrory". The signature is fluid and cursive, with a large, stylized initial "R".

Robert T. McCrory, FSA

(206) 328-8628

A handwritten signature in black ink, appearing to read "Graham A. Schmidt". The signature is cursive, with a large, stylized initial "G".

Graham A. Schmidt, ASA

(415) 439-5313

Summary of Assumptions and Finding Methods

The following assumptions along with the post retirement and pre-retirement demographic experiences are based on the plan's actuarial experience through June 30, 2010. The rates produced by this valuation were adopted by StanCERA Board of Retirement on April 13, 2010 and are effective July 1, 2011. The next actuarial valuation is in process for the fiscal year ending June 30, 2011.

Actuarial Assumptions

Post-Retirement Mortality

(1) Service

General

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

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

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

(2) Disability

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

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

(3) For Employee Contribution Rate Purposes

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

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

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

Withdrawal Rates Rates vary by age, gender and classification

Disability Rates Rates vary by age, gender and classification

Service Retirement Rates Rates vary by age, gender and classification

Actuarial Assumptions (continued)

Valuation date	June 30, 2010
Actuarial cost method	Entry age normal actuarial cost method
Amortization method	The unfunded actuarial accrued liability (UAAL) is being amortized as a percentage of payroll. 25 Years
Asset valuation method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.75%, plus service-based rates
Attributed to Inflation:	3.50%
Retirees' cost-of-living adjustments	100% of CPI to 3.0% annually with banking
Retiree cost-of-living assumption	Reduced from 3.0 % to 2.7%

Funding Method and Amortization of Actuarial Gains or Losses

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

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions, forfeiting entitlement to future Plan benefits. Separate rates of withdrawal are assumed among Safety and General Members.

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

Rates of vested termination apply to active Members who terminate their employment after five years of service and leave their member contributions on deposit with the Plan. Vested terminated Tier 3 General members are assumed to begin receiving benefits at age 65 while other General Members are assumed to begin at age 62; terminated Safety Members are assumed to begin receiving benefits at age 55. 50% of vested terminated members are assumed to be reciprocal. Separate rates of termination are assumed among Safety and General Members. The rates are applied after five years of service and do not overlap with the service retirement rates.

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

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT (continued)

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

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

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

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

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

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

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Effective June 30, 2002, the Board has adopted an actuarial value of assets method that recognizes the difference between expected and actual market returns, net of expenses, over a 5-year period. The resulting actuarial value cannot exceed 120% of market value or be less than 80% of market value. The new method is being phased in over a five-year period starting June 30, 2001. Under this method, the Actuarial Value of Assets as of June 30, 2010 was determined as follows:

	Contributions	Benefit Payments	Expected Investment Return	Actual Investment Return	Additional Earnings	Percentage Deferred	Deferred Earnings
1.							
2007	\$53,105,351	\$70,329,625	\$103,400,687	\$203,337,761	\$99,937,074	20%	\$19,987,415
2008	43,244,855	70,227,537	118,197,211	(123,453,409)	(241,650,619)	40%	(96,660,248)
2009	44,333,858	74,399,189	105,798,320	(223,111,526)	(328,909,847)	60%	(197,345,908)
2010	42,506,604	73,196,706	85,116,258	162,746,408	77,630,150	80%	62,104,120
Total Unrecognized Dollars							(211,914,621)
2. Market Value of Assets as of June 30, 2010							1,190,219,397
3. Actuarial Value of Assets as of June 30, 2010: (2)-(1)							1,402,134,018
4. Corridor Limit							
a. 80% of Net Market Value							952,175,518
b. 120% of Net Market Value							1,428,263,276
5. Actuarial Value of Assets After Corridor as of June 30, 2010							1,402,134,018
6. Ratio of Actuarial Value to Market Value: (5)/(2)							117.8%
7. Special Non Valuation Reserves							
\$5,000 Death Benefits					6,100,000		
Revocable Health Insurance Stipend (before transfer)					33,366,572		
Special COL Reserve					1,831,267		
Legal Contingency Reserve					3,279,934		
Tier 3 Disability Reserve					11,616		
Contingency Reserve					<u>23,804,388</u>		
Total Special Reserves (Market Value)							68,393,777
8. Adjusted Total Special Reserves (117.8% of Market, Except Contingency)							76,332,770
9. Pension Reserves at Actuarial Value (Valuation Assets): (5)(8)							\$1,325,801,248

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
6/30/2004	General	3,618	\$164,462,000	\$45,457	0.81%
	Safety	630	35,501,000	56,351	5.08%
	Total	4,248	199,963,000	101,808	3.13%
6/30/2005	General	3,651	173,399,000	47,494	4.48%
	Safety	687	38,282,000	55,723	-1.11%
	Total	4,338	211,681,000	103,217	1.38%
6/30/2006	General	3,702	179,767,000	48,559	2.24%
	Safety	689	40,001,000	58,057	4.19%
	Total	4,391	219,768,000	106,616	3.29%
6/30/2008	General	3,719	230,942,000	51,897	6.87%
	Safety	731	44,638,000	61,065	5.18%
	Total	4,450	275,580,000	112,962	5.95%
6/30/2009	General	3,627	201,144,000	55,457	6.86%
	Safety	739	47,172,000	63,832	4.53%
	Total	4,366	248,316,000	119,289	5.60%
6/30/2010	General	3,404	198,698,288	58,372	5.26%
	Safety	681	46,357,713	68,073	6.64%
	Total	4,085	245,056,001	126,445	6.00%

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

RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

Plan Year Ending	At Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
6/30/2004	2,067	214	N/A	64	N/A	2,217	\$ 43,467,000	13.30%	\$ 20,064
6/30/2005	2,217	99	\$ 4,210,853	43	\$ 637,963	2,273	\$ 47,423,000	9.10%	\$ 20,682
6/30/2006	2,273	247	\$ 3,495,143	75	\$ 700,133	2,445	\$ 53,111,000	12.00%	\$ 21,744
6/30/2008	2,445	369	\$ 9,084,777	148	\$ 1,731,738	2,666	\$ 63,296,000	19.18%	\$ 23,742
6/30/2009	2,666	156	\$ 2,168,425	71	\$ 647,870	2,751	\$ 66,720,003	5.41%	\$ 24,253
6/30/2010	2,751	159	\$ 3,349,900	80	\$ 751,427	2,830	\$ 71,695,220	7.46%	\$ 25,334

SOLVENCY TEST

Valuation Date	Actuarial Accrued Liabilities (AAL) for:			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3		1	2	3
	Active Member Contributions	Retirees & Beneficiaries	Active Members Employer Portion				
6/30/2004	\$ 166,806,000	\$ 518,922,000	\$ 349,617,000	\$ 993,180,000	100%	100%	88%
6/30/2005	\$ 205,556,000	\$ 551,810,000	\$ 358,944,000	\$ 1,049,691,000	100%	100%	81%
6/30/2006	\$ 219,907,000	\$ 619,109,000	\$ 355,888,000	\$ 1,154,048,000	100%	100%	89%
6/30/2008	\$ 272,657,000	\$ 739,838,000	\$ 536,329,000	\$ 1,317,167,000	100%	100%	57%
6/30/2009	\$ 298,342,000	\$ 781,082,000	\$ 574,292,000	\$ 1,171,767,000	100%	100%	16%
6/30/2010	\$ 323,940,000	\$ 829,323,000	\$ 584,561,000	\$ 1,325,801,000	100%	100%	30%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Plan Year Ending	Actuarial (Gains)/Losses			Changes in Plan Provisions	Changes in Assumption/ Methods	Total (Gain)/Loss
	Asset Sources	Liability Sources	Total			
6/30/2005	\$ 26,573,640	\$ 11,238,430	\$ 37,812,070	N/A	-	\$ 37,812,070
6/30/2006	\$ (27,756,878)	\$ 21,366,204	\$ (6,390,674)	N/A	(14,845,293)	\$ (21,235,967)
*6/30/2007	\$ 86,178,774	N/A	\$ 86,178,774	N/A	134,470,779	\$ 220,649,553
6/30/2008	\$ (50,709,169)	\$ 67,324,195	\$ 16,615,026	N/A	-	\$ 16,615,026
6/30/2009	\$ 228,905,354	\$ 12,996,828	\$ 241,902,182	N/A	-	\$ 241,902,182
6/30/2010	\$ (76,507,113)	\$ 37,492,978	\$ (39,014,135)	N/A	(51,743,766)	\$ (90,757,901)

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

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Revenues by Source
(for years ending June 30)



Statistical Section

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employee Contrib.	\$11,227	\$13,940	\$18,521	\$18,942	\$19,088	\$19,861	\$20,543	\$20,689	\$20,923	\$20,746
Employer Contrib.	\$7,509	\$11,341	\$16,207	\$17,114	\$19,793	\$22,549	\$32,562	\$22,555	\$23,411	\$21,814
Investments	\$68,423	\$(43,386)	\$48,560	\$155,269	\$90,703	\$117,273	\$207,140	\$(21,409)	\$(221,031)	\$165,054
Total	\$87,159	\$(18,105)	\$83,288	\$191,325	\$129,584	\$159,683	\$260,255	\$176,698	\$176,698	\$207,614

Note: 2007 Employer Contributions include income from the post-Ventura Francis set.

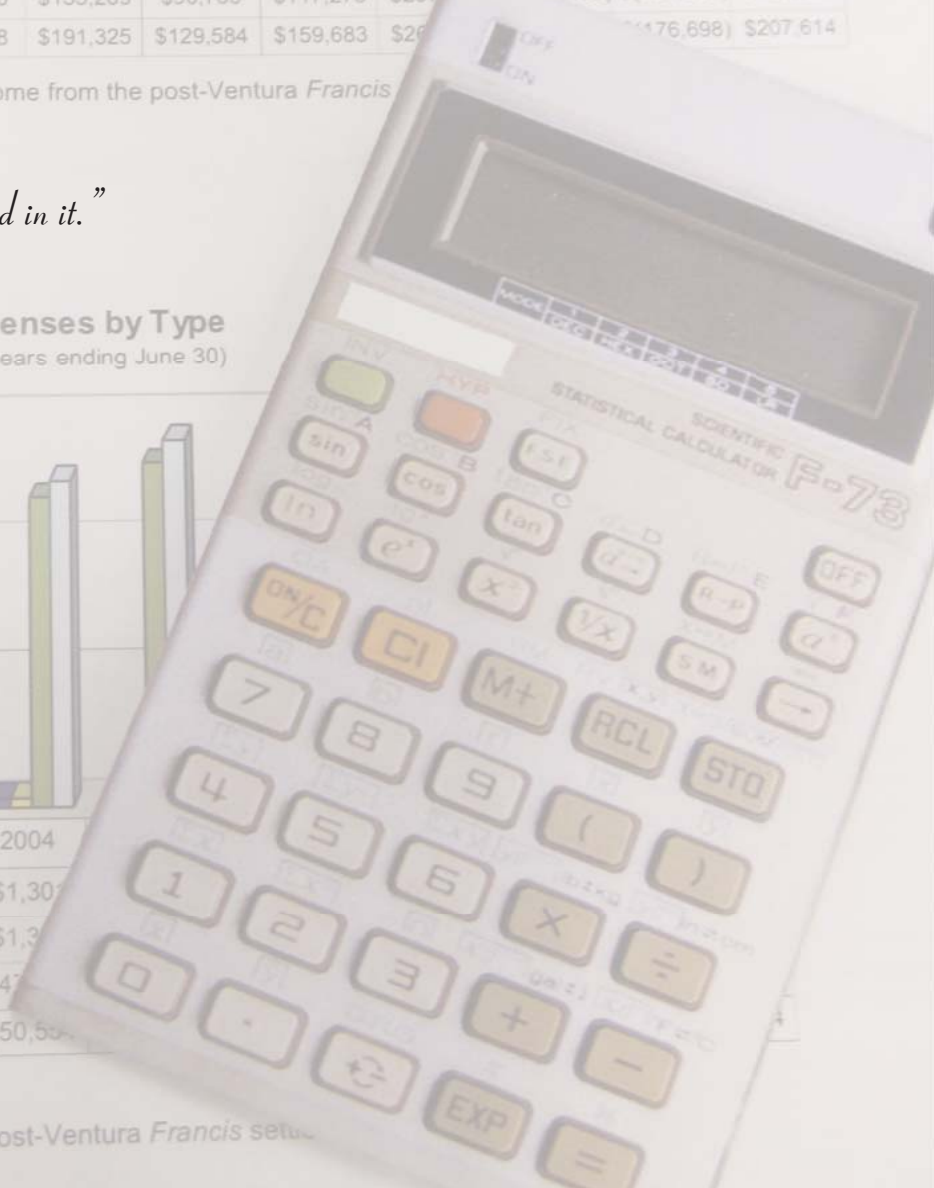
"Though this be madness, yet there is method in it."
-William Shakespeare

Expenses by Type
(for years ending June 30)



	2001	2002	2003	2004
Administrative	\$65	\$1,082	\$1,147	\$1,30
Refunds	\$63	\$1,548	\$1,561	\$1,3
Benefits	\$66	\$38,118	\$43,435	\$4
Total	\$65	\$40,748	\$46,143	\$50,56

Note: 2007 benefit expenses for the post-Ventura Francis set.



Cover Source:

Irizarry, Luiana M. *Computations*. 2011. jpg. StanCERA, Modesto.

STATISTICAL INFORMATION

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

CHANGES IN PLAN NET ASSETS

Last Ten Fiscal Years ending June 30

Additions To Plan Net Assets

	2011	2010	2009	2008	2007
Employer Contributions	\$ 26,256,729	\$ 21,814,194	\$ 23,410,965	\$ 22,555,416	\$ 32,562,514
Employee Contributions	19,197,052	20,746,411	20,922,893	20,689,439	20,542,837
Investment Income (Loss)	261,380,696	161,234,157	(215,302,029)	(122,548,769)	206,631,146
Litigation Recovery	16,849	680,579	57,010	117,351	177,775
Net Security Lending Income (Loss)	444,947	3,139,108	(5,786,378)	1,022,295	382,991
<i>Total Additions</i>	<u>\$ 307,296,273</u>	<u>\$ 207,614,449</u>	<u>\$ (176,697,539)</u>	<u>\$ (78,164,268)</u>	<u>\$ 260,297,263</u>

Deductions From Plan Assets

Pension Benefits	\$ 74,826,404	\$ 71,464,735	\$ 71,861,210	\$ 67,785,111	\$ 67,599,163
Refunds	1,906,153	1,731,971	2,537,978	2,442,426	2,730,463
Administrative Expense and Misc	2,037,167	2,307,436	2,080,130	2,044,286	1,980,926
<i>Total Deductions</i>	<u>\$ 78,769,724</u>	<u>\$ 75,504,142</u>	<u>\$ 76,479,318</u>	<u>\$ 72,271,823</u>	<u>\$ 72,310,552</u>

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

	\$ 228,526,549	132,110,307	(253,176,857)	(150,436,091)	187,986,711
--	----------------	-------------	---------------	---------------	-------------

Net Assets Held in Trust for Pension Benefits

Beginning of year	1,190,219,397	1,058,109,090	1,311,285,947	1,461,722,038	1,273,735,327
End of year	<u>\$ 1,418,745,946</u>	<u>\$ 1,190,219,397</u>	<u>\$ 1,058,109,090</u>	<u>\$ 1,311,285,947</u>	<u>\$ 1,461,722,038</u>

Additions To Plan Net Assets

	2006	2005	2004	2003	2002
Employer Contributions	\$ 22,548,754	\$ 19,792,748	\$ 17,113,973	\$ 16,207,877	\$ 11,340,678
Employee Contributions	19,860,676	19,088,340	18,941,508	18,520,605	13,939,517
Investment Income (Loss)	116,898,276	90,280,931	154,739,718	47,836,183	(43,483,569)
Litigation Recovery	27,479	113,169	114,058	126,162	97,700
Net Security Lending Income (Loss)	347,188	309,095	415,659	597,316	-
<i>Total Additions</i>	<u>\$ 159,682,373</u>	<u>\$ 129,584,283</u>	<u>\$ 191,324,916</u>	<u>\$ 83,288,143</u>	<u>\$ (18,105,674)</u>

Deductions From Plan Assets

Pension Benefits	\$ 58,129,898	\$ 53,176,109	\$ 47,926,179	\$ 43,435,482	\$ 38,118,054
Refunds	2,482,105	2,347,241	1,326,769	1,561,286	1,547,588
Administrative Expense and Misc	1,598,700	1,404,838	1,301,338	1,147,117	1,082,458
<i>Total Deductions</i>	<u>\$ 62,210,703</u>	<u>\$ 56,928,188</u>	<u>\$ 50,554,286</u>	<u>\$ 46,143,885</u>	<u>\$ 40,748,100</u>

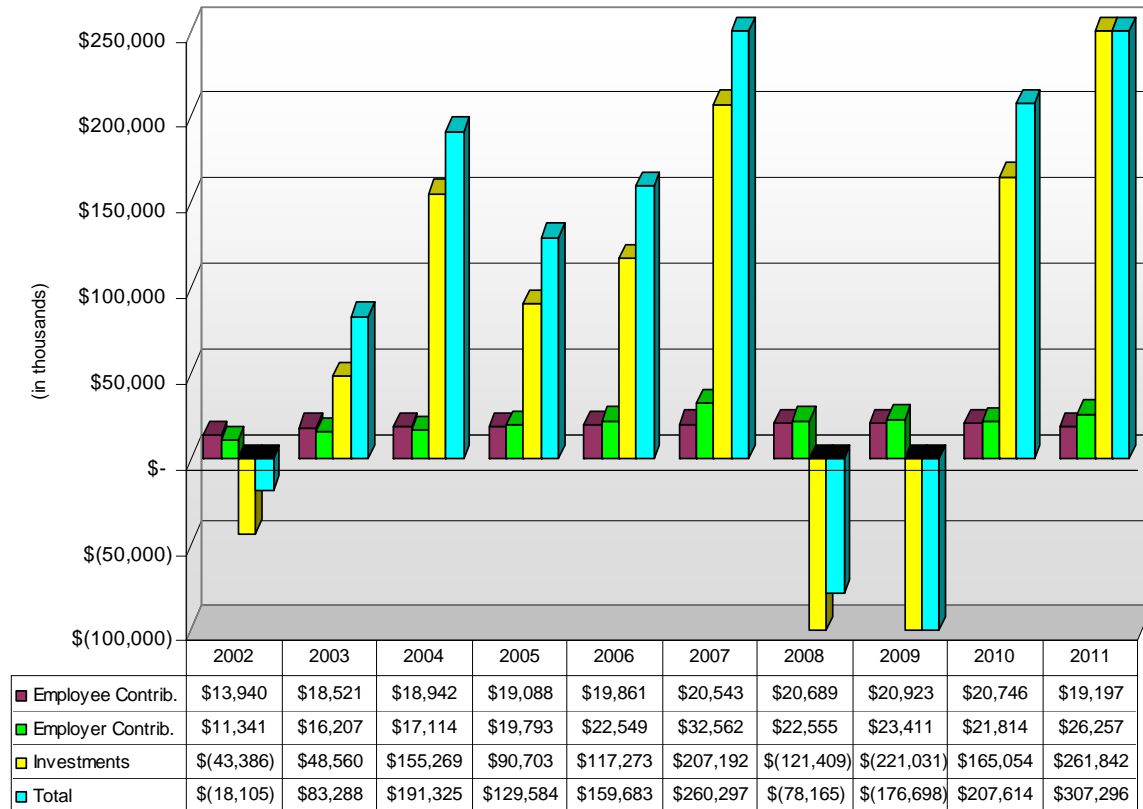
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits

	97,471,670	72,656,095	140,770,630	37,144,258	(58,853,774)
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Net Assets Held in Trust for Pension Benefits

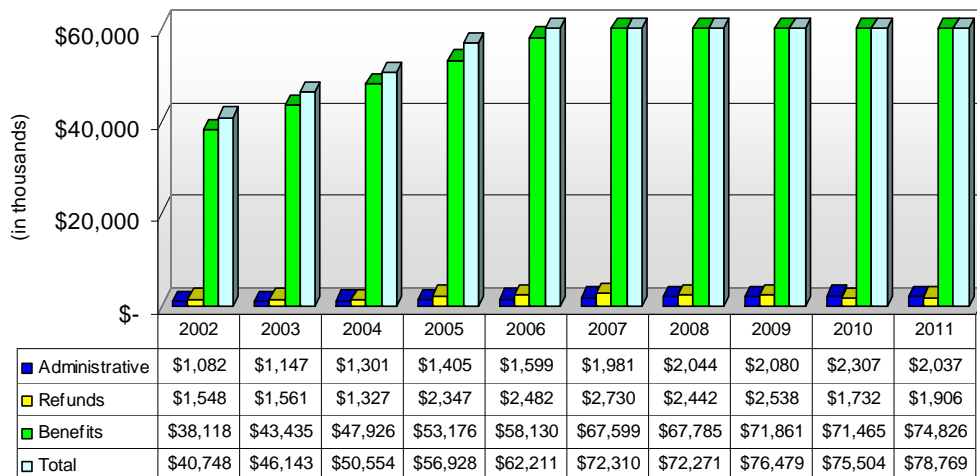
Beginning of year	1,176,263,657	1,103,607,562	962,836,932	925,692,674	984,546,448
End of year	<u>\$ 1,273,735,327</u>	<u>\$ 1,176,263,657</u>	<u>\$ 1,103,607,562</u>	<u>\$ 962,836,932</u>	<u>\$ 925,692,674</u>

Revenues by Source (for years ending June 30)



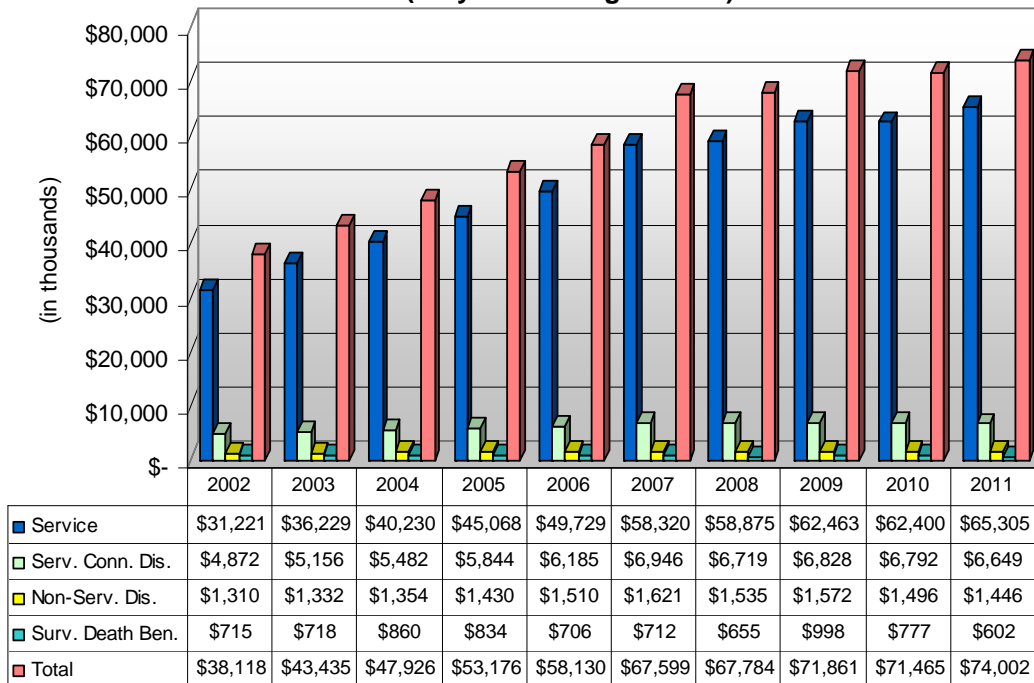
Note: 2007 Employer Contributions include income from the post-Ventura *Francis* settlement

Expenses by Type (for years ending June 30)



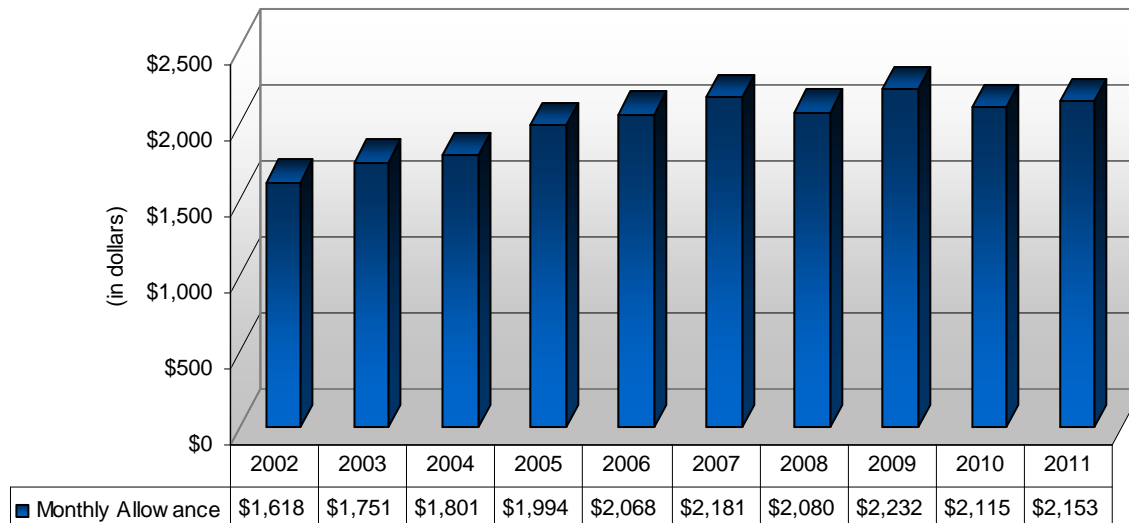
Note: 2007 benefits include expenses for the post-Ventura *Francis* settlement

Benefit Expense by Type (for years ending June 30)



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

Average Monthly Retirement Benefits (for years ending June 30)



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

RETIRED MEMBERS BY BENEFIT TYPE
as of June 30, 2011

<u>Amount Monthly Benefit</u>	<u>Total # Retirees</u>	<u>Service Retirement</u>	<u>Service Connected Disability</u>	<u>Non-Service Disability</u>	<u>Survivors</u>
General Members					
0-500	384	360	4	14	6
501-1,000	530	454	7	51	18
1,001-1,500	440	363	38	35	4
1,501-2,000	330	276	46	6	2
2,001-2,500	226	201	18	5	2
2,501-3,000	149	142	7	0	0
3,001-3,500	106	104	1	0	1
3,501-4,000	81	78	2	1	0
4,001-4,500	59	57	2	0	0
4,501-5,000	39	39	0	0	0
over 5,000	171	171	0	0	0
Totals	<u>2,515</u>	<u>2,245</u>	<u>125</u>	<u>112</u>	<u>33</u>
Safety Members					
0-500	22	13	7	1	1
501-1,000	24	17	4	1	2
1,001-1,500	33	28	0	4	1
1,501-2,000	42	31	7	4	0
2,001-2,500	64	25	38	0	1
2,501-3,000	72	24	47	0	1
3,001-3,500	45	28	16	0	1
3,501-4,000	23	22	1	0	0
4,001-4,500	21	20	0	0	1
4,501-5,000	21	19	1	0	1
over 5,000	94	86	8	0	0
Totals	<u>461</u>	<u>313</u>	<u>129</u>	<u>10</u>	<u>9</u>
TOTALS	<u>2,976</u>	<u>2,558</u>	<u>254</u>	<u>122</u>	<u>42</u>

(Data retrieved from StanCERA's data base)

AVERAGE BENEFIT PAYMENTS

As of Fiscal End of Year

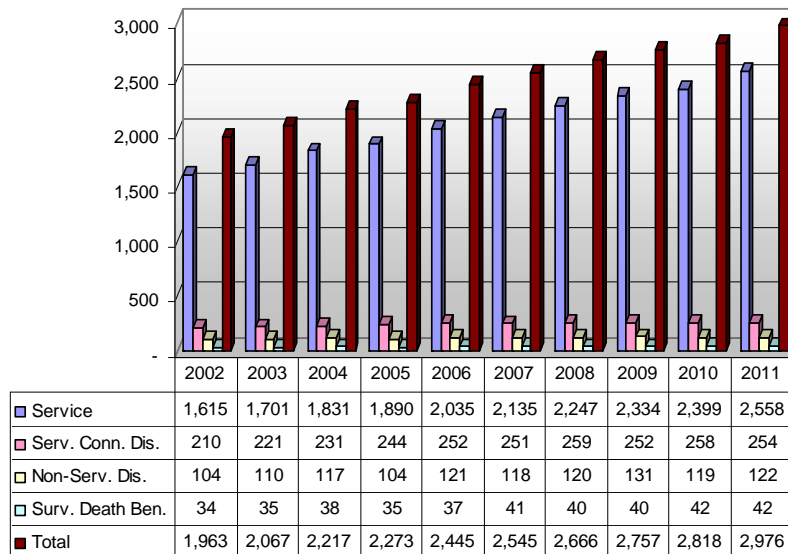
	Beneficiaries		Service Years Credited					
	& Dro's	0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year Ending June 30, 2001								
Average Monthly Benefit	-	\$587	\$935	\$992	\$1,425	\$1,969	\$2,599	\$3,388
Number of Active Retirees	-	136	229	455	372	313	222	135
Fiscal Year Ending June 30, 2002								
Average Monthly Benefit	-	\$598	\$1,004	\$1,029	\$1,481	\$2,043	\$2,756	\$3,523
Number of Active Retirees	-	146	243	470	379	332	252	141
Fiscal Year Ending June 30, 2003								
Average Monthly Benefit	-	\$617	\$990	\$1,086	\$1,594	\$2,129	\$3,094	\$3,782
Number of Active Retirees	-	150	256	480	390	358	271	162
Fiscal Year Ending June 30, 2004								
Average Monthly Benefit	-	\$621	\$1,008	\$1,127	\$1,605	\$2,170	\$3,168	\$4,017
Number of Active Retirees	-	153	275	507	418	382	293	190
Fiscal Year Ending June 30, 2005								
Average Monthly Benefit	-	\$615	\$1,053	\$1,175	\$1,710	\$2,253	\$3,290	\$4,185
Number of Active Retirees	-	160	284	508	424	386	307	204
Fiscal Year Ending June 30, 2006								
Average Monthly Benefit	-	\$618	\$1,063	\$1,176	\$1,741	\$2,322	\$3,400	\$4,341
Number of Active Retirees	-	169	306	532	446	417	338	237
Fiscal Year Ending June 30, 2007								
Average Monthly Benefit	-	\$644	\$1,102	\$1,206	\$1,796	\$2,438	\$3,562	\$4,485
Number of Active Retirees	-	170	321	568	466	424	345	251
Fiscal Year Ending June 30, 2008								
Average Monthly Benefit	-	\$382	\$1,016	\$1,284	\$1,836	\$2,594	\$3,778	\$4,599
Number of Active Retirees	-	246	427	522	523	398	365	251
Fiscal Year Ending June 30, 2009								
Average Monthly Benefit	\$1,426	\$627	\$1,095	\$1,257	\$1,934	\$2,641	\$3,912	\$5,332
Number of Active Retirees	365	159	312	528	425	390	325	253
Fiscal Year Ending June 30, 2010								
Average Monthly Benefit	\$1,345	\$602	\$1,038	\$1,171	\$1,834	\$2,550	\$3,753	\$5,172
Number of Active Retirees	366	157	330	536	434	405	318	270
Fiscal Year Ending June 30, 2011								
Average Monthly Benefit	\$1,362	\$621	\$1,044	\$1,192	\$1,843	\$2,581	\$3,785	\$5,260
Number of Active Retirees	389	169	350	574	454	424	331	298

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

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

Membership History (Retired)

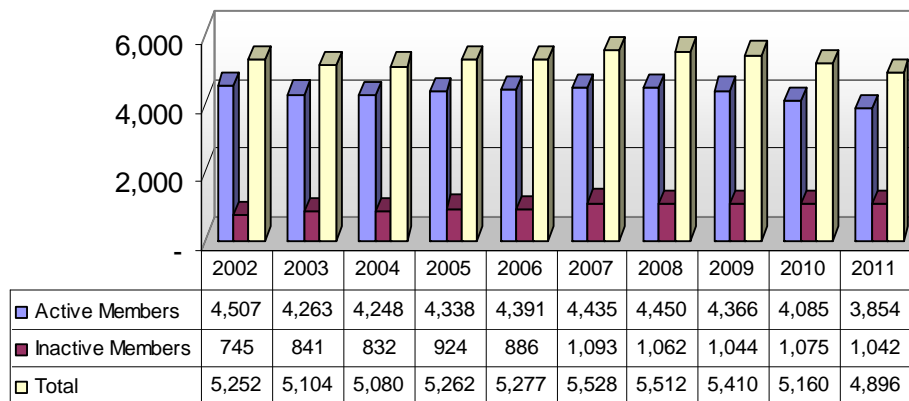
(for years ending June 30)



Data retrieved from StanCERA's data base.

Membership History (Active & Deferred)

(for years ending June 30)



Data retrieved from StanCERA's data base.

**PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS
with PERCENTAGE OF TOTAL SYSTEM**

for years ending June 30

	<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>	
Stanislaus County:										
General Members	2,841	73.6%	3,013	73.6%	3,227	73.8%	3,313	74.4%	3,311	74.7%
Safety Members	<u>553</u>	14.3%	<u>601</u>	14.7%	<u>658</u>	15.1%	<u>663</u>	14.9%	<u>660</u>	14.9%
Total	<u>3,394</u>		<u>3,614</u>		<u>3,885</u>		<u>3,976</u>		<u>3,971</u>	
Participating Agencies:										
Stanislaus County Superior Courts	245	6.4%	252	6.2%	263	6.0%	254	5.7%	246	5.5%
City of Ceres	173	4.5%	178	4.4%	178	4.1%	186	4.2%	183	4.1%
East Side Mosquito Abatement District	11	0.3%	11	0.3%	11	0.3%	10	0.2%	10	0.2%
Hills Ferry Cemetery	4	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Keyes Community Services District	6	0.2%	6	0.2%	6	0.2%	6	0.2%	6	0.2%
Salida Sanitary District	7	0.2%	7	0.2%	6	0.1%	4	0.1%	4	0.1%
Stanislaus Council of Governments	<u>14</u>	0.4%	<u>13</u>	0.3%	<u>13</u>	0.3%	<u>10</u>	0.2%	<u>11</u>	0.2%
Total	<u>460</u>		<u>471</u>		<u>481</u>		<u>474</u>		<u>464</u>	
Total Active Membership	<u><u>3,854</u></u>		<u><u>4,085</u></u>		<u><u>4,366</u></u>		<u><u>4,450</u></u>		<u><u>4,435</u></u>	
	<u>2006</u>		<u>2005</u>		<u>2004</u>		<u>2003</u>		<u>2002</u>	
Stanislaus County:										
General Members	3,330	75.8%	3,320	76.5%	3,239	76.2%	3,292	77.2%	3,528	78.1%
Safety Members	<u>626</u>	14.3%	<u>618</u>	14.2%	<u>583</u>	13.7%	<u>580</u>	13.6%	<u>589</u>	13.1%
Total	<u>3,956</u>		<u>3,938</u>		<u>3,822</u>		<u>3,872</u>		<u>4,117</u>	
Participating Agencies:										
Stanislaus County Superior Courts	232	5.3%	211	4.9%	220	5.2%	198	4.6%	202	4.5%
City of Ceres	172	3.9%	161	3.7%	173	4.1%	161	3.8%	156	3.5%
East Side Mosquito Abatement District	9	0.2%	8	0.2%	6	0.2%	6	0.2%	7	0.2%
Hills Ferry Cemetery	4	0.1%	3	0.1%	3	0.1%	3	0.1%	3	0.1%
Keyes Community Services District	5	0.1%	5	0.1%	5	0.1%	4	0.1%	4	0.1%
Salida Sanitary District	4	0.1%	4	0.1%	5	0.1%	5	0.1%	5	0.1%
Stanislaus Council of Governments	<u>9</u>	0.2%	<u>8</u>	0.2%	<u>14</u>	0.3%	<u>14</u>	0.3%	<u>13</u>	0.3%
Total	<u>435</u>		<u>400</u>		<u>426</u>		<u>391</u>		<u>390</u>	
Total Active Membership	<u><u>4,391</u></u>		<u><u>4,338</u></u>		<u><u>4,248</u></u>		<u><u>4,263</u></u>		<u><u>4,507</u></u>	

* Stanislaus County Superior Courts were part of Stanislaus County until March 2002
(Data retrieved from StanCERA's data base)

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Stanislaus County Employees'
Retirement Association
P O Box 3150
Modesto, CA 95353

BOARD OF RETIREMENT

June 30, 2011

Gordon B. Ford, Trustee
Ex-Officio, County Treasurer

Maria De Anda, Trustee
Elected by Active General Membership

Clarence Willmon, Trustee
Elected by Active General Membership

Ron Martin, Trustee
Appointed by the Board of Supervisors

Mike Lynch, Chair
Appointed by the Board of Supervisors

Jim DeMartini, Vice Chair
Appointed by the Board of Supervisors

Darin Gharat, Trustee
Elected by Active Safety Membership

Vacant, Trustee
Elected by Retiree Membership

Linda Stotts-Burnett, Alternate Trustee
Elected by Retired Membership

Jeff Grover, Trustee
Appointed by the Board of Supervisors



Ensuring tomorrow's benefits through prudent management.

Popular Annual Financial Report

For the Fiscal Years Ended
June 30, 2011 and 2010



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

TO STANCERA MEMBERS

I am pleased to provide you with the Popular Annual Financial Report (PAFR) of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2011. The PAFR is intended to provide a snapshot and brief discussion of the financial activities of StanCERA for the year. The PAFR is based on StanCERA's Comprehensive Annual Financial Report (CAFR) for 2011 and 2010. The selected financial data it presents conform to generally accepted accounting principles and are consistent with information contained in the CAFR. A complete CAFR can be located on StanCERA's website: www.stancera.org. The CAFR contains more detailed information regarding the financial position of StanCERA.

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. The most recent actuarial valuation, conducted as of June 30, 2010, provided StanCERA with a funded ratio of 76.3%. The actuarial valuation is performed annually taking into account the market value of the assets used to determine employer contribution rates and spreading all gains and losses over five years, known as a 5 year smoothing method. The next actuarial valuation is in process for the fiscal year ending June 30, 2011.

Despite the volatility in the stock market, Management believes the Plan remains in a strong financial position to meet its obligations to the Plan Participants and Beneficiaries. For the fiscal year ended June 30, 2011, StanCERA's total portfolio outperformed its policy benchmark of 21.3% with an overall gain of 22.9%. The StanCERA Board continues to explore options to optimize returns with minimum risk for members and sponsors.

The Plan net assets increased \$228.5 million in spite of the difficult year in the market. Net investment income increased by \$100.1 million where normal contributions (member and employer) increased by \$2.9 million. Benefit payments increased by \$3.36 million over the prior year and administrative costs to operate the System decreased by \$.27 million.

StanCERA's independent auditor, Macias Gini & O'Connell, LLP, has audited the financial statements and provided an opinion that the financial statements present fairly, in all material respects, the financial position of StanCERA for the years ended June 30, 2011 and 2010, and the results of its operations for the years then ended in accordance with generally accepted accounting principles.

Sincerely,

Tom Watson

Tom Watson, Retirement Administrator
Stanislaus County Employees' Retirement Association

Stanislaus County Employees' Retirement Association can be contacted at:
832 12th Street, Suite 600
Modesto, CA 95354
209-525-6393
www.stancera.org

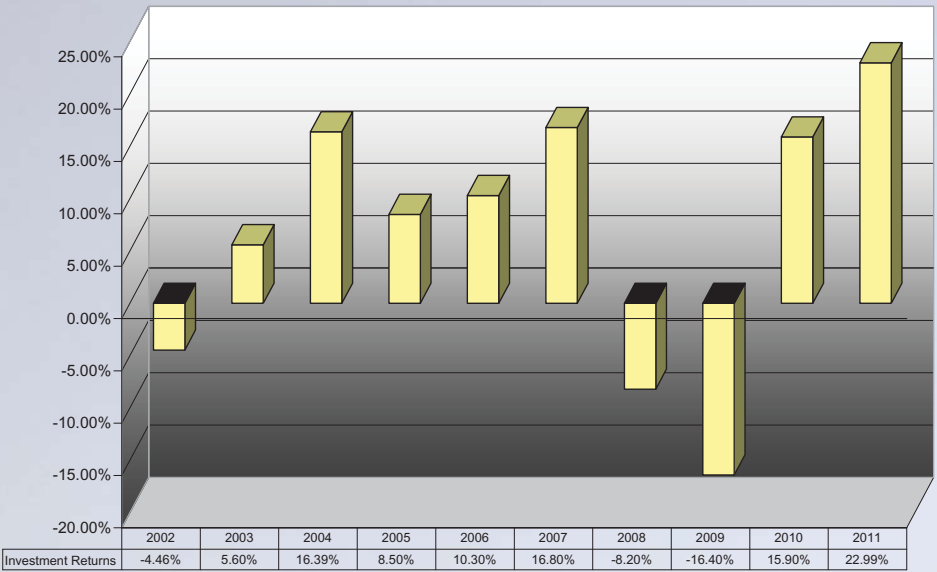
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS
(\$ in millions)

Fiscal Year Ending June 30	Total Fund Net Assets	Increase (Decrease) in Net Assets
2011	\$1,419	229
2010	1,190	132
2009	1,058	(253)
2008	1,311	(150)
2007	1,461	188
2006	1,273	97
2005	1,176	73
2004	1,103	141
2003	962	37
2002	925	(59)

Total Plan Net Assets are the assets at market value available for future payments to retirees less liabilities.

The Plan's investment activity is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Shown below are StanCERA's investment returns for the last ten years and a schedule of investments held by StanCERA at June 30, 2011.

INVESTMENT RETURNS FOR YEARS ENDING JUNE 30



INVESTMENTS HELD AT JUNE 30, 2011

Asset Class	Market Value	Annual Return	Actual Allocation	Target Allocation
Domestic Equities	\$583,225,569	33.70%	41.45%	41.40%
International Equities	263,243,865	31.30%	18.71%	20.00%
Fixed Income	502,229,675	6.00%	35.69%	37.10%
Global REIT's	19,355,304	32.90%	1.38%	1.50%
Cash	38,979,630	1.44%	2.77%	0.00%
TOTAL PORTFOLIO	\$1,407,034,043		100.00%	100.00%

The Total Portfolio is total investments at market value only. These amounts do not include cash in Stanislaus County Treasury or capital assets.

**SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN
FOR THE TEN YEARS ENDING JUNE 30, 2010**
(Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio
Date	(a)	(b)	(b-a)	(a/b)
6/30/2010	\$1,325,801	\$1,737,824	\$412,023	76.30%
6/30/2009	1,171,767	1,653,716	481,949	70.90%
6/30/2008	1,317,167	1,548,824	231,657	85.00%
6/30/2007 *	N/A	N/A	N/A	N/A
6/30/2006	1,154,048	1,329,375	175,327	86.80%
6/30/2005	1,049,691	1,116,310	66,619	94.00%
6/30/2004	993,180	1,035,345	42,165	95.90%
6/30/2003	937,797	958,095	20,298	97.90%
6/30/2002	878,821	870,768	(8,053)	100.90%
6/30/2001	784,114	781,495	(2,619)	100.30%

* Actuarial valuation was not performed for fiscal year ended June 30, 2007
Data provided by last actuarial valuation as of June 30, 2010.
The actuarial valuation as of June 30, 2006 was revised due to changes in assumptions.

HISTORICAL MEMBERSHIP

Fiscal Year Ending June 30	Number of Active Members	Number of Deferred & In-Active Members	Number of Retired Members & Beneficiaries	Average Monthly Benefit
2011	3,854	1,042	2,976	\$2,153
2010	4,085	1,075	2,818	\$2,115
2009	4,366	1,075	2,757	\$2,232
2008	4,450	1,062	2,666	\$2,080
2007	4,435	1,093	2,545	\$2,181
2006	4,391	886	2,445	\$2,068
2005	4,338	924	2,273	\$1,994
2004	4,248	832	2,217	\$1,801
2003	4,263	841	2,067	\$1,751
2002	4,507	745	1,963	\$1,618

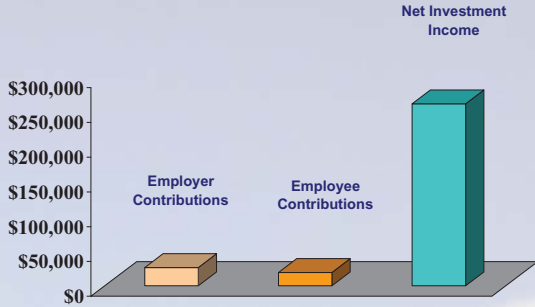
StanCERA's membership consists of full and percentage time (working over 50% time) employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from the County of Stanislaus, Stanislaus Superior Court, the City of Ceres, Stanislaus Council of Governments, Eastside Mosquito Abatement District, Hills Ferry Cemetery, Keyes Community Service District, and Salida Sanitary District.

Full CAFR is available at:
StanCERA
832 12th Street, Suite 600
Modesto, CA 95354
Or on our web site at www.stancera.org

FUND REVENUE
(\$ in thousands)

Fiscal Year ending June 30	Employer Contributions	Employee Contributions	Net Investment Income (Loss)
2011	\$26,257	\$19,197	\$261,842
2010	21,814	20,746	165,054
2009	23,411	20,923	(221,031)
2008	22,555	20,689	(121,409)
2007	32,562	20,543	207,192
2006	22,549	19,861	117,273
2005	19,793	19,088	90,703
2004	17,114	18,942	155,269
2003	16,207	18,521	48,560
2002	11,341	13,940	(43,386)

**StanCERA Revenue fiscal year
ending June 30, 2011**

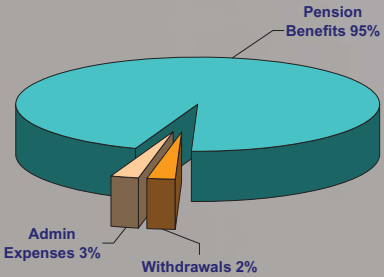


The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. Net investment income is the total interest, dividends and net realized and unrealized gains or losses on all investments less investment fees.

FUND EXPENSES
(\$ in thousands)

Fiscal Year ending June 30	Benefits	Withdrawals	Administrative Expense
2011	\$74,826	\$1,906	\$2,037
2010	71,465	1,732	2,307
2009	71,861	2,538	2,080
2008	67,785	2,442	2,044
2007	67,599	2,730	1,981
2006	58,130	2,482	1,599
2005	53,176	2,347	1,405
2004	47,926	1,327	1,301
2003	43,435	1,561	1,147
2002	38,118	1,548	1,082

**StanCERA Expenses fiscal year
ending June 30, 2011**



The primary uses of StanCERA's assets are in payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. Administrative costs decreased over the prior year due to a staff vacancy and decrease of external professional services.

12/14/11
Item #5d

**STANISLAUS COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

Report to the Audit Committee

For the Fiscal Year Ended June 30, 2011



Certified Public Accountants.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Report to the Audit Committee

For the Fiscal Year Ended June 30, 2011

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November 14, 2011

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

In planning and performing our audit of the financial statements of the Stanislaus County Employees' Retirement Association (StanCERA) for the year ended June 30, 2011, we considered StanCERA's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. However, during our prior year audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes the current year status of prior year comments and recommendations (We previously reported on StanCERA's internal control in our report dated November 8, 2010). This letter does not affect our report dated November 14, 2011, on the financial statements of the StanCERA.

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

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

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

Maclean Mini & O'Connell LLP

Sacramento, California
November 14, 2011

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Report to Audit Committee Required Communications For the Fiscal Year Ended June 30, 2011

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by StanCERA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2011. 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 estimate affecting the financial statements was the actuarial valuation of pension benefits.

The actuarial valuation of pension benefits is based on actuarial calculations performed in accordance with the parameters set forth in GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements as a result of our audit. The attached schedule summarizes the material misstatements detected as a result of our audit procedures which were corrected by management.

Disagreements with Management

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Report to Audit Committee
Required Communications (Continued)
For the Fiscal Year Ended June 30, 2011**

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Report to Audit Committee
Status of Prior Year Comments and Recommendations
For the Fiscal Year Ended June 30, 2011

INVESTMENT RELATED ACCOUNTS

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

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

Fiscal Year 2009 Management Response

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

Fiscal Year 2010 Status

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Report to the Audit Committee
Status of Prior Year Comments and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2011

INVESTMENT RELATED ACCOUNTS (CONTINUED)

Fiscal Year 2010 Management Response

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

Fiscal Year 2011 Status

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

Fiscal Year 2011 Management Response

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Report to the Audit Committee
Status of Prior Year Comments and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2011

SYSTEM ACCESS

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

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

Fiscal Year 2009 Management Response

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

Fiscal Year 2010 Status

The results of our testing revealed the following matters:

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

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Report to the Audit Committee
Status of Prior Year Comments and Recommendations (Continued)
For the Fiscal Year Ended June 30, 2011

SYSTEM ACCESS (CONTINUED)

Fiscal Year 2010 Management Response

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

Fiscal Year 2011 Status

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

Fiscal Year 2011 Management Response

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

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Summary of Material Financial Statement Adjustments
June 30, 2011

<u>Account Description and Explanation</u>	<u>Increase / (Decrease)</u>			
	<u>Assets</u>	<u>Liabilities</u>	<u>Additions</u>	<u>Deductions</u>
1 Cash	307,097			
Security Transactions Payable		10,189,402		
Net Appreciation in FV of investments			432,115	
Fixed Income investments	(4,875,269)			
Security Transactions Receivable	(6,053,345)			
To adjust investment activities that were not reflected by the custodian bank or in the general ledger at June 30, 2011 to agree with the investment manager's records.				



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

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

For the Retirement Board Meeting Agenda
Of December 14, 2011

TO: Retirement Board
12/14/11
Item #5e

FROM: Rick Santos, Executive Director
Kathy Herman, Operations Manager

SUBJECT: Operational Audit – Review and Follow-up Report

On September 9, 2009 Vavrinek, Trine, Day and Co., LLP (VTD) was selected by the Internal Governance Committee (IGC) to assess StanCERA's operational procedures and perform a risk analysis to determine options for minimizing operational risk. Although most of the work has been completed, this has been a multi year project and a timeline for your convenience has been included.

Operational Audit Timeline

9/9/2009 VTD selected
6/14/2010 VTD draft report for discussion submitted to StanCERA
6/22/2010 Internal Governance Committee review and discussion of draft report
8/11/2010 Internal Governance Committee approved StanCERA's responses to draft report
5/26/2011 StanCERA submitted further responses to VTD
6/13/2011 VTD review of StanCERA response and new policies submitted to StanCERA (Attachment A)
6/22/2011 Board of Retirement adopted policies in response to Audit findings.
9/6/2011 VTD follow-up report submitted to StanCERA (Attachment B)
11/22/2011 Internal Governance Committee review of final report and additional questions by VTD

VTD had follow-up questions (Attachment A) regarding policies adopted by the Board of Retirement on June 28, 2011 and four specific areas of concern from StanCERA's original responses. As a result the IGC gave the following direction to staff:

- 1) Policies - Draft a response and revise policies to address these issues and bring them back for approval at the next scheduled IGC meeting. Including, a policy regarding the division of responsibilities and administration of the System between the Executive Director and the Board (i.e. what needs Board approval and what the Director can implement without approval)
- 4) System Security - Formalize the process to purge access to the System's databases for StanCERA employees that have terminated
- 7) Wire Transfers - Research a process for monitoring BNY Mellon wire transfer activity.
- 8) Risk Assessment Process – Begin the process of documenting risk assessment meetings.

The follow-up report (**Attachment B**) reiterated three priorities: instituting a risk assessment project to assess the potential risk of a breach of our member data; updating of our process procedures to include highlighting control points; and an evaluation of our internal controls, using the Committee of Sponsoring Organizations (COSO) criteria. The IGC gave the following direction to staff:

- 1) Staff is to review what other retirement systems and County departments have done with regard to scope and cost for an I.T. security audit. Once that has been completed staff will then proceed with the RFP process to obtain a vendor to help with the assessment. Staff is to include Tyler in these discussions to find out if they've ever had a 3rd party review of their Systems. The Committee informed Staff that after this information is gathered, we can get their approval to go forward without having to wait for the next Governance meeting.
- 2) Staff is to update process manuals to include control points for easy review
- 3) Once the process manual updates listed in # 2 are complete staff will prioritize risk areas and develop a plan for evaluation of operational processes.

Staff will report back to the Internal Governance Committee (IGC) at the next scheduled Committee meeting.

RS/kh

VTD Review of

StanCERA June 13, 2011 response to June 13, 2010 Operational Audit Findings Identification of Risks.

The June 13, 2011 report was a risk assessment performed under professional standards for consulting services. The report proposed an operational audit work plan.

1. Policies.

June 13, 2011 StanCERA Response. Attached May 27, 2011 Memo to Internal Governance Committee references attached VTD recommendations identifying the policies & procedures proposed for adoption by the Board of Retirement.

VTD Comment. The May 27th Memo indicates that staff reviewed County policies and determined which policies should be adopted. This directly addresses our recommendation. However, the May 27th Memo indicates that “...VTD recommendations identifying the policies and procedures proposed for adoption...” are attached. We referenced the County policies that management indicated were followed or partially followed in our Finding IV. A.1; we did not identify which County policies should be adopted by StanCERA. As written, the May 27th Memo is not clear that the policies proposed for adoption are recommendations of management rather than VTD. Do I understand correctly that all of the County policies were reviewed and now do not apply to StanCERA except for the ones adopted on June 28th?

StanCERA Personnel Policy. The attachment indicates that “StanCERA’s Retirement Board will coordinate and manage the recruitment, hiring, promotion, raises, disciplinary and termination policies and procedures of the retirement administrator.” What are the “ policies and procedures of the retirement administrator”; are they in writing?

The attachment indicates under “Approval and Reporting of Contracts and Agreements” that StanCERA will administer and manage all of its own contracts. Does StanCERA have a specific policy regarding Contracts and Agreements?

StanCERA Purchasing Policy. The attachment indicates that StanCERA should be substituted for “purchasing or purchasing department”. Does StanCERA have a policy indicating who, or what position, is responsible as its purchasing or purchasing department?

StanCERA Electronic Data Security Policy.

Electronic member data. The attachment indicates that member data may be temporarily stored on desktop PC’s through the “end of the project/assignment”. Why would project/assignment data not be cleared daily to a network drive since the desktop PC’s are not as secure as the network drive?

PERA Application Security. The policy does not indicate who is responsible for the review and verification. Has the responsibility been incorporated elsewhere?

There is no mention of shredding hard copy that may have been printed. Is this specifically addressed in the County policy?

4. System Security.

VTD Comment. It is not clear that all positions have been reviewed and access restricted as appropriate.

7. Wire Transfers

VTD Comment. There is no indication whether BNY Mellon wire transfer activity is monitored daily by the Administrator and Operations manager.

8. Risk Assessment Process.

VTD Comment. There is no indication that the meeting was documented and provided to the Audit Committee. Essentially, the date of the meeting, persons in attendance, issues discussed, and conclusions should be documented as proof that the meeting occurred. When provided to the Audit Committee there should be another discussion with them and the discussion documented in the minutes.



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

September 6, 2011

Attachment B
VTD Follow – up Report

Board of Retirement,
Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600
Modesto, California 95354

Members of the Board:

In accordance with managements' request, we have read the attached June 13, 2011 *"Response to Vavrinek, Trine, Day & Co. June 14, 2010 Operational Audit Findings Identification of Risks – Progress Update"* addressed to the Internal Governance Committee.

- I. **Background.** The June 13th attached response is an update on StanCERA's progress in addressing recommendations in our August 30, 2010 report to the Board of Retirement.

Our initial report was completed on June 14, 2010 and provided in draft form to the Internal Governance Audit Committee on June 22, 2010. StanCERA's response was approved by the Internal Governance Committee on August 11, 2010 and incorporated in our August 30, 2010 report to the Board of Retirement.

The scope of our report was to perform an overview of StanCERA's operations to determine areas with greatest risk and propose an operational audit work plan to address the identified risks. The services were management advisory services performed under the American Institute of Certified Public Accountants (AICPA) standards for consulting services.

- II. **Scope of Engagement.** Our comments are based upon our reading of the attached June 13, 2011 response and subsequent discussions with responsible management and staff. We have not expanded our procedures to evaluate the design of internal controls of the adopted County policies using the Committee of Sponsoring Organizations (COSO) criteria.

The services were management advisory services performed under the American Institute of Certified Public Accountants (AICPA) standards for consulting services. An advisory engagement is to develop findings, conclusions, and recommendations for StanCERA's consideration and decision making.

- III. **Comments.** The June 13, 2011 Progress Update is responsive to our recommendations. Managements' decision to delay the implementation of certain recommendations, due to StanCERA staffing transition, appears reasonable.

We read the security procedures for Tyler and the County attached to the Progress Update. We also read the responses to StanCERA's follow up questions from Tyler and the County. We participated in further discussions with management discussing our recommendation for a firm specializing in system security to evaluate the security over StanCERA's data base. A preliminary review of firms offering these services indicates that firms have different approaches that could result in significant differences in cost to StanCERA. We concur with management's decision to interview several firms to determine their recommended approaches, fee structure, and client referrals. One of our partners with appropriate background and knowledge will participate in the interviews and assist StanCERA in determining scope for a subsequent Request for Proposal.

- IV. **Proposed Work Plan.** The work plan proposed in our August 30, 2010 report remains valid and is repeated below for your convenience.

A. **Priorities.**

StanCERA should allocate its available funds to the following priorities. Regardless of funding constraints the first priority should be accomplished as soon as possible.

- The first priority should be to contract with a firm to evaluate the TYLER system security.
- The second priority should be completion of the written process procedures. ✓
- The third priority should be completion of the evaluation of internal controls. ✓

B. **Evaluation of Internal Controls.**

Once the written process procedures have been completed, a review of the design of the internal controls using the Committee of Sponsoring Organizations (COSO) criteria should be completed. This review should include a walk-through of transactions to verify the procedures are correct as written and develop an understanding sufficient to identify opportunities for efficiencies.

C. **Prioritizing Risk and Procedure Compliance Testing.**

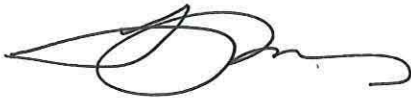
Risk should be evaluated based on the evaluation of Internal Controls. Risk should be ranked in priority for compliance testing by the Audit Committee in consultation with ourselves, the independent auditors, and management.

D. Evaluating Compliance with Internal Controls.

Audit programs to conduct performance audits for compliance with internal controls should be developed. To control costs, management or staff independent of the process being audited could be used, where possible, to conduct the performance audits; with our role limited to review and evaluation of the results.

We appreciate the hospitality shown to us during this engagement and the opportunity to have provided service to StanCERA.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Thomas A. Brewer', with a stylized, flowing script.

Thomas A. Brewer, Partner
for: Vavrinek, Trine, Day & Co., LLP

12/14/11

Item #6

Capital Prospects LLC

Stanislaus County Employees' Retirement Association

Small Cap Value Emerging Manager Program Review

December 14, 2011

Marilyn R. Freeman

Elizabeth A. Knope



C A P I T A L P R O S P E C T S L L C

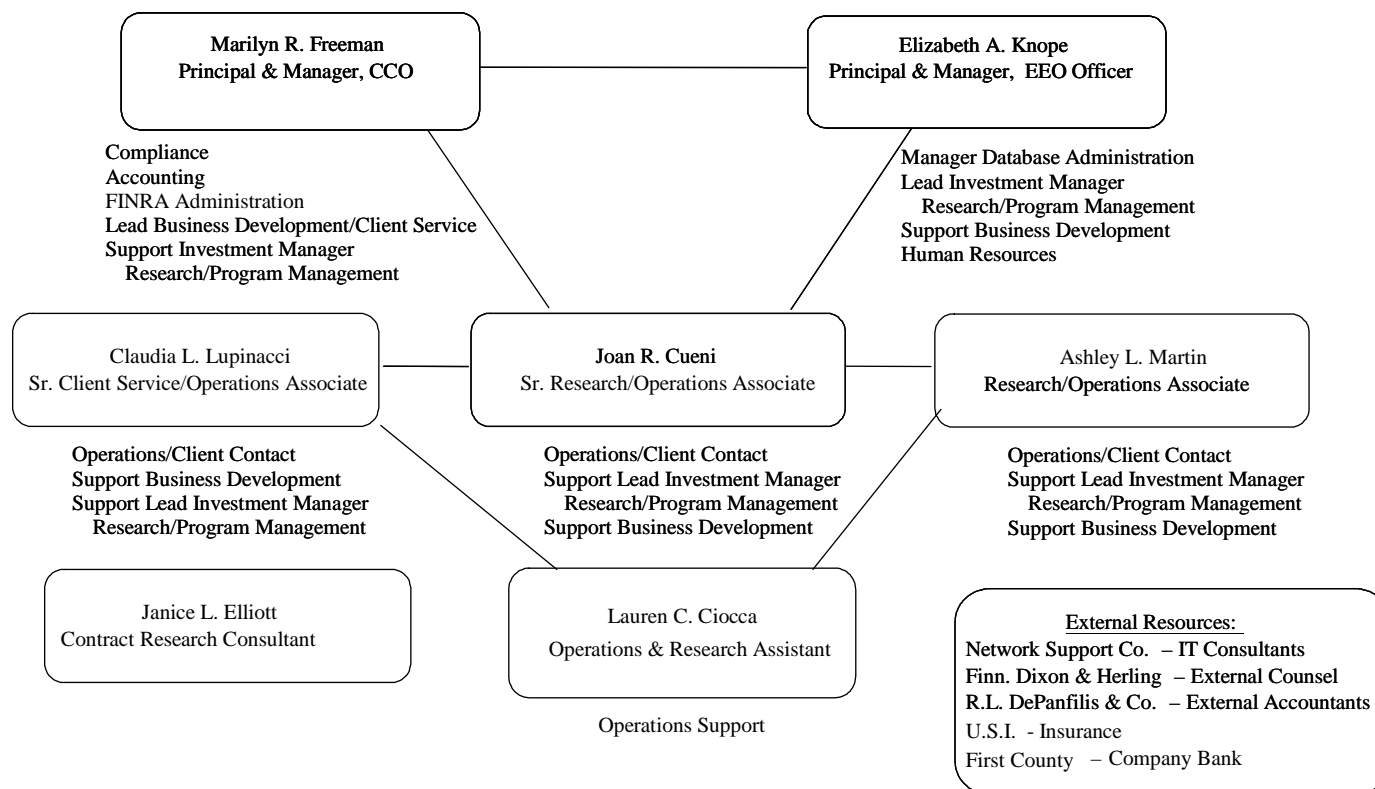
Stanislaus County Employees' Retirement Association

Capital Prospects LLC

- Formed October, 2002
- SEC Registered Investment Adviser
- 100% women-owned and controlled; Principals each own 50%
- Focus on emerging manager-of-managers investment programs
 - Area of specialty for both partners since 1992
 - Built emerging business to approximately \$2.0 billion and 8 key clients at previous employer
- CP specializes in domestic emerging managers and minority/woman-owned managers
- AUM as of October 31, 2011: \$990 million; 8 client relationships, all public funds
 - Russell 3000 accounts \$ 384 million (4 accounts)
 - Russell 2000 Value \$ 105 million (2 accounts)
 - Russell 2000 \$ 112 million (1 account)
 - Russell 3000/Barclays Capital \$ 389 million (1 account)



Capital Prospects LLC - Organizational Chart



Name	Title/Role	Year Joined Firm	Investment Experience	Education/Certifications
Marilyn R. Freeman	Principal & Manager, CCO	2001	30+	BA, MBA
Elizabeth A. Knope	Principal & Manager, EEO	2002	34+	BA, MBA, CFA
Joan R. Cueni	Sr. Research/Operations Associate	2004	10+	BS
Claudia L. Lupinacci	Sr. Client Service/Operations Associate	2006	10+	BA
Ashley L. Martin	Research/Operations Associate	2008	6	BBA
Lauren C. Ciocca	Operations & Research Assistant	2011	-	BA
Janice L. Elliott	Contract Consultant	2005	20+	BS



Capital Prospects LLC

Marilyn R. Freeman

- Principal and Manager, **Capital Prospects LLC**
- EVP & Director of Client Service, **Northern Trust Global Advisors, Inc.** and predecessor firm **RCB International, Inc.**
- Partner and Managing Director, **Rogers, Casey & Barksdale, Inc.**
- Member of The Greenwich Roundtable

30+ years investment experience
B.A. State University of NY at Stony Brook
M.B.A. University of Connecticut

Elizabeth A. Knope, CFA

- Principal and Manager, **Capital Prospects LLC**
- EVP & Director of U.S. Investment Research, **Northern Trust Global Advisors, Inc.** and predecessor firm **RCB International, Inc.**
- Partner and Managing Director, **Rogers, Casey & Barksdale, Inc.**
- Manager, Pension Fund Planning & Analysis, **AT&T** and **New England Telephone**
- Investment Analyst, **The Boston Company, Inc.**

34+ years investment experience
B.A. Skidmore College
M.B.A. Boston University

Joan R. Cueni

- Research/Operations Associate, **Capital Prospects LLC**
- Research Assistant, **HEI Hospitality**
- Jr. Analyst, **Northern Trust Global Advisors, Inc.**

10+ years investment experience
B.S. Iona College

Claudia L. Lupinacci

- Client Service/Operations Associate, **Capital Prospects LLC**
- Sr. Analyst, Client Services Team Leader, **Northern Trust Global Advisors, Inc.**
- Staff Accountant, **J.S. Karlton Company, Inc.**

10+ years investment experience
B.A. Pace University

Ashley L. Martin

- Research/Operations Associate, **Capital Prospects LLC**
- Director Accounting, Reporting, Legal & Compliance, **Parenteau Associates LLC**
- Assistant, VP of Finance & Administration office, **Western CT State University**

6 years investment experience
B.B.A. Western Connecticut State University

Lauren C. Ciocca

- Operations & Research Assistant, **Capital Prospects LLC**
- Technical Writer, **Butler America LLC**
- Marketing & Development Intern, **Dean Silvers Associates**

B.A. New York University

Janice L. Elliott

- Contract Consultant, Research, **Capital Prospects LLC**
- Vice President, Sr. Investment Analyst, **Northern Trust Global Advisors, Inc.**
- Manager, **KPMG LLP**
- Senior International Research Analyst, **Evaluation Associates**

20+ years investment experience
B.S. Sacred Heart University



Research Universe

- Specialized focus on domestic emerging managers
 - More recently established investment firms
 - Established firms newly entering the institutional arena
 - Emerging talent/products within larger organizations on an opportunistic basis
- “Focus List” of 170 firms includes those subject to more extensive research/monitoring and those currently funded; secondary list of firms (currently numbers 130) are either very early on in the research process or those still monitored but of less interest
- Since beginning coverage of managers in these universes in the early 1990’s, we have screened over 2,000 firms, evaluated over 1,000 firms and funded over 75 managers



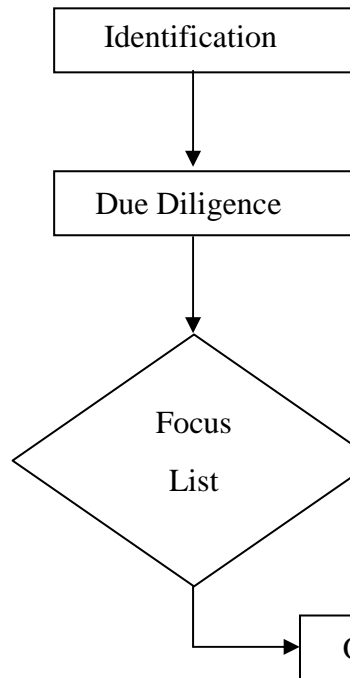
Investment Strategy and Objectives

- Primary investment program goal is to add value over the chosen benchmark within acceptable risk parameters
 - Benchmark, risk tolerances and return expectations determined in conjunction with client
- Manager research focuses on identifying investment managers able to develop unique insights/strategies, who have solid implementation processes that prospectively give them a performance advantage
- Investment program construction keys off the profile and dynamics of the benchmark. We engineer the manager mix so that the overall program will be:
 - Tailored to risk specifications
 - Well-diversified
- At every step, judgments are developed based upon an assessment of both qualitative and quantitative factors
- Value added results in part from our construction decisions but is primarily expected to come from the active decisions of the individual managers in terms of:
 - Security selection
 - Sector/industry bets
 - Investment/economic themes
 - Risk factor exposures

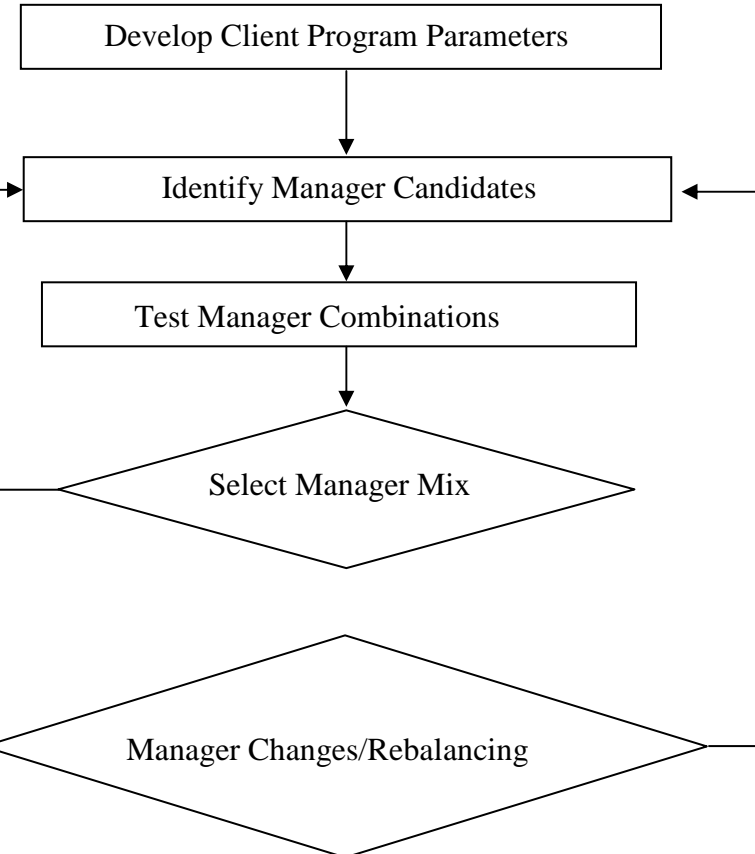


Investment Process

Manager Research Effort

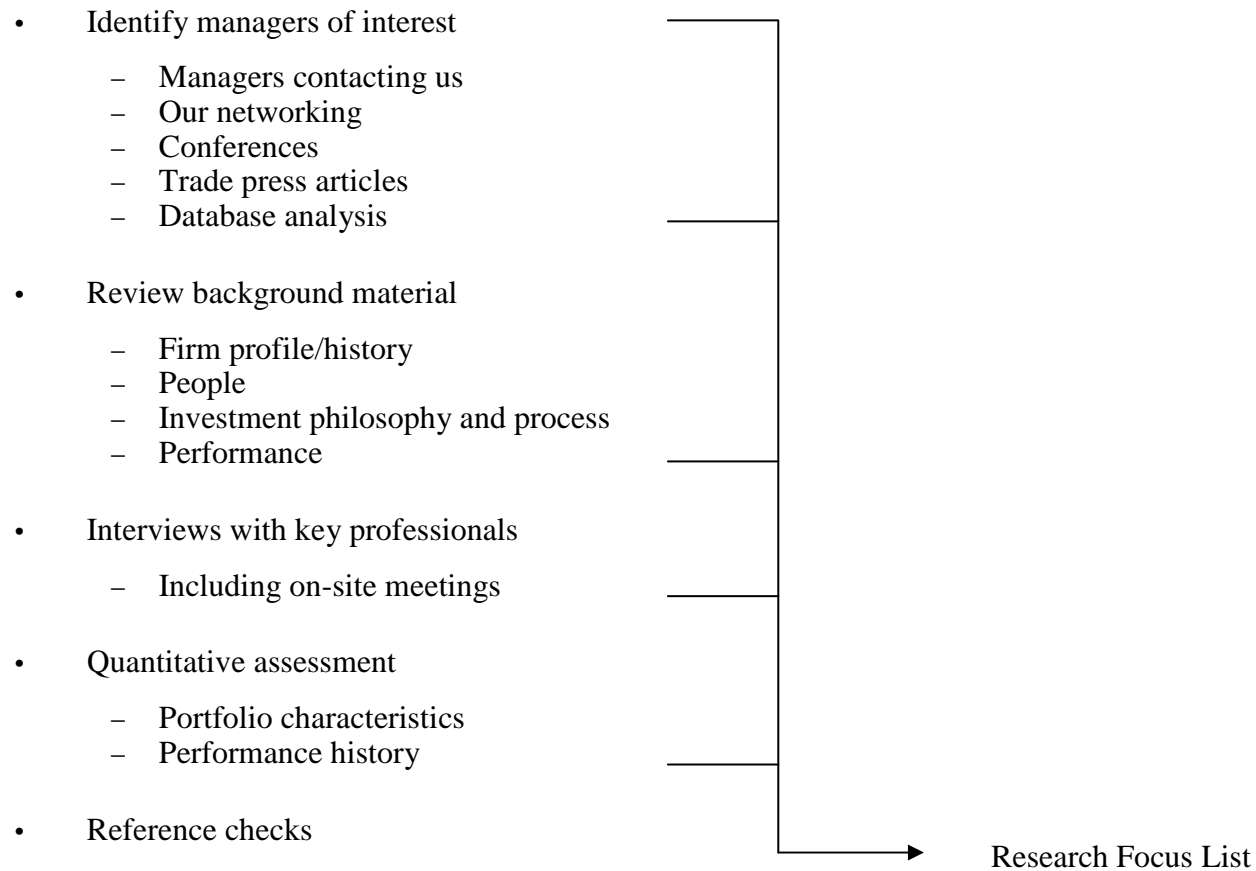


Decision Making Process Investment Program Management



Investment Process

Ongoing Manager Research and Evaluation



Manager Evaluation

Qualitative Factors

- Organization
 - History/development of firm, business profile, financial resources, growth plans
 - Investment professionals' backgrounds/experience, commitment
 - Strength of support structure and operational/administrative controls
 - Any regulatory issues
- Investment philosophy and process
 - Thoroughness and depth
 - Caliber of research effort and adequacy of resources
 - Flexibility of thought process
 - Effectiveness of implementation – buy and sell disciplines, trading
 - Consistency of characteristics with style
 - Potential to add value / “uniqueness” versus peers

Quantitative Factors

- Portfolio characteristics and risk factor exposures
 - Consistency over time and with style
- Risk profile
 - Diversification characteristics, volatility measures, tracking error
- Historical performance comparisons
 - Versus benchmark, peers, style and in different market environments
- Value added expectations



Investment Program Management

- Define parameters of client program
 - Investment objectives
 - Manager qualifications
 - Benchmark
 - Risk and return expectations
- Develop manager candidate list (from Research Focus List)
- Program construction: test manager combinations for optimal mix versus benchmark and select initial managers
 - Diversification
 - Risk profile
 - Value added potential
- Ongoing monitoring
 - Results versus selection criteria
 - Performance analysis and attribution
- Program rebalancing; manager changes
 - Rebalance to original style, capitalization and specific manager allocations periodically
 - Terminations typically result from adverse firm developments, inconsistent strategy, excessive asset growth, undesirable volatility or persistent underperformance
 - Probation (Watch List) criteria specified in Investment Guidelines
 - Improvement/remedy needs to be evident within six months



Resource Commitment

- Continued due diligence on vendors of analytical systems to support our manager research, investment program management and client service requirements
- Currently have agreements in place with:
 - | | | |
|--|--------------------------|---|
| – eVestment Alliance | Manager database: | Manager profiles, performance, returns-based analytics, peer group comparisons |
| – Thomson Reuters –
Nelsons Marketplace Web | Manager database: | Manager profiles, performance, returns-based analytics, peer group comparisons |
| | Plan Sponsor database: | Sponsor profiles, contacts, plan descriptions, managers utilized |
| – Vestek/TPA | Fundamental analytics: | Risk model, portfolio analytics, holdings-based performance attribution, market data and analysis, broad market and custom benchmarks, fixed income analytics |
| – PerTrac | Returns-based analytics: | Performance and risk analytics, optimizer |
| – Russell RIO | Index Data: | Russell Index constituent data and analytics |
 - We are committed to acquiring additional tools, as we identify them, that we believe will enhance our ability to deliver a consistently superior investment product



Stanislaus County Employees' Retirement Association

Asset Allocation

- Funding date: 1/1/09
- Funding amount: \$49.1 million
- 2010 Scheduled Cash Flow: (\$300k) monthly
- Cash Flow 5/3/10: (\$7.5 million)
- 2011 Scheduled Cash Flow through 7/15/11: (\$250k) monthly
- Cash Flow 6/3/11: (\$10 million)
- Current value (10/31/2011): \$58.0 million

	Total Assets (\$000)	% of Fund
Bernzott	\$8,421	14.5 %
Channing	13,737	23.7
InView	12,693	21.9
Keeley	7,651	13.2
Ten	7,530	13.0
Walthausen	7,950	13.7
Total Fund	\$57,983	100.0 %



Stanislaus County Employees' Retirement Association

Equity Investment Characteristics – 9/30/11

<u>Manager</u>	<u>% Total</u>	<u># Holdings</u>	<u>Wtd. Avg. Mkt. Cap (\$B)</u>	<u>Forecast P/E</u>	<u>Price/Book</u>	<u>Forecast Growth (%)</u>	<u>Yield (%)</u>
Bernzott	14.8 %	28	\$2.9	13.0 x	2.5 x	13.2 %	1.4 %
Channing	23.6	39	1.4	12.3	1.9	14.9	1.4
InView	21.8	57	1.7	10.7	1.3	14.6	2.7
Keeley	13.2	65	2.0	12.7	2.6	16.9	1.6
Ten	13.1	128	1.0	8.7	1.6	9.3	2.5
Walhausen	13.5	76	1.0	11.2	1.9	16.4	1.2
Total Equity Portfolio	100.0 %	344	\$1.6	11.4 x	1.9 x	14.4 %	1.8 %
Russell 2000 Value		1,364	\$0.9	13.5 x	1.3 x	12.7 %	2.5 %

- All managers employ varying degrees of quantitative, fundamental and technical analysis: objective is to achieve a balanced mix
- “Core” position (60%) combines Ten’s quantitative, sector-neutral relative value approach with Channing’s and InView’s intrinsic value focus on currently undervalued, high quality companies with improving outlooks
- Remaining 40% more “eclectic”
 - Bernzott: Long term support from dividend/earnings growth plus critical assessment of management
 - Keeley: Corporate restructurings (especially spin-offs)
 - Walhausen: Cash flow generation; value creation strategies
- Resulting portfolio:
 - Well-diversified
 - Higher ROE than benchmark (15.3% vs. 8.0%)
 - PEG ratio (on forecast growth & P/E) at a 25% discount to the benchmark
 - Moderate risk level (forecast tracking error of 3.56)



Stanislaus County Employees' Retirement Association

Sector Allocation – 9/30/11

	Bernzott	Channing	InView	Keeley	Ten	Walthausen	Total Equity	Russell 2000 Value
Energy	4.5 %	4.6 %	6.1 %	5.9 %	5.6 %	6.5 %	5.5 %	4.8 %
Materials	2.8	2.4	5.6	9.8	4.8	8.1	5.2	5.0
Industrials	22.2	21.2	14.5	23.7	12.7	21.1	19.1	14.4
Consumer Discretionary	33.5	16.6	17.3	14.1	11.3	19.9	18.6	11.4
Consumer Staples	6.8	3.2	3.8	6.6	4.7	2.2	4.4	3.1
Healthcare	6.9	5.6	7.7	4.2	8.1	5.4	6.4	5.3
Financials	5.9	27.6	27.8	22.3	32.3	25.0	24.0	36.3
Information Technology	17.4	13.0	9.4	7.0	15.2	11.7	12.2	11.1
Telecommunication Services	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.7
Utilities	0.0 %	5.8 %	7.9 %	6.4 %	5.0 %	0.0 %	4.6 %	7.9 %



Stanislaus County Employees' Retirement Association

Top Ten Holdings – 9/30/11

Bernzott	%
Equifax Inc	4.9
Jack Henry & Associate	4.8
Broadridge Financial S	4.8
Total Sys Svcs	4.7
Energizer Hldgs	4.6
Dresser-Rand Group Inc	4.5
Petsmart, Inc	4.5
Liberty Interactive Co	4.4
Cintas Corp	4.3
Hillenbrand Inc	<u>4.1</u>
Total	45.7

Channing	%
Hanesbrands Inc	3.4
Hexcel Corp New	3.3
Booz Allen Hamilton HL	3.1
South Jersey Inds Inc	3.1
Meadowbrook Ins	3.0
Tower Group Inc	3.0
Thomas and Betts Corp	2.9
The Warnaco Group, Inc	2.9
AnnTaylor Stores Corp	2.9
Independent Bank Mass	<u>2.9</u>
Total	30.3

InView	%
Tech Data Corp	3.2
Ares Cap Corp	3.2
Crown Holdings, Inc	3.1
Avista Corp	2.9
CMS Energy Corp	2.8
Flextronics Intl Ltd	2.7
Pharmaceutical Prod de	2.6
Stage Stores Inc	2.5
Apollo Coml Real Est F	2.5
Meadowbrook Ins	<u>2.4</u>
Total	27.8

Keeley	%
Treehouse Foods Inc	2.9
Wright Express Corp	2.9
Flowers Foods Inc	2.7
Itc Hldgs Corp	2.6
Wabtec Corporation	2.6
Hill-Rom Holdings, Inc	2.6
Hanesbrands Inc	2.6
Broadridge Financial S	2.4
Kansas City Southern	2.4
Vectren Corp	<u>2.2</u>
Total	25.8

Ten	%
Comtech Telecommunicat	2.7
U S Airways Group Inc	2.7
Jakks Pac Inc	2.0
SVB Finl Group	1.9
El Paso Elec Co	1.8
Anworth Mortgage Asset	1.8
Kulicke AD Soffa	1.8
Aircastle Ltd	1.8
American Greetings Cor	1.7
Domtar Corp	<u>1.7</u>
Total	19.9

Walthausen	%
Ocwen Finl Corp	3.8
Pep Boys Manny Moe&JCK	3.7
Vishay Intertechnology	3.0
Standex Intl Corp	2.7
Hexcel Corp New	2.7
Primerica, Inc	2.7
Magellan Health Svcs I	2.5
Sally Beauty Hldgs Inc	2.2
Rent A CTR Inc New	2.2
Flowers Foods Inc	<u>2.0</u>
Total	27.5



Stanislaus County Employees' Retirement Association

Top Ten Holdings – 9/30/11 (continued)

Total Composite	%
The Brink's Co	1.3
Meadowbrook Ins	1.2
Regal Beloit Corp	1.2
Tower Group Inc	1.2
Hexcel Corp New	1.2
Hanesbrands Inc	1.1
Littelfuse Inc	1.1
Broadridge Financial S	1.0
Gulfport Energy Corp	1.0
Belden Inc	<u>0.9</u>
Total	11.3



Stanislaus County Employees' Retirement Association

Comparative Investment Performance - PRELIMINARY

Subadvisers	Total Assets Oct 31, 2011 (\$000)	% of Fund	Oct-11	3Q'11	2Q'11	1Q'11	YTD	2010	2009	1 Year Ending 10/31/2011	2 Years Ending 10/31/2011	Since Inception*
Bernzott	\$8,421	14.5 %	12.31 %	-13.86 %	3.83 %	7.07 %	7.55 %	21.12 %	41.41 %	14.86 %	16.19 %	24.07 %
Channing	13,737	23.7	15.12	-21.35	-6.42	10.50	-6.37	33.00	23.47	4.70	15.51	16.39
Inview	12,693	21.9	14.96	-22.15	-4.77	7.12	-8.69	17.48	41.27	-0.34	9.12	15.80
Keeley	7,651	13.2	14.45	-22.20	-0.02	7.73	-4.10	21.53	18.72	8.90	13.35	12.15
Ten	7,530	13.0	13.87	-21.43	1.64	4.88	-4.63	31.03	19.49	6.50	17.25	15.20
Walthausen	7,950	13.7	16.74	-21.09	-2.94	9.22	-2.35	43.57	37.96	11.13	26.69	26.22
Fund Composite	\$57,983	100.0 %	14.64 %	-20.59 %	-2.56 %	7.77 %	-4.41 %	28.02 %	30.04 %	6.18 %	15.66 %	17.82 %
Net of Fees			14.58	-20.75	-2.70	7.58	-4.96	27.08	29.10	5.44	14.83	16.97
<i>Russell 2000 Value</i>			14.41	-21.47	-2.65	6.60	-6.77	24.50	20.58	3.54	13.51	12.60

•Fund Performance Inception Date: January 2, 2009. Returns for periods greater than one year are annualized.

•The portfolio Custodian bank is Bank of New York Mellon. We recommend comparing our report with the account statement you receive from the underlying Custodian to verify the accuracy of our statement.

- Over the 34 months since inception of the investment program the equity markets were volatile but positive on balance. Initially, the backdrop was the tail end of the severe downturn that began in late 2007 and lasted until early March 2009. The rally that ensued was dominated by lower price, lower quality stocks well into 2010, and even as the market finally began to favor more fundamentally strong companies, reversions to low quality continued to occur. Enthusiasm at the start of 2011 relative to sustainability of the economic recovery gave way to renewed fears and a significant (-18%) mid-year correction, with a more volatile environment in place since.
- From inception through October 2011, the Fund outperformed the benchmark by 437 basis points annualized (net of fees). Outperformance was driven about equally by stock selection and sector positioning. Underweighting financials (low exposure to banks) was a key positive. Other notable contributors included overweighting materials, consumer discretionary and industrials; underweighting utilities, and stock selection in industrials, healthcare, financials, consumer staples and energy.
- Of the six managers in the program only Keeley lags the benchmark since inception; however, comparisons have been much stronger in an improved environment for their event-driven approach.
- Ten remains on our Watch List. Performance has improved significantly, but we continue to monitor investment results and developments relative to firm asset growth and organizational structure closely.



Stanislaus County Employees' Retirement Association

Performance Overview

Key market dynamics:

YTD 2011 (through October)

- As the recovery appeared sustainable, investors reacted positively – largely ignoring some significant exogenous jolts and still troubling economic data. Euphoria continued until May, when the market began a five month retrenchment that reflected renewed concerns about a stalled economy and multiple sovereign debt crises. October witnessed an upsurge, but volatility (which spiked up in August) remained high. Throughout the year thus far, the markets have see-sawed between a “risk-on” versus a “risk-off” investment temperament.
- Year-to-date the Russell 3000 was essentially flat, gaining 0.5%. Small and mid cap stocks led until the market correction but then fell behind. Through October, the Russell 2000 Value was the weakest segment of the market, falling -6.8%.
- Within the Russell 2000 Value, utilities was by far the strongest sector over the ten months gaining 13%. Healthcare was the only other positive sector, returning 1%. The weakest sectors, all down -10% to -11%, were industrials, telecommunications, technology and consumer discretionary. Materials, energy and financials lost -7% to -9%, and consumer staples was off -2%.
- In terms of risk factors, higher dividend yield was most rewarded; higher book to price and historical beta were penalized on balance.

Fund Results:

YTD 2011 (through October) -4.4% vs. -6.8% for the benchmark

- Outperformance was all due to stock selection, with the most value added in industrials, consumer discretionary and technology. Sector positioning was slightly negative due to underweighting utilities and overweighting industrials.
- Factor positioning added value due primarily to a tilt toward lower book to price. Returns to other active factor exposures were essentially offsetting.

Note: All returns are gross of fees.



C A P I T A L P R O S P E C T S L L C

Stanislaus County Employees' Retirement Association

Performance Overview

Key market dynamics:

2010

- Stock market rally that started in March 2009 continued into April 2010, and despite some perceived broadening was still dominated by low quality; from spring on, the market “see-sawed” reflecting alternating moods of investor pessimism and optimism regarding the economic recovery and longer term growth prospects. While interrupted at times by a preference for lower quality issues, a more sustainable environment where underlying fundamentals and valuations are more rationally linked (which favors stock picking) was taking hold by year-end.
- Mid and small cap stocks rose 26%-27%, handily leading the market; mega cap rose 13% and large cap was up about 16%. Russell 2000 Value returned 24.5%.
- Within small cap value, outperforming sectors were materials, industrials, consumer discretionary energy and technology.
- Factors rewarded most notably were higher dividend yield, higher beta and higher longer term growth.

2009

- Equity market rally off 3/9/09 low resulted in a 28.3% full year gain for the Russell 3000 while the Russell 2000 Value advanced 20.6%.
- Performance dominated by low price, lower quality stocks at the expense of more fundamentally strong companies virtually throughout the last three quarters.
- Mid cap stocks were strongest (+41%), followed by large cap (+28%) and small cap (+27%) – mega cap stocks advanced the least (+24%) for the year.
- Growth outpaced value across the capitalization spectrum.
- Materials, consumer discretionary, technology, energy and telecommunications were the leading sectors in the Russell 2000 Value, while financials (which declined), utilities, industrials and consumer staples underperformed.
- Factor returns rewarded for the year were higher book to price, higher forward e/p, higher long term expected growth, and in particular higher beta; those penalized were lower dividend yield, higher earnings revision yield, higher market cap and especially higher momentum.

Fund Results:

2010

28.0% vs. 24.5% for the benchmark

- About half of the value added came from sector positioning and was due to alignment with sectors of strength – i.e., overweighting industrials, materials and consumer discretionary and underweighting financials and utilities.
- Stock selection accounted for the other half of value added and was principally due to favorable relative performance in financials, materials, energy and healthcare.
- From a risk model standpoint, factor positioning was negative due mainly to tilts toward the higher end of the small cap stock segment and toward lower dividend yield and lower book to price.

2009

30.0% vs. 20.6% for the benchmark

- Underweighting (low exposure to banks) and stock selection in financials a significant positive.
- Other positives: overweighting materials (paper/packaging), consumer discretionary (apparel, leisure time), energy (services/equipment); underweighting utilities; stock selection in industrials, technology, healthcare, consumer staples.
- On balance, outperformance was 65% attributable to sector/industry positioning and 35% to stock selection.
- Tilt toward lower book to price and minimal exposure to micro cap were negatives and more than offset positives from higher forward earnings to price, less negative long term growth and historical beta exposure, and lower momentum.



Note: All returns are gross of fees.

C A P I T A L P R O S P E C T S L L C

Stanislaus County Employees' Retirement Association

Small Cap Value Emerging Manager Program

Sub-Manager Firm Characteristics

Bernzott Capital Advisors

Kevin Bernzott

Style: Small Cap Value

Benchmark: Russell 2000 Value

Camarillo, CA

Majority-Owned

9/30/11 AUM:\$357MM

Bernzott focuses on identifying stable, sustainable long term returns through extensive evaluation of value metrics and company management. Initially, screens are applied targeting companies with consecutive ten year periods of accelerating earnings and/or dividend growth. Additional ratios are applied to develop a select list of companies with attractive value characteristics. Key to the process is extensive discussion with top management, which enables Bernzott to determine their opinion as to the true worth of the underlying business. Buy prices are carefully determined to minimize downside risk.

Channing Capital Management

Eric T. McKissack, Wendell Mackey

Style: Small Cap Value

Benchmark: Russell 2000 Value

Chicago, IL

African-American

9/30/11 AUM:\$694MM

Channing utilizes a fundamental, bottom up value approach that focuses on undervalued and neglected stocks (i.e., companies trading at a 40% or greater discount to their intrinsic value) that have improving returns and attractive growth opportunities. Screening disciplines focus on numerous variables, including cash flow multiples, earnings multiples, return on equity, return on capital and earnings growth rates. Companies of interest are high quality with strong management teams and have leading market positions or competitive advantages that will drive future earnings and cash flow growth but which are currently misunderstood and underfollowed by Wall Street. Extensive fundamental research conducted in-house is a hallmark of Channing's approach. Valuation disciplines focus on p/e and cash flow ratios and are examined relative to history, peers, growth rate, overall market and in light of the current stage in the business cycle.



C A P I T A L P R O S P E C T S L L C

Stanislaus County Employees' Retirement Association

Small Cap Value Emerging Manager Program

Sub-Manager Firm Characteristics

InView Investment Management

Glen Kleczka

Style: Small Cap Value

Benchmark: Russell 2000 Value

Chicago, IL

Majority-Owned

9/30/11 AUM:\$117MM

InView's investment process starts with the premise that equity prices systematically overreact to transitory psychology or events without regard to long term outlook or intrinsic value but do trend toward intrinsic value over time. Through quantitative screens they identify such companies displaying price/value disparities that are also good businesses with solid managements, favorable outlooks and improving financials. Fundamental research delves further into management's strength. Models are produced to develop InView's opinion as to intrinsic value and normalized earnings power, revealing the most attractive opportunities relative to current price.

Keeley Asset Management

John L. Keeley, Jr.

Style: Small Cap Value

Benchmark: Russell 2000 Value

Chicago, IL

Majority-Owned

9/30/11 AUM:\$4,409MM

Investment strategy focuses primarily on companies involved in corporate restructurings (including spin-offs), as well as companies trading at or below perceived book value, companies emerging from bankruptcy and financial institution conversions. Stocks of companies in those categories traditionally have traded at discounts to inherent market value, and opportunities exist for a move to premium valuations as successful management of these typically focused businesses becomes evident in the marketplace. This is a heavily research-driven process, focusing on company-by-company analysis.



Stanislaus County Employees' Retirement Association

Small Cap Value Emerging Manager Program

Sub-Manager Firm Characteristics

Ten Asset Management, Inc.

Jeffrey K. Kerrigan

Style: Small Cap Value

Benchmark: Russell 2000 Value

San Diego, CA

Majority-owned

9/30/11 AUM:\$113MM

Ten's quantitative model focuses on stock selection. The underlying theory is that collective investor behavior produces market dynamics and quantifiable factors that are predictive of future returns. In their process, securities are evaluated in terms of fundamental, technical, market opinion and management behavior factors to arrive at an estimate of expected relative return. The process emphasizes understanding the economic basis as to why each factor should be predictive. Stock weightings are determined through optimization via their risk model. The modeling process is dynamic, with a significant ongoing research effort to determine the effectiveness of current factors and to identify potential additional factors.

Walthausen & Co. LLC

John B. Walthausen

Style: Small Cap Value

Benchmark: Russell 2000 Value

Clifton Park, NY

Majority-owned

9/30/11 AUM:\$483MM

Walthausen's investment approach emphasizes neglected stocks and value on an individual basis relative to the full universe of small cap stocks. The process begins with a scoring process using 12 specific criteria grouped into value, insider sentiment, Street enthusiasm, financial strength and relative momentum categories. Top scoring stocks are subject to proprietary fundamental research that looks carefully at management's historical success in creating value for shareholders, in their ability to generate cash flow going forward and at their opportunities and strategies to enhance future value. Portfolio construction focuses on each holding's contribution to the overall risk profile.



Appendix



CAPITAL PROSPECTS LLC

Capital Prospects LLC

Managers Currently Under Contract

- AH Lisanti Capital Growth - (SCG)
- Apex Capital Management - (LCG)
- Argus Investors' Counsel - (LCC)
- Bernzott Capital Advisors - (SCV)
- Cardinal Capital Management - (SCV)
- Channing Capital Management - (MCV, SCV)
- Denali Advisors - (LCV)
- EAM Investors LLC – (Microcap Growth)
- Geneva Capital Management - (MCG, SCG)
- Great Northern Capital - (Smid Core)
- GenRe – New England Asset Management - (LCC)
- Hanseatic Management Services - (SCG)
- Herndon Capital Management - (LCV)
- High Pointe Capital Management - (SCC)
- InView Investment Management - (SCV)
- Keel Asset Management - (MCV)
- Keeley Asset Management - (SCV)
- Lombardia Capital Management - (SCV)
- Magee Thomson Investment Partners - (SCG)
- Matrix Asset Advisors – (LCV)
- Next Century Growth Investors - (LCG)
- Palisades Investment Partners - (LCV)
- Paradigm Asset Management - (All Cap Core)
- Pacific Ridge Capital Partners LLC – (Microcap Value)
- Piedmont Investment Advisors - (LCC, FI-Core Plus)
- Profit Investment Management - (LCC, SCC)
- Quotient Investors (LCG)
- Redwood Investments - (LCG, LCC, SmidG)
- Renaissance Capital - (IPO)
- Runnymede Capital - (LCG)
- Seizert Capital Partners - (LCV)
- SeaCrest Investment Management – (SCG)
- Shaker Investments - (SCG)
- Lesa Sroufe & Co. – (ACV)
- Ten Asset Management - (LCV, SCV)
- Twin Capital Management - (Top 50 Core, LCC)
- Valley Forge Asset Management – (FI-Core Plus)
- Walhausen & Company - (SCV)





12/14/11

Item #7

Stanislaus County Employees' Retirement Association (StanCERA)

Quarterly Report 3rd Quarter 2011

Outline of Presentation

- I. 3rd Quarter 2011 Market Review
- II. Small Cap Growth Portfolio
 - i. Investment Objective and Strategy
 - ii. Manager Allocations
 - iii. Total Assets
- III. Investment Performance and Characteristics
 - i. Investment Performance
 - ii. Characteristics

Appendix

- A. Compliance Checklist and Investment Guidelines
- B. Manager Overview
- C. Portfolio Appraisal and Top Ten Positions
- D. Purchases and Sales
- E. Asset Reconciliation
- F. Proxy Voting Record
- G. Legato Capital Management LLC – Update
- H. Market Update 3rd Quarter 2011

Section I.

3rd Quarter 2011 Market Review

3rd Quarter 2011 Market Review

Debates concerning the U.S. debt ceiling and continued credit concerns in Europe dominated the volatile financial markets during the third quarter of 2011. Major indices ended their worst quarter since the depth of the financial crisis in 2008-2009, as markets were worried about prospects for global growth. Debt concerns in Greece, Italy, Spain and Portugal, and their impact on European banks increased demand for the relative safety of U.S. government debt.

The Dow Jones Industrial Average was down 11.49%, while the S&P 500, reflecting the broader large cap market, was down 13.87%. The Russell 2000 Index, representing smaller capitalization companies, lost 21.87% in the quarter. The technology heavy NASDAQ fell nearly 13%, while growth stocks outperformed value stocks by approximately 3%, as measured by the difference in return between the Russell 3000 Growth (-13.90%) and Russell 3000 Value (-16.63%) indices.

The bond market rallied over the quarter, with investors looking for perceived safety. The Barclays Capital Aggregate Bond index generated a positive return of 3.82%.

Despite lawmakers raising the \$14 trillion U.S. debt ceiling before the August 2, 2011 deadline, stocks plunged as investors responded to the Standard & Poor's downgrade of the U.S. credit rating from AAA to AA+. Most of the stock market's decline occurred in just 10 trading days surrounding the conclusion of the debt debate.

- Highlights:**
- Employment growth has almost halted in the last couple of months. The unemployment rate remained steady at over 9%.
 - Growth is slow, with GDP rising at a 1.3% annual rate during the second quarter of 2011.
 - In August core inflation, the 12-month change for all items less food and energy, reached 2.0%, while food and energy prices continued to drive the headline inflation rate to 3.8%.
 - Gold futures surged to another record high, crossing \$1,800 an ounce during the quarter.
 - Earlier in the year, commodity prices posted steep increases, stirring inflation concerns. However, as economic data showed weakness, commodity prices fell rapidly.

See Appendix H for more details

Major Indices – Total Return (%)

	3 rd Quarter 2011	Year-to-Date	1-Year	3-Years	5-Years
DJ Industrials 30 Total Return	-11.49	-3.90	3.83	3.15	1.37
S&P 500 (Large Cap)	-13.87	-8.68	1.14	1.23	-1.18
S&P Composite 1500 (All Cap)	-14.61	-9.23	0.92	1.44	-0.86
NASDAQ Composite (Price Change)	-12.91	-8.95	1.97	4.91	1.35
Russell 2000 Index (Small Cap)	-21.87	-17.02	-3.53	-0.37	-1.02
Russell 2500 Index (Small/Mid Cap)	-21.22	-14.87	-2.22	2.25	0.19
Russell 2000 Growth Index (Small)	-22.25	-15.57	-1.12	2.07	0.96
Russell Microcap Index	-22.68	-20.30	-4.83	-2.00	-4.36
FTSE NAREIT Equity	-15.07	-6.05	0.93	-1.99	-2.43
MSCI EAFE – net ¹	-19.01	-14.98	-9.36	-1.13	-3.46
Barclays US Treasury Bills (1-3 month)	0.01	0.07	0.11	0.18	1.61
Barclays Capital Aggregate Bond ²	3.82	6.65	5.26	7.97	6.53
S&P Goldman Sachs Commodity	-11.69	-9.30	2.87	-15.90	-5.32

¹Net of dividend withholding taxes

²Barclays Capital previously named Lehman Brothers indices

Section II.

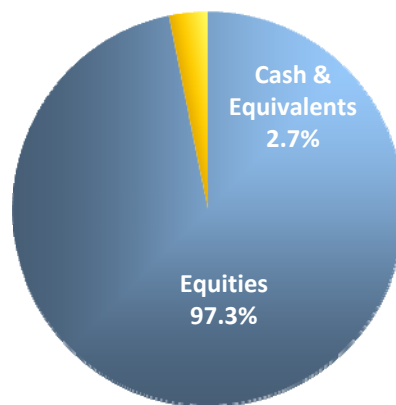
Small Cap Growth Portfolio

Investment Objective & Strategy

A manager-of-managers (MOM) portfolio designed to consistently produce alpha, utilizing entrepreneurial managers with complementary styles generally with less than \$2 billion in assets under management.

Total Assets

StanCERA Legato Small Cap Growth Portfolio



Market Value

Allocation

Equities	\$45,726,489.07	97.3%
Cash & Equivalents	\$1,255,882.48	2.7%
Total Portfolio	\$46,982,371.55	100%

Market Value 6/30/2011	\$59,866,667.82
Additions/Withdrawals	(\$250,000.00)
Interest/Dividends	\$39,362.58
<u>Gains/Losses</u>	<u>(\$12,673,658.86)</u>
Market Value 9/30/2011	\$46,982,371.55

Manager Allocations

Manager	Target Weight Allocation	Current Weight	Difference
CastleArk Management	17.0%	17.32%	+0.32%
Crosswind Investments	22.5%	20.45%	-2.05%
EAM Investors, LLC	12.5%	11.99%	-0.51%
Riverbridge Partners	24.0%	25.65%	+1.65%
Stephens Investment Management	24.0%	24.59%	+0.59%

For more detail on the new managers, please see Appendix B.

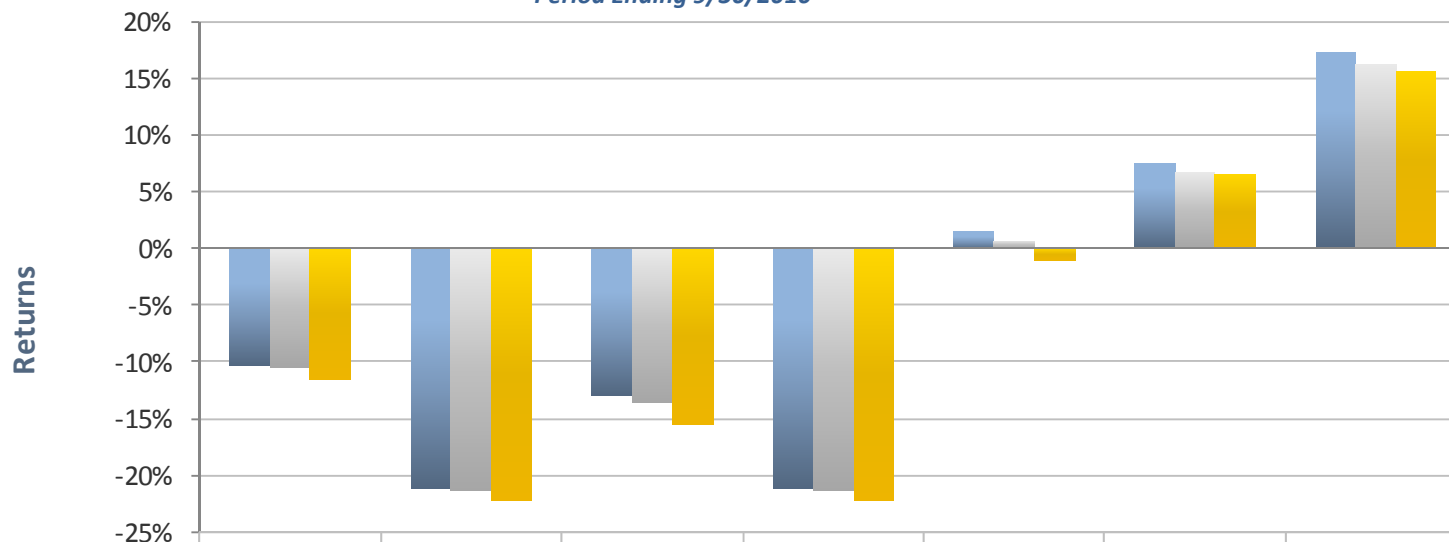
Section III.

Investment Performance and Characteristics

Investment Performance

The portfolio for the third quarter outperformed the benchmark gross of fees: -21.19% versus -22.25% for the Russell 2000 Growth® index. Since inception, the portfolio has outperformed the benchmark gross of fees, +17.31% versus +15.62%, annualized.

StanCERA Legato Small Cap Growth
Gross & Net of Fees
Period Ending 9/30/2010



	Month	QTD	YTD	FYTD June 30, 2011	1-Year	2-Year Annualized	Since Inception Annualized
■ StanCERA - Gross	-10.33%	-21.19%	-12.93%	-21.19%	1.53%	7.57%	17.31%
■ StanCERA - Net	-10.55%	-21.38%	-13.56%	-21.38%	0.58%	6.59%	16.28%
■ Russell 2000 Growth®	-11.50%	-22.25%	-15.57%	-22.25%	-1.12%	6.54%	15.62%

Total Portfolio & Sub-Advisor Investment Performance

Period Ending 9/30/2011

		Market Value	Month	QTD	YTD	FYTD*	1-year	2-year Annualized	Since Inception Annualized*
Fund:	Total Legato Portfolio-Gross	\$ 46,982,371.55	-10.33%	-21.19%	-12.93%	-21.19%	1.53%	7.57%	17.31%
	Total Legato Portfolio-Net		-10.55%	-21.38%	-13.56%	-21.38%	0.58%	6.59%	16.28%
Benchmark:	Russell 2000 Growth®	-	-11.50%	-22.25%	-15.57%	-22.25%	-1.12%	6.54%	15.62%
Sub-advisors:	CastleArk Management**	\$ 8,135,692.82	-9.47%	-19.86%	-11.50%	-19.86%	6.10%	-	-
	Crosswind Investments**	\$ 9,605,937.28	-13.97%	-27.00%	-19.45%	-27.00%	-1.37%	-	-
	EAM Investors***	\$ 5,633,152.53	-12.49%	-24.48%	-	-24.48%	-	-	-
	Riverbridge Partners	\$ 12,053,278.46	-7.21%	-16.10%	-8.01%	-16.10%	6.92%	12.44%	19.58%
	Stephens Investment Management Group	\$ 11,554,310.46	-9.83%	-20.20%	-7.97%	-20.20%	6.90%	11.19%	19.94%
	Cash Account	\$ -	-	-	-	-	-	-	-

* Portfolio inception date: 12/22/2008. Fiscal Year End June 30

**CastleArk and Crosswind performance starts 3/8/2010

*** EAM Investors performance starts 4/6/2011

Legato recommends the client compare these statements independently against custodial records.

Statistical Analysis

Period Ending 9/30/2011 (since inception)

	Returns	Standard Deviation	Sharpe Ratio	Information Ratio	Excess Return	Beta	Correlation	Tracking Error	Up Market Capture	Down Market Capture
StanCERA (Gross of fees)	17.31%	21.98%	0.78	0.90	1.69%	0.91	0.99	3.44%	91.63	91.51
Russell 2000 Growth	15.62%	23.84%	0.65	-	-	1.00	1.00	-	100.00	100.00

Portfolio inception date: 12/22/2008. Statistical analysis based on actual historical returns

Attribution Analysis

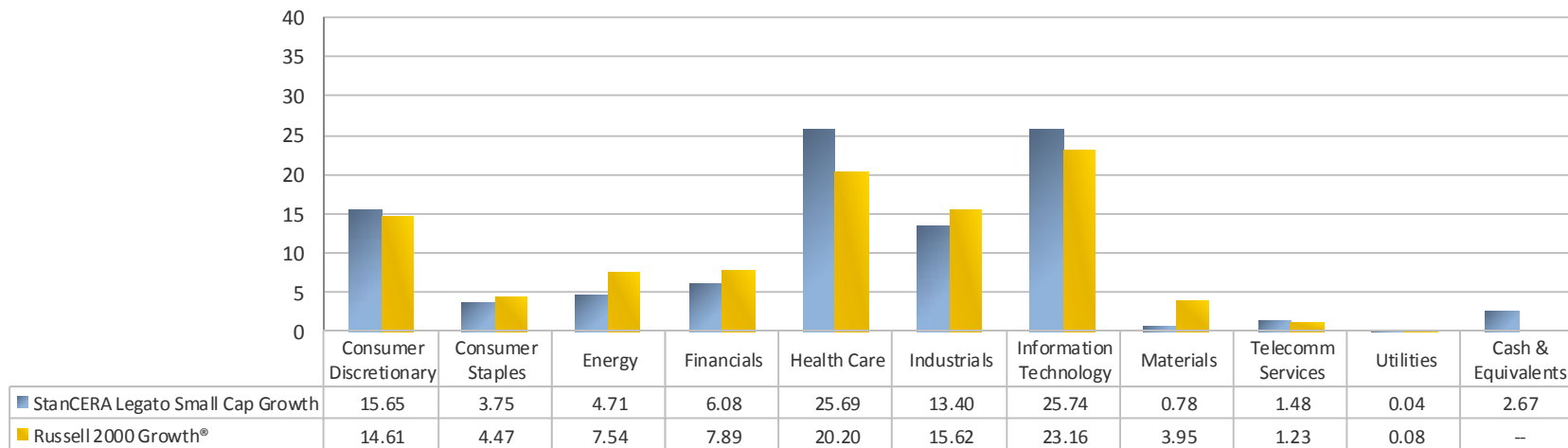
The portfolio's relative outperformance was the result of good Sector Allocation. Cash & Equivalents had a positive effect on relative performance. In the negative market, Consumer Staples was the better performing sector (-8.15%), and Energy lagged the most (-33.85%), versus (-22.25%) for the index. Stock selection was strong in Health Care, and weak across other sectors.

Sector	PORTFOLIO			BENCHMARK			ATTRIBUTION EFFECT		
	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Sector Allocation	Stock Selection	Total
Total Portfolio	100.00	-21.19	-21.19	100.00	-22.25	-22.25	1.21	-0.16	1.06
Consumer Discretionary	17.42	-20.98	-3.56	17.20	-21.76	-3.73	0.00	0.20	0.21
Consumer Staples	2.48	-12.71	-0.29	3.32	-8.15	-0.24	-0.10	-0.11	-0.21
Energy	6.72	-38.59	-2.98	9.13	-33.85	-3.50	0.43	-0.45	-0.03
Financial Services	6.27	-20.90	-1.27	9.31	-15.96	-1.44	-0.20	-0.29	-0.49
Health Care	23.25	-14.31	-3.10	19.57	-17.28	-3.21	0.23	0.69	0.92
Materials & Processing	3.15	-27.58	-0.90	6.91	-29.60	-2.12	0.36	0.07	0.43
Producer Durables	15.54	-21.78	-3.39	13.24	-21.62	-2.81	0.02	-0.05	-0.02
Technology	20.86	-24.55	-5.18	20.00	-24.79	-4.92	-0.03	-0.06	-0.09
Utilities	1.92	-26.11	-0.52	1.34	-20.35	-0.27	0.02	-0.15	-0.13
Cash & Equivalents	2.39	0.00	0.00	--	--	--	0.48	--	0.48

Top Ten Holdings & Sector Allocation

- The majority of the top holdings contributed negatively to relative performance
- The portfolio is overweight in Health Care and Information Technology, and underweight in Energy, Financials, Industrials and Materials

Company Name	Sector	StanCERA Legato Small Cap Growth	Weight in Russell 2000 Growth®	Contribution to Performance
U.S. Dollar	Cash & Equivalents	2.67	--	-
Cepheid	Health Care	2.16	0.50	0.17
Jarden Corp.	Consumer Discretionary	1.27	--	-0.20
Knology Inc.	Consumer Discretionary	1.24	0.08	-0.13
Portfolio Recovery Associates	Financial Services	1.14	0.22	-0.28
Rollins Inc.	Producer Durables	1.05	0.25	-0.05
United Natural Foods Inc.	Consumer Staples	1.05	0.37	-0.13
LKQ Corp.	Consumer Discretionary	1.04	--	-0.04
National Instruments Corp.	Producer Durables	1.02	--	-0.22
Geo Group Inc.	Producer Durables	0.98	--	-0.08
Total:		13.63%		



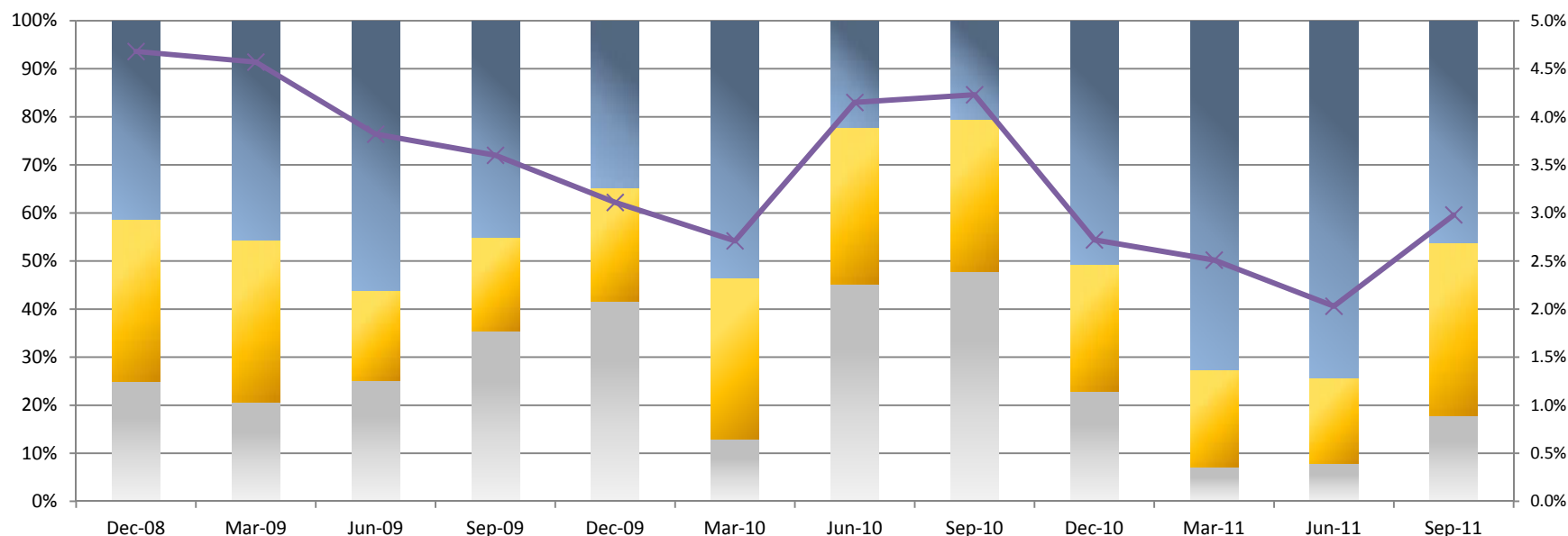
Top Portfolio Characteristics

- The portfolio is broadly diversified with over 400 securities
- The weighted average and median market cap are higher than the benchmark's. EAM Investors manages a small allocation in micro cap stocks
- Valuation: Price/Book is lower, and forward Price/Earnings higher
- Growth: Long Term EPS Growth is higher
- Quality as measured by Return On Equity and Total Debt/Equity is higher

Characteristic	StanCERA Legato Small Cap Growth	Russell 2000 Growth® Index
Number of Securities	429	1,141
Cash (%)	2.67	-
Weighted Average Market Cap (mm)	\$1,374	\$1,180/\$1,054*
Median Market Cap (mm)	\$777	\$473/\$397
Dividend Yield (percent)	0.37	0.82
Price/Book	2.32	2.55
Price to Earnings	18.14	14.98
Price to Earnings using FY1 Estimates	17.20	15.18
EPS Growth (Estimated LTG)	18.65	17.55
PEG Ratio (Forecast 12-month)	0.85	1.00
Price/Sales	1.14	1.30
Price/Cash Flow	9.97	9.46
Return on Equity	11.29	10.60
Total Debt/Capital	0.45	0.86
Predicted Beta	0.94	-
Predicted Tracking Error	2.98%	-

Risk Attribution

Tracking Error is attributable to stock specific, industry and style risk factors. Tracking Error is expected to be between 3% and 5%



	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Stock Specific	41.35%	45.64%	56.03%	45.10%	34.84%	53.46%	22.23%	20.51%	50.60%	73%	74.25%	46.20%
Industries	33.66%	33.74%	18.78%	19.40%	23.46%	33.61%	32.53%	31.75%	26.42%	20.23%	17.97%	36.02%
Style	24.99%	20.62%	25.19%	35.50%	41.70%	12.93%	45.24%	47.74%	22.97%	7.14%	7.78%	17.78%
Predicted Tracking Error	4.68%	4.57%	3.82%	3.60%	3.11%	2.71%	4.15%	4.23%	2.72%	2.51%	2.03%	2.98%

Risk Analysis

The predicted Tracking Error stands below 3%, with over 60% of the risk being stock specific.

Summary	Active Risk	Contribution to Total Tracking Error
Style	0.40	18%
<i>Exchange Rate Sensitivity</i>	<i>0.11</i>	
<i>Growth</i>	<i>0.08</i>	
<i>Value</i>	<i>0.08</i>	
<i>Size</i>	<i>0.03</i>	
<i>Short-Term Momentum</i>	<i>0.14</i>	
<i>Medium-term Momentum</i>	<i>0.11</i>	
<i>Leverage</i>	<i>0.03</i>	
<i>Market Sensitivity</i>	<i>-0.05</i>	
<i>Volatility</i>	<i>-0.05</i>	
<i>Liquidity</i>	<i>-0.06</i>	
Industries	0.00	36%
Stock Specific	-	<u>46%</u>
		100%

Appendix A.

Compliance Checklist and Investment Guidelines

- ☑ All securities publically traded on established exchange (including NASDAQ) or registered under SEC Rule 144a
- ☑ Holdings of single issuer < 5% of shares outstanding; max weight of 8% of portfolio at time of purchase
- ☑ Market weighted capitalization +/- 33% of Russell 2000 Growth® index
- ☑ Market weighted capitalization +/- 33% of Russell 2000® index
- ☑ Foreign denominated stocks < 20% of market value
- ☑ Sector diversification: max. 3 times index weight or 25% at time of purchase and of market value at end of each quarter; GICS
- ☑ Cash < 10%
- ☑ No derivatives

Legato Capital Management hereby certifies that it has conducted a reasonable investigation concerning the matters stated above and that the foregoing information is true to the best of our knowledge, information and belief.

Please contact Legato if there are any changes to your contact information, your financial situation or investment objectives, or if you wish to impose new, or modify existing, restrictions on your account.

Appendix B.

Manager Overview

CastleArk Management

- Founded in 1999
- Headquartered in Chicago, Illinois
- Firm assets changed from \$3.0 billion to \$2.6 billion over the quarter
- Product or strategy assets changed from \$254 million to \$262 million over the quarter
- Believe earnings growth is the primary driver of stock prices in all market environments. Utilize fundamental bottom-up research to find companies with positive and sustainable change in growth pattern and improving business fundamentals vs. anticipated change. Focused on direction of growth (momentum) and rate of improvement over absolute level of growth. Higher turnover strategy.
- Benchmark: Russell 2000 Growth® Index
- Investment Team on Legato mandate: 5; total number of investment professionals: 14
- Total number of employees: 23
- Changes to investment team: New Small Cap Research Analyst added – Austin Campbell
- Operations/Compliance: No exceptions. Claims GIPS compliance and verified
- Placement Agents or Third Party Representatives: None

CastleArk Management—Small Cap Growth—Attribution Analysis

The portfolio's relative outperformance was the result of the good Stock Selection and Sector Allocation. With the benchmark negative, the allocation to Cash & Equivalents had a positive effect on relative performance. Consumer Staples, a small sector in the benchmark, performed the best (-8.15%) while Energy, turned in the worst performance (-33.85%). Underweighting Energy and Materials & Processing contributed the most at the sector level. Strong security selection in Consumer Discretionary and Health Care was beneficial to relative performance.

Sector	PORTFOLIO			BENCHMARK			ATTRIBUTION EFFECT		
	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Sector Allocation	Stock Selection	Total
Total Portfolio	100.00	-19.65	-19.65	100.00	-22.25	-22.25	1.40	1.21	2.60
Consumer Discretionary	22.11	-17.03	-3.51	17.20	-21.76	-3.73	0.02	1.10	1.11
Consumer Staples	2.46	-27.30	-0.76	3.32	-8.15	-0.24	-0.09	-0.56	-0.65
Energy	5.46	-31.78	-2.23	9.13	-33.85	-3.50	0.45	0.10	0.55
Financial Services	8.11	-17.53	-1.33	9.31	-15.96	-1.44	-0.12	-0.10	-0.22
Health Care	20.91	-11.70	-2.22	19.57	-17.28	-3.21	0.09	1.03	1.11
Materials & Processing	2.79	-36.67	-1.23	6.91	-29.60	-2.12	0.42	-0.34	0.08
Producer Durables	11.62	-23.14	-2.66	13.24	-21.62	-2.81	-0.06	-0.15	-0.21
Technology	22.39	-23.91	-5.70	20.00	-24.79	-4.92	-0.18	0.09	-0.09
Utilities	0.38	6.56	-0.00	1.34	-20.35	-0.27	-0.03	0.05	0.03
Cash & Equivalents	3.77	0.00	0.00	--	--	--	0.91	--	0.91

Crosswind Investments

- Founded in 2006
- Headquartered in Boston, Massachusetts
- Firm assets changed from \$141 million to \$114 million over the quarter
- Product or strategy assets changed from \$140 million to \$106 million over the quarter
- Focused on growth small cap companies characterized by a change irrespective of economic environment, trading at reasonable valuations, utilizing blend of quantitative and fundamental bottom-up research. Broad idea generation, strong sell discipline and portfolio construction process helps mitigate opportunity costs associated with growth investing.
- Benchmark: Russell 2000 Growth® Index
- Investment Team: 3
- Total number of employees: 7
- Changes to investment team: Tim Gasperoni, Senior Analyst, left 8/31/2011. Bryan Lassiter, CFA, Research Analyst joined 9/12/11; and David Truong joined as Operations Analyst on 9/12/2011.
- Operations/Compliance: None. Claims GIPS compliance and verified.
- Placement Agents or Third Party Representatives: None

Crosswind Investments—Small Cap Growth—Attribution Analysis

The significant relative underperformance during the quarter was mainly the result of weak Stock Selection. With the benchmark negative, the allocation to Cash & Equivalents had a positive effect on relative performance. Consumer Staples, a small sector in the benchmark, performed the best (-8.15%) while Energy, turned in the worst performance (-33.85%). Underweighting Materials & Processing contributed the most at the sector level. Weak security selection in particularly in Consumer Discretionary, Health Care and Producer Durables detracted from relative performance.

Sector	PORTFOLIO			BENCHMARK			ATTRIBUTION EFFECT		
	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Sector Allocation	Stock Selection	Total
Total Portfolio	100.00	-27.02	-27.02	100.00	-22.25	-22.25	0.82	-5.78	-4.77
Consumer Discretionary	21.08	-26.72	-5.67	17.20	-21.76	-3.73	0.06	-1.11	-1.03
Consumer Staples	0.01	-16.78	-0.05	3.32	-8.15	-0.24	-0.40	0.01	-0.37
Energy	10.68	-38.69	-4.43	9.13	-33.85	-3.50	0.09	-0.67	-0.57
Financial Services	3.70	-20.06	-0.70	9.31	-15.96	-1.44	-0.28	-0.06	-0.31
Health Care	21.35	-26.79	-5.47	19.57	-17.28	-3.21	0.17	-2.12	-1.93
Materials & Processing	1.71	-4.70	-0.34	6.91	-29.60	-2.12	0.54	0.20	0.76
Producer Durables	13.32	-28.41	-3.82	13.24	-21.62	-2.81	0.08	-0.95	-0.85
Technology	18.24	-24.80	-4.59	20.00	-24.79	-4.92	0.10	-0.42	-0.29
Utilities	7.04	-26.85	-1.95	1.34	-20.35	-0.27	0.17	-0.67	-0.47
Cash & Equivalents	2.88	0.00	0.00	--	--	--	0.29	--	0.29

EAM Investors

- Founded in 2007
- Headquartered in Encinitas, California
- Firm assets changed from \$223 million to \$195 million
- Product or strategy assets: Micro Cap Growth changed from \$103 million to \$76 million; Small Cap Growth changed from \$16 million to \$12 million
- EAM targets stocks that have low but rising earnings expectations and are positioned to exceed consensus estimates. Academic and practical experience suggests that the benefit associated with the market's tendency to underestimate positive change is greater among relatively less efficient areas of the market, such as US Micro Cap. EAM benefits from a structured investment process led by Travis Prentice and Montie Weisenberger that quickly identifies stocks experiencing an improvement in investor sentiment. Conversely, the process is also quick to identify holdings that are beginning to exhibit signs of negative fundamental and/or technical deterioration.
- Benchmark: 75% Russell Micro Cap Growth® Index / 25% Russell 2000 Growth® Index
- Investment Team: 5
- Changes to investment team: Morgan Burke joined as Analyst in June 2011
- Total number of employees: 12.
- Operations/Compliance: No exceptions. Claim GIPS compliance and verified
- Placement Agents or Third Party Representatives: Compass Securities Corporation, a FINRA broker/dealer
- Other: employees own 56% of firm, with outside owner CR Financial Holdings 44% of interest

EAM Investors—Small Cap Growth—Attribution Analysis

The relative underperformance during the quarter was mainly the result of weak Stock Selection. Selection in Health Care and Consumer Discretionary contributed to returns, while selection in Consumer Staples, Energy and Technology were significant detractors.

Sector	PORTFOLIO			BENCHMARK			ATTRIBUTION EFFECT		
	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Sector Allocation	Stock Selection	Total
Total Portfolio	100.00	-24.74	-24.74	100.00	-22.25	-22.25	0.98	-3.57	-2.49
Consumer Discretionary	17.18	-20.43	-3.57	17.20	-21.76	-3.73	0.03	0.11	0.14
Consumer Staples	2.02	-44.19	-0.95	3.32	-8.15	-0.24	-0.10	-0.71	-0.79
Energy	3.78	-46.85	-2.16	9.13	-33.85	-3.50	0.81	-0.69	0.13
Financial Services	4.74	-19.88	-0.94	9.31	-15.96	-1.44	-0.26	-0.17	-0.42
Health Care	24.70	-16.43	-3.78	19.57	-17.28	-3.21	0.30	0.21	0.52
Materials & Processing	5.80	-28.51	-1.75	6.91	-29.60	-2.12	0.13	0.08	0.22
Producer Durables	15.65	-26.14	-4.24	13.24	-21.62	-2.81	0.04	-0.84	-0.79
Technology	21.89	-30.50	-6.80	20.00	-24.79	-4.92	-0.10	-1.53	-1.62
Utilities	2.49	-22.91	-0.55	1.34	-20.35	-0.27	0.04	-0.03	0.02
Cash & Equivalents	1.75	0.00	0.00	--	--	--	0.10	--	0.10

Riverbridge Partners

- Founded in 1987
- Headquartered in Minneapolis, Minnesota
- Firm assets changed from \$2.795 billion to \$2.301 billion over the quarter
- Product or strategy assets changed from \$1.997 billion to \$1.586 billion over the quarter.
- Focused on high quality, low debt growth companies that demonstrate the ability to internally finance and sustain earnings growth, regardless of the overall economic conditions, using fundamental bottom-up research (conservative growth strategy). Low turnover growth strategy
- Benchmark: Russell 2000 Growth[®] Index
- Investment Team: 4; Research Team: 2
- Total number of employees: 22
- Changes to investment team: None
- Operations/Compliance: No exceptions. Claims GIPS compliance and verified
- The Small Cap Growth strategy has reached a soft close, as assets crossed \$1.25 billion
- Placement Agents or Third Party Representatives: None

Riverbridge Partners—Small Cap Growth—Attribution Analysis

The portfolio's relative outperformance was the result of the good Sector Allocation and Stock Selection. With the benchmark down significantly, the allocation to Cash & Equivalents had a positive effect on relative performance. Defensive sectors like Health Care and Consumer Staples outperformed the benchmark in relative terms. The effect of sector allocation on performance from Technology, Health Care and Consumer Discretionary, the three largest sectors in the Russell 2000 Growth® benchmark, and accounting for about 60% of the portfolio, was positive. The significant underweight in Energy helped relative performance, as this was the poorest performer in the benchmark. Positive stock selection in Producer Durables, Consumer Discretionary and Health Care drove results.

Sector	PORTFOLIO			BENCHMARK			ATTRIBUTION EFFECT		
	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Sector Allocation	Stock Selection	Total
Total Portfolio	100.00	-16.08	-16.08	100.00	-22.25	-22.25	2.03	4.29	6.17
Consumer Discretionary	10.76	-16.16	-1.68	17.20	-21.76	-3.73	-0.07	0.69	0.61
Consumer Staples	3.61	-7.49	-0.21	3.32	-8.15	-0.24	0.03	-0.02	-0.01
Energy	0.53	-42.82	-0.30	9.13	-33.85	-3.50	1.24	-0.13	1.09
Financial Services	4.90	-25.30	-1.27	9.31	-15.96	-1.44	-0.31	-0.53	-0.87
Health Care	28.54	-6.73	-1.81	19.57	-17.28	-3.21	0.51	3.13	3.63
Materials & Processing	4.39	-26.97	-1.21	6.91	-29.60	-2.12	0.20	0.09	0.27
Producer Durables	23.24	-17.55	-4.14	13.24	-21.62	-2.81	0.06	0.96	1.00
Technology	22.32	-23.80	-5.48	20.00	-24.79	-4.92	-0.06	0.09	0.01
Utilities	--	--	--	1.34	-20.35	-0.27	-0.06	--	-0.06
Cash & Equivalents	1.71	0.00	0.00	--	--	--	0.49	--	0.49

Stephens Investment Management Group

- Founded in 2005
- Headquartered in Houston, Texas
- Firm assets changed from \$1,043 million to \$831 million over the quarter (peak assets)
- Product or strategy assets changed from \$992 million to \$769 million over the quarter
- Focused on profitable pure growth strategy using fundamental bottom-up research. Combination of core and opportunistic growth companies. Manager evaluates risk closely.
- We expect Stephens to perform well in weak, defensive, and flight to quality markets. The product may lag in speculative markets, and in markets where small cap stocks significantly outperform large cap stocks. The portfolio's persistent overweight to energy may create headwinds (tailwinds) in environments where energy stocks are out of favor (in favor) with investors.
- Benchmark: Russell 2000 Growth® Index
- Investment Team: 6 (2 PMs, 3 Equity Analysts, 1 Trader)
- Total number of employees: 16
- Changes to investment team: John Stephens joined as a junior analyst.
- Operations/Compliance: No exceptions. Claims GIPS compliance and verified
- Placement Agents or Third Party Representatives: None

Stephens Investment Management Group—Small Cap Growth—Attribution Analysis

Relative outperformance was the result of Stock Selection. With the benchmark down significantly during the period, the Cash allocation had a positive effect on relative performance. Defensive sectors like Health Care and Consumer Staples turned in strong relative performance. The effect of sector allocation on performance from Technology, Health Care and Consumer Discretionary, the three largest sectors in the Russell 2000 Growth® benchmark, was small in this diversified portfolio. Overweighting Energy was negative at the sector and stock selection level.

Sector	PORTFOLIO			BENCHMARK			ATTRIBUTION EFFECT		
	Average Weight	Return	Contribution	Average Weight	Return	Contribution	Sector Allocation	Stock Selection	Total
Total Portfolio	100.00	-20.18	-20.18	100.00	-22.25	-22.25	0.68	1.41	2.07
Consumer Discretionary	17.71	-20.42	-3.42	17.20	-21.76	-3.73	-0.01	0.36	0.35
Consumer Staples	3.73	0.28	0.05	3.32	-8.15	-0.24	0.05	0.31	0.37
Energy	11.81	-38.81	-5.21	9.13	-33.85	-3.50	-0.33	-0.82	-1.15
Financial Services	9.41	-20.66	-1.88	9.31	-15.96	-1.44	-0.01	-0.45	-0.46
Health Care	20.51	-12.81	-2.52	19.57	-17.28	-3.21	0.06	0.84	0.90
Materials & Processing	2.06	-20.65	-0.45	6.91	-29.60	-2.12	0.41	0.21	0.62
Producer Durables	12.46	-19.51	-2.38	13.24	-21.62	-2.81	-0.01	0.27	0.26
Technology	20.14	-21.76	-4.33	20.00	-24.79	-4.92	-0.00	0.71	0.70
Utilities	0.15	-26.77	-0.04	1.34	-20.35	-0.27	-0.03	-0.02	-0.05
Cash & Equivalents	2.02	0.00	0.00	--	--	--	0.54	--	0.54

Appendix C.

Portfolio Appraisal and Top Ten Positions

Legato Capital Management LLC
PORTFOLIO SUMMARY
StanCERA - Small Cap Growth Portfolio
September 30, 2011

Security Type	Total Cost	Market Value	Pct. Asset
Equities			
COMMON STOCK			
GICS-Energy	2,620,212.38	2,213,306.61	4.7
GICS-Materials	440,608.70	367,943.52	0.8
GICS-Industrials	6,748,014.70	6,295,843.62	13.4
GICS-Consumer	7,246,310.46	7,354,468.75	15.7
Discretionary			
GICS-Consumer Staples	1,479,453.78	1,728,018.43	3.7
GICS-Health Care	10,818,493.82	12,104,606.82	25.8
GICS-Financials	2,541,329.38	2,856,346.81	6.1
GICS-Information	11,546,079.21	12,093,305.97	25.7
Technology			
GICS-Telecom Service	789,460.66	694,960.54	1.5
GICS-Utilities	36,005.52	17,688.00	0.0
COMMON STOCK	44,265,968.62	45,726,489.07	97.3
	44,265,968.62	45,726,489.07	97.3
Cash and Equiv.			
CASH AND EQUIVALENTS	1,255,882.48	1,255,882.48	2.7
	1,255,882.48	1,255,882.48	2.7
TOTAL PORTFOLIO	45,521,851.10	46,982,371.55	100.0

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PORTFOLIO APPRAISAL
StanCERA - Small Cap Growth Portfolio
 September 30, 2011

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
CASH AND EQUIVALENTS							
	COLLECTIVE US GOVT STIF 4VAR RT 12/31/204	s99990665		1,196,312.91		1,196,312.91	2.5
	Cash	cash		53,670.40		53,670.40	0.1
	Dividend Accrual Account	divacc		5,894.14		5,894.14	0.0
	INTEREST ACCRUED	intacc		5.03		5.03	0.0
				<u>1,255,882.48</u>		<u>1,255,882.48</u>	<u>2.7</u>
COMMON STOCK							
GICS-Energy							
293.00	BILL BARRETT CORP	bbg	49.44	14,487.23	36.24	10,618.32	0.0
3,019.00	BRIGHAM EXPLORATION CO	bexp	30.42	91,839.19	25.27	76,290.13	0.2
850.00	CARBO CERAMICS INC	crr	74.51	63,335.07	102.53	87,150.50	0.2
4,675.00	CARRIZO OIL + GAS INC	crzo	18.96	88,642.91	21.55	100,769.62	0.2
13,676.00	CLOUD PEAK ENERGY INC	cld	21.07	288,140.71	16.95	231,808.20	0.5
3,342.00	COMPLETE PRODTN SVCS INC	cpx	28.87	96,483.21	18.85	62,996.70	0.1
1,840.00	CORE LABORATORIES	clb	34.76	63,951.12	89.83	165,287.20	0.4
1,690.00	DRIL QUIP INC	drq	27.90	47,146.74	53.91	91,107.90	0.2
2,875.00	ENDEAVOUR INTL CORP	end	16.01	46,039.10	7.98	22,942.50	0.0
7,350.00	ENERGY XXI LTD	exxi	21.27	156,335.10	21.48	157,878.00	0.3
2,930.00	GEOSOURCES INC	geoi	26.01	76,208.26	17.79	52,124.70	0.1
660.00	GOODRICH PETROLEUM CORP	gdp	18.97	12,522.84	11.82	7,801.20	0.0
4,050.00	GULFPORT ENERGY CORP	gpwr	29.10	117,844.69	24.18	97,929.00	0.2
2,275.00	HOUSTON AMERN ENERGY CORP	husa	20.17	45,893.58	13.76	31,304.00	0.1
16,790.00	JAMES RIVER COAL CO	jrcc	22.35	375,179.38	6.37	106,952.30	0.2
10,700.00	KEY ENERGY SERVICES INC	keg	6.54	69,971.86	9.49	101,543.00	0.2
137.00	LUFKIN INDS INC	lufk	94.20	12,905.40	53.21	7,289.77	0.0
44,896.00	MAGNUM HUNTER RES CORP	nhrr	6.57	294,921.22	3.31	148,605.76	0.3
3,380.00	MAGNUM WTS EXP 01/02/2014	559991112	0.00	0.00	0.00	0.00	0.0
2,701.00	OASIS PETE INC	oas	28.18	76,107.16	22.33	60,313.33	0.1
1,720.00	OCEANEERING INTL INC	oii	17.46	30,028.56	35.34	60,784.80	0.1
1,680.00	OIL STATES INTERNATIONAL INC	ois	21.88	36,756.10	50.92	85,545.60	0.2
13,680.00	PIONEER DRILLING COMPANY	pdc	7.73	105,765.69	7.18	98,222.40	0.2
11,749.00	REX ENERGY CORP	rexx	12.87	151,164.23	12.65	148,624.85	0.3
1,801.00	ROSETTA RES INC	rose	36.41	65,565.92	34.22	61,639.22	0.1
302.00	SWIFT ENERGY CO	sfy	40.35	12,187.21	24.34	7,350.68	0.0
7,210.00	TESCO CORP	teso	14.03	101,148.34	11.60	83,636.00	0.2
6,061.00	TETRA TECHNOLOGIES INC	ttr	13.14	79,641.58	7.72	46,790.92	0.1
				<u>2,620,212.38</u>		<u>2,213,306.61</u>	<u>4.7</u>
GICS-Materials							
1,660.00	ADA ES INC	ades	18.82	31,238.73	15.27	25,348.20	0.1
3,330.00	AMERICAN VANGUARD CORP	avd	13.40	44,629.55	11.16	37,162.80	0.1
2,786.00	BALCHEM CORP	bcpc	34.23	95,366.27	37.31	103,945.66	0.2
229.00	CARPENTER TECHNOLOGY	crs	42.63	9,762.27	44.89	10,279.81	0.0
649.00	GLOBE SPECIALTY METALS INC	gsm	24.38	15,822.62	14.52	9,423.48	0.0
594.00	HAYNES INTERNATIONAL INC.	hayn	54.06	32,111.64	43.45	25,809.30	0.1
283.00	INNOPHOS HOLDINGS INC	iphs	46.64	13,199.12	39.88	11,286.04	0.0
293.00	KOPPERS HOLDINGS INC	kop	44.42	13,015.06	25.61	7,503.73	0.0
579.00	KRONOS WORLDWIDE INC	kro	28.54	16,527.10	16.08	9,310.32	0.0
967.00	LSB INDS INC	lxu	39.31	38,012.77	28.67	27,723.89	0.1
600.00	MOLYCORP INC	mcp	32.74	19,643.13	32.87	19,722.00	0.0
503.00	OLIN CORP	olin	25.14	12,645.88	18.01	9,059.03	0.0
174.00	ROCK TENN COMPANY CL A	rkt	69.82	12,148.68	48.68	8,470.32	0.0
70.00	TERRA NITROGEN CO	tnh	108.24	7,576.80	144.44	10,110.80	0.0
1,172.00	UNIVERSAL STAINLESS & ALLOY PRODUCTS	usap	41.59	48,742.30	25.42	29,792.24	0.1
6,885.00	VISTA GOLD CORP NEW COMMON STOCK	vgz	4.38	30,166.79	3.34	22,995.90	0.0
				<u>440,608.70</u>		<u>367,943.52</u>	<u>0.8</u>
GICS-Industrials							
3,170.00	A.T. CROSS COMPANY	atx	15.07	47,776.80	11.28	35,757.60	0.1
10,067.00	ACACIA RESEARCH CORP	actg	32.59	328,092.13	35.99	362,311.33	0.8
3,456.00	ADVISORY BOARD CO	abco	28.29	97,757.69	64.53	223,015.68	0.5
7,180.00	AMERESCO INC	amrc	14.02	100,633.77	10.16	72,948.80	0.2
1,485.00	ASTRONICS CORP	atro	28.39	42,162.08	28.25	41,951.25	0.1
148.00	ASTRONICS CORP CL B	atrob	29.75	4,403.25	27.55	4,077.40	0.0
5,202.00	AVIS BUDGET GROUP INC	car	17.36	90,313.48	9.67	50,303.34	0.1
19,610.00	BEACON ROOFING SUPPLY INC	becn	16.32	320,079.73	15.99	313,563.90	0.7
2,500.00	CERADYNE INC	crdn	46.07	115,170.98	26.89	67,225.00	0.1

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 September 30, 2011

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3,157.00	CHART INDS INC	gtls	31.34	98,936.87	42.18	133,162.26	0.3
1,660.00	CLEAN HARBORS INC	clh	32.42	53,811.68	51.30	85,158.00	0.2
1,241.00	COLEMAN CABLE INC	ccix	13.27	16,467.56	8.46	10,498.86	0.0
2,075.00	COLFAX CORP	cfx	21.60	44,828.17	20.26	42,039.50	0.1
2,200.00	CORPORATE EXECUTIVE BRD CO	exbd	32.68	71,889.10	29.80	65,560.00	0.1
5,935.00	COSTAR GROUP INC	csgp	35.14	208,557.71	51.97	308,441.95	0.7
15,085.00	DIGITALGLOBE INC	dgi	26.51	399,856.97	19.43	293,101.55	0.6
4,300.00	DYCOM INDUSTRIES INC	dy	17.65	75,897.25	15.30	65,790.00	0.1
5,304.00	ENERNOC INC	enoc	32.30	171,339.45	9.00	47,736.00	0.1
2,751.00	EXPRESS 1 EXPEDITED SOLUTIONS	xpo	17.10	47,052.00	7.67	21,100.17	0.0
5,160.00	FORWARD AIR CORP	fwrdr	21.46	110,752.24	25.45	131,322.00	0.3
1,175.00	GARDNER DENVER INC	gdi	67.66	79,497.41	63.55	74,671.25	0.2
201.00	GENESEE + WYOMING INC CL A	gwr	58.47	11,752.47	46.52	9,350.52	0.0
24,816.00	GEO GROUP INC/THE	geo	20.77	515,478.90	18.56	460,584.96	1.0
9,967.00	GRAFTECH INTL LTD	gti	20.42	203,569.15	12.70	126,580.90	0.3
6,430.00	HILL INTL INC	hil	6.99	44,950.09	4.68	30,092.40	0.1
2,101.00	HOUSTON WIRE & CABLE CO	hwcc	16.48	34,615.69	11.49	24,140.49	0.1
20,385.00	INNERWORKINGS INC	inwk	6.02	122,816.17	7.84	159,818.40	0.3
3,640.00	INSPERITY INC	nsp	25.46	92,687.67	22.25	80,990.00	0.2
398.00	KADANT INC	kai	29.69	11,817.40	17.76	7,068.48	0.0
15,524.00	KELLY SERVICES INC CL A	kelya	17.07	265,024.09	11.40	176,973.60	0.4
253.00	KIRBY CORP	kex	57.15	14,459.43	52.64	13,317.92	0.0
5,580.00	KNIGHT TRANSPN INC	knx	19.64	109,594.67	13.31	74,269.80	0.2
549.00	KNOLL INC	knl	21.37	11,732.13	13.70	7,521.30	0.0
1,460.00	LINDSAY CORPORATION	lnn	57.46	83,890.11	53.80	78,548.00	0.2
1,825.00	LMI AEROSPACE INC	lmia	24.28	44,304.14	17.06	31,134.50	0.1
176.00	MIDDLEBY CORP	midd	89.72	15,791.60	70.46	12,400.96	0.0
1,984.00	MISTRAS GROUP	mg	16.88	33,489.92	17.56	34,839.04	0.1
6,405.00	MOBILE MINI INC	mini	14.05	90,015.93	16.44	105,298.20	0.2
1,630.00	MSC INDL DIRECT INC CL A	msm	40.42	65,887.46	56.46	92,029.80	0.2
297.00	MUELLER INDUSTRIES INC	mli	42.61	12,654.84	38.59	11,461.23	0.0
1,325.00	MULTI-COLOR CORP	labl	27.13	35,947.82	22.59	29,931.75	0.1
3,912.00	MYR GROUP INC	myrg	24.56	96,092.80	17.64	69,007.68	0.1
2,102.00	NAVISTAR INTL CORP	nav	56.30	118,351.67	32.12	67,516.24	0.1
3,615.00	ON ASSIGNMENT INC	asgn	11.06	39,981.12	7.07	25,558.05	0.1
1,866.00	POLYPORE INTL INC	ppo	37.54	70,049.11	56.52	105,466.32	0.2
3,983.00	PRIMORIS SVCS CORP	prim	11.23	44,715.55	10.46	41,662.18	0.1
2,644.00	QUALITY DISTR INC	qlty	11.73	31,014.12	8.97	23,716.68	0.1
14,434.00	RAILAMERICA INC	ra	14.03	202,452.17	13.03	188,075.02	0.4
13,520.00	RESOURCES CONNECTION INC COM	recn	17.05	230,492.95	9.78	132,225.60	0.3
15,819.00	RITCHIE BROS AUCTIONEERS INC	rba	22.06	349,025.20	20.19	319,385.61	0.7
244.00	ROBBINS + MYERS INC	rbn	42.65	10,406.60	34.71	8,469.24	0.0
26,442.00	ROLLINS INC COM	rol	11.29	298,562.52	18.71	494,729.82	1.1
1,000.00	RYDER SYS INC	r	59.51	59,506.90	37.51	37,510.00	0.1
215.00	SAUER-DANFOSS INC	shs	54.24	11,661.60	28.90	6,213.50	0.0
965.00	SPIRIT AIRLINES INC	save	13.04	12,578.87	12.50	12,062.50	0.0
1,519.00	SUN HYDRAULICS CORP	snhy	31.06	47,184.92	20.38	30,957.22	0.1
3,170.00	TETRA TECH INC	ttek	23.20	73,534.40	18.74	59,405.80	0.1
2,705.00	THERMON GROUP HOLDINGS INC.	thr	14.21	38,432.91	13.82	37,383.10	0.1
201.00	THOMAS & BETTS CORP	tnb	61.00	12,261.00	39.91	8,021.91	0.0
5,991.00	TITAN INTL INC ILL COM	twi	21.42	128,303.37	15.00	89,865.00	0.2
2,611.00	TITAN MACHY INC	titn	28.83	75,275.62	17.90	46,736.90	0.1
4,203.00	TRIUMPH GROUP INC NEW COM	tgi	48.95	205,724.06	48.74	204,854.22	0.4
950.00	TWIN DISC INC	twin	40.32	38,301.39	26.67	25,336.50	0.1
956.00	VALMONT INDS INC COM	vmi	82.38	78,750.77	77.94	74,510.64	0.2
4,775.00	WASTE CONNECTIONS INC	wcn	23.78	113,556.18	33.82	161,490.50	0.3
286.00	WESCO INTL INC	wcc	56.09	16,042.90	33.55	9,595.30	0.0
				6,748,014.70		6,295,843.62	13.4
GICS-Consumer Discretionary							
3,717.00	AARONS INC	aan	23.93	88,951.60	25.25	93,854.25	0.2
1,360.00	AMERICAS CAR MART INC	crmt	33.00	44,873.47	29.02	39,467.20	0.1
10,658.00	AMERIGON INC CL A	argn	15.01	159,955.51	12.73	135,676.34	0.3
2,580.00	ARCTIC CAT INC	acat	16.94	43,699.20	14.49	37,384.20	0.1
2,950.00	ASBURY AUTOMOTIVE GROUP INC	abg	20.55	60,632.03	16.49	48,645.50	0.1
18,580.00	BEBE STORES INC	bebe	7.14	132,721.58	6.72	124,857.60	0.3
1,544.00	BJ S RESTAURANTS INC	bjri	14.13	21,822.08	44.11	68,105.84	0.1
709.00	BLYTH INC	bth	66.60	47,222.16	55.45	39,314.05	0.1
2,200.00	BOB EVANS FARMS	bobe	30.10	66,215.25	28.52	62,744.00	0.1
1,734.00	BODY CENTRAL CORP	body	24.12	41,824.08	18.16	31,489.44	0.1
1,629.00	BRAVO BRIO RESTAURANT	bbrg	20.73	33,777.31	16.64	27,106.56	0.1

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451.00	BRIDGEPOINT EDUCATION INC	bpi	27.17	12,254.84	17.44	7,865.44	0.0
2,820.00	BUFFALO WILD WINGS INC	bwld	40.46	114,091.20	59.80	168,636.00	0.4
2,665.00	CAPELLA EDUCATION CO	cpia	78.26	208,562.25	28.38	75,632.70	0.2
10,208.00	CARIBOU COFFEE INC	cbou	14.28	145,819.84	11.82	120,658.56	0.3
10,505.00	CHEESECAKE FACTORY INC	cake	10.63	111,659.80	24.65	258,948.25	0.6
8,411.00	CROCS INC	crox	20.47	172,177.21	23.68	199,172.48	0.4
146.00	DECKERS OUTDOOR CORP	deck	90.58	13,224.68	93.16	13,601.36	0.0
494.00	DOMINO S PIZZA INC	dpz	18.60	9,188.40	27.25	13,461.50	0.0
8,016.00	EXPRESS INC	expr	17.98	144,124.67	20.29	162,644.64	0.3
2,164.00	GENESCO INC	gco	48.89	105,799.20	51.53	111,510.92	0.2
12,420.00	GENTEX CORP COM	gntx	9.70	120,499.85	24.05	298,701.00	0.6
17,747.00	GRAND CANYON EDUCATION INC	lope	19.09	338,732.84	16.15	286,614.05	0.6
368.00	HANESBRANDS INC	hbi	33.17	12,205.49	25.01	9,203.68	0.0
3,400.00	HELEN OF TROY LTD	hele	32.88	111,780.09	25.12	85,408.00	0.2
22,101.00	HOT TOPIC INC	hott	6.82	150,680.76	7.63	168,630.63	0.4
5,598.00	IMAX CORP	imax	12.79	71,571.15	14.48	81,059.04	0.2
4,655.00	INTERCLICK INC	iclk	8.65	40,271.80	5.55	25,835.25	0.1
1,492.00	IROBOT CORP	irbt	33.08	49,355.36	25.16	37,538.72	0.1
21,192.00	JARDEN CORP	jah	31.00	657,034.50	28.26	598,885.92	1.3
322.00	K12 INC	lm	37.26	11,996.49	25.46	8,198.12	0.0
44,777.00	KNOLOGY INC	knol	12.96	580,090.77	12.98	581,205.46	1.2
7,374.00	KRISPY KREME DOUGHNUTS INC	kkd	7.81	57,608.01	6.82	50,290.68	0.1
3,241.00	LIFE TIME FITNESS INC	ltm	42.99	139,330.86	36.85	119,430.85	0.3
22,970.00	LIONS GATE ENTMT CORP	lgf	6.23	143,055.86	6.90	158,493.00	0.3
8,499.00	LITHIA MOTORS INCL A	lad	19.62	166,724.25	14.38	122,215.62	0.3
20,300.00	LKQ CORP	lkqx	11.71	237,700.50	24.16	490,448.00	1.0
375.00	MENS WEARHOUSE INC	mw	32.48	12,179.29	26.08	9,780.00	0.0
1,993.00	MOVADO GROUP INC	mov	14.97	29,835.21	12.18	24,274.74	0.1
9,770.00	NATIONAL CINEMEDIA INC	ncmi	13.12	128,186.81	14.51	141,762.70	0.3
71,868.00	OFFICE DEPOT INC	odp	5.50	395,429.17	2.06	148,048.08	0.3
20,816.00	OFFICEMAX INC	omx	11.48	239,022.65	4.85	100,957.60	0.2
1,455.00	OXFORD INDUSTRIES INC	oxm	34.62	50,375.89	34.30	49,906.50	0.1
1,340.00	PANERA BREAD CO CL A	pnra	55.42	74,269.43	103.94	139,279.60	0.3
940.00	PEETS COFFEE & TEA INC	peet	48.00	45,120.00	55.64	52,301.60	0.1
2,850.00	PENN NATL GAMING INC	penn	33.47	95,391.03	33.29	94,876.50	0.2
25,275.00	PEP BOYS-MANNY MOE & JACK	pby	12.15	307,107.30	9.87	249,464.25	0.5
2,398.00	POLARIS INDUSTRIES INC	pii	51.70	123,979.54	49.97	119,828.06	0.3
1,346.00	RED ROBIN GOURMET BURGERS	rrgb	27.10	36,476.60	24.09	32,425.14	0.1
3,840.00	RUE21 INC	rue	28.04	107,654.59	22.69	87,129.60	0.2
990.00	SELECT COMFORT CORP	scss	15.21	15,057.02	13.97	13,830.30	0.0
2,200.00	SERVICE CORP INTL	sci	11.49	25,280.16	9.16	20,152.00	0.0
7,118.00	SHUTTERFLY INC	sfly	30.14	214,525.18	41.18	293,119.24	0.6
761.00	SONIC AUTOMOTIVE INC CLASS A	sah	16.19	12,319.68	10.79	8,211.19	0.0
1,717.00	SOTHEBY S	bid	34.80	59,757.65	27.57	47,337.69	0.1
2,510.00	STEINER LEISURE LTD	stnr	47.97	120,398.61	40.77	102,332.70	0.2
1,459.00	STURM RUGER + CO INC	rgr	23.00	33,557.00	25.98	37,904.82	0.1
2,381.00	TEMPUR-PEDIC INTL INC COM	tpx	29.14	69,392.95	52.61	125,264.41	0.3
411.00	TESLA MOTORS INC.	tsla	29.45	12,102.84	24.39	10,024.29	0.0
2,710.00	ULTA SALON COSMETICS + FRAGRANCE	ulta	10.60	28,738.85	62.23	168,643.30	0.4
188.00	UNDER ARMOUR INC CLASS A	ua	74.73	14,048.48	66.41	12,485.08	0.0
308.00	VITAMIN SHOPPE INC	vsi	40.52	12,478.62	37.44	11,531.52	0.0
39,380.00	WET SEAL INC	wtsla	4.64	182,803.13	4.48	176,422.40	0.4
4,461.00	ZAGG INC	zagg	11.61	51,779.28	9.92	44,253.12	0.1
3,997.00	ZUMIEZ INC	zumz	20.47	81,808.59	17.51	69,987.47	0.1
				7,246,310.46		7,354,468.75	15.7
GICS-Consumer Staples							
10,303.00	DARLING INTL INC	dar	11.89	122,511.33	12.59	129,714.77	0.3
1,404.00	DIAMOND FOODS INC	dmnd	45.18	63,431.07	79.80	112,039.20	0.2
2,900.00	ELIZABETH ARDEN INC	rden	31.44	91,170.25	28.44	82,476.00	0.2
8,048.00	FRESH MKT INC	tfm	34.97	281,439.14	38.16	307,111.68	0.7
14,600.00	HECKMANN CORP	hek	5.81	84,878.70	5.29	77,234.00	0.2
2,088.00	NU SKIN ENTERPRISES INC	nus	41.77	87,221.58	40.52	84,605.76	0.2
6,100.00	PRESTIGE BRANDS HOLDINGS INC	pbh	12.61	76,925.68	9.05	55,205.00	0.1
142.00	PRICESMART INC	psmt	71.78	10,192.33	62.32	8,849.44	0.0
100,100.00	RITE AID CORP	rad	1.14	113,809.69	0.98	98,098.00	0.2
6,545.00	SMART BALANCE INC	smbi	5.49	35,902.60	5.90	38,615.50	0.1
2,020.00	SUSSER HLDGS CORP	suss	18.37	37,108.01	19.93	40,258.60	0.1
2,330.00	TREEHOUSE FOODS INC	ths	47.83	111,433.02	61.84	144,087.20	0.3
13,307.00	UNITED NATURAL FOODS INC	unfi	20.48	272,468.33	37.04	492,891.28	1.0

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StanCERA - Small Cap Growth Portfolio
September 30, 2011

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
9,600.00	WINN DIXIE STORES INC	winn	9.48	90,962.04	5.92	56,832.00	0.1
				1,479,453.78		1,728,018.43	3.7
GICS-Health Care							
7,962.00	ABAXIS INC	abax	19.18	152,698.25	22.91	182,409.42	0.4
4,891.00	ACHILLION PHARMACEUTICALS INC	achn	7.32	35,802.12	4.72	23,085.52	0.0
1,925.00	AEGERION PHARMACEUTICALS INC	aegr	20.48	39,428.76	12.67	24,389.75	0.1
3,353.00	AIR METHODS CORP	airm	68.71	230,397.99	63.67	213,485.51	0.5
42,163.00	AKORN INC	akrx	4.87	205,269.07	7.80	328,871.40	0.7
785.00	ALKERMES PLC	alks	19.00	14,916.09	15.25	11,971.25	0.0
18,770.00	ALLSCRIPTS HEALTHCARE SOLUTIONS INC	mdrx	11.74	220,325.57	18.02	338,235.40	0.7
15,810.00	ANGIODYNAMICS INC	ango	13.09	207,001.88	13.14	207,743.40	0.4
17,940.00	ANTARES PHARMA INC	ais	2.09	37,410.46	2.32	41,620.80	0.1
1,616.00	ARIAD PHARMACEUTICALS INC	aria	8.36	13,509.76	8.79	14,204.64	0.0
4,457.00	ARTHROCARE CORP	artc	33.76	150,483.07	28.77	128,227.89	0.3
7,187.00	ATHENAHEALTH INC	athn	41.12	295,551.35	59.55	427,985.85	0.9
4,618.00	AUXILIUM PHARMACEUTICALS INC	auxl	16.78	77,511.74	14.99	69,223.82	0.1
2,619.00	AVEO PHARMACEUTICALS INC	aveo	19.51	51,088.47	15.39	40,306.41	0.1
17,084.00	BIO-REFERENCE LABS INC	brli	17.74	303,017.60	18.41	314,516.44	0.7
2,170.00	BIOMARIN PHARMACEUTICAL INC	bmm	16.97	36,819.54	31.87	69,157.90	0.1
16,747.00	BIOSANTE PHARMACEUTICALS INC	bpax	2.92	48,918.18	2.28	38,183.16	0.1
6,200.00	BIOSCRIP INC	bios	7.30	45,254.42	6.36	39,432.00	0.1
3,578.00	CALIPER LIFE SCIENCES INC	calp	6.68	23,901.04	10.47	37,461.66	0.1
1,688.00	CANTEL MEDICAL CORP	cmn	26.70	45,069.60	21.12	35,650.56	0.1
3,235.00	CARDIOVASCULAR SYSTMES INC	csii	14.33	46,345.40	11.39	36,846.65	0.1
4,150.00	CENTENE CORP	cnc	34.74	144,173.76	28.67	118,980.50	0.3
26,083.00	CEPHEID INC	cphd	15.25	397,864.27	38.83	1,012,802.89	2.2
7,500.00	CHEMED CORP	che	40.25	301,873.13	54.96	412,200.00	0.9
2,726.00	COMPUTER PROGRAMS + SYSTEMS	cpai	66.64	181,655.76	66.15	180,324.90	0.4
5,015.00	CUBIST PHARMACEUTICALS INC	cbst	28.92	145,015.96	35.32	177,129.80	0.4
9,604.00	CURIS INC	cris	4.16	39,905.58	3.16	30,348.64	0.1
5,400.00	CUTERA INC	cutr	10.22	55,202.21	7.12	38,448.00	0.1
12,104.00	CYBERONICS INC	cybx	26.62	322,188.27	28.30	342,543.20	0.7
6,064.00	DUSA PHARMACEUTICALS	dusa	5.75	34,859.51	3.70	22,436.80	0.0
2,853.00	ENDOCYTE INC	ecyt	12.00	34,241.42	10.60	30,241.80	0.1
9,440.00	ENDOLOGIX INC	elgx	8.37	79,039.23	10.04	94,777.60	0.2
12,930.00	ERESEARCH TECH INC	eres	7.20	93,035.21	4.46	57,667.80	0.1
4,455.00	EXACT SCIENCES CORP	exas	9.34	41,599.90	6.63	29,536.65	0.1
1,760.00	GEN-PROBE INC	gpro	42.27	74,399.06	57.25	100,760.00	0.2
15,388.00	HANGER ORTHOPEDIC GROUP	hgr	18.93	291,343.79	18.89	290,679.32	0.6
9,603.00	HANSEN MED INC	hnsn	3.44	32,992.07	3.32	31,881.96	0.1
30,093.00	HEALTHSOUTH CORP	hls	23.07	694,302.54	14.93	449,288.49	1.0
8,062.00	HEALTHSPRING INC	hs	39.22	316,172.97	36.46	293,940.52	0.6
6,805.00	HEALTHSTREAM INC	hstm	9.00	61,214.16	12.83	87,308.15	0.2
1,275.00	HI TECH PHARMACAL CO INC.	hitk	31.69	40,404.11	33.60	42,840.00	0.1
7,311.00	HMS HOLDINGS CORP	hmsy	13.46	98,399.66	24.39	178,315.29	0.4
3,690.00	ICON PUB LTD CO	iclr	20.75	76,570.26	16.08	59,335.20	0.1
265.00	ICU MED INC	icui	45.29	12,002.20	36.80	9,752.00	0.0
5,705.00	IDENIX PHARMACEUTICALS INC	idix	6.76	38,575.29	4.99	28,467.95	0.1
3,371.00	INCYTE CORP	incy	17.63	59,419.61	13.97	47,092.87	0.1
10,106.00	INHIBITEX INC	inhx	4.41	44,594.74	2.46	24,860.76	0.1
8,889.00	IPC THE HOSPITALIST CO	ipcm	19.71	175,246.50	35.69	317,248.41	0.7
1,083.00	IRONWOOD PHARMACEUTICALS INC	irwd	14.91	16,145.56	10.80	11,696.40	0.0
225.00	JAZZ PHARMACEUTICALS INC	jazz	46.56	10,476.61	41.50	9,337.50	0.0
2,265.00	LIGAND PHARMACEUTICALS INCORPORATED	lgnd	14.92	33,788.10	13.68	30,985.20	0.1
5,600.00	LUMINEX CORP	lmnx	20.68	115,832.58	22.17	124,152.00	0.3
1,705.00	MAKO SURGICAL CORP	mako	25.01	42,643.18	34.22	58,345.10	0.1
6,799.00	MEDIDATA SOLUTIONS INC	mdso	15.62	106,229.02	16.44	111,775.56	0.2
5,540.00	MEDNAX INC	md	33.40	185,024.86	62.64	347,025.60	0.7
4,700.00	MEDQUISIT HOLDINGS INC	medh	8.85	41,600.43	7.56	35,532.00	0.1
4,385.00	MEDTOX SCIENTIFIC INC	mtox	9.12	40,002.27	13.09	57,399.65	0.1
9,955.00	MELA SCIENCES INC	mela	3.49	34,719.39	4.43	44,100.65	0.1
30,205.00	MERGE HEALTHCARE INC	mrge	5.09	153,621.50	6.09	183,948.45	0.4
3,316.00	MERIT MEDICAL SYSTEMS INC	mmsi	17.10	56,715.66	13.14	43,572.24	0.1
6,745.00	METROPOLITAN HEALTH NETWORKS INC. COMMON	mdf	5.79	39,043.50	4.54	30,622.30	0.1
4,250.00	MYRIAD GENETICS INC	mygn	24.08	102,342.41	18.74	79,645.00	0.2
11,939.00	NEOGEN CORP	neog	17.08	203,961.55	34.74	414,760.86	0.9
1,326.00	NPS PHARMACEUTICALS INC	npdp	9.45	12,530.70	6.51	8,632.26	0.0

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5,190.00	NUVASIVE INC	nuva	35.16	182,457.46	17.06	88,541.40	0.2
9,833.00	OMNICELL INC	omcl	16.21	159,389.07	13.78	135,498.74	0.3
3,940.00	ONCOTHYREON INC	onty	7.44	29,315.14	5.98	23,561.20	0.1
329.00	ONYX PHARMACEUTICALS INC.	onxx	34.19	11,248.51	30.01	9,873.29	0.0
2,165.00	OPTIMER PHARMACEUTICALS INC	optr	16.34	35,386.28	13.84	29,963.60	0.1
4,158.00	ORASURE TECHNOLOGIES INC	osur	8.18	34,012.44	7.96	33,097.68	0.1
4,740.00	PAREXEL INTERNATIONAL CORP	prxl	13.29	62,977.08	18.93	89,728.20	0.2
4,875.00	PHARMACEUTICAL PROD DEV INC	ppdi	29.31	142,868.97	25.66	125,092.50	0.3
4,208.00	PHARMACYCLICS INC	pcyc	8.69	36,567.10	11.83	49,780.64	0.1
264.00	PHARMASSET INC	vrus	47.43	12,521.52	82.37	21,745.68	0.0
5,130.00	PSS WORLD MEDICAL INC	pssi	18.56	95,217.93	19.69	101,009.70	0.2
4,052.00	QUALITY SYS INC	qsii	55.44	224,625.32	97.00	393,044.00	0.8
2,945.00	QUESTCOR PHARMACEUTICALS INC	qcor	22.64	66,678.59	27.26	80,280.70	0.2
1,547.00	QUIDEL CORP	qdel	16.37	25,320.37	16.37	25,324.39	0.1
5,769.00	RAPTOR PHARMACEUTICALS INC	rptp	5.35	30,884.40	4.51	26,018.19	0.1
7,915.00	RTI BIOLOGICS INC	rtix	3.60	28,469.10	3.29	26,040.35	0.1
1,650.00	SALIX PHARMACEUTICALS LTD	slxp	30.97	51,102.81	29.60	48,840.00	0.1
3,110.00	SCHIFF NUTRITION INTERNATIONAL INC	wni	11.77	36,604.39	11.08	34,458.80	0.1
5,717.00	SCICLONE PHARMACEUTICALS INC	scln	5.59	31,983.18	3.81	21,781.77	0.0
5,812.00	SIRONA DENTAL SYSTEMS INC	siro	48.08	279,457.41	42.41	246,486.92	0.5
320.00	SONOSITE INC	sono	33.59	10,748.80	30.34	9,708.80	0.0
8,945.00	STAAR SURGICAL CO	staa	7.18	64,241.99	7.80	69,771.00	0.1
4,530.00	SXC HEALTH SOLUTIONS CORP	sxcj	33.26	150,685.42	55.70	252,321.00	0.5
14,450.00	SYNERGETICS USA INC	surg	5.02	72,495.09	5.39	77,885.50	0.2
4,540.00	TECHNE CORP COM	tech	62.85	285,349.58	68.01	308,765.40	0.7
99,885.00	TENET HEALTHCARE CORP	thc	5.56	555,657.04	4.11	410,527.35	0.9
2,590.00	THORATEC CORP	thor	30.95	80,150.22	32.64	84,537.60	0.2
5,828.00	TORNIER N.V.	trnx	21.83	127,239.50	20.49	119,415.72	0.3
1,367.00	TRANSCEND SERVICES INC	trcr	23.85	32,602.95	22.54	30,812.18	0.1
12,022.00	VANGUARD HEALTH SYSTEMS	vhs	17.45	209,780.70	10.16	122,143.52	0.3
3,900.00	VCA ANTECH INC	woof	21.00	81,912.36	15.98	62,322.00	0.1
4,630.00	VOLCANO CORP	volc	17.61	81,523.36	29.63	137,186.90	0.3
2,260.00	ZOLL MED CORP	zoll	56.34	127,330.87	37.74	85,292.40	0.2
				10,818,493.82		12,104,606.82	25.8
GICS-Financials							
4,900.00	ADVANCE AMERICA CASH ADVANCE	aea	8.58	42,063.48	7.36	36,064.00	0.1
2,325.00	ALTISOURCE PORTFOLIO	asps	33.65	78,247.87	35.39	82,281.75	0.2
580.00	AMTRUST FINANCIAL SERVICES	afsi	20.77	12,045.73	22.26	12,910.80	0.0
4,500.00	CBOE HOLDINGS INC	cboe	26.21	117,966.80	24.47	110,115.00	0.2
17,200.00	CNO FINANCIAL GROUP INC	cno	7.06	121,416.30	5.41	93,052.00	0.2
2,575.00	CORESITE REALTY CORP	cor	17.63	45,404.46	14.35	36,951.25	0.1
17,764.00	DFC GLOBAL CORP	dllr	18.72	332,487.61	21.82	387,610.48	0.8
5,290.00	EAST WEST BANCORP INC	ewbc	15.48	81,883.66	14.91	78,873.90	0.2
10,987.00	ENCORE CAPITAL GROUP INC.	ecpg	19.17	210,589.62	21.85	240,065.95	0.5
6,606.00	EZCORP INC	ezpw	19.93	131,638.14	28.54	188,535.24	0.4
8,925.00	FINANCIAL ENGINES INC	fngn	22.36	199,528.72	18.11	161,631.75	0.3
7,788.00	FIRST CASH FINL SVCS INC.	fcfs	26.08	203,129.99	41.95	326,706.60	0.7
3,475.00	HANCOCK HOLDING CO	hbhc	32.69	113,580.56	26.81	93,164.75	0.2
3,343.00	HFF INC CL A	hff	14.80	49,476.40	8.74	29,217.82	0.1
526.00	MARKETAXESS HOLDINGS INC.	mktx	23.84	12,539.63	26.02	13,686.52	0.0
8,642.00	PORTFOLIO RECOVERY ASSOCIATES INC	praa	38.41	331,937.80	62.22	537,705.24	1.1
344.00	POST PROPERTIES INC REIT	pps	38.42	13,216.14	34.74	11,950.56	0.0
1,640.00	PROASSURANCE CORP	pra	60.33	98,937.36	72.02	118,112.80	0.3
2,760.00	STIFEL FINANCIAL CORP	sf	29.90	82,520.57	26.56	73,305.60	0.2
2,550.00	SVB FINL GROUP COM	sivb	44.73	114,071.24	37.00	94,350.00	0.2
685.00	VIRTUS INVT PARTNERS INC	vrts	65.95	45,177.81	53.62	36,729.70	0.1
4,070.00	WALTER INVESTMENT MANAGEMENT REIT	wac	25.42	103,469.49	22.93	93,325.10	0.2
				2,541,329.38		2,856,346.81	6.1
GICS-Information Technology							
421.00	ACI WORLDWIDE INC	aciw	32.81	13,813.01	27.54	11,594.34	0.0
7,430.00	ACTUATE CORPORATION	birt	6.37	47,347.12	5.52	41,013.60	0.1
4,515.00	AGILYSYS INC	agys	9.60	43,366.12	7.13	32,191.95	0.1
286.00	ANCESTRY.COM INC	acom	34.44	9,849.84	23.50	6,721.00	0.0
2,560.00	ANSYS INC	anss	31.33	80,208.11	49.04	125,542.40	0.3
8,516.00	ARIBA INC	arba	22.30	189,884.35	27.71	235,978.36	0.5
7,527.00	ARUBA NETWORKS INC	arun	18.69	140,672.14	20.91	157,389.57	0.3
13,412.00	ASPEN TECHNOLOGY INC	azpn	15.63	209,649.20	15.27	204,801.24	0.4
6,239.00	BOTTOMLINE TECHNOLOGIES INC	epay	20.45	127,599.40	20.14	125,653.46	0.3

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1,373.00	BRIGHTPOINT INC	cell	10.16	13,953.39	9.22	12,659.06	0.0
6,263.00	CABOT MICROELECTRONICS CORP	ccmp	31.71	198,596.71	34.39	215,384.57	0.5
2,210.00	CARBONITE INC	carb	14.29	31,591.95	12.04	26,608.40	0.1
9,913.00	CARDTRONICS INC	catm	21.93	217,430.59	22.92	227,205.96	0.5
4,920.00	CASS INFORMATION SYS INC	cass	32.30	158,919.37	31.05	152,766.00	0.3
1,570.00	CAVIUM INC	cavm	31.58	49,574.64	27.01	42,405.70	0.1
8,200.00	CEVA INC	ceva	25.40	208,247.52	24.31	199,342.00	0.4
2,730.00	COGNEX CORP	cgnx	33.13	90,446.28	27.10	73,983.00	0.2
320.00	COMMVAULT SYSTEMS INC	cvlt	38.99	12,476.80	37.06	11,859.20	0.0
5,309.00	COMSCORE INC	scor	21.71	115,237.44	16.87	89,562.83	0.2
6,344.00	CONCUR TECHNOLOGIES INC	cnqr	33.45	212,217.79	37.23	236,187.12	0.5
5,049.00	CONSTANT CONTACT INC	ctct	22.94	115,842.60	17.29	87,297.21	0.2
18,993.00	CONVIO INC	cnvo	9.71	184,487.21	8.41	159,731.13	0.3
2,365.00	CVD EQUIPMENT CORP	cvv	12.97	30,675.71	13.50	31,927.50	0.1
3,060.00	CYMER INC	cymi	32.78	100,301.84	37.15	113,679.00	0.2
13,155.00	DATALINK CORP	dtlk	8.29	109,055.57	6.80	89,454.00	0.2
18,885.00	DEALERTRACK HOLDINGS INC.	trak	16.45	310,678.73	15.67	295,927.95	0.6
2,330.00	DG FASTCHANNEL INC	dgft	18.19	42,393.61	16.95	39,493.50	0.1
23,860.00	DIGI INTERNATIONAL INC	dgii	8.51	203,130.69	11.00	262,460.00	0.6
1,330.00	DIGIMARC CORP	dmrc	34.19	45,477.68	25.38	33,755.40	0.1
9,400.00	EARTHLINK INC	elnk	7.89	74,199.72	6.53	61,382.00	0.1
11,334.00	EBIX INC	ebix	18.32	207,621.51	14.70	166,609.80	0.4
18,607.00	ECHELON CORP	elon	8.60	159,963.47	7.01	130,435.07	0.3
19,388.00	ECHO GLOBAL LOGISTICS INC	echo	13.36	259,051.76	13.30	257,860.40	0.5
2,588.00	ELECTRO SCIENTIFIC INDS INC	esio	19.30	49,938.70	11.89	30,771.32	0.1
2,166.00	EXL SERVICE HLDGS INC	exls	25.10	54,372.09	22.00	47,652.00	0.1
5,671.00	FARO TECHNOLOGIES INC	faro	19.73	111,883.07	31.55	178,920.05	0.4
294.00	FEI COMPANY	feic	33.74	9,919.56	29.96	8,808.24	0.0
6,445.00	FORRESTER RESEARCH INC	forr	24.81	159,912.52	32.51	209,526.95	0.4
4,059.00	FORTINET INC	ftnt	16.17	65,631.69	16.80	68,191.20	0.1
302.00	GARTNER INC	it	42.02	12,690.04	34.87	10,530.74	0.0
7,010.00	GLU MOBILE INC	gluu	4.16	29,161.60	2.11	14,791.10	0.0
11,700.00	GT ADVANCED TECHNOLOGIES INC COM	gtat	7.99	93,472.86	7.02	82,134.00	0.2
10,610.00	GUIDANCE SOFTWARE INC	guid	3.96	42,061.67	6.49	68,858.90	0.1
579.00	HEARTLAND PAYMENT SYSTEMS INC	hpy	20.01	11,585.27	19.72	11,417.88	0.0
1,950.00	HITTITE MICROWAVE CORP	hitt	33.38	65,085.25	48.70	94,965.00	0.2
7,700.00	IAC/INTERACTIVECORP	iaci	26.11	201,011.25	39.55	304,535.00	0.6
5,089.00	IMMERSON CORP	immr	7.72	39,284.02	5.98	30,432.22	0.1
1,918.00	INTERDIGITAL INC	idcc	65.47	125,574.28	46.58	89,340.44	0.2
11,901.00	INTERNAP NETWORK SERVICES CORP	inap	5.77	68,715.41	4.94	58,790.94	0.1
177.00	IPG PHOTONICS CORP	ipgp	56.63	10,023.51	43.44	7,688.88	0.0
1,220.00	ITRON INC	itri	59.27	72,303.96	29.50	35,990.00	0.1
3,043.00	IXYS CORP DEL	ixys	14.19	43,179.26	10.88	33,107.84	0.1
10,915.00	KENEXA CORP	knxa	14.76	161,115.24	15.64	170,710.60	0.4
2,998.00	KEYNOTE SYS INC	keyn	19.56	58,642.71	21.13	63,347.74	0.1
6,900.00	KIT DIGITAL INC	kitd	9.91	68,349.77	8.40	57,960.00	0.1
2,867.00	KULICKE + SOFFA INDUSTRIES	klic	11.91	34,143.68	7.46	21,387.82	0.0
18,230.00	LIMELIGHT NETWORKS INC	llnw	4.86	88,545.56	2.36	43,022.80	0.1
6,539.00	LIQUIDITY SERVICES INC	lqdt	27.23	178,083.81	32.07	209,705.73	0.4
6,474.00	MAGMA DESIGN AUTOMATION INC	lava	7.70	49,861.42	4.55	29,456.70	0.1
13,265.00	MARCHEX INC	mchx	9.63	127,726.61	8.50	112,752.50	0.2
8,890.00	MAXIMUS INC COM	mms	18.57	165,047.97	34.90	310,261.00	0.7
4,985.00	MAXWELL TECHNOLOGIES INC.	mxwl	18.10	90,251.28	18.41	91,773.85	0.2
381.00	MEASUREMENT SPECIALTIES INC	meas	34.63	13,194.03	25.96	9,890.76	0.0
3,533.00	MELLANOX TECHNOLOGIES LTD SHS	mlnx	24.16	85,351.09	31.22	110,300.26	0.2
1,680.00	MERCADOLIBRE INC	meli	19.14	32,151.15	53.75	90,300.00	0.2
2,540.00	MICROS SYS INC	mcrs	19.78	50,239.95	43.93	111,582.20	0.2
18,094.00	MICROSEMI CORP	mscc	16.98	307,222.46	15.98	289,142.12	0.6
5,451.00	MITEK SYSTEMS INC	mitk	7.83	42,654.41	9.25	50,421.75	0.1
36,648.00	MONSTER WORLDWIDE INC	mwv	15.07	552,230.09	7.18	263,132.64	0.6
2,002.00	NANOMETRICS INC	nano	17.67	35,375.34	14.50	29,029.00	0.1
8,220.00	NAPCO SECURITY TECHNOLOGIES	nscc	1.36	11,178.82	2.29	18,823.80	0.0
20,995.00	NATIONAL INSTRUMENTS CORP	nati	15.89	333,631.33	22.86	479,945.70	1.0
8,660.00	NCR CORP NEW	ncr	20.29	175,709.86	16.89	146,267.40	0.3
6,190.00	NETGEAR INC	ntgr	38.71	239,638.25	25.89	160,259.10	0.3
2,660.00	NETLOGIC MICROSYSTEMS INC	netl	27.71	73,697.21	48.12	127,999.20	0.3
384.00	NETSUITE INC	n	28.95	11,116.80	27.01	10,371.84	0.0
1,051.00	NIC INC	egov	12.45	13,084.95	11.45	12,033.95	0.0
2,660.00	NUANCE COMMUNICATIONS INC	nuan	11.02	29,307.05	20.34	54,104.40	0.1
155.00	NVE CORP	nvec	65.26	10,115.30	60.66	9,402.30	0.0
4,020.00	OMNIVISION TECHNOLOGIES INC	ovti	27.28	109,672.35	14.04	56,440.80	0.1

Legato recommends the client compare these statements/reports independently against custodial records.

Legato Capital Management LLC
PORTFOLIO APPRAISAL
StanCERA - Small Cap Growth Portfolio
September 30, 2011

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets
2,700.00	OPNET TECHNOLOGIES INC	opnt	30.08	81,206.39	34.91	94,257.00	0.2
3,440.00	OSI SYSTEMS INC	osis	29.91	102,897.32	33.52	115,308.80	0.2
6,164.00	PEGASYS SYSTEMS INC	pega	36.65	225,900.06	30.61	188,680.04	0.4
10,190.00	POWER INTEGRATIONS INC COM	powi	24.36	248,241.99	30.61	311,915.90	0.7
3,168.00	PROCERA NETWORKS INC	pkt	10.42	33,012.46	9.60	30,412.80	0.1
8,449.00	PROS HLDGS INC	pro	8.68	73,379.03	12.89	108,907.61	0.2
3,290.00	QLOGIC CORP	qlgc	16.83	55,365.62	12.68	41,717.20	0.1
4,300.00	RF MICRO DEVICES INC	rfind	6.09	26,196.95	6.34	27,262.00	0.1
6,504.00	RIGHTNOW TECHNOLOGIES INC	rnow	32.09	208,708.88	33.05	214,957.20	0.5
860.00	ROGERS CORP	rog	50.21	43,184.56	39.13	33,651.80	0.1
4,088.00	SEACHANGE INTERNATIONAL INC	seac	10.74	43,923.52	7.70	31,477.60	0.1
16,856.00	SEMTECH CORP	smtc	13.32	224,510.73	21.10	355,661.60	0.8
6,032.00	SHORETEL INC	shor	10.05	60,642.23	4.98	30,039.36	0.1
8,800.00	SILICON MOTION TECHNOLOGY CORP ADR	simo	11.17	98,336.15	11.56	101,728.00	0.2
570.00	SOLARWINDS INC	swi	25.26	14,396.87	22.02	12,551.40	0.0
5,020.00	SOURCEFIRE INC	fire	23.53	118,113.12	26.76	134,335.20	0.3
8,634.00	SPS COMMERCE INC	spsc	18.19	157,017.60	16.29	140,647.86	0.3
2,425.00	STAMPS COM INC NEW	stmp	16.56	40,169.36	20.44	49,567.00	0.1
8,142.00	STRATASYS INC	ssys	14.74	119,993.90	18.54	150,952.68	0.3
466.00	SUCCESSFACTORS INC	sfsf	35.82	16,691.03	22.99	10,713.34	0.0
329.00	SYNCHRONOSS TECHNOLOGIES INC	sncr	34.87	11,472.23	24.91	8,195.39	0.0
2,050.00	SYNTEL INC	synt	45.01	92,269.21	43.19	88,539.50	0.2
2,996.00	TALEO CORP CLASS A	tleo	27.12	81,241.33	25.72	77,057.12	0.2
3,015.00	TANGOE INC	tngo	13.53	40,793.55	11.31	34,099.65	0.1
9,315.00	ULTIMATE SOFTWARE GROUP INC	ulti	17.38	161,910.61	46.72	435,196.80	0.9
1,112.00	ULTRATECH INC	utek	26.84	29,846.08	17.15	19,070.80	0.0
7,200.00	VALUECLICK INC	velk	17.90	128,855.53	15.56	112,032.00	0.2
4,797.00	VERIFONE SYSTEMS INC	pay	41.07	197,010.42	35.02	167,990.94	0.4
7,835.00	VERINT SYSTEMS INC	vrnt	8.16	63,901.34	26.29	205,982.15	0.4
345.00	VIRNETX HOLDINGS CORP	vhc	36.49	12,588.57	14.99	5,171.55	0.0
3,730.00	VISTAPRINT NV	vpri	26.98	100,636.35	27.03	100,821.90	0.2
6,690.00	VOCUS INC	vocs	17.51	117,137.29	16.76	112,124.40	0.2
21,400.00	ZIX CORP	zixi	4.18	89,422.59	2.67	57,138.00	0.1
				11,546,079.21		12,093,305.97	25.7
GICS-Telecom Service							
32,148.00	8X8 INC	eght	3.95	126,937.94	4.06	130,520.88	0.3
3,745.00	ABOVENET INC	abvt	57.57	215,616.15	53.60	200,732.00	0.4
18,534.00	COGENT COMMUNICATIONS GROUP	ccoi	14.82	274,764.25	13.45	249,282.30	0.5
7,575.00	GENERAL COMMUNICATION INC CL A	gncma	10.93	82,802.23	8.20	62,115.00	0.1
8,220.00	INCONTACT INC	saas	4.64	38,133.59	3.45	28,359.00	0.1
9,356.00	TOWERSTREAM CORP	twer	5.47	51,206.49	2.56	23,951.36	0.1
				789,460.66		694,960.54	1.5
GICS-Utilities							
1,100.00	ORMAT TECHNOLOGIES INC	ora	32.73	36,005.52	16.08	17,688.00	0.0
				44,265,968.62		45,726,489.07	97.3
TOTAL PORTFOLIO				45,521,851.10		46,982,371.55	100.0

Legato recommends the client compare these statements/reports independently against custodial records.

STANCERA

Name of Firm: Legato Capital Management

Top Ten

Positions as of September 30, 2011

Company	Symbol	# Shares	\$ Value Position	** Weight Manager	9/30/2011 \$ PX
CEPHEID INC	cphd	26,083	1,012,802.89	2.21%	38.83
JARDEN CORP	jah	21,192	598,885.92	1.31%	28.26
KNOLOGY INC	knol	44,777	581,205.46	1.27%	12.98
PORTFOLIO RECOVERY ASSOCIATES INC	praa	8,642	537,705.24	1.18%	62.22
ROLLINS INC COM	rol	26,442	494,729.82	1.08%	18.71
UNITED NATURAL FOODS INC	unfi	13,307	492,891.28	1.08%	37.04
LKQ CORP	lkqx	20,300	490,448.00	1.07%	24.16
NATIONAL INSTRUMENTS CORP	nati	20,995	479,945.70	1.05%	22.86
GEO GROUP INC/THE	geo	24,816	460,584.96	1.01%	18.56
HEALTHSOUTH CORP	hls	30,093	449,288.49	0.98%	14.93
TOP TEN HOLDINGS			\$ 5,598,487.76	12.24%	

Total Portfolio Value \$ 46,982,371.55

*** Above weight percentage calculations exclude cash*

Legato recommends the client compare these statements independently against custodial records.

Appendix D.

Purchases and Sales

Legato Capital Management LLC
PURCHASE AND SALE
StanCERA - Small Cap Growth Portfolio
From 09-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
09-02-11	09-08-11	900.00	8X8 INC	4.18	3,763.44
09-06-11	09-09-11	900.00	8X8 INC	4.14	3,729.96
09-09-11	09-14-11	900.00	8X8 INC	4.25	3,823.65
09-12-11	09-15-11	1,800.00	8X8 INC	4.34	7,808.40
09-20-11	09-23-11	1,100.00	8X8 INC	4.95	5,440.71
09-22-11	09-27-11	2,500.00	8X8 INC	4.23	10,582.00
09-22-11	09-27-11	470.00	AARONS INC	24.75	11,632.59
09-26-11	09-29-11	1,507.00	ABOVENET INC	55.32	83,368.75
09-26-11	09-29-11	56.00	ADA ES INC	18.17	1,017.56
09-27-11	09-30-11	79.00	ADA ES INC	19.18	1,515.18
09-27-11	09-30-11	1,525.00	ADA ES INC	18.82	28,705.99
09-01-11	09-07-11	400.00	AIR METHODS CORP	66.93	26,773.88
09-02-11	09-08-11	275.00	AIR METHODS CORP	64.72	17,796.71
09-06-11	09-09-11	150.00	AIR METHODS CORP	63.03	9,454.68
09-07-11	09-12-11	175.00	AIR METHODS CORP	64.88	11,354.14
09-12-11	09-15-11	375.00	AIR METHODS CORP	61.20	22,948.99
09-07-11	09-12-11	250.00	ALTISOURCE PORTFOLIO	35.40	8,850.75
09-08-11	09-13-11	3,123.00	ARIBA INC	26.80	83,685.78
09-09-11	09-14-11	402.00	ARIBA INC	26.52	10,662.49
09-22-11	09-27-11	618.00	ARIBA INC	28.65	17,706.26
09-15-11	09-20-11	225.00	ASBURY AUTOMOTIVE GROUP INC	19.45	4,377.29
09-20-11	09-23-11	2,000.00	ASPEN TECHNOLOGY INC	17.49	34,986.80
09-21-11	09-26-11	500.00	ASPEN TECHNOLOGY INC	17.35	8,675.75
09-22-11	09-27-11	800.00	ASPEN TECHNOLOGY INC	16.25	12,996.56
09-23-11	09-28-11	575.00	ASPEN TECHNOLOGY INC	16.18	9,302.24
09-26-11	09-29-11	700.00	ASPEN TECHNOLOGY INC	15.55	10,885.63
09-07-11	09-12-11	200.00	BEBE STORES INC	6.77	1,354.30
09-16-11	09-21-11	5,080.00	BEBE STORES INC	7.55	38,332.16
09-06-11	09-09-11	555.00	BLYTH INC	66.60	36,965.16
09-06-11	09-09-11	154.00	BLYTH INC	66.60	10,257.00
09-01-11	09-07-11	1,373.00	BRIGHTPOINT INC	10.16	13,953.39
09-06-11	09-09-11	367.00	CARDTRONICS INC	23.73	8,707.74
09-22-11	09-27-11	700.00	CARDTRONICS INC	21.99	15,395.45
09-26-11	09-29-11	450.00	CARDTRONICS INC	22.83	10,271.75
09-12-11	09-15-11	1,120.00	CAVIUM INC	32.61	36,520.06
09-13-11	09-16-11	1,694.00	CAVIUM INC	34.29	58,079.13
09-22-11	09-27-11	190.00	CAVIUM INC	31.79	6,039.36
09-23-11	09-28-11	260.00	CAVIUM INC	26.98	7,015.22
09-12-11	09-15-11	1,000.00	CBOE HOLDINGS INC	26.06	26,061.30
09-13-11	09-16-11	625.00	CBOE HOLDINGS INC	26.73	16,703.31
09-14-11	09-19-11	325.00	CBOE HOLDINGS INC	26.90	8,744.06
09-15-11	09-20-11	575.00	CBOE HOLDINGS INC	26.43	15,197.77
09-19-11	09-22-11	250.00	CBOE HOLDINGS INC	26.98	6,744.03
09-22-11	09-27-11	800.00	CBOE HOLDINGS INC	26.69	21,351.76
09-23-11	09-28-11	325.00	CBOE HOLDINGS INC	26.48	8,607.07
09-30-11	10-05-11	600.00	CBOE HOLDINGS INC	24.26	14,557.50
09-08-11	09-13-11	350.00	CENTENE CORP	31.54	11,038.20
09-16-11	09-21-11	1,592.00	COGENT COMMUNICATIONS GROUP	14.24	22,677.72
09-22-11	09-27-11	630.00	COMPLETE PRODTN SVCS INC	20.83	13,122.65
09-26-11	09-29-11	1,400.00	CUBIST PHARMACEUTICALS INC	36.15	50,613.08
09-27-11	09-30-11	900.00	CUBIST PHARMACEUTICALS INC	37.24	33,514.20
09-06-11	09-09-11	350.00	DATALINK CORP	8.80	3,079.93
09-22-11	09-27-11	525.00	DATALINK CORP	7.87	4,134.32
09-23-11	09-28-11	300.00	DATALINK CORP	8.22	2,465.79
09-06-11	09-09-11	1,071.00	DFC GLOBAL CORP	21.44	22,960.63
09-09-11	09-14-11	780.00	DFC GLOBAL CORP	22.82	17,799.29
09-15-11	09-20-11	200.00	DFC GLOBAL CORP	24.12	4,823.74
09-15-11	09-20-11	435.00	DFC GLOBAL CORP	23.79	10,350.52
09-16-11	09-21-11	124.00	DIAMOND FOODS INC	86.57	10,734.88
09-30-11	10-05-11	569.00	DIGITALGLOBE INC	19.59	11,146.20
09-09-11	09-14-11	1,275.00	DYCOM INDUSTRIES INC	17.22	21,955.25
09-12-11	09-15-11	1,200.00	DYCOM INDUSTRIES INC	17.53	21,036.72
09-13-11	09-16-11	700.00	DYCOM INDUSTRIES INC	17.86	12,502.14
09-15-11	09-20-11	600.00	DYCOM INDUSTRIES INC	17.99	10,791.96
09-21-11	09-26-11	525.00	DYCOM INDUSTRIES INC	18.31	9,611.18
09-07-11	09-12-11	600.00	EARTHLINK INC	7.31	4,387.08
09-16-11	09-21-11	500.00	ELIZABETH ARDEN INC	32.36	16,178.95
09-22-11	09-27-11	300.00	ELIZABETH ARDEN INC	30.75	9,223.68
09-01-11	09-07-11	675.00	ENDOLOGIX INC	9.26	6,250.23
09-02-11	09-08-11	400.00	ENDOLOGIX INC	9.28	3,711.32

Legato recommends the client compare these statements/reports independently against custodial records.

Legato Capital Management LLC
PURCHASE AND SALE
StanCERA - Small Cap Growth Portfolio
From 09-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
09-06-11	09-09-11	400.00	ENDOLOGIX INC	8.75	3,499.56
09-07-11	09-12-11	550.00	ENDOLOGIX INC	9.28	5,105.54
09-08-11	09-13-11	700.00	ENDOLOGIX INC	9.34	6,540.59
09-09-11	09-14-11	600.00	ENDOLOGIX INC	9.00	5,400.12
09-12-11	09-15-11	700.00	ENDOLOGIX INC	9.22	6,452.53
09-21-11	09-26-11	2,288.00	FINANCIAL ENGINES INC	20.05	45,866.16
09-22-11	09-27-11	694.00	FINANCIAL ENGINES INC	18.03	12,509.56
09-23-11	09-28-11	622.00	FINANCIAL ENGINES INC	17.90	11,132.12
09-23-11	09-28-11	175.00	FIRST CASH FINL SVCS INC.	44.27	7,747.53
09-02-11	09-08-11	240.00	FRESH MKT INC	36.34	8,720.81
09-06-11	09-09-11	452.00	FRESH MKT INC	36.51	16,503.47
09-08-11	09-13-11	618.00	FRESH MKT INC	37.68	23,284.26
09-23-11	09-28-11	150.00	GENESCO INC	51.14	7,670.43
09-22-11	09-27-11	2,053.00	GEO GROUP INC/THE	18.90	38,810.94
09-21-11	09-26-11	590.00	GEOSOURCES INC	22.37	13,197.59
09-06-11	09-09-11	663.00	GRAND CANYON EDUCATION INC	14.53	9,630.61
09-08-11	09-13-11	748.00	GRAND CANYON EDUCATION INC	15.43	11,542.99
09-09-11	09-14-11	423.00	GRAND CANYON EDUCATION INC	15.35	6,493.64
09-12-11	09-15-11	1,100.00	GRAND CANYON EDUCATION INC	15.11	16,617.04
09-13-11	09-16-11	300.00	GRAND CANYON EDUCATION INC	15.47	4,642.05
09-14-11	09-19-11	600.00	GRAND CANYON EDUCATION INC	15.92	9,549.12
09-21-11	09-26-11	475.00	GRAND CANYON EDUCATION INC	16.08	7,636.29
09-22-11	09-27-11	500.00	GRAND CANYON EDUCATION INC	15.55	7,775.80
09-26-11	09-29-11	600.00	GRAND CANYON EDUCATION INC	15.58	9,347.64
09-27-11	09-30-11	300.00	GRAND CANYON EDUCATION INC	16.57	4,970.67
09-06-11	09-09-11	925.00	HANGER ORTHOPEDIC GROUP	17.84	16,500.89
09-07-11	09-12-11	1,728.00	HANGER ORTHOPEDIC GROUP	19.09	32,983.89
09-27-11	09-30-11	1,324.00	HANGER ORTHOPEDIC GROUP	18.47	24,457.99
09-28-11	10-03-11	3,093.00	HANGER ORTHOPEDIC GROUP	18.57	57,424.02
09-30-11	10-05-11	3,810.00	HANGER ORTHOPEDIC GROUP	19.13	72,896.73
09-22-11	09-27-11	1,801.00	HEALTHSOUTH CORP	15.35	27,639.59
09-30-11	10-05-11	851.00	HEALTHSOUTH CORP	15.09	12,843.38
09-22-11	09-27-11	1,123.00	HEALTHSPRING INC	34.21	38,414.35
09-22-11	09-27-11	56.00	HEALTHSPRING INC	33.54	1,878.38
09-27-11	09-30-11	1,135.00	HEALTHSPRING INC	37.37	42,414.16
09-08-11	09-13-11	600.00	HOT TOPIC INC	8.12	4,871.34
09-27-11	09-30-11	300.00	INTERDIGITAL INC	50.90	15,268.92
09-20-11	09-23-11	225.00	JAZZ PHARMACEUTICALS INC	46.56	10,476.61
09-02-11	09-08-11	300.00	KIT DIGITAL INC	9.98	2,993.55
09-15-11	09-20-11	3,200.00	KIT DIGITAL INC	9.50	30,400.00
09-19-11	09-22-11	1,000.00	KIT DIGITAL INC	9.13	9,129.50
09-20-11	09-23-11	400.00	KIT DIGITAL INC	9.32	3,728.88
09-01-11	09-07-11	1,916.00	LIQUIDITY SERVICES INC	29.25	56,047.60
09-22-11	09-27-11	1,335.00	LIQUIDITY SERVICES INC	29.51	39,399.72
09-28-11	10-03-11	300.00	LIQUIDITY SERVICES INC	34.02	10,207.41
09-29-11	10-04-11	500.00	LIQUIDITY SERVICES INC	32.82	16,410.85
09-08-11	09-13-11	4,100.00	MAGNUM HUNTER RES CORP	4.30	17,617.70
09-09-11	09-14-11	1,200.00	MAGNUM HUNTER RES CORP	4.03	4,841.16
09-13-11	09-16-11	1,400.00	MAGNUM HUNTER RES CORP	3.95	5,531.96
09-23-11	09-28-11	800.00	MAGNUM HUNTER RES CORP	3.85	3,079.68
09-27-11	09-30-11	3,596.00	MAGNUM HUNTER RES CORP	4.24	15,233.38
09-12-11	09-15-11	1,100.00	MAXWELL TECHNOLOGIES INC.	16.84	18,528.84
09-13-11	09-16-11	675.00	MAXWELL TECHNOLOGIES INC.	17.40	11,744.66
09-14-11	09-19-11	2,135.00	MAXWELL TECHNOLOGIES INC.	18.76	40,057.94
09-15-11	09-20-11	350.00	MAXWELL TECHNOLOGIES INC.	18.51	6,478.05
09-16-11	09-21-11	725.00	MAXWELL TECHNOLOGIES INC.	18.54	13,441.79
09-23-11	09-28-11	600.00	MEDQUISIT HOLDINGS INC	8.66	5,195.88
09-26-11	09-29-11	2,000.00	MEDQUISIT HOLDINGS INC	8.88	17,762.20
09-27-11	09-30-11	1,300.00	MEDQUISIT HOLDINGS INC	9.15	11,896.43
09-28-11	10-03-11	800.00	MEDQUISIT HOLDINGS INC	8.43	6,745.92
09-08-11	09-13-11	6,550.00	MELA SCIENCES INC	3.52	23,033.08
09-08-11	09-13-11	454.00	MELA SCIENCES INC	3.51	1,592.36
09-08-11	09-13-11	1,881.00	MELA SCIENCES INC	3.52	6,612.28
09-16-11	09-21-11	1,070.00	MELA SCIENCES INC	3.25	3,481.67
09-08-11	09-13-11	1,397.00	MICROSEMI CORP	16.22	22,657.10
09-08-11	09-13-11	200.00	MYR GROUP INC	19.41	3,881.34
09-27-11	09-30-11	350.00	NEOGEN CORP	31.85	11,148.59
09-22-11	09-27-11	600.00	NU SKIN ENTERPRISES INC	43.57	26,143.08
09-23-11	09-28-11	550.00	NU SKIN ENTERPRISES INC	43.26	23,793.50
09-26-11	09-29-11	300.00	NU SKIN ENTERPRISES INC	43.03	12,909.12
09-30-11	10-05-11	300.00	NU SKIN ENTERPRISES INC	40.74	12,221.64

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Legato Capital Management LLC
PURCHASE AND SALE
StanCERA - Small Cap Growth Portfolio
From 09-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
09-16-11	09-21-11	2,701.00	OASIS PETE INC	28.18	76,107.16
09-20-11	09-23-11	2,165.00	OPTIMER PHARMACEUTICALS INC	16.34	35,386.28
09-28-11	10-03-11	250.00	OSI SYSTEMS INC	35.01	8,753.08
09-27-11	09-30-11	1,132.00	PORTFOLIO RECOVERY ASSOCIATES INC	62.00	70,187.96
09-14-11	09-19-11	142.00	PRICESMART INC	71.78	10,192.33
09-30-11	10-05-11	1,547.00	QUIDEL CORP	16.37	25,320.37
09-08-11	09-13-11	400.00	REX ENERGY CORP	13.35	5,340.16
09-09-11	09-14-11	600.00	REX ENERGY CORP	13.04	7,821.96
09-12-11	09-15-11	600.00	REX ENERGY CORP	13.20	7,917.12
09-12-11	09-15-11	2,685.00	REX ENERGY CORP	13.40	35,969.07
09-13-11	09-16-11	400.00	REX ENERGY CORP	13.26	5,302.44
09-15-11	09-20-11	100.00	REX ENERGY CORP	14.00	1,400.30
09-20-11	09-23-11	800.00	REX ENERGY CORP	15.05	12,041.68
09-20-11	09-23-11	714.00	REX ENERGY CORP	14.68	10,479.24
09-23-11	09-28-11	300.00	REX ENERGY CORP	12.84	3,852.84
09-01-11	09-07-11	1,200.00	RF MICRO DEVICES INC	6.02	7,227.36
09-09-11	09-14-11	700.00	RF MICRO DEVICES INC	5.91	4,139.45
09-26-11	09-29-11	600.00	RF MICRO DEVICES INC	6.77	4,064.70
09-08-11	09-13-11	400.00	RIGHTNOW TECHNOLOGIES INC	32.19	12,877.92
09-07-11	09-12-11	2,600.00	RITE AID CORP	1.12	2,923.44
09-08-11	09-13-11	9,100.00	RITE AID CORP	1.12	10,210.20
09-22-11	09-27-11	8,500.00	RITE AID CORP	1.05	8,963.25
09-27-11	09-30-11	3,110.00	SCHIFF NUTRITION INTERNATIONAL INC	11.77	36,604.39
09-27-11	09-30-11	1,474.00	SHUTTERFLY INC	47.50	70,013.08
09-08-11	09-13-11	375.00	SIRONA DENTAL SYSTEMS INC	44.82	16,806.64
09-26-11	09-29-11	6,545.00	SMART BALANCE INC	5.49	35,902.60
09-12-11	09-15-11	1,025.00	STAAR SURGICAL CO	7.66	7,852.53
09-13-11	09-16-11	1,200.00	STAAR SURGICAL CO	7.99	9,582.72
09-22-11	09-27-11	1,300.00	STAAR SURGICAL CO	7.88	10,245.69
09-26-11	09-29-11	500.00	STAAR SURGICAL CO	8.05	4,024.70
09-12-11	09-15-11	480.00	STAMPS COM INC NEW	20.83	9,999.22
09-07-11	09-12-11	600.00	SYNERGETICS USA INC	5.57	3,341.34
09-08-11	09-13-11	350.00	SYNERGETICS USA INC	5.40	1,890.88
09-23-11	09-28-11	640.00	SYNTEL INC	42.86	27,430.08
09-27-11	09-30-11	1,410.00	SYNTEL INC	45.99	64,839.13
09-14-11	09-19-11	2,996.00	TALEO CORP CLASS A	27.12	81,241.33
09-08-11	09-13-11	3,015.00	TANGOE INC	13.53	40,793.55
09-26-11	09-29-11	9.00	TORNIER N.V.	21.18	190.62
09-27-11	09-30-11	3,221.00	TORNIER N.V.	22.49	72,429.02
09-28-11	10-03-11	1,147.00	TORNIER N.V.	21.28	24,404.03
09-30-11	10-05-11	231.00	TORNIER N.V.	20.63	4,764.68
09-30-11	10-05-11	1,220.00	TORNIER N.V.	20.86	25,451.15
09-27-11	09-30-11	3,107.00	VERIFONE SYSTEMS INC	38.11	118,395.34
09-13-11	09-16-11	2,426.00	VISTA GOLD CORP NEW COMMON STOCK	4.43	10,741.60
09-13-11	09-16-11	4,459.00	VISTA GOLD CORP NEW COMMON STOCK	4.36	19,425.19
09-19-11	09-22-11	600.00	WALTER INVESTMENT MANAGEMENT REIT	25.42	15,249.78
09-20-11	09-23-11	800.00	WALTER INVESTMENT MANAGEMENT REIT	25.31	20,246.24
09-21-11	09-26-11	400.00	WALTER INVESTMENT MANAGEMENT REIT	24.07	9,626.44
09-22-11	09-27-11	350.00	WALTER INVESTMENT MANAGEMENT REIT	23.07	8,075.97
09-23-11	09-28-11	325.00	WALTER INVESTMENT MANAGEMENT REIT	23.30	7,571.79
					3,423,095.57

SALES

09-21-11	09-26-11	200.00	ABAXIS INC	24.64	4,927.32
09-21-11	09-26-11	200.00	ALLSCRIPTS HEALTHCARE SOLUTIONS INC	18.78	3,755.32
09-21-11	09-26-11	200.00	ANGIODYNAMICS INC	13.10	2,619.24
09-22-11	09-27-11	400.00	ARIBA INC	27.87	11,146.26
09-30-11	10-05-11	749.00	ARUBA NETWORKS INC	20.93	15,674.24
09-15-11	09-15-11	0.50	ASTRONICS CORP CL B	27.04	13.52
09-22-11	09-27-11	420.00	ATHENAHEALTH INC	63.91	26,843.49
09-08-11	09-13-11	1,000.00	AXT INC	7.21	7,208.16
09-09-11	09-14-11	2,500.00	AXT INC	6.93	17,314.42
09-12-11	09-15-11	4,300.00	AXT INC	6.75	29,037.33
09-13-11	09-16-11	1,900.00	AXT INC	6.79	12,891.63
09-21-11	09-26-11	200.00	BEACON ROOFING SUPPLY INC	17.52	3,504.05
09-22-11	09-27-11	380.00	BOTTOMLINE TECHNOLOGIES INC	18.56	7,050.99
09-06-11	09-09-11	315.00	BRAVO BRIO RESTAURANT	17.26	5,437.33
09-09-11	09-14-11	305.00	BRAVO BRIO RESTAURANT	16.33	4,980.55
09-21-11	09-26-11	100.00	CABOT MICROELECTRONICS CORP	36.47	3,646.98
09-16-11	09-21-11	1,550.00	CALIPER LIFE SCIENCES INC	10.43	16,166.18

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PURCHASE AND SALE
StanCERA - Small Cap Growth Portfolio
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Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
09-09-11	09-14-11	258.00	CASCADE CORP	32.90	8,487.88
09-23-11	09-28-11	1,694.00	CAVIUM INC	27.50	46,581.39
09-29-11	10-04-11	300.00	CEVA INC	22.99	6,897.46
09-21-11	09-26-11	200.00	CHEESECAKE FACTORY INC	25.97	5,194.74
09-21-11	09-26-11	100.00	CHEMED CORP	53.67	5,367.41
09-21-11	09-26-11	769.00	CLOUD PEAK ENERGY INC	18.89	14,522.90
09-22-11	09-27-11	7,976.00	CLOUD PEAK ENERGY INC	17.48	139,456.88
09-21-11	09-26-11	1,895.00	COFFEE HOLDING CO INC	12.70	24,066.98
09-13-11	09-16-11	1,075.00	COLFAX CORP	21.63	23,249.65
09-15-11	09-20-11	950.00	COLFAX CORP	21.84	20,747.22
09-08-11	09-13-11	1,400.00	COMMVAULT SYSTEMS INC	32.80	45,922.47
09-01-11	09-07-11	550.00	COMPLETE PRODTN SVCS INC	29.75	16,364.16
09-02-11	09-08-11	450.00	COMPLETE PRODTN SVCS INC	28.02	12,610.82
09-22-11	09-27-11	140.00	CORE LABORATORIES	98.49	13,789.27
09-19-11	09-22-11	310.00	DIAMOND FOODS INC	87.40	27,094.09
09-21-11	09-26-11	2,000.00	DIGI INTERNATIONAL INC	11.61	23,211.35
09-21-11	09-26-11	300.00	ECHELON CORP	7.40	2,219.17
09-06-11	09-09-11	360.00	ELECTRO SCIENTIFIC INDS INC	13.48	4,851.33
09-21-11	09-26-11	250.00	ENERGY XXI LTD	24.02	6,004.58
09-09-11	09-14-11	252.00	ENPRO INDUSTRIES INC	33.67	8,485.05
09-07-11	09-07-11	0.25	EXPRESS 1 EXPEDITED SOLUTIONS	11.48	2.87
09-21-11	09-26-11	100.00	FARO TECHNOLOGIES INC	35.97	3,596.76
09-14-11	09-19-11	310.00	FIRST CASH FINL SVCS INC.	50.06	15,517.77
09-22-11	09-27-11	672.00	FLOTEK INDS INC	4.31	2,897.13
09-22-11	09-27-11	1,921.00	FLOTEK INDS INC	4.39	8,442.24
09-23-11	09-28-11	982.00	FLOTEK INDS INC	4.53	4,444.05
09-23-11	09-28-11	101.00	FLOTEK INDS INC	4.47	451.80
09-21-11	09-26-11	100.00	FORRESTER RESEARCH INC	32.53	3,252.98
09-08-11	09-13-11	1,425.00	FORTINET INC	18.41	26,240.72
09-09-11	09-14-11	600.00	FORTINET INC	17.66	10,598.91
09-12-11	09-15-11	3,175.00	FORTINET INC	17.22	54,681.65
09-01-11	09-07-11	200.00	GARDNER DENVER INC	78.35	15,670.53
09-26-11	09-29-11	325.00	GARDNER DENVER INC	63.49	20,633.07
09-21-11	09-26-11	17.00	GENERAL COMMUNICATION INC CL A	8.02	136.33
09-22-11	09-27-11	3,941.00	GENERAL COMMUNICATION INC CL A	7.61	30,001.07
09-21-11	09-26-11	100.00	GENTEX CORP COM	24.44	2,443.76
09-14-11	09-19-11	1,044.00	GEOEYE INC	32.93	34,375.12
09-15-11	09-20-11	1,422.00	GEOEYE INC	32.88	46,752.18
09-16-11	09-21-11	1,781.00	GEOEYE INC	32.99	58,762.61
09-22-11	09-27-11	1,437.00	GEOEYE INC	28.34	40,721.35
09-29-11	10-04-11	746.00	GEOEYE INC	27.20	20,293.35
09-30-11	10-05-11	1,625.00	GEOEYE INC	28.16	45,758.96
09-23-11	09-28-11	2,359.00	GLOBAL GEOPHYSICAL SERVICES INC	7.20	16,978.57
09-14-11	09-19-11	1,620.00	GREATBATCH INC	20.15	32,640.75
09-20-11	09-23-11	1,029.00	GT ADVANCED TECHNOLOGIES INC COM	8.59	8,839.44
09-14-11	09-19-11	783.00	HEARTWARE INTL INC	55.88	43,751.86
09-29-11	10-04-11	2,595.00	HEXCEL CORP	21.43	55,598.62
09-06-11	09-09-11	400.00	HFF INC CL A	10.27	4,107.60
09-09-11	09-14-11	400.00	HFF INC CL A	9.69	3,875.96
09-12-11	09-15-11	500.00	HFF INC CL A	9.71	4,856.05
09-13-11	09-16-11	1,025.00	HFF INC CL A	9.91	10,159.19
09-15-11	09-20-11	300.00	HFF INC CL A	10.16	3,046.56
09-19-11	09-22-11	400.00	HFF INC CL A	9.81	3,922.44
09-20-11	09-23-11	1,400.00	HFF INC CL A	9.51	13,319.20
09-22-11	09-27-11	700.00	HFF INC CL A	8.30	5,807.36
09-06-11	09-09-11	2,102.00	ICON PUB LTD CO	20.53	43,163.11
09-07-11	09-12-11	3,822.00	ICON PUB LTD CO	20.05	76,641.47
09-07-11	09-12-11	2,040.00	ICON PUB LTD CO	19.78	40,345.73
09-09-11	09-14-11	2,244.00	ICON PUB LTD CO	18.54	41,603.18
09-12-11	09-15-11	1,908.00	ICON PUB LTD CO	18.39	35,085.91
09-21-11	09-26-11	300.00	INNERWORKINGS INC	7.56	2,269.15
09-22-11	09-27-11	6,005.00	INTERNAP NETWORK SERVICES CORP	4.85	29,105.07
09-02-11	09-08-11	1,573.00	INTERSIL CORP	10.74	16,898.88
09-07-11	09-12-11	681.00	INTERSIL CORP	10.70	7,287.91
09-08-11	09-13-11	170.00	INTERSIL CORP	10.87	1,847.69
09-12-11	09-15-11	436.00	INTERSIL CORP	10.62	4,629.71
09-21-11	09-26-11	100.00	IPC THE HOSPITALIST CO	37.70	3,769.84
09-20-11	09-23-11	1,332.00	JACK HENRY + ASSOCIATES INC	29.81	39,712.02
09-21-11	09-26-11	453.00	JACK HENRY + ASSOCIATES INC	29.03	13,152.02
09-07-11	09-12-11	1,075.00	JARDEN CORP	28.62	30,768.27
09-29-11	10-04-11	847.00	JARDEN CORP	28.99	24,550.33

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Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
09-21-11	09-26-11	1,320.00	KADANT INC	18.27	24,115.14
09-01-11	09-07-11	275.00	KENEXA CORP	19.97	5,492.38
09-13-11	09-16-11	300.00	KENEXA CORP	18.42	5,524.84
09-19-11	09-22-11	600.00	KENEXA CORP	17.84	10,702.41
09-20-11	09-23-11	500.00	KENEXA CORP	18.43	9,214.37
09-22-11	09-27-11	1,000.00	KENEXA CORP	16.05	16,052.19
09-23-11	09-28-11	800.00	KENEXA CORP	16.47	13,179.42
09-26-11	09-29-11	625.00	KENEXA CORP	16.61	10,384.11
09-16-11	09-21-11	1,500.00	KEY ENERGY SERVICES INC	12.34	18,515.94
09-19-11	09-22-11	2,250.00	KEY ENERGY SERVICES INC	12.09	27,197.92
09-29-11	10-04-11	436.00	KNOLOGY INC	13.32	5,809.67
09-12-11	09-15-11	704.00	LANDEC CORP	5.76	4,055.31
09-13-11	09-16-11	670.00	LANDEC CORP	5.76	3,856.72
09-20-11	09-23-11	1,800.00	LANDEC CORP	5.86	10,547.80
09-23-11	09-28-11	5,840.00	LANDEC CORP	5.36	31,316.39
09-14-11	09-19-11	375.00	LITHIA MOTORS INCCL A	16.08	6,030.59
09-21-11	09-26-11	200.00	LKQ CORP	24.86	4,973.00
09-30-11	10-05-11	145.00	LSB INDS INC	29.47	4,272.84
09-23-11	09-28-11	482.00	MAGMA DESIGN AUTOMATION INC	4.66	2,244.53
09-23-11	09-28-11	307.00	MAGMA DESIGN AUTOMATION INC	4.68	1,437.10
09-26-11	09-29-11	131.00	MAGMA DESIGN AUTOMATION INC	4.67	611.88
09-20-11	09-23-11	175.00	MAKO SURGICAL CORP	40.62	7,108.36
09-09-11	09-14-11	2,378.00	MATRIX SVC CO	8.92	21,212.06
09-21-11	09-26-11	100.00	MAXIMUS INC COM	32.72	3,272.02
09-16-11	09-21-11	589.00	MEASUREMENT SPECIALTIES INC	26.24	15,454.77
09-19-11	09-22-11	427.00	MEASUREMENT SPECIALTIES INC	25.85	11,037.69
09-21-11	09-26-11	100.00	MEDNAX INC	63.71	6,371.30
09-21-11	09-26-11	500.00	MELLANOX TECHNOLOGIES LTD SHS	32.35	16,175.18
09-21-11	09-26-11	800.00	NAPCO SECURITY TECHNOLOGIES	2.38	1,903.96
09-21-11	09-26-11	300.00	NATIONAL INSTRUMENTS CORP	24.65	7,393.56
09-21-11	09-26-11	100.00	NEOGEN CORP	33.73	3,373.32
09-29-11	10-04-11	1,030.00	NETGEAR INC	26.36	27,148.62
09-30-11	10-05-11	424.00	NETGEAR INC	25.92	10,988.38
09-20-11	09-23-11	720.00	NETLOGIC MICROSYSTEMS INC	48.11	34,642.35
09-22-11	09-27-11	6,812.00	NII HLDGS INC CL B	30.37	206,913.93
09-26-11	09-29-11	3,687.00	NII HLDGS INC CL B	29.22	107,722.48
09-26-11	09-29-11	632.00	NII HLDGS INC CL B	29.32	18,531.71
09-23-11	09-28-11	605.00	ORASURE TECHNOLOGIES INC	6.98	4,221.54
09-07-11	09-12-11	2,563.00	PARAMETRIC TECHNOLOGY CORP	16.73	42,877.39
09-30-11	10-05-11	3,820.00	PEP BOYS-MANNY MOE & JACK	9.86	37,676.69
09-16-11	09-21-11	120.00	PHARMASSET INC	76.25	9,150.19
09-21-11	09-26-11	100.00	POLARIS INDUSTRIES INC	54.14	5,413.89
09-21-11	09-26-11	50.00	PORTFOLIO RECOVERY ASSOCIATES INC	60.51	3,025.62
09-21-11	09-26-11	100.00	POWER INTEGRATIONS INC COM	32.49	3,248.86
09-14-11	09-19-11	400.00	PRESTIGE BRANDS HOLDINGS INC	9.67	3,868.48
09-15-11	09-20-11	800.00	PRESTIGE BRANDS HOLDINGS INC	9.69	7,748.73
09-16-11	09-21-11	500.00	PRESTIGE BRANDS HOLDINGS INC	9.81	4,907.10
09-19-11	09-22-11	300.00	PRESTIGE BRANDS HOLDINGS INC	9.49	2,845.62
09-22-11	09-27-11	800.00	PRESTIGE BRANDS HOLDINGS INC	8.57	6,858.82
09-21-11	09-26-11	291.00	PROCERA NETWORKS INC	8.56	2,490.62
09-22-11	09-27-11	80.00	PROCERA NETWORKS INC	8.04	643.23
09-23-11	09-28-11	239.00	PROCERA NETWORKS INC	7.64	1,826.40
09-12-11	09-15-11	420.00	QUALITY DISTR INC	9.83	4,126.55
09-14-11	09-19-11	495.00	QUALITY DISTR INC	9.47	4,688.54
09-21-11	09-26-11	50.00	QUALITY SYS INC	95.29	4,764.40
09-12-11	09-15-11	166.00	QUESTCOR PHARMACEUTICALS INC	25.33	4,204.64
09-13-11	09-16-11	500.00	QUESTCOR PHARMACEUTICALS INC	27.64	13,820.63
09-14-11	09-19-11	300.00	QUESTCOR PHARMACEUTICALS INC	27.91	8,371.78
09-16-11	09-21-11	950.00	QUESTCOR PHARMACEUTICALS INC	26.76	25,417.43
09-19-11	09-22-11	624.00	REACHLOCAL INC	12.49	7,791.24
09-22-11	09-27-11	2,048.00	REACHLOCAL INC	11.29	23,124.34
09-14-11	09-19-11	600.00	RED ROBIN GOURMET BURGERS	27.36	16,416.64
09-15-11	09-20-11	250.00	RED ROBIN GOURMET BURGERS	27.24	6,811.14
09-16-11	09-21-11	600.00	RED ROBIN GOURMET BURGERS	26.73	16,035.41
09-20-11	09-23-11	300.00	RED ROBIN GOURMET BURGERS	26.31	7,892.12
09-20-11	09-23-11	346.00	RED ROBIN GOURMET BURGERS	26.74	9,252.97
09-23-11	09-28-11	1,350.00	RED ROBIN GOURMET BURGERS	24.71	33,357.45
09-21-11	09-26-11	200.00	RESOURCES CONNECTION INC COM	9.29	1,857.84
09-21-11	09-26-11	300.00	RITCHIE BROS AUCTIONEERS INC	20.88	6,263.45
09-09-11	09-14-11	3,355.00	RIVERBED TECHNOLOGY INC	22.36	75,019.03
09-21-11	09-26-11	400.00	ROLLINS INC COM	19.16	7,664.61

Legato recommends the client compare these statements/reports independently against custodial records.

Legato Capital Management LLC
PURCHASE AND SALE
StanCERA - Small Cap Growth Portfolio
From 09-01-11 To 09-30-11

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
09-23-11	09-28-11	600.00	ROSETTA RES INC	38.62	23,173.29
09-28-11	10-03-11	763.00	SCICLONE PHARMACEUTICALS INC	3.74	2,854.17
09-28-11	10-03-11	592.00	SCICLONE PHARMACEUTICALS INC	3.72	2,201.30
09-21-11	09-26-11	200.00	SEMTECH CORP	23.20	4,640.11
09-28-11	10-03-11	1,900.00	SERVICE CORP INTL	9.43	17,915.32
09-29-11	10-04-11	900.00	SERVICE CORP INTL	9.38	8,438.32
09-30-11	10-05-11	1,300.00	SERVICE CORP INTL	9.38	12,187.91
09-09-11	09-14-11	1,330.00	SHOE CARNIVAL INC	21.88	29,097.58
09-01-11	09-07-11	900.00	SHORETEL INC	6.75	6,078.75
09-09-11	09-14-11	1,100.00	SHORETEL INC	6.17	6,790.05
09-13-11	09-16-11	1,200.00	SHORETEL INC	6.36	7,637.61
09-14-11	09-19-11	700.00	SHORETEL INC	6.54	4,578.33
09-15-11	09-20-11	1,200.00	SHORETEL INC	6.30	7,562.37
09-20-11	09-23-11	1,300.00	SHORETEL INC	5.87	7,632.54
09-21-11	09-26-11	1,300.00	SHORETEL INC	5.45	7,084.86
09-21-11	09-26-11	950.00	SHORETEL INC	5.50	5,225.65
09-29-11	10-04-11	1,780.00	SILICON GRAPHICS INTL	12.33	21,946.97
09-30-11	10-05-11	320.00	SILICON GRAPHICS INTL	12.35	3,950.45
09-30-11	10-05-11	494.00	SOTHEBY S	28.40	14,030.22
09-20-11	09-23-11	270.00	STAMPS COM INC NEW	24.09	6,503.48
09-21-11	09-26-11	50.00	TECHNE CORP COM	70.05	3,502.64
09-21-11	09-26-11	1,000.00	TITAN INTL INC ILL COM	20.20	20,198.81
09-22-11	09-27-11	3,400.00	TITAN INTL INC ILL COM	17.43	59,258.13
09-21-11	09-26-11	900.00	TITAN MACHY INC	21.90	19,706.56
09-30-11	10-05-11	1,000.00	TITAN MACHY INC	18.62	18,623.54
09-15-11	09-20-11	2,801.00	TW TELECOM INC	18.09	50,679.48
09-15-11	09-20-11	3,881.00	TW TELECOM INC	18.05	70,066.61
09-21-11	09-26-11	3,292.00	TW TELECOM INC	17.40	57,289.25
09-22-11	09-27-11	2,669.00	TW TELECOM INC	16.74	44,668.59
09-23-11	09-28-11	180.00	TWIN DISC INC	26.69	4,805.00
09-12-11	09-15-11	180.00	ULTA SALON COSMETICS + FRAGRANCE	69.75	12,555.69
09-19-11	09-22-11	120.00	ULTA SALON COSMETICS + FRAGRANCE	73.03	8,763.79
09-21-11	09-26-11	100.00	ULTIMATE SOFTWARE GROUP INC	50.82	5,081.81
09-21-11	09-26-11	100.00	UNITED NATURAL FOODS INC	37.80	3,780.22
09-26-11	09-29-11	500.00	UNIVERSAL STAINLESS & ALLOY PRODUCTS	22.72	11,361.38
09-27-11	09-30-11	875.00	UNIVERSAL STAINLESS & ALLOY PRODUCTS	25.17	22,019.38
09-21-11	09-26-11	100.00	VERINT SYSTEMS INC	28.11	2,811.31
09-21-11	09-26-11	4,200.00	VICAL INC	2.55	10,716.09
09-22-11	09-27-11	4,624.00	VICAL INC	2.56	11,833.97
09-21-11	09-26-11	1,615.00	WARNACO GROUP INC	49.38	79,744.91
09-09-11	09-14-11	575.00	WESCO INTL INC	38.89	22,361.78
09-12-11	09-15-11	875.00	WESCO INTL INC	38.17	33,396.61
09-16-11	09-21-11	229.00	ZOLL MED CORP	37.29	8,539.33
					<u>3,600,512.70</u>

Legato recommends the client compare these statements/reports independently against custodial records.

Appendix E.

Asset Reconciliation – see electronic format

Appendix F.

Proxy Voting Record

Period 7/01/2011 – 9/30/2011: See electronic format

CastleArk Management

Crosswinds Investments

EAM Investors

Riverbridge Partners

Stephens Investment Management Group

Appendix G.

Legato Capital Management LLC - Update

Firm Overview

Investment Team Professionals



Firm Overview

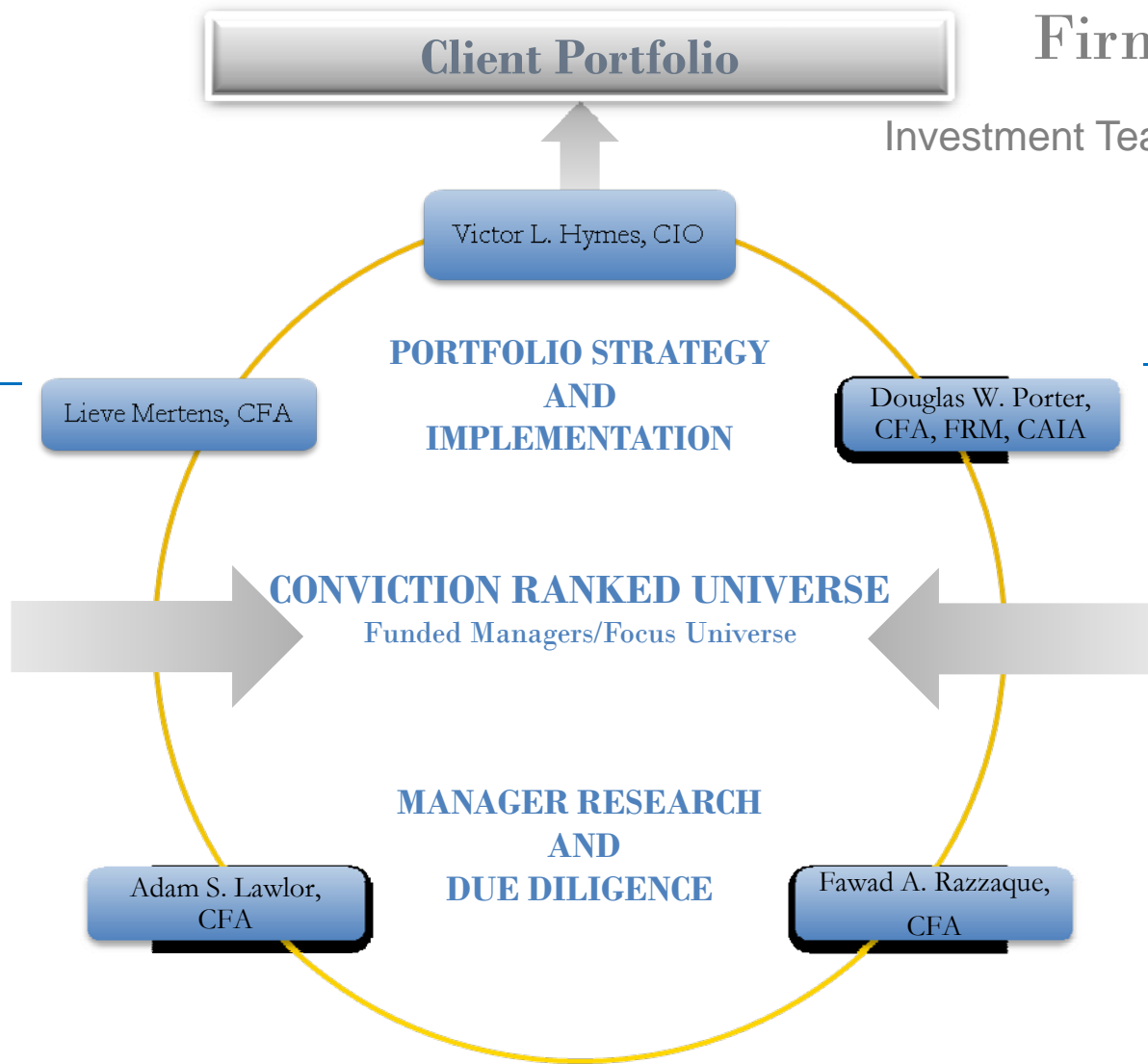
Investment Team Professionals

PORTFOLIO STRATEGY AND IMPLEMENTATION

- Client Portfolio Guidelines and Restrictions
- Quarterly Compliance Review
- Operations and Business Risk
- Governance
- Incentive Structure
- Proxy Voting and Best Execution
- Background Checks
- Initial Manager Funding/Reallocation
- Transition Management
- Performance Measurement and Monitoring

MANAGER RESEARCH AND DUE DILIGENCE

- Manager Interviews
- Quantitative Analysis
- Qualitative Analysis
- Risk Management
- Trading
- Portfolio Construction
- Stress Testing
- Quarterly Investment Review
- Portfolio Rebalancing
- Focus List



Organization

Legato Board of Managers

Monica M. Guerrero
Executive Assistant to CEO

Victor L. Hymes
CEO & Chief Investment Officer

Investment Management, Research & Operations

Portfolio Strategy & Implementation

Victor L. Hymes
Chief Investment Officer

Lieve Mertens, CFA
Senior Vice President
Fawad A. Razzaque, CFA
Senior Vice President
Adam S. Lawlor, CFA
Senior Vice President
Douglas W. Porter, CFA,
FRM, CAIA
Vice President

Bold print signifies primary area of focus

Manager Research & Construction

Fawad A. Razzaque, CFA
Senior Vice President

Adam S. Lawlor, CFA
Senior Vice President
Fawad A. Razzaque, CFA
Senior Vice President
Douglas W. Porter, CFA,
FRM, CAIA
Vice President
Lieve Mertens, CFA
Senior Vice President

Bold print signifies primary area of focus

Operational Due Diligence & Compliance

Lieve Mertens, CFA
Senior Vice President

Adam S. Lawlor, CFA
Senior Vice President

Timothy M. Byrd
Vice President

Finance & Administration

Finance

Eric C. Pollack, CPA
VP-Controller

Contractor

Administration

Eric C. Pollack, CPA
VP-Chief Compliance Officer

Aaron F. Paule
Assistant Vice President
Jennifer Byrne
Associate

Compliance

FOCUS 1 Associates

Operations
Empaxis

Legal

Howard Rice
Nemerovski Canady
Falk & Rabkin

Tax/Audit

PricewaterhouseCoopers/
Deloitte & Touche

Information Technology

24 Hour Tek, LLC

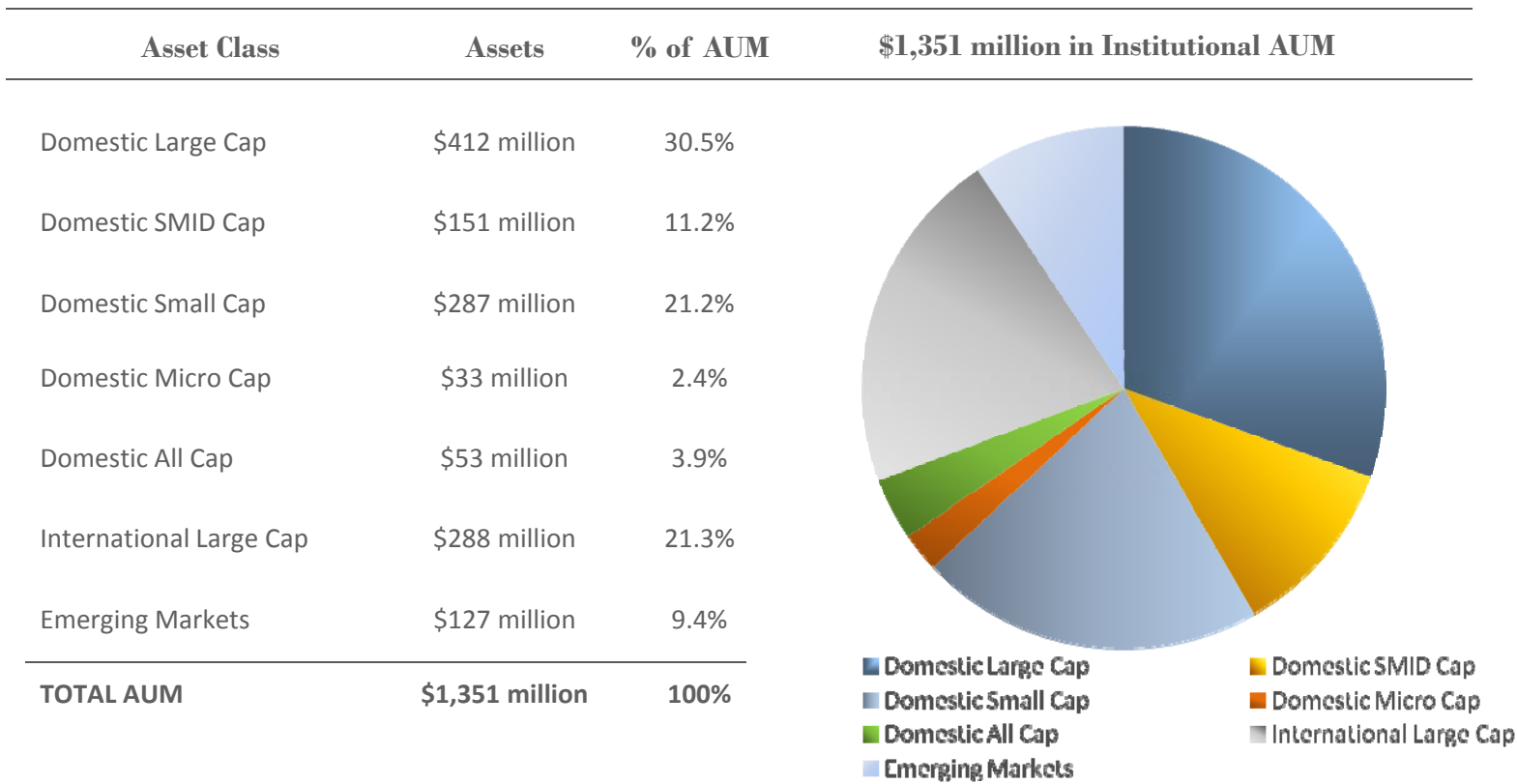
Human Resources

LoopTwo

Firm Overview

Assets Under Management (AUM) by Strategy

As of September 30, 2011



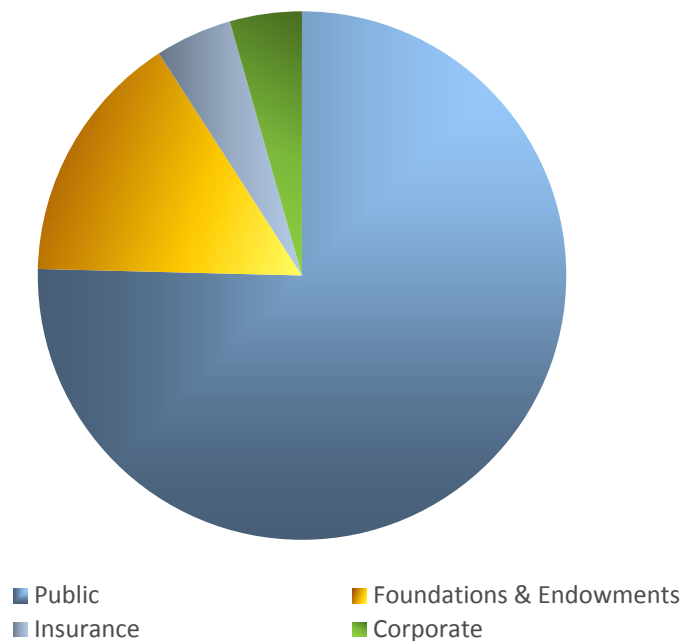
Strategies: S&P 1500, Russell 1000, Russell 2500, Russell 2000, Russell 2000 Growth, Russell Micro Cap

Firm Overview

Assets Under Management (AUM) by Client Type

As of September 30, 2011

Client Type	Assets	% of AUM	\$1,351 million in Institutional AUM
Public	\$1,059 million	78%	
Corporate	\$50 million	4%	
Foundations & Endowments	\$181 million	13%	
Insurance	\$61 million	5%	
TOTAL AUM	\$1,351 million	100%	



Firm Overview

Representative Client List

Institutional Focus

- CalPERS – Public Plan
- Kaiser Foundation Hospitals – Foundation
- San Diego County Employees’ Retirement Association – Public Plan
- San Joaquin County Employees’ Retirement Association – Public Plan
- Southern California Edison – Corporate Plan
- Stanislaus County Employees’ Retirement Association – Public Plan
- Employees Retirement System of Texas – Public Plan
- Pacific Gas and Electric Company – Corporate Plan
- New York State Insurance Fund – State Insurance Plan

Appendix H.

Market Update 3rd Quarter 2011

Market Update Third Quarter 2011

Overview

Debates concerning the U.S. debt ceiling and continued credit concerns in Europe dominated the volatile financial markets during the third quarter of 2011. Major indices ended their worst quarter since the depth of the financial crisis in 2008-2009, as markets were worried about prospects for global growth. Debt concerns in Greece, Italy, Spain and Portugal, and their impact on European banks increased demand for the relative safety of U.S. government debt.

The Dow Jones Industrial Average was down 11.49%, while the S&P 500, reflecting the broader large cap market, was down 13.87%. The Russell 2000 Index, representing smaller capitalization companies, lost 21.87% in the quarter. The technology heavy NASDAQ fell nearly 13%, while growth stocks outperformed value stocks by approximately 3%, as measured by the difference in return between the Russell 3000 Growth (-13.90%) and Russell 3000 Value (-16.63%) indices.

The bond market rallied over the quarter, with investors looking for perceived safety. The Barclays Capital Aggregate Bond index generated a positive return of 3.82%.

Despite lawmakers raising the \$14 trillion U.S. debt ceiling before the August 2, 2011 deadline, stocks plunged as investors responded to the Standard & Poor's downgrade of the U.S. credit rating from AAA to AA+. Most of the stock market's decline occurred in just 10 trading days surrounding the conclusion of the debt debate.

Highlights:

- Employment growth has almost halted in the last couple of months. The unemployment rate remained steady at over 9%.
- Growth is slow, with GDP rising at a 1.3% annual rate during the second quarter of 2011.
- In August core inflation, the 12-month change for all items less food and energy, reached 2.0%, while food and energy prices continued to drive the headline inflation rate to 3.8%.
- Gold futures surged to another record high, crossing \$1,800 an ounce during the quarter.
- Earlier in the year, commodity prices posted steep increases, stirring inflation concerns. However, as economic data showed weakness, commodity prices fell rapidly.

Major Indices – Total Return (%)	3 rd Quarter 2011	YTD	1-Year	3-Years	5-Years
DJ Industrials 30 Total Return	-11.49	-3.90	3.83	3.15	1.37
S&P 500 (Large Cap)	-13.87	-8.68	1.14	1.23	-1.18
S&P Composite 1500 (All Cap)	-14.61	-9.23	0.92	1.44	-0.86
NASDAQ Composite (Price Change)	-12.91	-8.95	1.97	4.91	1.35
Russell 2000 Index (Small Cap)	-21.87	-17.02	-3.53	-0.37	-1.02
Russell 2500 Index (Small/Mid Cap)	-21.22	-14.87	-2.22	2.25	0.19

Russell 2000 Growth Index (Small)	-22.25	-15.57	-1.12	2.07	0.96
Russell Microcap Index	-22.68	-20.30	-4.83	-2.00	-4.36
FTSE NAREIT All Equity	-15.07	-6.05	0.93	-1.99	-2.43
MSCI EAFE – net ¹	-19.01	-14.98	-9.36	-1.13	-3.46
Barclays US Treasury Bills (1-3 mth)	0.01	0.07	0.11	0.18	1.61
Barclays Capital Aggregate Bond ²	3.82	6.65	5.26	7.97	6.53
S&P Goldman Sachs Commodity	-11.69	-9.30	2.87	-15.90	-5.32

Source: MSCI Barra, Standard & Poor's, PSN/Informa, FTSE NAREIT, Barclays Capital, Hedge Fund Research, eVestmentAlliance.

Dow Jones Industrial Average



Source: WSJ Markets Data Center (2/5 year charts)

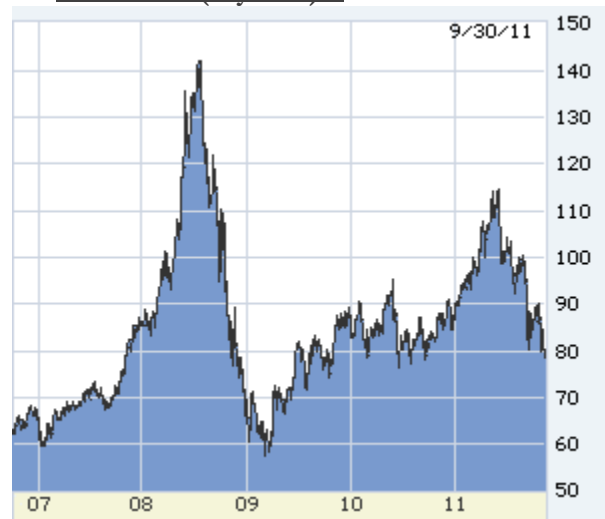
Dow Jones Industrial Average



Gold – 100 Oz (Comex)



Crude Oil (Nymex)



¹ Net of dividend withholding taxes

² Barclays Capital previously named Lehman Brothers indices

Economy

The U.S. Gross Domestic Product (GDP) (inflation-adjusted) expanded at a 1.3% annual rate in the second quarter, the Commerce Department said, up from a 0.4% gain in the first quarter. The pace of growth for Personal Consumption Expenditures was slower than in the first quarter, and every segment grew except government spending.

Consumer prices for August were up 3.8% over the last 12 months, before seasonal adjustment, according to the U.S. Department of Labor. For the past 12 months core CPI, which strips out food and energy costs, rose to 2.0% from 1.6% in the previous 12-month period ending May.

The unemployment rate held steady at over 9%. A record 46 million people, or 15% of the population lived in poverty in 2010, the most for the 52 years that records have been published, said the Census Bureau.

In August, the Thomson Reuters/University of Michigan Consumer Sentiment index fell to its lowest level since 1980. The Conference Board Consumer Confidence Index, which had fallen sharply in August, remained unchanged in September.

Unemployment Rate (%) (Seasonally adjusted)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.6	4.6	4.7	4.7	4.7	5.0
2008	5.0	4.8	5.1	5.0	5.4	5.5	5.8	6.1	6.2	6.6	6.9	7.4
2009	7.7	8.2	8.6	8.9	9.4	9.5	9.4	9.7	9.8	10.1	10.0	10.0
2010	9.7	9.7	9.7	9.9	9.7	9.5	9.5	9.6	9.6	9.6	9.8	9.4
2011	9.0	8.9	8.8	9.0	9.1	9.2	9.1	9.1				

Source: Bureau of Labor Statistics

Equities

Last September after Federal Reserve Chairman Ben Bernanke announced the second round of its “quantitative easing” (“QE2”) program, stocks and other risky assets rose, driving the S&P 500 up 30% to its April 29th high. Following a flat second quarter, all U.S. equity markets, characterized by extreme volatility, were down sharply across all capitalizations.

Investors rotated into larger cap stocks, which was evident as small cap stocks underperformed their large and mid cap counterparts. Investors continued to pay a premium for growth and the growth indices continued to outperform their value index counterparts.

The widely followed Chicago Board of Options Exchange (CBOE) VIX Index, also known as the fear index, while mostly range bound during the first and second quarter, reached new highs (48.0) on August 8th, a record not seen since early 2009.

Forward FY1 P/E for the S&P 500 Index finished the quarter at 10.2, down from 13.4, which is relatively low versus historical observations. Forward FY1 P/E for the S&P MidCap 400 and S&P SmallCap 600 moved to 11.9 from 17.2, and to 12.7 from 17.9, respectively, according to Standard & Poor’s. These P/E ratio’s may increase if future earnings fall short of expectations in the slowing economic environment.

Macroeconomic headwinds and market capitalization affected stock prices more than company fundamentals.

On the positive side, companies continued to post better than expected gains in profits, and earnings are expected to exceed peak levels. Corporations have built up large cash reserves, which can protect them in economic downturns.

The stock market's dividend yield stands above the interest rate on the 10-year Treasury note (dividend yield on Dow is 2.8% and on S&P 500 2.2% versus 10-year Treasury yield at 1.9%).

S&P 500



Russell 2000

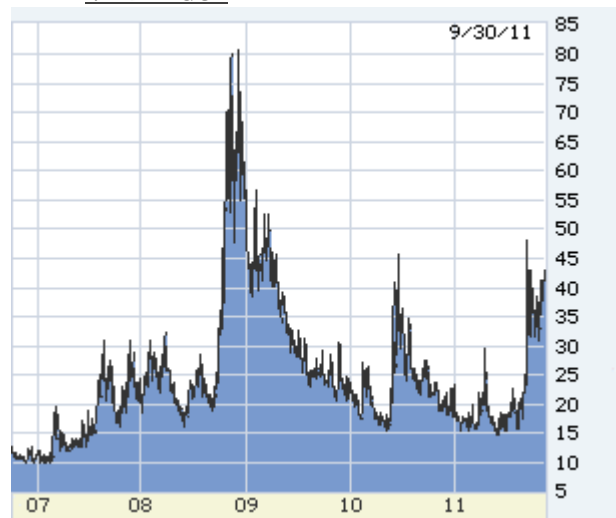


Source: WSJ Markets Data Center (5/2 year charts)

NASDAQ Index



VIX Index



Equity Indices – Total Return	3 rd Quarter 2011	YTD	1-Year	3-Years	5-Years
S&P 500	-13.87	-8.68	1.14	1.23	-1.18
Russell 1000	-14.68	-9.25	0.91	1.61	-0.91
Russell 1000 Growth	-13.14	-7.20	3.78	4.69	1.62
Russell 1000 Value	-16.20	-11.24	-1.89	-1.52	-3.53
Russell Midcap	-18.90	-12.34	-0.88	3.96	0.56
Russell Midcap Growth	-19.33	-11.59	0.80	5.89	1.64
Russell Midcap Value	-18.46	-13.01	-2.36	1.98	-0.84
Russell 2000	-21.87	-17.02	-3.53	-0.37	-1.02
Russell 2000 Growth	-22.25	-15.57	-1.12	2.07	0.96
Russell 2000 Value	-21.47	-18.51	-5.99	-2.78	-3.08
Russell Microcap	-22.68	-20.30	-4.83	-2.00	-4.36

Source: Standard & Poor's, PSN/Informa, Russell. Performance in %

The following table shows weight and performance for the different sectors in the S&P 500. Defensive sectors like Utilities (+0.44%) and Consumer Staples (-4.94%) again were the better performers. Financials, on the other hand, which has been a laggard over the past 1, 3 and 5 years, dragged down the index, declining 23.12%. Commodity driven sectors like Energy and Materials lagged the overall index.

S&P 500 GICS ³ Sector Scoreboard – Total Return	S&P 500 Weight	3 rd Quarter 2011	1 Year	3-Years	5-Years
S&P 500 (total return)	100.00%	-13.87	1.14	1.23	-1.18
S&P 500 (price return)	-	-14.33	-0.86	-1.01	-3.27
S&P 500/Growth (total)	-	-11.56	4.85	4.47	1.41
S&P 500/Value (total)	-	-16.30	-2.66	-2.19	-3.88
<i>Energy</i>	<i>11.63</i>	<i>-20.86</i>	<i>5.61</i>	<i>-3.28</i>	<i>1.48</i>
<i>Materials</i>	<i>3.29</i>	<i>-24.96</i>	<i>-8.73</i>	<i>-2.75</i>	<i>-1.15</i>
<i>Industrials</i>	<i>10.27</i>	<i>-21.51</i>	<i>-6.72</i>	<i>-2.79</i>	<i>-3.78</i>
<i>Consumer Discretionary</i>	<i>10.65</i>	<i>-13.32</i>	<i>4.56</i>	<i>7.59</i>	<i>-0.02</i>
<i>Consumer Staples</i>	<i>11.68</i>	<i>-4.94</i>	<i>6.40</i>	<i>2.44</i>	<i>3.30</i>
<i>Health Care</i>	<i>12.14</i>	<i>-10.51</i>	<i>3.95</i>	<i>1.23</i>	<i>-0.91</i>
<i>Financials</i>	<i>13.59</i>	<i>-23.12</i>	<i>-17.66</i>	<i>-16.24</i>	<i>-19.34</i>
<i>Information Technology</i>	<i>19.44</i>	<i>-7.96</i>	<i>2.81</i>	<i>6.49</i>	<i>2.38</i>

³ Global Industry Classification System

<i>Telecom Services</i>	<i>3.29</i>	<i>-9.18</i>	<i>0.39</i>	<i>2.00</i>	<i>-3.24</i>
<i>Utilities</i>	<i>3.97</i>	<i>0.44</i>	<i>7.15</i>	<i>0.55</i>	<i>-0.18</i>

Source: Standard & Poor's, PSN/Informa; Price Returns by Sector. Performance in %

Fixed Income

The debt ceiling, the cap that Congress puts in the national debt, was increased at the last minute, and a potential default was averted. On August 5, 2011, Standard & Poor's rating agency, however, downgraded the U.S. long-term AAA credit rating to AA+. Rating agencies Moody's and Fitch reaffirmed their AAA rating.

The Federal Reserve stated it would hold interest rates steady "at least" through mid 2013, but stopped short of any promises for another round of "quantitative easing." The federal funds rate, its key interest rate, remains at a record low 0% to 0.25% range.

In September, interest rates fell further following the Fed's announcement of its Maturity Extension Program (named "Operation Twist") and additional purchases of mortgage-backed securities with proceeds of maturing securities. The Fed said it will buy \$400 billion Treasury securities in the 6- to 30-year range and sell the same amount of maturities of 3 years or less, before June 30, 2012 in a push for investors to purchase more risky assets.

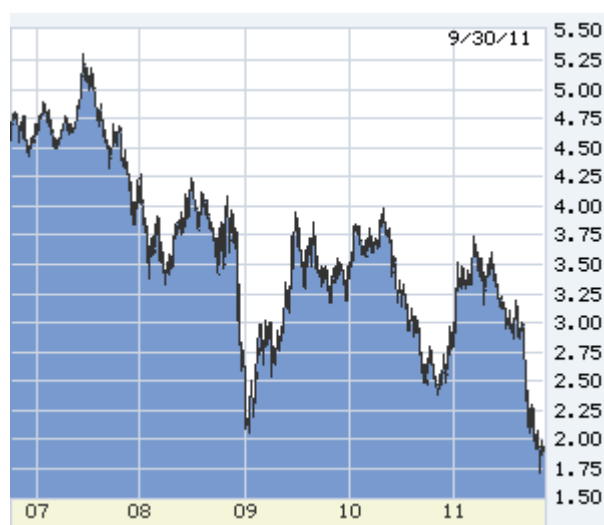
Treasury prices rose, pushing the yields down. The 10 year Treasury yield was down significantly during the quarter, declining to 1.92% from 3.16%. The spread between the 2 year and 10 year Treasury yield increased 106 basis points to 1.67% over the course of the quarter.

2-Year Note Yield

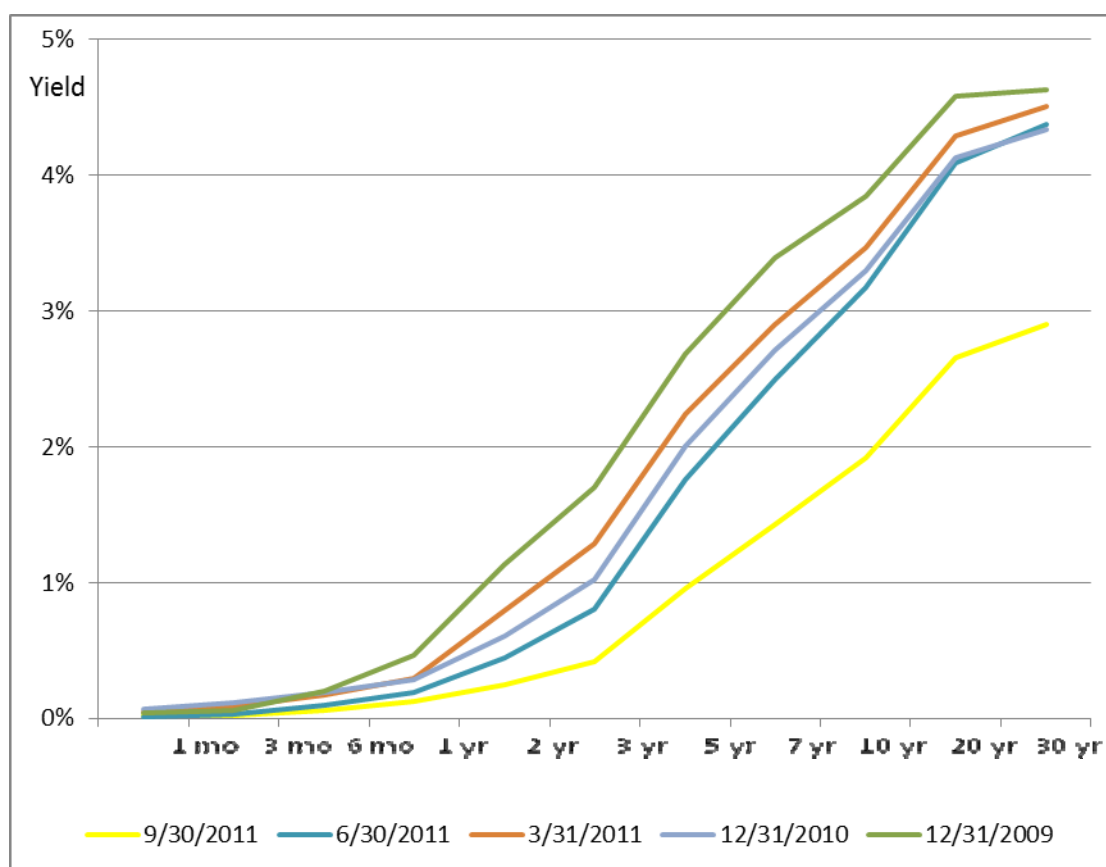


Source: WSJ Markets Data Center

10-Year Note Yield



US Treasury Yield Curve



Source: Federal Reserve Bank

Fixed Income Indices – Total Return	3 rd Quarter 2011	YTD	1-Year	3-Years	5-Years
Barclays US Treasury Bills (1-3 mth)	0.01	0.07	0.11	0.18	1.61
Barclays Capital Aggregate Bond ¹	3.82	6.65	5.26	7.97	6.53
Barclays Capital High Yield U.S. Corporate Bond ¹	-6.06	-1.39	1.78	13.83	7.08
Barclays Capital Municipal Bond ¹	3.81	8.40	3.88	8.08	5.01

Source: PSN/Informa, Barclays Capital, eVestmentAlliance. Performance in %

Real Estate

While the reports show seasonal strength, the housing remains depressed. Data through July 2011, released by Standard and Poor's for its S&P/Case-Shiller Home Price index, the leading measure of U.S. home

prices, continues to show deceleration of home prices versus a year ago. The spring and summer home-buying season influenced home prices, which according to the Case-Shiller index rose 0.9% between June and July. Mortgage rates hit new lows, as worries about European debt drove investors to U.S. Treasuries.

Real estate shares, as measured by the FTSE NAREIT All Equity Index, underperformed the S&P 500 during the quarter as well as over the past 1, 3 and 5-year periods. The index historically has shown a high correlation with small cap stocks.

Indices – Total Return	3 rd Quarter 2011	YTD	1-Year	3-Years	5-Years
S&P 500	-13.87	-8.68	1.14	1.23	-1.18
FTSE NAREIT All Equity	-15.07	-6.05	0.93	-1.99	-2.43

Source: Standard & Poor's, FTSE NAREIT. Performance in %

The table below shows performance for the FTSE NAREIT All Equity REIT Index and selected property Sectors/Subsectors in the third quarter. After a strong first and positive second quarter for the index, Lodging/Resorts was the biggest laggard in the quarter while Self-Storage the strongest performer, albeit negative. The Residential sector (Apartments and Manufactured Homes) has been the strongest sector for the most recent 1- and 3-year period.

Index/Sub-Index – Total Return	3 rd Quarter 2011
FTSE NAREIT All Equity REIT	-15.07
<i>Industrial</i>	-28.07
<i>Office</i>	-19.74
<i>Retail</i>	-12.41
<i>Apartments</i>	-10.76
<i>Diversified</i>	-17.43
<i>Lodging/Resorts</i>	-32.07
<i>Health Care</i>	-7.51
<i>Self-Storage</i>	-4.02
<i>Timber</i>	-20.40

Source: FTSE NAREIT. Performance in %

International Equities

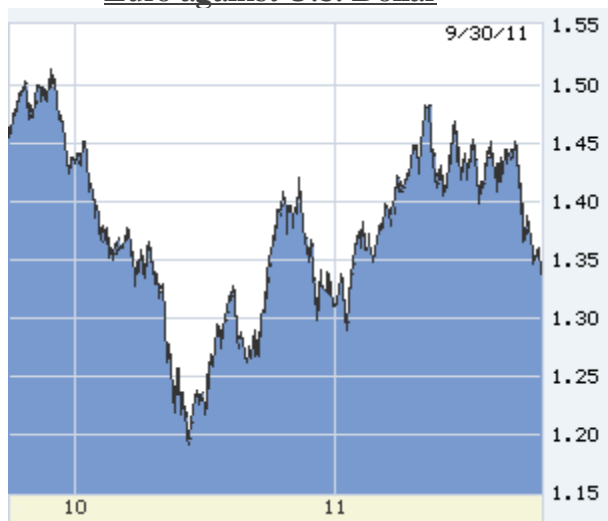
European stock markets dropped even more sharply than U.S. markets, with the MSCI Europe, Europe's leading blue-chip index representing stocks from 16 developed countries (including Greece, Portugal, Italy and Spain), down over 22%. European policy makers are trying to convince investors they can contain a

debt crisis that threatens to sink the Euro. Emerging markets performed worse than their developed counterparts.

The U.S. dollar gained against the Euro, leading the shared currency to a loss for the quarter. The U.S. dollar index, which measures the U.S. unit against a basket of major currencies, rose. Capital has been flooding to the perceived safe Swiss Franc.

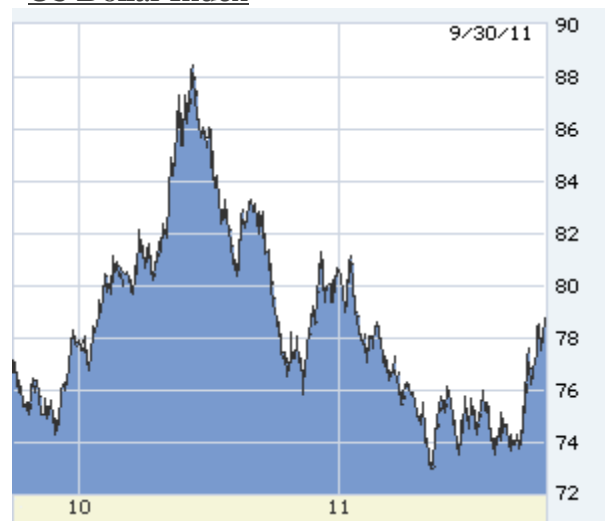
German economic growth came to a halt, rising 0.1% from the first quarter, after expanding 1.3% in the first quarter. French GDP held steady at 0.0%, according to the National Institute of Statistics and Economic Studies, after a sharp increase in the first quarter (+0.9%).

Euro against U.S. Dollar



Source: WSJ Markets Data Center

US Dollar Index



Swiss Franc



STOXX Europe 50



International Indices – Total Return	3 rd Quarter 2011	YTD	1-Year	3-Years	5-Years
S&P 500	-13.87	-8.68	1.14	1.23	-1.18
MSCI EAFE – net ¹	-19.01	-14.98	-9.36	-1.13	-3.46
MSCI World ex US – net ¹	-19.01	-15.19	-9.11	-0.88	-2.90
MSCI Europe – net ¹	-22.61	-15.61	-11.81	-2.76	-4.13
MSCI Pacific ex Japan – net ¹	-19.74	-17.73	-10.91	7.61	4.65
MSCI Japan – net ¹	-6.44	-10.89	-0.09	-0.18	-4.89
MSCI Emerging Markets – net ¹	-22.56	-21.88	-16.15	6.27	4.87

Source: MSCI Barra, PSN/Informa, Standard & Poor's; data is in U.S. \$ terms. Performance in %

Note: Periods longer than one year are annualized. The information herein is for informational purposes only and in no event should be construed as a representation or as an offer to buy or sell any securities. The factual information is taken from sources we believe to be reliable but is not guaranteed by the firm and does not purport to be a complete statement or summary of the available data. Past performance is no guarantee of future results. Indices are unmanaged portfolios of specific securities and not available for direct investment.