



Stanislaus County Employees' Retirement Association

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

AGENDA

BOARD OF RETIREMENT

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

March 16, 2016
1:00 p.m.

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

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

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

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

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

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

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

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

1. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
 - a. Approval of the February 17, 2016 Meeting Minutes [View](#)
 - b. Monthly Staff Report [View](#)
 - c. Investment Fee Summary [View](#)
 - d. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Anderson, Jeffrey – Library – Effective 03-09-2016
 2. Baker, Deborah – CSA– Effective 03-19-2016
 3. Balch, Joyce – HSA – Effective 03-31-2016
 4. Ball, Scott – Probation – Effective 03-01-2016 *
 5. Biesemeier, Robin – CSA– Effective 03-31-2016
 6. Brush, Alan – AAVS – Effective 03-19-2016
 7. Buchanan, Gale – HSA– Effective 02-20-2016
 8. Cashen, Norman– Sheriff – Effective 03-31-2016 *
 9. Castillo, Dolores – CSA – Effective 03-31-2016
 10. Clouse, Denise – CSA– Effective 03-31-2016
 11. Corey, Jeffrey – Sheriff – Effective 03-19-2016 *

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

12. Cox, Roseanne – CSA – Effective 03-05-2016
13. Curci, Karen – Probation – Effective 03-02-2016
14. De Leon, Norma – CSA – Effective 03-19-2016
15. Destafney, Kathryn – Superior Court – Effective 03-01-2016
16. Di Bartolo, Toni – HSA – Effective 03-19-2016
17. Dixon, Michael – Sheriff – Effective 03-03-2016 *
18. Domico, David – Probation – Effective 03-31-2016 *
19. Downing, Valery – DCSS – Effective 03-18-2016
20. Duchala, Joseph – Ag Comm – Effective 03-05-2016
21. Dughi, Nellie – Superior Court – Effective 03-19-2016
22. Ellsaesser, Adrienne – DER – Effective 03-31-2016
23. Ferraro-Tallman, Christine – BOS – Effective 03-05-2016
24. Fimbrez, Lolly – Probation – Effective 03-19-2016
25. Ford, Frances – Animal Services – Effective 03-19-2016
26. Genn, Evelyn – CSA – Effective 03-31-2016
27. Gheith, Teresa – CSA – Effective 03-31-2016
28. Greer, James – AAVS – Effective 03-31-2016
29. Guerra, Reynaldo – Sheriff – Effective 03-17-2016 *
30. Hamrick, Arlene – DER – Effective 03-02-2016
31. Herrera, Manuel – GSA – Effective 08-18-2015
32. Jackson, Connie – DER – Effective 03-18-2016
33. Jacobs, James – Sheriff – Effective 03-19-2016 *
34. Kumimoto, Bryan – DER – Effective 03-02-2016
35. Labarthe, Movette – Animal Services – Effective 03-26-2016
36. Leal, John – CSA – Effective 03-02-2016
37. Lusk, Laurie – BHRS – Effective 03-19-2016
38. Martinez, Joe – Animal Services – Effective 03-31-2016
39. McCormick, Brenda – Planning – Effective 03-19-2016
40. Merchant, Jeanette – BHRS – Effective 03-31-2016
41. Merrill, Ginger – HSA – Effective 03-05-2016
42. Mihaltan, Susan – CSA – Effective 03-19-2016
43. Mitchell, Beverly – CSA – Effective 03-31-2016
44. Moniz, Anthony – DER – Effective 03-18-2016
45. Morrison, Mark – CSA – Effective 03-19-2016
46. Nunes, John – Sheriff – Effective 03-19-2016 *
47. Parke, Area – District Attorney – Effective 03-19-2016
48. Peterson, Susan – Alliance Worknet – Effective 03-31-2016
49. Prevette, Geertruida – HSA – Effective 03-19-2016
50. Redding, Billy – Sheriff – Effective 03-03-2016 *
51. Reiff, Laura – Sheriff – Effective 03-31-2016 *
52. Richards, Nancy – CSA – Effective 03-19-2016
53. Ringsby, Gloria – CSA – Effective 03-05-2016
54. Roberts, Paulette – HSA – Effective 03-19-2016
55. Roof, Natascha – Probation – Effective 03-26-2016 *
56. Roy, Matthew – Sheriff – Effective 03-18-2016 *
57. Sakai, Gail – HSA – Effective 03-31-2016
58. Schmidt, Kathren – CSA – Effective 03-05-2016
59. Segoviano, Sandra – Library – Effective 03-04-2016
60. Shepherd, Daniel – CSA – Effective 03-18-2016
61. Siebe, Barry – City of Ceres – Effective 03-03-2016
62. Stewart, Beverly – Sheriff – Effective 03-31-2016

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

- 63. Tracey, Stephanie – CSA – Effective 03-19-2016
- 64. Viss, Janice – CSA – Effective 03-31-2016
- 65. Whitehead, Robin – StanCOG – Effective 03-31-2016
- 66. Wyatt-Stokman – CSA – Effective 03-22-2016

** Indicates Safety Personnel*

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

- 1. Bronstein, Nancy – CEO – Effective 01-23-2016
- 2. Genasci, Anna – Ag Comm – Effective 03-01-2016
- 3. Grubb, Tara – CSA – Effective 01-31-2014
- 4. Hernandez, Rebecca – CSA– Effective 10-03-2015
- 5. Moran, Marta – DCSS – Effective 12-12-2015
- 6. Pena, Maricela – CSA– Effective 02-27-2016
- 7. Perez, Yvette – HSA – Effective 12-16-2015
- 8. Serrato, Michelle – BHRS – Effective 12-29-2015

** Indicates Safety Personnel*

6. Investment Manager Annual Presentation

a. LSV Presentation [View](#)

I. Value Added Report [View](#)

b. PIMCO Presentation [View](#)

I. Value Added Report [View](#)

7. Verus – Investment Consultant

a. February 29, 2016 Flash Report – Will be provided at the meeting.

b. Private Equity Educational Session– Presented by Pathway Will be provided at the meeting

8. Executive Director - Investment

a. The Fully Functional Portfolio Presentation [View](#)

b. Setting of the 2016-2017 Employee and Employer Contribution Rates

I. Discussion and Action Regarding the Asset Allocation [View](#)

II. Discussion and Action Regarding the 2015 Preliminary Actuarial Valuation [View](#)

9. Executive Director - Administrative

a. Discussion and Action Regarding SACRS 2016-2017 Board of Directors Election [View](#)

b. Information Technology Solutions (ITS) Project Update [View](#)

c. Legal/Legislation Update [View](#)

10. Committee Reports and Recommendations for Action

STANDING COMMITTEES

Strategic Planning Committee

- a. Discussion and Action Regarding the 2017-2019 Strategic Plan [View](#)

11. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:
O’Neal et al v. Stanislaus County Employees’ Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees’ Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(d)(4)

12. Members’ Forum (Information and Future Agenda Requests Only)

13. Adjournment



BOARD OF RETIREMENT MINUTES

February 17, 2016

Trustees Present:	Jim DeMartini, Michael O'Neal, Jeff Grover, Donna Riley, Mandip Dhillon Mike Lynch and Jegan Raja for Gordon Ford
Alternate Trustee	Joan Clendenin, Alternate Retiree Representative
Trustees Absent:	Jason Gordo, Sam Sharpe and Gordon Ford
Staff Present:	Rick Santos, Executive Director Kathy Herman, Fiscal Services Manager Dawn Lea, Member and Employer Services Manager Kellie Gomes, Executive Board Assistant
Others Present:	Fred Silva, General Legal Counsel Ed Hoffman, Investment Consultant

1. Meeting Called to Order

Meeting called to order 1:04 p.m. by Trustee Riley, Chair

2. Roll Call

3. Announcements

Director announced that Mandip Dhillon had assumed seat 2 by receiving 37% of the vote.

4. Public Comment

None

5. Consent Items

a. Approval of the January 20, 2016 Meeting Minutes

b. Monthly Staff Report

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

1. Angusich, George – DER – Effective 01-22-2016
2. Backlund, Robert– BHRS – Effective 02-27-2016 *
3. Broumas, Joel – City of Ceres– Effective 02-09-2016
4. Maestas, Tony – City of Ceres – Effective 02-04-2016
5. McCormack, Belinda – HSA – Effective 02-20-2016
6. Richardson, Noreen – HSA– Effective 02-01-2016
7. Ross, Jeanette – HSA – Effective 02-20-2016
8. Young, Clifton – Planning – Effective 01-20-2016

* Indicates Safety Personnel

5. Consent Items (Cont.)

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

1. Biszantz, Stacia – HSA – Effective 10-28-2015
2. Carapinha, Rui – City of Ceres – Effective 06-15-2015 *
3. De Anda, Maria – CSA – Effective 12-05-2015
4. Flores, Marco – City of Ceres – Effective 04-16-2015
5. Ishaq, Fayma – Public Works– Effective 04-16-2015
6. Lee, Andrew– HSA – Effective 10-21-2015
7. Mai, Thao – BHRS– Effective 12-30-2015
8. Wren, Joseph – City of Ceres– Effective 01-03-2016
9. Yang, Stacy – CSA – Effective 01-29-2016
10. Zare, Maranita – CSA– Effective 10-16-2015

** Indicates Safety Personnel*

Motion was made by Trustee O'Neal and seconded by Trustee Grover to approve consent items as presented.

Motion carried unanimously

6. Investment Manager Annual Presentation - Legato

1. Value Added Report

Victor Hymes gave an update on performance and the Organization structural changes. He talked about the firm being 100% employee owned, no manager changes in approximately 18 months and spoke briefly about the stock selection process, claiming the focus is on companies with strong balance sheets and lack of leverage.

7. Verus – Investment Consultant

a. Risk Parity Education – Provided by PanAgora Asset Management

PanAgora representatives gave an educational session on risk parity. The strategy uses no other types of assets that StanCERA isn't already familiar with. However, to achieve a balance in risk across asset classes, the fund must assume leverage in its fixed income portfolio. Essentially, leverage is used to increase the magnitude of the risk/return profile of the fixed income investments on the rest of the portfolio.

2:43 Break

2:54 Return from Break

b. January 31, 2016 Flash Report – provided at the meeting.

c. Investment Performance Analysis for the Quarter Ending December 31, 2016

7. Verus – Investment Consultant (Cont.)

d. Emerging Markets Education

Ed Hoffman discussed some of the opportunities in the emerging market space and its distinction from developed and frontier markets. In summary, the emerging market space is one where there is opportunity for enhanced relative growth (relative to developed markets) due to factors such as population growth, movement to open and transparent markets and foreign investment. This issue is similar to what most developed markets have already gone through over the course of time and is what contributes to early economic growth in these emerging countries.

8. Executive Director - Investment

a. 2015 Quarter 4 Auxiliary Investment Report

9. Executive Director - Administrative

a. Discussion and Action Regarding the 2016 Cost of Living Adjustment

Motion was made by Trustee Grover and seconded by Trustee Raja to approve Cheiron's recommendation for a 3% Cost of Living Adjustment (COLA) to StanCERA retired member's monthly benefit beginning April 1, 2016

b. Discussion and Action Regarding Cost of Living Adjustments (COLA) – Appropriate Index

No action taken on this Item

c. Discussion and Action Regarding StanCERA Bylaw Revision

Motion was made by Trustee Lynch and seconded by Trustee Grover to Accept the revision requested by County Counsel along with clerical changes identified by Trustee Raja.

d. Information Technology Solutions (ITS) Project Update

Kathy Herman gave a brief update on the status of the ITS project.

e. Legal / Legislation Update

Rick Santos gave an brief update on the decision to pull pension reform from the November ballot and a lawsuit taking place in Marin County alleging that the MCERA Board of retirement is violating its fiduciary duty by continuing to pay benefits that were awarded some 10 years ago without taxpayer consideration.

10. Closed Session

a. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)

10. Closed Session (Cont.)

- b. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
District, Case No. H038894 Government Code Section 54956.9(d)(1)

No Closed Session Items Were Heard

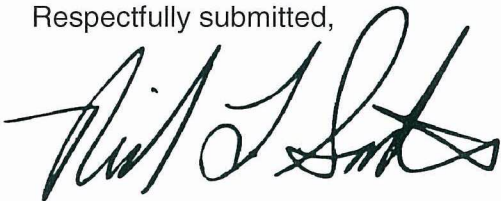
11. Members' Forum (Information and Future Agenda Requests Only)

Kathy Herman asked for 2 volunteers to participate in the Actuarial RFP process. Trustee Dhillon volunteered and Kathy will reach out to both Trustee Gordo and Sharpe to see if either of them are interested

12. Adjournment

Meeting adjourned at 4:39 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rick Santos", with a stylized, cursive script.

Rick Santos, Executive Director

APPROVED AS TO FORM:
Fred Silva, GENERAL LEGAL COUNSEL

By: 
Fred Silva, General Legal Counsel



March 16, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Monthly Staff Report
- II. ITEM NUMBER: 5.b
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS:

- a) *Fiscal Services* – As demonstrated by the list of retirees on the March agenda (73 applications for deferred and service retirements), the phone and counter traffic has been quite heavy, which impacts everyone. The request for proposal (RFP) for Actuarial services was published on February 18th, with submissions due on March 22nd. As part of StanCERA's program for enhanced disability awareness, a quarterly meeting has been established to highlight best practice ideas for serving the members and the public. Testing for a mandatory retiree payroll software upgrade was completed and work continues on the disaster preparedness plan.

Employer and employee contributions totaling \$6,386,495 were received through 13 different payroll batches. In addition, 14 contribution refunds and 7 death benefits were processed and the March retiree payroll was completed as scheduled, totaling \$8,770,669.

- b) *Member & Employer Services* – During the month of February 2016, Member and Employer Services Staff processed 34 new hires (7 Safety and 27 General), 2 buy backs and 82 estimates. There were 27 individual counseling sessions and two group presentations at StanCOG and Alliance Worknet.

Staff completed the last of several meetings with the Linea Consultants that were necessary to establish the business requirements to be listed in the RFP and also began the process of reviewing the business requirements documents that Linea has already produced.

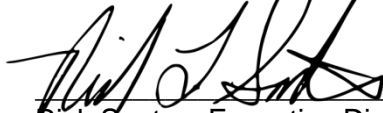
We also added two additional part time staff and started training them to work on the audit project.

- c) *Investment Governance and Compliance* – Staff has recently been working closely with Verus on the following issues that it plans to roll out some time this year and that are aligned with the Strategic Plan:
 - The implementation requirements of a new asset allocation
 - The development of a manager continuation policy
 - Cash management plan
 - The resources (both internal and external) that may be needed should the Board pursue the alternative asset allocations
 - The revision of the Investment Policy Statement

VI. RISK: None

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

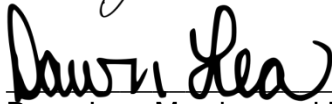
VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

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Rick Santos, Executive Director

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Kathy Herman, Fiscal Services Manager

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Dawn Lea, Member and Employer Services Manager



March 16, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Investment Fee Summary
- II. ITEM NUMBER: 5.c
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: Attached is staff's quarterly investment fee summary for the quarter and year ending December 31, 2015. In 2015, on average, StanCERA paid approximately 42 basis points to manage its investment portfolio. This amount includes managerial, custodial and consultant fees. The real estate and direct lending asset classes accounted for approximately 29% of total fees paid.

Quarter 4 results include \$567,410 in managerial fees paid to Pyramis Global due to the annual incentive fee assessment.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently*
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

Rick Santos, Executive Director

Investment Fee Summary

1/1/2015

through

12/31/2015

		Fees in Dollars			Fees in Annualized Basis Points		
	<u>Average Assets Under Management</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>
Total Portfolio	\$1,789,102,790	\$7,172,553	\$329,669	\$7,502,222	40.1	1.8	41.9
Domestic Equities	\$842,372,791	\$2,556,376	\$143,992	\$2,700,368	30.3	1.7	32.1
Large Cap Value	\$303,219,941	\$361,516	\$14,961	\$376,477	11.9	0.5	12.4
Dodge & Cox Equity	\$181,299,720	\$337,172	\$12,802	\$349,973	18.6	0.7	19.3
Blackrock Value Index Fund	\$121,920,221	\$24,345	\$2,159	\$26,504	2.0	0.2	2.2
Large Cap Growth	\$277,005,175	\$818,059	\$16,179	\$834,238	29.5	0.6	30.1
Jackson Square	\$165,812,921	\$795,754	\$14,020	\$809,774	48.0	0.8	48.8
Blackrock Growth Index Fund	\$111,192,254	\$22,304	\$2,159	\$24,463	2.0	0.2	2.2
Small Cap Value	\$89,609,375	\$671,832	\$44,064	\$715,896	75.0	4.9	79.9
Capital Prospects	\$89,609,375	\$671,832	\$44,064	\$715,896	75.0	4.9	79.9
Small Cap Growth	\$87,999,807	\$675,988	\$66,494	\$742,482	76.8	7.6	84.4
Legato Capital	\$87,999,807	\$675,988	\$66,494	\$742,482	76.8	7.6	84.4
Core	\$84,538,492	\$28,981	\$2,295	\$31,276	3.4	0.3	3.7
BNYM S&P Index Fund	\$84,538,492	\$28,981	\$2,295	\$31,276	3.4	0.3	3.7
International Equities	\$328,834,708	\$1,429,677	\$141,431	\$1,571,108	43.5	4.3	47.8
LSV Asset Management	\$162,466,649	\$549,029	\$78,489	\$627,518	33.8	4.8	38.6
Pyramis Global	\$166,368,059	\$880,648	\$62,943	\$943,591	52.9	3.8	56.7
Fixed Income	\$486,036,691	\$776,704	\$30,330	\$807,034	16.0	0.6	16.6
Dodge & Cox Fixed Income	\$374,905,706	\$405,308	\$20,004	\$425,312	10.8	0.5	11.3
PIMCO	\$111,130,985	\$371,396	\$10,326	\$381,723	33.4	0.9	34.3
Real Estate	\$32,087,604	\$556,114	\$7,498	\$563,611	173.3	2.3	175.6
Blackrock US Real Estate Index	\$11,197,725	\$9,044	\$2,176	\$11,220	8.1	1.9	10.0
Greenfield GAP Real Estate	\$9,954,624	\$238,676	\$2,125	\$240,801	239.8	2.1	241.9
American Realty	\$7,438,076	\$262,740	\$2,117	\$264,857	353.2	2.8	356.1
Prime Property Fund	\$3,497,179	\$45,653	\$1,080	\$46,734	130.5	3.1	133.6
Direct Lending	\$99,770,997	\$1,597,432	\$6,418	\$1,603,850	160.1	0.6	160.8
Medley Capital	\$32,322,816	\$501,839	\$2,125	\$503,964	155.3	0.7	155.9
Raven Capital	\$29,037,250	\$651,671	\$2,125	\$653,796	224.4	0.7	225.2
White Oak Pinnacle	\$38,410,930	\$443,922	\$2,168	\$446,090	115.6	0.6	116.1
Investment Consultant	\$1,789,102,790	\$256,250	\$0	\$256,250	-	-	1.4

Alternative Managerial Fees may include other fees such as audit, legal, tax preparation, administrative, marketing and initial fund costs including true-ups
Periodic reporting includes only funds or managers that were a part of the entire reporting period



Investment Fee Summary

	10/1/2015	through	12/31/2015	
				Fees in Dollars
	<u>Average Assets Under Management</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Total</u>
Total Portfolio*	\$1,750,046,768	\$2,271,973	\$80,258	\$2,352,231
Domestic Equities	\$809,358,657	\$618,531	\$35,567	\$654,098
Large Cap Value	\$296,285,775	\$89,817	\$4,064	\$93,881
Dodge & Cox Equity	\$176,954,220	\$83,751	\$3,524	\$87,274
Blackrock Value Index Fund	\$119,331,555	\$6,067	\$540	\$6,607
Large Cap Growth	\$276,591,688	\$206,858	\$3,758	\$210,616
Jackson Square	\$164,463,125	\$201,142	\$3,218	\$204,360
Blackrock Growth Index Fund	\$112,128,563	\$5,716	\$540	\$6,256
Small Cap Value	\$81,151,428	\$153,968	\$10,727	\$164,696
Capital Prospects	\$81,151,428	\$153,968	\$10,727	\$164,696
Small Cap Growth	\$82,463,824	\$161,399	\$16,452	\$177,852
Legato Capital	\$82,463,824	\$161,399	\$16,452	\$177,852
Core	\$72,865,942	\$6,488	\$565	\$7,053
BNYM S&P Index Fund	\$72,865,942	\$6,488	\$565	\$7,053
International Equities	\$326,816,115	\$667,544	\$32,563	\$700,107
LSV Asset Management	\$160,933,697	\$100,134	\$20,054	\$120,188
Pyramis Global*	\$165,882,418	\$567,410	\$12,509	\$579,918
Fixed Income	\$474,547,575	\$191,195	\$7,312	\$198,508
Dodge & Cox Fixed Income	\$363,460,060	\$98,509	\$4,921	\$103,430
PIMCO	\$111,087,515	\$92,686	\$2,391	\$95,077
Real Estate	\$35,078,978	\$169,486	\$2,682	\$172,168
Blackrock US Real Estate Index	\$5,675,525	\$739	\$540	\$1,279
Greenfield GAP Real Estate	\$9,516,237	\$47,432	\$531	\$47,963
American Realty	\$8,521,384	\$75,661	\$531	\$76,192
Prime Property Fund	\$11,365,831	\$45,653	\$1,080	\$46,734
Direct Lending	\$104,245,443	\$528,134	\$2,134	\$530,268
Medley Capital	\$33,281,876	\$156,819	\$531	\$157,350
Raven Capital	\$27,542,287	\$156,581	\$531	\$157,112
White Oak Pinnacle	\$40,704,036	\$110,762	\$531	\$111,294
Raven Capital Fund III	\$2,717,245	\$103,972	\$540	\$104,512
Investment Consultant	\$1,750,046,768	\$97,083	\$0	\$97,083

Alternative Managerial Fees may include other fees such as audit, legal, tax preparation, administrative, marketing and initial fund costs including true-ups
Periodic reporting includes only funds or managers that were a part of the entire reporting period

* Pyramis Global Incentive Fee included in Q4 Results



Stanislaus County Employees'
Retirement Association

March 16, 2016

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

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

Organizational Update

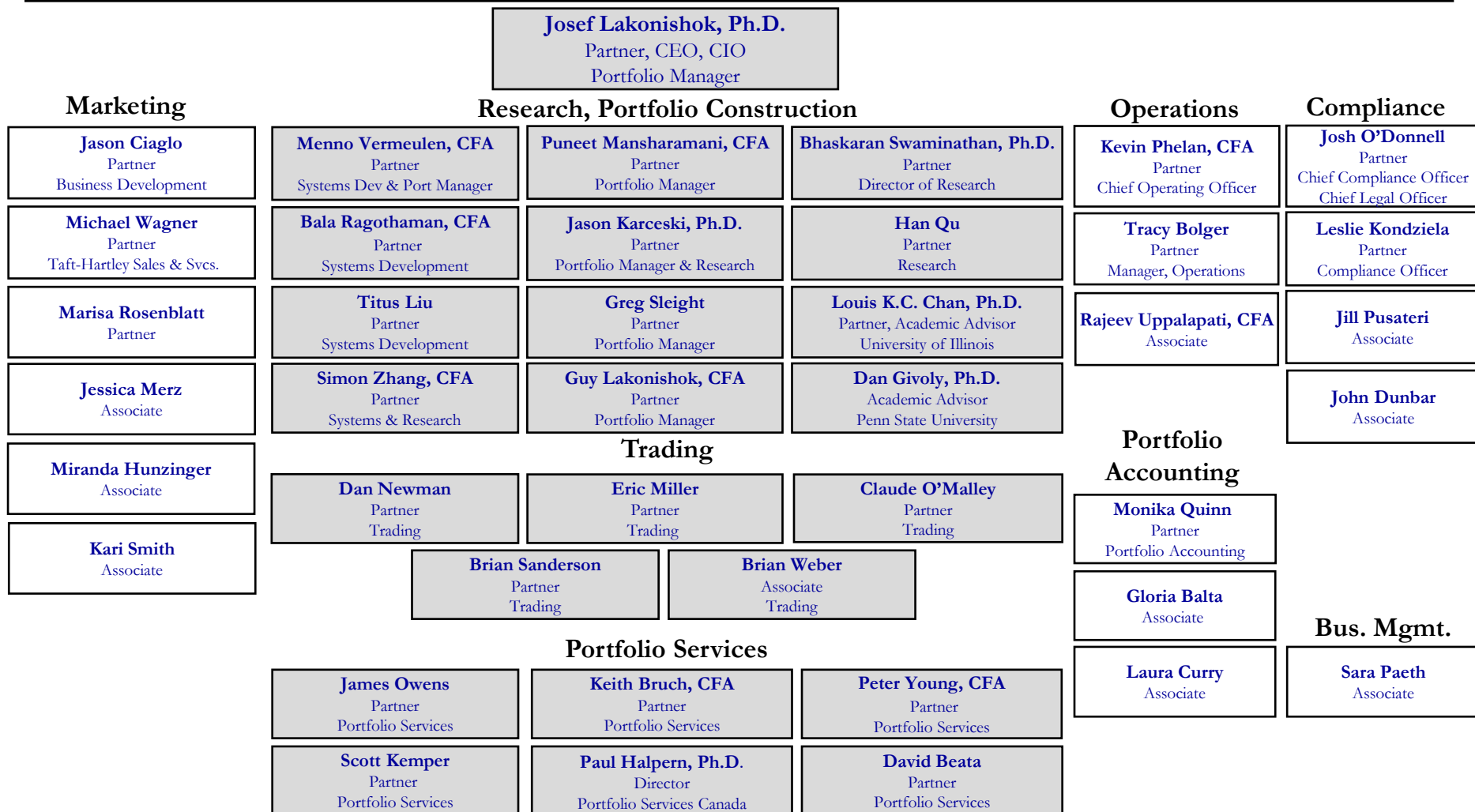
- ◆ LSV'S KEY ORGANIZATIONAL STRENGTHS:
 - ◆ ACADEMIC FOUNDATION
 - ◆ 25+ YEARS OF RESEARCH
 - ◆ SUCCESSFULLY APPLIED MODELS FOR OVER 20 YEARS
 - ◆ VALUE EQUITY FOCUS – OUR SOLE BUSINESS
 - ◆ CONSISTENCY OF PEOPLE, PHILOSOPHY & PORTFOLIO
 - ◆ EMPLOYEE OWNERSHIP

- ◆ ALL STRATEGIES BUILT FROM SAME INVESTMENT MODEL
 - ◆ \$79.2 BILLION IN FIRMWIDE ASSETS UNDER MANAGEMENT
 - ◆ \$16.3 BILLION IN INTERNATIONAL LARGE CAP VALUE ASSETS
 - ◆ LIMITED CAPACITY OFFERINGS

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

* Select Strategies Open to Existing Clients

Organizational Structure



Research and Investment Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
Josef Lakonishok	38/21	CEO, CIO Founding Partner Portfolio Management	Ph.D. Cornell University, Finance MS Cornell University, Statistics MBA/BA Tel-Aviv University, Economics & Statistics
Menno Vermeulen, CFA	24/20	Partner Portfolio Management Systems Development	MS Erasmus University-Rotterdam, Econometrics
Puneet Mansharamani, CFA	17/15	Partner Portfolio Management	MS Case Western Reserve University, Engineering BS Delhi University, Engineering
Bhaskaran Swaminathan	26/10	Partner Director of Research	Ph.D. University of California at Los Angeles, Finance MBA University of Denver, Finance; BE College of Engineering, Guindy, Madras, India, Mechanical Engineering
Jason Karceski	22/7	Partner Portfolio Management Research	Ph.D. University of Illinois, Finance; MBA University of North Florida; BS California Institute of Technology, Electrical Engineering
Han Qu	22/21	Partner Research	MS University of Illinois, Finance MS University of Illinois, Statistics BS Shanghai University, Computer Science
Simon Zhang, CFA	17/17	Partner Systems & Research	MBA/MS University of Illinois, Finance & MIS Civil Engineering MS Tongji University, Shanghai, Engineering Management BS Shanghai Institution of Building Material, Engineering
Bala Ragothaman, CFA	18/9	Partner Systems Development	MS University of Iowa, Computer Science and Networks BS PSG College, Bharathiar University, Computer Engineering
Titus Liu	14/5	Partner Systems Development	MBA University of Chicago, Finance, Econometrics & Accounting BS University of Illinois, Electrical Engineering
Greg Sleight	9/9	Partner Portfolio Management	MBA University of Chicago, Econometrics, Econ. & Analytic Fin. BS University of Illinois, Material Science & Engineering
Guy Lakonishok, CFA	15/7	Partner Portfolio Management	MBA University of Chicago, Analytical Finance & Accounting BS Washington University, Electrical Engineering
Dan Givoly, CPA (Isr.)	31/10	Academic Advisor; Ernst & Young Professor of Accounting; Department of Accounting, Pennsylvania State University	Ph.D. New York University, Accounting & Finance MBA Tel-Aviv University; BA Hebrew University, Jerusalem Economics & Statistics
Louis Chan	33/15	Academic Advisor Professor Finance, University of Illinois	Ph.D./MS University of Rochester, Finance & Applied Economics BBA University of Hawaii, Business Administration

Client Portfolio Services Team

Name	Years of Experience/LSV	Role and Responsibilities	Education
James Owens	26/15	Partner Portfolio Services	BA Iowa State University, Finance
Keith Bruch, CFA	27/12	Partner Portfolio Services	MBA University of Chicago, Finance BA Northwestern University, Economics
Peter Young, CFA	27/11	Partner Portfolio Services	BS Wake Forest University, Business/Mathematics
Scott Kemper	19/9	Partner Portfolio Services	MBA University of Chicago BA DePauw University
Jason Ciaglo	17/7	Partner Business Development	MBA University of Chicago BA University of California-Berkeley, English
Michael Wagner	28/4	Partner Taft-Hartley Sales & Services	MBA Loyola University, Finance BS Elmhurst College, Marketing
Paul Halpern	44/11	Director, Client Portfolio Services, Canada Director, Capital Markets Institute The University of Toronto, Rotman	Ph.D. University of Chicago MBA University of Chicago Bcomm University of Toronto
Kevin Phelan, CFA	14/11	Partner Chief Operating Officer	BA University of Chicago, Economics
Josh O'Donnell	11/2	Partner Chief Compliance Officer Chief Legal Officer	JD Vanderbilt University Law School BA Wake Forest University, Politics

Relationship Summary

Stanislaus County Employees' Retirement Association

Investment Strategy:	International Large Cap Value Equity		<u>Portfolio Growth</u>
Inception Date:	September 14, 2004	Beginning Value - 9/14/04:	\$ 81,163,381
Initial Funding:	\$81,163,381	Net Contributions/Withdrawals:	\$ (5,100,000)
Custodian:	Northern Trust	Return on Investment:	\$ 69,847,666
Consultant:	Verus	Ending Value - 2/29/16:	\$ 145,911,047
Benchmark:	MSCI ACWI Ex U.S.		
Restrictions:	None		

Objectives/Investment Process:

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

The process used to select stocks is a **quantitative** approach developed by our founding partners through years of academic research on a variety of investment and investor behavior topics. The process ranks a broad universe of stocks on a combination of **value and momentum** factors and seeks to invest approximately 200-225 stocks in the most attractive securities possible within our strict risk parameters to control the portfolio's tracking error relative to the benchmark. The resulting portfolio will be **broadly diversified** across industry groups and **fully invested** (cash balances are typically less than 1% of the portfolio). Initial positions must be in stocks with a market capitalization greater than \$500 million.

Market Update

	Periods Ending 2/29/16					
<u>Large Cap International Indices</u>	<u>YTD</u>	<u>1 Yr</u>	<u>2 Yrs</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>10 Yrs</u>
MSCI EAFE	-8.9%	-15.2%	-7.9%	0.4%	0.6%	1.5%
MSCI EAFE Value	-9.9%	-19.8%	-11.2%	-1.5%	-1.1%	0.2%
MSCI ACWI Ex-U.S.	-7.9%	-17.4%	-8.7%	-2.2%	-1.3%	1.4%
MSCI World Ex-U.S.	-8.2%	-15.7%	-8.3%	-0.3%	-0.1%	1.5%
MSCI EAFE (Local)	-9.2%	-12.6%	0.5%	6.1%	5.0%	1.8%
MSCI EAFE Value vs Growth Spread:	-1.9%	-9.3%	-6.5%	-3.7%	-3.3%	-2.5%
<u>Small Cap International Indices</u>						
MSCI EAFE Small Cap	-8.0%	-5.5%	-4.0%	5.2%	3.9%	3.1%
MSCI EAFE Small Cap Value	-7.5%	-9.1%	-5.9%	4.0%	3.1%	3.3%
Value vs Growth Spread:	0.9%	-7.4%	-3.9%	-2.4%	-1.6%	-0.7%
<u>Emerging Markets Indices</u>						
MSCI Emerging Markets	-6.6%	-23.4%	-10.3%	-8.9%	-5.4%	1.8%
MSCI Emerging Markets Value	-6.0%	-25.5%	-12.2%	-11.2%	-7.4%	1.7%
MSCI Emerging Markets (Local)	-5.2%	-14.7%	-1.9%	-1.1%	0.6%	4.6%
Value vs Growth Spread:	1.3%	-4.0%	-3.7%	-4.5%	-3.9%	-0.2%
<u>Comparative U.S. Indices</u>						
S&P 500	-5.1%	-6.2%	4.1%	10.8%	10.1%	6.4%
Russell 2000	-8.8%	-15.0%	-5.2%	5.7%	6.1%	5.0%

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

International Value Equity Investment Performance

Periods Ended February 29, 2016

Assets Managed: \$145,911,047

<u>LSV International Equity</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>	<u>Return Since Inception*</u>
Stanislaus Portfolio- Gross	-8.1%	-17.7%	-0.9%	-0.3%	11.6%	2.1%	5.4%
Stanislaus Portfolio- Net	-8.2%	-18.2%	-1.5%	-0.9%	11.0%	1.5%	4.7%
MSCI ACWI Ex US	-7.9%	-17.4%	-2.2%	-1.3%	9.2%	1.4%	4.5%
MSCI ACWI Ex US Value	-8.4%	-21.1%	-4.2%	-2.8%	8.4%	0.5%	3.8%

Calendar Years

<u>LSV International Equity</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004*</u>
Stanislaus Portfolio- Gross	-5.2%	-4.0%	20.5%	16.8%	-12.3%	13.4%	48.6%	-47.9%	12.0%	32.2%	16.0%	16.9%
Stanislaus Portfolio- Net	-5.8%	-4.6%	19.7%	16.0%	-12.9%	12.7%	47.7%	-48.3%	11.4%	31.4%	15.3%	16.7%
MSCI ACWI Ex US	-5.7%	-3.9%	15.3%	16.8%	-13.7%	11.2%	41.5%	-45.5%	16.7%	26.7%	16.6%	15.6%
MSCI ACWI Ex US Value	-10.1%	-5.1%	15.0%	17.0%	-13.2%	7.8%	44.3%	-45.5%	12.3%	29.8%	16.4%	16.2%

*Inception Date: 9/15/2004

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

Value Equity

Investment Specialists

Performance Attribution

1 Year Ended December 31, 2015

Sector	Avg. Portfolio Weight	Avg. Bench Weight	Weight Diff.	Port Return Base	Bench Return Base	Return Base Diff.	Sector Selection	Stock Selection	Total Effect
Industrials	10.94%	10.99%	-0.05%	2.37	-4.00	6.37	0.01	0.66	0.67
Materials	7.11%	7.27%	-0.16%	-12.69	-20.68	8.00	0.00	0.64	0.64
Financials	31.45%	27.43%	4.02%	-6.40	-8.58	2.18	-0.11	0.70	0.60
Telecommunication Services	7.46%	5.21%	2.25%	1.55	-4.64	6.19	-0.01	0.44	0.43
Energy	8.35%	7.12%	1.23%	-15.04	-21.74	6.69	-0.19	0.61	0.41
Consumer Discretionary	12.71%	11.59%	1.12%	-2.65	-1.02	-1.63	0.04	-0.26	-0.22
Information Technology	6.07%	7.51%	-1.43%	-3.04	-0.69	-2.35	-0.08	-0.15	-0.23
Health Care	6.01%	9.15%	-3.13%	5.53	6.59	-1.06	-0.34	-0.09	-0.43
Consumer Staples	6.50%	10.24%	-3.73%	0.63	6.00	-5.37	-0.37	-0.34	-0.70
Utilities	3.38%	3.49%	-0.11%	-27.25	-9.25	-18.00	-0.03	-0.68	-0.71
TOTAL	100.00%	100.00%		-5.20	-5.66	0.46	-1.08	1.54	0.46

Portfolio Characteristics

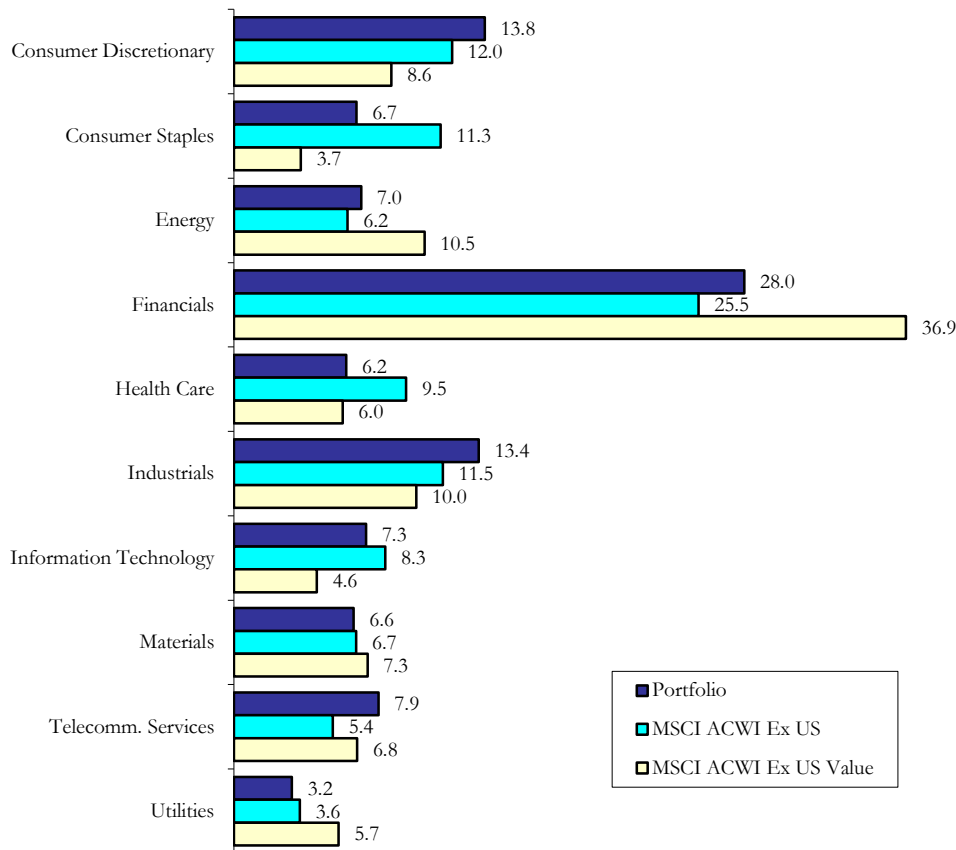
International Large Cap Value

As of 2/29/16

	Stanislaus <u>Portfolio</u>	MSCI ACWI <u>Ex US</u>	MSCI ACWI <u>Ex US Value</u>
Price / Earnings (FY1)	11.1x	15.2x	13.1x
Price / Earnings (FY2)	10.4x	13.8x	11.9x
Price / Cash Flow	6.3x	9.1x	7.0x
Price / Book	1.0x	1.5x	1.0x
Dividend Yield	4.1%	3.3%	4.4%
Weighted Average Market Cap	\$27.1 billion	\$47.7 billion	\$47.3 billion
Weighted Median Market Cap	\$11.4 billion	\$26.3 billion	\$31.6 billion

Portfolio Characteristics

Diversification by Sector
as of 2/29/16



Top Ten Holdings
as of 2/29/16

Description	% of Portfolio
NIPPON TELEGRAPH & TELEPHONE CORP	2.0%
BAE SYSTEMS	1.5%
SAMSUNG ELECTRONIC	1.4%
MAGNA INTL INC	1.4%
ALLIANZ SE	1.4%
SWISS RE AG	1.3%
SANOFI	1.3%
DAIMLER AG	1.2%
DELHAIZE GROUP	1.1%
TOTAL	1.0%

Country Weights

	Stanislaus	MSCI ACWI	MSCI ACWI		Stanislaus	MSCI ACWI	MSCI ACWI
<u>Developed Countries</u>	<u>Portfolio</u>	<u>Ex US</u>	<u>Ex US Value</u>	<u>Emerging Countries</u>	<u>Portfolio</u>	<u>Ex US</u>	<u>Ex US Value</u>
Australia	4.02	4.95	4.68	Brazil	1.26	1.16	1.14
Austria	1.05	0.13	0.21	Chile	0.00	0.27	0.27
Belgium	1.08	1.04	0.65	China	5.53	5.12	5.52
Canada	7.27	6.43	6.64	Colombia	0.00	0.09	0.09
Denmark	0.36	1.43	0.34	Czech Republic	0.00	0.04	0.03
Finland	1.16	0.75	0.79	Egypt	0.00	0.04	0.03
France	6.95	7.25	8.54	Greece	0.00	0.08	0.09
Germany	6.72	6.49	6.06	Hungary	0.39	0.06	0.06
Hong Kong	1.83	2.27	2.37	India	0.59	1.68	1.71
Ireland	0.00	0.37	0.00	Indonesia	0.37	0.61	0.58
Israel	1.43	0.55	0.59	Korea (South)	3.98	3.21	3.29
Italy	0.93	1.57	1.99	Malaysia	0.18	0.73	0.74
Japan	17.68	16.79	16.70	Mexico	0.58	0.96	0.91
Netherlands	1.87	2.20	1.16	Peru	0.00	0.08	0.08
New Zealand	0.00	0.12	0.12	Philippines	0.00	0.31	0.31
Norway	1.23	0.42	0.80	Poland	0.00	0.28	0.29
Portugal	0.00	0.11	0.16	Qatar	0.00	0.21	0.22
Singapore	1.68	0.94	0.94	Russia	1.29	0.76	0.78
Spain	1.66	2.24	2.75	South Africa	1.53	1.41	1.46
Sweden	2.80	2.15	2.08	Taiwan	3.73	2.69	2.62
Switzerland	5.78	6.83	4.73	Thailand	1.40	0.49	0.49
UK	<u>13.40</u>	<u>14.17</u>	<u>16.43</u>	Turkey	0.25	0.31	0.32
Total	79%	79%	79%	United Arab Emirates	<u>0.00</u>	<u>0.20</u>	<u>0.22</u>
				Total	21%	21%	21%

Value Equity

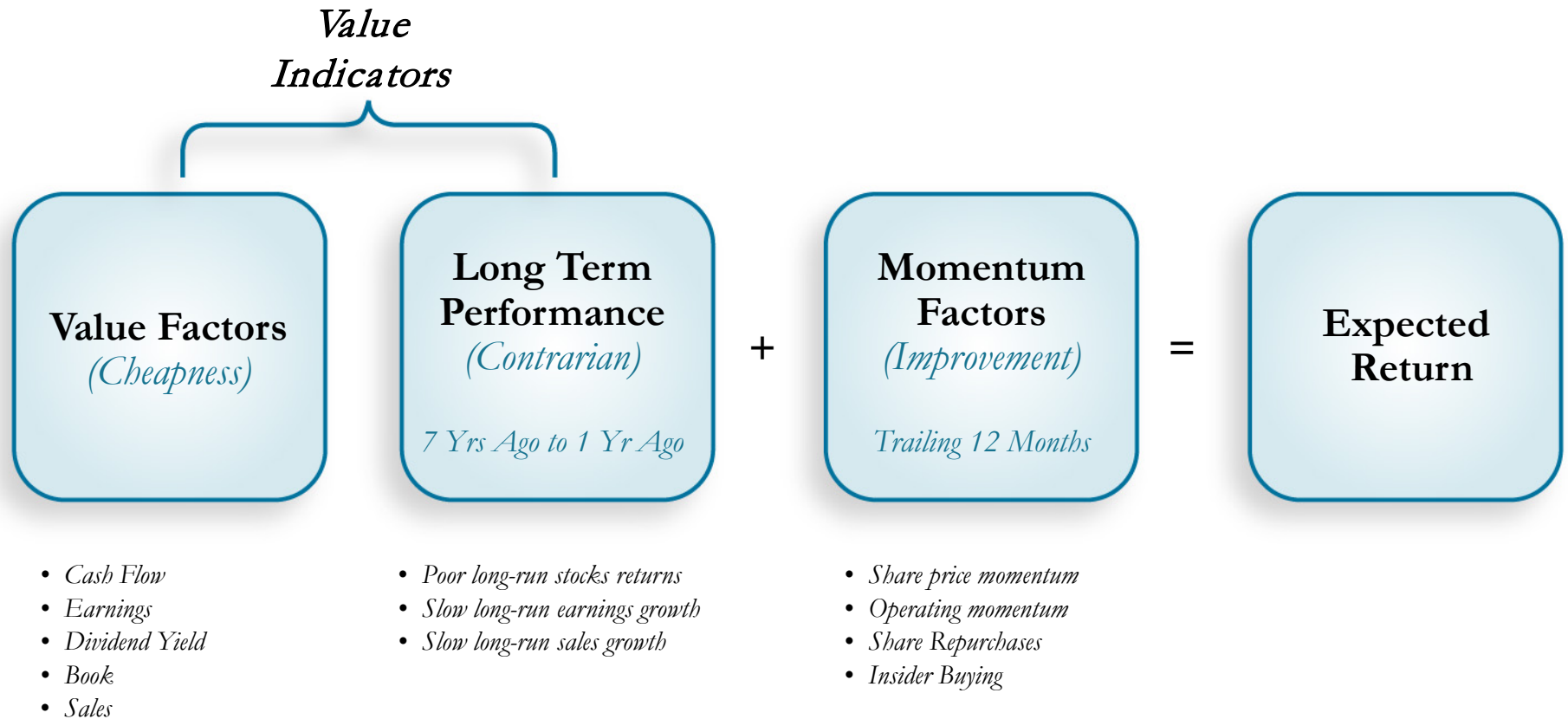
Portfolio Holdings by Country

COUNTRY	% PORT.	COUNTRY	% PORT.	COUNTRY	% PORT.
AUSTRALIA	4.0%	CHINA (continued)		HONG KONG	1.8%
Macquarie Group Limited	0.9%	Tianneng Power International Limited	0.5%	Skyworth Digital Holdings Limited	0.4%
Lend Lease Finance Limited	0.7%	China Railway Construction Corporation L	0.5%	Yue Yuen Industrial (Holdings) Limited	0.4%
National Australia Bank Limited	0.5%	China Resources Power Holdings Company L	0.4%	Dah Chong Hong Holdings Limited	0.3%
Rio Tinto Limited	0.4%	China Shanshui Cement Group Limited	0.4%	Television Broadcasts Limited	0.2%
Csr Limited	0.3%	Shanghai Pharmaceuticals Holding Co., Lt	0.3%	Kingboard Chemical Holdings Limited	0.2%
Seven Group Holdings Limited	0.3%	China Minsheng Banking Corp., Ltd.	0.3%	China Resources Cement Holdings Limited	0.1%
Bank Of Queensland Limited	0.3%	Minth Group Limited	0.3%	China Shineway Pharmaceutical Group Limi	0.1%
Dow ner Edi Limited	0.2%	Weiqiao Textile Co Ltd	0.2%		
Primary Health Care Limited	0.2%	Fufeng Group Limited	0.2%	HUNGARY	0.4%
Metcash Limited	0.2%			Richter Gedeon Vegyeszeti Gyar Nyilvanos	0.4%
AUSTRIA	1.1%	DENMARK	0.4%		
Omv Aktiengesellschaft	0.6%	A.P. Moller - Maersk A/S	0.4%	INDIA	0.6%
At & S Austria Technologie & Systemtechn	0.3%			Tata Motors Limited	0.4%
Uniq Insurance Group Ag	0.1%	FINLAND	1.2%	Tata Steel Limited	0.2%
		Neste Oyj	0.6%		
BELGIUM	1.1%	Upm-Kymmene Oyj	0.6%	INDONESIA	0.4%
Gebroeders Delhaize En Cie De Leeuw (Del	1.1%			Pt Bank Negara Indonesia (Persero),Tbk	0.4%
		FRANCE	6.9%		
BRAZIL	1.3%	Sanofi	1.3%	ISRAEL	1.4%
Companhia De Saneamento Basico Do Estado	0.4%	Total Sa	1.0%	Teva Pharmaceutical Industries Limited	0.9%
Jbs S/A	0.4%	Axa	0.7%	Elbit Systems Ltd.	0.6%
Companhia Paranaense De Energia.	0.2%	Societe Generale	0.7%		
Banco Do Brasil S.A	0.2%	Scor Se	0.6%	ITALY	0.9%
Petroleo Brasileiro S/A Petrobras.	0.1%	Bnp Paribas	0.6%	Enel - Spa	0.6%
		Renault	0.6%	Mediobanca - Banca Di Credito Finanziari	0.3%
CANADA	7.3%	Alstom	0.5%		
Magna International Inc.	1.4%	Thales	0.4%	JAPAN	17.6%
Canadian Imperial Bank Of Commerce	0.9%	Arkema	0.3%	Nippon Telegraph And Telephone Corporati	2.0%
Bce Inc.	0.8%	Electricite De France	0.2%	Ntt Docomo, Inc	0.8%
Rona Inc.	0.7%			Nissan Motor Co., Ltd.	0.8%
Empire Company Limited	0.6%	GERMANY	6.7%	Sumitomo Mitsui Financial Group, Inc.	0.8%
Canadian Tire Corporation, Limited	0.5%	Allianz Se	1.4%	Resona Holdings, Inc.	0.7%
Celestica Inc.	0.5%	Daimler Ag	1.2%	Itochu Corporation	0.7%
Metro Inc.	0.5%	Basf Se	0.9%	Marubeni Corporation	0.7%
National Bank Of Canada	0.4%	Volkswagen Aktiengesellschaft	0.8%	Japan Airlines Co., Ltd	0.6%
Shaw Communications Inc.	0.4%	Rheinmetall Aktiengesellschaft	0.5%	Central Glass Co., Ltd.	0.6%
Westjet Airlines Ltd.	0.4%	Deutsche Bank Aktiengesellschaft	0.5%	Kddi Corporation	0.6%
Teck Resources Ltd.	0.1%	Bayerische Motoren Werke Aktiengesellsch	0.5%	Sumitomo Corporation	0.5%
		Deutsche Lufthansa Aktiengesellschaft	0.4%	Mitsubishi Gas Chemical Company Inc.	0.5%
CHINA	5.5%	Wincor Nixdorf Aktiengesellschaft	0.4%	Kyorin Seiyaku Holdings Kabushiki Kaish	0.5%
Bank Of China Limited	0.9%	E.On Se	0.2%	Brother Industries, Ltd.	0.5%
Chongqing Rural Commercial Bank	0.5%			The Yokohama Rubber Co., Ltd.	0.5%
China Petroleum & Chemical Corporation	0.5%			Fujitec Co., Ltd.	0.4%
Picc Property And Casualty Company Limit	0.5%			Mizuho Financial Group, Inc.	0.4%
				Mitsubishi Ufj Financial Group, Inc.	0.4%
				Toho Holdings Co., Ltd.	0.4%

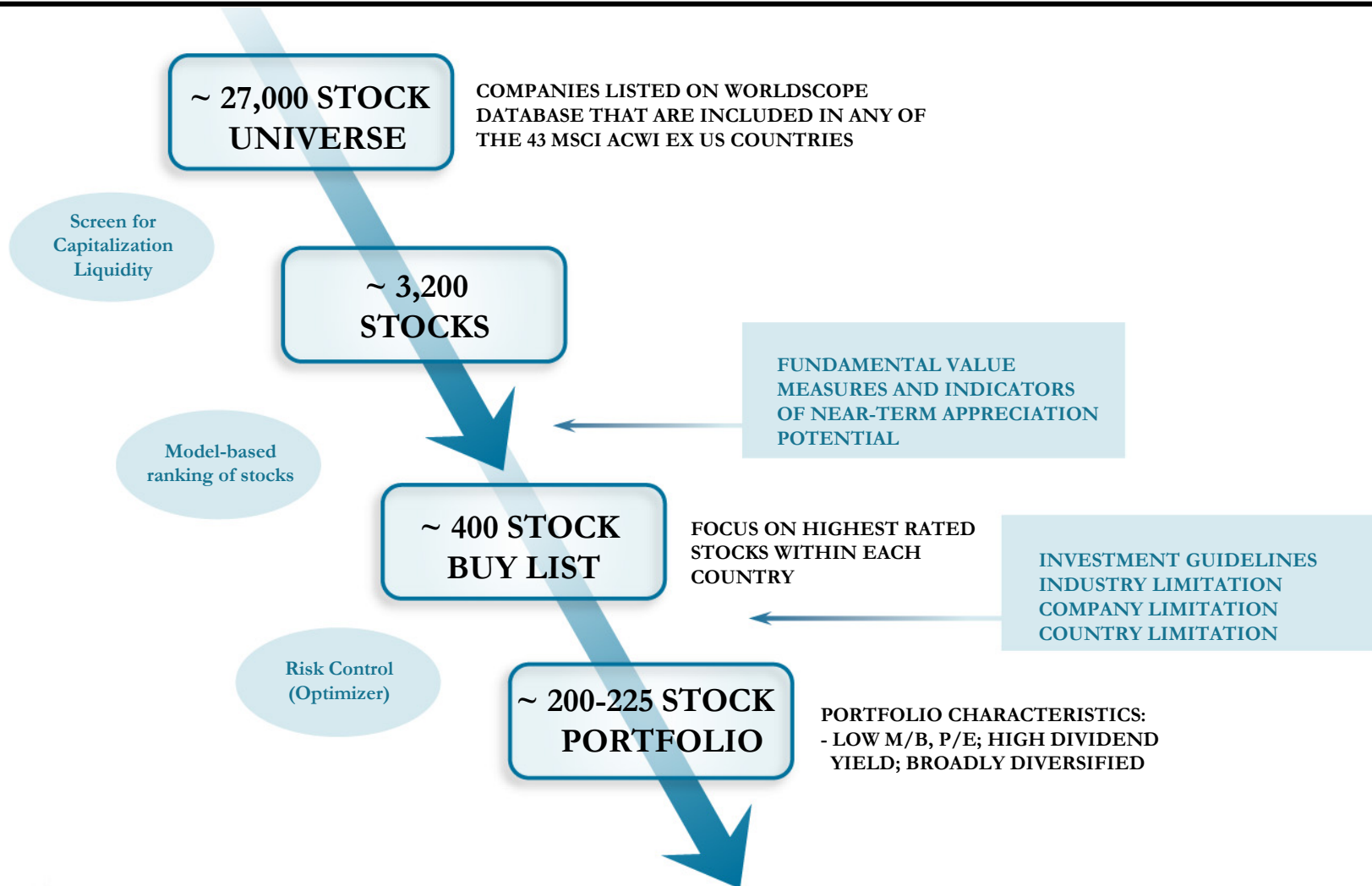
Portfolio Holdings by Country

COUNTRY	% PORT.	COUNTRY	% PORT.	COUNTRY	% PORT.
JAPAN (continued)		RUSSIAN FEDERATION	1.3%	TAIWAN (continued)	
Isuzu Motors Limited	0.4%	Lukoil, Oao	0.4%	Micro-Star Int'L Co.,Ltd.	0.5%
Eizo Nanao Corporation	0.4%	Gmk Norilski Nikel, Pao	0.4%	Giga-Byte Technology Co., Ltd.	0.5%
Seino Holdings Co., Ltd.	0.4%	Mts Pao	0.2%	King Yuan Electronics Co., Ltd.	0.5%
Sumitomo Metal Mining Co., Ltd.	0.4%	Gazprom, Pao	0.2%	King'S Tow n Bank	0.3%
Aisin Seiki Co., Ltd.	0.4%			Tripod Technology Corporation	0.2%
Komori Corporation	0.4%	SINGAPORE	1.7%		
Fujikura Ltd.	0.3%	Dbis Group Holdings Ltd	0.8%	THAILAND	1.4%
Kyowa Exeo Corporation	0.3%	Wilmar International Limited	0.6%	Bangkok Expressw ay And Metro Public Comp	0.5%
Jx Holdings, Inc.	0.3%	United Overseas Bank Limited	0.4%	The Bangchak Petroleum Public Company Li	0.4%
Nichi-Iko Pharmaceutical Co., Ltd.	0.3%			Thanachart Capital Public Company Limite	0.3%
Maeda Road Construction Co., Ltd.	0.3%	SOUTH AFRICA	1.5%	Thai Vegetable Oil Public Co Ltd	0.2%
Paramount Bed Co., Ltd.	0.3%	Vodacom Group Limited	0.7%		
North Pacific Bank, Ltd.	0.3%	Mtn Group Limited	0.3%	TURKEY	0.3%
Nisshinbo Holdings Inc.	0.3%	Imperial Holdings	0.3%	Selcuk Ecza Deposu Ticaret Ve Sanayi A.S	0.3%
Miraca Holdings Inc.	0.3%	Astral Foods Limited	0.2%		
Geo Holdings Corporation	0.2%	Omnia Holdings	0.1%	UNITED KINGDOM	13.4%
Yamaha Motor Co., Ltd.	0.2%			Bae Systems Integrated System Technologi	1.5%
		SPAIN	1.7%	Royal Dutch Shell Plc	1.0%
KOREA, REPUBLIC OF	4.0%	Gas Natural Sdg, S.A.	0.6%	Old Mutual Public Limited Company	1.0%
Samsung Electronics Co., Ltd.	1.4%	Mapfre, S.A.	0.4%	Bt Group Plc	0.7%
Kt&G Corporation	0.7%	Repsol, S.A.	0.4%	Bp P.L.C.	0.7%
Sk Telecom Co Ltd	0.6%	Banco Santander, S.A.	0.3%	Direct Line Insurance Group Plc	0.7%
Ls Industrial Systems Co.,Ltd	0.3%			J Sainsbury Plc	0.6%
Bs Financial Group Inc.	0.3%	SWEDEN	2.8%	Wm Morrison Supermarkets P L C	0.6%
Hana Financial Group Inc.	0.3%	TeliaSonera Ab	0.7%	The Berkeley Group Holdings Plc	0.6%
Dgb Financial Group Co., Ltd.	0.2%	Nordea Bank Ab	0.6%	Centrica Plc	0.6%
Daishin Securities Co., Ltd.	0.2%	Securitas Ab	0.6%	Rexam Plc	0.5%
		Boliden Ab	0.5%	Glaxosmithkline Plc	0.5%
MALAYSIA	0.2%	Skandinaviska Enskilda Banken Ab	0.4%	Astrazeneca Plc	0.5%
Malaysia Building Society Berhad	0.2%			Royal Dutch Shell Plc	0.5%
		SWITZERLAND	5.8%	Man Group Plc	0.4%
MEXICO	0.6%	Sw iss Re Ag	1.3%	Barratt Developments P L C	0.4%
America Movil Sab De Cv	0.6%	Sw iss Life Holding Ag	1.0%	Bovis Homes Group Plc	0.4%
		Credit Suisse Group Ag	0.9%	Redrow Plc	0.4%
NETHERLANDS	1.9%	Zurich Insurance Group Ag	0.8%	3i Group Plc	0.4%
Koninklijke Ahold N.V	0.9%	Baloise-Holding Ag	0.7%	Aviva Plc	0.3%
Ing Groep N.V.	0.4%	Bucher Industries Ag	0.4%	Barclays Plc	0.3%
Aegon N.V.	0.3%	Autoneum Holding Ag	0.4%	Standard Chartered Plc	0.2%
Postnl N.V.	0.3%	Vontobel Holding Ag	0.2%	Vesuvius Plc	0.2%
		Pargesa Holding Sa	0.1%	Tate & Lyle Public Limited Company	0.2%
NORWAY	1.2%			Anglo American Plc	0.1%
Yara International Asa	0.5%	TAIWAN	3.7%	Amec Foster Wheeler Plc	0.1%
Dnb Asa	0.5%	United Microelectronics Corporation	0.7%		
Statoil Asa	0.3%	Pegatron Corporation	0.6%	CASH	0.2%
		Compal Electronics, Inc.	0.5%	TOTAL	100%

Expected Return Model



International Value Investment Process



Sell Discipline

A STOCK IS SOLD WHEN:

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

A STOCK IS CUT BACK WHEN:

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

TURNOVER

- ◆ **APPROXIMATELY 30% PER YEAR.**

How Cheap Are Cheap Stocks?

<u>LSV Strategy</u>	<u>Price/Earnings</u>	<u>Price/Cash Flow</u>	<u>Price/Book</u>	<u>Dividend Yield</u>
U.S. Large Cap Value	11.7x	7.3x	1.5x	3.0%
U.S. Mid Cap Value	10.9x	7.1x	1.4x	3.2%
U.S. Small Cap Value	10.8x	6.9x	1.3x	2.5%
U.S. Micro Cap Value	11.3x	7.1x	1.2x	2.4%
International Large Cap Value	11.9x	6.6x	1.0x	4.0%
International Small Cap Value	11.4x	6.8x	1.0x	3.3%
Emerging Markets Value	8.7x	5.2x	0.8x	4.1%

Global Equity Valuations

<u>Market Index</u>	<u>Price/Earnings</u>	<u>Price/Cash Flow</u>	<u>Price/Book</u>	<u>Dividend Yield</u>
S&P 500	16.6x	12.0x	2.6x	2.3%
Russell Mid Cap	17.8x	12.4x	2.4x	1.9%
Russell 2000	20.8x	14.4x	1.9x	1.6%
MSCI World ex U.S.	15.9x	9.5x	1.5x	3.5%
S&P Developed ex US Small Cap	18.0x	11.2x	1.4x	2.4%
MSCI Emerging Markets	12.9x	7.9x	1.3x	2.8%

Representative Client List

Public Clients

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

Public Clients (Cont.)

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

Taft Hartley Clients

1199 National Benefit & Pension Fund
 Automobile Mechanics Local 701
 Boilermaker-Blacksmith National Pension Trust
 Bricklayers & Trowel Trades International Pension Fund
 Carpenters Pension Fund of Illinois
 Carpenters Pension Trust of St. Louis
 Central Pennsylvania Teamsters Pension Fund
 Chicago Laborers
 Chicago Regional Council of Carpenters
 Connecticut Laborers Pension Fund
 Empire State Carpenters
 I.A.T.S.E. National Pension Fund
 I.B.E.W. Local #103
 I.B.E.W. Local #134

Taft Hartley Clients (Cont.)

I.U.O.E. Local 302 & 612
 I.U.O.E. Local 825
 Laborers' National Pension Fund
 LIUNA Pension Plans
 Mid-Atlantic Regional Council of Carpenters
 National Asbestos Workers Pension Fund
 National Elevator Industry Plan
 National Roofing Industry Pension Fund
 New England Healthcare Workers
 New York City District Council of Carpenters
 Northwest Indiana Carpenters
 S.E.I.U. Local 25
 Sheet Metal Workers Local 73
 Teamsters Joint Council No. 83 of Virginia
 Twin City Pipe Trades
 U.A. Plumbers & Pipefitters Nat'l Pension Fund Staff Plan
 U.M.W.A. 1974 Pension Trust
 U.F.C.W. International Union-Industry Pension Fund
 U.F.C.W. Midwest Pension Fund

Not-For-Profit & Eleemosynary

Archdiocese of Cincinnati
 Canadian Medical Protective Association
 Ministers and Missionaries Benefit Board
 National Geographic Society
 Pacific Salmon Commission
 Portico Benefit Services
 The Salvation Army
 The Seeing Eye, Inc.
 The Sisters of the Holy Family of Nazareth
 United Church Funds
 United Church of Canada

Value Equity

Investment Specialists

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

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

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

Representative Client List

Corporate Clients

ACT, Inc. (American College Testing)
Altria Group
AMP Capital Investors
Anadarko Petroleum Corporation
Aon Hewitt Investment Consulting
AT&T
Bank of America
BASF
Bridger Coal Company - Reclamation Trust
Caterpillar Inc.
Cox Enterprises, Inc.
Daimler NA
Deere & Company
Desjardins Global Asset Management
Diebold, Inc.
DTE Energy
Duke Energy
Emerson Electric
Fiat Chrysler Automobiles
FM Global
Foresters
Harbor Capital Advisors, Inc.
Harsco Corporation
Hess Corporation
Hoogovens Pensioenfond
L-3 Communications Corporation
LyondellBasell
Marsh & McLennan Companies, Inc.

Corporate Clients (Cont.)

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

Endowment & Foundation Clients

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

Endowment & Foundation Clients (Cont.)

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

Health Care

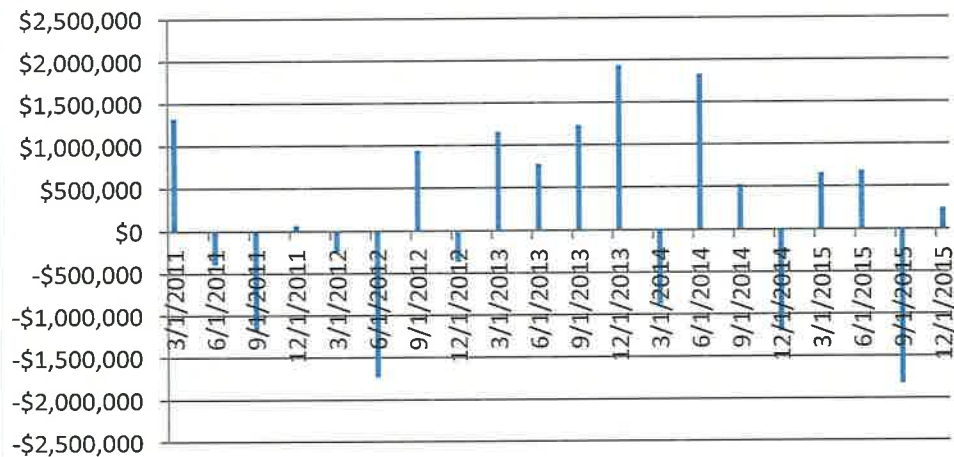
Christiana Care Health Services
CHRISTUS Health
Covenant Health
Dignity Health
Froedtert Health
Kaiser Foundation Hospitals
Legacy Health
Methodist Hospital System
Methodist Le Bonheur Healthcare
Mission Health System
Parkland Health & Hospital System
Trinity Health
WellSpan Health System

LSV Asset Management

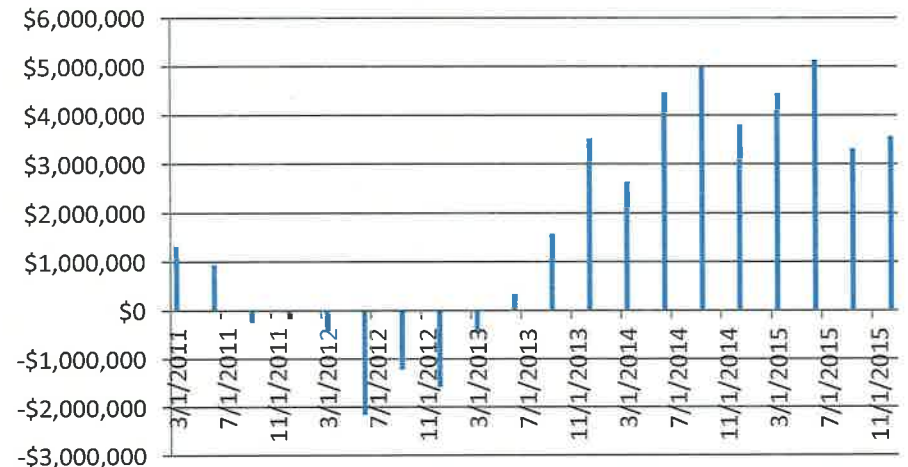


Quarter		Fees			
Begin Date	End Date	Active Return	Managerial	Custodial	Value Added
1/1/2011	3/31/2011	\$1,566,189	\$206,820	\$37,326	\$1,322,043
4/1/2011	6/30/2011	-\$164,056	\$205,220	\$20,682	-\$389,957
7/1/2011	9/30/2011	-\$1,004,436	\$163,726	\$19,932	-\$1,188,094
10/1/2011	12/31/2011	\$251,061	\$168,642	\$15,576	\$66,843
1/1/2012	3/31/2012	-\$33,570	\$180,121	\$26,254	-\$239,945
4/1/2012	6/30/2012	-\$1,538,936	\$168,468	\$21,326	-\$1,728,730
7/1/2012	9/30/2012	\$1,147,740	\$181,141	\$26,629	\$939,969
10/1/2012	12/31/2012	-\$154,942	\$189,009	\$23,035	-\$366,986
1/1/2013	3/31/2013	\$1,391,454	\$191,543	\$43,031	\$1,156,880
4/1/2013	6/30/2013	\$1,004,560	\$190,029	\$39,759	\$774,771
7/1/2013	9/30/2013	\$1,475,950	\$208,847	\$38,465	\$1,228,639
10/1/2013	12/31/2013	\$2,200,502	\$219,252	\$42,595	\$1,938,655
1/1/2014	3/31/2014	-\$732,010	\$95,219	\$49,656	-\$876,885
4/1/2014	6/30/2014	\$2,076,245	\$207,872	\$39,729	\$1,828,645
7/1/2014	9/30/2014	\$653,260	\$97,872	\$31,469	\$523,919
10/1/2014	12/31/2014	-\$1,091,117	\$93,420	\$18,291	-\$1,202,827
1/1/2015	3/31/2015	\$773,888	\$94,983	\$18,722	\$660,183
4/1/2015	6/30/2015	\$964,609	\$257,032	\$21,665	\$685,912
7/1/2015	9/30/2015	-\$1,708,625	\$96,880	\$18,046	-\$1,823,551
10/1/2015	12/31/2015	\$367,058	\$100,134	\$20,054	\$246,869

Quarterly Value Added



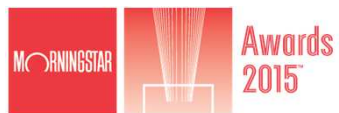
Cumulative Value Added



Strategy review

Stanislaus County Employees' Retirement Association

16 March 2016



Morningstar's U.S. Fixed-Income
Fund Manager of the Year
three of the last four years:
2012 | 2013 | 2015

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Disclosures

PIMCO is a registered trademark of Allianz Asset Management of America L.P. and Pacific Investment Management Company LLC, respectively, in the United States and throughout the world.

The Morningstar Fixed-Income Fund Manager of the Year award [PIMCO Short-Duration (2015) awarded to Jerome Schneider and Team; PIMCO Income (2013) awarded to Dan Ivascyn and Alfred Murata; PIMCO Investment Grade Corporate (2012) awarded to Mark Kiesel] is based on the strength of the manager, performance, strategy and firm's stewardship. Morningstar Awards 2015©. Morningstar, Inc. All Rights Reserved.

Biographical information

R. Matthew Clark, CFA

Mr. Clark is a senior vice president and account manager in the Newport Beach office with a focus on institutional client servicing. Prior to joining PIMCO in 2002, he served as an officer in the U.S. Army for eight years, achieving the rank of captain. He has 14 years of investment experience and holds an MBA from Harvard Business School. He received an undergraduate degree from Trinity University, San Antonio.

Sasha Talcott, CFA

Ms. Talcott is a vice president and account manager in the Newport Beach office, focusing on institutional client servicing. Prior to joining PIMCO in 2012, she was director of communications and outreach for Harvard Kennedy School's Belfer Center for Science and International Affairs, a research center that focuses on topics ranging from international security to energy policy. Previously, she was a business reporter for the Boston Globe, where she covered the banking and insurance sectors. She holds an MBA from MIT Sloan School of Management and received an undergraduate degree from Northwestern University.

Agenda

1. PIMCO update
2. Market review
3. Total Return strategy performance review and portfolio positioning
4. Economic outlook

PIMCO update

PIMCO: Focused on managing risks and delivering returns

Firm snapshot

Assets under management¹

- \$1.43 trillion

Deep global resources

- 13 offices across five continents
- Over 2,350 total employees
 - 250+ portfolio managers
 - 120+ credit and quantitative analysts
 - Promoted 207 officers in 2015

Comprehensive investment solutions

- Alternatives
- Asset allocation
- Equities
- Fixed income

Diversified global business

- Over 80% of AUM in non-core strategies
- One of the largest alternatives platforms
- Over 50 funds with positive inflows YTD²

PIMCO's value proposition

Time-tested investment philosophy

- Diversified set of alpha engines
 - Top down
 - Bottom up
 - Structural tilts

Long-term investment results

- Over 85% of AUM outperformed benchmark over five-year period³

Client-focused culture

- Client education
- Solutions capabilities

Thought leadership

- Global market dynamics
- Economic analysis
- Central bank policy
- Industry trends

Access to our latest views: BLOG.PIMCO.COM

"What's new?"

PIMCO Global Advisory Board

- Board will offer collective views on global economic, political and strategic developments
- #### Board Members
- **Ben Bernanke:** Economist, Former Chairman of the Federal Reserve
 - **Gordon Brown:** Former U.K. Prime Minister and Chancellor of the Exchequer
 - **Ng Kok Song:** Former CIO of the Government of Singapore Investment Corporation (GIC)
 - **Anne-Marie Slaughter:** President and CEO of New America, Former Director of Policy Planning at U.S. State Department
 - **Jean-Claude Trichet:** Former President of the European Central Bank

Industry recognition

- Jerome Schneider and team were recently awarded Morningstar's 2015 Fixed Income Manager of the Year award (U.S.)⁴
- PIMCO has won this award 3 out of the last 4 years – testament to the firm's time-tested investment process

As of 26 January 2016

- 1 Effective 31, March 2012, PIMCO began reporting the assets managed on behalf of its parent's affiliated companies as part of its assets under management. Based on PIMCO U.S. open-end 1940 act funds with positive inflows YTD excluding exchange traded funds and funds exclusively available via managed accounts
- 2 Based on PIMCO U.S. open-end 1940 act funds with positive inflows YTD excluding exchange traded funds and funds exclusively available via managed accounts
- 3 Based on 31 December 2015 data of PIMCO managed portfolios with at least a 5-years history. The gross-of-fees performance of each portfolio was compared to the portfolio's primary benchmark. If the gross-of-fees portfolio performance was greater than the benchmark performance for a given period, the assets in that portfolio were included in the outperforming data. Benchmark outperformance indicates the performance of a portfolio as compared to its benchmark. As such, it does not indicate that a portfolio's performance was positive during any given period. For example, if a portfolio declined 3% during a given period, and its benchmark declined 4%, the portfolio would have outperformed its benchmark, even though it lost value during the period. Certain absolute return oriented portfolios contained within the data may inflate the data either positively or negatively due to the low return/volatility characteristics of the primary benchmark. For example a portfolio measured against 3-month USD Libor would be more likely to out- or underperform its benchmark. No measure of past performance should be understood to ensure that future performance will be positive, whether on a relative or absolute basis.
- 4 The Morningstar Fixed Income Fund Manager of the Year (U.S.) award is based on the strength of the manager, performance, strategy, and firm's stewardship. Awarded to Jerome Schneider and team (2015), Daniel Ivascyn and Alfred Murata (2013) and Mark Kiesel (2012). Morningstar Awards 2015©. Morningstar, Inc. All Rights Reserved.

Assets under management by strategy

PIMCO manages \$1.43 trillion in assets, including \$1.07 trillion in third-party client assets

Alternatives		Billions (\$)
Liquid Absolute Return	Unconstrained bond strategies, credit absolute return, other absolute return strategies	12.15
Hedge Funds	Global macro, long/short credit, multi-asset volatility arbitrage strategies, relative value commodities	15.83
Opportunistic/Distressed	Opportunistic strategies focusing on real estate related assets (residential, commercial), corporate credit	6.16
Asset Allocation		
Asset Allocation Strategies	Global Multi Asset, All Asset, EM Multi Asset, Real Retirement, Inflation-Response Multi Asset, DRA	43.07
Equities		
Equity Strategies	Combines enhanced equities and active equities	24.90
Real Return		
Real Return Strategies	Combines inflation linked strategies, actively managed commodities, and real-estate linked exposure	60.90
Fixed Income		
Total Return ¹	Total Return	109.97
Intermediate ²	Core Strategies, Moderate Duration	114.20
Credit	Investment Grade Corporates, Bank Loans, High Yield Corporates, Convertibles	162.92
Long Duration	Focus on long-term bonds; asset liability management	115.01
Global	Non-U.S. and global multiple currency formats	94.17
Income	Income-oriented, insurance income	93.71
Cash Management ²	Money Market, Short-Term, Low Duration	88.99
Emerging Markets	Local debt, external debt, currency	42.70
Mortgages	Agency MBS, structured credit (non-Agency MBS, CMBS, and ABS)	37.70
Diversified Income	Global credit combining corporate and emerging markets debt	22.28
Municipals	Tax-efficient total return management	13.85
Other	Custom mandates	13.42
Total assets under management		\$1,071.91
Stable Value ²	Stable income with emphasis on principal stability	21.22
Tail-Risk Hedging ³	Pooled and customized portfolios of actively managed tail-risk hedges	35.57

As of 31 December 2015

SOURCE: PIMCO

Assets reflect those managed on behalf of third-party clients and exclude affiliated assets. Fund of funds assets have been netted from each strategy.

Potential differences in asset totals are due to rounding. Represents assets of strategy group in dedicated and non-dedicated portfolios.

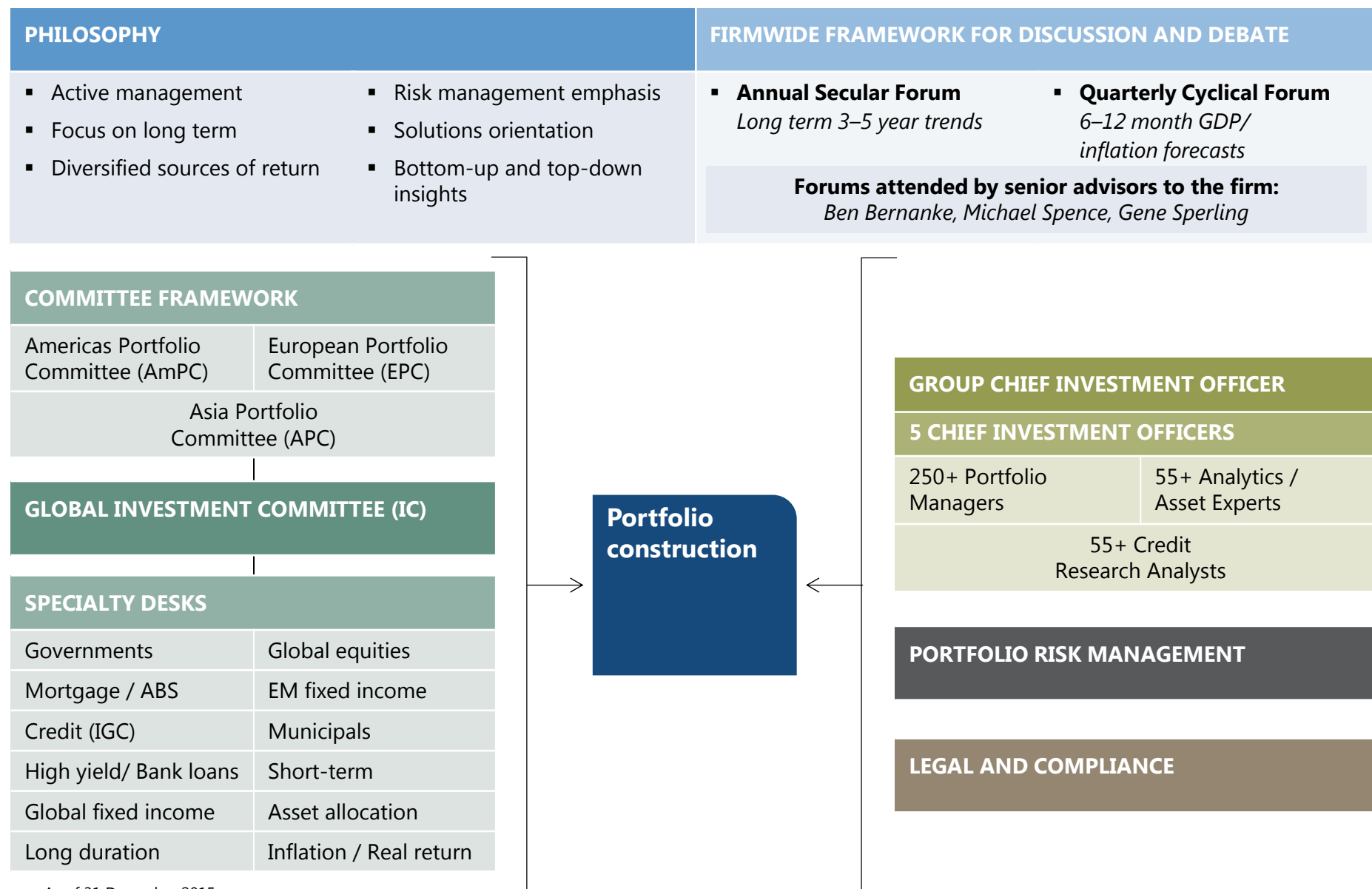
¹ Total Return has been segregated to isolate the assets of PIMCO sponsored U.S. Total Return 1940-act fund and foreign pool fund accounts. All other U.S. Total Return portfolios are included in the Intermediate category

² Stable value assets have not been netted from U.S. Total Return, U.S. Moderate Duration and U.S. Low Duration assets

³ Tail-risk hedging assets reflect total notional value of dedicated mandates and are not counted towards PIMCO total assets under management

PIMCO's investment philosophy and process

Leveraging bottom-up and top-down expertise



As of 31 December 2015

PIMCO Global Advisory Board

Insights from market and policy experts to complement our investment process

- Members will meet several times per year and will attend PIMCO's Secular Forum
- Board will offer collective views on global economic, political and strategic developments
- Will inform but not change PIMCO's longstanding investment process

Ben Bernanke | Chair of the Board

Economist, Former Chairman of the Federal Reserve

2000 and 2015 PIMCO Secular Forum speaker, "Perspectives on the Secular Outlook"



Gordon Brown

Former U.K. Prime Minister and Chancellor of the Exchequer

2011 PIMCO Secular Forum speaker, "Evolution of the international monetary system over the next few years"



Ng Kok Song

Former Chief Investment Officer of the Government of Singapore Investment Corporation (GIC)



Anne-Marie Slaughter

President and CEO of New America, Former Director of Policy Planning at U.S. State Department

2014 PIMCO Secular Forum speaker, "Geopolitical hot spots"



Jean-Claude Trichet

Former President of the European Central Bank

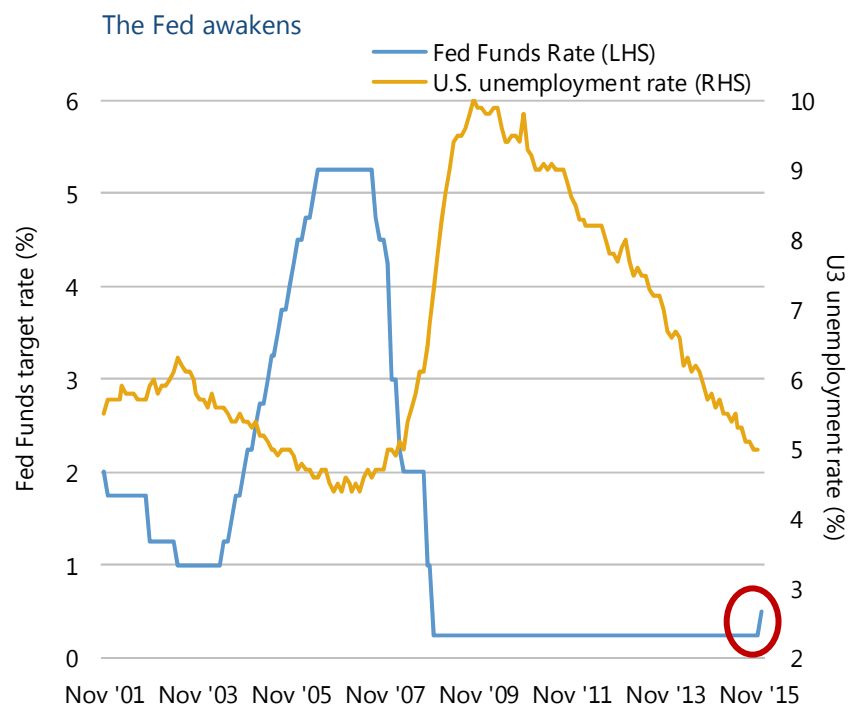
2015 PIMCO Secular Forum speaker, "Global monetary policy: Where do Central Banks go from here?"



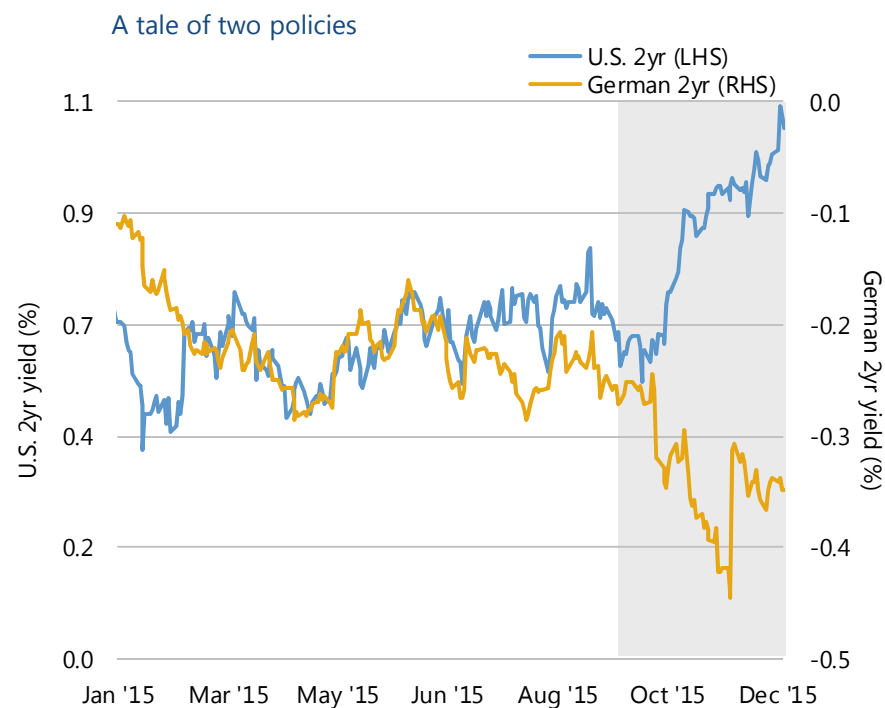


Market review

The Fed and the ECB were a study in contrast last quarter



- After months of fervent speculation, the Fed finally raised policy rates as U.S. labor markets continued to strengthen

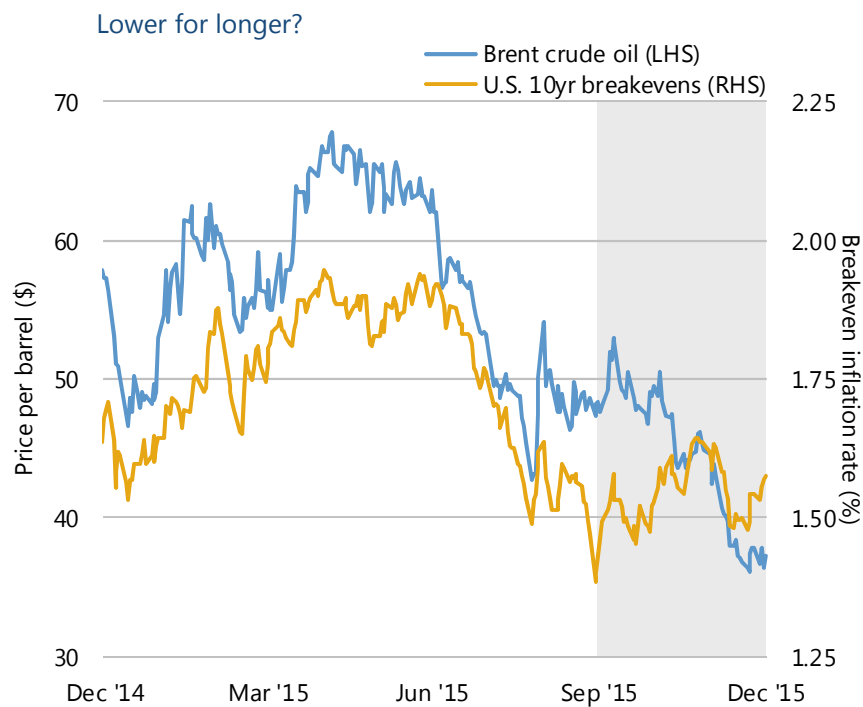


- Markets were relieved by the Fed's "dovish hike" but disappointed by the ECB's "hawkish cut"

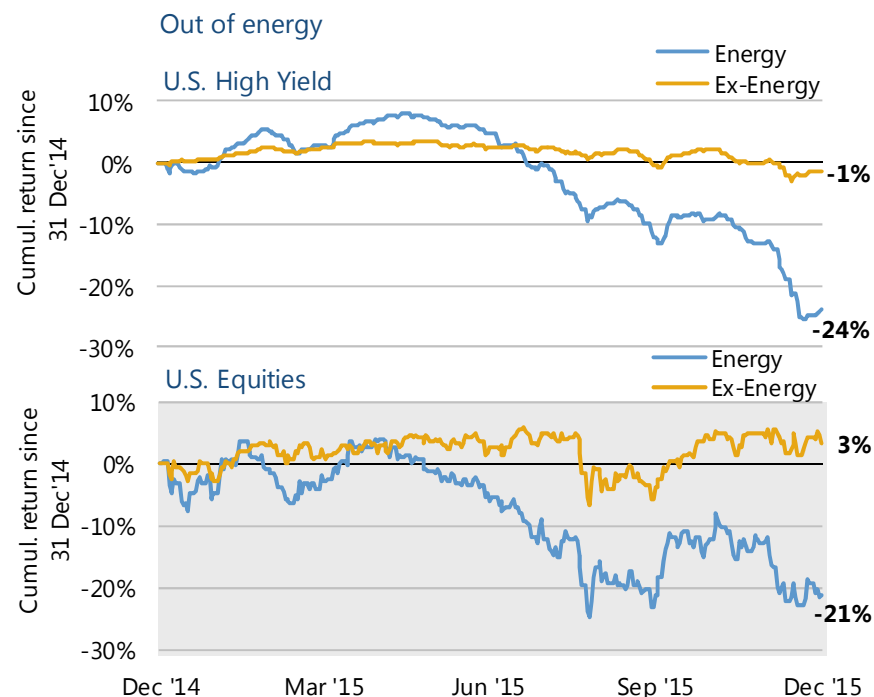
The Fed and ECB diverged not just in policy action but also in effectiveness of policy communication

As of 31 December 2015
SOURCE: Bloomberg, PIMCO

Energy took another leg down but spillover was relatively limited



- Oil prices hit fresh multi-year lows and continued to weigh on inflation expectations

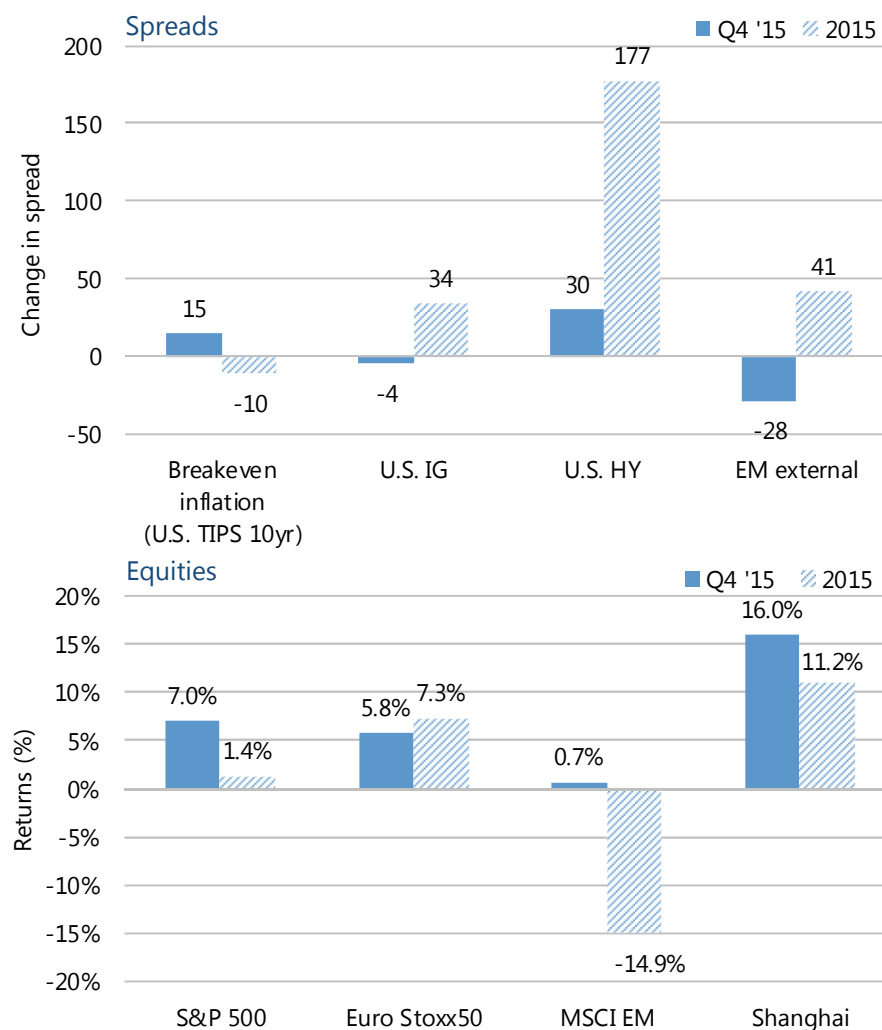
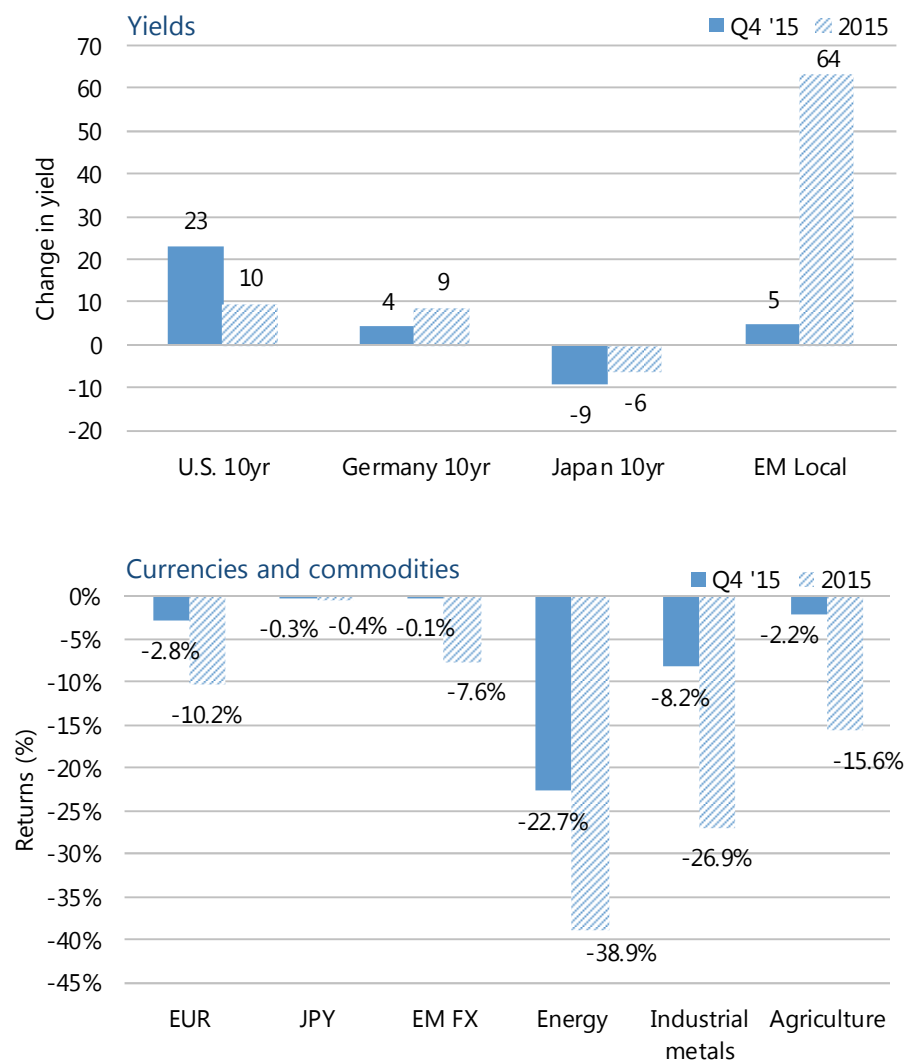


- High yield made headlines but the story was less about credit markets than about energy assets

Collapsing oil prices kept energy in the spotlight but other sectors fared much better

As of 31 December 2015
SOURCE: Bloomberg, Barclays, PIMCO

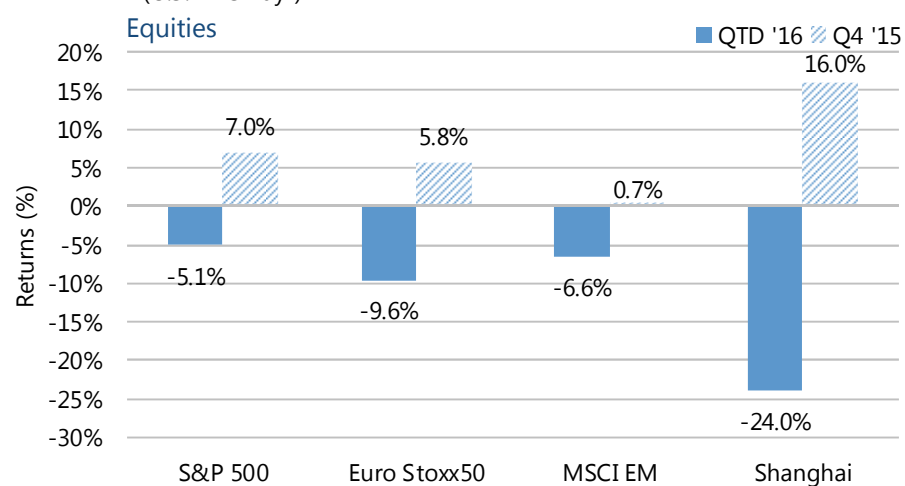
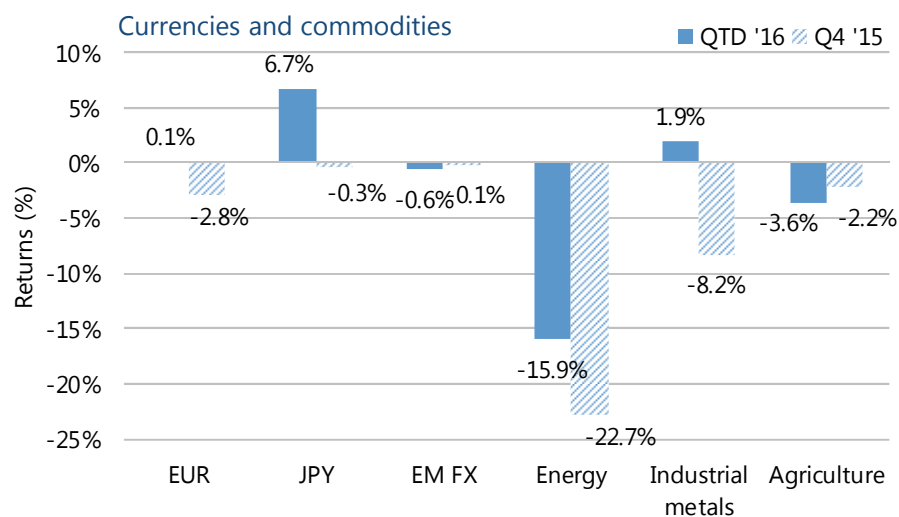
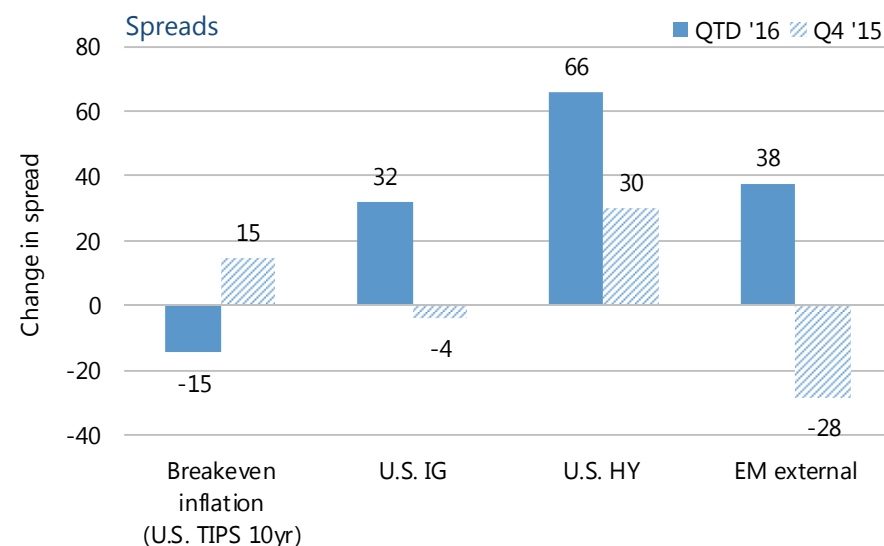
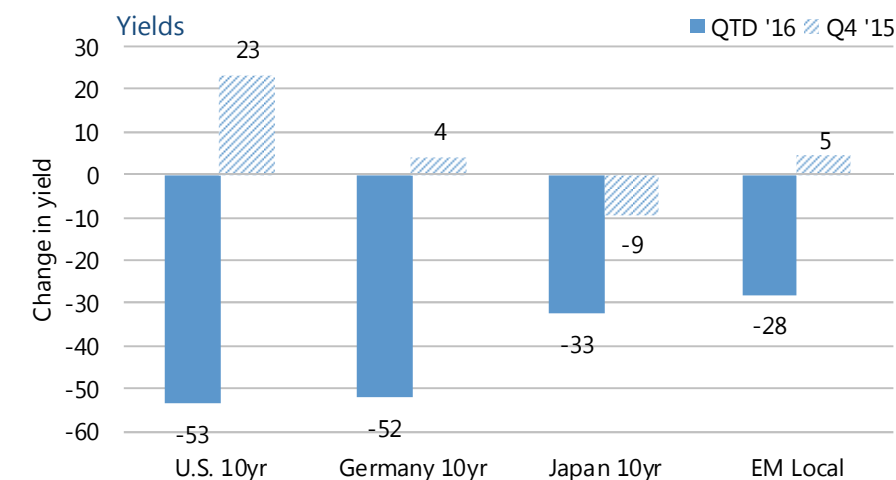
Q4: Markets (outside energy) showed signs of recovery after a volatile Q3



As of 31 December 2015. SOURCE: Bloomberg, PIMCO.

Sovereign yields reflect the generic 10yr benchmarks for each country. EM Local is represented by JPMorgan GBI-EM Global Diversified Composite YTM. U.S. TIPS: generic 10yr breakeven rate. U.S. IG: Barclays U.S. Agg Corporate Avg. OAS; U.S. HY: Barclays U.S. Corporate High Yield Average OAS. EM External: JPMorgan EMBI Global Sovereign Spread. EUR and JPY reflect spot returns against the U.S. dollar. EM FX: JPMorgan Emerging Local Markets ELMI+ Composite Total Return. Energy, Industrial Metals, and Agriculture reflect total return sub-indices of the Bloomberg Commodity Index. Equity percent changes capture total returns for S&P 500; Euro Stoxx 50 (cap-weighted index of 50 of the largest stocks from 12 Eurozone countries); MSCI EM; Shanghai Composite Index.

Intra-quarter market update

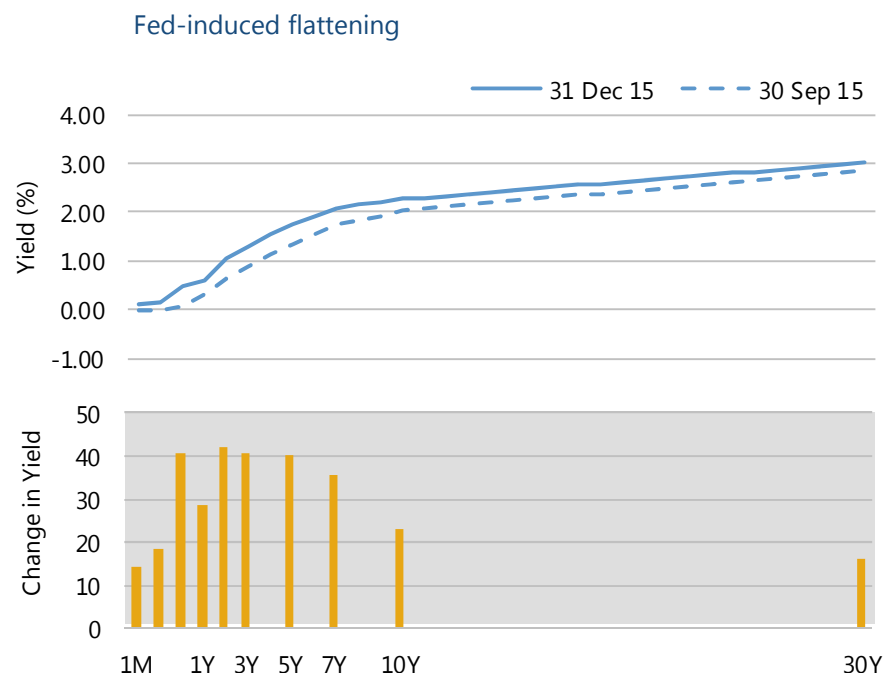


As of 29 February 2016. SOURCE: Bloomberg, PIMCO.

Sovereign yields reflect the generic 10yr benchmarks for each country. EM Local is represented by JPMorgan GBI-EM Global Diversified Composite YTM. U.S. TIPS: generic 10yr breakeven rate. U.S. IG: Barclays U.S. Agg Corporate Avg. OAS; U.S. HY: Barclays U.S. Corporate High Yield Average OAS. EM External: JPMorgan EMBI Global Sovereign Spread. EUR and JPY reflect spot returns against the U.S. dollar. EM FX: JPMorgan Emerging Local Markets ELMI+ Composite Total Return. Energy, Industrial Metals, and Agriculture reflect total return sub-indices of the Bloomberg Commodity Index. Equity percent changes capture total returns for S&P 500; Euro Stoxx 50 (cap-weighted index of 50 of the largest stocks from 12 Eurozone countries); MSCI EM; Shanghai Composite Index.

Total Return strategy performance review
and portfolio positioning

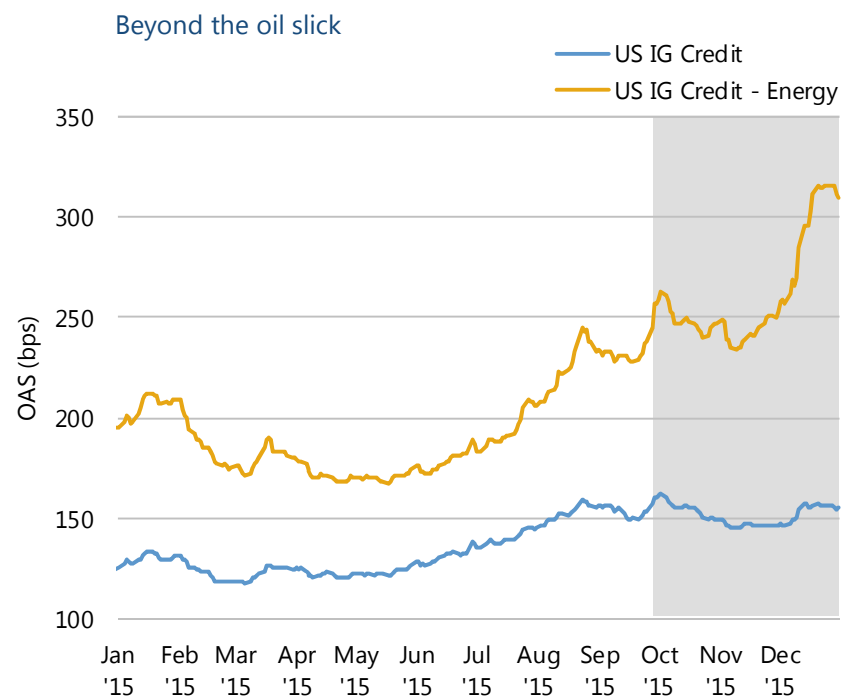
Q4 '15: Front-end yields rose with the Fed while credit was resilient despite oil-driven headlines



U.S. yield curve flattened as Fed lift-off occurred

- The Fed embarked upon a (gradual) hiking cycle for the first time in nearly a decade after economic data indicated the U.S. economy remained on track, driven by robust job gains
- In the lead-up to the Fed's historic move, yields rose across the curve, particularly at the front-end, as markets came around to the likelihood of lift-off amid supportive data and the Fed's own communications

As of 31 December 2015
SOURCE: Bloomberg, PIMCO



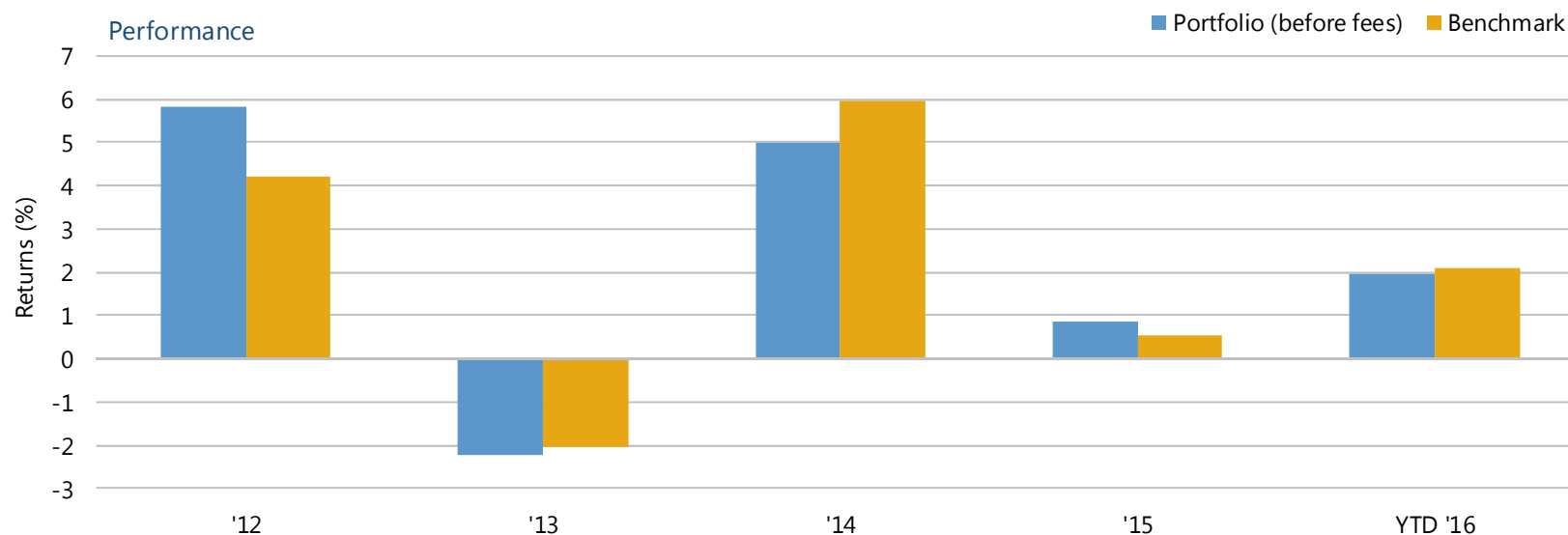
Energy credits were pressured, but spillover limited

- Fresh multi-year lows in oil prices continued to roil the energy sector, but spread movements outside energy were more benign
- Investment grade spreads recovered in Q4 (and particularly in October) after global growth fears and negative risk sentiment weighed on broader markets in Q3
- Heavy M&A-driven issuance and other technicals contributed to spread widening in 2015, but fundamentals outside energy remained solid

Stanislaus County Employees' Retirement Association performance review

Stanislaus County Employees' Retirement Association

Market value as of Dec '15 \$ 110,797,364



Stanislaus County Employees' Retirement Association

	Since inception 14 May '10	5 yrs.	3 yrs.	1 yr.	6 mos.	3 mos.	YTD 3 Mar '16
Before fees (%)	3.8	3.5	1.2	0.9	0.5	-0.3	1.9
After fees (%)	3.5	3.2	0.8	0.5	0.4	-0.4	1.8
Benchmark (%)	3.4	3.3	1.4	0.6	0.7	-0.6	1.9

As of 31 December 2015

All periods longer than one year are annualized

Benchmark: Barclays U.S. Aggregate Index

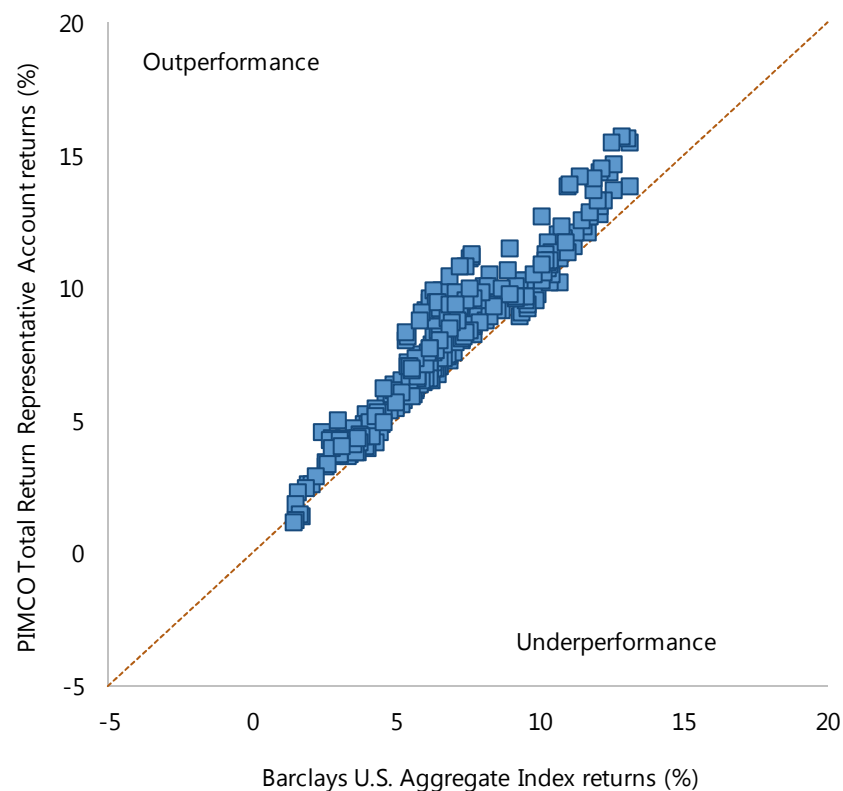
PIMCO's record of performance – Total Return Representative Account

Outperformed benchmark
294 out of 308 rolling monthly
3-year periods after fees (95%)

Contributing factors

- Conservative investment philosophy
- Long-term orientation
- Diversified sources of return
- Top-down and bottom-up insights
- Risk management emphasis

PIMCO Total Return Representative Account (after fees) versus Barclays U.S. Aggregate Index rolling monthly 3-year returns from 31 May 1990 through 31 December 2015



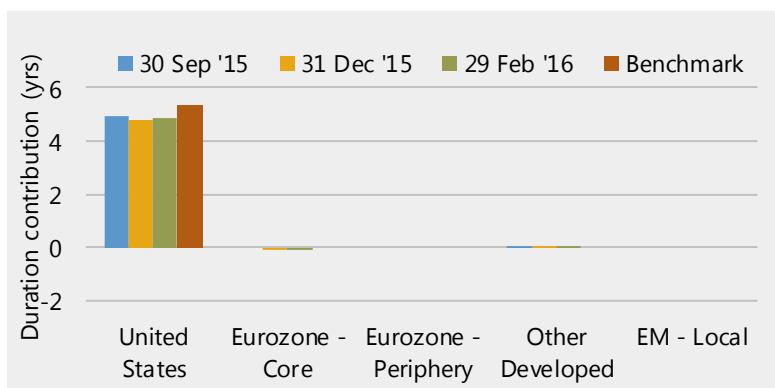
As of 31 December 2015

Portfolio positioning

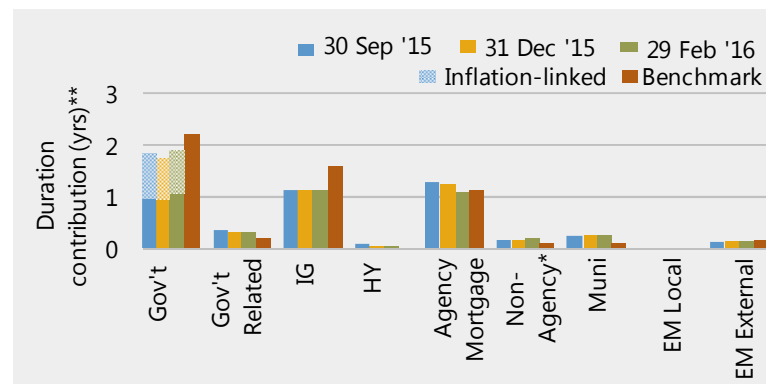
Stanislaus County Employees' Retirement Association

CHARACTERISTICS		30 Sep '15	31 Dec '15	29 Feb '16
Effective duration (yrs.)	Portfolio	5.0	4.8	4.9
	Index	5.3	5.3	5.3
Total Carry (bps)		312	311	281

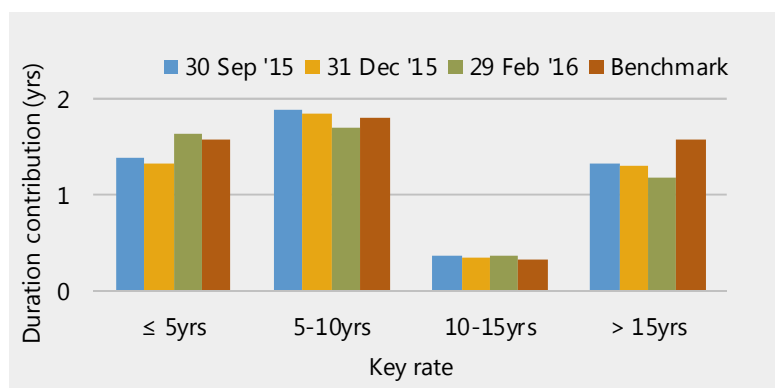
REGIONAL EXPOSURE



SECTOR EXPOSURE



KEY RATE DURATION EXPOSURE



As of 29 February 2016

Benchmark: Barclays U.S. Aggregate Index

Benchmark interest rate and spread durations calculated using PIMCO proprietary analytics and risk models

* Non-agency may include non-agency mortgage backed securities, asset backed securities, and commercial mortgage backed securities

** For spread sectors, the relevant spread duration contribution is used

Performance attribution

KEY STRATEGIES

IMPACT

INTEREST RATE STRATEGIES

Interest rate strategies detracted from performance

- U.S. rate strategies—particularly an underweight to duration—detracted as rates rallied strongly across the curve.

YTD

Negative

SPREAD SECTOR STRATEGIES

Spread sector strategies added to performance

- An underweight to IG corporates more than offset some detracting from select non-investment grade and muni holdings. Dollar-denominated EM debt was also modestly positive for performance
- Negative risk sentiment affected the portfolio's non-Agency holdings while Agency MBS positions were about neutral for performance
- Exposure to TIPS hurt as breakeven inflation rates set new post-crisis lows alongside 12-year lows in oil prices and growing concerns about the state of the global economy

YTD

Positive

As of 29 February 2016

Strategic outlook

Select investment themes in Total Return

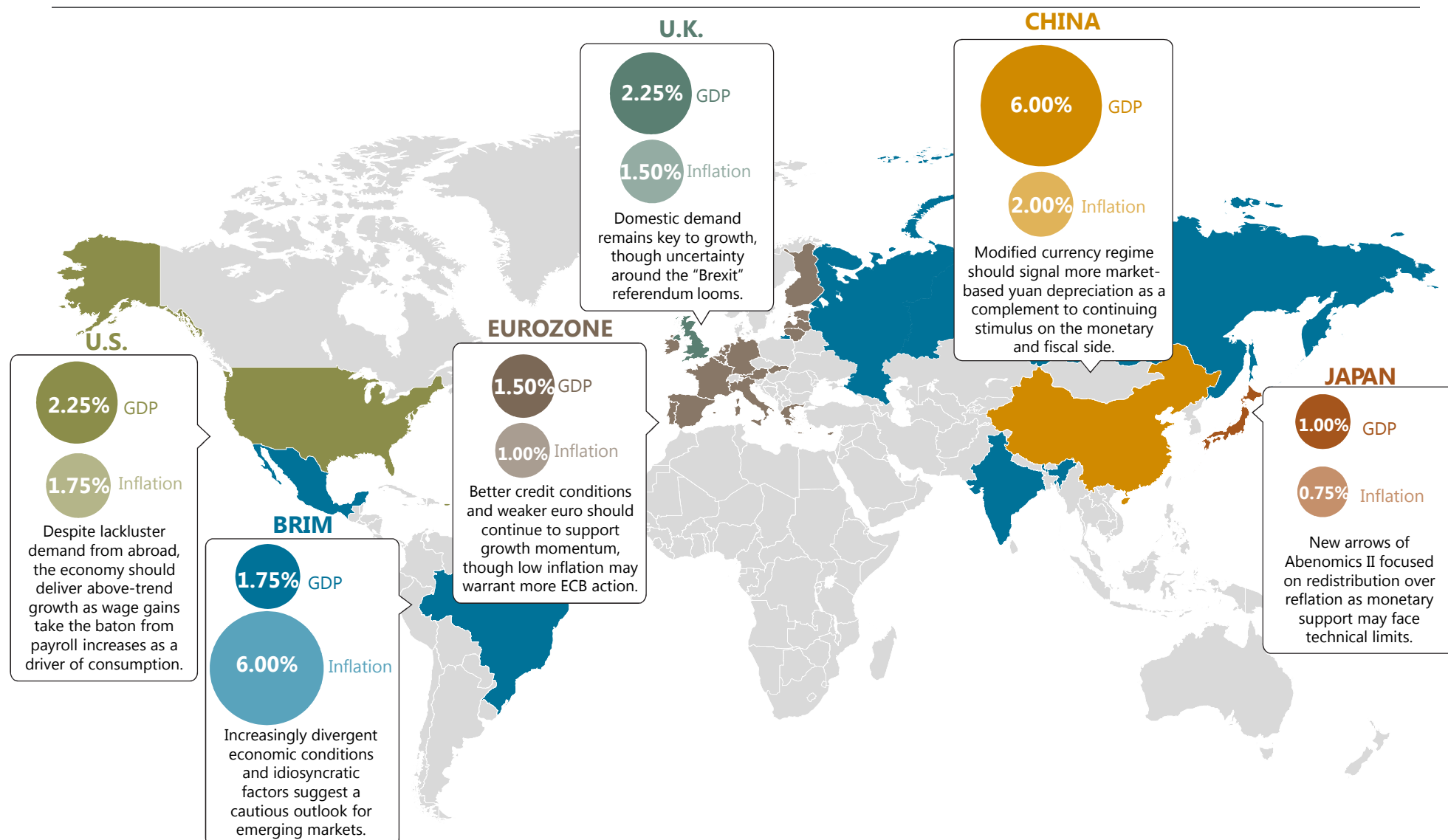
	Position	Rationale
1. U.S. interest rates	Underweight duration	<ul style="list-style-type: none">▪ We remain underweight overall duration in the U.S. as the economy remains on solid footing despite some softening in economic data.▪ While we believe the Fed's path will be more gradual than in previous hiking cycles, we are moderately underweight the front-end of the curve given that the path may not be quite as shallow as the market expects. We also see less value in the long-end of the curve.
2. Inflation-protection	Long TIPS exposure	<ul style="list-style-type: none">▪ We maintain positions in TIPS to protect against any future surprises in inflation▪ Inflation expectations embedded in markets still appear too depressed in light of the Fed's efforts to reflate the economy. Base effects, underlying trends in core components, and the potential for wage pressures as the labor market continues to tighten should all support inflation moving towards the Fed's targets.
3. Credit selection	Opportunistic in IG corporates, favoring other types of credit	<ul style="list-style-type: none">▪ While we are selective overall in the corporate sector (and underweight IG corporate credit), we find attractive opportunities in specific credits that benefit from U.S. growth and a resurgent housing sector▪ We see value in banks and select financial companies, housing-related credits, and taxable municipals (primarily Build-America Bonds, or "BABs")

As of 29 February 2016
SOURCE: PIMCO



Economic outlook

PIMCO's cyclical outlook

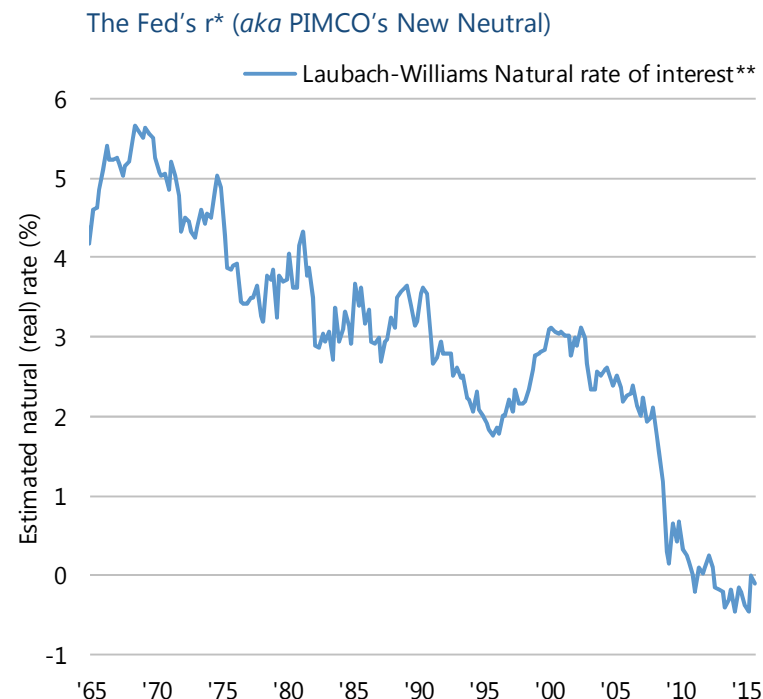
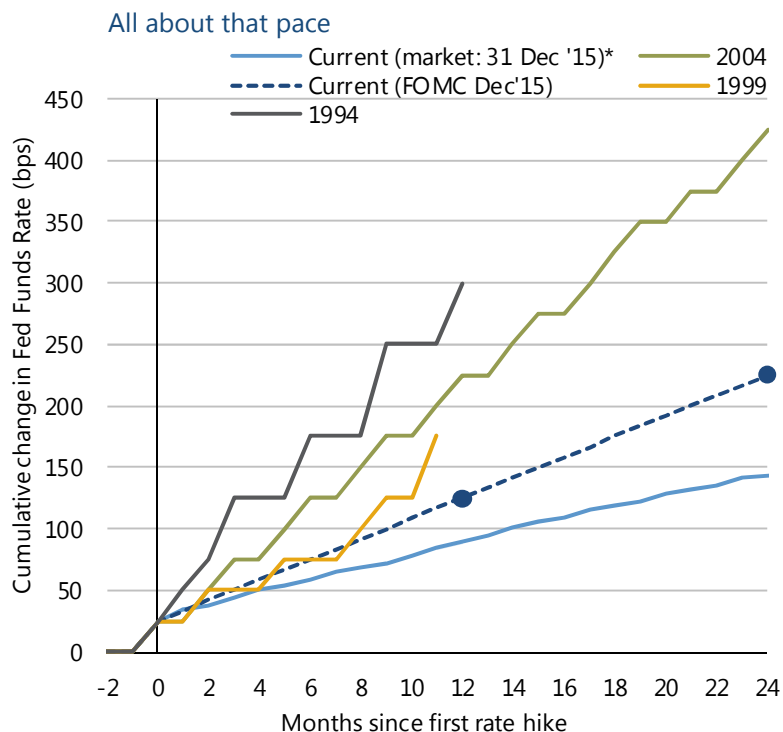


PIMCO forecast as of 17 December 2015

BRIM is Brazil, Russia, India and Mexico

Real GDP and inflation projections reflect the midpoints of PIMCO's forecasts for the four quarters ending Q4 2016

The Federal Reserve: On the move, but slowly and to a lower destination



- Both the Fed and the market expect the hiking cycle to be much more shallow than past ones

- One reason for a gradual path of hikes is that the neutral rate may be much lower than it has been historically

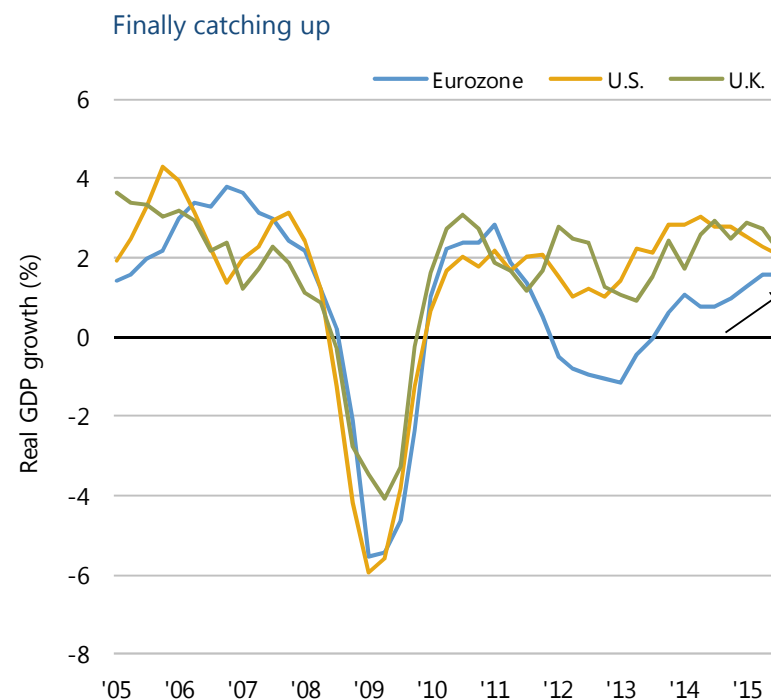
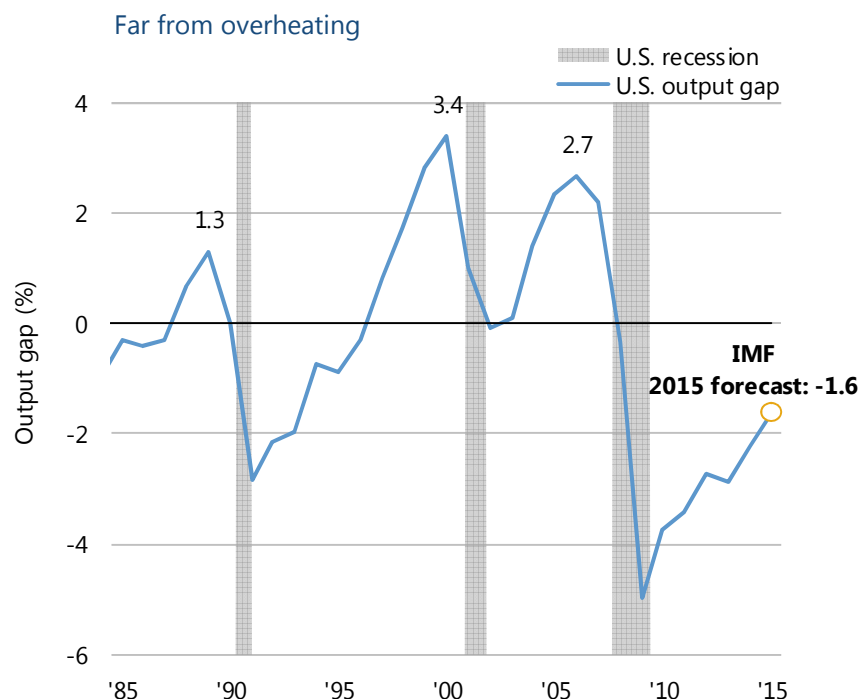
The modest pace and limited scope of this hiking cycle should leave policy accommodative for quite some time

As of 31 December 2015. SOURCE: Bloomberg, PIMCO

* Current market implied path based on Fed Funds futures curve.

** The Laubach-Williams Natural Rate of Interest is an econometrically-derived, time-varying estimate of the real short-term interest rate consistent with the economy operating at its full potential.

Growth momentum should remain as developed economies converge



- Though above trend growth rates have narrowed the output gap, the overheating that presaged past recessions is not yet apparent

- The ECB has contributed to positive growth momentum and convergence, though inflation remains stubbornly below target

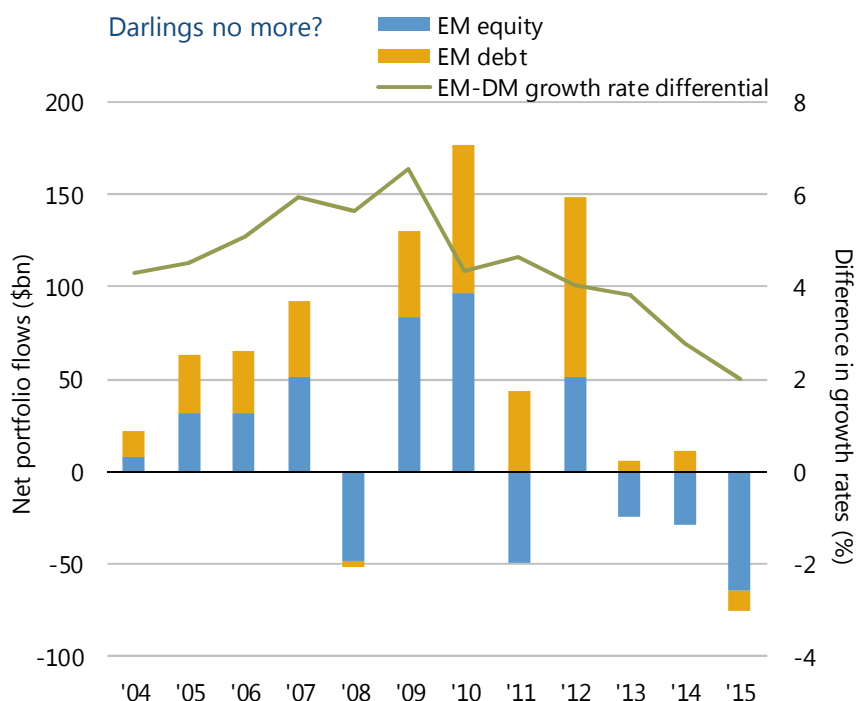
Policy divergence should continue to deliver growth convergence as developed market fundamentals remain solid

As of 31 December 2015

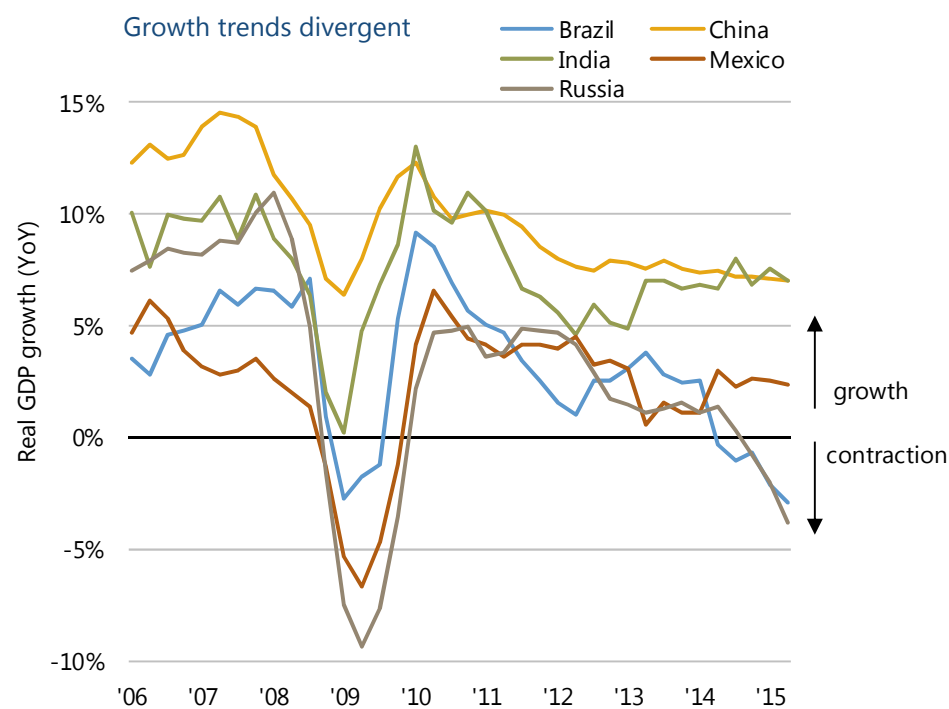
SOURCE: HAVER, Bloomberg, PIMCO

Output gap estimated by the IMF and defined as the difference between actual and potential GDP as a percent of potential GDP.

Emerging markets: Caution remains, but opportunities are present



- Capital flows for emerging markets have soured, contributing to—but also reflecting—a challenging macro backdrop



- Different initial conditions and other idiosyncratic factors leave some countries better equipped to face challenges

While many emerging markets face both external and internal challenges, pockets of value exist

As of 31 December 2015
SOURCE: JPMorgan, HAVER, PIMCO

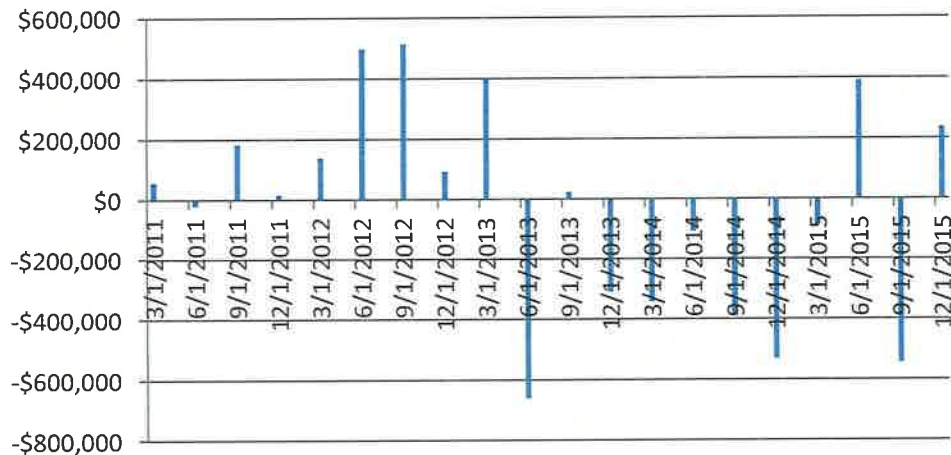
PIMCO

03/16/16
Item 6.b.I

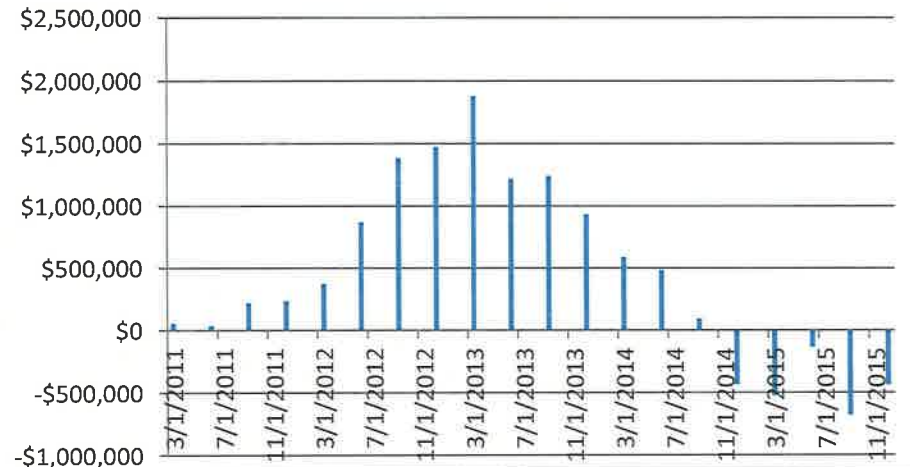


Quarter		Fees			
Begin Date	End Date	Active Return	Managerial	Custodial	Value Added
1/1/2011	3/31/2011	\$134,401	\$73,072	\$4,260	\$57,069
4/1/2011	6/30/2011	\$56,698	\$74,250	\$3,474	-\$21,026
7/1/2011	9/30/2011	\$263,605	\$76,362	\$4,339	\$182,904
10/1/2011	12/31/2011	\$100,614	\$79,352	\$4,814	\$16,448
1/1/2012	3/31/2012	\$233,707	\$89,913	\$5,312	\$138,482
4/1/2012	6/30/2012	\$592,931	\$91,631	\$4,314	\$496,986
7/1/2012	9/30/2012	\$610,260	\$93,044	\$4,589	\$512,627
10/1/2012	12/31/2012	\$190,266	\$93,384	\$4,741	\$92,141
1/1/2013	3/31/2013	\$502,849	\$93,617	\$8,030	\$401,202
4/1/2013	6/30/2013	-\$560,124	\$91,614	\$8,540	-\$660,278
7/1/2013	9/30/2013	\$121,688	\$89,248	\$9,381	\$23,058
10/1/2013	12/31/2013	-\$212,034	\$89,017	\$8,072	-\$309,124
1/1/2014	3/31/2014	-\$243,594	\$90,077	\$8,159	-\$341,830
4/1/2014	6/30/2014	-\$8,476	\$91,410	\$7,769	-\$107,655
7/1/2014	9/30/2014	-\$293,684	\$91,348	\$3,950	-\$388,982
10/1/2014	12/31/2014	-\$435,352	\$92,321	\$2,263	-\$529,936
1/1/2015	3/31/2015	\$8,278	\$93,349	\$2,571	-\$87,643
4/1/2015	6/30/2015	\$485,374	\$92,427	\$2,674	\$390,273
7/1/2015	9/30/2015	-\$447,926	\$92,934	\$2,690	-\$543,550
10/1/2015	12/31/2015	\$331,227	\$92,686	\$2,391	\$236,150

Quarterly Value Added



Cumulative Value Added





March 16, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: The Functionally Focused Portfolio
- II. ITEM NUMBER: 8.a.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: In keeping with the educational theme of today's meeting, staff is presenting a short slide deck on the mechanics of the Fully Functional Portfolio. The Fully Functional Portfolio essentially sets aside or earmarks money to fund future benefits obligations or shortfalls (benefits less contributions) using very liquid, high grade fixed income assets. The concept uses the fact that since liabilities (cash flows) are covered for a specified period of time, the portfolio has the ability to take value added risks elsewhere in the portfolio and not have to count on that part of the portfolio to meet benefit needs or provide liquidity in the event of a negative market event.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently*
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE


Rick Santos, Executive Director

The Functionally Focused Portfolio

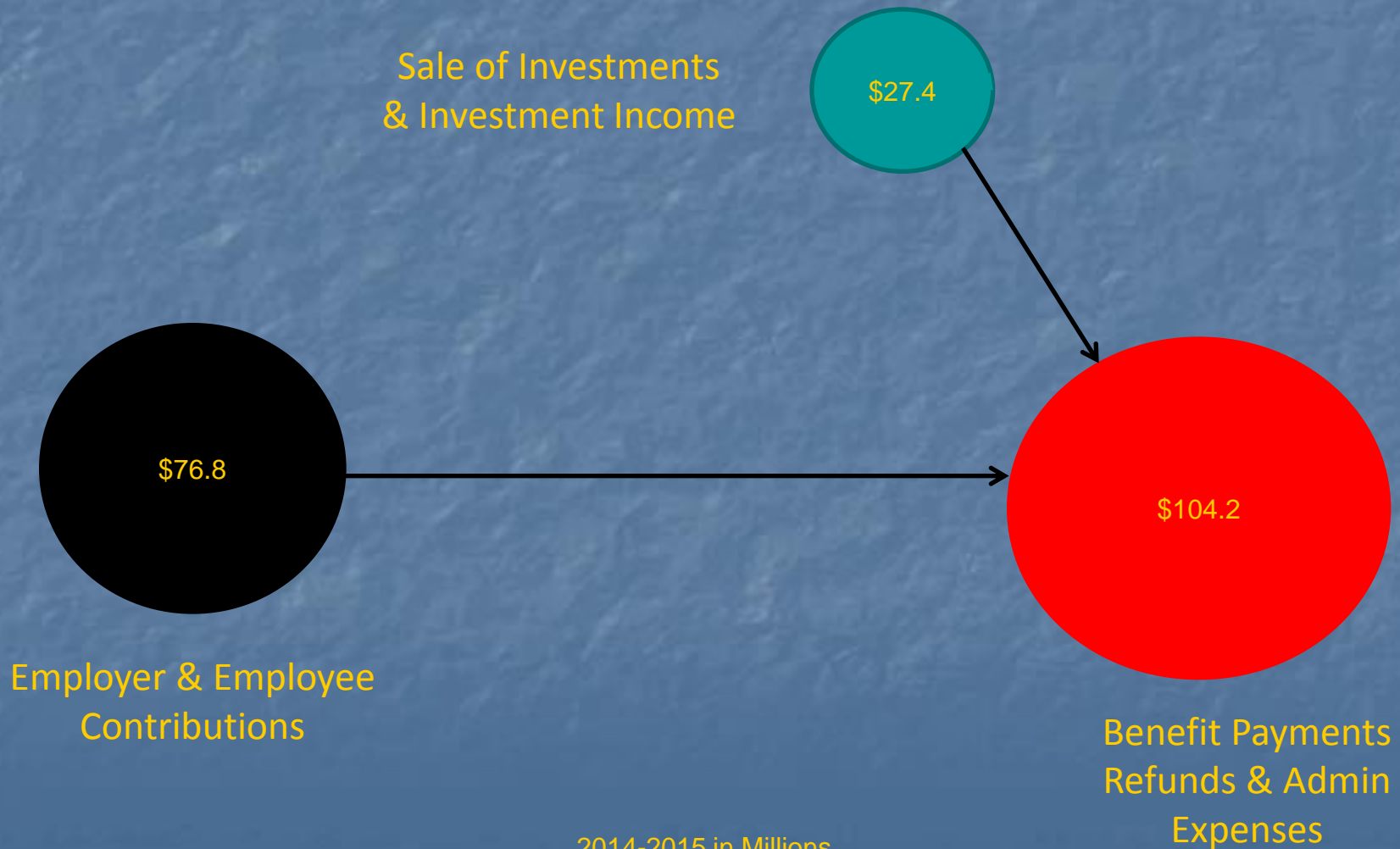
“FFP”

March 16th, 2016

In a Nutshell

- Set aside money today to pay tomorrow's benefits
 - Won't have to sell assets when markets turn (2008)
- Money not reserved can be invested aggressively
 - We prudently partition the risk
 - Comfort in having our liquidity needs covered
- We have discussed this concept before
 - In 2012 the Board supported this idea
 - We built into our Strategic Plan

Flow of Funds - Today



2014-2015 in Millions

Sale of Investments - Today

- Mainly from fixed income portfolio
- Portfolio doesn't account for benefit payments
 - StanCERA says "just give us the cash"
- Methodology is inefficient
 - Timing of bond coupons and principal are not aligned with benefit payments
 - May have to sell other assets to meet cash demand
- Placeholder

The Pension Liability Advantage

- Benefit payments are EXTREMELY predictable
- Lump sum cash outs are not allowed
- In May of 2013, staff developed a statistically significant mathematical model

Annual Retiree Payroll Expectations

<u>Fiscal Year</u>	<u>Predicted</u>	<u>Actual</u>	<u>Difference</u>	<u>% Diff.</u>
13-14	\$92.3	\$93.3	\$1.00	1.08%
14-15	\$99.6	\$100.1	\$0.46	0.46%

The FFP Approach

- Match timing of bond cash flows with benefits
- Efficient
 - Able to be fully invested for as long as possible
 - Able to earn the highest yield possible
 - Can match multiple years of projected benefits
- Won't have to tap other assets in periods of stress
- Comfortably invest rest of portfolio aggressively
- Liquidity could also be used tactically at times

Two Options

- Option 1: Set aside all benefit payments
 - Approximately \$110 million/year
 - 3 years of payments = \$330 million
 - 18% of the portfolio
- Option 2: Set aside the “shortfall”; benefits less contributions
 - Approximately \$30 million/year
 - 3 years of shortfall = \$90 million
 - 5% of portfolio

Option 1

- Less flexibility with the “illiquid” portfolio
 - Less money dedicated to riskier assets
 - Potential for higher employer annual contributions
- More efficient
 - Easier to predict only the benefit payments
 - Cash flow errors minimized
 - More opportunity for tactical decisions

Option 2

- More flexibility with the “illiquid” portfolio
 - Potential for greater diversification opportunities
 - Potentially lower employer contribution rates
- Not as efficient
 - More difficult to predict contributions due to payroll uncertainty
 - May need a small cash reserve to cover errors
- Can reserve more years of shortfall than benefits

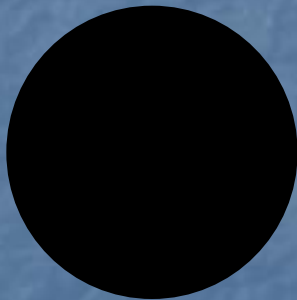
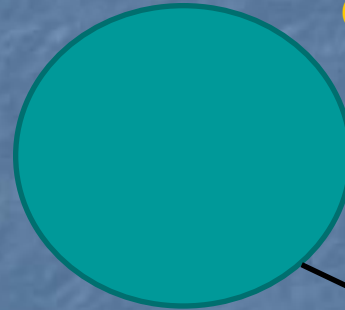
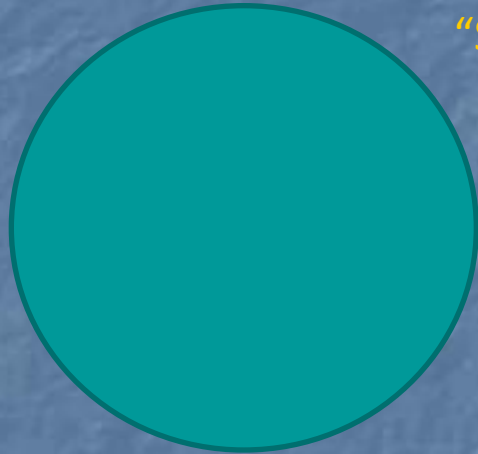
Flow of Funds - FFP

Traditional Portfolio with
"Significant" Exposure to
Illiquid Assets

Fixed Income Investments
Covering X Years of Shortfall

X Years of Employer &
Employee Contributions

X Years of Benefit
Payouts





March 16, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Strategic Asset Allocation

II. ITEM NUMBER: 8.b.I

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION: None

V. ANALYSIS: In light of the fact that StanCERA will be completing its educational studies today, this item allows the Board to discuss and take action on the 3-year Strategic Asset Allocation and any transition that may be associated with that decision.

While the the existence of this item in no way implies that the Board need take any action today, it also allows the Board to discuss and approve the implementation of a rebalancing associated with our current allocation.

VI. RISK: None

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

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

Rick Santos, Executive Director

Rebalancing Analysis: StanCERA

Based on most recent available market values as of March 10, 2016

Asset Class Strategy	Actual		Target		Range		Re-Balance		New		Var.
					Min.	Max.	Calculated	Recommended			
U.S. Equities	774,372,169	45.5%	650,376,677	38.2%	28.7%	47.7%	(123,995,492)	(95,000,000)	679,372,169	39.9%	1.7%
Large Cap Value	287,545,416	16.9%	245,168,172	14.4%	11.4%	17.4%	(42,377,244)	(40,000,000)	247,545,416	14.5%	0.1%
BlackRock Russell 1000 Value	117,971,578	6.9%	93,640,621	5.5%			(24,330,956)	(25,000,000)	92,971,578	5.5%	0.0%
Dodge & Cox Equity	169,573,838	10.0%	151,527,550	8.9%			(18,046,288)	(15,000,000)	154,573,838	9.1%	0.2%
Large Cap Growth	265,305,830	15.6%	192,388,912	11.3%	7.8%	14.8%	(72,916,918)	(65,000,000)	200,305,830	11.8%	0.5%
BlackRock Russell 1000 Growth	109,416,172	6.4%	78,317,610	4.6%			(31,098,562)	(30,000,000)	79,416,172	4.7%	0.1%
Jackson Square	155,889,658	9.2%	114,071,302	6.7%			(41,818,356)	(35,000,000)	120,889,658	7.1%	0.4%
Large Cap Core											
Mellon S&P 500	71,932,626	4.2%	81,722,724	4.8%	3.8%	5.8%	9,790,097	10,000,000	81,932,626	4.8%	0.0%
Small Cap Value											
Capital Prospects	76,996,310	4.5%	68,102,270	4.0%	3.0%	5.0%	(8,894,040)	-	76,996,310	4.5%	0.5%
Small Cap Growth											
Legato Capital	72,591,986	4.3%	62,994,600	3.7%	2.7%	4.7%	(9,597,387)	-	72,591,986	4.3%	0.6%
Non-U.S. Equities	308,913,008	18.1%	306,460,214	18.0%	15.0%	21.0%	(2,452,793)	10,000,000	318,913,008	18.7%	0.7%
LSV International Value	153,243,822	9.0%	153,230,107	9.0%			(13,715)	5,000,000	158,243,822	9.3%	0.3%
Pyramis International Growth	155,669,186	9.1%	153,230,107	9.0%			(2,439,078)	5,000,000	160,669,186	9.4%	0.4%
Fixed Income	466,070,497	27.4%	507,361,911	29.8%	26.0%	33.6%	41,291,414	60,000,000	526,070,497	30.9%	1.1%
Dodge & Cox Income	353,582,914	20.8%	405,208,506	23.8%			51,625,592	60,000,000	413,582,914	24.3%	0.5%
PIMCO Fixed Income	112,487,583	6.6%	102,153,405	6.0%			(10,334,178)	-	112,487,583	6.6%	0.6%
Alternative Fund	153,200,551	9.0%	238,357,945	14.0%			85,157,393	20,000,000	173,200,551	10.2%	-3.8%
Real Estate	37,185,101	2.2%	59,589,486	3.5%	1.0%	4.5%	22,404,385	20,000,000	57,185,101	3.4%	-0.1%
MS Prime Property	15,463,323	0.9%	17,025,567	1.0%			1,562,244	-	15,463,323	0.9%	-0.1%
American Strategic Value Realty	8,981,778	0.5%	17,025,567	1.0%			8,043,790	-	8,981,778	0.5%	-0.5%
BlackRock US Real Estate	3,277,849	0.2%	8,512,784	0.5%			5,234,934	20,000,000	23,277,849	1.4%	0.9%
Greenfield GAP VII	9,462,151	0.6%	17,025,567	1.0%			7,563,417	-	9,462,151	0.6%	-0.4%
Direct Lending	107,192,152	6.3%	127,691,756	7.5%	2.5%	9.0%	20,499,604	-	107,192,152	6.3%	-1.2%
Medley Capital	29,743,175	1.7%	30,646,021	1.8%			902,846	-	29,743,175	1.7%	-0.1%
Raven Capital	26,818,723	1.6%	40,861,362	2.4%			14,042,639	-	26,818,723	1.6%	-0.8%
Raven Opportunity III	10,078,922	0.6%	15,323,011	0.9%			5,244,089	-	10,078,922	0.6%	-0.3%
White Oak Pinnacle	40,551,333	2.4%	40,861,362	2.4%			310,029	-	40,551,333	2.4%	0.0%
Infrastructure											
MS Infrastructure Partners II	8,823,298	0.5%	51,076,702	3.0%	0.0%	4.0%	42,253,405	-	8,823,298	0.5%	-2.5%
Cash	522	0.0%					(522)	5,000,000	5,000,522	0.3%	0.3%
Totals	1,702,556,747	100%	1,702,556,747	100%			62,753,008	-	1,702,556,747	100%	0.0%



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



MARCH 16, 2016

Meeting Materials for

Stanislaus Country Employees' Retirement Association

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[VERUSINVESTMENTS.COM](https://verusinvestments.com)

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

Asset Allocation Study

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Risk Parity Returns

TAB II



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



MARCH 16, 2016

Asset allocation study for

Stanislaus County Employees' Retirement Association

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VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

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Plan profile

Plan profile

As of March 4, 2016:

- Total market value of assets = \$1,701,678,969

As of June 30, 2015:

- Average monthly Plan cash flows based on the previous 24 months:
 - Total Contributions = \$6.06mm
 - Total Benefit Payments & Expenses = \$8.39mm
 - Benefit Payments = \$8.19mm
 - Operating Expenses = \$0.19mm
 - Net Operating Cash Outflow = \$2.33mm
 - Total Interest & Dividends = \$3.67mm
 - Net Cash Inflow = \$1.34mm
- Total participants = 8,808 (4,145 or 47.1% active, 1,198 or 13.6% inactive, 3,456 or 39.3% retired)
- Open to new participants

As of June 30, 2014:

- Accrued liability = \$2,026.4 mil (based on interest rate of 7.75%)
- Actuarial assumed rate of return = 7.75% (subsequently reduced to 7.25%)
- Funded ratio = 81.1% (actuarial value of assets) and 84.0% (March 4, 2016 market value of assets)

Sources: StanCERA Comprehensive Annual Financial Reports, Cheiron Actuarial Valuation Reports

Asset allocation analysis

Asset allocation analysis

	Policy	Current	FFP 7-yr		Return (10 Yr)	Standard Deviation	Sharpe Ratio
			A	B			
Domestic Equity							
US Large	30.5	36.4	13.0	13.0	5.9	15.1	0.26
US Small	7.7	8.9	-	-	5.2	19.8	0.16
	38.2	45.3	13.0	13.0			
International Equity							
International Developed	14.4	14.6	22.4	22.4	9.2	18.5	0.39
Emerging Markets	3.6	3.7	5.6	5.6	11.3	23.6	0.39
	18.0	18.3	28.0	28.0			
Total Equity	56.2	63.6	41.0	41.0			
Fixed Income							
Core Fixed Income	29.8	27.3	-	-	3.2	3.2	0.37
US Treasury	-	-	9.0	9.0	2.3	6.5	0.04
Short-Term Gov't/Credit	-	-	14.0	14.0	2.5	1.3	0.37
High Yield Corp. Credit	-	-	5.0	5.0	7.1	10.6	0.48
	29.8	27.3	28.0	28.0			
Real Assets							
Core Real Estate	6.5	2.2	5.0	5.0	4.7	13.2	0.20
Value-Add Real Estate	-	0.5	5.0	5.0	6.7	23.3	0.20
	6.5	2.7	10.0	10.0			
Alternatives							
Risk Parity	-	-	-	5.0	7.0	10.0	0.50
Private Equity	-	-	5.0	5.0	8.2	23.7	0.26
Private Credit	7.5	6.4	15.0	10.0	9.1	10.9	0.65
	7.5	6.4	20.0	20.0			
Cash	-	-	1.0	1.0	2.0	0.6	-
Total Allocation	100	100	100	100			

FFP 7-yr is based on 7 years worth of shortfall (shortfall equals total benefit payments & expenses minus total contributions).

Current Portfolio as of March 4, 2016

Asset allocation by functional role

	Policy	Current	FFP 7-yr		Return (10 Yr)	Standard Deviation	Sharpe Ratio
			A	B			
Liquidity	-	-	15.0	15.0			
Cash	-	-	1.0	1.0	2.0	0.6	-
Short-Term Govt/Credit	-	-	14.0	14.0	2.5	1.3	0.37
Diversifying	-	-	9.0	14.0			
US Treasury	-	-	9.0	9.0	2.3	6.5	0.04
Risk Parity	-	-	-	5.0	7.0	10.0	0.50
Growth	100.0	100.0	76.0	71.0			
Domestic Equity	38.2	45.3	13.0	13.0			
Large Cap US Equity	30.5	36.4	13.0	13.0	5.9	15.1	0.26
Small/Mid Cap US Equity	7.7	8.9	-	-	5.2	19.8	0.16
International Equity	18.0	18.3	28.0	28.0			
International Large	14.4	14.6	22.4	22.4	9.2	18.5	0.39
Emerging Markets	3.6	3.7	5.6	5.6	11.3	23.6	0.39
Domestic Fixed Income	29.8	27.3	5.0	5.0			
US Core Fixed Income	29.8	27.3	-	-	3.2	3.2	0.37
High Yield Fixed Income	-	-	5.0	5.0	7.1	10.6	0.48
Real Estate	6.5	2.7	10.0	10.0			
Core Real Estate	6.5	2.2	5.0	5.0	4.7	13.2	0.20
Value-Add Real Estate	-	0.5	5.0	5.0	6.7	23.3	0.20
Private Equity	-	-	5.0	5.0	8.2	23.7	0.26
Private Credit	7.5	6.4	15.0	10.0	9.1	10.9	0.65
Total Allocation	100	100	100	100			

Current Portfolio as of March 4, 2016

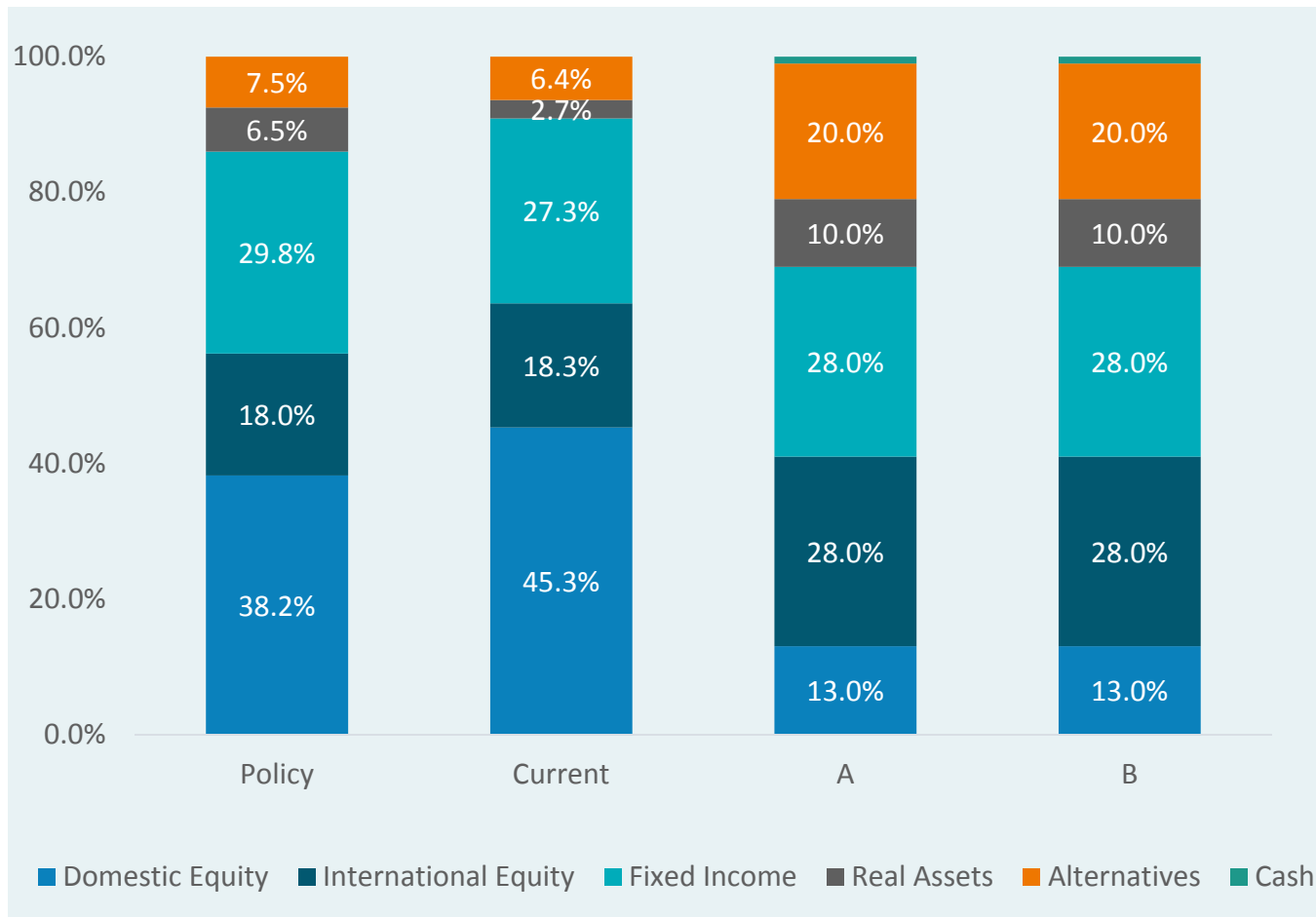
Asset allocation analysis

	Policy	Current	A	B
Mean Variance Optimizer Analysis				
Forecast 10 Year Return	6.3	6.3	7.3	7.2
Standard Deviation	10.3	11.1	10.2	10.1
Return/Std. Deviation	0.6	0.6	0.7	0.7
1st percentile ret. 1 year	-23.0	-24.2	-26.5	-25.2
Sharpe Ratio	0.46	0.44	0.56	0.56
Verus Scenario Analysis				
10 Year Return Forecast				
Stagflation	5.6	5.4	6.3	6.3
Weak	2.7	2.5	3.9	3.9
Base CMA	6.4	6.5	7.5	7.4
Strong	10.1	10.5	10.6	10.5
Range of Scenario Forecast	7.4	8.0	6.7	6.6
Shock (1 year)	-23.5	-25.9	-21.6	-20.5
10 Year <u>Real</u> Return Forecast				
Stagflation	-0.5	-0.7	0.2	0.2
Weak	1.6	1.4	2.8	2.8
Base CMA	4.3	4.4	5.4	5.3
Strong	7.5	7.9	8.0	7.9
Range of Scenario Forecast	8.0	8.6	7.8	7.7

Current portfolio as of March 4, 2016

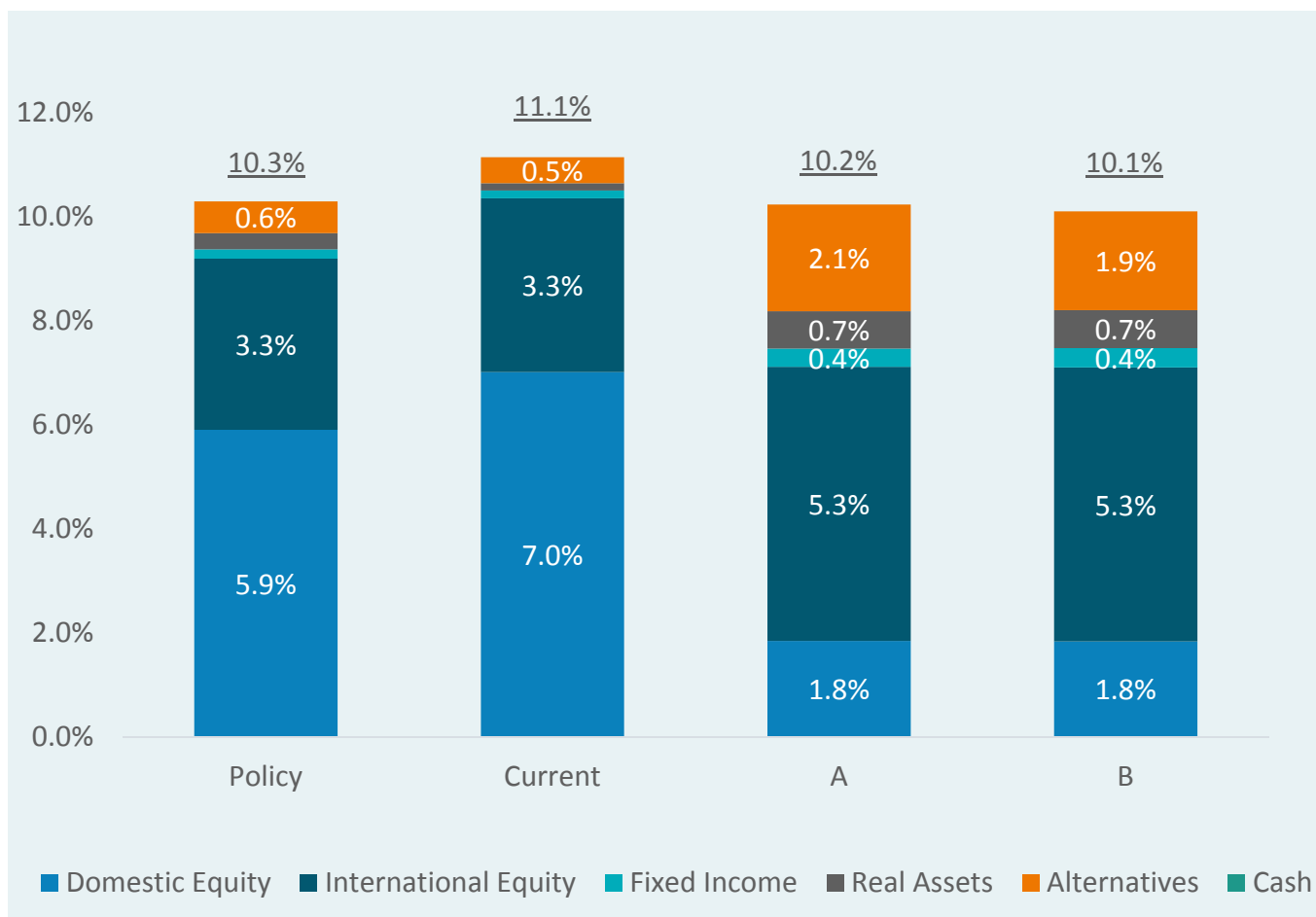
Scenario Analysis utilizes January 2016 Verus Capital Market Assumptions

Asset allocation by asset class



Current portfolio as of March 4, 2016

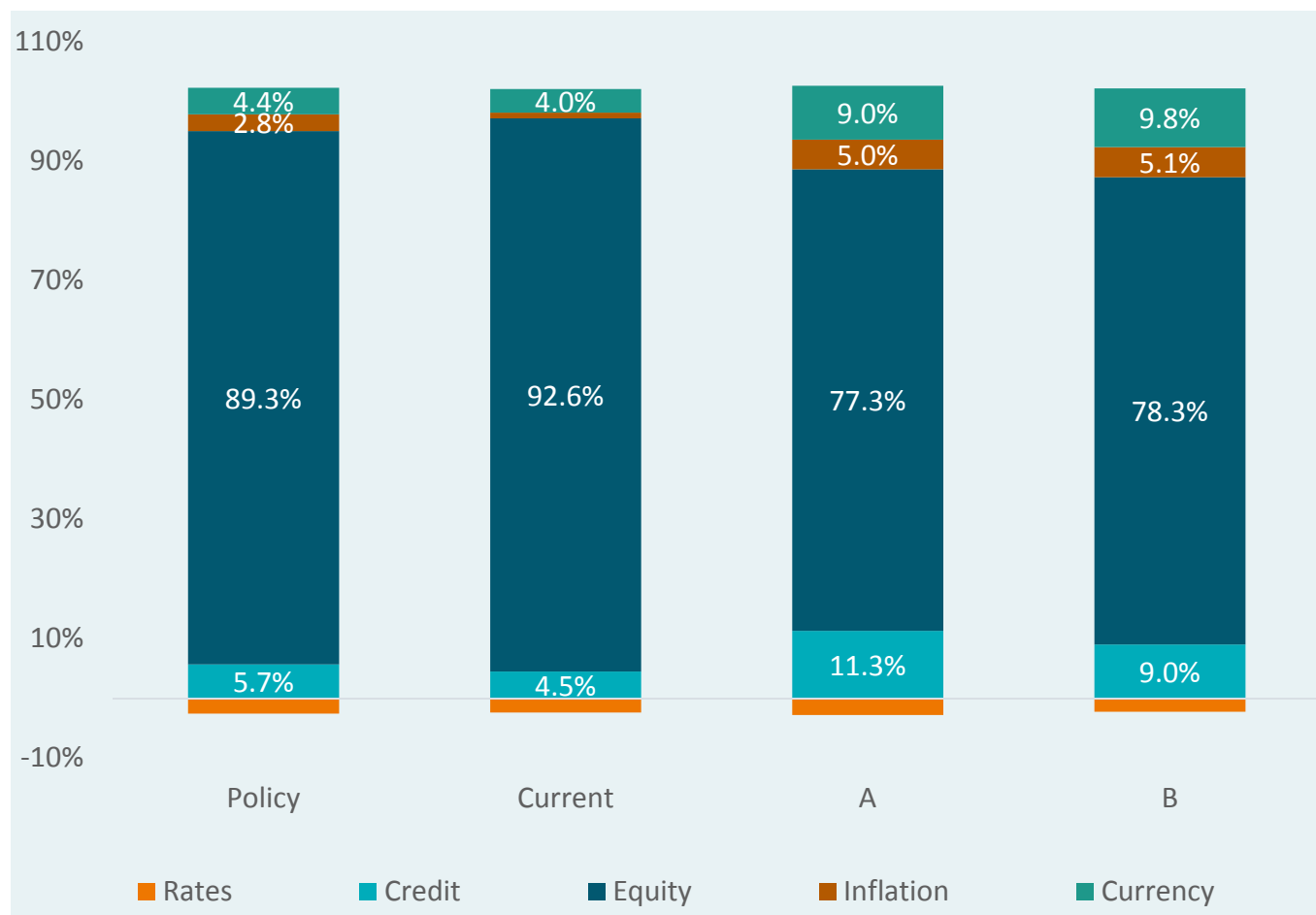
Risk contribution by asset class



Current portfolio as of March 4, 2016

Risk contribution based on Verus' Capital Market Assumptions

Risk contribution by risk factor

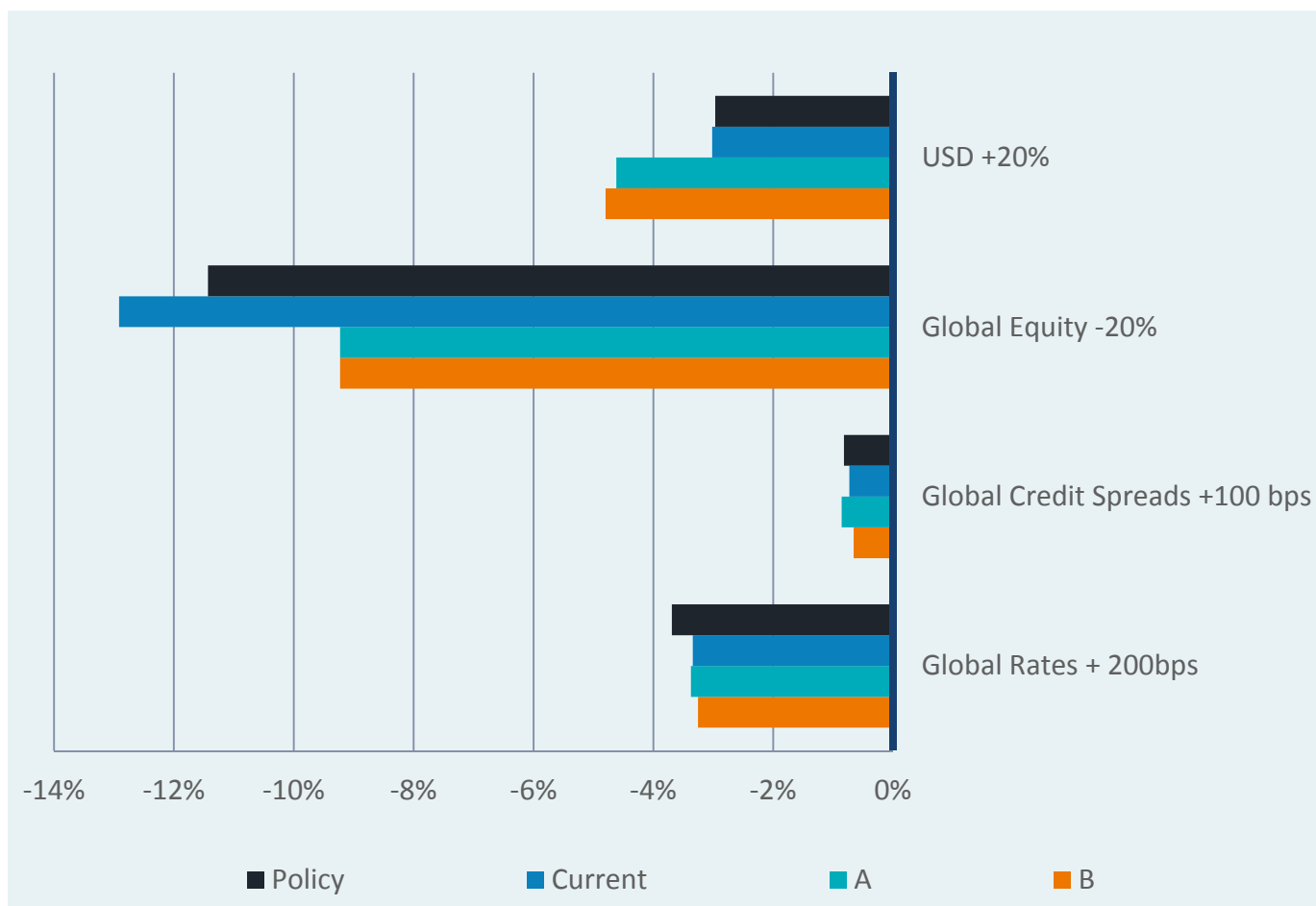


Current portfolio as of March 4, 2016

Risk contribution based on MSCI BarraOne's Capital Market Assumptions

Stress test

TAIL RISK – STRESS TEST



Current portfolio as of March 4, 2016

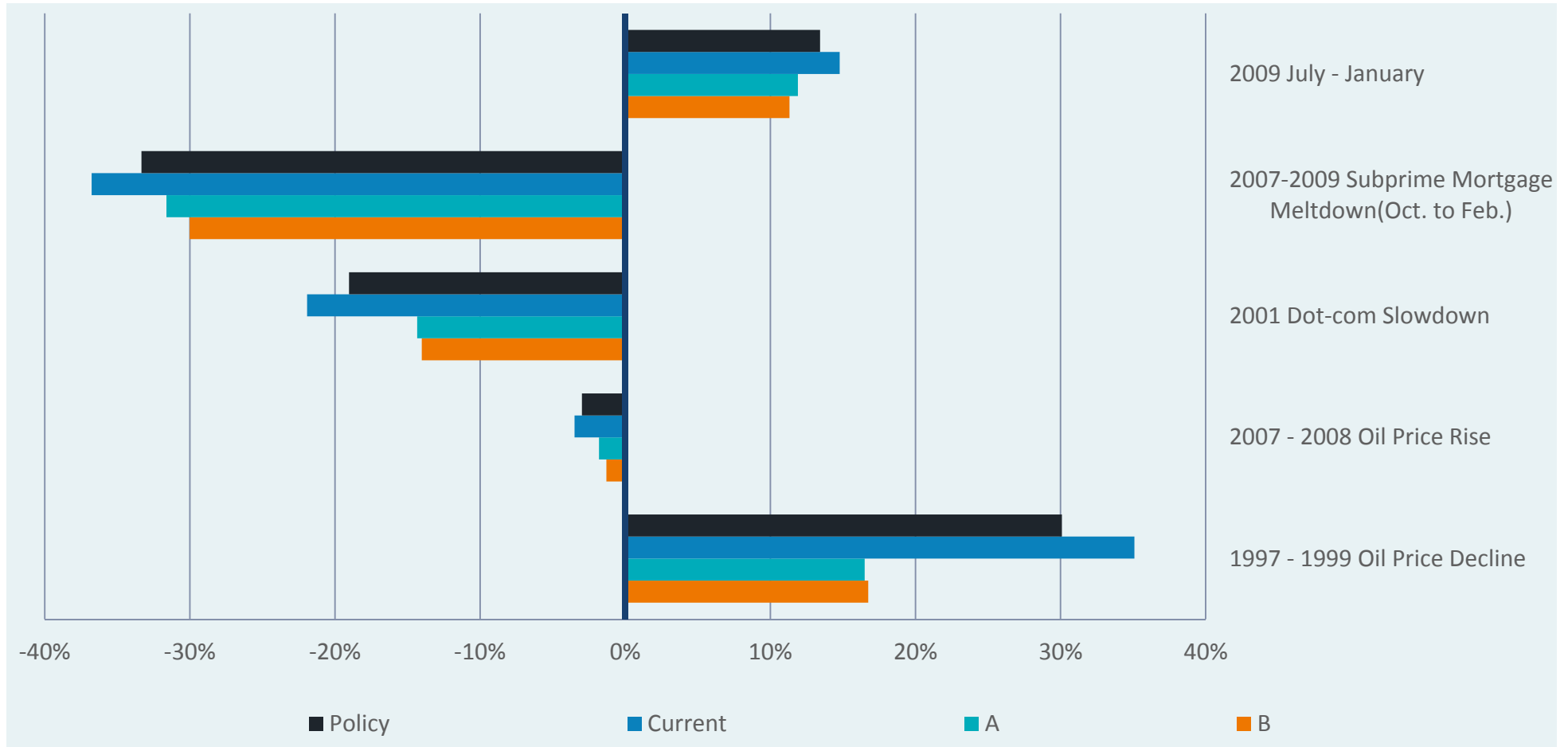
Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI Barra One

BarraOne's risk decomposition analysis can hypothesize how the different portfolios would have performed in certain hypothetical stress tests or historical environments.

This analysis is based on how the risk factors inherent in the current index holdings reacted in those environments.

Historical scenario analysis

TAIL RISK – SCENARIO ANALYSIS

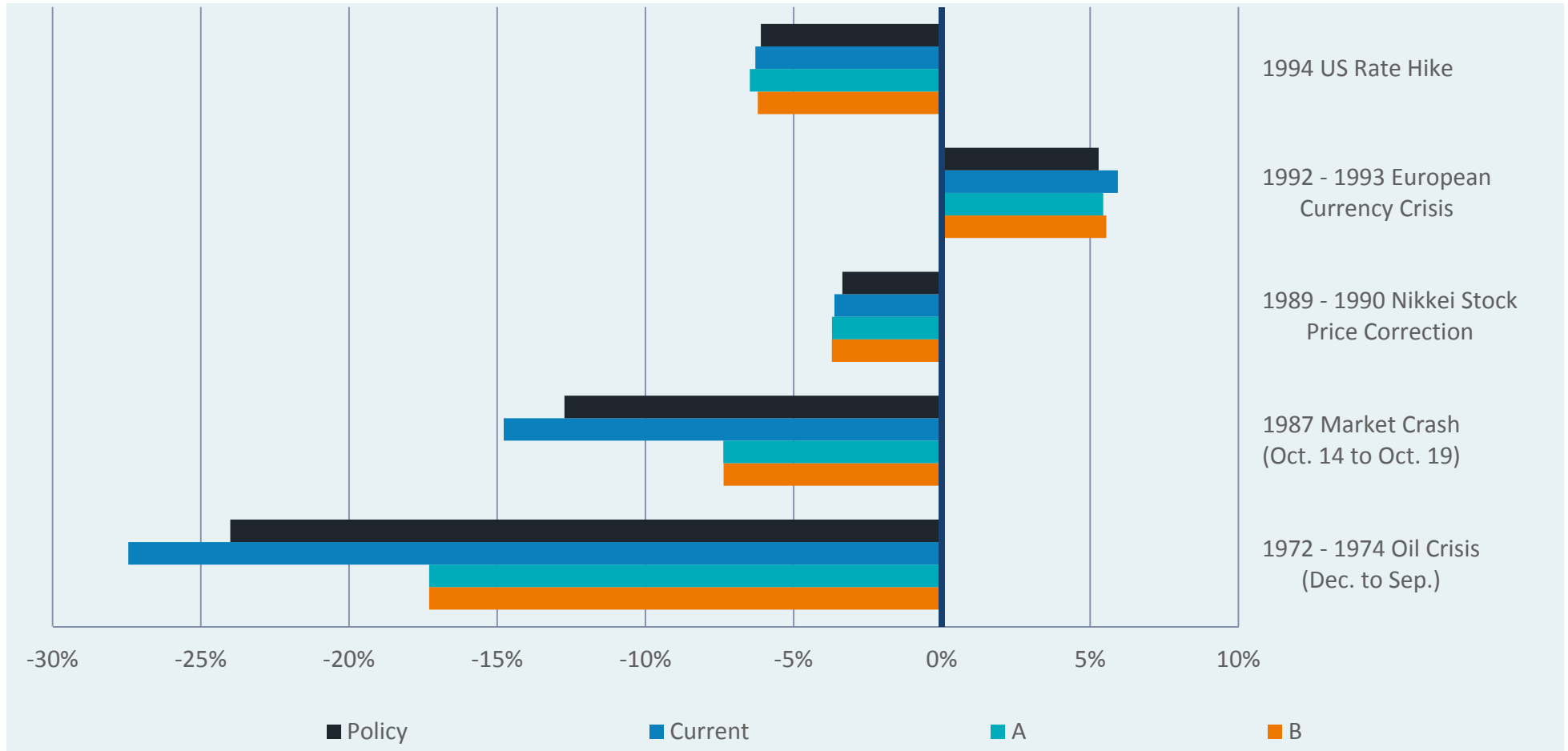


Current portfolio as of March 4, 2016

Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI Barra One

Historical scenario analysis

TAIL RISK – SCENARIO ANALYSIS



Current portfolio as of March 4, 2016

Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI Barra One

Investment model evaluation summary

Selection Criteria	Policy	Current	A	B
Risk/Return Metrics				
Expected Return	6.3%	6.3%	7.3%	7.2%
Volatility	10.3%	11.1%	10.2%	10.1%
Sharpe Ratio	0.46	0.44	0.56	0.56
% chance of meeting 7.25%	46.2%	46.7%	50.2%	49.8%
Daily VaR (95% confidence, \$MM)	\$17.5	\$20.0	\$14.2	\$14.3
Daily CVaR (95% confidence, \$MM)	\$26.2	\$28.7	\$23.9	\$23.4
2007-2009 Drawdown (Simulation)	-33.3%	-36.8%	-31.6%	-30.0%
1st Percentile (1 Year, MVA)	-23.0%	-24.2%	-26.5%	-25.2%
Risk Factors				
Portfolio Complexity	low	low	high	med
Leverage	low	low	med	med
Peer/Headline Risk	low	low	high	high
Liquidity Risk	low	low	high	med
Tail Risk	low	med	high	med
Equity Risk Allocation	high	high	med	med

Current portfolio as of March 4, 2016

Appendix

Date horizon of historical scenario analysis

Scenario	From	To
1972 - 1974 Oil Crisis (Dec. to Sep.)	December 1, 1972	September 30, 1974
1987 Market Crash (Oct. 14 to Oct. 19)	October 14, 1987	October 19, 1987
1989 - 1990 Nikkei Stock Price Correction	December 29, 1989	March 30, 1990
1992 - 1993 European Currency Crisis	September 1, 1992	August 13, 1993
1994 US Rate Hike	January 31, 1994	December 13, 1994
1997 - 1999 Oil Price Decline	January 8, 1997	February 16, 1999
2001 Dot-com Slowdown	March 10, 2001	October 9, 2002
2007 - 2008 Oil Price Rise	January 18, 2007	June 27, 2008
2007-2009 Subprime Mortgage Meltdown(Oct. to Feb.)	October 1, 2007	February 27, 2009
2009 July - January	July 1, 2009	December 31, 2009

Source: MSCI BarraOne

10 year return & risk assumptions

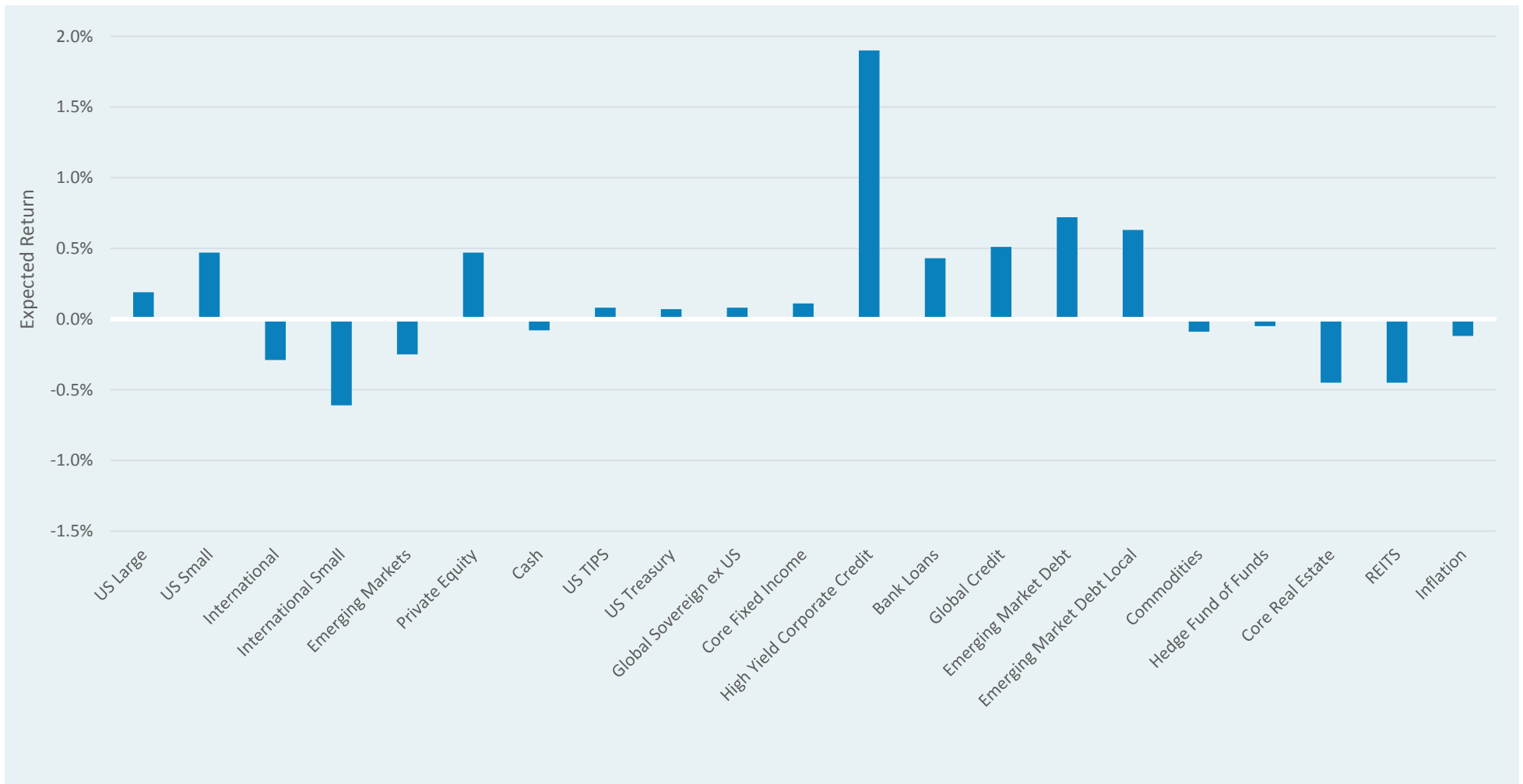
Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio (g) Forecast	Sharpe Ratio (a) Forecast	Ten Year Historical Sharpe Ratio (g)	Ten Year Historical Sharpe Ratio (a)
		Geometric	Arithmetic					
Equities								
US Large	S&P 500	5.9%	7.0%	15.1%	0.26	0.33	0.40	0.46
US Small	Russell 2000	5.2%	7.0%	19.8%	0.16	0.25	0.28	0.37
International Developed	MSCI EAFE	9.2%	10.8%	18.5%	0.39	0.47	0.10	0.19
International Small	MSCI EAFE Small Cap	8.6%	10.4%	19.7%	0.33	0.43	0.17	0.26
Emerging Markets	MSCI EM	11.3%	13.6%	23.6%	0.39	0.49	0.10	0.22
Global Equity	MSCI ACWI	7.7%	9.1%	16.9%	0.34	0.42	0.21	0.29
Private Equity	Cambridge Private Equity	8.2%	11.0%	23.7%	0.26	0.37	1.01	1.08
Fixed Income								
Cash	30 Day T-Bills	2.0%	2.0%	0.6%	-	-		-
US TIPS	Barclays US TIPS 5 - 10	2.7%	2.9%	6.3%	0.11	0.14	0.43	0.45
US Treasury	Barclays Treasury 7 - 10 year	2.3%	2.5%	6.5%	0.04	0.07	0.67	0.68
Global Sovereign ex US	Barclays Global Treasury ex US	2.6%	2.9%	7.8%	0.07	0.11	0.24	0.28
Core Fixed Income	Barclays US Aggregate Bond	3.2%	3.3%	3.2%	0.37	0.40	1.02	1.00
Core Plus Fixed Income	Barclays US Corporate IG	4.2%	4.4%	6.0%	0.33	0.40	0.68	0.68
Short-Term Gov't/Credit	Barclays US Gov't/Credit 1 - 3 year	2.5%	2.5%	1.3%	0.37	0.37	1.20	1.30
Short-Term Credit	Barclays Credit 1 - 3 year	2.9%	3.0%	2.2%	0.40	0.45	1.01	0.98
Long-Term Credit	Barclays Long US Corporate	4.2%	4.7%	10.5%	0.20	0.26	0.47	0.50
High Yield Corp. Credit	Barclays High Yield	7.1%	7.6%	10.6%	0.48	0.53	0.54	0.57
Bank Loans	S&P/LSTA	4.1%	4.5%	8.1%	0.24	0.31	0.38	0.40
Global Credit	Barclays Global Credit	2.4%	2.7%	6.9%	0.06	0.10	0.50	0.52
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	6.4%	6.8%	8.8%	0.50	0.54	0.64	0.65
Emerging Markets Debt (Local)	JPM GBI EM Global Diversified	6.8%	7.6%	12.9%	0.37	0.43	0.24	0.30
Private Credit	High Yield + 200 bps	9.1%	9.7%	10.9%	0.65	0.71	-	-
Other								
Commodities	Bloomberg Commodity	4.0%	5.6%	18.2%	0.11	0.20	-0.42	-0.34
Hedge Funds	HFRI Fund of Funds	6.0%	6.4%	9.0%	0.44	0.49	0.19	0.21
Hedge Funds (Fund of Funds)	HFRI Fund of Funds	5.0%	5.4%	9.0%	0.33	0.38	-	-
Core Real Estate	NCREIF Property	4.7%	5.8%	13.2%	0.20	0.27	0.92	0.98
Value-Add Real Estate	NCREIF Property + 200bps	6.7%	9.1%	23.3%	0.20	0.30	-	-
Opportunistic Real Estate	NCREIF Property + 400bps	8.7%	13.3%	33.2%	0.20	0.34	-	-
REITs	Wilshire REIT	4.7%	7.8%	26.4%	0.10	0.22	0.23	0.36
Risk Parity		7.0%	7.5%	10.0%	0.50	0.54	-	-
Inflation		2.0%	-	1.5%*	-	-	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

*Historical volatility of inflation. This is not a forecast.

2016 vs 2015 return forecast

2016 VS 2015 RETURN FORECAST



Correlation assumptions

	Cash	US Large	US Small	Developed Large	Developed Small	EM	Global Equity	PE	US TIPS	US Treasury	Global Sovereign exUS	US Core	US Core Plus	Short –Term Govt/Credit	Short-Term Credit	Long-Term Credit	US HY	Bank Loans	Global Credit	EMD USD	EMD Local	Commodities	Hedge Funds	Real Estate	REITs	Risk Parity	Inflation
Cash	1																										
US Large	-0.1	1																									
US Small	-0.1	0.9	1																								
Developed Large	-0.1	0.9	0.8	1																							
Developed Small	-0.1	0.8	0.8	1.0	1																						
EM	0.0	0.8	0.7	0.9	0.9	1																					
Global Equity	-0.1	0.9	0.8	0.9	0.9	0.9	1																				
PE	-0.2	0.7	0.7	0.8	0.8	0.7	0.7	1																			
US TIPS	0.0	0.2	0.1	0.3	0.3	0.3	0.3	0.1	1																		
US Treasury	0.1	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	0.6	1																	
Global Sovereign exUS	0.1	0.2	0.2	0.4	0.4	0.4	0.3	0.1	0.6	0.5	1																
US Core	0.1	0.0	0.0	0.1	0.1	0.2	0.1	0.0	0.8	0.9	0.6	1															
US Core Plus	-0.2	0.3	0.3	0.5	0.5	0.5	0.4	0.4	0.7	0.5	0.5	0.7	1														
Short –Term Govt/Credit	0.4	-0.1	-0.1	0.1	0.1	0.1	0.0	-0.2	0.6	0.6	0.6	0.7	0.4	1													
Short-Term Credit	0.1	0.3	0.2	0.4	0.4	0.4	0.3	-0.1	0.4	0.1	0.4	0.5	0.4	0.7	1												
Long-Term Credit	-0.1	0.3	0.2	0.4	0.4	0.4	0.3	0.1	0.6	0.5	0.5	0.8	0.8	0.5	0.6	1											
US HY	-0.1	0.7	0.7	0.8	0.8	0.8	0.8	0.6	0.4	-0.2	0.3	0.2	0.6	0.1	0.5	0.5	1										
Bank Loans	-0.1	0.6	0.5	0.5	0.6	0.5	0.5	0.2	0.2	-0.4	0.0	0.0	0.2	-0.1	0.6	0.3	0.8	1									
Global Credit	0.0	0.6	0.5	0.8	0.8	0.7	0.7	0.5	0.6	0.2	0.7	0.6	0.8	0.5	0.6	0.7	0.8	0.5	1								
EMD USD	-0.1	0.6	0.5	0.7	0.7	0.7	0.7	0.6	0.7	0.2	0.5	0.6	0.8	0.3	0.5	0.7	0.8	0.5	0.9	1							
EMD Local	0.1	0.7	0.6	0.8	0.8	0.8	0.8	0.6	0.5	0.1	0.6	0.4	0.5	0.3	0.4	0.5	0.7	0.4	0.8	0.8	1						
Commodities	0.1	0.5	0.4	0.6	0.6	0.6	0.6	0.2	0.3	-0.2	0.4	0.1	0.2	0.2	0.4	0.2	0.5	0.4	0.6	0.5	0.6	1					
Hedge Funds	-0.1	0.7	0.6	0.8	0.8	0.8	0.8	0.6	0.2	-0.3	0.1	0.0	0.4	-0.1	0.3	0.2	0.6	0.5	0.6	0.5	0.5	0.6	1				
Real Estate	-0.1	0.3	0.3	0.3	0.3	0.3	0.6	0.3	0.0	-0.1	0.1	0.0	0.1	-0.1	0.0	0.1	0.2	0.0	0.2	0.2	0.2	0.0	0.2	1			
REITs	-0.1	0.7	0.8	0.7	0.6	0.6	0.7	0.6	0.3	-0.1	0.3	0.3	0.4	0.0	0.2	0.4	0.7	0.5	0.6	0.6	0.6	0.3	0.4	0.4	1		
Risk Parity	0.1	0.5	0.4	0.5	0.5	0.5	0.5	0.0	0.6	0.3	0.6	0.6	0.4	0.5	0.7	0.6	0.5	0.4	0.7	0.6	0.6	0.6	0.4	-0.1	0.4	1	
Inflation	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.1	-0.3	0.0	-0.3	0.0	-0.2	-0.1	-0.3	0.2	0.3	0.1	0.1	0.1	0.3	0.3	0.0	0.1	0.0	1

Note: Correlation assumptions are based on the last ten years. Private Equity and Real Estate correlations are especially difficult to model – we have therefore used BarraOne correlation data to strengthen these correlation estimates.

Notices & disclosures

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Risk parity – historical returns

- Below are the individual return streams for 5 of the most popular risk parity strategies, along with a composite of those 5 managers and 2 popular benchmarks
 - There is no universally identifiable benchmark for risk parity due to various strategies for managing risk, different uses of leverage, and different asset class exposures through time as well as between managers

	3-mo	1-yr	3-yr	5-yr	7-yr	10-yr
AQR Global Risk Premium 10% Volatility	-2.8%	-9.0%	-1.1%	3.6%	8.4%	5.6%
BlackRock Market Advantage	-0.3%	-3.3%	2.5%	4.6%	-	-
Bridgewater All Weather 10% Volatility	-1.0%	-6.9%	-1.3%	5.4%	7.7%	4.2%
Invesco Balanced-Risk Allocation	0.2%	-3.2%	2.0%	5.9%	9.3%	-
PanAgora Risk Parity Multi Asset	-0.1%	-3.5%	4.7%	8.0%	9.3%	6.2%
Composite ¹	-0.8%	-5.2%	1.4%	5.5%	8.7%	5.3%
22% MSCI ACWI / 62% Treasuries / 12% Commodities	0.2%	-2.7%	0.0%	2.3%	3.2%	3.2%
60% MSCI ACWI / 40% Citi WGBI	2.2%	-2.0%	3.5%	3.9%	6.2%	4.6%

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
AQR Global Risk Premium 10% Volatility	-9.0%	8.4%	-2.0%	15.9%	6.7%	24.7%	18.0%	-14.8%	6.8%	7.9%
BlackRock Market Advantage	-3.3%	11.1%	0.3%	13.4%	2.5%	13.5%	-	-	-	-
Bridgewater All Weather 10% Volatility	-6.9%	7.5%	-3.9%	14.7%	18.1%	17.6%	9.4%	-20.2%	11.8%	1.2%
Invesco Balanced-Risk Allocation	-3.2%	6.7%	2.7%	12.3%	11.8%	15.3%	21.4%	-	-	-
PanAgora Risk Parity Multi Asset	-3.5%	14.9%	3.6%	14.7%	11.3%	18.8%	7.2%	-13.4%	14.4%	-1.2%
Composite ¹	-5.2%	9.7%	0.1%	14.2%	10.1%	18.0%	14.0%	-16.1%	11.0%	2.6%
22% MSCI ACWI / 62% Treasuries / 12% Commodities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
60% MSCI ACWI / 40% Citi WGBI	-2.0%	2.3%	10.4%	8.7%	0.6%	8.9%	16.0%	-18.0%	10.2%	13.0%

As of December 31, 2015; all returns are gross of fees

¹Average is constructed by equal weighting the historical returns for all managers where available

Source: eVestment

Risk parity – historical standard deviation

	1-yr	3-yr	5-yr	7-yr	10-yr
AQR Global Risk Premium 10% Volatility	9.0%	9.8%	9.4%	9.3%	9.4%
BlackRock Market Advantage	-	-	-	-	-
Bridgewater All Weather 10% Volatility	8.1%	8.4%	8.1%	7.6%	10.5%
Invesco Balanced-Risk Allocation	6.1%	6.3%	6.7%	7.4%	-
PanAgora Risk Parity Multi Asset	8.7%	9.0%	8.4%	8.5%	9.5%

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
AQR Global Risk Premium 10% Volatility	9.0%	9.8%	10.7%	7.2%	9.8%	8.6%	8.5%	10.9%	8.6%	7.8%
BlackRock Market Advantage	-	5.9%	11.1%	4.4%	5.6%	8.2%	-	-	-	-
Bridgewater All Weather 10% Volatility	8.1%	6.9%	10.1%	5.6%	8.3%	6.5%	5.8%	23.9%	7.5%	7.3%
Invesco Balanced-Risk Allocation	6.1%	6.1%	7.0%	5.9%	8.4%	7.0%	10.2%	-	-	-
PanAgora Risk Parity Multi Asset	8.7%	8.1%	10.2%	5.1%	9.2%	7.2%	10.3%	17.9%	6.0%	5.6%

As of December 31, 2015; all returns are gross of fees

¹Average is constructed by equal weighting the historical returns for all managers where available

Source: eVestment



March 16, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Presentation of the 2015 Preliminary Actuarial Valuation
- II. ITEM NUMBER: 8.b.II
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: In January of this year, the system actuary presented preliminary 2015 actuarial valuation results to the Board of Retirement. The 2015 actuarial valuation sets rates for fiscal year 2016-2017. At that time, the Board directed the actuary to continue to assume our current asset allocation, use a discount rate of 7.25% and phase in the resulting employer rate over a 3-year period. This action was taken in response to the Board's request for more information regarding certain asset classes contained within our candidate portfolios that would set the strategic asset allocation for the next 3 years. After today, the Board will have been introduced to the private equity and risk parity asset classes and should have a better understanding of the "Functionally Focused Portfolio" concept.

The final 2015 actuarial valuation will need to be approved at our April 20th meeting to allow staff the ability to meet certain legal requirements regarding the rate setting process. However, since staff and the system actuary already have a standing directive, the Board need not take any action at this time and staff would bring back the final actuarial valuation next month with the January directive in place. As such, this item is more of a placeholder should the Board wish to redirect the actuary at this time.

The actuary is also here today to present different rate scenarios given potential choices the Board may make in the future regarding the strategic asset allocation.

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

Rick Santos, Executive Director

Stanislaus County Employees' Retirement System



2015 Preliminary Valuation Results – Assumption Alternatives

March 16, 2016

Graham A. Schmidt, ASA, EA, FCA, MAAA

Topics for Discussion



- Potential Impact of Assumption Changes
 - Includes impact of new assumptions on employee rates
- Next Steps

Appendix: Prior to Any Assumption Changes



Stanislaus County Employees' Retirement Association FYE 2017 Contributions

	Avg Employee Cost %	Employer Normal Cost %	Administrative Expense %	Amortization of UAL %	Total Employer Contribution
Baseline Prior to Any Assumption Changes	9.35%	10.94%	0.87%	10.24%	22.05%
Demographic and Economic Assumption Changes Option 1	9.92%	12.24%	0.96%	17.66%	30.86%
Investment Return: 7.25%, Wage Inflation: 3.25%					
CPI: 3.00%, COLA: 2.70%					
<i>Difference from FYE 2017 Baseline</i>	0.57%	1.30%	0.09%	7.42%	8.81%
<i>FYE 2017 rate with three-year phase-in of assumption changes</i>		11.37%	0.90%	12.71%	24.99%
<i>FYE 2017 rate with three-year phase-in of UAL change only</i>		12.24%	0.96%	12.71%	25.92%
Demographic and Economic Assumption Changes Option 2	9.36%	11.51%	0.96%	15.86%	28.33%
Investment Return: 7.50%, Wage Inflation: 3.25%					
CPI: 3.00%, COLA: 2.70%					
<i>Difference from FYE 2017 Baseline</i>	0.01%	0.57%	0.09%	5.62%	6.28%
<i>FYE 2017 rate with three-year phase-in of assumption changes</i>		11.13%	0.90%	12.11%	24.14%
<i>FYE 2017 rate with three-year phase-in of UAL change only</i>		11.51%	0.96%	12.11%	24.58%
Demographic and Economic Assumption Changes Option 3	9.01%	11.07%	0.96%	15.14%	27.17%
Investment Return: 7.50%, Wage Inflation: 3.00%					
CPI: 2.75%, COLA: 2.60%					
<i>Difference from FYE 2017 Baseline</i>	-0.34%	0.13%	0.09%	4.90%	5.12%
<i>FYE 2017 rate with three-year phase-in of assumption changes</i>		10.98%	0.90%	11.87%	23.76%
<i>FYE 2017 rate with three-year phase-in of UAL change only</i>		11.07%	0.96%	11.87%	23.90%

Next Steps



- Finalize Actuarial Valuation results
 - Results shown are preliminary. Still proceeding with peer review.
- Adopt June 30, 2015 Actuarial Valuation and FY16-17 Contribution Rates

Required Disclosures



The purpose of this presentation is to present the annual actuarial valuation of the Stanislaus County Employees' Retirement Association. This presentation is for the use of the Stanislaus County Employees' Retirement Board in accordance with applicable law.

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

I hereby certify that, to the best of my knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. I am not an attorney, and my firm does not provide any legal services or advice.

This presentation was prepared exclusively for the Stanislaus County Employees' Retirement Board for the purpose described herein. This presentation is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

The actuarial assumptions, data and methods are those that will be used in the preparation of the actuarial valuation report as of June 30, 2015.

The assumptions reflect our understanding of the likely future experience of the Plan, and the assumptions as a whole represent our best estimate for the future experience of the Plan. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the plan could vary from our results.

Graham A. Schmidt ASA, EA, FCA, MAAA
Consulting Actuary

March 16, 2016



Classic Values, Innovative Advice



Stanislaus County Employees' Retirement Association

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March 16, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: SACRS 2016-2017 Board of Directors Election
- II. ITEM NUMBER: 9.a
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: Each year in May, the SACRS (State Association of County Retirement Systems) elects member to serve as President, Vice President, Treasurer and Secretary for the next fiscal year. The Constitution of SACRS states that "the purpose of the Association is to provide forums for disseminating knowledge of, and developing expertise in, the 1937 Act retirement systems; and further, that the Association foster and take an active role in the legislative process as it affects SACRS retirement systems".

Attachment 1 contains the 2016-2017 SACRS Nominating Committee's recommended ballot. Today, the Board of Retirement is being asked whether they wish to nominate other candidates for the positions. If not, no action is needed. In April, staff will bring forward the final ballot which may contain more than one set of candidates and at that time, the Board will declare which group of candidates they will be supporting in May.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently*
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

Kellie Gomes, Executive Board Assistant

Rick Santos, Executive Director

February 22, 2016

To: SACRS Trustees & SACRS Administrators/CEO's
From: Ray McCray, SACRS Immediate Past President, Nominating Committee Chair
SACRS Nominating Committee
Re: SACRS Board of Director Elections – Recommended Ballot - 2016-2017 BOD Elections

SACRS BOD 2016-2017 election process began January 2016. Please review the following timeline and distribute the recommended ballot to your Board of Trustees, per the bylaws:

DEADLINE	DESCRIPTION
February 1, 2016	Nominating Committee receives nominations from SACRS membership
March 1, 2016	Nominating Committee submits its recommended ballot to each 1937 Act Board
March 25, 2016	Nominating Committee receives nominations from any 1937 Act Board
April 1, 2016	Nominating Committee submits final ballot to each 1937 Act Board – ballot consists of recommended ballot plus anybody else who is nominated but not recommended by the NC
May 13, 2016	Conduct elections during the SACRS Business Meeting (at end of the May 2016 conference)
May 13, 2016	Board of Directors take office for 1 year

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

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

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

“...The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee's final ballot provided the Nominating Committee receives those write-in candidates prior to March 25th. The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.

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

Below is the recommended ballot, as in the past, a voting delegate may entertain a motion to vote by individual officer positions or by complete ballot. Please be sure to authorize your voting delegate to vote either way.

The elections will be held at the SACRS Spring Conference May 10-13, 2016, at the Westin South Coast Plaza Hotel in Costa Mesa. Elections will be held during the Annual Business meeting on Friday, May 13, 2016.

Please distribute the recommended ballot to all standing/eligible board members for approval and authorization for your voting delegate. As stated above, Administrators are required to send acknowledgement of completion to our office at sulema@sacrs.org.

SACRS Nominating Committee recommended ballot for SACRS BOD 2016-2017 elections:

President	Dan McAllister, San Diego CERA
Vice President	Gabe Rodrigues, Contra Costa CERA
Treasurer	Larry Walker, San Bernardino CERA
Secretary	Art Goulet, Ventura CERA

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

Sincerely,

Raymond McCray

Raymond McCray, San Joaquin County
SACRS Nominating Committee Chair

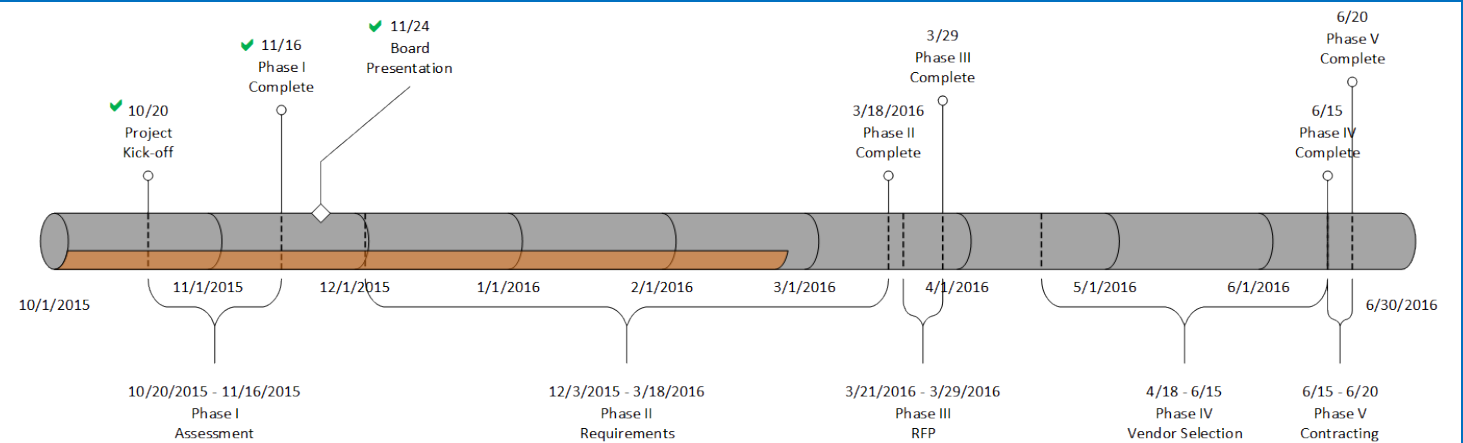
CC: SACRS Board of Directors
SACRS Nominating Committee Members
Sulema H. Peterson, SACRS Administrator



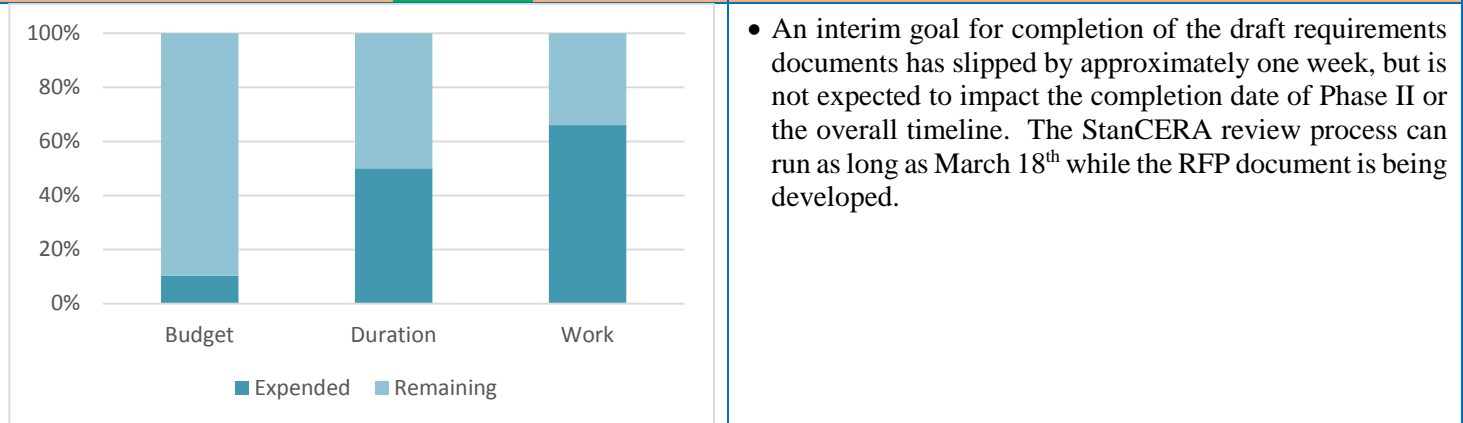
03/16/16
Item 9.b

PAS REQUIREMENTS PROJECT STATUS UPDATE

SPONSOR: Rick Santos **REPORT DATE:** 02/19/2016



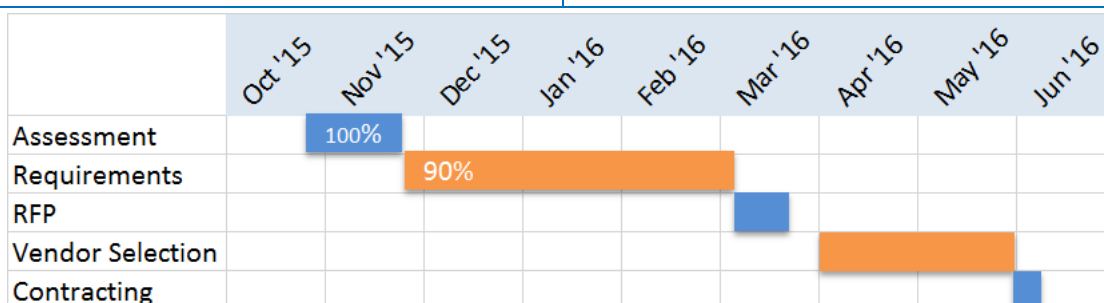
Baseline 10/20/2015 STATUS Risks & Issues:



• An interim goal for completion of the draft requirements documents has slipped by approximately one week, but is not expected to impact the completion date of Phase II or the overall timeline. The StanCERA review process can run as long as March 18th while the RFP document is being developed.

Accomplishments: Upcoming:

- | | |
|--|--|
| <ul style="list-style-type: none"> Continued development of remaining requirements document drafts based on work sessions and pre-populated templates Continued Linea internal review of remaining draft requirements documents Continued StanCERA review of draft requirements documents | <ul style="list-style-type: none"> Conduct Technical Requirements work session(s) with SMEs Complete Linea Solutions' review process of requirements documents Complete requirements document drafts Continue StanCERA's review process of requirements documents Begin document review work sessions |
|--|--|



% Complete by Project Phase



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March 16, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Dawn Lea, Member and Employer Services Manager

- I. SUBJECT: Legislation Update
- II. ITEM NUMBER: 9.c
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: . AB 1853 is sponsored by the State Association of County Retirement Systems (SACRS) and is being carried by Assembly Member Jim Cooper for Elk Grove. This legislation would allow the 1937 Act systems to modernize their operating authority structure. It would give every system the flexibility to evolve at their own pace without requiring each system go to the legislature individually when they are interested in making a change to their structure. This bill will be formally considered by the member systems at the May SACRS conference.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. ADMINISTRATIVE BUDGET IMPACT: None

Dawn Lea, Member and Employer Services Manager

Rick Santos, Executive Director



March 16, 2016

Retirement Board Agenda Item

TO: Strategic Planning Committee

FROM: Rick Santos, Executive Director

- I. SUBJECT: Strategic Plan 2017-2019
- II. ITEM NUMBER: 10.a
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Retain the 4 high level Organizational objectives developed in 2013 and bring back to the Committee, secondary goals and actionable items related to those objectives sometime later in the year and ultimately develop a Strategic Plan Document prior to the end of 2016.
- V. EXECUTIVE SUMMARY: In July 2013, the StanCERA Board participated in an offsite Strategic Planning workshop which formally recognized that the Vision and Mission Statements adopted in 2005 are still relevant and correctly describe the mandate and desires of the organization. The workshop was facilitated by a consultant specializing in these types of engagements and the total cost came in at approximately \$20,000. During this workshop, the Board carved out 4 high level objectives which ultimately became the "directional roadmap" for the Organization over the next 3 years. In the fall of 2013, staff refined those high level objectives and created actionable items that would eventually be used to reach these objectives. In October of 2013, the full StanCERA Board approved the final version of the 2014-2016 Strategic Plan.

2016 marks the end of our current Strategic Plan. Normally around this time, staff would be preparing to bring several competitive bids to the Strategic Planning Committee to secure a facilitator to help StanCERA set its objectives for 2017-2019. However, staff believes that the four high level strategic objectives the Board developed 3 years ago are still valid today and the cost of a new planning session outweigh its potential benefits.

Staff is proposing to continue using those high level objectives created in 2013 for the next 3 years and to create actionable tasks in 2016 that will help achieve those high level goals and set the Organizational roadmap for 2017-2019.

- VI. ANALYSIS: Below are the 4 high level objectives the StanCERA Board of Retirement crafted in the summer of 2013:
 - 1. *Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability*
 - 2. *Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA's active managers*
 - 3. *Continue to foster an organizational culture that values and promotes team work, education, awareness, accountability and achievement*

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

While the secondary goals and actionable items that staff ultimately develops to meet these high level objectives over 2017-2019 will be different, they still have tremendous utility going forward and meet StanCERA's overall vision for organizational success.

The efficient investment of StanCERA assets and the ability to meet current and future benefit obligations is always first and foremost. In the future, staff anticipates the exploration of a hybrid defined contribution/defined benefit plan and the implementation of an asset allocation that immunizes short to intermediate term benefit payments as major actionable goals.

The development of efficient processes for investment governance and manager assessment, monitoring and disposition should always be evolving and getting better. There is no ultimate resolution to this objective. Staff anticipates over the next 3 years enhancing the governance process by hiring an in-house investment technician that can ultimately focus on understanding the investment process and working with our managers, investment attorneys and custodial bank to bring the Board timely and relevant information to assist in the decision making process. This will be particularly important in managing our alternative portfolio. Additionally, staff anticipates the implementation of cash management strategies and fee reconciliation processes that enhance the governance process as well.

Organizational values and culture is perhaps the single most important element of a well run and efficient business process. Having staff buy into the vision for the Organization, developing work ethic and taking pride in its output will be management's actionable goals for this objective. StanCERA is at a point where it is maturing as an Organization and ideas related to professionalism should play more of a role over the next several years.


Finally, stakeholder awareness and the efficient delivery of member services are firmly rooted in the new pension system project StanCERA is undertaking. With these new tools, StanCERA's ability to reach out and educate members and deliver services will take on a new and exciting meaning over the next several years. With the implementation of the system, staff anticipates formulating new business procedures that will capitalize on this technology and produce organizational dividends related to our people and processes.

Consequently, staff recommends retaining our 4 high level Organizational objectives developed in 2013 and bring back to the Committee, secondary goals and actionable items related to those objectives sometime later in the year and ultimately develop a Strategic Plan Document prior to the end of 2016.

VII. RISK: None

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

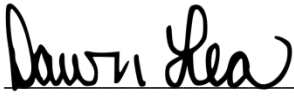
- IX. ADMINISTRATIVE BUDGET IMPACT: No immediate impact. Ultimately will be determined based on the development of actionable items and their cost.



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager



Dawn Lea, Member and Employer Services Manager