



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

Phone (209) 525-6393
Fax (209) 558-5976
www.stancera.org
e-mail: retirement@stancera.org

AGENDA

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

March 26, 2013
2:00 p.m.

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

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

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

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

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

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

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

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

1. Meeting Called to Order

2. Roll Call

3. Announcements

4. Public Comment

5. Consent Items

a. Approval of the March 13, 2013 Administrative Meeting Minutes [View](#)

6. Semi-Annual Performance Report by Delaware Investments [View](#)
7. Strategic Investment Solutions (SIS), Inc.
 - a. Monthly Performance Review for the Month Ending February 28, 2013 [View](#)
 - b. Report on “Top 10 Holdings” by StanCERA Investment Managers as of February 28, 2013 [View](#)
 - c. Update on Direct Lending Fund Candidate Review

8. Committee Reports and Recommendations for Action

STANDING COMMITTEES

- a. Strategic Planning Committee
 - i. Discussion and Action to Accept the Recommendation of the Strategic Planning Committee to Utilize Cortex Applied Research, for the 2013-2016 Strategic Planning Process [View](#)
- b. Internal Governance Committee
 - i. Discussion and Action on Attendance and Travel Cost for the 2013 California Retired County Employees Association (CRCEA) Spring Conference held on April 15-17, 2013 in Long Beach, CA [View](#)

9. Executive Director

- a. New Legislation Update
- b. Discussion and Action on the Addition to the Statement Investment Policy Regarding Direct Lending [View](#)

10. Closed Session

- a. Discussion and Action Regarding Investment in Raven Capital Management Rollcall Vote Required. Government Code Section 54956.81

10. Closed Session (Cont.)

- 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)
- c. 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)
- d. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 683548
Government Code Section 54956.9(d)(1)
- e. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224
Government Code Section 54956.9(d)(1)

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

12. Adjournment



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PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

March 13, 2013

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

Members Absent: Jeff Grover and Ron Martin

Alternate Member Joan Clendenin, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Kellie Gomes, Executive Board Secretary
Luiana Irizarry, Investment/Accounting Technician
Dawn Lea, Benefits Manager
Kathy Herman, Operations Manager

Others Present: Fred Silva, General Legal Counsel
Nate Pratt, Strategic Investment Solutions (SIS), Inc.
Doris Foster, County Chief Executive Office
Jeanine Bean, Superior Court

1. Meeting Called to Order

Meeting called to order at 2:00 p.m. by Darin Gharat, Chair.

2. Roll Call

3. Announcements

Kathy Herman announced that staff will formally bring an agenda item on the 26th laying out what the Strategic Planning Objective Committee voted on recently. She also announced that the Committee chose the firm Cortex to facilitate the Strategic Plan for 2013-2016. She iterated that the Board will be doing formal interviews with staff from Cortex and participating in a Board workshop later this year culminating the entire process.

4. Public Comment

None.

5. Consent Items

Motion was made by Maria DeAnda and seconded by Donna Riley to approve the following Items:

Motion carried.

- a. Approval of the February 26, 2013 Investment Meeting Minutes
- b. One Year Extension of Investment Consultant Service Contract with Strategic Investment Solutions (SIS) Primary Consultant - Paul Harte
- c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Carol Baker, CSA Effective 3/30/2013
 2. Laurie Barton, Public Works, Effective 03-30-2013
 3. Gerard Begen, District Attorney, Effective 03-30-2013
 4. Gary Caseri, Ag Commissioner, Effective 03-02-2013
 5. Mary Clendenen, CSA, Effective 03-02-2013
 6. Cynthia Colenbaugh, CSA, Effective 03-19-2013
 7. Mark Copeland, Sheriff, Effective 03-22-2013
 8. Fay Craft, CEO, Effective 03-02-2013
 9. Anne Marie Danhoff, CSA Effective 3/30/2013
 10. Joyce DI Menco, BHRS, Effective 03-30-2013
 11. Carol Gaska-Elsayed, CSA, Effective 03-09-2013
 12. Eva Hepler, CSA, Effective 03-30-2013
 13. Samuel Houston, BHRS, Effective 03-30-2013
 14. Margaret Howell, HSA Effective 3/1/2013
 15. Bryan Hunt, City Of Ceres, Effective 03-17-2013
 16. Cynthia Jim, Library, Effective 03-29-2013
 17. David Lawrence Jones, Environmental Resources, Effective 03-23-2013
 18. Jean Jones, City Of Ceres, Effective 03-30-2013
 19. Shelley Krepela, Child Support Services, Effective 03-01-2013
 20. James Kwartz, CEO Effective 3/30/2013
 21. Manuel Martinez JR, Sheriff, Effective 03-29-2013
 - 22.. Helen Merrick, HSA, Effective 03-23-2013
 23. Maria Munoz, Sheriff, Effective 03-08-2013
 24. Sary Man, CSA, Effective 03-30-2013
 25. Mary Oakes, BHRS, Effective 03-30-2013
 26. Charlotte Paden, District Attorney, Effective 03-01-2013
 27. Marjorie Peters, HSA, Effective 03-30-2013
 28. Donna Robinson, District Attorney, Effective 03-30-2013
 29. Steven Sather, Environmental Resources, Effective 3/4/2013
 30. Kathleen Satterlee, CSA, Effective 3/30/2013
 31. Judth Swisher, Courts, Effective 03-30-2013
 32. Pamela Tennis, Courts, Effective 03-29-2013
 33. Michael Tozzi, Courts, Effective 03-30-2013
 34. Mary Elizabeth Tryon, Public Defender, Effective 03-01-2013

5. Consent Items (Cont.)

35. Dennis Underwood, Sheriff, Effective 03-03-2013
36. Janice Weatherill, Courts, Effective 03-30-2013
37. Celeste Wheeler, Courts, Effective 03-30-2013
38. Leslie Wilkinson, Stanislaus Regional 911 Effective 03-23-2013
39. Nancy Williamsen, Courts, Effective 03-30-2013
40. Michael Wilson, Public Works Effective 3/30/2013
41. Jacquelyn Yard, Courts, Effective 03-30-2013

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

1. Scott Criswell, Sheriff, Effective 2-15-2013
2. Christopher Espino, CSA, Effective 2-9-2013
4. Gregory Gaudio, Alliance WorkNet, Effective 2-2-2013
5. Christopher Michaels, Agricultural Commissioner, Effective 2-2-2013
6. Juan Munoz, Courts, Effective 1-12-2013
7. Brandi Schultz Corvey, BHRS, Effective 9-8-2012
8. Peter Villalobos, Ceres, Effective 2-2-2013
9. Robert B. Westbrook, Public Defender, Effective 12-5-2012

Jim DeMartini Arrived 2:05pm

6. Executive Director

a. New Legislation Update

Jamie Borba announced updates as follows:

AB 382 allows Real Estate Investments to fall under the current disclosure rules

AB 1390 allows new members under the PEPRA legislation to retire at age 70 regardless of years of service and affirms that new Safety members cannot retire before age 50 regardless of service years; General members cannot retire before age 52 regardless of service years

b. Discussion and Action on the State Association of County Retirement System' (SACRS) May 13-17, 2013, Spring Conference Voting Proxy Form

Motion was made by Mike Lynch and seconded by Mike O'Neal to approve Trustee Gharat and Trustee Ford to be the voting delegate and alternate voting delegate, respectively, at this year's Spring 2013 SACRS Conference

Joan Clendenin Arrived 2:08pm

6. Executive Director (Cont.)

- c. Discussion and Action on the State Association of County Retirement System' (SACRS) Nominating Committee's Recommended Ballot for the Board of Directors' Elections at the May 17, 2013 Business Meeting

Motion was made by Gordon Ford and seconded by Maria DeAnda to approve the proposed SACRS Nominating Committee's recommendations for SACRS Executive staff for the coming year

Motion carried

- d. Update on Direct Lending Fund Candidate Review

The Board was given an update on the transition to Direct Lending by the Director

7. Closed Session

Motion was made by Maria DeAnda and seconded by Michael Lynch to enter into closed session at 2.17pm

Motion carried.

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

Motion was made by Michael O'Neal and seconded by Maria DeAnda to return from closed session at 2:46pm

Motion carried

No report other than what is reported under Item 8

Joan Clendenin and Michael O'Neal recused themselves at 2:46 p.m

Motion was made by Maria DeAnda and seconded by Michael Lynch to enter into closed session at 2.47pm

Motion Carried

- 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)

7. Closed Session (Cont.)

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

Motion was made by Maria DeAnda and seconded by Michael Lynch to return from closed session at 3:06pm

Motion carried

Trustee Gharat reported the motion made by Mike Lynch and seconded by Donna Riley to retain EFI for a consulting agreement with a fee ceiling of \$20,000.

Motion carried

8. Executive Director Review Committee

- a. Discussion and Action Regarding Report from Executive Director's Review Committee – Darin Gharat, Chair

Motion was made by Michael O'Neal and seconded by Mike Lynch to increase the Directors salary by 2.18%. This increase represents an annual salary of \$150,010 minus the 6% furlough salary deduction bringing the total annual salary after the 6% deduction to \$141,009. This increase will be retroactive to November 19, 2012. Furlough time will be added back into Mr. Santos furlough bank and reconciled to time already used as vacation for that time period. The Director will be held harmless for the unused furlough time that will need to be adjusted. Staff to survey other System's to ascertain salary levels and ranges for the similar types of positions related to the functions that the Director is currently performing. Counsel will work with County Staff to increase salary band for Executive Director if necessary

Motion carried

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

Trustee Gharat complemented staff on the large number of retirements processed this agenda period

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

Trustee Clendenin commented that she would have preferred to pull Item 5B for discussion

Trustee Riley stated she would be in Sacramento on March 21 to visit several members of the State Legislature

10. Adjournment

Meeting adjourned at 3:08 p.m.

Respectfully submitted,



Rick Santos, Executive Director



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

Focus growth equity investment review

Large-Cap Growth Equity

Presentation to:

Stanislaus County ERA

Agenda:

- I. Firm overview
- II. Performance, portfolio, and characteristics
- III. Philosophy, people, and process
- IV. Biographies

Representing Delaware Investments:

Kevin J. Brown Vice President, Senior Investment Specialist

March 26, 2013

Delaware Investments • 2005 Market Street • Philadelphia, PA 19103-7094

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Biography

Kevin J. Brown

Vice President, Senior Investment Specialist

Kevin J. Brown joined the Focus Growth Equity team at Delaware Investments in October 2006. He is responsible for representing the team and its philosophy and process to clients. Most recently, he spent three years as a director in institutional equity sales at Merrill Lynch Investment Managers. From 1999 to 2003 he worked at Donaldson, Lufkin & Jenrette and Credit Suisse First Boston as a vice president in institutional equity sales, and before that he worked for two years as a vice president at JP Morgan. He began his career in the investment industry in 1995 as an associate at Robertson Stephens. Brown received his bachelor's degree in history from the University of California at Berkeley, and he earned his MBA in finance from the University of California at Los Angeles.

Firm overview

Delaware Investments

December 31, 2012

History

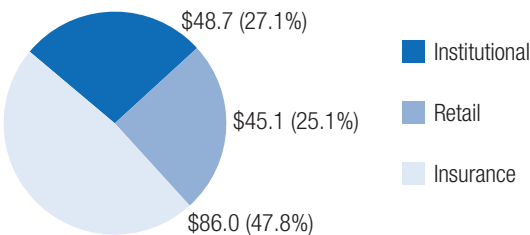
- 1929 Delaware Investments predecessor firm is founded
- 1938 Delaware Investments introduces its first mutual fund
- 1970 Begin managing fixed income strategies
- 1972 Institutional separate account management is established
- 1974 Taft-Hartley business is established
- 1990 International/global capabilities are established
- 2000 Begin decade of broadening investment capabilities
- 2007 Ireland-based UCITS funds are launched
- 2010 Delaware Investments joins Macquarie Group

Staff

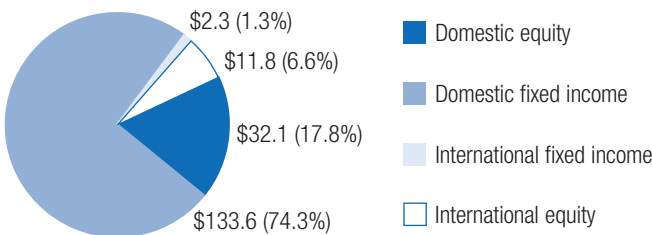
- 132 Investment professionals
 - 44 Portfolio managers
 - 52 Research analysts
 - 26 Traders
 - 10 Quantitative analysts

Assets \$179.8 billion under management

By client type (\$ billions)



By asset class (\$ billions)



Institutional profile

- 525 Institutional client accounts
 - 339 Institutional equity accounts
 - 186 Institutional fixed income accounts

By assets

- | | |
|-------------------|--------------------------------|
| Sub-advisory: 53% | Taft-Hartley: 2% |
| Corporate: 22% | High net worth: 1% |
| Public: 14% | Endowments and foundations: 1% |
| NDT/VEBA: 6% | Other: 1% |

Representative client list

As of December 31, 2012

Corporate employee benefit

A. O. Smith Corporation

American Airlines, Inc.

Boeing

Cooper Tire & Rubber Company

General Mills

Glatfelter

Oneok, Inc.

Pactiv, Inc.

Textron Corporation

USAA

Public funds

California State Teachers
Retirement System

City of Austin Police Retirement System

City of New Orleans Employees'
Retirement System

Commonwealth of Pennsylvania

Contra Costa County Employees' Retirement Association

Miami Firefighters and Police Officers

Ohio School Employees' Retirement System

Oregon Public Employees' Retirement System

Stanislaus County Employees' Retirement Association

Endowments & foundations

Gellert Foundation

The Oregon Community Foundation

Healthcare organizations

John Muir Health

Sub-advisory

First Mercantile Trust Company

GuideMark

Lincoln National Corporation

Massachusetts Mutual Life Insurance Company

MLC Investments Limited

Nomura Funds Research and
Technologies Co., Ltd

Northern Trust

PMC Funds

RBS Asset Management

Russell Investment Company

SCS Financial Services LLC

SEI

The Vanguard Group

UBS

Taft-Hartley

Chicago Laborers

Greater PA Regional Council
of Carpenters

Newspaper Guild International Pension

Plumbers and Pipefitters Local #421

Roofers & Waterproofers Local #30

San Francisco Culinary Pension Fund

Southwest Ohio Regional Council
of Carpenters

Teamsters Local #557 Pension Fund

Nuclear Decommissioning/VEBA

Arizona Public Service

Connecticut Yankee

Dominion Resources

Duke Energy

Entergy

FPL Group

Georgia Power

Maine Yankee

Portland General

Sempra Energy

Vermont Yankee Nuclear Power

Xcel Energy

Yankee Atomic

Bold indicates Focus Growth clients.

It is not known whether the listed clients approve or disapprove of the adviser or the advisory services provided. Delaware Investments does not use performance-based criteria to determine which clients are included on the list.

Delaware Investments: Shared values, shared resources



Our structure combines the entrepreneurial spirit of a small firm with the shared and deep resources of a large organization, which allows investment teams to focus on investing.

Independent investing:

Regardless of location, our teams focus on what they do best, select investments for clients' accounts.

Shared resources:

Our comprehensive infrastructure provides the investment teams with a wealth of support and distribution capabilities.

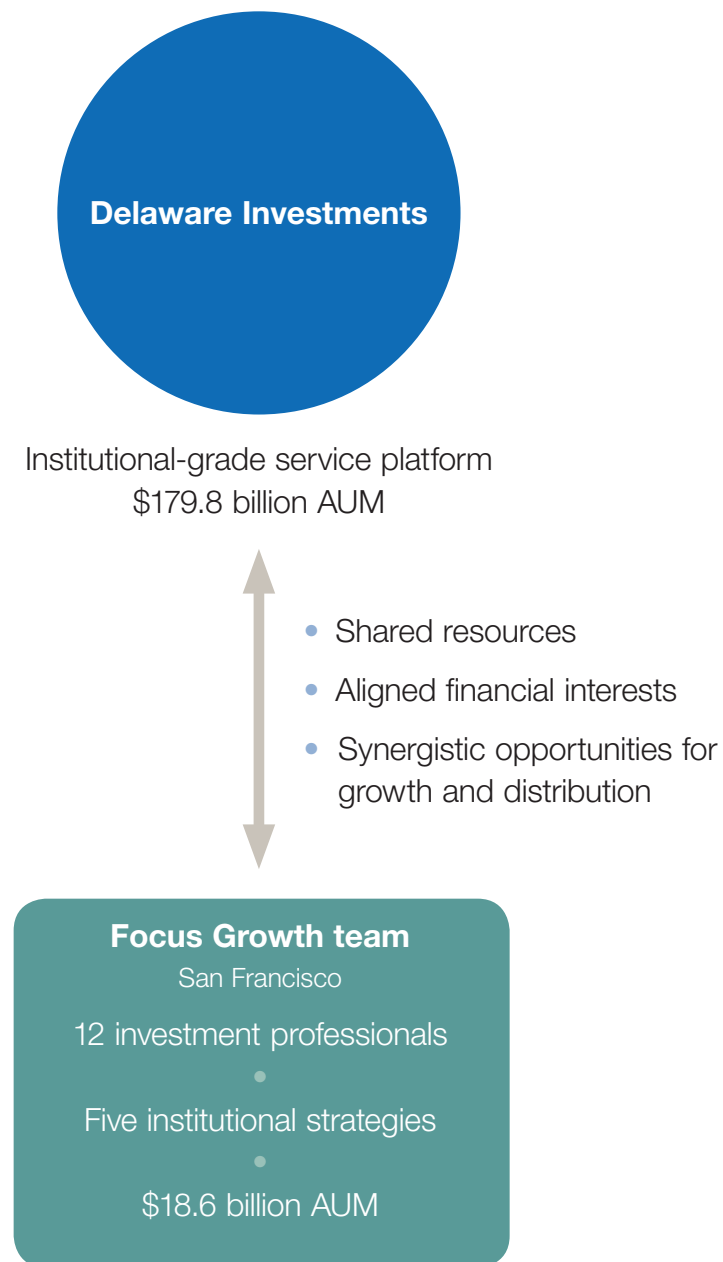
Ownership interest:

A long-term incentive plan provides investment teams with equity stakes in the company.

Delaware Investments team operating structure

Delaware Investments

As of December 31, 2012



A “win-win”:

Access to the resources and scale of a large firm,
while fostering the investment autonomy and
entrepreneurial structure of a boutique

Firm overview

Delaware Investments

December 31, 2012

Investment teams

Growth equities (\$18.6 billion*)

Focus Growth team (San Francisco)

Large-Cap	Mid-Cap	Select 20	All-Cap	Global
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Value equities (\$11.4 billion*)

Large Cap Value team (Philadelphia)

Large-Cap – Focus

Small, Mid Cap Value team (Philadelphia)

Mid-Cap	Small-Cap
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Real Estate Securities team (Philadelphia)

U.S. Real Estate Securities

Core equities (\$2.1 billion*)

Core team (Philadelphia)

Large-Cap	Small-Cap	Socially Responsible
-----------	-----------	----------------------

Global/International equities (\$11.8 billion*)

Emerging Markets team (Boston)

Emerging Markets

International Value Equity team (Boston)

Global Value	International Value
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Real Estate Securities team (Philadelphia)

Global Real Estate Securities

Fixed income securities (\$135.9 billion*)

Fixed Income team (Philadelphia)

Intermediate	Corporate Bond	Tax-exempt	Cash/Enhanced Cash
Core	Long Duration	Tax-managed	Limited Term/LT Multisector
Core Plus	High Yield	Mortgage-backed	Floating Rate Multisector
Multisector	Convertibles	Asset-backed/TALF	Inflation Protected
International	Private Placements	Insurance	Government Quality

*Assets under management as of December 31, 2012. Includes all assets managed in this style, including institutional separate accounts, institutional mutual funds, retail mutual funds, and managed accounts. Institutional assets total \$48.7 billion.

\$4.3 billion of the International assets is currently sub-advised by Mondrian Investment Partners Limited (formerly Delaware International Advisers Ltd.)

Delaware Investments is the marketing name for Delaware Management Holdings, Inc. and its subsidiaries. Institutional advisory services are provided by Delaware Investment Advisers (DIA), a series of Delaware Management Business Trust (DMBT). DMBT is a U.S. registered investment adviser offering a comprehensive array of diversified investment management strategies across all major asset classes.

Relationship summary

Stanislaus County ERA

As of February 28, 2013

Relationship inception	August 18, 2006
Investment style	Large-Cap Growth
Benchmark	Russell 1000 Growth

Financials

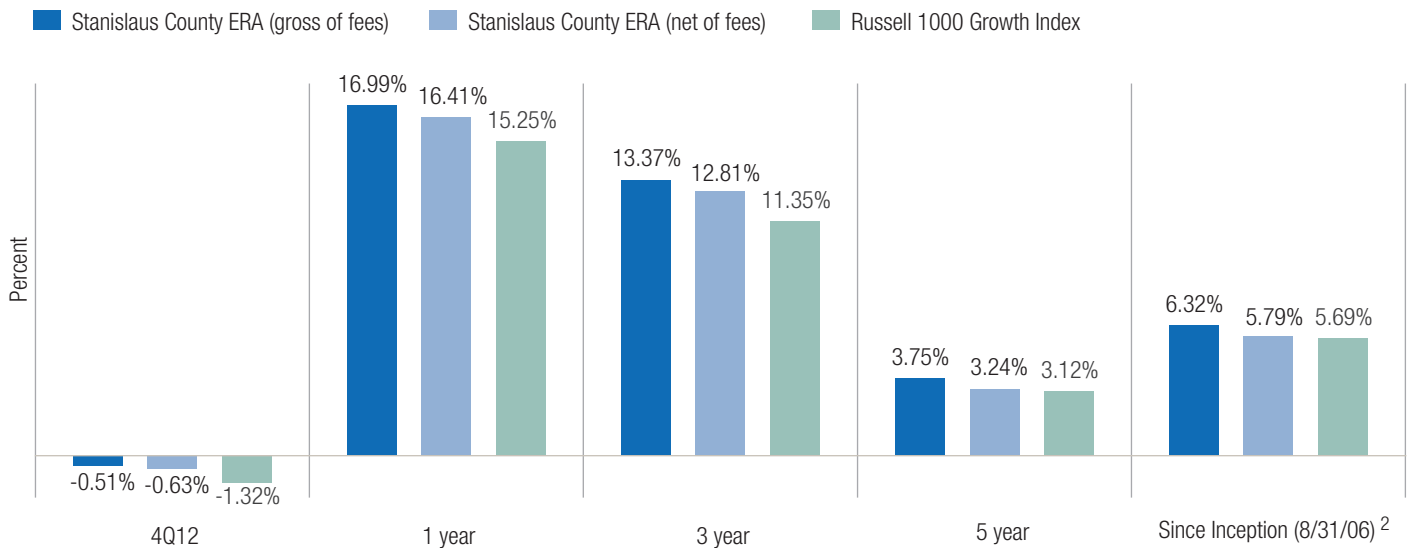
Initial investment	\$104,130,987
Net contributions/withdrawals	(\$27,500,272)
Net portfolio gain/loss	\$52,099,217
Current portfolio value	\$128,729,932

Performance

Stanislaus County ERA

For periods ended December 31, 2012

Returns¹



Top five contributors to relative performance

Name	Sector	Contribution %
CROWN CASTLE INTERNATIONAL	TECHNOLOGY	0.65
VISA	FINANCIAL SERVICES	0.58
ADOBE SYSTEMS	TECHNOLOGY	0.57
EOG RESOURCES	ENERGY	0.44
MASTERCARD - CLASS A	FINANCIAL SERVICES	0.42

Bottom five contributors to relative performance

VERISIGN	TECHNOLOGY	-0.58
TERADATA	TECHNOLOGY	-0.47
APOLLO GROUP - CLASS A	CONSUMER DISCRETIONARY	-0.25
INTERCONTINENTALEXCHANGE	FINANCIAL SERVICES	-0.19
PERRIGO	HEALTHCARE	-0.18

Top five contributors to relative performance

Name	Sector	Contribution %
CROWN CASTLE INTERNATIONAL	TECHNOLOGY	1.70
VISA	FINANCIAL SERVICES	1.25
NOVO NORDISK ADS	HEALTHCARE	0.75
APPLE	TECHNOLOGY	0.61
SYNGENTA ADS	MATERIALS & PROCESSING	0.57

Bottom five contributors to relative performance

APOLLO GROUP - CLASS A	CONSUMER DISCRETIONARY	-2.47
STAPLES	CONSUMER DISCRETIONARY	-0.65
POLYCOM	TECHNOLOGY	-0.60
ALLERGAN	HEALTHCARE	-0.50
EXPEDITORS INTERNATIONAL OF WASHINGTON	PRODUCER DURABLES	-0.48

¹ Performance results are presented after the deduction of Delaware Investments investment advisory fees. Management fees and any other expenses incurred in the management of the account will reduce your return.

² Performance is calculated as of first full month following inception.

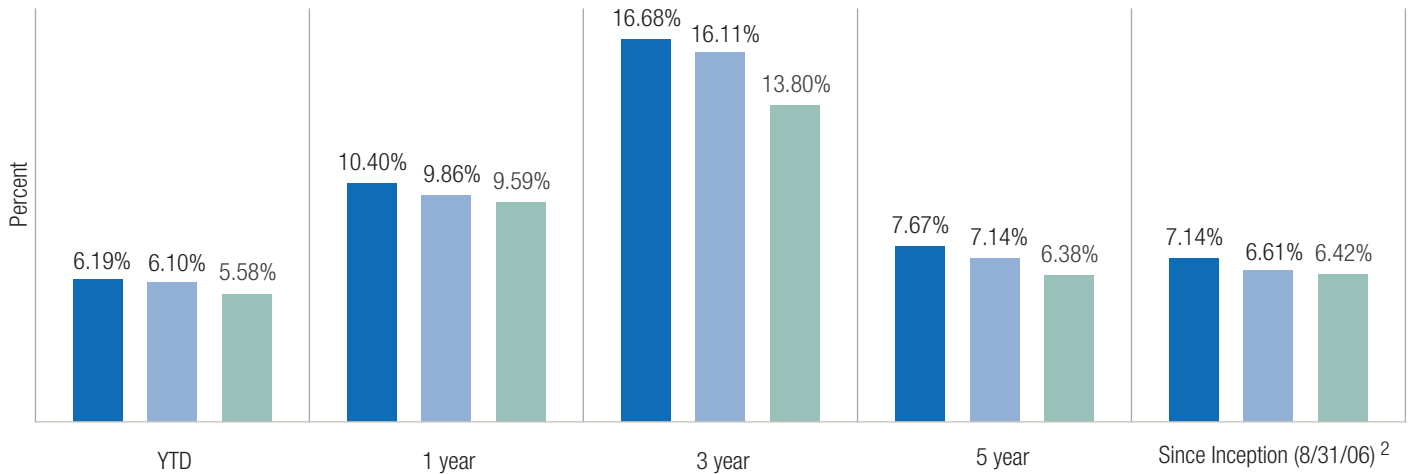
Performance

Stanislaus County ERA

For periods ended February 28, 2013

Returns¹

■ Stanislaus County ERA (gross of fees) ■ Stanislaus County ERA (net of fees) ■ Russell 1000 Growth Index



Top five contributors to relative performance

Name	Sector	Contribution %
ALLERGAN	HEALTHCARE	0.37
CELGENE	HEALTHCARE	0.35
NOVO NORDISK ADS	HEALTHCARE	0.24
STAPLES	CONSUMER DISCRETIONARY	0.19
INTERCONTINENTALEXCHANGE	FINANCIAL SERVICES	0.17

YTD

Bottom five contributors to relative performance

APPLE	TECHNOLOGY	-0.41
CROWN CASTLE INTERNATIONAL	TECHNOLOGY	-0.36
ADOBE SYSTEMS	TECHNOLOGY	-0.17
PERRIGO	HEALTHCARE	-0.14
EOG RESOURCES	ENERGY	-0.08

¹ Performance results are presented after the deduction of Delaware Investments investment advisory fees. Management fees and any other expenses incurred in the management of the account will reduce your return.

² Performance is calculated as of first full month following inception.

Portfolio holdings

Stanislaus County ERA

As of February 28, 2013

Technology 35.32

<i>Russell 1000 Growth</i>	26.29
Crown Castle International	5.12
QUALCOMM	4.94
Apple	4.30
Adobe Systems	4.03
Intuit	3.88
Google - Class A	3.83
BMC Software	3.18
Teradata	2.82
VeriSign	2.26
VeriFone Systems	0.73
Polycom	0.23

Financial Services 18.86

<i>Russell 1000 Growth</i>	6.69
Visa	5.34
MasterCard - Class A	4.85
Progressive	3.49
IntercontinentalExchange	3.10
CME Group - Class A	2.08

Healthcare 13.91

<i>Russell 1000 Growth</i>	12.26
Allergan	4.82
Celgene	3.88
Novo Nordisk ADS	3.30
Perrigo	1.91

Consumer Discretionary 11.14

<i>Russell 1000 Growth</i>	20.46
Liberty Interactive Series A	4.00
priceline.com	3.61
Nike - Class B	2.03
Sally Beauty Holdings	1.50

Energy 10.01

<i>Russell 1000 Growth</i>	4.24
EOG Resources	5.36
Kinder Morgan	4.45
Kinder Morgan Warrants Exp 05/25/2017	0.20

Consumer Staples 3.47

<i>Russell 1000 Growth</i>	10.46
Walgreen	3.47

Materials & Processing 2.53

<i>Russell 1000 Growth</i>	4.60
Syngenta ADS	2.53

Producer Durables 1.44

<i>Russell 1000 Growth</i>	12.90
Caterpillar	1.44

Cash 3.32

Holdings are current as of the day indicated and subject to change.

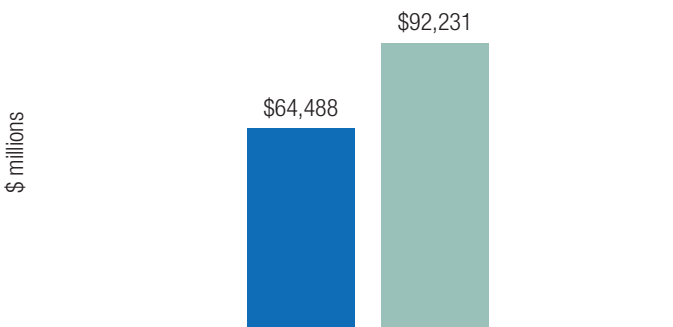
Portfolio characteristics*

Stanislaus County ERA

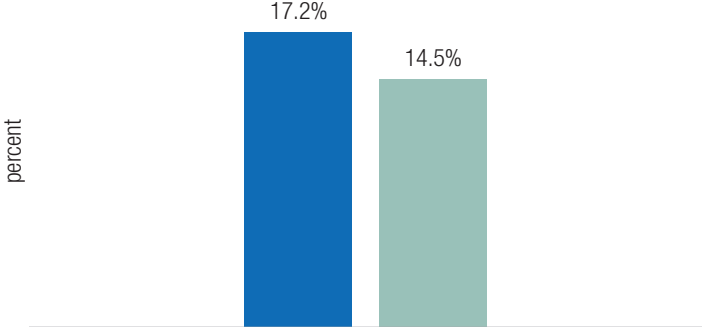
As of February 28, 2013

Stanislaus County ERA Russell 1000 Growth Index

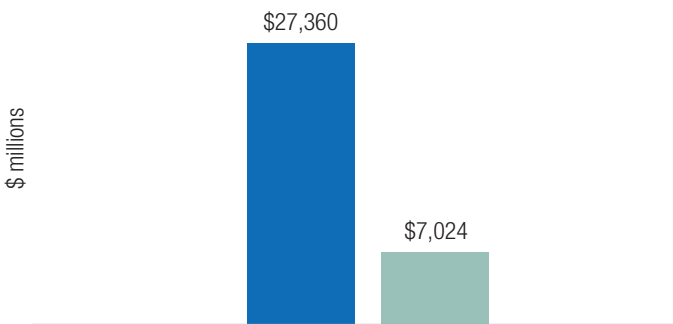
Weighted-average market capitalization



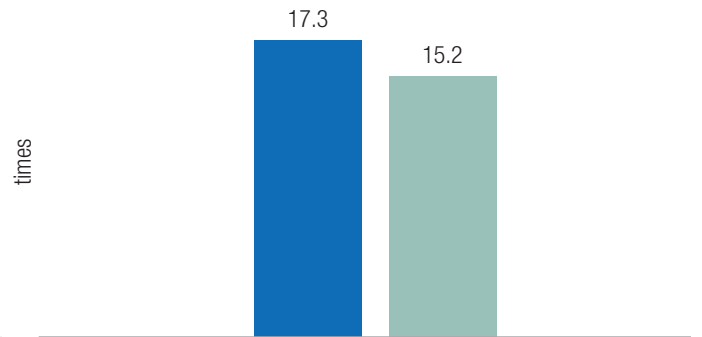
Five-year EPS growth rate



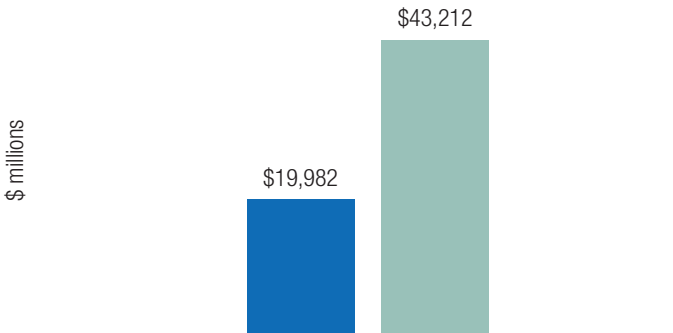
Median market capitalization



Price/earnings (weighted-average next 12 months)



Weighted-average revenues



Turnover (12 months trailing): 22.85%

*Characteristics are current as of the day indicated and subject to change.

Philosophy

Focus Growth Equity investment management

Our philosophy

We are growth investors. We believe that attractive returns can be realized by maintaining a [concentrated](#) portfolio of companies that we believe have enhanced business models, strong cash flows, and the opportunity to generate [consistent, long-term](#) growth of [intrinsic business value](#).

Our strengths

- [Differentiated growth philosophy](#), emphasizing intrinsic business value and cash economics
- [Concentrated portfolio](#) construction [reflects conviction](#) rather than benchmark
- Stable, veteran team with [high level of accountability](#) and [peer scrutiny](#)
- Flat team structure — [all team members are analysts](#) first and foremost
- [Entrepreneurial boutique structure](#) and [significant personal stakes](#) in products managed
- Performance-driven investment culture [limits asset capacity](#) in all products

Because the strategy expects to hold a concentrated portfolio of a limited number of securities, the strategy's risk is increased because each investment has a greater effect on the account's overall performance.

Focus Growth Equity team

Focus Growth Equity investment management

As of January 1, 2013

Our team

	Industry experience	Portfolio management	Analysis	Trading
Jeff Van Harte	32 years	●	●	
Chris Bonavico	25	●	●	
Ken Broad	18	●	●	
Dan Prislin	19	●	●	
Chris Ericksen	18	●	●	
Patrick Fortier	17	●	●	
Greg Heywood	20	●	●	
Van Tran	16	●	●	
Ian Ferry	6	●	●	
Lisa Hansen	32			●
Deborah Sabo	18			●
Kevin Brown (Investment Specialist)	18			

Product structure

Focus Growth equity team

One Team, One Philosophy

- Concentrated portfolios
- Long-term investment horizon
- Intrinsic value analysis

Small-Mid Cap Growth – Focus

Market cap range: <\$5B at purchase to \$10-12B

Primary managers

Chris Bonavico
Ken Broad

Large Cap Growth

Market cap range: >\$3B

Primary managers

Jeff Van Harte
Chris Bonavico
Chris Ericksen
Dan Prislín

Select 20 Growth

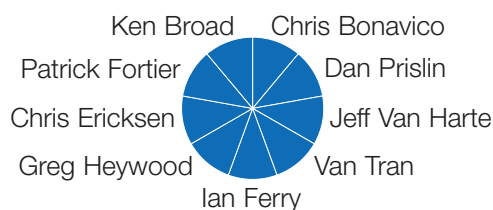
Primary managers

Jeff Van Harte
Ken Broad
Chris Bonavico
Dan Prislín

- Most concentrated product: 20 stocks or fewer
- Managed by four most seasoned portfolio managers
- Most opportunistic orientation

All Cap Growth

- Most diversified product: typically 40-60 stocks
- Sleeve weightings important for signaling degree of conviction



Focus Global Growth

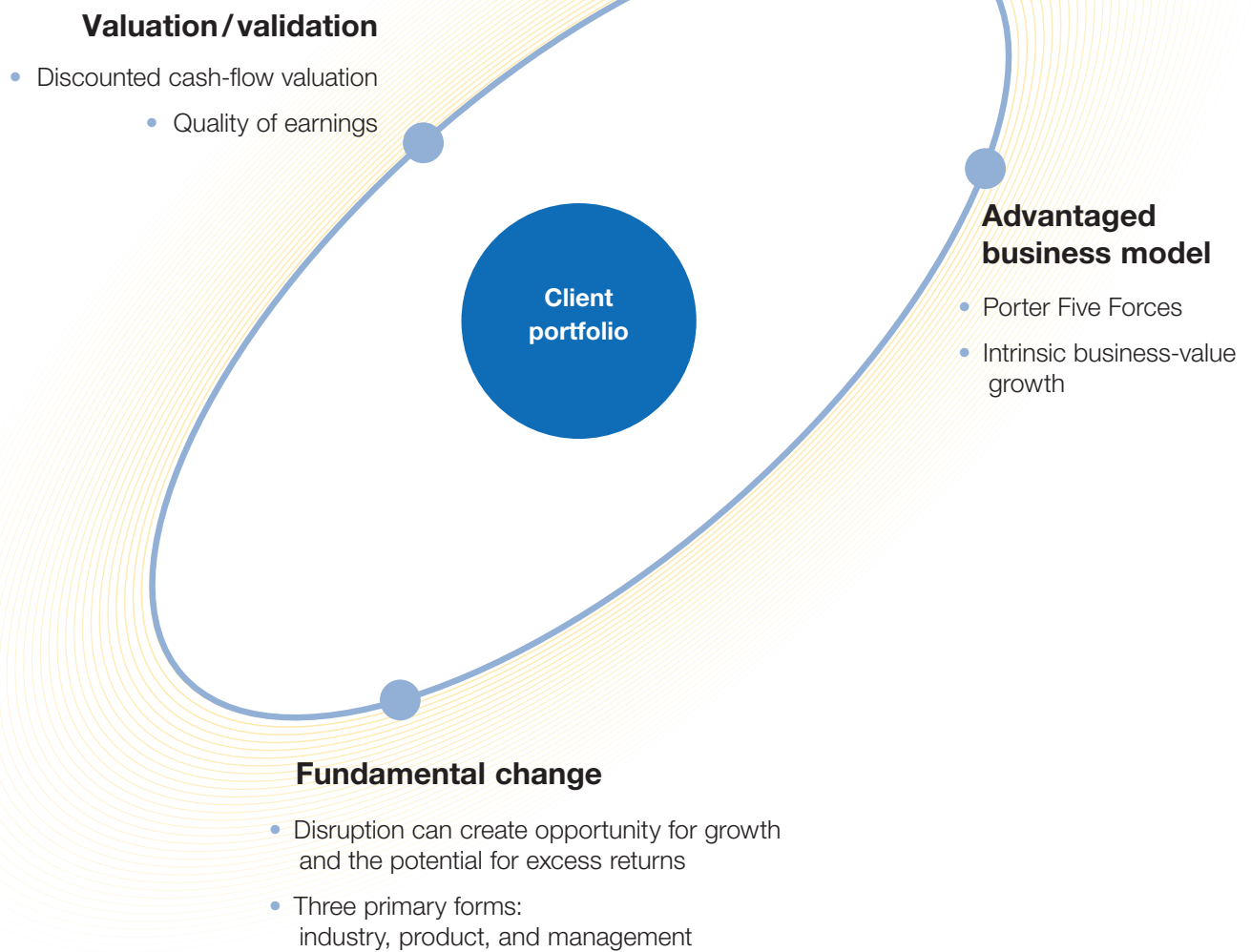
Market cap range: >\$1B

Primary managers

Greg Heywood
Patrick Fortier
Chris Bonavico

Focus Growth Equity investment process

Focus Growth Equity investment management



Investment process

Focus Growth Equity investment management

Idea sourcing

- Rely primarily on qualitative idea generation (make little use of quantitative screens)
- Well-defined investment criteria preclude most companies from consideration
- Continuous pressure from new-idea pipeline

Fundamental change

- Disruption creates opportunity for growth and excess returns
- Three primary forms: industry, product, and management

Advantaged business model

- Seek strong barriers to entry and sustainable competitive advantage
- Returns on invested capital must be forecast to substantially exceed cost of capital
- Evaluate from a business owner's perspective

Valuation/validation

- Discounted cash-flow (DCF) analysis based on conservative projections of cash economics and risk-adjusted discount rate
- Seeking attractive absolute, not relative valuations
- Accounting earnings must reconcile with cash economics

Portfolio construction

- Concentrated portfolio: typically 25-35 holdings
 - high-return/low-risk positions at 4+%
 - moderate-return/low-risk positions at 3%-4%
 - high-return/high-risk positions at 2%-3%
 - maximum weight is typically 8%
- Seeks sector and industry diversification
 - Less than 20% non U.S.
- Low turnover: 25%-35% expected in most years
- Cash policy limit is 10% (typically 2–3%)

Sell discipline

- Better idea emerges from research “bench”
- Unexpected, negative fundamental change
- Valuation becomes stretched
- Portfolio construction considerations

Team biographies

Delaware Focus Growth Equity

Jeffrey S. Van Harte, CFA

Chief Investment Officer

INDUSTRY EXPERIENCE: 32 YEARS

2005 – Present Delaware Investments

1980 – 2005 Transamerica Investment
Management

California State University, Fullerton, BA

Christopher J. Bonavico, CFA

Senior Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 25 YEARS

2005 – Present Delaware Investments

1993 – 2005 Transamerica Investment
Management

1988 – 1993 Salomon Brothers

University of Delaware, BS

Kenneth F. Broad, CFA

Senior Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 18 YEARS

2005 – Present Delaware Investments

2000 – 2005 Transamerica Investment
Management

1994 – 2000 Franklin Templeton Group

1988 – 1992 KPMG Peat Marwick

Colgate University, BA

University of California, Los Angeles, MBA

Daniel J. Prislin, CFA

Senior Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 19 YEARS

2005 – Present Delaware Investments

1998 – 2005 Transamerica Investment
Management

1994 – 1998 Franklin Templeton Group

University of California, Berkeley, BS and MBA

Christopher M. Ericksen, CFA

Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 18 YEARS

2005 – Present Delaware Investments

2004 – 2005 Transamerica Investment
Management

1994 – 2004 Goldman Sachs

Carnegie Mellon University, BS

Patrick G. Fortier, CFA

Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 17 YEARS

2005 – Present Delaware Investments

2000 – 2005 Transamerica Investment
Management

1995 – 2000 Olde Equity Research

University of Kentucky, BBA

Gregory M. Heywood, CFA

Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 20 YEARS

2005 – Present Delaware Investments

2004 – 2005 Transamerica Investment
Management

2003 – 2004 Wells Capital Management

1996 – 2003 Montgomery Asset Management

1994 – 1996 Globalvest Management

University of California, Berkeley, BA and MBA

Van Tran

Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 16 YEARS

2005 – Present Delaware Investments

2000 – 2005 Transamerica Investment
Management

1999 – 2000 PaineWebber

1996 – 1999 CIBC Oppenheimer

University of California, San Diego, BS

Ian D. Ferry

Portfolio Manager / Analyst

INDUSTRY EXPERIENCE 6 YEARS

2011 – present Delaware Investments

2010 – 2011 Fidelity

2005 – 2008 Harbourvest Partners

2004 – 2005 Houlihan, Lokey, Howard & Zukin

Tulane University, BS

Wharton, University of Pennsylvania, MBA

Kevin J. Brown

Senior Investment Specialist

INDUSTRY EXPERIENCE 18 YEARS

2006 – Present Delaware Investments

2003 – 2006 Merrill Lynch

2000 – 2003 Credit Suisse First Boston

1999 – 2000 Donaldson, Lufkin & Jenrette

1997 – 1999 JP Morgan

1995 – 1997 Robertson Stephens

University of California, Berkeley, BA

University of California, Los Angeles, MBA

Lisa L. Hansen

Senior Trader

INDUSTRY EXPERIENCE 32 YEARS

2005 – Present Delaware Investments

1997 – 2005 Transamerica Investment
Management

1983 – 1997 Husic Capital Management

University of California, Santa Cruz, BS

Deborah Sabo, CMT

Senior Trader

INDUSTRY EXPERIENCE 18 YEARS

2005 – Present Delaware Investments

2003 – 2005 Morgan & Company

2002 – 2003 Husic Capital Management

1999 – 2001 Robertson Stephens

1996 – 1999 Deutsche Bank

1994 – 1996 Merrill Lynch

University of Pittsburgh, BA

Composite statistics and performance

December 31, 2012

Composite statistics and performance

Period end	Delaware Large-Cap Growth	Delaware Large-Cap Growth	Russell 1000 Growth Index return	Internal dispersion	Standard deviation (3 year annualized)		Number of portfolios	Composite size (\$mm)	Percentage of firm assets
	Equity return gross-of-fees	Equity return net-of-fees			Composite	Russell 1000 Growth Index			
2012	17.1%	16.6%	15.3%	0.2%	15.3%	15.9%	49	10,981.3	6.0%
2011	8.9%	8.4%	2.6%	0.1%	17.2%	18.0%	49	9,159.6	5.4%
2010	14.9%	14.4%	16.7%	0.2%	n/a	n/a	52	8,279.1	11.0%
2009	44.0%	43.5%	37.2%	0.6%	n/a	n/a	54	7,474.1	12.0%
2008	-42.6%	-42.9%	-38.4%	0.3%	n/a	n/a	62	6,119.0	12.5%
2007	13.6%	13.2%	11.8%	0.3%	n/a	n/a	58	10,585.2	13.5%
2006	3.0%	2.6%	9.1%	0.3%	n/a	n/a	62	11,015.5	11.9%
2005	15.3%	14.8%	5.3%	n/a	n/a	n/a	47	7,862.3	10.4%
2004	3.9%	3.4%	6.3%	n/a	n/a	n/a	<5	131.1	0.2%
2003	24.8%	24.3%	29.8%	n/a	n/a	n/a	5	482.9	1.2%

Performance disclosures: Large-Cap Growth Equity composite

Delaware Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS standards. Delaware Investments has been independently verified for the period from January 1, 2001 through December 31, 2010. The verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Delaware Investments, a member of Macquarie Group, is the marketing name for Delaware Management Holdings, Inc. and its subsidiaries. Delaware Management Business Trust ("DMBT") is a U.S. registered investment advisor offering a comprehensive array of diversified investment management strategies across all major asset classes. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. A complete list and description of Delaware Investments composites is available upon request.

The Delaware Large-Cap Growth Equity composite emphasizes long-term ownership of dominant companies which are taking advantage of fundamental change to drive growth in their intrinsic business value. This composite was created in 2000. In April 2005, responsibility for Large-Cap Growth Equity investment management was assumed by a new team. Composite returns are derived from all discretionary fee paying accounts. Performance results are shown as total returns, net of dividend withholding taxes, assume reinvestment of dividends and capital gains as well as no reductions for taxes, are presented before and after the deduction of Delaware Investments investment advisory fees, and are calculated in U.S. dollars. Delaware Investments investment advisory fees are described in Part II of our Form ADV. The Delaware Large-Cap Growth Equity fee schedule is as follows: first \$25 million, 0.75%; next \$25 million, 0.65%; next \$50 million, 0.55%; next \$200 million, 0.45%; amounts over \$300 million, 0.40%. Some clients may utilize a performance-based fee, therefore actual fees paid may be higher or lower than the maximum fixed fee. Management fees, and any other expenses incurred in the management of the account, will reduce your return. After inclusion of management fees, annualized performance for the periods of 1 year, 5 years, and 10 years through December 31, 2012, would have been 16.6%, 3.5%, and 7.3%, respectively. The actual fee schedule may vary. On January 1, 2006, the firm was redefined to reflect the consolidation of DMBT and DCM (formerly Delaware Capital Management, Inc.). This firm redefinition was completed in order to provide a more meaningful representation of how the firm is held out to clients or potential clients. The percentage of firm assets for 2005 and prior were restated in conjunction with the redefinition of the Firm. Internal dispersion is calculated using the asset-weighted standard deviation of the annual returns of all the portfolios that were included in the composite for the entire year. Internal dispersion is only shown if the composite has at least six accounts that were managed for the full calendar year. The performance data presented here should not be taken as any guarantee or other assurance as to future results.

The benchmark for the composite is the Russell 1000 Growth Index. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Because the strategy expects to hold a concentrated portfolio of a limited number of securities, the strategy's risk is increased because each investment will have a greater effect on the strategy's overall performance.

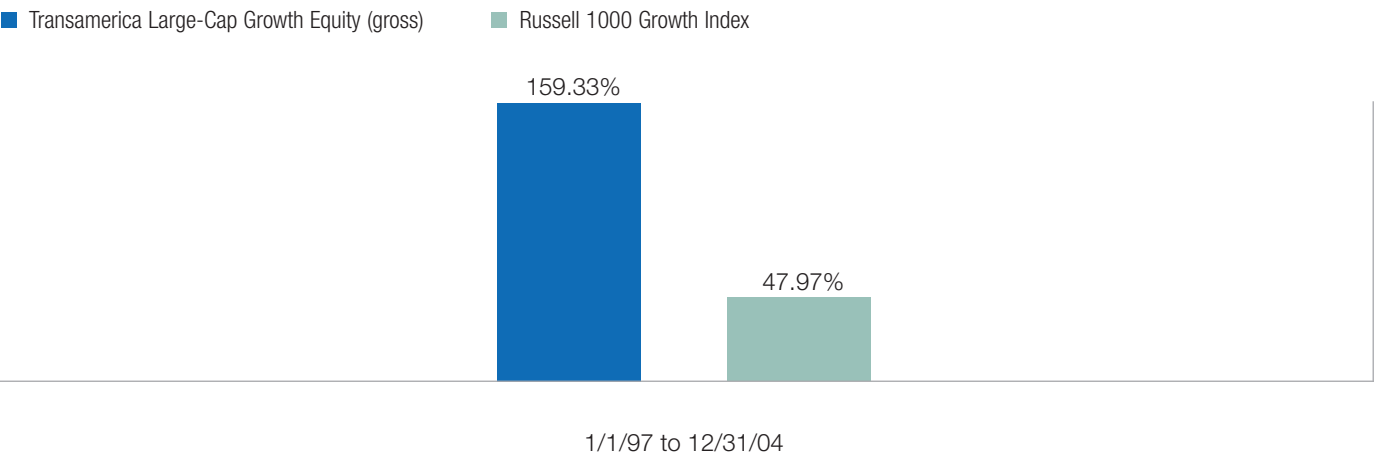
The information presented is available for institutional one-on-one presentations only. It is not intended and should not be construed to be a presentation of information concerning any U.S. mutual fund.

Performance (supplemental)

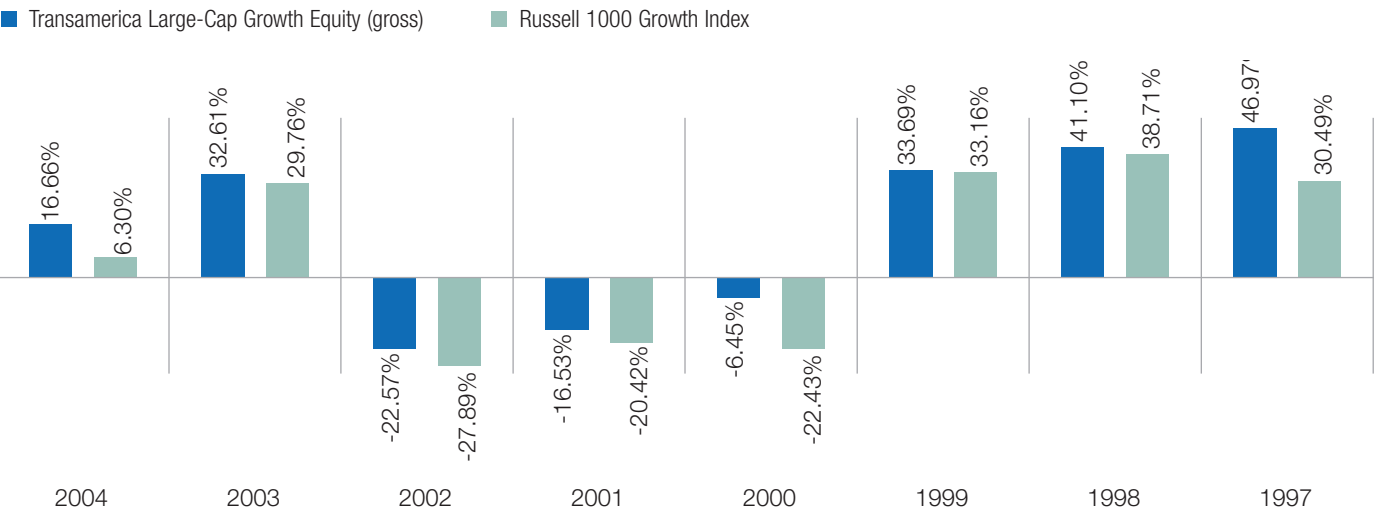
Transamerica Large-Cap Growth Composite

Source: PSN

Cumulative performance of the Delaware Investments® Focus Growth Equity Team for period 1/1/97 through 12/31/04 while managing Transamerica's Large-Cap Growth product



Calendar year returns



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Presented as supplemental performance information consistent with GIPS® standards, which standards can be found at www.cfainstitute.org.

Although presented in a manner consistent with applicable requirements, by providing this performance information Delaware is not claiming ownership of the performance record and acknowledges that the performance presented represents the track record generated by this portfolio management team while employed by Transamerica Investment Management, LLC. Past performance is no guarantee of future results.

MARKET UPDATE

FOR FEBRUARY 2013

U.S. EQUITY

The S&P 500 Index hit a five-year high in February, extending a rally that started on the first day of January. Positive corporate earnings reports and improving economic data released provided support for the market's advance.

For the month of February in the U.S., Value slightly outperformed Growth and Large caps slightly outperformed Small caps. The Russell 1000 Growth Index was up +1.2% for the month and the Russell 1000 Value Index was up +1.4%. The Russell 2000 Growth Index was up +1.1% and the Russell 2000 Value was also up +1.1%. The S&P 500 Index ended the month up +1.4%.

The S&P 500 Index has a trailing P/E ratio of 18.0 and a forward 12-month estimate P/E ratio of 13.8 and dividend yield of 2.1%.

According to Thomson Reuters data, of the 439 companies in the S&P 500 that had reported earnings at the end of February, 70% had exceeded analysts' expectations, above a 62% average since 1994 and 65% over the past four quarters. Analysts are projecting that earnings will rise 6.4% for the quarter ending December 2012 versus the 2.4% growth rate reported in the prior quarter.

Corporate merger highlights for the month included: Oracle will acquire Acme Packet which makes network equipment for \$2.1 billion; Michael Dell will take Dell private in a \$24.4 billion deal; Liberty Global struck a deal to buy British cable group Virgin Media for about \$15.75 billion; Biogen Idec will buy Elan's interest in Tysabri for \$3.25 billion in cash and future contingent payments; Sweden's Hakon Invest will buy the 60% of shares it doesn't own in Nordic food retailer ICA for \$3.1 billion; American Air and US Airways announced an \$11 billion merger deal, creating the world's largest airline; Comcast will pay General Electric \$16.7 billion to take full control of NBC Universal; Warren Buffet announced that he is part of a \$23.3 billion deal to buy H.J. Heinz; Canada's Great-West Life will buy Irish Life for \$1.75 billion; Orix, Japan's largest financial services and leasing company, will buy Netherlands asset manager Robeco from Rabobank for about \$2.6 billion; Office Depot will buy rival OfficeMax in a \$1.2 billion all stock deal; Linn Energy will buy drilling company Berry Petroleum for \$2.5 billion; Japan's government will sell a

stake in Japan Tobacco for about \$10.3 billion to help cover reconstruction costs of the 2011 earthquake; and, Pharmaceutical investor Royalty Pharma Management approached Elan Corp. with a \$6.5 billion offer.

FIXED INCOME

The economy grew at a 0.1% annual rate in the 4th quarter, the weakest performance in two years. The IMF said it will likely cut its growth forecasts for the U.S. because of the automatic spending cuts that took place on March 1st.

Long-term interest rates fell in the month of February. The bellwether 10-year Treasury note ended the month yielding 1.89% down from 1.99% at the close of January. At month-end, the 30-year bond yield was 3.10% with the 3-month T-bill at 0.11%. The Barclays Capital US Aggregate Index was up +0.50% in February.

On the economic front, the following key data was released in February:

THE GOOD

*The U.S. job market added 157,000 jobs in January, though the unemployment rate rose to 7.9% from 7.8% in December.

*U.S. auto sales soared in January with Toyota up +27%, Ford up +22%, Chrysler and GM up +16%.

*The Institute for Supply Management index of manufacturing activity jumped to 53.1 in January; a reading above 50 indicates expansion.

*The Commerce Dept. reported that factory orders increased 1.8% in December from November, when orders had fallen 0.3%.

*CoreLogic's home price index rose +0.4% in December from the previous month and added +8.3% compared to December a year ago.

*The Labor Dept. reported that producer prices rose +0.2% in January following a -0.3% drop in December.

*New home sales rose nearly +20% in 2012 to 367,000, the most since 2009.

*Non-defense capital goods orders excluding aircraft, jumped +6.3% in January, the biggest gain since December 2011.

THE NOT SO GOOD

*The Institute for Supply Management's index of non-manufacturing companies dipped to 55.2 in January from 55.7 in the prior month.

*U.S. nonfarm productivity fell at a 2% annual rate in the 4th quarter, the largest drop since the 1st quarter of 2011.

*The Commerce Dept. reported that business inventories increased +0.1% in December after rising +0.2% in November.

*Retail sales edged up +0.1% in January after a +0.5% rise in December, suggesting that a beginning of the year tax hike partly restrained consumer spending.

*U.S. factories slowed production in January after two solid months of producing goods. Manufacturing output fell -0.4% in January from February.

*Foreign holdings of U.S. Treasuries rose in December to \$5.56 trillion, the 12th consecutive monthly gain. China and Japan are the two largest holders.

*The Commerce Dept. reported that housing starts dropped -8.5% in January to an 890,000 unit annual rate following a +15.75% surge in December.

The Conference Board's Consumer Confidence Index rose to 69.9 in February from a revised 58.4 in January.

NON-U.S. MARKETS

Non-U.S. equities were slightly lower in February. The MSCI ACWI Ex-U.S. was down -1.03% (US dollars) in February. Developed stocks (EAFE) were down -0.92% while Emerging Markets fell by -1.24% for the month.

Retail sales stumbled badly in Canada at the end of 2012 as overall sales tumbled -2.1% in December, the largest decline since April 2010, leaving them down -0.7% for all of calendar year 2012. GDP rose at an anemic +0.6% rate in the fourth quarter.

The Bank of England made no changes to its monetary policy stance, leaving its policy rate at 0.50% and its asset purchase program unchanged at £375 billion. Retail sales continue to disappoint in the UK. Total sales unexpectedly fell -0.6% in January, their fourth consecutive decline and the fifth in six months.

The fourth-quarter GDP was disappointing in the Eurozone as it fell -0.6%, the fifth consecutive decline. Year-over-year GDP fell -0.9%. The European Union

predicted that the economy of the 17 countries that use the euro will shrink -0.3% in 2013.

The European Central Bank left its three administered interest rates unchanged. The minimum bid was kept at 0.75%, the emergency lending rate was kept at 1.50% and the deposit rate was kept at 0.00%. Industrial production continues to trend lower in the Eurozone. Production rose +0.7% in December, but that follows three consecutive declines and leaves output -2.4% lower than a year ago.

German factory orders continue to trend sideways. Total orders rose +0.8% in December, after a -1.8% drop in November. German industrial production is also trending sideways as overall production rose +0.3% in December following a -0.2% decline in November.

GDP fell for the third consecutive quarter in Japan in Q4, thereby prolonging the third recession in the past four years as it was down -0.1%. Japanese machinery orders may be starting to turn up. Core machinery orders rose +0.3% in December the third consecutive gain. Industrial production also appears to have stabilized in the fourth quarter. Consumer confidence bounced in January due to Abe's policy initiatives which sent the yen down and the Nikkei up.

India's GDP rose a slower than expected +4.5% year-over year in the fourth quarter, the weakest pace since the first quarter of 2009.

CONCLUSION

The minutes of the FOMC's January 29-30 meeting made clear that there is an internal debate about the future of the current massive asset purchase program. In January, those FOMC members less enthusiastic about this open-ended quantitative easing argued that the FOMC "should be prepared to vary the pace of asset purchases, either in response to changes in the economic outlook or as its evaluation of the efficacy and costs of such purchases evolved." Fed Chairman Bernanke and Vice Chair Yellen continue to strongly believe in the efficacy of this policy and believe that potential costs (inflation, etc.) can be contained. The financial markets as evidenced by their strong recent performance have been direct benefits from this program. As Marty Zweig once stated, "Don't fight the Fed", this bears watching

and is one of the most important factors that is going on in the global financial markets.

U.S. equities continue to remain resilient to “sequestration” that should detract about -0.5% from 2013 GDP and cause additional layoffs and/or furloughs. U.S. equities have been quite strong YTD in 2013 from solid U.S. housing data, expectations for modest U.S. economic growth, and the massive global quantitative easing programs described above. Strategic Investment Solutions over the past year has had the largest equity premium in relation to bonds in its history. The strong rally in equity markets might also reflect that large equity premium. We would suspect the longer the markets ignore major risks, the possibility of a larger pullback in equities may rise.

Monthly Market Update

US Equity Indices Trailing Performance

wow

Annualized Performance to Date: Ending Feb-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	1.33	8.19	6.89	13.65	8.95	13.83	5.38	4.82	8.85
Russell TOP 200 Index	1.31	6.76	6.20	12.99	9.36	12.98	4.45	4.43	7.47
Russell TOP 200 Growth Index	1.34	4.16	4.93	9.13	9.27	13.33	6.31	5.82	7.61
Russell TOP 200 Value Index	1.29	9.39	7.45	16.96	9.46	12.59	2.51	3.01	7.36
S&P 500 Index	1.36	7.58	6.61	13.46	9.21	13.50	4.94	4.64	8.24
Russell 1000 Index	1.34	7.95	6.84	13.62	9.15	13.75	5.21	4.84	8.67
Russell 1000 Growth Index	1.24	5.55	5.58	9.60	8.60	13.80	6.38	5.74	8.42
Russell 1000 Value Index	1.44	10.26	8.03	17.63	9.63	13.66	3.88	3.81	8.77
Russell Mid-Cap Index	1.41	10.79	8.35	15.04	8.64	15.65	7.16	5.93	11.92
Russell Mid-Cap Growth Index	1.01	9.16	7.23	10.84	7.28	15.27	6.76	5.77	11.30
Russell Mid-Cap Value Index	1.76	12.20	9.32	18.91	9.83	15.97	7.36	5.78	12.12
Russell 2000 Index	1.10	11.26	7.43	14.02	6.70	14.71	7.35	4.62	11.16
Russell 2000 Growth Index	1.06	10.82	7.71	11.17	6.68	15.77	7.83	5.16	11.22
Russell 2000 Value Index	1.14	11.68	7.17	16.89	6.64	13.59	6.74	3.96	10.96
DJ US REIT Index	0.83	8.19	4.26	16.02	11.06	19.74	6.88	4.49	12.07
DJ-UBS US Commodity Index TR	-4.09	-4.35	-1.79	-7.66	-9.28	0.77	-8.44	-0.95	2.80
DJ-UBS US Gold Index TR	-5.04	-7.96	-5.94	-8.49	5.08	11.36	9.16	14.74	15.28

Feb
US
equities
up a
bit

better

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Feb-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	-1.03	6.60	3.01	7.17	0.54	7.13	-0.41	3.49	11.17
MSCI AC World Index	0.03	7.09	4.67	9.92	4.34	9.96	1.96	4.05	9.68
MSCI EAFE Index	-0.92	7.67	4.32	10.37	1.31	7.35	-0.77	2.45	9.88
MSCI Emerging Markets index	-1.24	5.04	0.13	0.62	0.41	6.92	0.64	7.13	17.27
ML Global Government Bond Ex. U.S. Index	-1.42	-6.58	-4.50	-5.37	0.37	3.14	3.99	5.99	5.58
Euro	-3.69	0.52	-0.84	-2.27	-2.71	-1.42	-2.94	1.33	1.95
Japanese Yen	-1.08	-10.61	-6.28	-12.27	-5.76	-1.24	2.45	3.30	2.51
UK Pound Sterling	-4.26	-5.28	-6.62	-4.98	-3.39	-0.10	-5.26	-2.02	-0.37

Non-US
down
a bit

US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Feb-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.00	0.02	0.00	0.11	0.10	0.11	0.39	1.67	1.77
BarCap Aggregate Bond Index	0.50	-0.34	-0.20	3.12	5.71	5.45	5.52	5.78	5.01
ML U.S. Corp/Govt Master Index	0.60	-0.52	-0.24	3.87	6.54	6.03	5.47	5.86	5.05
ML U.S. Corporate Master Index	0.71	-0.03	-0.02	7.08	8.41	8.26	7.45	6.76	6.05
BarCap Mortgage Backed Securities Index	0.34	-0.03	-0.16	1.92	4.15	4.14	5.24	5.64	4.96
ML U.S. High Yield Master Index	0.47	3.42	1.82	11.78	8.98	11.66	10.85	8.94	9.98
JPM EMBI Global	-0.14	-0.64	-1.56	11.38	12.80	11.68	9.97	9.00	10.85

bonds rally
in Feb

1-yr
mixed return

A

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING FEBRUARY 28, 2013
PRELIMINARY BASIS

SUMMARY OF INVESTMENTS

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	RANGE
DOMESTIC EQUITIES	673,701,363	44.4% ✓	41.9%	36.9% - 46.9%
INTERNATIONAL EQUITIES	269,478,681	17.8% ✓	19.0%	16.0% - 22.0%
FIXED INCOME	537,874,085	35.4% ✓	37.6%	33.9% - 41.3%
REAL ESTATE SECURITIES	22,074,420	1.5% ✓	1.5%	1.0% - 2.0%
SECURITY LENDING	(921,258)	-0.1%	0.0%	0.0% - 0.0%
CASH (equity managers only)	15,529,626	1.0%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,517,736,918	100.0%	100.0%	

	CURRENT	TARGET
DODGE & COX - LARGE CAP VALUE	10.4%	9.8%
BlackRock - R1000 VALUE INDEX	6.5%	6.0%
DELAWARE - LARGE CAP GROWTH	8.5%	7.3%
BlackRock - R1000 GROWTH INDEX	5.1%	5.0%
CAPITAL PROSPECTS	5.1%	4.5%
LEGATO CAPITAL	4.5%	4.0%
BNY - S&P 500 INDEX	5.2%	5.3%
LSV ASSET MGMT - INTL EQ	8.8%	9.5%
PYRAMIS - INTL EQ	9.1%	9.5%
DODGE & COX FIXED INCOME	28.1%	30.1%
PIMCO	7.4%	7.5%
BlackRock - US REAL ESTATE SECURITIES INDEX	1.5%	1.5%
SECURITY LENDING	-0.1%	0.0%
TOTALS	100.0%	100.0%

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING FEBRUARY 28, 2013
PRELIMINARY BASIS

GROWTH OF ASSETS AND CHANGES IN ALLOCATION

ASSET CLASS MARKET VALUE	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
DOMESTIC EQUITIES	673,701,363	666,812,870	1.03%	594,662,110	13.29%
INTERNATIONAL EQUITIES	269,478,681	271,065,384	-0.59%	248,827,068	8.30%
FIXED INCOME	537,874,085	536,893,645	0.18%	528,691,138	1.74%
SPECIAL SITUATIONS	22,074,420	21,890,696	0.84%	34,607,990	-36.22%
SECURITIES LENDING	(921,258)	(1,025,713)	10.18%	(2,559,513)	64.01%
CASH (equity managers only)	15,529,626	16,930,101	-8.27%	10,333,378	50.29%
TOTAL PORTFOLIO	1,517,736,918	1,512,566,982	0.34%	1,414,562,172	7.29%
ASSET ALLOCATION (ACTUAL)		+85MM		+8103MM	
DOMESTIC EQUITIES	44.39%	44.08%	0.3%	42.04%	2.3%
INTERNATIONAL EQUITIES	17.76%	17.92%	-0.2%	17.59%	0.2%
FIXED INCOME	35.44%	35.50%	-0.1%	37.37%	-1.9%
REAL ESTATE SECURITIES	1.45%	1.45%	0.0%	2.45%	-1.0%
SECURITY LENDING	-0.06%	-0.07%	0.0%	-0.18%	0.0%
CASH (equity managers only)	1.02%	1.12%	-0.1%	0.73%	0.3%
TOTAL PORTFOLIO	100.0%	100.0%	0.0%	100.0%	0.0%

* % Change represents changes in cash balances, including cash transfers, and does not represent investment returns

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STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING FEBRUARY 28, 2013
PRELIMINARY BASIS

MANAGER ALLOCATION

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	POLICY RANGE
DOMESTIC EQUITIES				
DODGE & COX LARGE CAP VALUE	157,388,070	10.4% ✓	9.8%	7.8% - 11.8%
BLACKROCK R1000 VALUE INDEX	98,444,375	6.5% ✓	6.0%	5.0% - 7.0%
DELAWARE LARGE CAP GROWTH	129,726,254	8.5% ✓	7.3%	5.8% - 8.8%
BLACKROCK R1000 GROWTH INDEX	77,069,603	5.1% ✓	5.0%	4.0% - 6.0%
CAPITAL PROSPECTS SMALL CAP VALUE	77,501,077	5.1% ✓	4.5%	3.5% - 5.5%
LEGATO CAPITAL SMALL CAP GROWTH	67,592,784	4.5% ✓	4.0%	3.0% - 5.0%
BNY S&P 500 INDEX	79,253,998	5.2% ✓	5.3%	4.3% - 6.3%
TOTAL DOMESTIC EQUITIES	686,976,161	45.3%	41.9%	
FIXED INCOME				
DODGE & COX	426,015,112	28.1% ✓	30.1%	27.6% - 32.6%
PIMCO	111,858,973	7.4% ✓	7.5%	6.0% - 9.0%
TOTAL FIXED INCOME	537,874,085	35.4%	37.6%	
INTERNATIONAL INVESTMENTS				
LSV ASSET MGMT	133,062,497	8.8% ✓	9.5%	8.0% - 11.0%
PYRAMIS	138,671,013	9.1% ✓	9.5%	8.0% - 11.0%
TOTAL INTERNATIONAL EQUITIES	271,733,510	17.9%	19.0%	
REAL ESTATE SECURITIES				
BlackRock US RE SECURITIES INDEX	22,074,420	1.5% ✓	1.5%	1.0% - 2.0%
TOTAL SPECIAL SITUATIONS	22,074,420	1.5%	1.5%	0.0% - 3.0%
SECURITIES LENDING	(921,258)	-0.1%	0.0%	0.0% - 0.0%
TOTAL STANCERA PORTFOLIO	<u>1,517,736,918</u>	<u>100.0%</u>	<u>100.0%</u>	

STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING FEB. 28, 2013
PRELIMINARY

TOTAL FUND			
	CASH	BONDS	EQUITIES TOTAL
DOMESTIC EQUITIES			
DODGE & COX LARGE CAP VALUE	5,142,009		152,246,061 157,388,070
BLACKROCK R1000 VALUE INDEX	0		98,444,375 98,444,375
DELAWARE LARGE CAP GROWTH	3,955,560		125,770,693 129,726,254
BLACKROCK - R1000 GROWTH INDEX	0		77,069,603 77,069,603
CAPITAL PROSPECTS SMALL CAP VALUE	2,431,119		75,069,957 77,501,077
LEGATO CAPITAL SMALL CAP GROWTH	1,745,882		65,846,902 67,592,784
BNY S&P 500 INDEX	226		79,253,772 79,253,998
TOTAL DOMESTIC EQUITIES	13,274,798		673,701,363 686,976,161
FIXED INCOME			
DODGE & COX	8,546,567	417,468,545	426,015,112
PIMCO	13,983,461	97,875,512	111,858,973
TOTAL FIXED INCOME	22,530,028	515,344,057	537,874,085
INTERNATIONAL INVESTMENTS			
LSV ASSET MGMT	742,118		132,320,380 133,062,497
PYRAMIS	1,512,711		137,158,302 138,671,013
TOTAL INTERNATIONAL EQUITIES	2,254,829		269,478,681 271,733,510
REAL ESTATE SECURITIES			
BLACKROCK US REAL ESTATE SECURITIES INDEX	0		22,074,420 22,074,420
TOTAL SPECIAL SITUATIONS	0		22,074,420 22,074,420
SECURITIES LENDING	(921,258)		(921,258)
TOTAL STANCERA PORTFOLIO	37,138,397	515,344,057	965,254,464 1,517,736,918

2.4% 34.0% 63.6% 100.0%

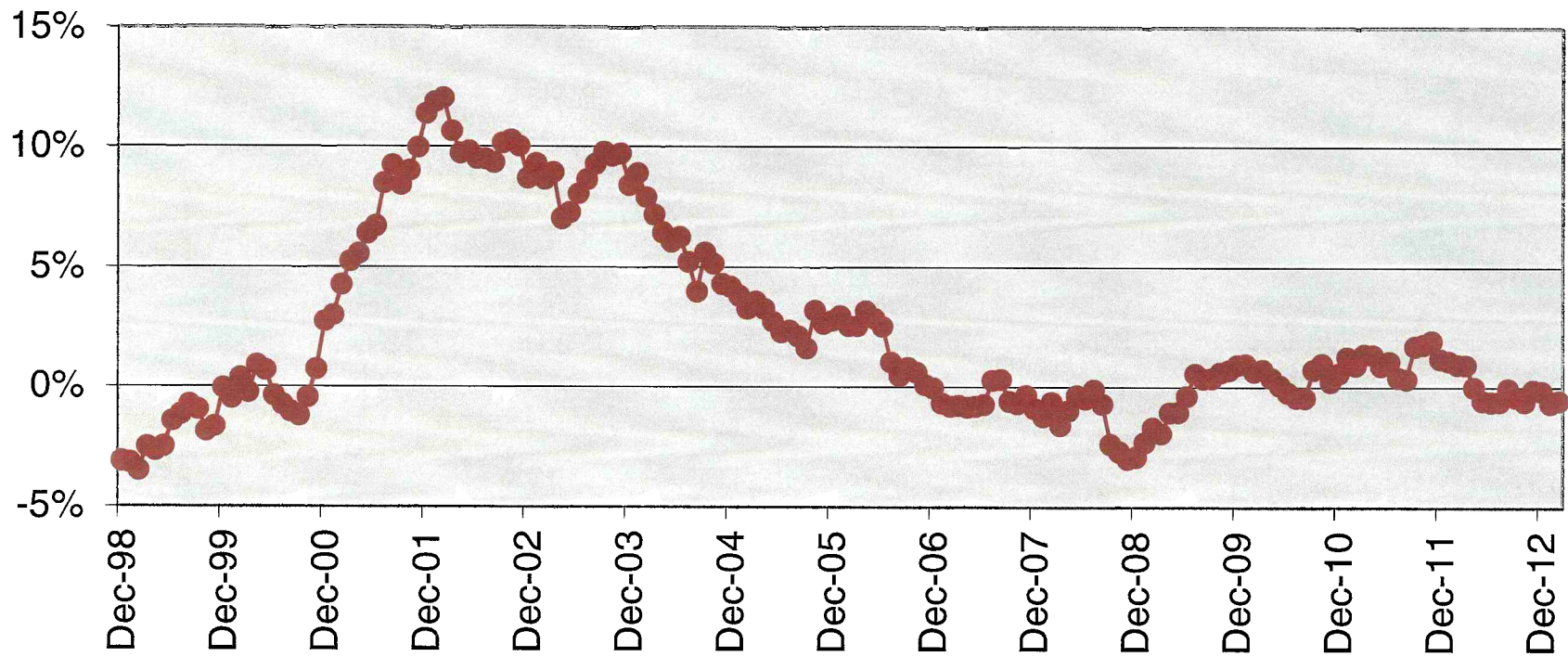
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STANCERA
MONTHLY PERFORMANCE REVIEW
PERIOD ENDING FEBRUARY 28, 2013
PRELIMINARY BASIS

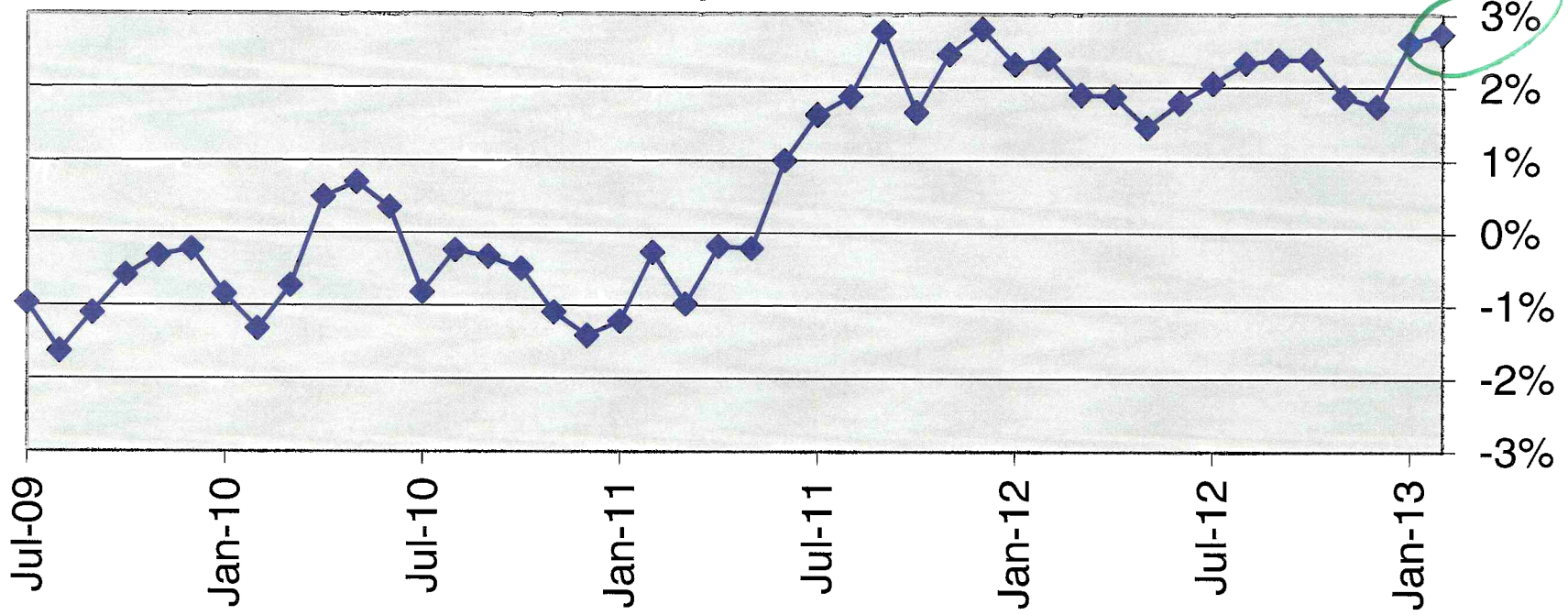
CURRENT PERFORMANCE

	MARKET VALUE	FEBRUARY	ALPHA	JANUARY	ALPHA	FISCAL YTD	ALPHA
DOMESTIC EQUITIES							
DODGE & COX - LARGE CAP VALUE	152,246,061	0.70%	-0.74%	6.00%	-0.50%	18.36%	1.53%
RUSSELL 1000 VALUE		1.44%		6.50%		16.83%	
BLACKROCK - R1000 VALUE INDEX	98,444,375	1.44%	0.00%	6.49%	-0.01%	16.85%	0.02%
RUSSELL 1000 VALUE		1.44%		6.50%		16.83%	
DELAWARE - LARGE CAP GROWTH	125,770,693	1.07%	-0.17%	5.87%	1.56%	13.44%	2.78%
RUSSELL 1000 GROWTH		1.24%		4.29%		10.66%	
BLACKROCK - R1000 GROWTH INDEX	77,069,603	1.25%	0.01%	4.29%	0.00%	10.63%	-0.03%
RUSSELL 1000 GROWTH		1.24%		4.29%		10.66%	
CAPITAL PROSPECTS	75,069,957	1.03%	-0.11%	6.43%	0.47%	23.23%	6.33%
RUSSELL 2000 VALUE		1.14%		5.96%		16.90%	
LEGATO CAPITAL	65,846,902	1.84%	0.78%	6.07%	-0.51%	14.20%	0.77%
RUSSELL 2000 GROWTH		1.06%		6.58%		13.43%	
BNY - S&P 500 INDEX	79,253,772	1.38%	0.02%	5.18%	0.00%	12.99%	0.01%
S&P 500		1.36%		5.18%		12.98%	
TOTAL DOMESTIC EQUITY	673,701,363	1.16%	-0.17%	5.83%	0.34%	15.75%	1.92%
Russell 3000 Index		1.33%		5.49%		13.83%	
FIXED INCOME							
DODGE & COX	426,015,112	0.44%	-0.06%	0.07%	0.77%	4.21%	2.60%
BARCLAYS US AGGREGATE BOND		0.50%		-0.70%		1.61%	
PIMCO	111,858,973	0.56%	0.06%	-0.51%	0.19%	2.59%	0.98%
BARCLAYS US AGGREGATE BOND		0.50%		-0.70%		1.61%	
TOTAL FIXED INCOME	537,874,085	0.47%	-0.03%	-0.06%	0.64%	3.92%	2.31%
BARCLAYS US AGGREGATE BOND		0.50%		-0.70%		1.61%	
INTERNATIONAL INVESTMENTS							
LSV ASSET MGMT	132,320,380	-0.94%	0.12%	4.53%	0.46%	18.83%	1.63%
MSCI ACWI ex-US		-1.06%		4.07%		17.20%	
PYRAMIS	137,158,302	-0.89%	0.17%	4.27%	0.20%	18.00%	0.80%
MSCI ACWI ex-US		-1.06%		4.07%		17.20%	
TOTAL INTERNATIONAL EQUITY	269,478,681	-0.91%	0.15%	4.40%	0.33%	18.44%	1.24%
MSCI ACWI ex-US		-1.06%		4.07%		17.20%	
REAL ESTATE SECURITIES							
BlackRock US RE Index	22,074,420	0.84%	0.04%	3.41%	0.01%	6.68%	0.02%
DOW JONES US SELECT RE INDEX		0.80%		3.40%		6.66%	
SECURITIES LENDING							
BNY MELLON	(921,258)						
CASH and SHORT-TERM INVESTMENTS							
CASH	15,529,626	0.01%	0.00%	0.01%	0.00%	0.08%	0.00%
90-day US Treasury Bill		0.01%		0.01%		0.08%	
Total StanCERA Fund	1,517,736,918	0.54%	0.00%	3.38%	0.48%	11.81%	2.01%
Policy Index		0.54%		2.90%		9.80%	
Actuary Rate of Assumption (8.00%)		0.67%	-0.13%	0.67%	2.71%	5.39%	6.42%
Actuary Rate of Inflation (3.50%)		0.29%	0.25%	0.29%	3.09%	2.35%	9.46%

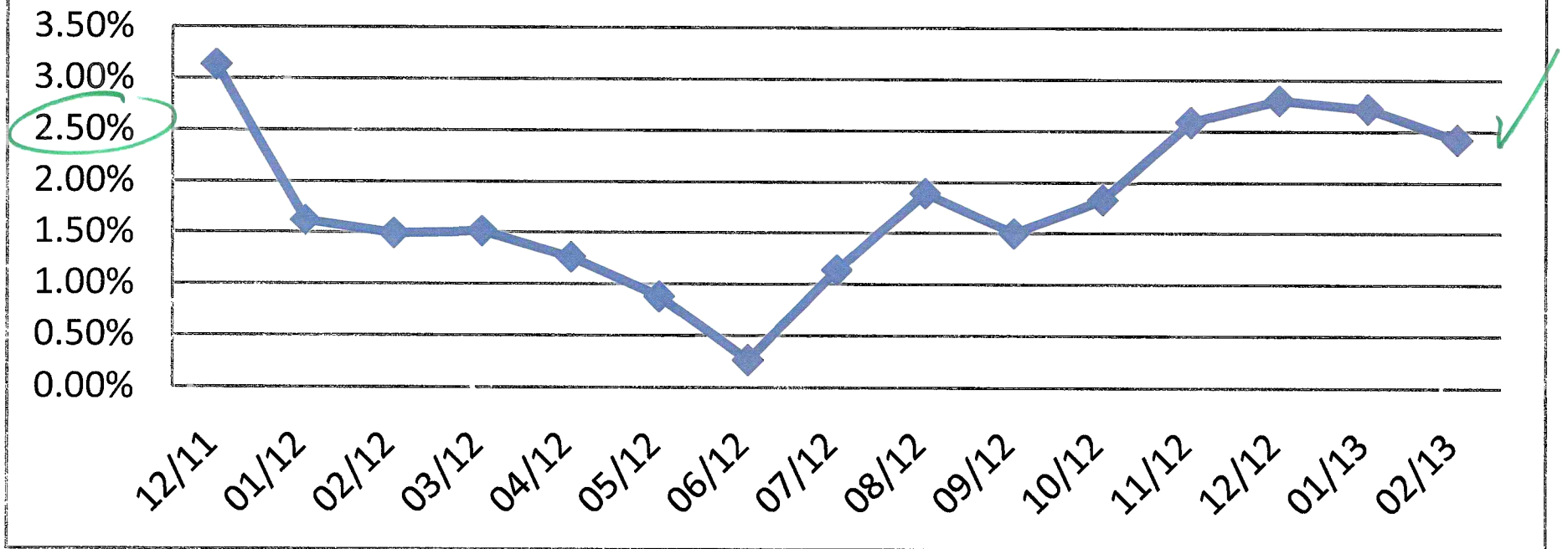
Dodge & Cox Equity
Rolling 3-Years Annualized Alpha
Monthly Observations



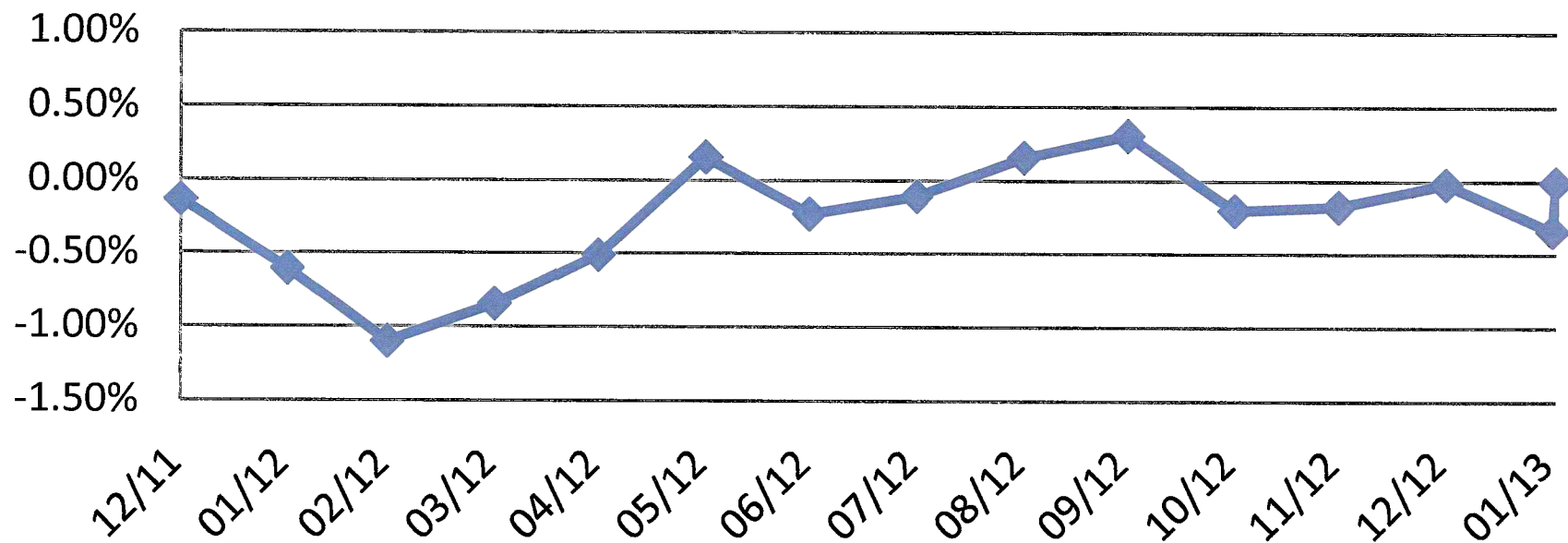
Delaware
Rolling 3-Years Annualized Alpha
Monthly Observations



Capital Prospects
Rolling 3-Year
Alphas
Monthly Observations

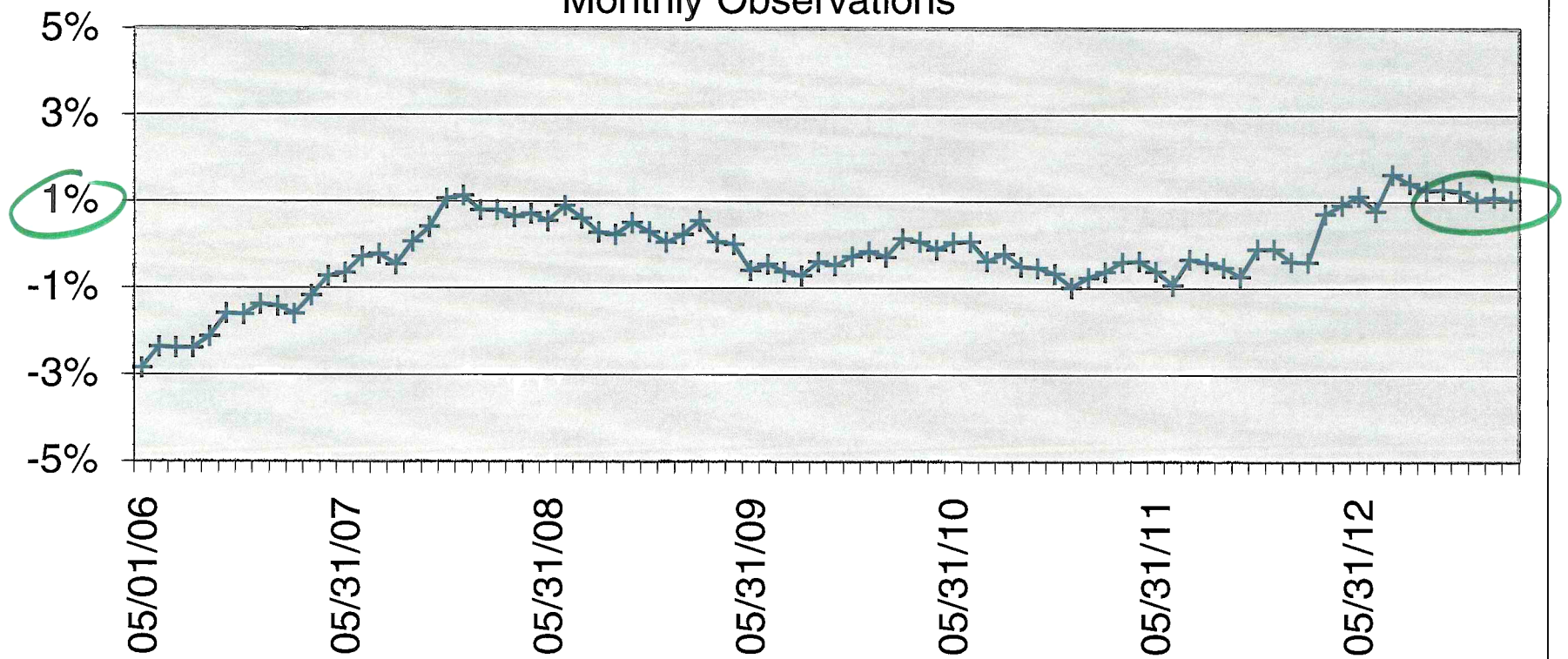


Legato Rolling
3-Year Alphas
Annualized
Monthly Observations

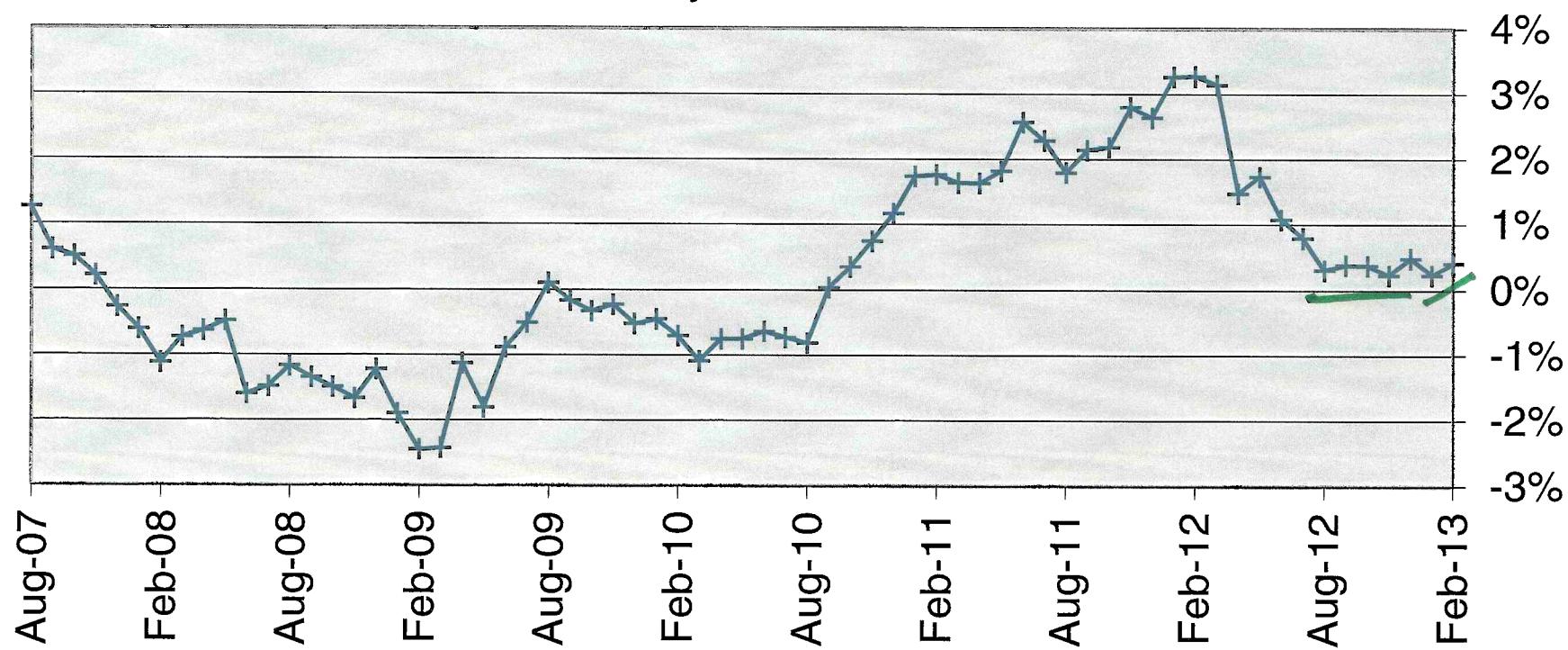


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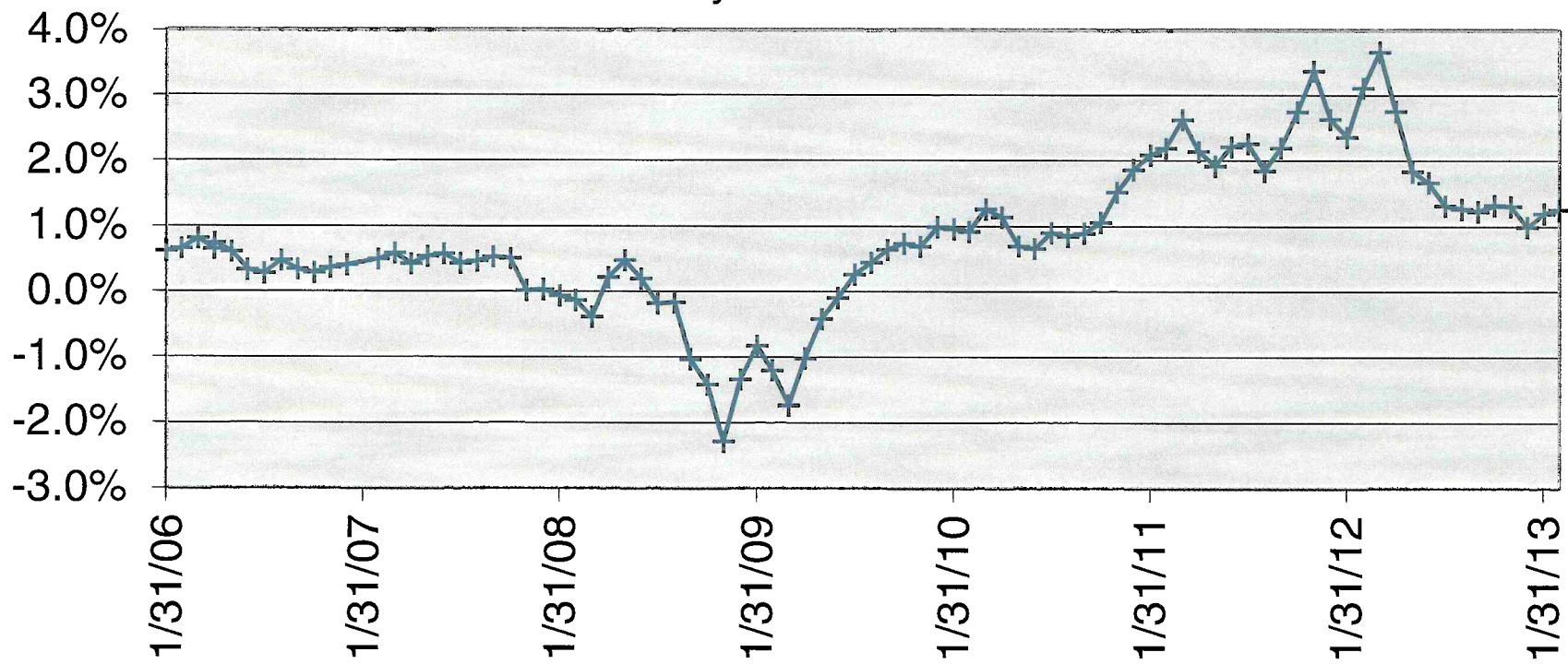
Pyramis (May 2006)
Rolling 3-Years Annualized Alpha
Monthly Observations



LSV
Rolling 3-Years Annualized Alpha
Monthly Observations



Dodge & Cox Fixed Income
Rolling 3-Year Alphas Annualized
Monthly Observations



3/26/13

Item # 7.b

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Growth Manager
Positions as of February 28, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/28/2013 \$ PX	3/18/2013 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	9,778	\$4,315,898	5.60%	0.28%	441.4	455.72	3.24%	0.95%
INTL Business Machines	IBM	11,705	\$2,350,623	3.05%	0.15%	200.83	213.21	6.16%	3.87%
Microsoft Corp.	MSFT	77,070	\$2,142,535	2.78%	0.14%	27.80	28.10	1.08%	-1.21%
Google Inc.	GOOG	2,645	\$2,119,414	2.75%	0.14%	801.20	807.79	0.82%	-1.47%
Coca-Cola Co.	KO	39,698	\$1,525,978	1.98%	0.10%	38.44	38.76	0.83%	-1.46%
Philip Morris Intl.	PM	15,624	\$1,433,495	1.86%	0.09%	91.75	90.36	-1.51%	-3.80%
Verizon Communications	VZ	30,145	\$1,402,667	1.82%	0.09%	46.53	48.75	4.77%	2.48%
Oracle Corp	ORCL	40,741	\$1,394,960	1.81%	0.09%	34.24	36.04	5.26%	2.97%
Pepsico Inc.	PEP	16,071	\$1,217,700	1.58%	0.08%	75.77	76.68	1.20%	-1.09%
Qualcomm Inc.	QCOM	17,087	\$1,117,509	1.45%	0.07%	65.40	64.56	-1.28%	-3.57%
TOP TEN HOLDINGS			\$19,020,778	24.68%	1.25%	Russell 1000 Growth:		2.29%	

Total Portfolio Value
Total StanCERA Value

\$77,069,603
\$1,517,736,918

STANCERA
Price Monitor Position Report

BlackRock
Passive Large Cap Value Manager
Positions as of February 28, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/28/2013 \$ PX	3/18/2013 \$ PX	Position % Change	Relative % Change
EXXON MOBIL CORP	XOM	55,076	\$4,932,063	5.01%	0.32%	89.55	88.77	-0.87%	-4.11%
GENERAL ELECTRIC CO	GE	125,917	\$2,923,798	2.97%	0.08%	23.22	23.25	0.13%	-3.11%
CHEVRON CORP	CVX	23,781	\$2,785,976	2.83%	0.08%	117.15	119.13	1.69%	-1.55%
AT&T INC	T	70,180	\$2,520,176	2.56%	0.17%	35.91	36.15	0.67%	-2.57%
PFIZER INC	PFE	90,999	\$2,490,643	2.53%	0.16%	27.37	28.04	2.45%	-0.79%
PROCTER & GAMBLE CO	PG	30,110	\$2,293,754	2.33%	0.15%	76.18	76.16	-0.03%	-3.27%
JPMORGAN CHASE & CO	JPM	45,680	\$2,234,687	2.27%	0.06%	48.92	49.51	1.21%	-2.03%
WELLS FARGO & CO	WFC	62,580	\$2,195,310	2.23%	0.06%	35.08	37.76	7.64%	4.40%
BERKSHIRE HATHAWAY INC	BRK/B	21,103	\$2,155,932	2.19%	0.06%	102.16	102.12	-0.04%	-3.28%
JOHNSON & JOHNSON	JNJ	26,128	\$1,988,576	2.02%	0.13%	76.11	78.87	3.63%	0.39%
TOP TEN HOLDINGS			\$26,520,915	26.94%	1.29%	Russell 1000 Value		3.24%	

Total Portfolio Value
Total StanCERA Value

\$98,444,375
\$1,517,736,918

STANCERA

Price Monitor Position Report

Capital Prospects

Active US Small Cap Value Manager

Positions as of February 28, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000V	2/28/2013 \$ PX	3/18/2013 \$ PX	Position % Change	Relative % Change
Hillenbrand, Inc	HI	50,317	\$1,232,267	1.59%	0.08%	0.11%	24.49	24.98	2.00%	-1.92%
Regal Beloit Corp	RBC	14,642	\$1,131,516	1.46%	0.07%	0.00%	77.28	83.50	8.05%	4.13%
Belden Inc	BDC	21,567	\$1,085,015	1.40%	0.07%	0.18%	50.31	52.34	4.03%	0.11%
Gulfport Energy Corp	GPOR	24,225	\$992,014	1.28%	0.07%	0.24%	40.95	43.47	6.15%	2.23%
Hanesbrands Inc	HBI	23,070	\$914,513	1.18%	0.06%	0.00%	39.64	41.11	3.71%	-0.21%
Polyone Corporation	POL	39,211	\$891,262	1.15%	0.06%	0.16%	22.73	24.96	9.81%	5.89%
Littelfuse, Inc	LFUS	12,884	\$852,512	1.10%	0.06%	0.11%	66.17	67.98	2.74%	-1.19%
PHH Corp	PHH	39,301	\$829,262	1.07%	0.05%	0.09%	21.10	21.66	2.65%	-1.27%
Meredith	MDP	18,259	\$767,261	0.99%	0.05%	0.12%	42.02	36.20	-13.85%	-17.77%
A. O. Smith Corp	AOS	10,185	\$728,510	0.94%	0.05%	0.00%	71.53	73.12	2.22%	-1.70%
TOP TEN HOLDINGS			\$9,424,131	12.16%	0.62%	1.01%	Russell 2000 Value:		3.92%	

Total Portfolio Value

\$77,501,077

Total StanCERA Value

\$1,517,736,918

STANCERA

Price Monitor Position Report

Delaware Investments Advisers
 Active Large Cap Growth Portfolio
 Positions as of February 28, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	2/28/2013 \$ PX	3/18/2013 \$ PX	Position % Change	Relative % Change
EOG Resources Inc.	EOG	54,950	\$6,907,765	5.32%	0.46%	0.46%	125.71	128.93	2.56%	0.27%
Visa Inc.	V	43,400	\$6,884,976	5.31%	0.45%	1.11%	158.64	158.07	-0.36%	-2.65%
Crown Castle International Corp.	CCI	94,600	\$6,603,080	5.09%	0.44%	0.27%	69.80	69.66	-0.20%	-2.49%
QUALCOMM Inc.	QCOM	97,100	\$6,373,644	4.91%	0.42%	1.51%	65.64	64.56	-1.65%	-3.94%
MasterCard Inc. CI A	MA	12,100	\$6,265,622	4.83%	0.41%	0.75%	517.82	515.01	-0.54%	-2.83%
Allergan Inc.	AGN	57,400	\$6,223,308	4.80%	0.41%	0.44%	108.42	108.50	0.07%	-2.22%
Kinder Morgan Inc.	KMI	154,990	\$5,745,479	4.43%	0.38%	0.24%	37.07	36.24	-2.24%	-4.53%
Apple Inc.	AAPL	12,575	\$5,550,605	4.28%	0.37%	5.55%	441.40	455.72	3.24%	0.95%
Adobe Systems Inc.	ADBE	132,275	\$5,199,730	4.01%	0.34%	0.15%	39.31	41.06	4.45%	2.16%
Liberty Interactive Corp. Interactive Series A	LINTA	247,000	\$5,159,830	3.98%	0.34%	0.02%	20.89	21.29	1.91%	-0.38%
TOP TEN HOLDINGS			\$60,914,039	46.96%	4.01%	10.51%	Russell 1000 Growth:		2.29%	

Total Portfolio Value
 Total StanCERA Value

\$129,726,254
 \$1,517,736,918

STANCERA

Price Monitor Position Report

Dodge & Cox Equity

Active US Large Cap Value Manager

Positions as of February 28, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000V	2/28/2013 \$ PX	3/18/2013 \$ PX	Position % Change	Relative % Change
WELLS FARGO & CO	WFC	160,072	\$5,615,325	3.57%	0.37%	2.10%	35.08	37.76	7.64%	4.40%
COMCAST CORP-CLASS A	CMCSA	140,063	\$5,573,106	3.54%	0.37%	0.70%	39.79	40.37	1.46%	-1.78%
GENERAL ELECTRIC CO	GE	230,000	\$5,340,600	3.39%	0.35%	3.10%	23.22	23.25	0.13%	-3.11%
MERCK & CO. INC.	MRK	122,500	\$5,234,425	3.33%	0.34%	1.60%	42.73	43.63	2.11%	-1.13%
TIME WARNER INC	TWX	93,532	\$4,973,096	3.16%	0.33%	0.60%	53.17	56.22	5.74%	2.50%
CAPITAL ONE FINANCIAL CORP	COF	92,500	\$4,720,275	3.00%	0.31%	0.40%	51.03	54.66	7.11%	3.87%
SANOFI-ADR	SNY	98,255	\$4,638,618	2.95%	0.31%	0.00%	47.21	49.04	3.88%	0.64%
MICROSOFT CORP	MSFT	165,000	\$4,587,000	2.91%	0.30%	0.00%	27.80	28.10	1.08%	-2.16%
NOVARTIS AG-ADR	NVS	67,000	\$4,542,600	2.89%	0.30%	0.00%	67.80	69.30	2.21%	-1.03%
HEWLETT-PACKARD CO	HPQ	225,005	\$4,531,600	2.88%	0.30%	0.50%	20.14	22.83	13.36%	10.12%
TOP TEN HOLDINGS			\$49,756,645	31.61%	3.28%	9.00%	Russell 1000 Value:		3.24%	

Total Portfolio Value

\$157,388,070

Total StanCERA Value

\$1,517,736,918

STANCERA

Price Monitor Position Report

Legato Capital Management

Active US Small Cap Growth Manager

Positions as of February 28, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000G	2/28/2013 \$ PX	3/18/2013 \$ PX	Position % Change	Relative % Change
Ultimate Software Group Inc.	ULTI	9,000	\$884,430.00	1.31%	0.06%	0.42%	98.27	101.57	3.36%	-1.16%
Encore Capital Group Inc.	ECPG	25,262	\$746,492.10	1.10%	0.05%	0.08%	29.55	30.50	3.21%	-1.30%
Portfolio Recovery Associates Inc.	PRAA	6,371	\$744,929.18	1.10%	0.05%	0.32%	116.93	125.45	7.29%	2.77%
Triumph Group Inc.	TGI	10,141	\$744,450.81	1.10%	0.05%	0.00%	73.41	78.38	6.77%	2.25%
CoStar Group Inc.	CSGP	7,354	\$740,841.96	1.10%	0.05%	0.46%	100.74	102.18	1.43%	-3.09%
Beacon Roofing Supply Inc.	BECN	19,670	\$725,823.00	1.07%	0.05%	0.28%	36.90	39.40	6.78%	2.26%
United Natural Foods Inc.	UNFI	12,977	\$656,895.74	0.97%	0.04%	0.40%	50.62	49.25	-2.71%	-7.23%
Health Management Associates Inc.	HMA	59,624	\$655,267.76	0.97%	0.04%	0.00%	10.99	12.33	12.19%	7.67%
athenahealth Inc.	ATHN	6,802	\$637,959.58	0.94%	0.04%	0.54%	93.79	95.00	1.29%	-3.23%
Cepheid	CPHD	17,503	\$637,634.29	0.94%	0.04%	0.39%	36.43	38.56	5.85%	1.33%
TOP TEN HOLDINGS			\$ 7,174,724.42	10.61%	0.47%	2.89%	Russell 2000 Growth:		4.52%	

Total Portfolio Value

\$67,592,784

Total StanCERA Value

\$1,517,736,918

STANCERA
Price Monitor Position Report

BNY - S&P 500 Index
Passive S&P 500 Index Fund
Positions as of February 28, 2013

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/28/2013 \$ PX	3/18/2013 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	5,674	\$2,504,426	3.16%	0.17%	441.40	455.72	3.24%	0.77%
Exxon Mobil Corp	XOM	26,374	\$2,361,769	2.98%	0.16%	89.55	88.77	-0.87%	-3.34%
General Electric Co	GE	62,120	\$1,442,423	1.82%	0.10%	23.22	23.25	0.13%	-2.34%
Chevron Corp	CVX	11,230	\$1,315,616	1.66%	0.09%	117.15	119.13	1.69%	-0.78%
Intl Business Machines Corp	IBM	6,196	\$1,244,288	1.57%	0.08%	200.83	213.21	6.16%	3.69%
Johnson & Johnson	JNJ	16,244	\$1,236,362	1.56%	0.08%	76.11	78.87	3.63%	1.16%
Google Inc.	GOOG	1,543	\$1,236,362	1.56%	0.08%	801.20	807.79	0.82%	-1.65%
Microsoft	MSFT	44,188	\$1,228,437	1.55%	0.08%	27.80	28.10	1.08%	-1.39%
Procter & Gamble	PG	16,125	\$1,228,437	1.55%	0.08%	76.18	76.16	-0.03%	-2.50%
Pfizer	PFE	43,145	\$1,180,885	1.49%	0.08%	27.37	28.04	2.45%	-0.02%
TOP TEN HOLDINGS			\$14,979,006	18.90%	0.99%	S&P 500 Index:		2.47%	

Total Portfolio Value
Total StanCERA Value

\$79,253,998

\$1,517,736,918

STANCERA
Price Monitor Position Report

LSV Asset Management
International Large Cap Value
Positions as of February 28, 2013

Company	Symbol	Market	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	2/28/2013 \$ PX*	3/18/2013 \$ PX*	Position % Change	Relative % Change
ROYAL DUTCH SHELL	RDS/A	London	47,834	\$3,140,275	2.36%	0.21%	1.30%	65.65	65.57	-0.12%	-0.97%
SANOFI S.A.	SNY	Paris	60,598	\$2,860,844	2.15%	0.19%	0.70%	47.21	49.04	3.88%	3.03%
ASTRAZENECA PLC	AZN	London	47,146	\$2,142,306	1.61%	0.14%	0.35%	45.44	46.18	1.63%	0.78%
CHINA PETROLEUM & CHEMICAL	SNP	Hong Kong	17,342	\$1,969,325	1.48%	0.13%	0.14%	113.56	111.47	-1.84%	-2.69%
ALLIANZ SE	ALV.DE	Germany	18,047	\$1,889,487	1.42%	0.12%	0.38%	104.70	110.30	5.35%	4.50%
BASF SE	BAS.DE	Germany	25,256	\$1,822,956	1.37%	0.12%	0.53%	72.18	74.32	2.96%	2.12%
OLD MUTUAL PLC	OML.L	London	9,169	\$1,809,650	1.36%	0.12%	0.09%	197.37	201.95	2.32%	1.47%
SWISS RE LTD	SR9.SG	Germany	28,068	\$1,729,812	1.30%	0.11%	0.17%	61.63	63.60	3.20%	2.35%
BT GROUP PLC	BT	London	42,617	\$1,729,812	1.30%	0.11%	0.20%	40.59	40.66	0.17%	-0.67%
ENI - ENTE NAZIONALE IDROCARBURI	ENI	Chile	90,903	\$1,689,894	1.27%	0.11%	0.36%	18.59	18.65	0.32%	-0.52%
TOP TEN HOLDINGS				\$20,784,362	15.62%	1.37%	4.22%	MSCI ACWI ex-U.S.		0.85%	

Total Portfolio Value
Total StanCERA Value

\$133,062,497

\$1,517,736,918

*Company quotes are provided directly in USD

STANCERA
Price Monitor Position Report

Pyramis Global Advisors
Active Non-US Growth Manager
Positions as of February 28, 2013

Company	Symbol	Market	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	2/28/2013 PX*	3/18/2013 PX*	Position % Change	Relative % Change
NESTLE SA (REG)	7123870	Switzerland	31887	\$2,238,104	1.61%	0.15%	1.37%	70.19	68.45	-2.48%	-3.33%
SANOFI	5671735	Paris	19878	\$1,886,173	1.36%	0.12%	0.69%	72.58	75.87	4.53%	3.69%
ROYAL DUTCH SHELL PLC CL A(NL)	B09CBL4	Amsterdam	57258	\$1,884,880	1.36%	0.12%	1.28%	25.18	25.33	0.60%	-0.25%
ROCHE HLDGS GENUSSSCHEINE	7110388	Swiss	6816	\$1,568,147	1.13%	0.10%	0.98%	214.70	216.50	0.84%	-0.01%
HSBC HOLDINGS PLC (UK REG)	540528	London	128316	\$1,424,601	1.03%	0.09%	1.23%	11.10	10.93	-1.53%	-2.38%
BAYER AG	5069211	Germany	13992	\$1,387,665	1.00%	0.09%	0.50%	76.12	78.27	2.82%	1.98%
TOYOTA MOTOR CORP	6900643	Tokyo	25100	\$1,296,353	0.93%	0.09%	0.86%	51.65	52.57	1.78%	0.94%
BRITISH AMER TOBACCO PLC (UK)	287580	London	24700	\$1,287,710	0.93%	0.08%	0.61%	52.13	54.25	4.07%	3.22%
BP PLC	798059	London	189566	\$1,282,509	0.92%	0.08%	0.78%	6.77	6.81	0.63%	-0.22%
SAP AG	4846288	Germany	16366	\$1,280,556	0.92%	0.08%	0.44%	60.06	64.25	6.98%	6.13%
TOP TEN HOLDINGS				\$15,536,698	11.73%	1.02%	8.74%	MSCI ACWI ex-US:		0.85%	

Total Portfolio Value
Total StanCERA Value

\$138,671,013

\$1,517,736,918

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



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

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

**For the March 26, 2013
Retirement Board Meeting Agenda**

3/26/13
Item # 8.a.i

TO: Retirement Board

FROM: Strategic Planning Committee
Michael O'Neal, Gordon Ford, Mike Lynch, Trustees

I. SUBJECT: Strategic Planning Committee Report

II. RECOMMENDATION: Accept the recommendation of the Strategic Planning Committee to utilize Cortex Applied Research for the 2013-2016 Strategic Planning Process.

III. ANALYSIS: A strategic plan identifies where the organization wants to be at some point in the future and how it is going to get there. The "strategic" part of this planning process is the continual attention to current changes in the organization and its external environment, and how this affects the future of the organization. Skills in strategic planning are critical to the long-term success of our organization.

This form of planning includes:

- a) Taking a wide look around at what's going on outside the organization and how it might affect the organization (an environmental scan), and identifying opportunities and threats
- b) Taking a hard look at what's going on inside the organization, including a strength, weakness, opportunities, & threats (SWOT) analysis
- c) Establishing statements of mission, vision and values
- d) Establishing goals to accomplish over the next (usually) three years or so, as a result of what's going on inside and outside the organization
- e) Identifying how those goals will be reached (strategies, objectives, responsibilities and timelines)

StanCERA's history:

In 2005 the Retirement Board actively participated in a three day Strategic Planning workshop with a certified County facilitator. The facilitator walked the Board through several critical steps, including the Mission and Vision statement, a SWOT analysis and an Environmental scan. At the end of the three day workshop, five objectives had been agreed upon and five committees proceeded to address how each objective would be met. With various workshops and facilitators the Retirement Board continued to update and follow the plan through June 2012.

On July 11, 2012 the Committee agreed to extend the plan for one year and align it with the fiscal year going forward. The Committee requested staff survey other systems to determine what options were available and whether or not hiring a professional facilitator again would add value to the process and ultimately the system.

**For the March 26, 2013
Retirement Board Meeting Agenda**

2013-2016 Fiscal Year Strategic Plan:

On September 12, 2012 the Committee reviewed staff findings and instructed staff to request proposals from qualified facilitators and set up phone interviews.


On February 14, 2013 the Committee reviewed the proposals and interviewed three prospective Strategic Planning Facilitators to assist with the 2013-2016 StanCERA Strategic Plan.

Cortex Applied Research	\$21, 255
Hewitt ennisknupp	\$23,000 - \$27,000
Bill McGinnis	\$8,600

The Committee selected Cortex Applied Research, Tom Iannucci to be recommended to the Board, for this project. As part of the process each Board Trustee as well as three staff members will be interviewed via telephone. Once the interviews are completed, a one day workshop on April 26, 2013 is scheduled to finalize the 2013-2016 Strategic Plan.

Memo from staff: On March 21, 2013, StanCERA received a call from Tom Iannucci regarding this project. Tom is concerned that his current workload may not allow him to give this project his full attention. Tom hopes we will continue with Cortex and accept his partner John Por as the facilitator. He assured us that John could accomplish everything needed and would add value to this process. The other option would be to continue with Cortex, Tom Iannucci as facilitator at a later date.

- IV. BUDGET IMPACT:** An amount not to exceed \$22,000 was approved by the Strategic Planning Committee for this project.
- V. STRATEGIC PLAN:** Goal 3 Strategy C: Regularly update policies, procedures, and systems to ensure organizational effectiveness and consistency


Kathy Herman, Operations Manager


Rick Santos, Executive Director



California Quail Official Bird of California

California Retired County Employees Association

Representing over 160,000 California County Retirees

3/26/13

Item # 8.b.i

OFFICERS

E. F. (Skip) Murphy, President
Michael Sloan, Vice President
Dorothy Lueking, Secretary
Edward C. (Ed) Morris, Treasurer
William (Bill) de la Garza, Past Pres.

MEMBER ASSOCIATIONS

Alameda
Contra Costa
Fresno
Imperial
Kern
Los Angeles
Marin
Mendocino
Merced
Orange
Sacramento
San Bernardino
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San Joaquin
San Mateo
Santa Barbara
Sonoma
Stanislaus
Tulare
Ventura

AFFILIATE MEMBERS

EFI Actuaries
Liberty Mutual Group
Pacific Group Agencies, Inc
SCAN Health Plan.
The Segal Company
Southland Credit Union
Stradling Yocca Carlson & Rauth
Western Group Agencies, Inc.

A 501(c)4 Association

January 2, 2013

CRCEA Delegates, Members, Affiliates and Friends of County Retirees,
'37 ACT Retirement Board Members and Administrators:

Please accept this invitation to join your fellow retirees at our Annual CRCEA Spring Conference that will be held on **April 15-17, 2013** in beautiful Long Beach in Los Angeles County, California, hosted by the Retired Employees of Los Angeles County (RELAC) and held at the **Hotel Maya**.

Traveling to Los Angeles County will give you the opportunity to visit another of California's beautiful coastal counties. With its beaches, parks, attractions and history, along with wonderful restaurants, RELAC encourages you to join them for this conference.

CRCEA continues to work by providing you with current educational information relative to our present and future county retiree issues, so I am pleased to inform you that our Los Angeles Host Committee, your CRCEA Executive and Conference Committees have worked hard to bring you a meaningful and enjoyable Conference.

The past several conferences included Round Table Discussion, highlighting information and issues from various member associations, which were very well received. Thus, the Conference Executive Committee has continued to allot time for individual associations to present informational materials on discussing problem areas, requests for assistance, along with successful accomplishments that may be helpful to other associations.

With the start of the legislative year in Sacramento, time has been planned for our Legislation Session. We hopefully will be able to bring together CRCEA legislative consultant Amy Brown and other "experts" from the Sacramento scene. Their analysis is always interesting and should provide insight into the future.

Included with this letter, you will be receiving the Tentative Program giving you an idea of the topics and great speakers we will be enjoying at the Conference. Our hosts are also providing entertainment and gifts guaranteed to make the Tuesday evening social event relaxing, fun and rewarding.

The Wednesday Morning Business Session is an important segment, with discussion from local associations as well as updates from all our Standing Committees. We will consider other business brought before the Delegates, who are the Board of Directors and the official voting body for CRCEA. It is important that every association be represented at the Conference, not only for the valuable information, but especially at the Business Session.

You are always welcome to bring members of your family and friends to the Conference. Plan now to attend. Encourage your Retirement Board Retiree Member (and Alternate) to join us. We look forward to seeing you in Long Beach.

Sincerely,

E. F. "Skip" Murphy, President

CRCEA Office P.O. Box 310756 - Fontana, CA 95331
Phone: 909-877-0367; dottylu@roadrunner.com



Retired Employees of Los Angeles County

A non-profit organization ~ Serving over 20,000 members

Board of Directors

Officers

Bill de la Garza
President

Dave Muir
Vice President

Mary K. Rodriguez
Secretary

Ed Morris
Treasurer

Greg Walia
Past President

Board Members

Mary Lou Bangar

Donald J. Fandry

Martin Golds

Raymond R. Guyovich

J.P. Harris

George R. Hernandez

Alice Prouty

Diane Sandoval

Jason H. Williams

Emeritus

Dave E. Kalingar

RELAC

1000 S. Fremont Ave., Unit 15
Alhambra, CA 91803-8802
626-308-0532/800-537-3522
Fax: 626-308-2901

Office Hours

Monday through Thursday
9:00 AM to Noon
1:00 PM to 4:00 PM

Website: www.relac.org
E-Mail: admin@relac.org

January 16, 2013

Dear CRCEA Members and Guests:

RELAC is very pleased and excited to host the 2013 CRCEA Spring Conference. For over a year we have been planning and working hard to insure that our conference attendees will receive valuable information that they can take home and share with their respective association members. We had the honor of hosting the CRCEA Spring Conference eight years ago in 2005. It's our turn again folks and we are really looking forward to this opportunity.

Due to the many favorable responses we received in 2005, our RELAC planning committee elected to use the same hotel for this year's conference. The Maya Hotel has a five star rating and is located on the beach in Long Beach. For those of you who are flying, the Maya Hotel is seven miles from the Long Beach Airport. For those of you that are bringing your families, the hotel has a free shuttle to the many interesting activities such as the shopping centers, the Long Beach Aquarium, Pike, Museum of Art and Catalina Excursions, etc.

Most important, and in keeping with the CRCEA Conference plan, we have brought together an excellent and experienced group of speakers who will provide you with updated information regarding retiree pensions and medical plans and other important subjects relating to county retirees.

Our theme for this year's conference is "the Sea is Calling". On behalf of our Board of Directors and our RELAC Conference Committee, we welcome the opportunity to serve you. We look forward to seeing you in April.

Sincerely,

Bill de la Garza
Bill de la Garza
President

PROGRAM

CRCEA 2013 SPRING CONFERENCE April 15-17, 2013

HOTEL MAYA
700 Queensway Drive, Long Beach, CA

Sunday, April 14, 2013

2:00 p.m. – 6:00 p.m. REGISTRATION - LOBBY

Monday, April 15, 2013

9:00 a.m. – 5:00 p.m. REGISTRATION - LOBBY

10:00 a.m. EXECUTIVE COMMITTEE MEETING - CIVIL

1:00 p.m. – 1:30 p.m. OPENING SESSION - TIKAL AND MIRADOR

- **Call to Order:** E. F. (Skip) Murphy, CRCEA President
- **Invocation:** Ed Morris, RELAC Treasurer
- **Presentation of Colors:** Los Angeles County Sheriff
- **Pledge of Allegiance:** Ed Morris, RELAC Treasurer
- **God Bless America**
- **Roll Call of Counties and Seating of Delegates:**
Dorothy Lueking, CRCEA Secretary
- **Introduction of First-Time Attendees:**
E.F. (Skip) Murphy, CRCEA President
- **Announcements:** Bill de la Garza, RELAC President

1:30 p.m. – 1:45 p.m. WELCOME ADDRESS

- Speaker: Gregg Rademacher, CEO, LACERA
- Introduction: Bill de la Garza, RELAC President

1:45 p.m. – 2:30 p.m. SACRAMENTO POLITICS

- Speaker: Joe Ackler, Principal, Ackler & Associates
- Introduction: David Muir, RELAC Vice President

2:30 p.m. – 3:15 p.m. COLLABORATING WITH PENSION STAKEHOLDERS

- Speaker: Gregg Rademacher, CEO, LACERA
- Introduction: Diane Sandoval, RELAC Board Member

3:15 p.m. – 3:30 p.m. AFTERNOON BREAK

- 3:30 p.m. – 4:15 p.m. FINANCIAL MANAGEMENT AFTER RETIREMENT
Real Estate Transfers (onetime base year value transfer for seniors) and the perils and pitfalls of Reverse Mortgages.
- Speaker: Mark Saladino, Treasurer/Tax Collector, Los Angeles County
 - Introduction: Bill de la Garza, RELAC President
- 4:15 p.m. – 5:00 p.m. BREAKOUT SESSIONS FOR STANDING COMMITTEES
- E.F. (Skip) Murphy, CRCEA President
 - All Attendees Welcome - If you are not assigned to a committee, please sit in on any committee of your choice.
- 5:30 p.m. – 7:00 p.m. HOSPITALITY RECEPTION - Presidential Suite
Hosted by: Steve Pettee, Pacific Group Agencies
All Attendees and Affiliate Members are Cordially Invited
- 7:00 p.m. DINNER – On Your Own

Tuesday, April 16, 2013

- 7:00 a.m. – 8:15 a.m. BREAKFAST
- 8:00 a.m. – 2:00 p.m. REGISTRATION - Lobby
- 8:15 a.m. MORNING GENERAL SESSION - TIKAL and MIRADOR
- Call to Order: E.F. (Skip) Murphy, CRCEA President
 - Announcements: Bill de la Garza, RELAC President
- 8:30 a.m. – 8:50 a.m. LONG BEACH HIGHLIGHTS AND ATTRACTIONS
- Speaker: Claudette J. Baldemore, Convention Services Manager, Long Beach Convention Visitors Bureau
 - Introduction: Diane Sandoval, RELAC Board Member
- 8:50 a.m. – 9:30 a.m. TSA TRAVEL SECRETS
- Speaker:
 - Introduction: Greg Walia, RELAC Board Member
- 9:30 a.m. – 10:30 a.m. HEALTH CARE - AFFORDABLE CARE ACT, MEDICARE
- Speaker: Kirby Bosley, Sr. Vice President, Aon Hewitt
 - Introduction: Ed Morris, RELAC Treasurer
- 10:30 a.m. – 10:45 a.m. MORNING BREAK Sponsored by Southland Credit Union
- 10:45 a.m. – 11:00 a.m. INTRODUCTION OF AFFILIATES
- Bill de la Garza, Chair, CRCEA Affiliate Committee

- 11:00 a.m. – 12 noon **SECRETS TO A HEALTHY AND HAPPY RETIREMENT**
- Speaker: Tara L. Gruenewald, Ph.D., MPH
Assistant Professor, USC Leonard Davis
School of Gerontology
 - Introduction: David Muir, RELAC Vice President
- 12 noon – 1:30 p.m. **LUNCH - On Your Own**
- 1:30 p.m. – 3:00 p.m. **LEGISLATIVE REPORT - SACRAMENTO SCENE**
- Moderator: **Art Goulet**, Chair, CRCEA Legislation Committee
 - Panelists: **Amy Brown**, CRCEA Legislative Consultant; **Karon Green**, Chief Consultant to the Assembly Committee on Public Employees, Retirement & Social Security; **Pam Schneider**, Principal Consultant, Senate Committee on Public Employment and Retirement
- 3:00 p.m. – 3:15 p.m. **AFTERNOON BREAK**
- 3:15 p.m. – 4:30 p.m. **ROUND TABLE SESSION**
- E.F. (Skip) Murphy, CRCEA President
 - Speakers: Member Association representatives sharing news on current issues in their organizations
- 5:30 p.m. – 7:00 p.m. **HOSPITALITY RECEPTION (Presidential Suite)**
Sponsored by Steve Pettee, Pacific Group Agencies
All Attendees and Affiliate Members are Cordially Invited
- 7:00 p.m. – 9:30 p.m. **BANQUET - MIRADOR (Casual Dress)**
- **Master of Ceremonies:** Ed Morris, RELAC Treasurer
 - **Entertainment:** The Pulcini Brothers
 - **Door Prize Drawing**

Wednesday, April 17, 2013

- 6:00 a.m. – 8:00 a.m. **BREAKFAST - On Your Own**
- 8:00 a.m. – 11:00 a.m. **BUSINESS SESSION - CIVAL**
- **Call to Order**
 - **Announcements:** Bill de la Garza, RELAC President
 - **Approval of Fall Conference Minutes:**
Dorothy Lueking, CRCEA Secretary
 - **Executive Committee Report:** E.F. (Skip) Murphy, CRCEA President

- **Financial Report:** Ed Morris, CRCEA Treasurer
- **Committee Reports:** Committee Chairs
 - Affiliate:** Bill de la Garza, Los Angeles
 - Benefits:**
 - Bylaws:** David Muir – Los Angeles
 - Communications:**
 - Audit/Finance:** Carlos Gonzalez, San Diego
 - Legislation:** Art Goulet, Ventura
 - Membership:** Rhonda Biesemeier, Stanislaus
 - Retirement Security Committee:** David Muir, Los Angeles
 - Conference:** Betty McCollum, Ventura
- **Unfinished Business:**
- **New Business:**
- **Invitation to the 2013 Fall Conference:**
 - Retired Employees of Fresno County
 - Julie Hornback, Host Committee Chair
 - October 21-23, 2013
 - Radisson Hotel, Fresno, CA
- **Closing Remarks:** E.F. (Skip) Murphy, CRCEA President



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

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

3/26/13

Item # 9.b

**For the Retirement Board meeting
Held on March 26, 2013**

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Addition to the Investment Policy Statement regarding Direct Lending
- II. RECOMMENDATION: Approve the recommended addition regarding Direct Lending for inclusion into the Investment Policy Statement
- III. ANALYSIS: On or around the first week of April 2013, StanCERA will decide whether to place its first capital commitment to the Direct Lending investment space. Over the course of 2013, it is StanCERA's intent to complete a transition of approximately 7.5% of its portfolio to this type of investment.

Currently, StanCERA's Investment Policy Statement (IPS) addresses an asset class referred to as "Special Situations". While this term and section of the IPS may eventually house an investment such as Direct Lending, it is staff's belief that it is too early in the transition process to begin a complete rework of the section. In the meantime, this new addition (Attachment 1) is meant not only to enhance, but stand independent of the Special Situations section.

The following list is a summary from Attachment 1 that describes in more detail the following points that should be a part of the IPS concerning Direct Lending:

- An overview of the Direct Lending asset class
- The Objective
- The Risks
- Performance Measurement
- Performance Evaluation
- Performance Monitoring

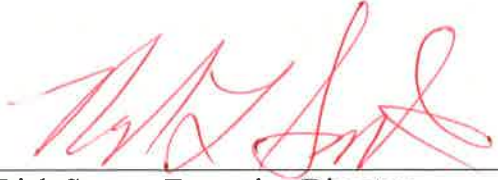
Staff's intent is to "modularize" the policy process to allow the inclusion of alternative investments into our portfolio without disrupting or having to change the Investment Policy each time we enter into a new asset class. It will ultimately be staff's intent to incorporate these individual policy processes into the Special Situations section (or however the Organization eventually redefines it).

Later this year, staff will also be required to undertake its annual look at the overall Investment Policy Statement and recommend and make changes. While staff will complete this task within the required timeframe, the changes recommended in this item need to be made prior to committing capital to the Alternative space.

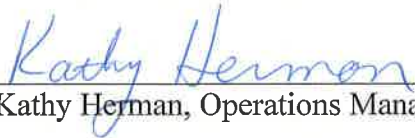
IV. RISK: None

V. STRATEGIC PLAN: Goal 1, Strategy A: Explore options for a more flexible investment policy with greater diversification. Goal 1, Strategy A, Task A2: Periodically review and revise the investment policy as needed.

VI. BUDGET IMPACT: None



Rick Santos, Executive Director



Kathy Herman, Operations Manager

Alternative Investments

Overview

This section describes in greater detail the expectations, performance measurement, monitoring and risk factors that are a part of the Alternative asset class. Each alternative investment that StanCERA chooses to invest in will be addressed in this section. The intent of this section is to allow StanCERA to modularize or "insert" different alternatives into the Investment Policy Statement without disrupting the existing Policy. Until all alternative investment commitments have been funded, it is also the intent of this section to coexist with the current section on Special Situations. However, all of the descriptions, expectations, performance measurements, monitoring, target allocations and ranges are presented notwithstanding the current Policy's section on Special Situations.

Direct Lending

Overview

Generally, managing risks associated with Direct Lending can be challenging since it is often characterized by non-traditional risk/return profiles, limited portfolio transparency, and illiquidity; all crucial assumptions for the validity of standard deviation as the traditional risk measure. Therefore, traditional risk and return measures (mean return, standard deviation of returns, and beta) may not provide an adequate picture of Direct Lending risks and characteristics.

Consequently, StanCERA believes that it should monitor results and fund holdings in such a way as to determine whether a fund has performed in line with its *original expectations* and continues to comply with its prospectus, with an emphasis on the forecasted periodic cash flows and returns.

Objective

To commit 7.5% of StanCERA's total portfolio to the Direct Lending asset class and to earn current income and to a lesser extent, capital appreciation by originating and investing in a diversified portfolio of corporate credit and asset-based debt and equity instruments issued by privately held small-to-middle market companies located primarily in North America.

The protection of capital is of the utmost importance. Accordingly, the external direct lending manager shall seek to make investments backed by assets and cash flows.

Risks

- General Risks of Lending
- Interest Rate Risk
- Debt Securities and Obligations
- Bankruptcy of Portfolio Companies
- Lower Rated Debt
- Risks in Effecting Operating Improvements

Performance Measurement

It is understood that market-price revealing events that affect the value of an investment in Direct Lending occur infrequently. As such, performance measurement will focus on calculating the *internal rate of return* (IRR) based on actual cash flows since inception as compared to the *original expected cash flows* in the fund's prospectus.

It is further understood that internal rate of return calculations will necessarily produce negative returns until distributions are equal to or greater than contributions. At this point, as an additional measurement, LIBOR + 750 basis points would be an appropriate proxy to the opportunity cost involved with this type investment.

Internal rates of return should be derivable on a monthly basis, however, it is understood that asset values may only be reliably ascertained on a quarterly basis.

Performance Evaluation

When evaluating performance, StanCERA will consider the relative uncertain nature of the projected cash flows from Direct Lending investments. When comparing the expected versus actual internal rates of return, a 50% relative downside difference will be used as a minimum standard of performance. When the ratio of the actual internal rate of return to the expected internal rate of return falls below 50%, this would be considered sub-par performance when compared to the original expected performance.

As the investment matures, the proxy referred to in the *Performance Measurement* section would then become an additional evaluation metric.

Performance Monitoring

If it is determined that a Direct Lending Manager's performance is sub-par when compared to its original expectations, staff will be required to provide the Board on a semi-regular basis, the following information throughout the resolution of the underperformance and/or remainder of the Direct Lending contract:

- Manager shall provide staff with an executive summary of the following:
 1. What specifically has caused the underperformance?
 2. Whether cause of underperformance will affect other performing loans in the portfolio?
 3. Details of strategy to mitigate continued underperformance
 4. Manager to determine likelihood for a successful resolution
 5. Contingency plan in the event that a successful resolution is not likely