



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

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

## AGENDA

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

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

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

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

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

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

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

**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 14, 2012, Administrative Meeting Minutes [View](#)

6. Semi-Annual Performance Report by Delaware Investments [View](#)
7. Strategic Investment Solutions (SIS), Inc.
  - a. Educational Presentation – An Introduction to Infrastructure by RREEF Infrastructure
  - b. Monthly Investment Performance Review for the Month Ending February 29, 2012 [View](#)
  - c. Report on “Top 10 Holdings” of StanCERA Investment Managers [View](#)
  - d. Research Affiliates Response to StanCERA’s Questions Re: Enhanced RAFI Long Short Strategy [View](#)
  - e. Discussion and Action on the Implementation of a Stop Loss on the RAFI Long Short Fund [View](#)
8. Executive Director Report
  - a. Discussion and Action on Potential Acquisition of a Board Portal System for Board of Retirement Meetings [View](#)
  - b. Discussion and Action on a Potential Change of Custodial Bank [View](#)
  - c. Discussion and Action Regarding an Update on the Vacant Office Space at 832 12<sup>th</sup> St., 6<sup>th</sup> Floor
9. Members’ Forum (Information and Future Agenda Requests Only)
10. Adjournment



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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

March 14, 2012

#### Members Present:

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

#### Alternate Member Present:

Joan Clendenin (Alternate Retiree Representative)

#### Members Absent:

*Ron Martin*

#### Staff Present:

Kelly

Rick Santos, Executive Director

Cerny, Executive Secretary

Kathy Herman, Operations Manager

Dawn

Lea, Benefits Manager

Kathy

Johnson, Accountant

Donna

Wood, Retirement Specialist

#### Others Present:

Fred Silva, General Legal Counsel

Graham Schmidt, EFI Actuaries

Ken Moeller, Hills Ferry Cemetery District

Doris Foster, Monica Nino & Stan Risen, County

Chief Executive Office

1. Meeting called to order at 1:59 p.m. by Jim DeMartini, Chair

#### 2. Roll Call

J. Clendenin arrived at 2:00 p.m.

#### 3. Announcements

Mr. Santos announced the retirement effective March 31, 2012, of Joyce Parker, StanCERA's Software Developer/Analyst II. Ms. Parker has been with the County over 30 years, and came to StanCERA in 2005. Ms. Parker was instrumental in the implementation of StanCERA's automated retirement system.

#### 4. Public Comment

None.

5. **Consent Items**

Motion was made by Maria De Anda and seconded by Jeff Grover to approve the following items as listed.

Motion carried.

- a. Approval of the February 28, 2012, Investment Meeting Minutes
- b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

- 1. Alan Autrand, GSA, Effective 03-31-12
- 2. Cynthia Avila, Superior Courts, Effective 03-30-12
- 3. Marcia Bonnell, Superior Courts, Effective 02-29-12
- 4. Vivian Bowen, Superior Courts, Effective 03-03-12
- 5. Cindy Branshaw, Superior Courts, Effective 03-29-12
- 6. Linda Carter, Clerk Recorder, Effective 03-30-12
- 7. Geraldine Carvalho, HSA, Effective 03-02-12
- 8. Elizabeth Cerda, Superior Courts, Effective 03-30-12
- 9. Bradley Christian, Public Works, Effective 03-31-12
- 10. Elvira Cisneros, Superior Courts, Effective 03-30-12
- 11. Heidi Cole, HSA, Effective 03-24-12
- 12. Jerry Corthell, Clerk-Recorder, Effective 03-19-12
- 13. Dianna Dulaney, Library, Effective 03-30-12
- 14. Robert Ford, Planning, Effective 03-12-12
- 15. Linda Franck, Alliance Worknet, Effective 03-11-12
- 16. Carol Ann Gibbs, District Attorney, Effective 03-24-12
- 17. Mary Glancy, Probation, Effective 02-16-12
- 18. Judi Green, Superior Courts, Effective 02-29-12
- 19. John Hallford, BHRS, Effective 03-31-12
- 20. Mary Hansen, Clerk-Recorder, Effective 03-03-12
- 21. Richard Hatter, Sheriff, Effective 03-31-12
- 22. Carolyn Hebenstreich, Stanislaus AAA & Vets, Effective 03-31-12
- 23. Patricia Heckendorf, Assessor, Effective 03-31-12
- 24. Lupe Hernandez, HSA, Effective 03-03-12
- 25. Adelfa, Laboca-Chaney, HSA, Effective 03-09-12
- 26. Carol Lincoln, Superior Courts, Effective 03-31-12
- 27. Gloria Lopez, HSA, Effective 03-24-12
- 28. Sirv Man, CSA, Effective 03-06-12
- 29. Marcus Martinez, BHRS, Effective 03-26-12
- 30. Diana Moreno, Superior Courts, Effective 03-30-12
- 31. Steven Mortensen, City of Ceres, Effective 03-01-12
- 32. Rusty Overstreet, Stanislaus Regional 911, Effective 03-30-12
- 33. Joyce Parker, StanCERA, Effective 03-31-12
- 34. Dorothy Parsons, Superior Courts, Effective 03-30-12
- 35. Bruce Perry, Public Defender, Effective 02-01-12
- 36. Mayra Rodriguez, HSA, Effective 03-20-12
- 37. Vicki Ross, GSA, Effective 02-25-12



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

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

- 38. Josephine Roullard, Library, Effective 02-13-12
- 39. Daniel Sandoval, CSA, Effective 03-24-12
- 40. Elizabeth Suarez, Superior Courts, Effective 02-22-12
- 41. Connie Tipton, BHRS, Effective 03-31-12
- 42. Diana Tovar, DCSS, Effective 03-23-12
- 43. Denise Truffa, Sheriff, Effective 03-24-12
- 44. Michael Veil, Sheriff, Effective 03-24-12
- 45. Michael White, Sheriff, Effective 03-31-12

c. Approval of Deferred Retirement – **Section 31700**

- 1. Matthew Blakeley, BHRS, Effective 10-22-11
- 2. Lisa Bolivar, HSA, Effective 12-17-11
- 3. Robin Feist, CSA, Effective 12-31-11
- 4. Glenn Gebhardt, City of Ceres, Effective 03-12-11
- 5. Susana Millan, CSA, Effective 01-28-12
- 6. Jerry Powers, Probation, Effective 12-03-11

d. Approval of Disability Retirements – **Section 31724**

- 1. David Reisz, Sheriff, Service-Connected, Effective 03-15-12

**6. Executive Director Report**

- a. Board Study Session – Modeling Future Contribution Rates and Funded Ratios and the Associated Risks
- b. Discussion and Action on Approval of the June 30, 2011 Actuarial Review and Analysis by EFI Actuaries
  - i. At a Glance – StanCERA's Actuarial Review and Analysis as of June 30, 2011

Motion was made by Jeff Grover and seconded by Michael O'Neal to approve the June 30, 2011 Actuarial Review and Analysis and adopt the employee and employer contribution rates for fiscal year 2012-2013 as presented.

G. Ford opposed.

Motion carried.

- c. Discussion and Action Regarding an Update on the Vacant Office Space at 832 12<sup>th</sup> St., 6<sup>th</sup> Floor

No action taken.

6. **Executive Director Report (Cont.)**

Recessed at 3:11 p.m.

Reconvened at 3:17 p.m.

- d. Discussion and Action on the Disposition of Duties of the Alternate Retiree Member

No action taken.

- e. Discussion and Action on Whether to Respond to the Stanford Institute for Economic Policy Research Study and Concerns About Pension Funding

Motion was made by Mike Lynch and seconded by Michael O'Neal to direct staff to write a letter to Board members regarding an analysis of the Stanford Institute Study's incorrect information and its methodology for calculating growth in StanCERA's annual pension costs.

Motion carried.

- f. Discussion and Action on the SACRS' May 8-11, 2012, Spring Conference Voting Proxy Form

Motion was made by Michael O'Neal and seconded by Jeff Grover to designate Darin Gharat, Vice-Chair, as the voting delegate and Maria De Anda as the alternate voting delegate at the SACRS Spring 2012 Conference Business Meeting on May 11, 2012.

Motion carried.

- g. Discussion and Action on the State Association of County Retirement Systems' (SACRS) Nominating Committee's Recommended Ballot for the Board of Directors' Elections at the May 11, 2012, Business Meeting

No action taken.

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

Mr. Gharat and Mr. O'Neal shared their experiences attending the California Association of Public Retirement Systems' (CALAPRS) General Assembly, March 3-5, 2012, in Rancho Mirage, CA. Both found it worthwhile and offered good information.

Ms. De Anda shared her experience attending the Los Angeles County Employees' Retirement Association's (LACERA) Trustees' Round-up, February 27-28, 2012, in Los Angeles, CA. Ms. De Anda recommended Board members attend next year's Round-up.

8. **Adjournment**

Meeting adjourned at 3:46 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Rick Santos", is written over the text "Respectfully submitted,".

Rick Santos, Executive Director

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

A handwritten signature in black ink, appearing to read "Fred A. Silva", is written over the text "APPROVED AS TO FORM:".  

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Fred A. Silva, General Legal Counsel

Q4 2011

Delaware  
Investments®  
A member of Macquarie Group



Focus growth equity investment review

## Large-Cap Growth Equity

Presentation to:

### Stanislaus County ERA

Agenda:

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

Representing Delaware Investments:

**Kevin J. Brown** Vice President – Senior Investment Specialist

March 27, 2012

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

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# Presenter biographies

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## Delaware Investments

### **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

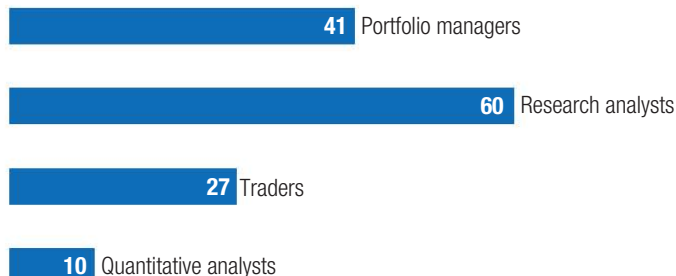
December 31, 2011

## 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

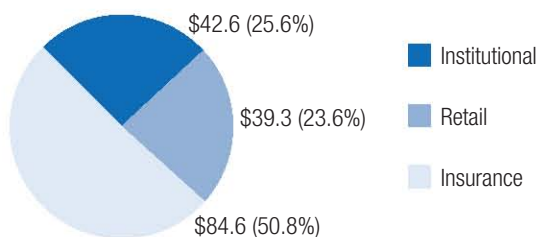
## Staff

### 138 Investment professionals

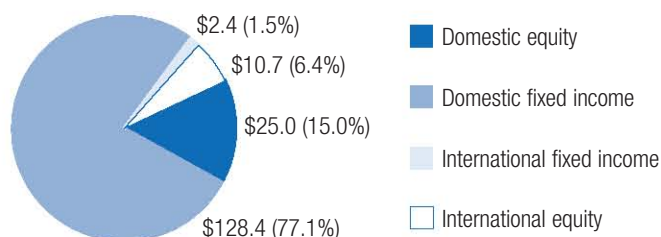


## Assets \$166.5 billion under management

### By client type (\$ billions)



### By asset class (\$ billions)



## Institutional profile

### 532 Institutional client accounts

346 Institutional equity accounts

186 Institutional fixed income accounts

### By assets

Sub-advisory: 55%	Taft-Hartley: 2%
Corporate: 19%	High net worth: 2%
Public: 13%	Endowments and foundations: 1%
NDT/VEBA: 7%	Other: 1%

# Representative client list

As of December 31, 2011

## 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

## Sub-advisory

**First Mercantile Trust Company**

GuideMark

**Lincoln National Corporation**

**Massachusetts Mutual Life Insurance Company**

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**

## Public funds

California State Teachers 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

College of William and Mary

Gellert Foundation

**The Oregon Community Foundation**

## Healthcare organizations

Community Medical Center

**John Muir Health**

## Taft-Hartley

Roofers & Waterproofers Local #30

San Francisco Culinary Pension

Southwest Ohio Regional Council of Carpenters

Teamsters Local #557 Pension Fund

Teamsters Local #803 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

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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:

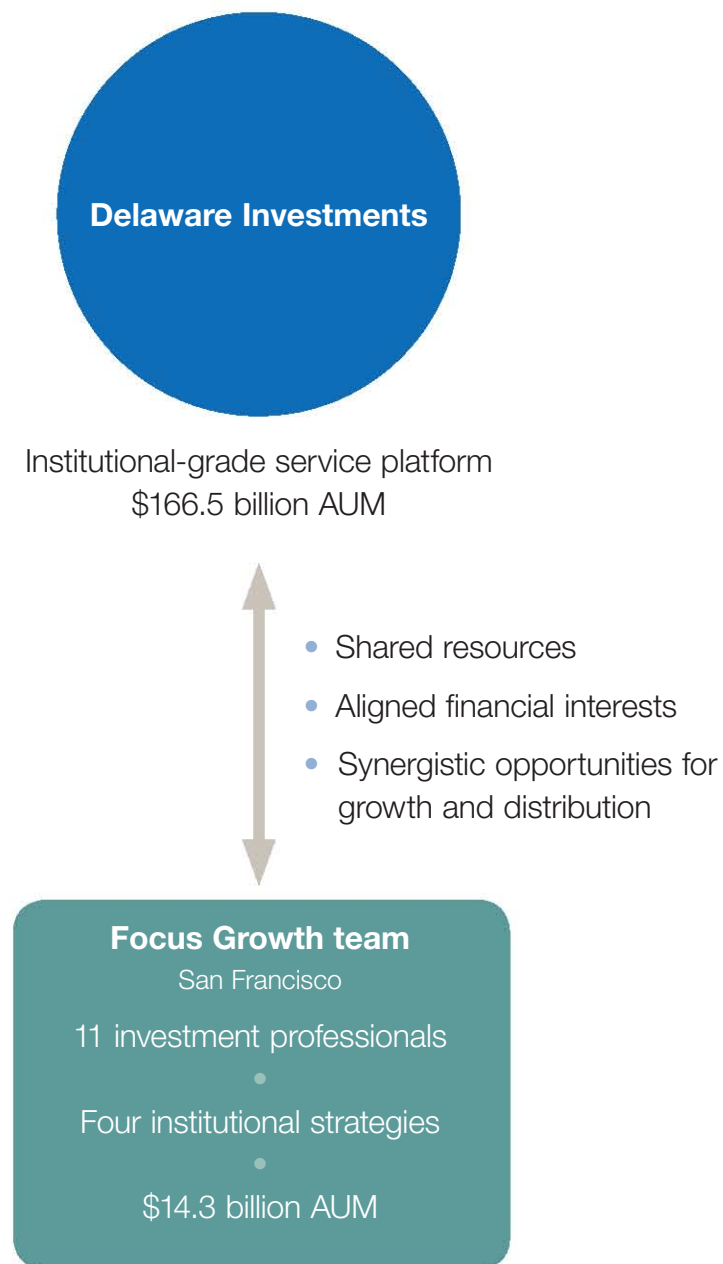
A long-term incentive plan provides investment teams with equity stakes in the company.



# Delaware Investments team operating structure

Delaware Investments

As of December 31, 2011



## 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

## Investment teams

### Growth equities (\$14.3 billion\*)

#### Focus Growth team (San Francisco)

Large-Cap	Smid-Cap	Select 20	All-Cap	Global
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### Value equities (\$8.6 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
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### Global/International equities (\$10.7 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 (\$130.8 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, 2011. Includes all assets managed in this style, including institutional separate accounts, institutional mutual funds, retail mutual funds, and managed accounts. Institutional assets total \$42.6 billion.

\$4.6 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 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 29, 2011

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

Financials

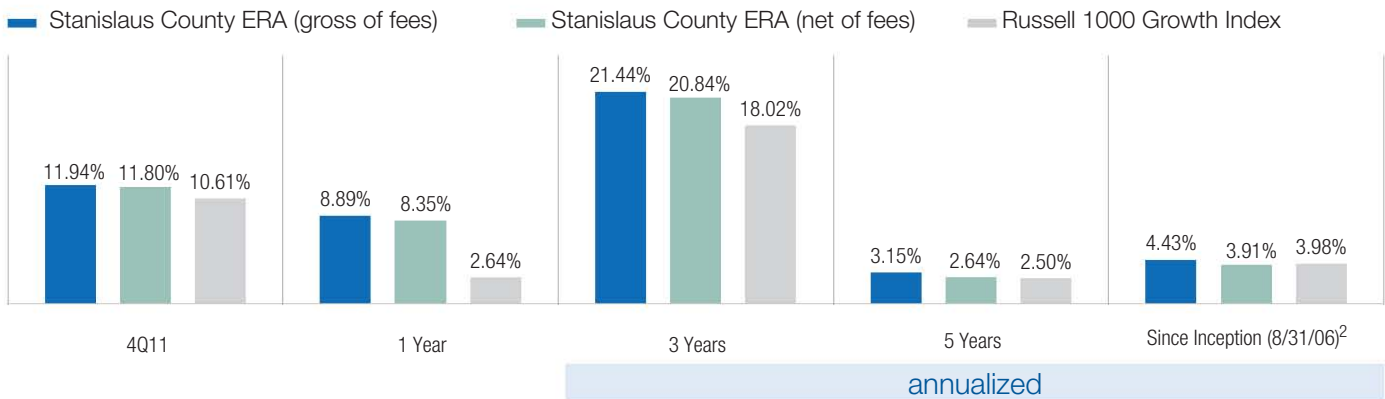
Initial investment . . . . .	\$104,130,987
Net contributions/withdrawals . . . . .	(\$27,500,272)
Net portfolio gain/loss . . . . .	\$39,969,932
Current portfolio value . . . . .	\$116,600,647

# Performance

## Stanislaus County ERA

Periods ended December 31, 2011

### Returns<sup>1</sup>



### Top five contributors to relative performance

Name	Sector	Contribution %
EOG RESOURCES	ENERGY	1.09
APOLLO GROUP - CLASS A	CONSUMER DISCRETIONARY	0.83
VERISIGN	TECHNOLOGY	0.51
LOWE'S	CONSUMER DISCRETIONARY	0.45
VISA	FINANCIAL SERVICES	0.37

### Bottom five contributors to relative performance

CTRIIP.COM INTERNATIONAL ADS	CONSUMER DISCRETIONARY	-0.71
TERADATA	TECHNOLOGY	-0.49
CME GROUP - CLASS A	FINANCIAL SERVICES	-0.34
INTERCONTINENTALEXCHANGE	FINANCIAL SERVICES	-0.31
POLYCOM	TECHNOLOGY	-0.28

### Top five contributors to relative performance

Name	Sector	Contribution %
MASTERCARD - CLASS A	FINANCIAL SERVICES	2.22
VISA	FINANCIAL SERVICES	1.79
APOLLO GROUP - CLASS A	CONSUMER DISCRETIONARY	1.02
ALLERGAN	HEALTHCARE	0.94
PERRIGO	HEALTHCARE	0.87

### Bottom five contributors to relative performance

STAPLES	CONSUMER DISCRETIONARY	-1.16
CTRIIP.COM INTERNATIONAL ADS	CONSUMER DISCRETIONARY	-1.04
CME GROUP - CLASS A	FINANCIAL SERVICES	-0.91
EXPEDITORS INTERNATIONAL OF WASHINGTON	PRODUCER DURABLES	-0.86
BANK OF NEW YORK MELLON	FINANCIAL SERVICES	-0.77

<sup>1</sup>Performance results are presented before and 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.

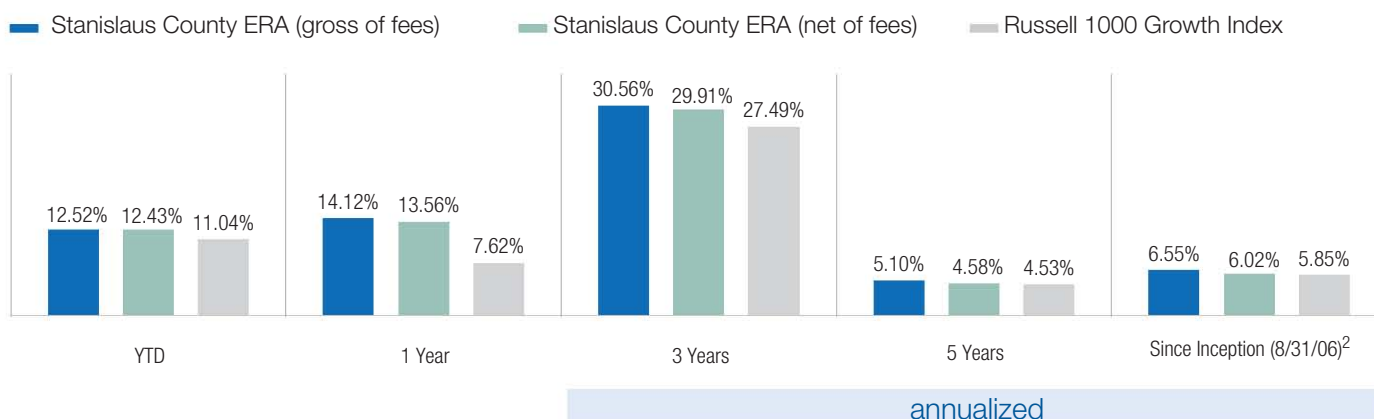
<sup>2</sup>Performance is calculated as of the first full month following inception.

# Performance

## Stanislaus County ERA

Periods ended February 29, 2011

### Returns<sup>1</sup>



### Top five contributors to relative performance

Name	Sector	Contribution %
MASTERCARD - CLASS A	FINANCIAL SERVICES	1.67
PRICELINE.COM	CONSUMER DISCRETIONARY	1.28
VISA	FINANCIAL SERVICES	1.09
PERRIGO	HEALTHCARE	0.83
ALLERGAN	HEALTHCARE	0.72

### Bottom five contributors to relative performance

STAPLES	CONSUMER DISCRETIONARY	-0.96
BANK OF NEW YORK MELLON	FINANCIAL SERVICES	-0.87
ADOBE SYSTEMS	TECHNOLOGY	-0.54
LOWE'S	CONSUMER DISCRETIONARY	-0.51
CME GROUP - CLASS A	FINANCIAL SERVICES	-0.50

<sup>1</sup>Performance results are presented before and 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.

<sup>2</sup>Performance is calculated as of the first full month following inception.

# Portfolio holdings

Stanislaus County ERA

As of February 29, 2011

<b>Technology</b>	<b>33.67</b>
<i>Russell 1000 Growth</i>	27.75
Apple	8.84
QUALCOMM	5.18
Google - Class A	4.61
VeriSign	4.08
Intuit	3.85
Adobe Systems	2.78
Teradata	2.69
Polycom	1.64
<b>Financial Services</b>	<b>19.90</b>
<i>Russell 1000 Growth</i>	5.18
Visa	5.42
MasterCard - Class A	5.22
IntercontinentalExchange	3.72
CME Group - Class A	3.14
Progressive	2.40
<b>Consumer Discretionary</b>	<b>13.88</b>
<i>Russell 1000 Growth</i>	17.06
priceline.com	4.19
Apollo Group - Class A	3.11
Nike - Class B	3.00
Staples	2.18
Ctrip.com International ADS	1.40

<b>Healthcare</b>	<b>9.64</b>
<i>Russell 1000 Growth</i>	10.00
Allergan	4.41
Novo Nordisk ADS	3.30
Perrigo	1.93
<b>Producer Durables</b>	<b>8.80</b>
<i>Russell 1000 Growth</i>	12.95
Crown Castle International	4.70
Expeditors International of Washington	2.13
Caterpillar	1.97
<b>Energy</b>	<b>8.61</b>
<i>Russell 1000 Growth</i>	10.73
EOG Resources	5.37
El Paso	2.22
Kinder Morgan	1.02
<b>Materials &amp; Processing</b>	<b>2.72</b>
<i>Russell 1000 Growth</i>	5.90
Syngenta ADS	2.72
<b>Consumer Staples</b>	<b>1.77</b>
<i>Russell 1000 Growth</i>	9.82
Walgreen	1.77
<b>Cash</b>	<b>1.01</b>

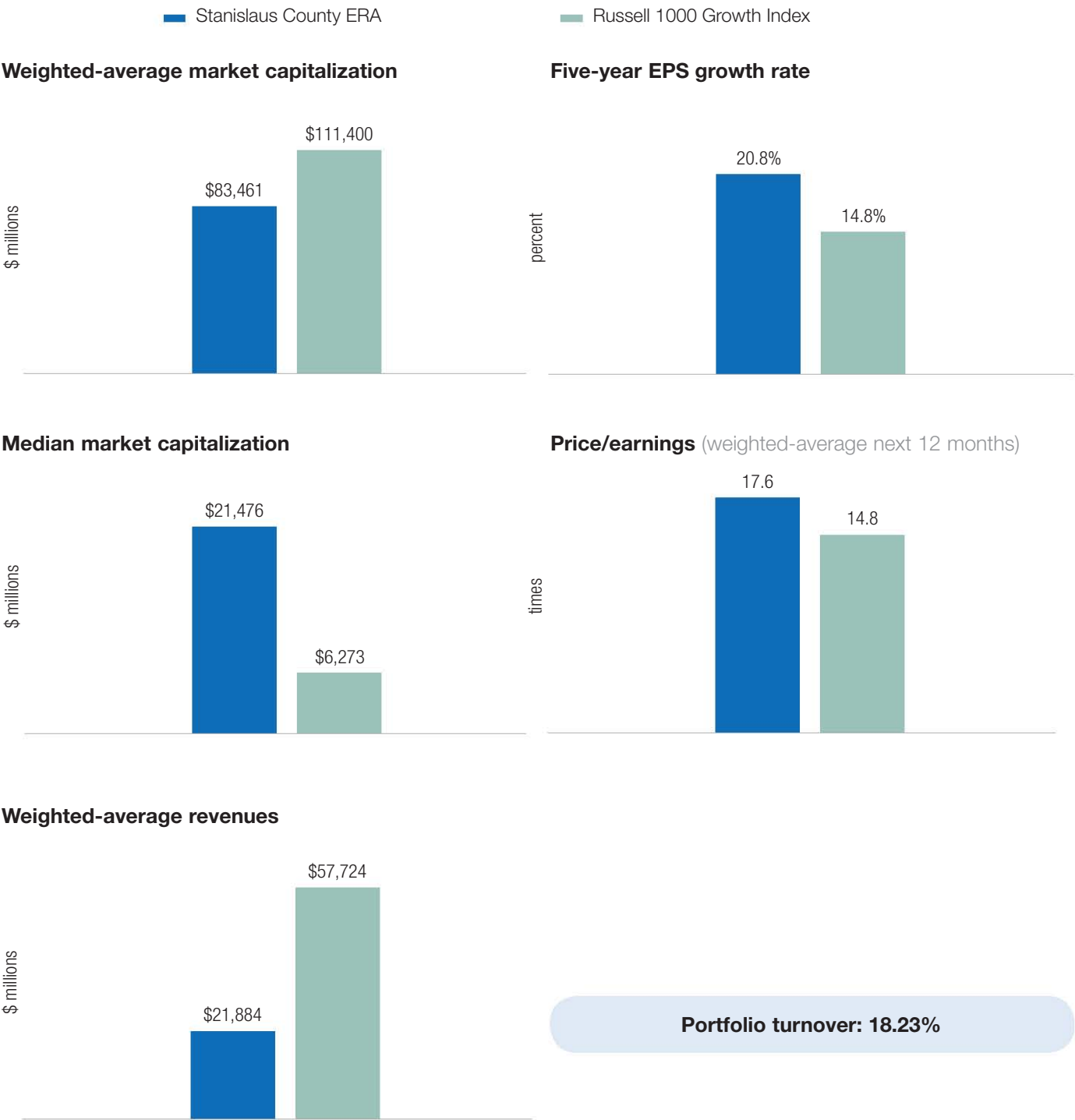
Holdings are as of the date indicated and subject to change.

See page bfc1 for index descriptions. Indices are unmanaged and not available for direct investment.

# Portfolio characteristics\*

Stanislaus County ERA

As of February 29, 2011



\*Characteristics are current as of the day indicated and may not reflect current portfolio.

# Philosophy

Focus Growth Equity investment management

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## Our philosophy

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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

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- **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 December 31, 2011

## Our team

	Industry experience	Portfolio management	Analysis	Trading
Jeff Van Harte	31 years	•	•	
Chris Bonavico	24	•	•	
Ken Broad	17	•	•	
Dan Prislin	18	•	•	
Chris Ericksen	17	•	•	
Patrick Fortier	16	•	•	
Greg Heywood	19	•	•	
Van Tran	15	•	•	
Ian Ferry	5		•	
Lisa Hansen	31			•
Deborah Sabo	17			•
Kevin Brown (Investment Specialist)	17			

# 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 manager

Jeff Van Harte

#### Co-managers

Chris Bonavico  
Chris Ericksen  
Dan Prislin

### Select 20 Growth

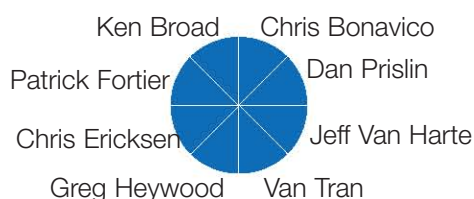
#### Primary managers

Jeff Van Harte  
Ken Broad  
Chris Bonavico  
Dan Prislin

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

### All Cap Growth

- Most diversified product: typically 35-60 stocks
- Sleeve weightings important for signaling degree of conviction



### Focus Global Growth

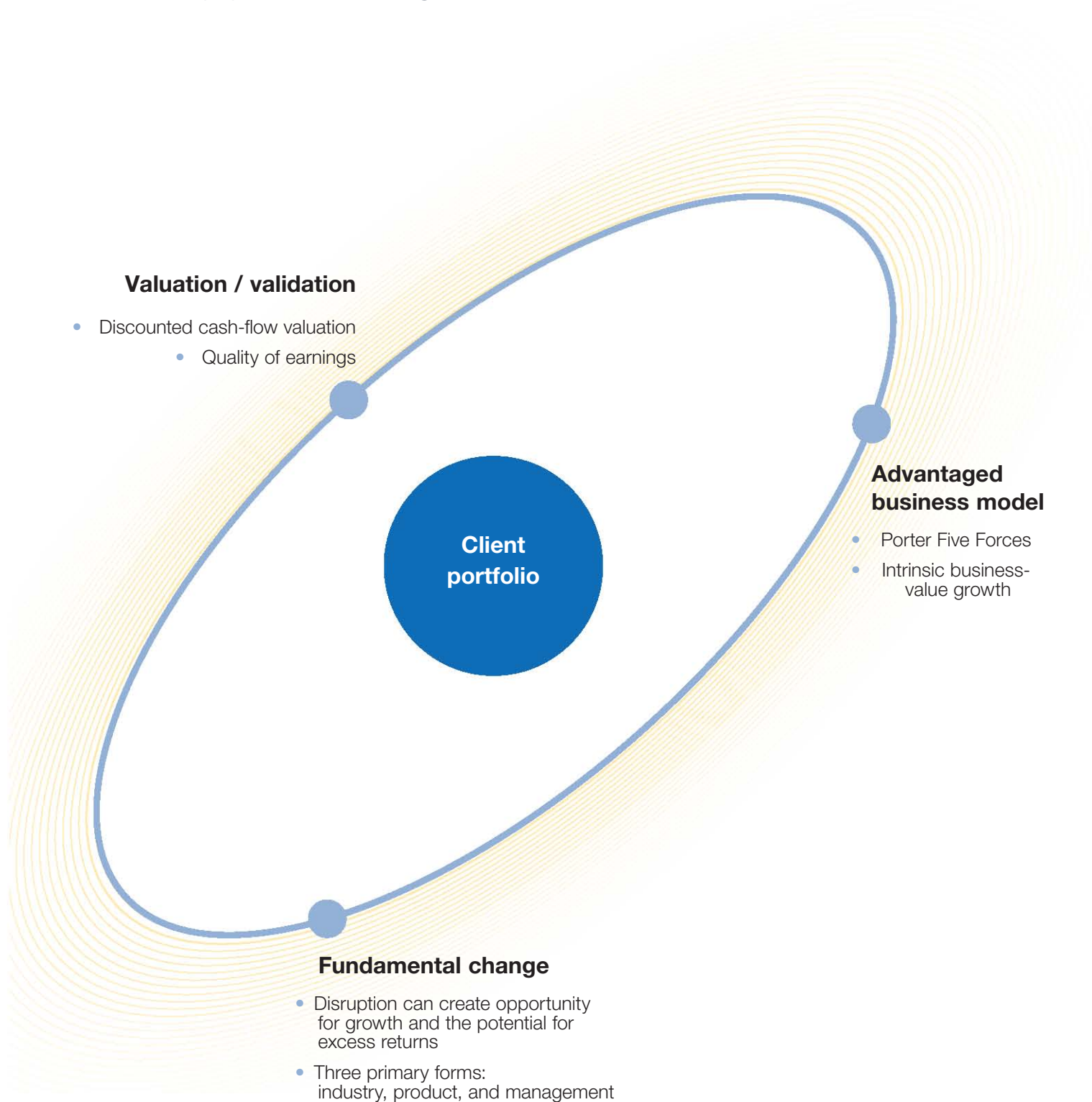
*Market cap range: >\$1B*

#### Primary managers

Greg Heywood  
Patrick Fortier  
Chris Bonavico

# Focus Growth Equity investment process

Focus Growth Equity investment management



# Investment process

## Large-Cap Growth Equity

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### Idea sourcing

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- 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

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- 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

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- 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

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- 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 8%
- Seeks sector and industry diversification
- Low turnover: 25%-35% expected in most years

### 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: 31 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 24 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 17 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 18 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 17 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 16 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 19 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 15 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

Analyst

INDUSTRY EXPERIENCE 5 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 17 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 31 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 17 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 performance and statistics

December 31, 2011

## Composite statistics and performance

Period end	Delaware Large-Cap Growth Equity return gross-of-fees	Delaware Large-Cap Growth Equity return net-of-fees	Russell 1000 Growth Index return	Internal dispersion	Standard deviation (3 year annualized)		Number of portfolios	Composite size (\$mm)	Percentage of firm assets
					Composite	Russell 1000 Growth Index			
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%
2002	-28.5%	-28.9%	-27.9%	0.4%	n/a	n/a	7	561.7	1.8%

## 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 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, 2011, would have been 8.4%, 2.9%, and 2.2%, 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. Standard deviation 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.

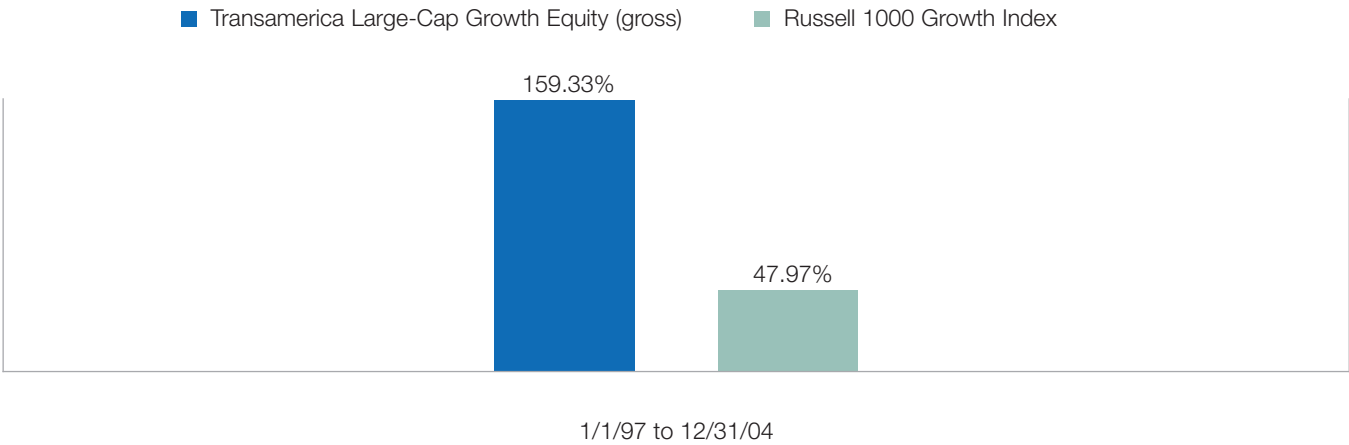
The information presented is available for institutional one-on-one presentations only. It is not intended and should not be construed to be a presentation of information concerning any U.S. mutual fund.

Performance (supplemental)

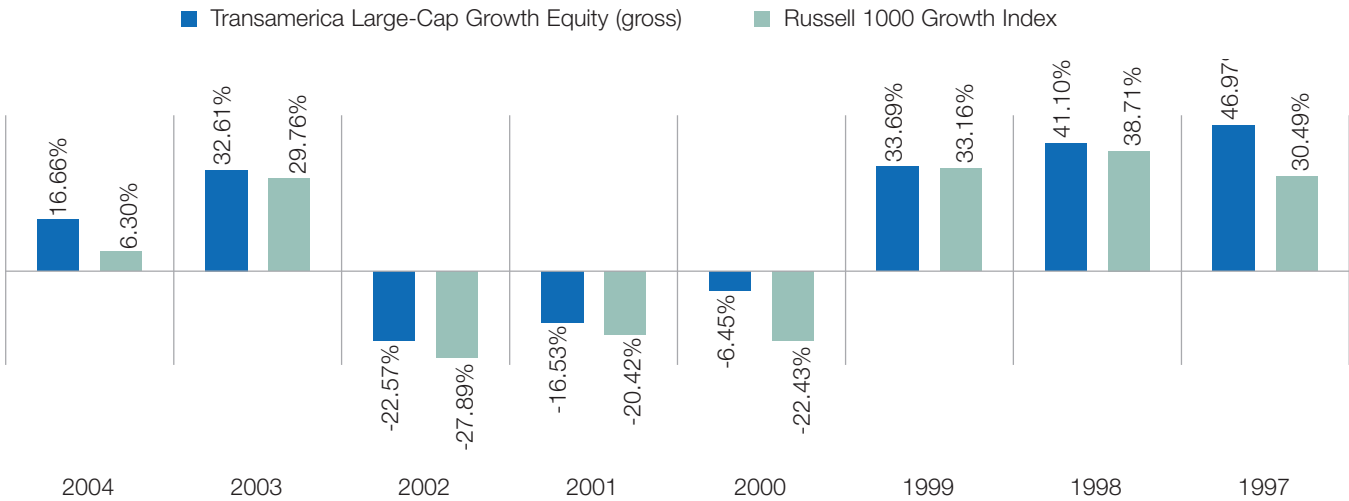
Transamerica Large-Cap Growth Composite

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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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 2012

## U.S. EQUITY

February was a positive month for global equity markets and continued the strength exhibited in January. U.S. equities are up 10% year-to-date, and 20% since the lows of 2011. Growth decidedly outperformed Value for the month and large caps outperformed small caps. The Russell 1000 Growth Index was up 4.8% for the month and the Russell 1000 Value Index was up 4.0%. The Russell 2000 Growth Index was up 3.3% and the Russell 2000 Value was up 1.5%. The S&P 500 Index ended the month up 4.3%.

The S&P 500 Index has a trailing 12-month P/E ratio of 15.9 (estimated P/E ratio of 13.1 on forward looking twelve-month operating earnings) and a dividend yield of 2.0%. Thomson Reuters data shows 63% of the 446 S&P 500 companies that have reported earnings have topped analysts' expectations for the quarter ending December 2011.

Corporate merger highlights for the month included: The European Union blocked Deutsche Boerse's planned \$10 billion merger with NYSE; Commodities trader Glencore International and Xstrata, one of the world's largest miners, agreed to a merger of equals, creating a \$90 billion natural-resources giant; Illumina's board unanimously rejected Roche Holding's \$5.7 billion bid to take over the maker of gene-mapping tools; Oracle will acquire recruitment software maker Taleo for about \$1.9 billion, as it expands its portfolio of cloud computing capabilities; General Mills will acquire Brazilian food company Yoki for \$1.16 billion; Biogen Idec will pay up to \$562 million to buy Stromedix; Kellogg will buy P&G's Pringles business for \$2.7 billion as it aims to build its position in the global snacks market; ConocoPhillips will sell assets in Vietnam to a unit of the oil and natural gas company Perenco for \$1.3 billion; TransUnion will be acquired by buyout firm Advent Int'l. and Goldman Sachs in a deal valued at \$3 billion; TNT Express rejected a \$6.45 billion unsolicited takeover bid by UPS; Fortis will buy New York utility CH Energy Group for about \$1 billion; Royal Dutch Shell made a \$1.6 billion bid for Mozambique Cove Energy, to open a new gas frontier for the Anglo-Dutch oil major in East Africa; Citigroup sold its 9.85% stake in Mumbai-based Housing Development Finance Corporation for \$1.9 billion; BP will sell its Kansas natural gas production and processing assets to LINN Energy for \$1.2 billion; and, Abbott Labs will pay

Galapagos up to \$1.35 billion for rights to an experimental arthritis drug.

## FIXED INCOME

The Commerce Department reported that gross domestic product expanded at an upwardly revised 3.0% annual rate in the 4<sup>th</sup> quarter, the quickest pace since the 2<sup>nd</sup> quarter of 2010. The Federal Reserve reported that the U.S. economy expanded at a modest to moderate pace in January and early February, fueled by manufacturers, including automakers.

The United States added 243,000 jobs in January, far more than economists had expected. The unemployment rate dropped to 8.3%, the lowest in three years.

Long-term interest rates were up slightly in the month of February. The bellwether 10-year Treasury note ended the month yielding 1.97% up from 1.89% at the close of January. At month-end, the 30-year long bond yield was 3.08% with the 3-month T-bill at 0.08%. The Barclays Capital US Aggregate Index was unchanged -0.0% in February. Spread products continued to narrow in the month as evidenced by the Bank of America Merrill Lynch High Yield Master II Index gaining 2.3%

Federal Reserve Chairman Ben Bernanke said the central bank's efforts to spur economic growth are being blunted by impediments to mortgage lending.

House lawmakers approved a bill that will extend the current 4.2% payroll tax through the end of 2012, as well as extend prolonged jobless benefits.

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

## THE GOOD

\*Spending on construction projects rose 1.5% in December to a seasonally adjusted annual rate of \$816.4 billion, the highest level in 20 months and the fifth straight monthly gain.

\*The Institute of Supply Management reported that its manufacturing index rose in January to 54.1 from 53.1 in December.



\*Orders for manufactured goods increased 1.1% in December, a second straight monthly rise.

\*The Congressional Budget Office reported that it expects the Treasury Dept. to report a \$27 billion deficit for January versus a \$50 billion deficit in January 2011.

\*The Commerce Dept. reported that inventories at the wholesale level rose a larger-than-expected 1.0% in December, the second strong gain in the past three months.

\*Inflation-adjusted median household income increased 4%, from \$49,434 to \$51,413, from August to December, the largest jump since the start of the recession in December 2007.

\*The Conference Board's index of leading indicators rose 0.4% in January, the fourth consecutive gain.

\*The Empire State manufacturing index rose to 19.5 in February, its highest level since June 2010 and the 4<sup>th</sup> straight large increase after the index had sunk below zero from June through October.

\*The National Association of Home Builders/Wells Fargo said that its builder sentiment index rose for a 5<sup>th</sup> straight month in February to 29, up from 25 in January.

\*The Philadelphia Fed's manufacturing index climbed to 10.2 in February from 7.3 in January, reaching the highest level since October.

\*Producer prices (PPI) edged up 0.1% in January as drops of 0.3% in food and 0.5% in energy more than offset a jump of 0.4% in the core.

\*The Labor Dept. reported that the consumer price index increased 0.2% in January, following a flat reading in December.

\*The National Association of Realtors reported that sales of U.S. existing homes rose 4.3% in January and inventories fell to nearly 7-year lows, as lower prices, unusually warm weather and improving economy all lifted demand.

\*U.S. home prices rose 0.7% on a seasonally-adjusted basis in December, an up-finish to a year in which prices fell -2.4%.

\*The N.Y. Federal Reserve reported that U.S. consumer debt fell a modest -1.1% in the 4<sup>th</sup> quarter as mortgage debt continued to decline.

Consumer confidence continues to improve. The Conference Board reported that its gauge of U.S. consumer confidence rose to 70.8 in February, reaching the highest level in a year. The Univ. of Michigan index edged up by just 0.3 points to 75.3.

## THE NOT SO GOOD

\*The Federal Reserve reported that consumer credit increased by \$19.3 billion to \$2.5 trillion in December, following a \$20.4 billion rise in November, which was the largest increase in borrowing in a decade.

\*The deficit on international trade in goods and services widened to \$48.8 billion, the largest gap since June. Exports rose 0.7% in December but have been essentially stagnant since August. Imports rose 1.3% in December, their largest gain since May.

\*Total debt from student loans is about \$1 trillion, about 14 times more than 15 years ago, and well above the estimated credit card debt of \$798 billion.

\*The Commerce Dept. reported that U.S. retail sales rose less-than-expected at a seasonally adjusted 0.4% in January.

\*The Commerce Dept. reported that durable goods orders dropped 4% in January, the biggest decline since January 2009.

\*The Commerce Dept. reported that sales of new-single family homes declined -0.9% in January to a seasonally adjusted 321,000 unit annual rate.

## NON-U.S. MARKETS

The Bank of England as expected eased its monetary stance. It left its policy rate unchanged at 0.50% but decided to expand its asset purchase program by 50 billion pounds to 325 billion pounds. In the latest Inflation Report, the Bank of England presented a downbeat economic outlook for 2012, justifying the new stage of quantitative easing. GDP fell by 0.2% in the fourth quarter of 2011. The Bank expects GDP growth to remain anemic, roughly 0.0% to 1.0% during 2012. December industrial production was a positive surprise, rising a larger than expected 0.5% on the month.

The second 130 billion euro Greek bailout will be paid in tranches, dependent upon Greek promises to make both deeper budget cuts and additional economic reforms. Fitch downgraded Greece again, after the deal was announced.

Moody's warned it may cut the triple-A ratings of France, Britain and Austria and downgraded 6 other nations including Italy, Spain and Portugal.

The European Central Bank made \$712 billion in low-interest loans to banks in the second round of cash infusion to help ease the Eurozone debt crisis. The

ECB's offering of funds in December provided nearly 500 billion euros in cheap three-year liquidity to European banks and this second offering provided another substantial infusion. The European Central Bank left its policy interest rate unchanged at 1.0% as expected.

Retail sales in the 17 countries that use the euro unexpectedly fell during the crucial month of December, raising fears of a looming recession. German industrial production plunged 2.9% in December, its largest decline in nearly three years. December industrial production was also weak in France, where output fell 1.4% on the month.

The overall Eurozone and two of the three largest economies contracted in the fourth quarter of 2011. Eurozone GDP slid 0.3%, lowering the year-over-year to just 0.7%. German GDP slipped 0.2%, lowering its year-over-year gain to 2.0% and Italian GDP fell 0.7% and lowering its year-over-year to -0.5%. French economic growth was 0.2% in the fourth quarter although it still lowered the year-over-year gain to 1.4%. Greece's GDP fell a large 7.0% year-over-year in the final quarter of 2011 and Portugal's GDP fell by -2.7% year-over-year.

Japanese consumer confidence continued to improve in January. The Cabinet office index rose 1.1 points on the month to 40.0, the highest reading since last February. The Bank of Japan as expected left its policy interest rate unchanged at 0-10 bps. GDP fell a larger than expected 0.6% in the fourth quarter last year, the fourth decline in the last five quarters. The Bank of Japan has also accelerated the pace of its purchases of JGBs.

China's CPI inflation rate rose four ticks in January to 4.5% year over year, its first rise in six months, mostly because of higher food prices.

Non-U.S. equities were also strong for the month of February. The MSCI ACWI Ex-U.S. was up by +5.65% (US dollars) in February. Developed stocks (EAFE) were up 5.8% while Emerging Markets gained +6.0% for the month.

## CONCLUSION

U.S. cyclical conditions have gone from significantly disinflationary to closer to neutral today and have been the main reason why core inflation has drifted from below 1.0% to about 2.0-2.5% over the last two years. The rise in core inflation is not necessarily a negative as it is being accompanied by stronger economic growth over the past six months.

A third round of reflation by the developed world's central banks (U.S., U.K., Eurozone, and Japan) via quantitative easing and low interest rates are designed to spur growth. World output is about 3.0% above the pre-crisis levels and broad capitalization utilization rates have been trending up. The 3.0% global expansion in GDP over a four-year period is well below-average and falls within the "new normal" phrase coined by PIMCO's Bill Gross. U.S. consumer confidence has been rising aided by recent job growth, a rising stock market and stabilization in home prices. Consumers have also been spending more but have done so by lowering their savings rate and increasing their borrowings. We suspect that it will probably be difficult to maintain the current 3-4% GDP growth rate that the U.S. is experiencing at the moment for the rest of the year. The "new normal" is a much more realistic type of growth expectation for the rest of 2012.

## Monthly Market Update

### US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Feb-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	4.23	10.39	9.49	4.45	13.92	26.50	1.77	4.39	4.81
Russell TOP 200 Index	4.49	10.42	9.07	5.86	12.97	24.10	1.42	3.59	3.34
Russell TOP 200 Growth Index	4.92	10.81	10.63	9.40	15.50	25.92	4.84	5.45	3.45
Russell TOP 200 Value Index	4.05	10.00	7.49	2.44	10.47	22.30	-1.93	1.73	3.25
S&P 500 Index	4.32	10.11	9.00	5.12	13.51	25.56	1.58	3.96	4.17
Russell 1000 Index	4.39	10.39	9.48	4.86	13.82	26.25	1.77	4.34	4.63
Russell 1000 Growth Index	4.78	10.68	11.04	7.62	15.96	27.51	4.54	5.72	4.30
Russell 1000 Value Index	3.99	10.09	7.92	2.18	11.72	25.01	-1.08	2.85	4.75
Russell Mid-Cap Index	4.15	10.33	10.46	2.59	15.95	31.98	2.73	6.27	8.24
Russell Mid-Cap Growth Index	4.46	10.36	12.03	3.83	17.55	32.17	4.09	6.67	7.47
Russell Mid-Cap Value Index	3.84	10.31	8.95	1.45	14.53	31.85	1.03	5.58	8.31
Russell 2000 Index	2.39	10.35	9.63	-0.15	15.06	29.48	1.83	4.95	7.00
Russell 2000 Growth Index	3.29	10.77	11.02	2.38	18.14	31.21	3.93	5.98	6.67
Russell 2000 Value Index	1.49	9.93	8.23	-2.72	11.97	27.66	-0.36	3.80	7.04
DJ US REIT Index	-1.11	10.19	5.24	6.30	21.64	43.55	-2.27	6.57	10.49
DJ-UBS US Commodity Index TR	2.70	1.29	5.24	-10.86	5.27	11.90	-1.76	1.18	6.97
DJ-UBS US Gold Index TR	-1.67	-2.39	9.04	20.66	22.85	21.11	19.38	20.36	18.20

Strong Feb  
Very strong  
3 months!

G > V  
Lg Cap >  
Sm Cap

better

### Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Feb-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	5.65	11.60	12.84	-5.67	7.11	23.33	-0.30	5.31	8.45
MSCI AC World Index	5.08	11.03	11.22	-0.96	9.98	24.35	0.60	4.75	6.25
MSCI EAFE Index	5.77	10.39	11.43	-7.01	5.87	20.30	-2.46	3.42	6.77
MSCI Emerging Markets index	6.01	16.64	18.05	0.19	10.21	32.65	6.51	11.96	15.53
ML Global Government Bond Ex. U.S. Index	-2.63	-0.72	-1.45	6.46	7.69	9.16	8.63	5.73	8.65
Euro	2.19	-0.63	3.05	-3.15	-0.99	1.74	0.25	0.11	4.46
Japanese Yen	-5.79	-4.09	-4.94	1.22	4.78	6.53	7.92	3.69	5.16
UK Pound Sterling	1.23	1.57	2.79	-1.79	2.44	3.87	-4.01	-2.63	1.22

Non-US  
kicks  
in.

✓

### US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Feb-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.00	0.00	0.00	0.08	0.11	0.14	1.32	2.13	1.92
BarCap Aggregate Bond Index	-0.02	1.96	0.85	8.37	6.63	7.52	6.36	5.72	5.68
ML U.S. Corp/Govt Master Index	-0.10	2.15	0.93	9.28	7.13	7.95	6.34	5.67	5.76
ML U.S. Corporate Master Index	0.85	5.04	3.05	9.75	8.86	13.73	6.78	6.02	6.48
BarCap Mortgage Backed Securities Index	0.09	1.20	0.50	6.44	5.27	5.74	6.37	5.85	5.53
ML U.S. High Yield Master Index	2.26	7.77	5.16	6.25	11.60	24.81	7.81	7.79	9.13
JPM EMBI Global	2.95	6.00	4.76	14.24	11.84	17.87	8.79	9.23	10.94

Bonds  
Flat  
Spreads  
narrow

A

**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING FEB 29, 2012**  
**PRELIMINARY BASIS**

**SUMMARY OF INVESTMENTS**

ASSET CLASS	MARKET VALUE	PERCENT	POLICY	
			TARGET	RANGE
DOMESTIC EQUITIES	594,662,110	42.0%	40.9%	35.9% - 45.9%
INTERNATIONAL EQUITIES	248,827,068	17.6%	19.0%	16.0% - 22.0%
FIXED INCOME	528,691,138	37.4%	37.1%	33.4% - 40.8%
SPECIAL SITUATIONS	34,607,990	2.4%	3.0%	2.0% - 4.0%
SECURITY LENDING	(2,559,513)	-0.2%	0.0%	0.0% - 0.0%
CASH (equity managers only)	10,333,378	0.7%	0.0%	0.0% - 3.0%
TOTAL PORTFOLIO	1,414,562,172	100.0%	100.0%	

	CURRENT	TARGET
DODGE & COX - LARGE CAP VALUE	9.5%	9.8%
BGI - R1000 VALUE INDEX	6.3%	6.0%
DELAWARE - LARGE CAP GROWTH	8.2%	6.8%
BGI - R1000 GROWTH INDEX	5.3%	5.0%
CAPITAL PROSPECTS	4.5%	4.5%
LEGATO CAPITAL	4.1%	4.0%
BNY - S&P 500 INDEX	4.6%	4.8%
LSV ASSET MGMT - INTL EQ	8.8%	9.5%
PYRAMIS - INTL EQ	9.0%	9.5%
DODGE & COX FIXED INCOME	29.8%	29.6%
PIMCO	7.5%	7.5%
INVESCO - GLOBAL REIT	1.3%	1.5%
RAFI - LONG SHORT	1.1%	1.5%
SECURITY LENDING	-0.2%	0.0%
TOTALS	100.0%	100.0%



**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING FEB 29, 2012**  
PRELIMINARY BASIS

**GROWTH OF ASSETS AND CHANGES IN ALLOCATION**

ASSET CLASS	CURRENT MONTH	PRIOR MONTH	% CHANGE *	PRIOR YEAR	% CHANGE *
<b>MARKET VALUE</b>					
DOMESTIC EQUITIES	594,662,110	567,367,884	4.81%	625,927,988	-5.00%
INTERNATIONAL EQUITIES	248,827,068	235,813,638	5.52%	295,609,882	-15.83%
FIXED INCOME	528,691,138	527,719,924	0.18%	455,863,792	15.98%
SPECIAL SITUATIONS	34,607,990	34,103,264	1.48%	19,065,671	81.52%
SECURITIES LENDING	(2,559,513)	(2,550,762)	-0.34%	(2,620,766)	2.34%
CASH (equity managers only)	10,333,378	8,913,492	15.93%	11,296,366	-8.52%
TOTAL PORTFOLIO	1,414,562,172	1,371,367,441	3.15%	1,405,142,934	0.67%
<b>ASSET ALLOCATION (ACTUAL)</b>					
DOMESTIC EQUITIES	42.04%	41.37%	0.7%	44.55%	-2.5%
INTERNATIONAL EQUITIES	17.59%	17.20%	0.4%	21.04%	-3.4%
FIXED INCOME	37.37%	38.48%	-1.1%	32.44%	4.9%
SPECIAL SITUATIONS	2.45%	2.49%	0.0%	1.36%	1.1%
SECURITY LENDING	-0.18%	-0.19%	0.0%	-0.19%	0.0%
CASH (equity managers only)	0.73%	0.65%	0.1%	0.80%	-0.1%
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 FEB 29, 2012**  
PRELIMINARY BASIS

**MANAGER ALLOCATION**

ASSET CLASS	MARKET VALUE	PERCENT	POLICY TARGET	RANGE
<b>DOMESTIC EQUITIES</b>				
DODGE & COX - LARGE CAP VALUE	134,334,204	9.5%	9.8%	7.8% - 11.8%
BLACKROCK - R1000 VALUE INDEX	88,555,720	6.3%	6.0%	5.0% - 7.0%
DELAWARE - LARGE CAP GROWTH	116,595,684	8.2%	6.8%	5.3% - 8.3%
BLACKROCK - R1000 GROWTH INDEX	75,321,958	5.3%	5.0%	4.0% - 6.0%
CAPITAL PROSPECTS - SMALL CAP VALUE	64,085,618	4.5%	4.5%	3.5% - 5.5%
LEGATO CAPITAL - SMALL CAP GROWTH	58,375,587	4.1%	4.0%	3.0% - 5.0%
BNY - S&P 500 INDEX	65,117,305	4.6%	4.8%	3.8% - 5.8%
TOTAL DOMESTIC EQUITIES	602,386,077	42.6%	40.9%	
<b>FIXED INCOME</b>				
DODGE & COX	421,968,734	29.8%	29.6%	27.1% - 32.1%
PIMCO	106,722,404	7.5%	7.5%	6.0% - 9.0%
TOTAL FIXED INCOME	528,691,138	37.4%	37.1%	
<b>INTERNATIONAL INVESTMENTS</b>				
LSV ASSET MGMT.	124,325,421	8.8%	9.5%	8.0% - 11.0%
PYRAMIS	127,111,059	9.0%	9.5%	8.0% - 11.0%
TOTAL INTERNATIONAL EQUITIES	251,436,480	17.8%	19.0%	
<b>SPECIAL SITUATIONS</b>				
INVESCO (Global REITs)	18,989,734	1.3%	1.5%	0.0% - 3.0%
RAFI (Global Long/Short Equity)	15,618,256	1.1%	1.5%	0.0% - 3.0%
TOTAL SPECIAL SITUATIONS	34,607,990	2.4%	3.0%	0.0% - 3.0%
<b>SECURITIES LENDING</b>	(2,559,513)	-0.2%	0.0%	0.0% - 0.0%
<b>TOTAL Stancera PORTFOLIO</b>	<b>1,414,562,172</b>	<b>100.0%</b>	<b>100.0%</b>	

**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING FEB 29, 2012**  
**PRELIMINARY**

	TOTAL FUND			
	CASH	BONDS	EQUITIES	TOTAL
<b>DOMESTIC EQUITIES</b>				
DODGE & COX - LARGE CAP VALUE	1,815,179		132,519,025	134,334,204
BLACKROCK - R1000 VALUE INDEX	6,244		88,549,476	88,555,720
DELAWARE - LARGE CAP GROWTH	1,407,345		115,188,339	116,595,684
BLACKROCK - R1000 GROWTH INDEX	0		75,321,958	75,321,958
CAPITAL PROSPECTS - SMALL CAP VALUE	2,229,466		61,856,153	64,085,618
LEGATO CAPITAL - SMALL CAP GROWTH	1,765,524		56,610,063	58,375,587
BNY - S&P 500 INDEX	500,209		64,617,097	65,117,305
TOTAL DOMESTIC EQUITIES	7,723,967		594,662,110	602,386,077
<b>FIXED INCOME</b>				
DODGE & COX	15,472,520	406,496,214		421,968,734
PIMCO	13,632,627	93,089,778		106,722,404
TOTAL FIXED INCOME	29,105,147	499,585,992		528,691,138
<b>INTERNATIONAL INVESTMENTS</b>				
LSV ASSET MGMT.	1,074,310		123,251,111	124,325,421
PYRAMIS	1,535,101		125,575,958	127,111,059
TOTAL INTERNATIONAL EQUITIES	2,609,411		248,827,068	251,436,480
<b>SPECIAL SITUATIONS</b>				
INVESCO (Global REITs)	0		18,989,734	18,989,734
RAFI (Global Long/Short Equity)	0		15,618,256	15,618,256
TOTAL SPECIAL SITUATIONS	0		34,607,990	34,607,990
<b>SECURITIES LENDING</b>	(2,559,513)			(2,559,513)
<b>TOTAL STANCERA PORTFOLIO</b>	36,879,012	499,585,992	878,097,168	1,414,562,172

*Equity  
cash  
minimized*

*4*

**STANCERA**  
**MONTHLY PERFORMANCE REVIEW**  
**PERIOD ENDING FEB 29, 2012**  
 PRELIMINARY BASIS

CURRENT PERFORMANCE

	MARKET VALUE	FEB	ALPHA	JAN	ALPHA	FISCAL YTD	ALPHA
<b>DOMESTIC EQUITIES</b>							
DODGE & COX - LARGE CAP VALUE	132,519,025	4.49%	0.50%	5.62%	1.84%	0.02%	-2.28%
RUSSELL 1000 VALUE		3.99%		3.78%		2.30%	
BLACKROCK - R1000 VALUE INDEX	88,549,476	4.00%	0.01%	3.79%	0.01%	2.35%	0.05%
RUSSELL 1000 VALUE		3.99%		3.78%		2.30%	
DELAWARE - LARGE CAP GROWTH	115,188,339	8.14%	3.36%	4.05%	-1.92%	13.15%	6.48%
RUSSELL 1000 GROWTH		4.78%		5.97%		6.68%	
BLACKROCK - R1000 GROWTH INDEX	75,321,958	4.79%	0.01%	5.97%	0.00%	6.77%	0.10%
RUSSELL 1000 GROWTH		4.78%		5.97%		6.68%	
CAPITAL PROSPECTS	61,856,153	3.48%	1.99%	6.40%	-0.25%	0.61%	2.03%
RUSSELL 2000 VALUE		1.49%		6.65%		-1.42%	
LEGATO CAPITAL	56,610,063	4.08%	0.79%	5.89%	-1.59%	-2.08%	-1.33%
RUSSELL 2000 GROWTH		3.29%		7.48%		-0.75%	
BNY - S&P 500 INDEX	64,617,097	4.31%	-0.01%	4.48%	0.00%	4.99%	0.00%
S&P 500		4.32%		4.48%		4.99%	
TOTAL DOMESTIC EQUITY	594,662,110	4.97%	0.74%	5.08%	0.03%	3.74%	-0.27%
Russell 3000 Index		4.23%		5.05%		4.01%	
<b>FIXED INCOME</b>							
DODGE & COX	421,968,734	0.85%	0.87%	2.04%	1.16%	5.00%	-0.88%
BARCLAYS US AGGREGATE BOND		-0.02%		0.88%		5.88%	
PIMCO	106,722,404	-0.08%	-0.06%	1.05%	0.17%	6.47%	0.58%
BARCLAYS US AGGREGATE BOND		-0.02%		0.88%		5.88%	
TOTAL FIXED INCOME	528,691,138	0.67%	0.69%	1.84%	0.96%	5.18%	-0.70%
BARCLAYS US AGGREGATE BOND		-0.02%		0.88%		5.88%	
<b>INTERNATIONAL INVESTMENTS</b>							
LSV ASSET MGMT	123,251,111	5.12%	-0.53%	7.38%	0.69%	-6.40%	-0.24%
MSCI ACWI Free ex-US		5.65%		6.69%		-6.16%	
PYRAMIS	125,575,958	5.96%	0.31%	6.62%	-0.07%	-5.88%	0.28%
MSCI ACWI Free ex-US		5.65%		6.69%		-6.16%	
TOTAL INTERNATIONAL EQUITY	248,827,068	5.54%	-0.11%	7.00%	0.31%	-6.12%	0.04%
MSCI ACWI Free ex-US		5.65%		6.69%		-6.16%	
<b>SPECIAL SITUATIONS</b>							
INVESCO	18,989,734	2.94%	-0.58%	7.46%	-0.30%	-1.88%	-0.90%
FTSE EPRA/NAREIT Global REIT		3.52%		7.76%		-0.98%	
RAFI - LS	15,618,256	-0.24%	-0.25%	-1.62%	-1.63%	-21.91%	-21.69%
US 1- month LIBOR		0.01%		0.01%		0.06%	
<b>SECURITIES LENDING</b>							
BNY MELLON	(2,559,513)						
<b>CASH and SHORT-TERM INVESTMENTS</b>							
CASH	10,333,378	0.01%	0.00%	0.01%	0.02%	0.08%	0.06%
90 DAY TREASURY BILL		0.01%		-0.01%		0.02%	
TOTAL Stancera Fund	1,414,562,172	3.37%	0.62%	4.09%	0.20%	1.78%	-1.39%
Policy Index		2.75%		3.89%		3.17%	
Actuary Rate of Assumption (8.00%)		0.66%	2.72%	0.66%	3.43%	5.38%	-3.60%
Actuary Rate of Inflation (3.50%)		0.29%	3.08%	0.29%	3.80%	2.34%	-0.56%

Good relative performance in Feb. narrows gap Fiscal YTD

improving

D&C FI improving as spreads narrow

FLAT

needs improvement

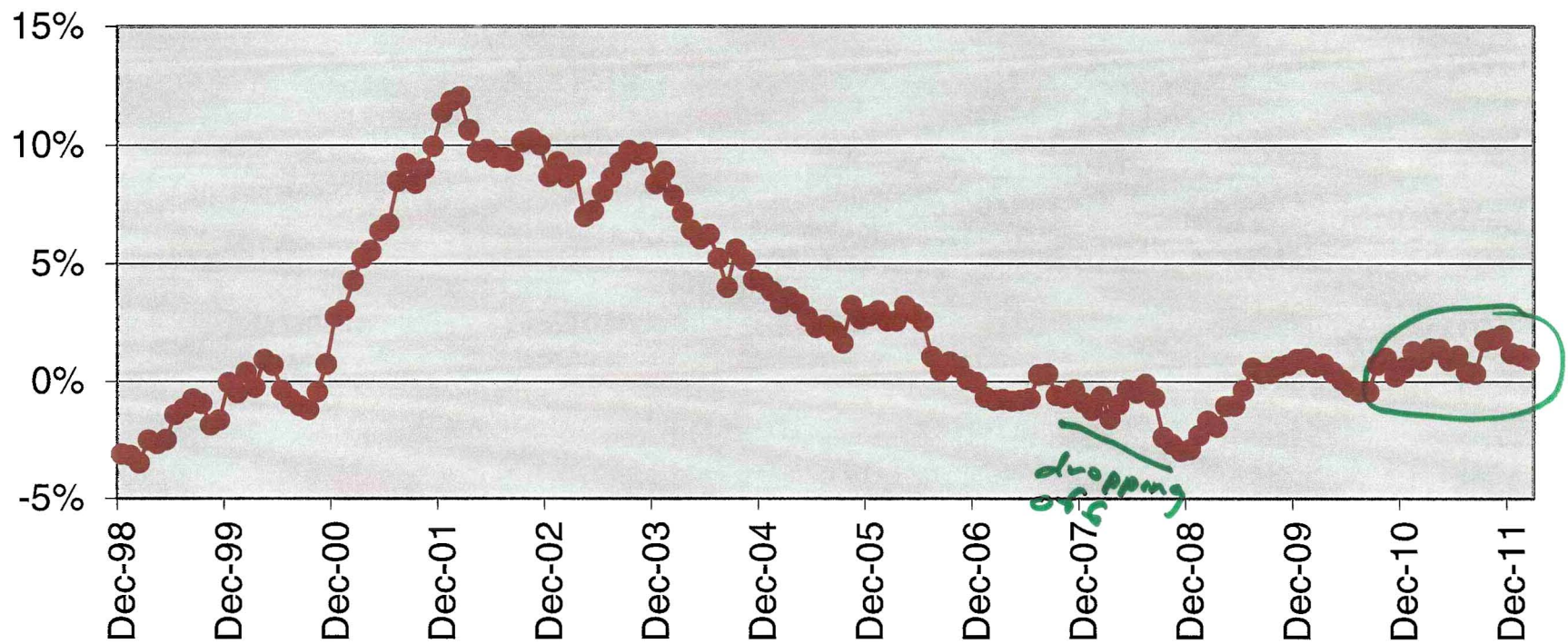
Good month!

gap narrows from -1.95% last month

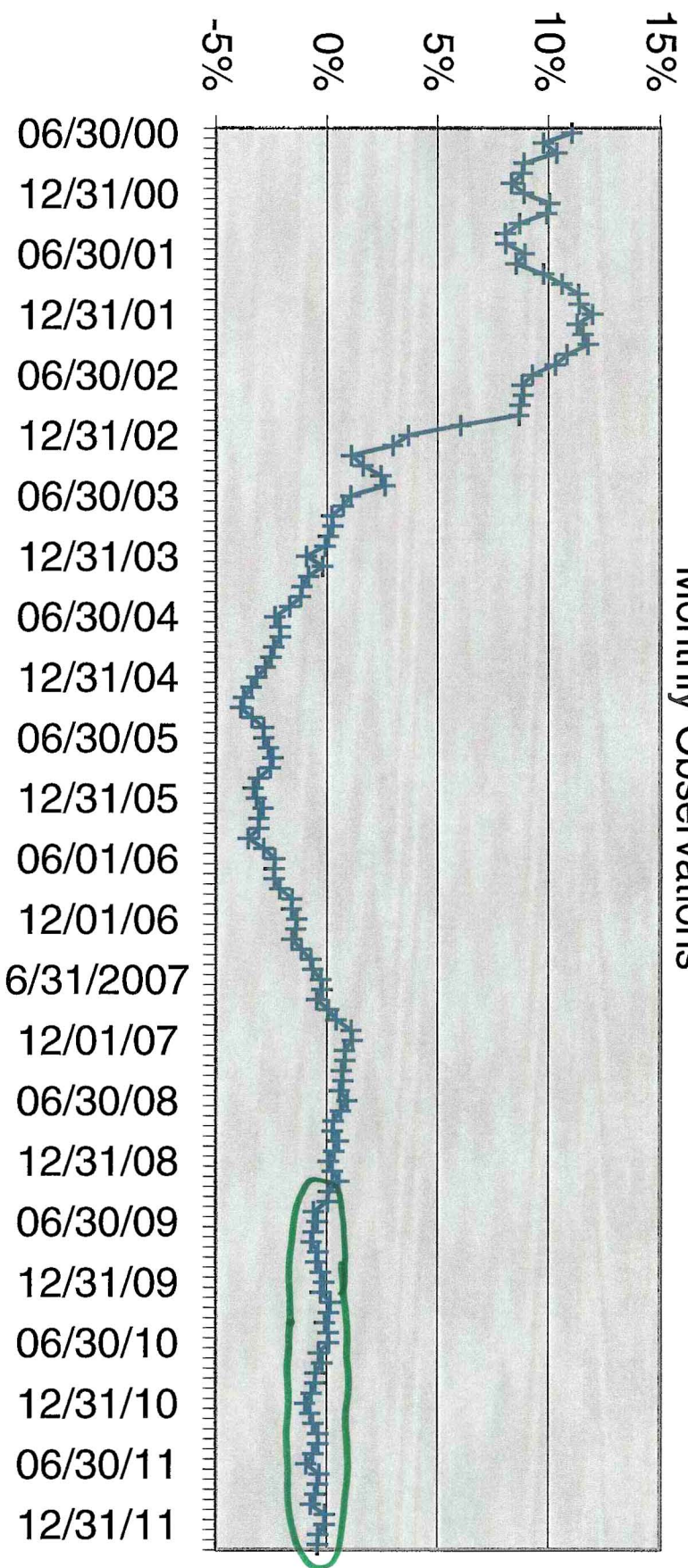
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Dodge & Cox Equity  
Rolling 3-Years Annualized Alpha  
Monthly Observations

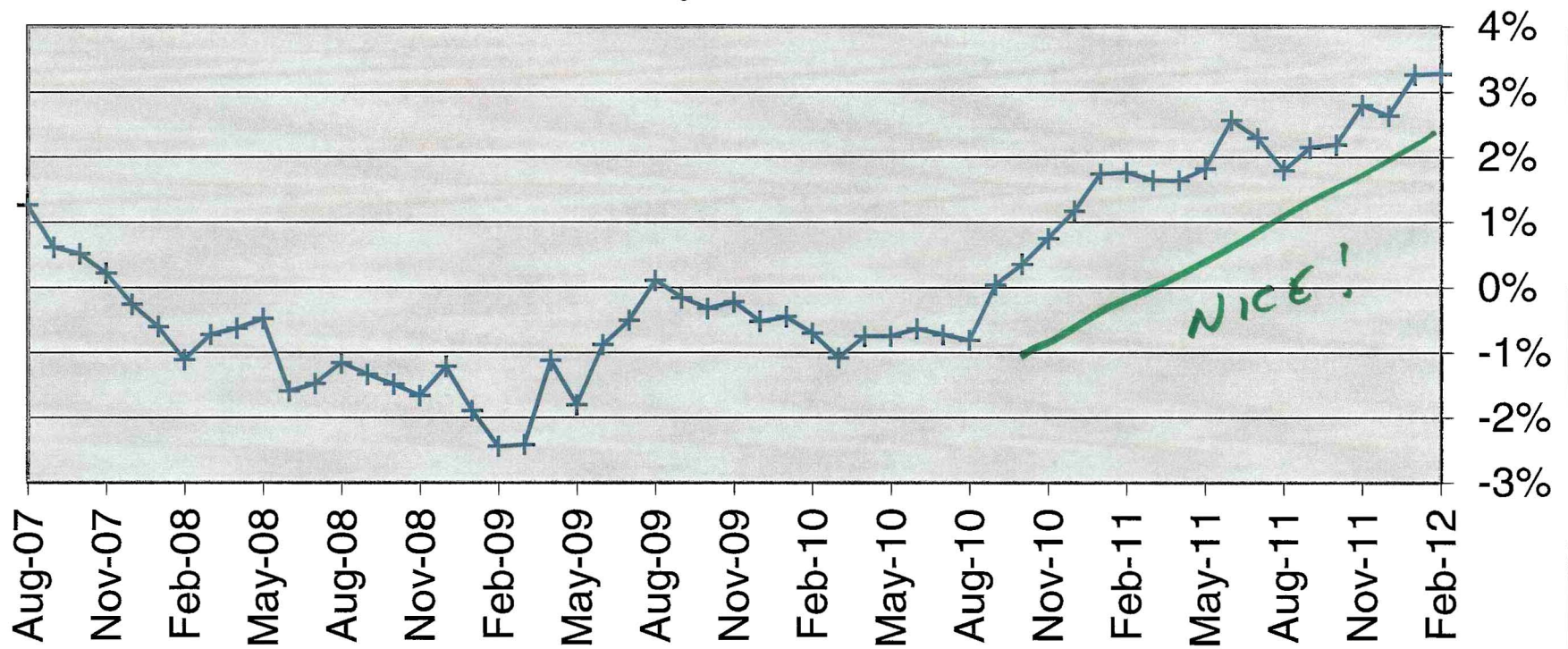


Pyramis (May 2006)  
Rolling 3-Years Annualized Alpha  
Monthly Observations

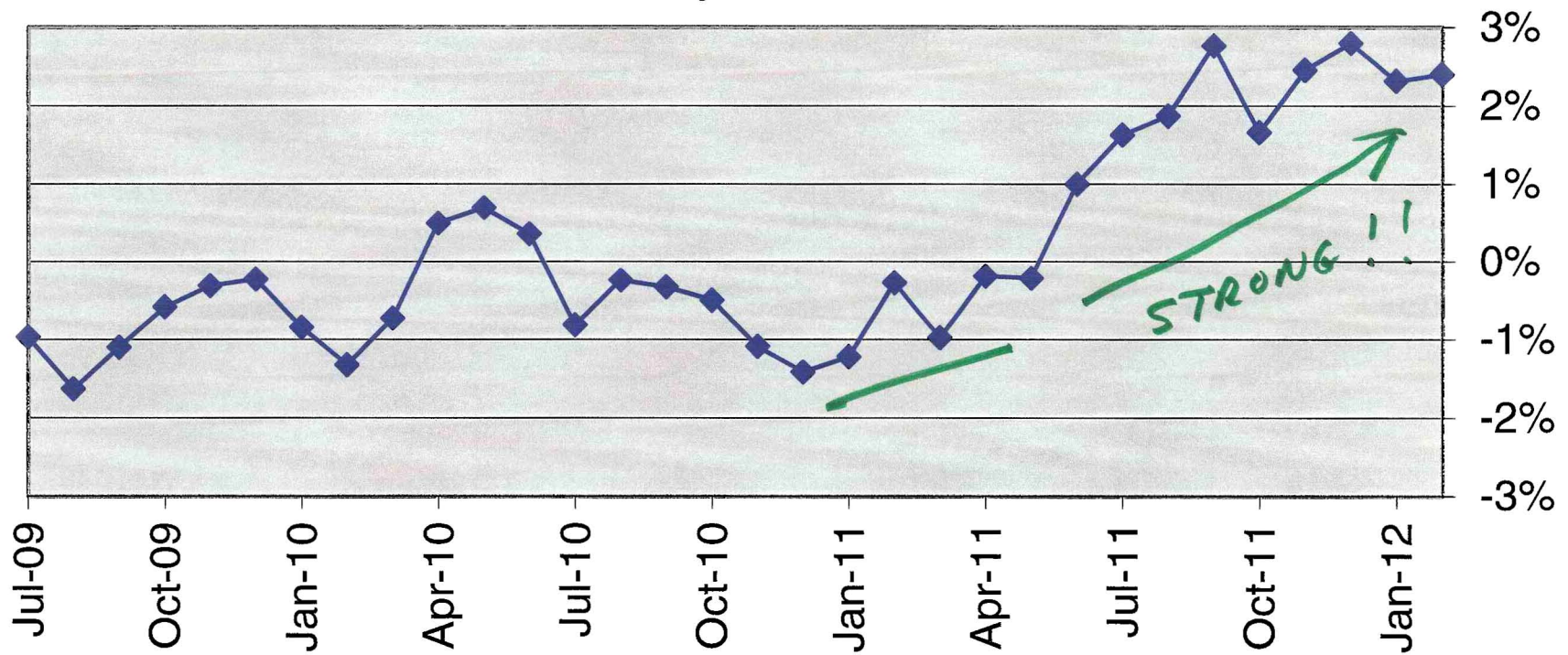




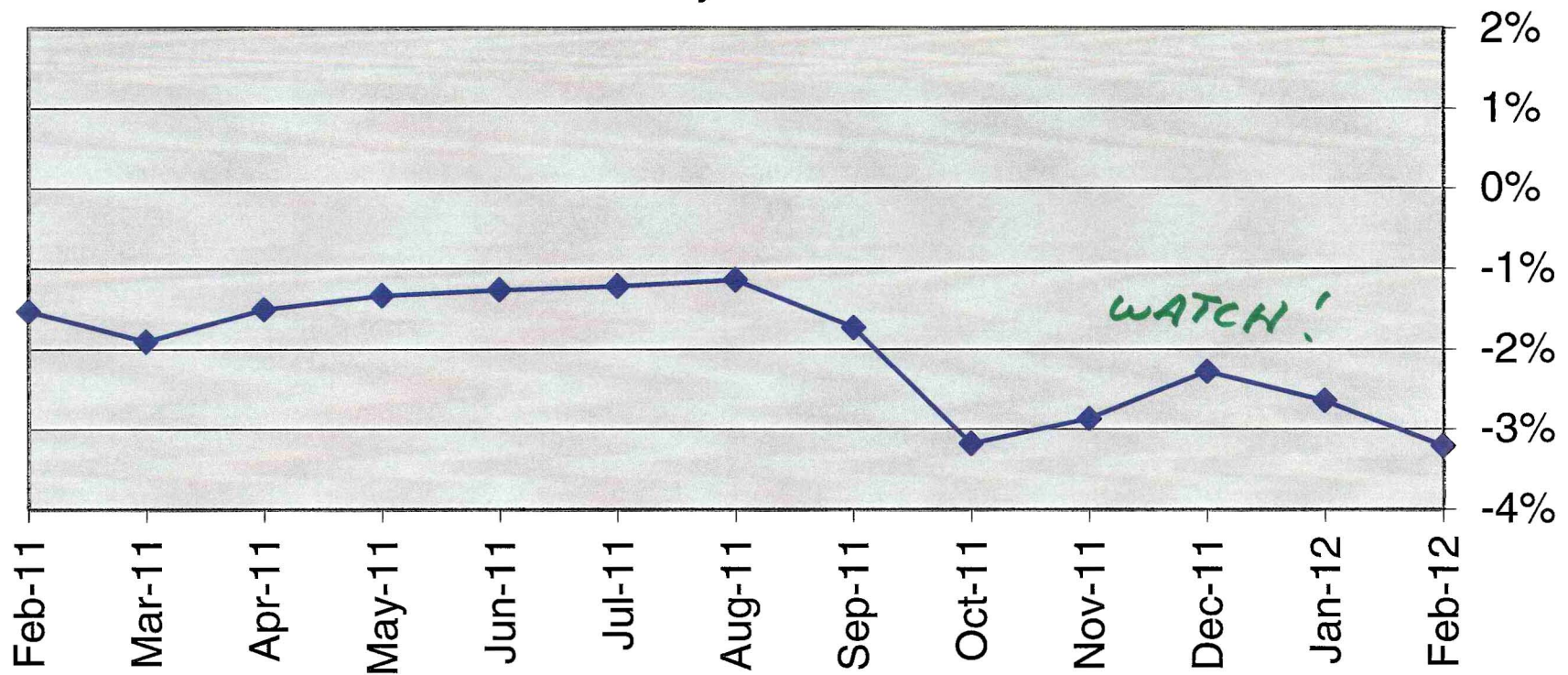
LSV  
Rolling 3-Years Annualized Alpha  
Monthly Observations



Delaware  
Rolling 3-Years Annualized Alpha  
Monthly Observations



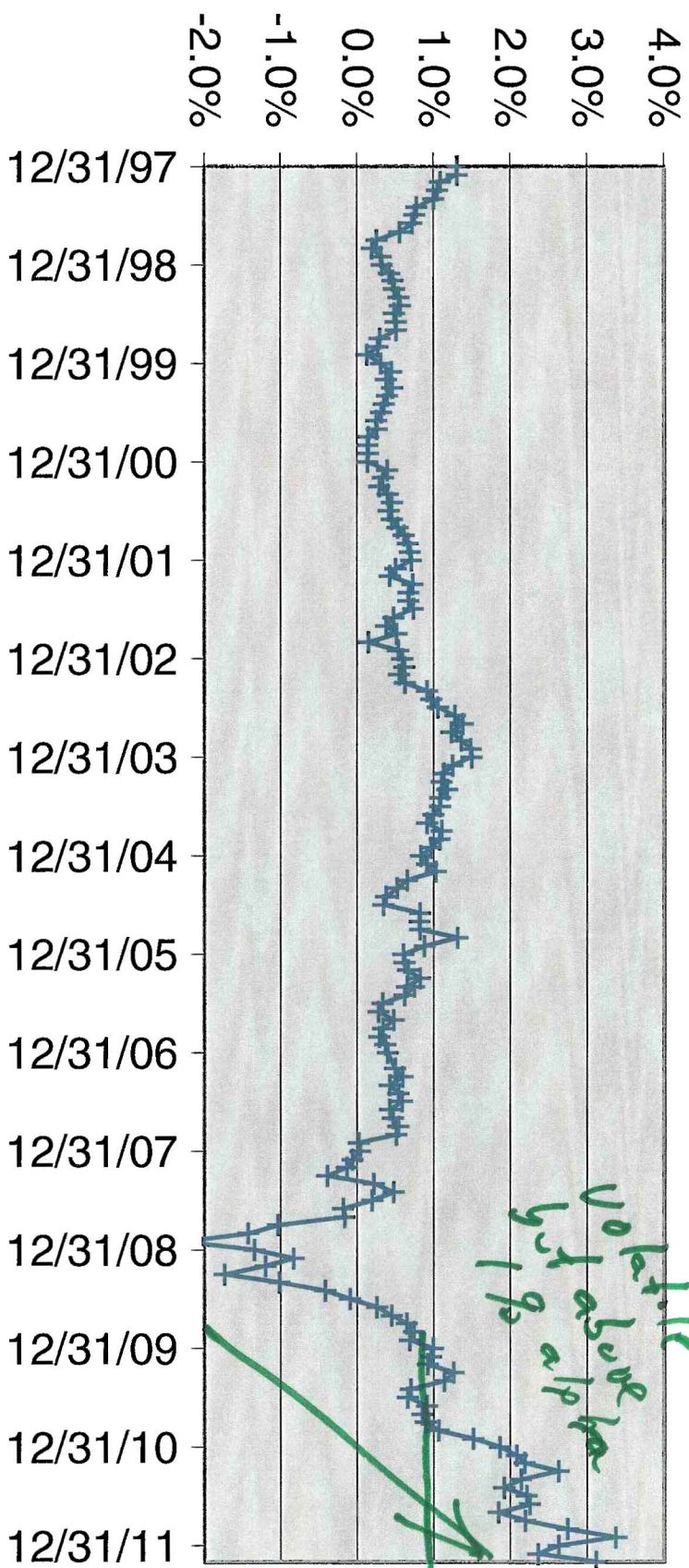
INVESCO  
Rolling 3-Years Annualized Alpha  
Monthly Observations



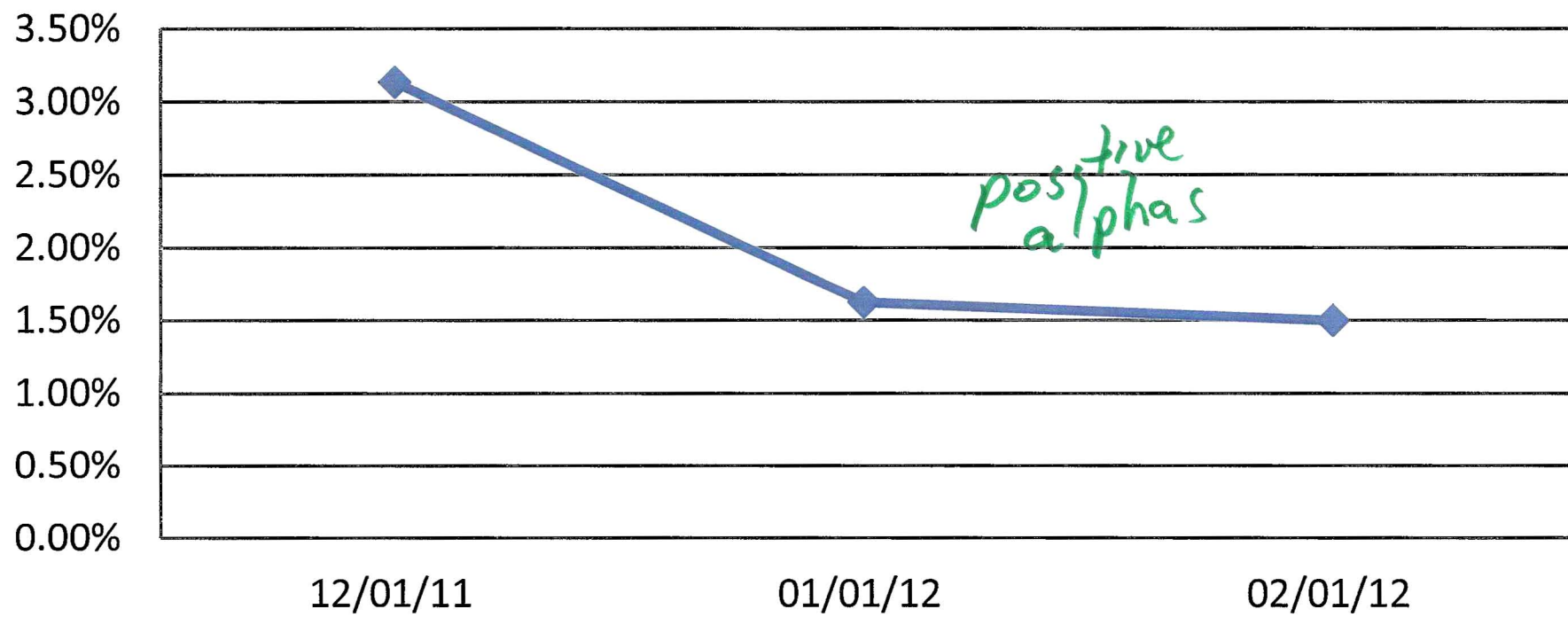
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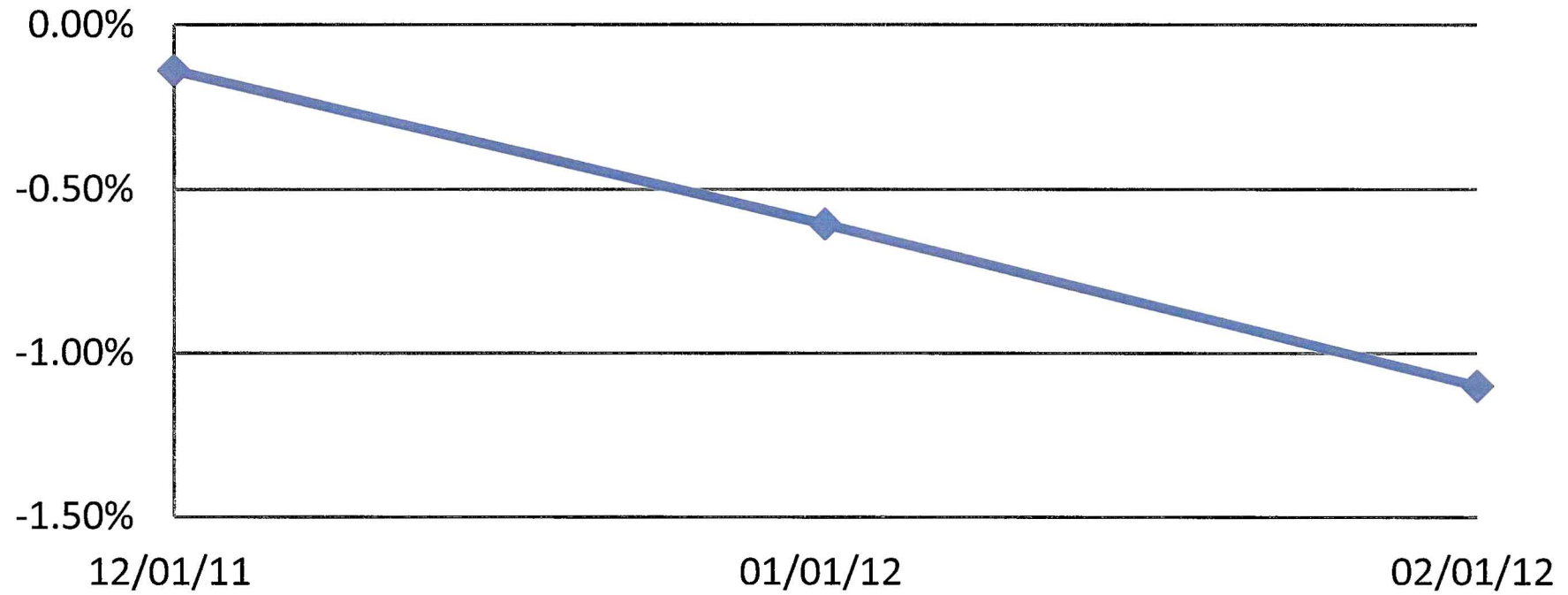
Dodge & Cox Fixed Income  
Rolling 3-Year Alphas Annualized  
Monthly Observations



Capital Prospects  
Rolling 3-Year Alphas  
Annualized  
Monthly Observations



Legato  
Rolling 3-Year Alphas  
Annualized  
Monthly Observations





STANCERA  
Price Monitor Position Report

BlackRock  
Passive Large Cap Growth Manager  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	10,275	\$5,573,825	7.40%	0.39%	542.44	601.1	10.81%	7.65%
Exxon Mobil Corp	XOM	37,356	\$3,231,312	4.29%	0.23%	86.50	86.99	0.57%	-2.59%
INTL Business Machines	IBM	13,056	\$2,568,479	3.41%	0.18%	196.73	206.01	4.72%	1.56%
Microsoft Corp.	MSFT	78,549	\$2,493,157	3.31%	0.18%	31.74	32.2	1.45%	-1.71%
Google Inc.	GOOG	2,619	\$1,619,422	2.15%	0.11%	618.25	625.04	1.10%	-2.06%
Coca-Cola Co.	KO	20,378	\$1,423,585	1.89%	0.10%	69.86	70.40	0.77%	-2.39%
Philip Morris Intl.	PM	17,045	\$1,423,585	1.89%	0.10%	83.52	86.34	3.38%	0.22%
Oracle Corp	ORCL	40,158	\$1,175,023	1.56%	0.08%	29.26	29.76	1.71%	-1.45%
Qualcomm, Inc.	QCOM	18,049	\$1,122,297	1.49%	0.08%	62.18	65.41	5.19%	2.03%
Schlumberger, Ltd	SLB	13,781	\$1,069,572	1.42%	0.08%	77.61	76.76	-1.10%	-4.26%
TOP TEN HOLDINGS			\$21,700,256	28.81%	1.53%	Russell 1000 Growth:		<b>3.16%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$75,321,958**  
\$1,414,562,172

STANCERA  
Price Monitor Position Report

BlackRock  
Passive Large Cap Value Manager  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
General Electric Co.	GE	139,458	\$2,656,672	3.00%	0.19%	19.05	20.2	6.04%	2.73%
Chevron Corp.	CVX	10,288	\$1,122,586	2.93%	0.08%	109.12	110.28	1.06%	-2.25%
AT&T Inc.	T	36,828	\$1,126,567	2.62%	0.08%	30.59	31.59	3.27%	-0.04%
JP Morgan Chase & Co.	JPM	55,968	\$2,196,182	2.48%	0.16%	39.24	44.57	13.58%	10.27%
Procter & Gamble	PG	32,085	\$2,169,615	2.45%	0.15%	67.62	67.25	-0.55%	-3.86%
Pfizer Inc.	PFE	101,841	\$2,151,904	2.43%	0.15%	21.13	21.94	3.83%	0.52%
Wells Fargo & Co	WFC	25,826	\$808,103	2.17%	0.06%	31.29	33.89	8.31%	5.00%
Intel Corp	INTL	35,502	\$804,122	2.06%	0.06%	22.65	22.25	-1.77%	-5.08%
Johnson & Johnson	JNJ	12,784	\$831,988	1.99%	0.06%	65.08	65.12	0.06%	-3.25%
Berkshire Hathaway Inc.	BRK/B	22,463	\$1,762,259	1.99%	0.12%	78.45	81.07	3.34%	0.03%
TOP TEN HOLDINGS			\$15,629,997	24.12%	1.12%	Russell 1000 Value		3.31%	

Total Portfolio Value  
Total StanCERA Value

**\$88,555,720**  
\$1,414,562,172

STANCERA  
Price Monitor Position Report

STANCERA  
Price Monitor Position Report

Capital Prospects  
Active US Small Cap Value Manager  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000V	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
Belden Inc	BDC	24,649	\$972,884	1.52%	0.07%	0.00%	39.47	40.00	1.34%	-2.53%
Regal Beloit Corp	RBC	12,335	\$832,600	1.30%	0.06%	0.04%	67.50	68.55	1.56%	-2.31%
The Brink's Co	BCO	30,738	\$776,141	1.21%	0.05%	0.00%	25.25	25.45	0.79%	-3.08%
Gulfport Energy Corp	GPOR	22,464	\$755,249	1.18%	0.05%	0.00%	33.62	33.14	-1.43%	-5.30%
Meredith Corp	MDP	22,471	\$739,292	1.15%	0.05%	0.20%	32.90	33.46	1.70%	-2.17%
Littelfuse Inc	LFUS	13,755	\$728,077	1.14%	0.05%	0.00%	52.93	58.74	10.98%	7.11%
Newell Rubbermaid Inc	NWL	39,716	\$726,795	1.13%	0.05%	0.00%	18.30	18.30	0.00%	-3.87%
Hexcel Corp New	HXL	26,968	\$681,486	1.06%	0.05%	0.00%	25.27	24.87	-1.58%	-5.45%
Hanesbrands Inc	HBI	23,294	\$669,246	1.04%	0.05%	0.06%	28.73	29.01	0.97%	-2.90%
Meadowbrook Ins	MIG	65,661	\$625,091	0.98%	0.04%	0.00%	9.52	9.51	-0.11%	-3.98%
TOP TEN HOLDINGS			\$7,506,861	11.71%	0.53%	0.30%	Russell 2000 Value:		<b>3.87%</b>	

Total Portfolio Value  
Total StanCERA Value

<b>\$64,085,618</b>
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\$1,414,562,172

STANCERA  
Price Monitor Position Report

Delaware Investments Advisers  
Active Large Cap Growth Portfolio  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000G	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	19,000	\$10,306,360	8.84%	0.73%	7.04%	542.44	601.10	10.81%	7.65%
Visa Inc.	V	54,300	\$6,318,891	5.42%	0.45%	0.28%	116.37	118.84	2.12%	-1.04%
EOG Resources Inc.	EOG	54,950	\$6,256,607	5.37%	0.44%	0.43%	113.86	117.39	3.10%	-0.06%
MasterCard Inc. Cl A	MA	14,500	\$6,090,000	5.22%	0.43%	0.63%	420.00	425.09	1.21%	-1.95%
QUALCOMM Inc.	QCOM	97,100	\$6,037,678	5.18%	0.43%	1.46%	62.18	66.75	7.35%	4.19%
Crown Castle International Corp.	CCI	105,800	\$5,481,498	4.70%	0.39%	0.21%	51.81	53.09	2.47%	-0.69%
Google Inc. Cl A	GOOG	8,700	\$5,378,775	4.61%	0.38%	2.18%	618.25	633.98	2.54%	-0.62%
Allergan Inc.	AGN	57,400	\$5,142,466	4.41%	0.36%	0.38%	89.59	93.30	4.14%	0.98%
priceline.com Inc.	PCLN	7,800	\$4,890,756	4.19%	0.35%	0.44%	627.02	696.93	11.15%	7.99%
VeriSign Inc.	VRSN	128,600	\$4,751,770	4.08%	0.34%	0.08%	36.95	38.56	4.36%	1.20%
TOP TEN HOLDINGS			\$60,654,801	52.02%	4.29%	13.14%	Russell 1000 Growth:		3.16%	

Total Portfolio Value  
Total StanCERA Value

**\$116,595,684**  
\$1,414,562,172

STANCERA  
Price Monitor Position Report

Dodge & Cox Equity  
Active US Large Cap Value Manager  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R1000V	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
COMCAST CORP-CLASS A	CMCSA	200,063	\$5,877,850	43.75%	0.42%	0.70%	29.38	29.86	1.63%	-1.68%
WELLS FARGO & CO	WFC	160,072	\$5,008,652	37.28%	0.35%	2.10%	31.29	34.25	9.46%	6.15%
CAPITAL ONE FINANCIAL CORP	COF	92,500	\$4,680,500	34.84%	0.33%	0.30%	50.60	55.10	8.89%	5.58%
MERCK & CO. INC.	MRK	122,500	\$4,675,825	34.81%	0.33%	1.70%	38.17	37.89	-0.73%	-4.04%
HEWLETT-PACKARD CO	HPQ	175,005	\$4,429,376	32.97%	0.31%	0.70%	25.31	24.34	-3.83%	-7.14%
GENERAL ELECTRIC CO	GE	230,000	\$4,381,500	32.61%	0.31%	2.90%	19.05	20.21	6.09%	2.78%
AMGEN INC	AMGN	60,000	\$4,077,000	30.35%	0.29%	0.80%	67.95	68.05	0.15%	-3.16%
PFIZER INC	PFE	190,000	\$4,009,000	29.84%	0.28%	2.40%	21.10	21.88	3.70%	0.39%
TIME WARNER INC	TWX	100,032	\$3,722,190	27.71%	0.26%	0.50%	37.21	35.94	-3.41%	-6.72%
SCHLUMBERGER LTD	SLB	47,500	\$3,686,475	27.44%	0.26%	-	77.61	77.10	-0.66%	-3.97%
TOP TEN HOLDINGS			\$44,548,368	331.60%	3.15%	12.10%	Russell 1000 Value:		<b>3.31%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$13,434,204**  
\$1,414,562,172

STANCERA  
Price Monitor Position Report

Legato Capital Management  
Active US Small Cap Growth Manager  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight R2000G	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
PORTFOLIO RECOVERY ASSOCIATES II	praa	11,022	\$768,564	1.32%	0.05%	0.20%	69.73	70.48	1.08%	-1.85%
CEPHEID INC	cphd	17,536	\$708,279	1.21%	0.05%	0.42%	40.39	42.50	5.22%	2.29%
KNOLOGY INC	knol	37,429	\$667,359	1.14%	0.05%	0.08%	17.83	18.41	3.25%	0.32%
ULTIMATE SOFTWARE GROUP INC	ulti	9,486	\$662,313	1.13%	0.05%	0.30%	69.82	73.67	5.51%	2.58%
HEALTHSOUTH CORP	hls	32,292	\$657,465	1.13%	0.05%	0.00%	20.36	21.31	4.67%	1.74%
SEMTECH CORP	smtc	22,651	\$650,310	1.11%	0.05%	0.31%	28.71	28.63	-0.28%	-3.21%
UNITED NATURAL FOODS INC	unfi	14,077	\$640,785	1.10%	0.05%	0.37%	45.52	46.24	1.58%	-1.35%
LKQ CORP	lkqx	19,670	\$626,686	1.07%	0.04%	0.00%	31.86	31.67	-0.60%	-3.53%
GEO GROUP INC	geo	32,421	\$570,934	0.98%	0.04%	0.00%	17.61	18.07	2.61%	-0.32%
NATIONAL INSTRUMENTS CORP	nati	21,025	\$559,265	0.96%	0.04%	0.00%	26.60	27.63	3.87%	0.94%
TOP TEN HOLDINGS			\$6,511,960	11.16%	0.46%	1.68%	Russell 2000 Growth:		<b>2.93%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$ 58,375,587**  
\$1,414,562,172

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

STANCERA  
Price Monitor Position Report

BNY - S&P 500 Index  
Passive S&P 500 Index Fund  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
Apple Inc.	AAPL	4,886	\$2,650,274	4.07%	0.19%	542.44	601.1	10.81%	8.02%
Exxon Mobil Corp	XOM	25,144	\$2,174,918	3.34%	0.15%	86.50	86.99	0.57%	-2.23%
Microsoft Corp.	MSFT	39,390	\$1,250,252	1.92%	0.09%	31.74	32.2	1.45%	-1.35%
INTL Business Machines	IBM	6,190	\$1,217,694	1.87%	0.09%	196.73	206.01	4.72%	1.92%
Chevron Corp	CVX	10,443	\$1,139,553	1.75%	0.08%	109.12	110.7	1.45%	-1.35%
General Electric Co.	GE	55,375	\$1,054,900	1.62%	0.07%	19.05	20.21	6.09%	3.29%
Procter & Gamble	PG	14,445	\$976,760	1.50%	0.07%	67.62	67.21	-0.61%	-3.40%
AT&T	T	31,079	\$950,713	1.46%	0.07%	30.59	31.65	3.47%	0.67%
Johnson & Johnson	JNJ	14,308	\$931,177	1.43%	0.07%	65.08	65.21	0.20%	-2.60%
Wells Fargo & Co	WFC	27,678	\$866,060	1.33%	0.06%	31.29	34.25	9.46%	6.66%
TOP TEN HOLDINGS			\$13,212,301	20.29%	0.93%	S&P 500 Index:		<b>2.80%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$65,117,305**  
\$1,414,562,172

STANCERA  
Price Monitor Position Report

LSV Asset Management  
International Large Cap Value  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	2/29/2012 PX	3/19/2012 PX	Position % Change	Relative % Change
ROYAL DUTCH SHELL	RDSA	47,968	\$3,505,977	2.82%	0.25%	1.51%	73.09	71.99	-1.50%	-2.94%
SANOFI S.A.	SNY	61,105	\$2,262,723	1.82%	0.16%	0.55%	37.03	38.92	5.10%	3.67%
CHINA PETROLEUM & CHEMICAL CORPORATION	SNP	17,668	\$2,001,639	1.61%	0.14%	0.13%	113.29	117.71	3.90%	2.46%
ASTRAZENECA PLC	AZN	41,820	\$1,877,314	1.51%	0.13%	0.39%	44.89	45.38	1.09%	-0.35%
NOVARTIS AG	NVS	32,387	\$1,765,421	1.42%	0.12%	0.83%	54.51	55.55	1.91%	0.47%
COMPANIA SANEAMENTO BASICO EST SAO PAULO	SBS	23,336	\$1,752,988	1.41%	0.12%	0.03%	75.12	74.75	-0.49%	-1.93%
ENI - ENTE NAZIONALE IDROCARBURI	ENI	85,508	\$1,728,123	1.39%	0.12%	0.36%	20.21	20.49	1.39%	-0.05%
OLD MUTUAL PLC	OML.L	10,862	\$1,728,123	1.39%	0.12%	0.09%	159.10	164.60	3.46%	2.02%
BASF SE	BASFY.PK	19,521	\$1,715,691	1.38%	0.12%	0.53%	87.89	89.40	1.72%	0.28%
ALLIANZ SE	ALV.DE	18,574	\$1,690,826	1.36%	0.12%	0.36%	91.03	94.88	4.23%	2.79%
TOP TEN HOLDINGS			\$20,028,825	16.11%	1.42%	4.78%	MSCI ACWI ex-U.S.		1.44%	

Total Portfolio Value  
Total StanCERA Value

**\$124,325,421**  
\$1,414,562,172



STANCERA  
Price Monitor Position Report

Pyramis Global Advisors  
Active Non-US Growth Manager  
Positions as of February 29, 2012

Company	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	Weight ACWI xUS	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change	Relative % Change
ROYAL DUTCH SHELL PLC CL A(NL)	B09CBL4	65937	\$2,416,347	1.90%	0.17%	1.48%	73.09	71.99	-1.50%	-2.94%
NESTLE SA (REG)	7123870	30646	\$1,881,250	1.48%	0.13%	1.30%	61.29	62.29	1.63%	0.19%
BP PLC	798059	228767	\$1,799,446	1.42%	0.13%	0.95%	47.76	46.92	-1.76%	-3.20%
VODAFONE GROUP PLC	B16GWD5	558676	\$1,511,376	1.19%	0.11%	0.88%	27.09	26.65	-1.62%	-3.06%
SAMSUNG ELECTRONICS CO LTD	6771720	1194	\$1,287,141	1.01%	0.09%	0.76%	1079.44	1123.98	4.13%	2.69%
ROCHE HLDGS GENUSSSCHEINE	7110388	7184	\$1,256,014	0.99%	0.09%	0.79%	43.58	43.95	0.85%	-0.59%
SANOFI	5671735	16614	\$1,233,685	0.97%	0.09%	0.54%	37.03	38.92	5.10%	3.66%
BRITISH AMER TOBACCO PLC (UK)	287580	23900	\$1,212,949	0.95%	0.09%	0.64%	50.63	51.33	1.38%	-0.06%
XSTRATA PLC	3141100	60677	\$1,162,672	0.92%	0.08%	0.25%	19.12	18.62	-2.62%	-4.06%
BG GROUP PLC	876289	47135	\$1,142,614	0.90%	0.08%	0.53%	24.18	24.46	1.16%	-0.28%
TOP TEN HOLDINGS			\$14,903,494	11.73%	1.05%	8.13%	MSCI ACWI ex-US:		<b>1.44%</b>	

Total Portfolio Value  
Total StanCERA Value

**\$127,111,059**  
\$1,414,562,172

STANCERA  
Price Monitor Position Report

Research Affiliates  
Enhanced Rafi Global Long Short  
Positions as of February 29, 2012

Long Positions	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change
ING Groep N.V.	INGA-NL	40,141	\$357,658	2.29%	0.03%	8.91	9.42	5.72%
ENI S.p.A.	ENI-IT	15,533	\$313,927	2.01%	0.02%	20.21	20.49	1.39%
BT Group PLC	BT.A-GB	6,542	\$223,341	1.43%	0.02%	34.14	34.60	1.35%
BP PLC	BP-GB	6,922	\$326,422	2.09%	0.02%	47.16	46.92	-0.51%
General Electric Co.	GE-US	15,331	\$292,061	1.87%	0.02%	19.05	20.21	6.09%
ConocoPhillips	COP-US	3,448	\$263,949	1.69%	0.02%	76.55	78.07	1.99%
Chevron Corp.	CVX-US	2,018	\$220,217	1.41%	0.02%	109.12	109.49	0.34%
Bank of America Corp.	BAC-US	26,651	\$212,408	1.36%	0.02%	7.97	9.53	19.57%
Valero Energy Corp.	VLO-US	7,844	\$192,105	1.23%	0.01%	24.49	27.95	14.13%
Verizon Communications Inc.	VZ-US	5,574	\$212,408	1.36%	0.02%	38.11	39.65	4.04%
TOP TEN HOLDINGS			\$2,614,496	16.74%	0.18%			

Short Positions	Symbol	# Shares	\$ Value Position	Weight Manager	Weight StanCERA	2/29/2012 \$ PX	3/19/2012 \$ PX	Position % Change
Apple Inc.	AAPL-US	731	\$396,704	2.54%	0.03%	542.44	601.10	10.81%
Saipem S.p.A.	SPM-IT	5,553	\$210,846	1.35%	0.01%	37.97	39.56	4.19%
Philip Morris International Inc.	PM-US	2,506	\$209,285	1.34%	0.01%	83.52	86.34	3.38%
BG Group PLC	BG-GB	3,457	\$232,712	1.49%	0.02%	67.32	67.51	0.28%
Cisco Systems Inc.	CSCO-US	8,956	\$178,048	1.14%	0.01%	19.88	20.14	1.31%
QUALCOMM Inc.	QCOM-US	2,889	\$179,610	1.15%	0.01%	62.18	66.75	7.35%
McDonald's Corp.	MCD-US	1,620	\$160,868	1.03%	0.01%	99.28	97.73	-1.56%
Google Inc. Cl A	GOOG-US	283	\$174,924	1.12%	0.01%	618.25	633.98	2.54%
Schlumberger Ltd.	SLB-US	2,596	\$201,476	1.29%	0.01%	77.61	77.10	-0.66%
Coca-Cola Co.	KO-US	2,549	\$178,048	1.14%	0.01%	69.86	70.40	0.77%
TOP TEN HOLDINGS			\$2,122,521	13.59%	0.15%			

Total Portfolio Value  
Total StanCERA Value

**\$15,618,256**  
\$1,414,562,172



## Response to StanCERA's Questions re: Enhanced RAFI Long Short Strategy

1. **The mechanics of rebalancing the long/short portfolio: what happens for example if the longs of the portfolio go up by 5% and the shorts lose 10%? How is the portfolio kept at dollar neutral on the longs and shorts and how much cash is kept as a buffer? Is the long run at 85% shorts at 85% and cash at x% or what?**

The exposure varies through the year in both net and gross terms. The index and portfolio are rebalanced back to dollar neutral annually. The average long exposure since April 2009 has been 224% and the average short position has been 228%.

2. **How often is the portfolio rebalanced and, as the dollar value of the StanCERA long/short has gone down in value from the original \$20 million, have positions been sold to raise cash to keep the long and short portfolio at the same dollar value?**

The Enhanced RAFI Global Long Short fund is rebalanced annually, at which time the long and short portfolios are reset to equal dollar values. When the short portfolio's return exceeds the long portfolio's return, the capital in the fund declines and these losses result in realized losses that are paid to the counterparty.

3. **Theoretically a short position can lose an infinite amount of money while the long position can only lose what was originally put in. Can the Enhanced RAFI Global Long Short portfolio theoretically go below \$0 for StanCERA?**

Because of the LP structure, no LP investor can lose more than the capital invested.

4. **The StanCERA Board would like to put a stop well below the current market value of their portfolio so that if it reaches \$10 million a stop would be put in place to liquidate the portfolio at the earliest point in time (next month end?). Please state the mechanics of how we would place that stop with you. A letter from StanCERA?**

We can accomplish this through a mechanism whereupon we would apply a preliminary MTD return to StanCERA's previous month's capital account, likely around the 20th of each month. We would then communicate to StanCERA this value and require liquidation instructions within a couple of business days. A letter from StanCERA would suffice to make this a regular report/activity.



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03/27/12 Item #7e

## **March 27, 2012 Retirement Board Meeting**

TO: Board of Retirement

FROM: Rick Santos, Executive Director

**SUBJECT: Implementation of a Stop Loss on the Research Affiliates (RAFI) Long Short Fund**

**I. RECOMMENDATION:**

- Alternative 1 - Implement a stop-loss of \$10,000,000 on the RAFI fund
- Alternative 2 – Create a standing agenda item each month allowing the Board to take action regarding the disposition of the RAFI Fund

**II. ANALYSIS:** In June 2011, the StanCERA Board of Retirement approved a capital commitment of \$20,000,000 (1.5% of StanCERA's total fund) to Research Affiliates' Long Short fund. As of February 29, 2012, this fund has experienced a return of approximately negative 21.9%. Its market value as of the same date stood at \$15.62 million. On February 28, 2012, the Board heard discussion on the mechanics of implementing a stop loss on the fund and gave staff direction to bring back an agenda item regarding this type of trigger.

In light of RAFI's most recent responses to questions posed by StanCERA (Agenda Item 7d) the process for the stop loss would be for RAFI to send StanCERA a report around the 20<sup>th</sup> of each month regarding the market value of the fund. At that time, if staff were to determine that the \$10 million floor had been breached, they would notify RAFI to liquidate the portfolio. As a result, the actual termination of the RAFI fund could only happen within the first few days after the 20<sup>th</sup> of each month.

Consequently, as an alternative, staff is offering the Board the option of a standing agenda item each month with the ability to take action on the fund if desired. The imposition of a stop loss doesn't appear to add much more flexibility to the termination process.

**III. RISK:** One risk that exists if the Board decides not to implement the stop loss and instead initiate a standing agenda item is the possibility for delays in getting the information each month from RAFI. It is possible that the information reaches us just after a Board meeting. This means up to four (4) weeks could pass before the Board could take action. However, before that point, should the fund's value deteriorate, there would always be a standing agenda item giving the Board the ability to discuss and take action on the fund's disposition and potential termination.

If the Board does decide to implement the stop loss strategy and not have a standing agenda item, it is important to consider that these types of strategies have been known to generate very large positive returns in a short period of time and consequently, it is possible that the strategy could be triggered just prior to a strong rebound.

IV. STRATEGIC PLAN: Goal 1, Strategy C: Review investment decisions regularly and ensure that the Board has a full range of information to make informed decisions regarding investment policy.

V. BUDGET IMPACT: None.



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Rick Santos, Executive Director



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March 27, 2012 Retirement Board Meeting  
Page 1 of 3

03/27/12 Item #8a

TO: Retirement Board

FROM: Joyce Parker, I.T. Coordinator

**SUBJECT: BOARD PORTAL SYSTEM**

**I. RECOMENDATIONS:**

1. Approve the goals and requirements as stated.
2. Direct staff to pursue detailed pricing from major vendors and bring back for approval.  
Or,  
Direct staff to pursue generic no/low cost options for secure transmission of confidential documents.

**II. ANALYSIS:** See Analysis from the February 28, 2012, Board meeting.

**OPTIONS:**

1. No Change: Continue with paper dissemination of agenda packets and web posting of all but confidential material.
2. No/low cost option: Encourage Trustees to use the current web access for the public agenda and attachments and use a cloud-based system (Such as Google Docs, Google Sites, or various other free/low cost option with secured access) for Board access to confidential material. The StanCERA Board of Retirement already has an established secure site for sharing Committee information and documents (<https://sites.google.com/site/stanceraboard/>). A similar approach could be used for accessing confidential agenda documents. Additional security could be added by encrypting the documents on the site. This approach is basically hardware agnostic so Trustees could use their preferred device.
3. Purchase Board Portal System: There are several Board Portal systems commercially available; reviews for Diligent Boardbooks, BoardEffect, BoardVantage and Directors Desk are available. All seem to meet the above requirements and include additional features. All come with support. A Buyer's Guide to board portal systems can be found here: <http://www.greatboards.org/pubs/Board-Portal-Buying-Guide-final.pdf>

**III. BUDGET IMPACT:**

In addition to the current cost of \$34,500 per year for agenda preparation and web posting, budgeting for all Board Portal systems must include initial hardware purchase, system set-up, staff training and ongoing licensing based on the number of users. iPads start at \$500 each. A reasonable estimate for Board Portal yearly licensing is \$1,000 per user. If all Board members use the system, plus three (3) staff members, ongoing costs would be \$14,000 per year. System set-up and training costs vary and may be negotiable.

**IV. STRATEGIC PLAN:**

Goal 3: StanCERA will maximize its efficiency and customer service through the implementation of current technology.

  
\_\_\_\_\_  
Joyce Parker, I.T. Coordinator

  
\_\_\_\_\_  
Kathy Herman, Operations Manager

**StanCERA Board Portal System**  
**Proposed Goals and Requirements**

**GOALS:**

1. Increase Trustee efficiency and ease of access.
2. Reduce or eliminate hard copy dispersal of Board agendas and agenda attachments, including confidential documents.
3. Increase security of dispersed confidential materials.

**REQUIREMENTS:**

1. All documents must be available from any location at all times.
2. Documents must be available using multiple devices regardless of hardware or operating systems.
3. Documents must be easily accessible and clearly navigable.
4. Documents should allow and save individual annotations.
5. Confidential documents must be secure.
6. Minimize redundancy in Board materials preparation and dispersement.

**What are Other Agencies doing?**

At the request of the Board, a poll was sent to 22 other 1937 Act agencies. Seven (7) agencies responded.

Question: Is your agency currently using a Board Portal system or some other agenda management system? How are Board agendas and all agenda attachments distributed to Board members?

- Fresno, Kern, San Mateo and Los Angeles Fire use a secure transfer of PDF from a cloud-based server (Dropbox, Box.NET or SFTP) to iPads (no or low cost).
- San Diego uses the SIRE Board Portal with iPads.
- Sonoma distributes paper board packets but is looking at electronic options.





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## **March 27, 2012 Retirement Board Meeting**

03/27/12 Item #8b

TO: Board of Retirement  
FROM: Kathy Herman, Operations Manager

### **SUBJECT: Changing Custodial Bank**

- I. **RECOMMENDATION:** Do not change banks at this time. Staff will continue working closely with the Custody bank to improve reporting and develop additional processes which will allow StanCERA to better monitor bank activities.
- II. **ANALYSIS:** At the February 28, 2012 Board of Retirement meeting, Trustee Mike Lynch expressed interest in changing custodial banks. Records indicate that StanCERA has never changed custody banks but instead added services over time as they became available. A complete cost benefit analysis would need to be performed to determine if this is a financially sound economic decision. Changing banks could be a highly complicated, costly and time sensitive process so a few of the steps are listed below.
  - A. Determine time line
  - B. Retain an independent advisor/consultant to facilitate the process
    1. Develop guidelines and request for proposal (RFP)
    2. Interview and select
    3. Due diligence / back ground check
    4. Develop contract
  - C. Counsel will need to review the 8 current Custody Bank contracts to determine if there are any restrictions which may prevent or determine when the transition can be done.
    1. Client Brokerage
    2. Custody
    3. Direct Brokerage
    4. Electronic Access – Reporting System (Workbench)
    5. Gov. Short Term Invest. Fund (STIF) Agreement
    6. Investment Management
    7. Securities Lending
    8. Transition Management

Possible steps to complete the process:

- Determine transfer fee for each/all securities held
- Finalize the time line
- Determine all services needed
- Develop guidelines and request for proposal (RFP) for each service separately
- Determine whether to bundle all services or separate them
- Interview and select bank or vendor for each service

- Conduct due diligence on each vendor or bank
- Develop new contracts
- Develop new reporting processes for all investment managers and consultants
- Transfer securities

Custodian Bank by System			
State Street	BNYM	Northern Trust	J.P. Morgan
Alameda CERA	LACERA	Fresno CERA	Imperial CERA
Contra Costa CERA	Mendocino CERA	Kern CERA	
Marin CERA	Merced CERA	San Joaquin CERA	
Orange CERA	StanCERA		
Sacramento CERA	Santa Barbara CERA		
San Bernardino CERA	Tulare CERA		
San Diego CERA			
San Mateo CERA			
Sonoma CERA			
Ventura CERA			
CalSTRS			
CalPERS			

- III. RISK: There are only a few banks in the U.S. that provide custodial services; all of them are large multifaceted corporations. All of them have come under scrutiny and have been sued at one time or another. Switching banks would probably not solve any immediate problems and could add unforeseen risk and cost.
- IV. STRATEGIC PLAN: Goal 1, Strategy C: Review investment decisions regularly and ensure that the Board has a full range of information to make informed decisions regarding investment policy.
- V: BUDGET IMPACT: Unknown at this time. Cost for consultant, a cost benefit analysis and transfer fees could be part of the impact. (565,938,198 shares as of 6/30/11)

  
Kathy Herman, Operations Officer

  
Rick Santos, Executive Director