



Stanislaus County Employees' Retirement Association

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

AGENDA

BOARD OF RETIREMENT

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

July 26, 2016
1:30 p.m.

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

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

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

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

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

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

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

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

1. Call Meeting to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
 - a. Approval of the June 28, 2016 Meeting Minutes [View](#)
 - b. Monthly Staff Report [View](#)
 - c. StanCERA Quarter 2 2016 Complaint Log [View](#)
 - d. Executive Director Goals Update Quarter 2 2016 [View](#)
 - e. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Bailey, Michelle – Courts – Effective 07-13-16
 2. Bork, Virginia – Alliance Worknet – Effective 07-22-16
 3. Cannella, Sal – Ceres– Effective 07-15-16
 4. Clayton, Leslie – HSA– Effective 07-06-16
 5. Ellis, Linda – HSA – Effective 07-01-16
 6. Loff, Roger – BHRS – Effective 07-23-16
 7. Osnaya, Elisa – Courts – Effective 07-30-16
 8. Parrish, Claudia – Ag Comm – Effective 07-17-16
 9. Sendejas, Reuben – DER – Effective 04-04-16

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

- 10. Thrasher, Eugenia – CSA – Effective 07-09-16
- 11. Vargas, Abel – CEO – Effective 07-08-16
- 12. Vincent, Franklyn – BHRS – Effective 07-12-16
- 13. Wirowek, Patricia – Probation – Effective 06-15-16

** Indicates Safety Personnel*

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

- 1. Afanasieva, Anastasia – Courts – Effective 06-07-2016
- 2. Galvan, Linda – Probation – Effective 05-16-2016 *
- 3. Popal, Sunita – DA – Effective 05-20-2016

** Indicates Safety Personnel*

g. Approval of Disability Retirement - **Section 31724**

- 1. Parra Jr., Arthur - Deputy Sheriff, Service-Connected, Effective 02-16-15*

** Indicates Safety Personnel*

h. Approval of Death Benefit - Option Pursuant to Government Code **Sections 31781, 31781.1 or 31781.3.**

- 1. Atchinson, Russell Scott Deceased June 23, 2016, Active Member, Service Connected Death

6. Investment Manager Annual Presentation

- a. Fidelity (formerly known as Pyramis) Presentation [View](#)
 - I. Value Added Report [View](#)

7. Executive Director – Investment

- a. 2016 Due Diligence Trip Summary [View](#)

8. Verus – Investment Consultant

- a. June 30, 2016 Flash Report [View](#)
- b. Discussion and Action Regarding Asset Allocation Implementation Strategy Targets [View](#)

9. Executive Director - Administrative

- a. Information Technology Solutions (ITS) Project Update
- b. Discussion and Action Regarding Initiation of a StanCERA Investment Committee [View](#)

10. Closed Session

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

10. Closed Session (Cont.)
 - b. Conference with Legal Counsel – Pending Litigation – One Case:
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)
11. Members' Forum (Information and Future Agenda Requests Only)
12. Adjournment



BOARD OF RETIREMENT MINUTES
June 28, 2016

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

Alternate Trustee Joan Clendenin, Alternate Retiree Representative

Trustees Absent: None

Staff Present: Rick Santos, Executive Director
Kellie Gomes, Executive Board Assistant

Others Present: Fred Silva, General Legal Counsel
Ed Hoffman, Investment Consultant

1. Meeting Called to Order

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

2. Roll Call

3. Announcements

Director announced that the Board of Supervisors appointed Darin Gharat to seat #4 on the StanCERA board his term will expire on June 30, 2019.

4. Public Comment

None

5. Consent Items

a. Approval of the May 24, 2016 Meeting Minutes

b. Monthly Staff Report

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

1. Arroyo, Blanca – CSA – Effective 06-03-2016
2. Bernal, Jackie – Sheriff – Effective 05-31-2016
3. Gilstrap, Greg – Sheriff – Effective 06-16-2016 *
4. Harris, Vincent – StanCOG – Effective 06-01-2016
5. Marshall, Alina – Courts – Effective 05-23-2016
6. Roehr, Bruce – GSA – Effective 06-10-2016
7. Schtoeder-Verbeck, Maria – Sheriff – Effective 06-03-16

** Indicates Safety Personnel*

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

1. Caballero, Julissa – BHRS – Effective 05-14-2016
2. Crist, Ann – Sheriff – Effective 06-04-2016
3. Kole, Melissa – Courts – Effective 05-14-2016

4. Pollard, Kimberly– Sheriff – Effective 05-03-2016
5. Roton, Stacey – Ceres – Effective 05-23-2016

** Indicates Safety Personnel*

e. Approval of Reciprocal Disability Retirement - **Section 31838.5**

1. Camacho, Eduardo - Deputy Sheriff Custodial, Service-Connected, Effective 07-19-15*

** Indicates Safety Personnel*

f. Approval of Disability Retirement - **Section 31724**

1. Del Real, Rochelle - Probation Corrections Officer II, Service-Connected, Effective 01-27-2015*
2. Sanson, Jennifer - Emergency Dispatcher, Non-Service Connected, Effective 09-22-2015

** Indicates Safety Personnel*

Motion was made by Trustee Dhillon and seconded by Trustee O'Neal to accept the consent items as presented.

Motion carried unanimously

1:34 pm Trustee Clendenin arrived

1:35 pm Trustee Sharpe arrived

6. Investment Manager Annual Presentation

a. Capital Prospects Presentation

Marylyn Freeman and Elizabeth Knope presented by conference call an update of the investment process and status of the fund.

I. Value Added Report

b.. Raven Capital Presentation

Josh Green and Tom Scibetta presented by conference call an overview of the firm and a Fund I and Fund III overview.

7. Executive Director – Investment

No Items

8. Verus

a. May 30, 2016 Flash Report

Portfolio Return:	0.8%
U.S. Equity:	2.3%
International Equity:	-0.9%
Fixed Income:	0.0%
Real Estate:	0.8%

8. Verus (Cont.)

b. Discussion and Action Regarding the Project Plan: Asset Allocation Implementation

Ed Hoffman presented an Asset Allocation Implementation plan as provided. This was information only at this time and action was not required.

9. Executive Director - Administrative

a. Information Technology Solutions (ITS) Project Update

Director Santos reported the status of the RFP for Pension Administration Services.

10. Closed Session

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

No closed session

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

Trustee Gharat expressed condolences to the family of the County Public Works Employee.

Trustee Clendenin requested an agenda item be brought to the board regarding a request from a retiree regarding a possible policy change to beneficiaries. The Board directed the Director to facilitate a meeting with the Stanislaus County Board of Supervisors prior to this request coming to the Board of Retirement.

12. Adjournment

Meeting adjourned at 3:13 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:

Fred Silva, GENERAL LEGAL COUNSEL

By:



Fred Silva, General Legal Counsel



July 26, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

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

- a) *Fiscal Services* – Employer and employee contributions totaling \$6,303,101 were received through 18 different payroll batches. In addition, 10 contribution refunds and 6 death benefits were processed. Accounting staff continues to prepare for year end closing and the arrival of the auditors. Additional testing was done on the changes made to the Tyler system due to the mandatory server upgrade. The June payroll of \$9,461,090 was processed on time.

The County announced they were changing clearing banks and would require multiple new check templates for testing. Staff took this opportunity to upgrade our internal check processes. Accounts payables have been processed manually on excel based templates for years, one for each vendor and then manually entered into the general ledger. Payables will not be paid directly out of the general ledger software avoiding several manual steps and potential errors.

The actuarial assumptions adopted by the Board in March created several additional steps when updating the system and the web site. Notices were sent out to all active members regarding the changes in contribution rates. IT staff created a new contribution calculator for the website to assist members with the changes.

The RFP for the buildout of the vacant space on the 6th floor was completed and a contractor selected. June was spent getting the contract and insurance requirements in place. Work is scheduled to begin this week.

- b) *Member & Employer Services* – During the month of June, Member and Employer Services Staff processed 30 terminations, 53 new hires (3 Safety and 50 General), 35 estimates and 26 buy backs. There were 17 individual counseling sessions.

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

The Pre-Retirement Seminar held on June 2, 2016 was attended by 131 participants (98 members and 33 spouses/partners). A second Pre-Retirement Seminar will be held on October 27, 2016.

The Confidential Assistant IV interviews resulted in a list of several potential candidates for the new Member and Employer Services Specialist position. We are very pleased to welcome Traci Robertson to the StanCERA team.

- c) *Investment Governance and Compliance* – Staff began exploring the shortfall process and how that may be implemented. We met recently with one of our current managers regarding how they view funding the shortfall process and what the appropriate benchmark may be. Staff has also been working closely with alternative managers understanding the timing and magnitude of future cash flows. Also the due diligence team recently completed its annual trip. This year the team focused on infrastructure and security issues with the managers.

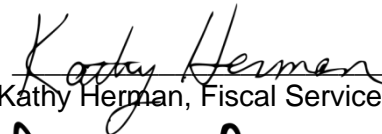
VI. RISK: None

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

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager



Dawn Lea, Member and Employer Services Manager



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July 26, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Alaine Taa, Administrative Assistant

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

There were numerous retiree and member complaints between April 1 and June 30, 2016. Staff will keep a tally of duplicate complaints in the future to better gauge the extent of any problems. A summary of these complaints follows:

Number of Complaints	Caller Status	Nature of Complaints
	Retiree	A postal coding mistake caused a large volume of Advice Notices to be delayed. StanCERA received multiple calls from concerned Retirees.
1	Retiree	Retiree received advice notice unsealed. Concerned about confidentiality.
	Active	Numerous calls from active members regarding the long turn around time for Estimates and Buy Backs (3-6 months).

The number of complaints this quarter substantially increased compared to the previous report period January 1 through March 31, 2016.

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


Alaine Taa, Administrative Assistant


Kathy Herman, Fiscal Services Manager



July 26, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Executive Director Goals Update - Quarter 2
- II. ITEM NUMBER: 5.d
- III. ITEM TYPE: Consent
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: This is the Quarter 2 Executive Director goals update for 2016 (Attachment 1). Quarter 2 progress for all items is denoted in green. This quarter was driven largely by the data cleanup project and the RFP for pension administration services. Other highlights this past quarter include:
 - Administration of the 2016-2017 Employer and Employee Contribution Rates
 - Stakeholder meetings regarding the FFP (shortfall) portfolio process
 - Actuarial RFP for services

Staff is still on track to complete most of the 2014-2016 Strategic Objective Plan this year. Data clean up efforts continue, however, the 95% completion objective this year seems unlikely, due mainly to the pension administration project commencing earlier than anticipated. Staff has been using temporary staff during this project and does have other options to explore to attain completion prior to migrating data to a new system.

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

Rick Santos, Executive Director



General Items

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
 - Meet with County staff and Supervisors on the 2015 Actuarial Valuation and employer rates
2. Facilitate completion of the transition to alternative investments
 - Nothing to report
3. 95% completion of clean-up of member data
 - Staff is re-evaluating the goal of 95%. Currently, we are around 20% complete. StanCERA has hired 3 temporary employees dedicated solely to data clean up. Another option will be to use the software vendor to assist in this cleanup project. Regardless, this item will be complete before migrating to the new data environment.
4. Complete Trustee Election
 - Seat 7 appointment complete
5. Continued monitoring of StanCERA lawsuits
 - Nothing to report
6. Director Professional Development
 - Mortality projection webinar
7. Facilitate RFP for actuarial consultant
 - RFP complete; Consultant chosen
 - Auditing actuary chosen
8. Oversee Information Technology Solutions Project
 - RFP Issued
 - Vendor conferences held at StanCERA and completed
 - Committee formed, vendors evaluated and subjects pared to three
9. Gauge plan sponsor interest in hybrid defined benefit/contribution plan
 - Nothing to report
10. Oversee and complete day to day administrative functions
 - Outstanding disabilities: 13 as of July 18
11. Complete cost benefit analysis of Investment Officer position
 - Initial staff study done regarding job task analysis and value to the investment governance process at StanCERA
12. Facilitate StanCERA 2017-2019 Strategic Plan
 - Nothing to report
13. Finalize Record Retention Policy
 - Nothing to report
14. Development of policy related to the use and legal implications of electronic signatures
 - Nothing to report



Items Explicitly Tied to the 2014-2016 Strategic Plan

Strategic Objective #1

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

2016 Action Plan with Deliverables

- I. Communicate with plan sponsors*
 - a. Meet with plan sponsors annually to discuss any issues that may affect StanCERA's future projected cash flows – ongoing
 - b. Meet with plan sponsors at least annually to determine the sponsor's willingness and capacity to take pension risk – ongoing

Strategic Objective # 2

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

2016 Action Plan with Deliverables

- I. Develop clear and concise processes and policies dedicated to the continual assessment, monitoring and disposition of StanCERA's active managers*
 - a. Develop:
 - i. reasonable criteria that defines satisfactory performance with an eye towards asset liability and total risk management
 - Study and proposal of asset mixes that incorporate insuring or immunizing benefit shortfalls (benefits less contributions)
 - Discussed with current manager lineup, the ability to manage the liquid portfolio
 - Board decision made to immunize 6 years of benefit shortfalls
 - Meet with stakeholders regarding actual investment process (shortfall portfolio)
 - Meet with stakeholders regarding optimal benchmarking process
 - ii. processes and remedies for active managers when performance is deemed to be unsatisfactory
 - Meet with stakeholders regarding the use of a symmetric performance fee schedule related to the shortfall investment process



Strategic Objective # 3

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

2016 Action Plan with Deliverables

- I. Optimize StanCERA's organizational resources*
 - a. Complete review and amendment of process manuals (ongoing)
 - All processes reviewed and documented through the creation of the business requirement documents (ITS project)
 - The accounting staff have reviewed and updated 98% of current processes. Many of these will be done again through the review and creation of the business requirement documents for the ITS Project.
- II. Ensure organizational quality and performance through continuous improvement*
 - a. Establish a formal peer-review process for internal and external documents and external communications
 - Many workflow processes require multiple steps. Staff has developed a system to ensure accuracy and workflow completion. These will be incorporated into a formal peer-review process as it is established.

Strategic Objective # 4

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

2016 Action Plan with Deliverables

- I. Formalize a process to educate stakeholders*
 - a. Determine areas of educational need
 1. Members
 2. Plan Sponsors/Employers
 3. Tax Payers/Members of the public
 - b. Review and amend the media policy
 - Nothing to report
- II. Expand technology and training to ensure continuity of operations during a natural disaster or a period of major outage*
 - a. Develop a formal schedule and process for disaster drills of Technology systems



- Process and schedule currently being laid out; Staff anticipates its first formal disaster drill late Q2 or early Q3
 - The pension software disaster program is tested annually. The first annual complete disaster drill is scheduled for August 2016
- b. Determine optimal level of redundancy for continuity of operations
- Nothing to report.

FIDELITY INSTITUTIONAL ASSET MANAGEMENTSM

International Growth

July 26, 2016

PRESENTATION TO:
Stanislaus County Employees' Retirement Association



Chris Steward, CFA
Co-Lead Portfolio Manager

Melissa Boissy
Senior Account Executive

Kristin v. Shofner
*Senior Vice President,
Business Development
310-994-4097
kristin.shofner@fmr.com*

Table of Contents

1. FIAM International Growth Investment Process
2. Market Environment
3. Investment Performance & Positioning
4. Appendix
 - A. Important Information
 - B. Biographies

See "Important Information" for a discussion of performance data, some of the principal risks related to any of the investment strategies referred to in this presentation, and other information related to this presentation.



FIAM International Growth Investment Process

FIAM International Growth Portfolio Management

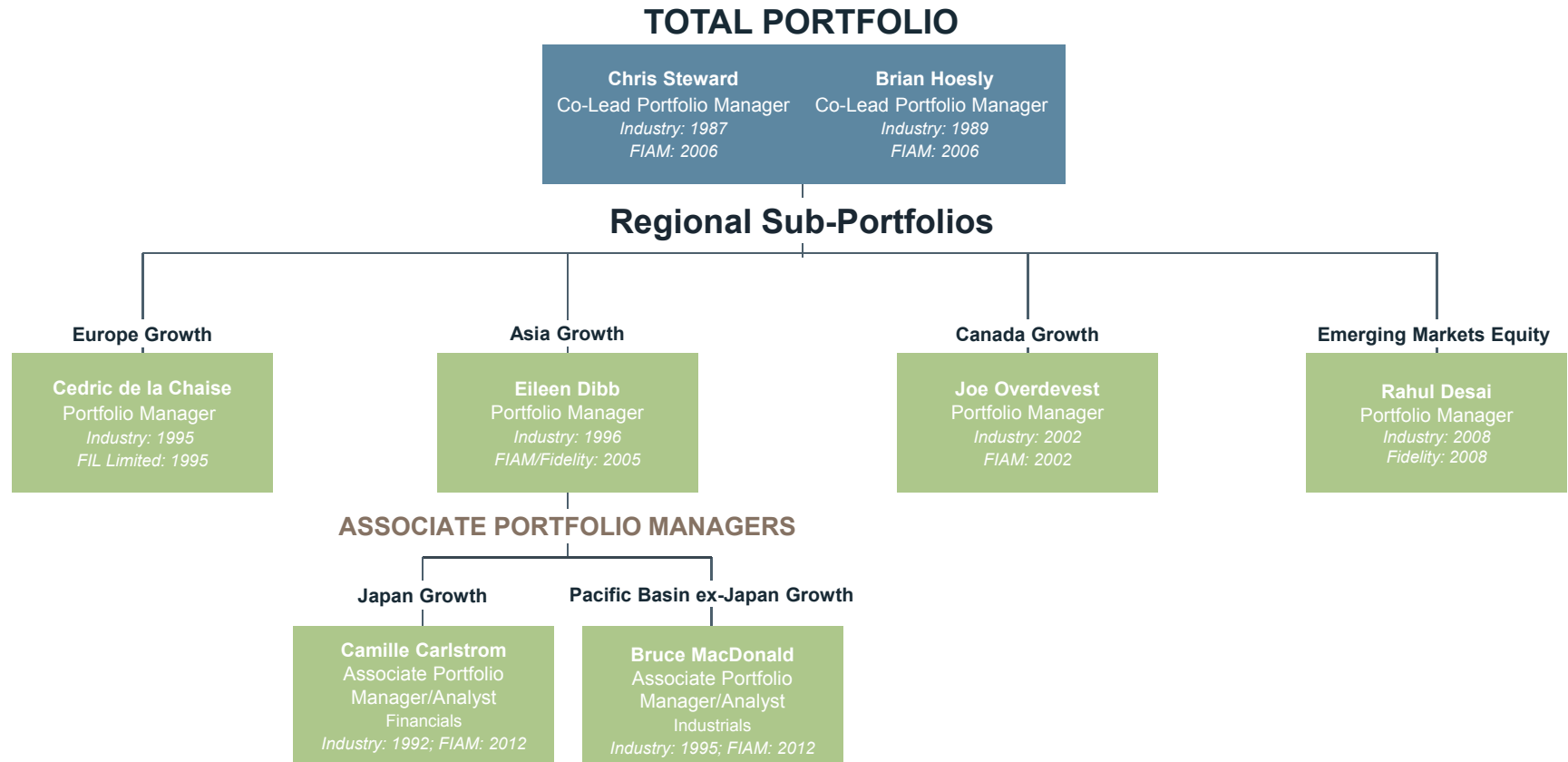


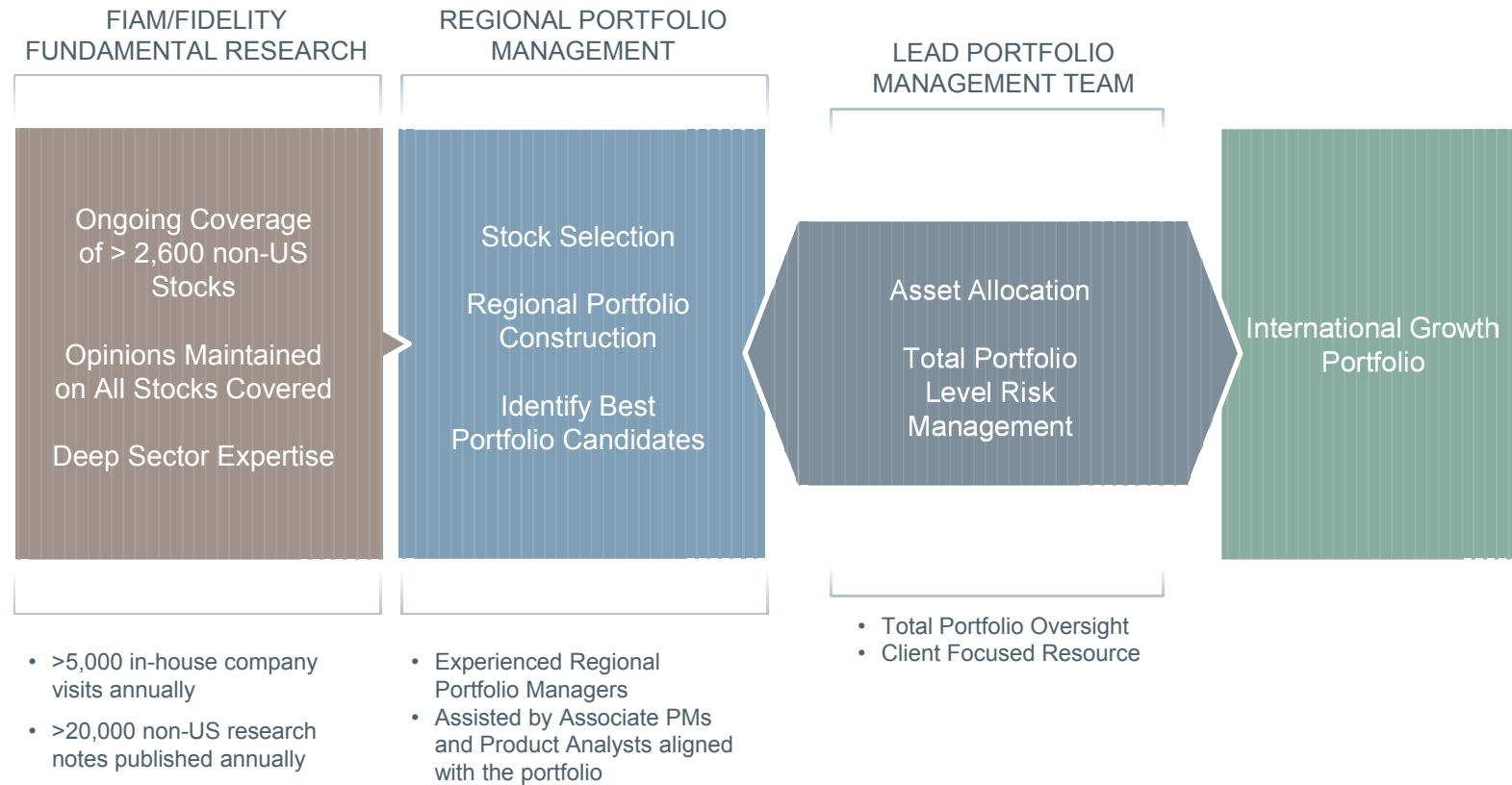
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As of 03/31/2016.

FIAM International Growth Aligned Resources

Europe	Asia		Canada	Emerging Markets
	Associate Portfolio Managers/Analysts			
	Japan	Pacific Basin Ex-Japan		
	Camille Carlstrom Associate Portfolio Manager/Analyst Financials	Bruce MacDonald Associate Portfolio Manager/Analyst Industrials Hong Kong		
	Product Analysts			
Access to 90 London-based Fundamental Analysts	Fei Chen Industrials, Materials	Tom Quarmby Financials	Access to 11 Canadian Fundamental Analysts	Access to 22 Regional EM Equity Analysts
	Robert Lee Consumer Discretionary Hong Kong			Access to 8 EM Debt Analysts
	Benny Lo Technology Hong Kong			Access to 3 EM Quantitative Analysts

Illustration does not indicate reporting hierarchy.
As of 03/31/2016.

FIAM International Growth Investment Process

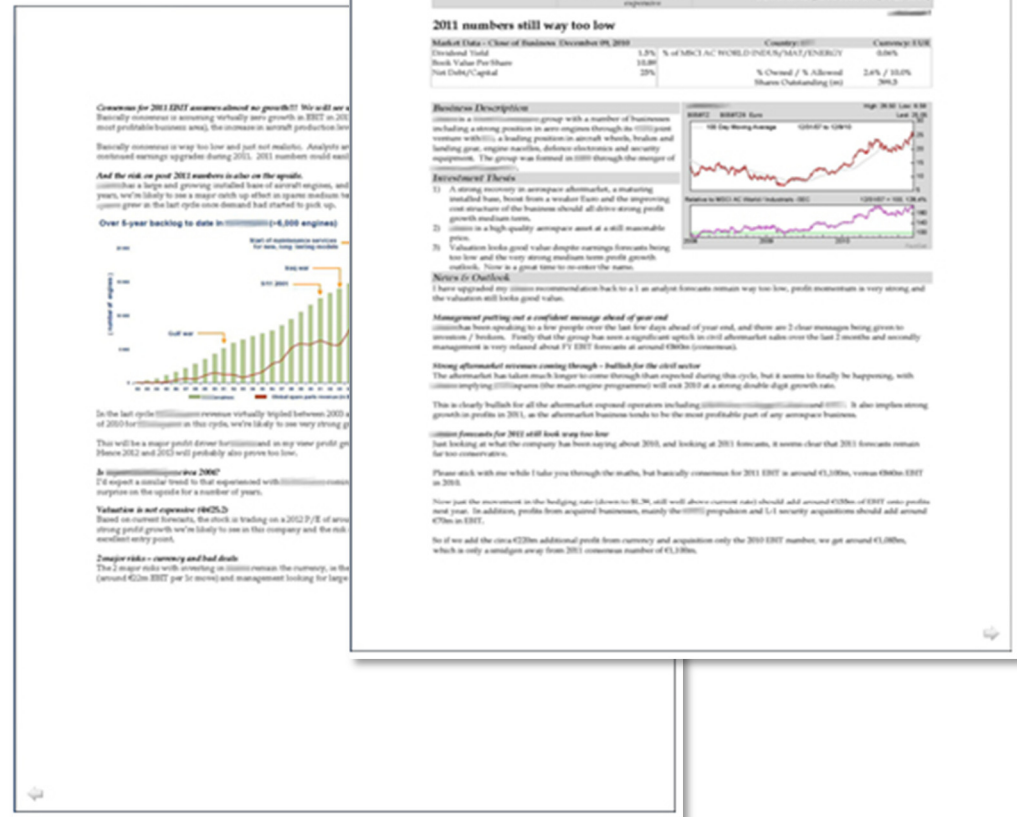


For illustrative purposes only.
Research resources described herein include the combined resources of FIAM and Fidelity Investments.

Step 1: Proprietary Research

Fundamental Research

- Company meetings
- Written notes
- Face-to-face
- Analyst ratings
- Analyst model portfolio



For illustrative purposes only.

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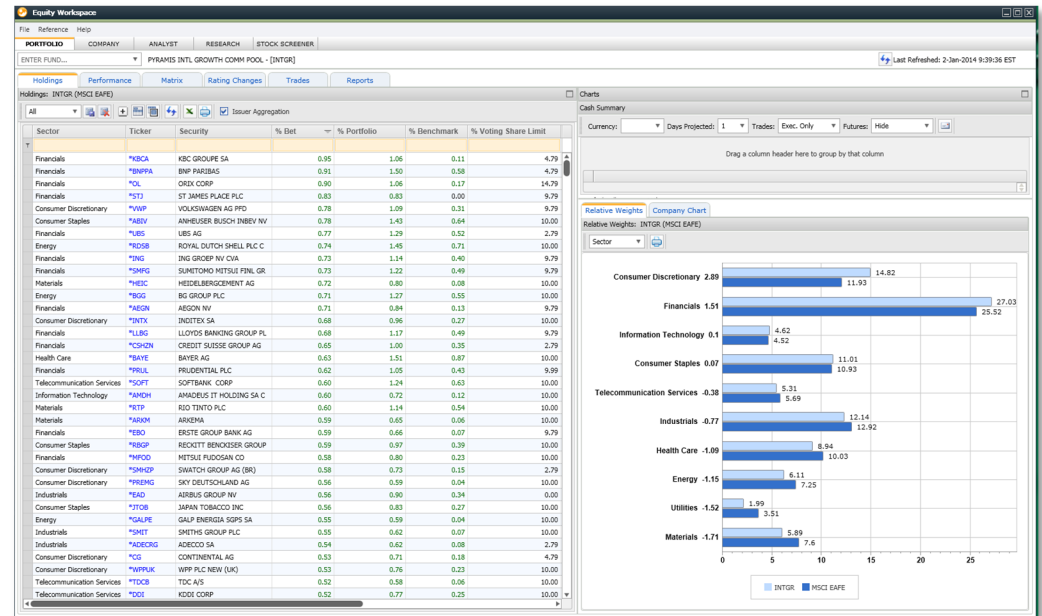


Step 2: Stock Selection

Identify Best Ideas

Selection Process:

- Total return target based on proprietary 2–3 yr forward earnings potential and target valuation metrics
- Fundamental prospects:
 - Top line growth: volume, pricing
 - Operating profit margin evolution
 - Porter Competitive Analysis
 - Secular story tied to company
 - Potential for increasing cash flow
 - Management quality and use of capital
 - Balance sheet strength
 - Strategy and economics of M&A
 - Ownership structure
- Target valuation metrics for company fundamentals



For illustrative purposes only.

Step 3: Portfolio Construction

Disciplined Portfolio Construction and Risk Management

Buy/Sell Discipline:

- Region, sector and liquidity exposures
- Return potential to target price = “upside”
- Seek to exit positions when full valuations are reached, investment thesis deteriorates or better potential elsewhere
- Monitor investment thesis
- Realization of catalysts
- Monitor liquidity and trade execution

Fund View - Global/Intl						
Short Name	TE %	Beta	Fund Bas...	Market Capit...	ROA	LT Debt/Capital
ISMAL	4.90%	0.37%	USD			
FOEP	1.46%	0.98%	USD	40,839,007,458.7057	4.6996	35.8479
FCISC	3.53%	0.98%	CAD	1,724,474,848.1426	5.0154	22.8263
CHEVGRP	1.78%	0.98%	USD	42,015,566,237.1832	5.4190	35.5692
PYSEMP	3.78%	0.99%	USD	21,517,999,397.5417	6.7952	22.0237
EXELON	1.38%	1.01%	USD	41,050,061,951.9813	4.7185	35.8837

Trade	Risk Decomp	Risk Factor Model	GICS Sector	GICS Industry Group	GICS Industry	GICS Sub-Indus
Fund Factor Return & Exposure View: Risk Model - GEM2						
Factor	Fund Exp	Long Fund Exp	BM Exp	Rel Exp	Factor Returns %	
Momentum	0.1243	0.1243	0.1511	-(0.0268)	-(0.0224)	
Volatility	0.0615	0.0615	0.1153	-(0.0538)	0.2677	
Value	-(0.0865)	-(0.0865)	-(0.1893)	0.1028	-(0.6610)	
Size	-(1.7663)	-(1.7663)	-(1.6640)	-(0.1023)	1.2274	
Size Nonlinearity	0.4755	0.4755	0.5293	-(0.0539)	-(0.1586)	

Trade	Risk Decomp	Risk Factor Model	GICS Sector	GICS Industry Group	GICS Industry	GICS Sub-Indus
Fund GICS Sector View						
GICS Sector	Fund Stoc...	BM Stoc ...	Fund %	BM %	Rel %	Fund Ctr... Re
Energy	12	172	4.41	5.79	-(1.38)%	-(0.03)%
Materials	27	414	11.71	13.12	-(1.41)%	-(0.19)%
Industrials	43	736	21.02	22.68	-(1.66)%	-(0.20)%
Consumer Discretionary	35	583	17.83	17.66	0.16%	-(0.22)%
Consumer Staples	12	195	7.15	5.36	1.78%	-(0.06)%
Health Care	10	191	5.92	5.55	0.37%	-(0.04)%
Financials	32	535	16.88	17.03	-(0.14)%	-(0.14)%
Information Technology	19	358	9.88	9.18	0.70%	-(0.04)%
Telecommunication Services	3	28	1.35	1.32	0.03%	-(0.01)%
Utilities	6	68	2.99	2.20	0.79%	-(0.02)%
Undefined	0	9	0.00	0.09	-(0.09)%	0.00%
Cash	1	0	0.85	0.00	0.85%	0.00%

For illustrative purposes only.



International Growth Asset Allocation Process

Lead PM team determines regional asset allocation utilizing Fidelity's broad and deep resources

Qualitative inputs are the primary focus, leveraging Fidelity's vast global network of research analysts, supported by quantitative and technical inputs

- **Economic Insight from Locally-Based Research**
 - Utilize vast fundamental research resources of the Fidelity global enterprise
 - Capitalize on the competitive strength of the firm—fundamental research
 - Generate insights across the global supply chain
- **Unique Regional Perspective Combining Portfolio Management and Macroeconomic Research**
 - Integrate views of International Growth regional PMs and other regional experts
 - Employ the macroeconomic modeling and expertise of FMR's Asset Allocation Research Team (AART)
 - Incorporate macroeconomic views from outside experts including brokers and independent research providers
- **Quantitative Inputs**
 - Equity valuation metrics, bond market trends, interest-rate forecasts, and currency trends
 - Regular technical analysis meetings with International Growth Team to examine trends in markets, currencies and stocks

Our Equity Research Coverage Spans the Globe

Total Number of Equity Research Professionals from Fidelity and FIAM 216	AMERICAS EQUITY COVERAGE		EUROPE MIDDLE EAST AFRICA EQUITY COVERAGE	ASIA PACIFIC EQUITY COVERAGE	
	Market Cap Covered (USD)		\$23.5 trillion	\$10.9 trillion	\$9.3 trillion
	# of Stocks Rated		2,196	920	1,171
Local market coverage					
Proprietary research					
Research professionals manage paper/sector/industry portfolios					
	<div> Main FIAM and Fidelity investment offices</div>				

Research professionals include research analysts and associates as of March 31, 2016 and reflect the combined resources of FIAM and Fidelity Investments. Market Cap Covered reflects the aggregate market capitalization of securities for which FIAM and Fidelity analysts and associates provided at least one rating during the prior three months. Represents coverage of free float-adjusted index. Calculation of Market Cap Covered is based on Total Market Cap across indices and cannot be adjusted for free-float.



International Growth—Investment Parameters

Factors	Parameters
Regional weights	Benchmark weight \pm 5.0%
Country weights	Benchmark weight \pm 5.0%
Industry group weights	Benchmark weight \pm 10.0%
Security weights	Benchmark weight \pm 3.0%
Market capitalization	Benchmark weighted average \pm 15.0%

Benchmark is MSCI AC Wld ex US (N).

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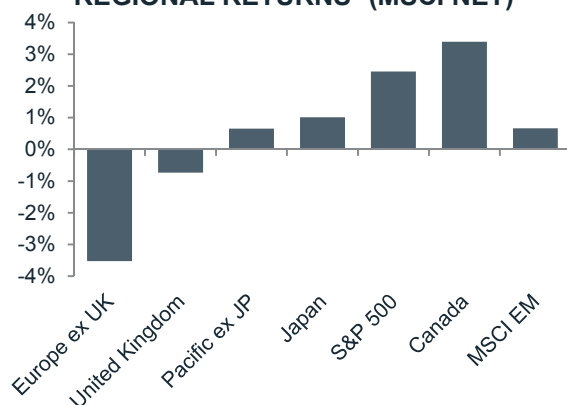


Market Environment

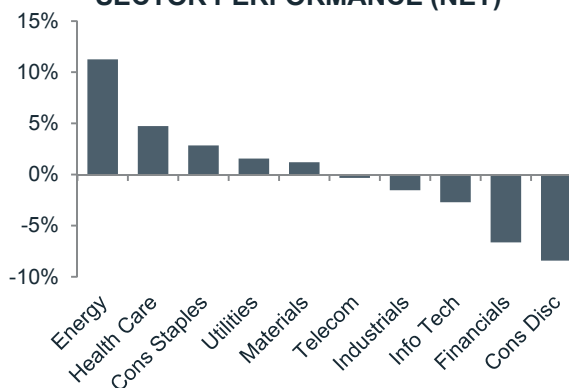
International Large Cap Market Environment

Second Quarter 2016

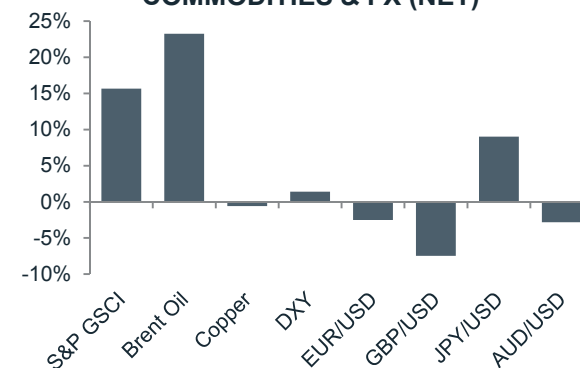
REGIONAL RETURNS* (MSCI NET)



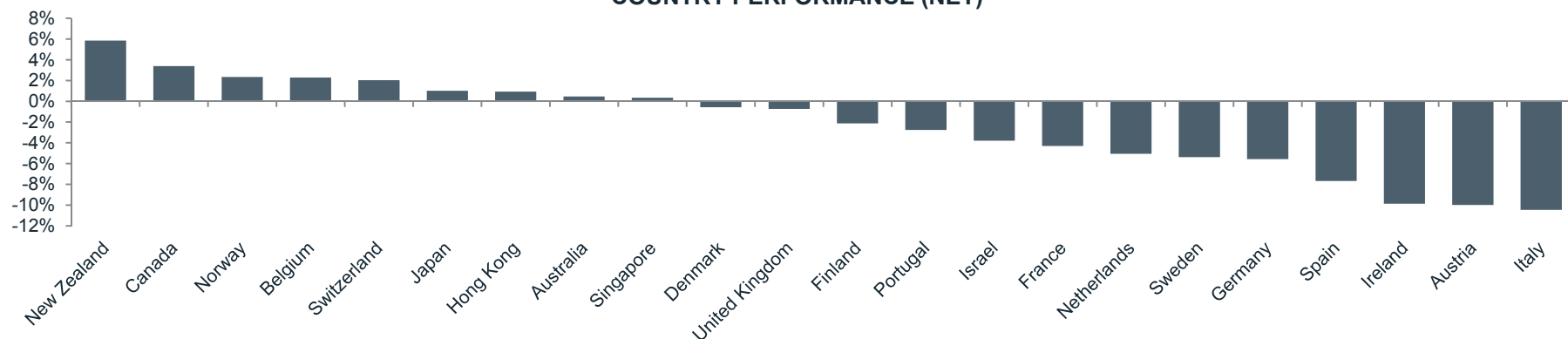
SECTOR PERFORMANCE (NET)



COMMODITIES & FX (NET)



COUNTRY PERFORMANCE (NET)



*All figures shown are in USD.

For illustrative purposes only.

Index performance does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance. Investing directly in an index is not possible.

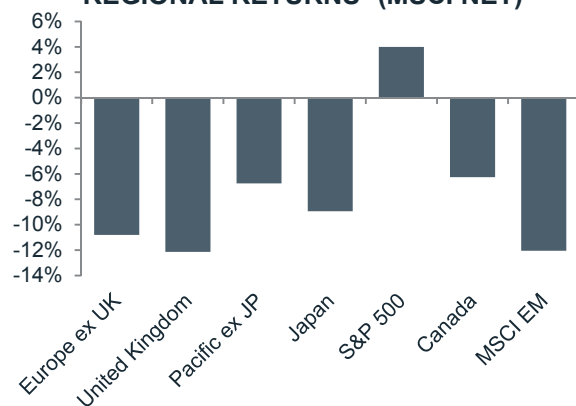
Past performance is no guarantee of future results.

Source: FactSet.

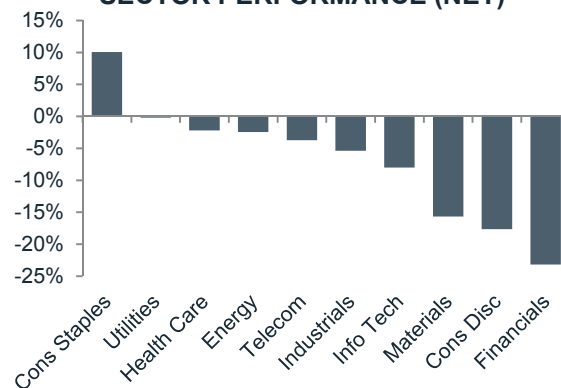
International Large Cap Market Environment

One Year Ended June 30, 2016

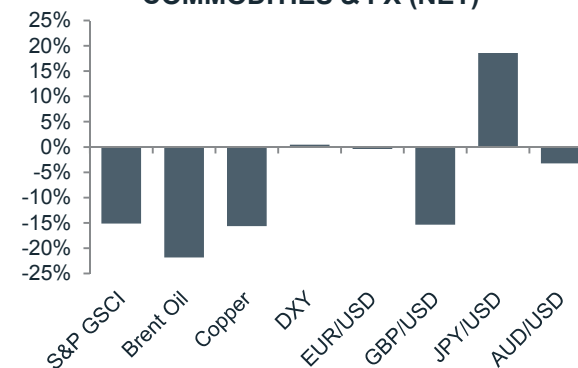
REGIONAL RETURNS* (MSCI NET)



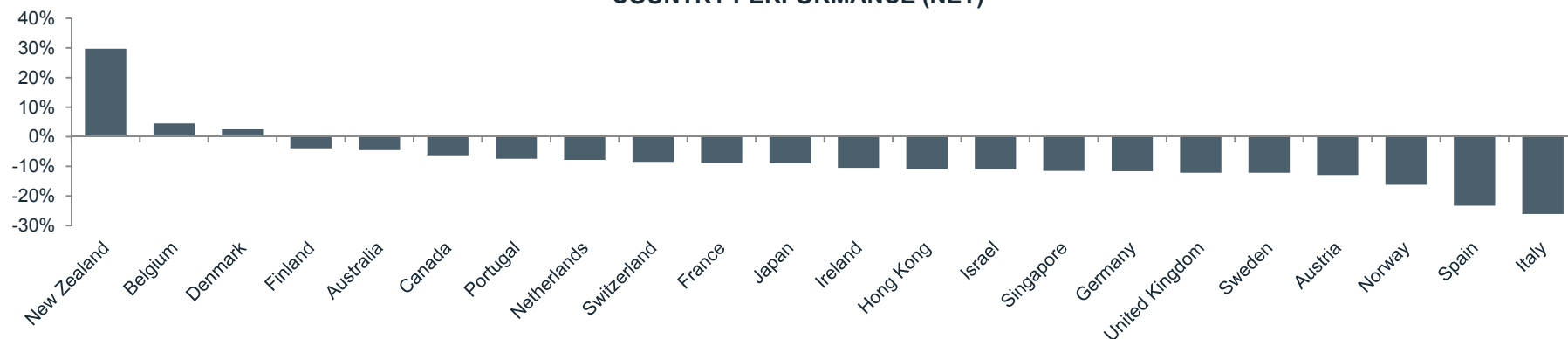
SECTOR PERFORMANCE (NET)



COMMODITIES & FX (NET)



COUNTRY PERFORMANCE (NET)



*All figures shown are in USD.

For illustrative purposes only.

Index performance does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance. Investing directly in an index is not possible.

Past performance is no guarantee of future results.

Source: FactSet.

2Q16 Market Summary

Brexit reversed international equity returns on June 24

- Quarter-to-date returns on June 23rd were positive: MSCI EAFE was up 3.3%, MSCI World ex-US was up 3.5%, and MSCI ACWI ex-US was up 2.9%
- Index returns ended the quarter in negative territory: MSCI EAFE down -1.5%, MSCI World ex-US down -1.1%, and MSCI ACWI ex-US down -0.6%

In Europe, the MSCI Europe (net) was down -2.7%

- Germany lost -5.6%, while Italy declined -10.5%; the UK declined -0.7%

Japan* gained 1.0% in US dollar terms after a weak Q1 return of -6.5%

The MSCI Pacific Basin ex-Japan (net) rose +0.7%

- New Zealand led the way with a 5.9% return, now up +18.1% YTD

In emerging markets, the MSCI Emerging Markets (net) rose +0.7%

- China +0.1%, Brazil +13.9%, India +3.7%

*Benchmark is MSCI Japan Index (N).

Country returns are based on the corresponding MSCI index for each country.

Index performance does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance. Investing directly in an index is not possible.

Past performance is no guarantee of future results.

Source: FMRCo.

3Q16 Outlook

Our long-term outlook continues to be for modest global growth with areas of strength and areas of weakness

Longer-term impact of Brexit on longer-term GDP growth is uncertain

US Fed action; pace of tightening?

- The Fed has already scaled back its expected rate of tightening
- Job creation growth rates and inflation are likely to remain the key indicators of tightening pace

Europe: slow recovery backed by accommodative ECB

- ECB quantitative easing program expected for all of 2016
- Weakness in the euro and the UK pound

Japan GDP growth likely to be modestly better in 2016

- Accommodative monetary policy likely to continue into expected elections
- Accommodative fiscal policy in the form of a supplementary budget
- Consumption tax hike postponed until October 2019

3Q16 Outlook, continued

Chinese economic growth and policy dominate the Pacific Basin growth outlook

- Monitoring Chinese government policy reaction is key, although some signs of renewed economic activity are beginning to appear
- Despite lingering excess production capacity, any rebound in commodity prices will ease many pressures for Chinese companies

Risks

- Brexit negotiations
- Middle East Unrest/Continued Migration into Europe
- Global Recession
- US Presidential Elections



Investment Performance & Positioning

International Growth—Investment Results

As of June 30, 2016

PERFORMANCE RETURNS (%)

— Cumulative —

Annualized

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception	Inception Date	TNA (USD Mil)
Stanislaus County ERA—IG Group (G)	1.05	(1.19)	(8.11)	2.29	1.93	3.24	2.43	5/11/2006	173.47
Stanislaus County ERA—IG Group (N)	0.96	(1.36)	(8.64)	1.80	1.43	2.73	1.93		
MSCI AC Wld ex US (N)	(0.64)	(1.02)	(10.24)	1.16	0.10	1.87	1.03		
Active Return (G)	1.69	(0.17)	2.13	1.13	1.83	1.37	1.40		
Active Return (N)	1.60	(0.34)	1.60	0.64	1.33	0.86	0.90		
Stanislaus County ERA—Europe (G)	(2.99)	(6.22)	(11.39)	2.47	3.22	4.06	3.38		
MSCI Eur/MSCI Eur & ME (N)	(2.70)	(5.22)	(11.22)	2.01	1.00	1.47	0.88		
Active Return (G)	(0.29)	(1.00)	(0.17)	0.46	2.22	2.59	2.50		
Stanislaus County ERA—Japan (G)	3.69	(2.24)	(5.52)	3.39	6.70	0.80	(0.25)		
MSCI Japan (N)	1.01	(5.58)	(8.94)	2.71	4.21	0.14	(0.90)		
Active Return (G)	2.68	3.34	3.42	0.68	2.49	0.66	0.65		
Stanislaus County ERA—Pac ex Japan (G)	2.22	2.09	(1.90)	2.82	0.49	6.23	5.43		
MSCI Pacific ex Japan (N)	0.65	2.47	(6.75)	1.08	0.86	5.43	4.43		
Active Return (G)	1.57	(0.38)	4.85	1.74	(0.37)	0.80	1.00		
Stanislaus County ERA—Canada (G)	3.78	14.26	(2.36)	5.92	3.48	—	6.73	12/2/2009	
MSCI Canada (N)	3.40	15.06	(6.26)	0.08	(2.78)	—	0.97		
Active Return (G)	0.38	(0.80)	3.90	5.84	6.26	—	5.76		
Stanislaus County ERA—Emerging Markets (G)	5.37	6.63	(6.66)	0.08	(3.31)	2.79	1.13	5/11/2006	
MSCI EM IMI (G)/EM (G) Link	0.75	5.86	(11.83)	(1.01)	(3.20)	4.01	2.41		
Active Return (G)	4.62	0.77	5.17	1.09	(0.11)	(1.22)	(1.28)		

Client data shown.

(N) = Net Dividend Withholding Taxes.

Net performance is less the client advisory fee charged employing this strategy; other fees and expenses may reduce returns.

Past performance is no guarantee of future results.



International Growth—Contributors and Detractors

One Year Ended June 30, 2016

TOP CONTRIBUTORS

Security	Average Portfolio Weight (%)	Average Benchmark Weight (%)	Average Active Weight (%)	Total Return (%)	Sector	Country
BEST PACIFIC INTL HOLD LTD	0.4	0.0	0.4	56.9	CONSUMER DISCRETIONARY	CHINA
BANCO SANTANDER SA	0.0	0.4	(0.4)	(43.5)	FINANCIALS	SPAIN
ONO PHARMACEUTICAL CO LTD	0.4	0.1	0.3	100.2	HEALTH CARE	JAPAN
FRESENIUS SE & CO KGAA	0.7	0.2	0.5	15.2	HEALTH CARE	GERMANY
ST SHINE OPTICAL CO LTD	0.3	0.0	0.3	48.0	HEALTH CARE	TAIWAN

TOP DETRACTORS

Security	Average Portfolio Weight (%)	Average Benchmark Weight (%)	Average Active Weight (%)	Total Return (%)	Sector	Country
LLOYDS BANKING GROUP PLC	1.0	0.4	0.6	(43.4)	FINANCIALS	UNITED KINGDOM
LEWIS GROUP LTD	0.2	0.0	0.2	(60.5)	CONSUMER DISCRETIONARY	SOUTH AFRICA
BARCLAYS PLC ORD	0.7	0.3	0.4	(53.6)	FINANCIALS	UNITED KINGDOM
SPORTS DIRECT INTL PLC	0.2	0.0	0.2	(65.2)	CONSUMER DISCRETIONARY	UNITED KINGDOM
LENOVO GROUP LTD	0.4	0.0	0.3	(55.3)	INFORMATION TECHNOLOGY	CHINA

Client data shown.

Past performance is no guarantee of future results. Holdings data shown does not represent all of the securities purchased, sold, or recommended and may change at any time. Portfolio weights are rounded and a zero weight represents either no holding or a very small weight. Contact FIAM for more information about the portfolio data calculations and for complete holdings information.

Benchmark is MSCI AC Wld ex US (N).



International Growth—Sector Attribution

One Year Ended June 30, 2016

Sector	Relative Weight (%)	Stock Selection (bps)	Sector Selection (bps)	Total Contribution (bps)
Health Care	4.4	74	20	94
Consumer Discretionary	2.1	78	(9)	68
Financials	(3.2)	(2)	33	31
Information Technology	1.9	10	13	23
Energy	(1.9)	21	0	21
Materials	(0.9)	26	(8)	18
Telecommunication Services	0.1	11	(2)	9
Utilities	(2.0)	5	(17)	(12)
Consumer Staples	(2.0)	12	(36)	(24)
Industrials	(1.1)	(26)	(4)	(30)

Client data shown.
 Past performance is no guarantee of future results.
 Benchmark is MSCI AC Wld ex US (N).

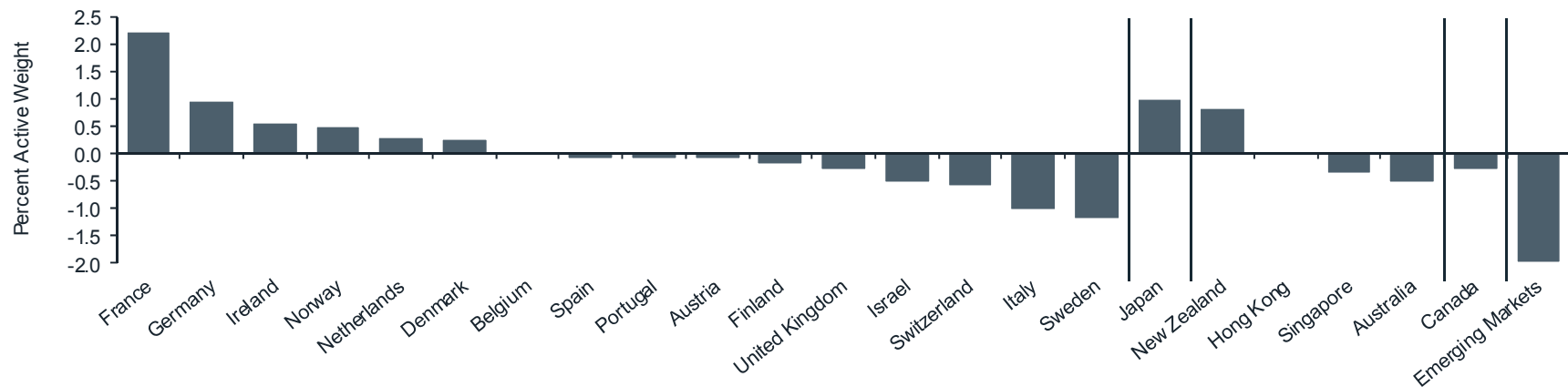
International Growth—Regional and Country Allocations

As of June 30, 2016

REGIONAL ALLOCATION

	Portfolio Weight (%)	Benchmark (N) (%)*	Difference
Europe	46.2	45.4	0.8
Japan	17.5	16.5	1.0
Pacific ex Japan	9.0	8.5	0.5
Canada	6.5	6.8	(0.3)
Emerging Markets	20.8	22.8	(2.0)

ACTIVE WEIGHT VERSUS INDEX* (%)

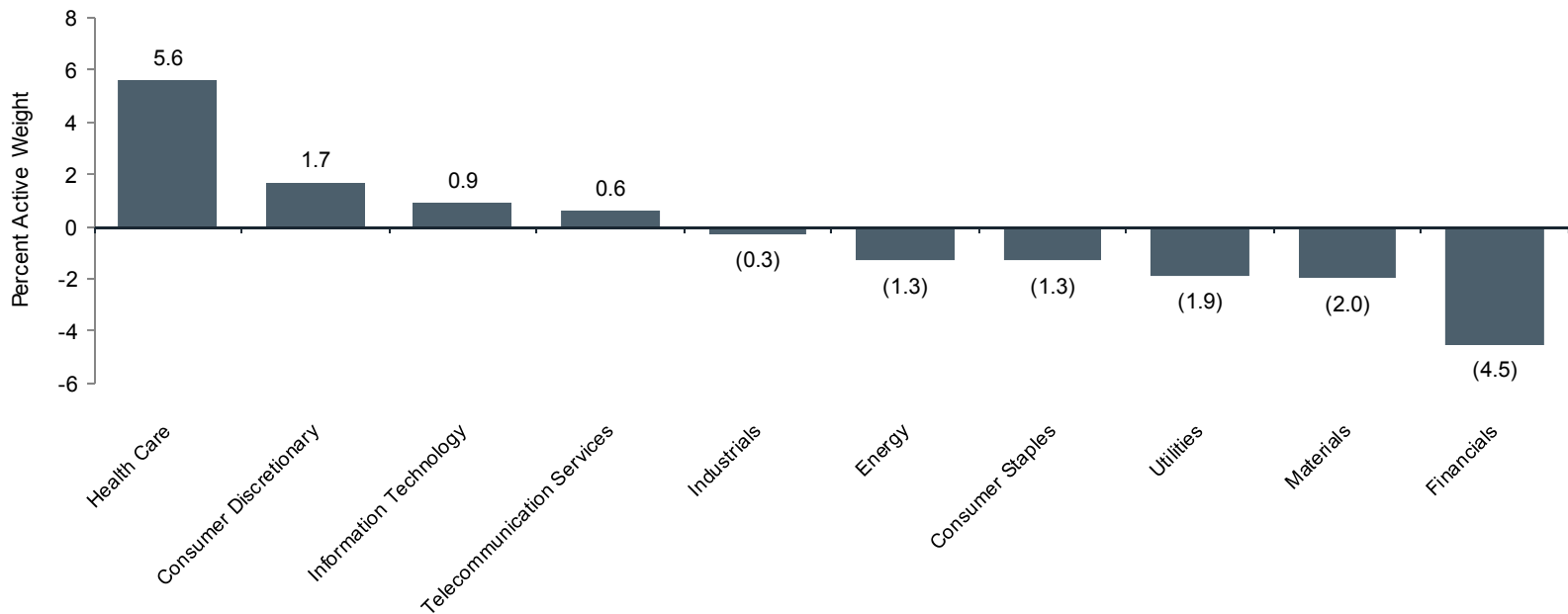


*Benchmark is MSCI AC Wld ex US (N).
Client data shown.

International Growth—Sector Relative Weights

As of June 30, 2016

ACTIVE WEIGHT VERSUS INDEX* (%)



*Relative to the MSCI AC Wld ex US (N).
Client data shown.

International Growth—Top 10 Active Weights

As of June 30, 2016

Holdings	Top 10 Positive Active* (%)
ROYAL DUTCH SHELL PLC	0.8
ASTELLAS PHARMA INC	0.8
SAP SE	0.8
KWEICHOW MOUTAI CO LTD A	0.7
RELX NV	0.7
WOLSELEY PLC	0.6
AIA GROUP LTD	0.6
TECHTRONIC INDUSTRIES CO LTD	0.6
BT GROUP PLC	0.6
BEST PACIFIC INTL HOLD LTD	0.6
Total	6.8

Holdings	Top 10 Negative Active* (%)
BP PLC	(0.7)
TENCENT HOLDINGS LIMITED	(0.6)
UNILEVER NV CVA	(0.5)
ASTRAZENECA PLC	(0.5)
ALIBABA GROUP HLD LTD SPON ADR	(0.4)
CHINA MOBILE LIMITED	(0.4)
DIAGEO PLC	(0.4)
NOVARTIS AG	(0.4)
ALLIANZ SE	(0.4)
RECKITT BENCKISER GROUP PLC	(0.4)
Total	(4.7)

*Relative to the MSCI AC Wld ex US (N).

Client data shown. Not representative of manager's entire portfolio or all recommendations. Not a recommendation or offer to buy or sell securities.

Past performance is no guarantee of future results.



Appendix

Important Information

Read this important information carefully before making any investment. Speak with your relationship manager if you have any questions.

Risks

Past performance is no guarantee of future results. An investment may be risky and may not be suitable for an investor's goals, objectives and risk tolerance. Investors should be aware that an investment's value may be volatile and any investment involves the risk that you may lose money.

The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. Nearly all accounts are subject to volatility in non-US markets, either through direct exposure or indirect effects on US markets from events abroad, including fluctuations in foreign currency exchange rates and, in the case of less developed markets, currency illiquidity.

Derivatives may be volatile and involve significant risk, such as, credit risk, currency risk, leverage risk, counterparty risk and liquidity risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances. Investments in derivatives may have limited liquidity and may be harder to value, especially in declining markets. Derivatives involve leverage because they can provide investment exposure in an amount exceeding the initial investment. Leverage can magnify investment risks and cause losses to be realized more quickly. A small change in the underlying asset, instrument, or index can lead to a significant loss. Assets segregated to cover these transactions may decline in value and are not available to meet redemptions. Government legislation or regulation could affect the use of these transactions and could limit the ability to pursue such investment strategies.

The performance of international strategies depends upon currency values, political and regulatory environments, and overall economic factors in the countries in which they invest. Foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market. Foreign exchange rates also can be extremely volatile. The risks are particularly significant for strategies that focus on a single country or region.

The securities, derivatives and currency markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than the securities, derivatives and currency markets of the United States and other developed markets and disclosure and regulatory standards in many respects are less stringent. There also may be a lower level of monitoring and regulation of markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations may be extremely limited. Government enforcement of existing market regulations is limited, and any enforcement may be arbitrary and the results may be difficult to predict. Emerging market countries are more likely than developed market countries to experience political uncertainty and instability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries. In many cases, governments of emerging market countries continue to exercise significant control over their economies. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments that could affect investments in those countries.

These materials contain statements that are "forward-looking statements," which are based on certain assumptions of future events. Forward-looking statements are based on information available on the date hereof, and FIAM does not assume any duty to update any forward-looking statement. Actual events may differ from those assumed. There can be no assurance that forward-looking statements, including any projected returns, will materialize or that actual market conditions and/or performance results will not be materially different or worse than those presented.

Important Information, continued

Performance Data

Unless otherwise indicated performance data shown is client data. Performance data is generally presented gross of any fees and expenses, including advisory fees, which when deducted will reduce returns. All results reflect realized and unrealized appreciation and the reinvestment of dividends and investment income, if applicable. Taxes have not been deducted.

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If representative account information is shown, it is based on an account in the subject strategy's composite that generally reflects that strategy's management and is not based on performance.

Index or benchmark performance shown does not reflect the deduction of advisory fees, transaction charges and other expenses, which if charged would reduce performance. Investing directly in an index is not possible.

* * * *

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Biographies

Chris Steward, CFA

Co-Lead Portfolio Manager

Chris Steward is an institutional portfolio manager at Fidelity Institutional Asset ManagementSM (FIAMSM), an investment organization within Fidelity Investments' asset management division that is dedicated to serving the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, he is co-lead portfolio manager for the FIAMSM International Growth strategy and a member of the Select International Small Cap portfolio management team.

Prior to joining Fidelity in 2006, Mr. Steward was a vice president and portfolio advisor at Wellington Management. In that role, he conducted investment reviews with prospects and clients on a broad range of equity, fixed income, and asset allocation products. Mr. Steward also worked with the global asset allocation and global fixed income groups at Putnam Investments and served as an analyst and portfolio manager in his five years with the global bond group at Scudder, Stevens & Clark. Additionally, Mr. Steward worked for five years as an analyst in various capacities with the Federal Reserve Bank of New York. He has been in the investments industry since 1987.

Mr. Steward earned his bachelor of arts degree from Vassar College and his master of arts degree in economics from Cambridge University in England. In addition to being a Chartered Financial Analyst (CFA) charterholder, Mr. Steward also has authored and co-authored numerous texts on international investing, one of which was a required reading for Level III of the CFA program.

Brian Hoesly, CFA

Co-Lead Portfolio Manager

Brian Hoesly is an institutional portfolio manager at Fidelity Institutional Asset ManagementSM (FIAMSM), an investment organization within Fidelity Investments' asset management division that is dedicated to serving the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, he is co-lead portfolio manager for the FIAM International Growth strategy and a member of the International Value portfolio management team.

Prior to joining Fidelity in 2006, Mr. Hoesly was a vice president at Wellington Management, working with clients invested in multiple strategies, including international equities and asset allocation. He actively conducted portfolio reviews on a wide array of strategies articulating performance, process, holdings, and investment themes on behalf of portfolio management teams. Prior to that, Mr. Hoesly served in the product and investment areas of Mellon Trust, the global data research group at Interactive Data Corporation, and with Kidder, Peabody & Co., Inc. He has been in the investments industry since 1987.

Mr. Hoesly earned his bachelor of science degree from the University of Wisconsin and his master's degree in business administration from Boston University. He is also a Chartered Financial Analyst (CFA) charterholder and a member of the Boston Securities Analysts Society.

Biographies

Cedric de la Chaise

Portfolio Manager, European Equities

Cedric de La Chaise is a portfolio manager at Fidelity Institutional Asset ManagementSM (FIAMSM), an investment organization within Fidelity Investments' asset management division that is dedicated to serving the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, he is responsible for managing Pan European equities (since 2003).

Prior to assuming his current management responsibilities, Mr. de La Chaise was a research analyst from 1999 to 2003 and a research associate from 1995 to 1999. He has covered a number of European sectors since joining Fidelity in 1995, such as insurance and media, and was the team leader on the consumer and financials sectors. Mr. de La Chaise has over 20 years of industry experience.

Mr. de La Chaise earned his bachelor of arts in European management from Middlesex University and Marseille Business School, and his master of science in economics and finance from Warwick University.

Eileen Dibb, CFA

Lead Portfolio Manager, Asia Growth Strategies

Eileen Dibb is lead portfolio manager, Asia Growth Strategies at Fidelity Institutional Asset ManagementSM (FIAMSM), an investment organization within Fidelity Investments' asset management division that is dedicated to serving the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, she manages the FIAMSM Asian Growth strategies including FIAMSM Japan Growth and FIAMSM Pac Basin Growth.

Prior to assuming her current role in 2008, Ms. Dibb was responsible for researching and analyzing Asian stocks for a global equity portfolio. Before joining Fidelity in 2005, she was a vice president and a regional analyst at Wellington Management Company, where she managed dedicated Japan portfolios. Prior to joining Wellington in 1999, she was an international equity analyst at DuPont Pension Fund, beginning in 1997. Ms. Dibb also served in a number of roles at The Dai-ichi Mutual Life Insurance Company from 1992 through 1996. She has been in the investments industry since 1996.

Ms. Dibb earned her bachelor of arts degree in international relations and Japanese studies from Bucknell University and her master of business administration degree from the Wharton School at the University of Pennsylvania. She completed a program of study at the Center for Japanese Studies at Nanzan University in Nagoya, Japan and is fluent in Japanese. She is a Chartered Financial Analyst (CFA) charterholder and a former board member of the Boston Security Analysts Society.

Biographies

Joe Overdevest

Portfolio Manager

Joe Overdevest is a portfolio manager at Fidelity (Canada) Asset Management ULC. In this role, he manages the Canadian Focused Equity strategy and Canadian equity sub-portfolios of international strategies for institutional clients. He is a portfolio co-manager of Fidelity Global Natural Resources Fund and the equity sub-portfolio of Fidelity Canadian Asset Allocation Fund. He is also portfolio co-manager of the Canadian Systematic Equity and the Canadian Core Equity strategies.

Before assuming his current role, Mr. Overdevest was a research analyst with Team Canada, the Canadian equity research team for Canadian equity strategies sold to Canadian investors. Previous areas of coverage include Canadian oil and gas, diversified financials, telecommunications, retail, consumer durables, and automotive parts. He has been in the investments industry since 2002.

Mr. Overdevest earned his bachelor of business administration honours degree from Wilfrid Laurier University.

Rahul Desai

Portfolio Manager

Rahul Desai is a portfolio manager at Fidelity Institutional Asset ManagementSM (FIAMSM), an investment organization within Fidelity Investments' asset management division that is dedicated to serving the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role he is responsible for managing the FIAM Emerging Markets All Cap strategy.

Prior to assuming his current role in June 2014, Mr. Desai worked as a research analyst on the Emerging Markets team at Fidelity Management & Research Company (FMRCo), covering Europe, Middle East, Africa (EMEA) and Latin America consumer and industrials from 2012 to 2014, EMEA and Latin America banks from 2011 to 2012, and EMEA banks from 2008 to 2011. Before joining Fidelity in 2008, Mr. Desai was a summer associate at The Capital Group Companies in London in 2007, and a senior associate at The Boston Consulting Group in Singapore from 2003 to 2006 focusing on Asian and African markets.

Mr. Desai earned his bachelor of computing degree in computer science from the National University of Singapore and his master of business administration degree from Harvard Business School.

Biographies

Camille Carlstrom

Associate Portfolio Manager/Analyst

Camille Carlstrom is an associate portfolio manager/analyst at Fidelity Institutional Asset ManagementSM (FIAMSM), an investment organization within Fidelity Investments' asset management division that is dedicated to serving the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, Ms. Carlstrom is a member of the International Growth portfolio management team and is actively involved in the management of the FIAM Japan Growth strategy. In addition, she provides research coverage for the Japanese financial sector.

Prior to joining Fidelity in 2012, Ms. Carlstrom was an analyst at Putnam Investments, Investment Division from October 2001 to September 2012. Her primary responsibilities included fundamental research coverage of more than 100 financial sector stocks, banks, insurance, credit cards, brokerage, and real estate, across developed and emerging Asia. From 2004 to 2009, she co-managed the Asian Financials Fund, which was a sleeve of a diversified fund specializing in Asian financials. From 2003 to 2009, she co-managed the early career program for equity research. Previously, she was a business analyst at Putnam Investments, Corporate Development from August 2000 to October 2001. Prior roles also include serving as an investment associate at Putnam Investments, Investment Division from September 1996 to July 1998 and an assistant national bank examiner at the Office of the Comptroller of the Currency, Supervision Department from June 1992 to August 1996. She has been in the investments industry since 1996.

Ms. Carlstrom earned her bachelor of arts degree in finance and accounting from Villanova University and her master of business administration degree from the MIT Sloan School of Management.

Bruce MacDonald

Associate Portfolio Manager/Analyst

Bruce MacDonald is an associate portfolio manager/analyst at Fidelity Institutional Asset ManagementSM (FIAMSM), an investment organization within Fidelity Investments' asset management division that is dedicated to serving the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, he works as an Asian Industrials analyst and associate portfolio manager on the Asia ex Japan Growth strategy within the International Growth team in Hong Kong.

Prior to joining Fidelity, Mr. MacDonald focused on global industrials and utilities at Martin Currie Investment Management in Edinburgh. Prior to that, he held research positions at Teather & Greenwood, Deutsche Bank, and Smith New Court. Before entering financial services, Mr. MacDonald began his career as an officer in the Royal Navy before working as aerospace engineer for Westland Helicopters. He has been in the investments industry since 1993.

Mr. MacDonald earned his bachelor of science degree in aeronautical engineering from Glasgow University, his master of science degree in aerospace engineering from Princeton, and his master of business administration degree from the University of Bath.

Biographies

Kristin v. Shofner

Senior Vice President, Business Development

Kristin Shofner is senior vice president, Business Development at Fidelity Institutional Asset ManagementSM (FIAMSM), Fidelity Investments' distribution and client service organization dedicated to meeting the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, she leads the development of relationships with public pension plans.

Prior to joining Fidelity in 2013, Ms. Shofner was a director of Institutional Sales and Marketing at Lord, Abnett & Co. LLC since June 2003. Her previous positions include serving as a manager of Institutional Sales and Client Services from 2000 to 2003 and as a manager research associate from 1998 to 2000 at Asset Strategy Consulting, later acquired by InvestorForce. She has been in the investments industry since 1998.

Ms. Shofner earned her bachelor of arts degree in history and sociology from the University of California at Santa Barbara where she ran Division I Cross Country and Track & Field. She was also a member of our United States Ekiden Relay Team in China and ran in the US Olympic Trials Women's Steeplechase in Atlanta.

Melissa Boissy

Senior Account Executive

Melissa Boissy is a senior account executive at Fidelity Institutional Asset ManagementSM (FIAMSM), Fidelity Investments' distribution and client service organization dedicated to meeting the needs of consultants and institutional investors, such as defined benefit and defined contribution plans, endowments and financial advisors. In this role, she is responsible for account management for both public and private institutional clients.

Prior to this role, Ms. Boissy was an assistant vice president at State Street Corporation from 1994 to 2012, where she worked on the client relationship team with non-profit and corporate clients in a client service position. She has been in the investments industry since 1994.

Ms. Boissy earned her bachelor of science degree in accounting from Rhode Island College. She also holds the Financial Industry Regulatory Authority (FINRA) Series 7 and 63 registrations.

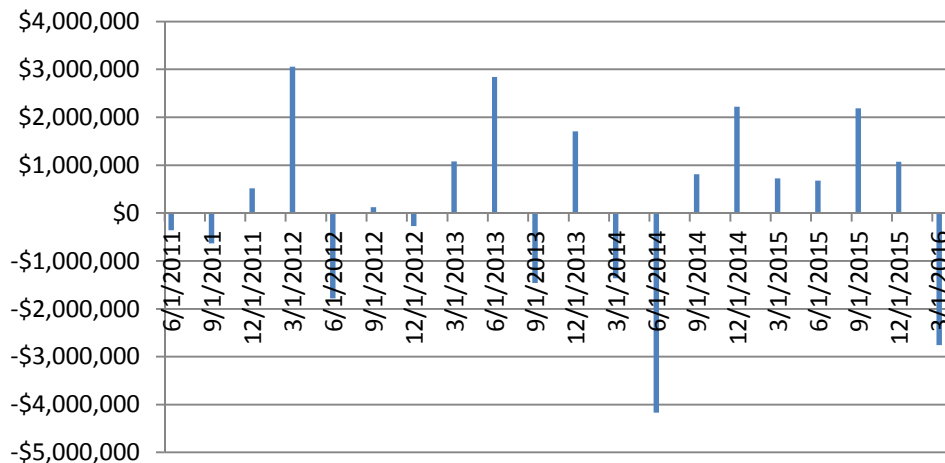
Pyramis Global

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Item # 6.a.I

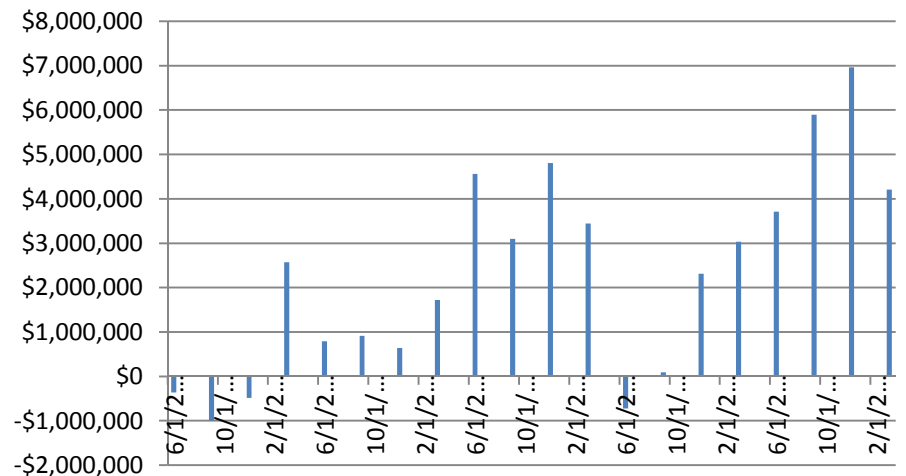
Quarter		Fees			
Begin Date	End Date	Active Return	Managerial	Custodial	Value Added
4/1/2011	6/30/2011	-\$81,072	\$173,911	\$106,957	-\$361,940
7/1/2011	9/30/2011	-\$383,265	\$153,665	\$98,953	-\$635,883
10/1/2011	12/31/2011	\$749,781	\$148,898	\$86,186	\$514,697
1/1/2012	3/31/2012	\$3,315,164	\$155,807	\$101,988	\$3,057,369
4/1/2012	6/30/2012	-\$1,542,684	\$151,167	\$89,339	-\$1,783,190
7/1/2012	9/30/2012	\$367,768	\$154,539	\$92,086	\$121,143
10/1/2012	12/31/2012	-\$3,181	\$160,345	\$107,241	-\$270,767
1/1/2013	3/31/2013	\$1,346,178	\$167,103	\$102,864	\$1,076,211
4/1/2013	6/30/2013	\$3,098,710	\$169,551	\$87,738	\$2,841,421
7/1/2013	9/30/2013	-\$1,227,803	\$171,817	\$63,218	-\$1,462,838
10/1/2013	12/31/2013	\$1,939,479	\$181,175	\$50,982	\$1,707,322
1/1/2014	3/31/2014	-\$1,113,822	\$179,698	\$65,276	-\$1,358,796
4/1/2014	6/30/2014	-\$3,920,672	\$184,067	\$60,323	-\$4,165,062
7/1/2014	9/30/2014	\$1,021,665	\$183,040	\$28,803	\$809,822
10/1/2014	12/31/2014	\$2,416,942	\$179,229	\$17,250	\$2,220,463
1/1/2015	3/31/2015	\$837,132	\$98,528	\$14,846	\$723,758
4/1/2015	6/30/2015	\$805,935	\$109,561	\$21,906	\$674,468
7/1/2015	9/30/2015	\$2,302,975	\$105,149	\$13,681	\$2,184,144
10/1/2015	12/31/2015	\$1,651,794	\$567,410	\$12,509	\$1,071,876
1/1/2016	3/31/2016	-\$2,611,536	\$132,825	\$14,392	-\$2,758,752



Quarterly Value Added



Cumulative Value Added





July 26, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kellie Gomes, Executive Board Secretary

- I. SUBJECT: 2016 Due Diligence Trip Summary
- II. ITEM NUMBER: 7.a
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS:

During June 21-23, 2016 two members of the Due Diligence Committee, Trustee Grover and Trustee O'Neal along with Kellie Gomes, Executive Board Secretary traveled to PIMCO in Newport Beach Northern Trust and LSV in Chicago. Below is a Summary of the visits.

PIMCO – Investment Manager

The Committee met with Sasha Talcott, CFA, Vice President, and Account Manager, who facilitated our visit. We started the day with a hardy schedule of several topics and a tour of the Trade Floor.

First on the agenda was a business update discussion led by Thomas Otterbein, CFA, Managing Director, and Account Manager. Tom spoke on the departures from the firm as they have experienced a reduction in force recently of roughly 68 employees. They have experienced some other departures mostly due to attrition, as well as some from business management (170 departures from attrition and 40 by business management) This represents about 10% of the work force at PIMCO. They plan to be at 2,150 – 2,200 employees by the end of the year. They currently have roughly 2,300 employees and half are in the Newport office, 350 in New York, next largest being in London and others residing in 13 global smaller offices (2-15 employees per smaller offices). As far as hiring they have a good bench to draw from and they have an active succession plan in place. Tom expressed that sometimes there is a need to reach outside the firm. They are actively hiring seasoned people in Alternative Space areas. They have built up an area of analytics and continue to build as a solutions provider and not a product provider.

Disaster Recovery & State Street IMS Due Diligence discussion was led by Fred Nguyen, Vice President, Head of Global Business Continuity as well as Lenka Khou, Vice President, Unit Manager, Portfolio Operations, State Street IMS and Andy Kim, Vice President, Unit manager, Portfolio Operations, State Street, IMS. PIMCO has a robust Disaster Recovery and Business Continuity Plan in place. An organizational structure exists within the corporation that enables effective reaction to business interruptions and assures quick recovery. Five teams are trained to conduct business under adverse circumstances. In the event of an epidemic or pandemic event, PIMCO has response plans in place to sustain business continuity and maintain critical operations of the firm. The strategy closely follows governmental alert programs and health organization's recommendation around the globe.

A Trade Floor Tour was given to the team by Graham Rennison, Senior Vice President, Portfolio Manager. A discussion regarding Risk Management was led by Matthew Putnicki, CFA, Executive Vice President, Portfolio Risk Management. PIMCO'S goals and principles were discussed at a high level. These were demonstrated in 3 areas, consistency, multiple approaches and avoiding surprises.

PIMCO has built an Advisory Board which consists of Ben Bernanke, Gordon Brown, Ng Kok Song, Anne-Marie Slaughter and Jean-Claude Trichet. These experts are a team of world renowned macroeconomic thinkers and former policymakers. The Global Advisory Board meets several times a year at PIMCO's Newport Beach office and contributes to their economic forums. Lastly the team was joined by Tony Crescenzi, Executive Vice President, Portfolio Manager where a lengthy discussion was enjoyed by the team regarding PIMCO'S forums on economics and markets.

Northern Trust – Custody Bank

The Committee met with Gary Guibert, Relationship Manager, who facilitated our visit.

The Committee met with 16 presenters from the areas of Client Services, Technology/Cyber Security, StanCERA's Customization, Accounting Deliverables, Regulatory /GASB, Performance, Data Direct and Compliance Analyst. On our visit we were provided an in depth review of the client services Custody Bank provides. Through a focused, targeted business strategy they have built a significant presence and expertise in the Public Funds/Taft-Hartley, Foundations/Endowments and Healthcare and Corporate /Pensions. Currently the focus for Northern Trust is to provide Corporate and Institutional Services by delivering Asset Servicing and Asset Management Solutions to Institutional clients globally. They divide this into 5 areas, Asset management, Asset Enhancement, Asset Reporting, Asset Administration and Asset Processing. When discussing Technology and Information Security we very quickly got the feeling that they are very robust in these areas. Steven Locke led the discussion regarding the security overview and it was easy to see how prepared they are and continue to strive to be. We received a preview of several reporting services that we are not currently using, which all looked very powerful. We were given an in depth tour of Operations that truly explained the day to day duties and how they service clients such as ourselves as well as their oversight/monitoring capabilities. This was a "behind the scenes" tour of Operations that was very hardy. After our visit we felt very educated in areas we had no prior knowledge of before and felt very confident in our recent move to Northern Trust as our Custodial Bank.

LSV – Investment Manager

We started our visit with a discussion with Keith Bruch, CFA Partner Director, Client Portfolio Services and joined by Bhaskaran Swaminatha, Ph.D., partner, Director of Research on the change of partnership. An overview of our portfolio was provided much like we receive on the annual presentation by this Manager. There was a discussion regarding the process used to select stocks. After the explanation there was a back and forth dialogue regarding risk. They identified what some might see as a small risk in that they appear to be comfortable with a small client stable. They are not hustling for new clients but they hustle in the research areas. Every day they are working on research and building their own codes. They really feel they are different from some peers in that they are constantly researching and while they may not publish or share this research they feel it has been a very successful approach. When discussing the largest area of risk for them, they articulated they are in a declining industry (pension business, Defined Benefits business). While this is not an immediate concern, several years down the line this may begin to be a problem with the decline of Defined Benefit clients. This risk is more of a personal risk but not a risk to the portfolio. They feel they are very prepared and stable in that they can withstand any top partner leaving for a short or long period of time and nothing would change for their clients. Security was discussed at this visit and they explained they have a forensic team separate from the traders in place that is responsible for oversight and reporting on any exceptions that are in place. They feel strong that they are covered by securities with all vendors they use for trades.

The visit to LSV was not what we had experienced with our other visits on this trip. It was more relaxed (not as structured), more of a back and forth conversation. We didn't feel they were as prepared for our visit or this might have been the intended style. We did not hear anything that gave us concern other than a clear difference from the other visits on this trip.

Conclusion

The Committee feels that there are no reasons to question whether StanCERA would again reinvest with each of these firms today.

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective I: Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability
- VIII. ADMINISTRATIVE BUDGET IMPACT: None



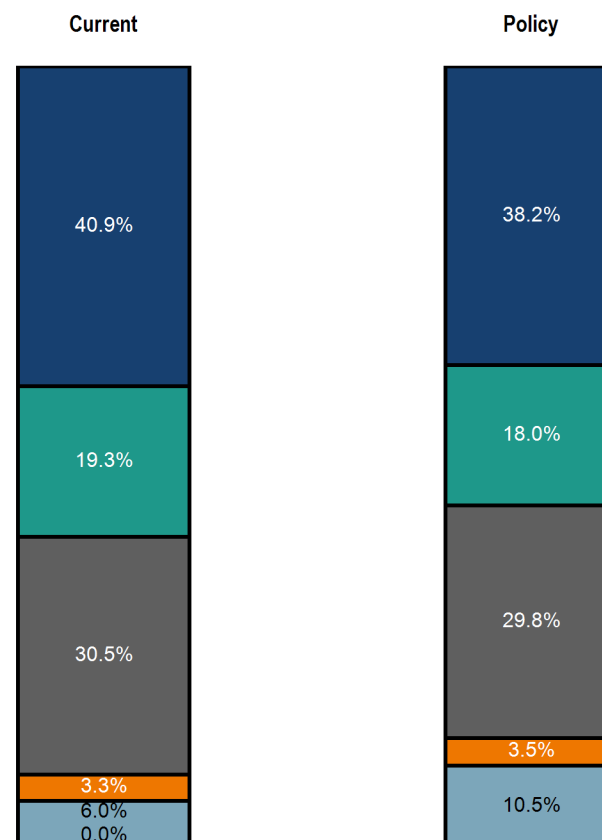
Kellie Gomes, Executive Board Secretary

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: June 30, 2016

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,757,220,216	100.0	-0.5	1.2
<i>Policy Index</i>			0.7	3.8
US Equity	719,218,077	40.9	-1.2	0.3
<i>US Equity Blended</i>			0.2	3.4
<i>Russell 3000</i>			0.2	3.6
Mellon S&P 500	86,422,680	4.9	0.3	3.8
<i>S&P 500</i>			0.3	3.8
BlackRock Russell 1000 Growth	85,217,200	4.8	-0.4	1.4
<i>Russell 1000 Growth</i>			-0.4	1.4
Jackson Square	121,201,054	6.9	-3.2	-7.5
<i>Russell 1000 Growth</i>			-0.4	1.4
BlackRock Russell 1000 Value	101,610,043	5.8	0.9	6.3
<i>Russell 1000 Value</i>			0.9	6.3
Dodge & Cox-Equity	163,188,963	9.3	-2.5	1.0
<i>Russell 1000 Value</i>			0.9	6.3
Legato Capital	78,513,905	4.5	-0.5	-5.2
<i>Russell 2000 Growth</i>			-0.5	-1.6
Capital Prospects	83,064,231	4.7	-1.2	4.0
<i>Russell 2000 Value</i>			0.3	6.1
International Equity	339,058,626	19.3	-2.7	-2.1
<i>MSCI ACWI ex USA Gross</i>			-1.5	-0.7
LSV Asset Mgt	165,585,986	9.4	-3.7	-2.8
<i>MSCI ACWI ex USA Gross</i>			-1.5	-0.7
Pyramis	173,472,640	9.9	-2.0	-1.6
<i>MSCI ACWI ex USA Gross</i>			-1.5	-0.7
US Fixed Income	535,452,149	30.5	1.6	5.2
<i>Barclays Aggregate</i>			1.8	5.3
Dodge & Cox-Fixed	419,207,466	23.9	1.6	5.3
<i>Barclays Aggregate</i>			1.8	5.3
PIMCO	116,244,683	6.6	1.6	5.0
<i>Barclays Aggregate</i>			1.8	5.3

	Current	%	Policy	%
Domestic Equity	\$719,218,077	40.9%	\$671,258,122	38.2%
International Equity	\$339,058,626	19.3%	\$316,299,639	18.0%
Domestic Fixed Income	\$535,452,149	30.5%	\$523,651,624	29.8%
Real Estate	\$58,379,981	3.3%	\$61,502,708	3.5%
Alternatives	\$105,101,602	6.0%	\$184,508,123	10.5%
Cash and Equivalents	\$9,781	0.0%	--	--
Total	\$1,757,220,216	100.0%	\$1,757,220,216	100.0%



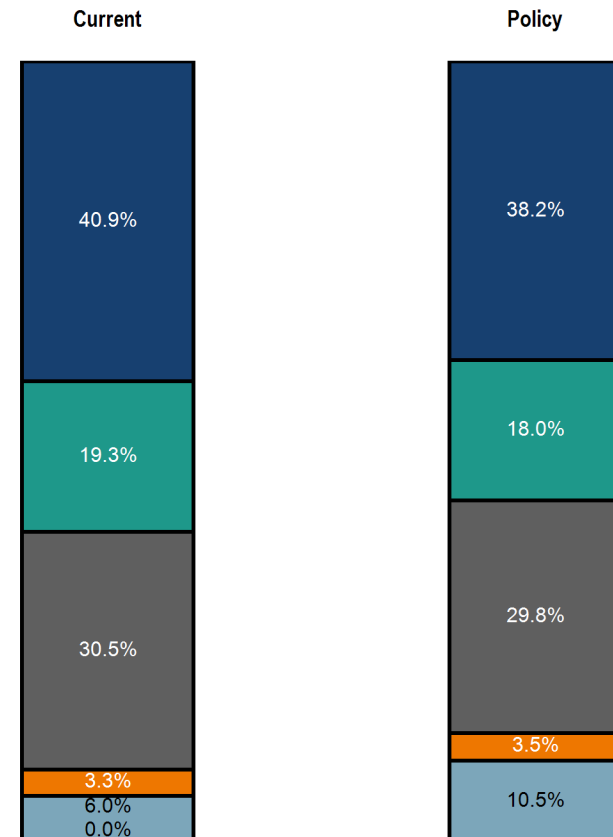
Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. All data is preliminary.

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: June 30, 2016

	Market Value	% of Portfolio	1 Mo	YTD
Real Estate	58,379,981	3.3	3.3	5.0
DJ US Select RESI			6.5	10.8
Prime Property Fund	16,129,294	0.9	2.4	4.3
NCREIF-ODCE			0.0	2.2
American Strategic Value Realty	7,208,080	0.4	0.0	3.2
NCREIF Property Index			0.0	2.2
BlackRock US Real Estate	24,824,937	1.4	6.5	10.7
DJ US Select RESI TR USD			6.5	10.8
Greenfield Gap	10,217,671	0.6		
Direct Lending	98,251,694	5.6		
Medley Capital	27,805,725	1.6		
Raven Capital	25,645,842	1.5		
Raven Opportunity III	8,468,338	0.5		
White Oak Pinnacle	36,331,789	2.1		
Infrastructure	6,849,908	0.4		
MS Infrastructure Partners II	6,849,908	0.4		
Cash Account	9,781	0.0	0.2	0.5

	Current	%	Policy	%
Domestic Equity	\$719,218,077	40.9%	\$671,258,122	38.2%
International Equity	\$339,058,626	19.3%	\$316,299,639	18.0%
Domestic Fixed Income	\$535,452,149	30.5%	\$523,651,624	29.8%
Real Estate	\$58,379,981	3.3%	\$61,502,708	3.5%
Alternatives	\$105,101,602	6.0%	\$184,508,123	10.5%
Cash and Equivalents	\$9,781	0.0%	--	--
Total	\$1,757,220,216	100.0%	\$1,757,220,216	100.0%



Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. All data is preliminary.

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

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



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



JULY 26, 2016

8.b

Asset Allocation Implementation: Strategy Targets

Stanislaus County Employees' Retirement Association

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VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

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Executive summary

Executive Summary

- At the May 2016 Board Meeting, the Board selected the “FFP 6-yr” asset allocation
- At the June 2016 Board Meeting, a high-level project plan was presented outlining the various steps required to implement FFP 6-yr.
- This presentation focuses on the interim steps towards implementing FFP 6-yr to ensure consistency with the overall objectives and maintaining a portfolio designed to achieve the desired risk/return characteristics.
- Specific steps include:
 - Liquid assets strategy searches for: Risk Parity, US Treasury, and Short Term Gov’t Credit;
 - Illiquid assets strategy searches for: Private Credit, Private Equity, and Value Add Real Estate;
 - Public equity allocation: reduction and change in composition;
 - Public fixed income allocation: reduction and change in composition; and
 - Policy index “glide path”.

Liquid assets implementation

Phase 1: Liquid assets implementation

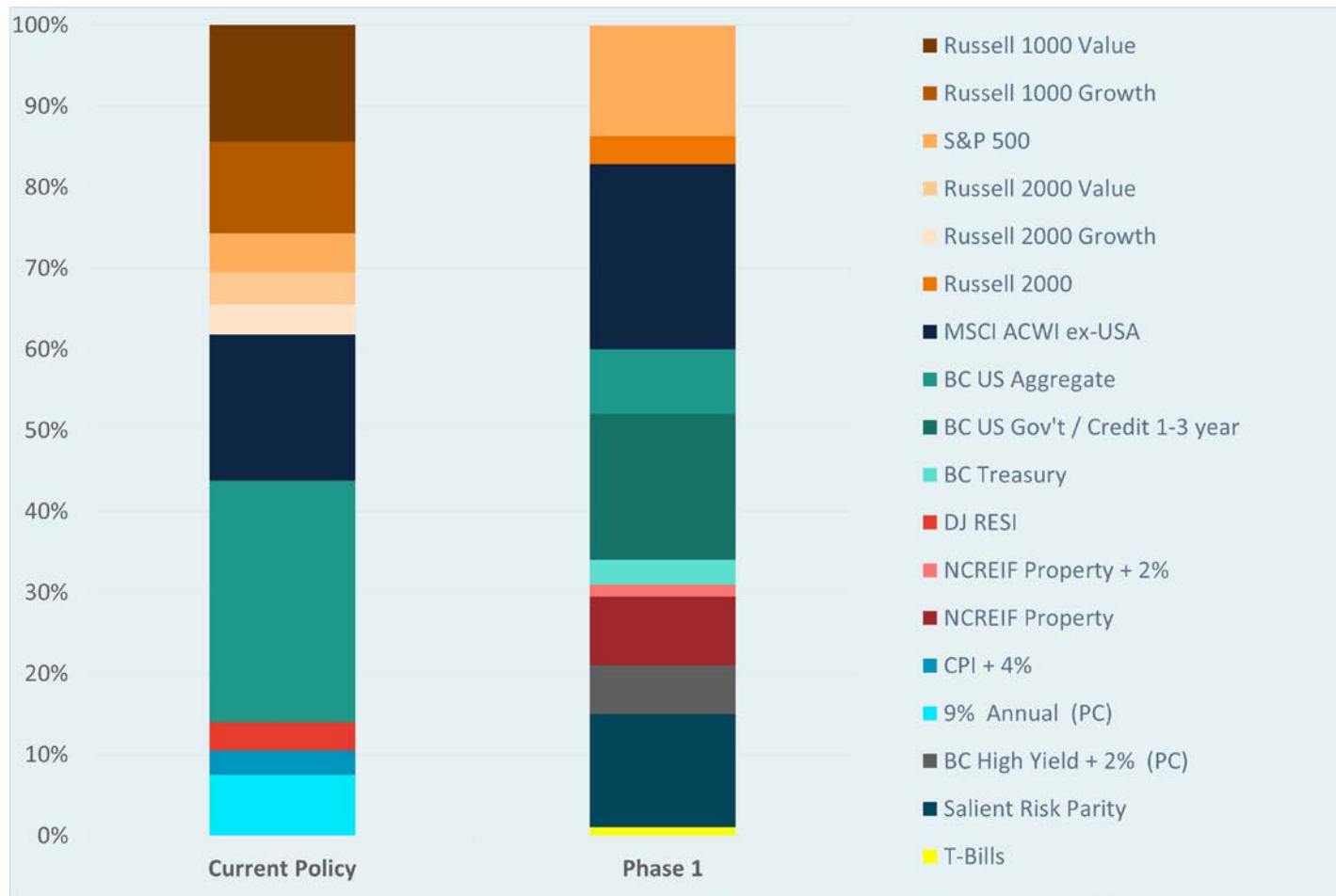
Adding Risk Parity, US Treasury, and Liquidity strategies

The first phase of implementation will be completed in two steps:

- Phase 1a: Risk Parity and US Treasury
 - Verus will present the Board with a “short list” of candidates during the October meeting.
 - Finalists to present in November.
 - Risk Parity (14%, ~\$250 mm) and US Treasury (3%, ~\$50 mm) mandates will be funded by reducing both Core Fixed Income and Domestic Equity.
- Phase 1b: Liquidity
 - “Short list” presented to Board in November.
 - Finalists to present in December.
 - This mandate (18%, ~\$320mm) will be funded through a further reduction of Core Fixed Income.
- Board and Staff to determine additional staffing needs.

Phase 1: Liquid assets implementation

Adding Risk Parity, US Treasury, and Liquidity strategies



The shift from “Current Policy” to “Phase 1”:

- Increases expected return from 6.3% to 6.5%
- Decreases expected standard deviation from 10.3% to 8.8%
- Increases Sharpe Ratio from 0.46 to 0.55*

* Based on Verus' 2016 Capital Market Assumptions.

StanCERA Hypothetical Rebalancing Analysis

Phase 1a: Add Risk Parity & US Treasury

Market values as of June 30th, 2016

Asset Class Strategy	Actual		Target		Re-Balance		New		Variance
					Policy	Recommend			
Domestic Large Cap Equity	\$557,647,275	31.6%	\$241,811,092	13.7%	(\$315,836,183)	(315,000,000)	\$242,647,275	13.8%	0.0%
Mellon S&P 500	86,429,354	4.9%	38,061,066	2.2%	(48,368,288)	(50,000,000)	36,429,354	2.1%	-0.1%
BlackRock Russell 1000 Growth	85,217,200	4.8%	44,783,414	2.5%	(40,433,786)	(40,000,000)	45,217,200	2.6%	0.0%
Jackson Square	121,201,714	6.9%	44,783,414	2.5%	(76,418,300)	(75,000,000)	46,201,714	2.6%	0.1%
BlackRock Russell 1000 Value	101,610,043	5.8%	57,091,599	3.2%	(44,518,444)	(45,000,000)	56,610,043	3.2%	0.0%
Dodge & Cox Equity	163,188,963	9.3%	57,091,599	3.2%	(106,097,365)	(105,000,000)	58,188,963	3.3%	0.1%
Domestic Small/Mid Cap Equity	161,581,810	9.2%	60,452,773	3.4%	(101,129,037)	(100,000,000)	61,581,810	3.5%	0.1%
Legato Capital	78,515,762	4.5%	29,017,331	1.6%	(49,498,431)	(50,000,000)	28,515,762	1.6%	0.0%
Capital Prospects	83,066,048	4.7%	31,435,442	1.8%	(51,630,606)	(50,000,000)	33,066,048	1.9%	0.1%
International Equity	338,014,003	19.2%	403,018,487	22.9%	65,004,484	65,000,000	403,014,003	22.9%	0.0%
LSV International Value	165,565,018	9.4%	201,509,244	11.4%	35,944,225	36,000,000	201,565,018	11.4%	0.0%
Pyramis International Growth	172,448,985	9.8%	201,509,244	11.4%	29,060,259	29,000,000	201,448,985	11.4%	0.0%
Fixed Income	535,452,149	30.4%	518,616,190	29.4%	(16,835,959)	(20,000,000)	515,452,149	29.2%	-0.2%
Dodge & Cox Income	419,207,466	23.8%	372,576,011	21.1%	(46,631,455)	-	419,207,466	23.8%	2.6%
PIMCO Fixed Income	116,244,683	6.6%	93,144,003	5.3%	(23,100,681)	(75,000,000)	41,244,683	2.3%	-2.9%
US Treasury Manager (TBD)	-	0.0%	52,896,176	3.0%	52,896,176	55,000,000	55,000,000	3.1%	0.1%
Short-Term Gov/Credit Manager(s) (TBD)	-	0.0%	-	0.0%	-	-	-	0.0%	0.0%
Real Estate	62,655,196	3.6%	169,470,680	9.6%	106,815,484	105,000,000	167,655,196	9.5%	-0.1%
MS Prime Property	15,754,509	0.9%	15,754,509	0.9%	-	-	15,754,509	0.9%	0.0%
American Strategic Value Realty	11,858,080	0.7%	11,858,080	0.7%	-	-	11,858,080	0.7%	0.0%
BlackRock US Real Estate	24,824,937	1.4%	131,640,421	7.5%	106,815,484	105,000,000	129,824,937	7.4%	-0.1%
Greenfield GAP VII	10,217,671	0.6%	10,217,671	0.6%	-	-	10,217,671	0.6%	0.0%
Direct Lending	98,505,868	5.6%	98,505,868	5.6%	-	-	98,505,868	5.6%	0.0%
Medley Capital	27,805,725	1.6%	27,805,725	1.6%	-	-	27,805,725	1.6%	0.0%
Raven Capital	25,900,016	1.5%	25,900,016	1.5%	-	-	25,900,016	1.5%	0.0%
Raven Opportunity III	8,468,338	0.5%	8,468,338	0.5%	-	-	8,468,338	0.5%	0.0%
White Oak Pinnacle	36,331,789	2.1%	36,331,789	2.1%	-	-	36,331,789	2.1%	0.0%
Infrastructure	6,849,908	0.4%	6,849,908	0.4%	-	-	6,849,908	0.4%	0.0%
MS Infrastructure Partners II	6,849,908	0.4%	6,849,908	0.4%	-	-	6,849,908	0.4%	0.0%
Risk Parity	-	0.0%	246,848,823	14.0%	246,848,823	250,000,000	250,000,000	14.2%	0.2%
Risk Parity Manager(s) (TBD)	-	0.0%	246,848,823	14.0%	246,848,823	250,000,000	250,000,000	14.2%	0.2%
Cash	2,499,672	0.1%	17,632,059	1.0%	15,132,387	15,000,000	17,499,672	1.0%	0.0%
Totals	\$1,763,205,881	100%	\$1,763,205,880	100%	(\$0)	\$0	\$1,763,205,881	100%	0.0%

StanCERA Hypothetical Rebalancing Analysis

Phase 1b: Add Short-Term Gov't/Credit

Market values as of June 30th, 2016

Asset Class Strategy	Actual		Target		Re-Balance		New		Variance
					Policy	Recommend			
Domestic Large Cap Equity	\$242,647,275	13.8%	\$241,811,092	13.7%	(\$836,183)	-	\$242,647,275	13.8%	0.0%
Mellon S&P 500	36,429,354	2.1%	38,061,066	2.2%	1,631,712	-	36,429,354	2.1%	-0.1%
BlackRock Russell 1000 Growth	45,217,200	2.6%	44,783,414	2.5%	(433,786)	-	45,217,200	2.6%	0.0%
Jackson Square	46,201,714	2.6%	44,783,414	2.5%	(1,418,300)	-	46,201,714	2.6%	0.1%
BlackRock Russell 1000 Value	56,610,043	3.2%	57,091,599	3.2%	481,556	-	56,610,043	3.2%	0.0%
Dodge & Cox Equity	58,188,963	3.3%	57,091,599	3.2%	(1,097,365)	-	58,188,963	3.3%	0.1%
Domestic Small/Mid Cap Equity	61,581,810	3.5%	60,452,773	3.4%	(1,129,037)	-	61,581,810	3.5%	0.1%
Legato Capital	28,515,762	1.6%	29,017,331	1.6%	501,569	-	28,515,762	1.6%	0.0%
Capital Prospects	33,066,048	1.9%	31,435,442	1.8%	(1,630,606)	-	33,066,048	1.9%	0.1%
International Equity	403,014,003	22.9%	403,018,487	22.9%	4,484	-	403,014,003	22.9%	0.0%
LSV International Value	201,565,018	11.4%	201,509,244	11.4%	(55,775)	-	201,565,018	11.4%	0.0%
Pyramis International Growth	201,448,985	11.4%	201,509,244	11.4%	60,259	-	201,448,985	11.4%	0.0%
Fixed Income	515,452,149	29.2%	518,616,190	29.4%	3,164,041	(244,683)	515,207,466	29.2%	-0.2%
Dodge & Cox Income	419,207,466	23.8%	148,342,955	8.4%	(270,864,511)	(274,000,000)	145,207,466	8.2%	-0.2%
PIMCO Fixed Income	41,244,683	2.3%	-	0.0%	(41,244,683)	(41,244,683)	-	0.0%	0.0%
US Treasury Manager (TBD)	55,000,000	3.1%	52,896,176	3.0%	(2,103,824)	-	55,000,000	3.1%	0.1%
Short-Term Gov/Credit Manager(s) (TBD)	-	0.0%	317,377,059	18.0%	317,377,059	315,000,000	315,000,000	17.9%	-0.1%
Real Estate	167,655,196	9.5%	169,470,680	9.6%	1,815,484	-	167,655,196	9.5%	-0.1%
MS Prime Property	15,754,509	0.9%	15,754,509	0.9%	-	-	15,754,509	0.9%	0.0%
American Strategic Value Realty	11,858,080	0.7%	11,858,080	0.7%	-	-	11,858,080	0.7%	0.0%
BlackRock US Real Estate	129,824,937	7.4%	131,640,421	7.5%	1,815,484	-	129,824,937	7.4%	-0.1%
Greenfield GAP VII	10,217,671	0.6%	10,217,671	0.6%	-	-	10,217,671	0.6%	0.0%
Direct Lending	98,505,868	5.6%	98,505,868	5.6%	-	-	98,505,868	5.6%	0.0%
Medley Capital	27,805,725	1.6%	27,805,725	1.6%	-	-	27,805,725	1.6%	0.0%
Raven Capital	25,900,016	1.5%	25,900,016	1.5%	-	-	25,900,016	1.5%	0.0%
Raven Opportunity III	8,468,338	0.5%	8,468,338	0.5%	-	-	8,468,338	0.5%	0.0%
White Oak Pinnacle	36,331,789	2.1%	36,331,789	2.1%	-	-	36,331,789	2.1%	0.0%
Infrastructure	6,849,908	0.4%	6,849,908	0.4%	-	-	6,849,908	0.4%	0.0%
MS Infrastructure Partners II	6,849,908	0.4%	6,849,908	0.4%	-	-	6,849,908	0.4%	0.0%
Risk Parity	250,000,000	14.2%	246,848,823	14.0%	(3,151,177)	-	250,000,000	14.2%	0.2%
Risk Parity Manager(s) (TBD)	250,000,000	14.2%	246,848,823	14.0%	(3,151,177)	-	250,000,000	14.2%	0.2%
Cash	17,499,672	1.0%	17,632,059	1.0%	132,387	244,683	17,744,355	1.0%	0.0%
Totals	\$1,763,205,881	86%	\$1,763,205,880	100.0%	(\$0)	\$0	\$1,763,205,881	100%	0.0%

Illiquid assets implementation

Phase 2: Illiquid assets implementation

Adding Private Credit, Private Equity, and Value-Add Real Estate strategies

The second phase of implementation will also be split into two steps:

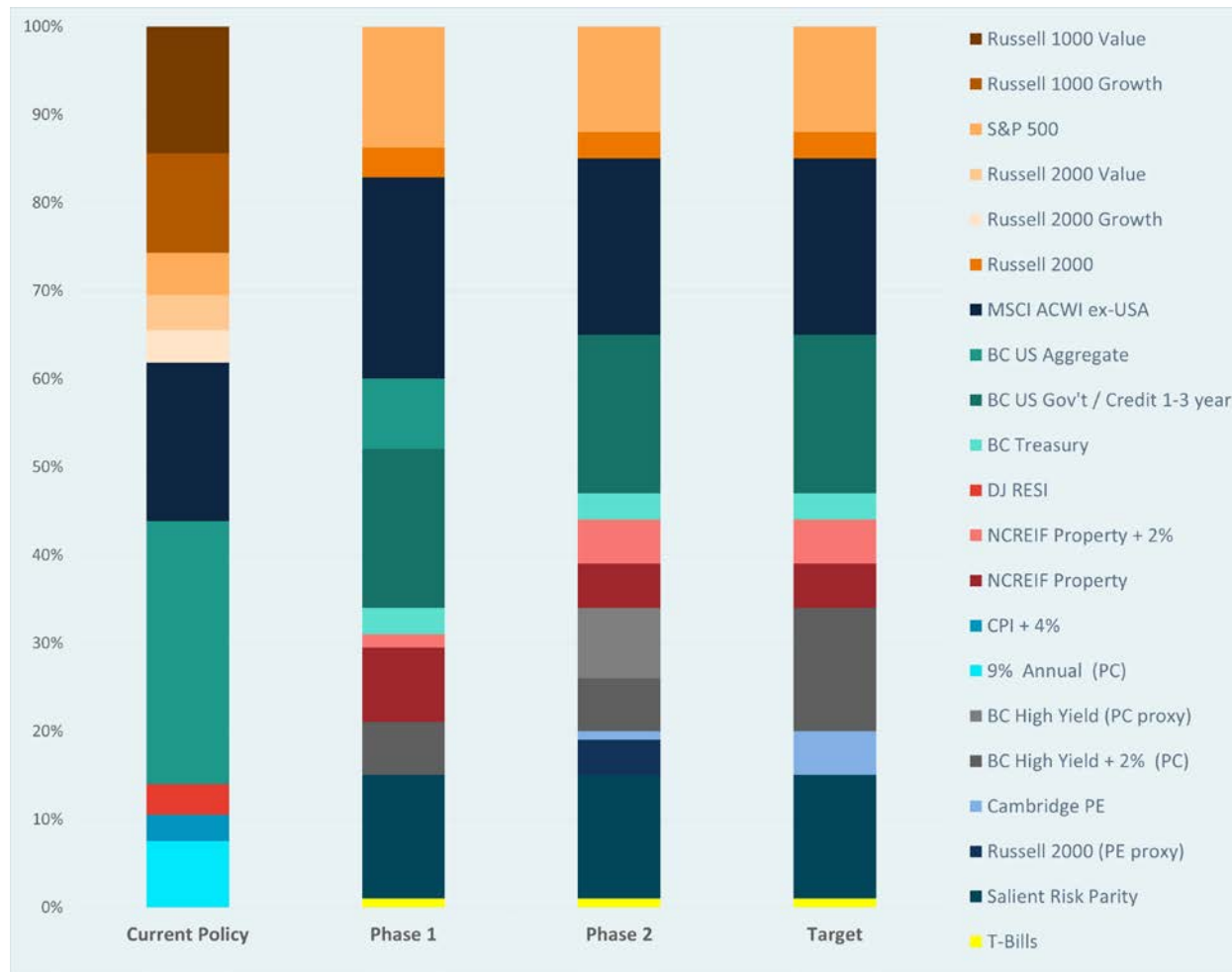
- Phase 2a: Private Credit
 - “Short list” presented to the Board during the January meeting.
 - Finalists to present in February.
- Phase 2b: Private Equity and Value Add Real Estate
 - “Short list” presented to the Board in February.
 - Finalists to present in March.

The new managers selected during Phase 2 will be “proxied” with public markets placeholders which will be drawn down to fund capitals calls over time.

- Private Credit – Public High Yield Credit
- Private Equity – US Small Cap Equity
- Value Add Real Estate – Core Real Estate (REITs)

Phase 2: Illiquid assets implementation

Adding Private Credit, Private Equity, and Value-Add Real Estate strategies



The shift from “Phase 1” to “Phase 2”:

- Increases expected return from 6.5% to 6.8%
- Increases expected standard deviation from 8.8% to 9.5%
- Decreases Sharpe Ratio from 0.55 to 0.54.*

The shift from “Phase 2” to “Target”:

- Increases expected return from 6.8% to 7.1%
- Decreases expected standard deviation from 9.5% to 9.4%
- Increases Sharpe Ratio from 0.54 to 0.58.*

*Based on Verus' 2016 Capital Market Assumptions.

StanCERA Hypothetical Rebalancing Analysis

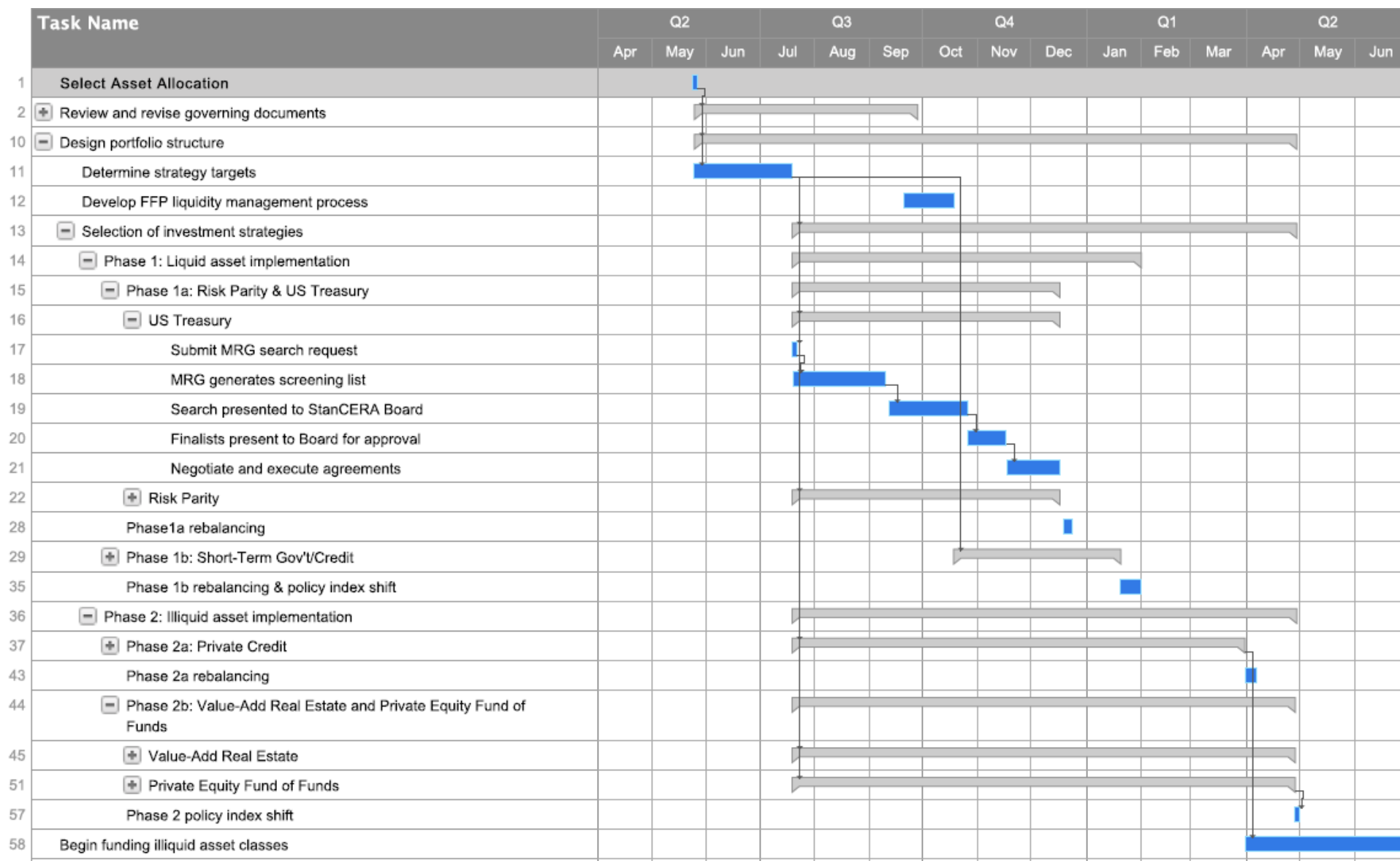
Phase 2a: Add Private Credit

Market values as of June 30th, 2016

Asset Class Strategy	Actual		Target		Re-Balance		New		Variance
					Policy	Recommend			
Domestic Large Cap Equity	\$242,647,275	13.8%	\$211,584,706	12.0%	(\$31,062,569)	(31,000,000)	\$211,647,275	12.0%	0.0%
Mellon S&P 500	36,429,354	2.1%	33,303,433	1.9%	(3,125,922)	(3,000,000)	33,429,354	1.9%	0.0%
BlackRock Russell 1000 Growth	45,217,200	2.6%	39,185,487	2.2%	(6,031,713)	(6,000,000)	39,217,200	2.2%	0.0%
Jackson Square	46,201,714	2.6%	39,185,487	2.2%	(7,016,227)	(7,000,000)	39,201,714	2.2%	0.0%
BlackRock Russell 1000 Value	56,610,043	3.2%	49,955,149	2.8%	(6,654,894)	(7,000,000)	49,610,043	2.8%	0.0%
Dodge & Cox Equity	58,188,963	3.3%	49,955,149	2.8%	(8,233,814)	(8,000,000)	50,188,963	2.8%	0.0%
Domestic Small/Mid Cap Equity	61,581,810	3.5%	52,896,176	3.0%	(8,685,634)	(8,500,000)	53,081,810	3.0%	0.0%
Legato Capital	28,515,762	1.6%	25,390,165	1.4%	(3,125,597)	(3,000,000)	25,515,762	1.4%	0.0%
Capital Prospects	33,066,048	1.9%	27,506,012	1.6%	(5,560,036)	(5,500,000)	27,566,048	1.6%	0.0%
International Equity	403,014,003	22.9%	352,641,176	20.0%	(50,372,827)	(50,000,000)	353,014,003	20.0%	0.0%
LSV International Value	201,565,018	11.4%	176,320,588	10.0%	(25,244,430)	(25,000,000)	176,565,018	10.0%	0.0%
Pyramis International Growth	201,448,985	11.4%	176,320,588	10.0%	(25,128,397)	(25,000,000)	176,448,985	10.0%	0.0%
Fixed Income	515,207,466	29.2%	370,273,235	21.0%	(144,934,231)	(145,207,466)	370,000,000	21.0%	0.0%
Dodge & Cox Income	145,207,466	8.2%	-	0.0%	(145,207,466)	(145,207,466)	-	0.0%	0.0%
PIMCO Fixed Income	-	0.0%	-	0.0%	-	-	-	0.0%	0.0%
US Treasury Manager (TBD)	55,000,000	3.1%	52,896,176	3.0%	(2,103,824)	-	55,000,000	3.1%	0.1%
Short-Term Gov/Credit Manager(s) (TBD)	315,000,000	17.9%	317,377,059	18.0%	2,377,059	-	315,000,000	17.9%	-0.1%
Real Estate	167,655,196	9.5%	169,470,680	9.6%	1,815,484	-	167,655,196	9.5%	-0.1%
MS Prime Property	15,754,509	0.9%	15,754,509	0.9%	-	-	15,754,509	0.9%	0.0%
American Strategic Value Realty	11,858,080	0.7%	11,858,080	0.7%	-	-	11,858,080	0.7%	0.0%
BlackRock US Real Estate	129,824,937	7.4%	131,640,421	7.5%	1,815,484	-	129,824,937	7.4%	-0.1%
Greenfield GAP VII	10,217,671	0.6%	10,217,671	0.6%	-	-	10,217,671	0.6%	0.0%
Direct Lending / Private Credit	98,505,868	5.6%	246,848,823	14.0%	148,342,955	150,000,000	248,505,868	14.1%	0.1%
Medley Capital	27,805,725	1.6%	27,805,725	1.6%	-	-	27,805,725	1.6%	0.0%
Raven Capital	25,900,016	1.5%	25,900,016	1.5%	-	-	25,900,016	1.5%	0.0%
Raven Opportunity III	8,468,338	0.5%	8,468,338	0.5%	-	-	8,468,338	0.5%	0.0%
White Oak Pinnacle	36,331,789	2.1%	36,331,789	2.1%	-	-	36,331,789	2.1%	0.0%
New Private Credit Manager(s) (TBD)	-	0.0%	-	0.0%	-	-	-	0.0%	0.0%
Private Credit Proxy (High Yield)	-	0.0%	148,342,955	8.4%	148,342,955	150,000,000	150,000,000	8.5%	0.1%
Infrastructure	6,849,908	0.4%	6,849,908	0.4%	-	-	6,849,908	0.4%	0.0%
MS Infrastructure Partners II	6,849,908	0.4%	6,849,908	0.4%	-	-	6,849,908	0.4%	0.0%
Risk Parity	250,000,000	14.2%	246,848,823	14.0%	(3,151,177)	-	250,000,000	14.2%	0.2%
Risk Parity Manager(s) (TBD)	250,000,000	14.2%	246,848,823	14.0%	(3,151,177)	-	250,000,000	14.2%	0.2%
Private Equity	-	0.0%	88,160,294	5.0%	88,160,294	85,000,000	85,000,000	4.8%	-0.2%
PE Proxy (US Small Cap)	-	0.0%	88,160,294	5.0%	88,160,294	85,000,000	85,000,000	4.8%	-0.2%
Cash	17,744,355	1.0%	17,632,059	1.0%	(112,296)	(292,534)	17,451,821	1.0%	0.0%
Totals	\$1,763,205,881	86%	\$1,763,205,881	100.0%	\$0	-	\$1,763,205,881	100%	0.0%

Appendix

Updated project plan



Policy index glide path

	Current Policy	Phase 1	Phase 2	Target
Russell 1000 Value (large cap value)	14.4%	--	--	--
Russell 1000 Growth (large cap growth)	11.3%	--	--	--
Russell 2000 (small cap)	--	3.4%	3.0%	3.0%
S&P 500 (large cap)	4.8%	13.7%	12.0%	12.0%
Russell 2000 Value (small cap value)	4.0%	--	--	--
Russell 2000 Growth (small cap growth)	3.7%	--	--	--
Total Domestic Equity	38.2%	17.1%	15.0%	15.0%
MSCI ACWI ex-USA (international equity)	18.0%	22.9%	20.0%	20.0%
Total Equity	56.2%	40.0%	35.0%	35.0%
Barclays US Aggregate (core fixed income)	29.8%	8.0%	--	--
Barclays US Gov't/Credit 1-3 year	--	18.0%	18.0%	18.0%
Barclays Treasury 7-10 year	--	3.0%	3.0%	3.0%
Total Fixed Income	29.8%	29.0%	21.0%	21.0%
DJ US Select RESI (real estate)	3.5%	--	--	--
NCREIF Property + 2% (value add real estate)	--	1.5%	5.0%	5.0%
NCREIF Property (core real estate)	--	8.5%	5.0%	5.0%
CPI + 4% (infrastructure)	3.0%	--	--	--
Total Real Assets	6.5%	10.0%	10.0%	10.0%
9% Annual (private credit)	7.5%	--	--	--
Barclays HY (private credit proxy)	--	--	8.0%	--
Barclays HY + 2% (private credit)	--	6.0%	6.0%	14.0%
Cambridge PE (private equity)	--	--	1.0%	5.0%
Russell 2000 (private equity proxy)	--	--	4.0%	--
Salient Risk Parity	--	14.0%	14.0%	14.0%
Total Alternatives	7.5%	20.0%	33.0%	33.0%
30 Day T-Bills (cash)	0.0%	1.0%	1.0%	1.0%
Total	100%	100%	100%	100%

Policy index glide path

	Current Policy	Phase 1	Phase 2	Target
Risk / Return Characteristics				
Forecast 10 Year Return	6.3	6.5	6.8	7.1
Forecast 10 Year Real Return	4.2	4.4	4.7	5.0
Standard Deviation	10.3	8.8	9.5	9.4
Return/Std. Deviation	0.6	0.7	0.7	0.8
Sharpe Ratio	0.46	0.55	0.54	0.58

Based on Verus' 2016 Capital Market Assumptions

Notices & disclosures

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The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward-looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.



July 26, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Initiation of a StanCERA Investment Committee
- II. ITEM NUMBER: 9.b.
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Initiate a StanCERA Investment Committee that will hear all investment matters and make recommendations to the full StanCERA Board
- V. ANALYSIS: At our May retirement board meeting, the StanCERA Board made a decision to change its long-term strategic asset allocation to a mix that incorporates risk parity, a strategy to immunize short-term benefit payment shortfalls and an increased allocation to alternatives. Over the next 12 months, StanCERA policy makers will be entertaining multiple investment ideas and making numerous decisions on these matters. Last month, an idea was floated regarding the creation of an Investment Committee dedicated to hearing all investment matters and making recommendations to the full Board.

Other 1937 Act Systems

Over 60% of the 1937 Act Systems use an Investment Committee to make recommendations to their full Boards. There appears to be a strong correlation between size and the decision to use a committee. Larger systems almost always use a dedicated committee, whereas the smallest systems use their full Board in all investment matters. Systems similar in size to StanCERA such as Tulare, San Joaquin and Marin all use a committee, while Sonoma does not.

Governance Process

The idea of an Investment Committee attempts to create efficiencies in the investment process by concentrating time, information and the initial decision making process to a subset of trustees. Naturally, the creation of a dedicated committee means some trustees will be more heavily involved in the governance process than others. For this concept to work then, there will be a subset of Board members that must rely heavily on committee recommendations and balance the level of personal involvement they feel is warranted in the governance process. However, the full Board will always consider all Committee recommendations and be the ultimate body that makes the final decision on investment policy matters.

Committee Meetings

Under the assumption that our external investment consultant continues to attend StanCERA meetings only once a month and the full Board wishes to have the consultant present while considering Committee recommendations, Committee meetings must take place the morning of (or perhaps afternoon before) the full Board meetings. This idea seems to be the most efficient and can capitalize on the immediate conveyance of ideas, information and recommendations of the Committee to the full Board.

If the Board wishes to have Committee meetings on a day other than normal meeting days, staff may be able to work out details whereby our investment consultant would attend two meetings per month or we can initiate audio or video conferencing on those full meeting days. In any instance, staff highly recommends that the investment consultant always attend Committee meetings in person. All 1937 Act Systems either meet the same day as full Retirement Board meetings or the day before.

Ad Hoc versus Standing

An ad hoc committee is generally intended for short duration, project based engagements with a specified end date. A standing committee is appointed annually and works on a continual basis until formally disbanded. In general, the standing committee has tighter public disclosure requirements and as such, staff recommends the use of a standing committee.

Staff Recommendation

For reasons mentioned above, if the Board is comfortable with the idea of an Investment Committee, staff recommends using a standing Committee and holding the meetings on the same day (or even the afternoon before) as regular full Board meetings and sizing the Committee at either 3 or 5 members.

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



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager