AGENDA

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

August 12, 2015
2:00 p.m.

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

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

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

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

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

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

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

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

1. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
   a. Approval of the July 28, 2015 Meeting Minutes View
   b. Approval of Service Retirement(s) – Sections 31499.14, 31670, 31662.2 & 31810
      5. Grassmidt, Pamela – HSA – Effective 08-11-2015
      7. La Moureaux, Lavonne – HSA– Effective 07-24-2015
     11. Tate, Dee – CSA – Effective 07-11-2015
5. Consent Items (Cont.)

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

   12. Truffa, Vincent – Sheriff – Effective 08-08-2015 *

   * Indicates Safety Personnel

Camara, Joe – Sheriff – Effective 07-25-2015 * Amended Date

c. Approval of Deferred Retirement(s) – Section 31700

   1. Argueta, Mary Carmen – Sheriff – Effective 07-10-2015 *
   2. Borden, Cody – Sheriff – Effective 04-30-2015 *
   7. Pallotta, Melinda – GSA – Effective 05-02-15
   8. Shafer, Stephanie – GSA – Effective 06-20-15

   * Indicates Safety Personnel

d. Approval of Disability Retirement – Section 31724

   1. Flores, Adelina – Public Defender, Non-Service Connected, Effective 04-12-2014

6. Executive Director

a. Legal/Legislation Update

b. Monthly Staff Report View

c. Discussion and Action Regarding the Information Technology Solutions Team’s Recommendation for Information Technology Consultant

d. Discussion and Action for Attendance to the 2015 Client Summit Sponsored by Verus View

7. Committee Reports and Recommendations for Action

a. Internal Governance Committee


8. Closed Session

8. **Closed Session (Cont.)**
   
b. 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)

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

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

10. **Adjournment**
PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

July 28, 2015

Trustees Present: Maria DeAnda, Jim DeMartini, Michael O’Neal,
Jeff Grover, Jason Gordo, Donna Riley, Sam Sharpe
and Gordon Ford

Alternate Trustee: Joan Clendenin, Alternate Retiree Representative

Trustees Absent: Mike Lynch

Staff Present: Kathy Herman, Fiscal Services Manager
Dawn Lea, Benefits Manager
Kellie Gomes, Executive Board Secretary

Others Present: Fred Silva, General Legal Counsel

1. Meeting Called to Order

Meeting called to order 2:00 p.m. by Trustee DeAnda, Chair

2. Roll Call

3. Announcements

Trustee Maria DeAnda, Chair introduced and welcomed Trustee Sam Sharpe, Safety Representative to his 3 year term on the board in Seat # 7.

4. Public Comment

None

5. Consent Items

a. Approval of the July 8, 2015 Meeting Minutes

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

Motion carried unanimously

6. Annual Performance Report

a. Dodge and Cox Fixed Income and Equity
   1. Value Added Report

Deirdre Curry and Wendell Birkhoffer gave the Board an update on the firm, the investment lineup and preliminary rates of return from individual investments within the portfolio.

b. Raven Capital Management LLC

Josh Green gave the Board an update on the firm, the investment lineup and preliminary rates of return from individual investments for Fund I and Fund III
7. **Strategic Investment Solutions (SIS), Inc.**
   

   - Monthly Performance: -1.11%
   - Active Return: Not provided in this report for June%
   - Fiscal YTD Return: 4.19% (Preliminary)
   - Total Fund Value as of 6/30/2015: $1,827,790,717


8. **Closed Session**
   
a. 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)

b. 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)

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

   No Closed Session

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

10. **Adjournment**

   Meeting adjourned at 3:33 p.m.

Respectfully submitted,

Rick Santos, Executive Director

APPROVED AS TO FORM:
Fred Silva, GENERAL LEGAL COUNSEL

By: Fred Silva, General Legal Counsel
August 12, 2015  
Retirement Board Agenda Item  

TO: Retirement Board  

FROM: Rick Santos, Executive Director  

I. SUBJECT: Monthly Staff Report  

II. ITEM NUMBER: 6.b.  

III. ITEM TYPE: Information  

IV. STAFF RECOMMENDATION: None  

V. SUMMARY:  

a) Fiscal Services – Since the fiduciary liability insurance policy limits the amount per hour that will be reimbursed for legal services, StanCERA submits payment to the attorneys and seeks reimbursement from the insurance company. Approximately 6 months ago, the accounting staff conducted an audit of invoices for litigation services regarding StanCERA’s ongoing law suits. Once completed staff began the email and phone process necessary to assist the insurance company with determining how much the reimbursement to StanCERA would be. Thanks to staff diligence, a partial reimbursement check for $200,000 was received in July. This continues to be an ongoing process.  

The fiscal year end processes are in full swing as preliminary work is completed and staff prepared for the auditors to arrive. Interest has been posted to member accounts and approximately 5,000 statements were mailed to non-retired members. Detailed member data has also been complied and delivered to the actuary for the 6/30/2015 valuation.  

The evaluation team completed review of the I.T. Consultant proposals, set the finalist for interview and began checking references. Staff continued their outreach by visiting the 7 smaller employers in the plan and met with their leadership to discuss and share information regarding contribution rates and other StanCERA news.  

b) Member & Employer Services – Staff processed new hire paperwork for 38 general members and 3 safety members, prepared 54 buy back contracts, 34 estimates, counseled 45 members and finalized 211 file audits during the month of July.  

The StanCERA letterhead was updated with a more modern look. Several documents in the service retirement application packet were updated with information and a user friendly format. Work has continued on the I.R.S. compliance program as directed by counsel.  

The Member and Employer Service Technician and the Fiscal Services Technician rotated positions in July to ensure proper cross training for each position.  

c) Investment Governance and Compliance – The evaluation team completed the due diligence for the Investment Consultant. Contract review is in process. The amendment to the Raven Fund III side letter was completed with the identification of certain investments not to be included as directed by the Board of Retirement.
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. BUDGET IMPACT: None

______________________________________
Rick Santos, Executive Director

__________________________________________
Kathy Herman, Fiscal Services Manager

__________________________________________
Dawn Lea, Member and Employer Services Manager
August 12, 2015
Retirement Board Agenda Item

TO: Retirement Board
FROM: Rick Santos, Executive Director

I. SUBJECT: 2015 Client Summit sponsored by VERUS

II. ITEM NUMBER: 6.d

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION: Approve attendance and travel costs for the 2015 Client Summit held on September 1, 2015

V. ANALYSIS: The StanCERA Board of Retirement trustees and executive staff have been invited to attend the 2015 client Summit hosted by Verus on September 1, 2015 (See attached flyer).

VI. RISK: None

VII. 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.

VIII. BUDGET IMPACT: Annually StanCERA budgets to accommodate fiduciary education. There is no additional impact to the Administrative budget.

_________________________________
Rick Santos, Executive Director

_________________________________
Kathy Herman, Fiscal Services Manager
2015 Client Summit

True North: Exploring Opportunities in Your Institutional Portfolio

September 1st, 2015
Westin | Seattle

Discussion Topics:
- Inside the White House
- Improve Returns by Conquering Behavioral Biases
- The Coming Winter of Discontent
- Capturing Opportunity with Multi-Asset Class Investing
- Finding Opportunity in a Low Return World
- Linking Positive Brains to Performance
- Managing Active Risk to Achieve Investment Objectives
- Maximizing Value from your Defined Contribution Plan
- Using Alpha Strategies to Improve Portfolio Construction

Join us for a cocktail reception and dinner the night before, on August 31st, at the Columbia Tower Club

For more information, go to: www.verusinvestments.com/conference
2015 Client Summit

True North:
Exploring Opportunities in Your Institutional Portfolio

AGENDA

THE COLUMBIA TOWER CLUB | AUGUST 31, 2015

Cocktail Reception
5:30 – 6:30pm
Dinner
6:30 – 8:00pm

WESTIN SEATTLE | SEPTEMBER 1, 2015

GRAND BALLROOM II
Continental Breakfast
7:30 – 8:00am

GRAND BALLROOM III
Opening Remarks, Jeffrey MacLean - Chief Executive Officer
8:00 – 8:45am

Improve Returns by Conquering Behavioral Biases
Ian Toner, CFA - Managing Director
8:45 – 9.30am
Good decision making is obviously critical to achieving investment success. What isn’t obvious is well established behavioral biases often get in the way. Ian Toner will shed light on these biases and provide a road map for fiduciaries on how they can conquer them and achieve improved investment outcomes.

The Coming Winter of Discontent
Tad Rivelle CIO of TCW / Met West
9:30 – 10:30am
The fixed income markets operate across cycles governed by financial re-leveraging and de-leveraging. Risk on strategies are generally rewarded during the re-leveraging phase of the cycle and punished when de-leveraging becomes the order of the day. The Fed has artificially extended the length of the current cycle yet its policies cannot prevent the de-leveraging. As a result, we believe that risk on strategies are at serious risk of failing to meet investor expectations.

Morning break – GRAND FOYER
10:30 – 10:45am
Coffee and light snacks
2015 Client Summit

True North:  
Exploring Opportunities in Your Institutional Portfolio

AGENDA

BREAKOUT SESSIONS  
10:45 – 11:45am

Capturing Opportunity with Multi-Asset Class Investing
Jeffrey C. Scott, CFA – Chief Investment Officer

Multi-asset class mandates have grown in popularity over the last decade, driven primarily from the belief that more efficient portfolios can be built using advanced ideas and tools typically unavailable to fund fiduciaries. Risk parity, alternative beta, alternative asset class mandates, and even OCIO are all examples of multi-asset class investing that have grown in popularity. Jeff will sort through the critical issues and provide ideas on how fiduciaries should consider their implementation within their portfolio.

Using Alpha Strategies to Improve Portfolio Construction
Brian Rowe, CFA, CAIA – Managing Director and
Jim Vos – Chief Investment Officer of Aksia, LLC

Hedge funds are expensive, especially when many of them contain exposures that can be more efficiently obtained through traditional investments. For this reason, it is critical to structure a hedge fund program with alpha strategies that complement existing traditional risk factors. Brian and Jim will explain how we do this so that hedge funds can meaningfully contribute to superior portfolio construction.

Finding Opportunity in a Low Return World
Scott Whalen, CFA - Senior Consultant and
Omer Tareen, CFA - Managing Director

Given today’s compressed risk premiums and low return environment, it is as critical as ever to think about where good opportunity exists. Despite the real efficiencies that exists within markets, there are some structural and macro-economic disruptions that have created reasonable relative value opportunities for investors. Scott and Omer will outline some specific investment ideas Verus believes will guide fiduciaries towards achieving their return goals.
Managing Active Risk to Achieve Investment Objectives
Max Giolitti - Managing Director and
DeWitt Miller, CFA, FRM - Senior Risk Consultant

The pursuit of excess return through active management lies within most every investment program. The truth is that fiduciaries necessarily risk underperforming their policy in their quest for excess returns. Max and DeWitt will show how to manage this active risk in order to maximize the likelihood of achieving excess returns as a means to satisfying the overall enterprise objectives of the investment program.

Maximizing Value from your Defined Contribution Plan
Brent Nelson - Managing Director, Senior Consultant and
Bryant Pierce – Consultant

Employer based defined contribution plans now have in excess of $6 trillion and represent the primary retirement savings vehicle for most Americans. The rapidly evolving landscape affecting these plans has created both challenges and opportunities for Plan Sponsors. Brent and Bryant will identify recent trends that fiduciaries should consider in order to properly oversee and maintain a healthy defined contribution plan.

GRAND BALLROOM II

Lunch 12:00 – 1:30pm

Linking Positive Brains to Performance
Shawn Achor, Founder and CEO of Goodthink, Inc.

Based on his book, “The Happiness Advantage”, Shawn will explain what positive psychology is, how much we can change, and practical applications for reaping the Happiness Advantage in the midst of change.
2015 Client Summit

**True North:**
*Exploring Opportunities in Your Institutional Portfolio*

**AGENDA**

**BREAKOUT SESSIONS**

1:30 – 2:30pm

Capturing Opportunity with Multi-Asset Class Investing
Using Alpha Strategies to Improve Portfolio Construction
Finding Opportunity in Low Return World
Managing Active Risk to Achieve Investment Objectives

**Afternoon break – GRAND FOYER**

Coffee and light snacks

**GRAND BALLROOM III**

2:30 – 2:45pm

**CIO Roundtable**

Shelly Heier, CFA, CAIA - President

Shelly Heier will moderate a dynamic discussion with Jeffrey Scott, CFA and other leading Chief Investment Officers. They will explore the investment landscape and identify the critical ideas that fiduciaries should focus upon as they work to explore opportunities within their institutional portfolio.

**Keynote: Inside the White House**

Bob Woodward, Pulitzer Prize-winning journalist/Associate Editor, The Washington Post.

Beginning in 1972 with his coverage of Watergate, Bob Woodward has enjoyed unparalleled access to Presidents and leading policy makers during times of war and domestic internal debate. As an author or co-author of 17 books, all of which have been national non-fiction best sellers, Mr. Woodward has a vast comprehension of how power is exercised in Washington and what it means for our future.

**GRAND BALLROOM I & GRAND FOYER**

4:45 – 6:15pm

**Reception with Bob Woodward**

Refreshments and appetizers
June 9, 2015

Mr. Rick Santos, Executive Director, and
Internal Governance Committee of
Stanislaus County Employees’ Retirement Association
832 12th Street #600
Modesto, California 95354

Dear Mr. Santos and Internal Governance Committee:

We are pleased to confirm our understanding of the services we are to provide Stanislaus County Employees’ Retirement Association for the year ended June 30, 2015. We will audit the financial statements, including the related notes to the financial statements, which collectively comprise the basic financial statements of Stanislaus County Employees’ Retirement Association as of and for the year ended June 30, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis, to supplement Stanislaus County Employees’ Retirement Association’s basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Stanislaus County Employees’ Retirement Association’s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

1) Management’s Discussion and Analysis
2) Schedule of Employers’ Net Pension Liability
3) Schedule of Changes in Net Pension Liability and Related Ratios
4) Schedule of Employer Contributions
5) Schedule of Investment Returns
6) Notes to Required Supplementary Information

We have been engaged to report on other supplemental information other than RSI that accompanies Stanislaus County Employees’ Retirement Association’s financial statements for the Comprehensive Annual Financial Report (CAFR). We will subject the following other supplemental information to the auditing procedures applied in
our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor’s report on the financial statements:

1) Schedule of Administrative Expenses
2) Schedule of Investment Management Fees and Other Investment Expenses

The following information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor’s report will not provide an opinion or any assurance on that information.

1) Introductory Section
2) Investment Section
3) Actuarial Section
4) Statistical Section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the other supplemental information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of Stanislaus County Employees’ Retirement Association and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Stanislaus County Employees’ Retirement Association’s financial statements. Our report will be addressed to the Board of Retirement of Stanislaus County Employees’ Retirement Association. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Stanislaus County Employees’ Retirement Association’s internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Stanislaus County Employees’ Retirement Association’s internal control and
compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that Stanislaus County Employees’ Retirement Association is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to Stanislaus County Employees’ Retirement Association or to acts by management or employees acting on behalf of Stanislaus County Employees’ Retirement Association. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, direct confirmation of investments, plan obligations, and certain other assets and liabilities by correspondence with selected individuals, actuaries, financial institutions, and other third parties. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts and agreements; and other responsibilities required by the auditing standards generally accepted in the United States of America.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of Stanislaus County Employees’ Retirement Association and its environment, including internal control, sufficient to assess the risks of material
misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under American Institute of Certified Public Accountants professional standards and Government Auditing Standards.

**Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Stanislaus County Employees’ Retirement Association’s compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

In addition, we will perform certain procedures directed at considering Stanislaus County Employees’ Retirement Association’s compliance with applicable Internal Revenue Service (IRS) requirements for tax exempt status. However, you should understand that our audit is not specifically designed for and should not be relied upon to disclose matters affecting plan qualifications or compliance IRS requirements. If during the audit we become aware of any instances of any such matters or ways in which management practices can be improved, we will communicate them to you.

**Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and agreements. You are also responsible for the selection and application of accounting principles; for establishing an accounting and financial reporting process for determining fair value measurements; for the acceptance of the actuarial methods and assumptions used by the actuary; and for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair
presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within Stanislaus County Employees' Retirement Association from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting Stanislaus County Employees' Retirement Association involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting Stanislaus County Employees' Retirement Association received in communications from employees, former employees, sponsors, regulators, or others. In addition, you are responsible for identifying and ensuring that Stanislaus County Employees' Retirement Association complies with applicable laws, regulations, contracts, and agreements and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or agreements, or abuse that we report.

You are responsible for the preparation of the other supplemental information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the other supplemental information in any document that contains and indicates that we have reported on the other supplemental information. You also agree to include the audited financial statements with any presentation of the other supplemental information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the other supplemental information in accordance with accounting principles generally accepted in the United States of America; (2) you believe the other supplemental information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the other supplemental information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management’s views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to using the auditor’s report you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.
With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. You agree that you will not date the subsequent event note earlier than the date of your management representation letter.

You agree to assume all management responsibilities relating to the financial statements and related notes, actuarial services, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your personnel will prepare schedules, analyses, and all cash, contribution, investment manager or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to Stanislaus County Employees’ Retirement Association; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Brown Armstrong Accountancy Corporation and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Brown Armstrong Accountancy Corporation personnel. Furthermore, upon request, we may provide copies of
selected audit documentation to the aforementioned parties. These parties may intend, or decide, to
distribute the copies or information contained therein to others, including other governmental agencies.
The audit documentation for this engagement will be retained for a minimum of five years after the report
release date or for any additional period requested by the U.S. Government Accountability Office.

We expect to begin our audit on approximately August 10, 2015, and to issue our reports no later than
November 2, 2015. Andrew J. Paulden is the engagement partner and is responsible for supervising the
engagement and signing the reports or authorizing another individual to sign them.

In accordance with our agreement, our gross fee, including expenses, will not exceed $30,000. Our
standard hourly rates vary according to the degree of responsibility involved and the experience level of
the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work
progresses and are payable on presentation. In accordance with our firm policies work may be suspended
if your account becomes 90 days or more overdue and may not be resumed until your account is paid in
full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been
completed upon written notification of termination, even if we have not completed our report. You will be
obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through
the date of termination. The above fee is based on anticipated cooperation from your personnel and the
assumption that unexpected circumstances will not be encountered during the audit. If significant
additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur
the additional costs.

All disputes under this agreement shall be submitted to mediation. Each party shall designate an
executive officer empowered to attempt to resolve the dispute. Should the designated representatives be
unable to agree on a resolution, a competent and impartial third party acceptable to both parties shall be
appointed to mediate. Each disputing party shall pay an equal percentage of the mediator’s fees and
expenses. No suit or arbitration proceedings shall be commenced under this agreement at least 60 days
after the mediator’s first meeting with the involved parties. In the event that the dispute is required to be
litigated, the court shall be authorized to assess litigation costs against any party found to have
participated in the mediation process in good faith.

Our relationship with you is limited to that described in this letter. As such, you understand and agree that
we are acting solely as independent accountants. We are not acting in any way as a fiduciary or assuming
any fiduciary responsibilities for you. We are not responsible for the preparation of any report to any
governmental agency, or any other form, return, or report or for providing advice or any other service not
specifically recited in this letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required
will be a separate, new engagement. The terms and conditions of that new engagement will be governed
by a new, specific engagement letter for that service.

You have requested that we provide you with a copy of our most recent external peer review report and
any subsequent reports received during the contract period. Accordingly, our peer review report dated
February 8, 2013, accompanies this letter.
Mr. Rick Santos, Executive Director, and
Internal Governance Committee of
Stanislaus County Employees’ Retirement Association
June 9, 2015
Page Eight.

We appreciate the opportunity to be of service to Stanislaus County Employees’ Retirement Association and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

By: Andrew J. Paulden

RESPONSE:

This letter correctly sets forth the understanding of Stanislaus County Employees’ Retirement Association.

Executive Director

Signature: 

Title: Executive Director Stan CERA

Date: 7/10/15
System Review Report

To the Shareholders of
Brown Armstrong Accountancy Corporation
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation (the firm) applicable to non SEC issuers in effect for the year ended October 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Brown Armstrong Accountancy Corporation applicable to non SEC issuers in effect for the year ended October 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Brown Armstrong Accountancy Corporation has received a peer review rating of pass.

Walter J. Strickland, CPA
WEATHER AND TIDWELL, L.L.P.
Dallas, Texas
February 8, 2013