



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

September 27, 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 August 23, 2016 Meeting Minutes [View](#)
 - b. Monthly Staff Report [View](#)
 - c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Childers, Maria – CSA – Effective 09-15-16
 2. Clark, Thomas – Ceres – Effective 09-19-16
 3. Fukui, Tomonori – BHRS – Effective 09-08-16
 4. Grieb, Carrie – CSA – Effective 09-07-16
 5. Emery, Betty – CSA – Effective 09-17-16
 6. Samora, Tina – HSA – Effective 09-02-16
 7. Short, Colleen – Courts – Effective 09-03-16
 8. Strohm, Ofick – SBT – Effective 08-24-16

** Indicates Safety Personnel*

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

1. Braley, Jason – Sheriff – Effective 06-15-2016 *
2. Henriquez, Francisco – DA – Effective 08-6-16

* Indicates Safety Personnel

e. Approval of Death Benefit – **Sections 31781, 31781.1, and 31781.3**

1. Cronk, John, Deceased September 4, 2016, Active Member
2. Ray, Adrienne Louise, Deceased July 16, 2016, Active Member

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

1. Ibarra, Kristy - District Attorney, Non-Service-Connected, Effective 09-28-16
2. Luu, Stefanie - Sheriff's Department, Non-Service Connected, Effective 05-11-16
3. Yarnall, Tambra - Probation Department, Service-Connected, Effective 02-23-14*

* Indicates Safety Personnel

6. Investment Manager Annual Presentation

- a. Dodge & Cox [View](#)
- b. Value Added [View](#)

7. Verus – Investment Consultant

- a. August 31, 2016 Flash Report [View](#)

8. Executive Director – Investment

- a. Discussion and Action Regarding the Addition of a Retirement Investment Officers Series [View](#)
- b. Discussion and Action Regarding the Revised Draft Investment Policy. [View](#)

9. Executive Director - Administrative

- a. Legal/Legislation Update [View](#)
- b. Discussion and Action to Consider Implementing Government Code Section 31760.2 [View](#)
- c. Discussion and Action for Voting Proxy of State Association of County Retirement Systems (SACRS) 2016 Fall Business Meeting [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)
- b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(d)(4)

12. Members' Forum (Information and Future Agenda Requests Only)
13. Adjournment



BOARD OF RETIREMENT MINUTES

August 23, 2016

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

Trustees Absent: None

Alternate Trustee Joan Clendenin, Alternate Retiree Representative

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 1:31 p.m. by Trustee Riley, Chair

2. Roll Call

3. Announcements

4. Public Comment

None

5. Consent Items

- a. Approval of the July 26, 2016 Meeting Minutes
- b. Monthly Staff Report
- c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

- 1. Cordero, Kathie – HSA – Effective 08-01-16
- 2. Corey, Jennifer – Sheriff – Effective 08-02-16 *
- 3. Dhingra, Harish – Courts – Effective 07-30-16
- 4. Hamiel, Aloise – HSA – Effective 08-08-16
- 5. LaSage, Francis – Assessor – Effective 08-18-16
- 6. Murillo, Frank – Probation – Effective 07-09-16 *
- 7. Rivera, Bertha – CSA – Effective 08-20-16
- 8. Schlaepfer, Madelyn – BHRS – Effective 08-03-16
- 9. Silva, Julie – Sheriff – Effective 08-22-16
- 10. Wagner, Charles – PW – Effective 07-01-16
- 11. Fenn III, Frank - Sheriff - Effective 05-02-15 *

** Indicates Safety Personnel*

Correction to Date from 7/26/16 Agenda - Vargas, Abel - changed from 07-08-16 to 07-09-16

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

- 1. Getrich, Samuel – DA – Effective 07-09-2016
- 2. Matich, Coral – HSA – Effective 07-16-16
- 3. Vieira, Debbie – BHRS – Effective 09-22-13

** Indicates Safety Personnel*

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

Motion carried unanimously

6. Investment Manager Annual Presentation

a. Medley

Chris and Seth Taube presented the annual presentation for Medley. The presentation was held via teleconference. Please see the report provided in the agenda for investment details.

7. Executive Director – Investment

a. 2016 Quarter 2 Auxiliary Investment Report

Rick Santos, Director, presented the 2016 Quarter 2 Auxiliary Investment Report please see agenda item for statistics.

8. Verus – Investment Consultant

a. July 31, 2016 Flash Report

July Portfolio Return:	4.7%
July U.S. Equity:	5.3%
July International Equity:	2.8%
July Fixed Income:	6.2%
July Real Estate:	7.1%

b. Investment Performance Quarter 2 Review

Qtr Ytd	1.3%	Fixed Income	5.2%
U.S. Equity	0.3%	Real Estate	5.3%
INT. Equity	-2.1%	Direct Lending	-0.01%

c. Discussion and Action Regarding Private Assets Reporting Methodology

Motion was made by Trustee Grover and seconded by Trustee O'Neal to approve a lagged reporting methodology for alternative investments. As presented by Ed Hoffman, Verus Investment Consultant.

Motion passed 7/2 roll call vote as follows:

Jim DeMartini	Yes
Michael O'Neal	Yes
Jeff Grover	Yes
Donna Riley	No
Mandip Dhillon	Yes
Mike Lynch,	Yes
Sam Sharpe	Yes
Gordon Ford	No
Darin Gharat	Yes

3:00 pm Break
3:10 pm Return

9. Executive Director - Administrative

a. Discussion and Action to Attend 2016 Public Funds Forum

Motion was made by Trustee Lynch and seconded by Trustee O'Neal to approve the attendance to the 2016 Public Funds forum and have trustees who attend report back to the Board.

Motion carried unanimously

10. Committee Reports and Recommendations for Action

a. Internal Governance Committee

1. Annual Financial Audit – Brown Armstrong, CPA's Entrance Conference Update.

Trustee Clendenin briefed the Board on the entrance conference presented by the auditors (Brown Armstrong) and outlined the proposed schedule.

11. Closed Session

Motion was made by Trustee Gharat and seconded by Trustee Sharpe to move in to closed session at 3:25 p.m.

Motion carried unanimously

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

b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(d)(4)

c. Recommendation for Non-Service Connected Disability Retirement for Jeannette Apolinar –
Section 31533

d. Independent Contractor Negotiation - Government Code Section 54957

Motion was made by Trustee Grover and seconded by Trustee O'Neal to move in to open session at 4:43 p.m.

Motion carried unanimously

Kellie Gomes read motions from closed session as follows:

Item 11.c Motion was made by Trustee and seconded by Trustee O'Neal to accept the recommendation for the Non-Service Connected Disability Retirement for Jeannette Apolinar to be set for hearing.

Motion carried unanimously

Motion carried unanimously

Item 11.d Motion was made by Trustee Lynch and seconded by Trustee O'Neal to approve staff recommendation as follow:

1. Approve the total not-to-exceed project budget of \$7,207,703
2. Approve the Information Technology Committee recommendation to purchase and implement the pension administration solution provided by Tegrity per their proposal dated June 29, 2016.
3. Direct the Executive Director to negotiate the terms of the contract and enter into agreement with Tegrity.
4. Direct the Executive Director to Amend the Contract with Linea Solutions to include Pension Administration System Implementation Support Services for the proposed cost of \$1,214,377 for two years with the option for two additional extensions of \$633,210 and \$637,317.
5. Adjust the fiscal year 2016-2017 Administrative budget to reflect the additional first year project expenses of \$2,067,526.

Motion carried unanimously

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

Trustee's DeMartini and Trustee Clendenin inquired about the Mr. Callahan's request. Rick reported that he met with Supervisor Monteith and discussed where we were in the process. We have reached out to our actuary about a cost analysis however, staff believes that the ability to enhance a benefit may not even be allowed by PEPR. Staff is currently awaiting a response from special counsel regarding the legality of this issue.

12. Adjournment

Meeting adjourned at 4:45 p.m.

Respectfully submitted,



Rick Santos, Executive Director

APPROVED AS TO FORM:

Fred Silva, GENERAL LEGAL COUNSEL

By:


Fred Silva, General Legal Counsel



September 27, 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* – Fiscal Year End processes are well underway and the Financial Auditors completed their initial field work. The 06/30/2016 Actuarial Valuation and the Actuarial Audit of the 6/30/2015 Valuation and three year Experience Study were also kicked off. In the first half of August, staff was consumed with the evaluation of proposals from software vendors. Employer and employee contributions totaling \$9,709,441 were received through 14 different payroll batches. The County had three payrolls in August, which accounts for the additional contributions. In addition, 10 contribution refunds and 6 death benefit payouts, two of which were active member deaths totaling \$471,848 were processed. The retiree payroll for September of \$9,423,765 was processed as scheduled. A drill of the Continuity of Operations was held at the end of August. Several issues were discussed and improvements put into place.

b) *Member & Employer Services* – During the month of August 2016, Member and Employer Services Staff processed 46 new hires (4 Safety and 42 General), 51 estimates, 31 buy backs and 42 terminations. There were 49 individual counseling sessions and one group session presented at the New Employee Orientation class.

Staff met with the auditors to discuss the individual cases that were pulled for review during the annual financial audit.

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.

c) *Investment Governance and Compliance* – During the past month, staff has been working in conjunction with the consultant on the Investment Policy Statement, enhancing various reports for our quarterly auxiliary reporting, working with our custodial bank regarding manager performance reconciliation and working to understand alternative incentive fee calculations.


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*

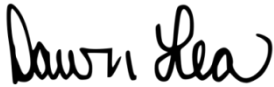
VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager



Dawn Lea, Member and Employer Services Manager

Investment Review for:

Item # 6.a

- I. Dodge & Cox Update
- II. Fixed Income Portfolio Review
- III. Equity Portfolio Review
- IV. Supplemental Exhibits

Stanislaus County Employees Retirement Association

September 27, 2016

Representing Dodge & Cox:

Steven H. Cassriel, Vice President, Portfolio Manager

Deirdre A. Curry, Vice President

This information was prepared at the above-named client's request in connection with a review of the client's account. The following information may not be distributed to or shared with any third party that is not an existing Dodge & Cox client without Dodge & Cox's prior written consent. Dodge & Cox does not guarantee the future performance of any account (including Dodge & Cox Funds) or any specific level of performance, the success of any investment decision or strategy that Dodge & Cox may use, or the success of Dodge & Cox's overall management of an account. Investment decisions made for a client's account by Dodge & Cox are subject to various market, currency, economic, political, and business risks (foreign investing, especially in developing countries, has special risks such as currency and market volatility and political and social instability), and those investment decisions will not always be profitable. While every effort is made to ensure accuracy, no representation is made that all information in this presentation is accurate or complete. Neither the information nor any opinion expressed in this presentation constitutes an offer to buy or sell the securities mentioned. This information is the confidential and proprietary product of Dodge & Cox. Any unauthorized use, reproduction, or disclosure is strictly prohibited.

Key Characteristics of Our Organization

June 30, 2016

Over 80 Years of Investment Experience

Dodge & Cox was founded in 1930. We have a stable and well-qualified team of investment professionals, most of whom have spent their entire careers at Dodge & Cox.

Independent Organization

Ownership of Dodge & Cox is limited to active employees of the firm. Currently there are 76 shareholders and 250^(a) total employees.

One Business

Dodge & Cox is solely in the business of investing our clients' assets. We apply a consistent investment approach to managing equity, debt, and balanced portfolios.

Single Investment Office Location

We maintain close communication among our investment professionals by managing investments from one office in San Francisco.

Independent Research Staff

Thorough fundamental analysis of each investment allows us to make independent, long-term decisions for our clients' portfolios.

^(a)Includes employees of wholly owned subsidiary Dodge & Cox Worldwide Investments Ltd. (UK).

Experienced and Stable Investment Team

June 30, 2016

Investment Policy Committee				Global Industry Analysts and PMs / Years at D&C / Coverage				Fixed Income Analysts and PMs / Years at D&C / Coverage			
Bryan Cameron	33	David Hoeft	23	John Gunn	44	Former Chairman		Dana Emery	33	Chief Executive Officer, President, Director of Fixed Income	
Charles Pohl	32	Steven Voorhis	20	Bryan Cameron	33	Senior Vice President, Director of Research		Shirlee Neil	24	Corporates, Portfolio Transitions	
Wendell Birkhofer	29	Philippe Barret	12	Charles Pohl	32	Chairman, Chief Investment Officer		Thomas Dugan	22	Senior Vice President, Associate Director of Fixed Income, Mortgage-Backed Securities	
Diana Strandberg	28	Kathleen McCarthy	<u>9</u>	Wendell Birkhofer	29	Senior Vice President, Portfolio Manager		Stephanie Notowich	21	Mortgage-Backed Securities, Portfolio Manager	
		Average Tenure:	23	Lynn Poole	29	Portfolio Manager		Nancy Kellerman	20	Municipals, Treasury Trading	
				Diana Strandberg	28	Senior Vice President, Dir. of Int'l. Equity		Larissa Roesch	19	Corporates, Portfolio Manager	
				Kevin Johnson	27	Portfolio Manager		James Dignan	17	Mortgage-Backed Securities	
				Steven Cassriel	24	Portfolio Manager		E. Saul Peña	16	Corporates	
				David Hoeft	23	Senior Vice President, Assoc. Dir. of Research		Thinh Le	15	Corporates	
				Steven Voorhis	20	Pharmaceuticals-Global		Lucy Johns	14	Corporates, Global Bonds, Portfolio Manager	
				John Iannuccillo	19	Aerospace-Global, Analytical Instruments-U.S., Electrical Equipment-Global, Paper/Forest Products-Global		Jay Stock	14	Analytics Systems, Treasury Futures	
						Banks-EMEA & Latin America		Adam Robinson	14	Corporates, Portfolio Manager	
				Mario DiPrisco	18	Senior Vice President, China & Hong Kong, Internet, Media/Cable/Satellite		Damon Blechen	14	Corporates, Global Bonds	
				Roger Kuo	18	Banks-U.S., Canada, Australia, Japan, South Korea, Japan, Specialty/Consumer Finance		Anthony Brekke	13	Corporates, Portfolio Manager	
						Insurance-Global		Nils Reuter	13	Mortgage-Backed Securities	
				Karol Marcin	16	EEMEA, Electric Utilities-Global, Natural Gas Pipelines & LDCs		Linda Chong	11	Mortgage- and Asset-Backed Securities, Global Bonds	
				Amanda Nelson	16	Cosmetics, Footwear & Apparel-Global, Retail-Global, Retail-Internet		Nicholas Lockwood	9	Municipals, Treasury Trading	
				Lily Beischer	15	EM, Latin America, Machinery-Global, Medical Devices		Allen Feldman	9	Mortgage-Backed Securities, Analytics Systems	
				Richard Callister	14	Commercial Services-Int'l, Oil/Oil Services-Global		Michael Kiedel	8	Corporates, Taxable Municipals	
				Englebert Bangayan	14	Commercial Printing, Consumer: Household Products & Food, Healthcare Services		Matthew Schefer	8	Corporates, Global Bonds, Emerging Markets	
				Raymond Mertens	13	Banks-ASEAN, China, India, Swiss, Turkey, UK, Asset Managers, Brokers, Exchanges, Trust Banks		Masato Nakagawa	4	Mortgage-Backed Securities	
						Appliances-Global, Biotech & Pharma, Building Products & Home Improvement-U.S., EM Asia		Mimi Yang	2	Global Bonds	
				Philippe Barret, Jr.	12	Autos, Auto Parts & Distribution-Global, Telecom Services-EM		Jose Ursua	1	Macroeconomics, Currency, Global Bonds	
				Karim Fakhry	10	Beverages-Global, Building Products-Int'l, Restaurants-Global, Tobacco		David Strasburg	1	Corporates	
				Joel-Patrick Millsap	10	Computer Hardware-Global, India, Metals & Mining-Global, Technology Services-Global		Samir Amso	1	Global Bonds, Corporates	
				Kathleen McCarthy	9	Electronic Components, Japan, Logic Semiconductors					
				Paritosh Somani	9	Consumer Electronics-Global, Memory Semiconductors, Telecom Services-U.S., Canada, Video Games					
				Tae Yamaura	8	Chemicals-Global, Transportation-Global					
				Arun Palakurthy	8	Portfolio Manager					
				Benjamin Garosi	7	Energy/Oil-Global, Homebuilders, REITs, Hotels-Global					
				Hallie Marshall	7	China, Telecom Equipment-Global					
				Salil Phadnis	5	Asset Allocation, Economics, Portfolio Strategy					
						Banks-Europe & Latin America, Global Tech Software					
				Sophie Chen	4	Telecom Services-Europe, Developed Asia					
				Robert Turley	3						
				Rameez Dossa	3						
				Kevin Glowalla	3						

Years of experience at Dodge & Cox are updated annually in May

Employee Update – Investment Professionals

January 1, 2012 – June 30, 2016

Hired			Retired/Resigned		Years with Firm	
2016			Retired			
Thomas Lukacovic	Equity Trader	1Q				
2015			2016			
William J. Hughes	Equity Trader	4Q	Gregory R. Serrurier	Equity Portfolio Manager	32	2Q
Kevin P. Glowalla	Global Industry Analyst	3Q	2015			
Samir E. Amso	Fixed Income Trader	3Q	Janet R. Montoya	Equity Trader	28	4Q
David H. Strasburg	Fixed Income Analyst	2Q	Kent E. Radspinner	Fixed Income Portfolio Manager	19	4Q
2014			Robert B. Thompson	Fixed Income Portfolio Manager	23	2Q
Jose F. Ursua	Fixed Income Analyst	4Q	2014			
Mimi Yang	Global Bond Portfolio Associate	2Q	Kenneth E. Olivier	Chairman Emeritus	35	4Q
2013			Resigned			
Salil A. Phadnis	Global Industry Analyst	3Q	2015			
Rameez Dossa	Global Industry Analyst	3Q	Michele L. Cobble	Equity Trader	12	2Q
Molly K. Myers ^(a)	Portfolio Manager (PCG)	2Q	2014			
Robert S. Turley	Portfolio Analyst	2Q	Gabriel Sod Hoffs	Fixed Income Analyst	3	2Q
Allen C. Feldman ^(a)	Fixed Income Analyst	1Q				
2012						
Sophie Chen	Global Industry Analyst	4Q				
Masato Nakagawa	Fixed Income Analyst/Trader	3Q				

Annual Total Employees^(b)

2011	2012	2013	2014	2015
216	220	228	237	249

^(a)Internally Promoted ^(b)Includes employees of wholly owned subsidiary Dodge & Cox Worldwide Investments Ltd. (UK).

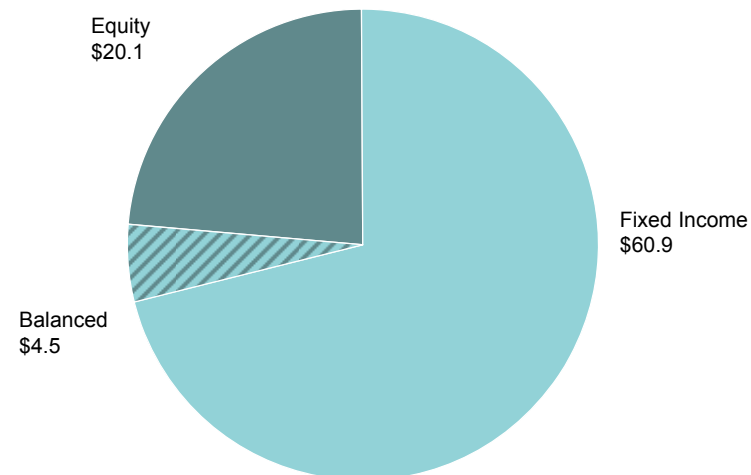
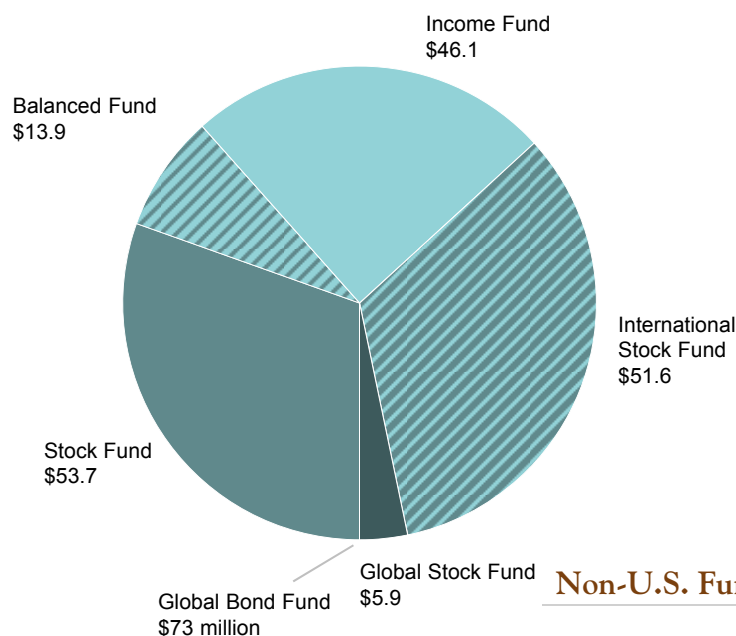
Dodge & Cox Assets Under Management (US \$ in billions)

June 30, 2016

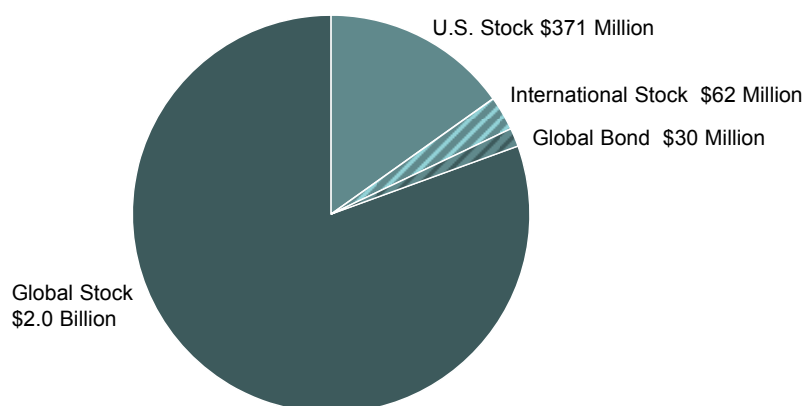
\$259.3 in Total Assets: \$147.2 in Equities / \$112.1 in Fixed Income

Dodge & Cox Funds: \$171.3 Billion

Separate Accounts: \$85.5 Billion



Non-U.S. Funds (Irish UCITS): \$2.5 Billion



Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Fixed Income Portfolio Review

Stanislaus County Employees' Retirement Association - Fixed Income August 31, 2016

Governing Investment Guideline Documents

Stanislaus County Employees' Retirement Association Statement of Investment Policy as revised November 26, 2013

Confirming letter dated January 7, 2014 – Identifies points of clarification to specific sections of the Investment Policy Statement

Side letter of understanding dated January 2011 related to “Corporate Fraudulent Behavior Notification Guidelines”

Side letter of understanding dated April 2008 confirming account is not subject to restrictions under “Non-U.S. Equity Security Holdings”

Benchmark

- Barclays U.S. Aggregate Bond Index

Performance Objectives

- Outperform the Barclays U.S. Aggregate Bond Index, net of management fees, over a rolling 3 to 5 years
- Exceed the 50th percentile of the Bonds Total Fund Universe over a rolling 3 to 5 years

Selected Guidelines^(a)

- U.S. Government, Agency, and Corporate Bonds
- Mortgage and Asset Backed Securities
- USD denominated debt of non-U.S. issuers

Structure and Diversification^(a)

- No more than 5% in any issuer
- At least 85% of the portfolio shall be rated investment grade
- Weighted average quality of at least A+
- No more than 5% of the portfolio should be in unrated securities
- The average effective duration must be maintained at +/- 35% of the Barclays U.S. Aggregate Bond Index

^(a) The selected guidelines & structure and diversification are provided for discussion purposes only, are not comprehensive, and should not be relied upon as a summary of all guidelines applicable to the account.

Portfolio Summary

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct

Account #1607

	Market Value 8/ 31/ 16	%	Estimated Annual Income	Estimated Current Yield
Fixed Income Securities	\$405,342,168	96.4%	\$15,651,315	3.9 %
Cash	12,207,743	2.9	8,545	0.1
Total Under Management	\$417,549,911	99.3%	\$15,659,860	3.8 %
Accrued Income	3,126,544	0.7		
Total	\$420,676,455	100.0%	\$15,659,860	3.7 %

See Notes in your full appraisal report for details regarding the calculation of Estimated Annual Income and Estimated Current Yield.

Time Weighted Total Rates of Return

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct

Account #1607

								Since
Account Summary	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	12/ 31/ 83
Fixed Income Securities	0.52	3.18	6.87	6.82	5.12	4.76	6.09	8.78
Total Portfolio *	0.51	3.11	6.70	6.65	4.99	4.64	5.96	8.73
Total Portfolio (Net of Fees)	0.50	3.09	6.64	6.57	4.91	4.56	5.87	8.62
Comparative Indices								
Barclays U.S. Aggregate Bond Index	-0.11	2.33	5.87	5.99	4.38	3.25	4.90	7.48

NOTE: Performance returns do not reflect the deduction of investment management fees and are annualized for periods greater than one year, unless otherwise noted.

* Before 4/ 1/ 01, Account No. 1607 did not include cash equivalents.

Performance Attribution

One Year Ending August 31, 2016

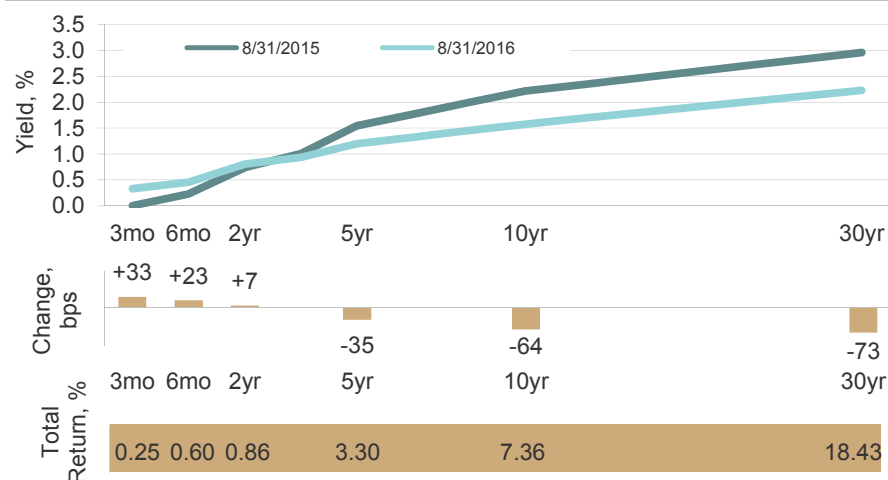
Stanislaus County Employees Retirement Association-Bond Acct

Portfolio (gross of fees): 6.65%

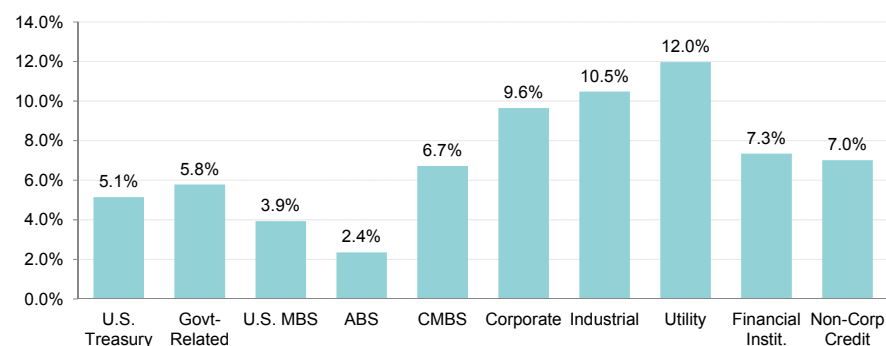
Barclays U.S. Aggregate Bond Index: 5.99%

Difference: 0.66%

Treasury Yield Changes



Barclays U.S. Aggregate Bond Index Sector Returns



Relative Contributors

- The portfolio's **overweight to corporate bonds** and **underweight to U.S. Treasuries** added to relative returns.
- Several **commodity-related issuers** performed very well, most notably emerging market holdings Cemex, Pemex, Petrobras, and Rio Oil Finance Trust, as well as Kinder Morgan and Teck Resources.
- The portfolio's **nominal yield advantage** contributed to relative returns.

Relative Detractors

- The portfolio's **shorter relative duration** hampered relative returns.
- **Certain corporate holdings** underperformed, most notably Bank of America capital securities, Macy's, and Telecom Italia.

Sources: Bloomberg LP, Barclays POINT.

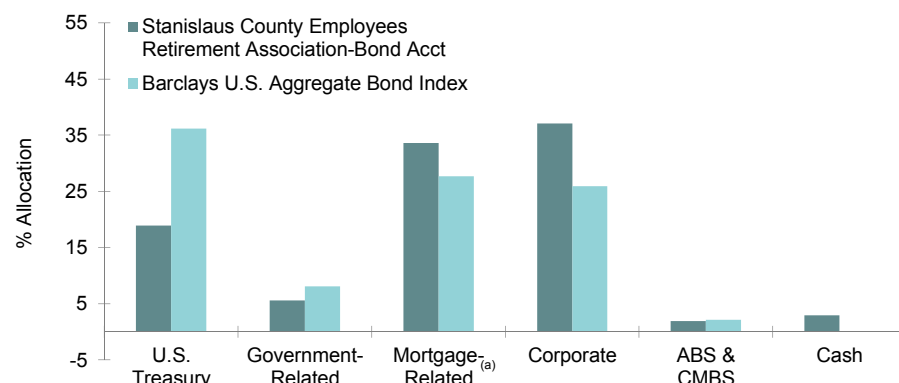
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Portfolio Structure

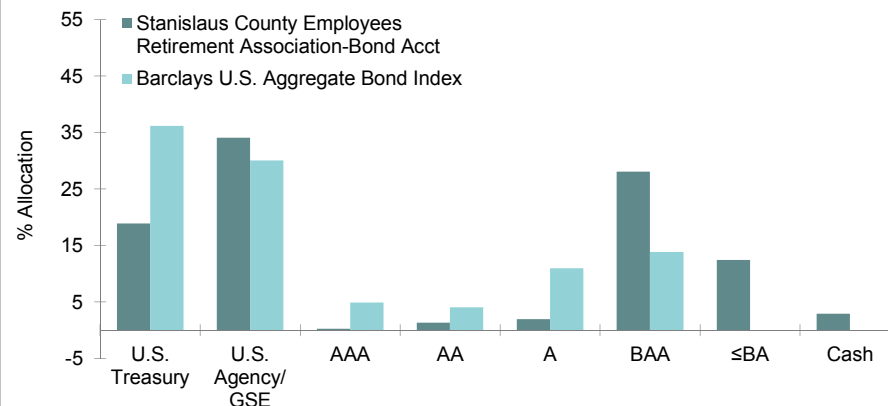
August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct

Sector Composition



Quality Composition



Weighted-Average Summary Characteristics

	Stanislaus County Employees Retirement Association-Bond	Barclays U.S. Aggregate Bond Index
Yield-to-Worst ^(b)	2.60%	1.95%
Quality ^(c)	A+	AA
Effective Duration	4.1 Years	5.5 Years

^(a)The portfolio's mortgage-related holdings may include Agency multifamily mortgage securities; the Index classifies these securities under CMBS – Agency CMBS. ^(b)Yield and principal value fluctuate with market conditions. ^(c)In calculating a portfolio's weighted average quality, Dodge & Cox translates each security's rating from an alpha value to a numerical value (if a security is unrated, Dodge & Cox assigns a rating in accordance with our internal policy), calculates a weighted average numerical rating, and then translates the resulting number back into an alpha value based on the same scale. All cash and portfolio holdings are included in this calculation. Both Dodge & Cox and the Barclays Index apply a methodology using a linear numerical scoring system. Other methodologies could produce a lower weighted-average quality. The portfolio's weighted average quality is not a rating of the portfolio by an independent rating agency and should not be considered an assessment of the stability or safety of the portfolio.

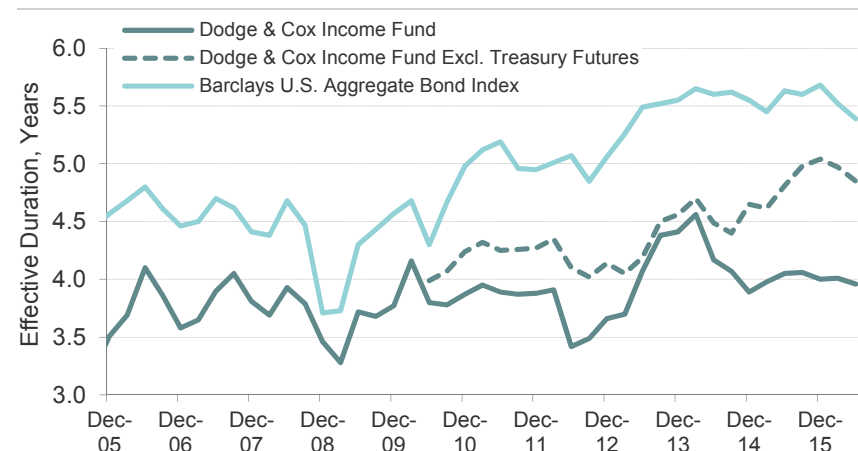
Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

Duration Positioning

June 30, 2016

Dodge & Cox Income Fund

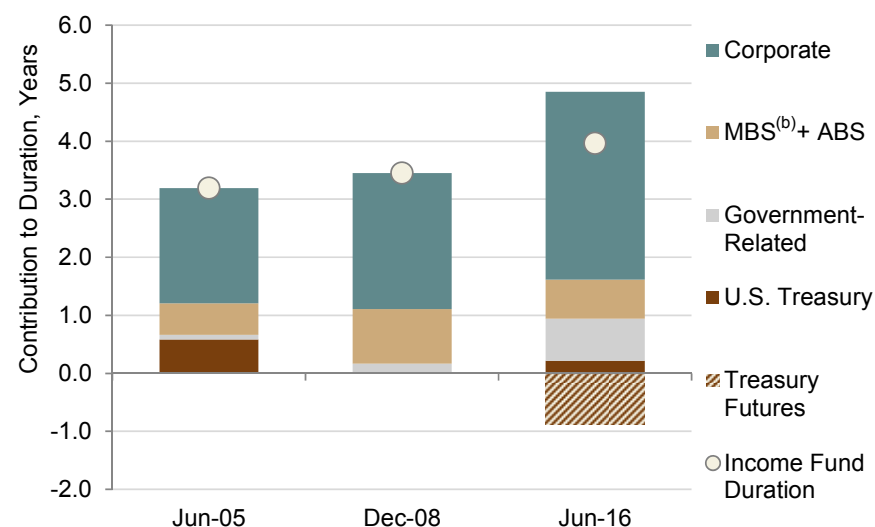
Effective Duration



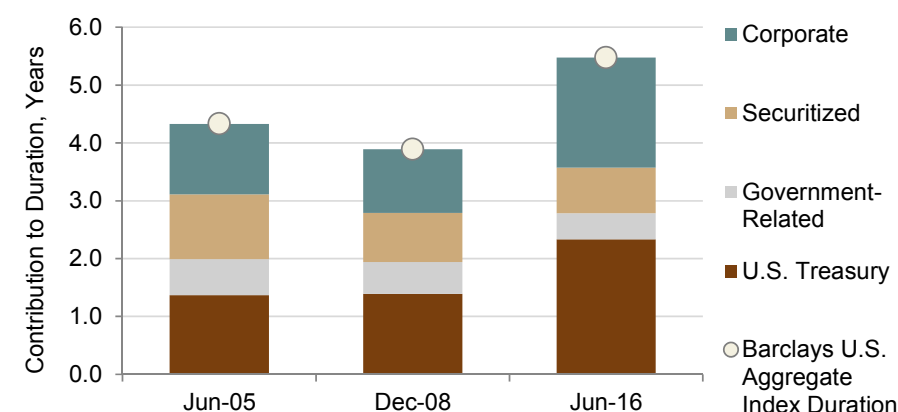
Key Points

- The Fund's absolute duration position is an outgrowth of bottom-up security selection as well as our concern about the potential for higher rates.
- We maintain spread exposure through Corporate, Mortgage-, and Government-Related issuers while using Treasury Futures to mitigate some of the interest rate exposure.
- Our shorter relative duration is due in part to the extension of the Barclays U.S. Aggregate Bond Index.
- The Index duration has extended due to increased duration contribution from Treasuries (more issuance), MBS (lower coupon and longer duration), and Corporates (increased issuance of 10+ year maturities).

Dodge & Cox Income Fund – CTD^(a) by Sector



Barclays U.S. Aggregate Bond Index – CTD^(a) by Sector



^(a)Contribution to Duration (CTD) = Portfolio weightings (%) x Duration (Years). ^(b)The portfolio's mortgage-related holdings may include Agency multifamily mortgage securities; the Index classifies these securities under CMBS – Agency CMBS.

Source: Bloomberg LP, Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Portfolio Composition by Theme

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct

U.S. Treasury Securities 18.9%

Various U.S. Treasury Notes	18.9%	<ul style="list-style-type: none"> Generally maintain a lower-than-market weighting Used to control portfolio duration and yield curve exposure Currently maintain lower-than-market duration Increase portfolio yield through holding off-the-run issues
-----------------------------	-------	---

Mortgage-Related Securities 33.6%

Seasoned Pass-Throughs	18.7%	<ul style="list-style-type: none"> Predominantly GSE-guaranteed Yield advantage and total-return potential vs. similar duration alternatives Emphasize stable average-life investments to provide defensive feature
Collateralized Mortgage Obligations	3.6%	
Agency Multifamily	0.9%	
"Hybrid" ARMs	10.4%	

Government-Related Securities 5.6%

Small Business Admin. - 504 Program	0.5%	<ul style="list-style-type: none"> U.S. Agencies add incremental yield with little added credit risk
Corp. Nacional del Cobre de Chile	2.7%	<ul style="list-style-type: none"> Non-U.S. entities provide diversification and attractive risk/reward
Petroleo Brasileiro SA		
Petroleos Mexicanos		
New Jersey Turnpike Authority RB	2.4%	<ul style="list-style-type: none"> Taxable munis provide diversification and compelling risk/reward
State of California GO		
State of Illinois GO		

Corporate Securities 37.1%^(a)

Allergan PLC	Ford Motor Credit Co. LLC ^(b)	<ul style="list-style-type: none"> Seek stable-to-improving corporate credits to build portfolio yield and enhance relative total return potential Emphasize non-callable and call-protected securities for durability of cash flows and to preserve appreciation potential
AT&T, Inc.	General Electric Co.	
Bank of America Corp.	HSBC Holdings PLC	
Barclays PLC	Imperial Brands PLC	
BHP Billiton, Ltd.	JPMorgan Chase & Co.	
BNP Paribas SA	Kinder Morgan, Inc.	
Boston Properties, Inc.	Lloyds Banking Group PLC	
Burlington Northern Santa Fe LLC ^(b)	Macy's, Inc.	
Capital One Financial Corp.	Naspers, Ltd.	
Cemex SAB de CV	Navient Corp.	
Charter Communications, Inc.	RELX PLC	
Cigna Corp.	Royal Bank of Scotland Group PLC	
Citigroup, Inc.	Teck Resources, Ltd.	
Cox Enterprises, Inc.	Telecom Italia SPA	
CRH PLC	Time Warner, Inc.	
Diamond 1&2 Finco (Dell-EMC)	TransCanada Corp.	
Dillard's, Inc.	Twenty-First Century Fox, Inc.	
Dominion Resources, Inc.	Unum Group	
Dow Chemical Co.	Verizon Communications, Inc.	
Enel SPA	Vulcan Materials Co.	
Equity Residential	Wells Fargo & Co.	

Asset-Backed Securities 1.9%

Ford Credit Auto Owner Trust	<ul style="list-style-type: none"> Seek well-structured securities with attractive risk/reward
Rio Oil Finance Trust	

Cash 2.9%

^(a)Except as noted, investments grouped by parent company. Actual securities may be issued by the listed parent company or one of its subsidiaries. ^(b)Subsidiary.

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Portfolio Credit Holdings by Sector^(a)

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct Barclays U.S. Aggregate Bond Index (Benchmark)

Corporate: Financial Institutions		Corporate: Industrial		Corporate: Utility		Non-Corporate Credit	
Banking	9.3	Basic Industry	1.1	Technology	1.0	Sovereign	0.0
	5.7		0.9		2.0		1.3
Bank of America Corp.		BHP Billiton, Ltd.		Diamond 1&2 Finco (Dell-EMC)			
Barclays PLC		Dow Chemical Co.				Supranational	0.0
BNP Paribas SA		Teck Resources, Ltd.		Transportation	0.3		1.6
Capital One Financial Corp.					0.6		
Citigroup, Inc.		Capital Goods	2.8	Burlington Northern Santa Fe LLC ^(b)		Natural Gas	0.0
HSBC Holdings PLC			1.3				0.1
JPMorgan Chase & Co.		Cemex SAB de CV		Communications	11.1	Foreign Agency	2.7
Lloyds Banking Group PLC		CRH PLC			2.5		1.5
Royal Bank of Scotland Group PLC		Vulcan Materials Co.		AT&T, Inc.		Corp. Nacional del Cobre de Chile	
Wells Fargo & Co.				Charter Communications, Inc.		Petroleo Brasileiro SA	
		Consumer Cyclical	2.7	Cox Enterprises, Inc.		Petroleos Mexicanos	
Brokerage	0.0		1.9	Naspers, Ltd.		Local Government	2.4
	0.2	Dillard's, Inc.		RELX PLC			1.2
		Ford Motor Credit Co. LLC ^(b)		Telecom Italia SPA		New Jersey Turnpike Authority RB	
		Macy's, Inc.		Time Warner, Inc.		State of California GO	
Finance Companies	1.3			Twenty-First Century Fox, Inc.		State of Illinois GO	
	0.3	Consumer Non-Cyclical	1.6	Verizon Communications, Inc.			
General Electric Co.			4.1				
Navient Corp.		Allergan PLC		Other Industrial	0.0		
		Imperial Brands PLC			0.1		
Insurance	1.3	Energy	2.4				
	1.3		2.4				
Cigna Corp.		Kinder Morgan, Inc.					
Unum Group		TransCanada Corp.					
REITS	1.0						
	0.6						
Boston Properties, Inc.							
Equity Residential							
Other Financial	0.0						
	0.0						
Portfolio Total	12.8			23.1		5.1	42.2
Benchmark Total	8.0			15.9		5.6	31.6

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Banking Exposure

June 30, 2016

Dodge & Cox Income Fund

The Fund maintains an overweight position in the banking sector with a particular focus on U.S. and UK banks at a subordinated level of the capital structure. We continually assess the relative value of these positions vs. other levels of each bank's capital structure and non-bank investment alternatives.

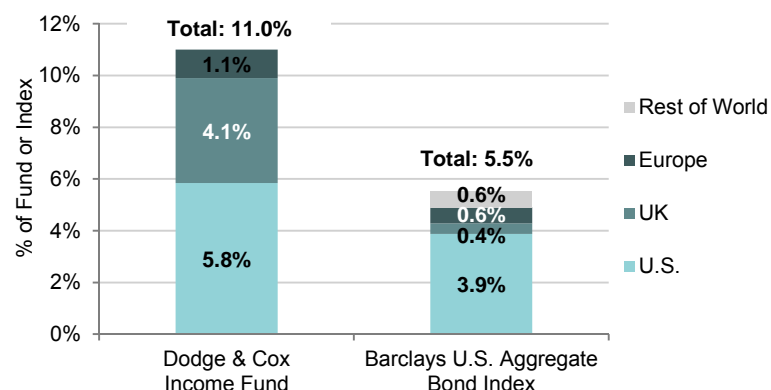
UK/European Banks (5.2% of the Fund; 4.7% in subordinated bonds)

- We believe, based on the United Kingdom voting to leave the European Union, UK and European economic growth are likely to decline, with resulting negative effects on banks/ net interest margin, cost of capital, loan growth, and asset quality.
 - However, we believe that the Fund's bank holdings have sufficient liquidity and capital to weather most macroeconomic headwinds.
- The primary strengths of these holdings include their strong capital positions, high yield premiums, transparent/mature regulatory backdrop, and signals that the large legacy conduct costs relating to U.S. RMBS litigation and Payment Protection Insurance (PPI) remediation in the UK have peaked.
- The Fund's primary non-U.S. banking exposures are in the United Kingdom, with positions in Barclays, Lloyds, HSBC, and RBS. The Fund also owns subordinated debt in one French bank, BNP Paribas.

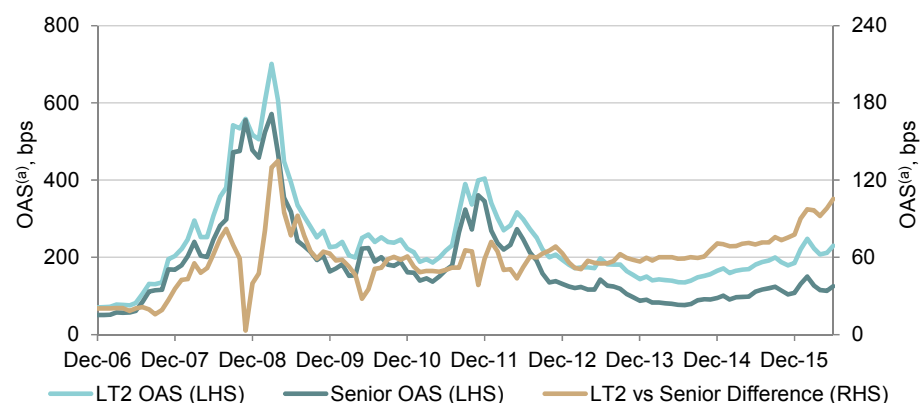
U.S. Banks (5.8% of the Fund; 3.8% in subordinated bonds)

- The primary attractions of the Fund's U.S. bank holdings are their large scale, improving capital levels, high liquidity, absence of material litigation overhangs, mature regulatory backdrop, and the underlying growth prospects of the U.S. economy. Risks include legacy asset exposures and net interest margin pressures in a prolonged low rate environment.
- The Fund has investments in all of the large money-center U.S. banks—Bank of America, Citigroup, JPMorgan and Wells Fargo—as well as a position in regional bank Capital One.

Bank Exposure by Headquarter



Lower Tier 2 v. Senior Bank Bond Spreads



^(a)OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return.

Source: Bloomberg, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Energy and Commodity Exposure

June 30, 2016

Dodge & Cox Income Fund

We have made select energy and mining investments where we believe the individual issuers have attractive risk/reward and can withstand weak commodity prices for an extended period of time.

Asset-Backed: We seek structured securities with strong covenants that provide downside protection.

Rio Oil: Strong covenants and solid free cash flow generation, but rating is tied to Petrobras production and oil prices, leading to a bond covenant violation in September.

State-Controlled Companies: We seek strong asset coverage and high likelihood of sovereign support. Currently out of favor due to low prices and EM fears.

Codelco: 100%-owned by Chile govt. World's largest copper producer with long reserve life. High capex and rising costs may pressure financials going forward.

PEMEX: 100%-owned by Mexico govt. Large, low-cost resource base, but high fiscal burden, declining production, and large unfunded pension.

Petrobras: Majority-owned by Brazil govt. Strong resource base and growth prospects, but facing large funding needs, FX mismatch, and corruption scandal.

Midstream: We seek stable cash flows backed by long-term take-or-pay contracts. Currently out of favor due to high leverage and declining growth expectations.

TransCanada: Strong commitment to A rating, but large capex plan and 25% of EBITDA from power generation is a risk. We own subordinated securities.

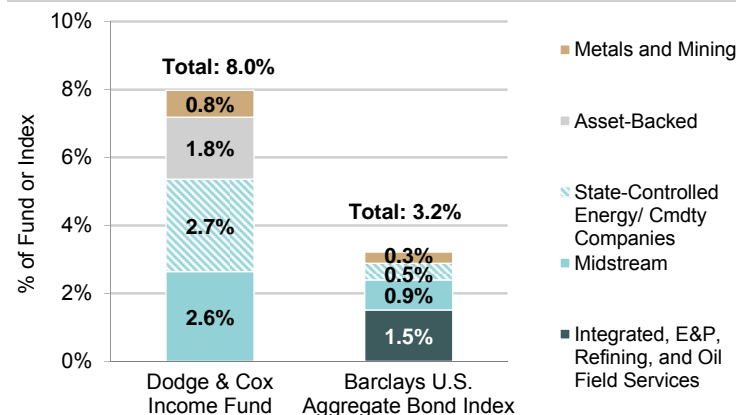
Kinder Morgan: Largest natural gas pipeline operator in the U.S., with relatively low direct oil exposure (~15%). Very high leverage and ongoing funding needs.

Metals and Mining: We seek diversified miners with the balance sheet strength to ride out commodity volatility. Currently out of favor due to weak metals prices.

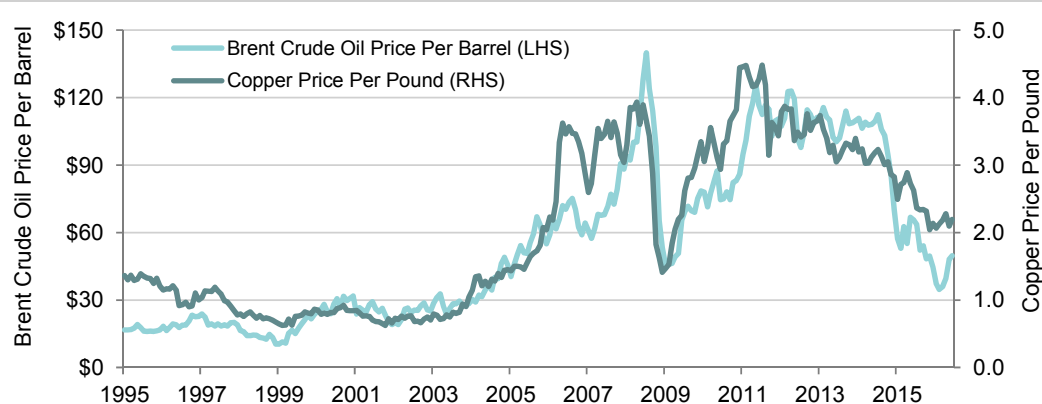
Teck Resources: Exposed primarily to met coal and copper, with a robust liquidity position. Currently burning cash and may need to subordinate bondholders.

BHP Billiton: World's largest mining company, with a strong balance sheet and world-class, low-cost assets that generate cash through the commodities cycle.

Current Energy and Commodity Positioning



Oil and Copper Price History



Source: Bloomberg, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

USD-Denominated Non-U.S. Exposure

June 30, 2016

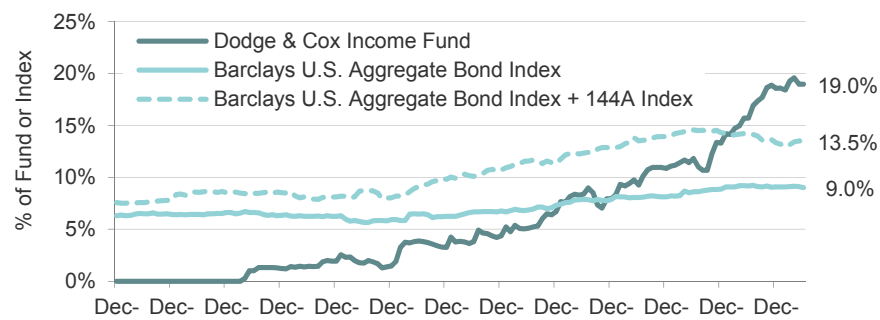
Dodge & Cox Income Fund

In recent years, Dodge & Cox has increasingly invested in U.S. dollar-denominated debt of non-U.S. domiciled corporations, quasi-sovereigns, and sovereigns in our domestic fixed income portfolios. Our global research capabilities, increased market opportunities, and attractive valuations have all contributed to this trend.

Key Points

- The Fund's non-U.S. holdings are selected using the same bottom-up fundamental research approach we employ for U.S. issuers, evaluating dislocations in long-term relative risk/reward
 - Additional analysis on non-U.S. domiciled entities focuses on the risks/benefits associated with domicile location (e.g., regulatory framework, bankruptcy laws, ties to sovereign, etc.)
 - OAS is typically more attractive relative to similar U.S.-domiciled entities
- The Fund's non-U.S. holdings represent a range of industries, countries, and regions
 - Current bank holdings are concentrated in the UK, which has a strong, independent banking regulator
 - Emerging markets holdings are primarily quasi-sovereign entities as well as companies that have valuable (hard) assets and/or sources of developed market revenues

Non-U.S. Exposure by Universe



Non-U.S. domiciled credit holdings are geographically diversified

Emerging Market Issuers	OAS ^(a)	Country of HQ	Local Region Revenue ^(b)	Fund Weight
Naspers, Ltd.	315	South Africa	69%	1.10%
Petroleos Mexicanos	407	Mexico	88%	1.75%
Cemex SAB de CV	465	Mexico	48%	1.55%
Rio Oil Finance Trust ^(c)	1261	Brazil	100%	1.83%
Petroleo Brasileiro SA	657	Brazil	100%	0.69%
Corp. Nacional del Cobre de Chile	249	Chile	11%	0.28%
				7.20%

Developed Market Issuers	OAS ^(a)	Country of HQ	Local Region Revenue ^(b)	Fund Weight
BHP Billiton, Ltd.	450	Australia	73%	0.53%
BNP Paribas SA	257	France	73%	1.10%
CRH PLC	174	Ireland	49%	0.42%
Eaton Corp. PLC	114	Ireland	21%	0.14%
Allergan PLC	159	Ireland	<15%	0.48%
Enel SPA	281	Italy	83%	0.79%
Telecom Italia SPA	332	Italy	75%	1.65%
Kingdom of Spain	108	Spain	100%	0.13%
LafargeHolcim, Ltd.	69	Switzerland	25%	0.16%
Lloyds Banking Group PLC	299	UK	100%	0.70%
Royal Bank of Scotland PLC	424	UK	95%	1.25%
Barclays PLC	354	UK	57%	0.58%
Imperial Brands PLC	172	UK	>50%	1.19%
HSBC Holdings PLC	279	UK	34%	1.54%
RELX PLC	165	UK	26%	0.39%
TransCanada Corp.	545	Canada	100%	0.48%
Teck Resources, Ltd.	719	Canada	23%	0.25%
				11.77%

^(a)OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. ^(b)Revenues based on year-end filings, regions defined as North America, South America, Europe, Asia/Pacific, and Middle East/Africa. ^(c)Asset-backed security.

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Equity Portfolio Review

Stanislaus County Employees' Retirement Association - Equity August 31, 2016

Governing Investment Guideline Documents

Stanislaus County Employees' Retirement Association Statement of Investment Policy as revised November 26, 2013

Confirming letter dated January 7, 2014 – Identifies points of clarification to specific sections of the Investment Policy Statement

Side letter of understanding dated January 2011 related to “Corporate Fraudulent Behavior Notification Guidelines”

Side letter of understanding dated April 2008 confirming account is not subject to restrictions under “Non-U.S. Equity Security Holdings”

Benchmark

- Russell 1000 Value Index

Performance Objectives

- Outperform the Russell 1000 Value Index, net of management fees, over a rolling 3 to 5 years
- Exceed the 50th percentile of the Large Cap Value Equity Universe over a rolling 3 to 5 years

Selected Guidelines^(a)

- Equity holdings in any single issuer must not exceed 5% of all shares outstanding
- Equity holdings in any single issue must not exceed 8% of the portfolio, measured at time of purchase
- Equity holdings in ADRs and other foreign companies (excluding foreign companies in the S&P 500 Index) must not exceed 20% of the portfolio, measured at market
- Investments in any one economic sector may not exceed the greater of three times the Russell 1000 Value commitment to that sector or 25% of the portfolio, measured at time of purchase
- All equity investments must be traded on an established exchange
- Securities traded over-the-counter are prohibited

^(a) The selected guidelines are provided for discussion purposes only, are not comprehensive, and should not be relied upon as a summary of all guidelines applicable to the account.

Portfolio Summary

August 31, 2016

Stanislaus County Employees Retirement Association - Equity

Account #827

	Market Value 8/ 31/ 16	%	Estimated Annual Income	Estimated Current Yield
Equity Securities	\$169,123,710	97.1 %	\$3,129,447	1.9 %
Cash	5,059,039	2.9	12,142	0.2
Total Under Management	\$174,182,749	100.0%	\$3,141,589	1.8 %

See Notes in your full appraisal report for details regarding the calculation of Estimated Annual Income and Estimated Current Yield.

Time Weighted Total Rates of Return

August 31, 2016

Stanislaus County Employees Retirement Association - Equity

Account #827

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since 12/31/72
Account Summary *								
Equity Securities	1.97	4.85	8.72	9.33	10.51	15.35	6.27	11.75
Total Portfolio **	1.91	4.76	8.57	9.18	10.32	15.07	6.39	11.77
Total Portfolio (Net of Fees)	1.90	4.72	8.44	8.99	10.14	14.88	6.21	11.55
Comparative Indices								
Standard & Poor's 500 Composite	0.14	4.11	7.83	12.58	12.32	14.69	7.52	10.15
Russell 1000 Value Index	0.77	4.58	10.20	12.90	10.68	14.38	6.08	N.A.

NOTE: Performance returns do not reflect the deduction of investment management fees and are annualized for periods greater than one year, unless otherwise noted.

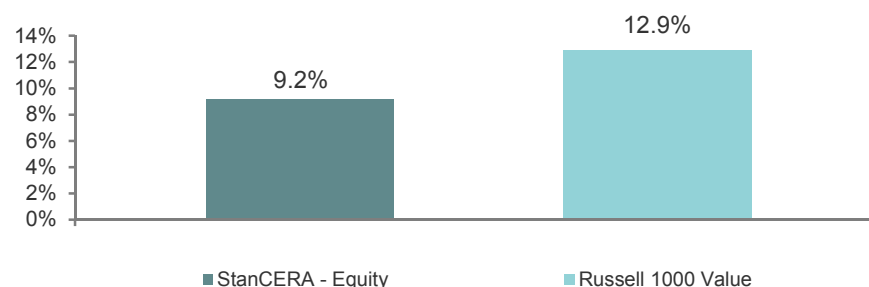
* Account established 6/14/68; performance prior to 12/31/72 is not available.

** Before 4/1/01, Account No. 827 did not include cash equivalents.

Comparative Investment Results

One Year Ending August 31, 2016

Stanislaus County Employees Retirement Association – Equity vs. Russell 1000 Value Twelve-Month Equity Total Return, Gross of Fees



Key Contributors to Relative Results	Average Weight		Performance	
	Account	Index	Account	Index
Information Technology	24%	11%	+30%	+24%
Consumer Discretionary	16%	5%	+11%	+3%

Strongest performing holdings: Hewlett Packard Enterprise (+50%), Symantec (+49%), Microsoft (+36%), Corning (+35%), and Coach (+31%)

Key Detractors from Relative Results

Health Care	17%	12%	-2%	+12%
Financials	26%	24%	-1%	+4%
Utilities	-	7%	-	+21%

Weakest performing holdings: Weatherford (-46%), Aegon (-30%), Liberty Interactive (-22%), Sanofi (-19%), and NOW (-19%)

Source: FactSet. Holding period performance is shown for each security and may be shorter than the performance period shown for the account due to the timing of purchases and sales. Sectors are ranked by total relative effect from attribution analysis. Individual holdings are ranked by holding period total return. FactSet returns can vary from other sources due to methodology differences. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Performance Attribution: Sectors

One Year Ending August 31, 2016

Stanislaus County Employees Retirement Association - Equity(+9.2%) vs. Russell 1000 Value (+12.9%)
Twelve-Month Equity Total Return, Gross of Fees

	Fund		Index		Total Impact on Return vs. Index
	Average Weight	Total Return	Average Weight	Total Return	
Information Technology	23.8%	+30.0%	11.1%	+24.3%	+2.5%
Consumer Discretionary	16.1%	+10.6%	5.0%	+2.7%	+0.2%
Telecommunication Services	0.7%	+22.1%	2.9%	+22.8%	-0.0%
Materials	1.2%	+8.4%	2.8%	+21.3%	-0.2%
Consumer Staples	2.2%	+13.7%	7.5%	+18.3%	-0.3%
Industrials	4.6%	+22.2%	9.7%	+22.4%	-0.3%
Energy	8.2%	-1.3%	13.0%	+7.0%	-0.4%
Real Estate	-	-	4.8%	+23.8%	-0.4%
Utilities	-	-	6.6%	+21.1%	-0.5%
Financials	25.9%	-1.3%	24.4%	+4.3%	-1.6%
Health Care	17.3%	-2.0%	12.2%	+11.9%	-2.6%

Source: FactSet. Sectors are ranked by total relative effect from attribution analysis. FactSet returns can vary from other sources due to methodology differences. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Performance Attribution: Holdings

One Year Ending August 31, 2016

Stanislaus County Employees Retirement Association - Equity

Top Five Contributors

	Average Weight	Total Return	Contribution to Return
Hewlett Packard Enterprise	2.3%	+49.7%	+1.26%
Microsoft	3.6%	+35.7%	+1.19%
Google Inc. Cl A	3.0%	+23.1%	+0.63%
Time Warner Cable	2.9%	+14.0%	+0.62%
Comcast	3.0%	+17.9%	+0.61%

Bottom Five Detractors

Novartis	3.3%	-16.3%	-0.72%
Sanofi	2.6%	-19.1%	-0.54%
Express Scripts	2.1%	-13.0%	-0.43%
Capital One	3.9%	-5.7%	-0.30%
Goldman Sachs	2.4%	-8.7%	-0.28%

Ten Largest Holdings

	Average Weight	Total Return	Contribution to Return
Wells Fargo	4.1%	-1.8%	-0.19%
Capital One	3.9%	-5.7%	-0.30%
Microsoft	3.6%	+35.7%	+1.19%
Charles Schwab	3.3%	+4.5%	-0.05%
Novartis	3.3%	-16.3%	-0.72%
Bank of America	3.2%	+0.5%	-0.01%
Time Warner	3.1%	+12.7%	+0.39%
Comcast	3.0%	+17.9%	+0.61%
Google Inc. Cl A	3.0%	+23.1%	+0.63%
Time Warner Cable	2.9%	+14.0%	+0.62%

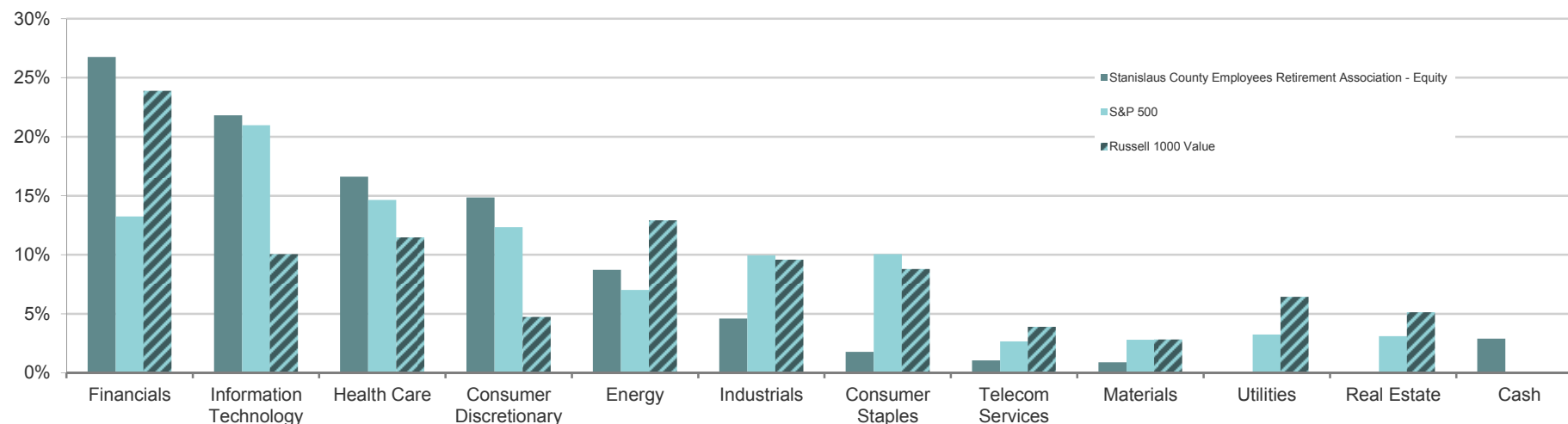
Source: FactSet. Holding period performance is shown for each security and may be shorter than the performance period shown for the account, due to the timing of purchases and sales. FactSet returns can vary from other sources due to methodology differences. Performance figures do not reflect the deduction of investment advisory fees and other expenses. Returns will be reduced by advisory fees and other expenses incurred in the management of your account. For example, if an annual management fee of .60% were deducted quarterly from your account, a ten-year annualized cumulative composite return of 10.00% would be reduced by .64% to 9.36%. Information on Dodge & Cox investment advisory fees can be found in its Form ADV Part 2A.

Portfolio Structure

August 31, 2016

Stanislaus County Employees Retirement Association - Equity

Sector Analysis



Representative Portfolio Characteristics^(d)

	Dodge & Cox	S&P 500	Russell Value
Number of holdings	61	505	691
Price/earnings (forward) ^(a)	14.2x	18.5x	15.9x
Price/cash flow ^(b)	11.2x	14.1x	12.6x
Price/sales ^(b)	1.5x	2.0x	1.7x
Price/book value	1.8x	2.9x	1.9x
Weighted average market cap.	\$108B	\$142B	\$109B
Median market cap.	\$40B	\$19B	\$8B
Dividend yield (trailing) ^(c)	2.1%	2.1%	2.6%

StanCERA – Equity Ten Largest Equity Holdings^(e)

Bank of America Corporation	3.9%
Capital One Financial Corporation	3.8%
Wells Fargo & Company	3.8%
Hewlett Packard Enterprise Co.	3.5%
Charles Schwab Corporation	3.5%
Time Warner	3.2%
Comcast Corporation Class A	3.1%
Charter Communications, Inc. Class A	3.0%
Novartis AG Sponsored ADR	3.0%
Alphabet Inc. Class A	2.9%
Total Weight	33.5%

^(a)Portfolio estimate excludes negative earners. S&P 500 estimate is top-down. ^(b)Portfolio calculation excludes Financials and Utilities. ^(c)Dodge & Cox portfolio indicated dividend yield is 1.9%. ^(d)The representative portfolio characteristics are based on one of the largest and oldest fully discretionary tax-exempt equity accounts that has not experienced recent material cash flow events or investment guideline changes. Representative account holdings are subject to change and new accounts may have different holdings. ^(e)Weighting excludes cash and mutual funds.

Source: Bank of New York Mellon, Bloomberg LP, FactSet, Standard & Poor's. This information was prepared at the client's request in connection with a review of the client's account.

Portfolio Holdings

August 31, 2016

Stanislaus County Employees Retirement Association - Equity

Technology, Media, and Telecommunications		Finance		Health Care		Industrials, Energy, and Utilities		Consumer	
ELECTRONIC MEDIA	11.8%	BANKS	10.8%	HEALTH CARE SERVICES	6.4%	ENERGY	9.0%	CONSUMER DURABLES	0.5%
Charter Communications, Inc. Class A ¹ Comcast Corporation Class A DISH Network Corporation Class A News Corporation Class A Time Warner Inc. Twenty-First Century Fox, Inc. Class A Twenty-First Century Fox, Inc. Class B		Bank of America Corporation BB&T Corporation JPMorgan Chase & Co. Wells Fargo & Company		Anthem, Inc. Cigna Corporation Express Scripts Holding Company UnitedHealth Group Incorporated		Anadarko Petroleum Corporation Apache Corporation Baker Hughes Incorporated Concho Resources Inc. National Oilwell Varco, Inc. Schlumberger NV Weatherford International plc		Harley-Davidson, Inc.	
TECHNOLOGY	22.5%	FINANCIAL SERVICES	14.4%	MEDICAL DEVICES	1.7%	INDUSTRIAL COMMODITIES	0.9%	CONSUMER PRODUCTS	0.6%
Alphabet Inc. Class A Alphabet Inc. Class C Cisco Systems, Inc. Corning Incorporated EMC Corporation Hewlett Packard Enterprise Co. HP Inc. Juniper Networks, Inc. Maxim Integrated Products, Inc. Microsoft Corporation NetApp, Inc. Symantec Corporation Synopsys, Inc. TE Connectivity Ltd. VMware, Inc. Class A		American Express Company Bank of New York Mellon Corporation Capital One Financial Corporation Goldman Sachs Group, Inc. Charles Schwab Corporation		Danaher Corporation Medtronic Plc		Celanese Corporation Class A		Coach, Inc.	
TELECOM	1.1%	INSURANCE	2.4%	PHARMACEUTICALS	9.0%	TRANSPORTATION	3.7%	RETAIL & DISTRIBUTION	5.2%
Sprint Corp.		AEGON N.V. ADR MetLife, Inc.		Amylin Pharmaceuticals, Inc. Astrazeneca PLC Sponsored ADR Merck & Co., Inc. Novartis AG Sponsored ADR Sanofi Sponsored ADR		FedEx Corporation Union Pacific Corporation		Johnson Controls International plc Liberty Interactive Corporation QVC ¹ Priceline Group Inc Target Corporation Wal-Mart Stores, Inc.	
Portfolio Total	35.4%		27.6%		17.1%		13.6%		6.4%
S&P 500 Index	26.3%		16.3%		14.6%		23.0%		19.7%
Russell 1000 Value	14.9%		29.1%		11.5%		31.7%		12.8%

The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

Summary of Transactions

One Year Ending August 31, 2016

Stanislaus County Employees Retirement Association - Equity

	New Purchases	Sales
Energy	ANADARKO PETROLEUM CORP	CHEVRON CORP
Industrials	UNION PACIFIC CORP	ADT CORP/THE NOW INC FORTIVE CORP GENERAL ELECTRIC CO
Consumer Discretionary	TWENTY-FIRST CENTURY FOX - B	CARMAX INC TIME INC
Health Care	ALNYLAM PHARMACEUTICALS INC ANTHEM INC ASTRAZENECA PLC-SPONS ADR THERMO FISHER SCIENTIFIC INC	PFIZER INC THERMO FISHER SCIENTIFIC INC
Finance		SUNTRUST BANKS INC
Information Technology	VMWARE INC-CLASS A	CADENCE DESIGN SYS INC EBAY INC PAYPAL HOLDINGS INC

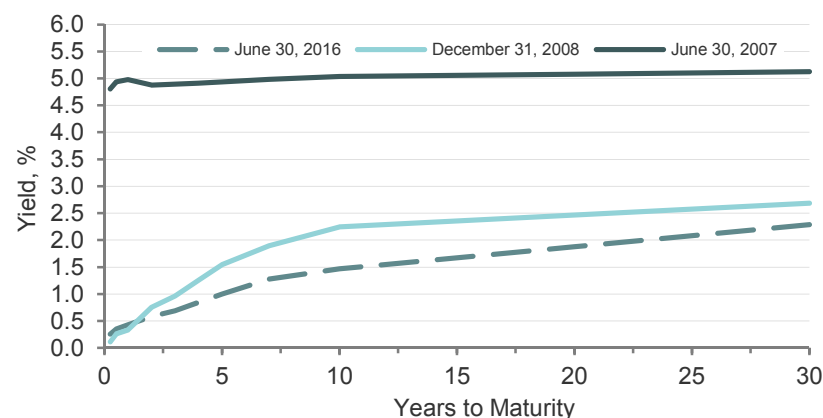
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The Impact of Rising Interest Rates

June 30, 2016

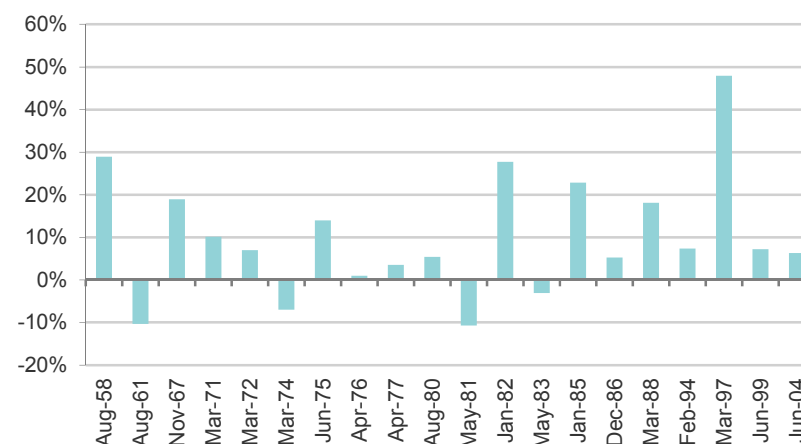
Dodge & Cox Stock Fund

U.S. Treasury Yields Are Near Historic Lows



S&P 500 Index Returns:

One Year Following Initial Increase in Federal Funds Rate



Through Individual Security Selection, We Believe the Fund Is Well Positioned in a Rising Rate Environment

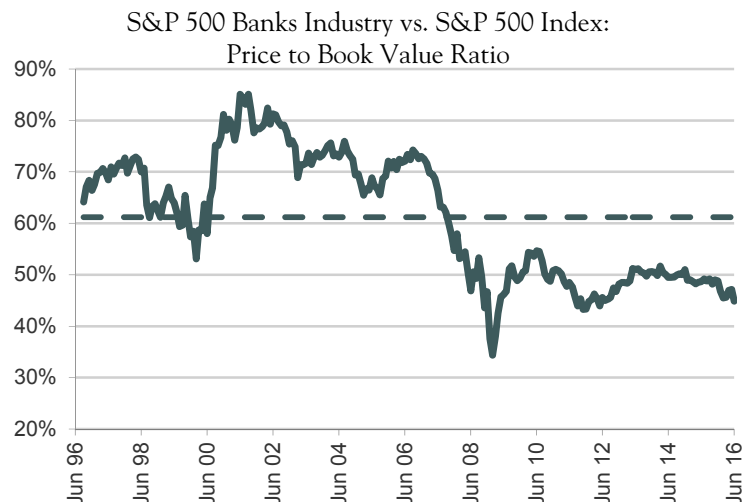
Category:	How Rising Interest Rates May Impact the Portfolio	Stock Fund Examples:
Companies with High Pension Benefit Obligations (PBO)	Improved Funded Status: As Treasury rates increase, the present value of the liability is lower, funded status improves, and pension expenses decline.	FedEx, HP Inc.
Key Overweights		
Banking & Insurance	Spread Businesses, Economic Growth: Banks earn more on deposits. Insurance companies also benefit as yields on high-quality debt rise.	AEGON, Bank of America, Bank of New York Mellon, Charles Schwab, JPMorgan Chase, MetLife, Wells Fargo
Key Underweights		
Utilities, Consumer Staples, and Real Estate Investment Trusts (REITs)	Bond-Like Characteristics: Generally high dividend, lower growth sectors tend to underperform during rate tightening cycles.	The portfolio is underweight these areas of the market, and does not hold any Utilities or REITs.

Source: Bloomberg, FactSet, Federal Reserve Board. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

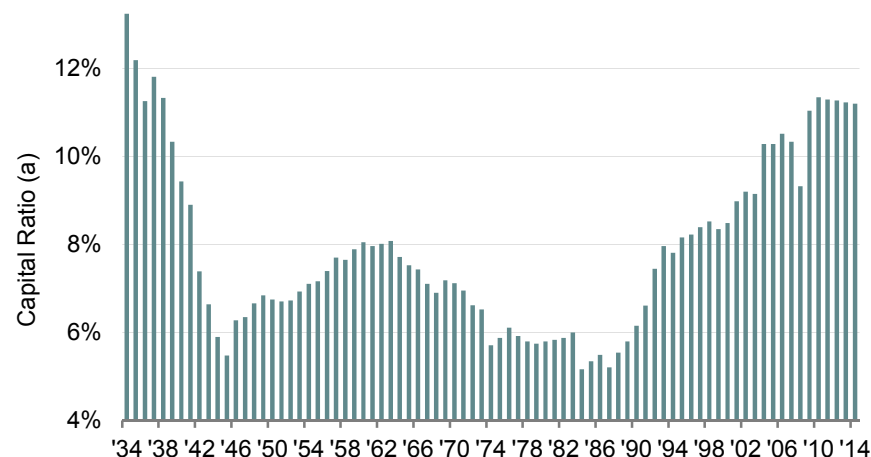
U.S. Banks: Strong Fundamentals, Depressed Valuations

June 30, 2016

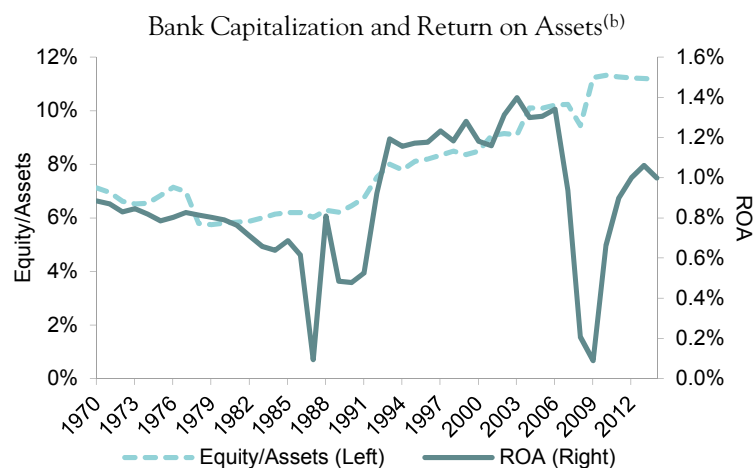
Relative Valuation Is Low Compared to Long-Term Average



Capital Ratios for U.S. Commercial Banks Have Rebounded



Bank Profitability Has Room For Recovery



Observations

- Bank valuations are attractive; the industry price to book ratio was less than half that of the S&P 500 at quarter end.
- Capital ratios have improved since the financial crisis, although profitability remains depressed.
- We believe U.S. banks are well positioned to increase profitability going forward (e.g., improved market share and scale, possible higher interest rates, abating regulatory pressures, improved economy and loan growth).

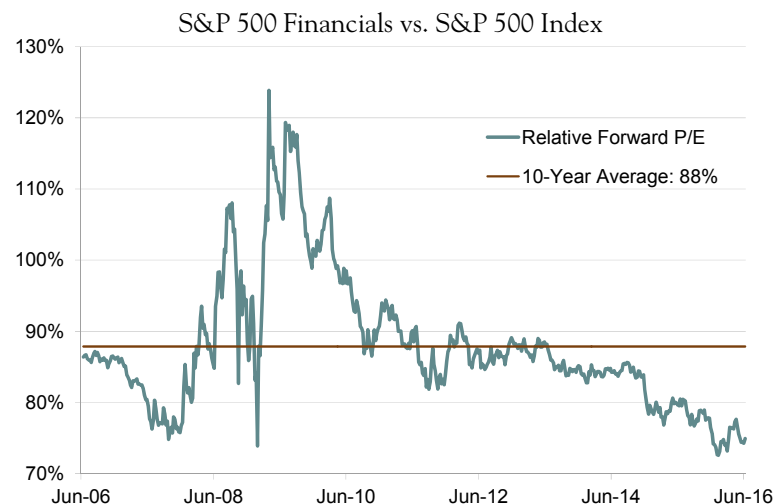
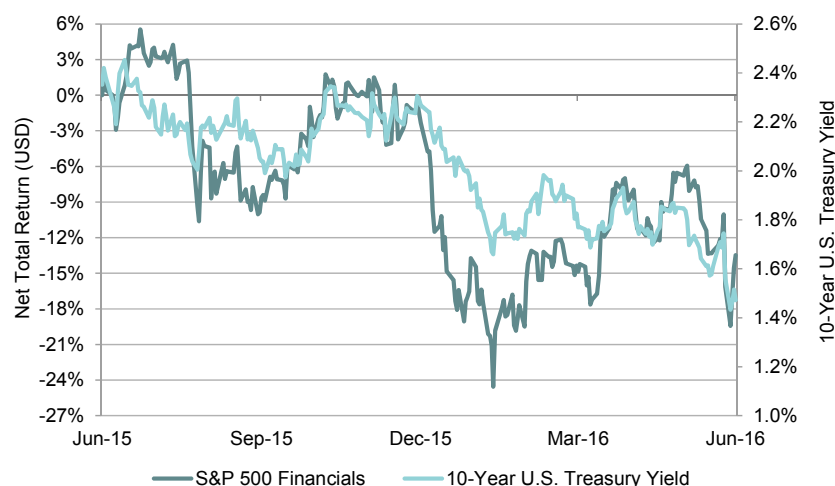
^(a)Capital ratio is equity divided by assets, which is the only annual capital ratio calculation available from 1934. Annual data as of December 31, 2014. ^(b)For all FDIC-insured commercial banks. Source: FactSet, FDIC, SNL Financial. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Positive View on Financials

June 30, 2016

Dodge & Cox Stock Fund (25.5%) vs. S&P 500 (15.7%) vs. Russell 1000 Value (27.7%)

Interest Rates Are Historically Low & Performance Has Suffered... As a Result, Valuations Are Inexpensive



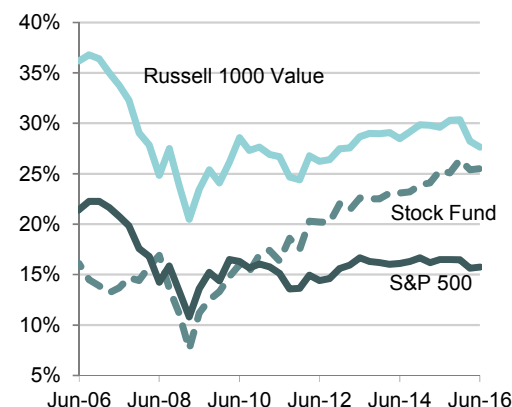
Even at Lower Interest Rates, We Have High Conviction

Our Financials investment thesis has many pillars:

- Strong capital and liquidity
- Good credit quality
- Loan growth across categories
- Return of capital

If interest rates were to rise (or simply stop falling), that would increase profitability within the sector, further benefiting the banks.

We Have Increased The Fund's Exposure to Financials



As a result of our bottom-up research process, we added significantly to the following holdings:^(a)

- American Express (new)
- Bank of America
- Capital One
- Charles Schwab
- Goldman Sachs
- MetLife

^(a)Over the past 12 months. Source: FactSet. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

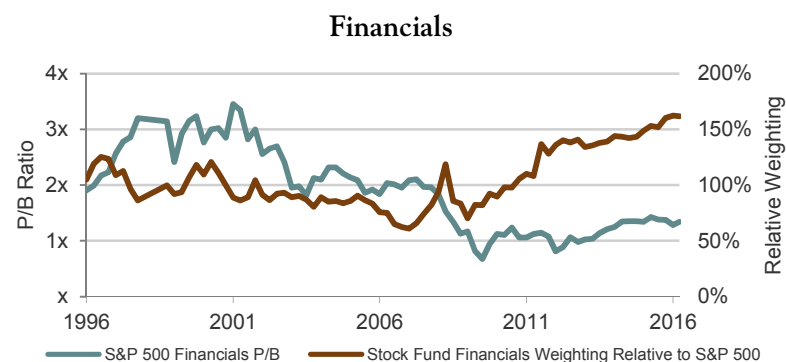
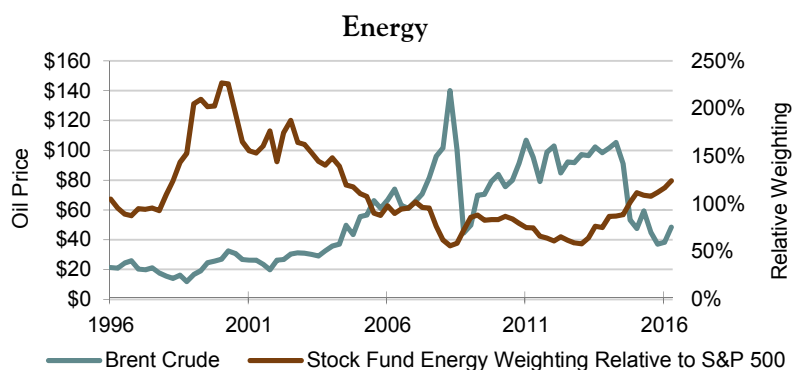
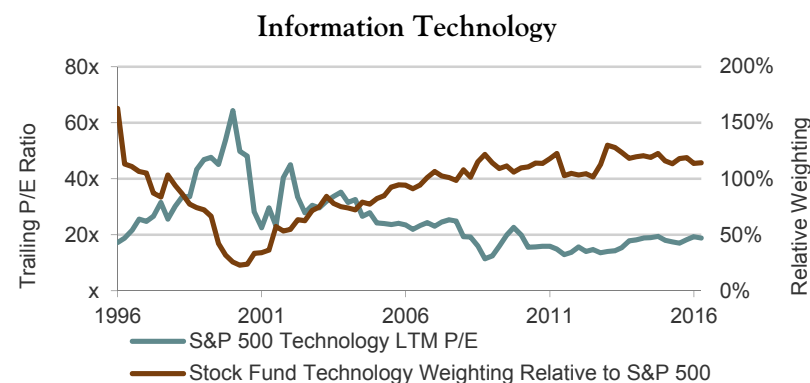
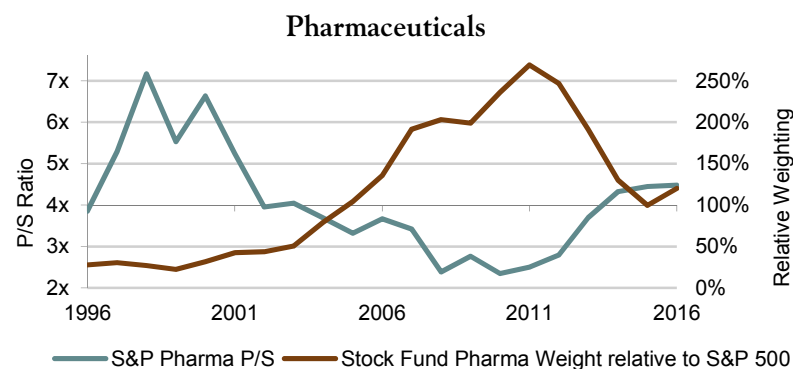
Our Price Discipline Has Been Consistent Over Time

June 30, 2016

Dodge & Cox Stock Fund

- Portfolio composition is the result of individual security selection, weighing valuation versus fundamentals.
- We aim to own companies trading at multiples that we believe do not adequately reflect positive prospects for the business.
- Our price-disciplined strategy has been consistent over time and across sectors. The Fund's relative sector and industry weightings have increased as valuations declined and decreased as valuations increased.

Historical Valuations and Relative Weightings in Selected Sectors Illustrate Consistent Valuation Sensitivity



Source: FactSet. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Equity Market Commentary

June 30, 2016

U.S. Equity Markets Were Volatile but Posted Gains in the First Six Months of 2016

- The S&P 500 was up 3.9% and the Russell 1000 Value was up 6.3%
- The best-performing S&P 500 sectors were Energy and more stable sectors including Utilities and Telecommunication Services.
- Earnings reports were lower year over year despite improved economy
- S&P 500 traded at 17.9x forward earnings at year end

Areas of Concern

- Impact of potential United Kingdom exit from the E.U. (Brexit)
- Slowdowns in China, Brazil, and other emerging market economies
- Persistent unrest in the Middle East, Russia/Ukraine, and North Korea
- Low or negative interest rates around the globe – “lower for longer”?
- Recovered, though still weak commodity prices
- Prospective inflation from monetary stimulus, rather than demand growth
- U.S. Government entitlement obligations

U.S. Economy's Continued Stability

- Increasing employment
- Higher home prices
- Low inflation
- Improving consumer confidence

Solid Corporate Profitability

- High margins, excluding Energy, Metals and Mining
- Healthy balance sheets: cash levels high, debt levels low, coverage ratios high
- Share repurchases and dividend increases

Optimism about the Long-Term Opportunity for Dodge & Cox's Equity Portfolio, Despite Concerns

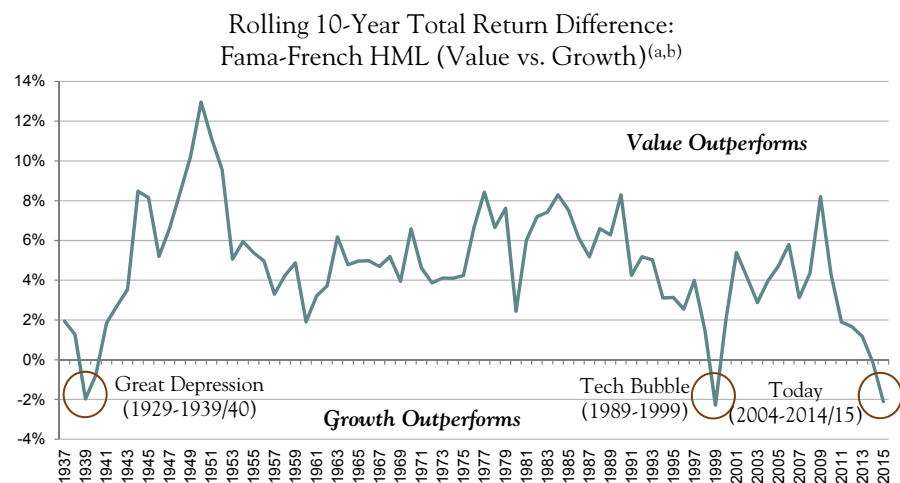
- Modest returns from equities expected in a low inflation environment
- Portfolio includes companies with strong business franchises and good earnings growth prospects
- A typical Dodge & Cox equity portfolio sells at a valuation discount (13.3x forward P/E) to the S&P 500 Index (17.9x)
- Areas of emphasis (nearly 80% of the portfolio): Financials, Information Technology, Health Care, and Media

Source: Bloomberg, L.P., FactSet. Forward earnings are bottom-up estimates. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

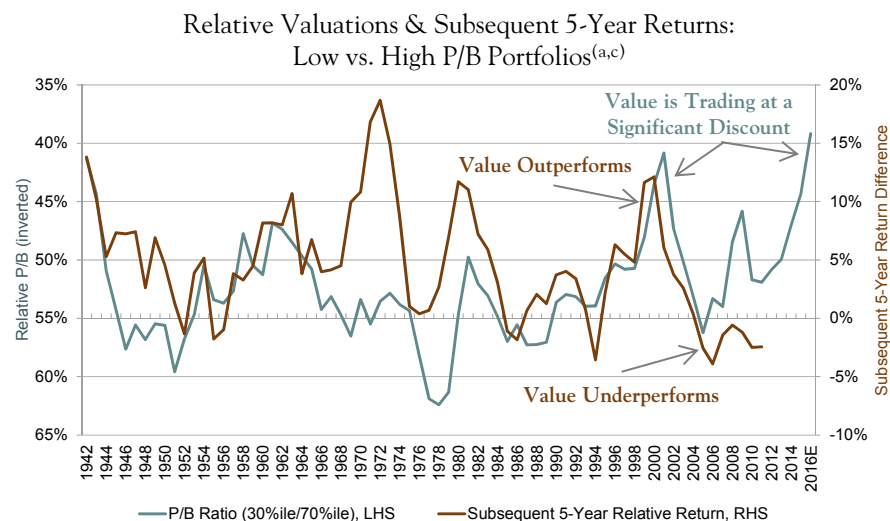
Compelling Opportunities for Value Investors

June 30, 2016

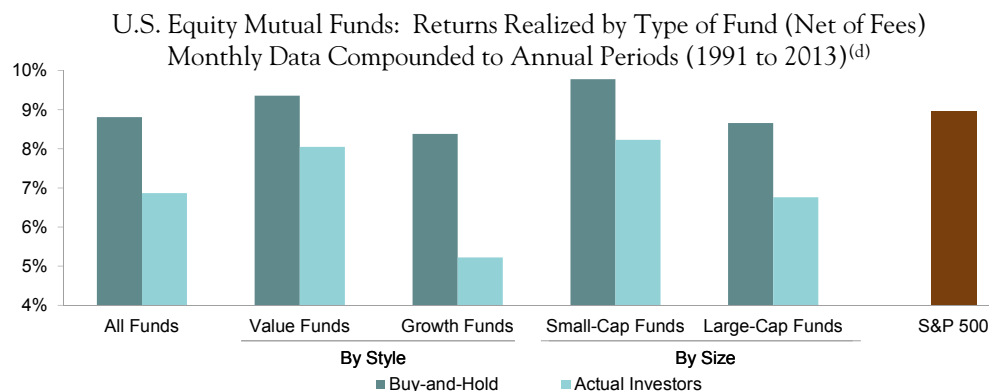
Over The Past 90 Years, There Have Only Been 3 Times When Value Has Underperformed Growth for 10-Year Periods in the U.S.



Value Stocks Have Tended To Outperform When They Are Particularly Inexpensive



Patience and a Long-Term Perspective are Essentials to Investment Success



Too many investors jump in and out of mutual funds at the wrong time, and end up hurting their overall investment results by chasing past returns.

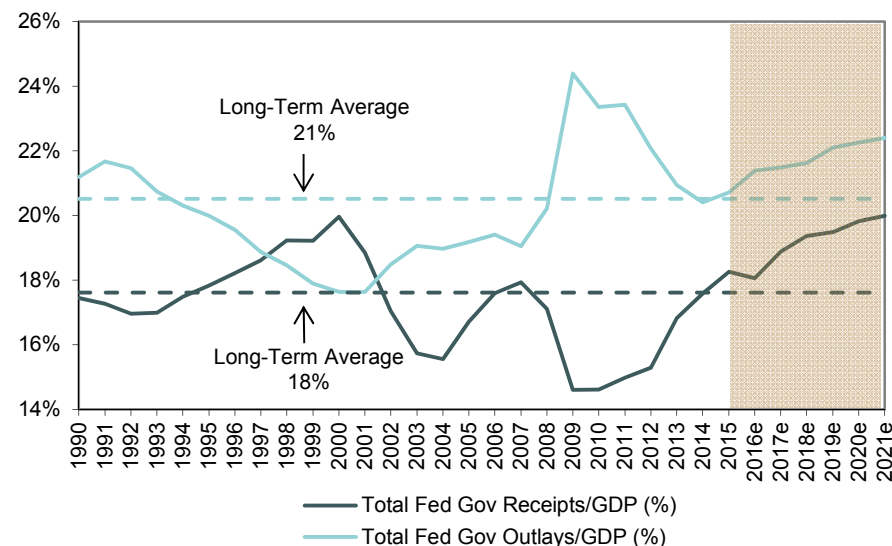
^(a)Calculated based on data from Kenneth French's website (<http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/index.html>), which was derived from the CRSP (Center for Research in Security Prices)/COMPUSTAT merged database. ^(b)High minus Low (HML) is one of three factors in the Fama-French model and accounts for the spread in returns between value and growth stocks. The Fama-French portfolios used to calculate the chart above include all NYSE, AMEX, and NASDAQ firms with the necessary data. ^(c)Kenneth French computed book equity to market equity breakpoints at the end of each June. The breakpoints for year t use all NYSE stocks that have a market equity for December of $t-1$ and (positive) book equity for the last fiscal year ending in $t-1$. ^(d)Hsu, Jason, Brett W. Myers, and Ryan Whitby. "Timing Poorly: A Guide to Generating Poor Returns While Investing in Successful Strategies." *The Journal of Portfolio Management* 42, no. 2 (Winter 2016): 90-98. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Financial Condition of the U.S. Federal Government

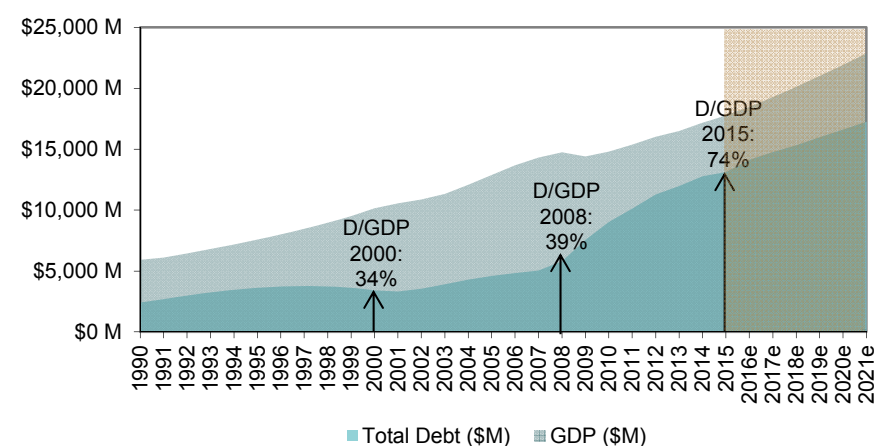
June 30, 2016

Long-Term Budget Issues are Likely to Persist

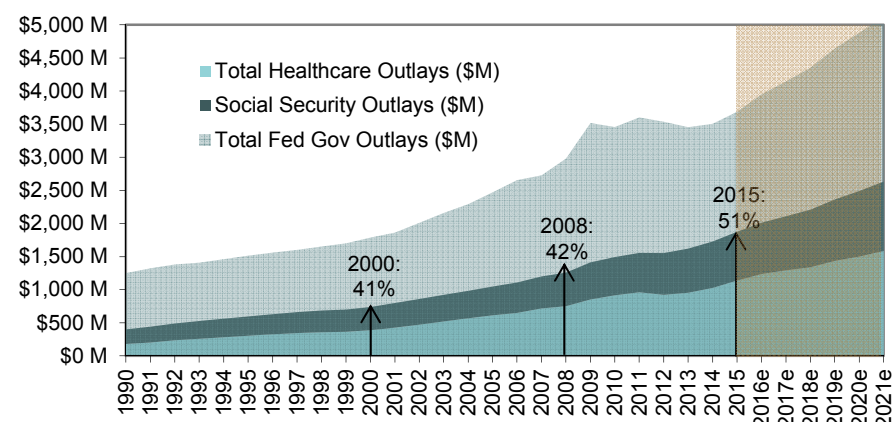
Government Receipts Have Consistently Been Below Outlays



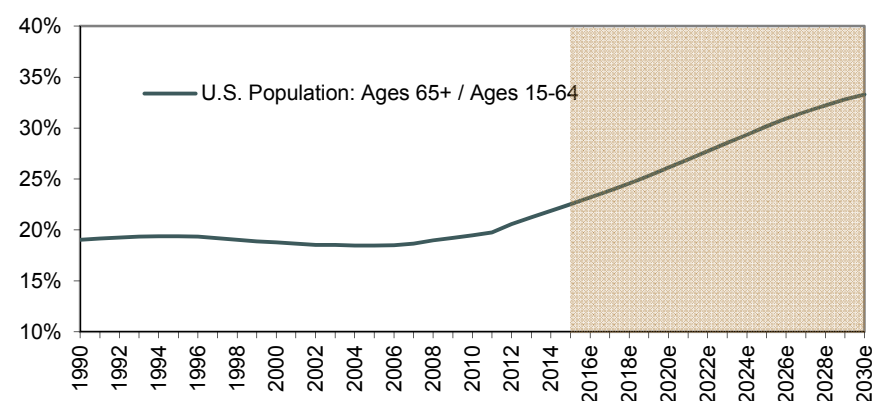
Government Debt to GDP Has Increased Rapidly



Healthcare & Social Security Outlays are Substantial



Demographics Imply Increased Demand For Social Outlays



Values shown in the shaded areas are estimates.

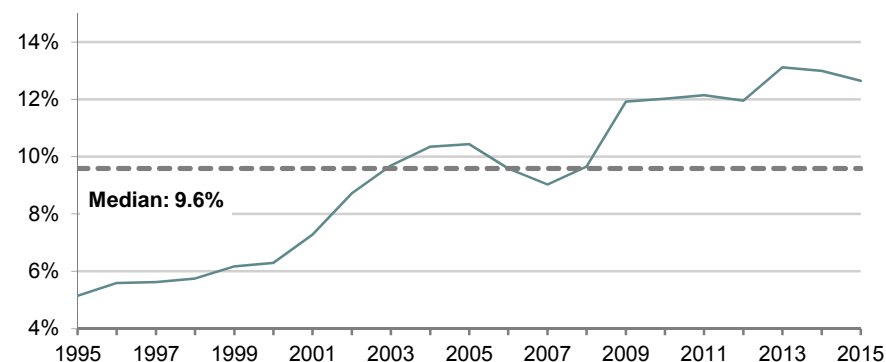
Source: Office of Management and Budget, OECD Annual Labor Force Statistics database (January 2016 update). The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Corporate Balance Sheets Are Strong

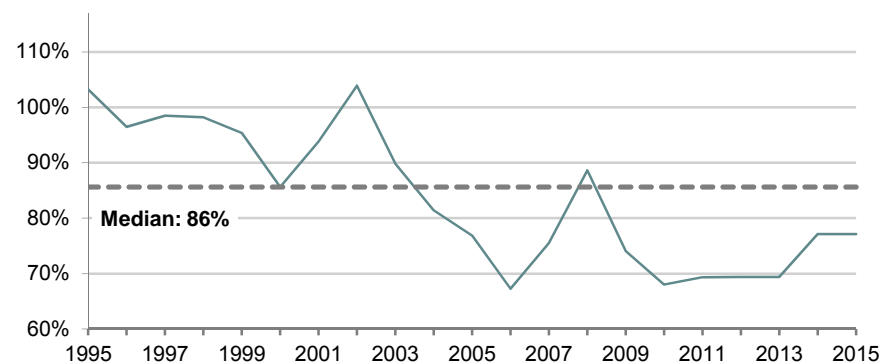
June 30, 2016

S&P Industrials: 1994 – 2015

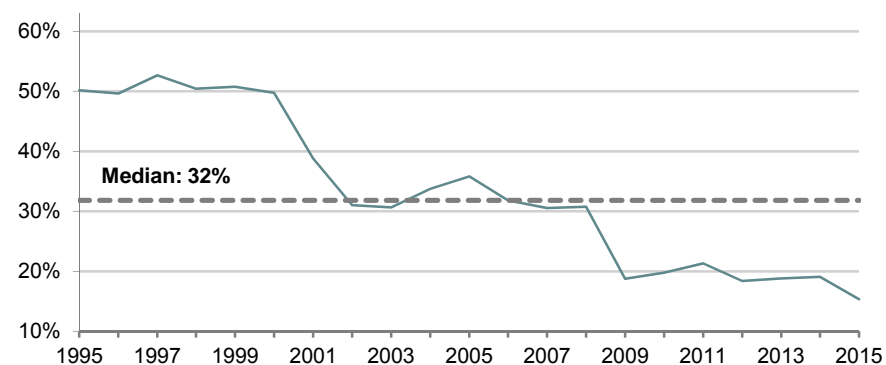
Cash / Assets



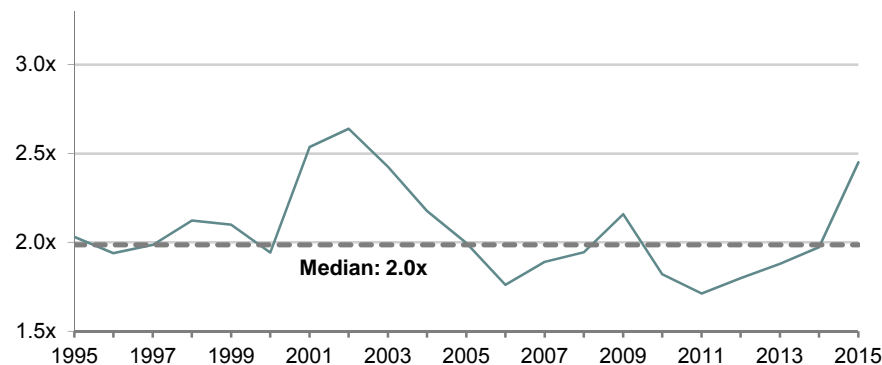
Total Debt / Total Equity



Short-Term Debt / Long-Term Debt



Total Debt / EBITDA

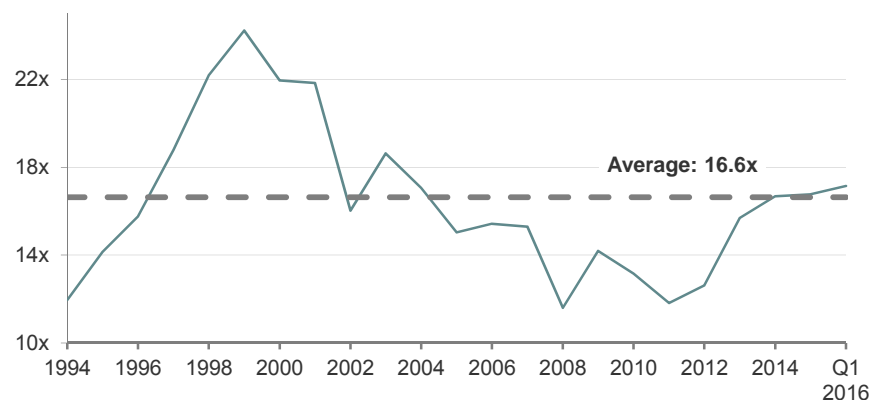


Source: Standard & Poor's. Reflects data published June 2016. EBITDA is Earnings Before Interest, Taxes, Depreciation, and Amortization. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Current Market Environment

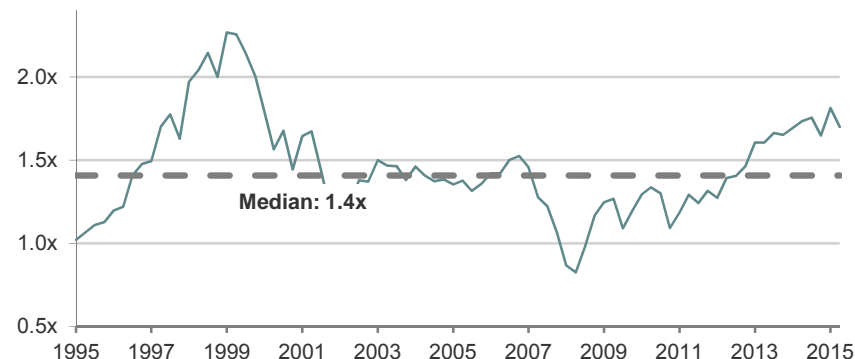
June 30, 2016

S&P 500 Forward Price-to-Earnings: Dec 95 – Mar 16



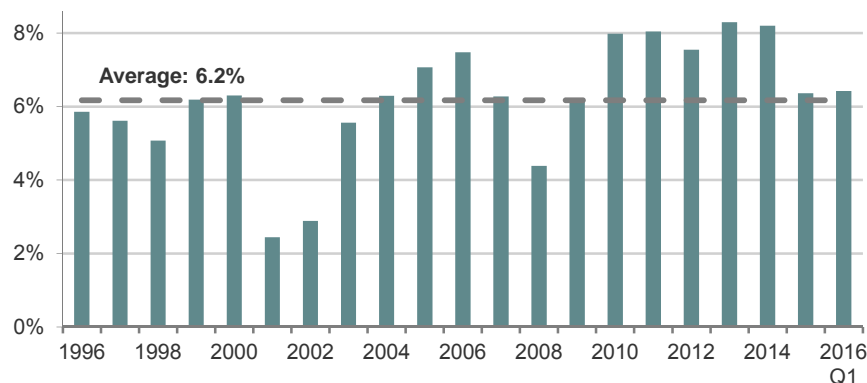
Source: Morgan Stanley. Morgan Stanley may have a different earnings estimate than consensus.

S&P Industrials Price-to-Sales: Dec 95 – Mar 16



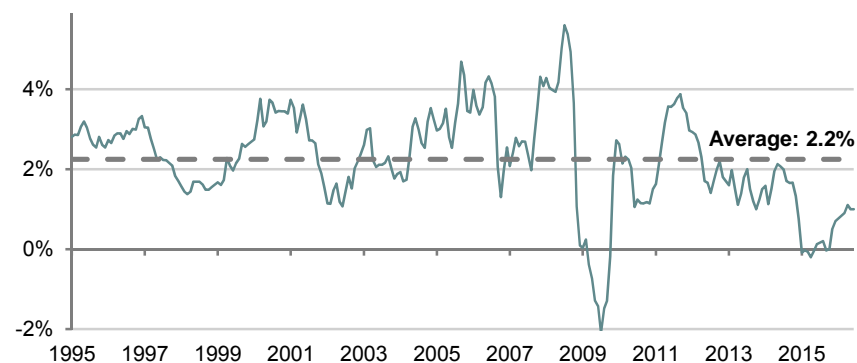
Source: Standard & Poor's.

S&P Industrials Net Profit Margin: Dec 95 – Mar 16



Source: Standard & Poor's.

Consumer Price Index: Dec 95 – Jun 16



Source: U.S. Department of Labor: Bureau of Labor Statistics.

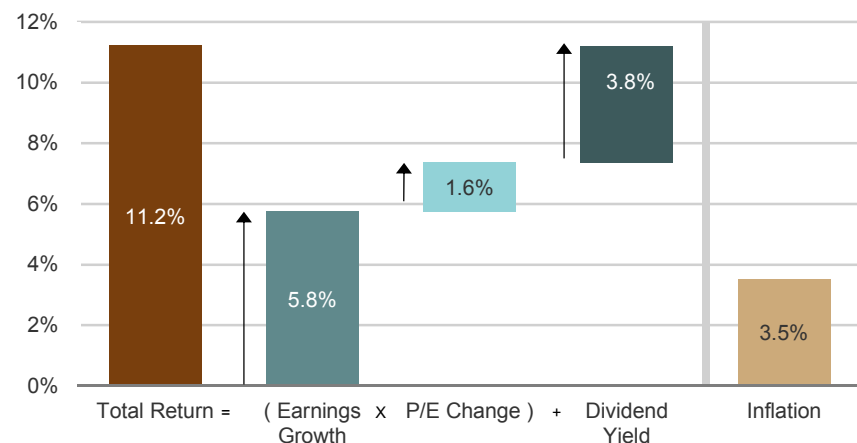
P/E uses 12-month, forward diluted estimates, including negatives. Net profit margin uses reported diluted EPS. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Components of Equity Returns

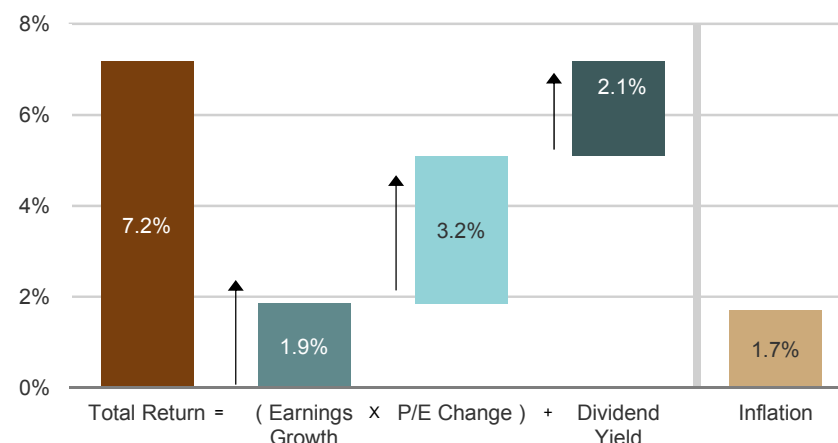
June 30, 2016

S&P 500 Index Annualized Returns

December 31, 1949 – June 30, 2016



Ten Years Ending June 30, 2016



Observations

- Real returns for equities have been attractive for long-term investors: 7.4% since 1949; 5.4% over the last 10 years.
- Earnings have been the largest source of returns over time.
- Price-to-earnings multiples have expanded in the past 10 years.
- Dividends have historically helped to offset inflation.

The components are not additive; Total Return = (P/E Change * Earnings Growth) + Dividend Yield Contribution. Dividend Yield Contribution = Dividend Income + Reinvestment of Dividends.

December 31, 1949: P/E=7.2x; Earnings (operating)=\$2.32. December 31, 2002: P/E=18.3x; Earnings(operating)=\$47.98.

June 30, 2016: P/E=21.3; Earnings(operating)=\$98.61; Current Dividend Yield=2.1%.

Source: Bloomberg LP, Standard & Poor's. The above returns represent past performance and do not guarantee future results. Dodge & Cox does not seek to replicate the returns of any index. The actual returns of a Dodge & Cox managed portfolio may differ materially from the returns shown above. The above is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Supplemental Exhibits

Fixed Income Philosophy

Philosophy

Using fundamental research, we construct and manage a diversified portfolio of generally investment-grade fixed income securities with the goal of producing above-market returns over a three-to-five year time period.

Research Intensive

- Independent Research Staff
- Emphasize individual security and market sector selection

Incremental Yield

- Seek to build portfolios with higher yields than the overall bond market^(a)
- Compounding of interest is an important source of total return

Long-Term Investment Horizon

- Three-to-five year outlook
- Fully invested portfolio

Analyze Portfolio Risk

- Diversify portfolio by various investment themes
- Maintain high-average-quality portfolio (typically AA- or higher)

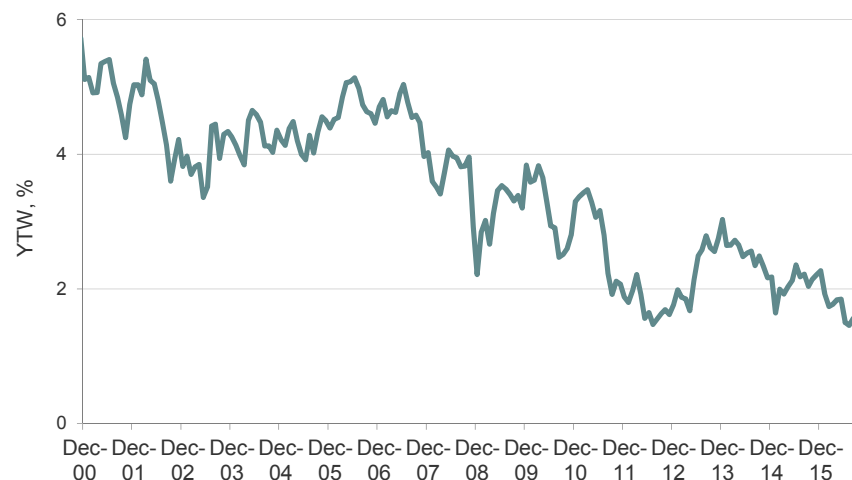
^(a)Total return (which includes both yield and change in principal value) will fluctuate with market conditions.

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U.S. Bond Market Conditions

August 31, 2016

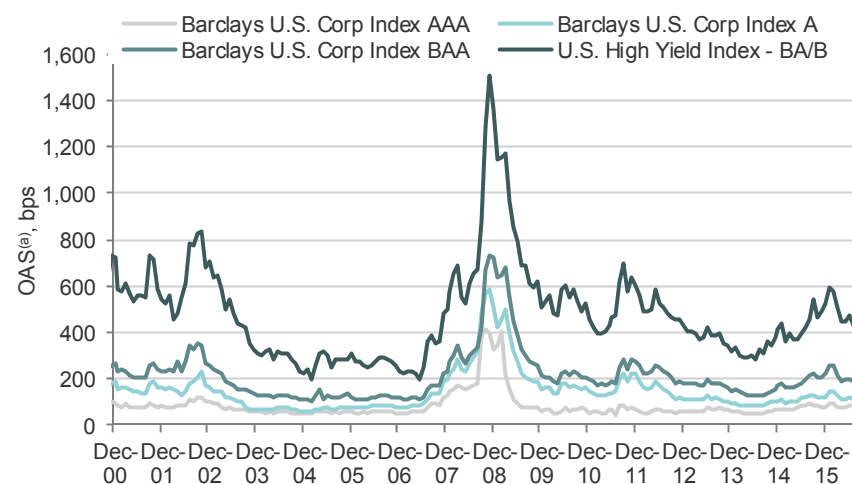
Ten-Year U.S. Treasury Yield



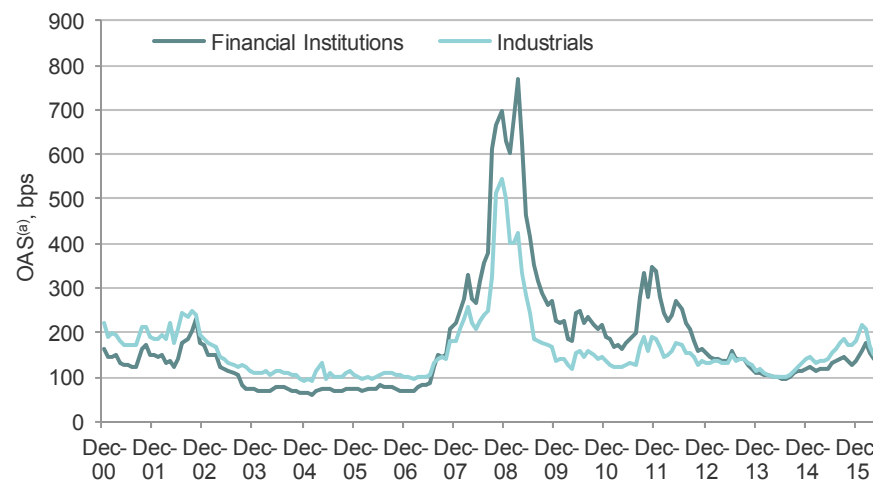
Barclays U.S. MBS Index



Corporate OAS(a) Over Time



Barclays U.S. Financial Institutions and Industrials indices



^(a)OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return.

Source: Barclays, Bloomberg. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

MBS Investing at Dodge & Cox

June 30, 2016

Dodge & Cox Income Fund

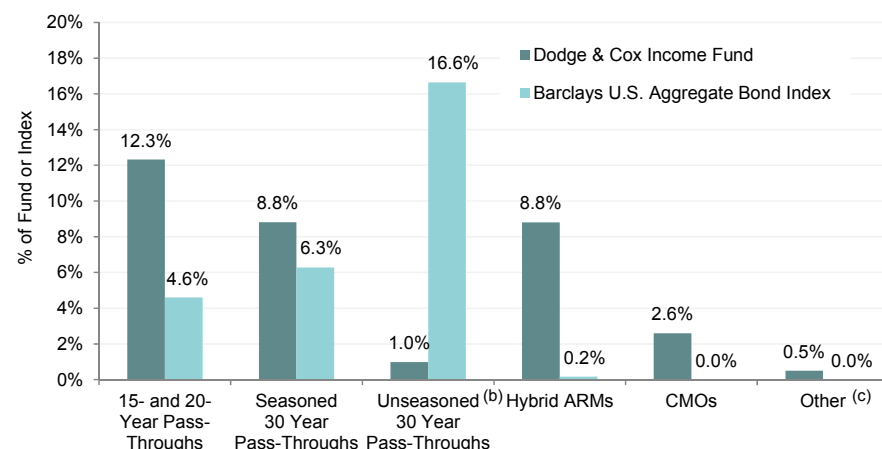
Key Elements of our Mortgage-Backed Securities (MBS) Strategy

- Provides portfolio with incremental yield, high credit quality, and strong liquidity in the intermediate part of the yield curve.
- Focus on GSE- and Agency-guaranteed collateral, opportunistically investing in non-Index Agency MBS.
- Utilize fundamental research on borrower, loan, and program characteristics to identify attractive total return opportunities over a robust range of interest rate scenarios. Avoid highly volatile securities with pronounced asymmetric return profiles.
- Calibrate overall MBS allocation based on relative value, incorporating dynamic scenario analysis of potential total returns vs. similar-duration alternatives.

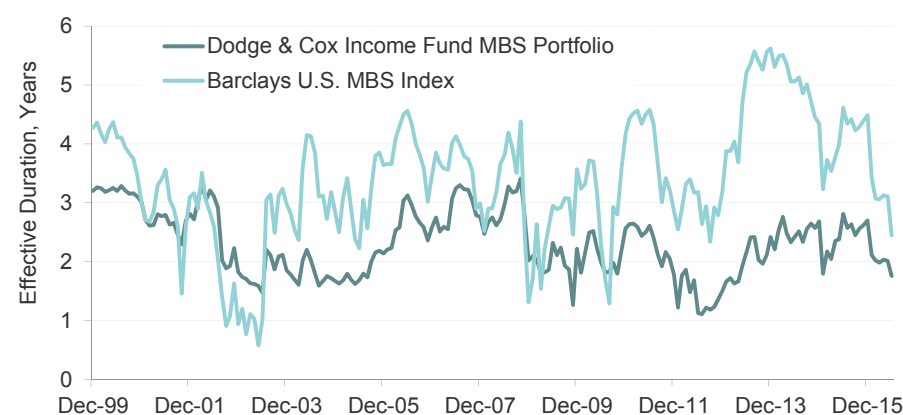
Current Strategy

- Given lower MBS yield premiums, we believe the best prospective total return opportunities exist in the less negatively convex portion of the MBS universe.
- Specifically, we believe 15- and 20-year MBS pass-throughs, hybrid ARMs, and CMO floaters provide compelling total return profiles in the current environment.
- No exposure to newly-produced, long-duration, lower-coupon 30-year MBS.
- High dollar price MBS exposure primarily limited to very seasoned securities and securities precluded from special refinance programs.
- Faster than expected prepayments would detract from current strategy's performance, as most securities are valued well above par.

Emphasis on Seasoned Collateral^(a)



More Stable Duration

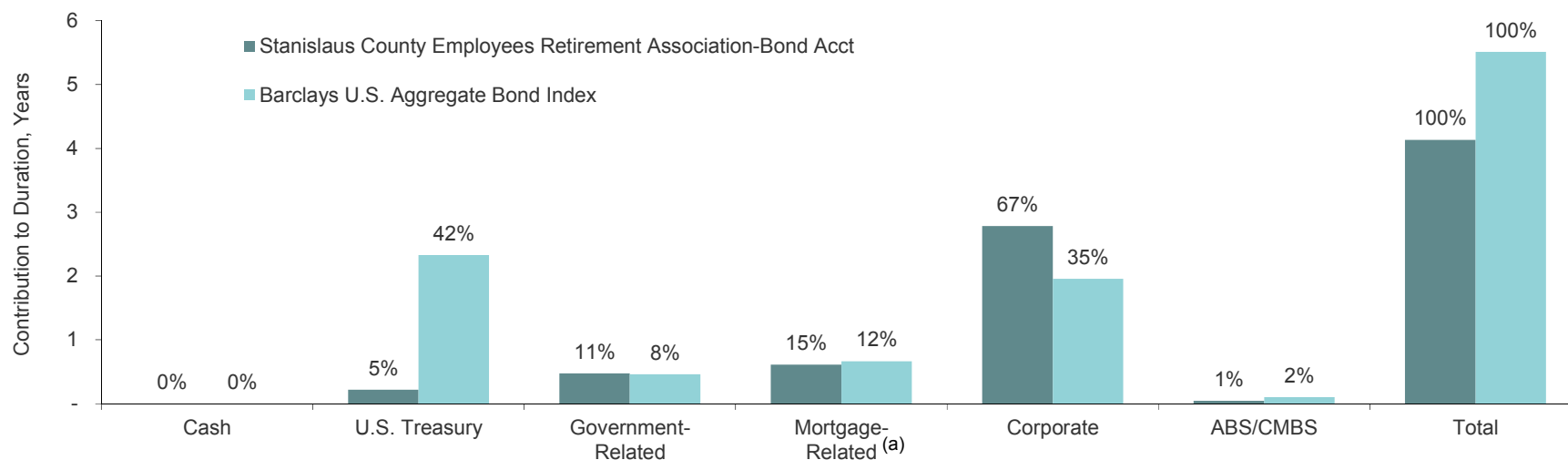


Source: Barclays POINT. ^(a)The Fund's mortgage-related holdings may include Agency multifamily mortgage securities; the Index classifies these securities under CMBS – Agency CMBS. ^(b)Weighted-average maturity of > 340 months. ^(c)Includes VA Vendees and FHA/VA repurchasing bonds. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Contribution to Duration (by Sector)

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct



Weight (%)	2.92	0.00	18.89	36.18	5.60	8.09	33.61	27.66	37.06	25.94	1.92	2.13	100.00	100.00
Duration (Years)	0.00	0.00	1.16	6.43	8.47	5.69	1.82	2.40	7.50	7.54	2.36	4.81	4.13	5.51
Contribution to Duration ^(b)	0.00	0.00	0.22	2.33	0.47	0.46	0.61	0.66	2.78	1.96	0.05	0.10	4.13	5.51

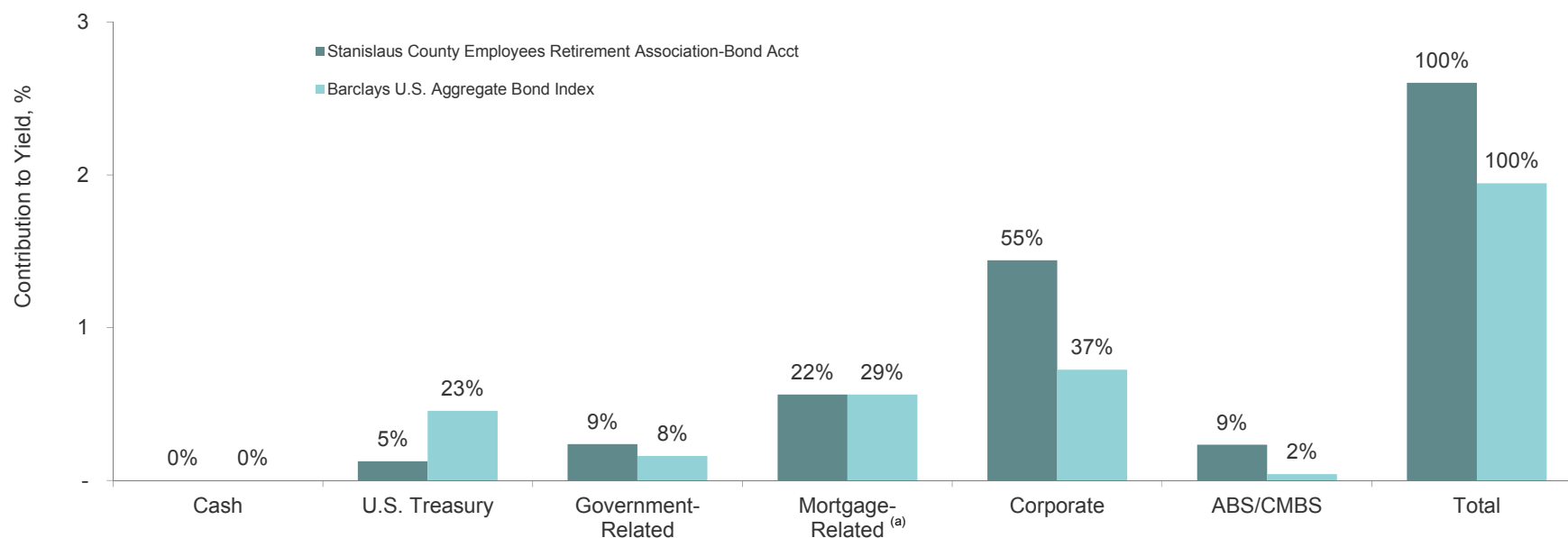
^(a)The portfolio's mortgage-related holdings may include Agency multifamily mortgage securities; the Index classifies these securities under CMBS – Agency CMBS. ^(b)Contribution to Duration = Portfolio weightings (%) x Duration (Years).

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Opinions expressed are subject to change without notice.

Contribution to Yield (by Sector)

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct



Weight (%)	2.92	0.00	18.89	36.18	5.60	8.09	33.61	27.66	37.06	25.94	1.92	2.13	100.00	100.00
Yield (%) ^(b)	0.07	0.00	0.67	1.26	4.25	2.00	1.67	2.03	3.89	2.79	12.15	1.94	2.60	1.95
Contribution to Yield ^(c)	0.00	0.00	0.13	0.46	0.24	0.16	0.56	0.56	1.44	0.72	0.23	0.04	2.60	1.95

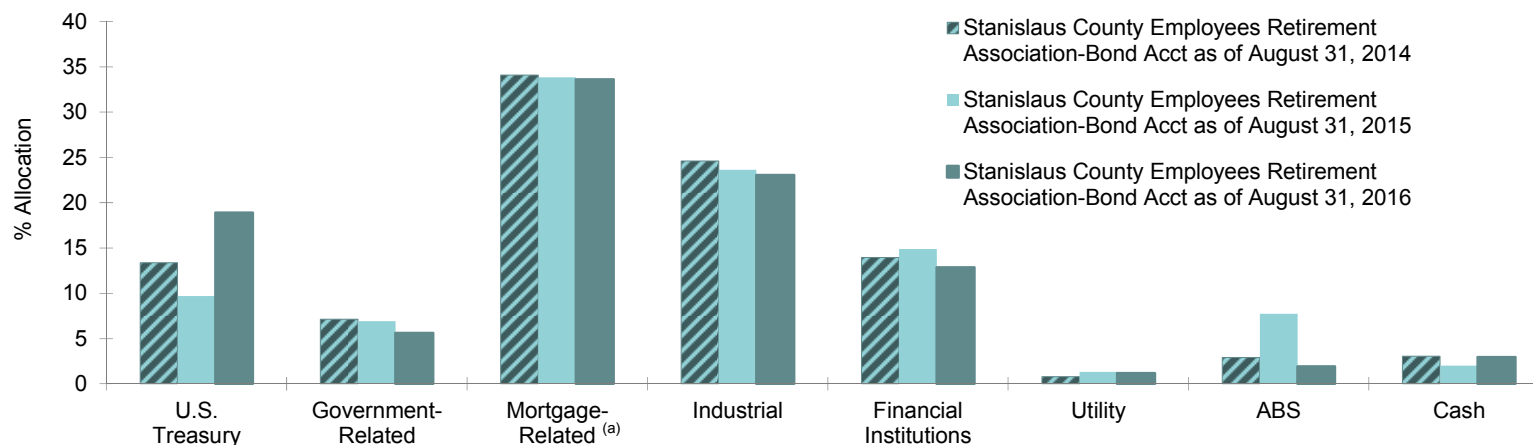
^(a)The portfolio's mortgage-related holdings may include Agency multifamily mortgage securities; the Index classifies these securities under CMBS – Agency CMBS. ^(b)Yield and principal value fluctuate with market conditions. ^(c)Contribution to Yield = Portfolio weightings (%) x Yield to Worst (%).

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

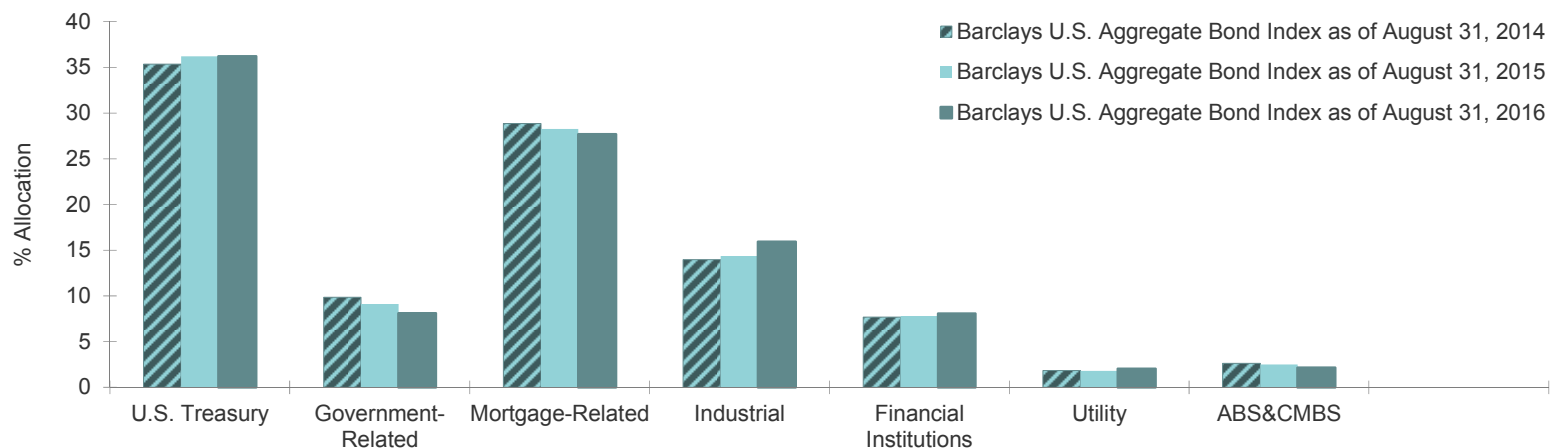
Changes in the Portfolio

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct



Barclays U.S. Aggregate Bond Index



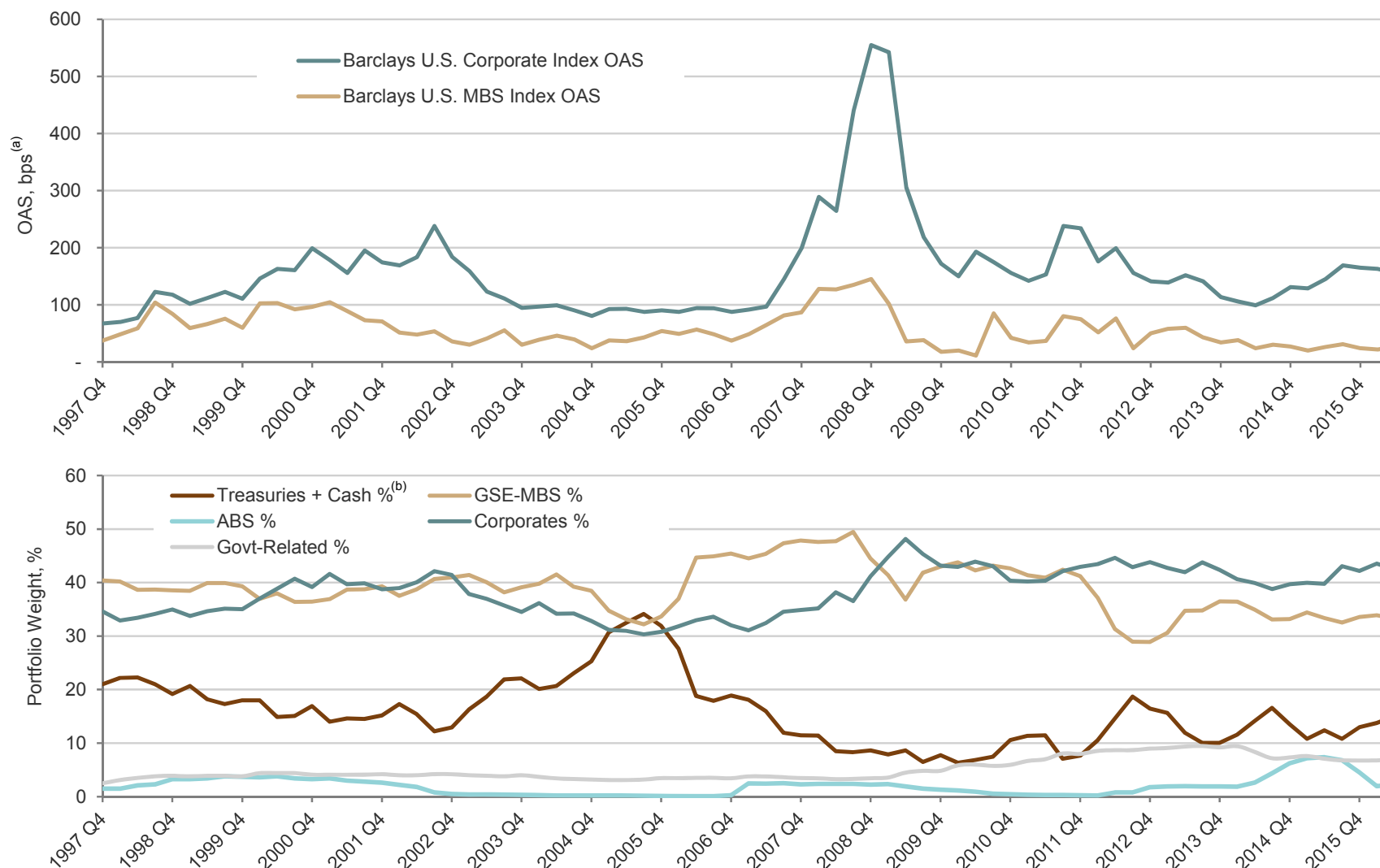
^(a)The portfolio's mortgage-related holdings may include Agency multifamily mortgage securities; the Index classifies these securities under CMBS – Agency CMBS.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge, Barclays POINT. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The mention of specific securities is not a recommendation to buy, sell, or hold any particular security and is not indicative of Dodge & Cox's current or future trading activity.

Sector Weightings Over Time

June 30, 2016

Fixed Income Tax-Exempt Composite – Supplemental Exhibit



^(a)OAS (option-adjusted spread) is the option-adjusted yield differential between stated index and comparable U.S. Treasuries. OAS does not translate into a return. ^(b) 2010 and later data as presented includes the effect of a short position in 10-year Treasury futures contracts.

Sources: Barclays, AS400 portfolio system. This exhibit supplements and must be accompanied or preceded by Dodge & Cox's Fixed Income Tax-Exempt Composite. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice.

Ten Largest Credit Holdings^(a)

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct

Issuer ^(b)	% of Portfolio	Duration	Yield-to-Worst (%) ^(c)	Ratings		
				Moody's	S&P	Fitch
Verizon Communications, Inc.	2.04	13.8	4.05	Baa1	BBB+	A-
Petroleos Mexicanos	1.80	10.8	5.35	Baa3	BBB+	BBB+
Kinder Morgan, Inc.	1.77	10.2	4.89	Baa3	BBB-	BBB-
Cox Enterprises, Inc.	1.71	4.9	3.12	Baa2	BBB	BBB+
Rio Oil Finance Trust ^(d)	1.69	2.2	13.57	NR	B+	BB-
HSBC Holdings PLC	1.61	10.6	3.97	A2	BBB+	A+
Cemex SAB de CV	1.59	4.0	4.82	NR	B+	BB-
Macy's, Inc.	1.57	7.9	4.52	Baa2	BBB	BBB
Time Warner, Inc.	1.49	10.0	3.96	Baa2	BBB	BBB+
Royal Bank of Scotland Group PLC	1.29	5.4	4.90	Ba2	BB	BBB
Portfolio Weight of Ten Largest Credit Holdings	16.55					

^(a)Weighted average statistics. ^(b)Except as noted, Corporate investments grouped by parent company. Actual securities maybe issued by the listed parent company or one of its subsidiaries. ^(c)Yield and principal value fluctuate with market conditions. ^(d)Asset-backed security.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

Below Investment Grade Philosophy: Focus on Fallen Angels

June 30, 2016

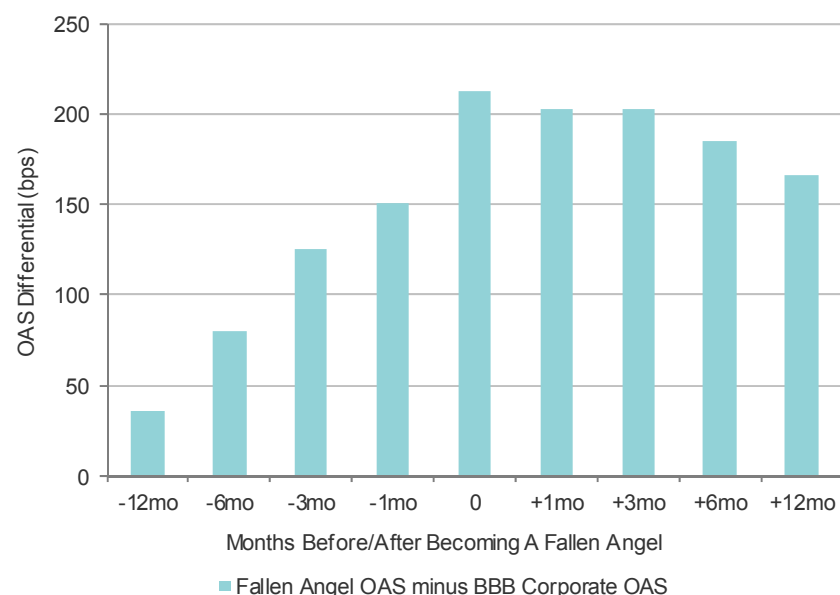
When making investment decisions, we perform our own independent analysis of each issuer's creditworthiness rather than rely on the credit rating agencies. Within the below investment grade sector, most of our holdings are "Fallen Angels" (i.e. issuers that were previously rated investment grade) rather than original-issue high yield issuers.

Many Fallen Angels offer attractive characteristics that have contributed to their historical outperformance vs. original-issue high yield bonds over longer time periods:

- Larger, scale businesses
- Simpler capital structure / greater financing flexibility
- Strategically motivated to return to investment grade
- Non-callable, longer maturity securities

Credit ratings are often lagging indicators. Spreads generally underperform ahead of the downgrade then outperform afterwards.

Fallen Angels have outperformed original-issue high yield bonds in more than 97% of rolling 3-year periods over the last 20 years.



The chart on the left is based on the median spread difference for Fallen Angels from January 1994 – June 2016. The chart on the right was created by partitioning all the securities comprising the Barclays U.S. HY Index at the beginning of a month into two groups: bonds rated investment grade at issuance and bonds rated below investment grade at issuance. Each group's constituents are held constant during the month and the performance is calculated at month-end. The monthly returns are linked together to calculate rolling three-year annualized total returns.

Source: Barclays. The above information is not a complete analysis of every material fact concerning any market, industry, or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Below Investment Grade Holdings^(a)

August 31, 2016

Stanislaus County Employees Retirement Association-Bond Acct

Issuer ^(b)	Ratings			% of Portfolio	Duration	Yield-to-Worst (%) ^(c)
	Moody's	S&P	Fitch			
Rio Oil Finance Trust	NR	B+	BB-	1.69	2.2	13.57
Teck Resources, Ltd.	Caa1	B+	B-	0.07	5.5	6.50
Petroleo Brasileiro SA	B3	B+	BB	0.63	3.8	6.33
Bank of America capital securities	Ba1	BB+	BBB-	1.03	11.7	5.09
Royal Bank of Scotland Group sub notes	Ba2	BB	BBB	1.29	5.4	4.90
Cemex SAB de CV	NR	B+	BB-	1.59	4.0	4.82
Telecom Italia SPA	Ba1	BB+	BBB-	1.24	6.4	4.60
Barclays sub notes	Baa3	BB+	A-	0.47	6.6	4.19
Naspers, Ltd.	Baa3	BBB-	BB+	1.03	5.4	4.13
Citigroup capital securities	Ba1	BB+	BBB-	0.59	0.2	3.91
Charter Communications, Inc.	Ba1	BBB	BBB-	1.18	8.4	3.74
Navient Corp.	Ba3	BB-	BB	0.89	0.8	2.53
Vulcan Materials Co.	Ba1	BBB	BBB-	0.77	4.1	2.49
Total Weighted Average					5.0	5.57

Total Portfolio Weightings (%)

Highest (Moody's/S&P/Fitch)	4.86
Middle (Moody's/S&P/Fitch)	9.01
Lowest (Moody's/S&P/Fitch)	12.46

^(a)Weighted average statistics. ^(b)Except as noted, investments grouped by parent company. Actual securities may be issued by the listed parent company or one of its subsidiaries. ^(c)Yield and principal value fluctuate with market conditions.

Source: The YieldBook, Inc., Bloomberg LP, Interactive Data's BondEdge. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings.

June 30, 2016

Investment Hypothesis

Source: FactSet. Weights exclude cash. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Diversification Through Primary Risk

June 30, 2016

Dodge & Cox Stock Fund

	Investment Hypothesis				
	Above Average Growth <i>Company is expected to grow faster than the market over the next 3 to 5 years and its valuation is at a modest premium.</i>	Compounders <i>Company has strong franchise and finances, but average growth prospects.</i>	Cyclical or Asset Play <i>Large operational leverage tied to the economy or value of embedded assets.</i>	Deep Value or Turnaround <i>Company-specific issues not related to the economy will disappear or become less troublesome.</i>	
Operational Risks (Management execution or strategy)	Maxim Integrated Roche Holding Thermo Fisher	American Express AstraZeneca Bank of New York Mellon Capital One Financial Danaher FedEx Medtronic Merck Novartis Sanofi Target TE Connectivity Time Warner Twenty-First Century Fox Tyco International Wal-Mart Stores	Celanese Liberty Interactive	Coach Hewlett Packard Enterprise Sprint Corp.	39.4%
Macroeconomic Risks (Housing, car sales, interest rates, etc.)	Charles Schwab	Union Pacific	Harley-Davidson	MetLife	6.8%
Commodity Risks (Price of oil, natural gas, paper)			Anadarko Petroleum Apache Baker Hughes Concho Resources National Oilwell Varco Schlumberger	Weatherford	8.6%
Financial Risks (Balance sheet issues, leverage, credit quality, asset quality, counter party, liquidity)		BB&T Goldman Sachs Group JP Morgan Wells Fargo	EMC	Aegion Bank of America	15.3%
Technological Risks (Obsolescence, franchise erosion, substitution)	Alphabet Corning Priceline Synopsis VMware	Charter Communications Cisco Systems Comcast Microsoft NetApp Symantec	DISH Network News Corp.	Juniper Networks HP Inc.	23.2%
Political / Legal Risks (Regulatory reform, public policy change, patents, labor issues)	Alnylam	Anthem Cigna Express Scripts UnitedHealth			6.7%
	12.5%	61.1%	13.6%	12.9%	100.0%

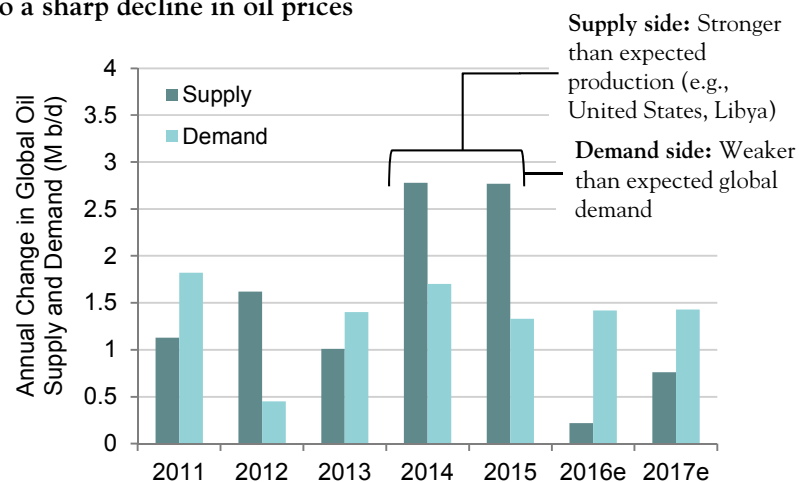
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Oil Market Supply/Demand Balance Is Shifting

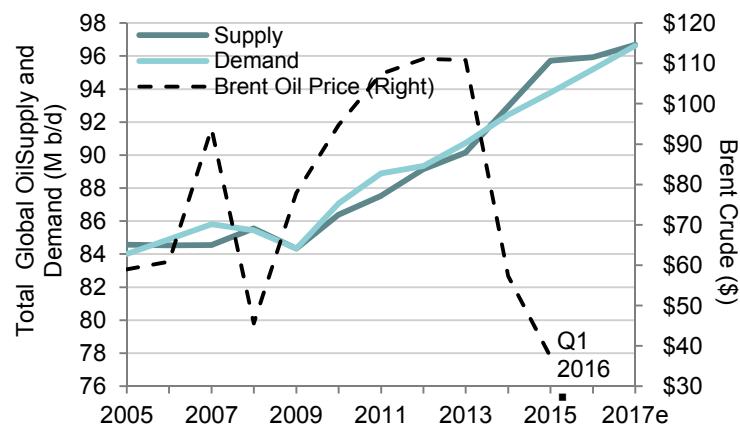
June 30, 2016

Recent Trends^(a)

A larger than expected gap in supply and demand growth in 2014-2015 led to a sharp decline in oil prices



Prices declined dramatically even though imbalances remain small relative to the size of the market^(a)

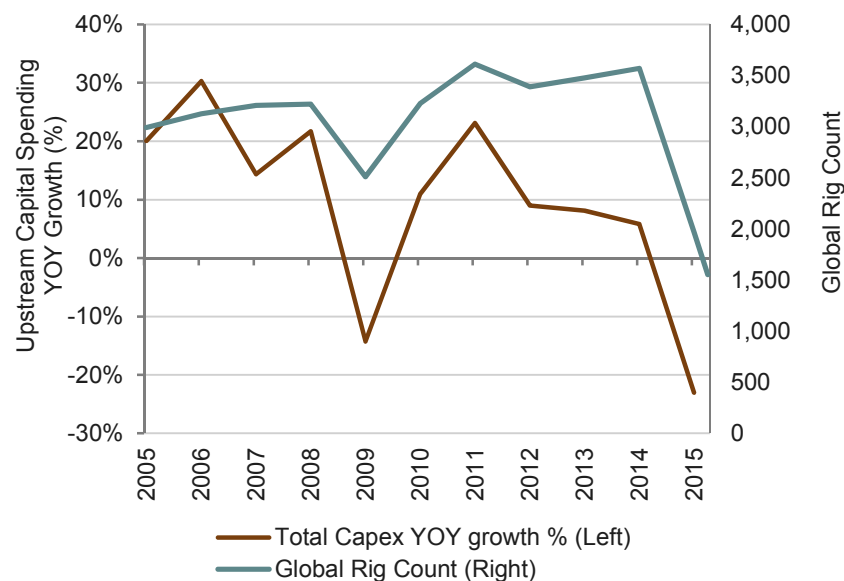


^(a)Data as of January 2016.

Outlook^(a)

Supply

- Producers are cutting capital spending in response to lower oil prices and cash flow.
- Supply growth should moderate due to lower drilling activity and high decline rates on existing production.



Demand

- Long-term demand growth from emerging markets (particularly China, India, Middle East) remains stable.
- Global demand growth is forecast to exceed supply growth in 2016 and 2017.

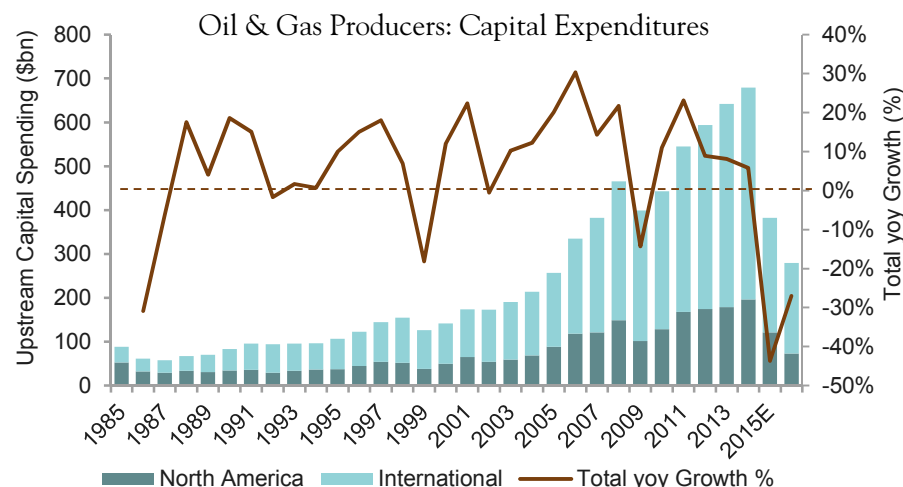
Source: Baker Hughes, Barclays, Energy Information Administration, FactSet. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Finding Value in Oil Services

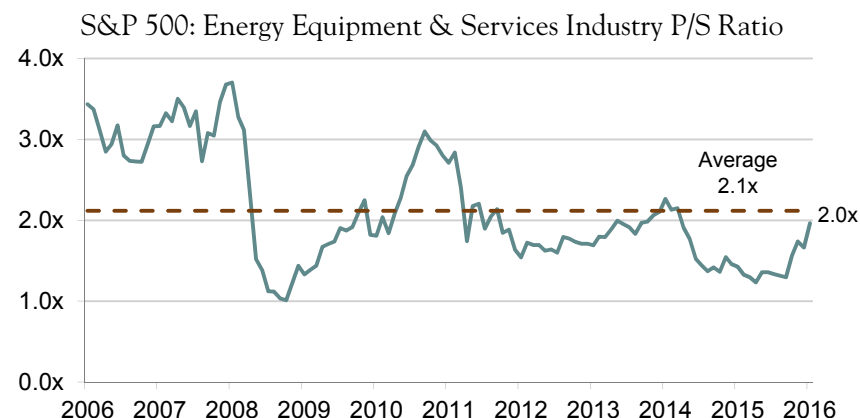
June 30, 2016

Dodge & Cox Stock Fund

Oil Services Revenue Depends on Capital Spending

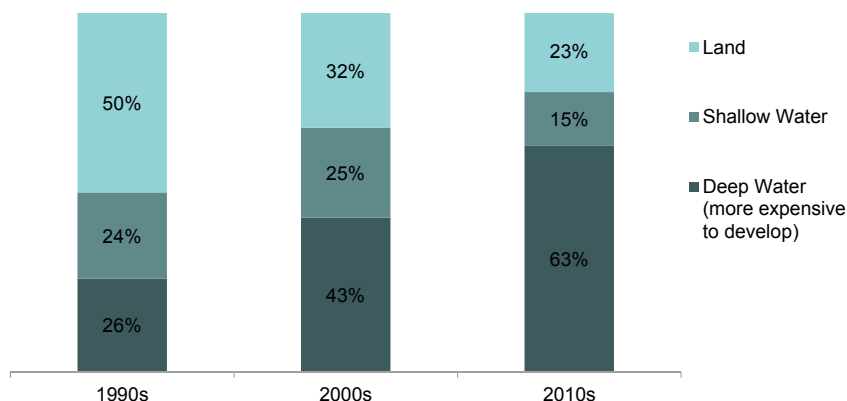


Concerns About Budget Cuts Have Impacted Valuations

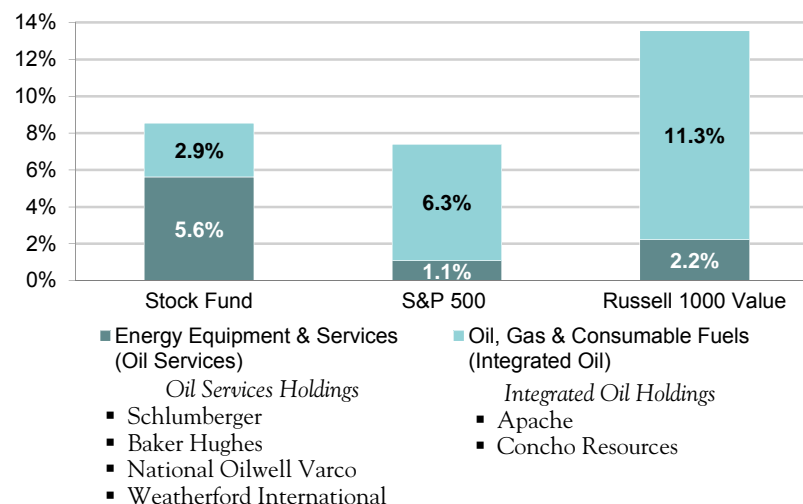


Long-Term Growth Opportunity: Oil Services' Expertise Is Needed

Incremental Oil Resources Are Becoming More Difficult and Service-Intensive To Develop



We Are Overweight Oil Services



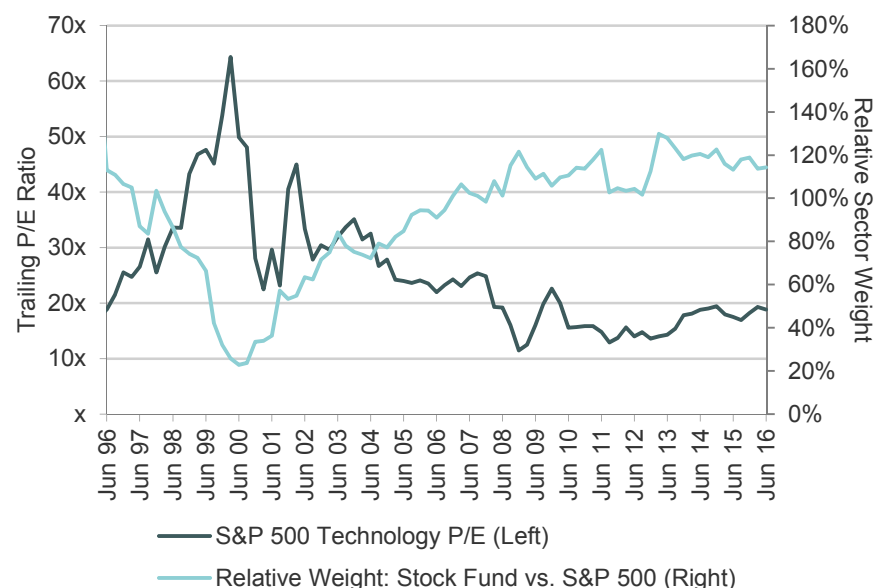
Source: FactSet. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Technology Sector & Industry Exposure

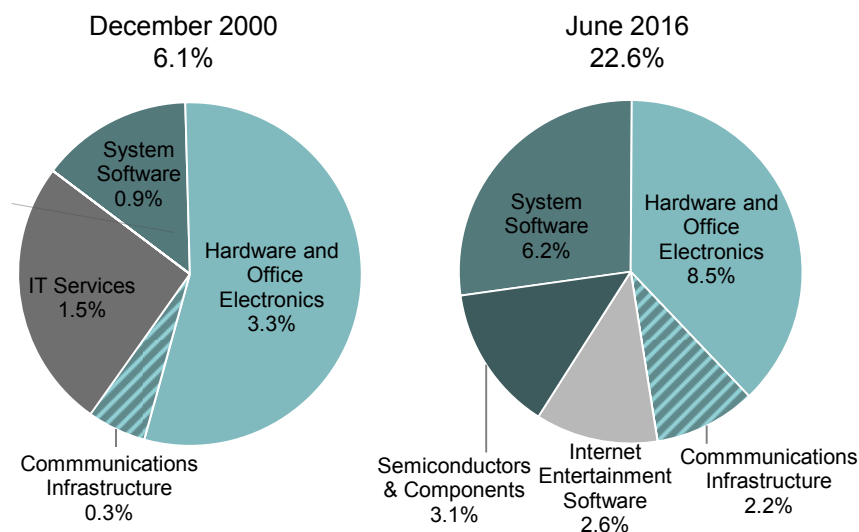
June 30, 2016

Dodge & Cox Stock Fund

As Valuations Have Declined, The Fund's Technology Sector Exposure Has Increased to High Absolute and Relative Weightings



Stock Fund Technology Sector Holdings: Industry Weights



Observations

- The Fund's sector and industry weightings are a result of our individual security selection process.
- As valuations have declined, the Fund's exposures within the sector have increased over time, especially within the Software, Hardware, and Semiconductor & Components industries.
- Company fundamentals could benefit from increased capital spending and continued products and services innovation.

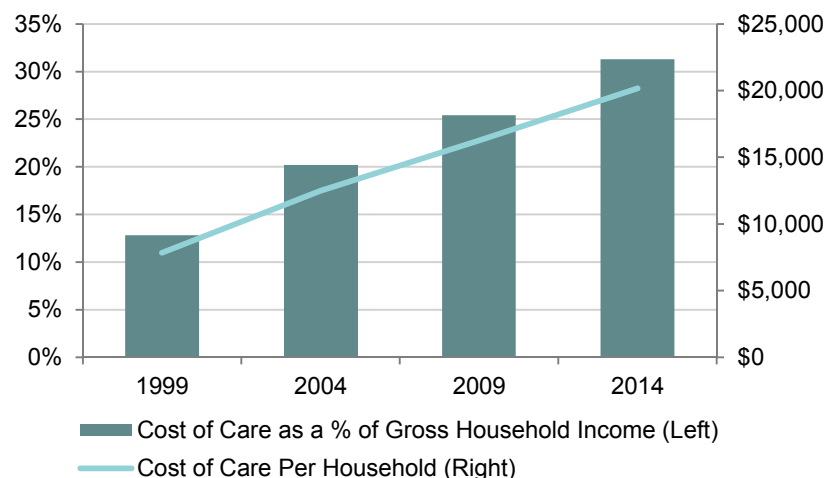
Source: FactSet. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

U.S. Health Care Dynamics: Payor Consolidation

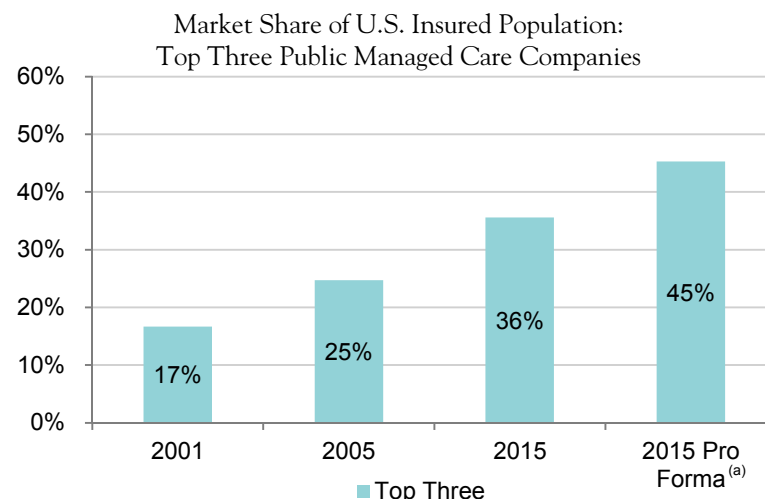
June 30, 2016

Dodge & Cox Stock Fund

The Cost of Health Care Has Increased Significantly



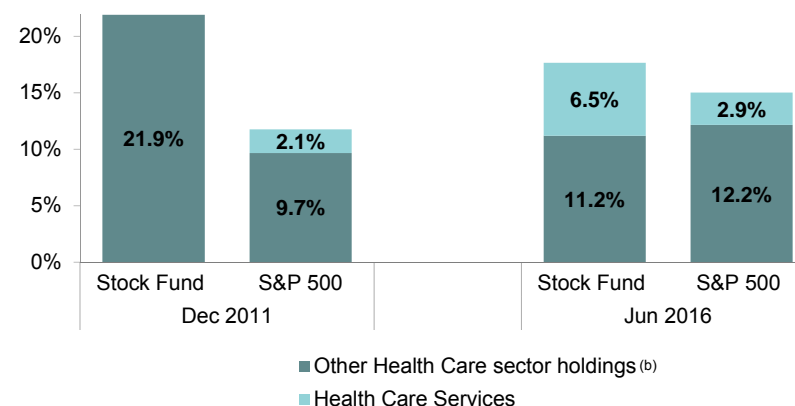
Payors in Managed Care Have Consolidated in Recent Years



Observations

- As health care costs rise in the United States, efforts to control costs have increased.
- Managed care companies lower health care costs by negotiating lower unit costs, utilizing wellness and disease management capabilities, and deploying information technology to modernize the health care delivery supply chain.
- Pharmacy benefit managers lower drug costs for their customers and have grown through consolidation and increased market share.

The Fund's Exposure to Health Care Services Has Increased



^(a)2015 Pro Forma includes the effects of the Anthem/Cigna, Aetna/Humana, and Centene/HealthNet announced mergers. ^(b)Includes Medical Devices & Equipment, Health Care Technology, and Pharmaceuticals & Biotechnology holdings.

Source: FactSet, Federal Reserve, Kaiser Health Benefits Survey, CMS National Health Expenditures, U.S. Census. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and management fees and other expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Pharmaceuticals: Finding Investment Value

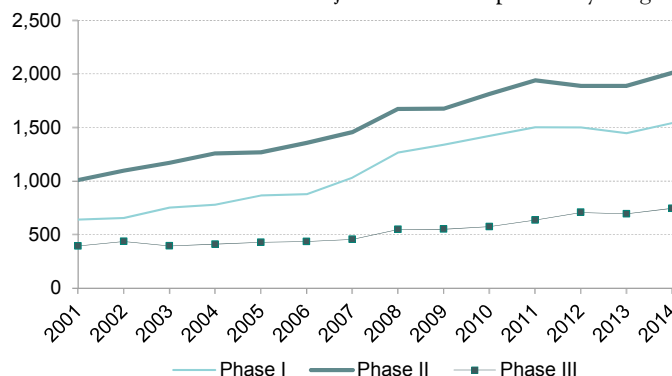
June 30, 2016

Dodge & Cox Stock Fund (10.5% weighting)

Key Pillars of Our Investment Thesis:

- Increased R&D Productivity: Overall industry R&D pipelines have become larger and new drug approvals are on the upswing

Worldwide Active R&D Projects in Development by Stage



- Long-Term Growth Opportunity In Emerging Markets:

	Percent of Sales from Emerging Markets ^(a)
Sanofi	33%
Roche	24%
Novartis	25%
AstraZeneca	25%
Merck	22%

Risks:

- Drug reimbursement, especially from government buyers
- Innovation is not successful
- Expensive M&A
- Biosimilar and generic competition

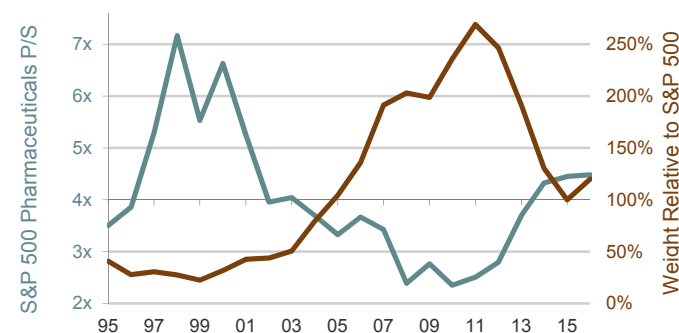
^(a)Data as of December 31, 2015.

Source: Bank of America Merrill Lynch and FactSet. Emerging market sales from company reports and Dodge & Cox estimates. The above information is not a complete analysis of every material fact concerning any market, industry or investment. Data has been obtained from sources considered reliable, but Dodge & Cox makes no representations as to the completeness or accuracy of such information. Opinions expressed are subject to change without notice. The information provided is historical and does not predict future results or profitability. This is not a recommendation to buy, sell, or hold any security and is not indicative of Dodge & Cox's current or future trading activity. The securities identified are subject to change without notice and may not represent an account's entire holdings. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, visit www.dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

- Durable Business Franchises with Significant Barriers to Entry:

- The Fund's Pharma holdings have reasonable valuations, strong balance sheets, high free cash flow, and cost cutting opportunities that help mitigate the investment risk.

Relative Weighting Has Fallen as Valuation Has Risen



- The ability to integrate three core competencies (the funding of early-stage drug compounds, the development of new drugs, and the global commercialization of drugs) creates barriers to entry.

Understanding Risk:

- Downside scenarios incorporate severe price cuts
- Regular meetings with branded and generic competitors
- Regular meetings with physicians to explore product markets

Dodge & Cox Funds Performance Results

August 31, 2016

	Average Annual Total Returns for periods ending August 31, 2016					
	YTD ^(a)	1 Year	3 Years	5 Years	10 Years	20 Years
Stock Fund	8.26%	8.43%	10.03%	14.61%	5.69%	10.01%
S&P 500 Index	7.83%	12.58%	12.32%	14.69%	7.52%	8.21%
Russell 1000 Value Index	10.20%	12.90%	10.68%	14.38%	6.08%	8.71%
Global Stock Fund	8.32%	6.25%	7.66%	10.67%	N.A. ^(b)	N.A.
MSCI World Index	4.99%	6.67%	7.39%	9.51%	N.A. ^(b)	N.A.
MSCI ACWI Index	5.95%	7.25%	6.74%	8.33%	N.A. ^(b)	N.A.
International Stock Fund	4.71%	-0.99%	2.68%	5.61%	2.85%	N.A. ^(c)
MSCI EAFE Index	0.50%	-0.12%	2.48%	5.00%	1.71%	N.A. ^(c)
MSCI ACWI ex USA	4.54%	2.92%	2.03%	3.31%	2.05%	N.A. ^(c)
Balanced Fund	8.24%	8.41%	8.54%	11.89%	5.96%	8.96%
Combined Index	7.18%	10.14%	9.25%	10.18%	6.77%	7.53%
Income Fund	6.83%	6.66%	4.54%	4.19%	5.45%	6.12%
Barclays U.S. Aggregate Bond Index	5.87%	5.99%	4.38%	3.25%	4.90%	5.70%
Global Bond Fund^(d)	8.89%	7.12%	2.79%	N.A. ^(e)	N.A.	N.A.
Barclays Global Aggregate Bond Index	9.24%	8.78%	2.63%	N.A. ^(e)	N.A.	N.A.

SEC Standardized Average Annual Total Returns as of June 30, 2016: Stock Fund: 1-Year -5.10%; 5-Year 10.44%; 10-Year 5.13%; Global Stock Fund: 1-Year -10.45%; 5-Year 6.14%; Since inception July 1, 2008 through June 30, 2016: 3.01% vs. 3.32% MSCI World Index vs. 2.72% MSCI ACWI Index; International Stock Fund: 1-Year -18.86%; 5-Year 1.02%; 10-Year 2.22%; Balanced Fund: 1-Year -1.68%; 5-Year 8.89%; 10-Year 5.58%; Income Fund: 1-Year 4.36%; 5-Year 3.98%; 10-Year 5.53%; Global Bond Fund: 1-Year 1.88%; Since inception December 5, 2012 through June 30, 2016: 1.16% vs. 0.73% Barclays Global Aggregate Bond Index.

^(a)Unannualized rate of total return. ^(b)Since Global Stock Fund's inception on July 1, 2008 through August 31, 2016: 4.00% compared to 3.78% for the MSCI World Index and 3.23% for the MSCI ACWI Index. ^(c)Since International Stock Fund's inception on July 1, 2001 through August 31, 2016: 7.06% compared to 4.03% for the MSCI EAFE Index and 4.76% for the MSCI ACWI free ex USA. ^(d)A private fund managed by Dodge & Cox with proprietary assets was reorganized into the Dodge & Cox Global Bond Fund on July 31, 2014. Any fund portfolio characteristics, performance, or attribution information for periods prior to July 1, 2014, are those of the private fund. ^(e)Since Global Bond Fund's inception on December 5, 2012 through August 31, 2016: 1.76% compared to 0.76% for the Barclays Global Aggregate Bond Index.

The Combined Index reflects an unmanaged portfolio (rebalanced monthly) of 60% of the S&P 500 Index and 40% of the Barclays U.S. Aggregate Bond Index. The Fund's total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable by shareholders on these distributions or on Fund share redemptions. Index returns include dividends and/or interest income but, unlike Fund returns, do not reflect fees or expenses. Returns represent past performance and do not guarantee future results. Investment return and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold. Mutual fund performance changes over time and currently may be significantly lower than stated above. Performance is updated and published monthly. Before investing in any Dodge & Cox Fund, you should carefully consider the Fund's investment objectives, risks, and charges and expenses. To obtain a Fund's prospectus and summary prospectus, which contain this and other important information, or for current month-end performance figures, visit dodgeandcox.com or call 800-621-3979. Please read the prospectus and summary prospectus carefully before investing.

Source Citations

Barclays

Barclays U.S. Aggregate Index: The Barclays U.S. Aggregate Bond Index is a widely recognized, unmanaged index of U.S. dollar-denominated, investment-grade, taxable fixed income securities.

Barclays Global Aggregate Index: The Barclays Global Aggregate Bond Index is a widely recognized, unmanaged index of multi-currency, investment-grade fixed income securities.

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Standard & Poor’s

S&P 500: The S&P 500 Index is a market capitalization-weighted index of 500 large-capitalization stocks commonly used to represent the U.S. equity market.

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MSCI

MSCI EAFE: The MSCI EAFE (Europe, Australasia, Far East) Index is a broad-based, unmanaged equity market index aggregated from 22 developed market country indices, excluding the United States.

MSCI World: The MSCI World Index is a broad-based, unmanaged equity market index aggregated from 24 developed market country indices, including the United States.

MSCI ACWI: The MSCI ACWI (All Country World Index) Index is a broad-based, unmanaged equity market index aggregated from 45 developed and emerging market country indices.

MSCI ACWI ex USA: The MSCI ACWI (All Country World Index) ex USA Index is a broad-based, unmanaged equity market index aggregated from 44 developed and emerging market country indices, excluding the United States.

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Dodge & Cox Equity

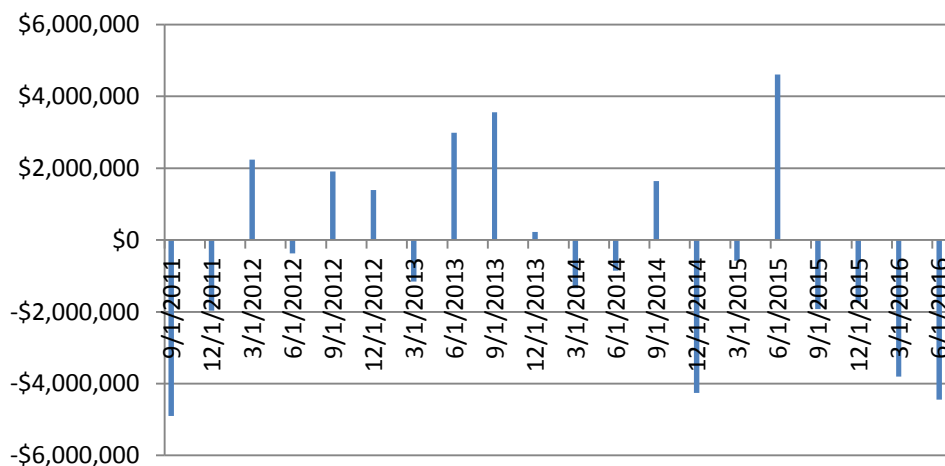
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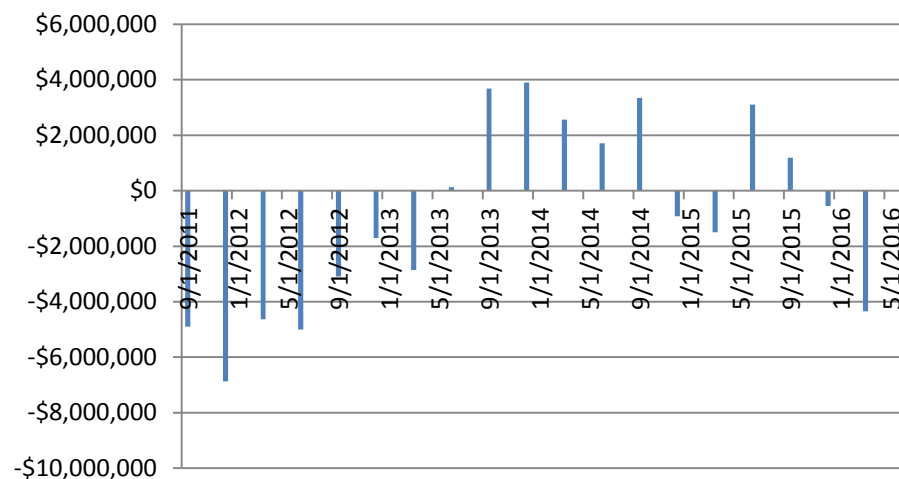


Quarter		Fees			
<u>Begin Date</u>	<u>End Date</u>	<u>Active Return</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Value Added</u>
7/1/2011	9/30/2011	-\$4,824,229	\$72,824	\$3,136	-\$4,900,189
10/1/2011	12/31/2011	-\$1,888,926	\$75,694	\$2,344	-\$1,966,964
1/1/2012	3/31/2012	\$2,303,140	\$68,984	\$1,476	\$2,232,680
4/1/2012	6/30/2012	-\$301,101	\$67,711	\$2,236	-\$371,048
7/1/2012	9/30/2012	\$1,983,489	\$71,825	\$1,072	\$1,910,592
10/1/2012	12/31/2012	\$1,467,208	\$73,225	\$2,092	\$1,391,891
1/1/2013	3/31/2013	-\$1,072,291	\$79,186	\$4,665	-\$1,156,142
4/1/2013	6/30/2013	\$3,074,425	\$80,061	\$6,119	\$2,988,245
7/1/2013	9/30/2013	\$3,641,556	\$81,796	\$6,026	\$3,553,733
10/1/2013	12/31/2013	\$313,275	\$87,811	\$5,815	\$219,650
1/1/2014	3/31/2014	-\$1,247,256	\$88,200	\$5,993	-\$1,341,450
4/1/2014	6/30/2014	-\$759,263	\$88,840	\$6,566	-\$854,669
7/1/2014	9/30/2014	\$1,730,824	\$89,424	\$4,980	\$1,636,420
10/1/2014	12/31/2014	-\$4,165,855	\$90,706	\$3,743	-\$4,260,303
1/1/2015	3/31/2015	-\$491,010	\$85,463	\$2,741	-\$579,214
4/1/2015	6/30/2015	\$4,694,841	\$87,299	\$3,256	\$4,604,286
7/1/2015	9/30/2015	-\$1,836,586	\$80,659	\$3,281	-\$1,920,525
10/1/2015	12/31/2015	-\$1,647,128	\$83,751	\$3,524	-\$1,734,402
1/1/2016	3/31/2016	-\$3,716,224	\$83,049	\$3,108	-\$3,802,382
4/1/2016	6/30/2016	-\$4,360,389	\$79,693	\$2,899	-\$4,442,981

Quarterly Value Added



Cumulative Value Added

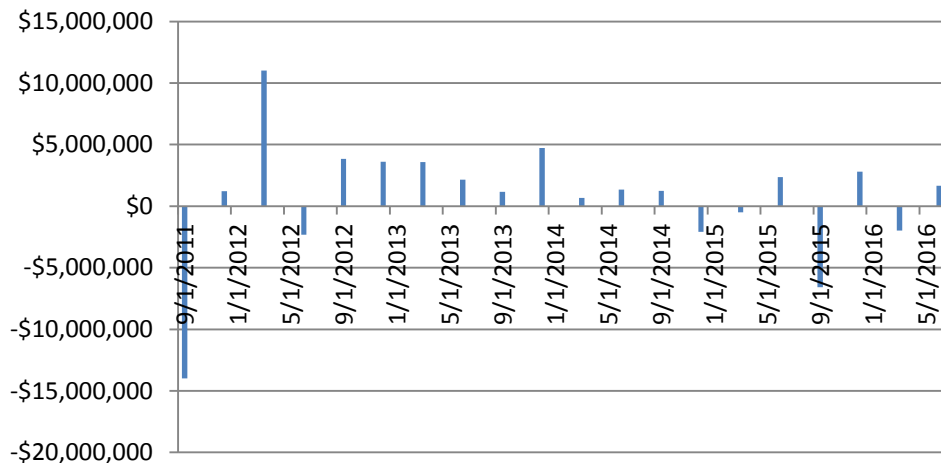


Dodge & Cox Fixed Income

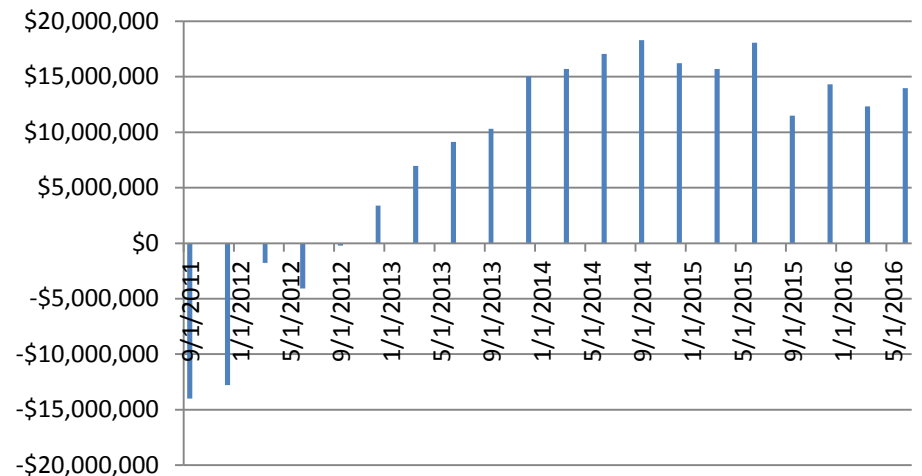
Quarter		Fees			
<u>Begin Date</u>	<u>End Date</u>	<u>Active Return</u>	<u>Managerial</u>	<u>Custodial</u>	<u>Value Added</u>
7/1/2011	9/30/2011	-\$13,865,344	\$116,701	\$1,899	-\$13,983,943
10/1/2011	12/31/2011	\$1,326,142	\$115,860	\$1,433	\$1,208,849
1/1/2012	3/31/2012	\$11,121,304	\$113,310	\$1,364	\$11,006,630
4/1/2012	6/30/2012	-\$2,191,044	\$113,009	\$1,363	-\$2,305,417
7/1/2012	9/30/2012	\$3,967,160	\$113,951	\$1,395	\$3,851,813
10/1/2012	12/31/2012	\$3,730,794	\$113,934	\$1,355	\$3,615,505
1/1/2013	3/31/2013	\$3,702,213	\$114,526	\$11,741	\$3,575,946
4/1/2013	6/30/2013	\$2,279,219	\$110,496	\$11,520	\$2,157,204
7/1/2013	9/30/2013	\$1,298,298	\$108,799	\$11,616	\$1,177,882
10/1/2013	12/31/2013	\$4,842,996	\$106,646	\$11,529	\$4,724,821
1/1/2014	3/31/2014	\$789,086	\$106,850	\$12,264	\$669,972
4/1/2014	6/30/2014	\$1,467,846	\$107,964	\$12,280	\$1,347,602
7/1/2014	9/30/2014	\$1,367,551	\$106,193	\$8,055	\$1,253,304
10/1/2014	12/31/2014	-\$1,979,397	\$105,034	\$5,187	-\$2,089,618
1/1/2015	3/31/2015	-\$392,570	\$104,680	\$5,059	-\$502,309
4/1/2015	6/30/2015	\$2,469,277	\$102,217	\$5,016	\$2,362,043
7/1/2015	9/30/2015	-\$6,462,867	\$99,901	\$5,007	-\$6,567,775
10/1/2015	12/31/2015	\$2,904,423	\$98,509	\$4,921	\$2,800,992
1/1/2016	3/31/2016	-\$1,884,327	\$98,291	\$4,980	-\$1,987,598
4/1/2016	6/30/2016	\$1,780,316	\$110,289	\$5,528	\$1,664,499



Quarterly Value Added



Cumulative Value Added

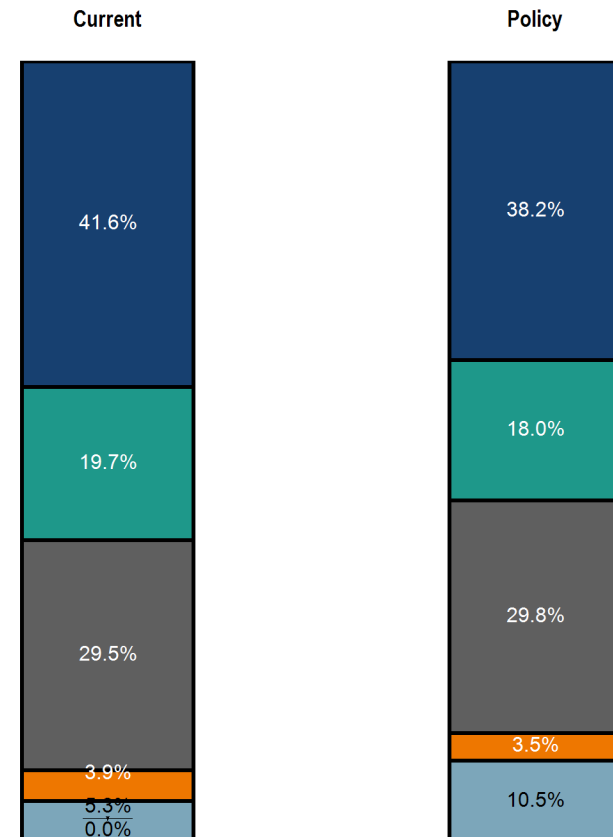


Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: August 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
Total Fund	1,825,147,122	100.0	0.5	5.3
<i>Policy Index</i>			0.2	7.1
US Equity	759,484,866	41.6	0.6	6.0
<i>US Equity Blended</i>			0.5	8.3
<i>Russell 3000</i>			0.3	8.0
Mellon S&P 500	89,731,610	4.9	0.1	7.8
<i>S&P 500</i>			0.1	7.8
BlackRock Russell 1000 Growth	88,813,492	4.9	-0.5	5.7
<i>Russell 1000 Growth</i>			-0.5	5.6
Jackson Square	128,422,971	7.0	-1.1	-2.0
<i>Russell 1000 Growth</i>			-0.5	5.6
BlackRock Russell 1000 Value	105,377,138	5.8	0.8	10.2
<i>Russell 1000 Value</i>			0.8	10.2
Dodge & Cox-Equity	174,507,557	9.6	2.0	8.4
<i>Russell 1000 Value</i>			0.8	10.2
Legato Capital	83,453,237	4.6	0.6	0.7
<i>Russell 2000 Growth</i>			1.1	6.0
Capital Prospects	89,178,861	4.9	2.0	11.6
<i>Russell 2000 Value</i>			2.5	14.6
International Equity	359,515,347	19.7	0.9	3.8
<i>MSCI ACWI ex USA Gross</i>			0.7	4.9
LSV Asset Mgt	178,410,828	9.8	2.0	4.7
<i>MSCI ACWI ex USA Gross</i>			0.7	4.9
Fidelity	181,104,519	9.9	-0.1	2.7
<i>MSCI ACWI ex USA Gross</i>			0.7	4.9
US Fixed Income	538,006,909	29.5	0.4	6.7
<i>Barclays Aggregate</i>			-0.1	5.9
Dodge & Cox-Fixed	420,889,501	23.1	0.6	6.9
<i>Barclays Aggregate</i>			-0.1	5.9
PIMCO	117,117,407	6.4	0.0	5.8
<i>Barclays Aggregate</i>			-0.1	5.9

	Current	%	Policy	%
Domestic Equity	\$759,484,866	41.6%	\$697,206,200	38.2%
International Equity	\$359,515,347	19.7%	\$328,526,482	18.0%
Domestic Fixed Income	\$538,006,909	29.5%	\$543,893,842	29.8%
Real Estate	\$71,880,371	3.9%	\$63,880,149	3.5%
Alternatives	\$96,249,092	5.3%	\$191,640,448	10.5%
Cash and Equivalents	\$10,537	0.0%	--	--
Total	\$1,825,147,122	100.0%	\$1,825,147,122	100.0%



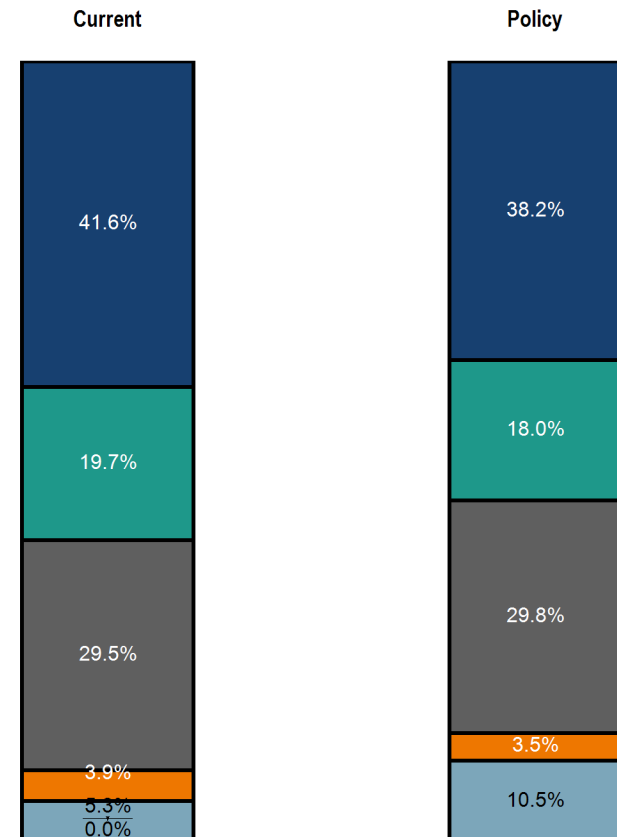
Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. All data is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

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: August 31, 2016

	Market Value	% of Portfolio	1 Mo	YTD
Real Estate	71,880,371	3.9	-1.4	6.3
DJ US Select RESI			-3.4	11.7
Prime Property Fund	16,129,294	0.9	0.0	4.3
NCREIF-ODCE			0.0	4.4
American Strategic Value Realty	12,074,520	0.7	0.0	6.1
NCREIF Property Index			0.0	4.3
BlackRock US Real Estate	31,450,085	1.7	-3.4	11.7
DJ US Select RESI TR USD			-3.4	11.7
Greenfield Gap	12,226,472	0.7		
Direct Lending	89,389,101	4.9		
Medley Capital	26,567,784	1.5		
Raven Capital	19,070,057	1.0		
Raven Opportunity III	7,897,692	0.4		
White Oak Pinnacle	35,853,568	2.0		
Infrastructure	6,859,991	0.4		
MS Infrastructure Partners II	6,859,991	0.4		
Cash Account	10,537	0.0	0.0	3.6

	Current	%	Policy	%
Domestic Equity	\$759,484,866	41.6%	\$697,206,200	38.2%
International Equity	\$359,515,347	19.7%	\$328,526,482	18.0%
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Total	\$1,825,147,122	100.0%	\$1,825,147,122	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.

Disclosures

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September 27, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Retirement Investment Officer Series & Classification

II. ITEM NUMBER: 8.a

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION:

1. Approve the addition of a Retirement Investment Officer's Series with three defined classifications to StanCERA's organization structure.
2. Request that the Stanislaus County's Salary and Position Allocation Resolution be amended to reflect the addition of a Retirement Investment Officer's Series with three defined classifications with salary ranging between \$57,000 – \$121,000.
3. Approve the funding and direct Staff to conduct a search to fill one position within the Retirement Investment Officer's Series.
4. Approve a Fiscal Year 2016-2017 budget adjustment of \$54,000 for 6 months' salary and benefits to fund one Retirement Investment Officer Position.

V. EXECUTIVE SUMMARY

Earlier this year, the Board of Retirement made the decision to significantly change StanCERA's asset allocation from a traditional one heavily weighted in public equities and fixed income to one that emphasizes awareness on managing our benefit payments and total portfolio risk. This new allocation will acknowledge its benefit payments and total contributions on a rolling six year basis and invest in safe assets such as treasuries and high grade corporate bonds to fund the differences. With its short-term benefit payments covered, the portfolio has the ability to direct a significant amount of capital towards alternative assets that are less liquid and not needed to fund short to intermediate term liabilities. In October of this year, StanCERA will officially begin the process of transitioning its portfolio to meet this objective.

By nature, the alternative assets offer higher risk adjusted returns, yet are illiquid and more complex to administer. Currently, the portfolio invests roughly \$90 million in private credit. The new allocation directs an additional \$250 million (180% increase) to private credit *and* private equity. The portfolio will also direct \$250 million to risk parity and an additional \$63 million to real estate.

Currently, 4 StanCERA staff members touch the investment governance process on a regular basis, each spending on average, a total of 17% of their time in this area (60% to 70% of this time is spent on just the alternatives). These general touch points include regular correspondence, legal diligence, accounting, account reconciliation, cash movement, fee and expense monitoring, data gathering and assimilation and reporting. Given the intended dollar increase to private credit and equity, it is entirely reasonable to assume that demands on staff resources will at least double.

Additionally, there are many tasks that the System isn't currently performing that should be included in a comprehensive investment governance process.

As a result, staff is recommending the creation of a retirement investment officer series within the County's current structure and hiring an officer to assist in providing alternative oversight and governance and manage additional tasks that aren't currently being performed, yet should be a part of a comprehensive investment governance program.

VI. ANALYSIS:

The Investment Governance Process

In today's context, the investment governance process is grounded in the idea that StanCERA has evolved to a point where it should be taking on more responsibility monitoring, analyzing and reporting on investment issues that require enhanced oversight. The investment industry is constantly changing as ideas, technology and risk awareness continue to evolve. The Organization's need to gain familiarity with investment strategies, manager investment philosophy and fee and expense reconciliation is time consuming and will only continue to grow. Thus, the idea of a person dedicated solely to investment governance enhances our fiduciary requirements and allow StanCERA to grow its institutional knowledge base.

During 2017, the alternative asset class will grow to equal one third of StanCERA's total portfolio and assets invested in private equity and credit will be 19%. Additionally, StanCERA has now dedicated a portion of its portfolio specifically to paying benefits. This change should provide the Organization a more efficient portfolio that allows it to take risks that can provide the most value and avoid those that do not.

While these changes are in the best interests of the Organization, they require a greater degree of oversight and governance. Currently the Organization uses a full time equivalent body, roughly 40%, to maintain just the private credit governance process (see Attachment 2). Given the new asset allocation, the dollar increase to private credit and private equity will be approximately \$250 million (a 180% increase). Additionally, there are many tasks that can augment and enhance our current processes and several others that StanCERA currently doesn't perform. Some of these other tasks were realized out of an obvious need and some came from recommendations from our auditor. Attachment 1 specifically defines our current investment governance tasks and others that are necessary to enhance our fiduciary responsibilities and grow our institutional knowledge.

Contract Work

Attachment 1 describes specifically those tasks staff feels would define an adequate investment governance process and would be addressed and implemented through the position. Among this list, there are specific tasks that can be contracted out through private consultants. Using our custodial bank's suite of ad hoc services and information gathered in the RFP process for an investment consultant, staff was able to price certain tasks specific to StanCERA's goals (per annum)¹:

• Investment (including alternative) cash flow projection:	\$10,000
• Investment Policy Compliance:	15,000
• Asset Liability Management (FFP process):	30,000
• Custodial Bank Monitoring:	25,000
• Trade fee analysis:	<u>5,000</u>
	\$85,000

¹ Lowest cost estimates were used from all sources

While some of the necessary work can be contracted out, this list does not include some major tasks such as SOC/ADV monitoring and all tasks related to alternative investment monitoring such as expense and fee monitoring and benefit and contribution projection. Additionally, some staff time will always be necessary to monitor, understand and be able to explain the consultant's work.

The Retirement Investment Officer Series

Ideally, the series would contain a progressive classification of investment officer positions that would allow for personal growth and accommodate StanCERA's need for flexibility down the road (Attachments 3, 4 and 5). Staff proposes the following *Retirement Investment Officer Series* and possible annual salary ranges:

- Investment Officer I – \$57,000 to \$84,000
- Investment Officer II - \$80,000 to \$98,000
- Investment Officer III - \$99,000 to \$121,000

The salary ranges for the Officer classification is based on research from two other 1937 Act Systems similar in size to StanCERA. Both systems also include and employ either a Senior or Chief position within the series, however, these positions can be researched and added in the future should the Board ever see a need. The classification would be at will.

Candidate skill set and level of anticipated guidance that would be required of the Director and Investment Consultant dictates where within the range the position would fall. There is some uncertainty in the ability to address this question more precisely; since it is indeterminable at this point what skill sets may be brought to the potential candidate pool.

StanCERA Bylaws, Article 1.10 (*Administration of Executive Director Position, Investment Classification and Other Executive Level Staff*) added and adopted by the Stanislaus County Board of Supervisors on 02/24/2014 further clarifies the disposition of the Retirement Investment Officers Series.

Funding

Under an assumption that StanCERA would hire the position at the upper end of the Investment Officer I salary range (\$84,000), annual costs to fund this position would be around \$109,000 including benefits. This equates to slightly more than half a basis point (0.61) in additional annual investment fees.

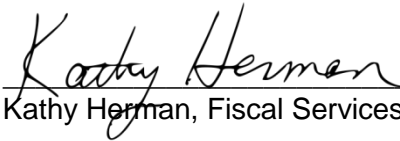
- VII. RISK: Additional investment governance will be required to maintain and/or enhance our current processes. If the Organization does not wish to proceed with the creation of the Retirement Investment Officer Series and filling one classification within that series, staff feels that the ability to maintain our current processes on the new commitments will be difficult and the successful implementation of the new pension administration software could be delayed, resulting in additional cost.

As a result of the additional risks, if the Organization does not wish to proceed at this time, staff recommends that the Board re-evaluate the asset allocation decision.

- VIII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- IX. ADMINISTRATIVE BUDGET IMPACT: Increase the Fiscal Year 2016-2017 budget by \$54,000, to include six month funding for one Retirement Investment Officer position, for a total Fiscal Year 2016-2017 budget of \$5,098,833.



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager

Attachment 1

Required Job Duties of the Investment Officer Position

- Reconciliation of the alternative accounts
 - Analyze all expense items and audit manager reported numbers
 - Replicate and reconcile all management fees
 - Independent calculation and reconciliation of fund performance
 - Work with manager to project and analyze future expected cash flows
 - Monitor and analyze all subject matter pertaining to SOC/ADV reports (all accounts), potential contract changes, new investments, most favored nation clause, quarterly reports and summaries
- Reconciliation and review of general investment account financial information
 - Reconcile month to month fund balance changes
 - Reconcile monthly and quarterly performance
 - Replication and reconciliation of all fees
 - Provide accounting peer review on a quarterly basis
 - Monitor and reconcile custodial fees
 - Maintain and monitor foreign account requirements
- Monthly cash flow analysis
 - Project future cash flows into and out of the fund from alternative investments
 - Project and monitor benefit payments and pension contributions
 - Project and monitor annual administrative expenses
 - Analyze, review and facilitate liquidity transfers across portfolio asset classes
 - Monitor fund cash balances and adverse contingency requirements
- Monitor Investment Policy compliance
 - Individual holdings
 - Permissible allocation constraints (credit quality, weightings, etc.)
 - Manager thesis (compliance with strategy)
 - Risk budget/tracking error
- Rebalancing
 - Monitor target ranges
 - Work with consultant/director to manage the rebalancing process
- Auxiliary Investment Reporting
 - Work with director to maintain and enhance the reporting process
 - Download and input monthly investment data into StanCERA applications
- Assist in the maintenance of the functionally focused portfolio
 - Provide regular data to calculate and maintain a liability driven benchmark
 - Analyze and recommend potential cash flow transitions into the liquidity asset class
- Other tasks
 - Monitor global class action and shareholder litigation
 - Analyze and provide basic trading cost analysis
 - Monitor securities lending program
 - Maintain awareness of current pension and global macro-economic issues
 - Make presentations as required to the Board of Retirement

Attachment 2

Supporting Analysis for the Current Full Time Equivalent Needed to Maintain Today's Governance Process for the Private Credit Asset Class

- a) Current number of employees working on the investment governance process: 4
- b) Average percent of time spent by each employee on *total* governance process: 17%
- c) Average percent of time spent by each employee on private credit class: 60%
- d) Average percent of time spent by each employee on private credit class (b x c): 10%
- e) % of full time equivalent body currently dedicated to private credit class (a x d): **40%**

RETIREMENT INVESTMENT OFFICER I

Definition

Under close supervision, provides analytical and administrative support for the Investment Program of the Stanislaus County Employees' Retirement Association (StanCERA) by researching, analyzing and monitoring a variety of investment data and information and learning to prepare reports and presentation materials.

Distinguishing Characteristics

This is the entry level class in the Retirement Investment Officer series characterized by the responsibility to conduct detailed data collection and analysis for use by the StanCERA management team, the StanCERA Investment Consultant and the Board of Retirement in the evaluation of the Investment Program. The incumbent initially works under close supervision and is expected to require less guidance and supervision as experience, knowledge, and skills are gained. Incumbents are expected to gain the knowledge and skills to progress to the Retirement Investment Officer II level.

This class is distinguished from the class of Retirement Investment Officer II in that the latter is the journey-level in the series, and incumbents work under general supervision in exercising and performing required duties.

Typical Duties

Typical duties may include, but are not limited to the following:

Research and conduct analysis regarding investment policies or procedures, portfolio performance or management, asset class investing, asset allocation, or other related topics as directed.

Learns to and prepares Board of Retirement agendas and materials; attends monthly Board meetings; assists with the preparation of monthly reports and presentations covering investment performance, economic data reporting, and the monitoring of investment guidelines and policies; assists with the preparation of quarterly reports covering trade analysis, securities lending, asset allocation drift, and universe comparisons.

Learns to monitor and monitors account holdings and learns to perform compliance audits in accordance with investment policy; learns to prepare and summarize and prepares and summarizes Exception Reports for review.

Learns to monitor and analyze and monitors and analyzes market and economic data and the applicable regulatory environment; assists in evaluating risk management software systems and attribution/performance evaluation systems; assists investment staff with implementation of and compliance with Investment Program's practices and policies.

Monitors, compiles and analyzes financial data, and learns to prepare and prepares reports on companies for periodic review of performance; learns to verify and track fees for investment managers and consultants.

Learns to project and monitor and projects and monitors StanCERA benefit payments, administrative expenses and employee and employer contributions from all sources.

Learns to calculate, analyze and reconcile and calculates, analyzes and reconciles alternative investment account fee structures, expenses and performance measures.

Ability to learn, monitor and analyze and monitors and analyzes global class action and shareholder litigation, trading costs and the StanCERA securities lending program.

Attends due diligence meetings, conferences, and seminars.

Ability to provide peer review and/or execute cash transfers across various asset classes of the portfolio.

Ability to provide peer review and/or execute investment transactions such as asset allocation rebalancing as directed.

Ability to apply basic statistical principles and methodologies to data sets. Basic principles and methodologies include such things as linear regression, multiple linear regression, confidence intervals, hypothesis testing and tests for collinearity.

Performs special projects as assigned.

Performs related duties as assigned.

Knowledge, Skills, and Abilities

Basic Knowledge of: the principles and practices of institutional investing; financial analysis; benchmarking; projection; administrative analysis; and statistics.

Ability to: perform semi-complex financial analysis; prepare and write reports and present conclusions and recommendations; establish and maintain effective working relationships; effectively communicate verbally and in writing; interpret and explain laws, regulations, and policies; make presentations to Boards, management groups, department representatives, and others as needed; utilize personal computers to generate investment management analyses and presentations; analyze and evaluate systems; exercise appropriate judgment in answering questions and releasing information, utilize Bloomberg application and navigate various StanCERA data sources and programs.

Minimum Qualifications

Education and Experience: Any combination of education and experience that would provide the opportunity to acquire the knowledge and abilities listed. Normally, this would include possession of a Bachelor's degree, or equivalent, in economics, statistics, actuarial science, mathematics, applied mathematics, finance, or business/public administration which includes significant coursework in economics, quantitative analysis, financial accounting, and statistics, or a closely related field **AND** one year of experience which involved financial analysis, investment analysis, statistical analysis, economic analysis, and/or investment reporting or performance measurement; **OR** a Master's degree, or equivalent, with an emphasis in any of the above listed areas. Possession or pursuit of the Chartered Financial Analyst (CFA) designation is highly desirable.

License: Possession of a valid driver's license at the appropriate level including special endorsements, as required by the State of California, may be required depending upon assignment to perform the essential job functions of the position.

RETIREMENT INVESTMENT OFFICER II

Definition

Under general supervision, provides analytical and administrative support for the Investment Program of the Stanislaus County Employees' Retirement Association (StanCERA) by researching, analyzing and monitoring a variety of investment data and information and preparing reports and presentation materials.

Distinguishing Characteristics

This is the journey level class in the Retirement Investment Officer series characterized by the responsibility to conduct detailed and complex data collection, monitoring and analysis for use by StanCERA management team, the StanCERA Investment Consultant and the Board of Retirement in the evaluation of the Investment Program. The incumbent works under general supervision and guidance from the Executive Director and/or the StanCERA Investment Consultant.

This class is distinguished from the class of Retirement Investment Officer I in that the latter is an entry level class and requires the incumbent to work under close supervision. This class is distinguished from the class of Retirement Investment Officer III in that the latter assists in the administration of StanCERA's Investment Program and has more discretionary authority regarding various investment decisions.

Typical Duties

Typical duties may include, but are not limited to the following:

Research and conduct analysis regarding investment policies or procedures, portfolio performance or management, asset class investing, asset allocation, or other related topics as directed.

Prepares Board of Retirement agendas and materials; attends monthly Board meetings; prepares monthly reports and presentations covering investment performance, economic data reporting, and the monitoring of investment guidelines and policies; assists with the preparation of quarterly reports covering trade analysis, securities lending, asset allocation drift, and universe comparisons.

Monitors account holdings performs compliance audits in accordance with investment policy; prepares and summarizes Exception Reports for review.

Monitors and analyzes market and economic data and the applicable regulatory environment; assists in evaluating risk management software systems and attribution/performance evaluation systems; assists investment staff with implementation of and compliance with Investment Program's practices and policies.

Monitors, compiles and analyzes financial data, and prepares reports on companies for periodic review of performance; monitors, verifies and reconciles fees for investment managers and consultants.

Projects and monitors StanCERA benefit payments, administrative expenses and employee and employer contributions from all sources.

Calculates, analyzes and reconciles alternative investment account fee structures, expenses and performance measures.

Monitors and analyzes global class action and shareholder litigation, trading costs and the StanCERA securities lending program.

Attends due diligence meetings, conferences, and seminars.

Provide peer review and executes cash transfers across various asset classes of the portfolio.

Provide peer review and executes investment transactions such as asset allocation rebalancing as directed.

Apply statistical principles and methodologies to data sets. Principles and methodologies may include such things as linear regression, multiple linear regression, regime switching return models, mean reversion models, auto regressive/moving average models, asset liability modeling, confidence intervals, hypothesis testing and tests for collinearity.

Performs special projects as assigned.

Performs related duties as assigned.

Knowledge, Skills, and Abilities

Working knowledge of: the principles and practices of institutional investing; financial analysis; risk monitoring; projection; economic and market trends and conditions; applicable investment laws, rules, and regulations; benchmarking; administrative analysis; statistical and actuarial analysis.

Knowledge of: the principals of pension administration and retirement benefits administration.

Ability to: perform complex financial analysis; prepare and write reports and present conclusions and recommendations; establish and maintain effective working relationships; effectively communicate verbally and in writing; interpret and explain laws, regulations, and policies; make presentations to Boards, management groups, department representatives, and others as needed; utilize personal computers and the Bloomberg application to generate investment management analyses and presentations; analyze and evaluate systems; exercise appropriate judgment in answering questions and releasing information.

Minimum Qualifications

Education and Experience: Any combination of education and experience that would provide the opportunity to acquire the knowledge and abilities listed. Normally, this would include possession of a Bachelor's degree, or equivalent, in economics, statistics, actuarial science, mathematics, applied mathematics, finance, business/public administration which includes significant coursework in economics, quantitative analysis, financial accounting, statistics, or a closely related field **AND** two years of investment experience in a public agency or financial institution which involved financial analysis, investment analysis, economic analysis, and/or investment reporting or performance measurement; **OR** possession of a Master's degree, or equivalent, with an emphasis in any of the above listed areas and one year of professional investment experience in the above listed areas. Possession or pursuit of the Chartered Financial Analyst (CFA) designation is highly desirable.

License: Possession of a valid driver's license at the appropriate level including special endorsements, as required by the State of California, may be required depending upon assignment to perform the essential job functions of the position.

RETIREMENT INVESTMENT OFFICER III

Definition

Under direction, assists in the implementation and administration of the Investment Program of the Stanislaus County Employees' Retirement Association (StanCERA); monitors and analyzes investment performance; evaluates the performance of investment service providers; and assists in the planning and development of investment strategies and may coordinate the work of staff and the StanCERA Investment Consultant.

Distinguishing Characteristics

This is the senior level class in the Retirement Investment Officer series. This class is characterized by the responsibility to assist and provide direction in the management and implementation of the StanCERA investment strategy and policies and to monitor and analyze fund investments and maintain and discharge discretionary authority and responsibility over some aspects of the Program.

This class is distinguished from the class of Retirement Investment Officer I in that the latter's focus is on research and analysis in support of StanCERA's Investment Program and performs under close supervision. This class is distinguished from the class of Retirement Investment Officer II in that the latter performs the most complex and specialized investment related duties, works under general supervision and may play a role in coordinating the work of staff.

Typical Duties

Typical duties may include, but are not limited to the following:

Assists in developing objectives and guidelines for the StanCERA investment program and policies; assists in the formulation of investment strategies and tactics.

Researches and analyzes pension fund trends and new product developments in the institutional investment industry; analyzes economic and financial markets on a global basis.

Prepares special analyses of the investment portfolio; develops investment improvement recommendations; conducts research and screens investment opportunities and oversees the general investment process.

Prepares and presents written and oral reports to and conducts workshops for the StanCERA Board, County Board of Supervisors, retirees, employees, and other groups as directed.

Provides primary support to Investment Manager Searches, Watch Status and Terminations.

Oversees investment contract processes with knowledge of current market terms; prepares Request for Proposals; assists in benchmarking investment services providers performance; meets with investment managers to evaluate products and firms; assists in the review, negotiation and administration of contracts for services.

Attends monthly Board meetings; develops and presents the results of analytical projects to the Board; studies and make recommendations to the Retirement Board based on internal research and/or advice received from outside consultants; properly maintains and maintains the asset allocation plan approved

by the Retirement Board.

Participates in evaluating the investment performance of investment managers and StanCERA's portfolio; evaluates trade cost analysis of StanCERA's investment managers; acts as primary liaison to investment managers in monthly and quarterly reporting and monitors their compliance with Board established reporting deadlines and report formats; monitors and assists in ensuring compliance of the Retirement System's investment managers with the Board's investment policies and guidelines.

Coordinates portfolio rebalancing; monitors allocation mix of short-term investment funds; recommends changes to the StanCERA Investment Policy Statement.

Performs compliance audits of investment managers; verifies and tracks fees for investment managers and consultants.

Calculates, analyzes and reconciles alternative investment account fee structures, expenses and performance measures

Reviews investment training opportunities with the Board and Staff; attends Client and Investment Conferences; meets with banking, financial and investment organizations to discuss investments, financial markets and economic trends.

Apply statistical principles and methodologies to data sets. Principles and methodologies may include such things as linear regression, multiple linear regression, regime switching return models, mean reversion models, auto regressive/moving average models, asset liability modeling, confidence intervals, hypothesis testing and tests for collinearity.

Provide peer review and technical direction and guidance to staff.

Performs special projects as assigned.

Performs related duties as assigned.

Knowledge, Skills, and Abilities

Considerable knowledge of: the principals and practices of institutional investing; financial analysis; risk monitoring, economic and market trends and conditions; applicable investment laws, rules and regulations; benchmarking; administrative analysis; statistics and actuarial analysis.

Working knowledge of: the principals of pension administration and retirement benefits administration.

Ability to: think strategically related to the management of a public pension system investment portfolio; analyze and communicate the strategies related to complex financial investments; perform complex financial and statistical analysis; prepare and write reports or presentations; establish and maintain effective working relationships with all StanCERA stakeholders; effectively communicate verbally and in writing; make presentations to Boards and management groups; develop complex plans and reports; utilize personal computers, Bloomberg application and various StanCERA applications and data sources to generate investment management analyses; exercise appropriate judgment in answering questions and releasing information.

Minimum Qualifications

Education and Experience: Any combination of education and experience that would provide the opportunity to acquire the knowledge and abilities listed. Normally this would include possession of a Bachelor's degree, or equivalent, in finance, statistics, actuarial science, mathematics, applied mathematics, economics, business administration or closely related field **AND** four years of investment experience in a public agency or financial institution which involved investment portfolio management, formulating, recommending and implementing investment strategies, economic analysis, and/or investment reporting or performance measurement; **OR** a Master's degree, or equivalent, with an emphasis in any of the above listed areas and three years of experience in the above listed areas. Experience in retirement benefits administration and pursuit or possession of the Chartered Financial Analyst (CFA) designation is highly desirable.

License: Possession of a valid driver's license at the appropriate level including special endorsements, as required by the State of California, may be required depending upon assignment to perform the essential job functions of the position.



September 27, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Revised Draft Investment Policy Statement
- II. ITEM NUMBER: 8.b
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Accept the Revised Draft Investment Policy Statement

EXECUTIVE SUMMARY: On May 24, 2016 the Board of Retirement adopted an asset allocation that emphasizes awareness on managing our benefit payments and total portfolio risk. This new allocation will acknowledge its benefit payments and total contributions on a rolling six year basis, fund the differences with safe investments and give the ability to direct a significant amount of capital towards alternative assets that are less liquid and not needed to fund short to intermediate term liabilities. As part of that process the Investment Policy Statement along with several other documents will be reviewed and revised.

- V. ANALYSIS: The purpose of this Investment Policy Statement ("this IPS") is to establish the policies through which the Board intends to conduct the Investment Program. The primary fiduciary responsibility of the Board is to ensure that the Investment Program is managed responsibly in accordance with the actuarial needs of the Plan with sound financial investment practices and with the ultimate goal of ensuring the Plan's ability to meet benefit requirements when they come due.

The standard for the Investment Program in making investment decisions shall be to exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All transactions undertaken on behalf of the Plan will be in the sole interest of the members and beneficiaries, and for the exclusive purpose of providing benefits to such membership and their beneficiaries, and defraying reasonable expenses of administering the Plan.

The Investment Consultant in collaboration with Staff have arrived at this IPS through careful study of the returns and risks associated with various investment strategies in relation to the current and projected cash flows of the Plan. This IPS has been chosen as the most appropriate policy for achieving the financial objectives of the Plan, which are described in the Statement of Objectives section of this document.

Once completed, this IPS will be supported by the Board of Retirement's Investment Directives ("the Directives") and the Board of Retirement's Operational Procedures ("the Procedures"), which govern the Investment Program and shall be maintained by the Board at regularly scheduled board meetings. This IPS is a living document and will evolve over time.

- VI. RISK: Implementation of the approved asset allocation will take several months. Revising the Investment Policy Statement is only the first step and necessary to continue with the implementation.

- 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: California Code Section 31596.1 (d) states investment consultant fees are exempt from the Administrative Budget and are to be listed as a reduction in earnings. Staff resources are included in the Fiscal Year 2016-2017 approved budget.



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager

Stanislaus County Employees' Retirement Association

Investment Policy Statement

-DRAFT-

Adopted: April 27, 1999

Restated [_____, 2016]

STANCERA INVESTMENT POLICY STATEMENT
– D R A F T –

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STANCERA INVESTMENT POLICY STATEMENT
– D R A F T –

Stanislaus County Employees’ Retirement Association
Investment Policy Statement

Adopted: April 27, 1999

Restated [_____, 2016]

The Stanislaus County Employees’ Retirement Association (StanCERA) is a public employee retirement system that was established by the County of Stanislaus on July 1, 1948. StanCERA is administered by the StanCERA Board of Retirement (“the Board”) to provide service retirement, disability, death and survivor benefits for county employees and [xx] other participating agencies under the County Employees Retirement Law of 1937, California Government Code Section 31450 *et. seq.* (CERL) and the California Public Employees’ Pension Reform Act of 2013, California Government Code Section 7522 *et. seq.* (PEPRA) and other applicable laws.

1. Purpose

The purpose of the Stanislaus County Employees’ Retirement Association (“StanCERA”) defined benefit plan (“the Plan”) is to provide and protect retirement benefits for its members and beneficiaries. To help accomplish this mission, the Board has established an investment program (“the Investment Program”) to provide sufficient assets in a timely manner to pay the benefits due to participants today and in the future, over the long-term. The purpose of this Investment Policy Statement (“this IPS”) is to establish the policies through which the Board intends to conduct the Investment Program. The statements contained in this document are intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure prudence and care are maintained in the execution of the investment program.

The primary fiduciary responsibility of the Board is to ensure that the Investment Program is managed responsibly in accordance with the actuarial needs of the Plan with sound financial investment practices and with the ultimate goal of ensuring the Plan’s ability to meet benefit requirements when they come due.

The standard for the Investment Program in making investment decisions shall be to exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. All transactions undertaken on behalf of the Plan will be in the sole interest of the members and beneficiaries, and for the exclusive

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purpose of providing benefits to such membership and their beneficiaries, and defraying reasonable expenses of administering the Plan.

The Board has arrived at this IPS through careful study of the returns and risks associated with various investment strategies in relation to the current and projected cash flows of the Plan. This IPS has been chosen as the most appropriate policy for achieving the financial objectives of the Plan, which are described in the Statement of Objectives section of this document.

This IPS is supported by the Board of Retirement's Investment Directives ("the Directives") and the Board of Retirement's Operational Procedures ("the Procedures"), which govern the Investment Program and shall be maintained by the Board at regularly scheduled board meetings. This IPS is a living document and will evolve over time.

2. Scope

This IPS refers to the Investment Program held in trust for the benefit of all members of the Plan. Members of the Plan include:

- Those actively employed; and
- Those that have earned a vested benefit that is payable at some point in the future; and
- Those that have monies on deposit with the plan, yet have not earned a vested benefit; and
- Those that are retired; and
- Those that are beneficiaries of former active members.

The term of this policy is indefinite and does not expire.

3. Authority

The Investment Program is managed in accordance with applicable law, including but not limited to the following:

- The assets of the Plan are trust funds and shall be held for the exclusive purposes of providing benefits to the participants in the Plan and their beneficiaries and defraying reasonable expenses of administering the Plan (Cal. Gov. Code Sec. 31595 (a)); CA Const. art. XVI, sec. 17(b) [additional language for minimizing contributions from employer].
- Investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims (Cal. Gov. Code Sec 31595 (b)); CA Const. art. XVI, sec. 17(c).

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- Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return unless under the circumstances it is clearly prudent not to do so (Cal. Gov. Code Sec. 31595 (c)); CA Const. art. XVI, sec. 17(d).

4. Roles and Responsibilities

The Board has adopted a governance model whereby specific authority, responsibility, and accountability are either retained by the Board or delegated to others based on areas of expertise and appropriate oversight. The Board retains sole responsibility for the governance of the Plan, setting investment policy, and monitoring the Program. It may choose to delegate specific areas of responsibility provided it retains appropriate oversight of the delegated activity.

A. Board of retirement

The Board maintains the sole and plenary authority and fiduciary responsibility for the Program. The Board also understands it may delegate certain aspects of the Program for purposes of administrative efficiency and expertise. The areas of the Program the Board may not delegate include:

- The governance model of the Investment Program
- Establishing and maintaining investment policy, including:
 - This IPS
 - Investment philosophy
 - Investment objectives
 - Strategic asset allocation
 - Acceptable asset classes and securities
 - Allocation-level performance benchmarks
 - Risk philosophy
- Engagement of Board consultants and advisers
- Engagement of the custodian bank
- Monitoring the Investment Program

B. Staff

StanCERA Staff (“Staff”), is broadly responsible for supporting the Board in the effective execution of its fiduciary duties. The CEO has been delegated authority to execute specific elements of the Investment Program as outlined in the Guidelines and Procedures.

C. General investment consultant

The General Investment Consultant (“the Consultant”) is hired by the Board to provide independent, objective investment advice. The Consultant is and shall agree to be a fiduciary to the Plan under California law. The Consultant works with Staff in the development of recommendations while recognizing its fiduciary duty is to provide prudent investment advice to the Board. The Consultant provides advice without

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discretionary authority to execute on its advice. The specific duties of the Consultant are indicated in the Revised Model Agreement for Investment Consulting Services, and generally include providing advice with respect to:

- Investment strategy development and implementation
- Investment policy development
- Investment manager selection, evaluation and termination
- Investment performance monitoring
- Investment risk monitoring
- Investment fee analysis and negotiation
- Capital markets projections
- Coordination with the Plan's actuary in conducting periodic asset/liability studies and other required reporting
- Board education

D. Specialty investment consultants

Specialty consultants may be hired by the Board to work with Staff, the Consultant, or the Board. These will typically be asset class consultants (e.g., real estate, private equity, hedge funds) that may operate on a discretionary or non-discretionary basis, as directed by the Board, to meet the needs of the Plan.

E. Investment managers

Investment Managers are delegated the responsibility of investing and managing Plan assets in accordance with this IPS and all other applicable laws and the terms of the applicable investment documents evidencing StanCERA's acquisition of an interest in an investment vehicle, and other controlling documents. Each Investment Manager must be either (1) an investment advisor registered under the Investment Advisors Act of 1940; (2) a bank, as defined in that Act; (3) an insurance company qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of the Plans' assets; (4) a trust operating as an investment company under the Investment Company Act of 1940; or (5) a state-chartered trust company authorized to carry on a trust banking business. Each Investment Manager shall agree that it is a fiduciary of the Plan under California law. Investment Managers are responsible for making all investment decisions on a discretionary basis regarding assets placed under their jurisdiction and will be accountable for achieving their investment objectives. Such discretion shall include decisions to buy, hold, and sell investments in amounts and proportions that are reflective of the stated investment mandate.

F. Custodian bank

The custodian bank, selected by the Board to act as the principal custodian of assets of the Trust (the "Custodian Bank"), is delegated the responsibility of holding the assets and evidence of interests owned by StanCERA in investment vehicles and cash (and equivalents). The Board may authorize the Custodian Bank to invest in temporary short-

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term fixed income investments both for the investment strategies and as a part of the cash portion of Plan assets. Such investments will be managed in general accordance with short-term fixed income investment guidelines as detailed in the Guidelines and Procedures. Cash managed for investment strategies shall be considered to be sub-portions of the assets managed by the directing Investment Managers.

5. Investment Philosophy

The Investment Philosophy represents the foundational principles on which the Program is based. Every investment decision should be made with these foundational principles in mind to promote the fulfillment of the fiduciary obligations. The statements below set forth the Board's Investment Philosophy:

Plan objectives should guide all decision making

The Program is designed to provide benefits to participants over a long term without accepting undue risks that could be detrimental to the participants or Plan sponsors. The Program, therefore, must be managed in a prudent manner recognizing the relationships between the benefits promised to participants and their beneficiaries, the financial health of the sponsors, and the exposures within the Program.

Asset allocation drives portfolio volatility and returns

It is impossible to accurately and consistently predict the future; therefore, the Plan is required to be prudently diversified across and within asset classes in anticipation of various economic conditions. In a well-diversified portfolio, the overall volatility of investment returns is principally driven by the asset allocation and secondarily driven by the individual investment strategies. As such, asset allocation is the primary tool by which the Board can manage the risk/return profile of the Plan.

Short-term investing

Over shorter investment periods of up to 5 years, volatility can be more detrimental to the success of the Program. Because paying benefits to participants and their beneficiaries occurs continuously, the forced selling of assets during broad market corrections to meet these payments results in the permanent impairment of investible capital. By maintaining a portion of the portfolio invested in low-volatility, highly liquid securities and investment strategies, the Program will be able to mitigate or avoid the forced selling of assets during broad market corrections.

Long-term investing

Over longer investment periods, volatility can be managed more effectively to produce beneficial results for the Program. Market corrections will occur and when they do, patient and well-capitalized investors are able to wait until the market recovery takes place. Additionally, broad market corrections have historically provided investment

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opportunities for those with available capital and foresight to make additional investments.

Fees

Fees directly impact the investment results of the Program but are necessary to appropriately compensate the investment management of the Program. Fees must, therefore, be measured closely against the value the Program expects to earn and aligned to ensure incentives are consistent with the objectives of the Plan.

6. Investment Objectives

The investment objectives of the Investment Program are:

- To provide liquidity to meet retiree benefit payments in a timely manner;
- To produce long-term growth to meet future retiree benefit payments and maintain a well-funded plan or closing a funding gap over time; and
- To protect the assets against the adverse impacts of rising inflation and investment market volatility.

Investment objectives specific to the individual investment strategies are further defined in the Board of Retirement's Investment Directives.

7. Investment Strategy

The Board has chosen to employ an investment strategy that seeks to align the Investment Program with the investment objectives listed in Section 5 of this IPS. The strategy divides the portfolio into three functional sub-portfolios—Liquidity, Growth, and Diversifying—to address each investment objective highlighted in Section 6. The Liquidity sub-portfolio is dedicated to funding near-term benefit payments. It is paired with the longer-term Growth sub-portfolio as well as the Diversifying sub-portfolio, which is intended to offset some of the investment risks embedded in the Growth portfolio. While the three sub-portfolios are aligned with the investment objectives individually, collectively they allow the Investment Program to offer appropriate risk and return characteristics.

A. Asset Allocation

The Board has adopted a strategic asset allocation based on the Plan's projected actuarial liabilities, liquidity needs, risk tolerance and the risk/return expectations for various asset classes. This asset allocation seeks to optimize long-term returns for the level of risk the Board considers appropriate. The current asset allocation table may be found in Investment [Directive xx: Asset Allocation].

Since projected liability and risk/return expectations will change over time, the Board will conduct a periodic review of the strategic asset allocation to maintain an optimal allocation. The Board may also revise the asset allocation in response to significantly

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changing conditions that have affected valuations and forward-looking expected returns of asset classes. The Board will review capital market expectations annually. The result of this review shall be used to update the Investment Directives as needed.

B. Functional Sub-portfolios

As noted previously, the investment strategy for the Investment Program employs three functional sub-portfolios to construct the comprehensive asset allocation. The allocation to the Liquidity Sub-portfolio is assessed annually and is based on the projected benefit payments and expenses of the Plan. The remaining assets are invested in the Growth and Diversifying sub-portfolios. The relative size and composition of these sub-portfolios is reviewed annually by the Board and revised as necessary through Investment Directives. The functional sub-portfolios are set forth below:

1. LIQUIDITY SUB-PORTFOLIO

The purpose of the Liquidity Sub-portfolio is to ensure adequate assets are available to pay benefits over an extended timeframe as outlined in the Investment Directives. The Board has established a target allocation of 72 months of the difference between contributions and benefit payments plus expenses (“shortfall”) in the Liquidity Sub-portfolio. The assets will be invested in highly liquid, low volatility securities expected to generate modest levels of return while preserving capital throughout a market cycle. This portfolio will contain assets such as cash, short-term bonds, laddered government bonds, derivatives, and other investments that provide fixed, contractual cash flows with a minimum level of credit risk. As a secondary purpose, a portion of the Liquidity Sub-portfolio may be allocated to the Growth Sub-portfolio during broad market corrections so long as at least 48 months of projected shortfall is maintained in the Liquidity Sub-portfolio.

The success of the Liquidity Sub-portfolio will be measured by its ability to directly fund each year’s annual benefit payments without having to look to other sources of capital to meet this obligation. It will accomplish this objective through low-risk, cash flowing investments, as well as providing a stable offset to the rest of the portfolio during periods of severe market stress.

2. GROWTH SUB-PORTFOLIO

The purpose of the Growth Sub-portfolio is to grow invested assets over the long term in order to pay future benefits. Assets from the Growth Sub-portfolio may be sold over time and transferred to the Liquidity Sub-portfolio as needed. This portfolio is characterized by a long investment horizon and can, therefore, accept a higher level of volatility. Assets in this portfolio may be volatile, have reduced liquidity, and derive the bulk of their return from capital appreciation. These assets include public and private equity, corporate and other debt with credit risk premiums, private real estate and other private assets.

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The success of this portfolio will be measured primarily by compounded annual growth rates in conjunction with the annualized standard deviation of returns as the primary measure of risk. Performance evaluation will, therefore, focus on the long-term total risk-adjusted return of the portfolio.

3. DIVERSIFYING SUB-PORTFOLIO

The purpose of the Diversifying Sub-portfolio is to offset the investment risk of the Growth Sub-portfolio. Investment strategies in the Diversifying Sub-portfolio are expected to have return profiles that have a low correlation to those in the Growth Sub-portfolio. This is expected to effectively dampen the market volatility across the entire portfolio. As a secondary objective, the investment strategies in the Diversifying Sub-portfolio will offer additional sources of return to those in the Liquidity and Growth sub-portfolios. Assets in the Diversifying Sub-portfolio may be sold during times of market stress or when the assets in the Growth Sub-portfolio are impaired in order to fund the Liquidity Sub-portfolio.

The success of the Diversifying Sub-portfolio will be measured by its ability to offset declines in value in the Growth Sub-portfolio, as well as its ability to provide liquidity during times of market stress.

4. INTERACTION BETWEEN THE FUNCTIONAL SUB-PORTFOLIOS

The allocations to the Liquidity, Growth, and Diversifying sub-portfolios will vary over time. The Liquidity Sub-portfolio will operate as a vehicle to pay benefits and expenses. The Growth and Diversifying sub-portfolios will be subject to the volatility of the markets in which each functional sub-portfolio invests. In order to reallocate between the functional sub-portfolios, the Board will conduct an annual review to assess the relative value and risks associated with each asset class and determine the appropriate amount to be held in the Liquidity Sub-portfolio.

An annual review of the capital markets will be delivered to the Board jointly by the Consultant. The Consultant will provide the Board current forward-looking risk and return assumptions for all major asset classes. In conjunction with this review, the Consultant will also provide a recommendation of how best to allocate assets within each functional sub-portfolio. If necessary, the Consultant will recommend changes in target allocations to the underlying asset classes in order to deploy the Investment Program's assets effectively in the upcoming year.

Additionally and subsequent to the capital markets review, Staff will present an annual funding plan, which will provide a recommendation of how best to replenish the Liquidity Sub-portfolio program to maintain the required 72 months of shortfall. Staff will provide a monthly report to the Board on the progress of funding the

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Liquidity Sub-portfolio through a combination of harvesting income from the Growth and Diversifying sub-portfolios, asset sales in the Growth and/or Diversifying sub-portfolios or the use of contributions. Under normal market conditions, the balance in the Liquidity Sub-portfolio is expected to vary between 60 and 72 months of projected benefit payments and expenses.

C. Investment Strategy Attributes

All investment strategies, whether currently used by the Investment Program or being considered for inclusion in the Investment Program, will be evaluated on their own unique risk and return characteristics as well as their contribution to the overall Investment Program's risk and return characteristics. Other risks pertaining to the individual investment strategies and / or the firm managing the strategy will also be considered.

Fees and expenses of the investment strategies will be closely evaluated against competitive strategies and the value provided for the services rendered. While lower fees are clearly preferred over higher fees, the Plan seeks to identify investment strategies capable of providing value for participants by generating investment returns in excess of benchmark returns plus fees. Fee structures will be evaluated to ensure appropriate incentives are provided to achieve the desired outcomes for the Investment Program.

D. Rebalancing

The Board recognizes there may be a cost to maintaining strict adherence to a target asset allocation in terms of both transaction costs and opportunity costs. The Board also recognizes that the benefit of cost minimization must be balanced against the assumption of active risk associated with allowing variances to asset allocation targets.

Portfolio rebalancing shall be conducted in order to meet two distinct objectives. The first objective is to maintain the long-term strategic asset allocation targets approved by the Board. The second is to capture valuation-based opportunities by deviating from the long-term strategic asset allocation targets as deemed appropriate by the Board.

Special consideration will be given to illiquid asset classes recognizing that the funding and redemption processes are different than those of the liquid asset classes. As such, each illiquid asset class is assigned a specific liquid asset class to function as a holding asset class while the corresponding illiquid strategies are being funded.

Portfolio rebalancing may occur by adjusting allocations to individual investment strategies or through the use of an overlay provider using derivatives.

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E. Managing Investment Strategies

While the Board believes the vast majority of investment return over the long term is dependent on the asset allocation decision, it recognizes additional risk and return may be generated by how the asset allocation is implemented.

1. HIRING A NEW MANAGER

The Consultant, shall conduct all due diligence activities in connection with hiring new managers. In all cases, the hiring process must be consistent with the requirements for vendor selection detailed in the Procedures and other Plan policy documents (e.g., Procurement of Products and Services Policy, Placement Agent Disclosure Policy, Conflict of Interest Code). The CEO shall have authority to execute the contracts consistent with the Procedures.

Quiet period. During the process of hiring a new manager, a "quiet period" will apply during the evaluation process, during which time no Board member may knowingly have any communication with any actual or potential candidate for the mandate, unless authorized by the Board in connection with the due diligence process in selecting managers. The quiet period shall cease upon the Board's entering into a contract for the Investment Manager(s) selected for the mandate. The Consultant is responsible for alerting the candidates to the quiet period and its restrictions. A violation of the quiet period rule may result in disqualification of the candidate or other appropriate Board action.

2. INVESTING IN A NEW CLOSED-END FUND WITH AN EXISTING MANAGER

In the case of closed-end funds with a limited investment lifecycle, additional investments are periodically required to maintain asset allocation targets. For such "follow-on" investments, Staff shall have the authority to make additional investments in an amount necessary to maintain the intended exposure, as estimated by a detailed funding analysis. Any additional investment beyond that which is required to maintain the intended exposure must be pre-approved by the Board.

In all cases, the hiring process must be consistent with the requirements for vendor selection detailed in the Procedures and other Plan policy documents (e.g., procurement policy, placement agent policy).

3. TERMINATING EXISTING MANAGERS

The Board recognizes investments may need to be adjusted or removed from the Plan portfolio from time to time for a variety of reasons, including:

- Organizational changes including those to the people and processes in place
- Manager's style has deviated from initial investment thesis

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- A manager's style, strategy, ethics, or philosophy is no longer appropriate for the Investment Program
- Underperformance relative to benchmark or other expectations
- Uncompetitive pricing vis-à-vis available alternatives

Absent emergency circumstances (described below), prior to terminating a manager, the Consultant and/or Staff shall present a detailed termination memo to the Board that includes:

- Purpose of the mandate
- Reason(s) for termination
- Specific plan to replace or temporarily invest the assets

Emergency termination. An "emergency" will be deemed to exist when an investment strategy suffers the resignation or other loss of an investment manager and no appropriate replacement is available; when an investment manager dissolves, ceases to exist, or is otherwise incapable of carrying out its activities in the ordinary course of its business; when an investment manager is actually or effectively "shut down" by a regulatory agency of a state or the Federal government or is accused of theft or fraud by a regulatory agency or other government body; when the Plan's investment is in jeopardy of material loss; or when such other developments with the investment manager give concern to the Consultant or CEO that the investment is no longer prudent for the Program. Action to transfer management of the affected investment strategy shall be taken as soon as possible after StanCERA learns of the emergency. In the case of an emergency, the CEO, or in the CEO's absence, the Deputy CEO will attempt to notify the Chair and Vice Chair of the Board immediately; notify the Custodian Bank that the Investment Manager's Managed Account is to be frozen and, except for those trades which are pending, no further trading is authorized; and may call an emergency meeting of the Board to take further action.

8. Risk Philosophy

The Board recognizes that the assumption of investment risk is necessary to meet the Plan's objectives. Investment risk is viewed as both the annualized standard deviation of investment returns (volatility) and drawdown exposure. Drawdown exposure measures the expected investment loss during a market correction. Additional sources of risk include regulatory, governmental, counterparty, environmental, social and currency. Investment risk, in and of itself, is intrinsically neither good nor bad; it is a resource used to generate investment returns. The goal in managing investment risk is to ensure that an acceptable level of risk is being taken at the total Plan portfolio level. To accomplish this goal, the Plan invests in broad asset classes, via specific investment strategies within those asset classes, which have desirable expected return, risk, and correlation characteristics. While the

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individual strategies have a wide range of risk and return characteristics, the correlations between the strategies allows for effective portfolio creation.

The approach used in constructing the portfolio further focuses on the risk characteristics by ensuring the preservation of the Liquidity Sub-portfolio assets as detailed previously in this IPS. Because these assets are invested in lower risk and lower return investments, the assets are well protected. This then allows for the Growth Sub-portfolio to assume greater investment risk in pursuit of higher expected returns. The Risk Diversifying Sub-portfolio then offsets a portion of the investment risk embedded in the Growth Sub-portfolio to protect against drawdown risks.

9. Portfolio Monitoring

Delegation of investment functions by the Board requires proper oversight. Reporting processes are, therefore, designed to provide the Board with this oversight. Accurate, timely, and clear reporting to the Board of the Plan's assets, investment returns and risks, portfolio costs, and investment decisions are essential to assisting the Board in discharging its fiduciary duties. The Procedures detail the reporting processes and delegation of duties to assist the Board in fulfilling its duties.

The CEO, with the assistance of the Consultant, shall conduct periodic on-site due diligence activities in connection with evaluating managers. The CEO shall invite the involvement of one or more Board members in the due diligence process

10. History of Policy Revisions

POLICY APPROVAL DATE: April 27, 1999

Revised 4/2000.

Revised 7/2000.

Revised 5/2005.

Revised 7/2006.

Revised 2/2007.

Revised 9/2007.

Revised 3/2008.

Revised 12/2008.

Revised 07/2009.

Revised 05/2010.

Revised 10/2010.

Revised 7/2011.

Revised 11/2013.

Revised 6/24/2014.

Revised 7/22/2014.

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Appendix 1: Documents referenced in this IPS

- StanCERA Investment Procedures
- StanCERA Investment Directives
- Investment Manager On Site Visits Policy (aka Board On Site Visit Policy)
- [Placement Agent Disclosure Policy]
- [Other operational documents]



Stanislaus County Employees' Retirement Association

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September 27, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Dawn Lea, Member and Employer Services Manager

I. SUBJECT: Government Code Section 53760.9

II. ITEM NUMBER: 9.a.

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS: AB 241 was chaptered on September 9, 2016 adding to Government Code Section 53760.9

This law requires a local public entity to provide the name and mailing address of each retired employee or beneficiary receiving the retired employee's retirement benefit, to any organization that is incorporated and qualified under specific state and federal laws for the purpose of representing retired employees or their beneficiaries, under the following conditions:

1. The local public entity began the process of participating in a neutral evaluation process pursuant to Section 53760.3.
2. The local public entity declared a fiscal emergency and adopted a resolution by a majority vote of the governing Board pursuant to Section 53760.5.
3. The local public entity filed a petition pursuant to applicable federal bankruptcy law on or before December 31, 2011.

An organization receiving the name and mailing address of a retired employee or beneficiary shall use that information only for the purpose of representing the retired employee or beneficiary in the three scenarios listed above. An organization that uses the information received for any other purpose shall be subject to a civil penalty of \$25,000.

Upon written request of any retired employee, or his or her beneficiary receiving the retired employee's retirement benefit, a local public entity shall not disclose the name and home address of the retired employee, or his or her beneficiary receiving the retired employee's retirement benefit and shall remove that person's name and address from any mailing list created.

VI. RISK: None

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

VIII. ADMINISTRATIVE BUDGET IMPACT: None

Dawn Lea, Member and Employer Services Manager

Rick Santos, Executive Director



September 27, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Government Code Section 31760.2
- II. ITEM NUMBER: 9.b
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Take No Action
- V. ANALYSIS: Earlier in the year a retired StanCERA member asked whether the Board of Retirement would consider implementing government code section 31760.2. Government code section 31760.2 essentially would allow a retired member, upon his or her death, to convey a continuance benefit to a beneficiary so long as the intended beneficiary was married to the member at least two years prior to *death*. The section that currently governs StanCERA regarding this issue is that the beneficiary must have been married at least one year prior to *retirement* to allow continuance of the benefit upon the member's death. So for all intents and purposes, the implementation of 31760.2 would allow a member to name a new beneficiary after retirement should the member's original spouse pass (or in some rare instances, upon divorce).

Before undertaking an actuarial analysis to determine the cost, staff reached out to special counsel for an opinion. Attachment 1 contains his official position.

To summarize, counsel believes that the new PEPRA (Public Employees' Pension Reform Act) legislation (specifically 7522.44) prohibits local governments and retirement boards from retroactively enhancing a member's benefit. In other words, benefit or program enhancements could only be awarded on a prospective basis (i.e. only for service earned *after* the enactment of the new provision). Thus, even if the Board chose to enact 31760.2, it would only benefit those currently in service and not those already retired.

In light of counsel's interpretation of 7522.44 and its applicability to 31760.2, staff recommends taking no action on this matter.

- 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

Dawn Lea, Member and Employer Services Manager

Attachment 1

From: Rieger, Jeffrey R.
Sent: Thursday, September 01, 2016 5:00 PM
To: lead@stancera.org
Cc: Leiderman, Harvey L.
Subject: FW: StanCERA - Adopting code 31760.2

As I advised in a prior email, under subdivision (g), it is the Board of Retirement, not the Board of Supervisors, that has authority to adopt section 31760.2.

It is not entirely clear whether section 31760.2 would be subject to section 7522.44, because the answer is not immediately clear from the plain terms of the two code sections and there is no case law interpreting either section 7522.44 or section 31760.2. On balance, though, we believe a court would find that section 7522.44 does apply to section 31760.2. Although one might argue that expanding eligibility for a survivor's continuance does not qualify as an "enhancement to a public employee's retirement formula or retirement benefit," the intent of section 7522.44 (evident from its terms and legislative history) was to prevent employees from receiving enhanced value for services they had already performed, which creates new unfunded liabilities for the system. Thus, making section 31760.2 available to members for service they rendered before the Board's adoption of section 31760.2 runs counter to the intent of section 7522.44.

Based on our analysis above, if the Board were to adopt section 31760.2, we believe that section 31760.2 could be applied only to service credit earned by members after the date that the Board adopts the resolution (or some later effective date). This would mean that section 31760.2 would apply to all service credit for all members who are hired by a StanCERA employer after the effective date of the Board's resolution. Existing members, as of the effective date of the Board's resolution, could benefit from the resolution, but only with respect to service credit that was earned after that date. For example, if the member had 10 years of service credit under 3% at 50 before the Board adopts the resolution and 10 years of service credit afterwards, a spouse who qualifies under section 31760.2 (but not 31760.1) would receive a survivor's benefit of 18% of the member's "final compensation" ($10 \times 3\% \times 60\%$). Retired members could not benefit from the Board's resolution at all, unless they come back into active status. Please let me know if you have any other questions on this matter.

Jeff Rieger



September 27, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kellie Gomes, Executive Board Assistant

I. SUBJECT: SACRS 2016 Fall Business Meeting

II. ITEM NUMBER: 9.c.

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION: None

V. ANALYSIS: Each year in November, the SACRS (State Association of County Retirement Systems) holds a business meeting on the last day of the conference.

Today we are asking for two proxy's. One primary and one alternate to vote/represent on behalf of StanCERA at the the Fall SACRS business meeting.

VI. RISK: None

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

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

Kellie Gomes, Executive Board Assistant

Rick Santos, Executive Director



SACRS VOTING PROXY FORM

The following are authorized by the _____ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference (*if you have more than one alternate, please attach the list of alternates in priority order*):

_____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on ____ / ____ / ____.

The person authorized to fill out this form on behalf of the Retirement Board:

Signature: _____

Print Name: _____

Position: _____

Date: _____

Please send your system's voting proxy by **October 1, 2016** to Sulema H. Peterson, SACRS Administrator at Sulema@sacrs.org.