



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
832 12th Street, Suite 600
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Modesto, CA 95353-3150

CORRESPONDENCE NO. 3

Page 1

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MEMORANDUM

TO: Christine Ferraro-Tallman
Stanislaus County Board of Supervisors

FROM: Thomas Watson *Thomas Watson*
Stanislaus County Employees' Retirement Association (StanCERA)

SUBJECT: Comprehensive Annual Financial Report (CAFR) fye June 30,2009

DATE: December 15, 2009

Enclosed please find six copies of the Comprehensive Annual Financial Report (CAFR) of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ending June 30, 2009.

This report is prepared in accordance with the County Employees' Retirement Law of 1937, Generally Accepted Accounting Principles (GAAP) and applicable reporting guidelines for retirement systems. It contains the required financial statements, investment, actuarial, statistical, and related supplementary information.

The report is posted on our website (www.stancera.org) and can be reproduced as needed. Please contact StanCERA should you have any questions regarding the CAFR.

cc: Richard Robinson, CEO

BOARD OF SUPERVISORS
2009 DEC 17 P 1:10



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
(PENSION TRUST FUND OF THE COUNTY OF STANISLAUS, CALIFORNIA)**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2009 AND 2008**

Cover Source:

"Stanislaus County - 1860's." Map. [A Brief History of Stanislaus County](#). 1950.
By Margaret L. Annear, Herbert C. Florcken and Dr. Hugh Baker. 92.3

**STANISLAUS COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

(A Pension Trust Fund of The County of Stanislaus, California)

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**

For the Years Ended
June 30, 2009 and 2008

Issued By

Tom Watson
Retirement Administrator

Natalie Elliott
Retirement Accountant

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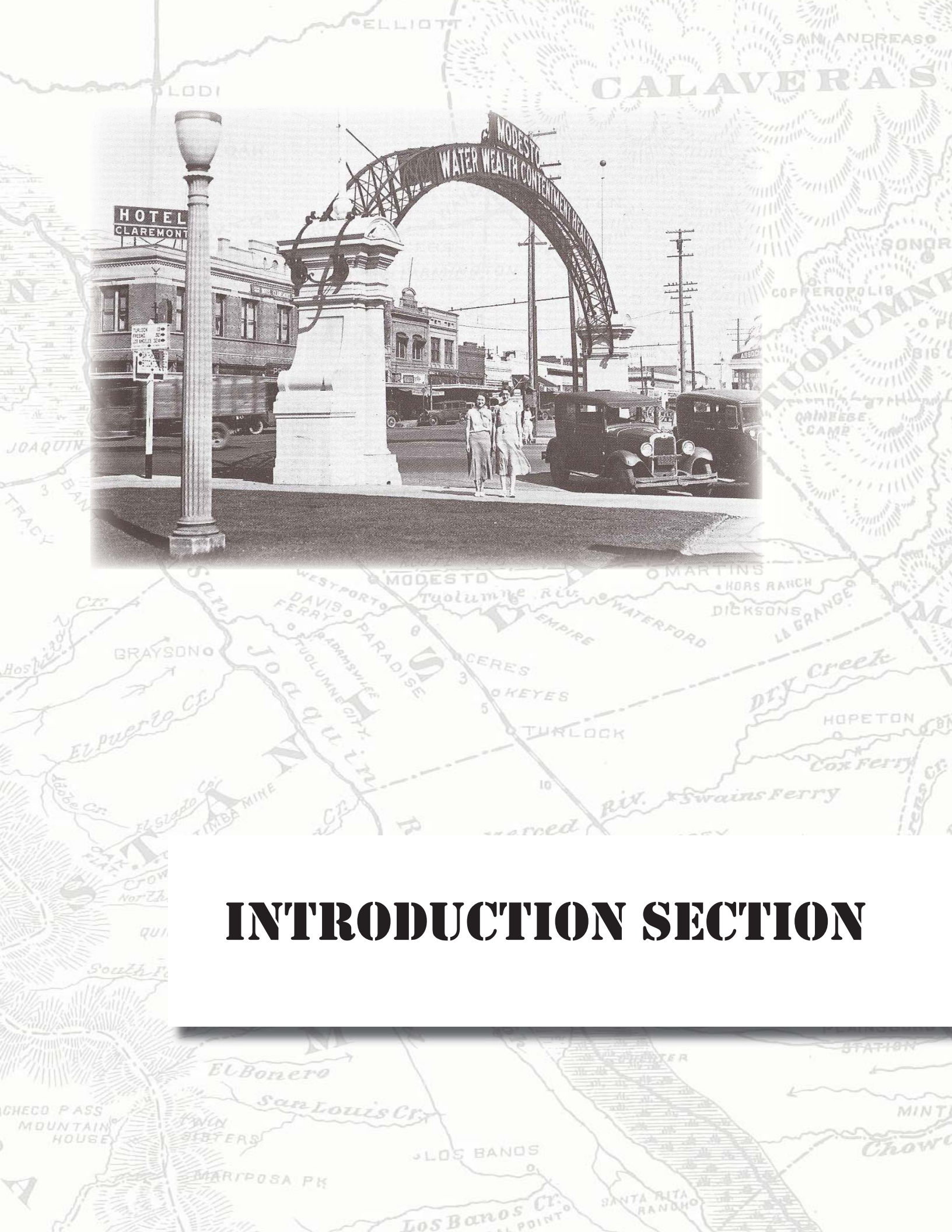
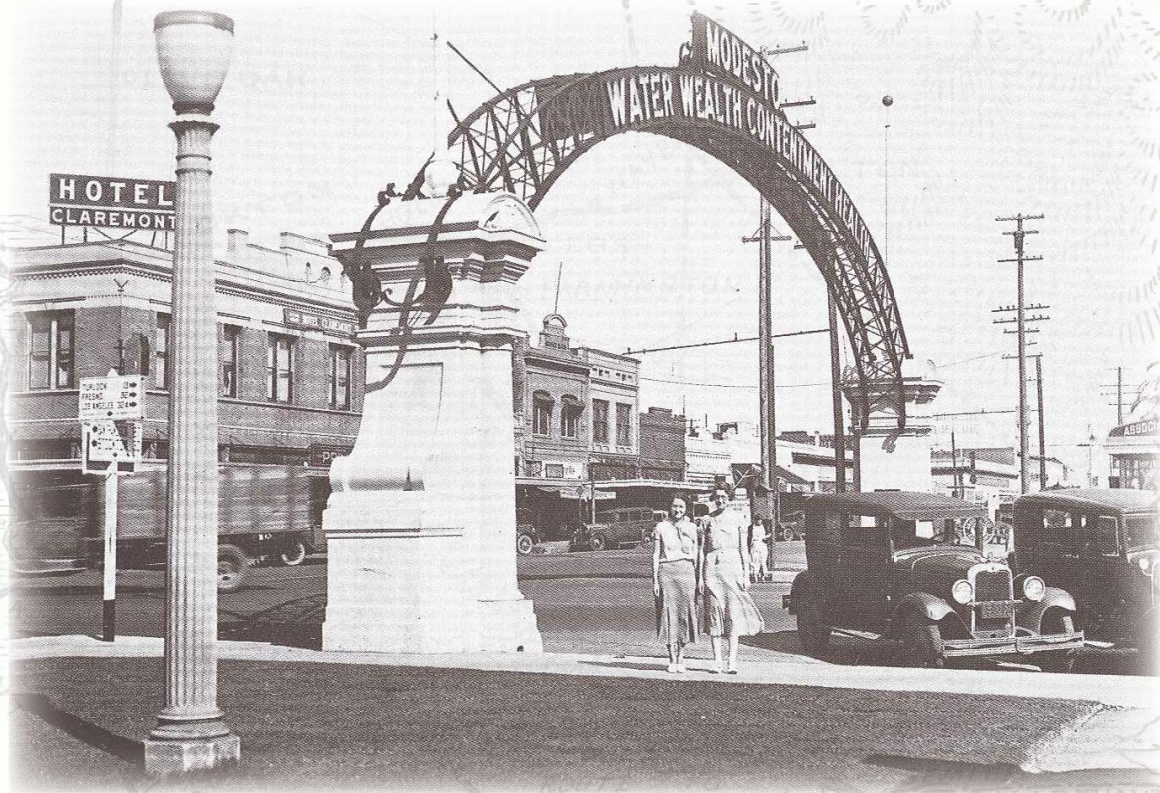
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CALAVERAS



INTRODUCTION SECTION

Divider Source:

"Modesto Arch, 9th and I Streets c.1930." Picture. Modesto: Images of Yesterday Images of Today. By Robert Gauvreau. Modesto, McHenry Museum Society Press, 1984. 54.

StanCERA - Introduction



STANISLAUS COUNTY **Phone (209) 525-6393**
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P.O. Box 3150
Modesto, CA 95353-3150

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www.stancera.org
retirement@stancera.org

LETTER OF TRANSMITTAL

October 6, 2009

Board of Retirement
Stanislaus County Employees' Retirement Association
Modesto, CA 95354

Dear Board Members:

Please find enclosed the Comprehensive Annual Financial Report (CAFR) of the Stanislaus County Employees' Retirement Association (StanCERA, or the System) for the fiscal years ending June 30, 2009 and 2008. As of June 30, 2009, it is StanCERA's 61st year of operations.

The CAFR is a detailed financial report guideline established by the Government Finance Officers Association (GFOA) for publicly disclosing the viability of a defined benefit public retirement system. The CAFR is intended to provide users with extensive reliable information for making management decisions, determining compliance with legal provisions, and demonstrates the responsible management and stewardship of StanCERA. StanCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information within this CAFR, including all disclosures.

StanCERA is a multi-agency public employees retirement system, established by the County of Stanislaus on July 1, 1948. StanCERA is operated and administered by the Board of Retirement (Board) to provide retirement, disability, death and survivors benefits for its members under the California State Government Code, Section 31450 et.seq. (County Employees Retirement Law of 1937).

StanCERA - Introduction

[StanCERA and its Services](#)

StanCERA was established by Stanislaus County to provide retirement allowances and other benefits to general and safety members employed by Stanislaus County. Currently, Stanislaus County and seven participating agencies are members of StanCERA. The participating agencies are:

City of Ceres
Stanislaus Council of Governments (StanCOG)
Stanislaus County Superior Courts
East Side Mosquito Abatement District
Hills Ferry Cemetery District
Keyes Community Services District
Salida Sanitary District

StanCERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, regulations, policies and procedures adopted by the Board of Retirement. The Stanislaus County Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect benefits to StanCERA members.

The Board of Retirement is responsible for the management of StanCERA and is comprised of nine members and two alternate members, one of whom is a safety alternate and the other a retiree alternate. The safety alternate seat is not currently filled. Four board members are appointed by the Stanislaus County Board of Supervisors, one board member and the alternate safety member are elected by the safety members, two board members are elected by the general members, and one board member and the alternate retiree member are elected by the retired members. The County Treasurer serves as an ex-officio member. Board members, with the exception of the County Treasurer, serve three-year terms with no term limits.

[Financial Information](#)

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made. Investments are recorded at the fair-value of the asset.

An overview of StanCERA's fiscal operations for the years ended June 30, 2009 and 2008, is presented in the Management's Discussion and Analysis (MD&A), located in the financial section of the CAFR. This transmittal letter, together with the MD&A, provides an expanded view of the activities of StanCERA.

Macias Gini & O'Connell, LLP, StanCERA's independent auditor, has audited the accompanying financial statements. Management believes an adequate system of internal control is in place and the accompanying statements, schedules and tables are fairly presented and free from material misstatement.

StanCERA - Introduction

Actuarial Funding Status

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to CERL, StanCERA engages an independent actuary to perform an actuarial valuation of the System on an annual basis. Economic assumptions are reviewed annually. Additionally, every three years, a triennial experience study is conducted, at which time non-economic assumptions are also updated. The most recent triennial experience study was conducted as of June 30, 2006 by Buck Consultants. EFI Actuaries conducted the last actuarial valuation as of June 30, 2008 and determined the plan's funding ratio (ratio of plan assets to plan liabilities) to be 85.0% using the recommended assumptions. EFI Actuaries will be performing the triennial experience for the three years ending June 30, 2009.

Stanislaus County issued \$108 million of pension obligation bonds in September 1995 to satisfy the Unfunded Accrued Actuarial Liability (UAAL) for the County, calculated as of that date. A more detailed discussion of funding is provided in the Actuarial Section of this report.

Investments

The Board of Retirement has exclusive control of all StanCERA investments and is responsible for establishing investment objectives, strategies and policies. The California Constitution and Government Code Sections 31594 and 31595 authorize the Board of Retirement to invest in any investment deemed prudent in the Board's opinion.

The Board has adopted an Investment Policy, which provides a framework for the management of StanCERA's investments. This policy establishes StanCERA's investment objectives and defines the duties of the Board of Retirement, investment managers and custodial banks. The asset allocation is an integral part of the Investment Policy and is designed to provide an optimum mix of asset classes with return expectations to ensure growth of assets to meet future liabilities, minimize employer contributions and defray reasonable administrative costs. StanCERA engages an Investment Consultant to analyze investment policy and strategy and conduct periodic asset allocation and asset/liability studies on behalf of StanCERA. For the fiscal years ended June 30, 2009 and June 30, 2008, the Plan's investments provided a -17.64% and -8.2% rate of return respectively. A summary of the asset allocation can be found in the Investment Section of this report.

Awards

StanCERA is the recipient of several awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to StanCERA for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the fourth consecutive year StanCERA has achieved this prestigious award.

StanCERA - Introduction

[Awards \(continued\)](#)

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which meet or exceed program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for evaluation.

StanCERA received the Award for Outstanding Achievement in Popular Annual Financial Reporting for the fiscal year ending June 30, 2008. This report replaced the Members' Annual Report providing all StanCERA members more concise and condensed information than can be found in the CAFR.

StanCERA also received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2008 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

The PPCC is a coalition of the following associations that represent public pension funds that cover the vast majority of public employees in the U.S.:

- National Association of State Retirement Administrators (NASRA)
- National Council on Teacher Retirement (NCTR)
- National Conference on Public Employee Retirement Systems (NCPERS)

The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured.

[Service Efforts and Accomplishments](#)

Total written communication for members has improved and stabilized over the last few years. In addition to special mass mailings of critical information, all members receive four newsletters a year and the Popular Annual Financial Report (PAFR). The PAFR has a fresh, concise new look that will further communicate the financial health of the fund to our members. Non-retired members also receive two Member Statements.

StanCERA continues to increase its visibility by giving benefit presentations to interested employees where they work. These individual department presentations continue to be well received and staff encourages departments to request presentations.

Information available to the public is being expanded as well. Major retirement policies and guidelines along with forms are updated regularly. Audio and video recordings of educational seminars and Board meetings are now available. The electronic agenda process has been updated to include all attachments and documentation for each meeting. In addition, the retirement calculator continues to be the most visited page on the website.

StanCERA - Introduction

[Service Efforts and Accomplishments \(continued\)](#)

Due in part to the extreme stock market conditions over the last 12 months, payments of the Revocable Health Benefit Subsidy for our retirees has been suspended beginning with the January, 2010 payroll. In order to maintain this subsidy for retirees, StanCERA revised the policy in 2007 and again in 2009 by dropping the per month rate to \$0, yet leaving the policy in place to be reviewed annually for possible future payment.

StanCERA's antiquated PBX phone system has now been replaced with a new Voice Over Internet Protocol (VoIP) system. The published fax number and internal phone numbers were changed to accommodate the new system. The new VoIP system has also enhanced teleconferencing enabling staff and Board to conduct business more efficiently.

[Acknowledgement](#)

The compilation of this report reflects the combined efforts of many people on StanCERA's staff. It is intended to provide reliable information as the basis for making management decisions, as a means for determining compliance with legal provisions and as a means of determining responsible stewardship of the funds of StanCERA. Both the accuracy of the data presented and the completeness and fairness of the presentation of the CAFR are the responsibility of the management of StanCERA.

I congratulate the Board, staff and service providers of the Association for their commitment to StanCERA and for their diligent work to assure the continued successful operation of StanCERA.

Sincerely,

A handwritten signature in black ink that reads "Tom Watson". The signature is written in a cursive, slightly slanted style.

Tom Watson
Retirement Administrator

**BOARD OF RETIREMENT
JUNE 30, 2009**

Gordon Ford, Chair, Ex-Officio
Treasurer/Tax Collector

Maria DeAnda, Vice-Chair
Elected by Active General Membership

Linda Stotts-Burnett, Alternate Trustee
Elected by Retired Membership

Darin Gharat, Trustee
Elected by Active Safety Membership

Mike Lynch, Trustee
Appointed by the Board of Supervisors

Ron Martin, Trustee
Appointed by the Board of Supervisors

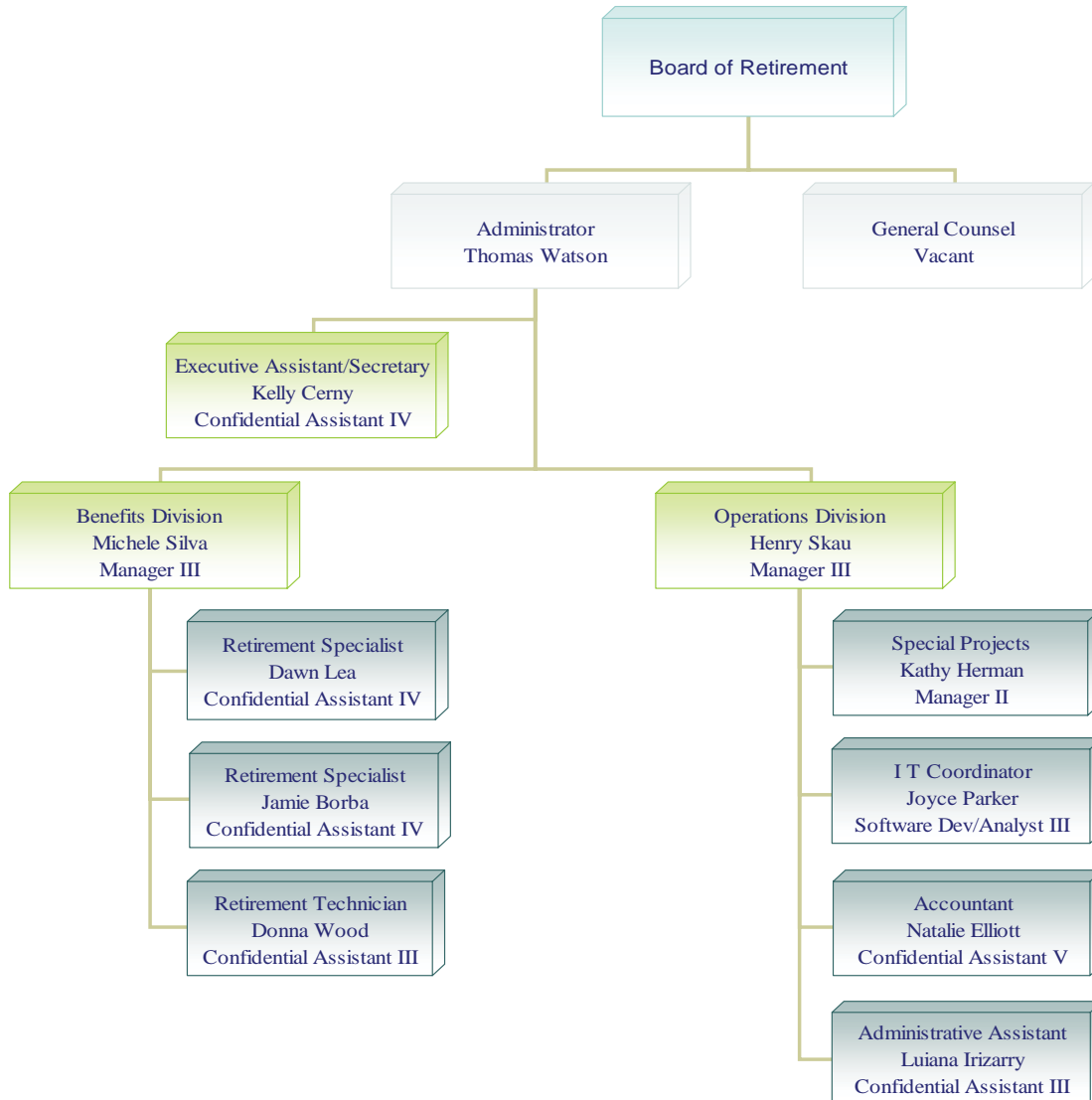
Clarence Willmon, Trustee
Elected by Active General Membership

Jim DeMartini, Trustee
Appointed by the Board of Supervisors

Wes Hall, Trustee
Elected by Retiree Membership

Mike Fisher, Trustee
Appointed by the Board of Supervisors

StanCERA ORGANIZATIONAL CHART
Effective November 26, 2007



StanCERA - Introduction

PROFESSIONAL CONSULTANTS JUNE 30, 2009

Consulting Services

Actuary

EFI Actuaries
Milliman, Inc (Actuary Audit)

Auditors

Macias Gini & O'Connell, LLP

Investment Custodian

The Bank of New York Mellon

Investment Consultant

Strategic Investment Solutions, Inc.

Health Insurance Consultant

Benefit Management Technology,
Inc.

Legal Counsel

County Counsel, County of Stanislaus
Curtis & Arata
Law Office of Ted M Cabral
Hansen Bridgett Marcus Vlahos
Rudy, LLP
Rein & Rein
Reed Smith, LLP

Technical & Data Services

Tyler, Inc.
SBT, County of Stanislaus

Investment Management Services*

Fixed Income

Dodge & Cox

Large Cap Value Equity

Dodge & Cox
BGI

Large Cap Growth Equity

Delaware Investments
Loomis Sayles & Company, LP

Large Cap Core Equity

The Bank of New York Mellon

Small Cap Value Equity

Capital Prospects

Small Cap Growth Equity

Legato Capital Management

International Equity

LSV Asset Management
Pyramis Global Advisors

Domestic Equity Index Funds

Mellon Capital Management

Global REIT's

Invesco National Trust Company

*Refer to the Investment Section, page 55,
for the Schedule of Investment Management
Fees.

GFOA Certificate of Achievement Award

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to
Stanislaus County
Employees' Retirement Association
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

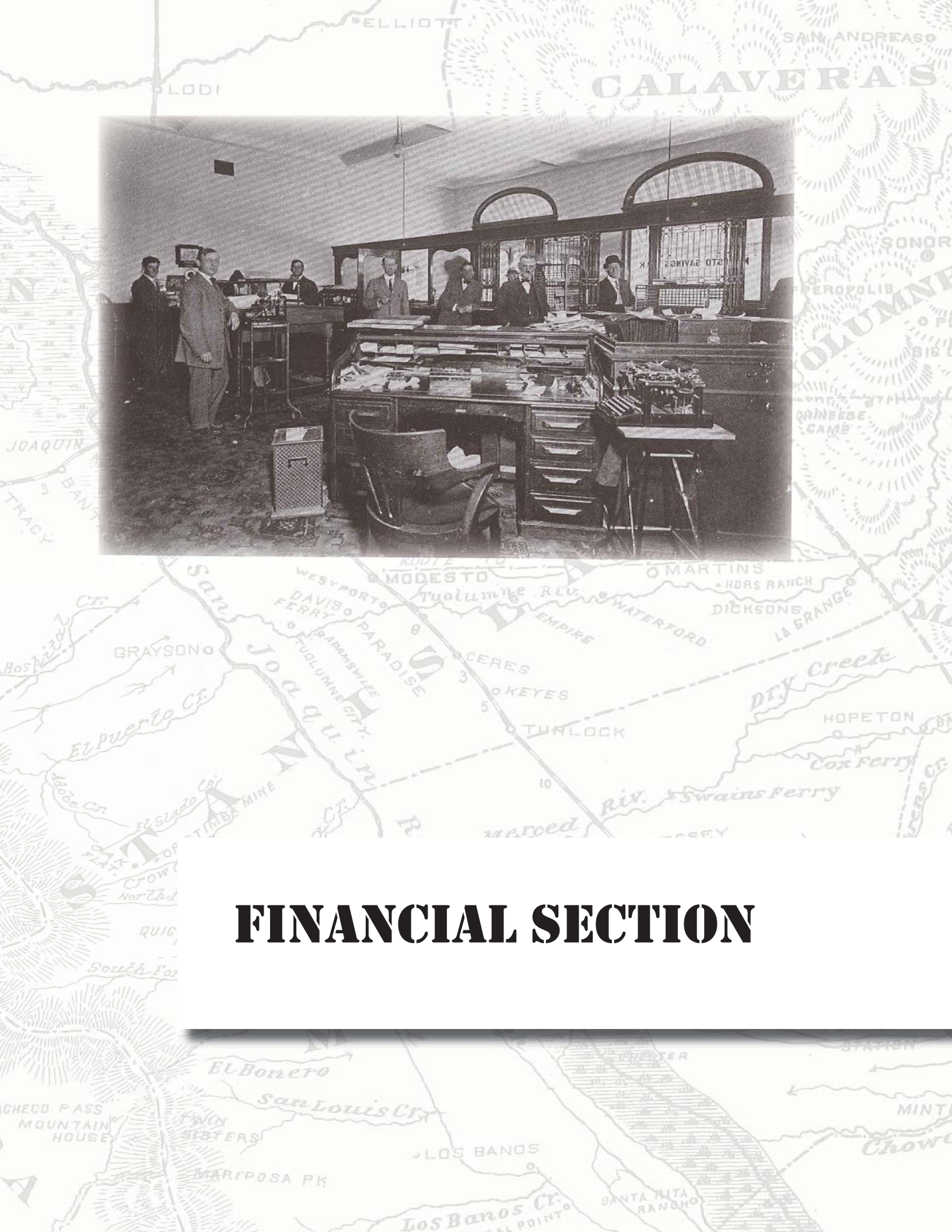
Executive Director

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CALAVERAS



FINANCIAL SECTION



Divider Source:

"Modesto Savings Bank." Picture. County An Illustrated History. By Kathleen M. Gooch. Northridge, Windsor Publications, Inc, 1988. 75.



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

SACRAMENTO
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

WALNUT CREEK

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

To the Board of Retirement of the
Stanislaus County Employees' Retirement Association
Modesto, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of plan net assets of the Stanislaus County Employees' Retirement Association (StanCERA), as of June 30, 2009, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of StanCERA's management. Our responsibility is to express an opinion on these financial statements based on our audit. StanCERA's financial statements as of and for the year ended June 30, 2008 were audited by other auditors whose report thereon dated September 22, 2008, expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of StanCERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to previously present fairly, in all material respects, the plan net assets of the Stanislaus County Employees' Retirement Association as of June 30, 2009, and the changes in plan net assets for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 2, effective July 1, 2007, StanCERA adopted the provisions of Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No.27*.

StanCERA - Financial

In accordance with *Government Auditing Standards*, we have issued our report dated October 6, 2009, on our consideration of StanCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 21 through 25, the Schedule of Funding Progress and the Schedule of Employer Contributions on page 45 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory section, other supplementary information in the financial section, and the investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009, taken as a whole. StanCERA's financial statements for the year end June 30, 2008 were audited by other auditors. Their report on the 2008 other supplementary information stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financials statements and, accordingly, we express no opinion on them.

Macinnis Meiri & O'Connell LLP

Certified Public Accountants

Sacramento, California
October 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Stanislaus County Employees' Retirement Association (StanCERA) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ending June 30, 2009 and 2008. Please review it in conjunction with the transmittal letter (starting on page 7) and the Financial Statements beginning on page 26.

Financial Highlights

- Plan net assets decreased by \$253.2 million (or 19.30%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by \$1.1 million (or 2.52%).
- Net investment income (including unrealized gains and losses) decreased by \$99.6 million (or 82.06%).
- Benefit payments increased by \$4.1 million (or 6.01%) over the prior year.

Plan Highlights

- New benefit plans in effect since March 9, 2002 provide retirement formulas commonly known as 2% at age 55 for most active general members, and 3% at age 50 for most active safety members. One district has not implemented the new benefit plans. Members in the non-contributory Plan 3 were allowed to transfer prospectively into a contributory plan.
- Effective January 1, 2008 the Revocable Health Benefits Subsidy was revised from \$18.50 per year of service (for a maximum of 20 years or \$370 per month) to \$12.33 per year of service (for a maximum of 30 years or \$370 per month).
- The Board of Retirement voted to not pay a special cost of living benefit in calendar year 2009. In past years this benefit paid retirees who retired prior to April 1981 with over 20 accumulated percentage credits in their "COLA Bank" for a total not to exceed \$2,400 per retiree.
- In April of 2009, a cost of living increase was given to all retired, disabled and beneficiary members receiving a recurring allowance, per the schedule below, except those retirees who receive pensions for service as a Tier 3 non-contributory member.

3.0%	Members who retired between	4/1/1970 - 3/30/1989
1.5%	Members who retired between	4/1/1989 - 3/30/2007
1.0%	Members who retired between	4/1/2007 - 3/30/2008
0.0%	Members who retired between	4/1/2008 - 3/30/2009

StanCERA - Financial

[Using the Annual Report](#)

The financial statements reflect the activities of the Stanislaus County Employees' Retirement Association and are composed of the Statement of Plan Net Assets (see page 26) and the Statement of Changes in Plan Net Assets (see page 27). These statements are presented on an accrual basis and reflect all trust activities as incurred.

[Overview of the Basic Financial Statements](#)

This Management's Discussion and Analysis is intended to serve as an introduction to StanCERA's basic financial statements, which are comprised of these components:

1. Statements of Plan Net Assets
2. Statements of Changes in Plan Net Assets
3. Notes to the Basic Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

[Financial Analysis](#)

Statement of Plan Net Assets

The Statement of Plan Net Assets shows the assets available for future payments to retirees and current liabilities as of the fiscal year end. The following condensed comparative summary of Plan Net Assets demonstrates that the pension trust is primarily focused on the cash and investments and the restricted net assets. This statement is also a good indicator of the financial well being of the Retirement System.

[Plan Net Assets](#)

As of June 30, 2009, 2008 and 2007

	2009	2008	2007	\$ Change 2009 - 2008	\$ Change 2008 - 2007
Current Assets	\$ 91,033,967	\$ 50,069,705	\$ 40,837,000	\$ 40,964,262	\$ 9,232,705
Investments	1,186,224,547	1,468,649,205	1,698,662,040	(282,424,658)	(230,012,835)
Capital Assets	3,857,958	3,937,500	3,564,407	(79,542)	373,093
Total Assets	1,281,116,472	1,522,656,410	1,743,063,447	(241,539,938)	(220,407,037)
Total Liabilities	223,007,382	211,370,463	281,341,409	11,636,919	(69,970,946)
<i>Total Net Plan Assets</i>	<u>\$ 1,058,109,090</u>	<u>\$ 1,311,285,947</u>	<u>\$ 1,461,722,038</u>	<u>\$ (253,176,857)</u>	<u>\$ (150,436,091)</u>

StanCERA - Financial

Statement of Changes in Plan Net Assets

The Statement of Changes in Plan Net Assets provides an account of the current year's additions to and deductions from the System.

Additions To Plan Assets

For The Years Ended

June 30, 2009, 2008 and 2007

	2009	2008	2007	\$ Change 2009 - 2008	\$ Change 2008 - 2007
Employer Contributions	\$ 23,410,965	\$ 22,555,416	\$ 32,562,514	\$ 855,549	\$ (10,007,098)
Employee Contributions	20,922,893	20,689,439	20,542,837	233,454	146,602
Net Investment Income (Loss)	(215,302,029)	(122,548,769)	206,631,146	(92,753,260)	(329,179,915)
Net Litigation Recovery	57,010	117,351	177,775	(60,341)	(60,424)
Net Security Lending Income	(5,786,378)	1,022,295	382,991	(6,808,673)	639,304
<i>Total Additions</i>	<u>\$ (176,697,539)</u>	<u>\$ (78,164,268)</u>	<u>\$ 260,297,263</u>	<u>\$ (98,533,271)</u>	<u>\$ (338,461,531)</u>

Deductions From Plan Assets

For The Years Ended

June 30, 2009, 2008 and 2007

	2009	2008	2007	\$ Change 2009 - 2008	\$ Change 2008 - 2007
Pension Benefits	\$ 71,861,210	\$ 67,785,111	\$ 67,599,163	\$ 4,076,099	\$ 185,948
Refunds	2,537,978	2,442,426	2,730,463	95,552	(288,037)
Administrative Expense and Misc	2,080,130	2,044,286	1,980,926	35,844	63,360
<i>Total Deductions</i>	<u>\$ 76,479,318</u>	<u>\$ 72,271,823</u>	<u>\$ 72,310,552</u>	<u>\$ 4,207,495</u>	<u>\$ (38,729)</u>

Increase (Decrease) in Net Assets Held in Trust for Pension Benefits

	\$ (253,176,857)	\$ (150,436,091)	\$ 187,986,711	\$ (102,740,766)	\$ (338,422,802)
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Net Assets Held in Trust for Pension Benefits

Beginning of Year	1,311,285,947	1,461,722,038	1,273,735,327	(150,436,091)	187,986,711
End of Year	<u>\$ 1,058,109,090</u>	<u>\$ 1,311,285,947</u>	<u>\$ 1,461,722,038</u>	<u>\$ (253,176,857)</u>	<u>\$ (150,436,091)</u>

1 - Includes income associated with post-Ventura *Francis* Settlement (\$7,097,273)

2 - Includes expenses associated with post-Ventura *Francis* Settlement (\$3,599,797)

Additions to Plan Net Assets

A review of the Statement of Plan Net Assets shows the June 30, 2009 closed with assets exceeding liabilities by \$1.1 billion with all of the net assets available to meet StanCERA's ongoing obligations to plan participants and their beneficiaries. June 30, 2008 closed with assets exceeding liabilities by \$1.311 billion. The \$253.2 million decrease and \$220.4 million decrease, respectively, in plan assets is a direct result of the decline in the financial market over the past two years. Even with this decline, the Retirement System remains in very good financial condition.

StanCERA - Financial

Additions to Plan Net Assets (continued)

The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions. These income sources for fiscal year 2008-2009 resulted in a loss of \$176.7 million, where fiscal year 2007-2008 resulted in a loss of \$78.2 million. These losses are a result of the decline in the broad market over the past year. Employer and member contributions resulted in an increase of \$1.1 million (or 2.52%) over the contributions made in 2007-2008. The increase is due in large part to higher employer and member contributions as a result of increased salaries. For fiscal year 2007-2008 contributions decreased by \$9.8 million (or 18.57%) due in large part to a one time payment of contributions received in 2006-2007 for post-Ventura *Francis* settlement.

Deductions from Plan Net Assets

The primary uses of StanCERA's assets are in payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. These expenses for fiscal year 2008-2009 were \$76.5 million, an increase of \$4.2 million from prior year. This increase is mainly due to the increase in number of retirees and the average amount they are paid. For fiscal year 2007-2008 these expenses were \$72.3 million, a decrease of \$38,279 from the prior year due to a one time payment for the post-Ventura *Francis* settlement. Administrative costs to operate the system were \$2.08 million and \$2.00 million for fiscal year 2008-2009 and 2007-2008, respectively. This is an increase of 1.75% over fiscal year 2007-2008 and 3.50% over fiscal year 2006-2007. Total administrative costs represented 0.16% of total plan assets for both fiscal years.

OVERALL FINANCIAL CONDITION

Investment Analysis

The Plan's investment activity is a function of the underlying marketplace for the period measured and the investment policy's asset allocation.

The equity market returns were negative for the past year and down from the prior year's returns. Equity returns as of June 30, 2009 underperformed their benchmark by 80 basis points for domestic equity and 90 basis points for international equity as compared to equity returns underperforming their benchmark by 350 basis points for domestic equity and 250 basis points for international equity as of June 30, 2008. All major indices fell as a result of the impact of the sub-prime lending crisis, the falling housing market and a decline in consumer confidence, however rebounded sharply during the second quarter fiscal year of 2009.

Fixed income returns for the year were up compared to the prior year and outperformed their benchmark by 150 basis points as of June 30, 2009. This was a result of the rebound in the second quarter of fiscal year 2009 and an overweighting in the financials section. For year ending June 30, 2008 fixed income returns underperformed their benchmark by 240 basis points.

StanCERA's total portfolio outperformed its policy benchmark by 130 basis points with an overall return of -16.40% for fiscal year ending June 30, 2009 and underperformed its policy benchmark by 310 basis points with an overall return of -8.20% for fiscal year ending June 30, 2008. Despite the difficult year in the market, Management believes that the Plan remains in a very strong financial position to meet its obligations to the Plan participants and beneficiaries.

StanCERA - Financial

Funding Status

Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. Stanislaus County has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. No net pension obligation exists for the fund as of June 30, 2008, the date of the last actuarial valuation.

An indicator of funding status is the ratio of the actuarial value of the assets to the actuarial accrued liability (AAL). An increase in the percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the AAL. Performance in the stock and bond markets can have a material impact on the actuarial value of assets.

The funding ratio as of June 30, 2008 was 85.0% using the entry age normal method. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. As of the most recent actuarial valuation date of June 30, 2008, the actuarial value of assets was \$1.3 billion. The next actuarial valuation is scheduled for June 30, 2009.

StanCERA's Fiduciary Responsibilities

StanCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Requests for Information

This financial report is designed to provide the Board of Retirement, plan participants, taxpayers, investment professionals and creditors with a general overview of StanCERA's financial condition and to demonstrate StanCERA's accountability for the funds under its stewardship.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tom Watson, Retirement Administrator
Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600
Modesto, CA 95354

STATEMENTS OF PLAN NET ASSETS
As of June 30, 2009 and 2008

ASSETS	June 30, 2009	June 30, 2008
Cash And Cash Equivalents (Note 4):	\$ 67,167,274	\$ 33,274,567
Receivables:		
Interest & Dividends	4,847,110	5,592,780
Securities Transactions	16,148,665	8,646,351
Contributions (Note 3)	2,865,698	2,522,264
Other	5,220	33,743
Total Receivables	23,866,693	16,795,138
Capital Assets (Note 2):		
Capitalized Software, net	740,414	775,980
Real Estate Occupied, net	1,821,759	1,840,735
Real Estate Leased, net	1,214,747	1,227,401
Leasehold Improvements, net	73,857	84,408
Office Equipment, net	7,181	8,976
Total Capital Assets, net	3,857,958	3,937,500
Investments at Fair Value (Note 4):		
Fixed Income	335,970,593	436,520,719
Equity	659,559,976	830,418,252
Securities Lending Collateral	190,693,978	201,710,234
Total Investments	1,186,224,547	1,468,649,205
Total Assets	1,281,116,472	1,522,656,410
LIABILITIES		
Current Liabilities		
Accounts Payable	2,558,547	2,554,120
Security Transactions	20,639,732	6,686,109
Securities Lending Obligation (Note 4)	199,389,103	201,710,234
Total Current Liabilities	222,587,382	210,950,463
Long Term Liabilities		
Grant Deed Extension Fee	420,000	420,000
Total Liabilities	223,007,382	211,370,463
Net Assets Held In Trust For Pension Benefits (Note 6)	\$ 1,058,109,090	\$ 1,311,285,947

The accompanying notes are an integral part of this financial statement.

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	June 30, 2009	June 30, 2008
ADDITIONS		
Contributions (Note 5):		
Employer	\$ 23,410,965	\$ 22,555,416
Plan Members	20,922,893	20,689,439
Total Contributions	44,333,858	43,244,855
Investment Income (Loss):		
Net Depreciation in		
Fair Value of Investments	(250,580,289)	(161,115,826)
Interest & Dividends	39,095,062	42,932,733
Total Investment Loss	(211,485,227)	(118,183,093)
Net Income from Commission Recapture	93,523	76,519
Less: Investment Expense (Note 7)	(3,910,325)	(4,442,195)
Net Investment Loss	(215,302,029)	(122,548,769)
Other Investment Income:		
Net Litigation Recovery Income	57,010	117,351
Securities Lending Activities (Note 4):		
Securities Lending Income	2,931,390	10,346,182
Less: Securities Lending Expenses	(2,039,002)	(9,323,887)
Less: Net Depreciation in Fair Value of		
Securities Lending Collateral	(6,678,766)	-
Net Securities Lending Income (Loss)	(5,786,378)	1,022,295
Total Investment Loss	(221,031,397)	(121,409,123)
Total Additions	(176,697,539)	(78,164,268)
DEDUCTIONS		
Benefit Payments & Subsidies	71,861,210	67,784,275
Other Benefit Payments - Ventura	-	836
Member Refunds	2,537,978	2,442,426
Administrative Expenses (Note 2)	2,080,130	2,044,286
Total Deductions	76,479,318	72,271,823
Net Decrease	(253,176,857)	(150,436,091)
Net Assets Held in Trust for Pension Benefits (Note 6)		
Beginning of Year	1,311,285,947	1,461,722,038
End of Year	\$ 1,058,109,090	\$ 1,311,285,947

The accompanying notes are an integral part of this financial statement.

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 - DESCRIPTION OF PLAN

Description of System and Applicable Provisions of the Law

The Stanislaus County Employees' Retirement Association (System or StanCERA) is an integrated public retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Retirement Act of 1937 (Chapter 677 Statutes of 1937). It is a multiple-employer "Cost Sharing" plan. The System was voter approved by the Board of Supervisors on July 1, 1948. The System was integrated with Social Security on January 1, 1956. Members of the System at that time had a one-time option to convert to the new System or to remain with the old one.

Membership

Each person entering employment full-time or permanent part-time (50% or more of the regular hours) becomes a member on the first day of employment.

	June 30, 2009			June 30, 2008		
	<u>General</u>	<u>Safety</u>	<u>Total</u>	<u>General</u>	<u>Safety</u>	<u>Total</u>
Active Members:						
Vested & Non-vested	3,627	739	4,366	3,719	731	4,450
Total Active	<u>3,627</u>	<u>739</u>	<u>4,366</u>	<u>3,719</u>	<u>731</u>	<u>4,450</u>
Inactive Members:						
Deferred and Inter-System Members	691	144	835	692	143	835
Unclaimed Contributions	186	23	209	197	30	227
Total Inactive	<u>877</u>	<u>167</u>	<u>1,044</u>	<u>889</u>	<u>173</u>	<u>1,062</u>
Retired Members:						
Service Retirements	2,037	297	2,334	1,967	280	2,247
Disability Retirements	243	140	383	243	136	379
Survivor Payments	31	9	40	30	10	40
Total Retired	<u>2,311</u>	<u>446</u>	<u>2,757</u>	<u>2,240</u>	<u>426</u>	<u>2,666</u>
Total Membership	<u><u>6,815</u></u>	<u><u>1,352</u></u>	<u><u>8,167</u></u>	<u><u>6,848</u></u>	<u><u>1,330</u></u>	<u><u>8,178</u></u>

The Stanislaus County Employees' Retirement Association consists of employees from County of Stanislaus, East Side Mosquito Abatement District, Hills Ferry Cemetery District, Keyes Community Service District, City of Ceres, Salida Sanitary District, Stanislaus County Superior Court and Stanislaus Council of Governments. The structure of the Membership is as follows:

Vesting

Active members of the System receive a 100% vested interest in the fund after 5 years of service, except Plan 3, and ten years of service for Plan 3, but cannot receive a service retirement until completing ten years of membership in the Association.

StanCERA - Financial

NOTE 1 – DESCRIPTION OF PLAN (continued)

Benefits

StanCERA provides for retirement, disability, death, beneficiary, cost-of-living and ad-hoc retirement benefits.

Service Retirement Benefit

Members with 10 years of service, who have attained the age of 50, are eligible to retire. Members with 30 years of service (20 years for safety), regardless of age, are eligible to retire. The benefit is a percentage of monthly final average salary per year of service, depending on age at retirement and is illustrated below for representative ages. For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage shown below times the first \$350 of monthly final average salary per year of service credited after January 1, 1956.

Percentage of Final Average Salary (FAS)

Age	General					Safety	
	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 1/2	Plan 4/5
50	1.34	1.18	N/A	1.48	1.48	2.00	3.00
55	1.77	1.49	0.68*	1.95	1.95	2.62	3.00
60	2.34	1.92	1.14*	2.44	2.44	2.62	3.00
65	2.62	2.43	2.00*	2.62	2.62	N/A	N/A

* Less 1/35th of Social Security benefits at age 65 per year of service. For each year of service over 35, 1% of (FAS) with no Social Security reduction.

Retiring members may choose from four different beneficiary retirement allowances. Most retirees elect to receive an unmodified allowance which includes 60% of the allowance continued to the retirees' surviving spouse.

Death Benefit-Before Retirement

Employed Less Than 5 Years

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) months salary (except Plan 3).

Employed More than 5 Years

If a member dies while eligible for service retirement or non-service connected disability, the spouse receives 60% of the allowance that the member would have received for retirement on the day of his or her death (except Plan 3).

If a member dies in the performance of duty, the spouse receives a monthly benefit of 50% of the member's final average salary (except Plan 3).

NOTE 1 – DESCRIPTION OF PLAN (continued)

Death Benefit-After Retirement

If a member dies after retirement, a burial allowance of \$5,000 is paid to the beneficiary or estate (except Plan 3).

If the retirement was for service-connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life for Plans 1, 2, 4 and 5.

If the retirement was for other than service-connected disability, 60% of the member's allowance is continued to the spouse for life (except Plan 3).

Disability Benefit

Members with 5 years of service, regardless of age, are eligible for non-service connected disability (except Plan 3). The benefit is usually 1/3 of final average salary (FAS). If the disability is service connected, the member may retire regardless of length of service, and the benefit is 50% of final average salary (except Plan 3).

Cost of Living Benefit

The current maximum increase in retirement allowance is 3% a year (except Plan 3). The increases are based on the change in the Bureau of Labor Statistics Consumer Price Index in the San Francisco Bay area from January 1 to December 31, effective the following April 1.

Ad-Hoc Benefits

Ad-hoc benefits are non-vested benefits which are determined by the Board of Retirement on an annual basis subject to funding availability.

In addition to providing pension benefits, StanCERA provides a Revocable Health Benefit Subsidy to all retirees who qualify. Each retiree is eligible for a graduated allowance of 3.33% of the maximum (currently \$370 per month) per full year of StanCERA service up to 30 years. Effective January 1, 2008, members must have five years or more of StanCERA service time to qualify for this benefit. Effective January 1, 2010, Revocable Health Benefit Subsidy will be suspended. This decision will be reviewed annually.

StanCERA may pay a special, supplemental cost-of-living adjustment to retirees who have suffered erosion of their cost-of-living benefits due to high inflation. This benefit is determined and paid annually. No special cost-of-living adjustment will be paid in calendar year 2009.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

StanCERA is governed by the Board of Retirement and is considered an independent entity. StanCERA is a component unit of the County of Stanislaus and is being reported as a Pension Trust Fund in the County's Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

Basis of Accounting

StanCERA follows Governmental Accounting Standards Board (GASB) accounting principles and reporting guidelines. The financial statements are prepared on an accrual basis of accounting, which recognizes income when earned and expenses when the obligation has been incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Cash and Deposits

Cash includes deposits with a financial institution and pooled cash and deposits with the Stanislaus County Treasurer. Pooled cash approximates fair value. Income on pooled cash is allocated on StanCERA's average daily balance in relation to total pooled assets.

Investments

The Board of Retirement has exclusive control of the investments of the Association. Statutes authorize the Board to invest, or to delegate the authority to invest, in any investment allowed by statute and considered prudent in the informed opinion of the Board.

Investments are stated at fair value in accordance with GASB Statement No. 25. Values for stocks, publicly traded bonds, issues of the U.S. Government and its agencies are valued according to sale prices of recognized exchanges as of the fiscal year end, with international securities reflecting currency exchange rates in effect at June 30, 2009 and 2008. Both domestic and international investments are denominated in U.S. currency.

Capital Assets

Capital assets, consisting of software development, the purchase of one floor of an office building, and office equipment are presented at historical cost. StanCERA occupies 60% of the 6th floor of the office building. The other 40% is un-developed office space to be leased out. Depreciation expense totaled \$144,258 and \$134,353 for years ending June 30, 2009 and 2008 respectively. Depreciation is calculated using the straight-line method, with an estimated life of ten years for the software development, an estimated life of ninety-nine years for the office space, an estimated life of ten years for the leasehold improvements, and an estimated life of five years for office equipment.

StanCERA - Financial

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

CAPITAL ASSETS	Balance @ June 30, 2008	Reclassifications & Additions	Reclassifications & Deletions	Less Accumulated Depreciation	Balance @ June 30, 2009
Tyler Software	\$ 775,980	\$ 64,716	\$ -	\$ 100,282	\$ 740,414
Real Estate Occupied	1,840,735	-	-	18,977	1,821,758
Real Estate Leased	1,227,401	-	-	12,654	1,214,747
Leasehold Improvements	84,408	-	-	10,551	73,857
Office Equipment	8,976	-	-	1,795	7,181
TOTAL	\$ 3,937,500	\$ 64,716	\$ -	\$ 144,258	\$ 3,857,958

CAPITAL ASSETS	Balance @ June 30, 2007	Reclassifications & Additions	Reclassifications & Deletions	Less Accumulated Depreciation	Balance @ June 30, 2008
Tyler Software	\$ 789,681	\$ 78,470	\$ -	\$ 92,171	\$ 775,980
Real Estate Occupied	1,607,712	252,000	-	18,977	1,840,735
Real Estate Leased	1,072,055	168,000	-	12,654	1,227,401
Leasehold Improvements	94,959	-	-	10,551	84,408
Office Equipment	-	8,976	-	-	8,976
TOTAL	\$ 3,564,407	\$ 507,446	\$ -	\$ 134,353	\$ 3,937,500

Administrative Expenses

The Association's general administrative expense is funded by the investment income and it is limited to eighteen-hundredths of one percent (0.18%) of the Association's total assets pursuant to Government Code Section 31580.2. Total administrative expense for the years ending June 30, 2009 and 2008 was \$2,080,130 and \$2,044,286, respectively, of which \$313,908 and \$218,395, respectively, was not subject to the 0.18% limitation. Administrative expenses subject to the limitation amounted to 0.1389% for year ending June 30, 2009 and 0.1392% for year ending June 30, 2008.

Income Taxes

StanCERA qualifies under Section 401(a) of the Internal Revenue Code and is therefore not subject to tax under present income tax laws. No provision for income taxes has been made in the accompanying financial statements, as the plan is exempt from Federal and State income taxes under the provisions of the Internal Revenue Code Section 501 and the California Revenue and Taxation Code Section 23701, respectively.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements

StanCERA adopted the Governmental Accounting Standards Board's (GASB) Statement No. 50, *Pension Disclosures*, an amendment of applicable note disclosure and Required Supplementary Information (RSI) of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers* effective for the year ended June 30, 2008. The required information is disclosed in Note 5 – Contributions.

Reclassifications

Certain accounts presented in the prior year's data have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents money withheld from employee salaries and employers' shares of retirement contributions for the month of June and received in July. Contributions Receivable as of June 30, 2009 and 2008 were \$2,865,698 and \$2,522,264, respectively.

NOTE 4 – CASH AND INVESTMENTS

The California State Constitution and the County Employees' Retirement Law of 1937 give the Board of Retirement the exclusive authority to invest the assets of the Plan and the Board may, at its discretion, invest, or delegate the authority to invest, the assets of the Plan through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when deemed prudent in the informed decision of the Board. StanCERA invests the assets of the Plan according to a written Investment Policy established by the Board of Retirement and currently employs external investment managers to manage the assets subject to the guidelines in the investment policy.

Deposits in County Treasury

Cash needed for StanCERA's daily operational purposes is pooled with other County funds by the County Treasurer for short-term investment purposes. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds. Investments in the County Investment Pool are managed according to the Investment Policy established by the County and are subject to regulatory oversight by the County's Treasury Oversight Committee. Participation in the County Investment Pool is not mandatory. The fair value of the System's cash invested with the County Treasurer totaled \$8,159,721 and \$7,886,048 at June 30, 2009 and 2008, respectively. Cash and investments included within the County Treasurer's Pool is described in the County's Financial Report.

Securities Transactions and Related Investment Income

Security Transactions are accounted for on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities.

StanCERA - Financial

NOTE 4 – CASH AND INVESTMENTS (continued)

Securities Transactions and Related Investment Income (continued)

The following is a schedule of StanCERA's deposits and investments at fair value:

Summary of Investments

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Investments		
U.S. Government Obligations	\$ 164,747,927	\$ 251,846,251
Corporate Bonds	171,222,666	184,674,468
Domestic Stocks	392,103,699	436,044,985
Domestic Equity Index Fund	48,680,087	118,209,447
International Equity	206,580,513	257,949,302
Global REIT's	12,195,678	18,214,518
Subtotal	<u>995,530,569</u>	<u>1,266,938,971</u>
Deposits and Short-Term Investments		
Securities Lending Collateral	190,693,978	201,710,234
Bank of New York: Cash in Custodial Account	59,007,553	25,388,519
Stanislaus County Treasury Investment Pool	8,159,721	7,886,048
Subtotal	<u>257,861,252</u>	<u>234,984,801</u>
Total Deposits and Investments	<u>\$ 1,253,391,821</u>	<u>\$ 1,501,923,772</u>

Securities Lending Program

State statutes and Board of Retirement Investment Policy permit StanCERA to participate in a securities lending program. StanCERA lends domestic bonds and equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. Transactions are collateralized at 102% of market value for domestic securities and 105% of market value for international securities. Collateral received may include cash, letters of credit, or securities. Because the loans were terminable at will their duration did not match the duration of the investments made with cash collateral. Either StanCERA or the borrower can terminate all securities loans on demand, although the average term of the loans is one week. There are no restrictions on the amount of securities that may be lent.

StanCERA's custodial bank administers its securities lending program. As of June 30, 2009, StanCERA had securities on loan with a carrying value of \$192,440,167 and cash collateral of \$199,389,103 with non-cash collateral of \$235,035. For fiscal year ending June 30, 2008, StanCERA's securities on loan had a carrying value of \$194,720,509 and a cash collateral of \$201,710,234. At June 30, 2009, StanCERA has an unrealized loss of \$6.7 million dollars. This was a result of certain investments in securities issued by Lehman Brothers Holdings Incorporated and others, having been purchased for StanCERA's account in which our securities lending cash collateral was invested with cash collateral delivered by borrowers in our securities lending program, the aggregate value of such investments is less than the amount required to be returned to such borrowers (a "Collateral Insufficiency"). Pursuant to the securities lending agreement, StanCERA is responsible for such Collateral Insufficiency. StanCERA's custodial bank has agreed to absorb 30% of the Lehman Brothers Holdings Incorporated loss (\$2.2 million dollars).

StanCERA - Financial

NOTE 4 – CASH AND INVESTMENTS (continued)

Securities Lending Program (continued)

StanCERA does not have the ability to pledge or sell collateral securities delivered absent a borrower default. The contract with the security lending agent requires them to indemnify StanCERA if the borrower fails to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrower fails to pay StanCERA for income distributions by the securities issuer while the on loan. Investments made with cash collateral are classified by risk category. As of June 30, 2009 and 2008 StanCERA has no credit risk exposure to borrowers because the amount StanCERA owes the borrower exceeds the amount the borrower owes StanCERA.

SECURITIES LENDING COLLATERAL for fiscal year ending June 30, 2009

Investment Type	Market Value by Maturity Date				Total Fair Value	Effective Duration (in years)
	< 1 year	1-5 years	5-15 years	> 15 years		
Asset Backed Security	\$ 7,058,248	\$ 3,234,342	\$ -	\$ 746,622	\$ 11,039,212	0.063
Bank Note	16,914,750	-	-	-	16,914,750	0.079
Certificate of Deposit - Floaters	14,572,480	-	-	-	14,572,480	0.074
Corporate Floating Rate	37,776,960	4,818,800	-	-	42,595,760	0.060
Corporate Floating Rate - Defaulted	625,000	-	-	-	625,000	-
Reverse Repurchase Agreement	104,946,777	-	-	-	104,946,777	0.003
TOTALS	\$ 181,894,214	\$ 8,053,142	\$ -	\$ 746,622	\$ 190,693,978	0.033

SECURITIES LENDING COLLATERAL for fiscal year ending June 30, 2008

Investment Type	Market Value by Maturity Date				Total Fair Value	Effective Duration (in years)
	< 1 year	1-5 years	5-15 years	> 15 years		
Asset Backed Security	\$ 18,217,233	\$ 5,000,000	\$ -	\$ -	\$ 23,217,233	0.063
Bank Note	10,000,000	22,000,000	-	-	32,000,000	0.085
Certificate of Deposit - Floaters	64,995,378	14,999,339	-	-	79,994,717	0.058
Corporate Floating Rate	22,500,833	42,996,850	-	-	65,497,683	0.077
Money Market	1,000,000	-	-	-	1,000,000	0.003
Reverse Repurchase Agreement	600	-	-	-	600	0.003
TOTALS	\$ 116,714,045	\$ 84,996,189	\$ -	\$ -	\$ 201,710,234	0.068

Securities Lending Income for years ending June 30, 2009 & 2008:

	June 30, 2009	June 30, 2008
Gross Income	\$ 2,931,390	\$ 10,346,182
Net Depreciation in Fair Value of Securities Lending Collateral	(6,678,766)	-
Expenses		
Borrower Rebates	1,446,716	8,646,259
Bank Fees	592,286	677,628
Total Expenses	2,039,002	9,323,887
Net Securities Lending Income (Loss)	\$ (5,786,378)	\$ 1,022,295

NOTE 4 – CASH AND INVESTMENTS (continued)

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. StanCERA's average effective duration of all fixed income holdings, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus 1.5 years of the Barclay Aggregate bond index duration. For year ending June 30, 2009, the Barclay Aggregate Bond Index was yielding 4.14% with an effective duration of 4.30 years. The Lehman Aggregate Bond Index used for year ending June 30, 2008 yielded 5.10% with an effective duration of 4.68 years. StanCERA had a yield of 5.23% and 6.30% for years ending June 30, 2009 and 2008 respectively with an effective duration of 3.51 and 3.88 years respectively. As of June 30, 2009 and 2008 the County's pool has a fair value of \$1.03 billion and \$1.12 billion respectively, and a weighted average maturity of 253 days and 236 days, respectively.

Highly Sensitive Investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include such information as embedded options, coupon multipliers, benchmark indexes, and reset dates. The System's fixed income investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the fixed income investment.

The following table shows the fair value of the System's fixed income investments by investment type as of June 30, 2009 and 2008:

	June 30, 2009		June 30, 2008	
	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
<u>Fixed Income Securities</u>				
U S Treasuries	\$ 21,232,693	2.2	\$ 25,026,339	0.6
Single Family Mortgage Backed Securities	110,417,623	1.8	183,740,385	2.8
Multi Family Mortgage Backed Securities	8,970,163	1.8	8,598,793	2.8
Collateralized Mortgage Backed Securities	12,121,536	3.0	12,876,800	2.9
Federal Agency	16,094,927	5.7	12,705,680	4.8
Asset Backed	2,626,993	0.3	8,898,254	0.1
Corporate Bonds	164,506,658	5.1	184,674,468	5.7
Total Fixed Income Securities	\$ 335,970,593		\$ 436,520,719	

CREDIT RISK

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Under StanCERA policy, the fixed income portfolio must have an average quality rating of A or better in the aggregate as measured by at least one credit rating service. In cases where credit rating agencies assign different quality ratings to a security, the lower rating will be used. Should the rating of a fixed income security fall below investment grade, the manager may continue to hold the security if they believe the security will be upgraded in the future, there is a low risk of default, and buyers will continue to be available throughout the anticipated holding period. The manager has the responsibility of notifying the Board whenever an issue falls below investment grade. Investment grade quality is defined as BBB rated or higher at time of purchase. The notification should include the manager's assessment of the issue's credit rating and its ongoing role in the portfolio. The County's pool and the short term investment funds held with fiscal agent are unrated.

NOTE 4 – CASH AND INVESTMENTS (continued)

CREDIT RISK (continued)

The following table shows the quality of StanCERA's investments in fixed income securities on June 30, 2009 and 2008.

Credit Rating	June 30, 2009		June 30, 2008	
	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
AAA	38.43%	\$ 129,108,689	55.71%	\$ 232,144,605
AA+	0.38%	1,275,825	1.15%	5,020,131
AA-	4.57%	15,338,367	4.45%	19,425,972
A+	2.87%	9,654,275	2.73%	11,935,230
A	9.69%	32,563,012	3.49%	15,231,614
A-	3.93%	13,214,295	3.55%	15,514,163
BBB+	4.14%	13,918,282	7.42%	32,404,698
BBB	9.38%	31,523,982	2.30%	10,051,249
BBB-	5.68%	19,084,836	3.58%	16,487,445
BB+	0.23%	787,241	1.43%	6,229,704
BB	1.19%	4,002,127	0.50%	2,193,000
BB-	0.00%	-	0.19%	837,200
B	0.62%	2,074,750	5.65%	24,659,187
B-	1.16%	3,887,350	2.25%	9,823,625
Aaa	0.00%	-	0.00%	-
A-1+	0.00%	-	0.00%	-
A-1	0.00%	-	0.00%	-
B1	0.00%	-	0.00%	-
CAA	0.00%	-	0.00%	-
CCC+	2.92%	9,821,274	0.00%	-
CCC	2.39%	8,031,625	0.00%	-
C	0.39%	1,322,442	0.00%	-
N/R	5.69%	19,129,537	0.00%	18,988,961
N/A	6.34%	21,232,684	5.60%	15,573,935
	100.00%	\$335,970,593	100.00%	\$ 436,520,719

N/R represents securities that are not rated

N/A represents securities that are not applicable to the rating disclosure requirements

CONCENTRATION OF CREDIT RISK

Concentration of Credit Risk is the risk of loss due to a large concentration of investments in any one issuer. Investments issued or explicitly guaranteed by the U.S. Government and investment in the mutual funds, external investment pools and other pooled investments are not considered at risk. StanCERA's policy requires that not more than 5% of the total StanCERA stock portfolio, valued at market, may be held in the common stock of any one corporation. Not more than 5% of the outstanding shares of any one company may be held. Individual investment managers are to hold no more than 8% of the market value of the manager's entire stock portfolio in any one company's stock. Not more than 25% of the stock valued at market may be held in any one industry category, as defined by the Retirement Association's consultant, without special permission from the Board. With the exception of securities issued by the U.S. Government and its agencies, no single fixed income issue will represent more than 5% of the total portfolio as measured by market value at time of purchase. Holdings of any individual issue must be 5% or less of the value of the total issue. There was no single issuer that exceeds 5% of total investments at June 30, 2009 and 2008.

NOTE 4 – CASH AND INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. StanCERA does not have a formal policy for custodial credit risk for deposits. Under California Government Code, a financial institution is required to secure deposits in excess of \$100,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental deposits by pledging first deed mortgage notes having a value of 150% of the secure public deposits. Such collateral is held by the pledging financial institution's trust department or agent in StanCERA's name. At year end, StanCERA had no custodial credit risk exposure to any depository financial institution. All deposits are placed with a custodial bank.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. StanCERA does not have a formal policy for custodial credit risk for investments. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the governmental entities name, and held by the counter-party. StanCERA's investment securities are not exposed to custodial credit risk because all securities held by StanCERA's custodial bank are in StanCERA's name.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. StanCERA's external investment managers may invest in international securities and must follow StanCERA's Investment Guidelines pertaining to these types of investments. At least 80% of all non-US equity holdings at market value shall be highly liquid securities issued by corporations headquartered in countries included in the Morgan Stanley Capital International all Country World ex-US (ACWI) Index. The maximum limit in any single country shall not exceed the greater of two times the country's weighting in the MSCI ACWI ex-US Index or 20% of the market value of a portfolio managed on behalf of StanCERA.

StanCERA - Financial

NOTE 4 – CASH AND INVESTMENTS (continued)

FOREIGN CURRENCY RISK (continued)

StanCERA's exposure to foreign currency risk in US dollars as of June 30, 2009 and 2008 is as follows:

Currency	June 30, 2009 Fair Value (in US \$)	June 30, 2008 Fair Value (in US \$)
Australian Dollar	\$ 9,937,267	\$ 13,862,022
Austrian Schilling	-	602,711
Belgian Franc	-	544,845
Bermudan Dollar	-	2,272,064
Brazilian Real	-	2,414,400
British Pound Sterling	35,045,386	43,355,666
Canadian Dollar	8,144,604	8,037,155
Cayman Island	-	98,135
Colombian Peso	-	634,078
Danish Krone	1,834,900	1,456,691
Deutsche Mark	-	22,875,323
Euro Currency	48,015,233	343,284
Finnish Markka	-	3,770,486
French Franc	-	17,498,709
Greek Drachma	-	848,075
Hong Kong Dollar	9,187,908	3,401,625
Indian Rupee	-	522,152
Irish Pound	-	1,208,057
Israeli Shekel	-	549,643
Italian Lira	-	7,093,338
Japanese Yen	37,795,145	42,346,227
Luxembourg Franc	-	1,197,342
Mexican Nuevo Peso	985,645	2,192,908
Netherland Guilder	-	5,583,762
New Taiwan Dollar	3,910,561	3,971,894
Norwegian Krone	1,938,260	4,534,482
Portuguese Escudo	-	363,684
Renminbi Yuan	-	1,560,273
Russian New Ruble	-	3,059,825
Singapore Dollar	2,990,055	4,764,720
South African Rand	1,578,997	1,249,647
South Korean Won	2,729,597	2,691,103
Spanish Peseta	-	8,422,083
Swedish Krona	2,450,116	4,095,948
Swiss Franc	13,507,657	14,662,748
US Dollar	26,529,182	25,864,197
TOTAL	\$ 206,580,513	\$ 257,949,302

Effective fiscal year ending June 30, 2009, StanCERA invested in a Global REIT's commingled fund. Approximately 60% of the \$12,195,678 in Global REIT's is foreign investments traded in their respective currencies. Due to the nature of the commingled fund, the specific investments cannot be organized by the currency denominations. Thus, Global REIT's are excluded from the aforementioned schedule for foreign currency risk.

NOTE 5 - CONTRIBUTIONS

Contribution Rates

The County Employees' Retirement Law of 1937 establishes the basic obligations for employer and member contributions to the retirement system. The actual employer and member contribution rates in effect each year are based on recommendations made by an independent actuary and adopted by the Board of Retirement.

Member basic rates are based on a formula reflecting the age at entry into the System. The rates are such as to provide an average annuity at age 50 for Safety members of 1/100th of the final average salary (FAS). Plan 1 General members pay rates that will provide an average annuity at age 60 of 1/100th of the FAS; Plan 4 General members pay rates that will provide an average annuity at age 55 of 1/120th of the FAS. County (and former County agency) Safety and General members in Plans 1 and 4 pay half of the aforementioned rates. General members in Plan 2 pay rates to provide an average annuity of 1/120th of FAS at age 60. General members in Plan 3 pay no member contributions. General members in Plan 5 pay rates to provide an average annuity at age 55 of 1/120th of FAS.

Member cost of living contributions, expressed as a percentage of their basic rates, are designed to pay for one-half of the cost of living liabilities for future service. For members integrated with Social Security, the above contributions are reduced by 1/3 of that portion of such contribution payable with respect to the first \$350 of monthly salary. Member contributions are refundable upon termination from the system.

Return of Contributions

If a member should resign or die before becoming eligible for retirement, his/her contributions plus interest will be refunded.

Contributions Required and Contributions Made

Stanislaus County Employees' Retirement Association's policies for employer contributions are actuarially determined rates that, expressed as percentages of annual covered payroll, are required to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Stanislaus County Employees' Retirement Association also uses the level entry age normal cost method with an Unfunded Actuarial Accrued Liability (UAAL) to amortize the unfunded liability.

Contributions for fiscal year ending June 30, 2009 totaling \$44,333,858 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed at June 30, 2006. Employer contributions were 9.08% of covered payroll for Stanislaus County and 11.39% of covered payroll for other employers. Employee contributions, on an average, were 8.22% of covered payroll. Stanislaus County represented 88.61% of covered payroll and 86.64% of total contributions.

	<u>County</u>	<u>%</u>	<u>Districts</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Covered Payroll	\$ 222,013,314	88.61%	\$ 28,527,448	11.39%	\$ 250,540,762	100.00%
Employer Contributions	\$ 20,160,386	9.08%	\$ 3,250,579	11.39%	\$ 23,410,965	9.34%
Member Contributions	18,526,878	8.34%	2,396,015	8.40%	20,922,893	8.35%
Total Contributions	\$ 38,687,264	87.26%	\$ 5,646,594	12.74%	\$ 44,333,858	100.00%

NOTE 5 - CONTRIBUTIONS (continued)

Funding Status & Method

The funding ratio as of June 30, 2008 was 85.0% using the entry age normal method. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. As of the fiscal year ended June 30, 2008, the actuarial value of assets was \$1.32 billion. The Schedule of Funding Progress provided by the actuary (as shown on page 45) provides a slightly lower funding ratio and actuarial value of assets as it does not include other designated reserves (ad hoc reserves) and the liabilities associated with these reserves.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability, (AAL's) for benefits.

The liability is being funded on the Entry Age Normal Cost method with an UAAL. The UAAL is being amortized as a percent of pay amount. The amortization period is based on a rolling 30-year amortization with an accrual reset for Stanislaus County and a rolling 20-year amortization with an accrual reset for Other Districts.

SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN
FOR YEAR ENDING JUNE 30, 2008
 (Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
6/30/2008	\$ 1,317,167	\$ 1,548,824	\$ 231,657	85.00%	\$ 242,009	95.70%

The valuation interest rate is 8.16% compounded and the total salary scale increases of 5.0% (4.0% for inflation) per year were based on a study as of June 30, 2008 and dated May 12, 2009 adopted by the Board of Retirement as of May 26, 2009.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years Rolling - Stanislaus County 20 Years Rolling - Other Districts
Asset Valuation Method	5 year Smoothed Market, excluding "Non-Valuation Reserves" and the liabilities associated with these Reserves 80% / 120% Corridor around Market
Actuarial Assumptions	
Investment Rate of Return	8.16%
Projected Salary Increases	4.0%
Attributed to Inflation	4.0%
Cost of Living Adjustments	3.0% Maximum

NOTE 6 – RESERVES

As required by the County Employee’s Retirement Law of 1937 or the Board of Retirement’s policies, the following reserves from Net Assets Held in Trust for Pension Benefits must be established and used to account for the members, employees, and retirees’ contributions.

Active Members’ Reserve

This reserve represents the cumulative contributions made by active members (employees), after deducting refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary. For 2008, overall assumption rates were 8.0%. Based upon Retirement Board policy, interest of .125% semi annually is credited to member’s accounts. The balance, 3.875%, is posted to the reserve for unvested interest. The earnings are credited to all appropriate active and deferred member accounts. In addition, upon retirement, the active member’s (employee’s) contributions, portion of the unvested interest, plus interest credited to his/her account, are transferred from this reserve to Retired Members’ Annuity and Cost of Living Reserves.

Employer Advance Reserves

This reserve represents the cumulative contributions made by the County and certain special districts. Interest earnings are credited, semi-annually, to the reserves at assumption rates determined by the actuary.

Upon the retirement of an active member, an actuarially determined amount of his/her vested interest is transferred from the County Advance Reserves to the Retired Members’ Pension Reserve.

As part of this advance funding of the County’s pension obligation, the County and the Retirement Board entered into an agreement whereby “Excess Earnings” as defined in the agreement will be allocated to the County’s (Employer Contingency Reserve) at a rate of 25% for each full year. As of June 30, 2009 funds have not been set-aside in the reserve account “Reserve Employer Special” directly due to losses incurred from investment activities.

Retired Members’ Reserves

These reserves are established to account for the unpaid retirees’ pension benefits. Upon the retirement of an employee, his/her contributions plus the interest earnings credited to his/her account are transferred from the Active Members’ Reserve account to the Retired Members’ Annuity and Cost of Living Reserve accounts. In addition, the present value of the actuarially determined pension benefits are also transferred from the County Advance Reserves to the Retired Members’ Pension Reserve account.

From these reserves, StanCERA pays the retiree his/her pension benefits in an amount computed in accordance with the County Employee’s Retirement Law of 1937.

The Reserves are also credited with interest earnings semi-annually at assumption rates determined by the actuary.

StanCERA - Financial

NOTE 6 – RESERVES (continued)

Contingency Reserve

This reserve represents earnings in excess of the total interest credited to contributions of the employer and employee equal to 2% of net assets (Government Code Section 31592) and are used as a reserve against deficiencies in interest earning in other years, losses on investment and other contingencies. For fiscal year ending June 30, 2008, the contingency reserve was used to offset the deficiency due to losses from investment activities.

Undistributed Earnings/(Losses)

This “designation” account was established on June 30, 2003. It is used to minimize the impact of actuarial smoothing of assets and contains an accumulation of earnings or losses, which have not been distributed to any other reserve. As of June 30, 2009 the Undistributed Earnings (Losses) have been allocated between the valuation reserves and the non-valuation reserves with two new Reserve accounts, Reserves - Valuation Losses and Reserves - Non Valuation Losses

Other Reserves

These reserves are for Revocable Health Benefits Subsidy, Retiree’s Burial Allowance, Retiree’s Special Cost of Living, Tier 3 Disability and Legal Contingencies. Reserve Account Balances are as follows:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Active Members' Reserves	\$ 199,604,418	\$ 190,613,035
Employer Advance Reserves	359,984,703	378,543,206
Employer Transfer from Non-Valuation Reserve	50,000,000	-
Retired Members' Reserves	735,429,805	748,929,523
Reserves - Valuation Losses	(368,546,555)	-
Reserves - Non Valuation Losses	(30,811,861)	-
Contingency Reserve	-	-
Other Reserves		
Revocable Health Benefit Subsidy	100,934,481	157,851,376
Retiree Burial Allowance Reserve	5,298,788	5,563,788
Retiree Special Cost Of Living Reserve	2,857,479	2,857,479
Legal Contingency Reserve	3,344,405	3,379,216
Tier 3 Disability Reserve	13,426	15,236
Undistributed Earnings/(Losses)	-	(176,466,912)
Total Reserves	<u><u>\$ 1,058,109,090</u></u>	<u><u>\$ 1,311,285,947</u></u>

NOTE 7 – INVESTMENT EXPENSES

Investment expenses include fees paid for investment consulting services, fund evaluation services, securities custodian services. Fees paid are charged against the System's investment earnings pursuant to Government Code, Sections 31596.1 and 31592.5.

Investment Expense

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Investment Managers	\$ 3,071,512	\$ 3,919,924
Investment Consultants	146,250	147,275
Custodial Fees	528,651	358,232
Actuarial Fees	163,912	10,020
Legal Fees	-	6,744
Total Investment Expenses	<u>\$ 3,910,325</u>	<u>\$ 4,442,195</u>

NOTE 8 – LITIGATION

StanCERA is a defendant in various lawsuits and claims arising in the ordinary course of its operations. StanCERA's management and legal counsel estimate the ultimate outcome of such litigation will not have a material effect on StanCERA's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN
FOR THE SIX YEARS ENDING JUNE 30, 2008**
(Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (Funding Excess)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/2002	\$ 878,821	\$ 870,768	\$ (8,053)	100.90%	\$ 196,471	-4.10%
6/30/2003	\$ 937,797	\$ 958,095	\$ 20,298	97.90%	\$ 197,664	10.30%
6/30/2004	\$ 993,180	\$ 1,035,345	\$ 42,165	95.90%	\$ 199,963	21.10%
6/30/2005	\$ 1,049,691	\$ 1,116,310	\$ 66,619	94.00%	\$ 211,681	31.50%
6/30/2006	\$ 1,154,048	\$ 1,329,375	\$ 175,327	86.80%	\$ 212,011	82.70%
6/30/2008	\$ 1,317,167	\$ 1,548,824	\$ 231,657	85.00%	\$ 242,009	95.70%

Note: Actuarial valuation was not performed for fiscal year June 30, 2007
Data provided by last actuarial valuation as of June 30, 2008.
The actuarial valuation as of June 30, 2006 was revised due to changes in assumptions.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS TO
PENSION BENEFIT PLAN
FOR THE SIX YEARS ENDING JUNE 30, 2008**
(Dollar amounts in thousands)

Year End	Annual Required Contribution	Percentage Contributed
6/30/2003	\$16,208	100%
6/30/2004	\$17,114	100%
6/30/2005	\$19,793	100%
6/30/2006	\$22,549	100%
6/30/2007	\$32,563	100%
6/30/2008	\$22,555	100%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

[Schedule of Funding Progress](#)

StanCERA applied the parameters established by GASB Statements No. 25 and No. 26 in calculating and presenting the required actuarially determined information contained in both the Schedule of Funding Progress and Schedule of Employer Contributions.

Analysis of the dollar amounts of the pension benefit plan (Plan) net assets, actuarial accrued liability, and unfunded actuarial accrued liability, as presented on the Schedule of Funding Progress, in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability, however, provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time will indicate whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability, as a percentage of annual covered payroll approximately adjusted for the effects of inflation, will also aid analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

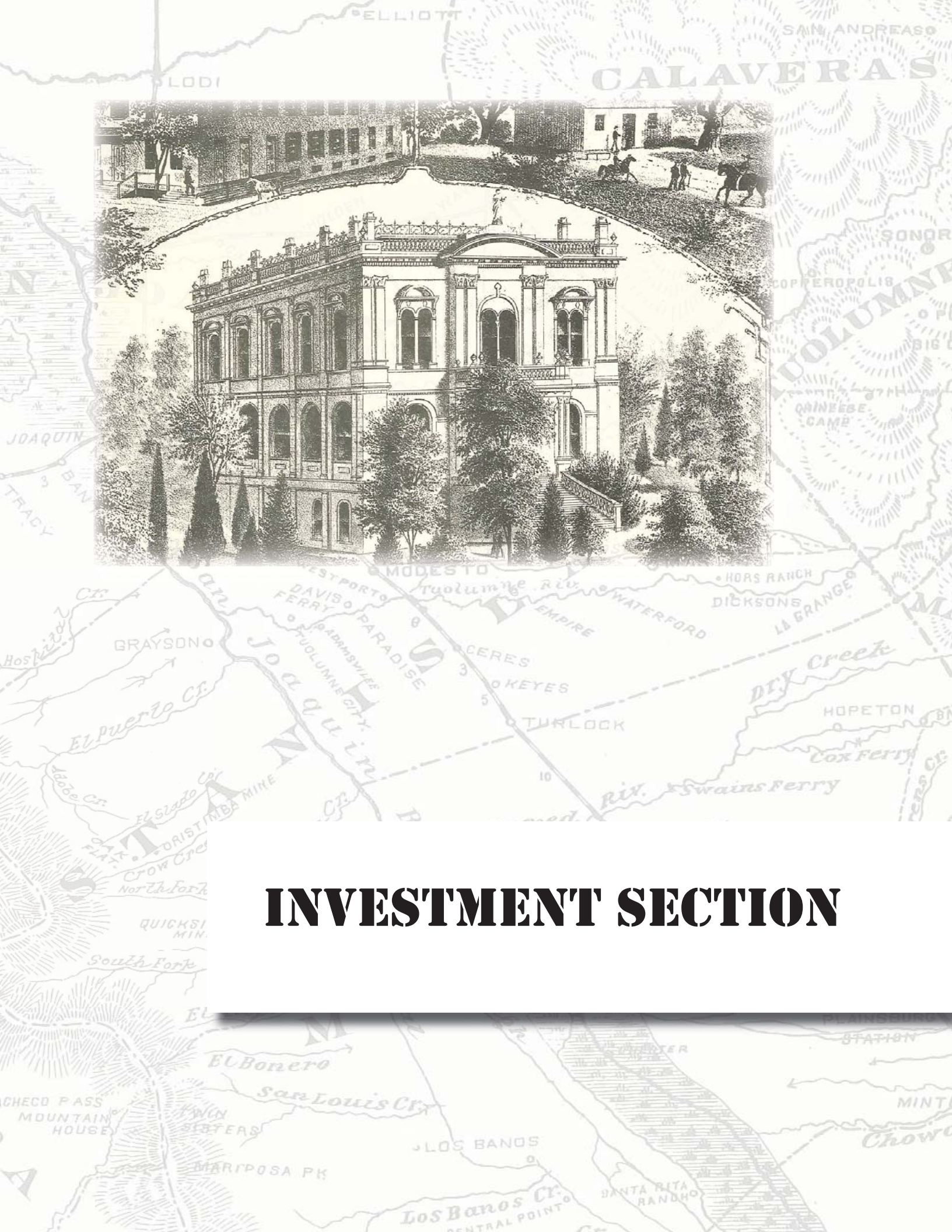
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Personnel Services:		
Salaries and Employee Benefits	\$ 1,111,797	\$ 1,074,059
Total Personnel Services	<u>1,111,797</u>	<u>1,074,059</u>
Professional Services:		
Computer and Software Services and Support	50	4,576
County Counsel	136,165	137,438
Outside Legal Counsel - Disability	67,506	62,798
Disability Hearing Officer/Medical Exams and Reviews	41,785	41,440
External Audit Fees	26,804	25,598
Stanislaus County Strategic Business Technology Dept	25,509	28,747
Health Insurance Consultant	169,650	84,042
Other Professional Services	46,100	4,581
Total Professional Services	<u>513,568</u>	<u>389,220</u>
Office Expenses:		
Office Supplies	10,145	12,840
Minor Equipment and Computer Supplies	2,967	7,814
Stanislaus County Central Services and Mail Room	37,711	36,576
Stanislaus County Support Services	106,002	202,563
Contract Services	1,668	12,837
Requested Maintenance	10,056	17,352
Communications	19,770	23,188
Printing and Publications	4,270	4,390
Other Office Expenses	16,549	8,250
Total Office Expenses	<u>209,139</u>	<u>325,810</u>
Miscellaneous:		
Fiduciary and Staff - Education/Travel	46,998	67,415
Fiduciary and Staff - Meetings/Other Travel	11,700	11,400
Insurance	36,369	35,739
Memberships	6,300	6,290
Depreciation	144,258	134,353
Total Miscellaneous	<u>245,626</u>	<u>255,197</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 2,080,130</u>	<u>\$ 2,044,286</u>

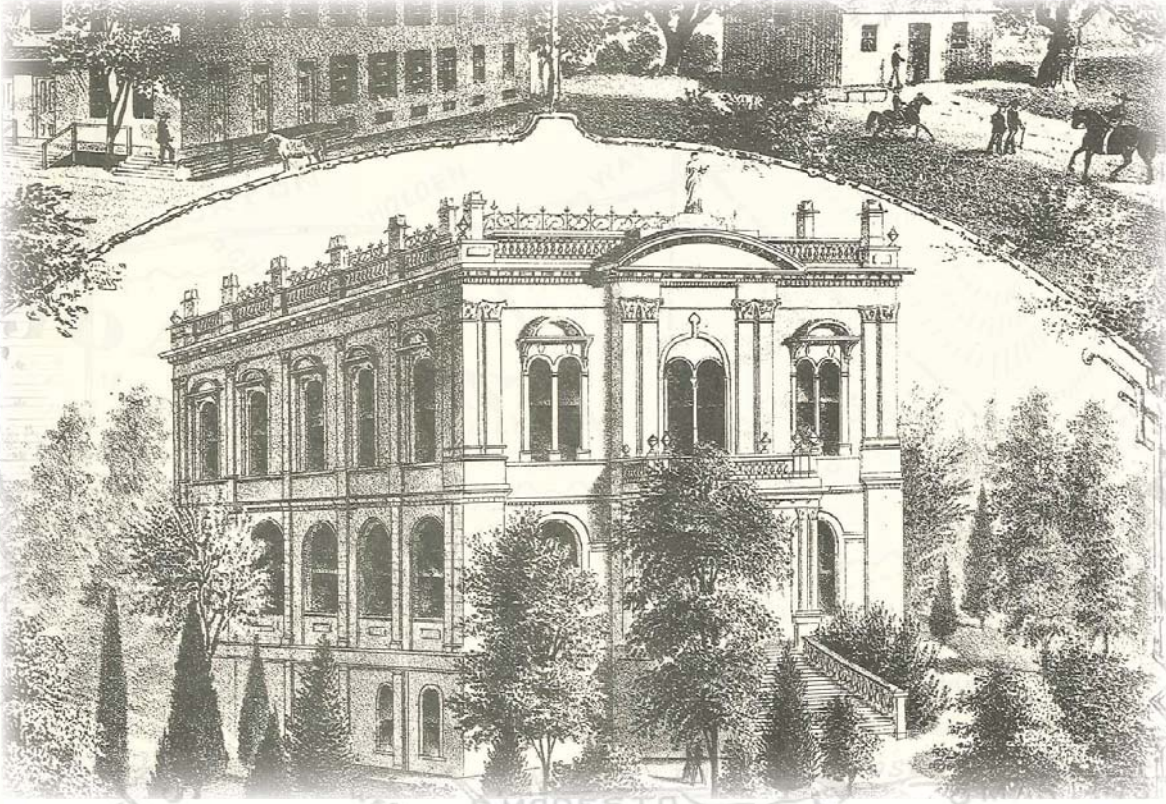
OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF INVESTMENT MANAGEMENT FEES
AND OTHER INVESTMENT EXPENSES
For the Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Investment Management Fees:		
Domestic Stocks	\$ 1,463,246	\$ 1,862,441
International Stocks	1,094,920	1,525,396
Domestic Bonds	424,795	484,705
Global REIT's	88,552	47,382
Total Investment Management Fees	<u>3,071,513</u>	<u>3,919,924</u>
Investment Consulting Fees	146,250	147,275
Investment Custodian Fees	528,650	358,232
Investment Legal Fees	-	6,744
Other Investment Related Expenses	<u>163,912</u>	<u>10,020</u>
TOTAL INVESTMENT EXPENSES	<u><u>\$ 3,910,325</u></u>	<u><u>\$ 4,442,195</u></u>



CALAVERAS



INVESTMENT SECTION

Divider Source:

“Stanislaus County Court House” Picture. [A Brief History of Stanislaus County.](#)
1950. By Margaret L. Annear, Herbert C. Florcken and Dr. Hugh Baker.

STRATEGIC INVESTMENT SOLUTIONS, INC.

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VICE PRESIDENT

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**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

Summary

Fiscal year 2009 (June 30, 2009) saw a steep decline of equity returns over the first nine months of the fiscal year (July 2008 - March 2009) with losses in US and foreign stock markets in excess of -35% as the Dow Jones Industrial Average fell below 7,000 for the first time in over 11 years in the beginning of March. The equity markets rebounded sharply in the final quarter (April - June 2009) of the fiscal year registering the best quarterly performance since 1998. Overall, US and foreign stock markets still ended the fiscal year sharply lower with negative returns of about -25% in US markets and -30% in foreign markets. The US Fixed Income markets continued its positive return in fiscal year 2009 as US Treasuries rallied due to a flight to quality by investors and short-term interest rates were cut numerous times to inject liquidity into the financial system. Spread fixed income instruments such as corporate bonds were sharply lower during the first nine months of the fiscal year before rallying in the final quarter. As a diversified investor, StanCERA experienced a -16.4% return for the fiscal year. The -16.4% result was above StanCERA's policy benchmark of -17.7% for the fiscal year by 130 basis points.

Fiscal year 2009 was once again negative (second straight fiscal year) for both the U.S. equity markets and foreign equity markets. For the fiscal year, the Russell 3000 US Stock Index lost -26.6% and the MSCI ACW (All Country World) ex-US Index of foreign stocks lost -30.5%. The US fixed income market produced a positive return (+6.1% Lehman Aggregate Index) for the fiscal year ending June 30, 2009.

Within the US equity market, stocks of small companies outperformed large (-25.0% versus -26.2%) for the fiscal year. Growth stocks outperformed value on a relative basis in large caps (-24.5% versus -29.0%) and also within small caps (-24.8% versus -25.2%).

Investment Policy, Asset Deployment Policy and Performance Measurement Standards

StanCERA periodically reviews and updates its policy statement. The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. The system's actuary estimates this return requirement to be 8.00%.

StanCERA - Investment

Secondary goals are to outperform the asset allocation-weighted benchmark (46.4% US Equities, 20.0% Non-US Equities, 30.6% Fixed Income and 3.0% Global REITs) and to rank in the top forty percent of a universe of public pension funds.

At quarterly intervals, the System reviews performance at the total fund, asset class and individual manager levels. At each level, returns are evaluated versus appropriate indexes and peers. Comparisons with peers seek top forty percentile results.

Investment Objectives

Investment returns achieved through June 30, 2009 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2009, StanCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards, and adding marginal value.

Investment Results

PERIODS ENDED 6/30/09	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity <i>Russell 3000</i> Rank	-27.4% -26.6% 65*	-10.4% -8.3% 81	-3.1% -1.8% 90
Non-US Equity <i>MSCI ACWI ex-US</i> Rank	-31.4% -30.5% 65	-6.4% -5.4% 51	+4.2% +4.7% 42
Fixed Income <i>Lehman Aggregate</i> Rank	+7.6% +6.1% 23	+6.4% +6.4% 44	+5.3% +5.0% 36
Global Real Estate <i>FTSE EPRA/NAREIT</i> Rank	-32.6% -35.9% 62		
Total Fund <i>Policy Benchmark***</i> <i>Public Fund Median</i> Rank**	-16.4% -17.7% -17.9% 31	-3.6% -3.0% -2.8% 74	+1.4% +1.6% +2.1% 72

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

***Policy Benchmark is 37% Russell 1000/ 9% Russell 2000/ 31% Lehman Agg/
20% MSCI ACWI ex-US/3% FTSE EPRA-NAREIT

Returns for periods greater than one year are annualized. Results of all publicly traded investments are consistent with Global Investment Performance Standards (GIPS) as adopted by the CFA Board of Governors.



Paul S. Harte
Vice President
Strategic Investment Solutions, Inc.
August 18, 2009

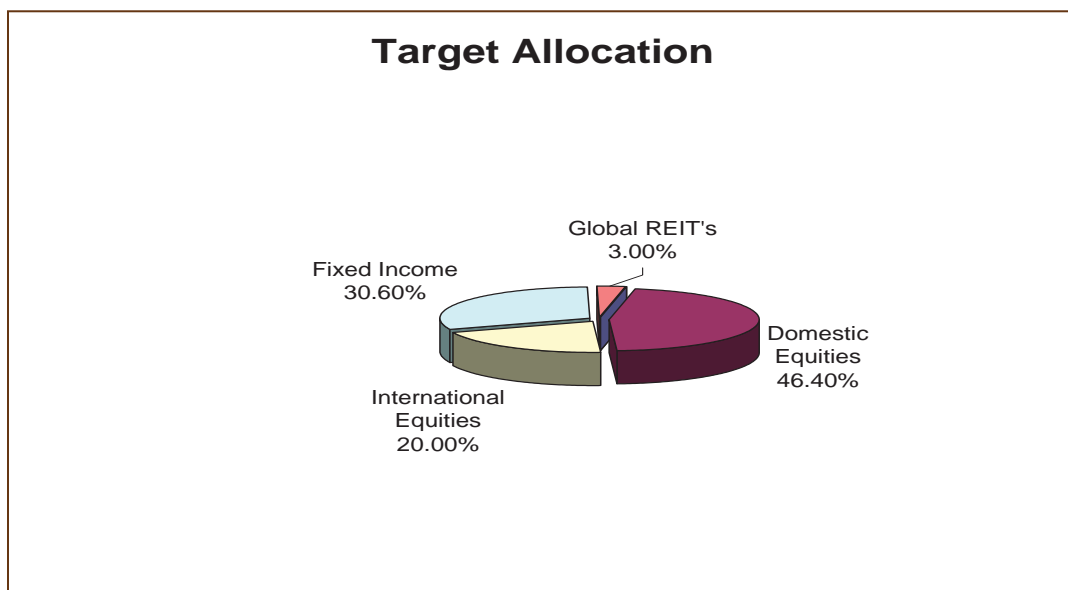
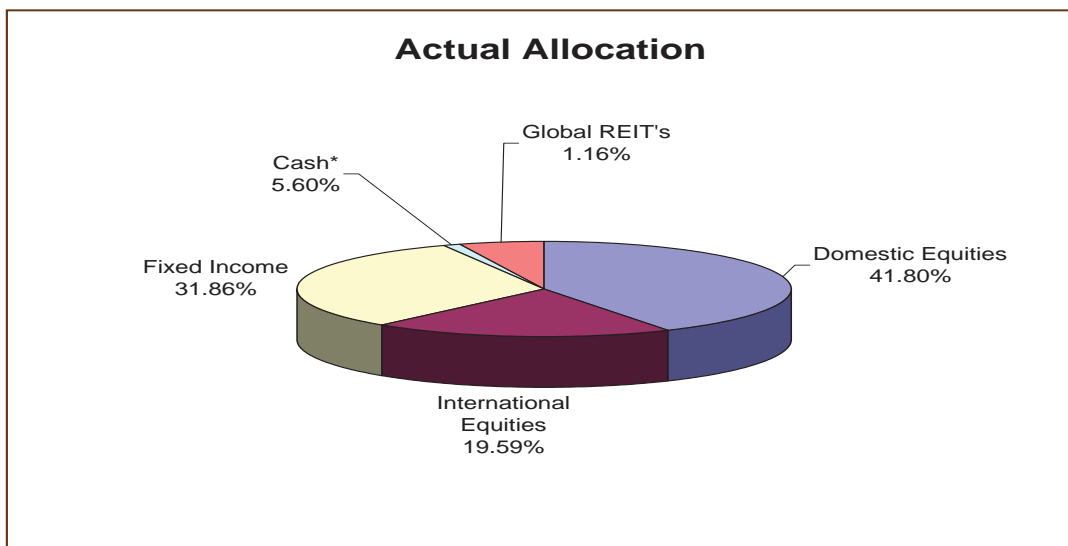
StanCERA - Investment

ASSET ALLOCATION

JUNE 30, 2009

Asset Class	Market Value	Actual Allocation	Target Allocation
Domestic Equities	\$440,783,785	41.80%	46.40%
International Equities	206,580,513	19.59%	20.00%
Fixed Income	335,970,593	31.86%	30.60%
Global REIT's	12,195,678	1.16%	3.00%
Cash *	59,007,553	5.60%	0.00%
TOTAL PORTFOLIO	\$1,054,538,122	100.00%	100.00%

* Excludes Pooled Cash in County Treasury of \$8,159,721
Excludes Securities Lending Cash Collateral



20 LARGEST STOCK HOLDINGS (BY MARKET VALUE)
JUNE 30, 2009

Shares	Stock	Market Value
210,005	HEWLETT PACKARD COMPANY	8,116,693
102,500	SCHLUMBERGER LIMITED	5,546,275
122,100	QUALCOMM INC	5,518,920
359,463	COMCAST CORP	5,208,619
197,872	WELLS FARGO & COMPANY	4,800,375
74,200	VISA INC	4,619,692
40,200	INTERCONTINENTAL EXCHANGE INC	4,592,448
89,300	WELLPOINT INC	4,544,477
10,700	GOOGLE INC	4,511,013
31,400	APPLE INC	4,472,302
81,100	AMGEN INC	4,293,434
147,800	MERCK & COMPANY INC	4,132,488
60,000	OCCIDENTAL PETROLEUM COPORATION	3,948,600
81,700	ALLERGAN INC	3,887,286
37,400	INTUIT INC	3,869,184
105,000	GLAXO SMITHKLINE	3,710,700
405,000	NEWS CORP	3,689,550
90,000	NOVARTIS AG SPNSRD	3,671,100
118,000	CME GROUP INC	3,671,098
550,000	MOTOROLA INC	3,646,500

LARGEST BOND HOLDINGS (BY MARKET VALUE)
JUNE 30, 2009

Par	Bond	Maturity Date	Market Value
12,362,487	FEDERAL NAT'L MTGE ASSN POOL #995952	2/1/2038	13,380,809
11,573,853	COLLECTIVE US GOVERNMENT STIF NON-DISCRETIONARY	n/a	11,573,853
10,386,931	FORD MOTOR CREDIT CO	2/1/2011	9,821,274
8,836,148	FEDERAL NAT'L MTGE ASSN POOL #976947	2/1/2023	9,152,598
8,417,763	FED'L HOME LOAN MTGE CORP GRP #G13344	3/1/2023	8,751,705
8,019,489	FEDERAL NAT'L MTGE ASSN POOL #256851	8/1/2037	8,312,517
7,901,825	FEDERAL NAT'L MTGE ASSN POOL #889390	3/1/2023	8,226,120
9,004,547	GMAC LLC RERSTRSR GTD NT	9/15/2011	8,031,625
7,894,758	US TREASURY NOTES	8/15/2009	7,351,903
6,940,961	UNITED STATES TREAS NTS DTD 00235	5/31/2001	6,974,844
6,919,883	UNITED STATES TREAS NTS DTD 00236	5/31/2014	6,905,938
6,743,954	XEROX CORP SR NT	3/15/2016	6,573,400
4,579,806	HEWLETT PACKARD CO	3/1/2014	5,070,442
3,631,512	AT&T CORP USD SR NT	11/15/2031	4,905,265
4,994,757	AOL TIME WARNER INC	4/15/2031	4,690,672
4,335,372	FEDERAL NAT'L MTGE ASSN POOL #888291	3/1/2022	4,515,375
4,600,000	WAHOVIA CORP GLOBAL MEDIUM TERM SR NTS	5/1/2013	4,440,150
4,441,864	FEDERAL NAT'L MTGE ASSN POOL #725157	9/1/2017	4,432,235
4,096,521	UNION PACIFIC RR CO	1/2/2020	4,304,501
4,456,899	CAPITAL ONE FINANCIAL CORP	9/15/2017	4,257,716

A complete list of portfolio holdings is available on request.

SCHEDULE OF INVESTMENT MANAGEMENT FEES
For the Years Ending June 30, 2009 and 2008

	2009	2008
Domestic Equities		
Capital Prospects	\$ 172,770	\$ -
Delaware Management Company	435,438	595,941
Dodge & Cox	298,839	420,629
Legato Capital Management	137,844	-
Loomis Sayles & Company	270,637	390,210
Mazama Capital Management	129,831	455,661
Mellon Capital Management	17,887	-
Total Domestic Equity	1,463,246	1,862,441
International Equities		
LSV	568,194	820,665
Pyramis Global Advisors Holding Company	526,726	704,731
Total International Equities	1,094,920	1,525,396
Fixed Income		
Dodge & Cox	424,795	484,705
Total Fixed Income	424,795	484,705
Global REIT's		
Invesco	88,552	47,382
Total Global REIT's	88,552	47,382
Total Investment Management Fees	3,071,513	3,919,924
Other Investment Fees and Expenses		
Custodial Fees	528,650	358,232
Consultant Fees	146,250	147,275
Miscellaneous Fees	163,912	16,764
Total Other Investment Expenses	838,812	522,271
Total Investment Fees and Expenses	\$ 3,910,325	\$ 4,442,195

COMMISSION RECAPTURE PROGRAM

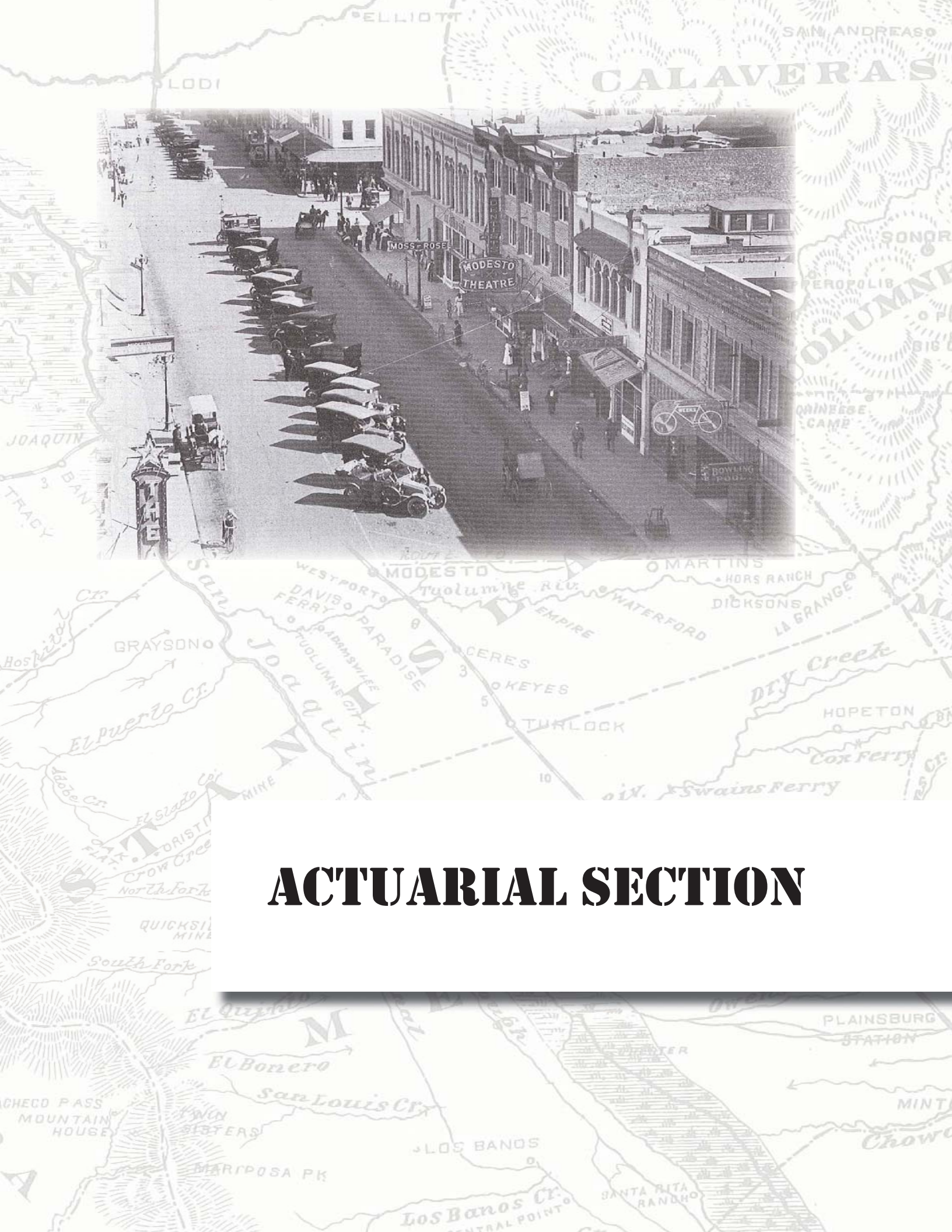
In July 2000, StanCERA entered into a Directed Brokerage Agreement with BNY ESI & Co to administer the Commission Recapture Program per StanCERA's Investment Policy. Subsequently, this agreement was moved to LJR Recapture Services, a subsidiary of BNY ConvergEx Group. The strategic objective of the Program is to recapture a portion of trade commissions paid to brokers. The primary goal is to ensure that investment managers provide the best effort to optimize use of the StanCERA's assets for the benefit of the members and beneficiaries by recapturing 65% or more of commissions paid on a specific percentage of trades sent to correspondent brokers on a timely basis. For fiscal years ending June 30, 2009 and 2008, Commission Recapture Income was \$93,523 and \$76,519 respectively (see page 27).

StanCERA - Investment

INVESTMENT SUMMARY For the Year Ended June 30, 2009

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
DOMESTIC EQUITIES					
DODGE & COX - LARGE CAP VALUE RUSSELL 1000 VALUE	\$146,651,252	13.91%	-27.40% -29.00%	-11.40% -11.10%	-1.80% -2.10%
Delaware - LARGE CAP GROWTH RUSSELL 1000 GROWTH	96,629,343	9.16%	-22.70% -24.50%	N/A N/A	N/A N/A
Loomis Sayles - LARGE CAP GROWTH RUSSELL 1000 GROWTH	58,514,994	5.55%	-36.80% -24.50%	N/A N/A	N/A N/A
Capital Prospects - SMALL CAP VALUE RUSSELL 2000 VALUE	48,833,261	4.63%	4.30% -5.20%	N/A N/A	N/A N/A
Legato Capital Mgmt - SMALL CAP GROWTH RUSSELL 2000 GROWTH	41,474,849	3.93%	14.80% 11.40%	N/A N/A	N/A N/A
Mellon Capital Management S&P 500	48,680,086	4.62%	-26.10% -26.20%	-8.20% -8.20%	-2.20% -2.20%
TOTAL DOMESTIC EQUITIES RUSSELL 3000	440,783,785	41.80%	-16.20% -12.70%	3.10% 4.70%	8.10% 8.40%
FIXED INCOME					
DODGE & COX BARCLAYS US AGGREGATE BOND	335,970,593	31.86%	7.60% 6.10%	6.40% 6.40%	5.30% 5.00%
INTERNATIONAL INVESTMENTS					
PYRAMIS INVESTMENTS	101,699,093	9.64%	-32.70%	-5.80%	N/A
LSV INVESTMENTS	104,881,420	9.95%	-30.10%	-7.10%	N/A
* TOTAL INTERNATIONAL INVESTMENTS MSCI ACWI - ex US Index	206,580,513	19.59%	-31.40% -30.50%	-6.40% -5.40%	4.20% 4.70%
GLOBAL REIT's					
INVESCO FTSE EPRA/NAREIT Global REIT	12,195,678	1.16%	-32.60% -35.90%	N/A N/A	N/A N/A
CASH & SHORT-TERM INVESTMENTS *					
CASH 90 DAY TREASURY BILL	59,007,553	5.60%	1.44% 0.60%	N/A N/A	N/A N/A
TOTAL FUND					
TOTAL FUND STANCERA POLICY COMPOSITE	\$1,054,538,122	100.00%	-16.40% -17.70%	-3.60% -3.00%	1.40% 1.60%
* Excludes Pooled Cash in County Treasury of \$8,159,721					

Note: % taken from SIS Quarterly Report presented to Board of Retirement
Using time-weighted rate of return based on the market rate of return



CALAVERAS



ACTUARIAL SECTION

Divider Source:

“10th Street Modesto” Picture. Modesto Then and Now. 1999.

By Colleen Stanley Bare. Modesto: Publishing house for the McHenry
Museum and Historical Society of Stanislaus County. 64



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September 18, 2009

Actuarial Certification

This report presents the results of the annual actuarial review of the StanCERA Retirement Plan (the Plan) as of June 30, 2008. The prior review was conducted as of June 30, 2006; future valuations will be performed on an annual basis.

In this study, financial information and data on active and inactive Members and their beneficiaries as of the valuation date was supplied by the Plan Administrator on electronic media. As is usual in studies of this type, Member data was neither verified nor audited. However, we conducted an examination of all participant data for reasonableness and consistency. The financial information included the Statement of Changes in Plan Net Assets Available for Benefits and Statement of Plan Net Assets Available for Benefits, both of which are included in the Comprehensive Annual Financial Report.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). As of the valuation date, the amortization period is 30 years.

The funding objective of the Plan is to establish contribution rates that, over time, are likely to remain as a level percentage of payroll unless Plan benefit provisions are changed. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of five years.

Our firm has prepared all of the schedules presented in the actuarial report. We selected the actuarial assumptions shown in the schedules to be appropriate for use under the Plan. The prior actuary performed an analysis of the Plan's noneconomic experience as of June 30, 2006. The assumptions used in this report reflect the results of that study, subject to modifications suggested by an independent third-party actuary as part of an actuarial audit, and approved by EFI Actuaries and the Board. The assumptions used in the most recent valuation produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2009.

EFI[®] Actuaries • EFI Asset/Liability Management Services, Inc.

The nation's leader in plan-specific, interactive asset allocation optimization counseling

Washington, DC • New York • Philadelphia • Seattle • San Francisco

*Ed Friend, Inc.

StanCERA - Actuarial

September 18, 2009

GASB Statement No. 25 requires preparation of trend data schedules of funding status and employer contributions. To produce the required schedules, we have relied upon information from our files and contained in the reports of other actuaries employed by the sponsor in completing the schedules.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

Respectfully Submitted,



Robert T. McCrory, FSA
(206) 328-8628



Graham A. Schmidt, ASA
(415) 439-5313

Summary of Assumptions and Finding Methods

The following assumptions along with the post retirement and pre-retirement demographic experiences are based on the plan's actuarial experience through June 30, 2008. The rates produced by this valuation were adopted by StanCERA Board of Retirement on June 23, 2009 and are effective July 1, 2009. The next actuarial valuation is in process for the fiscal year ending June 30, 2009.

Actuarial Assumptions

Post-Retirement Mortality

(1) Service

General

Males 1994 Group Annuity Mortality
Table with no adjustment (Male)

Females 1994 Group Annuity Mortality
Table with no adjustment (Female)

Safety 1994 Group Annuity Mortality
Table with no adjustment (Male)

(2) Disability

General 1981 Disability Mortality Table
with no set back for General Members

Safety 1981 Disability Mortality Table for Safety
Members with no set back

(3) For Employee Contribution Rate Purposes

General 1994 Group Annuity Table
for Males, set back three years

Safety 1994 Group Annuity Table
for Males, with no set backs

Pre-Retirement Mortality Rates vary by age, gender and classification

Withdrawal Rates Rates vary by age, gender and classification

Disability Rates Rates vary by age, gender and classification

Service Retirement Rates Rates vary by age, gender and classification

StanCERA - Actuarial

Actuarial Assumptions (continued)

Valuation date	June 30, 2008
Actuarial cost method	Entry age normal actuarial cost method
Amortization method	The unfunded actuarial accrued liability (UAAL) is being amortized as a percentage of payroll. The amortization period is based on a rolling 30 year amortization, with an annual reset for Stanislaus County and a rolling 20 year amortization with a annual reset for Other Districts.
Asset valuation method	5-year market value smoothing
Actuarial assumptions:	
Investment rate of return	8.16%
Projected salary increases*	5.00%
* includes inflation at:	4.00%
Retirees' cost-of-living adjustments	3.00% (Max)

Funding Method and Amortization of Actuarial Gains or Losses

The employer's liability is being funded on the Entry Age Normal Cost Method and with an Unfunded Actuarial Accrued Liability (UAAL). The current amortization period for the UAAL is 30 years as of June 30, 2008 for Stanislaus County and 20 years as of June 30, 2008 for Other Districts. The above methods and assumptions were selected by the actuary as being appropriate for the Plan and were used in the latest actuarial valuation.

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT

Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions, forfeiting entitlement to future Plan benefits. Separate rates of withdrawal are assumed among Safety and General Members. Rates are based on service and do not overlap with the service retirement rates.

	Withdrawal	
	Service	Safety
0	0.120000	0.180000
1	0.080000	0.120000
2	0.060000	0.085000
3	0.045000	0.065000
4	0.035000	0.055000
5	0.012380	0.020250
10	0.009450	0.014700
15	0.006800	0.008500
20	0.000000	0.003360
25	0.000000	0.000720
30	0.000000	0.000000

Rates of vested termination apply to active Members who terminate their employment after five years of service and leave their member contributions on deposit with the Plan. Vested terminated Tier 3 General members are assumed to begin receiving benefits at age 65 while other General Members are assumed to begin at age 62; terminated Safety Members are assumed to begin receiving benefits at age 55. 50% of vested terminated members are assumed to be reciprocal. Separate rates of termination are assumed among Safety and General Members. The rates are applied after five years of service and do not overlap with the service retirement rates.

Age	Vested Termination		
	Safety	General	
	All	Female	Male
20	0.000000	0.000000	0.000000
25	0.018400	0.013000	0.017400
30	0.027900	0.019800	0.028900
35	0.022200	0.022900	0.032500
40	0.016400	0.020500	0.030800
45	0.007700	0.019200	0.024200
50	0.002800	0.023500	0.016200
55	0.000000	0.020500	0.010900
60	0.000000	0.017200	0.006600
65	0.000000	0.000000	0.000000

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT (continued)

Retirement is assumed to occur among eligible members in accordance with the table below.

Service Retirement			
Age	Safety	General	
	All	Female	Male
45	0.25	0.00	0.05
46	0.25	0.00	0.05
47	0.25	0.00	0.05
48	0.25	0.00	0.05
49	0.25	0.00	0.05
50	0.25	0.05	0.05
51	0.20	0.04	0.04
52	0.20	0.04	0.04
53	0.20	0.05	0.05
54	0.20	0.06	0.06
55	0.30	0.10	0.10
56	0.25	0.10	0.10
57	0.25	0.10	0.10
58	0.30	0.12	0.12
59	0.35	0.15	0.15
60	1.00	0.18	0.18
61	1.00	0.18	0.18
62	1.00	0.30	0.30
63	1.00	0.25	0.25
64	1.00	0.25	0.25
65	1.00	0.40	0.40
66	1.00	0.30	0.30
67	1.00	0.30	0.30
68	1.00	0.30	0.30
69	1.00	0.30	0.30
70	1.00	1.00	1.00

Separate rates of duty disability are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined below.

Service-Connected Disability			
Age	Safety	General	
	All	Female	Male
20	0.001012	0.000013	0.000065
25	0.002576	0.000025	0.000153
30	0.004609	0.000050	0.000316
35	0.007079	0.000141	0.000426
40	0.009283	0.000335	0.000602
45	0.011297	0.000606	0.000920
50	0.015092	0.000971	0.001345
55	0.017230	0.001492	0.001840
60	0.000000	0.002096	0.002456
65	0.000000	0.000000	0.000000

Separate rates of ordinary disability are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined below.

Non Service-Connected Disability			
Age	Safety	General	
	All	Female	Male
20	0.000173	0.000025	0.000130
25	0.000409	0.000050	0.000307
30	0.000421	0.000100	0.000316
35	0.000568	0.000281	0.000426
40	0.000802	0.000446	0.000602
45	0.001227	0.000808	0.000920
50	0.001793	0.001295	0.001345
55	0.002453	0.001990	0.001840
60	0.000000	0.002794	0.002456
65	0.000000	0.000000	0.000000

StanCERA - Actuarial

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Effective as June 30, 2002, the Board has adopted an actuarial value of assets method that recognizes the difference between expected and actual market returns, net of expenses, over a 5-year period. The resulting actuarial value cannot exceed 120% of market value or be less than 80% of market value. The new method is being phased in over a five-year period starting June 30, 2001. Under this method, the Actuarial Value of Assets as of June 30, 2008 was determined as follows:

	Contributions	Benefit Payments	Expected Investment Return	Actual Investment Return	Additional Earnings	Percentage Deferred	Deferred Earnings	
1.								
2004	\$36,055,481	\$49,252,949	\$86,640,917	\$153,968,098	\$67,327,181	0%	\$0	
2005	38,881,088	55,523,350	90,899,025	89,298,356	(1,600,669)	20%	(320,134)	
2006	44,282,653	60,612,003	95,347,685	115,674,244	20,326,559	40%	8,130,623	
2007	53,105,351	70,329,625	103,400,687	203,337,761	99,937,074	60%	59,962,245	
2008	43,244,855	70,227,537	118,197,211	(123,453,409)	(241,650,619)	80%	(193,320,496)	
							<u>(125,547,762)</u>	
	Total Unrecognized Dollars							(125,547,762)
2.	Market Value of Assets as of June 30, 2008							1,311,285,947
3.	Actuarial Value of Assets as of June 30, 2008: (2)-(1)							1,436,833,709
4.	Corridor Limit							
	a.	80% of Net Market Value						1,049,028,758
	b.	120% of Net Market Value						1,573,543,137
5.	Actuarial Value of Assets After Corridor as of June 30, 2008							1,436,833,709
6.	Ratio of Actuarial Value to Market Value: (5)/(2)							109.6%
7.	Special Non Valuation Reserves							
						5,563,788		
						157,851,377		
						2,857,479		
						3,379,215		
						15,236		
						<u>0</u>		
							169,667,095	
8.	Pension Reserves at Actuarial Value (Valuation Assets): (5)-(7)							1,267,166,614
9.	Transfer from Non Valuation to Valuation Reserves							50,000,000
10.	Pension Reserves at Actuarial Value (Valuation Assets, Final): (9)+(8)							\$1,317,166,614

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
6/30/2002	General	3,853	162,743,000	42,238	6.81%
	Safety	654	33,728,000	51,572	1.11%
	Total	4,507	196,471,000	93,810	3.60%
6/30/2003	General	3,626	163,505,000	45,092	6.76%
	Safety	637	34,159,000	53,625	3.98%
	Total	4,263	197,664,000	98,717	5.23%
6/30/2004	General	3,618	164,462,000	45,457	0.81%
	Safety	630	35,501,000	56,351	5.08%
	Total	4,248	199,963,000	101,808	3.13%
6/30/2005	General	3,651	173,399,000	47,494	4.48%
	Safety	687	38,282,000	55,723	-1.11%
	Total	4,338	211,681,000	103,217	1.38%
6/30/2006	General	3,702	179,767,000	48,559	2.24%
	Safety	689	40,001,000	58,057	4.19%
	Total	4,391	219,768,000	106,616	3.29%
6/30/2008	General	3,719	230,942,000	51,897	6.87%
	Safety	731	44,638,000	61,065	5.18%
	Total	4,450	275,580,000	112,962	5.95%

Actuarial valuation was not performed for fiscal year June 30, 2007

RETIREES AND BENEFICIARIES ADDED TO
AND REMOVED FROM RETIREE PAYROLL

Plan Year Ending	At Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
6/30/2002	1,861	161	N/A	59	N/A	1,963	\$ 33,240,000	12.90%	\$ 17,134
6/30/2003	1,963	166	N/A	62	N/A	2,067	\$ 38,348,000	15.40%	\$ 18,670
6/30/2004	2,067	214	N/A	64	N/A	2,217	\$ 43,467,000	13.30%	\$ 20,064
6/30/2005	2,217	99	\$ 4,210,853	43	\$ 637,963	2,273	\$ 47,423,000	9.10%	\$ 20,682
6/30/2006	2,273	247	\$ 3,495,143	75	\$ 700,133	2,445	\$ 53,111,000	12.00%	\$ 21,744
6/30/2008	2,445	369	\$ 9,084,777	148	\$ 1,731,738	2,666	\$ 63,296,000	19.18%	\$ 23,742

SOLVENCY TEST

Valuation Date	Aggregate Accrued Liabilities (AAL) for:			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3		1	2	3
	Active Member Contributions	Retirees & Beneficiaries	Active Members Employer Portion				
6/30/2002	\$ 135,405,000	\$ 394,978,000	\$ 340,385,000	\$ 878,821,000	100%	100%	100%
6/30/2003	\$ 176,622,000	\$ 455,784,000	\$ 325,689,000	\$ 928,022,000	100%	100%	91%
6/30/2004	\$ 166,806,000	\$ 518,922,000	\$ 349,617,000	\$ 993,180,000	100%	100%	88%
6/30/2005	\$ 205,556,000	\$ 551,810,000	\$ 358,944,000	\$ 1,049,691,000	100%	100%	81%
6/30/2006	\$ 219,907,000	\$ 619,109,000	\$ 355,888,000	\$ 1,154,048,000	100%	100%	89%
6/30/2008	\$ 272,657,000	\$ 739,838,000	\$ 536,329,000	\$ 1,317,167,000	100%	100%	57%

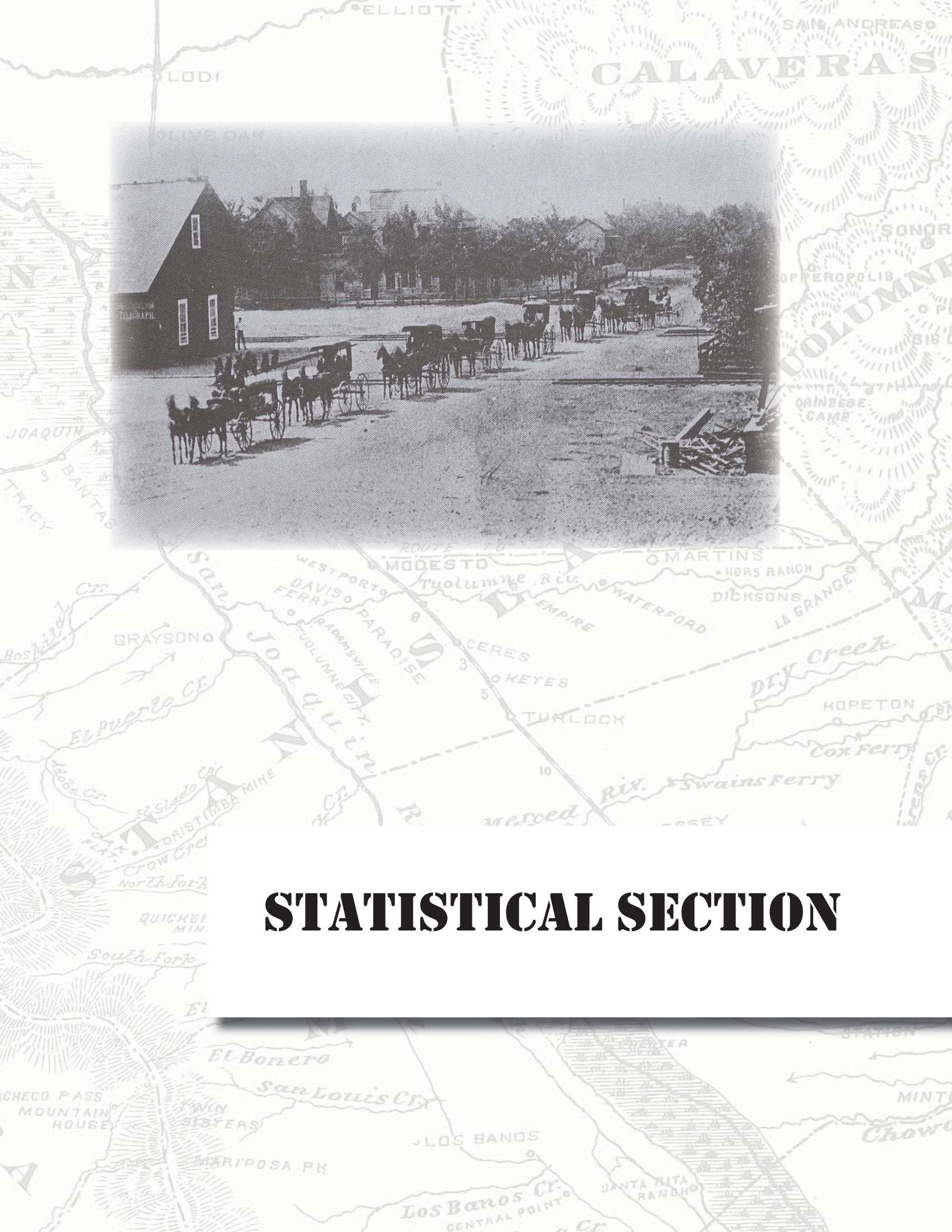
ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Plan Year Ending	Actuarial (Gains)/Losses			Changes in Plan Provisions	Changes in Assumption/ Methods
	Asset Sources	Liability Sources	Total		
6/30/2003	\$ 33,037,561	\$ 9,931,697	\$ 42,969,258	N/A	\$ (2,088,246)
6/30/2004	\$ 8,536,049	\$ 12,492,070	\$ 21,028,119	N/A	-
6/30/2005	\$ 26,573,640	\$ 11,238,430	\$ 37,812,070	N/A	-
6/30/2006	\$ (27,756,878)	\$ 21,366,204	\$ (6,390,674)	N/A	(14,845,293)
*6/30/2007	\$ 86,178,774	N/A	\$ 86,178,774	N/A	134,470,779
6/30/2008	\$ (50,709,169)	\$ 67,324,195	\$ 16,615,026	N/A	-

*Actuarial valuation was not performed for fiscal year ending June 30, 2007

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CALAVERAS



STATISTICAL SECTION

Divider Source:

“Eye Street Funeral Precession Modesto” Picture. Modesto Then and Now. 1999.
By Colleen Stanley Bare. Modesto: Publishing house for the McHenry
Museum and Historical Society of Stanislaus County. 31

STATISTICAL INFORMATION

This section provides a multi-year trend of financial information and demographic information to facilitate a more comprehensive understanding of this year's financial statements, note disclosures and supplementary information covering StanCERA's Plan. The financial and operating information provides additional perspective, context and detail for StanCERA's net assets, revenues and expenses by source, number of retirees by benefit type, payment made to retirees by benefit type, membership history and the participating employers. The financial and operating trend information is located on the following pages.

CHANGES IN PLAN NET ASSETS
Last Ten Fiscal Years ending June 30

Additions To Plan Net Assets

	2009	2008	2007	2006	2005
Employer Contributions	\$ 23,410,965	\$ 22,555,416	\$ 32,562,514	\$ 22,548,754	\$ 19,792,748
Employee Contributions	20,922,893	20,689,439	20,542,837	19,860,676	19,088,340
Investment Income (Loss)	(215,302,029)	(122,548,769)	206,631,146	116,898,276	90,280,931
Litigation Recovery	57,010	117,351	177,775	27,479	113,169
Net Security Lending Income (Loss)	(5,786,378)	1,022,295	382,991	347,188	309,095
Total Additions	\$ (176,697,539)	\$ (78,164,268)	\$ 260,297,263	\$ 159,682,373	\$ 129,584,283

Deductions From Plan Assets

Pension Benefits	\$ 71,861,210	\$ 67,785,111	\$ 67,599,163	\$ 58,129,898	\$ 53,176,109
Refunds	2,537,978	2,442,426	2,730,463	2,482,105	2,347,241
Administrative Expense and Misc	2,080,130	2,044,286	1,980,926	1,598,700	1,404,838
Total Deductions	\$ 76,479,318	\$ 72,271,823	\$ 72,310,552	\$ 62,210,703	\$ 56,928,188

Increase (Decrease) in Net Assets Held in Trust for Pension Benefits

	(253,176,857)	(150,436,091)	187,986,711	97,471,670	72,656,095
--	---------------	---------------	-------------	------------	------------

Net Assets Held in Trust for Pension Benefits

Beginning of year	<u>1,311,285,947</u>	<u>1,461,722,038</u>	<u>1,273,735,327</u>	<u>1,176,263,657</u>	<u>1,103,607,562</u>
End of year	<u>\$ 1,058,109,090</u>	<u>\$ 1,311,285,947</u>	<u>\$ 1,461,722,038</u>	<u>\$ 1,273,735,327</u>	<u>\$ 1,176,263,657</u>

Additions To Plan Net Assets

	2004	2003	2002	2001	2000
Employer Contributions	\$ 17,113,973	\$ 16,207,877	\$ 11,340,678	\$ 7,509,294	\$ 5,899,393
Employee Contributions	18,941,508	18,520,605	13,939,517	11,227,370	10,139,886
Investment Income (Loss)	154,739,718	47,836,183	(43,483,569)	65,601,912	56,019,932
Litigation Recovery	114,058	126,162	97,700	-	-
Net Security Lending Income (Loss)	415,659	597,316	-	-	-
Total Additions	\$ 191,324,916	\$ 83,288,143	\$ (18,105,674)	\$ 84,338,576	\$ 72,059,211

Deductions From Plan Assets

Pension Benefits	\$ 47,926,179	\$ 43,435,482	\$ 38,118,054	\$ 34,965,706	\$ 32,129,792
Refunds	1,326,769	1,561,286	1,547,588	1,163,380	1,728,978
Administrative Expense and Misc	1,301,338	1,147,117	1,082,458	956,325	869,133
Total Deductions	\$ 50,554,286	\$ 46,143,885	\$ 40,748,100	\$ 37,085,411	\$ 34,727,903

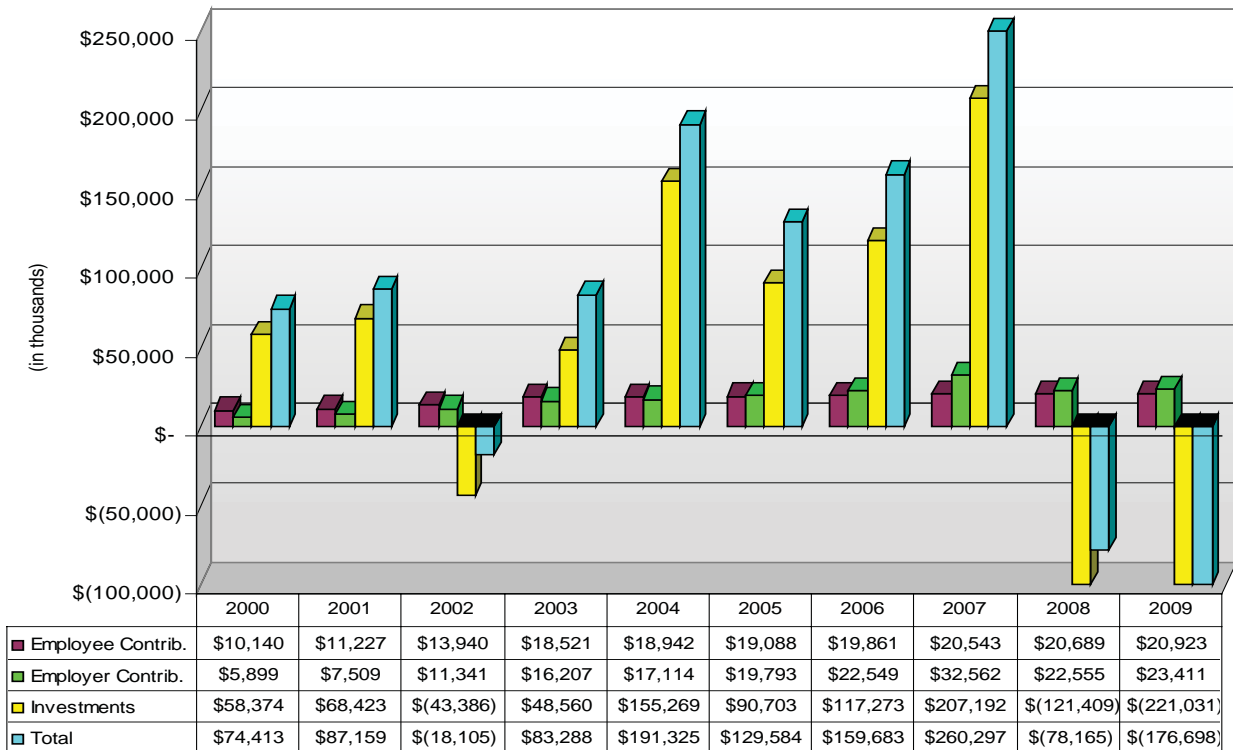
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits

	140,770,630	37,144,258	(58,853,774)	47,253,165	37,331,308
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Net Assets Held in Trust for Pension Benefits

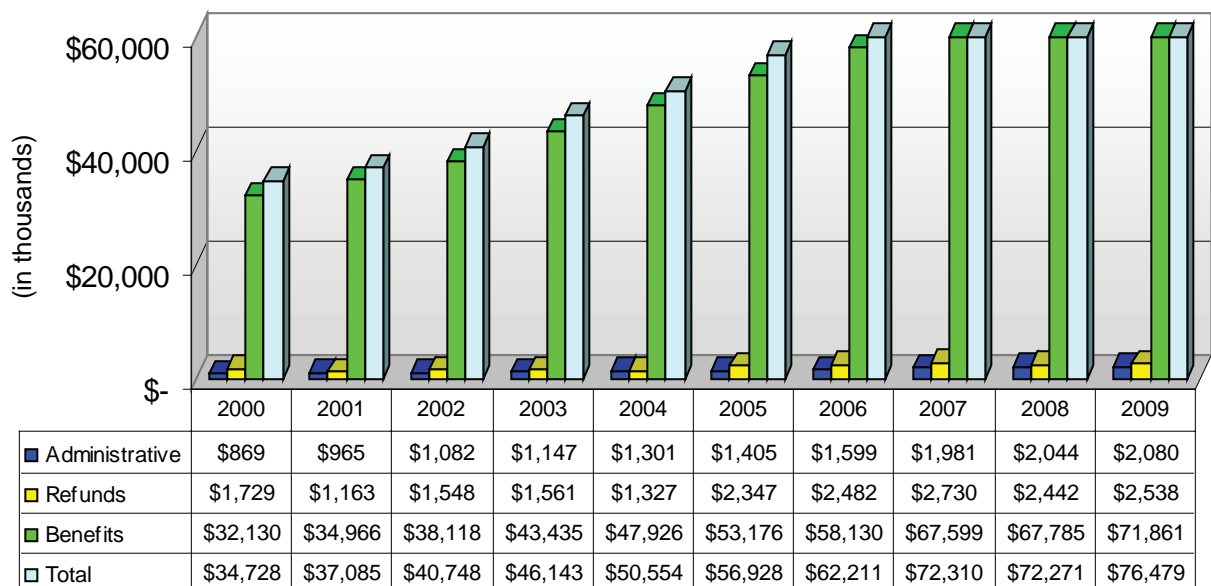
Beginning of year	<u>962,836,932</u>	<u>925,692,674</u>	<u>984,546,448</u>	<u>937,293,283</u>	<u>899,961,975</u>
End of year	<u>\$ 1,103,607,562</u>	<u>\$ 962,836,932</u>	<u>\$ 925,692,674</u>	<u>\$ 984,546,448</u>	<u>\$ 937,293,283</u>

Revenues by Source
(for years ending June 30)



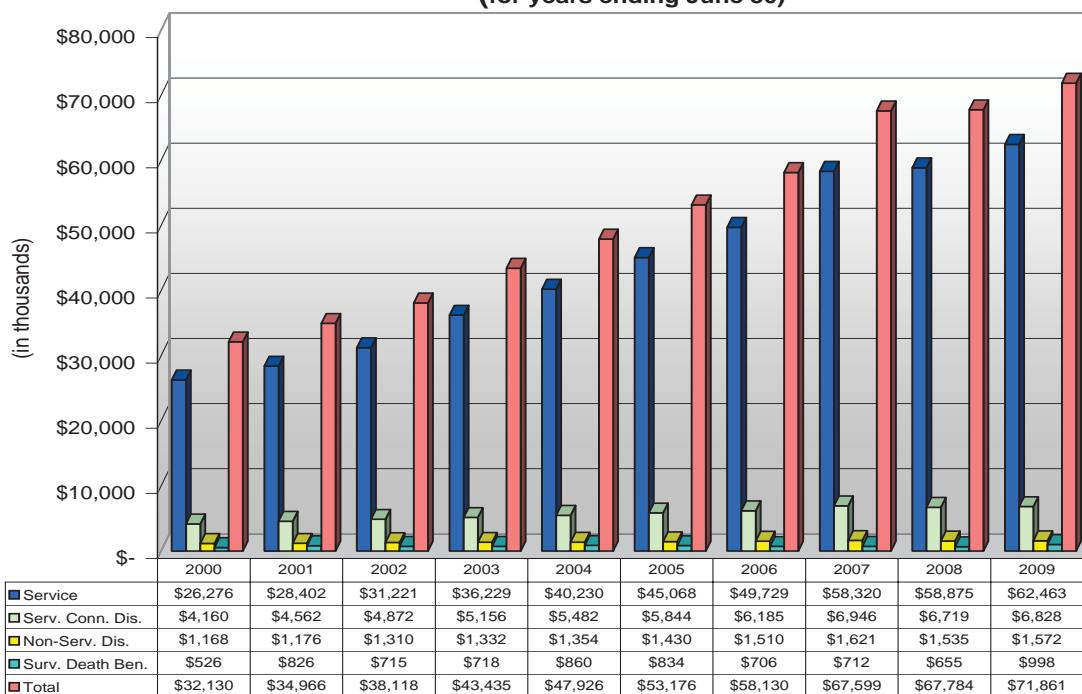
Note: 2007 Employer Contributions include income from the post-Ventura *Francis* settlement

Expenses by Type
(for years ending June 30)



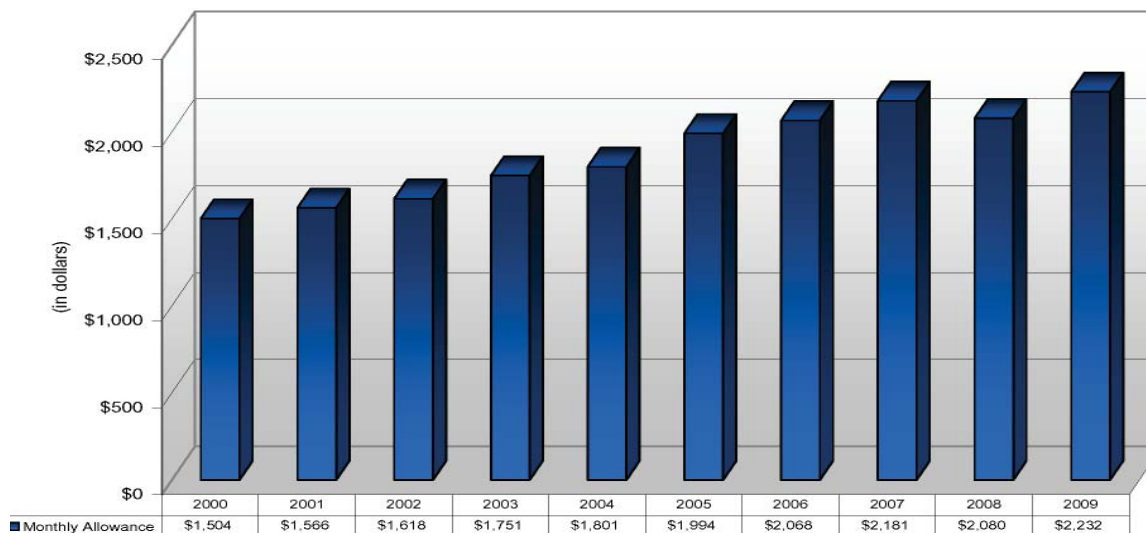
Note: 2007 benefits include expenses for the post-Ventura *Francis* settlement

Benefit Expense by Type
(for years ending June 30)



Note: 2007 Benefit expenses include expenses for the post-Ventura Francis settlement

Average Monthly Retirement Benefits
(for years ending June 30)



Note: Data does not include one time payment for post-Ventura Francis settlement.

RETIRED MEMBERS BY BENEFIT TYPE
as of June 30, 2009

<u>Amount Monthly Benefit</u>	<u>Total # Retirees</u>	<u>Service Retirement</u>	<u>Service Connected Disability</u>	<u>Non-Service Disability</u>	<u>Survivors</u>
General Members					
0-500	287	264	3	16	4
501-1,000	458	394	3	46	15
1,001-1,500	426	346	34	40	6
1,501-2,000	333	274	48	8	3
2,001-2,500	228	198	25	4	1
2,501-3,000	155	144	9	1	1
3,001-3,500	97	96	0	0	1
3,501-4,000	83	80	3	0	0
4,001-4,500	57	54	2	1	0
4,501-5,000	39	39	0	0	0
over 5,000	148	148	0	0	0
Totals	<u>2,311</u>	<u>2,037</u>	<u>127</u>	<u>116</u>	<u>31</u>
Safety Members					
0-500	23	12	8	2	1
501-1,000	17	10	6	0	1
1,001-1,500	27	24	0	2	1
1,501-2,000	45	33	6	6	0
2,001-2,500	61	25	34	0	2
2,501-3,000	69	22	46	0	1
3,001-3,500	42	25	17	0	0
3,501-4,000	26	22	4	0	0
4,001-4,500	19	17	0	0	2
4,501-5,000	20	18	1	0	1
over 5,000	97	89	8	0	0
Totals	<u>446</u>	<u>297</u>	<u>130</u>	<u>10</u>	<u>9</u>
TOTALS	<u>2,757</u>	<u>2,334</u>	<u>257</u>	<u>126</u>	<u>40</u>

(Data retrieved from StanCERA's data base)

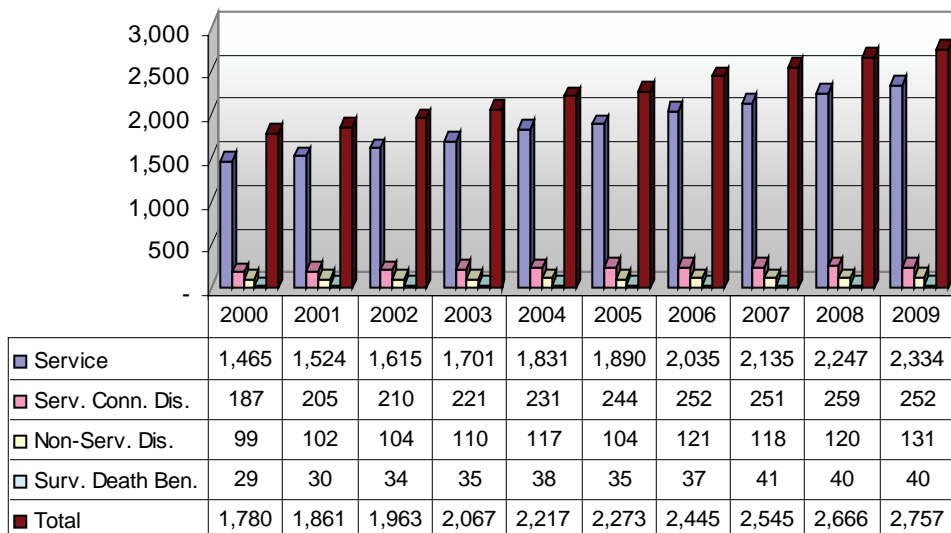
AVERAGE BENEFIT PAYMENTS								
Retirement Effective Dates July 1, 2000 to June 30, 2009								
	Beneficiaries		Service Years Credited					
	& Dro's	0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year Ending June 30, 2000								
Average Monthly Benefit	-	\$594	\$994	\$1,004	\$1,433	\$1,961	\$2,578	\$3,359
Number of Active Retirees	-	130	219	439	364	301	206	120
Fiscal Year Ending June 30, 2001								
Average Monthly Benefit	-	\$587	\$935	\$992	\$1,425	\$1,969	\$2,599	\$3,388
Number of Active Retirees	-	136	229	455	372	313	222	135
Fiscal Year Ending June 30, 2002								
Average Monthly Benefit	-	\$598	\$1,004	\$1,029	\$1,481	\$2,043	\$2,756	\$3,523
Number of Active Retirees	-	146	243	470	379	332	252	141
Fiscal Year Ending June 30, 2003								
Average Monthly Benefit	-	\$617	\$990	\$1,086	\$1,594	\$2,129	\$3,094	\$3,782
Number of Active Retirees	-	150	256	480	390	358	271	162
Fiscal Year Ending June 30, 2004								
Average Monthly Benefit	-	\$621	\$1,008	\$1,127	\$1,605	\$2,170	\$3,168	\$4,017
Number of Active Retirees	-	153	275	507	418	382	293	190
Fiscal Year Ending June 30, 2005								
Average Monthly Benefit	-	\$615	\$1,053	\$1,175	\$1,710	\$2,253	\$3,290	\$4,185
Number of Active Retirees	-	160	284	508	424	386	307	204
Fiscal Year Ending June 30, 2006								
Average Monthly Benefit	-	\$618	\$1,063	\$1,176	\$1,741	\$2,322	\$3,400	\$4,341
Number of Active Retirees	-	169	306	532	446	417	338	237
Fiscal Year Ending June 30, 2007								
Average Monthly Benefit	-	\$644	\$1,102	\$1,206	\$1,796	\$2,438	\$3,562	\$4,485
Number of Active Retirees	-	170	321	568	466	424	345	251
Fiscal Year Ending June 30, 2008								
Average Monthly Benefit	-	\$382	\$1,016	\$1,284	\$1,836	\$2,594	\$3,778	\$4,599
Number of Active Retirees	-	246	427	522	523	398	365	251
Fiscal Year Ending June 30, 2009								
Average Monthly Benefit	\$1,426	\$627	\$1,095	\$1,257	\$1,934	\$2,641	\$3,912	\$5,332
Number of Active Retirees	365	159	312	528	425	390	325	253

Data for Beneficiaries & Dro's (Domestic Relations Orders) was not available until June 30, 2009 due to system constraints.

Data for Final Average Salary is not available due to system constraints. StanCERA is implementing a new Pension Software program which will provide this data in future years.

Membership History (Retired)

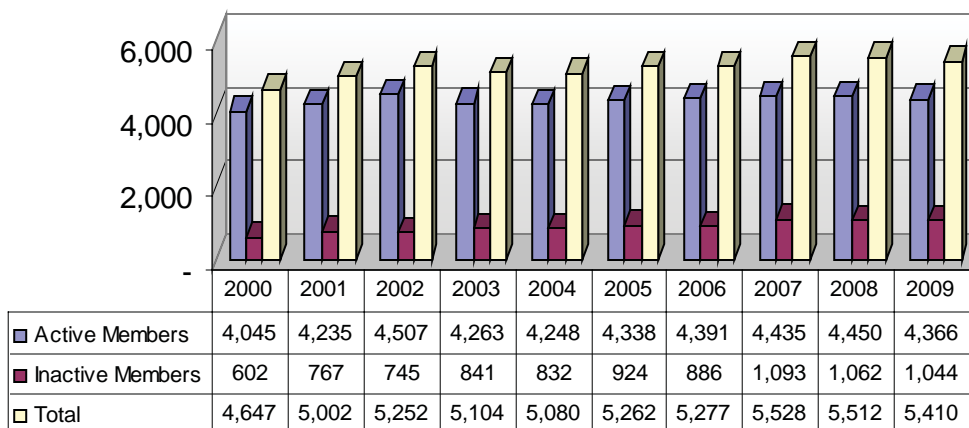
(for years ending June 30)



Data retrieved from StanCERA's data base.

Membership History (Active & Deferred)

(for years ending June 30)



Data retrieved from StanCERA's data base.

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS
with PERCENTAGE OF TOTAL SYSTEM
for years ending June 30

	<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>	
Stanislaus County:										
General Members	3,227	73.9%	3,313	74.4%	3,311	74.7%	3,330	75.8%	3,320	76.5%
Safety Members	658	15.1%	663	14.9%	660	14.9%	626	14.3%	618	14.2%
Total	3,885		3,976		3,971		3,956		3,938	
Participating Agencies:										
Stanislaus County Superior Courts	263	6.0%	254	5.7%	246	5.5%	232	5.3%	211	4.9%
City of Ceres	178	4.1%	186	4.2%	183	4.1%	172	3.9%	161	3.7%
East Side Mosquito Abatement District	11	0.3%	10	0.2%	10	0.2%	9	0.2%	8	0.2%
Hills Ferry Cemetery	4	0.1%	4	0.1%	4	0.1%	4	0.1%	3	0.1%
Keyes Community Services District	6	0.2%	6	0.2%	6	0.2%	5	0.1%	5	0.1%
Salida Sanitary District	6	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Stanislaus Council of Governments	13	0.3%	10	0.2%	11	0.2%	9	0.2%	8	0.2%
Total	481		474		464		435		400	
Total Active Membership	4,366		4,450		4,435		4,391		4,338	

	<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>		<u>2000</u>	
Stanislaus County:										
General Members	3,239	76.2%	3,292	77.2%	3,528	78.1%	3,504	82.7%	3,335	82.4%
Safety Members	583	13.7%	580	13.6%	589	13.1%	559	13.2%	544	13.4%
Total	3,822		3,872		4,117		4,063		3,879	
Participating Agencies:										
Stanislaus County Superior Courts	220	5.2%	198	4.6%	202	4.5%	*	0.0%	*	0.0%
City of Ceres	173	4.1%	161	3.8%	156	3.5%	141	3.3%	137	3.4%
East Side Mosquito Abatement District	6	0.2%	6	0.2%	7	0.2%	8	0.2%	6	0.1%
Hills Ferry Cemetery	3	0.1%	3	0.1%	3	0.1%	3	0.1%	3	0.1%
Keyes Community Services District	5	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Salida Sanitary District	5	0.1%	5	0.1%	5	0.1%	4	0.1%	4	0.1%
Stanislaus Council of Governments	14	0.3%	14	0.3%	13	0.3%	12	0.3%	12	0.3%
Total	426		391		390		172		166	
Total Active Membership	4,248		4,263		4,507		4,235		4,045	

* Stanislaus County Superior Courts were part of Stanislaus County until March 2002
(Data retrieved from StanCERA's data base)

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