Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2010 and 2009

STANCERA

Stanislaus County Employees' Retirement Association
(Pension Trust Fund of the County of Stanislaus, California)

Cover Source:

Irizarry, Luiana. “Lavender Hollow Farm Garden.” 2010. JPEG file.

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, 2010 and 2009

Issued By

Tom Watson
Retirement Administrator

StanCERA
Staff

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Introductory Section

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Benefits through
Prudent Management.

Cover Source:
Irizarry, Luiana. "Lavender Hollow Farm Garden." 2010. JPEG file.

STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
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Modesto, CA 95354
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LETTER OF TRANSMITTAL

November 8, 2010

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, 2010 and 2009. As of June 30, 2010, it is StanCERA's 62nd 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 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, 2010 and 2009, 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. (Note that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.)

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, 2009 by EFI Actuaries. EFI Actuaries also conducted the last actuarial valuation as of June 30, 2009 and determined the plan's funding ratio (ratio of plan assets to plan liabilities) to be 70.9% using the recommended assumptions.

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, 2010 and June 30, 2009, the Plan's investments provided a positive 15.9% and negative 17.64% 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, 2009. 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.

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, 2009. 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 2009 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.

Service Efforts and Accomplishments (continued)

Due to the extreme stock market conditions in both fiscal years ending June 30, 2008 and 2009, payments of the Revocable Health Benefit Subsidy for our retirees were discontinued beginning with the January 4, 2010 payroll. An updated Excess Earnings Policy requires that all investment earnings will be used to fund vested retirement benefits until all losses are offset by gains and an actuarial funded level of 90% is achieved.

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,

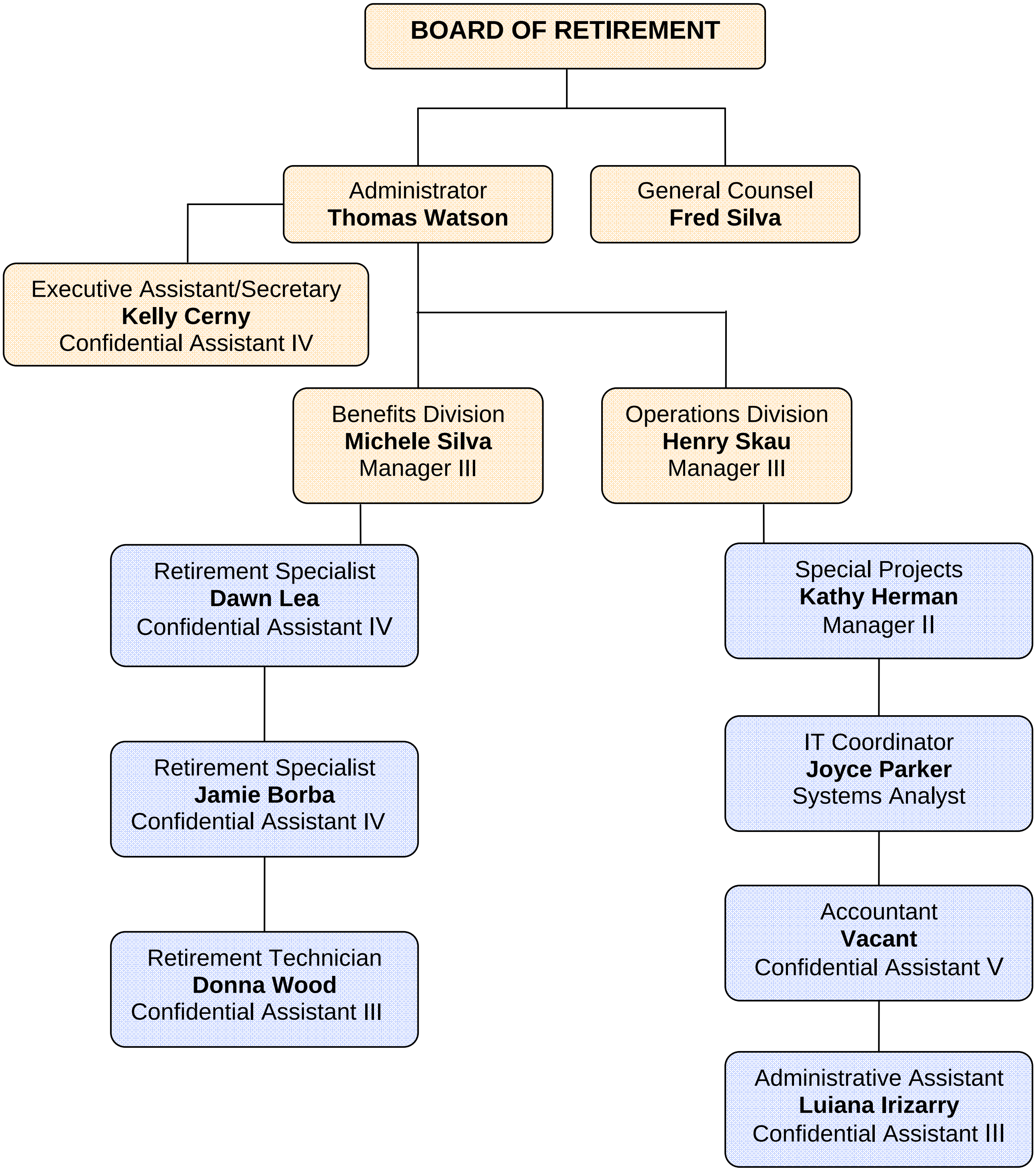
Tom Watson

Tom Watson
Retirement Administrator

BOARD OF RETIREMENT
JUNE 30, 2010

StanCERA ORGANIZATIONAL CHART

Effective November 26, 2007



PROFESSIONAL CONSULTANTS
JUNE 30, 2010

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
Stemler, McTighe & Lewis, Ins.

Legal Counsel
Damrell Nelson Schrimp Pallios
Pacher & Silva (General Legal Counsel)
Curtis & Arata
Law Office of Ted M Cabral
Hansen Bridgett Marcus Vlahos
Rudy LLP
Reed Smith LLP

Technical & Data Services
Tyler, Inc.
SBT, County of Stanislaus

Investment Management Services*

Fixed Income
Dodge & Cox
PIMCO

Large Cap Value Equity
Dodge & Cox
BlackRock R1000 Value

Large Cap Growth Equity
Delaware Investments
BlackRock R1000 Growth

Small Cap Value Equity
Capital Prospects

Small Cap Growth Equity
Legato Capital Management

International Equity
LSV Asset Management (Value Style)
Pyramis Global Advisors (Growth Style)

Domestic Equity Index Funds
Mellon Capital Management

Global REIT's
Invesco National Trust Company

*Refer to the Investment Section, page 53, for the Schedule of Investment Management Fees.

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, 2009

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.

President

Executive Director

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Stanislaus County
Employees' Retirement Association
California

for the Fiscal Year Ended

June 30, 2009

President

Jeffrey L. Esser
Executive Director

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2009

Presented to

Stanislaus County Employees' Retirement Association

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

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Financial Section

Ensuring Tomorrow's
Benefits through
Prudent Management.

Cover Source:
Irizarry, Luiana. “Lavender Hollow Farm Garden.” 2010. JPEG file.

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of the Stanislaus County Employees' Retirement Association (StanCERA), as of June 30, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Stanislaus County Employees' Retirement Association as of June 30, 2010 and 2009, and the changes in plan net assets for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 5, based on the most recent actuarial valuation as of June 30, 2009, StanCERA's independent actuaries determined that, at June 30, 2009, the actuarial accrued obligation exceeded the actuarial value of its assets by $481.9 million. The most recent actuarial value of assets as of June 30, 2009 does not reflect the remaining deferred investment losses that will be recognized in the future.

In accordance with *Government Auditing Standards*, we have issued our report dated November 8, 2010, 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.

3000 S Street Suite 300 Sacramento CA 95816 | 2121 N. California Blvd. Suite 750 Walnut Creek CA 95496 | 505 14th Street 5th Floor Oakland CA 94612 | 515 S. Figueroa Street Suite 325 Los Angeles CA 90071 | 2029 Century Park East Suite 500 Los Angeles CA 90067 | 1201 Dove Street Suite 680 Newport Beach CA 92660 | 225 Broadway Suite 1750 San Diego CA 92101

The Management's Discussion and Analysis, the Schedule of Funding Progress and the Schedule of Employer Contributions, as listed in the table of contents, 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 supplemental schedules 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 supplemental information in the financial section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements 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 financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP

Certified Public Accountants

Sacramento, California
November 8, 2010

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, 2010 and 2009. Please review it in conjunction with the transmittal letter (starting on page 3) and the Financial Statements beginning on page 24.

Financial Highlights

- Plan net assets increased by $132.1 million (or 12.48%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, decreased by $1.8 million (or 4.00%).
- Net investment income (including unrealized gains and losses) increased by $376.5 million (or 174.89%).
- Benefit payments decreased by $396 thousand (or 0.55%) from 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, 2010 the Revocable Health Benefits Subsidy was discontinued.
- The Board of Retirement voted to not pay a special cost of living benefit in calendar year 2010 and in calendar year 2009. In years prior to 2009 this benefit was paid to 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 2010, 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.

Members who retired between	4/1/1970 – 3/30/1989	3.0%
Members who retired between	4/1/1989 – 3/30/2010	2.5%

- 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.

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

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 24) and the Statement of Changes in Plan Net Assets (see page 25). 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 Supplemental 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
For The Fiscal Years Ended
June 30, 2010, 2009 and 2008

	2010	2009	2008	$ Change 2010 - 2009	$ Change 2009 - 2008
Current Assets	$ 90,116,604	$ 91,033,967	$ 50,069,705	$ (917,363)	$ 40,964,262
Investments	1,228,683,230	1,186,224,547	1,468,649,205	42,458,683	(282,424,658)
Capital Assets	3,924,345	3,857,958	3,937,500	66,387	(79,542)
Total Assets	1,322,724,179	1,281,116,472	1,522,656,410	41,607,707	(241,539,938)
Total Liabilities	132,504,782	223,007,382	211,370,463	(90,502,600)	11,636,919
Total Net Plan Assets	$ 1,190,219,397	$ 1,058,109,090	$ 1,311,285,947	$ 132,110,307	$ (253,176,857)

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 FiscalYears Ended June 30, 2010, 2009 and 2008	2010	2009	2008	$ Change 2010 - 2009	$ Change 2009 - 2008
Employer Contributions	$ 21,814,194	$ 23,410,965	$ 22,555,416	$ (1,596,771)	$ 855,549
Employee Contributions	20,746,411	20,922,893	20,689,439	(176,482)	233,454
Net Investment Income (Loss)	161,234,157	(215,302,029)	(122,548,769)	376,536,186	(92,753,260)
Net Litigation Recovery	680,579	57,010	117,351	623,569	(60,341)
Net Security Lending Income	3,139,108	(5,786,378)	1,022,295	8,925,486	(6,808,673)
Total Additions	$ 207,614,449	$ (176,697,539)	$ (78,164,268)	$ 384,311,988	$ (98,533,271)

Deductions From Plan Assets For The Fiscal Years Ended June 30, 2010, 2009 and 2008	2010	2009	2008	$ Change 2010 - 2009	$ Change 2009 - 2008
Pension Benefits	$ 71,464,735	$ 71,861,210	$ 67,785,111	$ (396,475)	$ 4,076,099
Refunds	1,731,971	2,537,978	2,442,426	(806,007)	95,552
Administrative Expense and Misc	2,307,436	2,080,130	2,044,286	227,306	35,844
Total Deductions	$ 75,504,142	$ 76,479,318	$ 72,271,823	$ (975,176)	$ 4,207,495
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	$ 132,110,307	$ (253,176,857)	$ (150,436,091)	$ 385,287,164	$ (102,740,766)
Net Assets Held in Trust for Pension Benefits					
Beginning of Year	1,058,109,090	1,311,285,947	1,461,722,038	(253,176,857)	(150,436,091)
End of Year	$ 1,190,219,397	$ 1,058,109,090	$ 1,311,285,947	$ 132,110,307	$ (253,176,857)

Additions to Plan Net Assets

A review of the Statement of Plan Net Assets shows that June 30, 2010 closed with assets exceeding liabilities by $1.190 billion with all of the net assets available to meet StanCERA's ongoing obligations to plan participants and their beneficiaries. June 30, 2009 closed with assets exceeding liabilities by $1.058 billion. The $132.1 million increase and $253.2 million decrease, respectively, in plan assets is a direct result of the changes in the financial market over the past two years. Even with these fluctuations, the Retirement System remains in very good financial condition.

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 2009-2010 resulted in a gain of $207.6 million, where fiscal year 2008-2009 resulted in a loss of $176.7 million. This gain is a result of growth in the broad market over the past year, and a corresponding decline in the overall market for 2008-09. Employer and member contributions resulted in a decrease of $1.8 million (or 4.00%) from the contributions made in 2008-2009. The decrease is due in large part to steps taken by the Retirement Board to offset higher employer contributions resulting from prior investment losses over the past two years. For fiscal year 2008-2009 contributions increased by $1.1 million (or 2.52%) due in large part to higher employer and member contributions as a result of increased salaries.

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 2009-2010 were $75.5 million, a decrease of $1.0 million from prior year. This decrease is mainly due to the Retirement Board voting to discontinue the Revocable Health Benefits Subsidy effective January 1, 2010. For fiscal year 2008-2009 these expenses were $76.5 million, an increase of $4.2 million from the prior year. The increase is mainly due to the increase in the number of retirees and the average amount that they are paid. Administrative costs to operate the system were $2.31 million and $2.08 million for fiscal year 2009-2010 and 2008-2009, respectively. This is an increase of 10.9% over fiscal year 2009-2010 and 1.75% over fiscal year 2008-2009. Total administrative costs represented 0.17% of total plan assets for fiscal year 2009-2010 and .16% for fiscal 2008-2009.

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 positive for the past year, while returns were down during fiscal 2008-09. Domestic equity returns as of June 30, 2010 underperformed their benchmark by 10 basis points, while international equity outperformed the benchmark by 350 basis points as compared to domestic equity returns underperforming their benchmark by 80 basis points and international equity underperforming by 90 basis points as of June 30, 2009. All major indices rose over the past year, as it appears the market has rebounded from the impact of the sub-prime lending crisis, the falling housing market and the decline in consumer confidence.

Fixed income returns for the year were up and outperformed their benchmark by 430 basis points as of June 30, 2010. For year ending June 30, 2009 fixed income returns outperformed their benchmark by 150 basis points.

For the fiscal year ending June 30, 2010, StanCERA's total portfolio outperformed its policy benchmark by 210 basis points with an overall return of 15.90%. For fiscal year ending June 30, 2009, it outperformed its policy benchmark by 130 basis points with an overall return of -16.40%. The strong returns for fiscal 2010 strengthen StanCERA's financial position, and further enhanced its ability to meet its obligations to the Plan participants and beneficiaries.

Funding Status

The 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, 2009, 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, 2009 was 70.9% 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, 2009, the actuarial value of assets was $1.2 billion. The next actuarial valuation is scheduled for June 30, 2010.

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, 2010 and 2009

	June 30, 2010	June 30, 2009
ASSETS		
Cash And Cash Equivalents (Note 4):	$ 47,033,733	$ 67,167,274
Receivables:		
Interest & Dividends	6,632,608	4,847,110
Securities Transactions	35,100,676	16,148,665
Contributions (Note 3)	1,346,604	2,865,698
Other	2,983	5,220
Total Receivables	43,082,871	23,866,693
Capital Assets (Note 2):		
Capitalized Software, net	850,778	740,414
Real Estate Occupied, net	1,802,782	1,821,759
Real Estate Leased, net	1,202,093	1,214,747
Leasehold Improvements, net	63,306	73,857
Office Equipment, net	5,386	7,181
Total Capital Assets, net	3,924,345	3,857,958
Investments at Fair Value (Note 4):		
Fixed Income	430,777,936	335,970,593
Equity	725,757,057	659,559,976
Securities Lending Collateral	72,148,237	190,693,978
Total Investments	1,228,683,230	1,186,224,547
Total Assets	1,322,724,179	1,281,116,472
LIABILITIES		
Current Liabilties		
Accounts Payable	2,942,686	2,558,547
Security Transactions	50,999,227	20,639,732
Securities Lending Obligation (Note 4)	78,152,869	199,389,103
Total Current Liabilities	132,094,782	222,587,382
Long Term Liabilities		
Grant Deed Extension Fee	410,000	420,000
Total Liabilities	132,504,782	223,007,382
Net Assets Held In Trust For Pension Benefits (Note 6)	$ 1,190,219,397	$ 1,058,109,090

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended June 30, 2010 and 2009

	June 30, 2010	June 30, 2009
ADDITIONS		
Contributions (Note 5):		
Employer	$ 21,814,194	$ 23,410,965
Plan Members	20,746,411	20,922,893
Total Contributions	42,560,605	44,333,858
Investment Income (Loss):		
Net Appreciation/(Depreciation) in Fair Value of Investments	132,734,348	(250,580,289)
Interest & Dividends	33,239,016	39,095,062
Total Investment Gain/(Loss)	165,973,364	(211,485,227)
Net Income from Commission Recapture	10,926	93,523
Less: Investment Expense (Note 7)	(4,750,133)	(3,910,325)
Net Investment Income/(Loss)	161,234,157	(215,302,029)
Other Investment Income:		
Net Litigation Recovery Income	680,579	57,010
Securities Lending Activities (Note 4):		
Securities Lending Income	368,167	2,931,390
Less: Securities Lending Expenses	(85,810)	(2,039,002)
Less: Net Appreciation/(Depreciation) in Fair Value of Securities Lending Collateral	2,856,751	(6,678,766)
Net Securities Lending Income (Loss)	3,139,108	(5,786,378)
Total Investment Income/(Loss)	165,053,844	(221,031,397)
Total Additions	207,614,449	(176,697,539)
DEDUCTIONS		
Benefit Payments & Subsidies	71,464,735	71,861,210
Member Refunds	1,731,971	2,537,978
Administrative Expenses (Note 2)	2,307,436	2,080,130
Total Deductions	75,504,142	76,479,318
Net Increase/(Decrease)	132,110,307	(253,176,857)
Net Assets Held in Trust for Pension Benefits (Note 6)		
Beginning of Year	1,058,109,090	1,311,285,947
End of Year	$ 1,190,219,397	$ 1,058,109,090

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010 and 2009

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 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, 2010			June 30, 2009		
	General	Safety	Total	General	Safety	Total
Active Members:						
Vested & Non-vested	3,404	681	4,085	3,627	739	4,366
Total Active	3,404	681	4,085	3,627	739	4,366
Inactive Members:						
Deferred and Inter-System Members	759	167	926	691	144	835
Unclaimed Contributions	134	15	149	186	23	209
Total Inactive	893	182	1,075	877	167	1,044
Retired Members:						
Service Retirements	2,097	300	2,397	2,037	297	2,334
Disability Retirements	124	123	247	243	140	383
Survivor Payments	30	10	40	31	9	40
Total Retired	2,251	433	2,684	2,311	446	2,757
Total Membership	6,548	1,296	7,844	6,815	1,352	8,167

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 System.

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)

	General					Safety	
Age	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).

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 which allows 50% of the member's allowance continued to the spouse for life).

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 subject to funding availability.

No ad-hoc benefits are currently being paid effective January 1, 2010. Changes in the excess earnings policy approved by the Board of Retirement on May 24, 2010 have placed additional restrictions on the Retirement Board's ability to grant these benefits, the greatest restriction currently being that the system must be 90% actuarially funded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

StanCERA is governed by the Board of Retirement and is considered an independent legal 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, 2010 and 2009. Both domestic and international investments are denominated in U.S. currency.

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.

Capital Assets

Capital assets, consisting of software development, the purchase of a condominium interest in 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 $169,603 and $144,258 for years ending June 30, 2010 and 2009 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.

CAPITAL ASSETS	Net Balance at June 30, 2009	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2010
Tyler Software	$ 740,414	$ 235,990	$ 125,626	$ 850,778
Real Estate Occupied	1,821,759	-	18,977	1,802,782
Real Estate Leased	1,214,747	-	12,654	1,202,093
Leasehold Improvements	73,857	-	10,551	63,306
Office Equipment	7,181	-	1,795	5,386
TOTAL	$ 3,857,958	$ 235,990	$ 169,603	$ 3,924,346

CAPITAL ASSETS	Balance at June 30, 2008	Reclassifications & Additions	Less Depreciation	Balance at June 30, 2009
Tyler Software	$ 775,980	$ 64,716	$ 100,282	$ 740,414
Real Estate Occupied	1,840,735	-	18,976	1,821,759
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

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, 2010 and 2009 was $2,307,436 and $2,080,130, respectively, of which $415,938 and $313,908, respectively, was not subject to the 0.18% limitation. Administrative expenses subject to the limitation amounted to 0.1430% for year ending June 30, 2010 and 0.1389% for year ending June 30, 2009.

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 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, 2010 and 2009 were $1,346,604 and $2,865,698, 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 $11,636,634 and $8,159,721 at June 30, 2010 and 2009, respectively. Cash and investments included within the County Treasurer's Pool is described in the County's Financial Report.

NOTE 4 – CASH AND INVESTMENTS (continued)

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

Summary of Investments

	June 30, 2010	June 30, 2009
Investments		
U.S. Government Obligations	$ 260,997,168	$ 164,747,927
Corporate Bonds	168,601,149	171,222,666
Municipal Bonds	1,179,619	-
Domestic Stocks	328,963,392	392,103,699
Domestic Equity Index Fund	154,032,744	48,680,087
International Equity	228,097,324	206,580,513
Global REIT's	14,663,597	12,195,678
Securities Lending Collateral	72,148,237	190,693,978
Subtotal	1,228,683,230	1,186,224,547
Deposits and Short-Term Investments		
Bank of New York: Cash in Custodial Account	35,397,099	59,007,553
Stanislaus County Treasury Investment Pool	11,636,634	8,159,721
Subtotal	47,033,733	67,167,274
Total Deposits and Investments	$ 1,275,716,963	$ 1,253,391,821

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, 2010, StanCERA had securities on loan with a carrying value of $75,229,542 and cash collateral (securities lending obligation) of $78,152,870 with non-cash collateral of $1,752,946. For fiscal year ending June 30, 2009. StanCERA's securities on loan had a carrying value of $192,440,167 and a cash collateral (securities lending obligation) of $199,389,103 with non-cash collateral of $235,035. StanCERA had an unrealized gain of $2.9 million dollars for the year ended June 30, 2010, and had an unrealized loss of $6.7 million dollars for the year ended June 30, 2009. The loss for the year ended June 30, 2009 was the results 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).

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 while the securities are on loan. Investments made with cash collateral are classified by risk category. As of June 30, 2010 and 2009 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 at June 30, 2010

	Market Value by Maturity Date					Effective
Investment Type	< 1 year	1-5 years	5-15 years	> 15 years	Total Fair Value	Duration (in years)
Asset Backed Security	$ 200,904	$ 320,297	$ -	$ 2,993,667	$ 3,514,869	0.071
Certificate of Deposit	12,301,211	-	-	-	12,301,211	0.145
Commercial Paper	12,810,866	-	-	-	12,810,866	0.153
Corporate Foating Rate	5,700,150	-	-	-	5,700,150	0.129
Corporate Floating Rate - Defaulted	975,000	-	-	-	975,000	0.000
Reverse Repurchase Agreement	36,846,142	-	-	-	36,846,142	0.003
TOTALS	$ 68,834,273	$ 320,297	$ -	$ 2,993,667	$ 72,148,237	0.063

SECURITIES LENDING COLLATERAL at June 30, 2009

	Market Value by Maturity Date					Effective
Investment Type	< 1 year	1-5 years	5-15 years	> 15 years	Total Fair Value	Duration (in 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 Foating Rate	37,776,960	4,818,800	-	-	42,595,760	0.060
Money Market	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

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, 2010, the Barclay Aggregate Bond Index was yielding 2.83% with an effective duration of 4.30 years. For the year ending June 30, 2009 the Barclay Aggregate Bond yielded 4.14% with an effective duration of 4.30 years. StanCERA had a yield of 3.69% and 5.23% for years ending June 30, 2010 and 2009 respectively with an effective duration of 4.01 and 3.51 in years respectively. As of June 30, 2010 and 2009 the County's pool has a fair value of $1.08 billion and $1.03 billion respectively, and a weighted average maturity of 349 days and 253 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 effective duration of the System's fixed income investments by investment type as of June 30, 2010 and 2009:

	June 30, 2010		June 30, 2009	
Fixed Income Securities	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
U S Treasuries	$ 65,215,957	1.8	$ 21,232,693	2.2
Single Family Mortgage Backed Securities	147,772,763	1.9	110,417,623	1.8
Multi Family Mortgage Backed Securities	8,378,600	1.6	8,970,163	1.8
Collateralized Mortgage Backed Securities	14,598,887	2.7	12,121,536	3.0
Federal Agency	22,962,603	8.1	16,094,927	5.7
Asset Backed	2,068,358	1.0	2,626,993	0.3
Corporate Bonds	168,601,149	5.5	164,506,658	5.1
Municipal Bonds	1,179,619	7.3	-	
Total Fixed Income Securities	$ 430,777,936		$ 335,970,593	

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, 2010 and 2009.

	June 30, 2010		June 30, 2009	
Credit Rating	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
AAA	42.65%	$ 183,728,651	38.43%	$ 129,108,689
AA+	0.00%	-	0.38%	1,275,825
AA-	1.64%	7,060,559	4.57%	15,338,367
A+	1.83%	7,867,627	2.87%	9,654,275
A	1.57%	6,750,463	9.69%	32,563,012
A-	6.29%	27,098,190	3.93%	13,214,295
BAA+	4.41%	18,984,573	0.00%	-
BAA	0.52%	2,243,894	0.00%	-
BAA-	0.84%	3,631,182	0.00%	-
BBB+	0.33%	1,417,749	4.14%	13,918,282
BBB	4.03%	17,377,154	9.38%	31,523,982
BBB-	9.27%	39,943,834	5.68%	19,084,836
BB+	3.37%	14,532,034	0.23%	787,241
BB	0.82%	3,536,000	1.19%	4,002,127
BB-	0.56%	2,425,000	0.00%	-
B+	2.96%	12,733,327	0.00%	-
B	0.24%	1,013,610	0.62%	2,074,750
B-	1.96%	8,443,524	1.16%	3,887,350
CCC+	1.57%	6,774,250	2.92%	9,821,274
CCC	0.00%	-	2.39%	8,031,625
C	0.00%	358	0.39%	1,322,442
N/R	0.00%	-	5.69%	19,129,537
N/A	15.14%	65,215,957	6.34%	21,232,684
	100.00%	$430,777,936	100.00%	$ 335,970,593

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, 2010 and 2009.

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 entity's 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.

NOTE 4 – CASH AND INVESTMENTS (continued)

FOREIGN CURRENCY RISK (continued)

StanCERA's exposure to foreign currency risk in US dollars as of June 30, 2010 and 2009 is as follows:

Currency	June 30, 2010 Fair Value (in US $)	June 30, 2009 Fair Value (in US $)
Australian Dollar	$ 11,494,976	$ 9,937,267
British Pound Sterling	32,147,808	35,045,386
Canadian Dollar	18,291,290	8,144,604
Danish Krone	1,354,428	1,834,900
Euro Currency	51,567,371	48,015,233
Hong Kong Dollar	7,843,113	9,187,908
Japanese Yen	37,023,881	37,795,145
Mexican Nuevo Peso	503,490	985,645
New Taiwan Dollar	3,975,985	3,910,561
New Turkish Lira	845,634	-
Norwegian Krone	1,932,466	1,938,260
Singapore Dollar	717,621	2,990,055
South African Rand	2,109,097	1,578,997
South Korean Won	6,108,612	2,729,597
Swedish Krona	2,076,640	2,450,116
Swiss Franc	12,633,959	13,507,657
US Dollar	37,470,953	26,529,182
TOTAL	$ 228,097,324	$ 206,580,513

StanCERA is invested in a Global REIT's commingled fund. Approximately 60% of the total investment of $14,663,597 and $12,195,678 at June 30, 2010 and 2009 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.

NOTE 5 - CONTRIBUTIONS (continued)

Contributions Required and Contributions Made (continued)

Contributions for fiscal year ending June 30, 2010 totaling $42,560,605 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed at June 30, 2008. Employer contributions were 8.87% of covered payroll for Stanislaus County and 8.90% of covered payroll for other employers. Employee contributions, on an average, were 8.44% of covered payroll. Stanislaus County represented 88.29% of covered payroll and 87.23% of total contributions.

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 8.35% of covered payroll. Stanislaus County represented 88.61% of covered payroll and 87.26% of total contributions.

2010	County	%	Districts	%	Total	%
Covered Payroll	$216,990,039	88.29%	$28,778,967	11.71%	$245,769,006	100.00%
Employer Contributions	$19,253,308	8.87%	$2,560,886	8.90%	$21,814,194	8.88%
Member Contributions	$17,870,589	8.24%	$2,875,822	9.99%	$20,746,411	8.44%
Total Contributions	$37,123,897	87.23%	$5,436,708	12.77%	$42,560,605	100.00%

2009	County	%	Districts	%	Total	%
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%

Funding Status & Method

The funding ratio as of June 30, 2009 was 70.9% 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. Based on the most recent actuarial valuation report as of June 30, 2009, the actuarial value of assets was $1.17 billion.

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 25-year amortization with an accrual reset.

SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN
FOR YEAR ENDING JUNE 30, 2009
(Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
6/30/2009	$ 1,171,767	$ 1,653,716	$ 481,949	70.90%	$ 248,316	194.10%

NOTE 5 - CONTRIBUTIONS (continued)

Funding Status & Method (continued)

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, 2009 and dated April 13, 2010 adopted by the Board of Retirement as of April 27, 2010.

LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	25 Years (County decreased from 30 years Ceres/Other increased from 20 Years as of 6/30/08
Asset Valuation Method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market
Actuarial Assumptions	
Investment Rate of Return	8.16%
Projected Salary Increases	4.0%, plus service-based rates
Attributed to Inflation	4.0%
Cost of Living Adjustments	100% of CPI to 3.0% annually with banking

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 2009 and 2008, overall assumption rates were 8.0%. Based upon Retirement Board policy, interest of 0.125% semi-annually is credited to a 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. Due to the significant market value losses experienced in fiscal year 2008-2009, no interest has not been posted to reserve amounts since July 1, 2008.

Employer Advance Reserves

This reserve represents the cumulative contributions made by the County and other employers. Normally interest earnings are credited, semi-annually, to the reserves at assumption rates determined by the actuary. However due to the significant market value losses experienced in fiscal year 2008-2009, no interest has been posted to reserve amounts since July 1, 2008.

NOTE 6 – RESERVES (continued)

Employer Advance Reserves (continued)

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.

A new Excess Earnings Policy effective May 24, 2010 specifies that all earnings will be used to offset losses and then towards funding vested benefits. There is still $(205,651,148) in undistributed losses that will need to be offset before interest is posted to reserves.

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.

Normally the Reserves are also credited with interest earnings semi-annually at assumption rates determined by the actuary. However due to the significant market value losses experienced in fiscal year 2008-2009, no interest has been posted to reserve amounts since July 1, 2008.

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. The Retirement Board reinstated the 2% contingency reserve as of June 30, 2010 by transferring non-valuation reserves from the Retiree Revocable Health Allowance Reserve.

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. The non-valuation reserve for losses has an offsetting reserve as of June 30, 2010 taken from funds transferred from the non-valuation Retiree Revocable Health Benefit Subsidy Reserve.

NOTE 6 – RESERVES (continued)

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:

	June 30, 2010	June 30, 2009
Active Members' Reserves	$ 269,909,492	$ 199,604,418
Employer Advance Reserves	274,685,358	359,984,703
Employer Transfer from Non-Valuation Reserve	60,000,000	50,000,000
Retired Members' Reserves	722,881,919	735,429,805
Reserves - Valuation Losses	(205,651,148)	(368,546,555)
Reserves - Non-Valuation Losses	(30,811,861)	(30,811,861)
Reserve - Offset Non-Valuation Losses	30,811,861	-
Contingency Reserve	23,804,388	-
Other Reserves		
Revocable Health Benefit Subsidy	33,366,572	100,934,481
Retiree Burial Allowance Reserve	6,100,000	5,298,788
Retiree Special Cost Of Living Reserve	1,831,267	2,857,479
Legal Contingency Reserve	3,279,934	3,344,405
Tier 3 Disability Reserve	11,616	13,426
Total Reserves	$ 1,190,219,397	$ 1,058,109,090

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

	June 30, 2010	June 30, 2009
Investment Managers	$ 3,872,842	$ 3,071,512
Investment Consultants	150,000	146,250
Custodial Fees	621,152	528,651
Actuarial Fees	106,139	163,912
Total Investment Expenses	$ 4,750,133	$ 3,910,325

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, 2009
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) as a Percentage of Covered Payroll ((b-a)/c)
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%
6/30/2009	$ 1,171,767	$ 1,653,716	$ 481,949	70.90%	$ 248,316	194.10%

Note: The actuarial valuation as of June 30, 2006 was revised due to changes in assumptions.
Actuarial valuation was not performed for as of June 30, 2007, data was included in the actuarial valuation as of June 30, 2008.

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION BENEFIT PLAN
FOR THE SIX YEARS ENDING JUNE 30, 2009
(Dollar amounts in thousands)

Year End	Annual Required Contribution	Percentage Contributed
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%
6/30/2009	$23,411	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 SUPPLEMENTAL INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Years Ended June 30, 2010and 2009

	2010	2009
Personnel Services:		
Salaries and Employee Benefits	$ 1,104,169	$ 1,111,797
Total Personnel Services	1,104,169	1,111,797
Professional Services:		
Computer and Software Services and Support	134,935	50
County Counsel	63,942	136,165
Outside Legal Counsel	234,620	67,506
Disability Hearing Officer/Medical Exams and Reviews	60,632	41,785
External Audit Fees	51,227	26,804
Stanislaus County Strategic Business Technology Dept	24,191	25,509
Health Insurance Consultant	84,528	169,650
Other Professional Services	59,215	46,100
Total Professional Services	713,288	513,568
Office Expenses:		
Office Supplies	8,371	10,145
Minor Equipment and Computer Supplies	2,682	2,967
Stanislaus County Central Services and Mail Room	37,117	37,711
Stanislaus County Support Services	105,324	106,002
Contract Services	1,561	1,668
Requested Maintenance	10,328	10,056
Communications	14,199	19,770
Printing and Publications	5,871	4,270
Other Office Expenses	28,351	16,549
Total Office Expenses	213,805	209,139
Miscellaneous:		
Fiduciary and Staff - Education/Travel	24,726	46,998
Fiduciary and Staff - Meetings/Other Travel	23,842	11,700
Insurance	52,283	36,369
Memberships	5,720	6,300
Depreciation	169,602	144,258
Total Miscellaneous	276,173	245,626
TOTAL ADMINISTRATIVE EXPENSES	$ 2,307,436	$ 2,080,130

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES
For the Years Ended June 30, 2010 and 2009

	2010	2009
Investment Management Fees:		
Domestic Stocks	$ 1,989,541	$ 1,463,246
International Stocks	1,392,780	1,094,920
Domestic Bonds	385,873	424,795
Global REIT's	104,648	88,552
Total Investment Management Fees	3,872,842	3,071,513
Investment Consulting Fees	150,000	146,250
Investment Custodian Fees	621,152	528,650
Other Investment Related Expenses	106,139	163,912
TOTAL INVESTMENT EXPENSES	$ 4,750,133	$ 3,910,325

Investment Section

Ensuring Tomorrow's Benefits through Prudent Management.

Cover Source:
Irizarry, Luiana. "Lavender Hollow Farm, Lavender Field." 2010. JPEG file.

STRATEGIC INVESTMENT SOLUTIONS, INC.

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STANISLAUS COUNTY EMPLOYEES' RETIREMENT SYSTEM

Summary

Fiscal year 2010 (June 30, 2010) saw a dramatic rebound in equity returns from their lows set on March 9, 2009 over the first nine months of the fiscal year (July 2009 - March 2010) with gains in US stock markets in excess of 30% and gains in Non-US stock markets in excess of 20% as the Dow Jones Industrial Average rallied off of its low set in March 2009 when it fell below 7,000 for the first time in over 11 years. The equity markets unfortunately gave back some of the gains from the first three quarters in fiscal year 2010 in the last quarter (April – June 2010) when they declined in excess of 10% over concerns of the Greek sovereign debt crisis and concerns over a slowing economy in the US. The US Fixed Income markets continued to generate positive returns in fiscal year 2010 as US Treasuries rallied as short-term interest rates were kept at historical low levels and due to a flight to quality in the final quarter. Spread fixed income instruments such as corporate bonds rallied strongly in fiscal year 2010. As a diversified investor, StanCERA experienced a +15.9% return for the fiscal year. The +15.9% result was above StanCERA's policy benchmark of +13.8% for the fiscal year by 210 basis points.

Fiscal year 2010 was positive for both the U.S. equity markets and foreign equity markets reversing course from the previous two fiscal years. For the fiscal year, the Russell 3000 US Stock Index gained +15.7% and the MSCI ACW (All Country World) ex-US Index of foreign stocks gained +10.9%. The US fixed income market produced a positive return (+9.5% Barclays Capital US Aggregate Index) for the fiscal year ending June 30, 2010.

Within the US equity market, stocks of small companies outperformed large companies (+21.5% vs. +15.2%) for the fiscal year 2010. Value stocks outperformed growth stocks within large caps (+16.9% vs. +13.6%) and within small caps (+25.1% vs. +18.0%).

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%.
Secondary goals are to outperform the asset allocation-weighted benchmark (41.4% US Equities, 20.0% Non-US Equities, 37.1% Fixed Income and 1.5% 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 for active managers seek top forty percentile results.

Investment Objectives

Investment returns achieved through June 30, 2010 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2010, StanCERA met its management goals of ensuring sufficient funds available to pay vested retiree benefits, complying with applicable fiduciary standards, and adding marginal value above its policy index.

Investment Results

PERIODS ENDED 6/30/10	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+15.6%	-11.1%	-1.7%
Russell 3000	+15.9%	-9.1%	-0.2%
Rank	57*	83	91
Non-US Equity	+14.4%	-10.5%	+4.0%
MSCI ACWI ex-US Free	+10.9%	-10.3%	+3.8%
Rank	19	39	31
Fixed Income	+13.8%	+8.6%	+6.7%
US Barclays Aggregate	+9.5%	+7.5%	+5.5%
Rank	42	26	26
Total Fund	+15.9%	-3.8%	+2.8%
*Policy Benchmark****	+13.8%	-3.9%	+2.5%
Public Fund > $100 Million	+13.5%	-4.0%	+2.7%
Median Rank**	16	47	43

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

*** Policy Benchmark is 32.9% Russell 1000/ 8.5% Russell 2000 / 37.1% Barclays Capital US Aggregate / 20.0% MS ACWI ex-US Free / 1.5% FTSE EPRA-NAREIT

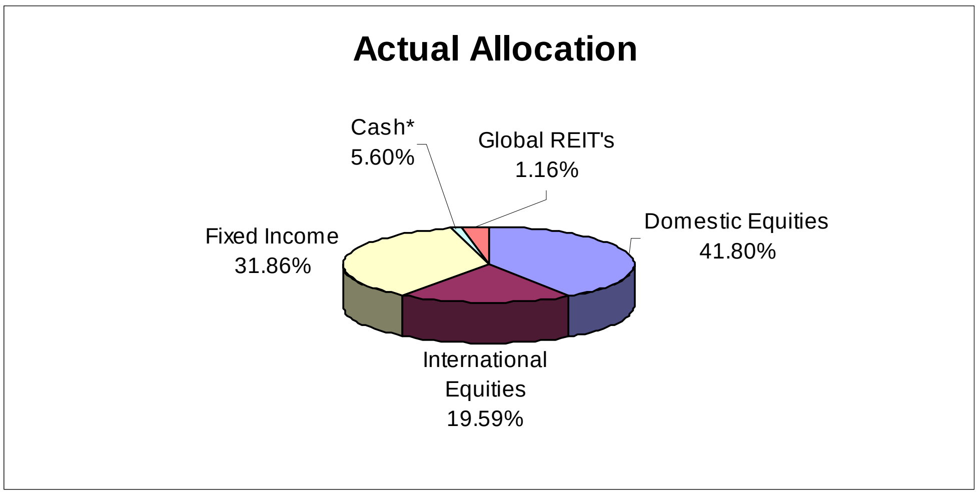
Paul S. Harte

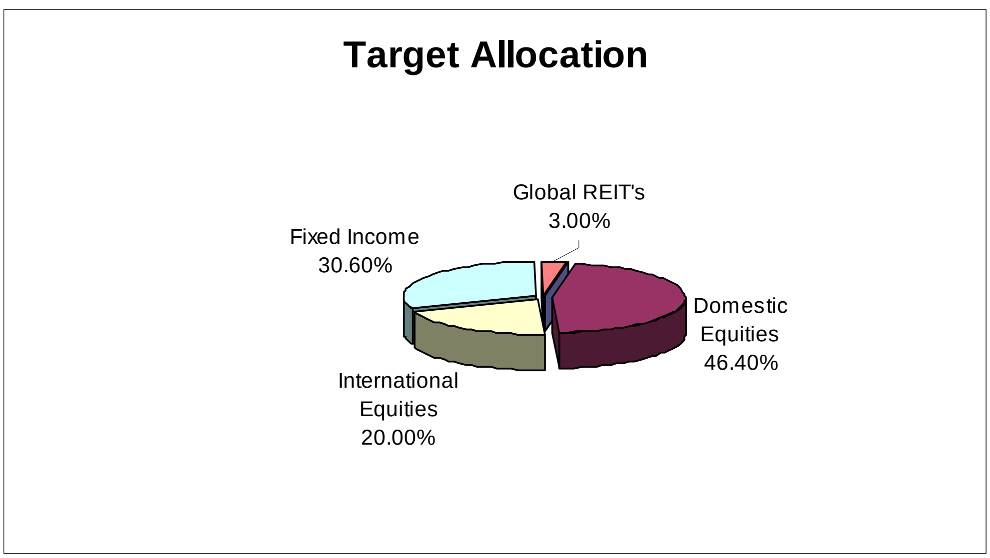
Paul S. Harte
Senior Vice-President

ASSET ALLOCATION
JUNE 30, 2010

Asset Class	Market Value	Actual Allocation	Target Allocation
Domestic Equities	$482,996,136	40.52%	41.40%
International Equities	228,097,324	19.14%	20.00%
Fixed Income	430,777,936	36.14%	37.10%
Global REIT's	14,663,597	1.23%	1.50%
Cash *	35,397,099	2.97%	0.00%
TOTAL PORTFOLIO**	$1,191,932,092	100.00%	100.00%

* Excludes Pooled Cash in County Treasury of $ 11,636,634
** Excludes Securities Lending Cash Collateral





20 LARGEST STOCK HOLDINGS (BY MARKET VALUE)
JUNE 30, 2010

Shares	Stock	Market Value
175,005	HEWLETT-PACKARD CO	7,574,216
320,063	COMCAST CORP	5,559,494
20,400	APPLE INC	5,131,212
125,000	CAPITAL ONE FINANCIAL CORP	5,037,500
90,000	SCHLUMBERGER LTD	4,980,600
142,000	MERCK & CO INC	4,965,740
190,072	WELLS FARGO & CO	4,865,843
305,000	GENERAL ELECTRIC CO	4,398,100
54,000	OCCIDENTAL PETROLEUM CORP	4,166,100
85,000	NOVARTIS AG	4,107,200
56,500	VISA INC	3,997,375
75,000	AMGEN INC	3,945,000
325,000	NEWS CORPORATION CL A	3,887,000
3,842,015	COLLECTIVE US GOVT STIF 4	3,842,015
260,000	PFIZER INC	3,707,600
125,032	TIME WARNER INC	3,614,675
94,300	CROWN CASTLE INTL CORP COM	3,513,618
59,200	ALLERGAN INC/UNITED STATES	3,448,992
100,000	GLAXOSMITHKLINE PLC	3,401,000
47,500	FEDEX CORP	3,330,225

LARGEST BOND HOLDINGS (BY MARKET VALUE)
JUNE 30, 2010

Par	Bond	Maturity Date	Market Value
20,800,000	U S TREASURY NOTE	6/30/2012	20,801,664
12,500,000	U S TREASURY NOTE	5/31/2017	12,763,625
10,249,000	FORD MOTOR CREDIT CO LLC	2/1/2011	10,440,861
8,848,748	FEDERAL NAT'L MTGE POOL #0AD0163	11/1/2034	9,760,434
8,826,573	FEDERAL NAT'L MTGE POOL #0AE0020	12/1/2038	9,589,807
8,208,112	FEDERAL NAT'L MTGE POOL #0555531	6/1/2033	8,852,449
8,329,000	ALLY FINANCIAL INC	9/15/2011	8,443,524
7,145,000	XEROX CORP SR NT	3/15/2016	8,030,909
7,348,115	FEDERAL NAT'L MTGE POOL #0AD0249	4/1/2037	7,929,572
7,192,697	FEDERAL NAT'L MTGE POOL #0995952	2/1/2038	7,832,632
7,400,000	U S TREASURY NOTE	4/30/2015	7,663,070
6,647,105	FEDERAL NAT'L MTGE POOL #0976947	2/1/2023	7,235,507
7,000,000	COMMIT TO PUR FNMA SF MTG	8/1/2040	7,228,620
7,000,000	U S TREASURY NOTE	5/31/2011	7,033,390
7,000,000	U S TREASURY NOTE	1/31/2011	7,025,130
6,900,000	FEDERAL HOME LN MTG CORP DISC	10/20/2010	6,892,959
5,619,856	FEDERAL HOME LN MTG POOL #G1-3344	3/1/2023	6,123,677
4,959,398	FEDERAL NAT'L MTGE POOL #0889390	3/1/2023	5,407,678
4,450,000	CAPITAL ONE FINL CORP SR NT	9/15/2017	5,096,763
4,150,000	WELLPOINT INC	1/15/2016	4,543,586

A complete list of portfolio holdings is available on the website www.stancera.org or upon request.

SCHEDULE OF INVESTMENT MANAGEMENT FEES
For the Years Ending June 30, 2010 and 2009

	2010	2009
Domestic Equities		
Capital Prospects	$ 468,563	$ 172,770
Blackrock	7,234	-
Delaware Management Company	527,260	435,438
Dodge & Cox	341,680	298,839
Legato Capital Management	450,655	137,844
Loomis Sayles & Company	166,696	270,637
Mazama Capital Management	-	129,831
Mellon Capital Management	27,453	17,887
Total Domestic Equity	1,989,541	1,463,246
International Equities		
LSV	771,615	568,194
Pyramis Global Advisors Holding Company	621,166	526,726
Total International Equities	1,392,780	1,094,920
Fixed Income		
Dodge & Cox	385,873	424,795
PIMCO	-	-
Total Fixed Income	385,873	424,795
Global REIT's		
Invesco	104,648	88,552
Total Global REIT's	104,648	88,552
Total Investment Management Fees	3,872,842	3,071,513
Other Investment Fees and Expenses		
Custodial Fees	621,152	528,650
Consultant Fees	150,000	146,250
Miscellaneous Fees	106,139	163,912
Total Other Investment Expenses	877,291	838,812
Total Investment Fees and Expenses	$ 4,750,133	$ 3,910,325

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, 2010 and 2009, Commission Recapture Income was $10,926 and $93,523 respectively (see page 25).

INVESTMENT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2010

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
DOMESTIC EQUITIES					
DODGE & COX - LARGE CAP VALUE	$148,318,085	12.44%	15.50%	-12.60%	-1.40%
RUSSELL 1000 VALUE			16.90%	-12.30%	-1.60%
BlackRock R1000V	$37,970,466	3.19%	8.49%	N/A	N/A
RUSSELL 1000 VALUE			8.08%	N/A	N/A
Delaware - LARGE CAP GROWTH	76,448,978	6.41%	13.60%	-6.60%	N/A
RUSSELL 1000 GROWTH			13.60%	-6.90%	N/A
BlackRockR 1000G - LARGE CAP GROWTH	60,323,991	5.06%	13.90%	-11.30%	N/A
RUSSELL 1000 GROWTH			13.60%	-6.90%	N/A
Capital Prospects - SMALL CAP VALUE	55,566,365	4.66%	24.50%	N/A	N/A
RUSSELL 2000 VALUE			25.10%	N/A	N/A
Legato Capital Mgmt - SMALL CAP GROWTH	48,629,964	4.08%	18.90%	N/A	N/A
RUSSELL 2000 GROWTH			18.00%	N/A	N/A
Mellon Capital Management	55,738,287	4.68%	14.50%	-9.70%	-0.70%
S&P 500			14.40%	-9.80%	-0.80%
TOTAL DOMESTIC EQUITIES	482,996,136	40.52%	15.60%	-11.10%	-1.70%
RUSSELL 3000			15.70%	-9.50%	-5.00%
FIXED INCOME					
DODGE & COX	356,025,368	29.87%	13.40%	8.50%	5.50%
BARCLAYS US AGGREGATE BOND			9.50%	7.50%	5.50%
PIMCO	74,752,568	6.27%	3.47%	N/A	N/A
BARCLAYS US AGGREGATE BOND			2.42%	N/A	N/A
TOTAL FIXED INCOME	430,777,936	36.14%	13.80%	8.60%	6.70%
BARCLAYS US AGGREGATE BOND			9.50%	7.50%	5.50%
INTERNATIONAL INVESTMENTS					
PYRAMIS INVESTMENTS	115,755,542	9.71%	13.00%	-9.80%	N/A
			14.40%	-10.50%	N/A
LSV INVESTMENTS	112,341,782	9.43%	15.90%	-11.40%	N/A
			14.40%	-10.50%	N/A
* TOTAL INTERNATIONAL INVESTMENTS	228,097,324	19.14%	14.40%	-10.50%	N/A
MSCI ACWI - ex US Index			10.90%	-10.30%	N/A
GLOBAL REIT's					
INVESCO	14,663,597	1.23%	21.10%	N/A	N/A
FTSE EPRA/NAREIT Global REIT			25.10%	N/A	N/A
CASH & SHORT-TERM INVESTMENTS *					
CASH	35,397,099	2.97%	1.44%	N/A	N/A
90 DAY TREASURY BILL			0.60%	N/A	N/A
TOTAL FUND					
TOTAL FUND	$1,191,932,092	100.00%	15.90%	-3.80%	2.80%
STANCERA POLICY COMPOSITE			13.80%	-3.90%	2.50%

* Excludes Pooled Cash in County Treasury of $11,636,634

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

Actuarial Section

Ensuring Tomorrow's Benefits through Prudent Management.

<u>Cover Source:</u>
Irizarry, Luiana. "Lavender Hollow Farm, Flower Bed." 2010. JPEG file.

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GRAHAM A. SCHMIDT | *Vice President*

August 31, 2010

Actuarial Certification

This report presents the results of the annual actuarial review of the StanCERA Retirement Plan (the Plan) as of June 30, 2009. The prior review was conducted as of June 30, 2008.

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 25 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 – covering the period from June 30, 2006 through June 30, 2009 – is currently under consideration by the Retirement Board.

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, 2009. The rates produced by this valuation were adopted by StanCERA Board of Retirement on March 15, 2010 and are effective July 1, 2010. The next actuarial valuation is in process for the fiscal year ending June 30, 2010.

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

Actuarial Assumptions (continued)

Valuation date	June 30, 2009
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. 25 Years (County decreased from 30 years Ceres/Other increased from 20 Years as of 6/30/08
Asset valuation method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market.
Actuarial assumptions:	
Investment rate of return	8.16%
Projected salary increases	4.0%, plus service-based rates
Attributed to Inflation:	4.00%
Retirees' cost-of-living adjustments	100% of CPI to 3.0% annually with banking

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 25. 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	General
0	12.000%	18.000%
1	8.000%	12.000%
2	6.000%	8.500%
3	4.500%	6.500%
4	3.500%	5.500%
5	1.238%	2.025%
10	0.945%	1.470%
15	0.680%	0.850%
20	0.000%	0.336%
25	0.000%	0.072%
30	0.000%	0.000%

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.

Vested Termination		
Service	Safety	General
0-4	0.000%	0.000%
5	1.513%	2.475%
10	1.305%	2.030%
15	1.320%	1.650%
20	0.000%	1.264%
25	0.000%	1.128%
30 +	0.000%	1.200%

PROBABILITIES OF SEPARATION PRIOR TO RETIREMENT (continued)

Service Retirement			
	Safety	General	
Age	All	Female	Male
45	25.00%	0.00%	5.00%
46	25.00%	0.00%	5.00%
47	25.00%	0.00%	5.00%
48	25.00%	0.00%	5.00%
49	25.00%	0.00%	5.00%
50	25.00%	5.00%	5.00%
51	20.00%	4.00%	4.00%
52	20.00%	4.00%	4.00%
53	20.00%	5.00%	5.00%
54	20.00%	6.00%	6.00%
55	30.00%	10.00%	10.00%
56	25.00%	10.00%	10.00%
57	25.00%	10.00%	10.00%
58	30.00%	12.00%	12.00%
59	35.00%	15.00%	15.00%
60	100.00%	18.00%	18.00%
61	100.00%	18.00%	18.00%
62	100.00%	30.00%	30.00%
63	100.00%	25.00%	25.00%
64	100.00%	25.00%	25.00%
65	100.00%	40.00%	40.00%
66	100.00%	30.00%	30.00%
67	100.00%	30.00%	30.00%
68	100.00%	30.00%	30.00%
69	100.00%	30.00%	30.00%
70	100.00%	100.00%	100.00%

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			
	Safety	General	
Age	All	Female	Male
20	0.1012%	0.0013%	0.0065%
25	0.2576%	0.0025%	0.0153%
30	0.4609%	0.0050%	0.0316%
35	0.7079%	0.0141%	0.0426%
40	0.9283%	0.0335%	0.0602%
45	1.1297%	0.0606%	0.0920%
50	1.5092%	0.0971%	0.1345%
55	1.7230%	0.1492%	0.1840%
60	0.0000%	0.2096%	0.2456%
65	0.0000%	0.0000%	0.0000%

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			
	Safety	General	
Age	All	Female	Male
20	0.0173%	0.0025%	0.0130%
25	0.0409%	0.0050%	0.0307%
30	0.0421%	0.0100%	0.0316%
35	0.0568%	0.0281%	0.0426%
40	0.0802%	0.0446%	0.0602%
45	0.1227%	0.0808%	0.0920%
50	0.1793%	0.1295%	0.1345%
55	0.2453%	0.1990%	0.1840%
60	0.0000%	0.2794%	0.2456%
65	0.0000%	0.0000%	0.0000%

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, 2009 was determined as follows:

1.		Contributions	Benefit Payments	Expected Investment Return	Actual Investment Return	Additional Earnings	Percentage Deferred	Deferred Earnings
	2006	$ 44,282,653	$ 60,612,003	$ 95,347,685	$ 115,674,244	$ 20,326,559	20%	$ 4,065,312
	2007	53,105,351	70,329,625	103,400,687	203,337,761	99,937,074	40%	39,974,830
	2008	43,244,855	70,227,537	118,197,211	(123,453,409)	(241,650,619)	60%	(144,990,372)
	2009	44,333,858	74,399,189	105,798,320	(223,111,526)	(328,909,847)	80%	(263,127,877)
	Total Unrecognized Dollars							(364,078,107)

2.	Market Value of Assets as of June 30, 2009		1,058,109,090
3.	Actuarial Value of Assets as of June 30, 2009: (2)-(1)		1,422,187,197
4.	Corridor Limit		
	a. 80% of Net Market Value		846,487,272
	b. 120% of Net Market Value		1,269,730,908
5.	Actuarial Value of Assets After Corridor as of June 30, 2009		1,269,730,908
6.	Ratio of Actuarial Value to Market Value: (5)/(2)		120.0%
7.	Special Non Valuation Reserves		
	$5,000 Death Benefits	5,298,788	
	Revocable Health Insurance Stipend (before transfer)	100,934,481	
	Speical COL Reserve	2,857,479	
	Legal Contingency Reserve	3,344,405	
	Tier 3 Disability Reserve	13,426	
	Non-Valuation Losses (Non-Valuation portion of contra Account)	(30,811,861)	
	Contingency Reserve	0	
	Total Special Reserves (Market Value)		81,636,718
8.	Total Special Reserves (120% of Market)		97,964,062
9.	Pension Reserves at Actuarial Value (Valuation Assets, Final): (5)(8)		$1,171,766,847

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
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%
6/30/2009	General	3,627	201,144,000	55,457	6.86%
	Safety	739	47,172,000	63,832	4.53%
	Total	4,366	248,316,000	119,289	5.60%

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
6/30/2003	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
6/30/2009	2,666	156	$ 2,168,425	71	$ 647,870	2,751	$ 66,720,003	5.41%	$ 24,253

SOLVENCY TEST

Valuation Date	Aggregate Accrued Liabilities (AAL) for:			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1 Active Member Contributions	2 Retirees & Beneficiaries	3 Active Members Employer Portion		1	2	3
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%
6/30/2009	$298,342,000	$781,082,000	$574,292,000	$1,653,716,000	100%	100%	16%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

	Acuarial (Gains)/Losses					
Plan Year Ending	Asset Sources	Liability Sources	Total	Changes in Plan Provisions	Changes in Assumption/ Methods	Total (Gain)/Loss
6/30/2004	$ 8,536,049	$ 12,492,070	$ 21,028,119	N/A	-	$ 21,028,119
6/30/2005	$ 26,573,640	$ 11,238,430	$ 37,812,070	N/A	-	$ 37,812,070
6/30/2006	$ (27,756,878)	$ 21,366,204	$ (6,390,674)	N/A	(14,845,293)	$ (21,235,967)
*6/30/2007	$ 86,178,774	N/A	$ 86,178,774	N/A	134,470,779	$ 220,649,552
6/30/2008	$ (50,709,169)	$ 67,324,195	$ 16,615,026	N/A	134,470,779	$ 16,615,026
6/30/2009	$ 145,400,000	$ 104,892,000	$ 250,292,000	N/A	-	$ 250,292,000

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

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Statistical Section

Ensuring Tomorrow's
Benefits through
Prudent Management.

Cover Source:
Irizarry, Luiana. “Lavender Hollow Farm, Lavender Bunches.” 2010. JPEG file.

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

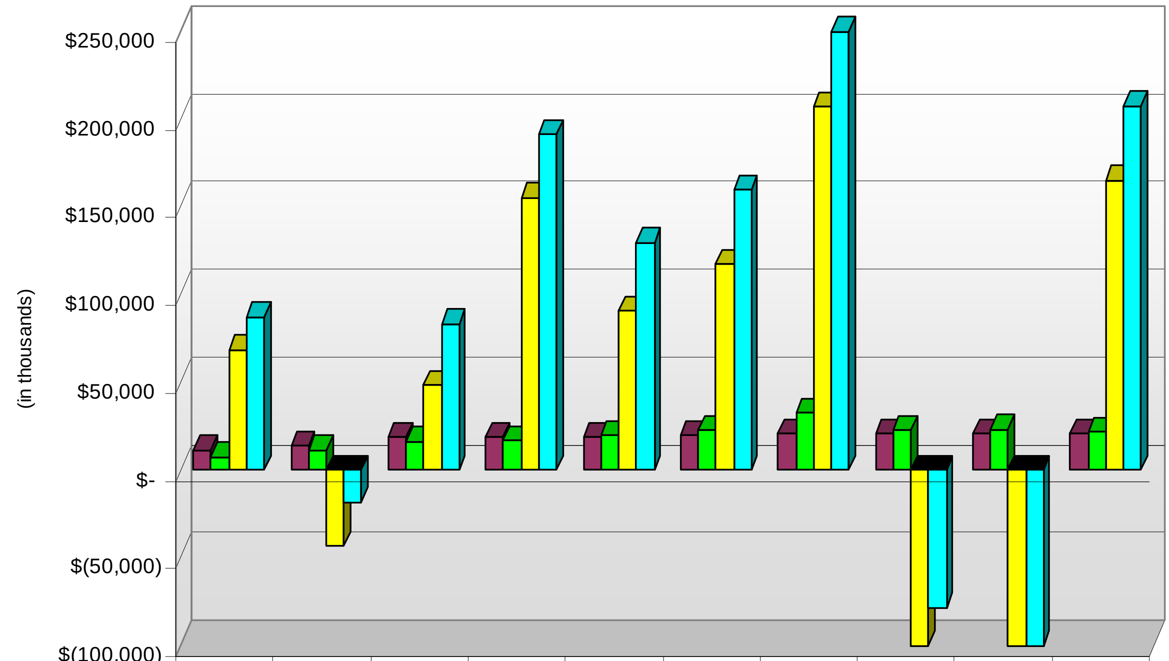
Last Ten Fiscal Years ending June 30

Additions To Plan Net Assets	2010	2009	2008	2007	2006
Employer Contributions	$ 21,814,194	$ 23,410,965	$ 22,555,416	$ 32,562,514	$ 22,548,754
Employee Contributions	20,746,411	20,922,893	20,689,439	20,542,837	19,860,676
Investment Income (Loss)	161,234,157	(215,302,029)	(122,548,769)	206,631,146	116,898,276
Litigation Recovery	680,579	57,010	117,351	177,775	27,479
Net Security Lending Income (Loss)	3,139,108	(5,786,378)	1,022,295	382,991	347,188
Total Additions	$ 207,614,449	$ (176,697,539)	$ (78,164,268)	$ 260,297,263	$ 159,682,373
Deductions From Plan Assets					
Pension Benefits	$ 71,464,735	$ 71,861,210	$ 67,785,111	$ 67,599,163	$ 58,129,898
Refunds	1,731,971	2,537,978	2,442,426	2,730,463	2,482,105
Administrative Expense and Misc	2,307,436	2,080,130	2,044,286	1,980,926	1,598,700
Total Deductions	$ 75,504,142	$ 76,479,318	$ 72,271,823	$ 72,310,552	$ 62,210,703
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	132,110,307	(253,176,857)	(150,436,091)	187,986,711	97,471,670
Net Assets Held in Trust for Pension Benefits					
Beginning of year	1,058,109,090	1,311,285,947	1,461,722,038	1,273,735,327	1,176,263,657
End of year	$ 1,190,219,397	$ 1,058,109,090	$ 1,311,285,947	$ 1,461,722,038	$ 1,273,735,327

Additions To Plan Net Assets	2005	2004	2003	2002	2001
Employer Contributions	$ 19,792,748	$ 17,113,973	$ 16,207,877	$ 11,340,678	$ 7,509,294
Employee Contributions	19,088,340	18,941,508	18,520,605	13,939,517	11,227,370
Investment Income (Loss)	90,280,931	154,739,718	47,836,183	(43,483,569)	65,601,912
Litigation Recovery	113,169	114,058	126,162	97,700	-
Net Security Lending Income (Loss)	309,095	415,659	597,316	-	-
Total Additions	$ 129,584,283	$ 191,324,916	$ 83,288,143	$ (18,105,674)	$ 84,338,576
Deductions From Plan Assets					
Pension Benefits	$ 53,176,109	$ 47,926,179	$ 43,435,482	$ 38,118,054	$ 34,965,706
Refunds	2,347,241	1,326,769	1,561,286	1,547,588	1,163,380
Administrative Expense and Misc	1,404,838	1,301,338	1,147,117	1,082,458	956,325
Total Deductions	$ 56,928,188	$ 50,554,286	$ 46,143,885	$ 40,748,100	$ 37,085,411
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	72,656,095	140,770,630	37,144,258	(58,853,774)	47,253,165
Net Assets Held in Trust for Pension Benefits					
Beginning of year	1,103,607,562	962,836,932	925,692,674	984,546,448	937,293,283
End of year	$ 1,176,263,657	$ 1,103,607,562	$ 962,836,932	$ 925,692,674	$ 984,546,448

Revenues by Source

(for years ending June 30)

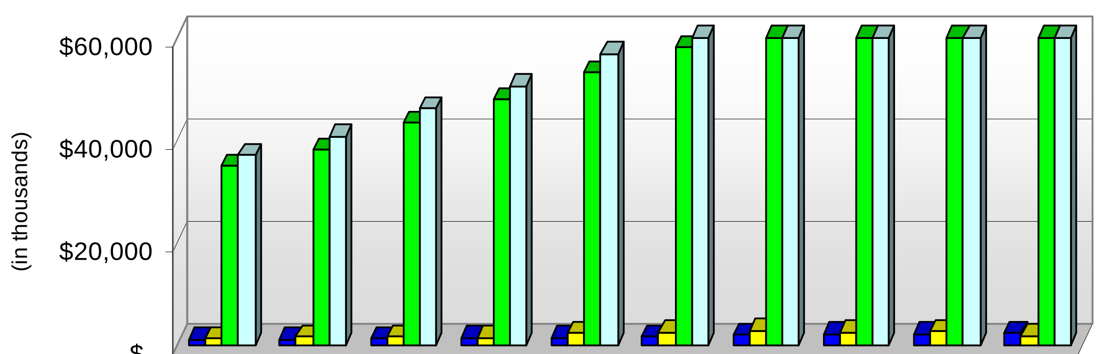


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employee Contrib.	$11,227	$13,940	$18,521	$18,942	$19,088	$19,861	$20,543	$20,689	$20,923	$20,746
Employer Contrib.	$7,509	$11,341	$16,207	$17,114	$19,793	$22,549	$32,562	$22,555	$23,411	$21,814
Investments	$68,423	$(43,386)	$48,560	$155,269	$90,703	$117,273	$207,192	$(121,409)	$(221,031)	$165,054
Total	$87,159	$(18,105)	$83,288	$191,325	$129,584	$159,683	$260,297	$(78,165)	$(176,698)	$207,614

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

Expenses by Type

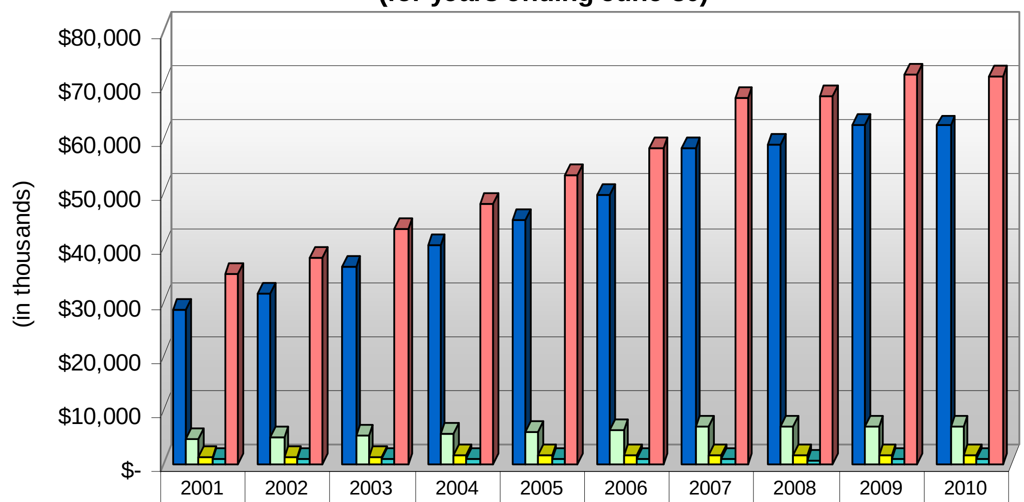
(for years ending June 30)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Administrative	$965	$1,082	$1,147	$1,301	$1,405	$1,599	$1,981	$2,044	$2,080	$2,307
Refunds	$1,163	$1,548	$1,561	$1,327	$2,347	$2,482	$2,730	$2,442	$2,538	$1,732
Benefits	$34,966	$38,118	$43,435	$47,926	$53,176	$58,130	$67,599	$67,785	$71,861	$71,465
Total	$37,085	$40,748	$46,143	$50,554	$56,928	$62,211	$72,310	$72,271	$76,479	$75,504

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

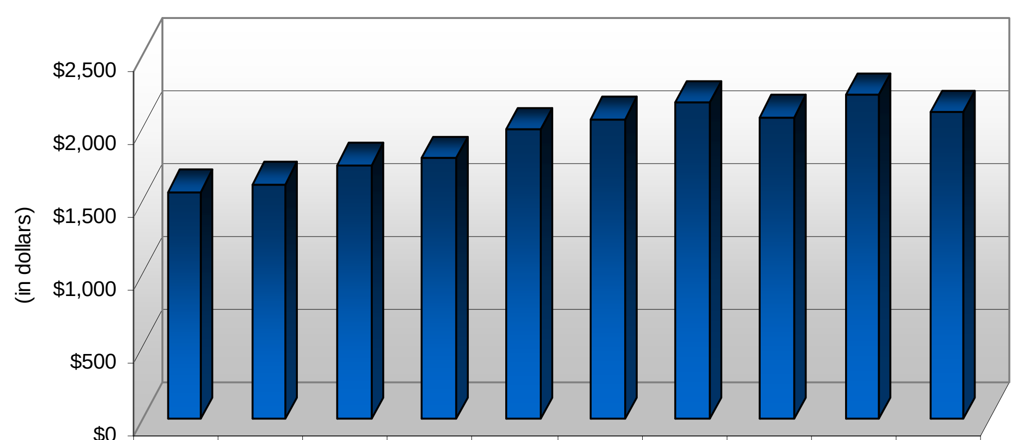
Benefit Expense by Type
(for years ending June 30)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Service	$28,402	$31,221	$36,229	$40,230	$45,068	$49,729	$58,320	$58,875	$62,463	$62,400
Serv. Conn. Dis.	$4,562	$4,872	$5,156	$5,482	$5,844	$6,185	$6,946	$6,719	$6,828	$6,792
Non-Serv. Dis.	$1,176	$1,310	$1,332	$1,354	$1,430	$1,510	$1,621	$1,535	$1,572	$1,496
Surv. Death Ben.	$826	$715	$718	$860	$834	$706	$712	$655	$998	$777
Total	$34,966	$38,118	$43,435	$47,926	$53,176	$58,130	$67,599	$67,784	$71,861	$71,465

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

Average Monthly Retirement Benefits
(for years ending June 30)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Monthly Allowance	$1,566	$1,618	$1,751	$1,801	$1,994	$2,068	$2,181	$2,080	$2,232	$2,115

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

RETIRED MEMBERS BY BENEFIT TYPE
as of June 30, 2010

Amount Monthly Benefit	Total # Retirees	Service Retirement	Service Connected Disability	Non-Service Disablity	Survivors
General Members					
0-500	366	340	4	15	7
501-1,000	515	439	7	51	18
1,001-1,500	417	336	44	34	3
1,501-2,000	317	265	46	4	2
2,001-2,500	206	182	19	4	1
2,501-3,000	129	123	6	0	0
3,001-3,500	99	96	2	0	1
3,501-4,000	69	67	1	1	0
4,001-4,500	59	57	2	0	0
4,501-5,000	41	41	0	0	0
over 5,000	148	148	0	0	0
Totals	2,366	2,094	131	109	32
Safety Members					
0-500	21	10	8	2	1
501-1,000	20	15	3	0	2
1,001-1,500	36	30	0	5	1
1,501-2,000	38	28	7	3	0
2,001-2,500	71	27	42	0	2
2,501-3,000	70	24	45	0	1
3,001-3,500	43	27	15	0	1
3,501-4,000	23	21	1	0	1
4,001-4,500	18	18	0	0	0
4,501-5,000	19	16	2	0	1
over 5,000	91	84	7	0	0
Totals	450	300	130	10	10
TOTALS	2,816	2,394	261	119	42

(Data retrieved from StanCERA's data base)

AVERAGE BENEFIT PAYMENTS

As of Fiscal End of Year

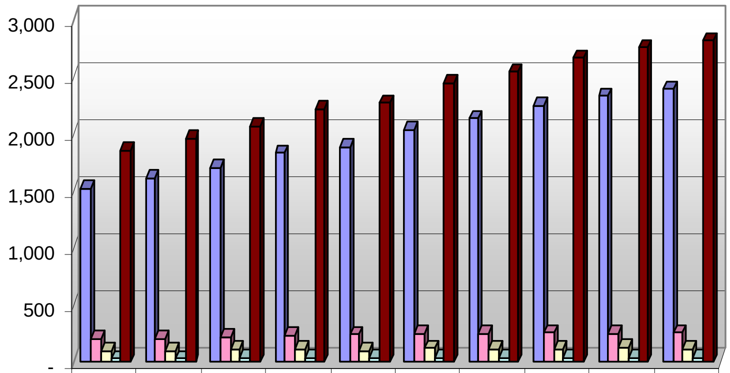
	Beneficiaries & Dro's	Service Years Credited 0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year Ending June 30, 2000								
Average Monthly Benefit	-	$594	$994	$1,004	$1,433	$1,961	$2,578	$3,359
Number of Active Retirees	-	130	219	439	364	301	206	120
Fiscal Year Ending June 30, 2001								
Average Monthly 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
Fiscal Year Ending June 30, 2010								
Average Monthly Benefit	$1,345	$602	$1,038	$1,171	$1,834	$2,550	$3,753	$5,172
Number of Active Retirees	366	157	330	536	434	405	318	270

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)

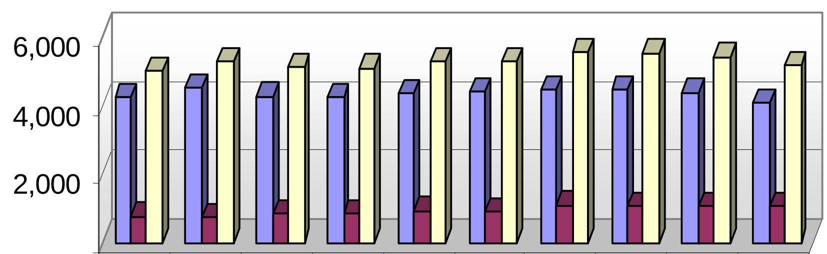


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Service	1,524	1,615	1,701	1,831	1,890	2,035	2,135	2,247	2,334	2,394
Serv. Conn. Dis.	205	210	221	231	244	252	251	259	252	261
Non-Serv. Dis.	102	104	110	117	104	121	118	120	131	119
Surv. Death Ben.	30	34	35	38	35	37	41	40	40	42
Total	1,861	1,963	2,067	2,217	2,273	2,445	2,545	2,666	2,757	2,816

Data retrieved from StanCERA's data base.

Membership History (Active & Deferred)

(for years ending June 30)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Active Members	4,235	4,507	4,263	4,248	4,338	4,391	4,435	4,450	4,366	4,085
Inactive Members	767	745	841	832	924	886	1,093	1,062	1,044	1,075
Total	5,002	5,252	5,104	5,080	5,262	5,277	5,528	5,512	5,410	5,160

Data retrieved from StanCERA's data base.

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

	2010		2009		2008		2007		2006
Stanislaus County:									
General Members	3,013	73.8%	3,227	73.9%	3,313	74.4%	3,311	74.7%	3,330
Safety Members	601	14.7%	658	15.1%	663	14.9%	660	14.9%	626
Total	3,614		3,885		3,976		3,971		3,956
Participating Agencies:									
Stanislaus County Superior Courts	252	6.2%	263	6.0%	254	5.7%	246	5.5%	232
City of Ceres	178	4.4%	178	4.1%	186	4.2%	183	4.1%	172
East Side Mosquito Abetement District	11	0.3%	11	0.3%	10	0.2%	10	0.2%	9
Hills Ferry Cemetery	4	0.1%	4	0.1%	4	0.1%	4	0.1%	4
Keyes Community Services District	6	0.2%	6	0.2%	6	0.2%	6	0.2%	5
Salida Sanitary District	7	0.2%	6	0.1%	4	0.1%	4	0.1%	4
Stanislaus Council of Goverments	13	0.3%	13	0.3%	10	0.2%	11	0.2%	9
Total	471		481		474		464		435
Total Active Membership	4,085		4,366		4,450		4,435		4,391

	2005		2004		2003		2002		2001
Stanislaus County:									
General Members	3,320	76.5%	3,239	76.2%	3,292	77.2%	3,528	78.1%	3,504
Safety Members	618	14.2%	583	13.7%	580	13.6%	589	13.1%	559
Total	3,938		3,822		3,872		4,117		4,063
Participating Agencies:									
Stanislaus County Superior Courts	211	4.9%	220	5.2%	198	4.6%	202	4.5%	*
City of Ceres	161	3.7%	173	4.1%	161	3.8%	156	3.5%	141
East Side Mosquito Abetement District	8	0.2%	6	0.2%	6	0.2%	7	0.2%	8
Hills Ferry Cemetery	3	0.1%	3	0.1%	3	0.1%	3	0.1%	3
Keyes Community Services District	5	0.1%	5	0.1%	4	0.1%	4	0.1%	4
Salida Sanitary District	4	0.1%	5	0.1%	5	0.1%	5	0.1%	4
Stanislaus Council of Goverments	8	0.2%	14	0.3%	14	0.3%	13	0.3%	12
Total	400		426		391		390		172
Total Active Membership	4,338		4,248		4,263		4,507		4,235

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

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