CORRESPONDENCE NO. 5

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

Phone (209) 525-6393
Fax (209) 558-4976
www.stancera.org
e-mail: retirement@stancera.org

MEMORANDUM

TO: Christine Ferraro, Clerk to the Board
Stanislaus County Board of Supervisors

FROM: Rick Santos, Executive Director
Stanislaus County Employees' Retirement Association (StanCERA)

SUBJECT: Comprehensive Annual Financial Report (CAFR) FYE June 30, 2012

DATE: January 3, 2013

Enclosed please find six copies of the Comprehensive Annual Financial Report (CAFR) of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ending June 30, 2012.

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

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

cc: Monica Nino, CEO

Comprehensive Annual Financial Report

For the Fiscal Years Ended
June 30, 2012 and 2011

Ensuring tomorrow's benefits through prudent management.

STANCERA

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

Cover Source:
Irizarry, Luiana M.

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, 2012 and 2011

Issued By

Rick Santos, CFA, ASA, MAAA
Executive Director

StanCERA
Staff

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Mission

StanCERA secures and manages investment funds to provide benefits to its members.

Vision

Ensuring tomorrow's benefits through prudent management.

Introductory Section

Cover Source:
Irizarry, Luiana M.

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LETTER OF TRANSMITTAL

November 1, 2012

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 ended June 30, 2012 and 2011. As of June 30, 2012, it is StanCERA's 64th 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 members are appointed by the Stanislaus County Board of Supervisors, one member and the alternate safety member are elected by the safety members, two members are elected by the general members, and one member and the alternate retiree member are elected by the retired members. The County Treasurer serves as an ex-officio member. 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 which in the case of employer contributions occurs pursuant to formal commitments by the employers. Benefits are recognized when due and payable, in accordance with the terms of the plan. 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, 2012 and 2011, 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. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of the cost and benefits requires estimates and judgments by management. (Note that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations.

Financial Information (Cont.)

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 safeguards into the process to reduce, but 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 normally reviewed every three years. 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, 2011 and determined the plan's funding ratio (ratio of plan assets to plan liabilities) to be 78.1% 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.

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 informed 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, 2012 and June 30, 2011, the Plan's investments provided a positive 0.7% and positive 22.9% 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, 2011. 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 seventh consecutive year StanCERA has achieved this prestigious award.

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 ended June 30, 2011. This report replaces 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 2011 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 look that will further communicate the financial health of the fund to our members. Non-retired members also receive two Member Statements.

Service Efforts and Accomplishments (continued)

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/or video recordings of educational seminars and Board meetings are available on the web along with electronic agendas for each meeting. The benefits calculators remain the most visited page on the website.

The Excess Earnings Policy has recently been updated and currently requires that all investment earnings will be used to fund vested retirement benefits until all losses are offset by gains and a market funded level of 100% 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 ensure the continued successful operation of StanCERA.

Sincerely,

Rick Santos, CFA, ASA, MAAA
Executive Director

BOARD OF RETIREMENT
JUNE 30, 2012

Seat#		
1.	***Gordon Ford**, Ex-Officio*	Treasurer/Tax Collector
2.	***Maria DeAnda**,* Trustee	Elected by Active General Membership
3.	***Donna Riley**,* Trustee	Elected by Active General Membership
4.	***Ron Martin**,* Trustee	Appointed by the Board of Supervisors
5.	***Mike Lynch**,* Trustee	Appointed by the Board of Supervisors
6.	***Jim DeMartini**,* Chair	Appointed by the Board of Supervisors
7.	***Darin Gharat**,* Vice Chair	Elected by Active Safety Membership
7a.	**Vacant**, Alternate Trustee	Elected by Active Safety Membership
8.	***Michael O'Neal***, Trustee	Elected by Retired Membership
8a.	***Joan Clendenin**,* Alternate Trustee	Elected by Retired Membership
9.	***Jeff Grover**,* Trustee	Appointed by the Board of Supervisors

StanCERA ORGANIZATIONAL CHART

Effective 2012

- **BOARD OF RETIREMENT**
  - Executive Director **Rick Santos**
    - Executive Assistant/Secretary **Kelly Cerny** Confidential Assistant IV
    - Benefits Division **Dawn Lea** Manager I/II/III
      - Retirement Specialist **Jamie Borba** Confidential Assistant IV
      - Retirement Specialist **Donna Wood** Confidential Assistant IV
      - Retirement Technician **Alaine Taa** Confidential Assistant III
    - Operations Division **Kathy Herman** Manager III
      - Retirement Accountant **Kathy Johnson** Confidential Assistant V
      - I.T. Coordinator **Reed Love** Software Developer II
      - Operations Specialist **Luiana Irizarry** Confidential Assistant IV
      - Administrative Assistant **Mary Williams** Confidential Assistant III
  - General Counsel * **Vacant**

*Board of Retirement utilizes private general legal counsel for administrative legal services. Private attorneys provide legal assistance for disability retirement applications.

PROFESSIONAL CONSULTANTS
JUNE 30, 2012

Actuary
EFI Actuaries
Milliman, Inc (Actuary Audit)

Auditors
Macias Gini & O'Connell LLP (Financial Statements)
Vavrinek, Trine and Day (Operational)

Investment Custodian
The Bank of New York Mellon

Investment Consultant
Strategic Investment Solutions, Inc.

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

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

<u>Investment Management Services*</u>

Fixed Income
Dodge & Cox
PIMCO

Large Cap Value Equity
Dodge & Cox
BlackRock R1000 Value

Large Cap Growth Equity
Delaware Management Company
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 55, 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, 2011

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

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, 2011

Christopher P Morrill
President

Jeffrey L. Esser
Executive Director

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2011

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

Alan H. Winkle
Program Administrator

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Financial Section

Cover Source:
Irizarry, Luiana M.

MGO Certified Public Accountants.

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

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

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, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the StanCERA'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 Standar*ds, 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, 2012 and 2011, and the changes in plan net assets for the years then ended in conformity with 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, 2011, StanCERA's independent actuaries determined that, at June 30, 2011, the actuarial accrued liability exceeded the actuarial value of its assets by $385.7 million.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 23 and the schedules of funding progress and employer contributions on page 46, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, other supplemental information in the financial section, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Sacramento, California
October 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Stanislaus County Employees' Retirement Association (StanCERA) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ending June 30, 2012 and 2011. Please review it in conjunction with the transmittal letter (starting on page 3) and the Basic Financial Statements beginning on page 24.

Financial Highlights

- Plan net assets decreased by $32.6 million (or 2.30%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by $2.4 million (or 5.25%).
- Net investment income (including Net Appreciation in Fair Value of Investments) decreased by $258.0 million (or 98.73%).
- Benefit payments increased by $5.3 million (or 7.12%) from the prior year.

Plan Highlights

- Benefit plans for Tiers 2 and 3 were closed to new hires and Tiers 4 and 5 were adopted effective March 9, 2002 to 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 Tier 3 were allowed to transfer prospectively into a contributory plan. Effective January 1, 2011, Tier 5 was closed and Tier 2 was re-opened for all new hires for Stanislaus County, resuming the reduced benefit formulas of 2% at age 61 for most general members, and 2% at 50 for most safety members.
- Effective January 1, 2010, the Revocable Health Benefits Subsidy was suspended.
- In April of 2012, a 3% cost of living increase was given to all retired, disabled and beneficiary members receiving a recurring allowance, except those retirees who received pensions for service as a Tier 3 non-contributory member.
- In April of 2011, 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	4/2/1970 – 4/1/1985	3.0%
Members who retired between	4/2/1985 – 4/1/1986	2.5%
Members who retired between	4/2/1986 – 4/1/2011	1.5%

Using the Annual Report

The financial statements reflect the activities of the Stanislaus County Employees' Retirement Association and are composed of the Statements of Plan Net Assets (see page 24) and the Statements 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 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 System.

Plan Net Assets For The Fiscal Years Ended June 30, 2012, 2011 and 2010	2012	2011	2010	$ Change 2012 - 2011	$ Change 2011 - 2010
Current Assets	$ 88,141,472	$ 69,294,750	$ 90,116,604	$ 18,846,722	$ (20,821,854)
Investments	1,458,674,520	1,506,879,134	1,228,683,230	(48,204,614)	278,195,904
Capital Assets	3,760,839	3,760,576	3,924,345	263	(163,769)
Total Assets	1,550,576,831	1,579,934,460	1,322,724,179	(29,357,629)	257,210,281
Total Liabilities	164,401,585	161,188,514	132,504,782	3,213,071	28,683,732
Total Plan Net Assets	$ 1,386,175,246	$ 1,418,745,946	$ 1,190,219,397	$ (32,570,700)	$ 228,526,549

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 Net Assets For The Fiscal Years Ended June 30, 2012, 2011 and 2010	2012	2011	2010	$ Change 2012 - 2011	$ Change 2011 - 2010
Employer Contributions	$ 27,314,032	$ 26,256,729	$ 21,814,194	$ 1,057,303	$ 4,442,535
Plan Member Contributions	20,525,295	19,197,052	20,746,411	1,328,243	(1,549,359)
Net Investment Income	3,330,939	261,380,696	161,234,157	(258,049,757)	100,146,539
Net Litigation Recovery	571	16,849	680,579	(16,278)	(663,730)
Net Security Lending Income	393,244	444,947	3,139,108	(51,703)	(2,694,161)
Total Additions	$ 51,564,081	$ 307,296,273	$ 207,614,449	$ (255,732,192)	$ 99,681,824

Deductions From Plan Net Assets For The Fiscal Years Ended June 30, 2012, 2011 and 2010	2012	2011	2010	$ Change 2012 - 2011	$ Change 2011 - 2010
Benefit Payments	$ 80,157,222	$ 74,826,404	$ 71,464,735	$ 5,330,818	$ 3,361,669
Member Refunds	1,832,811	1,906,153	1,731,971	(73,342)	174,182
Administrative Expenses	2,144,748	2,037,167	2,307,436	107,581	(270,269)
Total Deductions	$ 84,134,781	$ 78,769,724	$ 75,504,142	$ 5,365,057	$ 3,265,582
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	$ (32,570,700)	$ 228,526,549	$ 132,110,307	$ (261,097,249)	$ 96,416,242
Net Assets Held in Trust for Pension Benefits					
Beginning of Year	1,418,745,946	1,190,219,397	1,058,109,090	228,526,549	132,110,307
End of Year	$ 1,386,175,246	$ 1,418,745,946	$ 1,190,219,397	$ (32,570,700)	$ 228,526,549

Additions to Plan Net Assets

A review of the Statement of Plan Net Assets shows that June 30, 2012 closed with assets exceeding liabilities by $1.386 billion with all of the net assets available to meet StanCERA's ongoing obligations to plan participants and their beneficiaries. Last fiscal year, ending June 30, 2011, closed with assets exceeding liabilities by $1.419 billion. The $32.6 million decrease and $228.5 million increase, respectively, in plan assets is a direct result of the changes in the financial market over the past two years. The 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 2011-2012 resulted in a gain of $51.6 million, where fiscal year 2010-2011 resulted in a gain of $307.3 million. This gain is primarily a result of growth in the broad market over the two past years, as discussed in the Investment Analysis below. Employer and member contributions increased by of $2.4 million (or 5.25%) from the contributions made in 2010-2011. Fiscal year 2011 Employer contribution rates were lowered by a transfer of non-valuation reserves. No transfer was done in 2012, effecting higher contribution rates for all Plans. Employee contributions increased in 2012, as a result of more employees purchasing lost service time.

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 2011-2012 were $84.1 million, an increase of $5.4 million from prior year. This increase is mainly due to the increase in the number of retirees and the average amount that they are paid. For fiscal year 2010-2011 these expenses were $78.8 million, an increase of $3.3 million from the prior year also due to an increase in the number of retirees and the average amount they are paid. Administrative costs to operate the system were $2.1 million and $2.0 million for fiscal years 2011-2012 and 2010-2011, respectively. Due to temporary staff costs, new full-time and part-time positions, and training of new staff and trustees, costs increased by 5.28% over fiscal year 2010-2011. Total administrative costs represented 0.1044% of the accrued actuarial liability for fiscal year 2011-2012 and 0.0986% for fiscal year 2010-2011.

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.

Domestic equity returns as of June 30, 2012 underperformed their benchmark by 50 basis points and international equity underperformed the benchmark by 20 basis points. Domestic equity returns outperformed their benchmark by 130 basis points and international equity outperformed by 100 basis points as of June 30, 2011. All major domestic indices rose over the past two years, as it appears the market continues to recover from the impact of the sub-prime lending crisis, the collapse of the housing market and the decline in consumer confidence.

Although the U.S. bond market continued to generate positive returns, StanCERA's fixed income returns for the year were down and underperformed their benchmark by 60 basis points as of June 30, 2012. For the year ending June 30, 2011, the Fund's fixed income returns outperformed their benchmark by 210 basis points.

For the fiscal year ending June 30, 2012, StanCERA's total portfolio underperformed its policy benchmark by 100 basis points with an overall return of 0.7%. For fiscal year ending June 30, 2011, it outperformed its policy benchmark by 160 basis points with an overall return of 22.9%. The moderate returns for fiscal 2012 continue to 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 resources available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. All employers have 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, 2011, 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, 2011 was 78.1%, up from 76.3% as of June 30, 2010, using the entry age normal method and the increase of asset valuations. StanCERA's actuary uses a five year smoothing of market gains and losses to derive the actuarial value of assets. The Board of Retirement approves the assumptions used by the Actuary to perform their calculation. As of the most recent actuarial valuation date of June 30, 2011, the actuarial value of assets was $1.4 billion. The next actuarial valuation is scheduled for June 30, 2012.

StanCERA's Fiduciary Responsibilities

StanCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the Net 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:

Rick Santos, CFA, ASA, MAAA
Executive Director
Stanislaus County Employees' Retirement Association
832 12th Street, Suite 600
Modesto, CA 95354

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS
As of June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
ASSETS		
Cash And Cash Equivalents (Note 4):	$ 39,960,025	$ 49,487,217
Receivables:		
Interest & Dividends	6,288,878	7,068,358
Securities Transactions	40,073,173	11,099,645
Contributions (Note 3)	1,814,176	1,599,785
Other	5,220	39,745
Total Receivables	48,181,447	19,807,533
Capital Assets (Note 2):		
Tenant Improvements	167,483	-
Tyler Software, net	599,528	725,153
Real Estate Occupied, net	1,764,829	1,783,805
Real Estate Leased, net	1,176,787	1,189,439
Leasehold Improvements, net	42,204	52,755
Office Equipment, net	5,471	3,590
Audio Recording System, net	4,537	5,834
Total Capital Assets, net	3,760,839	3,760,576
Investments at Fair Value (Note 4):		
U.S. Government and Agency Obligations	268,902,899	306,192,444
Corporate Bonds	211,121,622	178,481,739
Municipal Bonds	31,022,263	3,880,467
Emerging Market / Non-US Bonds	4,448,172	13,675,024
Domestic Stocks	359,747,438	403,303,382
Domestic Equity Index Fund	226,793,664	179,922,188
International Equity	224,687,670	263,243,866
Global REIT's	19,736,261	19,355,304
Securities Lending Collateral	112,214,531	138,824,720
Total Investments	1,458,674,520	1,506,879,134
Total Assets	1,550,576,831	1,579,934,460
LIABILITIES		
Current Liabilities		
Accounts Payable	8,241,988	7,736,755
Securities Transactions	39,036,066	8,593,470
Deferred Rents	167,483	-
Securities Lending Obligation (Note 4)	116,551,048	144,453,289
Total Current Liabilities	163,996,585	160,783,514
Long Term Liabilities		
Grant Deed Extension Fee	405,000	405,000
Total Liabilities	164,401,585	161,188,514
Net Assets Held In Trust For Pension Benefits (Note 6)	$ 1,386,175,246	$ 1,418,745,946

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
ADDITIONS		
Contributions (Note 5):		
Employer	$ 27,314,032	$ 26,256,729
Plan Members	20,525,295	19,197,052
Total Contributions	47,839,327	45,453,781
Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	(29,202,695)	229,909,853
Interest & Dividends	37,434,050	36,699,779
Total Investment Gain	8,231,355	266,609,632
Net Income from Commission Recapture	37,189	39,220
Less: Investment Expense (Note 7)	(4,937,605)	(5,268,156)
Net Investment Income	3,330,939	261,380,696
Other Investment Income:		
Net Litigation Recovery Income	571	16,849
Securities Lending Activities (Note 4):		
Securities Lending Income	713,368	463,269
Less: Securities Lending Expenses	(213,916)	(141,229)
Less: Net Appreciation/(Depreciation) in Fair Value of Securities Lending Collateral	(106,208)	122,907
Net Securities Lending Income	393,244	444,947
Total Investment Income	3,724,754	261,842,492
Total Additions	51,564,081	307,296,273
DEDUCTIONS		
Benefit Payments & Subsidies	80,157,222	74,826,404
Member Refunds - Termination	1,389,148	1,702,540
Member Refunds - Death	443,663	203,613
Administrative Expenses (Note 2)	2,144,748	2,037,167
Total Deductions	84,134,781	78,769,724
Net Increase/(Decrease)	(32,570,700)	228,526,549
Net Assets Held in Trust for Pension Benefits (Note 6)		
Beginning of Year	1,418,745,946	1,190,219,397
End of Year	$ 1,386,175,246	$ 1,418,745,946

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

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.

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, 2012			June 30, 2011		
	General	Safety	Total	General	Safety	Total
Active Members:						
Vested & Non-vested	3,213	655	3,868	3,220	634	3,854
Total Active	3,213	655	3,868	3,220	634	3,854
Inactive Members:						
Deferred Members	723	157	880	734	158	892
Unclaimed Contributions	140	12	152	135	15	150
Total Inactive	863	169	1,032	869	173	1,042
Retired Members:						
Service Retirements	2,358	339	2,697	2,245	313	2,558
Disability Retirements	233	148	381	237	139	376
Survivor Payments	36	9	45	33	9	42
Total Retired	2,627	496	3,123	2,515	461	2,976
Total Membership	6,703	1,320	8,023	6,604	1,268	7,872

The Stanislaus County Employees' Retirement Association consists of employees from the 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 which requires ten years of service, 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

Plan members 1, 2, 4 and 5 with 10 years of service, who have attained the age of 50, are eligible to retire. Plan 3 members are eligible with 10 years of service at age 55. 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. Government Code Section 31462 of the County Retirement Act of 1937 defines final average salary as a member's average monthly compensation earned during any consecutive 12 months (applicable to members of Plans 1, 4 and 5). Government Code Section 31462.1 uses the member's average monthly compensation earned during 36 consecutive months (applicable to members of Plans 2 and 3). 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).

Death Benefit-After Retirement

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).

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% per 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 25, 2012 have placed additional restrictions on the Retirement Board's ability to grant these benefits, the greatest restriction currently being that the System must be 100% 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 Cash Equivalents

Cash includes deposits with a financial institution and pooled cash and deposits with the Stanislaus County Treasurer. Pooled cash is reported at amortized cost, which 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, 2012 and 2011. 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 being developed as office space to be leased out. Depreciation expense totaled $171,306 and $170,251 for years ending June 30, 2012 and 2011 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, 2011	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2012
Tenant Improvements	$ -	$ 167,483	$ -	$ 167,483
Tyler Software	725,153	-	125,625	599,528
Real Estate Occupied	1,783,805	-	18,976	1,764,829
Real Estate Leased	1,189,439	-	12,652	1,176,787
Leasehold Improvements	52,755	-	10,551	42,204
Office Equipment	3,590	4,084	2,203	5,471
Audio Recording System	5,834	-	1,297	4,537
TOTAL	$ 3,760,576	$ 171,567	$ 171,304	$ 3,760,839

CAPITAL ASSETS	Net Balance at June 30, 2010	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2011
Tyler Software	$ 850,778	$ -	$ 125,625	$ 725,153
Real Estate Occupied	1,802,782	-	18,977	1,783,805
Real Estate Leased	1,202,093	-	12,654	1,189,439
Leasehold Improvements	63,306	-	10,551	52,755
Office Equipment	5,386	-	1,796	3,590
Audio Recording System	-	6,482	648	5,834
TOTAL	$ 3,924,345	$ 6,482	$ 170,251	$ 3,760,576

Administrative Expenses

The Association's general administrative expense is funded by the investment income and it is limited to twenty one-hundredths of one percent (0.21%) of the Association's Actuarial Accrued Liability (AAL) pursuant to Government Code Section 31580.2, effective July 1, 2011. The law provides for the cost of computer consultation, hardware and software as exempt from the limitation. Total administrative expenses for the years ending June 30, 2012 and 2011 were $2,144,748 and $2,037,167, respectively, of which $329,036 and $324,134, respectively, was not subject to the administrative expense limitations. Administrative expenses subject to the limitation amounted to 0.1044% of AAL for the year ending June 30, 2012 and 0.0986% for the year ending June 30, 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

StanCERA qualifies under Section 401(a) of the Internal Revenue Code. 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.

Reclassifications

Certain fiscal year 2011 amounts have been reclassified to conform with the fiscal year 2012 presentation.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents money withheld from employee salaries and employers' shares of retirement contributions for the month of June and received in July. Contributions Receivable as of June 30, 2012 and 2011 were $1,814,176 and $1,599,785, 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 $7,059,069 and $10,507,587 at June 30, 2012 and 2011, 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, 2012	June 30, 2011
Investments		
U.S. Government and Agency Obligations	$ 268,902,899	$ 306,192,444
Corporate Bonds	211,121,622	178,481,739
Municipal Bonds	31,022,263	3,880,467
Emerging Market / Non-US Bonds	4,448,172	13,675,024
Domestic Stocks	359,747,438	403,303,382
Domestic Equity Index Fund	226,793,664	179,922,188
International Equity	224,687,670	263,243,866
Global REIT's	19,736,261	19,355,304
Securities Lending Collateral	112,214,531	138,824,720
Subtotal	1,458,674,520	1,506,879,134
Deposits and Short-Term Investments		
Bank of New York: Cash in Custodial Account	32,900,956	38,979,630
Stanislaus County Treasury Investment Pool	7,059,069	10,507,587
Subtotal	39,960,025	49,487,217
Total Investments and Deposits	$ 1,498,634,545	$ 1,556,366,351

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, 2012, StanCERA had securities on loan with a carrying value of $113,293,086 and had received cash collateral (securities lending obligation) of $116,551,048. As of fiscal year ending June 30, 2011, StanCERA's securities on loan had a carrying value of $140,392,169, and had received cash collateral (securities lending obligation) of $144,453,289 with non-cash collateral of $1,285,598. On the reinvested cash collateral, StanCERA had an unrealized loss of ($106,208) for the fiscal year ended June 30, 2012, and had an unrealized gain of $122,907 for the fiscal year ended June 30, 2011. As a result of certain investments in securities issued by Lehman Brothers Holdings Incorporated and others having been purchased for StanCERA's account in which our securities lending cash collateral was invested with cash collateral delivered by borrowers in our securities lending program, the aggregate value of such investments is less than the amount required to be returned to such borrowers (a "Collateral Insufficiency"). Pursuant to the securities lending agreement, StanCERA is responsible for such Collateral Insufficiency. In 2008, StanCERA's custodial bank agreed to absorb 30% of the Lehman Brothers Holdings Incorporated loss ($2.4 million as of June 30, 2010).

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, 2012 and 2011 StanCERA has no credit risk exposure to borrowers because the amount StanCERA owes the borrower exceeds the amount the borrower owes StanCERA. These are separate investments made on StanCERA's behalf and not StanCERA's share of pooled investments.

SECURITIES LENDING COLLATERAL at June 30, 2012

Investment Type	Fair Value by Maturity Date < 1 year	1-5 years	5-15 years	> 15 years	Total Fair Value	Effective Duration (in years)
Asset Backed Securities	$ 218,022	$ -	$ -	$ 1,177,731	$ 1,395,753	0.070
Certificate of Deposit	54,864,245	-	-	-	54,864,245	0.130
Commercial Paper	45,649,097	-	-	-	45,649,097	0.100
Corporate Foating Rate	737,487	-	-	-	737,487	0.038
Reverse Repurchase Agreement	9,567,949	-	-	-	9,567,949	0.010
TOTALS	$ 111,036,800	$ -	$ -	$ 1,177,731	$ 112,214,531	0.100

SECURITIES LENDING COLLATERAL at June 30, 2011

Investment Type	Fair Value by Maturity Date < 1 year	1-5 years	5-15 years	> 15 years	Total Fair Value	Effective Duration (in years)
Asset Backed Securities	$ -	$ -	$ -	$ 2,053,567	$ 2,053,567	0.068
Certificate of Deposit	46,623,920	-	-	-	46,623,920	0.104
Commercial Paper	56,227,134	-	-	-	56,227,134	0.107
Corporate Foating Rate	5,282,550	-	-	-	5,282,550	0.038
Corporate Floating Rate - Defaulted	1,287,500	-	-	-	1,287,500	0.000
Reverse Repurchase Agreement	27,350,049	-	-	-	27,350,049	0.005
TOTALS	$ 136,771,153	$ -	$ -	$ 2,053,567	$ 138,824,720	0.322

The following table shows the credit quality of StanCERA's investments in Securities Lending Collateral on June 30, 2012 and 2011.

	June 30, 2012		**June 30, 2011**	
Credit Rating	**Percentage of Total Securities Lending Collateral**	**Securities Lending Collateral**	**Percentage of Total Securities Lending Collateral**	**Securities Lending Collateral**
AA	0.00%	$ -	1.60%	$ 2,222,266
A+	0.00%	-	1.41%	1,960,336
A	0.00%	-	0.79%	1,099,948
A-1+	0.00%	-	24.02%	33,349,586
A-1	89.57%	100,513,342	50.07%	69,504,821
B	0.19%	218,022	0.00%	-
B+	0.00%	-	0.42%	586,597
CCC	0.40%	447,570	0.38%	525,078
D	0.65%	730,161	0.68%	941,892
N/R - Repo	8.53%	9,567,949	19.70%	27,350,049
N/R - Other	0.66%	737,487	0.93%	1,284,147
	100.00%	$ 112,214,531	100.00%	$ 138,824,720

*N/R represents securities that are not rated.

NOTE 4 – CASH AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. StanCERA's average effective duration of all fixed income holdings, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus 1.5 years of the Barclays Aggregate Bond Index duration. For the year ending June 30, 2012, the Barclays Aggregate Bond Index was yielding 1.98% with an effective duration of 5.10 years. For the year ending June 30, 2011 the Barclays Aggregate Bond Index yielded 2.83% with an effective duration of 5.20 years. StanCERA had a yield of 2.65% and 3.18% for the fiscal years ended June 30, 2012 and 2011 respectively with an effective duration of 3.90 and 4.20 in years respectively. As of June 30, 2012 and 2011 the County's pool had a fair value of $932 million and $1.05 billion respectively, and a weighted average maturity of 542 days and 426 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 variables 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, 2012 and 2011:

	June 30, 2012		June 30, 2011	
Fixed Income Securities	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
U S Treasuries	$ 93,049,244	3.7	$ 88,359,573	3.9
Single Family Mortgage Backed Securities	150,053,841	1.3	162,144,106	2.7
Multi Family Mortgage Backed Securities	7,434,532	4.0	3,254,452	1.1
Collateralized Mortgage Backed Securities	9,586,248	3.0	16,388,781	3.4
Federal Agency	8,044,405	4.0	35,074,428	8.4
Asset Backed	734,629	0.0	971,104	0.5
Corporate Bonds	211,121,622	5.7	178,481,739	5.6
Municipal Bonds	31,022,263	10.6	3,880,467	10.8
Emerging Market / Non-US Bonds	4,448,172	6.2	13,675,024	1.5
Total Fixed Income Securities	$ 515,494,956		$ 502,229,674	

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 ratings differ among rating agencies, the manager shall use the middle of the Moody's, Standard & Poor's, and Fitch ratings to determine compliance with quality guidelines, so long as all three ratings exist. If two ratings are provided, the lower (more conservative) rating shall be used. If only one rating is provided, that rating shall 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 a Standard & Poor's rating of BBB 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, 2012 and 2011.

	June 30, 2012		June 30, 2011	
Credit Rating	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
AAA	1.43%	$ 7,353,266	41.14%	$ 206,637,063
Aa1 / AA+ / AA+	32.37%	166,871,770	0.20%	993,909
AA	0.33%	1,704,817	1.28%	6,441,310
AA-	1.23%	6,356,803	2.40%	12,033,228
A1 / A+ / A+	3.07%	15,844,725	2.97%	14,931,295
A2 / A / A	3.34%	17,216,845	5.73%	28,793,119
A3 / A- / A-	6.76%	34,862,517	4.31%	21,652,199
BAA+	0.70%	3,598,081	0.65%	3,265,996
BAA	1.09%	5,632,362	0.77%	3,860,771
BAA-	0.14%	701,269	0.12%	605,648
BA+	0.38%	1,944,017	0.09%	448,699
BA	0.05%	240,540	0.00%	-
BA-	0.08%	433,750	0.00%	-
Baa1 / BBB+ / BBB+	3.66%	18,849,824	3.71%	18,627,742
Baa2 / BBB / BBB	12.48%	64,341,689	8.86%	44,507,673
Baa3 / BBB- / BBB-	4.99%	25,714,759	3.89%	19,537,118
Ba1 / BB+ / BB+	3.26%	16,825,483	0.38%	1,911,975
Ba2 / BB / BB	2.20%	11,344,719	0.56%	2,807,703
Ba3 / BB- / BB-	0.25%	1,278,125	1.85%	9,294,567
B1 / B+ / B+	1.59%	8,198,249	1.81%	9,089,655
B	0.11%	562,491	0.04%	194,751
B3 / B- / B-	2.16%	11,118,987	1.62%	8,148,736
CAA+	0.07%	376,216	0.00%	-
CAA	0.01%	75,051	0.02%	86,945
N/R	0.19%	999,357	0.00%	-
N/A	18.05%	93,049,244	17.59%	88,359,572
Total	100.00%	$ 515,494,956	100.00%	$ 502,229,674

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 investments in mutual funds, external investment pools and other pooled investments are exempt from the disclosure requirements. 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 StanCERA'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. As of June 30, 2012 and 2011, StanCERA had investments of $83,017,538 and $122,253,634, respectively, in Fannie Mae securities which represent 5% or more of the total plan assets.

NOTE 4 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. StanCERA does not have a formal policy for custodial credit risk for deposits. Under California Government Code, a financial institution is required to secure deposits in excess of $250,000 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, 2012 and 2011 is as follows:

Currency	June 30, 2012 Fair Value (in US $)	June 30, 2011 Fair Value (in US $)
Australian Dollar	$ 11,855,700	$ 15,142,936
Brazil Real	801,262	-
British Pound Sterling	35,378,317	39,375,762
Canadian Dollar	17,513,609	20,682,999
Danish Krone	1,111,057	2,051,373
Euro Currency	46,367,961	62,775,396
Hong Kong Dollar	8,442,774	9,593,013
Indonesian Rupiah	460,686	-
Japanese Yen	34,624,264	36,576,724
Malaysian Renggit	-	291,227
Mexican Nuevo Peso	871,057	638,657
New Taiwan Dollar	3,000,337	2,727,642
New Turkish Lira	1,713,582	788,374
New Zealand Dollar	134,857	194,060
Norwegian Krone	2,454,896	2,999,619
Singapore Dollar	2,170,004	1,560,735
South African Rand	4,304,979	2,844,869
South Korean Won	3,676,374	5,644,203
Swedish Krona	2,496,890	2,177,734
Swiss Franc	12,154,803	11,889,365
US Dollar	35,154,260	45,289,177
TOTAL	$ 224,687,669	$ 263,243,865

American Depositary Receipts (ADR) are included in the US Dollars. ADR represents underlying securities of non-US companies traded on the US stock exchanges. Although the transactions are denominated in US Dollars and not subject to foreign currency risk, these securities are reflected as part of the non-US equities within International Equity Investments on page 32.

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. For Plan 5 Safety, the rates are such as to provide an average monthly annuity at age 50 equal to 1/100th of the final average salary (FAS). Plan 1 General members pay rates that will provide an average annuity at age 60 of $1/100^{th}$ of the FAS; Plan 4 General members pay rates that will provide an average annuity at age 55 of $1/120^{th}$ 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 $1/120^{th}$ 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 $1/120^{th}$ 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 refundable interest will be returned.

Contributions Required and Contributions Made

StanCERA'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. StanCERA 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 ended June 30, 2012 totaling $47,839,327 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed as of June 30, 2010. Employer contributions were 12.44% of covered payroll for Stanislaus County and 11.43% of covered payroll for other employers. Employee contributions, on average, were 9.25% of covered payroll. Stanislaus County represented 87.38% of covered payroll and 87.77% of total contributions.

Contributions for fiscal year ended June 30, 2011 totaling $45,453,781 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed as of June 30, 2009. Employer contributions were 11.57% of covered payroll for Stanislaus County and 10.79% of covered payroll for other employers. Employee contributions, on average, were 8.39% of covered payroll. Stanislaus County represented 87.51% of covered payroll and 88.02% of total contributions.

2012	County	%	Districts	%	Total	%
Covered Payroll	$193,848,830	87.38%	$27,990,531	12.62%	$221,839,361	100.00%
Employer Contributions	$24,113,522	12.44%	$3,200,510	11.43%	$27,314,032	12.31%
Member Contributions	$17,874,760	9.22%	$2,650,535	9.47%	$20,525,295	9.25%
Total Contributions	$41,988,282	87.77%	$5,851,045	12.23%	$47,839,327	100.00%

2011	County	%	Districts	%	Total	%
Covered Payroll	$200,310,439	87.51%	$28,593,941	12.49%	$228,904,380	100.00%
Employer Contributions	$23,170,387	11.57%	$3,086,342	10.79%	$26,256,729	11.47%
Member Contributions	$16,835,846	8.40%	$2,361,206	8.26%	$19,197,052	8.39%
Total Contributions	$40,006,233	88.02%	$5,447,548	11.98%	$45,453,781	100.00%

Funded Status & Method

The funding ratio as of June 30, 2011 was 78.1% 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, 2011, the actuarial value of assets was $1.37 billion.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents 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 FUNDED STATUS – PENSION BENEFIT PLAN
FOR YEAR ENDED JUNE 30, 2011
(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
6/30/2011	$ 1,372,046	$ 1,757,717	$ 385,671	78.1%	$ 221,541	174.1%

NOTE 5 - CONTRIBUTIONS (continued)

Funded Status & Method (continued)

The valuation interest rate is 8.00% compounded and the total salary scale increases of 3.75% (3.5% for inflation) per year were based on a study as of June 30, 2011 and dated March 2, 2012 adopted by the Board of Retirement on of March 14, 2012.

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2011 and June 20, 2010	June 30, 2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay
Remaining Amortization Period	25 Years	25 Years
Asset Valuation Method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market
Actuarial Assumptions		
Investment Rate of Return	8.00%	8.16%
Projected Salary Increases	3.75%, plus service-based rates	4.0%, plus service-based rates
Attributed to Inflation	3.50%	4.00%
Cost of Living Adjustments	100% of CPI to 3.0% annually with banking	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 2010 and 2009, 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, a 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 significant market value losses experienced in fiscal year 2008-2009, and adopted changes to the Excess Earnings policy, 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 Employer Advance Reserves to the Retired Members' Pension Reserve.

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 Employer 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 optional reserve represents earnings in excess of the total interest credited to contributions of the employer and employee, and is funded at a minimum 1% of net assets (Government Code Section 31592). It is used as a reserve against deficiencies in interest earning in other years, losses on investments 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 reduced the contingency reserve to its minimum in May 2012 by transferring it to the valuation reserves.

Undistributed Earnings/(Losses)

This "designation" account was established on June 30, 2003. It was 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. This reserve has no undistributed earnings/losses as of June 30, 2012 and 2011.

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, 2012	June 30, 2011
Active Members' Reserves	$ 263,964,988	$ 266,526,623
Employer Advance Reserves	200,268,026	233,996,928
Employer Transfer from Non-Valuation Reserve	96,630,058	81,400,000
Retired Members' Reserves	802,977,221	790,122,689
Contingency Reserve	13,862,807	23,804,388
Other Reserves		
Revocable Health Benefit Subsidy	117	11,966,689
Retiree Burial Allowance Reserve	5,855,000	5,855,000
Retiree Special Cost Of Living Reserve	-	1,831,267
Legal Contingency Reserve	2,609,033	3,232,556
Tier 3 Disability Reserve	7,996	9,806
Total Reserves	$ 1,386,175,246	$ 1,418,745,946

At the March 22, 2011 Retirement Board meeting, Trustees approved the transfer of approximately $14.3 million from non-valuation reserves to valuation reserves to partially pay for the amortization of the Unfunded Accrued Actuarial Liability (UAAL) for FY 2011-2012. The transfer occurs solely on the accounting records of StanCERA between various reserves and no money or assets leave the retirement system.

NOTE 7 – INVESTMENT EXPENSES

Investment expenses include fees paid for investment consulting services, fund evaluation services and 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, 2012	June 30, 2011
Investment Managers	$ 4,119,693	$ 4,321,407
Investment Consultants	152,500	149,375
Investment Attorney	(12,683)	33,125
Custodial Fees	614,018	696,913
Actuarial Fees	64,077	67,336
Total Investment Expenses	$ 4,937,605	$ 5,268,156

Investment Attorney fees were recovered from an investment company who cancelled their offering.

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.

NOTE 9 – SUBSEQUENT EVENTS

Change in Governmental Standards Board Reporting Requirements

In June 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. Statement No. 67 addresses reporting by pension plans that administer benefits for governments, and is effective for financial statements for periods beginning after June 15, 2013. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014. These standards were subsequently published in August 2012.

Key changes include:

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods (StanCERA's current Actuarial studies utilize the entry age normal assumption).
- Requiring more extensive note disclosures and required supplementary information.

The System will be subject to the provisions of Statement No. 67 beginning with the fiscal year ending June 30, 2014. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

NOTE 9 – SUBSEQUENT EVENTS (Cont.)

Pension Reform Act of 2012

On September 12, 2012, Governor Brown signed into law AB 340, the Pension Reform Act (PRA) of 2012.

The PRA of 2012 attempted to address many issues, including the following reform measures: (1) equal sharing of the annual normal cost of benefits; (2) compulsory reduced retirement formulas and increased retirement ages; (3) limitations on pensionable compensation; (4) anti-spiking provisions; (5) limitations on post-retirement employment; (6) forfeiture of pension benefits upon the conviction of certain felonies; (7) prohibition of pension funding holidays; and (8) industrial disability retirement benefits.

The full impact of this bill is not known at this time, but StanCERA will be administering lower benefit formulas with revised contribution requirements for new employees hired after January 1, 2013.

SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN
FOR THE SEVEN YEARS ENDING JUNE 30, 2011
(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)
6/30/2004	$ 993,180	$ 1,035,345	$ 42,165	95.9%	$ 199,963	21.1%
6/30/2005	$ 1,049,691	$ 1,116,310	$ 66,619	94.0%	$ 211,681	31.5%
6/30/2006	$ 1,154,048	$ 1,329,375	$ 175,327	86.8%	$ 212,011	82.7%
6/30/2008	$ 1,317,167	$ 1,548,824	$ 231,657	85.0%	$ 242,009	95.7%
6/30/2009	$ 1,171,767	$ 1,653,716	$ 481,949	70.9%	$ 248,316	194.1%
6/30/2010	$ 1,325,801	$ 1,737,824	$ 412,023	76.3%	$ 231,538	178.0%
6/30/2011	$ 1,372,046	$ 1,757,717	$ 385,671	78.1%	$ 221,541	174.1%

Note: The actuarial valuation as of June 30, 2006 was revised due to changes in assumptions. Actuarial valuation was not performed for the fiscal year ending 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 SEVEN YEARS ENDING JUNE 30, 2011
(Dollar amounts in thousands)

Year End	Annual Required Contribution	Percentage Contributed
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%
6/30/2010	$31,814 *	100%
6/30/2011	$47,657 **	100%

* The Actual Contribution was comprised of a $21,814,194 payment by the employers, plus an additional $10,000,000 in assets transferred from the non-valuation to valuation reserves.

** The Actual Contribution was comprised of a $26,256,729 payment by the employers, plus an additional $21,400,000 in assets transferred from the non-valuation to valuation reserves.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

StanCERA applied the parameters established by GASB Statements No. 25 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 in the 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, 2012 and 2011

	2012	2011
Personnel Services:		
Salaries and Employee Benefits	$ 1,137,397	$ 1,063,127
Total Personnel Services	1,137,397	1,063,127
Professional Services:		
Computer and Software Services and Support	177,244	170,096
County Counsel	1,909	20,640
Outside Legal Counsel	209,127	144,578
Disability Hearing Officer/Medical Exams and Reviews	64,864	90,678
External Audit Fees	33,716	32,174
Stanislaus County Strategic Business Technology Dept	20,379	26,062
Other Professional Services	16,141	14,067
Total Professional Services	523,380	498,295
Office Expenses:		
Office Supplies	11,782	8,588
Minor Equipment and Computer Supplies	5,788	3,844
Stanislaus County Central Services and Mail Room	27,670	39,546
Stanislaus County Support Services	78,137	81,041
Contract Services	25,223	3,176
Requested Maintenance	10,140	7,440
Communications	14,713	28,023
Printing and Publications	8,567	4,118
Other Office Expenses	23,014	39,267
Total Office Expenses	205,034	215,043
Miscellaneous:		
Fiduciary and Staff - Education/Travel	26,099	19,579
Fiduciary and Staff - Meetings/Other Travel	22,525	21,645
Insurance	51,826	43,508
Memberships	7,180	5,720
Depreciation	171,307	170,250
Total Miscellaneous	278,937	260,702
TOTAL ADMINISTRATIVE EXPENSES	$ 2,144,748	$ 2,037,167

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT MANAGEMENT FEES
AND OTHER INVESTMENT EXPENSES
For the Years Ended June 30, 2012 and 2011

	2012	2011
Investment Management Fees:		
Domestic Stocks	$ 1,755,620	$ 1,944,523
International Stocks	1,310,407	1,499,745
Domestic Bonds	865,122	751,414
Global REIT's & Special Situations	188,544	125,725
Total Investment Management Fees	4,119,693	4,321,407
Investment Consulting Fees	152,500	149,375
Investment Custodian Fees	614,018	696,913
Investment Legal Fees	(12,683)	33,125
Other Investment Related Expenses	64,077	67,336
TOTAL INVESTMENT EXPENSES	$ 4,937,605	$ 5,268,156

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Investment Section

Cover Source:
Irizarry, Luiana M.

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, SUITE 2000
SAN FRANCISCO, CALIFORNIA 94104
TEL 415/362-3484 ▪ FAX 415/362-2752

1001 AVENUE OF THE AMERICAS, SUITE 1219
NEW YORK, NEW YORK 10018
TEL 212/790-9474

STANISLAUS COUNTY EMPLOYEES' RETIREMENT SYSTEM

Summary

Fiscal year 2012 (June 30, 2012) saw a mix set of equity returns for the twelve month period with positive returns in US stock markets and losses in foreign stock markets in excess of -14%. The US Fixed Income markets continued to generate positive return in fiscal year 2012 as short-term interest rates were kept at historical low levels and US Treasuries rallied due to a flight to quality by investors. Spread fixed income instruments such as corporate bonds also rallied during the last nine months of the fiscal year. As a diversified investor, StanCERA experienced a +0.7% return for the fiscal year. The +0.7% result was below StanCERA's policy benchmark of +1.7% for the fiscal year by -100 basis points.

Fiscal year 2012 was once again positive for the U.S. equity markets and foreign equity markets experienced negative results as the sovereign debt crisis in Europe continued to be an issue with investors. For the fiscal year, the Russell 3000 US Stock Index gained +3.8% and the MSCI ACW (All Country World) ex-US Index of foreign stocks lost -14.1%. The US fixed income market produced a positive return (+7.5% Barclays Capital US Aggregate Index) for the fiscal year ending June 30, 2012.

Within the US equity market, stocks of large companies outperformed small companies (+4.4% versus -2.1%) for the fiscal year. Growth stocks outperformed value on a relative basis in large caps (+5.8% versus +3.1%) and within small caps value stocks outperformed growth stocks on a relative basis (-1.4% versus -2.7%).

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 (40.9% US Equities, 19.0% Non-US Equities, 37.1% Fixed Income, 1.5% Global REITs, and 1.5% Cash) and to rank in the top forty percent of a universe of public pension funds.

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

Investment Objectives

Investment returns achieved through June 30, 2012 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2012, StanCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards, and adding marginal value.

Investment Results

PERIODS ENDED 6/30/12	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+3.3%	+16.9%	-0.6%
Russell 3000	+3.8%	+16.7%	+0.4%
Rank	36*	49	79
Non-US Equity	-14.3%	+8.8%	-4.2%
MSCI ACWI ex-US	-14.1%	+7.4%	-4.2%
Rank	57	34	39
Fixed Income	+6.9%	+8.8%	+7.7%
Barclays Cap US Aggregate	+7.5%	+6.9%	+6.8%
Rank	58	51	42
Global Real Estate	+2.7%	+18.2%	
FTSE EPRA/NAREIT	+2.4%	+19.5%	
Rank	76	11	
Total Fund	+0.7%	+12.8%	+1.9%
*Policy Benchmark****	+1.7%	+12.3%	+2.0%
Public Fund Median	+1.1%	+11.7%	+1.8%
Rank**	63	23	41

* Ranking 1 is best, 100 is worst.

** Rankings source - ICC Public Funds Universe

***Policy Benchmark is 32.4% Russell 1000/ 8.5% Russell 2000/ 37.1% BC US Agg./ 19.0% MSCI ACWI ex-US/1.5% FTSE EPRA-NARIET/1.5% Citigroup 1-month T-Bill

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

Paul S. Harte

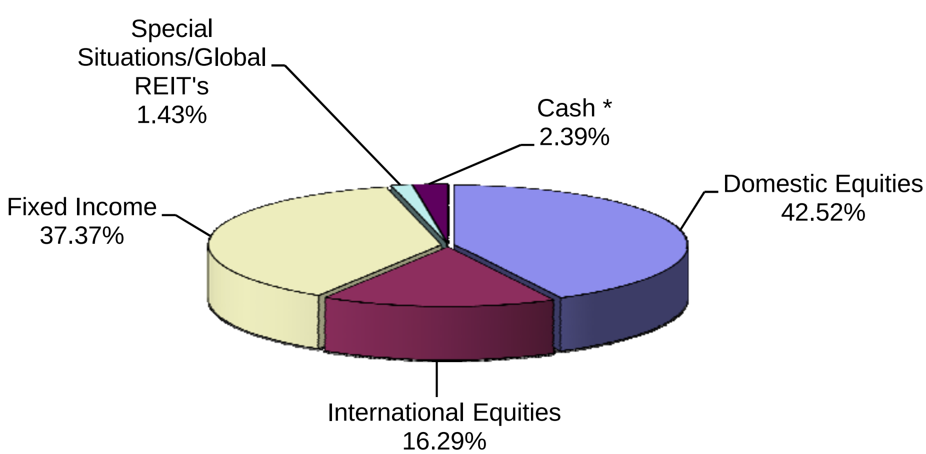
Paul S. Harte
Vice President
Strategic Investment Solutions, Inc.
August 1, 2012

ASSET ALLOCATION
JUNE 30, 2012

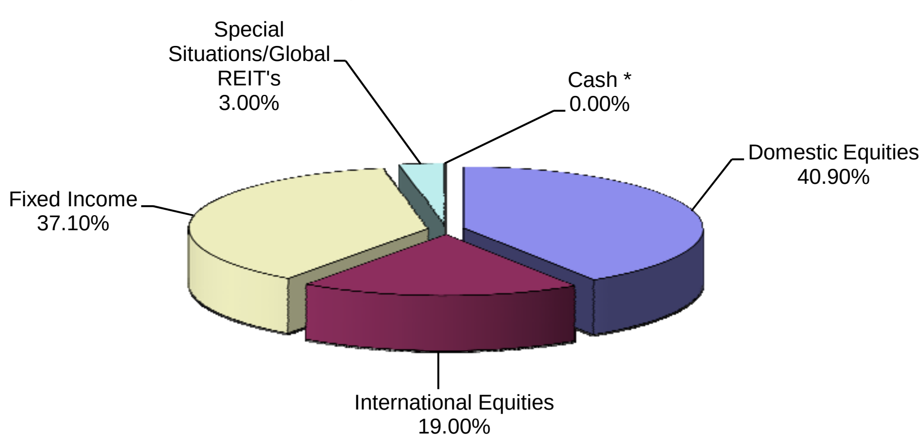
Asset Class	Fair Market Value	Actual Allocation	Target Allocation
Domestic Equities	$ 586,541,102	42.52%	40.90%
International Equities	224,687,670	16.29%	19.00%
Fixed Income	515,494,956	37.37%	37.10%
Special Situations/Global REIT's	19,736,261	1.43%	3.00%
Cash *	32,900,956	2.39%	0.00%
TOTAL PORTFOLIO**	$ 1,379,360,945	100.00%	100.00%

* Excludes Pooled Cash in County Treasury of $ 7,059,069
** Excludes Securities Lending Cash Collateral

Actual Allocation



Target Allocation



LARGEST BOND HOLDINGS (BY MARKET VALUE)
JUNE 30, 2012

Shares	Bond	Maturity Date	Market Value
16,300,000	UNITED STATES OF AMERICA	5/15/2021	$ 18,556,572
17,500,000	UNITED STATES OF AMERICA	1/31/2013	17,544,450
9,300,000	UNITED STATES OF AMERICA	4/4/2013	9,284,872
7,536,486	FREDDIE MAC	1/1/2035	8,250,116
7,272,298	FANNIE MAE, WASHINGTON, D.C.	10/1/2040	8,014,073
7,000,000	FANNIE MAE, WASHINGTON, D.C.	8/1/2042	7,503,160
6,582,503	FANNIE MAE, WASHINGTON, D.C.	6/1/2033	7,236,672
6,525,000	ALLY FINANCIAL INC, DETROIT	2/11/2014	6,614,719
6,500,000	UNITED STATES OF AMERICA	11/30/2012	6,508,645
5,645,000	XEROX CORP, NORWALK, CT	3/15/2016	6,455,509
6,325,000	UNITED STATES OF AMERICA	7/31/2012	6,327,467
5,800,000	UNITED STATES OF AMERICA	11/15/2021	6,013,440
5,327,433	FANNIE MAE, WASHINGTON, D.C.	4/1/2037	5,860,229
5,307,540	FHLMC	2/1/2039	5,859,843
5,160,432	FANNIE MAE, WASHINGTON, D.C.	11/1/2034	5,810,956
4,645,000	STATE OF CALIFORNIA	4/1/2034	5,802,720
5,400,000	UNITED STATES OF AMERICA	5/30/2013	5,390,694
4,475,000	THE ROYAL BANK OF SCOTLAND PLC, EDINBU	1/11/2021	4,971,367
4,850,000	UNITED STATES OF AMERICA	5/31/2013	4,861,155
4,008,685	FANNIE MAE, WASHINGTON, D.C.	2/1/2038	4,490,850

LARGEST STOCK HOLDINGS (BY MARKET VALUE)
JUNE 30, 2012

Shares	Stock	Market Value
16,900	APPLE INC	$ 9,869,600
146,816	SANOFI	7,393,631
105,800	CROWN CASTLE INTERNATIONAL CORP	6,206,228
49,250	VISA INC	6,088,778
13,725	MASTERCARD INC	5,903,260
4,852,763	COMCAST CORP	5,683,083
128,050	BMC SOFTWARE INC	5,465,174
97,100	QUALCOMM INC	5,406,528
160,072	WELLS FARGO & CO	5,352,808
57,400	ALLERGAN INC/UNITED STATES	5,313,518
7,800	PRICELINE.COM INC	5,183,256
159,200	ADOBE SYSTEMS INC	5,153,304
122,500	MERCK & CO INC	5,114,375
4,542,500	CAPITAL ONE FINANCIAL CORP	5,056,050
54,950	EOG RESOURCES INC	4,951,545
230,000	GENERAL ELECTRIC CO	4,793,200
77,700	INTUIT INC	4,611,495
7,700	GOOGLE INC	4,466,539
31,400	INTERCONTINENTALEXCHANGE INC	4,269,772
95,950	VERISIGN INC	4,180,542

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 Ended June 30, 2012 and 2011

		2012	2011
Domestic Equities			
Capital Prospects		$ 451,149	$ 516,567
Blackrock		27,802	23,360
Delaware Management Company		536,420	472,157
Dodge & Cox		216,229	345,827
Legato Capital Management		499,020	561,612
Mellon Capital Management		25,000	25,000
	Total Domestic Equity	1,755,620	1,944,523
International Equities			
LSV		700,869	824,085
Pyramis Global Advisors Holding Company		609,538	675,660
	Total International Equities	1,310,407	1,499,745
Fixed Income			
Dodge & Cox		527,864	411,182
PIMCO		337,258	340,232
	Total Fixed Income	865,122	751,414
Special Situations			
Research Affiliates		61,386	-
Invesco		127,158	125,725
	Total Special Situations	188,544	125,725
	Total Investment Management Fees	4,119,693	4,321,407
Other Investment Fees and Expenses			
Custodial Fees		614,018	696,913
Consultant Fees		152,500	149,375
Investment Attorney		(12,683)	33,125
Miscellaneous Fees		64,077	67,336
	Total Other Investment Expenses	817,912	946,749
Total Investment Fees and Expenses		$ 4,937,605	$ 5,268,156

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, 2012 and 2011, Commission Recapture Income was $37,189 and $39,220 respectively (see page 25).

INVESTMENT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2012

INVESTMENT SUMMARY
For the Year Ended June 30, 2012

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
DOMESTIC EQUITIES					
Dodge & Cox - LARGE CAP VALUE	$ 128,229,986	9.30%	0.70%	15.10%	-2.50%
RUSSELL 1000 VALUE			3.00%	15.80%	-2.20%
BlackRock R1000V - LARGE CAP VALUE	89,184,616	6.47%	3.10%	N/A	N/A
RUSSELL 1000 VALUE			3.00%	15.80%	-2.20%
Delaware - LARGE CAP GROWTH	112,707,971	8.17%	11.00%	19.80%	4.30%
RUSSELL 1000 GROWTH			5.80%	17.50%	2.90%
BlackRockR 1000G - LARGE CAP GROWTH	74,700,350	5.42%	5.90%	N/A	N/A
RUSSELL 1000 GROWTH			5.80%	17.50%	2.90%
Capital Prospects - SMALL CAP VALUE	61,325,428	4.45%	-1.30%	18.30%	N/A
RUSSELL 2000 VALUE			-1.40%	17.40%	N/A
Legato Capital Mgmt - SMALL CAP GROWTH	57,484,053	4.17%	-0.70%	18.70%	N/A
RUSSELL 2000 GROWTH			-2.70%	18.10%	N/A
Mellon Capital Management	62,908,698	4.56%	5.50%	16.40%	0.30%
S&P 500 INDEX			5.40%	16.40%	0.20%
TOTAL DOMESTIC EQUITIES	586,541,102	42.52%	3.30%	16.90%	-0.60%
RUSSELL 3000			3.80%	16.70%	0.40%
FIXED INCOME					
Dodge & Cox	389,107,216	28.21%	6.60%	8.70%	7.70%
BARCLAYS US AGGREGATE BOND			7.50%	6.90%	6.80%
Pimco	126,387,740	9.16%	8.70%	N/A	N/A
BARCLAYS US AGGREGATE BOND			7.50%	6.90%	6.80%
TOTAL FIXED INCOME	515,494,956	37.37%	6.90%	8.80%	7.70%
BARCLAYS US AGGREGATE BOND			7.50%	6.90%	6.80%
INTERNATIONAL INVESTMENTS					
Pyramis Investments	115,788,582	8.39%	-13.00%	8.90%	-3.40%
MSCI ACWI - ex US Index			-14.10%	7.40%	-4.20%
LSV Investments	108,899,088	7.89%	-15.70%	8.70%	-5.00%
MSCI ACWI - ex US Index			-14.10%	7.40%	-4.20%
TOTAL INTERNATIONAL INVESTMENTS	224,687,670	16.29%	-14.30%	8.80%	-4.20%
MSCI ACWI - ex US Index			-14.10%	7.40%	-4.20%
SPECIAL SITUATIONS					
GLOBAL REIT's					
Invesco	19,736,261	1.43%	2.70%	18.20%	N/A
FTSE EPRA/NAREIT Global REIT			2.40%	19.50%	N/A
GLOBAL LONG/SHORT EQUITY					
Enhanced RAFI	-	0.00%	-40.50%	N/A	N/A
CITIGROUP 1 MONTH T-BILL			0.00%	N/A	N/A
TOTAL SPECIAL SITUATIONS	19,736,261	1.43%	-19.30%	N/A	N/A
CASH & SHORT-TERM INVESTMENTS *					
Cash	32,900,956	2.39%	0.00%	N/A	N/A
90 DAY TREASURY BILL			0.00%	N/A	N/A
TOTAL FUND					
TOTAL FUND	$ 1,379,360,945	100.00%	0.70%	12.80%	1.90%
STANCERA POLICY COMPOSITE			1.70%	12.30%	2.00%

* Excludes Pooled Cash in County Treasury of $7,059,069

Note: % taken from SIS Quarterly Report presented to Board of Retirement on 8-28-12
Using time-weighted rate of return based on the market rate of return
Does not include Securities Lending Collateral

Actuarial Section

Cover Source:
Irizarry, Luiana M.

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466 Green Street, Suite 301B
San Francisco, CA 94133
(415) 829-7122 Phone
www.efi-actuaries.com

GRAHAM A. SCHMIDT | *Senior Vice President*

October 24, 2012

Actuarial Certification

This report presents the results of the annual actuarial review of the StanCERA Retirement Plan (the Plan) as of June 30, 2011. The prior review was conducted as of June 30, 2010.

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 and Statement of Plan Net Assets, 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. As of June 30, 2011, the Actuarial Value of Assets has been reset to equal the market value.

Our firm has prepared all of the schedules presented in the actuarial report. We reviewed the actuarial assumptions shown in the schedules and found them to be reasonably appropriate for use under the Plan. The assumptions used in this report reflect the results of an Experience Study performed by EFI covering the period from July 1, 2006 through June 30, 2009, and approved by the Board. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2012.

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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully Submitted,

Robert T. McCrory, FSA

(206) 328-8628

Graham A. Schmidt, ASA

(415) 829-7122

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Summary of Assumptions and Funding Methods

The following assumptions along with the post retirement and pre-retirement demographic experiences are based on the plan's actuarial experience study through June 30, 2009. The rates produced by the June 30, 2010 valuation were adopted by StanCERA Board of Retirement on March 22, 2011 and were effective July 1, 2011. The next actuarial valuation is in process for the fiscal year ending June 30, 2012.

Actuarial Assumptions

Post-Retirement Mortality

(1) Service

General

Males	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA Table with adjustment (Male)
Females	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA Table with adjustment (Female)

Safety

Males	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA Table with adjustment (Male)
Females	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA Table with adjustment (Female)

(2) Disability

General	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA with 7 year set forward for General Members
Safety	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA with 7 year set forward for Safety Members

(3) For Employee Contribution Rate Purposes

General	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA with 7 year set forward for General Members Blending weighting 25% Male / 75% Female
Safety	RP 2000 Group Annuity Mortality Table, Projected to 2020 Using Scale AA with 7 year set forward for General Members Blending weighting 80% Male / 20% Female

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, 2011
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 over 25 Years.
Asset valuation method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market.
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.75%, plus service-based rates
Attributed to Inflation:	3.50%
Retirees' cost-of-living adjustments	100% of CPI to 3.0% annually with banking
Retiree cost-of-living assumption	2.7%

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 years. 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, and are based on service. The rates do not overlap with service retirement rates.

	Withdrawal	
Service	Safety	General
0	8.000%	13.500%
1	6.000%	9.000%
2	5.000%	6.375%
3	4.000%	4.875%
4	3.000%	4.125%
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 58; terminated Safety Members are assumed to begin receiving benefits at age 53. 25% of vested terminated General members are assumed to be reciprocal; 50% of vested Safety members are assumed to be reciprocal. Separate rates of termination are assumed among Safety and General Members. The rates shown do not overlap with the service retirement rates.

	Vested Termination	
Service	Safety	General
0	5.000%	5.000%
1	4.500%	5.000%
2	4.000%	3.000%
3	3.500%	3.000%
4	3.000%	3.000%
5	2.500%	3.000%
10	2.500%	2.000%
15	1.250%	2.000%
20	0.000%	1.200%
25	0.000%	1.200%
30 +	0.000%	0.000%

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

Service Retirement		
Age	Safety	General
40-44	5.00%	0.00%
45-49	5.00%	0.00%
50	15.00%	5.00%
51	15.00%	4.00%
52	15.00%	4.00%
53	15.00%	5.00%
54	15.00%	6.00%
55	30.00%	10.00%
56	30.00%	10.00%
57	30.00%	10.00%
58	30.00%	12.00%
59	30.00%	15.00%
60	100.00%	18.00%
61	100.00%	18.00%
62	100.00%	30.00%
63	100.00%	25.00%
64	100.00%	25.00%
65	100.00%	40.00%
66	100.00%	30.00%
67	100.00%	30.00%
68	100.00%	30.00%
69	100.00%	30.00%
70	100.00%	100.00%

Duty related mortality rates are only applicable for Safety Active members.

Active Member Mortality			
	Duty Death	Ordinary Death - General and Safety	
Age	Safety All	Female	Male
20	0.0150%	0.0138%	0.0235%
25	0.0189%	0.0156%	0.0308%
30	0.0254%	0.0216%	0.0402%
35	0.0357%	0.0381%	0.0699%
40	0.0564%	0.0522%	0.0919%
45	0.0885%	0.0814%	0.1161%
50	0.0703%	0.1189%	0.1487%
55	0.1055%	0.2314%	0.2469%
60	0.0000%	0.4573%	0.4887%
65	0.0000%	0.8780%	0.9607%
70	0.0000%	1.5145%	1.6413%

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	0.0759%	0.0007%	0.0065%
25	0.1932%	0.0013%	0.0153%
30	0.3457%	0.0025%	0.0316%
35	0.5309%	0.0071%	0.0426%
40	0.7426%	0.0168%	0.0602%
45	1.1297%	0.0303%	0.0920%
50	1.5092%	0.0486%	0.1345%
55	1.7230%	0.0746%	0.1840%
60	0.0000%	0.1048%	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 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 was phased in over a five-year period that started June 30, 2001. Under this method, the Actuarial Value of Assets as of June 30, 2011 was determined as follows:

1.		Contributions	Benefit Payments	Expected Investment Return *	Actual Investment Return	Additional Earnings	Percentage Deferred	Deferred Earnings
	2008	43,244,855	70,227,537	(123,453,409)	(123,453,409)	0	20%	0
	2009	44,333,858	74,399,189	(223,111,526)	(223,111,526)	0	40%	0
	2010	42,560,605	73,196,706	162,746,408	162,746,408	0	60%	0
	2011	45,453,781	76,732,557	259,805,325	259,805,325	0	80%	0
	Total Unrecognized Dollars							0

2.	Market Value of Assets as of June 30, 2011		1,418,745,946
3.	Actuarial Value of Assets as of June 30, 2011: (2)-(1)		1,418,745,946
4.	Corridor Limit		
	a. 80% of Net Market Value		1,134,996,757
	b. 120% of Net Market Value		1,702,495,135
5.	Actuarial Value of Assets After Corridor		1,418,745,946
6.	Ratio of Actuarial Value to Market Value: (5)/(2)		100.0%
7.	Special (Non Valuation) Reserves		
	$5,000 Death Benefits	5,855,000	
	Revocable Health Insurance Stipend	11,966,689	
	Special COL Reserve	1,831,267	
	Legal Contingency Reserve	3,232,556	
	Tier 3 Disability Reserve	9,806	
	Contingency Reserve	23,804,388	
	Total Special Reserves (Market Value)		46,699,706
8.	Adjusted Total Special Reserves (100.0% of Market, Except Contingency)		46,699,706
9.	Pension Reserves at Actuarial Value (Valuation Assets): (5)-(8)		$1,372,046,240

* The Actuarial Value of Assets was reset to equal the Market Value as of June 30, 2011. This was done by eliminating the prior gain/loss bases (i.e. by setting the expected returns equal to the actual returns). In the absence of this change, the Actuarial Value of Assets would have been $1,419,410,035, or $664,089 greater than the current Market Value.

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	46,367	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	47,072	1.52%
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	48,797	3.66%
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	50,050	2.57%
6/30/2008	General	3,719	230,942,000	62,098	27.88%
	Safety	731	44,638,000	61,064	5.18%
	Total	4,450	275,580,000	61,928	23.73%
6/30/2009	General	3,627	201,144,000	55,457	-10.69%
	Safety	739	47,172,000	63,832	4.53%
	Total	4,366	248,316,000	56,875	-8.16%
6/30/2010	General	3,464	202,200,198	58,372	5.26%
	Safety	685	46,630,275	68,073	6.64%
	Total	4,149	248,830,473	59,974	5.45%
6/30/2011	General	3,232	184,906,498	57,211	-1.99%
	Safety	637	41,800,298	65,621	-3.60%
	Total	3,869	$ 226,706,796	$ 58,596	-2.30%

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
6/30/2005	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
6/30/2010	2,751	159	$ 3,349,900	80	$ 751,427	2,830	$ 71,464,735	7.11%	$ 25,334
6/30/2011	2,830	263	$ 4,724,416	78	$ 1,194,042	3,015	$ 74,826,404	4.70%	$ 27,414

SOLVENCY TEST

Valuation Date	Actuarial Accrued Liabilities (AAL) for:			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3				
	Active Member Contributions	Retirees & Beneficiaries	Active Members Employer Portion		1	2	3
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	$ 1,171,767,000	100%	100%	16%
6/30/2010	$ 323,940,000	$ 829,323,000	$ 584,561,000	$ 1,325,801,000	100%	100%	30%
6/30/2011	$ 337,201,000	$ 897,384,000	$ 523,133,000	$ 1,372,046,000	100%	100%	26%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

	Actuarial (Gains)/Losses				
Plan Year Ending	Asset Sources	Liability Sources	Total	Changes in Plan Provisions	Changes in Assumption/ Methods
6/30/2005	$ 26,573,640	$ 11,238,430	$ 37,812,070	$ -	$ -
6/30/2006	$ (27,756,878)	$ 21,366,204	$ 21,366,204	$ -	$ (14,845,293)
*6/30/2007	$ 86,178,774	$ -	$ 86,178,774	$ -	$ 134,470,779
6/30/2008	$ (50,709,169)	$ 67,324,195	$ 67,324,195	$ -	$ -
6/30/2009	$ 228,905,354	$ 12,996,828	$ 241,902,182	$ -	$ -
6/30/2010	$ (76,507,113)	$ 37,492,978	$ 37,492,978	$ -	$ (51,743,766)
6/30/2011	$ 49,205,018	$ (2,387,353)	$ 46,817,665	$ -	$ (72,085,966)

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

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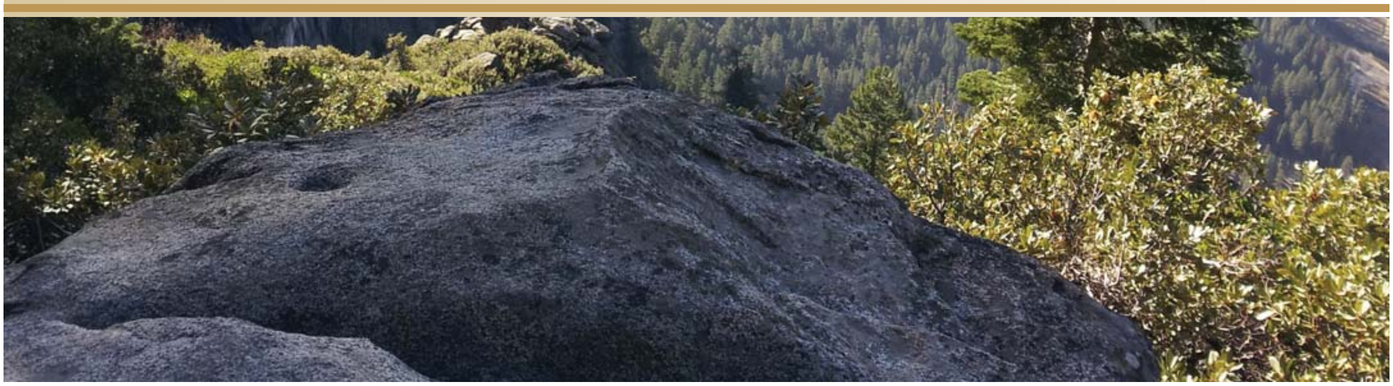
Statistical Section



Cover Source:
Irizarry, Luiana M.

STATISTICAL INFORMATION

This section provides a multi-year trend of financial 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, payments 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

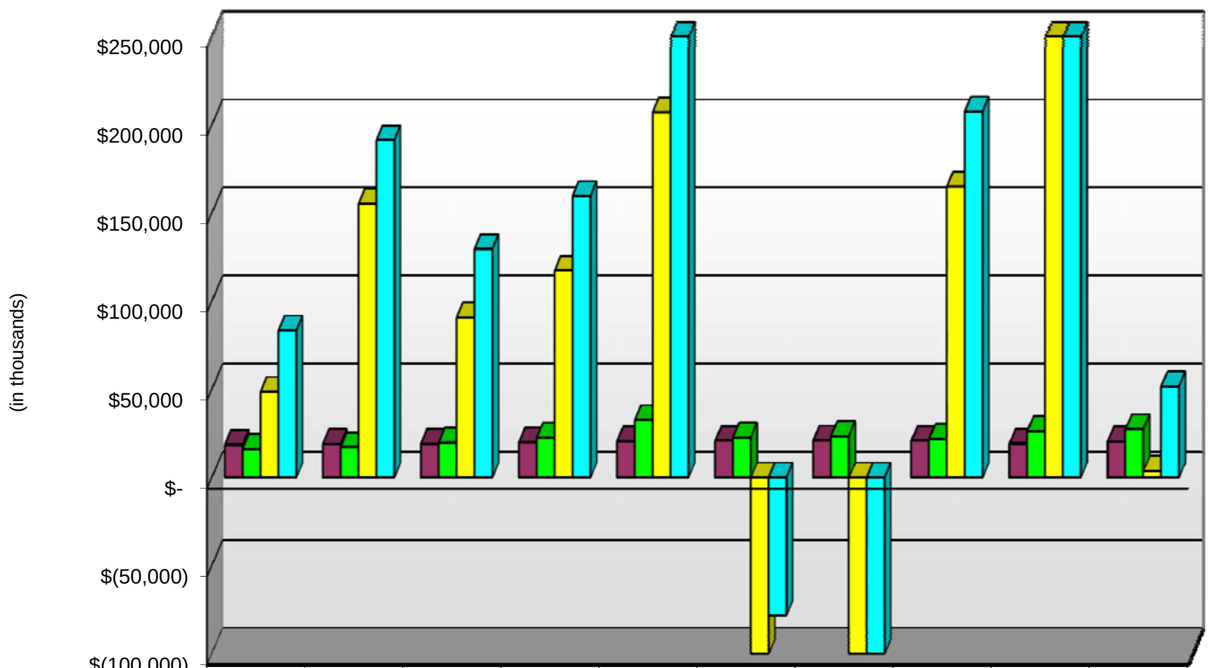
Last Ten Fiscal Years ending June 30

Additions To Plan Net Assets	2012	2011	2010	2009	2008
Employer Contributions	$ 27,314,032	$ 26,256,729	$ 21,814,194	$ 23,410,965	$ 22,555,416
Plan Member Contributions	20,525,295	19,197,052	20,746,411	20,922,893	20,689,439
Investment Income (Loss)	3,330,939	261,380,696	161,234,157	(215,302,029)	(122,548,769)
Litigation Recovery	571	16,849	680,579	57,010	117,351
Net Security Lending Income (Loss)	393,244	444,947	3,139,108	(5,786,378)	1,022,295
Total Additions	$ 51,564,081	$ 307,296,273	$ 207,614,449	$ (176,697,539)	$ (78,164,268)
Deductions From Plan Assets					
Pension Benefits	$ 80,157,222	$ 74,826,404	$ 71,464,735	$ 71,861,210	$ 67,785,111
Refunds	1,832,811	1,906,153	1,731,971	2,537,978	2,442,426
Administrative Expense and Misc	2,144,748	2,037,167	2,307,436	2,080,130	2,044,286
Total Deductions	$ 84,134,781	$ 78,769,724	$ 75,504,142	$ 76,479,318	$ 72,271,823
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	$ (32,570,700)	$ 228,526,549	132,110,307	(253,176,857)	(150,436,091)
Net Assets Held in Trust for Pension Benefits					
Beginning of year	1,418,745,946	1,190,219,397	1,058,109,090	1,311,285,947	1,461,722,038
End of year	$ 1,386,175,246	$ 1,418,745,946	$ 1,190,219,397	$ 1,058,109,090	$ 1,311,285,947

Additions To Plan Net Assets	2007	2006	2005	2004	2003
Employer Contributions	$ 32,562,514	$ 22,548,754	$ 19,792,748	$ 17,113,973	$ 16,207,877
Plan Member Contributions	20,542,837	19,860,676	19,088,340	18,941,508	18,520,605
Investment Income (Loss)	206,631,146	116,898,276	90,280,931	154,739,718	47,836,183
Litigation Recovery	177,775	27,479	113,169	114,058	126,162
Net Security Lending Income (Loss)	382,991	347,188	309,095	415,659	597,316
Total Additions	$ 260,297,263	$ 159,682,373	$ 129,584,283	$ 191,324,916	$ 83,288,143
Deductions From Plan Assets					
Pension Benefits	$ 67,599,163	$ 58,129,898	$ 53,176,109	$ 47,926,179	$ 43,435,482
Refunds	2,730,463	2,482,105	2,347,241	1,326,769	1,561,286
Administrative Expense and Misc	1,980,926	1,598,700	1,404,838	1,301,338	1,147,117
Total Deductions	$ 72,310,552	$ 62,210,703	$ 56,928,188	$ 50,554,286	$ 46,143,885
Increase (Decrease) in Net Assets Held in Trust for Pension Benefits	187,986,711	97,471,670	72,656,095	140,770,630	37,144,258
Net Assets Held in Trust for Pension Benefits					
Beginning of year	1,273,735,327	1,176,263,657	1,103,607,562	962,836,932	925,692,674
End of year	$ 1,461,722,038	$ 1,273,735,327	$ 1,176,263,657	$ 1,103,607,562	$ 962,836,932

Additions by Source

(for years ending June 30)

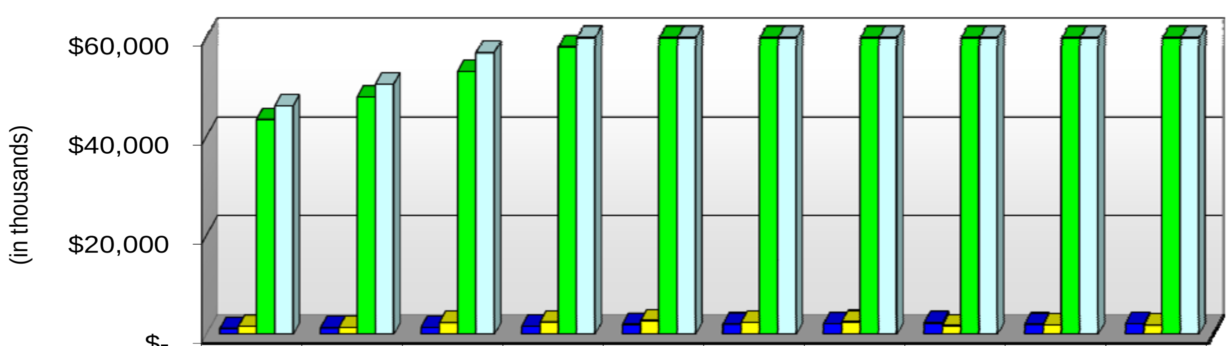


	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Plan Member Contrib.	$18,521	$18,942	$19,088	$19,861	$20,543	$20,689	$20,923	$20,746	$19,197	$20,525
Employer Contrib.	$16,207	$17,114	$19,793	$22,549	$32,562	$22,555	$23,411	$21,814	$26,257	$27,314
Investments	$48,560	$155,269	$90,703	$117,273	$207,192	$(121,409)	$(221,031)	$165,054	$261,842	$3,725
Total	$83,288	$191,325	$129,584	$159,683	$260,297	$(78,165)	$(176,698)	$207,614	$307,296	$51,564

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

Deductions by Type

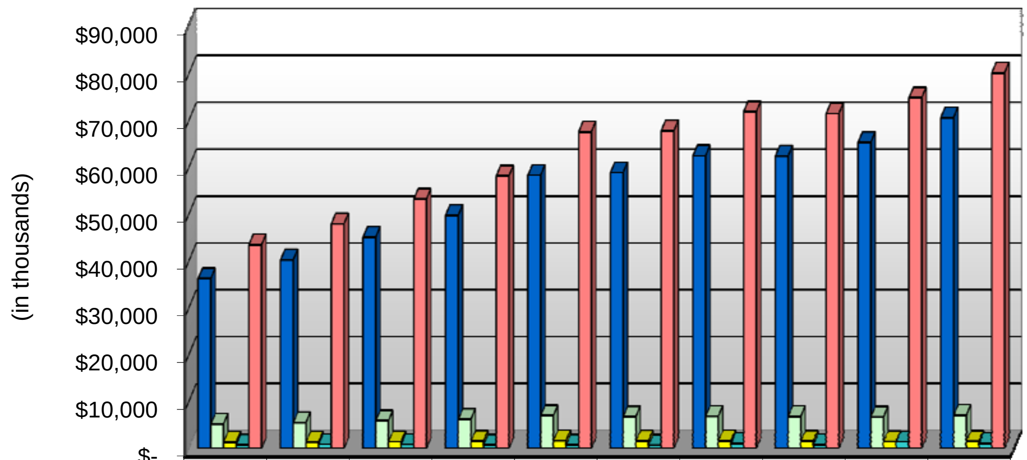
(for years ending June 30)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administrative	$1,147	$1,301	$1,405	$1,599	$1,981	$2,044	$2,080	$2,307	$2,037	$2,145
Refunds	$1,561	$1,327	$2,347	$2,482	$2,730	$2,442	$2,538	$1,732	$1,906	$1,833
Benefits	$43,435	$47,926	$53,176	$58,130	$67,599	$67,785	$71,861	$71,465	$74,826	$80,157
Total	$46,143	$50,554	$56,928	$62,211	$72,310	$72,271	$76,479	$75,504	$78,769	$84,135

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

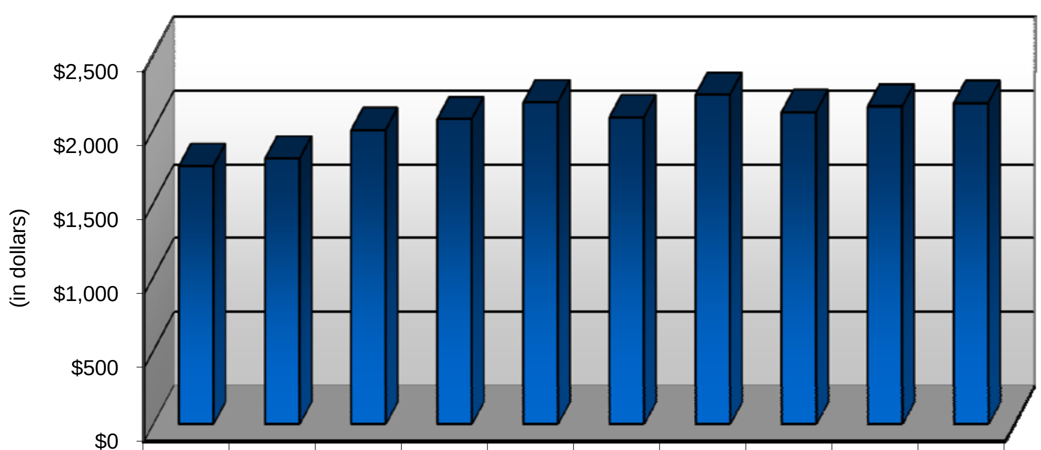
Benefit Expense by Type
(for years ending June 30)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Service	$36,229	$40,230	$45,068	$49,729	$58,320	$58,875	$62,463	$62,400	$65,311	$70,619
Serv. Conn. Dis.	$5,156	$5,482	$5,844	$6,185	$6,946	$6,719	$6,828	$6,792	$6,672	$7,020
Non-Serv. Dis.	$1,332	$1,354	$1,430	$1,510	$1,621	$1,535	$1,572	$1,496	$1,446	$1,471
Surv. Death Ben.	$718	$860	$834	$706	$712	$655	$998	$777	$1,397	$1,047
Total	$43,435	$47,926	$53,176	$58,130	$67,599	$67,784	$71,861	$71,465	$74,826	$80,157

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

Average Monthly Retirement Benefits
(for years ending June 30)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Monthly Allowance	$1,751	$1,801	$1,994	$2,068	$2,181	$2,080	$2,232	$2,115	$2,153	$2,177

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

RETIRED MEMBERS BY BENEFIT TYPE
as of June 30, 2012

Amount Monthly Benefit	Total # Retirees	Service Retirement	Service Connected Disability	Non-Service Disability	Survivors
General Members					
$0-500	392	371	3	12	6
501-1,000	530	454	6	49	21
1,001-1,500	466	388	38	36	4
1,501-2,000	332	280	44	6	2
2,001-2,500	252	225	20	5	2
2,501-3,000	155	148	7	0	0
3,001-3,500	115	113	1	0	1
3,501-4,000	81	77	3	1	0
4,001-4,500	70	68	2	0	0
4,501-5,000	44	44	0	0	0
over 5,000	190	190	0	0	0
Totals	2,627	2,358	124	109	36
Safety Members					
$0-500	30	19	8	2	1
501-1,000	24	18	4	0	2
1,001-1,500	38	31	2	4	1
1,501-2,000	44	33	7	4	0
2,001-2,500	60	23	36	0	1
2,501-3,000	82	30	51	0	1
3,001-3,500	50	31	18	0	1
3,501-4,000	26	25	1	0	0
4,001-4,500	20	19	0	0	1
4,501-5,000	22	20	1	0	1
over 5,000	100	90	10	0	0
Totals	496	339	138	10	9
TOTALS	3,123	2,697	262	119	45

(Data retrieved from StanCERA's data base)

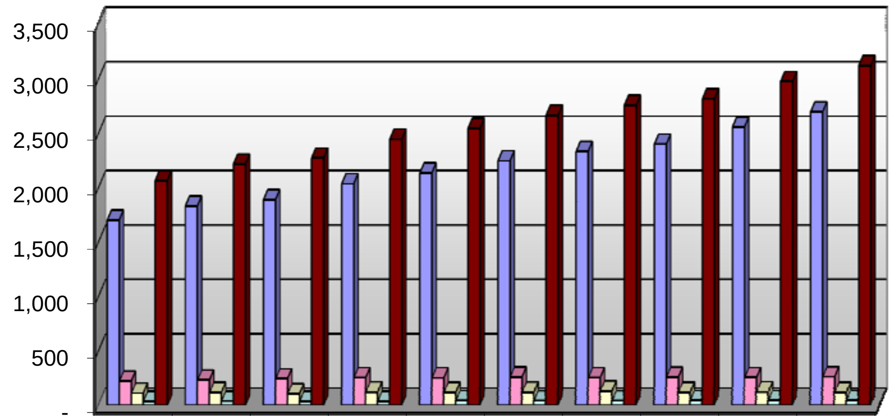
AVERAGE BENEFIT PAYMENTS
As of Fiscal End of Year

	Beneficiaries & Dro's	*Service Years Credited* 0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year Ending June 30, 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
Fiscal Year Ending June 30, 2011								
Average Monthly Benefit	$1,362	$621	$1,044	$1,192	$1,843	$2,581	$3,785	$5,260
Number of Active Retirees	389	169	350	574	454	424	331	298
Fiscal Year Ending June 30, 2012								
Average Monthly Benefit	$1,405	$596	$1,040	$1,212	$1,918	$2,654	$3,860	$5,152
Number of Active Retirees	383	176	366	606	484	446	335	320

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)

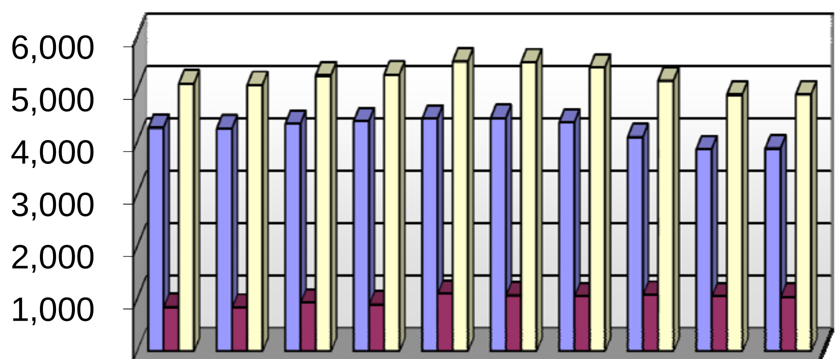


	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Service	1,701	1,831	1,890	2,035	2,135	2,247	2,334	2,399	2,558	2,697
Serv. Conn. Dis.	221	231	244	252	251	259	252	258	254	262
Non-Serv. Dis.	110	117	104	121	118	120	131	119	122	119
Surv. Death Ben.	35	38	35	37	41	40	40	42	42	45
Total	2,067	2,217	2,273	2,445	2,545	2,666	2,757	2,818	2,976	3,123

Data retrieved from StanCERA's data base.

Membership History (Active & Deferred)

(for years ending June 30)



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Active Members	4,263	4,248	4,338	4,391	4,435	4,450	4,366	4,085	3,854	3,868
Inactive Members	841	832	924	886	1,093	1,062	1,044	1,075	1,042	1,032
Total	5,104	5,080	5,262	5,277	5,528	5,512	5,410	5,160	4,896	4,900

Data retrieved from StanCERA's data base.

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

	2012		2011		2010		2009		2008	
Stanislaus County:										
General Members	2,852	73.7%	2,841	73.7%	3,013	73.8%	3,227	73.9%	3,313	74.4%
Safety Members	574	14.8%	553	14.3%	601	14.7%	658	15.1%	663	14.9%
Total	3,426		3,394		3,614		3,885		3,976	
Participating Agencies:										
Stanislaus County Superior Courts	229	5.9%	245	6.4%	252	6.2%	263	6.0%	254	5.7%
City of Ceres	173	4.5%	173	4.5%	178	4.4%	178	4.1%	186	4.2%
East Side Mosquito Abatement District	10	0.3%	11	0.3%	11	0.3%	11	0.3%	10	0.2%
Hills Ferry Cemetery	4	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Keyes Community Services District	6	0.2%	6	0.2%	6	0.1%	6	0.1%	6	0.1%
Salida Sanitary District	7	0.2%	7	0.2%	7	0.2%	6	0.1%	4	0.1%
Stanislaus Council of Governments	13	0.3%	14	0.3%	13	0.3%	13	0.3%	10	0.2%
Total	442		460		471		481		474	
Total Active Membership	3,868		3,854		4,085		4,366		4,450	

	2007		2006		2005		2004		2003	
Stanislaus County:										
General Members	3,311	74.7%	3,330	75.8%	3,320	76.5%	3,239	76.2%	3,292	77.2%
Safety Members	660	14.9%	626	14.3%	618	14.2%	583	13.7%	580	13.6%
Total	3,971		3,956		3,938		3,822		3,872	
Participating Agencies:										
Stanislaus County Superior Courts	246	5.5%	232	5.3%	211	4.9%	220	5.2%	198	4.6%
City of Ceres	183	4.1%	172	3.9%	161	3.7%	173	4.1%	161	3.8%
East Side Mosquito Abatement District	10	0.2%	9	0.2%	8	0.2%	6	0.1%	6	0.2%
Hills Ferry Cemetery	4	0.1%	4	0.1%	3	0.1%	3	0.1%	3	0.1%
Keyes Community Services District	6	0.2%	5	0.1%	5	0.1%	5	0.1%	4	0.1%
Salida Sanitary District	4	0.1%	4	0.1%	4	0.1%	5	0.1%	5	0.1%
Stanislaus Council of Governments	11	0.2%	9	0.2%	8	0.2%	14	0.3%	14	0.3%
Total	464		435		400		426		391	
Total Active Membership	4,435		4,391		4,338		4,248		4,263	

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

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