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

2014 DEC 22 P 1:08
BOARD OF SUPERVISORS

TO: Christine Ferraro-Tallman, 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, 2014

DATE: December 22, 2014

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, 2014.

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.

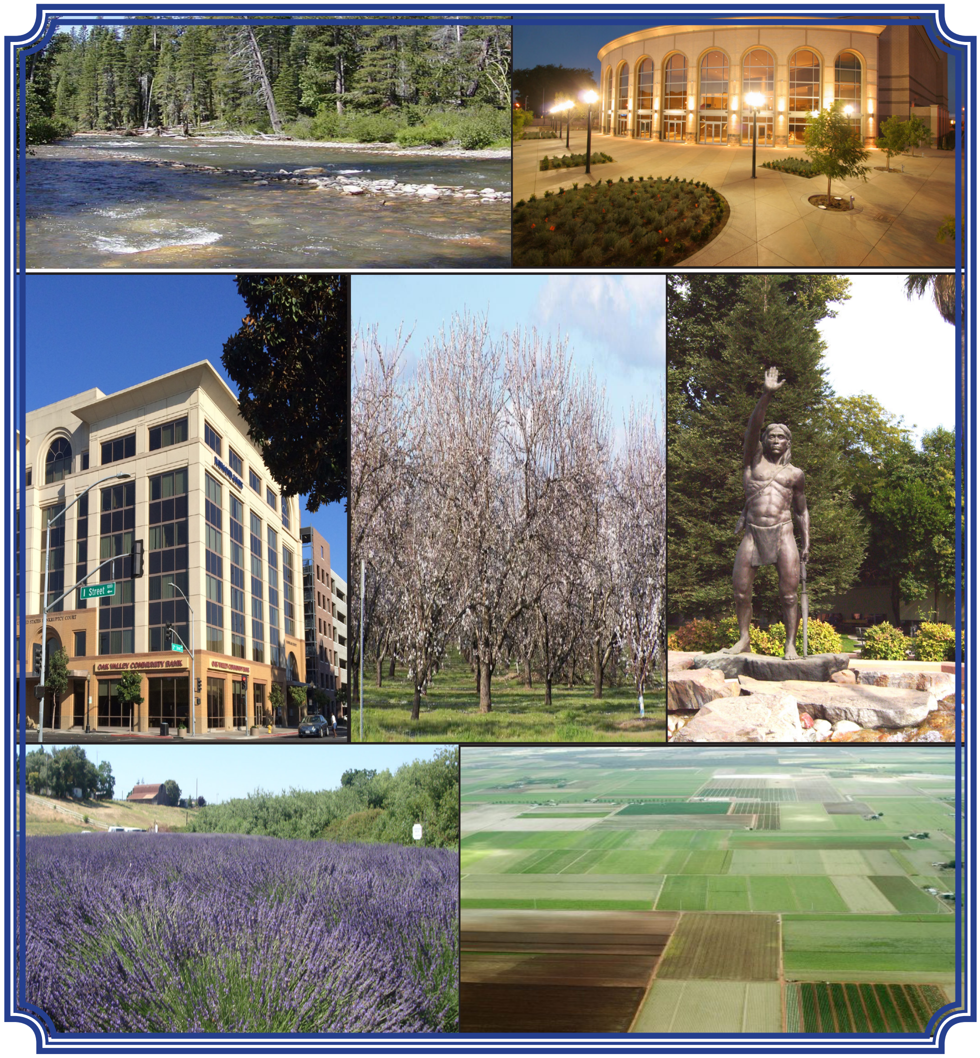
The report is posted on our website (www.stancera.org) and can be reproduced as needed. Please contact StanCERA should you have any questions regarding the CAFR.

cc: Stan Risen, CEO

Ensuring Tomorrow's Benefits Through
Prudent Management

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

Comprehensive Annual Financial Report



For the Fiscal Years Ended June 30, 2013 and 2014

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, 2014 and 2013

Issued By

Rick Santos, CFA, ASA, MAAA
Executive Director

StanCERA Staff

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Investment Section

Actuarial Section

Statistical Section

Mission

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

Vision

Ensuring tomorrow's benefits through prudent management.

Introductory Section

StanCERA [stan-sarah]

acronym

1. Ensuring tomorrow's benefits through prudent management.

2. Stanislaus County Employees' Retirement Association, Pension Trust Fund of the County of Stanislaus, California.

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e-mail: retirement@stancera.org

LETTER OF TRANSMITTAL

November 6, 2014

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) for the fiscal years ended June 30, 2014 and 2013. As of June 30, 2014, it is StanCERA's 66th year of operations.

The CAFR is a detailed financial report 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 multiple employer public employees' retirement system, established by the County of Stanislaus on July 1, 1948. StanCERA is operated and administered by the Board of Retirement (the Board) to provide retirement, disability, death and survivor benefits for its members under the California State Government Code, Section 31450 et.seq. known as the County Employees Retirement Law of 1937 (CERL) and the Public Employees' Pension Reform Act (PEPRA).

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
Stanislaus County Superior Court
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 the 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, while the retiree and 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 when received or when due pursuant to legal requirements. 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, 2014 and 2013, 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 that second, the valuation of the cost and benefits requires estimates and judgments by management.

Financial Information (continued)

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected within 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.)

Net Pension Liability and Actuarial Funding

In 2012, the Governmental Accounting Standards Board (GASB) issued two standards (Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* and No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*), which fundamentally changes the accounting and financial reporting requirements for pension benefits. GASB's intention with the new standards is to increase transparency in financial reporting. The new standards require pension systems to allocate the net pension liability to all participating employers. StanCERA implemented GASB Statement No. 67 for the fiscal year ended June 30, 2014. Participating employers will be required to implement GASB Statement No. 68 for the fiscal year ended June 30, 2015.

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 the 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, 2012 by Cheiron EFI (formerly EFI Actuaries). Cheiron EFI conducted the last actuarial valuation as of June 30, 2013, the results of which were rolled forward to StanCERA's fiscal year ended June 30, 2014, and determined the plan's funding ratio (ratio of market value of assets to net pension liability) to be 88.5% using the recommended assumptions.

Stanislaus County issued $108 million in pension obligation bonds in September 1995 to satisfy the Unfunded Accrued Actuarial Liability (UAAL) for the County, calculated as of that date. Final payment of these bonds was made in August 2013.

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 bank. 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

Investments (continued)

administrative costs. StanCERA engages an Investment Consultant to analyze investment policy and strategy and to conduct periodic asset allocation and asset/liability studies on behalf of StanCERA. For the fiscal years ended June 30, 2014 and 2013, the Plan's investments provided an 18.2% and 14.5% 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, 2013. 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 ninth 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 (CAFR), 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, 2013. This report provides all StanCERA members more concise and condensed information than can be found in the CAFR.

StanCERA also received the Public Pension Coordinating Council's Public Pension Standards 2013 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

The Public Pension Coordinating Council (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.

StanCERA continues to increase its visibility by giving benefits 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 and minutes for each meeting. The benefit calculators remain the most visited page on the website.

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 StanCERA for their commitment and for their diligent work to ensure the continued successful operation of StanCERA.

Sincerely,

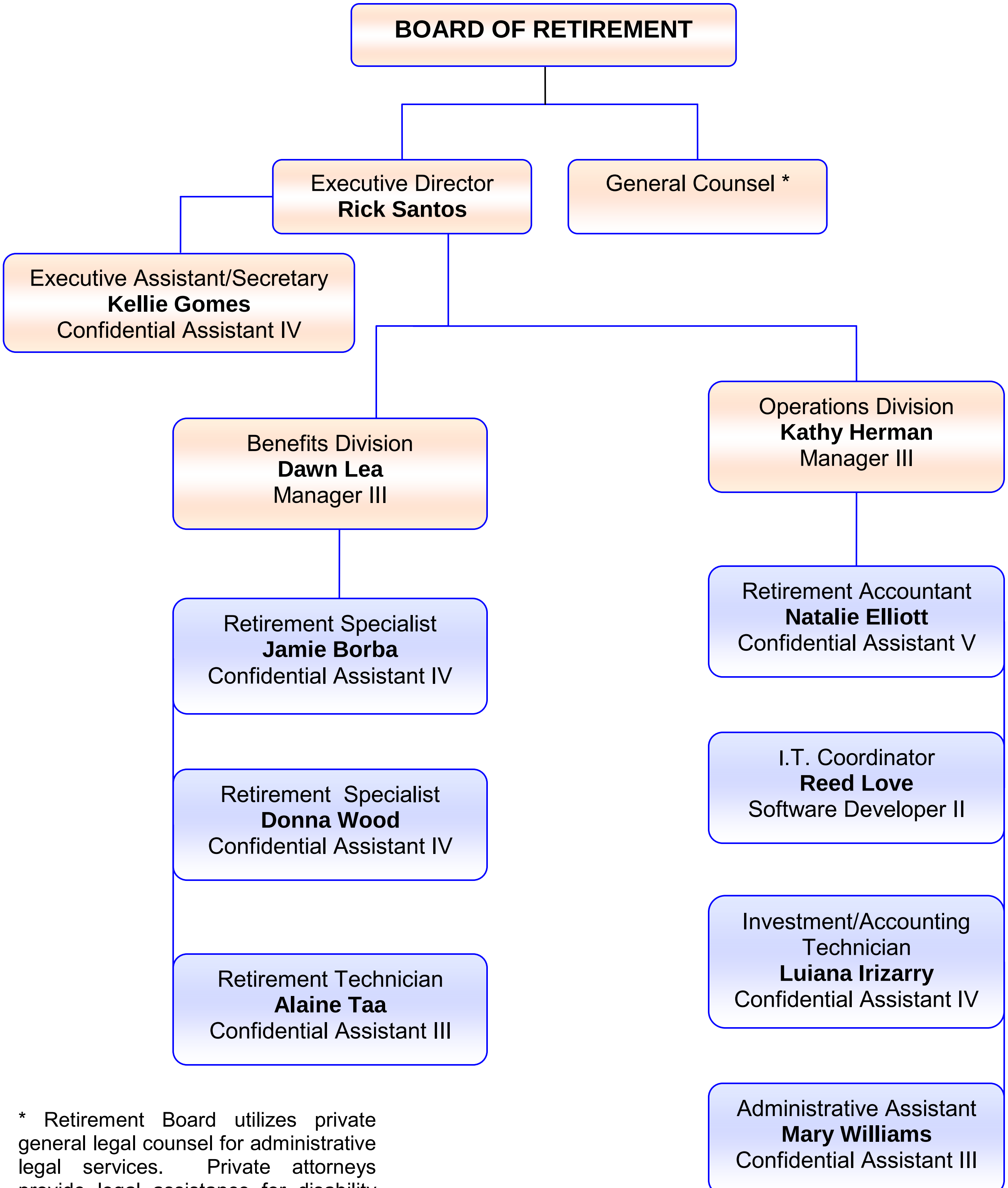
Rick Santos, CFA, ASA, MAAA
Executive Director

BOARD OF RETIREMENT
JUNE 30, 2014

Seat#		
1.	***Gordon Ford**, Ex-Officio, Chair*	Treasurer/Tax Collector
2.	***Maria DeAnda**, Vice Chair*	Elected by Active General Membership
3.	***Donna Riley**, Trustee*	Elected by Active General Membership
4.	***Jason Gordo**, Trustee*	Appointed by the Board of Supervisors
5.	***Mike Lynch**, Trustee*	Appointed by the Board of Supervisors
6.	***Jim DeMartini**, Trustee*	Appointed by the Board of Supervisors
7.	***Darin Gharat**, Trustee*	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 2014



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

PROFESSIONAL CONSULTANTS
JUNE 30, 2014

Actuary
Cheiron EFI (formerly EFI Actuaries)

Auditors
Macias Gini & O'Connell LLP

Investment Custodian
Northern Trust

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

Investment Management Services*

Fixed Income
Dodge & Cox
PIMCO

Large Cap Value Equity
Dodge & Cox
BlackRock R1000 Value

Large Cap Growth Equity
Jackson Square Partners
BlackRock R1000 Growth

Small Cap Value Equity
Capital Prospects

Small Cap Growth Equity
Legato Capital Management

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

Domestic Equity Index Funds
Mellon Capital Management

Real Estate Securities
Black Rock US Real Estate Index

Direct Lending
Medley Opportunity Fund II LP
Raven Capital Management, LLC
White Oak Global Advisors, LLC

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

GFOA Certificate of Achievement Award

CAFR

GFOA Certificate of Achievement Award

PAFR

PPCC

Public Pension Coordinating Council

PUBLIC PENSION STANDARDS AWARD

For Funding and Administration

2013

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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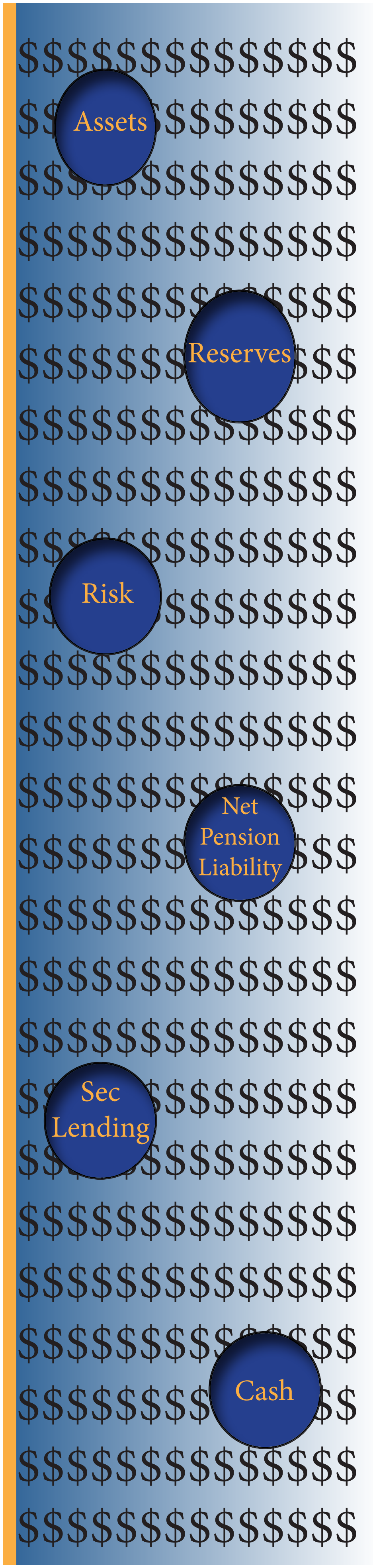

Financial Section

fi·nan·cial [fi-nan-shuhl]

adjective

1. pertaining to monetary receipts and expenditures; pertaining or relating to money matters; pecuniary: financial operations.

2. of or pertaining to those commonly engaged in dealing with money and credit.

noun

3. financials, financial information or data about a company, as balance sheets and price-earnings ratio.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Stanislaus County Employees' Retirement Association (StanCERA), a component unit of the County of Stanislaus, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise StanCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stanislaus County Employees' Retirement Association as of June 30, 2014 and 2013, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the basic financial statements, StanCERA adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25,* for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

As described in Note 8 to the basic financial statements, the total pension liabilities of participating employers exceeded the plan's fiduciary net position by $233 million. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.75 percent, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, schedule of employer's net pension liability, schedule of employer contributions, and schedule of investment returns, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise StanCERA's basic financial statements. The introductory section, other supplemental schedules 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 schedules in the financial section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 6, 2014 on our consideration of StanCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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* in considering StanCERA's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
November 6, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Stanislaus County Employees' Retirement Association's (StanCERA) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended June 30, 2014 and 2013. Please review it in conjunction with the transmittal letter (page 3) and the Basic Financial Statements (beginning on page 27).

Financial Highlights

- Fiduciary Net Position increased by $246.5 million (or 15.96%) as a result of the fiscal year's activities.
- Contributions (employer and member), in total, increased by $9.3 million (or 15.61%).
- Net investment income (including Net Appreciation in Fair Value of Investments) increased by $86.8 million (or 45.93%).
- Benefit payments increased by $6.0 million (or 6.90%) 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 active general members, and 3% at age 50 for active safety members. One district did not implement the new benefit plans. Members in the non-contributory Tier 3 were allowed to transfer 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 with the reduced benefit formulas of 2% at age 61 for most general members and 2% at 50 for safety members. Tier 2 was closed and Tier 6 was adopted effective January 1, 2013 for all new hires and provides 2% at 62 for general members, and 2.7% at age 57 for safety members.
- Effective January 1, 2010 the Revocable Health Benefits Subsidy was suspended.
- In April of 2014 and 2013, respectively, a 2.5% and 2.0% 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.

Using the Annual Report

The financial statements reflect the activities of the Stanislaus County Employees' Retirement Association and are composed of the Statements of Fiduciary Net Position (see page 27) and the Statements of Changes in Fiduciary Net Position (see page 28). 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 the following three components:

1. Statements of Fiduciary Net Position
2. Statements of Changes in Fiduciary Net Position
3. Notes to the Basic Financial Statements

StanCERA's basic financial statements and the note disclosures to the basic financial statements are in compliance with accounting principles generally accepted for governments (GAAP) within the United States as established by the Governmental Accounting Standards Board.

Financial Analysis

Statements of Fiduciary Net Position

The Statements of Fiduciary Net Position show the assets available for future payments to retirees and liabilities as of the fiscal year end. The following condensed comparative summary of Fiduciary Net Position demonstrates that the pension trust is primarily focused on the cash and investments and the restricted net position. This statement is also a good indicator of the financial strength of StanCERA.

Fiduciary Net Position, as of June 30, 2014, 2013 and 2012	2014	2013	2012	$ Change 2014 - 2013	$ Change 2013 - 2012
Current Assets	$ 71,222,397	$ 77,468,649	$ 88,141,472	$ (6,246,252)	$ (10,672,823)
Investments	1,948,165,095	1,633,578,676	1,458,674,520	314,586,419	174,904,156
Capital Assets	3,669,013	3,817,082	3,760,839	(148,069)	56,243
Total Assets	2,023,056,505	1,714,864,407	1,550,576,831	308,192,098	164,287,576
Total Liabilities	231,747,226	170,051,412	164,401,585	61,695,814	5,649,827
Total Fiduciary Net Position	$ 1,791,309,279	$ 1,544,812,995	$ 1,386,175,246	$ 246,496,284	$ 158,637,749

Financial Analysis (continued)

Statements of Changes in Fiduciary Net Position

The Statements of Changes in Fiduciary Net Position provide an account of the fiscal years' additions to and deductions from StanCERA.

Additions To Fiduciary Net Position For The Fiscal Years Ended June 30, 2014, 2013 and 2012	2014	2013	2012	$ Change 2014 - 2013	$ Change 2013 - 2012
Employer Contributions	$ 46,763,996	$ 39,077,480	$ 27,314,032	$ 7,686,516	$ 11,763,448
Plan Member Contributions	21,867,911	20,285,888	20,525,295	1,582,023	(239,407)
Net Investment Income	275,864,058	188,929,033	3,330,939	86,935,025	185,598,094
Net Other Investment Income	123,840	114,770	571	9,070	114,199
Net Security Lending Income	(1,091,790)	944,484	393,244	(2,036,274)	551,240
Total Additions	$ 343,528,015	$ 249,351,655	$ 51,564,081	$ 94,176,360	$ 197,787,574

Deductions From Fiduciary Net Position For The Fiscal Years Ended June 30, 2014, 2013 and 2012	2014	2013	2012	$ Change 2014 - 2013	$ Change 2013 - 2012
Benefit Payments	$ 93,116,413	$ 87,102,798	$ 80,157,222	$ 6,013,615	$ 6,945,576
Member Refunds - Termination	1,515,567	1,115,209	1,389,148	400,358	(273,939)
Member Refunds - Death	150,491	430,554	443,663	(280,063)	(13,109)
Administrative Expenses	2,249,260	2,065,345	2,144,748	183,915	(79,403)
Total Deductions	$ 97,031,731	$ 90,713,906	$ 84,134,781	$ 6,317,825	$ 6,579,125
Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	$ 246,496,284	$ 158,637,749	$ (32,570,700)	$ 87,858,535	$ 191,208,449
Fiduciary Net Position Restricted for Pension Benefits					
Beginning of Year	1,544,812,995	1,386,175,246	1,418,745,946	158,637,749	(32,570,700)
End of Year	$ 1,791,309,279	$ 1,544,812,995	$ 1,386,175,246	$ 246,496,284	$ 158,637,749

Additions to Fiduciary Net Position

A review of the Statement of Fiduciary Net Position shows that June 30, 2014 closed with assets exceeding liabilities by $1.791 billion with all of the Fiduciary Net Position restricted for StanCERA's ongoing obligations to plan participants and their beneficiaries. The fiscal year ended June 30, 2013, closed with assets exceeding liabilities by $1.545 billion. The $246.5 million increase and $158.6 million increase respectively, in Fiduciary Net Position is a direct result of the changes in the financial market over the past two years. StanCERA remains in good financial condition.

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 2013-2014 resulted in a gain of $343.5 million, where fiscal year 2012-2013 resulted in a gain of $249.4 million. This gain is primarily a result of growth in the broad market over the past two years, as discussed in the Investment Analysis below. Employer and member contributions increased by $9.3 million (or 15.61%) from

Financial Analysis (continued)

Additions to Fiduciary Net Position (continued)

the contributions made in 2012-2013. Employer contribution increases in 2014 are mainly due to changes in economic assumptions from the actuarial valuations of June 30, 2011 to June 30, 2012, and a reduction of the discount rate from 8.00% to 7.75% respectively. Employer contribution increases in 2013 were also due to changes in economic assumptions and opening of Tier 6 due to the Public Employees' Pension Reform Act effective January 1, 2013.

Deductions from Fiduciary Net Position

The primary uses of StanCERA's assets are the 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 2013-2014 were $97.0 million, an increase of $6.3 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 2012-2013 these expenses were $90.7 million, an increase of $6.6 million from the prior year also due to an increase in the number of retirees and the average amount they are paid. For fiscal year 2013-2014 administrative expense increased by 8.90% over fiscal year 2012-2013. Total administrative expense represented 0.1042% of the accrued actuarial liability (funding basis) for fiscal year 2013-2014 and 0.0936% for fiscal year 2012-2013.

Overall Financial Condition

Investment Analysis

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

Domestic equity returns for the fiscal year ended June 30, 2014 outperformed their benchmark by 100 basis points and international equity underperformed the benchmark by 40 basis points. Domestic equity returns for the fiscal year ended June 30, 2013 outperformed their benchmark by 260 basis points and international equity outperformed by 330 basis points for the fiscal year ended June 30, 2013. 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.

StanCERA's fixed income returns were up and outperformed their benchmark by 200 basis points for the fiscal year ended June 30, 2014. For the fiscal year ended June 30, 2013, the Plan's fixed income returns underperformed their benchmark by 130 basis points.

For the fiscal year ended June 30, 2014, StanCERA's total portfolio outperformed its policy benchmark by 140 basis points with an overall return of 18.2%. For the fiscal year ended June 30, 2013, the portfolio outperformed its policy benchmark by 300 basis points with an overall return of 14.5%. The positive returns for fiscal 2014 continue to strengthen StanCERA's financial position, and further enhance its ability to meet its obligations to the Plan participants and beneficiaries.

Overall Financial Condition (continued)

Net Pension Liability

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 fails to make actuarially determined contributions. All StanCERA employers have traditionally contributed the actuarially determined contribution as determined by the Plan's actuary.

An indicator of funding status is the ratio of the Plan Fiduciary Net Position to the Total Pension Liability (TPL). 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 Net Pension Liability (NPL). Performance in the stock and bond markets can have a material impact on the fair value of assets and Plan Fiduciary Net Position.

The Net Pension Liability (NPL) as of June 30, 2013, rolled forward to StanCERA's fiscal year ended June 30, 2014, was $233.1 million using the entry age normal cost method. The Board of Retirement approves the assumptions used by the actuary to perform their calculation. As of the most recent actuarial valuation dated June 30, 2013, rolled forward to June 30, 2014, StanCERA's Fiduciary Net Position was 88.5% of the total pension liability. The next actuarial valuation is scheduled for June 30, 2014 to be rolled forward to fiscal year ended June 30, 2015.

StanCERA's Fiduciary Responsibilities

StanCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution, the Fiduciary Net Position 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 FIDUCIARY NET POSITION
As of June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ASSETS		
Cash and Cash Equivalents (Note 4):	$ 44,078,286	$ 44,461,336
Receivables:		
Interest and Dividends	5,829,241	6,090,300
Securities Transactions	18,227,509	24,493,236
Contributions (Note 3)	3,051,590	2,380,496
Other	35,771	43,281
Total Receivables	27,144,111	33,007,313
Capital Assets (Note 2):		
Tenant Improvements	390,438	390,438
Tyler Software, net	348,278	473,903
Real Estate Occupied, net	1,726,876	1,745,853
Real Estate Leased, net	1,151,479	1,164,133
Leasehold Improvements, net	43,723	31,653
Office Equipment, net	2,042	2,859
Audio Recording System, net	1,945	3,241
Security and Monitoring Equipment, net	4,232	5,002
Total Capital Assets, net	3,669,013	3,817,082
Investments at Fair Value (Note 4):		
U.S. Government and Agency Obligations	270,703,895	278,578,812
Corporate Bonds	197,641,123	192,004,280
Municipal Bonds	22,318,375	31,682,578
Emerging Market / Non-US Bonds	3,083,644	2,748,685
Domestic Stocks	519,619,265	435,862,122
Domestic Equity Index Fund	321,021,385	264,390,778
International Equity	323,400,806	263,833,964
Real Estate Securities	25,348,384	22,377,219
Direct Lending	74,084,729	29,098,868
Securities Lending Collateral	190,943,489	113,001,370
Total Investments	1,948,165,095	1,633,578,676
Total Assets	2,023,056,505	1,714,864,407
LIABILITIES		
Current Liabilities:		
Accounts Payable	10,031,091	9,708,506
Securities Transactions	30,566,509	43,986,634
Deferred Rents	247,089	325,118
Securities Lending Obligation (Note 4)	190,507,537	115,636,154
Total Current Liabilities	231,352,226	169,656,412
Long Term Liabilities:		
Grant Deed Extension Fee	395,000	395,000
Total Liabilities	231,747,226	170,051,412
Fiduciary Net Position Restricted For Pension Benefits (Note 6)	$ 1,791,309,279	$ 1,544,812,995

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

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
ADDITIONS		
Contributions (Note 5):		
Employer	$ 46,763,996	$ 39,077,480
Plan Members	21,867,911	20,285,888
Total Contributions	68,631,907	59,363,368
Investment Income:		
Net Appreciation in Fair		
Value of Investments	239,719,981	159,601,338
Interest and Dividends	44,870,019	38,144,730
Total Investment Gain	284,590,000	197,746,068
Net Income from Commission Recapture	31,360	28,794
Less: Investment Expense (Note 4)	(8,757,302)	(8,845,829)
Net Investment Income	275,864,058	188,929,033
Other Investment Income:		
Net Litigation Recovery Income	256	8,950
Borrower Fees	332	1,000
Rental Income	123,252	104,820
Net Other Investment Income	123,840	114,770
Securities Lending Activities (Note 4):		
Securities Lending Income	479,545	546,343
Less: Securities Lending Expense	(131,917)	(162,956)
Less: Net Appreciation/(Depreciation) in Fair Value of		
Securities Lending Collateral	(1,439,418)	561,097
Net Securities Lending Income/(Loss)	(1,091,790)	944,484
Total Investment Income	274,896,108	189,988,287
Total Additions	343,528,015	249,351,655
DEDUCTIONS		
Benefit Payments and Subsidies	93,116,413	87,102,798
Member Refunds - Termination	1,515,567	1,115,209
Member Refunds - Death	150,491	430,554
Administrative Expenses (Note 2)	2,249,260	2,065,345
Total Deductions	97,031,731	90,713,906
Net Increase	246,496,284	158,637,749
Fiduciary Net Position Restricted for Pension Benefits (Note 6)		
Beginning of Year	1,544,812,995	1,386,175,246
End of Year	$ 1,791,309,279	$ 1,544,812,995

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1 - DESCRIPTION OF PLAN

Description of System and Applicable Provisions of the Law

The Stanislaus County Employees' Retirement Association (StanCERA) is an integrated public employee retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Employees Retirement Law of 1937 (Chapter 677 Statutes of 1937) and the Public Employees' Pension Reform Act. It is a cost-sharing multiple-employer pension plan. StanCERA was established by the Board of Supervisors on July 1, 1948, and was integrated with Social Security on January 1, 1956.

Membership

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. 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. The structure of the Membership is as follows:

	June 30, 2014			June 30, 2013		
	General	Safety	Total	General	Safety	Total
Active Members:						
Vested & Non-vested	3,304	689	3,993	3,237	694	3,931
Total Active	3,304	689	3,993	3,237	694	3,931
Inactive Members:						
Deferred Members	724	189	913	706	163	869
Unclaimed Contributions	161	21	182	144	15	159
Total Inactive	885	210	1,095	850	178	1,028
Retired Members:						
Service Retirements	2,583	373	2,956	2,455	359	2,814
Disability Retirements	226	153	379	226	149	375
Survivor Payments	38	8	46	37	8	45
Total Retired	2,847	534	3,381	2,718	516	3,234
Total Membership	7,036	1,433	8,469	6,805	1,388	8,193

Active

Members of the Plan receive a 100% vested interest in the Plan after 5 years of service, except Tier 3 which requires 10 years of service.

NOTE 1 – DESCRIPTION OF PLAN (continued)

Benefits

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

Service Retirement Benefit

Members of Tiers 1, 2, 4, and 5 with 10 years of service, who have attained the age of 50, are eligible to retire. Tier 3 members are eligible to retire with 10 years of service at age 55. Tier 6 members are eligible to retire with 5 years of service at age 50 for Safety members and age 52 for General members. Members of Tiers 1, 2, 4, and 5 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 Employees Retirement Law 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 Sections 31462.1 and 7522.32 use the member's average monthly compensation earned during any 36 consecutive months (applicable to members of Tiers 2, 3, and 6). 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. Tier 6 is not integrated with Social Security.

Percentage of Final Average Salary (FAS)

	General						Safety		
Age	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tiers 1&2	Tiers 4&5	Tier 6
50	1.34	1.18	N/A	1.48	1.48	N/A	2.00	3.00	2.00
55	1.77	1.49	0.68*	1.95	1.95	1.30	2.62	3.00	2.50
60	2.34	1.92	1.14*	2.44	2.44	1.80	2.62	3.00	2.70
65	2.62	2.43	2.00*	2.62	2.62	2.30	N/A	N/A	2.70

* 1% of (FAS) for each year of service over 35 reduced by 1/35 of Social Security Benefits at age 65 not to exceed 35 years

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

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 of salary for each completed year of service under the retirement system, based on the final year's average salary, not to exceed 6 months of salary (except Tier 3 members).

NOTE 1 – DESCRIPTION OF PLAN (continued)

Death Benefit-Before Retirement (continued)

Employed More than 5 Years

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

If a member dies in the performance of duty, the spouse or registered domestic partner receives a monthly benefit of 50% of the member's final average salary (except Tier 3 members).

Death Benefit-After Retirement

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

If the retirement benefit is for service-connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse or registered domestic partner for Tiers 1, 2, 4, 5, and 6. Tier 3 Members have no allowance continued to the surviving spouse or registered domestic partner.

If the retirement benefit is for other than service-connected disability, 60% of the member's allowance is continued to the surviving spouse or registered domestic partner for Tiers 1, 2, 4, 5, and 6, and 50% of the member's allowance is continued to the surviving spouse or registered domestic partner if the unmodified option is chosen at time of retirement.

Disability Benefit

Members with 5 years of service, regardless of age, are eligible for non-service connected disability (except Tier 3 members). The benefit may be up to 1/3 of final average salary. 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 Tier 3 members).

Cost of Living Benefit

The current maximum increase in retirement allowance is 3% per year (except Tier 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.

NOTE 1 – DESCRIPTION OF PLAN (continued)

Ad-Hoc Benefits (continued)

No ad-hoc benefits are currently being paid (effective since January 1, 2010). Changes in the excess earnings policy, approved by the Board of Retirement on May 25, 2012, placed additional restrictions on the Board of Retirement's ability to grant these benefits. The greatest restriction currently is that the System must be 100% funded on a market basis prior to funding any ad-hoc benefit.

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.

StanCERA's policy for contributions states that actuarially determined rates expressed as a percentage of annual covered payroll are required to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. For funding purposes, StanCERA also uses the level entry age normal cost method with the Unfunded Actuarial Accrued Liability (UAAL) to amortize the unfunded liability. StanCERA's actuarially determined employer contribution rates for the years ended June 30, 2014 and June 30, 2013 were 21.08% and 17.97% respectively of annual payroll. Employee contribution rates are based on age of entry and range between 4.83% and 9.34% for the fiscal years ended June 30, 2014 and June 30, 2013.

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. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of 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 a full accrual basis of accounting, which recognizes income when earned and expenses when incurred. Contributions from employers and members are recognized when received or when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash includes deposits with a financial institution and pooled cash 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 StanCERA. 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. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Values for stocks, publicly traded bonds, issues of the U.S. Government and its agencies, and real estate securities 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, 2014 and 2013. Both domestic and international investments are denominated in U.S. currency. Direct Lending Partnerships are valued using their respective Net Asset Value (NAV) and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the partnerships on a quarterly basis and the assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

Securities Transactions and Related Investment Income

Securities 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, and 40% has been developed as office space which is currently leased out. Depreciation expense totaled $170,690 and $172,484 for the years ending June 30, 2014 and 2013 respectively. Depreciation is calculated using the straight-line method with an estimated life of 10 years for the software development, an estimated life of 99 years for the office space, an estimated life of 10 years for the leasehold improvements, and an estimated life of 5 years for office equipment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

CAPITAL ASSETS	Net Balance at June 30, 2013	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2014
Tenant Improvements	$ 390,438	$ -	$ -	$ 390,438
Tyler Software	473,903	-	125,625	348,278
Real Estate Occupied	1,745,853	-	18,977	1,726,876
Real Estate Leased	1,164,133	-	12,654	1,151,479
Leasehold Improvements	31,653	22,621	10,551	43,723
Office Equipment	2,859	-	817	2,042
Audio Recording System	3,241	-	1,296	1,945
Security and Monitoring Equipment	5,002	-	770	4,232
TOTAL	$ 3,817,082	$ 22,621	$ 170,690	$ 3,669,013

CAPITAL ASSETS	Net Balance at June 30, 2012	Reclassifications & Additions	Less Depreciation	Net Balance at June 30, 2013
Tenant Improvements	$ 167,483	$ 222,955	$ -	$ 390,438
Tyler Software	599,528	-	125,625	473,903
Real Estate Occupied	1,764,829	-	18,976	1,745,853
Real Estate Leased	1,176,787	-	12,654	1,164,133
Leasehold Improvements	42,204	-	10,551	31,653
Office Equipment	5,471	-	2,612	2,859
Audio Recording System	4,537	-	1,296	3,241
Security and Monitoring Equipment	-	5,772	770	5,002
TOTAL	$ 3,760,839	$ 228,727	$ 172,484	$ 3,817,082

Administrative Expenses

StanCERA's administrative expense is funded by the investment income and is limited to 0.21% of StanCERA's Actuarial Accrued Liability (AAL) pursuant to Government Code Section 31580.2. The law provides exemption from the limitation for the cost of computer consultation, hardware, and software. Total administrative expenses for the years ending June 30, 2014 and 2013 were $2,249,260 and $2,065,345, respectively, of which $281,204 and $297,968 respectively, were not subject to the administrative expense limitation. Administrative expenses subject to the limitation amounted to 0.1042% of AAL for the fiscal year ended June 30, 2014 and 0.0936% for the fiscal year ended June 30, 2013.

Income Taxes

StanCERA qualifies as a pension trust under Section 401(a) of the Internal Revenue Code. No provision for income taxes has been made in the accompanying financial statement 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, contingent assets and liabilities, revenue, and expenses as of the date of the financial statements. Actual results could differ from those estimates.

Reclassifications

Certain fiscal year 2013 amounts have been reclassified to conform with the fiscal year 2014 presentation.

Implementation of New Accounting Pronouncement

Effective July 1, 2013, StanCERA adopted the provisions of Government Accounting Standards Board Statement No. 67, which establishes standards for improving the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The financial statements as of and for the year ended June 30, 2013 have been restated to conform to the requirements of GASB Statement No. 67.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions Receivable represents withdrawals from employees' salaries and liabilities due by employers' for retirement contributions for the month of June that were received in July. Contributions Receivable as of June 30, 2014 and 2013 were $3,051,590 and $2,380,496 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 StanCERA and the Board may, at its discretion, invest or delegate the authority to invest, such assets 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 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.

NOTE 4 – CASH AND INVESTMENTS (continued)

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 StanCERA's cash invested with the County Treasurer totaled $9,993,564 and $8,488,606 at June 30, 2014 and 2013 respectively. Cash and investments included within the County Treasurer's Pool are described in the County's Financial Report.

Investments

Investment Policy – StanCERA's policy in regard to the allocation of invested assets is established and may be amended by the StanCERA Board of Retirement. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was StanCERA Board's adopted asset allocation policy as of June 30, 2014 and June 30, 2013:

Asset Class	June 30, 2014 Target Allocation	June 30, 2013 Target Allocation
Domestic Equities	38.20%	38.20%
Internantional Equities	18.00%	18.00%
Fixed Income	29.80%	29.80%
Alternatives:		
Direct Lending	7.50%	7.50%
Real Estate	3.50%	3.50%
Infrastructure	3.00%	3.00%
Cash	0.00%	0.00%
	100.00%	100.00%

June 30, 2013 target allocation was amended in November 2012 to reduce the allocation to domestic equities and increase the allocation to alternatives.

Rate of Return – For the year ended June 30, 2014 and June 30, 2013, the annual money-weighted rate of return on StanCERA's investments was 17.40% and 13.87% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2014	June 30, 2013
Investments		
U.S. Government and Agency Obligations	$ 270,703,895	$ 278,578,812
Corporate Bonds	197,641,123	192,004,280
Municipal Bonds	22,318,375	31,682,578
Emerging Market / Non-US Bonds	3,083,644	2,748,685
Domestic Stocks	519,619,265	435,862,122
Domestic Equity Index Fund	321,021,385	264,390,778
International Equity	323,400,806	263,833,964
Real Estate Securities	25,348,384	22,377,219
Direct Lending	74,084,729	29,098,868
Securities Lending Collateral	190,943,489	113,001,370
Subtotal	1,948,165,095	1,633,578,676
Deposits and Short-Term Investments		
Northern Trust: Cash in Custodial Account	34,084,722	35,972,730
Stanislaus County Treasury Investment Pool	9,993,564	8,488,606
Subtotal	44,078,286	44,461,336
Total Investments and Deposits	$ 1,992,243,381	$ 1,678,040,012

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 loaned 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, 2014 StanCERA had securities on loan with a carrying value of $186,958,555 and had received cash collateral (securities lending obligation) of $190,507,537 with a non-cash collateral of $684,120. As of June 30, 2013, StanCERA had securities on loan with a carrying value of $111,886,737 and had received cash collateral (securities lending obligation) of $115,636,154. On the reinvested cash collateral, StanCERA had an unrealized loss of $1,439,418 for the fiscal year ended June 30, 2014, and had an unrealized gain of $561,097 for the fiscal year ended June 30, 2013.

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, 2014 and 2013 StanCERA had 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 REINVESTED COLLATERAL at June 30, 2014

	Fair Value by Maturity Date					Effective
Investment Type	< 1 year	1-5 years	5-15 years	> 15 years	Total Fair Value	Duration (in years)
Asset Backed Securities	$ 18,881,055	$ 9,837,807	$ -	$ -	$ 28,718,862	0.096
Certificate of Deposit	102,654,860	-	-	-	102,654,860	0.124
Commercial Paper	42,211,297	-	-	-	42,211,297	0.242
Corporate Floating Rate	-	-	-	-	-	0.000
Repurchase Agreement	7,216,165	7,212,726	-	-	14,428,891	0.003
Reverse Repurchase Agreement	-	-	-	-	-	0.000
Sweep Vehicle	2,245,459	-	-	-	2,245,459	0.003
Treasuries	-	-	-	684,120	684,120	0.000
TOTALS	$ 173,208,836	$ 17,050,533	$ -	$ 684,120	$ 190,943,489	0.468

SECURITIES LENDING COLLATERAL at June 30, 2013

	Fair Value by Maturity Date					Effective
Investment Type	< 1 year	1-5 years	5-15 years	> 15 years	Total Fair Value	Duration (in years)
Asset Backed Securities	$ -	$ -	$ -	$ 1,641,538	$ 1,641,538	0.070
Certificate of Deposit	44,492,572	-	-	-	44,492,572	0.150
Commercial Paper	30,440,469	-	-	-	30,440,469	0.110
Corporate Floating Rate	881,908	-	-	-	881,908	0.020
Repurchase Agreement	-	-	-	-	-	0.000
Reverse Repurchase Agreement	35,544,883	-	-	-	35,544,883	0.010
Treasuries	-	-	-	-	-	0.000
TOTALS	$ 111,359,832	$ -	$ -	$ 1,641,538	$ 113,001,370	0.090

NOTE 4 – CASH AND INVESTMENTS (continued)

Securities Lending Program (continued)

The following table shows the credit quality of StanCERA's investments in Securities Lending Collateral on June 30, 2014 and 2013.

	June 30, 2014		June 30, 2013	
S&P Credit Rating	Percentage of Total Securities Lending Collateral	Securities Lending Collateral	Percentage of Total Securities Lending Collateral	Securities Lending Collateral
A-1+	34.44%	$ 65,761,019	0.51%	$ 580,000
A-1	54.04%	103,194,986	66.57%	75,233,305
B	0.00%	-	0.14%	158,243
C	0.00%	-	0.48%	537,080
D	0.00%	-	0.84%	946,215
N/R - Repo	7.56%	14,425,451	31.46%	35,544,883
N/R - Other	3.60%	6,877,913	0.00%	1,644
N/A	0.36%	684,120	0.00%	-
	100.00%	$ 190,943,489	100.00%	$ 113,001,370

N/R represents securities that are not rated.

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

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, 2014 the Barclays Aggregate Bond Index was yielding 2.20% with an effective duration of 5.60 years. For the year ending June 30, 2013 the Barclays Aggregate Bond Index yielded 2.40% with an effective duration of 5.50 years. StanCERA had a yield of 2.60% and 3.00% for the fiscal years ended June 30, 2014 and 2013 respectively with an effective duration of 5.00 and 4.40 years respectively. As of June 30, 2014 and 2013 the County's pool had a fair value of $977 million and $942 million respectively, and a weighted average maturity of 554 days and 457 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. StanCERA'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.

NOTE 4 – CASH AND INVESTMENTS (continued)

Interest Rate Risk (continued)

The following table shows the effective duration of StanCERA's fixed income investments by investment type as of June 30, 2014 and 2013:

	June 30, 2014		June 30, 2013	
Fixed Income Securities	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
U S Treasuries	$ 90,132,453	3.6	$ 89,422,064	3.9
Commercial Mortgage Backed Securities	7,108,273	2.4	6,216,414	3.0
Government Mortgage Backed Securities	154,319,004	2.6	143,375,567	2.7
Collateralized Mortgage Obligations	2,312,534	0.6	22,657,727	1.9
Federal Agency	6,619,685	3.8	9,030,115	4.0
Asset Backed	10,211,946	2.0	7,876,925	2.6
Corporate Bonds	193,182,387	5.4	192,004,280	5.4
Municipal Bonds	22,318,375	7.9	31,682,578	9.9
Emerging Market / Non-US Bonds	3,083,644	3.9	2,748,685	7.9
Bank Loans	787,098	4.0	-	
Total Fixed Income Securities	$ 490,075,399		$ 505,014,355	
No Effective Duration				
Corporate Bonds	$ 3,671,638			
Total Fixed Income Securities	$ 493,747,037			

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 lowest of the ratings provided. StanCERA's custodial bank provided ratings for Moody's and Standard & Poor's. 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. 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, 2014 and 2013.

	June 30, 2014		June 30, 2013	
S&P/Moodys Credit Rating	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities	Percentage of Total Fixed Income	StanCERA's Fixed Income Securities
Aaa / AAA	1.01%	$ 4,984,176	2.79%	$ 14,071,776
Aa1 / AA+	0.82%	4,053,839	1.27%	6,388,607
Aa2 / AA	0.45%	2,232,246	0.26%	1,309,337
Aa3 / AA-	0.64%	3,137,092	1.25%	6,304,713
A1 / A+	2.37%	11,683,238	2.24%	11,312,668
A2 / A	1.36%	6,733,102	0.38%	1,923,595
A3 / A-	4.97%	24,529,431	6.86%	34,656,612
Baa1 / BBB+	6.44%	31,774,186	6.08%	30,693,053
Baa2 / BBB	14.79%	73,016,341	12.80%	64,629,944
Baa3 / BBB-	5.27%	26,040,765	5.07%	25,597,130
Ba1 / BB+	0.06%	313,264	3.77%	19,018,154
Ba2 / BB	0.91%	4,471,624	1.91%	9,648,549
Ba3 / BB-	1.85%	9,154,760	1.36%	6,849,103
B1 / B+	6.15%	30,358,252	1.24%	6,242,349
B2 / B	0.29%	1,449,190	0.38%	1,935,034
B3 / B-	0.25%	1,244,089	1.69%	8,554,573
CCC	0.03%	160,255	0.11%	556,328
N/R	32.87%	162,293,056	31.32%	158,218,003
N/A	19.47%	96,118,131	19.22%	97,104,827
Total	100.00%	$ 493,747,037	100.00%	$ 505,014,355

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 US 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 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 the market value at time of purchase. Holdings of any individual issue must be 5% or less of the value of the total issue. StanCERA is in compliance with its policy; however, as of June 30, 2014 and 2013 StanCERA had investments of $96,946,306 and $108,614,496 respectively in a single issuer (Fannie Mae) which represented 5% or more of the Fiduciary Net Position and total investments.

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 (ACWI) ex-US 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, 2014 and 2013 is as follows:

Currency	June 30, 2014 Fair Value (in US $)	June 30, 2013 Fair Value (in US $)
Australian Dollar	$ 18,367,182	$ 13,030,178
Brazil Real	1,155,975	505,722
Canadian Dollar	24,935,035	19,064,800
Chilean Peso	-	589,543
Danish Krone	1,834,612	1,524,864
Euro Currency	76,597,681	55,603,361
Hong Kong Dollar	11,914,037	10,327,831
Indonesian Rupiah	574,011	215,808
Isreali Shekel	-	876,734
Japanese Yen	47,805,620	46,160,496
Malaysian Renggit	415,280	1,005,190
Mexican Nuevo Peso	1,019,558	335,060
New Israeli Shekel	1,200,957	-
New Taiwan Dollar	3,365,607	2,507,997
New Turkish Lira	-	2,306,789
New Zealand Dollar	671,860	96,971
Norwegian Krone	3,022,249	2,776,352
Pound Sterling	49,722,041	41,179,897
Singapore Dollar	2,647,150	2,163,718
South African Rand	4,888,710	3,442,601
South Korean Won	6,412,812	4,975,670
Swedish Krona	6,062,938	2,587,924
Swiss Franc	19,115,125	15,963,772
Thailand Baht	1,335,587	666,084
Turkish Lira	478,114	-
US Dollar	39,858,665	35,926,602
TOTAL	$ 323,400,806	$ 263,833,964

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 reported in the Statements of Fiduciary Net Position (page 27).

Commitments to Direct Lending

At June 30, 2014 StanCERA's total capital commitments to direct lending partnerships was $110,000,000. Of this amount, $40,666,739 remained unfunded and is not recorded on StanCERA's Statements of Fiduciary Net Position.

NOTE 4 – CASH AND INVESTMENTS (continued)

Commitments to Private Real Estate

At June 30, 2014 StanCERA's total capital commitments to private real estate partnerships was $15,000,000. This commitment was unfunded and is not recorded in StanCERA's Statement of Fiduciary Net Position.

Investment Expense

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

Investment Expense

	June 30, 2014	June 30, 2013
Investment Managers	$ 7,234,638	$ 6,252,375
Investment Consultants	170,000	156,378
Custodial Fees	681,938	736,942
Investment Attorney	65,364	47,023
Investment Funding	453,798	1,558,628
Actuarial Fees	151,564	94,483
Total Investment Expenses	$ 8,757,302	$ 8,845,829

NOTE 5 - CONTRIBUTIONS

Contribution Rates

The County Employees' Retirement Law of 1937 establishes the basic obligations for employer and member contributions to the retirement plan. 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.

StanCERA's policy for employer contributions states that actuarially determined rates expressed as a percentage 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 any unfunded liability.

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

NOTE 5 – CONTRIBUTIONS (continued)

annuity at age 55 of 1/120 of FAS. Both General and Safety Tier 6 Members pay approximately half of the actuarial determined normal cost rate for the benefit.

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 retirement system.

Contributions as a percentage of covered payroll for fiscal year ended June 30, 2014 are shown in the following table:

Employer	Employer Contributions	Member Contributions	% of Covered Payroll
Stanislaus County	$ 41,477,186	$ 19,395,678	88.6947%
City of Ceres	2,661,947	1,244,787	5.6923%
Stanislaus Superior Court	2,147,262	1,004,109	4.5917%
Stanislaus Council of Governments	185,793	86,881	0.3973%
East Side Mosquito Abatement District	125,889	58,868	0.2692%
Salida Sanitary District	95,913	44,851	0.2051%
Keyes Commuinity Services District	42,228	19,747	0.0903%
Hills Ferry Cemetery District	27,778	12,990	0.0594%
	$ 46,763,996	$ 21,867,911	100.0000%
Covered Payroll	$ 221,863,110		

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 Fiduciary Net Position Restricted 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 the assumed rate of return determined by the actuary. For 2014 and 2013, the actuarial assumed rate of return was 7.75%. Based on Retirement Board policy where the Plan is below 100% funded on a market basis, the percentage allocated to Active Member Reserves is capped at the actuarial assumed rate of return and will determine the semi-annual percent of interest to be posted to individual member account balances in the subsequent fiscal year.

NOTE 6 – RESERVES (continued)

Employer Reserves

These reserves represent the cumulative contributions made by the County and other employers. Interest earnings are credited to these reserves based on StanCERA's excess earnings policy and will determine the semi-annual percent of interest to be posted to individual member account balances in the subsequent fiscal year.

Upon the retirement of an active member, an actuarially determined amount of the member's 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, member contributions plus the interest earnings credited to the member's account are transferred from the Active Members' Reserve account to the Retired Members' Annuity and Cost of Living Reserve accounts.

From these reserves, StanCERA pays the retiree benefits in an amount computed in accordance with the County Employee's Retirement Law of 1937. Interest earnings are credited to this reserve based on StanCERA's excess earnings policy.

Retiree Burial Allowance Reserve

The burial allowance reserve is a benefit the Board of Retirement offers which pays the family member of a deceased retiree a lump sum death benefit. This benefit is available for all retirees whose last work in a 1937 Act Retirement System or California Public Employees Retirement System (PERS) was in the Stanislaus County Employees' Retirement Association. Interest earnings are credited to this reserve based on StanCERA's excess earnings policy.

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 total valuation reserves prior to excess earnings distribution (Government Code Section 31592). It is used as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The Board of Retirement set this reserve to 1% in May 2012 and it is reviewed and adjusted annually.

NOTE 6 – RESERVES (continued)

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 or losses as of June 30, 2014 and 2013.

Other Reserves

These reserves are for Retiree's Special Cost of Living, Tier 3 Disability and Legal Contingencies.

Reserve Account Balances are as follows:

	June 30, 2014	June 30, 2013
Active Members' Reserve	$ 330,586,551	$ 285,807,917
Employer Advance Reserve	241,512,041	216,207,531
Employer Transfer from Non-Valuation Reserve	132,584,491	111,705,105
Retired Members' Reserve	1,062,313,234	909,299,254
Retiree Burial Allowance Reserve	6,640,791	5,855,000
Contingency Reserve	15,250,299	13,431,644
Other Reserves		
Revocable Health Benefit Subsidy	117	117
Retiree Special Cost of Living Reserve	-	-
Legal Contingency Reserve	2,417,378	2,500,240
Tier 3 Disability Reserve	4,377	6,187
Total Reserves	$ 1,791,309,279	$ 1,544,812,995

NOTE 7 – 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 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2012. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2014 and the Total Pension Liability as of the valuation date, June 30, 2013, using update procedures to roll forward to StanCERA's fiscal year end of June 30, 2014. The Total Pension Liability as of the valuation date includes the liability associated with the $5,000 lump sum death benefit, which was not included in the original valuation. There were no significant events between the

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (continued)

Actuarial Assumptions (continued)

valuation date and the measurement date, so the roll forward procedures only included the addition of service cost offset by actual benefit payments.

The components of the Net Pension Liability of StanCERA at June 30, 2014, were as follows:

	FYE June 30, 2014	FYE June 30, 2013
Total Pension Liability	$ 2,024,376,761	$ 1,925,565,638
Plan Fiduciary Net Position	(1,791,309,279)	(1,544,812,995)
Net Pension Liability	$ 233,067,482	$ 380,752,643
Fiduciary Net Position as a percentage of the Total Pension Liability	88.5%	80.2%

The Total Pension Liability was determined based on the June 30, 2013 actuarial valuation rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

ACTUARIAL VALUATION ASSUMPTIONS

	June 30, 2013
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%, plus service-based rates
Attributed to Inflation	3.25%
Cost-of-Living Adjustments	100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed

Post-retirement mortality rates were based on the RP2000 Combined tables projected to the year 2020 with adjustments for mortality improvements based on Scale AA.

For pre-retirement mortality, withdrawal rates, disability rates and service retirement rates, the rates vary by age, service, gender and classification.

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (continued)

The long-term defined benefit pension plan return expectations were determined using a building-block approach. An inflation forecast is the baseline and various real return premiums (e.g. bonds, equities, etc.) are added to create nominal return expectations for each asset class. These expectations are combined to produce the long-term expected rate of return by weighting the expected nominal rates of return by the target asset allocation percentages and including an expected return from rebalancing uncorrelated asset classes. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2014 and June 30, 2013 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equities	
US Large Cap	5.30%
US Small Cap	5.60%
International Equities	
Int'l Development	5.60%
Emerging Market Equity	6.40%
US Fixed Income	0.70%
Real Estate Securities	3.90%
Direct Lending	5.60%
Infrastructure	3.70%
Cash	-0.70%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of StanCERA calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

Sensitivity of Net Pension Liability to Changes in Discount Rate

		1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
June 30, 2014	Net Pension Liability	$ 498,955,783	$ 233,067,482	$ 12,742,703
June 30, 2013	Net Pension Liability	$ 636,032,401	$ 380,752,643	$ 169,406,051

REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014 and 2013

Schedule of Employers' Net Pension Liability

	June 30, 2014	June 30, 2013
Total pension liability	$ 2,024,376,761	$ 1,925,565,638
Plan fiduciary net position	(1,791,309,279)	(1,544,812,995)
StanCERA net pension liability	$ 233,067,482	$ 380,752,643
Fiduciary net position as a percentage of the total pension liability	88.5%	80.2%

Note: Due to GASB 67 implementation, prior years data not provided.

Schedule of Changes in Net Pension Liability and Related Ratios

	June 30, 2014
Total Pension Liability	
Service cost	$ 46,209,346
Interest (includes interest on service cost)	147,384,248
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(94,782,471)
Net change in total pension liability	98,811,123
Total pension liability - beginning	1,925,565,638
Total pension liability - ending	$ 2,024,376,761
Fiduciary net position	
Contributions - employer	$ 46,763,996
Contributions - member	21,867,911
Total investment income	274,896,108
Benefit payments, including refunds of member contributions	(94,782,471)
Administrative expense	(2,249,260)
Net change in fiduciary net position	246,496,284
Fiduciary net position - beginning	1,544,812,995
Fiduciary net position - ending	$ 1,791,309,279
Net pension liability - ending	$ 233,067,482
Fiduciary net position as a percentage of the total pension liability	88.5%
Covered employee payroll	$ 221,863,110
Net pension liability as a percentage of covered employee payroll	105.1%

Note: Due to GASB 67 implementation, prior years data not provided.

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Schedule of Employer Contributions
Last 10 Fiscal Years for Fiscal Years Ending June 30
(Dollar amounts in thousands)

	2014	2013	2012	2011	2010
Actuarially Determined Contributions	$ 46,764	$ 39,077	$ 41,614	$ 47,657	$ 31,814
Contributions in Relation to the Actuarially Determined Contributions	46,764	39,077	41,614	47,657	31,814
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 221,863	$ 217,491	$ 215,057	$ 221,541	$ 231,538
Contributions as a Percentage of Covered Employee Payroll	21.08%	17.97%	19.35%	21.51%	13.74%

	2009	2008	2007	2006	2005
Actuarially Determined Contributions	$ 23,411	$ 22,555	$ 32,563	$ 22,549	$ 19,793
Contributions in Relation to the Actuarially Determined Contributions	23,411	22,555	32,563	22,549	19,793
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 248,316	$ 242,009	N/A	$ 212,011	$ 211,681
Contributions as a Percentage of Covered Employee Payroll	9.42%	9.32%	N/A	10.64%	9.35%

Note: No actuarial valuaiton was done in 2007, therefore, no payroll to report.

Schedule of Investment Returns
Last 10 Fiscal Years for Fiscal Years ending June 30

	2014	2013	2012	2011	2010
Annual money- weighted rate of return, net of investment expense	18.20%	14.50%	0.70%	22.90%	15.90%

	2009	2008	2007	2006	2005
Annual money- weighted rate of return, net of investment expense	-16.40%	-8.20%	16.80%	10.30%	8.50%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms

There were no changes of benefit terms for fiscal year ended June 30, 2014.

Changes of assumptions

There were no changes in assumptions approved by the Board of Retirement for fiscal year ended June 30, 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of June 30, 2012, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	Closed period - 23 Years
Asset Valuation Method	Actuarial value: Excess earnings smoothed over five years, 80% / 120% corridor around market
Actuarial Assumptions	
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%, plus service-based rates
Attributed to Inflation	3.25%
Cost-of-Living Adjustments	100% of CPI to 3.0% annually with banking, 2.7% annual increases assumed
Mortality	Sex distinct RP 2000 Combined Mortality projected to 2020 using Scale AA

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Personnel Services:		
Salaries and Employee Benefits	$ 1,114,873	$ 1,043,475
Total Personnel Services	1,114,873	1,043,475
Professional Services:		
Computer and Software Services and Support	41,068	72,797
County Counsel	-	828
Outside Legal Counsel	458,098	332,990
Disability Hearing Officer/Medical Exams and Reviews	13,187	13,740
External Audit Fees	34,163	38,838
Stanislaus County Strategic Business Technology Dept	26,200	21,847
Other Professional Services	38,497	977
Total Professional Services	611,213	482,017
Office Expenses:		
Office Supplies	7,604	8,514
Minor Equipment and Computer Supplies	4,496	6,003
Stanislaus County Central Services and Mail Room	36,661	30,882
Stanislaus County Support Services	95,757	112,943
Contract Services	-	4,245
Requested Maintenance	18,267	20,622
Communications	22,382	29,619
Printing and Publications	2,002	2,632
Other Office Expenses	19,961	27,266
Total Office Expenses	207,130	242,726
Miscellaneous:		
Fiduciary and Staff - Education/Travel	47,607	41,464
Fiduciary and Staff - Meetings/Other Travel	11,200	10,825
Insurance	78,763	63,056
Memberships	7,785	9,298
Depreciation	170,689	172,484
Total Miscellaneous	316,044	297,127
TOTAL ADMINISTRATIVE EXPENSES	$ 2,249,260	$ 2,065,345

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES
For the Years Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Investment Management Fees:		
Domestic Stocks	$ 2,587,263	$ 2,126,041
International Stocks	1,471,301	1,423,631
Domestic Bonds	791,603	824,946
Direct Lending	2,363,847	1,828,557
Real Estate Securities & Special Situations	20,624	49,200
Total Investment Management Fees	7,234,638	6,252,375
Investment Consulting Fees	170,000	156,378
Investment Custodian Fees	681,938	736,942
Investment Legal Fees	65,364	47,023
Investment Funding	453,798	1,558,628
Other Investment Related Expenses	151,564	94,483
TOTAL INVESTMENT EXPENSES	$ 8,757,302	$ 8,845,829

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Investment Section

in·vest·ment [in-vest-muhnt]

noun

1. the investing of money or capital in order to gain profitable returns, as interest, income, or appreciation in value.

2. a particular instance or mode of investing.

3. a thing invested in, as a business, a quantity of shares of stock, etc.

4. something that is invested; sum invested.

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE 2000
SAN FRANCISCO, CALIFORNIA 94104

PAUL S. HARTE
SENIOR VICE PRESIDENT

TEL 415/362-3484
FAX 415/362-2752
PHARTE@SIS-SF.COM

STANISLAUS COUNTY
EMPLOYEES' RETIREMENT SYSTEM

Summary

Fiscal year 2014 (June 30, 2014) saw a continuation of the rally in equities off of their lows from March 9, 2009 with strong gains in US equities in excess of 20% and positive returns in Non-US stocks. The US Fixed Income markets ended the fiscal year with positive returns as yields fell over the last six months (January to June) of the fiscal year. As a diversified investor, StanCERA experienced a +18.2% gross return for the fiscal year. The +18.2% gross result was above StanCERA's policy benchmark of +16.8% for the fiscal year by +140 basis points.

Fiscal year 2014 was once again positive for the U.S. equity markets while foreign equity markets also experienced strong positive results but lagged the U.S. returns. For the fiscal year, the Russell 3000 US Stock Index gained +25.2% and the MSCI ACWI (All Country World) ex-US Index of foreign stocks gained +22.3%.

Within the US equity market, stocks of large companies outperformed small companies (+25.4% versus +23.6%) for the fiscal year. Growth stocks outperformed value on a relative basis in large caps (+26.9% versus +23.8%) and within small caps growth stocks also outperformed value stocks on a relative basis (+24.7% versus +22.5%).

The US fixed income market produced a positive return (+4.4% Barclays US Aggregate Index) for the fiscal year ending June 30, 2014.

Real estate returns were positive in the US Real Estate Investment Trust public markets. The DJ US Select Real Estate Securities Index returned +7.7% for the fiscal year ending June 30, 2014.

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 7.75%. Secondary goals are to outperform the asset allocation-weighted benchmark (38.2% US Equities, 18.0% Non-US Equities, 29.8% Fixed Income, 7.5% in Direct Lending Fixed Income, 3.5% Real Estate, and 3.0% Infrastructure) 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 (on a gross basis) achieved through June 30, 2014 have been calculated using a time-weighted rate of return methodology based upon market values. In fiscal year 2014, 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 (Gross basis)

PERIODS ENDED 6/30/14	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity	+26.1%	+17.4%	+20.1%
Russell 3000	+25.2%	+16.5%	+19.3%
Rank	22*	8	20
Non-US Equity	+21.9%	+7.0%	+13.0%
MSCI ACWI ex-US	+22.3%	+6.2%	+11.6%
Rank	52	53	30
US Fixed Income	+6.4%	+5.1%	+7.0%
Barclays Cap US Aggregate	+4.4%	+3.7%	+4.9%
Rank	48	53	48
Direct Lending Fixed Income	+11.0%		
9% Annual Return	+9.0%		
US Real Estate	+13.3%		
DJ US Select Real Estate	+13.3%		
Total Fund	+18.2%	+10.9%	+14.2%
*Policy Benchmark*** *	+16.8%	+9.8%	+13.0%
Public Fund Median	+16.0%	+9.5%	+12.3%
Rank**	14	11	7

* *Ranking 1 is highest, 100 is lowest.*
** *Rankings source – InvestorForce universes.*
*** *Policy Benchmark is 37.3% Russell 1000/ 9.4% Russell 2000/ 29.8% BC US Aggregate/ 18.0% MSCI ACWI ex-US/ 1.5% DJ US Select Real Estate/ 4.0%at 9.0% Annual Return (Direct Lending)*

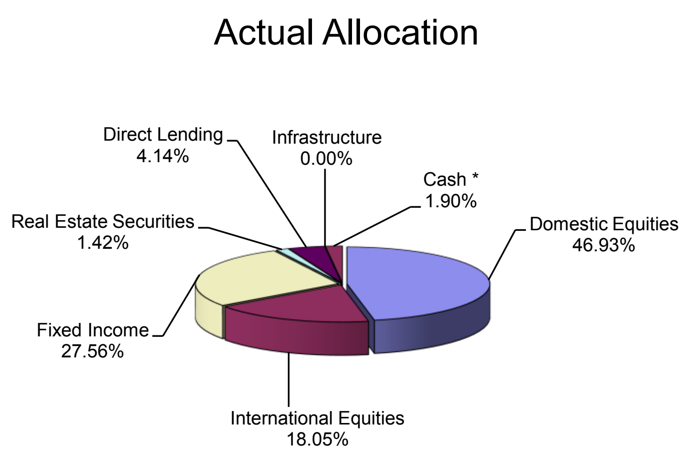
Returns for periods greater than one year are annualized. Results of all publicly traded investments are consistent with Global Investment Performance Standards (GIPS) as adopted by the CFA Board of Governors.

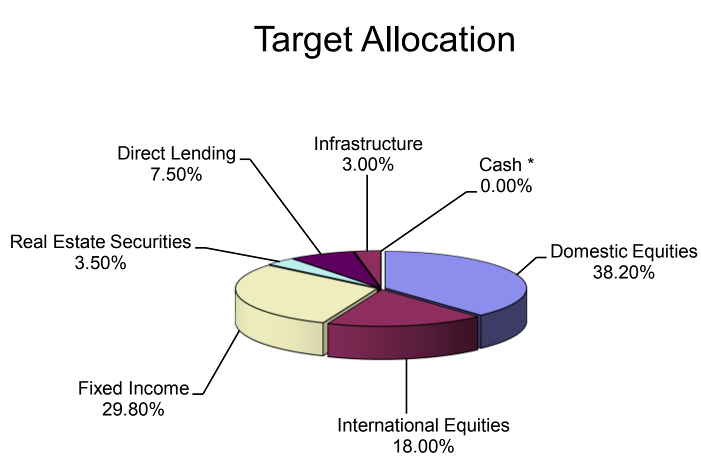
Paul S. Harte
Senior Vice President
Strategic Investment Solutions, Inc.
September 10, 2014

ASSET ALLOCATION
JUNE 30, 2014

Asset Class	Fair Market Value	Actual Allocation	Target Allocation
Domestic Equities	$ 840,640,650	46.93%	38.20%
International Equities	323,400,806	18.05%	18.00%
Fixed Income	493,747,037	27.56%	29.80%
Real Estate Securities	25,348,384	1.42%	3.50%
Direct Lending	74,084,729	4.14%	7.50%
Infrastructure	-	0.00%	3.00%
Cash *	34,084,722	1.90%	0.00%
TOTAL PORTFOLIO**	$ 1,791,306,328	100.00%	100.00%

* Excludes Pooled Cash in County Treasury of $9,993,563
** Excludes Securities Lending Cash Collateral





LARGEST BOND HOLDINGS (BY MARKET VALUE)
JUNE 30, 2014

Shares	Bond	Market Value
11,900,000	U.S. TREASURY NOTES 0.25% DUE 01-15-2015	$ 11,911,162
9,000,000	U.S. TREASURY NOTES 1.625% DUE 03-31-2019	9,026,019
9,000,000	U.S. TREASURY BOND 0.375% DUE 04-30-2016	8,997,192
7,122,148	FNMA MTG POOL 5% DUE 09-01-2039	7,941,865
7,000,000	FNMA SINGLE FAMILY MORTGAGE 3.5% 30 YEARS SETTLES AUG	7,183,750
7,000,000	U.S. TREASURY NOTES 0.25% DUE 10-31-2014	7,003,556
5,180,000	FHLM CORP VAR RT DUE 12-15-2043	5,740,782
5,600,000	U.S. TREASURY NOTES 0.875% DUE 06-15-2017	5,602,190
4,525,000	VERIZON COMMUNICATIONS 5.15% DUE 09-15-2023	5,063,896
4,830,796	FNMA REMIC FLTG RT DUE 11-25-2042	4,859,017
4,884,760	FNMA POOL 3.0% DUE 06-01-2043	4,831,267
4,625,000	PETROBRAS INTL FIN 5.375% DUE 01-27-2021	4,820,314
4,398,167	FNMA MTG POOL 4.5% DUE 01-01-2031	4,810,495
4,650,000	U.S. TREASURY NOTES 1.5% DUE 02-28-2019	4,642,369
4,500,000	U.S. TREASURY BOND 1.375% DUE 09-30-2018	4,494,375
4,600,000	U.S. TREASURY BOND 1.75% DUE 05-15-2022	4,427,859
4,200,000	CHASE SERIES 0.54% DUE 10-16-2017	4,203,402
3,800,000	ROYAL BANK SCOTLAND 6.125% DUE 12-15-2022	4,156,189
2,990,000	AOL TIME WARNER 7.7% DUE 05-01-2032	4,152,046
3,581,000	GENERAL ELECTRIC CAPITAL CORPORATION 5.5% DUE 01-08-2020	4,151,124

LARGEST STOCK HOLDINGS (BY MARKET VALUE)
JUNE 30, 2014

Shares	Stock	Market Value
365,275	MICROSOFT CORPORATION	$ 15,231,968
104,200	CELGENE CORPORATION	8,948,696
74,125	EOG RESOURCES INC	8,662,248
112,950	WALGREEN COMPANY	8,372,984
38,950	VISA INC COM CL A STK	8,207,155
47,750	ALLERGAN INC	8,080,255
100,050	QUALCOMM INC	7,923,960
232,705	HEWLETT PACKARD COMPANY	7,837,504
146,072	WELLS FARGO & COMPANY	7,677,544
92,500	CAP 1 FINANCIAL	7,640,500
103,650	MASTERCARD INC	7,615,166
93,125	CROWN CASTLE INTERNATIONAL CORPORATION	6,915,463
94,475	ADOBE SYS INC	6,836,211
215,625	LIBERTY INTERACTIVE CORPORATION	6,330,750
5,175	THE PRICELINE GROUP INC	6,225,525
68,600	ADR NOVARTIS AG	6,210,358
110,363	COMCAST CORPORATION	5,924,286
78,232	TIME WARNER INC	5,495,798
104,625	EBAY INC	5,237,528
44,300	SCHLUMBERGER LTD COM	5,225,185

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, 2014 and 2013

		2014	2013
Domestic Equities			
Capital Prospects		$ 696,304	$ 555,426
BlackRock		40,276	34,723
Jackson Square Partners		694,314	610,778
Dodge & Cox		348,930	304,790
Legato Capital Management		773,603	592,282
Mellon Capital Management		33,836	28,042
	Total Domestic Equity	2,587,263	2,126,041
International Equities			
LSV		751,011	772,093
Pyramis Global Advisors Holding Company		720,290	651,538
	Total International Equities	1,471,301	1,423,631
Fixed Income			
Dodge & Cox		434,142	452,929
PIMCO		357,461	372,017
	Total Fixed Income	791,603	824,946
Direct Lending			
Medley Opportunity Fund		305,851	955,477
Raven Capital Management		656,646	873,080
White Oak Global Investors		1,401,350	-
	Total Direct Lending	2,363,847	1,828,557
Special Situations			
Invesco		-	34,724
BlackRock Real Estate		20,624	14,476
	Total Special Situations	20,624	49,200
	Total Investment Management Fees	7,234,638	6,252,375
Other Investment Fees and Expenses			
Consultant Fees		170,000	156,378
Custodial Fees		681,938	736,942
Investment Attorney		65,364	47,023
Investment Funding Costs		453,798	1,558,628
Miscellaneous Fees		151,564	94,483
	Total Other Investment Expenses	1,522,664	2,593,454
Total Investment Fees and Expenses		$ 8,757,302	$ 8,845,829

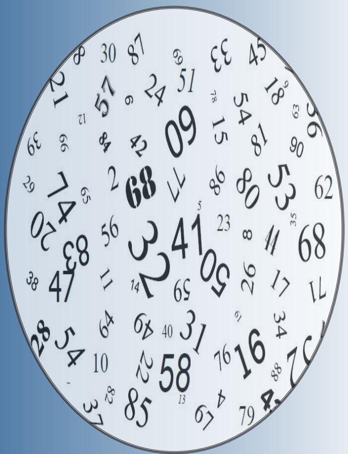
Commission Recapture Program

StanCERA participates in a commission recapture program administered by ConvergEX Execution Soloutions, LLC. The strategic objective of the Commission Recapture 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 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, 2014 and 2013 Commission Recapture Income was $31,360 and $28,794 respectively (see page 25).

INVESTMENT SUMMARY
For the Year Ended JUNE 30, 2014

	MARKET VALUE	Percentage of Assets	Current Year Return	3 Year Return	5 Year Return
DOMESTIC EQUITIES					
Dodge & Cox - LARGE CAP VALUE	$ 185,263,216	10.36%	27.10%	18.30%	20.10%
RUSSELL 1000 VALUE			23.80%	16.90%	19.20%
BlackRock R1000V - LARGE CAP VALUE	118,556,810	6.62%	23.80%	17.00%	N/A
RUSSELL 1000 VALUE			23.80%	16.90%	19.20%
Jackson Square - LARGE CAP GROWTH	154,406,916	8.62%	28.80%	18.50%	20.60%
RUSSELL 1000 GROWTH			26.90%	16.30%	19.20%
BlackRock R1000G - LARGE CAP GROWTH	100,755,731	5.62%	26.90%	16.30%	N/A
RUSSELL 1000 GROWTH			26.90%	16.30%	19.20%
Capital Prospects - SMALL CAP VALUE	94,612,051	5.28%	25.40%	17.00%	21.50%
RUSSELL 2000 VALUE			22.50%	14.60%	19.90%
Legato Capital Mgmt - SMALL CAP GROWTH	85,337,082	4.76%	20.90%	14.50%	19.90%
RUSSELL 2000 GROWTH			24.70%	14.50%	20.50%
Mellon Capital Management	101,708,844	5.68%	24.60%	16.60%	18.80%
S&P 500 INDEX			24.60%	16.60%	18.80%
TOTAL DOMESTIC EQUITIES	840,640,650	46.94%	26.10%	17.40%	20.10%
RUSSELL 3000			25.20%	16.50%	19.30%
FIXED INCOME					
Dodge & Cox	382,620,801	21.36%	6.90%	5.30%	7.00%
BARCLAYS US AGGREGATE BOND			4.40%	3.70%	4.90%
Pimco	111,126,235	6.20%	3.40%	3.90%	N/A
BARCLAYS US AGGREGATE BOND			4.40%	3.70%	4.90%
TOTAL FIXED INCOME	493,747,036	27.56%	6.40%	5.10%	7.00%
BARCLAYS US AGGREGATE BOND			4.40%	3.70%	4.90%
DIRECT LENDING					
Medley Opportunity Fund	28,379,499	1.58%	6.90%	N/A	N/A
CUSTOM 9% ANNUAL			9.00%	N/A	N/A
Raven Capital Management	26,457,579	1.48%	3.10%	N/A	N/A
CUSTOM 9% ANNUAL			9.00%	N/A	N/A
White Oak Global Advisors	19,247,651	1.07%	50.61%	N/A	N/A
CUSTOM 9% ANNUAL			9.00%	N/A	N/A
TOTAL DIRECT LENDING	74,084,729	4.13%	11.00%	N/A	N/A
CUSTOM 9% ANNUAL			9.00%	N/A	N/A
INTERNATIONAL INVESTMENTS					
Pyramis Investments	161,753,704	9.03%	18.20%	6.30%	12.10%
MSCI ACWI - ex US Index			22.30%	6.20%	11.60%
LSV Investments	161,647,103	9.02%	24.80%	6.70%	12.90%
MSCI ACWI - ex US Index			22.30%	6.20%	11.60%
TOTAL INTERNATIONAL INVESTMENTS	323,400,807	18.05%	21.90%	7.00%	13.00%
MSCI ACWI - ex US Index			22.30%	6.20%	11.60%
SPECIAL SITUATIONS					
Blackrock US RE Index	25,348,384	1.42%	13.30%	N/A	N/A
DOW JONES US SELECT RE INDEX			13.30%	N/A	N/A
TOTAL SPECIAL SITUATIONS	25,348,384	1.42%	13.30%	N/A	N/A
DOW JONES US SELECT RE INDEX			13.30%	N/A	N/A
CASH & SHORT-TERM INVESTMENTS *					
Cash	34,084,722	1.90%	0.13%	N/A	N/A
90 DAY TREASURY BILL			0.13%	N/A	N/A
TOTAL FUND					
TOTAL FUND	$ 1,791,306,328	100.00%	18.20%	11.00%	14.20%
STANCERA POLICY COMPOSITE			16.80%	9.80%	13.00%
* Excludes Pooled Cash in County Treasury of $9,993,563					

Note: % taken from SIS Quarterly Report presented to Board of Retirement on 8-27-2013
Using time-weighted rate of return based on the market rate of return
Does not include Securities Lending Collateral



Actuarial Section

ac·tu·ar·y [ak-choo-er-ee]

noun, plural ac·tu·ar·ies.

1. Actuaries mathematically evaluate the probability of events and quanitfy the contingent outcomes in order to minimize the impacts of financial losses associated with uncertain undersirable events.

CHEIRON Classic Values, Innovative Advice

September 19, 2014

VIA ELECTRONIC MAIL

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the StanCERA Retirement Plan (the Plan) as of June 30, 2014. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2013 (transmitted March 25, 2014) and the GASB 67/68 Report as of June 30, 2014 (transmitted September 17, 2014).

Actuarial Valuation Report as of June 30, 2013

The purpose of the annual Actuarial Valuation Report as of June 30, 2013 is to determine the actuarial funding status of StanCERA on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2014-2015. The prior review was conducted as of June 30, 2012, and included recommended contribution rates for the Fiscal Year 2013-2014.

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 (June 30, 2013), the amortization period is 23 years

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. 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.

The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan, subject to the laws of the State of California enacted under the County Employees Retirement Law of 1937 and subsequent legislation.

We prepared the following schedules, which we understand will be included in the Actuarial Section of the CAFR, based on the June 30, 2013 actuarial valuation. All historical information prior to the June 30, 2008 actuarial valuation shown in these schedules is based on information reported by the prior actuary, Buck Consultants.

September 19, 2014
Page 2

- Statement of Current Actuarial Assumptions and Methods
- Membership Information (Active, Deferred and Retired)
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Development of 2013 Experience Gain/(Loss) (Analysis of Financial Experience)
- Solvency Test
- Schedule of Funding Progress
- Summary of Plan Provisions

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 Actuaries covering the period from July 1, 2009 through June 30, 2012, 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 2015.

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 requirements of the Actuarial Standards of Practice, in particular Standards No.4, 27, 35 and 44.

GASB 67/68 Report as of June 30, 2014

The purpose of GASB 67/68 Report as of June 30, 2014 is to provide accounting and financial reporting information under GASB 67 for StanCERA and under GASB 68 for Stanislaus County and the other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for StanCERA.

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2013 actuarial valuation updated to the measurement date of June 30, 2014. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

Beginning of year measurements are also based on the actuarial valuation as of June 30, 2013. The June 30, 2013 Total Pension Liability presented in the GASB 67/68 Report was based upon the same data, actuarial methods and assumptions as were used in the Actuarial Valuation Report as of June 30, 2013. The GASB 67/68 Report reflected the same plan provisions as were used in the Actuarial Valuation Report as of June 30, 2013, with the exception that the Total Pension Liability as of June 30, 2013 reported in the GASB 67/68 Report included the value of a $5,000 lump sum post-retirement death benefit that was not included in the Actuarial Valuation Report, but was disclosed in a separate report dated April 2, 2014.

Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. In future years, liability gains and losses will be reported reflecting the liability gains and losses between actuarial valuation dates as well as any significant events during the update period.

Please refer to our GASB 67 report as of June 30, 2014 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2014 GASB 67/68 report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Notes to the Schedule of Employer Contributions

We certify that the report was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by StanCERA. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

These reports are for the use of StanCERA, the participating employers, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party.

Cheiron's reports were prepared solely for StanCERA for the purposes described herein, except that the Plan and participating employers' auditors may rely on these reports solely for the purpose of completing an audit related to the matters herein. They are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. These reports do not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,

Graham Schmidt, ASA, FCA
Consulting Actuary
703-893-1456 x1137
gschmidt@cheiron.us

Robert T. McCrory, FSA, CERA
Principal Consulting Actuary
(206) 328-8628
rmccrory@cheiron.us

SUMMARY OF ASSUMPTIONS AND FUNDING METHODS

The following assumptions along with the post retirement and pre-retirement demographic experiences are based on StanCERA's actuarial experience study from July 1, 2009 through June 30, 2012. A review was also performed on the actuarial valuation as of June 30, 2012 and the actuarial experience study from July 1, 2009 through June 30, 2012. The overall assessment from the review is that all major actuarial functions are being appropriately addressed. The rates produced by the June 30, 2012 valuation were adopted by the StanCERA Board of Retirement on February 13, 2013 and were effective July 1, 2013. The actuarial valuation for fiscal year ending June 30, 2013 will be effective beginning July 1, 2014. The methods and assumptions were selected by the actuary as being appropriate for StanCERA and were used in the latest actuarial valuation.

Plan Description

A summary of plan provisions can be found in Note 1 of the Notes to Basic Financial Statements.

Actuarial Methods

Actuarial Cost Method

Annual contributions are computed under the Entry Age Normal Actuarial Cost Method, computed to the final decrement. A schedule of actuarially determined contributions compared to actual contributions can be found in the Required Supplementary Information section following the Notes to the Basic Financial Statements.

The excess of the Actuarial Accrued Liability over Plan assets is the Unfunded Actuarial Accrued Liability. The liability for each valuation group is amortized as a level percentage of payroll over a closed period (23 years as of the current valuation).

Actuarial Value of Plan Assets

The Actuarial Value of Plan assets is a modified market-related value. The market value of assets is adjusted to recognize, over a five-year period, differences between actual investment earnings and the assumed investment return. The Actuarial Value of Assets is limited to no less the 80% and no more than 120% of the market value. As of June 30, 2011, the Actuarial Value was reset to equal market value.

Valuation Date	June 30, 2013	June 30, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay	Level Percent of Pay
Remaining Amortization Period	23 Years	24 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

1. Rate of Return – The annual rate of return is assumed to be 7.75% net of investment expenses.
2. Cost of Living – The cost of living is assumed to be 3.25% per year as measured by the Consumer Price Index.
3. Administrative Expenses – An allowance of $2,100,000 has been included in the annual cost calculated
4. Interest Credited to Employee Accounts – 0.25% annually
5. Increases in Pay – Base salary increase for County Safety is 13.40% for 2013 and 3.50% thereafter. All other members base salary increase is 3.50% for 2013 and thereafter. Assumed pay increases for active Members consist of increases due to salary adjustments (as noted above), plus service-based increases due to longevity and promotion, as shown below.

Longevity & Promotion Increases		
Service	Safety	General
0	8.00%	4.00%
1	7.00%	4.00%
2	6.00%	4.00%
3	5.00%	4.00%
4	4.00%	4.00%
5-9	2.00%	2.00%
10-19	1.00%	1.00%
20-29	1.00%	0.50%
30+	0.50%	0.50%

6. PEPRA Compensation Limit – Assumption used for increasing the compensation limit that applies to PEPRA members is 3.25%.
7. Post Retirement COLA – 100% of Consumer Price Index up to 3% annually with banking, 2.7% annual increases assumed.
8. Social Security Wage Base – For projecting the Social Security Benefit, the annual Social Security Wage Base increase is assumed to be 3.5% per year.
9. Internal Revenue Code Section 414 Limit – not reflected in the valuation for funding purposes.
10. Internal Revenue Code Section 401(a)(17) – not reflected in the valuation for funding purposes.
11. Mortality Improvement – No mortality improvement is explicitly assumed. A margin is built in the mortality assumption between the actual and expected number of deaths in order to assume some future mortality improvements.

Actuarial Assumptions (continued)

12. Active Member Mortality – Specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries projected from 2000 to 2020 using Scale AA,

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%

13. Retired Member Mortality - Specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries projected from 2000 to 2020 using Scale AA,

Retired Member Mortality		
Age	Female	Male
45	0.0810%	0.1160%
50	0.1190%	0.1490%
55	0.2310%	0.2470%
60	0.4570%	0.4890%
65	0.8680%	0.9610%
70	1.5140%	1.6410%
75	2.3930%	2.8540%
80	3.9870%	5.2650%
85	6.8660%	9.6240%
90	12.4000%	16.9280%

Actuarial Assumptions (continued)

14. Disabled Member Mortality - Specified by the Retired Pensioners (RP) 2000 tables published by the Society of Actuaries projected from 2000 to 2020 using Scale AA,

Diabled Member Mortality		
Age	Female	Male
45	0.1520%	0.1780%
50	0.3150%	0.3330%
55	0.6020%	0.6470%
60	1.1000%	1.2370%
65	1.8320%	2.0160%
70	2.9630%	3.6110%
75	4.8920%	6.8540%
80	8.8920%	12.0620%
85	14.8430%	20.3970%
90	21.0980%	28.8080%

15. Service Retirement – Assumed to occur among eligible members in accordance with the following table.

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	15.00%	10.00%
56	15.00%	10.00%
57	20.00%	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%

Actuarial Assumptions (continued)

16. Service Connected Disability – Separate rates are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined.

Service-Connected Disability			
	Safety	General	
Age	All	Female	Male
20	0.0759%	0.0002%	0.0043%
25	0.1932%	0.0004%	0.0102%
30	0.3457%	0.0008%	0.0211%
35	0.5309%	0.0024%	0.0284%
40	0.7426%	0.0056%	0.0401%
45	1.1297%	0.0101%	0.0613%
50	1.5092%	0.0162%	0.0897%
55	1.7230%	0.0249%	0.1227%
60	0.0000%	0.0349%	0.1637%
65	0.0000%	0.0000%	0.0000%

17. Non Service Connected Disability - Separate rates are assumed among Safety and General Members. Rates for both sexes for Safety Members are combined. Rates shown are applied after five years of service.

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%

Actuarial Assumptions (continued)

18. Rates of Separation – Applies to all active Members who terminate employment. Separate rates are assumed among Safety and General Members.

Termination (all types)			
	Safety	General	
Service	All	Female	Male
0	15.0%	14.0%	24.0%
1	15.0%	9.4%	14.0%
2	10.5%	7.9%	11.7%
3	10.0%	7.9%	9.4%
4	6.0%	7.1%	7.1%
5	3.7%	5.0%	5.0%
10	3.4%	3.5%	3.5%
15	1.9%	2.9%	2.9%
20	0.0%	1.5%	1.5%
25	0.0%	1.3%	1.3%
30+	0.0%	0.0%	0.0%

19. Withdrawal – Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions. 50% of all General Member terminations with less than ten years of service and 20% of those with ten or more years of service are assumed to take a refund of contributions. 35% of all Safety Member terminations with less than ten years of service and 10% of those with ten or more years of service are assumed to take a refund of contributions.
20. Vested Termination – 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. Tier 3 General Members are assumed to begin receiving benefits at age 65; all other General Members at age 58. Safety Members are assumed to begin receiving benefits at age 53. 25% of vested terminated General members are assumed to be reciprocal, and 50% of vested Safety members are assumed to be reciprocal. Reciprocal members are assumed to receive 4% annual pay increases from the date of transfer to the assumed retirement date.
21. Family Composition – 50% of female members and 90% of male members are assumed to be married at retirement. Women are assumed to be three years younger than men.
22. Accumulated Vacation Time Load – Active members' service retirement and disability benefits are loaded by 2.5% for Safety Members and 3.5% for General Members for conversion of vacation time.
23. Changes in actuarial assumptions – Last year's valuation assumed employee accounts were credited with 0.00% interest annually and the base salary increase was assumed to be 3.50% for all members (no special increase for County Safety for 2014).

Participant data on active and inactive Members and their beneficiaries as of the valuation date was supplied by the Plan staff on direction of the Executive Director on electronic media. Member data was neither verified nor audited.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA FOR FISCAL YEARS ENDED JUNE 30

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary	Number of Employers
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%	8
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%	8
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%	8
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%	8
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%	8
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%	8
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%	8
6/30/2012	General	3,233	$ 179,260,736	$ 55,447	-3.08%	
	Safety	661	41,657,273	63,022	-3.96%	
	Total	3,894	$ 220,918,009	$ 56,733	-3.18%	8
6/30/2013	General	3,230	$ 176,437,755	$ 54,625	-1.48%	
	Safety	694	42,590,563	61,370	-2.62%	
	Total	3,924	$ 219,028,318	$ 55,818	-1.61%	8

Note: Actuarial valuation was not performed for fiscal year June 30, 2007. The total number of members differs from the membership data in the notes to the financial statements due to actuary cleansing of the data.

Note: The annual salary presented here is annualized historical salary. The covered payroll shown in the Notes to the Basic Financial Statements is actual pensionable salaries. Salary shown in the schedule of Funding Progress is based on projected salary from the actuarial valuation.

The employers participating in the Plan include Stanislaus County, Stanislaus County Superior Court, City of Ceres and five small districts.

SCHEDULE OF FUNDING PROGESS
FOR YEARS ENDED JUNE 30

Actuarial Valuation Date	Valuation Assets [1]	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a % of Covered Payroll
6/30/2003	$ 937,797,000	$ 958,095,000	$ 20,298,000	97.9%	$ 197,664,000	10.3%
6/30/2004	993,180,000	1,035,345,000	42,165,000	95.9%	199,963,000	21.1%
6/30/2005	1,049,691,000	1,116,310,000	66,619,000	94.0%	211,681,000	31.5%
6/30/2006	1,154,048,000	1,329,375,000 [2]	175,327,000	86.8%	212,011,000	82.7%
6/30/2008	1,317,167,000 [3]	1,548,824,000	231,657,000	85.0%	242,009,000	95.7%
6/30/2009	1,171,767,000	1,653,716,000	481,949,000	70.9%	248,316,000	194.1%
6/30/2010	1,325,801,000	1,737,824,000	412,023,000	76.3%	231,538,000	178.0%
6/30/2011	1,372,046,000	1,757,717,000	385,671,000	78.1%	221,541,000	174.1%
6/30/2012	1,451,764,000	1,888,713,000	436,950,000	76.9%	215,057,000	203.2%
6/30/2013	1,524,076,000	1,919,227,000	395,151,000	79.4%	222,898,000	177.3%

[1] Excludes value of Non-Valuation Reserves

[2] The Accrued Liability as of June 30, 2006 was recomputed to reflect the change in Actuary and in the retirement, termination and refund assumptions

[3] Includes $50 million tranferred from Non-Valuation Reserves as of 6/30/2008

RETIREES AND BENEFICIARIES ADDED TO
AND REMOVED FROM RETIREE PAYROLL
FOR YEARS ENDED JUNE 30

Plan Year Ending	At Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	At End of Year	Retiree Payroll	% Increase in Retiree Payroll	Average Annual Allowance
6/30/2003	1,963	166	N/A	62	N/A	2,067	$ 38,348,000	15.40%	$ 18,670
6/30/2004	2,067	214	N/A	64	N/A	2,217	$ 43,467,000	13.30%	$ 20,064
6/30/2005	2,217	99	$ 4,210,853	43	$ 637,963	2,273	$ 47,423,000	9.10%	$ 20,682
6/30/2006	2,273	247	$ 3,495,143	75	$ 700,133	2,445	$ 53,111,000	12.00%	$ 21,744
6/30/2008	2,445	369	$ 9,084,777	148	$ 1,731,738	2,666	$ 63,296,000	19.18%	$ 23,742
6/30/2009	2,666	156	$ 2,168,425	71	$ 647,870	2,751	$ 66,720,003	5.41%	$ 24,253
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%	$ 25,732
6/30/2012	3,015	226	$ 3,565,634	99	$ 978,729	3,142	$ 80,157,222	7.12%	$ 26,737
6/30/2013	3,142	198	$ 6,036,138	91	$ 1,144,584	3,249	$ 89,975,736	12.25%	$ 27,694

Note: Amounts for Allowances Added and Allowances Removed for fiscal years ending June 30, 2003 & 2004 was not available due to system constraints.

SOLVENCY TEST
FOR YEARS ENDED JUNE 30

Valuation Date	Actuarial Accrued Liabilities (AAL) for: 1 Active Member Contributions	2 Retirees & Beneficiaries	3 Active Members Employer Portion	Actuarial Accrued Liabilities	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets 1	2	3
6/30/2003	$ 176,622,000	$ 455,784,000	$ 325,689,000	$ 958,095,000	$ 937,797,000	100%	100%	91%
6/30/2004	$ 166,806,000	$ 518,922,000	$ 349,617,000	$ 1,035,345,000	$ 993,180,000	100%	100%	88%
6/30/2005	$ 205,556,000	$ 551,810,000	$ 358,994,000	$ 1,116,310,000	$ 1,049,691,000	100%	100%	81%
6/30/2006 [1]	$ 219,907,000	$ 619,109,000	$ 355,888,000	$ 1,194,904,000	$ 1,154,048,000	100%	100%	89%
6/30/2008 [2]	$ 272,657,000	$ 739,838,000	$ 536,329,000	$ 1,548,824,000	$ 1,317,167,000	100%	100%	57%
6/30/2009	$ 298,342,000	$ 781,082,000	$ 574,292,000	$ 1,653,716,000	$ 1,171,767,000	100%	100%	16%
6/30/2010	$ 323,940,000	$ 829,323,000	$ 584,561,000	$ 1,737,824,000	$ 1,325,801,000	100%	100%	30%
6/30/2011	$ 337,201,000	$ 897,384,000	$ 523,133,000	$ 1,757,717,000	$ 1,372,046,000	100%	100%	26%
6/30/2012	$ 351,569,000	$ 987,546,000	$ 549,598,000	$ 1,888,713,000	$ 1,451,764,000	100%	100%	20%
6/30/2013 [3]	$ 191,968,000	$ 1,065,792,000	$ 661,466,000	$ 1,919,227,000	$ 1,524,076,000	100%	100%	40%

[1] Results recalculated, reflecting Level 1 assumption changes (new retirement, termination and withdrawal decrements) and new EFI EAN methodology
[2] Reflects tranfer as of June 30, 2008 of $50 million from Non-Valuation to Valuation Reserves
[3] Reflects change to include only refundable contribution balance

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE
FOR YEARS ENDED JUNE 30

Plan Year Ending	Actuarial (Gains)/Losses: Asset Sources	Liability Sources	Total	Changes in Plan Provisions	Changes in Assumption/ Methods
6/30/2004	$ 8,536,049	$ 12,492,070	$ 21,028,119	$ -	$ (2,088,246)
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)
6/30/2012	$ (5,283,786)	$ 6,191,029	$ 907,243	$ -	$ 52,606,350
6/30/2013	$ 10,200,000	$ 8,500,000	$ 18,700,000	$ -	$ (63,400,000)

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

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Statistical Section

sta·tis·tics [stuh-tis-tiks]
noun
1. (used with a singular verb) the science that deals with the collection, classification, analysis, and interpretation of numerical facts or data, and that, by use of mathematical theories of probability, imposes order and regularity on aggregates of more or less disparate elements.
2. (used with a plural verb) the numerical facts or data themselves.

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 Fiduciary Net Position, 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 below and on the following pages.

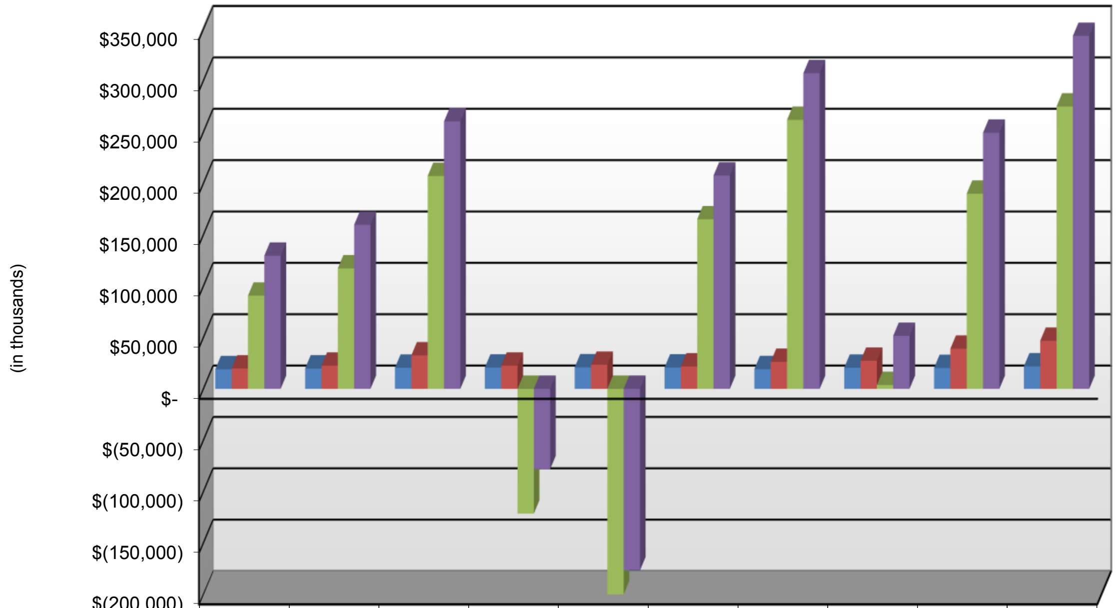
CHANGES IN FIDUCIARY NET POSITION

Last Ten Fiscal Years ending June 30

Additions To Fiduciary Net Position	2014	2013	2012	2011	2010
Employer Contributions	$ 46,763,996	$ 39,077,480	$ 27,314,032	$ 26,256,729	$ 21,814,194
Plan Member Contributions	21,867,911	20,285,888	20,525,295	19,197,052	20,746,411
Investment Income (Loss)	275,864,058	188,929,033	3,330,939	261,380,696	161,234,157
Net Other Investment Income(Loss)	123,840	114,770	571	16,849	680,579
Net Security Lending Income (Loss)	(1,091,790)	944,484	393,244	444,947	3,139,108
Total Additions	$ 343,528,015	$ 249,351,655	$ 51,564,081	$ 307,296,273	$ 207,614,449
Deductions From Plan Position					
Pension Benefits	$ 93,116,413	$ 87,102,798	$ 80,157,222	$ 74,826,404	$ 71,464,735
Refunds	1,666,058	1,545,763	1,832,811	1,906,153	1,731,971
Administrative Expense and Misc	2,249,260	2,065,345	2,144,748	2,037,167	2,307,436
Total Deductions	$ 97,031,731	$ 90,713,906	$ 84,134,781	$ 78,769,724	$ 75,504,142
Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	$ 246,496,284	$ 158,637,749	$ (32,570,700)	$ 228,526,549	132,110,307
Fiduciary Net Position Restricted for Pension Benefits					
Beginning of year	1,544,812,995	1,386,175,246	1,418,745,946	1,190,219,397	1,058,109,090
End of year	$ 1,791,309,279	$ 1,544,812,995	$ 1,386,175,246	$ 1,418,745,946	$ 1,190,219,397

Additions To Fiduciary Net Position	2009	2008	2007	2006	2005
Employer Contributions	$ 23,410,965	$ 22,555,416	$ 32,562,514	$ 22,548,754	$ 19,792,748
Plan Member Contributions	20,922,893	20,689,439	20,542,837	19,860,676	19,088,340
Investment Income (Loss)	(215,302,029)	(122,548,769)	206,631,146	116,898,276	90,280,931
Litigation Recovery	57,010	117,351	177,775	27,479	113,169
Net Security Lending Income (Loss)	(5,786,378)	1,022,295	382,991	347,188	309,095
Total Additions	$ (176,697,539)	$ (78,164,268)	$ 260,297,263	$ 159,682,373	$ 129,584,283
Deductions From Plan Position					
Pension Benefits	$ 71,861,210	$ 67,785,111	$ 67,599,163	$ 58,129,898	$ 53,176,109
Refunds	2,537,978	2,442,426	2,730,463	2,482,105	2,347,241
Administrative Expense and Misc	2,080,130	2,044,286	1,980,926	1,598,700	1,404,838
Total Deductions	$ 76,479,318	$ 72,271,823	$ 72,310,552	$ 62,210,703	$ 56,928,188
Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits	(253,176,857)	(150,436,091)	187,986,711	97,471,670	72,656,095
Fiduciary Net Position Restricted for Pension Benefits					
Beginning of year	1,311,285,947	1,461,722,038	1,273,735,327	1,176,263,657	1,103,607,562
End of year	$ 1,058,109,090	$ 1,311,285,947	$ 1,461,722,038	$ 1,273,735,327	$ 1,176,263,657

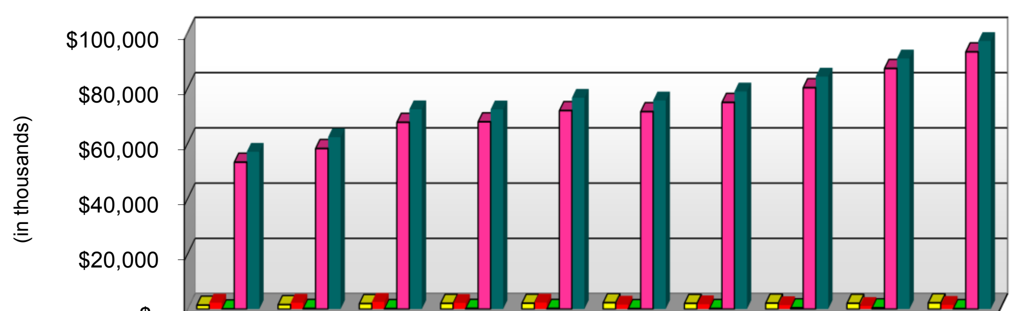
Additions by Source
(for years ending June 30)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Plan Member Contrib.	$19,088	$19,861	$20,543	$20,689	$20,923	$20,746	$19,197	$20,525	$20,286	$21,868
Employer Contrib.	$19,793	$22,549	$32,562	$22,555	$23,411	$21,814	$26,257	$27,314	$39,077	$46,764
Investments	$90,703	$117,273	$207,192	$(121,409)	$(221,031)	$165,054	$261,842	$3,725	$189,988	$274,896
Total	$129,584	$159,683	$260,297	$(78,165)	$(176,697)	$207,614	$307,296	$51,564	$249,351	$343,528

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

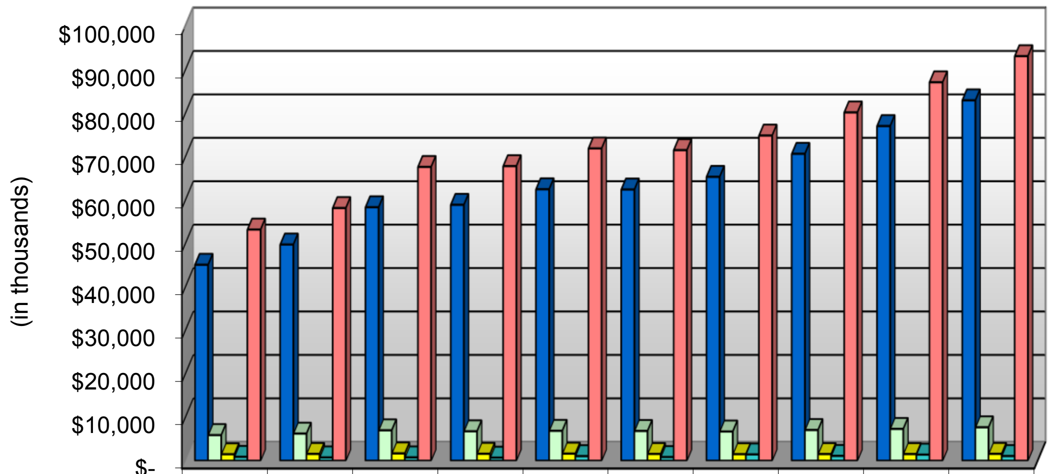
Deductions by Type
(for years ending June 30)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administrative	$1,405	$1,599	$1,981	$2,044	$2,080	$2,307	$2,037	$2,145	$2,065	$2,249
Refunds - Separation	$2,302	$2,266	$2,569	$2,204	$2,310	$1,581	$1,703	$1,389	$1,115	$1,516
Refunds - Death	$45	$216	$161	$238	$228	$151	$204	$444	$431	$151
Benefits	$53,176	$58,130	$67,599	$67,785	$71,861	$71,465	$74,826	$80,157	$87,103	$93,116
Total	$56,928	$62,211	$72,310	$72,271	$76,479	$75,504	$78,770	$84,135	$90,714	$97,032

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

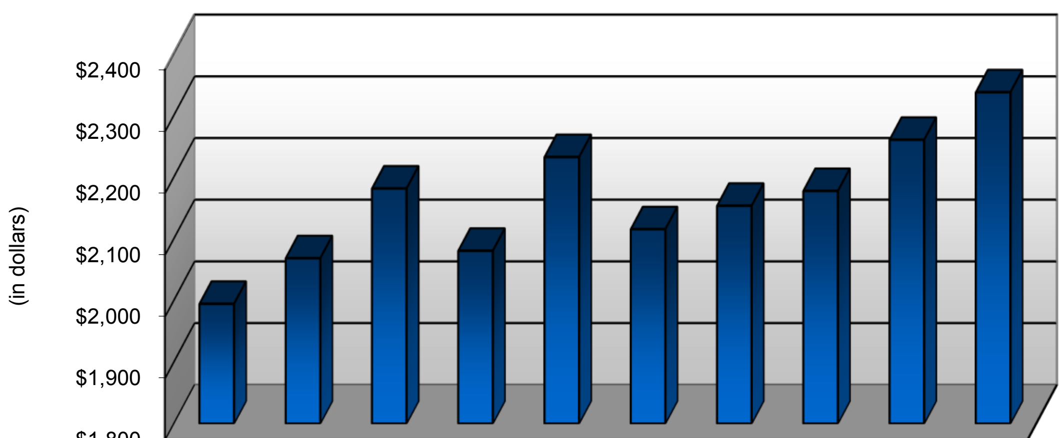
Benefit Expense by Type
(for years ending June 30)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Service	$45,068	$49,729	$58,320	$58,875	$62,463	$62,400	$65,311	$70,619	$77,009	$82,939
Serv. Conn. Dis.	$5,844	$6,185	$6,946	$6,719	$6,828	$6,792	$6,672	$7,020	$7,271	$7,636
Non-Serv. Dis.	$1,430	$1,510	$1,621	$1,535	$1,572	$1,496	$1,446	$1,471	$1,475	$1,526
Surv. Death Ben.	$834	$706	$712	$655	$998	$777	$1,397	$1,047	$1,348	$1,015
Total	$53,176	$58,130	$67,599	$67,784	$71,861	$71,465	$74,826	$80,157	$87,103	$93,116

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

Average Monthly Retirement Benefits
(for years ending June 30)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Monthly Allowance	$1,994	$2,068	$2,181	$2,080	$2,232	$2,115	$2,153	$2,177	$2,260	$2,337

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

RETIRED MEMBERS BY BENEFIT TYPE
as of June 30, 2014

Amount Monthly Benefit	Total # Retirees	Service Retirement	Service Connected Disability	Non-Service Disability	Survivors
General Members					
$0-500	384	365	1	12	6
501-1,000	510	445	5	40	20
1,001-1,500	500	423	33	39	5
1,501-2,000	361	310	39	9	3
2,001-2,500	289	258	26	3	2
2,501-3,000	182	173	7	2	0
3,001-3,500	139	134	3	0	2
3,501-4,000	115	112	3	0	0
4,001-4,500	77	73	3	1	0
4,501-5,000	59	59	0	0	0
over 5,000	231	231	0	0	0
Totals	2,847	2,583	120	106	38
Safety Members					
$0-500	28	17	8	2	1
501-1,000	19	15	3	0	1
1,001-1,500	39	33	3	2	1
1,501-2,000	57	45	6	6	0
2,001-2,500	51	22	28	0	1
2,501-3,000	82	27	54	0	1
3,001-3,500	60	38	22	0	0
3,501-4,000	41	32	8	0	1
4,001-4,500	20	19	0	0	1
4,501-5,000	25	24	0	0	1
over 5,000	112	101	11	0	0
Totals	534	373	143	10	8
TOTALS	3,381	2,956	263	116	46

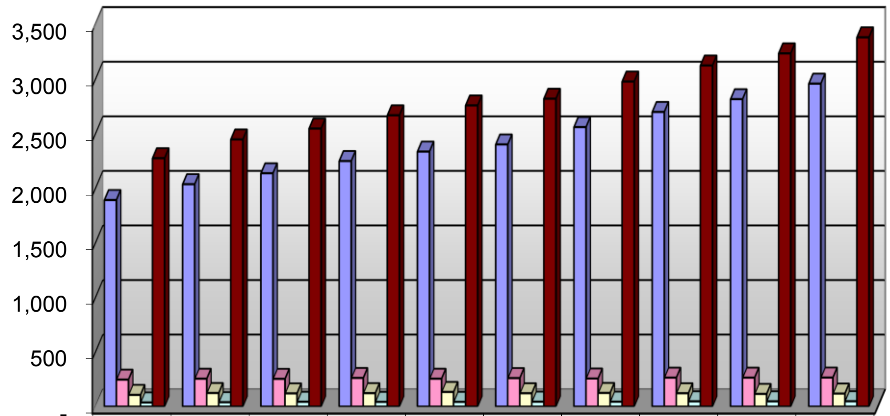
(Data retrieved from StanCERA's data base)

AVERAGE BENEFIT PAYMENTS
As of Fiscal Year End June 30

	Beneficiaries & Dro's	0-5	5-10	10-15	15-20	20-25	25-30	30+
				Service Years Credited				
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
Avg Final Average Salary	$1,037	$3,053	$2,621	$2,332	$2,445	$2,586	$3,249	$4,547
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
Avg Final Average Salary	$1,106	$3,177	$2,516	$2,322	$2,400	$2,486	$3,233	$4,192
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
Avg Final Average Salary	$1,176	$3,840	$3,286	$2,862	$3,009	$3,364	$3,790	$5,232
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
Avg Final Average Salary	$2,612	$4,848	$3,857	$3,620	$3,963	$4,393	$4,812	$5,815
Number of Active Retirees	383	176	366	606	484	446	335	320
Fiscal Year Ending June 30, 2013								
Average Monthly Benefit	$1,430	$657	$1,100	$1,295	$2,003	$2,792	$4,007	$5,309
Avg Final Average Salary	$2,662	$5,058	$4,110	$3,748	$4,047	$4,516	$4,962	$5,872
Number of Active Retirees	387	195	376	634	498	469	344	331
Fiscal Year Ending June 30, 2014								
Average Monthly Benefit	$1,467	$651	$1,124	$1,354	$2,082	$2,836	$4,088	$5,427
Avg Final Average Salary	$2,745	$5,272	$4,205	$3,927	$4,235	$4,596	$5,089	$5,948
Number of Active Retirees	388	206	394	679	524	488	353	349

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

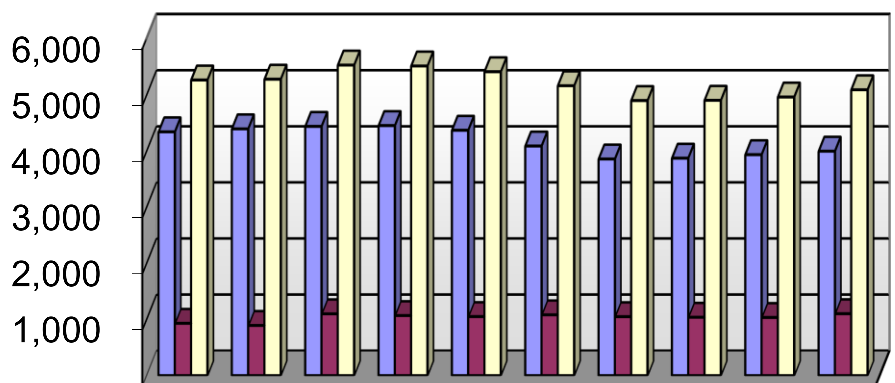
Membership History (Retired)
(for years ending June 30)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Service	1,890	2,035	2,135	2,247	2,334	2,399	2,558	2,697	2,814	2,956
Serv. Conn. Dis.	244	252	251	259	252	258	254	262	262	263
Non-Serv. Dis.	104	121	118	120	131	119	122	119	113	116
Surv. Death Ben.	35	37	41	40	40	42	42	45	45	46
Total	2,273	2,445	2,545	2,666	2,757	2,818	2,976	3,123	3,234	3,381

Data retrieved from StanCERA's data base.

Membership History (Active & Deferred)
(for years ending June 30)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Active Members	4,338	4,391	4,435	4,450	4,366	4,085	3,854	3,868	3,931	3,993
Inactive Members	924	886	1,093	1,062	1,044	1,075	1,042	1,032	1,028	1,095
Total	5,262	5,277	5,528	5,512	5,410	5,160	4,896	4,900	4,959	5,088

Data retrieved from StanCERA's data base.

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

	2014		2013		2012		2011		2010	
Stanislaus County:										
General Members	2,963	74.2%	2,903	73.8%	2,852	73.7%	2,841	73.7%	3,013	73.8%
Safety Members	602	15.1%	606	15.4%	574	14.8%	553	14.3%	601	14.7%
Total	3,565		3,509		3,426		3,394		3,614	
Participating Agencies:										
Stanislaus County Superior Court	212	5.3%	205	5.2%	229	5.9%	245	6.4%	252	6.2%
City of Ceres	181	4.5%	178	4.5%	173	4.5%	173	4.5%	178	4.4%
East Side Mosquito Abatement District	9	0.2%	10	0.3%	10	0.3%	11	0.3%	11	0.3%
Hills Ferry Cemetery	3	0.1%	4	0.1%	4	0.1%	4	0.1%	4	0.1%
Keyes Community Services District	6	0.2%	5	0.2%	6	0.2%	6	0.2%	6	0.1%
Salida Sanitary District	7	0.2%	7	0.2%	7	0.2%	7	0.2%	7	0.1%
Stanislaus Council of Governments	10	0.3%	13	0.3%	13	0.3%	14	0.3%	13	0.3%
Total	428		422		442		460		471	
Total Active Membership	3,993		3,931		3,868		3,854		4,085	

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

(Data retrieved from StanCERA's data base)

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