



## AGENDA

BOARD OF RETIREMENT  
832 12<sup>th</sup> Street Ste. 600, **Wesley W. Hall Board Room**  
Modesto, CA 95354

**October 25, 2016**  
**1:30 p.m.**

The Board of Retirement welcomes you to its meetings, which are regularly held on the third Wednesday of each month. Your interest is encouraged and appreciated.

**CONSENT ITEMS:** These matters include routine administrative actions and are identified under the Consent Items heading.

**PUBLIC COMMENT:** Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

**BOARD AGENDAS & MINUTES:** Board agendas, minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: [www.stancera.org](http://www.stancera.org).

Materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet are available for public inspection at StanCERA, 832 12th Street, Suite 600, Modesto, CA 95354, during normal business hours.

**AUDIO:** All Board of Retirement regular meetings are audio recorded. Audio recordings of the meetings are available after the meetings at <http://www.stancera.org/agenda>.

**NOTICE REGARDING NON-ENGLISH SPEAKERS:** Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

**REASONABLE ACCOMMODATIONS:** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Call Meeting to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
  - a. Approval of the September 27, 2016 Meeting Minutes [View](#)
  - b. Monthly Staff Report [View](#)
  - c. StanCERA Quarter 3 2016 Complaint Log [View](#)
  - d. Executive Director Goals Update 2016 Quarter 3 [View](#)
  - e. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
    1. Alcock, Alan – ESMAD – Effective 10-15-16
    2. Benavidez, Margaret – DER – Effective 10-08-16
    3. Bizsantz, Stacia – HSA – Effective 10-29-16
    4. Ingram, Gregory – Assessor – Effective 10-29-16
    5. Kirros, Kathleen – HSA – Effective 10-29-16
    6. Latapie, Robert – Sheriff – Effective 10-29 -16 \*
    7. Stoll, Sherri – HSA – Effective 10-15-16
    8. Strong, Ruelyn – DA – Effective 10-15-16
    9. Taniguchi, Robert – CSA – Effective 10-01-16
    10. Trinidad, Debbie – HSA – Effective 10-20-16

\* *Indicates Safety Personnel*

5. Consent Items (Cont)

f Approval of Deferred Retirement(s) – **Section 31700**

1. Arellano, Sandra – Ceres – Effective 07-03-16
2. Francis, Richard – CEO – Effective 09-10-16
3. Runner, Tomeka – CSA – Effective 07-09-16

*\* Indicates Safety Personnel*

g. Approval of Reciprocal Disability Retirement - **Section 31838.5**

1. Hankins, Timothy - City of Ceres, Non-Service Connected, Effective 09-16-16

h. Approval of Death Benefit - Option Pursuant to Government Code **Sections 31781, 31781.1 or 31781.3.**

1. Green, Gloria, Deceased October 2, 2016, Active Member

6. Investment Manager Annual Presentation

- a. American Reality Presentation [View](#)

7. Executive Director – Investment

8. Executive Director - Administrative

- a. Legal/Legislation Update [View](#)
- b. Information Technology Solutions (ITS) Project Update
- c. Discussion and Action for Proxy Directive for State Association of County Retirement Systems (SACRS) 2016 Fall Business Meeting [View](#)

9. Verus – Investment Consultant

- a. September 30, 2016 Flash Report [View](#)
- b. Asset Allocation Implementation Update [View](#)
- c. Draft Investment Policy Update [View](#)
- d. Discussion and Action Regarding Search for Liquidity Mandate [View](#)

10. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:  
O’Neal et al v. Stanislaus County Employees’ Retirement Association  
Stanislaus County Superior Court Case No. 648469  
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:  
Stanislaus County Employees’ Retirement Association v. Buck Consultants,  
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152  
Government Code Section 54956.9(d)(4)

Closed Session (Cont.)

- c. Recommendation for Service Connected Disability Retirement for Trujillo, Jacqueline,  
Government Code Section 31532

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

12. Adjournment



**BOARD OF RETIREMENT MINUTES  
September 27, 2016**

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

**Trustees Absent:** Mike Lynch

**Alternate Trustee** Joan Clendenin, Alternate Retiree Representative

**Staff Present:** Rick Santos, Executive Director  
Kellie Gomes, Executive Board Assistant

**Others Present:** Fred Silva, General Legal Counsel  
Ed Hoffman, Investment Consultant

1. Call Meeting to Order

Meeting called to order 1:30 p.m. by Trustee Riley, Chair

2. Roll Call

3. Announcements

4. Public Comment

5. Consent Items

a. Approval of the August 23, 2016 Meeting Minutes

b. Monthly Staff Report

c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Childers, Maria – CSA – Effective 09-15-16
2. Clark, Thomas – Ceres – Effective 09-19-16
3. Fukui, Tomonori – BHRS – Effective 09-08-16
4. Grieb, Carrie – CSA – Effective 09-07-16
5. Emery, Betty – CSA – Effective 09-17-16
6. Samora, Tina – HSA – Effective 09-02-16
7. Short, Colleen – Courts – Effective 09-03-16
8. Strohm, Ofick – SBT – Effective 08-24-16

*\* Indicates Safety Personnel*

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

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

*\* Indicates Safety Personnel*

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

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

5. Consent Items (Cont.)

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

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

\* Indicates Safety Personnel

Motion was made by Trustee Grover and seconded by Trustee Gharat to accept the consent items as presented with the correction to the minutes as noted by Trustee O'Neal for item 11.c. Motion should read "Motion was made by Trustee Lynch and seconded by Trustee O'Neal to accept the recommendation for the Non-Service Connected Disability Retirement for Jeannette Apolinar to be set for hearing."

Motion carried unanimously

6. Investment Manager Annual Presentation

a. Dodge & Cox

Deidre Curry and Steve Tassarel gave the Board its annual presentation by conference call regarding both fixed income and large cap value strategies. The conversation focused on relative differences between D&C's weighting vs. the benchmark, which sheds light on their investment thesis

b. Value Added

7. Verus – Investment Consultant

a. August 31, 2016 Flash Report

	<u>YTD</u>
Portfolio Return:	5.3%
U.S. Equity:	6.0%
International Equity:	3.8%
Fixed Income:	6.7%
Real Estate:	6.3%

8. Executive Director – Investment

a. Discussion and Action Regarding the Addition of a Retirement Investment Officers Series

Motion was made by Trustee Ford and seconded by Trustee O'Neal to accept staff recommendation as follows:

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

Motion carried unanimously

8. Executive Director – Investment (Cont.)

b. Discussion and Action Regarding the Revised Draft Investment Policy.

Motion was made by Trustee Grover and seconded by Trustee Sharpe to accept the Revised Draft Investment Policy Statement as presented.

Motion passed 7/1 by roll call vote as follows:

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

9. Executive Director - Administrative

a. Legal/Legislation Update

Dawn Lea gave an update on the chaptering of AB 241 which mandates retirement systems to produce retiree names and mailing addresses to a qualified organization (in this case, most likely RESCO) in the event of a plan sponsor financial event. The bill also allows retired members to opt out of this transfer of information if he/she wishes.

b. Discussion and Action to Consider Implementing Government Code Section 31760.2

The Board took no action on this item

c. Discussion and Action for Voting Proxy of State Association of County Retirement Systems (SACRS) 2016 Fall Business Meeting

Motion was made by Trustee Riley and seconded by Trustee Grover to appoint Trustee O'Neal as the primary proxy and Trustee Gharat as the second proxy for Voting Proxy of State Association of County Retirement Systems (SACRS) 2016 Fall Business Meeting.

10. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:  
O'Neal et al v. Stanislaus County Employees' Retirement Association  
Stanislaus County Superior Court Case No. 648469  
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:  
Stanislaus County Employees' Retirement Association v. Buck Consultants,  
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152  
Government Code Section 54956.9(d)(4)

No closed session held

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

Kathy Herman reported that staff intends to go out to RFI for a preliminary proposal on the Board room buildout

13. Adjournment

Meeting adjourned at 3:18 p.m.

Respectfully submitted,



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Rick Santos, Executive Director

APPROVED AS TO FORM:  
Fred Silva, GENERAL LEGAL COUNSEL

By:   
Fred Silva, General Legal Counsel



**October 25, 2016**

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Monthly Staff Report

II. ITEM NUMBER: 5.b

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS:

a) *Fiscal Services* – Fiscal Year End processes continue, final fieldwork for the financial auditors was completed and a draft of the Annual report has been sent for review. Staff, the I.T. Consultant and legal counsel began the Contract negotiations for the new pension software. Construction for the shell of the new Board Room was also completed. Employer and employee contributions totaling \$6,965,098 were received through 15 different payroll batches. In addition, 31 contribution refunds and 5 death benefit payouts totaling \$259,171 were processed. The retiree payroll for October of \$9,350,017 was processed as scheduled.

b) *Member & Employer Services* – During the month of September 2016, Member and Employer Services Staff processed 38 new hires (4 Safety and 34 General), 66 estimates, 26 buy backs and 31 terminations. There were 19 individual counseling sessions and one group session presented at the New Employee Orientation class. Staff continues to audit member files in anticipation of the data conversion that will be required with the implementation of a new pension administration system.

c) *Investment Governance and Compliance* – This past month, staff has been working on the investment policy, the asset allocation transition plan, the implementation of the functionally focused portfolio concept, reengineering of the alternative value added reporting, alternative benchmarking and cash flow projection. Additionally, staff has begun the process of working with the County to create the Investment Officer Series.

VI. RISK: None

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

VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

Rick Santos, Executive Director  
Manager

Dawn Lea, Member and Employer Services

Kathy Herman, Fiscal Services Manager



**October 25, 2016**

Retirement Board Agenda Item

TO: Retirement Board

FROM: Alaine Taa, Administrative Assistant

I. SUBJECT: StanCERA Complaint Log

II. ITEM NUMBER: # 5.c

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS:

There were fewer complaints logged between July 1 and September 30, 2016. A summary of these complaints follows:

Number of Complaints	Caller Status	Nature of Complaints
	Member	Recorded seven calls from active members regarding the long turn around time for Estimate and Buy Back Requests (3-6 months).

The number of complaints this quarter decreased compared to the previous report period April 1, 2016 through June 30, 2016.

VI. RISK: None

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

VIII. ADMINISTRATIVE BUDGET IMPACT: None

*Alaine Taa*  
\_\_\_\_\_  
Alaine Taa, Administrative Assistant

*Kathy Herman*  
\_\_\_\_\_  
Kathy Herman, Fiscal Services Manager



**October 25, 2016**

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Executive Director Goals Update - Quarter 3
- II. ITEM NUMBER: 5.d
- III. ITEM TYPE: Consent
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: This is the Quarter 3 Executive Director goals update for 2016 (Attachment 1). Quarter 3 progress for all items is denoted in green. This quarter, as it relates to the goals, was driven largely by work surrounding the information technology solutions, data cleanup, the Investment Policy and preparation for the asset allocation transition.

Staff is still on track to complete most of the 2014-2016 Strategic Objective Plan this year. Data clean up efforts continue, however, the 95% completion objective this year seems unlikely, due mainly to the pension administration project commencing earlier than anticipated. While this is disappointing from a goal perspective, data cleanup is always an ongoing process and staff will always maintain a deep commitment to clean data.

Another area where staff may fall short is in the area of stakeholder education. Education and its administration now is tightly intertwined with the information technology solution. There will be many tools available to assist in this area that the Organization currently doesn't have. Staff feels that trying to accomplish this objective by year's end simply to meet this goal is not efficient and effective. This will be put on the objectives for 2017-2019 and integrated with the information technology solution.

- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



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Rick Santos, Executive Director



## General Items

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
  - Meet with County staff and Supervisors regarding various pension issues
2. Facilitate completion of the transition to alternative investments
  - The transition to alternative investments now incorporates the new asset allocation the Board approved in May. While this goal was set with regard to the old asset allocation, its intent is still valid and will become a major component of the Executive Director Goals for 2017. During the past quarter, staff has been working with all direct lenders to understand future cash flows and how they may be used in the transition to the new asset allocation
3. 95% completion of clean-up of member data
  - Approximately 20% complete
4. Complete Trustee Election
  - Task complete
5. Continued monitoring of StanCERA lawsuits
  - Nothing to report
6. Director Professional Development
  - Nothing to report
7. Facilitate RFP for actuarial consultant
  - Task complete
8. Oversee Information Technology Solutions Project
  - RFP process complete
  - Contract negotiations underway
  - Scheduling logistics underway
9. Gauge plan sponsor interest in hybrid defined benefit/contribution plan
  - Nothing to report
10. Oversee and complete day to day administrative functions
  - Outstanding disabilities: 13 as of October 12th
11. Complete cost benefit analysis of Investment Officer position
  - Task complete
12. Facilitate StanCERA 2017-2019 Strategic Plan
  - Strategies, background and objectives complete. Staff to get Board buyoff in October and then present final deliverables in November or December
13. Finalize Record Retention Policy
  - Nothing to report
14. Development of policy related to the use and legal implications of electronic signatures
  - Nothing to report



## ***Items Explicitly Tied to the 2014-2016 Strategic Plan***

### Strategic Objective #1

**Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability**

#### 2016 Action Plan with Deliverables

- I. *Communicate with plan sponsors*
  - a. Meet with plan sponsors annually to discuss any issues that may affect StanCERA's future projected cash flows – ongoing
  - b. Meet with plan sponsors at least annually to determine the sponsor's willingness and capacity to take pension risk – ongoing

### Strategic Objective # 2

**Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA's active managers**

#### 2016 Action Plan with Deliverables

- I. *Develop clear and concise processes and policies dedicated to the continual assessment, monitoring and disposition of StanCERA's active managers*
  - a. Develop:
    - i. reasonable criteria that defines satisfactory performance with an eye towards asset liability and total risk management
      - Study and proposal of asset mixes that incorporate insuring or immunizing benefit shortfalls (benefits less contributions)
      - Discussed with current manager lineup, the ability to manage the liquid portfolio
      - Board decision made to immunize 6 years of benefit shortfalls
      - Meet with stakeholders regarding actual investment process (shortfall portfolio)
      - Meet with stakeholders regarding optimal benchmarking process
      - Staff working in conjunction with the investment consultant is developing objectives and policies dedicated to this deliverable
      - Development of a value added analysis for the alternative investments
      - Research regarding effective benchmarking for alternative investments



- ii. processes and remedies for active managers when performance is deemed to be unsatisfactory
  - Meet with stakeholders regarding the use of a symmetric performance fee schedule related to the shortfall investment process
  - Staff working in conjunction with the investment consultant is developing objectives and policies dedicated to this deliverable

## Strategic Objective # 3

**Continue to foster an organizational culture that values and promotes team work, education, awareness, accountability and achievement.**

### 2016 Action Plan with Deliverables

- I. *Optimize StanCERA's organizational resources*
  - a. Complete review and amendment of process manuals (ongoing)
    - All processes reviewed and documented through the creation of the business requirement documents (first iteration of the ITS project)
    - The accounting staff has completed review and updated all of our current processes. Many of these will be actually be reviewed again through the creation of the final business requirement documents for the ITS Project.
- II. *Ensure organizational quality and performance through continuous improvement*
  - a. Establish a formal peer-review process for internal and external documents and external communications
    - Many workflow processes require multiple steps. Staff has developed a current system to ensure accuracy and workflow completion. However, these will be incorporated into a more formal peer-review process as the Organization develops workflows within the new ITS solution.



## Strategic Objective # 4

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

### 2016 Action Plan with Deliverables

- I. *Formalize a process to educate stakeholders*
  - a. Determine areas of educational need
    1. Members
    2. Plan Sponsors/Employers
    3. Tax Payers/Members of the public
    - Nothing to report
  - b. Review and amend the media policy
    - Nothing to report
- II. *Expand technology and training to ensure continuity of operations during a natural disaster or a period of major outage*
  - a. Develop a formal schedule and process for disaster drills of Technology systems
    - Process and schedule currently being laid out; Staff anticipates its first formal disaster drill late Q2 or early Q3
    - The pension software disaster program is tested annually. The first annual complete disaster drill is scheduled for August 2016
    - The drill was held on August 31<sup>st</sup> and the report will be presented to the Internal Governance Committee on November 15th
  - b. Determine optimal level of redundancy for continuity of operations
    - This analysis is complete and will be reported to out the Internal Governance Committee on November 15th



**AMERICAN**  
REALTY ADVISORS

# American Strategic Value Realty Fund

Presented to: Stanislaus County Employees' Retirement Association

**Second Quarter 2016**

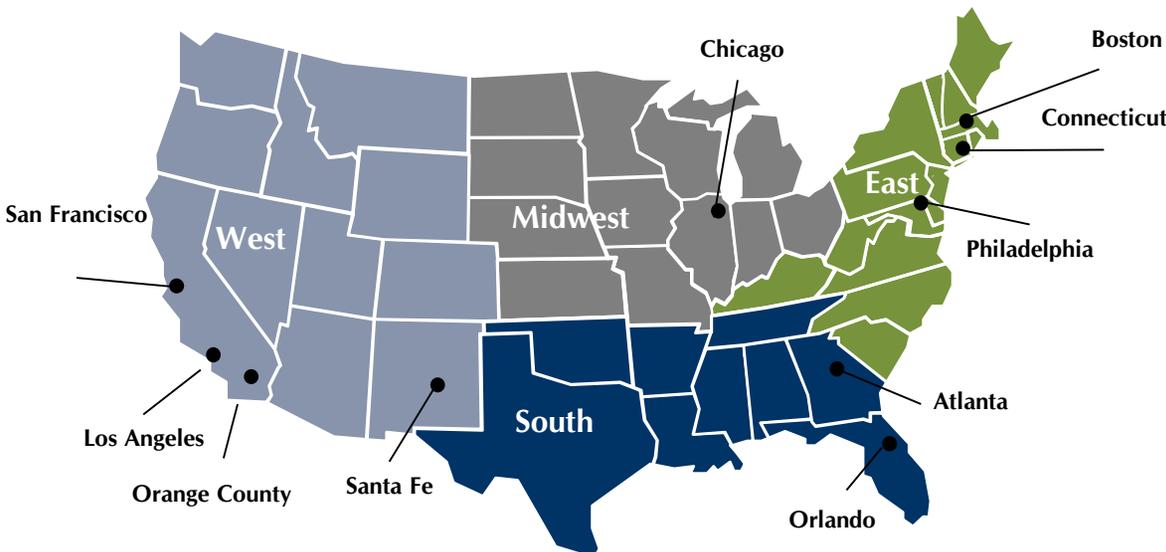


Altera Highland



10 Chandler

- One of the **largest privately-held real estate investment managers** in the U.S.
- Seasoned professionals with an average of **23 years of investment management experience**
- **Over \$7.5 billion in assets under management**
- **150 properties** primarily in major MSAs across the U.S.
- Over **440 institutional investors** trust American to invest their capital
- **Ten offices nationwide** providing ability to meet investor needs



## American's Offices

<b>LOS ANGELES (HEADQUARTERS)</b>	Accounting, Administration, Asset Management, Corporate, Investments, Legal/Compliance, Marketing/Client Service, Portfolio Management, Research
<b>ATLANTA</b>	Asset Management
<b>BOSTON</b>	Investments
<b>CHICAGO</b>	Asset Management, Dispositions, Investments, Marketing/Client Service
<b>CONNECTICUT</b>	Asset Management, Marketing/Client Service
<b>ORANGE COUNTY</b>	Asset Management
<b>ORLANDO</b>	Marketing/Client Service
<b>PHILADELPHIA</b>	Investments
<b>SAN FRANCISCO</b>	Asset Management, Investments
<b>SANTA FE</b>	Marketing/Client Service



## Active Investments



Vue32



10 Chandler



Shoppes at South Hills



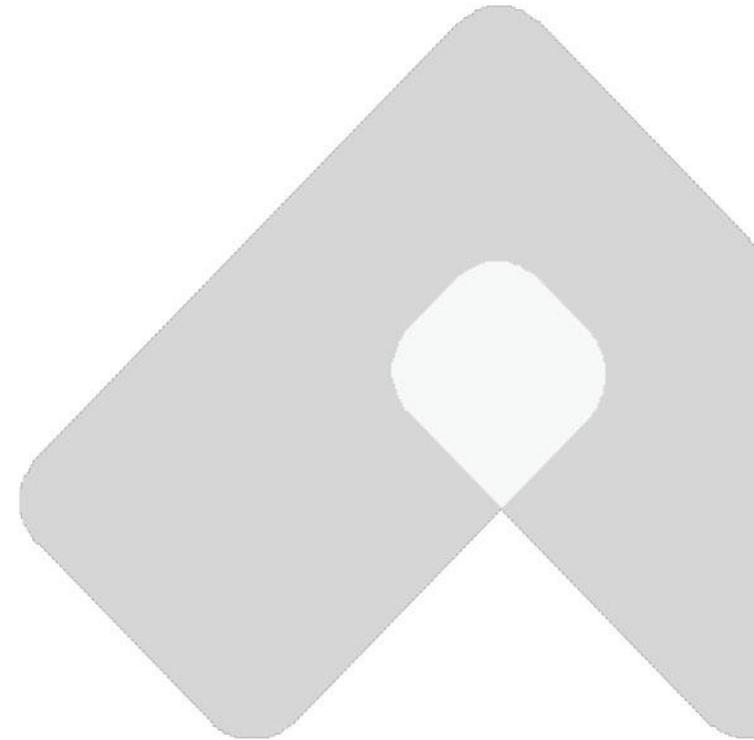
50 Montgomery

# American Strategic Value Realty Fund

A Value-Added Real Estate Strategy

## THE AMERICAN STRATEGIC VALUE REALTY FUND

is an open-end value-added real estate commingled fund that invests in office, retail, industrial, multi-family and other select property types located in target markets across the United States. The Fund seeks opportunities to add value during different stages of a typical three to seven year investment cycle with the goal to provide solid performance and minimize losses.



## Create or Restore Broken or Transitional Assets to Core



Cherry Logistics Center

### Thematic Levers

- Heavy Lift / Active Management
  - Development / Redevelopment
  - Renovation / Reposition
  - Lease-up / Retenancing
- Arbitraging User Error
  - Under-managed
  - Capital constrained
  - Miss-marketed or off-market transaction
- Creative Financial Structuring
  - Distressed Debt
  - Opportunistic Capital Deployment
- Market Recovery

## Apartments – Develop and reposition into healthy tenant and capital markets

- Reposition well-located Class B properties, which still can be acquired below replacement cost, into Class A
- Focus on irreplaceable garden communities and urban infill/high-density locations

## Retail – Capitalize on changing retail landscape

- Acquire and re-tenant retail centers that have lost an anchor
- Focus on highly functional centers in infill locations with attractive demographics

## Industrial – Buy or build into strong tenant demand expansion

- Acquire vacant or soon-to-be vacated space at a discount to long-term leased space...or build it
- Focus in major population centers on locations with excellent transportation access

## Office – Increase occupancies and rents in improving environment

- Acquire and reposition properties at a substantial discount to replacement cost
- Focus on highly-amenitized suburban locations, as well as select downtown areas
- Capital stack investments (i.e. mezzanine debt or preferred equity) in development of office

**Total Commitment:** \$30,000,000

Contributions/Return of Capital		
2014	Contribution	\$3,549,100
2015	Contribution	\$4,122,600
2016	Return of Capital	(\$2,029,728)
2016	Contribution	\$4,650,000
Net Investment		<b>\$10,291,972</b>

An additional \$3,000,000 was drawn on  
August 10, 2016

Investment Summary as of June 30, 2016	
	Inception-to-Date
Contributions	\$ 12,321,700
Return of Capital	(2,029,728)
Net Investment	10,291,972
Net Income	421,642
Distributions	-
Net Appreciation	1,360,905
Ending Net Asset Value	<b>\$ 12,074,519</b>

### Performance History (through June 30, 2016)

	2Q2016	Year-to-Date	One-Year	Since Inception*
Income	1.04%	2.16%	4.32%	4.40%
Appreciation	2.26%	4.78%	13.37%	14.57%
<b>Total Return (Gross)</b>	<b>3.30%</b>	<b>6.99%</b>	<b>18.12%</b>	<b>19.43%</b>
<b>Total Return (Net)</b>	<b>2.82%</b>	<b>6.14%</b>	<b>15.38%</b>	<b>16.62%</b>

*Inception: December 16, 2014*

*\* Annualized*

#### PERFORMANCE DISCLAIMER:

The returns above are for the Stanislaus County Employees' Retirement Association's investment in the American Strategic Value Realty Fund, include leveraged returns before (gross) and after (net) the deduction of investment management fees and include the reinvestment of some income. The sum of annualized component returns may not equal the total return due to the chain-linking of quarterly returns. The performance information is considered supplemental information and complements the attached Value-Added Commingled Real Estate Investments Composite performance. Past performance is not a guarantee of future results and it is important to understand that investments of the type made by the Fund pose the potential for loss of capital over any time period. Many factors affect fund performance including changes in market conditions and interest rates in response to other economic, political, or financial developments. Investment returns, and the principal value of any investment will fluctuate, so that when an investment is sold, the amount received could be less than what was originally invested. Use of leverage may create additional risks. Please refer to disclosures at the end of this presentation.



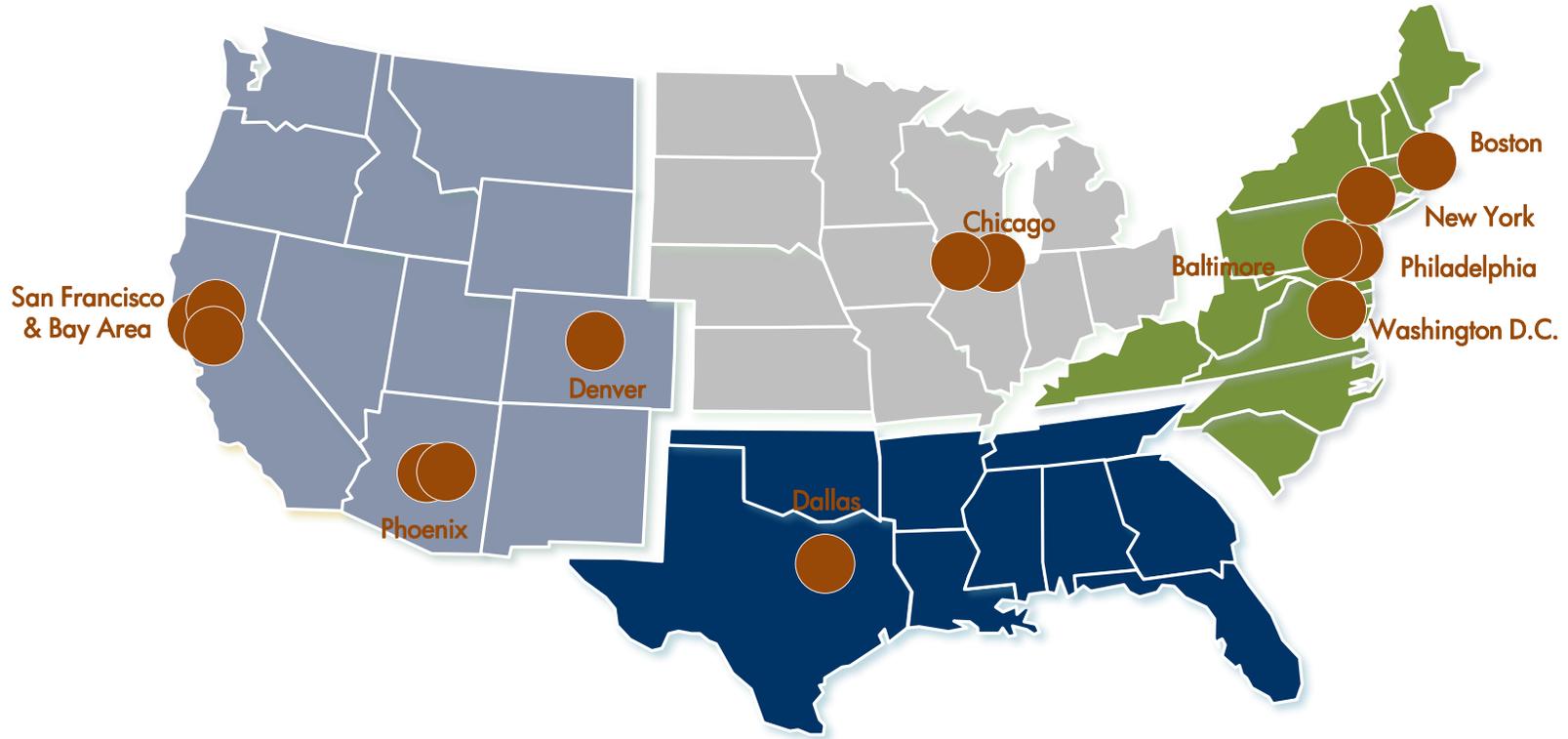
### FUND SNAPSHOT

As of June 30, 2016

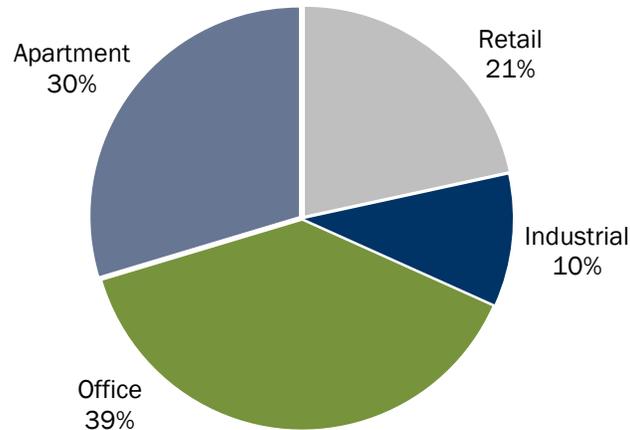
GROSS FAIR VALUE (millions)	\$618.5
NET FAIR VALUE (millions)	\$344.2
LEVERAGE	39.67%
TOTAL SQUARE FOOTAGE	3,082,492
UNITS (multi-family)	853
% LEASED	80.9%

As of June 30, 2016

TOTAL NUMBER OF LIMITED PARTNERS	49
UNDRAWN COMMITMENTS (millions)	\$342.5
REDEMPTION QUEUE (million)	\$0.0



Property Type Diversification \*



\*Based on Fund's gross fair value of each asset.



Gross Asset Value (\$ mm) (%)

### WEST

Industrial	62.6	11.2
Multi-family	59.0	10.6
Office	82.5	14.8
Retail	55.6	9.9
<b>TOTAL</b>	<b>259.7</b>	<b>46.5</b>

### MIDWEST

Office	96.5	17.3
Multi-family	38.0	6.8
<b>TOTAL</b>	<b>134.4</b>	<b>24.1</b>

\*Excludes KF17 Mortgage Trust

Gross Asset Value (\$ mm) (%)

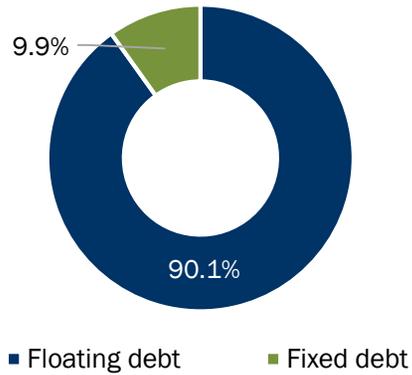
### EAST

Multi-family	11.0	2.0
Office	60.1	10.8
Retail	77.9	13.9
<b>TOTAL</b>	<b>149.0</b>	<b>26.7</b>

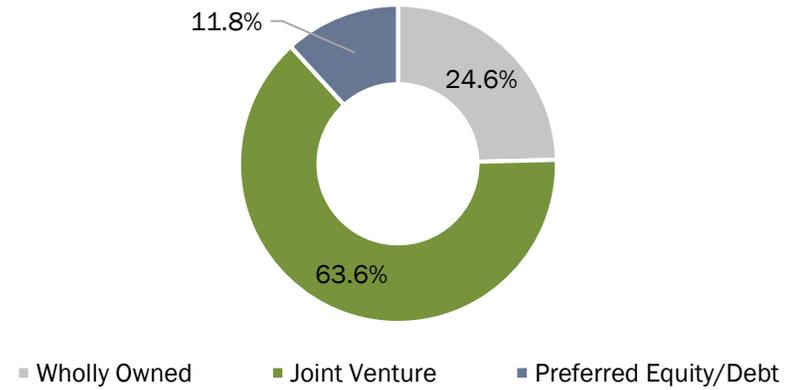
### SOUTH

Multi-family	15.5	2.7
<b>TOTAL</b>	<b>15.5</b>	<b>2.7</b>

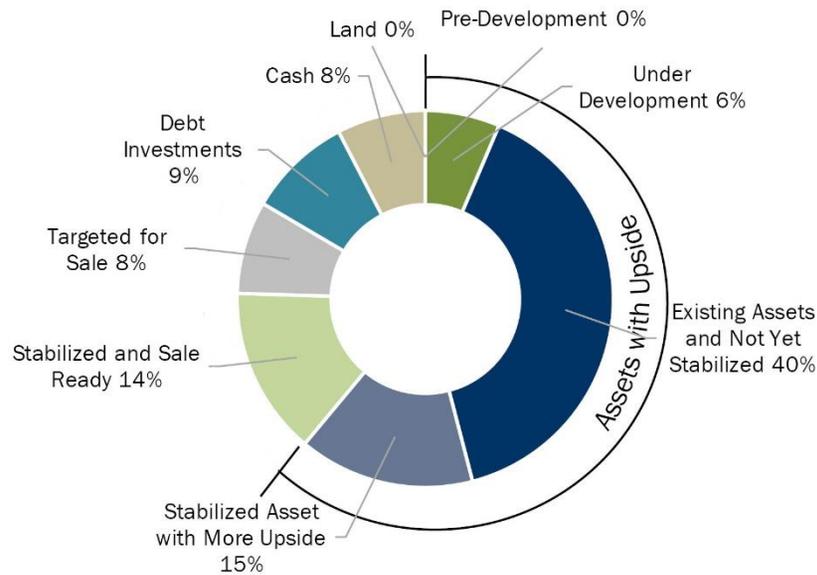
### Debt Composition (GFV)



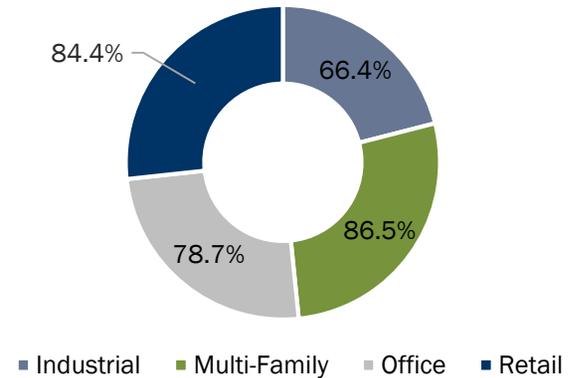
### Investment Structure Diversification (GFV)



### By Gross Value (Fund's Ownership Share)



### Occupancy by Property Type (GFV Weighted)



# Summary of Holdings – as of 06/30/16

ACTIVE INVESTMENTS	LOCATION (MSA)	INVESTMENT DATE	PROPERTY TYPE	SF/UNITS	FUND'S SHARE OF GROSS FAIR VALUE
10 Chandler Industrial Park	Phoenix, AZ	01/25/2011	Industrial	552,370	\$41,475,000
Oak Brook Regency Towers	Chicago, IL	07/06/2011	Office	441,720	\$96,500,000
1130 Connecticut Avenue	Washington, DC	11/15/2011	Office	228,491	\$60,086,795
Portofino at Las Colinas	Dallas, TX	05/17/2012	Multi-family	224 units	\$15,432,502
1401 South State Street	Chicago, IL	09/27/2012	Multi-family	279 units	\$37,942,178
The Court at Deptford	Philadelphia, PA	05/16/2014	Retail	361,276	\$32,435,813
Hayward 92 Industrial Center <sup>1</sup>	Oakland, CA	06/05/2014	Industrial	471,404	\$21,101,146
The Shoppes at South Hills	New York, NY	12/15/2014	Retail	517,450	\$45,508,110
Altera Highland	Phoenix, AZ	12/18/2014	Multi-family	350 units	\$59,050,519
Denver Regional Portfolio	Denver, CO	02/10/2015	Office	697,679	\$71,651,308
Dublin Place Shopping Center	Oakland, CA	03/31/2015	Retail	283,506	\$55,645,374
Boston East <sup>1</sup>	Boston, MA	12/23/2015	Multi-family	200 units	\$8,872,009
Vue32 <sup>1</sup>	Philadelphia, PA	03/04/2016	Multi-family	164 units	\$2,148,895
601 Marshall <sup>1</sup>	San Mateo, CA	03/30/2016	Office	133,000	\$10,812,596
KF17 Mortgage Trust <sup>2</sup>	Various	06/23/2016	Multi-family	Various	\$59,832,499
<b>TOTAL</b>					<b>\$618,494,745</b>

<sup>1</sup>Development  
<sup>2</sup> B-Note



**30 Montgomery, Hudson Waterfront**  
Jersey City, NJ  
3<sup>rd</sup> Quarter 2016



Primary Strategy Themes:

- Lease-up
- Market Recovery

**Northpark Distribution Center**  
St. Louis, MO  
3<sup>rd</sup> Quarter 2016



Primary Strategy Themes:

- Development
- Lease-up

**321 N. Clark Ave., River North**  
Chicago, IL  
3<sup>rd</sup> Quarter 2016



Primary Strategy Themes:

- Renovation/Repositioning
- Retenancing

**601 Marshall, Downtown Bay Area**  
Redwood City, CA  
2<sup>nd</sup> Quarter 2016



Primary Strategy Themes:

- Development
- Lease-up
- Creative Financial Structuring

**Vue32, University Center**  
Philadelphia, PA  
2<sup>nd</sup> Quarter 2016



Primary Strategy Themes:

- Development
- Lease-up
- Creative Financial Structuring

**KF17 Mortgage Trust**  
2<sup>nd</sup> Quarter 2016



Primary Strategy Themes:

- Opportunistic Capital Market Transaction
- Interest Rate Hedging



REALIZED INVESTMENTS	LOCATION (MSA)	INVESTMENT DATE	PROPERTY TYPE	DISPOSITION DATE	GROSS IRR	GROSS MULTIPLE
York Logistics Center	York, PA	03/03/14	Industrial	03/29/16	48.5%	2.16x
1221 City Center	Oakland, CA	12/11/12	Office	12/18/15	15.5%	1.49x
Cherry Logistics Center	East Bay, CA	09/19/12	Industrial	09/24/14	41.8%	1.88x
Terrace Tower	Denver, CO	12/30/09	Office	02/22/12	38.9%	2.07x
Jasmine Distribution Center	Fontana, CA	09/29/10	Industrial	04/29/11	50.6%	1.30x



### **Kirk V. Helgeson** Chief Investment Officer

**Years of real estate experience:** 27 years

**Education:** University of Southern California: B.S.  
University of Southern California: M.B.A.

Kirk Helgeson is Chief Investment Officer for American Realty Advisors' Investment Team, where he is responsible for overseeing all acquisition/disposition activity for the firm's investment portfolios. Mr. Helgeson also manages the development, implementation and oversight for American's value-added strategy through its open-end commingled fund, the American Strategic Value Realty Fund, LP, as well as through separate accounts and closed-end commingled funds. Mr. Helgeson is the Chairman of the firm's Investment Committee and a member of the Management Committee. Prior to joining American, Mr. Helgeson worked for AFP Properties USA, Inc. as the Investment Manager responsible for all aspects of the acquisition and disposition processes and asset management for a multi-class real estate portfolio in excess of \$450 million. Prior to that, Mr. Helgeson was a Senior Appraiser for Eichel Inc., where he was responsible for completing complex appraisal and consulting assignments encompassing a wide range of property types.



### **Teri Noble** Director, Marketing and Client Service

**Years of investment experience:** 20 years

**Education:** University of California, Davis: B.A.  
Saint Mary's College of California: M.B.A.

Teri Noble is a Director, Marketing and Client Service for American Realty Advisors, responsible for marketing American's full line of real estate investment management services, including commingled fund and separate account investment programs, to institutional clients in the Western United States. Prior to joining American, Ms. Noble served as the Senior Vice President of Relationship Management at BNY Convergenx, where she was responsible for relationship management with plan sponsors and consultants, and for developing new business opportunities throughout the institutional investor and investment consultant community. Ms. Noble is a founding board member of the Women's Institutional Investment Network of Los Angeles, and recently served as Board Director for the Financial Women's Association of San Francisco.

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No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Photos used in this presentation were selected based on visual appearance, are used for illustrative purposes only, and are not necessarily reflective of all the investments in the fund or the investments the fund will make in the future. Investments discussed in this presentation are expected to involve the economic and business risks generally inherent in real estate investments of the type the Funds intends to make. A major risk of owning income-producing properties is the possibility that the properties will not generate income sufficient to meet operating expenses, to service any loans that are secured by the properties or to fund adequate reserves for capital expenditures. The income from properties may be affected by many factors, including, but not limited to, fluctuations in occupancy levels, operating expenses and rental income (which in turn may be adversely affected by general and local economic conditions); the supply of and demand for properties of the type in which the Funds invests; energy shortages; compliance by tenants with the terms of their leases; collection difficulties; the enactment of unfavorable environmental or zoning laws; Federal and local rent controls; other laws and regulations; and changes in real property tax rates. The marketability and value of any properties of the Funds will depend on a number of factors beyond the control of the Funds, including, but not limited to, those previously described. Furthermore, there can be no assurance that a ready market for the properties of the Funds will exist at any particular time, since investments in real properties are generally considered to be more illiquid than publicly-traded securities. Any return to the investors on their investment will depend upon factors that cannot be predicted at the time of investment, that may be beyond the control of the Funds, or that may be uninsurable or not economically insurable (such as losses caused by earthquakes, terrorism or floods). Such factors will also affect the return to the investors on their investment.

The description of certain risk factors in this presentation does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Investors should read the Funds’ confidential offering memorandum and consult with their own advisors before deciding to subscribe or invest. In addition, as the investment markets and Funds develop and change over time, an investment may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

American Core Realty Fund is authorized to borrow up to 40% of the total gross value of the real estate assets owned by such Fund, and American Strategic Value Realty Fund is authorized to borrow, as measured immediately after such borrowing, up to 65% of the greater of (1) the sum of the Value Fund’s net asset value and its unfunded capital commitments and (2) the sum of the Value Fund’s gross investment cost in all of its portfolio investments and its unfunded capital commitments, and neither Fund is required to reduce debt in the event the total value of their real estate declines. Please review the applicable provisions in the respective limited partnership agreements and investment policy statement (with respect to the Core Fund). The use of leverage introduces the risk that cash flow from properties so encumbered, or from other sources, may not be sufficient to service the secured debt and therefore could result in the loss of equity through foreclosure. This presentation should be considered confidential and may not be reproduced in whole or in part, and may not be circulated or redelivered to any person without the prior written consent of American. This presentation is intended for the Funds’ investors, their consultants, and prospective investors only. Past performance is not a guide to or otherwise indicative of future results. As with all investments there are associated inherent risks. The investments made by the Funds and described herein are not FDIC insured, are not bank guaranteed, are not guaranteed by American and may lose value.



This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to future financial or business performance, strategies or expectations. Forward-looking statements are typically identified by words or phrases such as "trend," "potential," "opportunity," "pipeline," "believe," "comfortable," "expect," "anticipate," "current," "intention," "estimate," "position," "assume," "outlook," "continue," "remain," "maintain," "sustain," "seek," "achieve," and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may" or similar expressions. American Realty Advisors ("American") cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and American assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to factors previously disclosed in the Funds' disclosure documents and those identified elsewhere in this presentation, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies by American on behalf of the Funds and/or by others in its industry; (2) changes in political, economic or industry conditions, the interest rate environment or financial and capital markets; (3) the relative and absolute investment performance and operations of the Fund's investments; (4) the impact of increased competition in the financial, capital and real estate markets; (5) the impact of capital improvement projects in the real estate markets; (6) the impact of future acquisitions and divestitures by the Funds, its competitors and other participants in the financial, capital and real estate markets; (7) the favorable or unfavorable resolution of legal proceedings affecting the Funds' investments; (8) the impact, extent and timing of technological changes; (9) the impact of legislative and regulatory actions and reforms and increasing regulatory, supervisory or enforcement actions of government agencies relating to the Funds' investments; (10) terrorist activities, which may adversely affect the general economy, real estate, financial and capital markets and specific industries; (11) the ability of American to attract and retain highly talented professionals; and (12) the impact of changes to the tax code and tax legislation in general.



### COMPOSITE RETURN DATA

NCREIF  
NFI-AVAI  
(2010-2012)  
NFI-CEVA  
(2013 Forward)

### COMPOSITE STATISTICS AT YEAR-END

Year	Gross-of-Fees			Net-of-Fees		# Of Accounts**	Composite Assets (\$ Millions)	Total Firm Net Assets* (\$ Millions)	% Externally Appraised
	Total Return	Income	Appreciation	Total Return	Total Return				
2015	22.91%	4.61%	17.69%	18.80%	22.75%	1	354	5,588	99%
2014	13.77%	3.34%	10.20%	11.54%	21.88%	1	257	5,083	98%
2013	12.23%	6.03%	5.94%	10.72%	13.13%	1	168	4,385	100%
2012	11.68%	7.07%	4.38%	10.14%	12.28%	1	152	3,853	97%
2011	15.51%	4.39%	10.67%	13.17%	20.84%	1	95	3,496	73%
2010	27.39%	6.37%	19.98%	22.22%	15.65%	1	28	2,718	54%
<b>Annualized Returns</b>									
3 year	16.21%	4.65%	11.17%	13.63%	19.17%				
5 year	15.15%	5.08%	9.68%	12.83%	18.09%				
Since Inception 12/30/2009	17.22%	4.54%	12.21%	14.45%	17.59%				

\* Assets under management represent the net value of all assets and accounts managed by American Realty Advisors (excluding partners' share of equity and debt on partnership investments and non-real estate debt assets through 12/31/10). Prior to March 31, 2008, American reported total firm assets as the amount of assets under management plus undrawn capital commitments and noted the amount of such undrawn commitments in a footnote. Effective March 31, 2008, American restated year-end firm assets from 2001-2007 to omit such undrawn commitments.

\*\* The portfolio in the composite represents an open-end commingled fund.

**COMPLIANCE STATEMENT:** American Realty Advisors ("American") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS. American has been independently verified for the periods January 1, 2001 through December 31, 2015. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

**THE FIRM:** American is an investment advisor registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended.

**THE COMPOSITE:** The Value-Added Commingled Real Estate Investments Composite was created on December 30, 2009 and consists of all fully discretionary open-ended commingled fund real estate portfolios managed by the firm using a value-added strategy. American defines a Value-Added portfolio as one consisting of real estate assets that have not reached full stabilization or that involve efforts to increase value and that tend to have more inherent risk than Core or Enhanced Equity portfolios. Investments in a Value Added portfolio are made primarily in direct real estate or joint ventures formed to invest in real estate (excluding speculative land investments – but include entitled land pending development) that is in various stages of development, mezzanine debt, and other similar investments nationwide, in or near major markets with above average growth potential.

American defines a discretionary portfolio as any portfolio over which American has full discretion regarding investment decisions. The firm defines a non-discretionary portfolio as any portfolio over which American does not have full discretion regarding investment decisions. The firm maintains a complete list and description of composites, which is available upon request.

**BENCHMARK:** For the period beginning January 1, 2010 through December 31, 2012 the composite was benchmarked against the NFI-AVAI. NFI-AVAI returns include leverage and are shown before (gross) the deduction of investment management fees. Previously reported NFI-AVAI returns are subject to revision because the NFI-AVAI is reported on a lagged quarter basis and NCREIF may also restate the index to include the addition of new funds. Therefore the annual NFI-AVAI returns reported in this disclosure presentation may be different than previously reported and supersede NFI-AVAI returns reported on prior disclosure presentations. The NFI-AVAI should not be relied upon as an exact measure of comparison since this composite is invested in substantially fewer assets and the weightings of each property type will differ between the two in any measurement period. In 2013, NCREIF discontinued the NFI-AVAI. Effective January 1, 2013, American has elected to use the NCREIF Fund Index Closed-End Value-Add (NFI-CEVA) benchmark. NFI-

CEVA returns are presented by NCREIF in preliminary status, and remain subject to revision. The NFI-CEVA should not be relied upon as an exact measure of comparison since this composite does not include open-end funds or separate accounts.

**LEVERAGE:** In some cases, the use of leverage is a significant component of the value-added investment strategy. Fixed or floating rate debt may be used. Interest rate caps and swaps may be used when obtaining variable rate debt with the intention of fixing the variable rate when favorable. The firm's leverage strategy takes into account a wide variety of factors and considers risks associated with the development, operating and leasing strategies of the underlying investments. Total leverage on this composite does not exceed 65% of the greater of (i) the gross fair value of the assets in each portfolio included in the composite or (ii) the initial gross investment cost of such assets.

**CALCULATION OF PERFORMANCE RETURNS:** Performance is stated in U.S. Dollars, is presented gross and net of management fees and includes the reinvestment of some income and the effect of cash and cash equivalents. Net of fee returns are reduced by actual asset management and incentive fees and other expenses that may be incurred in the operation of the real estate and the portfolio. The dispersion columns represent the lowest and highest annual gross of fee portfolio returns where there are 5 or more portfolios. Performance returns are computed using investment level return formulas, which calculate time-weighted returns for real estate investments by geometrically linking component returns and have been adjusted for external cash flows. The sum of the income and appreciation may not equal the total return for annualized periods due to the chain-linking of quarterly returns. Past performance is not a guarantee of future results.

**VALUATIONS:** Portfolios included in the composite consist primarily of real estate, investments in joint ventures invested in real estate, and some cash. Real estate values are based upon independent appraisals performed on an annual basis, with restricted-scope appraisals conducted on a quarterly basis for those assets not receiving a full appraisal that quarter. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

**FEES:** Asset management fees are payable to American quarterly in arrears, based on an annual rate of 1.25% on the first \$10 million invested in a portfolio, 1.20% on the next \$15 million, 1.10% on the next \$25 million, and 1.00% of any amount in excess thereof. The management fee on excess cash is 0.10% per annum, paid quarterly in arrears. American is also entitled to an acquisition fee of 0.6% on each new investment paid by a transaction counterparty or the fund and an incentive fee, subject to a clawback, equal to 20% of any amount in excess of a 10% annual internal rate of return calculated over a 3 year period.



## For More Information, Please Contact:

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**October 25, 2016**

Retirement Board Agenda Item

TO: Retirement Board

FROM: Dawn Lea, Member and Employer Services Manager

- I. SUBJECT: AB 1853 (Cooper)
- II. ITEM NUMBER: 8.a.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: As you know, the State Association of County Retirement Systems (SACRS) sponsored AB 1853 which would have allowed a 1937 Act retirement system to achieve independence from the County by simply adopting a code section. The code section could have been adopted by a vote of the Board of Retirement  
  
This bill was vetoed by Governor Brown on September 23, 2016. It is our understanding that he vetoed the bill because he felt the bill made it too easy for a retirement system to achieve independence without working together with the County.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. ADMINISTRATIVE BUDGET IMPACT: None

Dawn Lea, Member and Employer Services Manager

Rick Santos, Executive Director



October 25, 2016

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kellie Gomes, Executive Board Secretary

- I. SUBJECT: State Association of County Retirement Systems (SACRS) Legislative Proposals
- II. ITEM NUMBER: . 8.c
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Direct the StanCERA voting delegate to support or oppose the legislative proposals
- V. ANALYSIS: The following two proposals are up for consideration at the SACRS business meeting on November 11, 2016:

- **Merced #1 – Alternate Retiree Voting.** *This measure would modify alternate retiree trustee voting rights allowing for the absence of 2 board members at a meeting to provide voting rights to the Alternate Retiree.*

**SACRS Committee Recommendation:** *The Committee declined to recommend this proposal for SACRS sponsorship. The Committee found the proposal would impact a single system, and thus did not meet the criteria for SACRS legislative proposals to have multi-systems benefits or impacts.*

- **Ventura #1 – Transfers of Leave Balances during Implementation of Independent Operating Authority.** *This proposal would clarify that the leave balances may be transferred for any retirement system employees who shift to BOR employment from county employment during implementation of independent operating authority.*

**SACRS Recommendation:** *Since the Governor did not sign AB 1853, the Committee's recommendation will be for Ventura to pursue clarification legislation as a single-system effort.*

\*Attachment 1 contains the Platform Worksheets for both items and contains more information.

- VI. RISK: Nothing currently ascertainable.
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently.
- VIII. BUDGET IMPACT: None regarding the opposition or support of these proposals. If the proposal regarding employee sworn statements is passed, there may be some operational efficiencies gained by not being required to collect sworn statements from members.

  
Kellie Gomes, Executive Board Secretary

  
Rick Santos, Executive Director

**YEAR 2017 SACRS LEGISLATIVE PLATFORM WORKSHEET**

**PLEASE COMPLETE AND RETURN BY SEPTEMBER 7, 2016**

Title of Issue: Voting Rights of Alternate Retirement Member

Association: Merced County Employees Retirement Association (MCERA)

Contact Person: Angelo Lamas

Phone #: (209) 725-2724

Email #: ALamas@co.merced.ca.us

Please answer the following questions as fully as possible:

1. Description of issue. The passage of AB 1853 added certain voting responsibilities for the Retired Alternate Trustee. However, in the absence of the Alternate Safety Member, these voting responsibilities do not come into play unless two other elected board members are absent as well. Currently Merced CERA does not have an Alternate Safety Board member which caused one meeting to be cancelled due to lack of a quorum.
2. Recommended solution. With the proposed legislative language, the Alternate Retiree Board member would be allowed to vote if the Alternate Safety Member and one other elected board member are absent from a board meeting. With this language, if the Alternate Safety Member were present, that member would have priority over the Alternate Retiree Member and vote for any absent elected board member other than the Retiree Member. If two elected members were absent, both the Alternate Safety and Alternate Retiree Members would be able to vote on board agenda items.
3. Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers. **See underlined and bold amendments to the code below.**

**GOVERNMENT CODE - GOV**

**TITLE 3. GOVERNMENT OF COUNTIES [23000 - 33205]**

( Title 3 added by Stats. 1947, Ch. 424. )

**DIVISION 4. EMPLOYEES [31000 - 33017]**

( Division 4 added by Stats. 1947, Ch. 424. )

**PART 3. RETIREMENT SYSTEMS [31200 - 33017]**

( Part 3 added by Stats. 1947, Ch. 424. )

**CHAPTER 3. County Employees Retirement Law of 1937 [31450 - 31898]**

( Chapter 3 added by Stats. 1947, Ch. 424. )

ARTICLE 3. Retirement Board [31520 - 31543]  
( Article 3 added by Stats. 1947, Ch. 424. )

31520.5.

(a) Notwithstanding Section 31520.1, in any county subject to Articles 6.8 (commencing with Section 31639) and 7.5 (commencing with Section 31662), the board of retirement may, by majority vote, appoint, from a list of nominees submitted by a recognized retiree organization, an alternate retired member to the office of the eighth member, who shall serve until the expiration of the current term of the current eighth member. Thereafter, the alternate retired member shall be elected separately by the retired members of the association in the same manner and at the same time as the eighth member is elected.

(b) The term of office of the alternate retired member shall run concurrently with the term of office of the eighth member. The alternate retired member shall vote as a member of the board only in the event the **second, third, seventh or eighth member is absent from a board meeting for any cause and if the alternate seventh board member is absent from said meeting. In the event that both alternate seventh safety member and alternate retired member are present at the board meeting and if the second, third, or seventh member is absent, the alternate seventh member shall vote for the absent board member. In the vent that both the alternate safety member and alternate retired member are present at a board meeting and if two or more of the second, third, seventh, or eighth members are absent from a board meeting, both alternate safety member and alternate retired member shall be able to vote for the absent board members.** If there is a vacancy with respect to the eighth member, the alternate retired member shall fill that vacancy for the remainder of the eighth member's term of office.

4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association? With twenty CERL county retirement systems, several other counties have Alternate Retired Board Trustee's. The proposed legislation would give all Alternate Retiree Trustee's enhanced voting rights and more of an active role in the actions taken by the retirement board.
5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations? **NO**
6. Who will support or oppose this proposed change in the law? **CERL Counties Support; No known opposition.**
7. Who will be available from your association to testify before the Legislature? **Scott Johnson**

E-mail or mail your legislative proposals to:

**YEAR 2017 SACRS LEGISLATIVE PLATFORM WORKSHEET**

**PLEASE COMPLETE AND RETURN BY SEPTEMBER 7, 2016**

Title of Issue: **Transfer of accrued leave balances**

Association: **Ventura County Employees' Retirement Association (VCERA)**

Contact Person: **Tracy Towner, Board Chair**

Phone #: **805-947-7967**

Fax #:

Please answer the following questions as fully as possible:

1. Description of issue. **See attached #1**
2. Recommended solution. **Amend the 1937 Act to provide clear authorization.**
3. Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers. **See attached #2**
4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association? **To provide clear authority.**
5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations? **No**
6. Who will support or oppose this proposed change in the law? **See attached #3**
7. Who will be available from your association to testify before the Legislature? **Tracy Towner or Art Goulet**

E-mail or mail your legislative proposals to:

Jim Lites  
California Strategies & Advocacy, LLC  
980 9<sup>th</sup> Street, Suite 2000  
Sacramento, CA 95814  
Phone (916) 266-4575  
E-mail: [jlites@calstrat.com](mailto:jlites@calstrat.com)

## Attachment to VCERA Legislative Platform

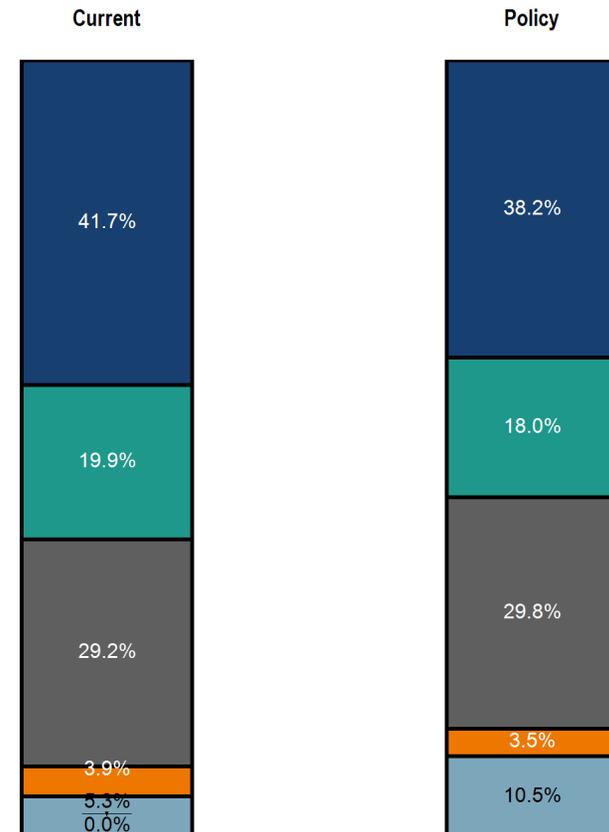
- #1.** When VCERA attempted to implement the provisions of AB 1291 (Williams) and employ certain county employees, the county argued that the transfer of those employees to VCERA constituted a termination of county employment and the county was obligated to pay the employees the cash value of any leave accruals, as required by sec. 227.3 of the Labor Code. VCERA desired to have leave accruals transferred, but the county would not cooperate, citing risk.
- #2.** Assuming AB 1853 is passed and signed into law, amend Government Code sec. 31522.75 (g)(3) by designating the current text as subdivision (A), and adding a new subdivision (B) to read:
- (B) All leave balances accrued by County employees appointed by a board of retirement as retirement system employees under any provision of this Act shall be transferred from the county to the retirement system, including full payment to the retirement system on those balances to the extent not already a financial obligation of the retirement system, and such employees shall not be deemed to have terminated employment under Labor Code section 227.3.  
This subdivision is declaratory of existing law.*
- #3.** Supporters: VCERA and any other system exercising the provisions of AB 1853.  
Labor Unions.  
Opponents (likely): CSAC

# Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: September 30, 2016

	Market Value	% of Portfolio	1 Mo	Fiscal YTD	YTD
<b>Total Fund</b>	<b>1,830,754,187</b>	<b>100.0</b>	<b>0.4</b>	<b>4.4</b>	<b>5.7</b>
<i>Policy Index</i>			0.3	3.4	7.4
<b>US Equity</b>	<b>764,144,934</b>	<b>41.7</b>	<b>0.6</b>	<b>6.3</b>	<b>6.6</b>
<i>US Equity Blended</i>			0.3	5.0	8.6
<i>Russell 3000</i>			0.2	4.4	8.2
Mellon S&P 500	89,751,813	4.9	0.0	3.9	7.8
<i>S&amp;P 500</i>			0.0	3.9	7.8
BlackRock Russell 1000 Growth	89,150,011	4.9	0.4	4.6	6.1
<i>Russell 1000 Growth</i>			0.4	4.6	6.0
Jackson Square	130,004,803	7.1	1.2	7.3	-0.8
<i>Russell 1000 Growth</i>			0.4	4.6	6.0
BlackRock Russell 1000 Value	105,165,452	5.7	-0.2	3.5	10.0
<i>Russell 1000 Value</i>			-0.2	3.5	10.0
Dodge & Cox-Equity	176,657,720	9.6	1.2	8.7	9.8
<i>Russell 1000 Value</i>			-0.2	3.5	10.0
Legato Capital	83,776,817	4.6	0.3	6.5	0.9
<i>Russell 2000 Growth</i>			1.4	9.2	7.5
Capital Prospects	89,638,317	4.9	0.4	7.7	12.1
<i>Russell 2000 Value</i>			0.8	8.9	15.5
<b>International Equity</b>	<b>363,628,509</b>	<b>19.9</b>	<b>1.1</b>	<b>7.2</b>	<b>5.0</b>
<i>MSCI ACWI ex USA Gross</i>			1.3	7.0	6.3
LSV Asset Mgt	180,298,142	9.8	1.0	8.8	5.7
<i>MSCI ACWI ex USA Gross</i>			1.3	7.0	6.3
Fidelity	183,330,367	10.0	1.2	5.7	4.0
<i>MSCI ACWI ex USA Gross</i>			1.3	7.0	6.3
<b>US Fixed Income</b>	<b>535,171,746</b>	<b>29.2</b>	<b>0.1</b>	<b>1.5</b>	<b>6.8</b>
<i>Barclays Aggregate</i>			-0.1	0.5	5.8
Dodge & Cox-Fixed	417,932,175	22.8	0.1	1.6	7.0
<i>Barclays Aggregate</i>			-0.1	0.5	5.8
PIMCO	117,239,570	6.4	0.1	0.9	5.9
<i>Barclays Aggregate</i>			-0.1	0.5	5.8

	Current	%	Policy	%
Domestic Equity	\$764,144,934	41.7%	\$699,348,100	38.2%
International Equity	\$363,628,509	19.9%	\$329,535,754	18.0%
Domestic Fixed Income	\$535,171,746	29.2%	\$545,564,748	29.8%
Real Estate	\$71,597,517	3.9%	\$64,076,397	3.5%
Alternatives	\$96,192,688	5.3%	\$192,229,190	10.5%
Cash and Equivalents	\$18,794	0.0%	--	--
<b>Total</b>	<b>\$1,830,754,187</b>	<b>100.0%</b>	<b>\$1,830,754,187</b>	<b>100.0%</b>



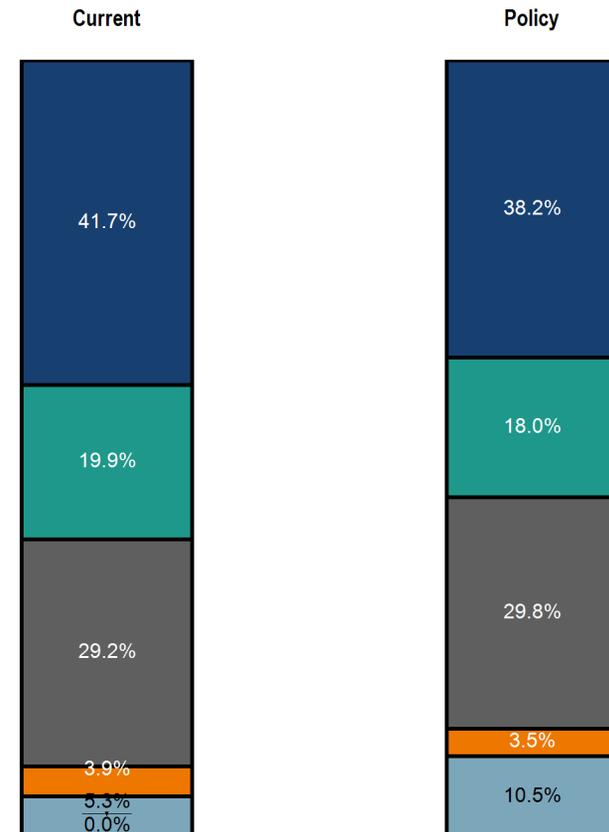
Policy Index: 14.4% Russell 1000 Value, 11.3% Russell 1000 Growth, 4.8% S&P 500, 4.0% Russell 2000 Value, 3.7% Russell 2000 Growth, 18.0% MSCI ACWI ex USA, 29.8% Barclays Aggregate, 3.5% DJ US Select RESI, 7.5% 9% Annual, 3% CPI + 4%. US Equity Blended: 80% Russell 1000, 20% Russell 2000. All data is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

# Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: September 30, 2016

	Market Value	% of Portfolio	1 Mo	Fiscal YTD	YTD
<b>Real Estate</b>	<b>71,597,517</b>	<b>3.9</b>	<b>-0.4</b>	<b>0.6</b>	<b>5.9</b>
DJ US Select RESI			-2.1	-1.2	9.4
Prime Property Fund	16,494,067	0.9	2.3	2.3	6.7
NCREIF-ODCE			0.0	0.0	4.4
American Strategic Value Realty	12,074,520	0.7	0.0	0.0	6.1
NCREIF Property Index			0.0	0.0	4.3
BlackRock US Real Estate	30,802,458	1.7	-2.1	-1.3	9.3
DJ US Select RESI TR USD			-2.1	-1.2	9.4
Greenfield Gap	12,226,472	0.7			
<b>Direct Lending</b>	<b>88,960,257</b>	<b>4.9</b>			
Medley Capital	26,567,784	1.5			
Raven Capital	18,693,123	1.0			
Raven Opportunity III	7,845,782	0.4			
White Oak Pinnacle	35,853,568	2.0			
<b>Infrastructure</b>	<b>7,232,431</b>	<b>0.4</b>			
MS Infrastructure Partners II	7,232,431	0.4			
Cash Account	18,794	0.0	0.0	3.1	3.6

	Current	%	Policy	%
Domestic Equity	\$764,144,934	41.7%	\$699,348,100	38.2%
International Equity	\$363,628,509	19.9%	\$329,535,754	18.0%
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<b>Total</b>	<b>\$1,830,754,187</b>	<b>100.0%</b>	<b>\$1,830,754,187</b>	<b>100.0%</b>



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

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Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.

## StanCERA Investment-related Board Meeting Agenda Items

as of October, 2016

	Est'd. Time
<b>October, 2016</b>	<b>0:50</b>
Flash report	0:05
Board meeting agenda items schedule	0:05
Revisit IPS: content mapping, schedule of procedures and resolutions	0:20
Present search for Liquidity mandate	0:20
<b>November, 2016</b>	<b>1:15</b>
Flash report	0:05
Quarterly investment performance report	0:30
Present search for U.S. Treasury mandate; NT to present on their capabilities; Selection to be made	0:40
<b>December, 2016</b>	<b>0:35</b>
Flash report	0:05
Finalist(s) for Liquidity mandate; Selection to be made	0:30
<b>January, 2017</b>	<b>0:45</b>
Present search for Risk Parity mandate	0:20
Finalize IPS	0:20
Flash report	0:05
<b>February, 2017</b>	<b>1:05</b>
Finalist(s) for Risk Parity mandate (if needed)	0:30
Quarterly investment performance report	0:30
Flash report	0:05
<b>March, 2017</b>	<b>0:50</b>
Present search for Private Credit	0:30
Re-balance analysis to fund Liquidity, US Treasury, and Risk Parity mandates	0:15
Flash report	0:05
<b>April, 2017</b>	<b>0:45</b>
Present search for Value-add Real Estate	0:20
Annual review of FFP with 2017 Capital market assumptions	0:20
Flash report	0:05

## StanCERA Investment-related Board Meeting Agenda Items

as of October, 2016

	Est'd. Time
<b>May, 2017</b>	<b>1:05</b>
Quarterly investment performance report	0:30
Finalist(s) for Private Credit	0:30
Flash report	0:05
<b>June, 2017</b>	<b>0:55</b>
Finalist(s) for Value-add Real Estate	0:30
Present search for Private Equity	0:20
Flash report	0:05
<b>July, 2017</b>	<b>0:20</b>
Review implementation plan	0:15
Flash report	0:05
<b>August, 2017</b>	<b>1:05</b>
Quarterly investment performance report	0:30
Finalist(s) for Private Equity	0:30
Flash report	0:05
<b>September, 2017</b>	<b>0:30</b>
Funding plan for Private Credit, Value-add Real Estate, Private Equity	0:25
Flash report	0:05

## StanCERA Governance Documents Summary

### New IPS TOC

1. Purpose
2. Scope
3. Authority
4. Roles and Responsibilities
  - A. Board
  - B. Staff
  - C. General investment consultant
  - D. Specialty investment consultants
  - E. Investment managers
  - F. Custodian bank
5. Investment Philosophy
6. Investment Objectives
7. Investment Strategy
  - A. Asset Allocation
  - B. Functional Sub-portfolios
    1. Liquidity
    2. Growth
    3. Diversifying
    4. Interaction between the subs
  - C. Investment Strategy Attributes
  - D. Rebalancing
  - E. Managing Investment Strategies
    1. Hiring
    2. Follow-ons
    3. Terminating
8. Risk Philosophy
9. Portfolio Monitoring
10. History of Policy Revisions

Append. 1: Docs referenced in IPS

### Schedule of Procedures

- 1 Performance and risk reporting - Total Plan
- 2 Performance and risk reporting - Investment strategies
- 3 Value-add reporting
- 4 Rebalancing
- 5 Annual FFP review
- 6 Annual review of CMAs
- 7 Cash flow management & monitoring
- 8 Reporting recon between custodian and investment mgrs
- 9 Investment managers fee & expense monitoring
- 10 Asset allocation and/or Asset liability studies
- 11 Selecting investment strategies
- 12 Terminating investment strategies
- 13 Proxy voting
- 14 Commission Recapture (if used and desired)
- 15 Securities Lending (if used and desired)
- 16 Emerging Manager Reporting
- 17 Corporate Fraudulent Behavior Notification
- 18 Review of IPS, Procedures, and Directives
- 19 Investment strategy watchlist (if desired)
- 20 Manager on-site visits
- 21 Placement Agent Disclosure
- 22 Quiet Period
- 23 Form 700
- 24
- 25

### Schedule of Directives

- 1 Asset allocation table with ranges
- 2 Allowable or prohibited securities and exposures
- 3 Risk budgeting and reporting
- 4 Liquid alternatives to illiquid asset classes/strategies
- 5 Cash [discuss whether to maintain anything here]
- 6 Commission Recapture (if used and desired)
- 7 Securities Lending (if used and desired)
- 8 Holding strategies for illiquid asset classes
- 9
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## StanCERA IPS Development: Topic Mapping

Current IPS TOC		Where to find it in the new arrangement	TBD
Introduction	1	See Purpose and Scope sections of new IPS	Watchlist policy - missing? Emerging manager policy Manager disposition policy Other related documents, if any
<b><u>Duties and Responsibilities</u></b>		See Roles and Responsibilities of new IPS	By-laws: Art. 14 - Continuing Ed., Due Dili visits Cash holdings (IPS p. 10)
Retirement Board	2	See Board section of new IPS	
Investment Managers	3	See Investment managers section of new IPS	
Investment Consultant	3	See General investment consultant and Sepcialty investment consultant sections of new IPS	
Custodians	3	See Custodian bank section of new IPS	Commission Recapture Program (IPS p. 11)
Staff	4	See Staff section of new IPS	Establishment of due diligence committee
<b><u>Investment Philosophy</u></b>	5	See Investment Philosophy section of new IPS	
<b><u>Statement of Objectives</u></b>	5	See Investment Objectives section of new IPS	
<b><u>Statement of Investment Policy</u></b>			
Asset Allocation Targets and Ranges	6	See Asset Allocation section of new IPS; targets & ranges in Directives	
Adherence to Investment Policy Targets and Ranges	7	See Rebalancing section of new IPS	
Rebalancing Procedures	7	See Rebalancing section of new IPS; Procedure for rebalancing	
Cash Holdings	8	See investment management agreements, etc. and rebalacing section of new IPS	
Diversification	8	Replaced with Risk Philosophy in new IPS	
Volatility	9	See Investment Objectives and Strategy sections of new IPS	
Liquidity	10	Revised with FFP approach; see Investment Objectives and Strategy	
Voting of Proxies	10	Removed from IPS; embedded in IMAs also Procedures	
Execution of Security Trades	10	Delete and/or move to IMAs	
Commission Recapture Programs	11	Discuss updating as a Procedure & Directive or removing if not used	
Securities Lending	11	Delete and/or move to a Directive, Procedure, and IMAs	
<b><u>Guidelines for Security Holdings</u></b>		Removed from IPS; see Allowable or prohibited securities directive and IMAs.	
Investment Guidelines	14		
Non Individual and Individual Security Holdings	14		
U.S. Equity Securities Holdings	14		
Non U.S. Equity Securities Holdings	16		
Fixed Income Securities Holdings	16		
Prohibited Investments	18		
Individual Manager Guidelines	18	Removed from IPS given above sections being rearranged	
Deviations From This Investment Policy	18	Removed from IPS given above sections being rearranged	

## StanCERA IPS Development: Topic Mapping

Current IPS TOC	Where to find it in the new arrangement	TBD
Corporate Fraudulent Behavior Notification Guidelines	19 See Procedure on this topic	
<b><u>Control Procedures</u></b>		
Review of Liabilities	19 See Procedure for AA, A/L Studies	
Review of Investment Objectives	19 See Procedure for review of IPS, Procedures, and Directives	
Review of Investment Managers	19 Procedure for Perf Rptg - Investment Strategies	
Performance Expectations	20 Procedure for Perf Rptg - Investment Strategies and Procedure for Watchlist	
Supplement A: Performance Measurement Standards	22 Procedure for Perf Rptg - Total Plan	
Supplement B: Equity Sector Categories as Defined by Global Industry Classification Standard (GICS)	23 Delete	
Supplement C: Asset Allocation Targets and Ranges	23 See Directive on Asset Allocation with ranges	
Supplement D: Alternative Investment Class Policy and Procedures	25 Delete. Alternatives should be considered throughout the IPS, Procedures, and Directives rather than being separated	
Introduction	25 Delete	
General Investment Strategy and Plan Guidelines	25 Delete	
Allocation	26 See Directive on Asset allocation with table and ranges	
Alternative Investment Class Aggregate Performance Objectives	26 Procedure for Performance Reporting - Investment strategies	
Risk Management	26 See Risk Philosophy in new IPS	
Risk Parameters	26 Delete; not quantified	
Roles and Responsibilities	27 See Roles and Responsibilities in new IPS	
Selection of Managers for the Alternative Investment Fund	28 Procedure for selecting investment strategies	
Monitoring and Reporting	28 Procedures for Performance Reporting	
Direct Lending	29 Delete	
Overview	29 Delete	
Objective	29 Delete	
Risks	29 Delete	
Performance Measurement	30 Procedures for Performance Reporting	
Performance Evaluation	30 Procedures for Performance Reporting	
Performance Monitoring	30 Procedures for Performance Reporting	
Real Estate - Under Construction	31 Delete	
Infrastructure - Under Construction	32 Delete	
<b><u>Emerging Manager Policy TOC</u></b>		
Scope	3 Discuss whether to maintain an emerging manager policy	
Purpose	3	

**StanCERA IPS Development: Topic Mapping**

Current IPS TOC	Where to find it in the new arrangement	TBD
Legal Authority	3	
Definition Of Emerging Investment Managers	3	
Emerging Investment Manager Program	3	
Strategic Objective And Goals Of The Emerging	4	
Investment Manager Program		
Standards For Emerging Investment Managers	4	
Roles And Responsibilities	5	
Performance Evaluation Criteria	7	
Monitoring And Reporting	7	
Qualifications Of Emerging Investment Managers	7	
And Manager-Of-Managers And Stancera Due		
Diligence		
Effective Date	7	



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



OCTOBER 25, 2016

Liquidity Provider Search

**Stanislaus County Employees' Retirement Association**

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VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

SAN FRANCISCO 415-362-3484

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# Executive summary

# Executive Summary

- With the Board’s May 2016 adoption of the “FFP 6-yr” asset allocation, approximately 18% of Plan assets will be allocated to the “Liquidity Program”.
- This presentation outlines the considerations in implementing the Liquidity Program including:
  - The search process for identifying and selecting managers/strategies;
  - The liquidity program design; and
  - A recommended approach utilizing multiple managers.
- This presentation concludes with a recommendation that the Board direct Staff and Verus to conduct on-site due diligence with selected investment managers, determine liquidity portfolio structure, and present a final recommendation to the Board at the December meeting.

# Search process

# Liquidity portfolio manager search

This summer, Verus conducted a broad search of Short Term Gov't/Credit strategies:

## Step 1: Initial Questionnaire

- 52 firms responded
- Managers provided basic information on their strategy and answered high-level, open ended questions
- Process was open to all interested firms; no minimum selection criteria
- Completed Spring 2016

## Step 2: Follow-up Questions

- 12 firms selected from pool of initial respondents
- Managers provided detailed information on their firm, investment philosophy, process, team, capabilities, etc.
- Completed Summer 2016

## Step 3: Due Diligence

- Due-diligence was conducted on the 12 respondents
- Completed Summer 2016
- Result: Short list of high quality “solutions” and “products” managers

# Manager evaluation criteria

Topic	Evaluation Criteria
Firm	History, structure, ownership, stability
Investment Team	Structure, biographies, stability / turnover, delegation of responsibilities, succession planning, compensation
Investment Process	Philosophy, strategy objectives, security selection, research & analysis methodology, portfolio construction, sell discipline, appropriateness for this customized mandate
Performance	Historical track record, attribution, drivers of performance, performance evaluation methodology
Risk Management	Volatility analysis, tracking error decomposition, style consistency, risk management process & philosophy, specific risk capabilities as needed for this mandate
Operations	Client service, daily reporting and data capabilities, back office processes, audits / certifications, expected interaction with Staff to manage cash flow considerations
Fees	Managers fee schedule

# Solutions vs. products

Strategies fitting the Liquidity mandate fall into two broad categories:

- “Solutions” Combine investment strategies with liability modeling and cash flow management capabilities. Some also include the ability to coordinate cash flows from other managers.
- “Products” Investment strategies only.
- Combining a solutions manager with product managers captures firms’ areas of expertise.

Using a solutions manager with product managers provides desirable benefits:

- Efficiency. A solutions manager that can coordinate cash flows across managers reduces the operational burden on Staff.
- Robustness. The solutions manager builds its portfolio around the other managers to ensure the liquidity needs are met. Also, if any one manager needs to be removed from the program, the others can manage the assets while a long-term solution is developed.
- Flexibility. Specialized products can be integrated or removed from the program without disrupting cash flow management and the overall investment strategy.

# Solutions vs. products (continued)

Potential drawbacks of combining a solutions manager with product managers:

- Dependency on the solutions manager
  - This is partially offset by selecting product managers capable of managing the entire program in combination with Staff stepping in to provide cash flow management while a new solutions manager is identified.
  
- Non-traditional performance metrics
  - While traditional benchmarking and universe comparisons exist, the effectiveness of the program depends on cash management against liabilities, downside risk mitigation, and incremental yield.
  
- Cost
  - Combining solutions and product managers may not result in the absolute lowest cost solution but does provide value to the Plan overall.

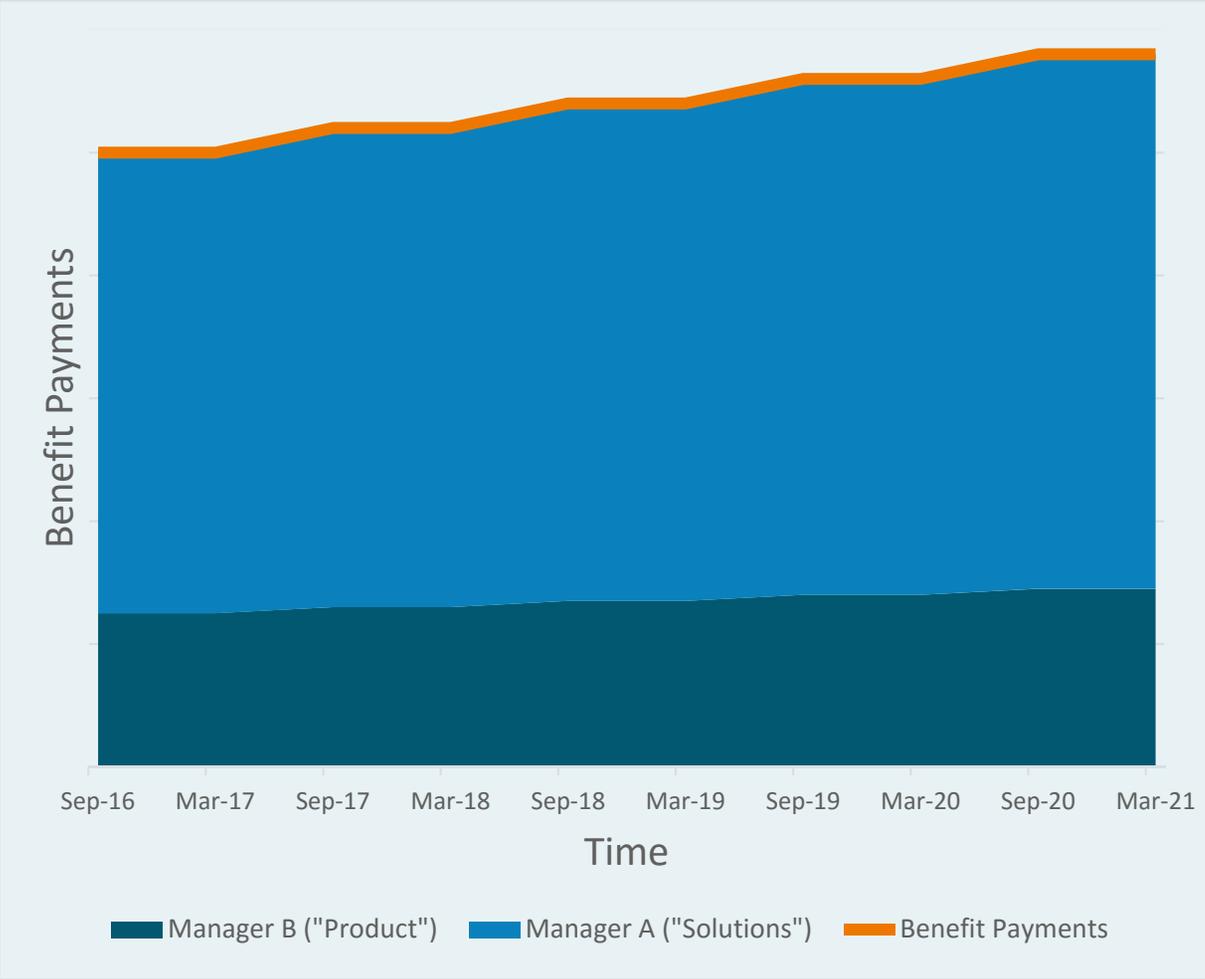
# Liquidity portfolio design

# Liquidity portfolio design

	<b>Option 1: Single manager mandate</b>	<b>Option 2: Multiple managers in parallel</b>	<b>Option 3: Multiple complementary managers</b>
<b>Description:</b>	One manager would be selected to manage the entire liquidity portfolio, balancing the objectives of cash flow generation and investments returns.	Multiple managers managing strategies that fulfill similar objectives, balancing cash flow generation and investments returns.	Multiple managers running complementary strategies of 1) generating cash flow through the roll down and maturity of short duration bonds; and 2) return seeking through longer duration bonds.
<b>Benefits:</b>	<ul style="list-style-type: none"> <li>• Ease of administration and monitoring</li> <li>• Simplicity in Staff managing benefit payment cash flows with a single manager</li> </ul>	<ul style="list-style-type: none"> <li>• Single manager risk is reduced</li> <li>• Built in redundancy allowing some or all of the mandate to be shifted away from a manger if needed</li> <li>• Increased manager flexibility</li> <li>• Ability to compare performance between managers</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for managers with unique specialization / niche strategies</li> <li>• Monitoring adherence to mandate is easier with clearly defined roles</li> <li>• Staff only required to manage benefit payment cash flows with one manager</li> </ul>
<b>Considerations:</b>	<ul style="list-style-type: none"> <li>• Increased single manager risk</li> <li>• No built-in redundancy</li> </ul>	<ul style="list-style-type: none"> <li>• Increased load on Staff to coordinate benefit payment cash flows with multiple managers</li> </ul>	<ul style="list-style-type: none"> <li>• Limited redundancy</li> </ul>

# Combining solutions with products

LIQUIDITY PORTFOLIO: SOURCES OF BENEFIT PAYMENT CASH FLOWS



### Manager A ("Solution"):

- Matches cash flows to benefit payments through interest and principal received upon maturity of bonds
- Need to replenish allocation over time with additional contributions

### Manager B ("Product"):

- Supports payment of benefits while offering yield enhancement through its specialized investment strategy
- Need to replenish allocation over time with additional contributions

# Recommended providers

# “Solutions” Managers

	Insight	Conning	Wellington
<b>Headquarters / Team location</b>	New York, NY	Hartford, CT (HQ) & New York, NY	Boston, MA
<b>Ownership structure</b>	Wholly owned subsidiary of BNY Mellon	Subsidiary of Taiwan-based Cathay Financial Holding Co., Ltd.	100% employee owned
<b>Firm inception</b>	2002	1912	1933
<b>Firm assets</b>	\$632 bn	\$103.5 bn	\$943 bn
<b>Strategy description</b>	Customized, high quality, multi-sector portfolio designed to tightly match the Plan’s liabilities. “Buy and maintain” strategy aims to achieve target yield with low turnover.	Customized two layer portfolio consisting US government bonds and high quality corporate credit.	High quality, multi-sector portfolio invested across Treasuries, Agencies, MBS, ABS, and investment grade corporates. Active management of sector exposures, duration, and yield curve positioning.
<b>Short duration experience</b>	20 years (including team’s experience at predecessor firm)	17 years	41 years
<b>Short duration AUM</b>	\$76 bn	\$4.1 bn	\$27.3 bn
<b>Key investment professionals (years experience / at firm)</b>	Jesse Fogerty, Sr. PM (23/20) Jason Celente, Sr. PM (19/19) Peter Bentley, Head of Global Credit (20/8) Terry Henrickson, Head of Quant. Client Solutions (16/16)	Owais Rana, Head Inv. Solutions (18/1) Sean Kurian, Head Structuring & PM (18/1) Hamdan Malik, LDI Strategist (10/1) Lynn Ryan, Sr. PM (23/5) Christopher Glaser, PM (8/5)	Timothy Smith, Sr. MD, PM (30/24) Michael Garrett, Sr. MD, PM (25/17) Michael Stack, Sr. MD, PM (34/15) Alyssa Irving, MD, PM (19/10)
<b>Proposed fee schedule</b>	14 bps on first \$100 mm 12 bps on next \$100 mm 10 bps thereafter	11 bps (flat fee)	15 bps on first \$250 mm 10 bps thereafter

# “Products” Managers

	Prudential	DFA	PIMCO
<b>Headquarters / Team location</b>	Newark, NJ	Austin, TX (HQ) & Santa Monica, CA	Newport Beach, CA
<b>Ownership structure</b>	Public company	Privately owned (majority co-founders, board members, employees)	Majority owned subsidiary of Allianz
<b>Firm inception</b>	1928	1981	1971
<b>Firm assets</b>	\$621 bn	\$409 bn	\$1.5 tn
<b>Proposed strategy description</b>	Diversified portfolio of short duration, investment grade corporate bonds.	US Short Credit Strategy: Short duration (max 3 years) portfolio comprised of Treasuries, Agencies, and IG corporates.	Multi-sector portfolio of Treasuries, high quality corporates, and mortgages. Active management of duration, yield curve positioning, and sector exposures.
<b>Short duration experience</b>	22 years	33 years	30 years
<b>Short duration AUM</b>	\$15.6 bn	\$24 bn	\$86.8 bn
<b>Key investment professionals (years experience / at firm)</b>	Steven Kellner, Head of Credit Portfolio Management (30/30) David Del Vecchio, Sr. PM (20/21) Malcolm Dalrymple, Sr. PM (32/37)	David Plecha, Head of Fixed Income (28/26) Joseph Kolerich, Sr. PM (23/15) Gerard O’Reilly, Co-CIO, Head of Research (11/11) Eduardo Repetto, Co-CEO & Co-CIO (15/15)	Jerome Schneider, MD, PM (20/7) Scott Berman, EVP, PM (16/7) Tony Crescenzi, EVP, PM (32/6) Andrew Wittkop, EVP, PM (16/15) Nathan Chiaverini, SVP, PM (12/3)
<b>Proposed fee schedule</b>	18 bps on first \$200 mm 15 bps on next \$200 mm 13 bps on next \$200 mm 12 bps thereafter	20 bps on first \$50 mm 10 bps thereafter	16 bps on first \$400 mm 14 bps on next \$300 mm 12 bps thereafter

# Manager performance

## Trailing Period Returns - Through Q2 2016

	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Conning Short Duration Credit	2.39	2.67	2.18	2.35	--	--
DFA US Short Duration Credit	3.13	3.52	2.51	2.36	3.37	---
Insight US Short Term Fixed Income	1.40	1.56	1.34	1.19	1.44	2.72
PIMCO Low Duration	1.99	2.00	1.89	2.12	3.08	3.82
Prudential Short Term Corporate Fixed Income	3.36	3.66	3.11	3.15	4.29	5.08
Wellington Short Bond	2.08	2.25	1.78	1.74	2.49	2.89
<i>Barclays US 1-3 Yr Gov't/Credit Index</i>	<i>1.65</i>	<i>1.59</i>	<i>1.22</i>	<i>1.10</i>	<i>1.59</i>	<i>2.80</i>

## Calendar Year Returns

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Conning Short Duration Credit	1.19	1.66	0.78	4.76	3.23	--	---	---	---	---
DFA US Short Duration Credit	1.38	1.91	0.62	3.86	3.15	5.38	---	---	---	---
Insight US Short Term Fixed Income	0.87	1.15	0.27	1.44	1.79	2.04	2.27	6.12	6.84	4.71
PIMCO Low Duration	0.79	1.12	0.45	4.65	3.58	4.07	9.99	0.44	7.86	3.99
Prudential Short Term Corporate Fixed Income	1.60	2.20	1.68	6.04	3.57	5.64	14.52	1.51	6.95	5.04
Wellington Short Bond	1.02	1.26	0.69	3.13	1.88	3.83	7.38	-0.98	5.71	4.61
<i>Barclays US 1-3 Yr Gov't/Credit Index</i>	<i>0.65</i>	<i>0.77</i>	<i>0.64</i>	<i>1.26</i>	<i>1.59</i>	<i>2.80</i>	<i>3.83</i>	<i>4.97</i>	<i>6.83</i>	<i>4.25</i>

# Illustrative portfolio characteristics

## Example with 50% Insight and 50% Prudential

The table below shows the key characteristics of a 50% Insight / 50% Prudential portfolio:

- High quality: One third of the portfolio is AAA rated, with an overall average credit quality of AA-
- Minimal interest rate risk: Portfolio duration ~ 2 years
- Diversified sector exposure
- Cost: 16 bps total blended fee

Sector Allocation					
Treasury	Gov't Related / Agency	Corporate	ABS	MBS	Cash & Short Term
13%	6%	64%	14%	2%	1%
Credit Quality					Below Inv. Grade
AAA	AA	A	BBB		
31%	11%	27%	30%	2%	

Characteristics		
Avg. Credit Quality	Yield	Duration
AA-	1.5%	1.98 years

Sources: Insight, Prudential, eVestment

# Illustrative performance characteristics

## Example with 50% Insight and 50% Prudential

The tables below show back-tested results of a 50% Insight / 50% Prudential portfolio:

- Strong relative performance: Outperformed the benchmark over all trailing periods by at least 100 bps
- Strong absolute performance: Positive returns in all calendar years since 2006
- Downside protection: Protected capital in difficult periods for equities (2008, 2011) and bonds (2013)

	Trailing Period Returns - Through Q2 2016					
	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
50% Insight / 50% Prudential	2.38	2.61	2.22	2.17	2.88	3.91
<i>Barclays US 1-3 Yr Gov't/Credit Index</i>	1.65	1.59	1.22	1.10	1.59	2.80

	Calendar Year Returns									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
50% Insight / 50% Prudential	1.23	1.67	0.98	3.74	2.68	3.84	8.39	3.81	6.90	4.87
<i>Barclays US 1-3 Yr Gov't/Credit Index</i>	0.65	0.77	0.64	1.26	1.59	2.80	3.83	4.97	6.83	4.25

Sources: Insight, Prudential, eVestment

# Next steps

# Next steps

Proposal: The Board should direct Staff and Verus to conduct on-site due diligence with selected investment managers, determine liquidity portfolio structure, and present final recommendation to the Board at the December meeting.

— Finalists to present at December Board meeting.

# Appendix

# Insight overview

**Strategy description:** High quality, multi-sector portfolio comprised of Treasuries, Agencies, investment grade corporates, and asset-backed securities (i.e., auto loans and credit card receivables).

**Philosophy:** “Liability aware” solution. Insight to optimize the portfolio around other managers’ portfolios in order to ensure cash flows are tightly matched with the Plan’s liabilities.

**Process:** “Buy and maintain” process designed to achieve target yield with low turnover and minimal volatility and downside risk. Rigorous credit research process focuses on high credit quality securities in order to avoid defaults and ensure stability and certainty of cash flows. Optimization model capturing cash flows against liabilities to design the complete solution.

**Thesis for selection:** Strong credit research capabilities, experience “quarterbacking” similar mandates, a thorough understanding of structuring around liabilities, and low fees.

## Portfolio Characteristics:

Sector Allocation						Characteristics		
Treasury	Gov't Related / Agency	Corporate	ABS	MBS	Cash & Short Term	Avg. Credit Quality	Yield	Duration
25%	12%	39%	23%	--	2%	AA+	1.2%	1.25 years
Credit Quality					Below Inv. Grade			
AAA	AA	A	BBB					
52%	18%	30%	0%	--				

Portfolio characteristics provided by Insight as of July 29, 2016

# Conning overview

**Strategy description:** Customized two layer portfolio. The first layer, considered the more liquid and lower yielding sleeve, is comprised of US government bonds, designed to meet the Plan’s short-run liquidity needs. The second layer is comprised of high quality corporate credit. Bonds from layer two will move into layer one as they roll down and approach maturity.

**Philosophy:** Conning believes that active sector and industry rotation, combined with strong security selection and risk management, are the optimal means of achieving excess returns.

**Process:** Active sector and industry rotation, emphasis on fundamental analysis guides security selection process. Utilize in-house modeling infrastructure to construct liability aware portfolios.

**Thesis for selection:** Firm focus on pension risk management, experience designing custom solutions designed to meet Plan specific objectives.

## Portfolio Characteristics:

Sector Allocation						Characteristics		
Treasury	Gov't Related / Agency	Corporate	ABS	MBS	Cash & Short Term	Avg. Credit Quality	Yield	Duration
0%	0%	100%	0%	0%	0%	A+	1.4%	2.12 years
Credit Quality					Below Inv. Grade			
AAA	AA	A	BBB					
2%	28%	56%	15%	0%				

Portfolio characteristics provided by Conning as of June 30, 2016. Characteristics shown for the Short Duration Credit portion of the strategy.

# Wellington overview

**Strategy description:** High quality, multi-sector portfolio invested across Treasuries, Agencies, MBS, ABS, and investment grade corporates. Dedicated team focused on forecasting the Plan's liquidity requirements and customizing the structure of the portfolio accordingly.

**Philosophy:** Emphasis on diversified sources of excess returns, modest active duration positioning, and focus on high quality income as a primary source of long term returns.

**Process:** Combines top-down strategy with bottom-up fundamental research. Broad strategy, including duration, yield curve, sector allocation is developed by the Short Duration investment team, with individual security selection decisions made by client specific portfolio managers.

**Thesis for selection:** High quality organization with deep resources, long track record managing short duration assets

## Portfolio Characteristics:

Sector Allocation						Characteristics		
Treasury	Gov't Related / Agency	Corporate	ABS	MBS	Cash & Short Term	Avg. Credit Quality	Yield	Duration
21%	28%	24%	15%	11%	1%	AA	1.2%	1.59 years
Credit Quality					Below Inv. Grade			
AAA	AA	A	BBB					
68%	3%	15%	14%	0%				

Characteristics source: eVestment as of June 30 2016

# DFA overview

**Strategy description:** Short duration (max 3 years) portfolio comprised of Treasuries, Agencies, and IG corporates.

**Philosophy:** Dimensional’s fixed income philosophy, based on the academic research of Professor Eugene Fama, is that the market efficiently prices securities. Therefore, DFA uses market data rather than a traditional credit research team, to determine the risk associated with specific securities.

**Process:** DFA’s systematic process positions the portfolio such that when term spreads are wide (narrow), portfolio duration is increased (reduced). Similarly, when credit spreads are wide (narrow), the allocation to lower credit quality bonds is increased (decreased). DFA’s process employs a flexible, patient trading strategy to minimize trading costs.

**Thesis for selection:** Systematic investment process fully customizable to StanCERA’s parameters, strong track record, stable organization, and low fees.

## Portfolio Characteristics:

Sector Allocation					
Treasury	Gov't Related / Agency	Corporate	ABS	MBS	Cash & Short Term
0%	16%	84%	0%	0%	0%
Credit Quality					Below Inv. Grade
AAA	AA	A	BBB		
12%	20%	30%	39%	0%	

Characteristics		
Avg. Credit Quality	Yield	Duration
A	1.7%	2.76 years

Portfolio characteristics provided by DFA as of June 30<sup>th</sup>, 2016. Characteristics are illustrative of DFA’s “US Short Credit” strategy and can be customized.

# PIMCO overview

**Strategy description:** PIMCO's Low Duration strategy is a multi-sector portfolio of Treasuries, high quality corporates, and mortgages. Active management of duration, yield curve positioning, and sector exposures.

**Philosophy:** PIMCO believes that major shifts in portfolio strategy should be driven by longer term views, not by short-term aberrations in interest rates, that consistent investment performance is achieved by avoiding extreme swings in maturity /duration of the portfolio, and that value can be added through volatility analysis as well as through adjustments to traditional variables such as sector, coupon, and quality.

**Process:** Investment process utilizes both top-down and bottom-up strategies. Duration, yield curve, volatility, and sector views driven by PIMCO's 3-5 year secular outlook and 2-4 quarter cyclical views. Security selection decisions made by team of sector specialists and credit analysts who determine relative value within their sectors.

**Thesis for selection:** Extensive experience and large asset base within the short duration space, deep firm resources

## Portfolio Characteristics:

Sector Allocation						Characteristics		
Treasury	Gov't Related / Agency	Corporate	ABS	MBS	Cash & Short Term	Avg. Credit Quality	Yield	Duration
35%	0%	42%	1%	42%	-20%	AA	2.3%	2.16 years
Credit Quality					Below Inv. Grade			
AAA	AA	A	BBB					
54%	17%	27%	1%	1%				

Characteristics source: eVestment as of June 30<sup>th</sup>, 2016. Negative cash allocation includes net short duration instruments.

# Prudential overview

**Strategy description:** Diversified portfolio of short duration, investment grade corporate bonds.

**Philosophy:** Prudential's fixed income philosophy is that research-driven security selection is the most consistent way to add value over time, coupled with active sector rotation, duration management, and disciplined trade execution.

**Process:** Bottom-up focused process. Portfolio managers, responsible for setting risk and sector allocations, are supported by large team of credit analysts and traders who are responsible for security selection. Portfolio's are constructed to be very diversified with 400 – 500 issues.

**Thesis for selection:** Large, stable team of portfolio managers and credit research professionals, strong short duration credit track record

## Portfolio Characteristics:

Sector Allocation						Characteristics		
Treasury	Gov't Related / Agency	Corporate	ABS	MBS	Cash & Short Term	Avg. Credit Quality	Yield	Duration
0%	1%	90%	5%	5%	0%	A	2.0%	2.71 years
Credit Quality					Below Inv. Grade			
AAA	AA	A	BBB					
9%	3%	25%	59%	3%				

Characteristics source: eVestment as of June 30<sup>th</sup>, 2016.

# Notices & disclosures

**Past performance is no guarantee of future results.** *The information presented in this report is provided pursuant to the contractual agreement (the “Contract”) by and between Stanislaus County Employees’ Retirement Association (“Client”) and Verus Advisory, Inc. (“Company”). In the event of conflict between the terms of this disclosure and the Contract, the Contract shall take precedence. Client is an institutional counter-party and in no event should the information presented be relied upon by a retail investor.*

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