



**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION**
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BOARD OF RETIREMENT MINUTES

JUNE 12, 2002

Members Present: Kent Crawford, Gary Dial, Maria DeAnda, Wes Hall, Al Sarina, Virgil Thompson and Tom Watson

Members Absent: Nick Blom and John Hallford

Others Present: Robert Harmon, Victoria Halliday, Karen Gonzales, John Gobel, Jamie Borba, Mike Moehle and Andy Nguyen of Buck Consultants, Terry Holliday member, and friend, Tera Oswald, member & CEO Representative

1. Meeting called to order at 2:00 p.m. by Chair Wes Hall

ANNOUNCEMENTS

Robert Harmon requested an appointed member help in canvassing the votes on Friday, June 21, 2002. Al Sarina volunteered.

PUBLIC COMMENT

None

CONSENT ITEMS

Motion was made by Al Sarina and seconded by Virgil Thompson to approve the following items as listed.

Motion carried.

a. Approval of the May 28, 2002 Regular and Closed Session Minutes.

b. Approval of Service Retirement(s) - Sections 31499.14, 31760.1 and 31810

1. Judith Chubon, Health Services Agency, Effective 06-29-02
2. Ricardo Guzman, Sheriff, Effective 05/17/2002
3. Patsy Kirkland, District Attorney, Effective 06-29-02
4. Wilma Pauley, Sheriff, Effective 06-08-02
5. Carolyn Wallick, B H R S, Effective 06-15-02
6. Donald Wright, Deferred, Effective 06-01-02

4. **CONSENT ITEMS**

- Continued -

c. Approval of Deferred Retirement(s) - Section 31700

1. Christina Fletcher, Community Services Agency, Effective 03-10-01
2. Barbara Jackson, Health Services Agency, Effective 05-31-02
3. Jolene Sereno, Health Services Agency, Effective 05-17-02

d. Approval of Refund for Deferred Retirement Member(s) - Section 31701

1. Angela R. Dean

5. **Closed Session**

Motion was made by Virgil Thompson and seconded by Al Sarina to adjourn into closed session at 2:05 p.m.

Motion carried.

Closed Session Findings:

After returning to regular session at 2:09 p.m. Robert Harmon, Administrator read the findings of the closed session:

The application for a service connected disability retirement benefit for Terry Holliday was approved effective February 27, 2001 with medical call back at the discretion of the Administrator.

6. **Administrator**

a. Acceptance of Actuarial Report and Recommendations of Actuaries

Mike Moehle first made an announcement of an incorrect government code section in reference to Tier 3 in the actuarial report. The correct code section is 31499.14. Errors were noted on Page 1 and 27. Mike Moehle stated that the total association membership has increased about 4.8% from 6,422 members to 6,733. Active membership increased by 5.4% while the total covered payroll increased by 11.2%. Mike stated that the economic assumptions really had no change. In their report they recommend that the current 4.5% long-term level of inflation be continued as well as the 3.5% future real rate of return by continued. In combination, these assumptions equate to an 8.00% long-term investment return assumption. Since interest is credited semi-annually, the nominal rate of 4.00% produces an effective rate of 8.16% which is a good long-term level. At this time Buck Consultants does not recommend lowering this rate.

6. **Administrator**

- Continued -

a. Acceptance of Actuarial Report and Recommendations of Actuaries

Mike Moehle stated that the contribution rates have changed due to the enhanced benefits. The association has changed from five tier plans to nine tier plans being valued. Before the enhanced benefits the current rates went up 112 basis points from 5.64% to 6.76% on the employer side. After the enhanced benefits the current rates effective March 9, 2002 went up about 137 basis points from 7.07% to 8.44% on the employer side. The report stated that the contribution rates reflect the current economic and noneconomic assumptions. For continuing members, the average salary increases were 8.5% for General and 12.5% for Safety members. Overall the association is funded at 100.3% and is not in bad shape.

Buck Consultants recommended that the Board adopt the recommended contribution rates as of June 30, 2001 as shown in the report as the rates reflect the current economic assumptions. Buck Consultants also recommended the Board adopt a smoothed market value of assets for purposes of calculating the required employer contribution rates.

Motion was made by Virgil Thompson and seconded by Tom Watson to adopt the recommended contributions rates in the actuarial report ending June 30, 2001.

Motion carried.

After discussion regarding the smoothing method recommended by Buck Consultants in the actuarial report, motion was made by Al Sarina to adopt the recommended smoothing method. Motion failed for lack of second.

Motion was made by Maria DeAnda and seconded by Tom Watson to table the smoothing method issue until a report can be provided that will clear the confusion regarding the smoothing method of assets.

Motion carried.

b. Review of excess-earnings distribution scenarios

It was the recommendation of the board to table this issue until further information was provided on the smoothing method of assets and corrections made to the scenarios of excess-earnings distribution.

6. **Administrator**

- Continued -

c. Discussion and Action on eliminating "Administrative Designation" reserve

Robert Harmon presented the board with a brief background on the designation of the administrative reserve. He stated several years ago, the association began setting aside the difference between our legal administrative budget and our actual administrative expenses. The thought at the time was that it would provide excess that could be used in case our budget exceeded .18% of assets, or used to purchase a building. Another '37 act County was doing something very similar. However, after further research it was found that the Administrative Designation Reserve was not necessary to accomplish the initial goals of offsetting excess expenses or purchasing a building. In fact, those funds were not eligible to be used for either of those two purposes. Funds reserved in this manner simply sit there until the board takes specific action to transfer them to another reserve. They can have no other purpose. Presently there is approximately \$2.6 million in the Administrative Reserve.

Motion was made by Virgil Thompson and seconded by Kent Crawford to authorize the elimination of the "Administrative Designation" reserve as of June 30, 2002 and decide later on where the money should be transferred. It was recommended that this issue be placed on the June 25, 2002 Board of Retirement Investment meeting.

Motion Carried

d. Discussion and approval of adding Alternate Retiree Position to Board.

Robert Harmon reviewed with the board the request from RESCO to add an alternate retiree representative. Robert stated that AB1665 was passed in 2001 which allows a Board of Retirement to add an alternate retiree representative. This alternate, unlike the safety alternate, would only vote in the absence of the Retiree member. The retiree alternate would be initially appointed by the Board of Retirement and then elected after that. After further discussion on the issues that needed to be addressed regarding Prop 162 - Pension Protection Act which requires a vote of the people/electorate in enacting AB1665, motion was made by Virgil Thompson and seconded by Al Sarina to table this issue on adopting this section until further information was received from the Attorney General.

Motion carried

6. **Administrator**

- Continued -

- e. Discussion on Travel and Credit Card Policies and authorization to obtain Credit Cards from another source.

Robert Harmon informed the board that this issue was placed on the agenda due to questions regarding reimbursements for trustees. Robert updated everyone and stated that the County Auditor-Controller stated that if we use the County credit cards we must adhere to the County travel policy. Robert stated that the Board of Retirement can adopt our own travel policy and the Auditor-Controller's office may comply with it. He stated that if the Board of Retirement wishes to adopt a travel policy, that they may, and then we would need to submit it to the Board of Supervisors and request they direct the Auditor-Controller's office to comply. Robert stated that the Board of Retirement may also want to adopt our own travel policy and obtain credit cards from another source outside the County.

Motion was made by Virgil Thompson and seconded by Kent Crawford to explore other outside vendors for credit cards and prepare a travel policy for the Board of Retirement to adopt and insert into the Bylaws.

Motion carried.

- f. Discussion and action to remove Age Reduction on Travel Insurance Policy.

After discussion regarding the age reduction on the current travel insurance policy, motion was made by Kent Crawford and seconded by Tom Watson to authorize the action to remove the age reduction on the current travel insurance policy and make payment for the additional cost.

Motion carried

Virgil Thompson abstained from vote.

Al Sarina abstained from vote.

Wes Hall abstained from vote.

7. **Correspondence**

The board received an e-mail message from an anonymous employee regarding the StanCERA independence. After discussion it was the recommendation of the board that information be printed in the upcoming "GoldenYears" newsletter on the investment in real estate on the purchase of a new building and Independence.

8. **Committee Reports and Recommendations for Action**

STANDING COMMITTEES

- a. Benefits Committee - Wesley Hall, Chair

There was no report however, the chair would like to get a meeting set up.

- b. Bylaws Committee - Tom Watson, Chair

Motion was made by Tom Watson and seconded by Virgil Thompson to approve the recommended changes to Article III of the bylaws.

Motion carried.

- c. Due Diligence Committee - Virgil Thompson, Chair

Virgil Thompson informed the board that minutes for the Due Diligence trip in San Francisco had been passed out. Virgil also informed the board that Al Sarina will attend the upcoming Due Diligence trips back East and to Portland.

- d. Education Committee - Virgil Thompson, Chair

Virgil Thompson informed the board that minutes for the last meeting had been passed out. No motion or authorization was made for trustees or staff to attend the Guns and Hoses conference in September.

AD-HOC COMMITTEES

- e. Independence Committee - Al Sarina, Chair

Currently no contract has been received from Jones Lang and LaSalle on the real estate issue.

- f. Disability Retirement Accountability Committee - Maria DeAnda, Chair

No report

9. **MEMBERS FORUM (Information and Future Agenda Requests Only)**

Maria DeAnda requested information regarding the possibility of any "Golden" handshakes. Robert Harmon informed her that the Board of Supervisors initiates this process.

10. **ADJOURNMENT**

Meeting adjourned at 4:50 p.m.

Respectfully submitted,

Robert Harmon, Administrator

APPROVED AS TO FORM:
MICHAEL KRAUSNICK
County Counsel

Victoria Halliday, Deputy County Counsel