

Stanislaus County Employees' Retirement Association's
Excess Earnings Policy
(Board Approved July 14, 2004)
(Board Approved Revision June 14, 2006)

This revision of the Stanislaus County Employees' Retirement Association's (StanCERA's) Policy on Excess Earnings is to further clarify the one adopted in July 2004 and is in light of the recent Memorandum of Understanding with Stanislaus County on the maintenance of a 2% Contingency Reserve. The following revised Excess Earnings Policy was adopted by the Retirement Board on June 14, 2006.

Excess earnings of StanCERA shall be declared only in years in which earnings exceed the costs of administration, investment management and other fees related to investments, actuarial studies, regular interest posting to all vested retirement benefit reserve accounts and the elimination of any accumulated deficits or losses. Earnings shall be posted in the following order until all earnings are allocated.

- 1) Earnings shall be used to pay for all administrative, investment, and actuarial expenses.
- 2) Interest shall be credited at the assumed actuarial rate to all required reserves (those reserves established for vested retirement benefits including Member Contribution reserves, Employer Advance reserves and Retiree reserves for annuities, pensions and automatic cost of living adjustments). If there are insufficient earnings to credit the required interest, an offsetting contra-reserve shall be established to accumulate prior losses.
- 3) Earnings shall be used to eliminate any prior loss contra-reserve.
- 4) Earnings shall be used to re-establish the Contingency Reserve to a level as determined by the Retirement Board.
- 5) Earnings shall be used to credit interest to any ad-hoc reserves for current and prior years at the assumed actuarial rate of interest when the reserves were credited with no interest or less than the assumed actuarial rate of interest due to insufficient earnings.
- 6) Any remaining earnings are deemed excess and the agreements dated September 19, 1995 and August 20, 2002 on excess earnings are then executed.

The implementation of this Policy will insure that vested retirement benefit reserves will grow at the actuarially assumed rate of interest before earnings are deemed "excess." This Policy will also prevent the "topping" effect of declaring excess earnings in years in which the earnings exceed the actuarially assumed interest rate but there are prior years in which the full actuarially assumed interest rate was not posted to all reserves.