

**Popular Annual Financial Report**  
**For the Fiscal Years Ended**  
**June 30, 2019 and 2018**



**Stanislaus County Employees' Retirement Association**

***(Pension Trust Fund of the County of Stanislaus)***

**Stanislaus, California**



Government Finance Officers Association

**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

Presented to

**Stanislaus County  
Employees' Retirement Association  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



## **BOARD OF RETIREMENT**

### **JUNE 30, 2019**

#### Seat #

- |     |                                      |                                       |
|-----|--------------------------------------|---------------------------------------|
| 1.  | Donna Riley, Ex-Officio, Trustee     | Treasurer/Tax Collector               |
| 2.  | Mandip Dhillon, Trustee              | Elected by Active General Membership  |
| 3.  | Jeff Mangar, Trustee                 | Elected by Active General Membership  |
| 4.  | Darin Gharat, Trustee                | Appointed by the Board of Supervisors |
| 5.  | Mike Lynch, Trustee                  | Appointed by the Board of Supervisors |
| 6.  | Jim DeMartini, Chair                 | Appointed by the Board of Supervisors |
| 7.  | Sam Sharpe, Vice Chair               | Elected by Active Safety Membership   |
| 7a. | Vacant, Alternate Trustee            | Elected by Active Safety Membership   |
| 8.  | Michael O'Neal, Trustee              | Elected by Retired Membership         |
| 8a. | Rhonda Biesemeier, Alternate Trustee | Elected by Retired Membership         |
| 9.  | Jeff Grover, Trustee                 | Appointed by the Board of Supervisors |



## Stanislaus County Employees' Retirement Association

832 12<sup>th</sup> Street, Ste. 600, Modesto, CA 95354 • PO Box 3150, Modesto, CA 95353 • [www.stancera.org](http://www.stancera.org) • 209-525-6393 • 209-558-4976 Fax

### TO STANCERA MEMBERS

I am pleased to provide you with the Popular Annual Financial Report (PAFR) of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2019. The PAFR is intended to provide a snapshot and brief discussion of the financial activities of StanCERA for the year. The selected financial information in the PAFR is derived from generally accepted accounting principles and data presented in StanCERA's Comprehensive Annual Financial Report (CAFR) for 2019 and 2018, which contains more detailed information regarding the financial position of StanCERA. The complete CAFR can be located on StanCERA's website: [www.stancera.org](http://www.stancera.org).

StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. The most recent actuarial valuation, conducted as of June 30, 2018, reported StanCERA's actuarial funded ratio at 76.4% and fair value funded ratio at 76.6%. The funded ratio is the actuarial assets available to pay the actuarial liabilities. The actuarial valuation is performed annually to determine employer contribution rates taking into account the smoothed value of the assets by spreading all asset gains and losses over a rolling five year period. The next actuarial valuation is in process and determines the funded status as of June 30, 2019. Based upon the new study, the Board of Retirement will set contribution rates for fiscal year 2020 - 2021.

For the fiscal year ended June 30, 2019, StanCERA's total portfolio underperformed its policy benchmark of 5.9% with an overall return of 5.1% due to capital market conditions. The overall financial position of StanCERA remains strong to meet its obligations to the plan participants and beneficiaries. The StanCERA Board continues to explore options to optimize returns with minimum risk to members and sponsors.

The Fiduciary Net Position increased from \$2.127 billion to \$2.208 billion between 2018 and 2019. Normal contributions (member and employer) increased by \$12.6 million due to an increase in overall participant membership and resulting payroll increases. Benefit payments increased by \$8.0 million over the prior year as more employees moved from active to retired status. Administrative costs to operate the System decreased by \$234,018.

StanCERA's independent auditor, Brown Armstrong Accountancy Corporation, has audited the financial statements contained in the CAFR and provided an opinion that the financial statements present fairly, in all material respects, the financial position of StanCERA for the years ended June 30, 2019 and 2018, in accordance with generally accepted accounting principles.

Sincerely,

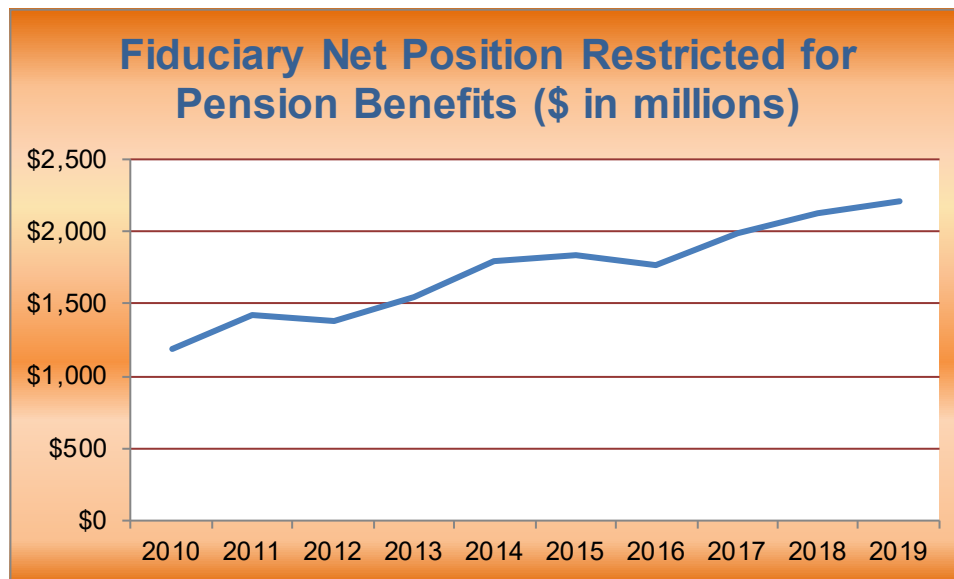
Rick Santos

Executive Director

## FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

(\$ in millions)

Fiscal Year Ending June 30	Fiduciary Net Position Held in Trust	Increase (Decrease) in Net Assets
2019	\$2,208	\$81
2018	2,127	133
2017	1,994	221
2016	1,773	(60)
2015	1,833	42
2014	1,791	246
2013	1,545	159
2012	1,386	(33)
2011	1,419	229
2010	1,190	132



Total Fiduciary Net Position is the difference between the assets at fair value and the liabilities, representing funds available for future benefit payments to plan participants and their beneficiaries. Increases and decreases in the fiduciary net position over time are indicators of whether the financial health of StanCERA is improving or declining. Management believes the plan remains in strong financial health to meet its obligations to the plan participants and their beneficiaries.

The complete CAFR can be located on StanCERA's website: [www.stancera.org](http://www.stancera.org).

### FIDUCIARY NET POSITION

	06/30/2019	06/30/2018	Dollar Change	Percent Change
Current Assets	\$ 70,667,938	\$ 238,347,078	\$ (167,679,140)	-70.35%
Investments	2,290,474,786	2,012,777,600	277,697,186	13.80%
Capital Assets	6,609,873	5,326,791	1,283,082	24.09%
Total Assets	2,367,752,597	2,256,451,469	111,301,128	4.93%
Total Liabilities	159,511,165	129,490,724	30,020,441	23.18%
<i>Fiduciary Net Position Restricted for Pension Benefits</i>	<u>\$ 2,208,241,432</u>	<u>\$ 2,126,960,745</u>	<u>\$ 81,280,687</u>	3.82%

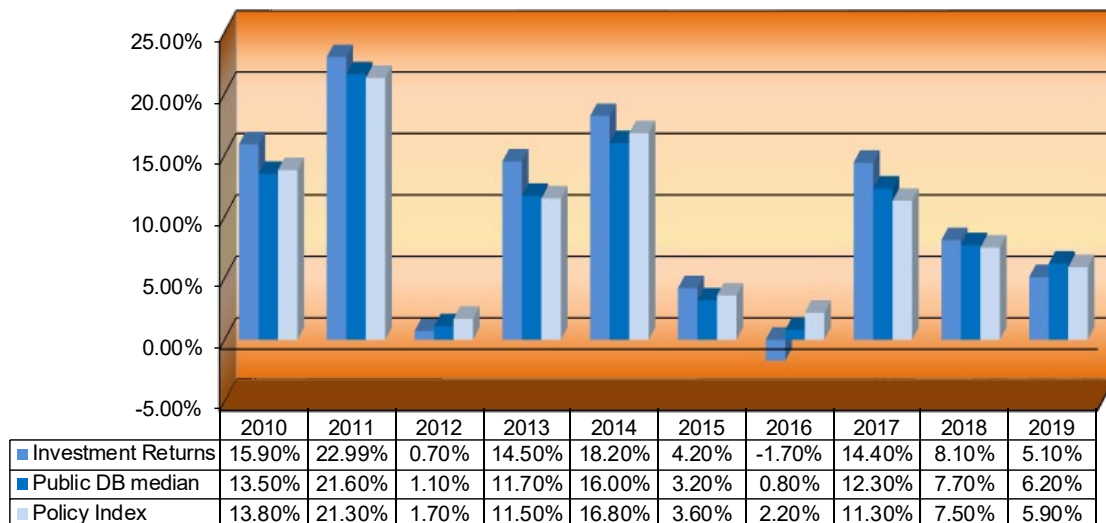
### CHANGES IN FIDUCIARY NET POSITION

	06/30/2019	06/30/2018	Dollar Change	Percent Change
Employer Contributions	\$ 88,589,381	\$ 76,966,471	\$ 11,622,910	15.10%
Plan Member Contributions	27,742,863	26,746,289	996,573	3.73%
Net Investment Income	99,280,525	154,988,199	(55,707,674)	-35.94%
Total Additions	<u>\$ 215,612,769</u>	<u>258,700,959</u>	<u>(43,088,190)</u>	-16.66%
Benefit Payments	129,100,668	121,138,269	7,962,399	6.57%
Member Refunds - Termination	1,826,145	1,905,488	(79,343)	-4.16%
Member Refunds - Death	847,878	128,359	719,519	100.00%
Administrative Expenses	2,557,391	2,791,409	(234,018)	-8.38%
Total Deductions	<u>134,332,082</u>	<u>125,963,525</u>	<u>8,368,557</u>	6.64%
Net Additions	<u>\$ 81,280,687</u>	<u>\$ 132,737,434</u>	<u>\$ (51,456,747)</u>	-38.77%

StanCERA closed with assets exceeding liabilities by \$2.208 billion for fiscal year ended June 30, 2019. The \$81.3 million increase in Fiduciary Net Position is a direct result of the financial market activity. The primary sources to finance benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions.

The Plan's investment activity is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Shown below are StanCERA's investment returns for the last ten years. The investment returns are compared to StanCERA's policy index return, a standard used to evaluate performance, and the Public Defined Benefit Median which is the 50<sup>th</sup> percentile return for StanCERA's defined benefit plan peers.

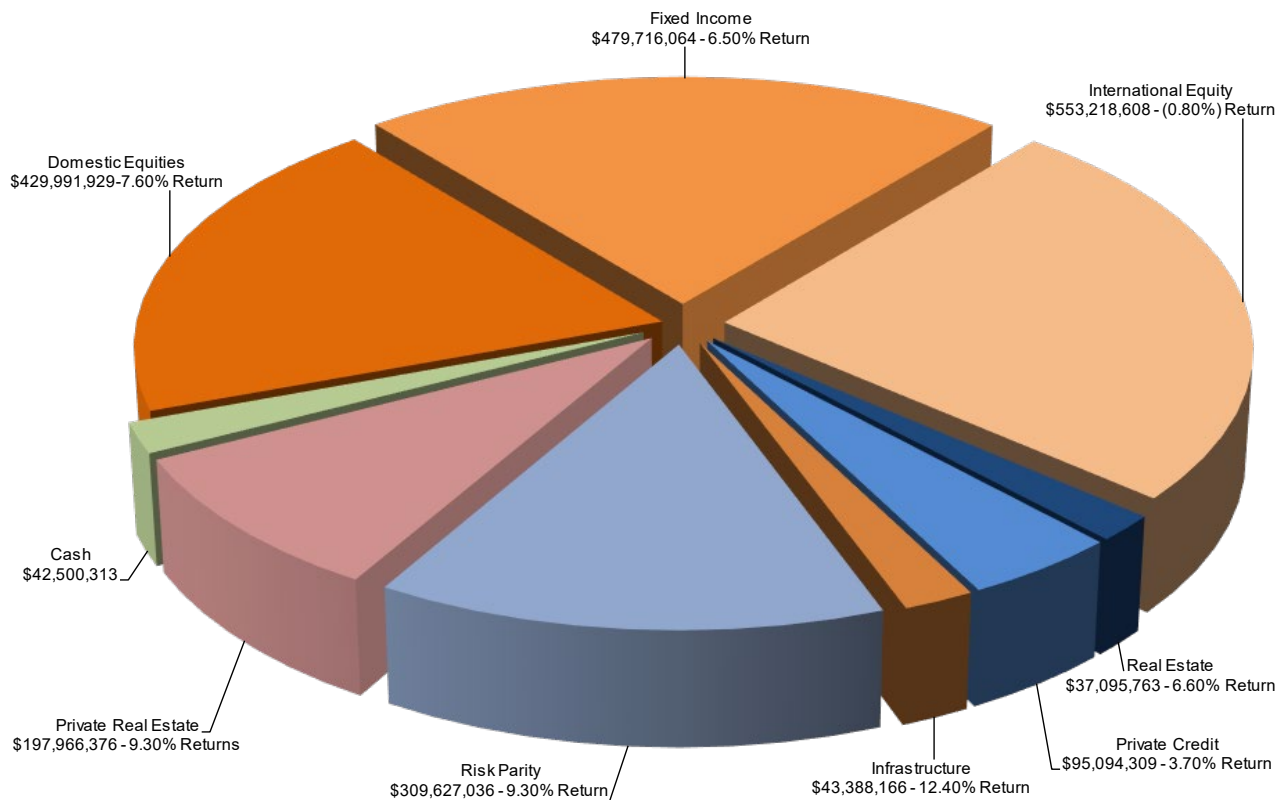
### INVESTMENT RETURNS FOR YEARS ENDING JUNE 30



## INVESTMENTS HELD AT JUNE 30, 2019

Asset Class	Market Value	Annual Return	Actual Allocation	Target Allocation
Domestic Equities	\$429,991,929	7.60%	19.65%	17.00%
Fixed Income	479,716,064	6.50%	21.92%	22.00%
International Equity	553,218,608	-0.80%	25.28%	23.00%
Real Estate	37,095,763	6.60%	1.69%	5.00%
Private Credit	95,094,309	3.70%	4.34%	6.00%
Infrastructure	43,388,166	12.40%	1.98%	2.00%
Risk Parity	309,627,036	9.30%	14.15%	13.00%
Private Real Estate	197,966,376	9.30%	9.05%	5.00%
Private Equity	-	0.00%	0.00%	6.00%
Cash *	42,500,313	0.00%	1.94%	1.00%
<b>TOTAL PORTFOLIO</b>	<b>\$2,188,598,564</b>		<b>100.00%</b>	<b>100.00%</b>

StanCERA's investment consultant, Verus Strategies, Inc., assists the Retirement Board in designing strategic diversification to maintain a steady, long-term positive return with appropriate risk. At the May 2019 Board Meeting, StanCERA's Retirement Board approved a new asset allocation, which is reflected in the above table.



Note: StanCERA had no investments in Private Equity as of June 30, 2019.

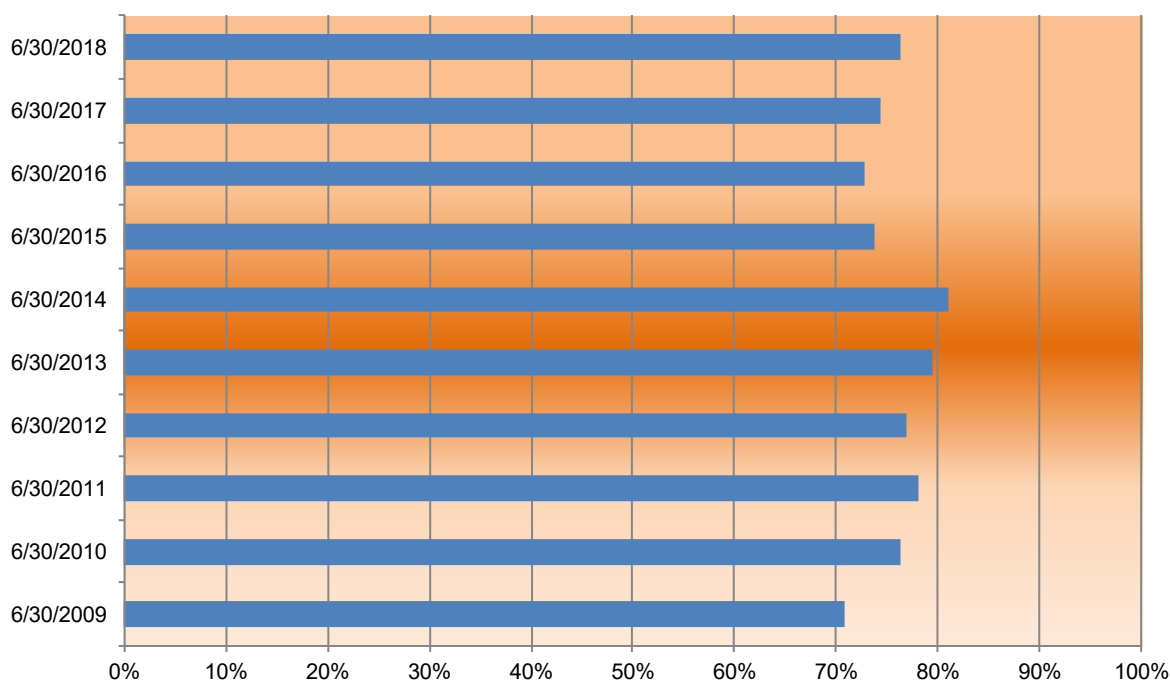
The Total Portfolio is total investments at fair value only. These amounts do not include cash in Stanislaus County Treasury, capital assets, or securities lending cash collateral.

**SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN  
FOR THE TEN YEARS ENDING JUNE 30**

(Dollar amounts in thousands)

<b>Actuarial Valuation</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>
Date	(a)	(b)	(b-a)	(a/b)
6/30/2019	\$2,100,278	\$2,749,068	\$648,790	76.40%
6/30/2017	1,968,231	2,648,162	679,930	74.30%
6/30/2016	1,845,764	2,537,067	691,303	72.80%
6/30/2015	1,763,629	2,391,522	627,893	73.70%
6/30/2014	1,644,007	2,026,371	382,294	81.10%
6/30/2013	1,524,076	1,919,227	395,151	79.40%
6/30/2012	1,451,764	1,888,713	436,950	76.90%
6/30/2011	1,372,046	1,757,717	385,671	78.10%
6/30/2010	1,325,801	1,737,824	412,023	76.30%
6/30/2009	1,171,767	1,653,716	481,949	70.90%
6/30/2008	1,317,167	1,548,824	231,657	85.00%

**FUNDED RATIO**



As of June 30, 2019, StanCERA's actuarial funded ratio (assets divided by liabilities) increased from 74.3% to 76.4% due to an increase in Plan assets of 6.7% for fiscal year ending June 30, 2018. Changes in assumptions based on StanCERA's actuarial experience study from July 1, 2015 through June 30, 2018 were adopted by the StanCERA Board of Retirement in January 2019. The decrease in fiscal year 2009 was due to devaluation of assets during the fiscal year.

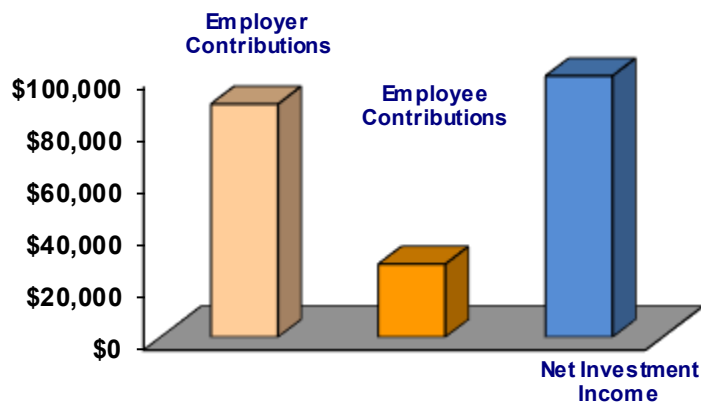


## FUND REVENUE

(\$ in thousands)

<b>Fiscal Year ending June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Net Investment Income (Loss)</b>
2019	\$88,589	\$27,743	\$99,281
2018	76,966	26,746	154,988
2017	63,025	25,464	252,310
2016	58,196	23,917	(31,322)
2015	53,849	22,960	68,723
2014	46,764	21,868	274,896
2013	39,077	20,286	189,988
2012	27,314	20,525	3,725
2011	26,257	19,197	261,842
2010	21,814	20,746	165,054

### StanCERA Revenue fiscal year ending June 30, 2019



The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions.

Net investment income is the total interest, dividends and net realized and unrealized gains or losses on all investments less investment fees. For the fiscal year ended June 30, 2019, StanCERA's investment income decreased by \$55.7 million.

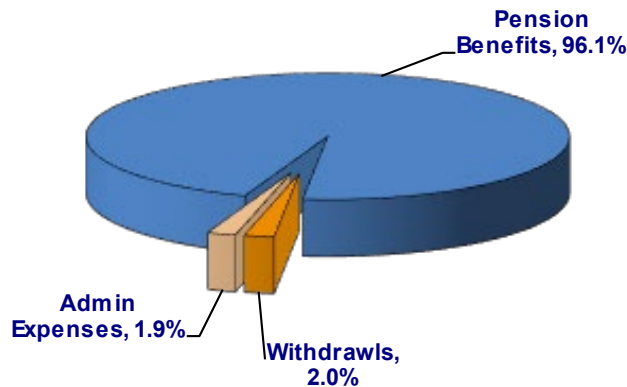
The increase in employer and employee contributions is a direct result of overall participant membership increases and projected payroll increases.

## FUND EXPENSES

(\$ in thousands)

Fiscal Year ending June 30	Benefits	Withdrawals	Administrative Expense
2019	\$129,101	\$2,674	\$2,557
2018	120,978	2,194	2,791
2017	114,291	2,553	2,645
2016	106,947	1,219	2,315
2015	100,099	1,759	2,379
2014	93,116	1,516	2,249
2013	87,103	1,546	2,065
2012	80,157	1,833	2,145
2011	74,826	1,906	2,037
2010	71,465	1,732	2,307

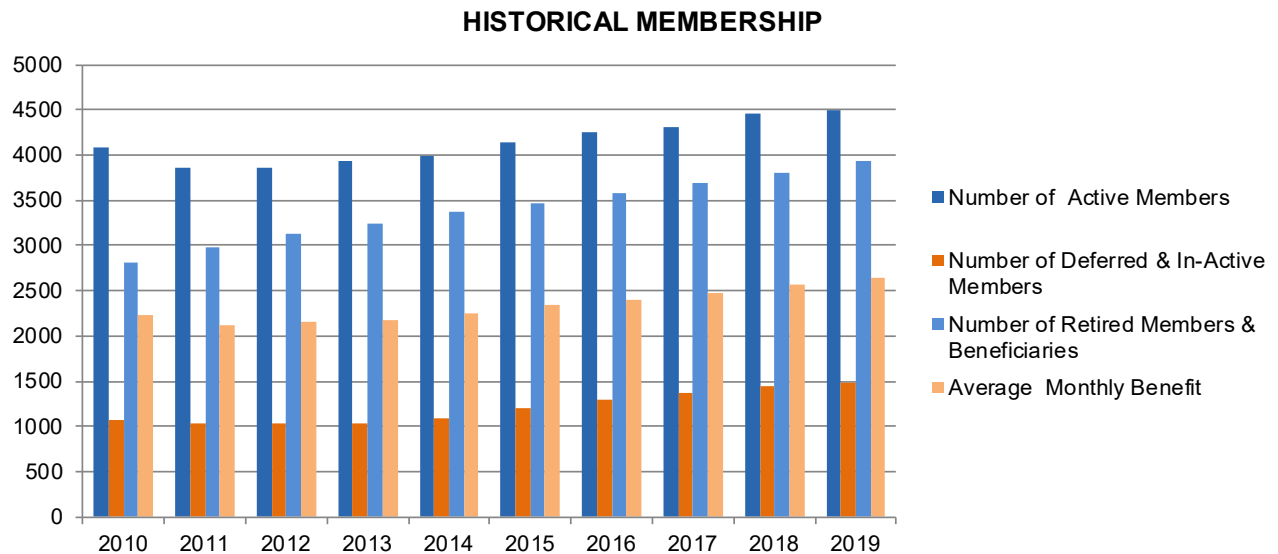
### StanCERA Expenses fiscal year ending June 30, 2019



The primary uses of StanCERA's assets are in payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. Benefit expenses continue to increase as the number of retirement allowances for retirees increases with higher pension benefit amounts. The increase in withdrawals is mainly due to more active and retired members who deceased with refundable contributions on account from the prior fiscal year. Administrative costs remained fairly stable from prior fiscal year.

## HISTORICAL MEMBERSHIP

Fiscal Year Ending June 30	Number of Active Members	Number of Deferred & In-Active Members	Number of Retired Members & Beneficiaries	Average Monthly Benefit
2019	4,504	1,476	3,934	\$2,731
2018	4,452	1,445	3,796	2,646
2017	4,309	1,367	3,683	2,568
2016	4,249	1,289	3,582	2,478
2015	4,145	1,198	3,465	2,398
2014	3,993	1,095	3,381	2,337
2013	3,931	1,028	3,234	2,260
2012	3,868	1,032	3,123	2,177
2011	3,854	1,042	2,976	2,153
2010	4,085	1,075	2,818	2,115



StanCERA's membership consists of full and percentage time (working over 50% time) employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from the County of Stanislaus, Stanislaus Superior Court, the City of Ceres, Stanislaus Council of Governments, Eastside Mosquito Abatement District, Hills Ferry Cemetery, Keyes Community Service District, and Salida Sanitary District.



Stanislaus County Employees'  
Retirement Association  
P O Box 3150  
Modesto CA 95353-3150