



Stanislaus County Employees' Retirement Association

832 12th Street, Ste. 600, Modesto, CA 95354 • PO Box 3150, Modesto, CA 95353 • www.stancera.org • 209-525-6393 • 209-558-4976 Fax

AGENDA

BOARD OF RETIREMENT

832 12th Street, Suite 600 – **Wesley W. Hall Board Room**
Modesto, CA 95354

October 14, 2015
2:00 p.m.

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday 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.

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_schedule.

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 22, 2015 Meeting Minutes [View](#)
 - b. StanCERA Quarter 3 2015 Complaint Log [View](#)
 - c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Barclay, Ingrid – CSA– Effective 10-15-2015
 2. Brizendine, Stanley – HSA – Effective 09-08-2015
 3. Canales, Vincent– StanCOG – Effective 09-01-2015
 4. Dow, Karen– HSA– Effective 10-17-2015
 5. Hoover, David – CSA– Effective 10-02-2015
 6. Kong, Bosseba– BHRS – Effective 10-03-2015
 7. Ramirez, Francis– DCSS– Effective 08-31-2015
 8. Self, Karla – CSA– Effective 10-03-2015

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

1. Brennan, Thomas – District Attorney– Effective 09-19-2015
2. Bordona, Sheridan – Sheriff – Effective 05-15-2015
3. Dayton, Jake – Animal Services– Effective 05-30-2015
4. De Jesus, Samantha – City of Ceres – Effective 04-02-2015
5. Gonser, Luweta – CSA – Effective 08-08-2015
6. Harvick, Alexandria – Assessor – Effective 07-11-2015
7. Magana, Antonio – CSA – Effective 09-11-2015
8. Plante, Kristin – CSA – Effective 06-20-15
9. Powers, Andrew – Probation – Effective 04-18-2015 *
10. Ruezga, Jose – CSA – Effective 08-08-15

** Indicates Safety Personnel*

e. Executive Director Goals Update Quarter 3 2015 [View](#)

6. Executive Director

- a. Legal/Legislation Update [View](#)
- b. Monthly Staff Report [View](#)
- c. Discussion and Action to approve the request to add CRCEA Annual Conference to the Annual Education Calendar.
- d. Discussion and Action to Approve the Fiscal Year 2015-2016 Budget Adjustment for Information Technology “I.T.” Project. [View](#)
- e. Discussion and Action to Approve the Buildout of Unfinished Space on the 6th Floor and approval of the Fiscal Year 2015-2016 Budget Adjustment for this Project. [View](#)
- f. Discussion and Action to Approve Legal Research Request [View](#)

7. Closed Session

- a. 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)
- b. 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)

8. Members’ Forum (Information and Future Agenda Requests Only)

9. Adjournment



PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

September 22, 2015

Trustees Present: Maria DeAnda, Jim DeMartini, Michael O'Neal, Jeff Grover, Jason Gordo, Donna Riley, Sam Sharpe and Gordon Ford

Alternate Trustee Joan Clendenin, Alternate Retiree Representative

Trustees Absent: Mike Lynch

Staff Present: Rick Santos, Executive Director
Dawn Lea, Benefits Manager
Kellie Gomes, Executive Board Secretary

Others Present: Fred Silva, General Legal Counsel

1. Meeting Called to Order

Meeting called to order 2:04 p.m. by Trustee DeAnda, Chair

2. Roll Call

3. Announcements

Rick Santos, Director announced that he would be out for the October 14th Administration meeting at a Society of Actuaries Conference.

Kellie Gomes, Executive Assistant announced that the Pyramis report was inadvertently left out of the Board packet that was mailed.

4. Public Comment

None

5. Consent Items

a. Approval of the September 9, 2015 Meeting Minutes

Motion was made by Trustee Grover and seconded by Trustee Gordo to approve consent items as presented.

Motion carried unanimously

6. Annual Performance Report

a. Pyramis Asset Management

Brian Hoesly and Kristin Shofner from Pyramis briefed the Board on recent performance and capital market expectations.

1. Value Added Report

7. Verus

- a. Monthly Investment Report for the Month Ending August 31, 2015

Fiscal YTD Return: -3.75%

Total Fund Value as of 7/31/2015: \$1,751,425,576

8. Closed Session

- a. 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)
- b. 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)

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

Director Santos gave an update on 2 items that were slated to be accomplished in this calendar year, the de-risking plan and the formal manager disposition policy. These are now slated to be completed Quarter 1 of 2016. The disposition of Pyramis and Legato (both on watch) will be addressed then as well.

Ed Hoffman, Investment Consultant from Verus briefed the Board on the timeline for conducting Trustee interviews, the asset liability study and the investment strategy development workshop.

Trustee Ford provided a handout regarding Selling Source and asked Fred Silva, General Counsel to look in to researching the Consumer Financial Protection Bureau's (cfpb) Civil Investigative Demand (CID) process in regards to an employee of PartnerWeekly, LLC, a wholly-owned subsidiary of Selling Source LLC.

Trustee Sam Sharpe announced he will not be at the the meeting on October 14th due to other work requirements.

10. Adjournment

Meeting adjourned at 3:16 p.m.

Respectfully submitted



Rick Santos, Executive Director

APPROVED AS TO FORM:
Fred Silva, GENERAL LEGAL COUNSEL

By: 
Fred Silva, General Legal Counsel



5.b.

**For the Board of Retirement Meeting
Held on October 14, 2015**

TO: Retirement Board
FROM: Alaine Taa, Administrative Assistant
SUBJECT: StanCERA Complaint Log

There were three (3) retiree complaints logged between July 1, 2015, and September 30, 2015.
A summary of these complaints follows:

Number of Complaints	Caller Status	Nature of Complaints
1	Retiree	Retired member called to inquire about the summer newsletter that she did not receive. Note: Production of the quarterly newsletter is being suspended.
1	Retiree	Retired member wanted to lodge a formal complaint regarding the receipt of his courtesy notice regarding his age 62 drop in benefit. He had chosen the Social Security Modification option upon retirement and only received the notice one week prior. Typically the notice is sent 60 days prior.
1	Retiree	Retired member sent in a form to change his direct deposit and mailing information. Staff missed the address change, which caused his check to be sent to the wrong place. Steps were immediately taken to correct the error and over-night the check.

The number of complaints this quarter decreased by 4 (four) complaints compared to the previous report period April 1, 2015, through June 30, 2015.

Alaine Taa, Administrative Assistant

Kathy Herman, Fiscal Services Manager



October 14, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Executive Director Goals Update Quarter 3 2015
- II. ITEM NUMBER: 5.e.
- III. ITEM TYPE: Consent
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: This is the third quarter update on the Executive Director Goals for 2015. Attachment 1 shows the Quarter 3 progress on the goals for 2015. The task list that's directly tied to the Strategic Plan represent tasks slated to be completed in 2015. Those tasks that were a part of the Strategic Plan for 2014 have been completed and removed from this document. Progress (if any) is highlighted in blue. The document breaks out tasks that are general in nature and ongoing from those tasks that are explicitly tied to the Strategic Plan.

This year's theme is on manager assessment and disposition, the exercise of the creation of a glide path plan and risk reporting. Focus will also be on creating efficiencies within the Organization, from both a human resource perspective and technologically as well. Finally, stakeholder education and outreach play a role in this year's goals.

Quarter 3 Update

As reported in recent monthly staff reports, there are several tasks related to the investment governance process that will not be completed this year as stated in the strategic plan. This is due mainly to staff work load and the procurement of StanCERA's new investment consultant. It is the intent of staff to hand off the creation and implementation of each of these new processes to the consultant. As a result, staff anticipates the completion of these tasks sometime in 2016. This is still within the time scope of the 2014-2016 strategic plan.

- VI. RISK:
- 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:

Rick Santos, Executive Director



Ongoing/Required Items

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
 - *Annual plan sponsor visits regarding new fiscal year contribution rates and anticipated contribution rate changes in the future*
 - *Ongoing and continued dialogue with County Staff and other plan sponsors regarding various pension issues*
 - *Respond to several media requests for investment allocation information*
 - *Outreach with plan sponsors regarding vacant seat 7 and alternate seat 7*
2. Facilitate completion of the transition to alternative investments
 - *Complete legal diligence and negotiations for second subscription of Raven Fund*
 - *Complete/facilitate various capital calls*
 - *Deployment of alternative distributions*
3. Complete Custodial Bank Transition
 - Custodial Bank transition complete – 2014
4. Complete Trustee Elections
 - Seat 3 complete – 2014
 - *Seat 7 complete - 2015*
5. Complete intermediate and long-term Organizational Structure Review
 - 10 Year Strategic Realignment analysis complete - 2014
6. Continued monitoring of StanCERA lawsuits
 - *Analyses and discussions regarding settlement issues in Buck case*
7. Director Professional Development
 - *Participate in several webinars regarding actuarial pension issues*
 - *Participation in Administrator's Institute regarding professional development issues and local pension issues*
 - *Heavy involvement as Chair of the Controller's Retirement Advisory Committee*
8. Facilitate RFP for an Investment Consultant
 - *Investment Consultant acquisition completed*



9. Oversee and complete day to day administrative functions

- *Disabilities; Organizational goal of 18 or less outstanding disabilities at any one time. Outstanding disabilities are 13 as of October 8th (this compares to 12 outstanding at the end of Quarter 2, 2015)*
- *Agenda and minute production for all Board and Committee Meetings*
- *Facilitation of Board and Staff travel*
- *All retiree payrolls completed on time*
- *Member contributions and refunds up to date*
- *Monitoring of Investment Policy and Bylaws*
- *Daily monitoring of pension issues in media*
- *Ongoing and regular meetings with Investment Managers*
- *Ongoing revamping of buyback processes and final average compensation calculations*

Items Explicitly Tied to the 2014-2016 Strategic Plan

1. Strategic Plan Objective #1

a. Monitor current costs and risks

- Create a program that allows StanCERA to determine the approximate cost to immunize any portion (percentage) of StanCERA's future benefit obligations using current yields available on various government treasuries and high grade corporate bonds – *Program complete.*

b. Enhance the understanding of various financial hedging tools available

- Contract with specialists in the area of asset-liability management – *Nothing to report*

c. Communicate with plan sponsors

- Meet with plan sponsors annually to discuss any issues that may affect StanCERA's future projected cash flows – *To be completed during Verus' plan sponsor analyses*
- Meet with plan sponsors annually to determine the sponsor's willingness and capacity to take pension risk – *To be completed during Verus' plan sponsor analyses*

d. Develop policy triggers for potential mitigating opportunities



- Develop a glide path approach to determine when and if efficiencies exist in the bond markets relative to StanCERA's liabilities – *Nothing to report. Note: This task is slated to be addressed in Quarter 1, 2016*

2. Strategic Plan Objective #2

- a. Develop clear and concise processes and policies dedicated to the continual assessment, monitoring and disposition of StanCERA's active managers
 1. Develop various reports meant to assess active manager performance
 - Creation of enhanced value added reports - Complete
 - Creation of risk allocation reports - Complete
 - Creation of benchmark adherence reports - Complete
 2. Define satisfactory performance with an eye towards asset liability and risk management
 - *Nothing to report. Note: Task is slated to be completed in Quarter 1, 2016*
 3. Define processes and remedies for active managers when performance is deemed to be unsatisfactory (continuation policy)
 - *Nothing to report. Note: Task is slated to be completed in Quarter 1, 2016*

3. Strategic Plan Objective #3

- a. Optimize StanCERA's organizational resources
 1. Review current job duties as they relate to the position, classification and Organizational needs
 - Staff review and documentation of current position and task analysis
 - Current and unique job duty statements for each position completed in Quarter 1
 - Monitoring process completed end of Quarter 2 and job duty statements are now available to be used to evaluate the desk/employee
 - *Quarter 3: Staff positions have been evaluated and determinations are being made regarding duty assignments and employee capability*



2. Continue to cross train and/or train staff with a goal of establishing multiple levels of backup (ongoing)
 - Accounting specialist training in all aspects of member and fiscal services
 - Accounting specialist training in investment compliance processes
 - Retiree payroll cross training from member services to accounting
 - Back up training for executive secretary regarding Board meeting planning, facilitation and web posting complete
 - Cross train staff for web site maintenance and updating
 - *Member and Employer Services Technician and Fiscal Services Technician positions cross trained in Quarter 3*
- b. Identify potential programs that will enhance skills and advance development of staff
 - Establish in-house training opportunities – *Preliminary draft complete*
4. Strategic Plan Objective #4
 - a. Formalize a process to educate StanCERA stakeholders
 - Develop an education/advocacy Committee – Task complete
 - Identify StanCERA stakeholders – Task complete
 - Outline job duties/responsibilities for a Communications Specialist – *To be completed in Quarter 1, 2016*
 - Determine areas of stakeholder educational needs – Task complete
 - Review and amend the media policy – *To be completed in 2016*
 - b. Enhance StanCERA technology in order to optimize human resources and productivity
 - Create a focus group to identify possible technology enhancements – *Nothing to report*
 - c. Expand technology and training to ensure continuity of operations during a natural disaster or a period of major outage
 - Develop testing and training for COOP – Quarter 2: Creation of a formal disaster recovery plan was put into place this quarter. The goal of this plan is to identify and address any additional resources necessary in order to assure continuance of operations in the event of an emergency. Staff has also begun the process of researching the cost/benefit of Cyber Insurance designed to provide coverage in the event of a data breach. *Quarter 3:*



COOP information status has been made up to date and remote DR environment successfully tested.

- Develop a formal schedule and process for disaster drills of Technology systems – *Nothing to report*



October 14, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Dawn Lea, Member and Employer Services Manager

- I. SUBJECT: Legislative Update – Pension Reform Initiatives
- II. ITEM NUMBER: 6.a
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: On October 5, 2015, the Attorney General's Office received two Requests for Title and Summary for Proposed Initiatives forms written by Chuck Reed and Carl DeMaio.

The first of the two initiatives is currently referred to as the "Voter Empowerment Act of 2016". This initiative is very similar to the earlier version presented this year by the same name. This initiative requires voter approval for the following issues:

- To offer a defined benefit plan to new employees
- To enhance an existing defined benefit plan
- To pay more than one-half of the total cost of retirement benefits for new employees
- To impose termination fees, accelerate payments on existing debt, or impose other financial conditions against an employer that proposes to close a defined benefit plan to new members

The initiative also declares that it shall not alter any provisions of a labor agreement in effect as of the effective date of the Act, but shall apply upon renewal or extensions of the agreements after the effective date. It also states that it shall not be interpreted to modify or limit any disability or death benefits.

The second initiative is currently referred to as the "Government Pension Cap Act of 2016". This Initiative allows government employers to continue to provide defined benefit plans to new employees, but limits the amount that can be contributed toward "retirement benefits" which includes defined benefit pension plans, defined contribution plans, retiree healthcare plans, Social Security or any form of deferred compensation provided by government employers. Limitations are as follows:

- Government employers shall not contribute more than 11 percent of base compensation for general members or 13 percent for safety members. All other costs (including unfunded liability costs) shall be the responsibility of the employee.
- Government employers shall not pay more than one-half of the total cost of the retirement benefit unless approved by the voters.

This initiative also declares that it shall not alter any provisions of a labor agreement in effect as of the effective date, but shall apply upon renewal or extensions of the agreements after the effective date of the Act. It also states that government employers may provide disability and death benefits for new employees that will not be subject to the limits set forth in this initiative.

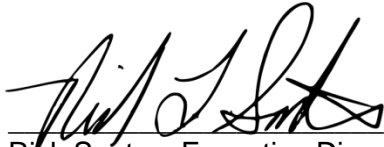
The documents state that nothing in the initiative shall be interpreted to limit the ability of government employers to offer defined benefit plans, defined contribution plans or a combination of both plans for new employees but they will be subject to the new limitations.

The authors of these two initiatives have stated that they only intend to take one of them forward for signature collection in hope of getting it added to the November 2016 ballot. They plan to wait to see how the titles and descriptions are handled by the Attorney General's Office. They will make their decision before the end of December 2015.

- 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. BUDGET IMPACT: None



Dawn Lea, Member and Employer Services Manager



Rick Santos, Executive Director



October 14, 2015
Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Monthly Staff Report
- II. ITEM NUMBER: 6.b
- III. ITEM TYPE: Information-
- IV. STAFF RECOMMENDATION: None
- V. SUMMARY:

- a) *Fiscal Services* – The contract for Linea Solutions has been finalized and they will be on site to begin the assessment process on Monday October 19, 2015. A request for proposal for janitorial services is in process and the damaged carpet has been replaced. We received a \$15,000,000 capital call for Prime, the open ended core real estate fund, in September. Unlike the other private investments this was the entire capital commitment. As originally approved by the Board, most of the funds came from the passive BlackRock U.S. Real Estate fund.

Each year large amounts of member data is uploaded to the actuary. After multiple tests the actuary then sends data back to staff, with detailed questions, that must be researched prior to the valuation and / or experience study can begin. This research was completed in September. Internal I.T. staff has created several new tools to automate manual tasks. *"Refund and payable checks are electronically processed and staff no longer has to carry checks to 10th Street Place for signatures and an ongoing very frustrating member data manual correction problem has finally been automated."*

- b) *Member & Employer Services* – During the month of August, Member and Employer Services Staff processed 59 new hires (2 Safety and 57 General), 94 buy backs and 106 estimates. There were 30 individual counseling sessions and one group presentation at the Pay Dirt meeting.

Staff continues to update existing processes to ensure that they are current and comply with the auditor's recommendations.

We said goodbye to retired annuitant Michele Silva. Michele was retained by StanCERA to assist with transition to the current management team and later to head up the file audit project. Phase one of the file audit project covered member files with membership dates through December 31, 2015. The older files included data from multiple sources and required the high level of Michele's expertise. Phase one was completed at the end of September.

We are now moving into phase two of the file audit project. We have made offers of employment to two part time employees. The new part time employees will be tasked with auditing member files with membership dates of January 1, 1999 through current.

- c) *Investment Governance and Compliance* – The transition of data from SIS to Verus has been completed. Staff conducted an onsite meeting with Ed Hoffman to kick off the rest of the transition process.
- d) *2015 Financial Audit* - The year end Audit and creation of the annual reports is a priority this time of year. The accounting staff is closing the old year and maintaining the member and investment accounting and processes for the current year. Staff is current with the agreed upon time line. The “Critical Dates” list is included as Attachment 1.

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. BUDGET IMPACT: None



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager



Dawn Lea, Member and Employer Services Manager

Stanislaus County Employees Retirement Association
Critical Dates List
For the year ended June 30, 2015

<i>Item</i>	2015 Dates	Status
PLANNING:		
AUDITOR to provide StanCERA with Population request email	Monday, June 01, 2015	Completed
AUDITOR to provide Info Request email to StanCERA	Friday, June 05, 2015	Completed
StanCERA to provide AUDITOR with May 31, 2015 Preliminary Financials and trial balance	Monday, July 06, 2015	Completed
StanCERA to provide Custodian, Investment Managers, and all other confirmations (Except for Legal, Participant, Cash and Contributions) to AUDITOR for mailing	Monday, July 06, 2015	Completed
Active, Retiree and Purchased Service Credit populations provided to AUDITOR for confirmation purposes	Friday, July 10, 2015	Completed
AUDITOR to provide StanCERA with samples for confirmation purposes	Tuesday, July 14, 2015	Completed
Active/Retired Participant, Actuary, and Employer payroll Confirmations returned to AUDITOR for mailing	Monday, July 20, 2015	Completed
Remaining participant populations due to AUDITOR. See email sent to client on Monday, June 1, 2015	Monday, August 03, 2015	Completed
StanCERA to provide confirmations to Auditor for Cash and Contribution:	Wednesday, August 05, 2015	Completed
Participant confirmation responses due to AUDITOR, AUDITOR to send out second requests	Monday, August 10, 2015	Completed
INTERIM FIELDWORK:		
Beginning of interim audit fieldwork at StanCERA's office. Please provide space for three auditors	Monday, August 10, 2015	Completed
Items on Interim Fieldwork Information Request Lists due	Monday, August 10, 2015	Completed
AUDITOR to meet with STANCERA's Internal Governance Committee - Entrance meeting between AUDITOR and STANCERA staff (at your discretion)	Wednesday, August 12, 2015 at 1:15pm	Completed
Expected completion date of interim fieldwork, and exit conference with StanCERA Management	Friday, August 14, 2015	Completed
FINAL FIELDWORK PLANNING:		
Confirm responses for all (Except Legal, Alternatives, Real Estate, Cash, Actuary and Contributions) due to AUDITOR. AUDITOR to send out second requests	Friday, August 14, 2015	Completed
Confirm responses for Cash, Actuary, Contributions, Alternative and Real Estate investments due to AUDITOR. AUDITOR to send out second requests	Friday, August 21, 2015	Completed
StanCERA to provide actuary with financial data for actuary report	Monday, August 24, 2015	Completed
Items on Final Fieldwork Information Request Lists due. Begin audit work in BA offices	Monday, August 24, 2015	Completed
StanCERA to provide 6/30/2015 trial balance in electronic format - Preliminary 8/24	Thursday, August 27, 2015	Completed
StanCERA to provide AUDITOR with draft Statement of Net Assets and Statement of Changes in Net Assets	Thursday, August 27, 2015	Completed
StanCERA to provide responses to Investment Inquiries Memo	Thursday, August 27, 2015	Completed
FINAL FIELDWORK:		
Beginning of final fieldwork at StanCERA's office. Please provide space for four auditors	Monday, August 31, 2015	Completed
StanCERA to provide responses to General Question Memo	Wednesday, September 02, 2015	Completed
StanCERA to provide AUDITOR with legal confirmations for mailing/emailing	Thursday, September 03, 2015	Completed
StanCERA to provide draft Financial Section to AUDITOR	Week of September 7th	Completed
Expected completion date of fieldwork and exit conference with StanCERA management	Friday, September 18, 2015 3:30pm	Field work complete 9/18/2015 Exit conf complete 9/21/2015

AUDIT WRAP-UP & PRESENTATION:

StanCERA to receive Actuary GASB 67/68 report for inclusion in the CAFF

Week of September 21st

Completed 10/5/2015

AUDITOR will provide all recommendations, revisions & suggestions for improvement to draft of Financial Section of CAFR

Monday, September 21, 2015

Completed 9/23/2015

AUDITOR will provide Letter to Management in draft format

Friday, September 25, 2015

StanCERA to provide AUDITOR with draft of CAFR

Friday, September 25, 2015

Completed 10/7/2015

StanCERA to provide AUDITOR with responses to findings included in Letter to Management

Friday, October 02, 2015

AUDIT Manager will provide all recommendations, revisions & suggestions for improvement to the CAFF

Tuesday, October 06, 2015

StanCERA to provide AUDITOR with complete revised draft of CAFR

Friday, October 09, 2015

AUDITOR to provide StanCERA management with the following reports in draft format:
Independent Auditors Report
Report on Compliance and Internal Control
Internal Governance Committee Report (SAS 114 letter)

Friday, October 09, 2015

Legal confirmation responses due to AUDITOR

Friday, October 23, 2015

StanCERA to provide AUDITOR with final revised CAFR. AUDITOR to submit for Partner/Cold review

Friday, October 23, 2015

StanCERA to provide approval of all AUDITOR reports

Friday, October 23, 2015

AUDITOR to provide StanCERA management with the Soft Copy of the following reports in final format:
Independent Auditors Report
Letter to Management
Report on Compliance and Internal Control
Internal Governance Committee Report (SAS 114 letter)

Monday, November 02, 2015

AUDITOR to provide StanCERA with "packets" of the above reports for Board meeting

Tuesday, November 03, 2015

AUDITOR presentation/delivery to StanCERA Board of Retirement

Tuesday, November 10, 2015

Created: 5/20/15

Approved by Client: 5/22/15

Revised: 7/22/15

Revised: 9/2/15

Revised: 9/17/15

Revised: 10/8/15



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October 14, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kathy Herman, Fiscal Services Manager

- I. SUBJECT: Fiscal Year 2015-2016 Budget Adjustment For Information Technology "I.T." Project
- II. ITEM NUMBER: 6.d
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Accept the recommended adjustment to the Fiscal Year 2015-2016 Administrative Budget to include \$277,000 for Information Technology consulting services (Attachment 1).
- V. ANALYSIS: In order to continue to serve our members efficiently, several critical enhancements are needed to the current pension software system. On January 29, 2014 Tyler Inc. the company that installed and maintains the pension software system stated they would no longer enhance or be selling the current system. On October 10, 2014 the Board directed staff to begin the process of replacing the pension software system.

On June 10, 2015 the Board of Retirement approved the Administrative budget for Fiscal Year 2015-2016. At that time, the competitive bid process to determine the budget and vendor selection for I.T. consulting services was still in progress. Upon completion of the competitive bidding process, on August 12, 2015 the Board approved the evaluation team's recommendation to accept the proposal from Linea Solutions for the not-to-exceed amount of \$277,000. This agenda item serves to adjust the budget accordingly. The scope of work will include an assessment of the current state of the system(s), and the necessary work to either update or acquire the different system(s). Once vendor selection is completed the Board will determine if StanCERA will continue to retain Linea for implementation services.

- 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. BUDGET IMPACT: The Administrative budget for Fiscal Year 2015-2016 will increase by \$277,000 for a total of \$2,845,507.

Government Code section 31580.2 sets the legal limit for expenditures for the administration of the fund at 0.21% of the accrued actuarial liability. (\$4.3 million as of 6/30/14). Government Code section 31580.2(b) exempts computer software, hardware and computer technology consulting services in support of these products from this limit.

Kathy Herman, Fiscal Services Manager

Rick Santos, Executive Director

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION AMMENDED FISCAL YEAR 2015-2016 ADMINISTRATIVE BUDGET					
DESCRIPTION	Approved FY 14/15 Budget Including I.T.	FY 14/15 Final Expenditures	Fiscal Year 2015-2016 Approved Budget	CODE SECTION 31580.2(2)(b) (Technology)	Fiscal Year 2015-2016 Budget Request
Salaries & Benefits					
Salaries	782,000	761,592	845,000		845,000
Employee Benefits	330,000	330,135	349,000		349,000
I.T. Specialist - Salary & Benefits	88,726	83,053		95,700	95,700
Contract Wages		33,545	30,000		30,000
SALARIES & BENEFITS TOTAL	1,200,726	1,208,325	1,224,000	95,700	1,333,700
TECHNOLOGY					
Tyler Software Maint	74,000	43,700	46,000		46,000
Tyler Dysaster Maint	12,250	10,902	12,250		12,250
StanCERA Website	2,400	220	2,400		2,400
Software & Support and Service	10,000	2,485		10,000	10,000
Equipment and Computer Supplies	6,000	4,907		6,000	6,000
IT. Consulting Services				277,000	277,000
Legal Counsel & Services					
Legal Counsel - Disability	100,000	98,891	130,000		130,000
Legal Counsel - O'Neal vs StanCERA	110,000	172,062	100,000		100,000
Legal Counsel - General	90,000	73,100	75,000		75,000
Legal Counsel - Nasrawi vs Stancera	50,000	17,777	20,000		20,000
Legal Counsel - StanCERA vs Buck	75,000	102,432	150,000		150,000
Medical Exams, Reviews, Hearings	30,000	9,020	30,000		30,000
STANCERA / COUNTY SERVICE AGREEMENTS					
SBT - Data Processing Services	23,500	23,999	24,500		24,500
SBT - Telecommunications	5,200	5,643	5,300		5,300
Central Services, Mail Room, Salvage	37,500	38,538	43,000		43,000
12th Street Janitorial	1,200	648	1,200		1,200
12th Street Maintenance	48,000	15,510	25,000		25,000
12th Street Utilities	38,500	37,991	39,500		39,500
12th Street Security	24,500	17,856	24,500		24,500
CEO/Personnel (true up)	9,000	11,195	10,000		10,000
Auditor	9,000	8,084	9,000		9,000
Purchasing	1,000	710	1,000		1,000
Risk Management	1,500	1,519	1,500		1,500
Salvage		374			
COMMUNICATION & EDUCATION					
Communications & Printing	32,000	22,133	34,000		34,000
Publications	2,800	7,961	6,000		6,000
Staff Education & Training	25,000	40,348	25,000		25,000
Memberships	11,000	7,555	11,000		11,000
Contract Services	10,000	0	0		-
GENERAL OPERATIONS					
Other Professional Services	40,000	904	40,000		40,000
Office Supplies	10,000	8,321	10,000		10,000
Copier Expenses	20,000	13,746	15,000		15,000
Other Office Expense	16,000	5,641	16,000		16,000
6th Floor Security	2,000	995	2,000		2,000
6th Floor Janitorial & Supplies	23,500	19,768	20,000		20,000
6th Floor Maint	10,000	1,550	30,000		30,000
FIDUCIARY / TRUSTEE					
Fiduciary Education	50,000	23,146	45,000		45,000
Fiduciary Meeting Allowance	16,000	10,400	13,000		13,000
Insurance	75,000	77,834	80,000		80,000
SERVICES & SUPP. TOTAL	1,101,850	937,865	1,097,150	293,000	1,390,150
CAPITAL EXPENDITURES					
Audio Visual Equipment	25,000	0			0
**Board Room Design and Build Out					0
CAPITAL EXPENDITURES TOTAL	25,000	0	0	0	0
Capital Depreciation	174,000	173,782	174,000		174,000
6th Floor Lease Revenue	(52,343)	(52,343)	(52,343)		(52,343)
TOTAL BUDGET	2,449,233	2,267,629	2,442,807	388,700	2,845,507



October 14, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kathy Herman, Fiscal Services Manager

- I. SUBJECT: Buildout of Unfinished Space on the 6th Floor and Budget Adjustment
- II. ITEM NUMBER: 6.e
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Approve the use of County General Services to serve as project manager, complete the shell of the remaining 896 sq. ft. of unfinished vacant space on the 6th floor and approve an adjustment to the Fiscal Year 2015-2016 Administrative Budget to include \$50,000 for the total project. (Attachment I)
- V. ANALYSIS: In June 2015 staff received a request to research the cost of expanding or building a larger board room into the unfinished 896 sq. ft. on the 6th floor of 832 12th Street. The current board room is 560 sq. ft. StanCERA owns the 6th floor, however, the County of Stanislaus owns the core and shell of the building. This includes heating and air conditioning, plumbing, electrical and fire systems. Any buildout must be coordinated with the County and all tenants in the building and go through the competitive bid process. Getting any work done is going to require expertise in construction projects and government regulations.

The County's General Services Agency has a contract employee who may be able to assist. Matt Innes did a site visit, and considering the special nature of a custom design/build of a public board room, he suggested we first build out the shell. His very rough "unofficial" estimate was \$45,000 for the shell. This would complete the mechanical connections, install the ceiling, finish the walls and floors and add doors. This is the simpler project. It can be managed in-house, and this work must be done whether StanCERA uses the room or it is leased out. The interior space could then be addressed as a separate project later.

StanCERA has an agreement in place with the General Services Agency; however this project is outside of this agreement and would be billed at \$31.50 per hour, not to exceed \$3,780. Before they spend any time on this project, formal direction and approval of the funds are required.


- VI. RISK: None, any future use of the space will require this work to be done.
- 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: The Administrative budget for Fiscal Year 2015-2016 will increase by \$50,000.

Government Code section 31580.2 allows for expenditures for administrative services (other than software, hardware and computer technology consulting services) to be the greater of 0.21% of the accrued actuarial liability (\$4.3 million as of 6/30/14). This adjustment maintains the Fiscal Year 2015-2016 budget at 0.12%.

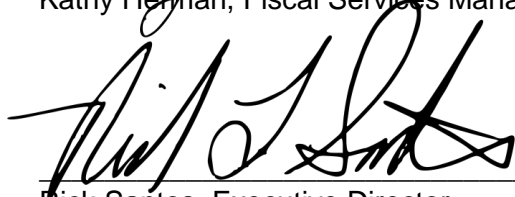
Retirement Board – October 14, 2015

Buildout of Unfinished Space on the 6th Floor and Budget Adjustment

Page 2



Kathy Herman, Fiscal Services Manager



Rick Santos, Executive Director

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION AMMENDED FISCAL YEAR 2015-2016 ADMINISTRATIVE BUDGET					
DESCRIPTION	Approved FY 14/15 Budget Including I.T.	FY 14/15 Final Expenditures	Fiscal Year 2015-2016 Approved Budget	CODE SECTION 31580.2(2)(b) (Technology)	Fiscal Year 2015-2016 Budget Request
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Audio Visual Equipment	25,000	0			0
**Board Room Design and Build Out			50,000		50,000
CAPITAL EXPENDITURES TOTAL	25,000	0	50,000	0	50,000
Capital Depreciation	174,000	173,782	174,000		174,000
6th Floor Lease Revenue	(52,343)	(52,343)	(52,343)		(52,343)
TOTAL BUDGET	2,449,233	2,267,629	2,492,807	388,700	2,895,507



October 14, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kathy Herman, Fiscal Services Manager

- I. SUBJECT: Legal Research Request
- II. ITEM NUMBER: 6.f
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: On September 22, 2015, Fred Silva, General Counsel to the StanCERA Board of Retirement received a request during the Members Forum part of the meeting, to research the Consumer Financial Protection Bureau's "cfpb" Civil Investigative Demand "CID" process in regards to an employee of PartnerWeekly, LLC, a wholly-owned subsidiary of Selling Source LLC. (Attachment I). Since StanCERA currently retains Scott Smith of HansenBridgett LLP for investment related issues, he was contacted for information regarding this request.

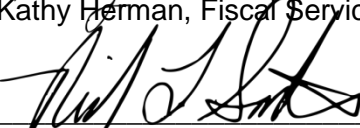
The Consumer Financial Protection Bureau (CFPB or Bureau), through its Office of Enforcement, may conduct inquiries of institutions or persons to investigate compliance with the federal consumer financial laws for which it is responsible. The CFPB currently has many such investigations underway. The CFPB's basic investigative tool is a Civil Investigative Demand (CID), or a demand for documents and written answers to questions. A CID also may seek tangible things, reports, or oral testimony.

Investment Counsel, Scott Smith of Hansen Bridgett LLP estimates that it will take somewhere between 2-5 hours to research this matter further and get additional information (to the extent available) regarding whether there's been any other findings or update since the date of the Decision and Order.

Since StanCERA has not been named in this action, this is outside of our normal process. As such, prior to engaging investment counsel, further direction and approval of the expenditure is being requested.

- VI. RISK:
- VII. STRATEGIC PLAN: Strategic Objective II: Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA's active managers.
- VIII. BUDGET IMPACT: This would be an investment cost not and administrative expense.


Kathy Herman, Fiscal Services Manager


Rick Santos, Executive Director



Consumer Financial
Protection Bureau

1700 G Street NW, Washington, DC 20552

IN RE SELLING SOURCE, LLC
2015-MISC-Selling Source, LLC-0001

DECISION AND ORDER ON PETITION BY SELLING SOURCE, LLC, AND TIM MADSEN TO MODIFY OR SET ASIDE CIVIL INVESTIGATIVE DEMAND

Selling Source, LLC, and Tim Madsen, a Selling Source employee who received a civil investigative demand (CID) seeking his oral testimony, have petitioned the U.S. Consumer Financial Protection Bureau for an order to set aside or modify the CID. For the reasons set forth below, the petition is denied.

FACTUAL BACKGROUND

On May 21, 2015, the Bureau issued a CID to Tim Madsen, the president of PartnerWeekly, LLC, a wholly-owned subsidiary of Selling Source. PartnerWeekly secures loan applications and then sells them to small-dollar lenders. The CID sought Madsen's oral testimony on June 17, 2015, in Las Vegas, Nevada, where the company is located. The Bureau sent this CID to counsel for Selling Source, who also represents Madsen.

On May 27, 2015, Bureau Enforcement counsel met by telephone with Selling Source's counsel to discuss the CID. During the call, Selling Source's counsel asserted that Petitioners were entitled to a more precise description of the practices or alleged violations of law that Bureau staff were investigating, but nonetheless indicated that Madsen would comply. Selling Source's counsel explained that the June 17 hearing date was not feasible, but offered to make the witness available for the hearing in San Francisco on a different date instead. On June 10, 2015, Selling Source and Madsen filed this petition to set aside the CID.

LEGAL DETERMINATION

Petitioners raise a number of objections to the CID, none of which warrants setting aside or modifying the CID.

First, Petitioners contend that the CID's Notification of Purpose is insufficiently specific and thus fails to comply with the requirement, imposed by statute and the Bureau's regulations, that a CID state "the nature of the conduct constituting the alleged violation which is under investigation and the provision of law applicable to such violation," 12 U.S.C. § 5562(c)(2); *see also* 12 C.F.R. § 1080.5. Petition at 2-3. This requirement, however, does not demand a detailed narrative, and it is "well settled that the boundaries of an [agency] investigation may be drawn 'quite generally.'" *FTC v. O'Connell Assocs., Inc.*, 828 F. Supp. 165, 171 (E.D.N.Y. 1993) (quoting *FTC v. Invention Submission Corp.*, 965 F.2d 1086, 1090 (D.C. Cir. 1992)). The CID's Notification of Purpose identifies what conduct the Bureau is investigating – namely, "whether



lead generators or other unnamed persons have engaged or are engaging in unlawful acts and practices in connection with the marketing, selling, or collection of payday loans.” It also identifies the relevant provisions of law: “Sections 1031 and 1036 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. §§ 5531, 5536, the Equal Credit Opportunity Act, 15 U.S.C. § 1691, Regulation B, 12 C.F.R. Part 1002, the Fair Credit Reporting Act, 15 U.S.C. § 1681m(a), Regulation V, 12 C.F.R. Part 1022, the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801-6809, Regulation P, 12 C.F.R. Part 1016, the Truth in Lending Act, 15 U.S.C. § 1601 et seq., Regulation Z, 12 C.F.R. Part 1026, or any other Federal consumer financial law.” The Bureau has previously found that notifications functionally equivalent to the one in this CID satisfied the requirements of the statute and regulations. *See, e.g., In Re CheckSmart Financial Company*, 2014-MISC-Checksmart Financial Company-001, at 2 (Jan. 22, 2014);¹ *In Re Aspire Financial Inc.*, 2013-MISC-Aspire Financial-001, at 2 (Apr. 16, 2013);² *In re PHH Corp.*, 2012-MISC-PHH Corp-001, at 5-6 (Sept. 20, 2012).³ Accordingly, the Notification of Purpose here adequately informed Petitioners of the conduct of interest to the Bureau and the potentially applicable provisions of law.

Second, Petitioners contend that the CID’s Notification of Purpose is “misleading” because it states that the Bureau is investigating whether “lead generators or other unnamed persons” have violated the law, whereas Petitioners speculate that the Bureau’s investigation is in fact “entirely focused on Selling Source.” Petition at 3. Petitioners, however, cite no authority for the proposition that a CID must be set aside if it suggests that the agency’s investigation may commence as potentially involving various parties but later narrow to a more limited set of parties. Nor would that make any sense, particularly given that in the natural course of any investigation, the scope of the agency’s inquiry will change as the agency gathers and analyzes more evidence. Thus, even if Petitioners’ ungrounded speculation about the actual scope of the Bureau’s investigation were correct (which the Bureau neither confirms nor denies), that would provide no basis to set aside the CID.

Third, Petitioners contend that the investigation relates to a “potential enforcement proceeding that is not within the CFPB’s authority.” Petition at 3. In particular, Petitioners contend that Selling Source could not violate sections 1031 or 1036 of the Consumer Financial Protection Act, 12 U.S.C. §§ 5531, 5536, because it is neither a “covered person” nor a “service provider” – the categories of persons and entities that those provisions prohibit from “engag[ing] in any unfair, deceptive, or abusive act or practice,” 12 U.S.C. § 5536(a)(1)(B); *see also id.* § 5531(a). Petition at 3-9. Selling Source also contends that there is a “serious question” whether the Bureau could assert a claim that Selling Source violated section 1036(a)(3), 12 U.S.C. § 5536(a)(3), by “knowingly or recklessly provid[ing] substantial assistance to a covered person or service provider in violation of the provisions of section [1031].” Petition at 11. As an initial matter, Petitioners have waived this objection by not raising it with Bureau Enforcement counsel during the meet-and-confer process. The Bureau’s Rules Relating to Investigations

¹ Available at http://files.consumerfinance.gov/f/201401_cfpb_order_checksart.pdf.

² Available at http://files.consumerfinance.gov/f/201304_CFPB_MISC-Aspire-Financial-0001Order.pdf.

³ Available at http://files.consumerfinance.gov/f/201209_cfpb_setaside_phhcorp_0001.pdf.



Consumer Financial
Protection Bureau

1700 G Street NW, Washington, DC 20552

provide that, in considering a petition to modify or set aside a CID, the Bureau “will consider only issues raised during the meet and confer process.” 12 C.F.R. § 1080.6(c)(3). Petitioners’ failure to raise this objection during that process is, by itself, a sufficient basis to reject it. *See CheckSmart, supra*, at 2.

In any event, this objection also fails on the merits. This objection is essentially a substantive defense to claims that the Bureau has yet to assert. As the Bureau has previously explained, such fact-based arguments about whether an entity is subject to or complied with a law’s substantive provisions are not defenses to the enforcement of a CID. *See In Re Next Generation Debt Settlement, Inc.*, 2012-MISC-Next Generation Debt Settlement-0001, at 2 (Oct. 5, 2012);⁴ *see also EEOC v. Karuk Tribe Hous. Auth.*, 260 F.3d 1071, 1076 (9th Cir. 2001) (noting that Supreme Court has “consistently reaffirmed” the principle that “fact-based claim[s] regarding coverage or compliance with the law” will not preclude enforcement of an administrative subpoena). This is because the responses to a CID may be highly relevant to determining the merits of the agency’s potential claims and the parties’ defenses. Indeed, “[i]f parties under investigation could contest substantive issues in an [administrative subpoena] enforcement proceeding, when the agency lacks the information to establish its case, administrative investigations would be foreclosed or at least substantially delayed.” *FTC v. Texaco, Inc.*, 555 F.2d 862, 879 (D.C. Cir. 1977).

Finally, Petitioners contend that it is “improper” for the Bureau to use CIDs to investigate because, they speculate, the Bureau has already decided to initiate an enforcement action against Selling Source and thus should sue and obtain evidence through discovery instead. Petition at 11. But even if Petitioners’ speculation about the Bureau’s intentions were correct (which the Bureau again will neither confirm nor deny), this objection fails. The statute permits the Bureau to issue CIDs “before the institution of any proceedings under the Federal consumer financial law.” 12 U.S.C. § 5562(c)(1) (emphasis added). No proceedings have yet been instituted.

CONCLUSION

The petition by Selling Source and Madsen to modify or set aside the CID is denied. Selling Source and Madsen are directed to meet and confer with Bureau Enforcement counsel within 10 days of service of this order to decide upon the date on which Madsen’s hearing will take place.

Richard Cordray, Director

August 6, 2015

⁴ Available at http://files.consumerfinance.gov/f/201210_cfpb_2012-MISC-Next-Generation-Debt-Settlement-0001-Order.pdf.