



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

SPECIAL 10:00a.m. START TIME OFFSITE LOCATION

AGENDA

BOARD OF RETIREMENT
SEASONS 945 McHenry Ave, Modesto, CA 95350
Modesto, CA 95354

DECEMBER 16, 2015
10:00 a.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. Meeting Called to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
 - a. Approval of the November 24, 2015 Meeting Minutes [View](#)
 - b. Monthly Staff Report [View](#)
 - c. Report on Earnings Allocation for Fiscal Year 2015 [View](#)
 - d. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**
 1. Adkins, John – City of Ceres– Effective 12-06-2015
 2. Alvarez, Marta – BHRS – Effective 12-30-2015
 3. Benjamin, Ann– CSA – Effective 12-12-2015
 4. Camelio, David – Probation– Effective 12-29-2015 *
 5. Chmielski, Patsy – CEO – Effective 12-20-2015
 6. Edwards, Debbie– Superior Courts – Effective 11-04-2015
 7. McCandless, Martha– HSA– Effective 12-02-2015
 8. Rickett, Marilyn – BHRS – Effective 12-25-2015
 9. Sanson, David – Sheriff – Effective 03-21-2015 *
 10. Tarancon, Trinidad – BHRS – Effective 11-26-2015
 11. Wood, Ronald – Superior Courts – Effective 12-31-2015

* Indicates Safety Personnel

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

1. Foster, Jeannine – CSA – Effective 11-14-2015
2. Lagorio, Kathleen – Superior Courts – Effective 12-01-2015
3. Pen Rocha, Phannary – CSA – Effective 11-11-2015

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

1. Smith, Tonya - Police Officer, Service-Connected, Effective 12-17-2015 *

** Indicates Safety Personnel*

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

1. Fielder, Jeremy, Active Member

6. Executive Director - Administrative

- a. Discussion and Action Regarding Staffing Request [View](#)
- b. Information Technology Solutions (ITS) Project Update [View](#)

7. Committee Reports and Recommendations for Action

STANDING COMMITTEES

Internal Governance Committee

a. Discussion and Action regarding the following:

StanCERA Bylaws Revision [View](#)
Excess Earnings and Interest Posting Policy Update [View](#)
Wire Transfer Policy Update [View](#)

8. Executive Director - Investment

- a. Medley Capital Corporation – Educational Presentation

9. 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:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
District, Case No. H038894 Government Code Section 54956.9(d)(1)

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

BREAK

11. Asset Liability Study [View](#)

- Workshop Agenda
- Workshop Introduction
- Role of Asset Classes
- Asset Liability Study
- Investment Strategy Evaluation

12. Adjournment



PLEASE POST FOR EMPLOYEE VIEWING

BOARD OF RETIREMENT MINUTES

November 24, 2015

Trustees Present:	Maria DeAnda, Jim DeMartini, Michael O'Neal, Jeff Grover, Donna Riley Sam Sharpe and Mike Lynch
Alternate Trustee	Joan Clendenin, Alternate Retiree Representative
Trustees Absent:	Jason Gordo and Gordon Ford
Staff Present:	Rick Santos, Executive Director Kathy Herman, Fiscal Services Manager Dawn Lea, Member and Employer Services Manager Kellie Gomes, Executive Board Assistant
Others Present:	Fred Silva, General Legal Counsel Scott Whalen, Investment Consultant

1. Meeting Called to Order

Meeting called to order 1:04p.m. by Trustee DeAnda, Chair

2. Roll Call

3. Announcements

Kellie Gomes announced that Items 7a and 7b would be heard out of order on the agenda due to flight delays.

4. Public Comment

5. Consent Items

- a. Approval of the October 27, 2015 Investment Meeting Minutes
- b. Monthly Staff Report
- c. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

- 1. Becker, David – CEO– Effective 11-03-2015
- 2. Dunkel, Kay – City of Ceres – Effective 11-14-2015
- 3. Flores, L Javier– CSA – Effective 10-14-2015
- 4. Gloria, Ruth– Sheriff– Effective 11-16-2015
- 5. Haver, Ronald – Sheriff– Effective 11-05-2015 *
- 6. Low, Stanely– DER – Effective 11-10-2015
- 7. Ramazzina, John– Public Works – Effective 11-03-2015
- 8. Whitfield, Gary – Assessor – Effective 11-01-2015

* Indicates Safety Personnel

5. Consent Items (Cont.)

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

1. Albonetti, Brian – City of Ceres – Effective 10-28-2015 *
2. Bridgewater, Cody– Salida Sanitary District – Effective 08-01-2015
3. Grewats, Jennifer – BHRS – Effective 9-05-15
4. Hamiel, Aloise – HSA – Effective 11-14-2015
5. Morgan, Richard – DER – Effective 07-17- 2015
6. Roberts, Scott – BHRS – Effective 10-09-2015
7. Rocha, Robert – Public Works – Effective 011-01-2015
8. Rubio, Rosalba – Probation – Effective 10-28-15 *
9. Stoughtenborough, Katrina – BHRS – Effective 10-10-2015
10. Torres, Patricia – CSA – Effective 09-12-2015
11. Wyatt, Oliver – Sheriff – Effective 11-04-2015

Motion was made by Trustee Riley and seconded by Trustee O'Neal to approve consent items as presented.

Motion carried unanimously

7. Investment Manager Annual Presentation

7.a was heard after 8.a & b. due to flight delays

b. Greenfield Partners

Dean Sotter from Greenfield gave an annual report by teleconference on the fund. Mr. Sotter mainly discussed technical details of the fund and some of the performance results and expectations of the current portfolio.

8. Investment Consultant Presentation - Verus

a. Investment Performance Analysis for the Quarter Ending September 30, 2015

Total Market Value: \$1,705,110,559.
YTD Return - 1.9%
YTD Policy Index: - 2.9%

b. Monthly Flash Report for the Month Ending October 31, 2015

7. Investment Manager Annual Presentation

Heard out of order due to late arrival at 2:12 p.m

a. American Reality

Teri Noble and Jay Butterfield presented American Realty's outlook on the real estate market, current investments in our portfolio and the effects of interest rates on the portfolio and the economy in general.

Break at 2:47p.m.

Return from Break at 2:54 p.m.

Trustee Riley left 2:54

9. Executive Director

a. 2015 Quarter 3 Auxiliary Investment Report

Please see Item 9a for statistics

b. Discussion and Action Regarding Socially Responsible Investing (SRI)

Motion was made by Trustee Lynch and seconded by Trustee Grover not to proceed with a discussion and action item on this topic at the Asset Liability study in December.

Roll Call Vote was as follows:

Trustee DeAnda	– Yes	Trustee Grover	– Yes
Trustee DeMartini	– Yes	Trustee Lynch	– Yes
Trustee O’Neal	– Yes	Trustee Sharpe	– No

Motion carried

c. Discussion and Action Regarding Information Technology Solutions (ITS) Project
Information Technology Consultant - Linea Solutions

Motion was made by Trustee DeAnda and seconded by Trustee Lynch to approve Staff Recommendation stated below:

STAFF RECOMMENDATIONS:

- 1) Accept the attached report with the estimated project costs (page 31) provided by Linea Solutions titled Current Technology Assessment, dated November 16, 2015.
- 2) Direct staff and Linea Solutions to complete the scope of work outlined in the agreement with Linea dated September 25, 2015 as supported by the recommendations detailed on pages 33 & 34 of the Current Technology Assessment document.
- 3) Direct staff to develop a plan and cost proposals to acquire the internal infrastructure and resources such as additional staff, computers, and furniture needed to support the project, as well as ongoing production during the project.

Motion carried unanimously

d. Discussion and Action Regarding Cheiron’s 2015 Demographic Experience Study

Motion was made by Trustee Lynch and seconded by Trustee O’Neal to approve the 2015 Demographic Experience Study as presented.

Motion carried unanimously

10. Committee Reports and Recommendations for Action

STANDING COMMITTEES

a. Internal Governance Committee

- i. Discussion and Action to Accept the Internal Governance Committees' Recommendation Regarding the June 30, 2015 and 2014 Comprehensive Annual Financial Report (CAFR) and Independent Auditor Report

Motion was made by Trustee O'Neal and seconded by Trustee DeMartini to accept the Internal Governance Committees' Recommendation regarding the June 30, 2015 and 2014 Comprehensive Annual Financial Report (CAFR) and Independent Auditor Report as presented.

Motion carried unanimously

11. Closed Session

Motion was made by Trustee O'Neal and seconded by Trustee Sharpe to move to closed session at 4:44 p.m.

Motion carried unanimously

- a. Discussion and Action regarding the Executive Director's Annual Review Public Employment Government Code Section 54954.5
- 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)
- c. Conference with Legal Counsel – Pending Litigation – One Case:
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County
Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate
District, Case No. H038894 Government Code Section 54956.9(d)(1)

Motion was made by Trustee O'Neal and seconded by Trustee Sharpe to move to open session at 4:48 p.m.

Motion carried unanimously

Read out from Closed Session Item 11.a

Motion was made by Trustee O'Neal and seconded by Trustee Sharpe to approve the Executive Director Evaluation Committees recommendation to reward Rick Santos' performance this past year by giving him a 5% increase in pay.

Motion carried unanimously

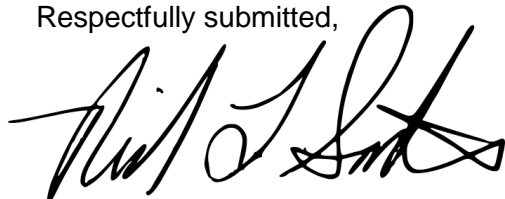
12. Members' Forum (Information and Future Agenda Requests Only)

None

13. Adjournment

Meeting adjourned at 4:56 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rick Santos", with a stylized flourish at the end.

Rick Santos, Executive Director

APPROVED AS TO FORM:
Fred Silva, GENERAL LEGAL COUNSEL

By: _____
Fred Silva, General Legal Counsel



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

December 16, 2015
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
- IV. STAFF RECOMMENDATION: None
- V. SUMMARY:
 - a) *Fiscal Services* – In November staff processed 10 active payrolls, totaling \$6,009,609.68 in member and employer contributions. 21 people terminated with 8 termination refunds, and 8 death benefits were also processed. The December 1 retiree payroll was completed as scheduled, totaling \$8,661,718.64. Staff continue to work with employers as they implement GASB 68. In addition, Staff members throughout the organization met to review and revise the By-laws and several policies.
 - b) *Member & Employer Services* – During the month of November, one part time staff was hired to work on Phase II of Member File Audit project. In-house training was conducted to include the rest of the staff on this project. Several staff members are working 2-6 hours extra each week in order to make progress. Staff processed 45 new hires (2 Safety and 43 General), and 38 estimates. There were 28 individual counseling sessions. All staff worked with Linea Solutions to complete the assessment.
 - c) *Investment Governance and Compliance* – Staff monitors and reconciles each account monthly, questioning any relevant differences. No compliance issues were identified in November.
 - d) RISK: None
- VI. 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*
- VII. BUDGET IMPACT: None

Rick Santos, Executive Director

Kathy Herman, Fiscal Services Manager

Dawn Lea, Member and Employer Services Manager



December 16, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kathy Herman, Fiscal Services Manager

I. SUBJECT: Report on Earnings Allocation for Fiscal Year Ended June 30, 2015

II. ITEM NUMBER: 5.c.

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

ANALYSIS: Fiscal year 2014/2015 ended with investment earnings available to allocate as Excess Earnings of \$59,255,240. This report explains the allocation of excess earnings in accordance with the Excess Earnings Policy, effective May 25, 2012.

After payment of Administrative, Investment and Actuarial expenses, \$10,235,471 (Policy item #1), a surplus of \$49,019,769 was available for Interest Crediting to Active, Employer and Retiree Reserves prior to adjusting the Contingency Reserve by \$2,409,566 to maintain the level of the 1% minimum of Net Assets (Policy item #2), as voted by the Board of Retirement. The surplus was distributed on a pro rata basis between these Reserves (Policy item #4) at the rate of 2.78%. Refundable (.125%) and non-refundable (1.265%) interest posting to Active member accounts will occur on December 31, 2015 and June 30, 2016, based on the member's account balance on June 30, 2015.

V. RISK: None

VI. 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.

VII. ADMINISTRATIVE BUDGET IMPACT:


Kathy Herman, Fiscal Services Manager


Rick Santos, Executive Director

StanCERA's Earnings Allocations per the Excess Earnings Policy, effective May 25, 2012, for the Fiscal Year Ended June 30, 2015

1. Total Excess Earnings for Fiscal Year 2014- 2015:		\$ 59,255,240
2. Less Administrative, Investment and Actuarial Expenses:		
Administrative Expenses	\$ 2,378,966	
Investment Expenses	7,745,998	
Actuarial Expenses	110,507	
(Per the Excess Earnings Policy item #1)		10,235,471
Remaining after payment of Administrative, Investment and Actuarial expenses :		<u>\$ 49,019,769</u>
3. Balance of Investment Earnings available to allocate as Excess Earnings:		
(Per the Excess Earnings Policy item #4)		
Distributed between:		
Reserves - Active (Non-Retiree) - Basic	\$ 5,516,052	
Reserves - Active (Non-Retiree)- COL	1,819,492	
Reserve for Unvested (Non-Retiree) Interest	3,765,423	
Reserves - Employer - Normal	1,383,587	
Reserves - Employer - Special	3,145,326	
Reserves - Employer - Transfer	3,446,381	
Reserves - Retired - Annuity	4,093,086	
Reserves - Retired - Pension	21,303,068	
Reserves - Retired - Service Disability Benefit	289,594	
Reserves - Retired - COL	1,683,369	
Reserves - Other - Burial Allowance	164,825	
1% Contingency Reserve (per the Excess Earnings Policy item #2)	2,409,566	
	<u>\$ 49,019,769</u>	



December 16, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Staff Requests

II. ITEM NUMBER: 6.a

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION:

1. Approve the addition of two new positions, one Member and Employer Services Specialist and one Member and Employer Services Technician. (Attachment 1 & 2)
2. Approve an adjustment to the Fiscal Year 2015-2016 Administrative Budget to include \$64,938 for salary, benefits and equipment to set up and fund these positions for the five months remaining in the fiscal year.

V. ANALYSIS:

Executive Summary

In October 2014, staff shared a 10-year strategic realignment that included staffing projections (Attachment 3) and a time line for growth and implementation of various programs and technology solutions. At that time, staff was directed to accelerate the timeline for technology solutions by two years. Then in June of 2015, two positions were requested to shore up Member and Employer Services administration and investment governance. The intent was to move a majority of investment duties from the Director and Fiscal Services staff to Investment staff and to create a Benefits/Communications Specialist to focus on benefit administration vulnerabilities and organizational communications. At that time, the Board took no action on these requests.

In light of the strategic changes requested by the Board and our current organizational weaknesses, we must now focus on our ability to sustain a basic core set of administrative functions and maximize our probability of a successful technology solutions implementation.

StanCERA's Ability to Effectively and Efficiently Administer Benefits

As noted in the assessment provided by Linea Solutions, presented on November 24th, current staffing levels are insufficient:

"StanCERA's current staffing level is only sufficient to provide a minimum level of customer service for members, as compared to its peers. Most calculations are performed manually and require review by a second staff member. These manual calculations consume a significant portion of staff work hours which leaves little time for other critical member service activities such as member counseling or other administrative activities"

Additionally, our Organization faces two very real vulnerabilities:

- Staff Absences – from time to time and for various reasons, staff are forced to take extended leaves of absences. These absences are not rare and when one staff member is out, cause certain core functionalities to cease altogether or be considerably curtailed. To counter this vulnerability the Organization has completely farmed out the disability process. Counseling sessions and times have been curtailed and deadlines for benefit estimates and buyback purchase estimates have been pushed out as well. One or two major life events requiring long term absences would have an immediate impact on StanCERA's ability to maintain basic core retirement functions.
- Staff Demographics/Succession Planning – The average age of all StanCERA staff is 49 years. Currently, StanCERA has no viable succession plan in place. The Organization does not possess the bodies to undertake or implement a successful and seamless transition plan up the ranks for staff.

Part-time Staff

There's no denying that the Organization has performed and met all reasonable work evaluation metrics over the past 8 or 9 years. Up until about 2012, the Organization was able to meet these metrics using only full-time staff. However, for the past 3 years, the Organization has had to rely on agency and part-time staff to back up and supplement full-time staff maintaining core production and accomplishing critical projects. In fact, StanCERA now has 2 "full-time" part-time staff (25 hrs.) on site on a regular basis.

Unfortunately, the efficient and effective use of part-time staff is limited. The Public Employee's Pension Reform Act of 2012 and the County Ordinance NO.C.S. 1158 adopted March 17, 2015, now severely limit the amount of time temporary/part time staff may work; ninety days for temporary agency staff and 960 hours after a six month break for retired employees. In addition, the Affordable Care Act puts further limitations on the hours a part time person can work before benefits and/or penalties must be paid.

These restrictions, staff demographics, succession planning, continued growth of the system, complexity of pension law and the average learning curve for new employees, make it particularly cost ineffective to continue to utilize short term, temporary help for regular, on-going processes and permanent job functions. It will take at least two full time additional staff members to maintain current functionality and address the permanent needs of the organization.

Pension Replacement Project

Since our current system is built on an obsolete platform, pension software replacement is inevitable. The project will require at least two full-time subject matter experts and several other full and part time employees over the next 5 years.

StanCERA intends to continue to use part time people if at all possible. One such opportunity is the 2nd phase of the Member File Audit, which encompasses approximately 8 years of information that exists only on paper. This project is being done to ensure StanCERA has the most accurate data possible. When StanCERA implements new pension software, member files will need to be scanned, verified and indexed. Every file that is audited or scanned will need to be verified by an expert.

It will take 2-5 years to train and develop new employees that understand the law, StanCERA processes and is accurate and fast. The experts who will be working on the project will need to train the new employees while assisting Linea with the requirement documentation and

assisting with the member service file audit. Current core functionality and systems **must** be maintained until new pension software is implemented.

Summary

Over the past several years, the growth of StanCERA staff, its budget and technology have not kept pace with the growth of and the demands on our System. Technology and staff are being taxed and we are at a point where we need to invest in both technology and human resources. These fixed investments today will set the Organization up for long-term success and ultimately provide efficiencies and economies of scale that are unachievable today and the norm in contemporary pension administration.

- VI. RISK: Without additional staff, the Organization will not be able to maintain a core level of services for very much longer. Additionally, the Organization is and will continue to be extremely vulnerable to succession and staff demographic issues. Finally, the Organization will be making a very large capital investment into new technology and the lack of qualified, competent staff could jeopardize the successful implementation of that investment.
- 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: A budget adjustment of \$64,938 is being requested to provide salary and benefits and the one time cost of purchasing computers, software and equipment for two positions.

	Specialist	Technician
Salary	\$ 23,977.33	\$ 17,883.30
Benefits	\$ 9,185.42	\$ 9,185.42
Setup	\$ 2,353.26	\$ 2,353.26
	\$ 35,516.01	\$ 29,421.98



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager



Dawn Lea, Member & Employer Services Manager

STANISLAUS COUNTY NEW POSITION REQUEST JUSTIFICATION FORM

DEPARTMENT:	Retirement
FUND/ORG:	6100 64410

WHAT CLASSIFICATION ARE YOU REQUESTING?

Confidential IV – Member and Services Specialist

WHAT TASKS WILL THIS POSITION BE REQUIRED TO PERFORM?

(Bullet at least the top 5 duties/responsibilities of the position)

1. Conducts end-user evaluations and audits of personnel, payroll, and benefits administration systems and databases and performs calculations to assure accuracy.
2. Troubleshoots system problems and errors.
3. Presents training sessions for member services staff and serves as the super-user for pension and retirement benefits systems.
4. Assesses and communicates issues/risks associated with member services operations work based on workflows and process review check lists.
5. Interprets and accurately applies federal, state, and county regulations for pension/health insurance administration and retiree payroll operations and plans for and initiates changes as needed.
6. Enters and retrieves data into confidential human resources, personnel, and payroll systems.
7. Provides detailed information on retirement benefits and options to employees and retirees.
8. Coordinates the preparation of information for mass communications to members of the retirement association.
9. Composes correspondence, and prepares statistical reports.
10. Provides responsive, high quality service to county employees, representatives of outside agencies and members of the public by providing accurate, complete and up-to-date information, in a courteous, efficient and timely manner.
11. Maintains technical desk manuals and related forms.
12. Provides courteous, high quality service to members of the public by personally responding to requests for service or making appropriate referral.
13. Oversees and maintains demographic records for all active and retired members of the STANCERA system.
14. Ensures that State statutes and County and STANCERA policies are followed in the processing of new hires, terminations, refunds, deferred retirements, retirement estimates, reciprocity, refunds, death benefits, retiree payroll, service credit purchases, retirement meeting agendas and health insurance plans.
15. Audits and calculates reciprocal retirement benefits and personnel data.
16. Identifies and assesses alternative strategies to address complex and sensitive issues and problems.
17. Administers domestic relations orders.
18. Calculate and prepare mathematical data relative to payrolls and retirement benefits
19. Pphone and face to face counseling with members regarding contributions, estimates, buy backs, disability retirement benefits, service retirement planning, reciprocity and general StanCERA benefits. It also includes preparing and presenting presentations.

INCLUDE AN ORGANIZATIONAL CHART AND IDENTIFY THE NEW POSITION BEING REQUESTED. WHY IS THIS POSITION REQUESTED AND WHAT OUTCOMES ARE EXPECTED?

As of 6/30/2006 StanCERA had eleven full time employees and 7,722 members, as of 6/30/2015 StanCERA had 11 full time staff and 8,808 members. Even with the market down turn and reduction of employees in 2008 and 2009, StanCERA has 1,000 more member than in 2006. Staff time highly correlates with member counts. StanCERA has reduced services to maintain core functionality. The addition of this staff will allow StanCERA to meet production requirements and deadlines.

HOW WILL THIS POSITION BE FUNDED?

Government Code section 31580.2 sets the legal limit for expenditures for the administration of the pension fund at 0.21% of the accrued actuarial liability. (\$4.3 million as of 6/30/14). Currently StanCERA administrative expenses equal 0.12%.

IS THIS FUNDING SUSTAINED FOR TWO CONSECUTIVE FISCAL YEARS?

Yes

THE ESTIMATED ANNUAL COST OF THE POSITION:

Health/Vision/Dental assumption as of January 1, 2016 for employee+1

Base Salary, Step _____:	\$ 44,244.00	FICA/Medicare (7.65%):	\$ 3,384.67
Health:	\$ 22,045.00	UI:	\$ 47.00
Vision/Dental:	\$ 1,243.92	EAP:	\$ 100.00
Retirement:	\$ 8,359.00	Benefits Admin:	\$ 167.00
Extra Pays:	\$ -	Total Annual Cost:	\$ 79,590.59

Additional costs: Computer, phone, vehicle, uniform, etc. \$2,353.26

THE POSITION MEETS THE BOARD'S GOALS OF:

	A Safe Community		A Healthy Community
	A Strong Local Economy		Effective Partnerships
	A Strong Ag Economy/Heritage		A Well-Planned Infrastructure System
x	Efficient Delivery of Public Services		

STANSLAUS COUNTY NEW POSITION REQUEST JUSTIFICATION FORM

DEPARTMENT:	Retirement
FUND/ORG:	6100 64410

WHAT CLASSIFICATION ARE YOU REQUESTING?

Confidential Assistant II / III – Member and Services Technician

WHAT TASKS WILL THIS POSITION BE REQUIRED TO PERFORM?

(Bullet at least the top 5 duties/responsibilities of the position)

1. Responds to member questions and requests for forms, information, and assistance.
2. Explains service credit purchase, vesting, and reciprocity.
3. Assists members in navigating the STANCERA website to obtain information and forms and to use benefit calculators.
4. Calculates projected benefit payouts.
5. Prepares and distributes handouts for employees and departmental personnel and payroll staff.
6. Prepares regular mass mailings to association members.
7. Enrolls new hires in the retirement system.
8. Calculates costs for service credit purchases.
9. Maintains files and member accounts.
10. Communicates information to current employees, retirees, and beneficiaries who are general or safety members of the Retirement Association.
11. Monitors and maintains member accounts, personal information, retirement/deferred status, reciprocity, and dissolution of marriage orders.
12. Processes and mails member statements and 1099 forms.
13. Obtains birth and death certificates.
14. Processes address, beneficiary and other record changes.
15. Maintains technical desk manuals and related forms.
16. Provides courteous, high quality service to members of the public by personally responding to requests for service or making appropriate referral.

INCLUDE AN ORGANIZATIONAL CHART AND IDENTIFY THE NEW POSITION BEING REQUESTED. WHY IS THIS POSITION REQUESTED AND WHAT OUTCOMES ARE EXPECTED?

As of 6/30/2006 StanCERA had eleven full time employees and 7,722 members, as of 6/30/2015 StanCERA had 11 full time staff and 8,808 members. Even with the market down turn and reduction of employees in 2008 and 2009, StanCERA has 1,000 more member than in 2006. Staff time highly correlates with member counts. StanCERA has reduced services to maintain core functionality. The addition of this staff will allow StanCERA to meet production requirements and deadlines.

HOW WILL THIS POSITION BE FUNDED?

Government Code section 31580.2 sets the legal limit for expenditures for the administration of the pension fund at 0.21% of the accrued actuarial liability. (\$4.3 million as of 6/30/14). Currently StanCERA administrative expenses equal 0.12%.

IS THIS FUNDING SUSTAINED FOR TWO CONSECUTIVE FISCAL YEARS?

Yes

THE ESTIMATED ANNUAL COST OF THE POSITION:

Health/Vision/Dental assumption as of January 1, 2015 for employee+1

We are requesting that this position be block budgeted. Base salary ranges from \$15.44 - \$26.11 per hour. This allows staff to be hired at a more entry level and promote as skills are acquired.

Base Salary, CA II, Step 1_	\$ 32,362.00	FICA/Medicare (7.65%):	\$ 2,500.00
Health:	\$ 22,045.00	UI:	\$ 47.00
Vision/Dental:	\$ 1,243.92	EAP:	\$ 100.00
Retirement:	\$ 6,500.00	Benefits Admin:	\$ 167.00
Extra Pays:	\$ -	Total Annual Cost:	\$ 64,964.92

Additional costs: Computer, phone, vehicle, uniform, etc. \$2,353.26

THE POSITION MEETS THE BOARD'S GOALS OF:

	A Safe Community		A Healthy Community
	A Strong Local Economy		Effective Partnerships
	A Strong Ag Economy/Heritage		A Well-Planned Infrastructure System
x	Efficient Delivery of Public Services		

StanCERA 10-Year Strategic Realignment Proposed Organization Chart

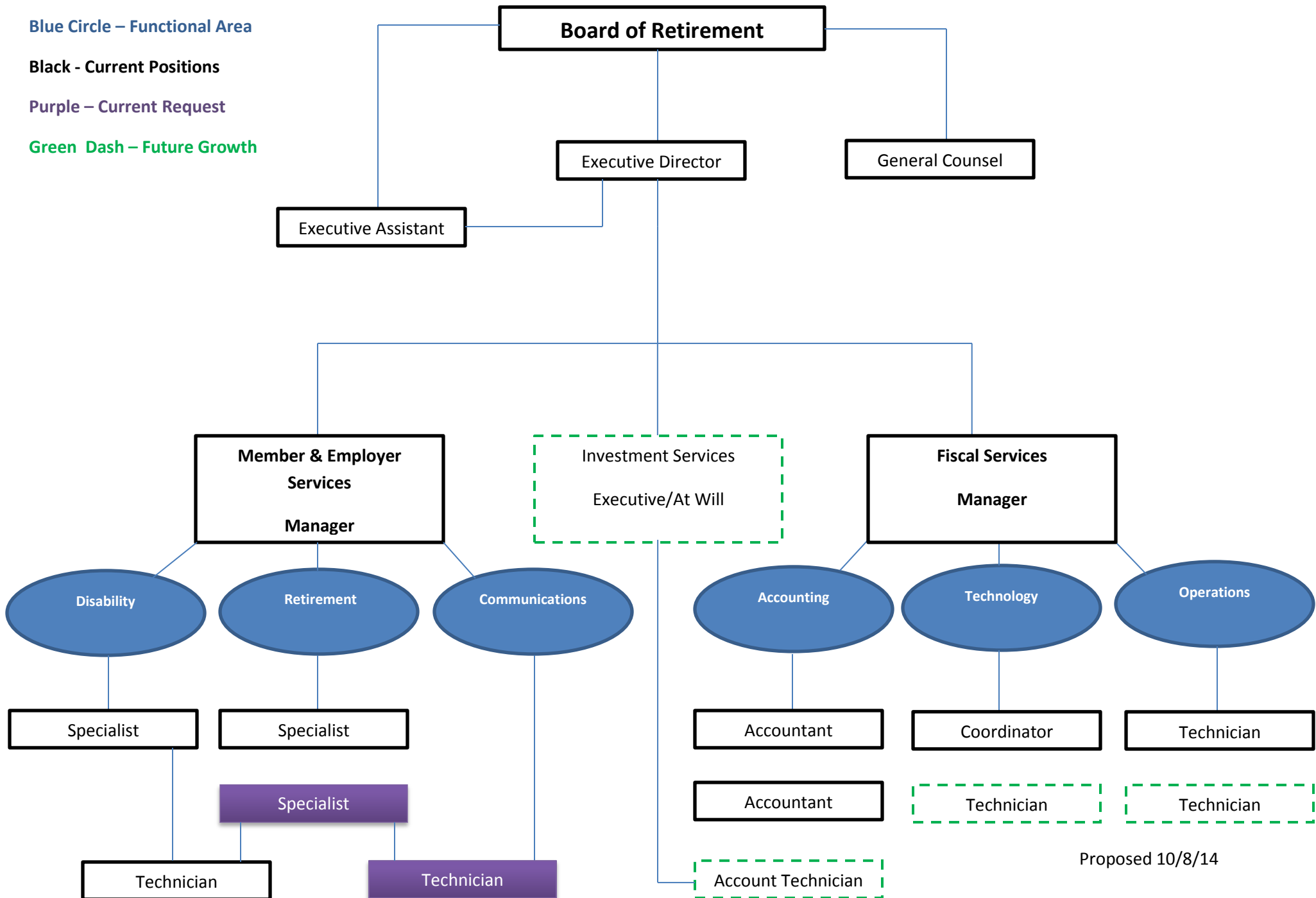
Attachment 3

Blue Circle – Functional Area

Black - Current Positions

Purple – Current Request

Green Dash – Future Growth

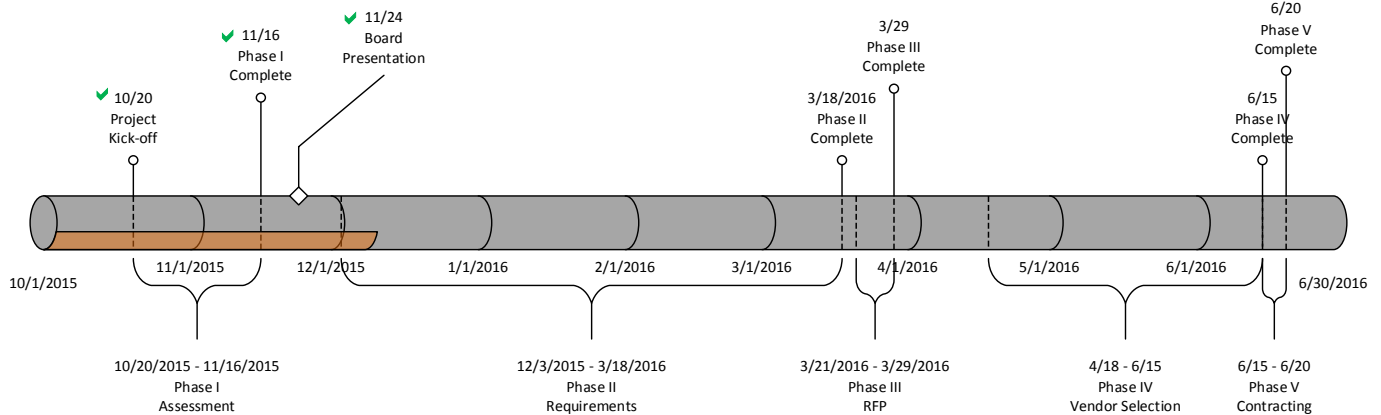


Proposed 10/8/14



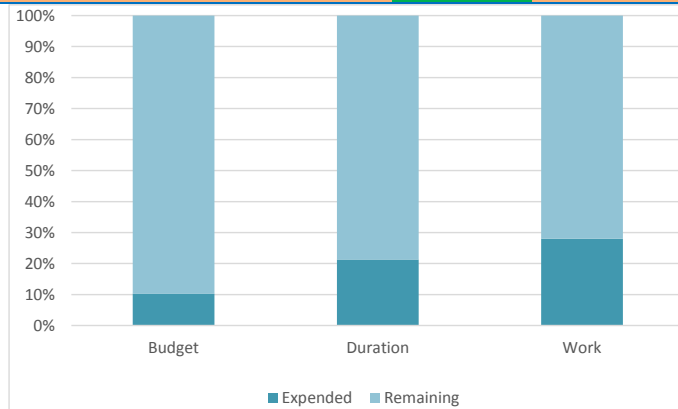
PAS REQUIREMENTS PROJECT STATUS UPDATE

SPONSORS: Rick Santos **REPORT DATE:** 12/11/2015



Baseline 10/20/2015

STATUS



Risks & Issues:

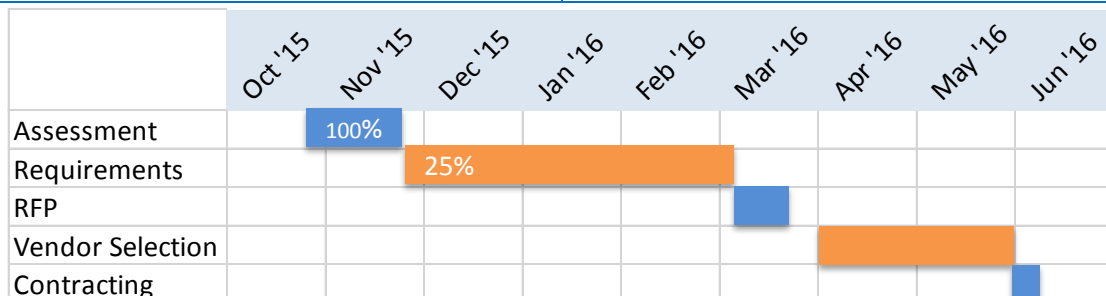
- Concern that StanCERA resource availability constraints may require a shift in the requirements project schedule remain but appear less likely because all initial work sessions have been scheduled within the current project timeline.
- Because the project team was required to pause the requirements gathering tasks until receiving Board approval to begin the next phase, dates have been slipped by 10 days. It may be possible to make back this time over the course of Phase II, however, at this point the completion date has been moved to 6/20/2016.

Accomplishments:

- Completed work session schedule for 90 days and calendared sessions
- Continued research and pre-population of key business rules into templates
- Conducted 7 work sessions with SMEs
- Began working sample calculations through formulas for confirmation and modeling in requirements

Upcoming:

- Complete and deliver a position paper on service calculation methods
- Continue conducting work sessions with SMEs
- Develop requirements document drafts as work sessions are completed
- NOTE: The Linea team will be working off-site from December 21st until January 4th. During that time, the focus will be on completing draft documents associated with the seven work sessions completed thus far.



% Complete by Project Phase



December 16, 2015

Retirement Board Agenda Item

TO: Retirement Board

FROM: Kathy Herman, Fiscal Services Manager

I. SUBJECT: Biennial Review of Bylaws and Two Policies

II. ITEM NUMBER: 7.a

III. ITEM TYPE: Discussion and Action

IV. STAFF RECOMMENDATION: Accept the Internal Governance Committee's recommendation to approve the Biennial amendments to the Bylaws, the Excess Earning policy and the Wire Transfer policy

V. ANALYSIS: StanCERA staff has completed the biennial review of the StanCERA Bylaws. As a result of this extensive review, there are several changes incorporated throughout the document.

The update to the Excess Earning policy incorporates language to clarify the process for crediting interest to non retired members. The process of tracking refundable and non-refundable interest was adopted as part of the 6/30/2002 actuarial validation. The Board of Directors for the Retired Employees of Stanislaus County reviewed the draft and concurred with the proposed change.

The Wire Transfer policy was reviewed and updated to reflect current procedures.

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


Kathy Herman, Fiscal Services Manager


Rick Santos, Executive Director



Stanislaus County Employees' Retirement Association

BYLAWS

Amended 12/16/15



BYLAWS

Table Of Contents

Article 1 Administration – [Pages 4 - 8](#)

- 1.1. Name
- 1.2. Purpose
- 1.3. Definitions
- 1.4. Management
- 1.5. Officers
- 1.6. Retirement Board Member Election Procedures
- 1.7. Committees
- 1.8. Policy Procedure and Practice
- 1.9. Independent Operations
- 1.10 Administration of Executive Director Position, Investment Classification and other Executive Level Staff

[Article 2 Meetings – Pages 9 - 10](#)

- 2.1. Regular Meetings
- 2.2. Special Meetings
- 2.3. Persons Attending Meetings
- 2.4. Rules Of Order
- 2.5. Quorum
- 2.6. Correspondence
- 2.7. Minutes
- 2.8. Compensation Of Members

[Article 3 Membership – Pages 11 - 13](#)

- 3.1. Membership Defined
- 3.2. Provisions for Membership
- 3.3. Contracting Districts
- 3.4. Waiver By Employees Over Sixty (60)
- 3.5. Exclusions
- 3.6. Enrollment Questionnaire
- 3.7. Proof Of Marriage
- 3.8. Beneficiary Proof Of Birth
- 3.9. Correction of Date Of Birth
- 3.10. Proof of Death
- 3.11. New Membership
- 3.12. Spouse/Registered Domestic Partner

[Article 4 Members' Contributions – Pages 14 - 16](#)

- 4.1. Contributions Made In Accordance With 1937 Act
- 4.2. Contributions Made On Regular Compensation
- 4.3. Partial Contributions Prohibited
- 4.4. Withdrawal On Termination
- 4.5. Refund To Deferred Members
- 4.6. Rate Of Interest Declarations
- 4.7. Member's Contributions Refund Policy
- 4.8. Buy Backs and Redeposits
- 4.9. Rollovers And Trustee-To-Trustee Transfer

- 4.10. Documentation Required
- 4.11. IRS Limitations
- 4.12. Remedies For Errors
- 4.13. Remedies For Member's Regular Payroll Contribution Errors

[Article 5 Service Retirement – Page 17](#)

- 5.1. Application
- 5.2. Retirement Board Approval Required
- 5.3. Annuity Certificates

[Article 6 Service – Page 18](#)

- 6.1. Service Credit

[Article 7 Compensation Earnable – Page 19](#)

- 7.1. Compensation Earnable
- 7.2. Court Reporters
- 7.3. Average Monthly Final Compensation

[Article 8 Amendments And Repeals – Page 20](#)

- 8.1. Amendments
- 8.2. Repeals
- 8.3. Bylaws Review

[Article 9 Claims For Disability Retirement – Pages 21 - 29](#)

- 9.1. Definitions
- 9.2. Filing And Amendment Of Applications
- 9.3. Documents To Be Completed And Furnished By Applicant
- 9.4. Medical And Psychiatric Examinations
- 9.5. Discovery Available
- 9.6. Applicant's Failure To Furnish Documents, Information, Or Failure To Submit To Medical Examination
- 9.7. Documents And Information To Be Furnished By Employer
- 9.8. Communication With Individual Retirement Board Members
- 9.9. Right To Counsel
- 9.10. Stipulations Of Other Entities Not Binding
- 9.11. Administrative Recommendation
- 9.12. Procedure Upon Administrative Recommendation
- 9.13. Request For Hearing
- 9.14. Setting For Hearing
- 9.15. Hearing Procedures
- 9.16. Decision Of The Referee
- 9.17. Action By The Retirement Board Upon Referee's Decision
- 9.18. Hearings Before The Retirement Board
- 9.19. Date of Final Decision And Notice Thereof
- 9.20. Judicial Review Of The Retirement Board's Decision
- 9.21. Service Of Notice

[Article 10 Claims For Benefits, Rights Or Privileges Other Than Disability Retirement – Pages 30 - 34](#)

- 10.1. Purpose
- 10.2. Filing And Amendment Of Applications
- 10.3. Further Information To Be Furnished By Applicant
- 10.4. Administrative Recommendation
- 10.5. Procedure Upon Administrative Recommendation
- 10.6. Setting For Hearing
- 10.7. Pre-Hearing Process

- 10.8. Hearing Procedures
- 10.9. Decision Of The Referee
- 10.10. Action By The Retirement Board Upon Referee's Decision
- 10.11. Hearings Before The Retirement Board
- 10.12. Date Of Final Decision And Notice Thereof
- 10.13. Judicial Review Of The Retirement Board's Decision
- 10.14. Service Of Notice

[Article 11 Subpoenas – Page 35](#)

- 11.1. Subpoenas

[Article 12 Time Limits For Judicial Review – Page 36](#)

- 12.1. 12.5 – Repealed 12/04/2007

[Article 13 Retiree Health Insurance Policy – Page 37](#)

- 13.1. 13.9 - Repealed 10/11/06 - See Retiree Health Allowance Policy and Retiree Health Insurance Guidelines

[Article 14 Continuing Education And Due Diligence Visitations – Pages 38 - 40](#)

- 14.1. Need For A Policy
- 14.2. Establishment Of List And Evaluation Of Continuing Educational Seminars And Conferences
- 14.3. Educational Requirement
- 14.4. Due Diligence Visitations Of Money Management Firms And Consultants
- 14.5. Due Diligence Visitations Of Real Estate Properties
- 14.6. Continuing Education Seminars And Due Diligence Visitation Requests Policies
- 14.7. Education Policy Reporting Requirements
- 14.8. Due Diligence Reporting Requirements
- 14.9. Reimbursement For Travel Expenses Related To Education And Due Diligence Visits

[Historical Notes – Page 41](#)

ARTICLE 1 – ADMINISTRATION

1.1. NAME

The name of this association is " the "STANISLAUS COUNTYEMPLOYEES' RETIREMENT ASSOCIATION" (hereinafter "StanCERA").

1.1. Amended xx/xx/xxxx

1.2. PURPOSE

StanCERA is established, in accordance with and subject to the Stanislaus County Employees' Retirement Law of 1937 (CERL), section 31450, et seq., of the California Government Code (hereinafter "the 1937 Act"). For the purpose of carrying out the provisions of said law within Stanislaus County, California, StanCERA is governed by the 1937 Act, California Public Employees' Pension Reform Act of 2013 (PEPRA) and other Government Code Sections applicable to CERL Systems as supplemented by these Bylaws.

1.2. Amended 02/25/2014

1.2. Amended xx/xx/xxxx

1.3. DEFINITIONS

A. "Executive Director" means the StanCERA Retirement Administrator or designee of Executive Director.

B. "Applicant" means a person, the Retirement Board, or StanCERA claiming benefits, rights, or privileges under the 1937 Act.

C . "Retirement Board" means the StanCERA Board of Retirement.

D. . "Hearing officer" means the person designated by the Retirement Board to conduct a hearing, and make recommendations pursuant to Government Code section 31533.

E. . "Part-time employee" means an employee of Stanislaus County or a contracting district who is not employed in a permanent position as established by the Board of Supervisors or othergoverning body by budget or ordinance or who regularly works less than fifty percent (55%) of the normal workweek.

F. . "Party" means any person disclosed by the records of the retirement system or by the application to have an interest in any subject matter including the applicant and the subject employee.

G. . "Subject employee" means the member of the retirement system on behalf of whom an application is filed.

H. . "Member contributions" means as the actuarially determined rate as applied to themember's compensation earnable or pensionable compensation for each pay period.

I. "It" means "non person"

J. "Shall" imposes a duty

L. "May" creates discretionary authority or grants permission or power

M. "Must" creates or recognizes a right; and

N. "May not" imposes a prohibition and is synonymous with shall not.

1.3. Amended 02/25/2014

1.3. Amended xx/xx/xxxx

1.4. POLICY AND ADMINISTRATIVE

Policy directives of the retirement system is vested in the Retirement Board. Day-to-day administration of the retirement system is delegated to the Executive Director. Appointment or election of members of the Retirement Board shall be as provided by Government Code Section 31520.1.

1.4. Amended 02/25/2014

1.4. Amended xx/xx/xxxx

1.5. OFFICERS

At the first regular meeting in January, the positions of chair and vice chair will rotate by succession by the number assigned to the Retirement Board member and shall be held for a period of one (1) year.. If a member has not served at least two (2) years on the Retirement Board, that member shall skip the normal rotation and the next successor shall be appointed to chair or vice-chair. Should any officer fail for any reason to complete his term, the normal successor shall perform the balance of the unexpired term. If the unexpired term is for less than nine (9) months, then the successor shall also hold office for their normal term immediately following the completion of the unexpired term. If the unexpired term is for nine (9) months or more, the successor shall only hold office for the completion of the unexpired term. The secretary of the Retirement Board shall be the Executive Director. The alternate safety member shall serve as provided in Government Code Section 31520.1 of the 1937 Act.

Pursuant to Government Code Section 31520.1, the alternate safety member shall sit in place of the seventh member during determinations of retirement benefits of a person from the same service as the alternate safety member.

1.5. Amended 08/31/1999

1.5. Amended 10/31/2000

1.5. Amended 02/25/2014

1.5. Amended xx/xx/xxxx

1.6. RETIREMENT BOARD MEMBER ELECTION PROCEDURES

RETIREMENT BOARD MEMBERS WHO ARE ELECTED by members of StanCERA of the same category of membership (Second and Third seats by General members, Seventh and Alternate seats by Safety members, and Eighth and Alternate Seats by Retired members) shall be elected according to the procedures set forth in this Section of the StanCERA Bylaws. In all cases where the word "Department" appears in this Section, the meaning shall be construed to include all Stanislaus County Departments, the City of Ceres and contracting Districts (all employers who use StanCERA for administration of retirement benefits). The Executive Director shall prepare a NOTICE OF ELECTION, which shall contain the deadlines for the submission of nomination papers, date of distribution of ballots, date of final receipt of ballots and the date for canvassing the ballots.

The distribution of the notice of election shall be made no more than sixty (60) days and no less than forty-five (45) days prior to the final date for receipt of ballots. The distribution of the notice of election will be distributed by U S postal services.

The Executive Director shall prepare a NOMINATION PAPER, which upon completion will contain the following information:

Name of candidate; candidate's Agency (if General or Safety member) or city and state of residence (if Retired member); a candidate's statement of not more than two hundred (200) words; signatures of the specific membership electorate in support of the candidate (General – twenty-five (25); Safety - ten (10); Retired - fifteen (15); a prepared statement of willingness to serve on the Retirement Board; the Retirement Board seat number and category (General, Safety or Retired); and final date for filing the paper. Completed nomination papers must be submitted to the Executive Director by 5:00 p.m. on the date specified in the notice of election and on the nomination paper (no later than thirty (30) days before the final date for receipt of ballots). Candidates shall only be placed on the election ballot if the above nomination papers and procedures are completed. If only one (1) nomination paper is received by the Executive Director on or before the deadline specified for receipt, the Executive Director shall declare that the candidate is the new Retirement Board member of the seat for which the candidate sought election (pursuant to Government Code Section 31523) and shall prepare and distribute a declaration of election results showing a unanimous ballot for the candidate to all Departments.

If two (2) or more nomination papers are received by the Executive Director on or before the deadline for receipt, the Executive Director shall prepare ELECTION BALLOT MATERIALS, which shall consist of:

- A. A ballot with the candidates' names, Agency (if General or Safety member) or city and state of residence (if Retired member), candidates' statements, final date for receipt of ballots and a listing of candidates' names in alphabetical order by last name with appropriate places to indicate the member's choice of a particular candidate;
- B. A "secret" envelope to hold the completed ballot;
- C. A "return to" envelope, which will have the Executive Director's address for receipt of ballots, space for the member's printed name, space for the member's signature, and prepaid return postage; and
- D. A "cover" envelope with the member's name and mailing address. The ballots must be received back in the Executive Director's office by 5:00 p.m. on the final date indicated on the ballot or the ballot material will be voided. The date for final receipt of ballots shall be no less than twenty (20) days following the date of disbursement of the ballot material.

Ballot material may be REISSUED to members who file a notice of non-receipt of election material prepared and filed in the Executive Director's office. The Executive Director shall make a second and final attempt to send out any RETURNED BALLOT MATERIAL at a reasonable cost of staff time and money.

The ballots shall be CANVASSED on the business day following the final date for receipt of ballots by the Executive Director, one (1) member of the Retirement Board, not associated with the election in any way, and any staff from the Executive Director's office, as may be necessary to expeditiously handle the canvassing of the ballots.

The candidate who receives the HIGHEST NUMBER OF VOTES of the ballots cast shall be declared the WINNER and new member of the Retirement Board to assume the seat for which the candidate ran at any Retirement Board meetings following the expiration of the term of the

incumbent. The new member will serve three (3) years or for the remaining period of time in which a seat may become vacant for any reason other than the expiration of the incumbent's term of office.

The Executive Director shall prepare a DECLARATION OF ELECTION RESULTS to include the seat of the Retirement Board, the final date of the receipt of ballots, and the name of all the candidates who ran with their corresponding number of votes received in the election. The declaration shall also state the winner of the election and the date on which the winner assumes the seat on the Retirement Board.

The Executive Director shall telephone or email each candidate with the results of the election and the declaration shall be posted in a conspicuous place in or near the Executive Director's office in the afternoon following the canvassing. Copies of the declaration shall be delivered to each candidate and each Agency/Department Director (if General member or Safety member election) or the Retired Employees of Stanislaus County Organization, Inc. (RESCO), (if a Retired Member election) with a message to retirees of the winner to appear on the next retiree payroll check following the canvassing.

If any of the specific electorate desires a RECOUNT of the ballots cast, the member must make a written petition to the Retirement Board for a recount and include a \$500.00 payment for costs incurred. The petition must be received by the Executive Director no later than fourteen (14) days following the original canvassing of the ballots. The Executive Director shall forward the petition on to the Chair of the Retirement Board who shall call a special meeting of the Retirement Board for a recount. The date of the recount shall be no later than thirty (30) days from the date of the original canvassing. The petitioner or designee must attend the recount, which shall be accomplished in the same manner as the original count. If the recount shows that a different candidate is the winner by receiving the highest number of votes, a DECLARATION OF REVISED ELECTION RESULTS shall be prepared and distributed in the same fashion as the original declaration of election results.

All member election material shall be DESTROYED thirty (30) days after the original canvassing of the ballots if there is no petition for a recount. Member election material shall be destroyed one (1) week following the completion of all procedures of a recount.

1.6. Amended 02/25/2014

1.6. Amended xx/xx/xxxx

1.7. COMMITTEES

The Retirement Board has determined that the following are standing committees.

- A. Due Diligence Committee. This committee shall consist of the Vice-Chair as Chair, one(2) other Board members and two (2) staff members appointed by the Vice-Chair to include the Executive Director (or a designee of the Executive Director), and staff, is to act as the recorder. This committee shall insure that Due Diligence visits are carried out and " reports provided to the Retirement Board of investment manager and other vendor businessreviews on a schedule as determined by these Bylaws and the committee.
- B. Internal Governance Committee. This committee shall consist of three (3) Retirement Board members. The Committee Chair may request administrative staff and/or legal counsel to attend Committee meetings as needed. At least one of the Retirement Board members of the committee shall have sufficient background in accounting, financial or managerial matters to understand, relate to and communicate accounting and organizational matters especially as they relate to audit reports. This committee shall have the responsibility for oversight of all financial audits (both external and internal),

compliance audits, Bylaw revisions, Policy revisions, Retirement Board member education and training (including ethics) and other internal governance matters.

- C. Strategic Planning Objectives Committee. This committee shall consist of no less than two (2) Retirement Board members. The committee may request input from administrative staff and attendance for staff at its meetings as the Committee so desires. The committee shall oversee and review staff reports related to the study and recommendations of Retirement Board approved strategic planning objectives. The committee shall have authority to survey, research, request actuarial and other studies as it deems necessary. The committee shall only make “final” reports to the Retirement Board or recommendations to the Retirement Board that require the Board’s action. This committee meets at least once every three (3) years.
- D. Performance Review and Compensation Committee (PRCC). This committee shall consist of current Chair, past Chair, and current Vice Chair. As needed, the PRCC will meet to discuss the performance and compensation of the position of Executive Director.

The Committee’s evaluation process should include but not be limited to the following criteria:

Goals: Whether the subject position’s stated goals at the beginning of the evaluation period were effectively and meaningfully carried out.

Added Value: Whether the subject position added value to the retirement process in all areas of administration. Added value can be measured in (but not limited to) areas such as financial, administrative efficiency, member services, internal and external communication, and enhanced investment governance.

Strategic Plan: Whether the subject position’s actions are consistent with the Strategic Plan and whether the Strategic Plan is being meaningfully implemented.

After the Committee meets regarding performance review and compensation, the Committee will draft a memorandum with its recommendation regarding the disposition of the subject position to the full Board of Retirement for approval.

The Retirement Board Chair at his/her discretion may appoint Retirement Board members or staff to any standing or ad hoc committee as the Chair deems necessary.

1.7. Amended 02/25/2014

1.7. Amended xx/xx/xxxx

1.8. POLICY, PROCEDURE AND PRACTICE

In governing administration matters the following hierarchy is established in order of priority.

- A. Federal Law
- B. State Law
- C. Local ordinances and resolutions when not in conflict with higher laws
- D. StanCERA Bylaws
- E. Policies and procedures formally adopted by the Retirement Board

F. Informal policies and procedures

G. Practice

1.8. Amended xx/xx/xxxx

1.9. INDEPENDENT OPERATIONS

StanCERA is a separate legal entity from Stanislaus County and is governed by the Retirement Board. California Constitution provides that the Retirement Board has the full responsibility and authority to invest StanCERA member retirement funds and provide necessary services in administering retirement benefits as provided in the 1937 Act, and as adopted in multiple employer-employee agreements. To fulfill the mission of StanCERA, the Retirement Board hires staff, contracts with investment managers, hires consultants, and adopts an administrative budget.

To save the time and effort of establishing its own set of Personnel Policies and tracking labor laws (and in accordance with California State law), the Retirement Board hires staff who are Stanislaus County employees. This means that in general and in most instances, these staff will be treated (hired, paid, promoted, demoted, retired or fired) the same as other Stanislaus County employees in like classifications. However, given that StanCERA staff provide services to a variety of public agencies and administer retirement benefits, staff are not subject to mandates from the Board of Supervisors or its agents that would interfere with or otherwise supercede the delivery of those services. To that end this Statement of Independent Operation acknowledges that from time to time, the Retirement Board may act to overrule or set aside a personnel decision or action that emanates from Stanislaus County personnel authority involving staff hired by the Retirement Board or its Executive Director. In matters of retirement benefit administration, the Retirement Board shall have final say in its handling of staff. The Retirement Board has and will continue to utilize Stanislaus County Personnel staff to handle recruitments and Stanislaus County payroll with its contingent of payroll-related items such as: extra help, Personal Services Contracts, leave time and termination cash out payments, retirement benefits, Social Security coverage, deferred compensation program, group health insurances, unemployment insurance, long term disability, workers compensation insurance, professional development, employee assistance program, cafeteria plan cash out, auto allowance and mileage reimbursement the same as other Stanislaus County employees.

The Retirement Board has used and will continue to use its hired investment consultant to aid in its decision on specific investment managers to hire, their performance and possible termination, as well as providing education on investments.

The Retirement Board has used and will continue to use a variety of special consultants and attorneys.

Since fiscal year 2003-2004, the administrative budget for StanCERA has been approved and monitored solely by the Retirement Board. While the budget includes costs for Stanislaus County services through the Stanislaus County's cost allocation plan (CAP), these services are approved for payment since they support the staff in its mission to provide the promised retirement benefits. These costs include data processing services, staff payroll services, check processing services, postage and mail delivery services and other supportive services. The Retirement Board intends on continuing its use of Stanislaus County services as needed. These services may include, but are not limited to, banking;, staff payroll, check writing;, postage metering and handling, purchasing cards, general liability and workers compensation, telecommunications, some data processing services, some Purchasing services, and security, utilities and other building maintenance and service costs associated with the condominium

space at the 12th Street office. While StanCERA may not utilize Stanislaus County services 100%, like that of a Stanislaus County Department (such as special or lower cost printing obtainable from a private vendor), StanCERA intends on continuing its use of and payment for the above listed services. StanCERA will not pay for general Stanislaus County costs to the extent that it does not receive services for such costs.

1.9. Amended 02/25/2014

1.9. Amended xx/xx/xxxx

1.10. ADMINISTRATION OF EXECUTIVE DIRECTOR POSITION, INVESTMENT CLASSIFICATION AND OTHER EXECUTIVE LEVEL STAFF

Specifically regarding the position of Executive Director, future investment positions and any other executive level classifications, the Board of Retirement shall have full control over the creation, assessment and disposition of these positions, including salary, and will administer and achieve this control using the processes currently in place at the County. It is understood that the processes used to achieve this control should not be limited to the administration of existing executive level County classifications, as StanCERA, from time to time, may need to create and administer other executive level classifications that do not currently exist. The Retirement Board will continue to work with County Personnel to ensure that any other County classifications used by StanCERA in the administration of the retirement plan are properly structured within the County's salary and position guidelines.

1.10. Amended 02/25/2014

1.10. Amended xx/xx/xxxx

Article 1 Amended 07/13/2005

Article 1 Amended 12/04/2007

Article 1 Amended 03/25/2008

Article 1 Amended 11/23/2010

Article 1 Amended 02/25/2014

Article 1 Amended xx/xx/xxxx

ARTICLE 2 – MEETINGS

2.1. REGULAR MEETINGS

Regular meetings of the Retirement Board shall be held on the third Wednesday of each month beginning January 1, 2016, This will be a combined meeting, with Administrative & Member Services items being heard first, to be followed by Investment and Finance items. all regular meetings shall be held at 1:00 p.m. on the aforementioned day in the **Wesley W. Hall Board Room located on the sixth floor of 832 12th Street**, Modesto, California, unless changed by the chair and proper notice given by the Executive Director.

2.1. Amended 02/25/2014

2.1. Amended xx/xx/xxxx

2.2. SPECIAL MEETINGS

Special meetings of the Retirement Board may be scheduled at any time by the Chair of the Retirement Board or any five (5) members of the Retirement Board. The Executive Director shall publicly post and give each Retirement Board member the minimum notice required by the Ralph M. Brown Act.

2.2. Amended 02/25/2014

2.2. Amended xx/xx/xxxx

2.3. PERSONS ATTENDING MEETINGS

All meetings of the Retirement Board shall be open to the public, except closed sessions, permitted by law.

2.3. Amended xx/xx/xxxx

2.4. RULES OF ORDER

ROBERT'S RULES OF ORDER shall guide the Retirement Board in its proceedings, except as otherwise provided herein or in the 1937 Act. The Chair shall have a vote on all questions and motions and shall not be required to relinquish the Chair in order to participate in discussions. The Chair shall not make or second a motion. The order of business shall include:

- A. Roll Call
- B. Announcements
- C. Public Comment
- D. Consent Items (e.g., Approval of minutes & retirements)
- E. Executive Director – Administrative
- F. Investment Consultant
- G. Executive Director – Investment

H. Committee Reports and Recommendations

I. Closed Session

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

K. Adjournment

The Retirement Board Chair may make changes in the above order at his / her discretion.

Requests for Staff Support by the Board

The Board shall request any research, analyses and reports from staff as are necessary for the Board's effective oversight of StanCERA operations. Such requests will be agendaized and considered at regularly scheduled Board meetings. If approved, the Executive Director will be responsible for coordinating the completion of the approved project or report within a reasonable time or by the completion date specified in the Board action.

Requests by Individual Board Members for Staff or External Support

Board members making individual requests for information will be advised to place the item on the Board meeting agenda unless the information is readily available and the Executive Director determines that a response will not require any significant commitment of staff time or other StanCERA resources.

Requests by Individual Trustees must be received by the Executive Director one hundred twenty (120) hours prior to any regularly scheduled Retirement Board meeting to appear on the Retirement Board agenda.

2.4. Amended 02/25/2014 2.4. Amended xx/xx/xxxx 2.5. QUORUM

Five (5) members of the Retirement Board shall constitute a quorum. No business may be transacted without a quorum.

No motion may be passed without a majority of the quorum voting affirmatively.

2.6. CORRESPONDENCE

All correspondence to the Retirement Board must be in writing and received by the Executive Director one hundred twenty (120) hours prior to any regularly scheduled Retirement Board meeting to appear on the Retirement Board agenda.

2.6. Amended 02/25/2014

2.6. Amended xx/xx/xxxx

2.7. MINUTES

The Executive Director shall cause to be recorded in the minutes the time and place of each meeting, the name of each Board member present, a summary of official actions taken by the Retirement Board, and such other information that will concisely reflect each meeting's content. The minutes shall be presented for Retirement Board approval at its next regular meeting. Such minutes shall be signed by the Executive Director, approved as to form by general legal

counsel, and shall become a part of the Retirement Board's permanent record. Meetings shall be audibly recorded and available on the StanCERA website.

2.7. Amended 02/25/2014

2.7. Amended xx/xx/xxxx

2.8. COMPENSATION OF MEMBERS

Pursuant to Government Code Sections 31520.5 and 31521, those members (appointed by the Board of Supervisors and the retiree representative) shall be eligible to receive the maximum allowance per meeting of the Retirement Board or meeting of a committee for not more than the maximum meetings allowed per month.

Article 2 Amended 12/04/2007

Article 2 Amended 11/23/2010

Article 2 Amended 02/25/2014

Article 2 Amended xx/xx/xxxx

ARTICLE 3 – MEMBERSHIP

3.1. MEMBERSHIP DEFINED

Membership shall be as defined by the 1937 Act as supplemented by these Bylaws.

3.1. Amended 02/25/2014

3.2. PROVISIONS FOR MEMBERSHIP

Every employee of Stanislaus County or of any district included in StanCERA, who is appointed to a permanent full-time position, as specified in the ordinances of Stanislaus County or of the included districts, shall become a member of StanCERA. Employees hired prior to October 1, 1988, became members on the first day of the calendar month after entrance into service. Employees hired on or after October 1, 1988, shall become members on the date of hire.

3.3. CONTRACTING DISTRICTS

Whenever any contracting district is required to make an additional appropriation pursuant to Government Code Section 31627.6, for the purpose of paying for a member's service with the district prior to the district's joining StanCERA, the district shall make the additional appropriation by periodic payments (including interest at the current actuarial rate which shall remain in effect until the principal is exhausted) over a period of time not to exceed fifteen (15) years.

3.3. Amended xx/xx/xxxx

3.4. WAIVER BY EMPLOYEES OVER SIXTY (60)

An employee of Stanislaus County or of any district included in StanCERA, appointed to a permanent full-time position who is age sixty (60) or over at time of entry, may waive the StanCERA membership requirement pursuant to Government Code Section 31552.

3.5. EXCLUSIONS

Temporary, seasonal, intermittent part-time employees, and independent and personal service contractors are excluded from membership in StanCERA.

3.6. ENROLLMENT QUESTIONNAIRE AND PROOF OF BIRTH

Every member of StanCERA shall file a sworn enrollment questionnaire showing that member's date of birth, date of hire, position, classification (general or safety) and the compensation received. The questionnaire shall be in the form provided by StanCERA. Every member shall submit with the enrollment questionnaire proof of the member's date of birth within ninety (90) days of hire. If a proper questionnaire with proof of birth is not filed within ninety (90) days of hire, the rate of contribution shall be based on the highest age for the member's retirement tier and classification. When the questionnaire is filed or proof of age is submitted to the Executive Director, the normal age rates will be applied and excess contributions shall not be refunded to the member. The following documents will be acceptable for proof of birth:

A. Any one (1) of the following:

1. Infant baptismal certificate
2. Census record
3. School age record
4. Naturalization certificate
5. A photocopy of a Certified birth certificate
6. Passport
7. Alien registration card with photograph

B. Any two (2) of the following:

1. Photocopy of certified Marriage Certificate if date of birth is shown
2. Military record (i.e. DD214, ID) if date of birth is shown
3. Photocopy of Child's certified birth certificate, showing date of birth of member
4. Affidavit by older relative, notarized
5. Hospital birth record

3.6. Amended 02/25/2014

3.6. Amended xx/xx/xxxx

3.7. PROOF OF MARRIAGE

- A. Every member, at the time of retirement, shall submit a copy of a certified proof of marriage or registered domestic partnership and an affidavit that the marriage continues if a designated beneficiary is the spouse or registered domestic partner, and the option pursuant to Government Code Section 31760, et seq., is elected.
- B. Every applicant for a spousal continuance based upon a death of a member may be required to submit an affidavit that the marriage continued up until the time of death of the member.

3.7. Amended 02/25/2014

3.7. Amended xx/xx/xxxx

3.8. BENEFICIARY PROOF OF BIRTH

Every member, at the time of retirement, shall submit a certified proof of birth of all designated beneficiary or beneficiaries selected pursuant to the exercise of an option contained within Government Code Section 31760, et seq.,.

3.8. Amended 02/25/2014

3.8. Amended xx/xx/xxxx

3.9 . PROOF OF DEATH

Every applicant, at the time of application for a death benefit or continuance, shall submit a copy of a certified final death certificate or a court decree establishing the fact of death.

3.9 . Amended 02/25/2014

3.9. Amended on xx/xx/xxxx

3.10 . TIER 3 AND SAFETY MEMBERSHIP

A. Any Tier III member who, at the time he / she elected to become a Tier III member, was Safety eligible, shall be entitled, at the member's option, to redeposit all contributions and interest which would have normally accrued without election to become a Tier III member. Upon full redepositing of contributions and interest in a single lump-sum payment, said member shall be reinstated to a retirement plan/tier in accordance with applicable law and local agreements.

B. Any Tier III member who transfers to a Safety eligible position shall be required to become a contributing member of the retirement system as of the date of the transfer to the Safety eligible position. Any Tier III member whose position becomes Safety eligible through law or collective bargaining process shall be required to become a contributing member of the retirement system as of the effective date of the legislation or negotiated agreement.

3.10 . Amended 02/25/2014

3.10. Amended on xx/xx/xxxx

3.11 . SPOUSE/REGISTERED DOMESTIC PARTNER

Wherever in the Bylaws the term "spouse" is used, this term shall also include registered domestic partners.

Article 3 Amended 12/04/2007

Article 3 Amended 11/23/2010

Article 3 Amended 02/25/2014

Article 3 Amended xx/xx/xxxx

ARTICLE 4 - MEMBERS' CONTRIBUTIONS

4.1. CONTRIBUTIONS MADE IN ACCORDANCE WITH 1937 ACT

Contributions shall be made in accordance with the 1937 Act and these Bylaws.

4.1. Amended 02/25/2014

4.2. CONTRIBUTIONS MADE ON REGULAR COMPENSATION

Separate Normal and cost-of-living contributions shall be made on the compensation earnable of the employees in Tiers 1,2,4,5. a Combined Single rate contributions shall be made on the pensionable compensation of the employees in Tier 6.

4.2. Amended xx/xx/xxxx

4.3. PARTIAL CONTRIBUTIONS PROHIBITED

Partial contributions are prohibited.

4.4. WITHDRAWAL ON TERMINATION

A member who is terminating membership may withdraw accumulated contributions pursuant to Government Code Section 31628. The Retirement Board, pursuant to Government Code Section 31628, hereby orders that payment may be withheld for a period not to exceed six (6) months after the date of separation. For the purposes of this section, "termination" means the member has not been paid for a minimum of two (2) full consecutive pay cycles immediately following termination and is not on StanCERA employers' payroll at the time of refund.

Pursuant to Government Code Section 31527 (d), members who receive a refund of the member's contributions can receive a lower amount than the full "regular interest" credited on the member's contributions due to a withdrawal charge up to the amount of the interest credited to the member's contributions after the effective date of this regulation.

4.4. Amended 02/25/2014

4.4. Amended xx/xx/xxxx

4.5. REFUND TO DEFERRED MEMBERS

A deferred member shall, upon written request, receive a refund of contributions pursuant to Government Code Section 31701, as follows:

- A. If not covered under provisions of a reciprocal retirement system, upon receipt of completed distribution packet request.
- B. If covered under provision of a reciprocal retirement system, upon receipt of completed distribution packet and certification of refund of contribution from prior reciprocal system, request will be processed with the next refund batch.

4.5. Amended xx/xx/xx

4.6. RATE OF INTEREST DECLARATIONS

See Excess Earnings Policy.

4.6. Amended 02/25/2014

4.7. MEMBER'S CONTRIBUTIONS REFUND POLICY

The contributions, which a member pays to StanCERA, are non-refundable except as explicitly provided in the Government Code. No refund of any member's contributions shall be made while the member is employed with any StanCERA covered employer in any capacity, or while receiving a retirement allowance from StanCERA.

4.7. Amended xx/xx/xxxx

4.8. BUY BACKS AND REDEPOSITS

- A. A member may pay for a buy back in installments on a "period for period" basis, or double the number of pay periods being purchased, but not to exceed five (5) years and all buy backs must be completed prior to retirement, pursuant to Government Code Section 31641.2.
- B. For purposes of Article 4, a benefit enhancement or allowable conversion of service time will be treated the same as a buy back.
- C. In the event of the death of a member prior to retirement, but before completing an existing buy back, the member's designated beneficiary shall have 120 calendar days after the date of death of the member to complete the buy back.
If the beneficiary wants to complete the buy back, the retirement benefit will be delayed until the buy back payments are completed. If beneficiary does not want to continue the payments, the buy back monies will be refunded.
- D. In the event that a member terminates prior to completion of an open buy back, the member has thirty (30) days from the date of termination to pay the remaining balance in full. If member is unable to pay the remaining balance in full within thirty (30) days, any monies StanCERA has received to purchase the permissive service credits will be refunded to the member.

4.8. Amended 02/25/2014

4.8. Amended xx/xx/xxxx

4.9. ROLLOVERS AND TRUSTEE-TO-TRUSTEE TRANSFERS

A member may use rollovers via direct trustee-to-trustee transfers to purchase permissive service credit.

- A. Rollovers via direct trustee-to-trustee transfers of pre-tax monies will be accepted from the following:

1. Traditional IRA's
2. Government 457 Deferred Compensation Plans, if a direct rollover via trustee-to-trustee transfer
3. Qualified 401(a) plans, if direct rollover via trustee-to-trustee transfer
4. Qualified 401(k) plans, if direct rollover via trustee-to-trustee transfer
5. Stanislaus County-sponsored PARS plan, if direct rollover via trustee-to-trustee transfer
6. Qualified 403 (b) plans – (pretax only)

B. The following types of rollovers via direct trustee-to-trustee transfers will NOT be allowed:

1. Indirect Rollover from a 457 Governmental Plan
2. Indirect Rollover from a qualified 401(a) plan
3. Indirect Rollover from a qualified 401(k) plan
4. Keogh Plans
5. Roth IRA
6. Partial distributions from any account, which contains both pre-tax and post-tax monies


7.. Any other type of rollover, either direct or indirect, via trustee-to-trustee transfer not specifically noted in 4.9(a) above

C. Non-members are not eligible to rollover, transfer or buy back any amounts except as expressly authorized in the 1937 Act.

D. Verification Chart

ROLLOVER CHART

1/23/2015

		Roll To							
		Roth IRA	Traditional IRA	SIMPLE IRA	SEP-IRA	Governmental 457(b)	Qualified Plan ¹ (pre-tax)	403(b) (pre-tax)	Designated Roth Account (401(k), 403(b) or 457(b))
Roll From	Roth IRA	YES ²	NO	NO	NO	NO	NO	NO	NO
	Traditional IRA	YES ³	YES ²	NO	YES ²	YES ⁴	YES	YES	NO
	SIMPLE IRA	YES, ³ after two years	YES, ² after two years	YES ²	YES, ² after two years	YES, ⁴ after two years	YES, after two years	YES, after two years	NO
	SEP-IRA	YES ³	YES ²	NO	YES ²	YES ⁴	YES	YES	NO
	Governmental 457(b)	YES ³	YES	NO	YES	YES	YES	YES	YES ^{3,5}
	Qualified Plan¹ (pre-tax)	YES ³	YES	NO	YES	YES ⁴	YES	YES	YES ^{3,5}
	403(b) (pre-tax)	YES ³	YES	NO	YES	YES ⁴	YES	YES	YES ^{3,5}

4.9. Amended 02/25/2014

4.10. DOCUMENTATION REQUIRED

It shall be incumbent upon the member to provide acceptable documentation on the suitability of any rollover or trustee-to-trustee transfer. The Executive Director shall have final determination on acceptable documentation.

4.10. Amended 02/25/2014

4.11. IRS LIMITATIONS

All rollovers, whether direct or indirect, or trustee-to-trustee transfers, shall be in accordance with appropriate IRS rules and limitations, including IRC 415 limitations on contributions, adjusted, Social Security wage base for Tier 6 members, salary and future benefits.

4.11. Amended 02/25/2014

4.11. Amended xx/xx/xxxx

4.12. REMEDIES FOR ERRORS AND OMISSIONS ON RETIREE PAYROLL

Pursuant to Government Code Sections 31525 and 31539, the Executive Director may take whatever action deemed necessary to correct any errors in a retiree monthly benefit, which violates Federal or State laws or IRS code rules and regulations or policy.

OVERPAYMENTS OF BENEFIT PAID TO RETIREE/BENEFICIARY

StanCERA shall take all reasonable steps to recover the full amount of overpayments made to any retiree/beneficiary.

StanCERA will allow the following repayment methods:

1. Lump sum payment from retiree/beneficiary, or
2. Monthly reduction from the retiree/beneficiary benefit. It shall be collected per below methods (a) or (b), or a higher percentage amount, if requested by retiree/beneficiary.

- a. If StanCERA or the employer caused the error creating an overpayment in the monthly benefit, then StanCERA shall collect directly from the member's benefit a minimum of 5% of the gross monthly benefit until repayment is complete.
- b. If the retiree/beneficiary caused the error, due to lack of or inaccurate information, fraud or intentional misrepresentation, creating an overpayment in the monthly benefit, then StanCERA shall collect directly from the member's benefit (including appropriate interest), a minimum of 15% of the gross monthly benefit until repayment is complete.

For overpayments less than \$50 (fifty), the Executive Director shall make no demand and write off the account.

In cases where there is no evidence that the overpayment resulted from fraud or dishonest conduct by the retiree/beneficiary, StanCERA will only seek recovery of amounts paid to the retiree/beneficiary for the four (4) years immediately before the error was corrected. Considering all relevant factors (including collection issues and principles of equity), the Board finds that seeking only four (4) years of overpayments under those circumstances constitutes "reasonable steps" to recover the full amount of the overpayments.

In cases where there is evidence that the overpayment resulted from fraud or dishonest conduct or intentional misrepresentation by the retiree/beneficiary, the Board reserves all rights to seek all amounts overpaid, plus the maximum amount of recoverable interest under law. See *CERL Section 31539*. The Board shall determine whether the member engaged in fraud or dishonest conduct based on all of the facts available to it.

The Board adopts the following procedures for accomplishing the recovery of overpaid benefits:

1. Upon discovery of an overpayment, StanCERA shall send a letter by certified mail, return receipt requested, to the retiree/beneficiary advising the retiree/beneficiary of the overpayment and proposing a repayment schedule, as follows:
 - a. The letter will request payment to StanCERA of the amount overpaid, subject the provisions of this Bylaw.
 - b. The letter will include an agreement to repay overpayment and a consent form for the spouse or beneficiaries, if applicable.
 - c. The agreement to repay overpayment.
 - d. The letter and agreement to repay overpayment will include effective date and minimum amount of monthly benefit reduction from 2(a) and 2(b) to go into effect by default if a written response from the retiree/beneficiary is not received within 30 days following the date the letter was delivered.
2. StanCERA may pursue all legal remedies to collect overpayments.

3. StanCERA will maintain a permanent record of all amounts of overpayments and the repayment to StanCERA of those overpayments.

UNDERPAYMENTS OF BENEFIT PAID TO RETIREE/BENEFICIARY

StanCERA shall take all reasonable steps to reimburse the full amount of underpayments made to any retiree/beneficiary. The underpayment shall be made as soon as is reasonably possible following the discovery of the underpayment.

If a retiree/beneficiary who was underpaid benefits has died prior to payment of the lump sum amount due, the following procedures will be followed:

1. Retiree/beneficiary With Designated Beneficiary

- ❖ If the retiree/beneficiary has named a designated beneficiary, the payment will be made directly to the designated beneficiary. *See CERL Section 31452.7.*

2. Retiree/beneficiary Without Designated Beneficiary

- ❖ If there is an open estate (i.e., no order for final distribution yet), payment will be made to the estate (through the personal representative).
- ❖ If final distribution of the estate has already been made, StanCERA will review the order for final distribution to determine how assets that were unknown at the time of final distribution are to be distributed under the order. Payment will then be made in compliance with the order for final distribution, if possible.
- ❖ If an estate was not established, distribution will be made in accordance with any applicable and valid Affidavit for Payment of Personal Property on file with StanCERA. *See Probate Code Section 13101.*
- ❖ StanCERA shall make reasonable efforts to locate the person(s) entitled to payment by sending a letter by certified mail, return receipt requested, to the last known address of each such person, or by other means of similar intended effect. The letter shall request written confirmation that the person entitled to payment still lives at that address and will accept payment. Upon receipt of such written confirmation, the payment will be mailed to that person at that address. *See CERL Section 31783.5(b).*
- ❖ If, after taking the above steps, StanCERA has not been able to locate the person entitled to payment, StanCERA shall hold the funds on behalf of that person for five (5) years. If the funds are not claimed within five (5) years, the funds may be transferred into the system's pension reserve fund. If someone later appears to claim the funds, the Board will consider such claims on a case-by-case basis. *See CERL Section 31783.5(c).*

- ❖ StanCERA will maintain a permanent record of all amounts of outstanding refunds of underpayments and any amounts that have been transferred into the pension reserve fund.
 - ❖ In cases where there is no designated beneficiary and the total amount of underpayment is less than \$50 (fifty), StanCERA need not take proactive measures to locate the person(s) entitled to such funds. All claims presented to StanCERA, however, will be considered regardless of size.
3. Underpayments of \$5 (five) or less will only be refunded at the request of the member.

4.12. Amended 02/25/2014

4.12. Amended xx/xx/xxxx

4.13. REMEDIES FOR MEMBER'S REGULAR PAYROLL CONTRIBUTION ERRORS

Whenever an error is found in a member's contribution amount from the regular payroll contributions, the Executive Director shall correct the error as soon as is reasonably possible following StanCERA's discovery of the error.

OVERPAYMENT OF CONTRIBUTIONS BY MEMBER

StanCERA shall take all reasonable steps to reimburse the full amount of overpayments made by the member. The overpayment can be reimbursed to the member (and/or employer) via the employee payroll from their StanCERA participating employer, if possible, or by a check from StanCERA.

If a member, who overpaid contributions, has died prior to payment of the lump sum amount due to the member, the following procedures will be followed:

1. Member With Designated Beneficiary

- ❖ If the member has named a designated beneficiary, the payment will be made directly to the designated beneficiary. *See CERL Section 31452.7.*

2. Member Without Designated Beneficiary

- ❖ If there is an open estate (i.e., no order for final distribution yet), payment will be made to the estate (through the personal representative).

- ❖ If final distribution of the estate has already been made, StanCERA will review the order for final distribution to determine how assets that were unknown at the time of final distribution are to be distributed under the order. Payment will then be made in compliance with the order for final distribution, if possible.
- ❖ If an estate was not established, distribution will be made in accordance with any applicable and valid Affidavit for Payment of Personal Property on file with StanCERA. *See Probate Code Section 13101.*
- ❖ StanCERA shall make reasonable efforts to locate the person(s) entitled to payment by sending a letter by certified mail, return receipt requested, to the last known address of each such person, or by other means of similar intended effect. The letter shall request written confirmation that the person entitled to payment still lives at that address and will accept payment. Upon receipt of such written confirmation, the payment will be mailed to that person at that address. *See CERL Section 31783.5(b).*
- ❖ If, after taking the above steps, StanCERA has not been able to locate the person entitled to payment, StanCERA shall hold the funds on behalf of that person for five (5) years. If the funds are not claimed within five (5) years, the funds may be transferred into the system's pension reserve fund. If someone later appears to claim the funds, the Board will consider such claims on a case-by-case basis. *See CERL Section 31783.5(c).*
- ❖ StanCERA will maintain a permanent record of all amounts of outstanding refunds of overpayments and any amounts that have been transferred into the pension reserve fund.
- ❖ In cases where there is no designated beneficiary and the total amount of overpayment is less than \$50 (fifty), StanCERA need not take proactive measures to locate the person(s) entitled to such funds. All claims presented to StanCERA, however, will be considered regardless of size.
- ❖ Overpayments of \$5 (five) or less will only be refunded at the request of the beneficiary.

UNDERPAYMENT OF CONTRIBUTIONS BY MEMBER

StanCERA shall take all reasonable steps to recover the full amount of underpayment of contributions by member.

StanCERA will allow the following repayment methods:

1. Lump sum payment from member.

2. Monthly deduction collected in like manner and over the same time period the error occurred, or up to twice the amount of time period, not to exceed five (5) years, as the error occurred
3. Rollover or Trustee-to-Trustee transfer from a qualified pre-tax plan

In cases where there is no evidence that the underpayment resulted from fraud or dishonest conduct by the member, StanCERA will only seek recovery of amounts underpaid by the member for the four (4) years immediately before the error was corrected. Considering all relevant factors (including collection issues and principles of equity), the Board finds that seeking only four (4) years of underpayments under those circumstances constitutes “reasonable steps” to recover the full amount of the underpayments.

In cases where there is evidence that the underpayment resulted from fraud or dishonest conduct by the member, the Board reserves all rights to seek all amounts underpaid, plus the maximum amount of recoverable interest under law. *See CERL Section 31539*. The Board shall determine whether the member engaged in fraud or dishonest conduct based on all of the facts available to it.

The Board adopts the following procedures for accomplishing the recovery of underpaid benefits:

1. Upon discovery of an underpayment, StanCERA shall send a letter by certified mail, return receipt requested, to the member advising the member of the underpayment and proposing a repayment schedule, as follows:
 - a. The letter will identify the circumstances of the underpayment and the fact that adjustments will be made to all future contribution amounts.
 - b. The letter will request payment to StanCERA of the past amount underpaid, subject to the provision of these Bylaws.
 - c. The letter will include an agreement to pay the amounts underpaid.
 - d. The agreement to pay the amounts underpaid will provide two options, one of which may be selected by the member:
 - ❖ Option 1 – equal installments deducted from the member’s pay (in addition to the contributions otherwise required of the member), in accordance with the allowable repayment methods. If the member’s employment terminates during the payment period, the member shall be liable for all remaining unpaid amounts, which may be deducted from any amounts StanCERA owes the member, if the member does not make a lump sum payment.
 - ❖ Option 2 – lump sum payment to StanCERA for the full amount underpaid, during the underpayment period.

- e. The letter and agreement to repay underpayment will provide that Option 1 will go into effect by default if a written response from the member is not received within 30 days following the date the letter was delivered.
2. StanCERA may pursue all remedies to collect underpayments.
3. Upon the death of the member, before full repayment has been made, StanCERA shall pursue all remedies to collect underpayments.
4. StanCERA will maintain a permanent record of all amounts of underpayments and the repayment to StanCERA of those underpayments.

4.13. Amended 02/25/2014

4.13. Amended xx/xx/xxxx

4.14. REMEDIES FOR DEFERRED MEMBER CONTRIBUTION ERRORS

Whenever an error is found in a member's contribution amount from payroll contributions after the member has terminated their employment, the Executive Director shall correct the error as soon as is reasonable following StanCERA's discovery of the error.

OVERPAYMENT OF CONTRIBUTIONS BY MEMBER

StanCERA shall take all reasonable steps to reimburse the full amount of overpayments made by the member. The overpayment will be reimbursed to the member by a check from StanCERA.

If a member, who overpaid contributions, has died prior to payment of the lump sum amount due to the member, the following procedures will be followed:

1. Member With Designated Beneficiary

- ❖ If the member has named a designated beneficiary, the payment will be made directly to the designated beneficiary. *See CERL Section 31452.7.*

2. Member Without Designated Beneficiary

- ❖ If there is an open estate (i.e., no order for final distribution yet), payment will be made to the estate (through the personal representative).
- ❖ If final distribution of the estate has already been made, StanCERA will review the order for final distribution to determine how assets that were unknown at the time of final distribution are to be distributed under the order. Payment will then be made in compliance with the order for final distribution, if possible.
- ❖ If an estate was not established, distribution will be made in accordance with any applicable and valid Affidavit for Payment of Personal Property on file with StanCERA. *See Probate Code Section 13101.*
- ❖ StanCERA shall make reasonable efforts to locate the person(s) entitled to payment by sending a letter by certified mail, return receipt requested, to the last known address of each such person, or by other means of similar

intended effect. The letter shall request written confirmation that the person entitled to payment still lives at that address and will accept payment. Upon receipt of such written confirmation, the payment will be mailed to that person at that address. *See CERL Section 31783.5(b).*

- ❖ If, after taking the above steps, StanCERA has not been able to locate the person entitled to payment, StanCERA shall hold the funds on behalf of that person for five (5) years. If the funds are not claimed within five (5) years, the funds may be transferred into the system's pension reserve fund. If someone later appears to claim the funds, the Board will consider such claims on a case-by-case basis. *See CERL Section 31783.5(c).*
- ❖ StanCERA will maintain a permanent record of all amounts of outstanding refunds of overpayments and any amounts that have been transferred into the pension reserve fund.
- ❖ In cases where there is no designated beneficiary and the total amount of overpayment is less than \$50 (fifty), StanCERA need not take proactive measures to locate the person(s) entitled to such funds. All claims presented to StanCERA, however, will be considered regardless of size.
- ❖ Overpayments of \$5 (five) or less will only be refunded at the request of the beneficiary.

UNDERPAYMENT OF CONTRIBUTIONS BY MEMBER

StanCERA shall take all reasonable steps to recover the full amount of underpayment of contributions by member.

StanCERA will allow the following repayment methods:

1. Lump sum payment from member,
2. Monthly over-the-counter payments collected in like manner and over the same time period error occurred, or up to twice the amount of time period, not to exceed five (5) years, as the error occurred,
3. Rollover or Trustee-to-Trustee transfer from a qualified pre-tax plan.

In cases where there is no evidence that the underpayment resulted from fraud or dishonest conduct by the member, StanCERA will only seek recovery of amounts underpaid by the member for the four (4) years immediately before the error was corrected. Considering all relevant factors (including collection issues and principles of equity), the Board finds that seeking only four (4) years of underpayments under those circumstances constitutes "reasonable steps" to recover the full amount of the underpayments.

In cases where there is evidence that the underpayment resulted from fraud or dishonest conduct by the member, the Board reserves all rights to seek all amounts underpaid, plus the maximum amount of recoverable interest under law. *See CERL Section 31539.* The Board shall determine whether the member engaged in fraud or dishonest conduct based on all of the facts available to it.

The Board adopts the following procedures for accomplishing the recovery of underpaid benefits:

1. Upon discovery of an underpayment, StanCERA shall send a letter by certified mail, return receipt requested, to the member advising the member of the underpayment and proposing a repayment schedule, as follows:
 - a. The letter will identify the circumstances of the underpayment.
 - b. The letter will request payment to StanCERA of the past amount underpaid, subject to the provision of these Bylaws.
 - c. The letter will include an agreement to pay the amounts.
 - d. The agreement to pay the amounts underpaid will provide two options, one of which may be selected by the member:
 - ❖ Option 1 – equal installments paid over-the-counter to StanCERA, over the same length of time that the underpayments occurred not to exceed 5 years. If the member ceases the over-the-counter payments during the payment period, the member shall be liable for all remaining unpaid amounts, which may be deducted from any amounts StanCERA owes the member, if the member does not make a lump sum payment.
 - ❖ Option 2 – lump sum payment to StanCERA for the full amount underpaid, during the underpayment period.
 - e. The letter and agreement to repay underpayment will provide that Option 1 will go into effect by default if a written response from the member is not received within 30 days following the date the letter was delivered.
2. StanCERA may pursue all remedies to collect underpayments.
3. Upon the death of the member, before full repayment has been made, StanCERA shall pursue all remedies to collect underpayments.
4. StanCERA will maintain a permanent record of all amounts of underpayments and the repayment to StanCERA of those underpayments.

4.14. Amended xx/xx/xxxx Upon termination--Section 31628.

Upon rescission of deferred status--Section 31701.

Upon transfer to STRS--Section 31565.

Upon cancellation of a disability allowance--Section 31737.

Upon death--Sections 31781, 31760.1, 31700.11, 31761.

Upon a non-County employer's withdrawal--Section 31564. Article IV Amended 08/26/03

Article 4 amended 12/04/2007

Article 4 Amended 11/23/2010

Article 4 Amended 02/25/2014

Article 4 Amended xx/xx/xxxx

ARTICLE 5 - SERVICE RETIREMENT

5.1. APPLICATION

In addition to the provisions of the 1937 Act pertaining to service retirement, an application for service retirement shall be deemed complete when the following have been complied with:

- A. Completed application has been made to the Retirement Board in care of the Executive Director.
- B. All documents required by the 1937 Act and these Bylaws have been properly completed and submitted including: a certified proof of marriage or registered domestic partnership, a copy of certified proof of birth of the beneficiary, and/or minor children, social security number of the beneficiary and current Social Security benefit estimate (current within one (1) year).for all members with any Tier 3 service.
- C. If member has ever had a spouse during this employment and is no longer married to that spouse, the member must submit proof of division, non-interest regarding division of community property and death certificate in relation to StanCERA retirement benefits.

Pursuant to Government Code Section 31672, a member's retirement date cannot be effective earlier than the date the official retirement application is filed with the Retirement Board, and not more than 60 days after filing the application.

5.1. Amended 02/25/2014

5.1. Amended xx/xx/xxxx

5.2. RETIREMENT BOARD APPROVAL REQUIRED

All service retirements will be approved by the Retirement Board pursuant to Government Code Section 31670.**5.3. ANNUITY CERTIFICATES**

Prior to the first payment of the retirement allowance, each member shall be provided with a document indicating the amount of his/her retirement allowance for the unmodified and optional methods of payments. This document shall provide for the signature of the member indicating the member's choice as to the option of allowance desired and shall constitute the annuity certificate referred to in the 1937 Act.

5.3. Amended xx/xx/xxxx

Article 5 Amended 07/02/2002

Article 5 Amended 12/04/2007

Article 5 Amended 02/25/2014

Article 5 Amended xx/xx/xxxx

ARTICLE 6 - SERVICE

6.1. SERVICE CREDIT

Credit shall be given for each period of regular service rendered by a member for compensation. Overtime hours are excluded from regular service. A fractional year of service shall be determined as follows:

- A. Monthly salaried employees on the basis of twelve (12) months per year (173.33 hours).
- B. Per diem employees on the basis of two hundred sixty (260) days per year.
- C. Hourly employees on the basis of two thousand eighty (2,080) hours per year.
- D. Credit shall be given court reporters for each period of service for which a contribution is made to the retirement system.

No credit shall be given for more than one (1) year of service in any twelve (12) month period.

6.1. Amended xx/xx/xxxx

Article 6 Amended 07/02/2002

Article 6 Amended 12/04/2007 Article 6 Amended xx/xx/xxxx

ARTICLE 7 - COMPENSATION EARNABLE AND PENSIONABLE COMPENSATION

7.1. COMPENSATION EARNABLE

Computed pursuant to Government Code Section 31461.

Average compensation shall be defined as all pay including allowances and pay related to special skills, knowledge or shift work. Average compensation excludes overtime, bonuses, any specific reimbursement such as for travel or professional development and excludes leave accrual payments upon termination or in excess of maximum allowable in-service payments by the employer as stated in the Auditor-Controller's earnings table from which retirement contributions are made and as approved by the Board of Supervisors (or like pay for non-County employers). Average compensation for Tier 6 members shall be base pay only.

7.1. Amended 02/25/2014

7.2 PENSIONABLE COMPENSATION

Pensionable Compensation is a term defined in State Retirement Law and is associated with new public employees (retirement system members) hired on or after January 1, 2013. Pensionable Compensation defines what can and cannot be used in the calculation of a member's retirement benefit. Please see Government Code Section 7522.34 of the California Public Employees' Pension Reform Act of 2013 for a complete definition of Pensionable Compensation.

7.2. Amended xx/xx/xxxx

7.3. COURT REPORTERS

Court Reporters' compensation earnable shall be computed pursuant to Government Code Section 70047.1.

7.3. Amended xx/xx/xxxx

7.4. AVERAGE MONTHLY FINAL COMPENSATION

A. One-Year Average

Pursuant to Government Code Section 31462.1, average monthly final compensation is computed as the member's compensation over a one-year period for Tiers 1, 4 and 5. This is 2,080 consecutive hours for members paid on an hourly basis and for members normally paid eighty (80) hours biweekly.

Members who are paid biweekly but on hourly schedules other than eighty (80) hours biweekly will have their average monthly final compensation for a one-year period computed by taking the member's hourly schedule over consecutive twenty-six (26) biweekly pay periods based upon the member working the full schedule or the equivalent of such schedule.

Members who are paid on a semi-monthly basis will have their average monthly final compensation for a one-year period computed by taking the member's semi-monthly schedule over consecutive twenty-four (24) semi-monthly pay periods based upon the member working the full schedule or the equivalent of such schedule.

Members who are paid on a monthly basis will have their average monthly final compensation for a one-year period computed by taking the member's monthly schedule over consecutive twelve (12) monthly pay periods based upon the member working the full schedule or the equivalent of such schedule.

The monthly final average compensation will be the total of the above divided by twelve (12).

B. Three-Year Average

Pursuant to Government Section Code 31462, average monthly final compensation is computed as the member's compensation over a three-year period for Tiers 2,3 and 6. This is consecutive 6,240 hours for members paid on an hourly basis and for members normally paid eighty (80) hours biweekly. Members who are paid biweekly, but on hourly schedules other than eighty (80) hours biweekly, will have their average monthly final compensation for a three-year period computed by taking the member's hourly schedule over consecutive seventy-two (72) biweekly pay periods based upon the member working the full schedule or the equivalent of such schedule.

Members who are paid semi-monthly will have their average monthly final compensation for a three-year period computed by taking the member's semi-monthly schedule over consecutive seventy-two (72) semi-monthly pay periods based upon the member working the full schedule or the equivalent of such schedule.

Members who are paid monthly will have their average monthly final compensation for a three-year period computed by taking the member's monthly schedule over consecutive thirty-six (36) monthly pay periods based upon the member working the full schedule or the equivalent of such schedule.

The monthly final compensation will be the total of the above divided by thirty-six (36).

7.4 . Amended 02/25/2014

7.4. Amended xx/xx/xxxx

Article 7 Amended 07/02/2002

Article 7 Amended 12/04/2007

Article 7 Amended 02/25/2014

Article 7 Amended xx/xx/xxxx

ARTICLE 8 - AMENDMENTS AND REPEALS

8.1. AMENDMENTS

The Retirement Board may, as it deems necessary and desirable, by an affirmative vote of five (5) members, amend these Bylaws to be effective when approved by the Stanislaus County Board of Supervisors.

8.1. Amended 02/25/2014

8.1. Amended xx/xx/xxxx

8.2. REPEALS

All former Bylaws and amendments thereto are hereby repealed. The foregoing regulations become effective when approved by the Board of Supervisors as provided by Government Code Section 31525.

8.2. Amended 02/25/2014

8.2. Amended xx/xx/xxxx

8.3. BYLAWS REVIEW

The Bylaws shall be reviewed by a committee appointed by the Chair of the Retirement Board and revisions and/or amendments brought before the Board on or before December 31st at each odd year, or as needed.

8.3. Amended 02/25/2014

Article 8 Amended 07/02/2002

Article 8 Amended 02/25/2014

Article 8 Amended xx/xx/xxxx

ARTICLE 9 - CLAIMS FOR DISABILITY RETIREMENT

9.1. DEFINITIONS

In this article, unless the context or subject matter otherwise requires:

- A. "Executive Director" means the StanCERA Retirement Administrator or designee of Executive Director.
- B. "Applicant" means a person, Stanislaus County, a contracting district or other legally authorized entity claiming benefits, rights, or privileges under the County Employees Retirement Law of 1937, section 31450, et seq. of the California Government Code (hereinafter "the 1937 Act").
- C. "StanCERA" means the Stanislaus County Employees' Retirement Association.
- D. "Retirement Board" means the StanCERA Board of Retirement.
- E. "Party" means any person disclosed by the records of the retirement system or by the application to have an interest in any subject matter including the applicant and the subject employee.
- F. "Referee" means a person appointed by the Retirement Board to make a determination pursuant to Section 31533 of the Government Code. A referee may also be referred to as a "Hearing Officer".
- G. "Subject employee" means the member of the retirement system on behalf of whom an application is filed.
- H. "Disability" or "disabled" means the subject employee's permanent physical and/or mental inability to substantially perform his or her usual job duties, with or without accommodations.
- I. "Accommodations" means an agreement by the subject employee's employer, either Stanislaus County or contracting district, to modify the regularly assigned duties and/or work environment as necessary to allow the subject employee to continue to work within the limitations established by medical evidence.
- J. "Pending" file status refers to an application which has been filed with the Executive Director's office but which cannot be processed because requisite documentation and/or information (e.g., medical records, medical reports, job descriptions, employer information, completed questionnaires, etc.) has not been received by the Executive Director's office.
- K. "Active" file status refers to an application, which has been filed with the Executive Director's office and for which the Executive Director's office has received all requisite documentation and/or information necessary to process it. A "pending" file becomes "active" as of the date on which the last requisite documentation and information is received by the Executive Director's office. Any time limits or file status dates will use the date the file becomes "active" as a reference date.

9.1. Amended 02/25/2014

9.1. Amended xx/xx/xxxx

9.2. FILING AND AMENDMENT OF APPLICATIONS

- A. A claim for disability retirement shall be made by filing with the Executive Director's office a completed application on a form approved by the Retirement Board for that purpose together with all information required in Section 9.3 of these Bylaws. Upon the filing of an application, the Executive Director shall serve the applicant with a copy of this article. Upon receipt of all

requisite information and documentation, the Executive Director shall review and investigate the matter and issue a recommendation to the Retirement Board pursuant to the provisions of this article.

- B. If during the pendency of an application there is any change in any of the facts or claims set forth in the application, or any information submitted pursuant to Section 9.3 of these Bylaws, the applicant shall immediately file with the Executive Director's office and serve on all interested parties written notice of the change. Upon the filing of such notice with the Executive Director's office, the application shall be deemed amended accordingly.
- C. In the event that the applicant modifies the basis of his / her claim for disability benefits, or changes the application from a claim for non-service to a claim for service-connected disability benefits, the date of that applicant's active filing date will be amended to reflect the later date upon which the Executive Director's office receives the additional information or modified claim. Failing to file an accurate or fully complete application form or failing to timely amend an already active application form may, at the discretion of the Retirement Board or referee, preclude the applicant from asserting or introducing evidence of the omitted or changed fact(s) or claim(s).
- D. An applicant may file an application for non-serviceconnected disability benefits and/or serviceconnected disability benefits. If the applicant files an application for serviceconnected disability benefits only and the Retirement Board finds that the subject employee is disabled, but not on a serviceconnected basis, upon application the subject employee, if eligible, shall be retired for non-serviceconnected disability.

9.2. Amended 02/25/2014

9.2. Amended xx/xx/xxxx

9.3. DOCUMENTS TO BE COMPLETED AND FURNISHED BY APPLICANT

- A. The following documents must be furnished to the Executive Director's office by the applicant in connection with the initial disability application.
 - 1. Completed Application for Disability Retirement.
 - 2. Responses to Disability Retirement Questionnaire, signed, under penalty of perjury.
 - 3. Duly executed authorizations for release of employment/workers' compensation information, medical information, and, if applicable, psychiatric information.
 - 4. Third party claims form.
 - 5. IME missed appointment form.
 - 6. Completed Treating Physician's Statement.
 - 7. Pursuant to Government Code Section 31722, if member applies for disability retirement four (4) or more months after date of termination, member shall include a letter from treating physician stating member has remained permanently disabled since date of termination.
 - 8. Employer's Job Task Analysis.

9. Employer's Job Description.

10. All other relevant medical reports and other relevant evidence the applicant would like the Retirement Board to consider.

11. Statement signed under penalty of perjury by the applicant that the materials provided are all the materials available in relation to the claim for disability benefits.

The responses on the Disability Retirement Questionnaire shall be provided under penalty of perjury and the applicant shall sign and attach to his / her responses, the signature page, which StanCERA provides with the questionnaire. If the responses are not returned with the appropriate signature page, they shall be deemed not to have been filed and shall be returned to the applicant with additional instructions.

B. At any time during the pendency of an application, the Executive Director, the Retirement Board, or counsel for the Executive Director may, by written notice to the applicant, request that the applicant serve within thirty (30) days, or such further time as may be designated, any or all of the following items:

1. . Copies of all other documents upon which the applicant relies in support of the application.
2. . A narrative physician's report of the subject employee's current medical condition.
3. Sworn written responses to written questions concerning any matter, which is either relevant to the subject matter of the application or is reasonably calculated to lead to the discovery of evidence, which would be admissible at hearing including, but not limited to , the subject employee's medical history, employment history, current medical condition, and current employment status.

C. The Executive Director and/or the Executive Director's counsel shall, in their sole and complete discretion, independently obtain copies of all of the applicant's medical records, employment records, and other relevant documents. However, in no event shall the applicant be relieved of his or her strict obligation to file and/or furnish to the Executive Director's office all medical records and necessary documents described in this section 9.3. StanCERA shall bear the costs incurred by the Executive Director and/or the Executive Director's counsel in independently obtaining copies of relevant documents. The applicant shall bear the costs he or she incurs in obtaining copies of documents filed and/or furnished by him or her in connection with the application.

9.3. Amended 02/25/2014

9.3. Amended xx/xx/xxxx

9.4. MEDICAL AND PSYCHIATRIC EXAMINATIONS

A. At any time during the pendency of an application, the Executive Director, the Retirement Board, or counsel for the Executive Director may, by written notice to the applicant (and to the subject employee if the application was filed on behalf of the employee), request that the subject employee submit within thirty (30) days, or such further time as may be designated, to one or more medical examinations by physicians designated by the requesting party at the times and places specified in the notice of the examination(s). As used in this article, the words "medical" and "physician" include, but not limited to , duly licensed medical doctors, osteopathic doctors, psychologists, chiropractors, and other legally recognized practitioners

of the healing arts.B. StanCERA shall bear the fees charged by the examining physician(s) in connection with any examination conducted pursuant to this section. Notwithstanding the foregoing, in the event the subject employee fails to timely appear for a duly noticed medical examination, he or she shall be liable for any cancellation fee or other fee charged by the physician in connection with the subject employee's failure to appear. In the event the subject employee is; thereafter, granted disability benefits, such cancellation fee may be charged against said benefits.

9.4. Amended 02/25/2014

9.4. Amended xx/xx/xxxx

9.5. DISCOVERY AVAILABLE

In addition to any form of discovery available, pursuant to this article, at any time during the pendency of the application, any interested party shall be entitled to any of the discovery procedures prescribed by the Code of Civil Procedure, provided that such discovery is limited to the subject matter of the application. All forms of discovery authorized by this article and all remedies and procedures related thereto, shall be available in conjunction with any disability re-evaluation under Government Code Section 31729.

9.5. Amended xx/xx/xxxx

9.6. APPLICANT'S FAILURE TO FURNISH DOCUMENTS, INFORMATION, OR FAILURE TO SUBMIT TO MEDICAL EXAMINATION

- A. If the applicant and/or the subject employee fails or refuses to comply with any request pursuant to section 9.3 within the time provided, or if the requesting party deems that a further response is required, or if the subject employee fails or refuses to appear for any medical examination pursuant to section 9.4 or fails or refuses to cooperate with an examining physician, or if the applicant and/or the subject employee otherwise fails or refuses to comply with any discovery request, the requesting party may move the Retirement Board for an order to compel compliance with the request.
- B. Such a motion shall be made by filing with the Retirement Board and serving on all interested parties a copy of the written request and proof of service thereof, a copy of the response, if any, and a statement of the facts and arguments supporting the motion. Upon the filing of such a motion, the Executive Director or the Executive Director's counsel shall set a hearing thereon either before the Retirement Board or a referee and serve all interested parties with notice thereof. Said motion shall be heard no sooner than 30 days after notice thereof is served on all interested parties. No later than five (5) days before the date set for hearing, any interested party may file and serve written opposition to the motion. After hearing the motion, the Retirement Board or referee shall rule thereon and serve notice of its order on all interested parties.
- C. If the applicant and/or the subject employee fails or refuses to obey an order of the Retirement Board or referee made pursuant to this section, the Retirement Board may upon the further motion of the requesting party (notice of which shall be given pursuant to paragraph 9.6.B., above) take any further action which it determines to be just and reasonable, including, but not limited to, precluding the applicant and/or the subject employee from asserting or introducing evidence of specified facts or claims, deeming specified facts or claims to be admitted, or dismissing the application with or without prejudice.

9.6. Amended 02/25/2014

9.7. DOCUMENTS AND INFORMATION TO BE FURNISHED BY EMPLOYER

At any time during the pendency of an application, the Executive Director, the Retirement Board, or counsel for the Executive Director may issue a written request to the subject employee's department head, supervisor(s), co-workers, personnel department or the risk management department seeking information regarding the subject employee's job duties, illness or injury and other pertinent data. The department head or other designated person(s) shall provide, or direct the provision of, the necessary data in written form to the requesting party within ten (10) days of receipt of the request.

9.7. Amended 02/25/2014

9.8. COMMUNICATION WITH INDIVIDUAL RETIREMENT BOARD MEMBERS

The members of the Retirement Board act as judge and jury in all disability retirement hearings. As such, once an application for disability benefits is filed, communications between individual Retirement Board members and interested parties or their representatives concerning any issue pertaining to the application, are forbidden until such time as the Retirement Board issues its final written decision. Any violation of this section may result in the Retirement Board member being found ineligible to participate in any discussion regarding the application, or to vote on the disability application.

9.9. RIGHT TO COUNSEL

- A. Any applicant is entitled, at his/her/its expense, to be represented by legal counsel at any and all stages of the proceedings. If the applicant decides to retain legal counsel, he/she/it must immediately file, with the Executive Director's office, a written notice designating his/her/its counsel and providing the name, address and telephone number of said counsel. Absent such written designation, StanCERA is not obligated to recognize any party claiming to represent an applicant.
- B. In all matters pertaining to disability retirement, the Executive Director is entitled to be represented by legal counsel chosen by the Retirement Board. In addition, the Retirement Board shall be entitled to representation by legal counsel of its choosing.

9.9. Amended 02/25/2014

9.10. STIPULATIONS OF OTHER ENTITIES NOT BINDING

No stipulation, agreement, understanding, act or omission on behalf of the County of Stanislaus or on behalf of a contracting district by an officer, employee, or agent of the County of Stanislaus or of a contracting district in a worker's compensation or any other proceeding to which neither the Retirement Board nor StanCERA is a party, shall be binding upon the Retirement Board or StanCERA insofar as such stipulation, agreement, understanding, act or omission may be asserted to relate to disability retirement or the disposition of a particular application for disability retirement, unless such stipulation, agreement, understanding, act or omission has previously been approved by the Retirement Board through a duly adopted motion, which has been recorded in the official minutes of the Retirement Board. The provisions of this section shall not be deemed to constitute a new policy, but rather a formalization and

continuation of an existing unwritten policy, which has been in effect during the life of StanCERA.

9.10. Amended xx/xx/xxxx

9.11. ADMINISTRATIVE RECOMMENDATION

- A. After reviewing the application, and all other documents and information obtained in connection therewith and conducting any necessary investigation, the Executive Director shall make an appropriate recommendation to the Retirement Board. The recommendation may consist of one or more of the following:
1. "Grant serviceconnected disability retirement" where the Executive Director determines that the applicant has proved by a preponderance of the evidence all the elements legally necessary to entitle the subject employee to service-connected disability retirement.
 2. "Deny serviceconnected disability retirement" where the Executive Director determines that the applicant has clearly failed to establish one or more of the elements legally necessary to entitle the subject employee to service-connected disability retirement.
 3. "Grant non-serviceconnected disability retirement" where the Executive Director determines that the applicant has proved by a preponderance of the evidence all elements legally necessary to entitle the subject employee to non-service-connected disability retirement.
 4. "Deny non-serviceconnected disability retirement" where the Executive Director determines that the applicant has clearly failed to establish one or more of the elements legally necessary to entitle the subject employee to non-serviceconnected disability retirement.
 5. "Refer for hearing" where the Executive Director determines that there is substantial evidence to support the disability claim, but the evidence does not, in the Executive Director's opinion, prove by a preponderance of the evidence all the elements necessary to grant the disability claim.
- B. The Executive Director's recommendation to the Retirement Board shall be made at a Retirement Board meeting after placing the matter on the agenda of a Retirement Board meeting.

9.11. Amended 02/25/2014

9.11. Amended xx/xx/xxxx

9.12. PROCEDURE UPON ADMINISTRATIVE RECOMMENDATION

With respect to each application for which the Retirement Board has received an administrative recommendation pursuant to section 9.11, the Retirement Board shall at the first meeting where the matter properly appears on its agenda take the following action or any other action that the Retirement Board may deem appropriate: grant the disability retirement; deny the disability retirement; remand the application to the Executive Director for further investigation; or refer any or all issues for hearing.

9.12. Amended 02/25/2014

9.13. REQUEST FOR HEARING

Whenever the Retirement Board denies an application for serviceconnected or non-serviceconnected disability retirement without a hearing, the applicant shall, upon request, be entitled to a hearing before the Retirement Board, or before a referee appointed by the Retirement Board. Any such request for hearing shall be in writing and shall be made within thirty (30) days after notice of the Retirement Board's action denying the application is mailed by certified or registered mail to the applicant or to his / her counsel, if the applicant is represented by counsel. A request for hearing shall be deemed made on the date mailed if mailed by certified or registered mail, on the date postmarked if mailed by first class mail and actually received by StanCERA, or on the date actually received by StanCERA, whichever is earlier.

9.13. Amended 02/25/2014

9.13. Amended xx/xx/xxxx

9.14. SETTING FOR HEARING

A. If the Retirement Board determines that a matter is to be set for hearing, the matter shall be heard by a referee unless the Retirement Board moves to hear the matter itself. If the Retirement Board determines that the matter shall be heard by a referee, the Executive Director shall notify Executive Director's counsel who shall promptly schedule a hearing, taking into consideration the availability of a qualified referee, the availability of witnesses for the parties, and any other matter necessary and appropriate for the hearing. The Executive Director's counsel shall give written notice of the date, time and place of the hearing to all interested parties at least 30 days in advance of the scheduled hearing, unless otherwise stipulated by all interested parties.

B. The Executive Director shall maintain a list of retired judges or qualified licensed *attorneys* who are approved by the Retirement Board and who are available to serve as hearing referees. The Executive Director shall appoint the referee for each hearing by determining which person on the list served last and selecting the person next in order. In the event the person next in order declines to serve as referee or is unavailable to serve within a reasonable period of time, the Executive Director shall appoint the person on the list next in order. The notice of hearing shall include the identity of the person appointed as referee. Any interested party may promptly object in writing to the appointment of a particular referee. If said written objection is not filed with the Executive Director's office at least 10 days prior to the date first set for hearing, any such objection shall be waived. In the event such objection is timely filed, the Executive Director shall appoint as referee the person next in order on the referee list.

C. Upon stipulation by the interested parties or upon a showing of good cause, the referee or the Retirement Board may continue a hearing to a new date.

D. The party requesting the continuance shall bear all costs relating to the continuance unless good cause is shown to the referee or to the Retirement Board. Such costs include, but not limited to, referee fees, court reporter fees, witness fees, and any other costs, fees and expenses incurred by the Retirement Board, by anyone on behalf of StanCERA or by any other interested party as a result of the continuance.

9.14. Amended 02/25/2014

9.14. Amended xx/xx/xxxx

9.15. HEARING PROCEDURES

- A. Every hearing before a referee shall be reported by a certified shorthand reporter, and every hearing before the Retirement Board shall be electronically recorded.
- B. At any hearing, any interested party may be represented by legal counsel, at his/her/its own cost.
- C. The referee or, with respect to hearings before the Retirement Board, the Chair or the Chairm's designee, shall exercise such control over the hearing as is reasonable and necessary including, but not limited to,
 - I prescribing the order of proof, ruling upon the admissibility of evidence, ordering medical examinations; requiring the additional relevant evidence be gathered and presented; questioning witnesses, and determining whether the matter shall proceed or be adjourned subject to continuation.
- D. Except as otherwise provided in this Article, any relevant evidence shall be admitted if it is the sort of evidence on which reasonable and responsible persons are accustomed to rely in the conduct of serious affairs regardless of the existence of any common law or statutory rule, which might make improper the admission of such evidence over objections in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence, but shall not be sufficient in and of itself to support a finding unless it would be admissible over objection in civil actions.
- E. Oral evidence shall be taken only on oath or affirmation.
- F. On any relevant matter, each interested party shall have the right to call and examine witnesses, introduce documentary and other physical evidence, and cross-examine opposing witnesses. Any interested party who does not testify on his own behalf may be called and examined as a witness, as if, under cross-examination.
- G. Refusal of the applicant or subject employee to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purpose of that hearing to be answered in a way unfavorable to the refusing party.
- H. The production of medical evidence, in the form of written reports, is favored. Such reports should include the following:
 - 1. A history of the subject injury or illness;
 - 2. The subject employee's prior and subsequent medical history;
 - 3. The subject employee's current subjective complaints;
 - 4. The findings upon examination;
 - 5. The nature and extent of disability;
 - 6. The anticipated nature and extent of further treatment or care;
 - 7. Whether or not the subject employee has a disability, which permanently incapacitates him/her from performing his/her usual and customary job duties, and the basis for that opinion, including the specific job duties for which he/she is incapacitated and the specific

medical conditions, which so incapacitate him/her.

I. Any interested party may offer, and the Retirement Board or referee shall receive in evidence, medical records and reports, provided that copies of the said documents have been served on all other interested parties at least fifteen (15) days prior to the hearing, along with written notice of intention to offer the said documents into evidence. Any other interested party may subpoena the author of such a medical report or record as a witness and examine him/her as if under cross-examination.

J. Any interested party may offer, and the referee or Retirement Board shall receive, into evidence the written statement of any non-medical witness provided that:

1. It is made by affidavit or by declaration under penalty of perjury; and,
2. A copy has been served on all interested parties at least fifteen (15) days prior to the hearing along with notice of intention to offer the same into evidence.

K. Any interested party may offer, and the Retirement Board or referee shall receive into evidence the deposition of any witness subject to the objections available under Code of Civil Procedure Section 2025.010 et seq., notwithstanding that the deponent is not "unavailable as a witness" within the meaning of Section 240 of the Evidence Code, and no exceptional circumstances exist if:

1. The deposition was taken in the manner provided for by law or by stipulation of the parties; and
2. At least fifteen (15) days prior to the hearing the proponent of the deposition delivered to all

interested parties notice of intention to offer the same into evidence. Any interested party upon receiving such notice may subpoena the deponent and, if he does so, at the discretion of the Retirement Board or referee, either the deposition may be excluded from evidence or the deposition may be admitted and the deponent may be further cross-examined by the party who subpoenaed him/her.

L. For the purposes of this article, "service" of a document or notice may be accomplished manually or by mail in the manner provided by section 9.21. If delivery is by mail, the times prescribed in this Article for delivery of documents and notices shall be increased by five (5) days.

9.15. Amended 02/25/2014

9.15. Amended xx/xx/xxxx

9.16. DECISION OF THE REFEREE

A. When a hearing is held before a referee, the referee shall prepare, in writing, proposed findings of fact and a recommended decision and reasons therefore.

B. Within forty-five (45) days after the matter is submitted, the referee shall file with the Executive Director's office his / her proposed findings of fact and recommended decision, which shall include those documents received into evidence. Simultaneously therewith, he / she shall serve the proposed findings of fact and recommended decision on all interested parties. The referee shall not be entitled to remuneration for his services until the aforesaid documents have been filed and served. For the purposes of this section, a matter is considered "submitted" on the last day of the hearing, unless the referee, for good cause, orders otherwise.

- C. In the absence of good cause, as determined by the referee, any post hearing briefs or other pleadings shall be filed with the Executive Director's office and served on the referee and on all interested parties within twenty (20) days of the last day of the hearing. The filing of post hearing briefs shall not extend the date the matter is submitted.
- D. Upon the service of the referee's proposed findings of fact and recommended decision, the interested parties shall have ten (10) days to submit objections thereto by filing the same with the Retirement Board and serving the same on all interested parties whereupon the said objections shall be incorporated in the record to be considered by the Retirement Board.

9.16. Amended 02/25/2014

9.16. Amended xx/xx/xxxx

9.17. ACTION BY THE RETIREMENT BOARD UPON REFEREE'S DECISION

- A. Upon receiving the proposed findings of fact and recommendation of the referee, the Retirement Board may:
1. Approve and adopt the proposed findings and recommendation of the referee; or
 2. Require a transcript or summary of all the testimony, plus all other evidence received by the referee. Upon the receipt thereof, the Retirement Board shall take such action as in its opinion is indicated by such evidence; or
 3. Refer the matter back with / without instructions to the referee for further proceedings; or
 4. Set the matter for hearing before itself. At such hearing, the Retirement Board shall hear and decide the matter as if it had not been referred to a referee.
- B. Upon approving and adopting the referee's decision or any subsequently modified decision, thereof, the Retirement Board shall comply with Subsection 9.18(C).

9.17. Amended 02/25/2014

9.17. Amended xx/xx/xxxx

9.18. HEARINGS BEFORE THE RETIREMENT BOARD

- A. Five (5) members of the Retirement Board constitute a quorum for the making of any decision at a hearing held pursuant to the provisions of this Article. No findings of fact or decision by the Retirement Board shall be valid unless:
1. A majority of all members present; or
 2. Four (4) members, whichever is greater, concur therein.
- B. When a hearing is held before the Retirement Board, the Retirement Board shall, no later than the second regular meeting following the meeting at which the matter is submitted, determine all material issues and shall incorporate such determinations in a written decision and findings of fact.
- C. Within ten (10) days following the date the Retirement Board renders its decision and findings of fact, the Retirement Board shall serve all interested parties with a copy of the same together with

a notice of the right to judicial review of the Retirement Board's decision as set forth in Section 9.20.

9.18. Amended 02/25/2014

9.18. Amended xx/xx/xxxx

9.19. DATE OF FINAL DECISION AND NOTICE THEREOF

The decision of the Retirement Board shall be final on the date notice; thereof, is mailed to the applicant by first class mail, postage prepaid, including a copy of the affidavit or certificate of mailing. A copy of the decision along with the affidavit or certificate of mailing shall simultaneously be mailed to the subject employee, if other than the applicant, and to all other interested parties and their respective counsel.

9.19. Amended 02/25/2014

9.19. Amended xx/xx/xxxx

9.20. JUDICIAL REVIEW OF RETIREMENT BOARD DECISIONS

The time to seek judicial review of final Retirement Board decisions is governed by Code of Civil Procedure section 1094.6. Each notice of decision shall include a statement substantially as follows: "The time to seek judicial review (appeal) from this decision is governed by Code of Civil Procedure section 1094.6. If you disagree with this decision and wish to appeal it, you must file a petition for writ of mandate with the superior court within 90 days of the date of this notice. If you fail to do so, you will lose your right to appeal this decision".

9.20. Amended 02/25/2014**9.20. Amended xx/xx/xxxx**

9.21. SERVICE OF NOTICE

- A. Unless otherwise provided by these Bylaws or by statute, where the provisions of this Article require service of a notice, demand, request, or other written communication, service shall be made on the party on whom service is required unless the said party has filed notice of representation by counsel, in which case service shall be made upon counsel of record for that party.
- B. Where the provisions of this Article require service on "interested parties," such service shall be made on the Executive Director, on all interested parties who have appeared in the subject proceedings, and on all interested parties who have not appeared in such proceedings and have filed a request to be served with documents, which are served and filed in such proceedings. Pursuant to Government Code section 31532, unless otherwise ordered by a court of competent jurisdiction or necessary for the processing of an application, sworn statements and individual records of members shall not be disclosed by StanCERA.
- C. Unless otherwise provided in these Bylaws or by statute, the service of all notices, orders, requests, and other written communications, which are not personally served shall be effected by sealing the same in an envelope properly addressed to the party to be served and depositing the envelope in the United States mail with first class postage fully prepaid, and any applicable time limitations shall be extended in the manner prescribed by Code of Civil Procedure Section 1013.

- D. For purposes of determining the effectiveness of service on an applicant or subject employee, correspondence shall be deemed "properly addressed" if it bears the address specified on the application, or if the application has been amended, the address specified on the most recently filed amended application.

9.21. Amended 02/25/2014

9.21. Amended xx/xx/xxxx

Article 9 Amended 12/04/2007

Article 9 Amended 11/23/2010

Article 9 Amended 02/25/2014

Article 9 Amended xx/xx/xxxx

ARTICLE 10 - CLAIMS FOR BENEFITS, RIGHTS, OR PRIVILEGES OTHER THAN DISABILITY RETIREMENT

10.1. PURPOSE

The purpose of this article is to provide a procedure for acting upon applications for rights, benefits, and privileges other than applications for disability retirement under the 1937 Act to the end that applications can be expeditiously processed with a minimum lapse of time and that when a hearing is required by law, the Applicant will have notice of the hearing and an opportunity to appear before the Retirement Board and present his / her case.

10.1. Amended xx/xx/xxxx

10.2. FILING AND AMENDMENT OF APPLICATIONS

- A. A claim for rights, benefits, and privileges other than applications for disability retirement shall be made by filing with the Retirement Board a completed application, on a form approved by the Retirement Board, for that purpose, together with all facts, information, and documentation supporting such claim. Upon the filing of such an application, the Retirement Board shall serve the Applicant with a copy of this article and forward the application to the Executive Director for the Executive Director's review, investigation, and recommendation, pursuant to the provisions of this article.
- B. If, during the pendency of an application, there is any change in any of the facts or claims set forth in the application, the Applicant shall immediately file with the Retirement Board and serve on all interested parties written notice of the change. Upon the filing of such notice with the Retirement Board, the application shall be deemed amended accordingly.
- C. Failure to accurately and fully complete or timely amend an application may delay its processing or, in the discretion of the Retirement Board or referee, preclude the Applicant from asserting or introducing evidence of the omitted or changed fact(s) or claim(s).

10.2. Amended 02/25/2014

10.2. Amended xx/xx/xxxx

10.3. FURTHER INFORMATION TO BE FURNISHED BY APPLICANT

- A. At any time during the pendency of an application, the Executive Director, the Retirement Board, or the counsel for StanCERA may, by written notice to the Applicant, request that the Applicant serve, within thirty (30) days or such further time as may be designated, any or all of the following items: copies of all pertinent records and reports, copies of all other documents upon which the Applicant relies in support of the application, and sworn written responses to written inquiries concerning any matter, which is, either relevant to the subject matter of the application or is reasonably calculated to lead to the discovery of evidence, which would be admissible at hearing including, but not limited to, the subject employee's medical history, employment history, current medical condition, and current employment status.
- B. With respect to any request, pursuant to Subsection 10.2.(A), if the Applicant or subject employee fails or refuses to respond within the time allowed for response or if the propounding party deems a further response to be required, the propounding party may move the Retirement Board for an order to compel compliance with the request. Such a motion shall be made by filing with the Retirement Board and serving on all interested parties a copy of the written request and proof of service thereof, a copy of the response, if any, and a statement of the facts and arguments supporting the motion. Upon the filing of such a motion, the Executive Director shall set a hearing thereon either before the Retirement Board or a referee and serve all interested parties with notice thereof. No later than five (5) days before the date set for hearing, any interested party may file and serve written opposition to the motion. After hearing the motion, the Retirement Board or referee shall rule thereon and serve notice of the ruling on all interested parties. If the Applicant or subject employee fails or refuses to obey an order of the Retirement Board or referee made, pursuant to this subsection, the Retirement Board may take any further action upon the noticed request of any interested party, which it determines to be reasonable and just, including, but not limited to, precluding the Applicant from asserting or introducing evidence of specified facts or claims, deeming specified facts or claims to be admitted, or dismissing the application with or without prejudice.

Nothing in this Section shall be construed to limit the right of any interested party to seek judicial review of action taken by the Retirement Board or referee pursuant to this Section.

10.3. Amended 02/25/2014

10.3. Amended xx/xx/xxxx

10.4. ADMINISTRATIVE RECOMMENDATION

- A. Upon review of the application and information submitted by the Applicant, and all other relevant material, the Executive Director shall make one of the following recommendations to the Retirement Board:
1. "Grant claim for benefits" where the Executive Director determines, from all available information that there is no substantial conflict with respect to the facts necessary to grant an application for benefits, rights, or privileges.
 2. "Refer for hearing:" where the Executive Director is unable to find, from all available information, the necessary conditions to recommend granting a claim for benefits, rights, or privileges. At any time prior to hearing, the Executive Director may, in accordance with the standards set forth in Subsection 10.4, withdraw his recommendation to refer to hearing

and recommend that the claim for benefits, rights, or privileges be granted, and the Retirement Board may act, thereon, in the manner prescribed in Section 10.5 of this Article.

3. "Deny claim for benefits" where the Executive Director determines from all available information that there is no substantial evidence to support the facts necessary to grant such a benefit.

- B. The Executive Director's recommendation to the Retirement Board shall be made at a regular meeting of the Retirement Board after placing the matter on the agenda of a Retirement Board meeting.

10.4. Amended 02/25/2014

10.4 Amended xx/xx/xxxx

10.5. PROCEDURE UPON ADMINISTRATIVE RECOMMENDATION

With respect to each application, for which the Retirement Board has received an administrative recommendation, pursuant to Section 10.4, the Retirement Board shall, at the first meeting where the matter properly appears on its agenda, take the following action or any other action that the Retirement Board may deem appropriate:

- A. If the administrative recommendation is "grant claim for benefits" the Retirement Board may either grant such a claim or refer all issues for hearing.
- B. If the administrative recommendation is "refer for hearing", the Retirement Board may either refer all issues for hearing or remand to the Executive Director for further investigation.
- C. If the administrative recommendation is "deny claim for benefits", the Retirement Board may either deny such benefit, grant such benefit, or refer all issues to hearing.

10.5. Amended 02/25/2014

10.5. Amended xx/xx/xxxx

10.6. SETTING FOR HEARING

- A. If the Retirement Board determines that a matter is to be set for hearing, the matter shall be heard by a referee unless the Retirement Board moves to hear the matter itself. If the Retirement Board determines that the matter shall be heard by a referee, the Executive Director shall notify Board counsel, who shall promptly schedule a hearing, taking into consideration the availability of a qualified referee, the availability of witnesses for the parties, and any other matter necessary and appropriate for the hearing. The Executive Director's counsel shall give written notice of the date, time and place of the hearing to all interested parties at least 30 days in advance of the scheduled hearing, unless otherwise stipulated by all interested parties.
- B. The Executive Director shall maintain a list of retired judges or qualified licensed attorneys who are approved by the Retirement Board and who are available to serve as hearing referees. The Executive Director shall appoint the referee for each hearing by determining which person on the list served last and selecting the person next in order. In the event the person next in order declines to serve as referee or is unavailable to serve within a reasonable period of time, the Executive Director shall appoint the person on the list next in order. The notice of hearing shall include the identity of

the person appointed as referee. Any interested party may promptly object in writing to the appointment of a particular referee. If said written objection is not filed with the Executive Director's office at least ten (10) days prior to the date first set for hearing, any such objection shall be waived. In the event such objection is timely filed, the Executive Director shall appoint as referee the person next in order on the referee list.

- C. Upon stipulation by the interested parties or upon a showing of good cause, the referee or the Retirement Board may continue a hearing to a new date.
- D. The party requesting the continuance shall bear all costs relating to the continuance unless good cause is shown to the referee or to the Retirement Board. Such costs include, but are not limited to, referee fees, court reporter fees, witness fees, and any other costs, fees and expenses incurred by the Retirement Board, by anyone on behalf of StanCERA or by any other interested party as a result of the continuance.

10.6. Amended 02/25/2014

10.6. Amended on xx/xx/xxxx

10.7. PRE-HEARING PROCESS

- A. The Executive Director shall schedule a date for the hearing. The Retirement Board or referee may, upon stipulation by the interested parties or showing of good cause, continue a hearing to a new date. The party requesting the continuance shall bear all costs relating to the continuance, unless good cause is shown to the Retirement Board.
- B. Within thirty (30) days of the date of the hearing, the Applicant shall provide a copy of all documents and writings, which the Applicant proposes to introduce at the hearing to the Executive Director, and the Executive Director shall provide a copy of documents and writings that the Executive Director intends to introduce at the hearing to the Applicant. Any interested party may request a pre-hearing conference. The Applicant or the Executive Director may set a pre-hearing conference by serving all interested parties with written notice of the conference at least fifteen (15) days in advance. Such conferences shall be attended by all interested parties and their counsel.
- C. Any interested party shall at any time after filing of the application, be entitled to undertake discovery in the form of requests for admissions, interrogatories or depositions in the manner prescribed by the Code of Civil Procedure, provided that such discovery is limited to the matters set forth in the application.
- D. Formal discovery shall be limited to those procedures provided in this Article and the 1937 Act, except as otherwise stipulated between the parties or as authorized by the Retirement Board or referee upon a showing of good cause.

10.7. Amended 02/25/2014

10.7. Amended on xx/xx/xxxx

10.8. HEARING PROCEDURES

- A. Every hearing before a referee shall be reported by a certified shorthand reporter, and every hearing

before the Retirement Board shall be electronically recorded.

- B. At any hearing, any interested party may be represented by legal counsel, at his/her/its own cost.
- C. The referee or, with respect to hearings before the Retirement Board, the Chair or the Chair's designee, shall exercise such control over the hearing as is reasonable and necessary including, but not limited to, prescribing the order of proof; ruling upon the admissibility of evidence; ordering medical examinations; requiring that additional relevant evidence be gathered and presented; questioning witnesses; and determining whether the matter shall proceed or be adjourned subject to continuation.
- D. Except as otherwise provided in this Article, any relevant evidence shall be admitted if it is the sort of evidence on which reasonable and responsible persons are accustomed to rely in the conduct of serious affairs regardless of the existence of any common law or statutory rule, which might make improper the admission of such evidence over objections in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining any direct evidence, but shall not be sufficient in and of itself to support a finding unless it would be admissible over objection in civil actions.
- E. Oral evidence shall be taken only on oath or affirmation.
- F. On any relevant matter, each interested party shall have the right to call and examine witnesses, introduce documentary and other physical evidence, and cross-examine opposing witnesses. Any interested party who does not testify on his own behalf may be called and examined as a witness, as if, under cross-examination.
- G. Refusal of the Applicant or interested party to submit to examination or to answer relevant questions shall be grounds for considering such questions for the purpose of that hearing to be answered in a way unfavorable to the refusing party.
- H. Any interested party may offer, and the Retirement Board or referee shall receive into evidence, the deposition of any witness subject to the objections available under Code of Civil Procedure Section 2025.010 et seq., notwithstanding, that the deponent is not "unavailable as a witness" within the meaning of Section 240 of the Evidence Code and no exceptional circumstances exist if:
 - 1. The deposition was taken in the manner provided for by law or by stipulation of the parties; and
 - 2. At least thirty (30) days prior to the hearing, the proponent of the deposition delivered to all interested parties notice of intention to offer the same into evidence. Any interested party, upon receiving such notice, may subpoena the deponent and, if he does so, at the discretion of the Retirement Board or referee, either the deposition may be excluded from evidence or the deposition may be admitted and the deponent may be further cross-examined by the party who subpoenaed him. These limitations are not applicable to a deposition admissible under the terms of Section 2025.010 of the Code of Civil Procedure.
- I. For the purposes of this Section, "delivery" of a document or notice may be accomplished manually or by mail in the manner provided by Subsection 10.14. If delivery is by mail, the times prescribed in this subsection for delivery of documents and notices shall be increased by five (5) days.

10.8. Amended 02/25/2014

10.8. Amended on xx/xx/xxxx

10.9. DECISION OF THE REFEREE

- A. Where a hearing is held before a referee, the referee shall prepare, in writing, proposed findings of fact and recommended decisions and reasons therefore.
- B. Within forty-five (45) days after the matter is submitted, the referee shall file with the Retirement Board his proposed findings of fact and recommended decision, which shall include those documents received into evidence or rejected and shall serve the same on all interested parties. The referee shall not be entitled to remuneration for his services, until the aforesaid documents have been filed and served.
- C. Within ten (10) days following the service of the referee's proposed findings of fact and recommended decision, any interested party may submit objections, thereto, by filing the same with the Retirement Board and serving the same on all interested parties.

10.9. Amended on xx/xx/xxxx

10.10. ACTION BY THE RETIREMENT BOARD UPON REFEREE'S DECISION

Upon receiving the proposed findings of fact and recommended decision, the Retirement Board may:

- A. Approve and adopt the proposed findings and recommendations of the referee; or
- B. Require a transcript or summary of all the testimony plus all other evidence received by the referee and, thereupon, take such action as in its opinion is indicated by such evidence; or
- C. Refer the matter back with / without instructions to the referee for further proceedings; or
- D. Set the matter for hearing before the Retirement Board on a date within the next forty-five (45) days. At such a hearing, the Retirement Board shall hear and decide the matter as if it had not been referred to a referee.

10.10. Amended 02/25/2014 10.10. Amended on xx/xx/xxxx

10.11. HEARINGS BEFORE THE RETIREMENT BOARD

- A. Five (5) members of the Retirement Board constitute a quorum for the making of any decision at a hearing held, pursuant to the provisions of this Article. No findings of fact or decision by the Retirement Board shall be valid unless:
 - 1. A majority of all members present; or
 - 2. Four (4) members, whichever is greater, concur therein.
- B. When a hearing is held before the Retirement Board, the Retirement Board shall, no later than the second regular meeting following the meeting at which the matter is submitted, determine all material issues and shall incorporate such determinations in a written decision and findings of fact.
- C. Within ten (10) days following the date the Retirement Board renders its decision and findings of fact, the Retirement Board shall serve all interested parties with a copy of the same together with a notice of the right to judicial review of the Retirement Board's decision as set forth in Section 10.14.

10.11. Amended on xx/xx/xxxx
10.12. DATE OF FINAL DECISION AND NOTICE THEREOF

The decision of the Retirement Board shall be final on the date notice, thereof, is mailed to the subject employee by US first class mail, postage prepaid, including a copy of the affidavit or certificate of mailing. A copy of the decision along with the affidavit or certificate of mailing shall simultaneously be mailed to the applicant, if other than the subject employee, and to all other interested parties and their respective counsel.

10.12. Amended on xx/xx/xxxx

10.13. JUDICIAL REVIEW OF THE RETIREMENT BOARD'S DECISION

Judicial review of the final retirement decisions shall be subject to Code of Civil Procedure Section 1094.6. This section has been made applicable by the Retirement Board and the Stanislaus County Board of Supervisors. Following each final decision, the Executive Director shall include in the notice of decision a statement substantially as follows: "The time within which judicial review of this decision must be sought is governed by Code of Civil Procedure section 1094.6, which has been made applicable to StanCERA by the Retirement Board and the Stanislaus County Board of Supervisors. Generally, any petition or other paper seeking judicial review must be filed in the appropriate court not later than the ninetieth (90) day following the date on which this decision becomes final. Judicial review of a final decision is reviewable, pursuant to Code of Civil Procedure section 1094.5 only if the petition for writ of mandate made pursuant to Code of Civil Procedure section 1094.06 is filed within the time limits specified in latter section.

10.13. Amended 02/25/2014

10.13. Amended on xx/xx/xxxx

10.14. SERVICE OF NOTICE

- A. Unless otherwise provided by these Bylaws or by statute, where the provisions of this Article require service of a notice, demand, request, or other written communication, service shall be made on the party on whom service is required unless the said party has filed notice of representation by counsel, in which, case service shall be made upon counsel of record for that party.
- B. Where the provisions of this article require service on "interested parties," such service shall be made on StanCERA, on all interested parties who have appeared in the subject proceedings, and on all interested parties who have not appeared in such proceedings and who have filed a request to be served with documents, which are served and filed in such proceedings. Pursuant to Government Code section 31532, unless otherwise ordered by a court of competent jurisdiction or necessary for the processing of an application, sworn statements and individual records of members shall not be disclosed by StanCERA.
- C. Unless otherwise provided by these Bylaws or by statute, the service of all notices, orders, requests, and other written communications, which are not personally served, shall be effected by sealing the same in an envelope properly addressed to the party to be served and depositing the envelope in the United States mail with first class postage fully prepaid, and any applicable time limitations shall be extended in the manner prescribed by Code of Civil Procedure Section 1013.
- D. For purposes of determining the effectiveness of service on an Applicant, correspondence shall be deemed "properly addressed" if it bears the address specified on the application, or, if the application has been amended, the address specified on the most recently filed amended application.

10.14. Amended 02/25/2014

10.14. Amended on xx/xx/xxxx

Article 10 Amended 12/11/2002

Article 10 Amended 12/04/2007

Article 10 Amended 11/23/2010

Article 10 Amended 02/25/2014

Article 10 Amended xx/xx/xxxx

ARTICLE 11 - SUBPOENAS

11.1. SUBPOENAS

The Retirement Board, the Executive Director or the Referee may issue a subpoena or subpoena duces tecum in accordance with the provisions of Government Code Section 31535. The applicant or counsel, for any party, may request that a subpoena be issued by the Retirement Board, the Executive Director or the Referee for purposes related to the members' application. The applicant shall bear all costs related to subpoenas issued at the request of the applicant or their counsel.

Subpoenas shall be signed by the Chair of the Retirement Board, the Secretary of the Retirement Board, the Executive Director or the Referee.

11.1. Amended 02/25/2014

11.1. Amended on xx/xx/xxxx

Article 11 Amended 12/11/2002

Article 11 Amended 03/22/2005

Article 11 Amended 02/25/2014

Article 11 Amended xx/xx/xxxx

ARTICLE 12 – Article 12

Reviewed and No Amendments Made 12/11/2002

Repealed on 12/04/2007

ARTICLE 13 - *Article 13*

Repealed on 12/05/2006 - See Retiree Health Allowance Policy

ARTICLE 14 - CONTINUING EDUCATION AND DUE DILIGENCE VISITATIONS

14.1. NEED FOR A POLICY

In order for the Retirement Board to make prudent and responsible decisions, as required by Government Code Section 31595, the Retirement Board adopts the following policy on continuing education and due diligence visitations.

14.2. ESTABLISHMENT OF LIST AND EVALUATION OF CONTINUING EDUCATIONAL SEMINARS AND CONFERENCES

It is the Retirement Board's desire to further educate themselves and staff through a review of information attained at continuing educational seminars and conferences, and also establish an attendance list of worthwhile continuing education sponsors. To this end, the attending representatives of the Retirement Board will:

- A. Provide a summary report to the full Retirement board of information and knowledge obtained at such gathering, which is considered by that person to be of benefit to StanCERA;
- B. Provide a recommendation as to the worthiness of the information that was presented;
- C. Provide a recommendation as to future participation.

14.3. EDUCATIONAL REQUIREMENT

The Retirement Board establishes the following guidelines regarding the Education requirements for its Retirement Board members:

- A. Recommend new trustees attend at least one (1) of the following within their first (3) three-year term:
 - 1. *Principles of Pension Management*
 - 2. *Modern Investment Theory and Practice for Retirement Systems*
- B. All Board members must attend at least one (1) of the following within each of their (3) three-year terms:
 - 1. CALAPRS
 - 2. NCPERS
 - 3. SACRS
 - 4. Other Board approved event
- C. It is expected that each Board member attend thirty-six (36) hours of pension related training but at least a minimum of twenty-four (24) hours as required by PEPRA legislation.
- D. Staff will be responsible for monitoring the Retirement Board member educational hours earned and seek guidance from the Retirement Board, Educational or Governance Committee, if necessary,

regarding the allowable credit hours for all conferences or seminars attended. The information will become a matter of public record, and will be posted on the StanCERA website.

14.3. Amended 02/25/2014

14.3. Amended on xx/xx/xxxx

14.4. DUE DILIGENCE VISITATIONS OF MONEY MANAGEMENT FIRMS AND CONSULTANTS

It is the Retirement Board's desire to conduct on-site due diligence visitations of money management firms and consultants, which are currently retained or which the Retirement Board is considering. To this end, the Due Diligence Committee will:

- A. Conduct on-site due diligence visitation to at least four (4) of the investment management firms each calendar year so that each firm is visited no less than once in five (5) years. The initial due diligence visit made before or upon hiring of an investment management firm will count as a regular due diligence visit;
- B. Conduct on-site due diligence visitations of the money management and consulting firms under consideration for retainment by the Retirement Board;
- C. Conduct on-site due diligence visitation to StanCERA custodial banks, actuarial and investment consultants once every five (5) years.
- D. As part of the due diligence process in retaining a money management firm, consultants or actuary, there will be no acceptance of entertainment, travel, hotel or other type of gifts by the Retirement Board members and staff from a money manager, consultant or actuary under consideration for retainment.

For purposes of the above sections, meals are not considered a gift.

14.4. Amended on xx/xx/xxxx

14.5 . DUE DILIGENCE REPORTING REQUIREMENTS

StanCERA requires the Due Diligence Committee to present a report following each visit made.

14.5. Amended on xx/xx/xxxx

14.6 . REIMBURSEMENT FOR TRAVEL EXPENSES RELATED TO EDUCATION AND DUE DILIGENCE VISITS

The Retirement Board recognizes that Retirement Board members and staff training as well as due

diligence visits are necessary activities to insure that benefits are administered properly and assets are managed well. To that end, the following Travel Policy is established:

For any educational event or due diligence travel, all reasonable expenses related to the trip will be reimbursed or paid for by StanCERA. Reasonable expenses will include airfare, train fare, mileage (IRS approved rate using odometer readings or Stanislaus County Auditor-Controller mileage chart), ferry, toll bridge, parking, shuttle service, taxi service (including tip), hotel lodging, meals (including tips), necessary business phone calls, tips for portage, and other expenses that may occur which are incurred by the traveler for the approved travel. The traveler should present receipts for all items which are easily obtainable (such as lodging and meals) but may also claim amounts for such expenses as bridge toll, taxi service or tips for portage for which receipts are generally not given. The StanCERA business traveler must pay for any additional costs for a spouse or other fellow traveler who has not been authorized to travel on StanCERA business.

The Executive Director will review and approve the travel expenses for all Retirement Board members and other staff. A member of the Retirement Board will review and approve the travel expenses of the Executive Director. The disbursing agent for StanCERA(i.e. the Stanislaus County Auditor-Controller's Office), will allow for and pay the travel expenses of the Retirement Board members and staff that have been approved by either the Executive Director or member of the Retirement Board.

14.6 . Amended 02/25/2014

14.6.. Amended on xx/xx/xxxx

Article 14 Amended 01/25/2005

Article 14 Amended 12/08/2010

Article 14 Amended 02/25/2014

Artice 14 Amended on xx/xx/xxxx

ARTICLE 15 – REQUESTS FOR STAFF SUPPORT

15.1. REQUESTS BY THE BOARD

The Boards shall request any research, analyses and reports from staff as are necessary for the Board's effective oversight of StanCERA's operations. Such requests will be agendaized and considered at regularly scheduled Board meetings. If approved, the Executive Director will be responsible for coordinating the completion of the approved project or report within a reasonable time or by the completion date specified in the Board action.

15.2. REQUESTS BY INDIVIDUAL BOARD MEMBERS

Board members making individual requests for information will be advised to place the item on the Board meeting agenda unless the information is readily available and the Executive Director determines that a response will not require any significant commitment of staff time or other StanCERA resources.

Article 15 Added xx/xx/xxxx



Richard Santos, Executive Director

Date

Historical Notes

Approved by the Board of Supervisors on September 27, 1988.

Amendment to Section 7.1. approved by the Board of Supervisors on March 14, 1989.

Amendment to Sections 9.4.(A), 9.6.(B), and 9.6.(C) approved by the Board of Supervisors on April 25, 1989.

Amendment to Sections 9.4.(A), 9.4.(B), 9.6.(B), 9.6.(C) and 9.7.(A) and deletion of Section 9.6.(D) approved by the Board of Supervisors on December 19, 1989.

Amendment to Section 1.5. approved by the Board of Supervisors on March 27, 1990.

Amendment of Section 1.2 by addition of Subsection (J) approved by the Board of Supervisors on October 2, 1990.

Addition of Section 3.11, (A), (B), and (C) approved by the Board of Supervisors on October 2, 1990.

Addition of Section 4.7. approved by the Board of Supervisors on March 26, 1991.

Amendment of Article 1, addition of Section 1.6 approved by the Board of Supervisors on April 27, 1993.

Addition of Article 13 (Sections 13.1 thru 13.7) approved by the Board of Supervisors on October 25, 1994.

Addition of Article 14 (Sections 14.1 thru 14.7) approved by the Board of Supervisors on April 2, 1996.

Amendment of Article 13 approved by the Board of Supervisors on November 6, 1996.

Revision of the Bylaws approved by the Board of Supervisors on August 18, 1998.

Amendment of Article 13 approved by the Board of Supervisors on September 29, 1998

Amendment of Article 2 approved by the Board of Supervisors on April 6, 1999

Amendment of Article 1 approved by the Board of Supervisors on August 31, 1999

Amendment of Article 13, Section 13.2, approved by the Board of Supervisors on December 21, 1999

Amendment of Article 1, Section 1.5, approved by the Board of Supervisors on October 31, 2000

Revision of the Bylaws approved by the Board of Supervisors on July 2, 2002

Revision of the Bylaws approved by the Board of Supervisors on December 11, 2002

Amendment of Article 2, Section 2.1, approved by the Board of Supervisors on December 5, 2006

Repeal of Article 13 on 12/05/2006 - See Retiree Health Allowance Policy

Revision of the Bylaws approved by the Board of Supervisors on December 4, 2007

Amendment of Article 1, Section 1.7, approved by the Board of Supervisors on March 25, 2008

Revision of the Bylaws approved by the Board of Supervisors on May 24, 2011

Amendment of Articles 1-5, 7-11, and 14 approved by the Board of Supervisors on February 25, 2014



Stanislaus County Employees' Retirement Association

Excess Earnings and Interest Posting Policy

**Effective 7/1/04
Most Recently Amended 6/30/2014**

Purpose: The purpose of the Stanislaus County Employees' Retirement Associations' (StanCERA) Policy on Excess Earnings and Interest Posting is to declare and provide direction for the determination and distribution of annual earnings in excess of expenses, accounting deficits, the maintenance of specific non-valuation reserves and interest crediting of valuation reserves.

The main objective of the policy is the enhancement and maintenance of the ability of the system to pay retirement pension benefits prior to the use of earnings for reasons other than the payment of retirement pension benefits.

Interest Crediting and Policy Distribution of Excess Earnings: Excess earnings of StanCERA may be declared only in years which the market value of assets equal or exceed the actuarially determined liabilities. The timing of the declaration will depend on the actuary's determination of the liabilities. Before excess earnings can be declared, the funds' annual earnings must be used to pay for certain expenses and other reserves that the Board has expressed an interest in maintaining. Each year, 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) Earnings shall be used to maintain a 1% Contingency Fund unless otherwise directed by the Board of Retirement.
- 3) Earnings shall be used to eliminate any prior loss contra-reserve balances.
- 4) Valuation Reserve Interest Crediting

➤ Fund is below 100% funded on a market value of assets basis

- Any remaining residual earnings shall be distributed on a pro rata basis between those reserves established for vested retirement benefits including, Active Member reserves, \$5,000 Retiree Burial Allowance Reserve, Employer Advance reserves and Retiree reserves for annuities, pensions and funded cost of living adjustments with the following caveat:

The percentage of earnings allocated to the Active Member reserves shall be capped at the actuarially determined return assumption, will determine the semi-annual percent of interest to be posted to individual member account balances' in the subsequent fiscal year on December 31 and June 30, and of that percentage, the refundable percentage of earnings credited to member accounts will be capped at .25% per annum compounded semiannually.

- Fund is at or greater than 100% funded on a market basis
 - Active Member Reserves shall be credited at a rate determined by the Board of Retirement (normally, and no higher than the actuarially determined return assumption), and of that percentage, the refundable percentage of earnings credited to member accounts will be capped at .25% per annum compounded semiannually.
 - All other reserves shall be credited at a rate derived from the "Distribution of Excess Earnings", Section 5
- 5) Distribution of Excess Earnings: Should excess earnings exist, they would be available as follows:
- a) If the **market value** funded ratio is 100% to 105%, 75% of excess earnings will be used to fund the pension liability (distributed evenly on a pro rata basis across all valuation reserves, other than Member), 25% will be available at the discretion of the Retirement Board
 - b) If the **market value** funded ratio is 105% to 115%, 50% of the excess earnings will be placed in the Contingency Reserve and 50% will be available at the discretion of the Retirement Board
 - c) If the **market value** funded ratio exceeds 115%, the Retirement Board has total discretion as to the use of excess earnings

Discretionary Use of Excess Earnings: The Retirement Board may use its discretion in allocating discretionary excess earnings for **any or none of the** following uses:

- 1) Augment the Contingency Reserve. The Retirement Board may allocate discretionary excess earnings to increase the Contingency Reserve (Government Code section 31592). This Reserve can be used in times of market down turns to offset net annual losses from investments.
- 2) Increase retiree allowances in lieu of the payment of health insurance premiums. If the Contingency Reserve is 1% of the retirement system's assets or greater, the Retirement Board may, pursuant to Government Code section 31691.1, allocate its discretionary excess earnings to fund an increase in retirees' and beneficiaries' allowances in lieu of the payment of health insurance premiums. No payments shall be made from this funding unless and until the retirement system's market value funded ratio is 100% or greater and the retirement system has exceeded its assumed rate of return for three consecutive fiscal years. If the funded ratio of the retirement system falls below 100% during the funding period, all excess earnings that were allocated to fund this retiree ad hoc benefit will be transferred to mandatory reserves to increase the funded ratio. If the assumed rate of return has not been exceeded for three consecutive years, no payments will be made from the accumulated discretionary excess earnings. If money has been allocated to fund this ad hoc benefit, the retirement system's funded ratio is over 100% and the assumed rate of return has been exceeded for three consecutive fiscal years, then a one time lump sum payment of this ad hoc benefit may be approved by the Retirement Board to be made to retirees and beneficiaries not to exceed \$3,600 per recipient if no such ad hoc retiree benefit has been made for eleven (11) consecutive retiree payrolls prior to the month of payment. The amount paid to each retiree or beneficiary shall be in accordance with the recipient's years of StanCERA service credit and as determined by the Revocable Health

Benefits Subsidy Policy. The amount shall be an annual amount which is the equivalent of the monthly amount times 12. This amount shall only be paid once in twelve (12) consecutive retiree payrolls.

- 3) Pay a special or supplemental cost of living adjustment to retirees and beneficiaries who have lost 20% or more of their purchasing power [Government Code section 31874.3 (b)]. If the Contingency Reserve is 1% of the retirement system's assets or greater, the Retirement Board may, pursuant to Government Code section 31874.3 (b), allocate its discretionary excess earnings to fund an increase in retirees' and beneficiaries' allowances for the potential payment of a special or supplemental cost of living adjustment if the recipient has accumulated 20% or more in unused inflation credits. No payments may be made from this funding unless and until the retirement system's market funded ratio is 100% or greater and the retirement system has exceeded its assumed rate of return for three consecutive fiscal years. If the funded ratio of the retirement system falls below 100% during the funding period, all excess earnings that were allocated to fund this retiree ad hoc benefit will be transferred to mandatory reserves to increase the funded ratio. If the assumed rate of return has not been exceeded for three consecutive years, no payments will be made from the accumulated discretionary excess earnings. If money has been allocated to fund this ad hoc benefit, the retirement system's funded ratio is over 100% and the assumed rate of return has been exceeded for three consecutive fiscal years, then a one time lump sum payment may be approved by the Retirement Board to be made to retirees and beneficiaries not to exceed \$2,400 per recipient if no such retiree ad hoc benefit has been paid for eleven (11) consecutive retiree payrolls prior to the month of payment. The amount paid to each retiree or beneficiary shall be in accordance with the recipient's unused inflation credits as determined by the actuary. The amount shall be an annual amount which is the equivalent of the monthly amount times 12. This amount shall only be paid once in 12 consecutive retiree payrolls.

Employer Contributions: The Retirement Board will always require that the normal Employer Contributions will be made. If the retirement system is "over-funded" and the actuary would reduce the employer contributions from the normal annual service credit of members (Employer Normal Cost), the Retirement Board will not make such credit and will continue to require that the full normal contributions (normal cost) be made for the full year of service of all members.

Policy Review: This Policy will be reviewed at least biennially in conjunction with the reviews of all Retirement Board policies. When changes are contemplated to this Policy, the new proposed language shall be given to the Board of Directors of the Retired Employees of Stanislaus County (RESCO) for its input prior to final adoption by the Retirement Board. Such action is in accordance with Government Code section 31592.5.

Adopted by the Board of Retirement

Rick Santos, Executive Director

Adoption Date: _____

Historical Notes

Adopted	07/01/2004
Revised	06/14/2006
Revised	05/25/2010
Revised	08/28/2012 – Effective 5/25/12
Revised	06/30/2014
Revised	___/___/2015



**Stanislaus County Employees' Retirement Association
Wire Transfer Policy**

(Board Approved January 22, 2008)

I. Overview

StanCERA disburses funds from multiple sources using a variety of payment methods including wire transfer, Automated Clearing House (ACH), journal voucher and paper checks. Each type of payment method and payment source has its own processing requirements designed to monitor and control expenditures and cash flow. This policy addresses the general controls over wire transfer activity. Detailed procedures are developed by staff responsible for processing transactions. Procedures will be in compliance with this policy and applicable laws such as §, but not limited to §, Government Code section 31590.

II. General Principles

Wire transfers are a method to facilitate the quick movement of funds electronically between banks. StanCERA utilizes wire transfers to move money between its account with the County of Stanislaus Treasury and the Internal Revenue Service (IRS) the State Franchise Tax Board, and among its custodial/disbursement banks and investment managers.

III. Policy For Wire Transfers

1. Wire transfers will be initiated by staff authorized by the Retirement Administrator (hereinafter "authorized staff"). The wire transfer can only be initiated after the review of current cash flow needs, appropriate documentation in support of the transfer (e.g. rebalancing actual asset allocations to target levels), and verified instructions.
2. Requests for the initiation of a wire transfer will be accompanied by any of the following documents, as deemed necessary by authorized staff:
 - a: An updated cash flow statement, asset allocation rebalancing document, foreign expense or other documentation as appropriate
 - b: An official request from an established investment manager, properly executed contract, Board direction if a new investment manager, or reconciled payroll schedule if funding the retiree payroll or retiree payroll taxes.
 - c: Transfers from the County of Stanislaus Treasury account must include a Stanislaus County wire transfer form that has been reviewed and signed by authorized staff for §, transferring the money from the StanCERA operating fund to the appropriate payee bank.



d: Cover letter/transfer direction to the bank that includes all of the following information:

Wire instructions
Bank or Investment Manager receiving the transfer
And/or any other parties involved with the transaction

3. Copies of all wire transfer documentation and approved requests will be provided to the StanCERA accountant.

IV. Policy Review

The Board and authorized staff shall both review this Wire Transfer Policy at least every three years to assure its efficacy and relevance. This policy may be amended from time to time by the Board.

Approved /Adopted by the Board of Retirement

Rick Santos, Executive Director

Approval / Adoption Date:_____

Historical Notes

Board Approved January 22, 2008

Amended _____



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



Item 11

DECEMBER 16, 2015

Asset Liability Workshop Materials for

Stanislaus County Employees' Retirement Association

Table of contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700

LOS ANGELES 310-297-1777

Workshop Agenda **TAB I**

Workshop Introduction **TAB II**

Role of Asset Classes **TAB III**

Asset Liability Study **TAB IV**

Investment Strategy Evaluation **TAB V**

Current State Assessment **TAB VI**



Stanislaus County Employees' Retirement Association

Asset – Liability Workshop

Agenda
December 16, 2015

TIME	TOPIC
15 min.	Workshop Overview: Agenda, Objectives, and Ground Rules
45 min.	Understanding the Role of Asset Classes in an Institutional Investment Portfolio
90 min.	Asset - Liability Study
15 min.	Break
60 min.	Strategy Selection
15 min.	Conclusion and Next Steps



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

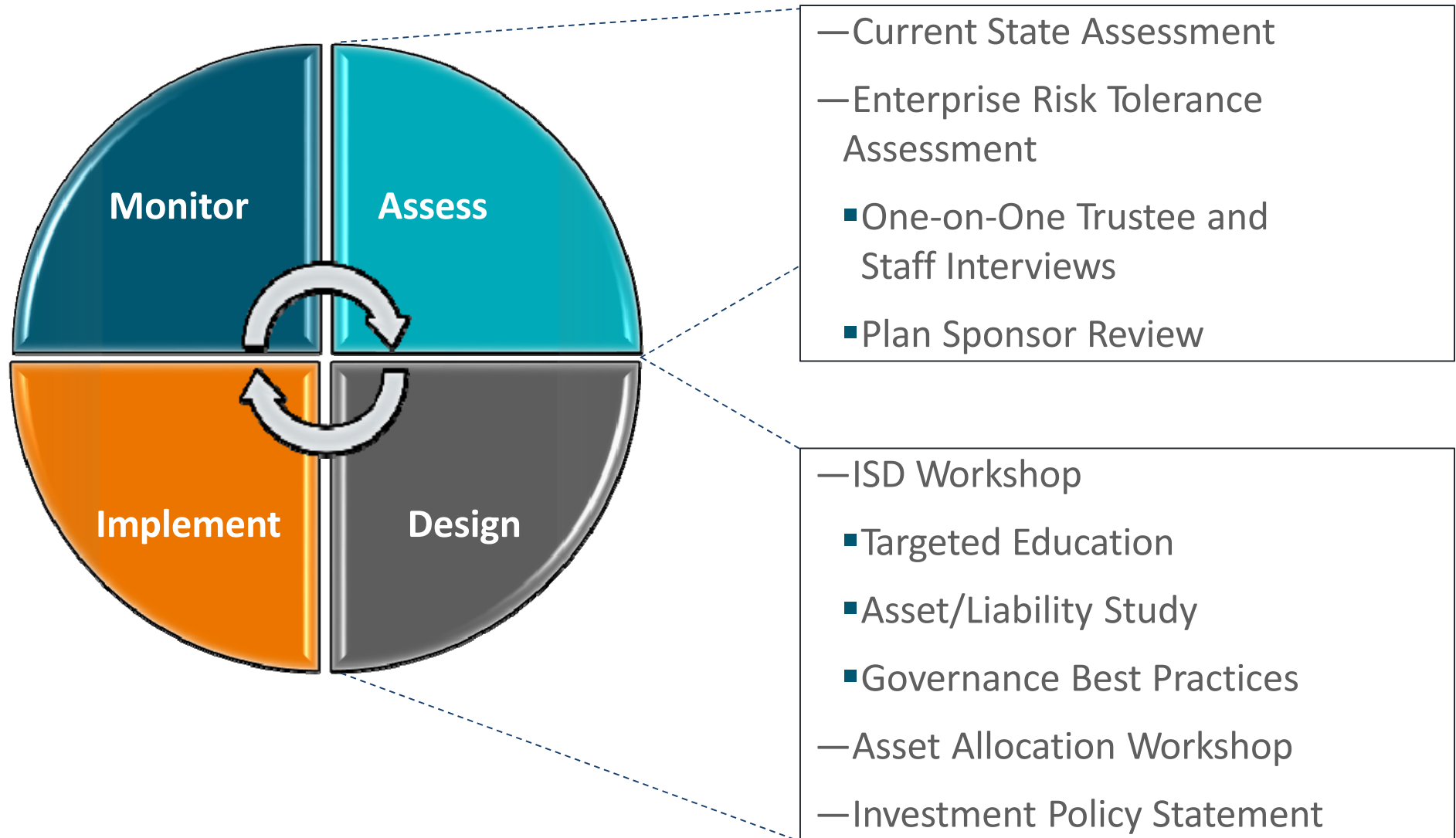


DECEMBER 16, 2015

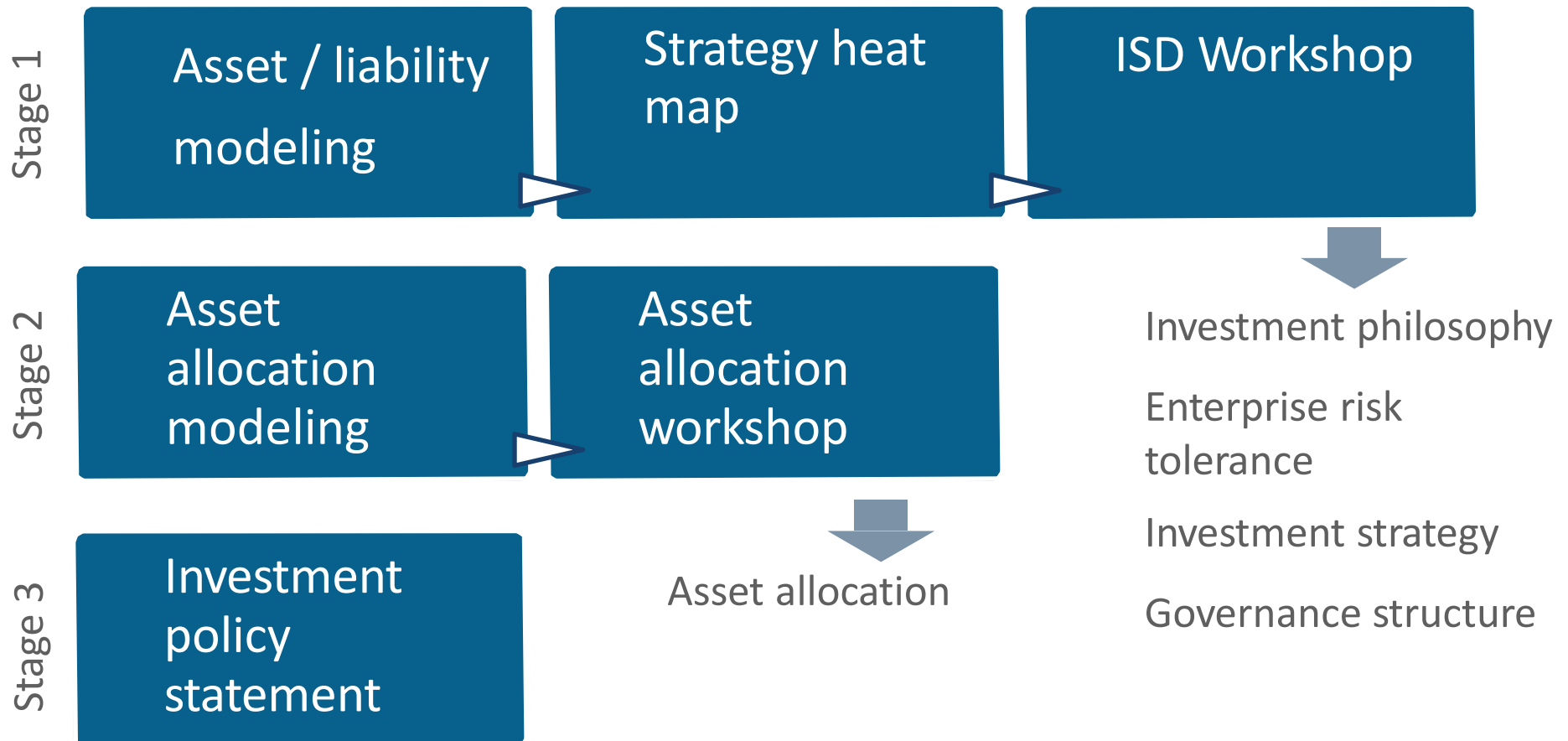
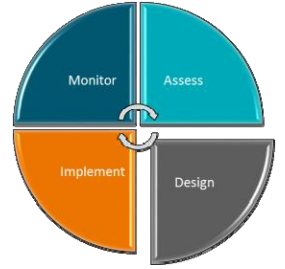
Investment Strategy Development Work Plan

Stanislaus County Employees' Retirement Association

Integrated consulting process



Investment Strategy Development



Timeline: So far, So Good!

	Meeting Date	Deliverables
<input checked="" type="checkbox"/>	September 22, 2015	Detailed Workplan Review
<input checked="" type="checkbox"/>	October 27, 2015	Current State Assessment
<input checked="" type="checkbox"/>	November 24, 2015	3Q Performance Report
<input type="checkbox"/>	December 16, 2015	Asset Liability Workshop
<input type="checkbox"/>	January 20, 2016	ISD Workshop
<input type="checkbox"/>	February 17, 2016	4Q Report
<input type="checkbox"/>	March 16, 2016	Implementation Plan Review

Workshop goals and objectives

Goal

Select an investment strategy or strategies appropriate for StanCERA given:

- Plan history
- Enterprise risk tolerance
- Plan goals and constraints
- Board investment philosophy
- Forecasted outlook for potential strategies

Objectives

1. Emphasize:
 - Fiduciary duty
 - Thinking outside the box
 - Behavioral biases awareness
 - Role of asset classes
2. Understand sources of historical return
3. Identify plan goals and constraints
4. Develop an investment philosophy
5. Define enterprise risk tolerance

Workshop agenda

Topics:

- Role of asset classes
- Investment strategy selection
 - Asset - Liability Study
 - Enterprise Risk Tolerance
 - Strategy evaluation
- Next steps

Some basic ground rules

- There are no bad question (except those that aren't asked)
- Everyone participates
- Be an active listener
- Be open-minded and encourage exploration of other's ideas
- HAVE FUN!!!



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



DECEMBER 16, 2015

The Role of Asset Classes

Stanislaus County Employees' Retirement Association

Table of contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700
LOS ANGELES 310-297-1777

Introduction 3

Appendix 34

Building portfolios 4

Equities 13

Fixed income 18

Real assets/alternatives 28

Past performance is no guarantee of future results. This report or presentation is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and should not be relied upon by retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. The opinions and information expressed are current as of the date provided or cited only and are subject to change without notice. This information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. VERUS ADVISORY™ and VERUS INVESTORS™ expressly disclaim any and all implied warranties or originality, accuracy, completeness, non-infringement, merchantability and fitness for a particular purpose. This report or presentation cannot be used by the recipient for advertising or sales promotion purposes.

The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

“VERUS ADVISORY™ and VERUS INVESTORS™ and any associated designs are the respective trademarks of Verus Advisory, Inc. and Verus Investors, LLC.” Additional information is available upon request.

Introduction

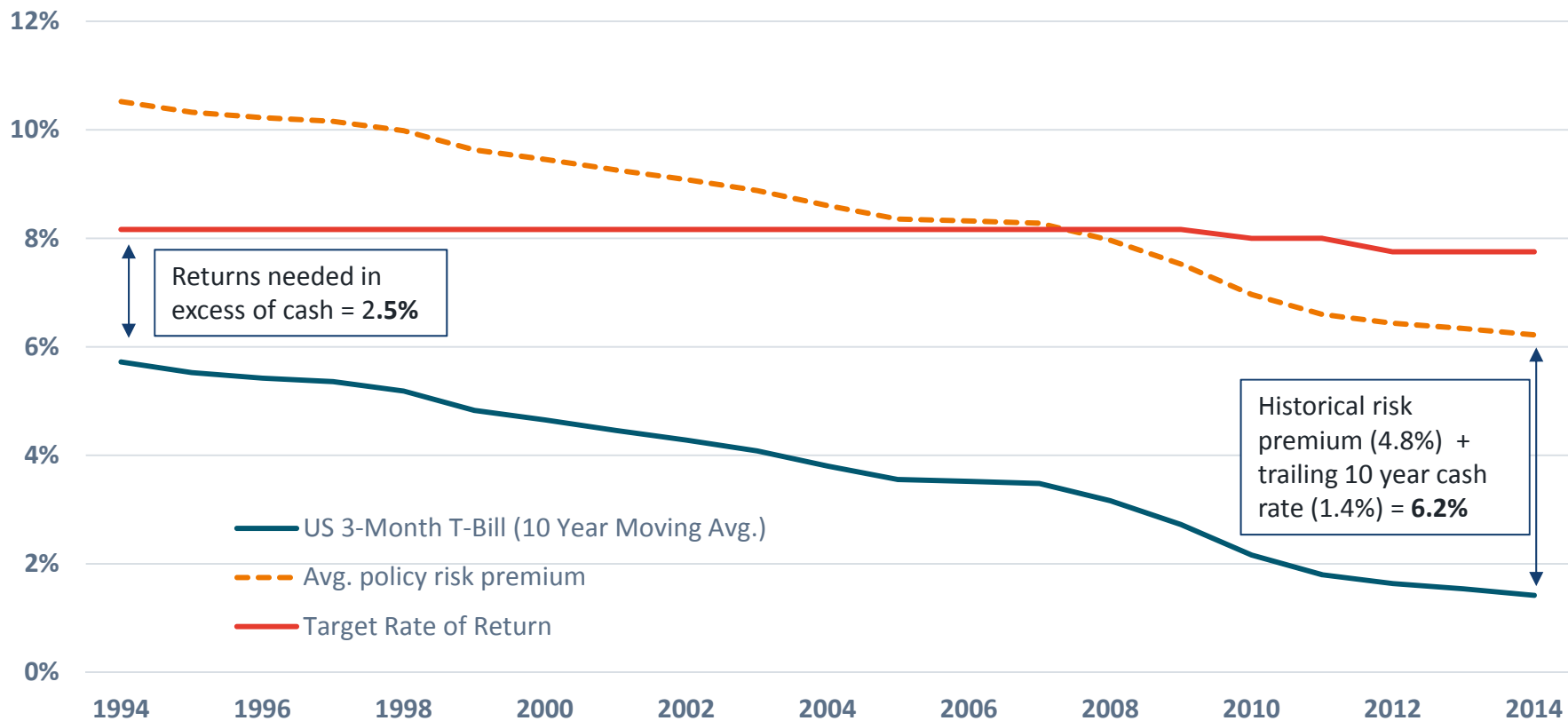
- Building long-term portfolios requires multiple approaches to ensure robust analysis
- Asset classes are the typical underlying building blocks of portfolios
 - Long-term return drivers influence the behavior of each asset class
 - Our Capital Market Assumptions and Scenario Analysis tool use the same drivers
 - The relationships between asset classes must be considered
- Embedded in asset classes are factor risk structures
 - We provide this information for each asset class
 - Investors can gain factor as well as asset class diversification
- Other resources (e.g. Quarterly Investment Landscape) provides short-term insights
- Drivers of return and volatility are not always the same (e.g. REITS)

Building portfolios

Building portfolios

Risk-free rates and expected returns

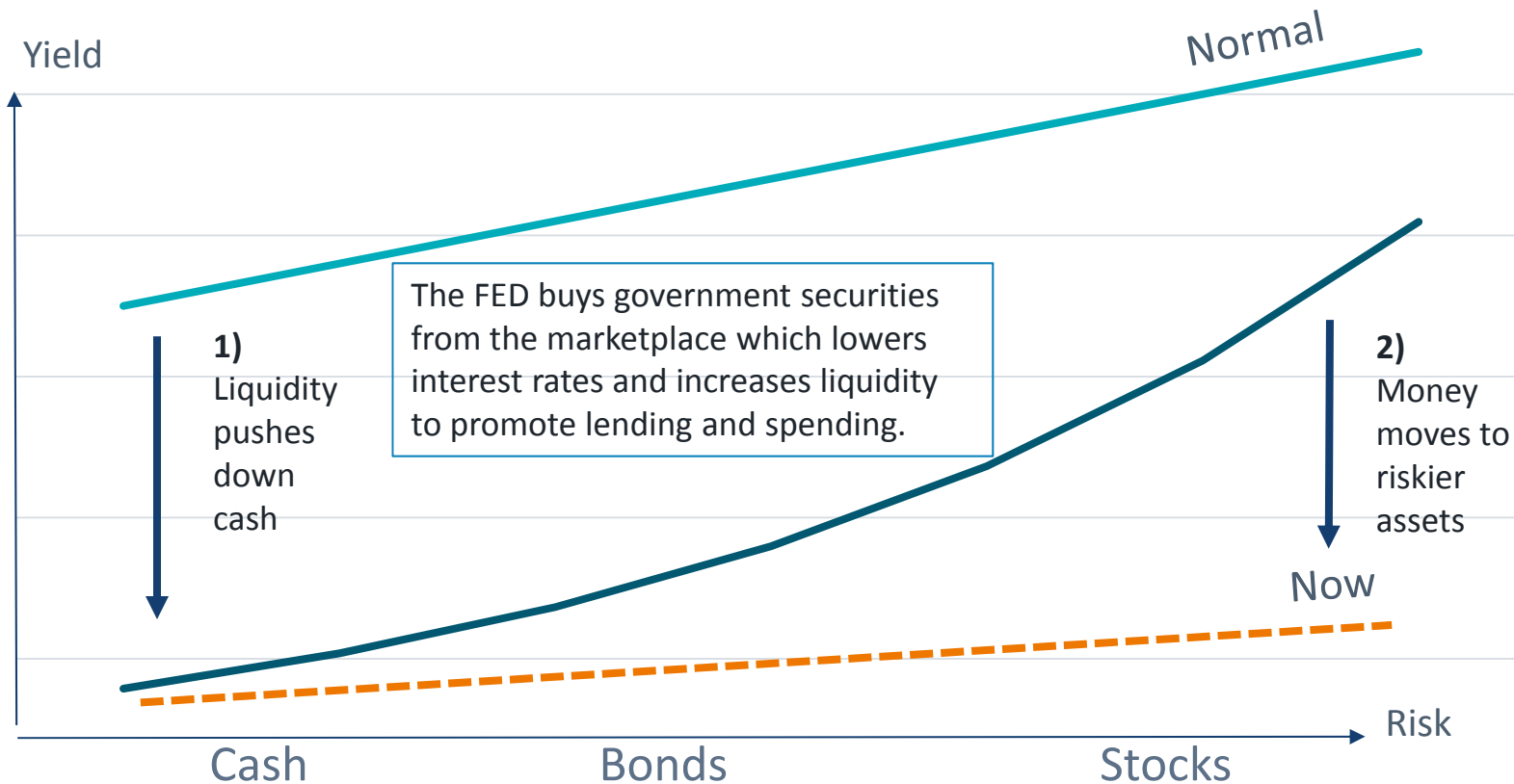
StanCERA's Rate of Return has not been lowered with the cash rate historically



Building portfolios

Liquidity and low interest rates

Today's Capital Markets Line is “artificially” low



Liquidity has forced investors into risky investments, lowering go-forward expected returns.

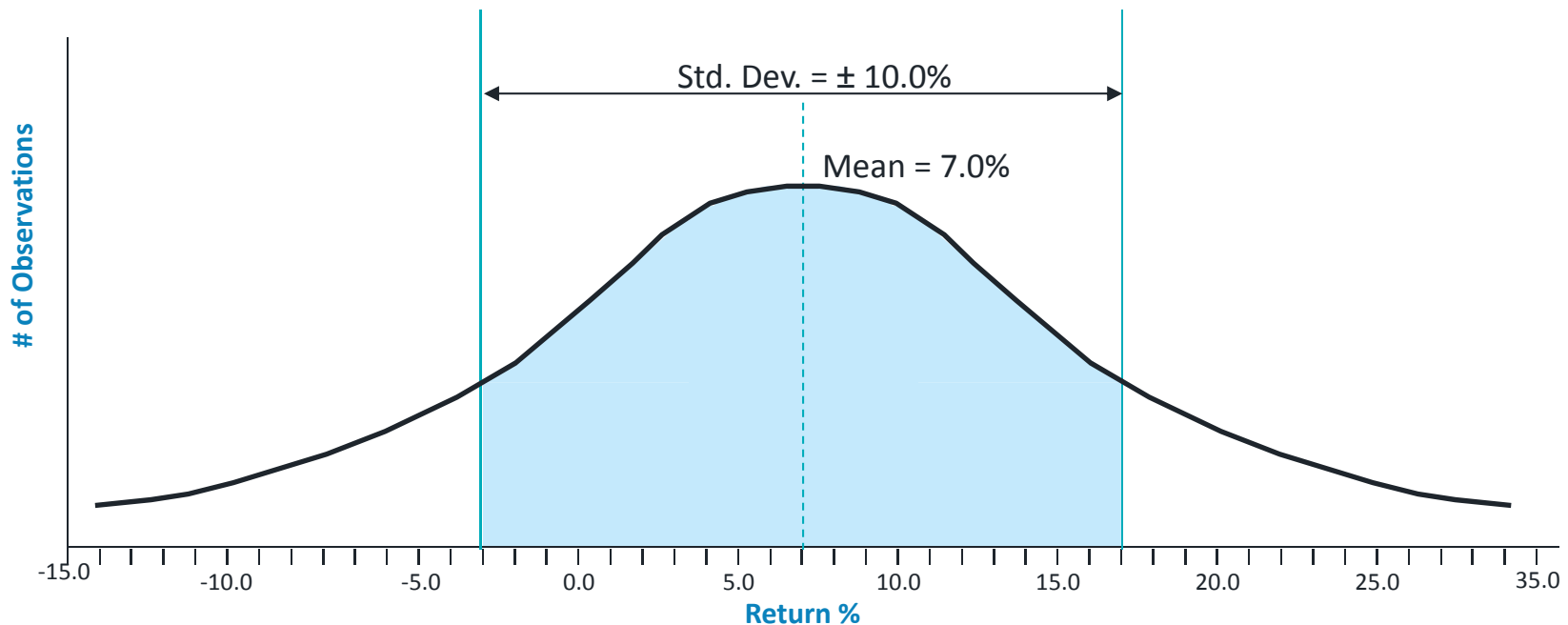
Source: Verus, Bridgewater

Building portfolios

Measuring investment risk

Standard deviation measures how far from the average (or mean) return one event is likely to fall in any given time period

- A normal distribution will contain 2/3rds of events within 1 standard deviation of the mean; 95% of all events will fall within 2 standard deviations

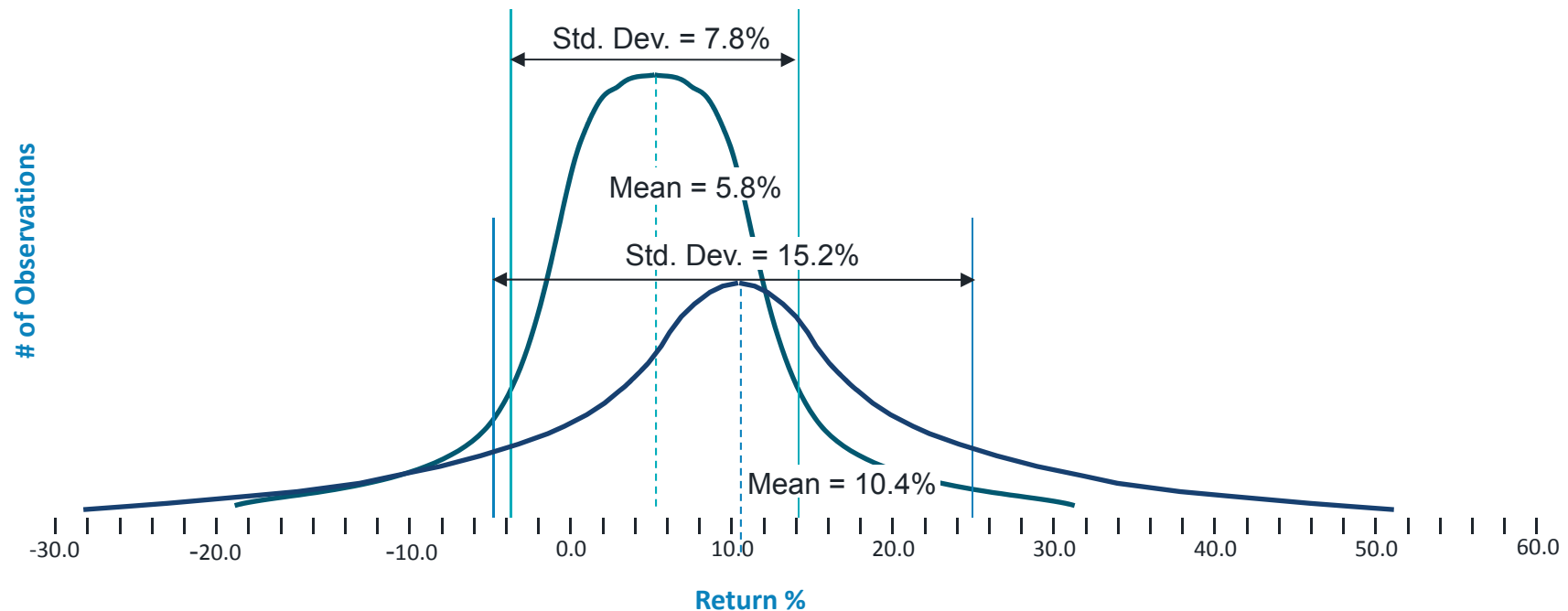


Building portfolios

Stocks vs. Bonds

Historical stock and bond returns indicate stocks have a higher return, on average

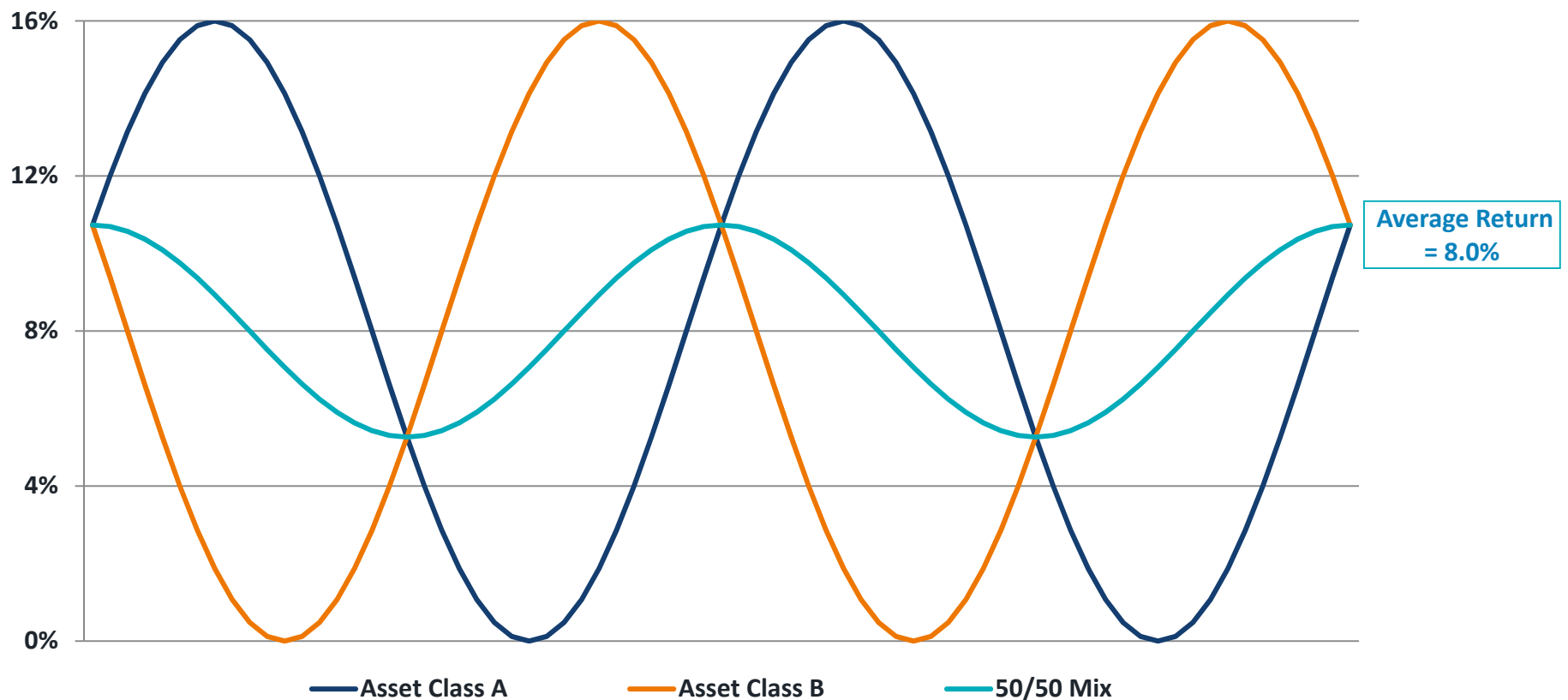
Historical volatility is also higher for stocks than it is for bonds



Building portfolios

Correlations

Choosing asset classes with different return profiles reduces the volatility, or risk, of a portfolio while maintaining its long-term average return



Correlations – 10 years

	Cash	US Large	US Small	Developed Large	Developed Small	EM	Global Equity	PE	TIPS	US Treasury	Global Sovereign	US Core	US Core Plus	Short-Term Gov't/Credit	Short-Term Credit	Long-Term Credit	HY	Bank Loans	Global Credit	EMD USD	EMD Local	Commodities	Hedge Funds	Core Real Estate	REITs	Risk Parity	Inflation
Cash	1																										
US Large	-0.1	1																									
US Small	-0.1	0.9	1																								
Developed Large	0.0	0.9	0.8	1																							
Developed Small	-0.1	0.8	0.8	1.0	1																						
EM	0.0	0.8	0.7	0.9	0.9	1																					
Global Equity	-0.1	0.9	0.8	0.9	0.9	0.9	1																				
PE	-0.2	0.7	0.7	0.8	0.8	0.7	0.8	1																			
TIPS	0.0	0.2	0.1	0.2	0.3	0.3	0.2	0.1	1																		
US Treasury	0.1	-0.3	-0.3	-0.2	-0.2	-0.2	-0.3	-0.2	0.6	1																	
Global Sovereign	0.1	0.2	0.2	0.4	0.4	0.4	0.3	0.1	0.6	0.5	1																
US Core	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.8	0.9	0.6	1															
US Core Plus	-0.2	0.3	0.3	0.5	0.5	0.4	0.4	0.5	0.6	0.4	0.4	0.7	1														
Short-Term Gov't/Credit	0.4	-0.1	-0.1	0.1	0.1	0.1	0.0	-0.1	0.6	0.6	0.6	0.7	0.4	1													
Short-Term Credit	0.1	0.3	0.2	0.3	0.4	0.3	0.3	-0.1	0.5	0.2	0.5	0.6	0.4	0.7	1												
Long-Term Credit	-0.1	0.3	0.2	0.4	0.4	0.4	0.3	0.1	0.6	0.5	0.5	0.8	0.8	0.5	0.6	1											
HY	-0.2	0.7	0.7	0.8	0.8	0.7	0.7	0.6	0.4	-0.2	0.3	0.2	0.6	0.1	0.5	0.5	1										
Bank Loans	-0.1	0.6	0.5	0.5	0.6	0.5	0.5	0.2	0.2	-0.4	0.0	0.1	0.2	0.0	0.5	0.3	0.8	1									
Global Credit	-0.1	0.6	0.5	0.8	0.8	0.7	0.7	0.5	0.6	0.2	0.8	0.6	0.8	0.5	0.6	0.7	0.7	0.5	1								
EMD USD	-0.1	0.6	0.5	0.7	0.7	0.7	0.7	0.6	0.7	0.2	0.5	0.6	0.8	0.3	0.5	0.7	0.8	0.5	0.8	1							
EMD Local	0.1	0.7	0.6	0.8	0.8	0.8	0.8	0.6	0.5	0.1	0.6	0.4	0.5	0.3	0.4	0.5	0.7	0.4	0.8	0.8	1						
Commodities	0.1	0.5	0.4	0.6	0.6	0.6	0.6	0.2	0.3	-0.1	0.4	0.1	0.2	0.2	0.4	0.2	0.5	0.4	0.6	0.4	0.6	1					
Hedge Funds	0.0	0.7	0.6	0.8	0.8	0.8	0.8	0.7	0.2	-0.4	0.1	-0.1	0.4	-0.1	0.3	0.2	0.6	0.6	0.5	0.5	0.5	0.6	1				
Core Real Estate	-0.1	0.3	0.3	0.3	0.3	0.3	0.6	0.3	0.1	0.0	0.1	0.0	0.2	0.0	0.0	0.1	0.2	0.0	0.2	0.2	0.2	0.0	0.3	1			
REITs	-0.1	0.8	0.8	0.7	0.6	0.6	0.7	0.6	0.2	-0.1	0.3	0.2	0.4	0.0	0.2	0.4	0.7	0.5	0.6	0.6	0.6	0.3	0.4	0.4	1		
Risk Parity	0.0	0.5	0.4	0.6	0.6	0.6	0.6	0.5	0.7	0.3	0.6	0.5	0.7	0.4	0.3	0.5	0.5	0.2	0.7	0.7	0.6	0.6	0.5	0.3	0.4	1	
Inflation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.3	-0.1	-0.3	-0.1	-0.3	-0.2	-0.3	0.2	0.2	0.0	0.0	0.1	0.2	0.2	0.1	0.1	0.1	1

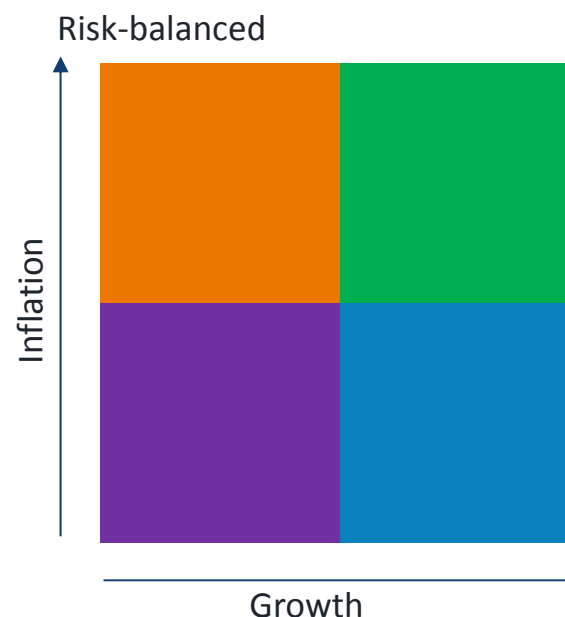
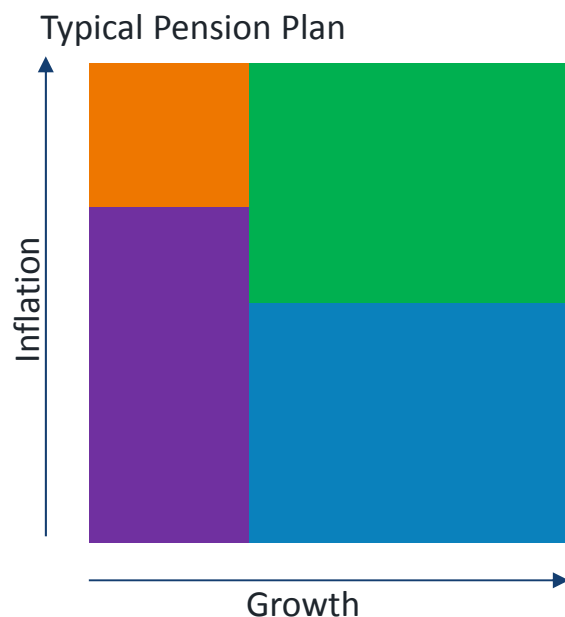
Note: Correlation assumptions are based on the last ten years. Private Equity and Real Estate correlations are especially difficult to model – we have therefore used BarraOne correlation data to strengthen these correlation estimates.

Market environments

















































Economic diversification profiles

Investment pools can be designed to various economic regimes

- Typical pension plans are designed for higher growth environments



The role of asset classes

	RETURN ROLES				DIVERSIFICATION & VOLATILITY			MACRO OUTLOOK/GDP AFFECTS ROLE	
	Benefit from GDP Growth	Earn Risk Premium	Produce Stable Income	Hedge Against Inflation	Low Absolute Volatility	Low Corr. To Other Assets	Reduce Portfolio Volatility	Elements of Return for Asset Class	Sensitivity of Role to GDP
Public Equities								PEs, Dividends, Earnings Growth	
Private Equities								PEs (exits), Financing, Opportunity Set	
Fixed (Treasury)								Direct Link to Yields	
Fixed (Credit)								Direct Link to Yields, Credit Spreads	
Hedge Funds (Perceived role)								Pos, Credit Spreads, Fat Tails	
Real Estate								Unemployment, Vacancies, Cap Rates	

MAGNITUDE



High



Med-High



Medium



Low



None

Throughout the presentation, 10 Year correlations are as of 12/31/14 and 10 year annualized returns are as of 5/31/15

*Excess Return = asset class shown in header minus asset class shown vertically in left row

Source: MPI

Equities

Domestic equity

ROLE

- Provides exposure to broad economic growth
- Returns via dividends & appreciation
- A primary driver of portfolio returns

	US LARGE		US SMALL	
	Correlation	Excess Return*	Correlation	Excess Return*
US Large	1.0	0.0	0.9	0.6
US Small	0.9	-0.6	1.0	0.0
Intl Dev	0.9	2.6	0.8	3.2
US Treasury	-0.3	2.6	-0.3	3.2
US Core	0.1	3.5	0.0	4.1
High Yield	0.7	-0.1	0.7	0.5
Inflation	0.1	6.1	0.1	6.7

RETURN DRIVERS

+ Inflation

+ Dividend yield

+ Real earnings growth

+ Change in valuations (Price/Earnings ratio)

= Expected nominal return

International developed equity

ROLE

- Provides exposure to broad international economic growth
- Returns via dividends and appreciation
- A primary driver of portfolio returns

	INT'L DEV.		INT'L DEV. SMALL	
	Correlation	Excess Return*	Correlation	Excess Return*
Int'l Developed	1.0	0.0	1.0	1.5
Int'l Small	1.0	-1.5	1.0	0.0
Emerging Markets	0.9	-3.2	0.9	-1.8
Global Equity	1.0	-1.2	0.9	0.2
US Core	0.1	0.9	0.1	2.4
Global Sovereign ex-US	0.4	3.0	0.4	4.4

RETURN DRIVERS

+ Inflation

+ Dividend yield

+ Real earnings growth

+ Change in valuations (Price/Earnings ratio)

+ Implied currency effect

= Expected nominal return

Emerging markets equity

ROLE

- Provides diversification within a broader equity portfolio
- Provides exposure to economic growth in developing countries.
- Returns via dividends and price appreciation

EMERGING MARKETS

	Correlation	Excess Return*
Emerging Markets	1.0	0.0
US Large	0.8	0.6
Global Equity	0.9	2.0
Commodities	0.7	11.4
Global Sovereign ex-US	0.4	6.2

RETURN DRIVERS

+ Inflation

+ Dividend yield

+ Real earnings growth

+ Change in valuations (Price/Earnings ratio)

+ Implied currency effect

= Expected nominal return

Private equity

ROLE

- Provides exposure to private market deal-sourcing
- Illiquidity premium expected for long-term fund structures
- Financial engineering and leverage may be used

PRIVATE EQUITY

	Correlation	Excess Return*
Private Equity	1.0	0.0
US Large	0.7	5.5
US Small	0.7	4.8
Global Equity	0.8	6.8
US Core	0.0	9.0

RETURN DRIVERS

+ Inflation

+ Dividend yield

+ Real earnings growth

+ Change in valuations (Price/Earnings ratio)

+ Illiquidity premium

= Expected nominal return

Fixed income

US treasuries

ROLE

- Produce stable income and returns
- Viewed as risk-free but can exhibit significant price volatility
- Very liquid; often used as a substitute for cash
- Provides protection against downside movements in risk assets

US TREASURY

	Correlation	Excess Return*
10yr US Treasury	1.0	0.0
Global Sovereign ex-US	0.5	2.9
US Core	0.9	0.9
US Core Plus	0.5	0.0
US Large	-0.3	-2.1
Global Equity	-0.2	0.1

RETURN DRIVERS

+ Annualized yield

= Expected nominal return

TIPS

ROLE

- Provides diversification from nominal bonds
- Hedges against expected and unexpected inflation.
- Often higher duration and sensitive to interest rate changes

US TIPS

	Correlation	Excess Return*
USTIPS	1.0	0.0
Inflation	0.1	2.2
US Core	0.8	-0.3
US Core Plus	0.7	-1.2
US Large	0.2	-3.5
Global Equity	0.2	-1.4

RETURN DRIVERS

+ Real yield

+ Inflation

= Expected nominal return

Global sovereign ex-US

ROLE

- Provide exposure to the broader bond market and currency, if unhedged
- Hedges against downside movements in risk assets
- May be impaired by US dollar flight-to-quality
- Provide diversification within nominal bond portfolios

GLOBAL SOVEREIGN

	Correlation	Excess Return*
Global Sovereign ex-US	1.0	0.0
US Core	0.6	-2.0
US Core Plus	0.5	-2.9
Global Equity	0.4	-2.6
US Large	0.2	-4.7
Commodities	0.4	7.6

RETURN DRIVERS

+ Annualized yield

+ Implied currency effect

= Expected nominal return

US credit

ROLE

- Produce stable income
- Earn a credit risk premium
- Provides exposure to economic growth
- Credit risk and equity risk are highly correlated with limited diversification benefits

	US CORE		US CORE +		ST GOV'T/CR.		LT CREDIT	
	Correla tion	Excess Return*	Correla tion	Excess Return*	Correla tion	Excess Return*	Correla tion	Excess Return*
US Core	1.0	0.0	0.8	0.9	0.7	-1.8	0.8	1.9
US Core +	0.8	-0.9	1.0	0.0	0.6	-2.6	1.0	1.0
LT Credit	0.8	-1.9	1.0	-1.0	0.4	-3.6	1.0	0.0
US HY	0.2	-3.7	0.6	-2.8	0.1	-5.4	0.5	-1.8
US Large	0.1	-3.1	0.4	-2.2	-0.1	-5.1	0.3	-1.0
Global Equ.	0.1	-1.0	0.4	-0.1	0.0	-3.0	0.4	1.1

RETURN DRIVERS

+ US Treasury yield (similar duration Treasury index)

+ Option-adjusted-spread

- Effective default rate

= Expected nominal return

Global credit

ROLE

- Same as U.S. Credit plus:
- Provides exposure to global economic growth
- Enhance returns within the fixed income portfolio
- Currency effects often seen as a major element of return

GLOBAL CREDIT

	Correlation	Excess Return*
Global Credit	1.0	0.0
US Treasury	0.2	-0.6
Global Sovereign ex-US	0.8	2.3
Global Equity	0.7	-1.9

RETURN DRIVERS

+ Foreign Treasury (similar duration Treasury index)

+ Option-adjusted-spread

- Effective default rate

+ Implied currency effect

= Expected nominal return

High yield

ROLE

- Same as U.S. Credit plus:
- Higher credit risk and premium
- Enhance returns within fixed income portfolios
- Exposure to global economic growth

	HIGH YIELD	
	Correlation	Excess Return*
High Yield	1.0	0.0
US Treasury	-0.2	2.7
Global Sov.	0.3	5.7
US Core	0.2	3.7
US Core Plus	0.6	2.8
US Large	0.7	0.4

RETURN DRIVERS

+ US Intermediate Treasury

+ Option-adjusted-spread

- Effective default rate

= Expected nominal return

Bank loans

ROLE

- Same as U.S. Credit plus:
- Floating rates result in lower duration and less interest rate risk

	BANK LOANS	
	Correlation	Excess Return*
Bank Loans	1.0	0.0
US Treasury	-0.4	-0.4
High Yield	0.9	3.2
US Large	0.6	-3.0
US Core Plus	0.4	-0.4
Short-Term Gov't/Credit	-0.1	2.2

RETURN DRIVERS

+ LIBOR

+ Spread

- Effective default rate

= Expected nominal return

Emerging market debt

ROLE

- Same as U.S. Credit plus:
- Hard currency debt increases default risk because an issuing government does not have flexibility to “print money” to cover debt payments

	EM DEBT (H)		EM DEBT (L)	
	Correlation	Excess Return*	Correlation	Excess Return*
EM Debt (H)	1.0	0.0	0.8	-1.5
EM Debt (L)	0.8	1.5	1.0	0.0
Global Sovereign	0.5	5.2	0.6	3.7
Global Credit	0.8	2.9	0.8	1.4
Commodities	0.5	10.5	0.6	8.9
US Large	0.6	-0.5	0.7	-2.0

RETURN DRIVERS

+ US Intermediate Treasury

+ Option-adjusted-spread

- Effective default rate

+ Implied currency effect

= Expected nominal return

Private credit

ROLE

- Same as U.S. Credit plus:
- Illiquid premium expected for long-term fund structures

	PRIVATE CREDIT	
	Correlation	Excess Return*
Private Credit	1.0	0.0
US Treasury	-0.2	4.4
Global Credit	0.3	7.3
US Core	0.2	5.3
US Large	0.7	1.8
Bank Loans	0.6	4.8

RETURN DRIVERS

+ US Intermediate Treasury

+ Option-adjusted-spread

- Effective default rate

+ Illiquidity premium

= Expected nominal return

Real assets / alternatives

Commodities

ROLE

- Provides high correlation to inflation over the medium to longer term and during inflation shocks
- Enhance returns through active roll strategies

	COMMODITIES	
	Correlation	Excess Return*
Commodities	1.0	0.0
Inflation	0.3	-6.3
Real Estate	0.0	-11.0
Emerging Markets	0.7	-11.4
Global Equity	0.6	-9.4
US Large	0.5	-10.8

RETURN DRIVERS

+ Cash

+ Inflation

= Expected nominal return

Hedge funds

ROLE

- May provides market-like return at lower risk levels (i.e. efficient)
- Potentially uncorrelated sources of returns

	HEDGE FUNDS	
	Correlation	Excess Return*
Hedge Funds	1.0	0.0
US Large	0.7	-4.6
Commodities	0.7	6.1
Real Estate	0.3	-4.9
REITs	0.4	-4.5
Global Equity	0.8	-3.3

RETURN DRIVERS

+ Return from traditional beta

+ 3.0% (alternative beta and alpha)

= Expected nominal return

Real estate

ROLE

- Provides stable income with inflation protection
- Rents tend to exhibit positive correlation with inflation
- Provides exposure to economic growth
- Typically uses leverage at property and/or fund level

REAL ESTATE

	Correlation	Excess Return*
Real Estate	1.0	0.0
REITs	0.4	0.4
US Core	0.0	3.8
Inflation	0.1	6.3
Global Equity	0.3	1.6
US Large	0.4	0.3

RETURN DRIVERS

+ Capitalization rate

- Capital expenditures

+ Inflation

= Expected nominal return

REITs

ROLE

- Same as Real estate plus:
- More liquid method for gaining Real Estate exposure
- Public REITS exhibit equity like volatility given public market trading

	REITS	
	Correlation	Excess Return*
REITs	1.0	0.0
US Large	0.8	-0.2
Inflation	0.1	5.9
Real Estate	0.4	-0.4
Global Equity	0.7	1.2

RETURN DRIVERS

+ Capitalization rate

- Capital expenditures

+ Inflation

= Expected nominal return

Risk parity

ROLE

- Provides exposure to most asset classes
- Seeks to provide higher risk-adjusted returns through factor-balanced investment approaches
- Adjustments to current market conditions varies by strategy
- Typically employs leverage

RISK PARITY

	Correlation	Excess Return*
Risk Parity	1.0	0.0
US Large	0.5	5.8
High Yield	0.5	1.0
US Treasuries	0.4	3.8
Inflation	0.0	7.3

RETURN DRIVERS

+ Expected Sharpe Ratio * Target volatility

+ Cash rate

= Expected nominal return

Appendix

Benchmark composition

Asset Class	Index Proxy	Index Composition
Equities		
US Large	S&P 500	Free-float market capitalization-weighted index comprised of 500 of the largest US companies.
US Small	Russell 2000	Small-cap segment of the US equity market including approx. 2000 of the smallest US companies.
International Developed	MSCI EAFE	Large and mid cap equities across the developed market countries excluding US and Canada.
International Small	MSCI EAFE Small Cap	Small cap equities across the developed market countries excluding US and Canada.
Emerging Markets	MSCI EM	Large and mid cap equities across 23 emerging market countries.
Global Equity	MSCI ACWI	Large and mid cap equities across 23 developed and 23 emerging market countries.
Private Equity	Cambridge Private Equity	Over 6,000 funds capturing gross performance information of over 66,000 investments.
Fixed Income		
Cash	30 Day T-Bills	Short-term treasury bills with maturities of 30 days or less.
US TIPS	Barclays US TIPS 5 - 10	US Treasury inflation-protected securities with remaining maturities of 5 to 10 years.
US Treasury	Barclays Treasury 7 - 10 year	US Treasury securities with remaining maturities of 7 to 10 years.
Global Sovereign ex US	Barclays Global Treasury ex US	Government issued bonds with remaining maturities of 1 year or more issued by investment-grade countries outside the US.
Core Fixed Income	Barclays US Aggregate Bond	Investment grade, USD denominated treasuries, government-related and corporate bonds, MBS, ABS and CMBS.
Core Plus Fixed Income	Barclays US Corporate IG	Investment grade, USD denominated US corporate bonds publicly issued by US and non-US issuers.
Short-Term Gov't/Credit	Barclays US Gov't/Credit 1 - 3 year	Non-securitized investment grade, USD denominated, fixed-rate treasuries, government-related and corporate securities.
Short-Term Credit	Barclays Credit 1 - 3 year	USD denominated, investment-grade securities issued by corporate issuers with remaining maturities of up to 3 years.
Long-Term Credit	Barclays Long US Corporate	USD denominated, investment grade US corporate bonds publicly issued by US and non-US issuers with durations of 10+ years.
High Yield Corp. Credit	Barclays High Yield	USD-denominated, fixed-rate corporate bonds with middle ratings of Ba1 (Moody's), BB+ (Fitch), BB+ (S&P) or below.
Bank Loans	S&P/LSTA	USD denominated, senior secured term loans with minimum initial terms of one year and minimum initial spread of LIBOR +125 basis points.
Global Credit	Barclays Global Credit	Investment grade and high yield securities in all eligible currencies providing a broad-based measure of the global fixed-income bond market.
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	External emerging market debt instruments including USD denominated Brady bonds, loans, Eurobonds, and traded loans issued by sovereign entities.
Emerging Markets Debt (Local)	JPM GBI EM Global Diversified	Local currency bonds issued by emerging market governments accessible by most international investors. The index employs a constrained market-capitalization method that limits individual issuer exposures at 10%.
Private Credit	High Yield + 200 bps	-
Other		
Commodities	Bloomberg Commodity	22 exchange-traded futures on physical commodities representing 20 commodities weighted to account for economic significance and market liquidity.
Hedge Funds	HFRI Fund of Funds	Fund of funds invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager.
Core Real Estate	NCREIF Property	Very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.
REITs	Wilshire REIT	Publicly-traded real estate securities designed to serve as proxies for direct real estate investment by institutions.
Risk Parity		-
Inflation		-

**We use local inflation for international developed equity and fixed income markets. When using local inflation rates, expected returns are adjusted for the implied currency effect based on currency forward contract rates (See Appendix)*



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



DECEMBER 16, 2015

Asset - Liability Study

Stanislaus County Employees' Retirement Association

Table of contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700
LOS ANGELES 310-297-1777

Introduction 3

Appendices 63

Historical experience 5

Deterministic Projections 9

Stochastic Projections 16

Past performance is no guarantee of future results. This report or presentation is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and should not be relied upon by retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. The opinions and information expressed are current as of the date provided or cited only and are subject to change without notice. This information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. VERUS ADVISORY™ and VERUS INVESTORS™ expressly disclaim any and all implied warranties or originality, accuracy, completeness, non-infringement, merchantability and fitness for a particular purpose. This report or presentation cannot be used by the recipient for advertising or sales promotion purposes.

The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

“VERUS ADVISORY™ and VERUS INVESTORS™ and any associated designs are the respective trademarks of Verus Advisory, Inc. and Verus Investors, LLC.” Additional information is available upon request.

I. Introduction

Session objectives

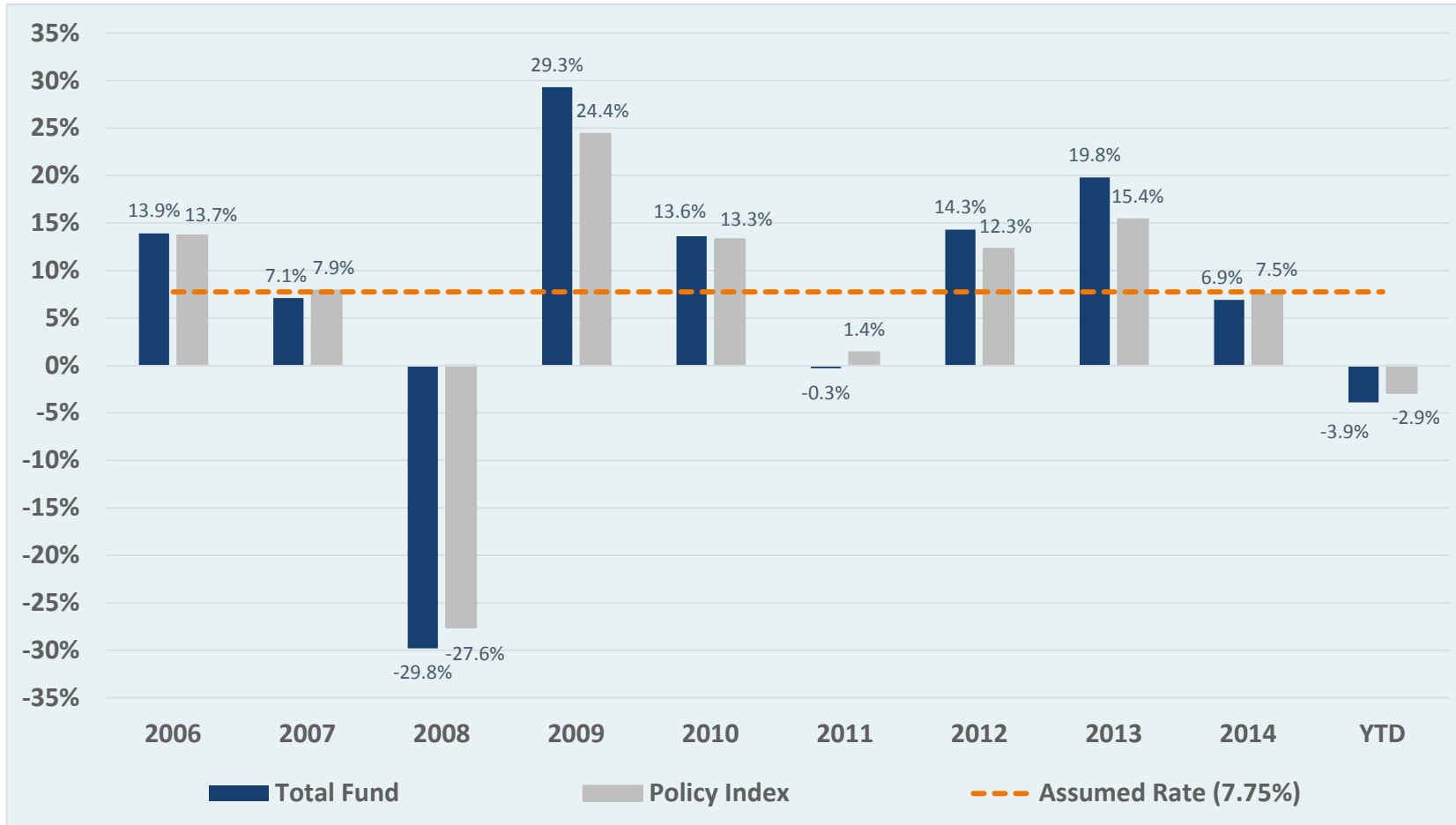
- Develop intuitive sense of how different investment strategies impact the Plan's key metrics, including:
 - Funded ratio
 - \$ Contributions
 - Contributions as % of pay
- Understand impact of range of possible market outcomes
- Provide information to assist Board in developing its Enterprise Risk Tolerance
- Provide meaningful insight into the investment strategy selection decision

Asset / liability analysis is best used to evaluate the impact of broad strategic shifts, rather than small asset allocation adjustments

II. Historical experience

Total fund performance

	Trailing Returns for Period Ending 9/30/2015					Calendar Years				
	YTD	1-yr	3-yr	5-yr	10-yr	2014	2013	2012	2011	2010
Total Fund	-3.9%	-1.2%	7.9%	8.4%	6.1%	6.9%	19.8%	14.3%	-0.3%	13.6%
Policy Index	-2.9%	-0.2%	7.0%	7.8%	6.2%	7.5%	15.4%	12.3%	1.4%	13.3%

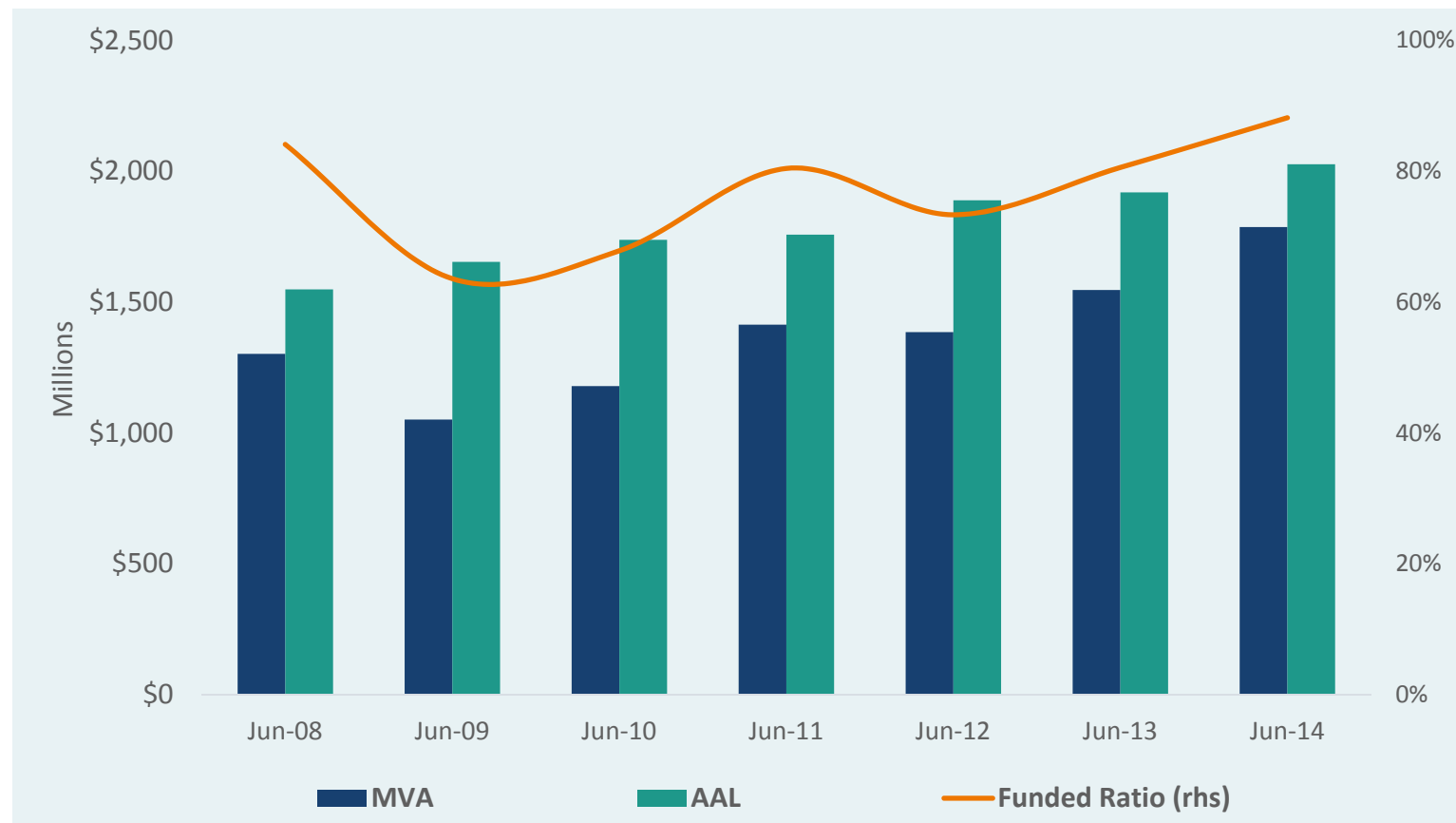


StanCERA has outperformed the actuarial assumed rate in 5 of the last 10 years.

All returns are gross of fees. Returns prior to 3Q 2015 were provided by the prior consultant.

Actuarial valuations & market value funded status

HISTORICAL FUNDED STATUS

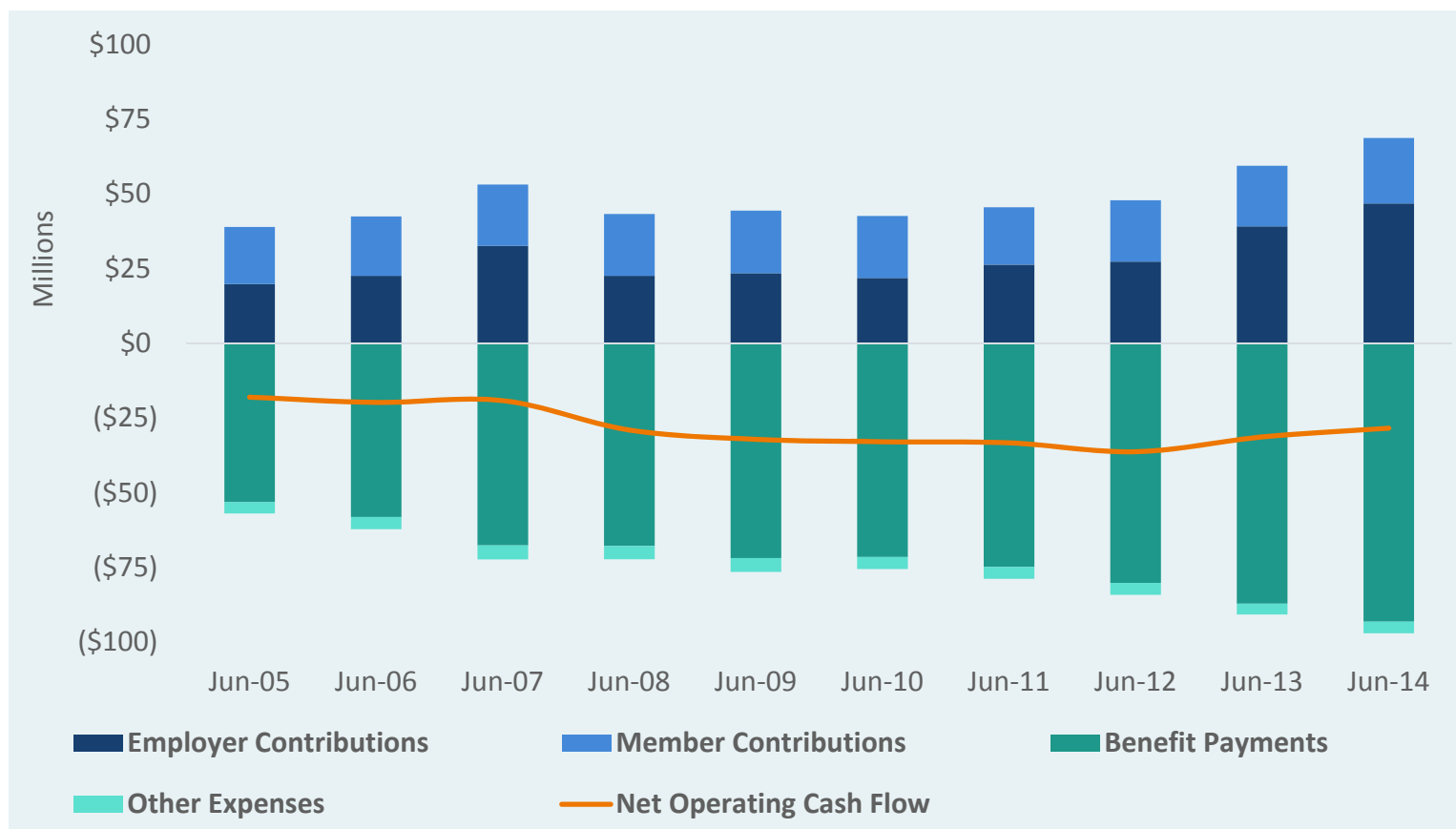


Based on market value of assets, the June 2014 funded ratio (88.2%) is at its highest level since 2007

Source: StanCERA Investment Reports, Cheiron Actuarial Valuation Reports

Contributions & benefit payments

NET OPERATING CASH FLOWS

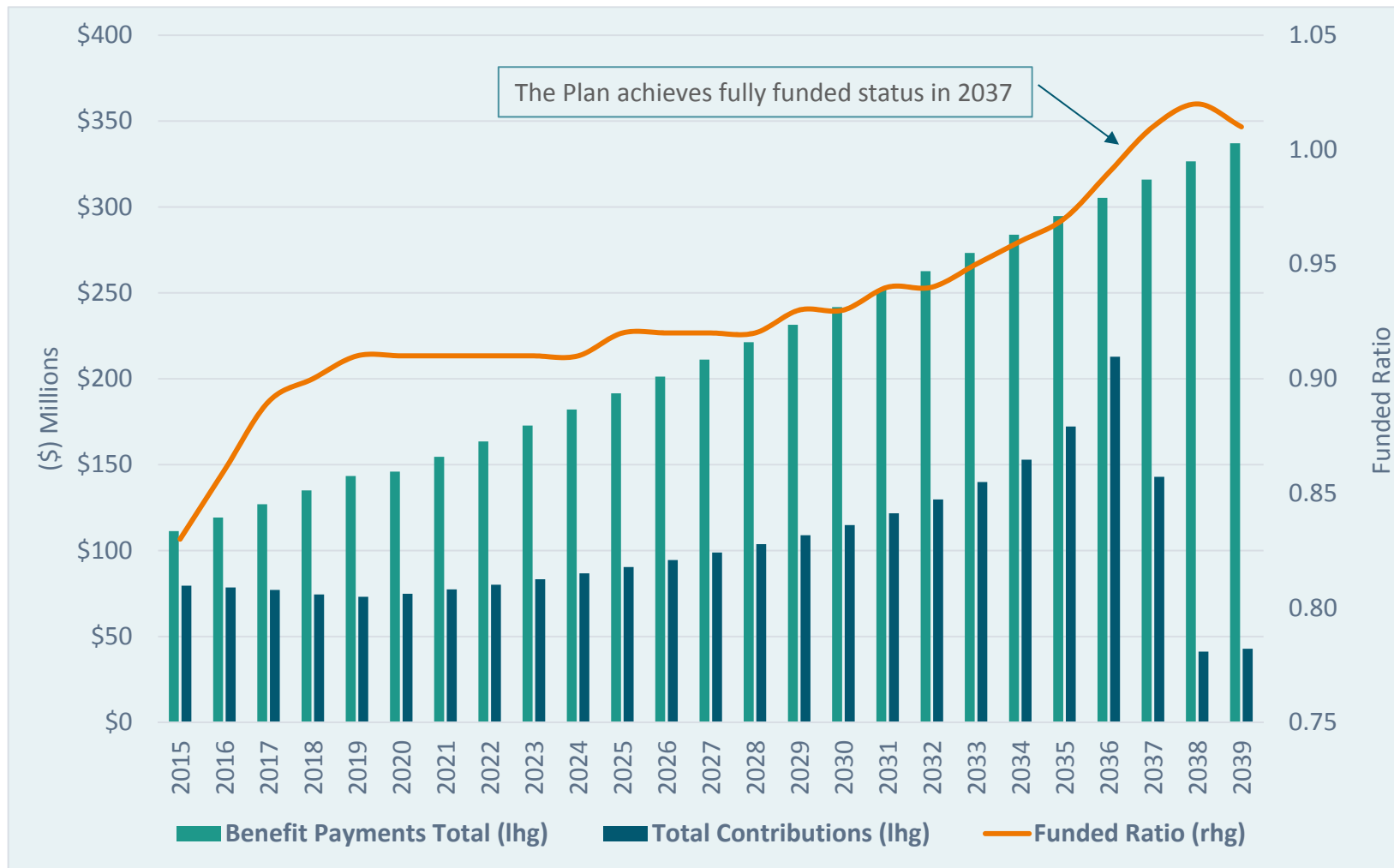


Net operating cash flows have remained negative for the last 10 years, averaging - \$28.1 mil

Source: StanCERA Comprehensive Annual Financial Reports

III. Deterministic Projections

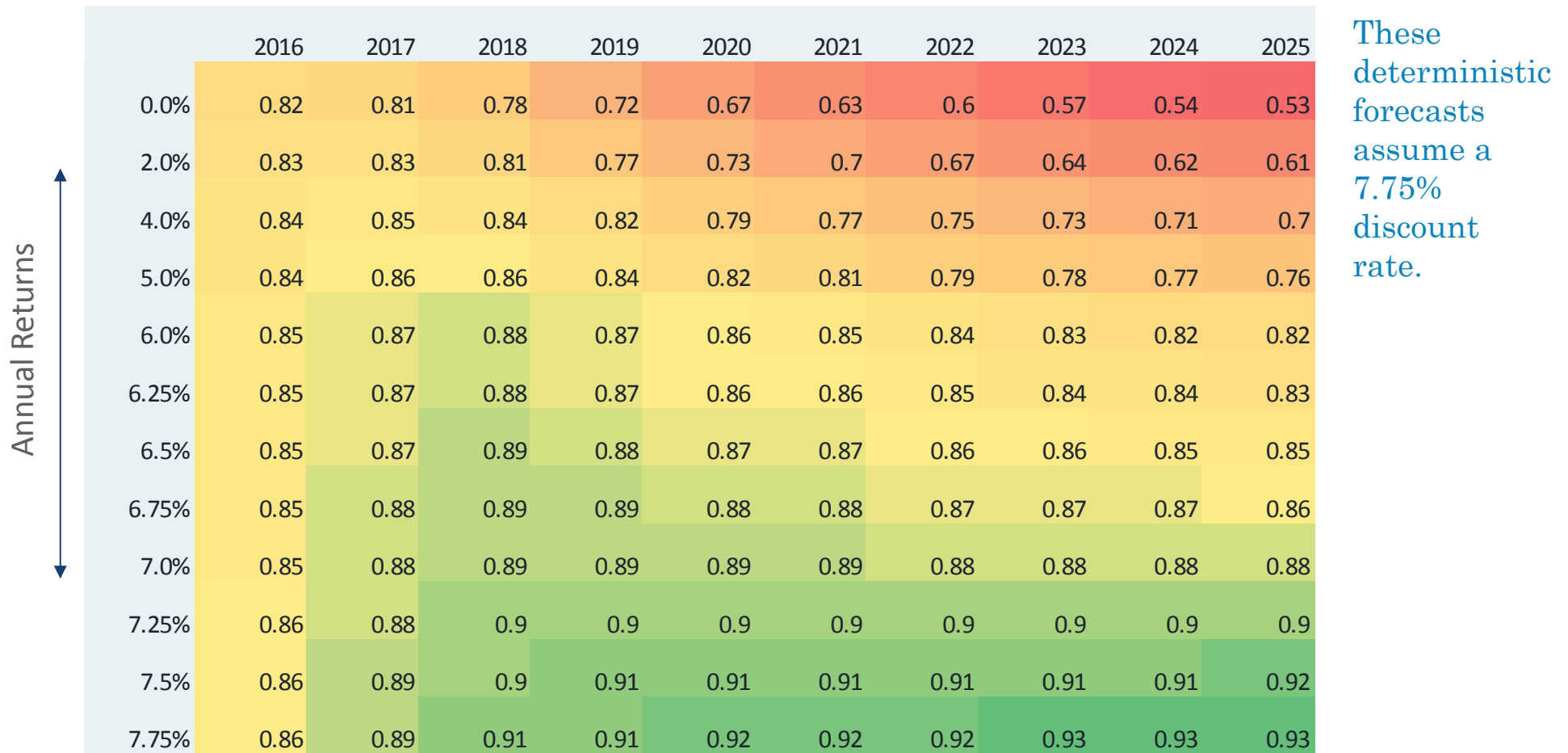
Base case: the plan earns 7.75% every year for next 25 years



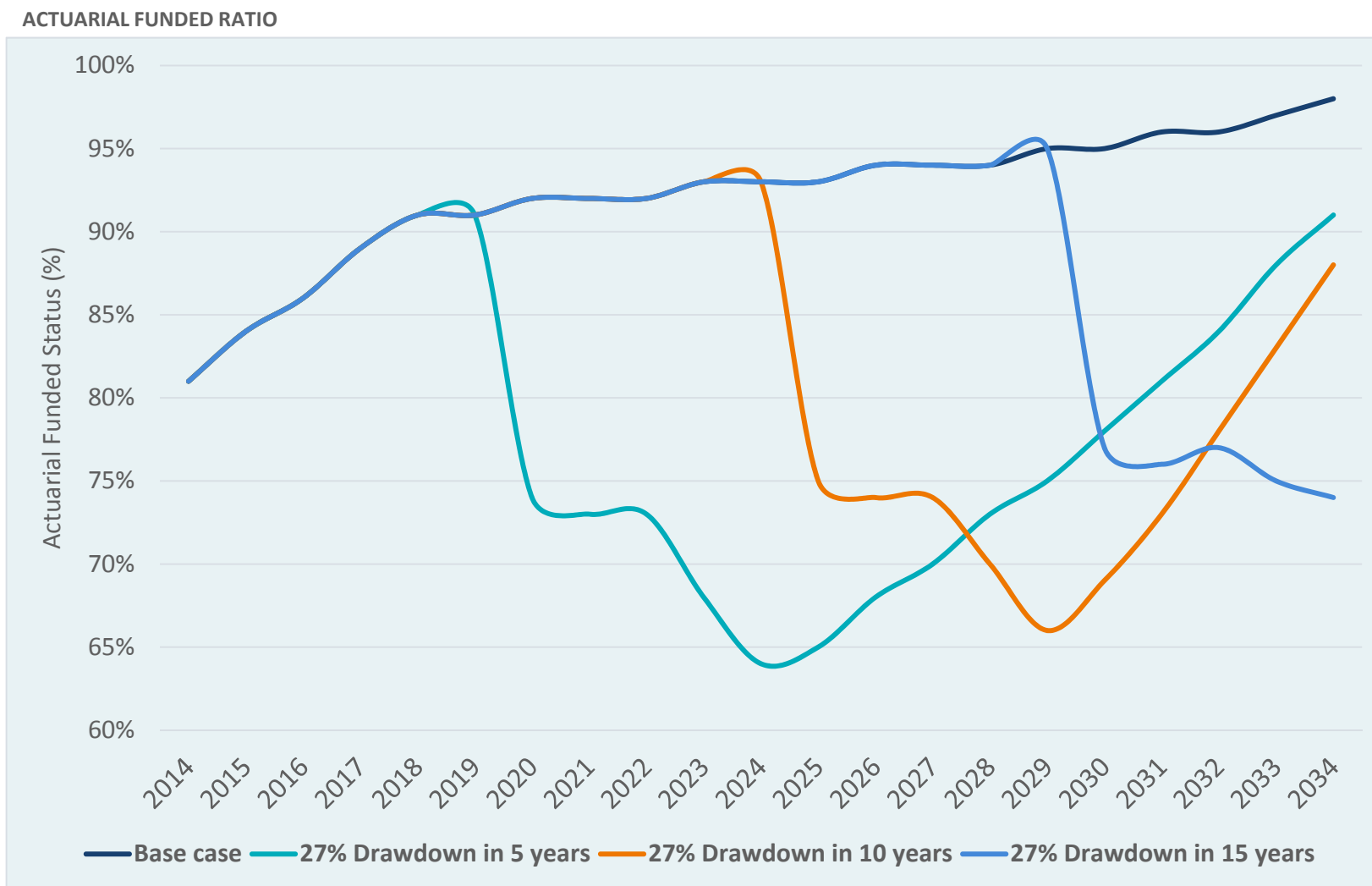
The Plan achieves fully funded status during 2037 if the base case were to hold true.

Notes: Contributions consist of employer and employee contributions. Funded status for all deterministic projections is based on the actuarial value of assets.

Funded status outcomes



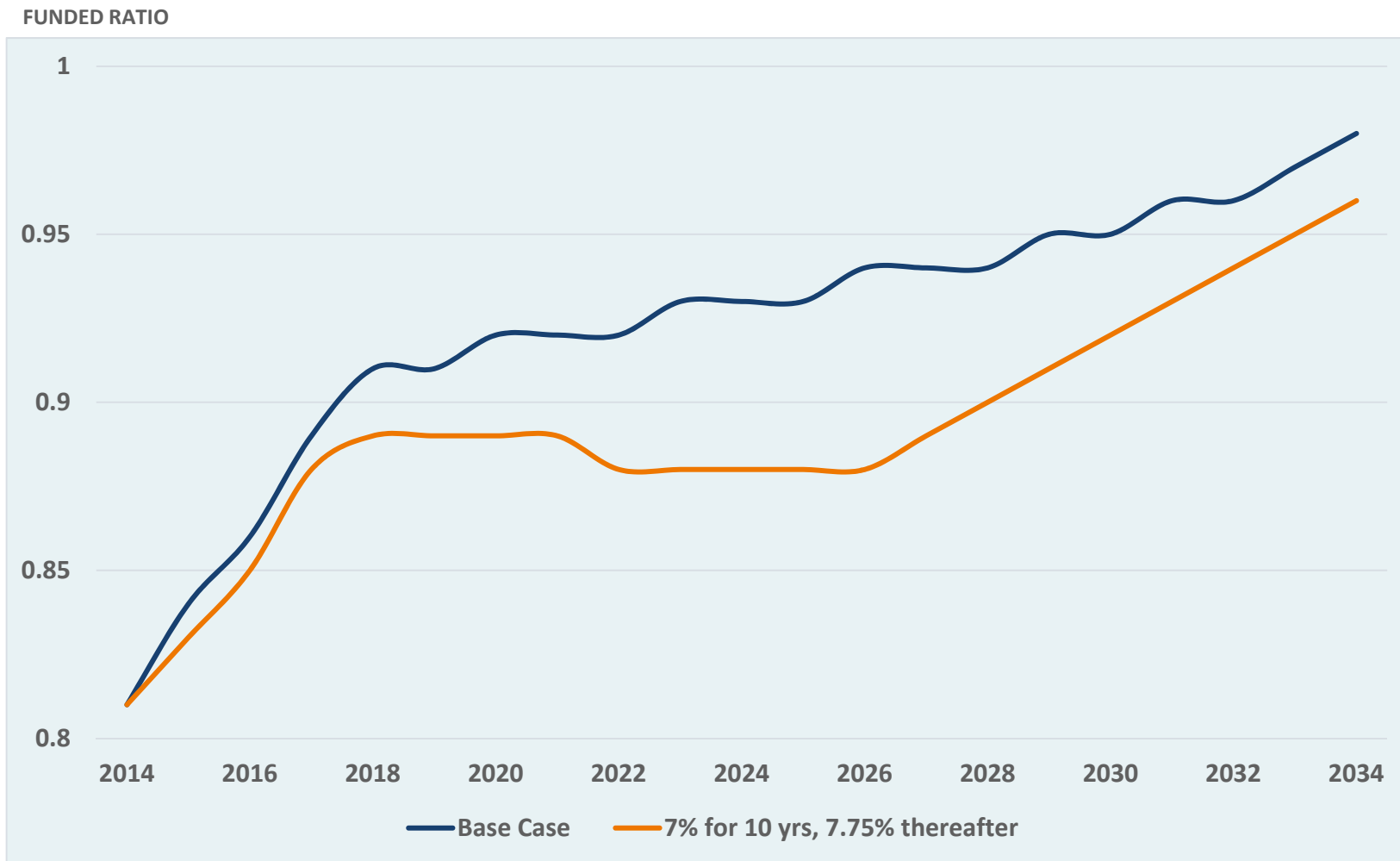
Funded status & drawdowns



Experiencing “2008 type” drawdown event would set the plan back on its path to recovery

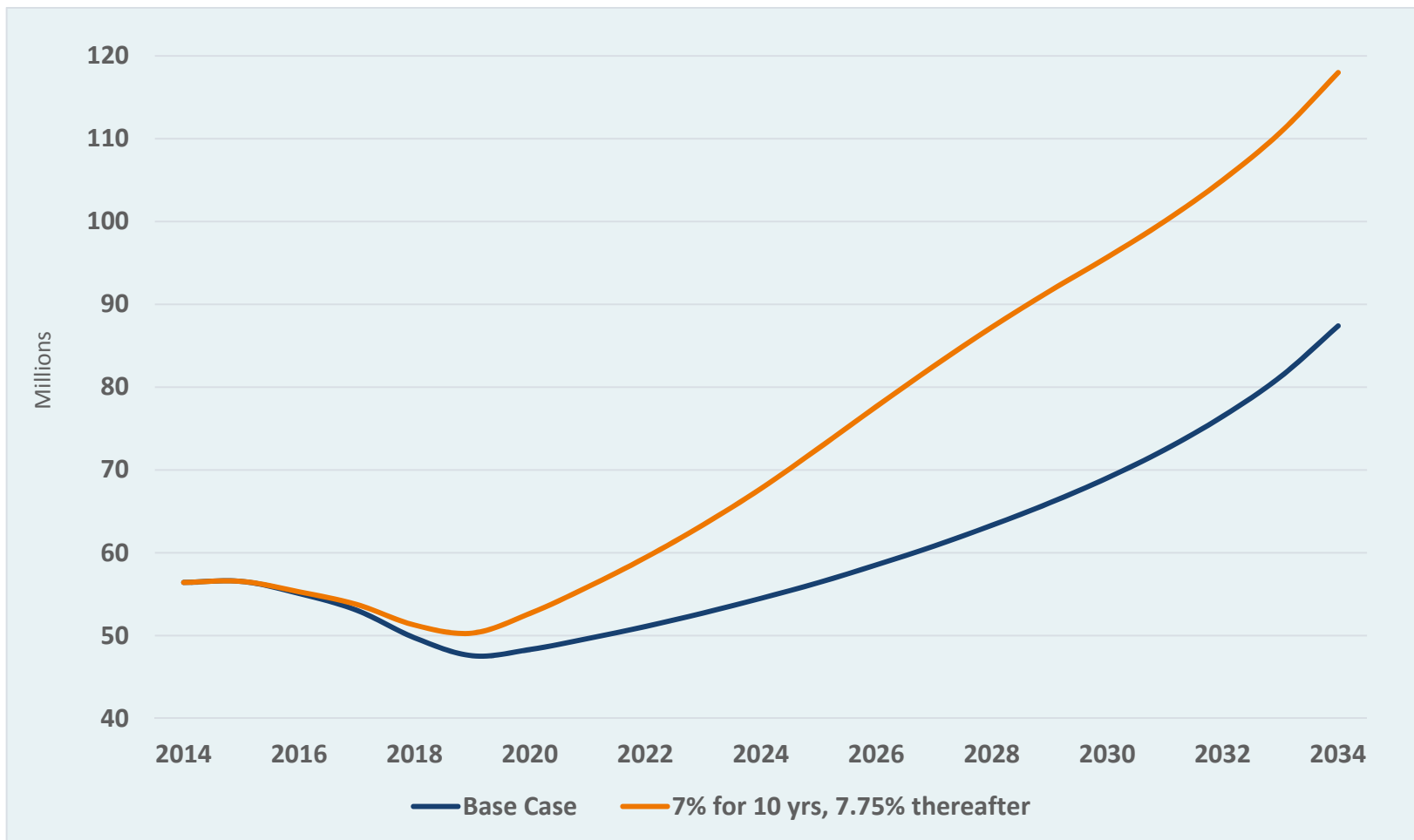
Assumes 7.75% in all non-drawdown years. Assumes no increases in contributions or benefit changes beyond what has been assumed. Also assumes all other actuarial assumptions are met.

Impact of 10-Year Performance Below Assumed Rate



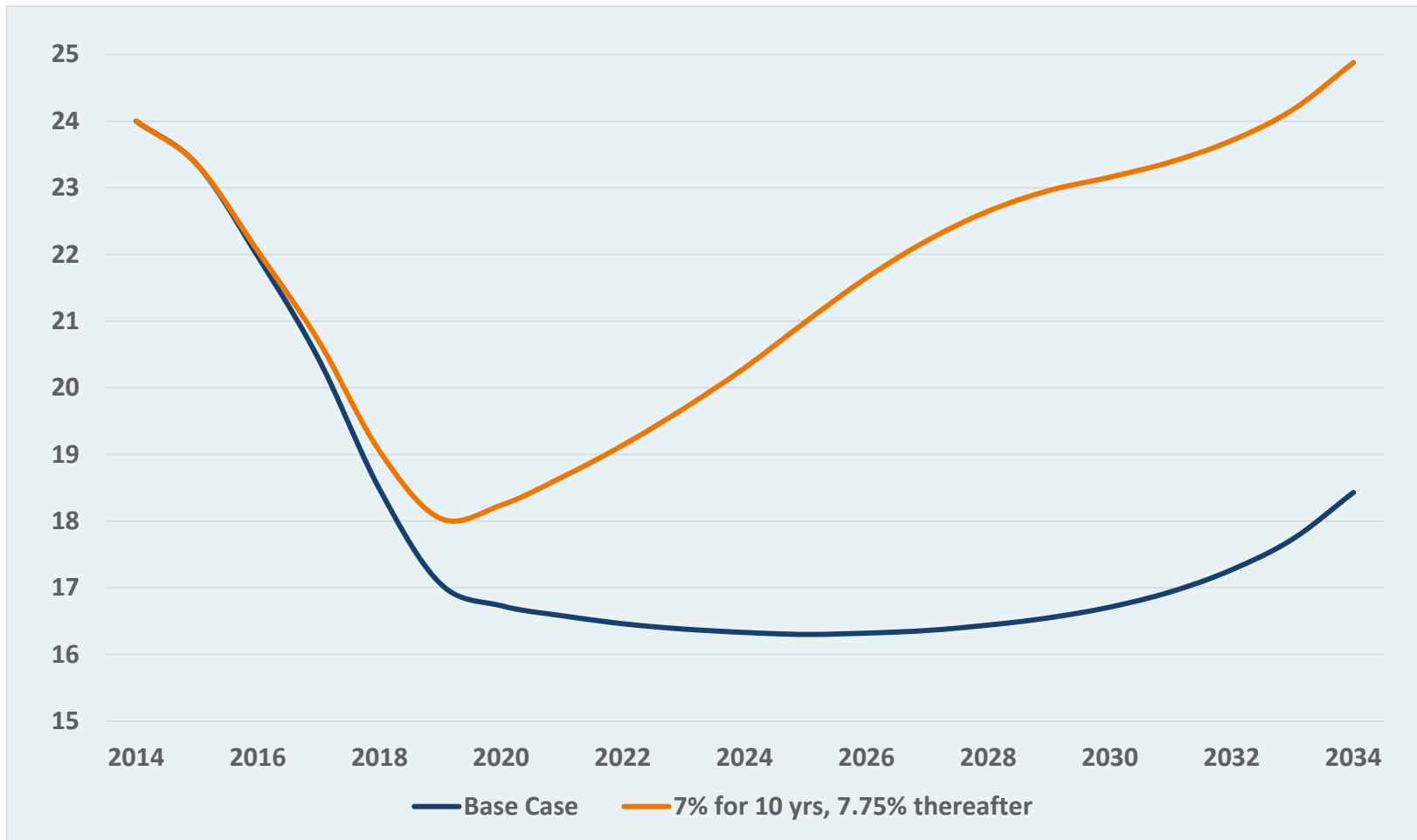
Impact of 10-Year Performance Below Assumed Rate

EMPLOYER CONTRIBUTIONS (\$)



Impact of 10-Year Performance Below Assumed Rate

EMPLOYER CONTRIBUTIONS (%)



IV. Stochastic Projections

Economic diversification and the role of asset classes



CMA Process

- Verus independently develops and publishes our Capital Market Assumptions each January for every major asset class.
- These assumptions are rooted in extensive research* and vetted by the firm's Investment Committee following a comprehensive review process.
- The approach is predicated on a widely accepted “building block” method. (Low interest rates lead to below average assumptions, which is consistent with historical experience.)
- While we employ a very robust process, they represent “educated guesses” on what the future holds.

*The primary source of academia driving our CMA process is Antti Ilmanen's book, Expected Returns.

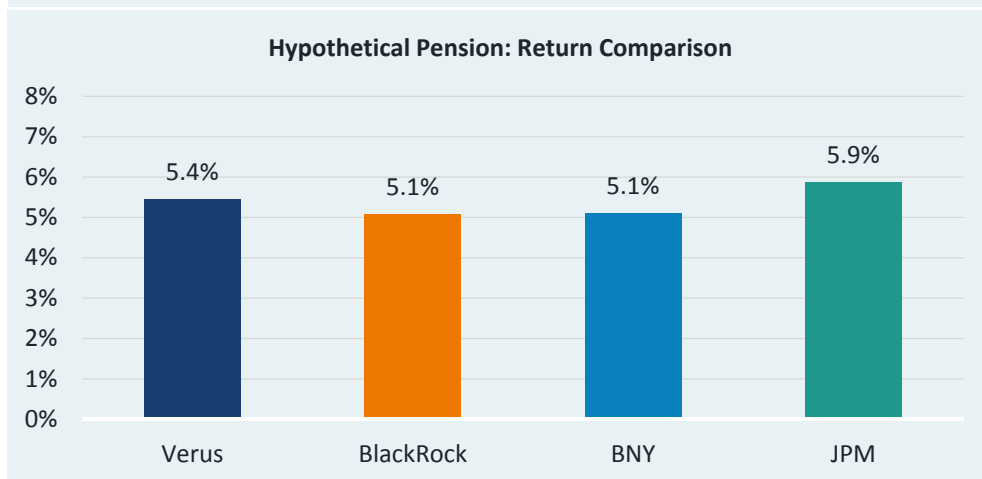
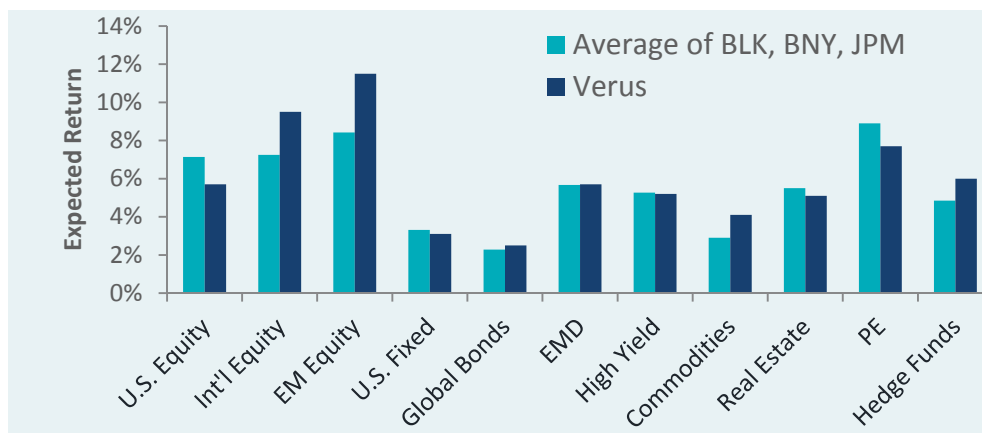
10 year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast	Ten Year Historical Sharpe Ratio
		Geometric	Arithmetic			
Equities						
US Large	S&P 500	5.7%	6.7%	14.7%	0.25	0.47
US Small	Russell 2000	4.7%	6.5%	19.8%	0.13	0.4
International Developed	MSCI EAFE	9.5%	11.0%	18.2%	0.41	0.25
International Small	MSCI EAFE Small Cap	9.2%	11.0%	19.7%	0.36	0.32
Emerging Markets	MSCI EM	11.5%	13.9%	23.7%	0.4	0.4
Global Equity	MSCI ACWI	7.4%	8.7%	16.5%	0.32	0.35
Private Equity	Cambridge Private Equity	7.7%	10.2%	23.7%	0.24	1.07
Fixed Income						
Cash	30 Day T-Bills	2.1%	2.1%	0.6%	-	-
US TIPS	Barclays US TIPS 5 - 10	2.6%	2.8%	6.3%	0.07	0.47
US Treasury	Barclays Treasury 7 - 10 year	2.2%	2.4%	6.4%	0.01	0.65
Global Sovereign ex US	Barclays Global Treasury ex US	2.5%	2.8%	7.9%	0.05	0.18
Core Fixed Income	Barclays US Aggregate Bond	3.1%	3.2%	3.2%	0.31	0.96
Core Plus Fixed Income	Barclays US Corporate IG	3.8%	4.0%	5.9%	0.29	0.67
Short-Term Gov't/Credit	Barclays US Gov't/Credit 1 - 3 year	2.3%	2.3%	1.3%	0.17	1.09
Short-Term Credit	Barclays Credit 1 - 3 year	2.6%	2.6%	2.3%	0.22	0.88
Long-Term Credit	Barclays Long US Corporate	3.7%	4.3%	11.0%	0.15	0.55
High Yield Corp. Credit	Barclays High Yield	5.2%	5.8%	10.5%	0.3	0.61
Bank Loans	S&P/LSTA	3.7%	4.1%	8.7%	0.19	0.44
Global Credit	Barclays Global Credit	1.9%	2.2%	7.4%	-0.02	0.49
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	5.7%	6.1%	8.9%	0.41	0.72
Emerging Markets Debt (Local)	JPM GBI EM Global Diversified	6.2%	7.0%	12.9%	0.32	0.46
Private Credit	High Yield + 200 bps	7.8%	8.4%	10.5%	0.55	-
Other						
Commodities	Bloomberg Commodity	4.1%	5.7%	18.2%	0.11	-0.1
Hedge Funds	HFRI Fund of Funds	6.0%	6.4%	9.1%	0.43	0.29
Core Real Estate	NCREIF Property	5.1%	5.9%	13.2%	0.23	0.93
REITs	Wilshire REIT	5.1%	8.1%	26.4%	0.11	0.38
Risk Parity		7.1%	7.6%	10.0%	0.50	-
Inflation		2.1%	-	-	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

Comparing return assumptions

We compared our 2015 ten year assumptions for major asset classes to those of some of the largest financial institutions in the world.



Data compiled by Verus. See appendix for details regarding Verus' 2015 capital market assumptions.

- We compared our 2015 assumptions to those produced by BlackRock, Bank of New York Mellon, & JP Morgan.
- 64% of the time, our forecast was more optimistic than the other firms.
- When comparing the average of all three firms, our assumptions were more optimistic in 6 of 11 asset classes.
- Comparing a hypothetical portfolio of 22.5% US equity, 22.5% int'l equity, 35% US fixed income and 5% real estate, Verus' expected return was higher than BlackRock and BNY by 30 basis points and below JPM by 50 basis points.

Investment models

	Policy	Current	Typical Peer	70/30	60/40	Risk Diversified 50/25/25	Risk Diversified 40/30/30	Mix 1	Mix 2	FFP
Equities	56.2	65.5	50	70	60	50	40	50	50	40
US Large	30.5	36.2				20	17.5	15	15	10
US Small	7.7	9.7						5	5	
International Developed	18	19.6				15	13.5	15	15	10
Emerging Markets						5	4	5	5	5
Global Equity			45	70	60					
Private Equity			5			10	5	10	10	15
Fixed Income	37.3	32.2	35	30	40	25	30	35	40	35
Cash								1	1	5
US Treasury						10	15			10
Short-Term Gov't/Credit										10
Core Fixed Income	29.8	26.6	35	30	40			15	15	
High Yield Corp. Credit						5	5	4	4	
Emerging Markets Debt (Local)						5	5	5	5	
Private Credit	7.5	5.6				5	5	10	15	10
Other	6.5	2.4	15	0	0	25	30	15	10	25
Commodities			5				5			
Hedge Funds			5			5	5			10
Core Real Estate	6.5	2.4	5			20	20	10	10	15
Risk Parity								5		
Total	100	100	100	100	100	100	100	100	100	100

Typical peer is based on BNY Mellon universe data of DB Plans > \$2 Billion
As of 6/30/2015

Investment model forecasts

	Policy	Current	Typical Peer	70/30	60/40	Risk Diversified 50/25/25	Risk Diversified 40/30/30	Mix 1	Mix 2	FFP
Mean Variance Optimization										
Forecast 10 Year Return	6.0	6.1	6.0	6.4	6.0	6.9	6.5	7.1	7.0	6.5
Standard Deviation	10.0	11.0	10.1	12.2	10.5	11.1	9.8	11.0	11.2	9.4
Return/Std. Deviation	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.6	0.6	0.7
1st percentile ret. 1 year	-23.7	-25.3	-25.4	-32.3	-27.6	-29.8	-27.4	-28.1	-28.9	-24.3
Sharpe Ratio	0.44	0.41	0.43	0.41	0.42	0.49	0.49	0.50	0.49	0.51

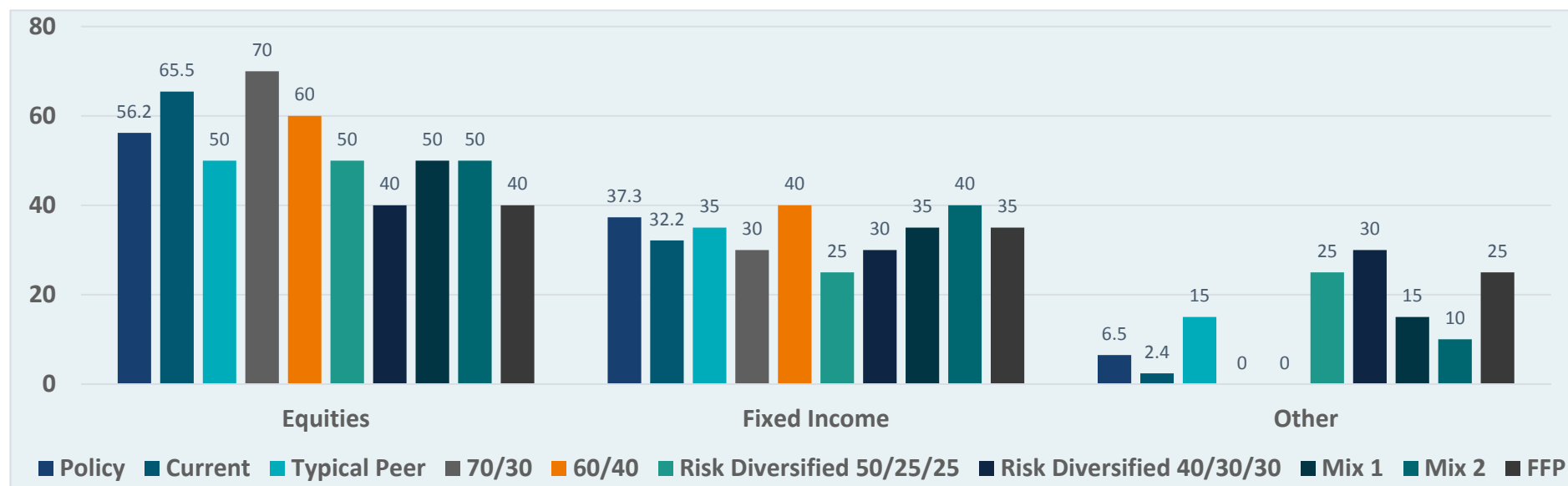
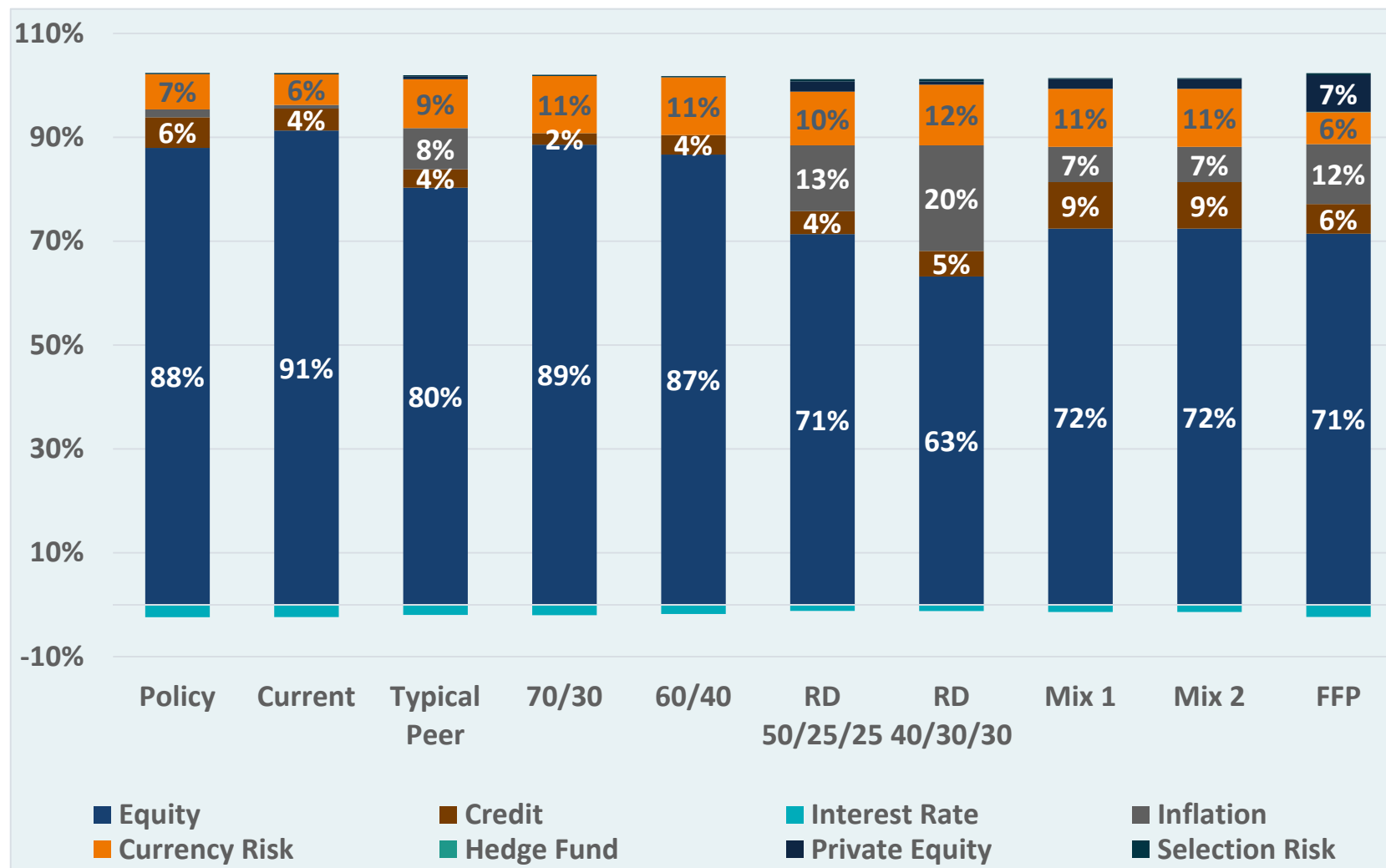


Chart note: Broad allocation buckets consistent with investment model table. For example: equities includes private equity; fixed income includes private credit; other includes HFs, commodities, and RE.

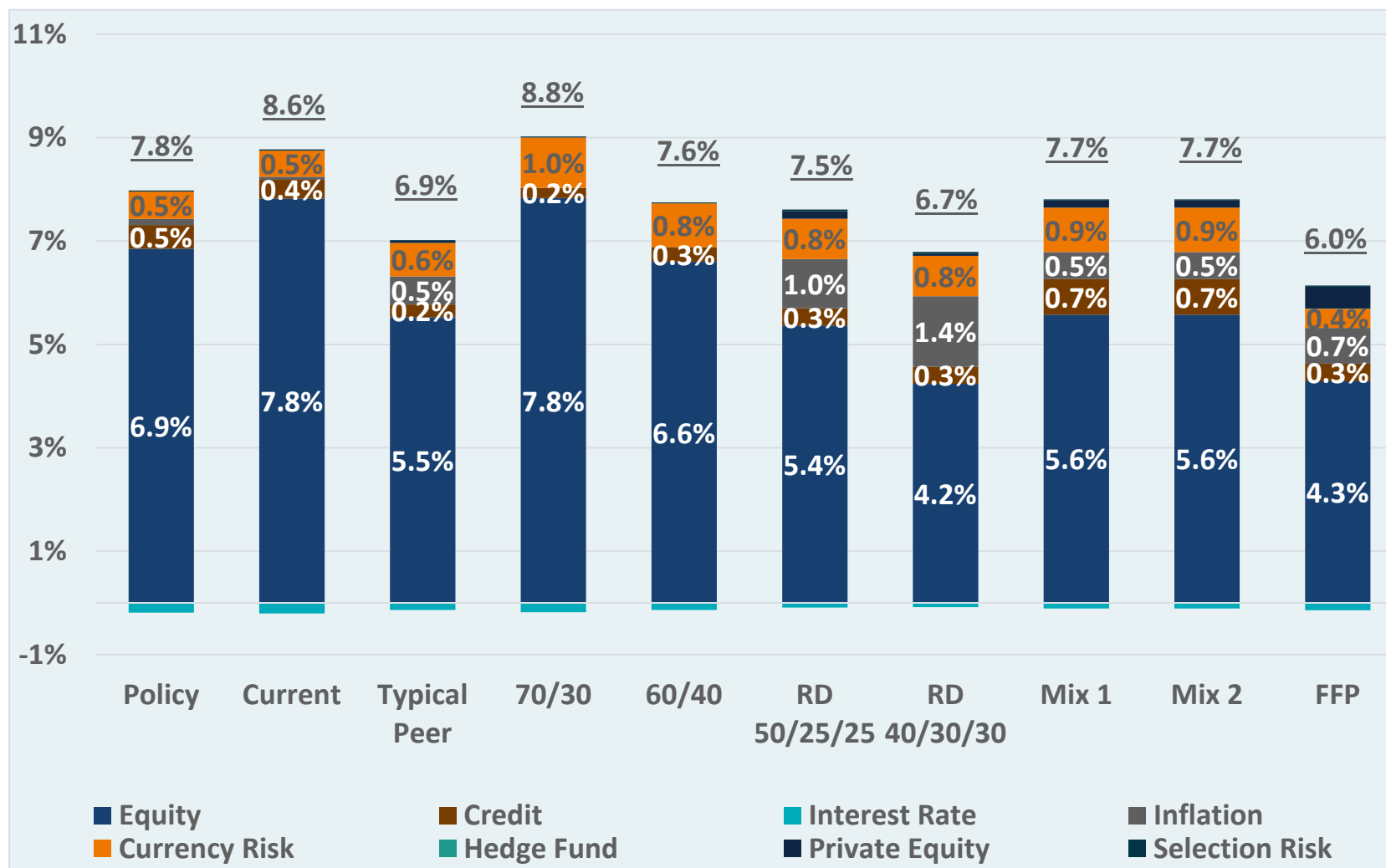
Risk decomposition



Source: MSCI BARRA

Note: Selection Risk is the risk attributable to unassigned factors

Ex-Ante Volatility

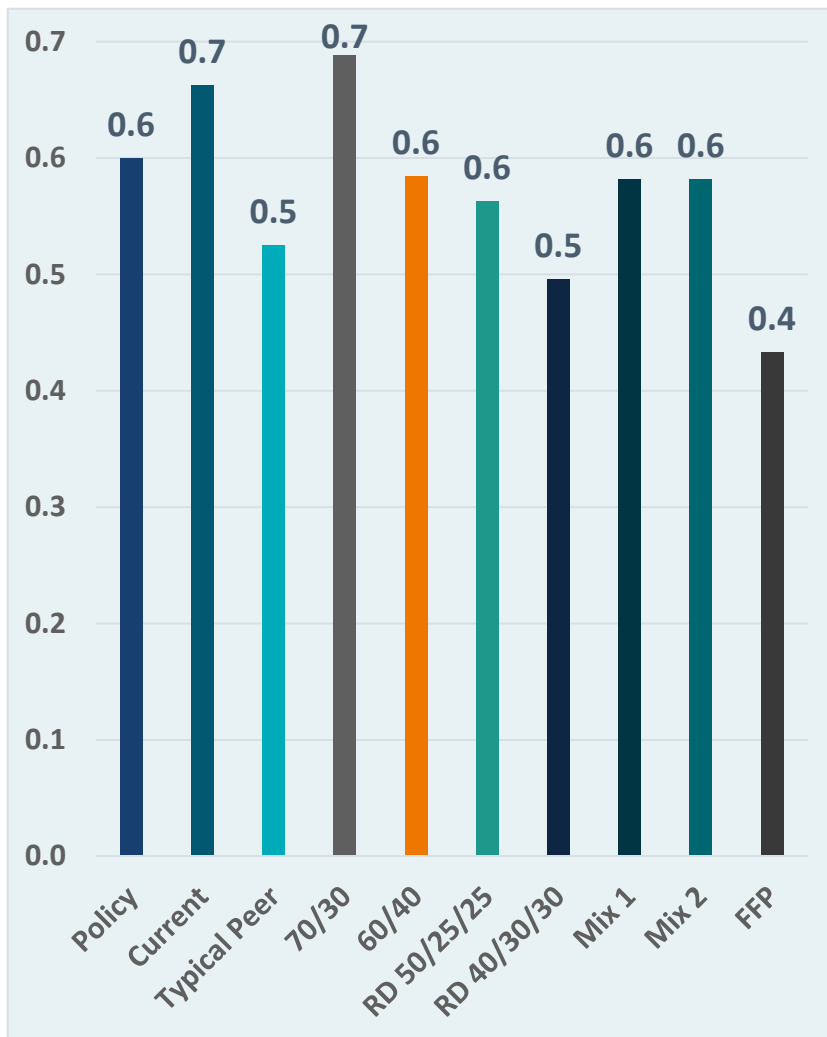


Source: MSCI BARRA

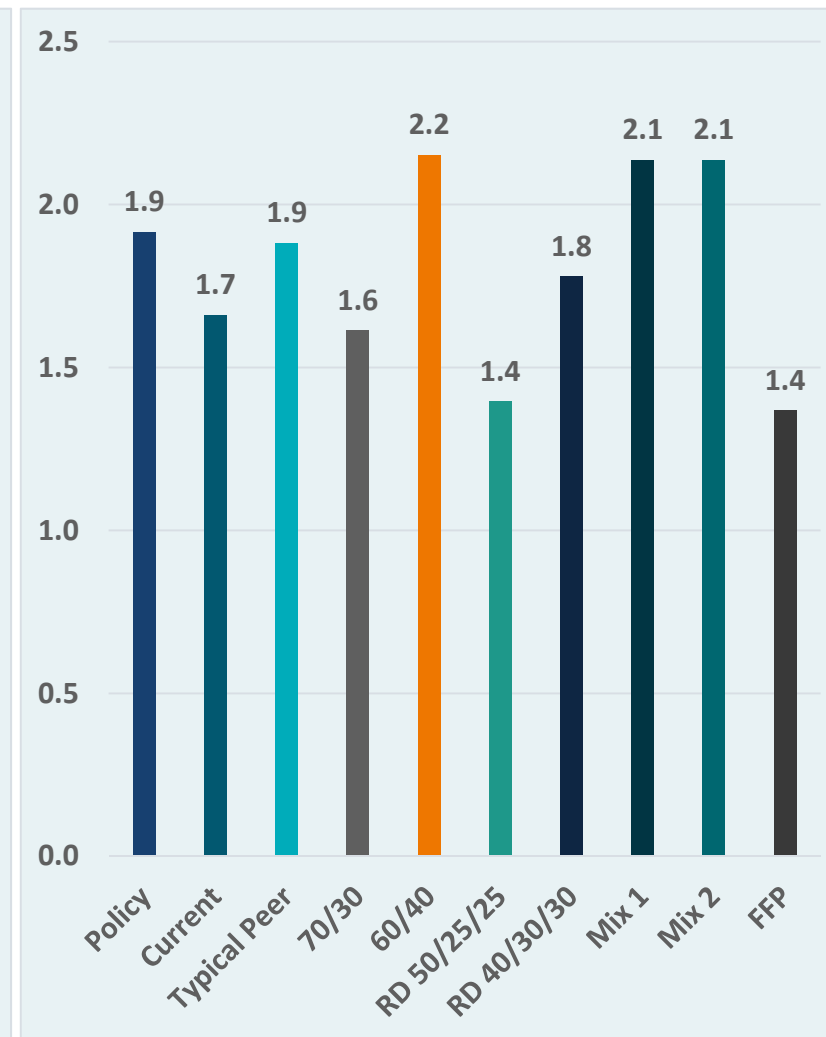
Note: Selection Risk is the risk attributable to unassigned factors

Sources of risk

PORTFOLIO EQUITY BETA



PORTFOLIO EFFECTIVE DURATION



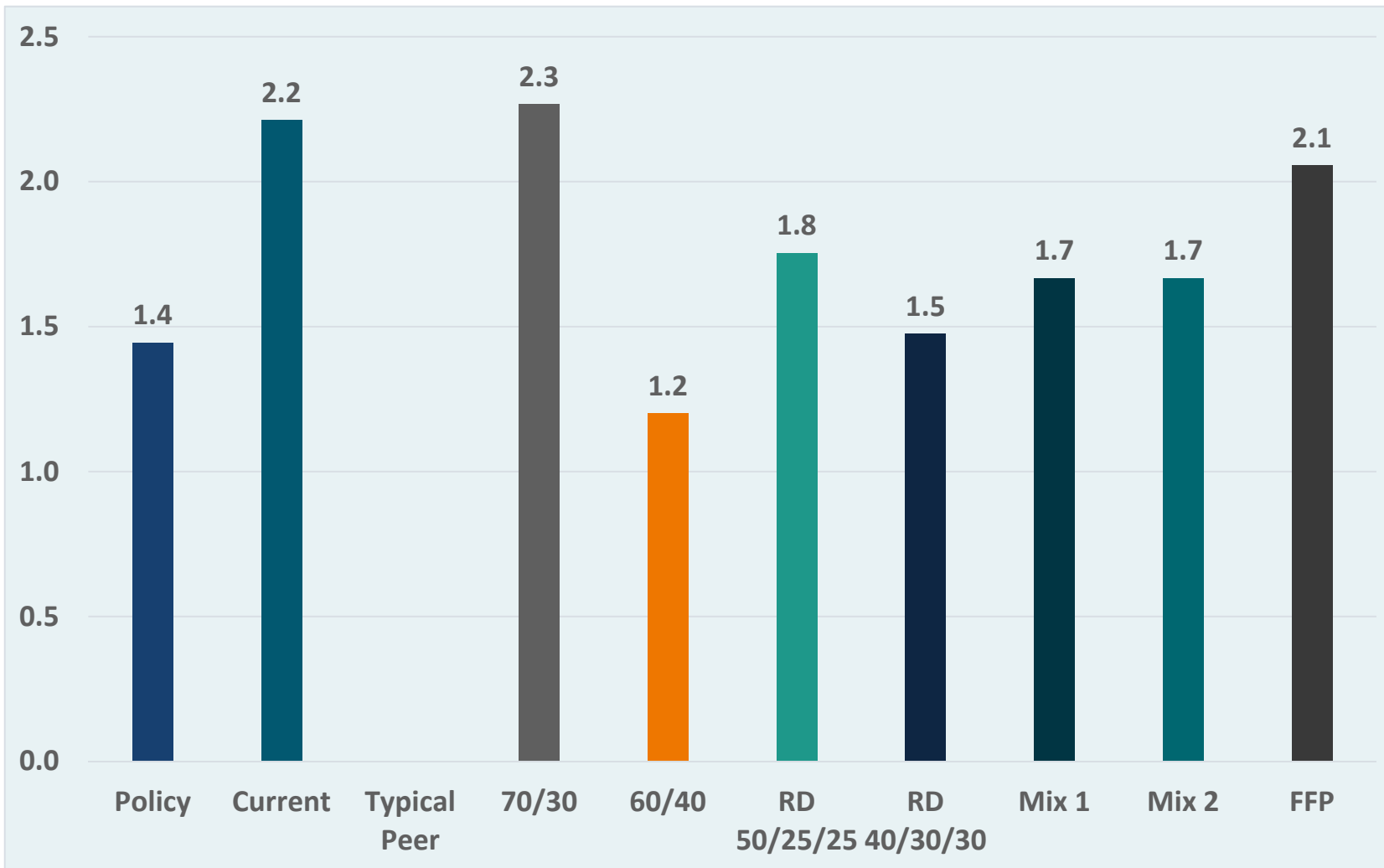
Equity beta measures the sensitivity to the risks of the broad equity market.

Duration measures the sensitivity of the portfolio to a change in interest rates.

Source: MSCI BARRA

Active risk relative to typical peer

ACTIVE RISK VS. PEER

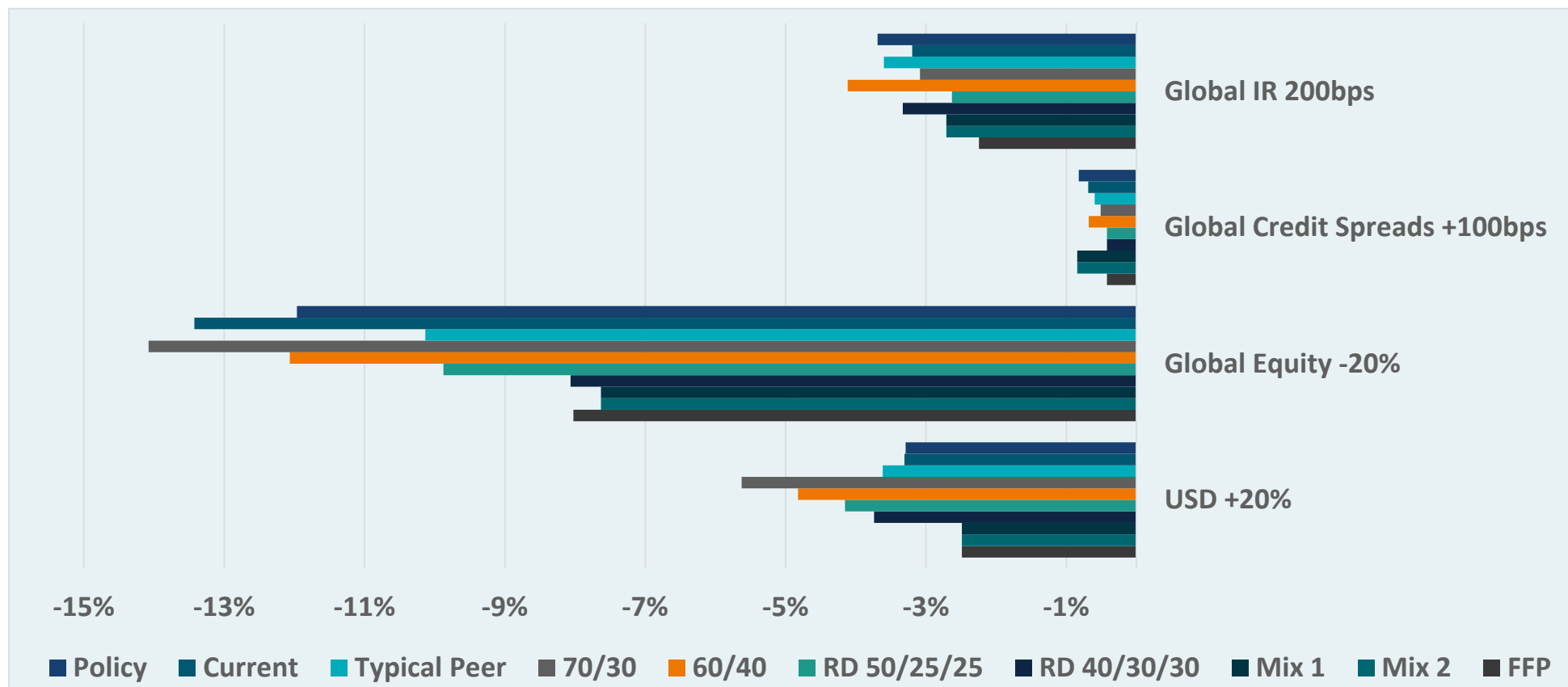


Active risk relative to the typical peer is measured as the tracking error of returns of each strategy to the returns of the typical peer

Typical Peer Allocation: 45% Global Equity, 5% Private Equity, 35% Core Fixed Income, 5% Commodities, 5% Hedge Funds, 5% Core Real Estate

Stress test

TAIL RISK – STRESS TEST

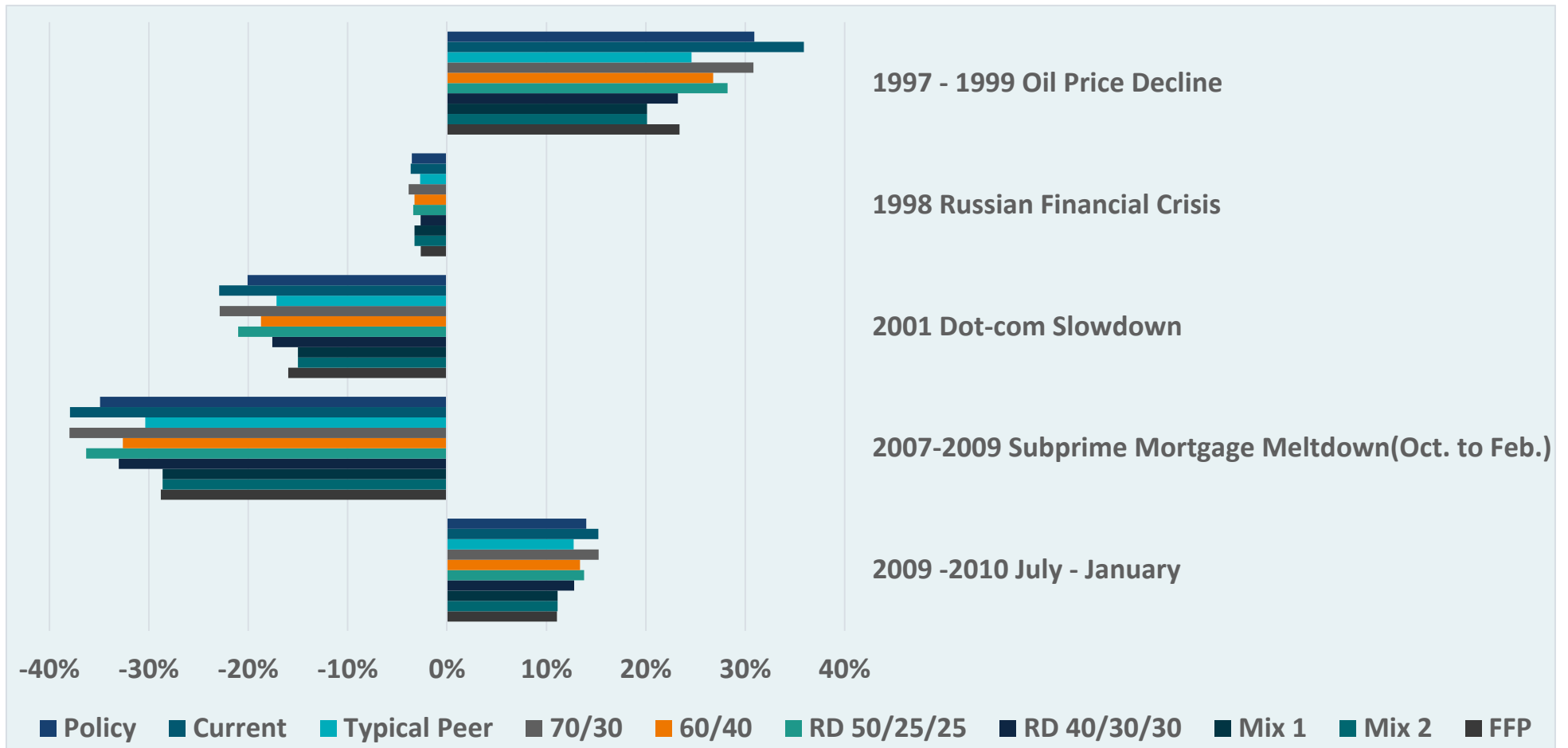


- BarraOne's risk decomposition analysis can hypothesize how the different portfolios would have performed in certain hypothetical stress tests or historical environments.
- This analysis is based on how the risk factors inherent in the current index holdings reacted in those environments.

Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI BarraOne

Historical scenario analysis

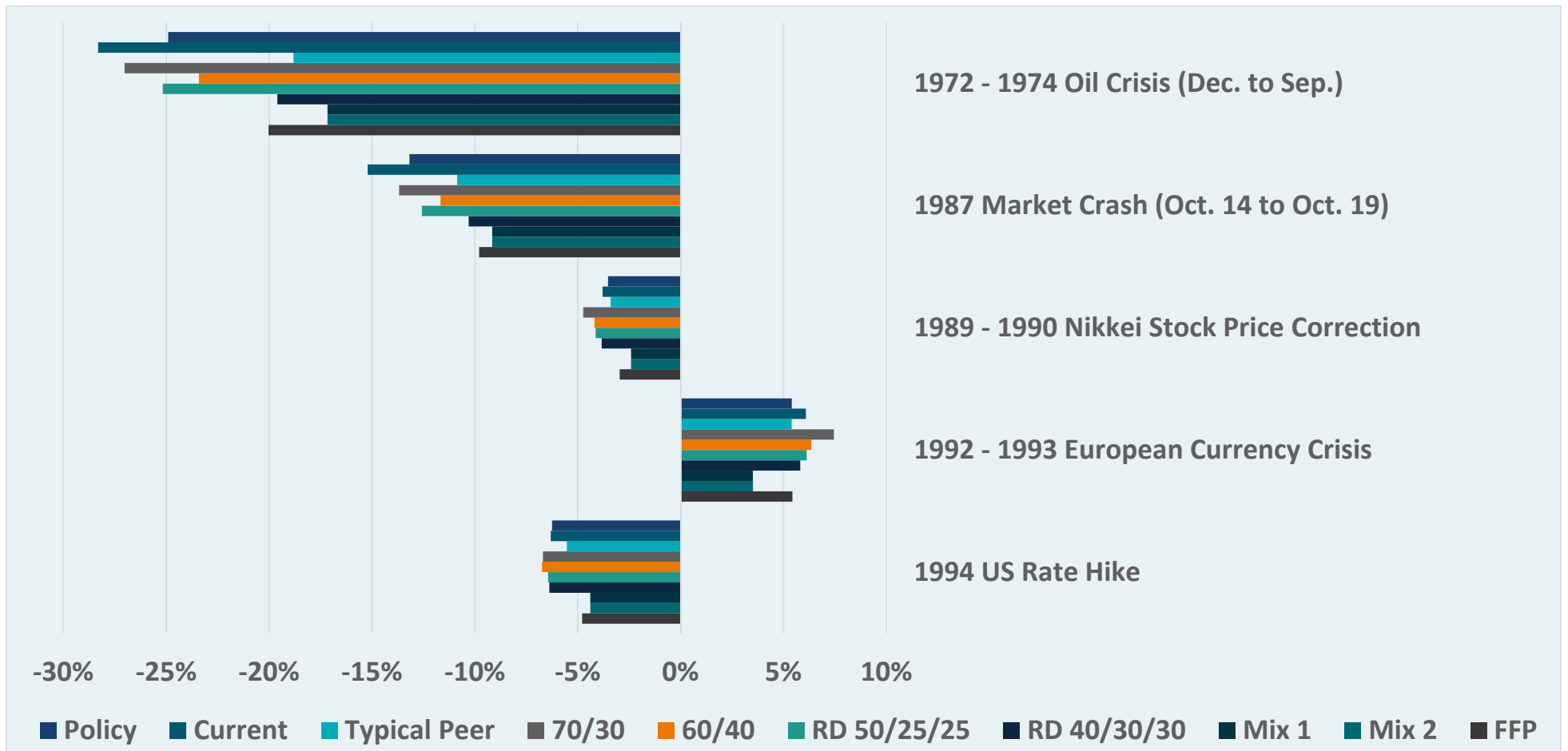
TAIL RISK – SCENARIO ANALYSIS



Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI BarraOne

Historical scenario analysis

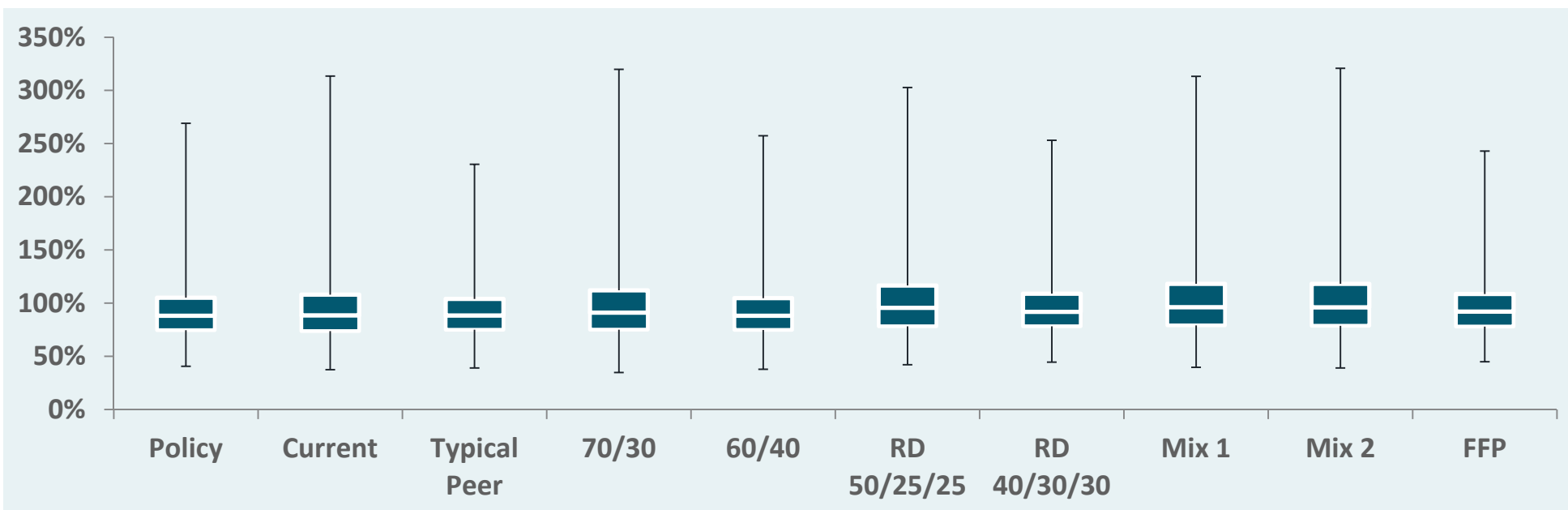
TAIL RISK – SCENARIO ANALYSIS



Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI BarraOne

Expected funded ratio

FUNDED RATIO SIMULATION FOR PLAN YEAR ENDING 2025

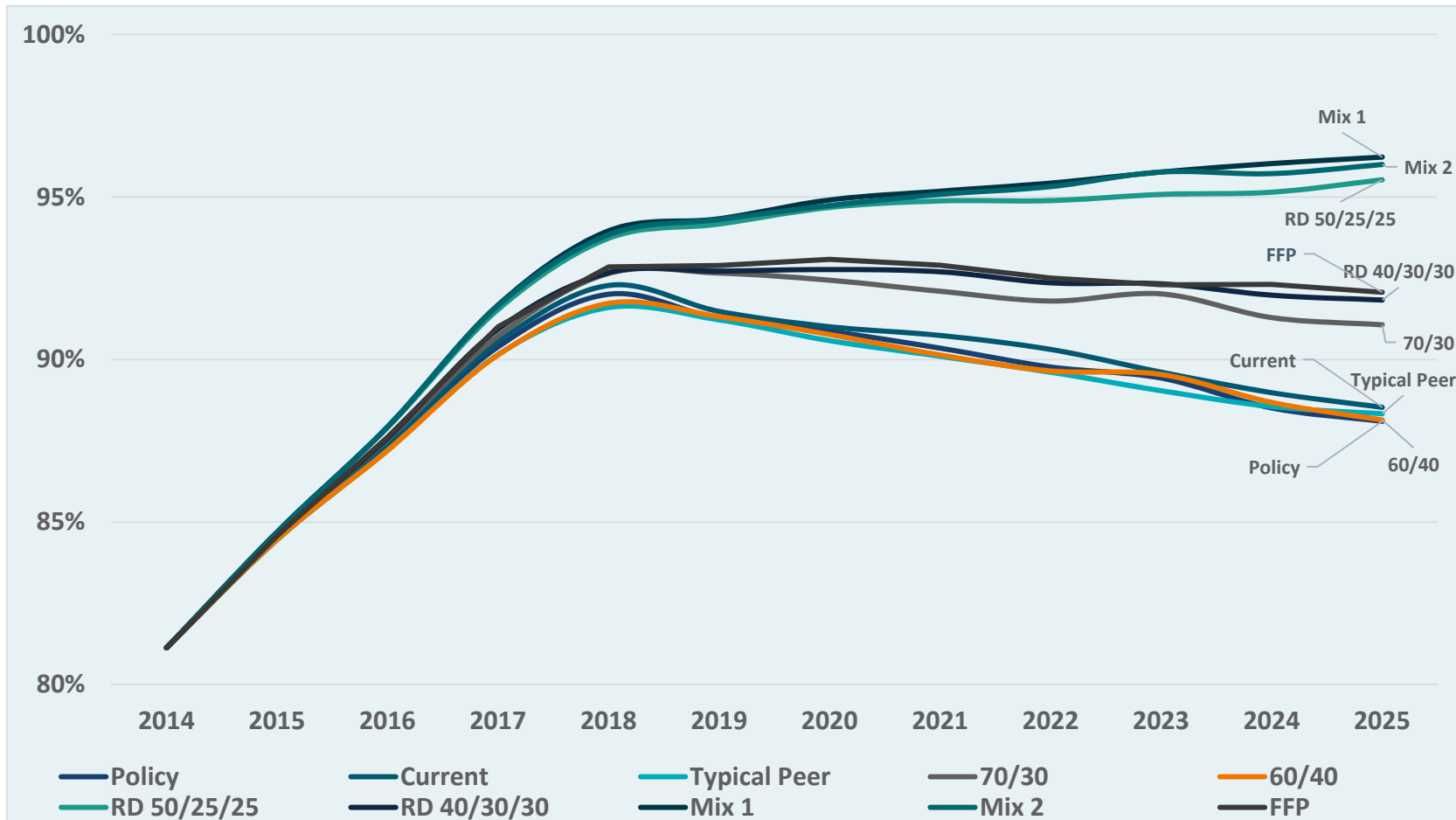


	Policy	Current	Typical Peer	70/30	60/40	RD 50/25/25	RD 40/30/30	Mix 1	Mix 2	FFP
Best Case	269.1%	313.5%	230.5%	319.8%	257.4%	302.7%	253.1%	313.2%	320.7%	243.0%
Median	88.1%	88.5%	88.3%	91.1%	88.1%	95.5%	91.8%	96.2%	96.0%	92.1%
Worst Case	40.6%	37.5%	39.1%	34.7%	37.8%	42.1%	44.6%	39.7%	39.1%	44.8%

Based on 5,000 independent simulations. Best case defined as 100th percentile. Worst case defined as 0th percentile. Median outcome is the 50th percentile.

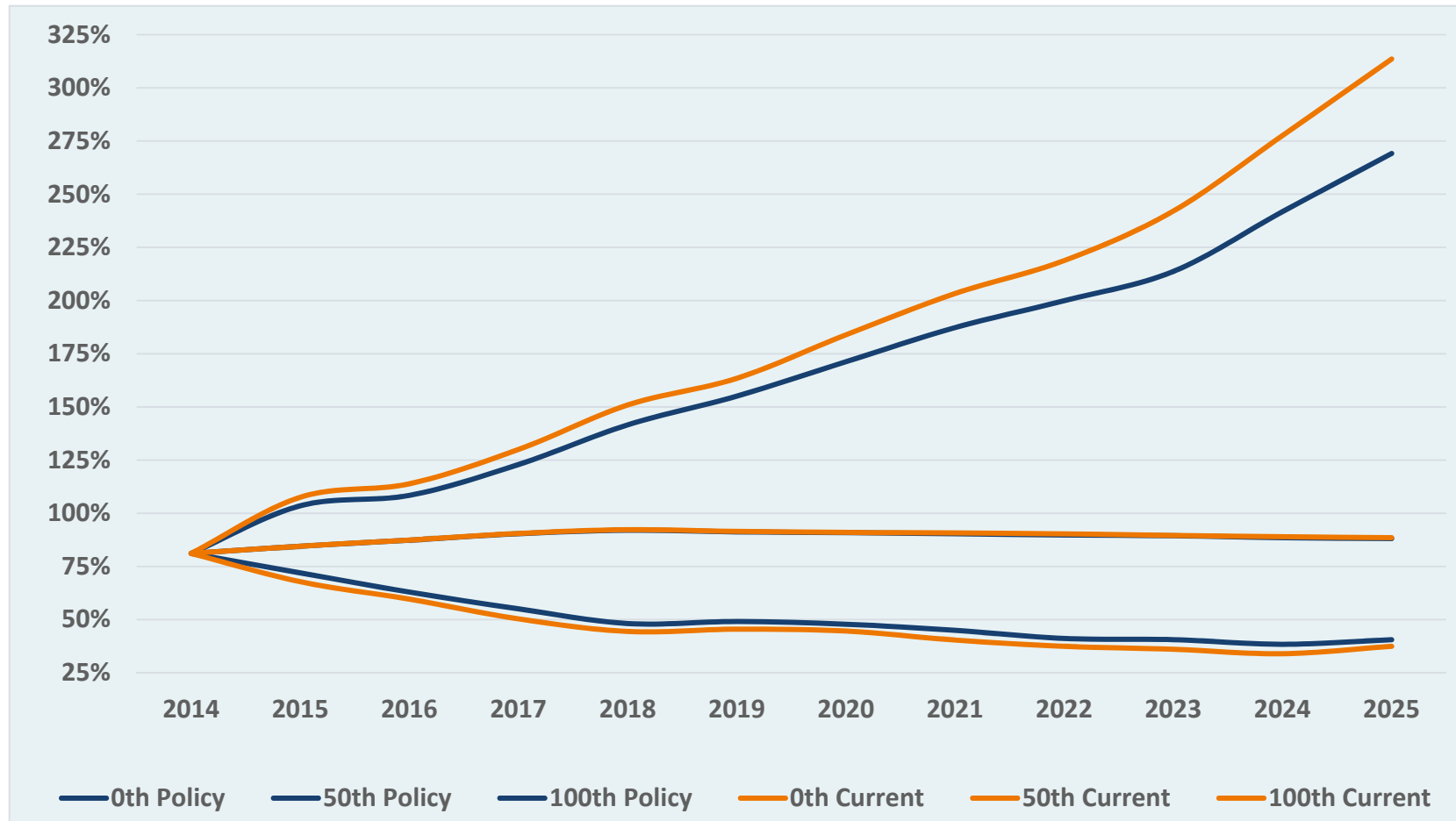
Actuarial funded status

Median projections



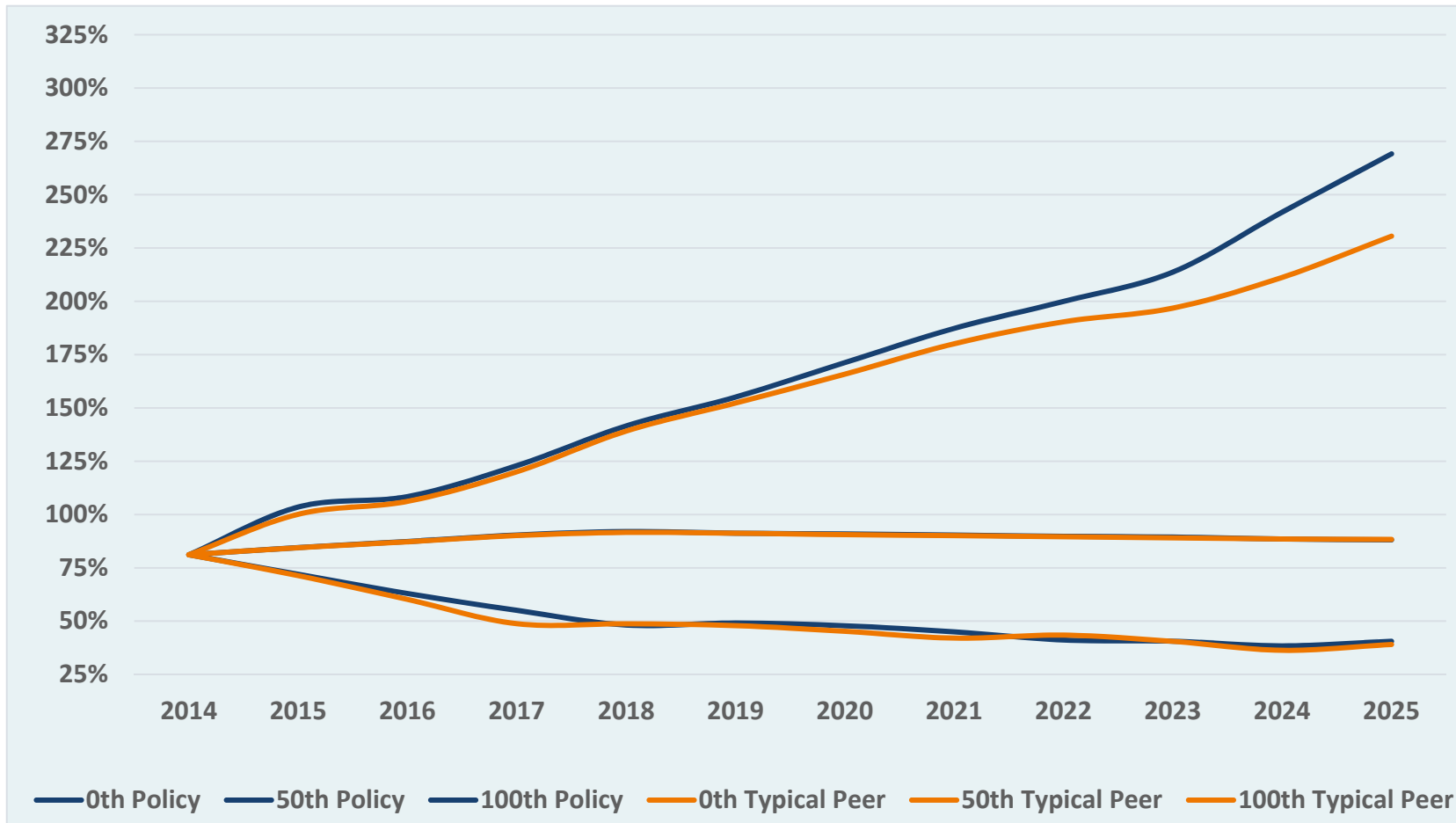
Funded ratio forecast

Comparison between Policy and Current models



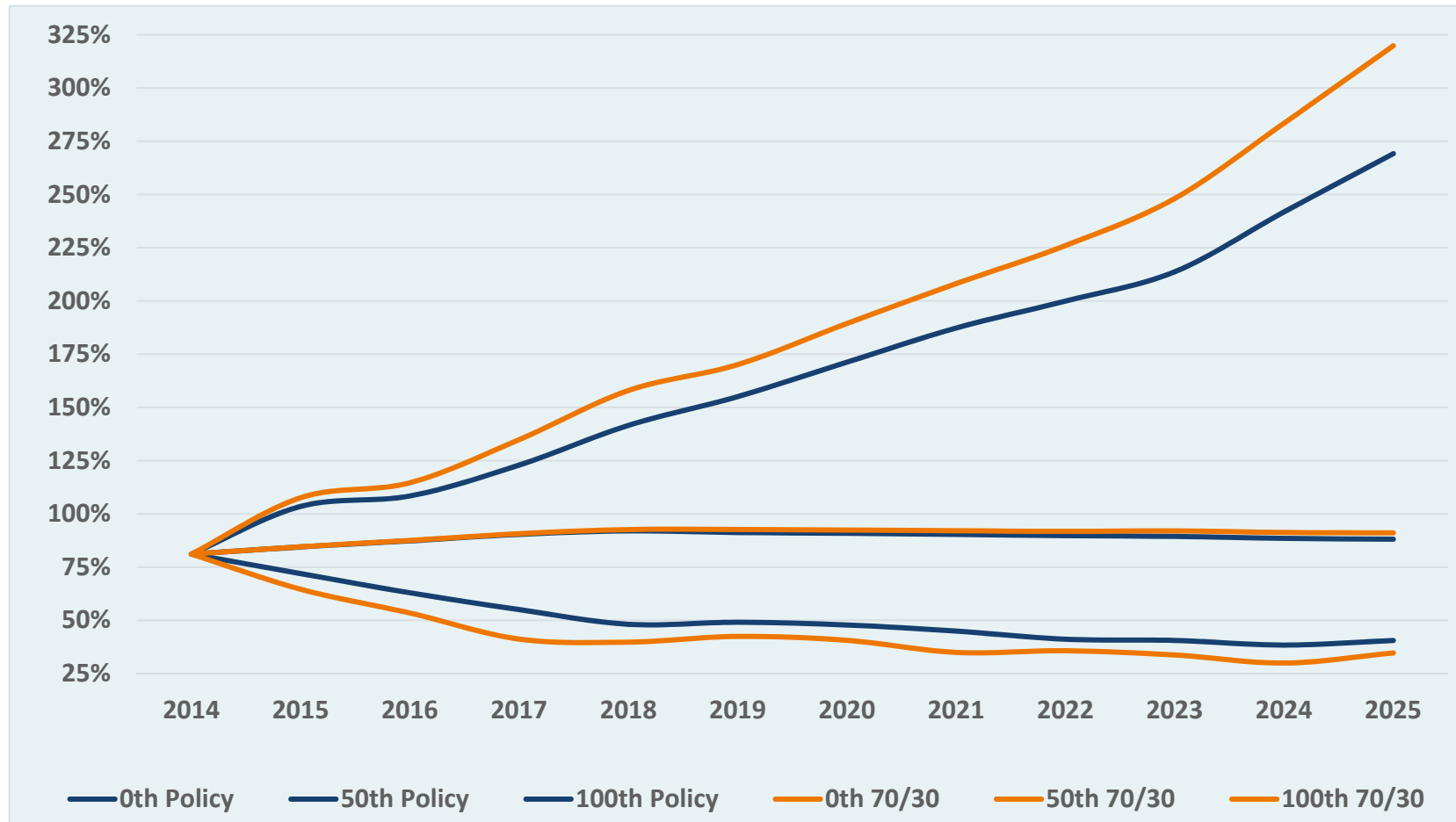
Funded ratio forecast

Comparison between Policy and Typical Peer models



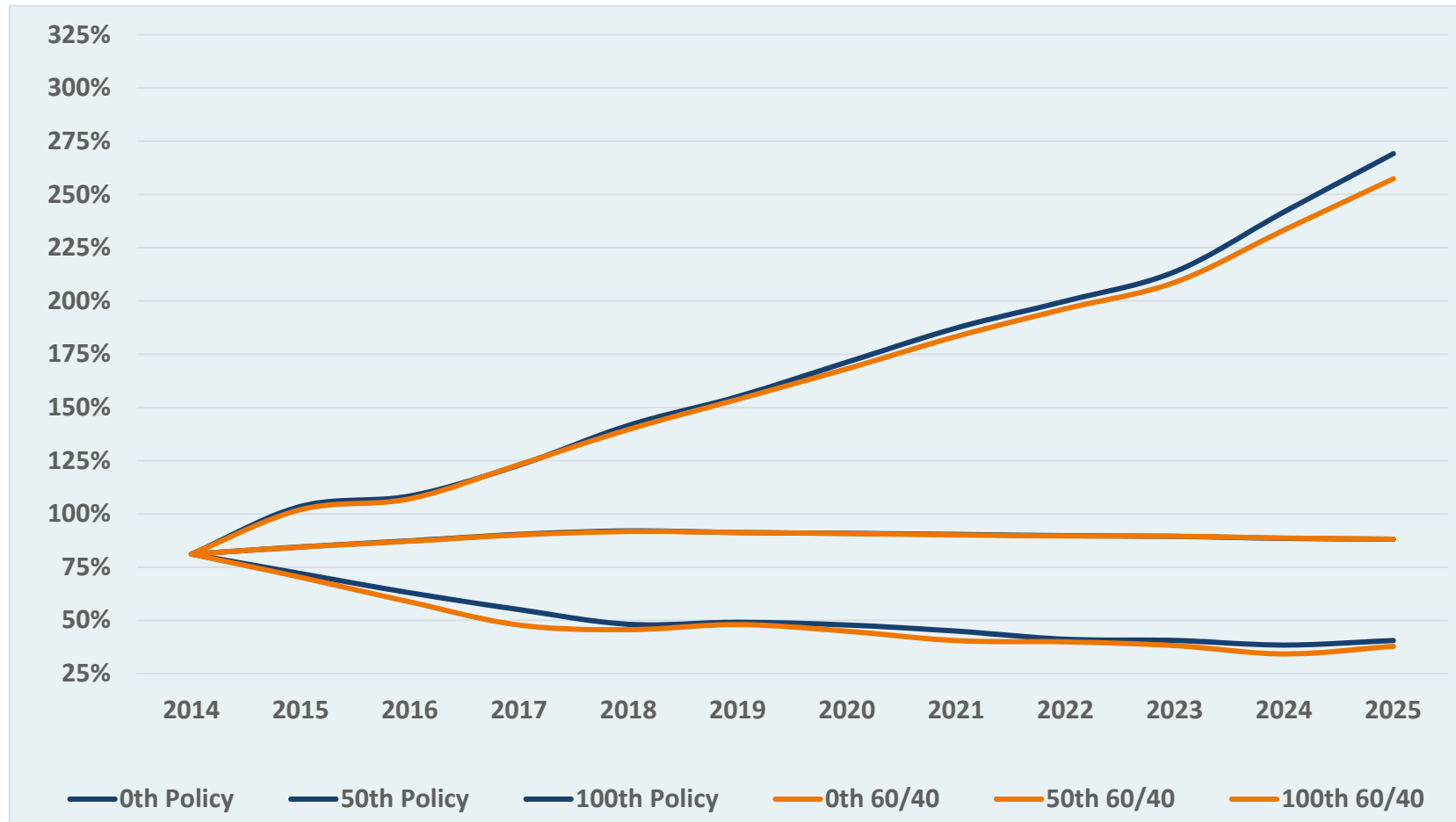
Funded ratio forecast

Comparison between Policy and 70/30 models



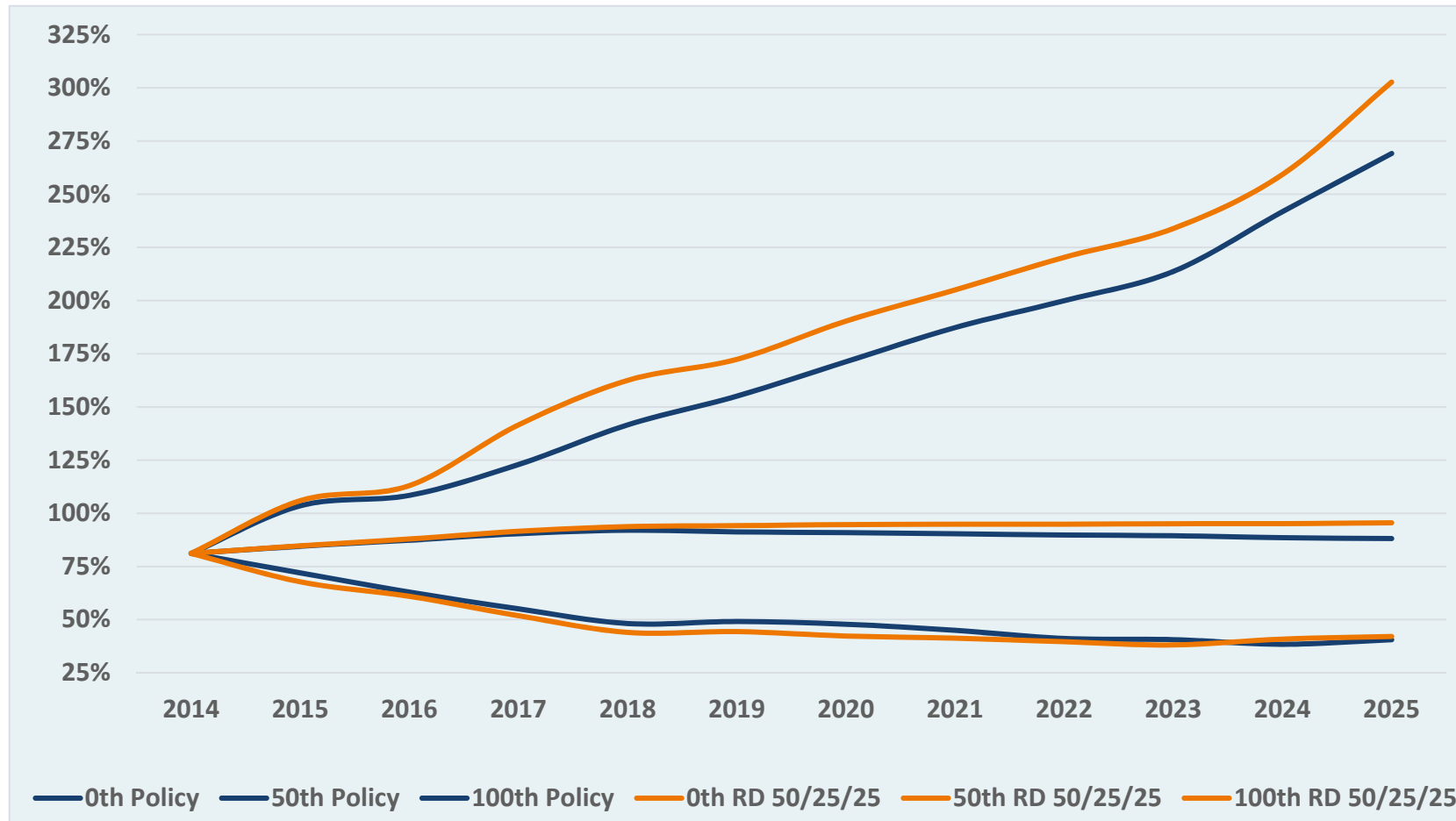
Funded ratio forecast

Comparison between Policy and 60/40 models



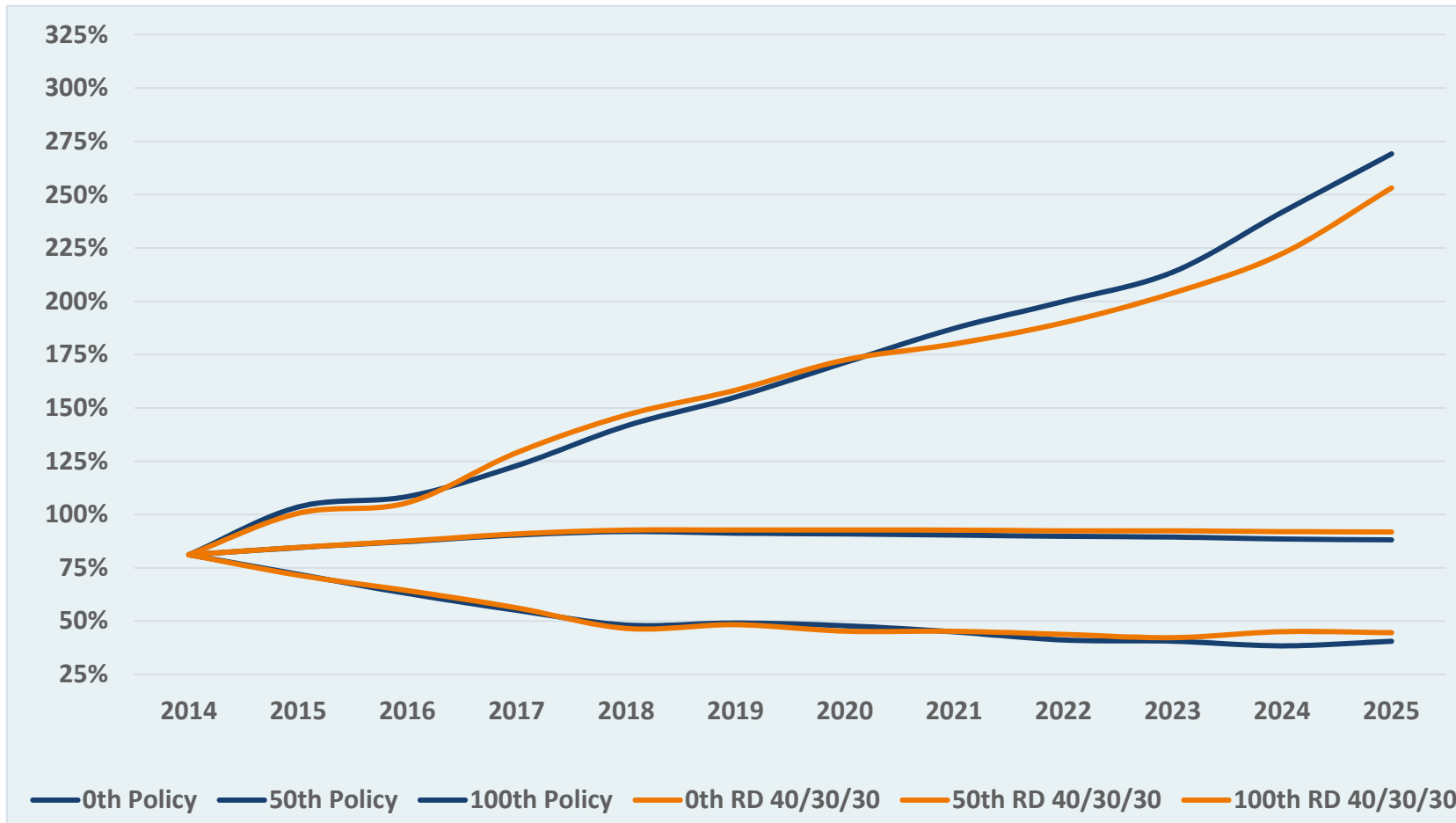
Funded ratio forecast

Comparison between Policy and Risk Diversified 50/25/25 models



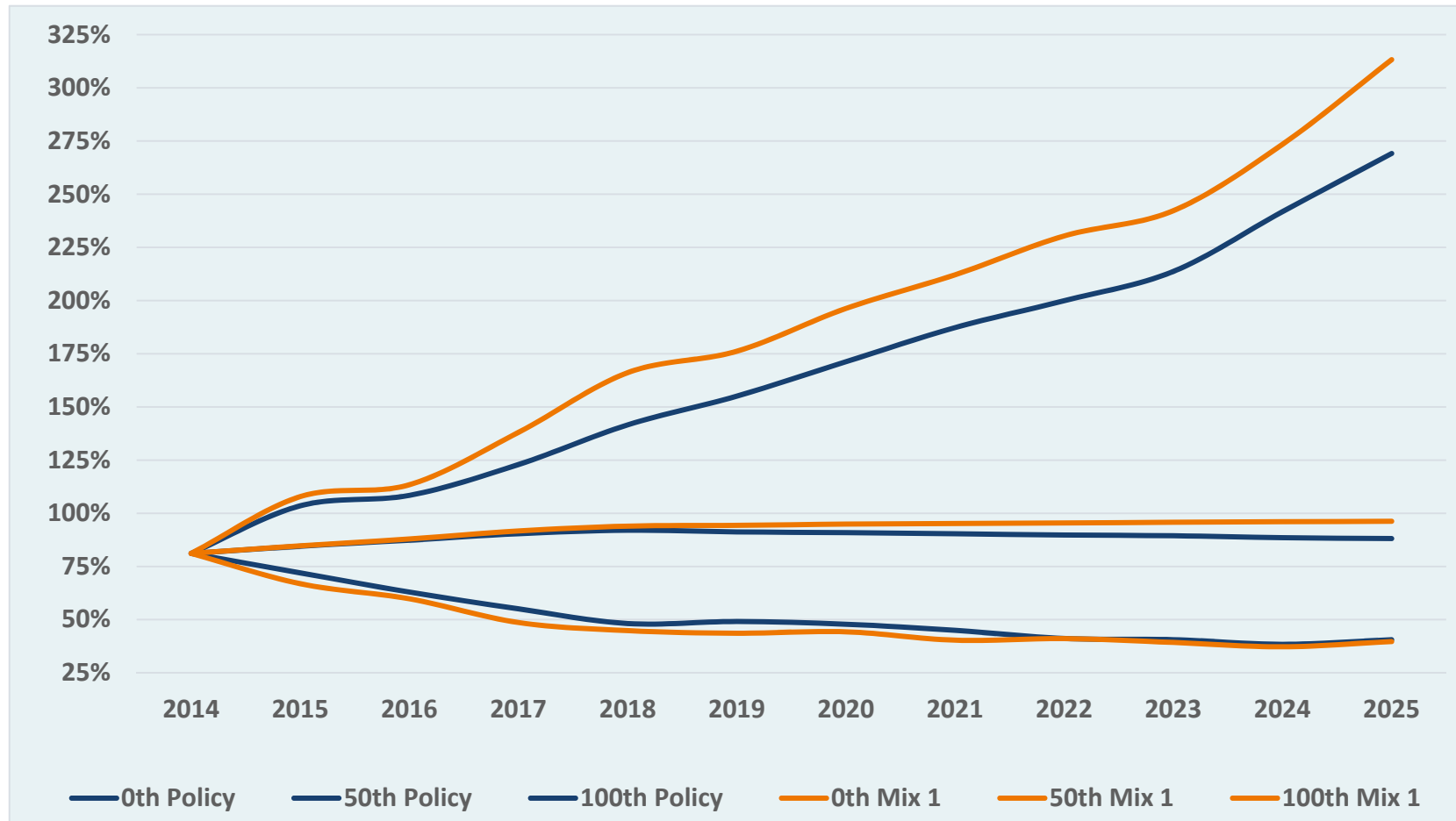
Funded ratio forecast

Comparison between Policy and Risk Diversified 40/30/30 models



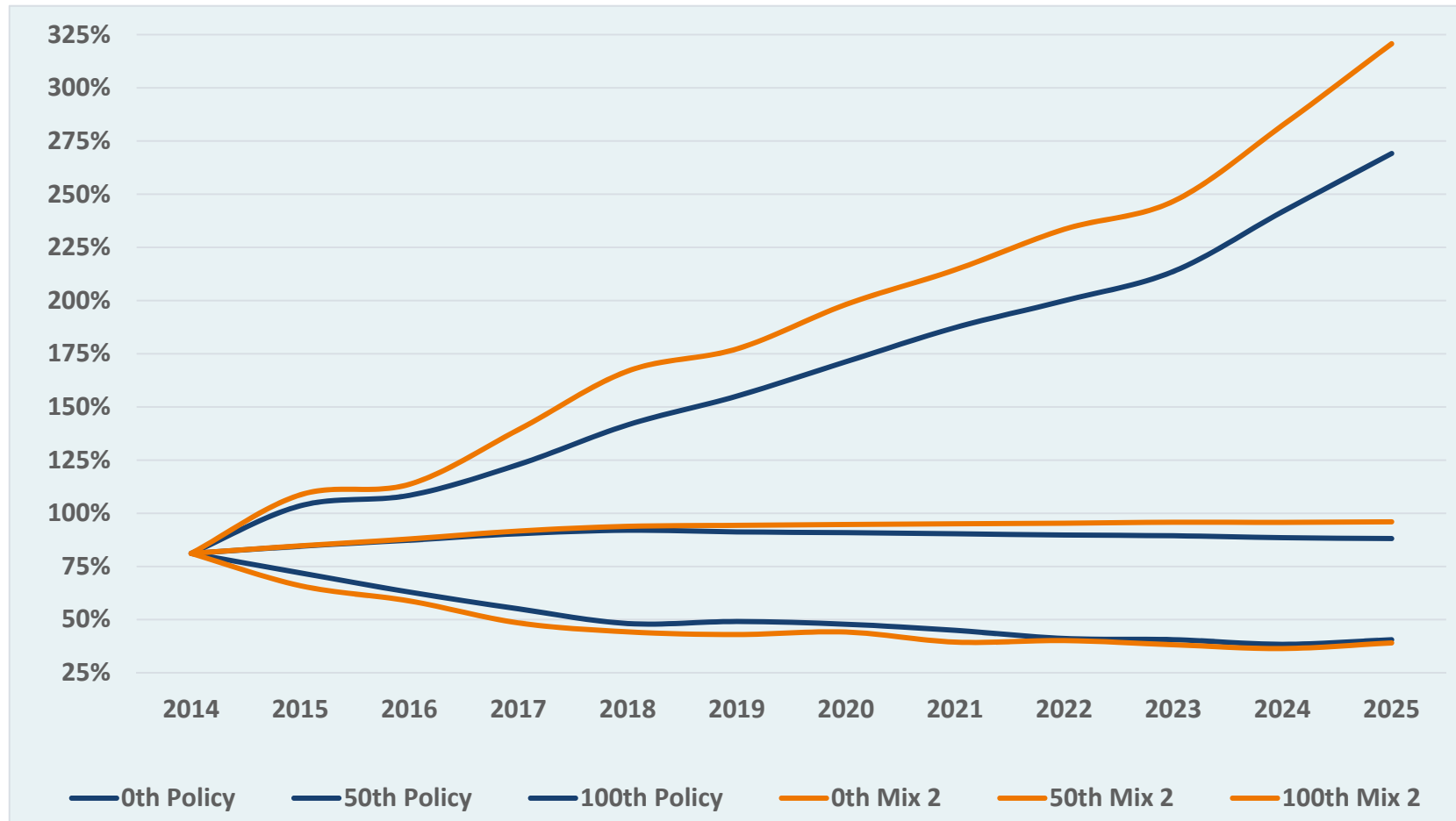
Funded ratio forecast

Comparison between Policy and Mix 1 models



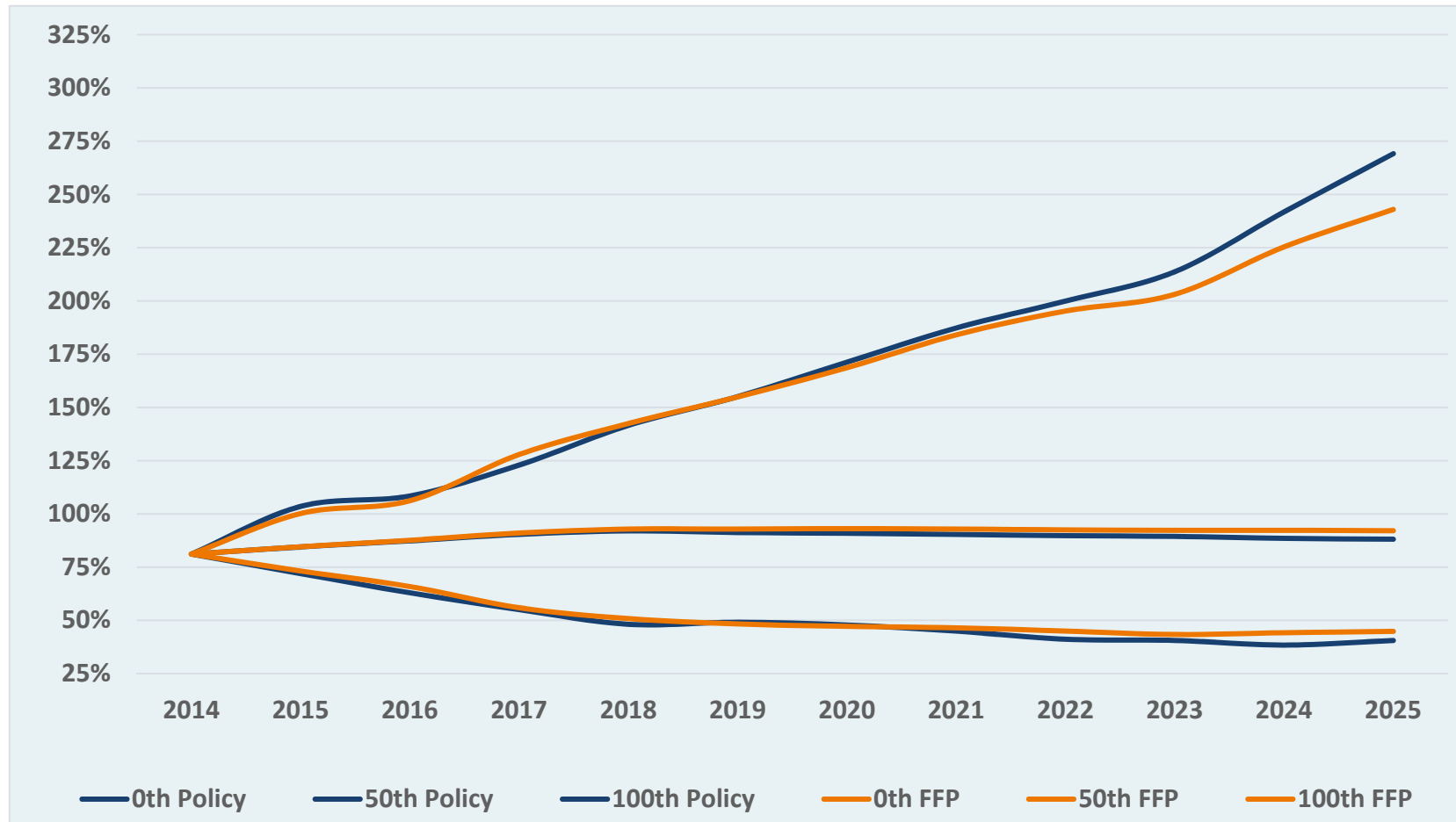
Funded ratio forecast

Comparison between Policy and Mix 2 models



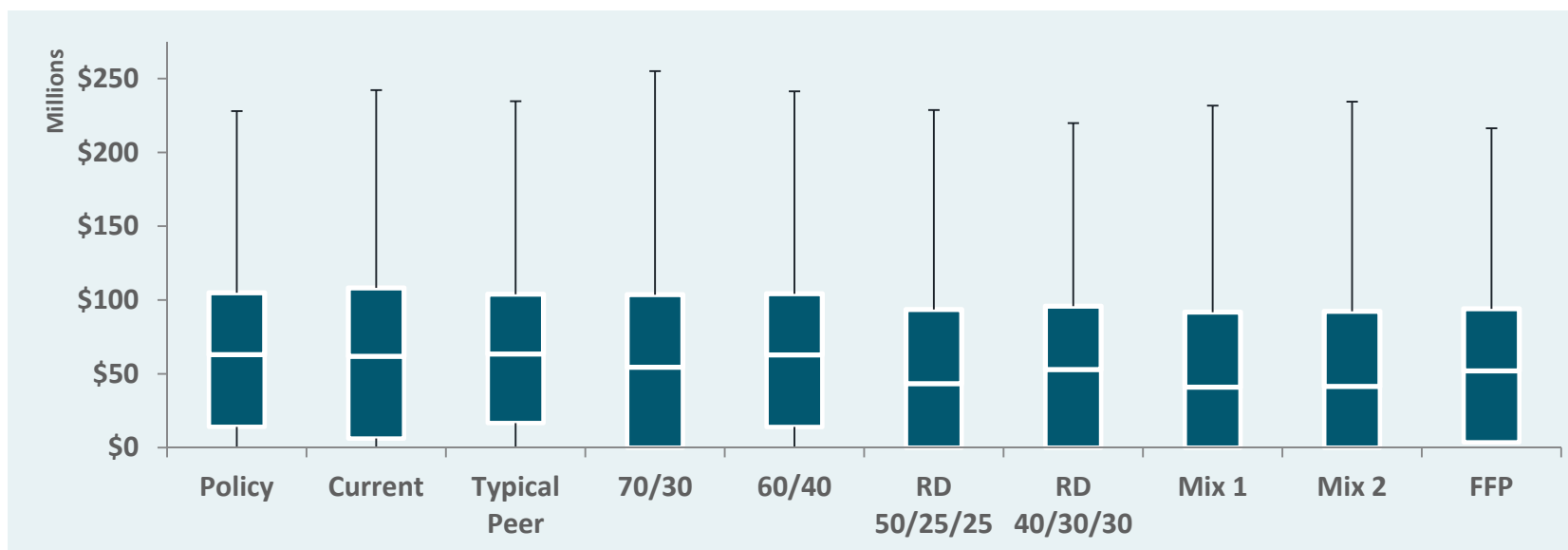
Funded ratio forecast

Comparison between Policy and FFP models



Expected employer contributions

EMPLOYER CONTRIBUTION SIMULATION FOR PLAN YEAR ENDING 2025

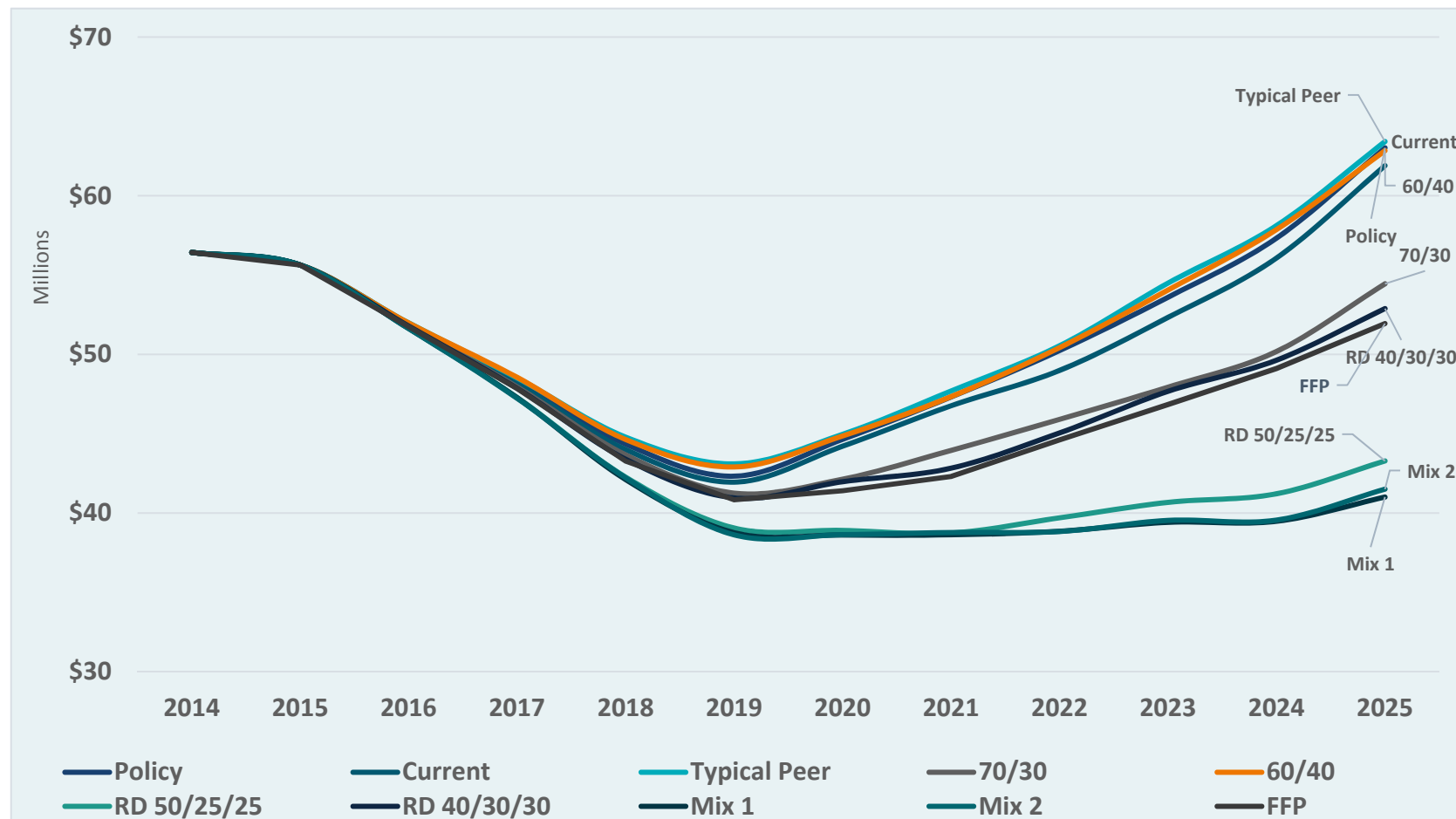


(in millions \$)	Policy	Current	Typical Peer	70/30	60/40	RD		Mix 1	Mix 2	FFP
						50/25/25	40/30/30			
Best Case	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Median	\$63.0	\$61.9	\$63.4	\$54.5	\$62.8	\$43.3	\$52.9	\$41.0	\$41.5	\$51.9
Worst Case	\$228.0	\$242.2	\$234.7	\$255.1	\$241.4	\$228.7	\$219.9	\$231.7	\$234.4	\$216.3

Based on 5,000 independent simulations. Best case defined as 0th percentile. Worst case defined as 100th percentile. Median outcome is the 50th percentile.

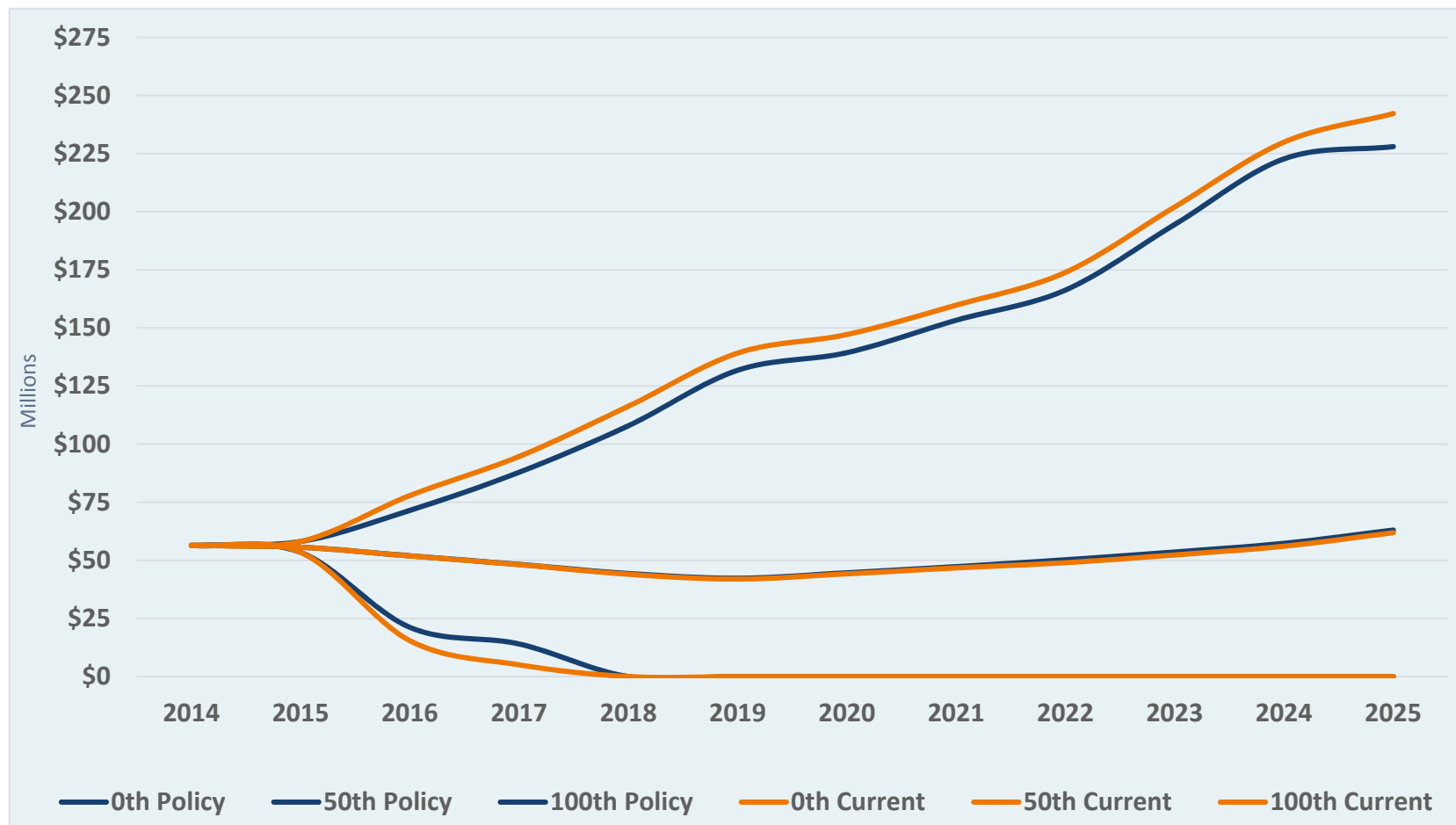
Employer contributions

Median projections



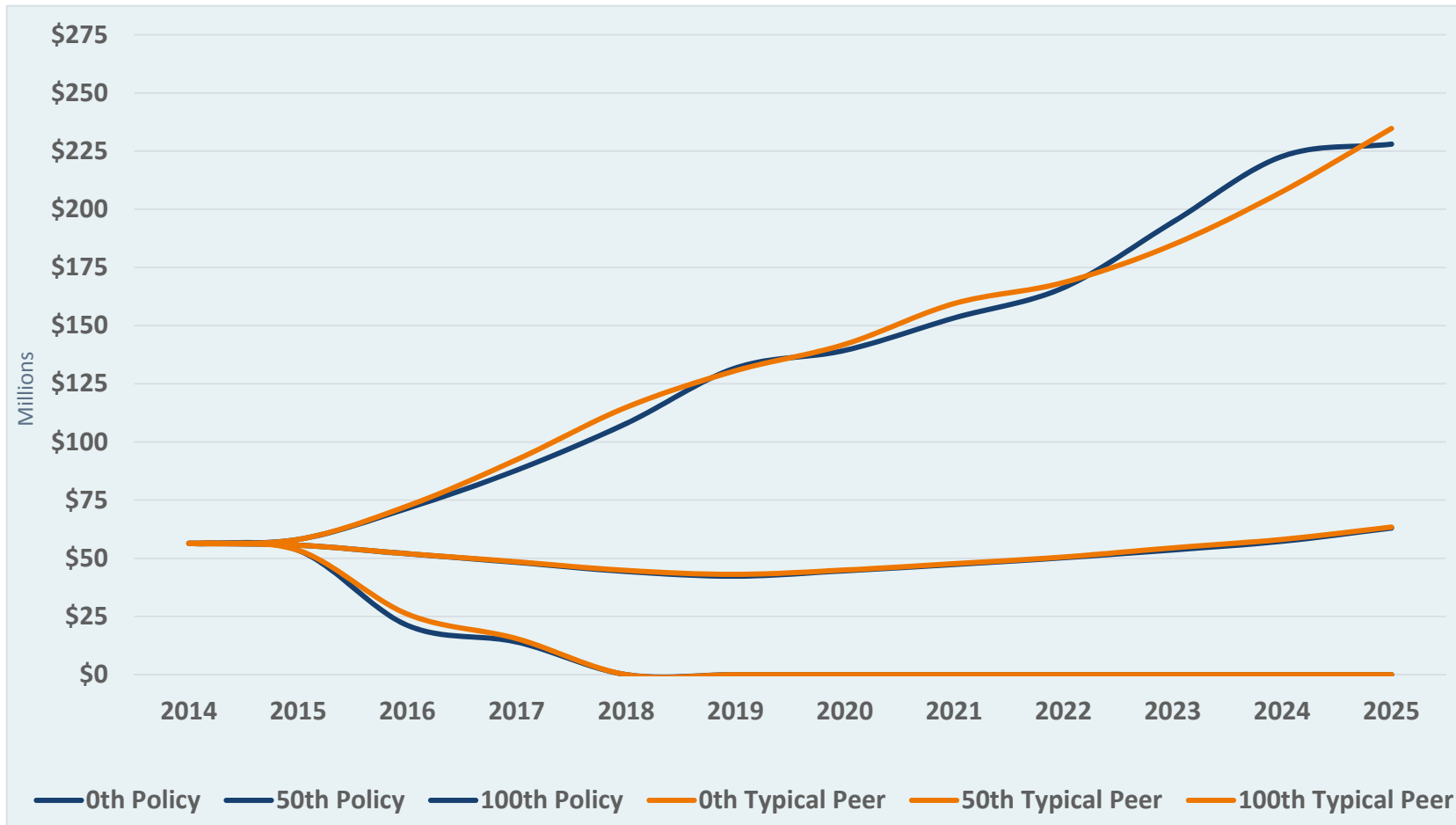
Employer contributions forecast

Comparison between Policy and Current models



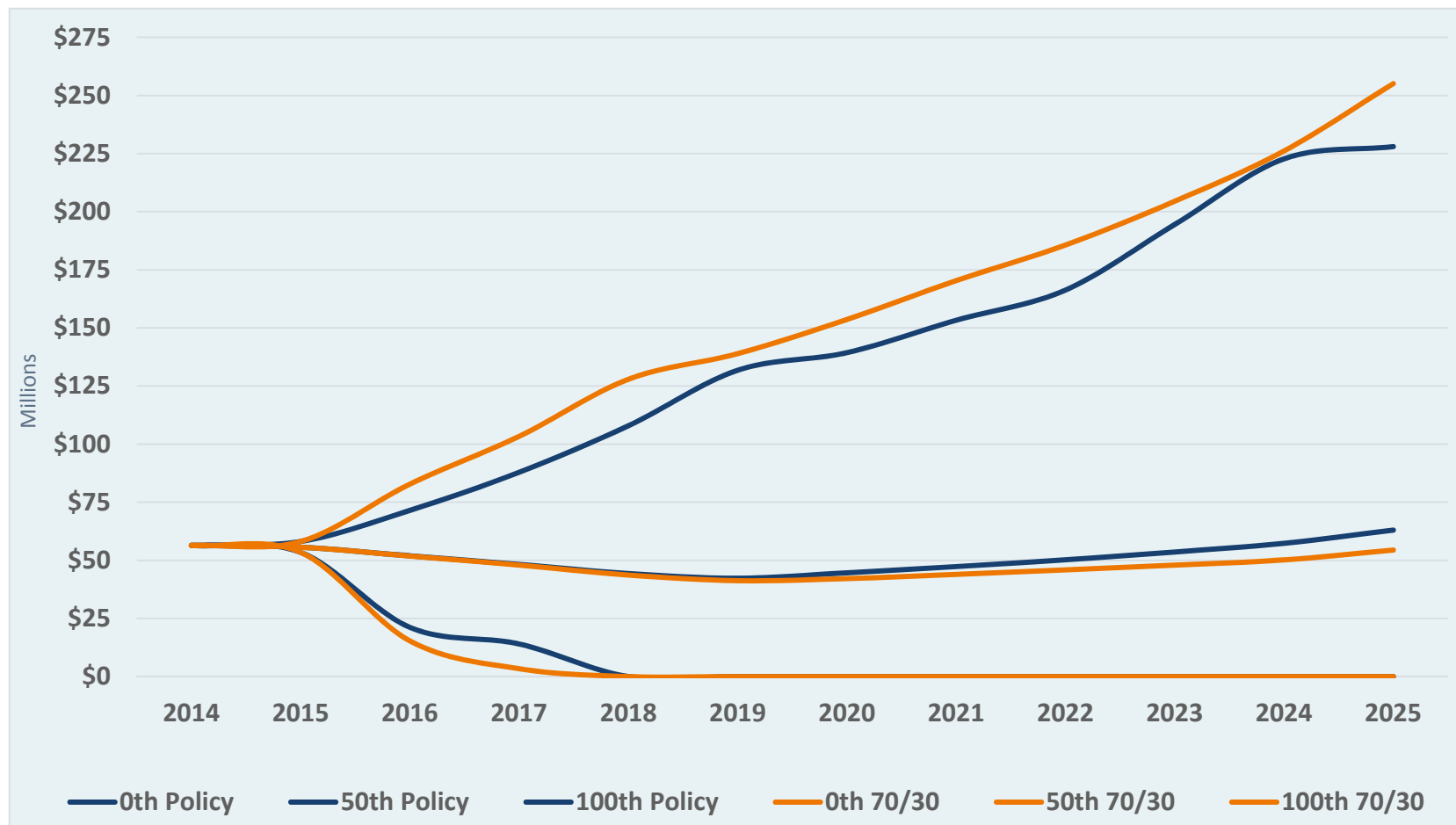
Employer contributions forecast

Comparison between Policy and Typical Peer models



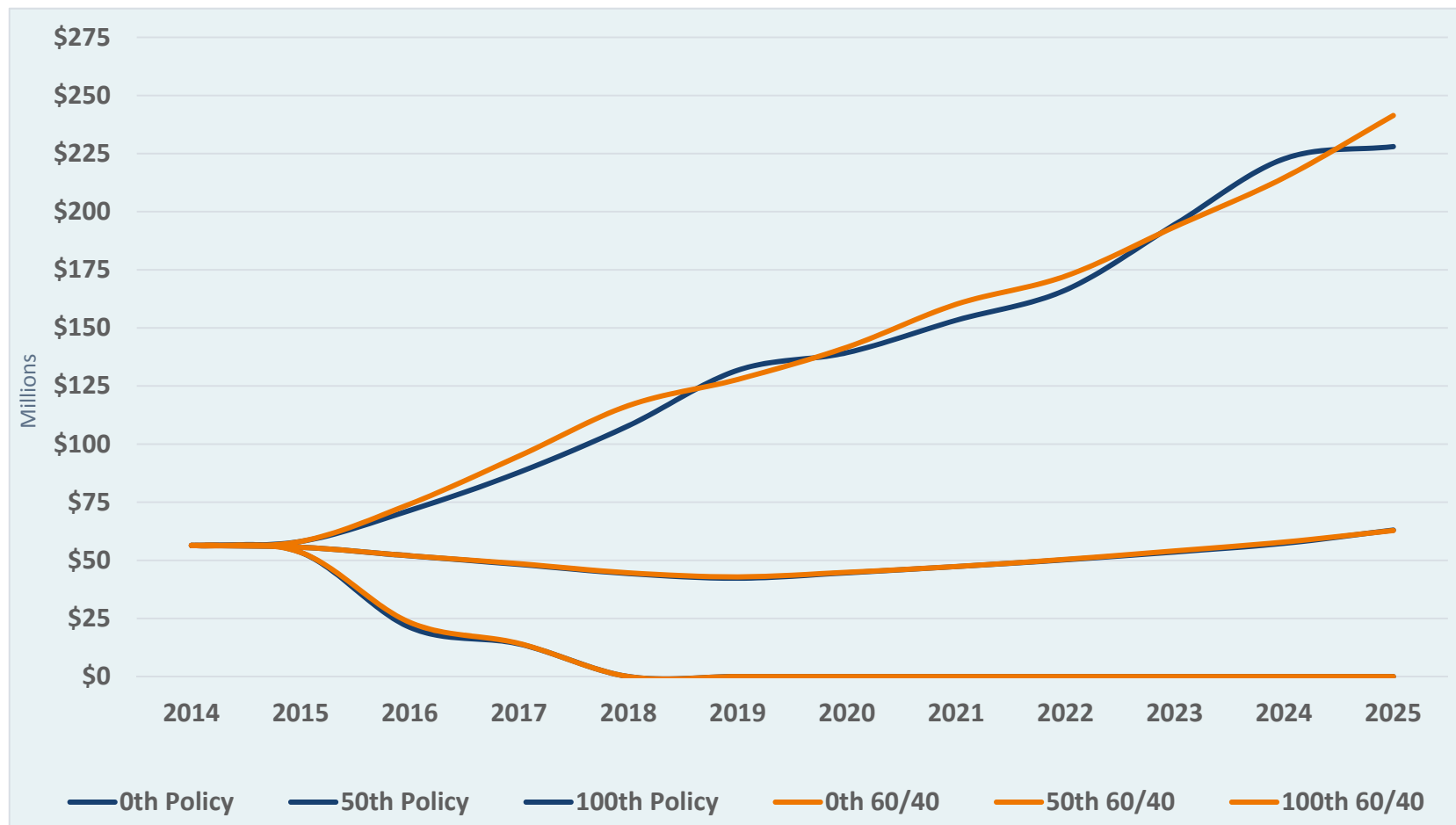
Employer contributions forecast

Comparison between Policy and 70/30 models



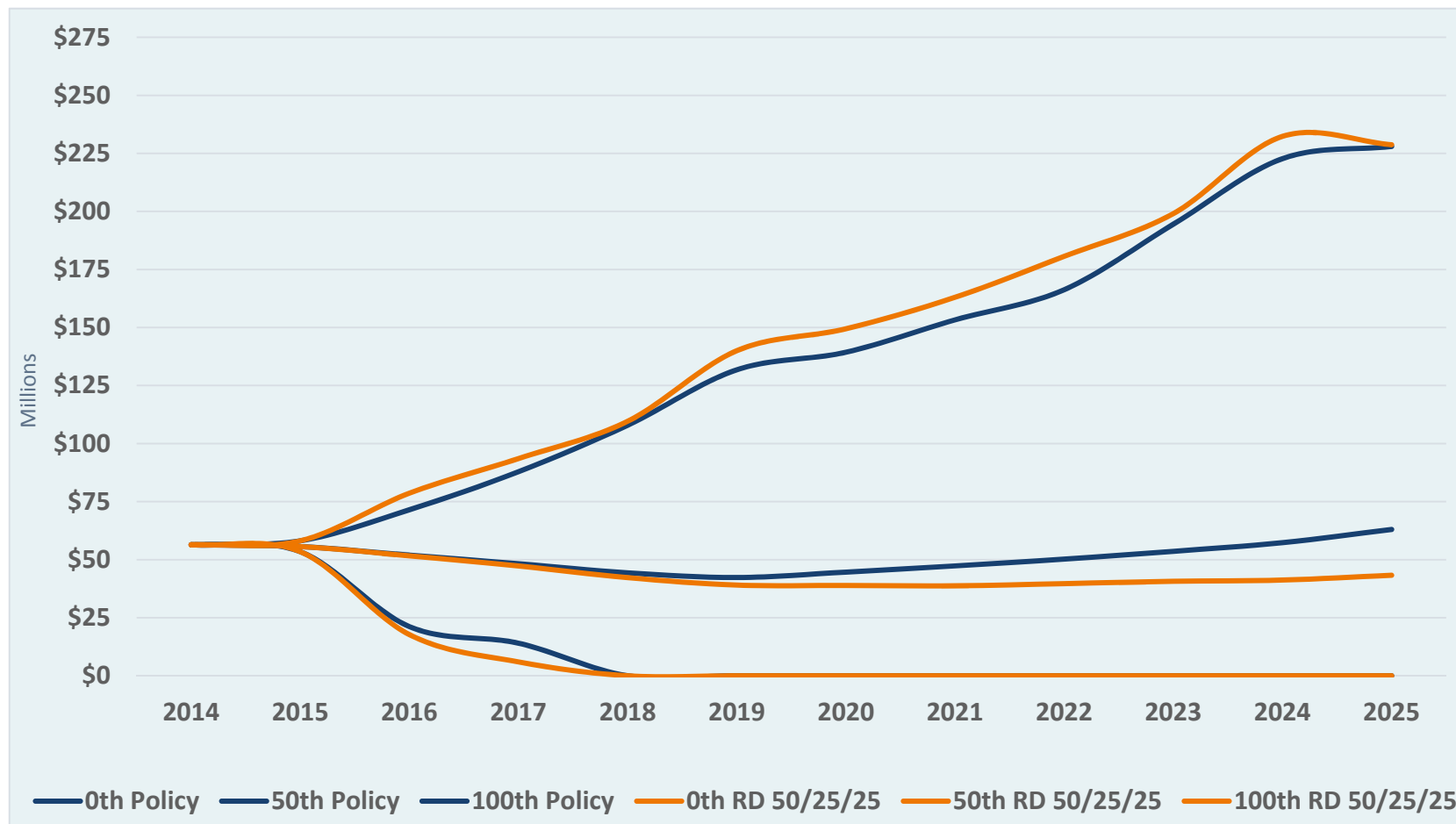
Employer contributions forecast

Comparison between Policy and 60/40 models



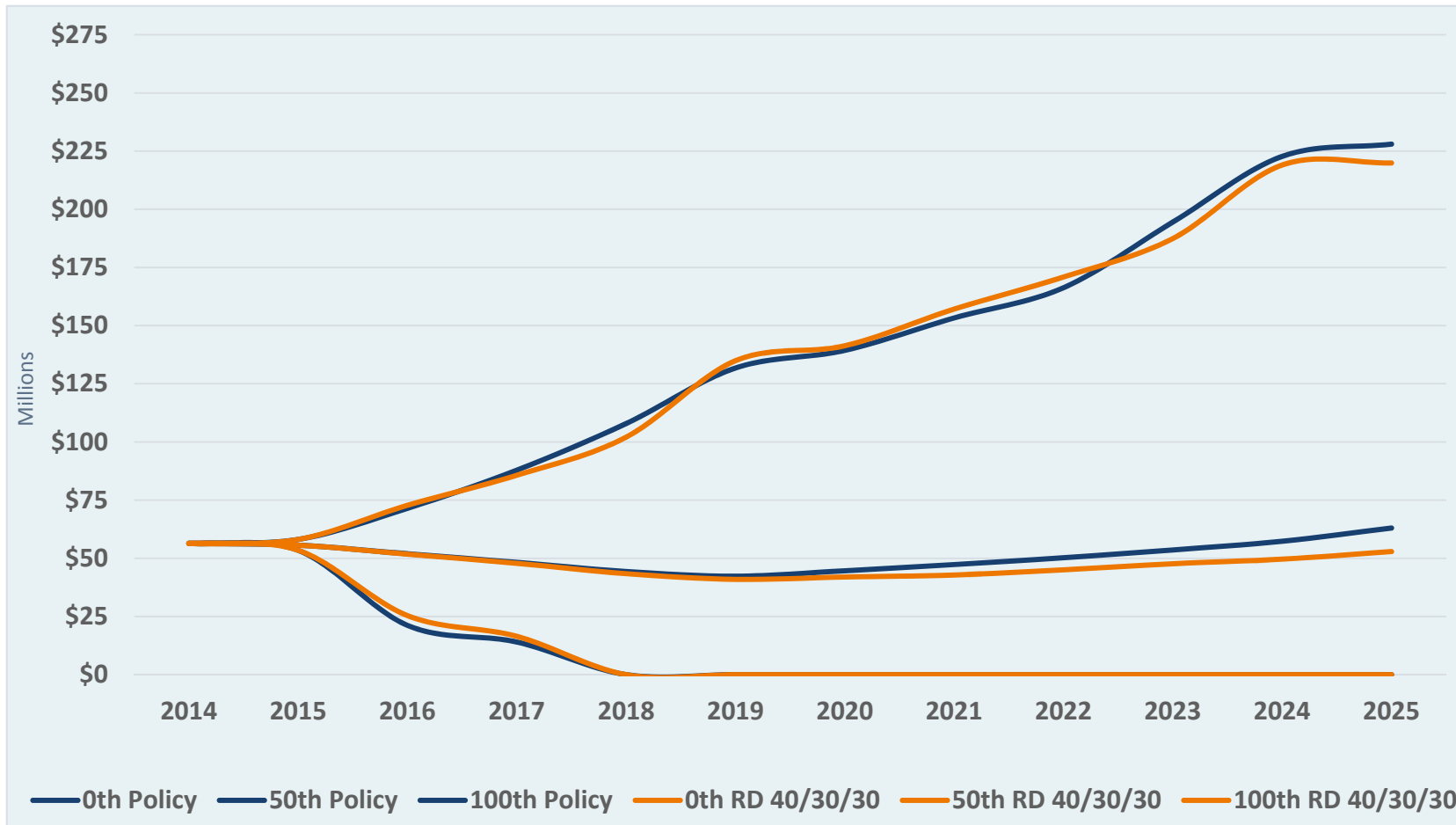
Employer contributions forecast

Comparison between Policy and Risk Diversified 50/25/25 models



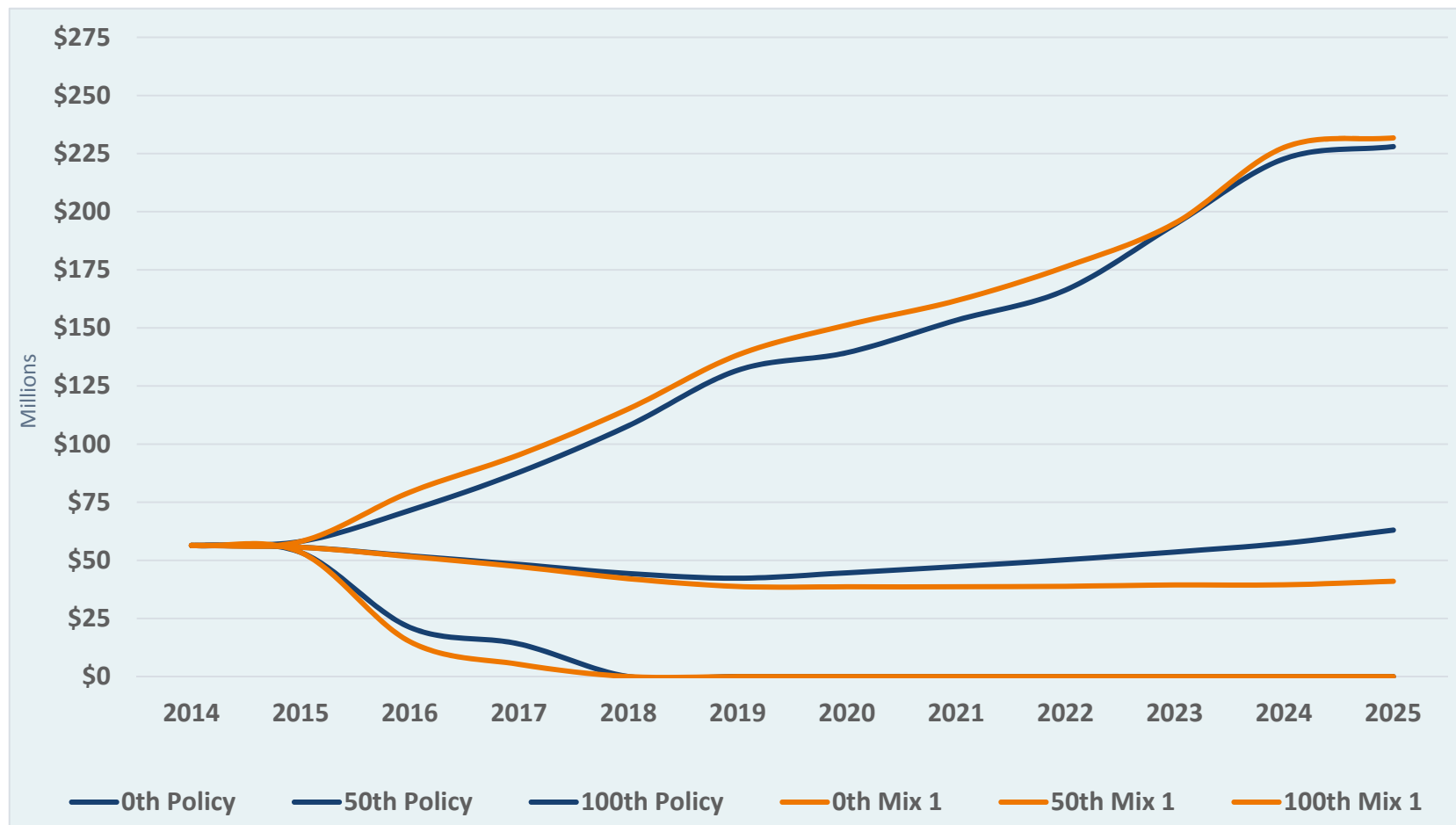
Employer contributions forecast

Comparison between Policy and Risk Diversified 40/30/30 models



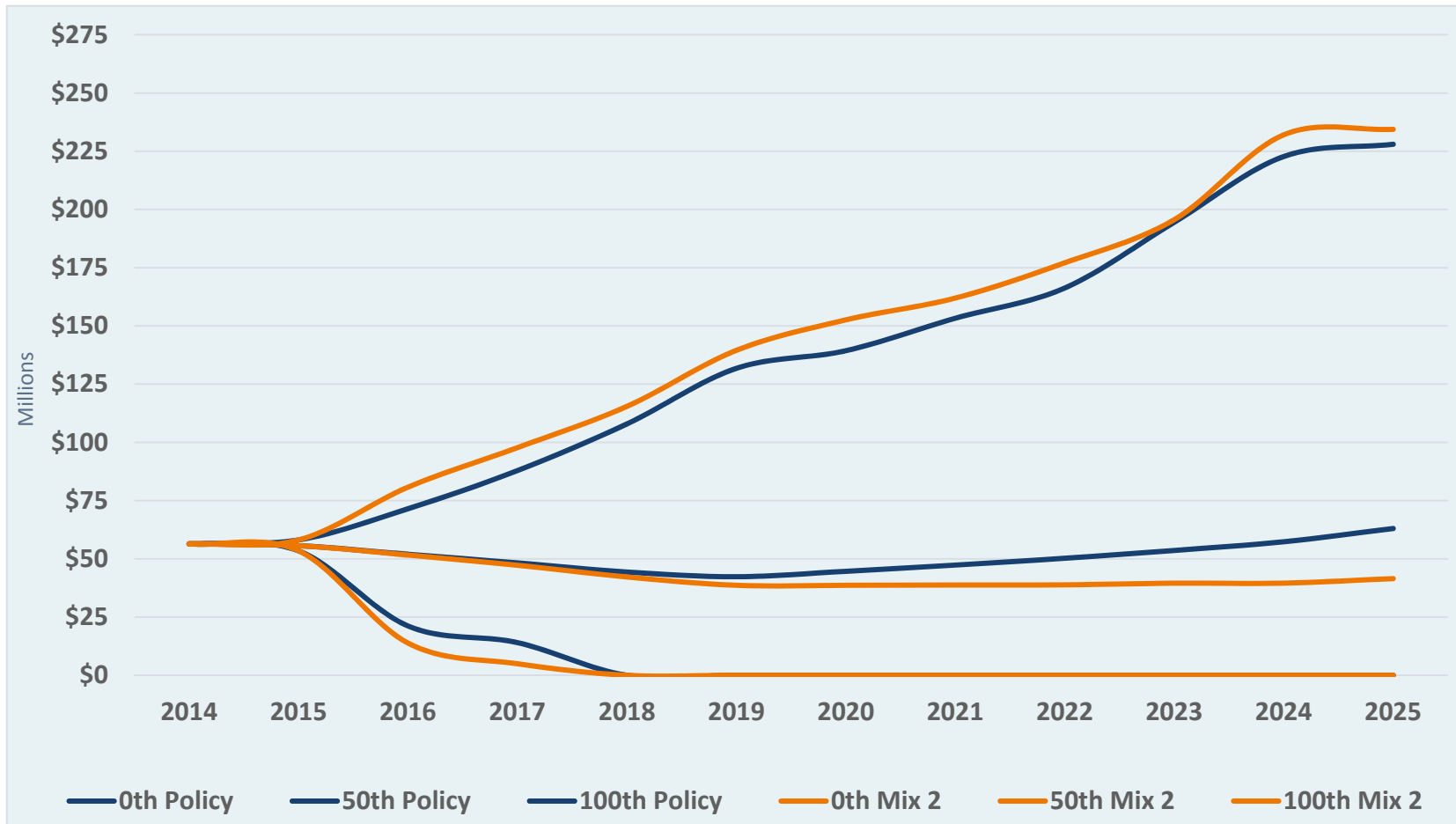
Employer contributions forecast

Comparison between Policy and Mix 1 models



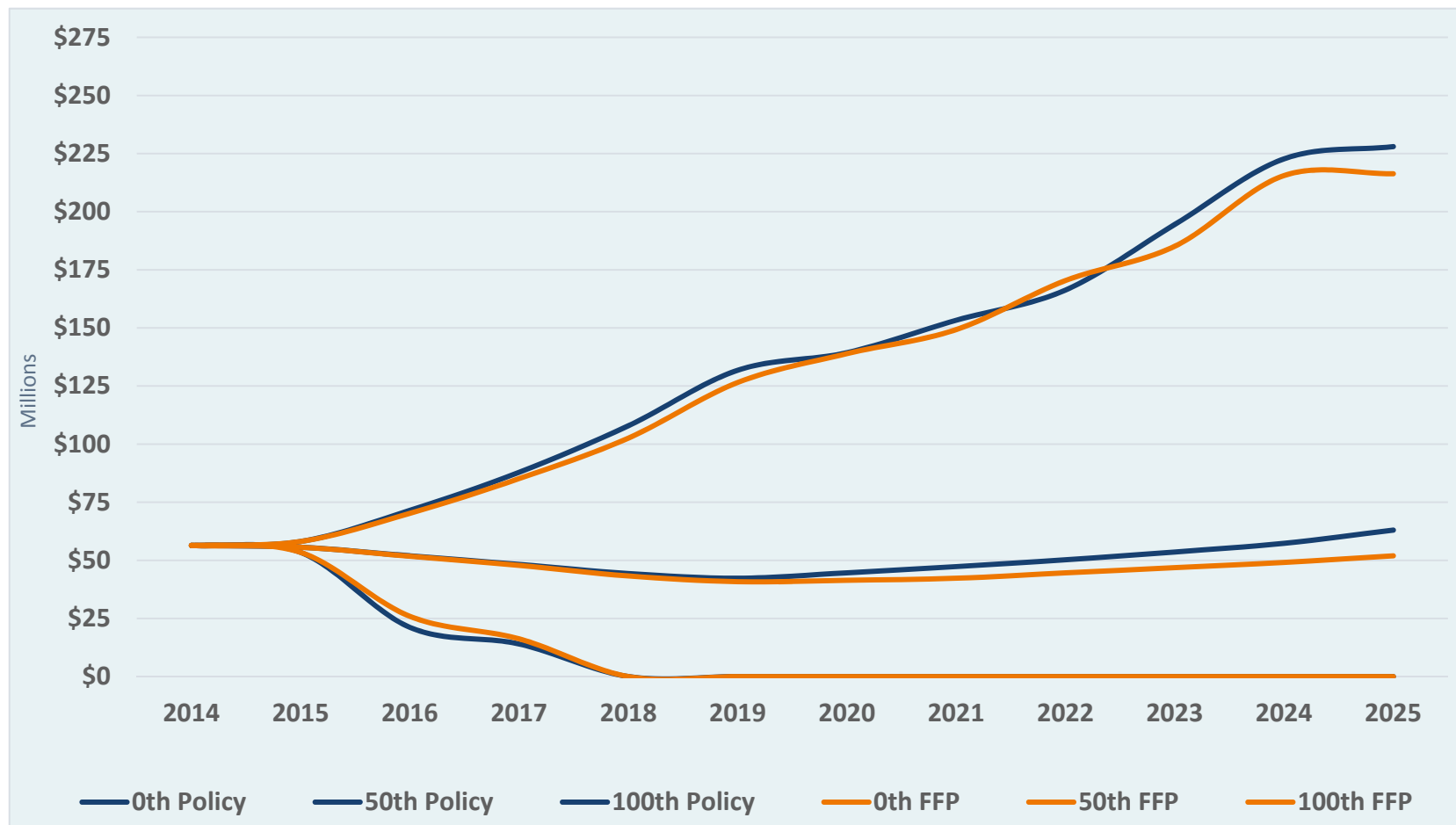
Employer contributions forecast

Comparison between Policy and Mix 2 models



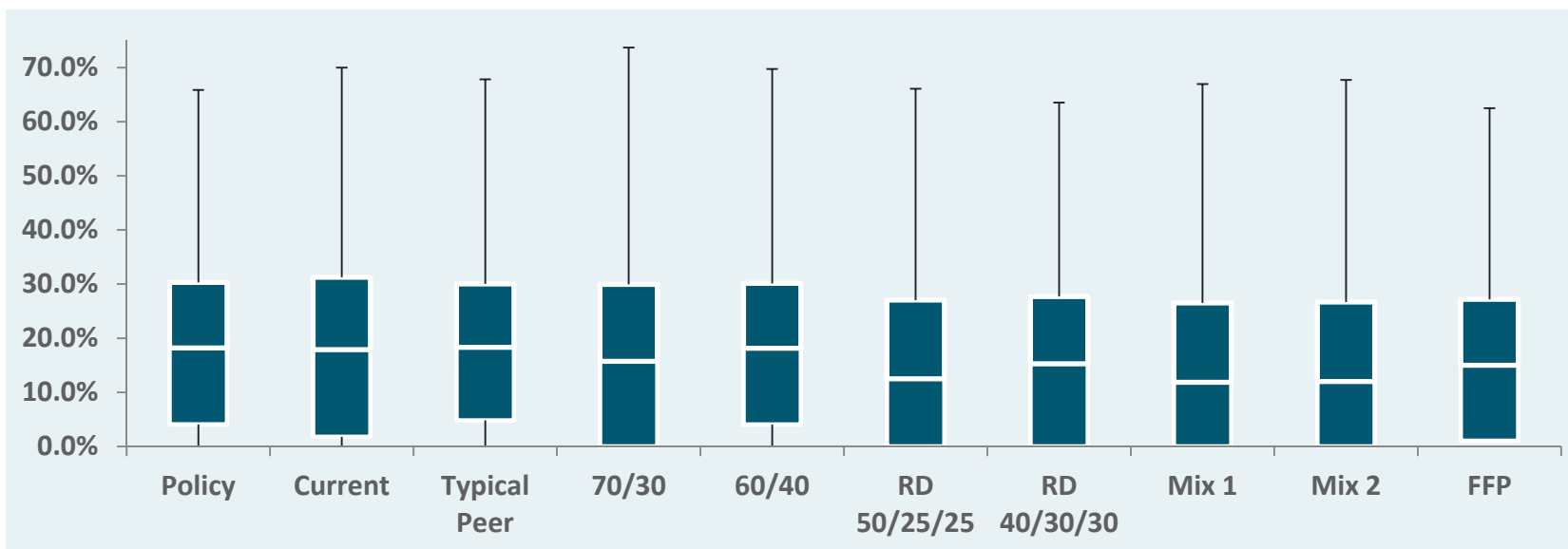
Employer contributions forecast

Comparison between Policy and FFP models



Expected employer contributions (as % of pay)

EMPLOYER CONTRIBUTION SIMULATION FOR PLAN YEAR ENDING 2025

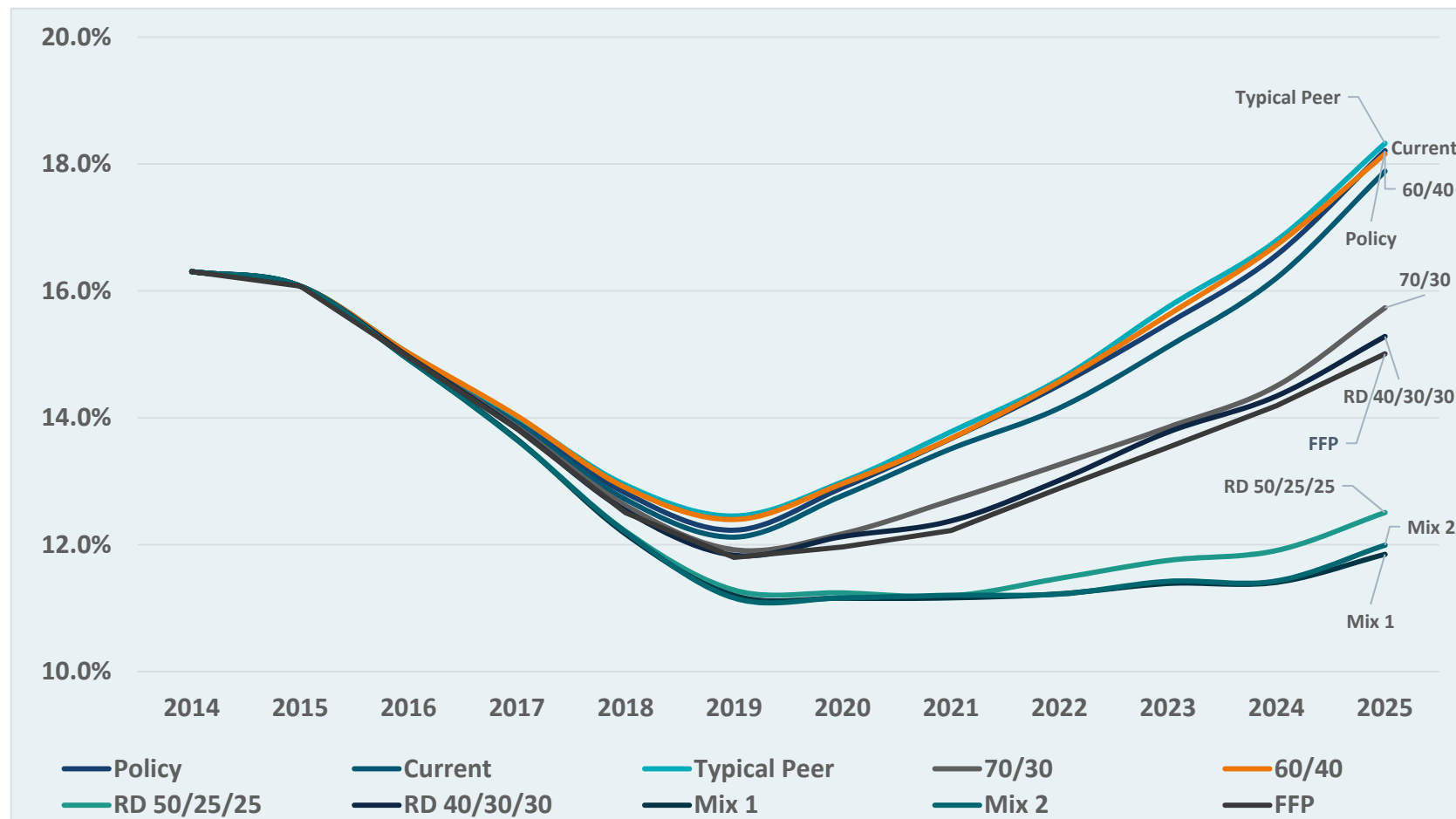


	Policy	Current	Typical Peer	70/30	60/40	RD 50/25/25	RD 40/30/30	Mix 1	Mix 2	FFP
Best Case	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Median	18.2%	17.9%	18.3%	15.7%	18.2%	12.5%	15.3%	11.8%	12.0%	15.0%
Worst Case	65.9%	70.0%	67.8%	73.7%	69.8%	66.1%	63.5%	67.0%	67.7%	62.5%

Based on 5,000 independent simulations. Best case defined as 0th percentile. Worst case defined as 100th percentile. Median outcome is the 50th percentile.

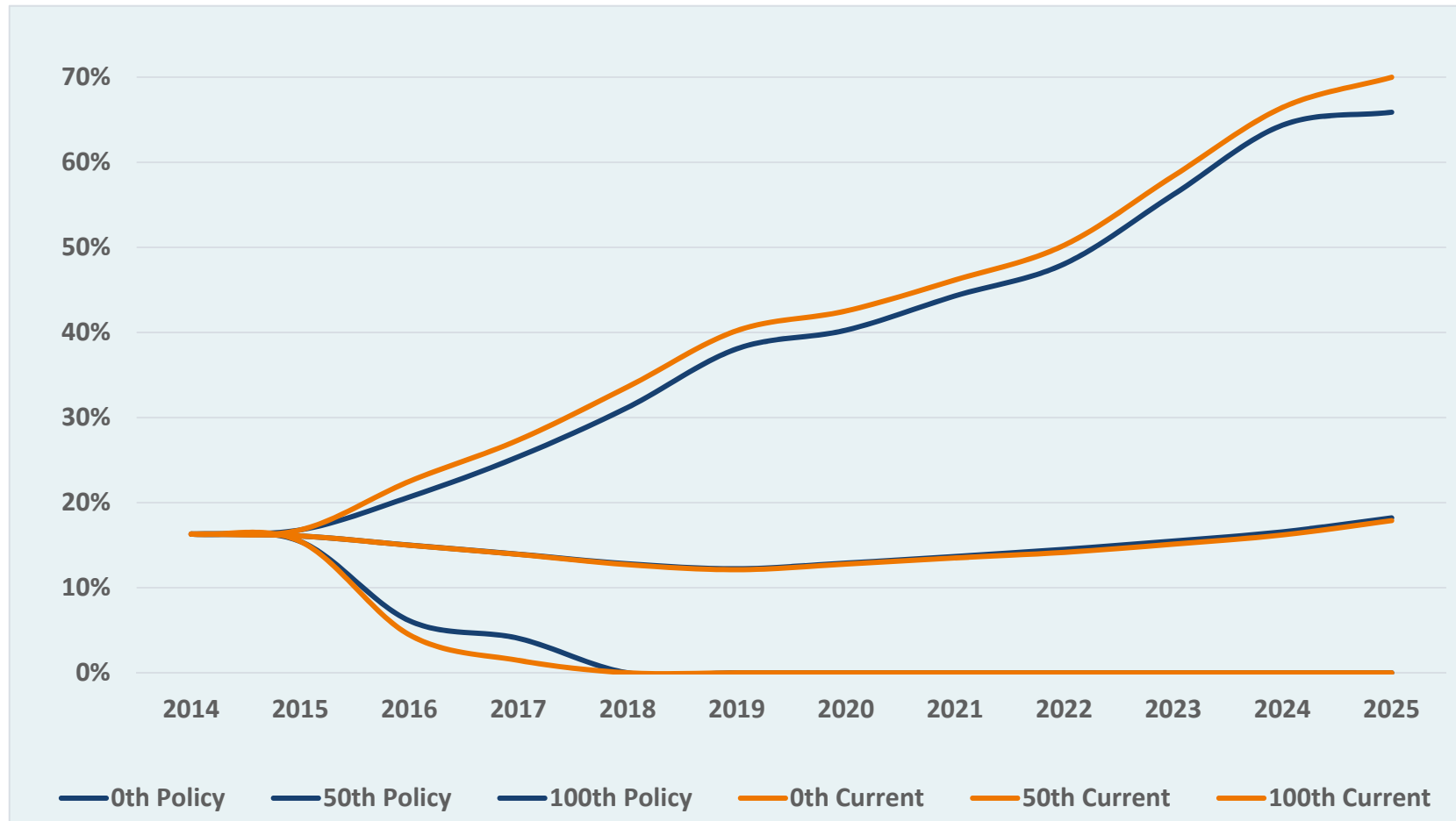
Employer contributions as % of pay

Median projections



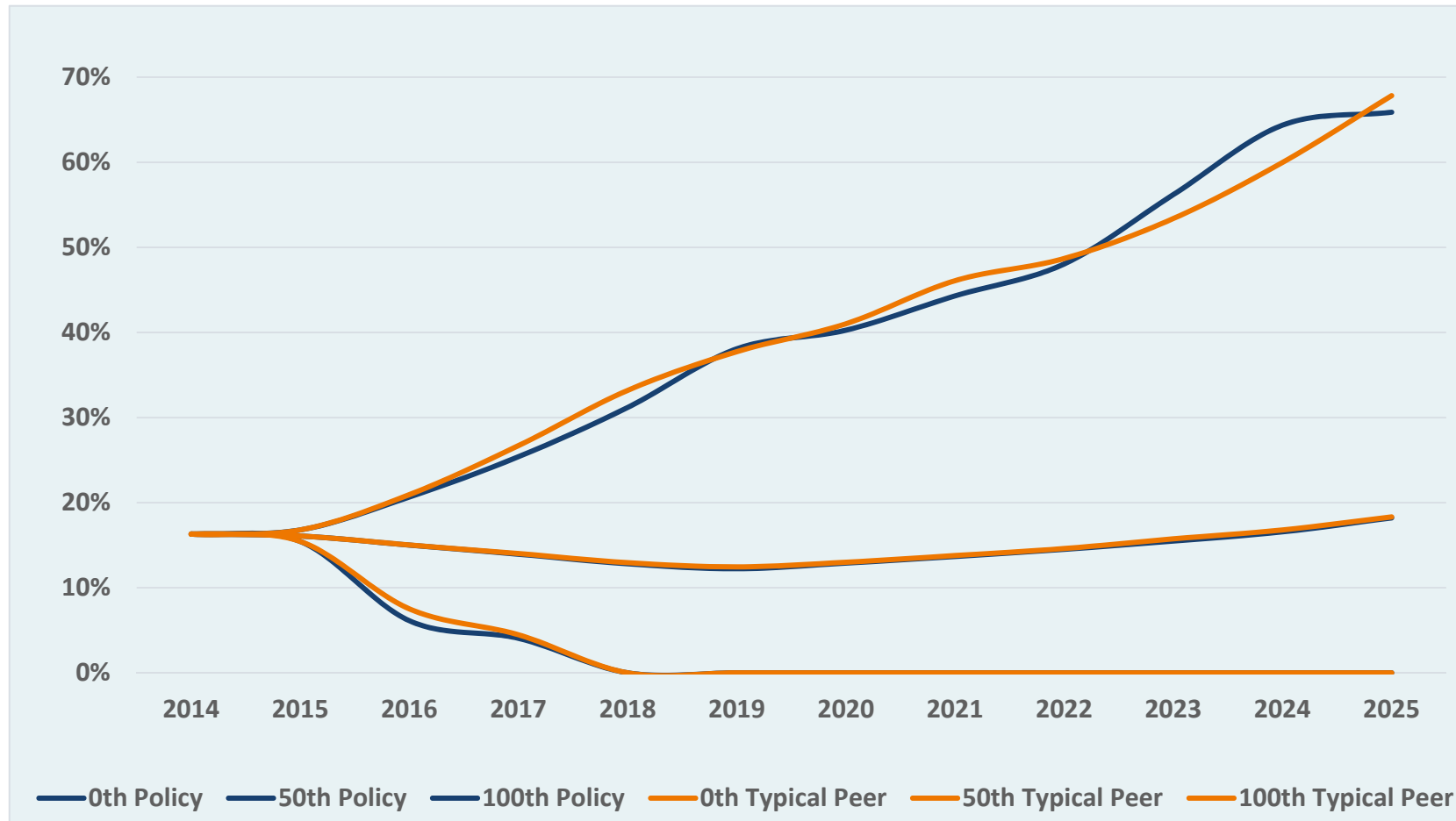
Employer contributions forecast (% of pay)

Comparisons between Policy and Current models



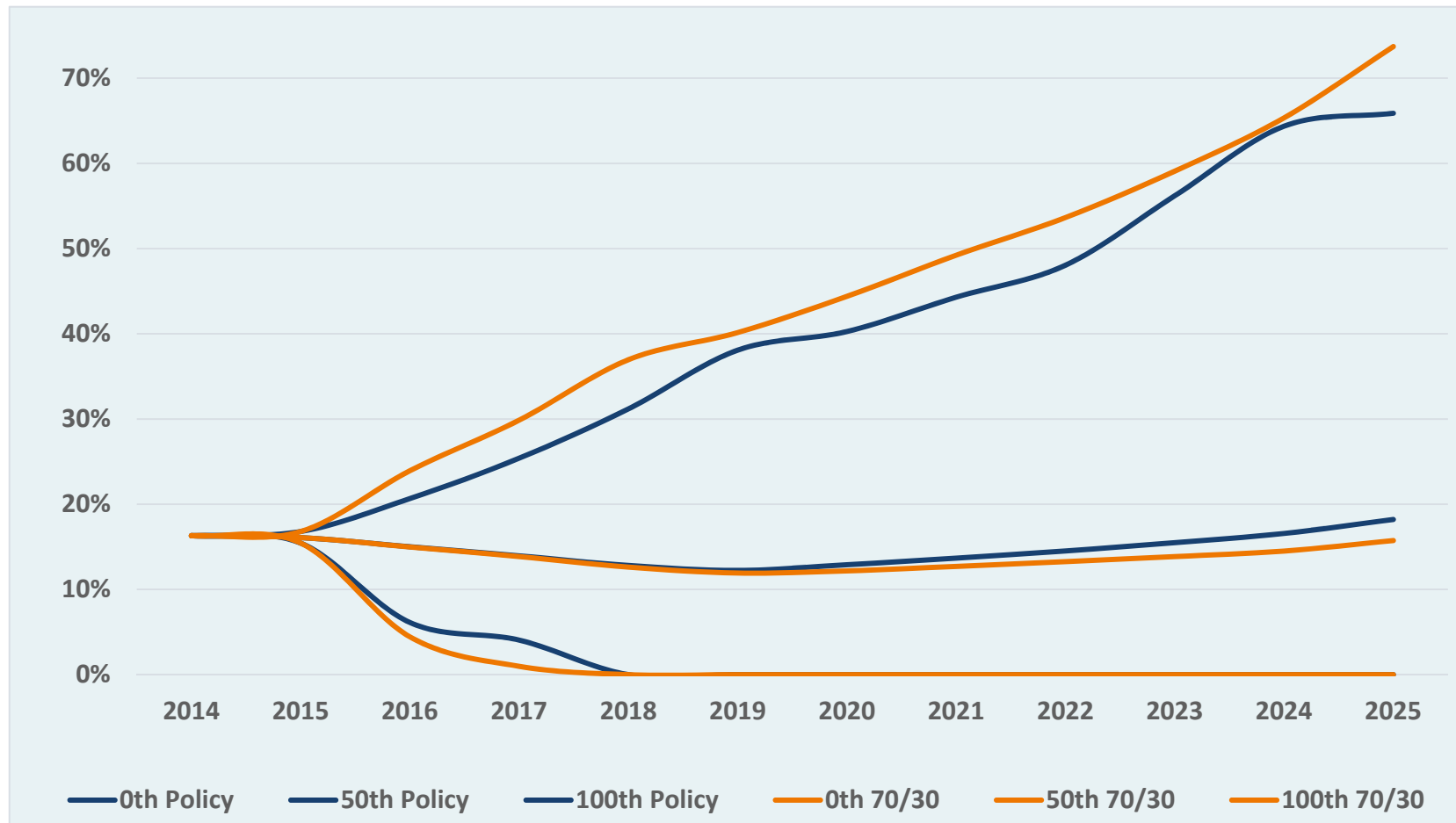
Employer contributions forecast (% of pay)

Comparisons between Policy and Typical Peer models



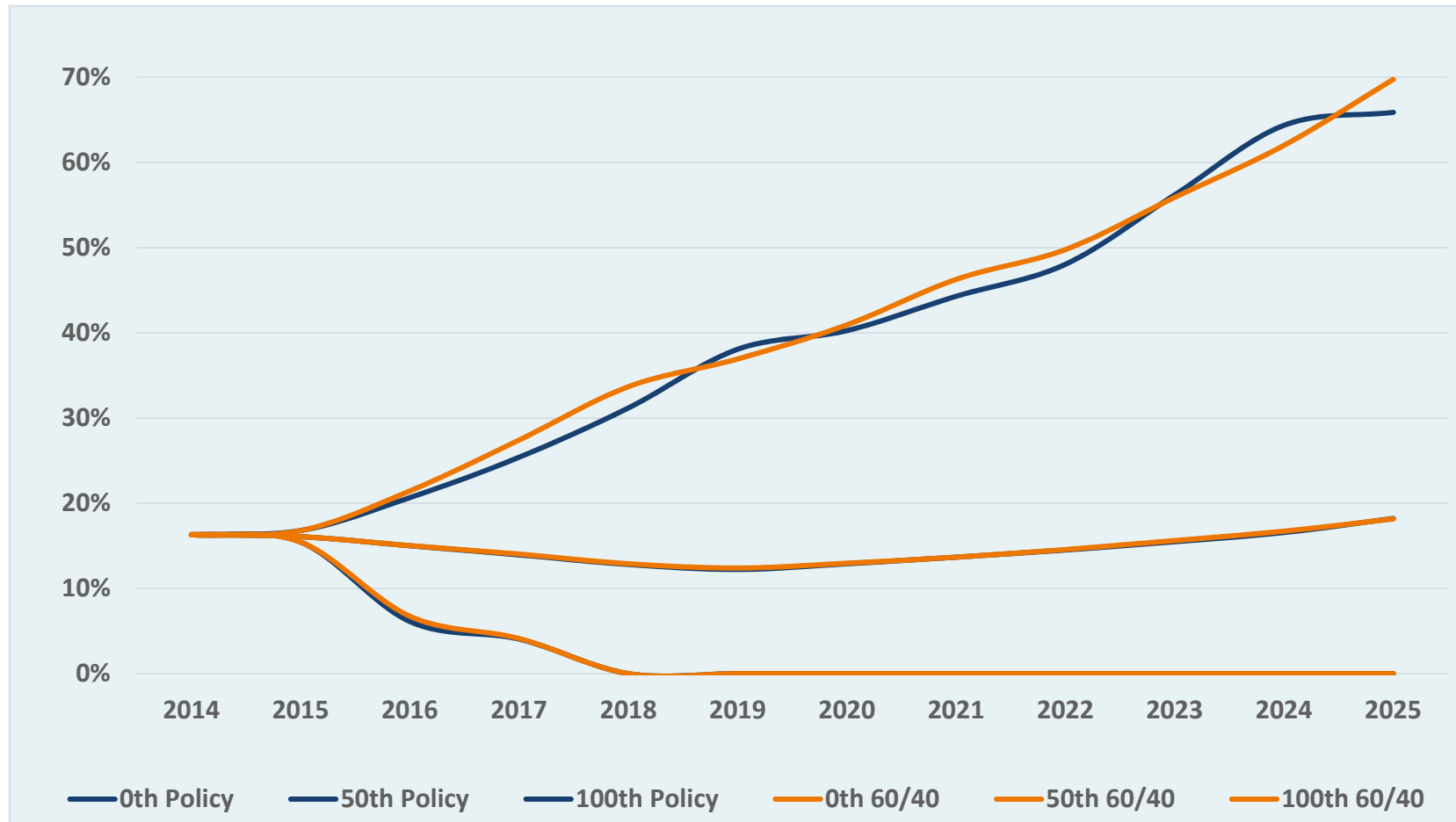
Employer contributions forecast (% of pay)

Comparisons between Policy and 70/30 models



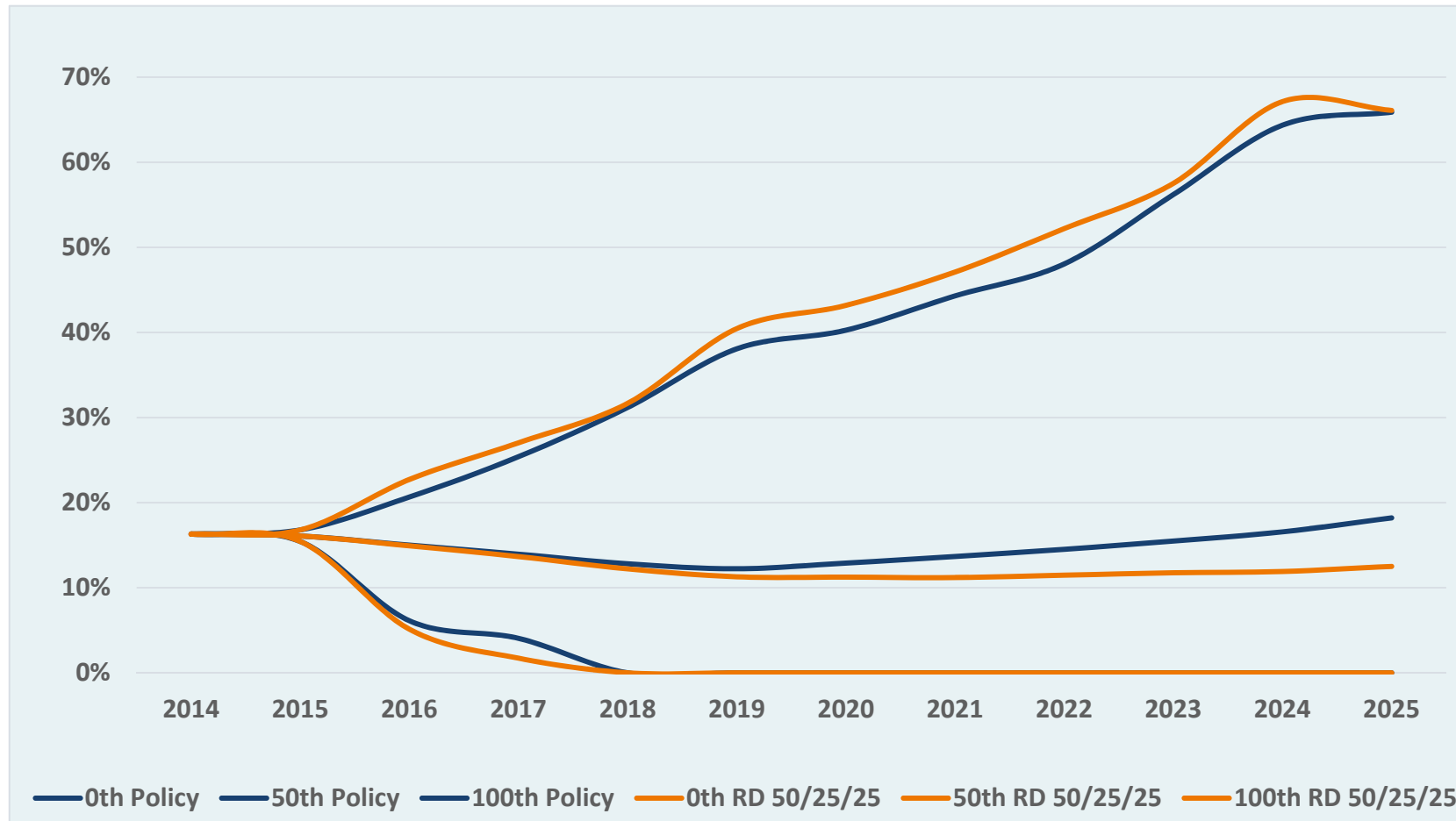
Employer contributions forecast (% of pay)

Comparisons between Policy and 60/40 models



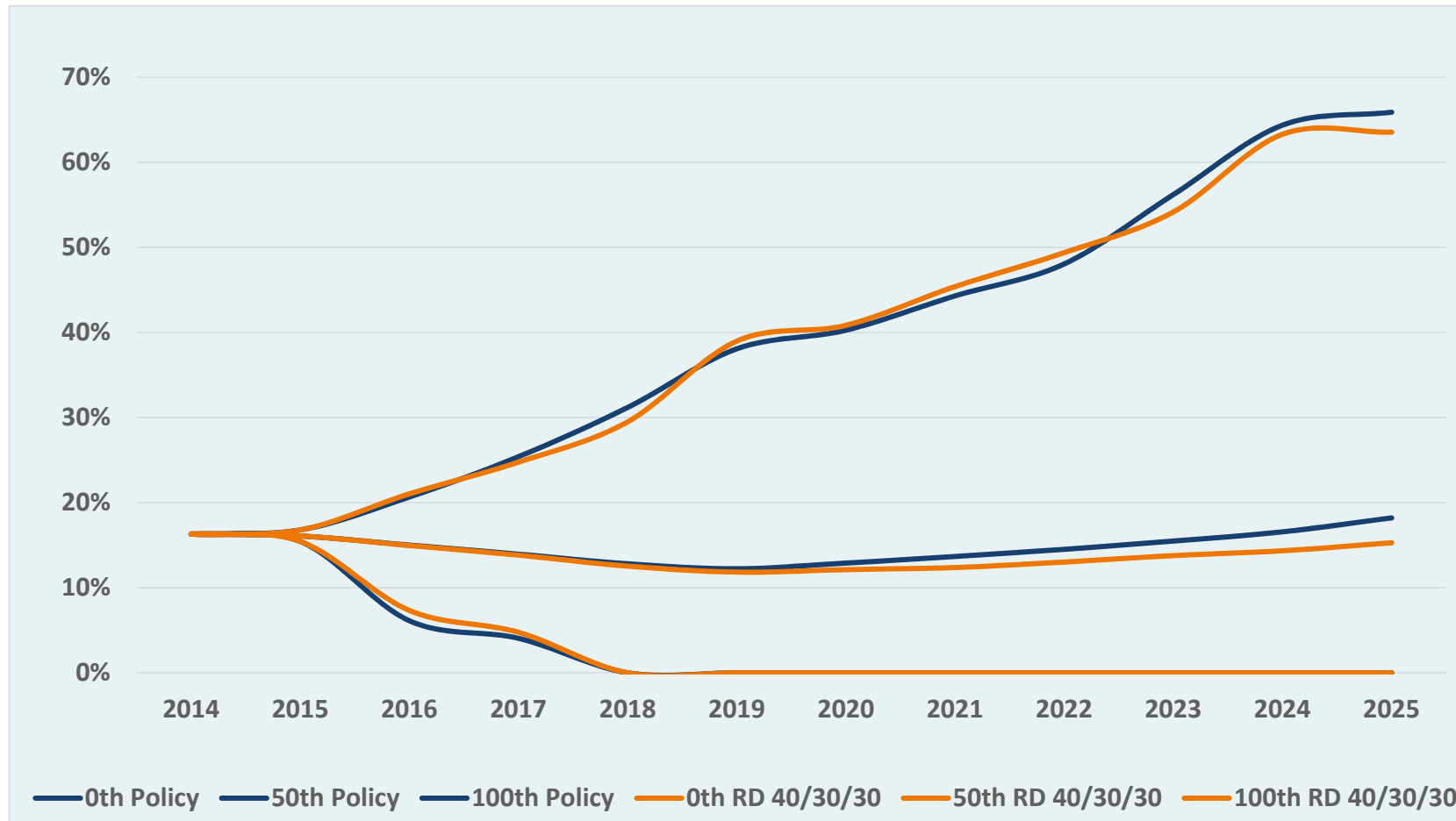
Employer contributions forecast (% of pay)

Comparisons between Policy and Risk Diversified 50/25/25 models



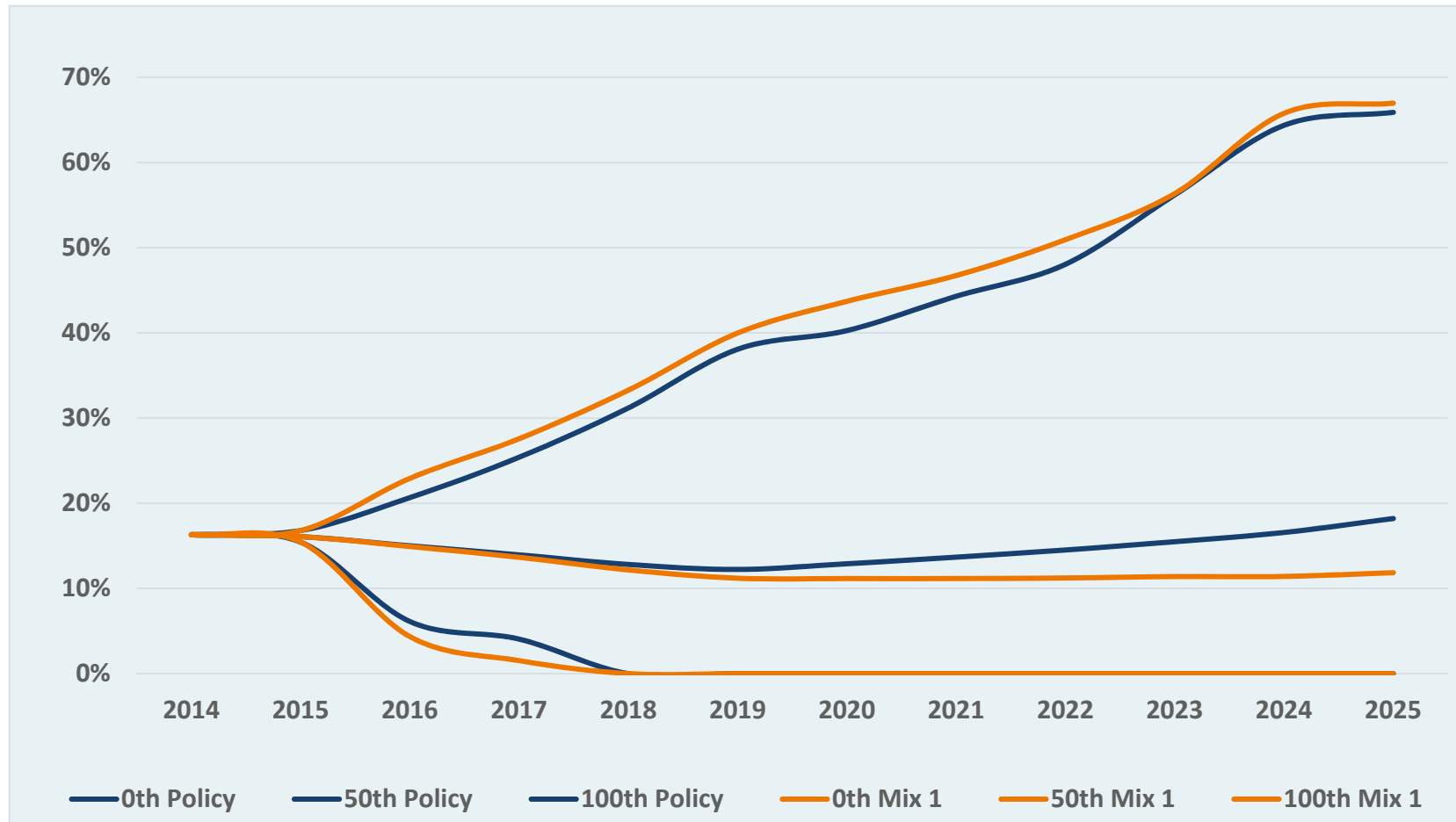
Employer contributions forecast (% of pay)

Comparisons between Policy and Risk Diversified 40/30/30 models



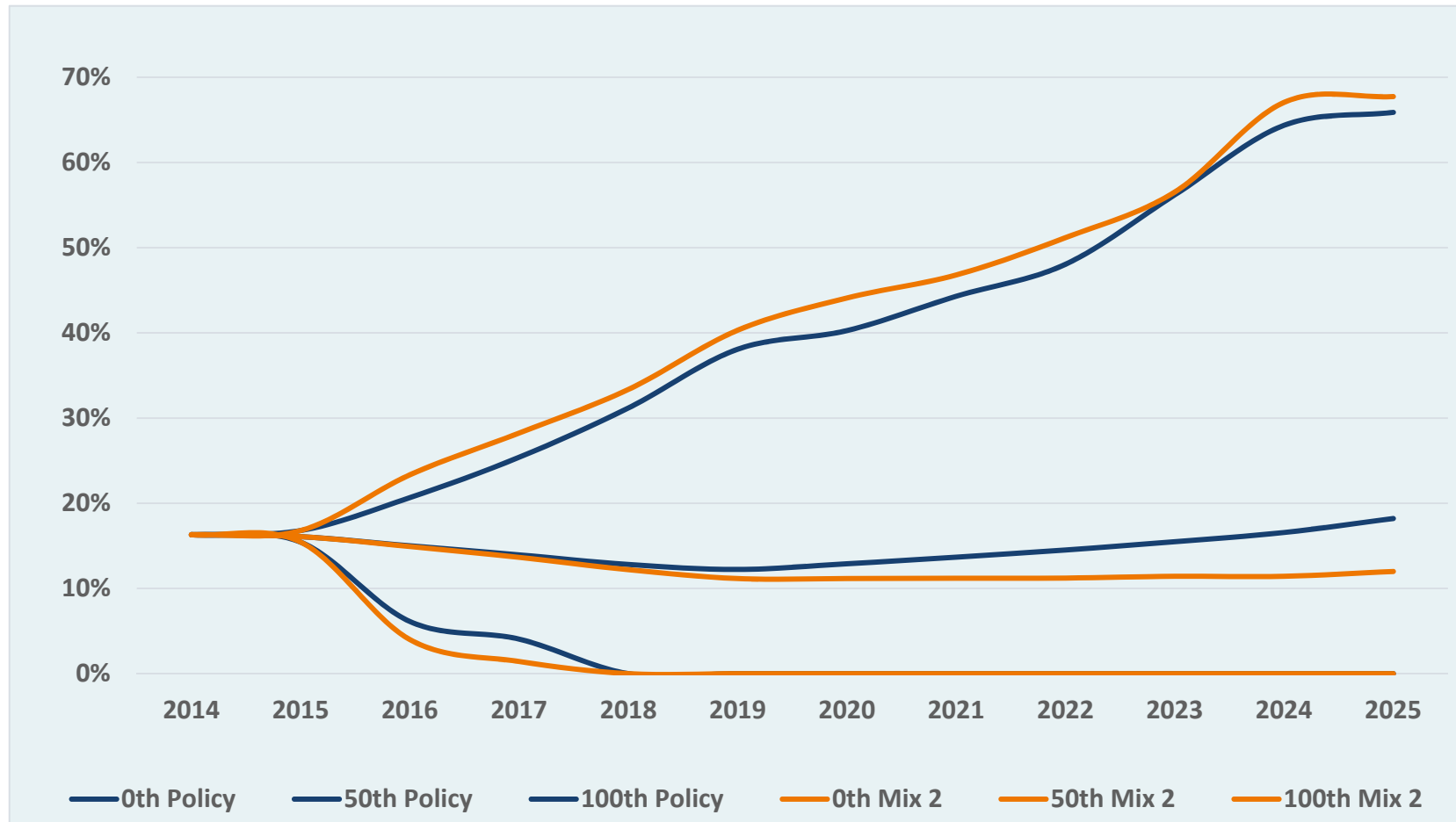
Employer contributions forecast (% of pay)

Comparisons between Policy and Mix 1 models



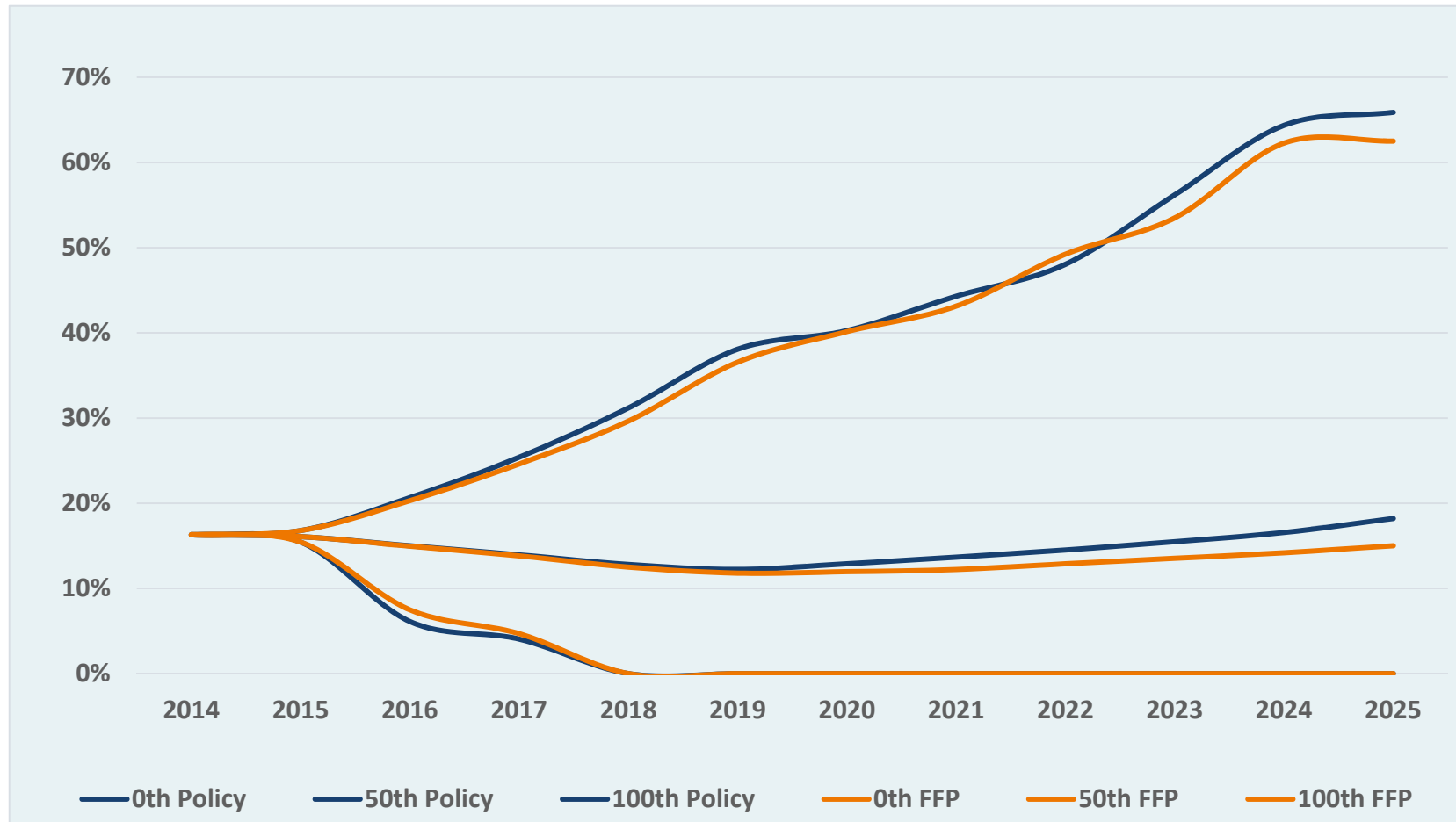
Employer contributions forecast (% of pay)

Comparisons between Policy and Mix 2 models



Employer contributions forecast (% of pay)

Comparisons between Policy and FFP models



V. Appendices

A. Key Actuarial Assumptions

B. Capital Market Assumptions

Appendix A. Key Actuarial Assumptions

Key actuarial assumptions

Asset valuation method	The market value of assets is adjusted to recognize, over a five-year period, differences between actual investment earnings and the assumed investment return. The Actuarial Value of Assets is limited to no less than 80% and no more than 120% of the market value. As of June 30, 2011, the Actuarial Value was reset to equal market value.
Amortization period	The excess of the Actuarial Accrued Liability over Plan assets is the Unfunded Actuarial Accrued Liability, and the liability for each valuation group is amortized as a level percentage of payroll over a closed period (22 years as of the current valuation).
Investment rate of return	7.75%
Inflation rate	3.25%
Projected salary increases	General: 4.0% to 7.5%; Safety: 4.0% to 11.5%
Post retirement cost of living adjustments	100% of CPI up to 3% annually with banking, 2.7% annual increases assumed

Source: Cheiron Actuarial Valuation as of June 30, 2014

Appendix B. Capital Market Assumptions



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

JANUARY 2015
Capital Market Assumptions

Table of contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700
LOS ANGELES 310-297-1777

Summary	69	Alternatives	86
Inflation	74	Appendix	92
Fixed Income	76		
Equities	82		

Past performance is no guarantee of future results. This report or presentation is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and should not be relied upon by retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. The opinions and information expressed are current as of the date provided or cited only and are subject to change without notice. This information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. VERUS ADVISORY™ and VERUS INVESTORS™ expressly disclaim any and all implied warranties or originality, accuracy, completeness, non-infringement, merchantability and fitness for a particular purpose. This report or presentation cannot be used by the recipient for advertising or sales promotion purposes.

The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

“VERUS ADVISORY™ and VERUS INVESTORS™ and any associated designs are the respective trademarks of Verus Advisory, Inc. and Verus Investors, LLC.” Additional information is available upon request.

Summary

Methodology

APPROPRIATE FRAME OF REFERENCE

- Over the short-term, capital markets may reflect irrational investor behavior as prices diverge from fair value.
- Mean reversion may occur over the long-run as prices converge to underlying fundamentals due to long-term investor rationality.
- In our opinion, a 10-year outlook is a reasonable time frame to expect fundamental valuation measures to mean-revert.

Asset	Return Methodology	Volatility Methodology
Inflation	25% weight to the University of Michigan Survey 5-10 year ahead inflation expectation and the Survey of Professional Forecasters (Fed Survey), and the remaining 50% to the market's expectation for inflation as observed through the TIPS breakeven rate	-
Cash	Real yield estimate + inflation forecast	Last ten years of realized volatility
Bonds	Nominal bonds: current annualized yield Real bonds: real yield + inflation forecast	Last ten years of realized volatility
International Bonds*	Current yield + implied currency effect	Last ten years of realized volatility
Credit	Current option-adjusted-spread + U.S. 10-year Treasury – default rate	Last ten years of realized volatility
International Credit*	Current option-adjusted-spread + foreign 10-year Treasury – default rate + implied currency effect	Last ten years of realized volatility
Private Credit	High yield forecast + 2% illiquidity premium	Last ten years of realized volatility
Equity	Dividends (current yield) + real earnings growth (historical average) + inflation on earnings (inflation forecast) + P/E change (cyclical adjusted P/E)	Last ten years of realized volatility
International Developed Equity*	Dividends (current yield) + real earnings growth (historical average) + inflation on earnings (international inflation forecast) + P/E change (cyclical adjusted P/E) + implied currency effect	Last ten years of realized volatility
Private Equity	Small-cap domestic equity forecast + 3% illiquidity premium	20% higher than small-cap volatility
Commodities	Cash + inflation forecast	Last ten years of realized volatility
Hedge Funds	Return coming from traditional beta + 3.0% (alternative beta and alpha)	165% of last ten years of realized volatility
Real Estate	Cap rate – capex + Inflation forecast	Half of REIT's volatility
REITs	Same as private real estate	Last ten years of realized volatility
Risk Parity	Expected Sharpe Ratio*target volatility + cash rate	Target volatility

*We use local inflation for international developed equity and fixed income markets. When using local inflation rates, expected returns are adjusted for the implied currency effect based on currency forward contract rates (See Appendix)

10 year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast	Ten Year Historical Sharpe Ratio
		Geometric	Arithmetic			
Equities						
US Large	S&P 500	5.7%	6.7%	14.7%	0.25	0.47
US Small	Russell 2000	4.7%	6.5%	19.8%	0.13	0.4
International Developed	MSCI EAFE	9.5%	11.0%	18.2%	0.41	0.25
International Small	MSCI EAFE Small Cap	9.2%	11.0%	19.7%	0.36	0.32
Emerging Markets	MSCI EM	11.5%	13.9%	23.7%	0.4	0.4
Global Equity	MSCI ACWI	7.4%	8.7%	16.5%	0.32	0.35
Private Equity	Cambridge Private Equity	7.7%	10.2%	23.7%	0.24	1.07
Fixed Income						
Cash	30 Day T-Bills	2.1%	2.1%	0.6%	-	-
US TIPS	Barclays US TIPS 5 - 10	2.6%	2.8%	6.3%	0.07	0.47
US Treasury	Barclays Treasury 7 - 10 year	2.2%	2.4%	6.4%	0.01	0.65
Global Sovereign ex US	Barclays Global Treasury ex US	2.5%	2.8%	7.9%	0.05	0.18
Core Fixed Income	Barclays US Aggregate Bond	3.1%	3.2%	3.2%	0.31	0.96
Core Plus Fixed Income	Barclays US Corporate IG	3.8%	4.0%	5.9%	0.29	0.67
Short-Term Gov't/Credit	Barclays US Gov't/Credit 1 - 3 year	2.3%	2.3%	1.3%	0.17	1.09
Short-Term Credit	Barclays Credit 1 - 3 year	2.6%	2.6%	2.3%	0.22	0.88
Long-Term Credit	Barclays Long US Corporate	3.7%	4.3%	11.0%	0.15	0.55
High Yield Corp. Credit	Barclays High Yield	5.2%	5.8%	10.5%	0.3	0.61
Bank Loans	S&P/LSTA	3.7%	4.1%	8.7%	0.19	0.44
Global Credit	Barclays Global Credit	1.9%	2.2%	7.4%	-0.02	0.49
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	5.7%	6.1%	8.9%	0.41	0.72
Emerging Markets Debt (Local)	JPM GBI EM Global Diversified	6.2%	7.0%	12.9%	0.32	0.46
Private Credit	High Yield + 200 bps	7.8%	8.4%	10.5%	0.55	-
Other						
Commodities	Bloomberg Commodity	4.1%	5.7%	18.2%	0.11	-0.1
Hedge Funds	HFRI Fund of Funds	6.0%	6.4%	9.1%	0.43	0.29
Core Real Estate	NCREIF Property	5.1%	5.9%	13.2%	0.23	0.93
REITs	Wilshire REIT	5.1%	8.1%	26.4%	0.11	0.38
Risk Parity		7.1%	7.6%	10.0%	0.50	-
Inflation		2.1%	-	-	-	-

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

Range of likely 10 year outcomes



Relevant market movements

- US equity investors experienced solid returns in 2014 for large cap equities, and moderate returns for small cap equities. Multiple expansion in 2014 proved a tailwind for large cap equities and a headwind for small cap equities. Valuations, as measured by the price-to-earnings ratio, remain above average for large cap equities and are near historic highs for small cap equities. This may indicate that multiple expansion will be less of a tailwind for these asset classes in the near future, and would indicate losses if valuations experience mean-reversion.
- EAFE equity investors saw losses in the low single-digits, which was driven primarily by price multiple contraction. Price multiples remain slightly below average for large cap equities, and more so in the small cap space. Small cap equities experienced a significant 17% multiple expansion in 2014. Our forecasts assume a repricing in EAFE equity which bolsters large cap and small cap equity returns by 0.75%.
- Emerging Market equity markets experienced considerable volatility, and ended 2014 with a slight loss. According to our price multiple indicators, Emerging Market equities is the most undervalued of the equity asset class. Mean reversion in this asset class would lead to healthy gains, and we forecast an additional 1.5% annual return to this asset class due to its relatively cheap valuation.
- Developed country sovereign yields have dropped to all-time lows upon concerns over lacking economic growth and deflation. Our forecast of 2.5% for global sovereign bonds reflects this movement. Global central bank policy continued to diverge, with the Bank of Japan and the European Central Bank implementing bond purchasing programs.
- U.S. breakeven inflation expectations fell further over the year to 1.7%, which has led to lower expected domestic inflation of 2.1%. Since inflation is a component of forecasted equity return, this decrease affects equity returns commensurately.
- Concerns about long-term global economic growth led to a strengthening of the US dollar relative to developed market currencies and a decrease in US long-term interest rates.
- Investment grade credit spreads widened over the year as companies took advantage of historical low interest rates to issue debt, making 2014 the largest year of debt issuance on record with \$1.6 trillion of new issuance in this space.
- The price of oil dropped from nearly \$100/barrel to below \$50 since the beginning of 2014. While oil price movement has been a major political and economic story over the last six months, these large movements have typically had minimal effects on traditional portfolios with smaller allocations to commodities (and oil). Despite recent volatility, we generally expect commodities to return inflation plus a cash flow yield. Although roll return can be a large contribution to commodity returns, they are not considered in our forecast.
- Real estate cap rates remain near historic lows of the last three decades. Over the long-run, we expect no return contribution from a change in valuation.

Inflation

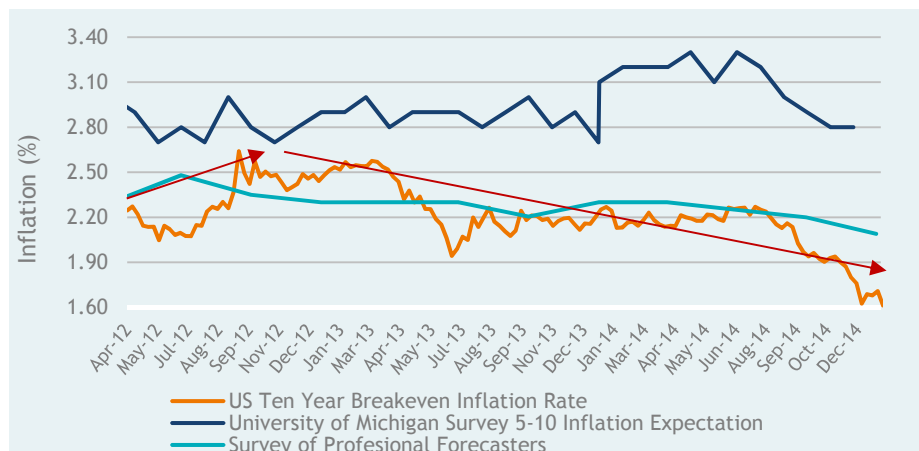
Inflation

The market's expectations for 10-year inflation can be inferred by taking the difference between the U.S. 10-year Treasury yield and the U.S. 10-year Treasury Inflation-Protected (TIPS) yield (referred to as the breakeven inflation rate). While the breakeven rose in 2012, it fell throughout 2013 and then fell further in 2014 H2, with the latest breakeven pricing in a 1.68% rate of inflation over the next decade.

The latest University of Michigan Survey 5-10 year forward inflation expectation, a survey of about 500 households around the nation, is 2.8%. Historically, this survey of inflation tends to be higher than actual future inflation.

A more stable indicator over time has been the Survey of Professional Forecasters (conducted quarterly). The most recent expectation for long-term inflation is 2.09%.

MONTHLY BREAKEVEN INFLATION/UOM SURVEY/PROFESSIONAL FORECASTERS SURVEY

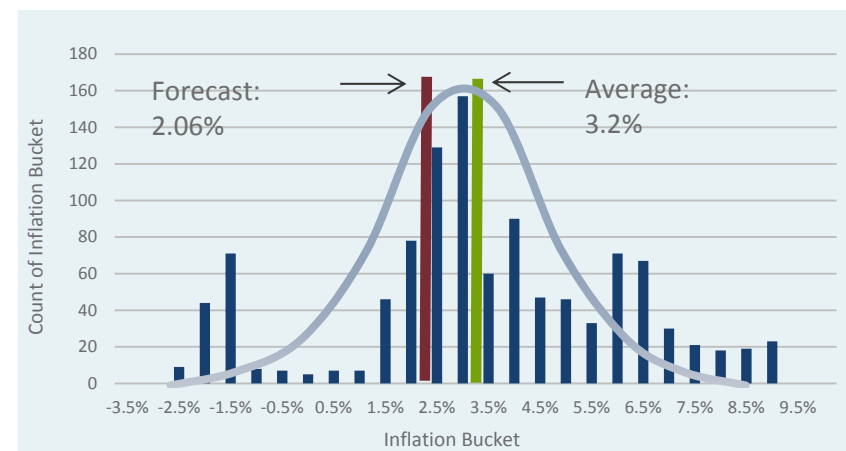


Source: Bloomberg, Philly Fed

To develop our inflation forecast, we assign a 50% weight on the 10-year TIPs Breakeven and a 25% weight on each of the two surveys. Based upon the December 31, 2014 data, our 10-year inflation forecast is 2.06%, which is 0.34% lower when compared to last year's estimate, and remains below the long-term average.

10-Year Forecast	
University of Michigan Survey (25% weight)	2.80%
Survey of Professional Forecasters (25% weight)	2.09%
US 10-Year TIPS Breakeven Rate (50% weight)	1.68%
Inflation Forecast	2.06%

US ROLLING TEN YEAR AVERAGE INFLATION HISTOGRAM SINCE 1923



Source: Bloomberg

Fixed income

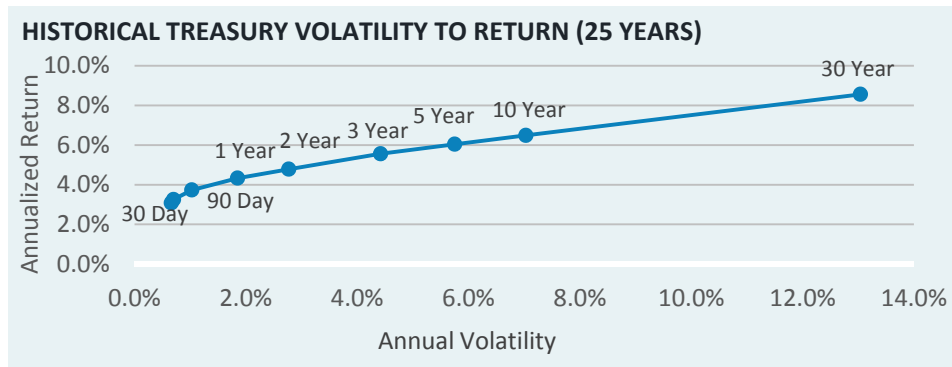
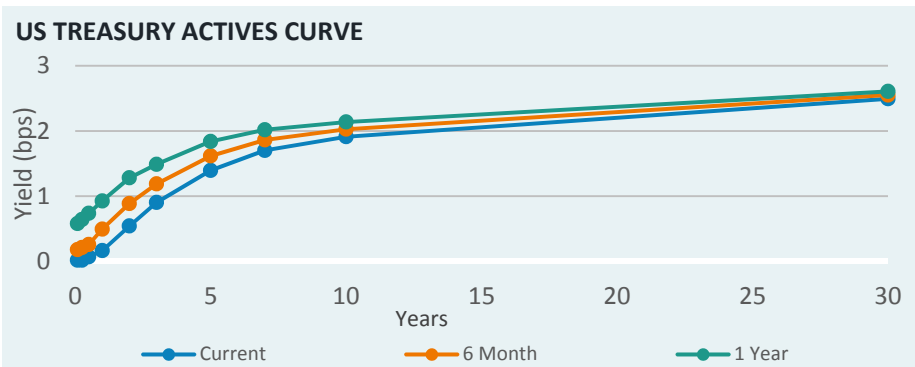
Cash

Over the course of 2014 the yield curve as a whole has fallen. The yield curve movement has caused cash rates to drop over this time period.

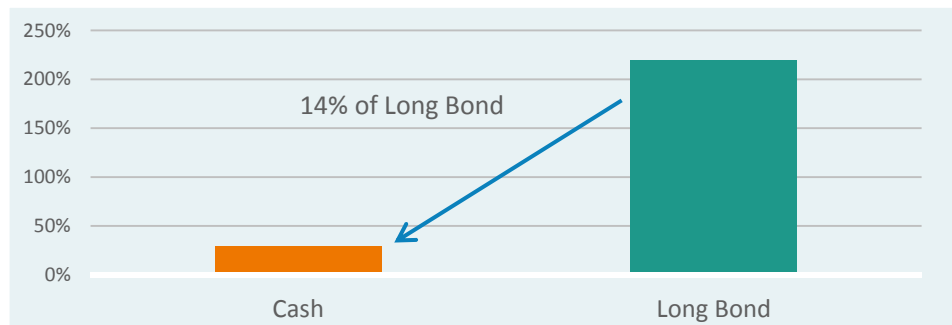
Over rolling ten year time periods, the average historical real return to cash has been 14% of the real return to long bonds.

By applying the historical real return relationship between long bonds and cash, we get a 2 bps real return to cash from our current 11 bps real return forecast for long bonds.

Adding our inflation forecast of 2.06% results in a nominal return to cash of 2.08%.



AVERAGE REAL RETURN



	10-Year Forecast
Cash	2.08%
Inflation Forecast	-2.06%
Real Return	0.02%

Source: Bloomberg

Source: MPI

Rates

Despite some market participants holding the view that rates would rise, the trajectory of 10 year Treasuries during 2014 was consistently towards lower yields.

This move was particularly noticeable during the latter part of the year and the very early part of 2015.

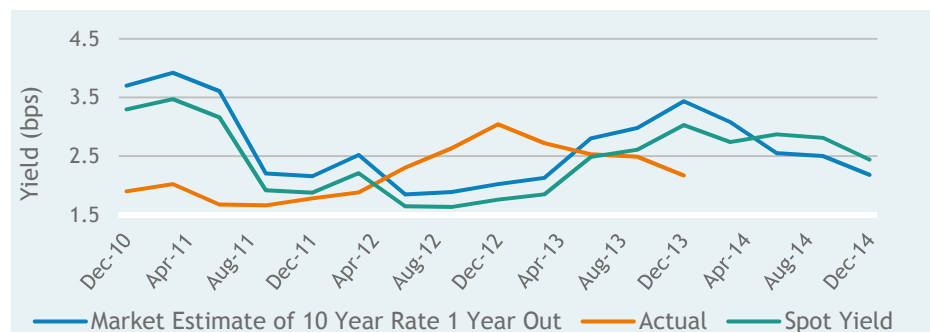
Despite this US Treasury yields have been higher than a number of other government bond markets, including in countries regarded as significantly less financially stable.

Our forecast of rates is based upon the current yield, with all cash flows reinvested at the current yield.

10-Year Forecast

US 10-Year Treasury	2.17%
Inflation Forecast	-2.06%
Real Return	0.11%

MARKET ESTIMATE OF 10 YEAR RATE 1 YEAR OUT



Source: Bloomberg

US 10-YEAR TREASURY YIELD



Source: Bloomberg

Real rates

There was a notable divergence between real and nominal rates during 2014.

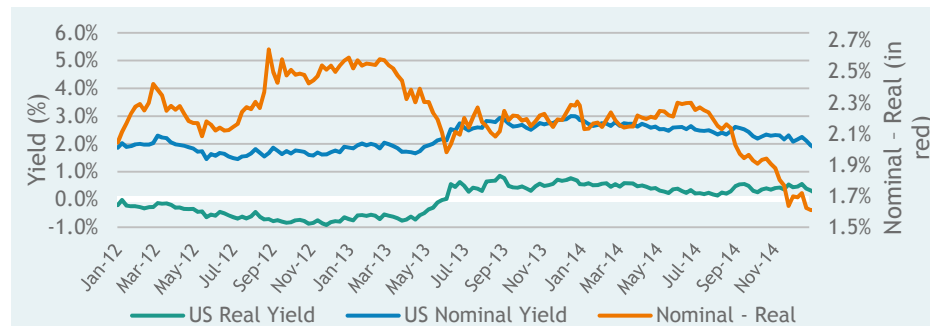
While the returns from TIPS can be volatile given the daily changes in the markets' inflation expectations over the long run, its performance is determined by the Consumer Price Index.

As TIPS are quoted in real terms, in order to get the nominal return forecast we add the TIPS current yield to our inflation forecast. Our nominal 10 year TIPS return forecast is 2.55%.

10-Year Forecast

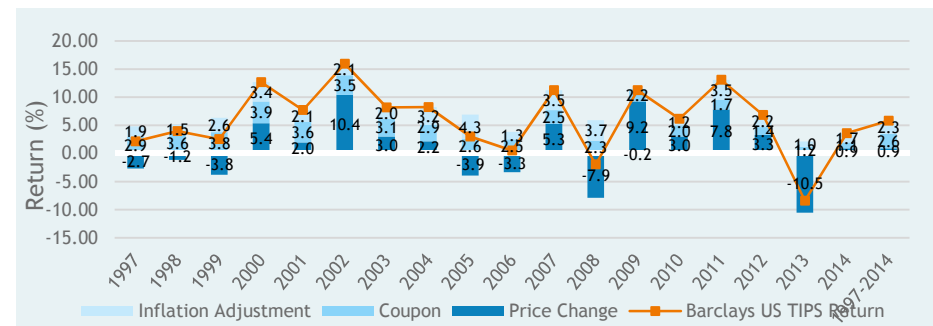
US 10-Year TIPS Yield	0.49%
Inflation Forecast	+2.06%
Nominal Return	2.55%

NOMINAL YIELD VS REAL



Source: Bloomberg

COMPOSITION OF BARCLAYS CAPITAL US TIPS INDEX RETURN



Source: DFA

Core fixed

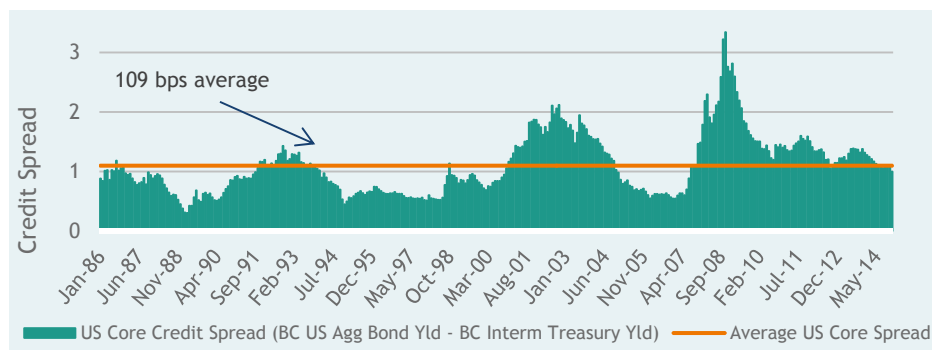
Following continued healthy economic growth in the US, the Federal Reserve ended its bond purchasing program (QE). In anticipation of the Fed's announcement to raise interest rates, short-term US yields increased.

Within the Core universe, Investment Grade credit spreads widened over the year as companies took advantage of historically low interest rates to issue debt, making 2014 the largest year of issuance on record (\$1.6 trillion).

10-Year Forecast

Barclays US Option-Adjusted Spread	+1.0%
Effective Default	0.10%
US 10-Year Treasury	+2.2%
Nominal Return	3.1%
Inflation Forecast	-2.1%
Real Return	1.0%

US CORE CREDIT SPREAD



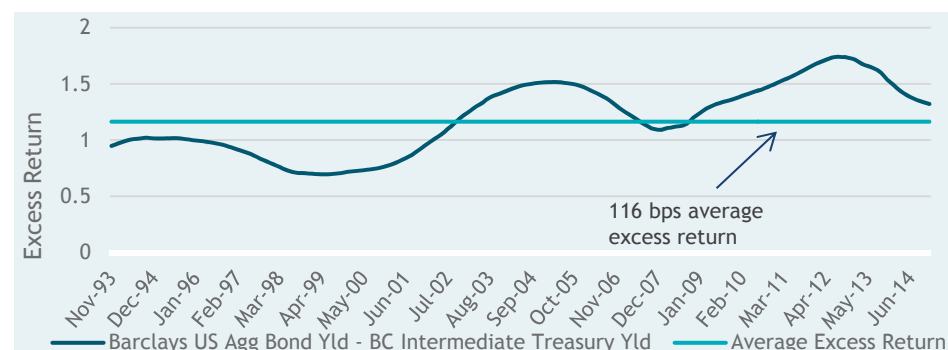
Source: MPI

The mortgage-backed security (MBS) market continued to receive support from the Fed through the end of the QE program in October. As a result, MBS spreads remained tight to US Treasuries.

Credit fixed income return is composed of a bond term premium (duration) and credit spread.

We use appropriate default rates and credit spreads for each fixed income category to provide our forecast 10 year return.

ROLLING 10 YEAR EXCESS RETURN



Source: MPI

Credit summary

	Core	Long-Term Credit	Global Credit	High Yield	Bank Loans	EM Debt (USD)	EM Debt (Local)	Private Credit
Index	BC US Aggregate	BC Long US Corporate	BC Global Credit	BC US High Yield	S&P LSTA	JPM EMBI	JPM GBI	BC US High Yield + 2%
Method	OAS + US 10-Year	OAS + US 10-Year	OAS + Global 10-Year Treasuries	OAS + US 10-Year	LIBOR + Spread	OAS + US 10-Year	Current Yield	High Yield + 2% illiquidity premium
Spread to	Intermediate US Treasury	Long-Term US Treasury	Global Long-Term Treasuries	Intermediate US Treasury	LIBOR	Intermediate US Treasury	-	-
Default Assumption	-1.0%	-4.5%	-3.0%	-3.8%	-3.5%	-0.5%	-0.5%	-
Recovery Assumption	90%	95%	40%	40%	90%	60%	40%	-
Spread	1.0%	1.7%	1.5%	5.3%	3.8%	3.7%	-	-
Yield	-	-	-	-	-	-	6.5%	-
Risk Free Yield	2.2%	2.2%	1.8%	2.2%	0.3%	2.2%	-	-
Effective Default	-0.1%	-0.2%	-1.8%	-2.3%	-0.4%	-0.2%	-0.3%	-
Expected Currency Effect	-	-	0.4%	-	-	-	-	-
Nominal Return	3.1%	3.7%	1.9%	5.2%	3.7%	5.7%	6.2%	7.8%
Inflation Forecast	-2.1%	-2.1%	-2.1%	-2.1%	-2.1%	-2.1%	-2.1%	-2.1%
Real Return	1.0%	1.6%	-0.2%	3.1%	1.6%	3.6%	4.1%	5.7%

*We use local inflation for international developed equity and fixed income markets. When using local inflation rates, expected returns are adjusted for the implied currency effect based on currency forward contract rates (See Appendix)

Equities

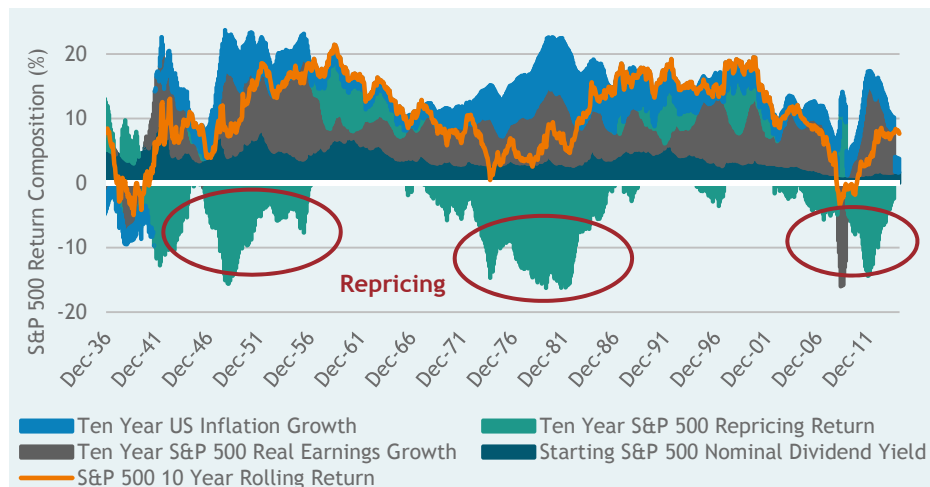
Equities

Historical equity returns can be broken down into earnings growth, dividend yield, inflation, and repricing. Over the very long-term, repricing represents a small portion of return to equity investors, but over shorter time frames, the effect on return can vary considerably.

If investors are willing to pay more for earnings, it could signal that investors are more confident in positive earnings growth going forward, while the opposite is true if investors pay less for earnings. It is somewhat surprising that investor confidence varies so much given that the long-term earnings growth is relatively stable.

Investor confidence in earnings growth can be measured using the Shiller P/E Ratio. In short, if the P/E ratio is too high/low relative to history, we expect future returns to be lower/higher than the long-term average. Implicit in this analysis is the assumption that P/E's will mean revert over 10 years.

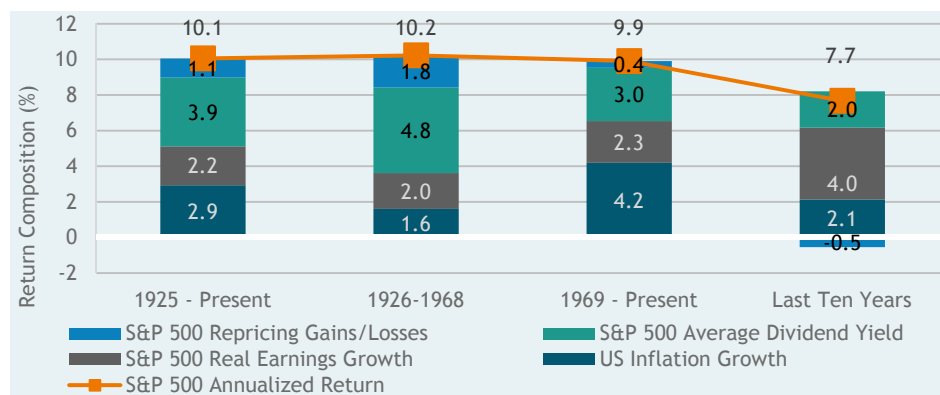
TRAILING TEN YEAR S&P 500 RETURN COMPOSITION (%)



We make a conservative repricing estimate given how widely repricing can vary over time. We then skew the repricing adjustment because the percentage change in index price is larger with each incremental rise in P/E when P/E's are low, compared to when they are high.

Shiller P/E Percentile Bucket	Lower P/E	Upper P/E	Repricing Assumption
Lower 10%	-	10	2.00%
10% - 20%	10	11	1.50%
20% - 30%	11	12	0.75%
30% - 45%	12	15	0.50%
45% - 55%	16	17	0.0%
55% - 70%	17	20	-0.25%
70% - 80%	20	22	-0.50%
80% - 90%	22	26	-1.25%
Top 10%	26	-	-1.50%

S&P 500 RETURN COMPOSITION (%)



Global equity

Global Equity is a combination of US Large, International Developed, Canada, and Emerging Market equities. We can therefore combine our existing return forecasts for each of these asset classes, along with a Canada equity forecast, to arrive at our Global Equity return forecast.

We use the MSCI ACWI Index as our benchmark for Global Equity and apply the country weights of this index to determine the weightings for our Global Equity return calculation.

As with other equity asset classes, we use the historical standard deviation of the benchmark (MSCI ACWI Index) for our volatility forecast.

The valuation of Global Equities are driven by the richness/cheapness of the underlying markets, as indicated by the current Price/Earnings ratio.

The underperformance of Emerging Markets in recent years has detracted from Global Equity returns, while US equities have buoyed returns.

2015 CMA Forecast:

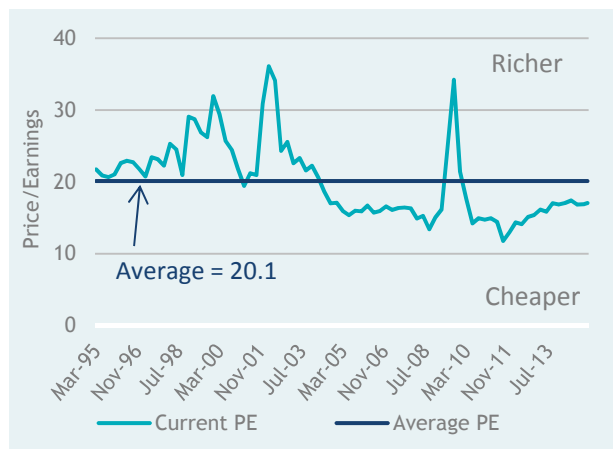
7.4% Geometric Rtn

8.7% Arithmetic Rtn

16.5% St. Deviation

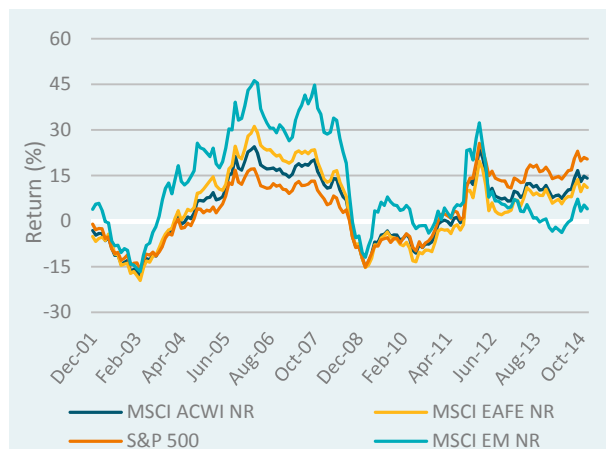
0.32 Sharpe Ratio

GLOBAL EQUITY P/E RATIO HISTORY



Source: Bloomberg, as of 2/1/15

MARKET PERFORMANCE (3 YR ROLLING)



Source: MSCI, Standard & Poor's, as of 12/1/14

MARKET WEIGHTINGS

Market	Weight	CMA return	Weighted return
US Large	57.6%	5.7%	3.3%
Developed Large	32.5%	9.5%	3.1%
Emerging Markets	6.6%	11.5%	0.8%
Canada	3.3%	9.4%	0.3%
Global equity forecast			7.4%

Source: Verus

Equity summary

	US Large	US Small	EAFE	EAFE Small	EM
Index	S&P 500	Russell 2000	MSCI EAFE Large	MSCI EAFE Small	MSCI EM
Method	Building Block Approach: current dividend yield + historical average real earnings growth + inflation on earnings + repricing + expected currency effect				
Current Shiller P/E Ratio	26.3	39.6	14.6	-	10.7
Regular P/E Ratio	18.2	33.0	16.4	20.7	12.7
2014 Shiller P/E Expansion	5.6%	0.5%	-9.6%	-	-12.5%
2014 Regular P/E Expansion	6.9%	-1.7%	-4%	-16.6%	0.6%
Current Shiller P/E Percentile Rank	90%	100%	15%	-	1%
Current Regular P/E Percentile Rank	70%	91%	45%	24%	25%
Average of P/E Methods' Percentile Rank	80%	96%	30%	24%	13%
2014 Total Return	13.7%	4.9%	-4.2%	-4.5%	-2.1%
Shiller PE History	1926	1988	1982	Not Enough History	2005
Long-Term Average Shiller P/E	17.5	20.8	23.8	-	18.4
Current Dividend Yield	1.9%	1.2%	3.2%	2.5%	2.9%
Long-Term Average Real Earnings Growth	2.2%	2.9%	2.6%	3.0%	5.0%
Inflation on Earnings	2.1%	2.1%	1.4%*	1.4%*	2.1%*
Repricing Effect (Estimate)	-0.5%	-1.5%	0.8%	0.8%	1.5%
Implied Currency Effect*	-	-	1.5%*	1.5%*	-
Nominal Return	5.7%	4.7%	9.5%	9.2%	11.5%
Inflation Forecast	-2.1%	-2.1%	-2.1%	-2.1%	-2.1%
Real Return	3.6%	2.6%	7.4%	7.1%	9.4%

*We use local inflation for international developed equity and fixed income markets. When using local inflation rates, expected returns are adjusted for the implied currency effect based on currency forward contract rates (See Appendix)

Alternatives

Private equity

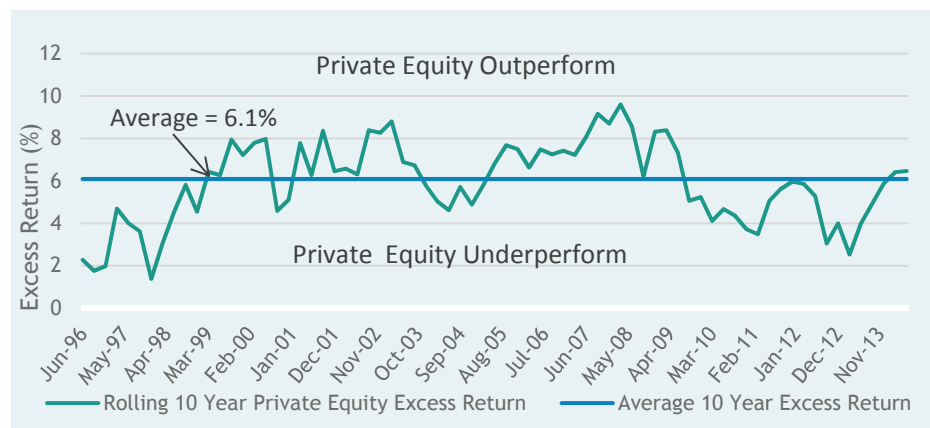
Private equity and public equity returns are historically correlated because the underlying economic forces driving these asset class returns are quite similar.

The return relationship between the two can vary in the short-term, but over the long-term investors have traditionally believed the return from private equity should carry a premium, based on the illiquidity investors experience.

10-Year Forecast

Small Cap Forecast	+4.7%
Illiquidity Premium Estimate	+3.0%
Nominal Return	7.7%
Inflation	-2.1%
Real Return	5.6%

ROLLING 10 YEAR PRIVATE EQUITY EXCESS RETURN (PE – SMALL CAP)



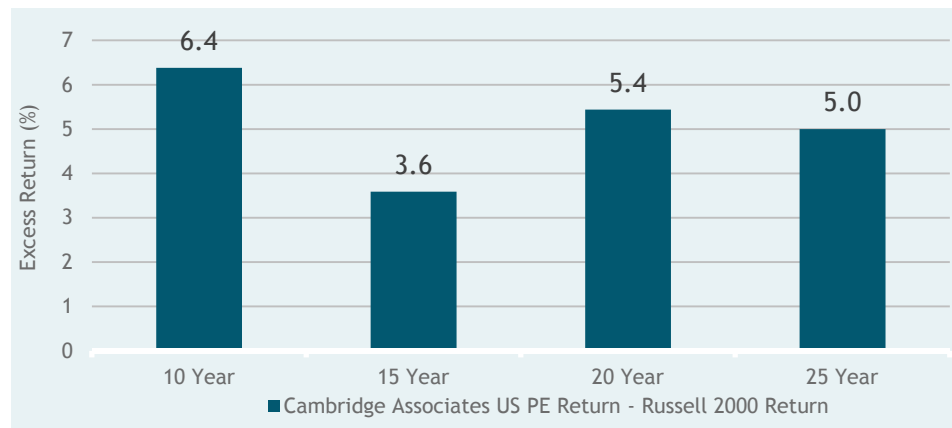
Source: MPI

The traditional approach, which we use this year again, is to estimate an illiquidity premium of 3.0% on top of our U.S. small cap forecast of 4.7%.

Recent literature has begun to suggest that it may be better to model private equity as being similar to a simple developed equity beta. This work suggests that some or all of the illiquidity premium is retained by the managers in the form of higher fees.

Over the course of 2015 we will be investigating this literature further and may choose to adjust our methodology for next year.

PRIVATE EQUITY EXCESS RETURN



Source: MPI

Hedge funds

Traditional betas explain approximately half of the variation in hedge fund net of fee returns, while the remaining unexplained portion can be attributed to alternative betas, skill, luck, or biases in the index.

We develop the systematic component of return by applying the historical weights of each traditional beta to our capital market assumptions.

As estimated by Ibbotson-Chen-Zhu 2010, the annualized unexplained portion of net of fee return is approximately 3.0%, which is statistically significant.

We add this estimate to our estimate of return coming from traditional betas to get a total net of fee return.

Traditional Betas	Weight	2015 CMA	10-Year Forecast
Equity	32%	6.6%	2.1%
Bonds	-21%	3.9%	-0.9%
Cash	89%	2.1%	1.8%
Traditional Beta Nominal Return			3.0%
Alternative Beta, Skill			3.0%
Nominal Return			6.0%
Inflation			-2.1%
Real Return			3.9%

Returns Explained by Systematic Factors

Equity market betas

Other traditional betas (bond, credit)

Alternative betas (value, carry, momentum, volatility)

Returns NOT Explained by Systematic Factors

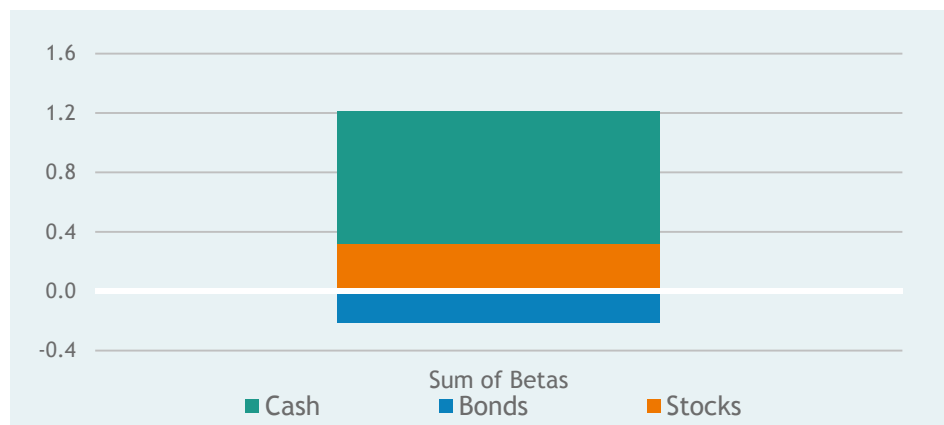
Skill

Luck

Biases

Source: Ilmanen, Antti. *Expected Returns*

HISTORICAL BREAKDOWN OF TRADITIONAL BETA



Source: Ibbotson-Chen-Zhu 2010

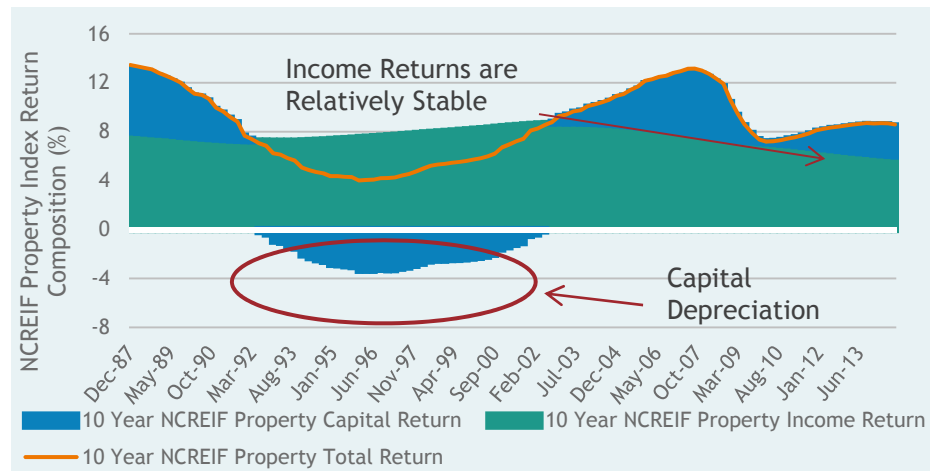
Private core real estate/REITs

Performance of the NCREIF property index can be decomposed into an income return (Cap Rate) and capital return. The return coming from income has historically been more stable than the return derived from capital changes.

The Cap rate is the ratio earnings less expenses to price, and does not include extraordinary expenses.

REITs 10-Year Forecast	
Nominal Return Forecast	5.1%
Inflation	-2.1%
Real Return	3.0%

TRAILING 10 YEAR NCREIF PROPERTY INDEX RETURN COMPOSITION (%)



Source: NCREIF

A more accurate measure of the yield investors receive should include non-recurring capital expenditures; we assume a 2.0% capex expenditure.

We also assume income growth will track inflation as inflation is passed through to rents.

Over the last ten years performance between private real estate and REITs is similar, although REITs have experienced a lower Sharpe ratio due to higher volatility.

Compared to private real estate, REITs should provide a higher return due to leverage and a lower return because of liquidity.

We assume the effects of leverage and liquidity offset each other, therefore our forecast for private real estate becomes our forecast for REITs.

Private Real Estate 10-Year Forecast	
Current Cap Rate	+5.0%
Capex assumption	-2.0%
Income Growth (Inflation)	+2.1%
Nominal Return	5.1%
Inflation	-2.1%
Real Return	3.0%

Commodities

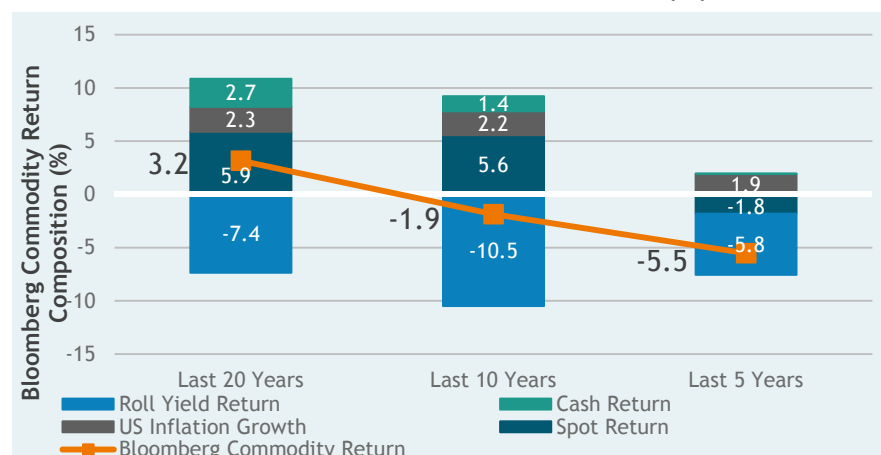
Commodity returns can be decomposed into four sources: collateral return (cash), inflation, spot changes, and roll yield.

	10-Year Forecast
Collateral Return (Cash)	+2.08%
Roll Return	+0.00%
Inflation	+2.06%
Nominal Return	4.14%
Inflation	-2.06%
Real Return	2.08%

Roll return represents either the backwardation or contango present in futures markets. Backwardation occurs when the futures price is below the spot price, which results in an additional profit. Contango occurs when the futures price is above the spot price, and this results in a loss to commodity investors. Historically, futures markets fluctuate between backwardation and contango. Although roll return can be a large contribution to commodity returns, they are not considered in our forecast as there is no consistent methodology to forecast roll return. Over the most recent 10-year period, roll return has been negative, contributing -10.5% to the Bloomberg Commodity total return.

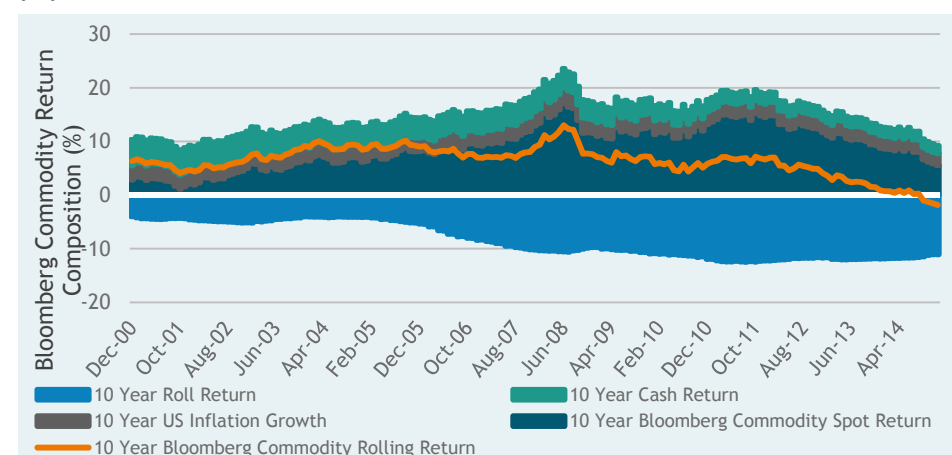
Our 10-year commodity forecast combines collateral (cash) return with inflation to arrive at the nominal return, and subtracts out inflation to arrive at the real return.

BLOOMBERG COMMODITY RETURN COMPOSITION (%)



Source: MPI, Verus

TRAILING 10 YEAR BLOOMBERG COMMODITY RETURN COMPOSITION (%)



Source: MPI, Verus

Risk parity

Risk Parity is built upon the philosophy of allocating to risk premia rather than to asset classes. Because Risk Parity by definition aims to diversify risk, the actual asset allocation can appear very different from traditional asset class allocation.

We model Risk Parity using an assumed Sharpe Ratio of 0.5, which takes into consideration the historical performance of Risk Parity. The expected return of Risk Parity is determined by this Sharpe Ratio forecast, along with a 10% volatility assumption.

We used a 10-year historical return stream from a market-leading product to represent Risk Parity correlations relative to the behaviors of each asset class.

Through greater diversification exposures, Risk Parity funds are suggested to be better able to withstand various difficult economic environments - reducing volatility without sacrificing return, over longer periods.

It is difficult to model Risk Parity, since strategies can differ significantly across firms/strategies. Risk Parity almost always requires explicit leverage. The amount of leverage will depend on the specific strategy implementation style, as well as expected correlations and volatility.

2015 CMA Forecast:

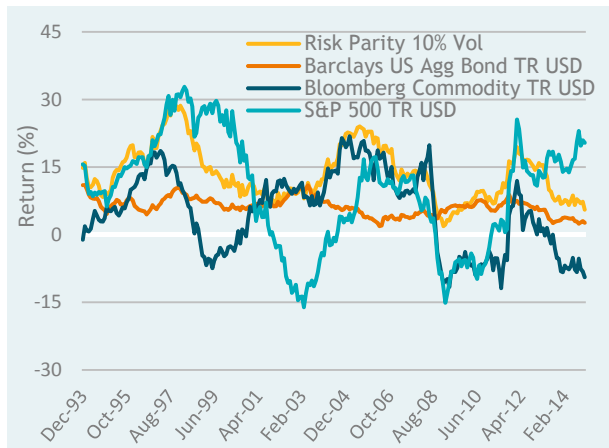
7.1% Geometric Rtn

7.6% Arithmetic Rtn

10% St. Deviation

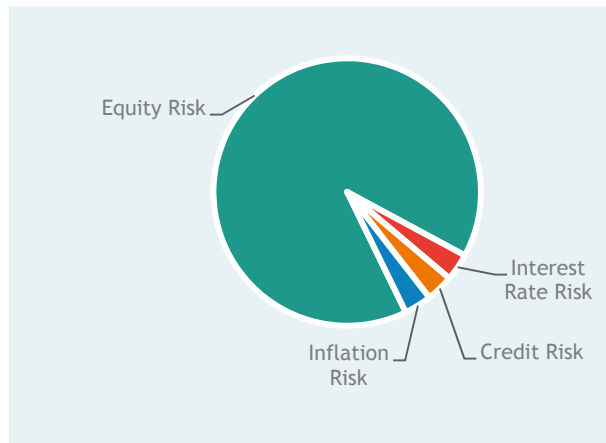
0.5 Sharpe Ratio

VS TRADITIONAL ASSET CLASSES



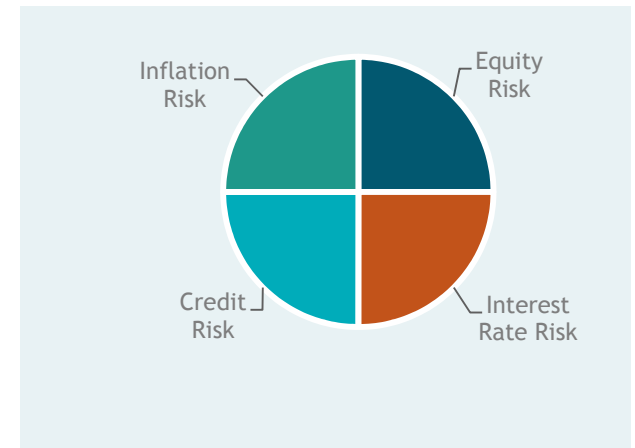
Source: MPI, as of 12/1/14

TRADITIONAL ASSET ALLOCATION



Source: Verus

RISK PARITY

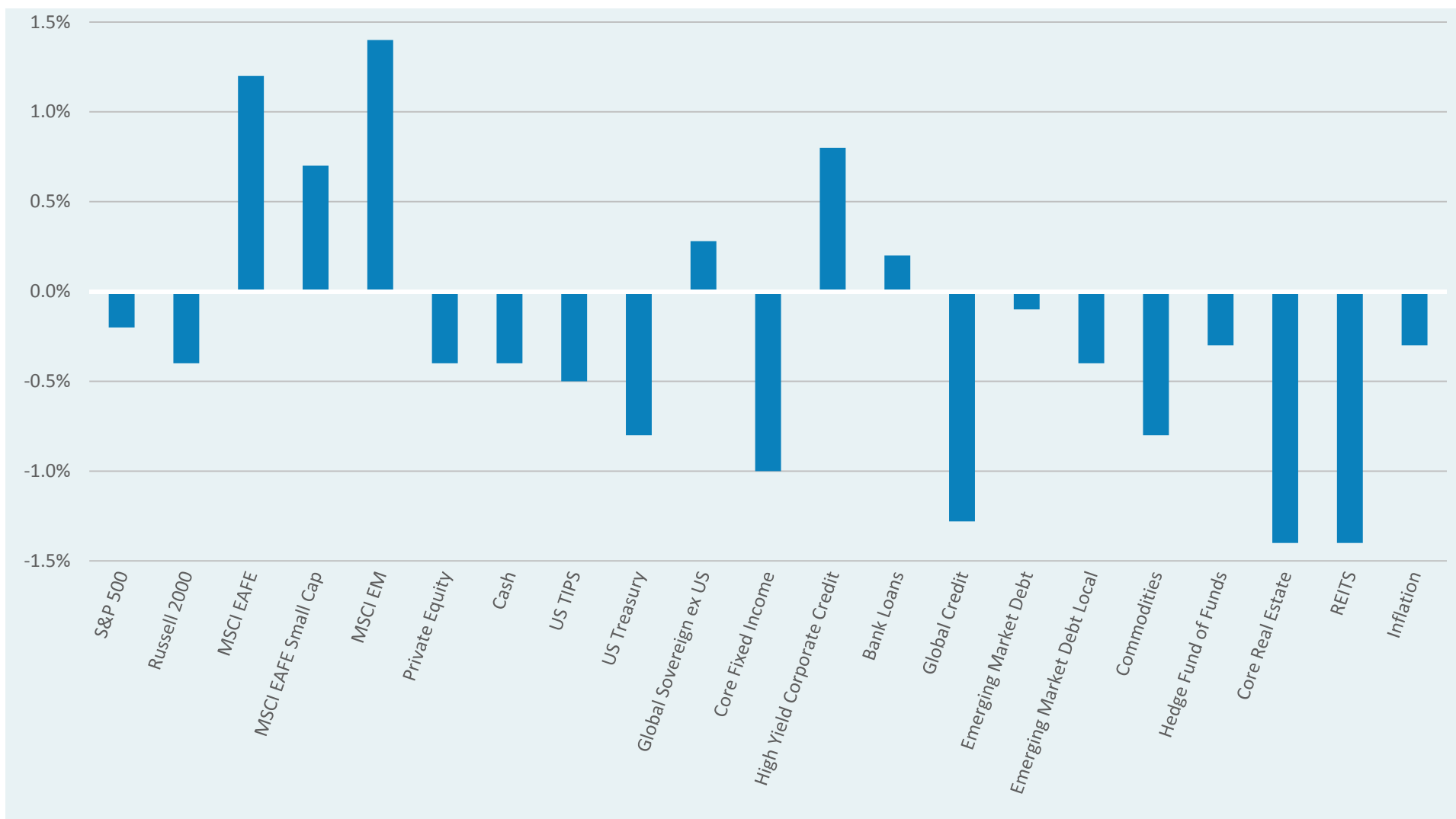


Source: Verus

Appendix

2015 vs 2014 return forecast

2015 VS 2014 RETURN FORECAST



The currency effect

- This last year has re-emphasized the important effect that currency returns can have on unhedged international portfolios. Verus has traditionally taken the view that we do not attempt to forecast currency market movement.
- When forecasting currencies, the “no opinion” position is reflected in the currency forward markets. This market prices currencies at a range of forward dates based on interest rate differentials - they represent the **SPOT** currency price for **FORWARD** delivery. Divergence from these rates is described as currency surprise.
- Investors with no active opinion regarding which direction exchange rates are headed would expect to earn the local currency return of foreign assets after correcting for the forward exchange rate (as priced by the currency forward market). We describe these returns as “hedged”.
- An investor with no active view regarding which direction exchange rates are headed would expect the unhedged and hedged returns from a foreign asset exposure to be identical.
- We therefore forecast foreign assets in local currency terms, then correct for expected currency movement based on currency forward market prices. We do this using 10-year forward rates. Because Verus has not historically expressed a view on currency, this is directly comparable to our previous forecasts.

Currency adjustment

THE EXPECTED CURRENCY EFFECT CAN BE CALCULATED BY IDENTIFYING THE FOLLOWING:

1. Today's currency spot rate
2. The price of a forward currency contract with a maturity equal to our forecasting horizon (10 years)
3. The annualized currency effect implied by this currency contract

EQUATION:

$$[(10 \text{ year contract rate})/(\text{spot rate})]^{(1/\text{years})}-1$$

FOR EXAMPLE:

If a US investor wishes to determine the likely currency affect of investing in Euro-denominated investments, and the EURUSD is currently trading at 1.13 (the spot rate), and a 10-year EURUSD currency forward contract is trading at 1.30, then the investor can use the equation below to calculate the implied currency effect:

$$(1.30/1.13)^{(1/10)} - 1 = 1.41\%$$

This tells us that the expected annualized currency effect for a US investor investing in Euro-denominated assets is a +1.41% currency return.

Correlation assumptions

	Cash	US Large	US Small	Developed Large	Developed Small	EM	PE	TIPS	US Treasury	Global Sovereign	US Core	US Core Plus	Short – Term Govt/Credit	Short-Term Credit	Long-Term Credit	US HY	Bank Loans	Global Credit	EMD USD	EMD Local	Commo- dities	Hedge Funds	Real Estate	REITs	Global Equity	Risk Parity	Inflation
Cash	1																										
US Large	-0.1	1																									
US Small	-0.1	0.9	1																								
Developed Large	0.0	0.9	0.8	1																							
Developed Small	0.0	0.8	0.8	1.0	1																						
EM	0.1	0.8	0.7	0.9	0.9	1																					
PE	-0.2	0.7	0.7	0.8	0.8	0.7	1																				
TIPS	0.0	0.2	0.1	0.2	0.3	0.3	0.2	1																			
US Treasury	0.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	0.6	1																		
Global Sovereign	0.0	0.2	0.2	0.4	0.4	0.4	0.5	0.6	0.5	1																	
US Core	0.0	0.1	0.0	0.1	0.1	0.1	0.0	0.8	0.9	0.6	1																
US Core Plus	-0.1	0.4	0.3	0.5	0.5	0.5	0.6	0.7	0.5	0.5	0.8	1															
Short –Term Govt/Credit	0.3	-0.1	-0.1	0.1	0.1	0.1	-0.2	0.6	0.6	0.6	0.7	0.6	1														
Short-Term Credit	0.0	0.3	0.3	0.5	0.5	0.5	-0.2	0.6	0.2	0.5	0.6	0.8	0.7	1													
Long-Term Credit	-0.1	0.3	0.2	0.4	0.4	0.4	0.1	0.6	0.5	0.5	0.8	1.0	0.4	0.6	1												
US HY	-0.1	0.7	0.7	0.8	0.8	0.7	0.6	0.4	-0.2	0.3	0.2	0.6	0.1	0.6	0.5	1											
Bank Loans	-0.1	0.6	0.6	0.6	0.6	0.6	0.2	0.2	-0.4	0.0	0.0	0.4	-0.1	0.5	0.3	0.9	1										
Global Credit	-0.1	0.6	0.5	0.8	0.8	0.7	0.7	0.6	0.2	0.8	0.6	0.8	0.5	0.8	0.7	0.7	0.5	1									
EMD USD	-0.1	0.6	0.5	0.7	0.7	0.7	0.5	0.7	0.3	0.5	0.6	0.8	0.4	0.7	0.7	0.8	0.6	0.8	1								
EMD Local	0.1	0.7	0.6	0.8	0.8	0.8	0.6	0.5	0.1	0.6	0.4	0.6	0.3	0.5	0.5	0.7	0.4	0.8	0.8	1							
Commodities	0.1	0.5	0.4	0.6	0.6	0.7	0.2	0.3	-0.2	0.4	0.1	0.3	0.1	0.4	0.2	0.5	0.4	0.6	0.5	0.6	1						
Hedge Funds	0.1	0.7	0.6	0.8	0.8	0.8	0.7	0.2	-0.3	0.1	0.0	0.4	0.0	0.4	0.2	0.6	0.6	0.6	0.5	0.6	0.7	1					
Real Estate	-0.1	0.4	0.3	0.3	0.3	0.3	0.3	0.1	-0.1	0.1	0.0	0.2	-0.1	-0.1	0.1	0.2	0.0	0.2	0.2	0.3	0.0	0.3	1				
REITs	0.0	0.8	0.8	0.7	0.6	0.6	0.6	0.2	-0.1	0.3	0.2	0.4	0.0	0.3	0.4	0.7	0.5	0.6	0.6	0.6	0.3	0.4	0.4	1			
Global Equity	-0.1	1.0	0.9	1.0	0.9	0.9	0.8	0.2	-0.2	0.4	0.1	0.4	0.0	0.4	0.4	0.8	0.6	0.7	0.7	0.8	0.6	0.8	0.3	0.7	1		
Risk Parity	0.0	0.5	0.4	0.6	0.6	0.6	0.6	0.7	0.4	0.6	0.6	0.7	0.5	0.6	0.6	0.5	0.3	0.7	0.7	0.7	0.6	0.5	0.3	0.5	0.6	1	
Inflation	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1	-0.3	0.0	-0.3	-0.2	-0.2	0.0	-0.3	0.2	0.4	0.0	0.0	0.1	0.3	0.2	0.1	0.1	0.1	0.0	1

Note: Correlation assumptions are based on the last ten years. Private Equity and Real Estate correlations are especially difficult to model – we have therefore used BarraOne correlation data to strengthen these correlation estimates.



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



DECEMBER 16, 2015

Investment Strategy Evaluation

Stanislaus County Employees' Retirement Association

Table of contents



VERUSINVESTMENTS.COM

SEATTLE 206-622-3700
LOS ANGELES 310-297-1777

Overview of modeling techniques 3

Investment models 11

Comparative analysis 20

Past performance is no guarantee of future results. This report or presentation is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and should not be relied upon by retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. The opinions and information expressed are current as of the date provided or cited only and are subject to change without notice. This information is obtained from sources deemed reliable, but there is no representation or warranty as to its accuracy, completeness or reliability. VERUS ADVISORY™ and VERUS INVESTORS™ expressly disclaim any and all implied warranties or originality, accuracy, completeness, non-infringement, merchantability and fitness for a particular purpose. This report or presentation cannot be used by the recipient for advertising or sales promotion purposes.

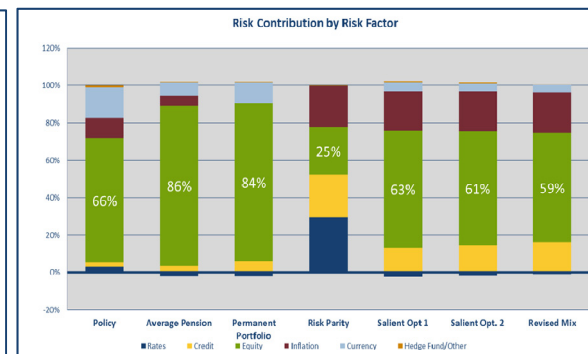
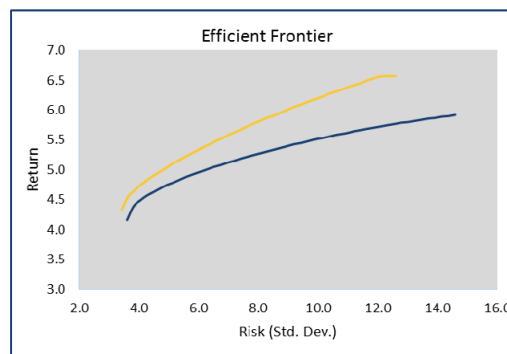
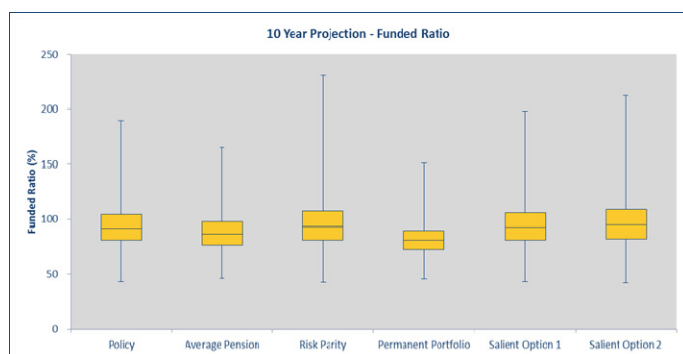
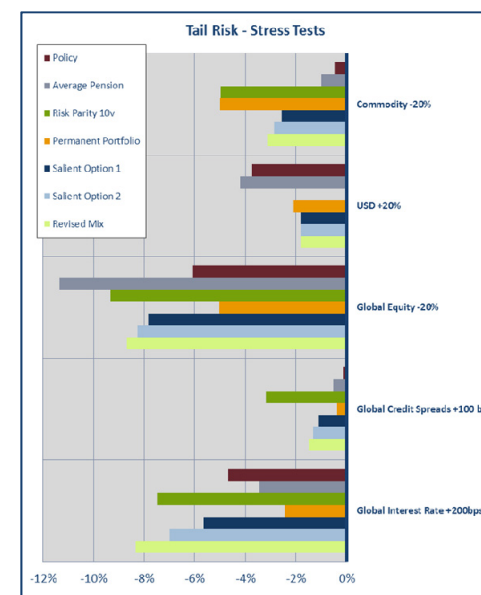
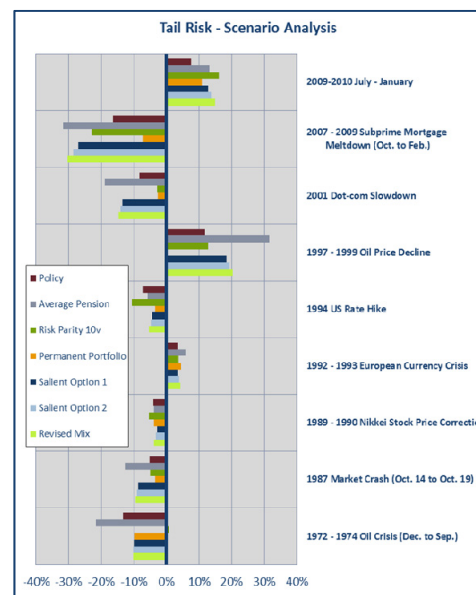
The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

“VERUS ADVISORY™ and VERUS INVESTORS™ and any associated designs are the respective trademarks of Verus Advisory, Inc. and Verus Investors, LLC.” Additional information is available upon request.

Overview of modeling techniques

Modeling techniques

1. Mean-Variance Analysis
2. Asset-Liability Modeling
3. Scenario Analysis
4. Stress Tests
5. Risk Decomposition



Note: Images illustrative of the process and are from a 2014 Asset/Liability Study conducted for SDCERA

Mean-variance analysis

Description:

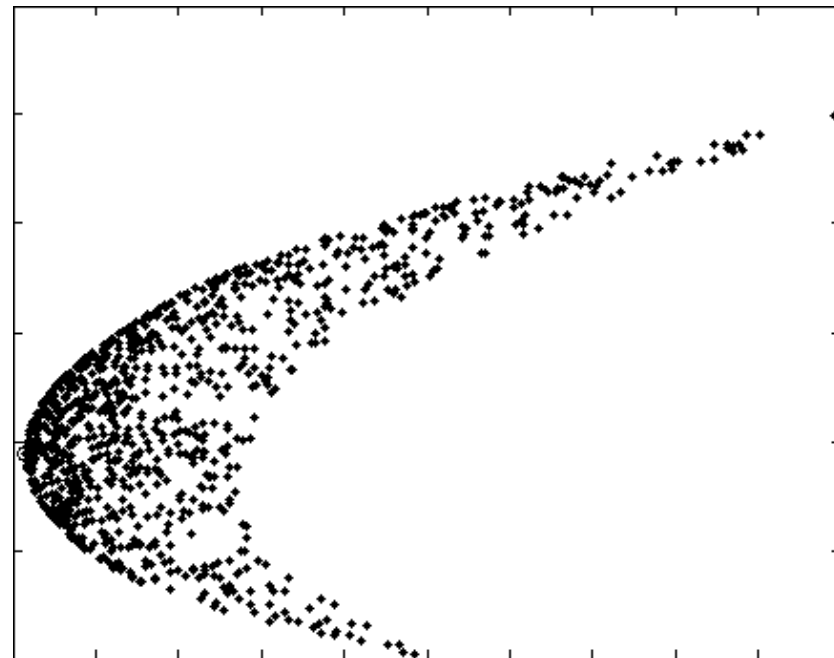
- Mean-Variance Analysis is based on the work of Harry Markowitz, an economist that won the 1990 Nobel Prize in Economics and is renowned for the development of Modern Portfolio Theory.
- The analysis is based on the assumption that every rational investor, at a given level of risk, will accept only the highest expected return. More specifically, mean-variance analysis uses estimates of expected return, standard deviation, and correlation to help the investor find a portfolio with the maximum return for each level of risk.

Process:

- Verus creates an annual 10-year risk, return, and correlation forecast (CMAs) for each asset class
- CMAs are loaded into modeling software, which runs thousands of tests to determine the asset mixes with the highest return at each level of risk as defined by standard deviation
- The modeling software produces an Efficient Frontier, which identifies the optimal mix and risk/return combinations.

Software

- MPI



<http://www.quantzone.org/wp-content/uploads/2012/04/Quantzone.gif>

Mean-variance analysis

Inputs:

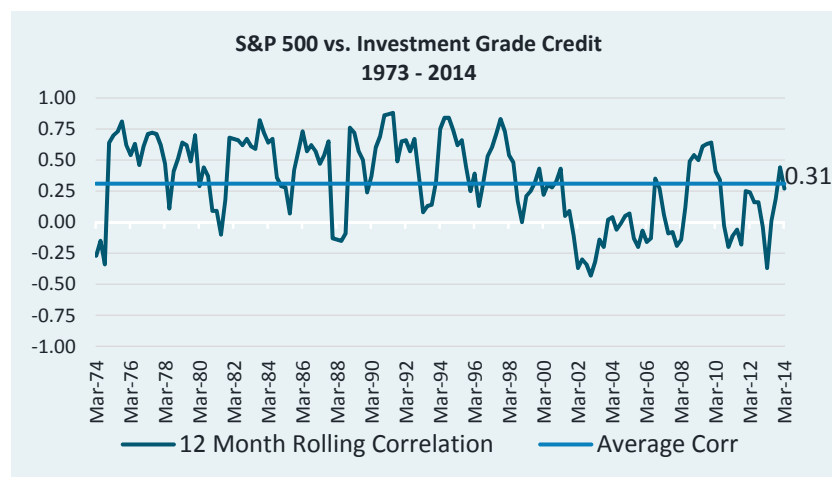
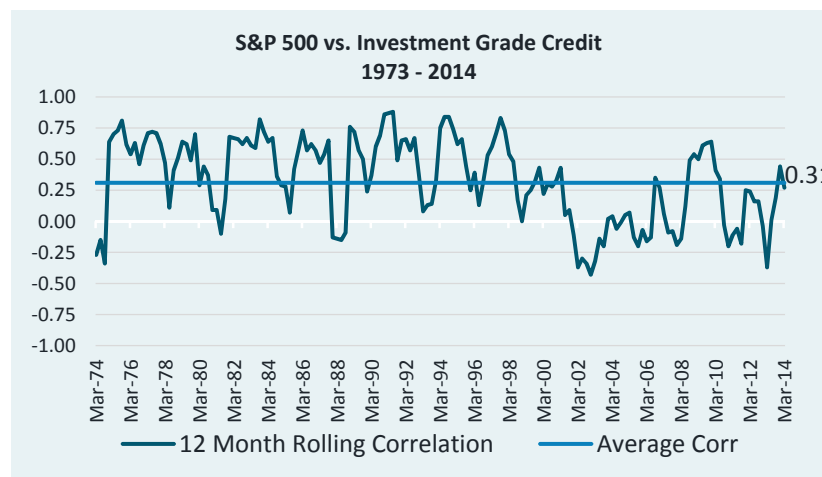
- Asset class expected returns
- Asset class standard deviations
- Asset class correlations

Outputs:

- Asset mixes
- Expected returns of asset mixes
- Expected standard deviation of asset mixes

Drawbacks:

- Unstable Correlations
- Forecasting Error
- Investment returns are not normally distributed
- Input sensitivity



Asset/liability modeling

Description:

- Process that utilizes both asset growth expectations along with liability projections to forecast where the plan will be in the future. Similar to MVO but also adds the marriage of liability forecasting with asset forecasting.

Process:

- Liability profiles are created based on each plan's unique actuarial valuation, benefit schedules, contribution schedules, and membership data among other data points.
- These liability files, along with Verus' CMA's and are loaded into the ProVal software
- ProVal computes deterministic outcomes and thousands of stochastic simulations on the assets and liabilities to estimate the Plan's future financial position.

Software:

- ProVal

Inputs:

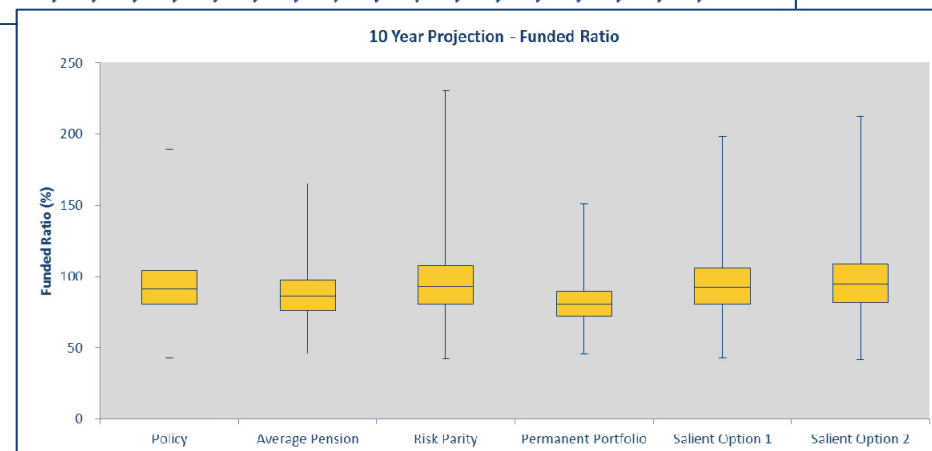
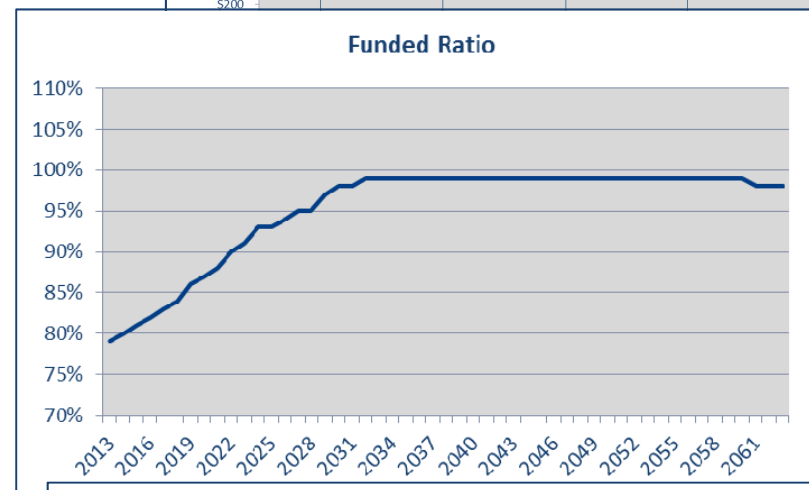
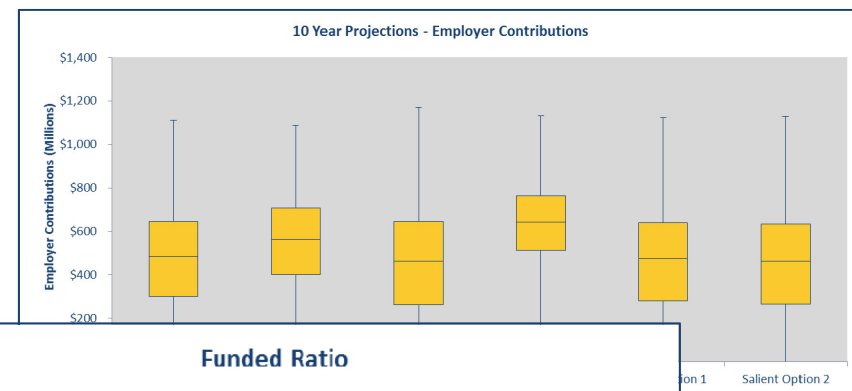
- Same as Mean Variance Analysis – Asset class expected returns, asset class standard deviations, asset class correlations
- Adds liability inputs – contribution schema, benefit schema, census data of member base

Outputs:

- Deterministic forecast
- Stochastic forecast

Drawbacks:

- Same as Mean Variance Analysis



Note: Images are illustrative of the process and are from a 2014 Asset/Liability Study conducted for SDCERA

Scenario analysis

Description:

- Process where portfolios are stressed under historical market dislocations caused by different fundamental drivers.

Process:

- The analysis begins by loading portfolio and benchmark holdings into BarraOne.
- BarraOne then calculates the drivers of risk and return on the loaded holdings and subsequently revalues the portfolio based on the market movements over each defined historical periods.
- Results are reported as an anticipated profit/loss.

Inputs:

- Holdings

Outputs

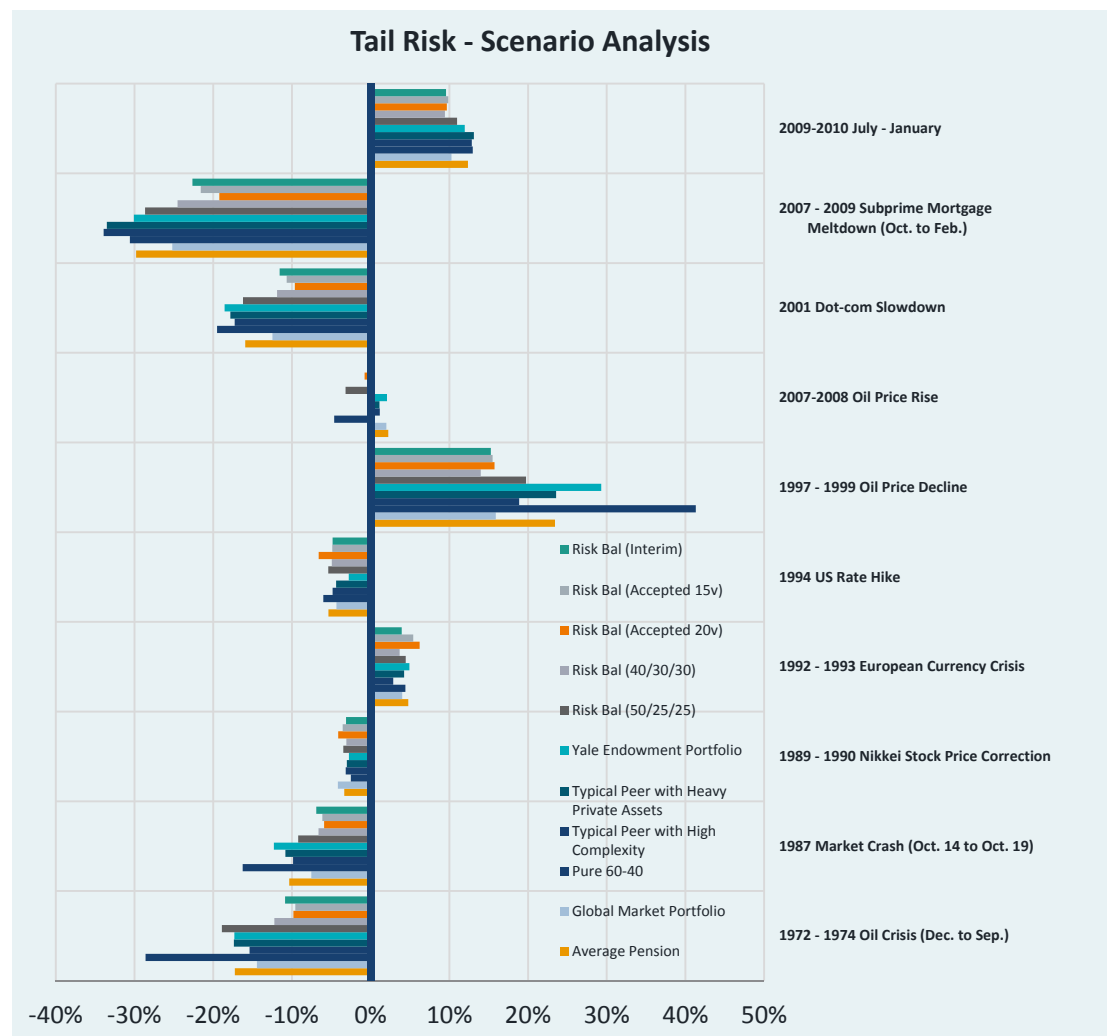
- Hypothetical profit/loss during historical events

Software

- BarraOne

Drawbacks

- Historical shocks are unlikely to reoccur as a result of the exact same circumstances. The results of these tests can be used to enlighten about potential losses.



Stress testing

Description:

- Risk factors are isolated, then shocked to create hypothetical market dislocations. The result provides insight on the portfolio's sensitivity to different events.

Process:

- Like Scenario Analysis, Stress Testing begins by loading portfolio and benchmark holdings into BarraOne, which calculates the drivers of risk and return.
- The portfolio is revalued based on hypothetical market movements, such as a rise in interest rates or a drop in commodity values.
- Results are reported as an anticipated profit/loss.

Inputs:

- Holdings

Outputs

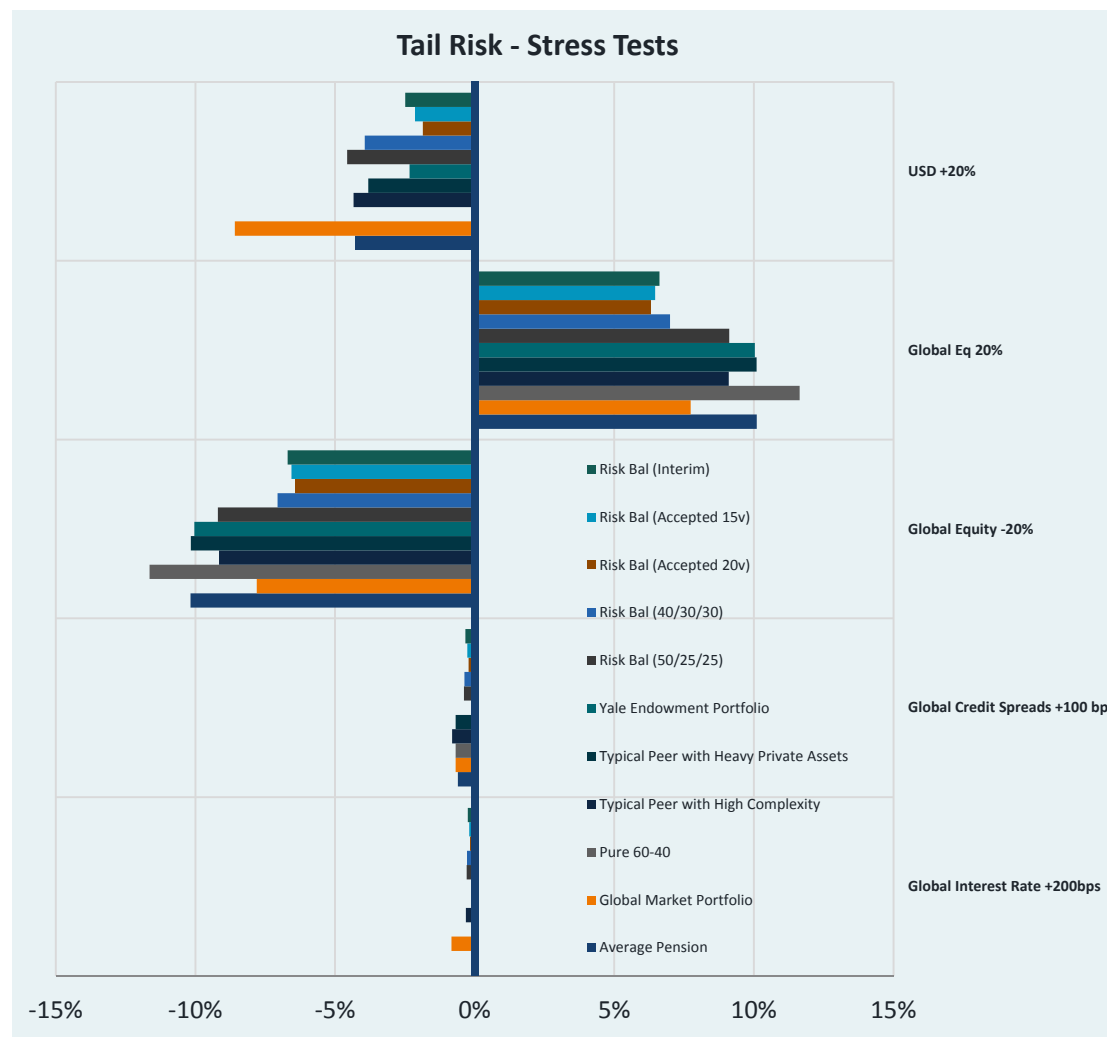
- Hypothetical profit/loss

Software

- BarraOne

Drawbacks

- Shocks are uncorrelated and thus provide a single lens to understand the portfolio. As mentioned earlier, stress tests isolate risk factors then shock them. However, risk factors are not isolated in reality. For example, if the equity market declined 20%, the portfolio would likely be affected by changes in other risk factors.



Risk decomposition

Description:

- Decomposition of portfolio risk in ex-ante annualized standard deviation terms, based upon the grouping of factors in the Barra Integrated Model.

Process:

- The process begins by loading portfolio and benchmark holdings into BarraOne to analyze the drivers of risk and return.
- Risk Decomposition attributes the anticipated volatility, active risk, Value at Risk or Scenario Profit/Loss to drivers of risk and return such as equity, rates, credit, inflation and currency.

Inputs:

- Holdings

Outputs

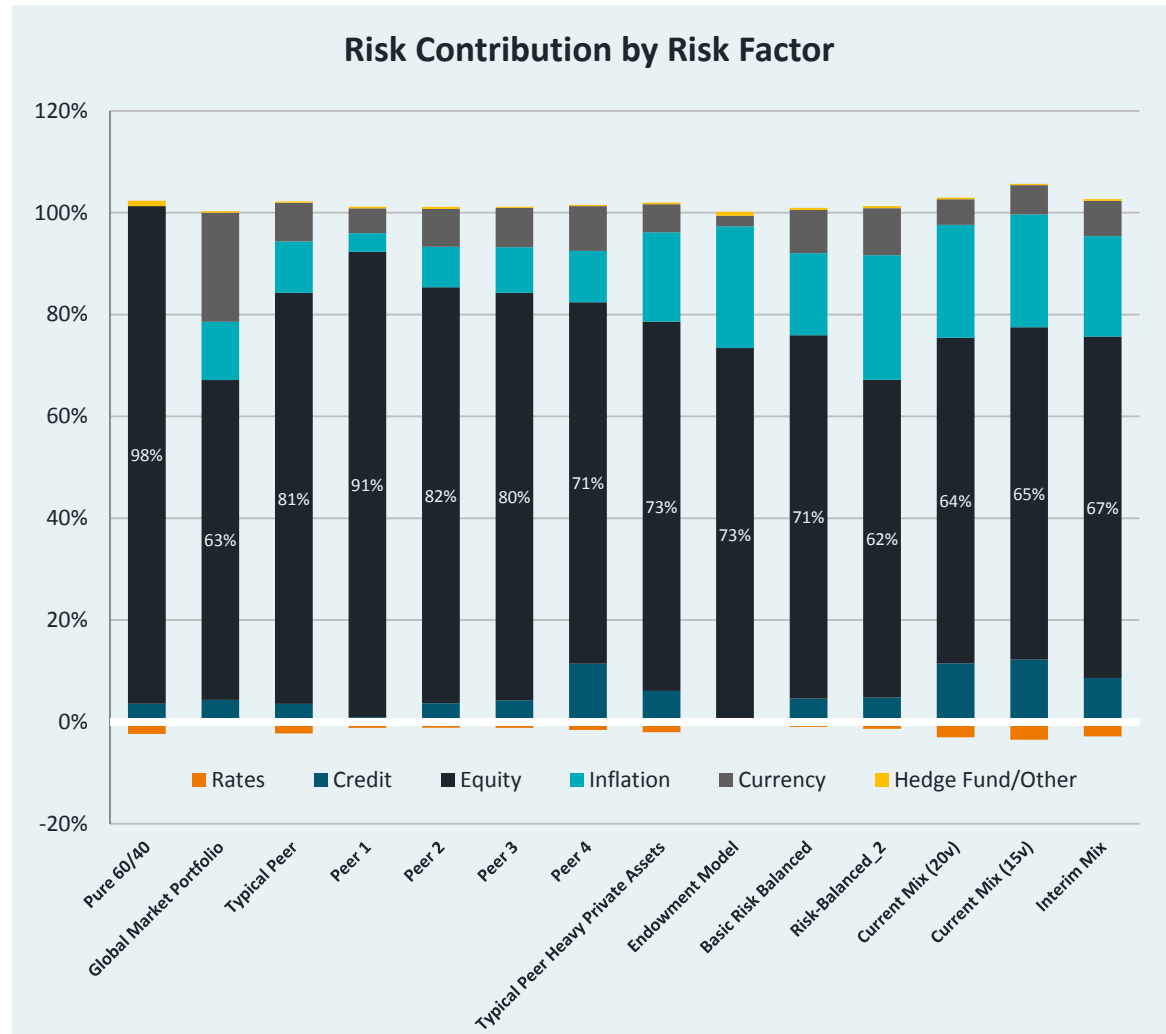
- Risk factor allocation

Software

- BarraOne

Drawbacks

- Multi-factor risk decomposition can not predict all portfolio risk. Further, the model does not estimate return.



Investment models

Investment models

	Policy	Current	Typical Peer	70/30	60/40	Risk Diversified 50/25/25	Risk Diversified 40/30/30	Mix 1	Mix 2	FFP
Equities	56.2	65.5	50	70	60	50	40	50	50	40
US Large	30.5	36.2				20	17.5	15	15	10
US Small	7.7	9.7						5	5	
International Developed	18	19.6				15	13.5	15	15	10
Emerging Markets						5	4	5	5	5
Global Equity			45	70	60					
Private Equity			5			10	5	10	10	15
Fixed Income	37.3	32.2	35	30	40	25	30	35	40	35
Cash								1	1	5
US Treasury						10	15			10
Short-Term Gov't/Credit										10
Core Fixed Income	29.8	26.6	35	30	40			15	15	
High Yield Corp. Credit						5	5	4	4	
Emerging Markets Debt (Local)						5	5	5	5	
Private Credit	7.5	5.6				5	5	10	15	10
Other	6.5	2.4	15	0	0	25	30	15	10	25
Commodities			5				5			
Hedge Funds			5			5	5			10
Core Real Estate	6.5	2.4	5			20	20	10	10	15
Risk Parity								5		
Total	100	100	100	100	100	100	100	100	100	100

Typical peer is based on BNY Mellon universe data of DB Plans > \$2 Billion

Investment model forecasts

	Policy	Current	Typical Peer	70/30	60/40	Risk Diversified 50/25/25	Risk Diversified 40/30/30	Mix 1	Mix 2	FFP
Mean Variance Optimization										
Forecast 10 Year Return	6.0	6.1	6.0	6.4	6.0	6.9	6.5	7.1	7.0	6.5
Standard Deviation	10.0	11.0	10.1	12.2	10.5	11.1	9.8	11.0	11.2	9.4
Return/Std. Deviation	0.6	0.6	0.6	0.5	0.6	0.6	0.7	0.6	0.6	0.7
1st percentile ret. 1 year	-23.7	-25.3	-25.4	-32.3	-27.6	-29.8	-27.4	-28.1	-28.9	-24.3
Sharpe Ratio	0.44	0.41	0.43	0.41	0.42	0.49	0.49	0.50	0.49	0.51



Chart note: Broad allocation buckets consistent with investment model table. For example: equities includes private equity; fixed income includes private credit; other includes HFs, commodities, and RE.

Functionally focused portfolio (FFP)

Aligning assets to a functional purpose

Requirement	Today's Assets	Liquidity
Monthly benefit payments & expenses (\$8mm/month)	Cash.....\$47,000	Daily
24 months "reserves" (\$194mm)	Domestic fixed income.....\$477mm	Daily
Excess reserves: portfolio growth	Domestic equity.....\$768mm International equity.....\$313mm Private real estate.....\$32mm Private credit.....\$103mm Total.....\$1,216mm	Daily Daily Illiquid Illiquid
Excess reserves: inflation hedge	REITs.....\$3mm Infrastructure.....\$8mm Total.....\$11mm	Daily Illiquid

Assets as of September 30, 2015

Policy and current portfolio

Description

- Investment portfolio defined in the investment policy statement

Pros

- Status quo
- Adequately diversified
- Low peer risk

Cons

- Modest return expectations
- Could be more efficient
- Susceptible to large drawdowns

Typical peer

Description

- An evolution of the 60/40 mix adopted by many defined benefit pension plans
- The model's core components are global equities and core fixed income
- Augmented with small, diversifying allocations to private equity, commodities, hedge funds, and core real estate

Pros

- Performs well when equity markets do well
- Low relative complexity
- Low peer risk

Cons

- Modest return expectations
- High concentration in equity risk
- Performs poorly when equities perform poorly
- Susceptible to large drawdowns

70/30; 60/40

Description

- Illustrative portfolios designed to demonstrate the implications of varying degrees of risk; the portfolios are composed of Global Equities and US Core Fixed Income;

Pros

- Extremely low complexity
- Cheap to implement and maintain

Cons

- High peer risk
- Low diversification
 - High exposure to equity risk factor
 - Highly susceptible to equity drawdowns

Risk balanced portfolios

Description

- Model designed to increase risk diversification to the Typical Peer in a way that doesn't markedly increase peer risk
- Does not rely on large allocations to hedge funds or other complex instruments to achieve risk factor diversification

Pros

- Well diversified from an asset and risk factor perspective
- High efficiency (risk adjusted returns)
- Low volatility relative to other models in the study
- Designed to reduce downside risk and ultimately lower tail risk relative to other models with similar risk

Cons

- Higher allocations to private assets increase embedded leverage
- When equity is in favor, model may not keep up with peers with heavy or concentrated equity exposure

Functionally focused portfolio (FFP)

Description

- Design based on functional elements, rather than categorizing assets by asset class or risk factors (e.g., liquidity and short term needs, long term growth assets, diversifying strategies)

Pros

- Highly diversified from a risk factor and asset perspective
- Portfolio is conceptually simple and strategically aligned with functional goals
- Higher expected return than Typical Peer
- Low volatility relative to other models in the study
- Low drawdowns relative to other models in the study
- Highly efficient as measured by the Sharpe Ratio

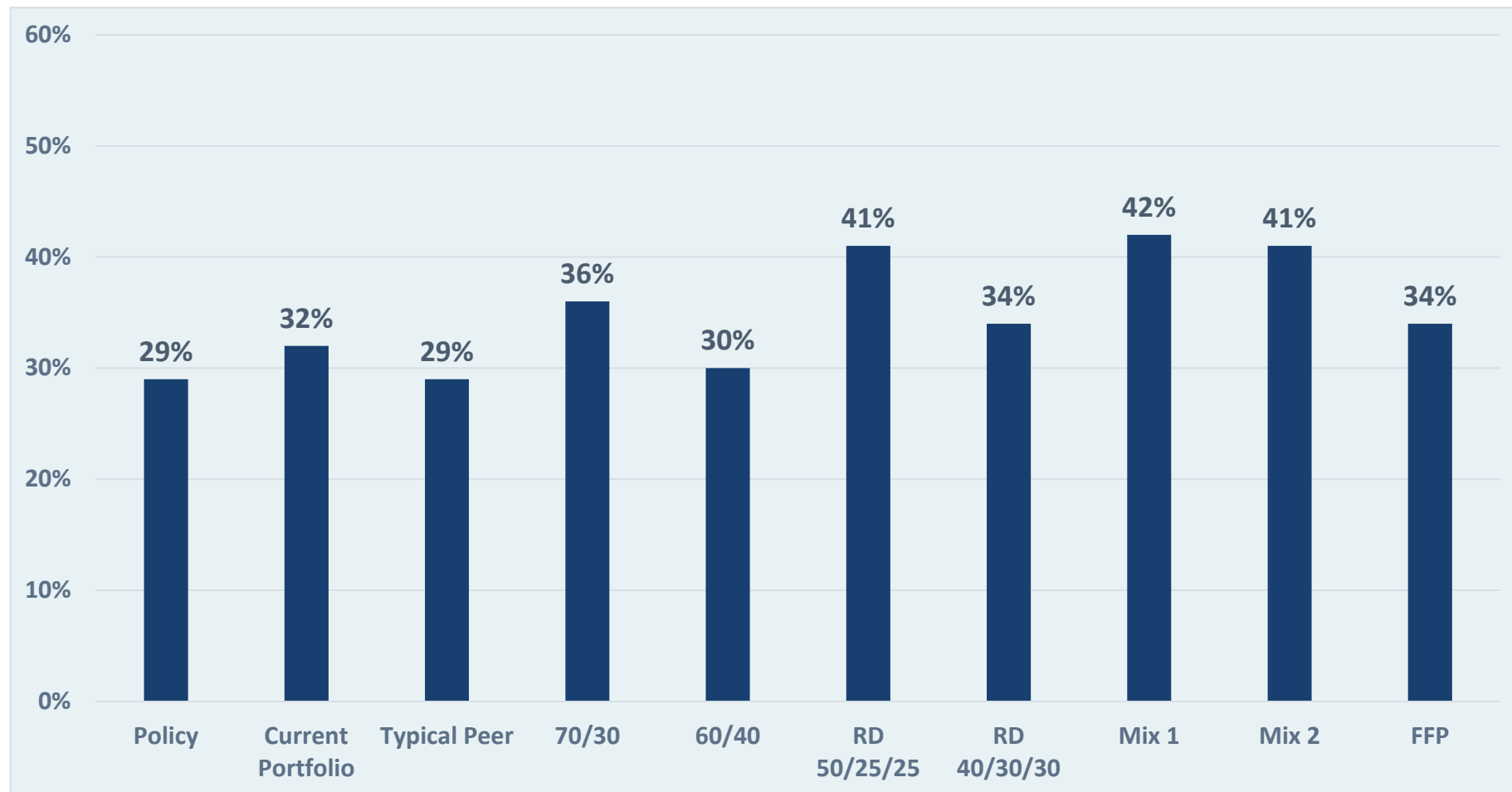
Cons

- Less upside potential
- High peer risk (may not keep up with peers in strong equity markets)

Comparative analysis

Probability of achieving 7.75%

Over 10 years



Investment model evaluation summary

Selection Criteria	Policy	Current	Typical Peer	70/30	60/40	Risk-Balanced (50/25/25)	Risk-Balanced (40/30/30)	Mix 1	Mix 2	FFP
Risk/Return Metrics										
Expected Return	6.0%	6.1%	6.0%	6.4%	6.0%	6.9%	6.5%	7.1%	7.0%	6.5%
Volatility	10.0%	11.0%	10.1%	12.2%	10.5%	11.1%	9.8%	11.0%	11.2%	9.4%
Sharpe Ratio	0.44	0.41	0.43	0.41	0.42	0.49	0.49	0.50	0.49	0.51
% chance of meeting 7.75%	29%	32%	29%	36%	30%	41%	34%	42%	41%	34%
Daily VaR (95%, \$MM)	\$10.7	\$11.8	\$10.8	\$13.1	\$11.2	\$11.9	\$10.5	\$11.8	\$12.0	\$10.1
Daily CVaR (95%, \$MM)	\$25.2	\$28.3	\$23.9	\$30.9	\$26.8	\$22.9	\$21.5	\$24.8	\$25.5	\$19.7
2007-2009 Drawdown	-34.9%	-37.9%	-30.4%	-38.0%	-32.6%	-36.3%	-33.0%	-28.6%	-28.6%	-28.8%
1st Percentile (1 Year, MVA)	-23.7%	-25.3%	-25.4%	-32.3%	-27.6%	-29.8%	-27.4%	-28.1%	-28.9%	-24.3%
Impact on Discount Rate	-1.25%	-1.15%	-1.25%	-0.85%	-1.25%	-0.35%	-0.75%	-0.15%	-0.25%	-0.75%
Other Key Metrics (Expected Yr. 10)										
Funded Ratio	88.1	88.5	88.3	91.1	88.1	95.5	91.8	96.2	96.0	92.1
\$MM E'er Contributions	\$63.0	\$61.9	\$63.4	\$54.5	\$62.8	\$43.3	\$52.9	\$41.0	\$41.5	\$51.9
% of Pay Cont. - Employer	18.2	17.9	18.3	15.7	18.2	12.5	15.3	11.8	12.0	15.0
Risk Factors										
Portfolio Complexity	med	med	med	low	low	med	med	high	high	med
Leverage	med	med	low	low	low	med	med	med	med	med
Peer/Headline Risk	low	low	low	high	high	med	high	med	med	high
Liquidity Risk	med	med	med	med	low	med	med	med	med	low
Tail Risk	high	high	med	high	med	high	low	low	low	low
Equity Risk Allocation	high	high	high	high	high	med	low	med	med	med



PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



DECEMBER 16, 2015

Current assessment review for

Stanislaus County Employees' Retirement Association

Table of contents



[VERUSINVESTMENTS.COM](https://verusinvestments.com)

SEATTLE 206-622-3700
LOS ANGELES 310-297-1777

Executive summary 3

Plan characteristics 5

Asset allocation 9

Risk exposures 13

Investment managers 17

Appendix 33

Executive summary

Executive summary

This document contains a review of the Plan characteristics, asset allocation, risk exposures, and investment managers for the Stanislaus County Employees' Retirement Association. The purpose of this document is to ensure that the Board, Staff, and Professionals share a common understanding of all key facts pertaining to the Plan.

The purpose of each section is as follows:

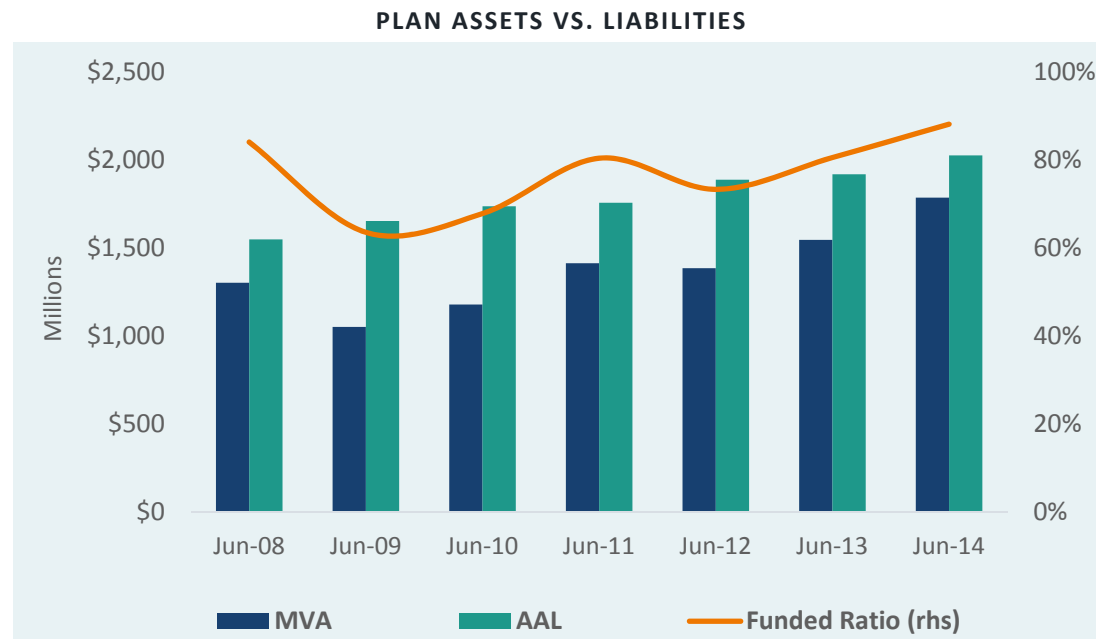
- The Plan Characteristics section summarizes the liability profile, cash flows, and participation in the Plan.
- The Asset Allocation section summarizes the expected risk and return levels with the current policy and actual asset allocation.
- The Risk Exposures section introduces risk factors and stress testing approaches to assessing investment risk.
- The Investment Managers section summarizes each investment strategy and its role in the portfolio.

This document is foundational in preparing for the Asset Liability Workshop, revising the Investment Policy Statement, and facilitating the Investment Strategy Development (ISD) process.

Plan characteristics

Actuarial accrued liabilities

- Market value of assets have grown at 3-yr and 6-yr annual rates of 8.1% and 5.4%, respectively
- Actuarial accrued liabilities have grown at 3-yr and 6-yr annual rates of 4.9% and 4.6%, respectively
- Market value of assets increased 4 out of the last 6 years, while actuarial accrued liabilities increased each of the last 6 years
- Assumed rate of return of 7.75%
- Based on market value of assets, the June 2014 funded ratio (88.2%) is at its highest level since 2007



As of June 30, 2014

Sources: StanCERA Investment Reports, Cheiron StanCERA Actuarial Valuation Reports

Note: Actuarial liabilities prior to June 30, 2008 were determined to be understated by both Milliman and EFI

Plan cash flows

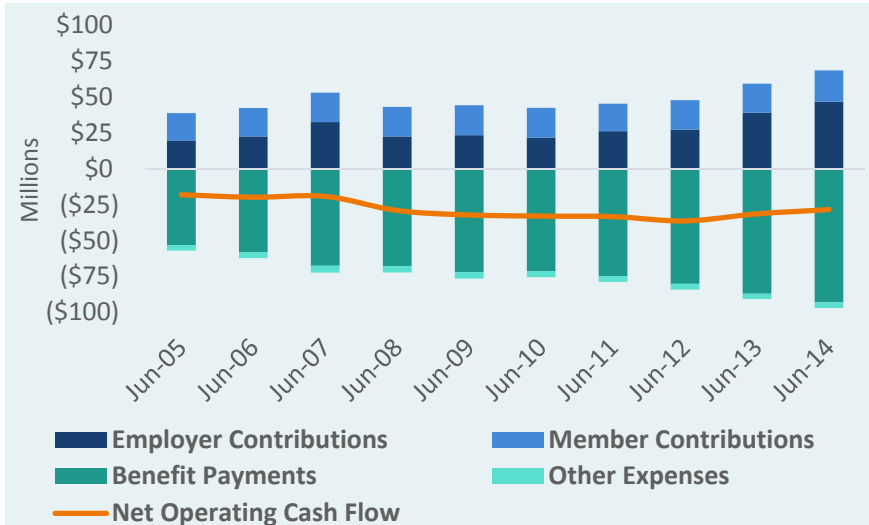
— Since June 2005

- Total contributions have grown at a 6.5% annual rate
 - Employer contributions at 10.0%
 - Employee contributions at 1.5%
- Benefit payments have grown at a 6.4% annual rate

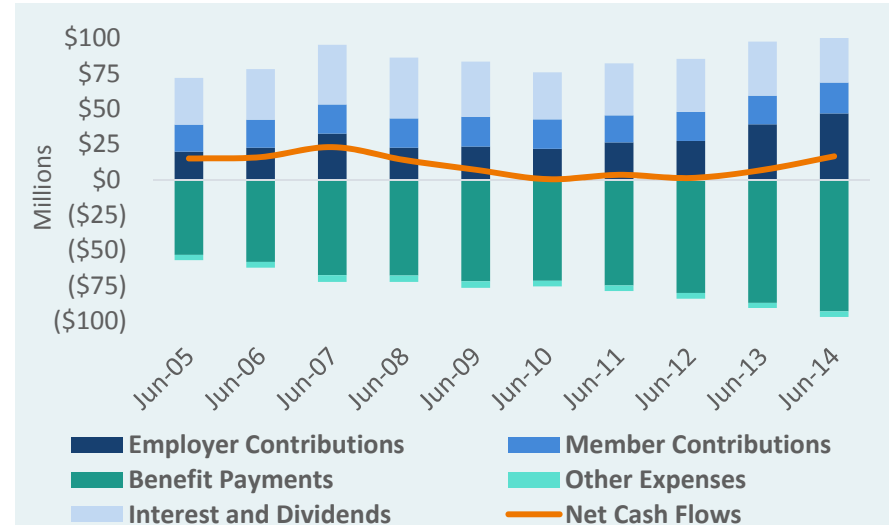
— Net operating cash flows have remained *negative* for the last 10 years (avg. -\$28.1 mil)

— Net cash flows, taking into account interest and dividends, has remained *positive* for the last 10 years (avg. \$10.3 mil)

OPERATING CASH FLOWS



NET CASH FLOWS



As of June 30, 2014

Sources: StanCERA Comprehensive Annual Financial Reports

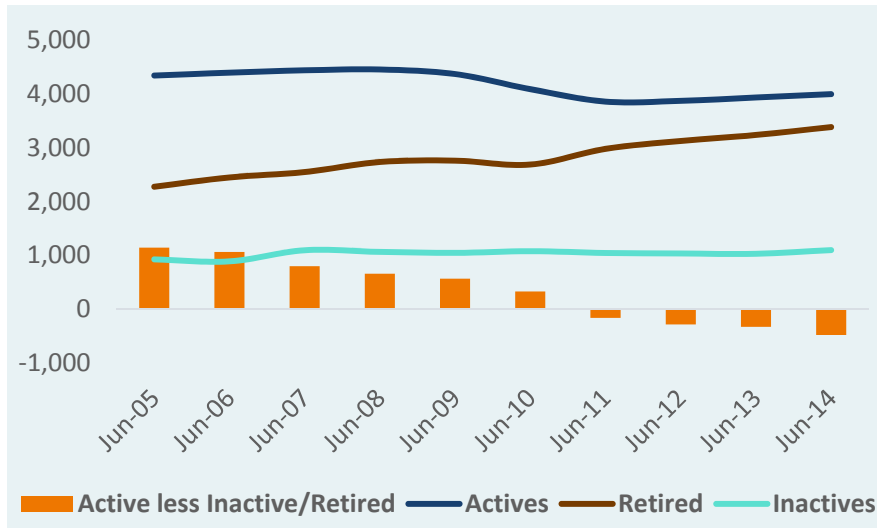
Participant statistics

— Since June 2005

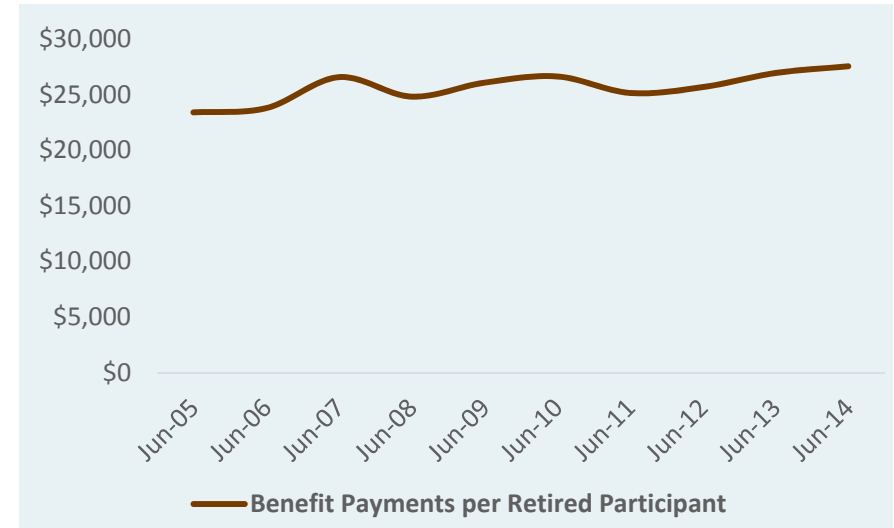
- Total participant count has increased at a 1.3% annual rate
 - Current active participants have been slightly decreasing at a -0.9% rate
 - Retired and inactive vested participants has grown at a 4.5% and 1.9% annual rate, respectively
- Benefit payments per retired participant has grown at a 1.8% annual rate

— The declining number of active participants should eventually lead to a decline in the growth rate of retired participants, likely leading to a decline in the growth of benefit payments

PARTICIPANT TRENDS



BENEFIT PAYMENTS PER RETIRED PARTICIPANT



As of June 30, 2014

Sources: StanCERA Comprehensive Annual Financial Reports

Asset allocation

Asset allocation analysis

	Actual	Policy	Avg Pension	CMA's (10 Yr)	Std Dev	Sharpe Ratio
Domestic Equity						
Large Cap US Equity	36.0	30.5	18.6	5.7	14.7	0.25
Small/Mid Cap US Equity	9.5	7.7	4.6	4.7	19.8	0.13
	45.5	38.2	23.2			
International Equity						
International Large	15.0	14.4	17.0	9.5	18.2	0.41
Emerging Markets	3.8	3.6	4.8	11.5	23.7	0.40
	18.8	18.0	21.8			
Total Equity	64.3	56.2	45.0			
Fixed Income						
Core Plus Fixed Income	27.3	29.8	35.0	3.8	5.9	0.29
Bank Loans	6.0	7.5	-	3.7	8.7	0.19
	33.3	37.3	35.0			
Real Assets						
Commodities	-	-	5.0	4.1	18.2	0.11
Real Estate	2.4	6.5	5.0	5.1	13.2	0.23
	2.4	6.5	10.0			
Alternatives						
Liquid Alts/HFoF	-	-	5.0	6.0	9.1	0.43
Private Equity/VC	-	-	5.0	7.7	23.7	0.24
	-	-	10.0			
Cash	-	-	-	2.1	0.6	-
Total Allocation	100	100	100			

	Actual	Policy	Avg Pension
Mean Variance Optimization			
Forecast 10 Year Return	6.1	6.0	6.4
Standard Deviation	11.5	10.6	10.7
Return/Std. Deviation	0.5	0.6	0.6
1st percentile ret. 1 year	-29.2	-28.6	-26.7
Sharpe Ratio	0.40	0.42	0.45
Verus Economic Scenario Analysis			
10 Year Return Forecast			
Stagflation	4.9	5.0	6.0
Weak Economy	2.0	2.2	2.7
Base CMA	5.9	5.8	6.1
Strong	10.1	9.6	9.5
Range of Scenario Forecast	8.1	7.4	6.8
Economic Shock (1 year)	-26.9	-24.1	-22.7

Notes:

- Real Estate capital market assumptions are for core real estate
- Verus' capital market assumptions incorporates an inflation rate of 2.1% compared to an actuarial inflation rate assumption of 3.25%

As of 8/31/2015

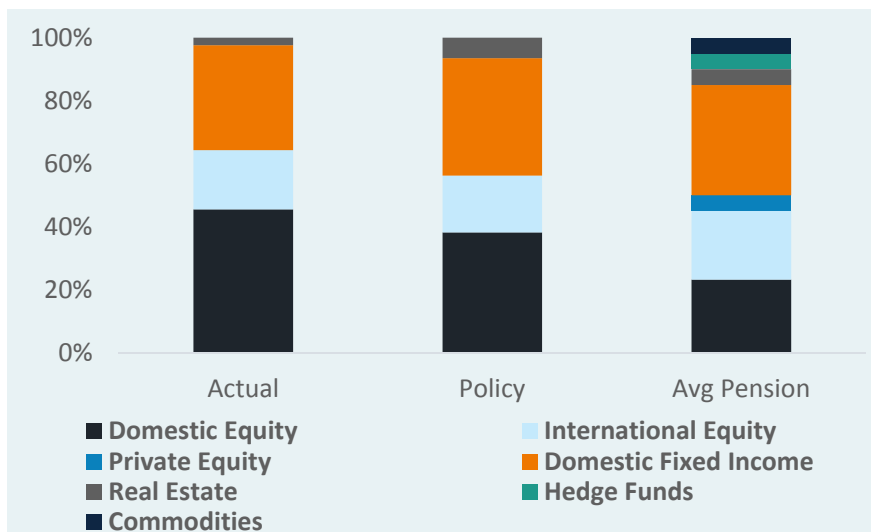
Scenario Analysis utilizes August 2015 Verus Capital Market Assumptions

Avg. Pension based on BNY Mellon Universe Data of DB Plan > \$2B (figures rounded): 45% ACWI; 35% BC Agg; 5% Private Equity (levered 30%); 5% NCREIF; 5% HFRI FoF; 5% Bloomberg Commodities

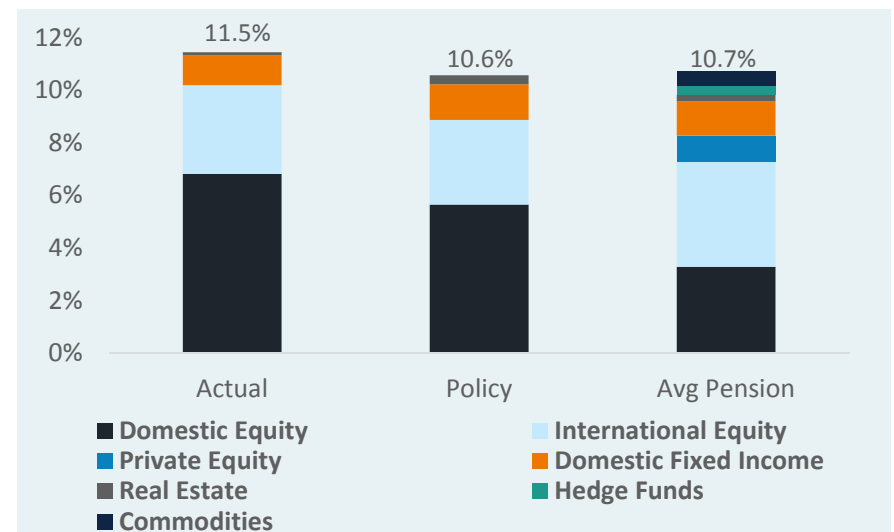
Portfolio allocation

- Utilizes passive investment strategies
- Significant domestic tilt in equity exposure
- No current allocations to international fixed income, hedge funds, or commodities
- Current portfolio allocation risk is notably higher than policy portfolio risk (11.5% vs. 10.6%), driven by an overweight in domestic equity and an underweight in both domestic fixed income and real estate

ASSET ALLOCATION BY ASSET CLASS



RISK CONTRIBUTION BY ASSET CLASS¹

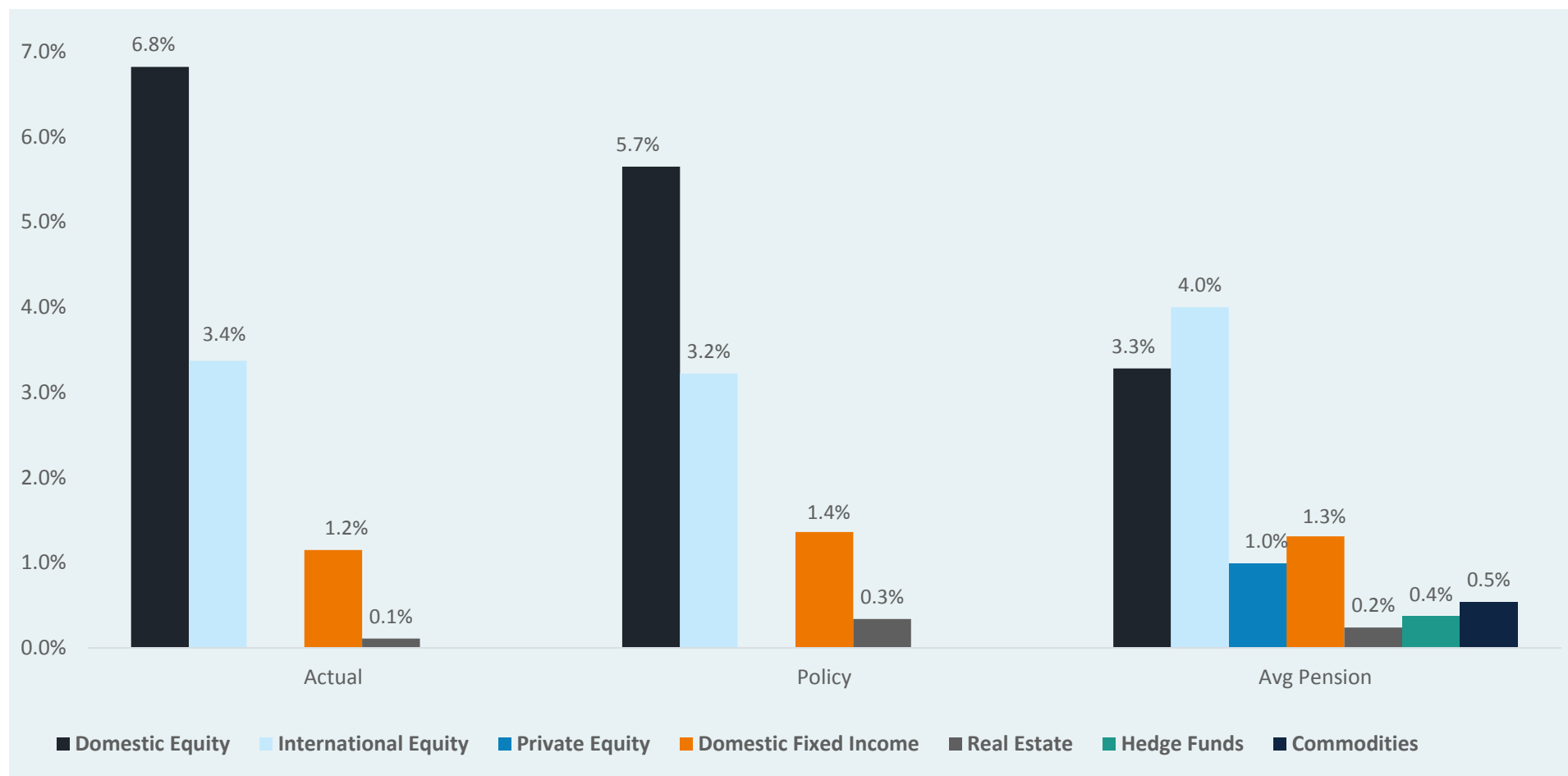


As of 8/31/2015

¹Based on Verus' Capital Market Assumptions

Avg. Pension based on BNY Mellon Universe Data of DB Plan > \$2B (figures rounded): 45% ACWI; 35% BC Agg; 5% Private Equity (levered 30%); 5% NCREIF; 5% HFRI FoF; 5% Bloomberg Commodities

Risk contribution by asset class



As of 8/31/2015

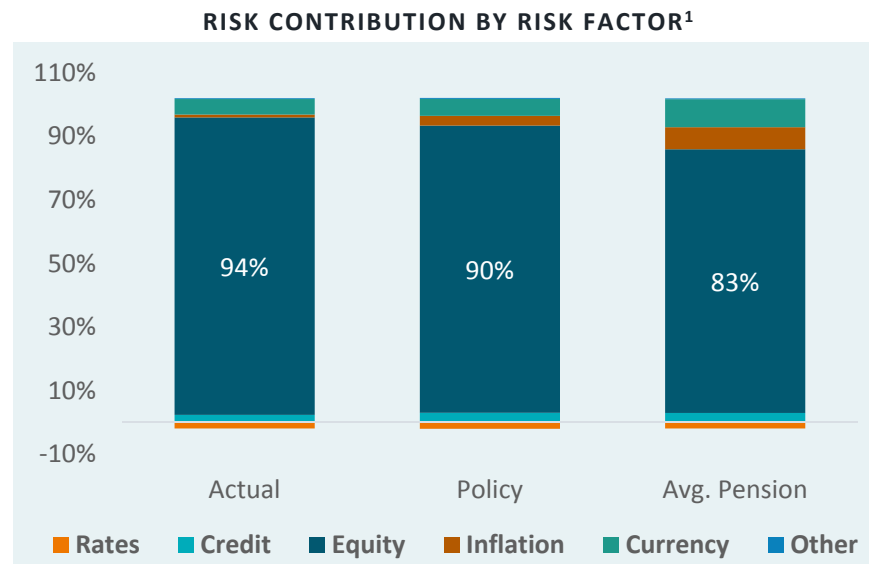
Based on Verus' Capital Market Assumptions

Avg. Pension based on BNY Mellon Universe Data of DB Plan > \$2B (figures rounded): 45% ACWI; 35% BC Agg; 5% Private Equity (levered 30%); 5% NCREIF; 5% HFRI FoF; 5% Bloomberg Commodities

Risk exposures

Risk contribution

- The Policy portfolio's total risk is composed of higher equity risk relative to the Avg. Pension
 - The greater equity risk, when compared to the Avg. Pension, is mostly attributable to a higher equity allocation
 - The lower inflation risk, when compared to the Avg. Pension, is mostly attributable to no commodities exposure
 - The lower currency risk, when compared to the Avg. Pension, is mostly attributable to less international exposure



As of 8/31/2015

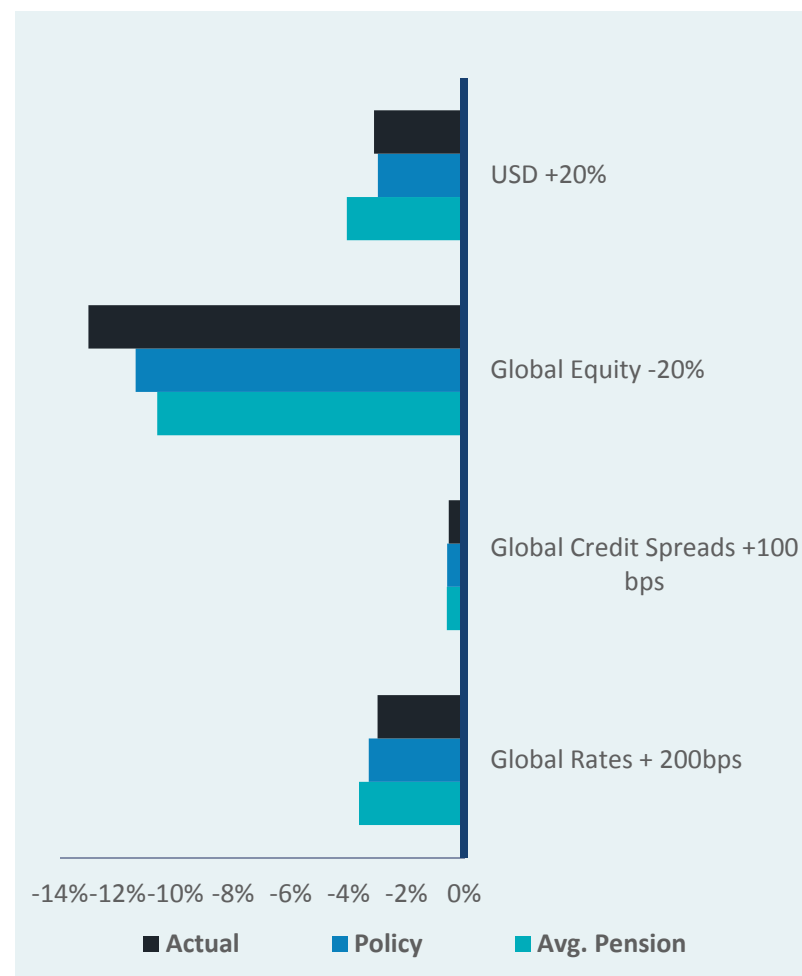
¹Based on BarraOne's Capital Market Assumptions

Avg. Pension based on BNY Mellon Universe Data of DB Plan > \$2B (figures rounded): 45% ACWI; 35% BC Agg; 5% Private Equity (levered 30%); 5% NCREIF; 5% HFRI FoF; 5% Bloomberg Commodities

Stress test

- BarraOne's risk decomposition analysis can hypothesize how the different portfolios would have performed in certain hypothetical stress tests or historical environments.
- This analysis is based on how the risk factors inherent in the current index holdings reacted in those environments.

TAIL RISK – STRESS TEST



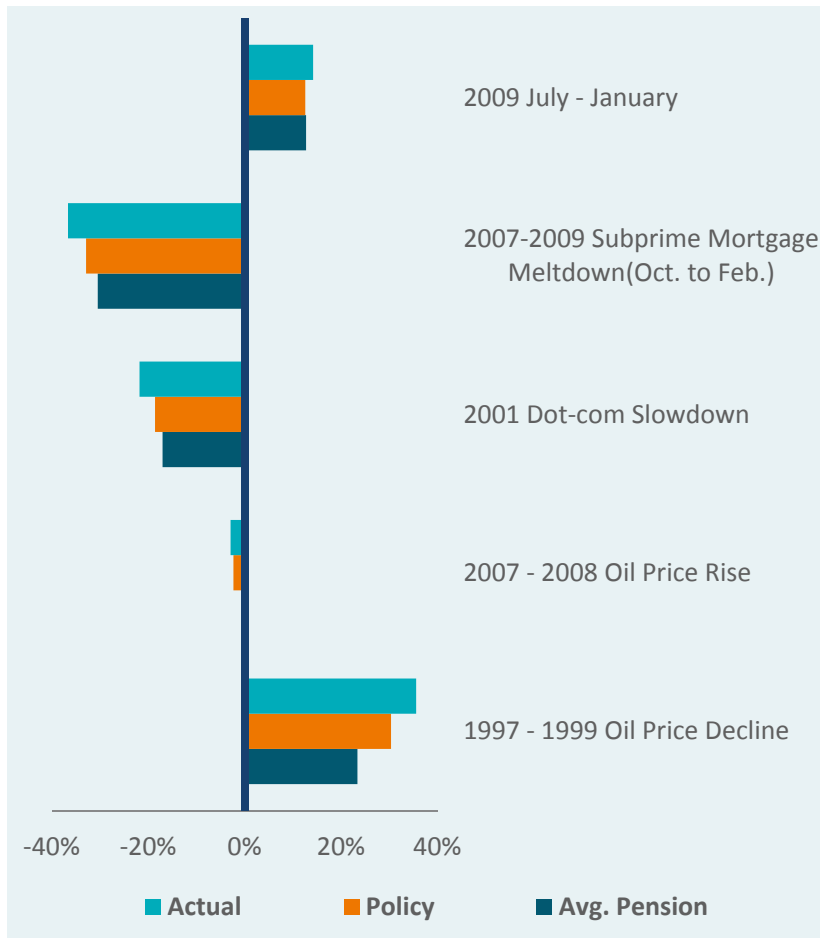
As of 8/31/2015

Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI BarraOne

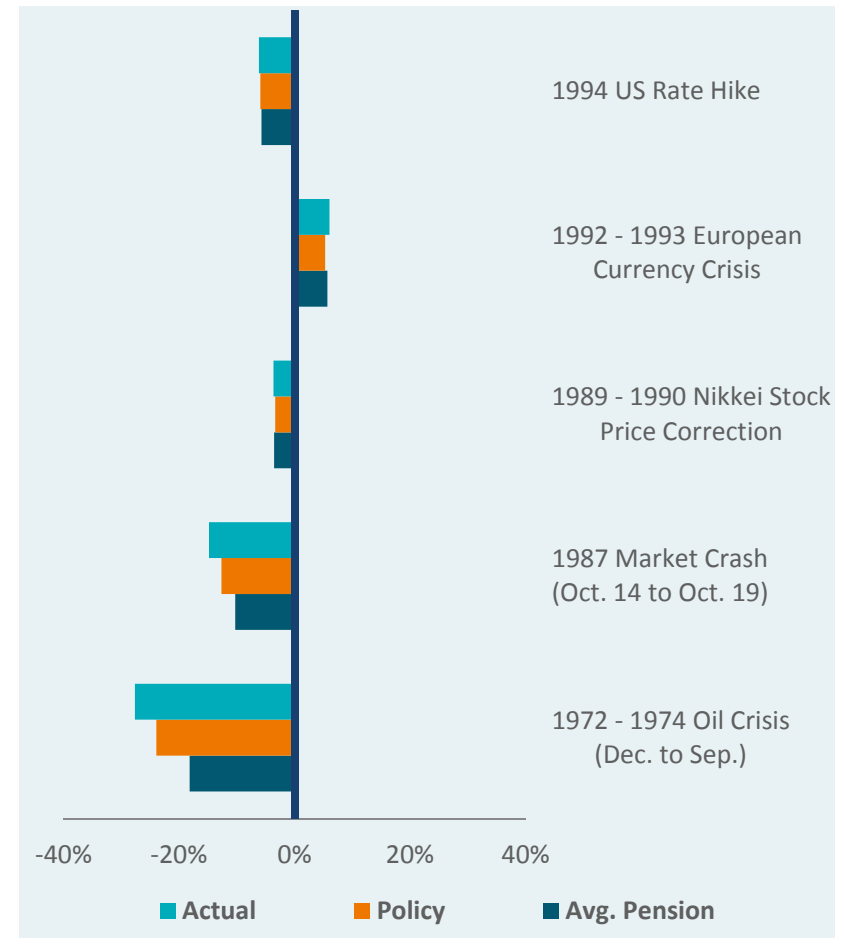
Avg. Pension based on BNY Mellon Universe Data of DB Plan > \$2B (figures rounded): 45% ACWI; 35% BC Agg; 5% Private Equity (levered 30%); 5% NCREIF; 5% HFRI FoF; 5% Bloomberg Commodities

Historical scenario analysis

TAIL RISK – SCENARIO ANALYSIS



TAIL RISK – SCENARIO ANALYSIS



As of 8/31/2015

Scenario analysis based on risk factors in current policy index and computed as hypothetical scenarios using MSCI BarraOne

Avg. Pension based on BNY Mellon Universe Data of DB Plan > \$2B (figures rounded): 45% ACWI; 35% BC Agg; 5% Private Equity (levered 30%); 5% NCREIF; 5% HFRI FoF; 5% Bloomberg Commodities

Investment managers

Schedule of investments

Manager	Mandate	Assets as of 8/31/2015	
Domestic Equity			
Large Cap Core			
BNY Mellon S&P 500	S&P 500	\$70,445,228	4.0%
Large Cap Growth			
BlackRock Russell 1000 Growth	Russell 1000 Growth	\$108,236,585	6.2%
Jackson Square	Russell 1000 Growth	\$160,660,962	9.2%
Large Cap Value			
BlackRock Russell 1000 Value	Russell 1000 Value	\$116,838,871	6.7%
Dodge & Cox Equity	Russell 1000 Value	\$175,594,892	10.0%
Small Cap Growth			
Legato Capital	Russell 2000 Growth	\$84,057,044	4.8%
Capital Prospects	Russell 2000 Value	\$81,508,281	4.7%
Total Domestic Equity	Russell 3000 Index	\$797,341,863	45.5%
International Equity			
LSV Asset Management	MSCI ACWI ex-US	\$162,324,704	9.3%
Pyramis	MSCI ACWI ex-US	\$166,428,676	9.5%
Total International Equity	MSCI ACWI ex-US	\$328,753,380	18.8%

Manager	Mandate	Assets as of 8/31/2015	
Domestic Fixed Income			
Dodge & Cox Fixed Income	US Barclays Aggregate	\$367,419,006	21.0%
PIMCO Fixed Income	US Barclays Aggregate	\$110,690,797	6.3%
Total Domestic Fixed Income	US Barclays Aggregate	\$478,109,803	27.3%
Real Estate			
American Strategic Value Realty	NCREIF Property	\$8,262,747	0.5%
BlackRock US Real Estate	DJ US Select RESI TR USD	\$12,644,895	0.7%
Greenfield Gap	NCREIF ODCE +1%	\$10,841,790	0.6%
MS Infrastructure	CPI +5%	\$10,142,113	0.6%
Total Real Estate	DJ US Select RESI	\$41,891,545	2.4%
Direct Lending			
Medley Capital	9% Annual	\$32,981,403	1.9%
Raven Capital Opp Fund	9% Annual	\$28,671,035	1.6%
Raven Capital Opp Fund III	9% Annual	\$2,996,491	0.2%
White Oak Pinnacle	9% Annual	\$40,632,998	2.3%
Total Direct Lending	9% Annual	\$105,281,927	6.0%
Total Cash		\$47,058	0.0%
Total Portfolio		\$1,751,425,576	100.0%

Jackson Square Partners

Domestic Equity Large Cap Growth (Russell 1000 Growth)

Role in Portfolio: Concentrated portfolio of companies with sustainable long-term growth characteristics

Firm (Strategy) Inception: 2014 as joint venture with Delaware Investments (2001)

Firm (Strategy) Assets Under Management: \$30.1 bil (\$20.8 bil)

Headquarters: San Francisco, CA

Estimated Annual Expense: 0.42%

People: Jeffrey Van Harte, Christopher Bnoavico, Christopher Ericksen, Daniel Prislin

Philosophy: Believes that superior returns can be realized through holding a concentrated portfolio of companies with superior business models and opportunities to generate consistent, long-term growth of intrinsic business value. Portfolios should be constructed with a strong emphasis on the highest-conviction companies in a manager's coverage universe.

Process:

- 1) Idea Sourcing
- 2) Fundamental Change
- 3) Advantaged Business model
- 4) Valuation/Validation
- 5) Portfolio Construction
- 6) Sell Discipline

	Return (Gross)	Benchmark
3 Mo	1.6%	0.1%
YTD	4.7%	4.0%
1 Yr	12.7%	10.6%
3 Yr	19.6%	18.0%
5 Yr	21.0%	18.6%
10 Yr	10.0%	9.1%
2014	13.7%	13.1%
2013	35.6%	33.5%
2012	17.1%	15.3%
2011	8.9%	2.6%
2010	14.9%	16.7%

As of 6/30/2015

Dodge & Cox

Domestic Equity Large Cap Value (Russell 1000 Value)

Role in Portfolio: Diversified portfolio of companies priced below their intrinsic value with a favorable outlook for long-term growth

Firm (Strategy) Inception: 1930 (1965)

Firm (Strategy) Assets Under Management: \$281.3 bil (\$81.7 bil)

Headquarters: San Francisco, CA

Estimated Annual Expense: 0.40% first \$10 mil; 0.20% next \$90 mil; 0.15% thereafter

People: Philippe Barret, Wendell Birkhoffer, Charles Pohl

Philosophy: Seeks to build a portfolio of individual companies where the current market valuation does not adequately reflect the company's long-term profit opportunities. They evaluate each potential investment based on a three- to five-year investment horizon. In aggregate, their holdings generally have below-average valuations, compared to the market averages and to other similar investment opportunities. They examine the range of potential outcomes-incorporating both the risks and opportunities-for each investment by analyzing the company's valuation, growth opportunities, business strategies, and financial results. Portfolio diversification is an important tool in mitigating risk; they seek to maintain exposure to most major sectors of the economy as well as limit undue exposure to any one outcome.

Process: The focus of their research effort is on leveraging the industry expertise of the firm's global industry analysts to conduct in-depth fundamental company analysis using a three- to five-year time horizon. Dodge & Cox believes this in-depth industry knowledge is crucial for assessing the key underlying company fundamentals that, over time, determine the intrinsic value of the business. Research analysts have global industry coverage responsibilities.

	Return (Gross)	Benchmark
3 Mo	2.6%	0.3%
YTD	1.4%	1.2%
1 Yr	5.0%	7.4%
3 Yr	20.6%	17.3%
5 Yr	18.1%	17.3%
10 Yr	7.8%	7.9%
2014	10.9%	13.7%
2013	40.1%	32.4%
2012	22.2%	16.0%
2011	-3.3%	2.1%
2010	14.2%	15.1%

As of 6/30/2015

Legato Capital

Domestic Equity Small Cap Growth (Russell 2000 Growth)

Role in Portfolio: Diversified fund of funds portfolio constructed of small and mid cap growth managers

Firm (Strategy) Inception: 2004 (2008)

Firm (Strategy) Assets Under Management: \$1.5 bil (\$214 mil)

Headquarters: San Francisco, CA

Estimated Annual Expense: 0.90%

People: Victor Hymes, Adam Lawlor, Eric Pollack

Philosophy: Legato believes that, as the assets under management (AUM) of any investment manager increase, the probability of their producing competitive investment performance declines. This tends to be true across all asset classes, but is particularly evident in capacity constrained asset classes such as small and mid cap equity. The potential to add value declines as it becomes increasingly more difficult for managers to efficiently implement their strategy.

Process: The manager selection process combines both qualitative and quantitative manager research. Legato's qualitative research focuses on the investment process, portfolio management team, research capabilities, trade execution, business operations, compliance, risk management, integrity, and product suitability. The goal of Legato's quantitative screens is to identify investment companies that have the ability to produce alpha consistently over time. It is also very important that Legato understands the risk exposures of a particular strategy. Finally, Legato evaluates the style purity of investment managers to ensure these superior results were achieved within a disciplined, repeatable process.

	Return (Gross)	Benchmark
3 Mo	2.8%	2.0%
YTD	8.7%	8.7%
1 Yr	12.8%	12.3%
3 Yr	20.3%	20.1%
5 Yr	19.6%	19.3%
10 Yr	-	9.9%
2014	2.9%	5.6%
2013	47.2%	43.3%
2012	18.2%	14.6%
2011	-2.1%	-2.9%
2010	26.7%	29.1%

As of 6/30/2015

Capital Prospects

Domestic Equity Small Cap Value (Russell 2000 Value)

Role in Portfolio: Diversified fund of funds portfolio constructed of small and mid cap value managers

Firm (Strategy) Inception: 2002 (2006)

Firm (Strategy) Assets Under Management: \$1.3 bil (\$176 mil)

Headquarters: Stamford, CT

Estimated Annual Expense: 0.75%

People: Elizabeth Knope, Marilyn Freeman

Philosophy: As a manager-of-managers focusing exclusively on emerging managers (i.e., smaller, newer investment firms), Capital Prospects feels it is incumbent upon them to understand thoroughly the specific investment philosophy and portfolio decision-making process that distinguishes one manager from another. They do not believe that any one style or investment approach is superior to another and do believe that talented managers can be found across the entire investment spectrum. They believe that a well-diversified investment program, i.e., including a mix of managers that covers all components of the established benchmark, offers the best opportunity for outperformance over the long term.

Process: The research goal is to identify investment managers that are capable of generating investment insights that offer the potential for a performance edge over the competition. Additionally, the organization needs to be structured properly and have all the resources in place – or access to those necessary resources – to support future growth of the business and a continued robust investment management process. The stages of the process are: 1) review information provided by managers, 2) interview managers, and 3) quantitative analysis.

	Return (Gross)	Benchmark
3 Mo	-1.2%	-1.2%
YTD	2.4%	0.8%
1 Yr	3.4%	0.8%
3 Yr	19.6%	15.5%
5 Yr	17.8%	14.8%
10 Yr	-	6.9%
2014	5.7%	4.2%
2013	37.7%	34.5%
2012	23.9%	18.1%
2011	-4.1%	-5.5%
2010	26.8%	24.5%

As of 6/30/2015

LSV Asset Management

International Equity Large Cap Value (MSCI ACWI ex-US)

Role in Portfolio: Diversified portfolio of large cap international equities priced below their perceived intrinsic value

Firm (Strategy) Inception: 1994 (2004)

Firm (Strategy) Assets Under Management: \$92.2 bil (\$7.9 bil)

Headquarters: Chicago, IL

Estimated Annual Expense: 0.75% first \$25 mil; 0.65% next \$25 mil; 0.55% next \$50 mil; 0.45% thereafter

People: Josef Lakonishok

Philosophy: The fundamental premise on which LSV's investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioral weaknesses that influence the decisions of many investors. These include: the tendency to extrapolate the past too far into the future, wrongly equating a good company with a good investment irrespective of price, ignoring statistical evidence and developing a "mindset" about a company.

Process: A universe of approximately 27,000 equity securities is screened for market capitalization greater than \$500 million (with no maximum limit) and for liquidity that yields an investable universe of approximately 3,200 securities. These securities are ranked by the proprietary quantitative model driven by a security's fundamental measures of value, past performance and indicators of near-term potential. The top 15% of stocks in each country are ranked by expected return (approximately 400 securities) are then optimized for risk control. LSV is approximately country neutral with country weights kept relative to the benchmark. The optimization is constrained by specific industry and company limitations to achieve diversification.

As of 6/30/2015

	Return (Gross)	Benchmark
3 Mo	1.9%	0.6%
YTD	6.4%	5.5%
1 Yr	-4.7%	-4.2%
3 Yr	13.3%	12.0%
5 Yr	10.2%	9.5%
10 Yr	5.5%	5.1%
2014	-4.9%	-4.9%
2013	24.2%	22.8%
2012	17.8%	17.3%
2011	-11.6%	-12.1%
2010	9.0%	7.8%

Pyramis Global Advisors

International Equity Growth (MSCI ACWI ex-US)

Role in Portfolio: Diversified portfolio of all cap international equities with sustainable long-term growth characteristics

Firm (Strategy) Inception: 2005 (1995 under Fidelity)

Firm (Strategy) Assets Under Management: \$220.2 bil (\$8.8 bil)

Headquarters: Smithfield, RI

Estimated Annual Expense: 0.25% base fee; 8% participation rate (rolling 36 months); 0.69% max fee

People: Brian Hoesly

Philosophy: The investment philosophy believes that independent, fundamental, bottom-up stock research can provide opportunities to purchase companies at a discount to their long-term fundamental fair value, and that identifying strong companies with above average earnings growth can lead to consistent market-beating performance. As the focus is on companies that possess a competitive advantage, Pyramis tends to have a relatively long-term holding period.

Process: The portfolio investment process combines active stock selection with active regional asset allocation. The portfolio managers use bottom-up, fundamental research to construct portfolios in the Europe, Japan, and the Pacific Basin ex Japan regions. In the first phase of the investment process, the portfolio managers consider all the stocks the analysts rate as buy for inclusion in the portfolio, which is then reduced to a manageable portfolio that incorporates the analysts best ideas and meets client guidelines. Country and industry group relative active weights are a residual of the stock selection process and are constrained to 5% of the benchmark weight while industry group weights are constrained to +/-10% of the benchmark weight.

As of 6/30/2015

	Return (Gross)	Benchmark
3 Mo	1.7%	0.6%
YTD	7.1%	5.5%
1 Yr	-1.5%	-4.2%
3 Yr	12.9%	12.0%
5 Yr	11.0%	9.5%
10 Yr	6.4%	5.1%
2014	-6.6%	-4.9%
2013	25.5%	22.8%
2012	20.6%	17.3%
2011	-11.6%	-12.1%
2010	10.2%	7.8%

Dodge & Cox

Domestic Core Fixed Income (Barclays Capital US Aggregate)

Role in Portfolio: Diversified portfolio constructed with high average quality fixed income investments

Firm (Strategy) Inception: 1930 (1978)

Firm (Strategy) Assets Under Management: \$281.3 bil (\$71.3 bil)

Headquarters: San Francisco, CA

Estimated Annual Expense: 0.40% first \$4 mil; 0.30% next \$6 mil; 0.20% next \$10 mil; 0.10% thereafter

People: Anthony Brekke, James Dignan, Thomas Dugan, Dana Emergy, Lucinda Johns, Charles Pohl, Larissa Roesch, Adam Robinson

Philosophy: Dodge & Cox's Fixed Income Philosophy is to construct and manage a high average quality, diversified portfolio of securities that are selected through bottom-up, fundamental analysis. They believe that by combining fundamental research with a long-term investment horizon it is possible to uncover and act upon inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, they believe attractive returns are possible over the long-term.

Process: The focus of their research effort is on leveraging the industry expertise of their global industry analysts to conduct in-depth fundamental company analysis using a three- to five-year time horizon. They believe this in-depth industry knowledge is crucial for assessing the key underlying company fundamentals that, over time, determine the intrinsic value of the business. All investment decisions are based on the judgment and analysis of their team of investment professionals, not on outside recommendations. Research analysts have global industry coverage responsibilities and are all located together in their office in San Francisco to promote collaboration.

	Return (Gross)	Benchmark
3 Mo	-1.2%	-1.7%
YTD	0.3%	-0.1%
1 Yr	1.8%	1.9%
3 Yr	3.7%	1.8%
5 Yr	4.9%	3.4%
10 Yr	5.6%	4.4%
2014	6.2%	6.0%
2013	1.0%	-2.0%
2012	8.3%	4.2%
2011	5.6%	7.8%
2010	7.8%	6.5%

As of 6/30/2015

PIMCO Fixed Income

Domestic Core Fixed Income (Barclays Capital US Aggregate)

Role in Portfolio: Diversified portfolio constructed with high average quality fixed income investments

Firm (Strategy) Inception: 1971 (1993)

Firm (Strategy) Assets Under Management: \$1,521 bil (\$6.2 bil)

Headquarters: Newport Beach, CA

Estimated Annual Expense: 0.50% first \$25 mil; 0.375% \$25-\$50 mil; 0.25% over \$50 mil

People: Mark Kiesel, Scott Mather, Mihir Warah

Philosophy: The philosophy revolves around the principle of diversification. The firm believes that no single risk should dominate returns. By diversifying strategies, or relying on multiple sources of value, the firm is confident in its ability to generate a solid track record with a high degree of consistency. PIMCO seeks to add value through the use of “top-down” strategies such as the firm's exposure to interest rates, or duration, changing volatility, yield curve positioning, and sector rotation. The firm also employs “bottom-up” strategies involving analysis and selection of specific securities.

Process: PIMCO considers the full-spectrum of global fixed income sectors when evaluating individual securities for inclusion in its Total Return accounts. Specific portfolio investment restrictions are accounted for by the generalist portfolio manager assigned to the account. While the generalist portfolio managers are active participants in all phases of portfolio management including security selection and trading, security analysis is conducted primarily by PIMCO's specialists using proprietary models and analytics internally developed and maintained by the firm's financial engineers. The specialists are charged with determining relative value within their sectors.

	Return (Gross)	Benchmark
3 Mo	-1.2%	-1.7%
YTD	0.3%	-0.1%
1 Yr	1.6%	1.9%
3 Yr	1.9%	1.8%
5 Yr	3.8%	3.4%
10 Yr	-	-
2014	5.0%	6.0%
2013	-2.2%	-2.0%
2012	5.8%	4.2%
2011	8.6%	7.8%
2010	-	6.5%

As of 6/30/2015

American Realty Advisors

Value-Add Real Estate (NCREIF Property)

Role in Portfolio: Open-ended real estate fund focused on value-add return opportunities and enhanced yield

Firm (Strategy) Inception: 1988 (2009)

Firm (Strategy) Assets Under Management: \$6.7 bil (\$618.6 mil)

Headquarters: Glendale, CA

Estimated Annual Expense: 1.25% first \$10 mil; 1.20% next \$15 mil; \$1.10% next \$25 mil; 1.0% above next \$25 mil

People: Stanley Iezman, Scott Darling

Philosophy: The AMERICAN STRATEGIC VALUE REALTY FUND is an open-end value-added real estate commingled fund that offers the opportunity for institutional investors to participate in a real estate investment strategy that targets enhanced yield and value-added return opportunities, with a secondary goal of diversification to reduce overall investment risk. The Value Fund originates investments through direct property ownership, joint ventures, and senior and subordinate debt structures.

Process: American's investment process draws on the broad range of resources throughout the firm. The philosophy is focused on the goal of investing in the best opportunities for additional value creation in strong markets, irrespective of the short-term fluctuations of market conditions. As such, it has created a dynamic, research-based approach that involves expertise from investments, asset management, portfolio management, legal, appraisal, capital markets, construction management and senior management that together provide a competitive advantage to sourcing, underwriting, negotiating, and closing on assets that it believes will provide the best opportunities for client portfolios. American's investment system has three interactive phases: Strategic Planning, Operational Execution and Performance Evaluation.

As of 6/30/2015

	Return (Gross)	Benchmark
3 Mo	3.6%	3.1%
YTD	9.9%	6.8%
1 Yr	-	-
3 Yr	-	-
5 Yr	-	-
10 Yr	-	-
2014	-	-
2013	-	-
2012	-	-
2011	-	-
2010	-	-

Greenfield Partners

Core Real Estate (NCREIF ODCE +100 bps)

Role in Portfolio: Closed-end real estate fund focused on income generation through a broad investment mandate

Fund Name: Greenfield Acquisition Partners (GAP) VII

Firm (Strategy) Inception: 1997 (2013)

Fund Commitment: \$383 mil (plus \$305 mil in two co-investment portfolios)

Headquarters: Westport, CT

Estimated Annual Expense: 1.50% on committed and invested capital

People: Eugene A. Gorab

Objective: Broad real estate investment mandate: direct investment; restructuring of financial obligations; development, redevelopment and repurposing; and repositioning assets.

Morgan Stanley

Infrastructure (CPI +5%)

Role in Portfolio: Closed-end infrastructure fund focused on global diversification

Fund Name: North Haven Infrastructure Partners II

Firm (Strategy) Inception: 1975 (2015)

Fund Commitment: \$1.9 bil

Headquarters: New York, NY

Estimated Annual Expense: 1.5% under \$50 mil; 1.35% \$50 mil to \$100 mil; 1.25% \$100 mil to \$175 mil; 1.10% \$175 mil to \$250 mil; 0.95% \$250 mil or greater

People: Markus Hottenrott

Objective: The Fund intends to invest opportunistically in Infrastructure Assets on a global basis in order to assemble an investment portfolio with a gross internal rate of return of approximately 12-15%. The Fund's target rate of return is before any carried interest, fees, and expenses.

Medley Capital

Direct Lending (9% per annum)

Role in Portfolio: Closed-end direct lending fund

Fund Name: Medley Opportunity Fund (MOF) II

Firm (Strategy) Inception: 2005 (2013)

Fund Commitment: \$581 mil

Headquarters: New York, NY

Estimated Annual Expense: 1.5% management fee

People: Brook Taube, Richard Allorto, John Fredericks, Seth Taube, Jeff Tonkel

Objective: Direct lending to privately-held middle market companies, primarily through directly originated transactions, to help those companies expand their businesses, refinance, and make acquisitions. Portfolio generally consists of senior secured first lien loans and senior secured second lien loans. Often times receives warrants or other equity participation features.

Raven Capital

Direct Lending (9% per annum)

Role in Portfolio: Closed-end direct lending fund

Fund Name: Opportunity Fund; Opportunity Fund III

Firm (Strategy) Inception: (2013; 2015)

Fund Commitment: \$157.5 mil; 180 mil (initial close)

Headquarters: New York, NY

Estimated Annual Expense: 2.0% management fee

People: Josh Green

Objective: Raven utilizes an investment process to directly originate, underwrite and actively manage portfolio investments for institutional investors. Raven's experience and expertise investing in assets generates attractive current yields while protecting the downside for our investors.

Raven's investments are opportunistic, may include special situations, have low correlation to market rates or spread widening, and include both asset based first lien senior secured loans and the outright purchase of cash flowing assets. Raven distributes current income and mitigates risk through highly selective origination, stringent due diligence and underwriting, proven structuring methods, and active post-transaction management of portfolio investments.

White Oak Global Advisors

Direct Lending (9% per annum)

Role in Portfolio: Closed-end direct lending fund

Fund Name: Pinnacle Fund LP

Firm (Strategy) Inception: (2013)

Fund Commitment: \$364 mil

Headquarters: San Francisco, CA

Estimated Annual Expense: 1.5% management fee on commitment

People: Andre Hakkak, Barbara McKee

Objective: A direct lending fund targeting \$5 mil to \$50 mil investments in senior secured financing transactions with borrowers primarily located in the US. The target market for the Manager is business with enterprise values between \$50 mil and \$500 mil.

The Fund will seek to deliver attractive mezzanine-like returns with the risk profile of senior secured debt. The Fund will provide customized financing solutions, typically in the form of directly originated senior secured loans to corporate and asset-based borrowers.

Appendix

Date horizon of historical scenario analysis

Scenario	From	To
1972 - 1974 Oil Crisis (Dec. to Sep.)	December 1, 1972	September 30, 1974
1987 Market Crash (Oct. 14 to Oct. 19)	October 14, 1987	October 19, 1987
1989 - 1990 Nikkei Stock Price Correction	December 29, 1989	March 30, 1990
1992 - 1993 European Currency Crisis	September 1, 1992	August 13, 1993
1994 US Rate Hike	January 31, 1994	December 13, 1994
1997 - 1999 Oil Price Decline	January 8, 1997	February 16, 1999
2001 Dot-com Slowdown	March 10, 2001	October 9, 2002
2007 - 2008 Oil Price Rise	January 18, 2007	June 27, 2008
2007-2009 Subprime Mortgage Meltdown(Oct. to Feb.)	October 1, 2007	February 27, 2009
2009 July - January	July 1, 2009	December 31, 2009

Source: MSCI BarraOne

10 year return & risk assumptions

Asset Class	Index Proxy	Ten Year Return Forecast		Standard Deviation Forecast	Sharpe Ratio Forecast	Ten Year Historical Sharpe Ratio
		Geometric	Arithmetic			
Equities						
US Large	S&P 500	5.7%	6.7%	14.7%	0.25	0.47
US Small	Russell 2000	4.7%	6.5%	19.8%	0.13	0.40
International Developed	MSCI EAFE	9.5%	11.0%	18.2%	0.41	0.25
International Small	MSCI EAFE Small Cap	9.2%	11.0%	19.7%	0.36	0.32
Emerging Markets	MSCI EM	11.5%	13.9%	23.7%	0.40	0.40
Private Equity	Cambridge Private Equity	7.7%	10.2%	23.7%	0.24	1.07
Fixed Income						
Cash	30 Day T-Bills	2.1%	2.1%	0.6%	-	-
US TIPS	Barclays US TIPS 5 - 10	2.6%	2.8%	6.3%	0.07	0.47
US Treasury	Barclays Treasury 7 - 10 year	2.2%	2.4%	6.4%	0.01	0.65
Global Sovereign ex US	Barclays Global Treasury ex US	2.5%	2.8%	7.9%	0.05	0.18
Core Fixed Income	Barclays US Aggregate Bond	3.1%	3.2%	3.2%	0.31	0.96
Core Plus Fixed Income	Barclays US Corporate IG	3.8%	4.0%	5.9%	0.29	0.67
Short-Term Gov't/Credit	Barclays US Gov't/Credit 1 - 3 year	2.3%	2.3%	1.3%	0.17	1.09
Short-Term Credit	Barclays Credit 1 - 3 year	2.6%	2.6%	2.3%	0.22	0.88
Long-Term Credit	Barclays Long US Corporate	3.7%	4.3%	11.0%	0.15	0.55
High Yield Corp. Credit	Barclays High Yield	5.2%	5.8%	10.5%	0.30	0.61
Bank Loans	S&P/LSTA	3.7%	4.1%	8.7%	0.19	0.44
Global Credit	Barclays Global Credit	1.9%	2.2%	7.4%	-0.02	0.49
Emerging Markets Debt (Hard)	JPM EMBI Global Diversified	5.7%	6.1%	8.9%	0.41	0.72
Emerging Markets Debt (Local)	JPM GBI EM Global Diversified	6.2%	7.0%	12.9%	0.32	0.46
Private Credit	High Yield + 200 bps	7.8%	8.4%	10.5%	0.55	-
Other						
Commodities	Bloomberg Commodity	4.1%	5.7%	18.2%	0.11	-0.10
Hedge Funds	HFRI Fund of Funds	6.0%	6.4%	9.1%	0.43	0.29
Core Real Estate	NCREIF Property	5.1%	5.9%	13.2%	0.23	0.93
REITs	Wilshire REIT	5.1%	8.1%	26.4%	0.11	0.38
Inflation		2.1%	-	-	-	-

Both geometric and arithmetic return forecasts have been included. It is important that users of this information understand how we derived it. Our forecast process involves the use of a wide range of data inputs (of a variety of different types) to create geometric return forecasts for individual asset classes – this is the process described at length in this document. We use an industry standard formula to convert these to arithmetic return forecasts, and provide both for client use.

Investors wishing to produce expected geometric return forecasts for their portfolios should use the arithmetic return forecasts provided here as inputs into that calculation, rather than the single-asset-class geometric return forecasts. This is the industry standard approach, but requires a complex explanation only a heavy quant could love, so we have chosen not to provide further details in this document – we will happily provide those details to any readers of this who are interested.

More broadly, it is important that the user of these forecasts remembers that return forecasts (whoever provides them) are there to provide a guide to the likely future, no more. While we believe that the approach described in this document is an appropriate one to use for those purposes, and that the forecasts resulting from that approach are meaningful and fit for the uses to which they will be put, users of any such forecasts should always bear in mind the fact that the single most difficult thing to predict is the future, and approach that exercise with appropriate skepticism.

Correlation assumptions

	Cash	US Large	US Small	Developed Large	Developed Small	EM	PE	TIPS	US Treasury	Global Sovereign	US Core	US Core Plus	Short –Term Govt/Credit	Short-Term Credit	Long-Term Credit	US HY	Bank Loans	Global Credit	EMD USD	EMD Local	Commodities	Hedge Funds	Real Estate	REITs	Inflation
Cash	1																								
US Large	-0.1	1																							
US Small	-0.1	0.9	1																						
Developed Large	0.0	0.9	0.8	1																					
Developed Small	0.0	0.8	0.8	1.0	1																				
EM	0.1	0.8	0.7	0.9	0.9	1																			
PE	-0.2	0.7	0.7	0.8	0.8	0.7	1																		
TIPS	0.0	0.2	0.1	0.2	0.3	0.3	0.2	1																	
US Treasury	0.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	0.6	1																
Global Sovereign	0.0	0.2	0.2	0.4	0.4	0.4	0.5	0.6	0.5	1															
US Core	0.0	0.1	0.0	0.1	0.1	0.1	0.0	0.8	0.9	0.6	1														
US Core Plus	-0.1	0.4	0.3	0.5	0.5	0.5	0.6	0.7	0.5	0.5	0.8	1													
Short –Term Govt/Credit	0.3	-0.1	-0.1	0.1	0.1	0.1	-0.2	0.6	0.6	0.6	0.7	0.6	1												
Short-Term Credit	0.0	0.3	0.3	0.5	0.5	0.5	-0.2	0.6	0.2	0.5	0.6	0.8	0.7	1											
Long-Term Credit	-0.1	0.3	0.2	0.4	0.4	0.4	0.1	0.6	0.5	0.5	0.8	1.0	0.4	0.6	1										
US HY	-0.1	0.7	0.7	0.8	0.8	0.7	0.6	0.4	-0.2	0.3	0.2	0.6	0.1	0.6	0.5	1									
Bank Loans	-0.1	0.6	0.6	0.6	0.6	0.6	0.2	0.2	-0.4	0.0	0.0	0.4	-0.1	0.5	0.3	0.9	1								
Global Credit	-0.1	0.6	0.5	0.8	0.8	0.7	0.7	0.6	0.2	0.8	0.6	0.8	0.5	0.8	0.7	0.7	0.5	1							
EMD USD	-0.1	0.6	0.5	0.7	0.7	0.7	0.5	0.7	0.3	0.5	0.6	0.8	0.4	0.7	0.7	0.8	0.6	0.8	1						
EMD Local	0.1	0.7	0.6	0.8	0.8	0.8	0.6	0.5	0.1	0.6	0.4	0.6	0.3	0.5	0.5	0.7	0.4	0.8	0.8	1					
Commodities	0.1	0.5	0.4	0.6	0.6	0.7	0.2	0.3	-0.2	0.4	0.1	0.3	0.1	0.4	0.2	0.5	0.4	0.6	0.5	0.6	1				
Hedge Funds	0.1	0.7	0.6	0.8	0.8	0.8	0.7	0.2	-0.3	0.1	0.0	0.4	0.0	0.4	0.2	0.6	0.6	0.6	0.5	0.6	0.7	1			
Real Estate	-0.1	0.4	0.3	0.3	0.3	0.3	0.3	0.1	-0.1	0.1	0.0	0.2	-0.1	-0.1	0.1	0.2	0.0	0.2	0.2	0.3	0.0	0.3	1		
REITs	0.0	0.8	0.8	0.7	0.6	0.6	0.6	0.2	-0.1	0.3	0.2	0.4	0.0	0.3	0.4	0.7	0.5	0.6	0.6	0.6	0.3	0.4	0.4	1	
Inflation	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1	-0.3	0.0	-0.3	-0.2	-0.2	0.0	-0.3	0.2	0.4	0.0	0.0	0.1	0.3	0.2	0.1	0.1	1

Note: Correlation assumptions are based on the last ten years. Private Equity and Real Estate correlations are especially difficult to model – we have therefore used BarraOne correlation data to strengthen these correlation estimates.

Disclosures

The information presented in this report is furnished for use solely as provided in the contractual agreement (the “Contract”) by and between Stanislaus County Employees’ Retirement Association (“Client”) and Verus Advisory, Inc. and/or Verus Investors, LLC (hereinafter individually or collectively “Company”). In the event of conflict between the terms of this disclosure and the Contract, the Contract shall take precedence.

The information presented has been prepared by Verus Advisory, Inc. and/or Verus Investors, LLC (hereinafter individually or collectively “Company”) from sources that it believes to be reliable and the Company has exercised all reasonable professional care in preparing the information presented. However, the Company cannot guarantee the accuracy of the information contained therein. The Company shall not be liable to Client or any third party for inaccuracy or in-authenticity of information obtained or received from third parties in the analysis or for any errors or omissions in content.

The information presented does not purport to be all-inclusive nor does it contain all information that the Client may desire for its purposes. The information presented should be read in conjunction with any other material furnished by the Company. The Company will be available, upon request, to discuss the information presented in the report that Client may consider necessary, as well as any information needed to verify the accuracy of the information set forth therein, to the extent Company possesses the same or can acquire it without unreasonable effort or expense. Nothing contained therein is, or should be relied on as, a promise, representation, or guarantee as to future performance or a particular outcome. Even with portfolio diversification, asset allocation, and a long-term approach, investing involves risk of loss that the client should be prepared to bear.

The material may include estimates, outlooks, projections and other “forward-looking statements.” Such statements can be identified by the use of terminology such as “believes,” “expects,” “may,” “will,” “should,” “anticipates,” or the negative of any of the foregoing or comparable terminology, or by discussion of strategy, or assumptions such as economic conditions underlying other statements. No assurance can be given that future results described or implied by any forward-looking information will be achieved. Actual events may differ significantly from those presented. Investing entails risks, including possible loss of principal. Risk controls and models do not promise any level of performance or guarantee against loss of principal.

Past performance is no guarantee of future results.