



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
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Modesto, CA 95354  
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## AGENDA

BOARD OF RETIREMENT  
832 12<sup>th</sup> Street, Suite 600 – **Wesley W. Hall Board Room**  
Modesto, CA 95354

**June 10, 2015**  
**2:00 p.m.**

The Board of Retirement welcomes you to its meetings, which are regularly held on the second Wednesday and the fourth Tuesday of each month. Your interest is encouraged and appreciated.

**CONSENT ITEMS:** These matters include routine administrative actions and are identified under the Consent Items heading.

**PUBLIC COMMENT:** Matters under jurisdiction of the Board, may be addressed by the general public before or during the regular agenda. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined an emergency by the Board of Retirement. Any member of the public wishing to address the Board during the "Public Comment," period shall be permitted to be heard once up to three minutes. Please complete a Public Comment Form and give it to the Chair of the Board. Any person wishing to make a presentation to the Board must submit the presentation in written form, with copies furnished to all Board members. Presentations are limited to three minutes.

**BOARD AGENDAS & MINUTES:** Board agendas, Minutes and copies of items to be considered by the Board of Retirement are customarily posted on the Internet by Friday afternoon preceding a meeting at the following website: [www.stancera.org](http://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](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 May 26, 2015 Meeting Minutes [View](#)

b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Alaniz, Esther – CSA – Effective 06-03-2015
2. Barker, Brian – BHRS – Effective 06-16-2015
3. Becker, Nancy – HSA – Effective 06-02-2015
4. Duggan, Wendy – DA – Effective 06-27-2015
5. Goulart, John – DA – Effective 06-16-2015
6. Maben, Carol – Planning – Effective 06-13-2015
7. Owens, Mary – Library – Effective 06-13-2015
8. Rowe, Jeffrey – Alliance Worknet – Effective 06-02-2015
9. Shaffer, Todd – Public Works – Effective 05-30-2015
10. Snyder, Robin – HSA – Effective 06-27-2015

*\* Indicates Safety Personnel*

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

1. Arauza, Anjelica – CSA – Effective 05-22-2015
2. Tolman, Holly – DCSS – Effective 05-29-2015

*\* Indicates Safety Personnel*

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

1. Tidwell, Kimberly, Deceased, May 30, 2015, Active Member

6. Executive Director

- a. Legal/Legislation Update
- b. Discussion and Action for Funding a Confidential IV Position With a Working Title of Communications Specialist [View](#)
- c. Discussion and Action for Funding for a Manager IV Position With a Working Title of Investment Analyst [View](#)
- d. Discussion and Action to Upgrade the Manager Classifications [View](#)
- e. Discussion and Action to Approve Fiscal Year 2015-2016 Administrative Budget [View](#)

7. Closed Session

- a. Conference with Legal Counsel – Pending Litigation – One Case:  
Stanislaus County Employees' Retirement Association v. Buck Consultants,  
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152  
Government Code Section 54956.9(d)(4)
- b. Conference with Legal Counsel – Pending Litigation – One Case:  
O'Neal et al v. Stanislaus County Employees' Retirement Association  
Stanislaus County Superior Court Case No. 648469  
Government Code Section 54956.9(d)(1)
- 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)

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

9. Adjournment



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**PLEASE POST FOR EMPLOYEE VIEWING**

**BOARD OF RETIREMENT MINUTES**

**May 26, 2015**

**Trustees Present:** Maria DeAnda, Donna Riley, Jim DeMartini,  
Michael O'Neal, Jeff Grover and Jason Gordo

**Trustees Absent:** Mike Lynch and Gordon Ford

**Alternate Trustee** Joan Clendenin, Alternate Retiree Representative

**Staff Present:** Rick Santos, Executive Director  
Kathy Herman, Fiscal Services Manager  
Dawn Lea, Benefits Manager  
Kellie Gomes, Executive Board Secretary

**Others Present:** Fred Silva, General Legal Counsel  
Nathan Pratt, Strategic Investment Solutions  
John Meier, Strategic Investment Solutions

1. Meeting Called to Order

Meeting called to order at 2:01p.m. by Trustee DeAnda, Chair

2. Roll Call

3. Announcements

Kellie Gomes announced a correction to the minutes where it was stated that Trustee Clendenin was absent from the April 28th meeting

4. Public Comment

None

5. Consent Items

- a. Approval of the April 28, 2015 Meeting Minutes

b. Approval of Service Retirement(s) – **Sections 31499.14, 31670, 31662.2 & 31810**

1. Low, Lawrence – DCSS – Effective 05-15-2015
2. Millard, Deborah – CSA – Effective 05-02-2015
3. Nelson, Diane – DA – Effective 05-02-2015
4. Tehero, Donna – CSA – Effective 05-09-2015

*\* Indicates Safety Personnel*

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

1. Bagri, Kamaljit – Ag Commissioner – Effective 03-21-2015
2. Baker, John H. – DA – Effective 04-18-2015
3. Brock, Jason – City of Ceres – Effective 03-15-2015
4. Egger, Nicholas – BHRS – Effective 04-04-2015
5. Engert, Crystal – Planning & Community Development – Effective 04-25-2015
6. Erickson, Nathaniel – Env Resources – Effective 05-09-2015
7. Hackett, Marvin – Clerk/Recorder – Effective 04-15-2015
8. Hooper, Vincent – Sheriff – Effective 04-18-2015 \*
9. Keys, Katy – Probation – Effective 04-01-2015 \*
10. Leal, Gustavo – CSA – Effective 04-04-2015
11. Lema, Melanie – DCSS – Effective 05-01-2015
12. Medina, Patricia – HSA – Effective 03/21/2015
13. Scheffler, William – Env Resources – Effective 03-20-2015

*\* Indicates Safety Personnel*

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

Motion carried unanimously

6. Annual Performance Report Medley Opportunity Fund II, LP

Seth and Chris Taube gave an update on the Medley Direct Lending Investment.

7. Executive Director

a. 2015 Quarter 1 Value Added and Cash Flow Report

Rick Santos, Director gave a breakdown of the value added by the portfolio over the prior quarter.

b. Monthly Staff Report

Staff gave an update on the workload and important issues over the past month within the Organization

8. Committee Reports and Recommendations for Action

Standing Committees

a. Due Diligence Committee

1. StanCERA Investment Manager Onsite Visits Update

The Committee reported out that they had met and discussed the questionnaires submitted by the managers that will be visited next week. As a result, there are some issues that the Committee will be discussing with our managers as we try to determine if there have been any changes within the Organization that would make StanCERA reconsider whether we would again reinvest with the particular manager. The Committee will report out the results of these visits at a future Board Meeting.

The Investment Consultant Evaluation team also met yesterday and interviewed 3 finalists for the position. The Team will narrow down its candidate pool to two shortly and the will be bringing the final 2 candidates to the full Board for interviews on July 8, 2015

9. Strategic Investment Solutions (SIS), Inc.

a. Investment Performance Analysis for the Quarter Ending March 31, 2015

Quarterly Portfolio Performance Analysis (Return, Benchmark and Peer Ranking.)

1st Quarter	2.1%, 2.4%, 61
Fiscal YTD:	3.7%, 3.9%, 28
3 Year:	11.2%, 10.%, 7
5 Year:	10.2%, 9.5%, 13

b. StanCERA Investment Managers Peer Rankings for Quarter Ending March 31, 2015

c. StanCERA Investment Managers Review List for Quarter Ending March 31, 2015

d. Monthly Flash Report for the Month Ending April 30, 2015

Monthly Performance:	1.03%
Active Return:	0.25%
Fiscal YTD Return:	4.78%
Total Fund Value as of 4/30/2015:	\$1,842,160,911

e. Report on "Top 10 Holdings" of StanCERA Investment Managers as of April 30, 2015

10. Closed Session

Motion was made by Trustee Gordo and seconded by Trustee Riley to enter into closed session.

- a. Discussion and Action on the Application for a Service-Connected Disability Retirement by StanCERA Member Dennis Perry Jr.  
Government Code Sections 31532 and 54956.9
- b. Conference with Legal Counsel – Pending Litigation – One Case:  
Stanislaus County Employees' Retirement Association v. Buck Consultants, LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152  
Government Code Section 54956.9(d)(4)
- c. Conference with Legal Counsel – Pending Litigation – One Case:  
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- d. Conference with Legal Counsel – Pending Litigation – One Case:  
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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 Riley and seconded by Trustee Gordo to enter into open session.

Read out by Kellie Gomes from closed session on Item 10.a

Motion was made by Trustee Gordo and seconded by Trustee Riley to accept staff recommendation as follows:

1. To acknowledge and approve that applicant, Dennis Perry Jr. is permanently incapacitated for a substantial portion of the essential duties of Sergeant with the City of Ceres Police Department;
2. That applicant Dennis Perry Jr.'s permanent incapacitation is not service connected; and
3. That the application of Dennis Perry Jr. for service connected disability retirement be denied and a non-service connected disability retirement be granted effective February 24, 2015, upon the member's subsequent application.

Motion passed unanimously

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

Trustee Clendenin requested an update on resolutions for the buildings window cleaning issue, Kathy Herman gave an update from the 12<sup>th</sup> street Management Committee meeting recently attended where this was reviewed. They will move forward to resolve the problem of above ground wires preventing the windows from being cleaned on the side of the building.

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

Trustee Grover requested that Staff put together an agenda item regarding the build out of some empty space between the Raymond James and StanCERA offices. This would be used as a Board room for the Organization.

12. Adjournment

Meeting adjourned at 3:38 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rick Santos".

Rick Santos, Executive Director

APPROVED AS TO FORM:  
FRED A. SILVA, GENERAL LEGAL COUNSEL

By:   
Fred A. Silva, General Legal Counsel





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**For the Board of Retirement meeting  
Held on June 10, 2015**

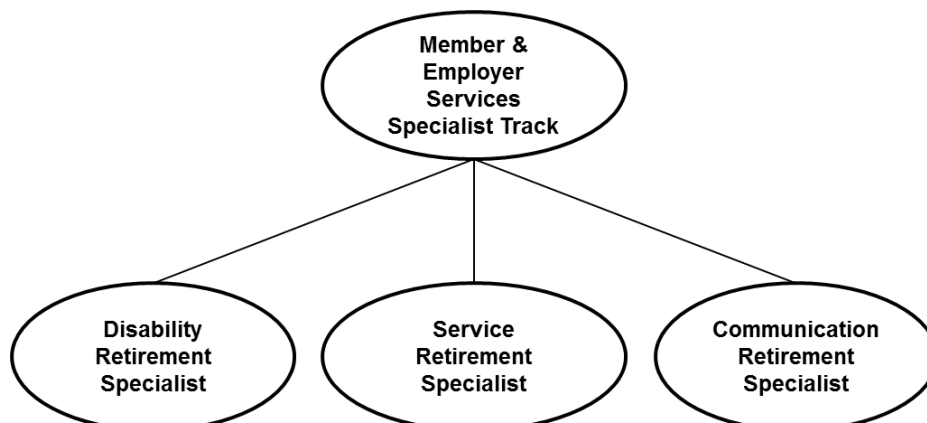
TO: The Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: Funding for a Confidential IV position with a working title of Communications Specialist
- II. ITEM NUMBER: 6.b
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION:
  1. Approve funding for one full time Confidential Assistant IV position with a working title of Communication Specialist
  2. Request the County Board of Supervisors to Approve and Amend the Salary and Position Allocation Resolution to reflect the addition of one Confidential Assistant IV position for StanCERA
- V. ANALYSIS: The Confidential Assistant IV is the advanced working level class in the Confidential Assistant series performing tasks of a very specialized, technical nature. Incumbents in this class independently perform administrative assignments, which require analysis and adaptive thinking often in their area of specialty.

Formal communication has evolved over time with multiple authors and writing styles. Currently, it is still fragmented and being produced by several different people throughout the department. Staff has identified the need to centralize and standardize this communication to ensure continuity, accuracy and consistency to all stakeholders.

If approved, the Communications Specialist will be assigned to the Member and Employer Services division. The individual selected will be cross trained with the existing Retirement Specialists in that division, strengthening the succession plan, and assuring critical coverage during staff absences and peak periods. In addition, establishing this position now will allow for the in-depth training necessary for new staff prior to the beginning of pension software implementation.



During StanCERA's Strategic Planning workshop in July of 2013, the Board decided that stakeholder education should be a part of StanCERA's strategic goals for 2014-2016. In part because of this decision, Strategic Objective IV was developed:

*"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"*

Part of good communication is education. The Communication Specialist will be responsible for educating stakeholders at all levels.

By definition, a stakeholder is a person, group or organization that has an interest or concern in another organization. Stakeholders can affect or be affected by the organization's actions, objectives and policies.

The Education Committee has identified StanCERA stakeholders as:

- Stanislaus County Board of Supervisors
- Chamber Leaders
- Elected Officials
- Service Groups (ie: Lions, Kiwanis, etc...)
- StanCERA Members
- StanCERA Retirees
- Plan Sponsors
- Taxpayers
- General Members of the Public
- Custodial Bank
- Investment Managers
- Consultants
- Other Vendors

A very important aspect of the education goal should be driven by a desire to get StanCERA's membership to take more accountability for understanding the benefit and its relative value. Below are some suggested education topics:

- The economic value of the defined benefit to the plan participant
- The economic value of the defined benefit to our community
- How the defined benefit is calculated
- Understanding the difference between a defined benefit and a defined contribution plan
- Cost drivers of the defined benefit plan

### **Job Duties**

Member and stakeholder communications include all written, electronic and verbal forms of communication. The Communications Specialist will be responsible for these tasks, including but not limited to the following duties:

- Develop and implement effective communications and media policies for StanCERA and the Board of Retirement
- Prepare, publish and distribute accurate retirement information to membership and plan sponsors
- Communicate StanCERA policies and procedures throughout the Organization

- Prepare, edit and coordinate form and process revisions with StanCERA management and counsel to ensure standard language and consistency of all forms and processes
- Plan, coordinate and facilitate a variety of seminars for StanCERA members
- Develop materials and coordinate training of StanCERA staff in programs relating to goals and policies
- Establish and maintain effective working relationships and outreach with financial planners, institutions and employers and keeping all stakeholders informed
- Identify opportunities to strengthen and improve communications
- Be responsible for content and all external "paper" communication such as newsletters, CAFR, PAFR, member handbooks and informational pamphlets
- Maintain information content on StanCERA website

Specialized staff are subject matter experts for retirement laws and calculations and will be essential to the pension software implementation. Having an additional Specialist trained in both Service and Disability retirement processing before we start the project, will allow us to pull them into the planning, implementation and testing of the system without jeopardizing key services due to insufficient coverage.

- VI. RISK: There are no significant risks associated with adding a Confidential Assistant IV position to StanCERA. However, given the inevitable growth and complexity of the system there is a risk if this position is not approved. 1.) Communication continues to be fragmented. 2.) A reduction of services or delay in software implementation. 3.) Stakeholder education will be delayed. 4.) Approved strategic plan will require modification and adjustment to accommodate resources.
- VII. STRATEGIC PLAN: Strategic Objective IV: Refine StanCERA's business and policy practices in ways that enhance stakeholder awareness, the delivery of member services and the ability of the Organization to administer the System effectively and efficiently
- VIII. BUDGET IMPACT: The Confidential IV position has a salary range of \$20.70 – \$ 31.04 per hour.



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Rick Santos, Executive Director



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Kathy Herman, Fiscal Services Manager



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Dawn Lea, Member and Employer Services Manager



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**For the Board of Retirement meeting  
Held on June 10, 2015**

TO: The Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: Funding for a Manager IV position with a working title of Investment Analyst to be added to the current Stanislaus County position allocation list for StanCERA.
- II. ITEM NUMBER: 6.c
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION:
  - 1. Approve funding for a Manager IV position with a working title of Investment Analyst.
  - 2. Request the County Board of Supervisors to Approve and Amend the Salary and Position Allocation Resolution to reflect the addition of one Manager IV position.
  - 3. If necessary, approve the use of a recruiting firm to oversee the recruitment process.
- V. ANALYSIS:

*Overview*

In October, staff presented StanCERA's 10-year strategic realignment plan to the Board of Retirement. Part of the plan included the addition of investment staff within the Organization. Among other things, the analysis laid out in intricate detail the Organization's need for an investment position. This agenda item will attempt to summarize the important points from that discussion. There are several reasons why StanCERA should fund a position whose sole function would be devoted to the investment governance process.

*Continuity and Succession Planning*

Currently the Director spends approximately 70% of his time purely on investment matters (mostly oversight issues) and is the only in house staff that possesses an intimate knowledge of pension funding principles and the actuarial and investment processes.

Currently our Fiscal Services Manager spends around 25% of her time on investment matters and is responsible for several aspects of the investment administrative processes including cash movement, transition oversight, investment RFP processes, coordination and oversight of account reconciliation, backup to the Director on contract facilitation and manager relations, tax reclaims and maintenance of international foreign market transaction documentation.

These positions in their current state are not able to execute to the greatest extent possible, their core roles and responsibilities within the long-term strategic direction of the Organization. The positions need to spend much more of their time directing the Organization and achieving efficiencies in processes, management principles and technological improvement across the entire Organization.

Understanding and administering the investment process for a public pension plan is not a skill set that's possessed by a large number of individuals. Should either of these positions be vacated, the ability to seamlessly continue to administer the investment function would suffer. Most likely, the tasks that these positions perform would either be pushed back to the investment consultant or not get done at all. Those tasks that would be pushed back to the consultant would be those that are administrative in nature and have to get done. Those tasks that would not get done would most likely be oversight issues.

Should the Board accept staff's recommendation, the investment analyst position would assume most of the oversight tasks that are currently being performed by the Director and all of the administrative functions currently being performed by the Fiscal Services Manager.

A desirable by-product of the position would be the establishment of redundancy regarding the investment function and not having to be dependent on consultants to get all the work completed. With an in-house investment analyst, the positions of Executive Director and Fiscal Services Manager become much more recruitable and replaceable.

#### *Enhanced Institutional Knowledge Base and Core Competency*

StanCERA is beyond the point where the investment governance process should be a core competency. Most 1937 Act Systems at \$2 billion or more in assets employ a Chief Investment Officer and all Systems over \$2 billion employ at least one individual that is dedicated to the investment governance process. StanCERA has evolved to a point where more accountability and transparency is demanded and where many facets of the diligence process cannot simply be "consulted" away. StanCERA is well situated today and can capitalize on the knowledge that the Director and the Investment Consultant can impart to an internal analyst. This knowledge can benefit StanCERA long after the Consultant and Director leave StanCERA.

#### *Enhanced Governance and Compliance*

Benefit administration and managing investments and pension risk are the two most important functions and competencies that defined benefit plans can develop. Managing the investment process properly requires time, knowledge and the right tools. Over the past couple years, StanCERA has developed highly technical and sophisticated processes and capabilities meant to enhance the investment governance and compliance process. In addition, a very important part of the governance process that has been developed and fostered recently are the relationships StanCERA has built with its investment consultant, the custodian bank, investment legal counsel and all of our investment managers. These relationships are a very important part of the governance and compliance process and should always be maintained and enhanced.

However, there are other governance and compliance issues that StanCERA should understand, foster and become involved in.

- Reading and understanding all submitted regulatory documentation
- Deploying and developing efficient cash management techniques
- Semi-regular monitoring of manager positions and compliance related issues
- Asset liability management
- Trading costs
- Securities litigation
- Securities lending
- Plan sponsor contribution stress testing

While these competencies can indeed be performed by the consultant, the costs can be considerable and more importantly, it precludes StanCERA from developing these competencies in house. Based on our most recent RFP for consulting services, the cost to fund these additional competencies will run upwards of \$75,000 annually.

### *The Position*

StanCERA's current administrative needs towards managing the governance process suggest that the Investment Analyst position be highly technical in nature and require the ability to communicate complex investment and risk information to a wide audience. More specifically, the following is a list of tasks that would be desired of the position:

- Prepares and makes presentations to the Board of Retirement
- Assists in researching potential investment opportunities
- Performs basic due diligence on current managers and prospective managers
- Works with external investment consultants regarding investment strategies and asset liability management
- Works with general partners and some limited partners of certain alternative investments
- Assists in the contract processes in conjunction with special counsel
- Assists in the negotiations of contract terms with general partners
- Assists in the asset allocation process
- Assists in setting capital market expectations
- Become heavily involved with Investment Manager relations
- Responsible for cash management program and principles
- Performs data gathering, reporting and monitoring
- Understands risk reporting and monitoring at a very detailed level
- Understands and assists heavily in assessing Investment Manager performance and disposition
- Assists Executive Director in applying pension risk management principles
- Understand and communicate all facets of Alternative Investment oversight
- Answer inquiries from members of the Board of Retirement regarding certain investments
- General investment research
- Works with the consultant on governance issues such as securities lending, shareholder litigation and trade execution costs
- Responsible for transition oversight and investment RFP processes
- Responsible for tax reclaim and maintenance of international foreign market transaction documentation

Given StanCERA's needs, the ideal candidate for this position would be someone with a high level of mathematical and analytical skills. Additionally, the ability to comfortably communicate investment ideas and principles is highly desirable. The ideal candidate would possess a degree in mathematics, finance, business or economics. Also, candidates that have achieved (partially or full) or would be willing to pursue the CFA designation would be given preference.

### *Salary Level*

Until StanCERA actually begins the process to fill this position, it is difficult to anticipate what skill sets the field of potential candidates may possess. The requirements of this position will be relatively demanding and comprehensive skill sets such as these could be hard to find. However, it is very possible that candidates with high levels of analytical and communication skills can be found within our region. Until StanCERA can recruit candidates with the skill sets necessary or at least demonstrate the ability to perform at such a level, then StanCERA would not fill this position.

An ideal candidate with the skills necessary to succeed and add value to the Organization would command a base salary range of \$ 65,000 to \$100,000. With benefits, the annual cost to fund this position would range between \$91,000 and \$140,000.

### *The Hiring Process*

It is recommended that staff look into the possibility of using a recruiting firm to fill the position. If it is determined that the position will be difficult to fill using normal processes, then staff should hire a recruiting firm to help fill the position. A recruiting firm will have the reach necessary to attract qualified and competent candidates from both inside and particularly outside the area. Staff estimates the costs of hiring a recruiting firm to fall within the range of \$10,000 to \$15,000, however, this cost can actually be lower since some of the recruitment costs for positions of these types are paid for by the candidate.

Staff also plans on reaching out to our local universities for help filling this position. Graduates with degrees in mathematics, statistics and finance could be a strong fit for this position.

- VI. RISK: By creating the Manager IV position and hiring a full-time employee that can devote his or her entire time to the investment governance process; we are enhancing our ability to administer our fiduciary responsibility at a much higher level.

If the Organization chooses not to implement, then responsibility for most of investment governance and compliance process would be pushed back into the hands of the investment consultant. The acquisition of institutional knowledge will suffer as StanCERA continually relies more heavily on the work and advice of consultants. The ability to seamlessly administer current governance and compliance processes and procedures will suffer in the event that key personnel leave the Organization. Finally, the Organization's ability to further enhance the governance process will be limited.

- VII. STRATEGIC PLAN:

*Strategic Objective 1:* Invest StanCERA assets in such a way that efficiently maximizes the ability to meet current and future benefit obligations while balancing the need for contribution stability and sustainability

*Strategic Objective 2:* Develop efficient and effective processes for the evaluation, monitoring and disposition of StanCERA's active managers

*Strategic Objective 4:* 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: Potentially \$10,000 to \$15,000 for a recruiting firm and between \$91,000 and \$140,000 annually to fund the position. If the Organization chooses not to fund the position, yet wishes to continue enhancing the governance process through consultants, staff estimates additional annual costs in excess of \$75,000.

A handwritten signature in blue ink, appearing to read "Rick Santos", written over a horizontal line.

Rick Santos, Executive Director

A handwritten signature in black ink, appearing to read "Kathy Herman", written over a horizontal line.

Kathy Herman, Operations Manager





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**For the Board of Retirement meeting  
Held on June 10, 2015**

TO: The Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: Upgrade of Manager Classifications
- II. ITEM NUMBER: 6.d
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION:
  1. Upgrade the two Manager III Positions to Manager IV
  2. Request the County Board of Supervisors to Approve and Amend the Salary and Position Allocation Resolution to reflect the upgrade of position's 00010843 and 00010847 effective the first full pay period following July 1, 2015.
- V. ANALYSIS: In October of 2014, staff presented the 10-year strategic realignment plan. Part of that plan included the idea of upgrading the Fiscal Services and Member & Employer Services Manager positions. Currently, these positions are classified as III and staff is recommending upgrading them to IV.

*County Distinction between a Manager III and a Manager IV*

The County puts out a document called "Leadership & Business Core Competencies" which distinguishes differences between the Manager III and Manager IV positions. The main tenet is that the IV is held to a higher standard of responsibility, direction and commitment to the Organization. For example, taking ownership, responsibility and accountability for the development and implementation of core competencies or Organizational direction is the general distinction between a III and a IV. More specifically, the following matrix shows what the County believes to be differences in the positions when discussing things such as programs, policies and strategic vision:

<u>Competency/Task</u>	<u>Manager IV</u>	<u>Manager III</u>
Programs	Creates and Implements	Administers
Policies	Develops	Promotes
Strategic Planning	Guides Development	Participates in Development

Currently, both MGR III positions function at and are held to the higher level of responsibility, direction and commitment as defined in the County's document.

*Internal Justification for Upgrading the Positions*

- *Level of Responsibility* – System growth will inevitably be accompanied by higher levels of responsibility. The ability to efficiently deliver member and employer services and maintain customer service levels are currently taxing our processes. As staff size, processes and technology grows, so too will the responsibility of upper level management. The ability to mentor and impart knowledge to rank and file staff

has also become increasingly important to upper level management and is paramount in succession planning.

- *Retirement System Complexity/Sophistication* – The ability to effectively, efficiently and intelligibly administer retirement benefits has become increasingly complex and will continue to do so. Understanding and administering today's pension systems require an understanding of pension law, technology, customer service delivery, effective pension governance and effective communication skills. The ability to manage sophisticated projects is also a must. These skills are not innate. It is essential that time be spent acquiring and honing those skills. Besides learning on the job, proper pension skill sets come from regular and intense education and being heavily involved with peers within the industry.
- *Organizational Structure* – The Organization continues to maintain a “vertical” org structure. While StanCERA continues to grow, it will still be some time before the organization starts to “flatten” out. Until that time, more clearly defined functional areas and roles will continue to be added onto and fall under the domain of these two positions.
- *Enhanced Governance and Compliance* - Governance and compliance issues have become extremely critical to the Organization. This was made evident during the completion of the 3-year strategic plan. State pension legislation and IRS regulations are in a constant state of flux and at times are difficult to understand and even harder to implement.
- *System Growth* – The System is projected to double in size every 12-13 years. Assets under management are expected to top \$3 billion in 9 years. Retiree counts are expected to reach 5,600 in just 9 years. As a result, management workloads continue to increase.
- *Continuity of Operations and Future Recruiting* – A very compelling reason for upgrading the positions is recruitment. As mentioned earlier, pension system administration has become increasingly complex. The ability to understand and manage today's pension systems requires a high degree of technical and legal understanding and contemporary knowledge of pension principles. The ability to acquire this level of understanding takes years to achieve. Learning curves are dramatically steep when it comes to administering governmental defined benefit plans. At some point in the near future, these positions will need to be recruited. At that time, it is likely that ideal candidates will come from other systems outside the area. The ability to attract properly qualified candidates that can step into these roles and perform quickly at a high level correlates strongly with the classification of the position and salary level.

#### *System Position Comparison*

With respect to the position, it is extremely difficult to compare systems due to differences in classifications and organizational structure. However, staff looked at the ranges in salaries for comparable positions across several systems whose assets range between \$700 million and \$2.5 billion. Salaries for similar positions range between \$74,000 and \$110,000. Currently, the County's Manager III range is \$64,500 to \$96,800 and the Manager IV range is \$73,000 to \$109,000.

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: There is no additional impact to the 2015-2016 budget



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Rick Santos, Executive Director



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Kathy Herman, Fiscal Services Manager



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Dawn Lea, Member and Employer Services Manager



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**For the Board of Retirement meeting  
Held on June 10, 2015**

TO: The Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: Fiscal Year 2015-2016 Administrative Budget
- II. ITEM NUMBER: 6.e
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Accept the Recommended Fiscal Year 2015-2016 Administrative Budget with the addition of one Investment Analyst position and one Communications Specialist position
- V. ANALYSIS: Please find attached the Fiscal Year 2015-2016 budget figures.

**Review of the Current Year's Administrative Budget and Expenditures**

In Fiscal Year 2014-2015 the total estimated expenditures of \$2,275,600 fell below the budget approved by the Board of Retirement. However, individual line items have or are expected to exceed it. Legal fees, in particular were much higher than anticipated, due to litigation expenses, as well as the increased services provided for disability case administration and review. With the downturn in the market staff training was minimized for several years. Staff turnover, cross training and mandatory continued education continue to push up education costs. Salaries and benefits are also expected to exceed the projected amount, due to the health care rate increase in January and salary expenses attributed to the additional staff needed for the member audit project.

**Fiscal Year 2015-2016 Budget Limitation**

Government Code section 31580.2 within the 1937 Act allows for expenditures of administrative services (other than software, hardware and computer technology consulting services) to be the greater of 0.21% of the accrued actuarial liability or \$2,000,000. The accrued actuarial liability of StanCERA as of the June 30, 2014 actuarial valuation was \$2,026,371,000 of which 0.21% (\$4,255,379) is available for administrative expenses. We have shown the costs related to the I.T. Coordinator, computer technology software, hardware and consulting services separately in this budget. "Budget Code Section 31580.2 (2) (b)" column in **Attachment I**.

**Fiscal Year 2015-2016 Administrative Budget Request**

A total of \$2,725,855 is requested for all administrative expenses in Fiscal Year 2015-2016 including the \$111,700 related to the I.T. Coordinator and general computer technology as well as 9 months' salary and benefits for an Investment Analyst and a Communications Specialist. With the Board's approval of the addition of both requested positions, the total of administrative expenses (excluding computer technology) of \$2,614,155 is 0.13% of the accrued actuarial liability as of June 30, 2014, well below the 0.21% legal limit. The 6<sup>th</sup> Floor lease revenue continues to offset 6<sup>th</sup> floor expenses.

## ANALYSIS CONT.

### **Salaries & Benefits**

Total estimated budget for **Salaries and Benefits** is \$1,491,047. Salaries include eleven full-time staff, nine months funding for the new positions, contract wages for temporary staff used for back fill on projects; and one part-time extra help staff who continues to work on a variety of projects 20 hours per week. Benefits include employer retirement contributions, medical, dental and vision care, as well as workers comp and other negotiated and required taxes and fees. Due to County negotiated labor agreements, all furlough reductions will end in July 2015. Excluded for all staff is bonuses, professional development and other items relating to compensation that are in line with Stanislaus County personnel policies. See **Attachment II** for the proposed organizational chart.

Retirement and health care cost continue to rise. Health care is particularly dependent upon individual staff selections. If a staff member selects to use County health care coverage for a family of three or more, the budgeted amount is \$22,045. Since staff does have some flexibility, the overall cost to the department can vary throughout the year.

### **Technology**

We are budgeting \$16,000 for **Computer Software Equipment and Support**, which is in line with last year, to cover basic equipment needs and emergencies. Fortunately, the Information Technology support needed for Fiscal Year 2014-2015 was minimal. The contractual costs for annual maintenance \$46,000, and disaster recovery \$12,250 with Tyler Technologies for our pension system are included. The Tyler maintenance contract is based on a percentage of the original implementation cost and has been extended for two years. In order to keep equipment somewhat current, \$6,000 is budgeted each year for the replacement of personal computers or other computer equipment and supplies. The website budget of \$2,400 is based on a bare bones structure and allows room for required upgrades. As part of the overall Information Technology project the pension software and website will be redesigned. These projects will be brought to the Board at a later date and, if approved, the budget will be amended.

### **Legal Counsel & Services**

StanCERA contracts with multiple firms for legal counsel. Only one firm is on retainer. The estimated cost for **Legal Counsel** includes \$130,000 for Disability Counsel, \$100,000 to continue to respond to the O'Neal vs StanCERA appeal, \$75,000 for General Legal Counsel based on current year expenditure levels, \$20,000 to continue the Nasrawi vs StanCERA lawsuit, and another \$150,000 for the StanCERA vs Buck lawsuit. The General Counsel budget can include expenses from multiple law firms depending on the subject matter.

**Medical Exams, Reviews, and Hearing** costs related to the processing of disability retirement applications (medical exams, hearing costs, etc.) are budgeted at \$30,000 for the year. Fortunately, none of the cases reviewed during the previous year became so complicated to require the use of these funds.

## ANALYSIS CONT.

### **StanCERA / Stanislaus County Service Agreements**

StanCERA has multiple service agreements in place with Stanislaus County for internal operating services. The Strategic Business Technology (**SBT**) budgeted amount, \$29,800, is provided by the County Information Technology department for services, such as network access, email, server maintenance, security and phones. The amount provided for Fiscal Year 2015-2016 is within a reasonable range of costs at this time.

The GSA – Central Services Division is responsible for acquiring goods and services, negotiating contracts, leasing property and equipment, providing consultation on procurement needs and contract facilitation to County departments, in addition to the sale and/or disposal of surplus County property, mailroom messenger, and salvage services. As an Internal Service Fund, the costs of these services are based on the level of service provided. GSA estimates StanCERA's **Central Services and Mail Room** cost to be \$43,000 for Fiscal Year 2015-2016. Since StanCERA still regularly uses the U.S. Postal Service, the bulk of this expense is postage.

**The 12<sup>th</sup> Street** projections along with other administrative services provided by the County are budgeted at \$111,700. This includes common area expenses for janitorial, and StanCERA's portion of maintenance, utilities and security. It also includes projected administrative functions by CEO/Personnel, Auditor, Purchasing, Risk Management, and a true-up process for capital expenses from the previous year. The true-up amount can fluctuate considerably from positive to negative each year.

### **Communication & Education**

We have budgeted for **Communications and Printing** a total of \$34,000 which includes the Comprehensive Annual Financial Report, Popular Annual Financial Report, semi-annual member statements, two elections, and printing and distribution of StanCERA's newsletter via U.S. Postal services to active members (employees). Payroll distribution is no longer available.

**Publications** include mostly the Wall Street Journal (WSJ) subscriptions but can also include SACRS materials such as 1937 Act law manuals or other publications. A budgeted amount of \$6,000 is in line with this fiscal year's estimated expenditures.

Trustee and **Staff Education** continue to be a priority. With StanCERA's needs for education in investment, tax, actuarial and the benefits arenas, maintaining this budget allows for Board Trustees and staff to receive appropriate training and is in line with the Retirement Board's Strategic Plan goal to keep current and up to date. \$25,000 continues to be set aside for staff education and associated travel expenses.

The costs of **Memberships** (SACRS, CALAPRS and NCPERS) seem to have leveled out and the budgeted amount of \$11,000 reflects the estimated expenditures for Fiscal Year 2014-2015 and projected increases for Fiscal Year 2015-2016. Membership in these organizations continues to provide high quality education and access to pension and investment information to Board Trustees and staff.

## ANALYSIS CONT.

### **General Operations**

Often during any fiscal year, legislation changes or a Board request will produce a need for professional services not provided by staff. The budgeted amount for **Other Professional Services** of \$40,000 is set aside to cover the cost of professional service providers not associated with investments.

The \$10,000 amount budgeted for **Office Supplies** are in line with this years estimated expenditures.

**Copier Expenses** of \$15,000 are being budgeted separately. This includes leases, maintenance and supplies. It's important to note that StanCERA does not pre-order letter head, specialized forms, member statements or retiree payroll notices. These items are printed in-house as needed.

The **Other Office Expense** budgeted at \$16,000 for Fiscal Year 2015-2016 includes document storage expenses as well as other items needed for securing critically important historical documents, confidential shredding, alarm services, and other ongoing services that are periodically used to complete special projects. This budget is also set aside to accommodate unexpected ergonomic needs, safety expenses, furniture needs, etc.

The **6<sup>th</sup> Floor** budget of \$52,000 includes the costs of regular janitorial services provided by an outside provider, the additional cost for cleaning and/or replacing flooring, window cleaning, some painting, as well as any cost due to the lease of the vacant space. This budget item will be offset by the estimated lease revenue of \$52,343.

### **Fiduciary / Trustee**

The Board of Retirement consists of nine members and one alternate. Continuing education for Board of Retirement Trustees is required by law. \$45,000 has been set aside to accommodate **Fiduciary Education**. Appointed and retired members of the Board receive a stipend per meeting. The **Meeting Allowance** budget is set at \$13,000 for Fiscal Year 2015-2016 to reflect the estimated costs for this fiscal year with some allowance for additional special meetings.

The \$80,000 budgeted for **Insurance** includes the estimated cost of Automobile Liability, General Liability and Fiduciary insurances in Fiscal Year 2015-2016. The Fiduciary Insurance annual coverage cost is expected to increase. It will be based on the 6/30/2014 fund balance and past experience. In addition staff is reviewing other vulnerabilities to the system that might be well served by further coverage.

### **Capital Expenditures**

The budgeted **Depreciation** of \$174,000 includes the Tyler computer software, 12th Street offices, tenant improvements, furniture, phone systems, audio system, and security monitoring systems.

We have not budgeted funds for **Capital Expenditures** in Fiscal Year 2015-2016. StanCERA is currently in a request for proposal (RFP) process to engage an Information Technology Consultant. Until this process is completed it is not possible to assume a cost estimate for Pension Software or other major software purchases. In addition, staff has received a formal request to research requirements and the cost for completing the final vacant space on the 6<sup>th</sup>



floor. If the Board approves moving forward with the build out of the vacant space the budget will need to be amended at that time.

### **Non- Administrative Expenses**

Section 31596.1 of the CERL states: the following expenses shall not be considered a cost of administration to the retirement system, but shall be considered as a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the Board. These expenses are reported in the Audited financial statements presented to the Board of Retirement in the Comprehensive Annual Financial Report.

- Actuarial Fees
- Investment Consultant Fees
- Attorney Fees –directly related to an investment
- Investment Manager Fees
- Custodial Bank Fees

VI. RISK: Government Code section 31580.2 allows for expenditures for administrative services (other than software, hardware and computer technology consulting services) to be the greater of 0.21% of the accrued actuarial liability or \$2,000,000. In Fiscal Year 2015-2016, we continue to exercise prudence in budgeting administrative expenses and are submitting a budget which is only 0.13% of the accrued actuarial liability and well below the allotted legal amount.

VII. STRATEGIC PLAN: 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: Overall, the requested budget for Fiscal Year 2015-2016 is increasing by \$276,622. This is primarily due to the addition of two staff members, the rising cost of insurance, reduction of furloughs for all staff, and litigation fees.



Rick Santos, Executive Director



Kathy Herman, Fiscal Services Manager



STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION FISCAL YEAR 2015-2016 ADMINISTRATIVE BUDGET					
DESCRIPTION	Approved FY 14/15 Budget Including I.T.	FY 14/15 Estimated Expenditures	Fiscal Year 2015-2016 Administrative Budget	CODE SECTION 31580.2(2)(b) (Technology)	Fiscal Year 2015-2016 Budget Request
<b>Salaries &amp; Benefits</b>					
Salaries	782,000	763,234	845,000		845,000
Employee Benefits	330,000	317,855	349,000		349,000
I.T. Specialist - Salary & Benefits	88,726	89,722		95,700	95,700
Contract Wages		31,696	30,000		30,000
<i>Investment Analyst (9 months at mid range)</i>			<i>96,894</i>		<i>96,894</i>
<i>Communications Specialist (9 months at mid range)</i>			<i>74,453</i>		<i>74,453</i>
<b>SALARIES &amp; BENEFITS TOTAL</b>	<b>1,200,726</b>	<b>1,202,507</b>	<b>1,395,347</b>	<b>95,700</b>	<b>1,491,047</b>
<b>TECHNOLOGY</b>					
Tyler Software Maint	74,000	44,058	46,000		46,000
Tyler Dysaster Maint	12,250	11,167	12,250		12,250
StanCERA Website	2,400	220	2,400		2,400
Software & Support and Service	10,000	2,225		10,000	10,000
Equipment and Computer Supplies	6,000	5,854		6,000	6,000
<b>Legal Counsel &amp; Services</b>					
Legal Counsel - Disability	100,000	100,595	130,000		130,000
Legal Counsel - O'Neal vs StanCERA	110,000	175,911	100,000		100,000
Legal Counsel - General	90,000	66,127	75,000		75,000
Legal Counsel - Nasrawi vs Stancera	50,000	21,411	20,000		20,000
Legal Counsel - StanCERA vs Buck	75,000	113,168	150,000		150,000
Medical Exams, Reviews, Hearings	30,000	10,824	30,000		30,000
<b>STANCERA / COUNTY SERVICE AGREEMENTS</b>					
SBT - Data Processing Services	23,500	23,999	24,500		24,500
SBT - Telecommunications	5,200	4,920	5,300		5,300
Central Services, Mail Room, Salvage	37,500	39,134	43,000		43,000
12th Street Janitorial	1,200	669	1,200		1,200
12th Street Maintenance	48,000	15,572	25,000		25,000
12th Street Utilities	38,500	34,596	39,500		39,500
12th Street Security	24,500	17,027	24,500		24,500
CEO/Personnel (true up)	9,000	9,963	10,000		10,000
Auditor	9,000	6,972	9,000		9,000
Purchasing	1,000	513	1,000		1,000
Risk Management	1,500	1,372	1,500		1,500
<b>COMMUNICATION &amp; EDUCATION</b>					
Communications & Printing	32,000	29,284	34,000		34,000
Publications	2,800	5,964	6,000		6,000
Staff Education & Training	25,000	30,299	25,000		25,000
Memberships	11,000	9,066	11,000		11,000
Contract Services	10,000	10,000	0		-
<b>GENERAL OPERATIONS</b>					
Other Professional Services	40,000	2,156	40,000		40,000
Office Supplies	10,000	7,231	10,000		10,000
Copier Expenses	20,000	13,650	15,000		15,000
Other Office Expense	16,000	5,263	16,000		16,000
6th Floor Security	2,000	243	2,000		2,000
6th Floor Janitorial & Supplies	23,500	18,303	20,000		20,000
6th Floor Maint	10,000	1,550	30,000		30,000
<b>FIDUCIARY / TRUSTEE</b>					
Fiduciary Education	50,000	34,695	45,000		45,000
Fiduciary Meeting Allowance	16,000	9,720	13,000		13,000
Insurance	75,000	70,000	80,000		80,000
<b>SERVICES &amp; SUPP. TOTAL</b>	<b>1,101,850</b>	<b>953,721</b>	<b>1,097,150</b>	<b>16,000</b>	<b>1,113,150</b>
<b>CAPITAL EXPENDITURES</b>					
Audio Visual Equipment	25,000	0			0
<i>* Information Technology Road Map &amp; Pension Software Specification Development *Board Room Design and Build Out</i>			TBD TBD		
<b>CAPITAL EXPENDITURES TOTAL</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Depreciation	174,000	171,715	174,000		174,000
6th Floor Lease Revenue	(52,343)	(52,343)	(52,343)		(52,343)
<b>TOTAL BUDGET</b>	<b>2,449,233</b>	<b>2,275,600</b>	<b>2,614,155</b>	<b>111,700</b>	<b>2,725,855</b>
<b>TOTAL CASH OUT-FLOW (excludes depreciation)</b>	<b>2,275,233</b>	<b>2,095,462</b>	<b>2,440,155</b>	<b>111,700</b>	<b>2,551,855</b>
<b>PERCENTAGE OF MAXIMUM MAXIMUM ALLOWABLE = BASED ON 0.21% (.0021 or 21 bp) OF ACTUARIAL ACCRUED LIABILITY</b>	<b>61% 4,030,377 1,919,227,000</b>	<b>56%</b>	<b>61% 4,255,379 2,026,371,000</b>	<b>N/A</b>	
<b>Valuation Year</b>	<b>6/30/13</b>		<b>06/30/14</b>		
<b>ACTUAL BASIS POINTS</b>	<b>0.12%</b>	<b>0.11%</b>	<b>0.13%</b>		

**PROPOSED ORGANIZATIONAL CHART**

Effective Fiscal Year 2015-2016

