



Stanislaus County Employees' Retirement Association

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

AGENDA

BOARD OF RETIREMENT

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

July 23, 2019
1:30 p.m.

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

CONSENT/ACTION ITEMS: Consent matters include routine administrative actions and are identified under the Consent Items heading. All other items are considered to be action items "Action" means that the Board may dispose of any item by any action, including but not limited to the following acts: approve, disapprove, authorize, modify, defer, table, take no action, or receive and file.

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/VIDEO: All Board of Retirement regular meetings are audio and visually recorded. Audio/Video recordings of the meetings are available after the meetings at <http://www.stancera.org/agenda>.

NOTICE REGARDING NON-ENGLISH SPEAKERS: Board of Retirement meetings are conducted in English and translation to other languages is not provided. Please make arrangements for an interpreter if necessary.

REASONABLE ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary at (209) 525-6393. Notification 72 hours prior to the meeting will enable StanCERA to make reasonable arrangements to ensure accessibility to this meeting.

1. Call Meeting to Order
2. Pledge of Allegiance
3. Roll Call
4. Announcements
5. Public Comment
6. Consent Items
 - a. Approval of the June 25, 2019 Meeting Minutes [View](#)
 - b. Monthly Staff Report [View](#)
 - c. Applications for Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**
 1. Black, John – City of Ceres – Effective 07-05-19 *
 2. De Gette Jr., Richard – BHRS – Effective 07-06-19
 3. Douglass, Lloyd – ESMAD – Effective 07-01-19
 4. Fisher, Ryan – Sheriff – Effective 07-06-19 *
 5. Freudenthal, Margaret – Stan Reg 911 – Effective 06-30-19
 6. Gordon, James – Sheriff – Effective 07-27-19 *
 7. Jones, Glenn – Sheriff – Effective 07-09-19 *
 8. Koury Jr., Alfred – Salida Sanitary – Effective 07-02-19
 9. Ledesma-Rivera, Debora – Effective 06-29-19 - Planning

c. Applications for Service Retirement(s) (Cont.) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**

10. McCormack, William – HSA – Effective 07-20-19
11. Murphy, April – Auditor/Controller – Effective 07-20-19
12. Napper, Gary – City of Ceres – 07-27-19
13. Rogers-Disch, Marci – Probation – Effective 07-06-19 *
14. Shockley, Aron – Probation – Effective 07-20-19 *
15. Werb, Pamela – CSA – Effective 07-20-19

** Indicates Safety Personnel*

d. Applications for Deferred Retirement(s) – **Government Code Section 31700**

1. Halcon, Christina – CSA – Effective 04-08-19
2. Knight, Deanna – Auditor Controller – Effective 05-31-19
3. Powers, Andrew – Probation – Effective 06-05-19 *

** Indicates Safety Personnel*

e. Conference Summaries [View](#)

f. Legislative/Legal Update [View](#)

g. StanCERA Complaint Log of April 1 – June 30, 2019
Agenda Item [View](#)

h. Executive Director Goals Update Quarter 2 2019
Agenda Item [View](#) Attachment 1 [View](#)

7. Verus – Investment Consultant

a. June Flash Report [View](#)

8. Investment

a. Liquidity Shortfall Reconciliation Fiscal Year 2018-2019
Agenda Item [View](#) Attachment 1 [View](#)

9. Administrative

a. Information Technology Solutions (ITS) Project Update [View](#)

b. Ad Hoc Committee for General Legal Counsel RFP [View](#)

10. 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:
Stanislaus County Employees' Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

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

12. Adjournment



BOARD OF RETIREMENT MINUTES

June 25, 2019

1. Call Meeting to Order

Meeting called to order 1:30 p.m. by Trustee DeMartini, Chair

2. Roll Call

Trustees Present: Jim DeMartini, Jeff Grover and Michael O'Neal,
Darin Gharat Donna Riley, Mike Lynch,
Mandip Dhillon and Jeff Mangar

Trustees Absent: Sam Sharpe,

Alternate Trustee: Rhonda Biesemeier, Alternate Retiree Representative

Staff Present: Rick Santos, Executive Director
Natalie Elliott, Fiscal Services Manager
Lisa Frazer, Member and Employer Services Manager
Stan Conwell, Retirement Investment Officer
Kellie Gomes, Executive Board Assistant

Others Present: Fred Silva, General Legal Counsel
Ed Hoffman, VERUS-Investment Consultant

3. Announcements

Natalie Davis explained the technical difficulties with the new audio/video system and announced we will not be able to use the Video recording for this meeting.

4. Public Comment

None

5. Consent Items

a. Approval of the May 28, 2019 Meeting Minutes [View](#)

b. Monthly Staff Report [View](#)

c. Applications for Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**

1. Blosser, Rhonda – Superior Court – Effective 06-08-19
2. Bolden, Janice – CSA – Effective 06-12-19
3. Donnell, Denise – DER – Effective 05-31-19
4. Ethier, Ramona – CSA – Effective 03-16-19
5. Lopez, Mary – CSA – Effective 06-22-19
6. Macklin, Annette – BHRS – Effective 06-08-19
7. McKinney, Carla – CSA – Effective 06-08-19
8. Nunez, Susan – HSA – Effective 06-22-19
9. Rivera, Edwin – BHRS – Effective 05-11-19

c. Applications for Service Retirement(s) (Cont.) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**

10. Sabala, Maria – CSA – Effective 03-28-19
11. Santiago, Janice – CSA – 06-22-19
12. Schoonover, Terri – HSA – Effective 06-14-18
13. Surti, Kalpana – Clerk Recorder – Effective 06-22-19
14. Thatcher, Kevin – Public Works – Effective 06-21-19

** Indicates Safety Personnel*

d. Applications for Deferred Retirement(s) – **Government Code Section 31700**

1. Castaneda, Olga – Library – Effective 04-26-19
2. Colacito, Anthony – DA – Effective 05-06-19
3. Cuellar, Marissa – Probation – Effective 03-01-19 *
4. Darnell, Jeffrey – DA – Effective 05-10-19
5. Douglass, Scotty – Stan Reg 911 – Effective 01-04-19
6. Karimi, Michael – DA – Effective 03-01-19
7. Miles, Marquita – Treasurer/Tax Coll – Effective 06-21-18
8. Roland, Tracy – DA – Effective 05-03-19
9. Villasenor, Erika – CSA – Effective 05-24-19
10. Wells, Kyle – Probation – Effective 05-10-19 *

** Indicates Safety Personnel*

e. Application for Death Benefit – **Government Code Section 31781, 31781.1, 31781.3**

1. Strickland, Shirley – Community Services Agency – Non-Service Connected – Effective 06-05-19 – Active Member

f. Conference Summaries

g. Legislative/Legal

Motion was made by Trustee Gharat seconded by Trustee Dhillon accept the consent items as presented.

Motion carried unanimously

6. Verus – Investment Consultant

a. May Flash Report

7. Investment

a. Value Added, Investment Fee Summary and Cash Flow Reports

b. Auxiliary AB 2833 investment Report March 31, 2019

c. 2019 Due Diligence Report

8. Administrative

- a. Information Technology Solutions (ITS) Project Update [View](#)
- b. Ad Hoc Committee for StanCERA Logo [View](#)

Motion was made by Trustee Gharat seconded by Trustee Riley to accept the consent items as presented.

Motion carried unanimously

9. Closed Session

The Board did not go into closed session.

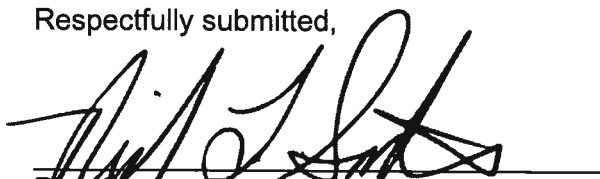
- a. Conference with Legal Counsel to consider purchase or sale of a specific pension fund investment:
Government Code Section 54956.81
- b. Conference with Legal Counsel – Pending Litigation – One Case:
O'Neal et al v. Stanislaus County Employees' Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- c. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees' Retirement Association v. Buck Consultants, LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9d)(4)

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


11. Adjournment

Meeting adjourned at 2:29 p.m.

Respectfully submitted,


Rick Santos, Executive Director

APPROVED AS TO FORM:
Fred Silva, GENERAL LEGAL COUNSEL

By: 
Fred Silva, General Legal Counsel



July 23, 2019

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Monthly Staff Report

II. ITEM NUMBER: 6.b

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS:

a) *Member & Employer Services* — During the month of June, Member and Employer Services Staff processed 43 new hires (40 General, 3 Safety) and 11 terminations. 6 estimate requests were prepared (generating 15 estimate calculations) and 5 buy-back requests were prepared, resulting in 12 contracts. 30 individual counseling sessions were held over the course of the month, along with one New Employee Orientation Presentation for the County. Enrollment opened on July 2, 2019, for the Pre-Retirement Seminar, and as of Friday, July 12, 2019 registration was full.

b) *Investment Governance and Compliance* – In June, staff attended the annual Institutional Limited Partners Association (ILPA) conference in Chicago. The conference has a strong educational and collaborative focus and is the largest gathering of LPs in country. Active involvement with ILPA should prove to be a great resource for staff going forward. The annual FFP funding process and the legal due diligence for a couple potential private market investments continued during the month. As discussed at the prior Board meeting, the due diligence committee completed satisfactory onsite visits with three investment managers. Staff also met with representatives from LSV at StanCERA for a portfolio update on the LSV International Value fund.

Below is the monthly money transfer report:

From		To		Amount
<u>Manager</u>	<u>Class</u>	<u>Manager</u>	<u>Class</u>	

For the month of June there were no transfers to report.

Fiscal Services – Employer and employee contributions totaling \$9,146,951 were received through 16 different payroll batches and 7 service purchases in June. 15 contribution refunds and death benefit payouts totaling \$191,749 were processed. The retiree payroll for June totaled \$11,162,318 and was processed as scheduled.

Staff continues to partner with Member Services in defining the business rules for the new pension software. Tegrit has started to put together some workflows in the new system and staff is testing the new hire and termination workflows. The retirement payroll process has started and business rules for refunds and death benefits was reviewed.

- 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



Lisa Frazer, Member and Employer Services Manager



Natalie Davis, Fiscal Services Manager



Stan Conwell, Retirement Investment Officer



Rick Santos, Executive Director

Trustee Conference Summaries

July 23, 2019

Item 6.e

Conference Summary

Attendee Name: Darin S. Gharat

Event Name: CALAPRS General Assembly 2019

Event Date: March 2-5, 2019

Event Location: Monterey, CA

Describe what was good about the event:

There was a good panel discussion on implementing a pension software system. Panel members stated your number one goal should be to provide better service. Project should look at goals vs. costs. The project team should be staff oriented. Systems should develop an Ad-Hoc committee comprised of staff and trustees. Vendors should be onsite

Frank Diana, a Futurist, gave an interesting presentation on what we might all see in the future. Diana talked about the future being a convergence of science and technology. An interesting point was made about future labor. Diana pointed out the problems communities will have with a robotic dominated workforce, from the stand point of a lack of spending in the communities and taxation.

Another panel discussion was about organizational process review, "LEAN-SIX SIGMA." The intent is to review an organization with the goal adding value for the customer first. The second tier is to add value for the business. Many large pension systems have or in the process of doing this.

Would you recommend this event to other trustees/staff: Yes

Number of Education Credits:

Conference Summary

Attendee Name: Darin S. Gharat

Event Name: SACRS 2019 Spring Conference

Event Date: May 7-10, 2019

Event Location: Squaw Valley, CA

Describe what was good about the event:

The presentation on China was well attended and a very well done presentation. I believe this demonstrates that SACRS is trying to present relevant topics to the attendees.

Ed Hoffman's presentation on Enterprise Risk facing California Pensions was well done. I look forward to Verus bringing this discussion back to our full board.

General Wesley Clarks' presentation, "Five Challenges and a Cry for Help" was an interesting discussion. The General is certainly well studied, although I think it focused too much on the political and not on the investment universe.

The update on current pension cases working their way through the courts was well done. I always enjoy the presenters point of view on how they think the jurists will decide these cases.

Would you recommend this event to other trustees/staff: Yes

Number of Education Credits: 9 units



Conference Summary

1. **Attendee Name:** Jeff Grover

2. **Event Name:** 2019 Pension Bridge

3. **Event Date:** April 9-10, 2019

4. **Event Location:** San Francisco

5. **Describe what was good about the event:**

- GOOD LOCATION
- STAYED ON SCHEDULE
- BLG NAMES FROM THE INDUSTRY

6. **Would you recommend this event to other trustees/staff:**

- NOT REALLY, NOT A LOT OF USEFUL CONTENT
- INORDINATE AMOUNT OF INTEREST & EMPHASIS ON SOCIAL + ENVIRONMENTAL INVESTING

7. **Number of Education Credits:** 14 hours



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July 23, 2019

Retirement Board Agenda Item

TO: Retirement Board

FROM: Lisa Frazer, Member and Employer Services Manager

I. SUBJECT: Legislation Update

II. ITEM NUMBER: 6.f.

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS:

UPDATE: Signed by Governor Newsom on July 12, 2019

Assembly Bill 672, Cervantes. Adds Section 21233 to Government Code

This bill, as written, applies to Public Employees' Retirement Law (PERL), prohibits a person who has retired for disability, from being re-employed by any employer without reinstatement from retirement if the position includes the same duties the person was prohibited from performing at the time of retirement.

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

Lisa Frazer, Member and Employer Services Manager

Rick Santos, Executive Director



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July 23, 2019

Retirement Board Agenda Item

TO: Retirement Board

FROM: Alaine Taa, Administrative Assistant

I. SUBJECT: StanCERA Complaint Log

II. ITEM NUMBER: 6.g

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS:

There were no complaints between April 1 and June 30, 2019. Staff keeps a tally of duplicate complaints to better gauge the extent of any problems. A summary of these complaints follows:

Quarter 2 – 2019

NUMBER OF COMPLAINTS	CALLER STATUS	NATURE OF COMPLAINT
0	Retiree	None
0	Active	None

Quarter 1 - 2019

NUMBER OF COMPLAINTS	CALLER STATUS	NATURE OF COMPLAINT
2	Retiree	1 Retiree complaint about their Social Security number being printed on their 1099R form 1 Retiree complaint about their Social Security number showing on their notice of Direct Deposit from their bank
0	Active	None

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


Alaine Taa, Administrative Assistant


Natalie Davis, Fiscal Services Manager



July 23, 2019

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: 2019 Executive Director Goals Update - Quarter 2
- II. ITEM NUMBER: 6.h
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: This is the Quarter 2 Executive Director goals update for 2019 (Attachment 1). Completed progress and tasks for 2019 are denoted by the green bullet points and the quarter completion period is also noted for those items tied to the strategic plan. Staff's main focus this quarter has been on investment officer training, investment process documentation and development of work flow processes. Major tasks yet to be completed by the end of year include completing an RFP for General Counsel, internal policy revisions, new website design, and process implementation related to monitoring investment related data from managers (i.e. SOC/ADV and fiscal year end reports).
- 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

Rick Santos, Executive Director



Strategic Goals 2019

(Attachment 1)

General and/or Ongoing Items

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
 - Meetings with StanCERA plan sponsors focused on pension system implementation
 - Meetings to discuss general business with plan sponsors
2. Maintenance of StanCERA's asset allocation targets
 - StanCERA asset allocation within current targets
3. Continued progress on the System data clean-up project
 - Ongoing member file audit work (note: Staff has hired two additional part time employees to continue work on file audit and to learn and maintain StanCERA's imaging and scanning process).
4. Continued monitoring of StanCERA lawsuits
 - O'Neal resolution
5. Director Professional Development
 - CFA local economic outlook meeting
6. Facilitate RFP for General Legal Counsel
7. Oversee Information Technology Solutions Project
 - Maintain high level oversight with StanCERA staff, Tegrity staff and Linea consultants
8. Oversee and completion of day to day administrative functions
 - All normal administrative functions completed on time
 - Outstanding disabilities (as of 7/16/2019): 11
9. Completion of internal policy revisions
10. Complete hiring of MESS Manager, IT Specialist and Retirement Investment Officer
 - All items complete

Items Tied to the 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 Plan Objective #1: Action Plan with Deliverables

1. Implementation of Functionally Focused Portfolio Concept



- ✓ Training of new investment staff on FFP process and maintenance of reporting projection and process tools
 - Training ongoing in Quarter 2
- 2. Maintain awareness of the cash flow process
 - ✓ Creation and maintenance of a database specifically designed to house contribution and benefit data

Strategic Objective # 2

Develop efficient and effective processes for the evaluation, monitoring, and disposition of StanCERA's active managers

Strategic Plan Objective #2: Action Plan with Deliverables

1. Maintain and improve the comprehensive internal investment governance process
 - ✓ Train internal investment staff on general processes and procedures of the data collection process
 - Training complete on alternative data maintenance procedures (Quarter 1)
 - ✓ Enhance the fee reconciliation process for the alternative investments
 - Fee reconciliation process complete (Quarter 1)
 - ✓ Monitor IPS compliance
 - ✓ Creation of a policy regarding Organizational views on philosophy, monitoring and maintenance of investment manager thesis
 - Task complete (Quarter 1)
 - ✓ Monitor and analyze all documentation from investment managers including SOC/ADV reports, contract changes, quarterly and fiscal year end reports and MFN clauses
 - Contract changes monitored regularly (Quarter 1)
 - MFN Clauses monitored as needed (Quarter 1)
 - All quarterly reports monitored and reconciled (Quarter 2)
 - ✓ Research the Organization's capacity to effectively monitor manager trading costs



2. Maintain a comprehensive internal investment data repository
 - ✓ Develop written processes for downloading, storing and maintaining investment data
 - Written process for alternative data gathering and uploading complete (Quarter 1)

Strategic Objective # 3

Continue to foster an organizational culture that values and promotes team work, education, awareness, accountability, and achievement.

Strategic Plan Objective #3: Action Plan with Deliverables

1. Standardize communication and establish a formal peer-review process for internal and external documents and external communications.
 - ✓ Formalize StanCERA's peer review philosophy

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.

Strategic Plan Objective #4: Action Plan with Deliverables

1. Implementation of Electronic Member Filing Content Management System
 - ✓ Permanent EDMS solution developed (implementation to take place in 2020)
 - Solution developed and currently being populated and maintained (Late 2018 and Quarter 1)
 - Work flow processes currently being developed (Quarter 2)
2. Design and rollout of new StanCERA Website
 - ✓ Complete RFP process for a Web Designer
 - ✓ Contract with new vendor
 - ✓ Convert data to new website

Item 7.a

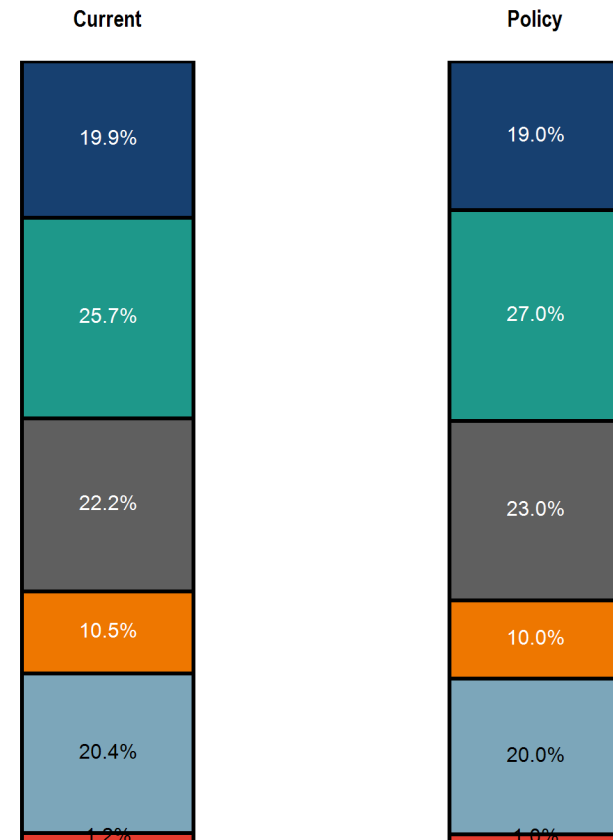
Total Fund

Flash Report (Net of Fees) - Preliminary

Period Ending: June 30, 2019

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Total Fund	2,188,867,259	100.0	3.8	10.8	5.0
<i>Policy Index</i>			4.0	10.5	5.9
US Equity	436,481,577	19.9	6.8	17.9	7.6
<i>US Equity Blended</i>			7.0	18.5	7.3
<i>Russell 3000</i>			7.0	18.7	9.0
Northern Trust Russell 3000	125,518,406	5.7	7.0	18.7	--
<i>Russell 3000</i>			7.0	18.7	--
BlackRock Russell 1000 Growth	126,125,814	5.8	6.9	21.5	11.6
<i>Russell 1000 Growth</i>			6.9	21.5	11.6
BlackRock Russell 1000 Value	28,601,000	1.3	7.2	16.3	8.6
<i>Russell 1000 Value</i>			7.2	16.2	8.5
Dodge & Cox-Equity	78,040,471	3.6	5.6	12.6	4.0
<i>Russell 1000 Value</i>			7.2	16.2	8.5
Capital Prospects	78,195,886	3.6	7.6	17.2	-5.7
<i>Russell 2000 Value</i>			6.4	13.5	-6.2
International Equity	562,956,327	25.7	5.9	12.9	-0.8
<i>MSCI ACWI ex USA Gross</i>			6.1	14.0	1.8
LSV Asset Mgt	275,362,843	12.6	6.1	10.6	-2.8
<i>MSCI ACWI ex USA Gross</i>			6.1	14.0	1.8
Fidelity	287,593,484	13.1	5.7	15.3	1.1
<i>MSCI ACWI ex USA Gross</i>			6.1	14.0	1.8
US Fixed Income	486,161,861	22.2	1.0	4.8	6.5
<i>BBgBarc US Aggregate TR</i>			1.3	6.1	7.9
Insight	234,079,318	10.7	1.3	5.7	7.2
<i>BBgBarc US Govt/Credit 1-5 Yr. TR</i>			0.8	3.6	5.3
DFA	189,619,916	8.7	0.7	3.7	5.4
<i>ICE BofAML 1-5 Yrs US Corp & Govt TR</i>			0.8	3.6	5.4
Northern Trust Intermediate Gov't Bond	45,938,526	2.1	0.8	4.0	6.2
<i>BBgBarc US Govt Int TR</i>			0.8	4.0	6.2
Northern Trust Long Term Gov't Bond	16,524,101	0.8	1.3	10.9	12.3
<i>BBgBarc US Govt Long TR</i>			1.3	10.9	12.3

	Current	%	Policy	%
Domestic Equity	\$436,481,577	19.9%	\$415,884,779	19.0%
International Equity	\$562,956,327	25.7%	\$590,994,160	27.0%
Domestic Fixed Income	\$486,161,861	22.2%	\$503,439,470	23.0%
Real Estate	\$230,219,483	10.5%	\$218,886,726	10.0%
Alternatives	\$446,359,799	20.4%	\$437,773,452	20.0%
Cash and Equivalents	\$26,688,213	1.2%	\$21,888,673	1.0%
Total	\$2,188,867,259	100.0%	\$2,188,867,259	100.0%



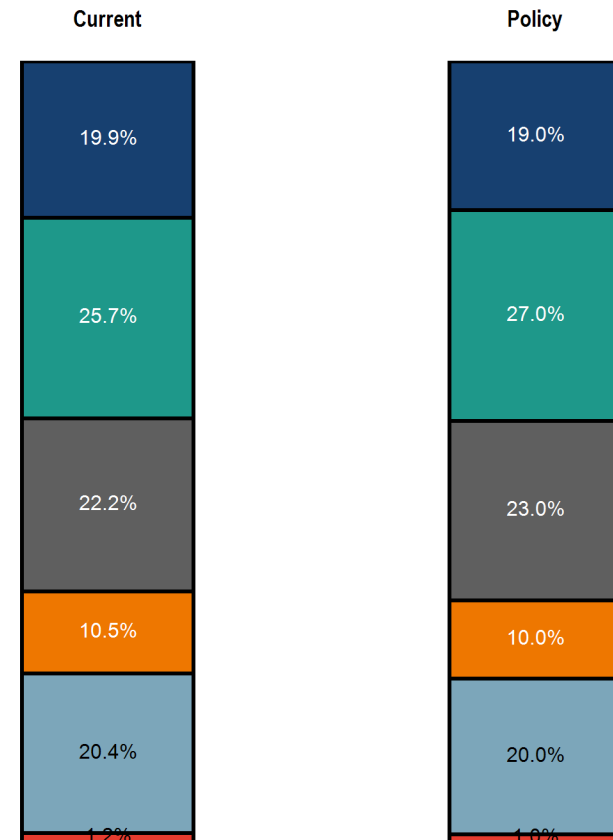
Policy Index (9/1/2018): 10% Russell 1000, 3% Russell 2000, 6% Russell 3000 + 3%, 27% MSCI ACWI ex-USA, 20% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 5% NCREIF Property, 5% NCREIF Property +2%, 1% CPI +5%, 6% S&P/LSTA Leveraged Loan Index + 2%, 13% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: June 30, 2019

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Real Estate	230,219,483	10.5	0.7	4.6	5.9
DJ US Select RESI			1.4	16.7	9.8
Prime Property Fund	57,246,950	2.6	1.8	3.1	7.2
NCREIF-ODCE			0.0	1.4	5.4
American Strategic Value Realty	50,861,221	2.3	0.0	2.3	6.0
NCREIF Property Index			0.0	1.8	4.9
BlackRock US Real Estate	37,095,763	1.7	1.4	16.6	9.7
DJ US Select RESI TR USD			1.4	16.7	9.8
Greenfield Gap VII	10,570,338	0.5			
Greenfield Gap VIII	19,128,244	0.9			
PGIM Real Estate US Debt Fund	55,316,967	2.5			
Private Credit	94,669,045	4.3			
Medley Capital	13,536,138	0.6			
Raven Capital	13,875,008	0.6			
Raven Opportunity III	41,847,510	1.9			
White Oak Pinnacle	25,410,389	1.2			
Risk Parity	309,627,033	14.1	5.2	16.5	9.3
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			4.8	12.0	6.1
AQR Global Risk Premium - EL	155,849,402	7.1	5.4	15.6	8.4
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			4.8	12.0	6.1
PanAgora Risk Parity Multi Asset	153,777,631	7.0	5.0	17.5	10.3
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			4.8	12.0	6.1
Infrastructure	42,063,721	1.9			
MS Infrastructure Partners II	42,063,721	1.9			
Cash Account	26,688,213	1.2	0.2	0.5	1.5

	Current	%	Policy	%
Domestic Equity	\$436,481,577	19.9%	\$415,884,779	19.0%
International Equity	\$562,956,327	25.7%	\$590,994,160	27.0%
Domestic Fixed Income	\$486,161,861	22.2%	\$503,439,470	23.0%
Real Estate	\$230,219,483	10.5%	\$218,886,726	10.0%
Alternatives	\$446,359,799	20.4%	\$437,773,452	20.0%
Cash and Equivalents	\$26,688,213	1.2%	\$21,888,673	1.0%
Total	\$2,188,867,259	100.0%	\$2,188,867,259	100.0%



Policy Index (9/1/2018): 10% Russell 1000, 3% Russell 2000, 6% Russell 3000 + 3%, 27% MSCI ACWI ex-USA, 20% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 5% NCREIF Property, 5% NCREIF Property +2%, 1% CPI +5%, 6% S&P/LSTA Leveraged Loan Index + 2%, 13% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. American Strategic Value Realty market value as of 3/31/2019. All data is preliminary.

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Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.



July 23, 2019

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

I. SUBJECT: Liquidity Shortfall Reconciliation Fiscal Year 2018-2019

II. ITEM NUMBER: 8.a.

III. ITEM TYPE: Information Only

IV. STAFF RECOMMENDATION: None

V. ANALYSIS: This item represents the reconciliation for StanCERA's liquidity portfolio. Currently, StanCERA's contributions are less than the benefits it pays plus expenses, thus it incurs benefit shortfalls. This portfolio is meant to insure or immunize the Organization's future benefit shortfalls.

In general, most pension systems use casual investment earnings plus asset sales to meet its shortfalls. This way of funding pension obligations is less efficient and risks having to sell assets in a depressed market. Instead, StanCERA has chosen to invest money in a portfolio of assets that produce cash flows each month equal to its benefit shortfalls.

This agenda item reconciles the program during the fiscal year, seeking to understand how well the portfolio did relative to meeting its shortfall obligations. It also shows how much value the manager added relative to a riskless benchmark. And finally, it analyzes how well staff performed in projecting benefits, expenses and contributions during the year.

VI. SHORTFALL PORTFOLIO SUMMARY: The following generalizes the performance of the liquidity portfolio during the fiscal year 2018-2019:

- Manager matched shortfall cashflows tightly (highly efficient)
- Manager added value by going out on the credit curve
- Manager created surplus relative to the shortfall liabilities
- Interest rates dropped between years
- Liabilities got more expensive; but assets increased in value
- Staff's payroll projection error was considerable due to an unrealized assumption

VII. RISK: None

VIII. STRATEGIC PLAN: Strategic Objective I; 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

IX. ADMINISTRATIVE BUDGET IMPACT: None

Rick Santos, Executive Director

LIQUIDITY SHORTFALL RECONCILIATION FOR FY 2018-2019

Item 8.a

Attachment I

PENSION CASH FLOW FUNDAMENTALS

- $\text{Benefits} + \text{Expenses} = \text{Contributions}$
- $\text{Benefits} + \text{Expenses} > \text{Contributions}$
- $\text{Benefits} + \text{Expenses} = \text{Contributions} + \text{Shortfall}$

LIQUIDITY SHORTFALL REVIEW

- StanCERA pays out more in benefits than contributions received
- Most pension plans sell assets when needed
- Risk selling assets in a depressed market
- Not an efficient way to manage pension liabilities

LIQUIDITY SHORTFALL REVIEW

- Benefits + Expenses – Contributions = Shortfall
- Staff attempts to match monthly benefit shortfalls with dedicated assets
- Staff projects the pieces and creates the “shortfall matrix”

<u>Benefits</u>	<u>Expenses</u>	<u>Contributions</u>	<u>Shortfall</u>	<u>Payment Date</u>
\$10,660,809	\$675,108	\$(8,785,598)	\$2,550,319	10/29/2018
\$10,687,018	\$523,936	\$(8,947,166)	\$2,263,788	11/28/2018
\$10,714,101	\$871,042	\$(8,679,042)	\$2,906,101	12/27/2018
\$10,741,183	\$536,651	\$(12,486,932)	\$0	1/29/2019

LIQUIDITY SHORTFALL REVIEW

- Manager (Insight) buys assets that pay off when shortfalls come due
- Manager deposits exact shortfall each month into StanCERA account
- Pay benefits and expenses with contributions and shortfall deposits
- Cash flows from assets are tied closely to shortfalls (timing & magnitude)

LIQUIDITY SHORTFALL RECONCILIATION

- Objectives
 - Evaluate the match between assets and shortfall liabilities
 - Reconcile changes to surplus/unfunded shortfall liability
 - Understand why shortfall liabilities changed
 - Evaluate manager value added
 - Evaluate asset and shortfall liability performance
 - Reconcile staff error

SHORTFALL BALANCE SHEET RECONCILIATION

	<u>Assets</u>	<u>Shortfall Liability</u>	<u>Unfunded/Surplus</u>
Value on 6/30/2018	\$219,045,755	\$218,874,294	\$171,461
Shortfall Payments (FY 18-19)	-28,391,889	-28,391,889	0
Interest Rate Change	5,599,051	5,611,398	-12,347
Yield Curve Roll Change	5,734,986	5,756,602	-21,615
Shortfall Error Year 1	-	<u>335,179</u>	-335,179
Manager Value Added	<u>3,976,277</u>	-	<u>3,976,277</u>
Value on 6/30/2019	\$205,964,181	-	
Expected Value on 6/30/2019	-	\$202,185,584	\$3,778,597

NEW SHORTFALL LIABILITY JUNE 30, 2019

	<u>Amount</u>
Expected Shortfall Liability (PY Years 2-7)	\$202,185,584
Less: Staff Error (PY Years 2-7)	<u>\$48,892,309</u>
Equals: CY Shortfall Liability Years 1-6	\$153,293,275
Plus: New Shortfall Years (CY Years 7-9)	<u>\$78,561,287</u>
Equals: New Shortfall Liability 6/30/2019	\$231,854,562

STAFF SHORTFALL ERROR (PY YEARS 2 – 7)

<u>Shortfall Error Type</u>	<u>Amount</u>	
a. Benefit Projection		\$(5,436,228)
b. Admin Expense Projection		(4,280,967)
Contribution Projection		
c. Lower Actuarial Rates	\$13,380,635	
d. Higher Projected Payroll	-73,917,007	
e. Interaction Effect	<u>1,926,868</u>	
f. Contribution Projection (c+d+e)		<u>\$(58,609,504)</u>
g. Total Staff Shortfall Error (a+b-f)		\$48,892,309

Benefit Payments + Expenses - Contributions = Shortfall

DURATION/PERFORMANCE MEASURES

	<u>Assets</u>	<u>Shortfall Liability</u>
Modified Duration	3.63	3.62
Total Return	6.93%	5.65%
Excess Return	1.28%	-

SUMMARY

- Manager matched shortfall cashflows tightly (highly efficient)
- Manager added value by going out on the credit curve
- Manager created surplus relative to the shortfall liabilities
- Interest rates dropped between years
 - Liabilities got more expensive; but assets increased in value
- Minimizing contribution error will add more value



PAS IMPLEMENTATION LINEA BI-WEEKLY STATUS UPDATE

Item 9.a

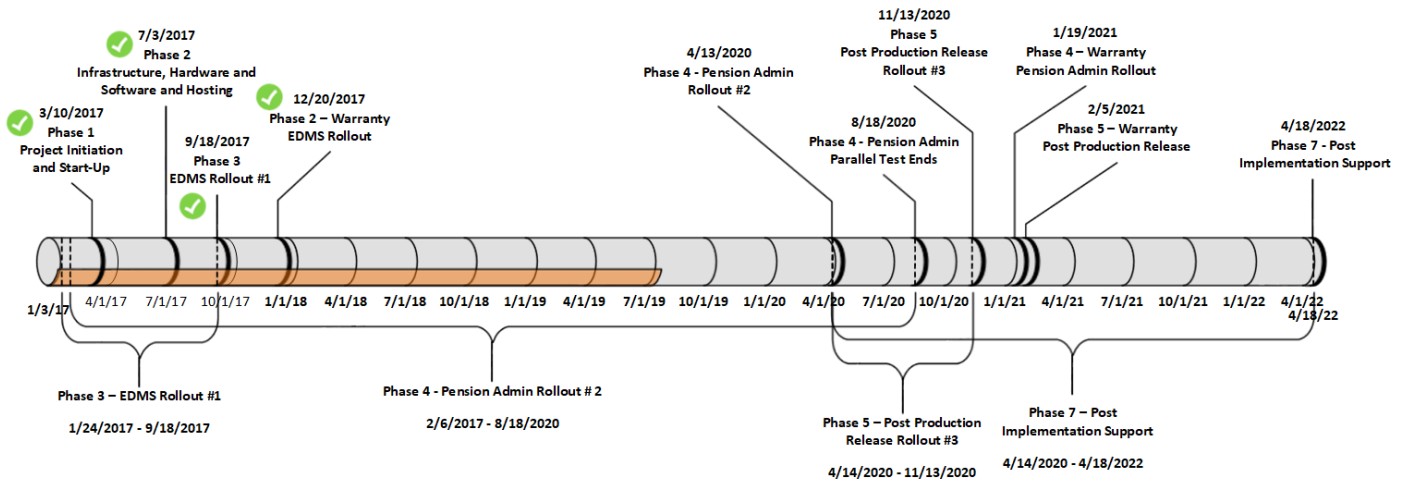


SPONSOR:

Rick Santos

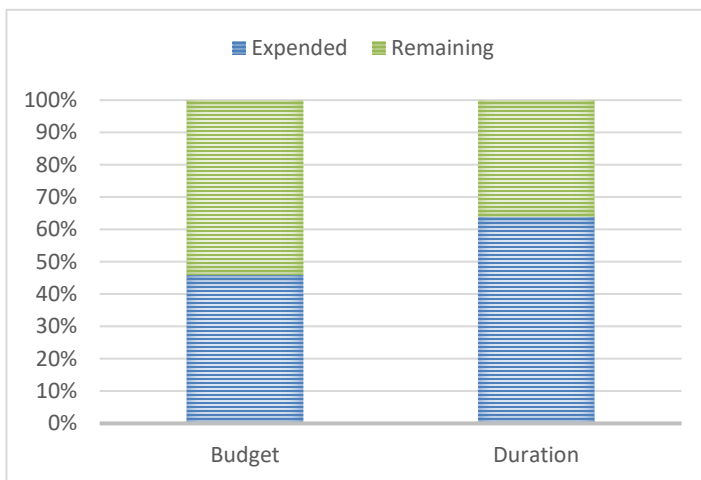
REPORT DATE:

07-12-2019



Baseline 12/01/2016

STATUS



Linea Budget as of 05/31/19

Risks & Issues:

No new high-level risks have been identified at this time.

Accomplishments:

- Ongoing testing of R14 functionality (Enrollment Workflow) by Linea and StanCERA.
- Preparations were made to provide a demonstration of Arrivos employer reporting for City of Ceres personnel in support of transmittal file development activities.
- Ongoing analysis and evaluation of upload employer test files being received for consecutive pay periods.

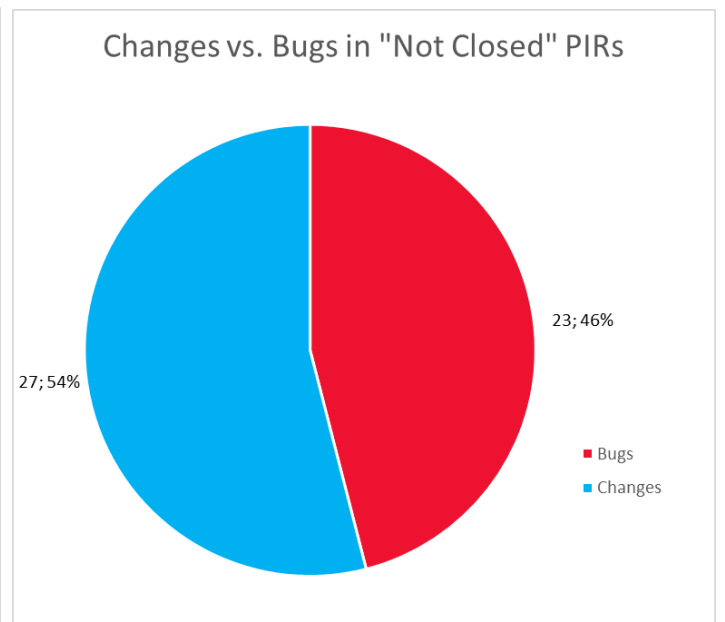
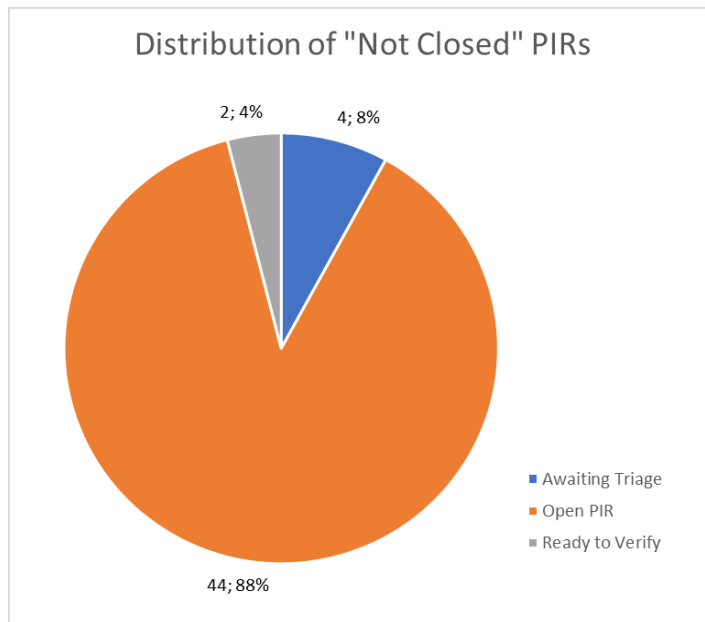
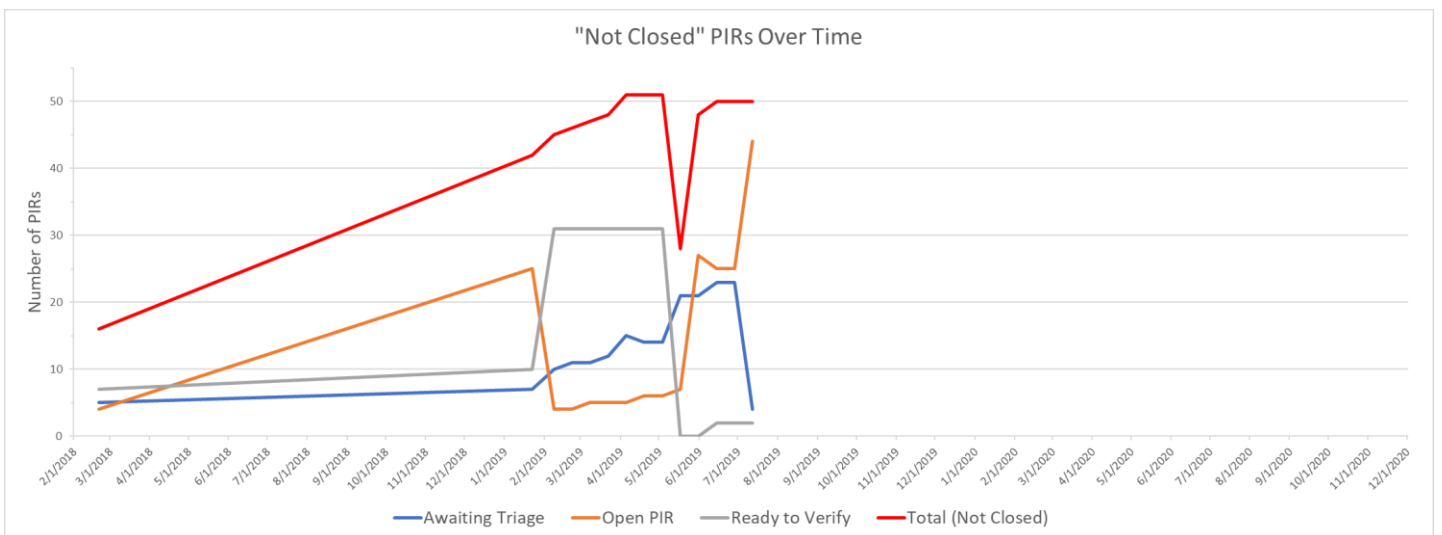
Upcoming:

- Additional test cases and workflow functionality will be released by Tegrit as part of R14.
- Demonstration of Arrivos employer reporting for City of Ceres transmittal file project personnel.
- Continued analysis and evaluation of upload employer test files being received for consecutive pay periods.
- Continued testing of R14 functionality by Linea and StanCERA and reporting of PIRs to Tegrit.

Ongoing Project Contributions

- Facilitate weekly Project Manager's meetings and create meeting minutes.
- Facilitate monthly Steering Committee Meetings and create meeting minutes.
- Participate in Tegrit work sessions, review meeting minutes, and compile resulting decision logs and action items.
- Regularly review action items for follow up and completion.
- Review and hold group review sessions for BSRD deliverables made by Tegrit (BSR044, BSR047).
- Track requirements, as discussed in work sessions and BSRDs, using the RTM and meet with StanCERA PM to update requirements confirmation.
- Manage and participate in system testing efforts, including review of test scripts, compiling of results, input of PIRs, and tracking of issue resolution.

Current PIR Summary





July 23, 2019

Retirement Board Agenda Item


TO: Retirement Board

FROM: Kellie Gomes, Executive Board Assistant

- I. SUBJECT: General Legal Counsel RFP Ad Hoc Committee
- II. ITEM NUMBER: 9.b
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Form an Ad Hoc General Legal Counsel RFP Committee to be comprised of staff and no less than three (3) trustees. The following trustees have volunteered to sit for this committee for 2019:

Jeff Mangar
Jim DeMartini
Rhonda Biesemeier
- V. EXECUTIVE SUMMARY:

This committee will be instrumental in the RFP process and will make a recommendation to the full board for approval. We intend to hold our first meeting in August and final in October of 2019.
- 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


Kellie Gomes, Executive Board Assistant


Natalie Davis, Fiscal Services Manager


Rick Santos, Executive Director