



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12th Street, Suite 600  
Modesto, CA 95354  
**MAIL: P.O. Box 3150 Modesto 95353-3150**

**Phone (209) 525-6393  
Fax (209) 558-5976  
www.stancera.org  
e-mail: retirement@stancera.org**

## **AGENDA**

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

**July 9, 2014  
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/sections/aboutus/agendas>.

**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 June 24, 2014 Administrative Meeting Minutes [View](#)
  - b. Approval of Executive Director Goals Update Quarter 2 2014 [View](#)
  - c. Correspondence – Stanislaus County Termination of 2006 MOU [View](#)
  - d. Correspondence – RESCO, INC. Third Party Administrator Change [View](#)

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

1. Anderson, Sandra – CSA – Effective 07-08-2014
2. Ayers, Azucena – DER – Effective 07-11-2014
3. Davis, Charlene – CSA – Effective 07-07-2014
4. Diaz, Carolyn – DCSS – Effective 07-25-2014
5. Goehring, Sally – BOS – Effective 06-26-2014
6. Goldstein, Max – Probation – Effective 07-01-2014
7. Hummer, Michael – GSA – Effective 07-11-2014
8. Mc Daniel, Gay – D.A. – Effective 07-26-2014
9. Nichols, Tanya – CSA – Effective 07-12-2014
10. Rosata, Brenda – DA – Effective 07-12-2014
11. Scott, Paris – Auditor/Controller – Effective 07-01-2014
12. Sires, Ronald – Alliance Worknet – Effective 07-10-2014
13. Sweet, Debra – HSA – Effective 06-13-2014
14. Tackett, Velinda – BHRS – Effective 07-08-2014
15. Yost, John – BHRS – Effective 07-26-2014

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

1. Diaz, Crystina – CSA – Effective 06-03-2014
2. Freitas, Mary Joanne – Env Res – Effective 04-19-2014
3. Guerrero, Brian – Planning – Effective 05-03-2014
4. Hernandez, Fabiola – Probation – 03-01-2014
5. Hicks, Cheryl – CSA – 01-24-2014
6. Smith, Ashley – Probation – 05-17-2014

g. StanCERA Complaint Log [View](#)

6. Executive Director

- a. StanCERA Monthly Staff Report [View](#)
- b. Legal - Legislative Update – Dawn Lea [View](#)

7. Closed Session

- a. Discussion and Action Regarding Alternative Investments  
Government Code Section 54956.81
- b. Discussion and Action Regarding Allocation of StanCERA's Real Estate Assets  
Government Code Section 54956.81
- 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 54956.9(d)(4)
- d. 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)

7. Closed Session (Cont.)

- e. Conference with Legal Counsel – Pending Litigation – One Case:  
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County  
Superior Court Case No. 1-11-CV202224; Court of Appeal, Sixth Appellate  
District, Case No. H038894 Government Code Section 54956.9(d)(1)

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

11. Adjournment



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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

June 24, 2014

**Members Present:** Gordon Ford, Donna Riley, Mike Lynch, Darin Gharat, Maria De Anda, and Jim DeMartini, Michael O'Neal and Jason Gordo

**Members Present** Joan Clendenin, Alternate Retiree Representative

**Members Absent:** Jeff Grover

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

**Others Present:** Fred Silva, General Legal Counsel

1. Meeting Called to Order

Meeting called to order at 2:04 p.m. by Gordon Ford.

2. Roll Call

3. Announcements

Trustee Ford handed out an article from the Washington Post

Rick Santos, Director, announced that StanCERA's Special Counsel, Scott Smith from Hanson & Bridgett, had reached agreement on terms with Greenfield Partners, LLP on the specifics of the side letter. As a result, StanCERA has agreed to commit \$15 million to the closed ended, value added real estate investment.

Kellie Gomes read out the closed session report from the real estate investment with Greenfield. Read out was as follows:

On April 22, 2014 in closed session action was taken on Item 9.a. Motion was made by Jeff Grover and Seconded by Jason Gordo to allocate \$15 Million to Greenfield Partners and directed staff to begin the legal review process with Hanson & Bridgett and negotiate the contracts with the approved manager. Roll Call Vote carried unanimously. Trustee Darin Gharat was absent during the vote.

Further, after legal review and direction by the Board at its June 11, 2014 Board meeting StanCERA has committed \$15 Million to the Greenfield Partners Real Estate Investment fund.

Darin Gharat announced he will need to leave early today to attend Union negotiations and wanted to come to the meeting to assure the Board could meet the required quorum.

4. Public Comment

None

2:06 p.m. Trustee Michael O'Neal arrived.

5. Consent Items

- a. Approval of the May 27, 2014 Investment Meeting Minutes
- b. Approval of the June 11, 2014 Administrative Meeting Minutes
- c. Correspondence – Strategic Investment Solutions, Inc. (SIS)

Motion was made by Maria DeAnda and seconded by Michael O'Neal to approve the above consent items.

Motion Carried Unanimously

6. Annual Update Capital Prospects LLC

2:11 p.m. Trustee Joan Clendenin arrived

- a. Quarterly Value Added Report

Marylyn Freeman and Elizabeth Knoppe, gave an update on the fund. Capital Prospects manages our Small Cap Value, Manager of Managers program. Over the past 1, 3 and 5 year periods, the fund has returned 23.7%, 15.5% and 26.4%, respectively. Over this same period, the fund has added approximately \$3.7 million above a passive investment (benchmark). One issue that Marilyn addressed was the percentage of Inview's total assets under management belonging to StanCERA. This was an area of concern recently and Marilyn announced that StanCERA still represents approximately 22% of Inview's total AUM, much the same as was last reported out a few months ago.

2:27 p.m. Trustee Darin Gharat left meeting

7. Strategic Investment Solutions (SIS), Inc.

- a. Discussion and Action Regarding PIMCO Modification to Cash Equivalent Definition

Motion was made by Donna Riley and seconded by Maria DeAnda to accept the recommendation to change the duration from 360 days to 1 year (365) and to keep the credit quality of the cash equivalents at A1/P1.

Motion Passed 5/2

Gordon Ford voted nay

Jason Gordo voted nay



7. Strategic Investment Solutions (SIS), Inc. (Cont.)

b. Discussion and Action Regarding Infrastructure Strategy Review

The Board asked SIS to bring in further educational instruction on the infrastructure space before interviewing the potential candidates.

c. Monthly Performance Review for the Month Ending May 31, 2014

- Monthly Return: 1.46%
- Fiscal YTD: 16.02%
- Fiscal YTD alpha: 1.26%
- Total Fund Value as of May 31, 2014: \$1750,226,512

d. Report on "Top 10 Holdings" of StanCERA Investment Managers as of May 31, 2014

8. Executive Director

a. Report Out on the 2014 Due Diligence Trip

Rick Santos reported on June 4<sup>th</sup> and 5<sup>th</sup>, the Due Diligence Committee consisting of Maria DeAnda, Chair, Jeff Grover, Trustee, Rick Santos, Staff, Nate Pratt and Paul Harte, Strategic Investment Solutions (SIS) met with 3 of our investment managers, Blackrock, Jackson Square Partners, and Dodge & Cox. The group also met with SIS, StanCERA's investment consultant. All meetings were done onsite in San Francisco. Overall, the group's decision is to support continued business with the investment managers and consultant who manage portions of StanCERA's assets.

9. Closed Session

a. Discussion and Action Regarding Allocation of StanCERA's Real Estate Assets  
Government Code Section 54956.81

b. Conference with Legal Counsel – Pending Litigation – One Case:  
Stanislaus County Employees' Retirement Association v. Buck Consultants, LLC,  
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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)

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

None

11. Adjournment

Meeting adjourned at 3:34 p.m.

Respectfully submitted,



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 Retirement Board Meeting**

**Held on July 9, 2014**

TO: StanCERA Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: Executive Director Goals Update Quarter 2 2014
- II. ITEM NUMBER: #5.b
- III. ITEM TYPE: Consent
- IV. RECOMMENDATION: Approve progress on Executive Director Goals for Quarter 2
- V. ANALYSIS: This is the second quarter update on the Executive Director Goals for 2014. For the past couple years, the Executive Director has put out both a Strategic Plan and Executive Director Goal update each quarter. This was in keeping with past historical practice for the Organization. However, because of the implementation of the new Strategic Plan effective January 1, 2014 and the fact that the Executive Director Goals are explicitly intertwined with the Strategic Plan, this past practice of dual reporting will be replaced by this one report. Attachment 1 shows the Quarter 2 progress on the goals for 2014. Progress is highlighted in blue. The document breaks out tasks that are ongoing or required to be completed in 2014 from those tasks that are explicitly tied to the Strategic Plan.

### *Ongoing/Required Items*

During this quarter staff completed the custodial bank transfer to Northern Trust and the alternate seat 8 election. Some "mop up" work does remain with the Northern Trust transfer, such as onsite training and report reconciliation. Considerable progress has been made on the transition to the alternative investment class as the Raven and Medley capital calls are complete. The move into the real estate class also showed considerable progress as we have begun funding one investment and are nearing completion on contract negotiations with 2 others. The infrastructure class is moving according to plan and should be wrapped up by early fall. Regarding the long-term Organization review, considerable progress has also been made as staff is currently engaged in an analysis of its long-term process and technology needs. Staff hopes to bring the Board an agenda item on this topic in the fall.

Earlier in the year, the Board decided to extend SIS' contract through June 30, 2015 and as such, this task has been postponed until 2015. Otherwise, there appears to be no ongoing or required tasks that are in jeopardy of not being finished.

### *Items tied explicitly to the Strategic Plan*

Completed items this quarter include the development of a policy that describes StanCERA's approach to pension risk minimization, a reorganization of the office layout and several staff cross-training items. Staff intends to focus Quarter 3 on finishing its assessment of the



Organizational realignment, Board education regarding the concept of portfolio insurance and a potential investment position classification. The final months of the year will be spent undertaking the creation of a glide path approach to pension risk minimization (strategic objective #1) and the development of certain investment processes aimed at enhancing the due diligence process at StanCERA (strategic objective #2).

Strategic Objective #1 has as one of its tasks, the creation of a glide path plan approach towards pension risk mitigation. This task has the goal of being completed by the end of 2014. Staff feels at this time the completion date may be pushed into 2015 as the Strategic Realignment and data auditing plan should be the priority right now. Staff also feels that if the Organization chooses to hire an investment officer in 2015, more quality time can be devoted to this important objective.

VI. RISK: None

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: No impact



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Rick Santos, Executive Director



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Kathy Herman, Operations Manager



## *Ongoing/Required Items*

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts and Employee Groups
  - *Outreach with various Plan Sponsors regarding new GASB 67/68 implementation and 2014-2015 Employer Contribution Rates*
  - *Discussions with Ceres regarding PEPRA Implementation issues*
  - *Ongoing discussions with County Executive Staff regarding various pension issues*
2. Facilitate completion of the transition to alternative investments
  - *Facilitate inquiries from Trustees regarding direct lending investments*
  - *Raven and Medley capital calls complete*
  - *Contract negotiations with Greenfield complete*
  - *Continue to facilitate ongoing capital calls*
  - *Facilitate due diligence on potential real estate investments*
  - *Continued monitoring and negotiation of legal review process with other real estate investments*
3. Complete Custodial Bank Transition
  - *Custodial Bank transition complete (audited transition reports and training still pending)*
4. Complete Trustee Elections
  - *Alternate Seat 8 election complete*
  - *Seat 8 and Seat 3 completed at the nomination phase*
5. Complete intermediate and long-term Organizational Structure Review
  - *10 Year Strategic Realignment analysis approximately 50% complete (August agenda item anticipated)*
  - *Staff is assessing technology and process needs*
  - *Potential investment classification near completion (Sept/October agenda item)*
  - *Ongoing study taking place assessing the benefit delivery process at StanCERA*



6. Continued monitoring of StanCERA lawsuits

- *Respond to multiple requests for information from Reed/Smith*
- *Respond to correspondence and requests from general counsel and actuaries*
- *Multiple meetings with attorneys to discuss strategies*

7. Director Professional Development

- *Nothing to report out*

8. Facilitate RFP for an Investment Consultant (postponed until Q1 2015)

9. Oversee and complete day to day administrative functions

- *Disabilities; There has always been an Organizational goal of 18 or less outstanding disabilities at any one time. Disability staff has been working hard to streamline the process over the past year and there are now currently 14 outstanding disabilities. Director note: Staff is currently looking into the possibility of farming out the data organizational aspect of the disability process. This should lower the number of outstanding disabilities at any one time and free staff up for more productive tasks*
- *Agenda and minute production for all Board and Committee Meetings*
- *Facilitation of Board and Staff travel*
- *All retiree payrolls completed on time*
- *Member contributions and refunds up to date*
- *Monitoring of Investment Policy and Bylaws*
- *Daily monitoring of pension issues in media*
- *Ongoing and regular meetings with Investment Managers*

## ***Items Explicitly Tied to the 2014-2016 Strategic Plan***

1. Strategic Plan Objective #1

a. Task: Create a StanCERA cash flow projection program

- *Creation of a program that allows the user to pull cash flow data by source from different user-defined periods for analysis*



b. Task: Create a valuation program to determine the cost to immunize StanCERA liabilities

- *Creation of a program that allows the user to:*
  - Ø *price on a present value basis, the cost to insure or fully fund StanCERA's future liabilities for any year(s) in the future*
  - Ø *compute what the increase in plan sponsor contributions and resulting funded ratio would be in each instance*
  - Ø *compute the reduction in pension risk in each instance*

c. Task: Contract with specialists in the area of asset-liability management

- *Nothing to report*

d. Ongoing: Enhance the knowledge base of StanCERA staff regarding asset-liability management

- *Staff Training on Bloomberg application data used to match liabilities*

e. Task: Board education sessions

1. Futures
2. Options
3. Portfolio Insurance

- *Nothing to report*

f. Task: Develop policy that defines and describes StanCERA's philosophy and approach to minimizing pension risk

- *Policy complete (Agenda item late 2014/early 2015)*

g. Task: Create a glide path approach that defines the conditions when it is appropriate for StanCERA to migrate into risk reducing assets

- *Nothing to report (anticipated completion late 2014/early 2015)*



## 2. Strategic Plan Objective #2

### a. Develop policy and processes for:

1. Onsite Active Manager visits to StanCERA
2. Trustee directed investment opportunities

· *Nothing to report*

### b. Develop objective criteria for determining whether a new investment is suitable for StanCERA

· *Nothing to report*

### c. Develop criteria for procedures at onsite due diligence trips

· *Nothing to report*

## 3. Strategic Plan Objective #3

### a. Continue to cross train staff while establishing multiple levels of backup

· *Cross Training complete in the following areas*

- Ø *New hire process*
- Ø *Member name change process*
- Ø *Member status change process*
- Ø *Member buyback notification process*
- Ø *Mailing of member statements*
- Ø *Tracking changes to bylaws*
- Ø *Error review of refund checks*
- Ø *Error review of accounts payable checks*
- Ø *Error review of death benefit checks*
- Ø *Printing service retirement and disability packets*
- Ø *Website update process*
- Ø *Election balloting process*
- Ø *Cross training begun for member file audits*





b. Establish in-house training opportunities for staff

- *Nothing to report*

c. Review and reassess the Organizational Structure in alignment with long-term goals and needs of the Organization

- *Progress made; See Executive Director Goal #5*

d. Standardize all StanCERA documents (agenda items, external communication, etc.)

- *Nothing to report*

e. Reorganize Office layout

- *Task complete*

#### 4. Strategic Plan Objective #4

- Develop long-range solution for StanCERA Pension Management System and software
- Develop long-range technology requirements for StanCERA

- *Initial discussions and development of knowledge management solutions and long-range technology needs*
- *On a trial basis, StanCERA has contracted with the County for an electronic document management (EDM) system. The Alfresco Share system has been upgraded and should be able to now house and index (for easy access and updating) process documentation, forms and other archived information*



CHIEF EXECUTIVE OFFICE  
Risk Management Division

1010 10TH Street, Suite 5900, Modesto CA 95354  
Phone: 209.525.5710 Fax: 209.525.5779

7/9/14  
Item#5.c

June 25, 2014

Rick Santos  
Executive Director  
Stanislaus County Employees' Retirement Association (StanCERA)  
832 12<sup>th</sup> Street, Suite 600  
Modesto, CA 95354

Subject: Termination of the 2006 Memorandum of Understanding (MOU) Related to  
Retirement Costs and Health Benefits

  
Dear Mr. Santos:

As you are aware, Stanislaus County and StanCERA executed a MOU in 2006 related to retirement costs and health benefits. More specifically, the agreement was for StanCERA to maintain a 2% contingency reserve in the retirement system in exchange for the County memorializing its long standing practice of allowing retirees to participate in County health insurance programs. Since reaching this agreement, the County and StanCERA mutually agreed to reduce the contingency reserve below 2% in Fiscal Years 2007-2008 and 2008-2009, and more recently StanCERA voluntarily reduced the contingency reserve to 1% for Fiscal Years 2012-2013 and 2013-2014. In accordance with the MOU, if either party is found not to be in compliance with the MOU, the MOU becomes null and void and neither party is held to any MOU language. Based on the forgoing information and a review of StanCERA past contingency reserves, it is clear that both parties did not comply with provisions in the MOU related to maintaining a 2% contingency reserve. As such, it is the County's position that the original 2006 agreement became null and void in 2008 when the contingency reserve was reduced from 2%.

Please be advised that the County Board of Supervisor approved an agenda item on June 24, 2014 to terminate the 2006 MOU and officially notify StanCERA that the noted agreement is no longer in effect. This action to officially terminate the 2006 MOU was made in response to the language in the MOU regarding the term of the agreement. In particular, the MOU states that "...the MOU will continue annually unless terminated by the parties."

Although the 2006 MOU between the County and StanCERA related to retirement costs and health benefits is officially terminated and no longer in effect, the current practice of pooling retiree medical insurance premiums for active and retired does not automatically change. The County is required to negotiate any changes to this long standing practice with employee labor organizations representing active County employees. In addition, it is my understanding

Termination of the 2006 Memorandum of Understanding (MOU) Related to Retirement Costs  
and Health Benefits

June 25, 2014

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that StanCERA has adopted a policy to maintain a 1% contingency reserve going forward, which adds further support that it is no longer necessary for the parties to maintain an agreement regarding contingency reserves.

If you have any questions about this letter or the enclosed Board of Supervisors agenda report, please contact the County's Employee Benefits Manager Paul Loehr by calling (209) 525-5718.

Sincerely,

A handwritten signature in black ink, appearing to be 'Stan Risen', with a long horizontal line extending to the right.

Stan Risen  
Chief Executive Officer

cc: Jody Hayes, Deputy Executive Officer  
Paul Loehr, Employee Benefits Manager

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: CEO-Risk Management Division

BOARD AGENDA # \*B-8

Urgent ☐

Routine ☒

AGENDA DATE June 24, 2014

CEO Concurs with Recommendation YES ☒ NO ☐  
(Information Attached)

4/5 Vote Required YES ☐ NO ☒

SUBJECT:

Approval to Terminate a Memorandum of Understanding Between Stanislaus County and the Stanislaus County Employees' Retirement Association (StanCERA) Related to Retirement Costs and Health Benefits

STAFF RECOMMENDATIONS:

Authorize the Chief Executive Officer to notify the Stanislaus County Employees' Retirement Association (StanCERA) of the termination of an agreement between the County and StanCERA dated June 27, 2006 related to retirement costs and health benefits.

FISCAL IMPACT:

The County entered a Memorandum of Understanding (MOU) with StanCERA in 2006 which provided a commitment from StanCERA to utilize a 2% contingency reserve in the retirement system in exchange for the County memorializing the long standing practice of allowing retirees to participate in County health insurance programs. Prior to reaching this agreement, StanCERA was utilizing a 3% contingency reserve.

(Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2014-325

On motion of Supervisor Chiesa, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, Monteith, and Chairman De Martini

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

MOTION:

ATTEST:

Christine Ferraro  
CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval to Terminate a Memorandum of Understanding Between Stanislaus County and the Stanislaus County Employees' Retirement Association (StanCERA) Related to Retirement Costs and Health Benefit

Page 2

**FISCAL IMPACT: (Continued)**

Reducing the contingency reserve from 3% to 2% resulted in a shift of assets from the non-valuation contingency reserve to the valuation reserve, thereby reducing the County's unfunded liability and lowering the County's contribution rates. As a result of the lower contribution rates, more funding was available to support the financial obligations of the County and other member agencies. At the time of reaching the original agreement, the County projected the change in contingency reserves would reduce the County's retirement costs \$839,000 in Fiscal Year 2006-2007. Since reaching this agreement, contingency reserves have been reduced to an amount lower than 2% for several years, including maintaining a 1% contingency reserve in establishing retirement rates for Fiscal Years 2012-2013 and 2013-2014.

The existing MOU with StanCERA also memorialized the County's long standing practice of allowing retirees to purchase health insurance through Stanislaus County until reaching age 65 and becoming eligible for Medicare. Retirees are provided access to purchase medical insurance at the same rates as charged for active County employees, which has the effect of reducing the cost of health insurance for retirees compared to the rates they may otherwise pay if not included in the same risk pool as active employees. The County does not pay any portion of the monthly insurance premiums for retirees as the County is required to do for active County employees, however the effect of including retirees in the risk pool increases the overall average cost of care in the County's medical self-insurance program and therefore increases the costs charged for the active employee population. The impact of retirees on the County's medical self-insurance program in calendar year 2013 was approximately \$3.4 million.

This agenda item does not change the practice of pooling retiree health insurance premiums with active employees, and therefore there is no fiscal impact associated with the recommendation to notify StanCERA of the termination of the agreement entered into between the County and StanCERA in 2006. StanCERA has already taken action to reduce the contingency reserve beyond the original agreement to 1%, and the County's practice of pooling retiree health insurance rates with active employee rates is not dependent upon the agreement with StanCERA. This practice was in place prior to the 2006 agreement and would be subject to collective bargaining with labor groups representing active employees prior to any changes to the current pooling arrangement.

**DISCUSSION:**

On June 13, 2006, the Stanislaus County Board of Supervisors approved the MOU on Employer Costs Reduction and the Health Insurance Pooling of Retirees between the County and StanCERA. A copy of this agreement is attached to this agenda item.



Approval to Terminate a Memorandum of Understanding Between Stanislaus County and the Stanislaus County Employees' Retirement Association (StanCERA) Related to Retirement Costs and Health Benefit  
Page 3

Contained within the MOU, StanCERA agreed to reduce its planned 3% contingency reserve to 2% in response to the County's request to help mitigate ongoing retirement rate increases. Additionally, StanCERA agreed to maintain a Contingency Reserve of 2% of assets effective June 30, 2006 moving forward. As a result, there was an initial 1% reduction in StanCERA's reserve designation, which equated to an overall savings to the County of approximately \$839,000. The County further agreed that it would not make any additional requests to StanCERA's Board of Retirement to lower StanCERA's Contingency Reserve below 2%.

Since reaching this agreement, the County and StanCERA mutually agreed to reduce the contingency reserve below 2% in Fiscal Years 2007-2008 and 2008-2009, and more recently StanCERA voluntarily reduced the contingency reserve to 1% for Fiscal Years 2012-2013 and 2013-2014 in response to significant changes in the funding position of the retirement system. StanCERA's Board of Retirement took action on June 13, 2012 to update the Excess Earnings Policy which included a recommendation to reaffirm StanCERA's intent to maintain a non-valuation contingency reserve of 1%. The following is a summary of contingency reserves utilized by StanCERA since entering the original agreement:

2006	2%
2007	2%
2008	0%
2009	0%
2010	2%
2011	2%
2012	1%
2013	1%

In exchange for StanCERA's agreement to maintain a 2% contingency reserve, the County agreed to memorialize the long standing practice of including StanCERA retirees (under age 65) within its active employee health insurance pool in order to maintain retiree health insurance premiums at a lower level than if the retirees were rated outside the pool. The inclusion of early retirees within the active employee health insurance pool has resulted in an overall increase to the County health insurance rates in the amount of approximately \$3.4 million for calendar year 2013. The County does not directly fund the monthly insurance premiums for retiree participants.

The MOU includes a provision that if either StanCERA or the County is found not to be in compliance with the MOU, the MOU becomes null and void and neither party is held to any MOU language. Further, the County and StanCERA agreed that there would be no damages that would result from either party's non-compliance, and any non-compliance cannot be adjudicated for either performance compliance or monetary award by either party. A review of StanCERA's past contingency reserves indicates

Approval to Terminate a Memorandum of Understanding Between Stanislaus County and the Stanislaus County Employees' Retirement Association (StanCERA) Related to Retirement Costs and Health Benefit  
Page 4

that both parties have not complied with provisions in the MOU related to the 2% contingency reserve. As such, it is the County's position that the original 2006 agreement has been voided and is therefore no longer in place as provided in the original MOU.

This recommendation to notify StanCERA of the termination of the original 2006 MOU is brought forward in response to language in the MOU regarding the term of the agreement. The MOU states the following:

"The parties desire to enter into this MOU for a period of five years (through June 30, 2011). After this five-year period, the MOU will continue annually unless terminated by the parties."

While the terms of the contract have been considered null and void since 2008, County staff is recommending the Board of Supervisors approve a formal notice to StanCERA terminating the agreement to ensure all parties are aware of the County's position. The County also recognizes that StanCERA has adopted a policy to maintain a 1% contingency reserve going forward and therefore it is no longer necessary for the parties to maintain an agreement regarding contingency reserves.

The recommended action included in this agenda item does not change the current practice of pooling retiree medical insurance premiums for active and retired employees. Any changes to this long standing practice would be required to be negotiated with employee labor organizations representing active County employees.

**POLICY ISSUE:**

Termination of the 2006 MOU between the County and StanCERA supports the Board's priority of Efficient Delivery of Public Services.

**STAFFING IMPACTS:**

There are no recommended changes to staffing associated with this agenda item. Staff from the Chief Executive Office Risk Management Division continues to administer medical insurance programs for active and retired employees.

**CONTACT PERSON:**

Jody Hayes, Deputy Executive Officer. Telephone: (209) 525-6333.

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # \*B-4

Urgent ☐

Routine ☒

AGENDA DATE June 13, 2006

CEO Concurs with Recommendation YES ☒ NO ☐  
(Information Attached)

4/5 Vote Required YES ☐ NO ☒

SUBJECT:

Approval for the Chairman of the Board of Supervisors to Sign a Memorandum of Understanding (MOU) on Behalf of the County with the Stanislaus County Employees' Retirement Association Concerning Retirement Costs and Retiree Health Benefits

STAFF RECOMMENDATIONS:

1. Approve the Memorandum of Understanding on Employer Costs Reduction and the Health Insurance Pooling of Retirees between Stanislaus County and the Stanislaus County Employees' Retirement Association (StanCERA).
2. Authorize the Chairman of the Board of Supervisors to sign the agreement.

FISCAL IMPACT:

StanCERA has agreed to transfer 1% of its June 30, 2005 assets including interest or \$12,722,467 from the Contingency Reserve to the Employer Advance Reserve on or before June 30, 2006. From June 30, 2006 and forward StanCERA agrees to maintain a Contingency Reserve of 2% of assets for a period of five years. This 1% reduction in StanCERA's reserve designation will result in an overall savings to the County of approximately \$839,486 in the 2006-2007 Fiscal Year. This would result in an approximate \$495,194 savings to the General Fund in Fiscal Year 2006-2007. (Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2006-439

On motion of Supervisor Mayfield, Seconded by Supervisor Grover

and approved by the following vote,

Ayes: Supervisors: O'Brien, Mayfield, Grover, DeMartini, and Chairman Simon

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) ☒ Approved as recommended

2) ☐ Denied

3) ☐ Approved as amended

4) ☐ Other:

MOTION:

ATTEST:

Christine Ferraro  
CHRISTINE FERRARO TALLMAN, Clerk

File No.

### **Fiscal Impact (Continued)**

As part of the agreement the County agrees to maintain all StanCERA retired members within its health insurance pool that includes the largest number of active employees in order to maintain retiree health insurance premiums at a level that is lower than if retirees were rated outside of the pool. This inclusion of retirees does increase the County's overall health insurance rates although the exact amount has not been determined. In addition, under Governmental Accounting Standards Board (GASB) 45 there is liability for "Other Post Employment Benefits" (OPEB) that includes health insurance. Even though the County does not fund any portion of retiree health plans, the fact that the County includes retirees in the existing rates, creates an "implicit" subsidy under the rulings associated with GASB 45. While the employer at the present time does not have to fund this liability it may be noted as a potential liability by rating agencies at the time of a financing. No actuarial study has been completed to determine the County's potential obligation.

### **Discussion**

The County and the Stanislaus County Employees' Retirement Association have reached a tentative agreement concerning reducing employer costs and the County's inclusion of retirees in the pooled rates with active members to keep retiree health insurance premiums at a lower rate than if retirees were rated on their own. This agenda item seeks Board approval to enter into this agreement and authorize the Chairman of the Board to sign the "Memorandum of Understanding on Employer Cost Reduction and the Health Insurance Pooling of Retirees between Stanislaus County and the Stanislaus County Employees' Retirement Association".

County and StanCERA representatives have developed this agreement to mutually meet the needs of both agencies. StanCERA has agreed to transfer 1% of its June 30, 2005 assets or \$11,762,636, from the 3% Contingency Reserve and accrued interest of \$959,831 for a total amount of \$12,722,467 from the Contingency Reserve to the Employer Advance Reserve on or before June 30, 2006. From June 30, 2006 and forward, StanCERA agrees to maintain a contingency reserve of 2% of assets. This action by StanCERA will lower the annual required employer retirement contribution and is anticipated to save the County in all Funds approximately \$839,486.

In consideration of the one-time transfer and the subsequent lowering of StanCERA's Contingency Reserve to 2% of assets, the County agrees to maintain all StanCERA retired members within its health insurance pool. This

would include the largest number of active County employees in an effort to maintain retiree health insurance premiums at a level that is lower than if the retirees were rated for insurance purposes outside of the County's pool of insured employees. By this agreement the County acknowledges that if future actuarial recommendations cause the employer and/or employee rates to increase that the County would not change the inclusion of retirees in the pooling rates.

Continuing to include retirees in the County's health insurance pooling rate does present potential liability for the County under GASB 45. This new ruling is intended to quantify the cost of benefits when the services are provided, quantify the accrued liability for the promised benefits and assess the demands on the employer's cash flow by identifying the potential liability. Under GASB 45 funding is not required for the actual liability. The County does not currently fund, nor does it intend to fund the cost of retiree health insurance benefits. However, under GASB 45 the fact that retirees are included in our pooled rate, there is an implied subsidy because the County's rate is higher with retirees included and as a result the County has provided an "implicit" benefit to retirees. While the actual amount of the liability is unknown at this time, nor does it need to be funded, the liability may be considered by rating agencies in the future when financings are contemplated.

In conclusion, if either StanCERA or the County are found not in compliance with the MOU, the MOU becomes null and void and there are no damages as a result from either party's non-compliance.

### **Policy Issue**

In considering the recommendation to enter into the agreement with StanCERA the Board may consider whether this agreement will achieve the stated priorities of effective partnerships and efficient delivery of public services.

### **Staffing Impact**

There are no recommended changes to staffing impacts associated with this agenda item.



**Memorandum of Understanding on Employer Costs Reduction and the Health Insurance Pooling of Retirees between Stanislaus County and the Stanislaus County Employees' Retirement Association**

Stanislaus County ("the County") and the Stanislaus County Employees' Retirement Association ("StanCERA") enter into this Memorandum of Understanding ("MOU") on the 27th day of June, 2006.

WHEREAS, the County desires to lower its employer cost of retirement benefits through the transfer of 1% of the assets of StanCERA from StanCERA's Contingency Reserve to StanCERA's Employer Advance Reserve; and

WHEREAS, StanCERA desires to have StanCERA retired members pooled with active employees of the County to keep retiree health insurance premiums lower than are otherwise possible without such pooling; and

THEREFORE, the County and StanCERA enter into this MOU based on the following terms and conditions:

StanCERA agrees to take 1% of its June 30, 2005 assets as reported in its Comprehensive Annual Financial Report ("CAFR"), or \$11,762,636, from the 3% Contingency Reserve (account 310009) with accrued interest thereon, or \$959,831 and transfer that amount of \$12,722,467 from the Contingency Reserve to the Employer Advance Reserve (account 307002) on or before June 30, 2006. From June 30, 2006 and forward, StanCERA agrees to maintain a Contingency Reserve of 2% of assets. County acknowledges that this action has the effect of lowering the annual required employer retirement contributions. As proof that StanCERA is maintaining a 2% Contingency Reserve a copy of StanCERA's CAFR page showing the total dollar value of all reserves and the dollar value of the Contingency Reserve will be transmitted each year to the County's Chief Executive Officer following adoption of such CAFR by StanCERA'S Board of Retirement.

In consideration of the above one-time transfer and subsequent lowering of StanCERA's Contingency Reserve to 2% of assets, County agrees to maintain all StanCERA retired members within its health insurance pool that includes the largest number of County employees in an effort to maintain retiree health insurance premiums at a level that is lower than if the retirees were rated for insurance purposes outside of the County's pool of insured employees. The term "health insurance" in this MOU means all medical insurances that are offered to retirees.

The County further agrees that it will make no additional requests to StanCERA's Board of Retirement to lower StanCERA's Contingency Reserve below 2%.

The County also acknowledges that if future actuarial recommendations cause the employer and/or employee contributions to increase, these increases would have occurred

Memorandum of Understanding on Employer Costs Reduction and the Health Insurance  
Pooling of Retirees between Stanislaus County and the Stanislaus County Employees'  
Retirement Association

Page 2

absent this MOU and the County will take no action that would in any way hinder the retirees from being pooled with the employees for health insurance premium determinations.

If either StanCERA or the County is found not to be in compliance with this MOU, the above parts of this MOU become null and void and neither party is held to any of the above language. Both StanCERA and the County agree that there are no damages that will result from either party's non-compliance, and therefore, any non-compliance cannot be adjudicated for either performance compliance or monetary award by either party.

The parties desire to enter into this MOU for a period of five years (through June 30, 2011). After this five-year period, the MOU will continue annually unless terminated by the parties.

Executed this 27 th day of June, 2006.



Ray Simon, Board of Supervisors Chair  
Stanislaus County



Darin Gharat, Board of Retirement Chair  
StanCERA

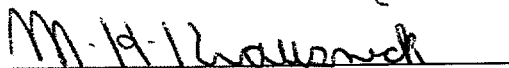


Rick Robinson, Chief Executive Officer  
Stanislaus County



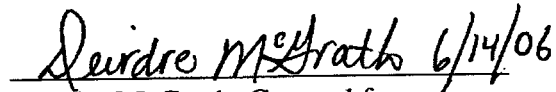
Tom Watson, Retirement Administrator  
StanCERA

Approved as to form:



Michael H. Krausnick, County Counsel  
Stanislaus County

Approved as to form:



Deirdre McGrath, Counsel for  
StanCERA



RETIRED EMPLOYEES OF STANISLAUS COUNTY  
ORGANIZATIONS, INC.

P. O. BOX 1646 • MODESTO, CA 95353

(209) 521-1666 Fax (209) 524-1741

[www.rescotoday.org](http://www.rescotoday.org)

7/9/14

Item# 5.d

July 1, 2014

Mr. Rick Santos, CFA, ASA, MAAA  
Executive Director, StanCERA  
832 – 12 th Street, Suite 600  
Modesto, CA 95354

Re: RESCO, Inc. Third Party Administrator Change - Effective August 1, 2014

Dear Rick:

RESCO has made the decision to terminate our Broker / Third Party Administrator relationship with Patrick McTighe and McTighe Insurance Agency, Inc., effective July 31, 2014. Our new Broker / Third Party Administrator, effective August 1, 2014 will be:

Stephen F. Pettee, Administrator  
Pacific Group Agencies, Inc.  
25876 The Old Road #11  
Santa Clarita, CA 91381  
Tel: (800) 817-8838  
Fax: (800) 549-0059  
[sfpettee@pgagencies.com](mailto:sfpettee@pgagencies.com)

Pacific Group Agencies, Inc. (PGA) has been administering retiree benefits for over 60 years and works with numerous retiree and active public employee associations throughout California including those representing Los Angeles (RELAC), Orange (REAOC), San Diego (RESDC), San Bernardino (RESBC), Fresno (REFCO), Kern (REOKC), Mendocino (AMCRE), Tulare (TCREA), Sacramento (SCREA), San Mateo (SCORPA), Marin (MCARE), and others. We believe that the transition to our new Administrator will be seamless and will ultimately provide everyone with higher quality service.

If you have any questions regarding this change, please contact me at (209) 341-9828.

Sincerely,

  
Rhonda Biesemeier  
President  
RESCO, Inc.



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12<sup>th</sup> Street, Suite 600  
Modesto, CA 95354  
P.O. Box 3150 Modesto, CA 95353-3150

Phone (209) 525-6393  
Fax (209) 558-4976  
www.stancera.org  
e-mail: retirement@stancera.org

**For the Board of Retirement Meeting  
Held on July 9, 2014**

7/9/14  
Item#5.g

TO: Retirement Board  
  
FROM: Kathy Herman, Operations Manager  
  
SUBJECT: StanCERA Complaint Log

There were nineteen (19) complaints logged between April 1, 2014, and June 30, 2014. All of these are Retiree complaints regarding medical, dental and vision insurance administered by RESCO Insurance. A summary of these complaints follows:

Number of Complaints	Caller Status	Nature of Complaints
16	Retiree	Multiple complaints regarding the status of vision and dental insurance. Vision and/or Dental coverage had been canceled without notice to retiree or StanCERA. Premiums were still being withheld.
2	Retiree	Insurance premiums had not been adjusted to reflect premium reductions due to deaths of covered spouses.
1	Retiree	Health insurance coverage was terminated, premium still being withheld.

The number of complaints decreased by 1 compared to the previous reporting period, January 1, 2014 through March 31, 2014.

  
Kathy Herman, Operations Manager

  
Rick Santos, Executive Director



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12<sup>th</sup> Street, Suite 600  
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**For the Board of Retirement Meeting  
Held on July 9, 2014**

TO: Board of Retirement

FROM: Rick Santos, Executive Director

- I. SUBJECT: StanCERA Monthly Staff Report
- II. ITEM: #6.a
- III. ITEM TYPE: Recurring; Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: The monthly staff report's intent is to report out to the Board of Retirement important issues/tasks staff has been working on over the past month.
  - a. *Strategic Realignment* – Staff continues to reassess its technology, staff and process needs over the next 10 years. A preliminary Org structure has been developed. Research is being done towards the creation of a new investment job classification and pension software assessment continues. It is anticipated that StanCERA's long-term strategic assessment will be completed over the next several months.
  - b. *Data Audit Process* – As staff continues to reassess its Organizational processes it became quickly clear that clean system data was paramount if the Organization were to gain work efficiencies over the next several years. To that end, staff is developing a documentation plan that describes 1) the data issues we face, 2) specifically how we will go about fixing those issues, 3) time frames for fixing these issues and 4) goals and milestones. Staff intends to bring a more detailed summary to the Board on this topic next month.
  - c. *Custodian Bank Transition* – The custody bank transition is complete. As expected the first set of audited reports, which includes the transition information, was received from Northern on July 2, 2014. The reports appear to be easy to work with and Staff is currently reconciling all accounts in preparation for the fiscal year end close.
  - d. *Real Estate Allocation* – Over the past few weeks, considerable time has been spent negotiating side letters with 2 of our real estate prospects. Staff and Hanson & Bridgett are focusing discussion mainly on those issues that the Board had concerns with during the direct lending side letter negotiations. The process has been more efficient during these discussions as we continue to build upon what we learned earlier.
  - e. *Office Reorganization* – The office reorganization is now complete with the new layout being more conducive to a "team style" environment. There is now a main thoroughfare that runs the entire length of the office with all cubicles having their entrance/exit funneling into this thoroughfare. This is quite different from the old layout as several cubicles were isolated from each other and also had no direct contact with management offices.



VI. RISK: None

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: None

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

Rick Santos, Executive Director

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

Kathy Herman, Operations Manager

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

Dawn Lea, Benefits Manager

## **LEGISLATIVE UPDATE TO THE BOARD OF RETIREMENT July 9, 2014**

### **AB 1824 (Rendon)**

**Introduced 2/18/2014, Amended 4/22/2014, Ordered to the Senate 5/23/14,  
Referred to committee on public employment and retirement 6/5/14**

This bill, upon adoption by a County, would permit a retired member to revise the designated beneficiary for optional settlements two (100% continuance), three (50% continuance) and four (not currently available at StanCERA) in order to provide for a current spouse.

In order for the retiree to make a change to his/her beneficiary, the following criteria must be met:

1. The member was unmarried or was married for less than one year at the time of their retirement.
2. The member must have elected Optional Settlement two, three or four at the time of their retirement.
3. The member's spouse must be at least 55 years of age and must be older than the original beneficiary.
4. The application for a revision of an optional settlement shall include the signature of the original designated beneficiary acknowledging the revision or shall include a written declaration of one or more of the following reasons:
  - A. The original beneficiary has no identifiable community property interest in the benefit.
  - B. The retiree does not know, and has taken all reasonable steps to determine, the whereabouts of the original beneficiary.
  - C. The beneficiary has been advised of the application and has refused to sign the written acknowledgment.
  - D. The original beneficiary is incapable of executing the acknowledgment because of an incapacitating mental or physical condition.

The purpose of this subdivision is to notify the original beneficiary of the revision because it will affect the entitlement of that person. If a retiree were to knowingly

provide false information in the written declaration, he/she will be subject to a civil penalty in addition to civil remedies available to the Board.

If the original beneficiary is a former spouse or domestic partner of the retiree, the application for revision shall also evidence agreement to the revision by the former spouse or domestic partner.

After the revision, the retiree's retirement allowance will remain the same including the cost-of-living increases that have been added to the retirement allowance.

The retirement system has no obligation to locate or contact retired members who may qualify for a revision under this section.

No actions taken pursuant to this section will excuse the obligation of a retiree to provide a continuing benefit to a former spouse or other person pursuant to a court order.

This section will not be applicable in any County until the Board of Retirement, by resolution adopted by a majority vote, makes this section applicable.

**VENTURA COUNTY PENSION REFORM**  
**UPDATE PREPARED FOR THE**  
**STANCERA BOARD MEETING HELD ON**  
**JULY 9, 2014**

The Committee for Pension Fairness, formed by the Ventura County Taxpayers Association, gathered enough signatures to place an initiative on the November ballot in Ventura County.

The proposed initiative would replace the County's current 1937 Act pension system with a 401(K) style benefit for all new employees hired after June 30, 2015.

A coalition that includes the Ventura County Professional Firefighters Association and the Ventura County Deputy Sheriff's Association filed suit in Court citing several legal issues with the measure. The Unions are asking the Court to remove the measure from the ballot.

The Board's Chief Counsel, Mr. Leroy Smith, agrees that there are legal issues at stake. He explains that the County's pension plan was created by a 1937 state law. Once a state law is accepted by a local government, it cannot be repealed unless there are express provisions in the law allowing it to do so. Mr. Smith further explains there are no such provisions in the 1937 Act. Therefore, changes to the plan would require state authorization.

The Ventura County Board of Supervisors has directed Mr. Smith to advocate for a timely court ruling on the validity of the measure. They are hoping to have a court ruling before the August deadline for printing ballots.