

AGENDA

BOARD OF RETIREMENT

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

May 26, 2020
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.

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.

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.

Pursuant to California Governor Gavin Newsom's Executive Order N-29-20, The Board of Retirement ("StanCERA") is authorized to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public who wish to participate and to provide public comment to the local legislative body during the current health emergency.

The location of the meeting will be at 832 12th Street, Suite 600, Modesto, CA 95354. This site may be utilized as the calling center for some or all Trustees who will be communicating via teleconference. Due to the COVID-19 Pandemic, StanCERA's offices are currently closed to public access. As such, the public will not be granted access to StanCERA's offices to attend StanCERA's meeting. If you wish to join the meeting by teleconference as a member of the public and listen to the meeting, then please dial in using your phone and call **209-689-0007 Access Code: 414752**. If you have any difficulty joining the meeting by teleconference, please call StanCERA's main office number: (209) 525-6393.

StanCERA offers several ways for the public to participate in its meetings without attending a meeting in person. If you wish to make either a general public comment or to comment on a specific agenda item, please submit your comment (if your comment pertains to a specific agenda item, please include the agenda item number in the subject line) and submit your comment via email or fax prior to the meeting. Written comments regarding StanCERA's agenda items can be submitted by 4:30 p.m. on the day before the board meetings via email to Gomesk@Stancera.org or via fax to 209-558-4976. Public comments of approximately 400 words or less submitted by email or fax by 4:30 p.m. the day before the meeting will be read during the StanCERA Board meeting in the public comment section of the agenda.

Pursuant to Government Code section 54954.3(a), Public Comment or public comment on an Agenda Item are limited to three (3) minutes (400 words or less). In compliance with the Americans with Disabilities Act, a person requiring an accommodation, auxiliary aid, or service to participate in this meeting should contact StanCERA at (209) 525-6393, as far in advance as possible but no later than 48 hours before the scheduled event. StanCERA will provide its best effort to fulfill the request. Agendas and Minutes are on our website at www.stancera.org.

1. Call Meeting to Order
2. Roll Call
3. Announcements
4. Public Comment
5. Consent Items
 - a. Approval of the April 23, 2020 Meeting Minutes [View](#)
 - b. Information Technology Solutions (ITS) Project Update [View](#)
 - c. Approval of Service Retirement(s) – Government Code Sections 31499.14, 31670, 31662.2 & 31810
 1. Brown, David – Sheriff – Effective 05-01-20 *
 2. Kimes, Lynelle – Probation – Effective 05-30-20 *
 3. Malone, Nathan – Sheriff – Effective 10-21-19 *
 4. Schiller, Christopher – Stan Regional 911 – Effective 05-30-20
 5. Tijerino, Maria – CSA – Effective 05-09-20
 6. Vasquez, Charles – Public Works – Effective 03-19-20
 7. Wells, Harry – Library – Effective 05-16-20
 - d. Approval of Deferred Retirement(s) – Government Code Section 31700
 1. Hopkins, Brandi – Stan Regional 911 – Effective 01-17-20
 2. Lent, Aaron – DA – Effective 06-28-19
 3. Lopez, Miguel – CSA – Effective 05-16-20
 4. Nguyen, Sang – Public Works – Effective 11-22-19
 5. Rocha, Rocio – CSA – Effective 01-17-20
 6. Vang-Lee, Vicky – CSA – Effective 04-10-20
 7. Yamzon, Marlon – ER – Effective 01-17-20
 8. Yang, Nang – Workforce Development – Effective 03-06-20
 - e. Application for Service Connected Disability Benefit – Government Code Section 31724
 1. Woodward, George – Police, Service-Connected, Effective 09.04.19 *
 - f. Application of Death Benefit – Government Code Section 31781, 31781.1, 31781.3
 1. Beasley, Amaeo – BHRS – Non-Service Connected – Effective 04.25.20 – Active Member
 - g. Investment Matrix
Agenda Item [View](#)
 - h. Insight Liquidity Portfolio Benchmark Recommendation [View](#)
6. Verus – Investment Consultant
 - a. April Flash Report [View](#)
 - b. Risk Diversifying Sub-Portfolio Review [View](#)

7. Investment

a. Strategic Asset Allocation

Agenda Item [View](#) Attachment 1 [View](#)

8. Administrative

a. Fiscal Year 2020-2021 Proposed Administrative Budget

Agenda Item [View](#) Attachment 1 [View](#)

9. Committee Reports and Recommendations for Action

AD HOC COMMITTEES

a. Investment Consultant RFP Committee

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)

c. Executive Director’s Annual Review Public Employment Government Code Section 54957(b)
(1)(2)

d. Lease Negotiations with Potential Long-Term Tenant
Government Code Section 54956.8

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

12. Adjournment

BOARD OF RETIREMENT MINUTES**April 28, 2020**1. Call Meeting to Order

Meeting called to order 1:33 p.m. by Trustee O'Neal, Chair

2. Pledge of Allegiance

We will not be having the Pledge of Allegiance today due to the limitations of the conference call.

2. Roll Call**Trustees Present by Conference Call:**

Darin Gharat, Mike Lynch, Donna Riley, Jeff Grover, Jeff Mangar, Mandip Dhillon and Rhonda Biesemeier, Alternate Retiree Representative

Trustees Present

Michael O'Neal and Jim DeMartini

Trustees Absent: None

Staff Present:

Rick Santos, Executive Director

Kellie Gomes, Executive Board Assistant

Fred Silva, General Legal Counsel

Others Present by Conference Call:

Natalie Davis, Fiscal Services Manager,

Stan Conwell, Retirement Investment Officer

Eileen Neil, Verus Investment Consultant

Steve Hempler, Verus Investment Consultant

3. Announcements

Trustee O'Neal had the following announcements:

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Due to the COVID-19 Pandemic, StanCERA's offices are currently closed to public access. If you are joining the meeting today by teleconference as a member of the public your phone will be muted. If you would like to comment on an item today please email your comments to gomesk@stancera.org or fax them to 209 558-4976. Today's agenda was posted with the same information and allowed for public comments to be sent ahead of today's meeting as well. We will make every effort to read all comments received during our meeting today.

Trustees Please Mute your Phones at this time. UnMute your phone when called upon you and re-mute when your done talking. If you would like to speak after roll-call please press 5* to alert the

moderator and unmute yourself after the Chairman calls on you. Due to the teleconference style of the meeting today we will take a roll call vote for all motions.

Kellie Gomes had the following announcement:

Due to StanCERa's 2020 Chairman Trustee Sharpe transferring from his Safety position with the County he is no longer able to serve on our Board as a Trustee in the Safety seat. This has caused a change in our Chair and Vice Chair for the remainder of the year Pursuant to our Bylaws section 1.5 our new Chair is Trustee Michael O'Neal and our Vice Chair is Trustee Jeff Grover.

Stan Conwell announced the following:

On 3/20/20 StanCERA committed \$15 Million to Insight Partners for Private Market allocation. The documents are available for review by request should any trustee want to review them.

Rick Santos announced the following:

Given the current situation with Covid 19 and the challenges it presents regarding education presentations we are going to postpone our proposed schedule of the asset allocation until after July. This will also allow us to finish our RFP for the Investment Consultant and have time to transition to a new consultant if the results of the RFP warrant.

Jeff Mangar announced the following:

Trustee Mangar announced that the results of the election have been certified and that he has been elected Judge for the California Superior Court, County of Stanislaus. The earliest he will be sworn in as a Judge is October, 2020 and the latest will be January, 2021. In the meantime, he will continue to perform his duties as a Trustee of StanCERA.

4. Public Comment

None

5. Consent Items

- a. Approval of the February 25, 2020 Meeting Minutes
- b. Conference Report
- c. Investment Matrix
- d. Private Markets Commitment Notice – Insight Partners XI fund
- e. Auxiliary Investment Report as of 12/31/2019
 1. AB2833 Auxiliary Report
 2. Investment Fee Summary, Value Added and Cash Flow Reports
- f. Legislative /Legal Update
- g. 2020 Executive Director Goals Update – Quarter 1
- h. Applications for Service Retirement(s) – **Government Code Sections 31499.14, 31670, 31662.2 & 31810**
 1. Allen, Sheila – BHRS – Effective 03-21-20

2. Angarole, David – Sheriff – Effective 03-14-20 *
3. Antonucci, Shelly – DCSS – Effective 03-28-20
4. Badal, Bella – Environmental Resources – Effective 03-28-20
5. Baker, John – DA – Effective 04-24-20
6. Barker, Barbara – CEO – Effective 03-28-20
7. Bell, Ronda – Stan Regional 911 – Effective 03-27-20
8. Borrelli, Annette – Public Works – Effective 03-29-20
9. Bowman, Sue – Workforce Dev – Effective 03-14-20
10. Brockman, Ray – CSA – Effective 02/01/2020
11. Brown-Mason, Rhonda – DCSS – Effective 03-27-20
12. Bunch, Kirk – DA – Effective 03-10-20 *
13. Cain, Dawn – Tax Collector – Effective 03-31-20
14. Calibro, Craig – Probation – Effective 03-28-20 *
15. Castillo, Victoria – DCSS – Effective 03-28-20
16. Cuevas, Esther – CSA – Effective 03-28-20
17. De Jong, Elizabeth – DA – Effective 03-30-20
18. De Leon, Thomas – CSA – Effective 03-14-20
19. De Mass, Steven – GSA – Effective 02-08-20
20. Delarosa-Putnam, Belinda – Probation – Effective 03-28-20 *
21. Dixon, Deborah – DCSS – Effective 03-28-20
22. Dominguez, Peggy – CEO – Effective 03-28-20
23. Fedorchak, Timothy – CEO – Effective 03-03-20
24. Fitzpatrick, John – Public Works – Effective 03-13-20
25. Ford, Linda – Animal Services – Effective 03-31-20
26. Gabrielson, Kathryn – Superior Court – Effective 03-12-20
27. Gee, Kirstie – Probation – Effective 03-14-20 *
28. Ghimenti, Ralph – Sheriff – Effective 03-14-20 *
29. Golden, Christi – BHRS – Effective 03-28-20
30. Gomez, Christina – Superior Courts – Effective 03-31-20
31. Gonzales, Karen – StanCERA – Effective 03-31-20
32. Grant, Sheelah – CSA – Effective 03-28-20
33. Gray, Lori – CSA – Effective 03-13-20
34. Graziose, Daniel – Sheriff – Effective 04-03-20 *
35. Harter, David – CSA – Effective 03-07-20
36. Hassard, Lorna – HSA – Effective 03-31-20
37. Hernandez, Cheryl – Sheriff – Effective 03-28-20
38. Hibbard, Melba – OES – Effective 03-28-20
39. Homen, Cynthia – CSA – Effective 03-06-20
40. Hott, Rhonda – Probation – Effective 03-28-20 *
41. Kellner, Lynne – DCSS – Effective 03-27-20
42. Keily, Erin – Sheriff – Effective 03-14-20 *
43. Kluding, Dennis – BHRS – Effective 03-27-20
44. Lazar, Vivian – Workforce Development – Effective 3-31-20
45. Lee, Christine – DCSS – Effective 04-02-20
46. Lewis, Diane – Sheriff – Effective 03-28-20
47. Longoria, Hector – Sheriff – Effective 03-17-20 *
48. Machado, Nancy – HSA – Effective 03-14-20
49. Marton, Deolinda – CSA – Effective 03-28-20
50. Maya, Mercedes – Assessor – Effective 03-28-20
51. Maze, Meri – HSA – Effective 03-03-20

52. McElligott, Richard – Public Works – Effective 03-27-20
53. McLain, Virginia – HSA – Effective 03-28-20
54. Meeks, Merete – Assessor – Effective 03-28-20
55. Mercer, Jayson – Sheriff – Effective 03-27-20 *
56. Morris, Rodney – City of Ceres – Effective 03-31-20
57. Nemeth, Sheila – HSA – Effective 03-26-20
58. Northard, Edward – Environmental Resources – Effective 03-05-20
59. Palecek III, Timothy – Public Works – Effective 03-27-20
60. Pena, Mary – CSA – Effective 03-28-20
61. Rakoncza, Keith – Sheriff - Effective 03-14-20 *
62. Ramirez, Juan – CSA – Effective 03-28-20
63. Rohoza, Delores – Superior Court – Effective 03-14-20
64. Sarasqueta, Phyllis – HSA – Effective 03-14-20
65. Sibley, Michelle – DCSS – Effective 03-27-20
66. Simas, Robbie – Environmental Resources – Effective 03-14-20
67. Spiegel, Stephen – CSA – Effective 03-08-20
68. Stinhilver, Sheryl – CSA – Effective 03-28-20
69. Taylor, Patricia – HSA – Effective 03-28-20
70. Thalongsinh, Phonethit – CSA – Effective 04-09-20
71. Thomas, Patricia H.- CEO – Effective 03-28-20
72. Traverso, Steven – Sheriff – Effective 03-28-20 *
73. Valentin, Kelly – Probation – Effective 03-28-20
74. Van Tassell, Phyllis – CSA – Effective 03-28-20
75. Villarreal, Pamela – BOS – Effective 03-14-20
76. Watson, Kevin – CEO – Effective 03-28-20
77. Weese, Bonnie – Clerk Recorder – Effective 03-28-20

** Indicates Safety Personnel*

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

1. Damin, Jon – City of Ceres – Effective 03-06-2020
2. Enriquez, Leticia – CSA – Effective 01-17-20
3. Espejo, Ronald – CSA – Effective 11-14-19
4. Flores-Villanueva, Francisco – CSA – Effective 12-05-19
5. Henry, Amanda – CSA – Effective 01-03-20
6. Huynh, Khaminh – Probation – Effective 02-28-20 *
7. Lugo, Alejandra – HSA – Effective 10-28-19
8. Martinez, Angela – CSA – Effective 03-09-20
9. Pettigrew, April – Probation – Effective 03-06-20 *
10. Porras, Jordan – Environmental Resources – Effective 08-02-19
11. Sharma, Akaash – Workforce Development – Effective 08-02-19
12. Serna, Sonya – BHRS – Effective 01-31-20
13. Tseng, Alysha – DA – Effective 01-24-20
14. Vieira Morais Filho, Jair – BHRS – Effective 09-13-19

** Indicates Safety Personnel*

j. Application for Service-Connected Disability Retirement – **Government Code Section 31724**

1. Reed, Timothy – Sheriff – Service-Connected – Effective 02.27.20 *

** Indicates Safety Personne*

k. Information Technology Solutions (ITS) Project

Motion was made by Trustee Grover and seconded by Trustee Dhillon to accept the consent items as presented.

Roll call vote is as follows:

Michael O'Neal	Yes
Darin Gharat	Yes
Donna Riley	Yes
Mandip Dhillon	Yes
Jeff Grover	Yes
Mike Lynch	Yes
Jim DeMartini	Yes
Jeff Mangar	Yes
Rhonda Bieseemeier	Yes

Motion carried unanimously

6. VERUS – Investment Consultant

- a. February Flash Report
- b. March Flash Report
- c. 2020 Quarterly 1 Investment Reports
- d. Study Education - Private Markets and Portfolio Review
- e. Investment Belief Language Recommendation

This item was a Discussion and Action Item and staff recommendation was to approve the recommended investment belief statements as presented by VERUS. The item was heard the Chairman called for a Motion. No motion was made.

3:18 Trustee Grover left the meeting

7. Investment

- a. Quarterly Staff Update.

8. Administrative

- b. Quarterly Staff Update

No closed session items were heard

9. Closed Session

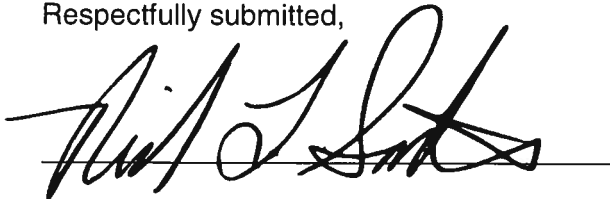
- a. Conference with Legal Counsel – Pending Litigation – One Case:
O’Neal et al v. Stanislaus County Employees’ Retirement Association
Stanislaus County Superior Court Case No. 648469
Government Code Section 54956.9(d)(1)
- b. Conference with Legal Counsel – Pending Litigation – One Case:
Stanislaus County Employees’ Retirement Association v. Buck Consultants,
LLC, Mediation Pursuant to Evidence Code Sections 1115, 1119, 1152
Government Code Section 54956.9(d)(4)
- c. Executive Director’s Annual Review Public Employment Government Code Section 54957(b)
(1)(2)

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

11. Adjournment

Meeting adjourned at 3:45 p.m.

Respectfully submitted,

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

Rick Santos, Executive

APPROVED AS TO FORM

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

By: Fred Silva, GENERAL LEGAL COUNSEL


May 26, 2020

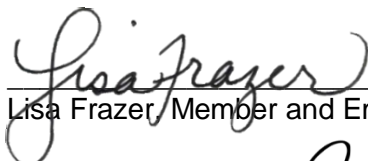
Retirement Board Agenda Item

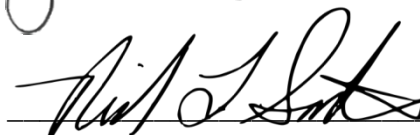
TO: Retirement Board

FROM: Jamie Borba, Member and Employer Services Specialist
ITS Project Lead

- I. SUBJECT: Information and Technology Solutions (ITS) Project
- II. ITEM NUMBER: 5.b
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: None
- V. ANALYSIS: The Pension Administration System (PAS) Project continues to move forward. The testing and sign-off of has been completed on Release 19.
Staff is currently reviewing three (3) Business and Systems Requirement Documents (BSRD's): CAFR Extract Reports, Employment Wages and Non-Participatory Employment Information. Internal testing of the system and data conversion cleanup is ongoing.
Virtual training sessions were held for three Plan Sponsors, training their staff on the File Upload and Batch Upload processes for payroll reporting. Each session was successful and each employer will begin uploading their own files into the test environment with each reporting payroll. Staff is still expecting a go-live date of around mid to late July.
- VI. RISK: None
- VII. STRATEGIC PLAN: Strategic Objective II: Successful implementation/completion of the Pension Administration System (PAS).
- VIII. ADMINISTRATIVE BUDGET IMPACT: None


Jamie Borba, Member and Employer Services Specialist


Lisa Frazer, Member and Employer Services Manager

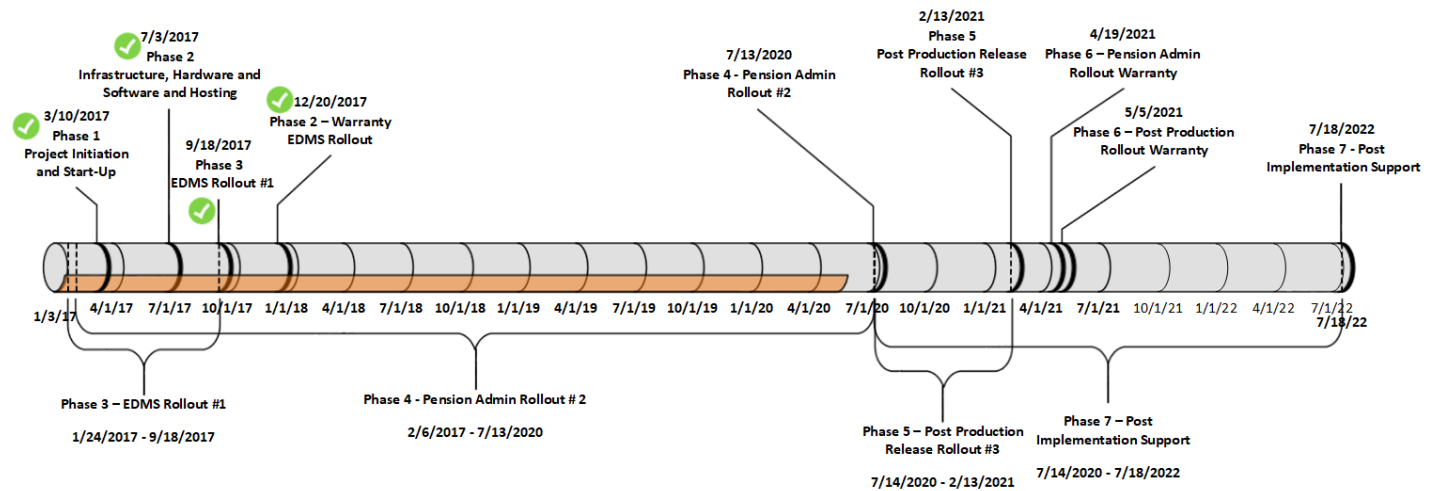

Rick Santos, Executive Director



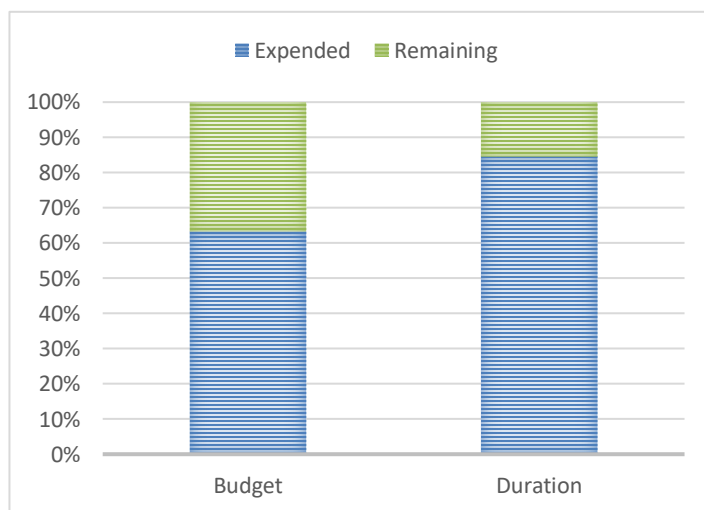
PAS IMPLEMENTATION LINEA BI-WEEKLY STATUS UPDATE



SPONSOR: Rick Santos **REPORT DATE:** 05-15-2020



Baseline 12/01/2016 STATUS



Linea Budget as of 04/30/2020

Risks & Issues:

StanCERA, Linea Solutions, and Tegrit continue to work remotely due to the pandemic. Associated risks to project communication, coordination, and training are being continuously evaluated. The project team aims to select a new go-live date by end of May. Project status remains green because project work continues, albeit with different arrangements.

Risk levels (low/medium/high) of known project risks continue to be evaluated by the project team, particularly resource availability and employer/employee training.

Additional risks currently of concern for go-live:

- StanCERA Resource Allocation/Availability
- Employer Reporting Transmittal Files
- Resources for Testing
- Sufficient Staff Training

Accomplishments:

- Tegrit made R20 UAT release on 05/08/2020, and StanCERA and Linea began testing.
- StanCERA continued development of staff training plans and incorporating "training members" provided by Tegrit in the R20 release.
- StanCERA conducted successful Arrivos Employer Reporting training for StanCOG and City of Ceres.

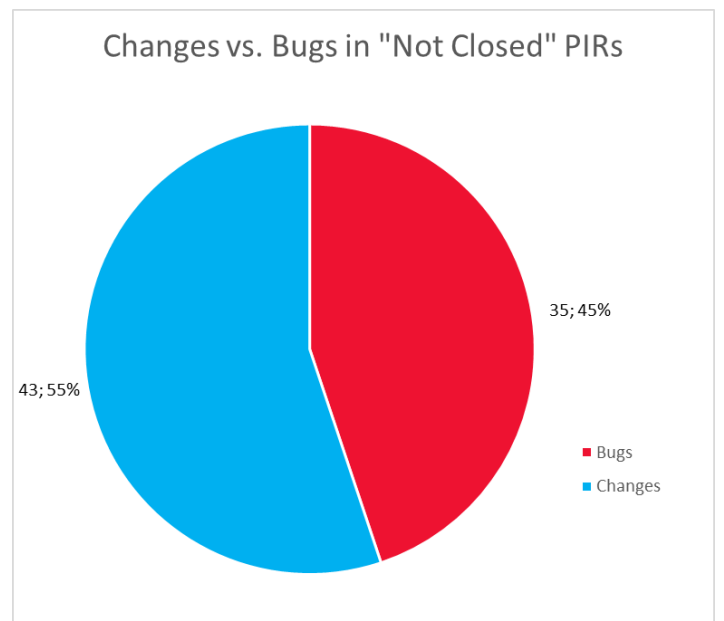
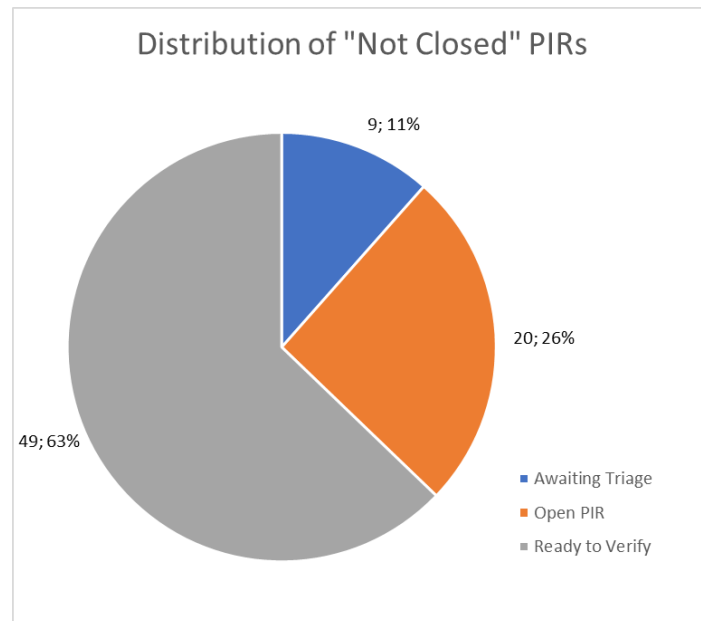
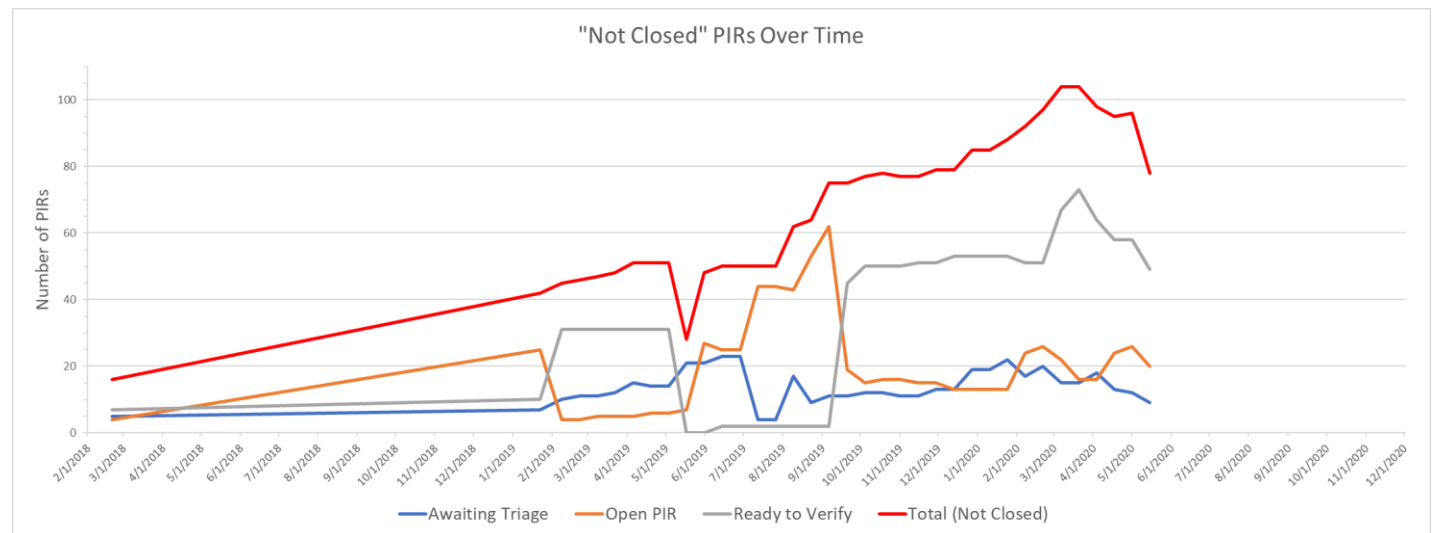
Upcoming:

- StanCERA to begin parallel payroll testing.
- Continued retesting of resolved PIRs and resolution of project action items.
- Deployment of restructured staff training initiatives to improve staff readiness for go-live.
- StanCERA to provide Arrivos Employer Reporting training to County personnel.

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 (BSR013, BSR016, BSR047, BSR070).
- 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



May 26, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Stan Conwell, Retirement Investment Officer

- I. SUBJECT: Investment Matrix
- II. ITEM NUMBER: 5.g.
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: N/A
- V. ANALYSIS:

a) *Investment Program Activities & Governance:*

During April and into May investment staff continued to operate under an enhanced investment governance framework, but as market volatility decreases and conditions stabilize, the frequency of monitoring can also begin to return to more normal levels. Talks with managers have shifted away from the short-term potentially temporary impacts of COVID-19 to the likely longer-term implications and the expected impact on future returns. Staff is also working with Verus on private market commitments in those areas that are most likely to have the greatest opportunities at a result the disruption caused by COVID-19.

The General Investment Consultant RFP process is also ongoing. StanCERA received six responses to the RFP and the committee reviewed the materials submitted and met on May 11 to pick finalists. The next step in the process is the presentations by the finalists to the committee. The meetings with the finalists are scheduled for June 1 and the recommendation from the RFP committee is expected at the June 23 Board meeting. The due diligence committee is also gearing up for the annual manager meetings. There are four managers up for review this year. The comprehensive due diligence questionnaire was sent in May and the meetings will take place at the end of June via video conference due to the travel uncertainty from the ongoing COVID-19 disruption.

b) *Money Transfer Report:*
April:

From			To		
Manager	Asset Class	Amount	Manager	Asset Class	Amount
Northern Trust Russell 3000	Public Equity	\$-2,260,370	Insight Partners XI	Private Equity	\$2,260,370

c) *Manager Meeting Notes:*

Morgan Stanley Prime Property Fund

During April staff attended the virtual annual investor meeting as well as a follow up call with a portfolio manager of the fund. The Morgan Stanley Prime Property fund (Prime fund) is an open-ended private real estate fund with a core market mandate. The Prime fund is Morgan Stanley's flagship fund in the core real estate market space. The annual meeting and the follow up call both centered on the impacts of COVID-19 on the firm and the fund. Sector sensitivities to COVID-19 and economic conditions were reviewed. Both retail and hospitality are some of the hardest hit real estate sectors and the impact on valuations will likely be seen during Q2 and Q3 of this year. The Prime fund was relatively well positioned going into the COVID-19 disruption with lower leverage vs peers and a slight underweight to retail versus the ODCE index. Investment staff will continue to monitor the fund closely as impacts from COVID-19 on the real estate market continue to unfold.

Owl Rock First Lien Fund

Staff met with the team from Owl Rock for a portfolio and market update. Owl Rock is a private credit fund that specializes in direct lending in the middle market space. As the name suggest, the fund focuses on making relatively conservative first lien loans with an overall average loan-to-value of under 50%. The call centered on COVID-19 impacts on the fund and much of the discussion revolved around companies in the retail and hospitality sectors given they are the most at risk sectors. Owl Rock called a small amount of capital in March and expects to take advantage of opportunities in the market as they arise given that much of the fund's capital commitments are uncalled and available for new investment.

d) *Trainings/Conferences:* None

- VI. RISK: None
- VII. STRATEGIC PLAN: N/A
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE



Stan Conwell, Retirement Investment Officer

Memorandum

To: Members of the Board, StanCERA

From: Eileen Neill, CFA

Date: May 18, 2020

RE: Results of Verus' Benchmark Analysis for Insight Liquidity Portfolio

CC: Rick Santos, CFA, ASA, MAAA
Stan Conwell, CAIA

Verus conducted a benchmark fit analysis on the Insight liquidity portfolio given the observed benchmark misfit of the current benchmark. To produce this analysis, we collected the April 30, 2020 portfolio holdings from Insight and utilized our BARRA One fixed income holdings-based risk analytics to identify a market portfolio which would provide a better fit with the Insight portfolio. Below is a table which summarizes the various relevant comparisons from our analysis.

	Portfolio (Insight Cashflow)	Bloomberg Barclays 1-3 Year U.S. Gov/Credit	Bloomberg Barclays U.S. Intermediate
Total Risk	5.01	1.21	5.35
Risk Decomp (Credit/Rates)	86/13	-3/103	85/15
Duration	3.96	1.90	4.32
Credit Quality	A3	Aaa / Aa1	A2 / A3
Yield (to worst)	2.25%	0.41%	2.26%

In addition to the Insight portfolio and its current benchmark, we include in the table above the optimal market benchmark identified in the analytical process, the BB U.S. Intermediate Credit Index ("Intermediate"). The Insight portfolio had a standard deviation of 5.01% versus 1.21% for the benchmark and 5.35% for the Intermediate index. We decomposed the portfolio risk into the two main risk factor exposures of credit (i.e., spread) and rates for each of these portfolios. The Insight portfolio is dominated by credit risk exposure (86% contribution to risk) while the current benchmark reflected an essentially 100% contribution to risk from rates (technically, the credit component provided a negative contribution to risk (i.e., reduced overall risk) by a modest amount of 3%). The Intermediate index exhibited a very similar risk profile to the Insight portfolio with an 85% contribution to risk from credit.

In terms of duration, the Insight portfolio duration was 3.96 years versus 1.9 years for the current benchmark and 4.32 years for the Intermediate portfolio. The overall credit rating of the Insight portfolio is A3 versus AAA/Aa1 for the current benchmark and A2/A3 for the Intermediate index. Insight focuses on Yield to Worst ("YTW") as an approximation of the discount rate for the StanCERA net benefit payment cash flows. The Insight portfolio YTW was 2.25% versus 0.41% for the current benchmark YTW. The Intermediate portfolio YTW was 2.26%. Thus, Verus' analysis demonstrates that a reasonable market benchmark alternative to the current benchmark is the BB U.S. Intermediate Credit Index. This better fitting benchmark would provide a closer match to the risk profile of the Insight portfolio and, more importantly,

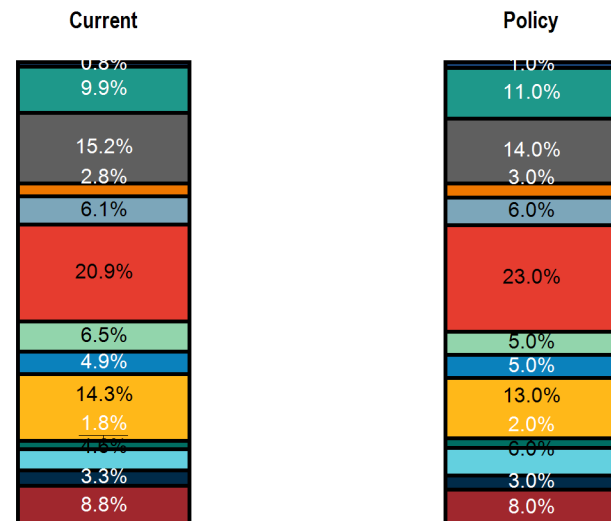
would improve the total fund policy benchmark as a result. Verus discussed this analysis and our findings with StanCERA's portfolio manager at Insight and StanCERA Staff; they concurred with our results. ***Thus, Verus recommends adoption of the BB U.S. Intermediate Credit Index as the benchmark for the Insight Liquidity portfolio.***

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: April 30, 2020

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Total Fund	2,097,166,559	100.0	5.7	-8.4	-3.0
<i>Policy Index</i>			6.1	-7.0	-1.6
Liquidity Sub-Portfolio	224,710,206	10.7	3.8	1.3	3.8
<i>StanCERA Liquidity Blended BM</i>			0.6	2.2	3.5
Cash	16,293,606	0.8	0.2	0.7	1.8
<i>FTSE T-Bill 1 Month TR</i>			0.0	0.4	1.4
Short-Term Gov't/Credit	208,416,601	9.9	4.1	1.3	4.0
<i>BBgBarc US Gov't/Credit 1-3 Yr. TR</i>			0.6	2.3	3.6
<i>Insight</i>	208,416,601	9.9	4.1	1.3	4.0
<i>BBgBarc US Gov't/Credit 1-3 Yr. TR</i>			0.6	2.3	3.6
Growth Sub-Portfolio	1,617,369,094	77.1	6.7	-11.4	-5.2
<i>StanCERA Growth Blended BM</i>			7.4	-9.5	-3.1
Public Equities	378,846,026	18.1	13.7	-13.9	-5.2
<i>MSCI ACWI IMI NR</i>			11.0	-13.9	-6.3
US Large	319,320,718	15.2	13.6	-10.2	-0.4
<i>Russell 1000</i>			13.2	-9.7	-0.1
<i>BlackRock Russell 1000 Growth</i>	168,971,860	8.1	14.8	-1.4	10.7
<i>Russell 1000 Growth</i>			14.8	-1.4	10.7
<i>BlackRock Russell 1000 Value</i>	74,871,145	3.6	11.3	-18.4	-11.1
<i>Russell 1000 Value</i>			11.2	-18.5	-11.3
<i>Dodge & Cox-Equity</i>	75,477,712	3.6	13.3	-19.7	-11.6
<i>Russell 1000 Value</i>			11.2	-18.5	-11.3
US Small	59,525,308	2.8	14.5	-28.7	-23.9
<i>Russell 2000</i>			13.7	-21.1	-15.3
<i>Capital Prospects</i>	59,525,308	2.8	14.5	-28.7	-23.9
<i>Russell 2000 Value</i>			12.3	-27.7	-22.0
Private Equity Proxy	128,318,255	6.1	13.3	-10.4	-1.1
<i>Russell 3000 +3%</i>			12.6	-9.6	1.6
<i>Northern Trust Russell 3000</i>	128,318,255	6.1	13.3	-10.4	-1.1
<i>Russell 3000</i>			13.2	-10.4	-1.1

	Current	%	Policy	%
Liquidity Sub-Portfolio	\$224,710,206	10.7%	\$251,659,987	12.0%
Cash	\$16,293,606	0.8%	\$20,971,666	1.0%
Short-Term Gov't/Credit	\$208,416,601	9.9%	\$230,688,322	11.0%
Growth Sub-Portfolio	\$1,617,369,094	77.1%	\$1,614,818,251	77.0%
US Large	\$319,320,718	15.2%	\$293,603,318	14.0%
US Small	\$59,525,308	2.8%	\$62,914,997	3.0%
Private Equity Proxy	\$128,318,255	6.1%	\$125,829,994	6.0%
Int'l Developed	\$438,222,722	20.9%	\$482,348,309	23.0%
Core Real Estate	\$135,353,142	6.5%	\$104,858,328	5.0%
Value Add Real Estate	\$102,122,389	4.9%	\$104,858,328	5.0%
Risk Parity	\$300,781,429	14.3%	\$272,631,653	13.0%
Infrastructure	\$37,531,690	1.8%	\$41,943,331	2.0%
Private Credit	\$96,193,440	4.6%	\$125,829,994	6.0%
Risk-Diversifying Sub-Portfolio	\$255,087,259	12.2%	\$230,688,322	11.0%
US Treasury	\$70,035,982	3.3%	\$62,914,997	3.0%
Short Term Gov't/Credit	\$185,051,276	8.8%	\$167,773,325	8.0%
Total	\$2,097,166,559	100.0%	\$2,097,166,559	100.0%



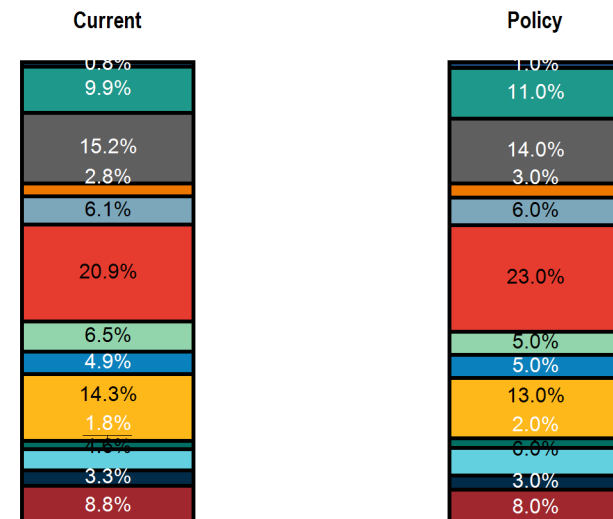
Policy Index (5/31/2019): 14% Russell 1000, 3% Russell 2000, 6% Russell 3000 + 3%, 23% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 5% NCREIF Property, 5% NCREIF Property +2%, 2% CPI +5%, 6% S&P/LSTA Leveraged Loan Index + 2%, 13% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: April 30, 2020

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Int'l Developed	438,222,722	20.9	7.9	-19.3	-13.0
MSCI ACWI ex USA			7.6	-17.5	-11.8
LSV Asset Mgt	213,825,891	10.2	7.6	-22.0	-14.7
MSCI ACWI ex USA			7.6	-17.5	-11.8
Fidelity	224,396,831	10.7	8.1	-16.7	-11.2
MSCI ACWI ex USA			7.6	-17.5	-11.8
Core Real Estate	135,353,142	6.5	1.0	-4.2	-0.8
NCREIF Property Index			N/A	0.7	3.7
Prime Property Fund	59,298,963	2.8	N/A	0.6	3.6
NCREIF-ODCE			N/A	1.0	3.8
BlackRock US Real Estate	17,709,559	0.8	7.8	-22.9	-18.7
DJ US Select RESI TR USD			7.8	-22.9	-18.7
PGIM Real Estate US Debt Fund	58,344,620	2.8	N/A	1.1	4.0
BBgBarc CMBS IG TR USD			1.0	1.4	3.1
Value Add Real Estate	102,122,389	4.9	N/A	5.7	11.0
NCREIF Property Index +2%			N/A	1.4	5.4
American Strategic Value Realty	68,466,731	3.3	N/A	1.4	5.7
NCREIF Property Index			N/A	0.7	3.7
Greenfield Gap VII	10,698,152	0.5	N/A	7.0	18.4
NCREIF ODCE + 1%			N/A	1.3	4.7
Greenfield Gap VIII	22,957,506	1.1	N/A	18.1	22.6
NCREIF ODCE + 1%			N/A	1.3	4.7
Risk Parity	300,781,429	14.3	2.9	-7.2	-2.9
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			7.2	-7.0	-1.6
AQR Global Risk Premium - EL	150,153,218	7.2	1.5	-8.6	-3.7
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			7.2	-7.0	-1.6
PanAgora Risk Parity Multi Asset	150,628,211	7.2	4.3	-5.8	-2.0
60% MSCI ACWI Net/40% BBgBarc Global Aggregate			7.2	-7.0	-1.6

	Current	%	Policy	%
Liquidity Sub-Portfolio	\$224,710,206	10.7%	\$251,659,987	12.0%
Cash	\$16,293,606	0.8%	\$20,971,666	1.0%
Short-Term Gov't/Credit	\$208,416,601	9.9%	\$230,688,322	11.0%
Growth Sub-Portfolio	\$1,617,369,094	77.1%	\$1,614,818,251	77.0%
US Large	\$319,320,718	15.2%	\$293,603,318	14.0%
US Small	\$59,525,308	2.8%	\$62,914,997	3.0%
Private Equity Proxy	\$128,318,255	6.1%	\$125,829,994	6.0%
Int'l Developed	\$438,222,722	20.9%	\$482,348,309	23.0%
Core Real Estate	\$135,353,142	6.5%	\$104,858,328	5.0%
Value Add Real Estate	\$102,122,389	4.9%	\$104,858,328	5.0%
Risk Parity	\$300,781,429	14.3%	\$272,631,653	13.0%
Infrastructure	\$37,531,690	1.8%	\$41,943,331	2.0%
Private Credit	\$96,193,440	4.6%	\$125,829,994	6.0%
Risk-Diversifying Sub-Portfolio	\$255,087,259	12.2%	\$230,688,322	11.0%
US Treasury	\$70,035,982	3.3%	\$62,914,997	3.0%
Short Term Gov't/Credit	\$185,051,276	8.8%	\$167,773,325	8.0%
Total	\$2,097,166,559	100.0%	\$2,097,166,559	100.0%



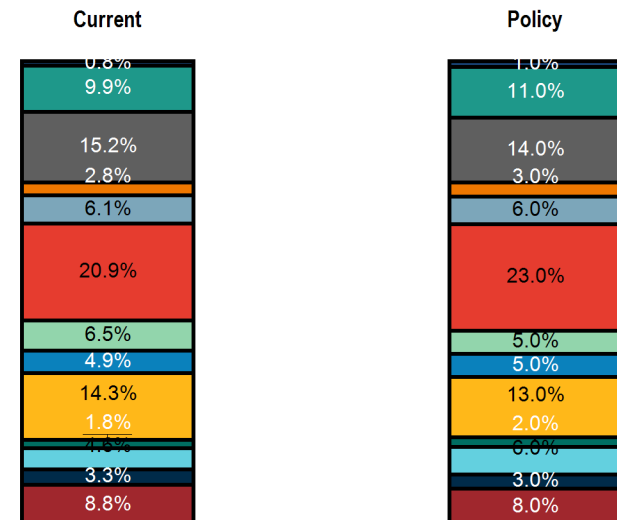
Policy Index (5/31/2019): 14% Russell 1000, 3% Russell 2000, 6% Russell 3000 + 3%, 23% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 5% NCREIF Property, 5% NCREIF Property +2%, 2% CPI +5%, 6% S&P/LSTA Leveraged Loan Index + 2%, 13% 60% MSCI ACWI / 40% BBgBarc Global Aggregate, 1% Citi 1 Month T-Bills. All data is preliminary.

Total Fund Flash Report (Net of Fees) - Preliminary

Period Ending: April 30, 2020

	Market Value	% of Portfolio	1 Mo	YTD	Fiscal YTD
Infrastructure	37,531,690	1.8	N/A	5.3	10.9
CPI + 5%			-0.3	1.4	4.2
MS Infrastructure Partners II	37,531,690	1.8	N/A	5.3	10.9
CPI + 5%			-0.3	1.4	4.2
Private Credit	96,193,440	4.6	-0.5	-5.6	-4.3
S&P/LSTA Leveraged Loan Index+2%			4.7	-8.5	-5.1
Medley Capital	10,177,631	0.5	N/A	-3.1	-13.7
S&P/LSTA Leveraged Loan Index+2%			4.7	-8.5	-5.1
Owl Rock First Lien Fund	4,508,801	0.2	-10.2	-10.3	--
S&P/LSTA Leveraged Loan Index+2%			4.7	-8.5	--
Raven Capital	7,944,078	0.4	N/A	-44.6	-42.7
S&P/LSTA Leveraged Loan Index+2%			4.7	-8.5	-5.1
Raven Opportunity III	44,724,086	2.1	N/A	3.8	7.2
S&P/LSTA Leveraged Loan Index+2%			4.7	-8.5	-5.1
White Oak Pinnacle	26,578,475	1.3	N/A	1.9	5.7
S&P/LSTA Leveraged Loan Index+2%			4.7	-8.5	-5.1
Insight Partners XI	2,260,370	0.1	--	--	--
Risk-Diversifying Sub-Portfolio	255,087,259	12.2	1.1	3.3	5.0
StanCERA Risk-Diversifying Blended BM			0.6	4.6	6.0
US Treasury	70,035,982	3.3	0.5	10.2	12.2
BBgBarc US Treasury 7-10 Yr TR			0.6	10.9	12.5
Northern Trust Intermediate Gov't Bond	49,030,141	2.3	0.2	5.5	6.8
BBgBarc US Govt Int TR			0.3	5.5	6.7
Northern Trust Long Term Gov't Bond	21,005,841	1.0	1.2	22.9	27.2
BBgBarc US Govt Long TR			2.0	23.0	27.3
Short-Term Gov't/Credit	185,051,276	8.8	1.3	0.9	2.5
BBgBarc US Govt/Credit 1-3 Yr. TR			0.6	2.3	3.6
DFA	185,051,276	8.8	1.3	0.9	2.5
BBgBarc US Govt/Credit 1-3 Yr. TR			0.6	2.3	3.6

	Current	%	Policy	%
Liquidity Sub-Portfolio	\$224,710,206	10.7%	\$251,659,987	12.0%
Cash	\$16,293,606	0.8%	\$20,971,666	1.0%
Short-Term Gov't/Credit	\$208,416,601	9.9%	\$230,688,322	11.0%
Growth Sub-Portfolio	\$1,617,369,094	77.1%	\$1,614,818,251	77.0%
US Large	\$319,320,718	15.2%	\$293,603,318	14.0%
US Small	\$59,525,308	2.8%	\$62,914,997	3.0%
Private Equity Proxy	\$128,318,255	6.1%	\$125,829,994	6.0%
Int'l Developed	\$438,222,722	20.9%	\$482,348,309	23.0%
Core Real Estate	\$135,353,142	6.5%	\$104,858,328	5.0%
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Total	\$2,097,166,559	100.0%	\$2,097,166,559	100.0%



Policy Index (5/31/2019): 14% Russell 1000, 3% Russell 2000, 6% Russell 3000 + 3%, 23% MSCI ACWI ex-USA, 19% BBgBarc US Gov't/Credit 1-3 Yr, 3% BBgBarc US Treasury 7-10 Yr, 5% NCREIF Property, 5% NCREIF Property +2%, 2% 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.

Blended Benchmark Compositions

- StanCERA Liquidity Blended BM (8/31/2019): 92% BBgBarc US Govt/Credit 1-3 Yr. TR and 8% FTSE T-Bill 1 Month TR.
- StanCERA Growth Blended BM (8/31/2019): 18% Russell 1000, 4% Russell 2000, 8% Russell 3000 + 3%, 30% MSCI ACWI ex-US Gross, 6% NCREIF Property, 6% actual private Value Add Real Estate returns, 17% 60% MSCI ACWI/40% BBgBarc Global Aggregate, 3% actual Infrastructure returns, and 8% actual Private Credit returns.
- StanCERA Risk-Diversifying Blended BM (8/31/2019): 27% BBgBarc US Treasury 7-10 Yr. TR and 73% BBgBarc US Govt/Credit 1-3 Yr. TR.

5/26/2020

Item 6.b

A graphic on the left side of the slide consisting of overlapping triangles in shades of blue and teal, some with white outlines.

PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



Risk Diversifying Sub-Portfolio Review

Stanislaus County Employees Retirement Association

MAY 26, 2020

Table of contents



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Role of risk diversifying assets

PAGE 2









































Risk diversifying portfolios review

PAGE 5






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The role of asset classes

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

MAGNITUDE

 High
  Med-High
  Medium
  Low
  None

- StanCERA Risk Diversifying Sub-Portfolio is comprised of two fixed income strategies:
 - U.S. Treasuries
 - Short-term Government/Credit

U.S. Treasuries

ROLE

- Produce stable income and returns. Viewed as risk-free asset but can exhibit price volatility.
- Liquid, and may be used as substitute for cash.
- Hedge against downside movements in risk assets. Investors often purchase U.S. Treasuries as a safe haven when other assets are falling, which may result in price appreciation of U.S. Treasuries.

RETURN DRIVERS

+ Annualized yield
= Expected nominal return

RISKS

Higher interest rates
Inflation risk

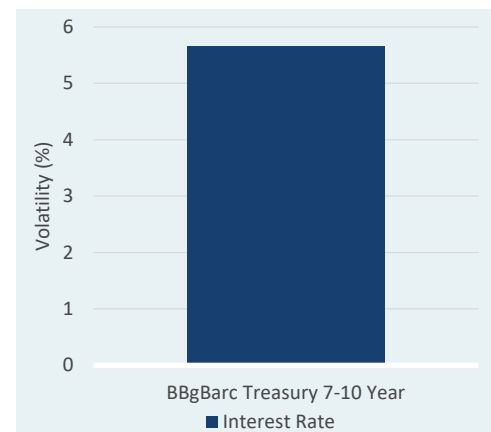
US TREASURY

	Correlation	Excess Return*
10yr US Treasury	1.0	0.0
Global Sovereign ex-US	0.4	3.9
US Core	0.9	1.5
US Core Plus	0.5	0.5
US Large Equity	-0.5	-5.2
Global Equity	-0.4	-0.5

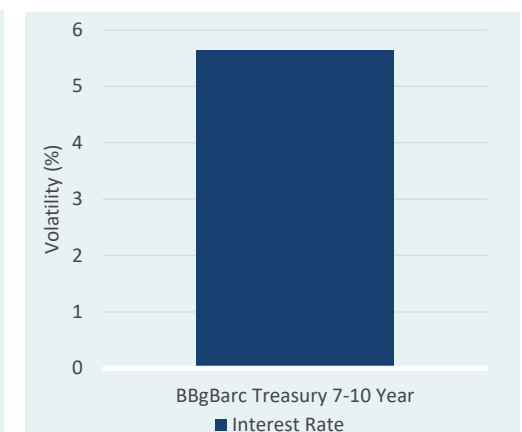
10 Year correlation as of 3/31/20, 10-year annualized return as of 3/31/20

*Excess Return = asset class shown in header minus asset class shown horizontally in left row Source: Morningstar

ABSOLUTE RISK



FACTOR RISK CONTRIBUTION



Source: Bloomberg, Barra, as of 3/31/20

U.S. Treasuries are somewhat unique in that risk is driven by one single factor. A single risk means that standalone risks (left) are the same as correlation-adjusted risks (right)

U.S. Credit

ROLE

- Produce stable income and returns.
- Earn a credit risk premium.
- Offers some exposure to positive economic growth.
- Credit risk and equity risk are positively correlated, although higher quality credit typically offers greater diversification benefits.

	US CORE		US CORE +		ST GOV'T/CR.		LT CREDIT	
	Correlation	Excess Return*	Correlation	Excess Return*	Correlation	Excess Return*	Correlation	Excess Return*
US Core	1.0	0.0	0.8	1.0	0.8	-2.3	0.8	3.4
US Core +	0.8	-1.0	1.0	0.0	0.6	-3.3	1.0	2.4
LT Credit	0.8	-3.4	1.0	-2.4	0.5	-5.7	1.0	0.0
US HY	0.1	-1.8	0.6	-0.7	0.1	-4.0	0.5	1.7
US Large	-0.2	-6.6	0.2	-5.6	-0.2	-8.9	0.1	-3.2
Global Equ.	-0.1	-2.0	0.3	-1.0	-0.1	-4.3	0.2	1.4

10 Year correlation as of 3/31/20, 10-year annualized return as of 3/31/20

*Excess Return = asset class shown in header minus asset class shown horizontally in left row Source: Morningstar

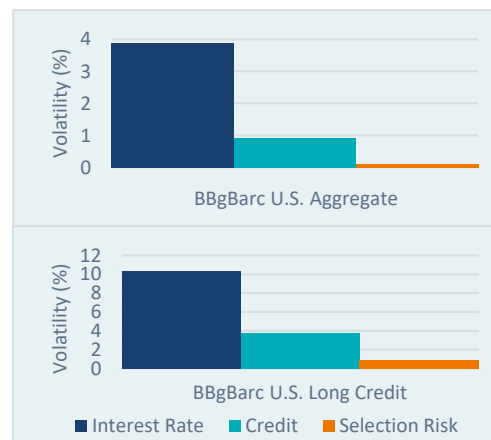
RETURN DRIVERS

- + US Treasury yield (similar duration Treasury index)
- + Option-adjusted-spread
- Effective default rate = $\text{default rate} * (1 - \text{recovery rate})$
- = Expected nominal return

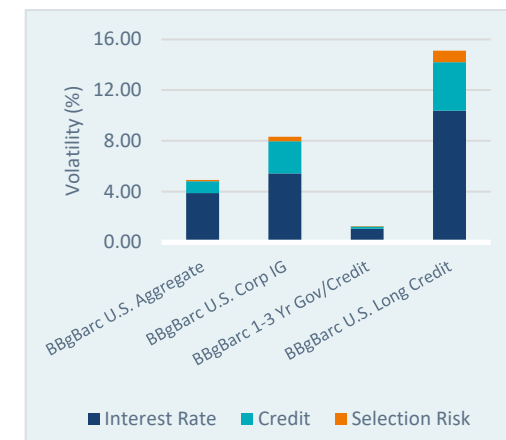
RISKS

- Higher interest rates
- Credit risk
- Inflation risk

ABSOLUTE RISK



FACTOR RISK CONTRIBUTION



Source: Bloomberg, Barra, as of 3/31/20

Risk Diversifying sub-portfolio review

Current Risk Diversifying Sub-Portfolio structure

As of 3/31/20	Market Value	% of Portfolio	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Risk-Diversifying Sub-Portfolio	\$252,332,218	12.7	3.9	5.9	3.9	3.4	4.3	4.9	Nov-03
<i>StanCERA Risk-Diversifying Blended BM</i>			5.4	7.6	3.8	2.6	2.7	--	Nov-03
US Treasury	69,706,578	3.5	11.6	15.3	7.2	5.3	5.2	5.5	Nov-03
<i>BBgBarc US Treasury 7-10 Yr. TR</i>			11.8	16.2	7.0	4.4	5.4	5.3	Nov-03
Northern Trust Int. Gov't Bond	48,940,355	2.5	6.6	9.1	--	--	--	4.3	Jul-17
<i>BBgBarc US Govt Int TR</i>			6.4	8.9	--	--	--	4.3	Jul-17
Northern Trust Int. Gov't Bond	20,766,223	1.0	25.7	33.3	--	--	--	14.0	Jul-17
<i>BBgBarc US Govt Long TR</i>			24.8	32.3	--	--	--	13.7	Jul-17
Short-Term Gov't/Credit	182,625,640	9.2	1.2	2.8	--	--	--	2.2	Jul-17
<i>BBgBarc US Govt/Credit 1-3 Yr. TR</i>			3.0	4.5	--	--	--	2.7	Jul-17
DFA US Short Duration Credit	182,625,640	9.2	1.2*	2.8	--	--	--	2.2	Jul-17
<i>BBgBarc US Govt/Credit 1-3 Yr. TR</i>			3.0	4.5	--	--	--	2.7	Jul-17

*Note on DFA relative underperformance in first quarter 2020:

- The overweight to corporate bonds was a significant headwind to relative performance as corporate bonds generally underperformed gov't bonds.
- The allocation to bonds in the zero- to one-year maturity and underweight to government bonds in the 3-5-year range also detracted from relative performance.

May 26, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Rick Santos, Executive Director

- I. SUBJECT: Strategic Asset Allocation
- II. ITEM NUMBER: 7.a
- III. ITEM TYPE: Information Only
- IV. STAFF RECOMMENDATION: N/A
- V. ANALYSIS: Within the next few months, StanCERA and the Board of Retirement will begin the triennial asset liability study. The culmination of this study will result in the Board fixing the new 3-5 Year Strategic Asset Allocation for the Organization. Since this process is revisited in its entirety once every 3-5 years, it behooves the Organization to reacquaint itself with the process and its importance.

The attached presentation (Attachment 1) lays out the importance of strategic asset allocation, the Board's role in its formation and its impact on future funding metrics.

- VI. RISK: None
- VII. STRATEGIC PLAN: N/A
- VIII. ADMINISTRATIVE BUDGET IMPACT: NONE

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

Rick Santos, Executive Director

STRATEGIC ASSET ALLOCATION

MAY 2020

2 - STRATEGIC ASSET ALLOCATION

- SETTING THE ALLOCATION TARGETS (PERCENTAGES) FOR EACH ASSET CLASS
- BASED ON RISK/REWARD AND SENSITIVITY TO FUTURE CONTRIBUTION RATES AND FUNDED STATUS
- GENERALLY UNDERTAKEN BY LONG-TERM INSTITUTIONAL INVESTORS
- USUALLY STAYS IN PLACE FOR 3 – 5 YEARS
- REBALANCING DONE PERIODICALLY
- STANCERA HAS A COMPETITIVE ADVANTAGE RELATIVE TO SHORT-TERM INVESTORS DUE TO THE LONG-TERM NATURE OF ITS LIABILITIES

3 - BOARD'S ROLE

- THE MOST IMPORTANT INVESTMENT DECISION THE BOARD WILL MAKE
- AT LEAST 90% OF FUTURE RETURNS, CONTRIBUTIONS AND FUNDED STATUS RELY ON THIS DECISION
- ALL OTHER PORTFOLIO DECISIONS ONLY marginally AFFECT FUTURE RESULTS
 - ACTIVE VERSUS PASSIVE
 - MANAGER CHOICE
 - TACTICAL ALLOCATIONS

4 - ASSET LIABILITY STUDY

- WILL BE UNDERTAKEN PRIOR TO THE ALLOCATION DECISION
- BOARD WILL BE ABLE TO LOOK AT EXPECTED FUTURE RESULTS BASED ON EACH ALLOCATION
- BALANCE MUST BE STRUCK BETWEEN FUTURE CONTRIBUTION RATES AND FUNDED STATUS
 - CERL 31595

5 - STRATEGIC ASSET ALLOCATION; THE AFTERMATH

- IN SOME RESPECTS, THIS IS A “BUY AND HOLD” STRATEGY
- SHOULD BE NO “SECOND GUESSING” ON HOW WE ALLOCATED OUR ASSETS
- HOWEVER, THERE ARE OTHER SECONDARY DECISIONS THE BOARD MUST MAKE

6 - SECONDARY DECISIONS

- ACTIVE VERSUS PASSIVE
- MANAGER CHOICE
- TACTICAL PLAYS
- BENCHMARK SELECTION

7 - ACTIVE VERSUS PASSIVE

- CAN ACTIVE MANAGEMENT ADD VALUE?
- CERTAIN ASSET CLASSES PROVIDE MORE OPPORTUNITY FOR ACTIVE RETURN
- THE DECISION IS INDEPENDENT OF THE STRATEGIC ASSET ALLOCATION
- WILL ULTIMATELY ASK THE BOARD FOR GUIDANCE

8 - MANAGER CHOICE

- PRIVATE INVESTMENTS
 - EXTENSIVE DUE DILIGENCE PERFORMED BY CONSULTANT AND STAFF
 - DIRECTOR HAS THE ABILITY TO APPROVE ANY COMMITMENT UP TO \$25 MILLION
- TRADITIONAL ASSET CLASSES
 - DILIGENCE IS GENERALLY PERFORMED BY THE CONSULTANT
 - RECOMMENDATION IS MADE TO THE BOARD FOR APPROVAL
- TRANSITIONS INTO AND OUT OF MANAGERS SHOULD ONLY BE FOR COMPELLING REASONS
 - CONSULTANT BELIEVES A PARTICULAR MANAGER CAN PROVIDE CONSISTENT VALUE
 - SHORT-TERM SECOND GUESSING SHOULD BE AVOIDED
 - EXTENDED RETURN HISTORY IS IMPORTANT FOR EVALUATION

9 - MANAGER CHOICE

- ORGANIZATION SHOULD NOT BE FOCUSING ON MANAGER'S PARTICULAR INVESTMENTS
- STANCERA PAYS MANAGERS FOR THEIR EXPERTISE IN PICKING GOOD INVESTMENTS
- PICKING INDIVIDUAL INVESTMENTS IS NOT A CORE COMPETENCY OF STANCERA
- IT IS NOT EXPECTED THAT THE ORGANIZATION PICK GOOD INVESTMENTS, JUST GOOD MANAGERS

10 - TACTICAL ASSET ALLOCATION

- GENERALLY NOT SUCCESSFUL FOR INSTITUTIONAL INVESTORS (LONG-TERM)
 - TACTICAL INVESTING MAY NOT BE EFFICIENT FROM A RISK/REWARD PERSPECTIVE
- HOWEVER, THERE IS NOTHING WRONG WITH A SMALL ALLOCATION TO TACTICAL PLAYS WHEN THE MOMENT PRESENTS ITSELF
- IF THE BOARD BELIEVES IN PERSISTENT TACTICAL INVESTING IT SHOULD CONSIDER OPPORTUNISTIC FUNDS (ALTERNATIVE TYPE OF INVESTMENT)

11 - BENCHMARK SELECTION

- USED MAINLY TO EVALUATE THE BOARD'S DECISIONS
 - ASSET ALLOCATION DECISION (PEER)
 - ACTIVE VERSUS PASSIVE DECISION (ASSET CLASS)
- BENCHMARK SELECTION AND MANAGER EVALUATION
 - CARE MUST BE EXERCISED WHEN USING BENCHMARKS TO EVALUATE MANAGER SELECTION
 - SHORT-TERM PERFORMANCE, GOOD OR BAD, CAN BE TRANSITORY
 - MANAGER TRANSITIONS CAN BE VERY EXPENSIVE
 - IS THE MANAGER STILL INVESTING THE WAY STANCERA INTENDED (MANAGER THESIS)?
 - UNLESS THERE IS EGREGIOUS CONDUCT/PERFORMANCE, MANAGER ENGAGEMENT SHOULD BE CONSIDERED INTERMEDIATE TO LONG-TERM

May 26, 2020

Retirement Board Agenda Item

TO: Retirement Board

FROM: Natalie Davis, Fiscal Services Manager

- I. SUBJECT: Fiscal Year 2020-2021 Proposed Administrative Budget
- II. ITEM NUMBER: 8.a
- III. ITEM TYPE: Discussion and Action
- IV. STAFF RECOMMENDATION: Approve the Recommended Proposed Administrative Budget for Fiscal Year 2020-2021
- V. EXECUTIVE SUMMARY: Each year staff prepares a budget of general operating expenses for review and approval by the Board of Retirement (Board). Typically, there are few unexpected expenses and one budget presented and approved has been sufficient.

In preparation of the proposed budget, staff compares the current year budget with the current year expenditures. Those numbers, as well as the proposed budget request for Fiscal Year 2020-2021 are reflected in the summary below. In Fiscal Year 2019-2020 the total estimated expenditures of \$4,342,251 fall well below (-17%) the final budget approved by the Board. Projected Technology (extension of the project deadline and subsequent shifting of costs anticipated last year to this year), County Support Services, Fiduciary Education & Travel as well as salary savings and capital expenditures can be attributed with the bulk of the savings. A total of \$6,570,652 is being requested for Fiscal Year 2020-2021. On the surface, this amount appears radically higher than what would normally be anticipated, however, as mentioned above, the shift of technology costs from last year's budget to this year's explains much of the increase.

Government Code section 31580.2 within the 1937 Act allows for expenditures of administrative services (other than software, hardware and computer technology consulting services) to be the greater of 0.21% of the accrued actuarial liability or \$2,000,000. The accrued actuarial liability of StanCERA as of the June 30, 2019 actuarial valuation was \$2,897,223,000 of which 0.21% (\$6,084,168) is available for administrative expenses. We have shown the costs related to the computer technology software, hardware and consulting services separately in this budget. Removing 31580.2 costs from the total budget leaves an amount of \$3,718,311 left for regular administrative costs, well below the limits set forth in the statute.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION PROPOSED FISCAL YEAR 2020-2021 ADMINISTRATIVE BUDGET						
DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
Salaries & Benefits	1,953,491	1,748,455	2,082,128	126,116	2,208,244	13.04%
Technology	361,340	317,216	138,390	180,600	318,990	-11.72%
Legal Counsel & Services	426,500	517,130	591,700	-	591,700	38.73%
County Support Services	226,950	207,676	251,265	-	251,265	10.71%
Communication & Printing	75,000	72,149	80,000	-	80,000	6.67%
General Operations	43,250	57,128	57,170	-	57,170	32.18%
Fiduciary Education & Travel	206,700	139,513	182,900	-	182,900	-11.51%
ADMINISTRATIVE BUDGET	3,293,231	3,059,267	3,383,553	306,716	3,690,269	12.06%
Capital Expenditures	1,855,316	1,214,925	275,000	2,098,500	2,373,500	27.93%
Capital Depreciation	170,000	170,000	165,375	447,125	612,500	260.29%
6th Floor Lease Revenue	(105,617)	(101,941)	(105,617)	-	(105,617)	0.00%
TOTAL BUDGET	5,212,930	4,342,251	3,718,311	2,852,341	6,570,652	26.05%

Valuation Year	2018		2019
Actuarial Accrued Liability	2,749,068,000		2,897,223,000
Maximum Administrative Budget Allowable (0.21% of Actuarial Accrued Liability)	5,773,043		6,084,168
Percentage of Maximum	57%		56%

VI. ANALYSIS:

Review of the Current Year's Administrative Budget and Expenditures

In Fiscal Year 2019-2020 the total estimated expenditures of \$4,342,251 will fall below the budget approved by the Board. The pension administration system and the I.T. project management and oversite expenditures contributed to estimated costs being under the approved budgeted costs due to the go-live date being pushed from May 2020 to July 2020. All expenditure categories came in lower than anticipated with the exception of Legal & Professional Services mainly due to the lawsuits for Buck and Nasrawi starting up, General Legal Counsel getting caught up on their billing and Disability Counsel reviewing more cases than expected. General Operations also went over budget due to unexpected maintenance and repairs to the leased section of the 6th floor and rebalancing of the HVAC system.

Fiscal Year 2020-2021 Proposed Operating Budget Request

A total of \$6,570,652 is requested for all expenses in Fiscal Year 2020-2021 including the \$2,405,216 related to the new pension system and computer technology. Please see **Attachment I** for details. The cost for several projects either approved in concept or directly by the Board are included in this proposed budget. These include the completion and final payment of the pension software system; project management costs, the 6th floor lobby security upgrade, and cubicle redesign. The 6th Floor lease revenue continues to offset 6th floor expenses.

Salaries & Benefits

Total estimated budget for **Salaries and Benefits** is \$2,208,244. Salaries include fourteen full-time staff and four part-time extra help staff who continue to work on a variety of projects 20 hours per week. The I.T. Specialist was included in this budget as StanCERA will be looking into filling this position in the 2020-2021 fiscal year. Benefits include employer retirement contributions, medical, dental and vision care, workers comp and other negotiated and required taxes and fees.

Retirement and health care costs continue to rise. Health care is particularly dependent upon individual staff selections. If a staff member selects to use County health care coverage for a family of three or more, the budgeted amount is \$25,441 per year. Since staff does have some flexibility, the overall cost to the department can vary throughout the year.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
Salaries & Benefits					-	
Salaries	1,262,000	1,095,800	1,336,358	-	1,336,358	5.89%
Employee Benefits	691,491	652,655	745,770	-	745,770	7.85%
I.T. Specialist - Salary & Benefits	-	-	-	126,116	126,116	100.00%
TOTALS	1,953,491	1,748,455	2,082,128	126,116	2,208,244	13.04%

Technology

The technology budget includes the final costs for annual maintenance and disaster recovery with **Tyler Technologies** for our current pension system. The technology budget also includes cloud hosting fees of \$78,000 for the electronic document system which went live in September 2017, and I.T. consulting services of \$30,000 to help with data cleanup for implementation of the new pension system.

The **StanCERA Website** budget of \$2,500 is based on a bare bones structure and allows room for required upgrades. As part of the overall Information Technology project the new website was launched May 15, 2020. StanCERA does not anticipate additional costs for maintaining the new website.

The **Software Licenses and Fees** budget of \$10,000 reflect costs associated with the various software used in the day to day operations as well as any additional needs of the project implementation.

In order to keep **Computers and Office Equipment** current, \$25,000 is budgeted each year for the replacement and repair.

The **Copier Lease and Maintenance** increase to \$16,000 is due to the length of time the equipment has been in place and includes leases, maintenance, and supplies for copiers, printers, scanners, etc. StanCERA processes letterhead, specialized forms, member statements and retiree payroll notices on site.

StanCERA contracts with the County for network access, email, server maintenance, security and phones. The Information Technology Center (ITC) budgeted amount, \$77,030, is provided by the County Information Technology department for these services. The amount provided for Fiscal Year 2020-2021 is within a reasonable range of costs at this time. StanCERA has contracted with SBT for Embedded Employees to provide StanCERA with desktop support and software support. This additional contract has been budgeted at \$57,600 for Fiscal Year 2020-2021.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
Technology					-	
Tyler Software Maintenance	54,440	63,160	18,290	-	18,290	-66.40%
Tyler Disaster Maintenance	13,500	17,153	4,570	-	4,570	-66.15%
Tegrit Hosting Fees	78,000	78,000	-	78,000	78,000	0.00%
I.T. Consulting Services	50,000	24,180	-	30,000	30,000	-40.00%
Software Licenses & Fees	10,000	2,125	10,000	-	10,000	0.00%
StanCERA Website	2,500	163	2,500	-	2,500	0.00%
SBT - Data Processing	52,700	50,658	68,510	-	68,510	30.00%
SBT - Telecommunications	7,600	7,530	8,520	-	8,520	12.11%
SBT - Embedded Employees	57,600	43,200	-	57,600	57,600	0.00%
Computers & Office Equipment	25,000	15,851	10,000	15,000	25,000	0.00%
Copier Lease & Maintenance	10,000	15,196	16,000	-	16,000	60.00%
TOTALS	361,340	317,216	138,390	180,600	318,990	-11.72%

Legal & Professional Services

StanCERA contracts with multiple specialized firms for legal counsel. Only one firm is on retainer with a requested budget of \$80,000. The General Counsel budget may include expenses from multiple law firms depending on the subject matter. The estimated cost for **Legal Counsel** also includes \$175,000 for Disability Counsel, \$80,000 to continue to respond to the O'Neal vs StanCERA appeal, \$80,000 for the StanCERA vs Buck lawsuit, \$30,00 for the Nasrawi case, and \$50,000 for Domestic Relations Orders. Total estimated expenses are high mainly due to General Legal Counsel getting caught up with their billing and the Buck and Nasrawi cases being worked. Disability cases also are expected to increase for fiscal year 2020-2021.

StanCERA currently has agreements with the following law firms:

Reed Smith	Fiduciary & Information Technology
Hanson Bridgett	Tax & Investment
Rein & Rein	Real Estate
Damrell Nelson, et.al.	General & Domestic Relations Orders
Ted Cabrall	Disability

Medical Exams, Reviews, and Hearing costs related to the processing of disability retirement applications (medical exams, hearing costs, etc.) are budgeted at \$40,000 for the year.

Auditing Services are budgeted at \$46,500. Brown Armstrong is retained for the next year to perform the annual financial audit for StanCERA.

Often during any fiscal year, legislation changes or a Board request will produce a need for professional services not provided by staff. The budgeted amount for **Other Professional Services** of \$10,000 is set aside to cover the cost of professional service providers not associated with investments.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
Legal & Professional Services					-	
Legal Counsel - Disability	120,000	146,410	175,200	-	175,200	46.00%
Legal Counsel - O'Neal	150,000	79,151	100,000	-	100,000	-33.33%
Reimbursement from Travelers	(60,000)	(4,668)	(20,000)	-	(20,000)	100.00%
Legal Counsel - General	60,000	119,387	80,000	-	80,000	33.33%
Legal Counsel - DRO's	50,000	39,877	50,000	-	50,000	0.00%
Legal Counsel - Buck	20,000	55,600	80,000	-	80,000	300.00%
Legal Counsel - Nasrawi	-	5,000	30,000	-	30,000	100.00%
Medical Exams, Reviews, Hearings	30,000	19,500	40,000	-	40,000	33.33%
Auditing Services	46,500	46,500	46,500	-	46,500	0.00%
Other Professional Services	10,000	10,373	10,000	-	10,000	0.00%
TOTALS	426,500	517,130	591,700	-	591,700	38.73%

General Operations

Office Supplies are budgeted at \$8,000. This includes a variety of supplies, ranging from paper to calculators.

The **Other Office Expense** budgeted at \$9,000 for Fiscal Year 2020-2021 includes document storage expenses as well as other items needed for securing critically important historical documents, confidential shredding, alarm services, and other ongoing services that are periodically used to complete special projects. This budget is also set aside to accommodate unexpected ergonomic needs, safety expenses, furniture needs, etc.

The **6th Floor** budget of \$40,170 includes the costs of regular janitorial services provided by an outside provider, the additional cost for cleaning and/or replacing flooring, replacing window blinds, window cleaning, some painting, as well as any cost due to the lease of the vacant space. This budget item will be offset by the estimated lease revenue.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
General Operations					-	
Office Supplies	7,000	7,113	8,000	-	8,000	14.29%
Other Office Expense	8,000	8,223	9,000	-	9,000	12.50%
6th Floor Maintenance	1,500	14,000	12,000	-	12,000	700.00%
6th Floor Janitorial & Supplies	25,000	25,876	26,000	-	26,000	4.00%
6th Floor Security	500	420	600	-	600	20.00%
6th Floor Downtown Redevelopment	1,250	1,496	1,570	-	1,570	25.60%
TOTALS	43,250	57,128	57,170	-	57,170	32.18%

Communication & Printing

We have budgeted for **Communications and Printing** a total of \$80,000 which includes the Comprehensive Annual Financial Report, Popular Annual Financial Report, semi-annual member statements, two elections, and printing and distribution of StanCERA's newsletter via U.S. Postal services to all members (active, deferred and retirees). In addition, the printing of retiree payroll and the associated postage has now been included in this category, the bulk of which is retiree payroll. It's important to note that StanCERA does not pre-order letter head, specialized forms, member statements or retiree payroll notices. These items are printed in-house as needed.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
Communication & Printing					-	
Member Statements, Trustee Election	30,000	22,404	30,000	-	30,000	0.00%
Postage	45,000	49,745	50,000	-	50,000	11.11%
TOTALS	75,000	72,149	80,000	-	80,000	6.67%

County Support Services

The Stanislaus County, General Services Agency (GSA) is responsible for acquiring goods and services, negotiating contracts, leasing property and equipment, providing consultation on procurement needs and contract facilitation to County departments, in addition to the sale and/or disposal of surplus County property, mailroom messenger, and salvage services. As an Internal Service Fund, the costs of these services are based on the level of service provided.

The budget for StanCERA's portion of the 12th Street Building is \$165,000. This includes common area expenses for janitorial, maintenance, utilities and security. This increase is mainly due to the increase costs in janitorial services. StanCERA is working with the District Attorney's Office to upgrade the 10 year old security equipment and systems for the whole building as well as improve security in the lobby.

GSA estimates StanCERA's **Central Services and Mail Room** cost to be \$25,000 for Fiscal Year 2020-2021. Postage is categorized separately.

Also provided by the County is general and auto liability insurance, administrative functions by CEO/Personnel, Auditor, Purchasing, Risk Management, and a true-up process for capital expenses from the previous year. The true-up amount can fluctuate considerably from positive to negative each year. The total for these services are budgeted at \$61,265.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
County Support Services					-	
Building Maintenance	45,000	22,463	40,000	-	40,000	-11.11%
Building Janitorial	20,000	7,669	10,000	-	10,000	-50.00%
Building Security	45,000	70,452	75,000	-	75,000	66.67%
Building Utilities	40,000	36,782	40,000	-	40,000	0.00%
Auditor	12,000	14,338	14,000	-	14,000	16.67%
CEO/Personnel	18,500	14,203	21,500	-	21,500	16.22%
Central Services Mail Room	20,000	21,408	25,000	-	25,000	25.00%
GSA - ADA Compliance	-	615	720	-	720	100.00%
Purchasing	1,500	679	1,000	-	1,000	-33.33%
Risk Management	3,650	378	3,245	-	3,245	-11.10%
Salvage & Disposal	1,500	608	1,000	-	1,000	-33.33%
Insurance (General Liability & Auto)	19,800	18,081	19,800	-	19,800	0.00%
TOTALS	226,950	207,676	251,265	-	251,265	10.71%

Fiduciary Education & Travel

Staff, trustees and service providers to StanCERA have a fiduciary responsibility to the fund. As such, it is imperative that continuous education be provided. The Board of Retirement consists of nine members and one alternate. Continuing education for Board of Retirement Trustees is required by law. \$30,000 has been set aside to accommodate **Trustee Fiduciary Education**. This is a decrease of 54.55% from prior year due to trustees attending trainings and conferences less frequently.

With StanCERA's needs for education in investment, tax, actuarial and the benefits arenas, maintaining this budget allows for Board of Trustees and staff to receive appropriate training and is in line with the Retirement Board's goal to keep current and up to date. \$35,000 is set aside for **Staff Education** and associated travel expenses which includes possible expenses for new employees.

The \$87,200 budgeted for **Insurance** includes the estimated cost of Automobile Liability, General Liability, Cyber Security and Fiduciary insurances in Fiscal Year 2020-2021. The Fiduciary Insurance annual coverage cost is expected to increase. It will be based on the 6/30/2019 fund balance and past experience. In addition, staff is reviewing other vulnerabilities to the system that might be well served by further coverage.

Professional Publications and Memberships are important to the continuing education of staff and trustees. The Wall Street Journal (WSJ) and other subscriptions provide key information to fiduciaries as well as memberships in specific associations. A budgeted amount of \$18,700 is in line with this fiscal year's estimated expenditures. Publications from and memberships in specific organizations continues to provide high quality education and access to pension and investment information to Board Trustees and staff.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
Fiduciary Education & Travel					-	
Professional Subscriptions	6,600	6,170	6,600	-	6,600	0.00%
Professional Memberships	35,000	40,410	35,000	-	35,000	0.00%
Staff Education & Travel	12,100	9,615	12,100	-	12,100	0.00%
Trustee Education & Travel	66,000	17,641	30,000	-	30,000	-54.55%
Trustee Meeting Allowance	14,500	7,400	12,000	-	12,000	-17.24%
Insurance (Fiduciary & Auto)	72,500	58,277	87,200	-	87,200	20.28%
TOTALS	206,700	139,513	182,900	-	182,900	-11.51%

Capital Expenditures

The budgeted **Depreciation** of \$612,500 includes the Tyler computer software, 12th Street offices, tenant improvements, furniture, phone systems, audio system, security monitoring systems, and the Arrivos document imaging system. Fiscal year 2020-2021 will be the first year of depreciation for the new pension system in the amount of \$447,125 included in the budgeted amount.

The bulk of the current **Capital Expenditures** budget request of \$2,373,500 is attributed to the new pension software system. \$14,550 has been carried over from the prior year to complete the redesign of StanCERA's website and \$50,000 has been carried over from the prior year for the 12th Street Lobby Upgrade. With the formation of the new organization chart approved by the Board, StanCERA realizes a need to reconfigure the office cubicles which has been budgeted at \$40,000. \$35,000 has been budgeted to purchase and upgrade equipment and \$150,000 has been budgeted to upgrade the security in the 6th floor lobby.

DESCRIPTION	Approved FY 19/20 Budget including I.T.	FY 19/20 Estimated Expenditures	Fiscal Year 2020-2021 Requested Budget	CODE SECTION 31580.2(2)(b) Technology	Fiscal Year 2020-2021 Total Budget Request	Increase (Decrease) from prior year
Capital Expenditures					-	
Pension Administration System	1,060,316	673,683	-	1,412,950	1,412,950	33.26%
I.T. Project Management & Oversight	695,000	479,950	-	671,000	671,000	-3.45%
Cubicle Redesign	-	8,833	40,000	-	40,000	100.00%
HVAC VAV Upgrade	-	-	15,000	-	15,000	100.00%
Formax Folding Machine	-	-	20,000	-	20,000	100.00%
Audio Visual Equipment	-	13,586	-	-	-	0.00%
6th Floor Lobby Upgrade	-	-	150,000	-	150,000	100.00%
12th St Lobby Upgrade	50,000	-	50,000	-	50,000	0.00%
Board Room Tenant Improvements	-	3,423	-	-	-	0.00%
Website Redesign	50,000	35,450	-	14,550	14,550	-70.90%
TOTALS	1,855,316	1,214,925	275,000	2,098,500	2,373,500	27.93%
Capital Depreciation	170,000	170,000	165,375	447,125	612,500	260.29%

Non- Administrative Expenses

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

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

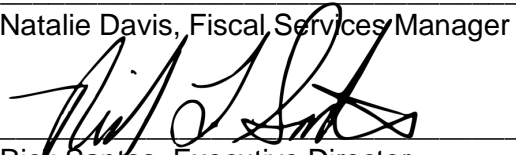
VII. RISK: Government Code section 31580.2 allow expenditures for administrative services (other than software, hardware and computer technology consulting services) to be the greater of 0.21% of the accrued actuarial liability or \$2,000,000. In Fiscal Year 2020-2021, we continue to exercise prudence in budgeting administrative expenses and are submitting an administrative budget which is only 0.12% of the accrued actuarial liability and well below the allotted legal amount.

VIII. STRATEGIC PLAN: N/A

IX. ADMINISTRATIVE BUDGET IMPACT: A total of \$6,570,652 is requested for all operating expenses in Fiscal Year 2020-2021 including the \$2,405,216 related to the new pension software and other technology related projects. Overall, the proposed budget for Fiscal Year 2020-2021 increased by \$1,357,722 from the prior fiscal year reflecting an increase in the salary budget for the I.T. Specialist, anticipated increase in legal fees, final cost for the new pension system implementation and additional depreciation for the new pension system.



Natalie Davis, Fiscal Services Manager



Rick Santos, Executive Director

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION FISCAL YEAR 2020-2021 PROPOSED BUDGET						
	Fiscal Year 2019-2020 Final Budget	Fiscal Year 2019-2020 Estimated Expenditures	Fiscal Year 2020-2021 Admin Services	Technology Adjustment \$31580.2(b)	Fiscal Year 2020-2021 Budget Request	Percent change from prior year budget
SALARIES & BENEFITS						
Salary and Wages	1,180,000	1,035,470	1,231,905	-	1,231,905	
Project Help Wages	82,000	60,330	104,453	-	104,453	
Information Technology Wages & Benefits	-	-	-	126,116	126,116	
Employee Benefits	691,491	652,655	745,770	-	745,770	
Salaries & Benefits	1,953,491	1,748,455	2,082,128	126,116	2,208,244	13.04%
TECHNOLOGY						
Tyler Software Maint	54,440	63,160	18,290	-	18,290	
Tyler Disaster Maint	13,500	17,153	4,570	-	4,570	
Tegrit Hosting Fees	78,000	78,000	-	78,000	78,000	
I.T. Consulting Services	50,000	24,180	-	30,000	30,000	
Software Licenses & Fees	10,000	2,125	10,000	-	10,000	
StanCERA Website	2,500	163	2,500	-	2,500	
SBT - Data Processing Services	52,700	50,658	68,510	-	68,510	
SBT - Telecommunications	7,600	7,530	8,520	-	8,520	
SBT - Embedded Employees	57,600	43,200	-	57,600	57,600	
Computers & Office Equipment	25,000	15,851	10,000	15,000	25,000	
Copier Lease & Maint	10,000	15,196	16,000	-	16,000	
Technology	361,340	317,216	138,390	180,600	318,990	-11.72%
Legal & Professional Services						
Legal Counsel - Disability	120,000	146,410	175,200	-	175,200	
Legal Counsel - O'Neal vs StanCERA	150,000	79,151	100,000	-	100,000	
Reimbursement from Travelers Ins	(60,000)	(4,668)	(20,000)	-	(20,000)	
Legal Counsel - General	60,000	119,387	80,000	-	80,000	
Legal Counsel - Domestic Relation Orders	50,000	39,877	50,000	-	50,000	
Legal Counsel - StanCERA vs Buck	20,000	55,600	80,000	-	80,000	
Legal Counsel - StanCERA vs Nasrawi	-	5,000	30,000	-	30,000	
Medical Exams, Reviews, Hearings	30,000	19,500	40,000	-	40,000	
Auditing Services	46,500	46,500	46,500	-	46,500	
Other Professional Services	10,000	10,373	10,000	-	10,000	
Legal & Other Professional & Services	426,500	517,130	591,700		591,700	38.73%
GENERAL OPERATIONS & CONDOMINIUM						
Office Supplies	7,000	7,113	8,000	-	8,000	
Other Office Expense	8,000	8,223	9,000	-	9,000	
6th Floor Maint	1,500	14,000	12,000	-	12,000	
6th Floor Janitorial & Supplies	25,000	25,876	26,000	-	26,000	
6th Floor Security	500	420	600	-	600	
6th Floor taxes (Downtown Redevelopment)	1,250	1,496	1,570	-	1,570	
General Operations & Condominium	43,250	57,128	57,170		57,170	32.18%
COMMUNICATION & PRINTING						
Member Statements, Trustee Elections	30,000	22,404	30,000	-	30,000	
Postage	45,000	49,745	50,000	-	50,000	
Communication & Printing	75,000	72,149	80,000		80,000	6.67%
COUNTY SUPPORT & BUILDING SERVICES						
Building Maintenance	45,000	22,463	40,000	-	40,000	
Building Janitorial	20,000	7,669	10,000	-	10,000	
Building Security	45,000	70,452	75,000	-	75,000	
Building Utilities	40,000	36,782	40,000	-	40,000	
Auditor	12,000	14,338	14,000	-	14,000	
CEO/Personnel (true up)	18,500	14,203	21,500	-	21,500	
Central Services, Mail Room, Salvage	20,000	21,408	25,000	-	25,000	
GSA - ADA Compliance	-	615	720	-	720	
Purchasing	1,500	679	1,000	-	1,000	
Risk Management	3,650	378	3,245	-	3,245	
Salvage & Disposal	1,500	608	1,000	-	1,000	
Insurance (General Liability & Auto)	19,800	18,081	19,800	-	19,800	
County Support Services & Building Services	226,950	207,676	251,265		251,265	10.71%
FIDUCIARY EDUCATION & TRAVEL						
Professional Publications & Subscriptions	6,600	6,170	6,600	-	6,600	
Staff Education & Travel	35,000	40,410	35,000	-	35,000	
Professional Memberships	12,100	9,615	12,100	-	12,100	
Trustee Education & Travel	66,000	17,641	30,000	-	30,000	
Trustee Meeting Allowance	14,500	7,400	12,000	-	12,000	
Insurance (Fiduciary)	72,500	58,277	87,200	-	87,200	
Fiduciary Education & Travel	206,700	139,513	182,900		182,900	-11.51%
CAPITAL EXPENDITURES						
Pension Administration System	1,060,316	673,683	-	1,412,950	1,412,950	
PAS Project Management & Oversight	695,000	479,950	-	671,000	671,000	
Cubicle Redesign	-	8,833	40,000	-	40,000	
HVAC VAV Upgrade	-	-	15,000	-	15,000	
Formax Folding Machine	-	-	20,000	-	20,000	
Audio Visual Equipment	-	13,586	-	-	-	
6th Floor Lobby Upgrade	-	-	150,000	-	150,000	
12th St Lobby Upgrade	50,000	-	50,000	-	50,000	
Board Room Tenant Improvements	-	3,423	-	-	-	
Website/Logo redesign & implementation	50,000	35,450	-	14,550	14,550	
Capital Expenditures	1,855,316	1,214,925	275,000	2,098,500	2,373,500	27.93%
Capital Depreciation	170,000	170,000	165,375	447,125	612,500	
6th Floor Lease Revenue	(105,617)	(101,941)	(105,617)	0	(105,617)	
TOTAL BUDGET	5,212,930	4,342,251	3,718,311	2,405,216	6,570,652	26.05%