



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
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## AGENDA

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

**July 11, 2012**  
**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 12<sup>th</sup> Street, Suite 600, Modesto, CA 95354, during normal business hours.

**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 26, 2012, Investment Meeting Minutes [View](#)
  - b. Receipt of the 2012 2<sup>nd</sup> Quarter Update of the Executive Director's Goals [View](#)

5. Consent Items (Cont.)

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

1. Donna Brawley, DCSS, Effective 06-19-12
2. Janet Gauthier, District Attorney, Effective 06-29-12
3. Raymond Harper, Sheriff, Effective 03-28-12
4. Donna Kroupa, CSA, Effective 07-06-12
5. Stephanie Larsen, Parks, Effective 07-07-12
6. Shirley Miller, Probation, Effective 07-14-12
7. Dolores Nemanic, District Attorney, Effective 07-14-12
8. Nancy Overend, CSA, Effective 06-26-12
9. Michael Toomey, BHRS, Effective 07-27-12
10. Sondra Rene Weaver, Superior Courts, Effective 07-14-12
11. Jolynn Young, HSA, Effective 07-02-12

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

1. Sunday Balinton, CSA, Effective 05-30-12
2. Vincent Harris, StanCOG, Effective 06-01-12
3. Gregory M. Jackson, Public Defender, Effective 06-07-12
4. Harriet A. Valverde, HSA, Effective 01-06-12

e. Approval of Death Benefit(s) – **Section 31781**

1. Elizabeth Rangel, Deceased June 28, 2012, Active Member, Option Pursuant to Government Code Section 31781

6. Closed Session

- a. Conference with Legal Counsel - Anticipated Litigation and/or Anticipated Initiation of Litigation Pursuant to Government Code Section 54956.9(b); One Matter
- b. Conference with Legal Counsel – Pending Litigation – One Case:  
O’Neal et al v. Stanislaus County Employees’ Retirement Association  
Stanislaus County Superior Court Case No. 648469  
Government Code Section 54956.9(a)

6. Closed Session (Cont.)
  - c. Conference with Legal Counsel – Pending Litigation – One Case:  
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County  
Superior Court Case No. 1-11-CV202224  
Government Code Section 54956.9(b)
7. Executive Director
  - a. Discussion and Action on the Final Draft of the Excess Earnings Policy [View](#)
8. Members' Forum (Information and Future Agenda Requests Only)
9. Adjournment



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## PLEASE POST FOR EMPLOYEE VIEWING

### BOARD OF RETIREMENT MINUTES

June 26, 2012

**Members Present:** Jim DeMartini, Gordon Ford, Darin Gharat, Jeff Grover,  
Mike Lynch, Ron Martin, Michael O'Neal and Donna Riley

**Members Absent:** *Maria De Anda*

**Alternate Member Present:** Joan Clendenin, Alternate Retiree Representative

**Staff Present:** Rick Santos, Executive Director  
Kelly Cerny, Executive Board Secretary  
Kathy Herman, Operations Manager  
Kathy Johnson, Accountant

**Others Present:** Fred Silva, General Legal Counsel  
Marilyn Freeman & Elizabeth Knope,  
Capital Prospects LLC via teleconference  
Adam Lawlor & Douglas Porter, Legato Capital  
Management LLC  
Paul Harte & Nathan Pratt, Strategic Investment  
Solutions (SIS), Inc.  
Doris Foster & Stan Risen, Chief Executive Office

1. Meeting called to order at 2:00 p.m. by Jim DeMartini, Chair.

2. **Roll Call**

3. **Announcements**

D. Gharat, J. Clendenin arrived at 2:01 p.m.

None.

4. **Public Comment**

None.

5. **Consent Items**

Motion was made by Jeff Grover and seconded by Michael O'Neal to approve the following items as listed.

Motion carried.

- a. Approval of the June 13, 2012, Administrative Meeting Minutes

6. **Semi-Annual Performance Report by Capital Prospects LLC**

Marilyn Freeman, Principal and Manager, and Elizabeth Knope, Principal and Manager presented the semi-annual performance report for StanCERA's manager of managers small cap value equities portfolio via a teleconference.

Ms. Freeman noted no changes have been made to the six managers. StanCERA's asset allocation funding began January 1, 2009 with \$49.1 million and six managers in the program. As of May 31, 2012, the value of the fund is \$60.5 million. From inception through May 31, 2012, the total portfolio has returned 16.4% annualized, including a large cash withdrawal in May 2010, and is above its benchmark, the Russell 2000 value index of 11.82% over the same period.

7. **Semi-Annual Performance Report by Legato Capital Management LLC**

Adam Lawlor, and Douglas Porter, Senior Vice Presidents of Investment Management, Research, and Operations, presented the semi-annual performance report of StanCERA's manager of managers small cap growth equities emerging manager portfolio.

According to Legato Capital Management LLC's report dated June 26, 2012, StanCERA total fund assets of the small cap growth emerging manager portfolio were \$60.1 million as of March 31, 2012, with five managers in the program. Mr. Lawlor noted that one manager Crosswind had merged with Lee Munder Capital Group. Since funding began December 22, 2008, through May 31, 2012, the total portfolio returned 19.71%, above the Russell 2000 growth index return of 18.23% over the same period.

8. **Strategic Investment Solutions (SIS), Inc.**

- a. SIS, Inc.'s Monthly Performance Review for The Month Ending May 31, 2012

Mr. Harte presented the monthly performance review for the period ending May 31, 2012.

At 11 months of the fiscal year period, StanCERA's portfolio stood at \$1.35 billion as of May 31, 2012. The total fund return was -2.53% for the fiscal year to date through the month of May, and -1.37% under the policy index return of -1.16%

- b. Report on "Top 10 Holdings" by StanCERA Investment Managers

9. **Executive Director**

- a. Discussion and Action on the Disposition of Funds Received from the Cash-Out of the Termination of Research Affiliates Fundamental Index (RAFI) Long Short Portfolio

Motion was made by Darin Gharat and seconded by Michael O'Neal to move the \$10.9 million RAFI cash-out funds to the S&P BNY Mellon index fund.

J. De Martini opposed.

Motion carried.

**Heard Out Of Order**

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

Mr. DeMartini inquired as to the status of his previous request whether the burial allowance is a vested or an ad hoc benefit. Mr. Santos stated this will be discussed at the July 11, 2012 Board meeting.

10. **Closed Session**

Motion was made by Darin Gharat and seconded by Jeff Grover to commence to Closed Session at 3:35 p.m.

Motion carried.

M. O'Neal & J. Clendenin recused themselves at 3:35 p.m.

Motion was made by Darin Gharat and seconded by Jeff Grover to return to Open Session at 3:48 p.m.

Motion carried.

Ms. Cerny read the findings of the Closed Session:

- a. Conference with Legal Counsel – Pending Litigation – One Case:  
In Re: Bank of New York Mellon Corporation Foreign Exchange Transactions Litigation, U.S. District Court, Southern District of New York, Case Numbers 12-mdl-2335 (LAK) and 1:12-cv-03067 (LAK)  
Government Code Section 54956.9(a)

No report.

- b. Conference with Legal Counsel – Pending Litigation – One Case:  
O'Neal et al v. Stanislaus County Employees' Retirement Association  
Stanislaus County Superior Court Case No. 648469  
Government Code Section 54956.9(a)

No report.

10. **Closed Session (Cont.)**

- c. Conference with Legal Counsel – Pending Litigation – One Case:  
Nasrawi et al v. Buck Consultants, LLC, et.al, Santa Clara County  
Superior Court Case No. 1-11-CV202224  
Government Code Section 54956.9(b)

No report.

**Item #11 Heard Out Of Order**

12. **Adjournment**

Meeting adjourned at 3:48 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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Board of Retirement  
July 11, 2012

7/11/12  
Item #5b

TO: Retirement Board

FROM: Rick Santos, Executive Director

**SUBJECT: 2<sup>nd</sup> Quarter 2012 UPDATE OF EXECUTIVE DIRECTOR GOALS &  
STRATEGIC ACTION PLAN**

- I. RECOMMENDATION: Approve progress on Director Goals and Strategic Action Plan
- II. ANALYSIS: This is the second quarter update on the Executive Director Goals for 2012 and an update on the progress for the Organizational Strategic Action Plan for 2010-2012. As in the first quarter, this information is being presented as one item since Director Goals are explicitly tied to the Strategic Action Plan and as such, the documents share similar information. The link between the Director's goals and the Strategic Action Plan is noted in Attachment 2.

Both documents use color coding to quickly discriminate between tasks that have either been completed or have had progress made (green), and those that have seen no recent progress or have not yet been completed (red).

#### Strategic Action Plan (Attachment 1)

This document is divided into three sections; tasks that are on going in nature, those that have a specific resolution and incomplete ad hoc Board requests (new this quarter). Only tasks that are on going or have not been completed are part of this document. Many of the tasks in the original Strategic Action Plan have been completed and as such, are not a part of this document. Tasks that are ongoing will simply list the action taken during the quarter being reported out. This information will then be updated each subsequent quarter and the prior quarter's action removed. Those tasks that have a specific resolution will list whether the item has been completed and if so, it will be removed in subsequent quarters.

#### Executive Director Goals (Attachment 2)

This document lists the goals set forth by the Executive Director in January of this year. As with the Strategic Action Plan document, it lists current progress made in the quarter being reported out. However, unlike the Strategic Action Plan document, since most of the goals have specific resolutions, those items will show the current quarter's progress and will be shown as "complete" when that specific task has reached its resolution.

---

Rick Santos, Executive Director

Attachments

# Attachment 1 - 2012 Strategic Action Plan (SAP) Quarter 2 Progress Update

## SAP Tasks on going in nature

- 1) Periodically review and revise the investment policy as needed
  - ✓ Preliminary work undertaken with EFI/SIS on asset allocation study
- 2) Periodically review and revise assumptions as needed
  - ✓ Preliminary work undertaken with EFI on experience study
- 3) Conduct regular discussions with Strategic Investment Solutions (SIS)
  - ✓ Monthly Investment Meetings
  - ✓ Staff consults with SIS on a regular basis
    - Investment fees
    - Return calculations
    - Asset allocation
    - Capital market expectations
    - Cash flow management
- 4) Periodically discuss key investment decisions with experts as needed
  - ✓ Monthly SIS reports
  - ✓ Monthly Investment Manager reports
  - ✓ Ad hoc meetings with custodian on how to improve cash flow management techniques
  - ✓ Ad hoc meetings with international managers and custodian to understand foreign exchange fees
- 5) Maintain current information on website
  - ✓ Current quarter information
    - Board Agenda information
    - Board minutes
    - Board audio
    - Financial Reports
- 6) Maintain educational sessions for interested stakeholders
  - ✓ Board study sessions
    - The Discount Rate
  - ✓ Staff educational sessions
    - Various training opportunities (internal and external)
  - ✓ Stakeholder visits
    - Ongoing correspondence and discussions with County Executive Staff on pension funding
    - County Board of Supervisors agenda item on future pension costs
- 7) Explore other sources of communication with Plan Sponsors and Members
  - Nothing new to report out
- 8) Gather and report benchmarking data against other Systems
  - ✓ Gather and report interest crediting policies
  - ✓ Gather and report excess earnings policies

# Attachment 1 - 2012 Strategic Action Plan (SAP) Quarter 2 Progress Update

## SAP Tasks on going in nature – cont.

- 9) Analyze benchmarking data
  - Nothing new to report out
  
- 10) Communicate with peers in other pension Systems
  - ✓ Staff attendance at CALAPRS seminars
  - ✓ Staff attendance at SACRS Convention
  - ✓ Director attendance at SACRS Convention
  - ✓ Director ongoing email and telephone communication with other System Leaders
  
- 11) Continue to contract with established knowledgeable attorneys
  - ✓ Current contracts
    - Hanson and Bridgett
    - Damrell, Nelson, Schrimp, Pallios, Pacher & Silva
    - Fletcher Alford
    - Reed Smith
  
- 12) Explore opportunities to offer educational sessions at StanCERA
  - ✓ Sessions planned for Quarter 3
    - Liability and cash flow management fundamentals
    - Investment strategies and cash flow management
  - ✓ Upcoming asset allocation study
  - ✓ Upcoming experience study
  
- 13) Identify high quality educational opportunities and inform Board Members
  - ✓ Presented materials on upcoming Pension Investment Management Program at UC Berkeley
  
- 14) Ensure that StanCERA processes are completed on time and to standards
  - ✓ Staff replacement/hiring complete
  - ✓ All major processes completed on time
    - Board agenda and minute production
    - 2<sup>nd</sup> quarter retiree payrolls
    - 2<sup>nd</sup> quarter member refunds
    - Disability retirement applications (11 outstanding; Increase of 1 from 1<sup>st</sup> quarter)
  
- 15) Staff and Board to attend approved educational opportunities
  - ✓ Staff
    - CALAPRS Administrative Assistant Roundtable
    - CALAPRS Communications Roundtable
    - CALAPRS Attorney Roundtable
    - MGO Auditors Training
    - SACRS Spring Conference
    - CFA events
  
  - ✓ Board
    - SACRS Spring Conference

## **Attachment 1 - 2012 Strategic Action Plan (SAP) Quarter 2 Progress Update**

16) Search out other Systems' websites for best practices and ideas for the future

➤ **Nothing new to report out**

17) Enhance website based on research of other Systems' websites

➤ **Nothing new to report out**

18) Track and resolve post-implementation Tyler issues as needed

➤ **Nothing new to report out**

### **SAP Tasks with a specific resolution**

1) Conduct due diligence

➤ **Incomplete; Due diligence Committee Meeting met May 22; due diligence to be carried out the last week of August and September 2012**

2) Archive BOR agendas and minutes

✓ **Completed**

3) Explore and make recommendations regarding document imaging

➤ **Incomplete**

### **Ad Hoc Board Requests**

1) Feasibility study regarding a change of custodial bank

2) Continuous investment opportunity education

## Attachment 2 – 2012 Executive Director Goals Quarter 2 Progress Update

1. Continued communication, outreach and transparency with major stakeholders such as County, County BOS, Local Governments, Special Districts, employee groups and RESCO (SAP Goal 2, Strategy A)
  - ✓ Relayed information about Board Study sessions to stakeholders
  - ✓ Ongoing meetings with County Executive Staff regarding pension costs
  - ✓ Presentation on the discount rate
  - ✓ Board of Supervisors agenda item regarding future contribution rates
  - ✓ Communication with RESCO regarding excess earnings policy and change of address information
  - ✓ Host of Pre-Retirement Seminar in May
  - ✓ Numerous responses to requests from media
2. Complete internal staffing and reorganization (SAP Goal 3, Strategy B)
  - ✓ Staffed new IT Coordinator
  - ✓ Staffed new Retirement Technician
  - ✓ Staffed new Operations Technician
3. Complete policy and procedural requirements recommended by Operational Auditor (SAP Goal 3, Strategy C)
  - ✓ Completed quarter 1
4. Complete Organizational understanding of pension risk and the potential development and implementation of new funding strategies and philosophies (SAP Goal 1, Strategies A, B & C; Goal 2, Strategy B; Goal 3, Strategy A)
  - ✓ Completed study session on the discount rate
5. Complete ongoing educational opportunities for Staff (SAP Goal 3, Strategy B)
  - ✓ Completed staff educational session on the discount rate
  - ✓ Staff Event: CALAPARS Administrative Assistant, Communications and Attorney's Roundtable
  - ✓ Staff Event: MGO Auditor's training
  - ✓ Staff Event: SACRS Spring Conference
6. Continue ongoing development and understanding of Organizational processes and procedures (SAP Goal 3, Strategy B)
  - ✓ Work closely with General Counsel
  - ✓ Network with other 1937 Act Administrators
  - ✓ Research System history in preparation for policy revisions and specific agenda items
  - ✓ Extensive contact with individual Board members outside of regular meetings
7. Complete Cost/Benefit analysis on document imaging system (SAP Goal 4, Strategy B)
  - No progress to report; have reviewed work completed up to this point and will be making a recommendation in fiscal year 2012-2013 regarding this topic

## **Attachment 2 – 2012 Executive Director Goals Quarter 2 Progress Update**

8. Explore and potentially execute “paperless” Board meetings (SAP Goal 4, Strategy C)
  - ✓ Completed quarter 1
  
9. Director Professional Development (SAP Goal 3, Strategy B)
  - ✓ CFA European Forecast April 25, 2012
  - ✓ SACRS Spring Conference
  
10. Oversee administrative functions
  - ✓ All Board agenda and minute production complete for 2nd quarter
  - ✓ All Committee agenda production complete for 2nd quarter
  - ✓ Board and Staff travel arrangements complete
  - ✓ Completion of Spring newsletter
  - ✓ Complete 2nd quarter retiree payrolls on time
  - ✓ 2nd quarter member refunds current
  - ✓ 11 outstanding disability retirement applications as of June 27



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Board of Retirement Meeting  
July 11, 2012

7/11/12  
Item #7a

TO: Retirement Board

FROM: Rick Santos, Executive Director & Kathy Herman, Operations Manager

**SUBJECT: APPROVAL OF THE EXCESS EARNINGS POLICY**

- I. RECOMMENDATION: Approve the final draft of the Excess Earnings Policy
- II. ANALYSIS: The first draft of the Excess Earnings Policy was presented in June of this year and at that time, the Board directed staff to make a few modifications and bring back a final draft in July. This is the final draft of the Stanislaus County Employees' Retirement Association's Excess Earnings Policy.

The following changes were requested by the Board and are included in this final draft:

- Declare and maintain a 1% non-valuation contingency reserve. Staff had originally recommended 2%
- Set the System's funded ratio at 100% on a market basis before any excess earnings can be used to fund benefits other than retirement (pension). Staff had originally recommended 90%
- Individual member account balances to be credited at the same rate of interest as other valuation reserves, capped at the actuarially assumed rate of interest

Additionally, staff made the following changes:

- Maintain the funding of the Survivor Death Benefit reserve (Page 1, "Interest Crediting and Policy Distribution of Excess Earnings section", #2)
- Caveat added that explains when individual member account balances will be credited with interest, if any
- Adjusted the ranges that describe when and how excess earnings can be used. This is in response to the Board's request to set 100% as a minimum funding level

- III. RISK: None
- IV. STRATEGIC PLAN: Goal 3, Strategy C, Task 5; Review Excess Earnings Policy
- V. BUDGET IMPACT: None

Rick Santos, Executive Director

Kathy Herman, Operations Manager

Attachment

Stanislaus County Employees' Retirement Association's  
Excess Earnings Policy  
(Revised June 22, 2012)

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

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

**Effective Date:** The following revised Excess Earnings Policy was adopted by the Retirement Board on \_\_\_\_\_ effective July 1, 2012.

**Interest Crediting and Policy Distribution of Excess Earnings:** Excess earnings of StanCERA may be declared only in years which the market value of assets equal or exceed the actuarially determined liabilities. The timing of the declaration will depend on the actuary's determination of the liabilities. Before excess earnings can be declared, the funds' annual earnings must be used to pay for certain expenses and other reserves that the Board has expressed an interest in maintaining. Each year, earnings shall be posted in the following order until all earnings are allocated:

- 1) Earnings shall be used to pay for all administrative, investment, and actuarial expenses.
- 2) Earnings shall be used to maintain the Survivor Death Benefit valuation reserve at 100% of the actuarially determined present value of the future benefit.
- 3) Earnings shall be used to maintain a 1% Contingency Fund unless otherwise directed by the Board of Retirement.
- 4) Earnings shall be used to eliminate any prior loss contra-reserve balances.
- 5) Valuation Reserve Interest Crediting

➤ Fund is below 100% funded on a market basis

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

The percentage of earnings allocated to the Active Member reserves shall be capped at the actuarially determined return assumption and will determine the semi-annual percent of interest to be posted to individual member account balances' in the subsequent fiscal year on December 31 and June 30.

➤ Fund is at or greater than 100% funded on a market basis

Stanislaus County Employees' Retirement Association's  
Excess Earnings Policy  
(Revised June 22, 2012)

- Member Reserves shall be credited at a rate determined by the Board of Retirement (normally, and no higher than the actuarially determined return assumption)
  - All other reserves shall be credited at a rate derived from the "Distribution of Excess Earnings", Section 6
- 6) Distribution of Excess Earnings Should excess earnings exist, they would be available as follows:
- a) If the **market value** funded ratio is 100% to 105%, 75% of excess earnings will be used to fund the pension liability (distributed evenly on a pro rata basis across all valuation reserves, other than Member), 25% will be available at the discretion of the Retirement Board
  - b) If the **market value** funded ratio is 105% to 115%, 50% of the excess earnings will be placed in the Contingency Reserve and 50% will be available at the discretion of the Retirement Board
  - c) If the **market value** funded ratio exceeds 115%, the Retirement Board has total discretion as to the use of excess earnings

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

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

Stanislaus County Employees' Retirement Association's  
Excess Earnings Policy  
(Revised June 22, 2012)

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

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

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

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

Stanislaus County Employees' Retirement Association's  
Excess Earnings Policy  
(Revised June 22, 2012)

Historical Notes

Adopted 07/01/2004  
Revised 06/14/2006  
Revised 05/25/2010  
Revised