

# Stanislaus County Employees' Retirement Association

(A Pension Trust Fund of the County of Stanislaus, California)



## Popular Annual Financial Report

For the Years Ended  
June 30, 2020 and 2019

Issued By

**Rick Santos, CFA, ASA, MAAA**  
Executive Director

**StanCERA**  
Staff



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**Stanislaus County  
Employees' Retirement Association  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2019**

*Christopher P. Morill*

Executive Director/CEO



## BOARD OF RETIREMENT

**JUNE 30, 2020**

Seat #

- |     |                                      |                                       |
|-----|--------------------------------------|---------------------------------------|
| 1.  | Donna Riley, Ex-Officio              | Treasurer/Tax Collector               |
| 2.  | Mandip Dhillon, Trustee              | Elected by Active General Membership  |
| 3.  | Jeff Mangar, Trustee                 | Elected by Active General Membership  |
| 4.  | Darin Gharat, Trustee                | Appointed by the Board of Supervisors |
| 5.  | Mike Lynch, Trustee                  | Appointed by the Board of Supervisors |
| 6.  | Jim DeMartini, Trustee               | Appointed by the Board of Supervisors |
| 7.  | Vacant                               | Elected by Active Safety Membership   |
| 7a. | Vacant, Alternate Trustee            | Elected by Active Safety Membership   |
| 8.  | Michael O'Neal, Chair                | Elected by Retired Membership         |
| 8a. | Rhonda Biesemeier, Alternate Trustee | Elected by Retired Membership         |
| 9.  | Jeff Grover, Vice Chair              | Appointed by the Board of Supervisors |

TO STANCERA MEMBERS

I am pleased to provide you with the Popular Annual Financial Report (PAFR) of the Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2020. The PAFR is intended to provide a snapshot and brief discussion of the financial activities of StanCERA for the year. The selected financial information in the PAFR is derived from generally accepted accounting principles and data presented in StanCERA's Comprehensive Annual Financial Report (CAFR) for 2020 and 2019, which contains more detailed information regarding the financial position of StanCERA. The complete CAFR can be located on StanCERA's website: [www.stancera.org](http://www.stancera.org).

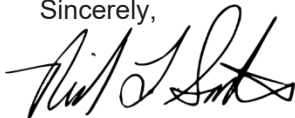
StanCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. The most recent actuarial valuation, conducted as of June 30, 2019, reported StanCERA's actuarial funded ratio at 75.9% and fair value funded ratio at 77.0%. The funded ratio is the actuarial assets available to pay the actuarial liabilities. The actuarial valuation is performed annually to determine employer contribution rates taking into account the smoothed value of the assets by spreading all asset gains and losses over a rolling five year period. The next actuarial valuation is in process and determines the funded status as of June 30, 2020. Based upon the new study, the Board of Retirement will set contribution rates for fiscal year 2021 - 2020.

For the fiscal year ended June 30, 2020, StanCERA's total portfolio underperformed its policy benchmark of 5.9% with an overall return of 1.3% due to capital market conditions. The overall financial position of StanCERA remains strong to meet its obligations to the plan participants and beneficiaries. The StanCERA Board continues to explore options to optimize returns with minimum risk to members and sponsors.

The Fiduciary Net Position decreased from \$2.208 billion to \$2.206 billion between 2019 and 2020. Normal contributions (member and employer) increased by \$6.0 million due to an increase in overall participant membership and resulting payroll increases. Benefit payments increased by \$9.0 million over the prior year as more employees moved from active to retired status. Administrative costs to operate the System increased by \$659,234.

StanCERA's independent auditor, Brown Armstrong Accountancy Corporation, has audited the financial statements contained in the CAFR and provided an opinion that the financial statements present fairly, in all material respects, the financial position of StanCERA for the years ended June 30, 2020 and 2019, in accordance with generally accepted accounting principles.

Sincerely,



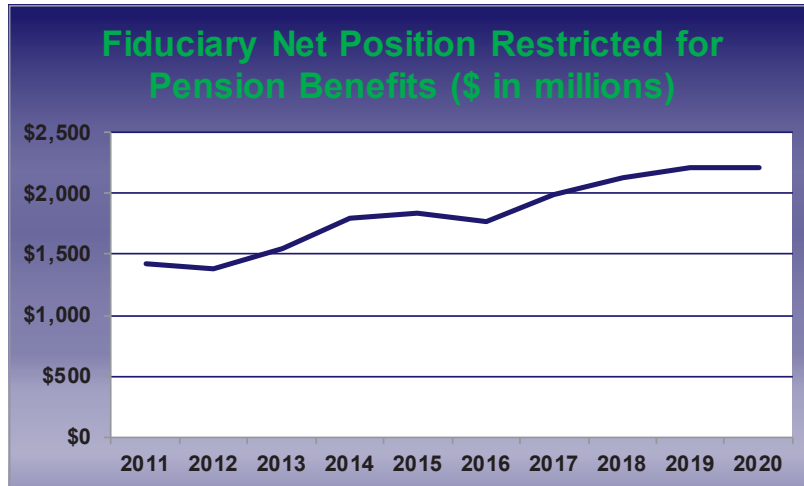
Rick Santos

Executive Director

## FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

(\$ in millions)

Fiscal Year Ending June 30	Fiduciary Net Position Held in Trust	Increase (Decrease) in Net Assets
2020	\$2,206	(\$2)
2019	2,208	81
2018	2,127	133
2017	1,994	221
2016	1,773	(60)
2015	1,833	42
2014	1,791	246
2013	1,545	159
2012	1,386	(33)
2011	1,419	229



Total Fiduciary Net Position is the difference between the assets at fair value and the liabilities, representing funds available for future benefit payments to plan participants and their beneficiaries. Increases and decreases in the fiduciary net position over time are indicators of whether the financial health of StanCERA is improving or declining. Management believes the plan remains in strong financial health to meet its obligations to the plan participants and their beneficiaries.

The complete CAFR can be located on StanCERA's website: [www.stancera.org](http://www.stancera.org).

### FIDUCIARY NET POSITION

	06/30/2020	06/30/2019	Dollar Change	Percent Change
Current Assets	\$ 87,551,117	\$ 70,667,937	\$ 16,883,180	23.89%
Investments	2,221,404,069	2,290,474,787	(69,070,718)	-3.02%
Capital Assets	7,763,618	6,609,873	1,153,745	17.45%
Total Assets	2,316,718,804	2,367,752,597	(51,033,793)	-2.16%
Total Liabilities	110,852,565	159,511,165	(48,658,600)	-30.50%
<i>Fiduciary Net Position Restricted for Pension Benefits</i>	<u>\$ 2,205,866,239</u>	<u>\$ 2,208,241,432</u>	<u>\$ (2,375,193)</u>	-0.11%

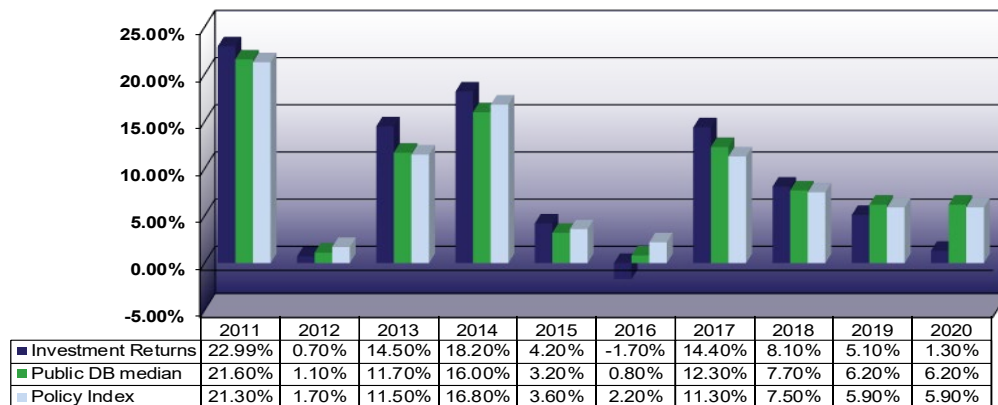
### CHANGES IN FIDUCIARY NET POSITION

	06/30/2020	06/30/2019	Dollar Change	Percent Change
Employer Contributions	\$ 92,684,609	\$ 88,589,381	\$ 4,095,228	4.62%
Plan Member Contributions	29,645,645	27,742,863	1,902,782	6.86%
Net Investment Income	18,496,773	99,280,525	(80,783,751)	-81.37%
<i>Total Additions</i>	<u>\$ 140,827,027</u>	<u>215,612,769</u>	<u>(74,785,742)</u>	-34.69%
Benefit Payments	138,223,922	129,100,668	9,123,254	7.07%
Member Refunds - Termination	1,351,779	1,826,145	(474,366)	-25.98%
Member Refunds - Death	409,894	847,878	(437,984)	100.00%
Administrative Expenses	3,216,625	2,557,391	659,234	25.78%
<i>Total Deductions</i>	<u>143,202,220</u>	<u>134,332,082</u>	<u>8,870,138</u>	6.60%
<i>Net Additions</i>	<u>\$ (2,375,193)</u>	<u>\$ 81,280,687</u>	<u>\$ (83,655,880)</u>	-102.92%

StanCERA closed with assets exceeding liabilities by \$2.206 billion for fiscal year ended June 30, 2020. The \$2.4 million decrease in Fiduciary Net Position is a direct result of the financial market activity. The primary sources to finance benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions.

The Plan's investment activity is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Shown below are StanCERA's investment returns for the last ten years. The investment returns are compared to StanCERA's policy index return, a standard used to evaluate performance, and the Public Defined Benefit Median which is the 50<sup>th</sup> percentile return for StanCERA's defined benefit plan peers.

### INVESTMENT RETURNS FOR YEARS ENDING JUNE 30

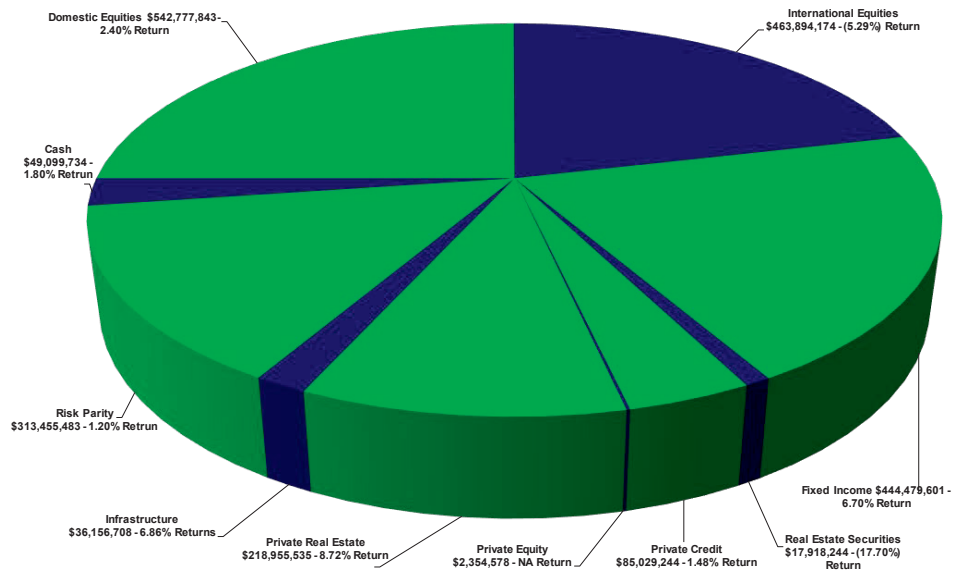


## INVESTMENTS HELD AT JUNE 30, 2020

Asset Class	Fair Value	Annual Return	Actual Allocation	Target Allocation
Domestic Equities	\$542,777,843	2.40%	24.97%	17.00%
International Equities	463,894,174	-5.29%	21.34%	23.00%
Fixed Income	444,479,601	6.70%	20.44%	22.00%
Real Estate Securities	17,918,244	-17.70%	0.82%	5.00%
Private Credit	85,029,244	1.48%	3.91%	6.00%
<sup>1</sup> Private Equity	2,354,578	NA	0.11%	6.00%
Private Real Estate	218,955,535	8.72%	10.07%	5.00%
Infrastructure	36,156,708	6.86%	1.66%	2.00%
Risk Parity	313,455,483	1.20%	14.42%	13.00%
Cash *	49,099,734	1.80%	2.26%	1.00%
<b>TOTAL PORTFOLIO</b>	<b>\$2,174,121,144</b>		<b>100.00%</b>	<b>100.00%</b>

<sup>1</sup> NA - Annual returns were not available as of June 30, 2020. Investment was held less than one quarter of the fiscal year.

StanCERA's investment consultants, Verus Strategies, Inc. and NEPC, assists the Retirement Board in designing strategic diversification to maintain a steady, long-term positive return with appropriate risk. At the May 2019 Board Meeting, StanCERA's Retirement Board approved a new asset allocation, which is reflected in the above table.

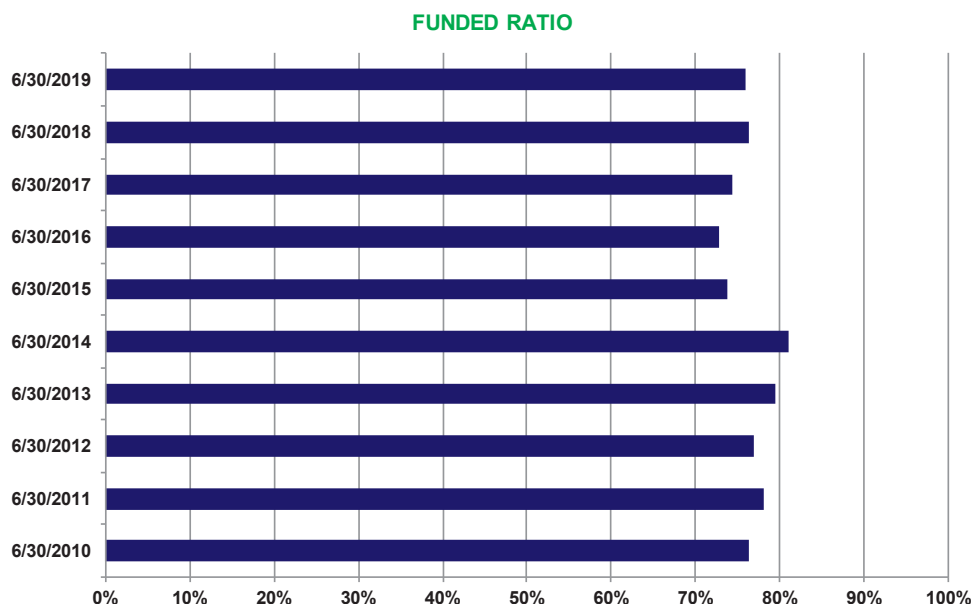


The Total Portfolio is total investments at fair value only. These amounts do not include cash in Stanislaus County Treasury, capital assets, or securities lending cash collateral

**SCHEDULE OF FUNDING PROGRESS – PENSION BENEFIT PLAN  
FOR THE TEN YEARS ENDING JUNE 30**

(Dollar amounts in thousands)

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio
Date	(a)	(b)	(b-a)	(a/b)
6/30/2019	2,199,956	2,897,223	697,267	75.90%
6/30/2018	2,100,278	2,749,068	648,790	76.40%
6/30/2017	1,968,231	2,648,162	679,930	74.30%
6/30/2016	1,845,764	2,537,067	691,303	72.80%
6/30/2015	1,763,629	2,391,522	627,893	73.70%
6/30/2014	1,644,007	2,026,371	382,294	81.10%
6/30/2013	1,524,076	1,919,227	395,151	79.40%
6/30/2012	1,451,764	1,888,713	436,950	76.90%
6/30/2011	1,372,046	1,757,717	385,671	78.10%
6/30/2010	1,325,801	1,737,824	412,023	76.30%



As of June 30, 2020, StanCERA’s actuarial funded ratio (assets divided by liabilities) decreased from 76.4% to 75.9% due to a decrease in Plan assets from 6.7% to (0.11%) for fiscal year ending June 30, 2019. Changes in assumptions based on StanCERA’s actuarial experience study from July 1, 2015 through June 30, 2018 were adopted by the StanCERA Board of Retirement in January 2019.

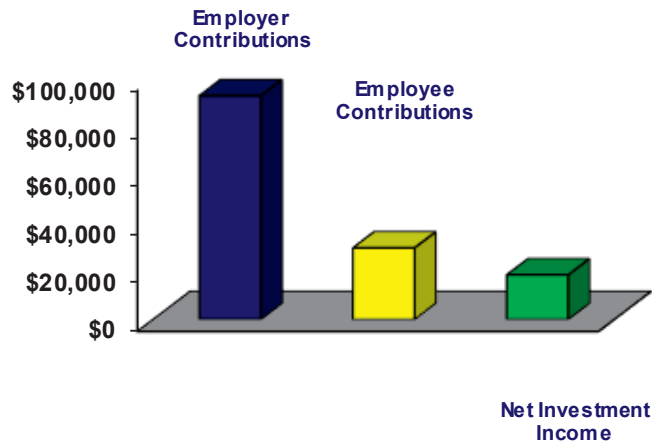


## FUND REVENUE

(\$ in thousands)

Fiscal Year ending June 30	Employer Contributions	Employee Contributions	Net Investment Income (Loss)
2020	\$92,685	\$29,646	\$18,497
2019	88,589	27,743	99,281
2018	76,966	26,746	154,988
2017	63,025	25,464	252,310
2016	58,196	23,917	(31,322)
2015	53,849	22,960	68,723
2014	46,764	21,868	274,896
2013	39,077	20,286	189,988
2012	27,314	20,525	3,725
2011	26,257	19,197	261,842

### StanCERA Revenue fiscal year ending June 30, 2020



The primary sources to finance the benefits StanCERA provides are accumulated through return on investments and through the collection of member and employer contributions.

Net investment income is the total interest, dividends and net realized and unrealized gains or losses on all investments less investment fees. For the fiscal year ended June 30, 2020, StanCERA's investment income decreased by \$80.8 million.

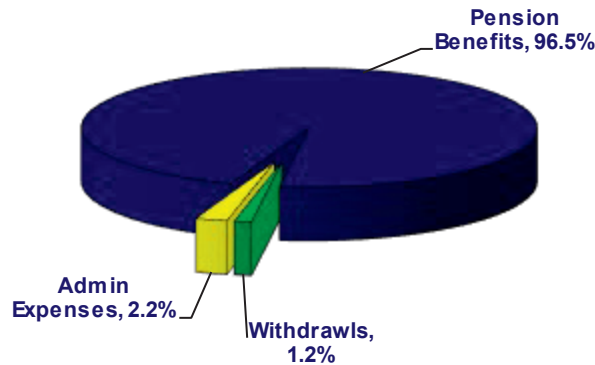
The increase in employer and employee contributions is a direct result of overall participant membership increases and projected payroll increases.

## FUND EXPENSES

(\$ in thousands)

Fiscal Year ending June 30	Benefits	Withdrawals	Administrative Expense
2020	\$138,224	\$1,762	\$3,217
2019	129,101	2,674	2,557
2018	120,978	2,194	2,791
2017	114,291	2,553	2,645
2016	106,947	1,219	2,315
2015	100,099	1,759	2,379
2014	93,116	1,516	2,249
2013	87,103	1,546	2,065
2012	80,157	1,833	2,145
2011	74,826	1,906	2,037

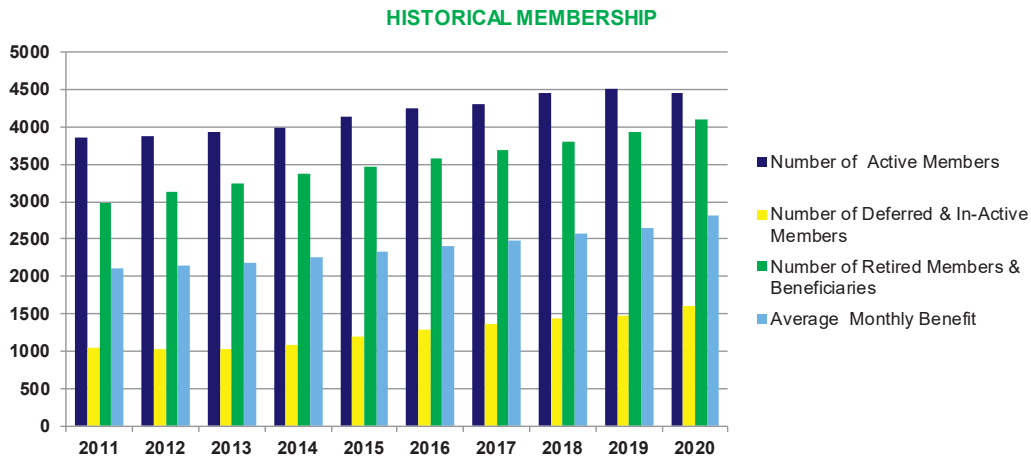
### StanCERA Expenses fiscal year ending June 30, 2020



The primary uses of StanCERA's assets are in payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the Plan. Benefit expenses continue to increase as the number of retirement allowances for retirees increases with higher pension benefit amounts. The decrease in withdrawals is mainly due to less active and retired members who deceased with no refundable contributions on account from the prior fiscal year. Administrative costs remained fairly stable from prior fiscal year.

## HISTORICAL MEMBERSHIP

Fiscal Year Ending June 30	Number of Active Members	Number of Deferred & In-Active Members	Number of Retired Members & Beneficiaries	Average Monthly Benefit
2020	4,459	1,615	4,093	\$2,814
2019	4,504	1,476	3,934	2,731
2018	4,452	1,445	3,796	2,646
2017	4,309	1,367	3,683	2,568
2016	4,249	1,289	3,582	2,478
2015	4,145	1,198	3,465	2,398
2014	3,993	1,095	3,381	2,337
2013	3,931	1,028	3,234	2,260
2012	3,868	1,032	3,123	2,177
2011	3,854	1,042	2,976	2,153



StanCERA's membership consists of full and percentage time (working over 50% time) employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from the County of Stanislaus, Stanislaus Superior Court, the City of Ceres, Stanislaus Council of Governments, Eastside Mosquito Abatement District, Hills Ferry Cemetery, Keyes Community Service District, and Salida Sanitary District.



832 12<sup>th</sup> Street STE 600  
Modesto CA 95354