



# LOOKING FORWARD... TO THOSE GOLDEN YEARS

*Ensuring Tomorrow's Benefits through Prudent Management*

Fall 2012

Dear StanCERA Members,

On September 1, 2012, the California State Legislature approved AB 340 and AB 197 which changes the way pension benefits may be calculated. The Governor subsequently approved both bills on September 12, 2012, effectively putting them into law as of January 1, 2013.

Over the past several months, StanCERA staff and legal counsel have been working hard to understand every aspect of these bills and how to move forward and begin implementation next year. After consultation with legal staff, communication with other Retirement Systems, meetings with the Legislative Committee Staff and final consideration and approval by the StanCERA Board of Retirement, we are ready to begin implementation of these two important pieces of legislation. Note that there are still some unresolved questions and pending legislative clarification that could occur next year that could change what you read here today.

Be aware that the information covered in this newsletter is not intended to be completely comprehensive. Not every aspect of the two pieces of legislation are covered here, however, nearly all relevant or significant pieces that could have some effect on your pension benefit are discussed. Should you require a more thorough analysis, we encourage you to read the bills for yourself. As always, if you have any questions please contact StanCERA staff at 209-525-6393.

Sincerely,

Rick Santos, CFA, ASA, MAAA  
StanCERA Executive Director

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Published quarterly for members  
of the Stanislaus County  
Employees' Retirement Association

## Quarterly Investment Summary

Returns for Period Ending September 30, 2012				
StanCERA RETURNS	Fiscal YTD	3 Year	5 Year	
Total Fund	5.4%	9.9%	2.6%	
Domestic Equity	6.8%	13.8%	0.6%	
International Equity	8.2%	4.6%	-3.4%	
Fixed Income	2.4%	7.6%	7.8%	
<b>Total Assets</b>		<b>\$1,449,325,890</b>		
Indices	Fiscal YTD	3 Year	5 Year	
Policy Index	4.6%	9.3%	2.4%	
Russell 3000 Index	6.2%	13.3%	1.3%	
MSCI ACWI - ex US Index	7.5%	3.6%	-3.7%	
Barclays Aggregate Index	1.6%	6.2%	6.5%	

The Composite fund returned 5.4% in the third quarter of 2012 and ranked in the 5th percentile among other public funds (4.6% median). The fund beat its policy index (4.6%) during this time period and continues to add value. More investment information can be found at [www.stancera.org](http://www.stancera.org).

## Excess Earnings Policy Revised Funding Vested Benefits is still the Highest Priority...

Given the dramatic downturn in the financial markets in 2008-2009 and the negative impact on StanCERA's funded ratio (from 85% to 71%), the Retirement Board embarked on changing its Excess Earnings Policy to focus on funding vested benefits. This revised policy to be reviewed every two years was approved on May 25, 2010.

Thankfully, the financial markets have improved and losses to the reserve accounts were zeroed out as of Fiscal Year ending 6/30/2011. This was good news; however the Board of Retirement continues to focus on protecting the vested benefits of all its members and once again revised the excess earnings policy.

As in the past, the current policy continues to use earnings to pay for all administrative, investment, and actuarial expenses and to eliminate any prior loss reserve balances.

### **Current Policy:** *(Last Revised on 5/25/12)*

*If the market value funded ratio is 100% to 105% then 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*

*If the market value funded ratio is 105% to 115% then 50% of the excess earnings will be placed in the Contingency Reserve and 50% will be available at the discretion of the Retirement Board*

*If the market value funded ratio exceeds 115%, the Retirement Board has total discretion as to the use of excess earnings*

As you can see in the chart below, the funding status has been improving as of late.

StanCERA Funded Ratio	
Actuarial Study as of:	
6/30/2005	94%
6/30/2006	87%
6/30/2008	85%
6/30/2009	71%
6/30/2010	76%
6/30/2011	78%
6/30/2012	Not Available

The revised Excess Earnings Policy as well as additional member and financial information can be found at [www.stancera.org](http://www.stancera.org).

### **Contribution Loans Not Allowed**

We often get calls from members asking to take a loan against their StanCERA retirement account to help meet other financial needs. Even in financial hardships, state law does not allow StanCERA to make these kinds of loans.

For your retirement's security, your StanCERA account can only be used for retirement benefits.

### **Retired Members - Moving Out of State?**

If you are moving out of state and are no longer a resident of California, be sure to update your tax withholdings through StanCERA.

StanCERA cannot withhold taxes for other States but you may request that we stop withholding California income Taxes from your benefit.

### **Congratulations to Yet Another of StanCERA's Own...**

*Happy Retirement Kelly Cerny! StanCERA would like to thank you for your many years of dedication and service!*

Kelly's name may ring a bell for many of you, as a matter of fact, the name "Kelly Cerny" is forever recorded on more than a few marriage certificates, as she spent 10 years as a Deputy Commissioner of Civil Marriages, bonding many couples in civil matrimony.

For those of you that may know or have worked with Kelly over the past 23 years, there is one thing for sure, she always greeted you with a smile and made you feel like you were the only person in the room. Kelly takes with her the knowledge to move mountains and has done just that throughout her 7 years in StanCERA, not to mention her 14 years at the County Clerks office and 2 years in the Treasurer-Tax Collector's office.

We wish you the best in retirement!

**Implementation and Interpretation of AB 340 and AB 197**

AB 340 and AB 197 changes the way pension benefits are calculated for new members hired on or after January 1, 2013 and excludes some pay elements that can be used in the pensionable compensation for both new and current members. For our retired members, there are no changes other than the ability to return to work while simultaneously receiving a retirement benefit from StanCERA.

**Retired Members**

As mentioned earlier, very little is changing for retired members. Your retirement benefit will not change and you will still be entitled to future cost of living adjustments as required by County Retirement Law. There are some changes regarding when a retiree may return to work while receiving a retirement benefit from StanCERA. In general, retirees receiving a benefit from StanCERA and not already working for a StanCERA employer on or before December 31, 2012, will not be allowed to return to work for a StanCERA employer after December 31, 2012. However, there are some exceptions to this rule.

Exceptions - If 180 days have passed since your retirement effective date and your employer certifies to StanCERA that your skills are needed to perform work of a limited duration or to prevent an emergency stoppage of public business, then you may be able to return to work for a period not to exceed 960 hours a year. If 180 days have not passed since your retirement effective date and the governing body of your employer declares in a public meeting that your skills are necessary to fill a critically needed position, then you may be able to return to work for a period not to exceed 960 hours a year. Public safety officers or firefighters are exempt from the "less than 180-day rule".

**Non Retired Members as of December 31, 2012**

**Pensionable Compensation**

The formula used to calculate your future pension benefit will not change. Additionally, all elements of special pay that have normally been used in the calculation of your pensionable compensation will remain. The only change to pay elements that may be included in pensionable compensation are bonuses. As of January 1, 2013, bonuses, regardless of when they were received, will no longer be allowed in the calculation of your pensionable compensation. However, the new legislation does allow the member the right to appeal this exclusion to the Board of Retirement.

**Employee Contributions**

Typically, employee contribution rates are determined by an actuarial valuation and do not change unless the actuary changes the assumptions regarding the expected experience of

the plan. The rates you are paying currently will remain in effect until June 30, 2013. After that point, based on a new actuarial experience study, those rates may change.

Regarding AB 340, the new legislation sets a "standard" that current employees should pay at least 50% of the total normal cost of the plan and that the employer should no longer "pick up" these contributions. However, after June 30, 2018, AB 340 does allow your employer the right to require 50% employee sharing of the total normal cost of your plan. The normal cost is the amount required to fund the additional year of service credit (or retirement benefit) you will earn in the coming year. The normal cost of the plan is related to the benefit level offered by your plan. The higher the benefit level, the higher the normal cost. Currently, StanCERA does not report out the total normal cost for any of the retirement plans we offer, but if this is necessary in the future, we will begin doing so.

AB 340 also allows, through the collective bargaining process, the ability for the employees to share any and all of the costs of the retirement plan. In addition to the total normal cost, this includes any unfunded liability that may exist.

**Reciprocity**

AB 340 specifically defines what a new member is. As a consequence, any member defined under AB 340 as "new", will automatically earn future retirement benefits laid out by the new legislation.

The only change from today's reciprocity rules relates to past StanCERA membership. If at some point in the future, you leave StanCERA membership, leave your past service contributions on deposit and return after a break in service of more than 6 months to a different StanCERA employer, you will be considered a new member for future retirement service accruals and be placed in the new tier defined by AB 340. This differs from today's rules where if a member returns in this type of situation, they would be reinstated into their old tier, regardless of the StanCERA employer that the member returns to.

**Summary**

It should be clear that AB 340 and AB 197's intent was to leave current member's benefits intact as much as possible. StanCERA staff felt that it was important to get this message out to our current members and retirees as soon as we felt we had a workable interpretation and implementation plan at hand. Within the next couple weeks, StanCERA staff will be producing a similar document outlining the extensive changes required of new members hired after December 31, 2012.

Staff is also putting together a "Frequently asked questions" document which may answer some common questions you have regarding the effects of the new legislation for our current members and retirees. You will find this document on our website at <http://www.stancera.org/> on December 6th. Again, should you have any questions, StanCERA staff can be reached at 209-525-6393.

**"PEPRA"**



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Retirement Association  
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Looking Forward ...  
To those Golden  
Years

Stanislaus County Employees'  
Retirement Association - StanCERA

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Modesto, CA 95354

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Darin Gharat - Vice Chair  
Michael O'Neal  
Joan Clendenin  
Alternate Retiree Representative  
Jeff Grover

**Executive Director**  
Rick Santos

**Retirement Questions:**

StanCERA  
P (209) 525-6393  
F (209) 558-4976  
website: [www.stancera.org](http://www.stancera.org)  
E-mail: [retirement@stancera.org](mailto:retirement@stancera.org)

**Retiree Health Insurance\***

RESCO Insurance Hotline  
P (209) 566-1186

Board of Retirement Meetings are held the second Wednesday and the fourth Tuesday of each month with some exceptions, located at 832 12th Street, Modesto 6th Floor in the Wesley W. Hall Board Room at 2:00 p.m.

The StanCERA newsletter is intended as a source of information, not a legal document or a substitute for the law. If differences appear between the law and the newsletter, the law will prevail.

*\*StanCERA and RESCO are two separate organizations. StanCERA does not administer Retiree Health Insurance.*

**Board of Retirement Meeting Schedule\***

(No Mtg.)	04/10/13	07/10/13	10/09/13
01/22/13	04/23/13	07/23/13	10/22/13
02/13/13	(No Mtg.)	08/14/13	(No Mtg.)
02/26/13	05/28/13	08/27/13	11/26/13
03/13/13	06/12/13	09/11/13	12/11/13
03/26/13	06/25/13	09/24/13	(No Mtg.)

\*To View Board actions, please visit our website at [www.stancera.org](http://www.stancera.org) under Agenda and Minutes.

**Retiree Payroll Dates**

01/02/13	04/01/13	07/01/13	10/01/13
02/01/13	05/01/13	08/01/13	11/01/13
03/01/13	06/03/13	09/02/13	12/02/13

**StanCERA Office Closures**

12/24/12	12/31/12	01/01/13	01/21/13
12/25/12			

Happy Holidays!