

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

Tom Watson

DEPT: T/TC-RETIREMENT DIVISION

BOARD AGENDA # *B-11

Urgent Routine x

AGENDA DATE Januray 9, 2001

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO x

SUBJECT:

ACCEPTANCE OF "REPORT OF EXAMINATION" AS OF JUNE 30, 2000 FOR THE STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

STAFF
RECOMMEN-

DATIONS: ACCEPT THE "REPORT OF EXAMINATION" OF THE STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION AS PREPARED BY JOHN L. BARNHART, CPA, FOR THE FISCAL YEAR ENDING JUNE 30, 2000.

FISCAL
IMPACT:

The Retirement Association pays the \$6,000 fee for this examination of their financial condition. There is no cost to the County.

BOARD ACTION

No. 2001-16

On motion of Supervisor Simon, Seconded by Supervisor Blom,

and approved by the following vote,

Ayes: Supervisors: Mayfield, Blom, Simon, Caruso, and Chair Paul

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) x Approved as recommended

2) Denied

3) Approved as amended

Motion:

Christine Ferraro

File No.

Acceptance of "Report of Examination" as of June 30, 2000 for the Stanislaus County
Employees' Retirement Association
Page Two

DISCUSSION: An audit of the Stanislaus County Employees' Retirement Association was conducted for the fiscal year ending June 30, 2000 by John L. Barnhart, CPA. A copy of this "Report of Examination" is being submitted for acceptance by the Board of Supervisors.

POLICY
ISSUES: Pursuant to Government Code Sections 31597.1 and 31598, a "Report of Examination" must be provided to the Board of Supervisors which exhibits the financial condition of the Stanislaus County Employees' Retirement Association as of fiscal year ended June 30, 2000 and its financial transactions for the fiscal year then ended.

STAFFING
IMPACT: None



STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1010 10th Street, Suite 5800
P.O. Box 859
Modesto, CA 95353-0859

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www.stancera.org
e-mail: retirement@
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December 27, 2000

Board of Supervisors
Auditor-Controller
County of Stanislaus
Modesto, CA 95354

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BOARD OF SUPERVISORS

Pursuant to Government Code Sections 31597.1 and 31598, I am filing the enclosed Report on Examination prepared by John L. Barnhart, CPA and dated September 27, 2000.

Tom Watson, Treasurer of Stanislaus County, being duly sworn hereby certifies that the enclosed financial statements exhibit the financial condition of the Stanislaus County Employees' Retirement Association as of June 30, 2000 and its financial transactions for the fiscal year then ended.

Respectfully submitted,

Tom Watson

Tom Watson, Treasurer
Stanislaus County

Subscribed and sworn to before me
this 28th day of December, 2000.

Byron E. Bystrom

Byron E. Bystrom
Auditor-Controller
Stanislaus County

§31597.1. Before October 31 of each year, the retirement board shall file in the office of the county auditor and with the board of supervisors a sworn statement which shall exhibit the financial condition of the retirement system at the close of the preceding June 30th and its financial transactions for the fiscal year ending that day. This section shall not be operative in any county until the time as the board of supervisors shall, by resolution adopted by a majority vote, make the provisions of this section applicable in the county. After the filing of the first fiscal year accounting under this section, the provisions of Section 31597 shall not apply in the county.

**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION**

**REPORT ON EXAMINATION
For the Year Ended
June 30, 2000**

JOHN L. BARNHART
Certified Public Accountant
Merced, California

**STANISLAUS COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
For the Fiscal Year Ended
June 30, 2000**

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EMPLOYEES' RETIREMENT ASSOCIATION**
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December 8, 2000

Board of Retirement
Stanislaus County Employees' Retirement Association
1010 10th Street, Suite 5800
Modesto, CA 95354

Dear Board Members:

Please find enclosed the annual financial report of the Stanislaus County Employees' Retirement Association for the fiscal year ending June 30, 2000. This is the 52nd year of operation of retirement plans for Stanislaus County employees which began on July 1, 1948. The financial statements have been prepared in accordance with generally accepted accounting principles and California State law. John L. Barnhart, CPA has audited the statements and his report follows.

This annual report includes general purpose financial statements, supplemental information, the State Controller's Annual Report of Financial Transactions of Public Retirement Systems and statistical information of general interest to members.

This past fiscal year shows a growth in net assets from a fair value of \$899,961,975 to \$937,293,283 with a net annualized rate of return on investment of 6.23%. The funding ratio of the system on the June 30, 1999 actuarial valuation shows a ratio of being 105% funded.

I congratulate the Board, staff and service providers of the Association for their diligence in completing a successful 52nd year of operation!

Sincerely,

Tom Watson

Tom Watson, Retirement Administrator

TW:le

INDEPENDENT AUDITOR'S REPORT

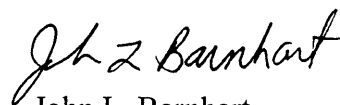
Board of Retirement
Stanislaus County Employees'
Retirement Association
Modesto, CA 95333-0859

I have audited the accompanying statement of plan net assets of the Stanislaus County Employees' Retirement Association as of June 30, 2000, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Stanislaus County Employees' Retirement Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards contained in Minimum Audit Requirements and Reporting Guidelines for California Public Retirement Systems, issued by the California State Controllers' Division of Local Government Fiscal Affairs. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the net plan assets of the Stanislaus County Employees' Retirement Association as of June 30, 2000, and the changes in net plan assets for the year then ended, in conformity with generally accepted accounting principles.

My examination was made primarily for the purpose of expressing an opinion on the basic financial statements, pages 3-19. The data included on pages 20-25 is not considered necessary for a fair presentation of financial position and is presented primarily for supplemental analysis purposes. The supplementary information has not been subjected to the audit procedures applied in the examination of the basic financial statements and, consequently, I express no opinion on it.



John L. Barnhart
Certified Public Accountant

September 27, 2000

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2000

	FAIR VALUE		
	DEFINED BENEFIT PENSION PLAN 87.9421%	POST EMPLOYMENT HEALTH BENEFITS -	TOTAL 100.0000%
Percent Allocation			
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 21,468,923	\$ 2,943,632	\$ 24,412,555
Receivables:			
Bond Interest	4,180,121	573,142	4,753,263
Stock Dividends	945,234	129,602	1,074,836
Securities Transactions	1,215,096	166,603	1,381,699
Contributions	561,015	76,922	637,937
Total Receivables	<u>6,901,466</u>	<u>946,269</u>	<u>7,847,735</u>
Investments: (At Fair Value):			
Bonds Government	156,671,845	21,481,479	178,153,324
Bonds Corporate	132,371,065	18,149,568	150,520,633
Bonds Other	3,543,857	485,903	4,029,760
Total Bonds	<u>292,586,768</u>	<u>40,116,949</u>	<u>332,703,717</u>
Stocks -Domestic	404,103,965	55,407,216	459,511,181
Stocks-International	101,010,910	13,849,736	114,860,646
Total Stocks	<u>505,114,875</u>	<u>69,256,952</u>	<u>574,371,827</u>
Total Investments	<u>797,701,643</u>	<u>109,373,901</u>	<u>907,075,544</u>
Total Assets	<u>\$ 826,072,032</u>	<u>\$ 113,263,802</u>	<u>\$ 939,335,834</u>
<u>LIABILITIES</u>			
Payables:			
Accrued Expenses	\$ -	\$ -	\$ -
Accounts Payable	2,042,551	-	2,042,551
Total Payables	<u>2,042,551</u>	<u>-</u>	<u>2,042,551</u>
Net Assets held in trust for pension and post-employment health benefits	<u>\$ 824,029,481</u>	<u>\$ 113,263,802</u>	<u>\$ 937,293,283</u>

The notes to the financial statements are an integral part of this statement.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2000

	DEFINED BENEFIT PENSION PLAN	FAIR VALUE POST EMPLOYMENT HEALTH BENEFITS	TOTAL
<u>ADDITIONS</u>			
Contributions:			
Employer	\$ 5,899,393	\$ -	\$ 5,899,393
Plan members	10,139,886	-	10,139,886
Total contributions	<u>16,039,279</u>	<u>-</u>	<u>16,039,279</u>
Net appreciation (depreciation) in fair value of assets	(69,346,056)	-	(69,346,056)
Interest	25,732,110	-	25,732,110
Dividends	9,350,351	-	9,350,351
Gain (Loss) on sale of stocks and bonds	92,743,621	-	92,743,621
Other Revenue	50,915	-	50,915
Net Investment Income	<u>58,530,941</u>	<u>-</u>	<u>58,530,941</u>
Total Additions	<u>74,570,220</u>	<u>-</u>	<u>74,570,220</u>
<u>DEDUCTIONS</u>			
Benefits	26,983,836	5,145,956	32,129,792
Refunds of contributions	1,728,978	-	1,728,978
Administrative expenses	789,133	80,000	869,133
Investment expenses	2,511,009	-	2,511,009
Other	-	-	-
Total deductions	<u>32,012,956</u>	<u>5,225,956</u>	<u>37,238,912</u>
Net increase (decrease)	<u>42,557,264</u>	<u>(5,225,956)</u>	<u>37,331,308</u>
Transfer of plan assets	(9,162,894)	9,162,894	-
Net assets held in trust for pension and health benefits:(at market value)			
Beginning of year	790,635,111	109,326,864	899,961,975
End of year	<u>\$ 824,029,481</u>	<u>\$ 113,263,802</u>	<u>\$ 937,293,283</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The Stanislaus County Employees' Retirement Association (StanCERA) is on an accrual basis of accounting, which recognizes income when earned and expenditures when the obligation has been incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

b) Description of System and Applicable Provisions of the Law

The Stanislaus County Employees' Retirement Association is an integrated public retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Retirement Act of 1937. (Chapter 677 Statutes of 1937). It is a multiple-employer "Cost Sharing" plan.

NOTE: 1) The system was voter approved by the Board of Supervisors on July 1, 1948.

2) The system was integrated with Social Security on January 1, 1956. Members of the system at that time had a one-time option to convert to the new system or to remain with the old one.

c) Membership

Each person entering employment full-time or permanent part-time (50% or more of the regular hours) becomes a member on the first day of employment.

The Stanislaus County Employees' Retirement Association consists of employees from Stanislaus County, Eastside Mosquito Abatement District, Hills Ferry Cemetery District, Keyes Community Service District, City of Ceres, Salida Sanitary District, and Oakdale Fire District.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

The structure of the Membership on June 30, 2000 is as follows:

	June 30, 2000		
	General	Safety	Total
<u>Active Members:</u>			
Vested	3,435	610	4,045
Total Active	3,435	610	4,045
<u>Inactive Members:</u>			
Deferred and Inter-System Members	534	58	592
Unclaimed Contributions	9	1	10
Total Inactive	543	59	602
<u>Retired Members:</u>			
Service Retirements	1,326	139	1,465
Disability Retirements	199	87	286
Survivor Payments	24	5	29
Total Retired	1,549	231	1,780
<u>Total Membership</u>	5,527	900	6,427

d) Benefits

Service Retirement Benefit

Members with 10 years of service, who have attained the age of 50, are eligible to retire. Members with 30 years of service (20 years for safety), regardless of age, are eligible to retire.

The benefit is a percentage of monthly final average salary per year of service, depending on age at retirement and is illustrated below for representative ages. For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage shown below times the first \$350 of monthly final average salary per year of service credited after January 1, 1956.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

Percentage of Final Average Salary (FAS)

<u>Age</u>	<u>Plan 1</u>	<u>General</u>		<u>Safety</u>
		<u>Plan 2</u>	<u>Plan 3</u>	
50	1.34	1.19	N/A	2.00
55	1.78	1.48	.68*	2.62
60	2.33	1.91	1.14*	2.62
65	2.62	2.42	2.00*	N/A

*(Less 1/35th of Social Security benefits at age 65) per year of service. For each year of service over 35, 1% of (FAS) with no Social Security reduction.)

Cost of Living Benefit

The current maximum increase in retirement allowance is 3% a year for Plans 1 and 2. The increases are based on the change in the Bureau of Labor Statistics Consumer Price Index in the San Francisco Bay area from January 1 to December 31, effective the following April 1.

Disability Benefit

Members with 5 years of service, regardless of age, are eligible for non-service connected disability, Plans 1 and 2. The benefit is usually 1/3 of final average salary (FAS). If the disability is service connected, the member may retire regardless of length of service, and the benefit is 50% of final average salary for Plans 1 and 2.

Death Benefit-Before Retirement

Employed less than 5 Years

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) months' salary for Plans 1 and 2.

Employed More than 5 Years

If a member dies while eligible for service retirement or non-service connected disability, the spouse receives 60% of the allowance that the member would have received for retirement on the day of his or her death for Plans 1 and 2.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

If a member dies in the performance of duty, the spouse receives a monthly benefit of 50% of the member's final average salary for Plans 1 and 2.

Death Benefit-After Retirement

If a member dies after retirement, a lump sum amount of \$ 5,000 is paid to the beneficiary or estate for Plans 1 and 2.

If the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the surviving spouse for life for Plans 1 and 2.

If the retirement was for other than service connected disability, 60% of the member's allowance is continued to the spouse for life for Plans 1 and 2.

e) Contribution Rates

Member basic rates are based on a formula reflecting the age at entry into the system. The rates are such as to provide an average annuity at age 55 for Plan 1 of 1/200th of the final average salary for General and Safety members; Plan 2 of 1/120 of the final average salary for General members, and 1/100 of the final average salary for safety members.

Member cost of living contributions, expressed as a percentage of their basic rates, are designed to pay for one half of the cost of living liabilities for future service. For members integrated with Social Security, the above contributions are reduced by 1/3 of that portion of such contribution payable with respect to the first \$350 of monthly salary. Member contributions are refundable upon termination from the system for Plans 1 and 2.

The County rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised under the Retirement System (both basic and cost of living).

f) Return of Contributions

If a member should resign or die before becoming eligible for retirement, his contributions plus interest will be refunded.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

g) Contributions Required and Contributions Made

Stanislaus County Employees' Retirement Association's policies for employer contributions are actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Stanislaus County Employees' Retirement Association also uses the level entry age normal cost method with an Unfunded Actuarial Accrued Liability (UAAL) to amortize the unfunded liability.

During September 1995, Stanislaus County issued "Pension Obligation Bonds" and contributed \$107,500,000 to the retirement association to help fund any unfunded pension liabilities. During the fiscal year 1995-1996, the retirement board adopted the following schedule to fund any future unfunded liability for Stanislaus County (other employers amortization period remains unchanged):

<u>Amount of (UAAL) (Unfunded Actuarial Accrued Liability)</u>	<u>Amortization Period</u>
Less than \$2,000,000	3 years
\$2,000,000 to \$5,000,000	5 years
\$5,000,001 and over	10 years

2000 contributions totaling \$16,039,279 were made in accordance with actuarially determined contribution rates determined through an actuarial valuation performed at June 30, 1998. Employer contributions were 3.30% of covered payroll for Stanislaus County and 17.29% of covered payroll for other employers. Employee contributions, on an average, were 6.67% of employee covered payroll.

Significant actuarial assumptions used to compute contribution requirements differ from those used to compute the standardized measure of the pension obligation discussed in (h) below.

The valuation interest rate is 8.00% and the total salary scale increases of 5.5% (4.5% for inflation) per year were based on a study as of June 30, 1999 and dated May 15, 2000 and adopted by the Board as of May 23, 2000.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

h) Actuarial Assumptions

Post-Retirement Mortality

(1) Service General	
Males	1983 Group Annuity Mortality Table with 1-year setback (Male)
Females	1983 Group Annuity Mortality Table with 1 year set forward (female)
Safety	1983 Group Annuity Mortality Table with no set back (Male)
(2) Disability General	1981 Disability Mortality Table with no set back for General Members
Safety	1981 Disability Mortality Table for Safety Members with no set back
(3) For Employee Contribution Rate Purposes	
General	1983 Group Annuity Mortality Table with a 4 year set back (Male)
Safety	1983 Group Annuity Mortality Table with no setback (Male)
Pre-Retirement Mortality	Rates vary by age, gender and classification
Withdrawal Rates	Rates vary by age, gender and classification
Disability Rates	Rates vary by age, gender and classification
Service Retirement Rates	Rates vary by age, gender and classification
Assets	Valued at 90% of Market Value

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

i) Funding Method

The County's liability is presently being funded on the Entry Age Normal Cost method with an Unfunded Actuarial Accrued Liability (UAAL). The County portion of the unfunded actuarial liability (UAAL) is being amortized as a level dollar amount. The amortization period is based on the size of the (UAAL) according to the following chart:

<u>Amount of (UAAL) (Surplus)</u>	<u>Amortization Period</u>
Less than \$2,000,000	3 years
\$2,000,001 to \$5,000,000	5 years
\$5,000,001 and over	10 years

The (UAAL) attributed to Other Employers is amortized as a level percentage of pay over the period ending June 30, 2023

j) Post-Employment Health Care and Death Benefits

In addition to providing pension benefits, (StanCERA) provides combined medical/dental insurance sponsored by (StanCERA) for certain retirees and their dependents. Substantially all of the active members may become eligible for those benefits if they reach normal retirement age. Currently, 1,182 retirees are active participants in the health care plans, and they received post-employment health care benefits in the amount of \$5,145,956 for the year ending June 30, 2000.

The (StanCERA) also provides a death benefit of \$5,000 paid to the beneficiary or estate if a member dies after retirement

Post-employment health care benefits are funded from excess earnings of the retirement association. The County does not contribute towards post-employment benefits other than retirement. The actuarial study dated June 30, 1998 projected the liability level for health care premium to be \$ 39,049,000 based on current utilization. As of June 30, 2000, the funding for post-retiree's health premium reserve is \$113,263,802.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

Effective January 1, 2000 the Association will contribute a maximum of \$330 to eligible members. Each such member is eligible for a graduated Association contribution of five percent of maximum per full year of (StanCERA) service towards the cost of a retiree's insurance plan(s) as approved by the Retirement Board and/or direct payment to the eligible member.

Partial payments and partial deductions are prohibited. Payroll deductions are required if sufficient funds are available prior to any voluntary deductions. Retirees who are required to submit payment for their insurance premiums must present payment to the Association no later than the 25th of the month prior to the month of coverage.

Each January 1, the monthly maximum dollar amount shall be increased by the automatic cost of living percentage adjustment paid to retirees on the prior May 1 retiree payroll (not to exceed 3%) except that on January 1 following a triennial actuarial study related to a truer percentage increase, such increase for the period may be used.

k) Vesting

Active members of the system receive a 100% vested interest in the fund after 5 years of service for Plan 1 and 2 and ten years of service for Plan 3, but cannot get a service retirement until after being a member for ten years.

l) Reporting Entity

The Association is governed by the Board of Retirement and is considered an independent entity, although it is a component unit of the County in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14.

m) Method Used to Value Investments

Investments are reported at market value. Short-term investments are reported at cost, which approximates fair value. Securities are valued at the last reported sales price at current exchange rates.

The types of investments owned by the Association are presented below:

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

(1) Cash and Cash Equivalent

The Association's cash and cash equivalents are managed by the Bank of New York, and the County Treasurer based on the Treasurer's investment policies. The Bank of New York holds assets in trust.

The Bank of New York

Cash not needed for daily operation purposes is deposited with Bank of New York, the Association's custodian of investment securities.

The investments, as required by the GASB Statement No. 3 are normally categorized as follows:

Category 1 - Insured or registered, or securities held by the Association or its agent in the Association's name.

Category 2 - Uninsured and unregistered, with securities held by the broker's/dealer's trust department or agent in the Association's name.

Category 3 - Uninsured and unregistered, with securities held by the broker/dealer or by its trust department or agent but not in the Association's name.

Investments are not registered in the Association's name and are classified as Category 3 investments.

County Treasury

Cash needed for the Association's daily operational purposes is pooled with other County funds by the County Treasurer for short-term investment purposes. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds.

The County Treasurer's deposits at various financial institutions were either covered by Federal depository insurance or collateralized with securities held by the financial institution, or by its trust department or agent but not in the County's name and is therefore classified as uncollateralized in accordance with Government Accounting Standards Board (GASB) Statement No. 3.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

The County Treasurer's remaining short-term investments include U.S. Treasury bills, certain Federal agency's instrumentalities, bankers acceptances, "prime" commercial paper, certificates of deposits, repurchase agreements, and the State Treasurer's Local Agency Investment fund. The County, as defined by GASB Statement No. 3 classifies all of the County Treasury's short-term investments as either Category 1 or 2 investments.

(2) Investments other than Cash and Cash Equivalents

These investments are managed by Dodge and Cox with Bank of New York being the custodian, and are classified as a Category 1 type of investment.

The following is a schedule of investments by category at June 30, 2000:

	<u>Market Value</u>
Bonds:	
U.S. Government	\$178,153,324
Corporate Bonds	150,520,633
Other Bonds - Foreign	<u>4,029,760</u>
Total Bonds	<u>\$332,703,717</u>
Stocks:	
Capital Goods & Services	\$ 40,025,806
Materials & Services	91,068,800
Technology	77,048,367
Energy	49,966,313
Consumer	94,871,971
Financial	67,763,921
Transportation	17,399,000
Utilities	21,367,003
International (Putnam)	<u>114,860,646</u>
Total Stocks	<u>\$574,371,827</u>

The market value of stocks and bonds at June 30, 2000 was \$907,075,544 and exceeds the cost basis of stocks and bonds by \$117,187,649. There were no individual securities that exceeded five percent of the assets of the association at June 30, 2000.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

n) Securities Transactions and Related Investment Income

Security Transactions are accounted for on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities.

Contrary to GASB Statements 25 and 26, the Association does display in the financial statements any realized gains and losses on investments sold during the year. Unrealized gains and losses, on investments are reported as "net appreciation (depreciation) in the fair value of investments". The calculation of realized gains and losses are independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

o) Retired Member Reserves

Retired Member Reserves are reserves computed by the actuary and set aside for payment of future benefits of currently retired members.

p) Active Member Reserves

Active Member Reserves are member and county contributions to be used to pay future benefits and withdrawals of members who have yet to retire.

q) Transfers-Retirement Payroll

Retirement Payroll Transfers are transfers from active member reserves to retired member reserves made at the time of retirement for the purposes of paying future retirement benefits to the retiring member.

2. CONTRIBUTIONS RECEIVABLE

Contribution Receivable represent money withheld from employee salaries and employers' shares of retirement contributions for the month of June 2000. These amounts were received in July 2000. There are Contributions Receivable of \$637,937 at June 30, 2000.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

3. ACCRUED EXPENSES

Accrued Expenses represent June 30, 2000 retirement payments to retirees, which were not paid until July 2000.

4. ACCOUNTS PAYABLE

Vouchers issued against payroll liabilities but not yet paid health insurance premiums paid over the counter to the Association that will be paid to the insurance company in July 2000, professional services contracts for fiscal year end 1999-00 paid after fiscal year end, and retirement contributions advanced by Stanislaus County not used at fiscal year end

5. NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POST EMPLOYMENT HEALTHCARE BENEFITS

As required by the County Employee's Retirement Law of 1937 or the Board of Retirement's policy, the following reserves from Net Assets in Trust for Pension Benefits and Post Employment Healthcare Benefits must be established and used to account for the members, employees, and retirees' contributions. Reserve balances at June 30, 2000 are as follows:

(1) Active Members' Reserve (\$121,286,702 at June 30, 2000)

This reserve represents the cumulative contributions made by active employees, after deducting refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary. For 2000, assumption rates were 8.0%. The earnings are credited to all appropriate active and deferred member accounts semi-annually. In addition, upon retirement, the active employee's contributions, plus interest credited to his/her account, are transferred from this reserve to Retired Members' Annuity Reserves.

(2) Employer Advance Reserves (\$226,077,595 at June 30, 2000)

This reserve represents the cumulative contributions made by the County and certain special districts. Interest earnings are credited, semi-annually, to the reserves at assumption rates determined by the actuary.

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

Upon the retirement of an active member, an actuarially determined amount of his/her vested interests is transferred from the County Advance Reserves to the Retire Members' Pension Reserve.

As part of this advance funding of the County's pension obligation the County and the Retirement Board entered into an agreement whereby "Excess Earnings" as defined in the agreement will be allocated to Counties' (Employer Advance Reserve) at a rate of 25% for each full year. As of June 30, 2000 this money has been set aside in the following reserve account "County Advance Reserve - P.O.B. Distribution" and amounted to \$15,685,860.

(3) Retired Members' Reserves (\$322,820,432 at June 30, 2000)

These reserves are established to account for the unpaid retiree's pension benefits. Upon the retirement of an employee, his/her contributions plus the interest earnings credited to his/her account are transferred from the Active Members' Reserve account to the Retired Members' Annuity Reserve account. In addition, the present value of the actuarially determined pension benefits are also transferred from the County Advance Reserves to the Retired Members' Pension Reserve account.

From these reserves, the Association pays the retiree his/her pension benefits in an amount computed in accordance with the County Employee's Retirement Law of 1937.

The Reserves are also credited with interest earnings semi-annually at assumption rates determined by the actuary.

(4) Other Reserves (\$9,309,321 at June 30, 2000)

These reserves are for Retiree's burial allowance (\$3,629,468) and Retiree's Special Cost of Living (\$5,679,853).

(5) Post Retirement Health Benefits (\$113,263,802 at June 30, 2000)

This reserve was established in 1981 to pay a portion of the retiree's health insurance premiums for those retirees with 10 years of (StanCERA) service. This reserve is not subject to market fluctuations and can only be decreased or increased by permission of the Retirement Association (see Note 1j).

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

(6) Other Revenues

Other revenues consist of \$341 recovered as securities class action suit settlement.

(a) Market Value Fluctuation Designation (\$89,547,136 at June 30, 2000)

This "designation" account was established on June 30, 1996. It is used to minimize the impact of the fluctuations in the market value of the investments owned by the Association. The reserve balance is (10%) ten percent of the market value of the investment portfolio including S-T investments.

(b) Actuarial Designation for Employer Contributions (\$15,685,860 at June 30, 2000)

It represents that amount of appreciation, which has been used in actuarial calculations.

6. INVESTMENT EXPENSES

Investment expenses include fees paid for investment consulting services, fund evaluation services, securities custodian services, and rebate and bank fees incurred in security lending. Fees paid are charged against the Association's investment earnings pursuant to Government Code Sections 31596.1 and 31592.5.

7. GENERAL ADMINISTRATIVE EXPENSES

The Association's general administrative expense is funded by the investment income and it is limited to eighteen-hundredths of one percent (.18%) of the Association's total assets pursuant to Government Code Section 31580.2. The actual administration expense for the year was (.084%).

(continued)

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

8. GASB STATEMENTS 25 AND 26

In November 1994, the Governmental Accounting Standards Board (GASB) issued two statements (#25 and #26) concerning the financial reporting and note disclosures for defined benefit pension plans and healthcare plans carried by defined benefit pension plans.

9. SIX-YEAR HISTORICAL TREND INFORMATION

The six year historical trend information designed to provide information about the Association's progress made in accumulating sufficient assets to pay pension benefits when due is presented as required in the Supplementary Information following the notes to the financial statements.

SUPPLEMENTAL INFORMATION

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Schedule of Funding Progress- Pension Benefit Plan
For the six years Ending June 30, 2000
GASB 25

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) as a Percentage of Covered Payroll ((b-a)/c)
7/1/1994	340,570	450,989	110,419	75.5%	107,711	102.5%
7/1/1995	483,151	502,252	19,101	96.2%	113,124	16.9%
7/1/1996	N/A	N/A	N/A	N/A	N/A	N/A
7/1/1997	667,248	512,349	(154,899)	130.2%	121,275	-127.7%
7/1/1998	590,598 *	558,462	(32,136)	105.80%	120,172	-26.7%
7/1/1999	638,180 *	610,280	(27,900)	104.60%	141,799	-19.7%

* Excludes "Other Designated Reserves" and the liabilities associated with these reserves.

The accompanying notes are an integral part of the schedules.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Schedule of Contributions from the Employers
Pension Benefit Plan
For the ten years Ending June 30, 2000
GASB 25

(Dollar amounts in thousands)

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/1990	\$10,134	100%
6/30/1991	\$11,487	100%
6/30/1992	\$13,553	100%
6/30/1993	\$11,991	100%
6/30/1994	\$12,775	100%
6/30/1995	\$8,505	100%
6/30/1996	\$8,809	100%
6/30/1997	\$6,864	100%
6/30/1998	\$7,438	100%
6/30/1999	\$5,338	100%

The accompanying notes are an integral part of the schedules.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 SUPPLEMENTARY INFORMATION
 June 30, 2000

REVENUES BY SOURCE
 (Dollars)

Fiscal Year	Employee	Employer	% Covered	Investment	Other	
<u>Ending</u>	<u>Contrib.</u>	<u>Contrib.</u>	<u>Payroll</u>	<u>Income</u>	<u>Income</u>	<u>Total</u>
6/30/1990	3,922,720	9,363,471	11.55%	20,209,215	1,571	33,496,977
6/30/1991	4,750,605	10,958,297	10.88%	19,682,409		35,391,311
6/30/1992	5,740,656	12,221,041	11.52%	22,871,840	18,525	40,852,062
6/30/1993	6,215,375	12,893,475	12.62%	25,906,924	23,137	45,038,911
6/30/1994	6,302,100	11,885,597	11.20%	32,686,508		50,874,205
6/30/1995	6,729,526	12,456,178	11.83%	39,048,987	1,401	58,236,092
6/30/1996	7,353,666	**8,808,912	7.70%	57,685,085	172	73,847,835
6/30/1997	7,752,872	6,863,689	5.93%	91,629,759	118,199	106,364,519
6/30/1998	7,937,422	7,438,176	12.46%	99,455,177	248,795	99,703,972
6/30/1999	9,348,912	5,320,323	10.48%	87,721,314	419,890	102,810,439
6/30/2000	10,139,886	5,899,393	10.65%	58,374,163	156,778	74,570,220

The 2000 employer's covered payroll was \$143,931,584 and the total payroll for all employees was \$150,562,744

**Doesn't consider County Bond Proceeds of \$107,500,000.

EXPENSES BY TYPE
 (Dollars)

Fiscal Year	Administrative/ Investment				
<u>Ending</u>	<u>Benefits</u>	<u>Expenses</u>	<u>Refunds</u>	<u>Other</u>	<u>Total</u>
6/30/1990	11,620,721	688,178	826,843		13,135,742
6/30/1991	12,755,643	741,919	1,002,434		14,499,996
6/30/1992	14,004,428	893,958	806,282		15,704,668
6/30/1993	15,179,948	869,547	733,146		16,782,641
6/30/1994	16,972,857	913,370	1,156,879		19,043,106
6/30/1995	18,196,442	1,142,050	1,334,354		20,672,846
6/30/1996	19,486,620	1,263,440	1,219,811		21,969,871
6/30/1997	21,070,309	1,481,672	1,533,530		24,085,511
6/30/1998	23,262,399	2,064,303	1,681,310		27,008,011
6/30/1999	28,231,589	1,998,312	1,279,841		31,509,743
6/30/2000	32,129,054	3,380,142	1,728,978		37,238,174

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 SUPPLEMENTARY INFORMATION
 June 30, 2000

SCHEDULE OF RATE OF RETURN ON INVESTMENT
 (Dollars)

Total Assets At Book Cost (6-30-90 through 6-30-96) and at Market (6-30-97 through 6-30-00)

Fiscal Year <u>Ending</u>	Investment <u>Income</u>	Beginning of Fiscal <u>Year</u>	Ending of Fiscal <u>Year</u>	Average of Fiscal <u>Year</u>	Annualized Rate of Return <u>on Investment</u>
6/30/1990	20,209,215	185,408,000	204,681,000	195,044,500	10.36%
6/30/1991	19,682,409	204,681,000	225,073,000	214,877,000	9.16%
6/30/1992	22,890,365	225,073,000	250,391,000	237,732,000	9.63%
6/30/1993	25,930,061	250,391,000	280,019,000	265,205,000	9.78%
6/30/1994	32,686,508	280,019,000	310,848,864	295,434,000	11.06%
6/30/1995	39,048,993	310,848,864	350,609,494	330,729,179	11.81%
6/30/1996	57,685,085	350,609,494	508,173,201	429,391,348	13.43%
6/30/1997 M.V.	152,293,514	508,173,201 **	741,566,635 *	624,869,918 **	24.37% **
6/30/1998	99,456,261	741,566,635	829,075,862	785,321,248	12.66%
6/30/1999	72,197,586	829,075,862	901,273,448	865,174,655	8.34%
6/30/2000	58,374,163	901,273,448	939,335,834	920,304,641	6.34%

(1) The figures presented are from the Annual Report of Financial Transactions of Public Retirement Systems to the State Controller which is audited annually. The book values of assets have been rounded to thousands.

* No longer provided to the State.

**Beginning Market Value = \$614,284,199. Market to market Annualized Rate of Return = 20.4%.

**STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES
JUNE 30, 2000**

The Association applied the parameters established by GASB Statements #25 and #26 in calculating and presenting the required actuarially determined information contained in both the Schedule of Funding Progress and Schedule of Employer Contributions.

1. Schedule of Funding Progress

Analysis of the dollar amounts of the pension benefit plan (Plan) net assets, actuarial accrued liability, and unfunded actuarial accrued liability, as presented on the Schedule of Funding Progress, in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability, however, provides one indication of the Association funding status on a going-concern basis. Analysis of this percentage over time will indicate whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusted for the effects of inflation will also aid analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

2. Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 1999
Actuarial cost method	Entry age normal actuarial cost method
Amortization method	The County portion of the unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected future County payroll over 2 to 10 years from June 30, 1999, depending on the size of the (UAAL) according to the following chart:

Amount of (UAAL) (Surplus)	Amortization Period
Less than \$2,000,000	3 years
\$2,000,001 to \$5,000,000	5 years
\$5,000,001 and over	10 years

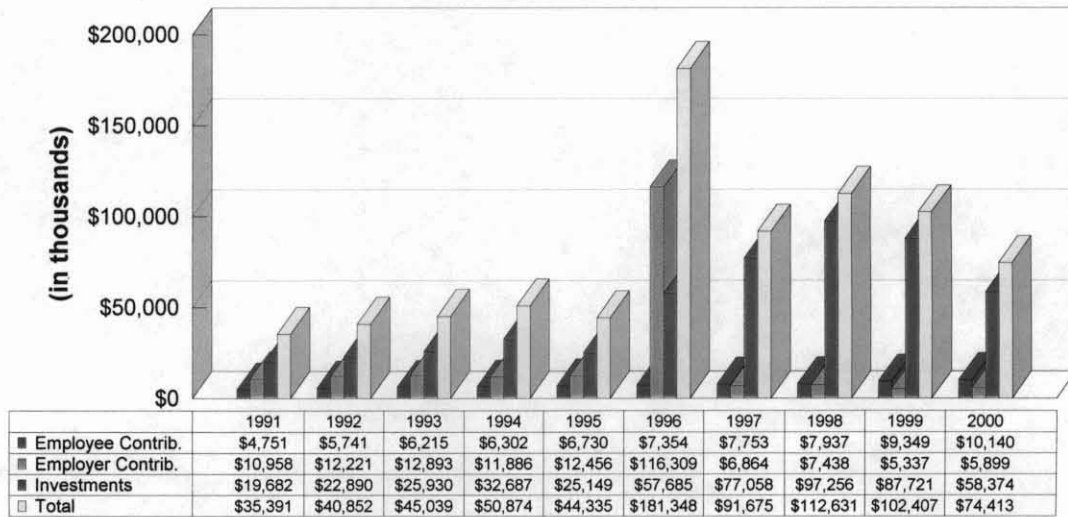
STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES
JUNE 30, 2000
(continued)

2. Actuarial Assumptions (continued)

Amortization method (cont.)	The (UAAL) attributed to Other Employers is amortized as a level percentage of pay over the period ending June 30, 2023.
Asset valuation method	90 % of market value.
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	5.5%
*includes inflation at:	4.5%
Retirees' cost-of-living adjustments	3.0% (Max)

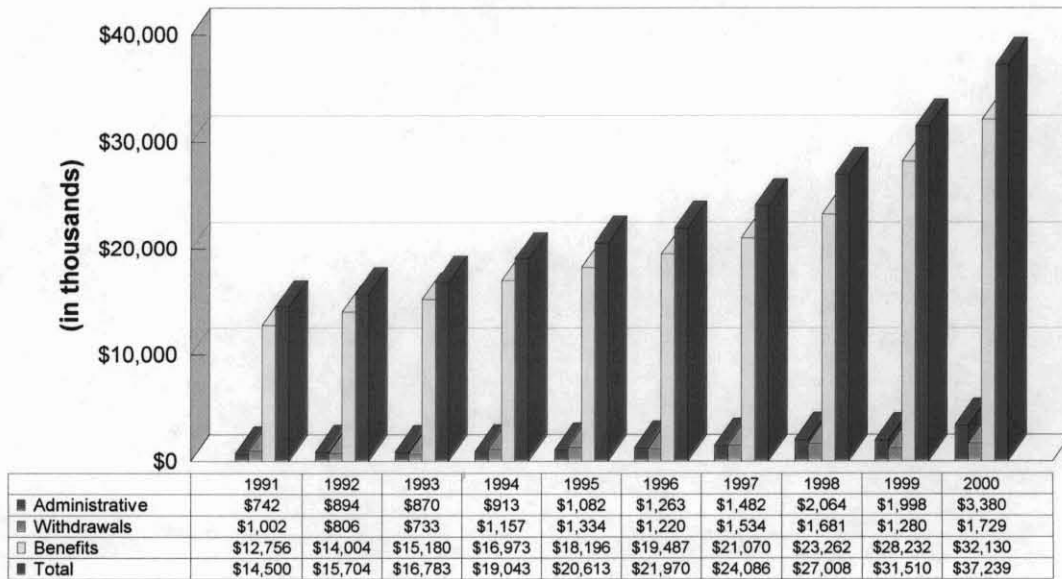
STATISTICAL INFORMATION

Revenue by Source

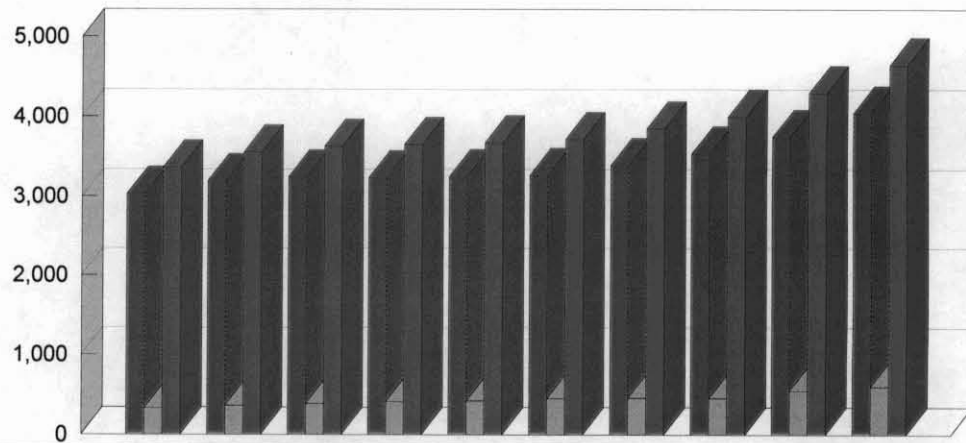


1996 includes \$107.5M Pension Obligation Bonds
Investments excludes unrealized gains/losses

Expenses by Type

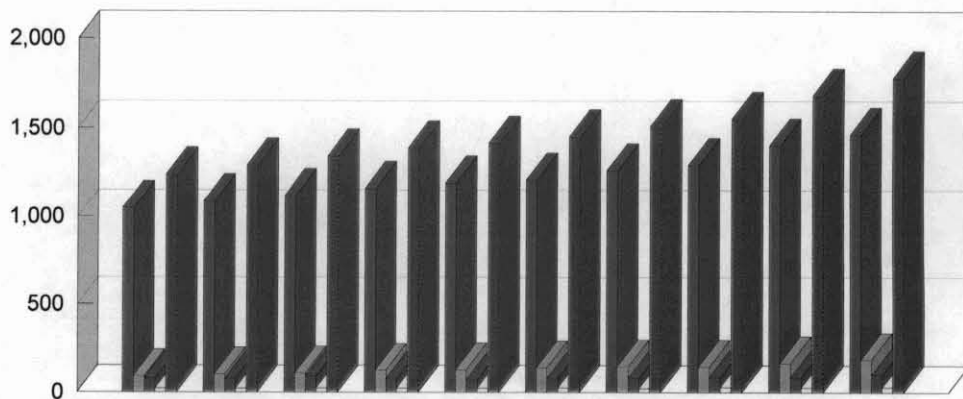


Membership History (Active and Deferred)



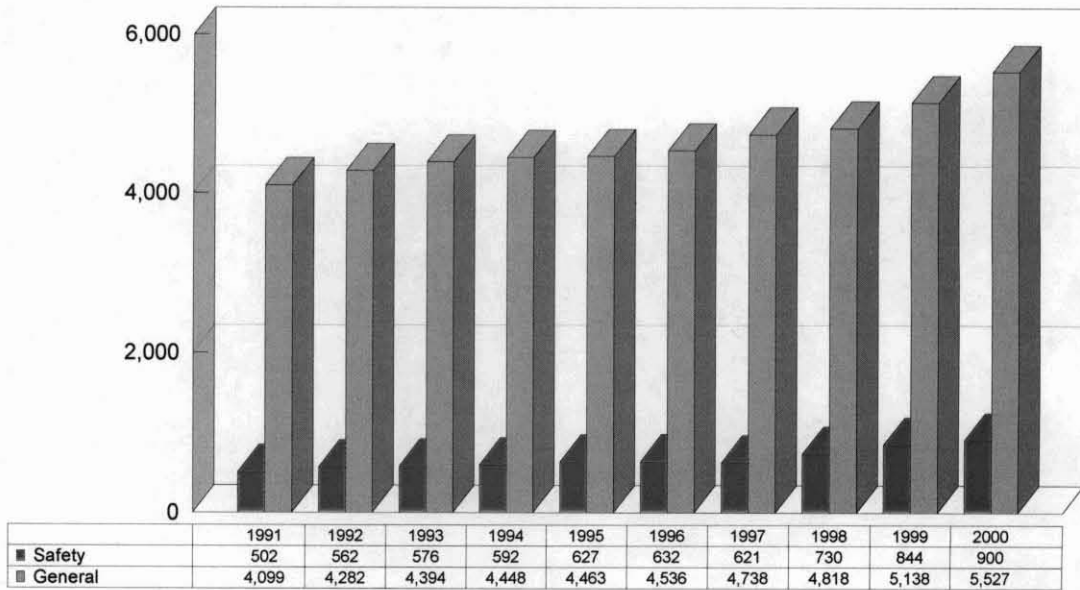
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
■ Active	3,031	3,192	3,241	3,235	3,249	3,263	3,389	3,538	3,749	4,045
■ Deferred	330	361	386	417	425	453	460	458	550	602
■ Total	3,361	3,553	3,627	3,652	3,674	3,716	3,849	3,996	4,299	4,647

Membership History (Retired)

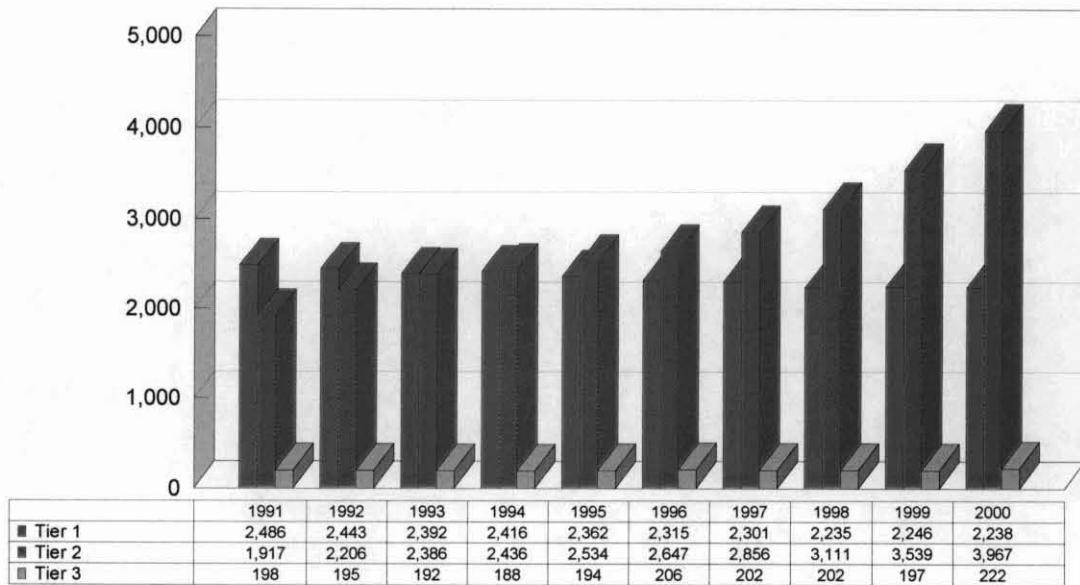


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
■ Service	1,051	1,089	1,120	1,162	1,193	1,209	1,262	1,293	1,404	1,465
■ Serv. Conn. Dis.	90	101	109	125	128	140	145	144	166	187
■ Non-Serv. Dis.	77	78	90	76	70	77	80	85	85	99
□ Surv. Death Ben.	22	23	24	25	25	26	23	30	28	29
■ Total	1,240	1,291	1,343	1,388	1,416	1,452	1,510	1,552	1,683	1,780

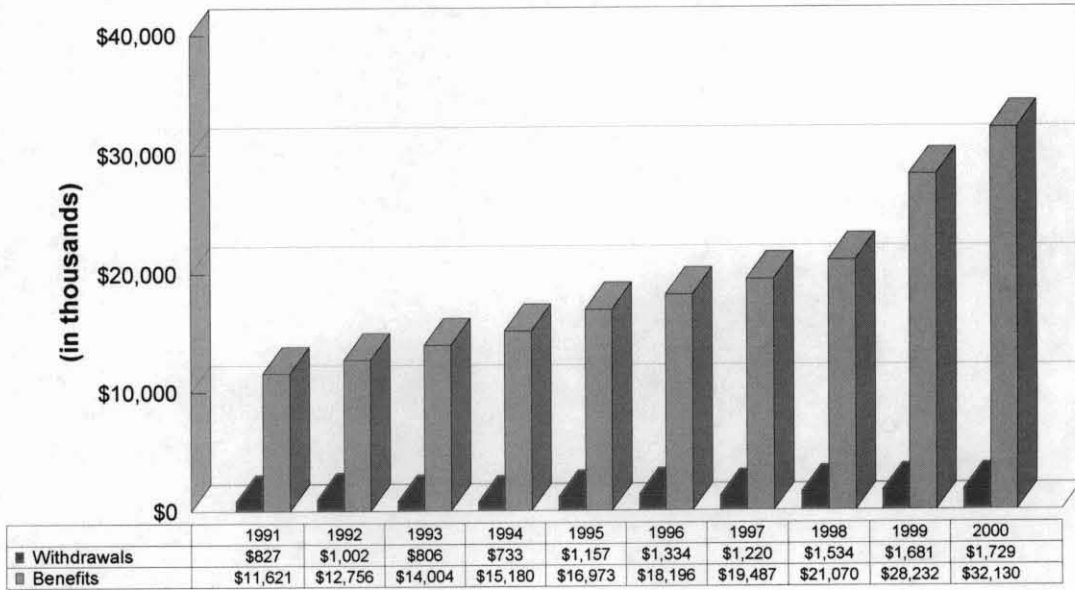
Membership Classification



Membership by Tier



Withdrawals and Benefits Paid



Average Monthly Retirement Benefits

