

*John Ferraro for Low Water*

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

DEPT: TREASURER/TAX COLLECTOR - RETIREMENT

BOARD AGENDA # \*B-10

Urgent \_\_\_\_\_ Routine X

AGENDA DATE August 14, 2001

CEO Concurs with Recommendation YES prt NO \_\_\_\_\_  
(Information Attached)

4/5 Vote Required YES \_\_\_\_\_ NO X

SUBJECT: APPROVAL TO CREATE POSITION OF ADMINISTRATOR FOR THE STANISLAUS COUNTY EMPLOYEES RETIREMENT ASSOCIATION, AMEND THE SALARY AND POSITION ALLOCATION RESOLUTION AND AMEND THE BYLAWS OF THE RETIREMENT ASSOCIATION.

STAFF  
RECOMMEN-  
DATIONS:

1. ADOPT SECTION 31522.2 OF THE CALIFORNIA GOVERNMENT CODE ALLOWING THE BOARD OF RETIREMENT TO APPOINT AN ADMINISTRATOR.
2. APPROVE THE AMENDMENT TO ARTICLE 1.4 OF THE STANCERA BYLAWS DEFINING THE TERM "MANAGEMENT".
3. AMEND THE SALARY AND POSITION ALLOCATION TO ADD THE POSITION OF ASSOCIATE DIRECTOR, SALARY BAND F, WITH DEPARTMENT HEAD BENEFITS TO BUDGET UNIT 0030510.

FISCAL  
IMPACT:

There is no cost to the County for this action. All costs to administer the retirement system are paid by the system from investment earnings.

The fiscal impact to StanCERA of this action is approximately \$70,000. The estimated cost of the position is \$125,000 annually, including benefits, however, approximately \$54,500 is currently being charged by the County Treasurer for providing these services. These intra-departmental charges will no longer occur beginning with fiscal year 2002-2003. The entire \$125,000 has been included in the fiscal year 2001-2002 StanCERA budget.

BOARD ACTION AS FOLLOWS:

No. 2001-613

On motion of Supervisor Caruso , 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*  
By: Deputy

APPROVAL TO CREATE POSITION OF ADMINISTRATOR FOR THE STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION, AMEND THE SALARY AND POSITION ALLOCATION RESOLUTION AND AMEND THE BYLAWS OF THE RETIREMENT ASSOCIATION.

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DISCUSSION: The StanCERA Board of Retirement formed a committee to study independence issues and make recommendations to the Board of Retirement during two strategic planning sessions in January 2001. Among these issues is the issue of hiring a full-time independent administrator to oversee the operation of the system.

The committee began meeting in March 2001 and immediately began the process of creating the Administrator position and negotiating with a candidate. The first step was to survey other 37 Act retirement systems to determine job functions and salary levels of other similar systems. The issues of relevant law and required changes to StanCERA bylaws were addressed.

The committee created a *Position Paper on Independence* to highlight the relevant issues. The committee also created a *Position Description* for the administrator position and developed an *organizational chart* of hierarchical reporting. These documents are included in the Independence Committee Report on Creation and Selection of Administrator (Committee Report) attached. This report goes into exhaustive detail of the process used and the committee findings and recommendations.

At its March 27, 2001 regular meeting, the StanCERA Board of Retirement voted to negotiate with the current StanCERA Assistant Administrator to fill the position of Administrator, once created. On April 11, 2001, at its regular meeting, the StanCERA Board of Retirement voted to amend article 1.4 of the StanCERA Bylaws to read "*The day-to-day administration of the retirement system is delegated to the Administrator*" by deleting the reference of "*...who shall be the County Treasurer*".

On July 11, 2001, the Board of Retirement reviewed the Committee report and considered the committee's recommendations. The Board of Retirement voted unanimously to accept the report and adopt the committee's findings and recommendations.

APPROVAL TO CREATE POSITION OF ADMINISTRATOR FOR THE STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION, AMEND THE SALARY AND POSITION ALLOCATION RESOLUTION AND AMEND THE BYLAWS OF THE RETIREMENT ASSOCIATION.

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POLICY  
ISSUES:

The Board of Retirement may elect to appoint an Administrator under Government Code §31522.2 which states in part, "*The position of the administrator shall not be subject to county civil service or merit system rules. The person so appointed shall be a county employee and the position of administrator shall be included in the...salary resolution adopted by the board of supervisors.... The person so appointed shall be directed by, shall serve at the pleasure of, and may be dismissed at the will of, the appointing board or boards.*" This section, 31522.2, must be adopted, by resolution, by a majority vote of the Board of Supervisors before becoming effective.

The StanCERA bylaws must also be changed to allow the day-to-day management of the system to be performed by someone other than the County Treasurer. Government Code Section 31525 mandates that the Board of Supervisors approve any amendment to the StanCERA Bylaws.

The Board of Supervisors maintains the county classification plan and approves all changes to the Salary and Position Allocation Resolution. This recommendation fits within the Board of Supervisors' priority of promoting efficient government operations.

STAFFING  
IMPACT:

Approval of this change will add one position to legal budget unit 0030510 – TTC-Retirement Board.



# **Stanislaus County Employees' Retirement Association**

## **INDEPENDENCE COMMITTEE REPORT ON CREATION AND SELECTION OF ADMINISTRATOR**

Al Sarina, Chair  
Virgil Thompson  
Wes Hall  
Steve Yauch  
Robert Harmon, Staff

July 11, 2001

# Executive Summary

The Independence Committee was formed during the strategic planning sessions of the StanCERA Board of Retirement in January 2001 to examine and make recommendations to the board on several issues of independence. Among these is the issue of hiring an independent administrator to oversee the operation of the system.

The committee began meeting in March 2001 and immediately began the process of creating the Administrator position and negotiating with a candidate. The first step was to survey other 37 Act retirement systems to determine job functions and salary requirements. The issues of relevant law and required changes to StanCERA bylaws were addressed.

The committee created a Position Paper on Independence to highlight the relevant issues. The committee also created a Position Description for the administrator position and developed an organizational chart of hierarchical reporting.

The committee next met with staff and gathered information relating to the administrator candidate. This information was then used to develop goals for the administrator candidate. After reviewing the candidate's qualifications, resume and salary history, the committee negotiated an appropriate salary and benefit package for the candidate and set goals for the next year.

The committee feels that it has thoroughly and rigorously examined the candidate's qualifications, strengths and weakness, and relevant market forces. The committee requests the Board of Retirement adopt the committee recommendations to create the position of Administrator and hire the current assistant administrator in the new position of administrator.

## Background

The Independence Committee (committee) was formed out of the strategic planning process by the Board of Retirement (board) in January 2001. The committee is charged with examining several areas of independence. They are:

- Independent Administrator
- Independent Counsel
- Independence from Plan Sponsors'
- Independence of Facilities

The committee prioritized these items and determined that the best use of resources would be to first establish and fill the position of administrator. This position would then be able to devote a substantial amount of time in assisting the committee with the other independence issues.

The need for an independent administrator, as discussed in detail in Attachment A, stems from increasingly complex administration issues. These are related to several factors: increase in overall size of the system membership, phenomenal growth of system assets, and ever changing laws concerning benefit administration. The committee and the board both recognize the outstanding job the current administrator has done but feel the need for a full-time person to carry-on the administration of the system.

The committee previously made a recommendation that the system negotiate exclusively with the current assistant administrator. This recommendation was adopted by the board at its regular meeting on March 27, 2001. Following the board's direction, the committee then began the process of designing the position of administrator, determining qualifications and job requirements, and setting goals for the administrator.

## Process

The committee began by surveying all of the 37 act systems and gathered information on several of the independence issues. Among the information collected was salary ranges from other systems for their respective administrators and position descriptions and job duties.

The committee examined the law relating to the creation of the position and the necessary steps to be undertaken. Current law requires the County Board of Supervisors adopt a section of the law before the position can be created. The committee decided that rather than asking the Board of Supervisors to adopt this section before continuing, that it would be in the best interests of the system to take the

board's complete recommendations to the Board of Supervisors at one time. These will include:

- Adoption of Govt. Code §31522.2
- Adoption of the change to the StanCERA Bylaws
- Creation of the position of Administrator and inclusion in the County Position and Salary Allocation
- Appointment of the Administrator

After reviewing all of the relevant information, the committee designed a Position Description including job duties and salary and benefits ranges. During this process, the committee met with counsel for specific guidance on several aspects of the job description. The position description is attached as Attachment C.

Following the creation and approval of the position description and job duties, the committee examined the organizational layout of StanCERA and prepared an organizational chart reflecting the position of Administrator. The organizational chart reflects the relative hierarchical reporting and primary job functions for the system. This includes part-time positions as well. (See Attachment B)

As part of the organizational chart development, the committee examined the role of the assistant administrator. It was felt that eventually the system will grow in size into two distinct units: benefits, and investments & accounting. This is a logical growth pattern and reflects the two primary responsibilities of the system: benefit administration and investments. As such, the committee decided that it would be best to replace the current position of assistant administrator with the position of Benefits and Operations Manager (BOM). This position would be the equivalent of the current assistant administrator in both job functions and salary schedule with the a few minor exceptions.

The BOM would be responsible for overall daily operations of the system, insuring that benefits are paid, accounting records are current and accurate, reports are timely prepared and audits, actuarial analysis, etc. are properly performed. However, depending on the skill set of the BOM selected, a few areas surrounding investments may continue to be the responsibility of the administrator.

The next step in the process was to interview staff in relation to the current assistant administrator. Staff interviews were scheduled and the committee, with the inclusion of the current administrator, interviewed all full-time staff. Interviews lasted approximately forty-five minutes and covered many aspects of staff relationships with the assistant administrator. This process identified several weaknesses in the system. Among them are a lack of written job duties and procedures and a failure to perform timely staff evaluations. These weaknesses were discussed with the assistant administrator and later included in the administrator's goals.

Next the committee developed goals for the administrator for the upcoming year. These goals are specific to the current administrator candidate (see Attachment D) and address the issues previously raised in staff interviews, among other things.

The final step before preparing the committee recommendations was to discuss specific salary and benefit requirements for the incumbent. The committee reviewed the various benefits offered by the county. Each of the county benefits was explained and discussed. These included basic salary, performance and cost of living increases, insurance and other fringe benefits. The committee was in agreement that the benefit level should be that of a county department head. However, salary increases, performance bonuses, etc. would remain at the discretion of the board. The committee also reviewed the assistant administrator's resume and salary history for appropriateness for the position.

After reviewing the comparable salary information obtained from other systems, including information obtained from a statewide compensation survey performed by another state, the committee felt that initial base salary offered should be \$97,500 annually. The other fringe benefits to which a county department head would receive should also be offered. Performance will be measured by a separate committee. It was felt that the board chair should appoint a compensation committee on an annual basis to evaluate the past performance and make recommendations for both salary increases (permanent) and performance bonuses (one-time). The makeup of this committee should change year to year with one existing member to carry-over the general philosophy of the committee. This committee would be responsible, in conjunction with the administrator, for setting the following years performance expectations. The committee would then make recommendations to the board. Cost of living and other increases granted by the county to department heads should be reviewed by the entire board as appropriate.

### Findings and Recommendations

The committee finds that there is a need for a full-time position of administrator for StanCERA and that the position description and general job duties are properly outlined in the Position Description.

The committee further finds that this position requires special skills and that to attract and retain this skill set, the salary and benefit schedule must be competitive with other entities requiring the same skill set. The committee also finds that the current assistant administrator, and current candidate for the position, meets the requisite requirements and has a proven track record, and thus is qualified for the position.



The committee now recommends and requests that the Board of Retirement:

1. Adopt the Position Paper on Independence; and,
2. Approve the Organizational Chart; and,
3. Approve the Position Description; and,
4. Request the County adopt Gov't Code §31522.2 creating the position of Administrator; and,
5. Approve the appointment of the assistant administrator, Robert Harmon, to the new position of Administrator, once approved by the Board of Supervisors; and,
6. Approve the salary and benefits for the candidate at \$97,500 annually with county department head level benefits; and,
7. Authorize staff to prepare an agenda item for Board of Supervisor approval of the above, and for staff to make non-critical, technical changes, as necessary, to comply with county requirements for Board of Supervisors' agenda items.

### Relevant Documents

Attached to this report are several relevant documents both to StanCERA Independence and the subject at hand. These documents may be refined further and referenced in future reports.

- Attachment A - Position Paper on independence

The position paper on independence was developed and adopted by the committee to provide a framework for the committee to operate under. This brief document outlines the need for independence.

- Attachment B - Organizational Chart

The organizational chart provides a hierarchical view of the system.

- Attachment C - Administrator Position Description

The administrator position description outlines the basic and advanced requirements necessary to fill the position of administrator. This document briefly

describes the position, lists the essential job functions, minimum qualifications and salary and benefits.

- Attachment D - Administrator Performance Goals for Fiscal Year 2001/2002

The goals listed in this document were developed by the committee in order to achieve a measurable performance benchmark and to assist the administrator in successfully completing his duties.

**StanCERA INDEPENDENCE  
A POSITION PAPER**

The Board of Retirement "Board" is charged with safeguarding the assets of the retirement trust to insure the financial ability of the retirement system to pay current and future benefits to its beneficial members. Article XVI, Section 17 of the California Constitution states that "...the retirement board...shall have plenary authority and fiduciary responsibility for investments of moneys and administration of the system." Charged with these fiduciary obligations, it becomes essential that the board be able to function as an independent body, separate and distinct from the plan sponsors.

Independence of Administration

The system has grown to almost one billion dollars in assets requiring the use of numerous financial vendors to provide investment services and monitoring. Concurrently, staff has grown to seven full time positions and staff workload continues to increase annually. Historically the system had been administered by the elected Treasurer/Tax Collector and been a division of that office. Typically the administrator can only devote a small portion of their time towards the administration of the system. The '37 Act allows for, but does not require, the system to appoint an independent administrator. As both complexity and staff grow, it becomes apparent for the need of a single, full-time administrator devoted solely to the administration of the system.

A full-time, independent administrator will devote 100% of his or her time to operate and oversee the staff and investment assets of the system. The administrator will work in close liaison with the board to insure that the board's mission is promulgated to the staff and that the system is operated in an efficient manner. The administrator, reporting directly, solely and exclusively to the board, will insure that the board's fiduciary responsibilities under Article XVI will be carried out.

Independence of System

The system currently operates as a sub-division of the largest plan sponsor to the detriment of all other plan sponsors. That plan sponsor having discretionary control over budgetary and employment issues relating to the system. Article XVI further states that "The retirement board...shall have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries."

While historically there have been no conflicts in this arena, it is imperative that the board have sole and discreet control over the budgetary and human resource assets of the system, separate from political intervention by any plan sponsor.

Independence of Facilities

The system operates within the confines of a county facility, limited by both physical and political boundaries. The space, while currently physically adequate, does not provide

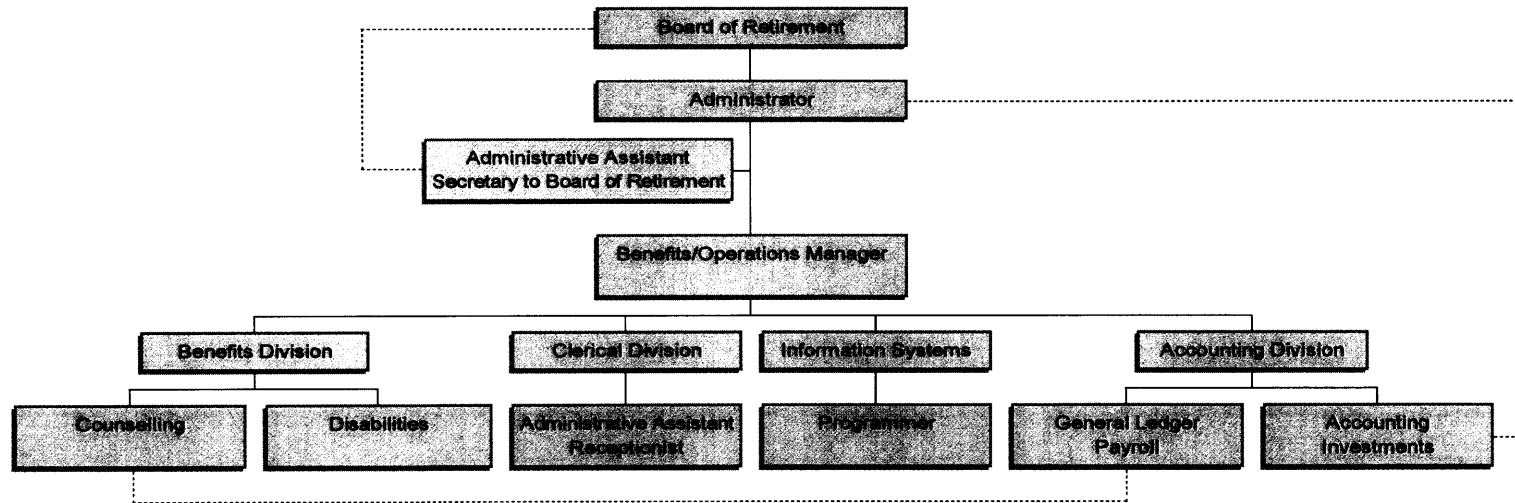
any avenues for staff growth and is inadequate for the efficient operation of the system. Facilities do not adequately provide for confidentially with meeting with members and staff imposing a potential liability on the board.

The system requires a facility which affords both efficient operation with potential for growth while providing the necessary rooms for staff to meet regularly with members and their families in a confidential and safe environment. As current facilities are limited, it becomes necessary for the board to consider alternative facilities in order to carry out the efficient operation of the system.

### Summary

The board has numerous fiduciary obligations in administering the assets of the system and assuring the prompt delivery of benefits to the participants and their beneficiaries. Independence of the system becomes necessary for the board to carry out this responsibility. A full-time independent administrator, whose duty lies solely to the board, is the first step towards independence. Independence of the plan sponsors insures that the board operates free of artificial and political limitations in its duty to administer the benefits and safeguard the assets of the system. Independence of facilities insures that the system can operate efficiently, both now and in the future, in providing a safe, efficient and confidential work environment. Independence of the system will continue to provide a harmonious working relationship among plan sponsors, including the Board of Supervisors, staff and the Board of Retirement.

### StanCERA Organization Chart



**POSITION DESCRIPTION  
STANCERA ADMINISTRATOR**

**DEFINITION:**

Under general direction, to plan, organize, direct and administer the activities of the Stanislaus County Employees' Retirement Association (StanCERA), to administer the policies, procedures and regulation of the Board of Retirement and the provisions of the County Employees Retirement Law (CERL) of 1937, and perform other related work as required.

**DISTINGUISHING CHARACTERISTICS:**

The Administrator is a single position class, exempt class and senior management position in StanCERA. The incumbent works at the pleasure of, and receives direction from, the StanCERA Board of Retirement (Board). The Administrator is responsible for directing the operations of StanCERA, implementing and monitoring Board policy, and coordinating the activities of contracting, investing and consulting firms on behalf of the Board.

**ESSENTIAL FUNCTIONS:**

- Functions as Executive Officer to the Board of Retirement and administrator of StanCERA. Recommends, implements and monitors policies and policy revision of the Board.
- Provides staff support to Board of Retirement. Prepares Board of Retirement meeting agenda and minutes, and provides information to Board, as needed.
- Provides staff support to all committees and serves as ex-officio member and secretary to all committees, where appropriate.
- Participates in development, implementation, and monitoring of Board's strategic plan.
- Acts as liaison between Board and Plan Sponsors.
- Maintains the status of investment portfolios and acts as liaison with investment managers, consultants and custodians.

**ESSENTIAL FUNCTIONS: (Continued)**

- Participates in the selection and review of investment managers, consultants and custodians and prepares and negotiates contracts for services. Evaluates and monitors financial, actuarial, investment, custodial, system and other specialty consultants to the Board, and recommends and conducts searches for new ones, or replacements.
- Participates in setting of investment policy and recommends policy changes.
- Develops and implements administrative and operation policies for staff.
- Interprets and applies the laws of CERL, related provisions of the California Government Code, the regulations of the Internal Revenue Service and the Department of Labor, and bylaws of StanCERA. Confers with County or Independent Counsel as necessary.
- Confers with and advises plan sponsors and employee representatives on various aspects of retirement benefits, funding, contribution rates and operation of StanCERA.
- Confers with actuaries, auditors and specialty consultants and directs the gathering of data required for composing a variety of actuarial, financial, statistical, performance and narrative reports for the Board.
- Prepares, administers and monitors the annual budget, and administers the resources to operate StanCERA.
- Oversees the selection of, and appoints staff. Evaluates performance and directs the day-to-day operation of subordinate staff.
- Plans and directs member education programs, seminars, written materials and newsletters offered or published by StanCERA. Oversees the publication of informational material on retirement laws, policies, procedures and employee benefits. Oversees employee counseling and benefit programs.
- Participates in industry-sponsored educational programs and organizations and represents the Board at meetings and conferences, as directed.
- Directs the Disability Retirement program, selects counsel and hearing officers and make recommendations to the Board on the disposition of disability retirement cases.

**ESSENTIAL FUNCTIONS: (Continued)**

- Coordinates the strategy, development, operation and implementation of automated information systems.

**MINIMUM QUALIFICATIONS:**

Graduation from an accredited college or university with a bachelor's degree in Business Administration, Accounting, Finance, Economics or closely related field. An appropriate advanced degree and/or other relevant professional credentials are highly desirable. An advanced degree may be substituted for two years of relevant experience.

**AND**

Five years of increasingly responsible administrative/management experience with a CERL system or other defined-benefit retirement system of similar or larger size and complexity.

**AND**

Knowledge of:

- Theory, purposes, principles and problems of defined-benefit retirement systems, preferably CERL systems.
- Fiscal, actuarial, budgetary and fiduciary practices and principles.
- Investment management practices and principles, portfolio theory and management, cash management and cash flow techniques.
- Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), and statistical analysis.
- Modern management theory, practice and techniques.
- General knowledge of automated information systems and web-based information delivery systems.
- Basic business, fiduciary, trust and employment law.

**AND**



**MINIMUM QUALIFICATIONS: (Continued)**

**Ability to:**

- Understand, interpret and apply provision of Federal and State laws and regulation pertaining to the administration of retirement policies and programs.
- Explain complex and technical issues in a non-technical manner. Must have excellent written and oral communication skills.
- Analyze and solve problems, analyze policy issues, legislation and regulations, and make decisions.
- Work and communicate effectively with board members, system members and beneficiaries, all levels of government, management, staff, department heads, employee representatives, attorneys, investment professionals and consultants.
- Plan, organize and implement complex tasks and functions.
- Provide leadership to, coach, manage and develop staff.

**AND**

**Must possess, or be able to obtain a valid California drivers license.**

**SALARY AND BENEFITS:**

- \$85,000 - \$130,000 Annually
- Eligible for annual cost of living adjustments
- Eligible for annual performance based salary increases
- Eligible for annual performance based bonus
- Health, Dental, Life and Disability insurance
- Annual sick and vacation leave
- Eligible for car allowance (\$400/monthly)
- Professional development allowance reimbursement (\$900/annually)
- Deferred compensation (2% of annual salary)

PROPOSED GOALS AND OBJECTIVES FOR F/Y 2001-2002  
FOR ADMINISTRATOR

- Hire a Benefits/Operations Manager to replace Assistant Administrator position
- Achieve system independence from the County
- Implement strategic plan of Retirement Board
  - Provide semi-annual updates on strategic plan implementation to Board
- Define and clarify individual position/job roles including:
  - Reorganize divisions and tasks as necessary
  - Who is responsible for what duties/tasks
  - Deadlines and due dates for significant tasks
  - Tasks to be completed daily/monthly/quarterly/annually
- Begin the development of training manuals for each area (e.g. benefits, accounting, clerical)
- Develop and implement an optional staff certification/incentive program
  - Certified Employee Benefits Specialist (CEBS)
- Evaluate options on Information Systems
  - Complete current system
  - Issue RFI/RFP for new system
- Obtain the designation of Certified Pension Executive
  - Society of Pension Professionals
- Develop an enhanced member education program focusing on financial planning
  - Three tier approach
    - Seminar targeted for young members on basics of financial planning, debt budgeting, savings.
    - Seminar targeted for mid-life members on savings for kids college while also saving for retirement
    - Seminar targeting older members 10 years from retirement on making the hard decisions, where will you live, getting ready
  - Seminars will be multiple 1-1½ hour sessions with homework assignments
  - User fee will be charged
  - Small groups of 20 (including spouses)
  - Sponsored by StanCERA but taught by local financial planners
- Represent StanCERA at conferences as a guest speaker
- Perform timely evaluations of all staff