

MCERA PENSION

IMPROVED YEAR FOR MCERA

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**Merced County
Employees' Retirement
Association**

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Brown Bag Meetings

Next Brown bag meeting
will be held on January
19, 2011

Location:
MCERA
3199 M St
Merced CA 95348

To reserve a seat:
Mcera@co.merced.ca.us

In January of 2010, we had expectations of an improved economy and although the housing and employment picture remain difficult, the year ended on a positive note for MCERA. MCERA's assets increased by \$30 million for the year ending December 31, 2010 and MCERA had a return of 13.4% for fiscal year ending June 30, 2010. MCERA still needs to make up for past losses but the Board's disciplined approach to MCERA's investments took advantage of the positive factors in the market this past year. MCERA's 2010 Comprehensive Annual Financial Report contains all of MCERA's financial information and a copy can be accessed on the MCERA website or at the MCERA



office. Every undertaking at MCERA, whether it is investing in a new asset class or in a new computer system is done with the goal of ensuring that MCERA can continue to pay pension benefits to our present

retirees and to future generations of retirees. We continue to work diligently towards that goal in this new year.

**Maria L. Arevalo
Plan Administrator**

NEW MCERA EXPERIENCE STUDY

EFI Actuaries will complete a three year Experience study of the active, inactive and retired membership of MCERA for the years 2007 to 2010. The

study will be presented at the February 10, 2011 Board meeting. The study will analyze data for this period related to service retirements, deaths, disabili-

ties and other terminations of employment and compare the actual numbers to the incidence expected using

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FREQUENTLY ASKED QUESTIONS

What is reciprocity?

Reciprocity is an agreement between two retirement systems that allows members to move from one employer to another without any loss of service credit or vesting years.

Benefits of Reciprocity

Establishing reciprocity has many benefits which are; a lower contribution rate, uniform vesting period, and uniform salary assumptions. Lower contribution rates exist because the rates are determined at the earliest entry age whether it be with MCERA or another reciprocal system. Uniform vesting periods apply because the years of service for vesting requirements are based on the combination of both systems. For example; if you work for a reciprocal system for two years and then came to work for MCERA, those two years would count towards the five years required for vesting. However, the two years don't count as years of service in the MCERA system. Uniform salary assumptions apply because the retirement pension is computed on the highest salary from either system.

Restrictions on Reciprocity

There are restrictions on establishing reciprocity. These restrictions include: not being able to withdraw your contributions from any of the systems that are linked; you must retire from both systems at the same time; you must join a reciprocal systems within 180 days of leaving the prior system. Both systems must be 1937 Act counties, California State Teachers' Retirement System (CalSTRS) or California Public Employees Retirement System (CalPERS). You CANNOT have concurrent or overlapping service credit within the linked systems.

Disability and Reciprocity

If you receive a disability retirement from another employer other than MCERA then you must notify MCERA and retire at the same time and vice versa. The disability benefit that you receive will depend on whether you have reached the maximum allowance permitted by the 1937 Act. The maximums are set according to the years of service



and is limited to one half of the final compensation for a service related disability and one third the final compensation for a non-service related disability.

Death Benefit and Reciprocity

MCERA pays a \$3,000 death benefit less federal taxes. This is only applicable if the last system that the member worked for is MCERA. If MCERA is not the last system then the partner system will pay their death benefit.

Reciprocity is beneficial because movement between reciprocal systems gives people access to more expansive opportunities for advancement in their careers without negatively affecting one's retirement.

Letters have been sent to members to confirm reciprocal status, if you have any questions about your status, please call the office at 725-3636 or attend the next **Brown Bag Lunch Meeting on January 19, 2011.**

Office Notes

We have a new staff person at MCERA. **David Bren Horrocks** was recently hired as a Retirement Benefit Specialist. Bren is a graduate of Brigham Young University with a Bachelors degree in accounting. Bren lives with his wife and two children in Modesto and is busy learning all about MCERA and Merced County. Bren will be assisting those of you who are contemplating retirement and is looking forward to meeting MCERA members. We are happy to welcome Bren to the MCERA staff.

Fast Facts

1099-R forms are being sent to all retirees, retiree beneficiaries and survivors and refunded members. In compliance with the Internal Revenue service, these forms will be mailed by January 31, 2011. Please make sure we have your current address. **Annual Member Statements** are also being mailed to all active members. Please make sure to review the information contained in your statement and contact us if there are any corrections that need to be made.

MCERA'S THIRD QUARTER INVESTMENT 2010 PERFORMANCE

As has been the trend in 2010, stocks continued to display a high degree of volatility during the third quarter. After rallying 7.0% in July, then falling 4.5% in August, the S&P 500 Index rebounded in September, advancing by 8.9%. The strong September performance helped the year-to-date modest returns of 3.9%. For the third quarter, the S&P 500 Index (Large Cap) generated total returns

of 11.3%, the Russell 2000® Index (Small Cap) also returned 11.3% and the MSCI EAFE (International) returned 16.5%. MCERA's total portfolio returned 9.2% during the third quarter of 2010. This return was below the benchmark return of 9.5%. Over the past year ending September 30, 2010 MCERA's fund returned 10.4%, outperforming the 9.9% return of the Fund's bench-

mark. Total market value at quarter end was at \$477 million, which represents an increase of \$57 million from the June 30, 2010 market value of \$420 million. Below you will find MCERA's cumulative performance results versus the benchmark as of September 30, 2010.



CUMULATIVE PERFORMANCE RESULTS PERIOD ENDING SEPTEMBER 30, 2010

	Last Quarter	Last 2 Quarters	Last Year	Last Five Years	Last Ten Years
TOTAL FUND	9.2%	3.3%	10.4%	2.4%	3.5%
FUND BENCHMARK	9.5%	3.0%	9.9%	2.9%	3.3%

The Board of Retirement

Karen Adams

Mark Bodley

Deidre Kelsey

Ron Kinchloe, Retired Alternate

Tom Mackenzie

Dwayne McCoy, Safety Alternate

David Ness, Chair

Alfonse Peterson, Secretary

Michael Rhodes

Karen Rodriguez

Leon Teague, Vice Chair

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current actuarial assumptions. Where the results of the study differ materially from the expected outcomes and point to a developing trend, the Board of Retirement may consider changes to the actuarial assumptions. The Board will review the non-

economic assumptions as well as economic assumptions such as the inflation rate, future salary increases and the assumed rate of investment return.

PAFR Correction

The chart on the second page of the Popular Annual Financial Report should reflect a \$-105,689 net investment loss for the year 2009. The chart omitted the negative sign. It is accurately noted in the Chart of Changes in MCERA assets and in the bar diagram on the same page.

(\$ amount in thousands)

Retirement Board Meeting

The Retirement Board Meetings for first quarter of 2011 are:

January 13

January 27

February 10

February 24

March 10

March 24