

MCERA PENSION NOTES

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Brown Bag Meetings

Next Brown bag meeting will be held on April 13, 2011 from 12-1.

Location:
MCERA
3199 M St
Merced CA 95348

To reserve a seat:
Mcera@co.merced.ca.us
Or 209-725-3636

Merced County Employees' Retirement Association

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NEW ACTUARIAL REPORT

In March, the MCERA Board of Retirement approved and adopted the recommendations included in the Actuarial Review and Analysis Report of the Merced County Employees Retirement Association as of June 30, 2010. The Board also reviewed the findings of the actuarial experience of MCERA contained in the Experience Study for the period July 1, 2007 to June 30, 2010 prepared by EFI Actuaries. The purpose of the reports is to review the experience of the plan, explain reasons for changes in plan costs and to compute the annual contributions required to fund the plan. The reports produced significant increases in both the employer and employee contribution rates and in the liabilities. The employer rate increased from 30.23% to 36.14% and is the result of several factors including:

1. The demographic experience of the

- plan related to rates of retirement, disability, termination and death was less positive than anticipated.
- 2. The continuing deferred recognition of past investment losses from 2009.
- 3. Salaries for active members were greater than expected.
- 4. A decline in the payroll base over which the unfunded liability is amortized.
- 5. New lower inflation and earnings assumptions adopted by the Board.

The employee rates increased on average 1.85% for all members due to the changes in the economic assumptions, new mortality rates and to reflect the increase in final compensation from terminal pay cash outs. MCERA will need significant increases in revenue to meet its funding obligations and this will need

to come from contributions and investment returns. Even though MCERA had a market return of 12.7% in FY 2010, the gain is lost as market losses continue to be recognized. The Board continues to work diligently to maximize market returns within the framework of its investment policy.

The complete actuarial report will be posted on the MCERA website.

Maria L. Arevalo
Plan Administrator



FREQUENTLY ASKED QUESTIONS

Q. What is the Consumer Price Index (CPI)?

The CPI is a measure of the change over time in the prices paid by urban consumers for a market basket of consumer goods and services such as food, housing, ap-

parel, transportation, medical care, and education.

The CPI is measured by the U.S. Bureau of Labor Statistics, which produces CPI figures for the U.S as a whole and for major urban areas such

as the San Francisco Bay Area.

MCERA bases its COLA on the CPI for the Bay Area.



Office Notes.

Staff continues to work on the new pension administration system. In the process, we are updating member data so if you receive requests for beneficiary information or other updates, it is for the purpose of making sure MCERA has all the correct information about our members . We expect to complete the PAS project by this time next year.

RETIREE'S CORNER

Well it is time for that annual cost of living raise adjustment again, (COLA). The annual cost of living adjustment that Tier 1 members receive is effective the first of April each year. The COLA is awarded each year on April's check..

The annual raise is based on the Consumer Price Index, (CPI) of the San Francisco-Oakland-San Jose area from the previous year. It is based on a comparison of the activity of the index from December to December. The proposed amounts are provided to the Retirement Board by the actuary,

EFI Actuaries. The annual report was submitted by EFI to the Board of Retirement with a suggested One and a half percent increase due to a slight increase in activity of the index over this past year.

The Board of Retirement voted at the February 24, 2011 meeting to adopt the suggested rate of a one and a half percent increase. Retirees who have an accumulated COLA balance (banked COLA) will receive a cost of living adjustment according to their date of retirement (see table below). New retirees who do not have any points banked will only receive the approved cost of living ad-

justment this year.

Banked COLA Defined: Banked COLA is made up of points from previous years that go above the 3% maximum cost of living raise. In years where the CPI increase is greater than the maximum allowed COLA increase the difference is banked in the form of points for future years. The banked percentage is used in years when the COLA is less than the maximum allowed raise of 3%, such as this year.

Fast Facts

New Average Employee contribution rates for FY 11/12: (prior rates)

General: Tier

- 1 **11.23%** (9.04%)
- 2 **9.92%** (7.39%)

Safety: Tier

- 1 **13.42%** (10.28%)
- 2 **8.84%** (7.27%)

Applied COLA To TIER I Retirees By Date Retired

- 4/2/1986 to 4/1/2011 will receive a 1.5% COLA
- 4/2/1985 to 4/1/1986 will receive a 2.5% COLA
- On or before 4/1/1985 will receive a 3.0% COLA

****COLA is Reflected in the April 30th Retirement Check**

MCERA's Fourth Quarter, 2010 Performance

The year ended with a very strong rally in the fourth quarter. The S&P 500 Index (Large Cap) returned 10.8% for the quarter and 15.1% for year, while the Russell 2000 Index (Small Cap) returned 16.3% for the quarter and 26.9% for the year. The MSCI EAFE Index (International) lagged behind a little with returned 6.7% for the quarter and 8.2% for the year, as fears regarding the solvency in the Euro-zone subsided and struggling Euro-zone countries introduced strict economic measures.

During the quarter, investors faced several high impact events that played an important role in the market rally. First was the

mid-term Congressional election. Second, the Fed announced the second round of Quantitative easing, which consisted of the Fed's purchasing of \$600 billion of U.S. Treasury bonds over the next six months. And third, the extension of the tax cut for another two years. Other economic indicators that helped move the market, includes strong corporate earnings performances, strong economic performances in emerging market countries which helped the growth of U.S. exports, and low interest rates, which reduces borrowing costs, and encourages spending and investment.

MCERA's total portfolio returned 6.5% during the fourth quarter of 2010.

This return was above the benchmark return of 5.8%, and ranked in the 27th percentile of the total fund universe. Over the past year, MCERA's fund returned 13.7%, outperforming the 12.3% return of the Fund's benchmark. And ranked in the 26th percentile. Total market value at quarter end was at \$484 million, which represents an increase of \$30 million from the September 30, 2010 market value of \$454 million.

Below you will find MCERA's cumulative performance results versus the benchmark as of December 31, 2010.

Cumulative Performance Results PERIOD ENDING DECEMBER 31, 2010

	Last Quarter	Last 2 Quarters	Last Year	Last Five Years	Last Ten Years
TOTAL FUND	6.5%	16.3%	13.7%	3.3%	4.4%
FUND BENCHMARK	5.8%	15.9%	12.3%	3.7%	4.2%

Retiree Pay Dates for Remaining Year

- April 29, 2011
- July 29, 2011
- October 31, 2011
- May 31, 2011
- August 31, 2011
- November 30, 2011
- June 30, 2011
- September 30, 2011
- December 30, 2011

The Board of Retirement

Karen Adams

Mark Bodley

Deidre Kelsey

Tom MacKenzie

Dwayne McCoy, Alternate

David Ness, Chair

Alfonse Peterson

Michael Rhodes

Karen Rodriguez

Leon Teague, Vice Chair

Ron Kinchloe, Alternate

Retirement Board Meeting

The Retirement Board Meetings for 2nd Q

2011 are:

April 14

April 28

May 26

June 9

June 23