

MCERA PENSION NOTES

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Brown Bag Meetings

Next Brown bag meeting
will be held on November
16, 2011

Location:
MCERA
3199 M St
Merced CA 95348

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

Merced County Employees'
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Association

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Website

MARKET VOLATILITY: HERE WE GO AGAIN?

Just as we began to feel better about MCERA's investment returns, the markets declined and volatility increased dramatically in August and September bringing to mind the events of 2009. The Dow Jones Industrial Average finished the third quarter down 12%, the largest percentage decline since the first quarter of 2009. The S&P stock index suffered an even bigger 14% decline. From the fiscal year ending on June 30, 2011 to August 30, 2011, MCERA had on paper losses of about \$26 million. Although MCERA had above benchmark returns for the fiscal year ending June 30, 2011 of 23.6%, the market volatility in August reduced MCERA's assets from \$511 million on June 30, 2011 to \$485 million on August 30, 2011. Stock market volatility impacts MCERA's returns in the short term



but the MCERA Board of Retirement adheres to its investment policy which does not change with short term market changes. Retirement benefits to our members also do not change with market returns; benefits are based on a member's age, salary and years of service. MCERA's investment policy provides for a long-term, diversified strategy developed to meet the funding requirements of the Plan. MCERA's liabili-

ties have grown due to enhanced benefits for members and because losses from 2009 still continue to impact the fund. The Board is well aware that these factors have contributed to the present underfunding of the Plan, however, the Board continues to maintain a portfolio that will take advantage of a return to more normal market conditions.

Maria L. Arevalo
Plan Administrator

HOW MEMBER CONTRIBUTION RATES ARE CALCULATED

Most Merced County employees noticed an increase in their retirement contribution amount last July. Member contribution rates are periodically adjusted

based on the results of an experience study which is conducted every three years by MCERA's actuary. MCERA completed the experience study for the

period July 1, 2007 to June 30, 2010 and as a result, economic assumptions, pay growth rates and mortality assumptions were changed. The economic

MEMBER CONTRIBUTION RATES, CONT.

changes included reducing the investment earnings assumption because investment earnings were lower than expected. The mortality tables were changed as the study showed retirees live longer., longer life spans result in a longer period of benefit payments. On average, active member retirement contribution rates increased by 2% for safety and general members for fiscal year 2011-2012.

When a new employee joins MCERA , their contribution rate is based upon the following :

1. Age at time of entry into the plan; typi-

cally within the closest 6 months of their birthday. The younger the member, the lower the rate.

2. Tier 1 or Tier 2 membership; Merced County Tier 1 members pay a higher percentage because they receive a cost of living (COLA) increase when they retire. Tier 2 members pay less since they have no COLA upon retirement. Your Tier depends on the date you joined the MCERA Plan except for Department Heads, who can join Tier 1

upon becoming A level managers. Employee rates for each tier also take into account the fact that MCERA retirement is integrated with Social Security.

3. Retirement eligible Salary; the higher the members retirement eligible salary, the higher the contribution percentage rate.



Election Notice

On December 13, 2011, there will be an election for members of the Merced Retirement Board.

The seats include:

- 1.) **7th Seat: Safety Member** representative, presently held by Tom MacKenzie
- 2.) **Safety Member Alternate**, presently held by Dwayne McCoy
- 3.) **8th Seat: Retired Member** Representative, presently held by Leon "Sandy" Teague
- 4.) **Retired Member Alternate**, presently held by Ron Kinchloe

Notices and ballots will be sent to eligible members later this month.

FREQUENTLY ASKED QUESTIONS

Q. How can I get a statement showing the amount I have contributed into retirement?

A. MCERA sends out a statement to all Plan members on an annual basis. These statements are distributed in early January of each year and are based on the amounts in each employee's account as of the previous year ending December 31. In addition, the annual statement will also list the

member's current beneficiary. Any Plan member who would also like to receive an individual statement of their account balance can do so at any time by submitting a request to the Retirement office.

Q .Can I take a loan from my contribution amount on deposit?

A. No, a member may not take a loan or withdraw from their contribu-

tions on deposit with MCERA while employed . A member may only withdraw contributions if they terminate employment with an MCERA employer.



Fast Facts

The new Comprehensive Annual Financial Report (CAFR) for fiscal years ending June 30, 2010 and 2011 will be completed October 31, 2011. Among other statistics, the report includes MCERA's membership numbers:

	2011	2010
Active	1,985	2,048
Retired	1,696	1,641
Average Monthly Pension :		
Safety	2,865	2,763
General	2,048	1,913

INVESTING REPORT



After reaching highs in the first quarter, growth in the domestic equity market significantly slowed during the second quarter. In the U.S., markets advanced nicely in April but declined in May and June. The S&P 500 Index returned 0.1% versus 5.9% in the first quarter. Small-cap stocks as measured by the Russell 2000 Index returned -1.6% versus 7.9% in the first quarter and Large-cap stocks

measured by the Russell 1000 Index returned 0.1% versus 6.2% in the first quarter.

The international market rose during the quarter despite the issues in Middle East, Japan, and the debt concerns in Europe. The international equity markets returned 6.1% in April, -2.8% in May and -1.2% in June, bringing the total MSCI-EAFE Index return of 1.8% for the quarter.

MCERA's total portfolio returned 1.7% during the second quarter of 2011.

This return was above the benchmark return of 1.5%, and ranked in the 6th percentile of the total fund universe.

For the fiscal year ended June 30, 2011, MCERA's fund returned 23.6%, outperforming the fund's benchmark return of 22.0% and ranked in the 13th percentile of the total fund universe. Total assets at June 30, 2011 were \$511.5 million, which represents an increase of \$93.5 million from the June 30, 2010 total assets of \$418 million.

RESULTS VS BENCHMARK

	Last Quarter	Last 2 Quarters	Last Year	Last Five Years	Last Ten Years
TOTAL FUND	1.7%	6.3%	23.6%	4.0%	5.1%
FUND BENCHMARK	1.5%	5.2%	22.0%	4.1%	4.8%

AB 340 PENSION LEGISLATION

After watching the progress of AB 340 over the last few months, it is now clear that AB 340 has been shelved until next year. AB 340 was the "anti-spiking" measure for county retirement systems and pro-

vided for a six month gap between retirement and when a county employee could return to work as extra help. SB 827 was also shelved with a plan that the legislature convene a conference committee to

craft responsible pension legislation. The Governor is exploring pension benefit caps, retirement system governance and optional hybrid models. There are also pension initiatives pending; we will monitor all proposals.

REMAINING RETIREE PAY DAYS FOR 2011:

OCTOBER 31, 2011
NOVEMBER 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 Meetings

The Retirement Board Meetings for 2011 are:

October 27

*November 17

December 8

*to be approved by Retirement Board