

MCERA PENSION NOTES

INSIDE THIS ISSUE:

<i>Update on legal action</i>	1
<i>Board Election</i>	1
<i>Frequently Asked Questions : AB 340</i>	2
<i>New Valuation Report</i>	2
<i>Investment Report</i>	3
<i>New investment consultant</i>	3

UPDATE ON AB 197 LEGAL ACTION

The January 2013 newsletter informed our members that the American Federation of State County and Municipal Employees (AFSCME), Merced County Sheriff's Employees' Association (MCSEA) and two MCERA members filed a lawsuit against MCERA and the Board of Retirement to stop MCERA and the Board from implementing AB 197 on constitutional grounds. The law suit is still pending and the stay order issued in this case requires that MCERA refrain from implementing AB 197 and continue to follow its practice of including 160 hours of vacation pay in compensation earnable. The newsletter also reported that the MCERA Board of Retirement , on advice of counsel, had determined it could not take a position on the constitutionality of the AB 197 statute. On February 26, 2013, the California Attorney General filed a motion to intervene in the Merced case and in three other pending cases involving similar issues with Alameda CERA, Marin CERA and Contra Costa CERA.

The Attorney General states in their motion that they are prepared to enter the cases and defend the constitutionality of AB 197. MCERA is in the process of analyzing how this intervention and a possible coordination of all the cases into one venue will affect the Merced case. The parties are due back in Merced Superior court on May 3, 2013. In the meantime, the court order remains in effect until 60 days after a final decision is made by the trial court.

We will continue to update members on this lawsuit as it progresses

Maria L. Arevalo
Plan Administrator



Retirement Board Election : April 9, 2013

An election for the miscellaneous seat on the Retirement Board will take place on April 9, 2013. All miscellaneous members of MCERA should have received a ballot for this election from the County Elections Department. Candidates running for this seat are Darlene Ingersoll and Jackie Walther-Parnell. **Please participate in this important election by casting a vote.** Please call the Elections department if you have any questions about your ballot. (209) 385-7541.

Merced County Employees' Retirement Association

3199 M St

Merced, Ca 95348

209-725-3636 Phone

209-725-3637 Fax

Mcera@merced.ca.us
 Email

www.mcera.merced.ca.us

Website

FREQUENTLY ASKED QUESTIONS: NEW MEMBERS UNDER AB 340, PUBLIC EMPLOYEES PENSION REFORM ACT (PEPRA)

Q. When is a member a “new” member under AB 340?

A. The majority of the provisions of the new statute, AB 340, affect new members on or after January 1, 2013 . A “new member” under the new law is :

1. an individual who becomes an MCERA member for the first time on or after January 1, 2013.
2. an individual who is a member of a reciprocal system but ineligible for reciprocity prior to January 1, 2013.
3. an individual who is returning to MCERA but with a different employer after January 1, 2013 and whose break in service was more than 6 months .

Q. What is a current member?

A. Individuals meeting any of the following conditions are considered to be current members.

1. active members of MCERA prior to January 1, 2013.

2. deferred members of MCERA prior to January 1, 2013 who return to active membership with the same employer.

3. an individual who becomes a member on or after January 1, 2013 who establishes reciprocity based on membership in a reciprocal system on or before December 31, 2012.

4. former member of MCERA who terminated membership and withdrew accumulated contributions prior to January 1, 2013 and later returns to the same employer and re-deposits withdrawn contributions.

Q. How is one eligible for reciprocity ?

A. To be eligible for reciprocity,

a member must meet the requirement of moving from one public employer to another reciprocal public employer within six months of terminating from the first public employer.

Q. What tier do new members belong to ?

A. In the Merced County Employees' Retirement Association, new members belong to Tier 4. Tier 4 is the new PEPRA“ tier which stands for the Public Employees' Pension Reform Act .

Call the MCERA office for further information about the new PEPRA Tier.

Retiree Pay Dates

The retiree payroll dates for 2013 are:

April 30, 2013

May 31, 2013

June 28, 2013

July 31, 2013

August 30, 2013

September 30, 2013

October 31, 2013

November 29, 2013

December 31, 2013

NEW VALUATION REPORT IS APPROVED

In accordance with Section 31453 of the County Employees' Retirement Law of 1937, the Merced County Employees' Retirement Association (MCERA) has requested and received an actuarial valuation of the retirement fund as of June 30, 2012.

The purpose of the report is to review the experience of the plan over the past year, to discuss reasons for changes in Plan cost and to compute the annual employer and member contributions to the plan. On January 14, 2013 and February 28, 2013, EFI Actuaries presented a Preliminary Valuation Results Report to the Board. On March 14, 2013 the Board of Retirement approved the final Valuation

Report for the period ending June 30, 2012 and adopted new employer contribution rates for Tier 1 and Tier 2. Based on the current assumptions of 7.75% annual investment earnings rate, 3.50% inflation rate and a 17 year amortization period, the new employer contribution rate equates to an average contribution rate for the total group of 44.10%. This represents an increase of 3.05% over the current average rate. The increase in rate is due to demographic changes of increased retirements and disabilities, reduced deaths and withdrawals and a negative investment experience for the time period. There is a slight

reduction to the member contribution rates from the prior valuation report due to a change in the mortality table for females.

The Report also reflects an increase in actuarial liabilities for the fund and an increase in the actuarial value of the fund.

The Retirement Board will consider the full report and its findings when they develop a new asset allocation study in the next few months.

The complete Actuarial Review and Analysis as of June 30, 2012 is available on the MCERA website.

Brown Bag Meetings

Next Brown bag meeting will be held on May 8, 2013

Location:
MCERA
3199 M St
Merced CA 95348

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

INVESTMENT REPORT

U.S. equity market results were mixed during the fourth quarter of 2012. The uncertainty of the U.S. presidential election, concerns about the fiscal cliff, and across the board spending cuts all contributed to the mixed results in the market. The S&P 500 index finished the fourth quarter down 0.4% compared to 6.4% in the third quarter. But despite the negative return in the fourth quarter, the overall market for the year was positive, posting double digit return of 16% for the year ending December 31, 2012.



continued its growth in the fourth quarter and made substantial gains with the European Central Bank providing more stimulus in the recovery effort in Europe, and the stabilization in economies of emerging markets. Overall the MSCI EAFE index returned 6.6% for the quarter and 17.9% for the year. Emerging market was up 5.6% for the quarter and 18.2% for the year.

outperformed the benchmark return of 2.2% and ranked in the 4th percentile. Over the past year, MCERA's fund returned 12.3%, underperformed the 13.2% return for the benchmark and ranked in the 46th percentile. Total assets on December 31, 2012 were \$540 million, which represents an increase of \$16 million from the September 30, 2012 total asset of \$524 million.

Below you will find MCERA's cumulative performance results versus the benchmark as of December 31, 2012

MCERA's total portfolio returned 2.7% during fourth quarter of 2012. This return

The International market con

CUMULATIVE PERFORMANCE RESULTS PERIOD ENDING DECEMBER 31, 2012

	Last Quarter	1 Year	3 Year	5 Year	7 Year	10 Year	Since Inception
TOTAL FUND	2.7%	12.3%	8.8%	1.8%	4.2%	6.6%	8.1%
FUND BENCHMARK	2.2%	13.2%	9.0%	2.7%	4.7%	6.7%	5.2%

MCERA TRUSTEES SELECT NEW INVESTMENT CONSULTANT

The MCERA Board of trustees issued a Request for Proposal in October of 2012 for general investment consulting services. Responses were due November 26, 2012. MCERA received seven responses to the RFP. An RFP ad hoc committee was appointed by the Board Chair to review the responses and

make a recommendation to the full Board. The committee evaluated the responses and recommended three finalists, Milliman, Strategic Investment Solutions and Wurts Associates. After a thorough review of the proposals and a visit to each of the finalists, the committee recommended hir-

ing Strategic Investment Solutions based in San Francisco, California. At the March 14, 2013 Board meeting, the Board approved the committee's recommendation. We look forward to working with SIS on our investment polices and will soon conduct a new asset allocation study.

The Board of Retirement

Karen Adams

Mark Bodley

Deidre Kelsey

Jim Pacheco

Mary McWatters,
Alternate

David Ness, Chair

Alfonse Peterson

Michael Rhodes

Ronald Kinchloe

Scott Johnston,
Alternate

Retirement Board Meeting

The Retirement Board Meetings for 2013 are:

April 11, 2013

April 25, 2013

May 14, 2013

May 23, 2013

June 13, 2013

June 27, 2013