

MCERA PENSION NOTES

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A NEW YEAR BUT SAME CHALLENGES REMAIN

MCERA begins this year with two new Board members. Active safety members elected Jim Pacheco as the new safety member and Mary McWatters as the safety alternate to the Retirement Board. Jim Pacheco is a 22 year county employee with the Sheriff's department and Mary is a 29 year county employee with the Probation Department. Congratulations to Jim and Mary. We look forward to working with our new Board members and the rest of the Board to continue to build MCERA assets and to provide the pensions and benefits promised to our members. The challenges to



those goals are still with us. This past year we saw investment returns that created a sense of optimism one minute and uncertainty the next, leading to unprecedented market volatility across all asset classes in 2011. This volatility seems to be a symptom of the underlying structural problems in the U.S. economy. In fact, a review of recent positive news may reveal that all is not as it seems for sustained economic expansion. The recent decline in the unemployment rate was

impacted by those job seekers who simply quit looking for work; the increase in personal consumption was driven by a reduction in consumers' savings rates; the dysfunction in Washington continues and Europe's debt problems are far from over. In spite of these headwinds, MCERA continues to adhere to its investment policy and to act prudently in making investment and administrative decisions to insure future benefits for all its members.

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Retirement Plan

Administrator

ANOTHER RECORD NUMBER OF RETIREES!

The Voluntary Retirement Plan offered by the County last June caused a record number of Merced County employees to retire. Approximately 95 MCERA members took advantage of the plan and

submitted their retirement papers to qualify for the additional payment. MCERA staff is still busy processing applications and counseling members on their retirement choices. We wish all the

new retirees who left in 2011 the best of luck and happiness on their retirement. A time will come when each of us will take the steps to retire and now is the time to plan

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FREQUENTLY ASKED QUESTIONS

What is the so called “Social Security Benefit Option”?

The official name of this option is the **Temporary Annuity for Retirees under Age 62**. A pension earned solely on work with Merced County would not currently have impact on the benefits you might eventually receive from Social Security. Merced County, Merced Courts and other MCERA employers pay into both Social Security and MCERA.

The Temporary Annuity

option is a way for members integrated with Social Security to level their income after retirement. If you retire for years of service before reaching age 62 and are fully insured under Social Security, you may elect to have your County retirement allowances increased prior to age 62 and decreased after age 62 by amounts that have equivalent actuarial values.

Under this optional plan, you would receive more than your normal monthly retirement bene-

fit until you reach age 62. When you reach age 62, your monthly benefits would be reduced below the normal amount for the remainder of your lifetime. After age 62, Social Security benefits will make up the difference in your monthly benefit. It is the member’s responsibility to apply for Social Security benefits at age 62 and to provide MCERA with the proper estimate form from Social Security.



Office Notes

This serves as a note of appreciation to all MCERA staff, especially Yadira Vazquez, Brenda Mojica and Bren Horrocks for all the work done in processing the applications for retirements in the last two months. Many Merced County employees took advantage of the Voluntary Retirement Plan (VRP) offered by the County and decided to retire in December 2011. Staff counseled each potential retiree and is processing each application with care. Thank You for a job well done!

RETIREE’S CORNER

TAX WITHHOLDING

If you are a retired member of MCERA, please be aware that you have received a notice on your APD statement or warrant that you may change the amount of your state and federal income tax withholding.

The Retirement Office is required to send a notice to all retirees on an annual basis, but you are allowed to make a change to your withholding at **any time** throughout the year. Please also note

that a completed change form must be received by the 20th of the month in order for it to be processed with that month's pension check. If you wish, you can also elect to have no taxes withheld from your monthly retirement check. You are encouraged to review your annual election carefully and to speak with a qualified tax preparer regarding the amount of taxes you should have withheld. You should only complete the Tax Withholding Election Form if you want to change your current withholding

amount. If you are satisfied with your current withholding amount, please **DO NOT** complete the form.

If you would like to make changes to your federal or state tax withholdings please submit a Tax Withholding Form to our office located at 3199 M St Merced, CA 95348. You may request the form by calling our office at 209-725-3636 or you may download the form from the MCERA website.

Fast Facts

As of the end of the third quarter, September 30, 2011, MCERA’S Portfolio asset allocation is:

- Domestic Equity: 29.6%
- Intl Equity: 23.4%
- Fixed Income 31.7%
- Real Estate: 7.3%
- Private Equity: 6%
- Cash: 1.9%

MCERA'S THIRD QUARTER, 2011 INVESTMENT PERFORMANCE



Economic and political uncertainty dominated the financial markets; concerns over slow economic growth across the globe produced significant weak results to all major stock markets in the third quarter. The Greek debt crisis, the failure of the U.S. Congress to address budget issues, and the debacle over increasing the U.S. debt ceiling all contributed to the decline in the domestic equity market during the third quarter.

The S&P 500 Index lost 13.9% during the third quarter, the Russell 2000 Index and the MSCI EAFE International Index suffered even greater third quarter losses of 21.9% and 19.0%, respectively.

MCERA's total portfolio returned -10.5% during the third quarter of 2011. This return underperformed the benchmark return of -8.8% and ranked in the 74th percentile of the total fund universe. Over the past year, MCERA's fund returned 1.3%, underperforming the fund's benchmark

return of 1.6% and ranked in the 41st percentile. Total assets at September 30, 2011 were \$459 million, which represents a decrease of \$53 million from the June 30, 2011 total assets of \$512 million.

Below you will find MCERA's cumulative performance results versus the benchmark as of September 30, 2011

CUMULATIVE PERFORMANCE RESULTS PERIOD ENDING SEPTEMBER 30, 2011

	Last Quarter	Last 2 Quarters	Last Year	Last Five Years	Last Ten Years
TOTAL FUND	-10.5%	-9.0%	1.3%	0.9%	4.6%
FUND BENCHMARK	-8.8%	-7.4%	1.6%	1.4%	4.6%

MEMBERS RETIRE (CONTINUED)

for that event. There is a three tier retirement model that one should consider when planning for retirement: savings, social security and pensions. It is never too early to start on a savings plan, whether that is the County 457 program or an individual retirement account. Social

security will also provide income. Although your retirement contribution deduction seems to take a big bite from your take home pay now, your defined benefit plan will be a significant factor in providing for economic security after employment.

Please join us at one of our

quarterly retirement seminars held during the lunch hour to find out more about your county retirement plan. If you are thinking of retirement in the next five years, start planning now.

The Board of Retirement

Karen Adams

Mark Bodley

Deidre Kelsey

Jim Pacheco

Mary McWatters, 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 First Quarter of 2012 are:

January 12 & 26

February 9 & 23

March 8 & 22

Retirement Seminar

A Retirement seminar will be held on February 15, 2012 at 12:00 pm
 Location:
 MCERA
 3199 M St
 Merced CA 95348

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

Retiree Pay Dates

The retiree payroll dates for 2012 are:

January 31, 2012

February 29, 2012

March 30, 2012

April 30, 2012

May 31, 2012

June 29, 2012

July 31, 2012

August 31, 2012

September 28, 2012

October 31, 2012

November 30, 2012

December 31, 2012

ANNUAL ACTIVE AND DEFERRED MEMBER STATEMENT

MCERA's 2012 Annual Member Statement will be mailed to all active and deferred members during the month of January. The statement will contain your personal member account information, including the following:

The balance of employee paid contributions and interest (if applicable) in your account, as of December 31, 2011, your current beneficiary nomination, and your total service credit, as of Decem-

ber 31, 2011.

If you wish to update or question any information in your Statement, please visit our website, and download one of the change forms. You are also welcome to call the office at 725-3636 and talk to staff about any possible corrections.

If you need to change your beneficiary, please complete a Beneficiary Change Form which you can also obtain from

our website.

If you do not receive a copy of the annual statement please contact our office so we may provide you with a copy.



YOUR PENSION IS A COMMUNITY PROPERTY ASSET

Generally, MCERA retirement benefits are payable only to members and their survivors and beneficiaries. California law recognizes an exception to this rule in case of divorce or dissolution of a registered domestic partnership. The MCERA benefits and contributions a member accumulates while married or in a registered domestic partnership are community property assets and subject to division in the dissolution. When an action to dissolve a marriage or registered domestic partnership

has been filed, the following steps should be taken:

1. Notify MCERA of the pending dissolution and submit a



joinder. A joinder is a legal process that advises MCERA that a claim of community property interest is

being filed. Once joined, MCERA cannot pay benefits until the community property issue is resolved.

2. Submit a draft of the Domestic Relations Order (DRO) to MCERA for approval prior to signing and filing with the court or ask MCERA for a sample DRO you can use.

A DRO can be structured to divide the retired member's monthly benefit.

If you have further questions, contact MCERA.