

ISSUE

01

FALL  
2009

QUARTERLY NEWSLETTER  
FOR MEMBERS OF THE  
MARIN COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION

# FUNDamentals

## We're back!

After a longer-than-anticipated hiatus, the MCERA quarterly newsletter is back with a new look and a renewed dedication to provide MCERA members, both active and retired, with useful and timely information.

As part of MCERA's continuing commitment to provide excellent customer service, our staff has been working diligently to expand our avenues for member outreach. The quarterly newsletter is up and running, seats for our pre-retirement seminars are reserved weeks in advance, and the scope of information available on our website, [www.mcera.org](http://www.mcera.org), has been expanded considerably.

We anticipate that these and future enhancements will provide MCERA members with easier access to information and services. As always, if you have any questions, please call or visit us at our new headquarters building. The staff at MCERA is always glad to help.



## The New Look of

Mcera



We are pleased to have this opportunity to provide you with additional information regarding the renovation of the MCERA offices at One McInnis Parkway. Great effort has been made to preserve as much of the former tenant's improvements as possible to reduce the cost of renovation, as well as the environmental impact of adding tons of unnecessary construction debris to the local landfill. In addition, we want you to know about the many green and sustainable features that were incorporated into the project.

Providing a healthy and safe working environment for members as well as staff is a priority for MCERA. The use of low VOC paints, materials and finishes throughout the facility provides a safe, non-toxic work space. Safety features such as the use of bulletproof glass in public areas is mandated by the State of California for their governmental offices and has already been installed in several Marin County facilities as well as retirement offices throughout the state, such as Contra Costa County Employees Retirement Association (2007) and the City of Fresno's retirement system (2005). Sacramento CERA is planning to install the same panels as part of their upcoming renovation.

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Protecting your privacy is as important to the MCERA staff as it is to you! Card readers, while new to MCERA, have been in use for many years in County buildings to provide security for staff as well as to protect the confidentiality of various records. By limiting the public's access to MCERA workspaces, visitors cannot 'accidentally' view confidential records belonging to others. Likewise, appointments are now held in the lobby conference room rather than in staff offices for the same reason. Also, since MCERA leases the board room, board conference room, and other facilities to outside agencies, card readers are a cost-effective way to restrict the public's access to only the public areas of the building while allowing visitors to access the restrooms during and after business hours without the need for an escort.

In terms of the renovation itself, the cost to renovate One McInnis Parkway was far below the estimates we received for renovation of any of the other properties that were considered. Specifically, the cost to renovate One McInnis was approximately \$100 per square foot, whereas we expected to pay \$250 to \$300 per square foot to renovate any of the other properties. An additional \$25-\$30 per square foot was spent to bring the building and grounds up to current ADA standards, for landscaping and other improvements to the property, and to upgrade the building's infrastructure.

By thinking green and planning wisely, MCERA invested in capital improvements to an asset of the retirement plan rather than pouring millions of dollars into someone else's property. ■

## Retirement Board Members

### Peter Arrigoni

Appointed by Board of Supervisors

### Bernadette Bolger

Appointed by Board of Supervisors

### Roy Given

Alternate  
Ex-Officio Member

### Maya Gladstern

Vice Chair  
Elected by Miscellaneous Members

### Allen Haim

Elected by Retiree Members

### James Hufford

Elected by Safety Members

### James Phillips

Chair  
Appointed by Board of Supervisors

### Gerald Richardson

Appointed by Board of Supervisors

### Michael J. Smith

Secretary  
Ex-Officio Member

### Sherry Sweet

Elected by Miscellaneous Members

### Sean Webb

Alternate  
Elected by Retiree Members

### Karen Wofford

Alternate  
Elected by Safety Members

## Executive Staff

CEO/Retirement Administrator  
**Chanel K. Benner, CFP**



Retirement Board meetings  
are held on the  
second Wednesday  
of each month  
at 9:00 AM  
(unless otherwise noted)

MCERA Board Room  
One McInnis Parkway  
San Rafael



# Letter from the Board Chair

Dear Members,

Greetings. MCERA members have placed their trust in our board to oversee the operation of the retirement system for many decades, and we take this responsibility very seriously. In the last several years our board and our Retirement Administrator have instituted a series of proactive changes to modernize system operations, including: 1) the identification of a new benefits administration software program to better manage our member records and to produce retiree payroll in-house starting in 2010; 2) a complete review of internal operations which led to a reorganization of functional assignments; 3) the addition of staff to handle the increased workload generated by the County's new accounting software system, compliance, and regulatory oversight; and 4) the relocation of MCERA operations to our new building at One McInnis Parkway, to provide the space and facilities necessary to deliver more efficient, effective and personal attention to our members and member agencies.

While change and growth are essential, they rarely happen smoothly. The board is aware of dissatisfaction from some members regarding delays they have experienced in obtaining important information about their pensions and other benefits. The MCERA board of trustees apologizes for any inconvenience and stress that these delays may have caused any of our members, and ask your continued patience. We are making significant progress in overcoming the impact that the County's software problems had on MCERA operations, which has hindered staff in preparing retiree calculations, estimates, and member benefit statements in a timely manner. We have seen significant improvements in response time in recent months, and will continue to monitor management's progress in this area.

Without getting bogged down in detail, you should be aware that a couple of important milestones have been reached: 1) member benefit statements for the period ending

June 30, 2009 have been mailed to members, bringing this vital annual process back on schedule.; 2) the FY07-08 valuation report should be ready for review in October and data for the FY09-10 valuation has already been delivered to our actuaries, returning the production of valuation reports to their normal schedule; and 3) the annual audit for FY07-08 was presented at the August meeting and the initial field work for the FY08-09 audit has concluded.

In addition, MCERA's transition to a new benefits administration system to replace our antiquated DOS-based system is on track and on budget. This powerful and highly flexible benefits management system is scheduled to go live in mid-2010. Once the new system is operational, staff will have the ability to automate administration of the retiree medical plan; process retiree payroll internally; process member address changes, beneficiary information, direct deposit, tax withholding, etc. more quickly; and provide members with the ability to produce their own benefit estimates on an ad hoc basis. Ultimately this information will begin to flow to the members with greater speed and accuracy.

Again, thank you for your patience and understanding.

Sincerely,

James Phillips  
Chair  
MCERA Board of Retirement



**James Phillips**  
Chair  
MCERA Board of Retirement



Photo courtesy of D. Alan Harris Photography  
[www.dalanharris.com](http://www.dalanharris.com)

# Online Retirement Calculator

Did you know that with several clicks of your mouse, you can calculate a retirement benefit estimate online?

## Get Immediate Estimates Online

MCERA's online calculator is open 24 hours a day! The tool is simple to use and very accurate. Members with retirement dates more than 5 years in the future are strongly encouraged to use the MCERA Retirement Calculator located on our website. By using this calculator you can personalize your estimate to reflect anticipated increases in salary, add other forms of pensionable compensation, and include sick leave conversion credit (if applicable) to your total service time. None of these options are included in custom estimates. The results are instantaneous and, assuming the variables you have entered are accurate, should yield an estimate that is quite close to your actual future benefit. Individuals with periods of less-than-full-time service and those who have had periods of leave without pay may require a custom estimate.

## Estimates are ONLY Estimates, and have Limitations

Future benefit estimates with a retirement date of 2 months to 5 years in the future are based upon the facts and data that you provide, and may not include a

detailed review of your complete service history. Also, estimates of future benefits are based upon your current salary only and do not include additional wage classes or credit for sick leave accruals (if available from your employer). As a result, custom estimates may not be representative of the future benefit that you may actually be entitled to at the time of your retirement.

## Online Calculator is Easy to Use

Simply go to MCERA's website ([www.mcera.org](http://www.mcera.org)) and click "Retirement Calculator" in the section of links at the top. This takes you to a disclaimer page. Read the disclaimer carefully and click the "I Understand" button, which takes you to the calculations page. Use the scroll menus to select your employer (and if applicable, your retirement Tier) and your estimated age at retirement. Enter in your estimated years of service at your projected time of retirement, your estimated final average annual compensation, and click "Calculate". Help links are provided for assistance with determining your Tier, age, years of service, and final average compensation.

Select your employer and, if applicable, retirement plan. ( <a href="#">Help</a> )	County of Marin Tier I Misc County of Marin Tier II Misc <b>County of Marin Tier III Misc (2% at 55)</b> County of Marin Safety (3% @ 50)
Enter your estimated age at retirement. Please round to the nearest quarter year reached. ( <a href="#">Help</a> )	55 and 1/2 years 55 and 3/4 years 56 years
Enter the total number of years of service credit at the time of retirement. ( <a href="#">Help</a> )	20 years and 0 months
Enter in whole dollars your estimated final annual compensation. ( <a href="#">Help</a> )	60000

You have entered the following values	
Employer / retirement plan:	County of Marin Tier III Misc (2% at 55)
Estimated age at retirement:	55.50 years
Service credit:	20 years and 0 months
Average final compensation:	\$60,000

The benefit as a percent of final compensation would be 41.6 %  
**Your monthly retirement benefit would be \$2,078**

## FAQs

### ***Are all employees automatically enrolled in the retirement system?***

No - Not all employees are eligible for membership in MCERA. Employees working in part-time, project, temporary, seasonal, or intermittent (extra-help) positions, are not eligible for MCERA membership. Individuals working for MCERA agencies under contract (independent contractors) are not eligible for MCERA membership. Also, if you begin employment after age 60, you may opt-out of plan membership.

### ***I'm a new employee. Is there anything special that I need to do to join the Retirement Association?***

If you're eligible for membership, your human resources department will provide you with the Members Enrollment Affidavit for MCERA. Complete and submit the Members Enrollment Affidavit to your human resources department. Then, visit MCERA in person with a certified copy of your birth certificate or valid passport if a birth certificate is not available.

### ***What happens if I don't submit the Members Enrollment Affidavit or acceptable proof of age when I enter membership?***

MCERA will adjust your retirement contribution to the highest rate permissible. This higher contribution rate will not entitle you to a greater retirement benefit. Per IRS regulations, refunds of excess contributions are not permitted until the member experiences a qualifying event such as retirement, resignation, termination, or attainment of MCERA's established normal retirement age. No retirement benefit, nor benefit to a beneficiary, can be paid without official documentation of your date of birth being on file. ■

# Built Green to Save Green

With cost-efficiency and sustainability at the forefront of planning, the construction team left no stone unturned when it came to the renovations at One McInnis Parkway



## Reuse and Recycling

- Restroom fixtures, lighting and paper dispensers were re-used in restroom remodel, minimizing waste and expense
- Floor plan designed to incorporate as many of the original offices and workstations as possible to reduce waste and save on materials and labor
- Interior doors, glass partitions, and glass walls were reused whenever possible to minimize waste and avoid replacement cost
- Numerous filing cabinets were reclaimed from the prior tenant and repurposed
- 20 filing cabinets were transferred from the Civic Center offices
- 13 ergonomic office chairs were transferred from the Civic Center offices
- Solid cherry mail system left by previous tenant was saved and reinstalled for MCERA use
- Excess furnishings were donated to the County Surplus Furnishings program for recycling
- 5' x 8' solid cherry literature rack left by previous tenant was donated to H&HS for their use
- Moving boxes were reused several times to reduce expense and waste
- Outdated lighting fixtures and excess metal fixtures were delivered to a metal reclamation center
- Ceiling tiles, ceiling fixtures, exit signs, door hardware and cherry trim around doors and windows were reclaimed and re-used wherever possible

## Energy Conservation

- High efficiency fluorescent lighting was installed
- Sensor-operated lights were used in offices and hallways to reduce energy consumption when not in use
- Timers control when lights, air conditioning, and heat are operational

## Water Conservation

- Reclaimed water is used for irrigation and in toilets to reduce water consumption
- Low-flow toilets were installed, as well as motion sensors on lavatory faucets

## Waste and Toxicity Reduction

- Use of low-VOC paint and stains throughout
- Carpet is 25% recycled material
- Carpet backing is PVC-free and adhesive is non-toxic, low odor, solvent free, has no toxic vapors and contains no carcinogenic materials
- Cork flooring in the lobby is highly sustainable
- Vinyl flooring is resilient and low-maintenance with a long life cycle, minimizing replacement
- Cabinet core boards are formaldehyde-free and made from 100% recycled wood fiber
- Local labor and materials were used whenever possible to reduce fuel consumption and pollution, and to support local business ■

## Marin County Employees' Retirement Association

One McInnis Parkway, First Floor - San Rafael, CA 94903 - Phone: 415-473-6147 - Fax: 415-473-3612  
Office Hours: Monday - Friday 8:00 AM to 5:00 PM - <http://www.mcera.org>

Quarterly  
Quote

**Retirement at sixty-five is ridiculous.  
When I was sixty-five I still had pimples.**

*George Burns*



## Resolutions Passed by MCERA Board

### Plan Documents and Letters of Determination

MCERA is in the process of organizing and formalizing a Plan Document. The “Plan Document” is a uniform integration of the complete legislative history of each section of the 1937 Act adopted by the Association, the Association’s bylaws, and all enacting resolutions by either the Board of Supervisors or the Retirement Board.

Issuance of a “Letter of Determination” is how the IRS indicates that it has reviewed an organization’s Plan Document and that it, as well as the operation of the plan, is in compliance with IRS regulations.

A recent IRS announcement encouraged all public pension plans to submit an application for a Letter of Determination prior to January 31, 2011. Few government plans have ever applied for Determination Letters; those few 1937 Act systems that did apply have not renewed their applications since the early-mid 1980’s. Most, like MCERA, have never applied.

In order for MCERA to maintain its tax exempt status and to avoid premature taxation of benefits paid to both active and retired members, a complete operations review will be performed and findings will be reflected in the Plan Document prior to submission to the IRS to assure that MCERA remains “qualified” and is in full compliance with both state and federal tax law.

As part of ongoing efforts to ensure that the plan is in full IRS compliance, the Retirement Board adopted Resolutions 2008/2009-01 and 2008/2009-02 at its August 2008 meeting which were subsequently approved by the Board of Supervisors on September 18, 2008. The highlights of these resolutions follow.

### Normal Retirement Age

One of the qualification rules is that MCERA cannot refund contributions to a member before there is a “bona fide separation from service” from his or her MCERA participating employer. Refunds can be made to active members only after they reach “normal retirement age” (“NRA”). To comply with this regulation, MCERA has

designated 50 as the NRA for safety employees who meet the federal definition of ‘safety’, and 59 for miscellaneous employees.

These ages are based on the average retirement ages of MCERA members as determined by our actuary.

### Re-employment following Separation from Service

In order to comply with IRS regulations, a bona fide separation from service is required for the system to pay retirement benefits prior to normal retirement age. In addition, there must be no pre-arrangement, verbal or written, for the retiree to return to work following retirement in order to substantiate that no such arrangement exists.

To harmonize the IRS regulations with the County Employees Retirement Law of 1937 and to demonstrate no prearrangement to return to work, the Retirement Board voted to establish 90 days as the break in service necessary before re-employment as an extra-hire employee, as well as require an affidavit from the member, to establish clear evidence that there was no pre-arrangement to return to work following retirement for members who retire prior to attaining NRA. This regulation was made effective November 1, 2008.

### What’s Next?

As we continue our review of operations, it is likely that additional actions may be taken by the MCERA Board and staff that will impact the operations of the agencies we serve. We will continue to update our member agencies as soon as additional developments arise.

Your agency or department head should be able to answer most of your questions. You may also contact the Retirement Office for additional information. ■



## ATTENTION RETIREES!

# New California and Federal Tax Tables May Affect Your Allowance

### California Withholding Changes

In February, Governor Schwarzenegger signed a new California state budget into law. One provision of that budget mandates an increase in California personal income tax. In conjunction with the increase, the state recently issued new tax withholding tables.

MCERA retirees and survivors who elected to have California tax withheld from their allowances based on tax tables (rather than on a designated amount) saw an increase in the amount of state tax MCERA withheld from their May allowances. The increase will remain in effect going forward.

You may adjust your withholding elections as often as you wish; however, keep in mind, if you elect to have less state tax withheld, you may encounter a higher than expected tax bill on April 15.

To adjust the amount of state tax MCERA withholds from your monthly allowance, you must file a new Form DE-4P with MCERA. Retirees and survivors may obtain this form by calling our office or by visiting the California tax website [www.taxes.ca.gov](http://www.taxes.ca.gov).

### Federal Withholding Changes

The IRS has issued new tax withholding tables. Although these tables affect everyone, they are designed to benefit working individuals. As a result, if you are no longer employed and are receiving retirement or survivor benefits, you may owe taxes and penalties at the end of the year resulting from too little federal tax withheld. Read on to learn how recent changes in federal tax law may affect you.

#### ***Making Work Pay Credit***

The American Recovery and Reinvestment Act of 2009, signed by President Obama in February, includes a provision known as the Making Work Pay Credit that allows working individuals and working families to hold on to more of their paychecks by paying less withholding tax. The credit is “paid” to eligible recipients through a reduction in tax withheld from their paychecks during the year. At the end of the year, that “extra” take-home pay is subject to a tax credit. Those eligible for the Making Work Pay Credit may claim their credit on their 2009 and 2010 tax returns.

#### ***How This Affects Retirees and Survivors***

In accordance with the new withholding tables, MCERA will withhold less tax from your monthly allowance during the remainder of 2009 and throughout 2010. There-

fore, if you are no longer working and you receive an MCERA allowance, you could be faced with an unexpected tax liability on April 15. In such case, you may want to adjust the amount MCERA withholds from your monthly allowance.

#### ***Adjusting the Amount of Tax MCERA Withholds***

You are not required to change your current withholding amount; however, you are free to adjust your withholding elections as often as you wish. If you don’t want the withholding tax reduced on your MCERA allowance, you must file a new Form W-4P with MCERA. The form can be obtained by calling our office or by visiting the IRS website ([www.irs.gov](http://www.irs.gov)).

#### ***If You Are Employed***

If you are earning wages from employment, in addition to receiving a MCERA retirement or survivor allowance, you may be eligible to claim the Making Work Pay Credit – a refundable tax credit of up to \$400 for working individuals and \$800 for working families (married couples filing a joint return) – on your 2009 and 2010 tax returns.

For additional information on the Making Work Pay Credit, visit [www.irs.gov](http://www.irs.gov). Consult with professional advisors regarding tax or legal matters; MCERA does not offer tax or legal advice. ■

# Investment Market Update

After touching depths in early March that have not been seen since the 1990's, June was the first positive quarter in a year for equities around the globe. Equities soared across size, style and economic sectors.

Overseas markets, both developed and emerging, fared even better with a number of countries rising more than 50% during the quarter. Fixed income assets also rose with the strongest gains coming from sectors such as high yield and emerging debt. Commodities strengthened, driven by oil prices that doubled from a low of \$35 per barrel. Thus, reviewing financial market performance for the second quarter is far more appealing than it was just three months ago, as long as one remains focused on the very short term.

While the S&P 500 has rallied 35% off its March low, it remains in negative territory for the 10-year period. Even if the S&P rallied a further 35% through the end of 2009, the 10-year return would just break even.

Conventional wisdom that equity markets recover before clear evidence of an economic recovery seems to be holding true; as despite a major rally in equities, the economic environment remains challenged. Real GDP, which fell by more than 5.5% on an annualized basis during the first quarter, is expected to remain slightly negative in the second quarter.

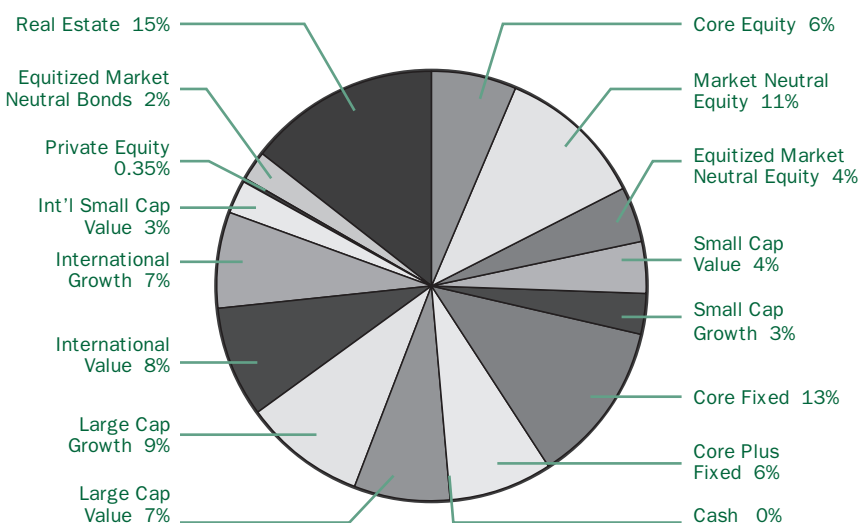
Home prices continue to fall in many metropolitan areas and the massive wave of mortgage defaults that has swamped subprime and Alt-A borrowers is starting to infect prime mortgages. The housing market has taken a heavy toll on regional banks, and 52 financial institu-

tions have failed thus far in 2009. Job losses continue to rise and many analysts predict that the unemployment rate will be above 10% by year end. If these challenges were not enough, the potential for inflation remains a concern following the stimulus plans enacted by governments around the globe.

The government stimulus package initiated last year has been extended and expanded by the current administration, and a federal deficit of nearly 13% of GDP is predicted for 2009 – a level well in excess of any other post World War II period. Federal debt is expected to reach 60% of GDP, a level not reached in half a century. State governments are in an arguably worse situation, with many experiencing massive budget shortfalls and shrinking revenues. For better or worse, most state governments are not permitted to run deficits. They must either make ends meet through cuts and additional taxes or simply delay budget approvals.

The muddled economic environment, coupled with extreme market volatility and exorbitant trading costs, dictated that MCERA take a cautious short-term approach to the markets, which resulted in a decision to remain on the low end of its long-term policy ranges for equities. At the same time, importantly, the Board reaffirmed its long-term investment approach and objectives. The key tenets of the MCERA investment approach is broad diversification and disciplined adherence to the allocation ranges contained in the Investment Policy Statement. While the future is always difficult to predict, the strong results for the year to date support MCERA's decision to "stay the course". ■

## Portfolio Pie as of June 30, 2009



Core Equity	\$ 71,848,000
Market Neutral Equity	\$ 124,476,000
Equitized Market Neutral Equity	\$ 46,911,000
Large Cap Value	\$ 81,276,000
Large Cap Growth	\$ 100,393,000
Small Cap Value	\$ 41,147,000
Small Cap Growth	\$ 33,618,000
International Value	\$ 93,080,000
International Growth	\$ 79,224,000
International Small Cap Value	\$ 29,193,000
Private Equity	\$ 3,959,000
Core Fixed	\$ 135,616,000
Core Plus Fixed	\$ 86,161,000
Equitized Market Neutral Bonds	\$ 23,422,000
Real Estate	\$ 158,464,000
Cash	\$ 0
<b>Total</b>	<b>\$ 1,108,788,000</b>



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## MCERA Participating Employers

City of San Rafael

County of Marin

LAFCO

Marin City Community  
Services District

Marin/Sonoma Mosquito  
Abatement District

Marin Superior Court

Novato Fire  
Protection District

San Rafael Redevelopment

Southern Marin Fire  
Protection District

Tamalpais Community  
Services District

## Upcoming Events

- ➔ **October 14, 2009**  
Regular Board Meeting
- ➔ **October 15, 2009**  
Member Services Committee Meeting
- ➔ **November 18, 2009**  
Regular Board Meeting  
Investment Committee Meeting
- ➔ **November 19, 2009**  
Finance & Risk Management Committee Meeting  
Governance Committee Meeting
- ➔ **December 9, 2009**  
Regular Board Meeting
- ➔ **January 13, 2010**  
Regular Board Meeting
- ➔ **January 14, 2010**  
Investment Committee Meeting  
Member Services Committee Meeting

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