ISSUE
04
SUMMER
2010

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

FUNDamentals

this issue

MCERA Welcomes Jeff Wickman

Following a six month recruitment process, MCERA is delighted to announce the appointment of Jeff Wickman to the position of Retirement Administrator, effective August 1, 2010.

Jeff comes to MCERA with over 22 years of experience in the management and administration of public pension systems. Most recently he served as Assistant Director of Policy and Strategic Initiatives for the Washington State Department of Retirement Systems, where he oversaw the agency's budget and developed pension policy initiatives, among many other responsibilities. A graduate of Central Washington University and the University of Washington's Executive Management Program, Jeff is a 2001 recipient of the Governor's Distinguished Manager Award.

Jeff considers receiving the Governor's Award for implementing a new hybrid retirement plan for state and local employees his most significant professional achievement, but what stands out the most is *why*. "I had a tremendous team working on the project and we shared the success together," he says. "The award was a testament to the team's ability to implement the project on time and within budget." Jeff's focus on teamwork extends beyond projects and project management. What he's looking forward to most about working at MCERA is getting to know the Staff and Board. "We spend a good portion of our lives at work, so building strong relationships where we can enjoy our successes together and have fun while we are delivering a service to our members can be very rewarding."

Even though the transition from Washington to California will be somewhat bittersweet for Jeff, his wife Nikol, and their "very self-assured" cat Ava since they will be leaving behind family members, Jeff's optimism remains unwavering. An avid biker and basketball player who has had to place his golf game on hiatus, Jeff says, "Having grown up in eastern Washington, it will be nice to see the sun again." But the sun hasn't been the only thing to draw him to Marin County. "Everyone that we've met and spoken to in the process of coming to MCERA and California has been incredibly kind and generous. Living and working in that positive environment is going to make this a great experience."

Kindness and generosity score big points with Jeff. When he was in college his car broke down along a fairly deserted stretch of highway. No cars came by for over an hour; he didn't have a coat, and as night fell it began to get quite cold. There were no cell phones back then and Jeff had no way to call a tow company. Eventually, a long-haul driver came by and used his radio to call for help. He saw Jeff was cold, so he gave him his jacket and went on his way. "I still have the jacket in the trunk of my car," he says. "Someday I hope to pass it onto someone else in need."

The leadership skills Jeff demonstrated during his tenure in Washington made him stand out in a group of highly qualified candidates. Those skills will prove valuable as he steps into the role of Retirement Administrator amidst a number of complex projects and difficult challenges, but we have the utmost confidence. We are all eagerly looking forward to working with Jeff, and hope that you will join us in welcoming him into the MCERA family. ■

Regular 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,

The Board of Trustees and staff continue to oversee a dynamic year of change here at MCERA. Some recent highlights, in brief:

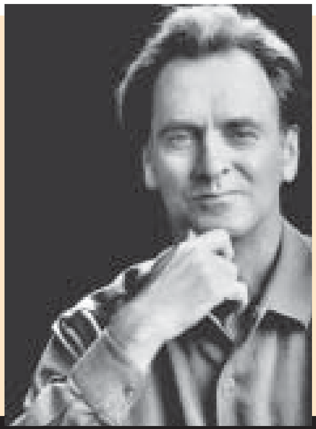
- CPAS, our new pension administration software system announced in the Spring issue of *FUNDamentals*, will undergo a trial run this summer before it goes live in the 4th quarter of this calendar year.
- The board continues to monitor the status of a previously overwhelming backlog of buyback calculations. Through a dedicated effort by Staff, an overload of nearly 300 backlogged requests have been processed.
- Following the departure of Peter Arrigoni, the Board of Supervisors appointed Greg Brenk to the Retirement Board. Greg is a longtime professional in the banking industry whose expertise in financing and technology have already proven to be valuable assets.
- As featured on page 1, after a nationwide search MCERA is proud to announce the appointment of new Retirement Administrator Jeff Wickman. We expect Jeff to continue MCERA's dedicated commitment to protecting and enhancing the retirement system for the benefit of all our members.

Finally, I would be remiss if I didn't acknowledge outgoing Retirement Administrator, Tom Ford, whom the Board hired on an interim basis. In six short months, Tom has instilled a strong sense of ownership within the Staff and a culture of inclusiveness within the system as a whole, furthering relations with retiree groups and plan sponsors. The Board is delighted that Tom has graciously agreed to extend his stay at MCERA as a part-time consultant during the beginning of Jeff Wickman's administration. Soon afterwards, Tom will go back to the life that we so rudely interrupted last November. So, now that making wine, playing the guitar, and being a proud grandfather will once again be his priorities, we want Tom, and the membership, to know that the Retirement Board and Staff will never forget his impact on our retirement system.

Tom, from the bottom of our hearts, thank you.

Sincerely,

James Phillips
Chair
Board of Retirement



James Phillips
Chair
MCERA Board of Retirement

Photo courtesy of D. Alan Harris Photography
www.dalanharris.com

Actuarial Recommendations Drive Contribution Rates

MCERA retains an independent actuary to perform actuarial valuations for it each year. The annual actuarial valuation measures the current and projected assets and liabilities of the retirement system, as well as the system's funded status. This information forms the basis for establishing the actuary's recommendations for employee and employer contribution rates for the upcoming fiscal year. The MCERA Board considers the actuary's recommendations in adopting the appropriate contribution rates, which are then conveyed to all plan sponsors for implementation.

Contribution Rates Change in 2010

Contribution rates will change in July for the new fiscal year. The average aggregate employer contribution rate will increase 6.06%. Employees will see very slight increases or decreases from the rates paid during the current fiscal year. The new rates will take effect for all active MCERA members during the first full pay period that falls in July. Our fact sheet on employee contribution rates for 2010 has more information: visit our website to download the document, or call our office to request a hard copy.

Managing Volatility

MCERA's overall funding objective is to meet long-term benefit promises by maintaining a well-funded plan through a combination of superior investment returns and sufficient employer and employee contributions. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the investment potential. The MCERA Board attempts to minimize year-to-year volatility in contribution rates caused by fluctuations in investment performance by, among other things, smoothing investment gains and losses over a five-year period. However, the extraordinary market decline during the 2009 fiscal year has created unfunded liabilities that will require increased employer contributions to MCERA in the foreseeable future. The Board has taken steps to decrease the immediate impact of these increases on its plan sponsors, while conferring closely with MCERA's actuary to ensure that the actuarial soundness of the retirement plan is maintained for the benefit of all of MCERA's members and beneficiaries.

Membership Statistics

The annual actuarial valuation considers the numbers and demographic characteristics of active members, inactive vested terminated members, and retired members and beneficiaries. As of June 30, 2009, there were 2,763 active members with an average age of 44.8, average years of service of 10.8 years, and average annual compensation of $90,885. Also as of June 30, 2009, there were 2,335 retired members and beneficiaries with an average age of 60.8, receiving an average monthly benefit of $2,648. There were 717 inactive members. ■

Download the 2010 Employee Contribution Rate Change Fact Sheet *from* www.mcera.org

ATTENTION RETIREES

from COUNTY OF MARIN *and* MARIN SUPERIOR COURT

The group number for DELTA DENTAL has CHANGED

For all County of Marin & Marin Superior Court retirees with Delta Dental insurance, effective immediately, your group number with Delta Dental has changed from 1909-0023 to 1909-1023.

Your dentist should already be aware of the new group number (1909-1023). If you have had a dental claim rejected, please ask your dentist to resubmit the claim to Delta Dental using the new group number.

The new group number is the only change.

Your coverage and premiums remain the same.

If you retired from an MCERA plan sponsor other than the County of Marin or the Marin Superior Court, this change should not affect you.

Marin County Employees' Retirement Association

One McInnis Parkway, Suite 100 - 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

It amazes me that most people spend more time planning next summer's vacation than they do planning the rest of their lives.

Patricia Fripp, Speech Coach and Public Speaker

Working After Retirement

With today's longer life expectancies, few can afford to rest on their laurels – or savings – for 20 or more years. Even if you can stash away enough cash, do you want to completely leave the working world? Instead of actually "retiring," many of today's retirees are "rewiring" instead, understanding that employment has rewards beyond the financial. Read on to find out what working after retirement means for you as an MCERA retiree.

After retirement, will working for an employer who doesn't participate in MCERA or any other governmental plan affect my monthly benefit?

No. After your service retirement, you may work in any occupation or employment for an employer *other than* one of MCERA's 10 participating employers and there is no effect on your MCERA retirement benefit. If you are receiving a pension from another governmental plan, please contact MCERA for details on how working after retirement may affect your specific situation.

Can I return to work for an MCERA employer after I retire?

Yes, but certain rules apply.

As an MCERA member receiving a service retirement, you may work for an MCERA participating employer without affecting your monthly retirement benefit as long as your employment will not exceed 960 hours in a fiscal year, and as long as you comply with the separation from service rules discussed below. Once hired, it is the responsibility of both you and your employer to ensure your employment does not jeopardize your retirement benefits. You do not accrue any retirement service credit or retirement rights through employment as a retiree.

Can I return to work for an MCERA employer immediately?

Perhaps, depending upon your age at retirement.

In 2008, the Retirement Board adopted resolutions defining "normal retirement age" as 50 for Safety members and age 59 for Miscellaneous members. In compliance with Federal tax law, the resolutions also require that a "bona fide" separation from service must occur before any retired member who is younger than normal retirement age can be employed as a retiree by an MCERA employer.

For members who retire **younger** than normal retirement age, the member must:

- Have a minimum 90-day break in service from the date of retirement to the date post-retirement employment begins, and
- Not have any pre-determined arrangement with an MCERA employer for the member to return to work after retirement.

Members who retire **older** than normal retirement age are not required to have a 90-day separation from employment.

How many hours am I allowed to work if I choose to return to an MCERA employer?

To maintain your status as an MCERA retiree, you cannot be paid for more than 960 hours per fiscal year for any post-retirement work you do within the framework of MCERA employers.

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MCARE Announcements

www.mcareinfo.org

MCARE to host CRCEA Fall Conference

The California Retired County Employees Association (CRCEA) will hold their Fall Conference October 25-27, 2010, at the Embassy Suites Hotel in San Rafael, hosted by your very own Marin County Association of Retired Employees (MCARE). Attendees can expect great speakers, a delicious banquet, and fabulous entertainment & door prizes. The deadline for hotel reservations is September 24, and the conference registration deadline is October 8.

Contact Mary Ann Gallardo, MCARE President, for more information:
gallardo.m.a@comcast.net.

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Attention MCARE members: MCARE needs your address!

As announced in recent MCARE newsletters, MCARE needs your contact information if you'd like to continue receiving the monthly *KIT Letter*. There are still approximately 100 members who have not provided address information.

Remember, MCERA has your address, MCARE does not.

Send your information by mail:
MCARE, Attn Ann Gregory
PO Box 4203
San Rafael, CA 94903

Or by email:
don.ann.gregory@juno.com

FAQs

Can I increase my contributions to my retirement account?

No. Employee contribution rates are recommended by MCERA's actuary and adopted by the Retirement Board in accordance with State law. As this is a defined benefit plan and not a defined contribution plan, an increase in contributions does not result in an increase in retirement benefits.

Do my contributions earn interest?

Yes. Twice a year MCERA posts interest to your retirement account. In accordance with the County Employees Retirement Law of 1937 (the 1937 Act), interest is posted on the prior six month's balance in your account as of June 30 and December 31. The annual rate of interest posted to your account is the plan's assumed interest rate, which is set by the Retirement Board.

Can I borrow against my retirement account?

No. MCERA is not permitted by law to allow you to borrow against your retirement account. Generally, the money in your account can only be accessed if you terminate employment.

Can my employer access the Retirement Association funds to use for other purposes?

No. All assets of the Retirement Association are trust funds and are protected by the California Constitution, the 1937 Act, and other applicable laws. The contributions and investment earnings coming into MCERA are considered to be placed in trust with the Retirement Board. The Board has a fiduciary responsibility to safeguard these assets in order to provide promised benefits.

The Value of Diversification

By Jerry Richardson, Investment Committee Chair

The old adage about diversification, "Don't put all your eggs in one basket," rings as true in the world of investments as it does elsewhere.

Diversification means dividing up and spreading out money among different investment alternatives. Also called *asset classes*, these various investment vehicles all have inherent strengths and weaknesses.

For example, investing only in a higher-risk asset class like domestic equities (U.S. stocks) might yield excellent returns in a "bull market" but poor returns in a "bear market". In contrast, a lower-risk asset class like government bonds can produce consistent returns, but historically they are very low returns that inflation largely offsets.

The challenge for any investor is to determine a comfortable balance, or *asset allocation*, that produces the highest returns at the lowest risk. This is precisely what the Retirement Board has done in diversifying MCERA's $1.3 billion investment portfolio.

Why Diversify?

The Retirement Board diversifies MCERA's investments to reduce risk. Rather than tie itself to the fortune of one asset class, MCERA has allocated its funds into several proven investment vehicles. Even if one asset class underperforms in a given year, the remaining classes may buoy MCERA's overall returns.

Moreover, diversification better fits MCERA's long-term investment model, which relies heavily on investments to fund the retirement benefits of its current and future members.

Consequently, the Board embraces a long-range investment policy to meet future needs. A sound asset allocation strategy should reduce investment risk and investor anxiety, because diversification usually protects against short-term downturns in individual markets.

MCERA's Asset Allocation

The Retirement Board has a current target asset allocation of domestic equities (33%), non-U.S. equities (21%), fixed income (26%), real estate (12%), and private equity (8%).

By holding to this allocation, MCERA taps the potential profits available in the equities markets while ensuring a reliable source of revenue in fixed-income vehicles. Other investments, each with a unique risk-reward profile, provide greater diversification for the MCERA portfolio. The Board reviews its asset allocation at least annually.

Always mindful of meeting its 7.75% assumed rate of return, MCERA's diversification policy is integral to the Board's goal of making prudent investments for the benefit of its members and beneficiaries. ■

Working After Retirement

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What if I want to work for an MCERA employer for more than 960 hours per year?

If you intend to return to a permanent position working at least 75% of full time with any of MCERA's ten participating employers, the Retirement Board must authorize your reinstatement into active membership in the retirement system, thereby discontinuing your retiree status. For more information on the Board's procedure to consider such requests, please contact our office.

If you return to active MCERA membership with any MCERA employer following the Board's procedure, your monthly retirement benefit will be suspended and you will not receive your retirement allowance during the period you are working again. Upon reinstatement to full time employment you will begin a new period of active MCERA membership, entering into your employer's current retirement Tier with your contribution rate determined by your age at your reinstatement date.

When you decide to retire again, payment of your retirement allowance will resume; however, the monthly amount will be recalculated to reflect the additional period of membership and any service credit you accumulated during your return to active membership.

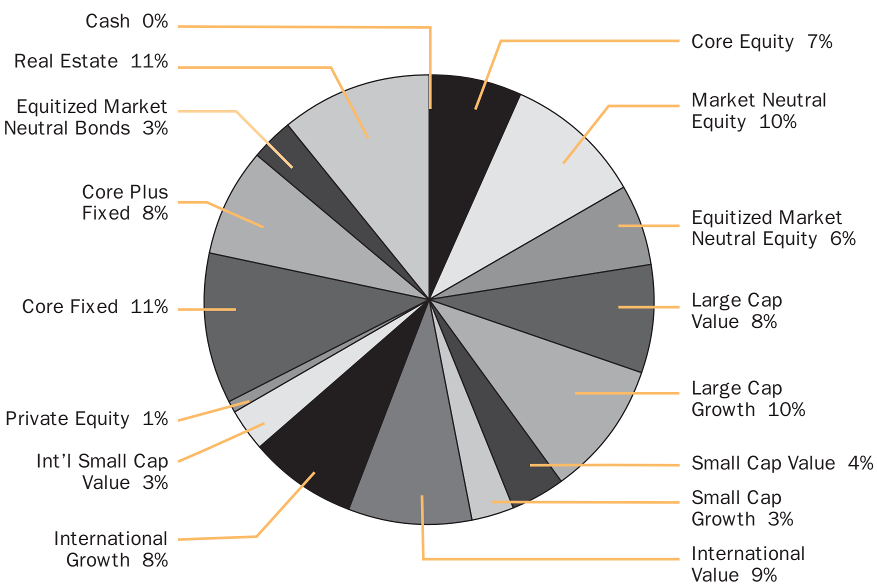
Working after retirement can be a rewarding experience, but it isn't without its considerations. Be sure to contact MCERA for more information about how working after retirement may affect you.

For information on what happens to your retiree health insurance coverage when you return to full time employment, contact MCERA.

For information on what medical benefits might be available to you when you return to full time employment, contact your future employer's Human Resources office.

For information on how working after retirement may affect your Social Security benefit, contact the Social Security Administration: www.ssa.gov, 1-800-772-1213. ■

Portfolio Pie as of March 31, 2010



Core Equity	$	92,492,000
Market Neutral Equity	$	127,165,000
Equitized Market Neutral Equity	$	77,483,000
Large Cap Value	$	107,961,000
Large Cap Growth	$	125,924,000
Small Cap Value	$	61,227,000
Small Cap Growth	$	46,194,000
International Value	$	112,428,000
International Growth	$	97,562,000
International Small Cap Value	$	36,594,000
Private Equity	$	7,481,000
Core Fixed	$	138,106,000
Core Plus Fixed	$	99,570,000
Equitized Market Neutral Bonds	$	38,163,000
Real Estate	$	130,995,000
Cash	$	0
TOTAL	$	1,299,345,000

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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

- **August 11, 2010**
  Regular Board Meeting
- **September 6, 2010**
  MCERA CLOSED (County Holiday)
- **September 8, 2010**
  Regular Board Meeting
- **September 9, 2010**
  Investment Committee Meeting
- **October 13, 2010**
  Regular Board Meeting
- **November 3, 2010**
  Regular Board Meeting
- **November 4, 2010**
  Investment Committee Meeting
- **November 11, 2010**
  MCERA CLOSED (County Holiday)

FUNDamentals is published quarterly for members of the Marin County Employees Retirement Association. It is compiled and designed by MCERA Communications Associate Sydney Fowler (unless noted otherwise) and it is printed locally on recycled paper.