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## Investing for the Long Term

By building a diversified  
portfolio of quality  
investments with  
an acceptable  
level of risk, the  
Retirement Board  
invests to pay  
for current and  
future benefits

Public pension funds have received a lot of media coverage in recent months, raising awareness of the challenges that face the retirement board trustees who manage them. The MCERA Retirement Board understands the realities of the current economy and works prudently and diligently to manage the assets of the plan.

The duty of the MCERA Retirement Board is to manage investments with the highest standard of professional conduct for the exclusive benefit of fund beneficiaries. The Board looks at the investment of the plans assets both in isolation and in the context of the investment of the particular fund as a whole, analyzing the risk and return objectives for each investment. The Board's Investment Committee, working closely with MCERA's investment consultants, monitors the performance of the fund, hires and fires investment managers, conducts regular on-site due diligence visits to the investment managers' businesses, makes decisions regarding the investment strategy and asset allocation of the fund, and assesses the level of risk in the individual investments as well as the overall portfolio.

Public pension plans operate over long time frames and assets are in-

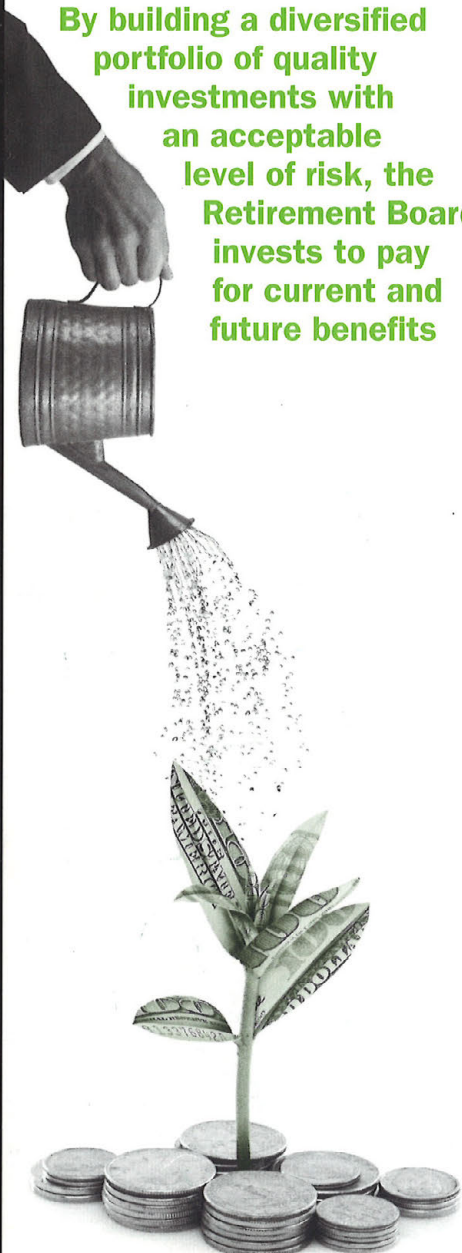
vested to pay benefits for members whose involvement with the plan can last over 50 years. Over the past 20 years, MCERA has earned an average annual investment return of 7.76 percent, which includes the most recent market declines. Over 30 years, the portfolio has returned 9.80 percent. The capital markets have returned over 8.00 percent during the last century. Historically, investment earnings have paid 64 cents to 75 cents of every pension dollar. The remainder comes from contributions paid by the employees and plan sponsors. With the assistance of an independent actuary and investment consultant, the board regularly reviews its investment return assumption to determine if adjustments are necessary.

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## Investment Earnings Rebound

In September 2008, at the beginning of the 2008-2009 market decline, MCERA's fund stood at \$1.26 billion. By February 2009 the fund value dropped by approximately \$275 million. As of October 31, 2010, the fund has grown to \$1.36 billion, recovering from the market loss and adding additional returns.

As the saying goes in the investment community, past performance cannot predict future results. However, the MCERA portfolio is well-diversified, potentially lowering risk and volatility by holding a combination of different asset classes. The Retirement Board will continue to adhere to a disciplined investment process, diligently monitoring the overall performance of the fund. ■





## Retirement Board Members

### Bernadette Bolger

Secretary  
Appointed by Board of Supervisors

### Greg Brenk

Appointed by Board of Supervisors

### Roy Given

Alternate  
Ex-Officio Member

### Maya Gladstern

Chair  
Elected by Miscellaneous Members

### Allen Haim

Elected by Retiree Members

### Howard McFarland

Elected by Miscellaneous Members

### James Phillips

Vice Chair  
Appointed by Board of Supervisors

### Gerald Richardson

Appointed by Board of Supervisors

### Mark Walsh

Ex-Officio Member

### Sean Webb

Alternate  
Elected by Retiree Members

### Karen Wofford

Elected by Safety Members

## Executive Staff

### Jeff Wickman

Retirement Administrator

### Helen Moody

Assistant Retirement Administrator

## Editorial Staff

### Sydney Fowler

Communications Associate



*FUNDamentals* is published quarterly for members of the Marin County Employees' Retirement Association (MCERA). It is compiled and designed by MCERA's Communications Associate unless noted otherwise.

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Phone: (415) 473-6147



# Greater Opportunities, Brighter Promises, Abundant Success...

*The staff of the Marin County  
Employees' Retirement Association  
sends our members and friends  
best wishes for these  
and more in the coming year!*





# MCERA Membership: Where do YOU fit in?

**M**CERA serves more than 5,800 members from 10 different employers. MCERA's membership can be divided in many ways, and often, some of our members may fall into one or more of these categories. Do you know which categories you fall under?

## Active Member

An individual who is currently working for an MCERA employer and participating in MCERA membership. Active members can be vested or non-vested. Members are considered vested, and thus eligible to receive a future benefit, after achieving 5 years of service credit.

## Deferred Vested Member

A member who has earned *at least* 5 years of qualifying service credit and who is no longer employed by an MCERA employer or participating as an MCERA member. The member has left his or her retirement contributions on deposit with MCERA and elected to retire at a later date when the individual is eligible for, and ready to begin drawing an MCERA retirement benefit.

## Deferred Non-Vested Member

A member who has earned *less than* 5 years of qualifying service credit and who is no longer employed by an MCERA employer or participating as an MCERA member. The member has left his or her retirement contributions on deposit with MCERA but will

not be eligible to begin drawing a lifetime MCERA benefit until they have attained age 70.

## Deferred Reciprocal Member

A member who is no longer employed by an MCERA employer, has elected to defer his or her retirement and, within 180 days of termination of the individual's employment with an MCERA employer, has entered membership with another public agency in California that has reciprocity with MCERA. Reciprocity allows a member to link his or her MCERA membership with a new employer's reciprocal defined benefit plan and obtain benefits

of linked membership, as long as the member complies with statutory reciprocity rules.

## Retired Member

A member who has retired from his or her MCERA employer and is receiving a monthly lifetime service or disability retirement benefit.

## Beneficiary

An individual who is eligible to receive, or is receiving, a monthly continuance and/or lump sum benefit from MCERA after either the death of an active or retired member, or following dissolution of marriage or domestic partnership.

## Safety Member

A member who is or was employed in active law enforcement or active fire suppression by an MCERA employer.

## Miscellaneous (General) Member

A member that is or was employed in service other than active law enforcement or active fire suppression by an MCERA employer. ■

## How big is the MCERA puzzle?

Total Membership	5823
Total Safety	1362
Total Miscellaneous	4461
Active	3455
Active Safety	743
Active Miscellaneous	2712
Deferred Vested	437
Deferred Reciprocal	387
Retirees & Beneficiaries	2368
Retired Safety	619
Retired Miscellaneous	1749

Data as of 6/30/10





# Are you Vested In the Plan?

Vesting entitles you to receive a retirement allowance from MCERA once you have fulfilled all eligibility requirements. Members are vested after they have earned 5 years of retirement service credit. If you have established reciprocity with another qualified retirement system, your reciprocal service credit is included in determining your eligibility for vesting and retirement.

## What if I'm vested and I leave employment, but I'm not ready to retire?

If you leave employment and you are vested, you will have to choose whether to withdraw your contributions, or leave them on deposit with MCERA until you are eligible and ready to retire.

If you terminate employment after earning less than 5 years of service credit, you will not be vested but you may still leave your contributions on deposit. As a deferred non-vested member your earliest retirement eligibility occurs at age 70.

If you withdraw your retirement contributions when you terminate employment, you will also be withdrawing your service credit and ending your membership, forfeiting all rights to any benefits provided by MCERA. ■



## Marin County Employees' Retirement Association

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<http://www.mcera.org>

Quarterly  
Quote

**One resolution I have made, and try always to keep, is this: To rise above the little things.**

*John Burroughs, Nature Essayist*



# Tax Season **News** for Retirees & Beneficiaries

## 1099-Rs in the Mail

**T**his is the season, tax season that is! 1099-R tax statements for all MCERA retirees, beneficiaries and other payees should be arriving in mailboxes soon.

MCERA is required to create a 1099-R for all distributions and retirement payments including payments for refunds, disability retirements, service retirements, continuances, death benefits, and domestic relations orders.

A separate 1099-R is issued for each individual record. For example, if you are a retiree and you also receive a continuance from a deceased retiree,

you will receive two 1099-R statements. One will be for your normal retirement benefit payment and one will be for the beneficiary continuance payment.

1099-Rs are sent annually, and must be mailed no later than January 31st of each year. If you do not receive your 1099-R in a reasonable amount of time after this date or feel there is an error, contact MCERA to request a new or duplicate form. Our staff is happy to work with you to resolve the matter and issue a new 1099-R, if necessary. ■

## How to Adjust Your Tax Withholding

**A**fter filing your taxes this year, you may find that you are withholding too much or too little in State and/or Federal income taxes.

As a retiree, you have the option to elect whether to have Federal or State tax withheld from your MCERA benefit and at whatever rate you choose. You may elect NOT to have a withholding applied to your benefit; choose an amount based on the tax withholding tables; or request a specific dollar amount.

For those who have elected to have taxes withheld using the tax withhold-

ing tables, please keep in mind that these tables can change annually or during the year.

If at any time you wish to revoke or change your tax election, you may do so by completing new Federal or State tax withholding forms. These forms are available by contacting MCERA.

MCERA cannot make recommendations regarding your tax withholding elections. Consult with professional advisors regarding tax and legal matters; MCERA does not offer tax or legal advice. ■





## FAQs

### ***Why is my retirement contribution percentage different from that of my coworkers?***

The amount of your retirement contributions is based on a number of factors. One of these is your age upon entry into MCERA membership. The younger a person is upon entering MCERA membership or reciprocal membership with another system, the lower the rate of MCERA retirement contributions will be. The entry age is based on whole years and is rounded to the nearest age. A person who starts with the plan at 25 years and 3 months, for example, will have an entry age of 25, while a person who is 25 years and 6 months will have an entry age of 26.

Other factors that may impact the contribution rate are the person's employer, the benefit formula for their Tier and their membership type. Miscellaneous members typically contribute less per paycheck than safety members because miscellaneous members' benefit formulas generally provide lower retirement benefits than those that are provided to safety members.

Finally, actuarial studies conducted each year can and do impact the contribution rates. The results of the actuarial studies, which help to determine how much is needed to keep the Plan properly funded, can cause contributions to go up or down.

### ***Will my retirement contributions ever stop?***

Employee contributions toward retirement are a condition of employment and in many cases contributions will be deducted from your pay as long as you are employed by one of MCERA's participating employers. However, the laws governing MCERA state that an active member's contributions will cease as soon as the member has earned 30 years of retirement service credit. In calculating whether a member has reached 30 years of service, our office will include completed purchases of service credit as well as service reported to us by reciprocal plans. If a member is on leave attributable to an approved Workers' Compensation claim, the member may only receive service credit for up to 1 year of the leave period, even if the leave associated with the Workers' Compensation claim exceeds 1 year.

Keep in mind that your contributions made into the retirement plan earn interest and that

*continued on p.7*

## Board Meeting Highlights

### Key Activities from October, November and December 2010

By Maya Gladstern, Retirement Board Chair

#### Retirement Board Trustee Changes

The Retirement Board welcomed trustees Howard McFarland, elected by miscellaneous members to complete the unexpired term of Sherry Sweet, and Karen Wofford, elected by safety members to the seat vacated by outgoing trustee James Hufford. Marin County Treasurer-Tax Collector Michael Smith attended his last meeting as ex-officio trustee in December and was honored for 16 years of dedicated service to MCERA. County of Marin Director of Finance Mark Walsh assumed the ex-officio seat in January.

The officers for 2011 are Chair Maya Gladstern, Vice Chair James Phillips, and Secretary Bernadette Bolger.

#### Annual Benefit Statements Mailed

Last quarter, active, deferred and reciprocal members received an annual benefit statement for the fiscal year ending June 30, 2010. Your annual benefit statement provides you with information regarding your Tier, years of service, contribution balance, and your chosen beneficiary. Please review your statement carefully and report any discrepancies to MCERA as soon as possible.

#### Audited Financial Statements Accepted

In October the Board accepted the 2010 auditor's report of financial condition. The audited financial statements for the fiscal year ending June 30, 2010 received an unqualified (clean) opinion.

#### Policy Adoptions and Revisions

The policies listed below were adopted or revised this quarter. All policies are posted on MCERA's website, [www.mcera.org](http://www.mcera.org).

- ✓ Accessibility of Records Policy
- ✓ Adoption of Actuarial Economic Assumptions Policy
- ✓ Interest Crediting Policy
- ✓ Unrestricted Earnings Policy ■





## Investing for the Long Term

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The Board fully discloses all assumptions used to calculate employer and employee contributions in an open forum where the public, and affected employers, employees, and retirees, can participate. In addition, the funding levels at both the actuarial value and market value of assets are openly reported so there is full disclosure of annual market impacts.

MCERA administers the pension plan in partnership with our plan sponsors, whose role is to establish the benefit formulas used in the calculation of retirement allowances. Benefit formulas ultimately determine the cost of the plan and are typically a result of the collec-

tive bargaining process between the employer and the employee representatives.

Are there challenges to managing the pension system? Yes, and the MCERA Board will continue to monitor and address changing conditions and will make adjustments as necessary to ensure sufficient funding of the retirement system. The Board will do this while understanding that public pension plans operate over very long time frames and the assumptions that match those timeframes should be established, monitored and evaluated as a prudent course of business. ■

## FAQs

continued from p.6

these amounts are refunded to you should you terminate employment and request a refund. If you do eventually retire from MCERA, it is important to know that the majority of plan members who retire from the plan receive much more in retirement benefits than what they put into the plan through their individual employee retirement contributions.

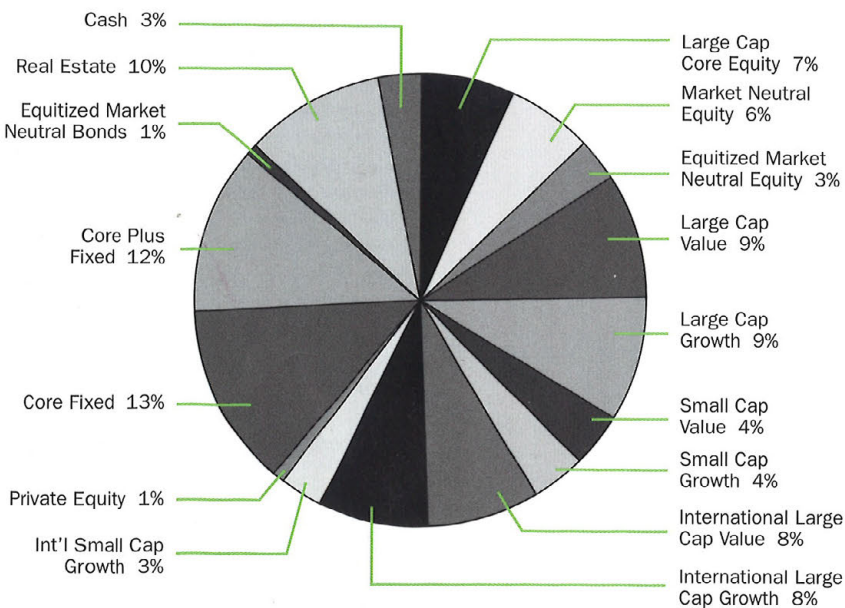
***I think I've been working 30 years, but my contributions haven't stopped yet. How come?***

A member who works for 30 years will not necessarily earn 30 years of retirement service credit. Retirement

service credit does not include time missed due to leave without pay, or part-time service less than 75% of full time. If you have had periods of unpaid leave or part-time service, your years of retirement service credit may be reduced.

Your most recent annual benefit statement reports your retirement service credit as of June 30, 2010. If you are approaching your 30 year "anniversary" and would like to find out when your contributions will cease, or if you feel that for any reason your years of retirement service credit are not correct, please do not hesitate to contact our office. ■

## Portfolio Pie as of September 30, 2010



Large Cap Core Equity	\$	88,051,000
Market Neutral Equity	\$	74,780,000
Equitized Market Neutral Equity	\$	36,483,000
Large Cap Value	\$	119,915,000
Large Cap Growth	\$	117,860,000
Small Cap Value	\$	55,223,000
Small Cap Growth	\$	57,558,000
International Large Cap Value	\$	104,066,000
International Large Cap Growth	\$	99,777,000
International Small Cap Growth	\$	38,835,000
Private Equity	\$	10,776,000
Core Fixed	\$	167,034,000
Core Plus Fixed	\$	161,813,000
Equitized Market Neutral Bonds	\$	17,969,000
Real Estate	\$	129,039,000
Cash	\$	39,256,000
<b>TOTAL</b>	<b>\$</b>	<b>1,318,435,000</b>



mcera



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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 Agency

Southern Marin Fire  
Protection District

Tamalpais Community  
Services District

## Upcoming Events

- ➔ **February 9, 2011**  
Retirement Board Meeting
- ➔ **February 21, 2011**  
MCERA CLOSED (County Holiday)
- ➔ **March 9, 2011**  
Retirement Board Meeting
- ➔ **March 10, 2011**  
Investment Committee Meeting
- ➔ **April 13, 2011**  
Retirement Board Meeting
- ➔ **May 4, 2011**  
Retirement Board Meeting
- ➔ **May 5, 2011**  
Investment Committee Meeting
- ➔ **May 30, 2011**  
MCERA CLOSED (County Holiday)

## Important Disclaimer

*This newsletter was drafted by MCERA staff in order to help members understand issues surrounding many aspects of their retirement benefits. Every effort has been made to ensure the accuracy of the information offered. However, you should not rely solely on the information contained herein. In the event of any discrepancy between the information contained in this newsletter and State and Federal law, the State and Federal law will govern. MCERA staff is unable to address specific legal or tax-related questions. If you have legal or tax-related questions about your retirement, please consult competent legal or IRS counsel.*

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