

ISSUE 9  
FALL 2011

# FUNDamentals



## The WEP and GPO

### Federal Offsets May Reduce Your Social Security Benefits

*Please keep in mind that while the WEP and the GPO may reduce your Social Security benefit, neither provision impacts your earned MCERA benefits. If you have questions about your specific situation, please contact Social Security directly.*

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## THANK YOU!

MCERA would like to extend a sincere thank you to everyone who provided feedback as part of our *FUNDamentals* newsletter survey.

Your responses will be a valuable guide as we develop future communications.

Stay tuned - survey results will be reported in the next *FUNDamentals*.

**M**ost MCERA members do not participate in Social Security during their MCERA-covered employment. However, many have had jobs covered by Social Security elsewhere before coming to work for an MCERA plan sponsor, or may pay Social Security taxes in another job after retiring. If your service with MCERA or another government pension plan was not covered by Social Security, the pension you receive from MCERA (or other public plan) could reduce your Social Security benefits.

Social Security has two special provisions that may affect MCERA members. One, the Windfall Elimination Provision (WEP), applies to public employees who also have enough credits to qualify for Social Security benefits on their own account number. The other, the Government Pension Offset (GPO), applies to public employees when claiming benefits on a spouse's Social Security account number. Both provisions apply if you receive a government pension for work where Social Security taxes were not taken out of your pay.

### Windfall Elimination Provision (WEP)

The WEP affects how the amount of your Social Security retirement or Social Security disability benefit is calculated. A modified formula is used to calculate your Social Security benefit amount, resulting in a lower Social Security benefit than you would otherwise receive.

The WEP primarily affects you if you earned a pension in any job where you did not pay Social Security taxes and you also worked in other jobs long enough to qualify for a Social Security retirement or Social Security disability benefit.

### Why is a different Social Security formula used?

Social Security benefits were intended to replace only a percentage of a worker's pre-retirement earnings. The way Social Security benefit amounts are calculated, lower-paid workers get a higher return than highly paid workers. For example, lower paid workers could get a Social Security benefit that equals about 55% of their pre-retirement earnings. The average benefit for highly paid workers is about 25% of their pre-retirement earnings. Before 1983, people who worked in jobs not covered by Social Security received benefits that were computed as if they were long-term, low-wage workers, and received the advantage of a higher percentage of Social Security benefits in addition to their government pension. The WEP was enacted to eliminate this advantage.

### Government Pension Offset (GPO)

The GPO applies only if you are eligible for Social Security benefits as a spouse. The GPO reduces or eliminates Social Security spousal and survivor benefits for those who collect pensions from jobs that were not covered by Social Security.

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## Retirement Board Members

### **Bernadette Bolger**

Secretary  
Appointed by Board of Supervisors

### **Greg Brenk**

Appointed by Board of Supervisors

### **Roy Given**

Ex-Officio Member  
County of Marin Director of Finance

### **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

### **Sean Webb**

Alternate  
Elected by Retiree Members

### **Vacant**

Elected by Safety Members

### **Vacant**

Alternate  
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.

Member comments and suggestions should be directed to:

Email: [sfowler@co.marin.ca.us](mailto:sfowler@co.marin.ca.us)  
Phone: (415) 473-6147

## DID YOU KNOW?

MCERA does not determine benefit levels related to pensions or healthcare.

MCERA facilitates the delivery of these benefits on behalf of plan sponsors.

Your eligibility for health insurance and the cost of those benefits is determined by your employer at the time of your retirement, not by MCERA.

## County of Marin Health Plans are Changing

Medical insurance plans offered by the County of Marin are changing effective January 1, 2012, for both active employees and retirees.

All retirees and beneficiaries currently covered by County of Marin medical insurance plans have been mailed information about the change.

**All retiree requests to change medical plans must be received by MCERA no later than November 14, 2011.**

Additional information for retirees and beneficiaries, including all documents sent by mail, is available on MCERA's website, [www.mcera.org](http://www.mcera.org). ■

## Attention Safety Members! Special Election for Seats on MCERA Board Set for December



Serving as a member of MCERA's Retirement Board is a meaningful and rewarding experience. If you are an actively employed safety member you are encouraged to consider candidacy for the position of MCERA trustee.

### Why is there a special election?

After 5 years of dedicated service to the MCERA membership, trustee Karen Wofford has resigned from the position of Safety Member (Seventh Member) of the Retirement Board, effective September 2011. The term of the Safety Member does not expire until October 31, 2013.

### How does this election work?

The County Employees' Retirement Law of 1937, under which MCERA is governed, provides for the inclusion of one Safety Member and one Alternate Safety Member to be determined by a single election.

If there are two candidates for the Safety Member position, one actively employed in law enforcement and one actively employed

in fire protection, the candidate with the highest number of votes becomes the Safety Member. The other candidate, being from a different safety classification, then becomes the Alternate Safety Member.

If both candidates for the Safety Member position are from the same safety classification (i.e., both in fire protection), the candidate with the highest number of votes becomes the Seventh Safety Member and there will be no alternate until another election is conducted.

### Election Day is December 16, 2011

Safety members received the Notice of Election by mail in September. Nomination petitions for candidates are available from the Registrar of Voters beginning October 17, 2011 and must be filed by 4:30 PM on October 31, 2011. A special election to fill the Safety Member and Alternate Safety Member vacancies will be held on December 16, 2011. ■

# A Closer Look *at your* Annual Benefit Statement

Your annual benefit statement is a useful summary of your MCERA member account and a great reference tool to help you plan your financial future.

We recommend keeping this document in a safe place where you can access it easily.

Annual benefit statements for the fiscal year ending June 30, 2011 have been mailed to the address MCERA has on file for all active, deferred and reciprocal members.

If you do not receive your annual benefit statement we recommend that you do the following:

- Confirm that the address on file with your employer is correct. MCERA receives address information on active members through payroll downloads. Please update your address through your department/agency payroll specialist, if necessary.
- Contact our office for a duplicate copy. ■

## Your Personal Information

This section includes your important MCERA **demographic information**, including:

- Membership entry date
- Current membership status
- Reciprocal status
- Years of service
- Employer and/or Tier
- Final average compensation as of the end of the fiscal year.

Please review and verify that this information is correct and notify MCERA of any errors.

## Your Current Plan Balance

This section shows your total career **employee contributions**, taxed and non-taxed. Also noted are your contributions for last fiscal year as well as the interest credited to your account on December 31 and June 30.

## Beneficiary Information

Please confirm that your **designated beneficiary** is correct. If not, please notify MCERA of any changes. The Beneficiary Change form is available on MCERA's website, in our lobby, or upon request.

## Projected Retirement Plan Benefits

This section provides **estimates** of the annual benefits that may be available to you when you are eligible for retirement. Please note that these are estimates *only*. Your actual benefits at retirement will be based on the circumstances and facts when you retire.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**ESTIMATED BENEFIT AND CONTRIBUTION STATEMENT**  
as of June 30, 2011

**Personal Information**

The Retirement System currently has the following information about you on file as of June 30, 2011:

Name: MCERA MEMBER  
Social Security Number: XXX-XX-1234  
Date of Birth: 11/26/52  
Date of Membership: 10/13/91

Status: Marin County – Active  
Years of Service: 18.94624\*  
Current Membership: Misc Tier 3  
Final Average Compensation as of 06/17/2011: \$50,000

**Your Current Plan Balance**

Contributions are deducted from your pay every pay period. Interest is credited twice a year on June 30 and December 31. Should you terminate your employment, you can withdraw your contributions, or, if eligible, leave your contributions in the plan and elect a deferred retirement.

Your total contribution balance as of June 30, 2011 consisted of:	
Contributions	\$ 0.00
Interest	35,440.84
<b>Total</b>	<b>25,258.92</b>
Non-Taxed	\$ 60,699.76

**10/2011 Activity**

	Interest credited at 7.75% per annum
Contributions	12/31 \$ 1,988.79
Tax Paid \$ 0.00	6/30 \$ 2,150.96
Non-Taxed \$ 4,264.69	

**Beneficiary Information**

Your named beneficiary of record is:  
SPOUSE O. MEMBER

**Projected Retirement Plan Benefits**

In order to give you an idea of the benefits payable at retirement, we have developed projections at various retirement ages. These are estimates of the annual benefits you would earn if you remained in service until the ages indicated. Your actual benefits at retirement will be based on the circumstances and facts when you retire. Certain assumptions were made when calculating these projected benefits. It was assumed that:

Your salary and work hours would remain at the same level until the ages indicated;  
There is no change in your current membership classification (Miscellaneous or Safety);  
There are no changes in the Plan or in the law between now and the ages indicated; and  
You would meet all eligibility requirements for retirement.

Your projected annual retirement benefits are:

	Age 59	Age 62	Age 65
Age	59	62	65
Years of Service*	19.29985	21.93985	24.5
Annual Benefit	\$21,533	\$26,207	\$30,000

\*Note: If you work less than full-time, please contact the retirement office to determine your actual years of service.

Federal law may limit the amount of compensation used to calculate your benefit and also may limit the amount of benefits. The above projections do not take into account these limitations.

**For Information or Assistance**

If the information is incorrect, or if you wish to change your beneficiary, please contact the Retirement Association at:  
Marin County Employees' Retirement Association  
One McInnis Parkway, 1<sup>st</sup> Floor, San Rafael, CA 94901  
(415) 473-6147 FAX: (415) 473-3612



## RETIREMENT BOARD & COMMITTEE MEETINGS HELD THIS QUARTER

**July 5**

Communications &  
Member Services  
Committee

**July 13**

Retirement Board

**July 14**

Investment Committee

**August 10**

Retirement Board

**September 14**

Retirement Board

**September 15**

Investment Committee

**September 26-27**

Strategic Workshop

# Board Meeting Highlights

## Key Actions from July thru September 2011

### Grand Jury Report

In July the Board reviewed and approved MCERA's responses to the 2010-2011 Grand Jury report, Public Sector Pensions: A Perspective. The report is available on the Grand Jury's website: <http://www.co.marin.ca.us/depts/GJ/Main/index.cfm>.

### 2011/2012 Business Objectives

The Retirement Administrator's business objectives for the 2011/2012 fiscal year were approved at the July meeting.

### Election of Third (General) Member

Trustee Howard McFarland won the election for the Third (General) Member seat on the Retirement Board. Mr. McFarland's new term begins November 1, 2011, and will continue through October 31, 2014.

### Semi-Annual Strategic Workshop

The Board convened for a two-day strategic workshop in September. Trustees previewed the upcoming actuarial experience study and discussed how changes to economic assumptions and potential pension reporting changes proposed by the Governmental Accounting Standards Board (GASB) may impact the fund. The Board also reviewed the draft asset/liability study and discussed the economic and capital markets over the last ten years, projections of market returns, and factors that may affect the global economy in the coming decade. Please refer to the article on page 6 for more information about asset/liability studies.

### Resolutions Adopted

The following Retirement Board resolutions were adopted:

- 2011/12-01: Regarding Redeposits by Installment Contract
- 2011/12-02: Delegating Certain Transactions to Retirement Administrator
- 2011/12-03: Regarding Adoption of Government Code 31529.9

### Policies Revised/Adopted

The following policies were revised or adopted this quarter:

- Fiduciary Liability Insurance and Claims Reporting Policy
- Interest Crediting Policy
- Investment Policy Statement ■

All Retirement Board agendas, minutes and policies are posted on MCERA's website, [www.mcera.org](http://www.mcera.org).



# Event Calendar

## MCERA HOLIDAY CLOSURES

**November 24-25**  
Thanksgiving

**December 26**  
Christmas

## RETIREE PAY DATES

**October 31**  
**November 30**  
**December 30**  
**January 31**

## UPCOMING RETIREMENT BOARD MEETINGS

**November 2**  
Retirement Board

**November 3**  
Investment Committee

**December 14**  
Retirement Board

**January 11**  
Retirement Board

**January 12**  
Investment Committee

## MCERA Responds to Public Records Act Requests

All retirees and beneficiaries received a notice this quarter that MCERA would be releasing certain information about their monthly MCERA benefit in response to recent Public Records Act requests. Nearly every public pension fund in California has received similar requests for information under the Public Records Act. MCERA understands the importance of maintaining the confidentiality of your information and we are committed to protecting it from release where it is legal to do so.

### What is the Public Records Act?

The California Public Records Act (Government Code 6250-6276.8) was enacted in 1968 and is designed to give the public access to information in the possession of public agencies. It requires public agencies to disclose information regarding the public's business when a lawful, valid request is made by an individual or an agency, such as a newspaper.

### Why is it important to me as an MCERA member?

Not all records are subject to disclosure (see the list below). Information that you've provided to MCERA that meets the definition of a "confidential" record will not be disclosed by MCERA without your consent. However, California courts have determined that MCERA records containing certain information about you must be disclosed in

response to a Public Records Act request.

### What information may be disclosed?

There are certain pieces of information that are already publicly disclosed by MCERA at Board meetings. These are the names of members who have filed for service retirement or disability retirement along with the agency they last worked for. We also disclose the names of members and beneficiaries who pass away, as well as the names of members who have requested a return of their contributions or completed a buyback of service time.

The following information may also be disclosed upon request:

- The gross amount of any benefit or contribution refund
- Member and benefit recipient names
- Membership entry date
- Service category (general or safety)
- Employment tier
- Applicable benefit formula
- Member's retirement date
- Retirement allowance type
- Credited years of service
- Final average compensation including "compensation earnable"
- Total retirement allowance

### What information may not be

### disclosed?

- Member or beneficiary social security numbers
- Date of birth
- Address, telephone or fax numbers
- Email addresses
- Age at retirement
- Spouse, domestic partner and beneficiary names (unless they're receiving a benefit)
- Disability applications
- Medical records
- Retirement option elections

MCERA members should remain aware that properly filed Public Records Act requests will be researched and responded to in a timely manner and responses will, if requested, include individual names.

### Additional Resources

More information on the California Public Records Act is available at the Official California Legislative Information website, [www.leginfo.ca.gov](http://www.leginfo.ca.gov), and the website for the California Office of the Attorney General, [www.ag.ca.gov](http://www.ag.ca.gov).

MCERA's Accessibility of Records Policy, which the Board adopted in 2007, is available in our office, upon request, and on our website, [www.mcera.org](http://www.mcera.org). ■

# Investment Insights:

## Asset/Liability Studies

*What is the range of the Plan's possible and probable funding requirements over the next 10 years?*

*To what extent can future investment returns be expected to impact the Plan's funded position?*

*Is the Plan likely to experience a funding deficiency and, if so, when is it expected?*

*What are the Plan's future annual liquidity requirements?*

**A**n important aspect of prudent process for pension plan administration is the Retirement Board's careful, periodic re-evaluation of MCERA's long-term strategic plan. During this evaluation the Board must consider a number of questions, including those noted above, and determine if prudent changes to factors like investment return assumptions or asset allocation are necessary. One of the tools trustees use in their analysis of the long-term plan that helps address these questions is an asset/liability study.

Analysis of an asset/liability study furthers the Retirement Board's fiduciary obligation to monitor the retirement plan's investment portfolio as it makes investment and other decisions that impact the plan. At the request of the Retirement Board, MCERA's investment consultant performs an asset/liability study to provide trustees with projected valuation results with respect to the funded status of the plan, projected benefit payments of the plan, and an analysis of various asset mixes to help trustees determine those which best serve to protect and increase funding levels while providing adequate liquidity for benefit payments.

Asset/liability studies present projections of plan funding under various sets of assumptions about future conditions, such as demographic trends, the effects of inflation, and the performance of capital markets. More specifically, asset/liability studies look at two different categories of events that can affect the retirement plan: changes that can be controlled, such as funding

method, benefit design (as adopted by plan sponsors) or asset allocation; and changes that cannot be controlled, such as investment returns, market volatility or inflation. The study identifies the likelihood and impact of changes in these elements, which allows trustees to adjust investment and funding policies, if necessary. Also, an asset/liability study takes a comprehensive approach to analyzing risk and reward in terms of the overall pension plan impact. Because it takes actuarial data into account as well as investment market data the study can provide much more information than is available from traditional actuarial valuations or a traditional asset allocation analyses.

Asset/liability studies provide fiduciaries with a deeper understanding of how alternative investment strategies, benefit designs, and funding methods interact and influence funding levels and contribution requirements. By analyzing proposed changes in the asset portfolio, plan design, or funding policy, you can see the likely future impact of your current choices. However, an asset/liability study is not the sole determinant of the asset allocation or assumed rate of return adopted for MCERA's portfolio. The Retirement Board must consider a number of factors, including insights from an asset/liability study, which will influence the Board's determination of optimal allocation and assumptions. ■



## The WEP and GPO: Federal Offsets May Reduce Your Social Security Benefits

*continued from p.1*

If this is your situation and you expect to receive a Social Security spousal benefit upon retirement, that benefit will be reduced by two-thirds of your government pension. In some cases, this could eliminate your Social Security spousal benefit altogether.

For example, if your monthly MCERA pension is \$1,200, two-thirds of that, or \$800, must be deducted from your Social Security benefit as a spouse. Thus, if you are eligible for a \$600 spousal benefit from Social Security, that benefit would be eliminated (\$600 - \$800 = \$0).

### **Why are Social Security benefits reduced?**

Spousal benefits under Social Security were established in the 1930s to compensate spouses who stayed home and were financially dependent on the working spouse. It has become more common for both spouses to work, each earning his or her own Social Security retirement benefit. The law has always required that a person's benefit as a spouse be offset dollar for dollar by the amount of his or her

own Social Security benefit. The GPO was intended to ensure that when determining the amount of the spousal benefit, government employees who do not pay Social Security taxes would be treated in a similar manner to those who work in the private sector and do pay Social Security taxes.

### **An important note about Social Security statements**

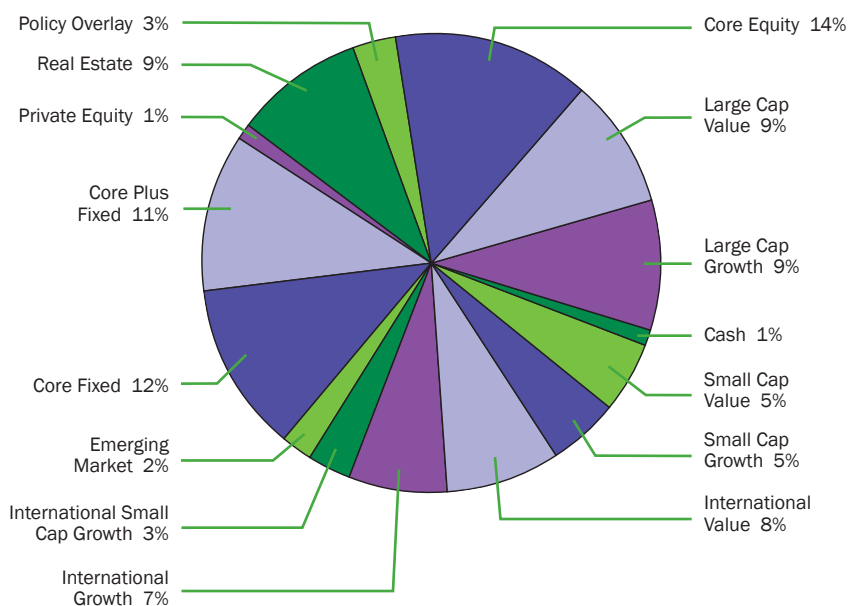
The Social Security Administration has suspended the distribution of annual Social Security statements ([www.ssa.gov/mystatement](http://www.ssa.gov/mystatement)). For public employees eligible for a pension based on work not covered by Social Security, the annual statements you used to receive from Social Security may not be correct. To get a more accurate estimate of your Social Security benefits you can use the online WEP Calculator on Social Security's website. An easy way to access the WEP Calculator is to visit [www.socialsecurity.gov](http://www.socialsecurity.gov) and enter "WEP Calculator" in the search box at the top right of the page.

Fact sheets on the WEP (SSA publication

no. 05-10045) and the GPO (SSA publication no. 05-10007) are also available on Social Security's website, along with more detailed information on both provisions.

You may also contact Social Security by telephone at 1-800-772-1213 (TTY 1-800-325-0778). ■

## Portfolio Pie as of June 30, 2011



Core Equity	\$	208,549,000
Large Cap Value	\$	140,321,000
Large Cap Growth	\$	138,354,000
Cash	\$	13,124,000
Small Cap Value	\$	69,194,000
Small Cap Growth	\$	77,973,000
International Value	\$	118,652,000
International Growth	\$	113,064,000
International Small Cap Growth	\$	46,364,000
Emerging Market	\$	32,527,000
Core Fixed	\$	186,286,000
Core Plus Fixed	\$	161,019,000
Private Equity	\$	21,427,000
Real Estate	\$	130,657,000
Policy Overlay	\$	52,605,000
<b>TOTAL</b>	<b>\$</b>	<b>1,510,116,000</b>



Marin County Employees' Retirement Association  
One McInnis Parkway, Suite 100  
San Rafael, CA 94903-2764

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### 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

# FUNDamentals

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## MCERA Office Hours

Monday - Friday  
8am - 5pm

**Call:** (415) 473-6147  
**Fax:** (415) 473-3612  
**Visit:** [www.mcera.org](http://www.mcera.org)

"A sure way to lose happiness, I found, is to want it at the expense of everything else."

*Bette Davis, Actress*

### 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.