

ISSUE 10
WINTER
2012

FUNDamentals



New Pension Software Goes Live in January

We are excited to announce that we have gone live with our new pension administration software system, making CPAS MCERA's official system of record as of January 1, 2012.

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In the three months prior to going live with the new software system, MCERA staff tested the system's functionality through parallel testing, processing tasks like retirement applications and service purchases both within the new system and by using the manual processes already in place. The result is a well-tested system with reliable data and function – a valuable tool that will help us improve operations and deliver a higher level of customer service to our members by automating and streamlining many procedures that have previously been performed manually.

New software improves efficiency

The time required to process member requests will improve because the new software integrates and processes all activity related to retirement membership and retirement benefits. Going forward, we expect the new software system to play a large role in helping us achieve our customer service goals, which include providing written benefit estimates within twenty days of receiving the request, calculating service purchases within fifteen days of receiving the request, and processing retirement benefit payments within thirty days of the member's retirement date.

Members to see changes in benefit checks, statements

Retiree payroll functions formerly processed through Marin County have been transitioned to the new system. Monthly benefit checks and remittance advice statements are now printed and distributed by MCERA through a contracted external service provider. Retirees will see these changes beginning with the benefit payment received at the end of January 2012. Direct deposit payments will continue to be made on the last business day of the month, and paper checks and remittance advice statements will continue to be mailed on the day before the last business day of the month.

Retirees with reciprocal membership within MCERA who normally receive two monthly benefit payments, such as those with both City of San Rafael and County of Marin service, will now receive their allowance in one monthly payment with only one corresponding remittance advice statement.

Members will also see formatting changes to documents like 1099-R tax forms and active member annual benefit statements. Please be assured that even though the printed forms may look a bit different, all your important information will be included.

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NEW COUNTY HEALTH PLANS IN EFFECT

Medical insurance plans offered by the County of Marin have changed effective with the 2012 medical plan year for both active employees and retirees.

Please keep in mind that MCERA does not determine benefit levels related to healthcare. MCERA facilitates the delivery of these benefits on behalf of plan sponsors.

Your employer, not MCERA, determines your eligibility for health insurance, the cost of those benefits, and the amount of subsidy or Medicare reimbursement you may be eligible to receive.

Retirement Board Members

Bernadette Bolger

Vice Chair
Appointed by Board of Supervisors

Greg Brenk

Secretary
Appointed by Board of Supervisors

Roy Given

Ex-Officio Member
County of Marin Director of Finance

Maya Gladstern

Chair
Elected by General Members

Allen Haim

Elected by Retiree Members

Howard McFarland

Elected by General Members

Gerald Richardson

Appointed by Board of Supervisors

Sean Webb

Alternate
Elected by Retiree Members

Vacant

Appointed by Board of Supervisors

Vacant

Elected by Safety Members

Vacant

Alternate
Elected by Safety Members

Executive Staff

Jeff Wickman

Retirement Administrator

Michelle Hardesty

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

Phone: (415) 473-6147

Tax Season News for Retirees & Beneficiaries

1099-Rs in the Mail

1099-R tax statements for all MCERA retirees, beneficiaries and other payees will arrive 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.

Special Announcement from MCARE

Attention MCARE members:
MCARE needs your address to continue sending your monthly newsletter, Keeping in Touch

If you are a member of the Marin County Association of Retired Employees (MCARE) and you do not receive your February issue of Keeping in Touch, or if you think MCARE may have an out-of-date address for you, please send your information to one of the addresses below. Please be sure to include your phone number and email address, too.

Beginning January 1, 2012, MCARE will be unable to include your monthly issue of Keeping in Touch with your retirement benefit



How to Adjust Your Tax Withholding

After 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 withholding 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. Please consult with professional advisors regarding tax and legal matters; MCERA does not offer tax or legal advice. ■

check or remittance advice statement, and will begin using the current address list maintained by MCARE. We sincerely apologize for any inconvenience.

Send your information by email:
esimonson1@verizon.net

Or by postal mail:
MCARE, Attn: Edith Simonson
PO Box 4203
San Rafael, CA 94913

Editor's note: This article has been provided by the Marin County Association of Retired Employees (MCARE). MCARE is a not-for-profit independent organization with no affiliation to MCERA. MCARE is organized for the exclusive purpose of serving retired employees and



How Is My Monthly Retirement Allowance Calculated?

MCERA's defined benefit plan can provide you with a secure income in retirement but it isn't designed to replace 100% of your current salary. When it comes to planning your financial future, understanding how to estimate your future MCERA benefit can help you determine if you'll need to supplement your pension with other savings, such as a 401(k) or 457(b) account.

Your retirement allowance will be calculated by multiplying (1) a benefit factor for your age at retirement by (2) your years of retirement service credit and by (3) your final average monthly compensation. An increase in any of these factors will increase your benefit.

Age

Your age at retirement is measured to the completed quarter year until you reach the maximum age for your Tier. For example, if your age is 50 years and 2.9 months, your age for retirement purposes is 50 years. If your age is 50 years and 3.1 months, your age for retirement purposes is 50.25 years.

Service

Your service credit includes service earned each pay period of employment during membership, starting with your date of entry into membership and ending with your termination date. Service credit may also include converted sick leave accruals (if applicable) and qualifying service that you purchase through MCERA. Reciprocal service with another public employer counts toward retirement eligibility but is not used when calculating your MCERA benefit. Retirement service credit also does not include time missed due to leave without pay, unpaid strike time, or part-time service less than 75% of full-time, unless you are permitted by law to purchase any of that time. If you have had periods of unpaid leave or part-time service that you have not purchased, your actual years of retirement service credit may be reduced.

Final Average Compensation

Your final average compensation is computed on your highest consecutive one- or three-year "look back period" of compensation, determined by your Tier. Most

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Sample calculation

Your retirement allowance is calculated by multiplying a benefit factor for your age at retirement by your years of retirement service credit and by your final average monthly compensation.

Here is a sample retirement calculation for a County of Marin Tier 3 (2% at 55) general member. This member is retiring at age 55 with 20 years of service and a final average annual compensation of \$50,000. Please keep in mind that age factors are dependent upon your Tier, so your own calculation may be different.

	0.02000	FACTOR FOR AGE 55
x	20	YEARS OF SERVICE
x	\$50,000	FINAL AVERAGE ANNUAL COMPENSATION
<hr/>		
	\$20,000	ANNUAL BENEFIT
÷	12	
<hr/>		
	\$1,666.67	MONTHLY BENEFIT

CALCULATE YOUR BENEFIT ONLINE



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

MCERA's online calculator is always open, simple to use, instantaneous and accurate (assuming the variables you have entered are correct).

- Visit MCERA's website (www.mcera.org) and click "Retirement Benefit Estimator" in the section of links at the top.
- Read the disclaimer carefully and, if you understand it, click the "I Understand" button.
- Use the scroll menus to select your employer (and your Tier, if applicable) and your estimated age at retirement. Enter your estimated years of service at your projected time of retirement, your estimated final average annual compensation.
- Click "Calculate" to see your estimated monthly retirement benefit expressed in dollars as well as a percentage of your final compensation.

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. (Help)

County of Marin Tier I Misc
County of Marin Tier II Misc
County of Marin Tier III Misc (2% at 55)
County of Marin Safety (3% @ 50)

Enter your estimated age at retirement. Please round to the nearest quarter year reached. (Help)

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. (Help)

20 years and 0 months

Enter in whole dollars your estimated final annual compensation. (Help)

60000

Calculate Reset

You have entered the following values

Employer / retirement plan:	County of Marin Tier III Misc (2% at 55)
Estimated age at retirement:	56.50 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

Please keep in mind that estimates prepared both online and by MCERA staff are estimates **only** and may not be representative of the future benefit that you may actually be entitled to at the time of your retirement.

MCERA Welcomes New Assistant Retirement Administrator

Following a nationwide recruitment, the Retirement Board appointed Michelle Hardesty to the position of Assistant Retirement Administrator, effective October 24, 2011

Michelle comes to MCERA with over a decade of experience in customer service and benefits administration for public pension systems, most recently serving as Senior Plan Administrator for the Washington State Department of Retirement Systems. As Senior Plan Administrator, Michelle was responsible for ensuring the accurate, consistent delivery of service to members, retirees and beneficiaries in the public retirement systems covering all state and local government employees, law enforcement officers, firefighters, teachers and classified school employees.

Prior to working for the State of Washington, Michelle worked for a broker-dealer in the securities industry, achieving a Series 7 General Securities Representative designation.

"Michelle has valuable executive leadership experience in public pension sys-

tems," said Maya Gladstern, Chair of the MCERA Retirement Board. "Her commitment to public service, effective communication skills and strong background in private industry made her stand out among a number of qualified candidates."

For Michelle, MCERA presents a challenging new opportunity to use a lifetime of skills and knowledge in a new role. Although her goals as Assistant Administrator include creating more efficient processes, enhancing customer service levels, and taking the mystery out of retirement through member education, Michelle's true devotion is to people. "I'm passionate about helping others be their best and achieve their goals," she said.

Michelle's other passions include spending time with her family, horses, reading, and wood working. ■

RETIREMENT BOARD & COMMITTEE MEETINGS HELD THIS QUARTER

October 4

Communications & Member Services Committee,
Finance & Risk Management Committee

October 12

Retirement Board

October 20

Governance Committee

November 2

Retirement Board

November 3

Investment Committee

November 29

Finance & Risk Management Committee

December 14

Retirement Board

Board Meeting Highlights

Key Actions from October thru December 2011

Audited Financial Statements Accepted

In October, the Board reviewed and accepted the auditor's report of financial condition. The audited financial statements for the fiscal year ending June 30, 2011 received an unqualified (clean) opinion.

Retirement Board Officers Elected

The Board elected the following officers to serve until December 2012:

- Chair - Maya Gladstern
- Vice Chair - Bernadette Bolger
- Secretary - Greg Brenk

Special Election for Safety Members Rescheduled

The previously announced special Retirement Board election for the seventh (safety) member and seventh alternate (safety) member, set to occur December 14, 2011, was rescheduled due to a lack of petitions filed within the nominating period. The new date of the special election is January 27, 2012.

Retirement Board Trustee Changes

In December, trustee James Phillips attended his last Retirement Board meeting and was honored for twelve years of

dedicated service as the Board's sixth (public) member. The Board of Supervisors will appoint a new sixth (public) member to serve until the expiration of Mr. Phillips' current term, which ends October 31, 2013.

Resolutions Adopted

The following Retirement Board resolutions were adopted:

- 2011/12-04: Compensation Earnable Regarding Severance Pay
- 2011/12-05: Interpreting "Permanently Incapacitated" Standard

Policies Revised/Adopted

The following policies were revised or adopted this quarter:

- Class Action Securities Litigation Policy
- Placement Agent Payment Disclosure Policy
- Senior Management Contingency Policy
- Investment Policy Statement
- Accessibility of Records Policy
- Corporate Governance Policy
- Reciprocal Members' Final Compensation Determinations Policy ■

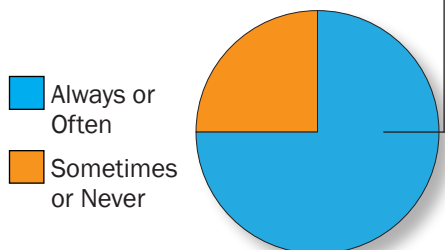
All Retirement Board agendas, minutes and policies are posted on MCERA's website, www.mcera.org.

Survey Says...

Between August 15 and September 30, you weighed in on FUNDamentals through our online survey and we can't thank you enough for taking the time to give us your feedback. Our goal for FUNDamentals is to educate and inform our membership about the benefits in the MCERA retirement plan. From your responses we can assess how well we're meeting that goal and how we can do better.

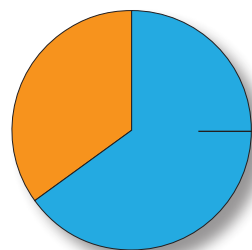
Do you find the contents to be clearly written and easy to understand?

Always or Often: 75%



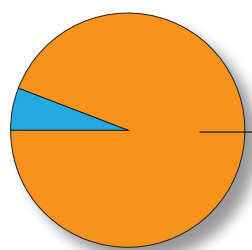
Do you find the overall look and feel inviting to read?

Always or Often: 65%



How often do you refer to past issues?

Always or Often: 6%



RETIREMENT SEMINAR PROGRAM REDESIGNED FOR 2012

Now is the best time to attend one of MCERA's pre-retirement seminars!

We've redesigned our seminar program with you in mind, incorporating comments from plan sponsors and members to improve the way we provide this type of education.

Attendees will receive an overview of the most important information about your MCERA retirement plan as well as a copy of the new Seminar Handbook, which has been developed as a brief reference guide.

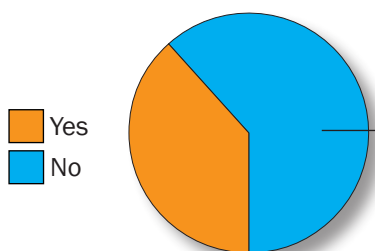
Visit our website (www.mcera.org) to see upcoming seminar dates, then call our office at (415) 473-6147 to reserve a seat.

TOP 5 TOPICS YOU WANT TO SEE:

- (1) Calculating your retirement benefit
- (2) Planning for and applying for retirement
- (3) Returning to work after retirement
- (4) Annual cost of living adjustment
- (5) Medical insurance options and costs

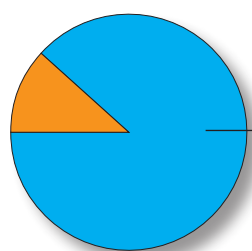
Has the newsletter assisted you in making decisions about your retirement?

No: 62%



Has the newsletter prompted you to take action with regard to retirement benefits?

No: 88%



The top reason MCERA members haven't made retirement decisions or taken action:
"It's too early, I'm too young, I'm not ready."

What did we learn?

The overarching message we received from the survey results was that a majority of active members are not looking at the details of their MCERA plan because they feel it's too early in their career to start thinking about retirement. This tells us that we need to improve in the areas of outreach and education earlier in our members' careers. You might not be able to choose your retirement plan (or Tier) or make investment decisions, but there are a number of things within your control that you should consider well in advance to help you plan for your financial needs in retirement.

For example, by gaining a better understanding about what percentage of your current income will be replaced by your MCERA benefit, you can plan to supplement your benefit with other savings like a 401(k) or a 457(b) account, if necessary. Did you start employment with your MCERA plan sponsor prior

to entering MCERA membership? If so, you may be eligible to purchase that service time and increase your retirement service credit. If you're contemplating a career change and terminating your current employment, you may want to take into consideration the benefits of deferring your membership and leaving your money on deposit with MCERA versus withdrawing your contributions.

Again, thank you very much for your thoughtful responses and comments. We've heard your feedback and will increase our focus on the areas and the topics you requested, both in the newsletter and in other communications. ■

Your feedback is always welcome. Please send comments and suggestions to MCERA's Communications Associate: sfowler@co.marin.ca.us





Important Dates

RETIREMENT BOARD MEETINGS

February 8
Retirement Board

March 14
Retirement Board

March 15
Investment Committee

March 20-21
Strategic Workshop

April 11
Retirement Board

RETIREE PAY DATES

January 31

February 29

March 30

April 30

OFFICE CLOSURES

January 16
Martin Luther King Jr. Day

February 20
President's Day

Investment Insights: Popular Annual Financial Reports

What Is A Popular Annual Financial Report?

In today's complex world of governmental financial reporting, analyzing financial statements can be a challenge – especially for those without backgrounds in public finance. A popular annual financial report, or PAFR, is designed to supplement traditional financial reports in an easy to understand format for the general public.

Why prepare a PAFR?

Because a PAFR provides a snapshot of an agency's financial performance and assets, it conveys that the agency is committed to transparency and maintaining accountability in all respects for the receipts and expenditures of public funds.

What does a PAFR include?

Generally, a PAFR is derived from an agency's financial statements and uses graphics and other visuals to augment the financial message. Common items included in public pension fund PAFRs are net assets held in trust, investment returns, fund revenue and expenses, and membership statistics. A PAFR doesn't provide all the detailed information contained in financial statements, which are prepared according to Generally Accepted Accounting Principles (GAAP) and audited by an external auditor. While the

financial data in a PAFR conforms to GAAP, the statistical and demographic data are usually taken from various sources and are not necessarily GAAP based.

MCERA's first PAFR

MCERA has issued condensed financial statements in a brochure format every year since 1952. The condensed financial statement brochure is similar to a PAFR in that it reports changes in MCERA's financial condition, asset allocation, investment performance, and membership statistics. However, the current format can be difficult to understand if the reader doesn't have a background in accounting or pension administration.

Beginning with the fiscal year ending June 30, 2011, MCERA will issue the Association's first PAFR brochure to better illustrate the information contained in audited annual financial statements. Media coverage of public pensions continues to raise awareness of the accounting and funding methods used for this type of retirement plan. Our goal is to report this important financial information in a way that our members, sponsors, and the public can easily understand.

Look for MCERA's first PAFR in the first quarter of 2012. ■

New Pension Software Goes Live in January

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You should have already been notified by MCERA if you will be impacted by changes to your benefit information.

Learning curve during transition

As is often the case with the launch of any large technology system, we may face some challenges as we transition and adjust to a new way of doing business. We'd like to thank our members and plan sponsors for your continued patience and cooperation as we move beyond the initial learning curve and begin maximizing the new system and its capabilities. Our staff remains committed to resolving issues quickly and maintaining

the highest possible level of customer service during this time.

Please contact us at (415) 473-6147 if you have any questions or concerns. ■

How Is My Monthly Retirement Allowance Calculated?

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members will have their highest period of compensation in their final years, but that may not necessarily be the case for you. If your look back period includes part-time employment, the time period under review will be extended to include the number of hours necessary to equal full-time employment. Also, your final average compensation for retirement may differ from the amount you were actually paid because only certain pay types may be included as compensation earnable for retirement purposes. For example, overtime pay does not generally count toward your final average compensation, but non-salary compensation such as uniform allowances or shift differentials may be included. More information on which pay types are included in determining your final average compensation is available by contacting MCERA.

If my retirement allowance is based on my age, service and compensation, then why are my Tier and benefit formula (e.g. 2% at 55) important?

Each Tier has its own benefit formula, minimum retirement age, maximum cost of living adjustment, and final average compensation period. This final average compensation period affects the calcu-

lation of your monthly benefit because it determines how many years of compensation MCERA will use to calculate your final average pay. MCERA members will have either a one-year or a three-year look back period, depending upon their Tier.

The benefit formula associated with your Tier expresses the percentage that your employer has adopted under the 1937 Act that is multiplied by your retirement age and years of service to calculate your benefit. For example, 2% at 55 means if you retire at age 55 your benefit will be calculated using 2%, or 0.0200, multiplied by years of service, multiplied by final average compensation. In this example, if you retire before age 55, the percentage multiplier is less than 2%. Please keep in mind that a benefit formula of 2% at 55 does not necessarily mean that you must be age 55 to retire. Minimum retirement age is determined by your employer (pursuant to statute) and is a separate component of your Tier.

How can I get an estimate of my future benefit?

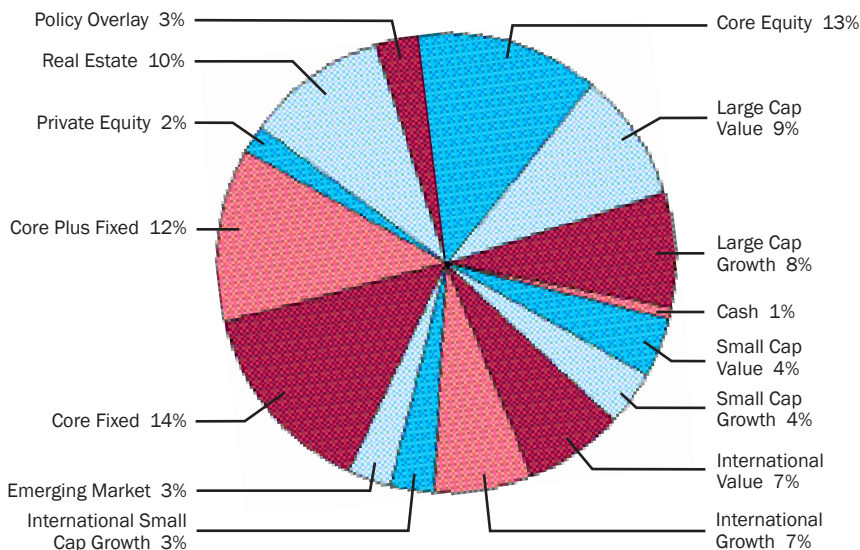
MCERA sends a customized Annual Benefit Statement to every active, deferred and reciprocal member. These statements include retirement estimates for future

dates based on your personal information.

You can also estimate your future benefit on your own using the Retirement Benefit Estimator on MCERA's website (please see the article sidebar for more information).

Custom estimates from MCERA staff may be required for members with periods of less-than-full-time service and those who have had periods of leave without pay. To receive an estimate from MCERA staff, contact our office for an Estimate Request form. Please keep in mind that custom estimates are based on your current salary only. Any other pensionable wages you might receive after the estimate but prior to your effective date of retirement will be factored into your benefit calculation only at the time you retire. However, you can include these factors yourself when using the online estimator. ■

Portfolio Pie as of September 30, 2011



Core Equity	\$	179,625,000
Large Cap Value	\$	114,762,000
Large Cap Growth	\$	114,137,000
Cash	\$	10,519,000
Small Cap Value	\$	53,019,000
Small Cap Growth	\$	59,782,000
International Value	\$	98,221,000
International Growth	\$	90,042,000
International Small Cap Growth	\$	37,195,000
Emerging Market	\$	33,608,000
Core Fixed	\$	189,973,000
Core Plus Fixed	\$	164,132,000
Private Equity	\$	30,130,000
Real Estate	\$	134,537,000
Policy Overlay	\$	34,286,000
TOTAL	\$	1,343,968,000



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

Presorted
Standard
U.S. Postage
PAID
StrahmCom

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

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.