

ISSUE 12  
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2012

# FUNDamentals

## It's Never too Early to Think About Retirement

Don't wait until a few years before you retire to get educated on your retirement plan. Learn how your plan works early in your career to help you maximize your benefits.

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**T**he overarching message we received from our newsletter survey results was that a majority of active members aren't looking at the details of their MCERA plan because they feel it's too early in their career to start thinking about retirement. 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 be aware of well before you retire.

### Learn How Your Benefit Is Calculated

By understanding how your benefit is calculated you can effectively maximize your monthly retirement allowance, which is based on your age at retirement, your years of retirement service credit and your highest average compensation. An increase in any of these factors can increase your benefit, but it may not be as straightforward as you think.

**Did you know...** that your years of retirement service credit may be reduced if you have periods of leave without pay? This is an important consideration if you intend to take a leave of absence where regular retirement contributions will not be deducted from your paycheck.

**Did you know...** that some pay categories don't factor into your highest average compensation? For example, overtime is not considered "pensionable" and does not count when calculating your retirement allowance.

**Did you know...** that you can estimate what percentage of your compensation will be replaced by your MCERA benefit at

your projected age and years of service at retirement? If you've just started your career it may be too early to discuss hard numbers with a financial planner, and it can be tricky to estimate what your highest compensation may be. However, you can use compensation percentage tables to help determine if you'll need to supplement your future benefit with other savings like a 457(b) or a 401(k) account.

### Purchase Eligible Service

**Did you know...** that if you started employment with your MCERA plan sponsor prior to entering MCERA membership, perhaps in an extra hire or part-time capacity where you weren't making retirement contributions, you may be eligible to purchase that service time and increase your retirement service credit?

**Did you know...** that if you were previously an MCERA member, terminated employment and withdrew your contributions, and then were rehired into MCERA-covered employment, you can restore your prior service credit by redepositing the full amount of contributions withdrawn (plus interest)?

It's usually best to purchase eligible service early in your career. Service purchase payments must be completed prior to your retirement date; and since interest is calculated and applied to purchases every six months, the longer you wait to purchase service, the greater the cost.

### Establish Reciprocity

**Did you know...** that you may be able to link your highest compensation and years

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## Retirement Board Members

### Bernadette Bolger

Vice Chair  
Appointed by Board of Supervisors

### Greg Brenk

Secretary  
Appointed by Board of Supervisors

### Chris Cooper

Elected by Safety Members

### 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

### Alan Piombo

Alternate  
Elected by Safety Members

### Gerald Richardson

Appointed by Board of Supervisors

### Kim Stevens

Appointed by Board of Supervisors

### Sean Webb

Alternate  
Elected by Retiree Members

## Executive Staff

### Jeff Wickman

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### 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 written and designed by MCERA's Communications Associate unless noted otherwise.

Member comments and suggestions should be directed to:

Email: [sfowler@marincounty.org](mailto:sfowler@marincounty.org)  
Phone: (415) 473-6147

# MCERA Releases First Popular Annual Financial Report (PAFR)

We're excited to issue MCERA's first Popular Annual Financial Report (PAFR) brochure to better illustrate the information contained in our annual audited financial statements and actuarial valuation reports.

Media coverage of public pensions continues to raise awareness of the accounting and funding methods used for defined benefit retirement plans. Our goal is to report this important information in a way that our members, sponsors and the public can easily understand.

The PAFR is available on our website, [www.mcera.org](http://www.mcera.org), or contact us to request a hard copy.



## Revised Economic Assumptions Influence Contribution Rates

Member and employer retirement contribution rates changed July 1, 2012. Most members saw an increase in their contribution rate reflected in their first paycheck issued in July 2012. The amount of the member contribution rate increase varies based on your entry age, membership classification (General or Safety) and tier. The average member contribution rate increase for County of Marin and special district employees is 0.43%. For City of San Rafael employees the average increase in the member contribution rate is 0.54%. Novato Fire Protection District employee contribution rates decreased 0.02% on average.

Many factors can affect a retirement plan's funding such as inflation, investment returns and member demographics. To ensure proper funding, the MCERA Retirement Board establishes economic assumptions and regularly reviews and adjusts them based on calculations, projections and recommendations of the Board's professional advisors. This year, the increase in employer and member contributions was mainly due to the Retirement Board's reduction of the plan's assumed rate of investment returns from 7.75% to 7.50%.



New contribution rates for members and employers are effective July 1, 2012. All contribution rates are available in the June 30, 2011 actuarial valuation report.

Find it online: visit [www.mcera.org](http://www.mcera.org) and click on Reports.

# Thinking About Going Back to Work After You Retire?

**W**ith today's changing economy more people are working after retirement. You may need additional income to supplement the retirement planning you've already done, or you may just want to use your new free time to continue making a meaningful contribution to society. If you're thinking about taking another job after your last day of regular MCERA-covered employment, there are some things you need to consider.

## 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 nine plan sponsors and there is no effect on your MCERA retirement benefit. If you are receiving a pension from another governmental plan, please contact that plan 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 benefit, you may work for one of MCERA's plan sponsors 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's the responsibility of both you and your employer to ensure that your employment doesn't 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 on your age at retirement.

In 2008, in compliance with federal tax law, the Retirement Board adopted resolutions defining normal retirement age (NRA) as 50 for Safety members and 59 for General members. These ages

are based on the average retirement ages of MCERA members as determined by our actuary. The resolutions also require that a bona fide separation from service must occur before any member who is younger than NRA can be employed as a retiree by an MCERA plan sponsor.

For members who retire younger than NRA, 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 predetermined arrangement with an MCERA employer for the member to return to work after retirement.

Members who retire older than NRA 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 with an MCERA employer.

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

If you intend to return to a permanent position working at least 75% of full time with any of MCERA's nine 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 reinstatement.

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 how returning to work after retirement may impact your retiree health insurance coverage, contact your former 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](http://www.ssa.gov), 1-800-772-1213.



# It's Never too Early to Think About Retirement

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of retirement service credit between more than one public employer in California? If you worked for a public employer in California before beginning your MCERA-covered employment, or if you're considering terminating your current employment, you may want to look at the benefits of establishing reciprocity if your break in service was six months or less.

If a reciprocal agreement exists between MCERA and your former or future employer's retirement plan, and you leave your contributions on deposit with each plan, your years of retirement service credit in both plans may be combined to meet retirement eligibility requirements. Also, both retirement systems will base your benefit calculation on your highest compensation earned in either system. This means that if you left a higher-paid position with one employer for a position with less pay at a different agency, the higher compensation earned during your first period of employment would be

used to calculate your retirement benefit. Please let us know as soon as possible if you may be eligible for reciprocity.

## Understand Spouse/ Domestic Partner Rights

**Did you know...** that your current or future spouse or domestic partner may be entitled to a portion of your retirement benefit even after you divorce or dissolve your domestic partnership? Pursuant to California law, if you're a member of MCERA while married or partnered and subsequently separate, your retirement allowance earned during the marriage or partnership may be considered community property.

You should notify MCERA as soon as possible upon a divorce or partnership dissolution filing. If not, you could face long delays in the payment of your future retirement benefits, including contribution refunds upon terminating employment.



Get more information about your retirement benefits!

- **Visit MCERA's Website:** Read handbooks, fact sheets, brochures, newsletters, compensation percentage tables and FAQs; produce your own retirement benefit estimate.
- **Attend a Seminar.**
- **Contact Us:** Call, write, or visit our office with your questions.

## Retirement Board & Committee Meetings Held This Quarter

**April 3:** Communications & Member Services Committee

**April 11:** Retirement Board

**April 17:** Governance Committee

**May 2:** Retirement Board

**May 3:** Investment Committee

**May 17:** Finance & Risk Management Committee

**June 13:** Retirement Board

## Board Meeting Highlights

### Key Actions from the Minutes: April through June 2012

All Retirement Board agendas, minutes and policies are posted on our website.

Visit [www.mcera.org](http://www.mcera.org) and click on Retirement Board for minutes and agendas, click on Governance for policies and bylaws.



### Actuarial Valuation Report Accepted

In April, the Retirement Board adopted the actuarial valuation report for the fiscal year ending June 30, 2011. This report contains the employer and employee contribution rates that are effective July 1, 2012. Available for the first time are valuation summaries for the County of Marin and special districts, City of San Rafael, and Novato Fire Protection District that highlight key information from the complete report. To view the summaries and complete report online, visit the Reports section of our website.

### Board Meeting Agendas Restructured

Based on recommendations from the Governance Committee, in May the

Retirement Board approved changes to the structure of regular meeting agendas so that topics of special interest would be set as "time certain" at the beginning of the meetings to allow members, beneficiaries, plan sponsors and the public to plan their attendance.

### New Standing Agenda Item: Pension Change Legislation

In June, staff and counsel updated the Retirement Board on the recent pension measures passed in the City of San Jose and the City of San Diego, charter cities whose pension systems follow municipal code rather than the County Employees' Retirement Law (like MCERA) or CalPERS law. The Board will continue to track pension issues – at the legislative level as well as within local jurisdictions – as part of their regular meetings.

### Policies Revised, Adopted

The following policies were revised or adopted this quarter:

- Election and Duties of Board of Retirement Officers Policy
- Investment Policy Statement

Attention active, deferred and reciprocal members!

# Look for Your Redesigned Annual Benefit Statement Later This Summer

Annual benefit statements for the fiscal year ending June 30, 2012 will contain all of the important information you're used to, but in a new, easier to read format. Annual benefit statements provide a valuable summary of your MCERA member account and potential retirement benefit. This information can be used as a tool to help you plan your financial future. We recommend keeping this document in a safe place where you can access it easily.

## What is on my annual benefit statement?

### Demographic Information

Your statement includes your important demographic information, including membership entry date, current membership status, reciprocal status, years of service credit, employer and/or tier, and final average compensation as of the end of the fiscal year.

### Contribution Balance

Your statement reports your total career employee contributions, both those that have already had income tax withheld and contributions that have not been subject to income tax (newer employees may only have nontaxed contributions). 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 review your designated beneficiary to make sure it is correct on your annual benefit statement. If not, please notify us of any changes. The Beneficiary Change form is available on our website, in our lobby or upon request.

### Projected Benefit Estimates

Estimates of the annual benefits that may be available to you when you are eligible for retirement are included. Keep in mind that these are estimates only. Your actual benefits at retirement will be based on the circumstances and facts when you retire.

If you don't receive your annual benefit statement by this fall, 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. Deferred members should fill out the Address Change form, which is available on our website or upon request.
- Contact our office for a duplicate copy.

Retirees and  
Beneficiaries:

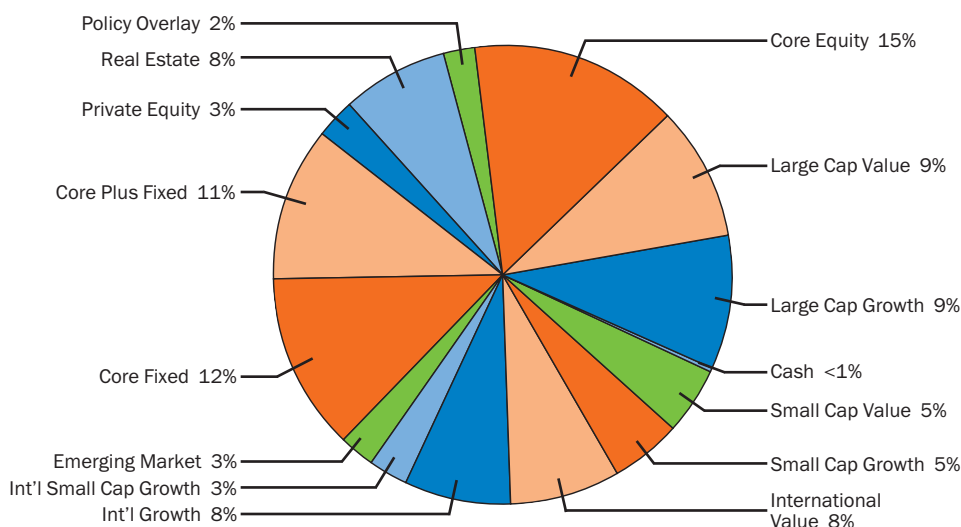
## Sign Up for Direct Deposit!



Convenient, reliable and secure, direct deposit is the most efficient way to receive your monthly MCERA retirement allowance.

Download the form from our website or contact our office for a copy.

## Portfolio Pie as of March 31, 2012



Core Equity	\$	226,156,000
Large Cap Value	\$	142,026,000
Large Cap Growth	\$	143,746,000
Cash	\$	4,848,000
Small Cap Value	\$	69,737,000
Small Cap Growth	\$	78,118,000
International Value	\$	116,068,000
International Growth	\$	114,067,000
International Small Cap Growth	\$	44,355,000
Emerging Market	\$	39,602,000
Core Fixed	\$	186,084,000
Core Plus Fixed	\$	168,031,000
Private Equity	\$	40,854,000
Real Estate	\$	114,227,000
Policy Overlay	\$	30,983,000
TOTAL		\$ 1,518,902,000



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### Participating Employers:

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County of Marin  
LAFCO  
Marin City Community  
Services District  
Marin/Sonoma Mosquito  
Abatement District  
Marin Superior Court  
Novato Fire  
Protection District  
Southern Marin Fire  
Protection District  
Tamalpais Community  
Services District

# FUNDamentals

**Don't worry when you  
are not recognized, but  
strive to be worthy of  
recognition.**

*Abraham Lincoln*

### MCERA Office Hours:

**Monday—Friday  
8am—5pm**

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

## Important Dates

### Retiree Pay Dates:

July 31	September 28
August 31	October 31

### Office Closure:

September 3	Labor Day
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### Retirement Board Meetings:

August 8	Retirement Board
September 12	Retirement Board
September 20	Investment Committee
October 10	Retirement Board
October 16-17	Strategic Workshop

### 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.