

FUNDamentals

NEWSLETTER FOR MEMBERS OF THE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Want more information on **Social Security?** See **page 5** for a list of resources.

CONTACT US:

By phone:
(415) 473-6147

By fax:
(415) 473-3612

In person/by mail:
One McInnis Parkway
Suite 100 (first floor)
San Rafael, CA 94903-2764

What if I'm eligible for Social Security benefits?



Federal offsets may reduce your earned Social Security benefits because of your MCERA pension.

Although most MCERA members are not participating in Social Security during their MCERA-covered employment, many have had jobs covered by Social Security elsewhere before coming to work for their current employer. If your service with MCERA or another government pension plan is not covered by Social Security, the pension you receive from MCERA (or another public plan) could reduce your Social Security benefits.

Social Security has two provisions that can impact retirees: the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These 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 applies to people who earned a pension in any job where they did not pay Social Security taxes, and also worked in other jobs long enough to qualify for a Social Security benefit (40 quarters).

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

Why was the WEP implemented?

Social Security benefits were intended to replace only a portion 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.

How much will my Social Security benefit be reduced because of the WEP?

The maximum reduction to your Social Security benefit is based on your years of substantial earnings and the year you reach age 62. As an example, people with 20 or less years of substantial earnings under Social Security who turn age 62 in 2014 will not see a reduction in their Social Security benefit larger than \$408 per month.

Also, if you paid Social Security tax on 30 years of substantial earnings, you are not affected by the WEP.

The WEP is only applied if you are receiving a non-covered pension, such as retirement benefits from MCERA.

If you choose to draw your Social Security benefit prior to receiving your MCERA pension, Social Security will not apply the WEP and will pay your normal benefit.

(Continued on page 5)

Retirement Board Members

Jeffrey Bartfeld

Appointed by Board of Supervisors

Bernadette Bolger

Chair
Appointed by Board of Supervisors

Greg Brenk

Vice Chair
Appointed by Board of Supervisors

Chris Cooper

Alternate
Elected by Safety Members

Roy Given

Ex-Officio Member
County of Marin Director of Finance

Maya Gladstern

Elected by General Members

Howard McFarland

Elected by General Members

Alan Piombo

Elected by Safety Members

Karen Shaw

Alternate Ex-Officio Member

David Shore

Appointed by Board of Supervisors

Vacant

Elected by Retiree Members

Sean Webb

Alternate
Elected by Retiree Members

Executive Staff

Jeff Wickman

Retirement Administrator

Michelle Hardesty

Assistant Retirement Administrator

Editorial Staff

Sydney Fowler

Communications Associate

FUNDamentals is published 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
Phone: (415) 473-4014

Retirement Board Election Results

Retiree Member

MCERA conducted a special election to fill the vacancy in the Retiree Member seat following the resignation of trustee Michael Smith, former County Treasurer -Tax Collector, who returned to the Retirement Board in 2012 to continue his dedicated service as a retiree.

One nomination petition was received so an election will not be held. The candidate, current Alternate Retiree Member Sean Webb, will serve the remainder of the current term, which ends October 31, 2015.

To fill the vacancy in the Alternate Retiree Member position the Retirement Board will accept nominations from the Marin County Association of Retired Employees (MCARE) and appoint one of those candidates to serve the remainder of the current term.



General Member

One nomination petition was received for the position of Third General Member. As a result, no election was held and the candidate nominated, Phillip Thomas, begins his three-year term on the Retirement Board beginning November 1, 2014. Mr. Thomas is an employee of Marin County working in the Department of Public Works.

Retirees: Adjust Your Withholding at Any Time

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 may change annually or during the year.

If at any time you wish to change your tax election you may do so by completing new Federal and/or State tax withholding forms and returning them to MCERA. Forms are available on the Forms page of MCERA.org or upon request.

If you have questions about tax withholding you should seek assistance from licensed professional advisors.

ACTIVE MEMBERS:

Did you know that all or a portion of your future retirement benefit is taxable?

Retirement contributions paid on a pre-tax basis are taxable when received as part of your retirement benefit.

Retirement contributions paid on a post-tax basis have already been taxed and are exempt from taxation when received as part of your retirement benefit.

More Benefits to Staying Healthy: Service Credit for Unused Sick Leave

Staying healthy can add years to your life, but it can also benefit you when you retire.

Unlike vacation hours, unused sick leave hours can be converted to service credit at the time of retirement. Most MCERA members are eligible to increase their monthly retirement benefit with this type of service conversion.

How does my accrued sick leave convert to service credit?

To be eligible to convert your unused sick leave to service credit you must terminate active employment and begin retirement the day after your termination date.

Also, the amount of sick leave you can convert depends on your employer, and each employer has different rules.

County of Marin and Marin Superior Court employees are eligible to convert 75% of their unused accumulated sick leave to service credit at the time of retirement. Novato Fire Protection District employees are eligible to convert 100% of their sick leave, and Southern Marin Fire Protection District employees are eligible to convert 40%.

The City of San Rafael sick leave conversion policies vary by bargaining unit. Most San Rafael employees hired before June 30, 2009 are eligible to convert 100% of their sick leave to service credit. San Rafael employees with questions about their bargaining unit's sick leave conversion policy should contact the San Rafael Human Resources Department.

All other participating employers do not currently have sick leave conversion policies.



Sick leave does not count toward retirement or medical eligibility.

Keep in mind that converted sick leave service credit is added into your total service credit when your retirement benefit is calculated, but it cannot be used to meet any eligibility requirements. For example, you cannot use your accumulated sick leave hours to reach the 5-year vesting requirement. To be vested, you must have actually worked and paid contributions for 5 years.

Annual Benefit Statements Coming Soon

Your Annual Benefit Statement provides a valuable summary of your MCERA member account and includes an estimate of your potential retirement benefit. The 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?

Your Statement includes information like your membership entry date, reciprocal status, years of service credit, and your highest average compensation as of the end of the fiscal year. It also includes your total career employee contributions, designated beneficiaries, and retirement benefit estimates for up to three future dates.

Please review the information on your Statement carefully and notify MCERA of any potential discrepancies as soon as possible.

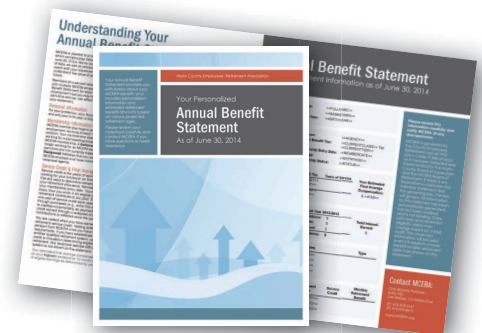
I haven't received my Statement.

If you do not receive your Annual Benefit Statement by the end of October, we recommend 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, so you may need to update your address with your department/agency payroll specialist. Deferred and reciprocal members should complete an Address Change form (available at MCERA.org or upon request).

Where can I get more information?

Visit our website, MCERA.org, to view the frequently asked questions and learn more about the information on your Annual Benefit Statement.



RETIRED MEMBERS:

After you retire you no longer receive Annual Benefit Statements.

Instead, you receive a Form 1099-R at the end of January that reports your annual retirement earnings.

Fund ends Fiscal Year with Double Digit Return

MCERA's portfolio delivered a preliminary investment return (after fees) of approximately 18.0% for the fiscal year ending June 30, 2014.

The portfolio ended the fiscal year with a preliminary market value of \$1.99 billion, up approximately \$277 million from the prior year.

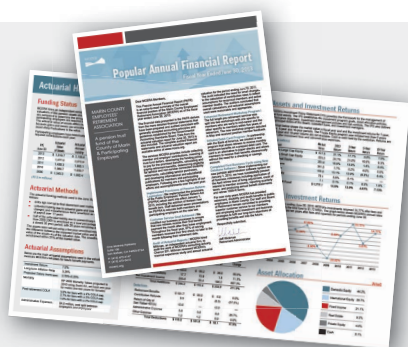
Investment information for the fiscal year is final for all investment categories except private equity. The total return and market value may change with the inclusion of final private equity data at the quarter ending September 30, 2014.

Investment Insight: Managing Risk

With the assistance of its professional advisors, the MCERA Board constructs its investment portfolio in a way that is designed to maximize returns while attempting to minimize risk. The portfolio's asset allocation—how the funds are invested—helps manage market volatility, which means the short-term ups and downs of the market cause smaller relative changes in MCERA's fund returns.

Managing assets with this strategy can be a trade-off: returns may not be as

high in an up market, but the fund can be better protected against losses in a down market. The goal with this strategy is to produce stable returns over the long term. This stability allows participating employers to have more predictable contributions, which helps with budgeting from year to year. It should also increase the confidence of MCERA's members who rely on the investments to pay for their future retirement benefit.



Popular Annual Financial Report Available Online

View the PAFR on the Reports page of our website, MCERA.org.

The Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2013 illustrates the information contained in our annual audited financial statements and actuarial valuation reports in a way that our members, sponsors and the public can easily understand.

FIND IT ONLINE!

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

Visit MCERA.org and click on Retirement Board for agendas and minutes; click on Governance for policies and bylaws.

Board Meeting Highlights

Board Makes Move to Electronic Packets

The Retirement Board transitioned from printed board packets to electronic board packets in April. The new technology enables MCERA to significantly reduce the time and costs associated with the preparation and distribution of paper meeting packets.

Board Member Elections, Appointment

Recently elected Third General Member Phillip Thomas will begin his three-year term on November 1, 2014, at the expiration of Howard McFarland's term.

Only one nomination petition was received during the special election to fill the vacant Retired Member position. The candidate,

Sean Webb, will serve the remainder of the current term. Please see page 2 for more information.

The term of the Fifth Member, appointed by the Board of Supervisors, ends on October 31, 2014.

Request for Proposal: General Investment Consultant

In March, MCERA issued a request for proposal to provide general investment consulting services and received nine responses. An Ad Hoc Committee of the Board will review and evaluate bids, interview potential companies and make a recommendation to the full retirement board in September.

What happens if I'm eligible for Social Security benefits?

(Continued from page 1)

Once you retire from MCERA, the WEP will apply and your Social Security benefit will be reduced going forward.

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.

How much will my Social Security spousal benefit be reduced because of the GPO?

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 benefit is \$1,200, two-thirds of that, or \$800, must be deducted from your Social

Security spousal benefit. If you are eligible for a \$600 spousal benefit from Social Security, that benefit would be reduced to zero (\$600 - \$800 = \$0).

Why was the GPO implemented?

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 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 earned their pensions while not paying Social Security taxes would be treated in a similar manner to those who work in the private sector and do pay Social Security taxes.

Social Security Resources

Social Security Statements

Statements are no longer mailed, but you can create an account and view your earnings record online:

- ssa.gov/myaccount

Call Social Security

Representatives are available from 7 a.m. to 7 p.m. in all time zones:

- 1-800-772-1213

WEP Fact Sheet

This fact sheet (SSA Publication No. 05-10045) is available online:

- ssa.gov/wep

WEP Chart & Calculator

Estimate your WEP reduction using these easy tools. You'll need an estimate of your MCERA pension to use the WEP Calculator. Get one quickly using the online estimator at MCERA.org.

- ssa.gov/retire2/wep-chart.htm

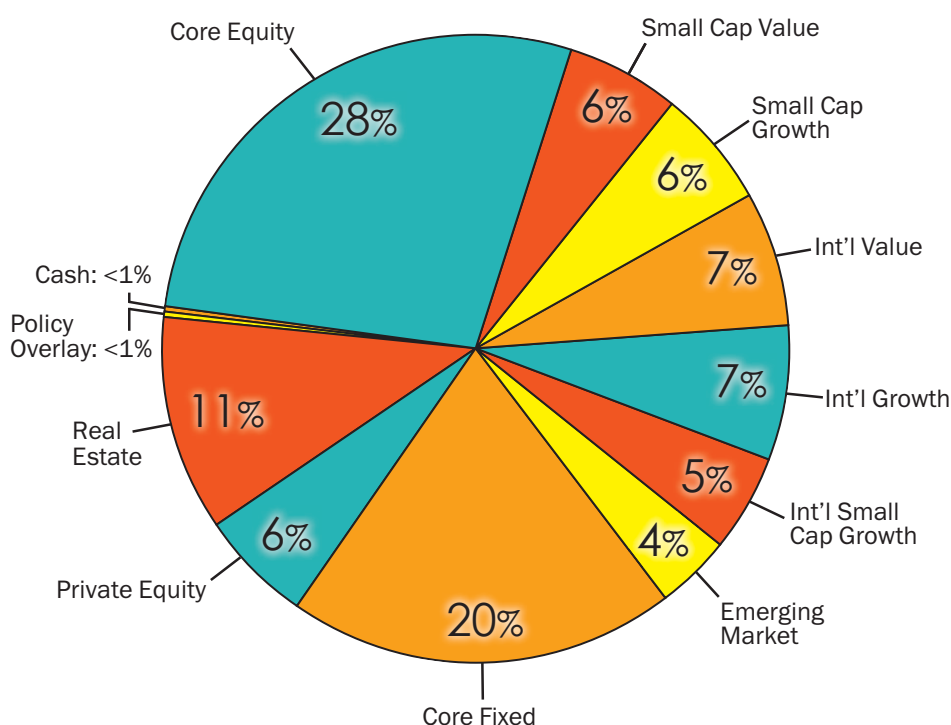
GPO Fact Sheet

This fact sheet (SSA Publication No. 05-10007) is available online:

- ssa.gov/gpo

Social Security Workshops at MCERA

MCERA hosts Social Security workshops several times a year. Visit the Workshops page on MCERA.org to see available dates and reserve a seat.



Portfolio Pie as of June 30, 2014

Core Equity	\$	564,496,000
Small Cap Value	\$	125,873,000
Small Cap Growth	\$	114,755,000
International Value	\$	133,039,000
International Growth	\$	134,679,000
Int'l Small Cap Growth	\$	93,188,000
Emerging Market	\$	82,565,000
Core Fixed	\$	402,058,000
Private Equity	\$	117,394,000
Real Estate	\$	222,745,000
Policy Overlay	\$	2,523,000
Cash	\$	7,036,000
TOTAL		\$ 2,000,351,000



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 & Vector Control District
Marin Superior Court
Novato Fire Protection District
Southern Marin Fire Protection District
Tamalpais Community Services District

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Be on the lookout for your **Annual Benefit Statement!**
See **page 3** for more information.

Contact Us:

Phone: (415) 473-6147
Fax: (415) 473-3612
Monday - Friday
8am - 5pm



September 1
November 11
November 27
November 28
December 24
(open 8am-12pm)
December 25
December 31
(open 8am-12pm)

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.