

FUNDamentals

NEWSLETTER FOR MEMBERS OF THE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION



**MEMBER &
EMPLOYER
RATES
CHANGE
JULY 2015**

**Is my future
MCERA benefit
based on my
contributions?**

More FAQs on page 4

**The value
of your
DEFINED
BENEFIT PLAN**
See page 5

special issue:

CONTRIBUTIONS

Everything you need to know about your contributions to MCERA's defined benefit plan

Some aspects of the retirement plan are different based on retirement tier. Where applicable, **Classic** members can find specific information in orange and **PEPRA** members will see information in purple.

CLASSIC: Tiers in place before January 1, 2013

PEPRA: Tiers created on/after January 1, 2013

New Contribution Rates Effective July 1, 2015

In March, the Retirement Board adopted the June 30, 2014 actuarial valuation report, which includes the employer and employee contribution rates effective July 1, 2015.

The report incorporates new economic and demographic assumption changes adopted by the Board as a result of the recent triennial experience study. The newly adopted assumptions are the most significant contributors to the change in contribution rates for both employers and employees.

Changes to Employee Rates

Most members will see an increase in their contribution rate reflected in the first paycheck issued in July 2015. The average member contribution rate increase for County of Marin and special district employees is 0.45%, City of San Rafael

employees will see an average increase of 1.12%, and Novato Fire employee contribution rates will increase 0.14% on average.

To find the contribution rates for your tier and bargaining unit, visit MCERA.org and click "Current Tiers and Member Contribution Rates" in the list of Quick Links near the top. Employee contribution rate tables are included in the actuarial valuation; however, some members contribute an additional percentage, based on bargaining agreements, that is not reflected in the report.

Changes to Employer Rates

The net employer contribution rates for the County of Marin and special districts, City of San Rafael and Novato Fire increased by 1.08%, 2.97% and 0.53%, respectively.

Board of Retirement

Jeffrey Bartfeld

Appointed by Board of Supervisors

Bernadette Bolger

Chair

Appointed by Board of Supervisors

Greg Brenk

Appointed by Board of Supervisors

Chris Cooper

Alternate

Elected by Safety Members

Roy Given

Ex-Officio Member

County of Marin Director of Finance

Allen Haim

Alternate

Elected by Retiree Members

Alan Piombo

Elected by Safety Members

Karen Shaw

Alternate Ex-Officio Member

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Vice Chair

Appointed by Board of Supervisors

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Elected by General Members

Sean Webb

Elected by Retiree Members

Vacant

Elected by General Members

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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

Board Election Updates

Retiree Member & Alternate

One nomination petition was received for the Retiree Member seat. As a result, no election was held and the candidate nominated, Maya Gladstern, will begin her three-year term as Retiree Member beginning November 1, 2015.

Ms. Gladstern previously served for 12 years as the Second General Member prior to her retirement from Marin County's Information Services and Technology Department.

Allen Haim, current Alternate Retiree Member, was the only candidate for the Alternate Retiree Member seat so no election was held. The term of the Alternate is concurrent with the Retiree Member and also begins November 1, 2015. Mr. Haim retired from County Counsel.



Second General Member

MCERA is conducting a special election to fill the vacancy in the Second General Member seat. Nomination petitions were received from two candidates. Ballots were mailed in June to all general members eligible to vote in the election. Voted ballots must be received by the County of Marin Registrar of Voters by 4:30 pm July 31.

Board Meeting Highlights

Semi-annual Strategic Workshop

The Board convened for a two-day strategic workshop in March. Trustees reviewed the economic and capital markets projections for the next ten years, and discussed trends in private equity as well as oversight challenges posed by alternative investments. The Board also received educational presentations on utilizing environmental, social and governance factors in the investment process, and absolute return and hedge strategies.

Actuarial Valuation Report Adopted

In March, the Board adopted the actuarial valuation report for the fiscal year ending June 30, 2014. This report contains the employee and employer contribution rates effective July 1, 2015.

Upcoming Appointments

The term of the Ninth Member ends on October 31, 2015. The Board of Supervisors will appoint a member of the public to fill this seat prior to that date.

Policy Updates

The following policies were revised:

- Adoption of Actuarial Economic Assumptions
- Budget Policy and Adoption Process
- Conflict of Interest Code
- Disability Retirement and Survivor Benefits Applications
- Retirement Administrator Performance Evaluation
- Trustee and Staff Travel Expense

The following policies were reaffirmed without revision:

- Accessibility of Records
- Class Action Securities Litigation
- Corporate Governance
- Investment Code of Conduct and Insider Trading
- Investment Policy Statement
- Placement Agent and Payment Disclosure
- Portable Electronic Device
- Reciprocal Members' Final Compensation Determinations
- Senior Management Contingency Plan

Funding the Plan through CONTRIBUTIONS

The MCERA retirement plan is funded by three sources: member (employee) contributions, employer contributions and investment earnings. While investment earnings have historically represented the majority of the plan's income, the contributions made by you and your employer are an important source of funding for the benefits paid to current and future retirees.

Setting Contribution Rates

MCERA retains an independent actuary to perform an actuarial valuation each year. The annual actuarial valuation measures the current and projected assets and liabilities of the retirement system. This information, along with the demographic make-up of the plan, forms the basis for establishing the actuary's recommendations for employee and employer contribution rates for the upcoming fiscal year. The Retirement Board considers the actuary's recommendations in adopting the appropriate contribution rates, which are then conveyed to all participating employers for implementation.

Employee Contributions

All members are required to contribute a percentage of their compensation through regular payroll deductions, generally made on a pre-tax basis. Employee contribution rates are affected by changes in the normal costs of funding the plan, assumed interest rates, cost-of-living benefits, changes in the level of benefits, and changes in life expectancy. Investment and other experience gains or losses do not impact employee contribution rates.

Although your contributions have no impact on the calculation of your service retirement benefit, your contributions are critical to your membership: as long as your retirement contributions are on deposit with MCERA, you remain an MCERA member.

Classic members pay a statutorily-based percentage of their *compensation earnable* based on their age when they entered MCERA membership. **PEPRA** members pay a percentage of their *pensionable compensation* that is at least 50% of the normal cost of the benefits prescribed by their tier. See the column on the right for definitions of these terms. Please contact your employer to confirm which pay types are included in the compensation reported to MCERA.

Employer Contributions

Employer contribution rates typically vary from year to year. Rates depend on the level of established benefits, investment returns, and the cost of administering the plan. These contributions are used, along with employee contributions, to fund retirement payments. You will benefit from your employer's contributions only upon retirement.

Funding the COLA

You help fund your future retiree cost of living adjustments (COLAs) through the member contributions you make while you're working. When the actuary calculates member contribution rates, a portion of those rates includes the COLA.



CLASSIC MEMBERS

Tiers established prior to January 1, 2013

Compensation Earnable

Compensation earnable is your base pay plus other approved payable items, allowances and cash-outs such as uniform allowance or shift differential. Compensation earnable does not include pay for overtime, standby, on call, administrative response or cash paid in lieu of benefits (such as paid unused fringe).

PEPRA MEMBERS

Tiers established on or after January 1, 2013

Pensionable Compensation

Pensionable compensation is your normal monthly rate of pay, or base pay, paid to similarly situated members of the same group or class of employment for services rendered on a fulltime basis during normal working hours. Pay items excluded from pensionable compensation are leave cash outs, standby pay, overtime, payments for services outside of normal working hours, bonuses and allowances. Other pay items not listed may also be excluded.

Compensation Cap

There is a cap on the amount of pensionable compensation that applies to both your member contributions and your retirement benefit. Contributions will not be taken and retirement benefits will not be calculated on amounts higher than the cap.

The cap is equal to 120% of the Social Security benefit base if you are not covered by Social Security (most MCERA members) and 100% if you are covered by Social Security. As of January 1, 2015, the cap for members not covered by Social Security is \$140,424 and \$117,020 for members who are covered.

there were

41

SERVICE
RETIREMENTS
in MARCH

the
RETIREMENT
BOARD has met

13 times
this
year

including committee meetings

MCERA
ADMINISTERS

44

benefit TIERS

YOU are ONE
of 6,039
MEMBERS

Frequently Asked Questions: MY CONTRIBUTIONS

Is my future MCERA retirement benefit based on my contributions?

No. MCERA is a defined benefit plan, which means that your future service retirement benefit is calculated using a formula that is based on your age at retirement, your service credit, and your highest average compensation. Your accumulated contributions and interest do not factor in to the calculation of a service retirement benefit.

Does my contribution account earn interest?

Yes. Your account receives interest every June 30 and December 31 on the previous six-month balance. The current interest rate and the amount you received are on your annual benefit statement. If you terminate employment and decide to withdraw your MCERA account, all of your member contributions and earned interest will be refunded to you.

Can I increase my contributions to my MCERA account?

No. Employee contribution rates are recommended by MCERA's actuary and adopted by the Retirement Board in accordance with the law. Also, because this is a defined benefit plan your retirement benefit is determined by a fixed formula that does not take your contributions into consideration. An increase in your contributions would not result in an increased service retirement benefit.

If you participate in a deferred compensation plan, such as a 457(b) plan offered by your employer, you may be able to increase your contributions to that account and increase your future benefit from that plan. We recommend contacting the plan provider for more information.

Can I borrow against my MCERA account?

No. The money you contribute is held solely for the purpose of paying a future benefit, or refunded to you if you terminate employment and elect to end your MCERA membership.

Why is my retirement contribution percentage different from that of my coworker?

Member contribution rates are based on a number of factors. For **Classic** members, your contribution rate is determined by your retirement tier and your age at entry or re-entry into MCERA membership, or your age at entry into a prior reciprocal retirement system. The younger you are when you enter membership in a Classic tier, the lower your contribution rate will be. Contribution rates for **PEPRA** members are determined by tier only, and are the same for all members within that tier regardless of age at entry into membership.

Will my retirement contributions ever stop?

Member contributions toward retirement are a condition of employment and will be deducted from your pay as long as you are employed by one of MCERA's participating employers in a permanent position working at least 75% of full time hours. Members in **Classic** retirement tiers will stop paying retirement contributions once they have earned 30 years of service credit, including purchased and reciprocal service. Members in **PEPRA** tiers must continue making retirement contributions regardless of earned service credit.

Do I have to withdraw my contributions if I terminate employment and don't retire?

No. If you terminate employment with one of MCERA's participating employers you have the option to leave your member contributions and interest on deposit and retire at a later date. If you have at least 5 years of service credit, including purchased and reciprocal service, you are vested and can retire when you have met all eligibility requirements. If you have less than 5 years of service credit your earliest retirement eligibility occurs at age 70.

HAVE A QUESTION WE DIDN'T ANSWER?

Contact MCERA's Active Member Benefits Team

☎ (415) 473-4148 @ MCERABenefits@marincounty.org

The Value of Your DEFINED BENEFIT PLAN

The contributions made by you and your employer, combined with the fund's investment earnings, provide current and future retirees with secure income in retirement. However, your contributions do not determine your service retirement benefits. Defined benefit plans, like the one administered by MCERA, provide a monthly lifetime retirement benefit based on your age at retirement, your years of service credit and your highest average compensation, not contribution account balances or investment returns.

Features of Your Defined Benefit Pension Plan

Provides a lifetime income. After you retire, your defined benefit plan is designed to provide you with a guaranteed and predictable lifetime income, regardless of how long you live and what happens in the stock market.

Provides professional asset management. Just as not everyone can perform your particular job, not everyone can successfully invest in the stock and bond markets. To fulfill the obligation of providing the promised retirement benefits, MCERA's Retirement Board works

with professional consultants and money managers whose job is to ensure that MCERA's portfolio receives the highest possible return on investment.

Provides special protections for beneficiaries. Depending upon the benefit payment option chosen at retirement, upon the member's death their spouse/partner or other designated beneficiary may be eligible to receive a lifetime continuance of up to 100% of what the member was receiving in retirement.

Provides a broad range of benefits. Members earn benefits without having to make active decisions. Also, MCERA's defined benefit plan provides for other benefits like disability retirement, death benefits, benefits for your spouse/partner should you predecease them and cost of living adjustments for retirees.

Understand What You Have and Its Value

For nearly 65 years MCERA's defined benefit plan has supported stability for members in retirement by providing predictable retirement income for life. Combined with supplemental savings and investments, your pension is the foundation of a secure retirement plan.

Your MCERA benefit is meant to replace only a portion of your income.

When looking at your level of replacement income in retirement, be sure to consider all potential sources.

Defined contribution (DC) plans, such as 457(b) or 401(k) plans, can be valuable savings vehicles that make preparing for retirement easier than relying on your pension alone.

DC plans differ from MCERA's defined benefit plan in that the benefits are determined by the amount of contributions and investment earnings, and payments may stop when your money runs out.

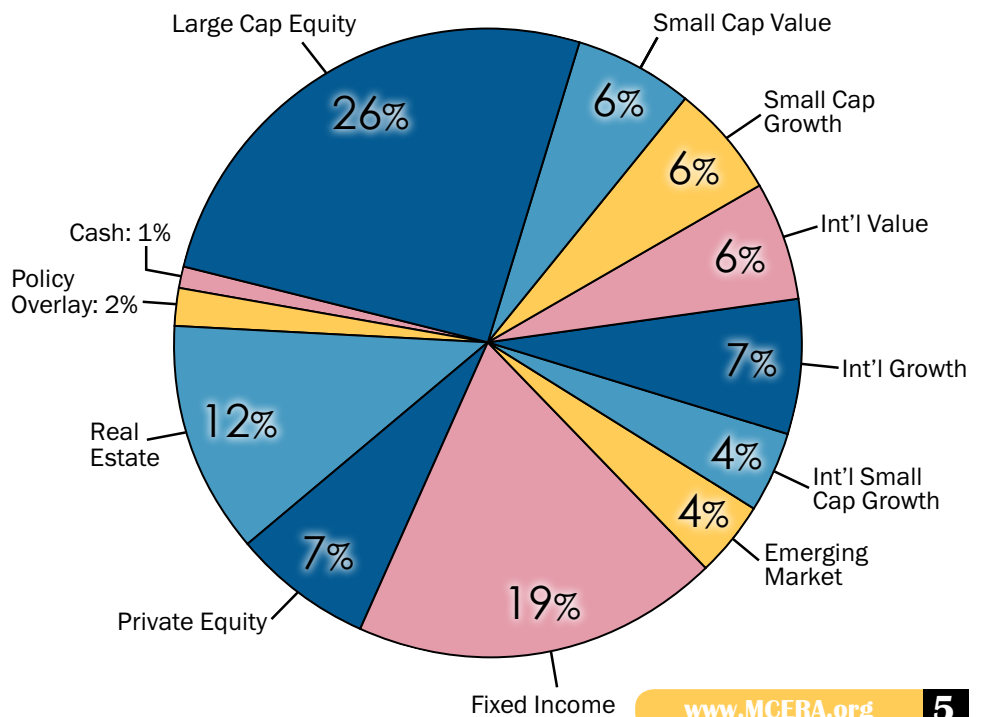
Take advantage and start making contributions to a supplemental savings plan early to help ensure you'll meet your goals for income replacement in retirement.

MCERA does not administer 457(b) plans. Please contact your employer for information.



INVESTMENT PORTFOLIO as of March 31, 2015

Large Cap Equity	\$ 525,784,000
Small Cap Value	\$ 130,215,000
Small Cap Growth	\$ 123,083,000
International Value	\$ 126,592,000
International Growth	\$ 134,610,000
Int'l Small Cap Growth	\$ 89,655,000
Emerging Market	\$ 73,676,000
Fixed Income	\$ 400,583,000
Private Equity	\$ 147,613,000
Real Estate	\$ 247,157,000
Policy Overlay	\$ 32,847,000
Cash	\$ 24,921,000
TOTAL	\$ 2,056,736,000





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 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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special issue:

CONTRIBUTIONS

Everything you need to know about your contributions to MCERA's defined benefit plan

on page 2: Retirement Board
MEETINGS & ELECTIONS

Get in touch with MCERA staff!

Active Members: (415) 473-4148 / MCERABenefits@marincounty.org
 Retired Members: (415) 473-4149 / MCERARetirees@marincounty.org

The *Value* of
**YOUR
 DEFINED
 BENEFIT
 PLAN**

learn more
 on page 5

**RETIREE
 PAY DATES**

July 31
 August 31
 September 30
 October 30

**CONTRIBUTION
 RATES CHANGE
 EFFECTIVE
 JULY 1, 2015**

Have contribution questions?
 See if we answered them on page 4.

Important Note

MCERA staff prepared this newsletter to help our members understand issues surrounding many aspects of their retirement benefits. The information contained herein is not intended to be all-inclusive. The information is general and is written to be as understandable as possible while remaining accurate. MCERA is governed by state and federal law. If any conflicts arise between the information presented and applicable law, the law will prevail. 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 tax counsel.