

# MCERA PENSION

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## UPDATE ON AB 197 LITIGATION: STILL PENDING

The lawsuit seeking to stop the implementation of Assembly Bill 197 is still pending. The Court has issued a tentative decision following multiple hearings. Nothing is final until the Court issues a final judgment and any writs directing MCERA to take specific actions. The next hearing has been set for April 25, 2014. MCERA expects that sometime after the April 25th hearing, the writs and judgment will be finalized and entered by the court. After final judgment is entered, the matter may be appealed. If the matter is appealed, final resolution in the courts could still take years.

The Court's decision, in general, concluded that members are not entitled to the continued inclusion of accrued leave cash out amounts beyond the amount that is both earned and payable to them during their final average salary period. However, the court concluded, that in some situations, certain MCERA members may be entitled to have accrued leave amounts beyond what was earned and payable to

them in their final average salary period counted towards their retirement benefits. More details will follow after the April 25th hearing.

A "Stay Order" is still in effect, requiring that MCERA continue to follow its pre-AB 197 policy on retirement calculations, and presently is in effect until 60 days after the court enters judgment. MCERA will continue to follow its pre-AB 197 policy in accordance with the Stay Order.

MCERA cannot predict the ultimate outcome of this litigation. Members who plan to retire should be aware of the lawsuit and the possibility that their retirement calculations could change depending on the final outcome of the lawsuit. Specifically, with respect to all items of compensation at issue (which can include leave cash-outs, termination pay and on-call/standby pay) one possible scenario is that the final outcome might require the exclusion of such pay (or a portion thereof) from compensation for retirement purposes.

## INVESTMENT RESULTS FOR QUARTER ENDING DECEMBER 2013

As of February 28, 2014, the assets of the Merced Retirement Fund totaled \$630 million. Investment returns as of March 30, 2014, will be available in May .

For the fourth quarter ending December 31, 2013, the fund returned 5.5% exceeding the benchmark of 4.7% and ranked in the 27th percentile of other similar sized public funds (4.8% median) Longer term, the three year and five year returns of 9.6% and 12.6% ranked right at the median among its peer public plans (9.6% and 12.6%, respectively).



Fourth quarter results were enhanced by the Fund’s Domestic Equity portfolio which returned 10.3% exceeding the index of 10.0% and the International portfolio which returned 5.6% also exceeding the benchmark of 4.8%. The complete 4Q report is posted on the MCERA website.

- Retirement Board**
- Karen Adams
  - Mark Bodley
  - Deidre Kelsey
  - Jim Pacheco
  - David Ness, Chair
  - Alfonse Peterson
  - Michael Rhodes
  - Darlene Ingersoll
  - Ron Kinchloe
  - Scott Johnston

## COLA FOR 2014

The Board approved a 2.5% Cost of Living Adjustment (COLA) for Tier 1 retired members. Those eligible for the COLA will see the increase in their April 30, 2014 payment.

The COLA is determined annually based on increases in the December Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose area. The ratio is calculated, and rounded to the nearest one-half percent The increase was 2.58%, which was rounded to 2.5%.

## NEW RETIREMENT PLAN ADMINISTRATOR

The MCERA Retirement Board appointed Steven Bland as the new Retirement Plan Administrator. Mr. Bland began his new position on March 31, 2014. He has spent three decades involved in investments, benefits, administration, and actuarial work.

Mr. Bland has been impressed by the quality of staff currently at MCERA: David Liu, Bren Horrocks, Brenda Mojica, Sheri Villagrana, Rhianna Phillips, Frank Romero and Angelo Lamas

- MCERA Board Meetings**
- April 24, 2014
  - May 8, 2014
  - May 22, 2014
  - June 12, 2014
  - June 26, 2014
- Meetings begin at  
8:15 am**

## NEW VALUATION REPORT IS APPROVED

In accordance with Section 31453 of the County Employees' Retirement Law of 1937, MCERA has requested and received an actuarial valuation of the retirement fund as of fiscal June 30, 2013 and an Experience Study for the years 2010 to 2013.

The purpose of the reports is to review the experience of the plan over the relevant time period , to discuss reasons for changes in Plan cost and to compute the annual employer and member contributions to the plan. On February 27, 2014 and March 13, 2014, Cheiron Actuaries presented a Preliminary Valuation Results Report and Triennial Experience Study to the Board. On April 10, 2014 the Board of Retirement approved the final Valuation Report for the period ending June 30, 2013 and adopted new contribution rates. Based on the current assumptions of 7.75% annual investment earnings rate, 3.00% inflation rate and a 16 year amortization period, the new employer contribution rate equates to an average contribution rate for the total group of 47.64%. This represents an increase of 3.54% over the current average rate.

The increase in rate is due to demographic changes of increased retirements, new mortality tables reflecting longer retiree life spans and the effect of the remaining investment losses from 2008 and 2009 . There is a slight reduction to the member contribution rates from the prior valuation report due to a change in the inflation and mortality assumptions and the allocation of administrative expenses. Member contribution rates average 8.23% for general members and 8.82 for safety members.

The Report also reflects an increase in actuarial liabilities for the fund and an increase in the actuarial value of the fund. The complete Actuarial Review and Analysis as of June 30, 2013 is available on the MCERA website.