

# MCERA PENSION

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## UPDATE ON AB 197 LITIGATION

In light of AB197 and AB340 pension reform legislation that Governor Brown signed into law in 2012, there has been uncertainty regarding compensation payouts for retirement purposes in the Merced County retirement system. Of special interest has been the issue of the maximum 160 vacation hours that each employee is allowed to cash out and have counted as pensionable compensation for retirement purposes in calculating the monthly benefit.

On May 12, 2014, a judgment by the Merced County Superior Court was entered which presented orders regarding this vacation payout issue. In summary, these orders are as follows and apply to members within Tiers 1, 2 & 3:

1. To continue to permit all employees to utilize the 160 hours of vacation payout for calculating "compensation earnable" for retirement pension purposes whose effective dates of retirement are within sixty (60) days (Stay Period) following the issuance of the judgment. We've been advised that to-date a writ, as ordered by the judgment, has not yet been filed, However, its filing does not affect the sixty (60) day period which is already running, with an end date of July 11, 2014.

2. Following the sixty (60) day period, only those MCERA members who retire after July 11, 2014 and had accumulated "banked" vacation hours as of December 31, 2012 may have their cashed-out-vacation terminal pay included in their final compensation calculation up to the lesser of:

- A). 160 hours; or,
- B). The amount of accumulated "banked" vacation hours available on December 31, 2012 (this is the day prior to AB197 and AB340 becoming effective).

Another action of the recent court decision requires that our MCERA retirement system evaluate various pay codes (such as on-call pay or stand-by pay) to ensure that they are included as "compensation earnable" when appropriate in considering retirement pensions.



# INVESTMENTS

Investment results for the first quarter of 2014 were slightly better than the assumed rate. Actual investment returns exceeded the goal for the quarter.

Fiscal year to date the fund has earned 13.4% over the last nine months, well ahead of the long term assumption.

In December 2013 the Board adopted a new asset allocation. The asset allocation includes several new asset classes. It will take some time for the investment consultant and staff to provide the board with educational sessions on the new asset allocations, conduct manager searches, and then have County Counsel perform a review of the contracts.



Recently the Board has been involved with creating or increasing the allocations for real estate, and hedge funds. In the coming quarters there may be commitments made to infrastructure and natural resources.

The board recently voted to terminate its relationship with WHV, a small cap domestic equity manager. The funds will be managed by Dimensional Fund Advisors. This change should be implemented in June or July.

**Retirement Board**

Karen Adams

Mark Bodley

Darlene Ingersoll

Deidre Kelsey

Ronald Kinchloe

David Ness, Chair

Jim Pacheco

Alfonse Peterson, Secretary

Michael Rhodes

Scott Johnston

# PERSONNEL

David Liu, our Fiscal Supervisor, will be leaving MCERA on June 27. We thank him for many years of contributions to MCERA and wish him well in his new endeavors.

Frank Romero and Sheri Villagrana both juggle work at MCERA with college courses. They completed spring semester with excellent grades.

Bren Horrocks, Angelo Lamas, David Liu, Brenda Mojica, Sheri Villagrana and I all participated in training through SACRS (State Association County Retirement Systems) and/or CALAPRS (California Association of Public Retirement Systems).

# PENSION ADMINISTRATION

There are, two projects are underway with MCERA staff. 1) The annual statement (the "CAFR") which is prepared each summer. 2) The pension administration software package the office uses is 20 plus years old and requires an upgrade. This has been a multi-year project. MCERA staff deserves a lot of credit for handling these projects in addition to maintaining ongoing operations.

The vendor of the new pension administration system was on site in June providing extensive training to MCERA staff.

Steven Bland

**MCERA Board Meetings**

July 10, 2014

July 24, 2014

August 14, 2014

August 28, 2014

September 11, 2014

September 25, 2014

October 9, 2014

October 23, 2014

November 20, 2014

December 11, 2014

**Meetings begin at 8:15 am**