

## TO THE MEMBERS OF THE MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MCERA presents the 2015 Popular Annual Financial Report (PAFR), which summarizes the MCERA Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2015. The financial data presented in the PAFR is derived from the CAFR and is consistent with Generally Accepted Accounting Principals (GAAP) and was prepared in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. It is published to provide a view of MCERA's overall financial position and services for the fiscal year. A copy of the MCERA CAFR can be obtained by contacting the MCERA office or on-line at [www.mcera.merced.ca.us](http://www.mcera.merced.ca.us).

### MANAGEMENT AND RESPONSIBILITIES

Pursuant to the provisions of the County Employees' Retirement Law of 1937, MCERA's management is vested in a nine member and two alternate member Board of Retirement. The Board acts in a fiduciary capacity in making decisions related to the general management of the retirement system, including making benefit determinations and setting and monitoring all investment policies and objectives. The Board appoints a Retirement Plan Administrator who is responsible for the day-to-day operations of the retirement system. The Board adopts an annual budget covering the expense of administration of the system. Members of the Board have a legal duty to use the assets of the plan for the benefit of plan participants and beneficiaries and to act in the best interests of the plan.

### INVESTMENT POLICY OBJECTIVES

The Board has adopted an Investment Policy which provides the framework for the management of MCERA's investments. The Investment Policy establishes the investment program goals, asset allocations, performance objectives, and risk controls. The primary investment objectives are to ensure the payment of all benefit obligations and to meet the assumed rate of investment return.

### MCERA'S MISSION STATEMENT

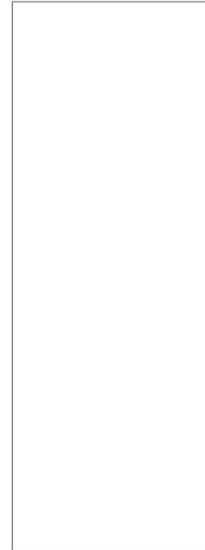
"MCERA's mission is to provide benefits to its members, to manage assets prudently in accordance with plan provisions and to provide competent and efficient services to our members."

### SERVICE EFFORTS AND ACCOMPLISHMENTS

The Board and the MCERA staff are committed to providing timely and personalized member services while striving to be an efficient organization. The Board and staff of MCERA had a productive year. Below is a summary of MCERA's accomplishments. Please see MCERA's CAFR on the MCERA website to view a complete list.

- Supported the continued progress of the CPAS software implementation
- Completed the development of an independent website for MCERA
- Completed the development of an imaging system
- Adopted and implemented a COLA of 2.5% effective April 1, 2015 for Tier I members
- Board fulfilled continuing education requirements
- Board approved new asset managers

**Award for Outstanding Achievement for Excellence in Financial Reporting:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MCERA for its CAFR for the fiscal year ended June 30, 2014. This is MCERA's eleventh Certificate of Achievement for Excellence in Financial Reporting.



A Pension Trust Fund of the County of Merced, California

For the fiscal years ended June 30, 2015 and 2014

MERCED COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION  
3199 M STREET

MCERA is committed to providing excellent service for its plan participants



MERCED COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION

## POPULAR ANNUAL FINANCIAL REPORT For the Year ending June 30, 2015

### ISSUED BY

Angelo Lamas, Interim Plan Administrator  
Bren Horrocks, Fiscal Supervisor

### BOARD OF RETIREMENT

COUNTY TREASURER  
Karen Adams

### ELECTED BY GENERAL MEMBERS

Darlene Ingersoll  
Michael Rhodes

### ELECTED BY SAFETY MEMBERS

Jim Pacheco

### ELECTED BY RETIRED MEMBERS

Ronald Kinchloe  
Alternate Retired Member  
Scott Johnston

### APPOINTED BY THE BOARD OF SUPERVISORS

Deidre Kelsey  
David Ness  
Alfonso Peterson  
Ryan Paskin

This PAFR is not intended to replace the CAFR, which provides a more complete report of MCERA's financial position and operating costs. This financial report is designed to provide tax payers, MCERA's membership, and plan sponsors with an overview of MCERA's financial condition and to demonstrate accountability for the funds MCERA receives and manages. Questions concerning this report or the CAFR should be addressed to MCERA.

Angelo Lamas, Interim Plan Administrator



Retirement Board  
Meeting Dates  
Second and Fourth  
Thursday of each month at  
8:15 A.M.

Phone: 209-726-2724  
Fax: 209-725-3637

**FIDUCIARY NET POSITION**

As of June 30, 2015, MCERA's net assets held in trust totaled \$657,324,917.

The table below shows how current financial transactions have impacted the net asset base.

**Changes in MCERA Net Position (in thousands)**

	2015	2014
<b>ADDITIONS</b>		
Plan Member Contributions	\$ 8,945	\$ 9,643
Employer Contributions	52,005	48,032
Net Investment Income	19,319	96,129
<b>Total Additions</b>	<b>80,269</b>	<b>153,894</b>
<b>DEDUCTIONS</b>		
401(h) Distribution to County	\$ -	\$ -
Benefits	61,780	57,339
Refunds of Contributions	1,172	703
Actuarial Expense	126	113
Administrative Expense	2,197	1,434
<b>Total Deductions</b>	<b>65,275</b>	<b>59,589</b>
<b>Change in Net Position</b>	<b>\$ 14,994</b>	<b>\$ 94,305</b>

**Net Position Restricted for Pensions**

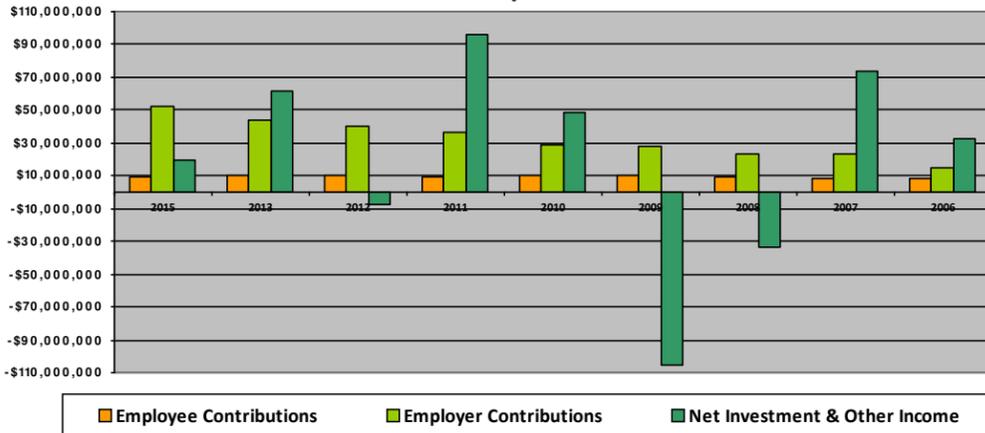
Net Position Restricted for Pensions at beginning of year	\$657,325	\$563,020
Net Position Restricted for Pensions at end of year	\$672,319	\$657,325

Over the past fiscal year, MCERA's total fiduciary net position held in trust for pension benefits increased by \$15.0 million (an increase of 2.3%). This increase reflects an increase in employer contributions and the fair value of investments net of benefits and expenses.

**Additions to Plan Net Position (All \$ amounts in thousands)**

Fiscal years Ending 6/30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Employee Contributions</b>	\$8,945	\$9,643	\$9,928	\$10,416	\$9,754	\$9,864	\$9,916	\$9,358	\$8,755	\$8,222
<b>Employer Contributions</b>	\$52,005	\$48,032	\$43,784	\$40,263	\$36,662	\$29,137	\$27,883	\$23,751	\$23,232	\$14,750
<b>Net Investment Gain/(Loss)</b>	\$14,994	\$96,129	\$61,083	\$-7,039	\$96,032	\$48,772	\$-105,689	\$-33,797	\$73,614	\$32,192

**Additions by Source**

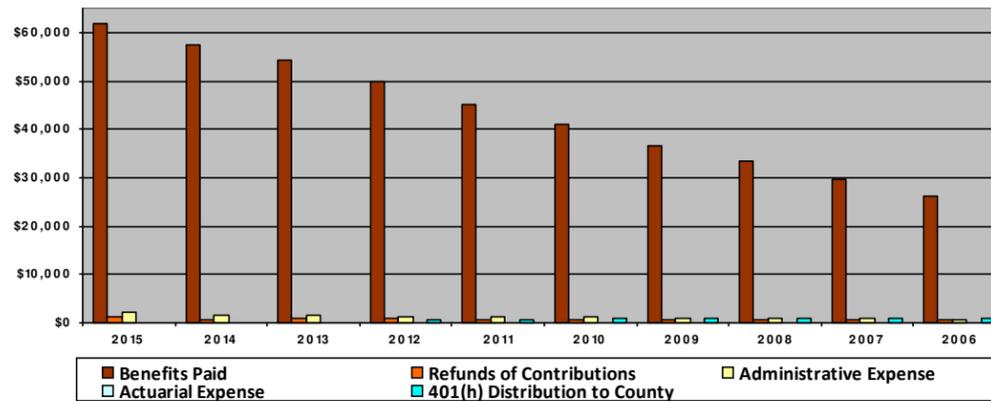


Deductions for the current fiscal year totaled \$65.3 million an increase of 9.5% from the previous year. This increase was primarily due to higher benefits paid, increases in administrative and actuarial expenses.

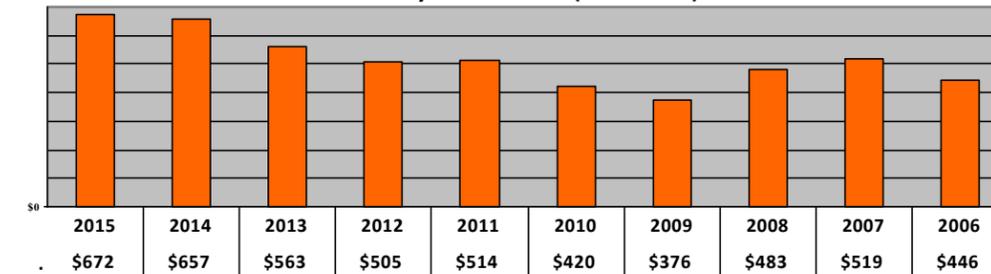
**Deductions from Plan Net Position (All \$ Amounts in Thousands)**

Fiscal years ending 6/30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Benefits Paid</b>	\$61,780	\$57,339	\$54,258	\$49,840	\$45,022	\$40,929	\$36,479	\$33,394	\$29,578	\$26,264
Refunds of contributions	\$1,172	\$703	\$1,082	\$1,052	\$767	\$673	\$761	\$653	\$704	\$602
<b>Administrative Expense</b>	\$2,197	\$1,434	\$1,496	\$1,180	\$1,189	\$1,171	\$1,005	\$1,030	\$1,015	\$649
Actuarial Expense	\$126	\$113	\$71	\$63	\$138	\$67	\$62	\$54	\$41	\$48
<b>401(h) Distribution to County</b>	-	-	-	\$733	\$650	\$850	\$850	\$850	\$850	\$850

**Expense by Type (in Thousands)**



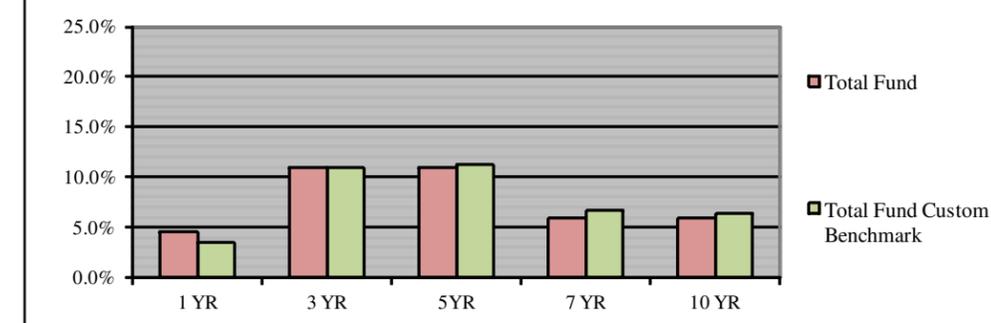
**Fiduciary Net Position (in Millions)**



**INVESTMENTS**

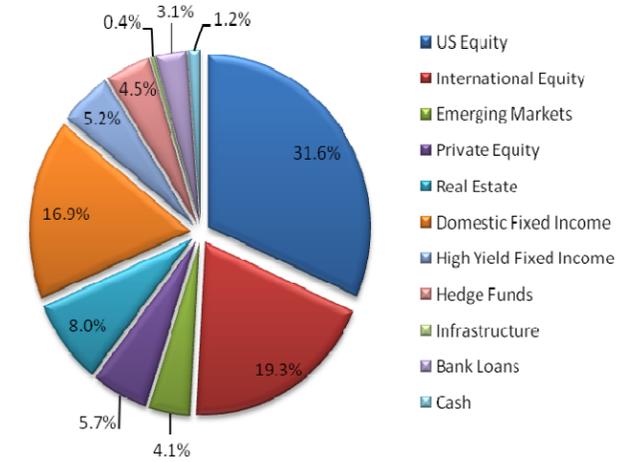
The MCERA Investment Policy defines the principal duties of the Board, MCERA's custodian bank, and MCERA's investment managers. The Investment Policy provides the framework for the management of MCERA's investments. For the fiscal year ending June 30, 2015 MCERA's total fund return was 4.6%, which outperformed MCERA's policy benchmark of 3.5% by 1.1%.

**Schedule of Investment Results**



**ASSET ALLOCATION**

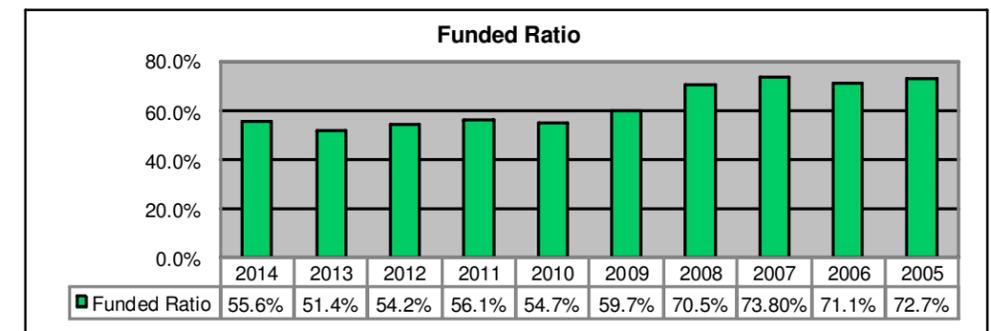
The asset allocation plan is an integral part of the Investment Policy and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. The asset allocation plan is adopted by the Board of Retirement and as shown has produced a well balanced and diversified portfolio. Infrastructure, Hedge Funds, and Bank Loans mandates are new to the asset allocation. Natural Resources mandate had not been funded as of June 30, 2015.



**ACTUARIAL**

MCERA's overall funding ratio compares the amount of benefits promised to the assets available to pay those benefits. MCERA's most recent actuarial valuation, as of June 30, 2014 found the retirement system's actuarial funding status to be 55.6%. The Board of Retirement adopted an Actuarial Funding policy to direct MCERA's funding objective to maintain a status that allows for the payment of its long term benefit obligations.

**Actuarial Funding Status for the Past 10 Years**



**HISTORICAL MEMBERSHIP**

Fiscal years ending 6/30	Active Members	Retired Members and Beneficiaries	Average Annual Benefit Received
2015	1,967	2,162	\$28,504
2014	1,904	2,132	\$26,828
2013	1,901	2,046	\$26,448
2012	1,901	1,998	\$24,864
2011	1,985	1,883	\$23,832

**Membership** includes employees of Merced County, Merced Superior Court, Merced Cemetery District, Transit JPA, and Regional Waste Management Authority.

**Average Annual Benefit** is the average benefit received including the basic retirement pension plus COLAs.