

TO THE MEMBERS OF THE MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MCERA presents the 2016 Popular Annual Financial Report (PAFR), which summarizes the MCERA Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016. 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.

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.

- Successful generation of 1099s from the CPAS software
- Started development of member web portal
- Adopted and implemented a COLA of 3.0% effective April 1, 2016 for Tier I members
- Board fulfilled continuing education requirements
- Board approved new real estate asset manager, Patron, a value-added international fund

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, 2015. This is MCERA's eleventh Certificate of Achievement for Excellence in Financial Reporting.

MCERA



A Pension Trust Fund of the County of Merced, California

For the fiscal years ended June 30, 2016 and 2015

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, 2016

ISSUED BY

Kristie Santos, 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.

Kristie Santos, 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, 2016, MCERA's net assets held in trust totaled \$670,015,824.

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

Changes in MCERA Net Position (in thousands)

	2016	2015
ADDITIONS		
Plan Member Contributions	\$ 9,043	\$ 8,945
Employer Contributions	56,617	52,005
Net Investment Income	-388	19,319
Total Additions	65,272	80,269
DEDUCTIONS		
Benefits	63,929	57,339
Refunds of Contributions	1,154	703
Actuarial Expense	76	113
Administrative Expense	2,417	1,434
Total Deductions	67,576	59,589
Change in Net Position	\$ -2,304	\$ 94,305

Net Position Restricted for Pensions

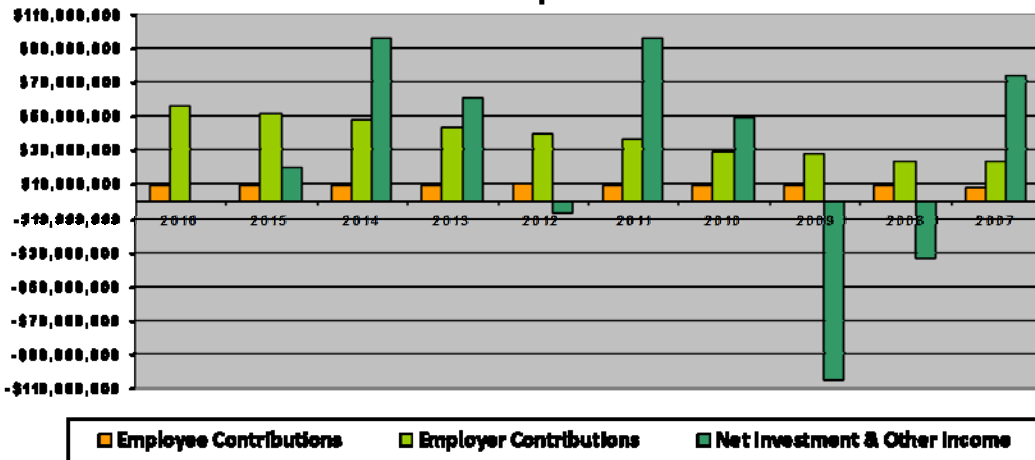
Net Position Restricted for Pensions at beginning of year	\$672,319	\$657,325
Net Position Restricted for Pensions at end of year	\$670,015	\$672,319

Over the past fiscal year, MCERA's total fiduciary net position held in trust for pension benefits decreased by \$2.3 million. This decrease reflects an increase in benefits paid, refunds of contributions and administrative expenses.

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

Fiscal years Ending 6/30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Employee Contributions	\$9,042	\$8,945	\$9,643	\$9,928	\$10,416	\$9,754	\$9,864	\$9,916	\$9,358	\$8,755
Employer Contributions	\$56,617	\$52,005	\$48,032	\$43,784	\$40,263	\$36,662	\$29,137	\$27,883	\$23,751	\$23,232
Net Investment Gain/(Loss)	\$-388	\$19,994	\$96,129	\$61,083	\$-7,039	\$96,032	\$48,772	105,689	\$-33,797	\$73,614

Additions by Source

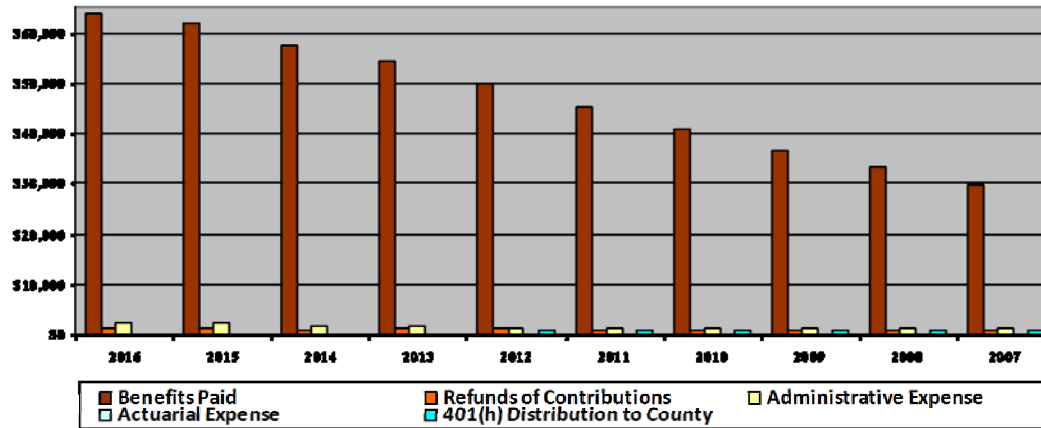


Deductions for the current fiscal year totaled \$67.6 million an increase of 3.5% from the previous year. This increase was primarily due to higher benefits paid and increases in administrative expenses.

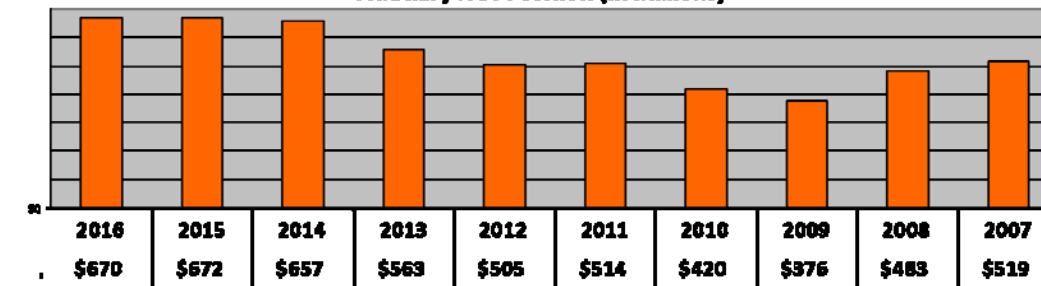
Deductions from Plan Net Position (All \$ Amounts in Thousands)

Fiscal years ending 6/30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Benefits Paid	\$63,928	\$61,780	\$57,339	\$54,258	\$49,840	\$45,022	\$40,929	\$36,479	\$33,394	\$29,578
Refunds of contributions	\$1,154	\$1,172	\$703	\$1,082	\$1,052	\$767	\$673	\$761	\$653	\$704
Administrative Expense	\$2,417	\$2,197	\$1,434	\$1,496	\$1,180	\$1,189	\$1,171	\$1,005	\$1,030	\$1,015
Actuarial Expense	\$76	\$126	\$113	\$71	\$63	\$138	\$67	\$62	\$54	\$41
401(h) Distribution to County	-	-	-	-	\$733	\$650	\$850	\$850	\$850	\$850

Expense by Type (in Thousands)



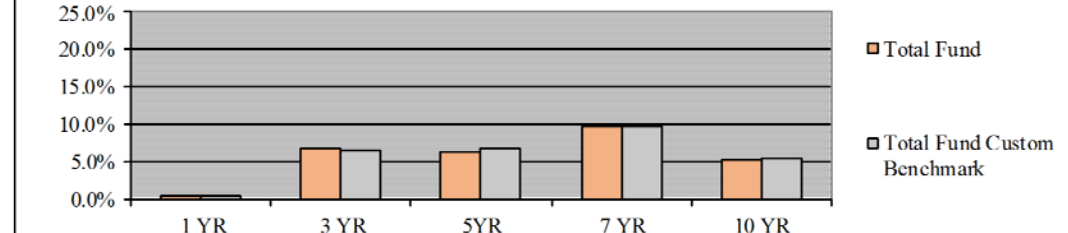
Fiduciary Net Position (in Millions)



INVESTMENTS

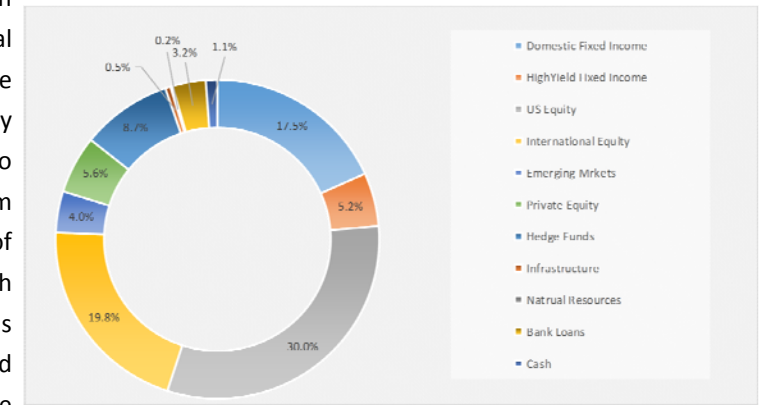
The MCERA Investment Policy defines the principal duties of the Board, MCERA's custodian bank, and MCERA's investment managers. The Investment Policy provides the framework for the management of MCERA's investments. For the fiscal year ending June 30, 2016 MCERA's total fund return was 0.6%, which outperformed MCERA's policy benchmark of 0.4% by 0.2%.

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

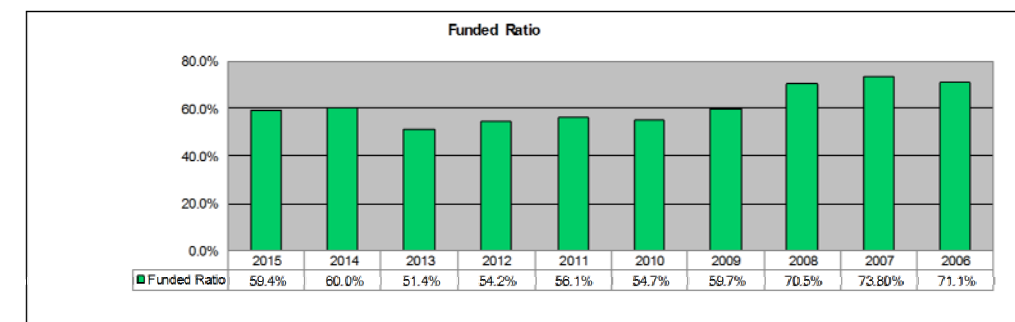


minimizing risk exposure. The asset allocation plan is adopted by the Board of Retirement and as shown has produced a well balanced and diversified portfolio.

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, 2015 found the retirement system's actuarial funding status to be 59.4%. 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
2016	2,042	2,183	\$29,652
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

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.