

SHARI SCHAPMIRE
CHAIR
TREASURER TAX COLLECTOR

LLOYD WEER
VICE-CHAIR
ELECTED GENERAL MEMBER

TIM KNUDSEN
SECRETARY
ELECTED RETIRED MEMBER

SUPERVISOR JOHN MCCOWEN
B.O.S. APPOINTEE

JOHN SAKOWICZ
B.O.S. APPOINTEE

TED STEPHENS
B.O.S. APPOINTEE

BOB MIRATA
B.O.S. APPOINTEE

RANDY GOODMAN
ELECTED GENERAL
MEMBER

CRAIG WALKER
ELECTED SAFETY
MEMBER

RICHARD SHOEMAKER
ELECTED RETIRED
ALTERNATE MEMBER



RICH WHITE
RETIREMENT
ADMINISTRATOR

JEFF BERK
LEGAL COUNSEL

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA JANUARY 16, 2013 – 8:30 A.M.

ROLL CALL (8:30 A.M.)

PUBLIC COMMENT (Estimated Time 5 min.)

Members of the public are welcome to address the board on subjects within the jurisdiction of the Board of Retirement regarding items both on and off the agenda. The board is prohibited by law from taking action on matters not on the agenda, but may ask questions to clarify the speaker's comment and/or briefly answer questions. The board limits testimony on matters not on the agenda to 5 minutes per person and not more than 10 minutes for a particular subject at the discretion of the Chair of the Board. To best facilitate public expression please complete the speaker form available at the entrance to the boardroom and present to the Clerk to the Board. If you wish to submit written comments please provide 13 copies to the Clerk to the Board prior to the start of the meeting. Public speakers are reminded to announce their names before they address the board.

- 1) APPROVAL OF THE MINUTES OF THE SPECIAL BOARD MEETING HELD JANUARY 3, 2013 (Estimated Time 5 min.)
- 2) DISCUSSION AND POSSIBLE ACTION REGARDING THE INDEPENDENT AUDIT REPORT BY GALLINA LLP (Estimated Time 60 min.)
- 3) DISCUSSION AND POSSIBLE ACTION REGARDING THE JUNE 30, 2012 ACTUARIAL VALUATION (THE SEGAL COMPANY) (Estimated Time 45 min.)

BREAK (Estimated Time 10 min.)

- 4) MONTHLY INVESTMENT REPORT (Estimated Time 10 min.)
 - Investment Report
 - Update Domestic Equity Asset Allocation

◆ RETIREMENT ASSOCIATION CONFERENCE ROOM: 625-B KINGS COURT, UKIAH, CA 95482 ◆
◆ PHONE 707-463-4328 FAX 707-467-6472 ◆ WWW.CO.MENDOCINO.CA.US/RETIREMENT ◆

◆RETIREMENT BOARD MEETING AGENDA◆
◆JANUARY 16, 2013 - 8:30 A.M.◆

5) DISCUSSION AND POSSIBLE ACTION REGARDING THE BOARD STRATEGIC PLAN
(Estimated Time 15 min.)

6) BENEFITS AND OPERATIONS (Estimated Time 15 min.)

- Member retirements and withdrawals of contributions by inactive members
- Selection of Retirement Option at time of application

**7) DISCUSSION AND POSSIBLE ACTION REGARDING MEMBER APPEAL OF
RETIREMENT OPTION SELECTION DENIAL (Estimated Time 30 min.)**

LUNCH RECESS (Approximately 11:45 P.M.)
RECONVENE (Approximately 12:45 P.M.)

8) CLOSED SESSION (Estimated Time 90 min.)

- Pending disability applications update
- Tim Goss, SCD Application dated 5/10/12
- Michael Tobin, SCD Application dated 12/3/12
- Public Employee Performance Evaluation - Retirement Administrator - Pursuant to Government Code Section 54957

REPORT OUT FROM CLOSED SESSION (Estimated Time 5 min.)

9) MONTHLY FINANCIAL REPORT (Estimated Time 45 min.)

- Budget Review FY 2012-2013
- November 2012 Preliminary Statement

BREAK (Estimated Time 10 min.)

10) RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 20 min.)

- Certificate of Achievement for Excellence in Financial Reporting
- Form 700 Statement of Economic Interests
- Operations and Benefits Staff Update
- Training and Education

11) COMMUNICATIONS (Estimated Time 10 min.)

- Letters to the Editor
- Wall Street Journal Articles

12) GENERAL BOARD MEMBER DISCUSSION (Estimated Time 5 min.)

ADJOURNMENT (Approximate Time 3:50 P.M.)

(Pursuant to Government Code Section 54954, this agenda was posted 72 hours prior to the meeting.)

◆RETIREMENT ASSOCIATION CONFERENCE ROOM: 625-B KINGS COURT, UKIAH, CA 95482◆
◆PHONE 707-463-4328 FAX 707-467-6472◆ WWW.CO.MENDOCINO.CA.US/RETIREMENT◆

◆ MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION ◆
BOARD OF RETIREMENT SPECIAL MEETING MINUTES
◆ JANUARY 3, 2013 AT 9:00 A.M. ◆

CALL TO ORDER

Shari Shapmire, Board Chair, called the meeting to order at 9:00 A.M.

ROLL CALL

Roll call was conducted with the following members present: Shari Schapmire, Lloyd Weer, Ted Stephens, Tim Knudsen, Randy Goodman, John Sakowicz, and Bob Mirata. Members absent: Craig Walker, Supervisor Kendall Smith, and Richard Shoemaker. Also present: Rich White, Retirement Administrator, Jeff Berk, Legal Counsel, Andy Yeung, The Segal Company, and Judy Zeller, Clerk to the Board.

PUBLIC COMMENT: None

Supervisor Kendall Smith entered the meeting at 9:02 a.m.

1) APPROVAL OF THE MINUTES OF THE BOARD MEETING HELD DECEMBER 12, 2012

Upon motion by Board member Mirata, seconded by Board member Goodman ; IT IS ORDERED that the minutes of the DECEMBER 12, 2012 Board meeting are approved unanimously. (Motion approved)

Board members Shoemaker and Walker entered the meeting at 9:08 a.m.

2) DISCUSSION AND POSSIBLE ACTION REGARDING CONTRIBUTION RATES FOR NEW CALPEPRA TIERS

Presenter/s: Andy Yeung, The Segal Company, referenced information previously distributed to the Board.

Board Action: Motion was made by Board member Mirata to approve the CALPEPRA New Tiers of Benefits report prepared by The Segal Company and to adopt the recommended contribution rates for New CALPEPRA Tiers for the periods of July 1, 2013 to June 30, 2014 and January 1, 2013 to June 30, 2013 included in the Segal letter dated December 28, 2012. Board member Sakowicz seconded the motion and it was approved by the following vote: Ayes 9 Noes 0 Abstain 0 Absent 0. (Motion approved)

◆MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION◆
BOARD OF RETIREMENT SPECIAL MEETING MINUTES
◆JANUARY 3, 2013 AT 9:00 A.M.◆

3) DISCUSSION AND POSSIBLE ACTION REGARDING THE JUNE 30, 2012 ACTUARIAL VALUATION (THE SEGAL COMPANY)

Presenter/s: Andy Yeung, The Segal Company, referenced information previously distributed to the Board.

Board Direction: Staff will provide a draft of our June 30, 2012 Independent Financial Audit report to the AdHoc Audit Committee. The Audit committee will review the Audit report and make a recommendation to the full Board on January 16, 2013 when the June 30, 2012 Valuation will be brought back for discussion and possible action.

Board Action: None

4) DISCUSSION AND POSSIBLE ACTION REGARDING AUTHORIZED SIGNATURE RESOLUTION 2013-01

Presenter/s: Rich White referenced information previously distributed to the Board.

Board Action: Motion was made by Board member Stephens to approve the Authorized Signature Resolution 2013-01. Board member Sakowicz seconded the motion and it was approved unanimously. (Motion approved)

5) MONTHLY FINANCIAL REPORT

Presenter/s: Rich White referenced information previously distributed to the Board.

Board Direction: Staff will provide a report to the Board on the gains and/or losses of our current rebalancing of investments. Monthly financial reporting and Accounting services will be brought back for discussion and possible action at our January 16, 2013 meeting.

6) RETIREMENT ADMINISTRATOR'S REPORT

Presenter/s: Rich White referenced information previously distributed to the Board.

ADJOURNMENT (11:35 A.M.)

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator *RAW*
Subject: External Audit

The Financial Statements and Supplementary Information required for the MCERA External Audit are completed and Gallina, our Auditor submitted the draft version of the audit for staff review at the end of last week.

The Audit Committee will need to review and comment on the document before it is submitted to the Board of Retirement. It is anticipated that these steps can be completed before January 16th although it may be necessary to delay the report to the Board to another meeting.

Additional information will be available at your Wednesday meeting.

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator *RAW*
Subject: Actuarial Valuation of June 30, 2012

The Board discussed Actuarial Valuation of June 30, 2012 report at your December 12, 2012 and January 3, 2013 meetings. At the last meeting, Board directed The Segal Company to confirm information with our auditor, Gallina.

This work is taking place and it is anticipated that the report will be available for the Board to discuss on January 16.

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator
Subject: Monthly Investment Report

The Board received a detailed investment update on the re-balancing of the domestic equity portfolio at your special meeting earlier in the month and there are not any updates to report.

We are in the process of opening the new passive equity investment account which, once opened, will start the next phase of the implementation to get the domestic equity portfolio to the revised target allocation that was approved by the Board of Retirement last November.

The asset class balances as of December 31, 2012 are included for your reference and discussion. Please note that the information is preliminary, has not been audited and is not a complete representation of the latest balances in the investment accounts.

The information in this report is brief because the Board will receive the Callan Quarterly Report at your February meeting which will detail the investment accounts, performance and specific manager information for the entire trust fund portfolio for the December 31, 2012 period.

**MCERA INVESTMENT ACCOUNT BALANCES
(PRELIMINARY)**

Investments, at market value	12/31/2012
Fixed Income	\$ 96,575,968
U.S. Equity	\$ 137,964,208
Non-U.S. Equity	\$ 92,948,129
Real Estate	\$ 31,429,895
Short-term Cash	\$ 2,492,098
Total Investment Assets	\$361,410,298

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator
Re: MCERA Strategic Plan

The Mendocino County Employees' Retirement Association (MCERA) met on October 17 and 18, 2012 for the first formal strategic planning session undertaken by the Board of Retirement. The session was facilitated by Nancy Williams and Russ Charvonia, consultants from the Fiduciary Practice at the consulting firm Hewitt Ennis Knupp (HEK).

Subsequent to the meeting, the Board of Retirement received a summary of the Strategic Planning workshop from the HEK consultants which provided a general overview of the strategic planning process and the outcomes from the meeting which included a proposed mission statement, proposed core values and proposed goals and objectives.

Working from the summary planning document, the Board of Retirement has reviewed, refined and approved the substantive components of the Strategic Plan, including the Mission Statement, Core Values, Goals and Objectives at meetings subsequent to the Strategic Planning session.

At this meeting, the Board of Retirement will take action to formally approve the strategic plan document which will then generate actions to begin implementation of the strategic plan, including:

1. Staff will add proposed start and completion dates to each of the Objectives and return those for Board review at the February 20, 2013 meeting.
2. Using the approved strategic plan, the Retirement Administrator creates strategies with timelines and budgets for March 2013 Board meeting, when the budget will first be discussed.
3. The Retirement Administrator collaborates with the staff and creates action plans for Objectives that are to start in 2013.
4. The Board and staff reach agreement on the "definition of success" for the Objectives that are to start in 2013.
5. The Retirement Administrator reports progress under the plan as necessary and prepares a formal report on the progress of the strategic plan for the Board meeting in October, 2013.
6. The Board updates the strategic plan in October 2014.

RECOMMENDED ACTION: Adopt the MCERA Strategic Plan



**Mendocino County Employees'
Retirement Association**

Strategic Planning Session

October 17-18, 2012

Summary

- *Revised by the Board of Retirement on November 7, 2012*
- *Revised by the Board of Retirement on December 12, 2012*
- *Plan not adopted by BOR*

Hewitt ennisknupp

An Aon Company

CONTENTS

- 1 **General Overview**
 - A. Introduction
 - B. Meeting Participants
 - C. Agenda
 - D. Strategic Planning Terminology
 - E. Roles and Responsibilities
 - F. Strategic Planning Process

- 2 **Outcomes from the Meeting**
 - A. Proposed Mission Statement
 - B. Proposed Core Values
 - C. Proposed Goals and Objectives

- 3 **Next Steps**

- 4 **Appendix**
 - A. SWOT Analysis
 - B. Critical Issues

Subject to Board Approval

GENERAL OVERVIEW

Introduction

The Mendocino County Employees' Retirement Association (MCERA or the Association) is governed by a Board of Trustees (Board) and managed by a four person staff. The Board and staff met on October 17 and 18, 2012 for their first formal strategic planning session. The meeting was arranged by the recently hired Retirement Administrator who had engaged in a successful strategic planning effort at a public retirement system where he was previously a member of the board of trustees. The session was facilitated by consultants from Hewitt EnnisKnupp (HEK).

During the session, the group reviewed the fundamentals of strategic planning and discussed an approach to planning for the Association that would engage the Board at a governance level and the staff at a management level. Working together, the group developed the foundation of a 3 to 5 year strategic plan. Once finalized, the strategic plan will guide the Association's activities and will influence budget development. The strategic plan and progress made under the plan will also be integrated into the Retirement Administrator's periodic performance evaluations.

In preparation for the meeting, HEK consultants interviewed the Retirement Administrator to gain an understanding of his expectations for this endeavor and reviewed basic information about the Association.

On the first day, the Board and staff members were asked what they hoped to accomplish over the two-day strategic planning session. Among the objectives they stated were:

- To understand the issues and see a snapshot of where we are and where we will be in the next 1-2 years
- To define a list of issues, prioritize them, and address them in a timely way and to measure results
- To minimize future funding surprises
- To come to closure on some issues that we have discussed over and over again (actuarial matters and automation)
- To set priorities and have a useful guide for addressing them
- To have goals written down and a measurable way of achieving them
- To have something that is useful when setting budgets and to know what the board wants the staff to be working on
- To deal with the daunting task of pension reform
- To get good ideas on the table and discuss implementation and to provide continuity
- To be more efficient in meetings
- To have tools to follow through on the plan
- To increase transparency and accountability
- To deal with the GASB 68 restated pension liabilities
- To be less reactive and more proactive
- To do what we can to make the system sustainable
- To follow up and follow through on the issues we identify
- To clarify the roles and responsibilities of Board and staff
- To create a roadmap and operational templates for the organization
- To enhance our problem-solving and decision-making
- To increase efficiencies in a system of our size
- To let staff know what they are to do with their time
- To reduce surprises and sidestep crises
- To define who we are to our stakeholders

GENERAL OVERVIEW

- To focus on the participants
- To better serve our participants

The meeting participants next considered the Association's existing Mission Statement and discussed alternatives to it. They took a "first cut" at creating a new Mission Statement, and articulated Core Values for MCERA. The final approval of these basic elements of the strategic plan will take place at a future Board meeting.

The Board and staff also discussed the strengths and weaknesses of the internal organization as well as the opportunities and threats on the horizon through a SWOT analysis. Strengths and weaknesses were discussed first to determine what MCERA, as an organization, is capable of accomplishing. The opportunities and threats to the organization are external factors that could be advantageous or potentially troublesome.

The SWOT analysis led to a discussion of critical issues. The participants were encouraged to bring forth any ideas or concerns of a strategic nature. The intent of this part of the planning session was to elicit broad input from everyone and not to limit or exclude any ideas. Many issues were repeated by several participants.

At the end of the first day, the consultants took the Board's and staff's input, coupled with the themes derived from the SWOT analysis, and organized the issues into "clusters" of related topics. The consultants' aim was to create a limited number of draft Goals (3 to 7) with corresponding measurable Objectives under each Goal. The consultants proposed possible language for the Goals and Objectives for the Board and staff to consider and modify the next day.

On the second day, the participants once again reviewed the Mission Statement and Core Values and reached general consensus on them.

The participants also generally agreed upon 4 Goals with 6 to 14 Objectives under each Goal. The exact wording of the Goals and Objectives was not discussed in great detail due to time constraints.

The Retirement Administrator and staff will propose start and completion dates for each Objective and the appropriate strategies to use in their implementation. For those Objectives with a start date in 2013, the strategies will contain action plans and expected costs.

After the Board receives a briefing on the strategies and approves any necessary budget changes, the staff will create specific action plans for the Objectives that are scheduled to start in 2013 and manage them as part of their ongoing management activities. There is less value in assigning action plans much more than a year out since things will inevitably change. Objectives have start and completion dates, whereas action plans state intermediate deadlines.

GENERAL OVERVIEW

Early in 2013, the first year of implementation, the staff will also address performance measurements, a very important element of the strategic plan. They will establish metrics and other ways to measure and report progress under the plan. Their recommendations will be presented to the Board for approval.

After the implementation of the strategic plan, the staff will provide regular progress reports to the Board and Retirement Administrator at the agreed upon frequency.

Approximately one year from now, the Board and staff will convene with the purpose of evaluating their success and updating the strategic plan. This effort will keep the plan alive and maintain it as a meaningful road map for those who follow.

Subject to Board Approval

GENERAL OVERVIEW

Meeting Participants

Retirement Board

Bob Mirata, Chair
Shari Schapmire, Vice Chair
Tim Knudsen, Secretary
Randy Goodman, Trustee
John Sakowicz, Trustee
Richard Shoemaker, Trustee
Supervisor Kendall Smith, Trustee
Ted Stephens, Trustee
Craig Walker, Trustee
Lloyd Weer, Trustee

MCERA Staff

Rich White, Retirement Administrator
Katy Richardson, Senior Retirement Specialist
Judy Zeller, Retirement Specialist II
Jeff Berk, MCERA Legal Counsel

Consultants from Hewitt EnnisKnupp

Nancy Williams, Partner
Russ Charvonia, Partner

GENERAL OVERVIEW

**Mendocino County Employees' Retirement Association
Strategic Planning Session Agenda
Ukiah Conference Center
October 17 & 18, 2012**

Wednesday, October 17th

- Overview of Strategic Plan Basic Components
- Mission Statement and Core Values
- SWOT Analysis
- Identification of Critical Issues

Thursday, October 18th

- Recap of Previous Day
- Clustering of Issues
- Goals and Objectives
- Next Steps in Strategic Planning

Subject to Board Approval

GENERAL OVERVIEW

Strategic Planning Terminology

During the meeting, the HEK consultants proposed that the following terminology be used in order to avoid confusion. The terms were defined as answering the following questions:

- Mission Statement:
 - Who are we?
 - Why do we exist?
- Core Values:
 - What do we believe in?
 - What principles guide us?
- Goals:
 - What do we want to achieve?
 - What are our priorities?
- Objectives:
 - What measurable steps do we need to take to achieve our goals?
- Strategies:
 - How will we allocate our time, talent, and budget to reach our goals and objectives?
- Action Plans:
 - Who is responsible for doing what?
 - When are the deadlines?
- Performance Measurement:
 - How successful have we been?
 - What changes do we need to make?

GENERAL OVERVIEW

Roles and Responsibilities

The Board and staff have valuable, but different, roles in strategic planning. Ultimately the Board “owns” the plan and the staff implements the plan.

Roles of Board and Staff in Strategic Planning	
Board with input from Staff	Mission Statement
	Core Values
Board with input from Staff and possibly consultants	Goals
	Objectives
Staff responsibility with Board approval of budget and timeline	Strategies
	Action Plans
Joint effort of Board and Staff	Performance Measurement

GENERAL OVERVIEW

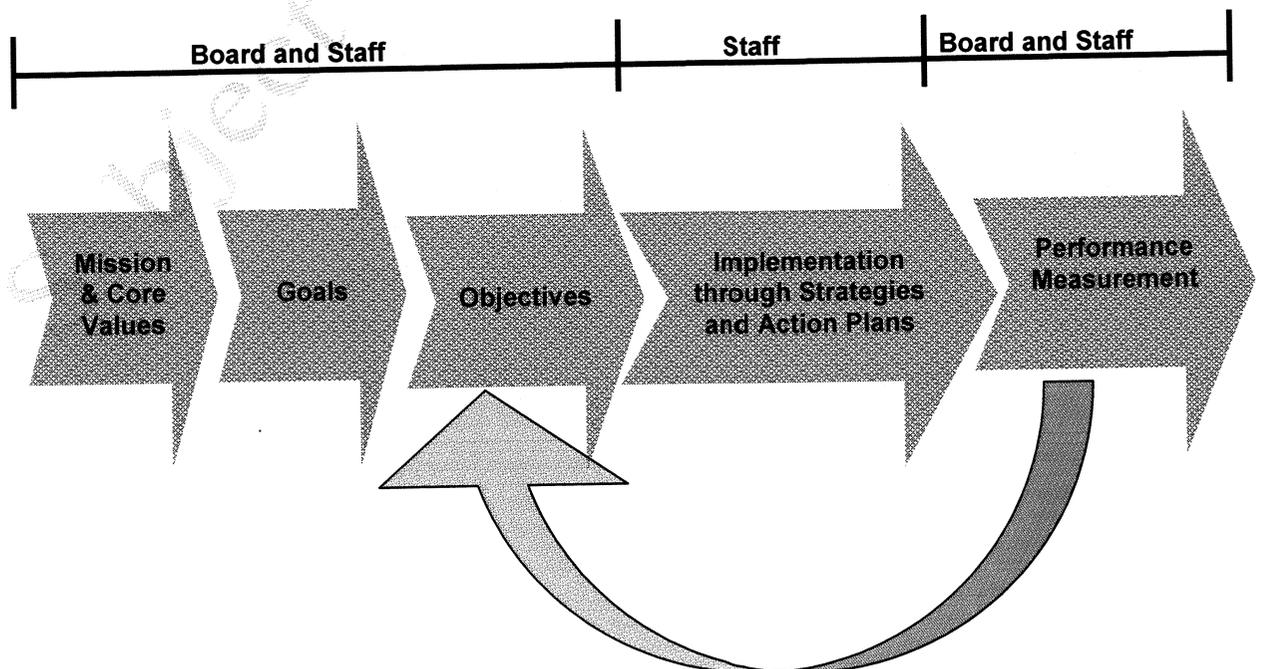
Strategic Planning Process

In general the strategic planning process used by MCERA was one that was recommended by Hewitt EnnisKnupp and has been used successfully for decades by other public retirement systems. It differs from a private sector approach in that it is purposely designed to be an interactive process that includes trustees and staff working cooperatively through the initial steps in developing the plan.

The benefits of strategic planning are many, with education among them. When questioned, many of the Board members and staff stated that they hoped to learn more about the views of others and to come away with the clear perspective about the big issues and challenges facing MCERA over the next few years. They were also looking forward to having a “road map” for the future and a way of measuring progress as the plan is implemented.

The HEK consultants conveyed that the time-consuming part of planning for the Board takes place up front. After the plan is in place, the Board should not have to spend significant time in reviewing progress reports or in updating the plan. In future years, the foundation of the strategic plan should not change much. If the Mission and Core Values were created with proper care, then they will likely last for many years. The same is true with the over-arching Goals. What changes most are the Objectives. The HEK consultants recommended that the plan be updated by adding new Objectives, modifying other Objectives, and deleting completed Objectives on a two-year cycle. They also recommended that progress under the plan be reported at regular Board meetings when issues tied to the plan are on the agenda as well as during the Retirement Administrator’s performance evaluations, which are scheduled to take place every 6 months.

Strategic Planning— A Continual Process



Proposed Mission Statement

At the time of the strategic planning session, MCERA had a formal mission statement; however, it was closer to a list of statutorily required functions than to a true mission statement. During the session, the Board and staff reached consensus on the following Mission Statement that generally reflected their thoughts.

Proposed Mission Statement
<p style="text-align: center;">Mendocino County Employees' Retirement Association Mission Statement</p> <p style="text-align: center;">To provide members and their beneficiaries with sustainable benefits and exceptional service through professional plan administration and prudent investment practices.</p>

Adopted by the Board of Retirement on November 7, 2012

Previous Mission Statement
<p>The goal of the Mendocino County Employees' Retirement Association (MCERA) is to provide member services in a confidential, professional, competent and approachable manner. Those services include:</p> <ul style="list-style-type: none">▪ Providing retirement compensation, death and disability benefits to County retirees and their beneficiaries.▪ Providing assistance to County employees in planning for their retirement.▪ Preserving and maintaining the assets of the system through prudent investment of employee and employer contributions, while maintaining a sound funded status for the system.

Proposed Core Values

During the meeting, the participants discussed the values that are important to the organization. Core values can serve as a message to current and future Board members and staff about the culture of MCERA. It also conveys to the membership, County, and outside entities, the way business is conducted at the MCERA.

During the strategic planning session, the Board and staff reached a general consensus on the following Core Values, although the Board still needs to finalize them.

Proposed Core Values
Act with honesty, integrity and accountability
Adhere to the highest fiduciary standards
Treat all stakeholders in a fair and equitable manner
Think strategically; anticipate and prepare for change
Promote a culture of transparency
Focus on customer service
Be a reliable source of information for stakeholders
Strive for continuous improvement
Protect confidential information
Develop and empower Association staff
Ensure a positive work environment
Communicate effectively
Strive for efficiency
Be respectful of diversity and different points of view

Adopted by the Board of Retirement on November 7, 2012

Proposed Goals and Objectives

The participants engaged in a SWOT analysis which led to a number of critical issues. (See Appendix for details.) The following are the priorities, stated as Goals and Objectives, for the Board and staff over the next 3 to 5 years.

Goal #1: Enhance communications and customer service provided by the Association

Objectives:

- a. Develop a proactive communication strategy (further details to be added after Board discussion)
- b. Increase interaction and information sharing with the plan sponsors to better educate them about funding and other Association issues
- c. Improve the annual member statements
- d. Invite greater participation by the various employee groups
- e. Improve the content and usability of the website
- f. Assess the costs and benefits of creating a periodic email newsletter for members and retirees
- g. Create an external Internet portal so members can access their account information on a 24/7 basis
- h. Provide members with the education to equip them for retirement

Goal #2: Increase the effectiveness of internal operations

Objectives:

- a. Prepare for the implementation of PEPRA
- b. Assess technological needs for all key functions of the organization and revisit the previously prepared IT roadmap
- c. Evaluate various service providers and implement an automated pension administration system
- d. Undertake the process of imaging vital documents (EDMS)
- e. Complete the IRS Voluntary Correction Program
- f. Re-evaluate the organizational structure, the assignment of responsibilities, and job descriptions
- g. Assess the adequacy of internal controls, including the separation of duties
- h. Pursue staff development, cross-training, and succession planning
- i. Explore options for disaster preparedness
- j. Discuss the feasibility of issuing debit cards or requiring electronic funds transfers (EFTs) for benefit payments
- k. Decide the most cost-effective way of handling accounting functions
- l. Evaluate ways to streamline the procurement process and expense reimbursement
- m. Investigate means of achieving economies of scale to reduce costs
- n. Evaluate long range requirements for office space

Goal #3: Establish optimal board governance

Objectives:

- a. Review existing charters and policies to identify gaps (further details to be added after Board discussion)
- b. Refine the disability determination policy and processes
- c. Prepare a board member position description outlining expectations for those who are seeking election or appointment to the Board
- d. Discuss ways to augment limited staff resources
- e. Establish ways to report and measure progress of strategic plan goals and objectives
- f. Establish annual fiduciary training tailored for the Association

Goal #4: Explore ways to ensure prudent management of contributions and investment of retirement fund assets

Objectives:

- a. Continue to explore ways to increase investment returns while managing overall portfolio risk to an acceptable level
- b. Evaluate the risks and returns of shifting the degree of active and passive management of investments
- c. Undertake an asset/liability modeling (ALM); analyze the best case, worst case, and most likely case scenarios and trends
- d. Review the portfolio's asset allocation following the ALM and make adjustments, as appropriate
- e. Re-evaluate the existing actuarial funding method and the assumptions
- f. Analyze the potential impact that budget constraints of the federal and state governments will have on the County and the Association
- g. Provide information to the plan sponsors regarding costs of benefit changes (formulas and eligibility) that may stem from PEPRA

4 Goals Adopted by the Board of Retirement on November 7, 2012

All Objectives Adopted by the Board of Retirement on December 12, 2012,

NEXT STEPS

The next steps for MCERA to take in finalizing the strategic plan are the following.

1. Staff refines the language of the Core Values, Goals, Objectives, and the details under Goal 3, Objective A for Board review at the November 7, 2012 Board meeting
2. Staff adds proposed start and completion dates to each of the Objectives for Board review at the December 12, 2012 Board meeting
3. Staff submits the revised strategic plan for the Board's approval of the Mission Statement, Core Values, Goals and Objectives for the Board's review at the January 16, 2013 Board meeting
4. Using the approved strategic plan, the Retirement Administrator creates strategies with timelines and budgets for March 2013 Board meeting, when the budget will first be discussed
5. The Retirement Administrator collaborates with the staff and creates action plans for Objectives that are to start in 2013
6. The Board and staff reach agreement on the "definition of success" for the Objectives that are to start in 2013
7. The Retirement Administrator reports progress under the plan as necessary and prepares a formal report on the progress of the strategic plan for the Board meeting in October, 2013.
8. The Board updates the strategic plan in October 2014.

APPENDIX A

SWOT Analysis

The Board and staff engaged in a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to evaluate MCERA's current strategic position. They identified the strengths and weaknesses of the internal organization as well as the external opportunities and threats that might impact MCERA in a positive or negative way.

When doing a SWOT analysis, it was important to view the organization from many perspectives. In examining each of the four elements of SWOT, the following questions were discussed.

Strengths:

- What do we do well?
- What are our core competencies?
- Where do we excel?

Weaknesses:

- What could use improvement?
- What is hindering us from performing?
- What are our deficiencies?

Opportunities:

- What has changed in our environment that can help us improve?
- What can we take advantage of?
- What unique circumstances exist?

Threats:

- What external factors might hurt us or stand in our way?
- What should we watch out for?
- Where are the risks?

The results of the SWOT analysis were summarized into critical issues that were then translated into Goals and Objectives.

APPENDIX B

Critical Issues

The participants shared many thoughts on the issues that were most important to them. Some of these issues were brought up as a result of the discussion of internal strengths and weakness and external opportunities and threats (SWOT) and others were issues that have been around for awhile but have not been fully addressed. The discussion was primarily on strategic issues that:

- Change the organization's direction in a significant way
- Involve important policy decisions
- Require substantial resources of the part of the Board and staff
- Require more than one year to accomplish
- Have a major impact on the operating budget

Critical issues were clustered into four general areas:

Communications & Customer Service

- Alternative methods for communicating with members
- Information sharing with County, employee groups and the public
- Public perception and confidence
- Improve member experience
- Employer expectations

Internal Operations

- PEPRA implementation
- Information technology
- Pension automation system implementation
- IRS Voluntary Correction Program completion
- Staff development, cross-training and succession planning
- Internal controls
- Disaster preparedness and recovery
- Accounting functions
- Procurement process and economies of scale

APPENDIX B

Board Governance

- Completing governance policies and documentation
- Refining disability policy and processes
- Communicating expectations of board members
- Managing limited staff resources
- Fiduciary training

Unfunded Liability

- Maximizing investment returns versus managing risk
- Communicating the impact of PEPRA on the plan sponsors
- Understand and manage budgetary constraints from federal and state governments

The list of critical issues was the basis for the proposed Goals and Objectives for MCERA.

Subject to Board Approval

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator
Katy Richardson, Senior Benefits Specialist
Subject: Operations – Selection of Retirement Option

Introduction:

The administration of the retirement Association is comprised of a number of components necessary to serve our members, retirees and beneficiaries one of which is the operations system of MCERA. Our operations system is staffed by our benefit specialists and they are the team responsible for the lion's share of what might be considered the "customer service" part of the mission of our retirement association. Operations is the team that first makes contact with a new employee at their orientation into the County of Mendocino and then follows the employee throughout their career with the County (or another employer). This is the team that interacts with a member at the time of retirement and gets the member moved administratively from an active member to a retiree. The Operations team continues to monitor and interact with the retiree throughout the lifespan of retiree and their spouse. As you can imagine, there are multiple interactions over the course of many decades with an Association member. In this regard, it is important that the Association have the proper procedures and policies in place to enable the Operations team to serve our members effectively and efficiently.

With this in mind, the review of the MCERA Operational policies and procedures has been a focus of mine since joining the Association and is an on-going area of conversation with the MCREA benefit specialists. You will recall that staff recently approved a change of policy regarding the documents required to be submitted to the Association by a member. This item is a request for the Board to approve a change in the procedures followed by the Association when a member applies for retirement.

Staff is recommending that the Board approve a change in procedure to require an active member of the Association to make a selection of the retirement payment option at the time a member signs and submits the retirement application. This change is consistent with current practice in other 1937 Act county systems.

Background:

When a member retires, they have several choices on how they want the retirement benefit paid to them. Although each option provides a member with a monthly lifetime benefit, the options vary as to the monthly amount paid to the member and what the benefit amount will be paid to the surviving spouse or beneficiary upon the death of the retiree.

Current MCERA practice is to calculate the final retirement benefit for a member at the time of retirement and to generate a form with the details of each option that is available to the member. This form is mailed to the member with their first monthly benefit check and with the option that was chosen on the retirement application highlighted.

The retiree is asked to complete the highlighted sections and return the form to MCERA in a provided envelope. Staff keeps a spreadsheet with the date the form is sent to the member and follow-up letters to remind the retiree to return the form are periodically sent to those who neglect to follow our instructions.

Staff is requesting the procedure change for a number of reasons, in part because our practice is not the standard procedure among other systems. Additionally, MCERA has not had a good result in the return of these forms by our retirees which are either late in being returned or not returned at all, as approximately 20% of our members do not return the forms within four weeks time and we have some files without the returned and signed form. The procedure change will tighten up our retirement application process and bring it in line with our peers.

Recommended action:

A. Approve the procedure to require an active member of the Association to make a selection of the retirement payment option at the time a member signs and submits the retirement application. Permit the member to change the retirement payment option up to the time of his/her receipt of their first retirement check.

B. In case where there is a spouse or registered domestic partner, require that the retirement payment option form have a signature of the spouse or registered domestic partner, which must be notarized unless signed in the presence of Association staff, with proof of identification. The costs of the Notary Public will be the responsibility of the member and/or spouse.



Mendocino County Employees' Retirement Association

625-B Kings Court · Ukiah, CA 95482 · (707) 463-4328 · Fax (707) 467-6472

Retirement Application Supporting Documents

Please provide the following when applying for retirement:

Application for Service Retirement:

- D Your completed *Application for Service Retirement* can be submitted to the Retirement Office no earlier than 60 days before or no later than, the day of your retirement.

Benefit Payment Option:

- D The Benefit Payment Option form showing your option election signed by the member and the spouse or registered domestic partner, if applicable.

Death Benefit Designation:

- D Death Benefit Beneficiary Designation form naming a primary beneficiary

Retiree and Beneficiary age verification:

- D Certified copy of your birth certificate or your passport*
- D Certified copy of the birth certificate or passport of your spouse/domestic partner*
- D Certified copy of the birth certificate or passport of any person you will name as a beneficiary to receive a continuance upon your death*

Registered Marriage Certificate or California Certificate of Domestic Partnership:

- D Certified copy of Marriage Certificate or California Certificate of Domestic Partnership, to determine eligibility for the unmodified option*

Social Security number(s) of your named beneficiary (ies)

Return to Work Acknowledgement:

- D Acknowledgement of laws governing working retirees

Direct Deposit Authorization:

- D Please complete and submit with a void blank check for checking account deposit, or a savings institution verification of complete account number and signatory name for a savings account direct deposit.

Tax Withholding Election:

- D Federal withholding section: All retirees
- D State withholding section: California residents only

* Mendocino CERA will make a photocopy and return the original document to you.

Benefit Payment Options

D Unmodified Allowance

In general, the unmodified allowance provides for the highest possible monthly retirement benefit during your life.

This option provides, upon your death, a lifetime benefit equal to 60% of the benefit you received during retirement to your eligible beneficiary. This survivor benefit is restricted to your eligible spouse, qualified domestic partner or eligible child only.

Your spouse or qualified domestic partner are considered eligible if you have been married for at least one year at the time of your retirement and you are married to that spouse at the time of your death.

If you do not have an eligible spouse or qualified domestic partner, the 60% benefit may be paid to your eligible child upon your death.

An eligible child is an unmarried child under the age of 18, or an unmarried full-time student under the age of 22.

If you do not have an eligible spouse, qualified domestic partner or eligible child at the time of your death, your designated beneficiary will receive a lump-sum refund of any of your remaining contributions and interest.

Under the Unmodified Option, you may change your designated beneficiary at any time without affect to the 60% benefit payable to an eligible spouse, qualified domestic partner or eligible child.

D Option 1

This option does not provide a continuance. Upon your death, a lump-sum payment of any remaining contributions becomes payable to your named beneficiary.

Each month the annuity portion of your benefit is deducted from your contributions until the balance of your contributions is zero. You will continue to receive your benefit, but there would no longer be a lump-sum benefit payable to your beneficiary.

You may change your named beneficiary at any time.

Benefit Payment Options - continued

D Option 2

At the time of your death, your designated beneficiary will receive the same monthly allowance you were receiving at the time of your death for the remainder of his or her lifetime. An Actuary calculation may be required if the named beneficiary is not your spouse and/or they are more than 10 years younger than you.

In order to provide this continuance, your benefit is reduced during your retirement based on your life expectancy and the life expectancy of your beneficiary. Should your beneficiary pre-decease you, you will continue to receive the same reduced amount and you will not be allowed to designate a new beneficiary.

D Age 62 Modified Allowance (Accelerated)

This option provides for a larger benefit from the age you retire to age 62, based upon your Social Security estimate of benefits receivable at age 62. A Personal Earnings Statement from the Social Security Administration, showing zero future earnings, is required to process this option. A sample statement may be obtained from our office prior to your visit to the SSA.

At age 62, your benefit will be reduced by the Social Security estimate amount you provided at the time of your retirement. This option can give you a more level payment for your life consisting of a combination of your Social Security benefit and Mendocino CERA retirement.

I understand that I can not change options once I have received my first benefit check.

I elect the following Option: _____

Member Signature

Date

The signature of the Spouse or Registered Domestic Partner (RDP) must be notarized unless signed in the presence of a member of the Mendocino CERA staff, with proof of identification.

Spouse or RDP Signature

Date

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator *(initials)*
Subject: Member Appeal of Administrative Actions

Member: Loretta Kosmac
DOB: (02/03/1958)
Employer: County of Mendocino/Social Services
Service Dates: 07/22/2001 through 2/18/2012
Service Time: 10.492 years (Not including reciprocal membership)
Application Date: 09/19/2012

Issue: Member Kosmac is appealing the decision of the Retirement Administrator to deny the member's ability to select the "Accelerated Option" benefit formula.

Background: Member Loretta Kosmac was an active member of MCERA from July 2001 to February 18, 2012 and upon her application for retirement on September 19, 2012 requested that the Retirement Association permit her to choose the "Accelerated Option" as her benefit formula.

The "Accelerated Option" is a benefit formula, which allows a member's Social Security benefit to be coordinated with her retirement benefit. Government Code section 31810 provides that "A member who retires for service prior to the age of becoming eligible for [social security may] elect to have his retirement allowance increased prior to such eligible age and reduced after such age by amounts which have equivalent actuarial values."

To calculate the two pension amounts (prior/after age 62) the Association uses an Excel spreadsheet that has been configured by our actuary to compute these actuarial equivalent values. In order to conduct the calculation, the member is required to provide the Association with an official Personal Earnings Statement printout from Social Security showing what the federal benefit will be upon the member reaching age 62.

In this case, member Kosmac submitted a Personal Earnings Statement printout which indicated her federal benefit amount as \$0.00 (Zero). The reason for this is that member Kosmac began to draw benefits from Social Security prior to her retirement from MCERA.

Based upon this information, MCERA informed the member that the "Accelerated Option" was not available to her and requested that she choose another benefit option. Instead, the member has chosen to appeal this decision to the Board.

The Board should also know that the member has asked that previous "estimates" that staff used in calculating the Accelerated Option be used. However, as was explained to the member, estimates are provided at a time when staff does not have all final and necessary documents; here the Social Security Earnings statement.

The member has received a series of communications from the Association which are detailed below and provided for the Board's review. To protect possible privacy concerns, certain information has been redacted from these letters.

- December 4, 2012. Letter from member Kosmac appealing decision to the Board of Retirement.
- November 28, 2012. Letter from Retirement Administrator denying appeal of member Kosmac.
- October 27, 2012. Letter from member Kosmac appealing decision to the Retirement Administrator.
- October 23, 2012. Letter from Retirement Association denying use of the "Accelerated Benefit Option."
- October 12, 2012. File notes from Retirement Association Senior Benefits Specialist.
- September 26, 2012. Letter from Retirement Association to member Kosmac.
- September 20, 2012. Letter from Retirement Association to member Kosmac.

Recommended action: Affirm that member Loretta Kosmac is not eligible for the "Accelerated Option" since the Social Security Personal Earnings Statement submitted by Ms. Kosmac stated her benefit amount is \$0.00.

cc: Loretta Kosmac

I.

RECEIVED BY

DEC 21 2012

The Mendocino County Employees'
Retirement Association

Dec 4, 2012

Loretta Kosmac

PO Box 1703

Fort Bragg, Ca 95437

Page 1

Mendocino County Board of Retirement Association

625 B Kings Court

Ukiah, Ca 95482-5027

Dear Board Members,

In reference to the letter dated November 28, 2012 from Richard White Jr., I am appealing the affirmation of the denial for the Accelerated Retirement Benefit amount .

First of all, the estimate from the Benefit Specialists is CLEARLY marked "estimate". This estimate uses figures from the lifetime earnings statement provided to me by the retirement analysts dated January 7, 2012. (Ex. 1). This demonstrates the retirement analysts have the ability to calculate an estimate of my retirement amount now, at age 62 and an accelerated benefit amount as shown in Exhibit 1. In fact, they can use this very same example modified using figures from my Personal Earnings Statement.

However, Social Security provides estimates as well. (Ex. 2) by using the average from the personal earnings statement divided by the life expectancy (Exhibit 2) and an explanation of how anyone can calculate the approximate amount of their retirement benefit at age 62 by using the last two years of earnings. The retirement analysts have this information from my Personal Earnings statement. I have had no earnings other than the

Page 2

earnings on that statement. This figure is flexible up or down, as you indicated in your denial letter.

The retirement analysts have the ability manually, to add and divided. The analysts know the formula to calculate an estimated retirement benefit at age 62 as shown in Example one and thru **ex parte**, are obligated to do so. Social Security can only provide their estimate if I am currently employed. Nowhere in the criteria for eligibility for the Accelerated Benefit amount does it indicate I must currently be employed. I am _____ and receive now and at age 62, the amount of \$1,018 monthly for life. This figure is also flexible based on Federal COLA, increase or decrease. Nowhere in the eligibility criteria for the Accelerated Benefit amount does it indicate you cannot use my monthly lifetime amount of _____. My employment with the county ended in April 2012 and I have had no other earnings so the Personal Earnings statement I provided has accurate information.

I sincerely believe the retirement analysts know the formula used to calculate an estimate of my retirement benefit I might receive at age 62 as they have provided that to me in example one. They also have the ability to use the figure amount of my monthly _____ income that I will receive for life, since that is flexible up or down as well. By using either one of these "flexible" figures, in place of using zero, their computer program will not show "error code" as you stated.

I also sincerely believe the retirement analysts know the formula their computer program runs to calculate these estimates and could calculate this future estimate fairly easily. In almost 13 years of employment with Mendocino County, I have implemented many, many "workarounds" to compensate for outdated computer programs that do not change as quickly as the regulations.

As stated in the application for the Accelerated Benefit, at age 62, my Unmodified Retirement monthly amount will be reduced by the exact amount of the monthly accelerated benefit amount. In other words, the

Page 3

county will receive back every dollar that is paid out under the calculated monthly accelerated benefit amount. This does not appear risky to me.

In conclusion: I am eligible for the Accelerated Retirement Benefit under Government Code Section 31810 as I am not of retirement age nor am I eligible to receive retirement income, thus meeting the criteria under this Code to receive the Accelerated Benefit amount as well as my Unmodified Retirement Benefit amount.

Thank you for your reconsideration in this matter. I wish to resolve this issue to avoid further litigation.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Doe", written in black ink.

ESTIMATE

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Service Retirement

for

KOSMAC, LORETTA M.

Social Security Number:

Current / Other Membership: General Tier 3 / General Tier 5 Member

Date of Birth: 2/03/1958

Date of Retirement: 1/07/2012

Years of Service	Non-Integrated	Integrated	Total
	.0000	10.4550	10.4550
Current (FAS) Monthly Salary:	\$ 4,720.15		
Other (FAS) Monthly Salary:	\$ 4,720.15		
Social Security at 62:	\$ 1,000.00		
		Total Contributions Normal:	\$ 34,322.98
		Total COL:	11,181.36

Beneficiary: TERESA LEE KOSMAC

Relationship: Not Spouse

Date of Birth: 10/25/1955

	Current Service Annuity	Current Service Pension	Total	Continuance to Beneficiary
Unmodified				
Before 62	\$ 256.87	\$ 511.61	\$ 768.48	*1mo
After 62	410.26	817.10	1,227.36	**
	76.00	151.36	227.36	***
Option 1				
Before 62	\$ 252.57	\$ 511.61	\$ 764.18	
After 62	252.57	945.46	1,198.03	
	252.57	0.00	252.57	
Option 2				
Before 62	\$ 239.84	\$ 477.69	\$ 717.53	
After 62	393.23	783.18	1,176.41	
	58.97	117.44	176.41	
Option 3				
Before 62	\$ 248.06	\$ 494.07	\$ 742.13	\$ 371.07
After 62	401.44	799.57	1,201.01	
	67.19	133.82	201.01	
Reserves				
Normal:	\$ 34,322.98	\$ 68,362.70	\$ 102,685.68	
COL	11,181.36	26,990.27	38,171.63	

By _____

accelerated for 9 yrs till 62
 768.48
 + 1,227.36
 = 1,995.84

1000
 - 458.80
 = 541.20

November 30, 2011
Version 2.3

KR

768.48
 + 227.36
 = 995.84
 after 62

PH

letter accelerated
 HI stopped
 work now
 what would
 my
 benefit
 be?
 ask for
 S.S.

5.

need future earning state 

Help Topics

Updated 03/09/2012 12:48

Calculating retirement benefit estimates on your Social Security Statement

-  Print
-  Email this page
-  Share

What assumptions did you use to calculate the retirement benefit estimates on the *Social Security Statement*?

We used assumptions about your **future earnings** and about when you will stop working. We **show** the resulting estimates in today's dollar amounts (rather than in "future dollars" adjusted for assumed inflation) so you can compare them with today's living costs.

We assume you will continue to work up to each of the potential retirement ages shown and your **earnings** will continue at your current level.

To determine your **future earnings**, we look at the last two **years** on your record. If you have **earnings** posted for last **year**, we use that amount for your current and **future years' earnings**.

If we prepare your **Statement** during the first six to nine months of the calendar **year**, your **earnings** for last **year** may not be on record yet. In that case, we will use the amount of **earnings** you had in the **year** before as your **earnings** for last **year**, this **year** and **future years**.

Give us some feedback.



Skip
Social Security

The Official Website of the U.S. Social Security Administration

Calculators: Life Expectancy

When you are considering when to collect retirement benefits, one important factor to take into account is how long you might live.

According to data compiled by the Social Security Administration:

- A man reaching age 65 today can expect to live, on average, until age 83.
- A woman turning age 65 today can expect to live, on average, until age 85.

And those are just averages. About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.

Want to know your life expectancy? You can use our simple life expectancy calculator to get a rough estimate of how long you (or your spouse) may live. Knowing this information can help you make a more informed choice regarding when to collect Social Security retirement benefits.

After you use our life expectancy calculator, please go to:

- The Retirement Estimator to get estimates of your future benefits; and
- *When to Start Receiving Retirement Benefits* to learn more about the factors you should consider when making a decision about when to start collecting benefits.

Last reviewed or modified 10/15/2012

6

7

Skip Social Security

The Official Website of the U.S. Social Security Administration

Calculators

Which calculator you choose depends on what you want to do. If you

- already have enough Social Security credits to qualify for benefits, you can use our Retirement Estimator to "Estimate Your Retirement Benefits" or get your *Social Security Statement* online.
- **want a survivors or disability benefit estimate**, do not already have enough Social Security credits to qualify for retirement benefits or you are eligible for a pension based on work not covered by Social Security, choose the "Benefit Calculators" tab or get your *Social Security Statement* online.
- already have a benefit estimate, choose the "Charts & More Calculators" tab to learn how earnings, pensions, and different retirement dates can affect your benefits.

Use any of the calculators below to estimate your potential benefit amounts using different retirement dates and levels of future earnings. **The calculators will show your retirement benefits as well as disability and survivor benefit amounts** if you should become disabled or die.

1. Quick Calculator

This calculator gives you a simple, rough estimate when you input your date of birth and this year's earnings. (You must be age 21 or older for this calculator to work correctly.)

Note: The Quick Calculator does not include reduction for WEP.

2. Online Calculator

Input your date of birth and your complete earnings history to get a benefit estimate. You may project your future earnings until your retirement date.

3. WEP Online Calculator

If you are eligible for a pension based on work that was not covered by Social Security, your benefit amount may be reduced by the Windfall Elimination Provision (WEP) or Government Pension Offset (GPO).

Use this version of the Online Calculator or download the Detailed Calculator to see the effect of WEP on your estimated benefits. (The Quick Calculator and the basic version of the Online Calculator cannot adjust for WEP.)

Note: You can use our GPO Calculator to see the effect of GPO on potential spouse's, widow's or widower's benefits.

4. Detailed Calculator

This calculator provides the most precise estimates. **It must be downloaded and installed** on your computer. (Includes reduction for WEP.)

Note: There is also a Mac version of the Detailed Calculator.

Things You Should Know:

- **None of these calculators are linked to your Social Security earnings record.** They use the earnings amounts you enter.

If you want to use your Social Security earnings record to calculate your retirement benefits, please use our **Retirement Estimator**.

- All four calculators assume you have enough credits to qualify for benefits. They produce an estimate even if you do not actually have enough credits.

- The calculator estimates will differ from those on your online *Social Security Statement* if you use different assumptions.

7

11/23/2012

Example: If you had earnings last year, your *Social Security Statement* retirement benefit estimate assumes you will have similar earnings for every future year until you turn 62.

If you tell us you will stop working **before** the year you turn 62, the calculator estimates will **not** include earnings for the years after you stop working.

- You can download the Mac version of the Detailed Calculator from <http://www.socialsecurity.gov/OACT/anypia/download/Anypia.dmg>.

If you need a benefit estimate on someone else's record, such as your spouse or parent, use our toll-free number **1-800-772-1213** (if you are deaf or hard of hearing, use our toll-free TTY number, **1-800-325-0778**) or contact your nearest Social Security office.

Your benefit amount can be affected by a number of different factors. If you already have a benefit estimate, you can use the charts and calculators listed below to find out how different retirement dates and situations affect your Social Security benefits. If you:

- **are currently working and are eligible for retirement or survivors benefits this year**, you can learn how your earnings may affect your benefit payments with our Earnings Limit Calculator.
- **start benefits early**, the amount may be reduced based on how long you will receive benefits before your full retirement age. If you want to find out how much applying for retirement benefits early reduces your monthly benefit as a wage earner or spouse, use our Retirement Age Calculator.

Note: If you qualify, your full retirement age for survivors benefits may be different.

- **will start receiving benefits after your full retirement age**, your benefit may be higher due to delayed retirement credits.
- **want some idea of how long your benefits may need to last**, you can use our Life Expectancy Calculator to get a rough estimate of how long you (or your spouse) may live.
- **are trying to decide whether to retire early** and take a reduced benefit, **wait until full retirement age or delay benefits until age 70** we can help you decide if the higher benefit is worth the wait.
- **know the amount of your full retirement benefit** (or your spouse's full retirement benefit), you can
 - compute the effect of early or delayed retirement on your benefit amount and
 - compute the effect of early retirement on benefits for your spouse.
- **will receive a pension from a federal, state or local government job in which you did not pay Social Security taxes**, it may reduce the amount of your Social Security benefit. Find out what having a government pension will do to your Social Security benefit if your benefit is based on:
 - Your work,
 - Your spouse's work.

How Much Income Will You Need?

Under current law, if you have average earnings, your Social Security retirement benefits will replace about 40 percent of your pre-retirement earnings. The percentage is lower for people in the upper income brackets and higher for people with low incomes.

Your **Social Security benefits are the foundation** on which you can build a secure retirement. **Savings and pensions also are key components of your retirement plan.** Most financial advisors say you'll need about 70 percent of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living. They recommend that you prepare for the future with a combination of Social Security, private pensions and personal savings.

Make a note of your benefit estimate, and any pension you may qualify for, and continue your planning with the *Retirement Income Estimator*.

Last reviewed or modified 10/15/2012

8

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Copy

November 28, 2012

Loretta Kosmac
PO Box 1703
Fort Bragg, CA 95437

Dear Ms. Kosmac;

I am in receipt of your letter dated October 27, 2012 in which you request a review of the decision made by MCERA staff to not allow you to select the "Accelerated Option" formula for your retirement benefit. I am affirming the decision of the MCERA staff based upon the following information.

First of all, the Benefit Specialists provided you with information about your retirement options and estimates of your pension benefit based upon information they had available to them at the time of your conversation(s) with them. Any benefit information provided to you is only an estimate which will likely change at the time when your pension benefit is calculated for purposes of determining the actual pension benefit. I would note that the form provided to you by MCERA is clearly marked in red with "ESTIMATE."

Your statement that MCERA staff "have the ability and obligation to calculate estimates and use their estimates they provided to me, or use the more accurate, finite amount I have provided to them" for purposes of calculating the actual retirement benefit is simply not accurate and not legally permissible to do.

MCERA will only provide you with an estimate of your retirement benefit and cannot actually calculate your pension benefit until you have both completed the application for retirement and completed your employment. The date of your retirement application is September 19, 2012 and thus any retirement benefit calculation made by MCERA in order to determine your actual retirement benefit must be done subsequent to this date.

Secondly, at the time you applied for the retirement benefit, you elected to receive the "accelerated option" which is provided for under Government Code Section 31810. This benefit option allows a member to receive his/her retirement allowance that is increased prior to the age of becoming eligible for retirement payments under the federal system and then have the retirement allowance reduced after such age by amounts which have equivalent actuarial values. To be able to calculate this, MCERA requires a member to provide an official Personal Earnings

Statement printout from Social Security showing the estimated Social Security benefit to be received at age 62. You did provide this Social Security printout which showed your benefit to be received at age 62 as a zero (\$0) dollar amount. MCERA understands that the reason for this is that you are receiving disability benefits from Social Security beginning June 2012.

Thirdly, MCERA cannot calculate a retirement benefit under Section 31810 using a zero (\$0) dollar amount because the benefit is specifically for a member "who at the time of retiring is fully insured under the federal system" AND who "elect[s] to have his retirement allowance increased prior to such eligible age and reduced after such age by amounts which have equivalent actuarial values." Please note that MCERA staff attempted to calculate a benefit for you using the zero (\$0) amount but received an "error code" when doing so because the benefit calculator requires that a dollar amount greater than zero be entered.

In your case, the zero (\$0) dollar amount of your benefit at age 62, as reflected in the Social Security Future Earnings Estimate, means that your retirement allowance will not adjust up or down and thus cannot comply with the intent of Section 31810.

In conclusion, due to these aforementioned circumstances, it is my determination that the retirement benefit option under Government Code Section 31810 is not available to you. You may choose the Unmodified Option benefit amount which does not require MCERA to use the Social Security Future Earnings Estimate. Please let us know if you wish to change the retirement benefit option.

Should you wish to appeal this decision, you may do so by submitting a request to the MCERA Board of Retirement at the MCERA address.

Please feel free to contact me at (707) 463-4328 if you have any questions.

Sincerely,



Richard A. White, Jr.
Retirement Administrator

RECEIVED BY

October 27, 2012

OCT 29 2012

The Mendocino County Employees'
Retirement Association

Richard A. White, Jr.

Mendocino County Employees' Retirement Association

625-B Kings Court

Ukiah, California 958482-5027

I am appealing the denial of my application for the Retirement Accelerated Benefit made by Mendocino Retirement Association analysts. It is my contention that the analysts have the estimate dollar amounts needed to calculate the amount of the accelerated monthly benefit.

On January 7, 2012, the analysts provided to me an estimate of the amount of Unmodified monthly retirement income I would receive if I retired prior to age 62 and after age 62. Using their estimates based on my current salary at the time, they were also able to estimate that I would receive approximately \$1,000 in Social Security Retirement and I would also receive approximately \$500 per month if I chose to receive the Accelerated benefit amount. Their estimates were based on my earnings from work. I have not received any earnings or wages from any kind of work since prior to January 7, 2012, so their estimates are fairly accurate(See Page 1). This indicates that the analysts have the ability to calculate and estimate the amounts and figures they need to calculate both my monthly retirement amount and my monthly accelerated benefit amount and would be as accurate, if not more so, than Social Security's estimates. Unless one is currently working, Social Security cannot generate an estimate on what I might receive if I retire at age 62.

The analysts could also use my monthly _____, amount of \$1018 which will remain consistent throughout my lifetime (excluding COLA's). At age 65, the current amount of \$1018 will be called "retirement" instead of _____, but the amount will not change(See Page 2).

It is also my contention that the retirement analysts, through the process of *ex parte*, have the ability and obligation to calculate estimates and use their estimates they provided to me, or use the more accurate, finite amount I have provided to them. ***The analysts have the numbers they need to calculate the accelerated benefit amount.*** I have also provided the required Personal Earnings Statement from Social Security showing zero future earnings (Page 3&4) as required on the Accelerated Benefit application.

According to the Government Code Section 31810 on which they based their denial, it states ... "a member who retires for service prior to the age of becoming eligible for retirement payments may elect to have his retirement allowance increased prior to such eligible age and reduced after such age by amounts which have equivalent actuarial values." I am not of eligible age to collect Social Security Retirement, nor am I receiving Social Security Retirement payments.

Since the retirement analysts have several different ways to access the necessary dollar amounts they need to calculate this benefit, I request Accelerated benefit application be approved and this issue resolved.

Thank you for your reconsideration on my application.



Loretta Kosmac

PO Box 1703

Fort Bragg, CA 95437

707-962-0822

ESTIMATE

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Service Retirement

for

KOSMAC, LORETTA M.

Social Security Number:
Date of Birth: 2/03/1958

Current / Other Membership: General Tier 3 / General Tier 5 Member
Date of Retirement: 1/07/2012

	Years of Service	Non-Integrated	Integrated	Total
		.0000	10.4550	10.4550
Current (FAS) Monthly Salary:	\$	4,720.15		
Other (FAS) Monthly Salary:	\$	4,720.15		
Social Security at 62:	\$	1,000.00		
			Total Contributions Normal:	\$ 34,322.98
			Total COL:	11,181.36

Beneficiary: TERESA LEE KOSMAC

Relationship: Not Spouse
Date of Birth: 10/25/1955

	Monthly Benefits			Continuance to Beneficiary
	Current Service Annuity	Current Service Pension	Total	
Unmodified	\$ 256.87	\$ 511.61	\$ 768.48	
Before 62	410.26	817.10	1,227.36	
After 62	76.00	151.36	227.36	
Option 1	\$ 252.57	\$ 511.61	\$ 764.18	
Before 62	252.57	945.46	1,198.03	
After 62	252.57	0.00	252.57	
Option 2	\$ 239.84	\$ 477.69	\$ 717.53	
Before 62	393.23	783.18	1,176.41	
After 62	58.97	117.44	176.41	
Option 3	\$ 248.06	\$ 494.07	\$ 742.13	\$ 371.07
Before 62	401.44	799.57	1,201.01	
After 62	67.19	133.82	201.01	
Reserves				
Normal:	\$ 34,322.98	\$ 68,362.70	\$ 102,685.68	
COL	11,181.36	26,990.27	38,171.63	

By _____

November 30, 2011
Version 2.3

accelerated for 9 yrs till 62
 $768.48 + 1,227.36 = 1,995.84$

$1000 - 458.80 = 541.20$

$768.48 + 227.36 = 995.84$
 KR
 (pg 1)

letter accelerated if I stop work now what will my benefit be? ask for S.S.

Social Security Administration Retirement, Survivors and Notice of Award

Insurance

Western Program Service Center
P.O. Box 2000
Richmond, California 94802-1791
Date: June 8, 2012
Claim Number: _____



LORETTA M KOSMAC
PO BOX 1703
FORT BRAGG, CA 95437-1703

*ATTN: Judy
Health Insurance
Bills
ATTN: Judy
467-6472*

You are entitled to monthly _____ benefits beginning June 2012.

What We Will Pay And When

- You will receive \$1,018.00 for June 2012 around July 11, 2012.
- After that you will receive \$1,018.00 on or about the second Wednesday of each month.
- New rules require you to receive your payments electronically, unless you get an exemption from the U.S. Department of the Treasury. Please call Treasury at 1-888-224-2950 to see if you qualify for an exemption.

The day we make payments on this record is based on your date of birth.

Other Payments Affect Benefits

We have to consider workers' compensation and/or public _____ payments when we figure a Social Security benefit. The following will explain how these payments affect Social Security benefits. For more information, please read the enclosed pamphlet, "How Workers' Compensation and Other Payments May Affect Your Social Security Benefit."

The pamphlet explains how we reduce your and your family's Social Security checks if the money which you and your family would receive from Social Security and public _____ payments adds up to more than 80 percent of your monthly average current earnings. We found that 80 percent of your average current earnings is \$3,908.80.

Enclosure(s):
Pub 05-10018
Pub 05-10153
Pub 05-10058

See Next Page

*920115L19002487-NOTAF.P X3.PBMCSONOT.PCF.R120004.PAM

Insert 000100100

00200105352935887395437170303





Mendocino County Employees' Retirement Association

625-B Kings Court · Ukiah, CA 95482 · (707) 463-4328 · Fax (707) 467-6472

Dear Member,

Due to recent discussion at the Federal Government level regarding possible changes to the Social Security Act the following acknowledgement must be signed and filed with this office at the time of your decision to accelerate your retirement benefit and coordinate with social security benefit.

A **Personal Earnings Statement** is required from the Social Security Administration showing zero (0) in Future Earnings.

I, LORETTA KOSMAC hereby acknowledge by choosing the option to utilize Government Code §31810 of the 1937 Act Retirement Law, my Mendocino County retirement benefit will be reduced the month following my 62nd birthday by the estimated amount of Social Security used to determine my early retirement benefit.

Using information provided to me by the Social Security Administration, in writing, I estimate my Social Security Benefit at age 62 to be \$ 1018.00

[Signature]
Signature

9-19-12
Date

Date of 62nd Birthday 2-3-20

Early Benefit Monthly Amount _____ (\$1018.00)

Benefit Amount after 62nd Birthday _____ (excluding COLA's) (\$1018.00)

PEBES ONLINE RESPONSE PBR:
 DATE: 10/01/12 SSN: OFFICE: A85 UNIT: TAT

DATA ENTERED/USED FOR COMP
 NH: LORETTA M KOSMAC
 DOB: 02/03/1958
 LAST YEAR: 2011 THIS YEAR: 2012
 EARNINGS: 58636 EARNINGS: 0
 MAXIMUM: 106800 MAXIMUM: 110100
 FUT EARN: 0 AGE STOP WORK:

NUMIDENT DATA
 NAME: LORETTA M KOSMAC
 DOB: 02/03/1958 SEX: F
 NL2:

Future Earnings Estimate

REQ QC RET: 00	HAS QC RET: 00	REQ QC 20/40: 00	HAS QC 20/40: 00
REQ QC MEDI: 00	HAS QC MEDI: 00	REQ QC AGE24: 00	HAS QC AGE24: 00
REQ QC SURV: 00	HAS QC SURV: 00	REQ QC AGE31: 00	HAS QC AGE31: 00
RET INS:	SUR INS:	REQ QC FULLY: 00	HAS QC FULLY: 00
MED INS:	SUR CHILD: 0	DIB INS:	CURRENT ENT: Y
RET RED: 0	SUR SP CHILD: 0	DIB BENEFIT: 0	ERNGS TYPES: CMX
RET FULL: 0	SUR SP RET: 0	TOTAL EST TAXES PAID:	
RET DEL: 0	SUR FAMILY: 0	NH SOC SEC: 37202	MEDI: 8960
CURRENT AGE: 5408	FULL RET AGE: 6608	ER SOC SEC: 38402	MEDI: 8960
FULL RET MONTH AND YEAR: 10 2024		PG:	

SOCIAL SECURITY

MEDICARE

YEAR	MAX-EARN	ACT-EARN	TAX	MAX-MED	ACT-MED	TAX
1974	13200	206	10	13200	206	1
1975	14100	309	15	14100	309	2
1976	15300	1116	55	15300	1116	10
1977	16500	1797	88	16500	1797	16
1978	17700	3047	153	17700	3047	30
1979	22900	8457	429	22900	8457	88
1980	25900	5157	261	25900	5157	54
1981	29700	8108	433	29700	8108	105
1982	32400	4212	227	32400	4212	54
1983	35700	6740	363	35700	6740	87
1984	37800	8934	482	37800	8934	116
1985	39600	5501	313	39600	5501	74
1986	42000	6174	351	42000	6174	89
1987	43800	8358	476	43800	8358	121
1988	45000	10418	631	45000	10418	151
1989	48000	3220	195	48000	3220	46
1990	51300	4226	262	51300	4226	61
1991	53400	3685	228	125000	3685	53
1992	55500	4121	255	130200	4121	59
1993	57600	8264	512	135000	8264	119
1994	60600	8858	549	NO LIMIT	8858	128
1995	61200	15129	937	NO LIMIT	15129	219
1996	62700	2133	132	NO LIMIT	2133	30
1997	65400	4268	264	NO LIMIT	4269	61
1998	68400	9423	584	NO LIMIT	9423	136
1999	72600	18169	1126	NO LIMIT	18169	263
2000	76200	21835	1353	NO LIMIT	21835	316
2001	80400	27364	1696	NO LIMIT	27364	396
2002	84900	29627	1836	NO LIMIT	29627	429
2003	87000	31222	1935	NO LIMIT	31222	452
2004	87900	34508	2139	NO LIMIT	34508	500
2005	90000	35034	2172	NO LIMIT	35034	507
2006	94200	35548	2203	NO LIMIT	35548	515
2007	97500	39692	2460	NO LIMIT	39692	575
2008	102000	51157	3171	NO LIMIT	51157	741

§31808.9. Retirement allowance in counties subject to Section 31676.17, 31676.18, or 31676.19; computation of benefits

In any county or district, subject to Section 31676.17, 31676.18, or 31676.19, that adopts or has already adopted the provisions of this article, the retirement allowance of members subject to Section 31676.17, 31676.18, or 31676.19 shall be computed according to either the provisions of subdivision (a) or subdivision (b) of this section as selected by the board of supervisors.

(a) The retirement allowance for service rendered prior to the effective date of this article as specified in the resolution mentioned in Section 31800 shall be computed in accordance with the provisions of Section 31676.17, 31676.18, or 31676.19, as applicable. The retirement allowance of any member with respect to service performed after the effective date of this article as specified in the resolution mentioned in Section 31800 shall equal the total of the following:

(1) The fraction of one seventy-fifth of the first three-hundred fifty dollars (\$350) monthly of the member's final compensation set forth in the table appearing in Section 31676.17, 31676.18, or 31676.19, as applicable, in the column applicable to his or her age at retirement taken to the preceding completed quarter year multiplied by the number of years of creditable service as provided therein.

(2) The fraction of one-fiftieth of any remaining portion of the member's final compensation set forth in the table appearing in Section 31676.17, 31676.18, or 31676.19, as applicable, in the column applicable to his or her age at retirement taken to the preceding completed quarter year multiplied by the number of years of creditable service.

(b) The retirement allowance shall be computed according to the provisions of Section 31676.17, 31676.18, or 31676.19, as applicable, and federal old age and survivors' insurance coverage shall be on an additive or supplemental basis.

(Added by Stats. 2001, Ch. 782 (A.B. 616), Sec. 10)

§31810. Retirement before eligibility under federal system; modification of allowance; election; approval

A member who retires for service prior to the age of becoming eligible for retirement payments under the federal system and who at the time of retiring is fully insured under the federal system, may, with the approval of the Retirement Board, elect to have his retirement allowance increased prior to such eligible age and reduced after such age by amounts which have equivalent actuarial values. This modification is for the purpose of coordinating a member's retirement allowance with benefits receivable from the federal system.

I am not receiving Retirement payments I am receiving

(Amended by Stats. 1963, Ch. 642, Sec. 1)

§31811. Death of member making election; beneficiary's allowance

If a member who has elected the option provided in Section 31810 dies leaving a beneficiary entitled to an allowance based upon the allowance of the member, the beneficiary's allowance shall be based upon the allowance the member would have received had he not elected the option.

payments

(Added by Stats. 1957, Ch. 663, Sec. 1, Effective May 31, 1957)

§31812. Members' contributions (Los Angeles)

(a) Each member shall continue to contribute as provided for in Article 6 (commencing with Section 31620) or (in case of those members defined in Sections 31470.2, 31470.4 and 31470.6) Article 6.8 (commencing with Section 31639) of this chapter less an amount equal to one-third of that portion of such contribution which is payable with respect to the first three hundred fifty dollars (\$350) monthly wage, or in counties where the board of supervisors

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

A handwritten signature in black ink, appearing to be "C. J. ...", with a horizontal line underneath.

October 23, 2012

Loretta Kosmac
P.O. Box 1703
Fort Bragg, CA 95437

Dear Loretta,

The government code section that we follow pertaining to the Accelerated Benefit Option is §31810 which outlines the ability to modify the benefit option in coordination with the Social Security benefit 'before' eligible under the federal system. You are already eligible and are already drawing a Social Security benefit.

We require a Personal Earnings Statement printout from Social Security showing the estimated Social Security benefit to be received at the age of 62. The statements that you have provided show a zero (\$0) dollar amount at age 62. We cannot calculate an increased monthly benefit *until* age 62 based on a zero dollar benefit *at* age 62.

You have the right to appeal this decision to the Retirement Administrator. You may submit a request for reconsideration to him, Richard A. White, Jr., at this same address.

You may also choose the Unmodified Option benefit amount.

Please feel free to contact me at (707) 467-6473 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Katy Richardson".

Katy Richardson
Sr. Retirement Specialist

10/12/12

I called Loretta Kosmac (member) today to discuss her retirement application sent by mail. She has provided a printout from Social Security showing a zero future earning, as I had requested (required) but the future benefit section stating estimated benefits at age 62 or older are also zero. I explained this to her, she could not find the example that I had sent to her. I mailed another copy to her and told her that if she could provide a Personal Earnings Statement from the Social Security Administration showing an estimated benefit amount at age 62, an actual dollar amount, I would process the Accelerated benefit option for her.

She stated that she now received SSI and that her monthly benefit from Social Security will likely go down at age 62. I questioned her as to why, knowing that if she were to Accelerate the retirement benefit with Mendocino County that we would be reducing her benefit at age 62 and her anticipated reduction of benefits from Social Security, why would she set herself up for the reduction in income from both sources?

She stated that she fully understood that we would be reducing her benefit at age 62 by the full amount of the estimated social security benefit at age 62 used in our calculation.

I **did not** discuss with Loretta the possibility of drawing a service retirement pending the outcome of the as she would need to retire now but would not be able to officially apply until This is my understanding at this time.

I am referring this file to Judy Zeller in our office for follow-up on the retirement aspects of this case.


10-12-12

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

September 26, 2012

Loretta Kosmac
P.O. Box 1703
Fort Bragg, CA 95437

Dear Loretta,

Enclosed you will find the documents that you requested. The form is one that is signed by all members choosing the Accelerated Option. A Personal Earnings Statement is required. I have also provided a copy of a Personal Earnings Statement obtained from the Social Security Office on September 20, 2012, showing zero future earnings.

As previously stated, we require a 'Personal Earnings Statement' from the Social Security Administration Office in order to process a retirement benefit using the Accelerated Option showing zero future earnings from the date of retirement. I was told by a representative of their office that they could not generate the statement for someone who was already drawing Social Security benefits.

Please feel free to contact me at (707) 467-6473 if you have further questions.

Sincerely,

A handwritten signature in cursive script that reads "Katy Richardson".

Katy Richardson
Sr. Retirement Specialist

Enclosures (2)



Mendocino County Employees' Retirement Association
625-B Kings Court · Ukiah, CA 95482 · (707) 463-4328 · Fax (707) 467-6472

Dear Member,

Due to recent discussion at the Federal Government level regarding possible changes to the Social Security Act the following acknowledgement must be signed and filed with this office at the time of your decision to accelerate your retirement benefit and coordinate with social security benefit.

A **Personal Earnings Statement** is required from the Social Security Administration showing zero (0) in Future Earnings.

I, _____ hereby acknowledge by choosing the option to utilize Government Code §31810 of the 1937 Act Retirement Law, my Mendocino County retirement benefit will be reduced the month following my 62nd birthday by the estimated amount of Social Security used to determine my early retirement benefit.

Using information provided to me by the Social Security Administration, in writing, I estimate my Social Security Benefit at age 62 to be \$ _____.

Signature

Date

Date of 62nd Birthday _____

Early Benefit Monthly Amount _____

Benefit Amount after 62nd Birthday _____ (excluding COLA's)

PEBES
DATE: 09/20/12 SSN:

PEBES ONLINE RESPONSE
OFFICE: A85

UNIT: LSS

DATA ENTERED/USED FOR COMP

NUMIDENT DATA

NH:
DOB:
LAST YEAR: 2011 THIS YEAR: 2012
EARNINGS: 40000 EARNINGS: 40000
MAXIMUM: 106800 MAXIMUM: 110100
FUT EARN: 0 AGE STOP WORK:

NAME:
DOB:
NL2:
SEX: F

REQ QC RET: 40 HAS QC RET: 40
REQ QC MEDI: 40 HAS QC MEDI: 40
REQ QC SURV: 29 HAS QC SURV: 40
RET INS: Y SUR INS: Y
MED INS: Y SUR CHILD: 1058
RET RED: 857 SUR SP CHILD: 1058
RET FULL: 1217 SUR SP RET: 1411
RET DEL: 1510 SUR FAMILY: 2643
CURRENT AGE: 5100 FULL RET AGE: 6700

REQ QC 20/40: 20 HAS QC 20/40: 40
REQ QC AGE24: 00 HAS QC AGE24: 00
REQ QC AGE31: 00 HAS QC AGE31: 00
REQ QC FULLY: 29 HAS QC FULLY: 40
DIB INS: Y CURRENT ENT: N
DIB BENEFIT: 1394 ERNGS TYPES: C
TOTAL EST TAXES PAID:
NH SOC SEC: 40215 MEDI: 9602
ER SOC SEC: 41026 MEDI: 9602

FULL RET MONTH AND YEAR: 09 2028

PG:

SOCIAL SECURITY

MEDICARE

YEAR	MAX-EARN	ACT-EARN	TAX	MAX-MED	ACT-MED	TAX
1977	16500	499	24	16500	499	4
1978	17700	481	24	17700	481	4
1979	22900	5453	277	22900	5453	57
1980	25900	7980	405	25900	7980	83
1981	29700	8292	443	29700	8292	107
1982	32400	8322	449	32400	8322	108
1983	35700	10980	592	35700	10980	142
1984	37800	1902	102	37800	1902	24
1985	39600	1797	102	39600	1797	24
1986	42000	6101	347	42000	6101	88
1987	43800	13811	787	43800	13811	200
1988	45000	14347	869	45000	14347	208
1989	48000	13237	802	48000	13237	191
1990	51300	17419	1079	51300	17419	252
1991	53400	18054	1119	125000	18054	261
1992	55500	18847	1168	130200	18847	273
1993	57600	21333	1322	135000	21333	309
1994	60600	22212	1377	NO LIMIT	22212	322
1995	61200	17579	1089	NO LIMIT	17579	254
1996	62700	7773	481	NO LIMIT	7773	112
1997	65400	10893	675	NO LIMIT	10893	157
1998	68400	2294	142	NO LIMIT	2294	33
1999	72600	22515	1395	NO LIMIT	22515	326
2000	76200	21704	1345	NO LIMIT	21704	314
2001	80400	27797	1723	NO LIMIT	27797	403
2002	84900	33372	2069	NO LIMIT	33372	483
2003	87000	34524	2140	NO LIMIT	34524	500
2004	87900	15012	930	NO LIMIT	15012	217
2005	90000	31411	1947	NO LIMIT	31411	455
2006	94200	33446	2073	NO LIMIT	33446	484
2007	97500	37550	2328	NO LIMIT	37550	544
2008	102000	43066	2670	NO LIMIT	43066	624
2009	106800	52315	3243	NO LIMIT	52315	758
2010	106800	48183	2987	NO LIMIT	48183	698
2011	106800	40248	1690	NO LIMIT	40248	583

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Copy

September 20, 2012

Loretta Kosmac
P.O. Box 1703
Fort Bragg, CA 95437

Dear Loretta,

This letter is in response to our conversation of Tuesday, September 18, 2012 regarding retirement option choices.

Information had previously been provided to you regarding the Accelerated Option coordinated with Social Security. I was not aware that you were drawing SSI. I misspoke in our last conversation when I stated that you were not eligible to choose the Accelerated Option because of the SSI. I should have said that I would strongly counsel against the option given the requirement to reduce the retirement benefit at age 62 with this option.

We require a 'Personal Earnings Statement' from the Social Security Administration Office in order to process a retirement benefit using the Accelerated Option showing zero future earnings from the date of retirement. I was told today by a representative of their office that they could not generate the statement for someone who was already drawing Social Security benefits.

It appears that you would not be able to meet our requirement. But, in the event that you are able to obtain a 'Personal Earnings Statement' from the Social Security Administration showing a zero future earnings and an estimated Social Security benefit at age 62, and you wished to pursue the Accelerated Option knowing that your benefit would be reduced at age 62, I would process the benefit for you.

I will await your retirement paperwork and your decision. Please let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Katy Richardson".

Katy Richardson
Sr. Retirement Specialist



Mendocino County Employees' Retirement Association

625-B Kings Court · Ukiah, CA 95482 · (707) 463-4328 · Fax (707) 467-6472

Dear Member,

Due to recent discussion at the Federal Government level regarding possible changes to the Social Security Act the following acknowledgement must be signed and filed with this office at the time of your decision to accelerate your retirement benefit and coordinate with social security benefit.

A **Personal Earnings Statement** is required from the Social Security Administration showing zero (0) in Future Earnings.

I, LORETTA KOSMAC hereby acknowledge by choosing the option to utilize Government Code §31810 of the 1937 Act Retirement Law, my Mendocino County retirement benefit will be reduced the month following my 62nd birthday by the estimated amount of Social Security used to determine my early retirement benefit.

Using information provided to me by the Social Security Administration, in writing, I estimate my Social Security Benefit at age 62 to be \$ 1018.00

[Handwritten Signature]
Signature

9-19-12
Date

Date of 62nd Birthday 2-3-20

Early Benefit Monthly Amount _____ (\$1018.00)

Benefit Amount after 62nd Birthday _____ (excluding COLA's) (\$1018.00)

copy

*** REC 2012275 172955 H8B00AEO LFNJ CIPQYA1 PQA1 (F-LFN) ***

PEBES
DATE: 10/01/12 SSN:

PRRS ONLINE RESPONSE
OFFICE: A85

UNIT: TAT
PBR5

DATA ENTERED/USED FOR COMP

NH: LORETTA M KOSMAC
DOB: 02/03/1958
LAST YEAR: 2011 THIS YEAR: 2012
EARNINGS: 58636 EARNINGS: 0
MAXIMUM: 106800 MAXIMUM: 110100
FUT EARN: 0 AGE STOP WORK:

NUMIDENT DATA
NAME: LORETTA M KOSMAC
DOB: 02/03/1958 SEX: F
NL2:

Future Earnings Estimate

REQ QC RET: 00 HAS QC RET: 00
REQ QC MEDI: 00 HAS QC MEDI: 00
REQ QC SURV: 00 HAS QC SURV: 00
RET INS: SUR INS:
MED INS: SUR CHILD: 0
RET RED: 0 SUR SP CHILD: 0
RET FULL: 0 SUR SP RET: 0
RET DEL: 0 SUR FAMILY: 0
CURRENT AGE: 5408 FULL RET AGE: 6608
FULL RET MONTH AND YEAR: 10 2024

REQ QC 20/40: 00 HAS QC 20/40: 00
REQ QC AGE24: 00 HAS QC AGE24: 00
REQ QC AGE31: 00 HAS QC AGE31: 00
REQ QC FULLY: 00 HAS QC FULLY: 00
DIB INS: CURRENT ENT: Y
DIB BENEFIT: 0 ERNGS TYPES: CMX
TOTAL EST TAXES PAID:
NH SOC SEC: 37202 MEDI: 8960
ER SOC SEC: 38402 MEDI: 8960
PG:

SOCIAL SECURITY

YEAR	MAX-EARN	ACT-EARN	TAX
1974	13200	206	10
1975	14100	309	15
1976	15300	1116	55
1977	16500	1797	88
1978	17700	3047	153
1979	22900	8457	429
1980	25900	5157	261
1981	29700	8108	433
1982	32400	4212	227
1983	35700	6740	363
1984	37800	8934	482
1985	39600	5501	313
1986	42000	6174	351
1987	43800	8358	476
1988	45000	10418	631
1989	48000	3220	195
1990	51300	4226	262
1991	53400	3685	228
1992	55500	4121	255
1993	57600	8264	512
1994	60600	8858	549
1995	61200	15129	937
1996	62700	2133	132
1997	65400	4268	264
1998	68400	9423	584
1999	72600	18169	1126
2000	76200	21835	1353
2001	80400	27364	1696
2002	84900	29627	1836
2003	87000	31222	1935
2004	87900	34508	2139
2005	90000	35034	2172
2006	94200	35548	2203
2007	97500	39692	2460
2008	102000	51157	3171

MEDICARE	TAX
MAX-MED	ACT-MED
13200	206
14100	309
15300	1116
16500	1797
17700	3047
22900	8457
25900	5157
29700	8108
32400	4212
35700	6740
37800	8934
39600	5501
42000	6174
43800	8358
45000	10418
48000	3220
51300	4226
125000	3685
130200	4121
135000	8264
NO LIMIT	8858
NO LIMIT	15129
NO LIMIT	2133
NO LIMIT	4269
NO LIMIT	9423
NO LIMIT	18169
NO LIMIT	21835
NO LIMIT	27364
NO LIMIT	29627
NO LIMIT	31222
NO LIMIT	34508
NO LIMIT	35034
NO LIMIT	35548
NO LIMIT	39692
NO LIMIT	51157

pg 2 of 3

2009 106800 49358 3060 NO LIMIT 49358 715 PG: 001+

27.

PEBES ONLINE RESPONSE PERS
 DATE: 10/01/12 SSN: OFFICE: A85 UNIT: TAT
 NH: LORETTA M KOSMAC DOB: 02/03/1958
 SOCIAL SECURITY MEDICARE

YEAR	MAX-EARN	ACT-EARN	TAX	MAX-MED	ACT-MED	TAX
2010	106800	54582	3384	NO LIMIT	54582	791
2011	106800	58636	2462	NO LIMIT	58636	850
2012	110100	0	0	NO LIMIT	0	0

PG: 002

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator *rw*
Subject: Financial Report

Monthly Financial Reports

The financial reports for the month ending November 30, 2012 are included for your review.

- **Statement of changes in plan assets.**
 - This report details a view of the current fiscal year additions to and deductions from the plan and covers the most recent monthly activity and the fiscal year to date activity.
- **Statement of plan assets.**
 - This report details a “snapshot” of account balances for the period covered and the fiscal year to date activity. The report indicates the assets available for future payments to retirees and any current liabilities owed.
- **Cash flow analysis.**
 - This report is also a “snapshot” of the cash available to MCERA during the reporting period, which in this report included the full Fiscal Year 2011/12.
 - MCERA uses and monitors the cash within the fund in accordance with the cash flow policy.

Please note that these reports continue to undergo fine tuning as we integrate our processes into the Peachtree Accounting Software and away from the County Munis system as a result of the accounting changes we started in July, 2012.

These reports differ from the October reports in that the reported numbers have been rounded to the nearest whole dollar. Since the last report, the ‘cash flow’ total has been revised to be consistent with all reports (though there is a rounding difference) and the “benefit payments, subsidies & refunds” category has also been revised to reflect these actual transactions.

Fiscal Year 2012/13 Budget:

Authority: The Board of Retirement is granted the authority under Government Code Section 31580.2 to “annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund.” This Board adopted the fiscal year at your June 20, 2012 meeting.

The CERL further provides that the expenses incurred in any fiscal year may not exceed the greater of either of the following:

- (1) Twenty-one hundredths of 1 percent of the accrued actuarial liability of the retirement system. (MCERA Accrued actuarial liability at the June 30, 2011 valuation was \$472,644,283 times 0.21% equals \$992,553).
- (2) Two million dollars (\$2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5 (commencing with Section 31870).

Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system for purposes of the aforementioned sections.

Also, Government Code Section 31596.1 provides that “the expenses of investing its moneys shall be borne by the system” and defines that certain investment expenses “shall not be considered a cost of the administration of the retirement system, but shall be considered as a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board.” These investment expenses include: costs of actuarial valuations and services; custodial service costs; fees for investment counsel, consulting and management and administration of the board’s investment program; legal fees.

Adopted Fiscal Year 2012/13 Budget: The total budget adopted by the Board total \$1,638,828 for all budgeted categories. The Fiscal Year 2011/12 budget included these categories:

- (1) Administrative expenses subject to the \$2 million statutory cap were \$ 874,738 which represented 44% of the permitted expense cap.
- (2) Technology expenses were budgeted at \$300,090 for the IT imaging software project.
- (3) Investment expenses were budgeted at \$464,000 for management fees, consulting services and actuarial services.

The adopted budget is included in your agenda item.

Revised Fiscal Year 2012/2013 Budget:

The Board approved additions to the adopted budget during the course of the year to account for the addition of services or renewals of contracts. The additions included in the revised budget include:

- Hanson Bridgett Tax Counsel contract extension (\$40,000).
- Fechter Accounting Services contract (\$75,000).
- Medical Advisor Services contract (\$20,000).
- Callan Associates contract extension increase (\$5,600).
- Fiduciary Insurance policy renewal increase (\$2,605).
- Assessor accounting services (\$3,000).
- Hewitt, Ennis Knupp strategic planning workshop (\$7,500)

The full-time equivalent accounting position which was approved by this Board but denied by the Mendocino County Board of Supervisors was not formally removed from the adopted budget but has been removed from the revised budget in order to present a more accurate representation of the personnel expenses.

In summary, at the mid-year point in Fiscal Year 2012-13, the actual expenses for all categories were \$516,589 which represents 30% of the revised annual budget (\$1,696,327).

Actual versus Budget Comparison:

The following discussion compares the actual expenses for the period of July, 2012 through December, 2012 with the budget using the revised budget numbers.

The revised Fiscal Year 2012/13 Budget and actual expenses for the first six months of the fiscal year are presented for your review:

- Revised total budget: \$ 1,696,327
 - Actual Total expenses: \$ 516,589
 - Actual expense to budget percentage: 30%

- Revised total administrative budget, less IT: \$ 926,637
 - Budget percentage of \$2 Million statutory cap: 46%
 - Actual administrative expense, less IT: \$ 447,039
 - Actual expense to budget percentage: 48%

- Administrative statutory annual cap: \$ 2,000,000
 - Actual administrative expenses, less IT: \$ 447,039
 - Actual expense to statutory cap percentage: 22%

Some of the notable items include:

- **Personnel Expenses:**
 - Revised annual budget: \$ 429,609
 - Actual expenses: \$ 205,962
 - Percentage (Actual/Budget): 48%

- **Administrative Expenses:**
 - Revised annual budget: \$ 315,828
 - Actual expenses: \$ 184,791
 - Percentage (Actual/Budget): 59%

- **Disability Expenses:**
 - Revised annual budget: \$ 105,000
 - Actual expenses: \$ 14,710
 - Percentage (Actual/Budget): 14%

- **IT Expenses:**
 - Revised annual budget: \$ 300,090
 - Actual expenses: \$ 8,972
 - Percentage (Actual/Budget): 3%

Notes:

A. The format and categorization for this report has been changed from the budget report which was approved by the Board, but categories remain intact for this report. We are working on refining the chart of accounts and the recording of transactions in our Peachtree Accounting Software which will improve the level of detail and reports available to the Board.

B. The 'building expenses category' includes all the expenses associated with both suites in the building but are not off-set with the rental income from Suite A which also includes fees for some expenses. We are working on better defining the accounting for the income and expenses associated with the building and both office suites.

C. Included worksheets:

1. **Legal Expenses.** Included expenses are for the Hansen Bridgett (IRS tax counsel); Manatt, Phelps, Phillips, LLP (fiduciary counsel); and Sonoma County Counsel (MCERA system counsel). The legal expenses were reduced by applying \$26,632.80 of the Buck settlement fund.
2. **Contract Expenses.** Included expenses are for Fechter & Company professional accounting services; Assessor-Recorder contract with Randy Goodman for accounting services; and for Jim Andersen project consulting services.
3. **Board Education.** The fiscal year (Jul-Dec) board member meeting stipend, workshops and conferences attended are included in this worksheet.
4. **Staff Education and Meetings.** The conferences, workshops and meetings attended by MCERA Administrator, MCERA Legal Counsel and staff members are detailed in this worksheet.
5. **Disability Process.** The legal, medical and hearing review process expenses associated with the disability process are detailed in this worksheet.

Review and reporting update:

As previously mentioned, the Board is aware that with the start of Fiscal Year 2012/13, MCERA began to use our in-house Peachtree Accounting Software for the daily accounting needs of the system. As a part of this conversion, our budget planning and reporting system are being reviewed and modified to better serve the Board, administrative staff, MCERA and our stakeholders. This is a work-in-progress and input from today's review will be important for our continued work on these systems.

We are attempting to balance the need for planning and reporting systems with the amount of effort, staff time and other resources necessary to have an effective and efficient system. Some of the items being worked on include revisions to the chart of accounts to more accurately record and report on the accounts and expenses. We are working to develop reporting systems within our Peachtree accounting system that will generate reports for the Board, such as budget versus actual expenses for a fiscal year as well as to enable comparison to previous fiscal year periods.

We are trying to automate more of our processes and enhance the Peachtree accounting system which we hope will require less manual calculation and separate reporting. We are trying to use our staff resources and professional service provider in an efficient manner and continue to review our procedures to ensure this.

We have worked within the limited staff resources and the experience level of these staff resources to arrive at this point where the information available to the Board is presented today and it will be important to gain the feedback of the Board at today's meeting on the progress made so far.

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2012
(PRELIMINARY)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 1,464,873	\$ 5,965,683
PLAN MEMBERS	574,466	1,890,958
	2,039,339	7,856,641
TOTAL CONTRIBUTIONS		
INVESTMENT INCOME		
UNREALIZED GAIN/(LOSS) INVESTS.	0	15,339,051
RENTAL INCOME, NET OF EXPENSES	3,738	12,299
INTEREST	0	13,819
DIVIDENDS	135,422	1,331,139
CAPITAL GAINS	0	201,390
	(37,605)	(214,057)
LESS INVESTMENT EXPENSE		
	101,555	16,683,641
TOTAL INVESTMENT INCOME		
	2,140,894	24,540,282
TOTAL ADDITIONS		
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(2,041,554)	(10,986,910)
ADMINISTRATIVE EXPENSES	(76,112)	(290,937)
	2,117,666	11,277,847
TOTAL DEDUCTIONS		
	23,228	13,262,435
INCREASE (DECREASE) IN NET ASSETS		
NET ASSETS		
BEGINNING OF YEAR	355,976,021	342,736,812
END OF YEAR	\$ 355,999,249	\$ 355,999,247

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
NOVEMBER 30, 2012
(PRELIMINARY)

ASSETS

CASH AND EQUIVALENTS		
TRUST CASH-HELD AT COUNTY	\$ 2,209,285	
		2,209,285
TOTAL CASH AND EQUIVALENTS		
CURRENT ASSETS		
ACCOUNTS RECEIVABLE	3,000	
RECOUPMENTS	1,770	
		4,770
TOTAL CURRENT ASSETS		
PROPERTY AND EQUIPMENT		
EQUIPMENT	3,786	
		3,786
TOTAL PROPERTY AND EQUIPMENT		
INVESTMENTS, ADJUSTED TO MARKET		
UNREALIZED GAIN/(LOSS) INVESTS	44,218,233	
BONDS	87,511,500	
INTERNATIONAL EQUITIES	76,620,569	
SMALL CAP EQUITIES	21,383,960	
MID CAP EQUITIES	36,105,373	
LARGE CAP EQUITIES	59,022,401	
REAL ESTATE	29,484,293	
		354,346,329
TOTAL INVESTMENTS, AT MARKET		
		\$ 356,564,170
TOTAL ASSETS		

LIABILITIES

CURRENT LIABILITIES		
ACCOUNTS PAYABLE	\$ 18,427	
AMCRE DUES	802	
WAGE ATTACHMENTS	869	
WAGES ACCRUED - 1920 ACCOUNT	165,478	
PEDIT TRUST DENTAL	18,164	
AFLAC INSURANCE	3,037	
DEPENDENT INSURANCE	32,444	
RETIREE INS PREMIUM	77,610	
BUCK SETTLEMENT RESERVE	248,093	
		564,924
TOTAL CURRENT LIABILITIES		
		\$ 355,999,246
TOTAL NET ASSETS		

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CASH FLOW ANALYSIS
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2012
(PRELIMINARY)**

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		5,965,683
EMPLOYER	1,464,873	1,890,958
PLAN MEMBER	574,466	
	2,039,339	7,856,641
TOTAL CONTRIBUTIONS		
INVESTMENT INCOME		12,299
RENTAL INCOME, NET OF EXPENSES	3,738	13,819
INTEREST	0	912,356
DIVIDENDS	135,422	0
CAPITAL GAIN	0	
	(37,605)	(214,057)
LESS INVESTMENT EXPENSE		
	101,555	724,417
TOTAL INVESTMENT INCOME		
	2,140,894	8,581,058
TOTAL ADDITIONS		
DEDUCTIONS		(10,986,908)
BENEFIT PAYMENTS AND SUBSIDIES	(2,041,553)	(290,937)
ADMINISTRATIVE EXPENSES	(76,112)	
	(2,117,665)	(11,277,845)
TOTAL DEDUCTIONS		
OTHER INCREASES/(DECREASES)		(2,116)
ACCOUNTS RECEIVABLE	261	162,866
ACCOUNTS PAYABLE	102,139	0
BUCK SETTLEMENT	0	2,110,799
SALE/PURCHASE OF INVESTMENTS	0	
	102,400	2,271,549
TOTAL OTHER INCREASES/(DECREASES)		
INCREASE (DECREASE) IN CASH	\$ 125,629	\$ (425,238)
SUMMARY		
CASH AT END OF PERIOD	\$ 2,209,285	\$ 2,209,285
CASH AT BEGINNING OF PERIOD	2,083,660	2,634,526
INCREASE (DECREASE) IN CASH	\$ 125,625	\$ (425,241)

Mendocino County Employees Retirement Association

Fiscal Year 2012/13 Mid Year Budget Review

Actuals Through 12/31/12

FY 2012/13	APPROVED	REVISED	ACTUAL	AVAILABLE/UNSPENT	PERCENTAGE	NOTES
Personnel						
Gross Regular Salaries	\$ 319,616	\$ 254,617	\$ 128,300	\$ 126,317	50% (1)	
Extra Help	15,000	15,000	-	15,000	0%	
Retirement	75,162	59,032	29,861	29,171	51%	
Social Security	17,629	13,599	7,493	6,106	55%	
Social Security B	4,390	3,448	1,752	1,695	51%	
Retirement Cola	27,957	27,957	14,163	13,794	51%	
Health Insurance	51,030	51,030	19,790	31,240	39% (2)	
Unemployment Insurance	3,215	3,215	3,215	-	100% (3)	
Workers Comp	1,711	1,711	1,388	323	81% (3)	
Total 1920	\$ 515,710	\$ 429,609	\$ 205,962	\$ 223,646	48%	
Administrative						
Communications	2,450	2,450	1,640	810	67%	
General Insurance	1,328	1,328	879	449	66%	
Membership	6,000	6,000	5,005	995	83%	
Office Expense	13,000	13,000	4,665	8,335	36%	
Legal Expense	60,000	100,000	59,562	40,438	60% (4)	
Contracts	22,250	100,250	32,738	67,512	33% (5)	
Travel In-County	300	300	407	(107)	136%	
Travel Out of County	-	-	-	-		
Board Education	22,500	22,500	15,259	7,241	68%	
Staff Meetings/Ed	5,000	5,000	7,031	(2,031)	141%	
Audit	30,000	30,000	20,000	10,000	67%	
Fiduciary Insurance	35,000	35,000	37,605	(2,605)	107% (6)	
Subtotal	\$ 197,828	\$ 315,828	\$ 184,791	\$ 131,037	59%	
Total	\$ 713,538	\$ 745,437	\$ 390,754	\$ 354,683	52%	
Disability						
Disability Due Diligence	50,000	50,000	7,060	42,940	14%	
Disability Hearings	20,000	20,000	-	20,000	0%	
Medical Reviews	15,000	35,000	7,650	27,350	22% (7)	
Subtotal	85,000	105,000	14,710	90,290	14%	
625 A-B Kings Court						
Building Expenses	25,000	25,000	15,975	9,025	64%	
Imputed Rent	51,200	51,200	25,600	25,600	50%	
Subtotal	76,200	76,200	41,575	34,625	55%	
Total Admin. Budget	\$ 874,738	\$ 926,637	\$ 447,039	\$ 479,598	48%	
Administrative Cap	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000		
Balance	\$ 1,125,262	\$ 1,073,363	\$ 1,552,961	\$ 1,520,402		
Technology						
Automation	300,090	300,090	8,972	\$ 291,118	3%	
Subtotal	\$ 300,090	\$ 300,090	\$ 8,972	\$ 291,118	3%	
Investment						
Alliance Berstein Fees	\$ 39,000	\$ 39,000	\$ 22,578	\$ 16,422	58%	
Investment Consultants	140,000	145,600	35,000	110,600	24% 8.	
Mondrian Fees	105,000	105,000	-	105,000	0%	
Cornerstone Fees	110,000	110,000	-	110,000	0%	
Actuary Services	70,000	70,000	3,000	67,000	4%	
Subtotal	\$ 464,000	\$ 469,600	\$ 60,578	\$ 409,022	13%	
Total	\$ 1,638,828	\$ 1,696,327	\$ 516,589	\$ 1,179,738	30%	

NOTES:

- FTE accountant position removed
- Retirement Administrator Opted Out
- Single charge for Fiscal Year
- Revised includes Hanson Bridgett Contract Addition (\$40,000); Excluded \$26633 charged to Buck settlement
- Revised includes Fechter Contract Addition (\$75,000); Jim Andersen; Assessor (\$3,000);
- Premium increase
- Revised includes Medical Advisor contract (\$20,000)
- Revised includes new Callan Associates contract

LEGAL SERVICES			
Hansen Bridgett			
	8/20/2012	\$ 21,634.65	
	8/31/2012	\$ 6,815.70	
	10/31/2012	\$ 1,014.30	
	11/30/2012	\$ 2,973.60	
	11/30/2012	\$ 3,658.95	
	12/31/2012	\$ 14,241.15	
			\$ 50,338.35
Manatt			
	Jul-12	\$ 2,106.45	
			\$ 2,106.45
Sonoma County Counsel			
	7/31/2012	\$ 4,482.00	
	8/31/2012	\$ 5,340.02	
	9/27/2012	\$ 6,841.91	
	10/31/2012	\$ 3,337.51	
	11/30/2012	\$ 12,293.13	
	12/31/2012	\$ 8,955.64	
			\$ 41,250.21
Subtotal			\$ 93,695.01
Buck Settlement Applied			
	12/1/2012	\$ (26,632.80)	
			\$ (26,632.80)
Total			\$ 67,062.21

FISCAL YEAR 2012/13 TRAINING & EDUCATION	DESCRIPTION	Transportation	Hotels	Meals	Registration	Misc	Total
BOARD OF RETIREMENT Randy Goodman	Ukiah Valley Conf. Ctr Strategic Planning					\$ 75.00 \$ 750.00	\$ 22,500.00 75.00 750.00
	SACRS Fall 2012	\$ 571.13	\$ 828.75	\$ 66.00	\$ 120.00	-	\$ 1,585.88
	Ukiah Valley Conf. Ctr Stipend Strategic Planning					\$ 75.00 \$ 800.00 \$ 750.00	\$ 75.00 800.00 750.00
Bob Mirata	Ukiah Valley Conf. Ctr Stipend Strategic Planning					\$ 75.00 \$ 700.00 \$ 750.00	\$ 75.00 700.00 750.00
John Sakowicz	SACRS Fall 2012 Ukiah Valley Conf. Ctr Stipend Strategic Planning	\$ 382.98	\$ 552.50	\$ 48.00	\$ 120.00	- \$ 75.00 \$ 800.00 \$ 750.00	\$ 1,103.48 75.00 800.00 750.00
Shari Schapmire	Ukiah Valley Conf. Ctr Strategic Planning					\$ 75.00 \$ 750.00	\$ 75.00 750.00
Richard Shoemaker	Ukiah Valley Conf. Ctr Stipend Strategic Planning					\$ 75.00 \$ 500.00 \$ 750.00	\$ 75.00 500.00 750.00
Kendall Smith	Ukiah Valley Conf. Ctr Stipend Strategic Planning					\$ 75.00 \$ 600.00 \$ 750.00	\$ 75.00 600.00 750.00
Ted Stephens	Ukiah Valley Conf. Ctr Stipend Strategic Planning					\$ 75.00 \$ 800.00 \$ 750.00	\$ 75.00 800.00 750.00
Craig Walker	SACRS Fall 2012 Ukiah Valley Conf. Ctr Strategic Planning	\$ -	\$ -	\$ -	\$ 120.00	- \$ 75.00 \$ 750.00	\$ 120.00 75.00 750.00
Lloyd Weer	Ukiah Valley Conf. Ctr Strategic Planning					\$ 75.00 \$ 750.00	\$ 75.00 750.00
						TOTAL	\$ 15,259.36

FISCAL YEAR 2012/13			
Disability Due Diligence			
Anthony Graham			
	9/30/2012	\$ 4,600.00	
	10/11/2012	\$ 2,285.00	
	10/18/2012	\$ 50.00	
	11/30/2012	\$ 125.00	
			\$ 7,060.00
Disability Hearings			
Disability Medical Reviews			
Jennifer Bennett-Jordan			
	8/31/2012	\$ 60.00	
Dr. David Suchard			
	9/7/2012	\$ 1,400.00	
Dr. Thomas Miles			
	9/20/2012	\$ 900.00	
	10/18/2012	\$ 2,850.00	
Melissa Staehle			
	9/27/2012	\$ 89.17	
Dr. Aldis Baltin			
	10/18/2012	\$ 500.00	
Dr. Jeffrey Rapp			
	12/21/2012	\$ 1,850.70	
			\$ 7,649.87

ADOPTED BUDGET 2012/13
7/30/2012

ACCOUNT #	ACCOUNT	2011/12 BUDGET	2012/13 PROPOSED	INCR/ DECR	FOR CAP CALC
1920-1011	GROSS REG SALARIES (1)	283,877	319,616	35,740	319,616
1920-1012	EXTRA HELP (2)	2,000	15,000	13,000	15,000
1920-1021	RETIREMENT (3)	51,201	75,162	23,961	75,162
1920-1022	SOCIAL SECURITY	15,737	17,629	1,891	17,629
1920-1023	SOCIAL SECURITY B	3,957	4,390	433	4,390
1920-1024	RETIREMENT COLA (3)	22,838	27,957	5,119	27,957
1920-1030	HEALTH INSURANCE (4)	48,689	51,030	2,341	51,030
1920-1031	UNEMPLOYMENT INSURANCE	2,951	3,215	264	3,215
1920-1035	WORKERS COMP	1,498	1,711	213	1,711
TOTAL 1920		432,748	515,710	82,962	515,710
2410	COMMUNICATIONS	2,450	2,450	0	2,450
2410	GENERAL INSURANCE	1,328	1,328	0	1,328
2410	MEMBERSHIP	6,000	6,000	0	6,000
2410	OFFICE EXPENSE	11,550	13,000	1,450	13,000
2410	LEGAL EXPENSE (5)	50,000	60,000	10,000	60,000
2410	CONTRACTS (12)	9,750	22,250	12,500	22,250
2410	TRAVEL IN-COUNTY	300	300	0	300
2410	TRAVEL OUT OF COUNTY			0	0
2410	BOARD EDUCATION (7)	15,000	22,500	7,500	22,500
2410	STAFF MEETINGS/ED	5,000	5,000	0	5,000
SUBTOTAL		101,378	132,828	31,450	132,828
TOTAL		534,126	648,538	114,412	648,538
2410	DISABILITY DUE DILIGENCE (8)	50,000	50,000	0	50,000
2410	DISABILITY HEARINGS (8)	20,000	20,000	0	20,000
2410	MEDICAL REVIEWS (8)	15,000	15,000	0	15,000
2410	AUTOMATION (9)	210,118	300,090	89,972	300,090
2410	AUDIT (10)	20,000	30,000	10,000	30,000
	SUBTOTAL ADMIN EXPENDITURES	849,244	1,063,628	214,384	1,063,628
	IMPUTED RENT (6)	0	51,200	51,200	51,200
	TOTAL ADMIN EXPENDITURES	849,244	1,114,828	265,584	1,114,828
	ADMINSTRATIVE CAP (13)	2,000,000			2,000,000
	BALANCE UNDER CAP	1,150,756			885,172
	NOT SUBJECT TO ADMIN CAP				
2410	ALLIANCE BERNSTEIN FEES	35,000	39,000	4,000	
2410	INVESTMENT CONSULTANTS	140,000	140,000	0	
MUTUAL FUND	MONDRIAN FEES	0	105,000	105,000	
MUTUAL FUND	CORNERSTONE FEES	0	110,000	110,000	
2410	BUILDING EXPENSES	17,500	25,000	7,500	
2410	ACTUARY SERVICES (11)	90,000	70,000	-20,000	
2410	FIDUCIARY INSURANCE	35,000	35,000	0	
TOTAL NON CAP		317,500	524,000	206,500	
TOTAL EXP		1,166,744	1,587,628	420,884	

TOTAL ADMINISTRATIVE EXPENSES AS PERCENT OF MARKET VALUE OF INVESTMENTS:

	6/30/2010	6/30/2011	DIFF
MARKET VALUE OF INVESTMENTS (INCL CASH)	299,861,611	354,754,811	54,893,200
PERCENT OF ADMINISTRATIVE EXPENSES	0.2832%	0.2998%	0.0166%

NOTES:

- (1) INCLUDES 1.0 FTE FISCAL OFFICER
- (2) EXTRA HELP FOR AUTOMATION PROJECT
- (3) RETIREMENT RATE INCREASES.
- (4) HEALTH INSURANCE ADDED DEPENDENTS.
- (5) CONTINUANCE OF ATTORNEY SERVICES WITH SONOMA COUNTY (\$35K), HANSON BRIDGETT (\$25K).
- (6) BUDGET IMPUTED RENT FOR ADMINISTRATIVE CAP CALCULATION
- (7) BASED UPON UTILIZATION AND \$7,500 FOR BOR WORKSHOP
- (8) SAME AS LAST YEAR PENDING REVIEW OF DISABILITY PROCESS
- (9) LINEA CONTRACT/AUTOMATION COSTS, INCLUDES 2011/12 & 2012/13 COSTS
- (10) FEES AGREED WITH GALLINA: AUDIT \$20K/ADDITIONAL PROJECTS \$10K
- (11) FEES AGREED TO WITH THE SEGAL COMPANY: VALUATION \$50K/ADDITIONAL PROJECTS \$20K
- (12) ADDITIONAL \$12,500 FOR INTERIM RETIREMENT ADMINISTRATOR
- (13) GREATER OF \$2,000,000 OR 21/100TH OF 1% OF AAL (\$472,644,283 X .21% = \$992,553)

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator 
Subject: Administrator Report

I have listed some noteworthy activities which I have participated in since the last regularly scheduled Board of Retirement meeting.

- I attended the reception held for Supervisor Kendall Smith on December 18, 2012.
- I attended the swearing-in ceremony for newly elected Supervisor Dan Gjerde and re-elected Supervisors McCowen and Brown on January 8, 2013.
- Andy Yeung, The Segal Company and I presented the recently adopted contribution rates for the newly enacted pension tiers to the Board of Supervisors on January 8, 2013. The rates for January 1, 2013 through June 30, 2013 were unanimously adopted by the Board of Supervisors. (The rates for the next fiscal year will be presented once the Board of Retirement adopts the June 30, 2012 actuarial valuation.)

The following is a summary status report on items of interest for the Board of Retirement:

1. Certificate of Achievement for Excellence in Financial Reporting

MCERA was notified by the Government Finance Officers Association (GFOA) that the comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011 qualified for a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

The Certificate of Achievement plaque will be presented to the Board of Retirement at today's meeting and will be proudly displayed in the office for our members to see when they visit.

2. Form 700 Statement of Economic Interests

Government Code § 87200 requires certain individuals to fully disclose their personal assets and income described in Form 700, Statement of Economic Interests on an annual basis (as well as upon assuming office or leaving office) with the Mendocino County Clerk-Recorder.

All members of the Board of Retirement and the Retirement Administrator are required to file due to their position as county public officials who manage public investments. The period covered for this filing period is January 1, 2012 through December 31, 2012. Annual statements must be filed no later than Tuesday, April 2, 2013.

Members of the Board of Retirement will receive an email notification from the County Clerk-Recorder with the packet of documents to be filed. The Form 700 is filed directly with the Clerk-Recorder.

I have included reference materials for you in this agenda item and you may also refer to the FPPC website for additional information. FPPC website: <http://www.fppc.ca.gov/>

3. Operations and Benefits

Katy Richardson, Senior Benefits Specialist conducted off-site meetings with members in Willits on January 10 and is scheduled for another off-site in Fort Bragg on January 25, 2013. The initial off-site held last month in Fort Bragg was highly received by the employees who were able to meet and discuss their retirement benefit options in their workplace with a representative of MCERA. They very much appreciated the personal touch and the local visit by Katy.

4. Training and Education

I will be attending the Callan Investments Institute on January 28-30, 2013 being held in San Francisco; the CALAPRS Administrator Roundtable on January 25, 2013 being held in San Jose and the CALAPRS Investment Officers' Roundtable on February 8, 2013 also in San Jose.

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Mendocino County
Employees' Retirement Association
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morill
President

Jeffrey L. Esser
Executive Director



Government Finance Officers Association
203 N. LaSalle Street - Suite 2700
Chicago, IL 60601

Phone (312) 977-9700 Fax (312) 977-4806

RECEIVED BY

NOV 09 2012

The Mendocino County Employees'
Retirement Association

November 6, 2012

Richard A. White
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah CA 95482

Dear Mr. White:

We are pleased to notify you that your comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011, qualifies for a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

Each entity submitting a report to the Certificate of Achievement review process is provided with a "Summary of Grading" form and a confidential list of comments and suggestions for possible improvements in its financial reporting techniques. Your list has been enclosed. You are strongly encouraged to implement the recommended improvements into the next report and submit it to the program. If it is unclear what must be done to implement a comment or if there appears to be a discrepancy between the comment and the information in the CAFR, please contact the Technical Services Center (312) 977-9700 and ask to speak with a Certificate of Achievement Program in-house reviewer.

Certificate of Achievement program policy requires that written responses to the comments and suggestions for improvement accompany the next fiscal year's submission. Your written responses should provide detail about how you choose to address each item that is contained within this report. These responses will be provided to those Special Review Committee members participating in the review.

When a Certificate of Achievement is awarded to a government, an Award of Financial Reporting Achievement (AFRA) is also presented to the individual(s) or department designated by the government as primarily responsible for its having earned the Certificate. Enclosed is an AFRA for:

Mendocino County Employees' Retirement Association, California

Your Certificate of Achievement plaque will be shipped to you under separate cover in about eight weeks. We hope that you will arrange for a formal presentation of the Certificate and Award of Financial Reporting Achievement, and that appropriate publicity will be given to this notable achievement. A sample news release has been enclosed. We suggest that you provide copies of it to local newspapers, radio stations and television stations. In addition, details of recent recipients of the Certificate of Achievement and other information about Certificate Program results are available in the "Awards Program" area of our website, www.gfoa.org.

A current holder of a Certificate of Achievement may include a reproduction of the award in its immediately subsequent CAFR. A camera ready copy of your Certificate is enclosed for that purpose. If you reproduce your Certificate in your next report, please refer to the enclosed instructions. A Certificate of Achievement is valid for a period of one year. To continue to participate in the Certificate of Achievement Program it will be necessary for you to submit your next CAFR to our review process.

In order to expedite your submission we have enclosed a Certificate of Achievement Program application form to facilitate a timely submission of your next report. This form should be completed and sent (postmarked) with three copies of your report, three copies of your application, three copies of your written responses to the program's comments and suggestions for improvement from the prior year, and any other pertinent material with the appropriate fee by December 31, 2012.

Your continued interest in and support of the Certificate of Achievement Program is most appreciated. If we may be of any further assistance, please contact Delores Smith (dsmith@gfoa.org or (312) 578-5454).

Sincerely,
Government Finance Officers Association

A handwritten signature in cursive script that reads "Stephen J. Gauthier". The signature is written in black ink and is positioned above the typed name.

Stephen J. Gauthier, Director
Technical Services Center

SJG/ds



Government Finance Officers Association
203 N. LaSalle Street - Suite 2700
Chicago, IL 60601

Phone (312) 977-9700 Fax (312) 977-4806

11/06/2012

NEWS RELEASE

For Information contact:
Stephen Gauthier (312) 977-9700

(Chicago)--The Certificate of Achievement for Excellence in Financial Reporting has been awarded to **Mendocino County Employees' Retirement Association** by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management

An Award of Financial Reporting Achievement has been awarded to the individual(s), department or agency designated by the government as primarily responsible for preparing the award-winning CAFR. This has been presented to:

Mendocino County Employees' Retirement Association, California

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

The GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL, and Washington, D.C.



**2012/2013
Form 700
Statement of
Economic Interests**

**Reference
Pamphlet**

California Fair Political Practices Commission

428 J Street, Suite 620 • Sacramento, CA 95814

Advice Email: advice@fppc.ca.gov

Toll-free advice line: 1 (866) ASK-FPPC • (866) 275-3772

Telephone: (916) 322-5660 • Website: www.fppc.ca.gov

Contents

- Who Must File Page 3
- Types of Statements Page 4
- Where to File Page 5
- When to File Page 6
- Terms & Definitions Page 8

What's New

During 2011 and 2012, the gift limit was \$420 from a single source per calendar year. For calendar years 2013-2014, the limit increased to \$440 from a single source during a calendar year. This gift limit is effective until December 31, 2014.

Regulation 18313.6 allows for redaction of certain information from an elected officer's statement of economic interests for purposes of the online posting on FPPC's website if the elected officer has a reasonable privacy concern related to an individual's address, or a family member's name or other personally identifiable information.

Filing Deadlines for Filers Under Active Military Duty - If a person is under active military duty as defined in the Servicemember's Civil Relief Act, the deadline for the annual Form 700 is 30 days following his or her return to office, provided the person or a representative notifies the filing officer in writing prior to the filing deadline that he or she is subject to that federal statute and is unable to meet the applicable deadline, and provides the filing officer verification of his or her military status.

Beginning January 1, 2012, certain gifts you receive may not be reportable. In other cases, gift rules changed and are more strict. See the FPPC gift fact sheets for more information.

Who Must File

1. Officials and Candidates Specified in Gov. Code Section 87200 and Members of Boards and Commissions of Newly Created Agencies

The Act requires the following individuals to fully disclose their personal assets and income described in Form 700, Statement of Economic Interests:

State Offices

- Governor
- Lieutenant Governor
- Attorney General
- Controller
- Insurance Commissioner
- Secretary of State
- Treasurer
- Members of the State Legislature
- Superintendent of Public Instruction
- State Board of Equalization Members
- Public Utilities Commissioners
- State Energy Resources Conservation and Development Commissioners
- State Coastal Commissioners
- Fair Political Practices Commissioners
- State public officials (including employees and consultants) who manage public investments
- Elected members of and candidates for the Board of Administration of the California Public Employees' Retirement System
- Elected members of and candidates for the Teachers' Retirement Board
- Members of the High Speed Rail Authority

Other officials and employees of state boards, commissions, agencies, and departments file Form 700 as described in Part 2 on this page.

Judicial Offices

- Supreme, Appellate, and Superior Court Judges
- Court Commissioners
- Retired Judges, Pro-Tem Judges, and part-time Court Commissioners who serve or expect to serve 30 days or more in a calendar year

County and City Offices

- Members of Boards of Supervisors
- Mayors and Members of City Councils
- Chief Administrative Officers
- District Attorneys
- County Counsels
- City Attorneys
- City Managers
- Planning Commissioners
- County and City Treasurers
- County and city public officials (including employees and consultants) who manage public investments

Members of Boards and Commissions of Newly Created Agencies

Members must fully disclose their investments, interests in real property, business positions, and income (including loans, gifts, and travel payments) until the positions are covered under a conflict-of-interest code.

2. State and Local Officials, Employees, Candidates, and Consultants Designated in a Conflict-of-Interest Code ("Code Filers")

The Act requires every state and local government agency to adopt a unique conflict-of-interest code. The code lists each position within the agency filled by individuals who make or participate in making governmental decisions that could affect their personal economic interests.

The code requires individuals holding those positions to periodically file Form 700 disclosing certain personal economic interests as determined by the code's "disclosure categories." These individuals are called "designated employees" or "code filers."

Obtain your disclosure categories from your agency – they are not contained in the Form 700. Persons with broad decisionmaking authority must disclose more interests than those in positions with limited discretion. For example, you may be required to disclose only investments and business positions in or income (including loans, gifts, and travel payments) from businesses of the type that contract with your agency, or you may not be required to disclose real property interests.

In addition, certain consultants to public agencies may qualify as public officials because they make, participate in making, or act in a staff capacity for governmental decisions.

Note: An official who holds a position specified in Gov. Code Section 87200 is not required to file statements under the conflict-of-interest code of any agency that has the same or a smaller jurisdiction (for example, a state legislator who also sits on a state or local board or commission).

Employees in Newly Created Positions of Existing Agencies

An individual hired for a position not yet covered under an agency's conflict-of-interest code must file Form 700 if the individual serves in a position that makes or participates in making governmental decisions. These individuals must file under the agency's broadest disclosure category until the code is amended to include the new position unless the agency has provided in writing a limited disclosure requirement.

Types of Statements

Assuming Office Statement:

If you are a newly appointed official or are newly employed in a position designated, or that will be designated, in a state or local agency's conflict-of-interest code, your assuming office date is the date you were sworn in or otherwise authorized to serve in the position. If you are a newly elected official, your assuming office date is the date you were sworn in.

- Investments, interests in real property, and business positions held on the date you assumed the office or position must be reported. In addition, income (including loans, gifts, and travel payments) received during the 12 months prior to the date you assumed the office or position is reportable.

For positions subject to confirmation by the State Senate or the Commission on Judicial Performance, your assuming office date is the date you were appointed or nominated to the position.

Example:

Maria Lopez was nominated by the Governor to serve on a state agency board that is subject to state Senate confirmation. The assuming office date is the date Maria's nomination is submitted to the Senate. Maria must report investments, interests in real property, and business positions she holds on that date, and income (including loans, gifts, and travel payments) received during the 12 months prior to that date.

If your office or position has been added to a newly adopted or newly amended conflict-of-interest code, use the effective date of the code or amendment, whichever is applicable.

- Investments, interests in real property, and business positions held on the effective date of the code or amendment must be reported. In addition, income (including loans, gifts, and travel payments) received during the 12 months prior to the effective date of the code or amendment is reportable.

Annual Statement:

Generally, the period covered is January 1, 2012, through December 31, 2012. If the period covered by the statement is different than January 1, 2012, through December 31, 2012, (for example, you assumed office between October 1, 2011, and December 31, 2011, or you are combining statements), you must specify the period covered.

- Investments, interests in real property, business positions held, and income (including loans, gifts, and travel payments) received during the period covered by the statement must be reported. Do not change the

preprinted dates on Schedules A-1, A-2, and B unless you are required to report the acquisition or disposition of an interest that did not occur in 2012.

- If your disclosure category changes during a reporting period, disclose under the old category until the effective date of the conflict-of-interest code amendment and disclose under the new disclosure category through the end of the reporting period.

Leaving Office Statement:

Generally, the period covered is January 1, 2012, through the date you stopped performing the duties of your position. If the period covered differs from January 1, 2012, through the date you stopped performing the duties of your position (for example, you assumed office between October 1, 2011, and December 31, 2011, or you are combining statements), the period covered must be specified.

- Investments, interests in real property, business positions held, and income (including loans, gifts, and travel payments) received during the period covered by the statement must be reported. Do not change the preprinted dates on Schedules A-1, A-2, and B unless you are required to report the acquisition or disposition of an interest that did not occur in 2012.

Candidate Statement:

If you are filing a statement in connection with your candidacy for state or local office, investments, interests in real property, and business positions held on the date of filing your declaration of candidacy must be reported. In addition, income (including loans, gifts, and travel payments) received during the 12 months prior to the date of filing your declaration of candidacy is reportable. Do not change the preprinted dates on Schedules A-1, A-2, and B.

Candidates running for local elective offices (e.g., county sheriffs, city clerks, school board trustees, and water district board members) must file candidate statements, as required by the conflict-of-interest code for the elected position. The code may be obtained from the agency of the elected position.

Amendments:

If you discover errors or omissions on any statement, file an amendment as soon as possible. You are only required to amend the schedule that needs to be revised; it is not necessary to refile the entire form. To obtain amendment schedules, contact the FPPC, your filing official, or go to the FPPC website at www.fppc.ca.gov.

Where to File

1. Officials Specified in Gov. Code Section 87200 (See Reference Pamphlet, page 3):

In most cases, the filing officials listed below will retain a copy of your statement and forward the original to the FPPC.

Filers	Where to File
87200 Filers	
State offices	Your agency
Judicial offices	The clerk of your court
Retired Judges	Directly with FPPC
County offices	Your county filing official
City offices	Your city clerk
Multi-County offices	Your agency
87200 Candidates	
State offices	County elections official with whom you file your declaration of candidacy
Judicial offices	
Multi-County offices	
County offices	County elections official
City offices	City Clerk
Public Employees' Retirement System (CalPERS)	CalPERS
State Teachers' Retirement Board (CalSTRS)	CalSTRS

2. Code Filers — State and Local Officials, Employees, Candidates, and Consultants Designated in a Conflict-of-Interest Code:

File with your agency, board, or commission unless otherwise specified in your agency's conflict-of-interest code. In most cases, the agency, board, or commission will retain the statements.

Candidates for local elective offices designated in a conflict-of-interest code file with the elections office where the declaration of candidacy or other nomination documents are filed.

3. Members of Boards and Commissions of Newly Created Agencies:

File with your newly created agency or with your agency's code reviewing body as provided by your code reviewing body.

State Senate and Assembly staff members file statements directly with the FPPC.

Exceptions:

- Elected state officers are not required to file statements under any agency's conflict-of-interest code.
- Filers listed in Section 87200 are not required to file statements under any agency's conflict-of-interest code in the same jurisdiction. For example, a county supervisor who is appointed to serve in an agency with jurisdiction in the same county has no additional filing obligations.

4. Positions Not Yet Covered Under a Conflict-of-Interest Code

Effective January 1, 2010, an individual hired for a position not yet covered under an agency's conflict-of-interest code must file Form 700 if the individual serves in a position that makes or participates in making governmental decisions. These individuals must file under the broadest disclosure category until the code is amended to include the new position unless the agency has provided in writing a limited disclosure requirement. Agencies may use FPPC Form 804 for this disclosure. Such individuals are referred to as "code filers." See Regulation 18734.

When to File

Assuming Office Statements:

Filer	Deadline
Elected officials	30 days after assuming office
Appointed positions specified in Gov. Code Section 87200 or Newly created board and commission members not covered by a conflict-of-interest code	30 days after assuming office or 10 days after appointment or nomination if subject to Senate or judicial confirmation
Other appointed positions (including those held by newly-hired employees) that are or will be designated in a conflict-of-interest code	30 days after assuming office (30 days after appointment or nomination if subject to Senate confirmation)
Positions newly added to a new or amended conflict-of-interest code	30 days after the effective date of the code or code amendment

Exceptions:

- Elected state officers who assume office in December or January are not required to file an assuming office statement, but will file the next annual statement due.
- If you complete a term of office and, within 30 days, begin a new term of the same office (for example, you are reelected or reappointed), you are not required to file an assuming office statement. Instead, you will simply file the next annual statement due.
- If you leave an office specified in Gov. Code Section 87200 and, within 45 days, you assume another office or position specified in Section 87200 that has the same jurisdiction (for example, a city planning commissioner elected mayor), you are not required to file an assuming office statement. Instead, you will simply file the next annual statement due.
- If you transfer from one designated position to another designated position within the same agency, contact your filing officer or the FPPC to determine your filing obligations.

Late statements are subject to a late fine of \$10 per day per position up to \$100 for each day the statement is late.

Annual Statements:

1. Elected state officers (including members of the state legislature, members elected to the Board of Administration of the California Public Employees' Retirement System and members elected to the Teachers' Retirement Board);
Judges and court commissioners; and
Members of state boards and commissions specified in Gov. Code Section 87200:

File no later than **Friday, March 1, 2013.**
2. County and city officials specified in Gov. Code Section 87200:

File no later than **Tuesday, April 2, 2013.**
3. Multi-County officials:

File no later than **Tuesday, April 2, 2013.**
4. State and local officials and employees designated in a conflict-of-interest code:

File on the date prescribed in the code (April 2 for most filers).

Exception:

If you assumed office between October 1, 2012, and December 31, 2012, and filed an assuming office statement, you are not required to file an annual statement until March 3, 2014, or April 1, 2014, whichever is applicable. The annual statement will cover the day after you assumed office through December 31, 2013.

Incumbent officeholders who file candidate statements also must file annual statements by the specified deadlines.

Leaving Office Statements:

Leaving office statements must be filed no later than **30 days** after leaving the office or position.

Exceptions:

- If you complete a term of office and, within 30 days, begin a new term of the same office (for example, you are reelected or reappointed), you are not required to file a leaving office statement. Instead, you will simply file the next annual statement due.

Where to File - (continued)

- If you leave an office specified in Gov. Code Section 87200 and, within 45 days, you assume another office or position specified in Section 87200 that has the same jurisdiction (for example, a city planning commissioner elected mayor), you are not required to file a leaving office statement. Instead, you will simply file the next annual statement due.
- If you transfer from one designated position to another designated position within the same agency, contact your filing officer or the FPPC to determine your filing obligations.

Candidate Statements

All candidates (including incumbents) for offices specified in Gov. Code Section 87200 must file statements no later than the final filing date for their declaration of candidacy.

Candidates seeking a position designated in a conflict-of-interest code must file no later than the final filing date for the declaration of candidacy or other nomination documents.

Exception:

A candidate statement is not required if you filed any statement (other than a leaving office statement) for the same jurisdiction **within 60 days** before filing a declaration of candidacy or other nomination documents.

Terms & Definitions

The instructions located on the back of each schedule describe the types of interests that must be reported. The purpose of this section is to explain other terms used in Form 700 that are not defined in the instructions to the schedules or elsewhere.

Blind Trust: See Trusts, Reference Pamphlet, page 16.

Business Entity: Any organization or enterprise operated for profit, including a proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, or association. This would include a business for which you take business deductions for tax purposes (for example, a small business operated in your home).

Code Filer: An individual who has been designated in a state or local agency's conflict-of-interest code to file statements of economic interests.

Effective January 1, 2010, an individual hired for a position not yet covered under an agency's conflict-of-interest code must file Form 700 if the individual serves in a position that makes or participates in making governmental decisions. These individuals must file under the broadest disclosure category until the code is amended to include the new position unless the agency has provided in writing a limited disclosure requirement. Agencies may use FPPC Form 804 for such disclosure. See Regulation 18734.

Commission Income: "Commission income" means gross payments of \$500 or more received during the period covered by the statement as a broker, agent, or salesperson, including insurance brokers or agents, real estate brokers or agents, travel agents or salespersons, stockbrokers, and retail or wholesale salespersons, among others.

In addition, you may be required to disclose the names of sources of commission income if your pro rata share of the gross income was \$10,000 or more from a single source during the reporting period. If your spouse or registered domestic partner received commission income, you would disclose your community property share (50%) of that income (that is, the names of sources of \$20,000 or more in gross commission income received by your spouse or registered domestic partner).

Report commission income as follows:

- If the income was received through a business entity in which you and your spouse or registered domestic partner had a 10% or greater ownership interest (or if you receive commission income **on a regular basis** as an independent contractor or agent), use Schedule A-2.
- If the income was received through a business entity in which you or your spouse or registered domestic

partner **did not receive commission income on a regular basis** or you had a less than 10% ownership interest, use Schedule C.

The "source" of commission income generally includes all parties to a transaction, and each is attributed the full value of the commission.

Examples:

- You are a partner in Smith and Jones Insurance Company and have a 50% ownership interest in the company. You sold two Businessmen's Insurance Company policies to XYZ Company during the reporting period. You received commission income of \$5,000 from the first transaction and \$6,000 from the second. On Schedule A-2, report your partnership interest in and income received from Smith and Jones Insurance Company in Parts 1 and 2. In Part 3, list both Businessmen's Insurance Company and XYZ Company as sources of \$10,000 or more in commission income.
- You are a stockbroker for Prince Investments, but you have no ownership interest in the firm. You receive commission income on a regular basis through the sale of stock to clients. Your total gross income from your employment with Prince Investments was over \$100,000 during the reporting period. On Schedule A-2, report your name as the name of the business entity in Part 1 and the gross income you have received in Part 2. (Because you are an employee of Prince Investments, you do not need to complete the information in the box in Part 1 indicating the general description of business activity, fair market value, or nature of investment.) In Part 3, list Prince Investments and the names of any clients who were sources of \$10,000 or more in commission income to you.
- You are a real estate agent and an independent contractor under Super Realty. On Schedule A-2, Part 1, in addition to your name or business name, complete the business entity description box. In Part 2, identify your gross income. In Part 3, for each transaction that resulted in commission income to you of \$10,000 or more, you must identify the brokerage entity, each person you represented, and any person who received a finder's or other referral fee for referring a party to the transaction to the broker.

Note: If your pro rata share of commission income from a single source is \$500 or more, you may be required to disqualify yourself from decisions affecting that source of income, even though you are not required to report the income. *For information regarding disclosure of "incentive compensation," see Reference Pamphlet, page 12.*

Terms & Definitions - (continued)

Conflict of Interest: A public official or employee has a conflict of interest under the Act when all of the following occur:

- The official makes, participates in making, or uses his or her official position to influence a governmental decision;
- It is reasonably foreseeable that the decision will affect the official's economic interest;
- The effect of the decision on the official's economic interest will be material; and
- The effect of the decision on the official's economic interest will be different than its effect on the public generally. Check the FPPC website (www.fppc.ca.gov) for a fact sheet entitled, "Can I Vote? Conflict of Interest Overview."

Conflict-of-Interest Code: The Act requires every state and local government agency to adopt a conflict-of-interest code. The code may be contained in a regulation, policy statement, or a city or county ordinance, resolution, or other document.

An agency's conflict-of-interest code must designate all officials and employees of, and consultants to, the agency who make or participate in making governmental decisions that could cause conflicts of interest. These individuals are required by the code to file statements of economic interests and to disqualify themselves when conflicts of interest occur.

The disclosure required under a conflict-of-interest code for a particular designated official or employee should include only the kinds of personal economic interests he or she could significantly affect through the exercise of his or her official duties. For example, an employee whose duties are limited to reviewing contracts for supplies, equipment, materials, or services provided to the agency should be required to report only those interests he or she holds that are likely to be affected by the agency's contracts for supplies, equipment, materials, or services.

Consultant: An individual who contracts with or whose employer contracts with state or local government agencies and who makes, participates in making, or acts in a staff capacity for making governmental decisions. Consultants may be required to file Form 700. Such consultants would file under full disclosure unless the agency provides in writing a limited disclosure requirement. Agencies may use FPPC Form 805 to assign such disclosure. The obligation to file Form 700 is always imposed on the individual who is providing services to the agency, not on the business or firm that employs the individual.

FPPC Regulation 18701 defines "consultant" as an individual who makes a governmental decision whether to:

- Approve a rate, rule, or regulation
- Adopt or enforce a law
- Issue, deny, suspend, or revoke any permit, license, application, certificate, approval, order, or similar authorization or entitlement
- Authorize the agency to enter into, modify, or renew a contract provided it is the type of contract that requires agency approval
- Grant agency approval to a contract that requires agency approval and to which the agency is a party, or to the specifications for such a contract
- Grant agency approval to a plan, design, report, study, or similar item
- Adopt, or grant agency approval of, policies, standards, or guidelines for the agency or for any of its subdivisions

A consultant also is an individual who serves in a staff capacity with the agency and:

- participates in making a governmental decision; or
- performs the same or substantially all the same duties for the agency that would otherwise be performed by an individual holding a position specified in the agency's conflict-of-interest code.

Designated Employee: An official or employee of a state or local government agency whose position has been designated in the agency's conflict-of-interest code to file statements of economic interests or whose position has not yet been listed in the code but makes or participates in making governmental decisions. Individuals who contract with government agencies (consultants) may also be designated in a conflict-of-interest code.

A federal officer or employee serving in an official federal capacity on a state or local government agency is not a designated employee.

Disclosure Categories: The section of an agency's conflict-of-interest code that specifies the types of personal economic interests officials and employees of the agency must disclose on their statements of economic interests. Disclosure categories are usually contained in an appendix or attachment to the conflict-of-interest code. Contact your agency to obtain a copy of your disclosure categories.

Terms & Definitions - (continued)

Diversified Mutual Fund: Diversified portfolios of stocks, bonds, or money market instruments that are managed by investment companies whose business is pooling the money of many individuals and investing it to seek a common investment goal. Mutual funds are managed by trained professionals who buy and sell securities. A typical mutual fund will own between 75 to 100 separate securities at any given time so they also provide instant diversification. *Only diversified mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 are exempt from disclosure.* In addition, Regulation 18237 provides an exception from reporting other funds that are similar to diversified mutual funds. See Reference Pamphlet, page 12.

Elected State Officer: Elected state officers include the Governor, Lieutenant Governor, Attorney General, Insurance Commissioner, State Controller, Secretary of State, State Treasurer, Superintendent of Public Instruction, members of the State Legislature, members of the State Board of Equalization, elected members of the Board of Administration of the California Public Employees' Retirement System and members elected to the Teachers' Retirement Board.

Enforcement: The FPPC investigates suspected violations of the Act. Other law enforcement agencies (the Attorney General or district attorney) also may initiate investigations under certain circumstances. If violations are found, the Commission may initiate administrative enforcement proceedings that could result in fines of up to \$5,000 per violation.

Instead of administrative prosecution, a civil action may be brought for negligent or intentional violations by the appropriate civil prosecutor (the Commission, Attorney General, or district attorney), or a private party residing within the jurisdiction. In civil actions, the measure of damages is up to the amount or value not properly reported.

Persons who violate the conflict-of-interest disclosure provisions of the Act also may be subject to agency discipline, including dismissal.

Finally, a knowing or willful violation of any provision of the Act is a misdemeanor. Persons convicted of a misdemeanor may be disqualified for four years from the date of the conviction from serving as a lobbyist or running for elective office, in addition to other penalties that may be imposed. The Act also provides for numerous civil penalties, including monetary penalties and damages, and injunctive relief from the courts.

Expanded Statement: Some officials or employees may have multiple filing obligations (for example, a city council member who also holds a designated position with a county agency, board, or commission). Such officials or employees may complete one expanded statement covering the disclosure requirements for all positions and file a complete, originally signed copy with each agency.

Fair Market Value: When reporting the value of an investment, interest in real property, or gift, you must disclose the fair market value – the price at which the item would sell for on the open market. This is particularly important when valuing gifts, because the fair market value of a gift may be different from the amount it cost the donor to provide the gift. For example, the wholesale cost of a bouquet of flowers may be \$10, but the fair market value may be \$25 or more. In addition, there are special rules for valuing free tickets and passes. Call the FPPC for assistance.

Gift and Honoraria Prohibitions:

Gifts:

State and local officials who are listed in Gov. Code Section 87200 (except judges – see below), candidates for these elective offices (including judicial candidates), and officials and employees of state and local government agencies who are designated in a conflict-of-interest code are prohibited from accepting a gift or gifts totaling more than \$440 in a calendar year from a single source during 2013-2014. During 2012, the gift limit was \$420.

In addition, elected state officers, candidates for elective state offices, and officials and employees of state agencies are subject to a \$10 per calendar month limit on gifts from lobbyists and lobbying firms registered with the Secretary of State.

Honoraria:

State and local officials who are listed in Gov. Code Section 87200 (except judges – see below), candidates for these elective offices (including judicial candidates), and employees of state and local government agencies who are designated in a conflict-of-interest code are prohibited from accepting honoraria for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

Terms & Definitions - (continued)

Exceptions:

- Some gifts are not reportable or subject to the gift and honoraria prohibitions, and other gifts may not be subject to the prohibitions, but are reportable. For detailed information, see the FPPC fact sheet entitled "Limitations and Restrictions on Gifts, Honoraria, Travel, and Loans," which can be obtained from your filing officer or the FPPC website (www.fppc.ca.gov).
- The \$440 gift limit and the honorarium prohibition do not apply to a part-time member of the governing board of a public institution of higher education, unless the member is also an elected official.
- If you are designated in a state or local government agency's conflict-of-interest code, the \$440 gift limit and honorarium prohibition are applicable only to sources you would otherwise be required to report on your statement of economic interests. However, this exception is not applicable if you also hold a position listed in Gov. Code Section 87200 (See Reference Pamphlet, page 3.)
- For state agency officials and employees, the \$10 lobbyist/lobbying firm gift limit is applicable only to lobbyists and lobbying firms registered to lobby your agency. This exception is not applicable if you are an elected state officer or a member or employee of the State Legislature.
- Payments for articles published as part of the practice of a bona fide business, trade, or profession, such as teaching, are not considered honoraria. A payment for an "article published" that is customarily provided in connection with teaching includes text book royalties and payments for academic tenure review letters. An official is presumed to be engaged in the bona fide profession of teaching if he or she is employed to teach at an accredited university.

Judges:

Section 170.9 of the Code of Civil Procedure imposes gift limits on judges and prohibits judges from accepting any honorarium. Section 170.9 is enforced by the Commission on Judicial Performance. The FPPC has no authority to interpret or enforce the Code of Civil Procedure. Court commissioners are subject to the gift limit under the Political Reform Act.

Income Reporting: Reporting income under the Act is different than reporting income for tax purposes. The Act requires **gross** income (the amount received before deducting losses, expenses, or taxes, as well as income reinvested in a business entity) to be reported.

Pro Rata Share: The instructions for reporting income refer to your pro rata share of the income received. Your pro rata share is normally based on your ownership interest in the entity or property. For example, if you are a sole proprietor, you must disclose 100% of the gross income to the business entity on Schedule A-2. If you own 25% of a piece of rental property, you must report 25% of the gross rental income received. When reporting your community property interest in your spouse's or registered domestic partner's income, your pro rata share is 50% of his or her income.

When you are required to report sources of income to a business entity, sources of rental income, or sources of commission income, you are only required to disclose individual sources of income of \$10,000 or more. However, you may be required to **disqualify** yourself from decisions affecting sources of \$500 or more in income, even though you are not required to report them.

Examples:

- Alice Ruiz is a partner in a business entity. She has a 25% interest. On Schedule A-2, she must disclose 25% of the fair market value of the business entity; 25% of the gross income to the business entity (even though all of the income received was reinvested in the business and she did not personally receive any income from the business); and the name of each source of \$40,000 or more to the business.
- Cynthia and Mark Johnson, a married couple, own Classic Autos. Income to this business was \$200,000. In determining the amount to report for income on Schedule A-2, Part 2, Mark must include his 50% share (\$100,000) and 50% of his spouse's share (\$50,000). Thus, his reportable income would be \$150,000 and he will check the box indicating \$100,001-\$1,000,000. (Also see Reference Pamphlet, page 13, for an example of how to calculate the value of this investment.)

You are not required to report:

- Salary, reimbursement for expenses or per diem, social security, disability, or other similar benefit payments received by you or your spouse or registered domestic partner from a federal, state, or local government agency
- Campaign contributions
- A cash bequest or cash inheritance
- Returns on a security registered with the Securities and Exchange Commission, including dividends, interest, or proceeds from a sale of stocks or bonds

Terms & Definitions - (continued)

- Redemption of a mutual fund
- Payments received under an insurance policy, including an annuity
- Interest, dividends, or premiums on a time or demand deposit in a financial institution, shares in a credit union, an insurance policy, or a bond or other debt instrument issued by a government agency
- Your spouse's or registered domestic partner's income that is legally "separate" income
- Income of dependent children
- Automobile trade-in allowances from dealers
- Loans and loan repayments received from your spouse or registered domestic partner, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin unless he or she was acting as an intermediary or agent for any person not covered by this provision
- Alimony or child support payments
- Payments received under a defined benefit pension plan qualified under Internal Revenue Code Section 401(a)
- Any loan from a commercial lending institution made in the lender's regular course of business on terms available to the public without regard to your official status
- Any retail installment or credit card debts incurred in the creditor's regular course of business on terms available to the public without regard to your official status
- Loans made to others. However, repayments may be reportable on Schedule C
- A loan you co-signed for another person unless you made payments on the loan during the reporting period

Incentive Compensation: "Incentive compensation" means income over and above salary that is either ongoing or cumulative, or both, as sales or purchases of goods or services accumulate. Incentive compensation is calculated by a predetermined formula set by the official's employer which correlates to the conduct of the purchaser in direct response to the effort of the official.

Incentive compensation does not include:

- Salary
- Commission income (*For information regarding disclosure of "commission income," see Reference Pamphlet, page 8.*)

- Bonuses for activity not related to sales or marketing, the amount of which is based solely on merit or hours worked over and above a predetermined minimum
- Executive incentive plans based on company performance, provided that the formula for determining the amount of the executive's incentive income does not include a correlation between that amount and increased profits derived from increased business with specific and identifiable clients or customers of the company
- Payments for personal services which are not marketing or sales

The purchaser is a source of income to the official if all three of the following apply:

- the official's employment responsibilities include directing sales or marketing activity toward the purchaser; and
- there is direct personal contact between the official and the purchaser intended by the official to generate sales or business; and
- there is a direct relationship between the purchasing activity of the purchaser and the amount of the incentive compensation received by the official.

Report incentive compensation as follows:

- In addition to salary, reimbursement of expenses, and other income received from your employer, separately report on Schedule C the name of each person who purchased products or services sold, marketed or represented by you if you received incentive compensation of \$500 or more attributable to the purchaser during the period covered by the statement.
- If incentive compensation is paid by your employer in a lump sum, without allocation of amounts to specific customers, you must determine the amount of incentive compensation attributable to each of your customers. This may be based on the volume of sales to those customers.

(See Regulations 18703.3 and 18728.5 for more information.)

Investment Funds: The term "investment" no longer includes certain exchange traded funds, closed-end funds, or funds held in an Internal Revenue Code qualified plan. These non-reportable investment funds (1) must be bona fide investment funds that pool money from more than 100 investors, (2) must hold securities of more than 15 issuers, and (3) cannot have a stated policy of concentrating their holdings in the same industry or business ("sector

Terms & Definitions - (continued)

funds"). In addition, the filer may not influence or control the decision to purchase or sell the specific fund on behalf of his or her agency during the reporting period or influence or control the selection of any specific investment purchased or sold by the fund. (Regulation 18237)

Investments and Interests in Real Property: When disclosing investments on Schedules A-1 or A-2 and interests in real property on Schedules A-2 or B, you must include investments and interests in real property held by your spouse or registered domestic partner, and those held by your dependent children, as if you held them directly.

Examples:

- Terry Pearson, her husband, and two dependent children each own \$600 in stock in General Motors. Because the total value of their holdings is \$2,400, Terry must disclose the stock as an investment on Schedule A-1.
- Cynthia and Mark Johnson, a married couple, jointly own Classic Autos. Mark must disclose Classic Autos as an investment on Schedule A-2. To determine the reportable value of the investment, Mark will aggregate the value of his 50% interest and Cynthia's 50% interest. Thus, if the total value of the business entity is \$150,000, he will check the box \$100,001 - \$1,000,000 in Part 1 of Schedule A-2. (Also see Reference Pamphlet, page 11, for an example of how to calculate reportable income.)
The Johnsons also own the property where Classic Autos is located. To determine the reportable value of the real property, Mark will again aggregate the value of his 50% interest and Cynthia's 50% interest to determine the amount to report in Part 4 of Schedule A-2.
- Katie Smith rents out a room in her home. She receives \$6,000 a year in rental income. Katie will report the fair market value of the rental portion of her residence and the income received on Schedule B.

Jurisdiction: Report discloseable investments and sources of income (including loans, gifts, and travel payments) that are located in or doing business in your agency's jurisdiction, are planning to do business in your agency's jurisdiction, or have done business during the previous two years in your agency's jurisdiction, and interests in real property located in your agency's jurisdiction.

A business entity is located in or doing business in your agency's jurisdiction if the entity has business contacts on

a regular or substantial basis with a person who maintains a physical presence in your jurisdiction.

Business contacts include, but are not limited to, manufacturing, distributing, selling, purchasing, or providing services or goods. Business contacts do not include marketing via the Internet, telephone, television, radio, or printed media.

The same criteria are used to determine whether an individual, organization, or other entity is located in or doing business in your jurisdiction.

Exception:

Gifts are reportable regardless of the location of the donor. For example, a state agency official with full disclosure must report gifts from sources located outside of California. (Designated employees/code filers should consult their disclosure categories to determine if the donor of a gift is of the type that must be disclosed.)

When reporting interests in real property, if your jurisdiction is the state, you must disclose real property located within the state of California unless your agency's conflict-of-interest code specifies otherwise.

For local agencies, an interest in real property is located in your jurisdiction if any part of the property is located in, or within two miles of, the region, city, county, district, or other geographical area in which the agency has jurisdiction, or if the property is located within two miles of any land owned or used by the agency.

See the following explanations to determine what your jurisdiction is:

State Offices and All Courts: Your jurisdiction is the state if you are an elected state officer, a state legislator, or a candidate for one of these offices. Judges, judicial candidates, and court commissioners also have statewide jurisdiction. (*In re Baty* (1979) 5 FPPC Ops. 10) If you are an official or employee of, or a consultant to, a state board, commission, or agency, or of any court or the State Legislature, your jurisdiction is the state.

County Offices: Your jurisdiction is the county if you are an elected county officer, a candidate for county office, or if you are an official or employee of, or a consultant to, a county agency or any agency with jurisdiction solely within a single county.

City Offices: Your jurisdiction is the city if you are an elected city officer, a candidate for city office, or you are an official or employee of, or a consultant to, a city agency or any agency with jurisdiction solely within a single city.

Terms & Definitions - (continued)

Multi-County Offices: If you are an elected officer, candidate, official or employee of, or a consultant to a multi-county agency, your jurisdiction is the region, district, or other geographical area in which the agency has jurisdiction. (Example: A water district has jurisdiction in a portion of two counties. Members of the board are only required to report interests located or doing business in that portion of each county in which the agency has jurisdiction.)

Other (for example, school districts, special districts and JPAs): If you are an elected officer, candidate, official or employee of, or a consultant to an agency not covered above, your jurisdiction is the region, district, or other geographical area in which the agency has jurisdiction. See the multi-county example above.

Leasehold Interest: The term "interest in real property" includes leasehold interests. An interest in a lease on real property is reportable if the value of the leasehold interest is \$2,000 or more. The value of the interest is the total amount of rent owed by you during the reporting period or, for a candidate or assuming office statement, during the prior 12 months.

You are not required to disclose a leasehold interest with a value of less than \$2,000 or a month-to-month tenancy.

Loan Reporting: Filers are not required to report loans from commercial lending institutions or any indebtedness created as part of retail installment or credit card transactions that are made in the lender's regular course of business, without regard to official status, on terms available to members of the public.

Loan Restrictions: State and local elected and appointed public officials are prohibited from receiving any personal loan totaling more than \$250 from an official, employee, or consultant of their government agencies or any government agency over which the official or the official's agency has direction or control. In addition, loans of more than \$250 from any person who has a contract with the official's agency or an agency under the official's control are prohibited unless the loan is from a commercial lending institution or part of a retail installment or credit card transaction made in the regular course of business on terms available to members of the public.

State and local elected officials are also prohibited from receiving any personal loan of \$500 or more unless the loan agreement is in writing and clearly states the terms of the loan, including the parties to the loan agreement, the date, amount, and term of the loan, the date or dates when

payments are due, the amount of the payments, and the interest rate on the loan.

Campaign loans and loans from family members are not subject to the \$250 and \$500 loan prohibitions.

A personal loan made to a public official that is not being repaid or is being repaid below certain amounts will become a gift to the official under certain circumstances. Contact the FPPC for further information, or see the FPPC fact sheet entitled "Limitations and Restrictions on Gifts, Honoraria, Travel, and Loans," which can be obtained from your filing officer or the FPPC website (www.fppc.ca.gov).

Privileged Information: FPPC Regulation 18740 sets out specific procedures that must be followed in order to withhold the name of a source of income. Under this regulation, you are not required to disclose on Schedule A-2, Part 3, the name of a person who paid fees or made payments to a business entity if disclosure of the name would violate a legally recognized privilege under California law. However, you must provide an explanation for nondisclosure separately stating, for each undisclosed person, the legal basis for the assertion of the privilege, facts demonstrating why the privilege is applicable, and that to the best of your knowledge you have not and will not make, participate in making, or use your official position to influence a governmental decision affecting the undisclosed person in violation of Government Code Section 87100. This explanation may be included with, or attached to, the public official's Form 700.

We note that the name of a source of income is privileged only to a limited extent under California law. For example, a name is protected by attorney-client privilege only when facts concerning an attorney's representation of an anonymous client are publicly known and those facts, when coupled with disclosure of the client's identity, might expose the client to an official investigation or to civil or criminal liability. A patient's name is protected by physician-patient privilege only when disclosure of the patient's name would also reveal the nature of the treatment received by the patient. A patient's name is also protected if the disclosure of the patient's name would constitute a violation by an entity covered under the Federal Health Insurance Portability and Accountability Act (also known as HIPPA).

Public Officials Who Manage Public Investments: Individuals who invest public funds in revenue-producing programs must file Form 700. This includes individuals who direct or approve investment transactions, formulate or approve investment policies, and establish guidelines

Terms & Definitions - (continued)

for asset allocations. FPPC Regulation 18701 defines "public officials who manage public investments" to include the following:

- Members of boards and commissions, including pension and retirement boards or commissions, and committees thereof, who exercise responsibility for the management of public investments;
- High-level officers and employees of public agencies who exercise primary responsibility for the management of public investments (for example, chief or principal investment officers or chief financial managers); and
- Individuals who, pursuant to a contract with a state or local government agency, perform the same or substantially all the same functions described above.

Registered Domestic Partners: Filers must report investments and interests in real property held by, and sources of income to, registered domestic partners. (See Regulation 18229.)

Retirement Accounts (for example, deferred compensation and individual retirement accounts (IRAs)): Assets held in retirement accounts must be disclosed if the assets are reportable items, such as common stock (investments) or real estate (interests in real property). For help in determining whether your investments and real property are reportable, see the instructions to Schedules A-1, A-2, and B.

If your retirement account holds reportable assets, disclose only the assets held in the account, not the account itself. You may have to contact your account manager to determine the assets contained in your account.

Schedule A-1: Report any business entity in which the value of your investment interest was \$2,000 or more during the reporting period. (Use Schedule A-2 if you have a 10% or greater ownership interest in the business entity.)

Schedule B: Report any piece of real property in which the value of your interest was \$2,000 or more during the reporting period.

Examples:

- Alice McSherry deposits \$500 per month into her employer's deferred compensation program. She has chosen to purchase shares in two diversified mutual funds registered with the Securities and Exchange Commission. Because her funds are invested solely in non-reportable mutual funds (see Schedule A-1 instructions), Alice has no disclosure requirements with regard to the deferred compensation program.

- Bob Allison has \$6,000 in an individual retirement account with an investment firm. The account contains stock in several companies doing business in his jurisdiction. One of his stock holdings, Misac Computers, reached a value of \$2,500 during the reporting period. The value of his investment in each of the other companies was less than \$2,000. Bob must report Misac Computers as an investment on Schedule A-1 because the value of his stock in that company was \$2,000 or more.
- Adriane Fisher has \$5,000 in a retirement fund that invests in real property located in her jurisdiction. The value of her interest in each piece of real property held in the fund was less than \$2,000 during the reporting period. Although her retirement fund holds reportable assets, she has no disclosure requirement because she did not have a \$2,000 or greater interest in any single piece of real property. If, in the future, the value of her interest in a single piece of real property reaches or exceeds \$2,000, she will be required to disclose the real property on Schedule B for that reporting period.

Trusts: Investments and interests in real property held and income received by a trust (including a living trust) are reported on Schedule A-2 if you, your spouse or registered domestic partner, and your dependent children together had a 10% or greater interest in the trust and your pro rata share of a single investment or interest in real property was \$2,000 or more.

You have an interest in a trust if you are a trustor and:

- Can revoke or terminate the trust;
- Have retained or reserved any rights to the income or principal of the trust or retained any reversionary or remainder interest; or
- Have retained any power of appointment, including the power to change the trustee or the beneficiaries.

Or you are a beneficiary and:

- Presently receive income; or
- Have an irrevocable future right to receive income or principal. (See FPPC Regulation 18234 for more information.)

Examples:

- Sarah Murphy has set up a living trust that holds her principal residence, stock in several companies that do business in her jurisdiction, and a rental home in her agency's jurisdiction. Since Sarah is the trustor and can revoke or terminate the trust, she must disclose

Terms & Definitions - (continued)

any stock worth \$2,000 or more and the rental home on Schedule A-2. Sarah's residence is not reportable because it is used exclusively as her personal residence.

- Ben Yee is listed as a beneficiary in his grandparents' trust. However, Ben does not presently receive income from the trust, nor does he have an irrevocable future right to receive income or principal. Therefore, Ben is not required to disclose any assets contained in his grandparents' trust.

Blind Trusts:

A blind trust is a trust managed by a disinterested trustee who has complete discretion to purchase and sell assets held by the trust. If you have a direct, indirect, or beneficial interest in a blind trust, you may not be required to disclose your pro rata share of the trust's assets or income.

However, the trust must meet the standards set out in FPPC Regulation 18235, and you must disclose reportable assets originally transferred into the blind trust and income from those original assets on Schedule A-2 until they have been disposed of by the trustee.

Trustees:

If you are only a trustee, you do not have a reportable interest in the trust. However, you may be required to report the income you received from the trust for performing trustee services.

Wedding Gifts: Wedding gifts must be disclosed if they were received from a reportable source during the period covered by the statement. Gifts valued at \$50 or more are reportable; however, a wedding gift is considered a gift to both spouses equally. Therefore, you would count one-half of the value of a wedding gift to determine if it is reportable and need only report individual gifts with a total value of \$100 or more.

For example, you receive a place setting of china valued at \$150 from a reportable source as a wedding gift. Because the value to you is \$50 or more, you must report the gift on Schedule D, but may state its value as \$75.

Wedding gifts are not subject to the \$440 gift limit, but they are subject to the \$10 lobbyist/lobbying firm gift limit for state officials.

Privacy Information Notice

Information requested on all FPPC forms is used by the FPPC to administer and enforce the Political Reform Act (Gov. Code Sections 81000-91014 and California Code of Regulations Sections 18109-18997). All information required by these forms is mandated by the Political Reform Act. Failure to provide all of the information required by the Act is a violation subject to administrative, criminal, or civil prosecution. All reports and statements provided are public records open for public inspection and reproduction.

If you have any questions regarding this Privacy Notice or how to access your personal information, please contact the FPPC at:

General Counsel
Fair Political Practices Commission
428 J Street, Suite 620
Sacramento, CA 95814
(916) 322-5660
(866) 275-3772

California Fair Political Practices Commission

Frequently Asked Questions: Form 700 Disclosure

The FAQs listed below are selected from questions often asked of the FPPC. Please use the FPPC toll free advice line or email advice service for specific guidance. Keep in mind that the Form 700 is a public document and many agencies now post the forms on agency websites.

General Questions

1. Q. Do all officials have the same disclosure requirements for Form 700 reporting?
 - A. No. The majority of individuals that file Form 700 must do so by following the rules set forth in the agency's conflict-of-interest code. Before completing the Form 700, be sure you know the disclosure category for your position. For example, since job duties differ from agency to agency, an analyst for one agency may not have the same reporting requirements as an analyst working for another agency.

Officials listed in Gov. Code Sec. 87200 (e.g. boards of supervisors, city council members, planning commissioners, elected state officials, etc.), must report all investments and income as well as real property interests in their agency's jurisdiction.
2. Q. Do I have to read all of the information before completing the Form 700?
 - A. Each individual must verify the Form 700's content under penalty of perjury. Therefore, all effort must be made to understand the instructions. When necessary, contact the FPPC for specific, personal guidance. Immunity from an enforcement action can only be provided to you when you write to request formal written advice.
3. Q. Where do I file my Form 700?
 - A. Local and state officials file with their agency. Only retired judges serving on assignment and legislative staff file the Form 700 directly with the FPPC. Certain statements then are forwarded to the FPPC by the state or local agency.
4. Q. If I postmark my Form 700 by the due date, is it considered filed on time?
 - A. Yes.
5. Q. I hold various positions for which I need to file a Form 700. Am I required to file a statement for each position?
 - A. Yes, however you may complete an expanded statement covering the disclosure requirements for all positions. Be sure to file an originally signed statement with each filing officer.
6. Q. Do filers need to complete the entire Form 700 when they leave office?
 - A. Yes. All of the same schedules are required for the assuming office, the annual, and the leaving office filings.

California Fair Political Practices Commission
 Frequently Asked Questions:
 Form 700 Disclosure

7. Q. I was recently hired into a newly created management position in my agency's Information Technology Department. How do I complete the Form 700?
- A. Because this is a newly created position, the law requires that you report economic interests under the broadest disclosure category in the agency's conflict-of-interest code unless you are provided a written document stating otherwise. Generally, you will file the Form 700 with the agency within 30 days of the date of hire.
8. Q. Are board members of a nonprofit public benefit corporation that operates two California charter schools officials who must file Form 700s?
- A. Yes. Members of charter schools are officials and must file Form 700s.

Income Questions

9. Q. Do I have to report my spouse's or registered domestic partner's income?
- A. Generally, you must report 50% of your spouse's salary disclosing the employer's name as the source of income on Schedule C. If your spouse or registered domestic partner is self-employed, report the business entity on Schedule A-2. Remember: governmental salary is never reported. You must check your disclosure category, if applicable.
10. Q. I own a business in which I have received income from clients of \$10,000 or more, but their names are confidential. Must I disclose their names on Schedule A-2, Part 3?
- A. Yes. However, Regulation 18740 (available at www.fppc.ca.gov) provides a procedure in which a client's name may not be disclosed if disclosure of the name would violate a legally recognized privilege under California law. Requests for exemptions must be submitted to the FPPC Executive Director.

Investment Questions

11. Q. All my investment decisions are made by my account manager and I have no input into where my funds are invested. Am I required to disclose the investments contained in this account?
- A. Yes, you must disclose on Schedules A-1 or A-2 any investments worth \$2,000 or more in a business entity located or doing business in your jurisdiction. Also check your conflict-of-interest code, if applicable, to determine if the investment is reportable.
12. Q. I have funds invested in a retirement account. Must I report the investments held in the retirement account?
- A. Investments held in a government defined-benefit pension program plan (i.e. CalPERS) are not reportable. However, assets held in some retirement accounts such as a defined contribution plan 401(k) must be disclosed if the account holds such items as common stock. You may have to contact your account manager for assistance in determining what assets are held in your account.

California Fair Political Practices Commission
Frequently Asked Questions:
Form 700 Disclosure

13. Q. My spouse and I have a living trust that holds rental property in my jurisdiction, our primary residence, and investments in diversified mutual funds. How do I disclose this trust?
- A. Disclose the name of the trust, the rental property and its income on Schedule A-2. Your primary residence, if used exclusively as your personal residence, and investments in diversified mutual funds registered with the SEC are not reportable.

Real Property Questions

14. Q. Is my personal residence reportable?
- A. If you are required to disclose real property, pursuant to your agency's conflict-of-interest code, any personal residence occupied by you or your family (including a vacation home) is not reportable if used exclusively as a personal residence. However, a residence for which you claim a business deduction is reportable if the portion claimed as a tax deduction is valued at \$2,000 or more. The amount of the tax deduction is not relevant. In addition, any residence for which you receive rental income is reportable if it is located in your jurisdiction.
15. Q. I have to report my personal residence and I am not comfortable listing the street address. Do I have any other options?
- A. Yes. Instead of listing the street address, you may list the assessor's parcel number.

Enforcement Question

16. Q. What is the penalty for not filing my Form 700 on time?
- A. A fine of \$100 may be assessed. In addition, if your failure to file is referred to the FPPC Enforcement Division, the fine will increase up to a maximum of \$5,000 per violation. In 2010, the FPPC collected more than \$25,000 in fees for late statements.

California Fair Political Practices Commission

Frequently Asked Questions: Gift Disclosure

The FAQs listed below are selected from questions people frequently ask the FPPC. All effort has been made to provide helpful, easy to understand answers to common gift questions. Please note that this fact sheet cannot address all the unique variables and circumstances related to gift disclosure. Individuals are encouraged to contact the FPPC with specific facts by email. In addition, individuals may submit their questions in a letter to the FPPC's Legal Division in order to receive a written answer.

Revised rules relating to gifts became effective January 1, 2012. The answers below incorporate the recent revisions.

1. Q. What is the gift limit for 2011-2012?

A. **\$420:** The 2011-2012 gift limit remains at \$420. This means that gifts from a single, reportable source may not exceed \$420 in a calendar year. For officials and employees who file Statements of Economic Interests (Form 700) under an agency's conflict-of-interest code ("designated employees"), this limit applies only if the official or employee would be required to report income or gifts from that source on the Form 700, as outlined in the "disclosure category" portion of the agency's conflict-of-interest code.

State Lobbyist & Lobbying Firm Limit:

\$10: State agency officials, including legislators, legislative staff and state commission members, may not accept gifts aggregating more than **\$10 in a calendar month** from a single **lobbyist** or **lobbying firm** if the lobbyist or firm is registered to lobby or should be registered to lobby the official's or employee's agency.

2. Q. I am an analyst for an agency and must complete Form 700. How do I know if I must disclose a gift that I received?

A. Each local and state agency must have a conflict-of-interest code. That document identifies your position and the types of donors that you must report. Because different agencies have different responsibilities, an analyst for one agency will have different reporting than an analyst working for another agency.

3. Q. During the year, an official received several gifts of meals from the same reportable source. Each meal was approximately \$35. Is the source reportable?

A. Yes. Gifts from the same reportable source are aggregated, and the official must disclose the source when the total value of all meals exceeds \$50 or more.

4. Q. How does an individual return a gift so that it is not reportable?

A. Unused gifts that are returned to the donor or reimbursed within 30 days of receipt are not reportable. The recipient may also donate the unused item to a charity or governmental agency within 30 days of receipt or acceptance as long as the donation is not claimed as a tax deduction.

5. Q. Co-workers exchange gifts of similar value on birthdays. Are these items reportable?

- A. No. Such gift exchanges with individuals, other than lobbyists, on birthdays, holidays, or similar occasions, are not reportable or subject to gift limits. The gifts exchanged must be similar in value.
6. Q. If an official receives a gift from a reportable source who lives outside of the official's jurisdiction, is the gift still reportable?
- A. Yes. There are no jurisdictional boundaries for gifts. For example, it is not uncommon for out-of-state companies to bid on California contracts. Thus, the location of the donor is not relevant, but it is relevant whether that donor is a source of the type that is attempting to influence an agency decision.
7. Q. Must an official report gifts received from an individual whom the official is dating?
- A. No. Gifts of a personal nature exchanged because the individuals are in an established, bona fide dating relationship are not reportable or subject to gift limits. However, the official remains subject to the conflict-of-interest rules and some matters may require recusal from voting.
8. Q. In March, a vendor that provides goods to an agency had its contract renewed by the city council. Within 12 months, the vendor offered entertainment tickets to the spouse of one of the city council members. Does the city council member report the tickets as gifts?
- A. Maybe. A gift to an official's spouse is a gift to the official when there is no established working, social, or similar relationship between the donor/vendor and the spouse or there is evidence to suggest the donor had a purpose to influence the official; such as appearing before the official's agency within the previous 12 months.
9. Q. An agency received two free tickets to a sporting event from a local vendor. The agency had discretion to determine who in the agency received the tickets. Each ticket was valued at \$40. If the Director of Transportation used the tickets, how does he/she report them?
- A. The tickets are reportable in the amount of \$80 on the Director's Form 700 if the vendor is the type of source covered under the Director's disclosure category in the agency's conflict-of-interest code. However, in some circumstances, the Director is not required to report the tickets on his/her Form 700. This occurs if the tickets are claimed as taxable income or if the tickets meet a public purpose identified in the agency's published ticket policy. In either case, the agency must complete the FPPC Form 802 and forward the form to the FPPC for posting on its website. If a Form 802 is completed the director does not disclose the tickets on his/her Form 700.
10. Q. Are frequent flyer miles reportable?
- A. No. Free tickets received under an airline's frequent flyer program that are available to all members of the public are not required to be disclosed.
11. Q. An agency received a large box of chocolates as a holiday gift from a local merchant. It was addressed to the agency and not to a particular employee. Is there a reporting requirement?

- A. Generally, the receipt of food and beverages is considered a gift. However, in this instance, the gift would only be reportable by an employee if (1) the vendor was a reportable source on the individual's Form 700 and (2) the employee consumed candy valued at \$50 or more.
12. Q. Is an interest-free loan made available by a depository institution to each state employee, including a member or employee of the Legislature who is a customer with direct deposit at the institution, for the purpose of covering the amount of salary or wages earned by the employee, but unpaid due to the delay of passage of the state budget, a gift or income under the Act?
- A. So long as the interest-free loan is available on equal terms to all state employees with direct deposit at the depository institution, the loan is neither a gift nor income under the Act, and is not reportable on the employee's Form 700.
13. Q. Do prizes received by participating employees in an agency's charity campaign drawing constitute gifts under the Act, subject to the Act's limits and reporting requirements, if they were donated to the agency by an outside source?
- A. Yes. The prizes are gifts, if donated by an outside source. This is not considered a bona fide competition because the raffle is only open to officials.
14. Q. Does a ticket to a campaign fundraising event that was provided to an official directly from the campaign committee constitute a reportable gift?
- A. No. The committee or candidate may provide two tickets per event to an official and the tickets shall be deemed to have no value. Additional tickets do have value and are subject to reporting rules.
15. Q. Is a ticket or pass provided to an official for his or her admission to an event at which the official performs a ceremonial role or function on behalf of the public agency reportable on the official's Form 700?
- A. No. However, the agency must complete FPPC Form 802 and forward to the FPPC. The form will identify the official's name and explain the ceremonial function.
16. Q. Would a non-profit organization be the source of gifts conferred on officials when the non-profit organization pays for officials to travel nationally and internationally on trips related to climate policy? This trip is funded by donations from corporations and businesses with matters before state elected officials and state agencies.
- A. Generally, the reportable source of the gifts to officials would be the sponsors who donated money to the non-profit organization. Thus, the benefit of the gift received by the official would be pro-rated among the donors. Each reportable donor would be subject to the \$420 gift limit and identified on the official's Form 700. Contact the FPPC for specific guidance.
17. Q. May an official accept travel, lodging and subsistence from a foreign sister city while representing the official's home city?

- A. Travel and related lodging and subsistence paid by a foreign government, and not a foreign company, that is reasonably related to a legislative or governmental purpose are not subject to the gift limit. However, the payments must be disclosed on a Form 700. While in the foreign country, any personal excursions not paid for by the official must also be disclosed and are subject to the gift limit. If private entities make payments to the foreign government to cover the travel expenses, the gift limit will apply and travel payments will likely be prohibited. Please contact the FPPC for more information.
18. Q. An analyst for a state or local agency participates on a panel addressing new federal standards related to the agency's regulatory authority. If the analyst's travel payments are paid by the federal agency, must the official report the payment of the Form 700? Transportation and related lodging and subsistence were limited to the day immediately preceding, the day of, and the day immediately following the speech.
- A. The travel payments are not reportable or subject to any limits so long as:
(1) A non-governmental source did not actually reimburse or fund the travel expenses. In that case, the gift of travel is not from the federal agency and may be reportable. Individuals should inquire as to the source of all travel payments. (2) The analyst is not also an elected state or local official or serving in a position covered by Government Code Section 87200. In that case, the travel payment is reportable.
19. Q. A state legislator and a planning commissioner were guest speakers at an association's event. Travel expenses were paid by the association and the event was held in California. Is this reportable?
- A. The payment is reportable, but not subject to the gift limits. In general, payments for speeches are not limited, but are reportable. The rules require that the speech be reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy; and the travel payment must be limited to actual transportation and related lodging and subsistence the day immediately preceding, the day of, and the day immediately following the speech.

Richard A. White, Jr.
Retirement Administrator



Telephone: (707) 463-4328
(707) 467-6473
Fax: (707) 467-6472

MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: January 16, 2013
To: Board of Retirement
From: Richard White, Retirement Administrator *RAW*
Subject: Communications

Included in this item is a communication previously distributed to the Board of Retirement electronically and two investment related Wall Street Journal articles.

Rich White - BOR letters to the editor_December 2012

From: Rich White
To: Bob Mirata; Craig Walker; John Sakowicz; Kendall Smith; Lloyd Weer; ...
Subject: BOR letters to the editor_December 2012
CC: Jeff Berk

To the Members of the Board of Retirement:

I have attached two letters to the editor which appeared in the Anderson Valley Advertiser recently which were written by members of the Board. I have reproduced the letters for your information and will include them in the January 16, 2013 Board agenda.

As a point of information, the Board of Retirement does not have a formal communications policy but you may recall that this is one policy scheduled for adoption in the second half of 2013. In addition, the recently adopted Board Education policy called for an in-house educational session to be delivered to the Board in 2013. It is anticipated that this training will cover the topics of fiduciary responsibilities and duties plus the Brown Act requirements.

I wish everyone a happy and safe holiday. As a reminder, the MCERA office will be closed Monday, December 24, 2012 through Wednesday, December 26, 2012. I can be reached via email or cell phone (707) 391-8144.

Rich White

1. PENSION ADMIN OUT OF CONTROL

Editor,

To my friends who encouraged me to take on the MCERA (Mendocino County Employees Retirement Association) challenge, after two years I now believe MCERA will only continue to increase our County's debt, forcing a continuation of decreased County services.

Last week we had a special purpose, closed session, confidential meeting. While I may not disclose the discussions, it was with very high priced legal counsel and MCERA is wordsmithing a statement to communicate the outcome of that meeting on past practices.

This week's meeting was primarily on our just released Actuarial Valuation Report. The upshot is that our funding ratio decreased from 75% to 70%. Our Unfunded Liability went up from \$125 million to \$127 million (this does not include the Pension Obligation Bonds balances). The Employer Rate on each dollar of payroll (and many other non-payroll items) will go from 24% to 26%. The Employee Rate will go up from 9.73% to 9.76 % (yes, you read that correctly and is why we have the problem we have).

Additionally, we can expect our Employer Rate to go up at least another 0.5% next year without any other surprises.

We then voted on a couple of spending items that I believe is indicative of the culture, the problem and why I now believe this system is incapable of self correction. I have been naive enough to think the discipline of the private sector could be brought to a County association where they were conditioned for someone else to pay each and every bill. I thought the low funding of the Plan and condition of the

Sponsor would present an opportunity where we could bring discipline to expenditures and oversight. I was wrong. I now know the situation we have did not happen by accident and with the current culture it can only continue to grow.

I say this because today, just after the two items above, our association voted not once, but twice, for increased spending. This is noteworthy as to date I have never seen a SINGLE expenditure the association did not welcome with open arms, no matter how it may impact the Sponsor or jeopardize future funding for participants. In every instance the justifications for the expenditure had phrases like "I think we should have this" or "other systems have this" (we are the smallest system). One of today's increases appears to be at odds with the new State pension reform law; our board voted for it basically because "they didn't feel benefits should be reduced for current employees" no matter what the new law may suggest on this issue. The second item was adding an unbudgeted medical review consultant, with an expected cost of \$20,000, regardless of where we were with our fiscal year budget or any real cost/benefit analysis. This contract may make financial sense, but there was absolutely NO INTEREST in reviewing where we were with our current budget or studying the savings before voting on this item. MCERA, and the new Administrator, are so bold they do not even need to look like they are concerned by any budget. If they "want it" they get it. As in almost every other spending item, I was the lone dissenting vote in both cases; neither of the two independents (Mirada or Sakowicz) could find the courage to stand tall and at least go through the motions of window dressing for prudent fiscal management — the momentum was to SPEND! I find it doubtful these two "independent seats" would or could ever vote against the momentum of the board.

This is absolutely remarkable as I have NEVER, EVER experienced this lack of discipline on ANY other board I have been around (not for profit, church or private company). I can only explain it by the "other people's money" phenomenon. I now have a very firm conviction that MCERA, that brought us the lion's share of the debt of our County, will continue to expand this debt and there does not appear to be any simple way to stop the

continuing growth of this debt. Maybe more outside board members could help, but I believe you would need to change the CERL and they may turn out to be sitters in the mold of the two that we have. An effective, but even more difficult change would be a defined contribution system where it would be their personal dollars at risk. I am certain there would be a new attention to detail and austerity from that change, but it won't happen in time to save us from the onslaught of increased debt!

If you would like to experience my sense of hopelessness please watch the video of today's meeting when it becomes available on the MCERA website. Don't be shocked when you hear my rhetorical question to the board, "Why do we even have a budget if we are going to just approve any new item that comes up?" and board member Tim Knudsen says, "That is something I can agree with you on" — meaning: get rid of the budget! This is the thinking that has brought us to the financial condition we are in.

I guess a Leopard can't change it's spots.
Ted Stephens, MS-Taxation, MBA-Finance
Santa Rosa/Yorkville

2. Concerning Trustee Ted Stephens's letter to the editor, I agree with Ted most of the time on Retirement Board matters, but I voted for the \$20,000 unbudgeted agenda item for a medical consultant to review disability applications at MCERA, because presently we do not have a doctor on the board.

When I was appointed to the Retirement Board, I replaced Dr. Coursey. The expenditure of \$20,000 to review disability applications is a small price to pay. It will save MCERA time and expense, especially for legal fees in hearings and appeals.

The other BOS-appointed Board member, Bob Mirata, our Retirement Board's chairman for the last several years, joined me and all the other Board members. in voting yes for a medical consultant. Ted Stephens was the only dissenting vote.

Our logic was obvious: It is penny wise, and pound foolish, for MCERA not to have strong outside advisers, which include: legal and medical advisers, investment advisers, actuary, accountant, and auditor. You could probably add a technology consultant to that list, because MCERA needs to automate its operations.

The public should know several things.

First, I am as frugal as any Board member. I advocate car pooling among Board members. On my recent training at the SACRS conference, I ate a slice of pizza and had a Coke, rather than bill MCERA for the allowable per diem expense for dinner. But that's only symbolic. I am as frugal, and fight just as hard, to save MCERA money on the big ticket expenses.

Second, MCERA has done much to turn itself around.

During the last several years, almost the entire Retirement Board has been replaced.

Also, we have a new investment adviser, Callan Associates — a big and highly respected firm. Headquartered in San Francisco, with offices across the country, Callan provides research, education, decision support, and advice to a broad range of institutional investors, collectively responsible for over \$1 trillion in total assets.

We also have a new accountant and auditor — Gallina Public Accountants, the county's auditor. And we have a new actuary — the Segal Company, top notch in every way. For over 70 years, the Segal Company has been providing benefits and human resources consulting for multiemployer trust funds and public sector organizations. As a private employee-owned actuarial and consulting firm, Segal is a completely

independent organization. Their independence allows them to provide completely unbiased consulting services for their clients.

Headquartered in New York City, Segal has offices throughout the United States and in Canada. Finally, we have new legal counsel — Jeff Berk, who is Deputy County Counsel in Sonoma County and counsel to Sonoma County's retirement association. With MCERA having outside counsel, we avoid the obvious conflict of interest that was historically the case for many years when Mendocino's own county counsel also advised the Retirement Board.

Third, MCERA sued its former actuary, Buck Consultants. Buck made several key errors. It cost MCERA money. They ended up settling with us.

Fourth, MCERA has entered into a voluntary corrective action plan with the IRS to correct other past errors and to preserve our tax-exempt status as a public pension system.

All that said, I have never worked harder on any board or commission than I do at MCERA. And I believe I speak for all other Retirement Board members, too.

How hard do we work?

We have training requirements that are mandated by law. I, along with Trustee Richard Shoemaker, was trained by CalPERS at Sanford Law School. Much of our training involves meeting the requirements of a sworn fiduciary.

We prepare for every meeting with thick binders, much like the binders the the Board of Supervisors get before each meeting. Going through the binder takes, on average, several hours.

We take required ethics training.

We are covered by fiduciary insurance.

And, in addition to the regularly scheduled monthly meetings, we have met several other times during the last year for strategic planning purposes, and to consider litigation and personnel issues.

Add to that committee work, and you have a hard-working Retirement Board.

As folks know, for many years I was a critic of MCERA. A vociferousness critic. A merciless critic.

Now, as a Board member, I bring the same critic thinking to the table, plus years of my own investment experience.

I can tell you with complete confidence that the Retirement Board is acting as responsibly as it can act.

Much has changed. But there is still work to do. And we will do it.

s/ John Sakowicz

This portion of the requested page has been blocked.
Click here for details.

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com
See a sample reprint in PDF format. Order a reprint of this article now

THE WALL STREET JOURNAL

WSJ.com

CREDIT MARKETS | January 3, 2013, 9:08 p.m. ET

Happy New Year? Not for Bonds

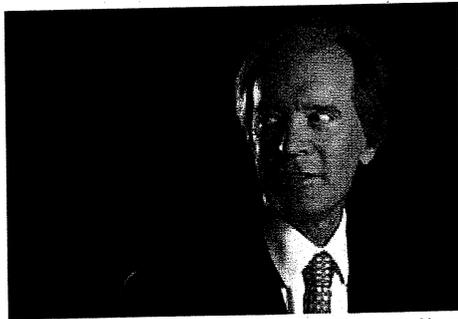
Investors Leave Safety of Treasuries After Budget Deal, Signs of Improvement in Employment Market

By CAROLYN CUI

U.S. government bonds have had a tough start to the new year.

In the first two days of the year, prices for the benchmark 10-year Treasury have tumbled, sending the yield above 1.9% intraday Thursday, the highest level in eight months.

The sharp move has come as a shock to many market watchers, who were predicting a banner start to 2013, with wrangling in Washington and worries over the economy likely to keep investors heading to the safety of U.S. government debt. In addition, the Federal Reserve is buying \$45 billion of Treasuries each month, they reasoned.



Bloomberg News

Pimco's Bill Gross has shunned Treasury bonds due to inflation fears.

But all hasn't gone according to plan. Instead, investors seem unfazed by the events in the nation's capital, where lawmakers wrangled until the last minute to forge a budget accord on Jan. 1. Rather than fretting over the high-stakes brinkmanship, investors focused on the positives: Congressional leaders eventually did reach an agreement, averting a series of tax increases and spending cuts that could have driven the country over what became known as the "fiscal cliff" and into recession.

That enticed many investors out of the safety of Treasuries on Wednesday and into riskier investments like stocks and "junk" bonds. Then, on Thursday, signs that the jobs market was improving came in the form of a better-than-expected jobs report by [Automatic Data Processing](#) and Moody's Analytics. That combined with the release of minutes of a meeting of the Fed's policy-setting committee that suggested some officials want to end the central bank's bond buying much earlier than investors thought.

More

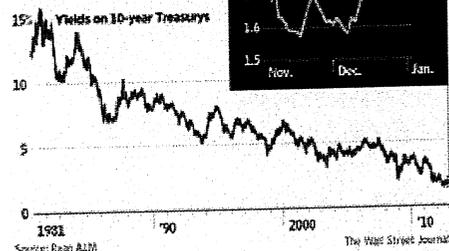
Spotlight on Swaps Lacks the Wattage

The sudden moves have put investors and analysts on guard. Some are beginning to question whether Treasury yields, which have been stuck between about 1.60% and 1.80% for the past six months, may kick higher. Some wonder if they may even soon surpass 2%, a level they haven't breached since last

April. Many investors have been reluctant to bet against long-term Treasuries, in large part because the Fed has been such a big buyer of the debt and because intermittent shocks over the past few years—from worries about the U.S. economy to Europe's debt crisis and troubles in the Middle East—have consistently sent investors scurrying to Treasuries for safety.

Creeping Higher

Yields on 10-year U.S. Treasuries jumped after lawmakers agreed on a budget deal but still remain near record lows.



That has helped propel the bull market in Treasuries into a third decade.

"For the bond market, it'll be a very tense time for the next several weeks," said David Ader, head of government-bond strategy at CRT Capital Group LLC, Stamford, Conn.

The Treasury market is likely to receive another big test Friday when the December employment report is released.

A robust reading on nonfarm payrolls is expected to send yields higher, analysts said. And new battles are likely in Washington as lawmakers debate whether to raise the government's debt ceiling, as well as battle over a raft of pending spending cuts.

Brett Rose, an interest-rate strategist at Citigroup, sent a note to his clients late Wednesday reversing his call of Nov. 22 that recommended investors buy 10-year Treasuries. He told investors to sell their positions, which would create a loss if they had bought in late November.

Mr. Rose had suggested investors buy Treasuries amid "concern about the risk of a messy or extended resolution to the fiscal cliff," Mr. Rose wrote. Though the eventual accord was far from ideal, he said, it still removed "the majority of the risk," so investors should sell, he said.

Once a budget agreement was reached, "a lot of people who were crowding into the Treasury market as the safe-haven bet saw it as a green light to go back to the risky assets," said William O'Donnell, head of Treasury strategy at RBS Securities.

Still, many analysts don't believe the selloff in Treasuries will last long. They argue that the budget agreement postponed decisions about where spending cuts should be made, setting up more fiscal talks and deadlines in coming months.

All the while, the U.S. is nearing its borrowing capacity, a factor that further complicates budget negotiations and raises concerns on whether credit-rating firms may downgrade the country's debt.

Mr. O'Donnell noted that trading volume has been very light and much of the selling is coming from hedge funds, rather than retail investors. With the Fed chipping away at the net supply of Treasuries, "we think a sustained rise in rates is highly unlikely at least for the foreseeable future," he said.

Some bond investors have even used the pullback to add to their Treasury positions. Tom Graff, a fixed-income portfolio manager at Brown Advisory, which oversees \$32 billion in assets, said he expects Treasury yields to stay within their current range for the short term.

"As good as things feel right now, having just come through the fiscal-cliff debate, the fact of the

matter is that things could become exigent," said Robert Tipp, chief investment strategist of Prudential Fixed Income. "There's no letting your guard down at this point."

Technical analysts, though, said there is a good chance yields will move higher.

Stone McCarthy Research, a Princeton, N.J., independent research company, said the 10-year yield is well above its 1.74% average of the past 200 days. If the yield stays above that average much longer, a jump is likely, Stone McCarthy said.

That could see the yield trading in a range up to 2.0% or even 2.1%, the firm said.

Late Thursday, the 10-year yield was 1.899%, up from 1.759% on Dec. 31.

Write to Carolyn Cui at carolyn.cui@wsj.com

Copyright 2012 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com

THE WALL STREET JOURNAL

WSJ.com

January 4, 2013, 10:18 AM ET

Economists React: Good-Not-Great Labor Market

By Phil Izzo

Economists and others weigh in on the report showing a 155,000 gain in U.S. jobs and the unemployment rate unchanged at 7.8%.

–December’s jobs numbers represent yet another good-not-great labor market report, a description which could characterize just about every piece of incoming employment data issued since midsummer. In some sense, this long-lasting mediocre situation echoes broader trends in the US economy, where we’re faced with a number of risks from marginal components of economic growth (government spending, energy, exports), and a lack of “inspiration” when it comes to the core sources of output. As the page turns to 2013, there’s little hint of change for the next twelve months. Long live the zero interest rate policy! *–Guy LeBas, Janney Montgomery Scott*

–Employment in the pro-cyclical construction (up 30,000) and manufacturing (up 25,000) sectors were higher on the month, providing some indication of improving growth momentum. Employment in the retail sector, however, declined by 11,000, undoing some of the brisk jobs gains in the previous months. Employment growth in the acyclical education and health services, added a whopping 65,000 – accounting for over one-third of all the job gains reported in December. *–Millan L. B. Mulraine, TD Securities*

–Total government employment fell by 13,000 as local and federal job losses outweighed growth at the state level. Finally, temporary help jobs declined by 1,000. Temporary help jobs have been a tremendous source of job growth since 2010. But since these jobs tend to pay less than full time jobs and since many view this development as a response to growing uncertainty and taxation at the federal level, the response by pundits has been muted. As it stands now, total nonfarm employment stands at about 134,000. That still leaves us about 4 million jobs short of the peak set right at the start of 2008. We all know the job losses in this recession were worse than anything we’ve seen in the post war era but with a relatively slow economic recovery, the length of time it is taking to recover that previous high dwarfs anything we’ve seen over the same time frame. *–Dan Greenhaus, BTIG LLC*

– The couriers and messengers sector fell -11,000. Recall this sector surged dramatically in the last few Decembers as BLS seasonal factors had trouble adjusting to rising Internet/shopping delivery trend. It looks like the seasonal factors have caught on (and if anything are now overcompensating). *–Jay Feldman, Credit Suisse*

–Employment (particularly in the private sector) continued to expand at a moderate rate in the final three months of 2012 despite the uncertainties over the fiscal cliff. Apart from the moderate pickup in private employment in the last three months versus the last year, there were other positives within the report including the strengthening in wage growth, the increase in the workweek (combined they point to a strong increase in wage incomes in December, while manufacturing hours suggest a very solid gain in manufactured output in the month), and increases in employment in the key sectors of construction and manufacturing. However, employment growth has not been strong enough to make further inroads into lowering the unemployment rate. *–RDQ Economics*

–Not especially strong nor weak. While a 150,000-170,000 per month trend in payrolls is far from booming, it is strong enough over time to keep the unemployment rate moving down given slowing in the secular trend in labor force growth. Unemployment was flat in December, but it is down 0.4 points in the last six months. *–James F. O’Sullivan, MF Global*

–We are still a fair way from the 6.5% Fed target, it is also important to note that as the labour market situation continues to improve there will be an encouraged worker effect which should see the unemployment rate decline at a less aggressive pace than we have seen over the last year. *–David Semmens, Standard Chartered Bank*

–This report indicates an economy that is stuck on a shallow growth trajectory. *–Steven Ricchiuto, Mizuho Securities*

–Beyond the headline employment numbers, gains in average hourly earnings (+0.3% m/m) and the workweek (up 0.1 to 34.5) are encouraging signs that the labor market more broadly is firmly in recovery mode. Aggregate hours rose an annualized 1.5% q/q in Q4 (up from 1.0% in Q3) and the payroll proxy of income was up 3.5%, up from 2.8%. *–Peter Newland, Barclays Capital*

Copyright 2013 Dow Jones & Company, Inc. All Rights Reserved
This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com