

James Wilbanks, Ph.D.
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: February 17, 2016
To: Board of Retirement
From: James Wilbanks, Retirement Administrator
Subject: Retirement Administrator Report

Pension Administration System Update

Please see the attached report from Rob Ellison with Linea. I am happy to report that MCERA processed the monthly retirement benefit payments at the end of January without any major issues. We continue to work with the new system and are helping to make it better with each issue we identify and correct.

Client Presentations

In accordance with the 2016 Board Work Plan, I have started making presentations to groups of clients regarding MCERA. For your reference, the presentation is attached. To date, I have given the presentation to two separate groups of employees and I expect to make additional presentations in the coming months.

Administrative and Operations Update

There are no administrative and operations updates to provide as of this writing.



MENDOCINO COUNTY EMPLOYEES' RETIREMENT SYSTEM
Project: PENSION ADMINISTRATION SYSTEM



Report Type:	Monthly Status Report
Status Date:	2/1/2016
Project Managers:	Rob Ellison – Linea, Jack Blonski – LRS Pension Gold
MCERA Team Members:	Katy Richardson, Judy Zeller, Stan Conwell, Sylvia McGee
Report Period:	January 2016

1. Current Period Activities

Activity	Comments
Design	1. Design for all phases of the project and change orders is complete. The ten correspondence documents and five reports as requested by MCERA have been submitted for design review.
Data Conversion	2. The final data conversion and updates was completed on 1/4/2016 to coincide with the go-live event. Any additional data conversion issues discovered at this point forward will be resolved either through data scripts or through the online interface of the application.
Development	3. Development for all phase of the project is complete with the exception of the ten correspondence documents and the five reports as mentioned in #1 above.
User Acceptance Testing	4. User Acceptance Testing was completed on 10/29/2015.
Production Parallel Processing	5. Production Parallel began Monday 11/4/2015 and was completed on 12/31/2015.
Go-Live Full Production Mode	6. Go-Live, or the conclusion of the parallel processing time period, when PensionGold becomes the system of record, was completed on 1/4/2016. PensionGold is live and is the system of record for membership information at MCERA. All membership and pension activities occurred in PensionGold including the following: 7. MCERA processed the January benefits payroll (note the MUNIS interface with the County is now retired). 8. MCERA processed the January contribution reports 9. MCERA processed refund and rollover checks in Pension 10. MCERA will process the 1099R's for 2015 in MUNIS as MUNIS was the system of record for 2015. Beginning in January 2017, 1099R's for 2016 will run out of PensionGold.
New Trouble Tickets	11. All trouble tickets that were critical for go-live were resolved prior to the go-live time period. Moving forward, all trouble tickets will be handled via the same process as part of the warranty period and production support.
Open Change Requests	12. Four change requests were approved and completed as part of the implementation of the project and as noted on previous status reports.
New Change Requests	13. No new change Requests at this time. Connected

2. Scheduled Activities

Activity	Comments	Start Date	Due Date	Status	Percent Complete
Requirements	14. Delivery by MCERA to LRS of items identified in requirements sessions	12/10/2013	1/10/2014 1/24/2014	Complete	100%
Data Conversion	15. Data Conversion is complete as of 1/4/2016.	12/2/2013	1/4/2016	Complete	100%
Deliverable 1	16. Design, development, system release testing, UAT training, and UAT complete.	12/19/2013	9/30/2014	Complete	100%
Deliverable 2	17. Design, development, system release testing, UAT training, and UAT complete.	6/23/2014	6/30/2015	Complete	100%



MENDOCINO COUNTY EMPLOYEES' RETIREMENT SYSTEM
 Project: PENSION ADMINISTRATION SYSTEM



Activity	Comments	Start Date	Due Date	Status	Percent Complete
Deliverable 3	18. Design, development, system release testing, UAT training, and UAT complete (except as noted in #1 above).	4/15/2015	10/31/2015	In process as noted in #1 above	95%
Parallel Processing	19. Pension Gold run in parallel with existing systems and processes	11/2/2015	12/31/2015	Complete	100%
Production Go-Live	20. Milestone date for system go-live and beginning of parallel processing.	N/A	1/4/2016	Complete	100%
Project Completion	21. All documentation delivered 22. Training completed 23. Old system discontinued 24. Warranty period completed 25. System acceptance sign off	N/A	3/31/2016	In process	N/A

3. Budget Overview

Description	Approved Budget	Paid To Date
Pension Admin System Implementation		
LRS (Hosting, software, vendor implementation services, includes change orders)	\$1,402,410.00	\$0.00
LRS additional support	\$0.00	\$0.00
County IT	N/A	*\$45,428.25
Linea	\$490,500.00	*\$393,167.51
Total for all Phases	\$1,892,910.00	\$438,595.76
Projected Total for all Phases		\$1,892,910.00

*through 1/31/2016



Mendocino County
Employees Retirement
Association

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Outline

- Overview
- Contributions
- Employee Groups and Tiers
- Retirement Eligibility
- Retirement Benefit Formula
 - Final Average Salary
 - Years of Service
 - Benefit Multiplier
- Retirement Plans
- Questions

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Retirement System Overview

- MCERA is a defined benefit (DB) pension plan
 - Your retirement benefit is defined by a formula
 - Does not depend on investment returns
- Every member of MCERA contributes to the retirement system
 - Rates are determined by employee group, date of membership and age at entry
- Very different from a defined contribution (DC) plan

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Retirement System Overview

- MCERA is governed by a separate Board of Retirement
 - 9 voting members, 1 alternate
 - 4 elected by active and retired members (+1 retired alternate)
 - 4 appointed by Board of Supervisors
 - County Treasurer is Ex Officio member
- Board oversees investments of Trust Fund
 - Employs staff and professional advisors to assist
- Board also employs actuary and other advisors to help in the administration of the Trust

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Retirement System Overview

- Funding Status
 - 70.2% Funded as of June 30, 2015
 - \$182 M unfunded liability (UAAL)
- Investment Returns as of June 30, 2015
 - Annual return of 3.1%, ranks at 53rd percentile nationally
 - 10 year return of 7.42%, ranks at 8th percentile nationally
- Is my benefit secure?
 - Absolutely!

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Pension Math

MCERA Simplified Cash Flow Analysis (\$,000)	
2015	
Additions:	
Employer Contributions	\$15,164
Employee Contributions	<u>4,652</u>
Subtotal	\$19,816
Deductions:	
Benefit Payments	\$30,049
Administrative Expenses	<u>1,059</u>
Subtotal	<u>\$31,108</u>
Net Cash Flow	(\$11,292)

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Pension Math

MCERA Simplified Cash Flow Analysis (\$,000)	
	2015
Additions:	\$19,816
Deductions:	\$31,108
Net Cash Flow	(\$11,292)

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Pension Math

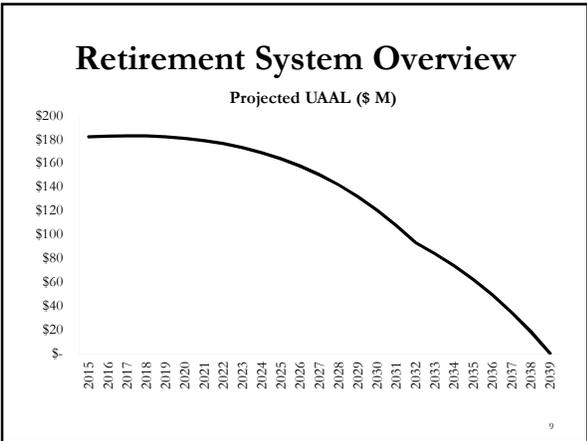
MCERA Simplified Cash Flow Analysis (\$,000)	
	2015
Additions:	\$19,816
Deductions:	\$31,108
Net Cash Flow	(\$11,292)
Assets	\$444,217

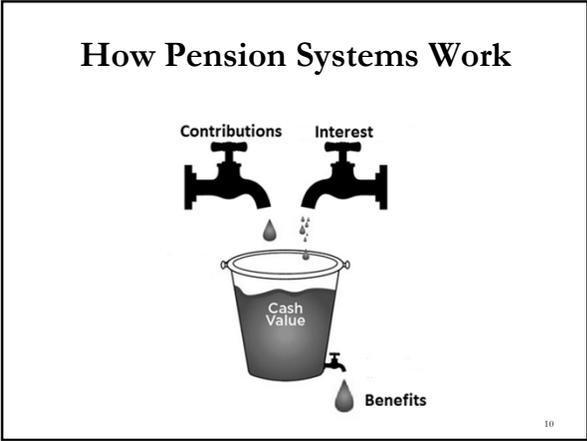
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Pension Math

MCERA Simplified Cash Flow Analysis (\$,000)	
	2015
Additions:	\$19,816
Deductions:	\$31,108
Net Cash Flow	(\$11,292)
Assets	\$444,217
Years Worth of Benefits	39.3

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Contributions

Funding Source:	Account:
Client Contributions Percent of Compensation Plus Compounded Interest	➡ Client Account
Employer Contributions Investment Income	➡ Retirement Benefit Fund

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Employee Groups and Tiers

- 3 Employee Groups
 - General
 - Safety
 - Safety Probation
- 4 Tiers for General group – Tier 1, 2, 3 and 4
- 3 Tiers for Safety and Safety Probation Groups
- Each Tier for each group has different provisions for eligibility and/or benefits

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Retirement Eligibility General Members

- Tier 1, 2 & 3
 - Minimum 5 Years Service (5 year vesting)
 - At least 10 years since membership date
 - Minimum Age 50
 - Eligible with 30 Years of Service, regardless of age
- Tier 4
 - Minimum 5 Years Service (5 year vesting)
 - Minimum Age 52

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Retirement Eligibility Safety & Probation Members

- Tier 1 & 2
 - Minimum 5 Years Service (5 year vesting)
 - At least 10 years since membership date
 - Minimum Age 50
 - Eligible with 20 Years of Service, regardless of age
- Tier 3
 - Minimum 5 Years Service (5 year vesting)
 - Minimum Age 50
 - Eligible with 20 Years of Service, regardless of age

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Retirement Benefit Formula

- Basic Formula
 - Benefit = FAS x Years of Service x Multiplier
 - FAS = Final Average Salary
 - Years of Service is least complex element, but not as simple as you might expect
 - Multiplier is determined by age at retirement, employee group and service tier
 - Benefit is capped at 100% of FAS

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Final Average Salary

- Tier 1 – General, Safety and Safety Probation
 - FAS based on highest 26 consecutive pay periods
- Tier 2 and 3 – General; Tier 2 – Safety and Safety Probation
 - FAS based on highest 78 consecutive pay periods
- Includes all pensionable compensation:
 - Salary/wages, bilingual pay, longevity, uniform, educational premiums, vacation cash-out, shift differential, et cetera

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Final Average Salary

- Tier 4 – General, and Tier 3 – Safety and Safety Probation (PEPRA)
 - Final Average Salary is based on highest 78 consecutive pay periods
 - Includes fewer items in pensionable compensation:
 - Salary/wages
 - Excludes some extra pay items including: uniform, vacation cash-out, on-call, car allowance, et cetera

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Years of Service

- All Tiers – General, Safety and Safety Probation
 - Service time includes the number of pay periods in which contributions are received, divided by 26
 - Prior service time may be purchased
 - Non-contributory service credit is granted for sick leave accrual at retirement
 - Unlimited

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Multiplier

- Multiplier is determined by Group, Tier and age at retirement
 - Statutory tables
 - Clients could elect to increase their multiplier on service prior to enhancement date
 - Actuarial cost of prior service enhancement paid by Client

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Benefit Multiplier

General Members		
Age	Tier 1, 2, & 3	Tier 4
50	1.336	N/A
52	1.491	1.000
55	1.770	1.300
57	2.000	1.500
60	2.337	1.800
62	2.619	2.000
65	2.619	2.300
67+	2.619	2.500

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Benefit Multiplier

Safety & Probation Members			
<u>Age</u>	<u>Safety Tier 1 & 2</u>	<u>Probation Tier 1 & 2</u>	<u>Safety & Probation Tier 3</u>
50	2.290	2.000	2.000
52	2.537	2.216	2.200
53	2.678	2.338	2.300
54	2.825	2.473	2.400
55	3.000	2.620	2.500
57+	3.000	2.620	2.700

Retirement Benefit Formula

- Formula
 - $Benefit = FAS \times \text{Years of Service} \times \text{Multiplier}$

Retirement Plans

- 4 Retirement Plans
 - Unmodified Retirement Option
 - Benefit Amount calculated as described above
 - Lifetime Benefit for Client
 - \$1,000 Death Benefit to Beneficiary(ies)
 - Includes 60% Continuation for Spouse or Registered Domestic Partner
 - Must be married or registered at least one-year before date of retirement

Retirement Plans

- 4 Retirement Plans
 - Retirement Option 1
 - Lifetime Benefit for Client
 - \$1,000 Death Benefit to Beneficiary(ies)
 - Slower use of Client Account to pay benefits
 - No Continuance
 - Any Balance in Client Account upon death of Client is paid to Beneficiary(ies) or Estate

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Retirement Plans

- 4 Retirement Plans
 - Retirement Option 2
 - Lifetime Benefit for Client
 - \$1,000 Death Benefit to Beneficiary(ies)
 - 100% Continuance for Individuals with Insurable Interest
 - Individual must be identified at retirement
 - Benefit amount is actuarially determined by age of client and age of individual with insurable interest

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Retirement Plans

- 4 Retirement Plans
 - Accelerated Retirement Option
 - Lifetime Benefit for Client
 - \$1,000 Death Benefit to Beneficiary(ies)
 - Client receives increased benefits until age 62
 - At age 62, MCERA benefit is reduced by amount of the age 62 Social Security benefit, as estimated at retirement
 - Can be combined with other options

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Questions

- I may not know the answer – and I will tell you when that is the case!
- For specific details regarding your retirement benefits and options, please contact our office.

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