



**Mendocino County Employees' Retirement Association**  
**NEWS RELEASE**

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TO: MENDOCINO COUNTY NEWS MEDIA

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***Mendocino County Employees' Retirement Association Receives Favorable  
Determination of Tax-Qualified Status***

The Retirement Board for the Mendocino County Employees' Retirement Association ("MCERA") recently received notice that an important process undertaken with the IRS on behalf of MCERA has been successfully concluded.

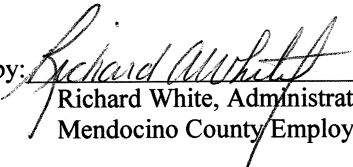
MCERA filed an application with the IRS in January 2011 for a favorable determination of MCERA's tax-qualified status and an associated filing under the IRS's voluntary correction program ("VCP"). The favorable IRS determination letter and successful VCP compliance statement was received by MCERA on January 29, 2014. The IRS had strongly encouraged all public sector retirement systems to file an application for an IRS determination letter on the tax qualified status of the system. As part of such a filing, if the retirement system determined that there were issues about the tax rules as applied to the operations of that system, the IRS also encouraged the system to file an application under its VCP procedure. Many other public sector systems across the country and many of the other California county systems operating under the County Employees' Retirement Law of 1937 ('37 Act') filed an application with the IRS for a determination letter and also filed under the VCP process.

The IRS agreed to do a coordinated review of all of the California county retirement systems operating under the '37 Act and completed that process in January 2014. MCERA received a determination letter indicating that the IRS believes that MCERA meets all of the IRS requirements in its form of documentation.

In addition, MCERA received a VCP compliance statement that includes approval of corrections necessary for the terms of the '37 Act and the operations of MCERA to comply with the IRS requirements. Many of these corrections involve changes that are applicable to all of the retirement systems operating under the '37 Act and will require adoption of legislation to amend the '37 Act. MCERA is cooperating with the other '37 Act systems to seek adoption of this necessary legislation. As part of the VCP compliance statement, the IRS accepted MCERA's proposed correction associated with the erroneous use of certain pension plan assets for retiree medical expenses in the past. In order to meet the requirements agreed to with the IRS, MCERA must see that \$9,557,912 of pension assets that were improperly credited to county retiree health reserves (and not to pension reserves) will be repaid to MCERA by crediting \$658,653 in unused health reserves as of June 30, 2012 to the pension assets, and using employer contributions to pay off the remaining balance in amortized installments over the period agreed to with the IRS.

As part of its fiduciary role acting in the best interests of MCERA's members and beneficiaries, the Retirement Board will continue to monitor and update MCERA's documents and operations in order to comply with future tax law changes.

"This successful resolution of the IRS process was critical to the protection of the tax-qualified status of benefits for members of MCERA" stated Shari Schapmire, Chair of the MCERA Board of Retirement, upon the conclusion of this process.

Released by:   
Richard White, Administrator  
Mendocino County Employees' Retirement Association

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