JOINT MEETING
JANUARY 19, 2016 – 2:00 P.M.

JOINT MEETING OF THE MENDOCINO COUNTY BOARD OF SUPERVISORS AND THE MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD OF RETIREMENT

UKIAH VALLEY CONFERENCE CENTER • 200 SOUTH SCHOOL ST. • UKIAH, CALIFORNIA

THE MENDOCINO COUNTY BOARD OF SUPERVISORS MEETS CONCURRENTLY AS THE BOARD OF DIRECTORS OF THE: MENDOCINO COUNTY AIR QUALITY MANAGEMENT DISTRICT, MENDOCINO COUNTY PUBLIC FACILITIES CORPORATION, MENDOCINO COUNTY WATER AGENCY, AND THE IHSS PUBLIC AUTHORITY GOVERNING BOARD

ORDER OF AGENDA

ALL ITEMS ARE PRESENTED FOR DISCUSSION AND POSSIBLE ACTION

1. WELCOMING REMARKS BY BOARD OF SUPERVISORS CHAIR & MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA) BOARD OF RETIREMENT CHAIR

2. JUNE 30, 2015 ACTUARIAL VALUATION REPORT - SEGAL CONSULTING

3. DISCUSSION AND POSSIBLE REVOCATION OF BOARD OF SUPERVISORS RESOLUTION NO. 09-218 RELATED TO EXCESS EARNINGS

4. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING POTENTIAL ACTION BY THE BOARD OF SUPERVISORS AND THE MCERA BOARD OF RETIREMENT TO REDUCE LONG-TERM PENSION COSTS TO THE COUNTY'S RETIREMENT SYSTEM

5. PUBLIC EXPRESSION AND CLOSING REMARKS
- Public Expression
- Closing Remarks by Board of Supervisors Chair

PUBLIC EXPRESSION: (PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA)

The Board welcomes participation in the Board meetings. Comments shall be limited so that everyone may be heard. This item is limited to matters under the jurisdiction of the Board which are not on the posted agenda and items which have not already been considered by the Board. The Board limits testimony on matters not on the agenda to 3 minutes per person and not more than 10 minutes for a particular subject. No action will be taken.

Segal Consulting

Mendocino County Employees' Retirement Association

Unfunded Actuarial Accrued Liability (UAAL) Presentation to the Joint Board of Supervisors and Board of Retirement

January 19, 2016

Paul Angelo, FSA
Senior Vice President and Actuary

Andy Yeung, ASA
Vice President and Actuary

The Segal Group

5411410v2

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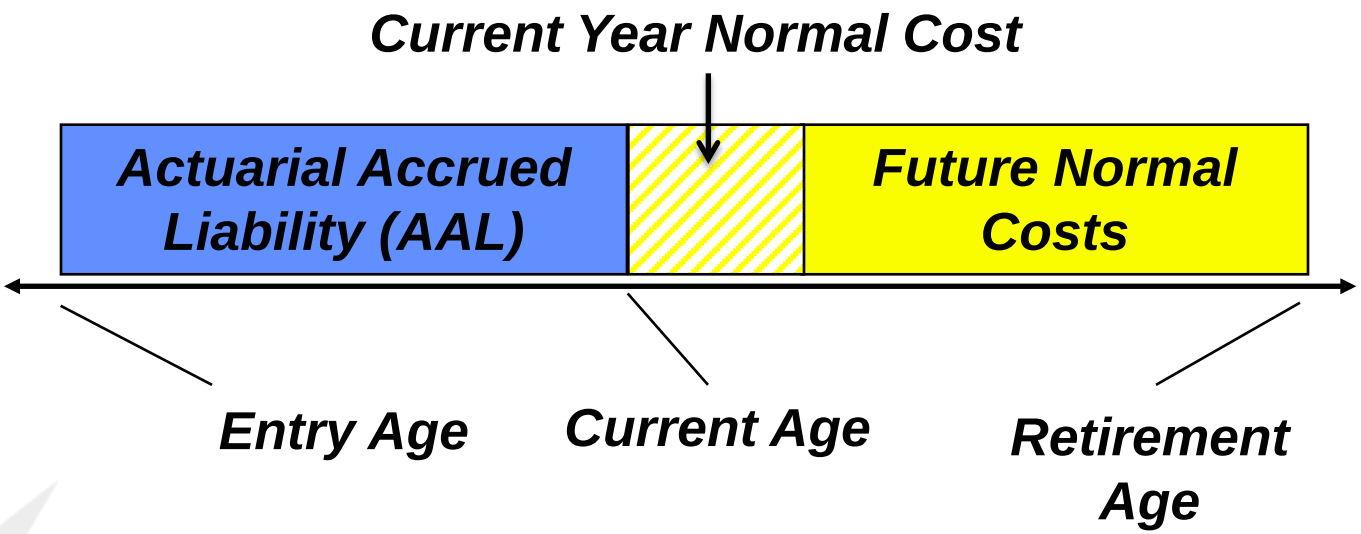
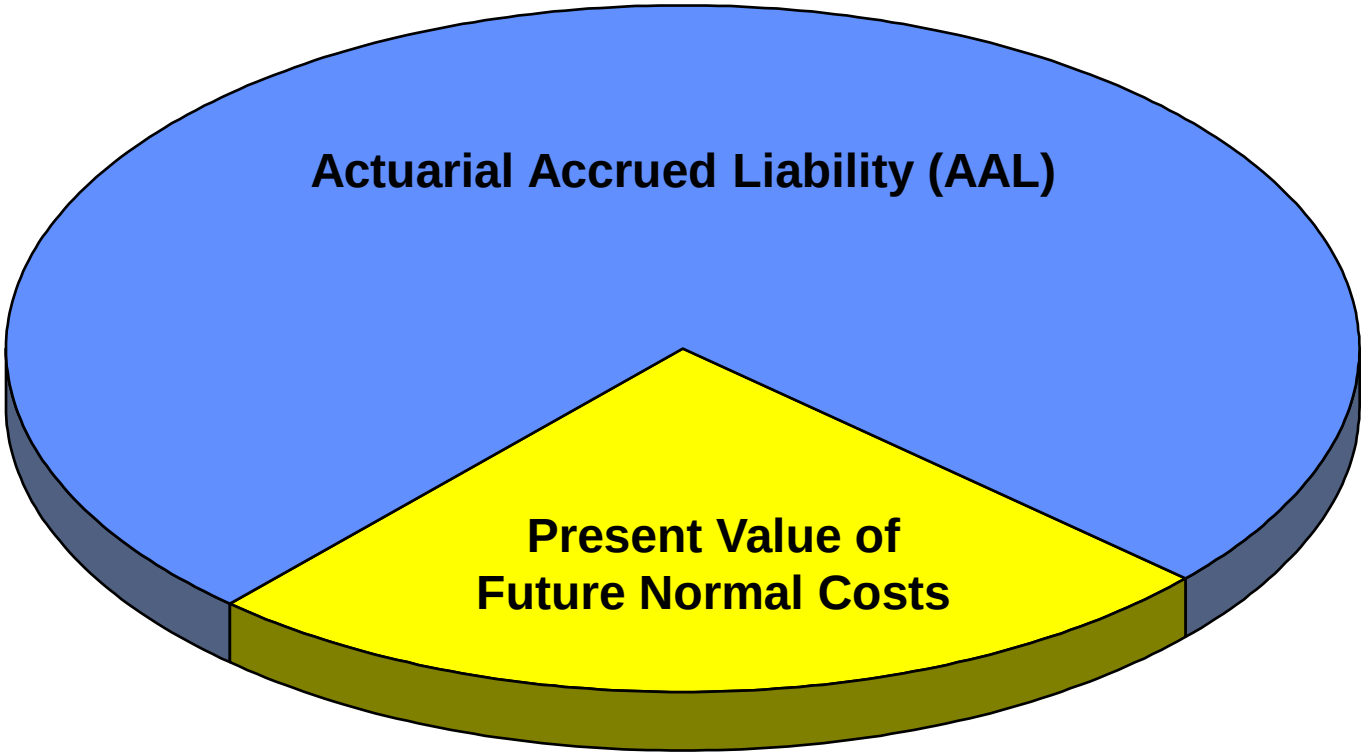
Actuarial Terminology

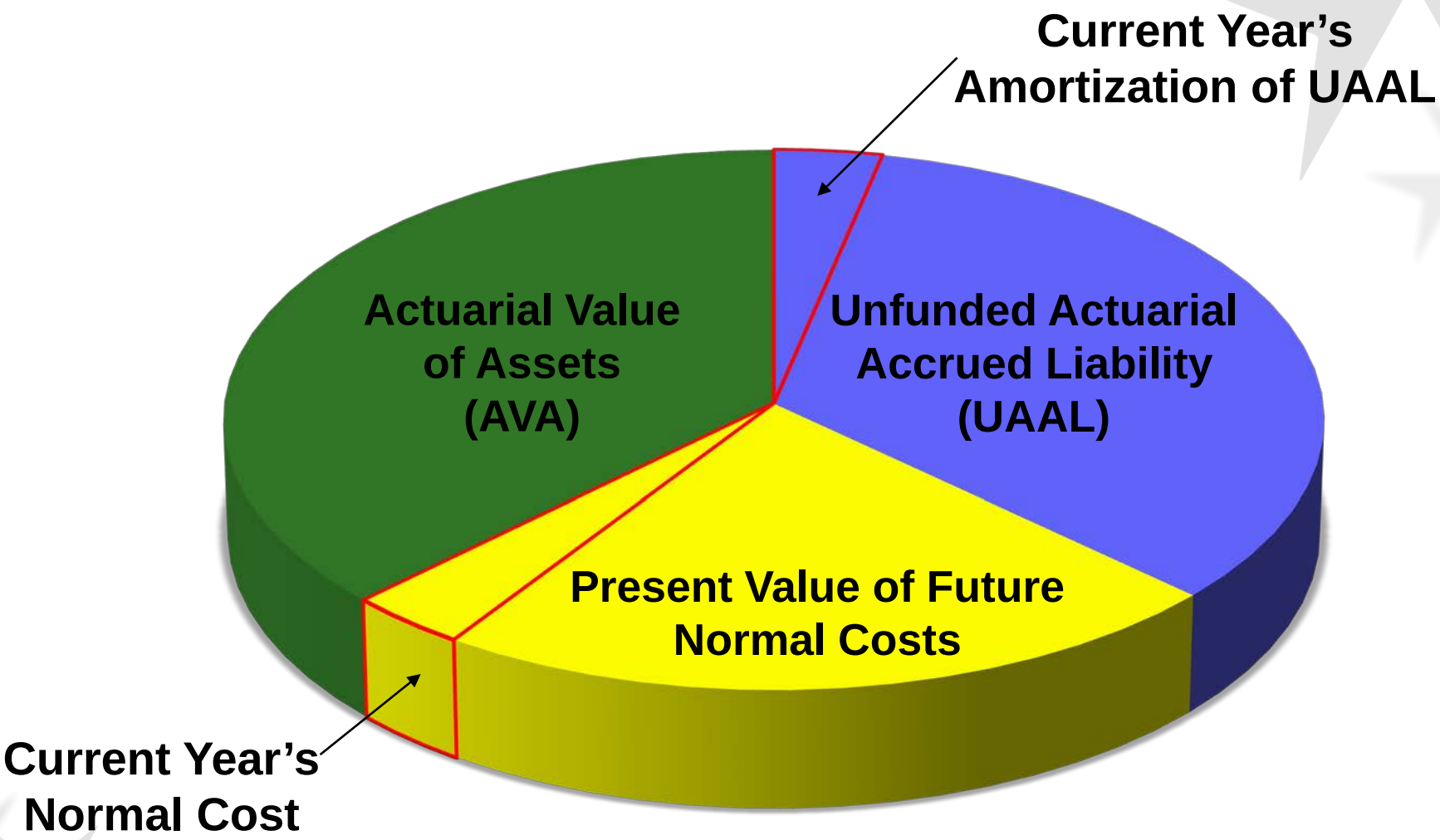
- **The Normal Cost is the portion of the long term cost allocated to a year of service**
  - Only active members have a current **Normal Cost**
- **The Actuarial Accrued Liability (AAL) measures the Normal Costs from past years**
  - For retired members, the **actuarial accrued liability** is the entire present value of future benefits



Present Value of Future Benefits



Funding Retirement Benefits—Cost Elements



History of MCERA's UAAL

Measured as of June 30:	($ in millions) UAAL	Investment Return Assumption
2010		
- Measured by prior Actuary	$91.8	8.00%
- Re-measured by Segal	$100.8	8.00%
2011	$124.9[1]	7.75%
2012	$126.5	7.75%
2013	$131.7	7.75%
2014	$179.6[2]	7.25%
2015	$182.2	7.25%

[1] Includes $24.0 due to recommended change in actuarial assumptions and procedures adopted by the Retirement Board.

[2] Includes $50.2 due to recommended change in actuarial assumptions and $8.0 due to change in method to value 100% COLA continuing to survivors, both adopted by the Retirement Board.

MCERA Actions Related to Funding the UAAL

- **Change in amortization periods -** Approved by the Board April 17, 2013
  - Prior policy was reset from 9 years (in 6/30/2008 valuation) to 30 years (in 6/30/2009 valuation)
    - To manage impact of severe market downturn in 2008-2009
  - Comprehensive review of funding policy in 2013
    - Consistent with model practices published by California Actuarial Advisory Panel
  - Before July 1, 2012, total UAAL was amortized over a 30-year decreasing period
    - Including any new UAAL identified in future valuations
    - 27 yrs. remaining as of June 30, 2012 (24 yrs. remaining as of June 30, 2015)
    - Reaffirmed by the Board for UAAL as of June 30, 2012
  - On or after July 1, 2012, any new UAAL amortized in layers
    - Each year, any new UAAL amortized over separate decreasing 18-year periods
      - » Experience gains/losses, assumption changes
    - 18 year periods chosen to avoid negative amortization
      - » i.e., UAAL payments less than interest on the UAAL

MCERA Actions Related to Funding the UAAL

Minimum UAAL contribution amount

- Lower than expected payroll can result in lower UAAL payments
- To prevent this, UAAL contribution amount equals greater of
  - UAAL contribution rates times the actual payroll or
  - UAAL annual contribution amounts determined by actuary
- Approved by the Board April 17, 2013

Anticipate cost impact of lag in contribution rate implementation

- Contribution rate impact from 12-month lag between date of valuation and date new contribution rates are implemented
- Anticipated impact reflected in the UAAL portion of employer rate
- Approved by the Board June 19, 2013

UAAL Actions by Other California Public Entities

Issuance of Pension Obligation Bonds (POBs)

- Issued by Mendocino County in the past (1996 and 2002)
- New guidance (January 2015) from the Government Finance Officers Association (GFOA) recommends that state and local governments do not issue POBs
  - Possible failure to earn more than interest owed
  - Complex instruments that carry considerable risk
  - May not be viewed by rating agencies as credit positive

Generally shorter, fixed UAAL amortization periods

- For example, CalPERS went from a rolling (non-decreasing) 30 year period to a fixed (decreasing) 25 year period for gains and losses

Adoption of more conservative assumptions including lower investment return assumptions

- Most common assumption range used to be 8.00% to 7.75%
- Current most common assumption range is 7.50% to 7.25%
- Increases UAAL contributions but also increases UAAL (more on this later)

California Public Employees' Pension Reform Act of 2013 (CalPEPRA)

New tiers of benefits

- Applies to new members hired on or after January 1, 2013
- General Tier 4, Safety and Probation Tiers 3 for MCERA
- Generally lower level of benefits than for legacy members
  - Lower employer normal cost (NC) rate compared to legacy tiers

Relative To:	Reduction in ER NC Rate*
General Tier 2/3	3.6%
Safety Tier 2	9.7%
Probation Tier 2	7.6%

* Based on June 30, 2015 valuation results.

Member contribution rates

- Government Code §7522.30(a): Employees pay at least 50% of normal costs
- MCERA CalPEPRA members currently paying exactly 50% of normal costs
- Employee rates can be increased above 50% of normal costs if agreed to through collective bargaining
  - Would not accelerate funding of UAAL
  - Employer could apply normal cost savings to pay UAAL faster

Possible Future Changes in UAAL

Deferred asset gains

- $11.5M unrecognized asset gains as of June 30, 2015
  - Actuarial value of assets smoothes out impact of short term asset volatility
  - Deferred gains recognized over the next four actuarial valuations
  - About a 2% of payroll employer contribution rate reduction

Experience study prior to June 30, 2017 valuation

- Review of current economic and demographic actuarial assumptions
- Current downward pressure on expected rate of return on assets
  - Lower assumed rate means higher current cost
  - Ultimately, actual earnings determine cost
    C + I = B + E:
    Contributions + Investment Income = Benefit Payments + Expenses
- Generally a continued improvement in mortality
  - Longer life expectancies means higher costs

Actuarial Policy Considerations

What are policy benefits of paying off UAAL faster?

- Higher UAAL payments come at the expense of other priorities
- Paying off UAAL faster doesn't increase benefit security
  - But it does lower future interest cost on UAAL
- Model funding policy practice involves balancing conflicting policy objectives:
  - Demographic matching ➔ shorter amortization
  - Volatility management➔ longer amortization
- Board voted not to change amortization period for pre-July 1, 2012 UAAL

Policy Paradox: Reducing UAAL vs. more conservative assumptions

- More conservative assumptions means higher UAAL, lower funded ratio
  - But also higher contributions
- That increased UAAL is the result of more reasonable assumptions
  - e.g., lower investment rate of return assumption
  - e.g., longer life expectancies
  - So increased UAAL is often a result of sound actuarial practice

Mendocino County Employees' Retirement Association

Actuarial Valuation and Review as of June 30, 2015

This report has been prepared at the request of the Board of Retirement to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Retirement and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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November 23, 2015

Board of Retirement
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482-5027

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2015. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2016/2017 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices, at the request of the Board to assist in administering the Plan. The census and financial information on which our calculations were based were prepared by MCERA. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of the Segal Group, Inc.

By:

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

JRC/hy

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Purpose

This report has been prepared by Segal Consulting to present a valuation of the Mendocino County Employees' Retirement Association as of June 30, 2015. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Retirement Association, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive vested members, retired members and beneficiaries as of June 30, 2015, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2015, provided by the Retirement Association;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. that the Board has adopted for the June 30, 2015 valuation.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Association's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions to evaluate the Association's assets, liabilities and future contribution requirements. Our calculations are based upon member data and financial information provided to us by the Association's staff. This information has not been audited by us, but it has been reviewed and found to be consistent, both internally and with prior year's information.

The contribution requirements are determined as a percentage of payroll. The Association's employer rates provide for both normal cost and a payment or credit to amortize any unfunded or overfunded actuarial accrued liabilities. In this valuation, we have applied the Board's funding policy to amortize the outstanding balance of the Association's unfunded actuarial accrued liability (UAAL) from the June 30, 2012 valuation over a declining period, with 24 years remaining as of June 30, 2015. In addition, any new UAAL established after June 30, 2012 has been amortized over separate layers with different amortization periods depending on the source of the layer (gains and losses are amortized over 18 years, as are assumption and method changes). The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2016 through June 30, 2017.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

Ref: Pg. 22

- In the June 30, 2014 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities was 69.3%. In this June 30, 2015 valuation, this funding ratio has increased to 70.2%. On a market value basis, the funded ratio decreased from 75.7% to 72.8%.

Ref: Pg. 43

- The Association's unfunded actuarial accrued liability (UAAL) as of June 30, 2014 was $179.6 million. In this year's valuation, the UAAL has increased to $182.2 million. A reconciliation of the Association's UAAL is provided in Section 3, Exhibit I.

Ref: Pg. 19

- The aggregate employer rate calculated in this valuation has decreased from 32.99% of payroll to 32.55% of payroll. The reasons for the change include gains from: (a) change in membership demographics, (b) the anticipated one-year delay in implementing the lower aggregate employer contribution rate developed in the June 30, 2015 valuation until fiscal year 2016/2017, (c) higher than expected return on investments (after smoothing), (d) lower than expected salary increases for General and Probation active members, and (e) amortizing the prior year's UAAL over a larger than expected projected total payroll. These gains were partially offset by other actuarial losses. A reconciliation of the Association's aggregate employer rate is provided in Section 2, Subsection D (see Chart 14).

Ref: Pg. 20

- The aggregate member rate calculated in this valuation has increased from 9.83% of payroll to 9.86% of payroll. The reason for the increase is due to a change in the membership demographics. A reconciliation of the Association's aggregate member rate is provided in Section 2, Subsection D (see Chart 15).

  The individual member rates have been updated to reflect the valuation as of June 30, 2015. These rates are provided in Appendix A of this report.

Ref: Pg. 5

- As indicated in Section 2, Subsection B (see Chart 7), the total unrecognized investment gain as of June 30, 2015 is $11.5 million (note that in the previous valuation, this amount was a deferred gain of $33.0 million). This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that if the Association earns the assumed net rate of investment return of 7.25% per year on a **market value** basis, it will result in investment gains on the actuarial value of assets after June 30, 2015.

The deferred gains of $11.5 million represent 2.6% of the market value of assets as of June 30, 2015. Unless offset by future investment losses or other unfavorable experience, the recognition of the $11.5 million market gain is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the deferred gains were recognized immediately, and assuming further that the balance in the Contingency Reserve would be included as valuation value of assets, the funded percentage would increase from 70.2% to 72.8%.
- If the deferred gains were recognized immediately, and assuming further that the balance in the Contingency Reserve would be included as valuation value of assets, the aggregate employer rate would decrease from 32.55% to about 30.5% of payroll.

- The actuarial valuation report as of June 30, 2015 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the plan, while increases will decrease the actuarial cost of the plan.

Impact of Future Experience on Contribution Rates

Future contribution requirements may differ from those determined in the valuation because of:

1) difference between actual experience and anticipated experience;
2) changes in actuarial assumptions or methods;
3) changes in statutory provisions; and
4) difference between the contribution rates determined by the valuation and those adopted by the Board.

Summary of Key Valuation Results

	June 30, 2015		June 30, 2014	
Employer Contribution Rates:	Total Rate	Estimated Annual Amount[1]	Total Rate	Estimated Annual Amount[1]
General Tier 1	32.22%	$244,000	32.96%	$250,000
General Tier 2/Tier 3	29.12	9,798,000	30.19	10,158,000
General Tier 4	25.51	3,107,000	26.32	3,206,000
Safety Tier 1	Not Calculated[2]			
Safety Tier 2	56.73	4,412,000	54.16	4,212,000
Safety Tier 3	47.03	511,000	44.19	480,000
Probation Tier 1	Not Calculated[2]			
Probation Tier 2	32.44	768,000	33.41	791,000
Probation Tier 3	24.82	72,000	24.17	70,000
All Categories Combined	32.55	18,912,000	32.99	19,167,000
Average Member Contribution Rates:	Total Rate	Estimated Annual Amount[1]	Total Rate	Estimated Annual Amount[1]
General Tier 1	0.60%	$5,000	0.61%	$5,000
General Tier 2/Tier 3	10.42	3,506,000	10.44	3,513,000
General Tier 4	7.34	894,000	7.16	872,000
Safety Tier 1	Not Calculated[2]			
Safety Tier 2	11.11	864,000	11.12	865,000
Safety Tier 3	10.79	117,000	10.63	115,000
Probation Tier 1	Not Calculated[2]			
Probation Tier 2	13.23	313,000	13.28	314,000
Probation Tier 3	9.56	28,000	8.55	25,000
All Categories Combined	9.86	5,727,000	9.83	5,709,000
Funded Status:				
Actuarial Accrued Liability (AAL)[3]	$610,381,849		$584,428,884	
Valuation Value of Assets (VVA)[4]	428,228,929		404,855,842	
Market Value of Assets (MVA)	444,217,356		442,308,448	
Funded Percentage on VVA Basis	70.2%		69.3%	
Funded Percentage on MVA Basis	72.8%		75.7%	
Unfunded Actuarial Accrued Liability (UAAL) on VVA Basis	$182,152,920		$179,573,042	
Unfunded Actuarial Accrued Liability (UAAL) on MVA Basis	166,164,493		142,120,436	
Key Economic Assumptions:				
Interest Rate	7.25%		7.25%	
Inflation Rate	3.25%		3.25%	
Across-the-Board Salary Increase	0.50%		0.50%	

(1) *Based on June 30, 2015 projected annual compensation.*

(2) *There were no Safety Tier 1 or Probation Tier 1 active members reported for the June 30, 2015 valuation.*

(3) *Excludes liabilities held for non-valuation reserves.*

(4) *Excludes Contingency Reserve.*

Summary of Key Valuation Demographic and Financial Data

	June 30, 2015	June 30, 2014	Percentage Change
Active Members:			
Number of Members	1,107	1,081	2.4%
Average Age	47.2	47.3	N/A
Average Service	9.4	9.8	N/A
Projected Total Compensation	$58,106,396	$55,876,248	4.0%
Average Projected Compensation	$52,490	$51,689	1.5%
Retired Members and Beneficiaries:			
Number of Members:			
Service Retired	1,057	1,012	4.4%
Disability Retired	170	172	-1.2%
Beneficiaries	152	144	5.6%
Total	1,379	1,328	3.8%
Average Age	68.6	68.3	N/A
Average Monthly Benefit	$1,768	$1,708	3.5%
Vested Terminated Members:			
Number of Vested Terminated Members	414	394	5.1%
Average Age	47.6	48.3	N/A
Summary of Financial Data:			
Market Value of Assets	$444,217,356	$442,308,448	0.4%
Return on Market Value of Assets*	3.02%	18.10%	N/A
Actuarial Value of Assets	$432,679,307	$409,284,122	5.7%
Return on Actuarial Value of Assets	8.59%	9.54%	N/A
Valuation Value of Assets	$428,228,929	$404,855,842	5.8%
Return on Valuation Value of Assets	8.68%	9.48%	N/A

** The rates of return have been calculated on a dollar-weighted basis. It is our understanding that MCERA's investment consultant calculates rates of return on a time-weighted basis, which can produce different results. The rates of return determined by the investment consultant were 3.11% as of June 30, 2015 and 18.07% as of June 30, 2014.*

Important Information about Actuarial Valuations

In order to prepare an actuarial valuation, Segal Consulting ("Segal") relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the Association. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by the Association.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of the Board to assist the sponsors of the Fund in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

- If the Association is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Retirement Association, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Retirement Association.

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A-E.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1

Member Population: 2006 – 2015[1]

Year Ended June 30	Active Members	Vested Terminated Members[2]	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2006	1,312	445	853	0.99
2007	1,395	407	907	0.94
2008	1,410	411	962	0.97
2009	1,369	412	1,008	1.04
2010	1,254	395	1,083	1.18
2011	1,129	389	1,129	1.34
2012	1,069	356	1,217	1.47
2013	1,072	345	1,287	1.52
2014	1,081	394	1,328	1.59
2015	1,107	414	1,379	1.62

(1) *Information prior to 2011 has been extracted from the previous actuary's past valuation reports.*

(2) *Includes pending withdrawals and pending disabilities prior to 2011.*

Active Members
Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 1,107 active members with an average age of 47.2 years, average years of service of 9.4, and average compensation of $52,490. The 1,081 active members in the prior valuation had an average age of 47.3 years, average service of 9.8 years, and average compensation of $51,689.

Inactive Members
In this year's valuation, there were 414 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 394 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2015

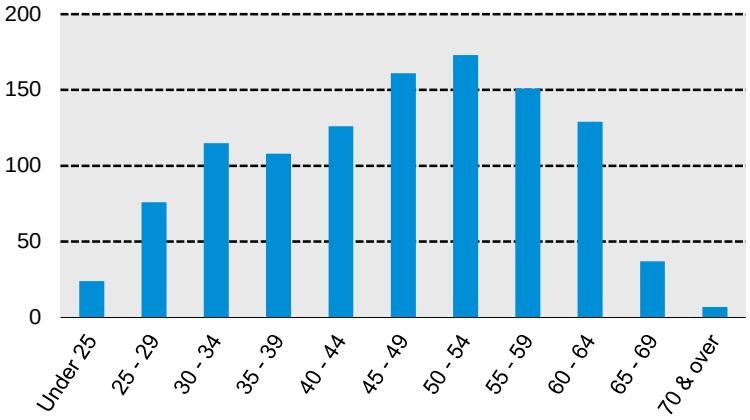
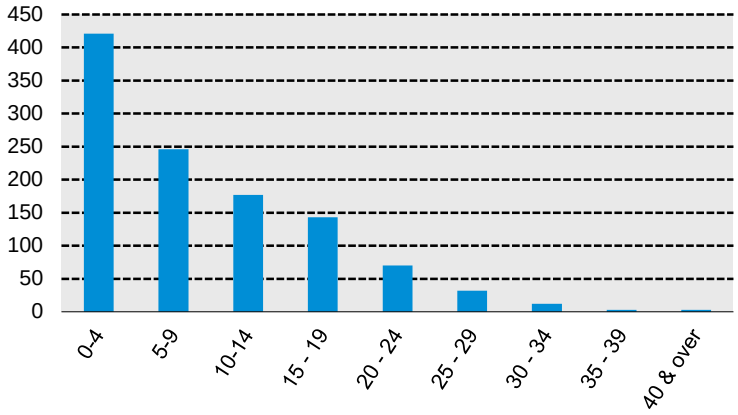


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2015



Retired Members and Beneficiaries

As of June 30, 2015, 1,227 retired members and 152 beneficiaries were receiving total monthly benefits of $2,437,570. For comparison, in the previous valuation, there were 1,184 retired members and 144 beneficiaries receiving monthly benefits of $2,268,742.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Members (Excl. Beneficiaries) by Type and by Monthly Amount as of June 30, 2015

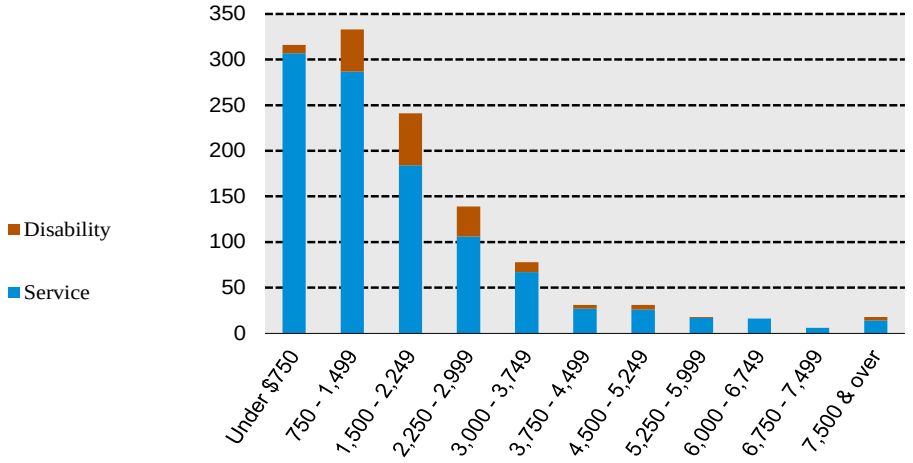
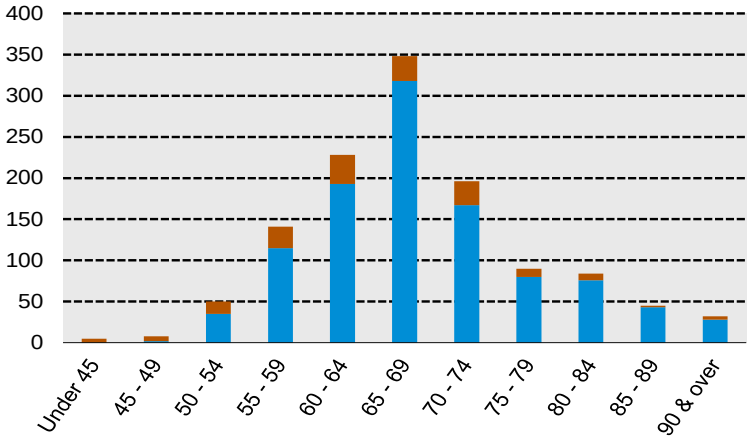


CHART 5

Distribution of Retired Members (Excl. Beneficiaries) by Type and by Age as of June 30, 2015



B. FINANCIAL INFORMATION

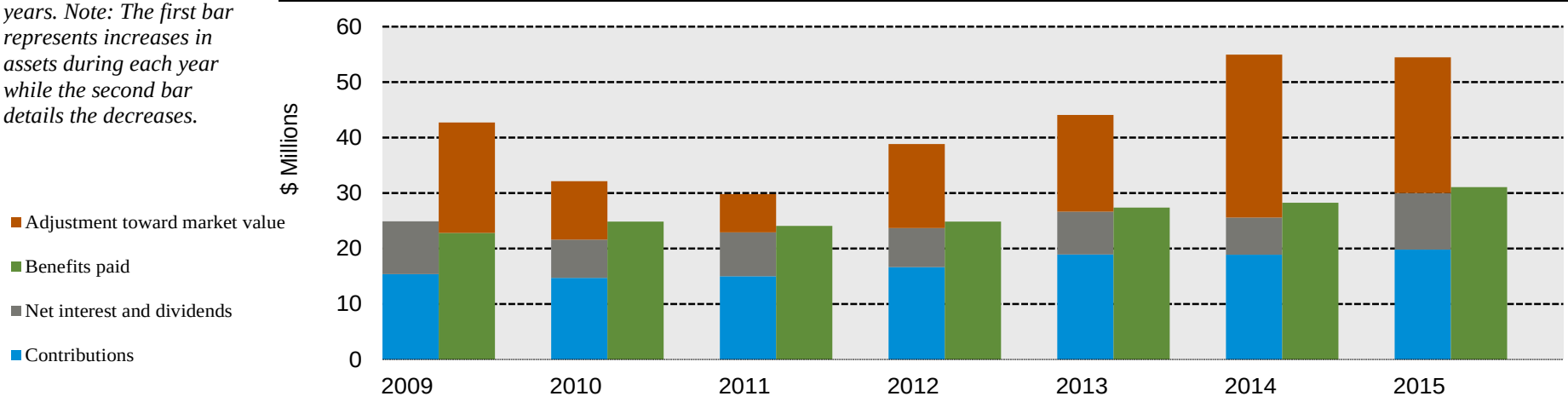
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. The adjustment toward market value shown in the chart is the "non-cash" earnings on investments implicitly included in the actuarial value of assets. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits F and G.

The chart depicts the components of changes in the actuarial value of assets over the last seven years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2009 through 2015



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Retirement has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2015

1. Market value of assets:					$444,217,356
2. Calculation of deferred return:	Actual Market Return (net)	Expected Market Return (net)	Investment Gain / (Loss)	Deferred Factor	Deferred Return
(a) Year ended June 30, 2008	$(15,554,126)	$28,043,159	$(43,597,285)	see footnote (1) below	
(b) Year ended June 30, 2009	(51,892,628)	26,211,450	(78,104,078)		
(c) Year ended June 30, 2010	38,132,500	21,358,039	16,774,461		
(d) Year ended June 30, 2011	64,075,101	23,640,399	40,434,702	0%	$0
(e) Year ended June 30, 2012	(4,078,489)	27,196,991	(31,275,480)	20%	(6,255,096)
(f) Year ended June 30, 2013	48,890,492	26,235,422	22,655,070	40%	9,062,028
(g) Year ended June 30, 2014	68,494,950	29,334,150	39,160,800	60%	23,496,480
(h) Year ended June 30, 2015	13,201,309	31,658,013	(18,456,704)	80%	(14,765,363)
(i) Total unrecognized return*					$11,538,049
3. Preliminary actuarial value of assets: (1) - (2i)					$432,679,307
4. Adjustment to be within 25% corridor of market value					$0
5. Final actuarial value of assets: (3) + (4)					$432,679,307
6. Actuarial value as a percentage of market value: (5) ÷ (1)					97.4%
7. Non-pension reserves:					
Contingency reserve					$4,450,378
8. Valuation value of assets**: (5) - (7)					$428,228,929

(1) Based on action taken by the Board in 2012, the total deferred return through June 30, 2011 of $2,451,350 was recognized in four level amounts, and this amount has been fully recognized as of the June 30, 2015 valuation.

**The amount of deferred return that will be recognized in each subsequent valuation is as follows (note: amounts may not total exactly due to rounding):*

6/30/2016	*$2,416,737*	*6/30/2018*	*4,140,819*
6/30/2017	*8,671,833*	*6/30/2019*	*(3,691,341)*
		Total	*$11,538,049*

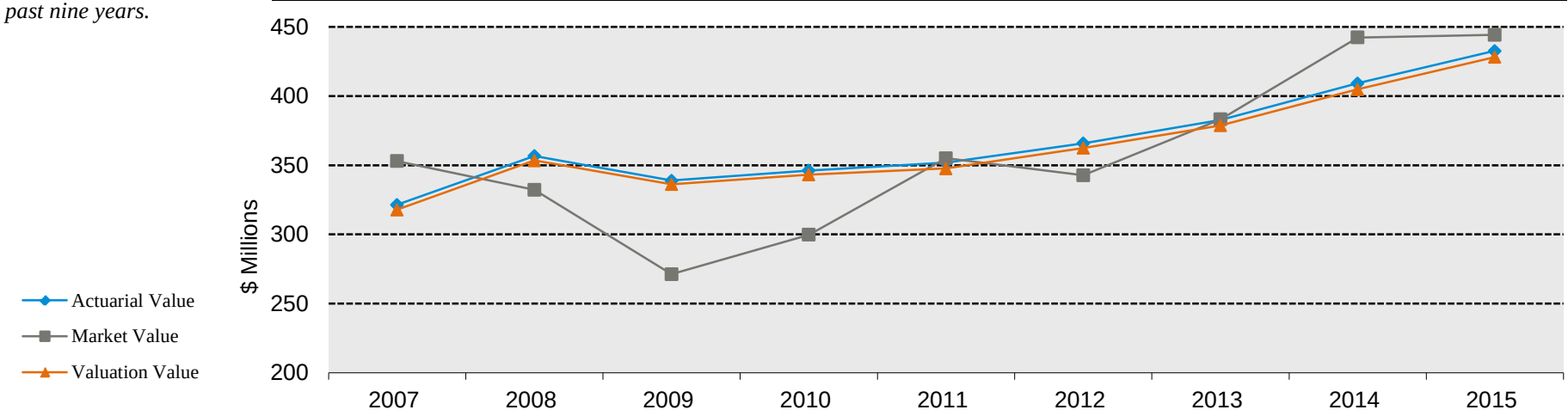
*** Note that the valuation value of assets for each of the General, Safety, and Probation membership groups has generally been calculated in proportion to the book value reserves maintained by MCERA for those three membership groups.*

The market value, actuarial value, and valuation value of assets are representations of MCERA's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets, but with less volatility. The valuation value of assets is the actuarial value, excluding any non-valuation reserves. The valuation asset value is significant because MCERA's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in market value, actuarial value and valuation value over the past nine years.

CHART 8

Market Value, Actuarial Value and Valuation Value of Assets as of June 30, 2007 – 2015



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total experience loss was $1.8 million, a net gain of $5.7 million from investments and a loss of $7.5 million from all other sources. The net experience variation from individual sources other than investments was 1.2% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended June 30, 2015

1.	Net gain/(loss) from investments [(1)]	$5,722,789
2.	Net gain/(loss) from other experience [(2)]	(7,554,525)
3.	Net experience gain/(loss): (1) + (2)	$(1,831,736)

[(1)] *Details in Chart 10.*

[(2)] *See Section 3, Exhibit I.*

Investment Rate of Return
A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on MCERA's investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets was 7.25% for the June 30, 2014 valuation. The actual rate of return on a valuation basis for the 2015 plan year was 8.68%.

Since the actual return for the year was more than the assumed return, MCERA experienced an actuarial gain during the year ended June 30, 2015 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10

Investment Experience for Year Ended June 30, 2015
Valuation Value, Actuarial Value, and Market Value of Assets

	Valuation Value	Actuarial Value	Market Value
1. Actual return	$34,665,488	$34,687,586	$13,201,309
2. Average value of assets	$399,209,642	$403,637,922	$436,662,248
3. Actual rate of return: (1) ÷ (2)	8.68%	8.59%	3.02%
4. Assumed rate of return	7.25%	7.25%	7.25%
5. Expected return: (2) x (4)	$28,942,699	$29,263,749	$31,658,013
6. Actuarial gain/(loss): (1) – (5)	$5,722,789	$5,423,837	($18,456,704)

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on a valuation, actuarial, and market value basis for the last nine years.

Based on recommendations adopted by the Board on October 15, 2014, we have maintained the assumed long-term rate of return of 7.25% for the June 30, 2015 valuation.

CHART 11

Investment Return – Valuation Value, Actuarial Value and Market Value: 2007 – 2015*

Year Ended June 30	Valuation Value Investment Return		Actuarial Value Investment Return		Market Value Investment Return**	
	Amount	Percent	Amount	Percent	Amount	Percent
2007	N/A	N/A	N/A	9.90%	$50,991,137	16.80%
2008	N/A	N/A	N/A	6.60%	(28,174,415)	(7.90)%
2009	N/A	N/A	N/A	4.90%	(53,511,078)	(16.30)%
2010	N/A	N/A	N/A	3.30%	44,658,046	17.00%
2011	$11,895,661	3.50%	$14,809,915	4.33%	64,075,101	21.68%
2012	22,982,960	6.69%	22,205,173	6.38%	(4,078,489)	(1.16)%
2013	24,720,166	6.90%	25,124,178	6.95%	48,890,492	14.44%
2014	35,462,137	9.48%	36,055,066	9.54%	68,494,950	18.10%
2015	34,665,488	8.68%	34,687,586	8.59%	13,201,309	3.02%
Five-Year Average Return		7.03%		7.14%		10.86%
Nine-Year Average Return		N/A		6.70%		6.51%

* *Information prior to 2011 has been extracted from the previous actuary's past valuation reports.*

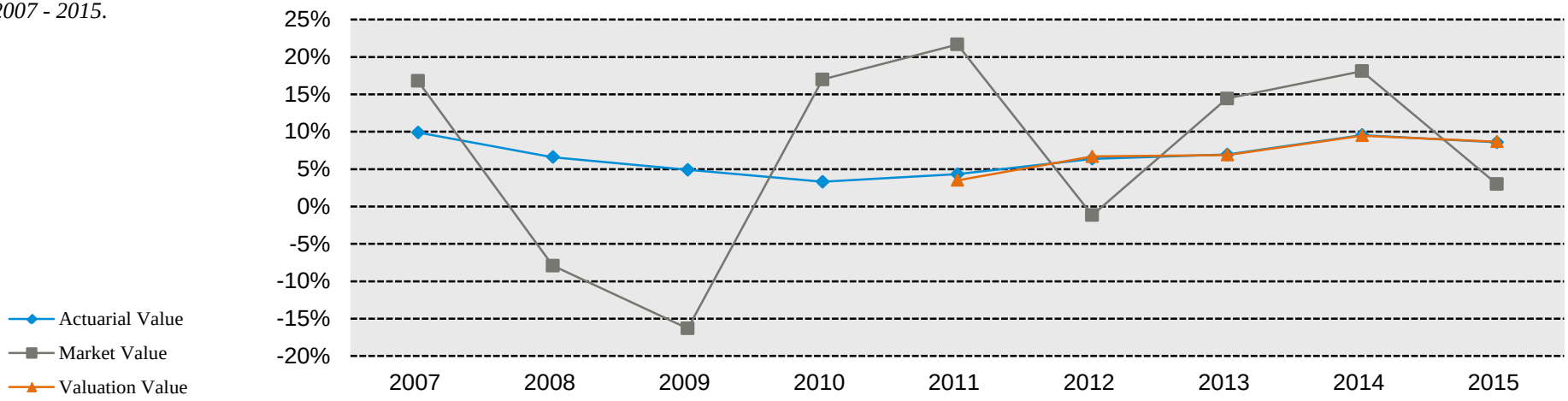
** *The rates of return have been calculated on a dollar-weighted basis. It is our understanding that MCERA's investment consultant calculates rates of return on a time-weighted basis, which can produce different results.*

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2007 - 2015.

CHART 12

Market, Actuarial and Valuation Value Rates of Return for Years Ended June 30, 2007 - 2015



Other Experience
There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- actual turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2015 amounted to $7.5 million which is 1.2% of the actuarial accrued liability. See Exhibit I for a detailed development of the Unfunded Actuarial Accrued Liability.

D. EMPLOYER AND MEMBER CONTRIBUTIONS

Employer contributions consist of two components:

Normal Cost	The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation.
Contribution to the Unfunded Actuarial Accrued Liability (UAAL)	The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the Association) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.75% (i.e., 3.25% inflation plus 0.50% across-the-board salary increase). Prior to July 1, 2012, the total UAAL was being amortized on a 30-year decreasing period, with 27 years remaining as of June 30, 2012 (and 24 years remaining as of June 30, 2015). On or after July 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 18-year periods; and experience gains/losses are also amortized over separate decreasing 18-year periods. Also, under the Board's funding policy adopted on April 17, 2013, in addition to the UAAL contribution rate, an amortization amount equal to the UAAL contribution rate times the covered payroll (as estimated in the actuarial valuation that establishes such UAAL contribution rate) will be calculated for each employer. The final UAAL payment by each employer will be equal to the UAAL contribution rate times the actual covered payroll or the above amortization amount, if greater. This means that

UAAL contribution amounts will be equal to the greater of the UAAL contribution rates developed in Section 2, Chart 13A of this valuation times the actual fiscal year 2016/2017 payroll, or the estimated UAAL annual contribution amounts provided in Section 2, Chart 13B of this valuation. To facilitate the calculation of the minimum UAAL dollar contribution amount, we have provided in Chart 13B a breakdown of the estimated UAAL annual contribution amounts by employer (i.e., County of Mendocino, Mendocino County Superior Court, and Russian River Cemetery District).

On June 19, 2013 the Board adopted an additional change to the actuarial funding policy to anticipate the contribution rate impact that would result from the lag between the date of the actuarial valuation and the date of the contribution rate implementation. In general, the contribution rates determined in an actuarial valuation will apply to the fiscal year beginning 12 months after the valuation date. In compliance with the change in the funding policy, the employer contribution rates developed in this valuation have been adjusted to anticipate the delay in implementing the change in the employer contribution rates determined as of June 30, 2015 for the fiscal year 2016/2017. This adjustment is reflected in the UAAL portion of the June 30, 2015 employer rates.

The recommended employer contribution rates are provided on Chart 13A. The minimum amounts required from each employer to amortize their UAAL are provided in Chart 13B.

Member Contributions:

General Tiers 1, 2, and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General Tier 1-3 members and for Safety and Probation Tier 1-2 members, respectively. The basic contribution rate is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/100 of Final Average Salary. That age is 60 for General members and 50 for Safety and Probation members. It is assumed that contributions are made annually

at the same rate, starting at entry age. In addition to the basic contributions, members pay one-half of the total normal cost necessary to fund cost-of-living benefits. Following practices established by the Association's previous actuary prior to the June 30, 2011 valuation, we have also included a 1.63% of pay offset to the Safety member rates, which is picked up by the County. **No** other subsidies have been reflected in the member contribution rates.

General Tier 4, Safety Tier 3, and Probation Tier 3

Pursuant to Section 7522.30(a) of the Government Code, General Tier 4, Safety Tier 3, and Probation Tier 3 members are required to contribute at least 50% of the Normal Cost rate. In addition, there are certain additional requirements that would have to be met such as requiring the new employees to pay the contribution rate of "similarly situated employees", if it is greater (reference: Section 7522.30(c)). We further understand that different rules may have to be applied for collectively bargained employees, non-represented, managerial or other supervisory employees (reference: Section 7522.30(e)). In preparing the Normal Cost rates in this report, we have assumed that exactly 50% of the Normal Cost would be paid by the new members and we have taken into account in this valuation only the requirements of Section 7522.30(c), but not requirements of Section 7522.30(e).

Accumulation for all members includes semi-annual crediting of interest at the assumed investment earnings rate.

The member contribution rates are provided in Appendix A.

CHART 13A

Recommended Employer Contribution Rates (Estimated Annual Amounts in $000's)

	June 30, 2015						June 30, 2014	
	BASIC		COLA		TOTAL		BASIC AND COLA COMBINED	
	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
General Tier 1 Members								
Normal Cost	10.59%	$80	3.46%	$26	14.05%	$106	13.80%	$105
UAAL	13.39%	102	4.78%	36	18.17%	138	19.16%	145
Total Contribution	23.98%	$182	8.24%	$62	32.22%	$244	32.96%	$250
General Tier 2 / Tier 3 Members								
Normal Cost	8.32%	$2,800	2.63%	$885	10.95%	$3,685	11.03%	$3,711
UAAL	13.39%	4,505	4.78%	1,608	18.17%	6,113	19.16%	6,447
Total Contribution	21.71%	$7,305	7.41%	$2,493	29.12%	$9,798	30.19%	$10,158
General Tier 4 Members								
Normal Cost	7.34%	$894	0.00%	$0	7.34%	$894	7.16%	$872
UAAL	13.39%	1,631	4.78%	582	18.17%	2,213	19.16%	2,334
Total Contribution	20.73%	$2,525	4.78%	$582	25.51%	$3,107	26.32%	$3,206
Safety Tier 1 Members								
Normal Cost								
UAAL				Not Calculated*				
Total Contribution								
Safety Tier 2 Members								
Normal Cost	14.25%	$1,108	6.24%	$485	20.49%	$1,593	20.60%	$1,602
UAAL	21.55%	1,676	14.69%	1,143	36.24%	2,819	33.56%	2,610
Total Contribution	35.80%	$2,784	20.93%	$1,628	56.73%	$4,412	54.16%	$4,212

* There were no Safety Tier 1 active members reported for the June 30, 2015 valuation.

CHART 13A

Recommended Employer Contribution Rates (Estimated Annual Amounts in $000's) – continued

	June 30, 2015						June 30, 2014	
	BASIC		COLA		TOTAL		BASIC AND COLA COMBINED	
	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
Safety Tier 3 Members								
Normal Cost	10.79%	$117	0.00%	$0	10.79%	$117	10.63%	$115
UAAL	21.55%	234	14.69%	160	36.24%	394	33.56%	365
Total Contribution	32.34%	$351	14.69%	$160	47.03%	$511	44.19%	$480
Probation Tier 1 Members								
Normal Cost								
UAAL				Not Calculated*				
Total Contribution								
Probation Tier 2 Members								
Normal Cost	12.67%	$300	4.51%	$107	17.18%	$407	17.79%	$421
UAAL	13.03%	308	2.23%	53	15.26%	361	15.62%	370
Total Contribution	25.70%	$608	6.74%	$160	32.44%	$768	33.41%	$791
Probation Tier 3 Members								
Normal Cost	9.56%	$28	0.00%	$0	9.56%	$28	8.55%	$25
UAAL	13.03%	37	2.23%	7	15.26%	44	15.62%	45
Total Contribution	22.59%	$65	2.23%	$7	24.82%	$72	24.17%	$70

* There were no Probation Tier 1 active members reported for the June 30, 2015 valuation.

CHART 13A

Recommended Employer Contribution Rates (Estimated Annual Amounts in $000's) – continued

	June 30, 2015						June 30, 2014	
	BASIC		COLA		TOTAL		BASIC AND COLA COMBINED	
	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]	Rate	Estimated Annual Amount[1]
All Members Combined								
Normal Cost	9.17%	$5,327	2.58%	$1,503	11.75%	$6,830	11.79%	$6,851
UAAL	14.61%	8,493	6.19%	3,589	20.80%	12,082	21.20%	12,316
Total Contribution	23.78%	$13,820	8.77%	$5,092	32.55%	$18,912	32.99%	$19,167

(1) Amounts are based on the following June 30, 2015 projected annual compensation:

General Tier 1	$757,752
General Tier 2 / Tier 3	33,648,551
General Tier 4	12,181,432
Safety Tier 1	0
Safety Tier 2	7,776,909
Safety Tier 3	1,085,912
Probation Tier 1	0
Probation Tier 2	2,367,098
Probation Tier 3	288,742
Total	$58,106,396

Note that a breakdown of the employer minimum dollar contribution to amortize the UAAL by membership group (General/Safety/Probation) and employer (County of Mendocino/Mendocino County Superior Court/Russian River Cemetery District) is provided on the next page.

CHART 13B

Recommended Minimum Dollar Employer Contribution To Amortize the UAAL (Estimated Annual Amounts in $000's)

	June 30, 2015		
	Estimated UAAL Annual Amount[1]		
	BASIC	COLA	TOTAL
General Members			
County	$5,837	$2,083	$7,920
Courts	372	133	505
Cemetery District	29	10	39
Total	$6,238	$2,226	$8,464
Safety Members			
County	$1,910	$1,303	$3,213
Total	$1,910	$1,303	$3,213
Probation Members			
County	$345	$60	$405
Total	$345	$60	$405
All Members Combined			
County	$8,092	$3,446	$11,538
Courts	372	133	505
Cemetery District	29	10	39
Total	$8,493	$3,589	$12,082

(1) Amounts are based on the following June 30, 2015 projected annual compensation:

General County	$43,593,694
General Courts	2,777,478
General Cemetery District	216,563
Safety County	8,862,821
Probation County	2,655,840
Total	$58,106,396

The employer contribution rates as of June 30, 2015 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Employer Contribution

The chart below details the changes in the recommended employer contribution from the prior valuation to the current year's valuation.

The chart reconciles the employer contribution from the prior valuation to the amount determined in this valuation.

CHART 14

Reconciliation of Recommended Employer Contribution from June 30, 2014 to June 30, 2015

	Contribution Rate	Estimated Amount[1]
Recommended Contribution Rate as of June 30, 2014	32.99%	$19,167,000
Effect of actuarial experience during fiscal year 2015:		
1. Effect of change in membership demographics	(0.04)%	$(23,000)
2. Effect of anticipated one-year delay in implementing the lower aggregate employer contribution rate developed in the June 30, 2015 valuation until fiscal year 2016/2017	(0.03)%	(17,000)
3. Effect of investment gain	(0.74)%	(430,000)
4. Effect of lower than expected salary increases for General and Probation actives	(0.23)%	(134,000)
5. Effect of amortizing prior year's UAAL over a larger than expected projected total payroll	(0.05)%	(29,000)
6. Effect of other experience losses[2]	0.65%	378,000
Subtotal	(0.44)%	$(255,000)
Recommended Contribution Rate as of June 30, 2015	32.55%	$18,912,000

[1] *Based on June 30, 2015 projected compensation.*

[2] *Roughly one-third of the experience losses are due to mortality losses from members in pay status as of last year's valuation date.*

The member contribution rates as of June 30, 2015 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Member Contribution Rate

The chart below details the changes in the recommended member contribution rate from the prior valuation to the current year's valuation.

The chart reconciles the member contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Member Contribution from June 30, 2014 to June 30, 2015

	Contribution Rate	Estimated Amount*
Average Contribution Rate as of June 30, 2014	9.83%	$5,709,000
Effect of actuarial experience during fiscal year 2015:		
1. Effect of change in membership demographics	0.03%	$18,000
Subtotal	0.03%	$18,000
Average Contribution Rate as of June 30, 2015	9.86%	$5,727,000

** Based on June 30, 2015 projected compensation.*

E. FUNDED RATIO

A critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan as calculated. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors. The chart below depicts a history of the funded ratios for this plan.

The funded status measures shown in this valuation are appropriate for assessing the need for or amount of future contributions. However, they are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of setting the Plan's benefit obligations. As the chart below shows, the measures are different depending on whether the valuation value or market value of assets is used.

CHART 16

Funded Ratio for Plan Years Ending June 30, 2006 – 2014

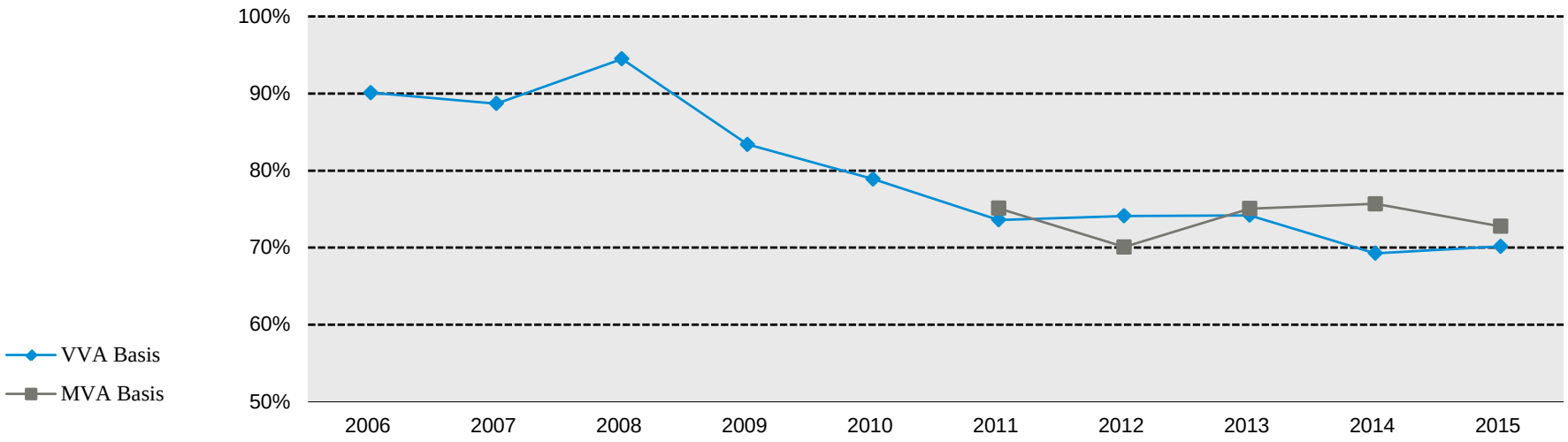


CHART 17

Schedule of Funding Progress[1]

Actuarial Valuation Date	Valuation Value of Assets[2] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (%) (a) / (b)	Covered Payroll[3] (c)	UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)
6/30/2006	$288,461,000	$320,123,000	$31,662,000	90.1%	$57,665,172	54.9%
6/30/2007	317,936,703	358,259,082	40,322,379	88.7	65,879,000	61.2
6/30/2008	353,420,714	373,832,395	20,411,681	94.5	70,880,333	28.8
6/30/2009	336,262,500	403,195,980	66,933,480	83.4	72,235,097	92.7
6/30/2010	343,201,920	434,986,533	91,784,613	78.9	69,004,002	133.0
6/30/2011	347,731,607	472,644,283	124,912,676	73.6	64,143,765	194.7
6/30/2012	362,487,345	489,014,364	126,527,019	74.1	56,596,088	223.6
6/30/2013	378,777,024	510,461,279	131,684,255	74.2	56,463,983	233.2
6/30/2014	404,855,842	584,428,884	179,573,042	69.3	55,876,248	321.4
6/30/2015	428,228,929	610,381,849	182,152,920	70.2	58,106,396	313.5

[1] *Information prior to 2011 has been extracted from the previous actuary's past valuation reports.*

[2] *Excludes assets for non-valuation reserves.*

[3] *Beginning 6/30/2011, payroll includes a projection for expected salary increases during the year following the valuation date under the actuarial assumptions used in the valuation.*

F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For MCERA, the current AVR is about 7.6. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 7.6% of one-year's payroll. Since MCERA amortizes actuarial gains and losses over an 18-year period, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For MCERA, the current LVR is about 10.5. This is about 38% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 18

Volatility Ratios for Years Ended June 30, 2010 – 2015*

	Asset Volatility Ratios				Liability Volatility Ratios			
Year Ended June 30	**General**	**Safety**	**Probation**	**Total**	**General**	**Safety**	**Probation**	**Total**
2010	4.1	5.8	5.3	4.3	5.7	10.0	6.1	6.3
2011	5.0	8.7	5.9	5.5	6.7	11.6	7.7	7.4
2012	5.6	8.7	5.6	6.1	8.1	12.3	7.8	8.6
2013	6.3	9.6	6.4	6.8	8.4	12.9	7.8	9.0
2014	7.4	10.6	7.9	7.9	9.7	14.6	9.6	10.5
2015	7.1	10.4	8.2	7.6	9.6	15.2	10.3	10.5

** Information for year ended June 30, 2010 has been derived based on information from the previous actuary's past valuation report.*

EXHIBIT A

Table of Plan Coverage

i. General Tier 1

Category	Year Ended June 30 2015	Year Ended June 30 2014	Change From Prior Year
Active members in valuation			
Number	11	15	-26.7%
Average age	60.8	59.5	N/A
Average service	34.4	32.1	N/A
Projected total compensation	$757,752	$1,063,211	-28.7%
Projected average compensation	$68,887	$70,881	-2.8%
Member account balances	$2,404,466	$2,920,057	-17.7%
Total active vested members	11	15	-26.7%
Vested terminated members			
Number	6	7	-14.3%
Average age	60.1	59.4	N/A
Retired members			
Number in pay status	331	337	-1.8%
Average age	74.9	74.4	N/A
Average monthly benefit	$2,300	$2,206	4.3%
Disabled members			
Number in pay status	31	32	-3.1%
Average age	70.9	70.1	N/A
Average monthly benefit	$1,886	$1,875	0.6%
Beneficiaries			
Number in pay status	81	80	1.3%
Average age	80.2	79.5	N/A
Average monthly benefit	$1,261	$1,212	4.0%

EXHIBIT A

Table of Plan Coverage

ii. General Tiers 2 and 3

Category	Year Ended June 30 2015	Year Ended June 30 2014	Change From Prior Year
Active members in valuation			
Number	634	709	-10.6%
Average age	50.8	49.9	N/A
Average service	12.1	11.1	N/A
Projected total compensation	$33,648,551	$36,407,022	-7.6%
Projected average compensation	$53,073	$51,350	3.4%
Member account balances	$37,740,834	$37,660,732	0.2%
Total active vested members	539	591	-8.8%
Vested terminated members			
Number	308	312	-1.3%
Average age	49.4	49.3	N/A
Retired members			
Number in pay status	613	573	7.0%
Average age	65.9	65.3	N/A
Average monthly benefit	$1,291	$1,235	4.5%
Disabled members			
Number in pay status	80	81	-1.2%
Average age	61.7	61.0	N/A
Average monthly benefit	$1,561	$1,510	3.4%
Beneficiaries			
Number in pay status	38	34	11.8%
Average age	63.4	62.5	N/A
Average monthly benefit	$890	$888	0.2%

EXHIBIT A

Table of Plan Coverage

iii. General Tier 4

Category	Year Ended June 30 2015	Year Ended June 30 2014	Change From Prior Year
Active members in valuation			
Number	285	176	61.9%
Average age	41.3	40.2	N/A
Average service	1.1	0.7	N/A
Projected total compensation	$12,181,432	$7,201,851	69.1%
Projected average compensation	$42,742	$40,920	4.5%
Member account balances	$869,019	$304,314	185.6%
Total active vested members	0	0	N/A
Vested terminated members			
Number	48	28	71.4%
Average age	40.4	44.3	N/A
Retired members			
Number in pay status	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Disabled members			
Number in pay status	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Beneficiaries			
Number in pay status	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A

EXHIBIT A

Table of Plan Coverage

iv. Safety Tiers 1, 2, and 3

Category	Year Ended June 30 2015	Year Ended June 30 2014	Change From Prior Year
Active members in valuation			
Number*	125	129	-3.1%
Average age	43.4	43.5	N/A
Average service	12.7	12.5	N/A
Projected total compensation	$8,862,821	$8,509,082	4.2%
Projected average compensation	$70,903	$65,962	7.5%
Member account balances	$6,861,256	$6,880,199	-0.3%
Total active vested members	97	104	-6.7%
Vested terminated members			
Number	41	38	7.9%
Average age	43.0	43.1	N/A
Retired members			
Number in pay status	82	73	12.3%
Average age	65.1	65.2	N/A
Average monthly benefit	$2,904	$2,836	2.4%
Disabled members			
Number in pay status	56	56	0.0%
Average age	65.8	65.8	N/A
Average monthly benefit	$3,241	$3,079	5.3%
Beneficiaries			
Number in pay status	31	29	6.9%
Average age	66.9	68.9	N/A
Average monthly benefit	$1,626	$1,511	7.6%

** Includes 21 Safety Tier 3 members as of June 30, 2015 and 18 as of June 30, 2014.*

EXHIBIT A

Table of Plan Coverage
v. Probation Tiers 1, 2, and 3

Category	Year Ended June 30 2015	Year Ended June 30 2014	Change From Prior Year
Active members in valuation			
Number*	52	52	0.0%
Average age	41.6	42.0	N/A
Average service	9.6	9.6	N/A
Projected total compensation	$2,655,840	$2,695,082	-1.5%
Projected average compensation	$51,074	$51,828	-1.5%
Member account balances	$3,252,767	$3,238,955	0.4%
Total active vested members	37	40	-7.5%
Vested terminated members			
Number	11	9	22.2%
Average age	38.5	37.3	N/A
Retired members			
Number in pay status	31	29	6.9%
Average age	64.1	63.2	N/A
Average monthly benefit	$2,833	$2,718	4.2%
Disabled members			
Number in pay status	3	3	0.0%
Average age	55.8	54.8	N/A
Average monthly benefit	$1,954	$1,906	2.5%
Beneficiaries			
Number in pay status	2	1	100.0%
Average age	70.4	64.8	N/A
Average monthly benefit	$997	$495	101.4%

** Includes 7 Probation Tier 3 members as of June 30, 2015 and 5 as of June 30, 2014.*

EXHIBIT B

Members in Active Service and Projected Average Compensation
By Age, Years of Service as of June 30, 2015

i. General Tier 1

		Years of Service							
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
55 – 59	2	- -	- -	1	- -	- -	- -	1	- -
	$38,505	- -	- -	$37,145	- -	- -	- -	$39,864	- -
60 - 64	9	- -	- -	- -	- -	- -	- -	3	6
	75,638	- -	- -	- -	- -	- -	- -	91,418	$67,748
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	11	- -	- -	1	- -	- -	- -	4	6
	$68,887	- -	- -	$37,145	- -	- -	- -	$78,530	$67,748

EXHIBIT B

Members in Active Service and Projected Average Compensation
By Age, Years of Service as of June 30, 2015

ii. General Tiers 2 and 3

		Years of Service							
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	2	2	- -	- -	- -	- -	- -	- -	- -
	$38,786	$38,786	- -	- -	- -	- -	- -	- -	- -
25 - 29	14	7	6	1	- -	- -	- -	- -	- -
	45,993	46,612	$46,599	$38,020	- -	- -	- -	- -	- -
30 - 34	39	19	15	4	1	- -	- -	- -	- -
	48,889	49,372	47,870	49,106	$54,145	- -	- -	- -	- -
35 - 39	58	15	20	15	8	- -	- -	- -	- -
	52,117	51,666	52,216	52,403	52,176	- -	- -	- -	- -
40 - 44	69	8	22	22	13	4	- -	- -	- -
	54,080	48,346	55,184	55,698	48,544	$68,573	- -	- -	- -
45 - 49	95	14	25	24	15	12	5	- -	- -
	50,388	52,301	43,703	50,070	55,397	54,723	$54,549	- -	- -
50 - 54	109	11	30	30	21	9	5	3	- -
	54,165	52,643	50,478	56,304	54,296	49,279	53,921	$89,372	- -
55 - 59	115	9	32	22	29	14	7	2	- -
	56,980	70,349	53,023	52,139	58,721	56,113	68,405	54,214	- -
60 - 64	94	7	36	16	15	16	4	- -	- -
	52,186	61,212	49,019	50,930	51,538	55,766	58,030	- -	- -
65 - 69	33	1	14	10	5	2	1	- -	- -
	54,677	46,306	52,546	59,388	46,639	51,864	91,583	- -	- -
70 & over	6	1	3	1	- -	1	- -	- -	- -
	52,125	54,071	42,732	63,364	- -	67,121	- -	- -	- -
Total	634	94	203	145	107	58	22	5	- -
	$53,073	$52,947	$50,188	$53,488	$54,046	$55,572	$61,131	$75,309	- -

EXHIBIT B

Members in Active Service and Projected Average Compensation
By Age, Years of Service as of June 30, 2015

iii. General Tier 4

		Years of Service							
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over
Under 25	15	15	- -	- -	- -	- -	- -	- -	- -
	$35,270	$35,270	- -	- -	- -	- -	- -	- -	- -
25 - 29	44	44	- -	- -	- -	- -	- -	- -	- -
	38,715	38,715	- -	- -	- -	- -	- -	- -	- -
30 - 34	52	52	- -	- -	- -	- -	- -	- -	- -
	41,616	41,616	- -	- -	- -	- -	- -	- -	- -
35 - 39	28	28	- -	- -	- -	- -	- -	- -	- -
	41,487	41,487	- -	- -	- -	- -	- -	- -	- -
40 - 44	34	34	- -	- -	- -	- -	- -	- -	- -
	39,202	39,202	- -	- -	- -	- -	- -	- -	- -
45 - 49	32	32	- -	- -	- -	- -	- -	- -	- -
	47,023	47,023	- -	- -	- -	- -	- -	- -	- -
50 - 54	37	37	- -	- -	- -	- -	- -	- -	- -
	45,300	45,300	- -	- -	- -	- -	- -	- -	- -
55 - 59	24	24	- -	- -	- -	- -	- -	- -	- -
	49,795	49,795	- -	- -	- -	- -	- -	- -	- -
60 - 64	16	15	- -	1*	- -	- -	- -	- -	- -
	45,671	46,472	- -	$33,654	- -	- -	- -	- -	- -
65 - 69	2	2	- -	- -	- -	- -	- -	- -	- -
	51,854	51,854	- -	- -	- -	- -	- -	- -	- -
70 & over	1	1	- -	- -	- -	- -	- -	- -	- -
	80,019	80,019	- -	- -	- -	- -	- -	- -	- -
Total	285	284	- -	1	- -	- -	- -	- -	- -
	$42,742	$42,774	- -	$33,654	- -	- -	- -	- -	- -

** Member purchased additional years of service.*

EXHIBIT B

Members in Active Service and Projected Average Compensation
By Age, Years of Service as of June 30, 2015

iv. Safety Tiers 1, 2, and 3

		Years of Service						
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30 & over
Under 25	6	6	- -	- -	- -	- -	- -	- -
	$48,071	$48,071	- -	- -	- -	- -	- -	- -
25 - 29	11	8	3	- -	- -	- -	- -	- -
	57,189	53,144	$67,976	- -	- -	- -	- -	- -
30 - 34	14	9	5	- -	- -	- -	- -	- -
	59,095	54,978	66,506	- -	- -	- -	- -	- -
35 - 39	11	1	5	2	3	- -	- -	- -
	68,378	52,274	62,362	$76,211	$78,552	- -	- -	- -
40 - 44	19	2	4	6	7	- -	- -	- -
	75,314	56,769	70,315	71,725	86,546	- -	- -	- -
45 - 49	28	- -	2	5	13	5	3	- -
	74,822	- -	59,047	66,732	72,487	$88,632	$85,926	- -
50 - 54	23	2	3	6	3	3	4	2
	84,868	78,940	90,053	71,445	66,841	88,772	100,136	$113,930
55 - 59	5	- -	1	2	- -	- -	1	1
	67,685	- -	56,380	58,223	- -	- -	73,192	92,408
60 - 64	7	- -	1	2	2	1	1	- -
	67,917	- -	70,713	61,186	72,298	57,421	80,319	- -
65 - 69	1	- -	1	- -	- -	- -	- -	- -
	74,029	- -	74,029	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -
Total	125	28	25	23	28	9	9	3
	$70,903	$54,717	$68,756	$68,866	$76,033	$85,211	$90,204	$106,756

EXHIBIT B

Members in Active Service and Projected Average Compensation
By Age, Years of Service as of June 30, 2015

v. Probation Tiers 1, 2, and 3

		Years of Service						
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30 & over
Under 25	1	1	- -	- -	- -	- -	- -	- -
	$38,884	$38,884	- -	- -	- -	- -	- -	- -
25 – 29	7	7	- -	- -	- -	- -	- -	- -
	44,412	44,412	- -	- -	- -	- -	- -	- -
30 - 34	10	2	7	1	- -	- -	- -	- -
	47,995	39,366	$49,853	$52,253	- -	- -	- -	- -
35 - 39	11	3	5	3	- -	- -	- -	- -
	47,400	42,229	45,971	54,952	- -	- -	- -	- -
40 - 44	4	1	- -	1	2	- -	- -	- -
	55,699	44,543	- -	56,130	$61,062	- -	- -	- -
45 - 49	6	- -	1	- -	4	1	- -	- -
	53,062	- -	57,489	- -	51,933	$53,154	- -	- -
50 - 54	4	- -	- -	1	1	1	1	- -
	61,623	- -	- -	59,665	51,608	53,578	$81,640	- -
55 - 59	5	- -	3	1	1	- -	- -	- -
	52,071	- -	54,308	54,328	43,102	- -	- -	- -
60 - 64	3	1	1	- -	- -	1	- -	- -
	68,036	52,474	42,382	- -	- -	109,251	- -	- -
65 - 69	1	- -	1	- -	- -	- -	- -	- -
	52,596	- -	52,596	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -
Total	52	15	18	7	8	3	1	- -
	$51,074	$43,480	$49,679	$55,319	$53,071	$71,994	$81,640	- -

EXHIBIT C

Schedule of Average Benefit Payment Amounts [1]

	Number of Years Since Retirement						
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over
Valuation date: 6/30/2010							
Average Monthly Benefit of Retirees and Beneficiaries	$1,699	$1,363	$1,361	$1,429	$1,280	$1,324	$1,123
Number of Retirees and Beneficiaries	387	243	152	123	82	57	39
Valuation date: 6/30/2011							
Average Monthly Benefit of Retirees	$1,872	$1,637	$1,454	$1,502	$1,433	$1,501	$981
Number of Retirees	351	236	137	111	74	51	33
Average Monthly Benefit of Beneficiaries	$1,043	$1,172	$864	$1,380	$1,402	$1,069	$947
Number of Beneficiaries	45	35	20	15	9	5	7
Valuation date: 6/30/2012							
Average Monthly Benefit of Retirees	$1,841	$1,752	$1,420	$1,462	$1,640	$1,336	$1,356
Number of Retirees	382	277	132	99	85	62	38
Average Monthly Benefit of Beneficiaries	$1,167	$1,230	$806	$1,385	$1,324	$1,150	$975
Number of Beneficiaries	44	42	19	14	8	8	7
Valuation date: 6/30/2013							
Average Monthly Benefit of Retirees	$1,874	$1,870	$1,391	$1,480	$1,706	$1,377	$1,458
Number of Retirees	407	300	148	106	86	52	44
Average Monthly Benefit of Beneficiaries	$1,207	$1,236	$882	$1,248	$1,442	$1,177	$871
Number of Beneficiaries	46	38	19	20	7	8	6
Valuation date: 6/30/2014							
Average Monthly Benefit of Retirees	$1,928	$1,916	$1,433	$1,575	$1,668	$1,517	$1,481
Number of Retirees	411	318	155	112	90	50	48
Average Monthly Benefit of Beneficiaries	$1,265	$1,228	$1,064	$954	$1,786	$1,300	$699
Number of Beneficiaries	41	39	22	19	8	9	6
Valuation date: 6/30/2015							
Average Monthly Benefit of Retirees	$1,986	$2,006	$1,587	$1,570	$1,753	$1,457	$1,610
Number of Retirees	391	329	200	110	94	51	52
Average Monthly Benefit of Beneficiaries	$1,308	$1,208	$1,184	$961	$1,654	$1,226	$1,091
Number of Beneficiaries	46	40	23	16	12	8	7

[1] *Information as of 6/30/2010 has been extracted from the previous actuary's valuation reports.*
Note: Final Average Salary is not available.

EXHIBIT D

Average Annual Benefit of Retired Members and Beneficiaries
By Age, Years in Retirement as of June 30, 2015

i. General Males

		Years in Retirement						
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30 & over
Under 45	1	- -	1	- -	- -	- -	- -	- -
	$908	- -	$908	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	8	6	2	- -	- -	- -	- -	- -
	14,275	$13,386	16,941	- -	- -	- -	- -	- -
55 - 59	48	28	16	1	- -	2	- -	1
	15,464	16,847	12,802	$10,711	- -	$19,688	- -	$15,623
60 - 64	80	34	28	16	- -	2	- -	- -
	20,321	24,994	19,472	12,252	- -	17,305	- -	- -
65 - 69	131	41	51	23	10	4	1	1
	26,179	23,630	35,143	17,189	$12,532	25,216	$27,237	19,537
70 - 74	64	7	14	19	12	8	2	2
	23,772	25,414	25,173	29,819	17,902	15,666	24,201	17,995
75 - 79	45	7	6	13	10	6	3	- -
	21,024	15,830	11,241	30,389	19,169	26,189	7,972	- -
80 - 84	39	1	1	3	9	17	6	2
	22,766	6,820	23,941	3,862	29,905	27,752	12,988	13,333
85 & over	40	3	5	1	4	4	8	15
	18,999	21,607	5,554	13,251	12,699	14,874	24,960	22,945
Total	456	127	124	76	45	43	20	21
	$21,991	$21,504	$24,586	$20,902	$18,928	$22,990	$18,858	$21,047

EXHIBIT D

Average Annual Benefit of Retired Members and Beneficiaries By Age, Years in Retirement as of June 30, 2015

ii. General Females

		Years in Retirement						
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30 & over
Under 45	2	1	- -	- -	1	- -	- -	- -
	$14,895	$20,434	- -	- -	$9,356	- -	- -	- -
45 - 49	4	2	1	- -	- -	1	- -	- -
	15,003	9,857	$21,828	- -	- -	$18,472	- -	- -
50 - 54	37	26	7	2	- -	2	- -	- -
	12,523	11,742	11,534	$18,922	- -	19,730	- -	- -
55 - 59	87	49	30	5	- -	2	1	- -
	13,825	14,696	12,255	15,064	- -	15,757	$8,154	- -
60 - 64	145	71	43	24	5	1	- -	1
	21,942	28,323	17,518	10,634	22,633	24,084	- -	$24,896
65 - 69	183	76	55	41	10	1	- -	- -
	19,278	23,522	20,553	12,437	8,506	14,806	- -	- -
70 - 74	102	22	38	21	13	6	2	- -
	16,441	17,350	18,286	15,962	15,209	6,881	13,094	- -
75 - 79	44	3	7	14	9	7	2	2
	13,301	15,805	11,950	16,238	13,662	8,822	4,833	16,229
80 - 84	53	3	5	7	10	15	9	4
	14,570	12,158	16,576	17,965	13,766	16,947	12,680	5,283
85 & over	61	5	2	4	8	11	12	19
	15,324	14,233	25,814	19,309	12,055	22,775	13,069	12,156
Total	718	258	188	118	56	46	26	26
	$17,318	$20,934	$17,377	$13,930	$13,613	$16,003	$12,114	$11,902

EXHIBIT D

Average Annual Benefit of Retired Members and Beneficiaries By Age, Years in Retirement as of June 30, 2015

iii. Safety

		Years in Retirement						
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30 & over
Under 45	7	5	2	- -	- -	- -	- -	- -
	$24,352	$25,870	$20,556	- -	- -	- -	- -	- -
45 - 49	3	1	2	- -	- -	- -	- -	- -
	30,932	26,532	33,133	- -	- -	- -	- -	- -
50 - 54	17	12	2	- -	2	1	- -	- -
	28,131	29,826	21,266	- -	$27,137	$23,515	- -	- -
55 - 59	21	13	6	1	1	- -	- -	- -
	46,982	54,297	39,239	$30,546	14,779	- -	- -	- -
60 - 64	23	2	14	1	2	2	- -	2
	43,337	20,286	57,112	36,386	16,644	23,216	- -	$20,254
65 - 69	37	5	7	10	9	4	1	1
	29,330	33,029	45,519	23,829	23,963	23,709	$26,834	25,822
70 - 74	32	1	4	6	9	2	7	3
	28,379	22,006	34,076	27,832	29,623	25,514	26,628	26,261
75 - 79	15	- -	4	2	- -	4	3	2
	35,728	- -	50,993	27,940	- -	28,516	26,078	41,889
80 - 84	12	- -	1	1	2	4	1	3
	29,235	- -	9,270	16,827	28,898	40,180	17,219	29,662
85 & over	2	- -	- -	- -	- -	- -	1	1
	17,712	- -	- -	- -	- -	- -	8,665	26,759
Total	169	39	42	21	25	17	13	12
	$33,375	$37,112	$44,121	$25,949	$25,696	$28,858	$24,411	$28,720

EXHIBIT D

Average Annual Benefit of Retired Members and Beneficiaries
By Age, Years in Retirement as of June 30, 2015

iv. Probation

		Years in Retirement						
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30 & over
Under 45	1	- -	- -	1	- -	- -	- -	- -
	$26,773	- -	- -	$26,773	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -
55 - 59	9	5	4	- -	- -	- -	- -	- -
	36,525	$54,497	$14,061	- -	- -	- -	- -	- -
60 - 64	9	3	5	1	- -	- -	- -	- -
	27,658	32,176	25,491	24,941	- -	- -	- -	- -
65 - 69	13	4	5	4	- -	- -	- -	- -
	36,370	18,766	27,510	65,049	- -	- -	- -	- -
70 - 74	3	1	- -	2	- -	- -	- -	- -
	21,195	17,846	- -	22,870	- -	- -	- -	- -
75 - 79	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -
80 - 84	1	- -	1	- -	- -	- -	- -	- -
	7,349	- -	7,349	- -	- -	- -	- -	- -
85 & over	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -
Total	36	13	15	8	- -	- -	- -	- -
	$31,894	$35,533	$21,906	$44,706	- -	- -	- -	- -

EXHIBIT E

Reconciliation of Member Data – June 30, 2014 to June 30, 2015

	Active Members	Vested Terminated Members	Pensioners	Disableds	Beneficiaries	Total
Number as of June 30, 2014	1,081	394	1,012	172	144	2,803
New members	166	0	0	0	13	179
Terminations – with vested rights	-46	49	-3	0	0	0
Contributions refunds	-50	-20	0	0	0	-70
Retirements	-45	-22	68	-1	0	0
New disabilities	-2	0	-2	4	0	0
Return to work	6	-6	0	0	0	0
Died with or without beneficiary	-3	-1	-18	-5	-5	-32
Data adjustments	0	20*	0	0	0	20
Number as of June 30, 2015	1,107	414	1,057	170	152	2,900

* *Includes 12 members entitled to a refund only.*

EXHIBIT F

Summary Statement of Income and Expenses - Actuarial Value Basis

	Year Ended June 30,			
	2015		2014	
Contribution Income:				
Employer Contributions	$15,164,044		$14,324,752	
Employee Contributions	4,651,960		4,575,895	
Contribution Income		$19,816,004		$18,900,647
Investment Income:				
Interest, Dividends and Other Income	$10,758,646		$7,178,116	
Adjustment Toward Market Value	24,494,040		29,380,192	
Less Investment Expenses	(565,100)		(503,242)	
Net Investment Income		$34,687,586		$36,055,066
Total Income Available for Benefits		$54,503,590		$54,955,713
Less Benefit Payments:				
Benefit Payments and Refunds	$(30,049,133)		$(27,353,529)	
Administrative Expenses	(1,059,272)		(930,437)	
Net Benefit Payments		$(31,108,405)		$(28,283,966)
Change in Reserve for Future Benefits		$23,395,185		$26,671,747

EXHIBIT G

Summary Statement of Assets

	Year Ended June 30,			
ASSETS	**2015**		**2014**	
Cash and Cash Equivalents		$1,398,150		$4,966,310
Accounts Receivable:				
Employer Contributions	$545,830		$328,334	
Member Contributions	113,026		104,280	
Total Accounts Receivable		$658,856		$432,614
Other Assets		146,739		6,468
Investments:				
Public Equity Securities	$53,190,622		$52,733,876	
Real Estate and Real Estate Partnerships	41,634,670		37,533,201	
Mutual Funds	347,937,529		347,155,558	
Total Investments at Market Value		$442,762,821		$437,422,635
Total Assets		$444,966,566		$442,828,027
Less Liabilities:				
Accounts Payable	$(365,017)		$(204,392)	
Accrued Expenses and Other Liabilities	(384,193)		(315,187)	
Total Liabilities		$(749,210)		$(519,579)
NET ASSETS				
Net Assets at Market Value		$444,217,356		$442,308,448
Net Assets at Actuarial Value		$432,679,307		$409,284,122
Net Assets at Valuation Value		$428,228,929		$404,855,842

Note: Results may not total properly due to rounding.

EXHIBIT H

Actuarial Balance Sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, we first determine the amount and timing of all future payments that will be made by the Plan for current participants. We then discount these payments at the valuation interest rate to the date of the valuation, thereby determining their present value. We refer to this present value as the "liability" of the Plan.

Second, we determine how this liability will be met. These actuarial "assets" include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments.

Actuarial Balance Sheet

Assets	Basic	COLA	Total
1. Total valuation assets	$264,704,318	$163,524,611	$428,228,929
2. Present value of future contributions by members	25,089,514	6,426,894	31,516,408
3. Present value of future employer contributions for:			
a. entry age normal cost	29,238,976	8,339,167	37,578,143
b. unfunded actuarial accrued liability	126,449,612	55,703,308	182,152,920
4. Total current and future assets	$445,482,420	$233,993,980	$679,476,400
Liabilities			
5. Present value of benefits already granted to present retirees and beneficiaries	$231,071,152	$162,327,142	$393,398,294
6. Present value of benefits to be granted to present non-retired members	214,411,268	71,666,838	286,078,106
7. Total liabilities	$445,482,420	$233,993,980	$679,476,400

EXHIBIT I

Development of Unfunded Actuarial Accrued Liability as of June 30, 2015

1.	Unfunded actuarial accrued liability at beginning of year:	$179,573,042
2.	Gross normal cost at beginning of year	12,058,526
3.	Expected employer and member contributions	(24,322,000)
4.	Interest (whole year on (1) + (2) plus half year on (3))	13,011,616
5.	Expected unfunded actuarial accrued liability at end of year	$180,321,184
6.	Actuarial (gain)/loss due to all changes:*	
	a. (Gain)/loss from investments as recognized on June 30, 2015	$(5,722,789)
	b. (Gain)/loss from lower than expected salary increases for General and Probation actives	(1,751,806)
	c. (Gain)/loss due to one-year delay from implementing employer contribution rates in June 30, 2014 valuation (with interest to end of year)**	4,268,808
	d. Other experience (gains)/losses***	5,037,523
	e. Subtotal	$1,831,736
7.	Actual unfunded actuarial accrued liability at end of year (5) + (6e)	$182,152,920

* The "net gain/(loss) from other experience" of $(7,554,525) from Chart 9 is equal to the sum of items 6b, 6c, and 6d.

** The additional employer contribution rate attributable to this loss is already included in the employer rate determined in the 2014 valuation.

*** Roughly one-third of the experience losses are due to mortality losses from members in pay status as of last year's valuation date (note that the average number of deaths from payee status over the prior three years ended June 30, 2014 was 33 per year, compared to the 28 deaths experienced during the year ended June 30, 2015).

EXHIBIT J

Table of Amortization Bases

Type	Date Established	Initial Years	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment*
General						
Combined Base	6/30/2012	27	$96,509,955	$100,639,572	24	$6,213,193
Experience Loss	6/30/2013	18	1,308,206	1,294,189	16	106,494
Experience Gain	6/30/2014	18	(10,922,004)	(10,863,710)	17	(854,135)
Change in Assumptions/Method	6/30/2014	18	41,158,191	40,938,516	17	3,218,700
Experience Gain	6/30/2015	18	(2,476,999)	(2,476,999)	18	(186,708)
Total				$129,531,568		$8,497,544
Safety						
Combined Base	6/30/2012	27	$24,941,466	$26,008,700	24	$1,605,701
Experience Loss	6/30/2013	18	2,713,369	2,684,297	16	220,880
Experience Gain	6/30/2014	18	(489,900)	(487,285)	17	(38,312)
Change in Assumptions/Method	6/30/2014	18	13,983,439	13,908,805	17	1,093,549
Experience Loss	6/30/2015	18	4,163,162	4,163,162	18	313,805
Total				$46,277,679		$3,195,623
Probation						
Combined Base	6/30/2012	27	$5,075,598	$5,292,780	24	$326,761
Experience Gain	6/30/2013	18	(964,299)	(953,967)	16	(78,498)
Experience Gain	6/30/2014	18	(834,449)	(829,995)	17	(65,257)
Change in Assumptions/Method	6/30/2014	18	3,045,283	3,029,029	17	238,151
Experience Gain	6/30/2015	18	(194,174)	(194,174)	18	(14,636)
Total				$6,343,673		$406,521
Total						
Combined Base	6/30/2012	27	$126,527,019	$131,941,052	24	$8,145,655
Experience Loss	6/30/2013	18	3,057,276	3,024,519	16	248,876
Experience Gain	6/30/2014	18	(12,246,353)	(12,180,990)	17	(957,704)
Change in Assumptions/Method	6/30/2014	18	58,186,913	57,876,350	17	4,550,400
Experience Loss	6/30/2015	18	1,491,989	1,491,989	18	112,461
Total				$182,152,920		$12,099,688

* *Level percentage of payroll.*

Note: The equivalent single amortization period is about 22 years.

EXHIBIT K

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $210,000 for 2015 and 2016. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must generally be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits for members in non-CalPEPRA tiers in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contributions rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

EXHIBIT L

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age; and

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the level cost allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded (Overfunded) Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds (or is exceeded by) the assets of the Plan. There are many approaches to paying off the unfunded or overfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded (Overfunded) Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded or overfunded actuarial accrued liability.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 152 beneficiaries in pay status)	1,379
2.	Members inactive during year ended June 30, 2015 with vested rights	414
3.	Members active during the year ended June 30, 2015	1,107

The actuarial factors as of the valuation date are as follows:

1.	Normal cost		$12,557,000
2.	Present value of future benefits		679,476,400
3.	Present value of future normal costs		69,094,551
4.	Actuarial accrued liability*		610,381,849
	Retired members and beneficiaries	$393,398,294	
	Inactive members with vested rights	30,949,665	
	Active members	186,033,890	
5.	Valuation value of assets* ($444,217,356 at market value as reported by Retirement Association)		428,228,929
6.	Unfunded actuarial accrued liability		$182,152,920

* *Excludes non-pension reserves.*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended average employer contribution is as follows:

		Dollar Amount	% of Payroll
1.	Total normal cost	$12,557,000	21.61%
2.	Expected employee contributions	-5,727,000	-9.86%
3.	Employer normal cost: (1) + (2)	$6,830,000	11.75%
4.	Amortization of unfunded actuarial accrued liability	12,082,000*	20.80%
5.	Total recommended average employer contribution: (3) + (4)	$18,912,000	32.55%
6.	Projected compensation	$58,106,396	

* *Based on the total annual payment in Section 3, Exhibit J plus an amount associated with the anticipated contribution rate impact resulting from the 12-month lag between the date of the valuation and the date of the contribution rate implementation.*

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions:

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 7, 2014. Unless otherwise noted, all actuarial assumptions and methods shown below apply to all membership groups (i.e., General, Safety, and Probation) and tiers. These assumptions were adopted by the Board.

Demographic Assumptions:

Post-Retirement Mortality Rates

Healthy Members and All Beneficiaries:

For all members and all beneficiaries: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

Disabled Members:

For all members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward four years for both males and females.

The above mortality tables contain a margin in excess of 10%, based on actual to expected deaths, as a provision appropriate to reasonably reflect future mortality improvement, based on a review of mortality experience as of the measurement date.

Employee Contribution Rates:

For General members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females, weighted 30% male and 70% female.

For Safety and Probation members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females, weighted 80% male and 20% female.

Termination Rates Before Retirement:

	Rate (%)			
	Death			
	General[1]		Safety and Probation[2]	
Age	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.07	0.04	0.07	0.04
40	0.10	0.07	0.10	0.07
45	0.13	0.11	0.13	0.11
50	0.19	0.16	0.19	0.16
55	0.30	0.25	0.30	0.25
60	0.53	0.41	0.53	0.41
65	0.90	0.76	0.90	0.76

(1) *10% of General deaths are assumed to be service connected deaths. The other 90% are assumed to be non-service connected deaths.*

(2) *50% of Safety and Probation deaths are assumed to be service connected deaths. The other 50% are assumed to be non-service connected deaths.*

Termination Rates Before Retirement (continued):

	Rate (%)		
	Disability		
Age	General[1]	Safety[2]	Probation[2]
20	0.01	0.10	0.10
25	0.01	0.13	0.13
30	0.01	0.18	0.18
35	0.02	0.53	0.53
40	0.13	1.05	1.05
45	0.38	1.40	1.40
50	0.53	2.25	2.25
55	0.58	2.75	2.75
60	0.63	0.00	0.00

(1) *40% of General disabilities are assumed to be service connected disabilities. The other 60% are assumed to be non-service connected disabilities.*

(2) *90% of Safety and Probation disabilities are assumed to be service connected disabilities. The other 10% are assumed to be non-service connected disabilities.*

Termination Rates Before Retirement (continued):

	Rate (%)		
	Termination (Less Than 5 Years of Service)[1]		
Years of Service	General	Safety	Probation
0	18.00	13.50	13.50
1	16.00	11.50	11.50
2	14.00	9.50	9.50
3	12.00	7.50	7.50
4	10.00	5.50	5.50

	Rate (%)		
	Termination (5+ Years of Service)[2]		
Age	General	Safety	Probation
20	6.50	5.00	5.00
25	6.50	4.70	4.70
30	6.50	4.20	4.20
35	6.50	3.70	3.70
40	6.50	3.20	3.20
45	6.50	2.70	2.70
50	6.50	1.30	1.30
55	5.90	0.20	0.20
60	4.90	0.00	0.00

(1) *85% of all terminated members will choose a refund of contributions and 15% will choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.*

(2) *25% of all terminated members will choose a refund of contributions and 75% will choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.*

Retirement Rates:

	Rate (%)					
Age	General Tiers 1, 2, & 3	General Tier 4	Safety Tiers 1 & 2	Safety Tier 3	Probation Tiers 1 & 2	Probation Tier 3
50	6.00	0.00	8.00	3.00	5.00	4.00
51	6.00	0.00	8.00	3.00	5.00	4.00
52	6.00	6.00	8.00	3.00	5.00	4.00
53	6.00	3.00	8.00	3.00	5.00	4.00
54	6.00	3.00	8.00	3.00	5.00	4.00
55	10.00	5.00	9.00	4.00	24.00	14.00
56	10.00	5.00	9.00	6.00	24.00	25.00
57	10.00	5.00	10.00	7.00	24.00	25.00
58	10.00	5.00	20.00	9.00	24.00	25.00
59	10.00	5.00	30.00	30.00	24.00	25.00
60	12.00	6.00	100.00	100.00	100.00	100.00
61	20.00	9.00	100.00	100.00	100.00	100.00
62	26.00	12.00	100.00	100.00	100.00	100.00
63	20.00	14.00	100.00	100.00	100.00	100.00
64	20.00	12.00	100.00	100.00	100.00	100.00
65	45.00	32.00	100.00	100.00	100.00	100.00
66	45.00	32.00	100.00	100.00	100.00	100.00
67	45.00	32.00	100.00	100.00	100.00	100.00
68	45.00	32.00	100.00	100.00	100.00	100.00
69	45.00	32.00	100.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00	100.00

Retirement Age and Benefit for Deferred Vested Members:	For deferred vested members, retirement age assumptions are as follows: General Age: 60 Safety and Probation Age: 55 For deferred vested members who terminate with less than five years of service and are not vested, it is assumed they will retire at age 70 if they decide to leave their contributions on deposit. It is assumed that 60% of future deferred vested members will continue to work for a reciprocal employer. For reciprocals, 4.25% compensation increases per annum are assumed.
Future Benefit Accruals:	1.0 year of service per year of employment plus 0.019 years of additional service to anticipate conversion of unused sick leave for each year of employment, for members expected to retire directly from active employment and to receive a service retirement benefit.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Inclusion of Deferred Vested Members:	All deferred vested members are included in the valuation.
Percent Married:	75% of male members; 50% of female members.
Age of Spouse:	Female (or male) spouses are 3 years younger (or older) than their spouse.
<u>Economic Assumptions</u>:	
Net Investment Return:	7.25% per annum.
Employee Contribution Crediting Rate:	7.25% per annum.

Consumer Price Index: Increase of 3.25% per year; retiree COLA increases due to CPI for General Tiers 1, 2, and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2 subject to a 3% maximum change per year (no COLA increases for General Tier 4, Safety Tier 3, or Probation Tier 3).

Salary Increases:

Annual Rate of Compensation Increase (%)

Inflation: 3.25%; plus additional 0.50% "across the board" salary increases (other than inflation); plus the following Merit and Promotional increases based on years of service.

Years of Service	General	Safety and Probation
0-1	5.00%	5.00%
1-2	3.75%	3.75%
2-3	3.50%	3.00%
3-4	2.75%	2.25%
4-5	2.25%	1.00%
5+	0.50%	0.50%

Actuarial Value of Assets: The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets cannot be less than 75% or greater than 125% of the market value of assets.

Valuation Value of Assets: The Actuarial Value of Assets reduced by the value of the non-valuation reserves.

Actuarial Cost Method: Entry Age Cost Method. Entry Age is the age at the member's hire date. The Normal Cost is calculated on an individual basis where the Entry Age Normal Cost for each membership tier is calculated as the sum of the individual Normal Costs for members in the membership tier. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

Prior to July 1, 2012, the total UAAL was being amortized on a 30-year decreasing period, with 27 years remaining as of June 30, 2012 (and 24 years remaining as of

Actuarial Cost Method (continued): June 30, 2015). On or after July 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 18-year periods; and experience gains/losses are also amortized over separate decreasing 18-year periods.

EXHIBIT III

Summary of Plan Provisions

This exhibit summarizes the major provisions of MCERA included in the valuation as of June 30, 2015. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:	Membership with MCERA usually begins with the first day of the pay period following the date of entrance into service.
General Tier 1	All General members appointed to a permanent position of four-fifths time, or more, in service of the County of Mendocino or in the service of a participating District, who were hired prior to July 1, 1984.
General Tier 2	General Tier 2 has been replaced by General Tier 3.
General Tier 3	All General members appointed to a permanent position of four-fifths time, or more, in service of the County of Mendocino or in the service of a participating District, who were hired on or after July 1, 1984 and prior to January 1, 2013.
General Tier 4	All General members appointed to a permanent position of four-fifths time, or more, in service of the County of Mendocino or in the service of a participating District, who were hired on or after January 1, 2013.
Safety Tier 1	All employees appointed to a position in active law enforcement who were hired prior to June 1, 1982.
Safety Tier 2	All employees appointed to a position in active law enforcement who were hired on or after June 1, 1982 and prior to January 1, 2013.
Safety Tier 3	All employees appointed to a position in active law enforcement who were hired on or after January 1, 2013.
Probation Tier 1	All employees appointed to positions with specific job classifications within the Departments of Probation, Juvenile Hall, and Social Services who were hired prior to July 1, 1984.

Membership Eligibility (continued):	
Probation Tier 2	All employees appointed to positions with specific job classifications within the Departments of Probation, Juvenile Hall, and Social Services who were hired on or after July 1, 1984 and prior to January 1, 2013.
Probation Tier 3	All employees appointed to positions with specific job classifications within the Departments of Probation, Juvenile Hall, and Social Services who were hired on or after January 1, 2013.
Final Compensation for Benefit Determination:	
General Tier 1, Safety Tier 1, and Probation Tier 1	Highest consecutive twelve months of compensation earnable (§31462.1) (FAS1).
General Tiers 2 and 3, Safety Tier 2, and Probation Tier 2	Highest consecutive thirty-six months of compensation earnable (§31462) (FAS3).
General Tier 4, Safety Tier 3, and Probation Tier 3	Highest consecutive thirty-six months of pensionable compensation (§7522.10(c), §7522.32, §7522.34) (FAS3).
Service:	Years of service (Yrs).
Service Retirement Eligibility:	
General Tiers 1, 2, and 3	Age 50 with 5 years of service and 10 years of membership, or age 70 and vested, or after 30 years of service regardless of age (§31672).
General Tier 4	Age 52 with 5 years of service, or age 70 and vested (§7522.20(a)).
Safety and Probation Tiers 1 and 2	Age 50 with 5 years of service and 10 years of membership, or age 70 and vested, or after 20 years of service regardless of age (§31663.25).
Safety and Probation Tier 3	Age 50 with 5 years of service, or age 70 and vested (§7522.25(d)).

Benefit Formula:

	Retirement Age	Benefit Formula
*General Tier 1 (§31676.12)**	50	(1.34% x FAS1 – 1/3 x 1.34% x $350 x 12) x Yrs
	55	(1.77% x FAS1 – 1/3 x 1.77% x $350 x 12) x Yrs
	60	(2.34% x FAS1 – 1/3 x 2.34% x $350 x 12) x Yrs
	62 or later	(2.62% x FAS1 – 1/3 x 2.62% x $350 x 12) x Yrs
*General Tier 2 and General Tier 3 (§31676.12)**	50	(1.34% x FAS3 – 1/3 x 1.34% x $350 x 12) x Yrs
	55	(1.77% x FAS3 – 1/3 x 1.77% x $350 x 12) x Yrs
	60	(2.34% x FAS3 – 1/3 x 2.34% x $350 x 12) x Yrs
	62 or later	(2.62% x FAS3 – 1/3 x 2.62% x $350 x 12) x Yrs
General Tier 4 (§7522.20(a))	52	1.00% x FAS3 x Yrs
	55	1.30% x FAS3 x Yrs
	60	1.80% x FAS3 x Yrs
	62	2.00% x FAS3 x Yrs
	65	2.30% x FAS3 x Yrs
	67 or later	2.50% x FAS3 x Yrs

** For members in Bargaining Groups 01 and 101 who have service prior to October 1, 2003 and who have not purchased this service to be covered under Section 31676.12, their prior service will be covered under Section 31676.11 for Tier 1 and 31676.1 for Tier 2 and Tier 3. For all other Bargaining Groups, the prior service date is January 1, 2002 (instead of October 1, 2003).*

	Retirement Age	Benefit Formula
Safety Tier 1 (§31664.2)	50	(2.29% x FAS1 – 1/3 x 2.29% x $350 x 12) x Yrs
	55 or later	(3.00% x FAS1 – 1/3 x 3.00% x $350 x 12) x Yrs
Safety Tier 2 (§31664.2)	50	(2.29% x FAS3 – 1/3 x 2.29% x $350 x 12) x Yrs
	55 or later	(3.00% x FAS3 – 1/3 x 3.00% x $350 x 12) x Yrs

Benefit Formula (continued):

	Retirement Age	Benefit Formula
Safety Tier 3 (§7522.25(d))	50	2.00% x FAS3 x Yrs
	55	2.50% x FAS3 x Yrs
	57 or later	2.70% x FAS3 x Yrs
Probation Tier 1 (§31664)	50	(2.00% x FAS1 – 1/3 x 2.00% x $350 x 12) x Yrs
	55 or later	(2.62% x FAS1 – 1/3 x 2.62% x $350 x 12) x Yrs
Probation Tier 2 (§31664)	50	(2.00% x FAS3 – 1/3 x 2.00% x $350 x 12) x Yrs
	55 or later	(2.62% x FAS3 – 1/3 x 2.62% x $350 x 12) x Yrs
Probation Tier 3 (§7522.25(d))	50	2.00% x FAS3 x Yrs
	55	2.50% x FAS3 x Yrs
	57 or later	2.70% x FAS3 x Yrs

Maximum Benefit:

General Tiers 1, 2, and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2	100% of Highest Average Compensation (§31676.12, §31664.2, and §31664).
General Tier 4, Safety Tier 3, and Probation Tier 3	None (§7522.20(a) and §7522.25(d)).

Non-Service Connected Disability:

Eligibility	Five years of service (§31720).
Benefit Formula	1.8% of Final Compensation per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 62 for General members and to 55 for Safety and Probation members, but the total benefit cannot be more than one-third of Final Compensation (§31727.1 and §31727.2).

Service Connected Disability:	
All Members	
Eligibility	No age or service requirements (§31720).
Benefit Formula	50% of the Final Compensation or 100% of Service Retirement benefit, if greater (§31727.4).
Pre-Retirement Death:	
All Members	
Eligibility	None.
Basic lump sum benefit	Refund of employee contributions with interest, plus one month's compensation for each year of service, to a maximum of six month's compensation (§31781).
Death in line-of-duty	50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse* or minor children (§31787).
	OR
Vested Members	
Eligibility	Five years of service.
Basic benefit	60% of the greater of Service Retirement or Non-Service Connected Disability Retirement benefit payable to surviving eligible spouse (§31765.1, §31781.1), in lieu of the basic lump sum benefit above.
Death in line-of-duty	50% of Final compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor children (§31787).

** In this summary, continuance benefit payable to spouse is also available to eligible domestic partner.*

Death After Retirement:	
All Members	
Service or Non-Service Connected Disability Retirement	60% of member's unmodified allowance continued to eligible spouse (§31760.1).* An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement (§31760.1).
Service Connected Disability	100% of member's allowance continued to eligible spouse (§31786).
Withdrawal Benefits:	
Less than Five Years of Service	Refund of accumulated employee contributions with interest (§31628).
Five or More Years of Service	If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire (§31700).
Post-retirement Cost-of-Living Benefits:	
General Tiers 1, 2, and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2	Future changes based on Consumer Price Index to a maximum of 3% per year; excess "banked" (§31870.1)
General Tier 4, Safety Tier 3, and Probation Tier 3	None.
Member Contributions:	Please refer to Appendix A for specific rates.
General Tier 1	
Basic	Provide for an average annuity at age 60 equal to 1/100 of FAS1 (§31621.2).
Cost-of-Living	Provide for one-half of future Cost-of-Living costs.

** 100% of the COLA benefit is continued to the survivor upon the member's death for a member who retired prior to September 17, 2014 for service or non-service connected disability and chose the unmodified option at retirement.*

Member Contributions (continued):	
General Tier 2 and General Tier 3	
Basic	Provide for an average annuity at age 60 equal to 1/100 of FAS3 (§31621.2).
Cost-of-Living	Provide for one-half of future Cost-of-Living costs.
General Tier 4	50% of the total Normal Cost rate.
Safety Tier 1 and Probation Tier 1	
Basic	Provide for an average annuity at age 50 equal to 1/100 of FAS1 (§31639.25).
Cost-of-Living	Provide for one-half of future Cost-of-Living costs. Safety Tier 1 cost-of-living member rates are offset by 1.63% of pay, which is picked up by the County.
Safety Tier 2 and Probation Tier 2	
Basic	Provide for an average annuity at age 50 equal to 1/100 of FAS3 (§31639.25).
Cost-of-Living	Provide for one-half of future Cost-of-Living costs. Safety Tier 2 cost-of-living member rates are offset by 1.63% of pay, which is picked up by the County.
Safety Tier 3 and Probation Tier 3	50% of the total Normal Cost rate.
Other Information:	All non-CalPEPRA members with 30 or more years of service are exempt from paying member contributions.
Plan Amendment:	None during July 1, 2014 to June 30, 2015.

NOTE: *The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the Association should find the plan summary not in accordance with the actual provisions, the Association should alert the actuary so that both parties can be sure the proper provisions are valued.*

Appendix A

Member Contribution Rates

General Tier 1 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (as a percentage of payroll)

	Basic Only		COLA Only		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
15	3.77%	5.65%	1.31%	1.96%	5.08%	7.61%
16	3.77%	5.65%	1.31%	1.96%	5.08%	7.61%
17	3.83%	5.74%	1.33%	1.99%	5.16%	7.73%
18	3.89%	5.84%	1.35%	2.03%	5.24%	7.87%
19	3.96%	5.94%	1.37%	2.06%	5.33%	8.00%
20	4.03%	6.05%	1.40%	2.10%	5.43%	8.15%
21	4.10%	6.15%	1.42%	2.13%	5.52%	8.28%
22	4.17%	6.25%	1.45%	2.17%	5.62%	8.42%
23	4.24%	6.36%	1.47%	2.21%	5.71%	8.57%
24	4.31%	6.47%	1.49%	2.24%	5.80%	8.71%
25	4.39%	6.58%	1.52%	2.28%	5.91%	8.86%
26	4.46%	6.69%	1.55%	2.32%	6.01%	9.01%
27	4.53%	6.80%	1.57%	2.36%	6.10%	9.16%
28	4.61%	6.92%	1.60%	2.40%	6.21%	9.32%
29	4.69%	7.03%	1.63%	2.44%	6.32%	9.47%
30	4.77%	7.15%	1.65%	2.48%	6.42%	9.63%
31	4.85%	7.27%	1.68%	2.52%	6.53%	9.79%
32	4.93%	7.39%	1.71%	2.56%	6.64%	9.95%
33	5.01%	7.51%	1.73%	2.60%	6.74%	10.11%
34	5.09%	7.63%	1.77%	2.65%	6.86%	10.28%
35	5.17%	7.76%	1.79%	2.69%	6.96%	10.45%
36	5.26%	7.89%	1.83%	2.74%	7.09%	10.63%
37	5.35%	8.02%	1.85%	2.78%	7.20%	10.80%
38	5.43%	8.15%	1.89%	2.83%	7.32%	10.98%
39	5.52%	8.28%	1.91%	2.87%	7.43%	11.15%

Appendix A

Member Contribution Rates (Continued)

General Tier 1 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (continued)
(as a percentage of payroll)

	Basic Only		COLA Only		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
40	5.61%	8.42%	1.95%	2.92%	7.56%	11.34%
41	5.71%	8.56%	1.98%	2.97%	7.69%	11.53%
42	5.80%	8.70%	2.01%	3.02%	7.81%	11.72%
43	5.89%	8.84%	2.05%	3.07%	7.94%	11.91%
44	5.99%	8.99%	2.08%	3.12%	8.07%	12.11%
45	6.09%	9.14%	2.11%	3.17%	8.20%	12.31%
46	6.20%	9.30%	2.15%	3.23%	8.35%	12.53%
47	6.30%	9.45%	2.19%	3.28%	8.49%	12.73%
48	6.41%	9.62%	2.23%	3.34%	8.64%	12.96%
49	6.53%	9.79%	2.27%	3.40%	8.80%	13.19%
50	6.64%	9.96%	2.30%	3.45%	8.94%	13.41%
51	6.77%	10.15%	2.35%	3.52%	9.12%	13.67%
52	6.90%	10.35%	2.39%	3.59%	9.29%	13.94%
53	7.05%	10.57%	2.45%	3.67%	9.50%	14.24%
54	7.21%	10.81%	2.50%	3.75%	9.71%	14.56%
55	7.27%	10.91%	2.52%	3.78%	9.79%	14.69%
56	7.33%	10.99%	2.54%	3.81%	9.87%	14.80%
57	7.33%	11.00%	2.54%	3.81%	9.87%	14.81%
58	7.34%	11.01%	2.55%	3.82%	9.89%	14.83%
59 & Over	7.29%	10.93%	2.53%	3.79%	9.82%	14.72%

Interest:	7.25% per annum
COLA:	3.00%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back 1 year for males and with no setback for females, weighted 30% male and 70% female
Salary Increase:	Inflation (3.25%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit II)
COLA Loading Factor:	34.68%

Appendix A

Member Contribution Rates (Continued)

General Tier 2 and Tier 3 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (as a percentage of payroll)

	Basic Only		COLA Only		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
15	3.61%	5.42%	1.25%	1.88%	4.86%	7.30%
16	3.61%	5.42%	1.25%	1.88%	4.86%	7.30%
17	3.67%	5.51%	1.27%	1.91%	4.94%	7.42%
18	3.74%	5.61%	1.30%	1.95%	5.04%	7.56%
19	3.80%	5.70%	1.32%	1.98%	5.12%	7.68%
20	3.87%	5.80%	1.34%	2.01%	5.21%	7.81%
21	3.93%	5.90%	1.37%	2.05%	5.30%	7.95%
22	4.00%	6.00%	1.39%	2.08%	5.39%	8.08%
23	4.07%	6.10%	1.41%	2.12%	5.48%	8.22%
24	4.14%	6.21%	1.43%	2.15%	5.57%	8.36%
25	4.21%	6.31%	1.46%	2.19%	5.67%	8.50%
26	4.28%	6.42%	1.49%	2.23%	5.77%	8.65%
27	4.35%	6.53%	1.51%	2.26%	5.86%	8.79%
28	4.43%	6.64%	1.53%	2.30%	5.96%	8.94%
29	4.50%	6.75%	1.56%	2.34%	6.06%	9.09%
30	4.57%	6.86%	1.59%	2.38%	6.16%	9.24%
31	4.65%	6.97%	1.61%	2.42%	6.26%	9.39%
32	4.73%	7.09%	1.64%	2.46%	6.37%	9.55%
33	4.81%	7.21%	1.67%	2.50%	6.48%	9.71%
34	4.89%	7.33%	1.69%	2.54%	6.58%	9.87%
35	4.97%	7.45%	1.72%	2.58%	6.69%	10.03%
36	5.05%	7.57%	1.75%	2.63%	6.80%	10.20%
37	5.13%	7.70%	1.78%	2.67%	6.91%	10.37%
38	5.21%	7.82%	1.81%	2.71%	7.02%	10.53%
39	5.30%	7.95%	1.84%	2.76%	7.14%	10.71%

Appendix A

Member Contribution Rates (Continued)

General Tier 2 and Tier 3 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (continued)
(as a percentage of payroll)

	Basic Only		COLA Only		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
40	5.39%	8.08%	1.87%	2.80%	7.26%	10.88%
41	5.47%	8.21%	1.90%	2.85%	7.37%	11.06%
42	5.57%	8.35%	1.93%	2.90%	7.50%	11.25%
43	5.66%	8.49%	1.96%	2.94%	7.62%	11.43%
44	5.75%	8.63%	1.99%	2.99%	7.74%	11.62%
45	5.85%	8.77%	2.03%	3.04%	7.88%	11.81%
46	5.95%	8.92%	2.06%	3.09%	8.01%	12.01%
47	6.05%	9.07%	2.10%	3.15%	8.15%	12.22%
48	6.15%	9.23%	2.13%	3.20%	8.28%	12.43%
49	6.26%	9.39%	2.17%	3.26%	8.43%	12.65%
50	6.37%	9.56%	2.21%	3.32%	8.58%	12.88%
51	6.49%	9.74%	2.25%	3.38%	8.74%	13.12%
52	6.62%	9.93%	2.29%	3.44%	8.91%	13.37%
53	6.73%	10.09%	2.33%	3.50%	9.06%	13.59%
54	6.80%	10.20%	2.36%	3.54%	9.16%	13.74%
55	6.83%	10.24%	2.37%	3.55%	9.20%	13.79%
56	6.83%	10.25%	2.37%	3.55%	9.20%	13.80%
57	6.81%	10.22%	2.36%	3.54%	9.17%	13.76%
58	7.05%	10.57%	2.45%	3.67%	9.50%	14.24%
59 & Over	7.29%	10.93%	2.53%	3.79%	9.82%	14.72%

Interest:	7.25% per annum
COLA:	3.00%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back 1 year for males and with no setback for females, weighted 30% male and 70% female
Salary Increase:	Inflation (3.25%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit II)
COLA Loading Factor:	34.68%

Appendix A

Member Contribution Rates (Continued)

General Tier 4 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (as a percentage of eligible payroll)*

	Basic Only	Total
	Eligible Pay	Eligible Pay
All General Tier 4 Members	7.34%	7.34%

Interest:	7.25% per annum
COLA:	0%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back 1 year for males and with no setback for females, weighted 30% male and 70% female
Salary Increase:	Inflation (3.25%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit II)
COLA Loading Factor:	0%

* *It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the compensation that can be taken into account for 2015 is equal to $117,020. (For an employer that is not enrolled in Social Security, the maximum amount is 120% of $117,020, or $140,424.) (reference: Section 7522.10.) These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2015. (reference: Section 7522.10(d).)*

Appendix A
Member Contribution Rates (Continued)

Safety Tier 2 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation
(as a percentage of payroll)

	Basic Only		COLA Only*		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
15	4.72%	7.08%	0.91%	2.18%	5.63%	9.26%
16	4.72%	7.08%	0.91%	2.18%	5.63%	9.26%
17	4.80%	7.20%	0.95%	2.25%	5.75%	9.45%
18	4.88%	7.32%	1.00%	2.31%	5.88%	9.63%
19	4.96%	7.44%	1.04%	2.38%	6.00%	9.82%
20	5.04%	7.56%	1.08%	2.44%	6.12%	10.00%
21	5.13%	7.69%	1.13%	2.51%	6.26%	10.20%
22	5.21%	7.82%	1.18%	2.58%	6.39%	10.40%
23	5.30%	7.95%	1.22%	2.65%	6.52%	10.60%
24	5.39%	8.08%	1.27%	2.72%	6.66%	10.80%
25	5.47%	8.21%	1.32%	2.79%	6.79%	11.00%
26	5.56%	8.34%	1.36%	2.86%	6.92%	11.20%
27	5.65%	8.48%	1.41%	2.94%	7.06%	11.42%
28	5.75%	8.62%	1.47%	3.01%	7.22%	11.63%
29	5.84%	8.76%	1.51%	3.09%	7.35%	11.85%
30	5.93%	8.90%	1.56%	3.16%	7.49%	12.06%
31	6.03%	9.04%	1.62%	3.24%	7.65%	12.28%
32	6.13%	9.19%	1.67%	3.32%	7.80%	12.51%
33	6.23%	9.34%	1.72%	3.40%	7.95%	12.74%
34	6.33%	9.49%	1.78%	3.48%	8.11%	12.97%
35	6.43%	9.65%	1.83%	3.57%	8.26%	13.22%
36	6.54%	9.81%	1.89%	3.65%	8.43%	13.46%
37	6.65%	9.97%	1.95%	3.74%	8.60%	13.71%
38	6.76%	10.14%	2.01%	3.83%	8.77%	13.97%
39	6.87%	10.31%	2.07%	3.92%	8.94%	14.23%

Appendix A
Member Contribution Rates (Continued)

Safety Tier 2 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (continued)
(as a percentage of payroll)

	Basic Only		COLA Only*		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
40	6.99%	10.49%	2.13%	4.02%	9.12%	14.51%
41	7.11%	10.67%	2.20%	4.11%	9.31%	14.78%
42	7.25%	10.87%	2.27%	4.22%	9.52%	15.09%
43	7.37%	11.06%	2.34%	4.32%	9.71%	15.38%
44	7.48%	11.22%	2.40%	4.41%	9.88%	15.63%
45	7.54%	11.31%	2.43%	4.46%	9.97%	15.77%
46	7.56%	11.34%	2.44%	4.48%	10.00%	15.82%
47	7.54%	11.31%	2.43%	4.46%	9.97%	15.77%
48	7.80%	11.70%	2.57%	4.67%	10.37%	16.37%
49 & over	8.07%	12.11%	2.71%	4.89%	10.78%	17.00%

Interest:	7.25% per annum
COLA:	3.00%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back 1 year for males and with no setback for females, weighted 80% male and 20% female
Salary Increase:	Inflation (3.25%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit II)
COLA Loading Factor:	53.84%

* COLA rate is offset by 1.63%, which is picked up by the County.

Appendix A

Member Contribution Rates (Continued)

Safety Tier 3 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation

(as a percentage of eligible payroll)*

	Basic Only	Total
	Eligible Pay	Eligible Pay
All Safety Tier 3 Members	10.79%	10.79%

Interest:	7.25% per annum
COLA:	0%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back 1 year for males and with no setback for females, weighted 80% male and 20% female
Salary Increase:	Inflation (3.25%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit II)
COLA Loading Factor:	0%

* *It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the compensation that can be taken into account for 2015 is equal to $117,020. (For an employer that is not enrolled in Social Security, the maximum amount is 120% of $117,020, or $140,424.) (reference: Section 7522.10.) These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2015. (reference: Section 7522.10(d).)*

Appendix A
Member Contribution Rates (Continued)

Probation Tier 2 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation
(as a percentage of payroll)

	Basic Only		COLA Only		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
15	4.72%	7.08%	2.14%	3.21%	6.86%	10.29%
16	4.72%	7.08%	2.14%	3.21%	6.86%	10.29%
17	4.80%	7.20%	2.18%	3.27%	6.98%	10.47%
18	4.88%	7.32%	2.21%	3.32%	7.09%	10.64%
19	4.96%	7.44%	2.25%	3.38%	7.21%	10.82%
20	5.04%	7.56%	2.29%	3.43%	7.33%	10.99%
21	5.13%	7.69%	2.33%	3.49%	7.46%	11.18%
22	5.21%	7.82%	2.37%	3.55%	7.58%	11.37%
23	5.30%	7.95%	2.41%	3.61%	7.71%	11.56%
24	5.39%	8.08%	2.45%	3.67%	7.84%	11.75%
25	5.47%	8.21%	2.49%	3.73%	7.96%	11.94%
26	5.56%	8.34%	2.53%	3.79%	8.09%	12.13%
27	5.65%	8.48%	2.57%	3.85%	8.22%	12.33%
28	5.75%	8.62%	2.61%	3.91%	8.36%	12.53%
29	5.84%	8.76%	2.65%	3.98%	8.49%	12.74%
30	5.93%	8.90%	2.69%	4.04%	8.62%	12.94%
31	6.03%	9.04%	2.73%	4.10%	8.76%	13.14%
32	6.13%	9.19%	2.78%	4.17%	8.91%	13.36%
33	6.23%	9.34%	2.83%	4.24%	9.06%	13.58%
34	6.33%	9.49%	2.87%	4.31%	9.20%	13.80%
35	6.43%	9.65%	2.92%	4.38%	9.35%	14.03%
36	6.54%	9.81%	2.97%	4.45%	9.51%	14.26%
37	6.65%	9.97%	3.02%	4.53%	9.67%	14.50%
38	6.76%	10.14%	3.07%	4.60%	9.83%	14.74%
39	6.87%	10.31%	3.12%	4.68%	9.99%	14.99%

Appendix A

Member Contribution Rates (Continued)

Probation Tier 2 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (continued)
(as a percentage of payroll)

	Basic Only		COLA Only		Total	
Entry Age	First $161.54	Over $161.54	First $161.54	Over $161.54	First $161.54	Over $161.54
40	6.99%	10.49%	3.17%	4.76%	10.16%	15.25%
41	7.11%	10.67%	3.23%	4.84%	10.34%	15.51%
42	7.25%	10.87%	3.29%	4.93%	10.54%	15.80%
43	7.37%	11.06%	3.35%	5.02%	10.72%	16.08%
44	7.48%	11.22%	3.39%	5.09%	10.87%	16.31%
45	7.54%	11.31%	3.42%	5.13%	10.96%	16.44%
46	7.56%	11.34%	3.43%	5.15%	10.99%	16.49%
47	7.54%	11.31%	3.42%	5.13%	10.96%	16.44%
48	7.80%	11.70%	3.54%	5.31%	11.34%	17.01%
49 & over	8.07%	12.11%	3.67%	5.50%	11.74%	17.61%

Interest:	7.25% per annum
COLA:	3.00%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back 1 year for males and with no setback for females, weighted 80% male and 20% female
Salary Increase:	Inflation (3.25%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit II)
COLA Loading Factor:	45.40%

Appendix A

Member Contribution Rates (Continued)

Probation Tier 3 Members' Contribution Rates - Based on the June 30, 2015 Actuarial Valuation (as a percentage of eligible payroll)*

	Basic Only	Total
	Eligible Pay	Eligible Pay
All Probation Tier 3 Members	9.56%	9.56%

Interest:	7.25% per annum
COLA:	0%
Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back 1 year for males and with no setback for females, weighted 80% male and 20% female
Salary Increase:	Inflation (3.25%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit II)
COLA Loading Factor:	0%

* *It is our understanding that in the determination of pension benefits under the CalPEPRA formulas, the compensation that can be taken into account for 2015 is equal to $117,020. (For an employer that is not enrolled in Social Security, the maximum amount is 120% of $117,020, or $140,424.) (reference: Section 7522.10.) These amounts should be adjusted for changes to the Consumer Price Index for All Urban Consumers after 2015. (reference: Section 7522.10(d).)*

5384813v5/13459.002

RESOLUTION NO. _____

RESOLUTION OF THE MENDOCINO COUNTY BOARD OF SUPERVISORS REVOKING RESOLUTION 09-218 RELATED TO EXCESS EARNINGS

WHEREAS, the Board of Supervisors has determined to revoke Resolution No. 09-218 related to excess earnings (adopted by the Board on September 22, 2009); and

WHEREAS, the Board of Supervisors had previously adopted Resolution No. 98-147 related to excess earnings on August 25, 1998 (which was revoked by Resolution 09-218); and

WHEREAS, Government Code Section 31592.4 is only operative in Mendocino County when adopted by Resolution by majority vote of the Mendocino County Board of Supervisors and the Mendocino County Employees' Retirement Association ("MCERA") Board of Retirement; and

WHEREAS, the Board of Supervisors no longer intends to make operative in Mendocino County, Government Code Section 31592.4; and

WHEREAS, the Board of Supervisors' goal is to provide for long term, stable funding of the retirement system.

NOW, THEREFORE, **BE IT RESOLVED** that effective immediately, this Resolution shall revoke Resolution No. 09-218.

The foregoing Resolution introduced by Supervisor , seconded by Supervisor , and carried this day of , 2016, by the following vote:

AYES:
NOES:
ABSENT:

WHEREUPON, the Chair declared said Resolution adopted and SO ORDERED.

ATTEST: CARMEL J. ANGELO
Clerk of the Board

_____
Deputy

APPROVED AS TO FORM:
KATHARINE L. ELLIOTT
Acting County Counsel

_____

_____
DAN GJERDE, Chair
Mendocino County Board of Supervisors

I hereby certify that according to the provisions of Government Code Section 25103, delivery of this document has been made.

BY: CARMEL J. ANGELO
Clerk of the Board

_____
Deputy

RESOLUTION NO. 09-218

RESOLUTION OF THE MENDOCINO COUNTY BOARD OF SUPERVISORS SUPERSEDING RESOLUTION 98-147 REGARDING FUNDING RETIREE HEALTH INSURANCE BENEFITS

WHEREAS, the Board of Supervisors has determined to supersede Resolution No. 98-147 and replace it with the following resolution; and

WHEREAS, the County of Mendocino Employees' Retirement Association was established in accordance with the provisions of the County Employees' Retirement Law of 1937 (the "1937 Act"; Government Code Sections 31450 - 31899.10); and

WHEREAS, on December 17, 1974 the Board of Supervisors adopted Resolution No. 74-469 to permit an amendment to the by-laws of the Retirement Association to allow the Retirement Association to grant to their retired members health insurance in accordance with the provisions in Article 8.5 of the Retirement Act as set forth in Government Code Section 31691 et seq; and

WHEREAS, Government Code Section 31592.4 is made operative in Mendocino County only when adopted by Resolution by majority vote of the Mendocino County Board of Supervisors and the Mendocino County Employees' Retirement Association ("MCERA") Board of Retirement; and,

WHEREAS, when Government Code Section 31592.4 is made operative in Mendocino County and subsidies are provided in accordance with governing rules currently in effect, the manner of providing health care subsidies to retirees will be in compliance with federal tax laws for qualified retirement plans and such subsidies will remain nontaxable to such retirees; and

WHEREAS, under Government Code Section 31592.2, MCERA may transfer all, or any part, of surplus earnings in excess of 1 percent of the total assets of the retirement system into County advance reserves for the sole purpose of payment of the costs of health benefits; and

WHEREAS, the Board of Supervisors adopted Resolution No. 98-147 on August 25, 1998 to formally adopt Section 31592.4 in order to comply with Section 401 of the Internal Revenue Code of the United States by: (1) the Board of Supervisors annually determining the level, if any, of subsidization to defray the cost of retiree health insurance benefits; and (2) any cost arising out of subsidization of that level shall first be funded by MCERA excess earnings during the preceding fiscal years;

WHEREAS, The Board of Supervisors continues to make operative in Mendocino County, Government Code Section 31592.4; and

WHEREAS, the costs associated with the retiree health care plan will be funded with the use of excess earnings of the Mendocino County Employees Retirement Association and contributions by the retired employees who participate in the plan as determined annually by the Board of Supervisors; and

WHEREAS, the Board determines that the following eligibility criteria will continue to apply:

(1) Current Employees, employed by Mendocino County before September 1, 1998 with a minimum of ten (10) years service with Mendocino County will be eligible for the same benefits and limitations as enumerated above for current Retirees.

(2) Reciprocal Agreement Members must have served the last 10 years prior to retirement with Mendocino County to be eligible for the full health insurance coverage enumerated above. Reciprocal Agreement Members with less than10 years of service with Mendocino County may apply for health insurance coverage provided the member has at least 55% of total service with Mendocino County and has served that time with the County immediately prior to retirement. The cost of monthly premiums is as follows:

YEARS OF SERVICE WITH MENDOCINO COUNTY	PERCENTAGE RETIREMENT SYSTEM PAYS	PERCENTAGE RETIREE PAYS
From 9 to 10	80%	20%
From 8 to 9	60%	40%
From 7 to 8	40%	60%
From 6 to 7	20%	80%
Less than 6	-0-	100%

(3) Service Connected Disability Retirement recipients will be eligible for the same benefits and limitations as enumerated above.

(4) Non Service Connected Disability Retirement recipients are eligible for Health Insurance coverage as outlined in Section (3) above. The number of years of service required for full health insurance coverage is the same as the requirements for reciprocal employees.

(5) Present Employees who retire with less than 10 years of service with Mendocino County will receive no health insurance benefits.

(6) Employees hired by the County after September 1, 1998, will receive no retirement system health insurance benefits.

(7) Enrollment of a Retiree's dependent in the health insurance program requires the dependent to have been covered by Mendocino County's current heath insurance plan for a period of six months, or more. If the dependent has not been covered by the Mendocino County Employee health insurance plan, a statement of health will be required before participation and coverage may be underwritten. Dependent coverage, in all cases, will be paid for by the Retiree or his or her beneficiary.

NOW THEREFORE, BE IT RESOLVED that effective immediately, this Resolution shall supersede Resolution No. 98-147.

The foregoing Resolution introduced by Supervisor Smith, seconded by Supervisor McCowen, and carried this 22nd day of September, 2009, by the following vote:

AYES: Supervisors Brown, McCowen, Smith, and Colfax

NOES: Supervisor Pinches

ABSENT: None

WHEREUPON, the Chair declared said Resolution adopted and SO ORDERED.

ATTEST: KRISTI FURMAN
Clerk of the Board

JOHN PINCHES, Chair
Mendocino County Board of Supervisors

I hereby certify that according to the provisions of Government Code Section 25103, delivery of this document has been made.

BY: KRISTI FURMAN
Clerk of the Board

APPROVED AS TO FORM:
JEANINE B. NADEL, County Counsel

RESOLUTION NO. 98-147
RESOLUTION OF THE MENDOCINO COUNTY BOARD OF SUPERVISORS REGARDING FUNDING RETIREE HEALTH INSURANCE BENEFITS

WHEREAS, the County of Mendocino Employees' Retirement Association was established in accordance with the provisions of the County Employee's Retirement Law of 1937 (the "1937 Act"; Government Code Sections 31450 - 31899.10); and

WHEREAS, Government Code Section 31592.4 is made operative in Mendocino County only when adopted by Resolution by majority vote of the Mendocino County Board of Supervisors and the Mendocino County Employee's Retirement Association ("MCERA) Board of Retirement; and,

WHEREAS, when Government Code Section 31592.4 is made operative in Mendocino County and subsidies are provided in accordance with governing rules currently in effect, the manner of providing health care subsidies will be in compliance with federal tax laws for qualified retirement plans and such subsidies will remain nontaxable to such retirees; and,

WHEREAS, under Government Code Section 31592.2, MCERA may transfer all, or any part, of surplus earnings in excess of 1 percent of the total assets of the retirement system into County Advance Reserves for the sole purpose of payment of the costs of health benefits; and,

WHEREAS, the Board of Supervisors and the MCERA Board of Retirement desire to formally adopt Section 31592.4 in order to comply with Section 401 of the Internal Revenue Service (IRS) Code of the United States by: (1) the Board of Supervisors annually determining the level, if any, of subsidization to defray the cost of retiree health insurance benefits; and (2) any cost arising out of subsidization of that level shall first be funded by MCERA excess earnings during the preceding fiscal years; and,

WHEREAS, the Board of Supervisors has determined to adopt by resolution Government Code Section 31592.4 as applicable and operative in the County of Mendocino with the following benefit levels, eligibility criteria and estimated costs:

(1) Current Retired Employees will be eligible for the full benefit which will be capped at an amount which will not exceed limits imposed by IRS Code or will not exceed available excess earnings of Retirement System assets. If IRS Codes limit the amount which can be paid by the County, or excess earnings are not sufficient to pay the full benefit, 50% of the shortfall will be paid by the retirees and 50% of the shortfall will be paid by the County's General Fund.
(2) Current Employees, employed by Mendocino County before September 1, 1998 with a minimum of ten (10) years services with Mendocino County will be eligible for the same benefits and limitations as enumerated above for current Retirees.

(3) Reciprocal Agreement Members must have served the last 10 years prior to retirement with Mendocino County to be eligible for the full health insurance coverage enumerated above. Reciprocal Agreement Members with less than 10 years of service with Mendocino County may apply for health insurance coverage provided the member has at least 55% of total service with Mendocino County and has served that time with the County immediately prior to retirement. The cost of monthly premiums is as follows:

YEARS OF SERVICE WITH MENDOCINO CO.	PERCENTAGE RETIREMENT SYSTEM PAYS	PERCENTAGE RETIREE PAYS
From 9 to 10	80%	20%
From 8 to 9	60%	40%
From 7 to 8	40%	60%
From 6 to 7	20%	80%
Less than 6	-0-	100%

(4) Service Connected Disability Retirement recipients will be eligible for the same benefits and limitations as enumerated above for current retirees and current employees, with no minimum years of service required for eligibility.
(5) Non Service Connected Disability Retirement recipients are eligible for Health Insurance coverage as outlined in Section (3) above. The number of years of service required for full health insurance coverage is the same as the requirements for reciprocal employees
(6) Present Employees who retire with less than 10 years of service with Mendocino County will receive no health insurance benefits.
(7) Future Employees, hired by the county after September 1, 1998, will receive no retirement system health insurance benefits.
(8) Enrollment of a Retiree's dependent in the health insurance program requires the dependent to have been covered by the Mendocino County's current health insurance plan for the period of six months, or more. If the dependent has not been covered by the Mendocino County current health insurance plan, a statement of health will be required before participation and coverage may be underwritten. Dependent coverage, in all cases, will be paid for by the Retiree or his or her beneficiary.

The cost associated with providing health insurance coverage for the current configuration of retirees for Fiscal Year 1998-99 is estimated to be between $1,078,000 (expected cost) and $1,379,000 (maximum cost). Because the retirement system is enrolled in a partially self funded health insurance program the total actual cost of providing coverage will not be known until the end of the fiscal year. At the present time sufficient excess earnings exist within the retirement fund to provide coverage for approximately three to five years.

THEREFORE, BE IT RESOLVED that effective immediately Government Code Section 31592.4 is hereby adopted and shall be applicable to the County of Mendocino Employees Retirement Association.

BE IT FURTHER RESOLVED that the enclosed Governing Rules are hereby adopted and shall be applicable to the County of Mendocino employees Retirement Association.

The above and foregoing resolution was introduced by Supervisor Shoemaker, who moved for its adoption, seconded by Supervisor Peterson, and passed and adopted this 25th day of August, 1998, by the following vote on roll call:

Ayes: Supervisors Delbar, Shoemaker, Campbell, Peterson, Pinches
Noes: None
Absent None

WHEREUPON, the Chair declared said Resolution adopted and SO ORDERED.

JOHN PINCHES, CHAIRMAN

ATTEST: JOYCE A. BEARD
Clerk of the Board

I hereby certify that according to the provisions of Government Code Section 25103, delivery of this document has been made.

JOYCE A. BEARD
Clerk of the Board
By: Kristin Meyer
DEPUTY

MENDOCINO COUNTY EXECUTIVE OFFICE

NEWS RELEASE

CONTACT: Executive Office (707) 463-4441

TO: MENDOCINO COUNTY NEWS MEDIA

FR: MENDOCINO COUNTY EXECUTIVE OFFICE

Ukiah, California…*December 30, 2015*

COUNTY OF MENDOCINO RECEIVES "A" CREDIT RATING BY FITCH RATINGS – OUTLOOK STABLE

Fitch Ratings recently conducted a customary review of Mendocino County's credit rating and stability. Today, December 30, 2015, the County received the following Press Release from Fitch outlining their findings.

FITCH AFFIRMS MENDOCINO COUNTY, CA'S POBS AT 'A'; OUTLOOK STABLE

Fitch Ratings-San Francisco-30 December 2015: Fitch Ratings has affirmed the following Mendocino County, CA (the county) ratings:

--$64.15 million pension obligation refunding bonds (POBs) series 2002 at 'A';
--Implied general obligation rating at 'A+'.

The Rating Outlook is Stable.

SECURITY

The POBs are an absolute and unconditional obligation of the county imposed by law, the payment of which is not limited to any special source of funds.

KEY RATING DRIVERS

CONTINUED FINANCIAL IMPROVEMENT: The county's financial position continues to improve following a period of substantial expenditure reductions and management reforms.

LIMITED ECONOMIC GROWTH: The county continues to face challenges associated with a long-term economic contraction. After falling for many years, employment levels increased modestly in the past few years while population growth has flattened. In addition, wealth and income levels remain well below state and national averages.

MANAGEMENT REFORMS SUSTAINED: The county continues to make notable progress in addressing weaknesses previously cited by Fitch. Management recently met increased fund balance targets, updated treasury practices, and updated the capital improvement plan.

501 Low Gap Rd, Rm 1010
Ukiah CA 95482-3734

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MODERATE DEBT AND ELEVATED PENSIONS: Overall debt levels are moderate and expected to remains so given no additional planned borrowing in the intermediate term. Pension contribution requirements are considerable and rising, though total carrying costs are manageable.

RATING SENSITIVITIES

LIMITED REVENUE FLEXIBILITY AND ECONOMY: The rating is likely limited to the current level due to the county's constrained revenue raising ability coupled with the inherent limitations of its economic base.

CREDIT PROFILE

Mendocino County is located in northern California, along the Pacific coast, approximately 115 miles north of San Francisco. The county's estimated population of 90,000 is little changed from the 1990s and is dispersed across 3,500 square miles - a land area larger than several states.

FINANCIAL IMPROVEMENT CONTINUES

The county ended fiscal 2014 with a fourth consecutive year of strong general fund operating results. The operating surplus after transfers for 2014 equaled 6.2% of general fund spending, raising the unrestricted fund balance to 19.6% of spending ($27.3 million). This is a notable improvement from just 3.6% ($5.4 million) in fiscal 2011 and negative fund balance in fiscal 2010. Year-end cash balances also rose substantially for the fourth consecutive year, from just $14,000 in fiscal 2010 to $30.8 million in fiscal 2014. As such, the ratio of cash to liabilities, less deferred revenue, stood at over 3.0x.

Unaudited fiscal 2015 results are similarly positive, with a surplus equal to 5.1% of spending increasing the unrestricted fund balance to 23.7% of spending. Year-end cash increased to $41million.

The county's strong performance follows substantial expenditure reductions over the past several years, primarily through workforce and payroll reductions. Workforce reductions eliminated approximately one-fourth of the county's full-time employees after the recession, while remaining employees experienced permanent wage cuts of 10% to 12.5%. Most of the most recent two-year labor contracts through fiscal 2017 have 2% - 3% annual compensation increases. In addition, the county eliminated other post-employment benefits (OPEB) for current and retired employees.

Management projects further, albeit smaller, additions to fund balance going forward, which Fitch considers reasonable given prior year expenditure reductions and revenue improvements through mid-year.

LIMITED ECONOMY

The county continues to face a long-term economic contraction that dates from the late 1990s. Population growth has been very slow over this period and employment levels dropped steadily before increasing modestly the past few years. Tourism and wine production have provided some opportunities for growth, but overall employment and labor force levels have not recovered to prerecession levels.

Unemployment rates for the county, which have generally been slightly higher than statewide averages, declined to 5.0% as of October 2015. Income and wealth indicators are weak at 71% and 80% of state and national averages, respectively.

Taxable assessed valuation (TAV) was relatively unaffected by the national housing boom and has been insulated from subsequent declines. TAV dropped by just 2.2% between 2010 and 2013 after many years of steady increases, and resumed growth in fiscals 2014 and 2015 (cumulative 3.3% increase).

POSITIVE MANAGEMENT REFORMS

The county has made notable progress the past few years in addressing management weaknesses cited in prior rating reviews. The county adopted a general fund reserve policy in 2012 that increased targets for its stabilization, counter-cyclical and emergency reserves from a cumulative 2% to 6.35% of general fund expenditures, or a minimum of $10 million. The policy also provided a mechanism for incremental additions to reserves until targeted levels are reached, which occurred in fiscal 2015.

The county also made substantial revisions to its investment practices in 2012, diversifying investment categories, increasing credit quality, and reducing maturities in general. These actions appear likely to improve the county's ability to meet its chief investment goal of principal protection, and to better serve its cash management needs.

The county adopted and last updated in May 2014 a five-year capital plan (fiscals 2014 - 2018) after having been without one since 2006; it is also planning a 2016 update. The general fund CIP totals $15.5 million and includes county roof replacements at $6 million and ongoing facilities maintenance at $2.3 million and will be funded on a pay-as-you-go basis. The largest cost facing the county long-term is a remodel or replacement of the county jail at $21 million. The county's application for a $20 million state grant was denied and it plans to apply for future grants, as management estimates the facility has sufficient capacity for the next five to ten years.

MODERATE DEBT; ELEVATED PENSION COSTS

Overall debt levels are moderate at $3,398 per capita or 2.9% of TAV. Amortization of direct debt is average with 67% of outstanding principle retired in 10 years. Management has no current plans for debt issuance. In addition, fiscal 2016 is the third consecutive year it did not require short-term cash flow borrowing, due to its improved financial position.

As of June 30, 2014, the Mendocino County Employees' Retirement Association had a funded ratio of 69.3%, or 67.4% under Fitch's alternate investment assumption of 7% returns. County contributions have increased by 64% over the past five years, largely due to lower than expected investment results.

Total pension costs, including POB debt service and pension contributions, have accounted for a growing share of governmental spending in recent years. Pension costs represented 4.5% of governmental expenditures in fiscal 2010 rising to 8.3% in 2014. As overall governmental spending has declined (due largely to workforce and payroll reductions), such fixed costs have increased as a share of remaining expenditures.

Total carrying costs for pensions, other post-employment benefits (OPEBs), and debt service were a moderate 14.1% of governmental expenditures in fiscal 2014. The county began a phased elimination of OPEBs in 2010, which was effective Dec. 31, 2013.

For more information, please contact the Mendocino County Executive Office at (707) 463-4441.

Released by:_____

Carmel J. Angelo
Chief Executive Officer