

BOB MIRATA  
CHAIRMAN  
B.O.S. APPOINTEE

SHARI SCHAPMIRE  
VICE-CHAIRMAN  
TREASURER TAX COLLECTOR

TIM KNUDSEN  
SECRETARY  
ELECTED RETIRED MEMBER

SUPERVISOR KENDALL SMITH  
B.O.S. APPOINTEE

VACANT  
B.O.S. APPOINTEE

TED STEPHENS  
B.O.S. APPOINTEE

LLOYD WEER  
ELECTED  
GENERAL MEMBER

RANDY GOODMAN  
ELECTED GENERAL  
MEMBER

CRAIG WALKER  
ELECTED SAFETY  
MEMBER

RICHARD SHOEMAKER  
ELECTED RETIRED  
ALTERNATE MEMBER



JIM ANDERSEN  
RETIREMENT  
ADMINISTRATOR

JEFF BERK  
LEGAL COUNSEL

---

# MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA JANUARY 18, 2012 – 8:30 A.M.

---

- 1) ROLL CALL (8:30 A.M.)
- 2) APPROVAL OF THE MINUTES OF BOARD MEETINGS HELD DECEMBER 12 AND DECEMBER 14, 2011 (Estimated Time 5 min.)
- 3) PUBLIC COMMENT (Estimated Time 5 min.)

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

- 4) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 20 min.)
  - a) Withdrawal of contributions by terminating employees
  - b) Billings for fees and services
  - c) Presentation of Administrator's report

◆RETIREMENT BOARD MEETING AGENDA◆

◆JANUARY 18, 2012 - 8:30 A.M.◆

5) INVESTMENTS/FINANCIALS (Estimated Time 5 min.)

- a) Presentation of financial statements
- b) Action may be taken to terminate or hire investment managers at any meeting

6) PRESENTATION AND POSSIBLE ACTION REGARDING THE JUNE 30, 2011 ACTUARIAL VALUATION STUDY (THE SEGAL COMPANY) (Timed Item at 9:00 A.M.) (Estimated Time 1 hour & 30 min.)

BREAK (Approximate time 10:30 A.M.)(10 min.)

7) CLOSED SESSION (Timed Item at 10:40 A.M.) (Estimated Time 45 min.)

a) Pending disability applications:

- 1) Hudson, Gary (09/07/10) Sheriff SCD
- 2) Koskinen, Kim (10/15/08) HHS (Soc Services) SCD

b) Potential threat of litigation pursuant to Government Code Section 54956.9(b)(3)(A) - 1 case

(Pursuant to Government Code Section 31532, individual medical records of disability applicants will be discussed during closed session and are not public information.)

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

9) DISCUSSION AND POSSIBLE ACTION REGARDING STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND (LAIF) AUTHORIZED SIGNATURES RESOLUTION (Estimated Time 5 min.)

10) DISCUSSION AND POSSIBLE ACTION REGARDING 2012 BOARD MEETING CALENDAR (Estimated Time 5 min.)

11) DISCUSSION AND POSSIBLE ACTION REGARDING AD HOC COMMITTEES (Estimated Time 5 min.)

12) REPORT FROM EXECUTIVE RECRUITMENT AD HOC COMMITTEE (Estimated Time 5 min.)

ADJORNMENT (Approximate time 11:55 A.M.)

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

◆RETIREMENT ASSOCIATION CONFERENCE ROOM: 625-B KINGS COURT, UKIAH, CA 95482◆

◆PHONE 707-463-4328 FAX 707-467-6472◆ WWW.CO.MENDOCINO.CA.US/RETIREMENT◆

James M. Andersen  
Retirement Administrator



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

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

Date: January 11, 2012  
To: Board of Retirement  
From: Jim Andersen, Retirement Administrator   
Subject: Discussion and Possible Action Regarding the Administrator's Report

Financial

1. Staff sent notice of MCERA's new placement agent policy along with forms to all fund managers with a return deadline of January 1, 2012. We are currently in the process of reviewing the responses from each of the fund managers.
2. Working closely with Callan, staff sold \$6 million dollars worth of shares from the Dodge & Cox Income Fund and PIMCO, \$3 million from each. The sales were for the purposes of rebalancing the portfolio asset classes/managers to targets and raising \$2 million in cash for operations. Of the \$4 million reinvested, MCERA purchased the following international equities: \$1.5 million in shares of American Fund EuroPacific Growth Fund, \$1.5 million in shares of Janus Overseas Fund and \$1.0 million in shares of Mondrian All Countries World Ex-US Fund.
3. Also working closely with Callan, staff instructed the sale of \$10 million in shares of the RREEF Real Estate Securities Commingled Fund and purchased \$10 million in the Cornerstone Patriot Private Real Estate Fund. This was the first capital call by Cornerstone since the Board chose this fund to meet its private real estate target. At this time, the investment in private real estate is above target. Staff will instruct RREEF America REIT II (private real estate) to sell shares on April 1, 2012, the first available sale date, and deposit the proceeds into the RREEF Real Estate Securities Commingled Fund to balance real estate investments to targets. RREEF America REIT II requires a letter of instruction no later than 45 days before the sale.
4. Staff has prepared a recommended Cash Management and Rebalancing Policy. We intended to place it on the January agenda; however, due to my lack of availability for that meeting, the item will be placed on your February agenda.
5. Staff submitted a survey to all 1937 Act systems requesting the employer contribution and debt service on pension obligation bonds as a percent of payroll. Although this survey does not paint a complete picture of comparable employee pension rates, as it does not address different actuarial assumptions and practices, trends, etc., the systems do

find it useful in that it includes annual pension costs through bonded indebtedness in the comparison.

### Legislation

There is nothing new to report at this time.

### Automation

Staff received a final timeline from Linea Solutions regarding initiation of the electronic data imaging project (EDMS). The timeline is attached. It breaks out project milestones on a weekly basis, and identifies differing levels of MCERA staff resource needs during the project.

As you will see, heavy to moderate resources will be required in file planning (March 2012 to May 2012), document preparation (July through October 2012), and during staff training (January 2013). The project plan and budget anticipated hiring an extra help employee for the document preparation phase; however, existing benefits staff will be needed to assist in the file planning and training phases.

Unless otherwise directed by the Board, we will proceed according to the project schedule. I anticipate the need to utilize Compensatory Time Off (CTO) or overtime for the file planning and training phases. Extra help should be sufficient during the document preparation phase.

As this project will overlap with the Correction of Contribution Rates Project, the Board may want to direct staff to push the timeline out. Such a change can be accommodated by Linea Solutions, however, it does not meet the Board's objective of dividing the activities and costs somewhat equally over two fiscal years.

### Retiree Health Care

The County, its health care consultant, and a Board appointed a committee of retirees continue to meet and evaluate alternatives for maintaining access to health care for pre-Medicare retirees. County staff, consultant and the committee will be reporting back to the Board of Supervisors with findings and recommendations on January 24, 2012, at 1:30 PM.

### Correction of Contribution Rates Project

A January 2012 project status report is attached for your review.

### Miscellaneous

1. Lloyd Weer was unopposed for the 3<sup>rd</sup> seat on the Board, General Member (elected). On January 10, 2012, the Board of Supervisors will direct the County Clerk to cast a unanimous ballot in favor of Mr. Weer, and he will be eligible to attend January meeting of the Board.

JA

**Jim Andersen - Updated Project Timeline and supplemental staff hour analysis**

**From:** Barbara Scheffels <bscheffels@lineasolutions.com>  
**To:** Jim Andersen <andersej@co.mendocino.ca.us>  
**Date:** 12/5/2011 8:57 AM  
**Subject:** Updated Project Timeline and supplemental staff hour analysis  
**CC:** Akio Tagawa <atagawa@lineasolutions.com>  
**Attachments:** 2011 12 05 MCERA-EDMS-Resource-analysis-by-week-and-milestone-v1.xlsx; 2011 12 05 - MCERA EDMS-high-level-project-schedule-v2.mpp

---

Good morning Jim:

Attached please find an updated project schedule that now assumes a start date around March 19, 2012. I also created an Excel spreadsheet that I thought might be helpful for you from a planning perspective, it shows the average hours needed from MCERA staff by week for each major milestone in the schedule. It also shows where major tasks might overlap.

If you open up the spreadsheet, you will find that it is structured as follows:

- 1) Column A has the starting date of each week for the whole project
- 2) Columns C – Q show the estimated maximum hours for MCERA staff broken down by milestone
- 3) Column B shows an estimated maximum hours per week for MCERA staff (it is the sum of all hours depicted in Columns C-Q)
- 4) Row 3 shows the estimated summary staff hours by major milestone

In addition to showing the estimated hours, I also color coded the avg. hours by milestone and week for a quick overview as follows:

- **Dark Gray** = no input/involvement needed by MCERA staff (However, County IT hours will most likely be needed in many of those fields)
- **Green** = light effort needed by MCERA Staff
- **Yellow** = light to medium effort needed by MCERA staff
- **Orange** = medium to significant effort needed by MCERA staff

I hope that this spreadsheet will help you get a better overview of the estimated effort needed by your staff throughout the project.

Could you please let me know if you'd like to discuss this in more detail or if we need to make any adjustments to the spreadsheet or schedule?

Thank you!

Barbara

	Major Milestones	Rqmts, taxonomy, security, file plan	SW Selection/design	Hire and Train Temp Staff member	Backfile Conversion Process Devlpmt	File Tracking & QA system dvlpmt	Hardware prcmnt / System config	Select & train imaging vendor	Docmt Prep	Schedule/ quotas dvlpmt	Box/ Ship/ image	Define day-forward procedures	Image QA	System deployment/ testing	User training	Day-forward Cutover / support
Week of	Max staff hrs by milestone / week	50 - 68 hrs	16 - 26 hrs	8 - 12 hrs	3 hrs	6 hrs	0 hrs	12 - 18 hrs	72 - 84 hrs	0 hrs	0 hrs	12 - 16 hrs	38 - 48 hrs	8-12 hrs	24 - 42 hrs	6 hrs
3/19/2012	6-8 hrs	6-8 hrs														
3/26/2012	8-10 hrs	8-10 hrs														
4/2/2012	8-10 hrs	8-10 hrs														
4/9/2012	8-10 hrs	8-10 hrs														
4/16/2012	6-8 hrs	6-8 hrs														
4/23/2012	6-8 hrs	6-8 hrs														
4/30/2012	4-6 hrs	4-6 hrs	2 hrs													
5/7/2012	4-6 hrs	2-4 hrs	2 hrs													
5/14/2012	4-8 hrs	2-4 hrs	2-4 hrs													
5/21/2012	2-4 hrs		2-4 hrs													
5/28/2012	2-4 hrs		2-4 hrs													
6/4/2012	3-6 hrs		2-4 hrs		1-2 hrs											
6/11/2012	3-6 hrs		2-4 hrs		1-2 hrs											
6/18/2012	3-5 hrs		2-4 hrs		1 hr											
6/25/2012	6-8 hrs		2-4 hrs	2 hrs		2 hrs										
7/2/2012	4 hrs			2 hrs		2 hrs	0 hrs									
7/9/2012	4-6 hrs			2-4 hrs		2 hrs	0 hrs									
7/16/2012	4-6 hrs			2-4 hrs			0 hrs	2 hrs								
7/23/2012	6-10 hrs						0 hrs	2-4 hrs	4-6 hrs							
7/30/2012	6-10 hrs						0 hrs	2-4 hrs	4-6 hrs							
8/6/2012	6-10 hrs						0 hrs	2-4 hrs	4-6 hrs	0 hrs						
8/13/2012	6-8 hrs						0 hrs	2 hrs	4-6 hrs	0 hrs						
8/20/2012	6-8 hrs						0 hrs	2 hrs	4-6 hrs	0 hrs						
8/27/2012	4-6 hrs								4-6 hrs							
9/3/2012	8-10 hrs								4 hrs		0 hrs	4-6 hrs				
9/10/2012	8-10 hrs								4 hrs		0 hrs	4-6 hrs				
9/17/2012	8-10 hrs								4 hrs		0 hrs	2 hrs	2-4 hrs			
9/24/2012	8-10 hrs								4 hrs		0 hrs	2 hrs	2-4 hrs			
10/1/2012	6-8 hrs								4 hrs		0 hrs		2-4 hrs			
10/8/2012	6-8 hrs								4 hrs		0 hrs		2-4 hrs			
10/15/2012	6-8 hrs								4 hrs		0 hrs		2-4 hrs			
10/22/2012	6 hrs								4 hrs		0 hrs		2 hrs			
10/29/2012	6 hrs								4 hrs		0 hrs		2 hrs			
11/5/2012	6 hrs								4 hrs		0 hrs		2 hrs			
11/12/2012	6 hrs								4 hrs		0 hrs		2 hrs			
11/19/2012	6 hrs								4 hrs		0 hrs		2 hrs			
11/26/2012	2 hrs										0 hrs		2 hrs			
12/3/2012	2 hrs										0 hrs		2 hrs			
12/10/2012	2 hrs										0 hrs		2 hrs			
12/17/2012	6-8 hrs										0 hrs		2 hrs	4-6 hrs		
12/24/2012	6-8 hrs										0 hrs		2 hrs	4-6 hrs		
12/31/2012	2 hrs										0 hrs		2 hrs			
1/7/2013	2 hrs										0 hrs		2 hrs		8-16 hrs	
1/14/2013	10-16 hrs										0 hrs		2 hrs		8-16 hrs	
1/21/2013	12-14 hrs										0 hrs		2 hrs		8-10 hrs	2 hrs
1/28/2013	2 hrs										0 hrs					2 hrs
2/4/2013	2 hrs										0 hrs					2 hrs

# Project Charter

**Project Name:**

Correction of Contribution Rates

**Expected Deliverables/Outcomes:** *List of reports, recommendations, policies, processes, services, or other expected products from the project. Remember that deliverables are things, not actions. Number each deliverable.*

1. A report from the actuary containing the correctly calculated basic member contribution rates, for each tier and type of employee, for adoption by the Boards of Retirement and Supervisors to be effective January 1, 2012.
2. A report from the actuary containing the basic member contribution rates, for each tier and type of employee, which should have been used for fiscal years 2009/10 through December 31, 2011.
3. A secured, web based file transfer site (FTP).
4. A software program to compute, for all members who contributed during fiscal years 2009/10, 2010/11, and through December 31, 2011, the variance between the actual contribution and the corrected contribution rates plus interest rates recommended by general and tax counsel. The software program will be able to transfer member data to correspondence with members regarding their over/under payment (see 12).
5. A database containing a file for each member who made a contribution between July 1, 2009 and December 31, 2011, by pay period, displaying the variance and how it was calculated. The database will be capable of rolling up pay period variances into member and organizational variances.
6. A legal opinion from tax counsel, and associated advice, describing how refunds of any overpayments to members and collections of underpayments from members and plan sponsors can be accomplished in a manner that is compliant with IRS rules. The opinion will include all forms and procedures appropriate for tax reporting purposes.
7. A policy determining whether or not members who underpaid contributions will be required to make payments to the retirement system. The policy should identify all subgroups (e.g., retirees, deferred members, active members) and the rules for making payments, if any.
8. A report from the actuary and tax counsel containing alternatives and recommendations regarding the source for financing refunds of overpayments and receipt of underpayments, if any. The financing policy must address financing of cash flows, but also address the manner in which the retirement system will receive reimbursement from the plan sponsors for employer contributions that should have been made during fiscal year 2009/10 through December 31, 2011.
9. A report from the actuary, in close collaboration with the software vendor, containing the outcome of quality assurance samples from the database and quality assurance calculations at a summary, or plan, level.
10. A report from tax counsel and Retirement Administrator, as required by the IRS, containing controls that will limit exposure of such errors occurring in the future. The report will also contain a discussion of the alternatives for either supplementing our existing Voluntary Correction Plan (VCP) submitted to the IRS, or filing a new VCP.
11. A new or supplemental VCP.
12. A communication plan to members, plan sponsors and the media, including standardized correspondence to each of the stakeholders.

**Project Owner:** *The Project Owner provides or locates funding and resources for the project, approves project work plans, timelines, and budget, guides and directs the project manager, and in concert with the project manager delineates roles and responsibilities of the manager and project team. Overall they ensure successful completion of the project.*

The Board of Retirement.

**Project Manager(s):** *The project manager is responsible for ensuring that project planning, execution, and reporting occur. For purposes of the project, reports to Project Owner (though may be the same person).*

The Retirement Administrator.

Strong consideration should be given to a board ad hoc or steering committee, and a technical advisory committee (i.e., IT, Auditor, Legal and Actuary)

**Other Departments Involved:** *Please list those departments whose participation or support is necessary in order for the project to be completed.*

1. Information Services Division of the County General Services Agency: (a) set up FTP and (b) consultation on data sharing.
2. Auditor-Controller: (a) distribution of overpayments as directed; (b) possible collection of underpayments; (c) collaboration with tax counsel on forms and procedures to remain compliant for tax purposes; (d) implementing new rates; and (e) provision of payroll data to contractor.
3. Courts: (a) distribution of overpayments as directed; (b) possible collection of underpayments; (c) collaboration with tax counsel on forms and procedures to remain compliant for tax purposes; (d) implementing new rates; and (e) provision of payroll data to contractor.
4. Treasurer: collaboration on cash flow strategy for refunds of overpayments.
5. CEO: (a) collaboration on cash flow strategy and (b) collaboration on repayment to MCERA of sponsor underpayments.
6. County Counsel: advising the plan sponsor on reimbursing MCERA for underpayments of employer contributions.

**Start/Finish:**

1. Begin October 20, 2011.
2. Implement new, corrected rate January 1, 2012.
3. Balance of work products/milestone activities by June 30, 2012 (see milestone table).

**Background/Summary:** (Optional)

It was communicated by MCERA's previous actuary, Buck Consultants, and confirmed by its new actuary, The Segal Company, that members' basic contribution rates for fiscal years 2009/10, 2010/11 and 2011/12 were incorrectly computed, resulting in an overpayment of contributions by employees, in the aggregate, during that period. The project is to correct the employee and employer payments.

**Resources Required:** Please note the name of the county department and whether existing and/or new personnel will be required, as well as any external resources. Note role they will play (examples would be Project manager, Subject Matter Experts, IT support, Project team member, etc): check box for existing or new.

Department	Role	Existing	New
Retirement	Project Management	Yes	
Information Services	FTP site	Yes	
Auditor-Controller	Payroll data	Yes	
	Distributions/Collections	Yes	
	Implement new rate	Yes	
Courts	Payroll data	Yes	
	Distributions/Collections	Yes	
	Implement new rate	Yes	
Treasurer	Cash flow strategy	Yes	
CEO	Cash flow strategy	Yes	
	County contribution	Yes	
County Counsel	County contribution	Yes	
Peter Stalder, contractor	Software development		Yes
	Database development		Yes
The Segal Company	Establish correct rates		Yes
	Quality assurance		Yes
Hanson Bridgett	IRS compliance advice		Yes
	Future Internal Controls		Yes
	VCP review		Yes
Retirement	Communications	Yes	

**Policy Review:** List and briefly describe Board of Retirements, Board of Supervisors or CEO policies that need to be considered and/or resolved before the project can be completed.

1. The Board of Retirement must determine if a steering and/or technical advisory committee is desired, and, if so, to establish their composition.
2. The Board of Retirement must determine what interest rate will be used.
3. The Board of Retirement and Board of Supervisors must adopt corrected rates effective January 1, 2012.
4. The Board of Retirement must establish a policy regarding collection of underpayments. Any underpayments not collected will increase the plan sponsors' payments.
5. The Board of Supervisors, in coordination with the CEO, Treasurer, County Counsel, and MCERA (tax counsel) must determine the cash source for reimbursing overpayments of employee contributions.
6. The Board of Retirement, in coordination with the Board of Supervisors, CEO, collective counsels (County, MCERA, tax) and the actuary must determine the manner in which the retirement system will collect underpayments by the plan sponsor from July 1, 2009 to December 31, 2011.
7. The Board of Retirement, in coordination with tax counsel, must determine whether or not to submit a supplemental or new VCP to the IRS.

**Assumptions/Constraints:** *List any major assumptions and or constraints important to the project's success.*

1. Corrected employee contribution rates can be established by January 1, 2012, thereby setting limits around the corrective action.
2. An IRS compliant means of reimbursing members for overpayments of contributions can be determined and can be implemented by the County's finance system.
3. The Board of Retirement and Board of Supervisors can agree upon a strategy for correcting underpayment of employer contributions that meets the fiduciary standards for the BOR and is financially manageable for the BOS.
4. That the electronic data imaging (EDMS) project can be initiated concurrently or immediately following the contribution correction project.

**Project Interdependencies and Inputs:** *List by project name any other projects or initiatives upon which this project is dependent. Also note any projects or initiatives dependent upon this project.*

1. Application to the IRS for a Determination Letter and VCP.
2. The June 30, 2011 valuation study and 2009 to 2011 experience study.
3. The June 30, 2012 valuation study.
4. The fiscal year 2011/12 and/or 2012/13 County and Courts budgets.
5. The electronic data imaging (EDMS) project.

**Risks:** *(Optional)*

1. Employee/Member Relations. Likelihood of reduced employee/member confidence in the employer and MCERA during a critical period for the plan sponsor in Employee Relations and MCERA in its organizational development.
2. Rate increase and corrective action resulting in an economic hardship to the plan sponsors.
3. Limited alternatives for financing member reimbursements (cash flows) due to IRS constraints.
4. Change in project lead during project.
5. Unknown impact to MCERA's Determination Letter and VCP applications.

**Exclusions:** *Use this section, if necessary, to clarify what **will not** be addressed by the project.*

Member contribution rates were reviewed by The Segal Company (Segal) beginning with the June 30, 2010 actuarial valuation. Segal reviewed both the basic and COLA rates. An error was found in the basic rate, but the COLA rate was determined to be correct. As a result all previous COLA rates were assumed to be correct. Segal continued to review the basic rate until finding the first year in which the basic was correct, June 30, 2007 (for fiscal year 2008/09). Employee contributions rates were not reviewed for any other periods.

**Milestones:** *Note key events marking project progress*

1. Corrected rates from the actuary.
2. Determine interest rate for overpayment corrections.
3. Variances calculated for each member.
4. Determination of a tax forms and procedures for reimbursing overpayments by members.
5. Determination of the manner in which the plan sponsors will correct underpayments to the retirement system.
6. Completion of actuarial quality assurance work.
7. Determination regarding whether to submit a new or supplemental VCP.
8. Standardized communication to each member regarding their under/over payment, and how the corrective action plan will work.
9. Input corrected information into member ledgers, pension system.
10. Submission of the new or supplemental VCP.

**Project Duration Estimates**

<b>Project Milestone</b>	<b>Date Estimate (mo/day/year)</b>	<b>Confidence Level (high, medium, or low)</b>
Board of Retirement establish a steering committee and/or technical advisory committee (TAC)	10/19/2011	High
County IS set up an FTP site	10/21/2011	High
Corrected rates from the actuary	11/04/2011	High
Determine Interest rate to be applied	11/09/2011	High
Variances calculated for each member through June 30, 2011	12/09/2011	High
Board of Retirement adopt corrected rate for 2011/12	12/12/2011	High
Board of Supervisors adopt corrected rate for 2011/12	12/13/2011	High
Actuarial sampling and Quality Assurance of variance calculations through June 30, 2011	12/30/2011	High
Implement corrected rate for the balance of 2011/12	01/08/2012	High
Variances calculated for each member from July 1, 2011 through December 31, 2011	01/20/12	High

Actuarial sampling and Quality Assurance of variance calculations through December 31, 2011, and at the summary level	02/03/2012	High
Input corrections into County, Court and Retirement systems	02/10/2012	High
Determination of a tax forms and procedures for reimbursing overpayments by members	02/15/2012	Moderate
Determination of whether or not to collect from members who underpaid contributions	02/15/2012	High
Determine new project lead	03/21/2012	Moderate
Determination on the manner in which the plan sponsors will correct underpayments to the retirement system	03/21/2012	High
Standardized communication to each member regarding their under/over payment, and how the corrective action plan will work	03/21/2012	Moderate
Letter from tax counsel and the Retirement Administrator to the IRS regarding internal controls to avoid future errors/corrections	04/18/2012	
Determination regarding whether to submit a new or supplemental VCP	04/18/2012	
Submission of the new or supplemental VCP	06/20/2012	

**Project Status:** For those projects underway, please note the date and indicate Green (low concern) Yellow (moderate concern) or Red (high concern) that project will exceed timeline, budget or scope.

- **Milestone 1 – Completed.** That the Board establishes an ad hoc committee for staff guidance between meetings. On October 19<sup>th</sup> the Board established an ad hoc committee of Goodman and Walker. Staff was authorized to create a technical advisory committee (TAC) as needed.
- **Milestone 2 – Completed.** That County IS set up a secured FTP site on October 24<sup>th</sup> for transferring information between authorized project participants. Staff identified all individuals who would need access to the site, and IS established a security system and list of users.
- **Milestone 3 – Completed.** Corrected rates from the actuary. Segal has calculated correct employee and employer contribution rates for FY 2009/10, 2010/11, and 2011/12. The new rates have been provided to Peter Stalder and as of December 2, 2011, Peter has nearly completed corrected rates by pay period for 2009/10 and 2010/11.
- **Milestone 4 – Completed.** Determine interest rate to be applied. The Board of Retirement acted at its November meeting to reimburse actual over and under payments, without the application of interest/earnings.
- **Milestone 5 – Completed.** Variances calculated for each member through June 30, 2011.

Contracted consultant Peter Stalder has received all requested data for fiscal years 2009/10 and 2010/11. Peter has been working closely with the courts, Retirement, and County payroll on any information needs. The milestone was completed on December 6, 2011. Segal has been asked to begin to perform its Quality Assurance work.

- **Milestone 6 – Completed.** Board of Retirement adopts corrected rates for 2011/12. Segal has provided corrected employee and employer contribution rates to be effective January 8, 2012. The rates are on the BOR and BOS agendas for action on December 12<sup>th</sup> and 13<sup>th</sup>, respectively. New rate sheets have been sent to the County and courts for use in payroll administration.
- **Milestone 7 – Completed.** Board of Supervisors adopts corrected rates for 2011/12. See Milestone 6.
- **Milestone 8 – Draft Completed.** Actuarial sampling and QA on variance calculations through June 30, 2011. Segal completed its review of 10 samples, selected by MCERA to represent a broad range of variables. Segal's draft report indicated no variances from the Peter Stalder's calculations, with the exception of where safety members' contributions were subsidized. Staff, the actuary and Mr. Stalder are working together to better understand and address that one variance.
- **Milestone 9 – Completed.** Implement correct employer and employee rates for the balance of fiscal year 2011/12. The County and Courts implemented new employer and employee regular retirement contributions rates, as calculated by Segal, and adopted by the Boards of Retirement and Supervisors, effect January 8, 2012 (pay period 2).
- **Milestone 10 – 01/20/12.** Variance calculated for fiscal year 2011/12 through pay period 1. Staff has uploaded the data to the FTP site for use by Mr. Stalder. The data was uploaded on January 11, 2012. Given that contractor Peter Stalder has been successful in calculating variances for the first two fiscal years, it is reasonable to assume he will calculate the variances for pay periods 15 through 1 for fiscal year 2011/12 by the milestone target date.
- **Milestone 11 – 02/03/12.** Actuarial sampling and QA on variance calculations for 2011/12, pay period 15 through 1. Similarly to Milestone 10, there is no reason to assume Segal will not be able to complete its QA work by the milestone target date. As described in milestone 8, Segal has already completed sampling and QA on individual calculations. The only remaining QA evaluation will be on the reasonableness of the final aggregate correction amounts.
- **Milestone 12 – 02/10/12.** Input correct data on employee contributions into retirement ledgers for use by MCERA, the County and Court. All payroll and MCERA staff managing member ledgers appear to be competent and ready to update ledgers once the final calculations are complete and Segal conducts its QA. The only minor concern is with a turnover in staff at the Court, but they have secured the services of their long-term payroll administrator for transition and training.
- **Milestone 13 – 02/15/12.** Determination of tax forms and procedures for reimbursing members. This milestone is of moderate concern due to the fact that Hanson Bridgett has been directing their attention to other pressing projects for MCERA, as well as other clients. However, Hanson Bridgett has participated in such corrections before and the tax forms and payment methodology can largely be drawn from previous work. This is an area where a discussion with Hanson Bridgett is needed.
- **Milestone 14 – 02/15/12.** Determination on whether or not to collect from members who underpaid contributions for the period under review. The Board will have the dollar amount and number of individuals affected for its February 2012 meeting, and staff believes the ability to come to a decision is high. For the first two fiscal years, the under-payments amounted to \$31,307, compared to \$519,714 in over payments (or 6.4% of the net overpayment).

- **Milestone 15 – 03/21/2012**. There is moderate concern about the hand-off of project lead duties. This milestone will be moved up to 03/02/2012 due to the impending absence of the Retirement Administrator during March 2012. Originally it was anticipated that the only remaining milestones for the new lead would be the tactical reimbursement of members and the consideration of supplementing MCERA's VCP. The new lead will likely need to be someone from MCERA staff, at a time when staff resources are minimal.
- **Milestone 16 – 12/12/2011**. Determination on the manner in which plan sponsors can correct underpayments. Staff received a legal opinion from Hanson Bridgett which will be considered by the Board as a threat of litigation on 01/18/2012. Both legal and actuarial advisors will be present. The Project Leader has had preliminary discussions with the County CEO, and believes that MCERA, the County and Court will agree upon a reasonable means of financing the aggregate reimbursement to members.
- **Milestone 17 – 03/21/12**. Develop standardized communication to members regarding their over/under payment. As in milestone 13, there is moderate concern because the work has not yet been initiated. However, as also stated in milestone 13, Hanson Bridgett has developed such correspondence before, and staff believes their historical documents will greatly assist in crafting the communication for MCERA.

**Comments:**

The parties (MCERA, County, Courts and contractors) are continuing to work well together.

James M. Andersen  
Retirement Administrator



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

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

Date: January 12, 2012  
To: Board of Retirement  
From: Jim Andersen, Retirement Administrator   
Subject: Financial Reports

Board packages contain final financial statements for November 2011 and a preliminary recap of portfolio assets for the month of December 2011. The portfolio reports do not include our cash assets.

The last week of December, staff raised cash and rebalanced the portfolio to targets. MCERA raised \$3 million from the proceeds of sales on December 28<sup>th</sup>, \$2 million of which was intended for our cash balance, or working capital. The remaining \$1 million dollars was used to purchase shares of the Mondrian international equity fund. The purchase took place on January 3<sup>rd</sup> due to the holidays, leaving \$1 million not invested in portfolio assets for 4 business days. Another \$3 million dollars in rebalancing the portfolio was completed before December 31<sup>st</sup> and is reflected in the asset values in your reports.

In addition, staff raised \$10 million through the sale of RREEF Real Estate Securities Commingled Funds on December 31, 2011, with the proceeds wired on January 3, 2012. The proceeds were used to purchase shares of Cornerstone Patriot Fund Private Real Estate on January 3, 2012. The \$10 million was not invested in portfolio assets for 1 business day. The portfolio statement, therefore, does not reflect \$11 million in investments due to the timing of the New Years' holiday.

When reviewing investment balances, monthly changes, and year to date changes, it is most meaningful to include \$11 million more in assets than reflected in the reports. Reports for the end of January will include all invested assets.

I apologize for any confusion this may cause.

JA  
Enclosure

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**STATEMENT OF PLAN NET ASSETS**  
**NOVEMBER 30, 2011**  
**(FINAL)**

**ASSETS**

**CASH AND EQUIVALENTS**

GENERAL CASH \$ 1,235,905.65

**TOTAL CASH AND EQUIVALENTS 1,235,905.65**

**CURRENT ASSETS**

RECOUPMENTS 3,497.76

**TOTAL CURRENT ASSETS 3,497.76**

**PROPERTY AND EQUIPMENT**

EQUIPMENT 3,786.40

**TOTAL PROPERTY AND EQUIPMENT 3,786.40**

**INVESTMENTS, AT COST**

BONDS 92,333,690.75

INTERNATIONAL EQUITIES 72,147,656.65

SMALL CAP EQUITIES 20,623,084.58

MID CAP EQUITIES 35,556,653.25

LARGE CAP EQUITIES 59,240,873.29

REAL ESTATE 25,122,396.88

**TOTAL INVESTMENTS, AT COST 305,024,355.40**

**TOTAL ASSETS \$ 306,267,545.21**

**LIABILITIES**

**CURRENT LIABILITIES**

ACCOUNTS PAYABLE \$ 1,906.75

AMCRE DUES 767.46

PEDIT TRUST DENTAL 18,113.49

AFLAC INSURANCE 2,997.57

BUCK SETTLEMENT RESERVE 291,340.00

**TOTAL CURRENT LIABILITIES 315,125.27**

**TOTAL NET ASSETS \$ 305,952,419.94**

**MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2011  
(FINAL)**

	CURRENT MONTH	YEAR TO DATE
<b>ADDITIONS</b>		
<b>CONTRIBUTIONS</b>		
EMPLOYER	\$ 947,530.58	\$ 4,505,340.31
PLAN MEMBERS	412,994.44	1,935,076.39
	<u>1,360,525.02</u>	<u>6,440,416.70</u>
<b>TOTAL CONTRIBUTIONS</b>		
<b>INVESTMENT INCOME</b>		
RENTAL INCOME, NET OF EXPENSES	(2,018.10)	13,017.70
INTEREST	(0.18)	32,096.37
DIVIDENDS	139,788.09	1,512,478.40
CAPITAL GAINS	149.29	328,129.90
	<u>(50,551.00)</u>	<u>(93,841.27)</u>
<b>LESS INVESTMENT EXPENSE</b>		
<b>TOTAL INVESTMENT INCOME</b>	<u>87,368.10</u>	<u>1,791,881.10</u>
<b>TOTAL ADDITIONS</b>	<u>1,447,893.12</u>	<u>8,232,297.80</u>
<b>DEDUCTIONS</b>		
BENEFIT PAYMENTS AND SUBSIDIES	(1,844,336.00)	(9,032,269.73)
REFUNDS OF CONTRIBUTIONS	(183,110.63)	(600,669.72)
ADMINISTRATIVE EXPENSES	3,546.22	(44,120.58)
	<u>2,023,900.41</u>	<u>9,677,060.03</u>
<b>TOTAL DEDUCTIONS</b>		
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(576,007.29)</u>	<u>(1,444,762.23)</u>
<b>NET ASSETS</b>		
<b>BEGINNING OF YEAR</b>	<u>306,528,427.23</u>	<u>307,397,182.17</u>
<b>END OF YEAR</b>	<u>\$ 305,952,419.94</u>	<u>\$ 305,952,419.94</u>

COMPARISON OF CAST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION  
NOVEMBER 2011 FINAL

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
<b>FIXED INCOME</b>								
PIMCO	46,932,840		46,932,840	14.46%		14.00%	45,435,762	(1,497,078)
DODGE & COX INCOME	47,543,009		47,543,009	14.65%		14.00%	45,435,762	(2,107,247)
					<u>29.111%</u>	<u>28.000%</u>		
<b>SMALL CAP GROWTH</b>								
ALLIANCE	3,855,503		3,855,503	1.19%		1.00%	3,245,412	(610,091)
RS EMERGING MANAGERS	3,455,773		3,455,773	1.06%		1.00%	3,245,412	(210,361)
	6,275,951		6,275,951	1.93%		1.90%	6,166,282	(109,669)
					<u>4.187%</u>	<u>3.900%</u>		
<b>SMALL CAP VALUE</b>								
VANGUARD SMALL CAP INDEX	-		-	0.00%		0.00%	-	-
PRUDENTIAL	6,185,053		6,185,053	1.91%		1.90%	6,166,282	(18,771)
					<u>1.906%</u>	<u>1.900%</u>		
<b>MID CAP GROWTH</b>								
MORGAN STANLEY	5,236,145		5,236,145	1.61%		1.40%	4,543,576	(692,569)
JANUS ENTERPRISE	5,352,878		5,352,878	1.65%		1.40%	4,543,576	(809,302)
					<u>3.263%</u>	<u>2.800%</u>		
<b>MID CAP VALUE</b>								
FIDILITY LP STCK	5,077,334		5,077,334	1.56%		1.40%	4,543,576	(533,758)
ROYCE TOTAL RTN	4,966,438		4,966,438	1.53%		1.40%	4,543,576	(422,862)
					<u>3.095%</u>	<u>2.800%</u>		
<b>LARGE CAP GROWTH</b>								
GROWTH FUND OF AMERICA	9,922,235		9,922,235	3.06%		3.00%	9,736,235	(186,000)
HARBOR CAP APPRE	10,672,605		10,672,605	3.29%		3.00%	9,736,235	(936,370)
JANUS RESEARCH	10,156,332		10,156,332	3.13%		3.00%	9,736,235	(420,097)
					<u>9.475%</u>	<u>9.000%</u>		
<b>LARGE CAP VALUE</b>								
SELECTED AMERICAN	9,762,241		9,762,241	3.01%		3.00%	9,736,235	(26,006)
DODGE & COX	14,241,397		14,241,397	4.39%		4.40%	14,279,811	38,414
INVEST CO AMERICA	10,043,468		10,043,468	3.09%		3.00%	9,736,235	(307,233)
ROBECO	13,394,144		13,394,144	4.13%		4.40%	14,279,811	885,667
VAN GUARD GR&INC	10,294,010		10,294,010	3.17%		3.00%	9,736,235	(557,775)
					<u>17.790%</u>	<u>17.800%</u>		
<b>INTERNATIONAL STOCK</b>								
AMERICAN - EUROPACIFIC	13,959,604		13,959,604	4.30%		4.70%	15,253,434	1,293,830
HARBOR INTL	14,385,842		14,385,842	4.43%		4.70%	15,253,434	867,592
ACORN INTL	7,680,948		7,680,948	2.37%		2.50%	8,113,529	432,581
ARTISAN	-		-	0.00%		0.00%	-	-
JANUS INTL	11,345,863		11,345,863	3.50%		4.70%	15,253,434	3,907,571
MONDRIAN	13,243,058		13,243,058	4.08%		4.70%	15,253,434	2,010,376
OAKMARK	11,262,301		11,262,301	3.47%		3.80%	12,332,564	1,070,263
					<u>22.147%</u>	<u>25.100%</u>		
<b>REAL ESTATE</b>								
RREEF PUBLIC	12,650,594		12,650,594	3.90%		1.70%	5,517,200	(7,133,394)
RREEF PRIVATE	16,645,593		16,645,593	5.13%		4.20%	13,630,729	(3,014,864)
NEW PRIVATE	-		-	0.00%		2.80%	9,087,152	9,087,152
					<u>9.027%</u>	<u>8.700%</u>		
<b>TOTAL MANAGED INVEST.</b>	<b>324,541,159</b>	<b>-</b>	<b>324,541,159</b>	<b>100.000%</b>	<b>100.000%</b>	<b>100.000%</b>	<b>324,541,159</b>	<b>-</b>
<b>OTHER REAL ESTATE</b>								
625 B KINGS COURT	738,992		738,992	0.227%		0.227%	738,992	-
					<u>0.227%</u>	<u>0.227%</u>		
<b>FUNDS AVAILABLE</b>	<b>325,280,151</b>	<b>-</b>	<b>325,280,151</b>	<b>100.227%</b>	<b>100.227%</b>	<b>100.227%</b>	<b>325,280,151</b>	<b>-</b>

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION  
NOVEMBER 2011 FINAL

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
<b>FIXED INCOME</b>								
PIMCO	44,201,471	46,932,840	2,731,369		4,091,312	(1,359,943)	47,208,923	(276,083)
DODGE & COX INCOME	48,132,220	47,543,009	(589,211)		(774,873)	185,662	50,473,381	(2,930,372)
				<u>2,142,158</u>				
<b>SMALL CAP GROWTH</b>								
ALLIANCE	1,967,850	3,855,503	1,887,653		1,878,901	8,752	4,149,842	(294,339)
RS EMERGING MANAGERS	2,500,101 5,357,501	3,455,773 6,275,951	955,672 918,450		901,423 983,549	54,249 (65,099)	3,883,292 7,009,997	(427,519) (734,046)
				<u>3,761,775</u>				
<b>SMALL CAP VALUE</b>								
VANGUARD SMALL CAP IN	0	-	-		-	-	-	-
PRUDENTIAL TARGET	6,900,000	6,185,053	(714,947)		(714,947)	-	6,717,460	(532,407)
				<u>(714,947)</u>				
<b>MID CAP GROWTH</b>								
MORGAN STANLEY	4,254,453	5,236,145	981,692		1,118,915	(137,223)	6,016,150	(780,005)
JANUS ENTERPRISE	5,232,908	5,352,878	119,970		82,620	37,350	5,752,795	(399,917)
				<u>1,101,662</u>				
<b>MID CAP VALUE</b>								
FIDILITY LP STCK	3,897,632	5,077,334	1,179,702		1,262,960	(83,258)	5,497,767	(420,433)
ROYCE TOTAL RTN	3,861,617	4,966,438	1,104,821		1,124,252	(19,431)	5,343,466	(377,028)
				<u>2,284,523</u>				
<b>LARGE CAP GROWTH</b>								
AMERICAN FUND	8,378,074	9,922,235	1,544,161		1,594,785	(50,624)	10,762,588	(840,353)
HARBOR CAP APPRE	8,771,886	10,672,605	1,900,719		2,079,020	(178,301)	11,269,773	(597,168)
JANUS RESEARCH	8,535,170	10,156,332	1,621,162		1,791,440	(170,278)	10,986,434	(830,102)
				<u>5,066,042</u>				
<b>LARGE CAP VALUE</b>								
SELECTED AMERICAN	8,787,463	9,762,241	974,778		984,641	(9,863)	10,484,731	(722,490)
DODGE & COX	13,829,602	14,241,397	411,795		596,547	(184,752)	15,957,294	(1,715,897)
INVEST CO AMERICA	9,147,059	10,043,468	896,409		952,020	(55,611)	10,682,563	(639,095)
ROBECO	14,500,000	13,394,144	(1,105,856)		(1,048,899)	(56,957)	14,491,030	(1,096,886)
VAN GUARD GR&INC	9,499,295	10,294,010	794,715		789,940	4,775	10,831,151	(537,141)
				<u>1,971,841</u>				
<b>INTERNATIONAL STOCK</b>								
EUROPACIFIC	12,709,336	13,959,604	1,250,268		1,595,841	(345,573)	16,443,168	(2,483,564)
HARBOR INTL	15,027,678	14,385,842	(641,836)		(295,758)	(346,078)	17,012,890	(2,627,048)
ACORN INTL	5,840,163	7,680,948	1,840,785		2,071,497	(230,712)	8,952,037	(1,271,089)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	12,924,605	11,345,863	(1,578,742)		(622,577)	(956,165)	14,726,811	(3,380,948)
MONDRIAN	14,500,000	13,243,058	(1,256,942)		(706,656)	(550,286)	14,874,406	(1,631,348)
OAKMARK	11,145,875	11,262,301	116,426		495,829	(379,403)	13,492,130	(2,229,829)
				<u>(270,041)</u>				
<b>REAL ESTATE</b>								
RREEF PUBLIC FUND	9,069,048	12,650,594	3,581,546		4,016,157	(434,611)	13,567,707	(917,113)
RREEF PRIVATE FUND	15,152,236	16,645,593	1,493,357		1,493,357	-	16,238,535	407,058
NEW PRIVATE	-	-	-		-	-	-	-
				<u>5,074,903</u>				
<b>TOTAL MANAGED INVEST.</b>	<u>304,123,243</u>	<u>324,541,159</u>	<u>20,417,916</u>	<u>20,417,916</u>	<u>25,741,296</u>	<u>(5,323,380)</u>	<u>352,826,321</u>	<u>(28,285,162)</u>
<b>OTHER REAL ESTATE</b>								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				<u>(162,120)</u>				
<b>FUNDS AVAILABLE</b>	<u>305,024,355</u>	<u>325,280,151</u>	<u>20,255,796</u>	<u>20,255,796</u>	<u>25,579,176</u>	<u>(5,323,380)</u>	<u>353,565,313</u>	<u>(28,285,162)</u>

COMPARISON OF CAST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION  
DECEMBER 2011 PRELIMINARY

	A	B	C	D	E	F	G	H
	MARKET VALUE INVESTMENTS	CASH RESERVED	TOTAL AVAILABLE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
<b>FIXED INCOME</b>								
PIMCO	44,736,859		44,736,859	14.34%		14.000%	43,666,032	(1,070,827)
DODGE & COX INCOME	45,207,528		45,207,528	14.49%		14.000%	43,666,032	(1,541,496)
					<b>28.838%</b>	<b>28.000%</b>		
<b>SMALL CAP GROWTH</b>								
ALLIANCE	3,836,163		3,836,163	1.23%		1.000%	3,119,002	(717,161)
RS EMERGING MANAGERS	3,350,513		3,350,513	1.07%		1.000%	3,119,002	(231,511)
	6,406,974		6,406,974	2.05%		1.900%	5,926,104	(480,870)
					<b>4.358%</b>	<b>3.900%</b>		
<b>SMALL CAP VALUE</b>								
VANGUARD SMALL CAP INDEX	-		-	0.00%		0.000%	-	-
PRUDENTIAL	6,234,199		6,234,199	2.00%		1.900%	5,926,104	(308,095)
					<b>1.999%</b>	<b>1.900%</b>		
<b>MID CAP GROWTH</b>								
MORGAN STANLEY	5,023,258		5,023,258	1.61%		1.400%	4,366,603	(656,655)
JANUS ENTERPRISE	5,309,151		5,309,151	1.70%		1.400%	4,366,603	(942,548)
					<b>3.313%</b>	<b>2.800%</b>		
<b>MID CAP VALUE</b>								
FIDILITY LP STCK	5,061,954		5,061,954	1.62%		1.400%	4,366,603	(695,351)
ROYCE TOTAL RTN	4,986,547		4,986,547	1.60%		1.400%	4,366,603	(619,944)
					<b>3.222%</b>	<b>2.800%</b>		
<b>LARGE CAP GROWTH</b>								
GROWTH FUND OF AMERICA	9,807,657		9,807,657	3.14%		3.000%	9,357,007	(450,650)
HARBOR CAP APPRE	10,455,671		10,455,671	3.35%		3.000%	9,357,007	(1,098,664)
JANUS RESEARCH	10,044,259		10,044,259	3.22%		3.000%	9,357,007	(887,252)
					<b>9.717%</b>	<b>9.000%</b>		
<b>LARGE CAP VALUE</b>								
SELECTED AMERICAN	9,800,369		9,800,369	3.14%		3.000%	9,357,007	(443,362)
DODGE & COX	14,399,518		14,399,518	4.62%		4.400%	13,723,610	(675,908)
INVEST CO AMERICA	10,118,477		10,118,477	3.24%		3.000%	9,357,007	(761,470)
ROBECO	13,599,835		13,599,835	4.36%		4.400%	13,723,610	123,775
VAN GUARD GR&INC	10,427,056		10,427,056	3.34%		3.000%	9,357,007	(1,070,049)
					<b>18.706%</b>	<b>17.800%</b>		
<b>INTERNATIONAL STOCK</b>								
AMERICAN - EUROPACIFIC	15,137,843		15,137,843	4.85%		4.700%	14,659,311	(478,532)
HARBOR INTL	14,108,477		14,108,477	4.52%		4.700%	14,659,311	550,834
ACORN INTL	7,467,649		7,467,649	2.39%		2.500%	7,797,506	329,857
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	12,139,762		12,139,762	3.89%		4.700%	14,659,311	2,519,549
MONDRIAN	13,166,168		13,166,168	4.22%		4.700%	14,659,311	1,493,143
OAKMARK	11,102,120		11,102,120	3.56%		3.800%	11,852,209	750,089
					<b>23.444%</b>	<b>25.100%</b>		
<b>REAL ESTATE</b>								
RREEF - COMMINGLED FUND	3,263,814		3,263,814	1.05%		1.700%	5,302,304	2,038,490
RREEF - AMERICA REIT II	16,708,407		16,708,407	5.36%		4.200%	13,099,810	(3,608,597)
NEW PRIVATE	-		-	0.00%		2.800%	8,733,206	8,733,206
					<b>6.403%</b>	<b>8.700%</b>		
<b>TOTAL MANAGED INVEST.</b>	<b>311,900,228</b>	<b>-</b>	<b>311,900,228</b>	<b>100.000%</b>	<b>100.000%</b>	<b>100.000%</b>	<b>311,900,228</b>	<b>-</b>
<b>OTHER REAL ESTATE</b>								
625 B KINGS COURT	738,992		738,992	0.236%		0.236%	738,992	-
					<b>0.236%</b>	<b>0.236%</b>		
<b>FUNDS AVAILABLE</b>	<b>312,639,220</b>	<b>-</b>	<b>312,639,220</b>	<b>100.236%</b>	<b>100.236%</b>	<b>100.236%</b>	<b>312,639,220</b>	<b>-</b>

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION  
DECEMBER 2011 PRELIMINARY

	A	B	C	D	E	F	G	H
	COST VALUE	MARKET VALUE	UNREALIZED GAIN	GAIN BY CATEGORY	PRIOR MONTH GAIN/LOSS	MONTHLY CHANGE	START OF FISCAL YEAR (MARKET)	FISCAL YEAR CHANGE (MARKET)
<b>FIXED INCOME</b>								
PIMCO	41,813,409	44,736,859	2,923,450		2,731,369	192,081	47,208,923	(2,472,064)
DODGE & COX INCOME	45,574,513	45,207,528	(366,985)		(589,211)	222,226	50,473,381	(5,265,853)
				<u>2,556,465</u>				
<b>SMALL CAP GROWTH</b>								
ALLIANCE	1,967,850	3,836,163	1,868,313		1,887,653	(19,340)	4,149,842	(313,679)
RS EMERGING MANAGERS	2,500,101	3,350,513	850,412		955,672	(105,260)	3,883,292	(532,779)
	5,825,409	6,406,974	581,565		918,450	(336,885)	7,009,997	(603,023)
				<u>3,300,290</u>				
<b>SMALL CAP VALUE</b>								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	7,172,930	6,234,199	(938,731)		(714,947)	(223,784)	6,717,460	(483,261)
				<u>(938,731)</u>				
<b>MID CAP GROWTH</b>								
MORGAN STANLEY	4,518,742	5,023,258	504,516		981,692	(477,176)	6,016,150	(992,892)
JANUS ENTERPRISE	5,232,908	5,309,151	76,243		119,970	(43,727)	5,752,795	(443,644)
				<u>580,759</u>				
<b>MID CAP VALUE</b>								
FIDILITY LP STCK	3,917,670	5,061,954	1,144,284		1,179,702	(35,418)	5,497,767	(435,813)
ROYCE TOTAL RTN	3,934,598	4,986,547	1,051,949		1,104,821	(52,872)	5,343,466	(356,919)
				<u>2,196,233</u>				
<b>LARGE CAP GROWTH</b>								
AMERICAN FUND	8,491,910	9,807,657	1,315,747		1,544,161	(228,414)	10,762,588	(954,931)
HARBOR CAP APPRE	8,783,960	10,455,671	1,671,711		1,900,719	(229,008)	11,269,773	(814,102)
JANUS RESEARCH	8,617,378	10,044,259	1,426,881		1,621,162	(194,281)	10,986,434	(942,175)
				<u>4,414,339</u>				
<b>LARGE CAP VALUE</b>								
SELECTED AMERICAN	8,861,931	9,800,369	938,438		974,778	(36,340)	10,484,731	(684,362)
DODGE & COX	13,893,630	14,399,518	505,888		411,795	94,093	15,957,294	(1,557,776)
INVEST CO AMERICA	9,225,397	10,118,477	893,080		896,409	(3,329)	10,682,563	(564,086)
ROBECO	14,500,000	13,599,835	(900,165)		(1,105,856)	205,691	14,491,030	(891,195)
VAN GUARD GR&INC	9,606,724	10,427,056	820,332		794,715	25,617	10,831,151	(404,095)
				<u>2,257,573</u>				
<b>INTERNATIONAL STOCK</b>								
EUROPACIFIC	14,519,688	15,137,843	618,155		1,250,268	(632,113)	16,443,168	(1,305,325)
HARBOR INTL	15,372,603	14,108,477	(1,264,126)		(641,836)	(622,290)	17,012,890	(2,904,413)
ACORN INTL	5,840,163	7,467,649	1,627,486		1,840,785	(213,299)	8,952,037	(1,484,388)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	15,257,471	12,139,762	(3,117,709)		(1,578,742)	(1,538,967)	14,726,811	(2,587,049)
MONDRIAN	14,446,989	13,166,168	(1,280,821)		(1,256,942)	(23,879)	14,874,406	(1,708,238)
OAKMARK	11,229,477	11,102,120	(127,357)		116,426	(243,783)	13,492,130	(2,390,010)
				<u>(3,544,372)</u>				
<b>REAL ESTATE</b>								
RREEF - COMMINGLED FUND	4,151,482	3,263,814	(887,668)		3,581,546	(4,469,214)	13,567,707	(10,303,893)
RREEF - AMERICA REIT II	15,376,019	16,708,407	1,332,388		1,493,357	(160,969)	16,238,535	469,872
NEW PRIVATE	-	-	-		-	-	-	-
				<u>444,720</u>				
<b>TOTAL MANAGED INVEST.</b>	<u>300,632,952</u>	<u>311,900,228</u>	<u>11,267,276</u>	<u>11,267,276</u>	<u>20,417,916</u>	<u>(9,150,640)</u>	<u>352,826,321</u>	<u>(40,926,093)</u>
<b>OTHER REAL ESTATE</b>								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				<u>(162,120)</u>				
<b>FUNDS AVAILABLE</b>	<u>301,534,064</u>	<u>312,639,220</u>	<u>11,105,156</u>	<u>11,105,156</u>	<u>20,255,796</u>	<u>(9,150,640)</u>	<u>353,565,313</u>	<u>(40,926,093)</u>

**Mendocino County Employees' Retirement Association**

*Actuarial Valuation and Review  
as of June 30, 2011*

**Copyright © 2012**

**THE SEGAL GROUP, INC.,  
THE PARENT OF THE SEGAL COMPANY  
ALL RIGHTS RESERVED**



The Segal Company  
100 Montgomery Street, Suite 500 San Francisco, CA 94104  
T 415.263.8200 F 415.263.8290 www.segalco.com

January 11, 2012

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, 2011. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2012/2013 and analyzes the preceding year's experience.*

*The census and financial information on which our calculations were based were prepared by MCERA. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary.*

*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35, 44, and all other relevant ASOPs. In our opinion, the combined operation of the assumptions and the methods applied in this valuation fairly represent past and anticipated future experience of the Association and it is our understanding that they meet the parameters required by GASB Statement 25. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate.*

*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.*

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

*Sincerely,*

THE SEGAL COMPANY

By:

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

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

DNA/hy

**SECTION 1****VALUATION SUMMARY**

Purpose .....	i
Significant Issues in Valuation Year.....	ii
Summary of Key Valuation Results.....	v
Summary of Key Valuation Demographic and Financial Data.....	vi

**SECTION 2****VALUATION RESULTS**

A. Member Data .....	1
B. Financial Information.....	4
C. Actuarial Experience.....	7
D. Employer and Member Contributions .....	12
E. Information Required by GASB.....	18

**SECTION 3****SUPPLEMENTAL INFORMATION**

<b>EXHIBIT A</b> Table of Plan Coverage	
i. General Tier 1 .....	19
ii. General Tier 2 & Tier 3 .....	20
iii. Safety Tier 1 & Tier 2 .....	21
iv. Probation Tier 1 & Tier 2 .....	22
<b>EXHIBIT B</b> Members in Active Service and Projected Average Compensation as of June 30, 2011	
i. General Tier 1 .....	23
ii. General Tier 2 & Tier 3 .....	24
iii. Safety Tier 1 & Tier 2 .....	25
iv. Probation Tier 1 & Tier 2 .....	26
<b>EXHIBIT C</b> Reconciliation of Member Data – 6/30/2010 to 6/30/2011 .....	27
<b>EXHIBIT D</b> Summary Statement of Income and Expenses on an Actuarial Value Basis.....	28
<b>EXHIBIT E</b> Summary Statement of Assets.....	29
<b>EXHIBIT F</b> Actuarial Balance Sheet.....	31
<b>EXHIBIT G</b> Development of Unfunded Actuarial Accrued Liability as of 6/30/2011 ...	32
<b>EXHIBIT H</b> Section 415 Limitations.....	33
<b>EXHIBIT I</b> Definitions of Pension Terms .....	34

**SECTION 4****REPORTING INFORMATION**

<b>EXHIBIT I</b> Supplementary Information Required by GASB – Schedule of Employer Contributions.....	36
<b>EXHIBIT II</b> Supplementary Information Required by GASB – Schedule of Funding Progress.....	37
<b>EXHIBIT III</b> Supplementary Information Required by GASB .....	38
<b>EXHIBIT IV</b> Actuarial Assumptions and Actuarial Cost Method.....	39
<b>EXHIBIT V</b> Summary of Plan Provisions.....	55
<b>Appendix A</b> Member Contribution Rates	
i. General Tier 1 .....	61
ii. General Tier 2 & Tier 3 .....	63
iii. Safety Tier 1 .....	65
iv. Safety Tier 2 .....	67
v. Probation Tier 1 .....	69
vi. Probation Tier 2 .....	71

## SECTION 1: Valuation Summary for the Mendocino County Employees' Retirement Association

---

### Purpose

This report has been prepared by The Segal Company to present a valuation of the Mendocino County Employees' Retirement Association as of June 30, 2011. 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, 2011, provided by the Retirement Association;
- The assets of the Plan as of June 30, 2011, 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, 2011 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 continued with the Board's funding policy to amortize the Association's entire unfunded actuarial accrued liability (UAAL) as of June 30, 2011 over a declining 30-year period effective with the June 30, 2009 valuation. As of June 30, 2011, there are 28 years remaining in that 30-year schedule. The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2012 through June 30, 2013.

## SECTION 1: Valuation Summary for the Mendocino County Employees' Retirement Association

---

### Significant Issues in Valuation Year

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

*Ref: Pg. 39*

➤ The results of this valuation reflect changes in the actuarial assumptions as recommended by Segal and adopted by the Board for the June 30, 2011 valuation. These changes were documented in our Actuarial Experience Study and are also outlined in Section 4, Exhibit IV of this report.

*Ref: Pg. 37*

➤ In the June 30, 2010 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities was 78.9%. In this June 30, 2011 valuation, this funding ratio has declined to 73.6%.

*Ref: Pg. 32*

➤ The Association's unfunded actuarial accrued liability (UAAL) as of June 30, 2010 was \$91,784,613. In this year's valuation, the UAAL has increased to \$124,912,676. A reconciliation of the Association's UAAL is provided in Section 3, Exhibit G.

*Ref: Pg. 16*

➤ The aggregate employer rate calculated in this valuation has increased from 18.97% of payroll to 23.30% of payroll. As previously discussed with the Board, the June 30, 2010 employer rate developed by the Association's previous actuary was understated by approximately 0.70% of payroll due to the overpayment of member rates (discussed below). Furthermore, while Segal's calculation of the present value of future benefits as of June 30, 2010 was within 1% of the value produced by the previous actuary, Segal's valuation software allocated a larger proportion of that present value of future benefits for active members to the actuarial accrued liability and a smaller proportion to the present value of future normal cost. Due to some leveraging effect (from the longer period used to fund the higher actuarial accrued liability relative to the shorter period used to fund the present value of future normal cost), this led to a reduction in the total employer rate of (0.61)% of payroll attributable to differences in methods and procedures used by the previous actuary and Segal. The net effect of these two differences is an increase in the June 30, 2010 employer contribution rate from 18.97% calculated by the previous actuary to 19.06% calculated by Segal.

The reasons for the remaining change (i.e., from 19.06% to 23.30%) include losses from (a) the anticipated one-year delay in implementing contribution rates in the June 30, 2010 valuation, (b) lower than expected return on investments (after smoothing), (c) amortizing the prior year's UAAL over a smaller than expected projected total payroll, and (d) changes in the actuarial assumptions. These losses were partially offset by gains from (e) change in membership demographics, (f) lower than expected salary increases for active members, (g) reflecting a future service only improvement for General members, and (h) other actuarial gains (primarily from less than expected COLA increases for continuing retirees). A reconciliation of the Association's aggregate employer rate is provided in Section 2, Subsection D (see Chart 14).

SECTION 1: Valuation Summary for the Mendocino County Employees' Retirement Association

---

Ref: Pg. 17

- The aggregate member rate calculated in this valuation has increased from 8.83% of payroll to 9.84% of payroll. As previously discussed with the Board, the June 30, 2010 aggregate basic employee rate developed by the Association's previous actuary was overstated by approximately 0.70% of payroll. This occurred because the individual entry-age based member rates had not been updated since June 30, 2007 to reflect the new actuarial assumptions that were adopted by the Board and upon which the member rates are dependent. Due to the difference in valuation software as explained above, there is also a reduction of (0.08)% of payroll attributable to differences in methods and procedures used by the previous actuary and Segal. The net effect of these two differences is a decrease in the June 30, 2010 aggregate employee contribution rate from 8.83% calculated by the previous actuary to 8.05% calculated by Segal.

The reasons for the remaining change (i.e., from 8.05% to 9.84%) are (a) change in membership demographics, and (b) changes in actuarial assumptions. A reconciliation of the Association's aggregate member rate is provided in Section 2, Subsection D (see Chart 15).

The individual entry-age based member rates have been updated to reflect the valuation as of June 30, 2011. These rates are provided in Appendix A of this report.

Ref: Pg. 5

- As indicated in Section 2, Subsection B (see Chart 7) of this report, the total unrecognized investment gain as of June 30, 2011 is \$3.1 million. This is a significant improvement from last year's unrecognized investment loss of \$46.5 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 7.75% per year on a **market value** basis, it will result in investment gains on the actuarial value of assets after June 30, 2011.
- The footnote in Chart 7 shows that under the asset smoothing method the \$3.1 million in net deferred gains will be recognized in the next four years, but in a very non-level (uneven) pattern. In particular, there will be losses recognized in the next two years, followed by offsetting gains in the two years after that, so as to ultimately recognize all of the current total net deferred gains of \$3.1 million. This means that, absent any new gains or losses in the future, there will be two more years of increases in the employer contribution rate followed by two years of decreases before the \$3.1 million in net deferred gains are fully recognized.
- In keeping with model actuarial practice for this situation, effective July 1, 2011 the asset smoothing method could be modified by combining the net deferred gains of \$3.1 million from the current valuation into a single four-year smoothing "layer" and thereby recognizing those net deferred gains over the next four years in four level amounts of approximately \$0.78 million. This would reduce the volatility associated with the current pattern of the deferred gain/loss recognition and thereby result in both more stable funded ratios (on an actuarial value basis) and more level employer contribution rates.

**SECTION 1: Valuation Summary for the Mendocino County Employees' Retirement Association**

---

Please note that this change would have no impact on the current June 30, 2011 valuation results as the total amount of unrecognized gains as of June 30, 2011 remains unchanged. Also, note that we recommend using a four-year smoothing period for the combined deferred gains as that will complete the recognition of those net gains over the same time period as under the current separate smoothing layers. We will provide more discussion of this policy option during our presentation of the June 30, 2011 valuation.

- > The actuarial valuation report as of June 30, 2011 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.

SECTION 1: Valuation Summary for the Mendocino County Employees' Retirement Association

Summary of Key Valuation Results		June 30, 2011		June 30, 2010	
<b>Employer Contribution Rates:</b>					
General Tier 1	Total Rate	Estimated Annual Amount <sup>(1)</sup>	Total Rate <sup>(2)</sup>	Estimated Annual Amount <sup>(1)</sup>	
General Tier 2/Tier 3	21.81%	\$436,000	12.07%	\$241,000	
Safety Tier 1	20.91	10,726,000	16.13	8,274,000	
Safety Tier 2	41.06	72,000	44.50	78,000	
Probation Tier 1	36.99	2,983,000	39.15	3,157,000	
Probation Tier 2	24.33	25,000	14.82	15,000	
All Categories Combined	28.18	706,000	16.10	404,000	
	23.30	14,948,000	18.97	12,169,000	
<b>Average Member Contribution Rates:</b>					
General Tier 1	Total Rate	Estimated Annual Amount <sup>(1)</sup>	Total Rate <sup>(2)</sup>	Estimated Annual Amount <sup>(1)</sup>	
General Tier 2/Tier 3	4.91%	\$98,000	4.18%	\$84,000	
Safety Tier 1	9.83	5,042,000	8.73	4,478,000	
Safety Tier 2	0.00	0	0.00	0	
Probation Tier 1	10.60	855,000	10.09	814,000	
Probation Tier 2	11.75	12,000	7.11	7,000	
All Categories Combined	12.11	304,000	11.26	282,000	
	9.84	6,311,000	8.83	5,665,000	
<b>Funded Status:</b>					
Actuarial Accrued Liability <sup>(3)</sup>	\$472,644,283		\$434,986,533		
Valuation Value of Assets <sup>(4)</sup>	347,731,607		343,201,920		
Funded Percentage	73.6%		78.9%		
Unfunded Actuarial Accrued Liability	\$124,912,676		\$91,784,613		
<b>Key Economic Assumptions:</b>					
Interest Rate	7.75%		8.00%		
Inflation Rate	3.50%		4.00%		
Across-the-Board Salary Increase	0.50%		0.00%		

<sup>(1)</sup> Based on June 30, 2011 projected annual compensation.

<sup>(2)</sup> June 30, 2010 employer and average member contribution rates are before revisions made to correct an understatement of the employer rate for all groups combined of about 0.7% of payroll and an overstatement of the member rate for all groups combined of about 0.7% of payroll.

<sup>(3)</sup> Excludes liabilities held for non-valuation reserves.

<sup>(4)</sup> Excludes Retirees Insurance Reserve and Contingency Reserve.

**SECTION 1: Valuation Summary for the Mendocino County Employees' Retirement Association**

<b>Summary of Key Valuation Demographic and Financial Data</b>		<b>June 30, 2011</b>	<b>June 30, 2010</b>	<b>Percentage Change</b>
<b>Active Members:</b>				
Number of members	1,129	1,254	(10.0)%	
Average age	49.0	48.2	N/A	
Average service	10.3	9.4	N/A	
Projected total compensation	\$64,143,765	\$71,729,795 <sup>(1)</sup>	(10.6)%	
Average projected compensation	\$56,815	\$57,201	(0.7)%	
<b>Retired Member and Beneficiaries:</b>				
Number of members:				
Service retired	824	779	5.8%	
Disability retired	169	171	(1.2)%	
Beneficiaries	136	133	2.3%	
Total	1,129	1,083	4.2%	
Average age	67.9	67.7	N/A	
Average monthly benefit	\$1,572	\$1,531 <sup>(2)</sup>	2.7%	
<b>Vested Terminated Members:</b>				
Number of vested terminated members	389	310 <sup>(3)</sup>	25.5%	
Average age	48.7	49.0	N/A	
<b>Summary of Financial Data:</b>				
Market value of assets	\$355,042,523	\$300,042,562 <sup>(4)</sup>	18.3%	
Return on market value of assets	21.68%	14.28% <sup>(4)</sup>	N/A	
Actuarial value of assets	\$351,940,733	\$346,205,958 <sup>(5)</sup>	1.7%	
Return on actuarial value of assets	4.33%	3.30%	N/A	
Valuation value of assets	\$347,731,607	\$343,201,920	1.3%	
Return on valuation value of assets	3.50%	N/A	N/A	

(1) Includes a projection for expected salary increases during 2010/2011 under the actuarial assumptions used in the valuation. Total compensation without the projection is \$69,004,002 as of June 30, 2010.

(2) Revised from the amount shown in the previous actuary's report to correct for the annualization of the current service portion of the benefit for beneficiary records.

(3) Excludes pending contribution withdrawals and pending disability claims.

(4) Updated to reflect final audited market value of assets, instead of \$299,741,053 preliminary market value used in the last valuation.

(5) Reflects correction to typographical error in previous actuary's June 30, 2010 valuation report.

**SECTION 2: Valuation Results for the Mendocino County Employees' 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, B, and C.

**CHART 1**

**Member Population: 2006 – 2011<sup>(1)</sup>**

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

<b>Year Ended June 30</b>	<b>Active Members</b>	<b>Vested Terminated Members<sup>(2)</sup></b>	<b>Retired Members and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
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 <sup>(3)</sup>	1,083	1.18
2011	1,129	389	1,129	1.34

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

<sup>(2)</sup> Includes pending withdrawals and pending disabilities.

<sup>(3)</sup> Includes 85 pending withdrawals and pending disabilities. Note that these 85 members have been excluded throughout the rest of this report (resulting in a count of 310 vested terminated members as of June 30, 2010), since census information for these 85 members was not provided by the previous actuary.

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

**Active Members**

Plan costs are affected by the age, years of service and compensation of active members. In this year's valuation, there were 1,129 active members with an average age of 49.0 years, average years of service of 10.3 and average compensation of \$56,815. The 1,254 active members in the prior valuation had an average age of 48.2 years, average service of 9.4 and average (projected) compensation of \$57,201.

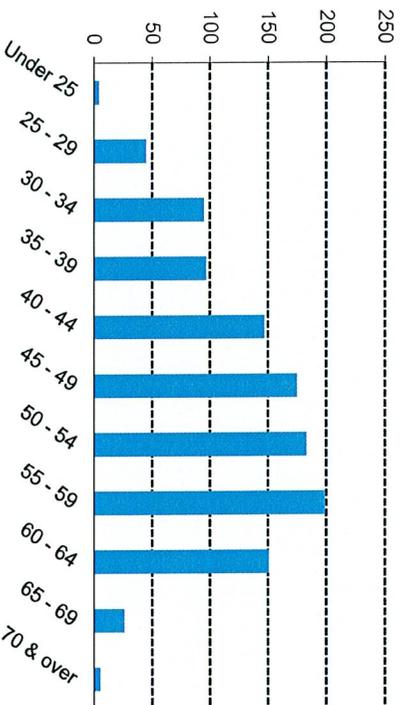
**Inactive Members**

In this year's valuation, there were 389 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 310 in the prior valuation (excluding pending contribution withdrawals and pending disability claims).

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

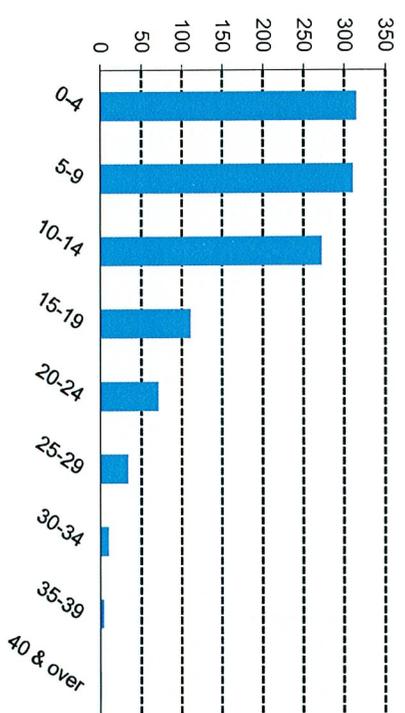
**CHART 2**

**Distribution of Active Members by Age as of June 30, 2011**



**CHART 3**

**Distribution of Active Members by Years of Service as of June 30, 2011**



**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

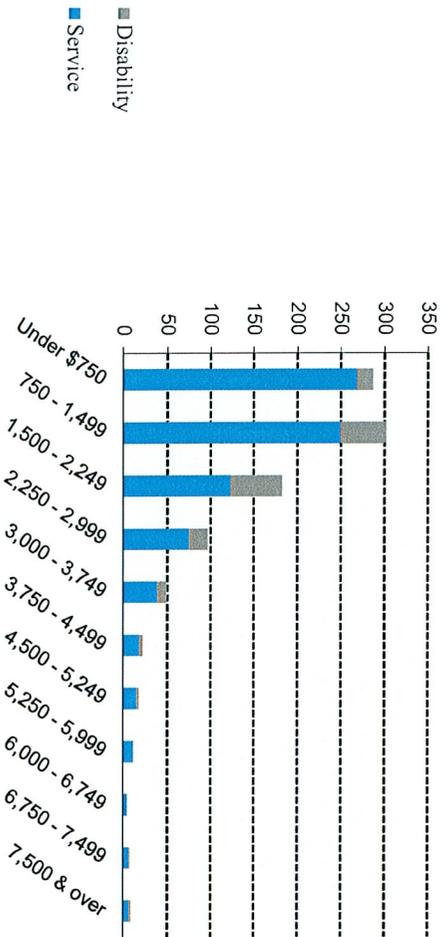
**Retired Members and Beneficiaries**

As of June 30, 2011, 993 retired members and 136 beneficiaries were receiving total monthly benefits of \$1,774,720. For comparison, in the previous valuation, there were 950 retired members and 133 beneficiaries receiving monthly benefits of \$1,656,439.

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

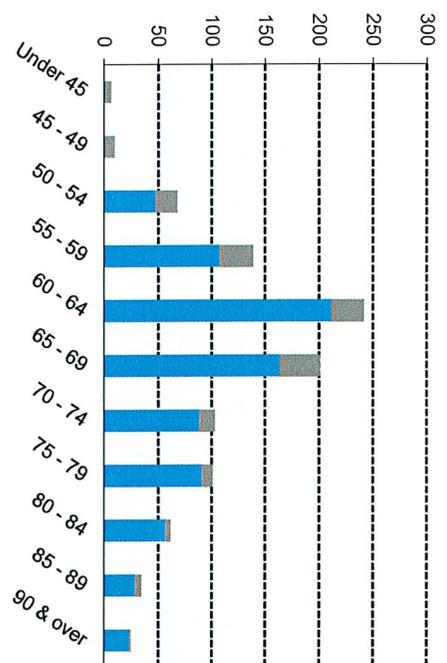
**CHART 4**

**Distribution of Retired Members (Excl. Beneficiaries) by Type and by Monthly Amount as of June 30, 2011**



**CHART 5**

**Distribution of Retired Members (Excl. Beneficiaries) by Type and by Age as of June 30, 2011**



**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

**B. FINANCIAL INFORMATION**

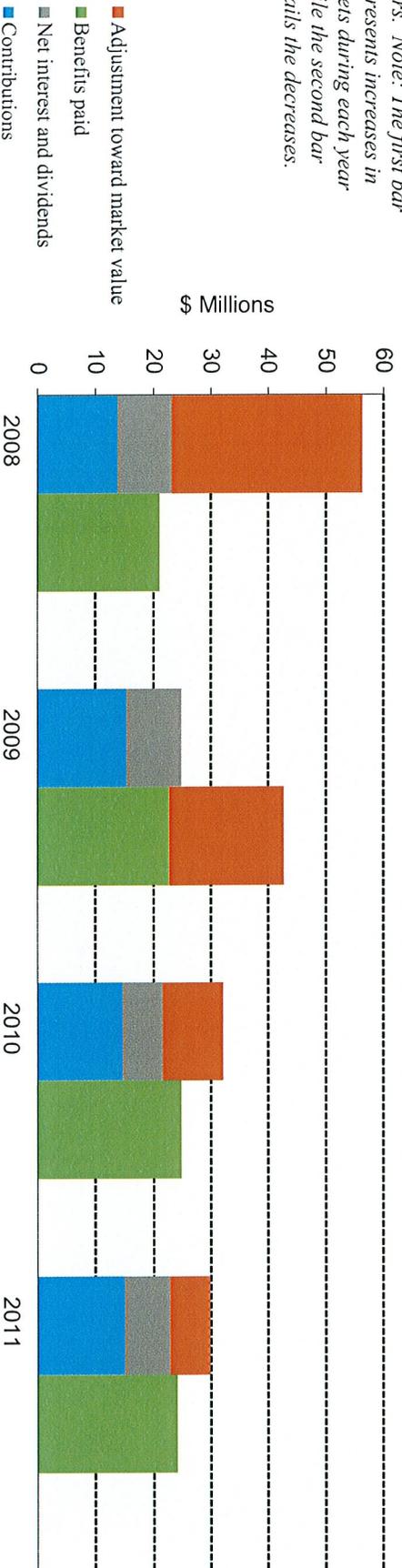
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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 D and E.

**CHART 6**

**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2008 through 2011**

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



**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

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.

**CHART 7**

**Determination of Actuarial Value of Assets for Year Ended June 30, 2011**

1. Market value of assets:		Actual Market Return (net)		Expected Market Return (net)		Investment Gain / (Loss)		Deferred Factor		Deferred Return	
\$355,042,523											
2. Calculation of deferred return:											
(a) Year ended June 30, 2007		\$50,991,137	\$24,317,842	\$26,673,295	0%	\$0	(1,228,442)				
(b) Year ended June 30, 2008		(28,174,415)	27,967,796	(56,142,211)	20%	(11,228,442)					
(c) Year ended June 30, 2009		(53,511,078)	26,278,512	(79,789,590)	40%	(31,915,836)					
(d) Year ended June 30, 2010		44,658,046	21,494,203	23,163,843	60%	13,898,306					
(e) Year ended June 30, 2011		64,075,101	23,640,399	40,434,702	80%	32,347,762					
(f) Total unrecognized return*						\$3,101,790					
3. Preliminary actuarial value of assets: (1) - (2f)						\$351,940,733					
4. Adjustment to be within 25% corridor of market value						\$0					
5. Final actuarial value of assets: (3) + (4)						\$351,940,733					
6. Actuarial value as a percentage of market value: (5) ÷ (1)						99.1%					
7. Non-pension reserves:											
(a) Retirees insurance reserve						\$658,654					
(b) Contingency reserve						<u>3,550,472</u>					
(c) Total						\$4,209,126					
8. Valuation value of assets: (5) - (7c)						\$347,731,607					

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

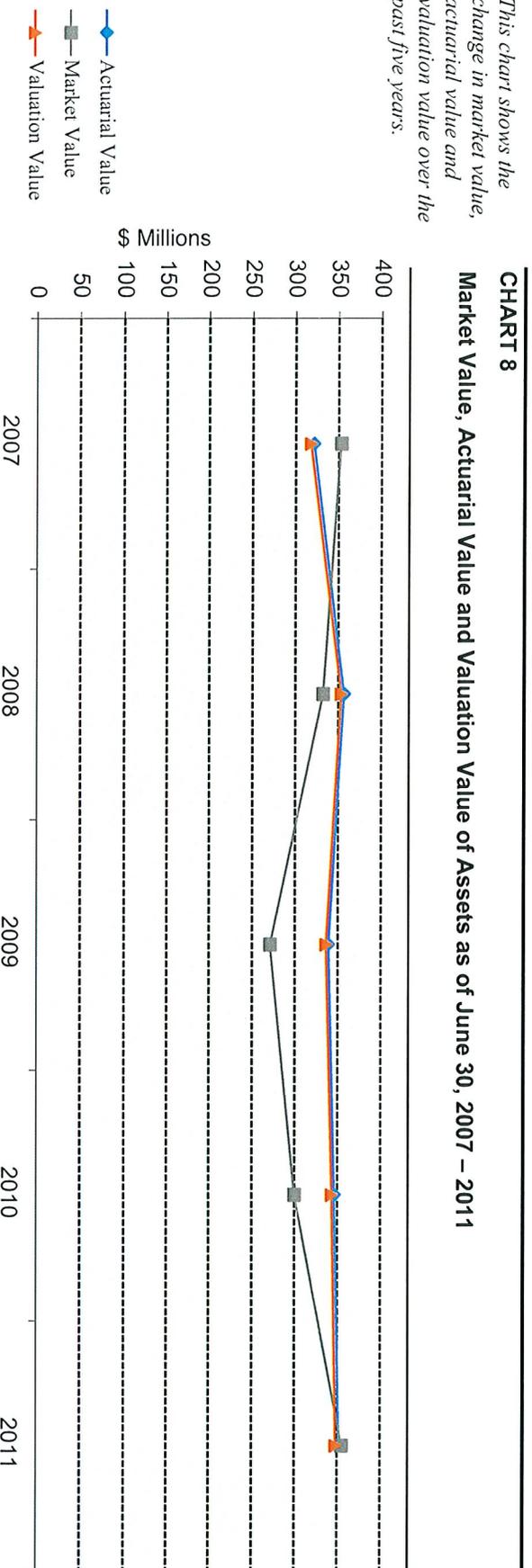
\* The amount of deferred return that will be recognized in each subsequent valuation is as follows:

6/30/2012	\$(14,466,650)
6/30/2013	(3,238,209)
6/30/2014	12,719,709
6/30/2015	<u>8,086,940</u>
Total	\$3,101,790

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

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 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 five years.*



**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

**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 gain was \$1.9 million, a net loss of \$15.3 million from investments and a gain of \$17.2 million from all other sources. The net experience variation from individual sources other than investments was 3.6% 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, 2011**

1. Net loss from investments <sup>(1)</sup>	\$15,265,854
2. Net gain from other experience <sup>(2)</sup>	(17,249,223)
3. Net experience gain: (1) + (2)	\$(1,983,369)

<sup>(1)</sup> Details in Chart 10.

<sup>(2)</sup> See Section 3, Exhibit G.

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

**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 8.00% for the June 30, 2010 valuation. The actual rate of return on a valuation basis for the 2011 plan year was 3.50%.

Since the actual return for the year was less than the assumed return, MCERA experienced an actuarial loss during the year ended June 30, 2011 with regard to its investments.

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

**CHART 10**  
**Investment Experience for Year Ended June 30, 2011 –**  
**Valuation Value, Actuarial Value, and Market Value of Assets**

	Valuation Value	Actuarial Value	Market Value
1. Actual return	\$11,895,661	\$14,809,915	\$64,075,101
2. Average value of assets	339,518,933	341,668,388	295,504,992
3. Actual rate of return: (1) ÷ (2)	3.50%	4.33%	21.68%
4. Assumed rate of return	8.00%	8.00%	8.00%
5. Expected return: (2) x (4)	27,161,515	27,333,471	23,640,399
6. Actuarial gain/(loss): (1) – (5)	<u>\$15,265,854</u>	<u>\$(12,523,556)</u>	<u>\$40,434,702</u>

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

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 five years.

Based on the assumptions adopted by the Board for the June 30, 2011 valuation, the investment return assumption was lowered from 8.00% to 7.75%.

**CHART 11**

**Investment Return – Valuation Value, Actuarial Value and Market Value: 2007 – 2011\***

Year Ended June 30	Valuation Value		Actuarial Value		Market Value	
	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%
Five-Year Average Return		N/A		5.78%		5.09%

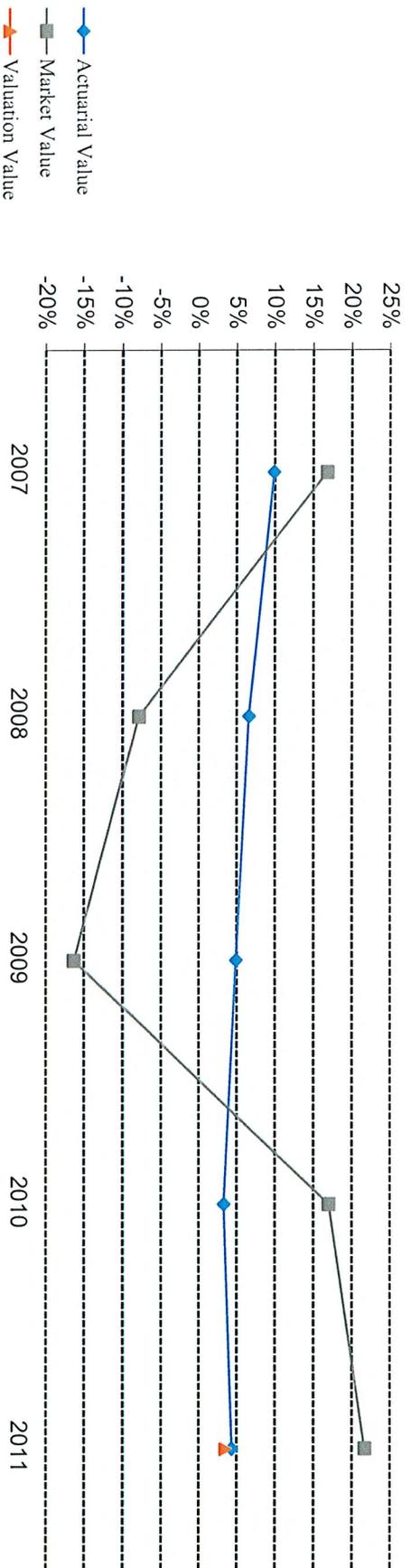
\* Information prior to 2011 has been extracted from the previous actuary's past valuation reports.

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

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.

**CHART 12**

**Market, Actuarial and Valuation Value Rates of Return for Years Ended June 30, 2007 - 2011**



**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

---

**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 gain from this other experience for the year ended June 30, 2011 amounted to \$17.2 million which is 3.6% of the actuarial accrued liability. See Exhibit G for a detailed development of the Unfunded Actuarial Accrued Liability.

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

---

**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 4.00% (i.e., 3.50% inflation plus 0.50% across-the-board salary increase). The current UAAL is being amortized over a declining 28-year period as of June 30, 2011.

The recommended employer contribution rates are provided on Chart 13.

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

---

*Member Contributions*

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 members and for Safety and Probation 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.

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

The member contribution rates are provided in Appendix A.

SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association

CHART 13  
Recommended Employer Contribution Rates (Estimated Annual Amounts in \$000's)

	June 30, 2011			June 30, 2010		
	BASIC	COLA	TOTAL	BASIC AND COLA COMBINED		
	Rate	Estimated Annual Amount <sup>(1)</sup>	Rate	Estimated Annual Amount <sup>(1)</sup>	Rate <sup>(2)</sup>	Estimated Annual Amount <sup>(1)</sup>
<b>General Tier 1 Members</b>						
Normal Cost	8.94%	\$179	2.71%	\$54	11.65%	\$233
UAAL	<u>6.72%</u>	<u>134</u>	<u>3.44%</u>	<u>69</u>	<u>10.16%</u>	<u>203</u>
Total Contribution	15.66%	\$313	6.15%	\$123	21.81%	\$436
<b>General Tier 2 / Tier 3 Members</b>						
Normal Cost	8.34%	\$4,278	2.41%	\$1,236	10.75%	\$5,514
UAAL	<u>6.72%</u>	<u>3,447</u>	<u>3.44%</u>	<u>1,765</u>	<u>10.16%</u>	<u>5,212</u>
Total Contribution	15.06%	\$7,725	5.85%	\$3,001	20.91%	\$10,726
<b>Safety Tier 1 Members</b>						
Normal Cost	16.70%	\$29	6.31%	\$11	23.01%	\$40
UAAL	<u>10.78%</u>	<u>19</u>	<u>7.27%</u>	<u>13</u>	<u>18.05%</u>	<u>32</u>
Total Contribution	27.48%	\$48	13.58%	\$24	41.06%	\$72
<b>Safety Tier 2 Members</b>						
Normal Cost	13.40%	\$1,081	5.54%	\$446	18.94%	\$1,527
UAAL	<u>10.78%</u>	<u>869</u>	<u>7.27%</u>	<u>587</u>	<u>18.05%</u>	<u>1,456</u>
Total Contribution	24.18%	\$1,950	12.81%	\$1,033	36.99%	\$2,983
<b>Probation Tier 1 Members</b>						
Normal Cost	9.72%	\$10	3.32%	\$4	13.04%	\$14
UAAL <sup>(3)</sup>	<u>8.71%</u>	<u>9</u>	<u>2.58%</u>	<u>2</u>	<u>11.29%</u>	<u>11</u>
Total Contribution	18.43%	\$19	5.90%	\$6	24.33%	\$25

\* SEGAL

SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association

CHART 13

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

	June 30, 2011			June 30, 2010		
	BASIC	COLA	TOTAL	BASIC AND COLA COMBINED		
	Rate	Estimated Annual Amount <sup>(1)</sup>	Rate	Estimated Annual Amount <sup>(1)</sup>	Rate <sup>(2)</sup>	Estimated Annual Amount <sup>(1)</sup>
<b>Probation Tier 2 Members</b>						
Normal Cost	12.82%	\$321	4.07%	\$102	15.64%	\$392
UAAL <sup>(3)</sup>	8.71%	219	2.58%	64	0.46%	12
Total Contribution	21.53%	\$540	6.65%	\$166	28.18%	\$404
<b>All Members Combined</b>						
Normal Cost	9.19%	\$5,898	2.89%	\$1,853	12.08%	\$7,751
UAAL	7.33%	4,697	3.89%	2,500	11.22%	7,197
Total Contribution	16.52%	\$10,595	6.78%	\$4,353	23.30%	\$14,948

(1) Amounts are based on the following June 30, 2011 projected annual compensation:

General Tier 1	\$1,997,864
General Tier 2 / Tier 3	51,296,760
Safety Tier 1	175,374
Safety Tier 2	8,063,559
Probation Tier 1	103,612
Probation Tier 2	2,506,596
Total	\$64,143,765

(2) June 30, 2010 employer contribution rates are before revisions made to correct an understatement of the employer rate for all groups combined of about 0.7% of payroll and an overstatement of the member rate for all groups combined of about 0.7% of payroll.

(3) The 10.83% increase in the UAAL rate for Probation between the June 30, 2010 and June 30, 2011 valuations is mainly attributed to a smaller proportion of the total assets attributed to the Probation group this year (which is based primarily on the split of the reserves by membership, as provided by MCERA), changes in actuarial assumptions as recommended in the Experience Study, and the difference between the previous actuary's and Segal's valuation software (which is discussed on page ii).

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

The employer contribution rates as of June 30, 2011 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.

**CHART 14**

**Reconciliation of Recommended Employer Contribution from June 30, 2010 to June 30, 2011**

	Contribution Rate	Estimated Amount <sup>(1)</sup>
Recommended Contribution Rate as of June 30, 2010	18.97%	\$12,169,000
Plus effect of revisions made to correct an understatement of the employer rates	0.70	448,000
Less effect of differences in method and procedure used by the Association's previous actuary and Segal	(0.61)	(391,000)
Net Contribution Rate as of June 30, 2010	19.06%	\$12,226,000
Effect of actuarial experience during fiscal year 2011:		
1. Effect of one-year delay in implementing contribution rates in June 30, 2010 valuation	0.51%	\$327,000
2. Effect of change in membership demographics	(0.21)	(135,000)
3. Effect of investment loss	1.42	911,000
4. Effect of lower than expected salary increases for actives	(1.06)	(680,000)
5. Effect of amortizing prior year's UAL over a smaller than expected projected total payroll	1.50	962,000
6. Effect of other experience gain, primarily from less than expected COLA increases for continuing retirees	(0.50)	(318,000)
7. Effect of change in actuarial assumptions and procedures as recommended in Experience Study	3.08	1,976,000
8. Effect of reflecting a future service only improvement for General members <sup>(2)</sup>	(0.50)	(321,000)
Subtotal	4.24%	\$2,722,000
Recommended Contribution Rate as of June 30, 2011	23.30%	\$14,948,000

<sup>(1)</sup> Based on June 30, 2011 projected compensation.

<sup>(2)</sup> General members may choose to upgrade past service to the enhanced Section 31676.12 formula by purchasing such service.

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

**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

The member contribution rates as of June 30, 2011 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.

**CHART 15  
Reconciliation of Recommended Member Contribution from June 30, 2010 to June 30, 2011**

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

	Contribution Rate	Estimated Amount*
Average Contribution Rate as of June 30, 2010	8.83%	\$5,665,000
Less effect of revisions made to correct an overstatement of the member rates	(0.70)	(449,000)
Less effect of differences in method and procedure used by the Association's previous actuary and Segal	<u>(0.08)</u>	<u>(52,000)</u>
Net Average Contribution Rate as of June 30, 2010	8.05%	\$5,164,000
Effect of actuarial experience during fiscal year 2011:		
1. Effect of change in membership demographics	(0.09)%	\$(64,000)
2. Effect of change in actuarial assumptions and procedures as recommended in Experience Study	1.88	1,211,000
Subtotal	1.79%	\$1,147,000
Average Contribution Rate as of June 30, 2011	9.84%	\$6,311,000

\* Based on June 30, 2011 projected compensation.

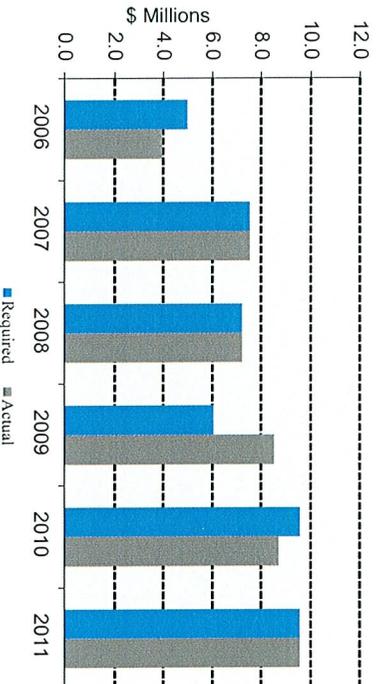
**SECTION 2: Valuation Results for the Mendocino County Employees' Retirement Association**

**E. INFORMATION REQUIRED BY GASB**

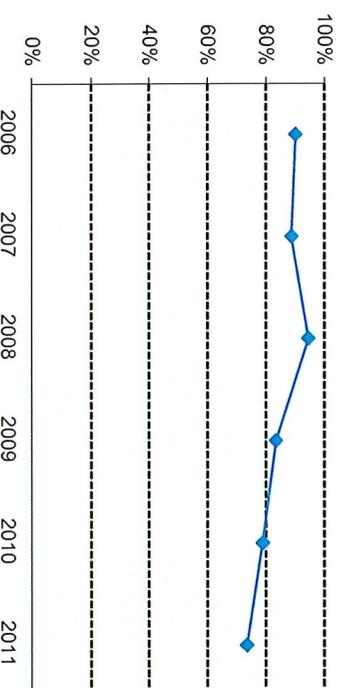
Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contributions to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

**CHART 16**  
**Required Versus Actual Contributions**



**CHART 17**  
**Funded Ratio**



The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the valuation value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes. The funded ratio as of June 30, 2010 was 78.9%. This year's funded ratio decreased to 73.6%.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits I, II, and III.

*These graphs show key GASB factors.*

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

i. General Tier 1

Category	Year Ended June 30		Change From Prior Year
	2011	2010	
<b>Active members in valuation</b>			
Number	29	30	(3.3)%
Average age	57.4	56.7	N/A
Average service	26.4	27.7	N/A
Projected total compensation	\$1,997,864	\$2,010,607	(0.6)%
Projected average compensation	\$68,892	\$67,020	2.8%
Member account balances	\$4,649,846	\$4,675,759	(0.6)%
Total active vested members	29	30	(3.3)%
<b>Vested terminated members</b>			
Number	15	13*	15.4%
Average age	57.2	58.2	N/A
<b>Retired members</b>			
Number in pay status	371	374	(0.8)%
Average age	73.4	73.2	N/A
Average monthly benefit	\$1,877	\$1,799	4.3%
<b>Disabled members</b>			
Number in pay status	39	44	(11.4)%
Average age	69.0	69.3	N/A
Average monthly benefit	\$1,628	\$1,634	(0.4)%
<b>Beneficiaries</b>			
Number in pay status	85	86	(1.2)%
Average age	78.3	78.0	N/A
Average monthly benefit	\$1,120	\$1,054	6.3%

\* Excludes pending contribution withdrawals and pending disability claims.

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

ii. General Tier 2 & Tier 3

Category	Year Ended June 30		Change From Prior Year
	2011	2010	
<b>Active members in valuation</b>			
Number	926	1,041	(11.0)%
Average age	49.7	48.9	N/A
Average service	9.5	8.7	N/A
Projected total compensation	\$51,296,760	\$57,356,137	(10.6)%
Projected average compensation	\$55,396	\$55,097	0.5%
Member account balances	\$39,790,855	\$38,425,476	3.6%
Total active vested members	654	614	6.5%
<b>Vested terminated members</b>			
Number	317	249*	27.3%
Average age	49.2	49.8	N/A
<b>Retired members</b>			
Number in pay status	376	331	13.6%
Average age	63.8	63.0	N/A
Average monthly benefit	\$1,073	\$1,023	4.9%
<b>Disabled members</b>			
Number in pay status	74	71	4.2%
Average age	59.7	59.2	N/A
Average monthly benefit	\$1,379	\$1,299	6.2%
<b>Beneficiaries</b>			
Number in pay status	22	18	22.2%
Average age	58.0	54.8	N/A
Average monthly benefit	\$730	\$646	13.0%

\* Excludes pending contribution withdrawals and pending disability claims.

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

iii. Safety Tier 1 & Tier 2

Category	Year Ended June 30		Change From Prior Year
	2011	2010	
<b>Active members in valuation</b>			
Number	122	130	(6.2)%
Average age	44.3	43.2	N/A
Average service	12.5	11.4	N/A
Projected total compensation	\$8,238,933	\$9,501,480	(13.3)%
Projected average compensation	\$67,532	\$73,088	(7.6)%
Member account balances	\$6,248,478	\$5,996,252	4.2%
Total active vested members	98	92	6.5%
<b>Vested terminated members</b>			
Number	48	43*	11.6%
Average age	42.9	42.7	N/A
<b>Retired members</b>			
Number in pay status	51	48	6.3%
Average age	64.4	64.2	N/A
Average monthly benefit	\$2,823	\$2,703	4.4%
<b>Disabled members</b>			
Number in pay status	54	54	0.0%
Average age	65.0	63.9	N/A
Average monthly benefit	\$2,781	\$2,766	0.5%
<b>Beneficiaries</b>			
Number in pay status	27	28	(3.6)%
Average age	67.1	68.2	N/A
Average monthly benefit	\$1,412	\$1,405	0.5%

\* Excludes pending contribution withdrawals and pending disability claims.

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT A

Table of Plan Coverage

iv. Probation Tier 1 & Tier 2

Category	Year Ended June 30		Change From Prior Year
	2011	2010	
<b>Active members in valuation</b>			
Number	52	53	(1.9)%
Average age	43.0	42.6	N/A
Average service	9.4	8.5	N/A
Projected total compensation	\$2,610,208	\$2,861,572	(8.8)%
Projected average compensation	\$50,196	\$53,992	(7.0)%
Member account balances	\$2,910,904	\$2,514,117	15.8%
Total active vested members	33	26	26.9%
<b>Vested terminated members</b>			
Number	9	5*	80.0%
Average age	45.8	39.0	N/A
<b>Retired members</b>			
Number in pay status	26	26	0.0%
Average age	61.4	60.5	N/A
Average monthly benefit	\$2,402	\$2,276	5.5%
<b>Disabled members</b>			
Number in pay status	2	2	0.0%
Average age	51.4	50.5	N/A
Average monthly benefit	\$1,262	\$1,244	1.4%
<b>Beneficiaries</b>			
Number in pay status	2	1	100.0%
Average age	60.5	61.0	N/A
Average monthly benefit	\$574	\$453	26.7%

\* Excludes pending contribution withdrawals and pending disability claims.

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation  
By Age, Years of Service as of June 30, 2011

Age	Total	Years of Service									
		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	6	--	1	--	--	1	3	1	--	--	--
	\$50,587	--	\$37,560	--	--	\$56,581	\$48,077	\$65,149	--	--	--
55 - 59	18	--	1	--	1	2	4	8	2	--	--
	74,943	--	82,606	--	\$85,213	82,233	74,285	73,865	\$64,317	--	--
60 - 64	5	--	2	--	--	--	2	--	1	--	--
	69,073	--	74,018	--	--	--	62,502	--	72,322	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--	--
Total	29	--	4	--	1	3	9	9	9	3	--
	\$68,892	--	\$67,051	--	\$85,213	\$73,683	\$62,931	\$72,896	\$66,985	--	--

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation  
By Age, Years of Service as of June 30, 2011

Age	Years of Service										
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & over		
Under 25	3	3	--	--	--	--	--	--	--	--	--
25 - 29	\$42,364	\$42,364	--	--	--	--	--	--	--	--	--
	36	28	8	--	--	--	--	--	--	--	--
30 - 34	43,193	43,661	\$41,555	--	--	--	--	--	--	--	--
	75	33	33	9	--	--	--	--	--	--	--
35 - 39	51,032	49,675	52,053	\$52,261	--	--	--	--	--	--	--
	68	24	23	20	1	--	--	--	--	--	--
40 - 44	52,977	55,464	50,559	52,966	\$49,080	--	--	--	--	--	--
	112	38	29	25	13	7	--	--	--	--	--
45 - 49	53,697	51,522	51,623	55,066	59,166	\$59,051	--	--	--	--	--
	142	39	45	38	12	5	3	--	--	--	--
50 - 54	54,884	52,495	54,388	59,005	54,695	47,303	\$54,570	--	--	--	--
	150	38	36	41	19	12	4	--	--	--	--
55 - 59	58,738	57,267	52,975	60,554	59,775	66,080	79,026	--	--	--	--
	171	40	48	36	22	21	4	--	--	--	--
60 - 64	58,143	55,419	54,402	54,997	63,991	71,246	57,609	--	--	--	--
	137	23	37	43	22	10	2	--	--	--	--
65 - 69	57,156	53,823	58,011	56,007	58,074	64,557	57,285	--	--	--	--
	26	5	10	6	4	1	--	--	--	--	--
70 & over	57,514	53,800	58,660	49,861	65,881	77,063	--	--	--	--	--
	6	1	1	3	--	--	1	--	--	--	--
	49,736	55,648	47,928	51,687	--	--	39,777	--	--	--	--
Total	926	272	270	221	93	56	14	--	--	--	--
	\$55,396	\$52,503	\$53,544	\$56,442	\$59,777	\$65,386	\$61,757	--	--	--	--

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation  
By Age, Years of Service as of June 30, 2011

Age	Total	Years of Service									
		0-4	5-9	10-14	15-19	20-24	25-29	30 & over			
Under 25	2	1	1	--	--	--	--	--	--	--	--
25 - 29	2	2	--	--	--	--	--	--	--	--	--
30 - 34	10	7	1	2	--	--	--	--	--	--	--
35 - 39	22	3	9	9	1	--	--	--	--	--	--
40 - 44	29	3	--	15	9	2	--	--	--	--	--
45 - 49	29	4	7	8	3	4	3	--	--	--	--
50 - 54	17	2	4	1	2	3	4	1	--	--	--
55 - 59	7	1	3	1	--	1	1	1	--	--	--
60 - 64	4	1	--	2	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--	--
Total	122	24	25	38	15	10	8	2			
	\$67,532	\$57,671	\$59,836	\$66,386	\$73,792	\$73,826	\$101,967	\$87,687			

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT B

Members in Active Service and Projected Average Compensation  
By Age, Years of Service as of June 30, 2011

Age	Total	Years of Service									
		0-4	5-9	10-14	15-19	20-24	25-29	30 & over			
Under 25	--	--	--	--	--	--	--	--	--	--	--
25 - 29	7	6	1	--	--	--	--	--	--	--	--
	\$44,727	\$43,798	\$50,297	--	--	--	--	--	--	--	--
30 - 34	10	4	5	1	--	--	--	--	--	--	--
	44,803	41,164	46,219	\$52,286	--	--	--	--	--	--	--
35 - 39	7	1	3	3	--	--	--	--	--	--	--
	47,546	44,606	44,816	51,255	--	--	--	--	--	--	--
40 - 44	6	2	--	3	1	--	--	--	--	--	--
	48,832	45,122	--	50,297	\$51,858	--	--	--	--	--	--
45 - 49	4	1	--	1	1	1	--	--	--	--	--
	57,361	44,178	--	50,297	52,835	\$82,135	--	--	--	--	--
50 - 54	10	3	1	3	--	1	2	--	--	--	--
	52,760	48,020	53,736	46,200	50,297	\$70,454	--	--	--	--	--
55 - 59	3	1	1	--	--	1	--	--	--	--	--
	64,810	41,777	49,040	--	--	103,612	--	--	--	--	--
60 - 64	5	1	1	2	1	--	--	--	--	--	--
	54,360	44,178	41,332	53,766	78,759	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--	--
Total	52	19	12	13	3	2	3	--	--	--	--
	\$50,196	\$44,026	\$46,662	\$50,259	\$61,151	\$66,216	\$81,507	--	--	--	--

**SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association**

**EXHIBIT C**

**Reconciliation of Member Data – June 30, 2010 to June 30, 2011**

	<b>Active Members</b>	<b>Vested Terminated Members</b>	<b>Pensioners</b>	<b>Disableds</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of June 30, 2010	1,254	310*	779	171	133	2,647
New members	28	0	0	0	11	39
Terminations – with vested rights	-50	50	0	0	0	0
Contributions refunds	-51	-15	0	0	0	-66
Retirements	-43	-21	64	0	0	0
New disabilities	-3	0	-2	5	0	0
Return to work	1	0	-1	0	0	0
Died with or without beneficiary	-4	-1	-19	-5	-9	-38
Data adjustments	-3	66**	3	-2	1	65
Number as of June 30, 2011	1,129	389	824	169	136	2,647

\* Excludes pending contribution withdrawals and pending disability claims.

\*\* Includes 56 members entitled to a refund only.

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30,	
	2011	2010
<b>Contribution Income:</b>		
Employer Contributions	\$9,553,955	\$8,234,253
Employee Contributions	<u>5,446,964</u>	<u>6,502,080</u>
Contribution Income	\$15,000,919	\$14,736,333
<b>Investment Income:</b>		
Interest, Dividends and Other Income	\$8,349,174	\$7,449,388
Adjustment Toward Market Value	6,865,501	10,497,306
Less Investment Expenses	<u>(404,760)</u>	<u>(595,494)</u>
Net Investment Income	<u>\$14,809,915</u>	<u>\$17,351,200</u>
<b>Total Income Available for Benefits</b>	<b>\$29,810,834</b>	<b>\$32,087,533</b>
<b>Less Benefit Payments:</b>		
Benefit Payments and Refunds	\$(23,436,295)	\$(24,222,316)
Administrative Expenses	<u>(639,764)</u>	<u>(644,865)</u>
Net Benefit Payments	\$(24,076,059)	\$(24,867,181)
<b>Change in Reserve for Future Benefits</b>	<b>\$5,734,775</b>	<b>\$7,220,352</b>

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

**EXHIBIT E**  
**Summary Statement of Assets**

ASSETS	Year Ended June 30,	
	2011	2010*
Cash and Cash Equivalents	\$1,189,486	\$16,191,776
<b>Accounts Receivable:</b>		
Employer Contributions	\$229,617	\$46,281
Member Contributions	76,187	-
Investment Sales	-	814,942
Interest and Dividends	-	1,002,293
Other	<u>57,574</u>	<u>152,918</u>
Total Accounts Receivable	\$363,378	\$2,016,434
Other Assets	3,786	-
<b>Investments:</b>		
U.S. Government Obligations	\$ -	\$51,969,718
International Bonds	-	7,080,383
Domestic Corporate Bonds	-	44,148,272
Domestic Stocks	-	104,627,860
International Stocks	-	52,327,297
Real Estate	-	23,516,305
Mutual Funds	<u>353,565,325**</u>	<u>-</u>
Total Investments at Market Value	\$353,565,325	\$283,669,835
<b>Total Assets</b>	<b>\$355,121,975</b>	<b>\$301,878,045</b>

\* Updated to reflect final audited market value of assets.

\*\* Further breakdown not available from draft financial statements received.

SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association

EXHIBIT E (Continued)  
Summary Statement of Assets

	Year Ended June 30,	
	2011	2010*
<b>LIABILITIES</b>		
Less Liabilities:		
Accounts Payable	\$(14,829)	\$(293,357)
Accrued Expenses and Other Liabilities	(64,623)	(22,063)
Investment Purchases	-	(1,520,063)
Total Liabilities	\$(79,452)	\$(1,835,483)
<b>NET ASSETS</b>		
Net Assets at Market Value	<u>\$355,042,523</u>	<u>\$300,042,562</u>
Net Assets at Actuarial Value	<u>\$351,940,733</u>	<u>\$346,205,958**</u>
Net Assets at Valuation Value	<u>\$347,731,607</u>	<u>\$343,201,920</u>

\* Updated to reflect final audited market value of assets.

\*\* Reflects correction to typographical error in prior actuary's June 30, 2010 valuation report.

Note: Results may not total properly due to rounding.

**SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association**

**EXHIBIT F**

**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**

	<u>Basic</u>	<u>COLA</u>	<u>Total</u>
<b>Assets</b>			
1. Total valuation assets	\$230,010,242	\$117,721,365	\$347,731,607
2. Present value of future contributions by members	29,390,077	9,750,647	39,140,724
3. Present value of future employer contributions for:			
a. entry age normal cost	37,633,015	12,260,712	49,893,727
b. unfunded actuarial accrued liability	81,537,925	43,374,751	124,912,676
4. Total current and future assets	\$378,571,259	\$183,107,475	\$561,678,734
<b>Liabilities</b>			
5. Present value of benefits already granted	\$151,119,793	\$108,277,802	\$259,397,595
6. Present value of benefits to be granted to present non-retired members	227,451,466	74,829,673	302,281,139
7. Total liabilities	\$378,571,259	\$183,107,475	\$561,678,734

**SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association**

**EXHIBIT G**

**Development of Unfunded Actuarial Accrued Liability as of June 30, 2011**

1. Unfunded actuarial accrued liability at beginning of year:	
(a) Calculated by prior actuary	\$91,784,613
(b) Adjustment for difference in method and procedure used by the Association's previous actuary and Segal	<u>9,034,607</u>
(c) Recalculated by Segal (1a) + (1b)	\$100,819,220
2. Gross Normal Cost at beginning of year	14,049,903
3. Actual employer and member contributions	(15,000,919)
4. Interest (whole year on (1) + (2) plus half year on (3))	<u>8,589,493</u>
5. Expected unfunded actuarial accrued liability at end of year	\$108,457,697
6. Actuarial (gain)/loss due to all changes*:	
a. Loss from investments as recognized on June 30, 2011	\$15,265,854
b. Gain from lower than expected salary increases for actives	(11,362,669)
c. Other experience gain, primarily for less than expected COLA increases for continuing retirees	(5,886,554)
d. Loss due to change in actuarial assumptions and procedures as recommended in Experience Study	24,042,855
e. Gain due to reflecting a future service only improvement for General members**	<u>(5,604,507)</u>
f. Subtotal	\$16,454,979
7. Actual unfunded actuarial accrued liability at end of year (5) + (6f)	\$124,912,676

\* The "net gain from other experience" of \$17,249,223 from Chart 9 is equal to the sum of items 6b and 6c.

\*\* General members may choose to upgrade past service to the enhanced Section 31676.12 formula by purchasing such service.

**SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association**

---

**EXHIBIT H**

**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.

Benefits 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.

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 \$195,000 for 2011 and \$200,000 for 2012. 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.

**SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association**

---

**EXHIBIT 1**

**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.

**SECTION 3: Supplemental Information for the Mendocino County Employees' Retirement Association**

---

**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.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**EXHIBIT I**

**Supplementary Information Required by GASB – Schedule of Employer Contributions<sup>(1)</sup>**

<b>Plan Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2006	\$4,996,000	N/A	79%
2007	7,533,000	N/A	100%
2008	7,232,000	N/A	100%
2009	6,046,000	N/A	141%
2010	9,571,000	N/A	91%
2011	9,553,955 <sup>(2)</sup>	9,553,955	100%

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

<sup>(2)</sup> Subject to confirmation by MCERA.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**EXHIBIT II**

**Supplementary Information Required by GASB – Schedule of Funding Progress<sup>(1)</sup>**

<b>Actuarial Valuation Date</b>	<b>Valuation Value of Assets<sup>(2)</sup> (a)</b>	<b>Accrued Actuarial Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (%) (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (%) [(b) - (a)] / (c)</b>
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 <sup>(3)</sup>	194.7

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

<sup>(2)</sup> Excludes assets for non-valuation reserves.

<sup>(3)</sup> 6/30/2011 payroll includes a projection for expected salary increases during 2011/2012 under the actuarial assumptions used in the valuation.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**EXHIBIT III**

**Supplementary Information Required by GASB**

Valuation date	June 30, 2011
Actuarial cost method	Entry Age Normal Cost Method (individual basis)
Amortization method	Level percent of payroll for total unfunded liability
Remaining amortization period	28 years (declining) for all UAAL
Asset valuation method	Market Value of Assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 25% of the market value. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

**Actuarial assumptions:**

Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.50%
Projected salary increases*	4.50% to 9.00%
Cost of living adjustments	3.00% of retirement income

**Plan membership:**

Retired members and beneficiaries receiving benefits	1,129
Terminated members entitled to, but not yet receiving benefits	389
Active members	<u>1,129</u>
Total	<u>2,647</u>

\* Includes inflation at 3.50% plus real across-the-board salary increase of 0.50% plus merit and longevity increases. See Exhibit IV for these increases.

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

---

**EXHIBIT IV**

**Actuarial Assumptions and Actuarial Cost Method**

---

**Post-Retirement Mortality Rates**

*Healthy:*

For General members and all beneficiaries: RP-2000 Combined Healthy Mortality Table for Males and Females, set back 2 years for males and set back 1 year for females.

For Safety and Probation members: RP-2000 Combined Healthy Mortality Table for Males and Females, with no setback for males and set forward 1 year for females.

*Disabled:*

For General members: RP-2000 Combined Healthy Mortality Table for Males and Females, set forward 2 years.

For Safety and Probation members: RP-2000 Combined Healthy Mortality Table for Males and Females, set forward 4 years.

The tables shown above were determined to contain sufficient 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 for Males and Females, set back 2 years for males and set back 1 year for females, weighted 30% male and 70% female.

For Safety and Probation members: RP-2000 Combined Healthy Mortality Table for Males and Females, with no setback for males and set forward 1 year for females, weighted 80% male and 20% female.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Termination Rates Before Retirement:**

Age	Rate (%)			
	Death			
	General <sup>(1)</sup>		Safety and Probation <sup>(2)</sup>	
	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.03
35	0.06	0.04	0.08	0.05
40	0.10	0.06	0.11	0.08
45	0.13	0.10	0.15	0.12
50	0.19	0.16	0.21	0.19
55	0.29	0.24	0.36	0.31
60	0.53	0.44	0.67	0.58
65	1.00	0.86	1.27	1.10

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

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

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

---

**Termination Rates Before Retirement (continued):**

Age	Disability		
	General <sup>(1)</sup>	Safety <sup>(2)</sup>	Probation <sup>(2)</sup>
20	0.01	0.20	0.20
25	0.02	0.23	0.23
30	0.02	0.34	0.34
35	0.03	0.52	0.52
40	0.06	1.14	1.14
45	0.33	1.62	1.62
50	0.53	2.48	2.48
55	0.61	3.00	3.00
60	0.74	0.00	0.00

<sup>(1)</sup> 50% of General disabilities are assumed to be service connected disabilities. The other 50% are assumed to be non-service connected disabilities.

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

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Termination Rates Before Retirement (continued):**

Years of Service	Rate (%)		
	Termination (Less Than 5 Years of Service) <sup>(1)</sup>		
	General	Safety	Probation
0	14.50	11.00	11.00
1	11.50	9.50	9.50
2	10.50	7.50	7.50
3	9.50	6.50	6.50
4	8.50	5.50	5.50

**Rate (%)**

Age	Termination (5+ Years of Service) <sup>(2)</sup>		
	General	Safety	Probation
20	4.50	5.00	5.00
25	4.50	4.70	4.70
30	4.50	3.90	3.90
35	4.50	3.50	3.50
40	4.50	3.20	3.20
45	4.50	2.40	2.40
50	4.50	1.10	1.10
55	3.30	0.20	0.20
60	2.20	0.00	0.00

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Retirement Rates:**

<b>Age</b>	<b>Rate (%)</b>		
	<b>General</b>	<b>Safety</b>	<b>Probation</b>
50	5.00	5.00	5.00
51	5.00	5.00	5.00
52	5.00	5.00	5.00
53	5.00	5.00	5.00
54	5.00	5.00	5.00
55	7.00	6.31	28.00
56	7.00	7.50	28.00
57	7.00	10.00	28.00
58	7.00	12.50	28.00
59	7.00	37.50	28.00
60	10.00	100.00	100.00
61	15.00	100.00	100.00
62	20.00	100.00	100.00
63	15.00	100.00	100.00
64	15.00	100.00	100.00
65	38.00	100.00	100.00
66	38.00	100.00	100.00
67	38.00	100.00	100.00
68	38.00	100.00	100.00
69	38.00	100.00	100.00
70	100.00	100.00	100.00

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

---

**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 future 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, 4.50% compensation increases per annum are assumed.

**Future Benefit Accruals:**

1.0 year of service per year of employment.

**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:**

80% of male members; 50% of female members.

**Age of Spouse:**

Female (or male) spouses are 3 years younger (or older) than their spouses.

**Net Investment Return:**

7.75% per annum

**Employee Contribution Crediting Rate:**

7.75% per annum

**Consumer Price Index:**

Increase of 3.50% per year, retiree COLA increases due to CPI subject to a 3% maximum change per year.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Salary Increases:**

**Annual Rate of Compensation Increase (%)**  
 Inflation: 3.50%; an additional 0.50% "across the board" salary increases (other than inflation); plus the following Merit and Promotional increases based on years of service.

<b>Years of Service</b>	<b>General</b>	<b>Safety and Probation</b>
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 Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. 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.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

---

**Changes in Actuarial Assumptions:** Based on the July 1, 2008 through June 30, 2011 Experience Study, the following assumptions have changed. Previously, these assumptions were as follows:

---

**Post-Retirement Mortality Rates**

*Healthy:* For General members and all beneficiaries: 1994 Group Annuity Mortality Table, with no setback.

For Safety and Probation members: 1994 Group Annuity Mortality Table for males, with no setback.

*Disabled:* For General members: 1981 Disability Table for General members, set back 5 years for males and set back 2 years for females.

For Safety members: 1981 Disability Table for Safety members, set back 4 years.

*Employee Contribution Rates:*

For General members: 1994 Group Annuity Mortality Table for Males, set back 3 years.

For Safety and Probation members: 1994 Group Annuity Mortality Table for Males, with no setback.

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Changes in Actuarial Assumptions (previous assumptions continued):

Termination Rates Before Retirement:

Age	Rate (%)			
	Ordinary Death			
	Male	Female	Safety	Probation
25	0.050	0.039	0.040	0.040
30	0.060	0.052	0.050	0.050
35	0.080	0.065	0.060	0.060
40	0.100	0.078	0.080	0.080
45	0.120	0.091	0.130	0.130
50	0.150	0.117	0.180	0.180
55	0.190	0.143	0.230	0.230
60	0.240	0.182	0.000	0.000
65	0.290	0.208	0.000	0.000

Age	Rate (%)			
	Duty Death			
	Male	Female	Safety	Probation
25	0.010	0.010	0.100	0.100
30	0.010	0.010	0.100	0.100
35	0.020	0.010	0.110	0.110
40	0.020	0.010	0.130	0.130
45	0.020	0.010	0.170	0.170
50	0.020	0.010	0.210	0.210
55	0.020	0.010	0.250	0.250
60	0.020	0.010	0.000	0.000
65	0.020	0.010	0.000	0.000

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Changes in Actuarial Assumptions (previous assumptions continued):**

**Termination Rates Before Retirement (continued):**

Age	Rate (%)			
	Death While Eligible			
	General		Safety	Probation
	Male	Female		
25	0.010	0.010	0.010	0.010
30	0.020	0.010	0.020	0.020
35	0.030	0.020	0.030	0.030
40	0.040	0.020	0.040	0.040
45	0.060	0.030	0.090	0.090
50	0.110	0.050	0.140	0.140
55	0.210	0.100	0.190	0.190
60	0.310	0.150	0.000	0.000
65	0.410	0.200	0.000	0.000

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Changes in Actuarial Assumptions (previous assumptions continued):

Termination Rates Before Retirement (continued):

Age	Rate (%)			
	Ordinary Disability			
	General			
	Male	Female	Safety	Probation
20	0.000	0.000	0.005	0.010
25	0.003	0.008	0.020	0.040
30	0.013	0.017	0.045	0.090
35	0.038	0.034	0.075	0.150
40	0.086	0.067	0.175	0.350
45	0.156	0.151	0.330	0.660
50	0.239	0.269	0.510	1.020
55	0.328	0.378	0.710	1.420
60	0.405	0.512	0.000	0.000

Rate (%)

Duty Disability

Age	General			
	Duty Disability			
	Male	Female	Safety	Probation
20	0.014	0.028	0.238	0.238
25	0.029	0.028	0.400	0.400
30	0.043	0.028	0.605	0.605
35	0.072	0.028	0.983	0.983
40	0.130	0.058	1.512	1.512
45	0.231	0.115	2.246	2.246
50	0.434	0.258	3.283	3.283
55	0.723	0.403	4.752	4.752
60	1.069	0.547	0.000	0.000

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Changes in Actuarial Assumptions (previous assumptions continued):**

**Termination Rates Before Retirement (continued):**

Age	Rate (%)			
	Withdrawal			
	General			
	Male	Female	Safety	Probation
20	21.120	25.000	18.750	18.750
25	18.612	15.000	14.400	14.400
30	14.520	12.900	10.350	10.350
35	11.088	11.000	6.600	6.600
40	10.296	9.000	4.350	4.350
45	6.600	7.800	2.100	2.100
50	3.960	5.100	0.300	0.300
55	3.168	2.400	0.000	0.000
60	5.544	4.200	0.000	0.000

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Changes in Actuarial Assumptions (previous assumptions continued):

Termination Rates Before Retirement (continued):

Age	Terminated Vested <sup>(1)</sup>			
	Rate (%)			
	Male	Female	Safety	Probation
20	1.800	1.699	0.000	0.000
25	3.420	1.800	0.450	1.350
30	5.400	3.888	1.575	4.725
35	3.780	4.464	2.475	7.425
40	5.040	4.464	2.700	8.100
45	4.680	4.608	2.250	6.750
50	6.120	3.744	0.900	2.700
55	2.160	2.721	0.000	0.000
60	0.900	0.864	0.000	0.000

<sup>(1)</sup> 20% of General males under age 50; 40% of General females under age 40; 30% of General females over age 40; 25% of Safety males under age 40; and 50% of Probation males and females under age 50 are assumed to receive a refund of their contributions. The remainder are assumed to receive a deferred annuity. No termination is assumed after a member is eligible for retirement.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Changes in Actuarial Assumptions (previous assumptions continued):**

**Retirement Rates:**

Age	Rate (%)			
	General Male	General Female	Safety	Probation
45	0.000	0.000	0.250	0.000
46	0.000	0.000	0.288	0.000
47	0.000	0.000	0.331	0.000
48	0.000	0.000	0.380	0.000
49	0.000	0.000	0.438	0.000
50	3.000	3.000	2.300	4.000
51	3.000	3.000	2.300	4.000
52	3.000	3.000	2.300	4.000
53	3.000	3.000	4.600	8.000
54	3.000	3.000	5.175	9.000
55	9.000	3.000	6.313	12.500
56	6.000	3.000	7.500	3.750
57	6.000	3.000	10.000	5.000
58	6.000	6.000	12.500	6.250
59	7.500	6.000	37.500	9.375
60	7.500	6.000	100.000	100.000
61	9.750	10.000	100.000	100.000
62	11.250	15.000	100.000	100.000
63	5.625	7.500	100.000	100.000
64	9.375	7.500	100.000	100.000
65	26.250	25.000	100.000	100.000
66	30.000	30.000	100.000	100.000
67	31.875	30.000	100.000	100.000
68	33.750	45.000	100.000	100.000
69	35.625	47.500	100.000	100.000
70	100.000	100.000	100.000	100.000

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

---

**Changes in Actuarial Assumptions (previous assumptions continued):**

**Retirement Age and Benefit for**

**Deferred Vested Members:** For deferred vested members, retirement age assumptions are as follows:

General Age: 62  
 Safety and Probation Age: 55

It is assumed that 50% of future deferred vested members will continue to work for a reciprocal employer. For reciprocals, 4.00% compensation increases per annum are assumed.

**Percent Married:** 90% of male members; 50% of female members.

**Net Investment Return:** 8.00% per annum

**Employee Contribution Crediting Rate:** 8.00% per annum

**Consumer Price Index:** Increase of 4.00% per year, retiree COLA increases due to CPI subject to a 3% maximum change per year.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Changes in Actuarial Assumptions (previous assumptions continued):**

**Salary Increases:**

<b>Annual Rate of Compensation Increase (%)</b>			
<b>Age</b>	<b>General</b>	<b>Safety</b>	<b>Probation</b>
25	0.00%	0.00%	0.00%
30	0.00%	0.00%	0.00%
35	0.00%	0.00%	0.00%
40	0.00%	0.00%	0.00%
45	0.00%	0.00%	0.00%
50	0.00%	0.00%	0.00%
55	0.00%	0.00%	0.00%
60	0.00%	0.00%	0.00%
65	0.00%	0.00%	0.00%

Inflation: 4.00%; an additional 0.00% "across the board" salary increases (other than inflation); plus the following Merit and Promotional increases based on age.

**Actuarial Cost Method:**

Entry Age Normal Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate for all members in each membership tier. This normal cost rate is then multiplied by the total current salaries for all members in each membership tier.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

---

**EXHIBIT V**

**Summary of Plan Provisions**

---

This exhibit summarizes the major provisions of MCERA included in the valuation as of June 30, 2011. 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.

*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.

*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.

*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.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**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 Tier 2, General Tier 3, Safety Tier 2, and Probation Tier 2* Highest consecutive thirty-six months of compensation earnable (§31462) (FAS3).

**Service:** Years of service (Yrs).

**Service Retirement Eligibility:**

*General* Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years, regardless of age (§31672).

*Safety and Probation* Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years, regardless of age (§31663.25).

**Benefit Formula:**

	Retirement Age	Benefit Formula
<i>General Tier 1 (§31676.12)*</i>	50	$(1.34\% \times \text{FAS1} - 1/3 \times 1.34\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.77\% \times \text{FAS1} - 1/3 \times 1.77\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.34\% \times \text{FAS1} - 1/3 \times 2.34\% \times \$350 \times 12) \times \text{Yrs}$
	62 or later	$(2.62\% \times \text{FAS1} - 1/3 \times 2.62\% \times \$350 \times 12) \times \text{Yrs}$
<i>General Tier 2 and General Tier 3 (§31676.12)*</i>	50	$(1.34\% \times \text{FAS3} - 1/3 \times 1.34\% \times \$350 \times 12) \times \text{Yrs}$
	55	$(1.77\% \times \text{FAS3} - 1/3 \times 1.77\% \times \$350 \times 12) \times \text{Yrs}$
	60	$(2.34\% \times \text{FAS3} - 1/3 \times 2.34\% \times \$350 \times 12) \times \text{Yrs}$
	62 and later	$(2.62\% \times \text{FAS3} - 1/3 \times 2.62\% \times \$350 \times 12) \times \text{Yrs}$

\* 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. For all other Bargaining Groups, the prior service date is January 1, 2002 (instead of October 1, 2003).

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Safety Tier 1</i> (§31664.2)	50 55 or later	(2.29% x FAS1 x Yrs - 1/3 x 2.29% x \$350 x 12) (3.00% x FAS1 x Yrs - 1/3 x 3.00% x \$350 x 12)
<i>Safety Tier 2</i> (§31664.2)	50 55 or later	(2.29% x FAS3 x Yrs - 1/3 x 2.29% x \$350 x 12) (3.00% x FAS3 x Yrs - 1/3 x 3.00% x \$350 x 12)
<i>Probation Tier 1</i> (§31664)	50 55 or later	(2.00% x FAS1 x Yrs - 1/3 x 2.00% x \$350 x 12) (2.62% x FAS1 x Yrs - 1/3 x 2.62% x \$350 x 12)
<i>Probation Tier 2</i> (§31664)	50 55 or later	(2.00% x FAS3 x Yrs - 1/3 x 2.00% x \$350 x 12) (2.62% x FAS3 x Yrs - 1/3 x 2.62% x \$350 x 12)
<b>Maximum Benefit:</b>		100% of Highest Average Compensation (§31676.12, §31664.2, and §31664).

**Non-Service Connected Disability:**

*Eligibility* Five years of service (§31720).

*Benefit Formula* 1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65 for General members and to 55 for Safety and Probation members, but the total benefit cannot be more than one-third of Final Compensation (§31727.2).

**Service Connected Disability:**

*All Members* No age or service requirements (§31720).

*Eligibility* 50% of the Final Compensation or 100% of Service Retirement benefit, if greater (§31727.4).

*Benefit Formula*

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**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).

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Withdrawal Benefits:**

*Less than Five Years of Service* Refund of accumulated employee contributions with interest, or earned benefit at age 70 (§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:** Future changes based on Consumer Price Index to a maximum of 3% per year; excess "banked" (§31870.1)

**County Contributions:** The amortization period for the Unfunded Actuarial Accrued Liability is a declining 28-year period.

**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.

*General Tier 2 and General Tier 3*

*Basic* Provide for an average annuity at age 60 equal to 1/100 of FASS3 (§31621.2).

*Cost-of-Living* Provide for one-half of future Cost-of-Living costs.

*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 FASS3 (§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.

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

---

**Other Information:** All members with 30 or more years of service are exempt from paying member contributions.

**Plan Amendment:** None since the prior valuation date.

---

**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 can be sure the proper provisions are valued.*

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates

General Tier I Members' Contribution Rates - Based on the June 30, 2011 Actuarial Valuation  
(as a percentage of payroll)

Entry Age	Basic Only		COLA Only		Total	
	First \$161,54.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
15	3.33%	5.00%	1.11%	1.67%	4.44%	6.67%
16	3.33%	5.00%	1.11%	1.67%	4.44%	6.67%
17	3.40%	5.10%	1.13%	1.70%	4.53%	6.80%
18	3.46%	5.19%	1.15%	1.73%	4.61%	6.92%
19	3.53%	5.29%	1.18%	1.77%	4.71%	7.06%
20	3.59%	5.39%	1.20%	1.80%	4.79%	7.19%
21	3.66%	5.49%	1.22%	1.83%	4.88%	7.32%
22	3.73%	5.59%	1.25%	1.87%	4.98%	7.46%
23	3.80%	5.70%	1.27%	1.90%	5.07%	7.60%
24	3.87%	5.80%	1.29%	1.94%	5.16%	7.74%
25	3.94%	5.91%	1.31%	1.97%	5.25%	7.88%
26	4.01%	6.02%	1.34%	2.01%	5.35%	8.03%
27	4.09%	6.13%	1.37%	2.05%	5.46%	8.18%
28	4.16%	6.24%	1.39%	2.08%	5.55%	8.32%
29	4.23%	6.35%	1.41%	2.12%	5.64%	8.47%
30	4.31%	6.47%	1.44%	2.16%	5.75%	8.63%
31	4.39%	6.58%	1.47%	2.20%	5.86%	8.78%
32	4.47%	6.70%	1.49%	2.24%	5.96%	8.94%
33	4.55%	6.82%	1.52%	2.28%	6.07%	9.10%
34	4.63%	6.95%	1.55%	2.32%	6.18%	9.27%
35	4.71%	7.07%	1.57%	2.36%	6.28%	9.43%
36	4.80%	7.20%	1.60%	2.40%	6.40%	9.60%
37	4.89%	7.33%	1.63%	2.45%	6.52%	9.78%
38	4.97%	7.46%	1.66%	2.49%	6.63%	9.95%
39	5.06%	7.59%	1.69%	2.53%	6.75%	10.12%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Basic Only		COLA Only		Total	
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
40	5.15%	7.73%	1.72%	2.58%	6.87%	10.31%
41	5.24%	7.86%	1.75%	2.62%	6.99%	10.48%
42	5.33%	8.00%	1.78%	2.67%	7.11%	10.67%
43	5.43%	8.15%	1.81%	2.72%	7.24%	10.87%
44	5.53%	8.29%	1.85%	2.77%	7.38%	11.06%
45	5.63%	8.44%	1.88%	2.82%	7.51%	11.26%
46	5.73%	8.60%	1.91%	2.87%	7.64%	11.47%
47	5.83%	8.75%	1.95%	2.92%	7.78%	11.67%
48	5.95%	8.92%	1.99%	2.98%	7.94%	11.90%
49	6.05%	9.08%	2.02%	3.03%	8.07%	12.11%
50	6.17%	9.26%	2.06%	3.09%	8.23%	12.35%
51	6.30%	9.45%	2.11%	3.16%	8.41%	12.61%
52	6.43%	9.64%	2.15%	3.22%	8.58%	12.86%
53	6.57%	9.86%	2.19%	3.29%	8.76%	13.15%
54	6.73%	10.09%	2.25%	3.37%	8.98%	13.46%
55	6.80%	10.20%	2.27%	3.41%	9.07%	13.61%
56	6.85%	10.28%	2.29%	3.43%	9.14%	13.71%
57	6.87%	10.31%	2.29%	3.44%	9.16%	13.75%
58	6.89%	10.33%	2.30%	3.45%	9.19%	13.78%
59 & Over	6.85%	10.27%	2.29%	3.43%	9.14%	13.70%

Interest: 7.75% per annum  
 COLA: 3.00%  
 Mortality: RP-2000 Combined Healthy Mortality Table for Males and Females, set back 2 years for males and set back 1 year for females, weighted 30% male and 70% female  
 Salary Increase: Inflation (3.50%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit IV)  
 COLA Loading Factor: 33.39%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

General Tier 2 and Tier 3 Members' Contribution Rates - Based on the June 30, 2011 Actuarial Valuation  
(as a percentage of payroll)

Entry Age	Basic Only		COLA Only		Total
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	
15	3.19%	4.79%	1.07%	1.60%	6.39%
16	3.19%	4.79%	1.07%	1.60%	6.39%
17	3.25%	4.88%	1.09%	1.63%	6.51%
18	3.31%	4.97%	1.11%	1.66%	6.63%
19	3.38%	5.07%	1.13%	1.69%	6.76%
20	3.44%	5.16%	1.15%	1.72%	6.88%
21	3.51%	5.26%	1.17%	1.76%	7.02%
22	3.57%	5.35%	1.19%	1.79%	7.14%
23	3.63%	5.45%	1.21%	1.82%	7.27%
24	3.70%	5.55%	1.23%	1.85%	7.40%
25	3.77%	5.66%	1.26%	1.89%	7.55%
26	3.84%	5.76%	1.28%	1.92%	7.68%
27	3.91%	5.87%	1.31%	1.96%	7.83%
28	3.98%	5.97%	1.33%	1.99%	7.96%
29	4.05%	6.08%	1.35%	2.03%	8.11%
30	4.13%	6.19%	1.38%	2.07%	8.26%
31	4.21%	6.31%	1.41%	2.11%	8.42%
32	4.28%	6.42%	1.43%	2.14%	8.56%
33	4.35%	6.53%	1.45%	2.18%	8.71%
34	4.43%	6.65%	1.48%	2.22%	8.87%
35	4.51%	6.77%	1.51%	2.26%	9.03%
36	4.59%	6.89%	1.53%	2.30%	9.19%
37	4.68%	7.02%	1.56%	2.34%	9.36%
38	4.76%	7.14%	1.59%	2.38%	9.52%
39	4.85%	7.27%	1.62%	2.43%	9.70%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Basic Only		COLA Only		Total	
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
40	4.93%	7.40%	1.65%	2.47%	6.58%	9.87%
41	5.02%	7.53%	1.67%	2.51%	6.69%	10.04%
42	5.11%	7.66%	1.71%	2.56%	6.82%	10.22%
43	5.20%	7.80%	1.73%	2.60%	6.93%	10.40%
44	5.29%	7.94%	1.77%	2.65%	7.06%	10.59%
45	5.39%	8.08%	1.80%	2.70%	7.19%	10.78%
46	5.49%	8.23%	1.83%	2.75%	7.32%	10.98%
47	5.59%	8.38%	1.87%	2.80%	7.46%	11.18%
48	5.69%	8.54%	1.90%	2.85%	7.59%	11.39%
49	5.80%	8.70%	1.93%	2.90%	7.73%	11.60%
50	5.91%	8.87%	1.97%	2.96%	7.88%	11.83%
51	6.03%	9.04%	2.01%	3.02%	8.04%	12.06%
52	6.15%	9.23%	2.05%	3.08%	8.20%	12.31%
53	6.26%	9.39%	2.09%	3.14%	8.35%	12.53%
54	6.33%	9.50%	2.11%	3.17%	8.44%	12.67%
55	6.37%	9.55%	2.13%	3.19%	8.50%	12.74%
56	6.38%	9.57%	2.13%	3.20%	8.51%	12.77%
57	6.37%	9.55%	2.13%	3.19%	8.50%	12.74%
58	6.60%	9.90%	2.21%	3.31%	8.81%	13.21%
59 & Over	6.85%	10.27%	2.29%	3.43%	9.14%	13.70%

Interest: 7.75% per annum  
 COLA: 3.00%  
 Mortality: RP-2000 Combined Healthy Mortality Table for Males and Females, set back 2 years for males and set back 1 year for females, weighted 30% male and 70% female  
 Salary Increase: Inflation (3.50%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit IV)  
 COLA Loading Factor: 33.39%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Safety Tier 1 Members' Contribution Rates - Based on the June 30, 2011 Actuarial Valuation (as a percentage of payroll)				Total	
	Basic Only		COLA Only*		First \$161.54	Over \$161.54
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54		
15	4.36%	6.54%	0.58%	1.69%	4.94%	8.23%
16	4.36%	6.54%	0.58%	1.69%	4.94%	8.23%
17	4.44%	6.66%	0.62%	1.75%	5.06%	8.41%
18	4.52%	6.78%	0.66%	1.81%	5.18%	8.59%
19	4.61%	6.91%	0.71%	1.87%	5.32%	8.78%
20	4.69%	7.03%	0.75%	1.93%	5.44%	8.96%
21	4.77%	7.16%	0.79%	2.00%	5.56%	9.16%
22	4.86%	7.29%	0.83%	2.07%	5.69%	9.36%
23	4.95%	7.42%	0.88%	2.13%	5.83%	9.55%
24	5.03%	7.55%	0.92%	2.20%	5.95%	9.75%
25	5.12%	7.68%	0.97%	2.26%	6.09%	9.94%
26	5.21%	7.82%	1.01%	2.33%	6.22%	10.15%
27	5.31%	7.96%	1.06%	2.40%	6.37%	10.36%
28	5.40%	8.10%	1.11%	2.48%	6.51%	10.58%
29	5.49%	8.24%	1.15%	2.55%	6.64%	10.79%
30	5.59%	8.39%	1.20%	2.62%	6.79%	11.01%
31	5.69%	8.53%	1.25%	2.69%	6.94%	11.22%
32	5.79%	8.68%	1.30%	2.77%	7.09%	11.45%
33	5.89%	8.84%	1.36%	2.85%	7.25%	11.69%
34	5.99%	8.99%	1.41%	2.93%	7.40%	11.92%
35	6.10%	9.15%	1.46%	3.01%	7.56%	12.16%
36	6.21%	9.32%	1.52%	3.09%	7.73%	12.41%
37	6.32%	9.48%	1.57%	3.18%	7.89%	12.66%
38	6.43%	9.65%	1.63%	3.26%	8.06%	12.91%
39	6.55%	9.83%	1.69%	3.35%	8.24%	13.18%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Basic Only		COLA Only*		Total
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	
40	6.67%	10.01%	1.75%	3.44%	13.45%
41	6.80%	10.20%	1.82%	3.54%	13.74%
42	6.93%	10.40%	1.88%	3.64%	14.04%
43	7.08%	10.62%	1.96%	3.75%	14.37%
44	7.23%	10.85%	2.03%	3.87%	14.72%
45	7.37%	11.06%	2.11%	3.98%	15.04%
46	7.45%	11.18%	2.15%	4.04%	15.22%
47	7.50%	11.25%	2.17%	4.07%	15.32%
48	7.51%	11.27%	2.18%	4.08%	15.35%
49 & over	7.47%	11.21%	2.16%	4.05%	15.26%

Interest: 7.75% per annum  
 COLA: 3.00%  
 Mortality: RP-2000 Combined Healthy Mortality Table for Males and Females, with no setback for males and set forward 1 year for females, weighted 80% male and 20% female  
 Salary Increase: Inflation (3.50%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit IV)  
 COLA Loading Factor: 50.69%

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

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Safety Tier 2 Members' Contribution Rates - Based on the June 30, 2011 Actuarial Valuation (as a percentage of payroll)				Total	
	Basic Only		COLA Only*			
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
15	4.17%	6.26%	0.48%	1.54%	4.65%	7.80%
16	4.17%	6.26%	0.48%	1.54%	4.65%	7.80%
17	4.25%	6.38%	0.52%	1.60%	4.77%	7.98%
18	4.33%	6.49%	0.56%	1.66%	4.89%	8.15%
19	4.41%	6.61%	0.61%	1.72%	5.02%	8.33%
20	4.49%	6.73%	0.65%	1.78%	5.14%	8.51%
21	4.57%	6.85%	0.69%	1.84%	5.26%	8.69%
22	4.65%	6.98%	0.73%	1.91%	5.38%	8.89%
23	4.73%	7.10%	0.77%	1.97%	5.50%	9.07%
24	4.82%	7.23%	0.81%	2.03%	5.63%	9.26%
25	4.91%	7.36%	0.86%	2.10%	5.77%	9.46%
26	4.99%	7.49%	0.90%	2.17%	5.89%	9.66%
27	5.08%	7.62%	0.95%	2.23%	6.03%	9.85%
28	5.17%	7.75%	0.99%	2.30%	6.16%	10.05%
29	5.26%	7.89%	1.04%	2.37%	6.30%	10.26%
30	5.35%	8.03%	1.08%	2.44%	6.43%	10.47%
31	5.45%	8.17%	1.13%	2.51%	6.58%	10.68%
32	5.55%	8.32%	1.18%	2.59%	6.73%	10.91%
33	5.64%	8.46%	1.23%	2.66%	6.87%	11.12%
34	5.74%	8.61%	1.28%	2.73%	7.02%	11.34%
35	5.84%	8.76%	1.33%	2.81%	7.17%	11.57%
36	5.95%	8.92%	1.39%	2.89%	7.34%	11.81%
37	6.05%	9.08%	1.44%	2.97%	7.49%	12.05%
38	6.16%	9.24%	1.49%	3.05%	7.65%	12.29%
39	6.27%	9.41%	1.55%	3.14%	7.82%	12.55%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Basic Only		COLA Only*		Total	
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
40	6.39%	9.59%	1.61%	3.23%	8.00%	12.82%
41	6.51%	9.77%	1.67%	3.32%	8.18%	13.09%
42	6.64%	9.96%	1.74%	3.42%	8.38%	13.38%
43	6.77%	10.15%	1.80%	3.52%	8.57%	13.67%
44	6.87%	10.30%	1.85%	3.59%	8.72%	13.89%
45	6.93%	10.40%	1.88%	3.64%	8.81%	14.04%
46	6.96%	10.44%	1.90%	3.66%	8.86%	14.10%
47	6.95%	10.43%	1.89%	3.66%	8.84%	14.09%
48	7.21%	10.81%	2.02%	3.85%	9.23%	14.66%
49 & over	7.47%	11.21%	2.16%	4.05%	9.63%	15.26%

Interest: 7.75% per annum  
 COLA: 3.00%  
 Mortality: RP-2000 Combined Healthy Mortality Table for Males and Females, with no setback for males and set forward 1 year for females, weighted 80% male and 20% female  
 Salary Increase: Inflation (3.50%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit IV)  
 COLA Loading Factor: 50.69%

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

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Basic Only		COLA Only		Total	
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
	Probation Tier 1 Members' Contribution Rates - Based on the June 30, 2011 Actuarial Valuation (as a percentage of payroll)					
15	4.36%	6.54%	1.94%	2.91%	6.30%	9.45%
16	4.36%	6.54%	1.94%	2.91%	6.30%	9.45%
17	4.44%	6.66%	1.98%	2.97%	6.42%	9.63%
18	4.52%	6.78%	2.01%	3.02%	6.53%	9.80%
19	4.61%	6.91%	2.05%	3.08%	6.66%	9.99%
20	4.69%	7.03%	2.09%	3.13%	6.78%	10.16%
21	4.77%	7.16%	2.13%	3.19%	6.90%	10.35%
22	4.86%	7.29%	2.17%	3.25%	7.03%	10.54%
23	4.95%	7.42%	2.21%	3.31%	7.16%	10.73%
24	5.03%	7.55%	2.24%	3.36%	7.27%	10.91%
25	5.12%	7.68%	2.28%	3.42%	7.40%	11.10%
26	5.21%	7.82%	2.32%	3.48%	7.53%	11.30%
27	5.31%	7.96%	2.37%	3.55%	7.68%	11.51%
28	5.40%	8.10%	2.41%	3.61%	7.81%	11.71%
29	5.49%	8.24%	2.45%	3.67%	7.94%	11.91%
30	5.59%	8.39%	2.49%	3.74%	8.08%	12.13%
31	5.69%	8.53%	2.53%	3.80%	8.22%	12.33%
32	5.79%	8.68%	2.58%	3.87%	8.37%	12.55%
33	5.89%	8.84%	2.63%	3.94%	8.52%	12.78%
34	5.99%	8.99%	2.67%	4.01%	8.66%	13.00%
35	6.10%	9.15%	2.72%	4.08%	8.82%	13.23%
36	6.21%	9.32%	2.77%	4.15%	8.98%	13.47%
37	6.32%	9.48%	2.81%	4.22%	9.13%	13.70%
38	6.43%	9.65%	2.87%	4.30%	9.30%	13.95%
39	6.55%	9.83%	2.92%	4.38%	9.47%	14.21%

**SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association**

**Appendix A  
Member Contribution Rates (Continued)**

Entry Age	Basic Only		COLA Only		Total	
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
40	6.67%	10.01%	2.97%	4.46%	9.64%	14.47%
41	6.80%	10.20%	3.03%	4.54%	9.83%	14.74%
42	6.93%	10.40%	3.09%	4.63%	10.02%	15.03%
43	7.08%	10.62%	3.15%	4.73%	10.23%	15.35%
44	7.23%	10.85%	3.22%	4.83%	10.45%	15.68%
45	7.37%	11.06%	3.29%	4.93%	10.66%	15.99%
46	7.45%	11.18%	3.32%	4.98%	10.77%	16.16%
47	7.50%	11.25%	3.34%	5.01%	10.84%	16.26%
48	7.51%	11.27%	3.35%	5.02%	10.86%	16.29%
49 & over	7.47%	11.21%	3.33%	4.99%	10.80%	16.20%

Interest: 7.75% per annum  
 COLA: 3.00%  
 Mortality: RP-2000 Combined Healthy Mortality Table for Males and Females, with no setback for males and set forward 1 year for females, weighted 80% male and 20% female  
 Salary Increase: Inflation (3.50%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit IV)  
 COLA Loading Factor: 44.55%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Probation Tier 2 Members' Contribution Rates - Based on the June 30, 2011 Actuarial Valuation (as a percentage of payroll)				Total	
	Basic Only		COLA Only			
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
15	4.17%	6.26%	1.86%	2.79%	6.03%	9.05%
16	4.17%	6.26%	1.86%	2.79%	6.03%	9.05%
17	4.25%	6.38%	1.89%	2.84%	6.14%	9.22%
18	4.33%	6.49%	1.93%	2.89%	6.26%	9.38%
19	4.41%	6.61%	1.96%	2.94%	6.37%	9.55%
20	4.49%	6.73%	2.00%	3.00%	6.49%	9.73%
21	4.57%	6.85%	2.03%	3.05%	6.60%	9.90%
22	4.65%	6.98%	2.07%	3.11%	6.72%	10.09%
23	4.73%	7.10%	2.11%	3.16%	6.84%	10.26%
24	4.82%	7.23%	2.15%	3.22%	6.97%	10.45%
25	4.91%	7.36%	2.19%	3.28%	7.10%	10.64%
26	4.99%	7.49%	2.23%	3.34%	7.22%	10.83%
27	5.08%	7.62%	2.26%	3.39%	7.34%	11.01%
28	5.17%	7.75%	2.30%	3.45%	7.47%	11.20%
29	5.26%	7.89%	2.34%	3.51%	7.60%	11.40%
30	5.35%	8.03%	2.39%	3.58%	7.74%	11.61%
31	5.45%	8.17%	2.43%	3.64%	7.88%	11.81%
32	5.55%	8.32%	2.47%	3.71%	8.02%	12.03%
33	5.64%	8.46%	2.51%	3.77%	8.15%	12.23%
34	5.74%	8.61%	2.56%	3.84%	8.30%	12.45%
35	5.84%	8.76%	2.60%	3.90%	8.44%	12.66%
36	5.95%	8.92%	2.65%	3.97%	8.60%	12.89%
37	6.05%	9.08%	2.70%	4.05%	8.75%	13.13%
38	6.16%	9.24%	2.75%	4.12%	8.91%	13.36%
39	6.27%	9.41%	2.79%	4.19%	9.06%	13.60%

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

Appendix A  
Member Contribution Rates (Continued)

Entry Age	Basic Only		COLA Only		Total	
	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54	First \$161.54	Over \$161.54
40	6.39%	9.59%	2.85%	4.27%	9.24%	13.86%
41	6.51%	9.77%	2.90%	4.35%	9.41%	14.12%
42	6.64%	9.96%	2.96%	4.44%	9.60%	14.40%
43	6.77%	10.15%	3.01%	4.52%	9.78%	14.67%
44	6.87%	10.30%	3.06%	4.59%	9.93%	14.89%
45	6.93%	10.40%	3.09%	4.63%	10.02%	15.03%
46	6.96%	10.44%	3.10%	4.65%	10.06%	15.09%
47	6.95%	10.43%	3.10%	4.65%	10.05%	15.08%
48	7.21%	10.81%	3.21%	4.82%	10.42%	15.63%
49 & over	7.47%	11.21%	3.33%	4.99%	10.80%	16.20%

Interest: 7.75% per annum  
 COLA: 3.00%  
 Mortality: RP-2000 Combined Healthy Mortality Table for Males and Females, with no setback for males and set forward 1 year for females, weighted 80% male and 20% female  
 Salary Increase: Inflation (3.50%) + Across-the-Board Increases (0.50%) + Merit/Promotion (see Exhibit IV)  
 COLA Loading Factor: 44.55%

5145005v3/13459.002

Resolution of the Mendocino County Employees' Retirement Association  
Board of Retirement Stating the State of California Local Agency Investment Fund (LAIF)  
Authorized Signatures for Deposit or Withdrawal, No. 12-0118

WHEREAS, pursuant to Chapter 730 of the Statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund (LAIF), in the State Treasury, for the deposit of monies of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Mendocino County Board of Retirement approved Resolution No. 91-002 on January 16, 1991 authorizing the deposit and withdrawal of Association monies in LAIF, in the State Treasury, in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment.

BE IT FURTHER RESOLVED that the Board of Retirement authorizes the following persons to order the deposit or withdrawal of monies in LAIF:

<u>James M. Andersen, Retirement Administrator</u>	_____
Name	Title
	Signature
	And/Or
<u>Bob Mirata, Board Chairman</u>	_____
Name	Title
	Signature

Pursuant to the aforesaid and hereunder, the powers and authority granted shall continue fully effective until receipt by you of written notice of change or rescission thereof.

The foregoing resolution was introduced by Board Member \_\_\_\_\_, seconded by Board member \_\_\_\_\_, and carried this 18th day of January 2012, by the following vote:

- ayes:
- noes:
- absent:

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

_____	Attest: _____
Bob Mirata, Chairman	Judy Zeller, Clerk
Mendocino County Board of Retirement	Mendocino County Board of Retirement

*OK  
John  
1/23/91*

RESOLUTION AUTHORIZING INVESTMENT OF  
MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
MONIES IN  
STATE OF CALIFORNIA LOCAL AGENCY INVESTMENT FUND  
RESOLUTION NO. 91-002

*55-23-001*

WHEREAS, pursuant to Chapter 730 of the Statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors of the Mendocino County Employees' Retirement Association does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purposes of investment as stated therein as in the best interests of the Mendocino County Employees' Retirement Association.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors of the Mendocino County Employees' Retirement Association does hereby authorize the deposit and withdrawal of Mendocino County Employees' Retirement Association monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein.

**RECEIVED**

**JAN 23 1991**

**STATE TREASURER'S OFFICE  
INVESTMENT DIVISION**

BE IT FURTHER RESOLVED that the Board of Directors of the Mendocino County Employees' Retirement Association authorizes the following persons to order the deposit or withdrawal of monies in the Local Agency Investment Fund: Timothy Knudsen, Treasurer-Retirement Administrator for the Mendocino County Employees' Retirement Association; Irene Scalf, Supervising Deputy Treasurer for the County of Mendocino; Linda Zeni, Retirement Deputy.

PASSED AND ADOPTED by the Board of Directors of the Mendocino County Employees' Retirement Association, County of Mendocino, State of California on January 16, 1991.

The foregoing resolution was introduced by Director Dennis Lucido, seconded by Director Steve Duman, and carried, this 16th day of January, 1991, by the following vote on roll call:

AYES: Steve Duman, Dennis Lucido, Irene Hickey, William Carter, Cora King and Timothy Knudsen

NOES: None

ABSENT: Marilyn Butcher, Phillip Pintane and Raymond Worster

ATTEST Cora King  
Secretary of said Board

William Carter  
Chairman, Board of Directors  
MENDOCINO COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION

RECEIVED

JAN 23 1991

STATE TREASURER'S OFFICE  
INVESTMENT DIVISION

James M. Andersen  
Retirement Administrator



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

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

Date: January 18, 2012  
To: Board of Retirement  
From: Jim Andersen, Retirement Administrator   
Subject: Ad Hoc Committees

Attached is a current list of ad hoc committees for MCERA including two new committees formed during our October meeting. Staff wanted to inform the members of new and existing ad hoc committees and their status:

1. Audit of Actuary ad hoc committee (project complete)
2. Retiree Health Insurance ad hoc committee (project inactive)
3. Software ad hoc committee (planning phase of project complete)
4. Budget & Audit ad hoc committee (active)
5. Executive Recruitment ad hoc committee (active)
6. Contribution Correction Project Charter ad hoc committee (active)

Attached is a current listing of committees and their members for your review. Staff would like to recommend formally dissolving committees that are inactive or complete, as underlined above, in order to better accommodate the responsibilities of the active committees.

Attachment

**Recommendation to dissolve the following three committees due to completion or inactivity:**

AUDIT OF ACTUARY AD HOC COMMITTEE

TIM PEARCE  
RANDALL GOODMAN  
CAREN CALLAHAN

RETIREE HEALTH INSURANCE AD HOC COMMITTEE

BOB MIRATA  
DENNIS HUEY  
SCHARI SCHAPMIRE

SOFTWARE AD HOC COMMITTEE

DENNIS HUEY  
SCHARI SCHAPMIRE  
LLOYD WEER

**Active and newly appointed committees:**

BUDGET & AUDIT AD HOC COMMITTEE

LLOYD WEER  
TED STEPHENS

EXECUTIVE RECRUITMENT AD HOC COMMITTEE

BOB MIRATA  
KENDALL SMITH  
TIM KNUDSEN  
TED STEPHENS, ALTERNATE

CONTRIBUTION CORRECTION PROJECT CHARTER AD HOC COMMITTEE

RANDY GOODMAN  
CRAIG WALKER