MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION BOARD MEETING AGENDA

MARCH 21, 2012 – 8:30 A.M.

1) **ROLL CALL (8:30 A.M.)**

2) **CLOSED SESSION (8:30 A.M.) (Estimated Time 2 hours 30 minutes)**
   a) **Public Employee Appointment. Interviews for the position of Retirement Administrator pursuant to Government Code Section 54957.**

OPEN SESSION (11:00 A.M.)

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

4) **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.

5) **APPROVAL OF THE MINUTES OF THE BOARD MEETING HELD FEBRUARY 15, 2012 (Estimated Time 5 min.)**

6) DISCUSSION AND POSSIBLE ACTION REGARDING RETIREMENT ADMINISTRATOR'S REPORT (Estimated Time 30 min.)
   a) Withdrawal of contributions by terminating employees
   b) Billings for fees and services
   c) Presentation of Administrator's report
   d) Discussion and review of Board Overpayment Policy

7) INVESTMENTS/FINANCIALS (Randy Goodman) (Estimated Time 5 min.)
   a) Presentation of financial statements
   b) Action may be taken to terminate or hire investment managers at any meeting

8) DISCUSSION AND POSSIBLE ACTION REGARDING AN AGREEMENT BETWEEN MCERA AND JAMES ANDERSEN FOR INTERIM ADMINISTRATIVE AND TRANSITIONAL ASSISTANCE SERVICES (Estimated Time 10 min.)

LUNCH RECESS (12:00 Noon)

RECONVENNE OPEN SESSION (1:00 P.M.)

9) DISCUSSION AND POSSIBLE ACTION REGARDING THE JUNE 30, 2011 ACTUARIAL VALUATION REPORT AND RECOMMENDATION OF CONTRIBUTION RATES TO THE BOARD OF SUPERVISORS (Estimated Time 45 min.)

10) DISCUSSION AND POSSIBLE ACTION REGARDING ASSISTANCE FROM THE SEGAL COMPANY IN PREPARING FOR THE JUNE 30, 2011 CAFR (Randy Goodman) (Estimated Time 10 min.)

11) DISCUSSION AND POSSIBLE ACTION REGARDING MENDOCINO ACCESS TELEVISION (MCTV) PRODUCTION COST INCREASE (Estimated Time 5 min.)

12) DISCUSSION AND POSSIBLE ACTION REGARDING SACRS VOTING PROXY (Estimated Time 5 min.)

13) DISCUSSION AND POSSIBLE DIRECTION REGARDING BOARD MEMBER REQUESTS (Ted Stephens, John Sakowicz) (Estimated Time 15 min.)
   a) Request legal review of UAAL Amortization Schedule and the City of San Diego VCP (Ted Stephens)
   b) Request to place the 10/08/1998 letter from Buck Consultants to MCERA on a future agenda (John Sakowicz)

ADJORNMENT (Approximate Time 2:20 P.M.)

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

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:	February 27, 2012
To:	Board of Retirement
From:	Jim Andersen, Retirement Administrator
Subject:	Discussion and Possible Action Regarding the Administrator's Report (Exit Report)

<u>Financial</u>

1. Staff completed the annual report to the State Controller's Office (SCO), and submitted electronic and hard copies, including the financial audit adopted by the Board at its February meeting. The SCO has confirmed receipt of all documents, and that MCERA will not receive any penalties for a late submission (email attached).

2. Staff has been working on the CAFR for the periods ending June 30, 2011 and 2010. GALLINA will be guiding staff in preparing a CAFR that meets the Government Financial Officers' Association (GFOA) criteria for an award of excellence. In addition, staff will be working with Segal to provide an actuarial section for the CAFR.

3. Andy Yeung of The Segal Company (Segal) will be available by teleconference for the Board's March meeting to address questions posed by member Stephens, and to address any other questions the Board may have prior to determining how to proceed with the valuation report for the period ending June 30, 2011. Recommended rates must be presented to the Board of Supervisors no later than May 15, 2012. My recommendation is that Segal presents its valuation report and recommended rates to the Board of Supervisors in April. I also recommend the Board select a member, or request Jeff Berk, MCERA counsel, to introduce Segal representatives to the Board of Supervisors and provide a brief introduction to the report and process. I have also placed a limited scope contract with between MCERA and me on the Board's agenda for this purpose and other necessary "interim" administrative duties (see Miscellaneous/Transition topics).

4. I have asked Randy Goodman to prepare a draft budget for review by the new Retirement Administrator upon their arrival, for presentation to the ad hoc budget and audit committee, and to the full Board in April.

5. Randy Goodman has been developing accounting procedures in anticipation that our MOU for services with the Assessor/Clerk/Recorder will be terminated at the end of

June, 2011, and MCERA will need to secure more reliable fiscal services. I recommend the Board consider a minor reorganization wherein a full-time fiscal officer position be created to support the new Retirement Administrator. Although I have transferred many accounting functions to Randy during the past 6 months, given the volume of accounting and fiscal activities, the need for longer and more intensive review periods of financial and actuarial documents, and the need to have more regular budgetary reviews, fiscal policy evaluation, procedure evaluation, etc., I believe a full-time fiscal officer may be appropriate for MCERA. An analysis of assigned tasks, job descriptions, pay, and full-time equivalency would be necessary prior to a policy/budgetary decision.

6. We received notification from the State Department of General Services that, consistent with the negotiated terms of our lease agreement, the monthly lease payment will increase from $6,248 to $6,334.70 to compensate for the inflationary costs of maintenance and janitorial services.

Legislation, Automation and Retiree Health Care

There is nothing new to report on these topics.

Correction of Contribution Rates Project

A March 2012 project status report is attached for your review. Important changes from the February report to be aware of include:

1. As of March 2, 2012, the Project Leader responsibilities will be transferred to Katy Richardson. I have briefed Katy on the project status and remaining milestones, and have ensured that she will receive the support she needs from our advisors.

2. MCERA has received its final Quality Assurance report from Segal regarding the calculations performed by Peter Stalder, consultant (attached).

3. I have spoken with the County and the Courts, and both understand that it is the responsibility of their agencies to reimburse members for any overpayments of contributions, and to determine if they wish to collect any underpayments of contributions. Both agencies also understand it is their ultimate responsibility to determine a financing strategy for the reimbursements.

4. Given that MCERA received funds in its settlement with Buck Consultants for correcting the erroneous contribution rates, I have asked Hanson Bridgett to prepare a release for MCERA that allows them to work directly with County Counsel and the attorney(s) for the Administrative Office of the Courts (AOC) to prepare correspondence to each of the affected members describing the impact on their contributions, and to reimburse or collect from those members in a manner that comports with IRS rules. I will attempt to have the releases in place prior to my final day on March 2nd. The agencies will maintain records of their costs and submit them to MCERA for payment from the settlement proceeds received from Buck Consultants. The MCERA project leader, working with MCERA's accountant, will review all invoices and track billings against the settlement proceeds.

5. Segal provided a supplementary report (attached). The review by Segal is outside the scope of this project, but cannot be ignored. The report recommends a review of how safety member Cost of Living (COL) contributions are integrated into the payroll system. The information has been turned over to the County as it appears the issue falls under their authority. I have briefed the County CEO on this report. There is a final section on of the report on COL discrepancies for identifiable employees, and MCERA staff will follow up with our consultants.

<u>Miscellaneous/Transition</u>

1. I have prepared a calendar of important organizational activities and project milestones for the incoming Retirement Administrator and for our Accountant/Auditor. I have also provided reasonably detailed notes, relevant documents, and locations of electronic information. My hope is that the information will assist the new Administrator transition to their new duties, and allow the fiscal functions to proceed uninterrupted through the transition process.

2. I have been asked by the Grand Jury to be available to review findings and recommendations during my leave period, and will be more than happy to do so (as available). If the draft report is provided after a new Retirement Administrator is selected, I will coordinate with that person.

3. I have spoken with Jeff Berk, MCERA counsel, regarding a limited scope contract for services during the month of April/May or until the new Retirement Administrator officially begins. While I am happy to assist during transition of Administrators, I want to make certain that I am not out of compliance with working post retirement and that my services would be covered by the fiduciary insurance of MCERA.

Again, thank you for the opportunity to have served MCERA, the board, and our members, and I wish you the best in the future.

JA
Attachments

Jim Andersen - RE: Financial Audit

From: <sau@sco.ca.gov>
To: <andersej@co.mendocino.ca.us>
Date: 2/15/2012 9:14 AM
Subject: RE: Financial Audit
CC: <goodmanr@co.mendocino.ca.us>, <zellerj@co.mendocino.ca.us>

Received. That's all we need to fulfill all filing requirements for 2011. You can disregard the delinquency letter sent to your agency.

Thank you Jim.

Sam

From: Jim Andersen [mailto:andersej@co.mendocino.ca.us]
Sent: Tuesday, February 14, 2012 1:19 PM
To: Au, Sam
Cc: Randall Goodman; Judy Zeller
Subject: Financial Audit

Hi Sam:

Attached is a PDF copy of the Financial Audit for June 30, 2011 for the Mendocino County Employees' Retirement Association. We will place a hard copy in the mail (which will include my signature on the MD&A section), in accordance with the instructions from the SCO. The hard copy will go out either today or tomorrow.

Thanks for your help, and we are already planning for an on-time delivery next year!

Jim

Jim Andersen
Retirement Administrator

Mendocino County Employees' Retirement Association
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SEGAL

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VIA E-MAIL and USPS

March 8, 2012

Mr. James M. Andersen
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482

Re: Issues Related to June 30, 2011 and Prior Valuations

Dear Jim:

In this letter, we have provided answers to the questions raised by Board member Ted Stephens in connection with his review of the June 30, 2011 and prior valuations. The questions were summarized in your email to us dated February 21, 2012.

One consideration not explicitly addressed below is whether these issues require a revision of the June 30, 2011 valuation, which would change the employer's 2012/2013 fiscal year contributions. From an actuarial practice viewpoint we believe it would be reasonable to reflect any revisions discussed below only prospectively, i.e., in the next valuation as of June 30, 2012. The Board also may want to review the answers to the questions raised from a materiality standpoint. To the extent that revisions to the prior actuary's results that Segal has relied on in preparing the June 30, 2011 valuation are not deemed by the Board to be material, the Board may find that the more practical approach is to consider incorporating the revised results only prospectively, i.e., in the next valuation as of June 30, 2012.

1. *In the smoothing formula on page 5, line 2(a)*[1]*, should the dollar return be adjusted downward by $6 million to reflect funds transferred to the County for retiree healthcare? Would it impact the actuarial value of assets given that 0% is the deferral factor?*

[1] Reference is to the determination of the actuarial value of assets used in the June 30, 2011 valuation. A copy of page 5 of our June 30, 2011 valuation report is provided as an attachment to this letter.

On page 5 of our June 30, 2011 valuation report, we document the deferred investment gains/losses excluded from the development of the smoothed actuarial value of assets. Included in that documentation were actual and expected market returns determined by the prior actuary of $50.99 million and $24.32 million, respectively, for the 2006/2007 plan year. Under the Board's asset smoothing method, the difference between the two amounts (a gain of $26.67 million) was recognized over a five-year period effective with the June 30, 2007 valuation and was fully recognized by the June 30, 2011 valuation.

Following the determination of the actuarial value of assets as of June 30, 2007, the Board transferred about $6 million to provide ad hoc retiree health benefits. The question is now raised as to whether the actual market return for that year ($50.99 million) should be adjusted to reflect that $6 million transfer.

While a detailed review of the Association's interest crediting and undistributed earnings policy is beyond the scope of this letter, it is our understanding that the Association had maintained its reserves and determined the availability of income to credit regular interest and to allocate undistributed earnings on a book value basis until it was amended by the Board in the June 30, 2005 valuation. Effective with that valuation, the income measure was changed from a book to a smoothed actuarial value basis which means that the Association's ability to recognize unrealized appreciation is no longer tied to the sale of an asset.

We believe that the development of the smoothed actuarial value of assets as of June 30, 2007 (which reflects the $50.99 million actual and $24.32 million expected market returns) that led to the subsequent allocation of $6 million in available undistributed earnings to provide retiree health benefits should not result in a change in the actual market return for that year. The reason is that the market value return measures the actual return on market value, as part of determining the actuarial or "smoothed" value. This occurs before any allocation of undistributed earnings, and in fact is used to determine whether there are any undistributed "excess" for the Board to allocate.

A separate point of note is that the $50.99 million in net market return used by the prior actuary was different from the $52.60 million net market return we calculate using the information provided in the CAFR for June 30, 2007. However, that difference should have no impact on setting the contribution rate for the June 30, 2011 valuation as all of the difference between the actual and the expected market returns would have been fully recognized in the June 30, 2011 valuation.

2. *The Association has discussed correcting contribution and return information from Buck for June 30, 2010, line 2(e). Numbers that we know to be wrong. MCERA could also review the other years due to our lack of confidence in Buck's numbers. Do you recommend amending the historical numbers for June 30, 2010? What would be the approximate impact to the contribution rate? What are the pros and cons of reviewing the other years in the smoothing formula?*

For the 2009/2010 plan year, actual market return determined by the prior actuary was $44.66 million while the amount we now calculate using the information provided in the CAFR for the above plan year was $38.13 million. The reduction in the market gain was $6.53 million and because 60% of the investment experience from that year was unrecognized in the June 30, 2011 valuation, an adjustment to change the 2009/2010 market return from $44.66 million to $38.13 million would reduce the total unrecognized investment experience as of June 30, 21011 from a net deferred gain of $3.10 million (reported in line 2(f), page 5 of our June 30, 2011 valuation report) to a net deferred loss of $0.82 million ($3.10 million minus 60% of $6.53 million).

If this adjustment were to be made in the June 30, 2011 valuation, the smoothed valuation value of assets would increase by $3.92 million[2] and this would result in a decrease in the aggregate contribution rate in the 2011 valuation by about 0.4% of payroll. However, the above impacts are temporary because at the end of the asset smoothing period all the deferred investment gain (whether calculated using $44.66 million or $38.13 million) would have been fully recognized in the June 30, 2014 valuation.

While the Board may strive to audit and correct the values of historical actual and expected market returns that are now determined to be inaccurate, the actuarial value of assets will ultimately converge to the market value of assets as stated above. Since there is an additional cost associated with revising and recalculating the contribution rates in the June 30, 2011 (and possibly earlier) valuation, the Board may find that the more practical approach is to consider incorporating the revised results only prospectively, i.e., in the next valuation as of June 30, 2012. We would recommend this approach especially if the Board deems the impact of a 1.1% increase in the actuarial value of assets as of June 30, 2011 to be not material. This judgment might be made with the Board's outside auditor.

3. *On line 7(a), should Segal have backed out the $658,654 given that the funds are not in a truly restricted reserve, or should the historical practice of recognizing these funds as restricted be maintained until disclosure and a recommended solution to the IRS is adopted? Hanson and Bridgett may have an opinion on this item.*

As you have indicated, Hanson and Bridgett has been requested to provide input from a legal perspective as to how the maintenance of the $658,654 in a restricted reserve would factor into the Association's determination letter filing with the IRS. Therefore, we are only addressing this issue from an actuarial perspective.

We believe it is common practice within the 1937 Act retirement systems to count as valuation assets in an actuarial valuation only those assets maintained in the Member, County Advance and Retiree Reserves. In other words, an amount maintained in a special designated reserve[3] would not normally be counted in the valuation value of assets. We believe it is within the purview of the Board to direct Segal to count the amount in the Retiree Insurance designation in the valuation value of assets. This may be appropriate, for instance, if the Board no longer wishes to

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[2] This is equivalent to an approximate 1.1% increase in the actuarial value of assets as of June 30, 2011.
[3] $658,654 was reported as the balance in the Retiree Insurance designation.

provide ad hoc benefits from that designation or use that money later for other purposes as permitted by the 1937 Act CERL. However, if that is not the case, then maintaining the amount in that designation would avoid increase in the UAAL if and when that money is later used to provide benefits.

4. *In general, the valuation study cites different rate of return than Callan or our audited financial statements. As we and the Board have discussed, this is due in many cases to the appropriateness of using time-weighted versus dollar-weighted returns. Please review the returns noted by Board member Stephens and let the Board know how Segal arrived at those returns, and why they may be different than Callan or the financial auditor.*

The actual market return that Segal calculated was 21.68% for the 2010/2011 plan year and the comparable return calculated by Callan was 21.87% as communicated to us by the Association.

As we discussed, the most common reason why the market return calculated by the actuary may differ from that calculated by the investment consultant is the use of time-weighted versus dollar-weighted returns.

Segal reports rate of return calculated using the dollar-weighted method that not only includes return on assets at of the beginning of the year but also reflects the effect on the return of the cashflows (i.e., contributions coming in and benefit payments going out) during the year. In contrast, it is our understanding that most investment consultants would generally report rate of return calculated using the time-weighted method that only includes return on assets at the beginning of the year and but excludes the effect on the return of the cashflows during the year.

We believe the use of the dollar-weighted method is both more common among pension actuaries and more appropriate for comparing actual return to assumed return. We also note that this is the methodology prescribed by the IRS for use in reporting such return for multi-employer pension plans in their annual tax filings.

Please let us know if you have any questions or would like to discuss further.

Sincerely,

Paul Angelo

Andy Yeung

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

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

AYY/hy
Attachment (5179373)

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

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

	Actual Market Return (net)	Expected Market Return (net)	Investment Gain / (Loss)	Deferred Factor	Deferred Return
1. Market value of assets:					$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
(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					3,550,472
(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	*8,086,940*
Total	*$3,101,790*

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

Project Milestone	**Date Estimate** *(mo/day/year)*	**Confidence Level** *(high, medium, or low)*
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	Moderate
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	High
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	Low
Determination regarding whether to submit a new or supplemental VCP	04/18/2012	Low
Submission of the new or supplemental VCP	06/20/2012	High

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 19th 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 24th 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 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 were adopted by the BOR and BOS on December 12^{th} and 13^{th}, 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 – Completed. Actuarial sampling and QA on variance calculations through January 8, 2012. Segal completed its review of 10 samples, selected by MCERA to represent a broad range of variables. Segal's draft report indicated no material variances from Peter Stalder's calculations. The review did find a possible issue between safety COL rates calculated by the actuary and how they are administered through the payroll system. This is a separate issue, and staff is reviewing the findings with the actuary and County.
- 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, effective January 8, 2012 (pay period 2).
- Milestone 10 – Completed. 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, and variances have been calculated.
- Milestone 11 – Completed. Actuarial sampling and QA on variance calculations for 2011/12, pay period 15 through 1. Segal has completed the final report of the QA findings. Segal has confirmed the accuracy of the 10 sample files and the reasonableness of the final aggregate correction amounts. Report attached to March Administrator's report.
- 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. We will not meet the milestone date, but I anticipated delivering the data to the County and Courts for inclusion in their payroll systems in the near future. Once data is released, the Project Leader will be responsible to ensure coordination of updating member data.
- Milestone 13 – 02/15/12. Determination of tax forms and procedures for reimbursing members. This milestone changed from high to moderate concern after discussions with Hanson Bridgett, the County and Court. Hanson Bridgett has participated in such corrections with other clients and the tax forms and payment methodology can largely be drawn from previous work. The County and Courts understand that financing the reimbursement to members is their responsibility, and we are working toward a release of Hanson Bridgett to work with County Counsel and attorneys from the AOC. Any costs would be paid from settlement proceeds from Buck consultants, but MCERA would maintain control and oversight of all invoices from other agencies.
- Milestone 14 – 02/15/12. Determination on whether or not to collect from members who underpaid contributions for the period under review. I met with the County and the Courts. The decision on whether or not to collect underpayments clearly rests with the Board of Supervisors and the AOC. Once the member data is transmitted to the two agencies, they will begin policy discussions on collection of underpayments. With clarity of the responsible agencies, this item has moved from high concern to low concern.

- Milestone 15 – 03/21/2012. The role of project lead will be handed-off to Katy Richardson. I will be available by telephone during the month of March to assist and answer any questions. This milestone has been 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.
- Milestone 16 – 12/12/2011. Determination on the manner in which plan sponsors can correct underpayments. See milestone 14. Although the milestone will not be completed on the date originally anticipated, I believe the sponsors will have all the data they need to assume responsibility for the correction of underpayments.
- Milestone 17 – 03/21/12. Develop standardized communication to members regarding their over/under payment. See milestone 13.
- Milestones 18, 19 and 20. Notification to the IRS, determination regarding whether or not to submit an amended VCP, and the actual submission of an amendment. The completion dates of these milestones will slide forward in time due to the time it will take to coordinate with the County and Court regarding reimbursements to/collections from members, collaboration of respective counsels on tax forms and notification letters, etc. I do not believe the successful accomplishment of the milestone is in jeopardy, simply the timing. MCERA should discuss with Hanson Bridgett whether or not they have any concerns in a delay in notifying the IRS.

Comments:

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

SEGAL

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VIA E-MAIL AND USPS

February 21, 2012

Mr. James M. Andersen
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482

Re: Review of Basic Member Contribution Rates – Phases 2 and 3

Dear Jim:

Pursuant to our letter dated August 1, 2011, we have reviewed a sample of 10 corrected member basic contribution calculations for Fiscal Years 2009/2010, 2010/2011, and 2011/2012 (first half only) prepared using the software developed by MCERA's outside vendor (Mr. Peter Stalder), and our findings are presented herein. The 10 sample members chosen were contained in Ms. Katy Richardson's e-mail dated December 14, 2011, and for confidentiality purposes, we will refer to them as member #'s in the order they appeared in Katy's e-mail (i.e., Member #1, Member #2, etc…). Our review of the 10 samples is considered Phase 2 of the basic member contributions correction project, pursuant to our August 1, 2011 letter.

For Phase 3 of this project, we have reviewed the overall impact on all members of the basic member rate corrections that was summarized in Mr. Stalder's February 8, 2012 e-mail. Our findings regarding Phase 3 are also presented herein.

Phase 2

Sample Data

In reviewing the sample calculations, we have relied on the data contained in the vendor's software, without audit. In particular, we have assumed that the membership, tier, entry age, pension pay, and "read-in contribution" amounts (as opposed to calculated contribution amounts) are accurate.

Calculation Layout

The right hand columns on the calculation outputs from the vendor's software regarding regular (i.e., basic) contributions are labeled as follows:

Ctb Read-in	Buck Ctb	Segal Ctb	Diff Read-in & Segal
Reg	Reg	Reg	Reg

At the bottom of each of those columns are Total amounts and Grand Total amounts. We have observed that the Grand Totals are the same amounts as the Totals in all 10 samples, and that these amounts do not include any interest adjustments.

We also note that the column labeled as "Diff Read-in & Segal, Reg" is the difference between the column labeled as "Ctb Read-in, Reg" and "Segal Ctb, Reg." In aggregate, the vendor's software produced the following results for these columns:

	Ctb Read-in Reg	Segal Ctb Reg	Diff Read-in & Segal Reg
Non-Court	$ 9,925,291.84	$9,246,061.73	$679,231.52
Court	206,756.30	159,535.80	47,220.50
Non-Court and Court	$10,132,048.14	$9,405,597.53	$726,452.02

These columns are the columns that should be used to determine the final overpayment/underpayment amounts for all members combined. With that said, we noticed that for non-court members, the "Ctb Read-in" figure of $9,925,291.84 minus the "Segal Ctb" figure of $9,246,061.73 does not equal the "Diff Read-in & Segal" figure of $679,231.52, as it is off by $1.41. We determined that this difference is attributable to the calculations for 10 members, and the variance for those 10 members is anywhere from $0.01 to $0.52. We will leave it up to MCERA to decide if they would like to resolve those differences or if they will determine them to be insignificant rounding discrepancies.

In order to show the magnitude of the differences between the Buck regular member rates and the Segal regular member rates, we have changed the logic used in the calculation of difference column to be "Buck Ctb, Reg" minus "Segal Ctb, Reg." The differences for the 10 sample members on this basis are shown in the table of results we provide in this letter.

Results of Review

At the end of the Phase 2 section of this letter, we have provided a summary table of results for each of the 10 sample members. This table provides the total dollar amount of contributions based on the vendor's software calculations and the amounts based on our independent calculations. We also provide the differences between these two calculations, as we discussed in the Calculation Layout subsection above.

You will notice that we agree with all of the 10 sample calculations except for Member #4, who is listed as a Safety Tier 2 member. Our initial review of the calculations for this member shows the following results:

Member	Buck Ctb Reg	Segal Ctb Reg	Diff Buck & Segal Reg
Member #4			
A. Vendor's Calculation	$6,757.15	$7,695.24	$(938.09)
B. Segal's Calculation	$16,295.95	$17,235.02	$(939.07)
Difference (A. – B.)	$(9,538.80)	$(9,539.78)	$0.98

We did some research to account for these large differences in the regular contributions and we noticed some information in the MCERA Membership Handbook that we found on MCERA's website. Specifically, page 6 in the Handbook says the following: "Mendocino County employees contribute between 8.14% and 12.46% for General Members and 10.50% and 16.36% (with a 6% subsidy) for Safety Members."

As information related to the 6% subsidy contribution was not identified in the prior actuary's June 30, 2010 valuation report (because the subsidy was reflected for employees outside of the statutory contribution rate setting process), we were previously unaware of this subsidy. After reflecting the subsidy, we have arrived at the following results for Member #4:

Member	Buck Ctb Reg	Segal Ctb Reg	Diff Buck & Segal Reg
Member #4			
A. Vendor's Calculation	$6,757.15	$7,695.24	$(938.09)
B. Segal's Calculation	$16,295.95	$17,235.02	$(939.07)
C. Segal's Calculation with 6% Subsidy	$6,756.57	$7,695.68	$(939.11)
Difference (A. – C.)	$0.58	$(0.44)	$1.02

Note: *A positive difference means there was an overpayment of contributions by the member and a negative amount means there was an underpayment.*

Note that these results assume a subsidy of 4% (i.e., 2/3 of 6%) for the first $161.54 of biweekly pay and 6% for biweekly pay over $161.54. This subsidy was assumed to be applied on the regular member contributions only, with no subsidy assumed to be applied on the cost-of-living (COL) member contributions. We assume that the remaining differences in the regular contributions are due to rounding issues.

In the table below, we provide our results for each of the 10 sample calculations:

Member	Buck Ctb Reg	Segal Ctb Reg	Diff Buck & Segal Reg
Member #1			
A. Vendor's Calculation	$20,286.98	$17,583.23	$2,703.75
B. Segal's Calculation	$20,286.98	$17,583.23	$2,703.75
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #2			
A. Vendor's Calculation	$17,265.79	$18,256.35	$(990.56)
B. Segal's Calculation	$17,265.79	$18,256.35	$(990.56)
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #3			
A. Vendor's Calculation	$17,931.09	$17,923.47	$7.62
B. Segal's Calculation	$17,931.09	$17,923.47	$7.62
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #4			
A. Vendor's Calculation	$6,757.15	$7,695.24	$(938.09)
B. Segal's Calculation	$16,295.95	$17,235.02	$(939.07)
C. Segal's Calculation with 6% Subsidy*	$6,756.57	$7,695.68	$(939.11)
Difference (A. – C.)	$0.58	$(0.44)	$1.02
Member #5			
A. Vendor's Calculation	$20,111.38	$18,253.31	$1,858.07
B. Segal's Calculation	$20,111.38	$18,253.31	$1,858.07
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #6			
A. Vendor's Calculation	$12,142.52	$12,842.41	$(699.89)
B. Segal's Calculation	$12,142.52	$12,842.41	$(699.89)
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #7			
A. Vendor's Calculation	$5,920.28	$5,212.14	$708.14
B. Segal's Calculation	$5,920.28	$5,212.14	$708.14
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #8			
A. Vendor's Calculation	$5,354.84	$4,690.14	$664.70
B. Segal's Calculation	$5,354.84	$4,690.14	$664.70
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #9			
A. Vendor's Calculation	$16,195.96	$17,125.35	$(929.39)
B. Segal's Calculation	$16,195.96	$17,125.35	$(929.39)
Difference (A. – B.)	$0.00	$0.00	$0.00
Member #10			
A. Vendor's Calculation	$38,399.39	$35,484.66	$2,914.73
B. Segal's Calculation	$38,399.39	$35,484.66	$2,914.73
Difference (A. – B.)	$0.00	$0.00	$0.00

* *Subsidy of 4% for regular contributions for first $161.54 of biweekly pay, and 6% for regular contributions over $161.54 of biweekly pay.*

Note that we also reviewed an additional sample calculation (not included in the table above) for a member with over 30 years of service as of July 1, 2009 to make sure the vendor's software does not calculate any member contributions after that date, and we found that to be the case.

As we have previously discussed, we cannot vouch for the accuracy of the calculations beyond those we have reviewed. Please let us know if the Association would like us to review other sample calculations.

Phase 3

In Mr. Stalder's February 8, 2012 e-mail, he summarized the overall differences in basic member contributions for all members combined, both in total and separately for each of the fiscal years, to be as follows:

		Basic		
	Plan Year End	**Over Charge**	**Under Charge**	**Total**
Non-Court				
	2010	$264,818.00	$(15,994.65)	$248,823.35
	2011	245,578.84	(14,793.78)	230,785.06
	2012*	206,446.61	(6,823.50)	199,623.11
	Total	$716,843.45	$(37,611.93)	$679,231.52
Court				
	2010	$17,701.66	$ (85.54)	$17,616.12
	2011	15,941.76	(12.74)	15,929.02
	2012*	13,682.22	(6.86)	13,675.36
	Total	$47,325.64	$(105.14)	$47,220.50
Non-Court and Court				
	2010	$282,519.66	$(16,080.19)	$266,439.47
	2011	261,520.60	(14,806.52)	246,714.08
	2012*	220,128.83	(6,830.36)	213,298.47
	Total	$764,169.09	$(37,717.07)	$726,452.02

* *First 6 months of FY 2011/2012 only.*

Based on these results, the net total basic contribution over charge (expressed as a percent of estimated payroll) for court and non-court members combined by each of the three plan years is as follows:

Plan Year End	**Total Basic Over Charge**	**Estimated Payroll***	**Over Charge as a % of Payroll**
2010	$266,439.47	$72,235,097	0.37%
2011	246,714.08	69,004,002	0.36%
2012**	213,298.47	64,143,765	0.33%
Total	$726,452.02		1.06%

* *Payroll shown in the prior year's June 30 valuation report.*

** *First 6 months of FY 2011/2012 only.*

We have compared these results with the earlier results we used to prepare our handout that we discussed at our initial meeting with the Board on June 15, 2011 (see the PDF document titled "TalkingPointsFinal.pdf" from our June 14, 2011 e-mail to you). For your convenience, we have replicated the results from that document, as follows:

Prior Segal Estimate

Plan Year End	Estimated Over Charge as a % of Payroll
2010	0.4%
2011	0.4%
2012	0.7%*

* *Estimate for the full FY 2011/2012. This estimate would reduce to 0.35% for the first 6 months of FY 2011/2012 only.*

Based upon our prior estimates, we find that the results presented above appear to be very reasonable, both in the aggregate and separately for each of the fiscal years.

Please let us know if you have any questions.

Sincerely,

Andy Yeung

Andy Yeung

DNA/kek

cc: Peter Stalder

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VIA E-MAIL and USPS

February 21, 2012

Mr. James M. Andersen
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482

Re: Review of Sample Member Contributions - Issues Related to the COL

Dear Jim:

In our separate letter dated February 21, 2012, we documented the findings associated with our contracted assignment to review the application of the corrected basic member contribution rates for 2009/2010, 2010/2011 and first half of 2011/2012.

A review of the cost-of-living (COL) member contributions was not part of the original assignment, as the COL member contribution rates for the above years have not been revised by Segal. However, as the dollar amounts of the COL member contributions were provided on the output reports from MCERA's software vendor for the sample members we reviewed, we have also reviewed those COL contributions and identified issues that may require follow-up by MCERA.

COL Contributions for Safety Members

As active employees enrolled in MCERA are eligible to receive benefits payable from Social Security, the member contribution rates and the amount of retirement benefits for MCERA are "integrated" to reflect part of the FICA taxes paid to and the resulting benefits received from Social Security.

In particular, the 1937 Act statutory COL (and basic) member contribution rates for the first \$161.54 of biweekly salary (referred to as the "low rates" in the rest of this letter) are only two-thirds of member contribution rates for biweekly salary in excess of \$161.54 (referred to as the "high rates" in the rest of this letter). However, that two-thirds relationship between the low rates and the high rates would no longer be maintained for Safety members, after taking into account a 1.63% subsidy paid by the employer since the June 20, 2002 valuation, which is discussed in more detail below.

Based on information provided to us by MCERA, it is our understanding that the COL contribution rates for General[1] and Safety members were determined on a combined or pooled basis prior to the June 30, 2002 valuation. Effective July 6, 2003, the COL contribution rates for the two membership groups were de-pooled and as a result, there was an increase in the COL contribution rates for the Safety members. It is our further understanding that the County had agreed to contribute an additional amount so that the de-pooling would not result in a reduction in net pay for Safety employees who were members of the Deputy Sheriffs Association and the Mendocino County Law Enforcement Management Association.

Based on disclosures provided on the Safety member contribution rate tables in the prior actuary's valuation reports for MCERA, a rate equal to 1.63% of payroll has been in use since the June 30, 2002 valuation to reduce the COL rates for Safety members. As both the low and the high rates have been reduced by the same 1.63% of payroll in those valuation reports, the two-thirds relationship between the low rates and the high rates no longer (effective beginning July 6, 2003) holds true for the Safety member contribution rates. However, based on the one Safety sample calculation provided to Segal in connection with our review of the corrected basic member rates for 2009/2010, 2010/2011 and first half of 2011/2012, we have observed that the County's payroll system has continued to assume that the low rates for Safety members are equal to two-thirds of the high rates.

If this observation is in fact true with respect to all Safety member COL contributions calculated since July 6, 2003 (i.e., when the Board started adopting the Safety member rate tables with the 1.63% rate subsidy), then the COL contributions collected from those members would have been overstated by 0.54% (1.63% minus 2/3 times 1.63%) of payroll for the first $161.54 in biweekly salary, or about $23 per year.

Additional COL Member Contribution Rate Information

As a separate issue, based on the information provided in Mr. Peter Stalder's (MCERA software vendor) February 8, 2012 e-mail, the aggregate discrepancy in the COL member contributions between the contributions on file at MCERA and the "Segal" contributions resulting from Mr. Stalder's software calculations was an over charge of $170.36 for the non-court employees and an under charge of $78.57 for the court employees. We have observed that these discrepancies are attributable to 29 non-court employees and 1 court employee. We would suggest that MCERA research the reasons for these discrepancies in COL member

1 Probation members were included as part of the General membership group in the June 30, 2002 valuation.

contribution rates. Note that we pointed out one possible reason in our February 14, 2012 e-mail to Mr. Stalder.

Please let us know if you have any questions or would like to discuss further.

Sincerely,

Andy Yeung

Andy Yeung

/bqb

cc: Peter Stalder

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RECEIVED BY

MAR 08 2012

The Mendocino County Employees
Retirement Association

March 8, 2012

VIA OVERNIGHT DELIVERY AND E-MAIL

James Andersen
Retirement Administrator
Mendocino County Employees' Retirement
Association
625-B Kings Court
Ukiah, CA 95482

Re: Consent to Conflict of Interest – Representation of the County of Mendocino and the Superior Court of Mendocino County in Tax Issues Related to the Contribution Rate Error Correction Matter

Dear Jim :

This letter requests the consent of Mendocino County Employees' Retirement Association ("MCERA") to Hanson Bridgett LLP's representation of certain of the participating employers in MCERA, the County of Mendocino (the "County") and the Superior Court of Mendocino County (the "Court"), in connection with tax issues raised in a matter that could potentially involve interests adverse to MCERA. The matter involves the correction of errors made in the contribution rate amounts that should have been paid by members of MCERA employed by the County and the Court during fiscal years 2009/10, 2010/11, and through December 31, 2011.

<u>Existing Relationships</u>

MCERA is an existing client. We currently provide general tax advice and counsel to MCERA and represent MCERA with respect to a pending determination letter application and related voluntary correction program filing with the IRS. We are also providing advice and counsel to MCERA with respect to the tax aspects of the contribution rate error correction project as part of our on-going general tax advice and counsel to MCERA.

The County is also an existing client. We currently provide general tax advice to the County as requested. The Court is not an existing client.

<u>Current Transaction</u>

MCERA's former actuary made certain errors in establishing the contribution rates in effect for members of MCERA and participating employers for the period from July 1, 2009 through December 31, 2011. MCERA has undertaken a project to correct the errors that were made in accordance with the applicable IRS guidance for these types of issues. In order to appropriately complete the error correction process, MCERA has contacted the County and the Court with respect to the need to correct withholding errors that were made with respect to MCERA members as a result of the erroneous information provided by MCERA's former actuary. MCERA intends to advise the IRS regarding the steps that are taken to correct these errors as part of its pending voluntary correction program filing. We have been asked to be available to consult with the County and the Court regarding the tax issues associated with the corrections of members withholding errors.

Potential Conflict of Interest

While we do not believe there is a current conflict involved in our representation of MCERA, the County and the Court with respect to the error correction matter, our representation of MCERA, the County and the Court in this matter could potentially create a conflict of interest for Hanson Bridgett related to our duty of loyalty and confidentiality to existing clients. The interests of MCERA, the County and the Court in the error correction matter could become adverse because each party might have different objectives and goals in the error correction matter. At this time, we believe that we can competently and vigorously represent MCERA, the County and the Court in the error correction matter and still maintain our duty of loyalty and confidentiality to MCERA in the error correction and other unrelated matters. We do not believe we have obtained any confidential information from MCERA which is material to our representation of the County and the Court in the error correction matter.

If additional facts come to our attention which lead us to believe that: (i) we could not maintain our duty of loyalty and confidentiality to MCERA or the County in unrelated matters, (ii) the issue in dispute is substantially related to the same issue in an unrelated matter in which we represent MCERA or the County or the Court, or (iii) we have obtained confidential information from MCERA or the County or the Court which is material to our representation of MCERA or the County or the Court in unrelated matters, we would require further written consent from MCERA and the County and the Court before we could continue to represent MCERA or the County or the Court in the error correction matter.

Consent

As attorneys we are governed by specific rules relating to our representation of clients where we have a relationship with multiple parties and therefore a conflict of interest. Rules 3-310(A), (B), (C), and (E) of the Rules of Professional Conduct of the State Bar of California ("CRPC") (please see attached) govern conflicts of interest. Accordingly, we must obtain the informed written consent of MCERA and the County and the Court before proceeding with our representation of the County and the Court in the error correction matter.

Request

If, after considering the foregoing, MCERA is willing to consent, please sign and return to us the enclosed copy of this letter (i) acknowledging that we have informed you of our existing and continuous relationship with MCERA and the County, (ii) acknowledging that MCERA has been advised of CRPC 3-310(A), (B), (C), and (E) and the potential conflict of interest associated with our representation of MCERA, the County and the Court in connection with the error correction matter, and (iii) indicating that MCERA consents to our representation of MCERA, the County and the Court in the error correction matter as described in this letter.

If you have any questions regarding this letter or our representation of MCERA, the County and the Court in the error correction matter, please call us before signing and returning the enclosed copy of this letter.

Very truly yours,

Judith W. Boyette

JWB

CONSENT

Hanson Bridgett LLP ("Hanson Bridgett") has explained the conflict of interest that could arise related to Hanson Bridgett's representation of MCERA and the County and the Court in connection with the error correction matter. We acknowledge the disclosure of Hanson Bridgett's past and continuing representation of MCERA and the County in matters unrelated to the error correction matter, the conflict arising from such representation, and the consequences of any actual conflicts that may arise. The undersigned nevertheless provides its informed written consent to Hanson Bridgett's representation of MCERA and the County and the Court in connection with the error correction matter.

Mendocino County Employees' Retirement Association

By: ______________________________

Title: ______________________________

Date: ______________________________

The State Bar of California Rules of Professional Conduct

Rule 3-310 Avoiding the Representation of Adverse Interests

(A) For purposes of this rule:

(1) "Disclosure" means informing the client or former client of the relevant circumstances and of the actual and reasonably foreseeable adverse consequences to the client or former client;

(2) "Informed written consent" means the client's or former client's written agreement to the representation following written disclosure;

(3) "Written" means any writing as defined in Evidence Code section 250.

(B) A member shall not accept or continue representation of a client without providing written disclosure to the client where:

(1) The member has a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; or

(2) The member knows or reasonably should know that:

(a) the member previously had a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; and

(b) the previous relationship would substantially affect the member's representation; or

(3) The member has or had a legal, business, financial, professional, or personal relationship with another person or entity the member knows or reasonably should know would be affected substantially by resolution of the matter; or

(4) The member has or had a legal, business, financial, or professional interest in the subject matter of the representation.

(C) A member shall not, without the informed written consent of each client:

(1) Accept representation of more than one client in a matter in which the interests of the clients potentially conflict; or

(2) Accept or continue representation of more than one client in a matter in which the interests of the clients actually conflict; or

(3) Represent a client in a matter and at the same time in a separate matter accept as a client a person or entity whose interest in the first matter is adverse to the client in the first matter.

(E) A member shall not, without the informed written consent of the client or former client, accept employment adverse to the client or former client where, by reason of the representation of the client or former client, the member has obtained confidential information material to the employment.

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: March 2, 2012
To: Board of Retirement
From: Jim Andersen, Retirement Administrator JA
Subject: Summary of Overpayment Activities

Per the Board's recently adopted Overpayment Policy, attached is a summary report of overpayment activities for the month ending February 29th.

JA
Attachment

OVERPAYMENT POLICY
MONTHLY SUMMARY REPORT
29-Feb-12

Case Number	Dollar Amount	Resolved? Y/N	Status of Collection Efforts
1	$9,974.02	N	Staff notified the member of the overpayment, established the benefit at its correct level, but ceased collection efforts until a policy was adopted by the board. Collection efforts have resumed with the member receiving a letter of what I believe to be a fair repayment schedule. The member had not responded as of the writing of this report.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

OVERPAYMENT POLICY

I. PURPOSE

The purpose of this policy is to establish criteria and a framework for resolving overpayments made to members.

II. BACKGROUND

While rare, overpayments to members can be caused in a variety of ways, including death related overpayment, incorrect computation and other miscellaneous causes.

III. OBJECTIVES

The primary objective is to preserve and protect fund assets and collect contributions in accordance with applicable law. If an overpayment has been identified, it should be corrected as soon as possible. When reasonable to do so, the overpayment should be recovered as discussed below.

IV. PROCESS FOR RESOLVING OVERPAYMENTS

A. Staff shall verify the overpayment, notify the member and correct future payments with the next available payroll and report the correction on the next Retirement Board agenda.

B. Staff shall initiate collection efforts which shall include the notice setting forth the amount owed, an explanation of the cause of and calculation of the amount owed, and the alternatives for repayment.

C. The procedure for collection of overpayments will be as follows.

1. Amounts of $100 or less will not be pursued.

2. Collection efforts on amounts between $100 and $1,000 may be ceased by the Retirement Administrator after a collection efforts have been completed, and

further efforts to recover the amount due will likely result in litigation; the costs of which would exceed the amount that could be recovered.

3. For amounts between $1,000 and $5,000, the Retirement Administrator has discretion, after the completion of collection efforts, to either commence further efforts such as negotiation or the intent to recommend litigation to the Board, or cease collection efforts. In exercising this discretion, the estimated cost of further negotiation and/or litigation will be considered against the amount due.

4. For amounts over $5,000, the Retirement Administrator shall, after collection efforts as well as negotiations have been completed, seek direction from the Board to either commence litigation or cease collection efforts.

5. All actions taken in (1) through (3) above shall be reported to the Board.

V. Policy Review

The Board shall review the Overpayment Policy at least every three (3) years to ensure that it remains relevant and appropriate. Notwithstanding the general review cycle, the Board shall review the Overpayment Policy no later than one (1) year after its adoption to determine its effectiveness.

VI. Policy History

The Board adopted this policy on February 15, 2012.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
JANUARY 31, 2012
(FINAL)

ASSETS		
CASH AND EQUIVALENTS		
GENERAL CASH	$ 2,518,935.89	
TOTAL CASH AND EQUIVALENTS		**2,518,935.89**
CURRENT ASSETS		
RECOUPMENTS	3,256.54	
TOTAL CURRENT ASSETS		**3,256.54**
PROPERTY AND EQUIPMENT		
EQUIPMENT	3,786.40	
TOTAL PROPERTY AND EQUIPMENT		**3,786.40**
INVESTMENTS, AT COST		
BONDS	87,511,500.33	
INTERNATIONAL EQUITIES	77,662,388.17	
SMALL CAP EQUITIES	21,383,960.85	
MID CAP EQUITIES	36,071,787.22	
LARGE CAP EQUITIES	59,595,389.63	
REAL ESTATE	30,428,612.94	
TOTAL INVESTMENTS, AT COST		**312,653,639.14**
TOTAL ASSETS		**$ 315,179,617.97**
LIABILITIES		
CURRENT LIABILITIES		
AMCRE DUES	$ 772.46	
FEDERAL WITHHOLDING	33,079.95	
WAGE ATTACHMENTS	176.74	
PEDIT TRUST DENTAL	18,330.94	
AFLAC INSURANCE	3,000.55	
BUCK SETTLEMENT RESERVE	564,614.00	
TOTAL CURRENT LIABILITIES		**619,974.64**
TOTAL NET ASSETS		**$ 314,559,643.33**

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2012
(FINAL)

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	$ 951,823.26	$ 6,708,477.78
PLAN MEMBERS	398,597.39	3,393,396.43
TOTAL CONTRIBUTIONS	**1,350,420.65**	**10,101,874.21**
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	4,132.50	26,986.72
INTEREST	3,786.91	(480,784.80)
DIVIDENDS	123,577.73	4,397,724.65
CAPITAL GAINS	0.00	7,125,177.97
LESS INVESTMENT EXPENSE	(61,993.23)	(208,755.08)
TOTAL INVESTMENT INCOME	**69,503.91**	**10,860,349.46**
TOTAL ADDITIONS	**1,419,924.56**	**20,962,223.67**
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(2,076,496.90)	(13,723,970.57)
ADMINISTRATIVE EXPENSES	17,664.53	(75,791.94)
TOTAL DEDUCTIONS	**2,058,832.37**	**13,799,762.51**
INCREASE (DECREASE) IN NET ASSETS	**(638,907.81)**	**7,162,461.16**
NET ASSETS		
BEGINNING OF YEAR	**315,198,551.14**	**307,397,182.17**
END OF YEAR	**$ 314,559,643.33**	**$ 314,559,643.33**

COMPARISON OF CAST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
JANUARY 2012 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
FIXED INCOME								
PIMCO	45,889,343		45,889,343	13.54%		14.000%	47,455,732	1,566,389
DODGE & COX INCOME	46,159,266		46,159,266	13.62%		14.000%	47,455,732	1,296,466
					27.155%	28.000%		
SMALL CAP GROWTH								
ALLIANCE	4,178,561		4,178,561	1.23%		1.000%	3,389,695	(788,866)
RS EMERGING	3,595,851		3,595,851	1.06%		1.000%	3,389,695	(206,156)
MANAGERS	6,839,672		6,839,672	2.02%		1.900%	6,440,421	(399,251)
					4.311%	3.900%		
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	-		-	0.00%		0.000%	-	-
PRUDENTIAL	6,590,803		6,590,803	1.94%		1.900%	6,440,421	(150,382)
					1.944%	1.900%		
MID CAP GROWTH								
MORGAN STANLEY	5,406,259		5,406,259	1.59%		1.400%	4,745,573	(660,686)
JANUS ENTERPRISE	5,703,602		5,703,602	1.68%		1.400%	4,745,573	(958,029)
					3.278%	2.800%		
MID CAP VALUE								
FIDILITY LP STCK	5,373,633		5,373,633	1.59%		1.400%	4,745,573	(628,060)
ROYCE TOTAL RTN	5,219,305		5,219,305	1.54%		1.400%	4,745,573	(473,732)
					3.125%	2.800%		
LARGE CAP GROWTH								
GROWTH FUND OF AMERICA	10,514,546		10,514,546	3.10%		3.000%	10,169,085	(345,461)
HARBOR CAP APPRE	11,226,387		11,226,387	3.31%		3.000%	10,169,085	(1,057,302)
JANUS RESEARCH	10,788,278		10,788,278	3.18%		3.000%	10,169,085	(619,193)
					9.597%	9.000%		
LARGE CAP VALUE								
SELECTED AMERICAN	10,265,042		10,265,042	3.03%		3.000%	10,169,085	(95,957)
DODGE & COX	15,219,797		15,219,797	4.49%		4.400%	14,914,659	(305,138)
INVEST CO AMERICA	10,559,385		10,559,385	3.12%		3.000%	10,169,085	(390,300)
ROBECO	14,313,962		14,313,962	4.22%		4.400%	14,914,659	600,697
VAN GUARD GR&INC	10,851,567		10,851,567	3.20%		3.000%	10,169,085	(682,482)
					18.058%	17.800%		
INTERNATIONAL STOCK								
AMERICAN - EUROPACIFIC	16,059,989		16,059,989	4.74%		4.700%	15,931,567	(128,422)
HARBOR INTL	15,205,953		15,205,953	4.49%		4.700%	15,931,567	725,614
ACORN INTL	8,029,192		8,029,192	2.37%		2.500%	8,474,238	445,046
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	14,277,994		14,277,994	4.21%		4.700%	15,931,567	1,653,573
MONDRIAN	14,618,533		14,618,533	4.31%		4.700%	15,931,567	1,313,034
OAKMARK	11,920,524		11,920,524	3.52%		3.800%	12,880,842	960,318
					23.634%	25.100%		
REAL ESTATE								
RREEF - COMMINGLED FUND	3,453,664		3,453,664	1.02%		1.700%	5,762,482	2,308,818
RREEF - AMERICA REIT II	16,708,407		16,708,407	4.93%		4.200%	14,236,720	(2,471,687)
CORNERSTONE	10,000,000		10,000,000	2.95%		2.800%	9,491,146	(508,854)
					8.898%	8.700%		
TOTAL MANAGED INVEST.	338,969,515	-	338,969,515	100.000%	100.000%	100.000%	338,969,515	(0)
OTHER REAL ESTATE								
625 B KINGS COURT	738,992		738,992	0.218%		0.000%	-	-
					0.000%	0.000%		
INVESTED FUNDS AVAILABLE	339,708,507	-	339,708,507	100.218%	100.000%	100.000%	338,969,515	(0)
	CASH BALANCE	CASH RESERVED	TOTAL CASH BALANCE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
CASH	2,459,636		2,459,636	0.719%		0.000%	-	-
					0.000%	0.000%		
TOTAL FUNDS AVAILABLE	342,168,143	-	342,168,143	100.936%	100.000%	100.000%	338,969,515	(0)

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
JANUARY 2012 FINAL

	A COST VALUE	B MARKET VALUE	C UNREALIZED GAIN	D GAIN BY CATEGORY	E PRIOR MONTH GAIN/LOSS	F MONTHLY CHANGE	G START OF FISCAL YEAR (MARKET)	H FISCAL YEAR CHANGE (MARKET)
FIXED INCOME								
PIMCO	41,936,987	45,889,343	3,952,356		2,923,450	1,028,906	47,208,923	(1,319,580)
DODGE & COX INCOME	45,574,513	46,159,266	584,753		(366,985)	951,738	50,473,381	(4,314,115)
				4,537,109				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	4,178,561	2,210,711		1,868,313	342,398	4,149,842	28,719
RS EMERGING	2,500,101	3,595,851	1,095,750		850,412	245,338	3,883,292	(287,441)
MANAGERS	5,825,409	6,839,672	1,014,263		509,448	504,815	7,009,997	(170,325)
				4,320,724				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	7,172,930	6,590,803	(582,127)		(938,731)	356,604	6,717,460	(126,657)
				(582,127)				
MID CAP GROWTH								
MORGAN STANLEY	4,518,742	5,406,259	887,517		504,516	383,001	6,016,150	(609,891)
JANUS ENTERPRISE	5,232,908	5,703,602	470,694		76,243	394,451	5,752,795	(49,193)
				1,358,211				
MID CAP VALUE								
FIDILITY LP STCK	3,917,670	5,373,633	1,455,963		1,144,284	311,679	5,497,767	(124,134)
ROYCE TOTAL RTN	3,934,598	5,219,305	1,284,707		1,051,949	232,758	5,343,466	(124,161)
				2,740,670				
LARGE CAP GROWTH								
AMERICAN FUND	8,491,910	10,514,546	2,022,636		1,315,747	706,889	10,762,588	(248,042)
HARBOR CAP APPRE	8,783,960	11,226,387	2,442,427		1,671,711	770,716	11,269,773	(43,386)
JANUS RESEARCH	8,617,378	10,788,278	2,170,900		1,426,881	744,019	10,986,434	(198,156)
				6,635,963				
LARGE CAP VALUE								
SELECTED AMERICAN	8,861,931	10,265,042	1,403,111		938,438	464,673	10,484,731	(219,689)
DODGE & COX	13,893,630	15,219,797	1,326,167		505,888	820,279	15,957,294	(737,497)
INVEST CO AMERICA	9,225,397	10,559,385	1,333,988		893,080	440,908	10,682,563	(123,178)
ROBECO	14,500,000	14,313,962	(186,038)		(900,165)	714,127	14,491,030	(177,068)
VAN GUARD GR&INC	9,606,724	10,851,567	1,244,843		820,332	424,511	10,831,151	20,416
				5,122,071				
INTERNATIONAL STOCK								
EUROPACIFIC	14,519,688	16,059,989	1,540,301		618,155	922,146	16,443,168	(383,179)
HARBOR INTL	15,372,603	15,205,953	(166,650)		(1,264,126)	1,097,476	17,012,890	(1,806,937)
ACORN INTL	5,840,163	8,029,192	2,189,029		1,627,486	561,543	8,952,037	(922,845)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	15,257,471	14,277,994	(979,477)		(3,117,709)	2,138,232	14,726,811	(448,817)
MONDRIAN	15,442,987	14,618,533	(824,454)		(1,276,819)	452,365	14,874,406	(255,873)
OAKMARK	11,229,477	11,920,524	691,047		(127,357)	818,404	13,492,130	(1,571,606)
				2,449,796				
REAL ESTATE								
RREEF - COMMINGLED FUND	4,151,482	3,453,664	(697,818)		(887,668)	189,850	13,567,707	(10,114,043)
RREEF - AMERICA REIT II	15,376,019	16,708,407	1,332,388		1,332,388	-	16,238,535	469,872
CORNERSTONE	10,000,000	10,000,000	-		-	-	-	10,000,000
				634,570				
TOTAL MANAGED INVEST.	311,752,528	338,969,515	27,216,987	27,216,987	11,199,161	16,017,826	352,826,321	(13,856,806)
OTHER REAL ESTATE								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				(162,120)				
INVESTED FUNDS AVAILABLE	312,653,640	339,708,507	27,054,867	27,054,867	11,037,041	16,017,826	353,565,313	(13,856,806)

	BEGINNING MONTH CASH	ENDING MONTH CASH	INCREASE/ DECREASE	GAIN BY CATEGORY	PRIOR MONTH INC/DEC	MONTHLY CHANGE	START OF FISCAL YEAR BALANCE	FISCAL YEAR CHANGE
CASH	13,968,730	2,459,636	(11,509,094)		-	(11,509,094)	1,189,486	1,270,150
				(11,509,094)				
TOTAL FUNDS AVAILABLE	326,622,370	342,168,143	15,545,773	15,545,773	11,037,041	4,508,732	354,754,799	(12,586,656)

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE EIGHT MONTHS ENDED FEBRUARY 29, 2012
(FINAL)

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	$ 894,815.30	$ 7,603,293.08
PLAN MEMBERS	355,943.57	3,749,340.00
TOTAL CONTRIBUTIONS	**1,250,758.87**	**11,352,633.08**
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	(2,190.37)	24,796.35
INTEREST	(10,445.21)	(491,230.01)
DIVIDENDS	115,705.38	4,513,430.03
CAPITAL GAINS	81,695.82	7,206,873.79
LESS INVESTMENT EXPENSE	170,834.80	(37,920.28)
TOTAL INVESTMENT INCOME	**355,600.42**	**11,215,949.88**
TOTAL ADDITIONS	**1,606,359.29**	**22,568,582.96**
DEDUCTIONS		
BENEFIT PAYMENTS, SUBSIDIES, & REFUNDS	(1,892,147.28)	(15,616,117.85)
ADMINISTRATIVE EXPENSES	(7,925.00)	(83,716.94)
TOTAL DEDUCTIONS	**1,900,072.28**	**15,699,834.79**
INCREASE (DECREASE) IN NET ASSETS	**(293,712.99)**	**6,868,748.17**
NET ASSETS		
BEGINNING OF YEAR	**314,559,643.33**	**307,397,182.17**
END OF YEAR	**$ 314,265,930.34**	**$ 314,265,930.34**

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF PLAN NET ASSETS
FEBRUARY 29, 2012
(FINAL)

ASSETS		
CASH AND EQUIVALENTS		
GENERAL CASH	$ 1,945,619.42	
TOTAL CASH AND EQUIVALENTS		**1,945,619.42**
CURRENT ASSETS		
RECOUPMENTS	3,135.93	
TOTAL CURRENT ASSETS		**3,135.93**
PROPERTY AND EQUIPMENT		
EQUIPMENT	3,786.40	
TOTAL PROPERTY AND EQUIPMENT		**3,786.40**
INVESTMENTS, AT COST		
BONDS	87,511,500.33	
INTERNATIONAL EQUITIES	77,662,388.17	
SMALL CAP EQUITIES	21,383,960.85	
MID CAP EQUITIES	36,071,787.22	
LARGE CAP EQUITIES	59,595,389.63	
REAL ESTATE	30,428,612.94	
TOTAL INVESTMENTS, AT COST		**312,653,639.14**
TOTAL ASSETS		**$ 314,606,180.89**
LIABILITIES		
CURRENT LIABILITIES		
AMCRE DUES	$ 772.12	
WAGE ATTACHMENTS	176.74	
PEDIT TRUST DENTAL	18,101.94	
AFLAC INSURANCE	3,000.55	
BUCK SETTLEMENT RESERVE	318,199.20	
TOTAL CURRENT LIABILITIES		**340,250.55**
TOTAL NET ASSETS		**$ 314,265,930.34**

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CASH FLOW ANALYSIS
FOR THE EIGHT MONTHS ENDED FEBRUARY 29, 2012

	CURRENT MONTH	YEAR TO DATE
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	894,815.30	7,603,293.08
PLAN MEMBER	355,943.57	3,749,340.00
TOTAL CONTRIBUTIONS	**1,250,758.87**	**11,352,633.08**
INVESTMENT INCOME		
RENTAL INCOME, NET OF EXPENSES	(2,190.37)	24,796.35
INTEREST	(10,445.21)	(491,230.01)
DIVIDENDS	115,705.38	115,705.38
CAPITAL GAIN	71,200.00	71,349.29
LESS INVESTMENT EXPENSE	170,834.80	(37,920.28)
TOTAL INVESTMENT INCOME	**345,104.60**	**(317,299.27)**
TOTAL ADDITIONS	**1,595,863.47**	**11,035,333.81**
DEDUCTIONS		
BENEFIT PAYMENTS AND SUBSIDIES	(1,861,248.55)	(15,212,140.68)
REFUNDS OF CONTRIBUTIONS	(30,898.73)	(403,977.17)
ADMINISTRATIVE EXPENSES	(7,925.00)	(83,716.94)
TOTAL DEDUCTIONS	**(1,900,072.28)**	**(15,699,834.79)**
OTHER INCREASES/DECREASES		
ACCOUNTS RECEIVABLE	120.61	58,551.38
ACCOUNTS PAYABLE	(33,309.29)	(19,622.40)
BUCK SETTLEMENT	(246,414.80)	318,199.20
SALE/PURCHASE OF INVESTMENTS	10,495.82	5,063,506.40
TOTAL OTHER INCREASES/DECREASES	**(269,107.66)**	**5,420,634.58**
INCREASE (DECREASE) IN CASH	**$ (573,316.47)**	**$ 756,133.60**
SUMMARY		
CASH AT END OF PERIOD	$ 1,945,619.42	$ 1,945,619.42
CASH AT BEGINNING OF PERIOD	2,518,935.89	1,189,485.82
INCREASE (DECREASE) IN CASH	**$ (573,316.47)**	**$ 756,133.60**

COMPARISON OF CAST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
FEBRUARY 2012 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
FIXED INCOME								
PIMCO	45,889,343		45,889,343	13.12%		14.000%	48,983,628	3,094,285
DODGE & COX INCOME	46,567,153		46,567,153	13.31%		14.000%	48,983,628	2,416,475
					26.425%	**28.000%**		
SMALL CAP GROWTH								
ALLIANCE	4,360,775		4,360,775	1.25%		1.000%	3,498,831	(861,944)
RS EMERGING	3,786,938		3,786,938	1.08%		1.000%	3,498,831	(288,107)
MANAGERS	7,027,554		7,027,554	2.01%		1.900%	6,647,778	(379,776)
					4.337%	**3.900%**		
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	-		-	0.00%		0.000%	-	-
PRUDENTIAL	6,769,105		6,769,105	1.93%		1.900%	6,647,778	(121,327)
					1.935%	**1.900%**		
MID CAP GROWTH								
MORGAN STANLEY	5,726,697		5,726,697	1.64%		1.400%	4,898,363	(828,334)
JANUS ENTERPRISE	5,945,010		5,945,010	1.70%		1.400%	4,898,363	(1,046,647)
					3.336%	**2.800%**		
MID CAP VALUE								
FIDILITY LP STCK	5,642,811		5,642,811	1.61%		1.400%	4,898,363	(744,448)
ROYCE TOTAL RTN	5,349,492		5,349,492	1.53%		1.400%	4,898,363	(451,129)
					3.142%	**2.800%**		
LARGE CAP GROWTH								
GROWTH FUND OF AMERICA	10,982,391		10,982,391	3.14%		3.000%	10,496,492	(485,899)
HARBOR CAP APPRE	11,912,098		11,912,098	3.40%		3.000%	10,496,492	(1,415,606)
JANUS RESEARCH	11,328,407		11,328,407	3.24%		3.000%	10,496,492	(831,915)
					9.781%	**9.000%**		
LARGE CAP VALUE								
SELECTED AMERICAN	10,677,532		10,677,532	3.05%		3.000%	10,496,492	(181,040)
DODGE & COX	15,904,072		15,904,072	4.55%		4.400%	15,394,855	(509,217)
INVEST CO AMERICA	11,011,503		11,011,503	3.15%		3.000%	10,496,492	(515,011)
ROBECO	14,313,962		14,313,962	4.09%		4.400%	15,394,855	1,080,893
VAN GUARD GR&INC	11,403,914		11,403,914	3.26%		3.000%	10,496,492	(907,422)
					18.095%	**17.800%**		
INTERNATIONAL STOCK								
AMERICAN - EUROPACIFIC	17,016,607		17,016,607	4.86%		4.700%	16,444,504	(572,103)
HARBOR INTL	16,195,832		16,195,832	4.63%		4.700%	16,444,504	248,672
ACORN INTL	8,486,262		8,486,262	2.43%		2.500%	8,747,077	260,815
ARTISAN	-		-	0.00%		0.000%	-	-
JANUS INTL	15,275,835		15,275,835	4.37%		4.700%	16,444,504	1,168,669
MONDRIAN	15,310,844		15,310,844	4.38%		4.700%	16,444,504	1,133,660
OAKMARK	12,879,801		12,879,801	3.68%		3.800%	13,295,556	415,755
					24.341%	**25.100%**		
REAL ESTATE								
RREEF - COMMINGLED FUND	3,410,715		3,410,715	0.97%		1.700%	5,948,012	2,537,297
RREEF - AMERICA REIT II	16,708,407		16,708,407	4.78%		4.200%	14,695,089	(2,013,318)
CORNERSTONE	10,000,000		10,000,000	2.86%		2.800%	9,796,726	(203,274)
					8.608%	**8.700%**		
TOTAL MANAGED INVEST.	**349,883,060**	**-**	**349,883,060**	**100.000%**	**100.000%**	**100.000%**	**349,883,060**	**0**
OTHER REAL ESTATE								
625 B KINGS COURT	738,992		738,992	0.211%		0.000%	-	-
					0.000%	**0.000%**		
INVESTED FUNDS AVAILABLE	**350,622,052**	**-**	**350,622,052**	**100.211%**	**100.000%**	**100.000%**	**349,883,060**	**0**

	CASH BALANCE	CASH RESERVED	TOTAL CASH BALANCE	PERCENT OF PORT.	% BY CLASS	TARGET % (2010 STUDY)	TARGET AS DOLLARS	DIFFERENCE AS DOLLARS
CASH	1,945,619		1,945,619	0.552%		0.000%	-	-
					0.000%	**0.000%**		
TOTAL FUNDS AVAILABLE	**352,567,671**	**-**	**352,567,671**	**100.763%**	**100.000%**	**100.000%**	**349,883,060**	**0**

COMPARISON OF COST AND MARKET VALUES FOR MENDOCINO COUNTY RETIREMENT ASSOCIATION
FEBRUARY 2012 FINAL

	A COST VALUE	B MARKET VALUE	C UNREALIZED GAIN	D GAIN BY CATEGORY	E PRIOR MONTH GAIN/LOSS	F MONTHLY CHANGE	G START OF FISCAL YEAR (MARKET)	H FISCAL YEAR CHANGE (MARKET)
FIXED INCOME								
PIMCO	41,936,987	45,889,343	3,952,356		3,952,356	-	47,208,923	(1,319,580)
DODGE & COX INCOME	45,574,513	46,567,153	992,640		584,753	407,887	50,473,381	(3,906,228)
				4,944,996				
SMALL CAP GROWTH								
ALLIANCE	1,967,850	4,360,775	2,392,925		2,210,711	182,214	4,149,842	210,933
RS EMERGING	2,500,101	3,786,938	1,286,837		1,095,750	191,087	3,883,292	(96,354)
MANAGERS	5,825,409	7,027,554	1,202,145		1,014,263	187,882	7,009,997	17,557
				4,881,907				
SMALL CAP VALUE								
VANGUARD SMALL CAP INDEX	0	-	-		-	-	-	-
PRUDENTIAL TARGET	7,172,930	6,769,105	(403,825)		(582,127)	178,302	6,717,460	51,645
				(403,825)				
MID CAP GROWTH								
MORGAN STANLEY	4,518,742	5,726,697	1,207,955		887,517	320,438	6,016,150	(289,453)
JANUS ENTERPRISE	5,232,908	5,945,010	712,102		470,694	241,408	5,752,795	192,215
				1,920,057				
MID CAP VALUE								
FIDILITY LP STCK	3,917,670	5,642,811	1,725,141		1,455,963	269,178	5,497,767	145,044
ROYCE TOTAL RTN	3,934,598	5,349,492	1,414,894		1,284,707	130,187	5,343,466	6,026
				3,140,035				
LARGE CAP GROWTH								
AMERICAN FUND	8,491,910	10,982,391	2,490,481		2,022,636	467,845	10,762,588	219,803
HARBOR CAP APPRE	8,783,960	11,912,098	3,128,138		2,442,427	685,711	11,269,773	642,325
JANUS RESEARCH	8,617,378	11,328,407	2,711,029		2,170,900	540,129	10,986,434	341,973
				8,329,648				
LARGE CAP VALUE								
SELECTED AMERICAN	8,861,931	10,677,532	1,815,601		1,403,111	412,490	10,484,731	192,801
DODGE & COX	13,893,630	15,904,072	2,010,442		1,326,167	684,275	15,957,294	(53,222)
INVEST CO AMERICA	9,225,397	11,011,503	1,786,106		1,333,988	452,118	10,682,563	328,940
ROBECO	14,500,000	14,313,962	(186,038)		(186,038)	-	14,491,030	(177,068)
VAN GUARD GR&INC	9,606,724	11,403,914	1,797,190		1,244,843	552,347	10,831,151	572,763
				7,223,301				
INTERNATIONAL STOCK								
EUROPACIFIC	14,519,688	17,016,607	2,496,919		1,540,301	956,618	16,443,168	573,439
HARBOR INTL	15,372,603	16,195,832	823,229		(166,650)	989,879	17,012,890	(817,058)
ACORN INTL	5,840,163	8,486,262	2,646,099		2,189,029	457,070	8,952,037	(465,775)
ARTISAN	-	-	-		-	-	-	-
JANUS INTL	15,257,471	15,275,835	18,364		(979,477)	997,841	14,726,811	549,024
MONDRIAN	15,442,987	15,310,844	(132,143)		(824,454)	692,311	14,874,406	436,438
OAKMARK	11,229,477	12,879,801	1,650,324		691,047	959,277	13,492,130	(612,329)
				7,502,792				
REAL ESTATE								
RREEF - COMMINGLED FUND	4,151,482	3,410,715	(740,767)		(697,818)	(42,949)	13,567,707	(10,156,992)
RREEF - AMERICA REIT II	15,376,019	16,708,407	1,332,388		1,332,388	-	16,238,535	469,872
CORNERSTONE	10,000,000	10,000,000	-		-	-	-	10,000,000
				591,621				
TOTAL MANAGED INVEST.	311,752,528	349,883,060	38,130,532	38,130,532	27,216,987	10,913,545	352,826,321	(2,943,261)
OTHER REAL ESTATE								
625 B KINGS COURT	901,112	738,992	(162,120)		(162,120)	-	738,992	-
				(162,120)				
INVESTED FUNDS AVAILABLE	312,653,640	350,622,052	37,968,412	37,968,412	27,054,867	10,913,545	353,565,313	(2,943,261)

	BEGINNING MONTH CASH	ENDING MONTH CASH	INCREASE/ DECREASE	GAIN BY CATEGORY	PRIOR MONTH INC/DEC	MONTHLY CHANGE	START OF FISCAL YEAR BALANCE	FISCAL YEAR CHANGE
CASH	2,518,936	1,945,619	(573,317)		-	(573,317)	1,189,486	756,133
				(573,317)				
TOTAL FUNDS AVAILABLE	315,172,576	352,567,671	37,395,095	37,395,095	27,054,867	10,340,228	354,754,799	(2,187,128)

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: February 28, 2012
To: Board of Retirement
From: Jim Andersen, Retirement Administrator
Subject: Discussion and Possible Action Regarding an Agreement between MCERA and James Andersen for Interim Administrative and Transitional Assistance Services

Introduction

The Board of Retirement is currently recruiting for a successor Retirement Administrator. With interviews scheduled for March, followed by due diligence on the preferred candidate, if any, and relocation of the successor, there will most likely be a time when MCERA is without a Retirement Administrator. As requested by the ad hoc committee on recruitment, I have investigated interim Retirement Administrators through SACRS, CALAPRS, Sonoma County and direct contact with known retired executives. None of these avenues have produced an interim Retirement Administrator candidate.

Discussion

With my retirement scheduled for March 31, 2012, and the probable gap in administrative oversight described above, I have developed an agreement for the Board's consideration between MCERA and myself for interim administrative duties and transitional assistance on a time limited basis and for only those activities deemed as necessary. The scope of services calls for the Chair, in consultation with me as the contractor, to determine what services would be necessary prior to the new Retirement Administrator assuming their duties. Furthermore, the scope of services calls for the new administrator, in consultation with me as the contractor, to determine what transitional assistance is necessary after they begin employment. It is my desire to assist MCERA in assuring uninterrupted operations, while recognizing that it may make the most sense to limit the scope of the contract given what may be a brief interim period and uncertainty regarding of how much transitional assistance, if any, will be desired by the new Retirement Administrator.

Again, given the limited scope of services, the agreement (Exhibit A) sets forth a maximum cost of $10,000 for services rendered. In addition, the agreement waives General Liability and Professional Liability Insurance requirements, and adds me as an additional insured on MCERA's fiduciary insurance policy (Exhibit B). Both of these insurance conditions are being reviewed as of the writing of this report.

Recommended Motion/Action

Approve the agreement between MCERA and James M. Andersen for interim administrative duties and transitional assistance for the newly hired Retirement Administrator, for a term not to exceed April 1, 2012 through June 30, 2012, and for an amount not to exceed ten thousand dollars ($10,000).

Alternatives

Do not contract for interim administrative services, and rely upon remaining staff for operational activities and the Chair for signature authority.

Fiscal Impact

Not to exceed ten thousand dollars ($10,000) for three (3) months, billed at a rate of sixty dollars per hours ($60/hr) as discussed with the ad hoc committee.

JA
Attachment

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STANDARD SERVICES AGREEMENT

This Agreement, dated as of ___________________, 2012, is by and between the MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION, hereinafter referred to as the "MCERA", and JAMES M. ANDERSEN, hereinafter referred to as the "CONTRACTOR".

WITNESSETH

WHEREAS, MCERA may retain independent contractors to perform special services to or for MCERA; and

WHEREAS, MCERA desires to obtain interim retirement administration services ("Services"); and

WHEREAS, CONTRACTOR is professionally qualified to provide such services and is willing to provide same to MCERA;

NOW, THEREFORE it is agreed that MCERA does hereby retain CONTRACTOR to provide the services described in Exhibit "A", and CONTRACTOR accepts such engagement, on the General Terms and Conditions hereinafter specified in this Agreement, the Additional Provisions attached hereto, and the following described exhibits, all of which are incorporated into this Agreement by this reference:

Exhibit A Definition of Services and Payment Terms
Exhibit B Insurance Requirements

The term of this Agreement shall be from April 1, 2012 through June 30, 2012.

The compensation payable to CONTRACTOR hereunder shall not exceed Ten Thousand Dollars ($10,000) for the term of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By:____________________________
CHAIR, Board of Retirement

JUDY ZELLER, Clerk of said Board

By ____________________________
Deputy

ATTEST:

APPROVED AS TO FORM:

JEFF BERK, MCERA Counsel

By:____________________________

CONTRACTOR/COMPANY NAME

By: James M. Andersen
Signature

Title: Independent Consultant

NAME AND ADDRESS OF CONTRACTOR:
James M. Andersen
494 Luce Avenue
Ukiah, CA 95482

INSURANCE REQUIREMENTS:

KRISTIN McMENOMEY, Director
General Services Agency

By ____________________________
RISK MANAGER

By signing above, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

By:______________________________
CHAIR, Board of Retirement

JUDY ZELLER, Clerk of said Board

By ______________________________
Deputy

ATTEST:

APPROVED AS TO FORM:

JEFF BERK, MCERA Counsel

By:______________________________

CONTRACTOR/COMPANY NAME

By: James M. Andersen
Signature

Title: Independent Consultant

NAME AND ADDRESS OF CONTRACTOR:
James M. Andersen
494 Luce Avenue
Ukiah, CA 95482

INSURANCE REQUIREMENTS:

KRISTIN McMENOMEY, Director
General Services Agency

By ______________________________
RISK MANAGER

By signing above, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement

GENERAL TERMS AND CONDITIONS

1. INDEPENDENT CONTRACTOR: No relationship of employer and employee is created by this Agreement; it being understood and agreed that CONTRACTOR is an Independent Contractor. CONTRACTOR is not the agent or employee of the MCERA in any capacity whatsoever and MCERA shall not be liable for any acts or omissions by CONTRACTOR nor for any obligations or liabilities incurred by CONTRACTOR.

   CONTRACTOR shall have no claim under this Agreement or otherwise, for seniority, vacation time, vacation pay, sick leave, personal time off, overtime, health insurance medical care, hospital care, retirement benefits, social security, disability, Workers' Compensation, or unemployment insurance benefits, civil service protection, or employee benefits of any kind.

   CONTRACTOR shall be solely liable for and obligated to pay directly all applicable payroll taxes (including federal and state income taxes) or contributions for unemployment insurance or old age pensions or annuities which are imposed by any governmental entity in connection with the labor used or which are measured by wages, salaries or other remuneration paid to its officers, agents or employees and agrees to indemnify and hold MCERA harmless from any and all liability which MCERA may incur because of CONTRACTOR's failure to pay such amounts.

   In carrying out the work contemplated herein, CONTRACTOR shall comply with all applicable federal and state workers' compensation and liability laws and regulations with respect to the officers, agents and/or employees conducting and participating in the work; and agrees that such officers, agents, and/or employees will be considered as Independent Contractors and shall not be treated or considered in any way as officers, agents and/or employees of MCERA.

   CONTRACTOR does, by this Agreement, agree to perform his/her said work and functions at all times in strict accordance with all applicable federal, state and County laws, ordinances, regulations, titles, departmental procedures and currently approved methods and practices in his/her field and that the sole interest of MCERA is to insure that said service shall be performed and rendered in a competent, efficient, timely and satisfactory manner and in accordance with the standards required by the MCERA.

   Notwithstanding the foregoing, if the MCERA determines that pursuant to state and federal law CONTRACTOR is an employee for purposes of income tax withholding, MCERA may upon two week's notice to CONTRACTOR, withhold from payments to CONTRACTOR hereunder federal and state income taxes and pay said sums to the federal and state governments.

2. INDEMNIFICATION: Each party shall indemnify, defend, protect, hold harmless, and release the other, its officers, agents, and employees, from and against any and all claims, loss, proceedings, damages, causes of action, liability, costs, or expense (including attorney's fees and witness costs) arising from or in connection with, or caused by any act, omission, or negligence of such indemnifying party. This indemnification obligation shall not be limited in any way by any limitation on the amount of type of damages or compensation payable to or for the indemnifying party under workers' compensation acts, disability acts, or other employee benefit acts. This indemnity provision survives the agreement.

3. INSURANCE AND BOND: CONTRACTOR shall at all times during the term of the Agreement with the MCERA maintain in force those insurance policies and bonds as designated in the attached Exhibit B, and will comply with all those requirements as stated therein.

4. WORKERS' COMPENSATION: CONTRACTOR shall provide Workers' Compensation insurance, as applicable, at CONTRACTOR's own cost and expense and further, neither the CONTRACTOR nor its carrier shall be entitled to recover from MCERA any costs, settlements, or expenses of Workers' Compensation claims arising out of this Agreement.

5. CONFORMITY WITH LAW AND SAFETY:

   a. In performing services under this Agreement, CONTRACTOR shall observe and comply with all applicable laws, ordinances, codes and regulations of governmental agencies, including federal, state, municipal, and local governing bodies, having jurisdiction over the scope of services, including all applicable provisions of the California Occupational Safety and Health Act. CONTRACTOR shall indemnify and hold MCERA harmless from any and all liability, fines, penalties and consequences from any of CONTRACTOR's failures to comply with such laws, ordinances, codes and regulations.

   b. Accidents: If a death, serious personal injury or substantial property damage occurs in connection with CONTRACTOR's performance of this Agreement, CONTRACTOR shall immediately notify Mendocino County Risk Manager's Office by telephone. CONTRACTOR shall promptly submit to MCERA a written report, in such form as may be required by MCERA of all accidents which occur in connection with this Agreement. This report must include the following information: (1) name and address of the injured or deceased person(s); (2) name and address of CONTRACTOR's sub-contractor, if any; (3) name and address of CONTRACTOR's liability insurance carrier; and (4) a detailed description of the accident and whether any of MCERA's equipment, tools, material, or staff were involved.

c. CONTRACTOR further agrees to take all reasonable steps to preserve all physical evidence and information which may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and to grant to the MCERA the opportunity to review and inspect such evidence, including the scene of the accident.

6. PAYMENT: For services performed in accordance with this Agreement, payment shall be made to CONTRACTOR as provided in Exhibit A hereto.

7. TRAVEL EXPENSES: CONTRACTOR shall not be allowed or paid travel expenses unless set forth in Agreement A.

8. TAXES: Payment of all applicable federal, state, and local taxes shall be the sole responsibility of the CONTRACTOR.

9. OWNERSHIP OF DOCUMENTS: CONTRACTOR hereby assigns to the MCERA and its assignees all copyright and other use rights in any and all proposals, plans, specification, designs, drawings, sketches, renderings, models, reports and related documents (including computerized or electronic copies) respecting in any way the subject matter of this Agreement, whether prepared by the MCERA, the CONTRACTOR, the CONTRACTOR's subcontractors or third parties at the request of the CONTRACTOR (collectively, "Documents and Materials"). This explicitly includes the electronic copies of all above stated documentation.

   CONTRACTOR also hereby assigns to the MCERA and its assignees all copyright and other use rights in any Documents and Materials including electronic copies stored in CONTRACTOR's Information System, respecting in any way the subject matter of this Agreement.

   CONTRACTOR shall be permitted to retain copies, including reproducible copies and computerized copies, of said Documents and Materials. CONTRACTOR agrees to take such further steps as may be reasonably requested by MCERA to implement the aforesaid assignment. If for any reason said assignment is not effective, CONTRACTOR hereby grants the MCERA and any assignee of the MCERA an express royalty – free license to retain and use said Documents and Materials. The MCERA's rights under this paragraph shall apply regardless of the degree of completion of the Documents and Materials and whether or not CONTRACTOR's services as set forth in Exhibit "A" of this Agreement have been fully performed or paid for.

In CONTRACTOR's contracts with other contractors, CONTRACTOR shall expressly obligate its Subcontractors to grant the MCERA the aforesaid assignment and license rights as to that CONTRACTOR's Documents and Materials. CONTRACTOR agrees to defend, indemnify and hold the MCERA harmless from any damage caused by a failure of the CONTRACTOR to obtain such rights from its Contractors and/or Subcontractors.

CONTRACTOR shall pay all royalties and license fees which may be due for any patented or copyrighted materials, methods or systems selected by the CONTRACTOR and incorporated into the work as set forth in Exhibit "A", and shall defend, indemnify and hold the MCERA harmless from any claims for infringement of patent or copyright arising out of such selection.

10. CONFLICT OF INTEREST; CONFIDENTIALITY: The CONTRACTOR covenants that it presently has no interest, and shall not have any interest, direct or indirect, which would conflict in any manner with the performance of services required under this Agreement. Without limitation, CONTRACTOR represents to and agrees with the MCERA that CONTRACTOR has no present, and will have no future, conflict of interest between providing the MCERA services hereunder and any other person or entity (including but not limited to any federal or state wildlife, environmental or regulatory agency) which has any interest adverse or potentially adverse to the MCERA, as determined in the reasonable judgment of Retirement Administrator.

The CONTRACTOR agrees that any information, whether proprietary or not, made known to or discovered by it during the performance of or in connection with this Agreement for the MCERA, will be kept confidential and not be disclosed to any other person. The CONTRACTOR agrees to immediately notify the MCERA by notices provided in accordance with Paragraph 11 of this Agreement, if it is requested to disclose any information made known to or discovered by it during the performance of or in connection with this Agreement.

These conflict of interest and future service provisions and limitations shall remain fully effective five (5) years after termination of services to the MCERA hereunder.

11. NOTICES: All formal notices, requests, demands, or other communications under this Agreement shall be in writing. Customary business communications associated with the project execution may be conducted electronically upon agreement of both parties. MCERA agrees to establish a secure file transfer (FTP) site to facilitate the storage and sharing of data and information necessary to complete the scope of services outlined in Exhibit A.

Notices shall be given for all purposes as follows:

Personal delivery: When personally delivered to the recipient, notices are effective on delivery.

First Class Mail: When mailed first class to the last address of the recipient known to the party giving notice, notice is effective three (3) mail delivery days after deposit in a United States Postal Service office or mailbox. Certified Mail: When mailed certified mail, return receipt requested, notice is effective on receipt, if delivery is confirmed by a return receipt.

Overnight Delivery: When delivered by overnight delivery (Federal Express/Airborne/United Parcel Service/DHL WorldWide Express) with charges prepaid or charged to the sender's account, notice is effective on delivery, if delivery is confirmed by the delivery service.

Telex or facsimile transmission: When sent by telex or facsimile to the last telex or facsimile number of the recipient known to the party giving notice, notice is effective on receipt, provided that (a) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (b) the receiving party delivers a written confirmation of receipt. Any notice given by telex or facsimile shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

Addresses for purpose of giving notice are as follows:

To MCERA:	MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION 625-B Kings Ct. Ukiah, CA 95482 Attn: Judy Zeller, Clerk to the Board
To CONTRACTOR:	JAMES M. ANDERSEN 494 Luce Avenue Ukiah, CA 95482 Attn: Jim Andersen

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger, or overnight delivery service.

Any party may change its address or telex or facsimile number by giving the other party notice of the change in any manner permitted by this Agreement.

12. USE OF MCERA PROPERTY: CONTRACTOR shall not use MCERA property (including equipment, instruments and supplies) or personnel for any purpose other than in the performance of his/her obligations under this Agreement.

13. EQUAL EMPLOYMENT OPPORTUNITY PRACTICES PROVISIONS: CONTRACTOR certifies that it is in compliance with the Equal Employment Opportunity Requirement of Executive Order 11246, as amended by Executive Order 11375 and supplemented I 45CFR, Part 60, Title VII of the Civil Rights Act and any other federal or state laws pertaining to equal employment opportunity and that it shall not discriminate against any employee or applicant for employment on the basis of race, color, religion, age, sex, national origin, ancestry, marital status, political affiliation or physical or mental condition, in matters pertaining to recruitment, hiring, training, upgrading, transfer, compensation or termination.

    a. CONTRACTOR shall, in all solicitations or advertisements for applicants for employment placed as a result of this Agreement, state that it is an "Equal Opportunity Employer" or that all qualified applicants will receive consideration for employment without regard to their race, creed, color, disability, sex, sexual orientation, national origin, age, religion, Vietnam era Veteran's status, political affiliation, or any other non-merit factor.

    b. CONTRACTOR shall, if requested to so do by the MCERA, certify that it has not, in the performance of this Agreement, discriminated against applicants or employees because of their race, creed, color, disability, sex, sexual orientation, national origin, age, religion, Vietnam era Veteran's status, political affiliation, or any other non-merit factor.

    c. If requested to do so by the MCERA, CONTRACTOR shall provide the MCERA with access to copies of all of its records pertaining or relating to its employment practices, except to the extent such records or portions of such records are confidential or privileged under state or federal law.

    d. Nothing contained in this Agreement shall be construed in any manner so as to require or permit any act, which is prohibited by law.

    e. The CONTRACTOR shall include the provisions set forth in paragraphs A through E (above) in each of its subcontracts.

14. DRUG-FREE WORKPLACE: CONTRACTOR and CONTRACTOR's employees shall comply with the MCERA's policy of maintaining a drug-free workplace. Neither CONTRACTOR nor CONTRACTOR's employees shall unlawfully manufacture, distribute, dispense, possess or use controlled substances, as defined in 21 U.S. Code § 812, including, but not limited to, marijuana, heroin, cocaine, and amphetamines, at any MCERA facility or work site. If CONTRACTOR or any employee of CONTRACTOR is convicted or pleads *nolo*

contendere to a criminal drug statute violation occurring at a MCERA facility or work site, the CONTRACTOR, within five days thereafter, shall notify the Administrator of the MCERA. Violation of this provision shall constitute a material breach of this Agreement.

15. ENERGY CONSERVATION: CONTRACTOR agrees to comply with the mandatory standards and policies relating to energy efficiency in the State of California Energy Conservation Plan, (Title 24, California Code of Regulations), if applicable.

16. COMPLIANCE WITH LICENSING REQUIREMENTS: CONTRACTOR shall comply with all necessary licensing requirements and shall obtain appropriate licenses and display the same in a location that is reasonably conspicuous, as well as file copies of same with the office of MCERA.

17. AUDITS; ACCESS TO RECORDS: The CONTRACTOR shall make available to the MCERA, its authorized agents, officers, or employees, for examination any and all ledgers, books of accounts, invoices, vouchers, cancelled checks, and other records or documents evidencing or relating to the expenditures and disbursements charged to the MCERA, and shall furnish to the MCERA, its authorized agents, officers or employees such other evidence or information as the MCERA may require with regard to any such expenditure or disbursement charged by the CONTRACTOR.

    The CONTRACTOR shall maintain full and adequate records in accordance with MCERA requirements to show the actual costs incurred by the CONTRACTOR in the performance of this Agreement. If such books and records are not kept and maintained by CONTRACTOR within the County of Mendocino, California, CONTRACTOR shall, upon request of the MCERA, make such books and records available to the MCERA for inspection at a location within County or CONTRACTOR shall pay to the MCERA the reasonable, and necessary costs incurred by the MCERA in inspecting CONTRACTOR's books and records, including, but not limited to, travel, lodging and subsistence costs. CONTRACTOR shall provide such assistance as may be reasonably required in the course of such inspection. The MCERA further reserves the right to examine and reexamine said books, records and data during the four (4) year period following termination of this Agreement or completion of all work hereunder, as evidenced in writing by the MCERA, and the CONTRACTOR shall in no event dispose of, destroy, alter, or mutilate said books, records, accounts, and data in any manner whatsoever for four (4) years after the MCERA makes the final or last payment or within four (4) years after any pending issues between the MCERA and CONTRACTOR with respect to this Agreement are closed, whichever is later.

18. DOCUMENTS AND MATERIALS: CONTRACTOR shall maintain and make available to MCERA for its inspection and use during the term of this Agreement, all Documents and Materials, as defined in Paragraph 9 of this Agreement.

CONTRACTOR's obligations under the preceding sentence shall continue for four (4) years following termination or expiration of this Agreement or the completion of all work hereunder (as evidenced in writing by MCERA), and CONTRACTOR shall in no event dispose of, destroy, alter or mutilate said Documents and Materials, for four (4) years following the MCERA's last payment to CONTRACTOR under this Agreement.

19. TIME OF ESSENCE: Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a party of the benefits of any grace or use period allowed in this Agreement.

20. TERMINATION: The MCERA has and reserves the right to suspend, terminate or abandon the execution of any work by the CONTRACTOR without cause at any time upon giving to the CONTRACTOR prior written notice. In the event that the MCERA should abandon, terminate or suspend the CONTRACTOR's work, the CONTRACTOR shall be entitled to payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment. Said payment shall be computed in accordance with Exhibit B hereto, provided that the maximum amount payable to CONTRACTOR shall not exceed a $10,000 payment for services provided hereunder prior to the effective date of said suspension, termination or abandonment.

21. CHOICE OF LAW: This Agreement, and any dispute arising from the relationship between the parties to this Agreement, shall be governed by the laws of the State of California, excluding any laws that direct the application of another jurisdiction's laws.

22. ADVERTISING OR PUBLICITY: CONTRACTOR shall not use the name of MCERA, its officers, directors, employees or agents, in advertising or publicity releases or otherwise without securing the prior written consent of MCERA in each instance.

23. ENTIRE AGREEMENT: This Agreement, including all attachments, exhibits, and any other documents specifically incorporated into this Agreement, shall constitute the entire agreement between MCERA and CONTRACTOR relating to the subject matter of this Agreement. As used herein, Agreement refers to and includes any documents incorporated herein by reference and any exhibits or attachments. This Agreement supersedes and merges all previous understandings, and all other agreements, written or oral, between the parties and sets forth the entire understanding of the parties regarding the subject matter thereof. The Agreement may not be modified except by a written document signed by both parties.

24. HEADINGS: herein are for convenience of reference only and shall in no way affect interpretation of the Agreement.

25. MODIFICATION OF AGREEMENT: This Agreement may be supplemented, amended or modified only by the mutual agreement of the parties. No supplement, amendment or modification of this Agreement shall be binding unless it is in writing and signed by authorized representatives of both parties.

26. ASSURANCE OF PERFORMANCE: If at any time MCERA believes CONTRACTOR may not be adequately performing its obligations under this Agreement or that CONTRACTOR may fail to complete the Services as required by this Agreement, MCERA may request from CONTRACTOR prompt written assurances of performance and a written plan acceptable to MCERA, to correct the observed deficiencies in CONTRACTOR's performance. CONTRACTOR shall provide such written assurances and written plan within ten (10) calendar days of its receipt of MCERA's request and shall thereafter diligently commence and fully perform such written plan. CONTRACTOR acknowledges and agrees that any failure to provide such written assurances and written plan within the required time is a material breach under this Agreement.

27. SUBCONTRACTING/ASSIGNMENT: CONTRACTOR shall not subcontract, assign or delegate any portion of this Agreement or any duties or obligations hereunder without the MCERA's prior written approval.

    a. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. Any agreement that violates this Section shall confer no rights on any party and shall be null and void.

    b. CONTRACTOR shall use the subcontractors identified in Exhibit A and shall not substitute subcontractors without MCERA's prior written approval.

    c. CONTRACTOR shall remain fully responsible for compliance by its subcontractors with all the terms of this Agreement, regardless of the terms of any agreement between CONTRACTOR and its subcontractors.

28. SURVIVAL: The obligations of this Agreement, which by their nature would continue beyond the termination on expiration of the Agreement, including without limitation, the obligations regarding Indemnification (Paragraph 2), Ownership of Documents (Paragraph 9), and Conflict of Interest (Paragraph 10), shall survive termination or expiration.

29. SEVERABILITY: If a court of competent jurisdiction holds any provision of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them, will not be affected, unless an essential purpose of this Agreement would be defeated by the loss of the illegal, unenforceable, or invalid provision.

30. PATENT AND COPYRIGHT INDEMNITY: CONTRACTOR represents that it knows of no allegations, claims, or threatened claims that the materials, services, hardware or software ("CONTRACTOR Products") provided to MCERA under this Agreement infringe any patent, copyright or other proprietary right. CONTRACTOR shall defend, indemnify and hold harmless MCERA of, from and against all losses, claims, damages, liabilities, costs expenses and amounts (collectively, "Losses") arising out of or in connection with an assertion that any CONTRACTOR Products or the use thereof, infringe any patent, copyright or other proprietary right of any third party.

a. MCERA will: (1) notify CONTRACTOR promptly of such claim, suit or assertion; (2) permit CONTRACTOR to defend, compromise, or settle the claim; and, (3) provide, on a reasonable basis, information to enable CONTRACTOR to do so. CONTRACTOR shall not agree without MCERA's prior written consent, to any settlement, which would require MCERA to pay money or perform some affirmative act in order to continue using the CONTRACTOR Products.

b. If CONTRACTOR is obligated to defend MCERA pursuant to this Section 31 and fails to do so after reasonable notice from MCERA, MCERA may defend itself and/or settle such proceeding, and CONTRACTOR shall pay to MCERA any and all losses, damages and expenses (including attorney's fees and costs) incurred in relationship with MCERA's defense and/or settlement of such proceeding.

c. In the case of any such claim of infringement, CONTRACTOR shall either, at its option, (1) procure for MCERA the right to continue using the CONTRACTOR Products; or (2) replace or modify the CONTRACTOR Products so that that they become non-infringing, but equivalent in functionality and performance.

d. Notwithstanding this Section 31, MCERA retains the right and ability to defend itself, at its own expense, against any claims that CONTRACTOR Products infringe any patent, copyright, or other intellectual property right.

31. OTHER AGENCIES:

Other tax supported agencies within the State of California who have not contracted for their own requirements may desire to participate in this contract. The CONTRACTOR is requested to service these agencies and will be given the opportunity to accept or reject the additional requirements. If the CONTRACTOR elects to supply other agencies, orders will be placed directly by the agency and payments made directly by the agency.

[END OF GENERAL TERMS AND CONDITIONS]

EXHIBIT A

From April 1, 2012 to June 30, 2012 CONTRACTOR will provide interim administrative duties for MCERA on an as needed basis. The intent of this agreement is to provide only those services necessary for the uninterrupted business of MCERA until a full-time Retirement Administrator is hired by the MCERA board and assumes the duties of that position. The Board Chair, in consultation with CONTRACTOR, shall be responsible for determining "necessary" services. Upon the full-time Retirement Administrator assuming the duties of the position, CONTRACTOR may provide transitional services at the discretion of the Retirement Administrator, in consultation with CONTRACTOR, within the terms and limitations described in this agreement.

Payment for the above stated services shall be made upon completion of each month of service and provision of an invoice by CONTRACTOR. The invoice will display actual hours worked. CONTRACTOR will be paid at a rate of sixty dollars per hour ($60/hr), but not to exceed ten thousand dollars ($10,000) without prior written agreement between MCERA and CONTRACTOR. CONTRACTOR invoices will be paid within thirty (30) days of receipt by MCERA.

EXHIBIT B

INSURANCE REQUIREMENTS

Insurance coverage in a minimum amount set forth herein shall not be construed to relieve CONTRACTOR for liability in excess of such coverage, nor shall it preclude MCERA from taking such other action as is available to it under any other provisions of this Agreement or otherwise in law.

CONTRACTOR agrees to indemnify and hold harmless MCERA, its elected or appointed officials, employees or volunteers against any claims, actions, or demands against them, or any of them, and against any damages, liabilities or expenses, including costs of defense and attorneys' fees, for personal injury or death, or for the loss or damage to the property, or any or all of them, to the extent arising out of the performance of this Agreement by CONTRACTOR.

CONTRACTOR affirms that s/he is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for the Workers' Compensation or to undertake self insurance in accordance with the provisions of the Code and CONTRACTOR further assures that s/he will comply with such provisions before commencing the performance of work under this Agreement in the event CONTRACTOR employs any individuals in completing the scope of work described in Exhibit A. CONTRACTOR shall furnish to MCERA certificate(s) of insurance evidencing Workers' Compensation Insurance coverage to cover its employees, if any, and CONTRACTOR shall require all subcontractors, if any, similarly to provide Workers' Compensation Insurance as required by the Labor Code of the State of California for all of CONTRACTOR'S and subcontractors' employees.

CONTRACTOR agrees to waive any and all claims arising out of the use of his private vehicle. In exchange, MCERA agrees to waive customary requirements for Automobile Liability Insurance.

CONTRACTOR shall be named as an additional insured under MCERA's fiduciary insurance policy. Unless CONTRACTOR and MCERA agree to a an extension of the term of this agreement, or an increase in the number of hours of service provided under this agreement, MCERA waives the need for CONTRACTOR to hold or procure General Liability Insurance or Professional Liability Insurance.

Judy Zeller - Save the Dates – 2012 CII programs

From: "Callan Investments Institute" <institute@callan.com>
To: <zellerj@co.mendocino.ca.us>
Date: 3/14/2012 11:28 AM
Subject: Save the Dates – 2012 CII programs

Callan

Callan Associates Inc
101 California Street, Suite 3500
San Francisco, CA 94111

Tel. 415.974.5060
Fax 415.291.4014

callan.com

Save the Dates

Mark your calendar with these upcoming Callan Investments Institute programs:

June 2012 Regional Workshops
June 26, 2012 – Atlanta, GA
June 27, 2012 – San Francisco, CA

October 2012 Regional Workshops
October 24, 2012 – Chicago, IL
October 25, 2012 – New York, NY

Details for each program will be sent to you via email and US Mail as the dates draw near. If you have any questions, please feel free to respond to this email: institute@callan.com

Thank you,
Callan Investments Institute

Judy Zeller - "Callan College" - Introduction to Investments

From: "Callan College" <college@callan.com>
To: <zellerj@co.mendocino.ca.us>
Date: 3/15/2012 1:47 PM
Subject: "Callan College" - Introduction to Investments

Callan

Callan Associates Inc
101 California Street, Suite 3500
San Francisco, CA 94111

Tel. 415.974.5060
Fax 415.291.4014

callan.com

"Callan College" Introduction to Investments

This one and one half day session is designed for individuals who have less than two years' experience with institutional asset management oversight and/or support responsibilities. The session will familiarize fund sponsor trustees, staff, and asset management advisors with basic investment theory, terminology, and practices.

Participants in the introductory session will gain a basic understanding of the different types of institutional funds, including a description of their objectives and investment program structures.

April 17-18, 2012 - San Francisco
October 23-24, 2011 - San Francisco

The program includes:

- A description of the different parties involved in the investment management process, including their roles and responsibilities
- A brief outline of the types and characteristics of different Plans (e.g.,defined benefit, defined contribution, endowments, foundations, operating funds)
- An introduction to fiduciary issues as they pertain to Fund management and oversight
- An overview of capital market theory, characteristics of various asset classes, and the processes by which fiduciaries implement their investment sessions

To register, visit the **"Callan College" Introduction to Investments** page on our website

Tuition for the Introductory "Callan College" session is $2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

For further information regarding the "Callan College" contact Kathleen Cunnie at college@callan.com or 415.274.3029.

From: Randall Goodman
To: Judy Zeller
Date: 3/15/2012 8:10 AM
Subject: Fwd: Mendocino County Employees' Retirement Association - CAFR
Attachments: 5133212_4.pdf

Hi Judy:

Can you add this to the agenda to get approval to spend the $$$ for the actuary section of the CAFR.

Thanks,
Randy

Randy Goodman, CPA | County of Mendocino
510 Low Gap Road, Ste 1020 | Ukiah, CA 95482
Tel: 707-463-4312|Fax: 707-463-6597
>>> "Yeung, Andy" <AYeung@segalco.com> 3/15/2012 7:46 AM >>>

Randy,
This is to follow up on our conversation from yesterday in which we discussed the two fee quotes you want to receive from Segal for assisting the Association in preparing the 6/30/2011 CAFR.
1) If the Association is interested in having Segal provided an actuarial certification letter (and associated schedules) very similar to what is provided in the attached PDF prepared for Sonoma CERA dated 5/19/2011, our cost for the first year of preparing the CAFR will be in the range of $2,500 to $4,000. As you will recall from our conversation on Tuesday, we would include the same level of detail for all the values/results that are available as of 6/30/2011. As we were not involved in preparing the valuation results prior to 6/30/2011, we would only include those values/results that are readily available from the actuarial reports prepared by the Association's prior actuary. letter Attached
2) If the Association is interested in having Segal provide an entire actuarial section similar to what appears on pages 58-66 of the Sonoma CAFR report dated 12/31/2010 as found on their website (which also includes schedules and discussions prepared internally by Sonoma CERA staff), our cost for the first year will include the fees in 1) plus an additional $1,500 to $2,000. pgs 58-66 Attached
Please note that our final invoice will be based on actual charges incurred in preparing this project.
Thanks,
Andy

SEGAL

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

May 19, 2011

Board of Retirement
Sonoma County Employees' Retirement Association
433 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403

Re: Actuarial Valuation for the Sonoma County Employees' Retirement Association

Dear Members of the Board:

The Segal Company prepared the December 31, 2010 actuarial valuation of the Sonoma County Employees' Retirement Association. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the December 31, 2010 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return on valuation value over a five-year period. 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.

One of the general goals of an actuarial valuation is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

The outstanding balance of the December 31, 2007 UAAL as well as any new UAAL established on each subsequent actuarial valuation after the December 31, 2007 valuation is amortized as a level percentage of payroll over separate 20-year declining periods. The UAAL established as a result of including as pensionable salary a cash allowance of $3.45 per hour for General-County and Safety-County members only is amortized over a 20-year declining period with 17 years remaining as of December 31, 2010.

A listing of supporting schedules Segal prepared for inclusion in the Actuarial, Statistical, and Financial Sections of the Association's CAFR is provided below:

1. Schedule of Retiree Members (Including Beneficiaries) by Type of Benefit;
2. Schedule of Benefit Expenses by Type;
3. Schedule of Average Benefit Payment Amounts; and
4. Schedule of Retirees and Beneficiaries Added To and Removed From Retiree Payroll.

All the other schedules presented in the Actuarial Section and as Required Supplementary Information in the Financial Section have been prepared and/or reviewed by our firm.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board in conjunction with the December 31, 2010 actuarial valuation. It is our opinion that the assumptions used in the December 31, 2010 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2011.

In the December 31, 2010 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 79.6% to 88.4%. The improvement in the funded status was primarily the result of the County's issuance of $289 million in Pension Obligation Bonds. The calculated employer's rate, expressed as a percent of payroll, resulting from this valuation is 15.14%, 20.24%, 13.99%, 22.63% and 32.86% for General-County, General-Court, General-Valley of the Moon, Safety-County and Safety-Valley of the Moon, respectively. These employer rates are before the adjustments required to recognize the contribution rate impact of the change in economic assumptions over a phase-in period of three years. The calculated employee's rate, expressed as a percent of payroll, is 12.17%, 12.02%, 10.46%, 12.29% and 9.15% at the average entry age for General-County, General-Court, General-Valley of the Moon, Safety-County and Safety-Valley of the Moon, respectively.

As a result of using the actuarial value of assets in the actuarial valuation, there were $139.0 million in deferred investment losses as of December 31, 2010, which represented 7.9% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 88.4% to 81.9% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 17.11% to 20.12%. For more details on the impact of the deferred losses, please refer to our contribution rate projection letter dated April 27, 2011.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,

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

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

MYM/kek
Enclosures

5133212v3/05012.002

Sonoma County Employees' Retirement Association
Schedule of Retiree Member by Type of Benefit
As of December 31, 2010
(Dollars in Thousands)

	General Members		Safety Members		Total	
	Number	Monthly Allowance	Number	Monthly Allowance	Number	Monthly Allowance
Retired Members						
Service Retirement	2,433	$ 5,815	322	$ 1,309	2,755	$ 7,123
Ordinary Disability	100	115	14	18	114	133
Duty Disability	258	494	231	668	489	1,161
Beneficiaries	354	368	68	130	422	$ 498
Total Retired Members	3,145	$ 6,791	635	$ 2,125	3,780	$ 8,916

Note: Results may not add due to rounding

Sonoma County Employees' Retirement Association
Schedule of Benefit Expenses by Type
(Dollars in Thousands)

	2010	2009	2008[1]	2007[1]	2006[1]
Service Retirement Payroll:					
General	$ 69,774	$ 61,460	$ 54,826	$ 50,588	$ 44,561
Safety	15,703	13,012	12,271	11,451	9,622
Total	85,477	74,472	67,097	62,039	54,183
Disability Retirement Payroll:					
General	$ 7,304	$ 7,088	6,692	6,495	6,264
Safety	8,231	8,005	7,663	7,363	7,066
Total	15,535	15,093	14,355	13,858	13,330
Beneficiary Payroll:					
General	$ 4,416	$ 4,320	4,086	3,858	3,434
Safety	1,566	1,549	1,351	1,175	909
Total	5,982	5,869	5,437	5,033	4,343
Total Benefit Expense:					
General	81,494	72,868	65,604	60,941	54,259
Safety	25,500	22,566	21,285	19,989	17,597
Total	$ 106,994	$ 95,434	$ 86,889	$ 80,930	$ 71,856

	2005[1]	2004[1]	2003[1]	2002[1]	2001[1]
Service Retirement Payroll:					
General	$ 40,369	$ 33,474	$ 26,084	$ 25,512	$ 23,641
Safety	7,210	6,758	6,210	4,854	4,513
Total	47,579	40,232	32,294	30,366	28,154
Disability Retirement Payroll:					
General	5,723	5,096	4,748	4,174	4,055
Safety	6,642	5,900	4,978	4,364	3,906
Total	12,365	10,996	9,726	8,538	7,961
Beneficiary Payroll:					
General	3,378	3,198	3,129	2,887	2,645
Safety	784	712	641	523	488
Total	4,162	3,910	3,770	3,410	3,133
Total Benefit Expense:					
General	49,470	41,768	33,961	32,573	30,341
Safety	14,636	13,370	11,829	9,741	8,907
Total	$ 64,106	$ 55,138	$ 45,790	$ 42,314	$ 39,248

[1] From December 31, 2008 CAFR.

Sonoma County Employees' Retirement Association

Schedule of Average Benefit Payment Amounts

	Number of Years Since Retirement						
	0-4	5-9	10-14	15-19	20-24	25-29	30+
Valuation date 12/31/01 [1]							
Average Monthly Benefit	$ 1,867	$ 1,459	$ 1,159	$ 1,059	$ 979	$ 1,041	$ 913
Number Retirees & Beneficiaries	680	540	355	305	261	166	60
Valuation date 12/31/02 [1]							
Average Monthly Benefit	$ 1,929	$ 1,520	$ 1,201	$ 1,147	$ 999	$ 1,056	$ 1,017
Number Retirees & Beneficiaries	712	556	351	322	260	166	80
Valuation date 12/31/03 [1]							
Average Monthly Benefit	$ 2,087	$ 1,643	$ 1,298	$ 1,174	$ 988	$ 1,134	$ 1,044
Number Retirees & Beneficiaries	692	581	387	302	273	169	95
Valuation date 12/31/04 [1]							
Average Monthly Benefit	$ 2,433	$ 1,743	$ 1,418	$ 1,194	$ 993	$ 1,061	$ 1,102
Number Retirees & Beneficiaries	797	645	401	324	255	187	113
Valuation date 12/31/05 [1]							
Average Monthly Benefit	$ 2,747	$ 1,789	$ 1,468	$ 1,240	$ 1,097	$ 1,028	$ 1,134
Number Retirees & Beneficiaries	863	711	439	334	259	202	131
Valuation date 12/31/06 [1]							
Average Monthly Benefit	$ 3,017	$ 1,909	$ 1,496	$ 1,214	$ 1,136	$ 1,052	$ 1,128
Number Retirees & Beneficiaries	920	706	521	333	268	199	148
Valuation date 12/31/07 [1]							
Average Monthly Benefit	$ 3,165	$ 1,929	$ 1,568	$ 1,310	$ 1,225	$ 1,112	$ 1,159
Final Average Salary	$ 6,069	$ 4,592					
Number Retirees & Beneficiaries	1,043	745	530	327	279	206	152
Valuation date 12/31/08 [1]							
Average Monthly Benefit	$ 3,132	$ 2,070	$ 1,696	$ 1,409	$ 1,296	$ 1,101	$ 1,230
Final Average Salary	$ 6,104	$ 4,822					
Number Retirees & Beneficiaries	1,129	715	557	357	258	218	165
Valuation date 12/31/09							
Average Retiree Monthly Benefit	$ 3,303	$ 2,509	$ 1,793	$ 1,588	$ 1,403	$ 1,203	$ 1,284
Average Beneficiary Monthly Benefit	$ 1,396	$ 1,215	$ 998	$ 924	$ 897	$ 935	$ 1,216
Final Average Salary for Retirees Only[2]	$ 6,213	$ 5,260	$ 3,797				
Number Retirees	1,007	792	583	323	209	126	115
Number Beneficiaries	148	90	59	46	35	17	20
Valuation date 12/31/10							
Average Retiree Monthly Benefit	$ 3,487	$ 2,814	$ 1,845	$ 1,640	$ 1,439	$ 1,297	$ 1,256
Average Beneficiary Monthly Benefit	$ 1,411	$ 1,145	$ 1,081	$ 980	$ 914	$ 816	$ 1,213
Final Average Salary for Retirees Only[2]	$ 6,764	$ 5,644	$ 4,206			$ 1,744	
Number Retirees	1,054	827	637	359	227	136	118
Number Beneficiaries	145	100	54	46	35	18	24

(1) From December 31, 2008 CAFR.

(2) This information is only available effective December 31, 2007. Since the Final Average Salary information is not reported by SCERA in every record, only the categories where the information is available for at least one half of the records are summarized in the above table.

Sonoma County Employees' Retirement Association
Schedule of Retirees and Beneficiaries Added To and Removed From Retiree Payroll

	Added to Rolls		Removed from Rolls			Rolls-End of Year		Increase in Annual Allowances	Average Annual Allowances
Plan Year	No.	Annual Allowances	No.	Annual Allowances		No.	Annual Allowances		
2001[1]	175	3,619,884	66	619,200		2,367	39,247,877	13.6%	16,581
2002[1]	151	5,202,942	71	795,804		2,447	42,314,569	7.8%	17,292
2003[1]	127	3,810,592	75	1,245,913		2,499	45,789,883	8.2%	18,323
2004[1]	284	10,434,851	61	865,416		2,722	55,138,357	20.4%	20,257
2005[1]	278	9,573,684	61	1,143,216		2,939	64,105,886	16.3%	21,812
2006[1]	246	9,019,515	90	1,261,401		3,095	71,855,550	12.1%	23,217
2007[1]	274	9,583,341	87	1,451,388		3,282	80,930,232	12.6%	24,660
2008[1]	207	6,751,094	90	1,711,328		3,399	86,888,472	7.4%	25,560
2009	249	9,799,611	78	1,253,775	(2)	3,570	95,434,308	9.8%	26,732
2010	294	12,746,379	84	1,186,911	(2)	3,780	106,993,776	12.1%	28,305

(1) From December 31, 2008 CAFR.

(2) The allowance removed from the payroll was calculated by taking the difference between the end of year payroll and the beginning of year payroll with further adjustment for the payroll added during the year.

SEGAL

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

May 19, 2011

Board of Retirement
Sonoma County Employees' Retirement Association
433 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403

Re: Actuarial Valuation for the Sonoma County Employees' Retirement Association

Dear Members of the Board:

The Segal Company prepared the December 31, 2010 actuarial valuation of the Sonoma County Employees' Retirement Association. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the December 31, 2010 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return on valuation value over a five-year period. 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.

One of the general goals of an actuarial valuation is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

The outstanding balance of the December 31, 2007 UAAL as well as any new UAAL established on each subsequent actuarial valuation after the December 31, 2007 valuation is amortized as a level percentage of payroll over separate 20-year declining periods. The UAAL established as a result of including as pensionable salary a cash allowance of $3.45 per hour for General-County and Safety-County members only is amortized over a 20-year declining period with 17 years remaining as of December 31, 2010.

Board of Retirement
Sonoma County Employees' Retirement Association
May 19, 2011
Page 2

A listing of supporting schedules Segal prepared for inclusion in the Actuarial, Statistical, and Financial Sections of the Association's CAFR is provided below:

1. Schedule of Retiree Members (Including Beneficiaries) by Type of Benefit;

2. Schedule of Benefit Expenses by Type;

3. Schedule of Average Benefit Payment Amounts; and

4. Schedule of Retirees and Beneficiaries Added To and Removed From Retiree Payroll.

All the other schedules presented in the Actuarial Section and as Required Supplementary Information in the Financial Section have been prepared and/or reviewed by our firm.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board in conjunction with the December 31, 2010 actuarial valuation. It is our opinion that the assumptions used in the December 31, 2010 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2011.

In the December 31, 2010 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 79.6% to 88.4%. The improvement in the funded status was primarily the result of the County's issuance of $289 million in Pension Obligation Bonds. The calculated employer's rate, expressed as a percent of payroll, resulting from this valuation is 15.14%, 20.24%, 13.99%, 22.63% and 32.86% for General-County, General-Court, General-Valley of the Moon, Safety-County and Safety-Valley of the Moon, respectively. These employer rates are before the adjustments required to recognize the contribution rate impact of the change in economic assumptions over a phase-in period of three years. The calculated employee's rate, expressed as a percent of payroll, is 12.17%, 12.02%, 10.46%, 12.29% and 9.15% at the average entry age for General-County, General-Court, General-Valley of the Moon, Safety-County and Safety-Valley of the Moon, respectively.

As a result of using the actuarial value of assets in the actuarial valuation, there were $139.0 million in deferred investment losses as of December 31, 2010, which represented 7.9% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 88.4% to 81.9% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 17.11% to 20.12%. For more details on the impact of the deferred losses, please refer to our contribution rate projection letter dated April 27, 2011.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

[redacted]

Senior Vice President & Actuary	Vice President & Associate Actuary

MYM/kek
Enclosures

5133212v3/05012.002

SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The funding policy adopted by the Board is to amortize the Association's outstanding balance of the December 31, 2007 unfunded actuarial accrued liability (UAAL) as well as any new UAAL established on each subsequent actuarial valuation after the December 31, 2007 valuation over separate 20-year declining periods. The UAAL established as a result of including as pensionable salary a cash allowance of $3.45 per hour for General-County and Safety-County members only is amortized over a 20-year declining period with 18 years remaining as of December 31, 2010. The Board as of December 31, 2010, has adopted the following interest rate and inflation rate assumptions:

ASSUMPTIONS

Valuation Interest Rate	7.75%
Inflation Assumption	3.50%
Across the Board Salary Increase	0.75%
Interest Credited to Member Accounts	7.75%
Cost-of-Living Adjustments	Provided on an ad hoc basis, subject to availability of excess earnings, none assumed in the valuation
Asset Valuation	Smoothed Actuarial value

The following demographic and salary increase assumptions were used with the actuarial valuation as of December 31, 2009. Many of these assumptions were changed based on the Plan's actual experience through December 31, 2008. The assumptions were selected by the actuary and approved by the Board.

Post-Retirement Mortality	
(a) Service	
General Member	RP-2000 Combined Healthy Mortality Table with two year set back
Safety Members	RP-2000 Combined Healthy Mortality Table with one year set back
Beneficiaries	Same as General Member
(b) Disability	
General Members	RP-2000 Disabled Retiree Mortality Table with four year set back
Safety Members	1981 Safety Disability Table with a four year set back
(c) For Employee Contribution Rate Purposes	
General Members	RP-2000 Combined Healthy Mortality Table, 25% male, 75% female with two year set back
Safety Members	RP-2000 Combined Healthy Mortality Table, 75% male, 25% female with one year setback
Pre-Retirement Mortality	
(a) General Member	RP-2000 Combined Healthy Mortality Table with two year set back x 50%
(b) Safety Members	RP-2000 Combined Healthy Mortality Table with one year set back x 50%
Withdrawal Rates	Based upon the Experience Analysis as of 12/31/08 (Table 1)
Disability Rates	Based upon the Experience Analysis as of 12/31/08 (Table 1)
Service Retirement Rates	Based upon the Experience Analysis as of 12/31/08 (Table 1)
Reciprocity Assumption	50% of members who terminate with a vested benefit are assumed to enter a reciprocal system
Salary Scales	As shown in Table 2
Leave Conversion Compensation Increase	4% for General, 6% for Safety
Spouses and Dependents	80% of male employees and 60% of female employees assumed married at retirement, with wives assumed three years younger than husbands
Deferral Vested Retirement Age	58 for General members; 53 for safety members

PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE - TABLE 1

General Members

Age Nearest	Withdrawal	Mortality Male(1)	Mortality Female(1)	Ordinary Disability(2)	Service	Duty Disability	Terminated Vested
20	.0300	.0000	.0000	.0005	.0000	.0005	.0200
30	.0270	.0002	.0001	.0006	.0000	.0006	.0200
40	.0085	.0005	.0003	.0021	.0000	.0013	.0200
50	.0048	.0009	.0007	.0045	.0600	.0027	.0098
60	.0014	.0026	.0020	.0073	.1900	.0061	.0040

Safety Members

Age Nearest	Withdrawal	Mortality Male(1)	Mortality Female(1)	Ordinary Disability(3)	Service	Duty Disability	Terminated Vested
20	.0200	.0000	.0000	.0006	.0000	.0014	.0200
30	.0158	.0002	.0001	.0039	.0000	.0054	.0200
40	.0042	.0005	.0003	.0166	.0000	.0193	.0094
50	.0000	.0010	.0008	.0287	.1000	.0297	.0000
60	.0000	.0030	.0022	.0000	1.000	.0000	.0000

(1) All pre-retirement deaths are assumed to be non-service connected deaths.
(2) 60% of General disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service disabilities.
(3) 90% of Safety disabilities are assumed to be service connected disabilities. The other 10% are assumed to be non-service connected disabilities.

The probabilities shown for each cause of termination represent the likelihood that a given member will terminate at a particular age for the indicated reason. For example, if the probability of withdrawal of a safety member at age 30 is 0.0160, then we are assuming that 1.60% of the active safety members at age 30 will terminate without vested rights during the next year.

ACTUARIAL ASSUMPTIONS FOR MERIT AND LONGEVITY SALARY INCREASE RATES - TABLE 2

As of December 31, 2010

Consists of the sum of two parts: A uniform inflation component of 3.50% plus "Across the Board" salary increases of 0.75% per year; plus an age-related component for merit and longevity, summarized as follows:

Years of Service	General Members	Safety Members
0	6.0%	8.0%
1	5.0%	4.75%
2	4.0%	3.75%
3	3.0%	2.75%
4	2.0%	1.75%
5+	0.5%	0.75%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Number	Annual Payroll $	Annual Average Pay $	Percentage of Increase in Average Pay*
12/31/01					
	General	3,494	$182,150,000	$52,132	6.5%
	Safety	770	45,435,000	59,007	5.2%
	Total	4,264	227,585,000	53,374	6.2%
12/31/02					
	General	3,637	201,755,000	55,473	6.4%
	Safety	807	50,192,000	62,195	5.4%
	Total	4,444	251,947,000	56,693	6.2%
12/31/03					
	General	3,550	209,418,000	58,991	6.3%
	Safety	776	50,929,000	65,630	5.5%
	Total	4,326	260,347,000	60,182	6.2%
12/31/04					
	General	3,406	200,257,000	58,795	-0.3%
	Safety	772	52,768,000	68,353	4.1%
	Total	4,178	253,025,000	60,561	0.6%
12/31/05					
	General	3,459	210,102,000	60,741	3.3%
	Safety	771	55,146,000	71,525	4.6%
	Total	4,230	265,248,000	62,706	3.5%
12/31/06					
	General	3,425	217,155,000	63,237	4.1%
	Safety	769	56,393,000	72,485	1.3%
	Total	4,194	273,548,000	64,945	3.6%
12/31/07					
	General	3,441	231,628,000	67,353	6.5%
	Safety	807	61,143,000	75,767	4.5%
	Total	4,248	292,771,000	68,952	6.2%
12/31/08					
	General	3,406	266,042,000	78,110	(1)16.0%
	Safety	787	68,349,000	86,847	(1)14.6%
	Total	4,193	334,391,000	79,750	(1)15.7%
12/31/09					
	General	3,222	250,087,000	77,619	-0.6%
	Safety	762	72,396,000	95,008	9.4%
	Total	3,984	322,483,000	80,845	1.5%
12/31/10					
	General	3,051	251,281,000	82,360	6.1%
	Safety	729	72,319,000	99,204	4.4%
	Total	3,780	$323,600,000	$85,609	5.8%

* Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average individual salary increases received by members who worked the full year.

(1) Reflects an increase in projected total compensation of approximately $28.5 million as a result of including new cash allowance benefit as pensionable earnings.

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

	Added to Rolls		Removed from Rolls		Rolls- End of Year			
Plan Year	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
2001	175	$ 3,619,884	66	$ 619,200	2,367	$ 39,247,877	13.6%	$16,581
2002	151	5,202,942	71	795,804	2,447	42,314,569	7.8%	17,292
2003	127	3,810,592	75	1,245,913	2,499	45,789,883	8.2%	18,323
2004	284	10,434,851	61	865,416	2,722	55,138,357	20.4%	20,257
2005	278	9,573,684	61	1,143,216	2,939	64,105,886	16.3%	21,812
2006	246	9,019,515	90	1,261,401	3,095	71,855,550	12.1%	23,217
2007	274	9,583,341	87	1,451,388	3,282	80,930,232	12.6%	24,660
2008	207	6,751,094	90	1,711,328	3,399	86,888,472	7.4%	25,560
2009	249	9,799,611	78	1,253,775	3,570	95,434,308	9.8%	26,732
2010	294	$12,746,379	84	$1,186,911	3,780	$106,993,776	12.1%	$28,305

SOLVENCY TEST

(Dollars in Thousands)

		Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)					
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value Of Assets	(1)	(2)	(3)
1/1/02	$186,730	$ 461,800	$226,717	$ 875,247	$ 828,131	100	100	79
1/1/03	208,080	509,600	294,470	1,012,150	898,925	100	100	61
1/1/04	234,269	467,200	428,035	1,129,504	1,100,103	100	100	91
1/1/05	246,495	565,200	413,707	1,225,402	1,182,465	100	100	90
1/1/06	266,710	655,700	430,225	1,352,635	1,276,771	100	100	82
1/1/07	290,742	754,600	463,741	1,509,083	1,369,669	100	100	70
1/1/08	313,172	807,628	533,047	1,653,847	1,476,496	100	100	67
1/1/09	347,718	863,411	631,275	1,842,404	1,540,461	100	100	52
1/1/10	379,964	958,280	628,814	1,967,058	1,564,970	100	100	36
1/1/11	$396,935	$1,096,892	$645,633	$2,139,460	$1,890,874	100	100	61

This exhibit includes actuarially funded liabilities and assets.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Items Impacting Unfunded Actuarial Accrued Liability (UAAL)

(Dollars in Thousands)

Plan Years	2010	2009	2008	2007	2006
Beginning of the Year UAAL Liability (Surplus)	$ 402,088	$ 301,943	$ 177,351	$ 139,414	$ 75,864
Source of Actuarial (Gain) Loss:					
Retirement Incidence				3,429	2,267
Post-Retirement Deaths					7,503
Compensation Increase	1,156	(22,223)	(1,680)	2,211	(1,107)
Disability Incidence					1,673
Withdrawals					(1,782)
Investment Experience (Market Stabilization Amortization)	78,077	87,060	100,867	(57,711)	(19,510)
Other Experience	(8,611)	(911)	(827)	3,991	5,535
Subtotal: Actuarial (Gain) Loss	70,622	63,926	98,360	(48,080)	(5,421)
Other Items Impacting UAAL:					
UAAL for Cash Allowance Benefit			71,099		
Investment earnings assumption change from 8.00% to 7.75%	54,475				
UAAL for Change of Safety Benefit from 3% at 55 to 3% at 50					
Assumption Change (Triennial Experience Study)		19,192			49,399
Change in Actuarial Methods				21,069	
Interest Accrual on UAAL Balance	23,965	23,707	13,949	12,702	5,965
Use of Undistributed Reserves to offset Investment Loss			(64,132)		
Increase in Undistributed Reserves from Investment Gain				57,711	19,510
Proceeds from Pension Obligation Bonds	(289,335)				
Other	(13,229)	(6,680)	5,316	(5,465)	(5,903)
End of the Year UAAL Liability (Surplus)	$ 248,586	$ 402,088	$ 301,943	$ 177,351	$ 139,414

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS[1]
(Dollars in Thousands)

1. Actuarial Value of Assets as of 12/31/05	$ 1,278,949

2. Additions

FY End 12/31	(a) Contributions	(b) Refunds And Benefit Payments	(c) Expected Investment Return	(d) Actual Investment Return Net of Expense	(e) Additional Earnings (d)-(c)	(f) 5-year Cumulative Additional Earnings	(g) Recognized Additional Earnings = .20x(f)
2006	$ 61,626	$ 73,120	$101,680	$ 196,145	$ 94,463	$ 97,549	$ 19,510
2007	67,025	81,450	108,997	129,388	20,391	288,556	57,711
2008	72,662	89,412	117,450	(553,406)	(670,855)	(504,336)	(100,867)
2009	84,914	96,132	122,788	227,013	104,225	(435,298)	(87,060)
2010	375,082	106,545	132,039	$ 210,446	$ 78,407	$(373,369)	(74,674)
Total	$661,309	$446,659	$582,954				$(185,380)

Total Additions =(a) – (b) + (c) +(g)		$ 612,224
3. Actuarial Value of Assets as of 12/31/10		1,890,873
4. Market Stabilization Reserve		(139,003)
5. Net Market Value of Assets		$1,751,870
6. Member Reserves	$1,832,996	
7. COLA Reserves-Current	57,877	
8. Net Actuarial Value of Assets	1,890,873	
9. Unapportioned Earnings	0	
10. Interest Fluctuation Reserve	0	
11. Market Stabilization Reserve	$(139,003)	
		$1,751,870

(1) **Actuarial Value of Assets:**
For purposes of calculating the required contribution rates for the valuation, a modified market value of the fund's assets is used. Under this approach, recognition is given each year to total earnings of the fund to date. The current method adjusts market value to recognize, over a five-year period, differences between assumed and actual investment return.

SUMMARY OF PLAN PROVISIONS

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through December 31, 2010.

Membership
Membership becomes effective on the first day of entrance into service.

Final Compensation
Final compensation is defined as the highest 12 consecutive months of compensation earnable.

Return of Contributions
If a member should resign or die before becoming eligible for retirement, his or her contribution plus interest may be refunded. In lieu of receiving a return of contributions, a member may elect to leave his or her contributions on deposit. Members with five years of service may choose to receive a deferred vested benefit when eligible for retirement.

Service Retirement Benefit
Members are eligible to retire at age 50 with retirement credit of ten years from date of membership or thirty years of service (safety members - twenty years) regardless of age.

Basis of Benefit Payments
Benefits are based upon a combination of age, years of service, final compensation, and the benefit payment option selected by the member. The maximum benefit payable to a member or beneficiary is 100% of the final highest one-year average compensation.

Cost of Living Benefit
SCERA has approved, on an ad hoc basis, multiple one-time post-retirement cost of living increases. These cost of living increases have been funded by transfers from the Undistributed Earnings, Interest Fluctuation Reserve above statutory limits, or Cost of Living-Future Reserve accounts into the Cost of Living-Current Reserve account.

Disability Benefit
Members with 5 years of service, regardless of age, are eligible for a non-service connected disability. The benefit is 1.8% of final highest one-year average salary for each year of service. Generally, the maximum benefit is 1/3 of final highest one-year average salary.

The benefit of a service connected disability is the greatest of 50% of final highest one-year average salary, or service retirement benefit (if eligible).

Death Benefit - Prior to Retirement
In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system. The death benefit is based on the salary earned during the last twelve months preceding the member's death, but not to exceed 6 months' salary.

If a member dies while eligible for service retirement or non-service connected disability, his or her spouse or domestic partner receives 60% of the allowance that the member would have received for retirement on the day of his or her death.

If a member dies in the performance of duty, the spouse or domestic partner will receive a lifetime benefit equal to 50% of the member's final highest one-year average salary or a service retirement benefit whichever is higher.

Death Benefit - After Retirement
As part of the retirement process, members are required to select among several options for benefits continuation upon the member's death. For married retirees, the most common retirement option is the unmodified option, which pays the retiree's eligible spouse or domestic partner a lifetime benefit equal to 60% of the benefit the retiree was receiving.

Member's Contributions
Contribution rates for the employer and its covered employees are established and may be amended by the SCERA Board of Trustees, and then adopted by the County Board of Supervisors. The contribution rates are determined based on the benefit structure established by the employer. DBPP members are required to contribute between 7% and 14% of their annual covered salary and their particular rate is based upon age at entry to the System. The employer is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates.

Jim Anderson

M.C.E.R.A

February 08, 2012

RECEIVED BY

FEB 10 2012

The Mendocino County Employees Retirement Association

Jim,

The last 3 years MATV has been charging $30.00 per hour for production. Due to cost we are going to raise the price of are all productions to $40.00 per hour. The new fee will start with productions in March 2012.

According to my invoices your hours charge where 50.25. There would be a increase of about 510.10 more per year if you had the same hours charged.

I hope this does not cause a problem. If you have any comments or concerns please contact me.

John Glasco

Executive Director MATV

707-357-0624