# ANNUAL COMPREHENSIVE FINANCIAL REPORT

## For the Fiscal Year Ended June 30, 2022

Mendocino County Employees Retirement Association

A Pension Trust Fund and Component Unit of the County of Mendocino, California

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# ANNUAL COMPREHENSIVE FINANCIAL REPORT
## For the Year Ended June 30, 2022


Issued by:

**DORIS L. RENTSCHLER**
Executive Director

**F. ROBERT REVELES**
Retirement Financial Investment Officer


MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

**A Pension Trust Fund and Component Unit of the County of Mendocino, California**


625-B Kings Court, Ukiah, CA 95482
(707) 463-4328
www.mendocinocounty.org/retirement

# Mendocino County Employees Retirement Association, "MCERA"

MCERA is a retirement system, organized under the County Employees Retirement Law of 1937, which provides retirement, disability and death benefits to the employees, retirees and former employees of the County of Mendocino, the Mendocino County Superior Court and the Russian River Cemetery District.

MCERA's principal responsibilities include management of the trust fund, delivery of retirement, disability and death benefits to eligible members, administration of cost-of-living programs and general assistance in retirement and related benefits.

**Mission**

Providing sustainable pensions, retirement planning education, and professional services to current and future members.

**Vision**

To be a trusted resource for a well-planned and secure retirement.

**Guiding Principles**

- We are mindful of the impacts to individual members when we fulfill our fiduciary role of making decisions in the best interests of all members
- We value professionalism, inclusion, and collegiality in doing our work.
- We take the long term into consideration in everything we do while remaining adaptable and flexible in the short term.

**Strategic Goals**

- Protect the Plan's long-term financial health.
- Strengthen risk oversight.
- Improve effectiveness and efficiency through people, processes, and technology.
- Develop MCERA's reputation as a retirement benefits expert.

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# Letter of Transmittal

December 14, 2022

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

It is with great pleasure that we submit the Annual Comprehensive Financial Report (ACFR) of the Mendocino County Employees Retirement Association (MCERA, Plan or System) as of and for the fiscal year ending June 30, 2022. MCERA management is responsible for the contents of the ACFR.

The following section provides an overview and analysis of the MCERA financial activities for the year ended June 30, 2022. We encourage readers to take into account the information presented here in conjunction with additional information we have furnished in the financial statements.

**Mendocino County Employees Retirement Association (MCERA)**

MCERA is a cost-sharing, multi-agency public employees' retirement system, established by the County of Mendocino on January 1, 1948 to provide retirement, disability, death, and survivor benefits in accordance with the California State Government Code, Section 31450, et. seq. (the County Employees Retirement Law of 1937, hereinafter "CERL") and Section 7522 et. seq. (the Public Employees' Pension Reform Act of 2013, hereinafter "PEPRA"). MCERA is an independent agency within the County of Mendocino with a separate operating budget and professional staff. The California Constitution gives the Board of Retirement (Board) plenary authority over the administration of the System, which includes administering Plan benefits and managing the assets. The Board and MCERA staff members are committed to act for the exclusive benefit of the Plan and its participants, manage the assets of the plan prudently and administer benefits with impartiality. To fulfill this mandate, MCERA employs a skilled professional staff and independent consultants that operate under a system of governance, operational and fiduciary policies and procedures.

The Board is comprised of nine members and one alternate: two elected by the active general membership, one elected by the active safety membership, one regular and one alternate elected by the retired membership, four appointed by the Mendocino County Board of Supervisors, and the Mendocino County Auditor-Controller/Treasurer-Tax Collector, who serves as an ex-officio member.

Participating agencies in MCERA include the County of Mendocino, the Superior Court of Mendocino County, and the Russian River Cemetery District.

**Financial Reporting**

MCERA management is responsible for establishing a system of internal controls to safeguard assets and for the complete and fair presentation of the financial information in accordance with generally accepted accounting principles (GAAP) in the United States. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and operating results of MCERA.

Brown Armstrong Accountancy Corporation provides financial statement audit services and related disclosures. Management recognizes the inherent limitations that internal controls do not provide absolute assurance against errors and material misstatement in the financial statements, and that we should only implement controls where benefits outweigh the costs. However, management is confident that its system of internal controls provide reasonable assurance that MCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States and are free from material misstatements.

This report has been prepared in accordance with GAAP as promulgated by the Governmental Accounting Standards Board ("GASB"). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found on page 15.

**Budget**

CERL section 31580.2(a) limits MCERA's annual administrative expenses to twenty-one hundredths of one percent (0.21%) of MCERA's actuarial accrued liability or $2 million, whichever is greater. Section 31580.2(b) provides an exclusion from the budgetary cap for computer software, hardware, and computer technology consulting services (identified herein as IT costs).

The Board of Retirement approves MCERA's annual budget. The Board of Retirement's policy is that administrative expenses incurred in any year will not exceed twenty-one hundredths of one percent (0.21%) of MCERA's actuarial accrued liability, unless authorized by a separate vote of the Board of Retirement.

MCERA's actual administrative expense excluding IT and Investment costs for fiscal year 2021-22 was $1,240,641, which represented 0.15% of MCERA's actuarial accrued liability or 62.03% of the $2 million statutory cap. Further, MCERA administrative expenses were 74.27% of the more restrictive 0.21% budget limit imposed by Board Policy.

**Major Initiatives and Significant Events**

Several major initiatives were undertaken during the fiscal year including:

- The Board and Staff engaged in a multi-day strategic planning session which led to the adoption of an updated mission statement, vision, guiding principles, and strategic goals.

- Infrastructure manager IFM called capital in December 2021. The capital call funded the infrastructure allocation of six percent.
- Continued discussions with the State of California regarding the lease extension and building maintenance of 625-A Kings Court.
- In December 2021, the Board approved reduced the remaining amortization period for the 2012 Unfunded Actuarial Accrued Liability (UAAL) "restart" layer amortization period from 18 years at June 30, 2021 to 15 years.
- Basic and Cola reserve balances were realigned effective July 1, 2021 to more closely match system liabilities.
- Worked with the Mendocino County Board of Supervisors to retroactively conform plan documents with past practices to address certain operational failures. MCERA is still in the process of completing the corrections and hopes to receive a compliance statement near the end of FY2023.
- Due to turnover of the 1st and 2nd Board seats MCERA held a special election in June 2022 to fill the vacated 2nd General member and the ex-officio, 1st seat was filled by the incoming Auditor-Controller/Treasurer-Tax Collector.
- Completed refunds of contributions paid on disallowed premium pays, per the Alameda decision, to active and inactive members. The Alameda decision, issued by the California Supreme Court July 30, 2020, affects the benefits paid by MCERA to its members and/or contributions received by MCERA from its members.

**Investments**

The Board of Retirement has exclusive control of all investments of the retirement system and is responsible for establishing investment objectives, strategies and policies. Pursuant to the California Constitution and the 1937 Act, the Board is authorized to invest in any form or type of investment deemed prudent in the informed judgment of the Board. In making decisions regarding the MCERA investment portfolio, the Board acts in a fiduciary capacity and must discharge its duties in accordance with fiduciary principles. In carrying out its investment responsibilities, the Board receives guidance from a professional investment consultant, Callan Associates, Inc.

In accordance with state constitutional mandates, the Board adopts an investment policy designed to ensure diversification among asset classes and achieve MCERA's long-term investment objectives. The investment return for the year ending June 30, 2022 was (9.73)%, net of fees, which lagged the benchmark by 1.53%. Performance returns were 7.03%, 6.91%, 6.77%, and 8.23%, net of fees for the three, five, seven, and ten-year periods ending June 30, 2022, respectively.

The rate of return on MCERA's investment portfolio is an integral component of the annual additions to the pension plan as total investment income is typically the largest contributor to the Plan's annual additions to retirement plan assets.

More detailed information regarding MCERA's strategic asset allocation, professional investment managers, and investment performance can be found in the Investment Section starting on page 48.

**Funded Status and Actuarial Reporting**

The Board engages a qualified, independent actuarial firm to perform annual valuations of the retirement plan. Additionally, MCERA obtains a detailed study of the retirement plan's economic and non-economic assumptions every three years, wherein the actuary makes recommendations to the Board regarding the assumptions to be used to measure the liabilities and assets of the fund. The primary purpose of these studies is to help determine the actuarially required level of contributions needed to meet costs associated with annually accruing benefit commitments (normal cost) and eliminate any past unfunded liabilities (Unfunded Actuarial Accrued Liability or "UAAL") within the plan's amortization period.

MCERA maintains a funding goal to establish contributions that fully fund the System's liabilities and that, as a percentage of payroll, remain as level as possible for each generation of active members. The use of realistic assumptions is important in maintaining the necessary funding to pay promised benefits. Each year, the actual experience of the system is compared to our assumptions and the differences are studied to determine whether changes in the contribution requirements are necessary. In addition, triennially, an actuarial experience investigation is undertaken to review the actuarial assumptions and compare the actual experience during the preceding three-year period with that expected under those assumptions.

In the June 30, 2022 valuation, the ratio of actuarial valuation value of assets to the actuarial accrued liabilities was 73.2%, which was an increase from the prior year's valuation funded ratio of 73.0%. MCERA's unfunded actuarial accrued liability (UAAL) as of June 30, 2022, was $233.9 million. On a market value of assets basis, the UAAL would be $249.7 million.

Following the completion of the June 30, 2020 actuarial valuation, The Segal Group was asked by the Board to provide alternative employer contribution rates under four scenarios such that higher employer UAAL contributions would be required in the near term in exchange for lower employer UAAL contributions in the long term. The June 30, 2021 valuation report provided these scenarios. At the December 15, 2021, board meeting the MCERA Board approved FY 2023 contribution rates of Scenario 2. This scenario lowered the remaining amortization period for the 2012 UAAL restart layer from 18 years remaining at June 30, 2021, to 15 years.

As of June 30, 2022, there are 14 years remaining in the declining 30-year amortization period of the 2012 UAAL restart layer. On or after July 1, 2012, any new UAAL resulting from plan amendments will be amortized over different amortization periods. Investment gains and losses as well as any assumption and method changes will be amortized over an 18-year period.

**Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to MCERA for its annual comprehensive financial report for the fiscal year ended June 30, 2021, on page 6 of the Introductory Section. In order to be granted this national award, a governmental entity must publish an easily readable and efficiently organized ACFR that meets the highest standards of governmental financial reporting. The Certification of Achievement is valued for a period of one year. We believe that this report for the fiscal year ended June 30, 2022 will again meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA for consideration of an annual award.

**Acknowledgements**

MCERA has many contributors to its success. The preparation of this ACFR reflects the combined efforts of the MCERA staff, Robert Reveles, Judy Zeller, and Nora Morgan, along with consultants, Callan Investment Consultants, Segal Consulting, and Brown Armstrong Accountancy Corporation, all who made significant contributions of time, effort, and expertise.

For their commitment to MCERA, and for their diligent work to assure MCERA's continued successful operations, sincere thanks are owed to the Board of Retirement and all of our advisors.

**Request for Information**

The financial report is designed to provide the MCERA Board of Retirement, our membership, taxpayers, investment managers and creditors with a general overview of MCERA finances and to account for the money it receives. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

Mendocino County Employees Retirement Association
625-B Kings Court
Ukiah, CA 95482

Respectfully submitted,

Doris L. Rentschler, CFP
Executive Director

# GFOA Certificate of Achievement

Government Finance Officers Association

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Mendocino County**
**Employees' Retirement Association**
**California**

For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

# Members of the Board of Retirement

As of June 30, 2022

Chair
**Kathryn Smith**

Appointed by
the Board of Supervisors

Trustee
**Kathryn Cavness**

Elected by
Active General Membership

Vice Chair
**Richard Shoemaker**

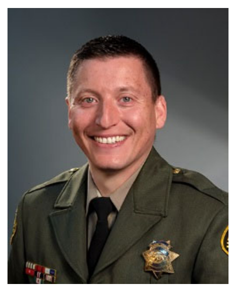
Elected by
Retired Membership

Trustee
**Dan Gjerde**

Appointed by
the Board of Supervisors


Secretary
**Vacant**

Elected by
Active General Membership

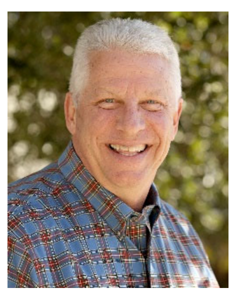


Trustee
**Quincy Cromer**

Elected by
Active Safety Membership

Trustee
**Jerilyn Harris**

Appointed by
the Board of Supervisors



Trustee
**James Andersen**

Elected by
Retired Membership


Trustee
**Vacant**

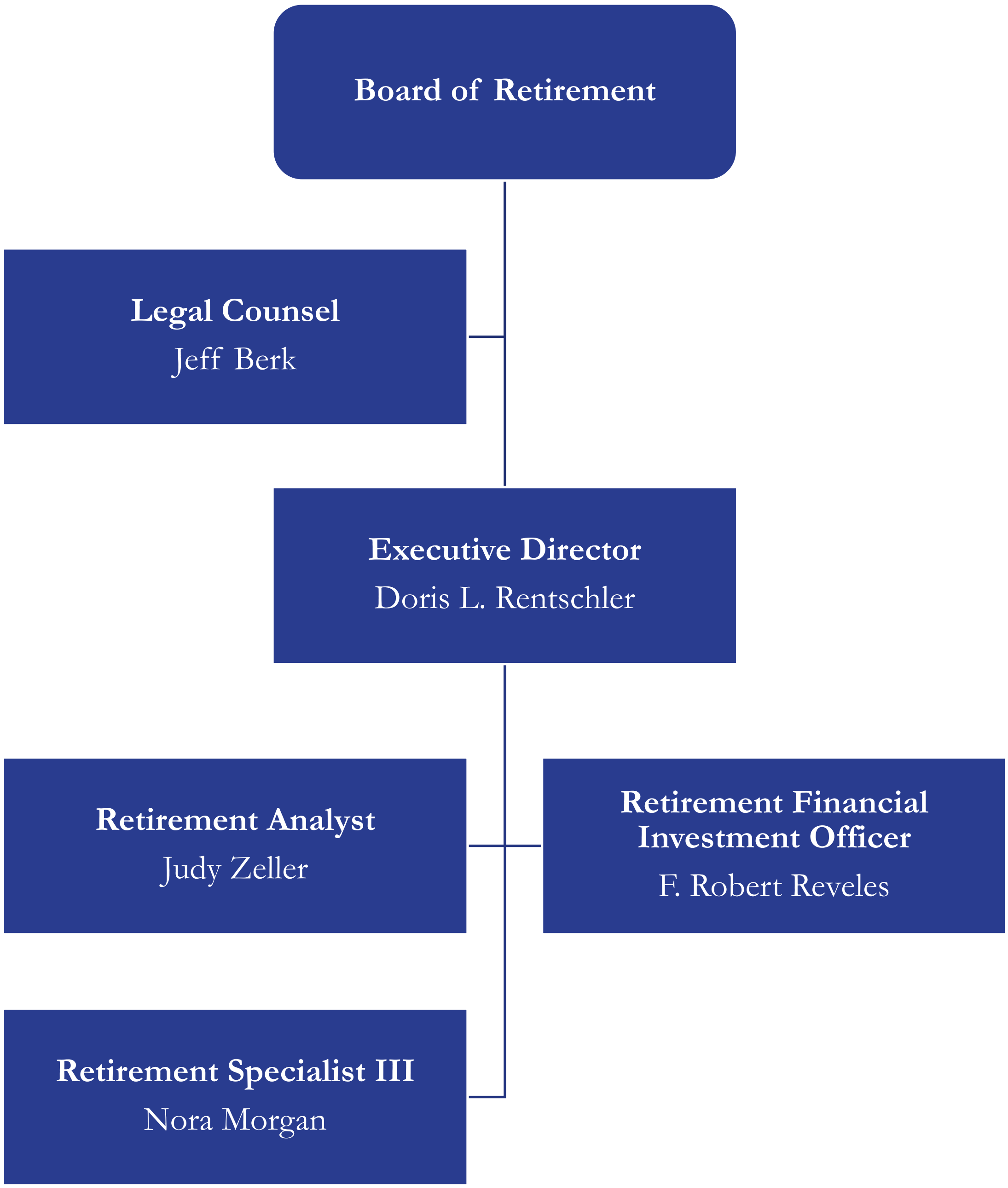
Treasurer-Tax Collector
County of Mendocino


Trustee
**Vacant**

Appointed by
the Board of Supervisors

# Organization Chart

As of June 30, 2022




See page 46 and 58 for the schedule of investment management fees and other investment expenses.
See page 46 for the schedule of payments to consultants (other than investment managers).

# List of Professional Consultants

As of June 30, 2022

**Actuary**
Segal Consulting

**Disability Counsel**
County Counsel, County of Sonoma

**Fiduciary Counsel**
Nossaman, LLP

**Investment Consultant**
Callan Associates, LLC.

**Independent Auditor**
Brown Armstrong Accountancy Corporation

**Legal Counsel**
Jeff Berk

**Tax Counsel**
Hanson Bridgett, LLP

Note: List of Investment Managers is located on page 59 of the Investment Section of this report.

# Financial Section

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

**INDEPENDENT AUDITOR'S REPORT**

To the Audit Committee and Board of Retirement of
Mendocino County Employees' Retirement Association
Ukiah, California

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying Statement of Fiduciary Net Position of the Mendocino County Employees' Retirement Association (MCERA), a pension trust fund and component unit of the County of Mendocino, California as of June 30, 2022, the related Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise the MCERA's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of MCERA, as of June 30, 2022, and the respective changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MCERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Management is also responsible for maintaining a current plan instrument, including all MCERA plan amendments; administering MCERA; and determining that MCERA's transactions that are presented and disclosed in the financial statements are in conformity with MCERA's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MCERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MCERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MCERA's basic financial statements. The accompanying other supplementary information, as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory, investment, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### *Report on Summarized Comparative Information*

We have previously audited MCERA's June 30, 2021 basic financial statements, and our report dated November 24, 2021, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2021, is consistent, in all material respects, with the audited basic financial statements from which it has been derived.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, on our consideration of MCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 23, 2022

# Management's Discussion and Analysis – June 30, 2022

This section presents Management's Discussion and Analysis (MD&A) of Mendocino County Employees' Retirement Association's (MCERA or Plan) financial results and a summary of MCERA's financial position and activities as of and for the fiscal year ended June 30, 2022. We encourage readers to take into account the information presented here in conjunction with additional information we have furnished in the basic financial statements.

MCERA provides service retirement, disability, death, and survivor benefits, and is administered in accordance with the County Employees Retirement Law of 1937 (Government Code Section 31450, et seq.). Pursuant to certain provisions of the County Employees Retirement Law of 1937, MCERA is a multi-agency public employees' retirement system, established by the County of Mendocino on January 1, 1948, and is an independent agency within the County of Mendocino, with a separate operating budget and professional staff.

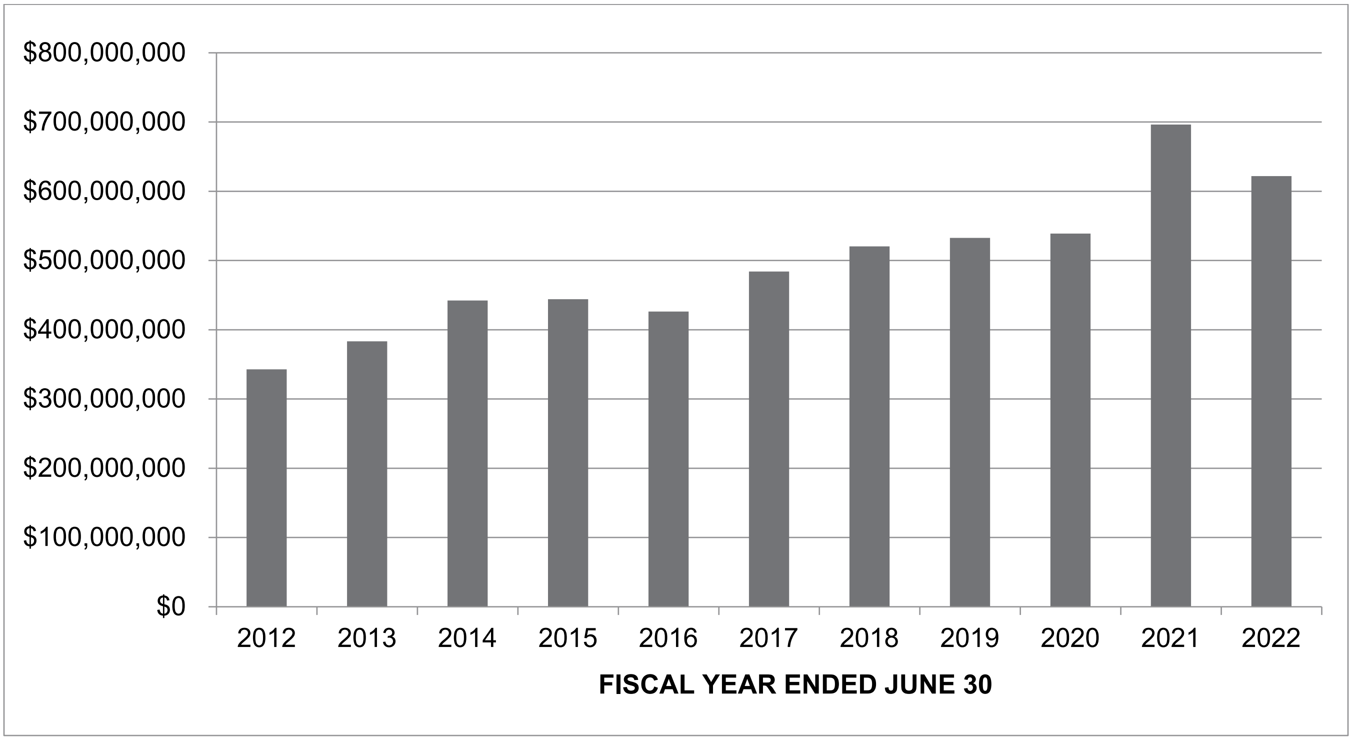
The California Constitution gives the Board of Retirement (Board) plenary authority over the administration of MCERA, which includes administering MCERA benefits and managing the assets. The Board and MCERA staff members are committed to act for the exclusive benefit of MCERA and its participants, manage the assets of MCERA prudently, and administer benefits with impartiality. To fulfill this mandate, MCERA employs a skilled professional staff and independent consultants that operate under a system of governance, operational, and fiduciary policies and procedures.

Participating agencies in MCERA include the County of Mendocino, the Superior Court of Mendocino County, and the Russian River Cemetery District.

## Financial Highlights

- Fiduciary net position decreased to $621.9 million, which reflects a decrease of 10.7% in net position during fiscal year 2021-22.
- Actuarial determined assets increased to $637.6 million, a 6.5% increase during fiscal year 2021-22.
- Net total additions to fiduciary net position for the fiscal year totaled $(28.7) million. This was comprised of $30.5 million of employer contributions, $8.2 million of member contributions, and a net investment loss of $67.4 million.
- Deductions in fiduciary net position for the fiscal year were $45.8 million, which included $42.7 million in benefit payments to retirees, $1.6 million in member refunds, and $1.5 million in total administrative expenses.
- MCERA's funded status increased to 73.2% from 73.0% over the fiscal year. The funded status is measured by the ratio of actuarial valuation value of assets to actuarial accrued liabilities.
- The net pension liability (NPL) increased from $124.0 million to $250.0 million during fiscal year 2021-22. The fiduciary net position as a percentage of the total pension liability decreased from 84.9% to 71.3%.

## MCERA Fiduciary Net Position Held in Trust for Pension Benefits




## Overview of the Basic Financial Statements

The MD&A serves as an introduction and overview of MCERA's Basic Financial Statements. The Basic Financial Statements and required disclosures are prepared in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). MCERA's Basic Financial Statements are comprised of the following:

## Statement of Fiduciary Net Position

The Statement of Fiduciary Net Position is a snapshot of account balances at fiscal year-end. It presents major categories of assets and liabilities at fiscal year-end. The difference between assets and liabilities, "Fiduciary Net Position," represents funds available to pay benefits. Increases and decreases in "Fiduciary Net Position," when analyzed over time, may serve as an indicator of whether MCERA's financial position is improving or deteriorating.

## Statement of Changes in Fiduciary Net Position

The Statement of Changes in Fiduciary Net Position provides information on the financial activities that increased and decreased Fiduciary Net Position. This statement covers the activity over a one-year period of time.

## Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements are an integral part of the basic financial statements and provide background and detailed information regarding MCERA's policies, programs, and activities.

## Required Supplementary Information

The Required Supplementary Information consists of the MD&A and supporting schedules which GASB requires to accompany the basic financial statements. The schedules include the following and can be found on pages 40-45.

- Schedules of Changes in Net Pension Liability and Related Ratios: This schedule displays the 10 year history of the changes in NPL for all participating employers.
- Schedule of Employer Contributions: This schedule provides a 10 year history of the employers' actual contributions compared to the statutory actuarially determined contributions. The schedule also displays the employer contributions as a percentage of covered payroll.
- Schedule of Investment Returns: This table shows the 10 year history of the money-weighted rate of return for investments net of investment management fees.

## Other Supplementary Information

The other supplementary information includes schedules pertaining to administrative expenses, information technology expenses, investment management fees and other investment expenses, as well as payments to consultants (other than investment managers). The other supplementary information can be found on pages 46-47.

## Financial Analysis

Table #1 below and Table #2 on the following page compare and summarize MCERA's financial activity for the current and prior fiscal year.

**Table #1: MCERA Fiduciary Net Position as of June 30, 2022 and 2021**

| (Dollars in Thousands) | 2022 | 2021 | Amount Increase/ (Decrease) | % Change Increase/ (Decrease) |
|---|---|---|---|---|
| Cash Equivalents | $ 1,615 | $ 110 | $ 1,505 | 1,368.18% |
| Receivables | 1,142 | 1,750 | (608) | (34.74%) |
| Capital Assets, Net | | | | |
| Software Equipment | 159 | 238 | (79) | (33.19%) |
| Investments, at Fair Value | 620,437 | 695,862 | (75,425) | (10.84%) |
| Total Assets | 623,353 | 697,960 | (74,607) | (10.69%) |
| Accounts Payable | 280 | 346 | (66) | (19.08%) |
| Accrued Expenses and Other Liabilities | 1,139 | 1,173 | (34) | (2.90%) |
| Total Liabilities | 1,419 | 1,519 | (100) | (6.58%) |
| Fiduciary Net Position Restricted for Pension Benefits | $ 621,934 | $ 696,441 | $ (74,507) | (10.70%) |

**Table #2: Changes In Fiduciary Net Position for the Fiscal Years Ended June 30, 2022 and 2021**

| (Dollars in Thousands) | 2022 | 2021 | Amount Increase (Decrease) | % Change Increase (Decrease) |
|---|---|---|---|---|
| Additions | | | | |
| Employer Contributions | $ 30,485 | $ 26,334 | $ 4,151 | 15.76% |
| Member Contributions | 8,186 | 7,054 | 1,132 | 16.05% |
| Net Investment Income (Loss) | (67,540) | 166,513 | (234,053) | (140.56%) |
| Insurance Reimbursement | 171 | - | 171 | 100.00% |
| Total Additions | (28,698) | 199,901 | (228,599) | (114.36%) |
| Deductions | | | | |
| Retirement Benefits | 42,750 | 40,230 | 2,520 | 6.26% |
| Refund of Contributions | 1,596 | 847 | 749 | 88.43% |
| Administrative Expenses | 1,463 | 1,372 | 91 | 6.63% |
| Total Deductions | 45,809 | 42,449 | 3,360 | 7.92% |
| Change in Fiduciary Net Position | (74,507) | 157,452 | (231,959) | (147.32%) |
| Fiduciary Net Position Restricted for Pension Benefits at Beginning of Year | 696,441 | 538,989 | 157,452 | 29.21% |
| Fiduciary Net Position Restricted for Pension Benefits at End of Year | $ 621,934 | $ 696,441 | $ (74,507) | (10.70%) |

## Additions to Fiduciary Net Position

The primary sources to finance the benefits MCERA provides to its members are accumulated through income on investments and through the collection of employee and employer contributions. These income sources for the fiscal years ended June 30, 2022 and 2021, totaled $(28.7) million and $199.9 million, respectively. The decrease in additions from 2021 to 2022 can be attributed primarily to a decrease in net investment income. Employer contributions and member contributions increased in fiscal year (FY) 2022 as a result of higher non-safety covered payroll and higher average contribution rates. Total net position decreased from approximately $696.4 million in FY 2021 to $621.9 million in FY 2022.

## Deductions from Fiduciary Net Position

The primary uses of MCERA assets are the payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the cost of administering MCERA. These deductions for the fiscal years ended June 30, 2022 and 2021, were $45.8 million and $42.5 million, respectively. The primary reason for this change was an increase in benefits paid to retirees.

## MCERA Financial Reserves

**Table #3: MCERA Reserves as of June 30, 2022 and 2021**

| (Dollars in Thousands) | 2022 | 2021 |
|---|---|---|
| Member Reserve | $ 75,608 | $ 78,461 |
| Employer Reserve | (76,359) | (268,535) |
| Retiree Reserve | 341,190 | 492,370 |
| Cost of Living Reserve | 237,879 | 249,836 |
| Contingency Reserve | 6,204 | 6,961 |
| Total Reserves | $ 584,522 | $ 559,093 |

MCERA's reserves are established from contributions and the accumulation of investment income after satisfying investment and administrative expenses. Under accounting principles generally accepted in the United States of America (GAAP), investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses in the current period. MCERA has adopted a five-year smoothing methodology for investment gains and losses. This has the effect of smoothing both positive and negative fluctuations in investment performance versus assumptions and has a stabilizing effect on contribution rates.

## Major Initiatives and Significant Events

Several major initiatives were undertaken during the fiscal year including:

- The Board and Staff engaged in a multi-day strategic planning session which led to the adoption of an updated mission statement, vision, guiding principles, and strategic goals.
- Infrastructure manager IFM called capital in December 2021. The capital call funded the infrastructure allocation of six percent.
- Continued discussions with the State of California regarding the lease extension and building maintenance of 625-A Kings Court.
- In December 2021, the Board approved a reduction of the remaining amortization period for the 2012 Unfunded Actuarial Accrued Liability (UAAL) "restart" layer amortization period from 18 years at June 30, 2021, to 15 years.
- Basic and Cost of Living Adjustment (COLA) reserve balances were realigned effective July 1, 2021, to more closely match system liabilities.
- Worked with the Mendocino County Board of Supervisors to retroactively conform plan documents with past practices to address certain operational failures. MCERA is still in the process of completing the corrections and hopes to receive a compliance statement near the end of FY 2023.
- Due to turnover of the 1st and 2nd Board seats, MCERA held a special election in June 2022 to fill the vacated 2nd General member and the ex-officio; the 1st seat was filled by the incoming Auditor-Controller/Treasurer-Tax Collector.

- Completed the refund of contributions paid on disallowed premium pays, per the Alameda decision, to active and inactive members. The Alameda decision, issued by the California Supreme Court July 30, 2020, affects the benefits paid by MCERA to its members and/or contributions received by MCERA from its members.

## Investment and Economic Summary

In accordance with state constitutional mandates, the Board adopts a strategic asset allocation policy designed to ensure diversification among asset classes and achieve MCERA's long-term investment objectives. Although MCERA invests on a long-term horizon, short-term returns are important to discern developing trends.

The investment return for the fiscal year ended June 30, 2022, was (9.73)% which exceeded the benchmark by 1.53%. Performance returns were 7.03%, 6.91%, 6.77%, and 8.23% for the three, five, seven, and ten year periods ending June 30, 2022, respectively.

The rate of return on MCERA's investment portfolio is an integral component of the annual additions to the pension plan as total investment income is typically the largest contributor to MCERA's annual additions to fiduciary net position.

## Funded Status and Actuarial Reporting

MCERA maintains a funding goal to establish contributions that fully fund MCERA's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Actuarial valuations are performed annually with actuarial experience investigations conducted triennially in accordance with state statute. The use of realistic assumptions is important in maintaining the necessary funding to pay promised benefits. Each year the actual experience of MCERA is compared to our assumptions and the differences are studied to determine whether changes in the contribution requirements are necessary. In addition, triennially, an actuarial experience investigation is undertaken to review the actuarial assumptions and compare the actual experience during the preceding three-year period with that expected under those assumptions.

In the June 30, 2022 valuation, the ratio of actuarial valuation value of assets to the actuarial accrued liabilities was 73.2%, which was an increase from the prior year's valuation funded ratio of 73.0%. The actuarial valuation value of assets excludes about $21.9 million in deferred market losses that will be smoothed in over the next few years. Thus, on a market value of assets basis, the funded ratio would be 71.4%. MCERA's unfunded actuarial accrued liability (UAAL) on a valuation value of assets as of June 30, 2022, was $233.9 million. On a market value of assets basis, the UAAL would be $249.7 million.

As of June 30, 2022, there are 14 years remaining in the declining 30-year amortization period of the UAAL. On or after July 1, 2012, any new UAAL resulting from plan amendments will be amortized over different amortization periods. Investment gains and losses as well as any assumption and method changes will be amortized over an 18-year period.

The aggregate employer rate calculated in the June 30, 2022 valuation increased from 35.73% of payroll to 37.18% of payroll. The increase was driven by higher than expected cost of living adjustment (COLA) increases for retirees and beneficiaries and higher than expected salary increases for continuing active members. These losses were partially offset by higher than expected investment returns after asset smoothing. The aggregate member rate calculated in the June 30, 2022 valuation decreased from 9.94% of payroll to 9.91% of payroll.

Following the completion of the June 30, 2020 actuarial valuation, The Segal Group was asked by the Board to provide alternative employer contribution rates under four scenarios such that higher employer UAAL contributions would be required in the near term in exchange for lower employer UAAL contributions in the long term. The June 30, 2021 valuation report provided these scenarios. At the December 15, 2021 board meeting the MCERA Board approved FY 2023 contribution rates of Scenario 2. This scenario lowered the remaining amortization period for the 2012 UAAL restart layer from 18 years remaining at June 30, 2021, to 15 years.

## Request for Information

The financial report is designed to provide the MCERA Board of Retirement, our membership, taxpayers, investment managers, and creditors with a general overview of MCERA finances and to account for the money it receives. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Mendocino County Employees' Retirement Association, 625-B Kings Court, Ukiah, California 95482.

Respectfully submitted,

Doris L. Rentschler
Executive Director

# Basic Financial Statements

## Statement of Fiduciary Net Position

June 30, 2022 (with Comparative Totals for 2021)

| **ASSETS** | **June 30, 2022** | **June 30, 2021** |
|---|---|---|
| Cash equivalents (Note 3): | $ 1,614,712 | $ 110,149 |
| Investments at fair value (Notes 3 and 4) | | |
| Fixed income | 125,692,476 | 147,625,144 |
| Domestic equities | 217,049,977 | 272,657,303 |
| International equities | 147,243,715 | 193,405,783 |
| Real estate partnerships | 92,676,198 | 64,005,697 |
| Infrastructure | 36,025,184 | 16,418,290 |
| Real estate – 625 Kings Court, Ukiah, CA | 1,750,000 | 1,750,000 |
| Total investments, at fair value | 620,437,550 | 695,862,217 |
| Receivables: | | |
| Member contributions receivable | 121,031 | 335,978 |
| Employer contributions receivable | 521,591 | 1,339,462 |
| Other receivables | 499,414 | 74,171 |
| Total receivables | 1,142,036 | 1,749,611 |
| Capital assets, net (Note 1): | | |
| Software equipment | 158,766 | 238,149 |
| TOTAL ASSETS | $ 623,353,064 | $ 697,960,126 |
| LIABILITIES | | |
| Liabilities | | |
| Accounts payable | $ 279,460 | $ 345,480 |
| Accrued expenses and other liabilities | 1,139,219 | 1,173,344 |
| **TOTAL LIABILITIES** | $1,418,679 | $1,518,824 |
| **FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS** | $ 621,934,385 | $ 696,441,302 |

The accompanying notes to the basic financial statements are an integral part of this statement.

# Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2022 (with comparative Totals for 2021)

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| **ADDITIONS TO FIDUCIARY NET POSITION ATTRIBUTED TO:** | | |
| Investment income: | | |
| Net realized and unrealized appreciation in fair value of Investments | $ (80,472,109) | $ 157,653,258 |
| Dividend income | 14,028,693 | 9,909,708 |
| Rent income, net of expenses | 90,139 | 91,661 |
| Interest income | 6,670 | 9,204 |
| Investment expenses | (1,193,371) | (1,150,409) |
| Total investment income, net | (67,539,978) | 166,513,422 |
| Contributions (Note 5): | | |
| Employer contributions | 30,485,006 | 26,333,815 |
| Member contributions | 8,185,773 | 7,053,907 |
| Total contributions | 38,670,779 | 33,387,722 |
| Other Income: | | |
| Insurance Reimbursement | 171,596 | - |
| Total additions | (28,697,603) | 199,901,144 |
| **DEDUCTIONS FROM FIDUCIARY NET POSITION ATTRIBUTED TO:** | | |
| Retirement benefits | 42,750,386 | 40,229,479 |
| Refund of contributions | 1,596,157 | 847,162 |
| Administrative expenses | 1,462,771 | 1,372,414 |
| Total deductions | 45,809,314 | 42,449,055 |
| Change in Fiduciary Net Position | (74,506,917) | 157,452,089 |
| **FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS:** | | |
| Balance at beginning of year | 696,441,302 | 538,989,213 |
| Balance at end of year | $ 621,934,385 | $ 696,441,302 |

The accompanying notes to the basic financial statements are an integral part of this statement

# Notes to the Basic Financial Statements

June 30, 2022

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity:

Mendocino County Employees' Retirement Association (MCERA or the Plan) is governed by the Board of Retirement (Board) and is considered an independent entity. MCERA is a component unit of the County of Mendocino (the County) and is being reported as a Pension Trust Fund in the County's Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14; No. 39, as amended by GASB Statement No. 61; and No. 80.

### Basis of Accounting:

MCERA follows GASB accounting principles and reporting guidelines, and basic financial statements are prepared using the accrual basis of accounting. MCERA member contributions are recognized in the period in which the contributions are due. Employer contributions to MCERA are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of MCERA.

### Comparative Data:

The accompanying financial statements include summarized information from the prior year financial statements for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with MCERA's basic financial statements for the fiscal year ended June 30, 2020, from which the summarized information was derived.

### Use of Estimates:

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the Executive Director to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from these estimates.

### Valuation of Investments:

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that do not have an established market are reported at estimated fair value. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned, and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities. Purchases and sales of securities are accounted for on a trade date basis, and dividends declared but not received are accrued on the ex-dividend date. Unrealized gains and losses on investments are reported as net appreciation (depreciation) in fair value of investments. The

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Valuation of Investments: (Continued)

calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of MCERA investments.

### Derivatives:

MCERA's Investment Policy permits the use of derivative instruments to minimize the exposure of certain investments to adverse fluctuations in financial and currency markets and to enhance yields. MCERA does not use derivatives for speculative use or to create leverage.

During the fiscal year ended June 30, 2022, MCERA owned no derivatives directly in its portfolio.

### Custodial Credit Risk:

Custodial credit risk for deposits in the County trust account is assumed by the County. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, MCERA would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in MCERA's name, and held by the counterparty. MCERA's investment securities are not exposed to custodial credit risk because all securities are either held by MCERA's custodial bank in MCERA's account or held directly with investment companies in MCERA's name.

MCERA's custodial bank maintains insurance to help protect against losses due to negligence, theft, and other related events.

Except for a statement that the duties of the Board of Retirement, MCERA officers, and employees shall be discharged with care, skill, prudence, and diligence, MCERA has no formal policy for managing custodial credit risk.

### Market and Credit Risk:

MCERA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Market and Credit Risk: (Continued)

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. Investment allocation guidelines according to the Investment Policy are as follows:

| | Allowable Range | Current Allocation |
|---|---|---|
| Domestic Equities | 32% - 42% | 34.98% |
| International Equities | 20% - 30% | 23.73% |
| Domestic Fixed Income | 18% - 24% | 20.26% |
| Real Estate Partnerships | 6% - 16% | 15.22% |
| Infrastructure | 1% - 11% | 5.81% |

MCERA's Investment Policy does not allow for a single investment in real estate that is in excess of 5 percent of total assets at the time of purchase. With respect to common stocks, MCERA has a goal of diversifying the portfolio across a broad spectrum of sectors and geographies that have sound long-term growth potential. Similar restrictions apply to fixed income securities. Although MCERA does not have a specific policy to limit credit risk, MCERA seeks to mitigate risk through its Investment Policy constraints.

### Interest Rate Risk:

Interest rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. MCERA has not adopted a specific formal policy to manage interest rate risk. Nevertheless, MCERA's U.S. active bond funds are generally managed with duration limits to reduce interest rate risk. The quality and interest rate risk of MCERA's fixed income funds are summarized in the table below.

**Commingled Fixed Income Funds**

| Fund Name | Fair Value | Weighted Average Coupon | Weighted Average Maturity (Years) | Effective Duration (Years) | Weighted Average Quality Rating |
|---|---|---|---|---|---|
| Dodge & Cox Income | $ 62,459,347 | 3.52% | 9.77 | 5.20 | A+ |
| PIMCO Total Return | 63,233,129 | 2.71% | 6.96 | 5.49 | AA- |
| Total | $ 125,692,476 | 3.12% | 8.37 | 5.35 | AA- |

### Foreign Currency Risk:

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. International portfolio managers are permitted to use defensive currency hedging to mitigate foreign currency risk through the use of forward currency contracts and currency futures as long as they are implemented in a timely and cost-effective manner. MCERA's international portfolio managers are allowed to invest in authorized countries. MCERA owns commingled investment vehicles and does not have direct exposure to foreign currency risk. Although MCERA does not have a specific policy regarding foreign currency risk, MCERA seeks to mitigate this risk through its Investment Policy constraints.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment Concentrations:

As of June 30, 2022, MCERA does not hold investments in any one organization that represent 5 percent or more of MCERA's fiduciary net position.

### Money-Weighted Rate of Return:

For the fiscal year ended June 30, 2022, the annual money-weighted rate of return on MCERA investments, net of investment management expense, was (9.73)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Capital Assets:

Capital assets consist of MCERA's pension administrative system software, which is carried at a cost of $793,831 less accumulated amortization of $635,065.

### Risk Management:

MCERA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and major downturns in financial markets. For the past several years, MCERA has obtained coverage from commercial insurance companies for errors and omissions coverage related to activities of the Board, but all other risks of loss, except losses due to depreciation in the fair value of investments, are assumed by the sponsoring employers. MCERA has effectively managed risk through various employee education and prevention programs and careful selection of investments. In addition, MCERA is also covered by the County's self-insurance program for general liability, unemployment, and workers' compensation coverage. The County's self-insurance program also includes a premium for excess coverage.

Expenses and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

### Income Taxes:

MCERA qualifies under Section 401(a) of the Internal Revenue Code (IRC). No provision for income taxes has been made in the accompanying basic financial statements, as MCERA is exempt from federal and state income taxes under the provisions of the IRC Section 501 and California Revenue and Taxation Code Section 23701, respectively. MCERA obtained its latest determination letter dated August 11, 2016, in which the Internal Revenue Service (IRS) stated that MCERA, as then designed, is in compliance with the applicable requirements of the IRC.

MCERA recently discovered operational errors related to Plan interpretations. In order to mitigate the potential risk of MCERA losing tax qualification as a result of operational errors, MCERA filed for corrective action under the IRS Voluntary Correction Program (VCP). In accordance with the IRS Employee Plans Compliance Resolution System (EPCRS), MCERA is allowed to voluntarily correct any mistakes and avoid any potential adverse consequence.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Administrative Expenses:

The Board approves MCERA's annual budget. The County Employees Retirement Law of 1937 (CERL) limits MCERA's annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting services (IT costs), to twenty-one hundredths of one percent (0.21%) of MCERA's actuarial accrued liability or $2 million, whichever is greater. The Board's policy is that administrative expenses incurred in any year will not exceed twenty-one hundredths of one percent (0.21%) of MCERA's actuarial accrued liability, unless authorized by a separate vote of the Board.

MCERA's actual administrative expense, excluding IT costs, for fiscal year 2021-22 was $1,240,641, which represented 0.15% of MCERA's actuarial accrued liability or 62.03% of the $2 million statutory cap.

### Subsequent Events:

In compliance with governmental accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end through the date the financial statements were issued (November 23, 2022) to determine if these events are required to be disclosed in these financial statements.

On July 20, 2022, MCERA filed an updated VCP application with the IRS seeking to change several correction methods.  MCERA seeks approval to confirm its plan document to its past practices as the correction method to fully resolve several past failures related to service purchases.

## NOTE 2 – DESCRIPTION OF PLAN

### Description of Plan and Applicable Provisions of the Law:

MCERA is an integrated public retirement system established under and subject to the legislative authority of the State of California as enacted and amended by the CERL (Chapter 677 Statutes of 1937). MCERA is a multiple-employer cost-sharing defined benefit plan for the County, the County Courts, and the Russian River Cemetery District (the Plan Sponsors). MCERA was approved by the Board of Supervisors to become effective January 1, 1948, and was integrated with Social Security on January 1, 1956.

## NOTE 2 – DESCRIPTION OF PLAN (Continued)

### Description of Plan and Applicable Provisions of the Law: (Continued)

Membership in the Plan at June 30, 2022, consisted of the following:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 1,650 |
| Terminated plan members entitled to, but not yet receiving, benefits | 923 |
| Active plan members | 1,123 |
| Total | 3,696 |
| Number of participating employers | 3 |

A multiple-employer cost-sharing plan is a single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members. Other special districts within the County are eligible, but have not elected to participate.

All permanent employees who work at least 32 hours per week become members of the Plan on the first day of the second pay period following employment. Employees are classified as either General or Safety (Law Enforcement or Probation) members, and are assigned to one of five tiers based on entry date and job classification. Members become vested after five years of credited service.

Retirement benefits offered by the Plan include normal retirement, disability retirement, and service-connected disability retirement. Retirement benefits are based on the years of service, final average salary, and age at retirement. A statutory benefit formula that varies based on a member's tier and type is used to determine monthly benefits. A death benefit is available to beneficiaries. An annual cost of living adjustment of no more than 3 percent may be granted by the Board. The annual cost of living benefit is based upon the tier level of the member. Members hired after January 1, 2013, are not eligible for a cost of living benefit.

The Plan does not provide health benefits to members. Based on County Board of Supervisors Resolution No. 98-147, County Counsel concluded that the County Board of Supervisors was ultimately responsible for dealing with any retiree health benefits that might be provided to retired employees of the County.

### Member Termination:

Upon separation from MCERA, members' accumulated contributions are refundable with interest accrued through the prior June 30 or December 31. Interest on member accounts is credited semiannually on June 30 and December 31. Withdrawal of such accumulated contributions results in forfeiture of the related vested benefits.

## NOTE 2 – DESCRIPTION OF PLAN (Continued)

### Description of Plan and Applicable Provisions of the Law: (Continued)

### Plan Termination:

MCERA is administered in accordance with the provisions of California Government Code Section 31450 and accompanying code sections. California Government Code Section 31483 allows the governing body of the County, the County Courts, or special district, through the adoption of an ordinance or resolution, to terminate the applicability of the Plan to employees of the County, the County Courts, or special district whose services commence after a given future date.

## NOTE 3 – CASH AND INVESTMENTS

Cash and investments are reported at fair value. Cash and investments that do not have an established market are reported at estimated fair value. All investments listed in the Statement of Fiduciary Net Position, except for real estate and cash equivalents, are registered securities held by MCERA's agent in MCERA's name. The Board has exclusive control over all cash and investments of MCERA and is responsible for establishing investment objectives, strategies, and policies.

The Board has adopted an Investment Policy, which provides the framework for the management of MCERA's investments. The Investment Policy establishes MCERA's investment objectives and defines the principal duties of the Board and the investment managers. The asset allocation plan is an integral part of the Investment Policy and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while managing risk exposure. MCERA currently employs investment managers to manage its assets subject to the provisions of the Investment Policy.

Cash equivalents consist of cash in trust with the Treasurer of the County. Cash from deposits and cash needed for daily operational purposes is held in a pooled account with other County funds. The County Treasurer is responsible for the management, control, and safekeeping of all investments in the pooled fund. Interest on funds in the County investment pool is computed quarterly based on average daily balance. A deposit in the pooled account approximates fair value and may be subject to credit risk, concentration risk, and custodial credit risk.

## NOTE 3 – CASH AND INVESTMENTS (Continued)

MCERA's cash and investments stated at fair value as of June 30, 2022, are as follows:

| | |
|---|---|
| Cash equivalents | $ 1,614,712 |
| Total cash equivalents | 1,614,712 |
| Fixed income | 125,692,476 |
| International equities | 147,243,715 |
| Domestic equities – small cap | 30,134,731 |
| Domestic equities – mid cap | 32,897,702 |
| Domestic equities – large cap | 154,017,544 |
| Real estate partnerships | 92,676,198 |
| Infrastructure | 36,025,184 |
| Real estate – 625 Kings Court, Ukiah, CA | 1,750,000 |
| Total investments, at fair value | 620,437,550 |
| Total Cash and Investments | $ 622,052,262 |

## NOTE 4 – FAIR VALUE MEASUREMENT OF INVESTMENTS

MCERA follows GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), which establishes a fair value hierarchy based on three types of input to develop the fair value measurements for investments. The hierarchy gives the highest priority to Level 1 inputs which are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The three levels of the fair value hierarchy under GASB 72 are described below.

**Level 1:**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that MCERA has the ability to access.

**Level 2:**

Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

## NOTE 4 – FAIR VALUE MEASUREMENT OF INVESTMENTS (Continued)

**Level 3:**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investments measured at fair value.

***Commingled funds*****:** Valued at the fair value of shares held by MCERA at fiscal year-end.

Certain investments which do not have a readily determinable fair value have been valued at the Net Asset Value (NAV) per share (or its equivalent) provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with accounting principles generally accepted in the United States of America (GAAP) requirements. These investments are not categorized within the fair value hierarchy but disclosed in the schedule of investments measured at the NAV.

***Real estate partnerships*****:** Valued at the NAV of shares held by MCERA at fiscal year-end.

***Real estate – 625 Kings Court, Ukiah, CA*****:** Valued at the approximate fair value obtained through a professional real estate appraisal.

***Infrastructure*****:** Valued at the NAV of shares held by MCERA at fiscal year-end.

The methods described above may produce a fair value calculation that may not be as indicative of net realizable value or reflective of future fair values. Furthermore, while MCERA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## NOTE 4 – FAIR VALUE MEASUREMENT OF INVESTMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, MCERA's investments at fair value and the NAV as of June 30, 2022:

| | Investments as of June 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Investments by fair value level:** | | | | |
| Commingled funds: | | | | |
| Fixed income | $ - | $ 125,692,476 | $ - | $ 125,692,476 |
| International equities | - | 147,243,715 | - | 147,243,715 |
| Domestic equities | 217,049,977 | - | - | 217,049,977 |
| Real estate - Kings Court | - | - | 1,750,000 | 1,750,000 |
| Total investments by fair value level | $ 217,049,977 | $ 272,936,191 | $ 1,750,000 | 491,736,168 |
| **Investments measured at the NAV:** | | | | |
| Real estate partnerships | | | | 92,676,198 |
| Infrastructure | | | | 36,025,184 |
| Total investments measured at the NAV | | | | 128,701,382 |
| **Total investments measured at fair value level and NAV** | | | | $ 620,437,550 |

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table:

| | Investments Measured at NAV as of June 30, 2022 | | | |
|---|---|---|---|---|
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Real estate partnerships [1] | $ 92,676,198 | $ 450,000 | Quarterly | 45 Days |
| Infrastructure | 36,025,184 | 12,000,000 | Quarterly | 90 Days |
| Total investments measured at the NAV | $ 128,701,382 | | | |

(1) These are two real estate funds. They are real estate funds that invest primarily in a diversified portfolio of institutional quality multi-family, industrial, retail, and office assets in the United States. The fair values of the investments in this type have been determined using the NAV (or its equivalent) of MCERA's ownership interest in partners' capital.

## NOTE 4 – FAIR VALUE MEASUREMENT OF INVESTMENTS (Continued)

The following table sets forth a summary of changes in the fair value of MCERA's Level 3 investments for the fiscal year ended June 30, 2022, as follows:

Commercial Building at 625 Kings Court, Ukiah, California

| | 2022 |
|---|---|
| Fair value, beginning of year | $ 1,750,000 |
| Unrealized gain | - |
| Purchases | - |
| Sales | - |
| Issuances | - |
| Settlements | - |
| Fair value, end of year | $ 1,750,000 |
| Amount of total gains or losses for the period included in net appreciation in fair value of investments, attributable to the change in unrealized gains or losses relating to assets still held as of June 30, 2022. | $ - |

The following table represents MCERA's Level 3 financial instruments and the valuation techniques used to measure the fair value of those financial instruments as of June 30, 2022. A professional appraisal was completed in June 2021. MCERA's policy is to obtain a professional appraisal every four years.

| Instrument | Fair Value at June 30, 2022 | Principal Valuation Technique |
|---|---|---|
| Real Estate - 625 Kings Court, Ukiah, CA | $ 1,750,000 | Fair Value = Appraisal |

## NOTE 5 – CONTRIBUTIONS

Contribution rates for the employers and their participating employees are established and may be amended by the MCERA Board (and then shall be adopted by the County Board of Supervisors). The contribution rates are determined based on the benefit structure established by the employers. The Actuarial Valuation and Review report issued by The Segal Company as of June 30, 2020, recommended employer and member contribution rates that aggregate to 37.65% and 10.25%, respectively. The actual member and employer rates depend on General, Safety, or Probation membership, and tier. The member and employer contribution rates are adjusted annually to maintain the appropriate funding status of MCERA. The employer contribution rate is actuarially determined to provide for the balance of the contributions needed

## NOTE 5 – CONTRIBUTIONS (Continued)

to fund the annual normal cost (basic and cost of living) and the amortization of the unfunded actuarial accrued liability (UAAL).

Using the projected payroll amounts for MCERA's membership groups and tiers that were used in the June 30, 2020 actuarial valuation, management has estimated the contributions are comprised of the following for the fiscal year ended June 30, 2022:

| | |
|---|---|
| Estimated Employer Normal Cost Contributions | $ 9,230,520 |
| Estimated UAAL Contributions | 21,254,486 |
| Total | $ 30,485,006 |

## NOTE 6 – NET PENSION LIABILITY

GASB Statement No. 67 requires public pension plans to provide a net pension liability. The net pension liability is measured as the total pension liability less the amount of MCERA's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of MCERA's net pension liability at June 30, 2022, were as follows:

| | |
|---|---|
| Total pension liability | $ 871,946,891 |
| Fiduciary net position | 621,934,385 |
| Net pension liability | $ 250,012,506 |
| Fiduciary net position as a percentage of total pension liability | 71.3% |

### Disclosure of Information About Actuarial Methods and Assumptions:

The required Schedules of Changes in Net Pension Liability and Related Ratios immediately following the Notes to the Basic Financial Statements presents information about whether the fiduciary net position is increasing or decreasing over time relative to the total pension liability.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

### Actuarial Methods and Assumptions:

The total pension liability as of June 30, 2022, was determined by actuarial valuation as of June 30, 2022. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019. Key methods and assumptions used in the latest actuarial valuation are presented below:

## NOTE 6 – NET PENSION LIABILITY (Continued)

Actuarial Methods and Assumptions: (Continued)

| | |
|---|---|
| Valuation date | June 30, 2022 |
| Actuarial cost method | Entry age cost method (individual basis) |
| Amortization method | Level % of payroll for total unfunded liability |
| Remaining amortization period (1) | 14 years (closed) for all UAAL |
| Asset valuation method | Fair value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return adjusted for investment expenses only and the expected return on the fair value, and is recognized over a five year period, further adjusted, if necessary, to be within 25% of the fair value. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves. |
| Actuarial assumptions: | |
| Investment rate of return | 6.75% |
| Inflation rate | 2.75% |
| Real across-the-board salary increase | 0.50% |
| Projected salary increases * | 4.25% to 8.25% |
| * Includes inflation at | 2.75% plus real across-the-board salary increase of 0.50% plus merit and longevity increases. |
| Cost of living adjustments | 2.75% of retirement income |
| Mortality for healthy members and all beneficiaries | General Members: Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables with rates decreased by 5% for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br><br>Safety and Probation Members: Pub-2010 Safety Healthy Retiree Amount-Weight Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br><br>All Beneficiaries: Pub-2010 Contingent Survivor Amount-Weighted Mortality Tables with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019. |

(1) The current amortization policy is a layered amortization, with the balance of the unfunded liability as of June 30, 2012 amortized as a level percentage of payroll over a closed 27-year period (14 years remaining as of June 30, 2022). Each subsequent year's unfunded liability attributable to experience gains or losses, assumption changes, and cost method changes is amortized as a level percentage of payroll over a new closed 18-year period.

## NOTE 6 – NET PENSION LIABILITY (Continued)

### Actuarial Methods and Assumptions: (Continued)

| | |
|---|---|
| Years of life expectancy after disability | General Members: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables, with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br><br>Safety and Probation Members: Pub-2019 Safety Disabled Retiree Amount-Weighted Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2019. |
| Life expectancy after retirement for employee contribution rate purposes | General members: Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables with rates decreased by 5% for males and increased by 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 30% male and 70% female.<br>Safety and Probation members: Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Tables, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 80% male and 20% female. |

### Assumed Asset Allocation:

The long-term expected rate of return on pension plan investments is determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class for the June 30, 2022 valuation. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following tables:

| | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|---|---|---|
| Domestic Equities - Large Cap | 24.70% | 5.49% |
| Domestic Equities - Small Cap | 12.30% | 6.10% |
| International Equities | 25.00% | 6.84% |
| Domestic Fixed Income | 21.00% | 1.09% |
| Real Estate Partnerships | 11.00% | 4.59% |
| Infrastructure | 6.00% | 5.30% |
| Total | 100.00% | 4.87% |

## NOTE 6 – NET PENSION LIABILITY (Continued)

### Discount Rate:

The discount rate used to measure the total pension liability was 6.75% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, MCERA's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of MCERA as of June 30, 2022, calculated using the discount rate of 6.75%, as well as what MCERA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| Net pension liability | $ 364,327,157 | $ 250,012,506 | $ 155,721,485 |

## NOTE 7 – RESERVES

MCERA had contingency reserves of $6,204,376 at June 30, 2022, to fund transfers to retirement reserve accounts in the event that sufficient earnings on investments are not received in the future to fulfill the requirement of transferring current earnings to the extent of 6.75% of retirement reserve balances to those reserves.

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. A summary of the various reserve accounts, which comprise net position for pension and other benefits at June 30, 2022, (under the five-year smoothed asset valuation method for actuarial valuation purposes) is as follows:

## NOTE 7 – RESERVES (Continued)

| | |
|---|---|
| Member reserves | $ 75,608,056 |
| Employer reserves | (76,358,879) |
| Retiree reserves | 341,189,721 |
| 1% Contingency reserve | 6,204,375 |
| Total reserves | 346,643,273 |
| Cumulative unallocated net unrealized gain on investments | 297,206,961 |
| Total allocated reserves (smoothed market actuarial value after corridor limits) | 643,850,234 |
| Fiduciary net position in excess (deficit) of reserves | (21,915,849) |
| Fiduciary net position restricted for pension benefits | $ 621,934,385 |

# Required Supplementary Information

## Schedules of Changes in Net Pension Liability and Related Ratios

**Schedules of Changes in Net Pension Liability and Related Ratios**
For 2022, 2021, 2020, 2019, and 2018

| | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 |
|---|---|---|---|---|---|
| **Total pension liability (TPL):** | | | | | |
| Service cost[1] | $ 16,393,123 | $ 15,601,020 | $ 13,639,319 | $ 13,422,284 | $ 12,576,536[2] |
| Interest | 54,987,747 | 53,386,300 | 51,921,209 | 49,910,703 | 47,254,554 |
| Change of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | 24,499,126[5] | (3,342,689)[5] | 5,755,507 | 2,897,805 | 12,682,464 |
| Changes in assumptions | - | - | 15,826,065 | - | - |
| Benefit payments, including refunds of employee contributions | (44,346,543) | (41,076,641) | (38,777,787) | (36,674,901) | (34,153,672) |
| Net change in total pension liability | 51,553,453 | 24,567,990 | 48,364,313 | 29,555,891 | 38,359,882 |
| Total pension liability - beginning of year | 820,413,438 | 795,845,448 | 747,481,135 | 717,925,244 | 679,565,362 |
| Total pension liability - end of year (a) | $871,946,891 | $820,413,438 | $795,845,448 | $747,481,135 | $717,925,244[3] |
| **Fiduciary net position:** | | | | | |
| Contributions - employers' | $ 30,485,006 | $ 26,333,815 | $ 24,647,132 | $ 23,702,064 | $ 20,430,644 |
| Contributions - members' | 8,185,773 | 7,053,907 | 6,820,687 | 6,544,192 | 5,996,462 |
| Net investment income (loss) | (67,368,382) | 166,513,422 | 14,798,656 | 19,959,117 | 45,271,985 |
| Benefit payments, including refunds of employee contributions | (44,346,543) | (41,076,641) | (38,777,787) | (36,674,901) | (34,153,672) |
| Administrative expense | (1,462,771) | (1,372,414) | (1,226,492) | (1,233,416) | (1,142,175) |
| Other | - | - | - | - | - |
| Net change in fiduciary net position | (74,506,917) | 157,452,089 | 6,262,196 | 12,297,056 | 36,403,244 |
| Fiduciary net position - beginning of year | 696,441,302 | 538,989,213 | 532,727,017 | 520,429,961 | 484,026,717 |
| Fiduciary net position - end of year (b) | $621,934,385 | $696,441,302 | $538,989,213 | $532,727,017 | $520,429,961 |
| Net pension liability - end of year (a) - (b) | $250,012,506 | $123,972,136 | $256,856,235 | $214,754,118 | $197,495,283 |
| Fiduciary net position as a % of the total pension liability | 71.3% | 84.9% | 67.7% | 71.3% | 72.5% |
| Covered payroll[4] | $ 81,780,476 | $ 77,319,043 | $ 72,040,768 | $ 68,254,197 | $ 64,340,578 |
| Net pension liability as a % of covered payroll | 305.7% | 160.3% | 356.5% | 314.6% | 307.0% |

[1] The service cost is based on the previous year's valuation, meaning the 2022 and 2021 values are based on the valuations as of June 30, 2021, and June 30, 2020, respectively. Both service costs have been calculated using the assumptions shown in Note 6 to the basic financial statements.
[2] Includes a decrease of approximately $0.1 million in the service cost as a result of a refinement in the method used to allocate the present value of benefits between the TPL and the present value of future service costs.
[3] Includes an increase of approximately $0.5 million in the TPL as a result of a refinement in the method used to allocate the present value of benefits between the TPL and the present value of future service costs.
[4] Covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based.
[5] We have reflected the reduction in retiree and beneficiary benefits under the Alameda Decision, and corrections under the Voluntary Correction Program as experience gains and losses rather than as a plan amendment for the reasons discussed on page 5 and 6 of the June 30, 2022 GASB 67 report.

# Schedules of Changes in Net Pension Liability and Related Ratios (Continued)

**Schedules of Changes in Net Pension Liability and Related Ratios**
For 2017, 2016, 2015, 2014 and 2013

| | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|---|---|---|---|---|---|
| **Total pension liability (TPL):** | | | | | |
| Service cost[1] | $ 12,356,900 | $ 12,125,153 | $ 12,058,526 | $ 11,762,194 | $ 12,083,893 |
| Interest | 45,532,301 | 44,005,882 | 42,156,056 | 39,412,370 | 37,805,390 |
| Change of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (5,836,962) | (3,396,702) | 1,787,516 | (8,040,343) | (1,868,814) |
| Changes in assumptions | 28,220,986 | - | - | 58,186,913 | - |
| Benefit payments, including refunds of employee contributions | (32,765,402) | (31,058,643) | (30,049,133) | (27,353,529) | (26,573,554) |
| Net change in total pension liability | 47,507,823 | 21,675,690 | 25,952,965 | 73,967,605 | 21,446,915 |
| Total pension liability - beginning of year | 632,057,539 | 610,381,849 | 584,428,884 | 510,461,279 | 489,014,364 |
| Total pension liability - end of year (a) | $ 679,565,362 | $ 632,057,539 | $ 610,381,849 | $ 584,428,884 | $ 510,461,279 |
| **Fiduciary net position:** | | | | | |
| Contributions - employers' | $ 19,116,426 | $ 19,129,191 | $ 15,164,044 | $ 14,324,752 | $ 14,260,473 |
| Contributions - members' | 5,753,907 | 5,544,925 | 4,651,960 | 4,575,895 | 4,712,593 |
| Net investment income (loss) | 66,669,864 | (10,352,325) | 13,201,309 | 68,294,844 | 48,890,492 |
| Benefit payments, including refunds of employee contributions | (32,765,402) | (31,058,643) | (30,049,133) | (27,353,529) | (26,573,554) |
| Administrative expense | (1,086,089) | (1,142,493) | (1,059,272) | (930,437) | (829,999) |
| Other | - | - | - | 200,106 | - |
| Net change in fiduciary net position | 57,688,706 | (17,879,345) | 1,908,908 | 59,111,631 | 40,460,005 |
| Fiduciary net position - beginning of year | 426,338,011 | 444,217,356 | 442,308,448 | 383,196,817 | 342,736,812 |
| Fiduciary net position - end of year (b) | $ 484,026,717 | $ 426,338,011 | $ 444,217,356 | $ 442,308,448 | $ 383,196,817 |
| Net pension liability - end of year (a) - (b) | $195,538,645 | $205,719,528 | $166,164,493 | $142,120,436 | $127,264,462 |
| Fiduciary net position as a % of the total pension liability | 71.2% | 67.5% | 72.8% | 75.7% | 75.1% |
| Covered payroll[2] | $ 59,801,480 | $ 57,407,928 | $ 54,891,785 | $ 53,813,882 | $ 53,254,876 |
| Net pension liability as a % of covered payroll | 327.0% | 358.3% | 302.7% | 264.1% | 239.0% |

[1] The service cost is based on the previous year's valuation, meaning the 2022 and 2021 values are based on the valuations as of June 30, 2021, and June 30, 2020, respectively. Both service costs have been calculated using the assumptions shown in Note 6 to the basic financial statements.
[2] Covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based.

# Schedule of Employer Contributions

### Schedule of Employer Contributions (Dollar Amounts in Thousands)

| Year Ended | Actuarially Determined Contribution[1] | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll [2] | As a % of Covered Payroll: Actuarially Determined Contribution | As a % of Covered Payroll: Actual Employer Contribution |
|---|---|---|---|---|---|---|
| 6/30/13 | 14,260 | 14,260 | - | 53,254 | 27% | 27% |
| 6/30/14 | 14,325 | 14,325 | - | 53,813 | 27% | 27% |
| 6/30/15 | 15,164 | 15,164 | - | 54,891 | 28% | 28% |
| 6/30/16 | 19,129 | 19,129 | - | 57,407 | 33% | 33% |
| 6/30/17 | 19,116 | 19,116 | - | 59,801 | 32% | 32% |
| 6/30/18 | 20,431 | 20,431 | - | 64,341 | 32% | 32% |
| 6/30/19 | 23,702[3] | 23,702[3] | - | 68,254 | 35% | 35% |
| 6/30/20 | 24,647 | 24,647 | - | 72,041 | 34% | 34% |
| 6/30/21 | 26,334 | 26,334 | - | 77,319 | 34% | 34% |
| 6/30/22 | 30,485 | 30,485 | - | 81,780 | 37% | 37% |

[1] Prior to year ended June 30, 2014, this amount was the Annual Required Contribution (ARC).
[2] Covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based.
[3] This amount includes additional UAAL contributions made by the Mendocino County Superior Court and the Russian River Cemetery District in FY 2018/2019 based on the minimum dollar UAAL amortization amount for FY 2017/2018. The Mendocino County Superior Court and the Russian River Cemetery District had paid $31,588 and $5,949 less than the minimum UAAL contributions in FY 2017/2018, respectively.

# Schedule of Investment Returns

### Schedule of Investment Returns

| Fiscal Year | Annual Money-Weighted Rate of Return, Net of Investment Management Fees[1] |
|---|---|
| 2013 | N/A |
| 2014 | 18.00% |
| 2015 | 3.10% |
| 2016 | (2.19)% |
| 2017 | 16.10% |
| 2018 | 9.63% |
| 2019 | 4.00% |
| 2020 | 2.97% |
| 2021 | 31.40% |
| 2022 | (9.73)% |

[1] Data for the money-weighted rate of return is not available for years prior to FY 2014.

# Notes to Required Supplementary Information

## Note 1 – Schedule of Changes in Net Pension Liability and Related Ratios

The total pension liability contained in this schedule was obtained from Mendocino County Employees' Retirement Association (MCERA)'s actuary, The Segal Group.

The service cost is based on the previous year's valuation, meaning the 2022 and 2021 values are based on the valuations as of June 30, 2021 and June 30, 2020, respectively. The actuarial assumptions are described in Note 3 below.

Covered payroll shown represents Compensation Earnable and Pensionable Compensation. Only Compensation Earnable and Pensionable Compensation that would go into the determination of retirement benefits are included.

### Change in Assumptions

Triennially, MCERA requests the actuary perform an analysis of all economic and non-economic assumptions in the form of an Experience Study. The most recent triennial analysis was performed as of June 30, 2020, for the period of July 1, 2016 through June 30, 2019. Based on the results of this study, the Board of Retirement adopted new economic assumptions effective with the June 30, 2020 valuation. These key methods and assumption changes included adjusting the investment return from 7.00% to 6.75%; adjusting inflation from 3.00% to 2.75%; and mortality rate table changes. We have reflected the reduction in retiree and beneficiary benefits and contribution refunds under the Alameda Decision, and corrections under the Voluntary Correction Program as experience gains and losses rather than as a plan amendment for the reasons discussed on pages 5 and 6 of the June 30, 2022 GASB Statement No. 67 report. See Note 6 in the notes to the basic financial statements for details on the current actuarial methods and assumptions used in the June 30, 2022 actuarial valuation.

## Note 2 – Schedule of Investment Returns

The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Note 3 – Actuarial Assumptions Used in Determining the Actuarially Determined Contributions

The actuarial determined contribution rates for the fiscal year ended June 30, 2022, are calculated based on the June 30, 2020 actuarial valuation (two years prior to the end of the fiscal year in which contributions are reported). Details of the actuarial methods and assumptions used for the valuation are as follows:

| | |
|---|---|
| Valuation date | June 20, 2020 |
| Actuarial cost method | Entry age cost method (individual basis) |
| Amortization method | Level % of payroll for total unfunded liability |
| Remaining amortization period | 19 years (closed) for all unfunded actuarial accrued liability (UAAL) remaining as of June 30, 2020. |

## Note 3 – Actuarial Assumptions Used in Determining the Actuarially Determined Contributions (Continued)

| | |
|---|---|
| Asset valuation method | Fair value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized over a five year period, further adjusted, if necessary, to be within 25% of the fair value. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves. |
| Actuarial assumptions: | |
| Investment rate of return | 6.75% for 2020 |
| Inflation rate | 2.75% for 2020 |
| Real across-the-board salary increase | 0.50% |
| Projected salary increases* | 4.25% to 8.25% for 2020 |
| *Includes inflation at | 2.75% for 2020 plus real across-the-board salary increase of 0.50% plus merit and longevity increases. |
| Cost of living adjustments | 2.75% for 2020 of retirement income |
| Mortality for healthy members and all beneficiaries | ***General Members:*** Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables with rates decreased by 5% for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>***Safety and Probation Members:*** Pub-2010 Safety Healthy Retiree Amount-Weight Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>***All Beneficiaries:*** Pub-2010 Contingent Survivor Amount-Weighted Mortality Tables with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019. |

## Note 3 – Actuarial Assumptions Used in Determining the Actuarially Determined Contributions (Continued)

| | |
|---|---|
| Years of life expectancy after disability | ***General Members:*** Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables, with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019.<br>***Safety and Probation Members:*** Pub-2019 Safety Disabled Retiree Amount-Weighted Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2019. |
| Life expectancy after retirement for employee contribution rate purposes | ***General Members:*** Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables with rates decreased by 5% for males and increased by 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 30% male and 70% female.<br>***Safety and Probation Members:*** Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Tables, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 80% male and 20% female. |

# Other Supplementary Information

## Schedule of Investment Management Fees and Other Investment Expenses

For the Fiscal Year Ended June 30, 2022

| Investment Management Fees | Direct |
|---|---|
| Domestic Equities – Large Cap | $ 2,498 |
| International Equities | 608,018 |
| Infrastructure | 201,251 |
| Investment Consultant | 181,617 |
| Custodial Bank | 66,346 |
| Actuarial Expense | 70,000 |
| Other Investment Expense | 63,641 |
| Total Investment Expenses | $ 1,193,371 |

## Schedule of Payments to Consultants (Other Than Investment Managers)

For the Fiscal Year Ended June 30, 2022

| | 2022 |
|---|---|
| Actuarial Expense | $ 70,000 |
| Audit Services | 41,200 |
| Investment Consultant | 181,617 |
| Custodian Services | 66,346 |
| General Consultant | 85,327 |
| Pension IT Services | 193,508 |
| Disability Medical Reviews | 17,500 |
| Legal Counsel | |
| General | 194,285 |
| Disability | - |
| Total Payments to Consultants | $ 849,783 |

# Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2022

| | |
|---|---|
| **Personnel Services:** | |
| Salaries and Wages | $ 505,487 |
| Other Benefits | 84,338 |
| Employee Retirement | 173,325 |
| Total Personnel Services | 763,150 |
| **Professional Services:** | |
| Legal Expense – General | 194,285 |
| Outside Legal Counsel – Disability | - |
| Disability Medical Review | 17,500 |
| General Consultant - Actuary | 85,327 |
| External Audit Fees | 41,200 |
| Total Professional Services | 338,312 |
| **Miscellaneous:** | |
| Office Expenses | 27,667 |
| Rent and Leases | 54,645 |
| Memberships | 5,920 |
| Board Meeting Stipends and Contracts | 42,611 |
| Training and Travel | 8,336 |
| Total Miscellaneous | 139,179 |
| **Total Administrative Expenses[1]** | $ 1,240,641 |
| Total Information Technology (IT) Expense | $ 222,130 |
| **Total Administrative and IT Expense** | $ 1,462,771 |

[1] Excludes Information Technology expenses as defined in Government Code Section 31580.2.

Administrative Budget: Government Code § 31580.2 states in part, "…the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed the greater of the following: 1) Twenty-one hundredths of 1 percent of the accrued actuarial liability of the retirement system. 2) Two million dollars ($2,000,000) …". MCERA's administrative expenses met the requirements of this section in fiscal year 2021-22 as the total expenses excluding IT expense were less than the administrative cap at 21/100% of the accrued actuarial liability.

# Investment Section

Callan

FUND
SPONSOR
CONSULTING

**Performance Summary**

## Mendocino County Employees' Retirement Association

## Executive Summary

## Fiscal Year Ended June 30, 2022

### Market Overview

There was no shortage of challenges facing the world as we closed out the 2022 fiscal year: the relentless and tragic war in Ukraine, persistent and widespread inflation, startling rate hikes to the Fed Funds rate, a stubborn virus, and escalating concerns over a slowing global economy. Global bond and stock markets sank in the last quarter of the fiscal year, with the S&P 500 Index officially in a bear market. Headline CPI was 8.6% year-over-year (YOY), the highest in four decades. Food and energy prices rose sharply, and supply chain issues have not yet been resolved, adding further pressure to prices in some sectors. Central bank rate hikes were expected around the globe while the economic effects of the Russian invasion of Ukraine have been especially painful in Europe, which has relied heavily on Russia for its energy needs.

Going into the end of June, markets were expecting another 75 bps rate hike at the July Fed meeting with more hikes following, bringing the calendar year-end target to 3.5%, slightly above the median Fed projection of 3.4%. The Fed also began to reduce the size of its $9 trillion balance sheet by letting as much as $95 billion of U.S. Treasuries/mortgages mature without reinvesting the proceeds. Real GDP decreased at an annual rate of 1.6% in CY1Q following a 6.9% increase in CY4Q. Expectations for CY2Q are mixed, but the popular Atlanta Fed's GDPNow model-based tool is predicting a decline of 2.1%, while the median expectation from the Fed is a 1.7% increase, although that is down from 2.8% in March.

The Conference Board's Consumer Confidence Index, which gauges consumers' six-month outlook for jobs and the economy, has fallen sharply in 2022. The June reading for the expectations component of the Index, which measures consumers' short-term outlook about the labor market, business, and income, was the lowest since 2013. Consumer sentiment as measured by the University of Michigan survey fell to an all-time low in June. The Michigan survey tends to be more sensitive to gas prices. While consumer balance sheets remain reasonably robust given healthy savings during the pandemic, the savings rate and real personal disposable income have dipped as inflation has taken a bite out of balance sheets.

Business sentiment was equally bleak. In June, the National Federation of Independent Business (NFIB) reported that small businesses continue to face acute labor shortages, with just over half stating they have job openings that they cannot fill. Labor quality remains a top-of-mind concern, followed closely by inflation. Nearly 50% reported increasing compensation and 72% reported raising prices, the highest level in the 48-year history of the index. Similarly, the NFIB Optimism Index showed that owners expecting better business conditions over the next six months hit a record low. Importantly, small businesses account for roughly half of total employment in the U.S.

In contrast to this gloomy news, the labor market remained strong, with 10.7 million job openings on the last business day of June, according to the U.S. Bureau of Labor Statistics. Job gains have averaged more than 400,000 per month in 2022, and unemployment remains low (3.5% as of June). Housing is another bright spot unless you are a first-time buyer. Home prices remain sky-high; the S&P CoreLogic Case-Shiller U.S. National Home Price Index jumped 20.5% YOY as of May 2022 while housing inventory remained low.

U. S. equity markets finished the fiscal year 2022 in the red for the first time in five years. The Russell 3000 Index, a measure of broad U.S. equity, was up 9.17% at the end of the 2021 calendar year before falling 5.28% in 1Q and 16.70% in 2Q on concerns over rising rates and a slowing economy; the Index is down 13.87% for the one-year period ended June 30, 2022. Overseas markets were also broadly negative for the fiscal year hurt by elevated energy prices, COVID lockdowns in China, and U.S. dollar strength. The MSCI ACWI ex-U.S. (Net) Index, a large- and mid-cap benchmark reflecting developed and emerging markets, but excluding U.S. equities, declined 13.73% for the quarter and 19.42% for the fiscal year. The MSCI All Country World Index (Net), a broad measure of the total global equity market (including the U.S.), fell 15.66% in for the quarter and 15.75% for the fiscal year.

As expected, the Fed raised rates at its March and May meetings by 25 bps and 50 bps, respectively. May’s CPI print wreaked havoc on the markets and spurred the Fed to raise rates by 75 bps in June, the largest hike since 1994, to a 1.50% - 1.75% target with another 75 bps hike expected in July. The Bloomberg U.S. Aggregate Bond Index, a widely-used gauge of the investment grade domestic U.S. bond market, had its worst two consecutive quarters in history dropping 5.93% in 1Q and 4.69% in 2Q bringing its fiscal year loss to 10.29%. The 10-year U.S. Treasury hit an intra-quarter high of 3.49% in June, the highest since 2011, before closing the fiscal year at 2.98%.

The following table highlights the various asset class benchmark returns by quarter and for the fiscal year.

| **Index** | **3Q21** | **4Q21** | **1Q22** | **2Q22** | **Fiscal Year** |
|---|---|---|---|---|---|
| US Equity (Russell 3000) | -0.1% | 9.3% | -5.3% | -16.7% | -13.9% |
| Intl Equity (MSCI ACWI ex-U.S.) | -3.0% | 1.8% | -5.4% | -13.7% | -19.4% |
| Real Estate (NFI-ODCE) | 6.7% | 7.4% | 7.8% | 4.3% | 28.9% |
| Fixed Income (Bloomberg Aggregate) | 0.1% | 0.0% | -5.9% | -4.7% | -10.3% |

## Asset Allocation

As of June 30, 2022, the assets of MCERA were valued at $622.0 million, down from the total asset value at the start of the fiscal year, July 1, 2021, of $695.8 million. Approximately $67.1 million in unrealized investment losses and $6.8 million in net withdrawals accounted for the decrease in assets. Actual allocation to domestic equity, international equity, and domestic fixed income were relatively underweight to that of the target and was offset by a relative overweight to domestic real estate. All asset classes remain within their permitted ranges.

| Asset Class | $000s Actual | Weight Actual | Target | Percent Difference | $000s Difference |
|---|---|---|---|---|---|
| Domestic Equity | 217,050 | 34.9% | 37.0% | (2.1%) | (13,110) |
| International Equity | 147,244 | 23.7% | 25.0% | (1.3%) | (8,269) |
| Domestic Fixed Income | 125,692 | 20.2% | 21.0% | (0.8%) | (4,938) |
| Infrastructure | 36,025 | 5.8% | 6.0% | (0.2%) | (1,298) |
| Domestic Real Estate | 94,426 | 15.2% | 11.0% | 4.2% | 26,000 |
| Cash | 1,615 | 0.3% | 0.0% | 0.3% | 1,615 |
| Total | 622,052 | 100.0% | 100.0% | | |

## Total Fund Performance

MCERA's Total Fund lost 9.72% for the fiscal year ending June 30, 2022, underperforming the Policy Index's -8.20% return on a time weighted return basis. For the same time period measured, MCERA's money-weighted rate of return net of investment fees was down 9.73%.

As shown in the fiscal year attribution below, active management contributed to underperformance in all asset classes other than domestic equity, while the effect from deviations from the policy target had a negligible impact.

**One Year Relative Attribution Effects**

| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|---|---|---|---|---|---|---|---|
| Domestic Equity | 38% | 37% | (12.72%) | (13.87%) | 0.43% | 0.04% | 0.47% |
| Domestic Fixed Income | 21% | 21% | (10.54%) | (10.29%) | (0.06%) | (0.02%) | (0.08%) |
| Domestic Real Estate | 11% | 11% | 27.66% | 28.90% | (0.12%) | 0.28% | 0.17% |
| International Equity | 26% | 26% | (23.13%) | (19.01%) | (1.22%) | (0.01%) | (1.23%) |
| Priv Core Infra | 4% | 5% | 10.31% | 28.90% | (0.56%) | (0.29%) | (0.85%) |
| Cash | 0% | 0% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Total** | | | (9.72%) = | (8.20%) + | (1.52%) + | 0.00% | (1.52%) |

Overall, the Total Fund ranked in the 49th percentile within Callan's Public Fund Sponsor universe for the fiscal year. Longer term annualized Total Fund returns are roughly in-line with the Policy Index and rank favorably versus other public fund sponsors, finishing 17th, 15th, and 9th for the trailing 5-, 7-, and 10-year periods, respectively.

## Summary

Markets have been both punishing and humbling in the 2022 fiscal year. The ability of central banks to dampen high and widespread inflation without causing recessions remains a key question for investors. The war in Ukraine and its ultimate implications also weighs heavily. Stock and bond markets have undergone significant corrections, but we expect volatility to continue to be a key theme given significant tail risks. As such, Callan continues to advise adherence to a disciplined investment process that includes a well-defined long-term asset allocation policy and, if applicable, to understand the risks undertaken to improve expected investment returns. The Plan remains well diversified across the broad capital markets and across many different investment strategies.

Submitted by:

| | | |
|---|---|---|
| Greg DeForrest, CFA<br>Senior Vice President | Claire Telleen, CFA<br>Senior Vice President | Hannah Vieira<br>Assistant Vice President |

# Outline of Investment Policies and Objectives

The Board of Retirement (Board) has exclusive control of all investments of the retirement system and is responsible for establishing investment objectives, strategies and policies.

Pursuant to the California Constitution and the 1937 County Employees Retirement Act, the Board is authorized to invest in any form or type of investment deemed prudent in the informed judgment of the Board. In making decisions regarding the MCERA investment portfolio, the Board acts in a fiduciary capacity and must discharge its duties in accordance with fiduciary principles. In this regard, investment decisions are to be made in the sole interest and for the exclusive purpose of providing benefits to participants in the retirement system and their beneficiaries and defraying the reasonable expenses of administering the retirement system.

The Board of Retirement has adopted an Investment Policy, which provides the framework for the management of MCERA's investments. The Investment Policy establishes the general goals of the investment program, the policies and procedures for management of the investments, specific assets allocations, rebalancing procedures and investment guidelines, performance objectives and risk controls. The Investment Policy also defines the principal duties of the Board, MCERA's investment consultant and MCERA's investment managers. The Board makes revisions to the Investment Policy as necessary.

Pursuant to the Investment Policy, the basic goal of MCERA's investment program is to obtain a fully funded plan status, while assuming a risk posture consistent with the Board's risk tolerance. In pursuing this goal, the Board has adopted a long-term investment horizon in which the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The primary investment objective is to meet the actuarial assumption for return on assets. The risk assumed in the pursuit of this investment objective must be appropriate for the return anticipated and consistent with the total diversification of the fund. All transactions undertaken will be for the sole benefit of MCERA's members and beneficiaries and for the exclusive purpose of providing benefits to them, minimizing contributions to the Plan and defraying reasonable associated administrative expenses.

The asset allocation plan adopted by the Board is an integral part of MCERA's investment program. It is designed to provide an optimum, diversified mix of asset classes with return expectations to satisfy expected liabilities, while minimizing risk exposure.

# Investment Returns

### Investment Returns[1] for the Fiscal Year Ended June 30, 2022

| | Fair Value | % of Assets | Current Year Return | 3 Year Return | 5 Year Return |
|---|---|---|---|---|---|
| **Domestic Equities** | **$217,049,977** | **34.89%** | **-12.72%** | **10.28%** | **10.94%** |
| Russell 3000 Index | | | -13.87% | 9.77% | 10.60% |
| **Large Cap Equities** | **$154,017,544** | **24.76%** | | | |
| Vanguard S&P 500 Index | 154,017,544 | 24.76% | -10.64% | 10.58% | 11.29% |
| S&P 500 Index | | | -10.62% | 10.60% | 11.31% |
| **Mid Cap Equities** | **$32,897,702** | **5.29%** | | | |
| Fidelity Low Priced Stock | 16,871,376 | 2.71% | -9.87% | 9.73% | 8.14% |
| Russell MidCap Value Index | | | -10.00% | 6.70% | 6.27% |
| Janus Enterprise | 16,026,326 | 2.58% | -14.50% | 6.62% | 11.02% |
| Russell MidCap Growth Index | | | -29.57% | 4.25% | 8.88% |
| **Small Cap Equities** | **$30,134,731** | **4.84%** | | | |
| Prudential Small Cap Value | 15,839,925 | 2.55% | -7.97% | 8.90% | 4.44% |
| MSCI US Small Cap Value Index | | | -10.66% | 6.93% | 5.44% |
| Russell 2000 Value Index | | | -16.28% | 6.18% | 4.89% |
| AB US Small Growth | 14,294,807 | 2.30% | -37.90% | 2.60% | 10.20% |
| Russell 2000 Growth Index | | | -33.43% | 1.40% | 4.80% |

[1] All return figures were calculated by MCERA's investment consultant and presented net of investment manager fees and time-weighted. Some figures may not total exactly due to rounding.

### Investment Returns[1] for the Fiscal Year Ended June 30, 2022, continued:

| | Fair Value | % of Assets | Current Year Return | 3 Year Return | 5 Year Return |
|---|---|---|---|---|---|
| **International Equities** | **$147,243,715** | **23.67%** | **-23.13%** | **1.99%** | **1.92%** |
| EuroPacific | 25,949,689 | 4.17% | -27.68% | 1.49% | 3.10% |
| Harbor International | 29,625,287 | 4.76% | -19.39% | 2.18% | 0.94% |
| Oakmark International | 28,195,145 | 4.53% | -22.75% | 1.00% | -0.01% |
| Mondrian International | 29,325,792 | 4.71% | -15.40% | 0.35% | 1.20% |
| MSCI EAFE Index | | | -17.77% | 1.07% | 2.20% |
| MSCI ACWI ex-US Index | | | -19.01% | 1.81% | 2.98% |
| T-Rowe Price Int'l Small Cap | 19,884,625 | 3.20% | -31.40% | 4.71% | - |
| MSCI ACWI ex US Small Cap | | | -22.45% | 2.94% | 2.55% |
| NinetyOne Emerging Markets Equity | 14,263,177 | 2.29% | -24.77% | 0.98% | 2.38% |
| MSCI Emerging Markets Index | | | -25.28% | 0.57% | 2.18% |
| **Domestic Fixed Income** | **$125,692,476** | **20.21%** | **-10.54%** | **-0.21%** | **1.37%** |
| Dodge & Cox Income | 62,459,347 | 10.04% | -9.96% | 0.29% | 1.72% |
| PIMCO Total Return | 63,233,129 | 10.17% | -11.11% | -0.77% | 0.99% |
| BC Aggregate Index | | | -10.29% | -0.93% | 0.88% |
| **Infrastructure** | **$36,025,184** | **5.79%** | **10.31%** | - | - |
| IFM Global Infrastructure | 17,955,086 | 2.89% | - | - | - |
| JP Morgan IIF Infrastructure | 18,070,098 | 2.90% | 10.08% | - | - |
| NFI-ODCE Equal Weight Index | | | 28.90% | 12.28% | 10.07% |
| **Real Estate** | **$94,426,198** | **15.18%** | **27.66%** | **11.86%** | **9.93%** |
| Real Estate Custom Benchmark [2] | | | 28.90% | 12.28% | 10.07% |
| RREEF Private Fund | 47,626,707 | 7.66% | 32.09% | 13.29% | 10.79% |
| Barings Core Property Fund | 45,049,491 | 7.24% | 24.14% | 10.04% | 8.72% |
| NFI-ODCE Equal Weight Index | | | 28.90% | 12.28% | 10.07% |
| 625 Kings Court | 1,750,000 | 0.28% | 5.31% | 17.39% | 15.82% |
| **Cash** | **$1,614,712** | **0.26%** | | | |
| **Total Fund** | **$622,052,262** | **100.00%** | **-9.72%** | **7.03%** | **6.91%** |
| Total Fund Benchmark [3] | | | -8.20% | 6.82% | 7.15% |

[1] All return figures were calculated by MCERA's investment consultant and presented net of investment manager fees and time-weighted. Some figures may not total exactly due to rounding.
[2] Real Estate Custom Benchmark is 50% NAREIT Composite Index and 50% NFI-ODCE Equal Weight Net through 12/31/2011; 20% NAREIT Composite Index and 80% NFI-ODCE Equal Weight Net through 12/31/2016 and NFI-ODCE Equal Wt Net thereafter.
[3] Current Quarter Target = 37.5% Russell 3000 Index, 27.0% MSCI ACWI ex US Index, 21.5% Blmbr Aggregate, 11.0% NCREIF NFI-ODCE Eq Wt Net and 3.0% NCREIF NFI-ODCE Eq Wt Net.

# Asset Allocation

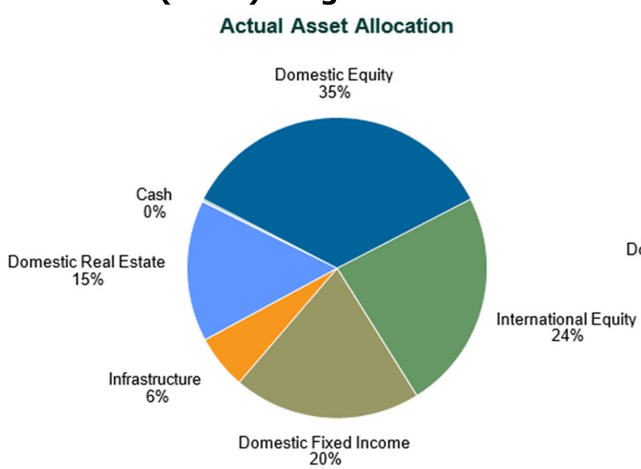
The Board reviews the Association's investment results each quarter. Periodically, the Board reviews the asset allocation, taking into consideration the latest actuarial study. Based on this review, the Board adopts an asset allocation mix with the goal of helping the Association achieve a fully funded status. Each asset class has a target allocation. The Association treats these targets as long-term funding objectives. Adhering to these targets allows the Association to keep investment risk at a manageable level and minimizes investment costs.

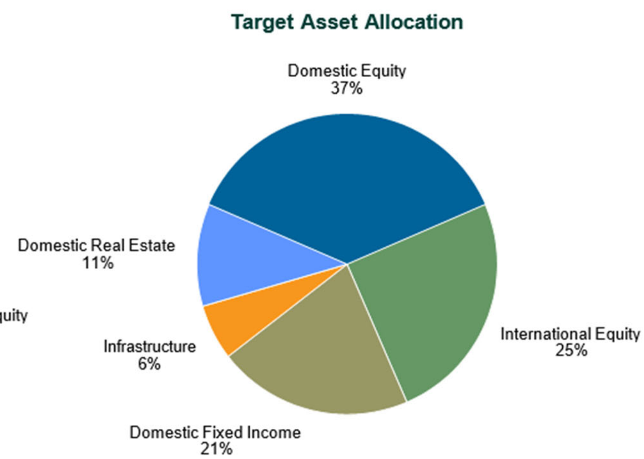
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-year) to ensure that the current allocation continues to meet the Association's needs.

Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on behalf of the Association, subject to investment guidelines incorporated into each fund's investment management mandate.

A comparison of the current asset allocation with the previous fiscal year's asset allocation is provided below and on the following page. The current target allocation vs. actual allocation graph is displayed below:

**Current Year (FY22) Target Asset vs Actual Asset Allocation [1]**

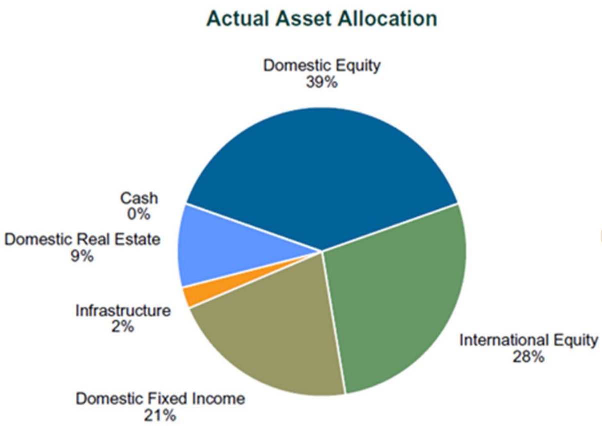


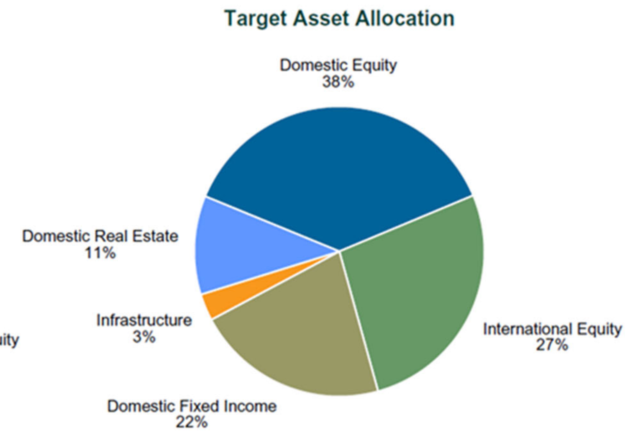




| Asset Class | $000s Actual | Weight Actual | Target | Percent Difference | $000s Difference |
|---|---|---|---|---|---|
| Domestic Equity | 217,050 | 34.9% | 37.0% | (2.1%) | (13,110) |
| International Equity | 147,244 | 23.7% | 25.0% | (1.3%) | (8,269) |
| Domestic Fixed Income | 125,692 | 20.2% | 21.0% | (0.8%) | (4,938) |
| Infrastructure | 36,025 | 5.8% | 6.0% | (0.2%) | (1,298) |
| Domestic Real Estate | 94,426 | 15.2% | 11.0% | 4.2% | 26,000 |
| Cash | 1,615 | 0.3% | 0.0% | 0.3% | 1,615 |
| Total | 622,052 | 100.0% | 100.0% | | |

[1] Some figures may not total exactly due to rounding.

## Prior Year (FY21) Target Asset vs Actual Asset Allocation [1] (For Comparison Purposes)




| Asset Class | $000s Actual | Weight Actual | Target | Percent Difference | $000s Difference |
|---|---|---|---|---|---|
| Domestic Equity | 272,657 | 39.2% | 37.5% | 1.7% | 11,668 |
| International Equity | 193,406 | 27.8% | 27.0% | 0.8% | 5,493 |
| Domestic Fixed Income | 147,625 | 21.2% | 21.5% | (0.3%) | (2,009) |
| Infrastructure | 16,418 | 2.4% | 3.0% | (0.6%) | (4,461) |
| Domestic Real Estate | 65,756 | 9.4% | 11.0% | (1.6%) | (10,801) |
| Cash | 110 | 0.0% | 0.0% | 0.0% | 110 |
| Total | 695,972 | 100.0% | 100.0% | | |

**Asset Allocation June 30, 2022**

| Asset Class | Fair Value | Actual Allocation | Target Allocation |
|---|---|---|---|
| Domestic Equities | $ 217,049,978 | 34.89% | 37.00% |
| International Equities | 147,243,714 | 23.67% | 25.00% |
| Domestic Fixed Income | 125,692,476 | 20.21% | 21.00% |
| Infrastructure | 36,025,184 | 5.79% | 6.0% |
| Domestic Real Estate | 94,426,198 | 15.18% | 11.00% |
| Cash | 1,614,712 | 0.26% | 0.00% |
| Total Portfolio | $ 622,052,262 | 100.00% | 100.00% |

**Asset Allocation June 30, 2021**
**(For Comparison Purposes)**

| Asset Class | Fair Value | Actual Allocation | Target Allocation |
|---|---|---|---|
| Domestic Equities | $ 272,657,303 | 39.18% | 37.50% |
| International Equities | 193,405,783 | 27.79% | 27.00% |
| Domestic Fixed Income | 147,625,144 | 21.21% | 21.50% |
| Infrastructure | 16,418,290 | 2.36% | 3.0% |
| Domestic Real Estate | 65,755,697 | 9.45% | 11.00% |
| Cash | 110,149 | 0.02% | 0.00% |
| Total Portfolio | $ 695,972,366 | 100.00% | 100.00% |

[1] Some figures may not total exactly due to rounding.

# Schedule of Investment Management Fees and Other Investment Expenses

**For the Fiscal Year Ended June 30, 2022**

| Investment Management Fees | Direct | Fund Level | Total |
|---|---|---|---|
| Domestic Equities – Large Cap | $ 2,498 | $ 36,350 | $ 38,848 |
| Domestic Equities – Mid Cap | - | 260,617 | 260,617 |
| Domestic Equities – Small Cap | - | 249,074 | 249,074 |
| International Equity Funds | 608,018 | 627,405 | 1,235,422 |
| Infrastructure | 201,251 | - | 201,251 |
| Fixed Income Funds | - | 633,661 | 633,661 |
| Real Estate | - | 709,032 | 709,032 |
| Investment Consultant | 181,617 | - | 181,617 |
| Custodial Bank | 66,346 | - | 66,346 |
| Actuarial Expense | 70,000 | - | 70,000 |
| Other Investment Expense | 63,641 | - | 63,641 |
| Total Investment Expenses | $ 1,193,371 | $ 2,516,140 | $ 3,709,510 |

# List of Investment Managers

June 30, 2022

## Large Cap Equity
Vanguard S&P 500 Index

## Mid Cap Equity
Fidelity Low Priced Stock
Janus Enterprise

## Small Cap Equity
Prudential Small Cap Value
AB US Small Growth

## Infrastructure
JP Morgan IIF
IFM Global Infrastructure Fund

## International Equity
American Funds EuroPacific
Harbor International
Oakmark International
Mondrian International
NinetyOne Emerging Markets Equity
T-Rowe Price Int'l Small Cap

## Fixed Income
Dodge & Cox Income
PIMCO Total Return

## Real Estate
RREEF America REIT II
Barings Core Property Fund

# Schedule of Top Ten Portfolio Holdings

June 30, 2022

**Schedule of Top Ten Portfolio Holdings[1], June 30, 2022**

| Ticker | Asset Class | Fund Name | Fair Value |
|---|---|---|---|
| VIIIX | Equity | Vanguard S&P 500 Index | $ 154,017,543 |
| PTTRX | Fixed Income | PIMCO - Total Return | 63,233,129 |
| DODIX | Fixed Income | Dodge & Cox - Income | 62,459,347 |
| N/A | Real Estate | RREEF America REIT II | 47,626,707 |
| N/A | Real Estate | Barings Core Property Fund | 45,049,491 |
| HNINX | Equity | Harbor International | 29,625,287 |
| N/A | Equity | Mondrian International | 29,325,792 |
| N/A | Equity | Oakmark International CIT | 28,195,145 |
| RERGX | Equity | American Funds EuroPacific | 25,949,689 |
| N/A | Equity | T. Rowe Price Int'l Small Cap | 19,884,625 |
| | | Total Top 10 Securities | $ 505,366,755 |

Note: A complete list of holdings is available upon request.

[1] MCERA owns commingled vehicles and does not directly hold individual stocks or bonds.

# Actuarial Section

# Actuary’s Certification Letter

Segal

180 Howard Street
Suite 1100
San Francisco, CA 94105-6147
segalco.com

**Via Email**

November 17, 2022

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

**Re: June 30, 2022 Actuarial Valuation for the Mendocino County Employees’ Retirement Association**

Dear Members of the Board:

Segal prepared the June 30, 2022 annual actuarial valuation of the Mendocino County Employees’ Retirement Association (MCERA). 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 set by the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed on an annual basis. The actuarial calculations presented in the valuation report have been made on a basis consistent with our understanding of the historical funding methods used in the determination of the liability for retirement benefits.

The June 30, 2022 actuarial valuation is based on the plan of benefits verified by MCERA and on participant and financial data provided by MCERA. Segal conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year’s data. 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 market 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 contribution rates that fully fund the Association’s liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Actuarial funding is based on the Entry Age Cost Method. The employer contribution rate provides for both current cost (normal cost) and a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

5744040v4/13459.001

Board of Retirement
Mendocino County Employees' Retirement Association
November 17, 2022
Page 2

For the June 30, 2022 valuation baseline results, we applied the Board's funding policy to amortize the outstanding balance of the Association's UAAL from the June 30, 2012 valuation over a declining period. On December 15, 2021, and as part of the June 30, 2021 valuation, the Board reduced the amortization period for the 2012 UAAL restart layer by 3 years, from 18 years remaining as of June 30, 2021 to 15 years (14 years as of June 30, 2022). Any new UAAL established after June 30, 2012 has continued to be amortized over separate layers with different remaining amortization periods. (For example, gains and losses as well as changes in assumptions and methods are amortized over 18 years.)

The actuarial computations made are for funding plan benefits. Accordingly, additional determinations will be needed for other purposes, such as satisfying accounting requirements under Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 and judging benefit security at termination of the plan.

Segal prepared all of the supporting schedules in the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2022 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB[1], and in the Actuarial Section, is provided below:

<u>Financial Section:</u>

1) Schedule of Net Pension Liability*
2) Schedule of Changes in Net Pension Liability and Related Ratios*

<u>Actuarial Section:</u>

3) Summary of Assumptions and Funding Method
4) Probabilities of Separation from Active Service
5) Actuarial Assumptions for Merit and Promotion Salary Increase Rates
6) Schedule of Active Member Valuation Data
7) Schedule of Retirees and Beneficiaries Added to and Removed from Retiree Payroll
8) Schedule of Funded Liabilities by Type
9) Actuarial Analysis of Financial Experience
10) Development of Actuarial Value of Assets
11) Summary of Plan Provisions
12) Schedule of Funding Progress
13) Schedule of Contributions – Last Ten Fiscal Years*
14) Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2022*

** Source: Segal's GAS 67 valuation report as of June 30, 2022.*

MCERA's staff prepared other trend data schedules in the Statistical Section based on information supplied in Segal's valuation report.

[1] These schedules were included in Segal's separate Governmental Accounting Standards (GAS) 67 actuarial valuation report as of June 30, 2022.

Segal

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Mendocino County Employees' Retirement Association
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The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the Experience Analysis as of June 30, 2019. It is our opinion that the assumptions used in the June 30, 2022 valuation produce results that, in the aggregate, reflect the future experience of the Plan. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2022 and the assumptions adopted from that study will be used in the June 30, 2023 valuation.

In the June 30, 2022 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 73.0% to 73.2%. The employer's aggregate contribution rate has increased from 35.73% of payroll to 37.18% of payroll. (The 35.73% of payroll rate reflects the action taken by the Board on December 15, 2021 to reduce the amortization period for the 2012 UAAL restart layer from 18 years to 15 years [14 years as of June 30, 2022] in the June 30, 2021 valuation.) The employees' aggregate rate has decreased from 9.94% of payroll to 9.91% of payroll. The main reasons for the increase in the employer contribution rate include losses from higher than expected COLA increases for retirees and beneficiaries, higher than expected individual salary increases for continuing active members, and other experience losses. These losses were partially offset by higher than expected return on investments (after asset smoothing) and amortizing the prior year's UAAL over a larger than expected projected total payroll.

In the June 30, 2022 valuation, the actuarial value of assets excluded a $21.9 million net deferred investment loss, which represents 3.5% of the market value of assets. (Note that in the previous valuation, this amount was a deferred gain of $91.1 million.) If the net deferred investment loss was recognized immediately in the actuarial value of assets, and assuming that the balance in the Contingency Reserve of $6.2 million would be included in the valuation value of assets, the funded percentage would decrease from 73.2% to 71.4% and the aggregate employer contribution rate, expressed as a percentage of payroll, would increase from 37.18% to about 38.7%.

To the best of our knowledge, the June 30, 2022 actuarial valuation report is complete and accurate and in our opinion presents the Plan's current funding information. 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 | Andy Yeung, ASA, MAAA, FCA, EA |
| Senior Vice President and Actuary | Vice President and Actuary |

DNA/elf

Enclosures

5744040v4/13459.001

Segal

# Summary of Assumptions and Funding Method

The Entry Age 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 unfunded actuarial accrued liability (UAAL) from the June 30, 2012 valuation over a declining period. On December 15, 2021, and as part of the June 30, 2021 valuation, the Board reduced the amortization period for the 2012 UAAL restart layer by 3 years, from 18 years remaining as of June 30, 2021 to 15 years (14 years as of June 30, 2022). Any new UAAL established after June 30, 2012 has continued to be amortized over separate layers with different remaining amortization periods. (For example, gains and losses as well as changes in assumptions and methods are amortized over 18 years.) The Board has adopted the following economic assumptions for the June 30, 2022 valuation:

## ASSUMPTIONS

| | |
|---|---|
| Valuation Interest Rate | 6.75% |
| Inflation Rate | 2.75 % |
| Across the Board Salary Increase | 0.50% |
| Interest Credited to Member Accounts | 6.75%, compounded semi-annually |
| Consumer Price Index | Increases of 2.75% per year; retiree COLA increases due to CPI are subject to a 2.75% maximum change per year for General Tiers 1, 2, and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2 (for non-CalPEPRA members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year). There are no COLA increases for General Tier 4, Safety Tier 3, or Probation Tier 3. |
| Asset Valuation | 5-year smoothed actuarial value |

The following demographic and salary increase assumptions were used for the actuarial valuation as of June 30, 2022. The assumptions were selected by the actuary and approved by the Board as part of the June 30, 2019 actuarial experience study.

**Post-Retirement Mortality**

*(a) Healthy*

| | |
|---|---|
| General Members | Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates decreased by 5% for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019. |
| Safety and Probation Members | Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Tables (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. |

# Summary of Assumptions and Funding Method (Continued)

| | |
|---|---|
| All Beneficiaries | Pub-2010 Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5%, projected generationally with the two dimensional mortality improvement scale MP-2019. |
| *(b) Disabled* | |
| General Members | Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates decreased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2019. |
| Safety and Probation Members | Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. |
| *(c) For Employee Contribution Rate Purposes* | |
| General Members | Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates decreased by 5% for males and increased by 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 30% male and 70% female. |
| Safety and Probation Members | Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Tables (separate tables for males and females), projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2019, weighted 80% male and 20% female. |

**Pre-Retirement Mortality**

| | |
|---|---|
| *(a)* General Members | Pub-2010 General Employee Amount-Weighted Mortality Tables - separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. |
| *(b)* Safety and Probation Members | Pub-2010 Safety Employee Amount-Weighted Mortality Tables - separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. |

# Summary of Assumptions and Funding Method (Continued)

| | |
|---|---|
| **Termination Rates** | Based upon the Experience Analysis as of 6/30/2019 (Table 1). |
| **Disability Rates** | Based upon the Experience Analysis as of 6/30/2019 (Table 1). |
| **Service Retirement Rates** | Based upon the Experience Analysis as of 6/30/2019 (Table 1). |
| **Reciprocity Assumption** | 65% of members who terminate with a vested benefit are assumed to enter a reciprocal system. For reciprocals, 4.25% compensation increases per annum are assumed. |
| **Salary Scales** | As shown in Table 2. (Page 70) |
| **Spouses and Dependents** | 70% of male employees and 50% of female employees assumed married at retirement, with wives assumed two years younger than husbands. |
| **Deferred Vested Retirement Age** | 60 for General members; 54 for Safety and Probation members. For deferred vested members who terminate with less than five years of service and are not vested, it is assumed they will retire at age 70 if they decide to leave their contributions on deposit. |
| **Future Benefit Accruals** | 1.0 year of service per year of employment plus 0.017 years of additional service to anticipate conversion of unused sick leave for each year of employment, for members expected to retire directly from active employment and to receive a service retirement benefit. |

# Probabilities of Separation from Active Service – Table 1

The probabilities shown for each cause of separation represent the likelihood that a given member will separate at a particular age for the indicated reason. For example, if the probability of termination of a General member at age 30 with at least 5 years of service is 0.0800, then we are assuming that 8.00% of the active General members at age 30 with at least 5 years of service will terminate with vested rights during the next year.

## General Members

| Years of Service | Termination[1] (Less than 5 Years of Service) | Age | Termination[1] (5+ Years of Service) |
|---|---|---|---|
| 0-1 | .2400 | 20 | .0800 |
| 1-2 | .1600 | 30 | .0800 |
| 2-3 | .1400 | 40 | .0800 |
| 3-4 | .1200 | 50 | .0600 |
| 4-5 | .1100 | 60 | .0540 |

| Age | Mortality Male[2] | Mortality Female[2] | Disability[3] | Service Retirement Tiers 1, 2, & 3 | Service Retirement Tier 4 |
|---|---|---|---|---|---|
| 20 | .0004 | .0001 | .0001 | .0000 | .0000 |
| 30 | .0004 | .0002 | .0001 | .0000 | .0000 |
| 40 | .0007 | .0004 | .0013 | .0000 | .0000 |
| 50 | .0015 | .0008 | .0044 | .0500 | .0000 |
| 60 | .0032 | .0019 | .0056 | .1200 | .0600 |

[1] For members with less than five years of service, 85% of all terminated members will choose a refund of contributions and 15% will choose a deferred vested benefit. For members with five or more years of service, 25% of all terminated members will choose a refund of contributions and 75% will choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.
[2] 100% of General deaths are assumed to be non-service connected deaths. Note that generational projections beyond the base year (2010) are not reflected in the above mortality rates.
[3] 50% of General disabilities are assumed to be service connected disabilities. The other 50% are assumed to be non-service connected disabilities.

# Probabilities of Separation from Active Service – Table 1 (Continued)

## Safety and Probation Members

| Years of Service | Termination[1] (Less than 5 Years of Service) | Age | Termination[1] (5+ Years of Service) |
|---|---|---|---|
| 0-1 | .1400 | 20 | .0700 |
| 1-2 | .1300 | 30 | .0640 |
| 2-3 | .1200 | 40 | .0480 |
| 3-4 | .1000 | 50 | .0180 |
| 4-5 | .0800 | 60 | .0000 |

| Age | Mortality Male[2] | Mortality Female[2] | Disability[3] | Service Retirement Safety Tiers 1 & 2 | Service Retirement Safety Tier 3 | Service Retirement Probation Tier 1 & 2 | Service Retirement Probation Tier 3 |
|---|---|---|---|---|---|---|---|
| 20 | .0004 | .0002 | .0010 | .0000 | .0000 | .0000 | .0000 |
| 30 | .0004 | .0003 | .0018 | .0000 | .0000 | .0000 | .0000 |
| 40 | .0006 | .0005 | .0168 | .0000 | .0000 | .0000 | .0000 |
| 50 | .0012 | .0009 | .0237 | .0800 | .0300 | .0500 | .0400 |
| 60 | .0026 | .0017 | .0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |

[1] For members with less than five years of service, 85% of all terminated members will choose a refund of contributions and 15% will choose a deferred vested benefit. For members with five or more years of service, 25% of all terminated members will choose a refund of contributions and 75% will choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.
[2] 100% of Safety and Probation deaths are assumed to be service connected deaths.  Note that generational projections beyond the base year (2010) are not reflected in the above mortality rates.
[3] 90% of Safety and Probation disabilities are assumed to be service connected disabilities. The other 10% are assumed to be non-service connected disabilities.

# Actuarial Assumptions for Merit and Promotional Salary Increase Rates – Table 2

Consists of the sum of three parts: A uniform inflation component of 2.75%; plus "across the board" salary increases (other than inflation) of 0.50% per year; plus a service-related component for merit and promotion, summarized as follows:

| Years of Service | General Members | Safety and Probation Members |
|---|---|---|
| 0-1 | 5.00% | 5.00% |
| 1-2 | 4.50% | 4.25% |
| 2-3 | 4.00% | 3.75% |
| 3-4 | 3.25% | 3.25% |
| 4-5 | 2.75% | 2.50% |
| 5-6 | 2.25% | 2.00% |
| 6-7 | 2.00% | 1.75% |
| 7-8 | 1.75% | 1.25% |
| 8-9 | 1.25% | 1.00% |
| 9-10 | 1.00% | 1.00% |
| 10+ | 1.00% | 1.00% |

# Schedule of Active Member Valuation Data

| Valuation Date | Plan Type | Number | Annual Payroll $ | Annual Average Pay $ | Percentage of Increase in Average Pay[1] |
|---|---|---|---|---|---|
| 6/30/2013 | | | | | |
| | General | 894 | 45,512,393 | 50,904 | -0.6% |
| | Safety | 123 | 8,169,530 | 66,420 | -0.6% |
| | Probation | 55 | 2,782,060 | 50,580 | 0.3% |
| | **Total** | 1,072 | 56,463,983 | 52,668 | -0.5% |
| 6/30/2014 | | | | | |
| | General | 900 | 44,672,084 | 49,632 | -2.5% |
| | Safety | 129 | 8,509,082 | 65,964 | -0.7% |
| | Probation | 52 | 2,695,082 | 51,828 | 2.5% |
| | **Total** | 1,081 | 55,876,248 | 51,684 | -1.9% |
| 6/30/2015 | | | | | |
| | General | 930 | 46,587,735 | 50,100 | 0.9% |
| | Safety | 125 | 8,862,821 | 70,908 | 7.5% |
| | Probation | 52 | 2,655,840 | 51,072 | -1.5% |
| | **Total** | 1,107 | 58,106,396 | 52,488 | 1.6% |
| 6/30/2016 | | | | | |
| | General | 943 | 49,280,041 | 52,260 | 4.3% |
| | Safety | 130 | 9,188,532 | 70,680 | -0.3% |
| | Probation | 50 | 2,746,381 | 54,924 | 7.5% |
| | **Total** | 1,123 | 61,214,954 | 54,516 | 3.9% |
| 6/30/2017 | | | | | |
| | General | 939 | 50,029,723 | 53,280 | 2.0% |
| | Safety | 130 | 9,400,111 | 72,312 | 2.3% |
| | Probation | 54 | 2,905,771 | 53,808 | -2.0% |
| | **Total** | 1,123 | 62,335,605 | 55,512 | 1.8% |
| 6/30/2018 | | | | | |
| | General | 982 | 54,932,258 | 55,944 | 5.0% |
| | Safety | 131 | 10,210,062 | 77,940 | 7.8% |
| | Probation | 49 | 2,813,500 | 57,420 | 6.7% |
| | **Total** | 1,162 | 67,955,820 | 58,476 | 5.3% |
| 6/30/2019 | | | | | |
| | General | 971 | 57,461,580 | 59,172 | 5.8% |
| | Safety | 137 | 11,013,741 | 80,388 | 3.1% |
| | Probation | 43 | 2,648,854 | 61,596 | 7.3% |
| | **Total** | 1,151 | 71,124,175 | 61,788 | 5.7% |
| 6/30/2020 | | | | | |
| | General | 963 | 61,126,047 | 63,480 | 7.3% |
| | Safety | 131 | 11,164,013 | 85,224 | 6.0% |
| | Probation | 46 | 3,026,809 | 65,796 | 6.8% |
| | **Total** | 1,140 | 75,316,869 | 66,072 | 6.9% |
| 6/30/2021 | | | | | |
| | General | 975 | 65,895,860 | 67,584 | 6.5% |
| | Safety | 123 | 11,792,584 | 95,880 | 12.5% |
| | Probation | 44 | 3,220,090 | 73,188 | 11.2% |
| | **Total** | 1,142 | 80,908,634 | 70,848 | 7.2% |
| 6/30/2022 | | | | | |
| | General | 959 | 69,212,066 | 72,168 | 6.8% |
| | Safety | 117 | 11,995,171 | 102,528 | 6.9% |
| | Probation | 47 | 3,621,412 | 77,052 | 5.3% |
| | **Total** | 1,123 | 84,828,649 | 75,540 | 6.6% |

[1] 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.

# Schedule of Retirees and Beneficiaries Added to and Removed from Retiree Payroll

| | Added to Rolls | | Removed from Rolls | | Rolls-End of Year | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Valuation Date** | **No.** | **Annual Allowances** | **No.** | **Annual Allowances** | **No.** | **Annual Allowances** | **Increase in Annual Allowances** | **Average Annual Allowances** | **Increase in Average Annual Allowances** |
| 6/30/2013 | 111 | 2,742,843 | 41 | 596,482 | 1,287 | 25,653,314 | 9.1% | 19,933 | 3.2% |
| 6/30/2014 | 81 | 2,281,673 | 40 | 710,084 | 1,328 | 27,224,903 | 6.1% | 20,501 | 2.8% |
| 6/30/2015 | 82 | 2,417,163 | 31 | 391,224 | 1,379 | 29,250,842 | 7.4% | 21,212 | 3.5% |
| 6/30/2016 | 81 | 2,500,065 | 44 | 787,374 | 1,416 | 30,963,533 | 5.9% | 21,867 | 3.1% |
| 6/30/2017 | 79 | 2,201,625 | 33 | 786,926 | 1,462 | 32,378,232 | 4.6% | 22,147 | 1.3% |
| 6/30/2018 | 72 | 2,579,436 | 44 | 648,933 | 1,490 | 34,308,735 | 6.0% | 23,026 | 4.0% |
| 6/30/2019 | 101 | 3,312,777 | 39 | 757,798 | 1,552 | 36,863,714 | 7.4% | 23,752 | 3.2% |
| 6/30/2020 | 69 | 2,798,316 | 34 | 680,129 | 1,587 | 38,981,901 | 5.7% | 24,563 | 3.4% |
| 6/30/2021 | 72 | 1,928,989 | 44 | 1,016,471 | 1,615 | 39,894,419 | 2.3% | 24,702 | 0.6% |
| 6/30/2022 | 86 | 3,968,396 | 51 | 1,071,444 | 1,650 | 42,791,371 | 7.3% | 25,934 | 5.0% |

Note: Statutory COLAs are included in the “Added to Rolls” column

# Schedule of Funded Liabilities by Type

(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) |
| 6/30/2013 | 51,236 | 338,874 | 120,351 | 510,461 | 378,777 | 100% | 97% | 0% |
| 6/30/2014 | 51,004 | 398,872 | 134,553 | 584,429 | 404,856 | 100% | 89% | 0% |
| 6/30/2015 | 51,128 | 424,348 | 134,906 | 610,382 | 428,229 | 100% | 89% | 0% |
| 6/30/2016 | 50,019 | 442,323 | 139,715 | 632,057 | 446,773 | 100% | 90% | 0% |
| 6/30/2017 | 52,699 | 480,861 | 146,005 | 679,565 | 475,225 | 100% | 88% | 0% |
| 6/30/2018 | 54,154 | 504,502 | 158,806 | 717,462 | 504,804 | 100% | 89% | 0% |
| 6/30/2019 | 55,478 | 531,602 | 159,985 | 747,065 | 527,367 | 100% | 89% | 0% |
| 6/30/2020 | 56,980 | 558,635 | 179,783 | 795,398 | 551,332 | 100% | 88% | 0% |
| 6/30/2021 | 59,912 | 564,723 | 195,348 | 819,983 | 598,428 | 100% | 95% | 0% |
| 6/30/2022 | 60,350 | 616,524 | 194,717 | 871,591 | 634,646 | 100% | 94% | 0% |

This exhibit includes actuarially funded liabilities and assets.

# Actuarial Analysis of Financial Experience

## Items Impacting Unfunded Actuarial Accrued Liability (UAAL)
(Dollars in Thousands)

| Plan Year Ending 6/30 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Beginning of the Year UAAL Liability/(Surplus) | $221,555 | $244,066 | $219,698 | $212,658 | $204,340 | $185,284 | $182,153 | $179,573 | $131,684 | $126,527 |
| Effect of Differences in Methods and Procedures Due to Change in Actuaries | - | - | - | - | - | - | - | - | - | - |
| Expected Change | (5,942) | (3,710) | (2,166) | (1,429) | (777) | 281 | 711 | 748 | 3,247 | 3,118 |
| Liability (Gain)/Loss | 3,775 | (4,663) | 531 | (1,380) | 212 | 1,385 | (4,360) | 5,038 | (3,310) | 4,236 |
| Asset Return (Gain)/Loss | (6,203) | (19,248) | 4,116 | 4,842 | (5,492) | (5,367) | 4,702 | (5,723) | (6,471) | 3,046 |
| Salary Increase (Gain)/Loss | 9,917 | 9,531 | 5,832 | 5,295 | 11,791 | (3,164) | 2,342 | (1,752) | (3,764) | (5,243) |
| Retiree COLA Increase (Gain)/Loss | 11,993 | (5,698) | - | - | - | (2,246) | - | - | - | - |
| Change in Actuarial Assumptions and Procedures | - | - | 15,742 | - | 549[1] | 28,221 | - | - | 58,187[2] | - |
| (Gain)/Loss Due to Retiree Mortality | - | (1,394) | - | - | - | - | - | - | - | - |
| (Gain)/Loss Due to One-Year Delay From Implementing Employer Contribution Rates | (1,150) | 2,671 | 313 | (288) | 2,035 | (54) | (264) | 4,269[3] | - | - |
| End of the Year UAAL Liability/(Surplus) | $233,945 | $221,555 | $244,066 | $219,698 | $212,658 | $204,340 | $185,284 | $182,153 | $179,573 | $131,684 |

[1] Effect of including cost of $1,000 post-retirement lump sum death benefit.
[2] Combined effect of change in actuarial assumptions ($50,170) and change in method to value 100% of the COLA continuing to survivors of members who elected the unmodified option prior to September 17, 2014 ($8,017).
[3] In prior years, this item was included above in the "Expected Change."

# Development of Actuarial Value of Assets

(Dollars in Thousands)

| | Actual Market Return (net) | Expected Market Return (net) | Investment Gain / (Loss) | Deferred Factor | Deferred Return |
|---|---|---|---|---|---|
| 1. Market value of assets as of June 30, 2022 | | | | | $621,934 |
| 2. Calculation of deferred return: | | | | | |
| a. Year ended June 30, 2016 | $ (10,352) | $ 31,933 | $ (42,285) | - | - |
| b. Year ended June 30, 2017 | 66,670 | 30,584 | 36,086 | - | - |
| c. Year ended June 30, 2018 | 45,272 | 33,571 | 11,701 | - | - |
| d. Year ended June 30, 2019 | 19,959 | 36,162 | (16,203) | 25% | 9[1] |
| e. Year ended June 30, 2020 | 14,799 | 36,992 | (22,193) | 40% | (8,877) |
| f. Year ended June 30, 2021 | 166,513 | 36,076 | 130,437 | 60% | 78,262 |
| g. Year ended June 30, 2022 | (67,368) | 46,769 | (114,137) | 80% | (91,310) |
| h. Total unrecognized return[2] | | | | | $(21,916) |
| 3. Preliminary actuarial value of assets as of June 30, 2022: (1) – (2f) | | | | | $643,850 |
| 4. Adjustment to be within 25% corridor of market value | | | | | $0 |
| 5. Final actuarial value of assets as of June 30, 2022: (3) + (4) | | | | | $643,850 |
| 6. Actuarial value as a percentage of market value: (5) / (1) | | | | | 103.5% |
| 7. Non-pension reserve: | | | | | |
| 8. Contingency reserve | | | | | $6,204 |
| 9. Valuation value of assets: (5) – (7) | | | | | $637,646 |

Note: Amounts may not total exactly due to rounding.

## Actuarial Value of Assets:

For purposes of calculating the required contribution rates for the valuation, a smoothed 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.

[1] Based on action taken by the Board on November 6, 2019, the total deferred investment gain of $35,392 through June 30, 2019 has been recognized in four level amounts, with one year of recognition remaining as of the June 30, 2022 valuation.

[2] Deferred return as of June 30, 2022 to be recognized in each of the next four years:
(a) Amount recognized on June 30, 2023 $(1,169,799)
(b) Amount recognized on June 30, 2024 $(1,178,647)
(c) Amount recognized on June 30, 2025 $3,260,045
(d) Amount recognized on June 30, 2026 $(22,827,449)
(e) Total unrecognized return as of June 30, 2022 $(21,915,849)

# Summary of Plan Provisions

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through Juned 30, 2022.

## Plan Type and Plan Sponsors

Cost-sharing multiple-employer defined benefit plan. The participating employers are the County of Mendocino, the Superior Court of Mendocino, and the Russian River Cemetery District.

## Actuarial Funding Policy

The Mendocino County Board of Retirement establishes the Actuarial Practices and Funding Policy to help ensure future benefit payments for members of MCERA.

MCERA's annual funding requirement is comprised of a payment of the Normal Cost and a payment on the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and the amount of payment on UAAL are determined by following three components of this funding policy:

1. Actuarial Cost Method: the techniques to allocate the cost/liability of retirement benefit to a given period:

2. Asset Smoothing Method: the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and

3. Amortization Policy: the decisions on how, in terms of duration and pattern, to reduce the difference between the Actuarial Accrued Liability and the Valuation Value of Assets in a systematic manner.

The Board has adopted the following regarding its actuarial funding policy:
**Actuarial Cost Method**: The Entry Age actuarial cost method shall be applied to the projected retirement benefits in determining the Normal Cost and the Actuarial Liability.

**Asset Smoothing Method**: The investment gains or losses of each valuation period, as a result of comparing the actual market return and the expected return on Valuation Value of Assets shall be recognized in level amount over 5 years in calculating the Actuarial Value of Assets. Deferred investment gains or losses cannot exceed 25% of the Market Value of Assets. The Board acknowledges the occasional need for and reserves the right to consider future ad-hoc adjustments to the asset smoothing method to achieve a more level pattern of recognition of the net deferred investment gains or losses after a period of significant market change followed by a period of market correction, upon receiving the necessary analysis from its actuary.

**Amortization Policy**: The UAAL (i.e., the difference between the Actuarial Accrued Liability and the Valuation Value of Assets), as of June 30, 2012 shall continue to be amortized over its declining 30-year schedule; As of June 30, 2021, the remaining amortization period of the June 30, 2021, base layer of the UAAL was reduced from 18 years to 15 years (with 14 years remaining as of June 30, 2022); Any new

# Summary of Plan Provisions (Continued)

**Amortization Policy: (Continued)**

UAAL as a result of actuarial gains or losses identified in the actuarial valuations as of June 20, 2013 or later will be amortized over a period of 18 years; Any new UAAL as a result of change in the actuarial assumptions or methods, effective with the actuarial valuation as of June 2013 or later will be amortized over a period of 18 years; Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis: a. With the exception noted in b. below, the increase in UAAL as a result of any plan amendments will be amortized over a period of 15 years; b. The increase in UAAL resulting from a temporary retirement incentive will be funded over 5 years; UAAL shall be amortized over "closed" amortization periods so that the amortization period for each layer decreases by one year with each actuarial valuation; UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of estimated covered payroll, based on the current actuarial assumption for general payroll increase; In addition to the UAAL contribution rate, an amortization amount equal to the UAAL contribution rate times the covered payroll (as estimated in the actuarial valuation that establishes such UAAL contribution rate) shall be calculated for each employer. The final UAAL payment by each employer shall be equal to the UAAL contribution rate times the actual covered payroll or the above amortization amount, if greater; and, if an overfunding exists (i.e., the total of all UAAL becomes negative so that there is a surplus and the amount of such surplus is in excess of 20% of the AAL per Section 7522.52 of CalPEPRA), such actuarial surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized as the first of a new series of amortization layers, using the above amortization periods.

## Membership

Membership usually begins with the first day of the pay period following the date of entrance into service.

## Final Compensation

For General, Safety, and Probation Tiers 1, final compensation is defined as the highest consecutive twelve months of compensation earnable. For General Tiers 2 and 3, and Safety and Probation Tiers 2, final compensation is defined as the highest consecutive thirty-six months of compensation earnable. For General Tier 4, and Safety and Probation Tiers 3, final compensation is defined as the highest consecutive thirty-six months of pensionable compensation.

## 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 may choose to receive a deferred vested benefit when eligible for retirement.

# Summary of Plan Provisions (Continued)

### Service Retirement Benefit

For General Tiers 1, 2, and 3, and Safety and Probation Tiers 1 and 2, members are eligible to retire at age 50 with 5 years of service and 10 years of membership, or age 70, or after 30 years of service (20 years for Safety and Probation), regardless of age. For General Tier 4, members are eligible to retire at age 52 with 5 years of service or age 70. For Safety and Probation Tiers 3, members are eligible to retire at age 50 with 5 years of service or age 70.

### Basis of Benefit Payments

Benefits are calculated based upon a combination of age, years of service, final compensation, and the benefit payment option selected by the member. For General Tiers 1, 2, and 3, and Safety and Probation Tiers 1 and 2, the maximum benefit payable to a member or beneficiary is 100% of final compensation. For General Tier 4, and Safety and Probation Tiers 3, there is no maximum benefit.

### Cost of Living Benefit

For General Tiers 1, 2, and 3, and Safety and Probation Tiers 1 and 2, future cost of living benefit changes are based on the Consumer Price Index (CPI) up to a maximum of 3% per year. Any excess CPI is "banked." There are no cost of living benefits for General Tier 4, Safety Tier 3, and Probation Tier 3.

### 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 compensation for each year of service. Generally, the maximum benefit is 1/3 of final compensation. The benefit for a service connected disability is the greater of 50% of final compensation or the 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 month's 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 compensation 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

# Summary of Plan Provisions (Continued)

## Death Benefit - After Retirement (Continued)

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.

In addition, a $1,000 lump sum death benefit is paid to the estate or designated beneficiary upon the member's death.

## Member's Contributions

Contribution rates for the employer and its covered employees are established and may be amended by the MCERA Board of Retirement, and then adopted by the County Board of Supervisors. The contribution rates are determined based on the benefit structure established by the employer. For General Tiers 1, 2, and 3, and Safety and Probation Tiers 1 and 2, members are required to contribute a percentage of their annual covered salary and their particular contribution rate is based upon age at entry into the Association. For General Tier 4, and Safety and Probation Tiers 3, members are required to contribute at least 50% of the Normal Cost rate. The employer is required to contribute the remaining amount necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates.

# Schedule of Funding Progress

The Schedule of Funding Progress is required supplementary information and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

### Schedule of Funding Progress[1] (Dollar Amounts in Thousands)

| Actuarial Valuation Date | Valuation Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/1996 | 84,992 | 130,036 | 45,044 | 65.4% | 29,587 | 152.2% |
| 6/30/1997 | 124,286 | 140,783 | 16,497 | 88.3% | 32,481 | 50.8% |
| 6/30/1998 | 134,836 | 154,263 | 19,427 | 87.4% | 35,586 | 54.6% |
| 6/30/1999 | 142,775 | 173,250 | 30,475 | 82.4% | 39,209 | 77.7% |
| 6/30/2000 | 150,056 | 185,423 | 35,367 | 80.9% | 44,132 | 80.1% |
| 6/30/2001 | 157,545 | 204,699 | 47,154 | 77.0% | 53,188 | 88.7% |
| 6/30/2002 | 158,115[2] | 226,883 | 68,768 | 69.7% | 57,701 | 119.2% |
| 6/30/2003 | 233,764[3] | 243,342 | 9,578 | 96.1% | 59,865 | 16.0% |
| 6/30/2004 | 239,191 | 265,141 | 25,950 | 90.2% | 59,075 | 43.9% |
| 6/30/2005 | 253,487 | 289,467 | 35,980 | 87.6% | 57,664 | 62.4% |
| 6/30/2006 | 288,461 | 320,123 | 31,662 | 90.1% | 57,665 | 54.9% |
| 6/30/2007 | 317,937 | 358,259 | 40,322 | 88.7% | 65,899 | 61.2% |
| 6/30/2008 | 353,421 | 373,832 | 20,411 | 94.5% | 70,880 | 28.8% |
| 6/30/2009 | 336,263 | 403,196 | 66,933 | 83.4% | 72,235 | 92.7% |
| 6/30/2010 | 343,202 | 434,987 | 91,785 | 78.9% | 69,004 | 133.0% |
| 6/30/2011 | 347,732 | 472,644 | 124,912 | 73.6% | 64,144[4] | 194.7% |
| 6/30/2012 | 362,487 | 489,014 | 126,527 | 74.1% | 56,596 | 223.6% |
| 6/30/2013 | 378,777 | 510,461 | 131,684 | 74.2% | 56,464 | 233.2% |
| 6/30/2014 | 404,856 | 584,429 | 179,573 | 69.3% | 55,876 | 321.4% |
| 6/30/2015 | 428,229 | 610,382 | 182,153 | 70.2% | 58,106 | 313.5% |
| 6/30/2016 | 446,773 | 632,057 | 185,284 | 70.7% | 61,215 | 302.7% |
| 6/30/2017 | 475,225 | 679,565 | 204,340 | 69.9% | 62,336 | 327.8% |
| 6/30/2018 | 504,804 | 717,462 | 212,658 | 70.4% | 67,956 | 312.9% |
| 6/30/2019 | 527,367 | 747,065 | 219,698 | 70.6% | 71,124 | 308.9% |
| 6/30/2020 | 551,332 | 795,398 | 244,066 | 69.3% | 75,317 | 324.1% |
| 6/30/2021 | 598,428 | 819,983 | 221,555 | 73.0% | 80,909 | 273.8% |
| 6/30/2022 | 637,646 | 871,591 | 233,945 | 73.2% | 84,829 | 275.8% |

[1] Information prior to 2011 has been extracted from the previous actuary's past valuation reports.
[2] Excludes proceeds from Pension Obligation Bonds issued in December 2002.
[3] Includes proceeds from Pension Obligation Bonds issued in December 2002 in the amount of $76,299,000.
[4] Starting with the 6/30/2011 valuation, payroll includes a projection for expected salary increases during the fiscal year following the valuation date, under the actuarial assumptions used in valuation.

# Schedule of Contributions

Last Ten Fiscal Years

| Year Ended June 30 | Actuarially Determined Contributions[1] | Contributions in Relation to the Actuarially Determined Contributions | Contribution Deficiency / (Excess) | Covered Payroll[2] | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2013 | 14,260,473 | 14,260,473 | 0 | 53,254,876 | 26.78% |
| 2014 | 14,324,752 | 14,324,752 | 0 | 53,813,882 | 26.62% |
| 2015 | 15,164,044 | 15,164,044 | 0 | 54,891,785 | 27.63% |
| 2016 | 19,129,191 | 19,129,191 | 0 | 57,407,928 | 33.32% |
| 2017 | 19,116,426 | 19,116,426 | 0 | 59,801,480 | 31.97% |
| 2018 | 20,430,644 | 19,116,426 | 0 | 64,340,578 | 31.75% |
| 2019 | 23,702,064[3] | 23,702,064[3] | 0 | 68,254,197 | 34.73% |
| 2020 | 24,647,132 | 24,647,132 | 0 | 72,040,768 | 34.21% |
| 2021 | 26,333,815 | 26,333,815 | 0 | 77,319,043 | 34.06% |
| 2022 | 30,485,006 | 30,485,006 | 0 | 81,780,476 | 37.28% |

[1] Prior to the year ended June 30, 2014, this amount was the Annual Required Contribution (ARC).
[2] Covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based.
[3] This amount includes additional UAAL contributions made by the Mendocino County Superior Court and the Russian River Cemetery District during FY 2018/2019 based on the minimum dollar UAAL amortization amount for FY 2017/2018. We understand that the Mendocino County Superior Court and the Russian River Cemetery District had paid $31,588 and $5,949 less than the minimum UAAL contributions in FY 2017/2018, respectively.

# Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate

As of June 30, 2022
(Dollars in Millions)

| Year Beginning July 1 | Projected Beginning Plan Fiduciary Net Position (a) | Projected Total Contributions (b) | Projected Benefit Payments (c) | Projected Administrative Expenses (d) | Projected Investment Earnings (e) | Projected Ending Plan Fiduciary Net Position f=(a)+(b)-(c)-(d)+(e) |
|---|---|---|---|---|---|---|
| 2021 | $696 | $39 | $44 | $1 | $(67) | $622 |
| 2022 | 622 | 37 | 49 | 1 | 41 | 650 |
| 2023 | 650 | 37 | 49 | 1 | 43 | 679 |
| 2024 | 679 | 37 | 52 | 1 | 45 | 708 |
| 2025 | 708 | 37 | 54 | 1 | 47 | 736 |
| 2026 | 736 | 38 | 56 | 2 | 49 | 766 |
| 2027 | 766 | 39 | 58 | 2 | 51 | 795 |
| 2028 | 795 | 39 | 61 | 2 | 53 | 824 |
| 2029 | 824 | 39 | 63 | 2 | 55 | 853 |
| 2030 | 853 | 40 | 66 | 2 | 56 | 882 |
| 2046 | 906 | 5* | 81 | 2 | 58 | 887 |
| 2047 | 887 | 5* | 80 | 2 | 57 | 867 |
| 2048 | 867 | 5* | 80 | 2 | 56 | 846 |
| 2049 | 846 | 5* | 79 | 2 | 54 | 825 |
| 2050 | 825 | 5* | 78 | 2 | 53 | 802 |
| 2095 | 723 | 2* | 2 | 2 | 49 | 770 |
| 2096 | 770 | 2* | 1 | 2 | 52 | 821 |
| 2097 | 821 | 2* | 1 | 2 | 55 | 875 |
| 2098 | 875 | 2* | 1 | 2 | 59 | 934 |
| 2099 | 934 | 2* | 1 | 2 | 63 | 996 |
| 2123 | 4,470 | 9* | 0** | 9 | 302 | 4,772 |
| 2124 | 4,772 | | | | | |
| 2124 | Discounted Value: 6*** | | | | | |

* Mainly attributable to employer contributions to fund each year's annual administrative expenses.

** Less than $1 million when rounded.

*** $4,772 million when discounted with interest at the rate of 6.75% per annum has a value of $6 million (or 0.98% of the Plan Fiduciary Net Position) as of June 30, 2022.

# Projection of Pension Plan’s Fiduciary Net Position for Use in Calculation of Discount Rate (Continued)

Note that in preparing the above projections, we have not taken into consideration the one-year delay between the date of the contribution rate calculation and the implementation.

Notes:

1. Amounts may not total exactly due to rounding.
2. Amounts shown for the year beginning July 1, 2021 row are actual amounts, based on the unaudited financial statements provided by MCERA.
3. Various years have been omitted from this table.
4. Column (a): Except for the "discounted value" shown for 2124, none of the projected beginning Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.
5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2022); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting an 18-year amortization schedule, based on the Plan’s funding policy. Contributions are assumed to occur halfway through the year, on average.
6. Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GAS Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2022. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2022 report. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 6.75% was applied to all periods of projected benefit payments to determine the discount rate.
7. Column (d): Projected administrative expenses are calculated as approximately 0.21% of the projected beginning Plan Fiduciary Net Position amount. The 0.21% proportion was based on the actual fiscal year 2021-2022 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2021. Administrative expenses are assumed to occur halfway through the year, on average.
8. Column (e): Projected investment earnings are based on the assumed investment rate of return of 6.75% per annum.
9. As illustrated in this Exhibit, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 6.75% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2022 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.
10. This projection is based on a model developed by Segal’s Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

# Statistical Section

# Summary of Statistical Data

This section provides additional detailed information in order to promote a more comprehensive understanding of this year's financial statements, note disclosures, and supplemental information. In addition, this section provides multiyear trends of the financial and operation information in order to facilitate the understanding of how the organization's financial position and performance have changed over time. This section provides contextual data for MCERA's changes in net position, benefit expenses, retirement types of benefit payments and membership data.

# Schedule of Changes in Fiduciary Net Position

(Last Ten Fiscal Years)

### Schedule of Changes in Fiduciary Net Position for Years 2022, 2021, 2020, 2019, 2018
**(Dollars in Thousands)**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Additions** | | | | | |
| Employer Contributions | $ 30,485 | $ 26,334 | $ 24,647 | $ 23,702 | $ 20,431 |
| Member Contributions | 8,186 | 7,054 | 6,820 | 6,544 | 5,996 |
| Net Investment Income | (67,368) | 166,513 | 14,799 | 19,959 | 45,272 |
| **Total Additions** | **(28,698)** | **199,901** | **46,266** | **50,205** | **71,699** |
| **Deductions** | | | | | |
| Benefits Payments | 42,750 | 40,230 | 38,036 | 35,650 | 33,332 |
| Refunds of Contributions | 1,596 | 847 | 742 | 1,025 | 822 |
| Administrative Expenses | 1,463 | 1,372 | 1,226 | 1,233 | 1,142 |
| **Total Deductions** | **45,809** | **42,449** | **40,004** | **37,908** | **35,296** |
| **Change in Fiduciary Net Position** | **$ (74,507)** | **$ 157,452** | **$ 6,262** | **$ 12,297** | **$ 36,403** |

### Schedule of Changes in Fiduciary Net Position for Years 2017, 2016, 2015, 2014, 2013
**(Dollars in Thousands)**

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Additions** | | | | | |
| Employer Contributions | $ 19,116 | $ 19,129 | $15,164 | $ 14,325 | $ 14,260 |
| Member Contributions | 5,754 | 5,545 | 4,652 | 4,576 | 4,713 |
| Net Investment Income | 66,670 | (10,352) | 13,201 | 68,495 | 48,890 |
| **Total Additions** | **91,540** | **14,322** | **33,017** | **87,396** | **67,863** |
| **Deductions** | | | | | |
| Benefits Payments | 31,617 | 30,435 | 29,225 | 26,702 | 25,500 |
| Refunds of Contributions | 1,148 | 624 | 824 | 652 | 1,073 |
| Administrative Expenses | 1,086 | 1,142 | 1,059 | 930 | 830 |
| **Total Deductions** | **33,851** | **32,201** | **31,108** | **28,284** | **27,403** |
| **Change in Fiduciary Net Position** | **$ 57,689** | **$(17,879)** | **$ 1,909** | **$ 59,112** | **$ 40,460** |

## Schedule of Additions by Source

(Dollars in Thousands)

| Fiscal Year Ended 6/30 | Employee Contributions | Employer/Other Contributions | Investment Net Income | Total |
|---|---|---|---|---|
| 2022 | $ 8,186 | $ 30,485 | $ (67,368) | $ (28,698) |
| 2021 | 7,054 | 26,334 | 166,513 | 199,901 |
| 2020 | 6,820 | 24,647 | 14,799 | 46,266 |
| 2019 | 6,544 | 23,702 | 19,959 | 50,205 |
| 2018 | 5,996 | 20,431 | 45,272 | 71,699 |
| 2017 | 5,754 | 19,116 | 66,670 | 91,540 |
| 2016 | 5,545 | 19,129 | (10,352) | 14,322 |
| 2015 | 4,652 | 15,164 | 13,201 | 33,017 |
| 2014 | 4,576 | 14,325 | 68,495 | 87,396 |
| 2013 | 4,713 | 14,260 | 48,890 | 67,863 |

## Schedule of Deductions by Type

(Dollars in Thousands)

| Fiscal Year Ended 6/30 | Benefits | Administrative/ Other Expenses | Refunds | Total |
|---|---|---|---|---|
| 2022 | $ 42,750 | $ 1,463 | $ 1,596 | $ 45,809 |
| 2021 | 40,230 | 1,372 | 847 | 42,449 |
| 2020 | 38,036 | 1,226 | 742 | 40,004 |
| 2019 | 35,650 | 1,233 | 1,025 | 37,908 |
| 2018 | 33,332 | 1,142 | 822 | 35,296 |
| 2017 | 31,617 | 1,086 | 1,148 | 33,851 |
| 2016 | 30,435 | 1,142 | 624 | 32,201 |
| 2015 | 29,225 | 1,059 | 824 | 31,108 |
| 2014 | 26,702 | 930 | 652 | 28,284 |
| 2013 | 25,500 | 830 | 1,073 | 27,403 |

# Schedule of Benefit Expenses by Type

As of June 30

**Schedule of Benefit Expenses by Type for Years 2022, 2021, 2020, 2019, 2018**
**(Dollars in Thousands)**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Service Retirement Payroll:** | | | | | |
| **General** | 26,985 | 25,238 | 24,684 | 23,512 | 21,876 |
| **Safety** | 6,707 | 6,130 | 5,929 | 5,390 | 4,840 |
| **Total** | $ 33,692 | $ 31,368 | $ 30,613 | $ 28,902 | $ 26,716 |
| **Disability Retirement Payroll:** | | | | | |
| **General** | 2,595 | 2,561 | 2,611 | 2,508 | 2,413 |
| **Safety** | 3,101 | 3,031 | 2,980 | 2,862 | 2,694 |
| **Total** | $ 5,696 | $ 5,592 | $ 5,591 | $ 5,370 | $ 5,107 |
| **Beneficiary Payroll** | | | | | |
| **General** | 2,422 | 2,117 | 1,977 | 1,822 | 1,694 |
| **Safety** | 980 | 820 | 804 | 767 | 757 |
| **Total** | $ 3,402 | $ 2,936 | $ 2,781 | $ 2,589 | $ 2,450 |
| **Total Benefit Expense:** | | | | | |
| **General** | 32,001 | 29,915 | 29,273 | 27,843 | 25,983 |
| **Safety** | 10,789 | 9,981 | 9,713 | 9,018 | 8,291 |
| **Total** | $ 42,790 | $ 39,896 | $ 38,986 | $ 36,861 | $ 34,273 |

Source of data: Data is derived from annualized monthly amounts reported in the actuarial valuation reports as of June 30, (2013 – 2022)
Note: Amounts in table may not total exactly due to rounding.

# Schedule of Benefit Expenses by Type (Continued)

**Schedule of Benefit Expenses by Type for Years 2017, 2016, 2015, 2014, 2013**
**(Dollars in Thousands)**

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Service Retirement Payroll:** | | | | | |
| **General** | 20,653 | 19,787 | 18,632 | 17,413 | 16,253 |
| **Safety** | 4,395 | 4,050 | 3,911 | 3,430 | 3,215 |
| **Total** | $ 25,048 | $ 23,837 | $ 22,544 | $ 20,843 | $ 19,468 |
| **Disability Retirement Payroll:** | | | | | |
| **General** | 2,350 | 2,266 | 2,200 | 2,188 | 2,128 |
| **Safety** | 2,557 | 2,494 | 2,248 | 2,138 | 2,030 |
| **Total** | $ 4,907 | $ 4,759 | $ 4,448 | $ 4,325 | $ 4,158 |
| **Beneficiary Payroll** | | | | | |
| **General** | 1,654 | 1,608 | 1,632 | 1,526 | 1,485 |
| **Safety** | 770 | 760 | 629 | 532 | 524 |
| **Total** | $ 2,424 | $ 2,368 | $ 2,260 | $ 2,058 | $ 2,009 |
| **Total Benefit Expense:** | | | | | |
| **General** | 24,657 | 23,661 | 22,464 | 21,126 | 19,865 |
| **Safety** | 7,722 | 7,304 | 6,789 | 6,100 | 5,787 |
| **Total** | $ 32,379 | $ 30,965 | $ 29,252 | $ 27,226 | $ 25,692 |

Source of data: Data is derived from annualized monthly amounts reported in the actuarial valuation reports as of June 30, (2013 – 2022)
Note: Amounts in table may not total exactly due to rounding.

# Schedule of Retiree Members by Type of Benefit

Summary of Monthly Allowances – As of June 30, 2020, June 30, 2021, and June 30, 2022
(Dollars in Thousands)

**FY 2022**

| | General Members | | Safety Members | | Total | |
|---|---|---|---|---|---|---|
| | Number | Monthly Allowance | Number | Monthly Allowance | Number | Monthly Allowance |
| **Retired Members** | | | | | | |
| Service Retirement | 1,134 | $ 2,249 | 156 | $ 559 | 1,290 | $ 2,808 |
| Disability | 108 | 216 | 67 | 258 | 175 | 475 |
| Beneficiaries | 144 | 202 | 41 | 82 | 185 | 283 |
| **Total Retired Members** | 1,386 | $ 2,667 | 264 | $ 899 | 1,650 | $ 3,566 |

**FY 2021**

| | General Members | | Safety Members | | Total | |
|---|---|---|---|---|---|---|
| | Number | Monthly Allowance | Number | Monthly Allowance | Number | Monthly Allowance |
| **Retired Members** | | | | | | |
| Service Retirement | 1,114 | $ 2,103 | 154 | $ 511 | 1,268 | $ 2,614 |
| Disability | 109 | 213 | 68 | 253 | 177 | 466 |
| Beneficiaries | 132 | 176 | 38 | 68 | 170 | 245 |
| **Total Retired Members** | 1,355 | $ 2,493 | 260 | $ 832 | 1,615 | $ 3,325 |

**FY 2020**

| | General Members | | Safety Members | | Total | |
|---|---|---|---|---|---|---|
| | Number | Monthly Allowance | Number | Monthly Allowance | Number | Monthly Allowance |
| **Retired Members** | | | | | | |
| Service Retirement | 1,097 | $ 2,057 | 151 | $ 494 | 1,248 | $ 2,551 |
| Disability | 112 | 218 | 67 | 248 | 179 | 466 |
| Beneficiaries | 123 | 165 | 37 | 67 | 160 | 232 |
| **Total Retired Members** | 1,332 | $ 2,439 | 255 | $ 809 | 1,587 | $ 3,249 |

Source of data: June 30, 2020, June 30, 2021, and June 30, 2022 Actuarial Valuation Report

# Schedule of Average Benefit Payment Amounts

**Schedule of Average Benefit Payment Amount for Year 2022**

| | Years of Service Credit | | | | | | |
|---|---|---|---|---|---|---|---|
| | **0-4** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30+** |
| **Valuation Date 6/30/2022 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 345 | $ 1,422 | $ 2,050 | $ 1,733 | $ 3,890 | $ 5,743 | $ 7,891 |
| Avg. Final Average Salary | $ 7,400 | $ 6,000 | $ 6,100 | $ 5,000 | $ 6,900 | $ 7,900 | $ 9,300 |
| Number of Retirees | 7 | 14 | 15 | 7 | 7 | 10 | 6 |
| **Valuation Date 6/30/2022 Beneficiaries:** | | | | | | | |
| Average Monthly Benefit | $ 1,496 | $ 1,348 | $ 1,021 | $ 1,955 | $ 1,267 | $ 5,077 | $ 5,033 |
| Avg. Final Average Salary | N/A | N/A | N/A | $ 4,200 | N/A | N/A | N/A |
| Number of Beneficiaries | 7 | 3 | 2 | 4 | 2 | 1 | 1 |

Source of data: Actuarial Valuation Reports (2013 – 2022). Final Average Salary data: MCERA Pension Software. Years of Service Credit data: MCERA Pension Software.

**Schedule of Average Benefit Payment Amount for Years 2021, 2020, 2019, 2018**

| | Number of Years Since Retirement | | | | | | |
|---|---|---|---|---|---|---|---|
| | **0-4** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30+** |
| **Valuation Date 6/30/2021 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 2,162 | $ 2,233 | $ 2,289 | $2,040 | $ 1,720 | $ 1,789 | $ 1,909 |
| Number of Retirees | 317 | 382 | 313 | 202 | 98 | 75 | 58 |
| Avg. Final Average Salary (All Retirees) | | | | $ 6,258 | | | |
| **Valuation Date 6/30/2021 Beneficiaries:** | | | | | | | |
| Average Monthly Benefit | $ 1,325 | $ 1,683 | $ 1,359 | $ 1,409 | $ 1,086 | $ 1,356 | $1,779 |
| Number of Retirees | 58 | 42 | 28 | 13 | 10 | 9 | 10 |
| Avg. Final Average Salary (All Beneficiaries) | | | | N/A | | | |
| **Valuation Date 6/30/2020 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 2,161 | $ 2,264 | $ 2,293 | $1,810 | $ 1,731 | $ 1,905 | $ 1,759 |
| Number of Retirees | 333 | 383 | 303 | 182 | 89 | 76 | 61 |
| Avg. Final Average Salary (All Retirees) | | | | $ 6,061 | | | |
| **Valuation Date 6/30/2020 Beneficiaries:** | | | | | | | |
| Average Monthly Benefit | $ 1,485 | $ 1,530 | $ 1,335 | $ 1,263 | $ 1,232 | $ 1,749 | $ 1,524 |
| Number of Retirees | 52 | 38 | 30 | 12 | 11 | 8 | 9 |
| Avg. Final Average Salary (All Beneficiaries) | | | | N/A | | | |
| **Valuation Date 6/30/2019 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 2,096 | $ 2,213 | $ 2,172 | $ 1,615 | $ 1,697 | $ 1,826 | $ 1,825 |
| Number of Retirees | 352 | 387 | 298 | 139 | 88 | 74 | 58 |
| Avg. Final Average Salary (All Retirees) | | | | $ 5,773 | | | |
| **Valuation Date 6/30/2019 Beneficiaries:** | | | | | | | |
| Average Monthly Benefit | $ 1,293 | $ 1,571 | $ 1,381 | $ 1,058 | $ 1,186 | $ 1,978 | $ 1,478 |
| Number of Retirees | 50 | 37 | 29 | 12 | 14 | 6 | 8 |
| Avg. Final Average Salary (All Beneficiaries) | | | | N/A | | | |
| **Valuation Date 6/30/2018 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 2,065 | $ 2,115 | $ 2,111 | $ 1,560 | $ 1,510 | $ 1,866 | $ 1,766 |
| Number of Retirees | 333 | 392 | 284 | 127 | 81 | 62 | 58 |
| Avg. Final Average Salary (All Retirees) | | | | $ 5,729 | | | |

Source of data: Actuarial Valuation Reports (2013 – 2022). Final Average Salary data: MCERA Pension Software. Years of Service Credit data: MCERA Pension Software. Data on Final Average Salary is not available prior to fiscal year 2016. Years of Service Credit data is not available prior to fiscal year 2017.

**Schedule of Average Benefit Payment Amount for Years 2018, 2017, 2016, 2015, 2014, 2013**

| | Number of Years Since Retirement | | | | | | |
|---|---|---|---|---|---|---|---|
| | **0-4** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30+** |
| **Valuation Date 6/30/2018 Beneficiaries:** | | | | | | | |
| Average Monthly Benefit | $ 1,344 | $ 1,445 | $ 1,330 | $ 875 | $ 1,342 | $ 1,708 | $ 1,224 |
| Number of Retirees | 47 | 38 | 27 | 13 | 14 | 6 | 8 |
| Avg. Final Average Salary (All Beneficiaries) | | | | N/A | | | |
| **Valuation Date 6/30/2017 Retirees** | | | | | | | |
| Average Monthly Benefit | $ 1,986 | $ 2,057 | $ 1,942 | $ 1,603 | $ 1,468 | $ 1,787 | $ 1,670 |
| Number of Retirees | 368 | 366 | 256 | 117 | 81 | 61 | 60 |
| Avg. Final Average Salary (All Retirees) | | | | $ 5,287 | | | |
| **Valuation Date 6/30/2017 Beneficiaries:** | | | | | | | |
| Average Monthly Benefit | $ 1,461 | $ 1,300 | $ 1,236 | $ 917 | $ 1,381 | $ 1,534 | $ 1,280 |
| Number of Retirees | 46 | 39 | 28 | 13 | 12 | 7 | 8 |
| Avg. Final Average Salary (All Beneficiaries) | | | | N/A | | | |
| **Valuation Date 6/30/2016 Retirees** | | | | | | | |
| Average Monthly Benefit | $ 1,987 | $ 2,057 | $ 1,831 | $ 1,596 | $ 1,553 | $ 1,742 | $ 1,711 |
| Number of Retirees | 388 | 337 | 222 | 118 | 92 | 53 | 52 |
| Avg. Final Average Salary (All Retirees) | | | | $ 5,398 | | | |
| **Valuation Date 6/30/2016 Beneficiaries:** | | | | | | | |
| Average Monthly Benefit | $ 1,484 | $ 1,181 | $ 1,134 | $ 843 | $ 1,484 | $ 1,534 | $ 1,280 |
| Number of Retirees | 50 | 41 | 23 | 14 | 11 | 8 | 7 |
| **Valuation Date 6/30/2015 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 1,915 | $ 1,919 | $ 1,545 | $ 1,493 | $ 1,742 | $ 1,426 | $ 1,548 |
| Number of Retirees | 437 | 369 | 223 | 126 | 106 | 59 | 59 |
| **Valuation Date 6/30/2014 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 1,868 | $ 1,841 | $ 1,387 | $ 1,485 | $ 1,678 | $ 1,484 | $ 1,394 |
| Number of Retirees | 452 | 357 | 177 | 131 | 98 | 59 | 54 |
| **Valuation Date 6/30/2013 Retirees:** | | | | | | | |
| Average Monthly Benefit | $ 1,806 | $ 1,799 | $ 1,333 | $ 1,443 | $ 1,686 | $ 1,350 | $ 1,388 |
| Number of Retirees | 453 | 338 | 167 | 126 | 93 | 60 | 50 |

Source of data: Actuarial Valuation Reports (2013 – 2022). Final Average Salary data: MCERA Pension Software. Years of Service Credit data: MCERA Pension Software. Data on Final Average Salary is not available prior to fiscal year 2016. Years of Service Credit data is not available prior to fiscal year 2017.

# Schedule of Participating Employers and Active Members

As of June 30

| | Total Employees | County of Mendocino | Russian River Cemetery District | Superior Court |
|---|---|---|---|---|
| **Year 2022** | | | | |
| Number of Covered Employees | 1,123 | 1,073 | 4 | 46 |
| Percentage to Total System | 100% | 95.55% | 0.36% | 4.10% |
| **Year 2021** | | | | |
| Number of Covered Employees | 1,142 | 1,095 | 4 | 43 |
| Percentage to Total System | 100% | 95.88% | 0.35% | 3.77% |
| **Year 2020** | | | | |
| Number of Covered Employees | 1,140 | 1,086 | 4 | 50 |
| Percentage to Total System | 100% | 95.26% | 0.35% | 4.39% |
| **Year 2019** | | | | |
| Number of Covered Employees | 1,151 | 1,094 | 5 | 52 |
| Percentage to Total System | 100% | 95.05% | 0.43% | 4.52% |
| **Year 2018** | | | | |
| Number of Covered Employees | 1,162 | 1,111 | 4 | 47 |
| Percentage to Total System | 100% | 95.61% | 0.34% | 4.04% |
| **Year 2017** | | | | |
| Number of Covered Employees | 1,123 | 1,073 | 4 | 46 |
| Percentage to Total System | 100% | 95.55% | 0.36% | 4.10% |
| **Year 2016** | | | | |
| Number of Covered Employees | 1,123 | 1,066 | 4 | 53 |
| Percentage to Total System | 100% | 94.92% | 0.36% | 4.72% |
| **Year 2015** | | | | |
| Number of Covered Employees | 1,107 | 1,053 | 4 | 50 |
| Percentage to Total System | 100% | 95.12% | 0.36% | 4.52% |
| **Year 2014** | | | | |
| Number of Covered Employees | 1,081 | 1,026 | 4 | 51 |
| Percentage to Total System | 100% | 94.91% | 0.37% | 4.72% |
| **Year 2013** | | | | |
| Number of Covered Employees | 1,072 | 1,021 | 4 | 47 |
| Percentage to Total System | 100% | 95.25% | 0.37% | 4.38% |

Source of data: MCERA Pension Software.

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