ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

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, 2023

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

Cover Photo: Baby Vera ©Tim Reveles

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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MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

December 13, 2023

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

It is with great pleasure that we submit the A nnual 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, 2023. 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, 2023. 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 provides 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 2022-23 was $1,346,983, which represented 0.16% of MCERA's actuarial accrued liability or 67.35% of the $2 million statutory cap. Further, MCERA administrative expenses were 78.22% 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 adopted new actuarial assumptions, including a decrease in the assumed rate of return and inflation, from 6.75% to 6.50% and 2.75% to 2.50%, respectively.
- The Board completed review of the asset liability study, maintaining the previous asset class structure.

- An actuarial audit of the June 30, 2022, actuarial valuation and review of the triennial experience study was successfully completed and presented to the Board finding the actuarial assumptions and calculations by the Board's actuary are reasonable and sound.
- Staff resumed post-pandemic in-person and online retirement education for members with the goal of helping Association members better understand the retirement process and be more prepared for life in retirement.
- The Board of Retirement and the Board of Supervisors adopted Article 8.4 of the CERL, allowing for the division and administration of community property interests using separate accounts.
- Staff continued communication and education efforts by developing a member handbook and a Popular Annual Financial Report.
- The Board approved preliminary scope of work for tenant access improvements to the 625 Kings Court asset.
- The Board swore in three new members during the year. The Auditor-Controller/Treasurer-Tax Collector filled the 1st seat. An elected General member filled the 2nd seat and subsequently retired 9 months later. The 2nd seat was then filled by the sole candidate in the special election, with no election declared by the Board of Supervisors in June 2023.

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, 2023 was 8.29%, net of fees, which exceeded the benchmark by 0.08%. Performance returns were 8.84%, 6.66%, 8.34%, and 7.62% net of fees for the three, five, seven, and ten-year periods ending June 30, 2023, 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, 2023 valuation, the ratio of actuarial valuation value of assets to the actuarial accrued liabilities was 72.4%, which was a decrease from the prior year's valuation funded ratio of 73.2%. MCERA's unfunded actuarial accrued liability (UAAL) as of June 30, 2023, was $255.4 million. On a market value of assets basis, the UAAL would be $262.7 million.

Prior to July 1, 2012, the total UAAL was being amortized on a 30-year decreasing period, with 27 years remaining as of June 30, 2012. On December 15, 2021, 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.

As of June 30, 2023, there are 13 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, 2022, 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, 2023 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, 2022

Christopher P. Morrill

Executive Director/CEO

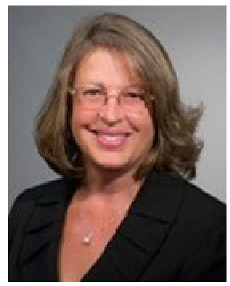
Members of the Board of Retirement

For the Fiscal Year Ended June 30, 2023

Chair
Quincy Cromer
Elected by
Active Safety Membership

Trustee
Kathryn Cavness
Elected by
Active General Membership

Vice Chair
Richard Shoemaker
Elected by
Retired Membership



Trustee
Kathryn Smith
Appointed by
the Board of Supervisors

Secretary
Dan Gjerde
Appointed by
the Board of Supervisors

Trustee
Alex Land
Elected by
Active General Membership

Trustee
Jerilyn Harris
Appointed by
the Board of Supervisors

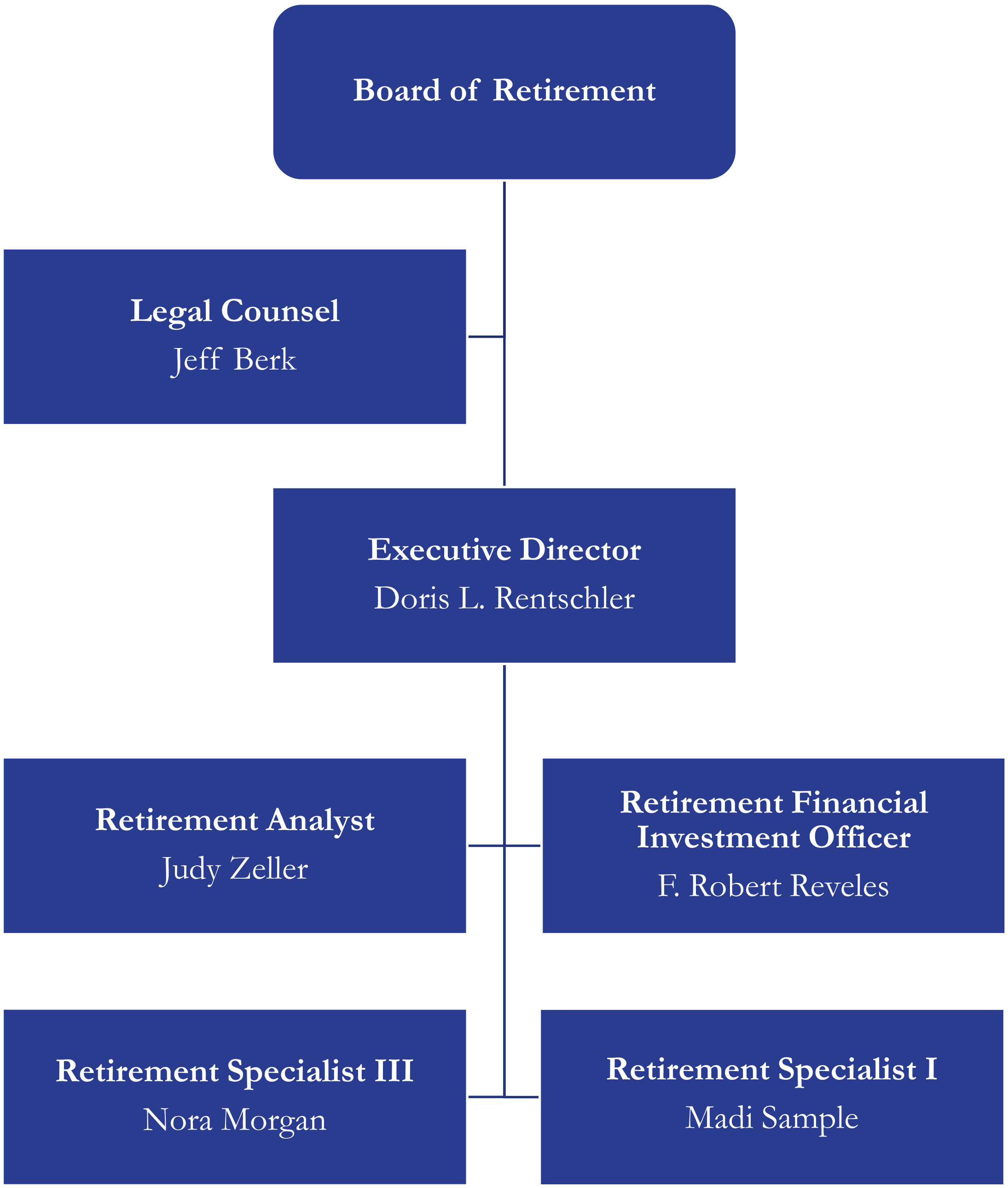
Trustee
James Andersen
Elected by
Retired Membership

Trustee
Chamise Cubbison
Treasurer-Tax Collector
County of Mendocino

Trustee
Vacant
Appointed by
the Board of Supervisors

Organization Chart

For the Fiscal Year Ended June 30, 2023



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

For the Fiscal Year Ended June 30, 2023

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

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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, 2023, 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 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, 2023, 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 (GAAS) 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 opinion.

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STOCKTON
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Stockton, CA 95207
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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 opinion. 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 GAAS 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 GAAS 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 (MD&A) 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 MDA& and RSI in accordance with GAAS, 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 an opinion on the financial statements that collectively comprise MCERA's basic financial statements. The accompanying other supplementary information, as noted in the table of contents, is presented for purposes of additional analysis and is 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 GAAS 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 opinion 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, 2022 basic financial statements, and our report dated November 23, 2022, 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, 2022, 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 29, 2023, 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, and 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

Stockton, California
November 29, 2023

Management's Discussion and Analysis – June 30, 2023

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, 2023. 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.

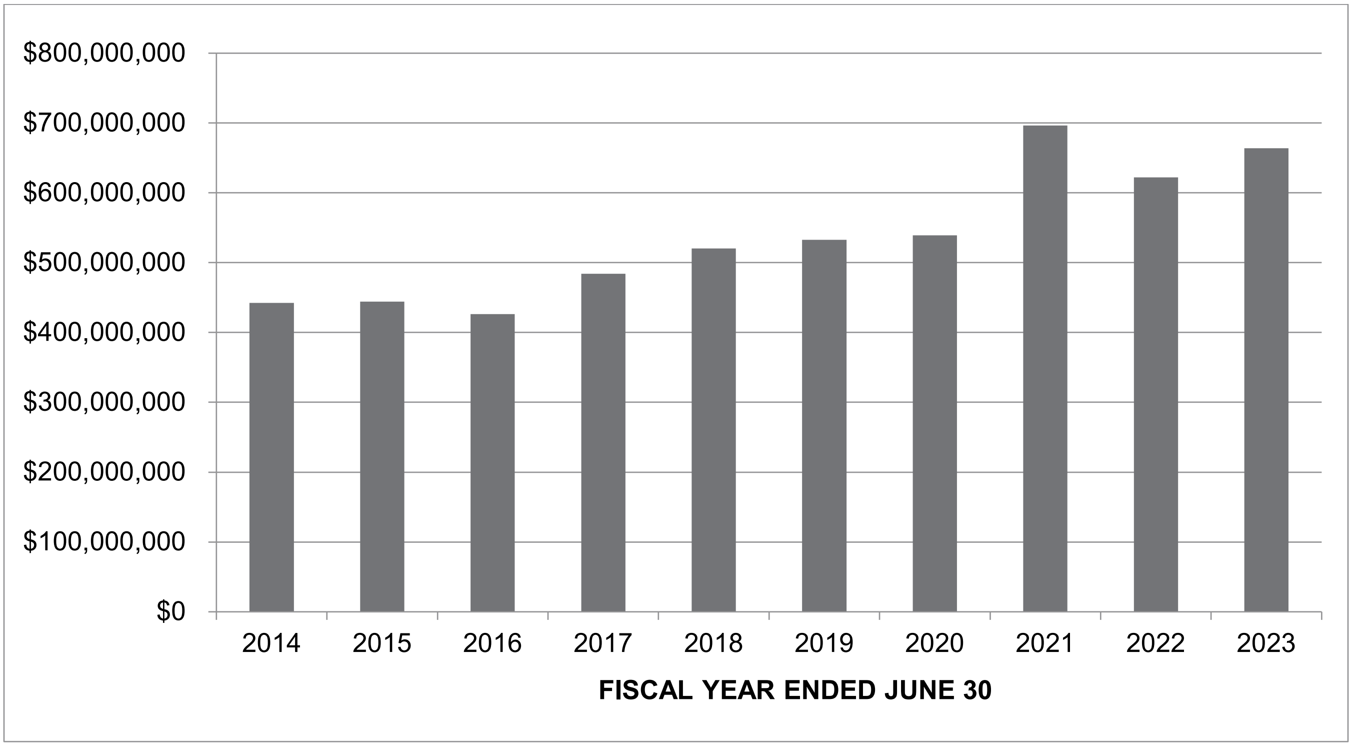
The California Constitution gives the Board of Retirement (Board) plenary authority over the administration of MCERA, which includes administering MCERA benefits and managing the assets. The Board and MCERA staff members are committed to act for the exclusive benefit of MCERA and its participants, manage 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 increased to $663.9 million, which reflects an increase of 6.75% in net position during fiscal year 2022-23.
- Actuarial determined assets increased to $671.2 million, a 5.3% increase during fiscal year 2022-23.
- Net total additions to fiduciary net position for the fiscal year totaled $90.0 million. This was comprised of $30.3 million of employer contributions, $8.5 million of member contributions, and a net investment gain of $51.2 million.
- Deductions in fiduciary net position for the fiscal year were $47.0 million, which included $44.3 million in benefit payments to retirees, $1.1 million in member refunds, and $1.6 million in total administrative expenses.
- MCERA's funded status decreased to 72.4% from 73.2% 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 $250.0 million to $263.1 million during fiscal year 2022-23. The fiduciary net position as a percentage of the total pension liability increased from 71.3% to 71.6%.

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, 2023 and 2022

(Dollars in Thousands)	2023	2022	Amount Increase/ (Decrease)	% Change Increase/ (Decrease)
Cash Equivalents	$ 677	$ 1,615	$ (938)	(58.08%)
Receivables	1,575	1,142	433	37.92%
Capital Assets, Net				
Software Equipment	79	159	(80)	(50.31%)
Investments, at Fair Value	663,165	620,437	42,728	6.89%
Total Assets	665,496	623,353	42,143	6.76%
Accounts Payable	392	280	112	40.00%
Accrued Expenses and Other Liabilities	1,194	1,139	55	4.83%
Total Liabilities	1,586	1,419	167	11.77%
Fiduciary Net Position Restricted for Pension Benefits	$ 663,910	$ 621,934	$ 41,976	6.75%

Table #2: Changes in Fiduciary Net Position for the Fiscal Years Ended June 30, 2023 and 2022

(Dollars in Thousands)	2023	2022	Amount Increase (Decrease)	% Change Increase (Decrease)
Additions				
Employer Contributions	$ 30,309	$ 30,485	$ (176)	(0.58%)
Member Contributions	8,493	8,186	307	3.75%
Net Investment Income (Loss)	51,150	(67,540)	118,690	175.73%
Insurance Reimbursement	27	171	(144)	(84.21%)
Total Additions	89,979	(28,698)	118,677	413.54%
Deductions				
Retirement Benefits	44,310	42,750	1,560	3.65%
Refund of Contributions	1,144	1,596	(452)	(28.32%)
Administrative Expenses	1,550	1,463	87	5.95%
Total Deductions	47,004	45,809	1,195	2.61%
Change in Fiduciary Net Position	42,975	(74,507)	117,482	157.68%
Fiduciary Net Position Restricted for Pension Benefits at Beginning of Year	621,934	696,441	(74,507)	(10.70%)
Fiduciary Net Position Restricted for Pension Benefits at End of Year	$ 664,909	$ 621,934	$ 42,975	6.91%

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, 2023 and 2022, totaled $90.0 million and $(28.7) million, respectively. The increase in additions from 2022 to 2023 can be attributed primarily to an increase in net investment income. Employer contributions decreased from fiscal year (FY) 2022 as a result of lower safety covered payroll. Member contributions increased in FY 2023 as a result of higher non-safety covered payroll. Total net position increased from approximately $621.9 million in FY 2022 to $663.9 million in FY 2023.

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, 2023 and 2022, were $47.0 million and $45.8 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, 2023 and 2022

(Dollars in Thousands)	2023	2022
Member Reserve	$ 78,210	$ 75,608
Employer Reserve	(68,087)	(76,359)
Retiree Reserve	340,048	341,190
Cost of Living Reserve	240,673	237,879
Contingency Reserve	6,632	6,204
Total Reserves	$ 597,476	$ 584,522

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 adopted new actuarial assumptions, including a decrease in the assumed rate of return from 6.75% to 6.50% and other assumption changes based on the July 1, 2019, through June 30, 2022, Actuarial Experience Study.
- An actuarial audit of the June 30, 2022, actuarial valuation was successfully completed and presented to the Board, finding the actuarial assumptions and calculations by the Board's actuary are reasonable and sound.
- The Board completed review of the asset liability study, maintaining the previous asset class structure.
- Staff began hosting in-person and online Pre-Retirement Seminars with the goal of helping Plan members better understand the retirement process and be more prepared for life in retirement.
- The Board of Retirement and the Board of Supervisors adopted Article 8.4 of the CERL, allowing for the division and administration of community property interests using separate accounts.
- Staff continued communication and education efforts by developing a member handbook and a Popular Annual Financial Report.
- The Board approved preliminary scope of work for tenant access improvements to the 625 Kings Court asset.
- The Board swore in three new members during the year. The Auditor-Controller/Treasurer-Tax Collector filled the 1st seat. An elected General member filled the 2nd seat who subsequently retired 9 months later; the 2nd seat was eventually filled with no election declared by the Board of Supervisors in June 2023.

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, 2023, was 8.29% which exceeded the benchmark by 0.08%. Performance returns were 8.84%, 6.66%, 8.34%, and 7.62% for the three, five, seven, and ten year periods ending June 30, 2023, 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, 2023 valuation, the ratio of actuarial valuation value of assets to the actuarial accrued liabilities was 72.4%, which was a decrease from the prior year's valuation funded ratio of 73.2%. The actuarial valuation value of assets excludes about $13.9 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 71.6%. MCERA's unfunded actuarial accrued liability (UAAL) on a valuation value of assets as of June 30, 2023, was $255.4 million. On a market value of assets basis, the UAAL would be $262.7 million.

Prior to July 1, 2012, the total UAAL was being amortized on a 30-year decreasing period, with 27 years remaining as of June 30, 2012. On December 15, 2021, 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 (13 years as of June 30, 2023)

The aggregate employer rate calculated in the June 30, 2023 valuation increased from 36.92% of payroll to 40.26% of payroll. The increase was driven by the effects of changes in actuarial assumptions and higher than expected salary increases for continuing active members. These losses were partially offset by the effect of amortizing the prior year's UAAL over a larger than expected projected total payroll. The aggregate member rate calculated in the June 30, 2023 valuation increased to 9.76% of payroll to 10.52% of payroll.

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, CFP
Executive Director

Basic Financial Statements

Statement of Fiduciary Net Position

For the Fiscal Year Ended June 30, 2023 (with Comparative Totals for 2022)

ASSETS	**June 30, 2023**	**June 30, 2022**
Cash equivalents (Note 3):	$ 677,082	$ 1,614,712
Investments at fair value (Notes 3 and 4)		
Fixed income	129,681,011	125,692,476
Domestic equities	241,562,876	217,049,977
International equities	158,805,420	147,243,715
Real estate partnerships	79,347,431	92,676,198
Infrastructure	52,421,472	36,025,184
Real estate – 625 Kings Court, Ukiah, CA	1,347,000	1,750,000
Total investments, at fair value	663,165,210	620,437,550
Receivables:		
Member contributions receivable	190,056	121,031
Employer contributions receivable	716,757	521,591
Other receivables	667,439	499,414
Total receivables	1,574,252	1,142,036
Capital assets, net (Note 1):		
Software equipment	79,383	158,766
TOTAL ASSETS	$ 665,495,927	$ 623,353,064
LIABILITIES		
Liabilities		
Accounts payable	$ 392,592	$ 279,460
Accrued expenses and other liabilities	1,193,727	1,139,219
TOTAL LIABILITIES	$1,586,319	$1,418,679
FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 663,909,608	$ 621,934,385

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, 2023 (with comparative Totals for 2022)

	June 30, 2023	June 30, 2022
ADDITIONS TO FIDUCIARY NET POSITION ATTRIBUTED TO:		
Investment income:		
Net realized and unrealized appreciation in fair value of Investments	$ 37,224,908	$ (80,472,109)
Dividend income	14,310,435	14,028,693
Rent income, net of expenses	89,357	90,139
Interest income	21,458	6,670
Investment expenses	(1,495,795)	(1,193,371)
Total investment income, net	50,150,363	(67,539,978)
Contributions (Note 5):		
Employer contributions	30,309,355	30,485,006
Member contributions	8,492,670	8,185,773
Total contributions	38,802,025	38,670,779
Other Income:		
Insurance Reimbursement	27,140	171,596
Total additions	88,979,528	(28,697,603)
DEDUCTIONS FROM FIDUCIARY NET POSITION ATTRIBUTED TO:		
Retirement benefits	44,309,923	42,750,386
Refund of contributions	1,144,610	1,596,157
Administrative expenses	1,549,772	1,462,771
Total deductions	47,004,305	45,809,314
Change in Fiduciary Net Position	41,975,223	(74,506,917)
FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS:		
Balance at beginning of year	621,934,385	696,441,302
Balance at end of year	$ 663,909,608	$ 621,934,385

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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, 2022, 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, 2023, 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%	36.43%
International Equities	20% - 30%	23.95%
Domestic Fixed Income	18% - 24%	19.55%
Real Estate Partnerships	6% - 16%	12.17%
Infrastructure	1% - 11%	7.90%

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	$ 64,829,699	4.23%	9.93	5.23	A+
PIMCO Total Return	64,851,312	3.89%	8.19	5.86	AA
Total	$ 129,681,011	4.06%	9.06	5.54	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, 2023, 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, 2023, the annual money-weighted rate of return on MCERA investments, net of investment management expense, was 8.32%. 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 $714,448.

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 2022-23 was $1,346,983, which represented 0.16% of MCERA's actuarial accrued liability or 67.35% 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 29, 2023) 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. As of November 2023, MCERA is responding to the IRS' request for more information.

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, 2023, consisted of the following:

Retirees and beneficiaries receiving benefits	1,678
Terminated plan members entitled to, but not yet receiving, benefits	879
Active plan members	1,150
Total	3,707
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, 2023, are as follows:

Cash equivalents	$ 677,082
Total cash equivalents	677,082
Fixed income	129,681,011
International equities	158,805,421
Domestic equities – small cap	38,129,703
Domestic equities – mid cap	36,465,584
Domestic equities – large cap	166,967,587
Real estate partnerships	79,347,431
Infrastructure	52,421,473
Real estate – 625 Kings Court, Ukiah, CA	1,347,000
Total investments, at fair value	663,165,210
Total Cash and Investments	$ 663,842,292

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 broker price opinion.

***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, 2023:

	Investments as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Investments by fair value level:				
Commingled funds:				
Fixed income	$ -	$ 129,681,011	$ -	$ 129,681,011
International equities	-	158,805,421	-	158,805,421
Domestic equities	241,562,874	-	-	241,562,874
Real estate - Kings Court	-	-	1,347,000	1,347,000
Total investments by fair value level	$ 241,562,874	$ 288,486,432	$ 1,347,000	531,396,306
Investments measured at the NAV:				
Real estate partnerships				79,347,431
Infrastructure				52,421,473
Total investments measured at the NAV				131,768,904
Total investments measured at fair value level and NAV				$ 663,165,210

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, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate partnerships (1)	$ 79,347,431	$ -	Quarterly	45 Days
Infrastructure	52,421,473	-	Quarterly	90 Days
Total investments measured at the NAV	$ 131,768,904			

(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, 2023, as follows:

Commercial Building at 625 Kings Court, Ukiah, California

	2023
Fair value, beginning of year	$ 1,750,000
Unrealized gain (loss)	(403,000)
Purchases	-
Sales	-
Issuances	-
Settlements	-
Fair value, end of year	$ 1,347,000
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, 2023.	$ (403,000)

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, 2023. A professional appraisal was completed in June 2022. MCERA's policy is to obtain a professional appraisal every four years.

Instrument	Fair Value at June 30, 2023	Principal Valuation Technique
Real Estate - 625 Kings Court, Ukiah, CA	$ 1,347,000	Fair Value = Broker Price Opinion

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, 2021, scenario 2, which was adopted by the MCERA Board, recommended employer and member contribution rates that aggregate to 36.06% and 10.02%, 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, 2021 actuarial valuation, management has estimated the contributions are comprised of the following for the fiscal year ended June 30, 2023:

Estimated Employer Normal Cost Contributions	$ 9,854,317
Estimated UAAL Contributions	20,455,038
Total	$ 30,309,355

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, 2023, were as follows:

Total pension liability	$ 927,038,575
Fiduciary net position	663,909,608
Net pension liability	$ 263,128,967
Fiduciary net position as a percentage of total pension liability	71.6%

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, 2023, was determined by actuarial valuation as of June 30, 2023. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an experience study for the period from July 1, 2019 through June 30, 2022. 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, 2023
Actuarial cost method	Entry age cost method (individual basis)
Amortization method	Level % of payroll for total unfunded liability
Remaining amortization period (1)	13 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	6.50%
Inflation rate	2.50%
Real across-the-board salary increase	0.50%
Projected salary increases *	4.00% to 8.00%
* Includes inflation at	2.50% plus real across-the-board salary increase of 0.50% plus merit and longevity increases.
Cost of living adjustments	2.75% of retirement income

(1) The current amortization policy is a layered amortization. Prior to July 1, 2012, the total UAAL was being amortized on a 30-year decreasing period, with 27 years remaining as of June 30, 2012. On December 15, 2021, 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 (13 years as of June 30, 2023). On or after July 1, 2012, any new UAAL resulting from plan amendments are amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing 5-year periods; assumption and method changes are amortized over separate decreasing 18-year periods; and experience gains/losses are also amortized over separate decreasing 18-year periods.

NOTE 6 – NET PENSION LIABILITY (Continued)

Actuarial Methods and Assumptions (Continued):

Mortality for healthy members and all beneficiaries	General Members: Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females), with rates decreased by 5% for males and increased 5% for females, projected generationally, but updated with the two-dimensional mortality improvement scale MP-2021. Safety and Probation Members: Pub-2010 Safety Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally, but updated with the two-dimensional mortality improvement scale MP-2021. Beneficiaries not currently in Pay Status: 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-2021. Beneficiaries currently in Pay Status: Pub-2010 Contingent Survivor Amount-Weighted Mortality Tables (separate tables for males and females) with rates increased by 5%, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Years of life expectancy after disability	General Members: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), with rates decreased by 5%, projected generationally, but updated with the two-dimensional mortality improvement scale MP-2021. Safety and Probation Members: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally, but updated with the two-dimensional mortality improvement scale MP-2021.
Life expectancy after retirement 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-2021, 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-2021, weighted 80% male and 20% female.

NOTE 6 – NET PENSION LIABILITY (Continued)

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, 2023 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	25.90%	6.00%
Domestic Equities - Small Cap	11.10%	6.65%
International Equities	25.00%	7.05%
Domestic Fixed Income	21.00%	1.97%
Real Estate Partnerships	11.00%	3.86%
Infrastructure	6.00%	4.65%
Total	100.00%	5.17%

Discount Rate:

The discount rate used to measure the total pension liability was 6.50% as of June 30, 2023. 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, 2023.

NOTE 6 – NET PENSION LIABILITY (Continued)

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, 2023, calculated using the discount rate of 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
Net pension liability	$ 384,188,540	$ 263,128,967	$ 163,410,287

NOTE 7 – RESERVES

MCERA had contingency reserves of $6,631,652 at June 30, 2023, 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 6.50% 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, 2023, (under the five-year smoothed asset valuation method for actuarial valuation purposes) is as follows:

Member reserves	$ 78,210,350
Employer reserves	(68,086,833)
Retiree reserves	580,721,296
1% Contingency reserve	6,631,652
Total reserves	597,476,465
Cumulative unallocated net unrealized gain on investments	80,400,186
Total allocated reserves (smoothed market actuarial value after corridor limits)	677,876,651
Fiduciary net position in excess (deficit) of reserves	(13,967,043)
Fiduciary net position restricted for pension benefits	$ 663,909,608

Required Supplementary Information

Schedules of Changes in Net Pension Liability and Related Ratios

Schedules of Changes in Net Pension Liability and Related Ratios
For 2023, 2022, 2021, 2020, and 2019

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total pension liability (TPL):					
Service cost[1]	$ 16,836,674	$ 16,393,123	$ 15,601,020	$ 13,639,319	$ 13,422,284
Interest	58,458,800	54,987,747	53,386,300	51,921,209	49,910,703
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience	6,180,810	24,499,126[5]	(3,342,689)[5]	5,755,507	2,897,805
Changes in assumptions	19,069,933	-	-	15,826,065	-
Benefit payments, including refunds of employee contributions	(45,454,533)	(44,346,543)	(41,076,641)	(38,777,787)	(36,674,901)
Net change in total pension liability	55,091,684	51,553,453	24,567,990	48,364,313	29,555,891
Total pension liability - beginning of year	871,946,891	820,413,438	795,845,448	747,481,135	717,925,244
Total pension liability - end of year (a)	$927,038,575	$871,946,891	$820,413,438	$795,845,448	$747,481,135
Fiduciary net position:					
Contributions - employers'	$ 30,309,355	$ 30,485,006	$ 26,333,815	$ 24,647,132	$ 23,702,064
Contributions - members'	8,492,670	8,185,773	7,053,907	6,820,687	6,544,192
Net investment income (loss)	50,177,503	(67,368,382)	166,513,422	14,798,656	19,959,117
Benefit payments, including refunds of employee contributions	(45,454,533)	(44,346,543)	(41,076,641)	(38,777,787)	(36,674,901)
Administrative expense	(1,549,772)	(1,462,771)	(1,372,414)	(1,226,492)	(1,233,416)
Other	-	-	-	-	-
Net change in fiduciary net position	41,975,223	(74,506,917)	157,452,089	6,262,196	12,297,056
Fiduciary net position - beginning of year	621,934,385	696,441,302	538,989,213	532,727,017	520,429,961
Fiduciary net position - end of year (b)	$663,909,608	$621,934,385	$696,441,302	$538,989,213	$532,727,017
Net pension liability - end of year (a) - (b)	$263,128,967	$250,012,506	$123,972,136	$256,856,235	$214,754,118
Fiduciary net position as a % of the total pension liability	71.6%	71.3%	84.9%	67.7%	71.3%
Covered payroll[2]	$ 85,729,491	$ 81,780,476	$ 77,319,043	$ 72,040,768	$ 68,254,197
Net pension liability as a % of covered payroll	306.9%	305.7%	160.3%	356.5%	314.6%

[1] The service cost is based on the previous year's valuation, meaning the 2023 and 2022 values are based on the valuations as of June 30, 2022, and June 30, 2021, 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.
[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 2018, 2017, 2016, 2015, and 2014

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability (TPL):					
Service cost[1]	$ 12,576,536[iii]	$ 12,356,900	$ 12,125,153	$ 12,058,526	$ 11,762,194
Interest	47,254,554	45,532,301	44,005,882	42,156,056	39,412,370
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience	12,682,464	(5,836,962)	(3,396,702)	1,787,516	(8,040,343)
Changes in assumptions	-	28,220,986	-	-	58,186,913
Benefit payments, including refunds of employee contributions	(34,153,672)	(32,765,402)	(31,058,643)	(30,049,133)	(27,353,529)
Net change in total pension liability	38,359,882	47,507,823	21,675,690	25,952,965	73,967,605
Total pension liability - beginning of year	679,565,362	632,057,539	610,381,849	584,428,884	510,461,279
Total pension liability - end of year (a)	$717,925,244[iv]	$ 679,565,362	$ 632,057,539	$ 610,381,849	$ 584,428,884
Fiduciary net position:					
Contributions - employers'	$ 20,430,644	$ 19,116,426	$ 19,129,191	$ 15,164,044	$ 14,324,752
Contributions - members'	5,996,462	5,753,907	5,544,925	4,651,960	4,575,895
Net investment income (loss)	45,271,985	66,669,864	(10,352,325)	13,201,309	68,294,844
Benefit payments, including refunds of employee contributions	(34,153,672)	(32,765,402)	(31,058,643)	(30,049,133)	(27,353,529)
Administrative expense	(1,142,175)	(1,086,089)	(1,142,493)	(1,059,272)	(930,437)
Other	-	-	-	-	200,106
Net change in fiduciary net position	36,403,244	57,688,706	(17,879,345)	1,908,908	59,111,631
Fiduciary net position - beginning of year	484,026,717	426,338,011	444,217,356	442,308,448	383,196,817
Fiduciary net position - end of year (b)	$520,429,961	$ 484,026,717	$ 426,338,011	$ 444,217,356	$ 442,308,448
Net pension liability - end of year (a) - (b)	$197,495,283	$195,538,645	$205,719,528	$166,164,493	$142,120,436
Fiduciary net position as a % of the total pension liability	72.5%	71.2%	67.5%	72.8%	75.7%
Covered payroll[2]	$ 64,340,578	$ 59,801,480	$ 57,407,928	$ 54,891,785	$ 53,813,882
Net pension liability as a % of covered payroll	307.0%	327.0%	358.3%	302.7%	264.1%

[iii] 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.
[iv] 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.

[1] The service cost is based on the previous year's valuation, meaning the 2023 and 2022 values are based on the valuations as of June 30, 2022, and June 30, 2021, 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)

					As a % of Covered Payroll	
Year Ended	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actuarially Determined Contribution	Actual Employer Contribution
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[1]	23,702[1]	-	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%
6/30/23	30,309	30,309	-	85,729	35%	35%

[1] 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
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)%
2023	8.32%

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 2023 and 2022 values are based on the valuations as of June 30, 2022 and June 30, 2021, 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, 2023, for the period of July 1, 2019 through June 30, 2022. Based on the results of this study, the Board of Retirement adopted new economic assumptions effective with the June 30, 2023 valuation. These key methods and assumption changes included adjusting the investment return from 6.75% to 6.50%; adjusting inflation from 2.75% to 2.50%; and mortality rate table changes. 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, 2023 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 ASSSUMPTIONS USED IN DETERMINING THE ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarial determined contribution rates for the fiscal year ended June 30, 2023, are calculated based on the June 30, 2021 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, 2021
Actuarial cost method	Entry age cost method (individual basis)
Amortization method	Level % of payroll for total unfunded liability
Remaining amortization period	15 years (closed) for all unfunded actuarial accrued liability (UAAL) remaining as of June 30, 2021

NOTE 3 – ACTUARIAL ASSSUMPTIONS 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 2021
Inflation rate	2.75% for 2021
Real across-the-board salary increase	0.50%
Projected salary increases*	4.25% to 8.25% for 2021
*Includes inflation at	2.75% for 2021 plus real across-the-board salary increase of 0.50% plus merit and longevity increases.
Cost of living adjustments	2.75% for 2021 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. ***Safety and Probation Members:*** Pub-2010 Safety Healthy Retiree Amount-Weight Mortality Tables, projected generationally with the two-dimensional mortality improvement scale MP-2019. ***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 ASSSUMPTIONS 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. ***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. ***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, 2023

Investment Management Fees	Direct (1)	Fund Level (2)	Fund Level
Large Cap Funds	$ -	$ 30,991	$ 30,991
Mid Cap Funds	-	221,281	221,281
Small Cap Funds	-	229,715	229,715
International Equity Funds	527,886	547,854	1,075,740
Fixed Income Funds	-	562,486	562,486
Infrastructure	459,282	393,370	852,652
Real Estate	116,934	678,179	795,113
Investment Consultant	186,158	-	186,158
Custodial Bank	63,493	-	63,493
Actuarial Expense	72,000	-	72,000
Other Investment Expense	70,042	-	70,042
Total Investment Expenses	$ 1,495,795	$ 2,663,876	$ 4,159,671

(1) These fees are paid directly by MCERA.
(2) These fees are included in unrealized activity as they are net of the fund and are estimated for transparency and reporting purposes.

Schedule of Payments to Consultants (Other Than Investment Managers)

For the Fiscal Year Ended June 30, 2023

	2023
Actuarial Expense	$ 72,000
Audit Services	41,200
Investment Consultant	186,158
Custodian Services	63,493
General Consultant – Actuary	164,044
Pension IT Services	177,764
Disability Medical Reviews	22,250
Legal Counsel	
General	126,497
Disability	353
Total Payments to Consultants	$ 853,759

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2023

Personnel Services:		
Salaries and Wages	$	548,034
Other Benefits		116,066
Employee Retirement		180,540
Total Personnel Services		844,640
Professional Services:		
Legal Expense – General		126,497
Outside Legal Counsel – Disability		353
Disability Medical Review		22,250
General Consultant - Actuary		164,044
External Audit Fees		41,200
Total Professional Services		354,344
Miscellaneous:		
Office Expenses		22,711
Rent and Leases		56,339
Memberships		6,170
Board Meeting Stipends and Contracts		44,802
Training and Travel		17,977
Total Miscellaneous		147,999
Total Administrative Expenses[1]	$	1,346,983
Total Information Technology (IT) Expense	$	202,789
Total Administrative and IT Expense	$	1,549,772

[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 2022-23 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, 2023

Market Overview

A recession in the U.S. does not appear imminent, despite the most aggressive rate hikes since the 1980s over the past 15 months. The labor market remains strong, 2Q23 GDP growth was positive, consumer spending exceeded expectations, and even housing showed signs of life. Further good news comes from inflation, which moderated, though largely due to falling energy prices. We have also successfully weathered a couple of storms this year; regional bank worries have abated after the collapse of Signature Bank, Silicon Valley Bank, and First Republic, and the debt ceiling saga is behind us. Consumer confidence has risen, and investors are generally optimistic; stock indices registered strong 2Q gains and risk appetite was evident in bond markets.

On the good news front: 2Q23 GDP rose 2.1% in real terms, annualized, following 1Q's robust 2.2% gain. Growth was driven by consumer spending and business investment. In June, the Conference Board reported a sharp 7% monthly jump in its Consumer Confidence Index, bringing it to its highest level since January 2022. New home sales surged more than 12% in May (+20% year-over-year (YOY)) with gains broad-based geographically, according to data from the Census Bureau. Housing prices have risen in 2023 and are now just 2.4% off the June peak, according to the S&P Case-Shiller National Home Price Index. The labor market remained resilient. The Bureau of Labor Statistics reported April job openings, according to the Job Openings and Labor Turnover Survey (JOLTS), remained at just over 10 million with about 6 million unemployed. Unemployment remained low at 3.7% in May and average hourly earnings ($33.44) were up 4.3% over the past year, a bit higher than core inflation.

But is this all too good to be true? The Fed has not abandoned its rate hike path and goal of 2% inflation and has suggested that further hikes are coming. Higher interest rates have a lagged effect, but the impact can already be seen in some areas. In April, nearly 50% of U.S. banks reported tightening lending standards for loans to small businesses. Rising payments for credit card debt, auto loans, commercial mortgage payments, and corporate debt all have the potential to put the brakes on economic growth. While the default rate for corporations has not ticked up materially, a June report from S&P Global was a bit ominous: "…the tally of companies that have gone bankrupt so far in 2023 is higher than the first four months of any year since 2010.” Commercial real estate woes, especially office and retail, are also on the radar of the more pessimistic crowd.

And there is mixed news: Headline CPI was up 3.0% over the year ended June 2023, after increasing 4.0% over the year ended in May 2023. The June 2023 increase was the smallest 12-month increase since March 2021, with Core up 4.8% (down from a 6.6% cycle high in September). Headline CPI has benefited from falling energy prices (-12% YOY) while Core has not moderated as much and has the Fed’s attention. Within Core, shelter costs (+8% YOY) have been particularly sticky and comprise around 40% of the measure. The Fed’s favored inflation metric, the Personal Consumption Expenditures Index, showed progress with a +3.8% gain in May (YOY), down from 5.4% in January. As with CPI, the Core measure remains more stubborn and was up 4.6% in May (YOY), down only slightly from January’s 4.7%.

The Fed took a pause at its June meeting, leaving the Fed Funds target at 5.00% – 5.25%. The Fed’s median prediction is 4.6% for the end of 2024, but the distribution reflects a wide range of views that range from 3.6% to 5.9%. The Bloomberg U.S. Aggregate Bond Index, a widely used gauge of the investment grade domestic U.S. bond market, fell modestly for the quarter (-0.8%) and for the fiscal year (-0.9%) as interest rates rose. The 10-year U.S. Treasury yield was 3.81% as of fiscal year-end, up from 3.48% as of 3/31 and 2.98% as of 6/30/22. The yield curve was sharply inverted at quarter-end with the 2-year U.S Treasury yielding 4.87%.

U.S. equity markets finished the fiscal year 2023 in positive territory after a tumultuous 2022. The Russell 3000 Index, a measure of broad U.S. equity, was down 4.5% at the start of the fiscal year before rising 7.2% in both 4Q22 and 1Q23, and 8.4% in 2Q23 as investor sentiment improved. Domestic stocks soared over the exuberance for any company associated with AI. Overseas markets also rebounded throughout the fiscal year aided by currency appreciation vs. the U.S. dollar. The MSCI ACWI ex-U.S. (Net) Index, a large- and mid-cap benchmark reflecting developed and emerging markets, but excluding

U.S. equities, climbed 2.7% for the quarter and 13.3% for the fiscal year. The MSCI All Country World Index (Net), a broad measure of the total global equity market (including the U.S.), increased 6.2% in the second quarter and 16.5% for the fiscal year.

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

Index	3Q22	4Q22	1Q23	2Q23	Fiscal Year
US Equity (Russell 3000)	-4.5%	7.2%	7.2%	8.4%	19.0%
Intl Equity (MSCI ACWI ex-U.S.)	-9.8%	14.4%	7.0%	2.7%	13.3%
Fixed Income (Bloomberg Aggregate)	-4.8%	1.9%	3.0%	-0.8%	-0.9%
Real Estate (NFI-ODCE)	0.8%	-5.1%	-3.5%	-3.0%	-10.5%

Asset Allocation

As of June 30, 2023, the assets of MCERA were valued at $663.8 million, up from the total asset value at the start of the fiscal year, July 1, 2022, of $622.0 million. Approximately $51.3 million in unrealized investment gains and $9.5 million in net withdrawals accounted for the increase 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 and infrastructure. All asset classes remain within their permitted ranges.

Asset Class	$000s Actual	Weight Actual	Target	Percent Difference	$000s Difference
Domestic Equity	241,563	36.4%	37.0%	(0.6%)	(4,059)
International Equity	158,805	23.9%	25.0%	(1.1%)	(7,155)
Domestic Fixed Income	129,681	19.5%	21.0%	(1.5%)	(9,726)
Infrastructure	52,421	7.9%	6.0%	1.9%	12,591
Domestic Real Estate	80,694	12.2%	11.0%	1.2%	7,672
Cash	677	0.1%	0.0%	0.1%	677
Total	663,842	100.0%	100.0%		

Total Fund Performance

MCERA's Total Fund gained 8.29% for the fiscal year ending June 30, 2023, outperforming the Policy Index's 8.21% 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 up 8.32%.

As shown in the fiscal year attribution below, active manager effects in domestic fixed income, international equity, and infrastructure contributed to Total Fund outperformance, while slight deviations from the policy target had a negative 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	34%	37%	17.62%	18.95%	(0.42%)	(0.24%)	(0.66%)
Domestic Fixed Income	20%	21%	0.44%	(0.94%)	0.29%	0.08%	0.37%
Domestic Real Estate	15%	11%	(13.05%)	(10.51%)	(0.46%)	(0.55%)	(1.01%)
International Equity	23%	25%	14.15%	13.33%	0.25%	(0.19%)	0.06%
Infrastructure	7%	6%	10.49%	(10.51%)	1.66%	(0.32%)	1.33%
Cash	0%	0%	0.00%	0.00%	0.00%	0.01%	0.01%
Total			**8.29% =**	**8.21% +**	**1.31% +**	**(1.22%)**	**0.08%**

Overall, the Total Fund ranked in the 58th 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 32nd, 12th, and 25th for the trailing 5-, 7-, and 10- year periods, respectively.

Summary

The ultimate path of interest rates remains unknown, as does the eventual impact on inflation and the global economy. Economies are widely expected to slow and inflation to be conquered eventually, but there are disagreements around the timing and the depth of downturns. Bond and stock markets present a perplexing picture. The U.S. Treasury yield curve is more inverted than it has been since the early 1980s. (Historically, an inversion has been a good predictor of a recession, though the curve has been inverted since April 2022.) Stock markets, conversely, do not appear to have priced in a significant slowdown. While 2023 has thus far felt "too good to be true" for some of us, geopolitics continue to be a source of concern and storm clouds on the global economic horizon have mounted. With uncertainty ahead, Callan continues to advise adherence to a disciplined investment process that includes a well- defined long-term asset-allocation policy. As such, the Plan remains well diversified across the broad capital markets and across many different investment strategies.

Submitted by:

Greg DeForrest, CFA
Senior Vice President

Claire Telleen, CFA
Senior Vice President

Hannah Vieira
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, 2023

	Fair Value	% of Assets	Current Year Return	3 Year Return	5 Year Return
Domestic Equities	**$241,562,874**	**36.39%**	**17.62%**	**15.09%**	**10.97%**
Russell 3000 Index			18.95%	13.89%	11.39%
Large Cap Equities	**$166,967,587**	**25.15%**			
Vanguard S&P 500 Index	166,967,587	25.15%	19.57%	14.58%	12.29%
S&P 500 Index			19.59%	14.60%	12.31%
Mid Cap Equities	**$36,465,584**	**5.49%**			
Fidelity Low Priced Stock	16,957,970	2.55%	13.37%	15.88%	8.21%
Russell MidCap Value Index			10.50%	15.04%	6.84%
Janus Enterprise	19,507,614	2.94%	18.81%	12.81%	10.98%
Russell MidCap Growth Index			23.13%	7.63%	9.71%
Small Cap Equities	**$38,129,703**	**5.74%**			
Prudential Small Cap Value	18,399,685	2.77%	3.10%	21.57%	2.97%
MSCI US Small Cap Value Index			9.08%	17.78%	4.91%
Russell 2000 Value Index			6.01%	15.43%	3.54%
AB US Small Growth	19,730,018	2.97%	16.26%	2.77%	6.81%
Russell 2000 Growth Index			18.53%	6.10%	4.22%

[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, 2023, continued:

	Fair Value	% of Assets	Current Year Return	3 Year Return	5 Year Return
International Equities	**$158,805,421**	**23.92%**	**14.15%**	**8.15%**	**3.26%**
EuroPacific	27,728,070	4.18%	15.80%	5.47%	4.29%
Harbor International	31,358,416	4.72%	18.59%	10.50%	3.51%
Oakmark International	31,523,590	4.75%	22.22%	13.18%	3.25%
Mondrian International	29,600,239	4.46%	11.33%	9.03%	2.73%
MSCI EAFE Index			18.77%	8.93%	4.39%
MSCI ACWI ex-US Index			13.33%	7.75%	4.01%
T-Rowe Price Int'l Small Cap	24,392,873	3.67%	7.95%	3.19%	2.86%
MSCI ACWI ex US Small Cap			10.93%	8.15%	2.62%
NinetyOne Emerging Markets Equity	14,202,232	2.14%	-1.22%	2.34%	0.36%
MSCI Emerging Markets Index			1.75%	2.32%	0.93%
Domestic Fixed Income	**$129,681,011**	**19.54%**	**0.44%**	**-2.73%**	**1.44%**
Dodge & Cox Income	64,829,699	9.77%	1.82%	-1.77%	2.01%
PIMCO Total Return	64,851,312	9.77%	-0.95%	-3.69%	0.82%
BC Aggregate Index			-0.94%	-3.96%	0.77%
Infrastructure	**$52,421,473**	**7.90%**	**10.49%**	-	-
IFM Global Infrastructure	25,988,213	3.91%	9.61%	-	-
JP Morgan IIF Infrastructure	26,433,260	3.98%	11.06%	-	-
NFI-ODCE Equal Weight Index			-10.51%	7.59%	6.07%
Real Estate	**$80,694,431**	**12.16%**	**-13.05%**	**5.56%**	**5.35%**
Real Estate Custom Benchmark [2]			-10.51%	7.59%	6.07%
RREEF Private Fund	41,511,005	6.25%	-11.75%	7.48%	6.44%
Barings Core Property Fund	37,836,426	5.70%	-14.23%	3.34%	3.96%
NFI-ODCE Equal Weight Index			-10.51%	7.59%	6.07%
625 Kings Court	1,347,000	0.20%	-18.68%	8.01%	9.60%
Cash	**$677,082**	**0.10%**			
Total Fund	**$663,842,292**	**100.00%**	**8.29%**	**8.84%**	**6.66%**
Total Fund Benchmark [3]			8.21%	8.08%	7.08%

[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

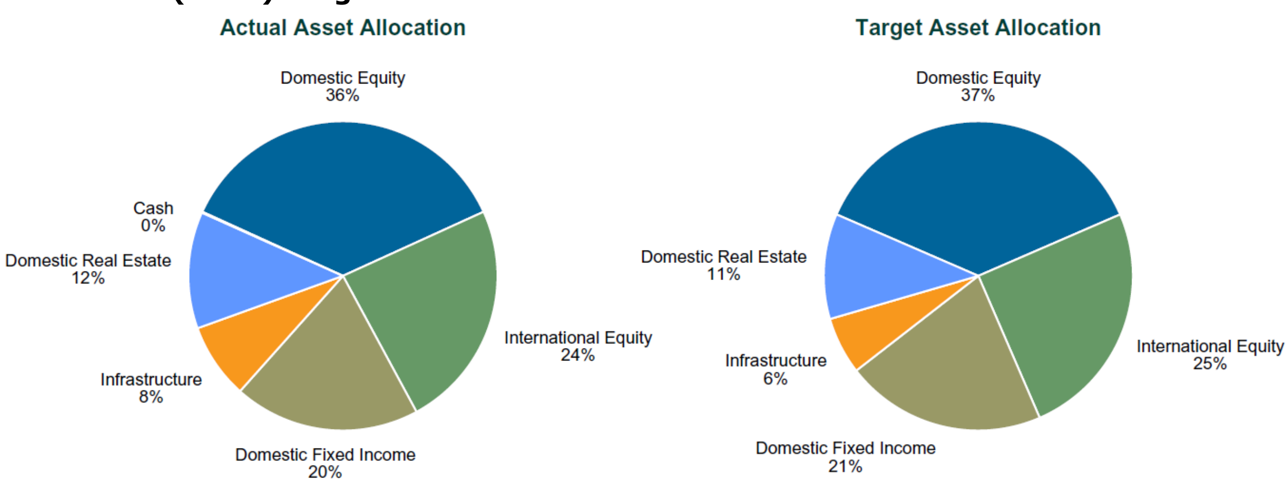
The Board reviews the Association's investment results each quarter. Periodically, the Board reviews the asset allocation, taking into consideration the latest actuarial study. Based on this review, the Board adopts an asset allocation mix with the goal of helping the Association achieve a fully funded 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:

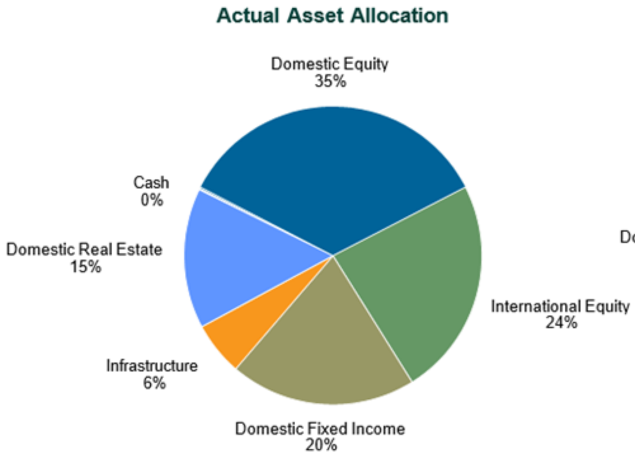
Current Year (FY23) Target Asset vs Actual Asset Allocation [1]

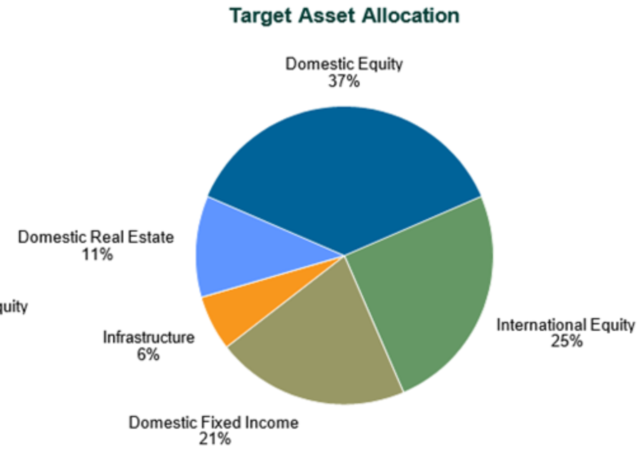


Asset Class	$000s Actual	Weight Actual	Target	Percent Difference	$000s Difference
Domestic Equity	241,563	36.4%	37.0%	(0.6%)	(4,059)
International Equity	158,805	23.9%	25.0%	(1.1%)	(7,155)
Domestic Fixed Income	129,681	19.5%	21.0%	(1.5%)	(9,726)
Infrastructure	52,421	7.9%	6.0%	1.9%	12,591
Domestic Real Estate	80,694	12.2%	11.0%	1.2%	7,672
Cash	677	0.1%	0.0%	0.1%	677
Total	663,842	100.0%	100.0%		

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

Prior Year (FY22) Target Asset vs Actual Asset Allocation [1] (For Comparison Purposes)





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%		

Asset Allocation June 30, 2023

Asset Class	Fair Value	Actual Allocation	Target Allocation
Domestic Equities	$ 241,562,874	36.38%	37.00%
International Equities	158,805,421	23.92%	25.00%
Domestic Fixed Income	129,681,011	19.54%	21.00%
Infrastructure	52,421,473	7.90%	6.0%
Domestic Real Estate	80,694,431	12.16%	11.00%
Cash	677,082	0.10%	0.00%
Total Portfolio	$ 663,842,292	100.00%	100.00%

Asset Allocation June 30, 2022
(For Comparison Purposes)

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%

[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, 2023

Investment Management Fees	Direct	Fund Level	Total
Domestic Equities – Large Cap	$ -	$ 30,991	$ 30,991
Domestic Equities – Mid Cap	-	221,281	221,281
Domestic Equities – Small Cap	-	229,715	229,715
International Equity Funds	527,886	547,854	1,075,740
Infrastructure	-	562,486	562,486
Fixed Income Funds	459,282	393,370	852,652
Real Estate	116,934	678,179	795,113
Investment Consultant	186,158	-	186,158
Custodial Bank	63,493	-	63,493
Actuarial Expense	72,000	-	72,000
Other Investment Expense	70,042	-	70,042
Total Investment Expenses	$ 1,495,795	$ 2,663,876	$ 4,159,671

List of Investment Managers

For the Fiscal Year Ended June 30, 2023

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

For the Fiscal Year Ended June 30, 2023

Schedule of Top Ten Portfolio Holdings[1], June 30, 2023

Ticker	Asset Class	Fund Name	Fair Value
VIIIX	Equity	Vanguard S&P 500 Index	$ 166,967,587
PTTRX	Fixed Income	PIMCO - Total Return	64,851,312
DODIX	Fixed Income	Dodge & Cox - Income	64,829,699
N/A	Real Estate	RREEF America REIT II	41,511,005
N/A	Real Estate	Barings Core Property Fund	37,836,426
N/A	Equity	Oakmark International CIT	31,523,590
HNINX	Equity	Harbor International	31,358,416
N/A	Equity	Mondrian International	29,600,239
RERGX	Equity	American Funds EuroPacific	27,728,070
N/A	Infrastructure	JP Morgan Infrastructure	26,433,260
		Total Top 10 Securities	$ 522,369,604

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

December 5, 2023

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

Re: June 30, 2023 actuarial valuation for the Mendocino County Employees Retirement Association

Dear Members of the Board:

Segal prepared the June 30, 2023 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, 2023 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).

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December 5, 2023
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For the June 30, 2023 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 (13 years as of June 30, 2023). 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, 2023 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:

Financial Section:

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

Actuarial Section:

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, 2023*

** Source: Segal’s GAS 67 valuation report as of June 30, 2023.*

[1] These schedules were included in Segal’s separate Governmental Accounting Standards (GAS) 67 actuarial valuation report as of June 30, 2023.

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Segal

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

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, 2022. It is our opinion that the assumptions used in the June 30, 2023 valuation produce results that, in the aggregate, reflect the future experience of the Plan. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2025 and the assumptions adopted from that study will be used in the June 30, 2026 valuation.

In the June 30, 2023 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 73.2% to 72.4%. The employer's aggregate contribution rate has increased from 36.92% of payroll to 40.26% of payroll. The employees' aggregate rate has increased from 9.76% of payroll to 10.52% of payroll. The main reasons for the increase in the employer contribution rate include changes in actuarial assumptions, higher than expected individual salary increases for continuing active members, higher than expected COLA increases for retirees and beneficiaries, and lower than expected return on investments (after asset smoothing). These losses were partially offset by amortizing the prior year's UAAL over a larger than expected projected total payroll and other experience gains. The increase in the employees' aggregate rate is primarily due to the impact of assumption changes.

In the June 30, 2023 valuation, the actuarial value of assets excluded a $14.0 million net deferred investment loss, which represents 2.1% of the market value of assets. (Note that in the previous valuation, this amount was a deferred loss of $21.9 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 $6.6 million would be included in the valuation value of assets, the funded percentage would decrease from 72.4% to 71.6% and the aggregate employer contribution rate, expressed as a percentage of payroll, would increase from 40.26% to about 40.9%.

To the best of our knowledge, the June 30, 2023 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
Senior Vice President and Actuary

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

ST/hy
Enclosures

5795378v1/13459.001

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 (13 years as of June 30, 2023). 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, 2023 valuation:

ASSUMPTIONS

Valuation Interest Rate	6.50%
Inflation Rate	2.50 %
Across the Board Salary Increase	0.50%
Interest Credited to Member Accounts	6.50%, compounded semi-annually
Cost of Living Adjustment	Retiree benefits for General Tiers 1, 2, and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2 are assumed to increase at 2.75% per year (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, 2023. The assumptions were selected by the actuary and approved by the Board as part of the June 30, 2022 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-2021.
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-2021.

Summary of Assumptions and Funding Method (Continued)

(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-2021.
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-2021.
(c) Beneficiaries	
Beneficiaries not currently in Pay Status	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-2021.
Beneficiaries currently in Pay Status	Pub-2010 Contingent Survivor Amount-Weighted Mortality Tables (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.
(d) 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-2021, 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-2021, 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-2021.
(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-2021.

Summary of Assumptions and Funding Method (Continued)

Termination Rates	Based upon the Experience Analysis as of 6/30/2022 (Table 1).
Disability Rates	Based upon the Experience Analysis as of 6/30/2022 (Table 1).
Service Retirement Rates	Based upon the Experience Analysis as of 6/30/2022 (Table 1).
Reciprocity Assumption	65% of members who terminate with a vested benefit are assumed to enter a reciprocal system. For reciprocals, 4.00% 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	61 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 disability of a General member at age 40 is 0.0013, then we are assuming that 0.13% of the active General members at age 40 will receive a disability retirement during the next year.

General Members

Years of Service	Termination[1]	Years of Service	Termination[1]	Years of Service	Termination[1]
0-1	.2300	5-6	.0800	10-14	.0650
1-2	.1900	6-7	.0700	14-16	.0650
2-3	.1400	7-8	.0700	16+	.0650
3-4	.1200	8-9	.0700		
4-5	.0900	9-10	.0650		

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	.0042	.0500	.0000
60	.0032	.0019	.0056	.1200[4]	.0600

[1] For members with less than five years of service, 90% of all terminated members will choose a refund of contributions and 10% will choose a deferred vested benefit. For members with five or more years of service, 20% of all terminated members will choose a refund of contributions and 80% 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] 60% of General disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service connected disabilities.
[4] For members with 30 or more years of service, the probability is 0.2500.

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

Safety and Probation Members

Years of Service	Termination[1]	Years of Service	Termination[1]	Years of Service	Termination[1]
0-1	.1600	5-6	.0700	10-14	.0250
1-2	.1500	6-7	.0600	14-16	.0200
2-3	.1400	7-8	.0500	16+	.0150
3-4	.1300	8-9	.0500		
4-5	.1200	9-10	.0400		

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	.0600[4]	.0300	.0500	.0400
60	.0026	.0017	.0320	.5000	.5000	.5000	.5000

[1] For members with less than five years of service, 90% of all terminated members will choose a refund of contributions and 10% will choose a deferred vested benefit. For members with five or more years of service, 20% of all terminated members will choose a refund of contributions and 80% 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] 95% of Safety and Probation disabilities are assumed to be service connected disabilities. The other 5% are assumed to be non-service connected disabilities.
[4] For members with 25 or more years of service, the probability is 0.1500.

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

Consists of the sum of three parts: A uniform inflation component of 2.50%; 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%	5.25%
1-2	4.75%	5.00%
2-3	4.50%	4.50%
3-4	4.25%	3.25%
4-5	3.50%	3.00%
5-6	2.75%	2.25%
6-7	2.25%	2.00%
7-8	1.75%	1.50%
8-9	1.50%	1.25%
9-10	1.00%	1.25%
10-11	1.00%	1.25%
11-12	1.00%	1.25%
12+	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]
6/30/2014					
	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%
6/30/2023					
	General	992	75,126,638	75,732	4.9%
	Safety	118	12,338,672	104,568	2.0%
	Probation	40	3,274,165	81,852	6.2%
	Total	1,150	90,739,475	78,900	4.5%

[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**
6/30/2014	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%
6/30/2023	77	3,662,274	49	957,343	1,678	45,496,302	6.3%	27,113	4.5%

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)
6/30/2014	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%
6/30/2023	62,779	650,325	213,527	926,631	671,245	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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Beginning 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
Effect of Differences in Methods and Procedures Due to Change in Actuaries	-	-	-	-	-	-	-	-	-	-
Expected Change	(7,207)	(5,942)	(3,710)	(2,166)	(1,429)	(777)	281	711	748	3,247
Liability (Gain)/Loss	(4,649)	3,775	(4,663)	531	(1,380)	212	1,385	(4,360)	5,038	(3,310)
Asset Return (Gain)/Loss	963	(6,203)	(19,248)	4,116	4,842	(5,492)	(5,367)	4,702	(5,723)	(6,471)
Salary Increase (Gain)/Loss	9,847	9,917	9,531	5,832	5,295	11,791	(3,164)	2,342	(1,752)	(3,764)
Retiree COLA Increase (Gain)/Loss	2,220	11,993	(5,698)	-	-	-	(2,246)	-	-	-
Change in Actuarial Assumptions and Procedures	18,999	-	-	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	1,268	(1,150)	2,671	313	(288)	2,035	(54)	(264)	4,269[3]	-
End of the Year UAAL Liability/(Surplus)	$255,386	$233,945	$221,555	$244,066	$219,698	$212,658	$204,340	$185,284	$182,153	$179,573

[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, 2023					$663,910
2. Calculation of deferred return:					
a. Year ended June 30, 2020	14,799	36,992	(22,193)	20%	(4,439)
b. Year ended June 30, 2021	166,513	36,076	130,437	40%	52,175
c. Year ended June 30, 2022	(67,368)	46,769	(114,137)	60%	(68,482)
d. Year ended June 30, 2023	50,178	41,704	8,474	80%	6,779
e. Total unrecognized return[1]					$(13,967)
3. Preliminary actuarial value of assets as of June 30, 2023: (1) – (2e)					$677,877
4. Adjustment to be within 25% corridor of market value					$0
5. Final actuarial value of assets as of June 30, 2022: (3) + (4)					$677,877
6. Actuarial value as a percentage of market value: (5) / (1)					102.1%
7. Non-pension reserve:					
8. Contingency reserve					$6,632
9. Valuation value of assets: (5) – (7)					$671,245

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. In developing the required contribution rates for the June 30, 2023 valuation, we have also excluded the balance in the Contingency Reserve under the Board's policy as of that date.

[1] Deferred return as of June 30, 2023 to be recognized in each of the next four years:
(a) Amount recognized on June 30, 2024 $516,105
(b) Amount recognized on June 30, 2025 $4,954,797
(c) Amount recognized on June 30, 2026 $(21,132,697)
(d) Amount recognized on June 30, 2027 $1,694,752
(e) Total unrecognized return as of June 30, 2023 $(13,967,043)

Summary of Plan Provisions

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, as amended through Juned 30, 2023.

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 13 years remaining as of June 30, 2023); 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%
6/30/2023	671,245	926,631	255,386	72.4%	90,739	281.5%

[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	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
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[2]	23,702,064[2]	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%
2023	30,309,355	30,309,355	0	85,729,491	35.35%

[1] Covered payroll represents Compensation Earnable and Pensionable Compensation and is defined as the payroll on which contributions to the pension plan are based.
[2] 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

For the Fiscal Year Ended June 30, 2023
(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)
2022	$622	$39	$45	$2	$50	$664
2023	664	43	51	2	43	697
2024	697	42	52	2	45	729
2025	729	41	55	2	47	761
2026	761	43	57	2	49	793
2027	793	43	60	2	51	825
2028	825	43	62	2	53	856
2029	856	43	64	2	55	887
2030	887	43	67	2	57	918
2031	918	43	69	2	59	949
2047	941	7	83	2	58	921
2048	921	6	82	2	57	900
2049	900	6	81	2	56	878
2050	878	6	80	2	54	856
2051	856	6	80	2	53	832
2096	649	2*	2	2	42	689
2097	689	2*	1	2	45	733
2098	733	2*	1	2	48	780
2099	780	2*	1	2	51	830
2100	830	2*	1	2	54	884
2125	4003	10*	0**	10	260	4263
2126	4,263					
2126	Discounted Value: 6***					

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

** Less than $1 million when rounded.

*** $4,263 million when discounted with interest at the rate of 6.50% per annum has a value of $6 million (or 0.98% of the Plan Fiduciary Net Position) as of June 30, 2023.

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, 2022 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 2126, 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, 2023); 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, 2023. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2023 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 6.50% was applied to all periods of projected benefit payments to determine the discount rate.
7. Column (d): Projected administrative expenses are calculated as approximately 0.25% of the projected beginning Plan Fiduciary Net Position amount. The 0.25% proportion was based on the actual fiscal year 2022-2023 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2022. 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 6.50% 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 6.50% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2023 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 2023, 2022, 2021, 2020, 2019
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Additions					
Employer Contributions	$ 30,309	$ 30,485	$ 26,334	$ 24,647	$ 23,702
Member Contributions	8,493	8,186	7,054	6,820	6,544
Net Investment Income	50,177	(67,368)	166,513	14,799	19,959
Total Additions	**88,979**	**(28,698)**	**199,901**	**46,266**	**50,205**
Deductions					
Benefits Payments	44,309	42,750	40,230	38,036	35,650
Refunds of Contributions	1,145	1,596	847	742	1,025
Administrative Expenses	1,550	1,463	1,372	1,226	1,233
Total Deductions	**47,004**	**45,809**	**42,449**	**40,004**	**37,908**
Change in Fiduciary Net Position	**$ 41,975**	**$ (74,507)**	**$ 157,452**	**$ 6,262**	**$ 12,297**

Schedule of Changes in Fiduciary Net Position for Years 2018, 2017, 2016, 2015, 2014
(Dollars in Thousands)

	2018	2017	2016	2015	2014
Additions					
Employer Contributions	$ 20,431	$ 19,116	$ 19,129	$15,164	$ 14,325
Member Contributions	5,996	5,754	5,545	4,652	4,576
Net Investment Income	45,272	66,670	(10,352)	13,201	68,495
Total Additions	**71,699**	**91,540**	**14,322**	**33,017**	**87,396**
Deductions					
Benefits Payments	33,332	31,617	30,435	29,225	26,702
Refunds of Contributions	822	1,148	624	824	652
Administrative Expenses	1,142	1,086	1,142	1,059	930
Total Deductions	**35,296**	**33,851**	**32,201**	**31,108**	**28,284**
Change in Fiduciary Net Position	**$ 36,403**	**$ 57,689**	**$(17,879)**	**$ 1,909**	**$ 59,112**

Schedule of Additions by Source

(Dollars in Thousands)

Fiscal Year Ended 6/30	Employee Contributions	Employer/Other Contributions	Investment Net Income	Total
2023	$ 8,493	$ 30,309	$ 50,177	$ 88,979
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

Schedule of Deductions by Type

(Dollars in Thousands)

Fiscal Year Ended 6/30	Benefits	Administrative/ Other Expenses	Refunds	Total
2023	$ 44,309	$ 1,550	$ 1,145	$ 47,004
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

Schedule of Benefit Expenses by Type

As of June 30

Schedule of Benefit Expenses by Type for Years 2023, 2022, 2021, 2020, 2019
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Service Retirement Payroll:					
General	28,295	26,985	25,238	24,684	23,512
Safety	7,329	6,707	6,130	5,929	5,390
Total	$ 35,624	$ 33,692	$ 31,368	$ 30,613	$ 28,902
Disability Retirement Payroll:					
General	2,576	2,595	2,561	2,611	2,508
Safety	3,278	3,101	3,031	2,980	2,862
Total	$ 5,853	$ 5,696	$ 5,592	$ 5,591	$ 5,370
Beneficiary Payroll					
General	3,029	2,422	2,117	1,977	1,822
Safety	992	980	820	804	767
Total	$ 4,021	$ 3,402	$ 2,936	$ 2,781	$ 2,589
Total Benefit Expense:					
General	33,899	32,001	29,915	29,273	27,843
Safety	11,599	10,789	9,981	9,713	9,018
Total	$ 45,498	$ 42,790	$ 39,896	$ 38,986	$ 36,861

Source of data: Data is derived from annualized monthly amounts reported in the actuarial valuation reports as of June 30, (2014 – 2023)
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 2018, 2017, 2016, 2015, 2014
(Dollars in Thousands)

	2018	2017	2016	2015	2014
Service Retirement Payroll:					
General	21,876	20,653	19,787	18,632	17,413
Safety	4,840	4,395	4,050	3,911	3,430
Total	$ 26,716	$ 25,048	$ 23,837	$ 22,544	$ 20,843
Disability Retirement Payroll:					
General	2,413	2,350	2,266	2,200	2,188
Safety	2,694	2,557	2,494	2,248	2,138
Total	$ 5,107	$ 4,907	$ 4,759	$ 4,448	$ 4,325
Beneficiary Payroll					
General	1,694	1,654	1,608	1,632	1,526
Safety	757	770	760	629	532
Total	$ 2,450	$ 2,424	$ 2,368	$ 2,260	$ 2,058
Total Benefit Expense:					
General	25,983	24,657	23,661	22,464	21,126
Safety	8,291	7,722	7,304	6,789	6,100
Total	$ 34,273	$ 32,379	$ 30,965	$ 29,252	$ 27,226

Source of data: Data is derived from annualized monthly amounts reported in the actuarial valuation reports as of June 30, (2014 – 2023)
Note: Amounts in table may not total exactly due to rounding.

Schedule of Retiree Members by Type of Benefit

Summary of Monthly Allowances – For the Fiscal Year Ended June 30, 2023, June 30, 2022, and June 30, 2021 (Dollars in Thousands)

FY 2023

	General Members		Safety Members		Total	
	Number	Monthly Allowance	Number	Monthly Allowance	Number	Monthly Allowance
Retired Members						
Service Retirement	1,147	$ 2,358	162	$ 611	1,309	$ 2,969
Disability	103	215	69	273	172	488
Beneficiaries	157	252	40	83	197	335
Total Retired Members	1,407	$ 2,825	271	$ 967	1,678	$ 3,791

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

Source of data: June 30, 2023, June 30, 2022, and June 30, 2021 Actuarial Valuation Report

Schedule of Average Benefit Payment Amounts

Schedule of Average Benefit Payment Amount by Years of Service Credit for Year 2023

	Years of Service Credit						
	0-4	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**
Valuation Date 6/30/2023 Retirees:							
Average Monthly Benefit	$ 546	$ 666	$ 1,944	$ 2,450	$ 4,213	$ 4,962	$ 8,034
Avg. Final Average Salary	$ 11,000	$ 5,300	$ 6,300	$ 5,700	$ 7,200	$ 6,400	$ 8,900
Number of Retirees	7	12	7	7	11	4	4
Valuation Date 6/30/2023 Beneficiaries:							
Average Monthly Benefit	$ 3,205	$ 806	$ 750	$ 0	$ 1,870	$ 1,782	$ 3,722
Avg. Final Average Salary	N/A	5,100	N/A	N/A	N/A	4,400	N/A
Number of Beneficiaries	5	4	5	0	2	1	2

Source of data: Actuarial Valuation Reports (2014 – 2023). Final Average Salary data: MCERA Pension Software. Years of Service Credit data: MCERA Pension Software.

Schedule of Average Benefit Payment Amount by Years Since Retirement for Years 2023, 2022

	Number of Years Since Retirement						
	0-4	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**
Valuation Date 6/30/2023 Retirees:							
Average Monthly Benefit	$ 2,536	$ 2,345	$ 2,418	$2,417	$ 1,747	$ 1,835	$ 2,046
Number of Retirees	306	324	357	253	110	67	64
Avg. Final Average Salary (All Retirees)				$ 7,019			
Valuation Date 6/30/2023 Beneficiaries:							
Average Monthly Benefit	$ 1,902	$ 1,497	$ 1,871	$ 1,521	$ 1,130	$ 1,262	$1,769
Number of Retirees	79	41	28	17	9	11	12
Avg. Final Average Salary (All Beneficiaries)				N/A			
Valuation Date 6/30/2022 Retirees:							
Average Monthly Benefit	$ 2,438	$ 2,246	$ 2,346	$2,202	$ 1,805	$ 1,732	$ 1,998
Number of Retirees	315	357	337	229	100	62	65
Avg. Final Average Salary (All Retirees)				$ 6,748			

Schedule of Average Benefit Payment Amount by Years Since Retirement for Years 2022, 2021, 2020, 2019

	Number of Years Since Retirement						
	0-4	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**
Valuation Date 6/30/2022 Beneficiaries:							
Average Monthly Benefit	$ 1,505	$ 1,636	$ 1,622	$ 1,444	$ 1,154	$ 1,361	$1,717
Number of Retirees	72	38	29	16	11	7	12
Avg. Final Average Salary (All Beneficiaries)				N/A			
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			

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 by Years Since Retirement for Years 2018, 2017, 2016, 2015, 2014

	Number of Years Since Retirement						
	0-4	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**
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			
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

Source of data: Actuarial Valuation Reports (2014 – 2023). 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 2023				
Number of Covered Employees	1,150	1,097	4	49
Percentage to Total System	100%	95.39%	0.35%	4.26%
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%

Source of data: MCERA Pension Software.

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