MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2011 and 2010

Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011

Mendocino County Employees' Retirement Association
A Pension Trust Fund and Component Unit of the County of Mendocino, California

ISSUED BY

James M. Andersen
Retirement Administrator

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Ukiah, California 95482
(707)463-4328
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TABLE OF CONTENTS

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Introductory Section

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Retirement Administrator

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

April 17, 2012

Board of Retirement
Mendocino County Employees' Retirement Association
Ukiah, CA 95482

Dear Board Members:

Please find enclosed the annual financial report of the Mendocino County Employees' Retirement Association (MCERA) for the fiscal years ending June 30, 2011 and 2010.

MCERA is a multi-agency public employees' retirement system, established by the County of Mendocino on January 1, 1948. MCERA is operated and administered by the Board of Retirement (Board) to provide retirement, disability, death and survivors benefits for its members under the California State Government Code, Section 31450 et seq. (County Employees' Retirement Law of 1937).

Report Contents

MCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information within this CAFR, including all disclosures. The Comprehensive Annual Financial Report is divided into five sections:

The *Introductory Section* describes the organization and structure of MCERA, including this transmittal letter and a list of professional consultants.

The *Financial Section* presents the basic financial statements, report of the independent auditor, management discussion and analysis and supplemental schedules and notes to the financial statements.

The *Investment Section* reports on investment activity, investment policy, asset allocation and diversification and historical investment performance.

The *Actuarial Section* communicates the Plan's funding status and presents related actuarial information. It also contains the actuarial certification, actuarial assumptions and statistics and general plan information. ***In March 2011, MCERA engaged the Segal Company as its new principle actuary. As a result, the Actuarial Section contains tables in which data was not available for an entire six year period. Going forward, MCERA will be moving towards a complete six year set of data.***

The *Statistical Section* presents information pertaining to MCERA's operations on a multi-year basis.

MCERA and its Services

MCERA was established by Mendocino County to provide retirement allowances and other benefits to general and safety members employed by Mendocino County. Currently Mendocino County, the Mendocino County Superior Courts, and the Russian River Cemetery District are participating agencies of MCERA.

MCERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, regulations, policies and procedures adopted by the Board of Retirement. The Mendocino County Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect benefits to MCERA members.

The Board of Retirement is responsible for the management of MCERA and is comprised of nine members and one alternate member; the alternate member is a retiree alternate. Four board members are appointed by the Mendocino County Board of Supervisors, one board member is elected by the safety members, two board members are elected by the general members, and one board member and the alternate retiree member are elected by the retired members. The County Treasurer serves as an ex-officio member. Board members, with the exception of the County Treasurer, serve three-year terms with no term limits.

Financial Information

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employers and members are recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made. Investments are recorded at the fair market value of the assets.

An overview of MCERA's fiscal operations for the years ended June 30, 2011 and 2010 are presented in Management's Discussion and Analysis (MD&A) located in the financial section of the CAFR. This transmittal letter, together with MD&A, provides an expanded view of the activities of MCERA.

MCERA's independent auditor, Gallina LLP, has audited the accompanying financial statements. Management believes an adequate system of internal control is in place and the accompanying statements, schedules and tables are fairly presented and free from material misstatements.

Actuarial Funding Status

MCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan status and obtaining optimum investment returns. Pursuant to CERL, MCERA engages an independent actuary to perform an actuarial valuation of the system on an annual basis. Economic assumptions are reviewed annually. Additionally, every three years, a triennial experience study is conducted, at which time non-economic assumptions are also updated. The most recent triennial experience study was conducted as of June 30, 2011, by The Segal Group. The Segal Group also conducted the last actuarial valuation as of June 30, 2011, and determined the plan's funding ratio (ratio of plan assets to plan liabilities) to be 73.6% using the recommended assumptions, down from 78.9% in 2010.

Mendocino County issued $31 million of pension obligation bonds in December 1996 and $76 million of pension obligation bonds in December 2002 to satisfy the Unfunded Accrued Actuarial Liability (UAAL) for the County, calculated as of that date.

The wages utilized by the actuary in calculating employer contribution rates lag the implementation of those rates by one full year. During the period of declining wages due to work force reductions and wage concessions (see Schedule of Funding Progress, page 34) the collection of funds from the employer to invest for pension liabilities will be less than anticipated by the actuary. An increase in the Unfunded Accrued Actuarial Liability (UAAL) and a decrease in the funded ratio will occur as a result of the lag in the one year implementation of those rates. The MCERA Board has discussed this built in impact to UAAL and funded status with its actuary and auditing actuary, and plan sponsors, but there have been no changes to the rate setting policy to date. The County, the largest contributing sponsor, anticipates that wages will begin to stabilize in fiscal year 2012/13.

Investments

The Board of Retirement has exclusive control of all MCERA investments and is responsible for establishing investment objectives, strategies and policies. The California Constitution and Government Code Sections 31594 and 31595 authorized the Board of Retirement to invest in any investment deemed prudent in the Board's opinion.

The Board has adopted an Investment Policy Statement, which provides a framework for the management of MCERA's investments. This policy establishes MCERA's investment objectives and defines the duties of the Board of Retirement and investment managers. The asset allocation is an integral part of the Investment Policy Statement and is designed to provide an optimum mix of asset classes with return expectations to ensure growth of assets to meet future liabilities, minimize employer contributions and defray reasonable administrative costs. MCERA engages an Investment Consultant to analyze its investment policy and strategy, and to conduct periodic asset allocation studies. For fiscal years ended June 30, 2011 and June 30, 2010, the Plan's investments provided 21.87% and 14.47% rates of return, respectively. A summary of the asset allocation can be found in the Investment Section of this report.

Service Efforts and Accomplishments

Early in fiscal year 2010/11, MCERA began to confirm public concerns and develop its own concerns about the accuracy of work products performed by its then actuary, Buck Consultants (Buck). In September 2010, MCERA entered into a contract with EFI Actuaries to perform an actuarial audit of Buck's June 30, 2010 valuation study and their most recent experience study (2005 to 2008). Their report was presented to the MCERA board in January of 2011, with findings and recommendations. The findings in EFI Actuaries' audit, along with other factors, resulted in the MCERA board terminating its contract with Buck. Simultaneously, MCERA entered into a contract with The Segal Group (Segal) as its new principal actuary. As Segal was preparing for the June 30, 2011 experience study and valuation report, they determined that basic rates for employees for the 2009/10, 2010/11 and 2011/12 fiscal years had been miscalculated, resulting in an net overpayment by employees, and underpayment by employers, of 0.4% (.004), 0.4% (.004) and 0.7% (.007), respectively. A project to correct the contribution error was initiated in August of the 2011/12 fiscal year.

In the spring of 2011, MCERA also began a procurement process for a new external financial auditor. After a comprehensive procurement process, the board selected GALLINA, LLP to be the new independent financial auditor for MCERA.

Consistent with a Liability and Asset Allocation Study (Study) conducted by Callan Associates in fiscal year 2009/10, and approved by the board in September of 2010, MCERA began to evaluate new funds/managers for investment mandates, and to rebalance its portfolio to the asset targets recommended as a result of the Study and contained in MCERA's revised Investment Policy statement. MCERA exited its relationship for management of separate fixed income accounts with Dodge & Cox and Bradford & Marzec. The proceeds from the sales of assets held by those managers were invested in the Dodge & Cox Income Fund and MCERA's existing fixed income fund, PIMCO. Funds were distributed equally between the two managers. A significant number of bonds held by Dodge & Cox as separate account managers were transferred in-kind to the Income Fund. In addition, in the spring of 2011, the MCERA board interviewed candidate firms to fill asset allocation targets for international equities, small cap value domestic equities, large cap value domestic equities, and private real estate. Investment vehicles from Mondrian, Prudential, Robeco, and Cornerstone, respectively, were selected to meet the investment targets.

In January of 2011, the MCERA board submitted an application to the Internal Revenue Service for a determination letter, as well as a Voluntary Correction Program (VCP) filing. The VCP filing has undergone one supplement relative to excess earnings and historical retiree health care benefits. The proposed corrective action is still under study by MCERA's legal, actuarial, and accounting advisors.

In June of 2011, the MCERA board took action to move forward with the first initiative in its Information Technology Strategic Plan – an electronic data imaging process as well as a business continuity plan. While the board has not committed to a long term solution to automate the pension system for MCERA, it did believe that moving to electronic records would create greater accuracy in determining and distributing benefits for members, and ensure business continuity and disaster recovery capabilities.

In reviewing all long-term service providers to MCERA, the board also chose to enter into a contract with the Sonoma County Counsel's Office for independent general counsel services to the MCERA board.

Finally, the MCERA board reviewed the in-house staff resources to determine if daily operations and existing and future projects could be adequately addressed. The board agreed to create a Senior Benefits Specialist position as a lead in benefits administration, and to enter into a Memorandum of Understanding (MOU) with the Assessor/Clerk/Recorder for an auditor to perform fiscal services for MCERA. The MOU will be reviewed prior to the close of the 2011/12 fiscal year. A Retirement Coordinator position was deleted due to redundancies with the Retirement Administrator and Senior Benefits Specialist positions.

Acknowledgements

The compilation of this report reflects the combined effort of MCERA's staff. It is intended to provide reliable information as the basis for making management decisions, as a means for determining compliance with legal provisions and as a means of determining responsible stewardship of the funds of MCERA. Both the accuracy of the data presented and the completeness and fairness of the presentation of the CAFR is the responsibility of the management of MCERA.

I commend the Board, staff and service providers of the Association for their commitment to MCERA and for their diligent work to assure the continued successful operation of MCERA.

Respectfully submitted,

James M. Andersen

James M. Andersen
Retirement Administrator

BOARD OF RETIREMENT
JUNE 30, 2011

Bob Mirata, Chair
Appointed by the Board of Supervisors

Shari Schapmire, Vice – Chair
Treasurer – Tax Collector

Dennis Huey, Secretary
Elected by Retired Membership

Randy Goodman, Trustee
Elected by Active General Membership

Lloyd Weer, Trustee
Elected by Active General Membership

Craig Walker, Trustee
Elected by Active Safety Membership

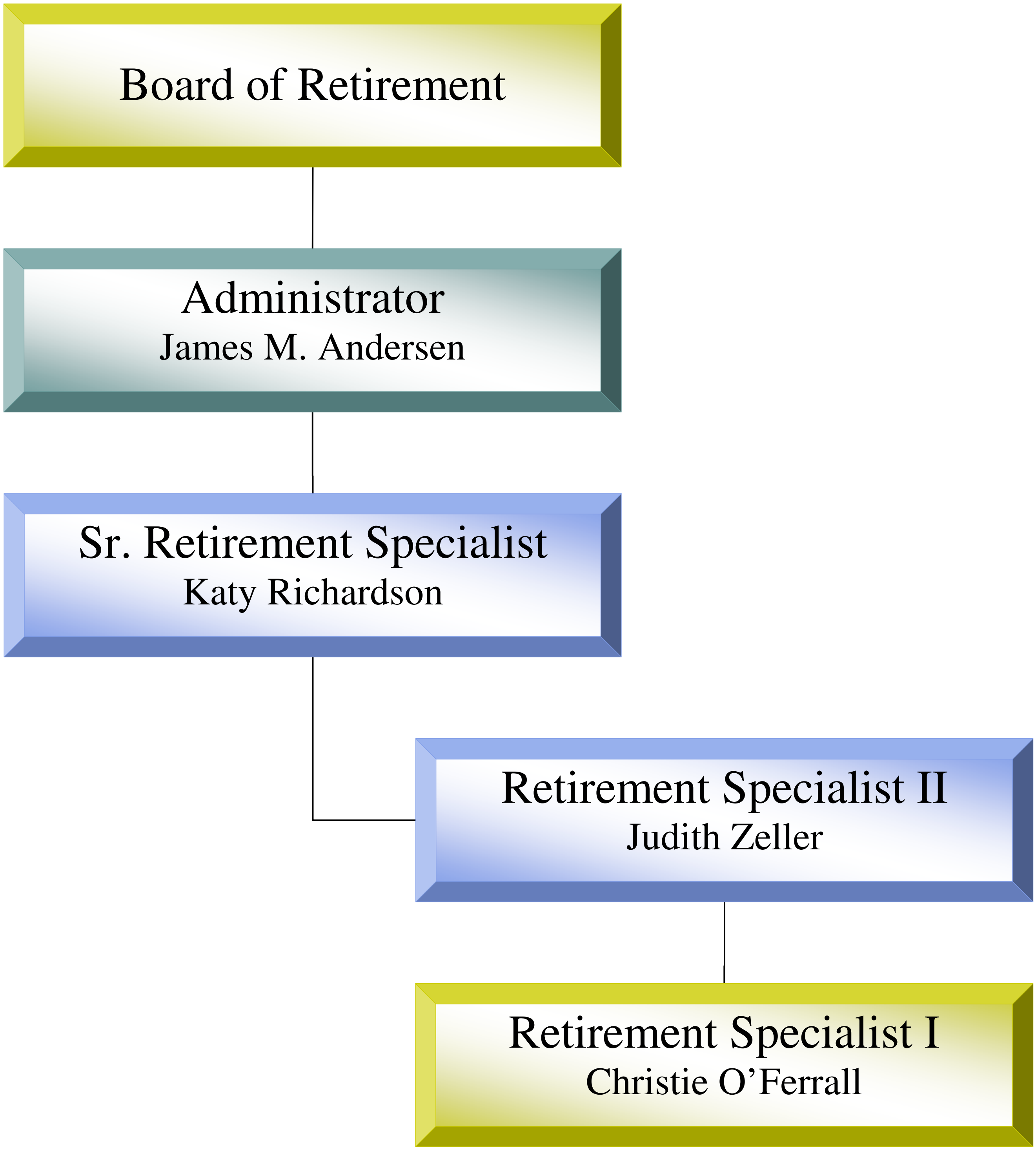
Dr. Donald Coursey, Trustee
Appointed by the Board of Supervisors

Kendall Smith, Trustee
Appointed by the Board of Supervisors

Ted Stephens, Trustee
Appointed by the Board of Supervisors

Tim Knudsen, Alternate Trustee
Elected by Retired Membership

MCERA ORGANIZATION CHART
AS OF JUNE 30, 2011



PROFESSIONAL CONSULTANTS

Consulting Services

Actuary
The Segal Group, Inc.

Auditor
Gallina LLP

Investment Consultant
Callan Associates

Legal Counsel
County Counsel, County of Sonoma
(Independent General Counsel)
Law Office of Tony Graham
(Disability Counsel)

Technical and Data Service
Tyler Technologies
Munis Financial Management System

Investment Management Services

Fixed Income
Dodge & Cox
PIMCO

Large Cap Value Equity
Selected American
Investment Co. of America
Vanguard Growth & Inc
Dodge & Cox Stock
Robeco

Large Cap Growth Equity
American Growth
Harbor Capital Appreciation
Janus Research

Mid Cap Growth Equity
Morgan Stanley
Janus Enterprise

Mid Cap Value Equity
Fidelity Low Priced Stock
Royce Total Return

Small Cap Growth Equity
Alliance
R S Investments
Fremont U.S. Micro Cap

Small Cap Value Equity
Prudential Target

International Equity
Europacific
Harbor International
Acorn International
Janus International
Mondrian
Oakmark

Real Estate
RREEF Commingled Fund
RREEF America REIT II

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Financial Section

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying statement of net assets available for benefits of Mendocino County Employees' Retirement Association ("MCERA"), a component unit of the County of Mendocino, as of June 30, 2011, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of MCERA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of MCERA as of June 30, 2011, and the changes in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 4 and 5, and other required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gallina LLP

Rancho Cordova, California
February 7, 2012

Management's Discussion and Analysis

The following section provides an overview and analysis of the Mendocino County Employees' Retirement Association ("MCERA") financial activities for the year ended June 30, 2011. We encourage readers to take into account the information presented here in conjunction with additional information we have furnished in the financial statements.

Financial Highlights

MCERA's net assets as of June 30, 2011 and 2010 are $355 million and $300 million, respectively. This amount reflects an increase of 18.3% in net assets during Fiscal Year 2010-2011. Revenues (additions to plan assets) for the year were $79.1 million. This was comprised of $9.6 million of employer contributions, $5.4 million of member contributions and an investment return of $64.1 million. Expenses (deductions in plan assets) for the year were $24.1 million.

MCERA's net assets increased 18.3% in fiscal year 2010-11, reflecting a one year investment return on the total portfolio of 21.87% as reported in the June 30, 2011 quarterly review by Callan Associates. Investment returns can vary significantly from year to year. MCERA maintains a diversified investment portfolio and asset allocation that is structured to meet the long term funding requirements of the plan within an acceptable level of investment risk. The five year investment returns, net of fees, are 5.76%. For the fiscal year ending 2007, excess earnings were declared in the amount of $6.008 million, and were set aside to pay for retiree health benefits.

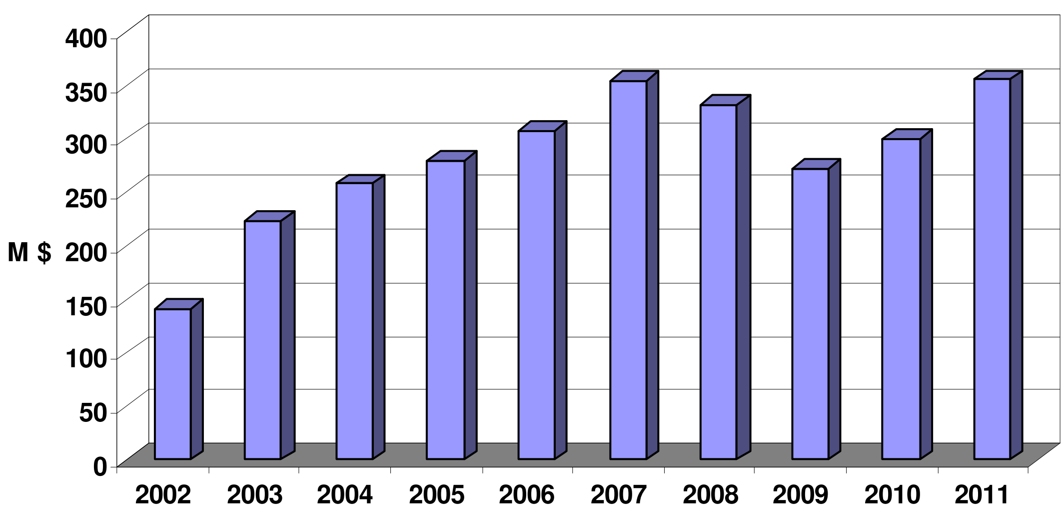
The MCERA Board reviewed and selected four new managers in 2010-11 to address fixed income, large cap value domestic equities, international equities, and real estate investment targets. The MCERA Board terminated two separate fixed income managers and invested the proceeds in a fixed income mutual fund. MCERA also terminated one passive small cap value domestic equity fund and one international fund. The total portfolio return was 0.28% above its weighted benchmarks for 2010-2011, with 1.24% being attributable to manager performance and (1.53%) attributable to asset allocation. Considering both manager performance and asset allocation, international equities and cash produced a drag on the total return of the portfolio.

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 year ended June 30, 2011 totaled $79.1 million. The increase in revenues can be attributed primarily to investments. The total balance of investment assets increased from approximately $300 million in 2010 to $355 million in 2011. Subsequent to June 30, 2011, asset values have declined to approximately $325 million as of November 30, 2011. Employer contributions are declining due to reductions in the size of the workforce as well as wage concessions from employee bargaining units. MCERA has initiated discussions with its actuary and employers regarding the one year period between the fiscal year end valuation study and the effective date of the recommended employer and employee contribution rates.

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 the system. Benefits paid to retirees increased $0.9 million (net of transfers for retiree health) over the previous fiscal year. An aging work force, management directed reductions in the workforce, wage concessions, and pension reform efforts may result in an acceleration of retirements by members. The most recent triennial actuarial study recommended a reduction in the assumed retirement age. However, the availability of retiree medical benefits and access to medical care may also impact the age at which retirements occur.

The unfunded actuarial accrued liability (UAAL) and funding ratios are computed using valuation assets and accrued actuarial liability. For the fiscal year ending June 30, 2011, the UAAL for MCERA was $124,912,676. This is an increase of $33,128,063 from the prior year. MCERA contracted with a new actuary, The Segal Group, to perform its actuarial valuation and review. A portion of the increase in UAAL can be attributed to changes in actuarial methodology. The funded status dropped from 78.9% to 73.6%. The primary reason for the increase in UAAL is smoothing in investment losses from 2008/09, resulting in an increase of $15,265,854. The new actuaries reallocated a portion of the normal cost to UAAL, resulting in an increase of $9,034,607. Finally, changes in actuarial assumptions (economic and demographic) from the experience study for fiscal years ending June 30, 2009 through 2011 resulted in an increase of $24,042,855. Actuarial gains serving to offset a portion of the increase in UAAL included: actual employer salaries being less than anticipated ($11,362,669); COLA adjustments for retirees being less than expected ($5,886,554); and a reflection that General Members only receive enhanced benefits for future service ($5,604,507).

MCERA NET ASSETS HELD IN TRUST FOR PENSION BENEFITS



Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to MCERA's financial statements, which are comprised of the following components:

- Statement of Net Assets Available for Benefits (page 19)
- Statement of Changes in Net Assets Available for Benefits (page 20)
- Notes to the Financial Statements (page 21)

The Statement of Net Assets Available for Benefits is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities owed.

The Statement of Changes in Net Assets Available for Benefits provides a view of the current year additions to and deductions from the plan. This statement covers the activity over a one-year period of time.

Both statements are in compliance with Government Accounting Standards Board (GASB) Statements No. 25, 28, 33, 34, 37, and 38. These pronouncements require certain disclosures and require the state and local governments report using the full accrual method of accounting. MCERA complies with all material aspects of the pronouncements.

The Statement of Net Assets Available for Benefits and Statement of Changes in Net Assets Available for Benefits report information about MCERA activities. These statements include all assets and liabilities, using the full accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments. All capital assets are depreciated over their useful lives.

Over time, increases and decreases in MCERA's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors, such as recent market conditions, should also be considered in measuring MCERA's overall financial health.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Please note that this report also contains other supplemental information in addition to the basic financial statements themselves.

MCERA NET ASSETS

(Dollars in Thousands)	06/30/2011	06/30/2010	Amount Increase/ (Decrease)	% Change Increase/ (Decrease)
Cash and Short Term Investments	$ 1,190	$ 16,192	$ (15,002)	-92.7%
Receivables	367	2,016	(1,649)	-81.8%
Investments, at Fair Value	353,565	283,670	69,895	24.6%
Total Assets	**355,122**	**301,878**	**53,244**	**17.6%**
Accounts Payable	15	293	(278)	-94.9%
Accrued Expenses	64	22	42	190.9%
Investment Purchases	-	1,520	(1,520)	-100.0%
Total Liabilities	**79**	**1,835**	**(1,756)**	**-95.7%**
Net Assets Held in Trust for Benefits	$ 355,043	$ 300,043	$ 55,000	18.3%

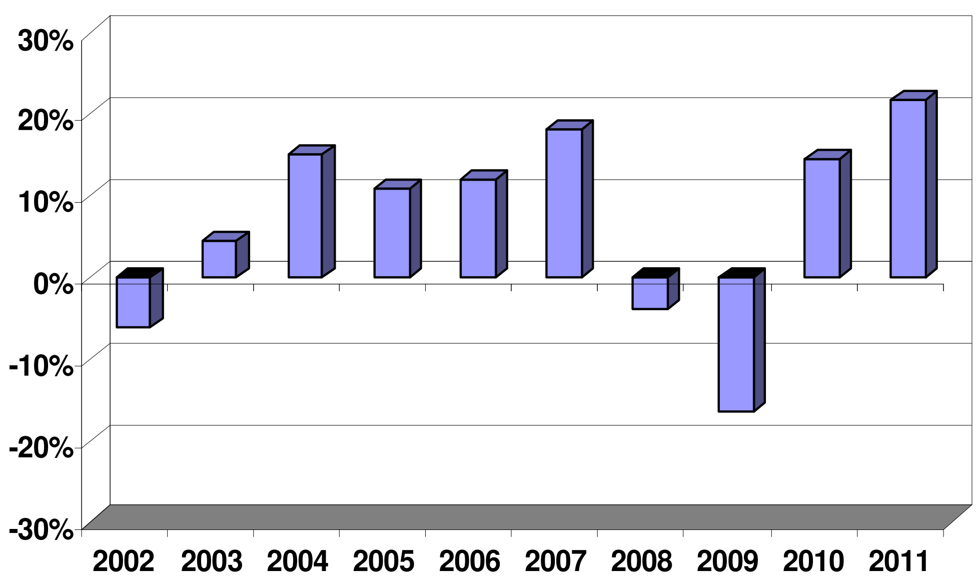
The Retirement Fund as a Whole

MCERA's net assets increased 18.3% in 2011 reflecting investment returns of 21.87%. However, as you can see from the ten-year investment return graph below, Investment returns can vary significantly from year to year. MCERA maintains a diversified investment portfolio and asset allocation that is structured to meet the long term funding requirements of the plan. Five year investment returns, net of fees, are 5.76%. A long-term investment strategy incorporating structured diversification and a balanced investment portfolio are critical to meeting return targets over time. MCERA management and its actuary concur that MCERA remains in a financial position that will enable the plan to meet its obligations to participants and beneficiaries. MCERA and its investment consultants conducted a liability and asset allocation study in June of 2010, and the MCERA Board adopted investment targets that the Board believes will result in MCERA coming closer to meeting its actuarial assumed rate of return (7.75%) while taking on little increased risk. The Board, upon advice of the investment consultants, strived to create a portfolio that takes advantage of the returns of stocks, especially international stocks. The portfolio provides a better balance of large capitalized investments with smaller capitalized investments, and value to growth investment philosophies.

Investment Analysis

Investment returns were favorable in 2011 with a 21.87% return, and in 2010 with a 14.47% return at the total portfolio level. MCERA's asset allocation from June 30, 2010 to 2011 included 38% U.S. equities, 25% international equities, 28% fixed income and 9% real estate. MCERA's asset allocation is based on a comprehensive investment policy. MCERA's domestic equities returns were 33.82%, 5.35%, and 4.34%; international equities returns were 28.88%, 3.23%, and 6.03%; domestic fixed income returns were 5.53%, 8,32%, and 7.37%; real estate returns were 29.53%, -3.35%, and .64%; and total portfolio returns were 21.87%, 5.22% and 5.76% for the one, three and five year periods ended June 30, 2011, respectively.

MCERA INVESTMENT RETURN



Reserves

MCERA's reserves are established from contributions and the accumulation of investment income after satisfying investment and administrative expenses. Under GASB 25, 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.

MCERA RESERVES

(Dollars in Thousands)	06/30/2011	06/30/2010	06/30/2009
Member Reserve	$ 64,911	$ 63,975	$ 64,102
Employer Reserve	(25,775)	(15,618)	(2,559)
Annuitant Reserve	179,185	167,440	155,083
Cost of Living Reserve	84,867	82,667	83,221
Undesignated Reserve [1]	659	2,449	6,345
Contingency Reserve	3,551	3,000	2,720
Miscellaneous Reserves	22	3	7
Total Reserves	**$ 307,420**	**$ 303,916**	**$ 308,919**

[1] The undesignated reserve used historically for health care benefits of retirees was derived from excess earnings of the Association in prior years. The disposition of this reserve is still under review by MCERA's legal, actuarial, and fiscal advisors. It is still reflected in the actuarial report as "Retiree Health Insurance Reserve."

In June 2010, the MCERA Board adopted an amended interest posting and undistributed earnings policy. It is anticipated the Segal Group will review that policy in June 2012, with a key objective being the reconciliation of the portfolio assets to reserves. At that time, Segal Group will also review and make recommendations to address negative reserve balances.

Revenues (Additions to Plan Assets)

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 year ended June 30, 2011 totaled $79.1 million and June 30, 2010 totaled $52.9 million. The increase in revenues from 2010 to 2011 can be attributed primarily to investment income. The increase in investment income is primarily a result of the emerging recovery from the world-wide market decline. The total balance of net assets increased from approximately $300 million in 2010 to $355 million in 2011.

Expenses (Deductions in Plan Assets)

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 the system. These expenses for the fiscal years ended June 30, 2011 and June 30, 2010 were $24.1 million and $25.0 million respectively. The MCERA Board continues to review staffing levels and information technology needs during the upcoming year.

CHANGES IN MCERA NET ASSETS

(Dollars in Thousands)	2011	2010	Increase (Decrease) Amount	% Change
Additions				
Employer Contributions	$ 9,554	$ 8,234	1,320	16%
Member Contributions	5,447	6,502	(1,055)	-16%
Net Investment Income	64,075	38,129	25,946	68%
Miscellaneous Income	-	4	(4)	-100%
Total Additions	**79,076**	**52.869**	**26,207**	**50%**
Deductions				
Retirement Benefits [(1)]	22,269	23,161	(892)	-4%
Refund of Contributions	1,167	1,061	106	10%
Administrative Expenses	640	645	(5)	-1%
Total Deductions	**24,076**	**24,867**	**(791)**	**-3%**
Net Increase/Decrease	**55,000**	**28,002**	**26,998**	**96%**
Net Assets at Beginning of Year	**300,043**	**272,041**	**28,002**	**10%**
Net Assets at End of Year	**$ 355,043**	**$ 300,043**	**$ 55,000**	**18%**

[(1)] Retirement benefits include transfers to Human Resources for retiree health care costs.

Fiduciary Responsibility

MCERA's Board and staff are fiduciaries of the pension trust fund. Under the California Constitution the assets can only be used for the benefit of the plan participants and their beneficiaries and to defraying reasonable expenses of administering the Plan.

Request for Information

The financial report is designed to provide the Retirement Board, 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:

MCERA
625 B Kings Court
Ukiah, CA 95482

Respectfully submitted,

James M. Andersen

James M. Andersen
Retirement Administrator

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As of June 30, 2011 (with Comparative Totals)

ASSETS	2011	2010
Investments, at fair Value:		
Mutual Funds	353,565,325	283,669,835
Cash equivalents	1,189,486	16,191,776
Total Investments, at fair value	354,754,811	299,861,611
Receivables:		
Member contributions receivable	76,187	-0-
Employer contributions receivable	229,617	46,281
Investment sales	-0-	814,942
Interest and dividends receivable	-0-	1,002,293
Other receivables	57,574	152,918
Total Receivables	363,378	2,016,434
Other assets	3,786	-0-
Total assets	**355,121,975**	**301,878,045**
NET ASSETS AVAILBE FOR BENEFIT		
Liabilities:		
Accounts payable	14,829	293,357
Accrued expenses and other liabilities	64,623	22,063
Investment purchases	-0-	1,520,063
Total liabilities	**79,452**	**1,835,483**
Net Assets Held in Trust for Benefits	**355,042,523**	**300,042,562**

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

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
As of June 30, 2011 (with Comparative Totals)

	2011	2010
Additions to net assets attributed to:		
Investment income:		
Net realized and unrealized appreciation in fair value of investments	56,130,687	31,278,606
Rent income, net of expenses	24,761	92,159
Interest income	2,460,864	5,054,338
Dividend income	5,863,549	2,298,834
Investment expenses	(404,760)	(595,494)
Total investment income, net	64,075,101	38,128,443
Contributions:		
Member contributions	5,446,964	6,502,080
Employer contributions	9,553,955	8,234,253
Total contributions	15,000,919	14,736,333
Total additions	**79,076,020**	**52,864,776**
Deductions from net assets attributed to:		
Benefits paid to retirees	23,436,295	24,222,316
Administrative expenses	639,764	640,808
Total deductions	**24,076,059**	**24,863,124**
Net increase	54,999,961	28,001,652
Net Assets Held in Trust for Benefits		
Balance at Beginning of Year	**300,042,562**	**272,040,910**
Balance at End of Year	**355,042,523**	**300,042,562**

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

NOTES TO THE FINANCIAL STATEMENTS

For the Years ended June 30, 2011 and 2010

Note 1: Summary of Significant Accounting Policies:

Reporting Entity:

MCERA is governed by the Board of Retirement and is considered an independent entity. The Association is a component unit of the County of Mendocino and is being reported as a Pension Trust Fund in the County's Financial Report in accordance with Governmental Accounting Standards Board Statement No. 14.

Basis of Accounting:

The Association follows Governmental Accounting Standards Board ("GASB") accounting principles and reporting guidelines, and financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and 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 the plan.

Valuation of Investments:

Investments are reported at fair value based upon closing sales prices reported on the last business day of the period. Investments that do not have an established market are reported at estimated fair value.

Use of Estimates:

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

Derivatives:

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

During the year ended June 30, 2011, MCERA had no derivatives in its portfolio.

Note 1: Summary of Significant Accounting Policies, continued:

Custodial Credit Risk:

Custodial risk for deposits in the Mendocino County trust is assumed by the County of Mendocino. 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 held by MCERA's custodial bank in MCERA's name, or by other qualified third party administrator trust accounts.

Except for a statement that 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.

Credit Risk:

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
U.S. Equity	33% - 43%	38%
Non-U.S. Equity	20% - 30%	25%
U.S. Fixed Income	23% - 33%	28%
Real Estate	4% - 14%	9%

MCERA's Investment Policy does not allow for a single investment in real estate that is in excess of 5% of total assets. With respect to common stocks, MCERA has a goal of diversifying the portfolio among a cross-section of industries that have sound long-term growth potential. Similar restrictions apply to fixed income securities.

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 formal policy to manage interest rate risk.

Note 1: Summary of Significant Accounting Policies, continued:

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.

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, Courts, or district whose services commence after a given future date.

Risk Management:

MCERA is exposed to various risks of losses 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 of Retirement, but all other risks of loss, except losses due to depreciation in the fair market value of investments, is assumed by the sponsoring employers. MCERA has effectively managed risk through various employee education and prevention programs and careful selection of investments. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The Mendocino County Department of Human Resources has assumed the duties of administering the health care claims of retirees. During the fiscal year ended June 30, 2011 MCERA came into full compliance with Internal Revenue Code Section 401(h) for any flow of funding.

Based on Mendocino County Board of Supervisors Resolution No. 98-147, County Counsel concluded that the County Board of Supervisors was ultimately responsible for the funding, administration and decision-making dealing with all aspects of the Plan. As a result, no incurred but not reported claims were included as liabilities on the financial statements for the year ended June 30, 2011. For the year ended June 30, 2011, MCERA had no excess earnings that can be used for the payment of retiree health benefits.

Note 1: Summary of Significant Accounting Policies, continued:

Current and Future Accounting Pronouncements:

GASB Statement No. 53 - *Accounting and Reporting for Derivative Instruments* became effective for all years beginning after June 15, 2009. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. If MCERA invests in derivative instruments in the future, this statement will be used to measure, recognize, and disclose those transactions.

GASB Statement No. 61 - *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government. Although the provisions for this statement are effective for fiscal years beginning after June 15, 2012, it seems to clarify and confirm the existing relationship of MCERA as a component unit of the County of Mendocino.

GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Subsequent Events:

Management has evaluated all subsequent events through February 7, 2012, the date the financial statements were available to be issued. See Note 7 for additional information.

Note 2: Description of Plan:

Description of Association and Applicable Provisions of the Law:

The Mendocino County Employees' Association ("MCERA" or "the Plan") is an integrated public retirement system established under and subject to the legislative authority of the State of California as enacted and amended the County Retirement Act of 1937 (Chapter 677 Statutes of 1937). MCERA a multiple-employer cost sharing defined benefit plan for the County of Mendocino, the Mendocino County Courts, and the Russian River Cemetery District. 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:

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

	2011	2010
Retirees and beneficiaries receiving benefits	1,129	1,084
Terminated plan members entitled to but not yet receiving benefits	389	391
Active plan members	1,129	1,274
Total	2,647	2,749
Number of participating employers	3	3

While the total members decreased by 102 from June 30, 2010 to 2011, retirees increased by 45 members.

A cost-sharing multiple employer 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 Mendocino 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 pay period following employment. Employees are classified as either general or safety (law enforcement) members, and are assigned to one of three tiers based on entry date and job classification.

Retirement benefits offered by the Plan include normal retirement, disability retirement and service-connected disability retirement. 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 of Retirement. For 2010 and 2011, the Board of Retirement approved cost of living increases of 1.5% and 3.0%, depending on date of retirement, and became effective April 1 of each year.

Health benefits for retired employees have been funded by the Plan in the past. As of September 1, 1998, the County of Mendocino had assumed responsibility for partial funding of the cost of health care for the retired employees of the County of Mendocino, and will be responsible for the cost of health care when MCERA earnings on investments are not in excess of required transfers of earnings to retirement reserve accounts. On September 22, 2009, the Board of Supervisors adopted a superseding resolution which stated that retiree health care would only be paid from earnings in excess of transfers to the retirement reserve accounts or by the retirees in the form of a premium. Eligibility for health care coverage, prior to September 1, 1998, retirees must have served 10 years prior to retirement with the County of Mendocino, and retire as an active member. The retiree health benefit program qualifies under section 401(h) of the Internal Revenue Code.

Note 2: Description of Plan, continued:

Health care payments to reimburse the County of Mendocino for the cost of retiree health care are made from a special reserve that has been established as a result of prior excess earnings. This health care subsidy amounted to $1,709,166 for the year ended June 30, 2011, and is included in the line item for benefit payments and subsidies on the statement of changes in net assets held in trust for pension benefits. This subsidy is net of all health care payments by retirees.

Note 3: Cash and Investments:

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. All investments listed in the Statement of Net Assets Available for Benefits are registered securities held by the Association's agent in the Association's name. The Board of Retirement has exclusive control over all investments of the Association and is responsible for establishing investment objectives, strategies and policies.

The Board of Retirement 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 of Retirement 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 minimizing 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 of Mendocino. 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.

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 not affect the total value of the securities. Unrealized gains and losses investments are reported as "net appreciation (depreciation) in the fair value of investments." The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Note 3: Cash and Investments, continued:

The Association's cash and investments stated at fair value as of June 30, 2011 and June 30, 2010, are as follows:

	2011	2010
Cash in Trust - Mendocino County	1,189,486	15,115,875
Cash in Trust - Bond Managers	-0-	1,075,884
Short-Term Investments - LAIF	-0-	17
Total Cash Equivalents	1,189,486	16,191,776
U.S. Government and corporate Bonds	97,682,320	103,198,373
International equities	85,501,443	52,327,297
Domestic equities – small cap	21,760,587	18,943,457
Domestic equities – mid cap	22,610,177	29,351,936
Domestic equities – large cap	95,465,563	56,332,467
Real Estate	30,545,235	23,516,305
Total Investments	353,565,325	283,669,835
Total Cash Equivalents and Investments	354,754,811	299,861,611

Note 4: Fair Value Measurement of Investments:

The Financial Accounting Standards Board ("FASB"), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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.

Note 4: Fair Value Measurement of Investments, continued:

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Plan at year end.

Real estate – property: Valued at cost, which approximates fair value.

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 the Plan 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.

The following tables set forth by level, within the fair value hierarchy, MCERA's investments at fair value as of June 30, 2011:

	Investments at Fair Value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Bonds	$ 97,682,320	$ -	$ -	$ 97,682,320
International securities	85,501,443	-	-	85,501,443
Domestic securities	139,836,328	-	-	139,836,328
Real estate	29,806,242	-	738,992	30,545,234
Total investments at fair value	$ 352,826,333	$ -	$ 738,992	$ 353,565,325

Note 4: Fair Value Measurement of Investments, continued:

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 investments for the year ending June 30, 2011 is as follows:

	Real Estate - Property
Balance, beginning of year	$ 738,992
Unrealized gains (losses)	-
Purchases, sales, issuances and settlements (net)	-
Balance, end of year	$ 738,992

Note 5: Contributions:

Actuarially determined member contribution rates averaged 9.84 percent for the year ended June 30, 2011 and 9.85 percent for the year ended June 30, 2010. The actual rate depends on the member's age at the time of hire, whether regular or safety, and tier. Employers are also required to contribute an actuarially determined rate, averaging 13.25 percent of salary for the year ended June 30, 2011 and 10.35 percent for year ended June 30, 2010. The employers' rate is adjusted periodically to maintain the appropriate funding status of the plan. The recommended rates for employees and employers for the year ended June 30, 2012 are 9.69 and 19.08[1] percent, respectively. The employer rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised (basic and cost of living), and the amortization of the unfunded actuarial accrued liability.

The Plan had an unfunded actuarially accrued liability of $47,154,000 at June 30, 2001. This unfunded liability was being amortized through June 30, 2017, at which time it was anticipated the Plan would be fully funded. In December, 1996, the County of Mendocino issued pension obligation bonds, of which $30,112,488 of the proceeds were contributed to the Plan. In December, 2002, due to a continued downward spiral of market values for MCERA investments, the County of Mendocino issued additional pension obligation bonds. The total of bonds sold was $92,208,602, of which $76,299,000 was transferred to the Plan for additional investment, $13,220,061 was used to defease fifty percent of the 1996 pension obligation bonds, and the remainder of $2,689,541 was used to pay the costs of issuing the bonds. The proceeds from the 2002 pension obligation bonds reduced the unfunded pension liability to less than 10 percent of the actuarially accrued liability at June 30, 2004. The funding agreement in effect prior to July 1, 2009 indicated that the County was not required to fund the UAAL that was not in excess of the target of 10 percent of the total pension liability. In November 2009, that funding agreement was voided by mutual agreement between the Association Board of Retirement and the Mendocino County Board of Supervisors. Subsequent to the funding agreement, the Board of Retirement stipulated that the County of Mendocino must amortize the UAAL over a 30-year period from June, 2009.

[1] Percentage does not tie to Actuarial Section. Actuarial Section utilizes June 30, 2011 projected annual compensation. Financial Section percentage based on June 30, 2010 payroll from prior year actuarial report.

Note 5: Contributions, continued:

For the actuarial valuation for the year ended June 30, 2010, the actuary changed their assumptions regarding withdrawals by inactive members. This change in assumption affected the projected number of inactive members who would withdraw their contributions and forego a retirement, compared to those who would leave their contributions and vested benefits with the Plan and retire at a later date. The actuary formerly used each inactive member's age when determining who would withdraw their funds; now the actuary uses age and years of service for all inactive members. The result was an increase of $3.3 million in the County's contribution for the fiscal year ended June 30, 2012.

The UAAL as of June 30, 2011 is $124.9 million, which the County of Mendocino is required to amortize in the future. The funded ratio at June 30, 2011 is 73.6%, as indicated on the Schedule of Funding Progress on Page 21. The *Actuarial Valuation and Review* report issued by The Segal Company as of June 30, 2011 recommended employer and member contribution rates of 23.3% and 9.84%, respectively. The increase in contribution rates is due to a combination of factors, including lower than expected investment returns, amortization of the unfunded actuarial accrued liability over a smaller than previously projected total payroll and errors made by the previous actuary as described in Note 7.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2011
Actuarial Value of Assets (AVA)	$351,940,733
Actuarial Accrued Liability (AAL)	$472,644,283
Unfunded AAL (UAAL)	$124,912,676
Funded Ratio	73.6%
Covered Payroll	$64,143,765
UAAL Percentage of Covered Payroll	194.7%
Actuarial cost method	Entry age normal cost method
Amortization method	Level % of payroll for total unfunded liability
Remaining amortization period	28 years (declining) for all UAAL
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five year period, further adjusted, if necessary, to be within 25% of the market value. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.

Note 5: Contributions, continued:

Actuarial assumptions:

Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.50%
Projected salary increases*	4.50% to 9.00%
* Includes inflation at	4.00%
Cost of living adjustments	3.00% of retirement income
Years of life expectancy after retirement	General members – RP2000 Combined Health Mortality Tables for males and females, set back 2 years for males and 1 year for females. Safety/Probation members – RP2000 Combined Healthy Mortality Tables for males and females with no set back for males and 1 year set forward for females.
Years of life expectancy after disability	General members – RP 2000 Combined Healthy Mortality Table for males and females, set forward 2 years. Safety/Probation members – RP2000 Combined Healthy Mortality Table for males and females set forward 4 years.
Lefe expectancy after retirement for employee contribution rate purposes	General members – RP2000 Combined Health Mortality Table for males and females, set back 2 years for males and 1 year for females. Safety/Probation members – RP2000 Combined Healthy Mortality Table for males and females with no set back for males and 1 year set forward for females.

Note 6: Reserves:

The Association had contingency reserves of $3,550,728, at June 30, 2011 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 8 percent of retiree 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 assets available for pension and other benefits at June 30, (under the five-year smoothed market asset valuation method for actuarial valuation purposes) is as follows:

Note 6: Reserves, continued:

SCHEDULE OF RESERVE

		2011	2010
Employee reserves	$	64,911,013	63,974,619
Employer reserves		(25,774,820)	(15,617,693)
Retiree reserves		264,051,864	250,107,010
Retiree health care benefit reserves		-0-	2,448,788
Undesignated reserves (see Note 7)		658,654	-0-
1% Contingency reserve		3,550,728	3,000,426
Miscellaneous reserves		22,475	3,704
Total reserves		307,419,914	303,916,854
Cumulative unallocated net unrealized gain on investments		44,520,819	42,288,744
Total allocated reserves (smoothed market actuarial value after corridor limits)		351,940,733	346,205,598
Net assets in excess (deficit) of reserves		3,101,790	(46,163,036)
Net assets available for benefits, at fair value	$	355,042,523	300,042,562

The undesignated reserve used historically for health care benefits of retirees was derived from excess earnings of the Association in prior years. See Note 7.

Note 7: Subsequent Events:

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of final reports, which may have a material effect on the financial statements or disclosures therein.

The market value of assets in MCERA's portfolio has decreased from $353 million to $327 million between July 1, 2011 and December 31, 2011. Capital markets continue to be highly volatile resulting in significant swings market value, both positive and negative.

Since July 1, 2011, MCERA's new actuary, The Segal Company ("Segal"), determined that the employee basic contribution rate for fiscal years 2009-10, 2010-11 and 2011-12 was higher in the aggregate than it should have been. This resulted in a corresponding underpayment by employers during the same period. MCERA is working with a team of external and internal professionals to reimburse overpayments and collect underpayments to the pension fund "as if" the rates had been correct, and in accordance with all tax laws and regulations. Corrected rates will be in effect January 8, 2012, and the project is expected to be completed before the end of fiscal year 2011-12.

Note 7: Subsequent Events, continued:

MCERA has reached a settlement agreement with its former actuary, Buck Consultants, for errors and omissions. The settlement agreement was for $587,000, which included the estimated cost of the correction project described above.

Segal completed its triennial experience study of the years ending June 30, 2009 through 2011. Significant changes to economic assumptions included reducing the assumed earnings rate from 8% to 7.75% and introducing a wage rate percent increase. Significant changes to demographic assumptions included earlier retirement ages, mortality tables that assume retirees are living longer, more conservative assumptions on withdrawals from the pension system, and reduced expectations of disability retirements.

MCERA submitted a Voluntary Correction Program ("VCP") filing with the IRS, stating that it recognized and posted excess earnings for fiscal years ending June 30, 2004 through 2006 may not have been fully consistent with Government Code Section 31592.4 and/or IRC 401(h). The residual amount of excess earnings recognized and posted over this time period has been classified as "Undesignated reserves" and was $658,654 at June 30, 2011. The excess earnings postings are being reviewed by tax counsel, actuary, and an accounting firm to develop findings and recommendations for submission to the IRS.

Required Supplementary Information

There is no single all-encompassing indicator which measures a retirement system's funding progress and current funded status. A traditional measure has been the relationship of valuation assets to unfunded actuarial accrued liability as a measure that is influenced by the choice of actuarial cost method. Historical trend information is presented in the following schedules. This information was determined as part of the actuarial valuations at the dates indicated. Governmental Accounting Standard Board (GASB) requires the Actuarially Required Contributions (ARC) and the Funding Status Schedules to be included and we do so in the following schedules:

SCHEDULE OF FUNDING PROGRESS [1]
GASB 25
(dollar amounts in thousands)

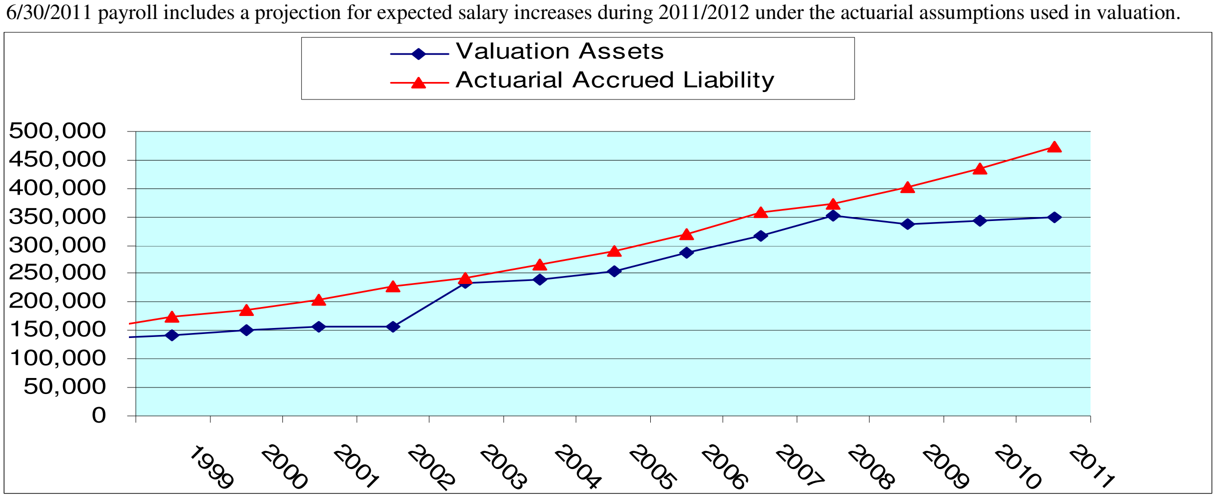
Actuarial Valuation Date	Valuation Assets		Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll		UAAL as a Percent of Covered Payroll
7/1/93	$ 72,062		$ 105,866	$ 33,804	68.1%	$ 25,930		130.4%
7/1/94	$ 75,976		$ 112,535	$ 36,559	67.5%	$ 27,185		134.5%
7/1/95	$ 79,322		$ 121,027	$ 41,705	65.5%	$ 29,603		140.9%
7/1/96	$ 84,992		$ 130,036	$ 45,044	65.4%	$ 29,587		152.2%
7/1/97	$ 124,286		$ 140,783	$ 16,497	88.3%	$ 32,481		50.8%
7/1/98	$ 134,836		$ 154,263	$ 19,427	87.4%	$ 35,586		54.6%
7/1/99	$ 142,775		$ 173,250	$ 30,475	82.4%	$ 39,209		77.7%
7/1/00	$ 150,056		$ 185,423	$ 35,367	80.9%	$ 44,132		80.1%
7/1/01	$ 157,545		$ 204,699	$ 47,154	77.0%	$ 53,188		88.7%
7/1/02	$ 158,115	(2)	$ 226,883	$ 68,768	69.7%	$ 57,701		119.2%
7/1/03	$ 233,764	(3)	$ 243,342	$ 9,578	96.1%	$ 59,865		16.0%
7/1/04	$ 239,191		$ 265,141	$ 25,950	90.2%	$ 59,075		43.9%
7/1/05	$ 253,487		$ 289,467	$ 35,980	87.6%	$ 57,664		62.4%
7/1/06	$ 288,461		$ 320,123	$ 31,662	90.1%	$ 57,665		54.9%
7/1/07	$ 317,937		$ 358,259	$ 40,322	88.7%	$ 65,899		61.2%
7/1/08	$ 353,421		$ 373,832	$ 20,411	94.5%	$ 70,880		28.8%
7/1/09	$ 336,263		$ 403,196	$ 66,933	83.4%	$ 72,235		92.7%
7/1/10	$ 343,202		$ 434,987	$ 91,785	78.9%	$ 69,004		133.0%
7/1/11	$ 347,732		$ 472,644	$ 124,912	73.6%	$ 64,144	(4)	194.7%

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



SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 25
(dollar amounts in thousands)

Year Ended	Annual Recommended Contribution	Percentage Contributed
12/31/92	$ 2,939	100%
12/31/93	$ 2,939	100%
6/30/95 (1)	$ 5,182	100%
6/30/96	$ 4,348	100%
6/30/97	$33,691 (2)	100%
6/30/98	$ 2,661	100%
6/30/99	$ 3,165	100%
6/30/00	$ 3,787	100%
6/30/01	$ 7,216	100%
6/30/02	$ 6,348	100%
6/30/03	$ 6,663	100%
6/30/04	$ 4,158	63%
6/30/05	$ 3,221	47%
6/30/06	$ 4,996	79%
6/30/07	$ 7,533	100%
6/30/08	$ 7,232	100%
6/30/09	$ 6,046	141%
6/30/10	$ 9,571	91%
6/30/11	$ 9,554	100%

(1) Reflects 18 months of contributions due to a change in the financial reporting year.
(2) Includes proceeds from Pension Obligation Bonds.

SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Year ended June 30, 2011 (with Comparative Totals)

	2011	2010
Personal Services:		
Salaries and Wages	259,776	322,220
Other Benefits	57,332	65,680
Salaries, Wages & Benefits Charged to Investments	-0-	(92,453)
Employee Retirement	47,748	50,771
Total Personal Services	364,856	346,218
Professional Services:		
Outside Legal Counsel – Disability	57,069	72,904
Disability Hearing Officer/Medical Exams	61,785	75,588
External Audit Fees	17,924	11,860
Automation & Software	24,543	-0-
Total Professional Services	161,321	160,352
Miscellaneous:		
Office Expenses *	14,798	78,229
New Building Equipment	-0-	-0-
Insurance General	1,021	1,266
Memberships	4,500	4,250
Prof & Spec Services – Other	78,276	36,338
Transportation & Travel	14,992	18,212
Total Miscellaneous	113,587	138,295
Total Administrative Expenses	639,764	644,865

* Includes Imputed Rent and 1/2 of Building Expenses.

SCHEDULE OF INVESTMENT MANAGEMENT FEES AND OTHER INVESTMENT EXPENSES
For the Year ended June 30, 2011 (with Comparative Totals)

	2011	2010
Investment Management Fees:		
Bradford & Marzec	18,543	46,200
Dodge & Cox	34,775	92,128
Alliance Bernstein	38,787	25,269
Less Commission Recapture	-0-	(6,538)
Total Investment Management Fees	92,105	157,059
Investment Consultant Fees	135,000	163,500
Investment Custodian Fees	37,500	52,788
Fiduciary Insurance	32,712	30,815
Actuary Fees	107,443	98,879
Other Investment Expense	-0-	92,453
Total Investment Expenses	404,760	595,494

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Investment Section

Mendocino County Employees' Retirment Association
Executive Summary
For the Fiscal Year Ending June 30, 2011

General Economic Conditions and Capital Markets Overview

Equities rallied significantly during much of the fiscal year ending June 30, 2011, building on the gains from the prior year. However, things reversed in early May through late June as stocks fell sharply on weak economic news and concerns over the expanding debt and austerity-related unrest in Greece. As the year closed, the Greek government passed significant austerity measures enabling $17 billion in rescue funds to come in and stave off a default.

Headlines on two topics of great importance to Main Street, unemployment and housing, were largely negative during the final quarter. Job growth remained anemic and the jobs report in early June showed a reversal of the recent declines in the unemployment rate (inching up to 9.1%). Foreclosures remained rampant with nearly 25% of homeowners underwater on their mortgages and another 4.5 million households already in foreclosure or seriously delinquent in their mortgage payment. Despite extremely favorable borrowing costs, the housing market remained mired in a 5-year downtrend. Adding to the uncertainty, the U.S. Congress continued to debate an increase in the federal debt limit. Prognostications about the impact of such a default ran the gamut from "benign" to "calamitous."

However, contrary to the seemingly ominous news on Main Street and around the world, Corporate America appears to be reasonably stable. Corporate profits are at the all-time high levels of 2007, and margins remain elevated as the severe cost cutting of 2008-2009 has not been wholly reversed through new hiring and capital expenditures. Despite the debt crises at the sovereign level, many corporations have taken advantage of historically low rates to access debt markets at very favorable terms. Issuance of 100-year bonds made headlines as did several "Web 2.0" IPOs such as LinkedIn and Pandora, as well as the upcoming IPOs of Zynga, Groupon, and potentially Facebook.

Despite a volatile quarter for equities and fairly significant macroeconomic headwinds, many market forecasters remain sanguine for equities. U.S. equities are trading at around 13.5 times 2011 earnings estimates, hardly lofty in contrast to P/E ratios at the 2000 and 2007 market peaks. The outlook for fixed income remains uncertain as rates sit at historically low levels, and the impact of the end of QE2 and the Federal Reserve's next move are the subject of much debate.

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

Index	Q1	Q2	Q3	Q4	Fiscal Year
US Equity (Russell 3000)	11.5%	11.6%	6.4%	-0.0%	32.4%
Intl Equity (MSCI ACWI ex-US)	16.7%	7.3%	3.5%	0.6%	30.3%
Real Estate (MFI-ODCE)	5.3%	4.6%	3.8%	4.4%	19.3%
Fixed Income (BC Aggregate)	2.5%	-1.3%	0.4%	2.3%	3.9%

Asset Allocation

As of June 30, 2011, the assets of MCERA were valued at $355.2 million, up from the total asset value at the start of the fiscal year, July 1, 2010, of $285.2 million. The Fund ended the quarter slightly overweight relative to its policy target in domestic equity and cash while being slightly underweight to fixed income, international equity and real estate. All asset classes remain within their permitted ranges.

Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equity	139,836	39.4%	38.0%	1.4%	4,852
International Equity	85,501	24.1%	25.0%	(0.9%)	(3,304)
Domestic Fixed Income	97,682	27.5%	28.0%	(0.5%)	(1,780)
Domestic Real Estate	30,801	8.7%	9.0%	(0.3%)	(1,169)
Cash	1,400	0.4%	0.0%	0.4%	1,400
Total	355,221	100.0%	100.0%		

Total Fund Performance

MCERA's Total Fund returned +21.9% for the fiscal year ending June 30, 2011, 0.3% behind the Fund's benchmark return. The MCERA fiscal year return ranked in the 46th percentile of the Callan Public Fund Sponsor Database.

As is shown in the fiscal year attribution below, the underlying investment managers have added significant value over the year relative to their respective benchmarks. However, relative to the asset allocation policy, the operational cash needed for benefit payments and other expenses was the most significant detractor as well as a slight overweight to fixed income.

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	37%	38%	33.82%	32.37%	0.49%	(0.23%)	0.27%
Domestic Fixed Income	30%	29%	5.53%	3.90%	0.56%	(0.51%)	0.05%
Domestic Real Estate	8%	9%	29.53%	26.14%	0.27%	(0.02%)	0.24%
International Equity	21%	24%	28.88%	29.29%	(0.08%)	(0.10%)	(0.18%)
Cash	3%	0%	0.05%	0.05%	0.00%	(0.67%)	(0.67%)
Total			**21.87%**	**= 22.15%**	**+ 1.24%**	**+ (1.53%)**	**(0.28%)**

Summary

As the market's volatility, which initially spiked in the final quarter of the fiscal year, has become magnified in during the 2012 fiscal year, we continue to closely monitor the performance of MCERA's portfolio and managers. MCERA has a diversified portfolio and a roster of strong long term, very experienced managers which should assist in navigating this volatile period. Over the past fiscal year, MCERA has taken steps to further diversify the total fund by adding managers Robeco large cap value, Prudential small cap value, and Mondrian International equity in addition to rebalancing the fund to a new asset allocation target and structure as adopted by the MCERA Retirement Board. We continue to believe in the current investment approach for MCERA of diversification across asset classes and high quality, stable investment managers.

Submitted by:

Greg T. Ungerman, CFA
Senior Vice President

Greg F. DeForrest, CFA
Senior Vice President

2

Outline of Investment Policies

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 this regard, investment decisions are to be made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer contributions land defraying the reasonable expenses of 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 investment program goals, assets allocation policies, performance objectives, investment management policies and risk controls. The Investment Policy also defines the principal dudties of the Board, MCERA's custodian bank 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 exceed 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.

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 SUMMARY
FOR THE YEAR ENDED JUNE 30, 2011

	Market Value	% of Assets	Current Yr Return	3 Year Return	5 Year Return
Domestic Equities	**139,836,327**	**39.55%**	**33.82%**	**5.35%**	**4.34%**
Russell 3000 Index			32.37%	4.00%	3.35%
Large Cap Equities	**95,465,563**	**27.01%**			
Selected American	10,484,731	2.98%	24.95%	1.35%	1.54%
Dodge & Cox Stock	15,957,294	4.51%	31.00%	2.19%	.08%
Investment Co of America	10,682,563	3.02%	26.54%	2.88%	2.39%
Vanguard Growth & Income	10,831,151	3.06%	30.14%	1.51%	1.51%
Robeco	14,491,030	4.10%	-	-	-
S&P 500 Index			30.69%	3.34%	2.94%
Russell 1000 Value Index			28.94%	2.28%	1.15%
Growth Fund of America	10,762,587	3.04%	28.06%	1.39%	3.20%
Harbor Cap Appreciation	11,269,773	3.19%	35.45%	5.85%	5.73%
Janus Research	10,986,434	3.11%	34.70%	4.67%	6.98%
S&P 500 Index			30.69%	3.34%	2.94%
Russell 1000 Growth Index			35.01%	5.01%	5.33%
Mid Cap Equities	**22,610,177**	**6.39%**			
Fidelity Low Priced Stock	5,497,767	1.55%	34.29%	8.25%	6.10%
Royce Total Return	5,343,465	1.51%	31.50%	6.37%	4.70%
Russell 2000 Index			37.41%	7.77%	4.08%
Russell MidCap Value Index			34.28%	6.35%	4.01%
Morgan Stanley	6,016,150	1.70%	46.22%	11.31%	-
Janus Enterprise	5,752,795	1.63%	39.68%	4.93%	-
Russell MidCap Growth Index			43.25%	6.58%	6.28%
Small Cap Equities	**21,760,587**	**6.15%**			
Prudential Small Cap Value	6,717,460	1.90%	-	-	-
US Small Cap Value Index			32.49%	8.88%	3.59%
Russell 2000 Value Index			31.35%	7.09%	2.24%
Alliance US Small Growth	4,149,838	1.17%	58.52%	13.02%	8.99%
RS Investments	3,883,292	1.10%	48.30%	11.27%	7.20%
Managers Inst Micro Cap	7,009,997	1.98%	39.73%	10.21%	4.81%
Russell 2000 Growth Index			43.50%	8.35%	5.79%
International Equities	**85,501,443**	**24.18%**	**28.88%**	**3.23%**	**6.03%**
EuroPacific	16,443,168	4.65%	29.43%	2.03%	5.42%
Harbor International	17,012,890	4.81%	35.99%	.96%	6.57%
Columbia Acorn Int'l	8,952,038	2.53%	32.28%	4.24%	7.35%
Janus Overseas	14,726,811	4.17%	15.00%	1.99%	8.45%
Oakmark International	13,492,130	3.81%	28.62%	11.34%	-
Mondrian International	14,874,406	4.21%	-	-	-
MSCI EAFE Index			30.36%	-1.77%	1.48%
MSCI ACWI ex-US Index			30.27%	.11%	4.14%

INVESTMENT SUMMARY - Continued

	Market Value	% of Assets	Current Yr Return	3 Year Return	5 Year Return
Domestic Fixed Income	**97,682,320**	**27.63%**	**5.53%**	**8.32%**	**7.37%**
Dodge & Cox	50,473,397	14.28%	6.04%	9.17%	7.89%
PIMCO	47,208,923	13.35%	5.94%	-	-
BC Aggregate Index			3.90%	6.46%	6.52%
Real Estate	**30,545,235**	**8.64%**	**29.53%**	**-3.35%**	**.64%**
RREEF Public Fund	13,567,707	3.84%	37.30%	5.46%	2.86%
NAREIT			33.13%	5.70%	1.72%
RREEF Private Fund	16,238,536	4.59%	26.26%	-8.15%	-1.11%
NFI-ODCE Equal Weight Net			19.34%	-9.16%	-1.34%
625 Kings Court	738,992	0.21%	-11.06%	-3.14%	-1.90%
Total Fund	**353,565,325**	**100.00%**	**21.87%**	**5.22%**	**5.76%**
Total Fund Benchmark			22.15%	4.08%	4.38%

- Market Values and percent of assets are from the June 30, 2011 audited financial statements and working papers.
- The Investment Consultants Report shows $355,221,090 of fund assets at June 30, 2011. Difference between this amount and $353,565,325 as reported above is cash in the amount of $1,400,000 and RREEF Private Fund dividend payable of $255,784 (paid on 7/1/2011).
- The 1, 3 & 5 year returns are from the Callan Associates June 30, 2011 performance report.

Asset Allocations

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.

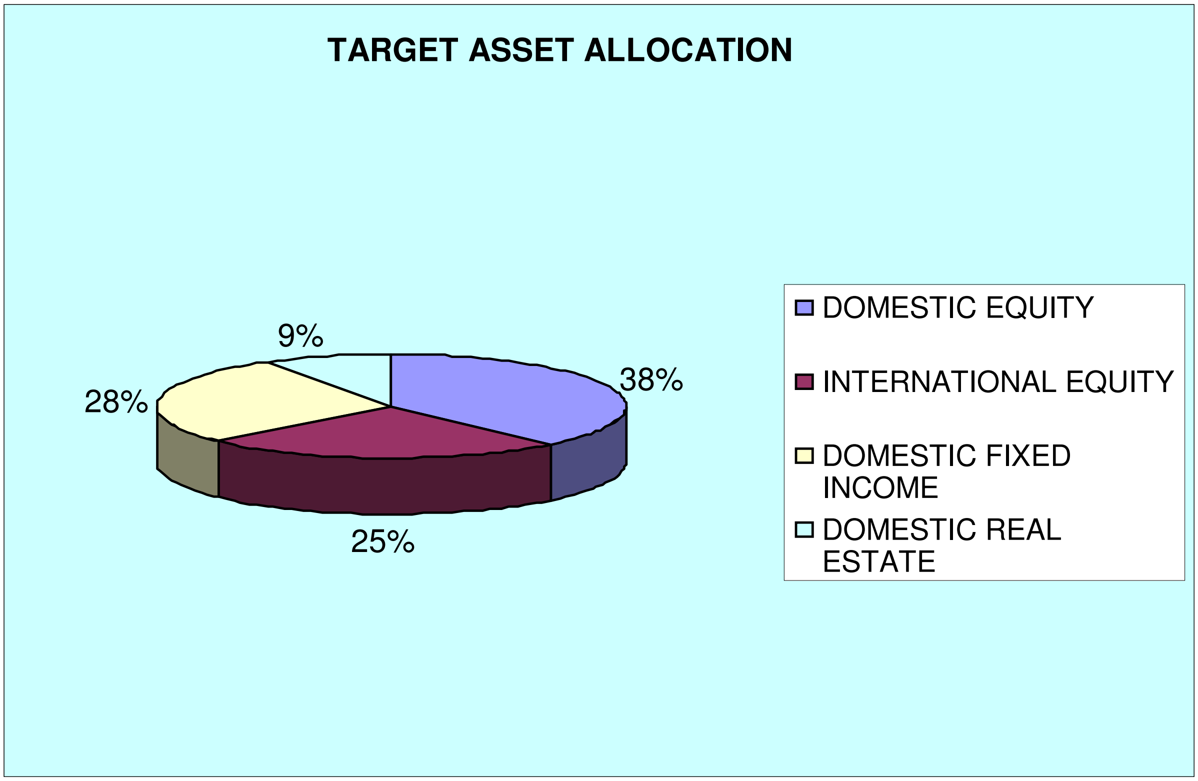
One keystone of asset allocation is diversification among asset classes. Diversification helps to maintain risk at a tolerable level. Therefore, the Board reviews the investment performance and volatility of each asset class on a regular basis over various time periods (quarterly, annually, multi-year)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

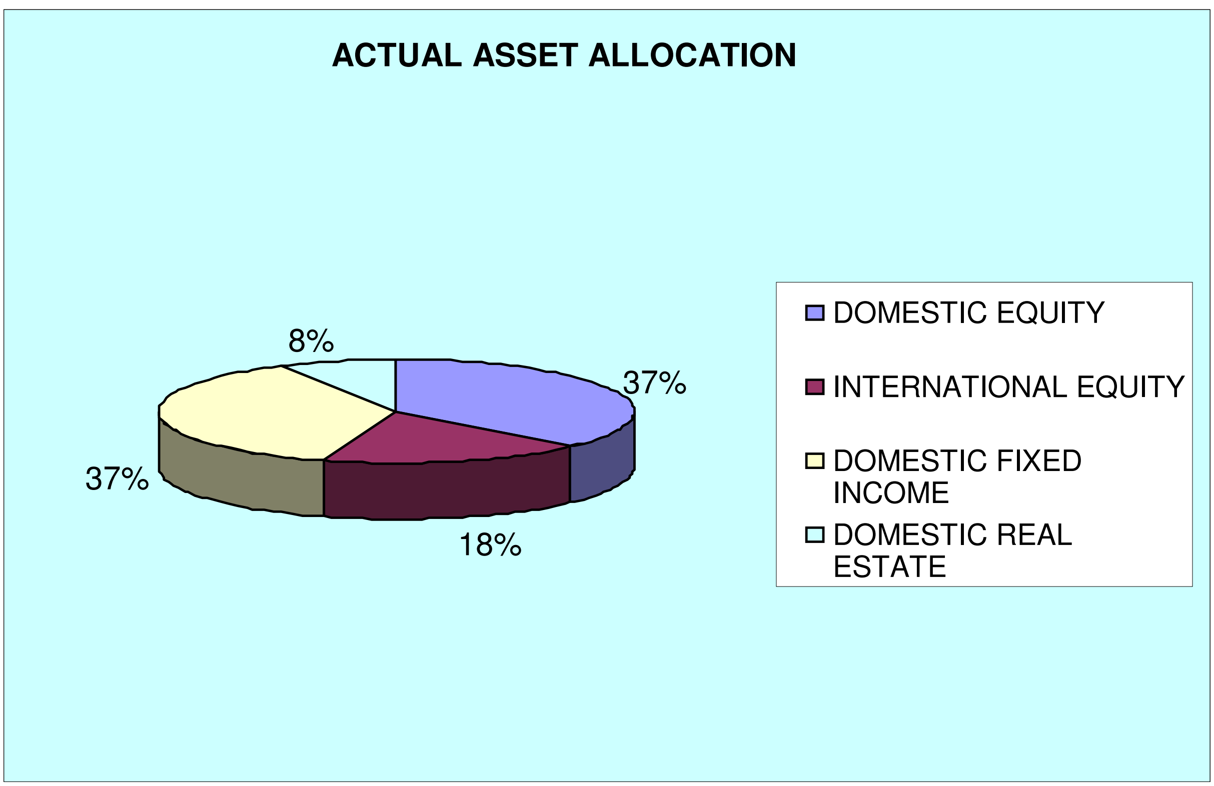
Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on behalf of the Association, subject to investment guidelines incorporated into each firm's investment management contract.

ASSET ALLOCATION
JUNE 30, 2011 [1]

Asset Class	Market Value	Actual Allocation	Target Allocation
Fixed Income	97,682,320	27.63%	28.00%
Domestic Equities	139,836,327	39.55%	38.00%
International Equities	85,501,443	24.18%	25.00%
Real Estate	30,545,235	8.64%	9.00%
Total Portfolio	353,565,325	100.00%	100.00%

Notes:
[1] Does not include cash; accounts receivables, or prepaid expenses


TARGET ASSET ALLOCATION
9%
38%
28%
25%
DOMESTIC EQUITY
INTERNATIONAL EQUITY
DOMESTIC FIXED INCOME
DOMESTIC REAL ESTATE


ACTUAL ASSET ALLOCATION
8%
37%
37%
18%
DOMESTIC EQUITY
INTERNATIONAL EQUITY
DOMESTIC FIXED INCOME
DOMESTIC REAL ESTATE

Actuarial Section

SEGAL

THE SEGAL COMPANY
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April 11, 2012

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

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

Dear Members of the Board:

The Segal Company prepared the June 30, 2011 actuarial valuation of the Mendocino County Employees' Retirement Association. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2011 actuarial valuation, The Segal Company (Segal) conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return on 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 rates which, over time, will remain level as a percentage of payroll unless plan benefit provisions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

The entire balance of the UAAL as of June 30, 2011 is amortized as a level percentage of payroll over a declining 30-year period effective with the June 30, 2009 valuation. As of June 30, 2011, there are 28 years remaining in that 30-year schedule.

Board of Retirement
Mendocino County Employees' Retirement Association
April 11, 2012
Page 2

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

1. Summary of Assumptions and Funding Method;
2. Schedule of Active Member Valuation Data;
3. Schedule of Retirees and Beneficiaries Added To and Removed From Retiree Payroll;
4. Solvency Test;
5. Actuarial Analysis of Financial Experience;
6. Development of Actuarial Value of Assets; and
7. Summary of Plan Provisions.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board in conjunction with the June 30, 2011 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2011 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2014.

In the June 30, 2011 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 78.9% to 73.6%. The reduction in the funded status was primarily the result of the lower than expected return on investments and changes in the actuarial assumptions adopted by the Board resulting from the June 30, 2011 experience analysis, offset somewhat by other favorable actuarial experience during 2010/2011. The employer's aggregate contribution rate has increased from 18.97%(1) of payroll to 23.30% of payroll, while the employee's aggregate rate has increased from 8.83%(1) of payroll to 9.84% of payroll as a result of this valuation.

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

Sincerely,

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

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

JRC/hy
Enclosures

(1) Both rates are before the reflection of a revision made to correct an understatement of the employer's contribution rate and an overstatement of the employee's rate determined in the June 30, 2010 valuation. After the revision, the employer and employee rates are 19.67% and 8.13%, respectively.

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SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

Entry Age Normal Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The funding policy adopted by the Board is to amortize the Association's entire balance of the unfunded actuarial accrued liability (UAAL) as of the valuation date over a declining 30-year period effective with the June 30, 2009 valuation. As of June 30, 2011, there are 28 years remaining in that 30-year schedule. The Board has adopted the following economic assumptions for the June 30, 2011 valuation:

ASSUMPTIONS

Valuation Interest Rate	7.75%
Inflation Assumption	3.50%
Across the Board Salary Increase	0.50%
Interest Credited to Member Accounts	7.75%
Consumer Price Index	Increases of 3.50% per year, retiree COLA increases due to CPI subject to a 3% maximum change per year
Cost-of-Living Adjustments	3.00% of retirement income
Asset Valuation	Smoothed actuarial value

The following demographic and salary increase assumptions were used for the actuarial valuation as of June 30, 2011. Many of these assumptions were changed based on the Plan's actual experience through June 30, 2011. The assumptions were selected by the actuary and approved by the Board.

Post-Retirement Mortality	
(a) Healthy	
General Member	RP-2000 Combined Healthy Mortality Table for Males and Females set back two years for males and set back one year for females
Safety and Probation Members	RP-2000 Combined Healthy Mortality Table for Males and Females with no set back for males and set forward one year for females
All Beneficiaries	Same as General Members
(b) Disabled	
General Members	RP-2000 Combined Healthy Mortality Table for Males and Females set forward two years
Safety and Probation Members	RP-2000 Combined Healthy Mortality Table for Males and Females set forward four years
(c) For Employee Contribution Rate Purposes	
General Members	RP-2000 Combined Healthy Mortality Table for Males and Females set back two years for males and set back one year for females, weighted 30% male and 70% female
Safety and Probation Members	RP-2000 Combined Healthy Mortality Table for Males and Females with no setback for males and set forward one year for females, weighted 80% male and 20% female
Pre-Retirement Mortality	
(a) General Members	RP-2000 Combined Healthy Mortality Table for Males and Females set back two years for males and set back one year for females
(b) Safety and Probation Members	RP-2000 Combined Healthy Mortality Table for Males and Females with no set back for males and set forward one year for females
Termination Rates	Based upon the Experience Analysis as of 6/30/2011 (Table 1)
Disability Rates	Based upon the Experience Analysis as of 6/30/2011 (Table 1)
Service Retirement Rates	Based upon the Experience Analysis as of 6/30/2011 (Table 1)
Reciprocity Assumption	60% of members who terminate with a vested benefit are assumed to enter a reciprocal system. For reciprocals, 4.50% compensation increases per annum are assumed.
Salary Scales	As shown in Table 2
Spouses and Dependents	80% of male employees and 50% of female employees assumed married at retirement, with wives assumed three years younger than husbands
Deferred Vested Retirement Age	60 for General members; 55 for Safety and Probation members. For future deferred vested members who terminate with less than five years of service and are not vested, it is assumed they will retire at age 70 if they decide to leave their contributions on deposit.

PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE - TABLE 1

General Members

Years of Service	Termination(1) (Less Than 5 Years of Service)
0	.1450
1	.1150
2	.1050
3	.0950
4	.0850

Age	Termination(1) (5+ Years of Service)	Mortality Male(2)	Mortality Female(2)	Disability(4)	Service
20	.0450	.0003	.0002	.0001	.0000
30	.0450	.0004	.0002	.0002	.0000
40	.0450	.0010	.0006	.0006	.0000
50	.0450	.0019	.0016	.0053	.0500
60	.0220	.0053	.0044	.0074	.1000

Safety and Probation Members

Years of Service	Termination(1) (Less Than 5 Years of Service)
0	.1100
1	.0950
2	.0750
3	.0650
4	.0550

Age	Termination(1) (5+ Years of Service)	Mortality Male(3)	Mortality Female(3)	Disability(5)	Service
20	.0500	.0003	.0002	.0020	.0000
30	.0390	.0004	.0003	.0034	.0000
40	.0320	.0011	.0008	.0114	.0000
50	.0110	.0021	.0019	.0248	.0500
60	.0000	.0067	.0058	.0000	1.000

(1) *For members with less than five years of service, 85% of all terminated members will choose a refund of contributions and 15% will choose a deferred vested benefit. For members with five or more years of service, 25% of all terminated members will choose a refund of contributions and 75% will choose a deferred vested benefit. No termination is assumed after a member is eligible for retirement.*

(2) *10% of General deaths are assumed to be service connected deaths. The other 90% are assumed to be non-service connected deaths.*

(3) *50% of Safety and Probation deaths are assumed to be service connected deaths. The other 50% are assumed to be non-service deaths.*

(4) *50% of General disabilities are assumed to be service connected disabilities. The other 50% are assumed to be non-service connected disabilities.*

(5) *90% of Safety and Probation disabilities are assumed to be service connected disabilities. The other 10% are assumed to be non-service connected disabilities.*

The probabilities shown for each cause of separation represent the likelihood that a given member will separate at a particular age for the indicated reason. For example, if the probability of termination of a General member at age 30 with at least 5 years of service is 0.0450, then we are assuming that 4.50% of the active General members at age 30 with at least 5 years of service will terminate with vested rights during the next year.

ACTUARIAL ASSUMPTIONS FOR MERIT AND PROMOTIONAL SALARY INCREASE RATES - TABLE 2
As of June 30, 2011

Consists of the sum of three parts: A uniform inflation component of 3.50%; plus "across the board" salary increases 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	5.00%	5.00%
1	3.75%	3.75%
2	3.50%	3.00%
3	2.75%	2.25%
4	2.25%	1.00%
5+	0.50%	0.50%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA[1]

Valuation Date	Plan Type	Number	Annual Payroll $	Monthly Average Pay $	Percentage of Increase in Average Pay[2]
6/30/2006[3]					
	General	1,116	47,664,524	$3,559	1.3%
	Safety	133	7,318,990	4,586	2.9%
	Probation	63	2,681,658	3,547	2.2%
	Total	1,312	57,665,172	3,663	1.6%
6/30/2007					
	General	1,199	55,268,122	$3,841	7.9%
	Safety	147	8,177,920	4,636	1.1%
	Probation	49	2,452,547	4,171	17.59%
	Total	1,395	65,898,589	3,937	7.5%
6/30/2008					
	General	1,207	59,194,561	4,087	6.4%
	Safety	156	9,157,574	4,892	5.5%
	Probation	47	2,528,198	4,483	7.5%
	Total	1,410	70,880,333	4,189	6.4%
6/30/2009					
	General	1,164	60,045,883	4,299	5.2%
	Safety	143	9,057,202	5,278	7.9%
	Probation	62	3,132,010	4,210	-6.1%
	Total	1,369	72,235,095	4,397	5.0%
6/30/2010[4]					
	General	1,071	57,116,497	4,444	3.4%
	Safety	130	9,136,010	5,856	11.0%
	Probation	53	2,751,495	4,326	2.8%
	Total	1,254	69,004,002[5]	4,586[5]	4.3%
6/30/2011					
	General	955	53,294,624	4,650	4.6%
	Safety	122	8,238,933	5,628	-3.9%
	Probation	52	2,610,208	4,183	-3.3%
	Total	1,129	64,143,765	4,735	3.27%[6]

(1) *Information available as of 6/30/2006 has been extracted from the previous actuary's June 30, 2007 valuation report. Information for 6/30/2007 - 6/30/2009 has been extracted from MCERA's June 30, 2009 CAFR. Information as of 6/30/2010 has been extracted from the previous actuary's June 30, 2010 valuation report.*

(2) *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.*

(3) *The payroll information presented in this schedule is not separated by plan type in the previous actuary's June 30, 2007 valuation report (which was used as the source for the "total" information, pursuant to footnote 1 above).*

(4) *The payroll information presented in this schedule is not separated by plan type in the previous actuary's June 30, 2010 valuation report.*

(5) *Based on Segal's June 30, 2011 valuation report, total compensation, including a projection for expected salary increases during 2010/2011 under the actuarial assumptions used in the valuation, is $71,729,795. Monthly average pay with the projection equates to $4,767.*

(6) *Determined using Segal's calculation of monthly average pay with projection as of June 30, 2010 (i.e., $4,767, pursuant to footnote 3 above).*

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL[1]

	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
6/30/2006				Not Available				
6/30/2007					907	$14,827,000		$16,347
6/30/2008	82	$1,624,000	27	$252,000	962	16,199,000	9.3%	16,839
6/30/2009	77	1,921,000	31	352,000	1,008	17,768,000	9.7%	17,627
6/30/2010[2]					1,083	19,125,661[3]	7.6%	17,660
6/30/2011	71	1,624,933	25	205,558[4]	1,129	21,296,641	7.1%[4]	18,863

Note: Statutory COLAs are included in the "Added to Rolls" column.

(1) *Information from 6/30/2007 - 6/30/2009 has been extracted from MCERA's June 30, 2009 CAFR. Information as of 6/30/2010 has been extracted from the previous actuary's June 30, 2010 valuation report.*

(2) *Information regarding members added to and removed from roll was not provided in the previous actuary's June 30, 2010 valuation report.*

(3) *This is the amount shown in the previous actuary's June 30, 2010 valuation report. Segal subsequently revised this amount to be $19,877,266 (which equates to an average annual allowance of $18,354) to correct for the annualization of the current service portion of the benefit for beneficiary records.*

(4) *Determined using Segal's corrected annual allowance as of 6/30/2010 of $19,877,266.*

SOLVENCY TEST[1]

(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)
6/30/2006			Not Available					
6/30/2007				$358,259	$317,937			
6/30/2008	62,348	199,072	112,412	373,832	353,421	100%	100%	82%
6/30/2009	64,102	218,613	120,481	403,196	336,263	100%	100%	44%
6/30/2010[2]				434,987	343,202			
6/30/2011	53,600	287,201	131,843	472,644	347,732	100%	100%	5%

This exhibit includes actuarially funded liabilities and assets.

(1) *Information as of 6/30/2007 has been extracted from the previous actuary's June 30, 2007 valuation report. Information as of 6/30/2008 & 6/30/2009 has been extracted from MCERA's June 30, 2009 CAFR. Information as of 6/30/2010 has been extracted from the previous actuary's June 30, 2010 valuation report.*

(2) *The breakdown of the aggregate accrued liabilities was not provided in the previous actuary's June 30, 2010 valuation report.*

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE[1]

Items Impacting Unfunded Actuarial Accrued Liability (UAAL)

Plan Year Ending 6/30	2011	2010[2]	2009	2008	2007[2]	2006[2]
Beginning of the Year UAAL Liability (Surplus)	$91,785	$66,933	$20,411	$40,322	$31,662	$35,980
Effect of Differences in Methods and Procedures Due to Change in Actuaries	9,035		-	-		
Expected Change	7,638		805	(5,320)		
Liability (Gain)/Loss	-		19,978[3]	2,449[3]		
Asset Return (Gain)/Loss	15,266		29,934	(17,040)		
Salary Increase (Gain)/Loss	(11,363)		-	-		
Retiree COLA Increase (Gain)/Loss	(5,887)		-	-		
Change in Actuarial Assumptions and Procedures	24,043		-	-		
(Gain)/Loss Due to Reflecting Future Service Only Improvement for General Members	(5,604)		-	-		
Change in Method to Determine Actuarial Value of Assets	-		(4,195)	-		
End of the Year UAAL Liability (Surplus)	$124,913	$91,785	$66,933	$20,411	$40,322	$31,662

(Dollars in Thousands)

(1) *Information as of 6/30/2006 & 6/30/2007 has been extracted from the previous actuary's June 30, 2007 valuation report. Information as of 6/30/2008 & 6/30/2009 has been extracted from MCERA's June 30, 2009 CAFR. Information as of 6/30/2010 has been extracted from the previous actuary's June 30, 2010 valuation report.*

(2) *The UAAL reconciliation was not provided in the previous actuary's valuation reports.*

(3) *Combined effect of liability (gain)/loss and change in actuarial assumptions.*

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS[1]

(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, 2011					$355,043
2.	Calculation of deferred return:					
	(a) Year ended June 30, 2007	$50,991	$24,318	$26,673	0%	$ 0
	(b) Year ended June 30, 2008	(28,174)	27,968	(56,142)	20	(11,228)
	(c) Year ended June 30, 2009	(53,511)	26,279	(79,790)	40	(31,916)
	(d) Year ended June 30, 2010	44,658	21,494	23,164	60	13,898
	(e) Year ended June 30, 2011	64,075	23,640	40,435	80	32,348
	(f) Total unrecognized return					$3,102
3.	Preliminary actuarial value of assets as of June 30, 2011: (1) – (2f)					$351,941
4.	Adjustment to be within 25% corridor of market value					$0
5.	Final actuarial value of assets as of June 30, 2011: (3) + (4)					$351,941
6.	Actuarial value as a percentage of market value: (5) / (1)					99.1%
7.	Non-pension reserves:					
	(a) Retirees insurance reserve					$659
	(b) Contingency reserve					3,550
	(c) Total					4,209
8.	Valuation value of assets: (5) – (7c)					$347,732

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

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

SUMMARY OF PLAN PROVISIONS

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through June 30, 2011.

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

Final Compensation
For Tier 1, final compensation is defined as the highest consecutive twelve months of compensation earnable. For Tier 2 and Tier 3, final compensation is defined as the highest consecutive thirty-six months of compensation earnable.

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

Service Retirement Benefit
Members are eligible to retire at age 50 with 10 years of service, or age 70 regardless of service, or after 30 years of service (20 years for Safety and Probation), regardless of age.

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

Cost of Living Benefit
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."

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 unmodified option, which pays the retiree's eligible spouse or domestic partner a lifetime benefit equal to 60% of the benefit the retiree was receiving.

Member's Contributions
Contribution rates for the employer and its covered employees are established and may be amended by the 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. 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. The employer is required to contribute the remaining amount necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates.

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Statistical Section

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 nets assets, benefit expenses, retirement types benefit payments and membership data.

SCHEDULE OF CHANGES IN NET ASSETS
(Last Ten Fiscal Years)

(Dollars in Thousands)	2011	2010	2009	2008	2007
Additions					
Employer Contributions	$ 9,554	$ 8,234	$ 8,561	$ 7,269	$ 7,231
Member Contributions	5,447	6,502	6,836	6,613	6,002
Net Investment Income	64,075	38,128	(52,214)	(15,846)	52,299
Total Additions	**79,076**	**52,864**	**(36,817)**	**(1,964)**	**65,532**
Deductions					
Benefits Payments	22,269	23,161	21,480	15,640	14,153
Refunds of Contributions	1,167	1,061	734	1,064	1,036
Health Benefits (1)	-	-	-	4,017	3,382
Administrative Expenses	640	641	280	134	119
Total Deductions	**24,076**	**24,863**	**22,494**	**20,855**	**18,690**
Change in Plan Net Assets	**$ 55,000**	**$ 28,001**	**$(59,311)**	**$(22,819)**	**$ 46,842**

(Dollars in Thousands)	2006	2005	2004	2003	2002
Additions					
Employer Contributions	$ 6,464	$ 6,481	$ 6,299	$ 82,960	$ 6,378
Member Contributions	5,998	6,618	6,649	5,341	4,334
Net Investment Income	32,079	24,019	34,487	7,433	(9,209)
Total Additions	**44,541**	**37,118**	**47,435**	**95,734**	**1,503**
Deductions					
Benefits Payments	12,878	11,269	10,234	9,353	8,894
Refunds of Contributions	1,068	933	728	962	507
Health Benefits	3,410	2,680	2,759	2,257	2,295
Administrative Expenses	82	40	158	76	36
Total Deductions	**17,438**	**14,922**	**13,879**	**12,648**	**11,732**
Change in Plan Net Assets	**$ 27,103**	**$ 22,196**	**$33,556**	**$83,086**	**$ 10,229**

(1) For years 2009 – 2011, amounts for health benefits are included in benefit payments.

REVENUE BY SOURCE

(Dollars in Thousands)

Fiscal Year Ended 6/30	Employee Contributions	Employer/Other Contributions	Investment Net Income	Total
2002	$ 4,334	$ 6,378	$ (9,209)	$ 1,503
2003	5,341	82,960 [1]	7,433	95,734
2004	6,649	6,299	34,487	47,435
2005	6,618	6,481	24,019	37,118
2006	5,998	6,464	32,079	44,541
2007	6,002	7,231	52,299	65,532
2008	6,613	7,269	(15,846)	(1,964)
2009	6,836	8,561	(52,214)	(36,817)
2010	6,502	8,234	38,128	52,864
2011	$ 5,447	$ 9,554	$ 64,075	79,076

EXPENSES BY TYPE

(Dollars in Thousands)

Fiscal Year Ended 6/30	Benefits	Administrative/ Other Expenses	Refunds	Total
2002	$ 8,894	$ 2,331	$ 507	$ 11,732
2003	9,353	2,333	962	12,648
2004	10,234	2,917	728	13,879
2005	11,269	2,720	933	14,922
2006	12,878	3,492	1,068	17,438
2007	14,153	3,501	1,036	18,690
2008	15,640	4,151	1,064	20,855
2009	21,480	280	734	22,494
2010	23,161	641	1,061	24,863
2011	$ 22,269	$ 640	$ 1,167	$ 24,076

(1) The Employer Contribution for 2003 includes $76,299,000 from proceeds of Pension Obligation Bonds the County issued to reduce Unfunded Actuarial Accrued Liability.

SCHEDULE OF BENEFIT EXPENSES BY TYPE

(Dollars in Thousands)

	2011[1]	2010	2009	2008	2007
Service Retirement Payroll:					
General	$ 13,197	$ 12,112	$ 10,808	$ 9,960	$ 8,688
Safety	2,477	2,267	1,799	1,664	1,532
Total	15,674	14,379	12,607	11,624	10,220
Disability Retirement Payroll:					
General	1,987	1,970	1,815	1,751	1,683
Safety	1,832	1,823	1,654	1,590	1,432
Total	3,819	3,793	3,469	3,341	3,115
Beneficiary Payroll:					
General	1,335	679	1,269	1,171	1,138
Safety	471	275	422	404	359
Total	1,806	954	1,691	1,575	1,497
Total Benefit Expense:					
General	16,519	14,761	13,892	12,882	11,509
Safety	4,780	4,365	3,875	3,658	3,323
Total	$ 21,299	$ 19,126	$ 17,767	$ 16,540	$ 14,832

	2006	2005	2004	2003	2002
Service Retirement Payroll:					
General	$ 7,855	$ 7,321	$ 6,143	$ 5,890	$ 5,601
Safety	1,129	822	563	337	373
Total	8,984	8,143	6,706	6,227	5,974
Disability Retirement Payroll:					
General	1,566	1,410	1,273	1,161	1,087
Safety	1,346	1,176	1,113	1,039	909
Total	2,912	2,586	2,386	2,200	1,996
Beneficiary Payroll:					
General	1,001	971	886	826	753
Safety	352	314	297	278	269
Total	1,353	1,285	1,183	1,104	1,022
Total Benefit Expense:					
General	10,422	9,702	8,302	7,877	7,441
Safety	2,827	2,312	1,973	1,654	1,551
Total	$13,249	$12,014	$10,275	$ 9,531	$ 8,992

[1] **Estimated Based upon Annualized Benefit Amounts as of June 30, 2011.**

Source of Data: Actuarial Valuation Reports (2002 – 2011)

SCHEDULE OF RETIREE MEMBERS BY TYPE OF BENEFIT
(Summary of Monthly Allowances Being Paid – As of June 30, 2011)

(Dollars in Thousands)

	General Members		Safety Members		Total	
	Number	Monthly Allowance	Number	Month Allowance	Number	Monthly Allowance
Retired Members						
Service Retirement	747	$ 1,100	77	$ 206	824	$ 1,306
Disability	113	165	56	153	169	318
Beneficiaries	107	111	29	39	136	150
Total Retired Members	967	$ 1,376	162	$ 398	1,129	$ 1,774

Source of data: June 30, 2011 Actuarial Valuation Report

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS

	Number of Years Since Retirement						
	0-4	5-9	10-14	15-19	20-24	25-29	30 +
Valuation date 06/30/11							
Average Monthly Benefit	$ 1,777	$ 1,577	$ 1,379	$ 1,488	$ 1,429	$ 1,462	$ 975
Number of Retirees	396	271	157	126	83	56	40
Valuation date 06/30/10							
Average Monthly Benefit	$ 1,699	$ 1,363	$ 1,361	$ 1,429	$ 1,280	$ 1,324	$ 1,123
Number of Retirees	387	243	152	123	82	57	39
Valuation date 06/30/09							
Average Monthly Benefit	$ 1,707	$ 1,296	$ 1,361	$ 1,473	$ 1,337	$ 1,135	$ 1,229
Number of Retirees	371	190	154	117	80	62	34
Valuation date 06/30/08							
Average Monthly Benefit	$ 1,687	$ 1,262	$ 1,302	$ 1,533	$ 1,177	$ 1,150	$ 1,120
Number of Retirees	356	183	141	103	85	70	22
Valuation date 06/30/07							
Average Monthly Benefit	$ 1,564	$ 1,284	$ 1,288	$ 1,433	$ 1,116	$ 1,061	$ 967
Number of Retirees	322	171	130	111	88	63	22
Valuation date 06/30/06							
Average Monthly Benefit	$ 1,454	$ 1,307	$ 1,267	$ 1,276	$ 1,174	$ 909	$ 863
Number of Retirees	275	172	149	104	78	56	18
Valuation date 06/30/05							
Average Monthly Benefit	$ 1,345	$ 1,321	$ 1,293	$ 1,157	$ 1,061	$ 876	$ 705
Number of Retirees	248	170	142	100	84	51	14
Valuation date 06/30/04							
Average Monthly Benefit	$ 1,163	$ 1,219	$ 1,270	$ 1,137	$ 964	$ 902	$ 585
Number of Retirees	199	171	134	100	91	42	12
Valuation date 06/30/03							
Average Monthly Benefit	$ 1,169	$ 1,096	$ 1,305	$ 1,028	$ 975	$ 780	$ 811
Number of Retirees	198	154	123	107	92	36	7
Valuation date 06/30/02							
Average Monthly Benefit	$ 1,180	$ 1,061	$ 1,196	$ 1,009	$ 927	$ 798	$ 543
Number of Retirees	181	143	136	111	84	34	8

Source of data: Actuarial Valuation Reports (2002 – 2011)

SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS
As of June 30

	Total Employees	County of Mendocino	Russian River Cemetery District	Superior Court
Year 2011				
Number of Covered Employees	1,129	1,065	4	60
Percentage to Total System	100%	94.33%	.35%	5.32%
Year 2010				
Number of Covered Employees	1,254	1,186	5	63
Percentage to Total System	100%	94.58%	.40%	5.02%
Year 2009				
Number of Covered Employees	1,369	1,294	5	70
Percentage to Total System	100%	94.52%	.37%	5.11%
Year 2008				
Number of Covered Employees	1,410	1,335	5	70
Percentage to Total System	100%	94.68%	.36%	4.96%
Year 2007				
Number of Covered Employees	1,395	1,314	5	76
Percentage to Total System	100%	94.19%	.36%	5.45%
Year 2006				
Number of Covered Employees	1,312	1,225	5	82
Percentage to Total System	100%	93.37%	.38%	6.25%
Year 2005				
Number of Covered Employees	1,333	1,258	6	69
Percentage to Total System	100%	94.37%	.45%	5.18%
Year 2004				
Number of Covered Employees	1,400	1,338	6	56
Percentage to Total System	100%	95.57%	.43%	4.00%
Year 2003				
Number of Covered Employees	1,472	1,418	5	49
Percentage to Total System	100%	96.33%	.34%	3.33%
Year 2002				
Number of Covered Employees	1,482	1,409	5	68
Percentage to Total System	100%	95.07%	.34%	4.59%

Source of data: MCERA systems.