



Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary
415.263.8283
ayeung@segalco.com

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

Via Email

May 7, 2024

Doris L. Rentschler
Executive Director
Mendocino County Employees Retirement Association
625-B Kings Court
Ukiah, CA 95482-5027

**Re: Mendocino County Employees Retirement Association (MCERA)
Addendum to the Governmental Accounting Standards Board Statement 67 (GAS 67)
actuarial valuation as of June 30, 2023**

Dear Doris:

In our GAS 67 actuarial valuation report dated November 8, 2023, we provided the Net Pension Liability (NPL) and other elements that are required for completing the Plan's financial reporting requirements under GAS 67. In this letter, we have provided as an addendum to that report two additional schedules that the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel recommends be prepared by the Retirement Association's actuary (Segal). This addendum is for use in allocating the NPL and pension expense by employer before we prepare the full companion report for the employer's financial reporting for MCERA under Governmental Accounting Standards Board Statement 68 (GAS 68).

These two schedules have been developed based on the assumptions, methods and results shown in our earlier report dated November 8, 2023. Exhibits A1 and A2 detail the method used for allocating the NPL and they provide the NPL amounts allocated to the three employers at the County, the Courts, and the Cemetery District in MCERA as of June 30, 2022 and June 30, 2023, respectively.*

Exhibit B summarizes the allocated NPL, deferred outflows and inflows of resources and pension expense by the three employers. Additional information required under GAS 68 that each of the employers will need to disclose will be provided later in our separate GAS 68 report.

This document has been prepared for the exclusive use and benefit of MCERA, based upon information provided by MCERA or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be

* The June 30, 2022 and June 30, 2023 NPL for the General membership class have been allocated to the three General employers in proportion to the employer contributions made by the employers during fiscal years 2021-2022 and 2022-2023, respectively. All of the June 30, 2022 and June 30, 2023 NPL for the Safety and Probation membership classes have been allocated to the County, as they are the sole active employer.

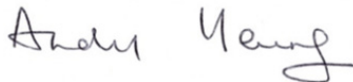
Doris L. Rentschler
May 7, 2024
Page 2

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These calculations were performed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standard of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,



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

cc: Robert Reveles

ST/bbf
Attachments

Schedule of employer allocations as of June 30, 2022

Actual Employer Contributions by Employer and Membership Class July 1, 2021 to June 30, 2022

Employer	General Contributions	General Percentage*	Safety Contributions	Safety Percentage	Probation Contributions	Probation Percentage	Total Contributions	Total Percentage
County of Mendocino	\$20,799,133	95.181%	\$7,273,830	100.000%	\$1,358,915	100.000%	\$29,431,878	96.545%
Mendocino County Courts	966,047	4.421%	0	0.000%	0	0.000%	966,047	3.169%
Russian River Cemetery District	87,081	0.398%	0	0.000%	0	0.000%	87,081	0.286%
Total for all Employers	\$21,852,261	100.000%	\$7,273,830	100.000%	\$1,358,915	100.000%	\$30,485,006	100.000%

Allocation of June 30, 2022 Net Pension Liability

Employer	General NPL	General Percentage	Safety NPL	Safety Percentage	Probation NPL	Probation Percentage	Total NPL	Total Percentage
County of Mendocino	\$173,547,250	95.181%	\$62,704,264	100.000%	\$4,973,728	100.000%	\$241,225,242	96.485%
Mendocino County Courts	8,060,663	4.421%	0	0.000%	0	0.000%	8,060,663	3.224%
Russian River Cemetery District	726,601	0.398%	0	0.000%	0	0.000%	726,601	0.291%
Total for all Employers	\$182,334,514	100.000%	\$62,704,264	100.000%	\$4,973,728	100.000%	\$250,012,506	100.000%

* The unrounded percentages are used in the allocation of the NPL amongst the General employers.

Notes for Exhibit A1

Based on the July 1, 2021 through June 30, 2022 employer contributions as provided by MCERA.

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan Fiduciary Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ratio of the total MCERA Plan Fiduciary Net Position to total MCERA valuation value of assets.

The Safety and Probation membership classes have only one employer (the County), so all of the NPL for Safety and Probation is allocated to the County.

For the General membership class, the NPL is allocated based on the actual employer contributions within that membership class. The steps used for the allocation are as follows:

- First calculate the ratio of the employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

If the employer is in several membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class. The proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

Schedule of employer allocations as of June 30, 2023

Actual Employer Contributions by Employer and Membership Class July 1, 2022 to June 30, 2023

Employer	General Contributions	General Percentage*	Safety Contributions	Safety Percentage	Probation Contributions	Probation Percentage	Total Contributions	Total Percentage
County of Mendocino	\$21,230,333	95.137%	\$6,595,037	100.000%	\$1,398,875	100.000%	\$29,224,245	96.420%
Mendocino County Courts	1,001,042	4.486%	0	0.000%	0	0.000%	1,001,042	3.303%
Russian River Cemetery District	84,068	0.377%	0	0.000%	0	0.000%	84,068	0.277%
Total for all Employers	\$22,315,443	100.000%	\$6,595,037	100.000%	\$1,398,875	100.000%	\$30,309,355	100.000%

Allocation of June 30, 2023 Net Pension Liability

Employer	General NPL	General Percentage	Safety NPL	Safety Percentage	Probation NPL	Probation Percentage	Total NPL	Total Percentage
County of Mendocino	\$178,163,522	95.137%	\$71,760,260	100.000%	\$4,099,015	100.000%	\$254,022,797	96.539%
Mendocino County Courts	8,400,677	4.486%	0	0.000%	0	0.000%	8,400,677	3.193%
Russian River Cemetery District	705,493	0.377%	0	0.000%	0	0.000%	705,493	0.268%
Total for all Employers	\$187,269,692	100.000%	\$71,760,260	100.000%	\$4,099,015	100.000%	\$263,128,967	100.000%

* The unrounded percentages are used in the allocation of the NPL amongst the General employers.

Notes for Exhibit A2

Based on the July 1, 2022 through June 30, 2023 employer contributions as provided by MCERA.

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets). The Total Pension Liability for each membership class is obtained from internal valuation results. The Plan Fiduciary Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ratio of the total MCERA Plan Fiduciary Net Position to total MCERA valuation value of assets.

The Safety and Probation membership classes have only one employer (the County), so all of the NPL for Safety and Probation is allocated to the County.

For the General membership class, the NPL is allocated based on the actual employer contributions within that membership class. The steps used for the allocation are as follows:

- First calculate the ratio of the employer's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.

If the employer is in several membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class. The proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

Schedule of pension amounts by employer as of June 30, 2023

Deferred Outflows of Resources

	County of Mendocino	Mendocino County Courts	Russian River Cemetery District	Total for all Employers
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	\$0	\$93,406	\$10,122	\$103,528
Changes of Assumptions or Other Inputs	10,647,654	283,598	23,817	10,955,069
Net Excess of Projected over Actual Earnings on Pension Plan Investments	13,452,083	475,065	39,896	13,967,044
Differences Between Actual and Expected Experience in the Total Pension Liability	9,300,667	269,542	22,636	9,592,845
Total Deferred Outflows of Resources	\$33,400,404	\$1,121,611	\$96,471	\$34,618,486

Deferred Inflows of Resources

	County of Mendocino	Mendocino County Courts	Russian River Cemetery District	Total for all Employers
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	\$84,446	\$0	\$19,082	\$103,528
Changes of Assumptions or Other Inputs	0	0	0	0
Net Excess of Actual over Projected Earnings on Pension Plan Investments	0	0	0	0
Differences Between Expected and Actual Experience in the Total Pension Liability	388,525	0	0	388,525
Total Deferred Inflows of Resources	\$472,971	\$0	\$19,082	\$492,053

Net Pension Liability

	County of Mendocino	Mendocino County Courts	Russian River Cemetery District	Total for all Employers
Net Pension Liability as of June 30, 2022	\$241,225,242	\$8,060,663	\$726,601	\$250,012,506
Net Pension Liability as of June 30, 2023	\$254,022,797	\$8,400,677	\$705,493	\$263,128,967

Pension Expense

	County of Mendocino	Mendocino County Courts	Russian River Cemetery District	Total for all Employers
Proportionate Share of Plan Pension Expense	\$47,101,516	\$1,529,797	\$128,473	\$48,759,786
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	77,842	(65,722)	(12,120)	0
Total Employer Pension Expense	\$47,179,358	\$1,464,075	\$116,353	\$48,759,786

Notes for Exhibit B:

Amounts shown in this exhibit were allocated by employer based on the Employer Allocation Percentage calculated in Exhibit A2.

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Current-period (i.e., 2022-2023) differences between actual and expected experience and changes of assumptions, if any, are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through MCERA determined as of June 30, 2022 (the beginning of the measurement period ending June 30, 2023) and is 2.35 years.
- Prior-period differences between actual and expected experience and changes of assumptions are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.
- Current-period benefit changes, if any, are recognized immediately.
- There was an increase in the total employer pension expense from \$33.3 million calculated last year to \$48.8 million calculated this year. The primary causes of the increase were the recognition of \$8.1 million from changes in actuarial assumptions and a reduction in the projected earnings on plan investments. (There was over a 10% reduction in the beginning of year plan assets

which prompted a reduction in the projected earnings. The reduction in the projected earnings resulted in a \$5.1 million increase in this year's pension expense, compared to last year's.)

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employees and nonactive and retired members.