

Via Email

May 13, 2025

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 No. 67
(GASB 67) actuarial valuation as of June 30, 2024**

Dear Doris:

In our GASB 67 actuarial valuation report dated November 12, 2024, we provided the Net Pension Liability (NPL) and other elements that are required for completing the Plan's financial reporting requirements under GASB 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 No. 68 (GASB 68).

These two schedules have been developed based on the assumptions, methods and results shown in our earlier report dated November 12, 2024. 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, 2023 and June 30, 2024, respectively.*

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

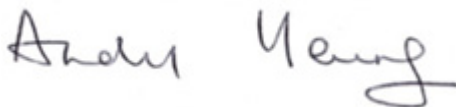
* The June 30, 2023 and June 30, 2024 NPL for the General membership class have been allocated to the three General employers in proportion to the employer contributions made by the employers during fiscal years 2022-2023 and 2023-2024, respectively. All of the June 30, 2023 and June 30, 2024 NPL for the Safety and Probation membership classes have been allocated to the County, as they are the sole active employer.

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. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

These calculations were performed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet 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



Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary

ST/bbf
Attachments

cc: Robert Reveles

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 A1

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 (FNP). The TPL for each membership class is obtained from internal valuation results. The Plan FNP 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 FNP 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, 2024

Actual Employer Contributions by Employer and Membership Class July 1, 2023 to June 30, 2024

Employer	General Contributions	General Percentage*	Safety Contributions	Safety Percentage	Probation Contributions	Probation Percentage	Total Contributions	Total Percentage
County of Mendocino	\$21,919,141	94.150%	\$7,676,759	100.000%	\$1,137,909	100.000%	\$30,733,809	95.757%
Mendocino County Courts	1,274,649	5.475%	0	0.000%	0	0.000%	1,274,649	3.971%
Russian River Cemetery District	87,336	0.375%	0	0.000%	0	0.000%	87,336	0.272%
Total for all employers	\$23,281,126	100.000%	\$7,676,759	100.000%	\$1,137,909	100.000%	\$32,095,794	100.000%

Allocation of June 30, 2024 Net Pension Liability

Employer	General NPL	General Percentage	Safety NPL	Safety Percentage	Probation NPL	Probation Percentage	Total NPL	Total Percentage
County of Mendocino	\$165,209,553	94.150%	\$69,514,421	100.000%	\$3,507,846	100.000%	\$238,231,820	95.869%
Mendocino County Courts	9,607,320	5.475%	0	0.000%	0	0.000%	9,607,320	3.866%
Russian River Cemetery District	658,271	0.375%	0	0.000%	0	0.000%	658,271	0.265%
Total for all employers	\$175,475,144	100.000%	\$69,514,421	100.000%	\$3,507,846	100.000%	\$248,497,411	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, 2023 through June 30, 2024 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 (FNP). The TPL for each membership class is obtained from internal valuation results. The Plan FNP 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 FNP 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, 2024

Component	County of Mendocino	Mendocino County Courts	Russian River Cemetery District	Total for all Employers
Deferred outflows of resources				
Changes in proportion and differences between employer's contributions and proportionate share of contributions	\$0	\$987,576	\$0	\$987,576
Changes of assumptions	2,744,318	89,738	6,149	2,840,205
Net difference between projected and actual earnings on pension plan investments	0	0	0	0
Differences between actual and expected experience	4,413,025	131,924	9,039	4,553,988
Total deferred outflows of resources	\$7,157,343	\$1,209,238	\$15,188	\$8,381,769
Deferred Inflows of resources				
Changes in proportion and differences between employer's contributions and proportionate share of contributions	\$981,066	\$0	\$6,510	\$987,576
Changes of assumptions	0	0	0	0
Net difference between actual and projected earnings on pension plan investments	129,721	14,382	985	145,088
Differences between expected and actual experience	310,616	0	0	310,616
Total deferred inflows of resources	\$1,421,403	\$14,382	\$7,495	\$1,443,280
Net Pension Liability				
Net Pension Liability as of June 30, 2023	\$254,022,797	\$8,400,677	\$705,493	\$263,128,967
Net Pension Liability as of June 30, 2024	\$238,231,820	\$9,607,320	\$658,271	\$248,497,411
Pension Expense				
Proportionate share of plan pension expense	\$42,860,766	\$1,676,544	\$114,872	\$44,652,182
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(726,441)	731,503	(5,062)	0
Total employer pension expense	\$42,134,325	\$2,408,047	\$109,810	\$44,652,182

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., 2023-2024) 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, 2023 (the beginning of the measurement period ending June 30, 2024) and is 2.49 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 a decrease in the total employer pension expense from \$48.8 million calculated last year to \$44.7 million calculated this year. The primary cause of the decrease was a return on the market value of assets of 9.3% during fiscal year 2023-2024 that was more than the assumption of 6.50% used in the June 30, 2023 valuation (a gain of about \$18 million that is being recognized over a period of five years starting with the development of this year's pension expense).

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.