



Paul Angelo, FSA, MAAA, FCA, EA
T 415.263.8273
pangelo@segalco.com
Andy Yeung, ASA, MAAA, FCA, EA
T 415-263-8283
ayeung@segalco.com

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

January 4, 2022

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

**Re: Mendocino County Employees' Retirement Association
Breakdown of Employer Contribution Rates Adopted from the
June 30, 2021 Actuarial Valuation**

Dear Doris:

At the December 15, 2021 Board meeting, the Board of Retirement adopted employer contribution rates under Scenario 2 from the June 30, 2021 valuation report dated October 26, 2021, effective for fiscal year (FY) 2022/2023. This letter provides a breakdown of those rates into normal cost and unfunded actuarial liability (UAAL) portions for both basic and cost of living adjustment (COLA) benefits.

Scenario 2: 15-year Amortization for 2012 UAAL Restart Layer

Under Scenario 2 from the June 30, 2021 valuation report, the amortization period for the 2012 UAAL restart layer has been reduced by 3 years, from the current 18 years remaining as of June 30, 2021 to 15 years. The results of that reduction in the amortization period were provided in the Appendix of the June 30, 2021 valuation report and are copied below for reference:

Scenario 2 Results as of June 30, 2021

Membership and Tier	Total Rate ¹	Estimated Annual Dollar Amount ² (\$000's)	Increase over Section 2 (Baseline) Results in June 30, 2021 Valuation	
			Total Rate	Estimated Annual Dollar Amount ² (\$000's)
• General Tier 1	38.26%	\$154	1.83%	\$7
• General Tier 2/Tier 3	33.74%	9,101	1.83%	493
• General Tier 4	30.55%	11,767	1.83%	705
• Safety Tier 2	65.01%	4,538	2.63%	184
• Safety Tier 3	55.24%	2,659	2.63%	127
• Probation Tier 2	31.86%	574	1.98%	36
• Probation Tier 3	27.16%	385	1.98%	28
All Categories Combined	36.06%	\$29,178	1.95%	\$1,580

¹ The breakdown of the above rates into basic and COLA for the funding of Normal Cost and UAAL is included in Exhibit A.

² Based on projected compensation as of June 30, 2021.

As shown above, decreasing the amortization period for the 2012 UAAL restart layer by 3 years increases the baseline employer rate determined in the June 30, 2021 valuation by 1.95% of payroll and the estimated annual dollar amount based on the June 30, 2021 projected compensation by \$1,580,000.

Exhibit A attached to this letter shows a breakdown of the adopted FY 2022/2023 employer rates into normal cost and UAAL portions for both basic and COLA benefits. Exhibit B provides a breakdown of the minimum dollar employer contributions to amortize the UAAL by membership group (General/Safety/Probation) and employer (County of Mendocino/Mendocino County Superior Court/Russian River Cemetery District).

Unless otherwise noted, all of the above calculations are based on the June 30, 2021 actuarial valuation results including the participant data and actuarial assumptions on which that valuation was based. That valuation was completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.

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

Please let us know if you have any questions.

Sincerely,



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



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

ST/bbf
Attachments

Breakdown of Adopted Employer Contribution Rates for FY 2022/2023 –
Reflecting Scenario 2 from the June 30, 2021 Actuarial Valuation

June 30, 2021 Actuarial Valuation				
	Basic Rate	COLA Rate	Total Rate	Estimated Annual Dollar Amount ¹ (in \$000's)
General Tier 1 Members				
Normal Cost	12.31%	3.70%	16.01%	\$65
UAAL	23.46%	-1.21% ³	22.25%	89
Total Contribution	35.77%	2.49%	38.26%	\$154
General Tier 2 / Tier 3 Members				
Normal Cost	8.87%	2.62%	11.49%	\$3,099
UAAL	23.46%	-1.21% ³	22.25%	6,002
Total Contribution	32.33%	1.41%	33.74%	\$9,101
General Tier 4 Members				
Normal Cost	8.30%	0.00%	8.30%	\$3,197
UAAL	23.46%	-1.21% ³	22.25%	8,570
Total Contribution	31.76%	-1.21%	30.55%	\$11,767
Safety Tier 1 Members				
Normal Cost				Not Calculated ²
UAAL				
Total Contribution				
Safety Tier 2 Members				
Normal Cost	15.43%	6.39%	21.82%	\$1,523
UAAL	42.57%	0.62%	43.19%	3,015
Total Contribution	58.00%	7.01%	65.01%	\$4,538

Breakdown of Adopted Employer Contribution Rates for FY 2022/2023 –
Reflecting Scenario 2 from the June 30, 2021 Actuarial Valuation

	June 30, 2021 Actuarial Valuation			
	Basic Rate	COLA Rate	Total Rate	Estimated Annual Dollar Amount ¹ (in \$000's)
Safety Tier 3 Members				
Normal Cost	12.05%	0.00%	12.05%	\$580
UAAL	42.57%	0.62%	43.19%	2,079
Total Contribution	54.62%	0.62%	55.24%	\$2,659
Probation Tier 1 Members				
Normal Cost			Not Calculated ²	
UAAL				
Total Contribution				
Probation Tier 2 Members				
Normal Cost	13.29%	4.55%	17.84%	\$321
UAAL	24.02%	-10.00% ³	14.02%	253
Total Contribution	37.31%	-5.45%	31.86%	\$574
Probation Tier 3 Members				
Normal Cost	13.14%	0.00%	13.14%	\$186
UAAL	24.02%	-10.00% ³	14.02%	199
Total Contribution	37.16%	-10.00%	27.16%	\$385

Breakdown of Adopted Employer Contribution Rates for FY 2022/2023 – Reflecting Scenario 2 from the June 30, 2021 Actuarial Valuation

	June 30, 2021 Actuarial Valuation			
	Basic Rate	COLA Rate	Total Rate	Estimated Annual Dollar Amount ¹ (in \$000's)
All Members Combined				
Normal Cost	9.54%	1.55%	11.09%	\$8,971
UAAL	26.27%	-1.30%	24.97%	20,207
Total Contribution	35.81%	0.25%	36.06%	\$29,178

Note: A breakdown of the employer minimum dollar contribution to amortize the UAAL by membership group (General/Safety/Probation) and employer (County of Mendocino/Mendocino County Superior Court/Russian River Cemetery District) is provided on the next page in Exhibit B.

¹ Amounts are based on the following June 30, 2021 projected annual compensation:

General Tier 1	\$403,693
General Tier 2 / Tier 3	26,975,185
General Tier 4	38,517,082
Safety Tier 1	0
Safety Tier 2	6,979,708
Safety Tier 3	4,812,876
Probation Tier 1	0
Probation Tier 2	1,801,640
Probation Tier 3	1,418,450
Total	\$80,908,634

² There were no Safety Tier 1 or Probation Tier 1 active members reported for the June 30, 2021 valuation.

³ As noted in our report from the June 30, 2020 valuation, the negative COLA UAAL rate is an anomaly based on the reserve allocation method historically used by MCERA. Note, however, that the breakdown between basic and COLA portions does not affect the total employer rate.

Minimum Dollar Employer Contribution to Amortize the UAAL –
Reflecting Scenario 2 from the June 30, 2021 Actuarial Valuation

June 30, 2021
Estimated UAAL Annual Amounts¹ (in \$000's)

	Basic	COLA	Total
General Members			
County	\$14,691	\$(757)	\$13,934
Courts	715	(37)	678
Cemetery District	52	(3)	49
Total	\$15,458	\$(797)	\$14,661
Safety Members			
County	\$5,020	\$74	\$5,094
Total	\$5,020	\$74	\$5,094
Probation Members			
County	\$774	\$(322)	\$452
Total	\$774	\$(322)	\$452
All Members Combined			
County	\$20,485	\$(1,005)	\$19,480
Courts	715	(37)	678
Cemetery District	52	(3)	49
Total	\$21,252	\$(1,045)	\$20,207

¹ Amounts are based on the following June 30, 2021 projected annual compensation:

General County	\$62,625,456
General Courts	3,049,338
General Cemetery District	221,166
Safety County	11,792,584
Probation County	<u>3,220,090</u>
Total	\$80,908,634