

SECTION 4: Reporting Information for the Mendocino County Employees' Retirement Association

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions:

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 7, 2014. Unless otherwise noted, all actuarial assumptions and methods shown below apply to all membership groups (i.e., General, Safety, and Probation) and tiers. These assumptions were adopted by the Board.

Economic Assumptions:

Net Investment Return:

7.25% per annum.

Employee Contribution
Crediting Rate:

7.25% per annum.

Consumer Price Index:

Increase of 3.25% per year; retiree COLA increases due to CPI for General Tiers 1, 2, and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2 subject to a 3% maximum change per year (no COLA increases for General Tier 4, Safety Tier 3, or Probation Tier 3).

Salary Increases:

Annual Rate of Compensation Increase (%)

Inflation: 3.25%; plus additional 0.50% "across the board" salary increases (other than inflation); plus the following Merit and Promotional increases based on years of service.

Years of Service	General	Safety and Probation
0-1	5.00%	5.00%
1-2	3.75%	3.75%
2-3	3.50%	3.00%
3-4	2.75%	2.25%
4-5	2.25%	1.00%
5+	0.50%	0.50%

