



100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8283 www.segalco.com

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

VIA E-MAIL & USPS

November 14, 2017

Dr. James R. Wilbanks
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, CA 95482-5027

**Re: Mendocino County Employees' Retirement Association
Unfunded Actuarial Accrued Liability and Associated Amortization Schedule
as of June 30, 2017 (Informational Purposes Only)**

Dear James:

As requested, we have enclosed an amortization schedule for MCERA's unfunded actuarial accrued liability (UAAL) as of June 30, 2017.

As previously discussed with the Board, the layered approach used by the Association to calculate the contribution rate to amortize the UAAL was determined as a level percent of payroll (assuming that payroll would grow at an annual rate of 3.50%). This explains why there will generally be an increase in the annual payment until some of the amortization layers start to drop off.

You will notice on the enclosed amortization schedule that the balance of the current total UAAL of \$204.3 million as of June 30, 2017 will start to be reduced effective with fiscal year 2017/2018, as the annual payment of \$14.6 million for the first year is greater than the interest charged to the UAAL at 7.00% of \$13.8 million.¹

Note that this schedule is provided for informational purposes only.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung".

Andy Yeung

DNA/hy
Enclosure

5515644v1/13459.002

¹ This is different from the result of the operation of the level percentage of payroll amortization in the prior valuations when the outstanding balance of the UAAL actually increased (i.e., negative amortization) due to the longer remaining amortization periods in those prior valuations.

Mendocino County Employees' Retirement Association

Unfunded Actuarial Accrued Liability (UAAL) Amortization Schedule Based on the June 30, 2017 Valuation (for informational purposes only)

Annual Interest Rate: 7.00%
Annual Payroll Inflation: 3.50%

Year	Beginning of Year Balance	Annual Payment	Interest Paid	Principal Paid	End of Year Balance
1	\$204,340,438 ⁽¹⁾	\$14,620,257	\$13,843,399	\$776,858	\$203,563,580
2	203,563,580	15,131,966	13,772,904	1,359,062	202,204,518
3	202,204,518	15,661,585	13,661,090	2,000,495	200,204,023
4	200,204,023	16,209,740	13,503,793	2,705,948	197,498,076
5	197,498,076	16,777,081	13,296,509	3,480,572	194,017,504
6	194,017,504	17,364,279	13,034,377	4,329,902	189,687,602
7	189,687,602	17,972,029	12,712,144	5,259,885	184,427,717
8	184,427,717	18,601,050	12,324,142	6,276,907	178,150,809
9	178,150,809	19,252,086	11,864,256	7,387,831	170,762,979
10	170,762,979	19,925,909	11,325,887	8,600,022	162,162,957
11	162,162,957	20,623,316	10,701,922	9,921,394	152,241,563
12	152,241,563	21,345,132	9,984,693	11,360,439	140,881,123
13	140,881,123	22,092,212	9,165,934	12,926,277	127,954,846
14	127,954,846	22,865,439	8,236,744	14,628,695	113,326,151
15 ⁽²⁾	113,326,151	23,232,418	7,201,178	16,031,240	97,294,911
16 ⁽³⁾	97,294,911	17,571,256	6,257,277	11,313,979	85,980,931
17 ⁽⁴⁾	85,980,931	17,976,487	5,452,536	12,523,951	73,456,981
18 ⁽⁵⁾	73,456,981	18,266,243	4,566,735	13,699,509	59,757,472
19 ⁽⁶⁾	59,757,472	16,278,516	3,670,368	12,608,148	47,149,324
20	47,149,324	16,848,264	2,769,855	14,078,409	33,070,915
21	33,070,915	17,437,953	1,765,795	15,672,158	17,398,758
22	17,398,758	18,048,281	649,523	17,398,758	0
Total		\$404,101,499	\$199,761,061	\$204,340,438	

Note: Totals may be slightly off due to rounding.

⁽¹⁾ UAAL as of June 30, 2017.

⁽²⁾ Note that the experience loss base established as of June 30, 2013 has expired at the end of the previous year.

⁽³⁾ Note that the experience gain and the change in assumptions/method bases established as of June 30, 2014 have expired at the end of the previous year.

⁽⁴⁾ Note that the experience loss base established as of June 30, 2015 has expired at the end of the previous year.

⁽⁵⁾ Note that the experience loss base established as of June 30, 2016 has expired at the end of the previous year.

⁽⁶⁾ Note that the experience gain and the change in assumptions bases established as of June 30, 2017 have expired at the end of the previous year.