Purpose and Intent

Coincident with the issuance of the Mendocino County Pension Obligation Bonds, Series 2002 (the “Bond”), the County of Mendocino will effectively “pay off” the entire Unfunded Actuarial Liability (“UAL”) owned to the Mendocino County Employees’ Retirement Association (the “Association”), replacing the County’s Obligation to the Association with a new obligation to the holders of the Bonds.

The County shall always strive to achieve goals of (i) maintaining the highest possible credit rating and reputation for prudent financial management in the marketplace; and (ii) providing assurance to the County’s taxpayers that the County is well managed and financially sound, the County will endeavor to avoid the creation of additional UAL in the future.

Careful Consideration of Future Actions. The County will endeavor to carefully consider all proposed actions, including future retirement plan enhancements that might impact the determination of the UAL and/or result in funding requirements that pose a financial burden to the County.

To this end, the County shall quantify, by actuarial study, both the near-term and long-term financial impact of all such proposed actions. Should such actuarial findings indicate an increase to the County’s UAL, the County shall carefully evaluate the financial impact as measured by the additional funding requirements, if any, to be implemented.

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