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Retirement Administrator



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**MENDOCINO COUNTY**  
EMPLOYEES' RETIREMENT ASSOCIATION  
625-B KINGS COURT  
UKIAH, CALIFORNIA 95482-5027

Date: December 14, 2016  
To: Board of Retirement  
From: James Wilbanks, Retirement Administrator  
Subject: Alternative Proposed Schedule for 2017 Experience Study

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Attached you will find a letter from the Segal Consulting, actuary to the Board, regarding a proposed alternative schedule for the conduct of the 2017 Review of Economic Assumptions and Demographic Experience Study.

Most importantly, the alternative schedule provides additional flexibility for the Board in the review of economic assumptions and demographic experience. The proposed schedule would allow the Board more time to review various assumptions as indicated in the letter from Segal Consulting.

I recommend the Board adopt the alternative schedule for 2017 and future Experience Studies based upon the recommendation from Segal Consulting.



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VIA E-MAIL & USPS

December 2, 2016

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

**Re: Mendocino County Employees' Retirement Association  
Alternative Proposed Schedule for the 2017 Review of Economic Assumptions and  
Demographic Experience Study**

Dear James:

As you know, the Association has the triennial review of economic assumptions and demographic experience study scheduled during 2017, followed by the annual actuarial valuation as of June 30, 2017. Based on historical practice (including a modification to accelerate the schedule for the June 30, 2016 valuation by about 4 weeks, as requested by MCERA and accomplished by Segal), the usual schedule for these studies would be to perform the review of economic assumptions and demographic experience study after receipt and reconciliation of the June 30, 2017 valuation data (which would need to be completed by the beginning of September 2017). Note that the demographic experience study would be based on experience from the three-year period from July 1, 2014 through June 30, 2017. The proposed assumptions would be presented to the Board in mid to late October 2017 and, if adopted, would be used in the June 30, 2017 actuarial valuation which would be presented to the Board in mid to late November 2017<sup>1</sup>.

In effect, this schedule requires completion and adoption of both the experience study and the valuation in essentially the same timeframe that, in other years, includes only the actuarial valuation. We note that this schedule does not anticipate or allow for any additional time for the Board to request any detailed background they may wish to obtain related to our assumption recommendations and contribution rate calculations, or for us to respond to such requests.

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<sup>1</sup> We understand that the 2017 SACRS Fall Conference is scheduled to be held November 14-17, 2017.

In our experience, there is a practical scheduling alternative available that has been adopted by several other 1937 Act retirement systems. We recommend that the Board consider this alternative schedule to allow adequate time to review the recommendations in the experience study and to avoid any delay in the delivery of the actuarial valuation report as compared to its usual schedule in non-experience study years.

Under that alternative schedule, both the review of economic assumptions and the demographic experience study would occur during the first half of 2017<sup>2</sup>. The assumptions would still be established based on data on economic parameters (e.g., forward-looking expected rates of return on various asset classes) and three years of actual demographic experience. However, instead of using actual demographic experience during the three-year period from July 1, 2014 through June 30, 2017, the demographic experience analysis would use experience from July 1, 2013 through June 30, 2016. The adopted assumptions would still first be applied in the June 30, 2017 valuation.

Since we currently have the data from July 1, 2013 through June 30, 2016, the alternative schedule would allow us to perform the demographic experience analysis concurrently with the review of the economic assumptions during the first half of 2017. This will leave more time for review and discussion by the Board.

If we follow this approach, we should be able to present the annual valuation report to the Board in early November 2017 (rather than in mid to late November 2017), similar to the schedule in 2016. In addition, we would recommend using this same approach for any future reviews of economic assumptions and demographic experience studies.

Note that transitioning to this approach would result in using the July 1, 2013 through June 30, 2014 demographic experience data in two different experience studies. This is because this data was previously used in the July 1, 2014 demographic experience study and would also be used in the upcoming 2017 demographic experience study based on the proposed alternative schedule. However, in future studies each year of demographic experience would be used only once consistent with current practice. As compared to the schedule based on historical practice, the difference is that under the proposed alternative schedule there would be a one-year difference between the last year of membership data used in the study (June 30, 2016 in the upcoming 2017 study under the proposed alternative schedule) and the valuation that incorporates any new assumptions (June 30, 2017). We believe this would not impact the reliability of the studies.

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<sup>2</sup> *We understand that Callan has completed their recent asset allocation study, but they are now reviewing portfolios and investment managers. It is our understanding that this review is anticipated to be completed around February 2017. Based on this timing, it is anticipated that we would complete our review of the economic assumptions and the demographic experience study in time for the April 2017 Board meeting, and that the Board could take action on our study at that meeting or at the May 2017 meeting.*

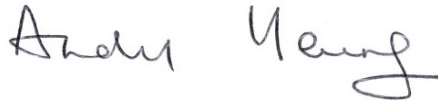
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Please feel free to call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Angelo".

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

A handwritten signature in black ink, appearing to read "Andy Yeung".

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

DNA/bbf