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December 30, 2013

VIA FACSIMILE

Danielle Norris
Internal Revenue Service
SE:T:EP:RA:T1
NCA - # 610-09
1111 Constitution Avenue, NW
Washington, DC 20224-0002

Re: Mendocino County Employees Retirement Association Determination Letter Application
in Conjunction with a VCP Application
Control Number: 911705512
EIN: 94-6116617
Plan No.: 001

Dear Ms. Norris:

This letter is in response to the correspondence received from the Internal Revenue Service (the "Service") on November 12, 2013. On behalf of MCERA, we respectfully submit the following information.

A. Retiree Health Benefits

1. **The January 28, 2011 submission ("Submission") indicates that MCERA intended to cease providing retiree health benefits as of August 1, 2011. Please provide an update on whether MCERA stopped providing benefits as indicated. Please indicate whether any retirees who were previously in pay status are still receiving benefits.**

MCERA stopped providing retiree health benefits as of August 1, 2011. Retirees are no longer receiving any retiree health benefits from MCERA.

2. **As part of the proposed corrections for MCERA's failure to pay benefits from an account structured to comply with 401(h), the Submission indicates that MCERA's actuaries can provide a breakdown of the amount repaid to MCERA. Please provide an annual breakdown of the recalculated liabilities to show how the amount has been repaid. This breakdown should also show whether the amounts actually contributed to the Plan (which you indicate were increased to offset the retiree health benefits paid) exceeded the recalculated funding requirements, or if the County is required to pay a sum that must be repaid to reimburse the Plan for the amounts erroneously disbursed from Plan to pay health benefits. If the Plan must be reimbursed, please provide a dollar figure.**

Attached is a copy of our letter to John Old, dated September 21, 2011, which supplemented MCERA's voluntary correction program ("VCP") and determination letter application. That letter stated that, based on the facts known to it at that time, MCERA had complied with the California Government Code's retiree medical benefit provisions, but that it was continuing its review to ensure that compliance.

After completing this review, MCERA has determined that it has not in fact complied with the County Employees' Retirement Law's ("CERL") retiree medical benefit provisions. In addition, as part of the very thorough review process conducted, MCERA has determined that employee contributions for pension benefits were based on incorrect rates for a specified period. Both of these errors were based on good faith reliance on incorrect information provided by MCERA's prior actuary. This letter supplements the VCP application by specifically describing these Operational Failures and the proposed methods for correcting them in a revision to Tab Q. A revised Tab Q, which replaces the Tab Q included in the original submission, and the required penalty of perjury statement are attached. As you will see, the revised Tab Q provides the dollar figure of \$9,557,912 that will be repaid as well as a proposed actuarial schedule for repayment of that amount with interest.

B. Determination Letter Application

1. EGTRRA & PPA Representations

A signed statement by MCERA representing that all amendments required by EGTRRA and PPA have either been timely adopted or included in the VCP submission is enclosed with this letter.

2. Actuarial Assumptions

It was determined that CERL § 31453 is sufficient statement of the actuarial factors used to determine optional forms of benefit for the determination letter purposes. However, the IRS requested that MCERA provide the documentation of the factors currently being used by the system to calculation optional forms of benefit. Enclosed is documentation from MCERA's actuaries confirming the actuarial assumptions (which are based on the actuarial study performed by the system's actuaries) used by the system to calculate the optional forms of benefit.

3. Code § 401(h) Representations

The Service requested that MCERA provide certain representations with respect to its Code § 401(h) Account. A signed statement containing the following representations has been enclosed with this letter:

- MCERA ceased to provide any retiree health benefits as of August 1, 2011.
- Except as otherwise disclosed in the VCP filing, retirement funds are not used, directly or indirectly, to pay the cost of any benefits provided through the 401(h) retiree medical account.

- Employee contributions picked up by the employer are not used to provide any benefits from the 401(h) retiree medical account.

4. Modification to the CERL: Code § 401(a)(7) Amendment – "Bad Boy Clause"

Since the MCERA determination letter application was submitted (in conjunction with a VCP), the Public Employees' Pension Reform Act ("PEPRA") was passed in California which required additional changes to the CERL. Enclosed is a letter explaining the PEPRA change impacting MCERA's determination letter application, including the proposing amendment to CERL § 31485.16. Changes have also been made to Tab H. The revised Tab H has been provided in order to update the submission.

C. VCP

1. New MCERA Specific Failure: Failure # 14

As noted above, in the course of reviewing various issues discovered during an actuarial review, MCERA determined that incorrect contribution rates had been established. Sections 31621 and 31621.1 of the California Government Code establish the method for determining the normal contribution rate for General Tier 1, Tier 2, and Tier 3 members. Section 31639.25 establishes the basis for determining the normal contribution rate for Safety Tier 1 and Tier 2 members. The normal contribution rate for General Members under section 31621 must be sufficient to provide an annuity at age 60 equal to 1/120 of final compensation for each year of service. The normal contribution rate for General Members under section 31621.1 must be sufficient to provide an annuity at age 55 equal to 1/120 of final compensation for each year of service. The normal contribution rate for Safety Members under section 31639.25 must be sufficient to provide for an annuity at age 50 equal to 1/100 of final compensation for each year of service. For this purpose, it is assumed that contributions are made annually at the same rate, starting at entry age. In addition to normal contributions, members also pay one-half of the normal cost of cost-of-living benefits. These member contribution rates must be determined using actuarial assumptions adopted by County Board of Supervisors each year based upon the Board of Retirement's recommendations.

In operation, MCERA's previous actuary developed the normal member contribution rates for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012, based on the individual entry-age based member rates that had not been updated since June 30, 2007, to reflect the new actuarial factors that were adopted by the Board of Supervisors, and upon which the member rates are dependent. As a result, member contributions were, when expressed as a percentage of payroll for each of these years, respectively, approximately .4%, .4%, and .7% greater in the aggregate than they would have been had they been, in accordance with the CERL, calculated using the actuarial factors adopted by the Board of Supervisors. Thus, although the total of amount of the member plus employer contributions made by the County and other participating employers to MCERA was correct for these years, members contributed more, and employers correspondingly less, in the aggregate, for these

years than they should have under the terms of the CERL. These member contributions consisted of both pre-tax salary reduction contributions (employer pick-up contributions under section 414(h)(2) of the Code) and pre-tax contributions made by employers on behalf of members without any reduction in the members' salaries. The failure affected active and recently retired inactive members. The failure affected the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012. MCERA estimates that members over-contributed approximately \$290,000, \$275,000, and \$200,000 in the aggregate, respectively, for each of these years.

MCERA has corrected this failure by taking the following steps. First, MCERA corrected the member contribution rates effective January 1, 2012. Second, MCERA credited the County and other participating employers with affected members with an amount equal to the excess member contributions, correspondingly reducing their required future contributions on a dollar-for-dollar basis, provided that these employers repay any of this amount attributable to deductions from affected members' salaries directly to the affected members. This method, unlike MCERA distributing the excess member contributions directly to affected members, avoided violating the Code's general prohibition against in-service distributions before normal retirement age or age 62 (which is not permitted under the CERL). MCERA used this method even for members who have retired or terminated and to whom direct distributions from MCERA might be generally permitted under the tax rules because there is no provision in the CERL for such distributions. The employers reported the amount of an affected member's excess contributions paid to the member in this manner in Box 1 of his or her Form W-2 for the year of the distribution.

To the extent any employees or former employees are not located, the employer will attempt to locate or notify former employees and beneficiaries by (1) mailing a written notice certified U.S. Mail, return/receipt requested to the employees' or beneficiaries' last known address, and (2) using a commercial locator service.

A revised Tab Q containing this information has been enclosed.

2. Normal Retirement Age

The CERL does not define Normal Retirement Age and is not required to define NRA at this time because the CERL satisfies one of the pre-ERISA vesting schedules. CERL Section 31672 provides that a member with 10 years of service can apply for retirement at age 55 which satisfies the pre-ERISA 15-year cliff vesting schedule. Tab H and Tab L of the VCP submission have been update to reflect the NRA and vesting requirements applicable to governmental plans at this time. Revised Tabs H and L are enclosed with this letter.

D. Compliance Statement

1. Failure # 11

In the section of the draft compliance statement that identifies and describes failures (Section I), the Service requested:

- Confirmation of the year affected by Failure # 11. We confirm that the plan years affected by this failure are 1998 through 2011.
- The dollar figure of excess earnings used to pay retiree health benefits. The dollar figure was \$32,271,067.

In the correction section of the draft compliance statement (Section II), the Service requested:

- Confirmation that MCERA ceased providing retiree health benefits after August 1, 2011. As noted above, this is confirmed.
- The date MCERA's 401(h) Account was established: Effective September 1, 1998.
- Confirmation that the failure has been corrected and to provide the sum that was contributed to the 401(h) account for the benefits up to August 1, 2011 and for any retirees in pay status as of August 1, 2011. Please see above regarding amount of contributions and see Section A of this letter for further information regarding the proposed correction.
- The calculation of liability due to Failure # 11 and determination of the amounts actually contributed. Please see Section A of this letter for this information.

2. Failure # 13

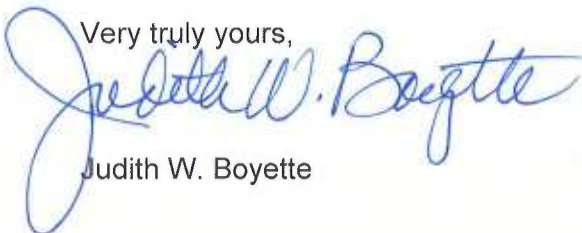
The Service requested information regarding the number of participants impacted by the Code § 401(a)(9) failure identified in MCERA's VCP submission. The number of impacted participants is two.

3. Failure # 14

As previously discussed with John Old and Maxine Terry, we respectfully request the addition of the operational failure described in Section C.1 of this letter to the compliance statement.

Please let me know if there is any additional information I can provide to assist you in your review.

Very truly yours,



Judith W. Boyette

Danielle Norris
December 30, 2013
Page 6

Encs. Copy of Letter to John Old Dated September 21, 2011
 Revised Tab Q
 EGTRRA & PPA Representation
 Letter Confirming Actuarial Assumptions
 Code Section 401(h) Representation
 Letter Explaining PEPRA Change
 Revised Tab H
 Revised Tab L

Cc: Nancy Hilu (w/encs.)

JUDITH W. BOYETTE
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September 21, 2011

VIA FACSIMILE

John Old
Internal Revenue Service-PE
1111 Constitutional Ave., NW
SE:T:EP:RA:VC Rm. 4H6
Washington, DC 20224

Re: Mendocino County Employees' Retirement Association
EIN: 94-6116617
Plan Number: 001

Dear Mr. Old:

We represent the Mendocino County Employees' Retirement Association ("MCERA") and submitted a determination letter application and related voluntary correction program filing with the Service on behalf of the Board of Retirement for MCERA in January 2011. Based on our prior interactions with respect to voluntary correction program ("VCP") filing issues for the '37 Act systems for which we made filings, we are assuming that you will be handling MCERA's VCP issues. If that is not the case, we would greatly appreciate your assistance in forwarding this letter to the appropriate representative at the Service.

Since MCERA's filing in January, MCERA has determined that certain factual information in that filing should be supplemented or corrected. Because we understand that Ernest Tichenor of the Service likely is or will be reviewing MCERA's determination letter application, we are also forwarding a copy of this letter to Mr. Tichenor, so that he will be aware of any overlapping issues that may involve MCERA's factual statements included with the filing.

Supplemental Information and Corrections to Tab Q of VCP Filing

Under Tab Q of the VCP filing made with the Service in January, MCERA described its particular compliance issues, including non-compliance with Internal Revenue Code section 401(h), which allows retiree medical benefits to be provided under a qualified pension plan. (A copy of Tab Q of MCERA's filing is attached for your convenience as Exhibit A.)

Since the filing in January, there have been changes in MCERA's outside advisors. At its February meeting, MCERA's Board of Retirement received information from EFI Actuaries, who had been engaged to perform an actuarial audit. The report by EFI suggested that some areas need to be addressed in the actuarial valuation process, which the Board determined would be done as a part of the valuation for the year ending June 30, 2011. In its meeting of March 16, 2011, the Board approved a contract with a new actuary, The Segal Company, and agreed to notify the current actuary, Buck Consultants, that their contract would be terminated. In its

meeting of June 15, 2011, the Board approved entering into an agreement with GALLINA LLP for independent financial auditing services. GALLINA LLP replaced V. James Sligh, CPA as the external auditor for MCERA.

A. Review of MCERA's Compliance With the CERL and Related 401(h) Provisions

Under Tab Q, based on the facts known to MCERA as of January 28, 2011, MCERA made the following statement.

"From 1998 to the present MCERA has provided retiree health benefits. These benefits were paid from "excess earnings" as provided in the CERL. MCERA has not complied with the requirements of Code § 401(h) and did not pay these benefits from an account structured to comply with 401(h). These benefits were paid from "excess earnings" in accord with the CERL. MCERA has complied with the provisions of the CERL that govern these benefits. Moreover, on August 24, 1987, the Service issued a favorable determination letter to MCERA on the CERL – which is MCERA's plan document – so the Service has effectively ruled that MCERA is not in noncompliance with the qualification rules on account of providing retiree health benefits. MCERA understands, however, that going forward it will most likely have to change its operations to conform to Code § 401(h). (In this respect, please see Tab M and proposed corrections to the CERL for retiree health benefits.)"

Especially in light of the change in MCERA's accounting and actuarial advisors, MCERA undertook a review of the factual information provided. Based on that review, MCERA wishes to inform the Service of the following with respect to the statements made above.

1. Review of determination of "excess earnings". After extensive review of the financial information available, MCERA staff has determined that "excess earnings" were declared and posted to the Retiree Health Insurance Reserve Account in fiscal years 1998/99, 1999/00, 2000/01, 2006/07 and 2007/08. The excess earnings were as described in the CERL—that is, "earnings of the retirement fund at the end of any fiscal year that exceed the total interest credited to contributions and reserves plus 1 percent of the total assets of the retirement fund." (CERL section 31592.4) In each of the fiscal years cited, pension reserves were credited at 8% and a 1% contingency fund was maintained.

MCERA Staff relied on advice from its former actuary and in good faith believed that MCERA had complied with all the applicable requirements under the CERL regarding the treatment of excess earnings. MCERA's current actuary, Segal, has advised MCERA to take the following additional steps to provide information to better support the decision-making process with respect to applying excess earnings:

(a) Funds that have been set aside for retiree medical benefits should not be shown as available for pension liabilities. Segal has advised MCERA that funds posted to a retiree health reserve account cannot also be recognized as a funding source for pension liabilities. In reviewing the valuation reports from 1998 forward, MCERA Staff determined that retiree health account assets were not shown as also available to pay pension liabilities for the years ending June 30, 1998 through June 30, 2005. However, beginning with the fiscal year ending June 30, 2006, MCERA Staff's review indicated that the amounts set aside in the 401(h) account were also shown as available to pay pension liabilities. This has had a potential adverse effect on the calculation of the amount of the unfunded accrued actuarial liability for MCERA. The amount of

underfunding may have been understated and the contribution rates not calculated to cover the amount of that underfunding. Since every actuarial valuation essentially provides a new "point in time" assessment of liabilities, the new valuation being prepared by Segal for the year ended 6/30/11 should address any understatement.

(b) IRS 401(h) limit should be calculated each year. In addition, MCERA Staff has determined that the annual IRS limit was not calculated and provided as a part of the annual actuarial report and decision-making process. MCERA's new actuary, Segal, has verified that MCERA has passed the annual tests. However, MCERA Staff has determined that the information was not being calculated as part of the required annual process in the past.

2. Review of Compliance with the CERL.

The posting of the "excess earnings" amounts on MCERA's books was done in good faith based on advice of MCERA's advisors at the time. Because it appears that reserves were not credited at 8% in 2005/06, this raises a question as to whether there was compliance with the CERL in that year. In addition, while excess earnings were recorded in both 2006/07 and 2007/08, those earnings were applied to increase the balance in the Retiree Health Insurance reserve to approximately 3 years of retiree health care projected expenses to be available for reimbursement, rather than to eliminate \$9,557,912 of "unrecorded earnings". MCERA believes that this accounting treatment should be reviewed at this time. As noted, however, all of these actions were taken by MCERA in good faith reliance on its advisors at the time.

Given the change in MCERA's external auditor and actuary, and the questions that have been raised noted above, MCERA is obtaining a specific review of the actuarial and accounting treatment of the retiree medical account during this period. MCERA will provide the Service with a further update following this review.

MCERA intends to make certain that the appropriate accounting and actuarial adjustments are made such that the pension (and retiree medical) obligations of the employers participating in MCERA are appropriately reflected on MCERA's financial and actuarial statements.

B. Changes in Other MCERA Statements Regarding Retiree Medical Program

Under Tab Q, MCERA also proposed that it would take the following actions.

1. "MCERA intends to cease providing any retiree health benefits as of August 1, 2011."

Change in Circumstances: Given MCERA's engagement of a new actuary and external auditor, MCERA felt it must undertake a full review of its actuarial and accounting issues. MCERA has determined to delay distribution of the remaining approximately \$658,654 that is credited to the Retiree Health Insurance Account until it has completed its full review of the accounting and actuarial treatment of the retiree medical account and its operation under the terms of the CERL.

2. "Prior to August 1, 2011, MCERA will adopt the model regulations for a 401(h) account in Tab M. Additionally, the County will contribute to that account in accord with section 401(h) to pay retiree health benefits up to August 1, 2011.

MCERA will also comply with CERL section 31592.4 to facilitate those contributions."

Delayed Adoption of Regulations: The model regulations were proposed to the Service under Tab M of MCERA's VCP filing. MCERA Staff intends to propose formal adoption of regulations substantially the same as those proposed to the IRS at the October 2011 Board meeting. All actions taken since the filing have been in accordance with the requirements of Code section 401(h).

3. "MCERA understands that the Service generally requires that the employer correct payments of retiree health benefits from assets other than those in a 401(h) account. However in this case the Service has ruled, for MCERA specifically, that its plan document met the rules of tax qualification. (The relevant provisions of the Code were enacted prior to the date of the determination letter issued to MCERA and the relevant provisions of the CERL were enacted prior to that date as well.) The determination letter issued by the Service covers the provisions of the CERL concerning paying retiree health benefits. Therefore, it would be inappropriate to require MCERA to make any retroactive change in this regard. "

Further Review is Being Undertaken to Ensure Compliance: As noted previously, the prior and continued review of the MCERA retiree medical program indicates that MCERA's previous actions have been taken in good faith and in reliance on advice of its outside advisors. As noted above, MCERA is undertaking continued review to make certain that all of its actions are in compliance with the CERL and will make any corrections determined to be necessary to ensure that compliance.

4. "If the Service does not wholly agree, then MCERA wishes to point out that the County has already "repaid" to MCERA a substantial part of the amount of retiree health benefits. This is because assets available for pensions have been reduced with payment of these benefits, thereby causing the actuaries to calculate a higher required annual contribution from the County. This has occurred for every year in which retiree health benefits have been paid. MCERA's actuaries have not calculated the amount repaid but can do so if the Service requests."

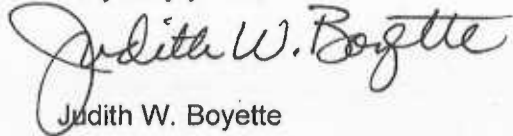
Further Review Required; Statement May Not Be True for All Years: As noted earlier, assets available for pensions may not have been reduced by the amount in the Retiree Health Insurance Account in all years. However, any errors are being corrected and the June 30, 2011 valuation and contribution requirements will reflect the appropriate liabilities.

A copy of the required penalty of perjury statement with respect to this Supplemental information is enclosed.

Plan Name: Mendocino County Employees' Retirement Association **EIN:** 94-6116617 **Plan #:** 001

We sincerely appreciate your assistance in helping to see that this information is provided to those who are involved in the review of MCERA's filings. Please do not hesitate to contact me if you have questions or wish to discuss any of these issues. We look forward to continuing to work with you on this matter.

Very truly yours,



Handwritten signature of Judith W. Boyette in cursive script.

Judith W. Boyette

Enclosures: Exhibit A: Copy of Tab Q of MCERA's VCP filing dated 1/28/11
Required Penalty of Perjury Statement Executed by MCERA's Representative

cc: Ernest L. Tichenor w/encs.
Via Facsimile

Robert A. Blum

Exhibit A

Plan Name: Mendocino County Employees' Retirement Association **EIN:** 94-6116617 **Plan #:** 001

TAB Q

MCERA SPECIFIC ISSUES

**CALIFORNIA COUNTY EMPLOYEE RETIREMENT SYSTEMS
ISSUES AND PROPOSED CORRECTIONS**

1. 401(h) Account

From 1998 to the present MCERA has provided retiree health benefits. These benefits were paid from "excess earnings" as provided in the CERL. MCERA has not complied with the requirements of Code § 401(h) and did not pay these benefits from an account structured to comply with 401(h). These benefits were paid from "excess earnings" in accord with the CERL. MCERA has complied with the provisions of the CERL that govern these benefits. Moreover, on August 24, 1987, the Service issued a favorable determination letter to MCERA on the CERL – which is MCERA's plan document – so the Service has effectively ruled that MCERA is not in noncompliance with the qualification rules on account of providing retiree health benefits. MCERA understands, however, that going forward it will most likely have to change its operations to conform to Code § 401(h). (In this respect, please see Tab M and proposed corrections to the CERL for retiree health benefits.)

MCERA proposes the following:

- MCERA intends to cease providing any retiree health benefits as of August 1, 2011.
- Prior to that date, MCERA will adopt the model regulations for a 401(h) account in Tab M. Additionally, the County will contribute to that account in accord with section 401(h) to pay retiree health benefits up to August 1, 2011. MCERA will also comply with CERL section 31592.4 to facilitate those contributions.
- MCERA understands that the Service generally requires that the employer correct payments of retiree health benefits from assets other than those in a 401(h) account. However in this case the Service has ruled, for MCERA specifically, that its plan document met the rules of tax qualification. (The relevant provisions of the Code were enacted prior to the date of the determination letter issued to MCERA and the relevant provisions of the CERL were enacted prior to that date as well.) The determination letter issued by the Service covers the provisions of the CERL concerning paying retiree health benefits. Therefore, it would be inappropriate to require MCERA to make any retroactive change in this regard.
- If the Service does not wholly agree, then MCERA wishes to point out that the County has already "repaid" to MCERA a substantial part of the amount of retiree health benefits. This is because assets available for pensions have been reduced with payment of these benefits, thereby causing the actuaries to calculate a higher required annual contribution from the County. This has occurred for every year in which retiree health benefits have been paid. MCERA's actuaries have not calculated the amount repaid but can do so if the Service requests.
- Finally, we respectfully request that the Service take into account Mendocino County's seriously difficult financial circumstances in considering any additional contribution to the County. The County is responsible for its indigent and underserved residents. Additional contributions will adversely affect the community by reducing the funds available to the poor. The rules of the Service clearly allow this

fact to be taken into account Under I.R.M. 5.8.11.2.2.1, (section 5), the Service takes into account significantly negative effects on the community and in particular to indigent and low income and under-served individuals. (This is in the context of an offer in compromise.)

Mendocino County continues to endure sustained double-digit unemployment figures, currently around 11.3%. The County's labor force has declined by approximately 15% since the financial crisis began. Important revenue sources like the sales tax have declined by 20% since 2008-2009, timber yield tax (once a major funding source) has declined to almost nothing. The County continues to pursue layoffs to balance the budget. All of these extremely serious problems will be exacerbated under the new Governor's budget that proposes to strip a very significant amount from the County. Therefore, it would be extremely adverse to the citizens of the County if additional money had to be diverted from basic human services such as health, police, fire, welfare, mental health to MCERA, based on the errors in the application of the 401(h), especially since the Service has approved the retiree health provisions of the CERL for MCERA under its prior determination letter.

2. 402(f) Notices

Code § 402(f) requires the plan administrator of a qualified plan to provide written notice to any member receiving an eligible rollover distribution. The written notice must explain the direct rollover rules, the mandatory income tax withholding rules for distributions not directly rolled over, the tax treatment of distributions not rolled over, and when distributions may be subject to different restrictions and tax consequences after being rolled over. Sections 617 and 657 of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and Sections 824, 828, 829 and 845 of the Pension Protection Act of 2006 changed the rollover rules and 402(f) notices provided after December 31, 2009 should reflect these law changes. In Notice 2009-68, the IRS provided safe harbor notices that could be used to satisfy the 402(f) notice requirements. MCERA's 402(f) notice does not currently reflect the law changes made by EGTRRA and PPA so the 402(f) notice does not correctly describe the direct rollover rules or the tax treatment of distributions. As soon as administratively practicable, MCERA will begin providing the safe harbor notice provided in Notice 2009-68 for distributions not from a designated Roth account.

3. Required Minimum Distribution

Code § 401(a)(9) requires that a member's entire interest must be distributed or begin to be distributed no later than April 1 following the later of the year in which the employee attains age 70½ or the year in which the employee retires. MCERA did not have a process in place to ensure that members timely received their required minimum distribution ("RMD"). MCERA is in the process of determining the extent of this failure. See Tab I for relevant CERL provisions.

MCERA will correct its RMD failure by distributing the required minimum distribution amounts (plus interest) to each affected individual. The interest rate used will be the rate of interest credited to member accounts for the affected plan years. Interest will be credited from the date of the failure up to the date of the corrective distribution.

If any affected individuals cannot be found, MCERA will use either the IRS or DOL location program to complete correction of this failure.

MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION APPLICANT'S REPRESENTATIONS

A. Under Examination

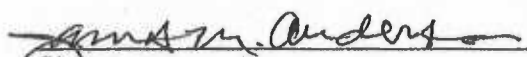
To the best of the Board of Retirement's knowledge: (1) the subject plan is not currently under examination of either an Employee Plans Form 5500 series return or other Employee Plans examination, (2) the Plan Sponsor is not under an Exempt Organizations examination (that is, an examination of a Form 990 series return or other Exempt Organizations examination), (3) Neither the Plan Sponsor nor any of its representatives has received verbal or written notification from the Tax Exempt and Government Entities Division of the Internal Revenue Service of an impending examination or of any impending referral for such examination, nor is the plan in Appeals or litigation for any issues raised in such an examination, and (4) The subject plan is not currently under investigation by the Criminal Investigation Division of the Internal Revenue Service.

B. Abusive Tax Avoidance Transactions

Neither the Plan nor Plan Sponsor have been a party to an abusive tax avoidance transaction as defined in Section 4.13(2) of Revenue Procedure 2008-50.

C. Penalty of Perjury

Under penalties of perjury, I declare that I have examined this submission, including accompanying documents, and, to the best of my knowledge and belief, the facts presented in support of this submission are true, correct, and complete.


Signature

9/21/2011
Date

James M. Andersen
Print Name

Administrator
Title



THE SEGAL COMPANY
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T 415.263.8283 F 415.263.8290 www.segalco.com

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

VIA E-MAIL AND USPS

May 21, 2012

Mr. James M. Andersen
Retirement Administrator
Mendocino County Employees' Retirement Association
625B Kings Court
Ukiah, CA 95482

Re: Actuarial Assumptions for Determining Optional Forms, Annuity Benefits, and Reserves – 2012/2013 Plan Year

Dear Jim:

Based on the actuarial assumptions adopted by the Board for the June 30, 2011 actuarial valuation, we are providing our recommended assumptions for determining optional forms, annuity benefits, and reserves.

Based on the current practice at Segal's other county employees retirement system clients, new assumptions for use in determining optional forms of benefits and reserves would normally be implemented coincident with the effective date of the contribution rates calculated using the new assumptions, which is July 1, 2012 in this case. The new assumptions are identical to those used in the June 30, 2011 valuation except that they have been converted to a unisex basis. For your reference, we have also provided the current assumptions being used in the prior actuary's Retirement Allowance Program (RAP).

The recommended assumptions are:

- Interest rate: 7.75% per annum
- Anticipated annual cost-of-living adjustment:
 - 3.00%



- We understand from the information we have collected from the Association that the anticipated COLA assumption has only been used in the past to calculate reserves. The assumption does not affect the calculation of the breakdown of the total unmodified benefit into the annuity and pension components. It also does not affect the calculation of optional benefits permitted under the 1937 Act.

➤ Mortality Tables (shown in the attachment)

Service Retirement

General Members:	RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females, weighted 30% male and 70% female.
Safety and Probation Members:	RP-2000 Combined Healthy Mortality Table, with no setback for males and set forward one year for females, weighted 80% male and 20% female.
General Beneficiaries:	RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females, weighted 70% male and 30% female.
Safety and Probation Beneficiaries:	RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females, weighted 20% male and 80% female.

Disability Retirement

General Members:	RP-2000 Combined Healthy Mortality Table, set forward two years for both males and females, weighted 30% male and 70% female.
Safety and Probation Members:	RP-2000 Combined Healthy Mortality Table, set forward four years for both males and females, weighted 80% male and 20% female.
All Beneficiaries:	See table used for Beneficiaries with service retirement.

Please note that we will send the above mortality rates, together with instructions on how to update the RAP, in a separate e-mail to you.

The current assumptions¹ are:

- Interest rate: 8.00% per annum
- Anticipated annual cost-of-living adjustment:
 - 3.00%
- Mortality Tables (shown in the attachment)

Service Retirement

General Members:	1994 Group Annuity Mortality Table for Males, set back three years.
Safety and Probation Members:	1994 Group Annuity Mortality Table for Males, with no setback.
General Beneficiaries:	1994 Group Annuity Mortality Table for Males, set back three years.
Safety and Probation Beneficiaries:	1994 Group Annuity Mortality Table for Females, with no setback.

Disability Retirement

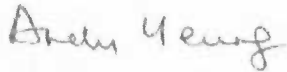
General Members:	1981 Disability Table for General members, set back two years.
Safety and Probation Members:	1981 Disability Table for Safety members, with no setback.
All Beneficiaries:	See table used for Beneficiaries with service retirement.

¹ As displayed on the "Assumption" and "ANN" tabs of MCERA's RAP spreadsheet, Version 2.3. Segal has not confirmed the accuracy or application of these assumptions. It is our understanding that these assumptions have been used in the RAP since July 1, 1999.

Mr. James M. Andersen
May 21, 2012
Page 4

Please let us know if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Andy Yeung". The signature is written in a cursive, slightly slanted style.

Andy Yeung

DNA/kek
Enclosure

cc: Katy Richardson

Mendocino County Employees' Retirement Association

Mortality Rates for Optional Forms, Annuity Benefits, and Reserves
Based on Assumptions Adopted for June 30, 2011 Actuarial Valuation

Age	General Member Service Retirement	Safety and Probation Member Service Retirement	General Beneficiary	Safety and Probation Beneficiary	General Member Disability Retirement	Safety and Probation Member Disability Retirement
1	0.000591	0.000584	0.000617	0.000584	0.000302	0.000242
2	0.000591	0.000400	0.000617	0.000584	0.000229	0.000230
3	0.000452	0.000327	0.000557	0.000425	0.000208	0.000220
4	0.000324	0.000260	0.000384	0.000308	0.000196	0.000202
5	0.000253	0.000239	0.000312	0.000238	0.000186	0.000195
6	0.000215	0.000228	0.000251	0.000206	0.000168	0.000198
7	0.000200	0.000217	0.000231	0.000192	0.000161	0.000204
8	0.000189	0.000201	0.000220	0.000181	0.000162	0.000212
9	0.000173	0.000195	0.000208	0.000164	0.000166	0.000223
10	0.000163	0.000198	0.000193	0.000155	0.000172	0.000236
11	0.000161	0.000205	0.000189	0.000155	0.000181	0.000249
12	0.000164	0.000213	0.000191	0.000157	0.000190	0.000263
13	0.000169	0.000224	0.000198	0.000162	0.000200	0.000278
14	0.000177	0.000237	0.000206	0.000170	0.000209	0.000290
15	0.000185	0.000251	0.000217	0.000178	0.000219	0.000303
16	0.000195	0.000264	0.000229	0.000187	0.000226	0.000314
17	0.000205	0.000278	0.000241	0.000195	0.000232	0.000324
18	0.000214	0.000291	0.000254	0.000204	0.000237	0.000332
19	0.000222	0.000303	0.000267	0.000211	0.000242	0.000338
20	0.000228	0.000314	0.000278	0.000215	0.000246	0.000341
21	0.000233	0.000324	0.000289	0.000219	0.000250	0.000342
22	0.000238	0.000332	0.000299	0.000223	0.000254	0.000345
23	0.000243	0.000339	0.000308	0.000227	0.000258	0.000350
24	0.000248	0.000342	0.000315	0.000231	0.000263	0.000361
25	0.000253	0.000344	0.000321	0.000235	0.000271	0.000379
26	0.000258	0.000347	0.000325	0.000241	0.000282	0.000408
27	0.000263	0.000353	0.000327	0.000246	0.000297	0.000461
28	0.000270	0.000364	0.000332	0.000254	0.000318	0.000520
29	0.000279	0.000382	0.000338	0.000264	0.000365	0.000584
30	0.000292	0.000417	0.000350	0.000277	0.000414	0.000649
31	0.000308	0.000469	0.000368	0.000294	0.000465	0.000713
32	0.000348	0.000528	0.000403	0.000334	0.000515	0.000776
33	0.000395	0.000592	0.000454	0.000380	0.000564	0.000834
34	0.000444	0.000657	0.000512	0.000428	0.000612	0.000891
35	0.000494	0.000721	0.000572	0.000474	0.000659	0.000946
36	0.000543	0.000784	0.000634	0.000520	0.000708	0.001004
37	0.000592	0.000843	0.000695	0.000566	0.000760	0.001068
38	0.000640	0.000901	0.000755	0.000611	0.000818	0.001142
39	0.000690	0.000958	0.000812	0.000659	0.000884	0.001227
40	0.000743	0.001018	0.000869	0.000711	0.000961	0.001323
41	0.000800	0.001084	0.000927	0.000769	0.001046	0.001431
42	0.000865	0.001159	0.000988	0.000835	0.001139	0.001537
43	0.000939	0.001245	0.001055	0.000910	0.001239	0.001652
44	0.001020	0.001342	0.001132	0.000993	0.001341	0.001775
45	0.001110	0.001451	0.001218	0.001083	0.001448	0.001906
46	0.001206	0.001558	0.001315	0.001179	0.001562	0.002046
47	0.001309	0.001674	0.001422	0.001280	0.001683	0.002330
48	0.001413	0.001798	0.001529	0.001384	0.001815	0.002537
49	0.001524	0.001931	0.001644	0.001494	0.002031	0.002774
50	0.001643	0.002081	0.001767	0.001612	0.002213	0.003042
51	0.001772	0.002363	0.001899	0.001740	0.002420	0.003443
52	0.001938	0.002575	0.002052	0.001909	0.002656	0.003978
53	0.002147	0.002818	0.002320	0.002104	0.002989	0.004450
54	0.002345	0.003100	0.002529	0.002299	0.003423	0.005003
55	0.002572	0.003517	0.002768	0.002522	0.003842	0.005644
56	0.002861	0.004056	0.003052	0.002813	0.004328	0.006409
57	0.003250	0.004539	0.003464	0.003197	0.004892	0.007304
58	0.003695	0.005107	0.003983	0.003622	0.005563	0.008337
59	0.004154	0.005767	0.004462	0.004077	0.006373	0.009539
60	0.004691	0.006560	0.005023	0.004607	0.007287	0.010748

Mendocino County Employees' Retirement Association

Mortality Rates for Optional Forms, Annuity Benefits, and Reserves
Based on Assumptions Adopted for June 30, 2011 Actuarial Valuation (continued)

Age	General Member Service Retirement	Safety and Probation Member Service Retirement	General Beneficiary	Safety and Probation Beneficiary	General Member Disability Retirement	Safety and Probation Member Disability Retirement
61	0.005322	0.007472	0.005678	0.005233	0.008357	0.012131
62	0.006094	0.008535	0.006467	0.006001	0.009417	0.013718
63	0.006963	0.009733	0.007370	0.006861	0.010615	0.015293
64	0.007981	0.010965	0.008424	0.007870	0.011991	0.016986
65	0.009037	0.012380	0.009594	0.008898	0.013337	0.018814
66	0.010178	0.013960	0.010808	0.010021	0.014773	0.021113
67	0.011489	0.015549	0.012202	0.011311	0.016343	0.023372
68	0.012837	0.017269	0.013735	0.012612	0.018381	0.025958
69	0.014234	0.019190	0.015286	0.013971	0.020376	0.028904
70	0.015763	0.021481	0.016968	0.015462	0.022650	0.032212
71	0.017660	0.023789	0.018884	0.017354	0.025195	0.035888
72	0.019667	0.026419	0.021118	0.019304	0.027991	0.039928
73	0.021837	0.029401	0.023398	0.021446	0.031024	0.044346
74	0.024263	0.032741	0.025988	0.023832	0.034327	0.049217
75	0.026937	0.036460	0.028908	0.026444	0.037945	0.054643
76	0.029844	0.040556	0.032162	0.029265	0.041953	0.060670
77	0.033026	0.045044	0.035774	0.032340	0.046432	0.067789
78	0.036524	0.050000	0.039750	0.035718	0.051426	0.075648
79	0.040388	0.055517	0.044113	0.039457	0.057158	0.084276
80	0.044691	0.061650	0.048938	0.043629	0.063552	0.093727
81	0.049493	0.068892	0.054313	0.048289	0.070670	0.104095
82	0.054856	0.076890	0.060292	0.053498	0.078596	0.115513
83	0.061018	0.085678	0.067317	0.059443	0.087439	0.128102
84	0.067900	0.095312	0.075092	0.066102	0.097302	0.141933
85	0.075577	0.105881	0.083658	0.073557	0.108249	0.156967
86	0.084146	0.117505	0.093079	0.081913	0.120289	0.173063
87	0.093690	0.130295	0.103443	0.091252	0.133334	0.188736
88	0.104275	0.144303	0.114859	0.101629	0.147200	0.204808
89	0.115925	0.159472	0.127421	0.113051	0.161153	0.221016
90	0.128585	0.175647	0.141159	0.125441	0.175314	0.237114
91	0.142103	0.191339	0.155999	0.138630	0.189402	0.252895
92	0.156245	0.207371	0.171767	0.152365	0.203167	0.268200
93	0.170263	0.223489	0.187124	0.166048	0.216404	0.282930
94	0.184285	0.239456	0.202753	0.179667	0.228937	0.297026
95	0.198058	0.255069	0.218403	0.192972	0.240624	0.310443
96	0.211364	0.270172	0.233838	0.205746	0.251352	0.323138
97	0.224013	0.284671	0.248857	0.217801	0.261033	0.335869
98	0.235839	0.298514	0.263305	0.228973	0.269594	0.348248
99	0.246719	0.311659	0.277081	0.239128	0.278972	0.359641
100	0.256560	0.324612	0.290123	0.248169	0.289654	0.369413
101	0.265289	0.337802	0.302385	0.256015	0.301143	0.376932
102	0.274751	0.350557	0.314639	0.264778	0.312939	0.381562
103	0.285737	0.362243	0.327389	0.275324	0.324547	0.384545
104	0.297736	0.372226	0.339993	0.287172	0.335468	0.387488
105	0.310250	0.379871	0.351845	0.299852	0.345908	0.390309
106	0.322782	0.384545	0.362337	0.312893	0.356209	0.392923
107	0.334834	0.387488	0.370864	0.325826	0.366081	0.395249
108	0.345908	0.390309	0.376818	0.338180	0.375232	0.397203
109	0.356209	0.392923	0.381232	0.349953	0.383372	0.398701
110	0.366081	0.395249	0.385463	0.361235	0.390211	0.399662

Mortality Tables:

General Member Service Retirement:

RP-2000 Combined Healthy Mortality Table, set back 2 years for males and set back 1 year for females, weighted 30% male and 70% female.

Safety and Probation Member Service Retirement:

RP-2000 Combined Healthy Mortality Table, with no setback for males and set forward 1 year for females, weighted 80% male and 20% female.

General Beneficiary:

RP-2000 Combined Healthy Mortality Table, set back 2 years for males and set back 1 year for females, weighted 70% male and 30% female.

Safety and Probation Beneficiary:

RP-2000 Combined Healthy Mortality Table, set back 2 years for males and set back 1 year for females, weighted 20% male and 80% female.

General Member Disability Retirement:

RP-2000 Combined Healthy Mortality Table, set forward 2 years for both males and females, weighted 30% male and 70% female.

Safety and Probation Member Disability Retirement:

RP-2000 Combined Healthy Mortality Table, set forward 4 years for both males and females, weighted 80% male and 20% female.

Code § 401(h) Representation Requested by the Internal Revenue Service

As part of the VCP process, the Internal Revenue Service requested the following representations from the Mendocino County Employees' Retirement Association ("MCERA"). The representation pertains to the establishment and maintenance of the 401(h) account to fund retiree medical plan benefits.

MCERA represents:

1. MCERA ceased to provide any retiree health benefits as of August 1, 2011.
2. Except as disclosed as part of this voluntary compliance program filing and subject to the correction of the failure described in this filing, the assets of the MCERA retirement fund are not used, directly or indirectly, to pay the cost of any benefits provided through the 401(h) retiree medical account.
3. Employee contributions "picked up" by the employer under Internal Revenue Code section 414(h)(2) were not used to fund the 401(h) retiree medical account.

Mendocino County Employees' Retirement Association

Richard A. White Jr.
Signature

Dec. 11, 2013
Date

RICHARD A. WHITE JR.
Print Name

RETIREMENT ADMINISTRATOR
Title

JUDITH W. BOYETTE
PARTNER
DIRECT DIAL (415) 995-5115
DIRECT FAX (415) 995-3577
E-MAIL jboyette@hansonbridgett.com



December 30, 2013

VIA FACSIMILE 202-283-9956

Danielle Norris
Internal Revenue Service
SE:T:EP:RA:T1
NCA - #610-09
1111 Constitution Ave., N.W.
Washington, DC 20224-0002

Re: The Mendocino County Employees' Retirement Association Determination Letter
Application in Conjunction with a VCP Application
Control #: 911705512
EIN: 94-6116617
Plan #: 001

Dear Ms. Norris:

When originally submitted, the MCERA VCP flagged the failure of the CERL to explicitly provide for 100% vesting upon plan termination or complete discontinuance of employer contributions as required by the pre-ERISA vesting rules applicable to governmental retirement plans (Pre-ERISA Code §401(a)(7)). As part of the proposed correction, MCERA proposed the adoption of CERL section 31485.16 which stated:

31485.16. *Notwithstanding any other provision in this Chapter, the rights of each member to his or her accrued retirement benefits under the retirement system shall be non-forfeitable in accordance with the requirements of section 401(a) of Title 26 of the United States Code that are applicable to public employee plans as follows:*

(a) On the member's attainment of normal retirement age as defined by the retirement System while currently employed by an employer that maintains such system.

(b) To the extent then funded, on the date of the termination of the system, the partial termination of the system, or the complete discontinuance of contributions under the system, as provided in such Title.

When a member's accrued benefits become non-forfeitable under this section, the member may be retired upon filing with the board a written application in the manner provided by Article 8 and Article 9 of this Chapter, as applicable.

Since the MCERA VCP was submitted, the state of California enacted the California Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA incorporated into the California Government Code several provisions that may impact a '37 Act system member's vested

benefit. California Government Code sections 7522.70, 7522.72 and 7522.74 provide that if a member of a public retirement system is convicted of certain felonies while employed or serving in office, all or a portion of their rights and benefits vested under the retirement system could be forfeited. (A copy of California Government Code sections 7522.70, 7522.72 and 7522.74 have been enclosed for your reference.)

MCERA is proposing to modify the changes to proposed CERL Section 31485.16 (which will now be a different section number due to subsequent amendments to the CERL) from the version originally submitted in the VCP to reference the state required forfeiture laws. MCERA would like to substitute the following revised CERL section 31485.[16] for review and approval as part of the VCP process that this language satisfies the Pre-ERISA vesting issue identified in the MCERA VCP filing. Since this language will need to be approved by the legislature, we would like to include the new language in your review of the VCP.

Revised CERL section 31485.[16] would read as follows:

31485.16. *Notwithstanding any other provision in this Chapter, the rights of each member to his or her accrued retirement benefits under the retirement system shall be non-forfeitable in accordance with the requirements of section 401(a) of Title 26 of the United States Code that are applicable to public employee plans as follows:*

(a) On the member's attainment of normal retirement age as defined by the retirement System while currently employed by an employer that maintains such system.

(b) To the extent then funded, on the date of the termination of the system, the partial termination of the system, or the complete discontinuance of contributions under the system, as provided in such Title.

(c) Notwithstanding anything else to the contrary, a member's earned and accrued benefits may be forfeited under California Government Code Sections 7522.70, 7522.72 and 7522.74.

When a member's accrued benefits become non-forfeitable under this section, the member may be retired upon filing with the board a written application in the manner provided by Article 8 and Article 9 of this Chapter, as applicable.

A copy of a revised version of the Code section 401(a)(7) failure Tab H, which now includes the revised CERL section 31485.[16], is enclosed.

As described in detail below, it is MCERA's position that revised CERL section 31485.[16] continues to satisfy the Pre-ERISA requirement applicable to tax qualified governmental retirement plans and is, therefore, an appropriate part of the correction to the Code section 401(a)(7) failures identified in Tab H of the VCP filing for MCERA.

Prior to 1974 pension plan provisions that called for the forfeiture of vested benefits for criminal acts (often referred to as "bad-boy" clauses) were acceptable and commonplace. (S. Rep. No.

93-383 (1973) (Fin. Rep.)). The only restriction on bad-boy clauses was that they must specify what would cause a loss of benefits and could not cause the loss of any employee's benefit after the plan terminated or employer contributions to the plan stopped. (See, Guides for Qualification of Pension, Profit Sharing, and Stock Bonus Plans, IRS Publication 778 (1972)).

In 1974, the Employees' Retirement Security Act ("ERISA") was enacted. Many of the rules regulating ERISA mandates are found in the Internal Revenue Code (the "Code"). Specifically, section 411 regarding vesting was added to the Code. While governmental plans are not subject to ERISA (29 USC § 1003), they are subject to the qualification rules in the Code to the degree not exempted. Section 411 contains some restrictions on the ability to have provisions that cause forfeiture of vested plan benefits for criminal behavior for plans subject to those provisions.


However, Code § 411(e)(1) exempts governmental plans from the vesting and forfeiture standards laid out in the rest of Code § 411 if the governmental plan meets the vesting rules in Code § 401(a)(7) as it existed before ERISA became effective.

Pre-ERISA Code § 401(a)(7) stated that "a trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that, upon its termination or upon complete discontinuance of contributions under the plan, the rights of all employees to benefits accrued to the date of such termination or discontinuance, to the extent then funded, or the amounts credited to the employees' accounts are nonforfeitable." CERL section 31485.[16] spells out these requirements in subsections (a) and (b).

Since only the pre-ERISA vesting and forfeiture rules apply to governmental plans and those rules were interpreted to allow provisions like those enacted by PEPRA, we believe that revising CERL section 31485.[16] to account for forfeitures for criminal behavior as outlined by California Government Code sections 7522.70, 7522.72 and 7522.74 satisfies Code sections 401(a)(7) and 411 as they apply to a public retirement system while also allowing compliance with recently enacted California legislation. We would be happy to provide any further information about this issue.

We would be happy to provide any further information about this provision. If you would like to discuss this further, please feel free to contact me at (415) 995-5115 or Nancy Hilu at (415) 995-5067.

Very truly yours,



Judith W. Boyette

Enc.: Copies of California Government Code Sections 7522.70, 7522.72 and 7522.74
Revised Tab H

**California Government Code Excerpts
Felony Conviction Provisions**

7522.70. (a) This section shall apply to any elected public officer who takes public office, or is reelected to public office, on or after January 1, 2006.

(b) If an elected public officer is convicted during or after holding office of any felony involving accepting or giving, or offering to give, any bribe, the embezzlement of public money, extortion or theft of public money, perjury, or conspiracy to commit any of those crimes arising directly out of his or her official duties as an elected public officer, he or she shall forfeit all rights and benefits under, and membership in, any public retirement system in which he or she is a member, effective on the date of final conviction.

(c) The elected public officer described in subdivision (b) shall forfeit only that portion of his or her rights and benefits that accrued on or after January 1, 2006, on account of his or her service in the elected public office held when the felony occurred.

(d) Any contributions made by the elected public officer described in subdivision (b) to the public retirement system that arose directly from or accrued solely as a result of his or her forfeited service as an elected public officer shall be returned, without interest, to the public officer.

(e) The public agency that employs an elected public officer described in subdivision (b) shall notify the public retirement system in which the officer is a member of the officer's conviction.

(f) An elected public officer shall not forfeit his or her rights and benefits pursuant to subdivision (b) if the governing body of the elected public officer's employer, including, but not limited to, the governing body of a city, county, or city and county, authorizes the public officer to receive those rights and benefits.

(g) For purposes of this section, "public officer" means an officer of the state, or an officer of a county, city, city and county, district, or authority, or any department, division, bureau, board, commission, agency, or instrumentality of any of these entities.

(h) This section applies to any person appointed to service for the period of an elected public officer's unexpired term of office.

(i) On and after January 1, 2013, this section shall not apply in any instance in which Section 7522.72 or 7522.74 applies.

7522.72. (a) This section shall apply to a public employee first employed by a public employer or first elected or appointed to an office before January 1, 2013, and, on and after that date, Section 7522.70 shall not apply.

(b) (1) If a public employee is convicted by a state or federal trial court of any felony under state or federal law for conduct arising out of or in the performance of his or her official duties, in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(2) If a public employee who has contact with children as part of her official duties is convicted of a felony that was committed within the scope of his or her official duties against or involving a child who he or she has contact with as part of his or her official duties, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(c) (1) A public employee shall forfeit all the retirement benefits earned or accrued from the earliest date of the commission of any felony described in subdivision (b) to the forfeiture date, inclusive. The retirement benefits shall remain forfeited notwithstanding any reduction in sentence or expungement of the conviction following the date of the public employee's conviction. Retirement benefits attributable to service performed prior to the date of the first commission of the felony for which the public employee was convicted shall not be forfeited as a result of this section.

(2) For purposes of this subdivision, "forfeiture date" means the date of the conviction.

(d) (1) Any contributions to the public retirement system made by the public employee described in subdivision (b) on or after the earliest date of the commission of any felony described in subdivision (b) shall be returned, without interest, to the public employee upon the occurrence of a distribution event unless otherwise ordered by a court or determined by the pension administrator.

(2) Any funds returned to the public employee pursuant to subdivision (d) shall be disbursed by electronic funds transfer to an account of the public employee, in a manner conforming with the requirements of the Internal Revenue Code, and the public retirement system shall notify the court and the district attorney at least three business days before that disbursement of funds.

(3) For the purposes of this subdivision, a "distribution event" means any of the following:

- (A) Separation from employment.
- (B) Death of the member.
- (C) Retirement of the member.

(e) (1) Upon conviction, a public employee as described in subdivision (b) and the prosecuting agency shall notify the public employer who employed the public employee at the time of the commission of the felony within 60 days of the felony conviction of all of the following information:

(A) The date of conviction.

(B) The date of the first known commission of the felony.

(2) The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(f) The public employer that employs or employed a public employee described in subdivision (b) and that public employee shall each notify the public retirement system in which the public employee is a member of that public employee's conviction within 90 days of the conviction. The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(g) A public retirement system may assess a public employer a reasonable amount to reimburse the cost of audit, adjustment, or correction, if it determines that the public employer failed to comply with this section.

(h) If a public employee's conviction is reversed and that decision is final, the employee shall be entitled to do either of the following:

(1) Recover the forfeited retirement benefits as adjusted for the contributions received pursuant to subdivision (d).

(2) Redeposit those contributions and interest, as determined by the system actuary, and then recover the full amount of the forfeited benefits.

(i) A public employee first employed by a public employer or first elected or appointed to an office on or after January 1, 2013, shall be subject to Section 7522.74.

7522.74. (a) This section shall apply to a public employee first employed by a public employer or first elected or appointed to an office on or after January 1, 2013, and on and after that date, Section 7522.70 shall not apply.

(b) (1) If a public employee is convicted by a state or federal trial court of any felony under state or federal law for conduct arising out of or in the performance of his or her official duties, in pursuit of the office or appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(2) If a public employee who has contact with children as part of his or her official duties is convicted of a felony that was committed within the scope of his or her official duties against or involving a child who he or she has contact with as part of his or her official duties, he or she shall forfeit all accrued rights and benefits in any public retirement system in which he or she is a member to the extent provided in subdivision (c) and shall not accrue further benefits in that public retirement system, effective on the date of the conviction.

(c) (1) A public employee shall forfeit all the retirement benefits earned or accrued from the earliest date of the commission of any felony described in subdivision (b) to the forfeiture date, inclusive. The retirement benefits shall remain forfeited notwithstanding any reduction in sentence or expungement of the conviction following the date of the public employee's conviction. Retirement benefits attributable to service performed prior to the date of the first commission of the felony for which the public employee was convicted shall not be forfeited as a result of this section.

(2) For purposes of this subdivision, "forfeiture date" means the date of the conviction.

(d) (1) Any contributions to the public retirement system made by the public employee described in subdivision (b) on or after the earliest date of the commission of any felony described in subdivision (b) shall be returned, without interest, to the public employee upon the occurrence of a distribution event unless otherwise ordered by a court or determined by the pension administrator.

(2) Any funds returned to the public employee pursuant to subdivision (d) shall be disbursed by electronic funds transfer to an account of the public employee, in a manner conforming with the requirements of the Internal Revenue Code, and the public retirement system shall notify the court and the district attorney at least three business days before that disbursement of funds.

(3) For the purposes of this subdivision, a "distribution event" means any of the following:

- (A) Separation from employment.
- (B) Death of the member.
- (C) Retirement of the member.

(e) (1) Upon conviction, a public employee as described in subdivision (b) and the prosecuting agency shall notify the public employer who employed the public employee at the time of the commission of the felony within 60 days of the felony conviction of all of the following information:

(A) The date of conviction.

(B) The date of the first known commission of the felony.

(2) The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(f) The public employer that employs or employed a public employee described in subdivision (b) and that public employee shall each notify the public retirement system in which the public employee is a member of that public employee's conviction within 90 days of the conviction. The operation of this section is not dependent upon the performance of the notification obligations specified in this subdivision.

(g) A public retirement system may assess a public employer a reasonable amount to reimburse the cost of audit, adjustment, or correction, if it determines that the public employer failed to comply with this section.

(h) If a public employee's conviction is reversed and that decision is final, the employee shall be entitled to do either of the following:

(1) Recover the forfeited retirement benefits as adjusted for the contributions received pursuant to subdivision (d).

(2) Redeposit those contributions and interest, as determined by the system actuary, and then recover the full amount of the forfeited benefits.

(i) A public employee first employed by a public employer or first elected or appointed to an office before January 1, 2013, shall be subject to Section 7522.72.

TAB H

CODE § 401(a)(7)

PRE-ERISA VESTING RULES

**CALIFORNIA COUNTY EMPLOYEE RETIREMENT SYSTEMS
ISSUES AND PROPOSED CORRECTIONS – CODE SECTION 401(a)(7)**

I. ISSUES

Code § 401(a)(7), as in effect prior to ERISA, requires plans to contain language that states that upon plan termination or the complete discontinuance of employer contributions, all participants must become 100% vested in benefits accrued up to the date of the termination or discontinuance to the extent the plan is funded. However, under CERL § 31654 a participating district may terminate its participation in a system without fully vesting members upon termination of the district's participation.

In addition, pre-ERISA Code § 401(a)(7) required members to be 100% vested upon reaching normal retirement age ("NRA"). The CERL does not define NRA. However, CERL § 31672 says members who attain 10 years of service may apply for retirement benefits upon reaching age 55, which we understand as meaning the member becomes 100% vested at that time. A memorandum issued by the Department of the Treasury on April 30, 2012 provides that a governmental plan with a vesting schedule like the one described in CERL §31672 meets the 100% vesting upon reaching normal retirement age requirement.

Please see Section D of the enclosed Compliance Chart for additional information.

II. CURRENT PROVISIONS IN THE CERL

The words italicized below are the portions of the current CERL provisions that cause or may cause compliance issues.

Unclear Provision

31564. *All officers and employees of any district who have become members of the association as provided in Section 31557, may be withdrawn by a resolution of the governing body declaring all of the district's employees withdrawn from the association; provided, the governing body has first received a written petition signed by a majority of its officers and employees requesting that the district's officers and employees be withdrawn from the association.*

Upon the adoption of any resolution to withdraw its members, all accumulated contributions held in the association shall be refunded to the district's employees upon the effective date of their withdrawal and in the same manner as the accumulated contributions would be refunded upon the termination of their employment by the district.

Upon the adoption of any resolution to withdraw its members and where there are no existing retirees from the district, the district's contributions shall be refunded to the district, or shall, upon the election of and designation by the governing body of the district, be transferred to another public retirement system.

In the event of the transfer of district contributions to another public retirement system, the employee contributions shall also be transferred to the other public retirement system.

The effective date of withdrawal of any resolution adopted pursuant to this section shall be at the end of the calendar month during which such resolution is adopted.

III. PROPOSED CORRECTION

The proposed correction is: (1) add proposed CERL § 31485.16 which provides that accrued benefits are nonforfeitable upon reaching normal retirement age, and that upon termination of the system or discontinuance of employer contributions member becomes fully vested to the extent the system is then funded, (2) add proposed CERL § 31485.19 which gives the board of retirement of each system the authority to establish regulations setting out the system's normal retirement age, and (3) amend CERL § 31654 to state that refunds and/ or transfers that do not comply with Code § 401(a) will not be made from the system. The words italicized below are the corrective changes being proposed to the CERL.

PROPOSED TAX COMPLIANCE CHANGES TO THE CERL

An act to amend Article 1 (commencing with Section 31450) of Chapter 3 of Part 3 of Division 4 of Title 3 of the Government Code relating to county employees retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB __, as introduced, _____ County employees. retirement: Internal Revenue Code compliance.

It is intended that the county employees' retirement systems are to be tax qualified under the Internal Revenue Code. This status preserves the deferred treatment of federal income tax on public employer contributions to public employee pensions and ensures that members are provided with retirement and other related benefits that are commensurate, to the extent deemed reasonable, with the services rendered without violating the intent and purposes of the Internal Revenue Code.

The County Employees Retirement Law currently includes a number of provisions that are designed to maintain tax qualification for these systems. This bill would add or clarify existing provisions as needed to maintain that status.

Vote: _____

Add the following new sections to the CERL:

31485.16. *Notwithstanding any other provision in this Chapter, the rights of each member to his or her accrued retirement benefits under the retirement system shall be non-forfeitable in accordance with the requirements of section 401(a) of Title 26 of the United States Code that are applicable to public employee plans as follows:*

(a) *On the member's attainment of normal retirement age as defined by the retirement System while currently employed by an employer that maintains such system.*

(b) *To the extent then funded, on the date of the termination of the system, the partial termination of the system, or the complete discontinuance of contributions under the system, as provided in such Title.*

(c) Notwithstanding anything else to the contrary, a member's earned and accrued benefits may be forfeited under California Government Code Sections 7522.70, 7522.72 and 7522.74.

When a member's accrued benefits become non-forfeitable under this section, the member may be retired upon filing with the board a written application in the manner provided by Article 8 and Article 9 of this Chapter, as applicable.

31485.19. *(a) A member who has not attained normal retirement age shall have a bona fide separation from service to the extent required by section 401(a) of Title 26 of the United States Code before working for the county or a district after retirement pursuant to this chapter. The board shall establish, by regulation, the criteria under which a bona fide separation is satisfied.*

(b) Notwithstanding any other provision in this chapter, to the extent required by section 401(a) of Title 26 of the United States Code, no amount shall be paid to any member before the earlier of the date the member has attained normal retirement age or has had a bona fide separation from service.

(c) The board may establish normal retirement age by regulation.

Amend the CERL as follows:

31564. All officers and employees of any district who have become members of the association as provided in Section 31557, may be withdrawn by a resolution of the governing body declaring all of the district's employees withdrawn from the association; provided, the governing body has first received a written petition signed by a majority of its officers and employees requesting that the district's officers and employees be withdrawn from the association. Upon the adoption of any resolution to withdraw its members, all accumulated contributions held in the association shall be refunded to the district's employees upon the effective date of their withdrawal and in the same manner as the accumulated contributions would be refunded upon the termination of their employment by the district.

Upon the adoption of any resolution to withdraw its members and where there are no existing retirees from the district, the district's contributions shall be transferred to another public retirement system *that is intended to be a tax-qualified retirement plan under section 401(a) of Title 26 of the United States Code.*

No refunds, distributions or transfers of contributions or other funds shall be made to any employees or to any district unless such action complies with the requirements of section 401(a) of Title 26 of the United States Code.

In the event of the transfer of district contributions to another public retirement system, the employee contributions shall also be transferred to the other public retirement system.

The effective date of withdrawal of any resolution adopted pursuant to this section shall be at the end of the calendar month during which such resolution is adopted.

IV. PROPOSED ACTIONS TO AVOID FURTHER ISSUES

SACRS has established an ad hoc task force to deal with tax compliance. SACRS intends to establish an on-going committee (or modify the charter of an existing committee) that will monitor tax compliance issues for all SACRS member systems. This committee will meet at least annually and more often if required. It will be tasked to review tax compliance issues and make recommendations for any new CERL or model regulation provisions or changes.

TAB L

CODE § 401(a)(36)

NORMAL RETIREMENT AGE

**CALIFORNIA COUNTY EMPLOYEE RETIREMENT SYSTEMS
ISSUES AND PROPOSED CORRECTIONS – CODE SECTION 401(a)(36)**

I. ISSUES

According to Code § 401(a)(36), a pension plan may provide for payment of benefits to an employee who has attained age 62 or reached normal retirement age ("NRA") even if they have not separated from employment. This is an exception to the rule that pension benefits may only be paid after retirement.

Generally, a plan's NRA must be an age that is not earlier than the earliest age that is reasonably representative of the typical retirement age for the industry in which the covered workforce is employed. See Treasury Regulation § 1.401(a)-1(b)(2)(i).

The CERL does not define NRA. However, according to IRS Notice 2012-29, the NRA rules do not currently apply to governmental plans so there is no section 401(a)(36) failure.

MCERA has not adopted a normal retirement age. See Section M of the enclosed Compliance Chart for additional information.

Plan Name: Mendocino County Employees' Retirement Association **EIN:** 94-6116617 **Plan #:** 001

II. CURRENT PROVISIONS IN THE CERL

The CERL does not define normal retirement age.

III. PROPOSED CORRECTION

The proposed correction is for MCERA, with other '37 Act systems to ask the Legislature to enact amendments to the CERL and/ or adopt model regulations once the IRS makes NRA rules applicable to governmental plans.

PROPOSED ACTIONS TO AVOID FURTHER ISSUES

SACRS has established an ad hoc task force to deal with tax compliance. SACRS intends to establish an on-going committee (or modify the charter of an existing committee) that will monitor tax compliance issues for all SACRS member systems so that if the IRS's NRA regulations become applicable to governmental plans, SACRS member systems will be able to take appropriate action to comply with those rules. This committee will meet at least annually and more often if required. It will be tasked to review tax compliance issues and make recommendations for any new CERL or model regulation provisions or changes.

TAB Q

MCERA SPECIFIC ISSUES

**CALIFORNIA COUNTY EMPLOYEE RETIREMENT SYSTEMS
ISSUES AND PROPOSED CORRECTIONS – MCERA SPECIFIC FAILURES**

I. APPLICANT'S DESCRIPTION OF THE FAILURES

Failure #1

From September 1, 1998 until August 1, 2011, MCERA provided retiree health benefits pursuant to section 31592.4 of the California Government Code. That section provides that excess earnings available at the end of a fiscal year will be treated in the next fiscal year as "appropriations, transfers, and contributions" to MCERA by the County of Mendocino and participating districts, but only to the extent that, in the next fiscal year, the County and districts pay for, or otherwise reimburse, health benefits for retired members and their dependents. Section 31592.4 defines "excess earnings" as earnings of MCERA at the end of the fiscal year that exceed the total interest credited to contributions and reserves plus 1% of the fund's assets.

Operationally, however, MCERA credited amounts to the Retirees Health Insurance Reserve in fiscal years in which MCERA had no excess earnings in violation of Section 31592.4. These amounts should have been, but were not, credited first to the pension reserve accounts. This failure increased MCERA's unfunded actuarial accrued liability ("UAAL") for pension benefits by \$9,557,912. All but \$658,653 of this amount was used by the County and the participating districts to pay retiree medical benefits. All members were affected by the corresponding reduction in MCERA's assets available to pay pension benefits. This failure affected the fiscal years ending June 30, 2002, June 30, 2003, June 30, 2004, June 30, 2005, and June 30, 2006.

Failure #2

Section 402(f) of the Code requires the plan administrator of a qualified plan to provide written notice to any member receiving an eligible rollover distribution. The written notice must explain the direct rollover rules, the mandatory income tax withholding rules for distributions not directly rolled over, the tax treatment of distributions not rolled over, and when distributions may be subject to different restrictions and tax consequences after being rolled over. Sections 617 and 657 of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") and Sections 824, 828, 829 and 845 of the Pension Protection Act of 2006 ("PPA") changed the rollover rules, and 402(f) notices provided after December 31, 2009 should reflect these law changes. In Notice 2009-68, the IRS provided safe harbor notices that could be used to satisfy the 402(f) notice requirements. MCERA's 402(f) notice did not reflect the law changes made by EGTRRA and PPA, and therefore did not correctly describe the direct rollover rules or the tax treatment of distributions. This failure affected all members who received an eligible rollover distribution. This failure affected the fiscal years ending June 30, 2010 and June 30, 2011.

Failure #3

Section 401(a)(9) of the Code requires that a member's entire interest must be distributed or begin to be distributed no later than April 1 following the later of the year in which the employee attains age 70½, or the year in which the employee retires. MCERA did not have a process in place to ensure that members timely received their required minimum distribution ("RMD"). There were two members affected by this failure. See Tab I for relevant CERL provisions.

Failure #4

Sections 31621 and 31621.1 of the California Government Code establish the method for determining the normal contribution rate for General Tier 1, Tier 2, and Tier 3 members. Section 31639.25 establishes the basis for determining the normal contribution rate for Safety Tier 1 and Tier 2 members. The normal contribution rate for General Members under section 31621 must be sufficient to provide an annuity at age 60 equal to 1/120 of final compensation for each year of service. The normal contribution rate for General Members under section 31621.1 must be sufficient to provide an annuity at age 55 equal to 1/120 of final compensation for each year of service. The normal contribution rate for Safety Members under section 31639.25 must be sufficient to provide for an annuity at age 50 equal to 1/100 of final compensation for each year of service. For this purpose, it is assumed that contributions are made annually at the same rate, starting at entry age. In addition to normal contributions, members also pay one-half of the normal cost of cost-of-living benefits. These member contribution rates must be determined using actuarial assumptions adopted by County Board of Supervisors each year based upon the Board of Retirement's recommendations.

In operation, MCERA's previous actuary developed the normal member contribution rates for the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012, based on the individual entry-age based member rates that had not been updated since June 30, 2007, to reflect the new actuarial factors that were adopted by the Board of Supervisors, and upon which the member rates are dependent. As a result, member contributions were, when expressed as a percentage of payroll for each of these years, respectively, approximately .4%, .4%, and .7% greater in the aggregate than they would have been had they been, in accordance with the CERL, calculated using the actuarial factors adopted by the Board of Supervisors. Thus, although the total of amount of the member plus employer contributions made by the County and other participating employers to MCERA was correct for these years, members contributed more, and employers correspondingly less, in the aggregate, for these years than they should have under the CERL. These member contributions consisted of both pre-tax salary reduction contributions (employer pick-up contributions under section 414(h)(2) of the Code) and pre-tax contributions made by employers on behalf of members without any reduction in the members' salaries. The failure affected most active and recently retired inactive members. The failure affected the fiscal years ending June 30, 2010, June 30, 2011, and June 30, 2012. MCERA estimated that members over-contributed approximately \$290,000, \$275,000, and \$200,000 in the aggregate, respectively, for each of these years.

II. APPLICANT'S DESCRIPTION OF THE PROPOSED METHODS OF CORRECTION

Failure #1

The MCERA Board of Retirement has designated the remaining \$658,653 allocated to the Retirees Health Insurance Reserve as a valuation reserve, reducing MCERA's Unfunded Actuarial Accrued Liability in the June 30, 2012, and subsequent valuations by a corresponding amount. This amount is therefore now appropriately available to pay pension benefits under MCERA. The Applicant proposes to credit the valuation reserves with employer contributions to pay off the \$9,557,912 in additional UAAL created by the failure, adjusted for earnings at MCERA's assumed interest rate, in amortized installments. For fiscal years before June 30, 2009, the amortization period is based on the decreasing 11-year period used to amortize UAALs in the June 30, 2006 valuation; after that, the amortization period is based on the decreasing 30-year period, as reset by the Board of Retirement, used to amortize UAALs in the June 30, 2009 valuation. As of the June 30, 2011 valuation, there were 28 years left in the 30-year amortization schedule. Before the June 30, 2011 valuation, the assumed interest rate was 8% per year; effective with the June 30, 2011 valuation, the Board of Retirement adopted an assumed interest rate of 7.75% per year. Exhibit 1 shows the amortization schedule proposed to credit the additional \$9,557,912 in UAAL created by the failure to the valuation reserves. This schedule includes the scheduled UAAL amortization payments since the June 30, 2006 valuation related to the additional \$9,557,912 in UAAL, the outstanding balance of that UAAL as of June 30, 2011 (\$8,690,157), and the amount of payments that would continue to be made to amortize the remaining balance of that UAAL after the June 30, 2011 valuation.

Failure #2

Since 2011, MCERA has provided the safe harbor 402(f) notice provided in Notice 2009-68 for distributions not from a designated Roth account to all members who become entitled to distribution that is eligible for rollover.

Failure #3

MCERA will correct this failure by distributing the required minimum distribution amounts (plus interest) to each affected individual. The interest rate used will be the rate of interest credited to member accounts for the affected fiscal years. Interest will be credited semi-annually, on December 31 and June 30, from the date that each required minimum distribution should have been made to the date of the corrective distribution. MCERA has determined that there are two individuals affected and MCERA has contacted these individuals regarding the implementation of distributions.

Failure #4

MCERA has corrected this failure by taking the following steps. First, MCERA corrected the member contribution rates effective January 1, 2012. Second, MCERA credited the County and other participating employers with affected members with an amount equal to the excess member contributions, correspondingly reducing the required future contributions for the participating employers on a dollar-for-dollar basis, provided that these employers agreed to repay any of this amount attributable to deductions from affected members' salaries directly to the affected members. This method will, unlike

MCERA distributing the excess member contributions directly to affected members, avoid violating the Code's general prohibition against in-service distributions before normal retirement age or age 62. MCERA used this method even for members who have retired or terminated and to whom direct distributions from MCERA might be generally permitted under the tax rules because there is no provision in the CERL for such distributions. The employers have reported the amount of an affected member's excess contributions paid to the member in this manner in Box 1 of his or her Form W-2 for the year of the distribution.

The employer will attempt to locate or notify former employees by (1) mailing a written notice certified U.S. Mail, return/receipt requested to the employees' last known address, and (2) using a commercial locator service.

III. APPLICANT'S REVISION OF ADMINISTRATIVE PROCEDURES

Failure #1

MCERA ceased paying retiree health benefits effective August 1, 2011.

Failure #2

MCERA is currently providing a 402(f) notice based on the IRS model notice in Notice 2009-68 that reflects the changes in the tax laws affecting rollovers made by EGTRRA and PPA.

Failure #3

MCERA will adopt the Proposed Model Regulations for IRC Section 401(a)(9) Minimum Required Distributions shown under Tab I to ensure that RMDs are timely distributed in accordance with section 401(a)(9) of the Code. MCERA has already contacted the two affected participants and will distribute any required minimum distributions.

Failure #4

MCERA has corrected the member contribution rates, effective January 1, 2012, to correctly reflect the actuarial factors adopted by the County Board of Supervisors. Distributions of overpayments have been made by the participating employers to all affected current and former employees.

Mendocino County Employees' Retirement Association

Unfunded Actuarial Accrued Liability (UAAL) Amortization Schedule for \$9,557,912 as of June 30, 2006

Valuation on June 30,	Beginning of Year Balance	Annual Payment	Interest Paid	Principal Paid	End of Year Balance
2006	\$9,557,912	\$1,050,558	\$726,969	\$323,589	\$9,234,323
2007	9,234,323	1,100,460	699,293	401,166	8,833,157
2008	8,833,157	1,152,731	665,326	487,405	8,345,751
2009	8,345,751	475,536	650,589	(175,053)	8,520,804
2010	8,520,804	494,558	663,910	(169,353)	8,690,157
2011	8,690,157	500,590	656,071	(155,481)	8,845,638
2012	8,845,638	520,614	667,424	(146,810)	8,992,448
2013	8,992,448	541,438	678,077	(136,639)	9,129,087
2014	9,129,087	563,096	687,913	(124,818)	9,253,905
2015	9,253,905	585,619	696,803	(111,184)	9,365,089
2016	9,365,089	609,044	704,605	(95,561)	9,460,649
2017	9,460,649	633,406	711,163	(77,757)	9,538,407
2018	9,538,407	658,742	716,308	(57,566)	9,595,972
2019	9,595,972	685,092	719,853	(34,761)	9,630,733
2020	9,630,733	712,496	721,593	(9,097)	9,639,830
2021	9,639,830	740,995	721,307	19,689	9,620,141
2022	9,620,141	770,635	718,749	51,886	9,568,255
2023	9,568,255	801,461	713,656	87,805	9,480,450
2024	9,480,450	833,519	705,736	127,784	9,352,667
2025	9,352,667	866,860	694,672	172,188	9,180,479
2026	9,180,479	901,534	680,121	221,413	8,959,066
2027	8,959,066	937,596	661,707	275,888	8,683,178
2028	8,683,178	975,099	639,021	336,078	8,347,100
2029	8,347,100	1,014,103	611,618	402,485	7,944,614
2030	7,944,614	1,054,668	579,014	475,653	7,468,961
2031	7,468,961	1,096,854	540,683	556,171	6,912,790
2032	6,912,790	1,140,728	496,054	644,675	6,268,115
2033	6,268,115	1,186,358	444,504	741,854	5,526,262
2034	5,526,262	1,233,812	385,359	848,453	4,677,809
2035	4,677,809	1,283,164	317,887	965,277	3,712,531
2036	3,712,531	1,334,491	241,292	1,093,199	2,619,333
2037	2,619,333	1,387,871	154,712	1,233,158	1,386,174
2038	1,386,174	1,443,385	57,211	1,386,174	0
Total		\$29,287,115	\$19,729,203	\$9,557,912	

Note: Totals may be slightly off due to rounding.

Actuarial Bases	06/30/2006	06/30/2009	06/30/2011
Interest Rate	8.00%	8.00%	7.75%
Wage Increase	4.75%	4.00%	4.00%
Amortization Period	11	30	28

Plan Name: Mendocino County Employees' Retirement Association **EIN:** 94-6116617 **Plan #:** 001

On behalf of the Mendocino County Employees' Retirement Association, I represent that all amendments required by the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Pension Protection Act of 2006 have either been timely adopted or have been included as part of the retirement system's voluntary correction program submission.

Richard A. White, Jr.
Signature

DEC. 11, 2013
Date

RICHARD A. WHITE, JR
Print Name

RETIREMENT ADMINISTRATOR
Title