

**Merced County
Employees' Retirement
Association**

**Actuarial Valuation
as of
June 30, 2014**

Produced by [Cheiron](#)

February 19, 2015

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LETTER OF TRANSMITTAL

February 19, 2015

Retirement Board of Merced
County Employees' Retirement Association
3199 M Street
Merced, CA 95348

Dear Members of the Board:

At your request, we have conducted an actuarial valuation of the Merced County Employees' Retirement Association (MCERA, the Fund, the Plan) as of June 30, 2014. This report contains information on the Plan's assets, liabilities, and discloses employer contribution levels. Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report.

The purpose of this report is to present the results of the annual actuarial valuation of MCERA. This report is for the use of the Retirement Board of MCERA and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of this report is not an intended user and is considered a third party.

Cheiron's report was prepared solely for the Retirement Board of MCERA for the purposes described herein, except that the plan auditor may rely on this report solely for the purpose of completing an audit related to the matters herein. It is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron



Graham A. Schmidt, ASA, MAAA
Consulting Actuary



David Holland, FSA, MAAA
Consulting Actuary



FOREWORD

Cheiron has performed the actuarial valuation of the Merced County Employees' Retirement Association as of June 30, 2014. The valuation is organized as follows:

- In Section I, the **Executive Summary**, we describe the purpose of an actuarial valuation, summarize the key results found in this valuation, and disclose important trends.
- The **Main Body** of the report presents details on the Plan's
 - Section II - Assets
 - Section III - Liabilities
 - Section IV- Contributions
 - Section V- Comprehensive Annual Financial Reporting Information
- In the **Appendices** we conclude our report with detailed information describing plan membership (Appendix A), actuarial assumptions and methods employed in the valuation (Appendix B), a summary of pertinent plan provisions (Appendix C), tables containing member contribution rates (Appendix D), and a glossary of key actuarial terms (Appendix E).

The results of this report rely on future plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual plan experience deviates from the underlying assumptions and methods, or there are any changes in plan provisions or applicable laws, the results would vary accordingly.

In preparing our report, we relied on information supplied by the MCERA staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

SECTION I
EXECUTIVE SUMMARY

The primary purpose of the actuarial valuation and this report is to measure, describe, and identify the following as of the valuation date:

- The financial condition of the Plan,
- Past and expected trends in the financial progress of the Plan,
- Employer and employee contribution rates for Fiscal Year 2016; and,
- Information required by the GFOA for the Comprehensive Annual Financial Report.

In the balance of this Executive Summary, we present (A) the basis upon which this year's valuation was completed, (B) the key findings of this valuation including a summary of all key financial results, (C) an examination of the historical trends, and (D) the projected financial outlook for the Plan.

A. Valuation Basis

This valuation determines the employer contributions for the fiscal year ending June 30, 2016. The Plan's funding policy is to collect contributions from the employers and employees equal to the sum of:

- The normal cost under the Entry Age Normal Cost Method,
- Amortization of the unfunded actuarial liability, and
- The Plan's expected administrative expenses.

The unfunded actuarial liability payment is determined as the amount needed to fund the outstanding unfunded actuarial liability (UAL). Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 16-year period. At the meeting held on January 22, 2015, the Board of Retirement adopted a new funding policy for any subsequent unexpected change in the UAL after June 30, 2013. Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses or method changes are amortized over a closed 24-year period, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll between the ramping periods. Assumption changes will be amortized over a closed 22-year period, with a 3-year ramp up period, 2-year ramp down period, and 17 years of level payments as a percentage of payroll. The new amortization method is similar to a traditional 20-year amortization period with level payments as a percentage of payroll. The Board also adopted a policy to replace the smoothed actuarial value of assets with the market value of assets for valuation purposes. These new amortization and funding policies in conjunction are a type of policy known as direct rate smoothing.

Experience studies are performed every three years. This valuation was performed on the basis of the economic and demographic assumptions and methods that were determined in the Actuarial Experience Study dated March 6, 2014. A summary of the assumptions and methods used in the current valuation is shown in Appendix B.

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This valuation was prepared based on the plan provisions shown in Appendix C. Employee contribution rates are shown in Appendix D. The rates for PEPRA members will be recomputed each year to be one half of the total normal cost rate.

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**SECTION I
EXECUTIVE SUMMARY**

Key Findings of this Valuation

The following discussion summarizes the key results of the June 30, 2014 valuation and how they compare to the results from the June 30, 2013 valuation.

1. Summary of Key Valuation Results

Table I-1 summarizes the key results of the valuation with respect to assets, liabilities, and contributions.

Table I-1		
Merced County Employees' Retirement Association		
Summary of Key Valuation Results		
(in millions)		
Valuation Date	June 30, 2014	June 30, 2013
Fiscal Year End	2016	2015
Actuarial Liability	\$ 1,096.2	\$ 1,065.3
Actuarial Value of Assets	<u>609.7</u>	<u>547.3</u>
Unfunded Actuarial Liability (actuarial value)	\$ 486.5	\$ 518.0
Funded Ratio (actuarial value)	55.6%	51.4%
Market Value of Assets	<u>657.3</u>	<u>563.0</u>
Unfunded Actuarial Liability (market value)	\$ 438.9	\$ 502.3
Funded Ratio (market value)	60.0%	52.9%
Net Employer Contribution Rate	49.93%	50.09%

More discussion of the factors that affected these results can be found in the remainder of this section, but some key points are as follows:

- The employer contribution rate decreased from 50.09% to 49.93%. Under the old amortization policy, the employer contribution rate would have been 49.06%. These rates reflect the full phase in of the 2013 experience study cost impact. Last year's employer contribution rate, with a two-year phase in of the experience study cost impact, was 47.64%.
- Under the old asset method, the unfunded actuarial liability (UAL) is the excess of the Plan's actuarial liability over the actuarial value of assets. On this basis, the Plan's UAL decreased from \$518.0 to \$486.5 million. This decrease in UAL was primarily due to experience gains from assets and liabilities.

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- Under the new asset method, the UAL is the excess of the Plan's actuarial liability over the market value of assets. The Plan experienced a further decrease in the UAL from this change from \$486.5 to \$438.9 million, a decrease of \$47.6 million.
- The Plan's funded ratio, the ratio of actuarial assets over actuarial liability, increased from 51.4% last year to 55.6% as of June 30, 2014 before any change in asset method.
- The Plan's funded ratio further increased from 55.6% to 60.0% following the asset method change to use market value of assets instead of the actuarial value of assets for the funding calculations. This parallels the changes made to the GASB disclosures under GASB 67, which now requires the Plan to use the market value of assets in the calculation of the funded ratio.

2. Plan Membership

Table I-2 summarizes Plan membership as of June 30, 2014 and June 30, 2013. More detailed membership statistics are shown in Appendix A.

Table I-2 Membership Total			
Item	June 30, 2014	June 30, 2013	% Change
Actives	1,924	1,899	1.3%
Deferred Members	644	618	4.2%
Retired Members	2,135	2,050	4.1%
Total Members	4,703	4,567	3.0%
Active Member Payroll	\$ 115,939,182	\$ 115,983,186	0.0%
Average Pay per Active	60,259	61,076	-1.3%

Some key points are as follows:

- Total Plan membership increased by 3.0%, mostly driven by the increase in deferred and retired members. The active membership count increased by 1.3%.
- The pay figures reflect the annualized rate as of June 30, plus expected increases for the upcoming year. The average pay per active member decreased by 1.3%.

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3. Components of UAL Change between June 30, 2013 and June 30, 2014

Table I-3 is a detailed reconciliation of the components that affected the UAL between June 30, 2013 and June 30, 2014.

Table I-3	
Change in Unfunded Actuarial Liability	
Experience	in millions
1. Unfunded actuarial liability, 6/30/2013	\$ 518.0
2. Expected change in unfunded actuarial liability	\$ (7.7)
3. Unfunded decrease due to investment gain	(22.1)
4. Unfunded increase due to contributions less than expected (including impact of 12-month rate delay)	10.5
5. Unfunded increase due to expenses greater than expected	0.3
6. Unfunded decrease due to liability gain	(12.5)
7. Unfunded decrease due to asset method change	(47.6)
8. Total change in unfunded actuarial liability	(79.1)
9. Unfunded actuarial liability, 6/30/2014	\$ 438.9

The Plan's UAL decreased from \$518.0 million as of June 30, 2013 to \$438.9 million as of June 30, 2014. As shown above, the three largest contributing factors were the change in asset method, investment gains, and liability gains. Most of the liability gain was attributable to lower than expected payroll. Contributions less than expected increased the UAL by \$10.5 million, largely resulting from the 12-month delay in implementing the actuarially determined contribution rates (as well as lower than expected payroll).

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4. Employer Contribution Reconciliation

Table I-4 is a detailed reconciliation between the Fiscal Year 2015 and Fiscal Year 2016 employer contribution rates, in total and by component.

Table I-4				
Employer Contribution Reconciliation				
Item	Total	Normal Cost	Amortization	Expenses
FYE 2015 Net Employer Contribution Rate	50.09%	9.40%	39.77%	0.92%
Change due to investment gain	-1.77%	0.00%	-1.77%	0.00%
Change due to contributions less than expected (including impact of 12-month rate delay)	0.84%	0.00%	0.84%	0.00%
Change due to expenses greater than expected	0.02%	0.00%	0.02%	0.00%
Change due to liability gain	-1.28%	-0.34%	-0.94%	0.00%
Change due to effect of payroll on amortization	1.16%	0.00%	1.15%	0.01%
Change due to amortization method change	<u>0.87%</u>	<u>0.00%</u>	<u>0.87%</u>	<u>0.00%</u>
Total change	-0.15%	-0.34%	0.17%	0.01%
FYE 2016 Net Employer Contribution Rate	49.93%	9.06%	39.94%	0.93%

The employer contribution rate decreased from 50.09% for Fiscal Year 2015 to 49.93% for Fiscal Year 2016:

- Asset experience produced an investment gain on a market basis as well as an actuarial (smoothed) basis. The investment gain on the actuarial value of assets decreased the contribution rate by 1.77% of pay. The assets of the Plan returned 17.1% (net of investment expenses) on a market basis, higher than the assumed rate of 7.75%.
- Contributions less than expected increased the employer contribution rate by 0.84% of pay, largely due to the 12-month delay in implementation of the actuarially determined contribution rates, which can cause losses when contribution rates are increasing.
- Demographic experience was favorable for a net decrease in cost of about 1.28% of pay. However, payroll less than expected increased the employer contribution rate by 1.15% of pay, since it results in the Plan's unfunded actuarial liability being amortized over a less than expected payroll base.
- The new amortization policy recommended by Cheiron and adopted by the Board increased the contribution rate by 0.87%, since it resulted in this year's gains being amortized over a somewhat longer period.

SECTION I
EXECUTIVE SUMMARY

5. Plan Risk

Active Member Payroll	\$	115,939,182
Assets (Market Value)		657,324,917
Ratio of Assets to Payroll		5.67
Ratio with 100% Funding		9.46

One of the most important measures of a plan's risk is the ratio of plan assets to payroll. The table above shows MCERA's assets as a percentage of active member payroll. This ratio indicates the sensitivity of the Plan to the returns earned on Plan assets. We note in the table that assets currently are more than 5 times covered payroll for the Plan; as funding improves and the Plan reaches 100% funding, the ratio of assets to payroll will increase to over 9 times payroll, perhaps higher depending on the Plan's future demographic makeup.

To appreciate the impact of the ratio of assets to payroll on contributions rates, consider the situation for a new plan with almost no assets. Even if the assets suffer a bad year of investment returns, the impact on the contribution rate is nil, because the assets are so small.

On the other hand, consider the situation for MCERA. Suppose MCERA's assets lose 10% of their value in a year. Since they were assumed to earn 7.75%, there is an actuarial loss of 17.75% of plan assets. Based on the current ratio of assets to payroll (567%), that means the loss in assets is about 101% of active payroll (567% of the 17.75% loss). There is only one source of funding to make up for this loss: the employers. Consequently, barring future offsetting investment gains, the employers must make up the asset loss in future contributions. In this example of a one year loss of 10%, this shortfall will eventually require an additional amortization payment in the vicinity of 7.8% of payroll if amortized over 20 years.

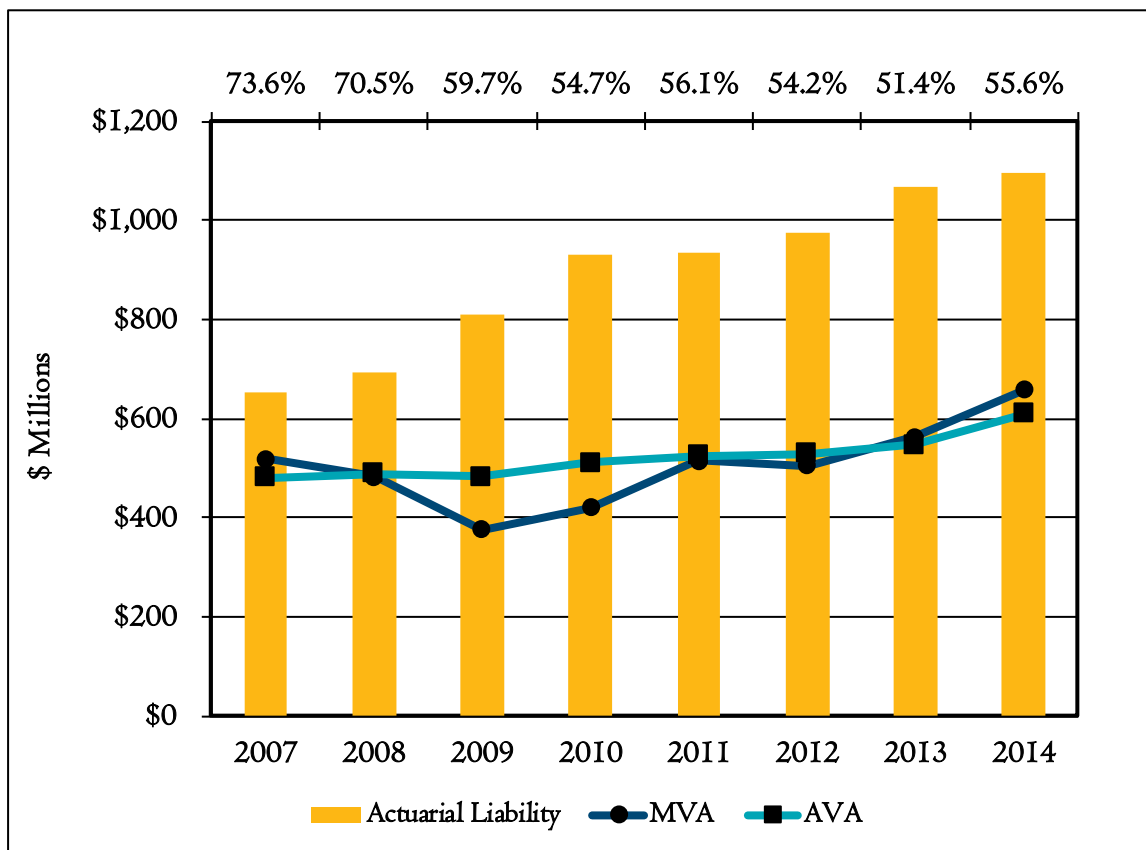
SECTION I
 EXECUTIVE SUMMARY

B. Historical Trends

Despite the fact that for most retirement plans the greatest attention is given to the current valuation results and in particular the size of the current unfunded actuarial liability and the employer contribution, it is important to remember that each valuation is merely a snapshot in the long-term progress of a pension fund. It is more important to judge a current year's valuation result relative to historical trends, as well as trends expected into the future.

Assets and Liabilities

The chart below compares the Market Value of Assets (MVA) and Actuarial Value of Assets (AVA) to the Actuarial Liabilities. The percentage shown at the top of each bar is the ratio of the Actuarial Value of Assets to the Actuarial Liability (the funded ratio). The funded ratio has declined from 73.6% in 2007 to 55.6% as of June 30, 2014. In future valuations, the funded ratios shown will be based on the Market Value of Assets.

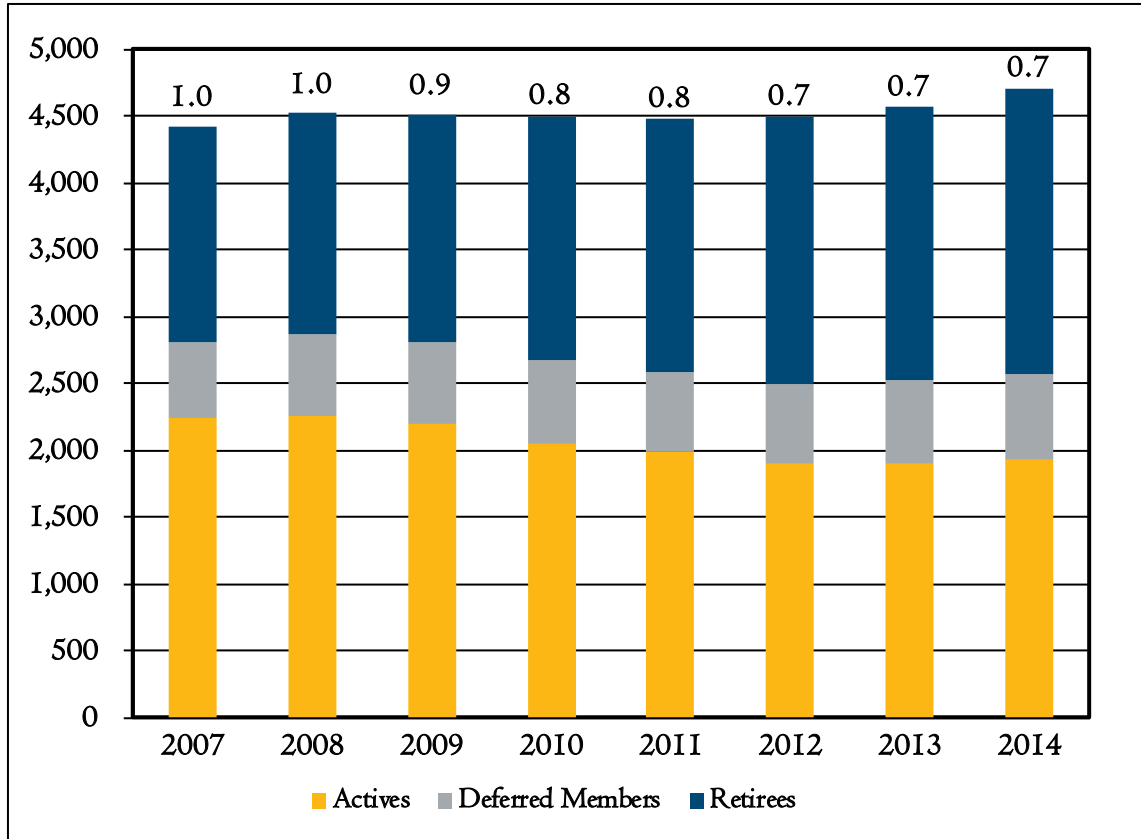


The extraordinary asset loss of 2008 adversely affected the funded ratio from 2009 to 2013. The 2008 losses have now been fully recognized, which can be seen in the increase in the 2014 funded ratio. The 2014 funded ratio was further increased by liability gains.

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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SECTION I
EXECUTIVE SUMMARY

Participant Trends

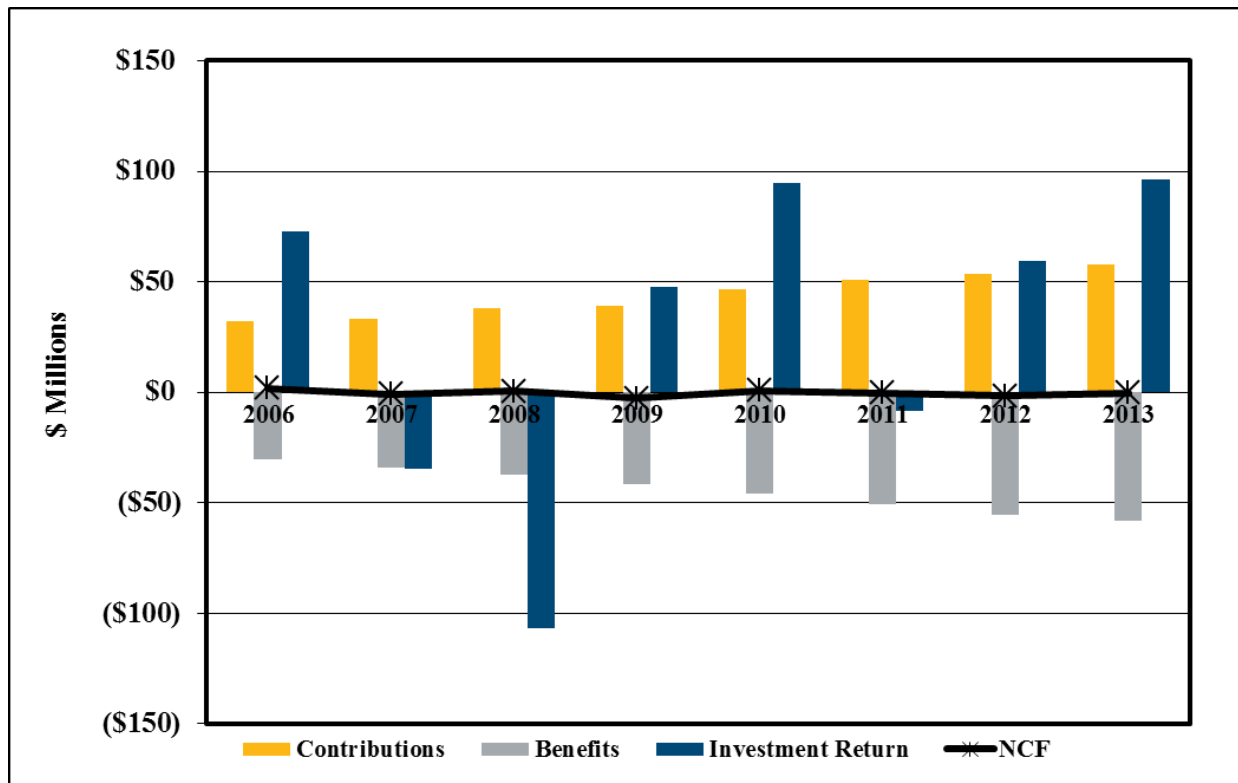


The chart above provides a measure for Plan maturity by comparing the ratio of active members to inactive members (retirees and deferred members). These ratios are given at the top of each bar. The active-to-inactive ratio has decreased from 2007 to 2014, indicating the ongoing maturation of the Plan. While this is neither good nor bad in itself, it does have implications for the risk profile of the Plan, as discussed under Table I-5 earlier in this section.

SECTION I
 EXECUTIVE SUMMARY

Cash Flows

The chart below shows the Plan's cash flow (contribution less benefit payments). This is a critical measure, as it reflects the ability to have funds available to meet benefit payments without having to make difficult investment decisions, especially during volatile markets.



In the chart above, the contributions, benefit payments and investment returns are shown as bars and the Plan's net cash flow (NCF) is shown as a black line. The NCF, which is equal to contributions less benefit payments, has been close to zero for the entire period shown. A negative cash flow magnifies the losses during a market decline hindering the Plan in its ability to absorb market fluctuations. The implications of a plan in negative cash flow are that the impact of market fluctuations can be more severe: As assets are being depleted to pay benefits in down markets, there is less principal available to be reinvested during favorable return periods.

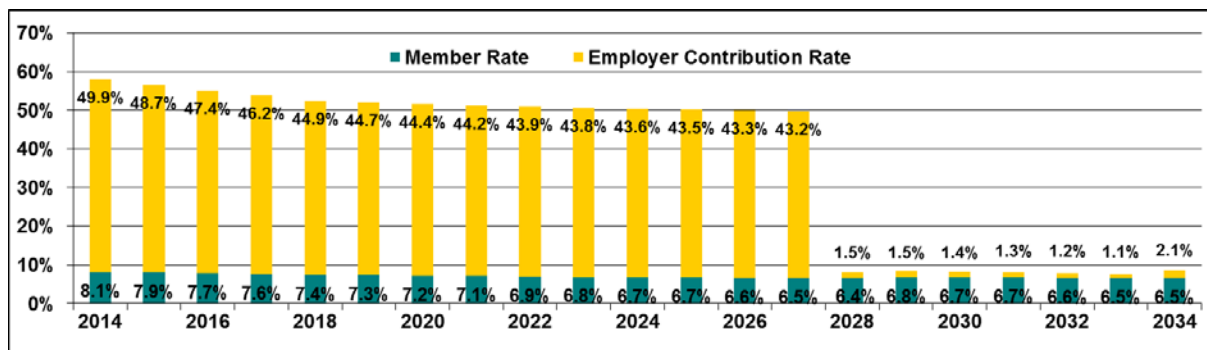
SECTION I
 EXECUTIVE SUMMARY

C. Future Expected Financial Trends

The analysis of projected financial trends is perhaps the most important component of this valuation. In this Section, we present our assessment of the implications of the June 30, 2014 valuation results in terms of benefit security (assets over liabilities). All the projections in this section are based on the current interest rate assumption of 7.75%. We have assumed future salary increases of 3.00% per year.

The following graph shows the expected employer and member contribution rates based on actually achieving the 7.75% assumption each year for the next 20 years, which is clearly impossible.

Projection of Employer and Member Contributions, 7.75% return each year



The graph above shows employer contributions peaking at 49.9% in the June 30, 2014 valuation (for Fiscal Year 2016), decreasing slightly in the subsequent years, and then dropping off significantly in 2028 once the amortization of the unfunded actuarial liability is complete.

Note that the graph above does not forecast any actuarial gains or losses. Even relatively modest losses relative to the 7.75% assumed return could push the employer contribution rate over 50% in the next few years.

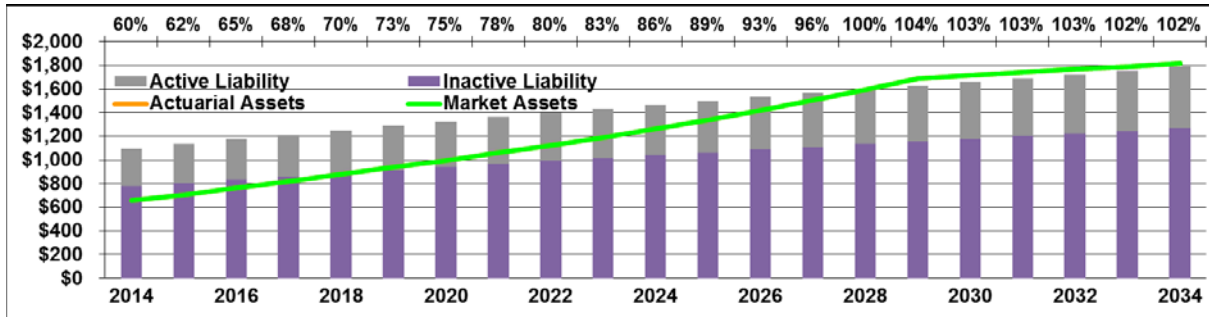
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SECTION I
 EXECUTIVE SUMMARY

Asset and Liability Projections:

The following graph shows the projection of assets and liabilities assuming that assets will earn the 7.75% assumption each year during the projection period.

Projection of Assets and Liabilities, 7.75% return each year



The graph shows that the projected funded status increases over the next 20 years to 107%, assuming the actuarial assumptions are achieved. However, as above, it is the actual return on Plan assets that will determine the future funded status and contribution rates.

The liabilities have been divided into those associated with the active employees and the inactive members (members in pay status or eligible to receive a deferred benefit). If the Plan's asset level drops below the liabilities for the inactive members, it indicates that no Plan assets have been set aside to fund future benefits for current active participants.

The Plan's funding policy states that if the inactive funded ratio (the ratio of actuarial value of assets to the inactive liabilities) is less than 100% for three consecutive years, then in the third year, the amortization period may be decreased by the Board in order to achieve a projected inactive funded ratio of 100% within 8 years. In the June 30, 2014 valuation the inactive funded ratio was again below 100%; however, as can be seen from the graph, by 2022 the actuarial value of assets is projected to exceed the inactive actuarial liability (purple bar), so consideration of an adjustment is not required at this time.

SECTION II ASSETS

Pension Plan assets play a key role in the financial operation of the Plan and in the decisions the Board may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact benefit levels, employer contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on Plan assets including:

- **Disclosure** of Plan assets as of June 30, 2013 and June 30, 2014;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**, and
- Historical **investment performance**.

In prior valuations, a distinction was made between actuarial assets and valuation assets, with the latter reduced for non-valuation reserves, such as the Contingency Reserve. Since there are no such reserves as of June 30, 2013 and June 30, 2014, the two asset values are equal, and throughout this report we have used the term actuarial value of assets exclusively, except to show the history of returns on the valuation assets in Table II-4.

Disclosure

There are two types of asset values disclosed in the valuation, the market value of assets and the actuarial value of assets. The market value represents "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. The actuarial value of assets reflects smoothing of annual investment returns.

As of June 30, 2014, the actuarial value of assets is no longer used in the calculations of the unfunded actuarial liability or funded status due to the implementation of the new funding policy adopted by the Board on January 22, 2015. This policy change was made in conjunction with the new 24-year layered amortization of any unexpected changes in the unfunded actuarial liability starting with the June 30, 2014 valuation. The calculation of the actuarial value of assets continues to be shown in this valuation report since the actuarial investment gain/loss for July 1, 2013 to June 30, 2014 is still based on the actuarial value of assets.

Table II-1 on the next page discloses and compares each asset value as of June 30, 2013 and June 30, 2014.

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**SECTION II
ASSETS**

Table II-1		
Statement of Assets at Market Value		
Assets	June 30, 2014	June 30, 2013
Cash and Short-Term Investments:		
Cash invested with Merced County Treasurer	\$ 2,449,151	\$ 2,344,805
Cash invested with BNY Mellon	7,834,346	10,123,758
Other cash and cash equivalents with BNY Mellon	15,754,517	5,475,149
Securities lending collateral	<u>7,360,482</u>	<u>8,859,257</u>
Total Cash and Short-Term Investments	\$ 33,398,495	\$ 26,802,969
Receivables:		
Bond interest	\$ 820,494	\$ 1,386,081
Dividends	264,316	283,220
Contributions	2,585,758	2,227,202
Securities sold	1,561,777	1,047,035
Other	<u>3,933</u>	<u>4,008</u>
Total Receivables	\$ 5,236,277	\$ 4,947,546
Investments at Market Value:		
U.S. government and agency obligations	\$ 57,177,311	\$ 67,201,713
Domestic fixed income	111,566,693	82,944,970
Common stocks (domestic)	30,444,340	40,861,971
Common stocks (index funds)	152,338,457	142,050,349
Common stocks (international)	173,623,978	143,111,618
Real estate	43,459,904	39,258,498
Alternative investments	<u>58,567,407</u>	<u>24,940,316</u>
Total Investments at Market Value	\$ 627,178,089	\$ 540,369,435
Other Assets:		
Prepaid expense	\$ 0	\$ 7,863
Capital assets, net of accumulated depreciation of \$71,835 and \$70,509 respectively	<u>2,128,552</u>	<u>1,614,596</u>
Total Assets	667,941,413	573,742,409
Liabilities		
Accounts payable	\$ 459,611	\$ 558,755
Securities lending obligation	7,360,482	8,859,257
Securities purchased	2,785,044	1,279,439
Unclaimed contributions	<u>11,359</u>	<u>24,885</u>
Total Liabilities	10,616,496	10,722,336
Market Value of Assets	\$ 657,324,917	\$ 563,020,073

SECTION II
ASSETS

Changes in Market Value

The components of asset change are:

- Contributions (employer and employee)
- Benefit payments
- Expenses (investment and administrative)
- Investment income (realized and unrealized)

Table II-2 on the next page shows the components of change in the market value of assets during 2013 and 2014.

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**SECTION II
ASSETS**

Table II-2 Changes in Market Values		
	Fiscal Year ending June 30, 2014	Fiscal Year ending June 30, 2013
Additions		
Contributions:		
Employer	\$ 48,032,338	\$ 43,783,663
Plan members	9,642,819	9,927,749
Total Contributions	\$ 57,675,157	\$ 53,711,412
Investment Income/(Loss) from Investment Activities:		
Net appreciation/(depreciation) in fair value of investments	\$ 86,886,413	\$ 52,053,576
Investment income	11,665,042	11,324,520
Other revenue	26,540	44,398
Less investment expenses	(2,434,091)	(2,471,537)
Total Investment Income/(Loss) from Investment Activities	\$ 96,143,904	\$ 60,950,957
Securities Lending Income:		
Securities lending income	\$ 12,852	\$ 20,866
Securities lending rebates	62,298	111,576
Total Securities Lending Income	\$ 75,151	\$ 132,442
Total Investment Income/(Loss)	\$ 96,219,055	\$ 61,083,399
Total Additions	153,894,212	114,794,811
Deductions		
Benefits paid	\$ 57,338,930	\$ 54,257,547
Refunds of contributions	703,091	1,082,050
Administrative expense	1,434,671	1,496,338
Actuarial expense	112,676	71,402
401(h) distribution to County	0	0
Total Deductions	59,589,368	56,907,337
Net Increase/(Decrease)	\$ 94,304,844	\$ 57,887,474
Market Value of Assets, Beginning of Year	563,020,073	505,132,599
Market Value of Assets, End of Year	\$ 657,324,917	\$ 563,020,073

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**SECTION II
ASSETS**

Actuarial Value of Assets (AVA)

The actuarial value of assets is no longer used to calculate the unfunded actuarial liability or the funded status of the Plan. The table below shows the development of the actuarial value of assets but is shown for illustrative purposes only.

Table II-3		
Development of Actuarial Value of Assets as of 6/30/2014		
(in thousands)		
Item		Total
1. Market Value as of 6/30/2013	\$	563,020
2. Non-Investment Cash Flow for 2013-2014		(1,914)
3. Expected Return in 2013-2014		<u>43,561</u>
4. Expected Market Value as of 6/30/2014: (1 + 2 + 3)	\$	604,667
5. Actual Return in 2013-2014		96,219
6. Actual Return Above Expected in 2013-2014: (5 - 3)		52,658
7. Market Value as of 6/30/2014	\$	657,325
8. Deferred Recognition of Returns Above Expected		
a. 2013-2014 (80% of 6.)	\$	42,126
b. 2012-2013 (60% of \$20,430,975)		12,259
c. 2011-2012 (40% of -\$48,108,996)		(19,244)
d. 2010-2011 (20% of \$62,180,059)		<u>12,436</u>
e. Total: (8a + 8b + 8c + 8d)	\$	47,577
9. Preliminary Actuarial Value of Assets (7 - 8e)	\$	609,748
10. Corridor Limit		
a. 70% of Market Value	\$	460,127
b. 130% of Market Value		854,522
11. Actuarial Value after Corridor as of 6/30/2014	\$	609,748
12. Special (Non Valuation) Reserves		
a. Contingency Reserve	\$	<u>0</u>
b. Total Special Reserves		0
13. Pension Reserves at Actuarial Value (Valuation Assets): (11 - 12b)	\$	609,748

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

SECTION II
 ASSETS

Investment Performance

The following table shows the historical annual asset returns on a market value and actuarial value basis, as well in the increase in the Consumer Price Index (CPI) since 1995.

Table II-4				
Net Return on Assets vs. Increase in Consumer Price Index				
Year Ended June 30	Net Return at Market Value	Net Return at Actuarial Value	Net Return at Valuation Assets	Increase in Consumer Price Index*
1995		4.4%		3.0%
1996	9.8%	9.8%		2.8%
1997	16.7%	11.6%		2.3%
1998	13.9%	12.7%		1.7%
1999	10.0%	12.3%		2.0%
2000	9.1%	11.5%		3.7%
2001	-3.6%	8.6%		3.2%
2002	-5.6%	4.9%		1.1%
2003	4.6%	3.3%		2.1%
2004	12.6%	3.3%		3.3%
2005	8.7%	2.5%		2.5%
2006	7.6%	4.7%		4.3%
2007	16.3%	8.9%		2.7%
2008	-6.7%	1.2%		5.0%
2009	-22.1%	-4.9%	2.7%	-1.4%
2010	12.7%	7.0%	6.0%	1.1%
2011	22.6%	2.6%	2.7%	3.6%
2012	-1.6%	0.6%	1.0%	1.7%
2013	11.8%	3.8%	3.8%	1.8%
2014	17.1%	11.8%	11.8%	2.1%
15-Year Compound Average	4.9%	4.6%	N/A	2.4%
10-Year Compound Average	5.8%	3.7%	N/A	2.3%
5-Year Compound Average	12.2%	5.1%	5.0%	2.1%

* Based on All Urban Consumers - U.S. City Average, June indices.

**SECTION III
LIABILITIES**

In this section, we present detailed information on Plan liabilities including:

- **Disclosure** of Plan liabilities at June 30, 2013 and June 30, 2014, and
- Plan liabilities by **tier** as of June 30, 2014.

Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of Future Benefits:** Used for measuring all future Plan obligations, represents the amount of money needed today to fully pay off all benefits of the Plan both earned as of the valuation date and those to be earned in the future by current plan participants, under the current Plan provisions.
- **Actuarial Liability:** Used for funding calculations, this liability is calculated taking the Present Value of Future Benefits and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. The method used for this Plan is called the **Entry Age Normal** (EAN) funding method.
- **Unfunded Actuarial Liability:** The excess of the Actuarial Liability over the Actuarial Value of Assets.

Table III-1 on the following page discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of Plan assets yields, for each respective type, a **net surplus** or an **unfunded actuarial liability**.

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

**SECTION III
LIABILITIES**

Table III-1		
Present Value of Future Benefits and Actuarial Liability		
(in thousands)		
Item	June 30, 2014	June 30, 2013
Present Value of Future Benefits		
Actives	\$ 448,922	\$ 469,162
Deferred Members	38,616	37,603
Retirees	637,262	597,716
Disabled	58,524	57,559
Beneficiaries	43,642	38,862
Total MCERA	\$ 1,226,967	\$ 1,200,902
Actuarial Liability		
Total Present Value of Benefits	\$ 1,226,967	\$ 1,200,902
Present Value of Future Normal Costs		
Employer Portion	68,613	71,248
Employee Portion	62,112	64,356
Actuarial Liability	\$ 1,096,241	\$ 1,065,298
Market Value of Assets*	\$ 657,325	\$ 547,264
Unfunded Actuarial Liability/(Surplus)	\$ 438,916	\$ 518,034

* Actuarial Value of Assets shown for 2013.

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**SECTION III
LIABILITIES**

Table III-2 discloses the liabilities of the Plan as of June 30, 2014, split by tier.

Table III-2											
Liabilities by Group as of June 30, 2014											
(in thousands)											
Present Value of Future Benefits	General					Safety					All
	Tier 1	Tier 2	Tier 3	Tier 4	Total	Tier 1	Tier 2	Tier 3	Tier 4	Total	Total
Actives	\$ 102,072	\$ 241,918	\$ 2,437	\$ 8,558	\$ 354,985	\$ 31,278	\$ 59,407	\$ 305	\$ 2,947	\$ 93,936	\$ 448,922
Deferred Members	14,306	16,409	11	10	30,737	4,371	3,382	2	124	7,880	38,616
Retirees	499,169	36,447	-	-	535,616	99,119	2,527	-	-	101,646	637,262
Disabled	17,198	3,428	-	-	20,625	34,143	3,756	-	-	37,899	58,524
Beneficiaries	29,600	1,348	-	-	30,948	12,591	103	-	-	12,694	43,642
Total	\$ 662,344	\$ 299,550	\$ 2,448	\$ 8,569	\$ 972,912	\$ 181,502	\$ 69,175	\$ 307	\$ 3,070	\$ 254,055	\$ 1,226,967
Actuarial Liability											
Actives	\$ 92,015	\$ 163,797	\$ 348	\$ 663	\$ 256,823	\$ 27,567	\$ 33,602	\$ 26	\$ 178	\$ 61,373	\$ 318,196
Deferred Members	14,306	16,409	11	10	30,737	4,371	3,382	2	124	7,880	38,616
Retirees	499,169	36,447	-	-	535,616	99,119	2,527	-	-	101,646	637,262
Disabled	17,198	3,428	-	-	20,625	34,143	3,756	-	-	37,899	58,524
Beneficiaries	29,600	1,348	-	-	30,948	12,591	103	-	-	12,694	43,642
Total	\$ 652,287	\$ 221,429	\$ 360	\$ 674	\$ 874,750	\$ 177,791	\$ 43,370	\$ 29	\$ 302	\$ 221,491	\$ 1,096,241

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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**SECTION IV
CONTRIBUTIONS**

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For this Plan, the actuarial funding method used to determine the normal cost and the unfunded actuarial liability is the **Entry Age Normal (EAN)** cost method. There are three primary components to the total contribution: the **normal cost rate** (employee and employer), the **unfunded actuarial liability rate** (UAL rate), and the **administrative expense rate**.

The normal cost rate is determined in the following steps. First, an individual normal cost rate is determined by taking the value, as of entry age into the Plan, of each member's projected future benefits. This value is then divided by the value, also at entry age, of the member's expected future salary producing a normal cost rate that should remain relatively constant over a member's career. The total normal cost is adjusted with interest to the middle of the year, to reflect the fact that the normal cost contributions are paid throughout the year as member payroll payments are made. Finally, the total normal cost rate is reduced by the member contribution rate to produce the employer normal cost rate.

As of this valuation, the unfunded actuarial liability (UAL) is the difference between the EAN actuarial liability and the market value of assets. In prior valuations, the actuarial value of assets was used to calculate the UAL. The unfunded actuarial liability payment is determined as the amount needed to fund the outstanding unfunded actuarial liability as of June 30, 2013 over a closed period with 16 years remaining, as a level percentage of pay. Any subsequent unexpected change in the unfunded actuarial liability after June 30, 2013 is amortized over 24 years (22 years for assumption changes) that includes a 5-year phase-in/out (3 years for assumption changes) of the payments/credits for each annual layer.

The administrative expenses are assumed to be \$1.25 million per year.

The tables below present the employer contribution rates for the Plan for this valuation.

Table IV-1 Development of the Net Employer Contribution Rate as of June 30, 2014 for FYE 2016		
	June 30, 2014	June 30, 2013
1. Total Normal Cost Rate	16.97%	17.58%
2. Member Contribution Rate*	<u>7.91%</u>	<u>8.18%</u>
3. Employer Normal Cost Rate (1-2)	9.06%	9.40%
4. UAL Amortization Rate	39.94%	39.77%
5. Administrative Expense Rate	0.93%	0.92%
6. Net Employer Contribution Rate (3+4+5)	49.93%	50.09%

* Not including member's share of administrative expenses.

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**SECTION IV
CONTRIBUTIONS**

Table IV-2 FYE 2016 Net Employer Contribution Rate by Group											
	General					Safety					All
	Tier 1	Tier 2	Tier 3	Tier 4	Total	Tier 1	Tier 2	Tier 3	Tier 4	Total	Total
County											
1. Total Normal Cost Rate	20.17%	15.85%	11.15%	10.03%	15.69%	31.58%	22.04%	18.82%	17.70%	23.16%	16.97%
2. Member Contribution Rate*	<u>9.90%</u>	<u>7.85%</u>	<u>5.19%</u>	<u>5.02%</u>	<u>7.76%</u>	<u>11.65%</u>	<u>8.03%</u>	<u>7.89%</u>	<u>8.85%</u>	<u>8.66%</u>	<u>7.91%</u>
3. Employer Normal Cost Rate (1-2)	10.27%	8.00%	5.96%	5.01%	7.93%	19.93%	14.01%	10.93%	8.85%	14.50%	9.06%
4. UAL Amortization Rate	38.63%	38.63%	38.63%	38.63%	38.63%	46.39%	46.39%	46.39%	46.39%	46.39%	39.94%
5. Administrative Expense Rate	<u>0.93%</u>	<u>0.89%</u>	<u>0.85%</u>	<u>0.83%</u>	<u>0.88%</u>	<u>1.26%</u>	<u>1.15%</u>	<u>1.09%</u>	<u>1.05%</u>	<u>1.16%</u>	<u>0.93%</u>
6. Net Employer Contribution Rate (3+4+5)	49.83%	47.52%	45.44%	44.47%	47.44%	67.58%	61.55%	58.41%	56.29%	62.05%	49.93%
Cemetery District											
1. Total Normal Cost Rate		12.63%									
2. Member Contribution Rate*		<u>7.05%</u>									
3. Employer Normal Cost Rate (1-2)		5.58%									
4. UAL Amortization Rate		38.63%									
5. Administrative Expense Rate		<u>0.84%</u>									
6. Net Employer Contribution Rate (3+4+5)		45.05%									

* Not including member's share of administrative expenses.

Table IV-3 Development of UAL Amortization Rates for FYE 2016						
	General		Safety		Total	
1. Unfunded Actuarial Liability (UAL)	\$	352,699,456	\$	86,216,865	\$	438,916,321
2. UAL Amortization (see table IV-4)	\$	37,213,477	\$	9,096,780	\$	46,310,257
3. Total Payroll		96,329,528		19,609,654		115,939,182
4. UAL Amortization Rate (2 divided by 3)		38.63%		46.39%		39.94%

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**SECTION IV
CONTRIBUTIONS**

The tables below present the calculation of the UAL payments for the System under both the new and the old amortization policy for this valuation.

Table IV-4 Development of Amortization Payment (New Method) For the June 30, 2014 Actuarial Valuation							
Type of Base	Date Established	Initial Amount	Initial Amortization Years	June 30, 2014 Outstanding Balance	Remaining Amortization Years	Current Phase In/Out Percentage	Amortization Amount
1. Initial UAL	6/30/2013	\$ 518,034,325	16	\$ 510,300,524	15	100%	\$ 47,511,198
2. (Gain)/Loss Base	6/30/2014	(71,384,203)	24	<u>(71,384,203)</u>	24	20%	<u>(1,200,941)</u>
Total				\$ 438,916,321			\$ 46,310,257

Table IV-5 Development of Amortization Payment (Old Method) For the June 30, 2014 Actuarial Valuation						
Type of Base	Date Established	Initial Amount	Initial Amortization Years	June 30, 2014 Outstanding Balance	Remaining Amortization Years	Amortization Amount
1. Initial UAL	6/30/2013	\$ 518,034,325	16	\$ 510,300,524	15	\$ 47,511,198
2. (Gain)/Loss Base	6/30/2014	(23,806,972)	15	<u>(23,806,972)</u>	15	<u>(2,216,533)</u>
Total				\$ 486,493,552		\$ 45,294,665

SECTION V
COMPREHENSIVE ANNUAL FINANCIAL REPORTING INFORMATION

The GASB adopted Statement Nos. 67 and 68, which replaced GASB Statement Nos. 25 and 27. GASB 67 is effective for periods beginning after June 15, 2013 (first effective for the fiscal year ending June 30, 2014 for the Plan) and GASB 68 is effective for fiscal years beginning after June 15, 2014 (first effective for the fiscal year ending June 30, 2015 for the Employer). The disclosures needed to satisfy the new GASB requirements can be found in the MCERA GASB 67/68 Report as of June 30, 2014.

In accordance with Governmental Finance Officers Association (GFOA) and their recommended checklist for Comprehensive Annual Financial Reports (CAFRSs), we continue to prepare the following disclosures:

Analysis of Financial Experience

This schedule shows the history of gains or losses arising from investment and liability sources, as well as non-recurring items.

Solvency Test

The solvency test shows the portion of actuarial liabilities for active member contributions, inactive members, and the employer financed portion of the active members that are covered by the actuarial value of assets.

Actuarial Balance Sheet

The actuarial balance sheet shows the components of the actuarial liabilities of the plan and the actuarial assets that are intended to satisfy those liabilities.

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

SECTION V
COMPREHENSIVE ANNUAL FINANCIAL REPORTING INFORMATION

Table V-1

ANALYSIS OF FINANCIAL EXPERIENCE
Gain (or Loss) in Actuarial Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience
and Actual Experience

(in thousands)

Type of Activity	Gain (or Loss) for Year Ending June 30						
	2014	2013	2012	2011	2010	2009	2008
Investment Income and Expenses	\$ 22,058	\$ (20,749)	\$ (40,054)	\$ (30,955)	\$ (16,151)	\$ (66,987)	\$ (48,840)
Combined Liability Experience	<u>12,533</u>	<u>(4,199)</u>	<u>(11,401)</u>	<u>13,824</u>	<u>(8,100)</u>	<u>(23,892)</u>	<u>14,186</u>
Gain (or Loss) During Year from Financial Experience	\$ 34,591	\$ (24,948)	\$ (51,455)	\$ (17,131)	\$ (24,251)	\$ (90,879)	\$ (34,654)
Non-Recurring Gain (or Loss) Items	<u>36,803</u>	<u>(49,294)</u>	<u>16,069</u>	<u>12,918</u>	<u>(63,410)</u>	<u>-</u>	<u>-</u>
Composite Gain (or Loss) During Year	\$ 71,394	\$ (74,242)	\$ (35,386)	\$ (4,213)	\$ (87,661)	\$ (90,879)	\$ (34,654)

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

SECTION V
 COMPREHENSIVE ANNUAL FINANCIAL REPORTING INFORMATION

Table V-2									
SOLVENCY TEST									
(dollars in thousands)									
Valuation Date	(A)	(B)	(C)		Portion of Actuarial Liabilities Covered by Reported Assets				
	Active Member Contributions	Retirees And Beneficiaries	Remaining Active Members' Liabilities ¹	Reported Assets ²	(A)	(B)	(C)		
June 30, 2014	\$ 75,582	\$ 739,428	\$ 281,231	\$ 657,325	100%	79%	0%		
2013 ³	73,311	694,137	297,850	547,264	100%	68%	0%		
2012 ⁴	66,407	632,319	276,882	528,728	100%	73%	0%		
2011 ⁵	65,723	558,483	309,711	523,980	100%	82%	0%		
2010 ⁶	64,917	532,695	333,220	509,561	100%	83%	0%		
2009	65,126	448,231	296,324	483,145	100%	93%	0%		

¹ Includes deferred members.

² Actuarial Value of Assets. As of June 30, 2014, the Market Value of Assets is used.

³ Reflects revised economic and demographic assumptions.

⁴ Reflects revised demographic assumptions.

⁵ Reflects revised EAN methodology and economic assumptions.

⁶ Reflects revised economic and demographic assumptions.

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**SECTION V
COMPREHENSIVE ANNUAL FINANCIAL REPORTING INFORMATION**

Table V-3 Actuarial Balance Sheet as of June 30, 2014	
Assets	
1. Market value of assets	\$ 657,324,917
2. Present value of future contributions by members	62,112,406
3. Present value of future employer contributions for normal cost	68,613,059
4. Present value of other future employer contributions (UAL)	438,916,321
5. Total actuarial assets	\$ 1,226,966,703
Liabilities	
6. Present value of retirement allowances payable to retired/disabled members and their survivors	\$ 739,428,444
7. Present value of service retirement allowances payable to presently active members and their survivors	391,655,376
8. Present value of allowances payable to current and future vested terminated and their survivors	69,870,161
9. Present value of disability retirement allowances payable to presently active members and their survivors	15,231,199
10. Present value of death benefits payable on behalf of presently active members	5,413,034
11. Present value of members' contributions to be returned upon withdrawal	5,368,489
12. Special Reserves	-
13. Total actuarial liabilities	\$ 1,226,966,703

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A
MEMBERSHIP INFORMATION**

Summary of Participant Data (By Group) as of June 30, 2014

	General	Safety	Total
Active Participants			
Number	1,624	300	1,924
Average Age	44.49	38.13	43.49
Average Service	10.21	9.81	10.14
Average Pay	\$56,468	\$62,070	\$57,341
Service Retired			
Number	1,476	183	1,659
Average Age	69.42	65.16	68.95
Average Annual Total Benefit	\$29,602	\$41,089	\$30,869
Beneficiaries			
Number	240	55	295
Average Age	74.05	68.85	73.08
Average Annual Total Benefit	\$14,167	\$23,312	\$15,872
Duty Disabled			
Number	51	81	132
Average Age	68.64	61.46	64.24
Average Annual Total Benefit	\$22,767	\$31,346	\$28,032
Non-Duty Disabled			
Number	47	2	49
Average Age	68.37	56.19	67.87
Average Annual Total Benefit	\$14,068	\$21,040	\$14,352
Total Receiving Benefits			
Number	1,814	321	2,135
Average Age	69.98	64.80	69.20
Average Annual Total Benefit	\$26,965	\$35,460	\$28,242
Terminated Vested			
Number	211	21	232
Average Age	51.39	40.27	50.38
Average Service	9.89	8.23	9.74
Transfers			
Number	214	68	282
Average Age	49.18	42.56	47.58
Average Service	16.50	16.59	16.53
Funds on Account			
Number	115	15	130
Average Age	44.38	32.78	43.04
Average Service	1.49	0.80	1.41
Total Deferred			
Number	540	104	644
Average Age	49.02	40.68	47.68
Average Service	10.72	12.63	11.03

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A
MEMBERSHIP INFORMATION**

Summary of Participant Data (General) as of June 30, 2014

	General Tier 1	General Tier 2	General Tier 3	General Tier 4	General Total
Active Participants					
Number	158	1,210	41	215	1,624
Average Age	53.28	45.26	36.21	35.25	44.49
Average Service	23.27	10.40	3.91	0.72	10.21
Average Pay	\$75,184	\$56,449	\$51,882	\$43,697	\$56,468
Service Retired					
Number	1,273	203	N/A	N/A	1,476
Average Age	70.08	65.24	N/A	N/A	69.42
Average Annual Total Benefit	\$31,612	\$16,999	N/A	N/A	\$29,602
Beneficiaries					
Number	225	15	N/A	N/A	240
Average Age	75.25	56.05	N/A	N/A	74.05
Average Annual Total Benefit	\$14,562	\$8,241	N/A	N/A	\$14,167
Duty Disabled					
Number	42	9	N/A	N/A	51
Average Age	70.87	58.23	N/A	N/A	68.64
Average Annual Total Benefit	\$22,810	\$22,567	N/A	N/A	\$22,767
Non-Duty Disabled					
Number	37	10	N/A	N/A	47
Average Age	70.21	61.56	N/A	N/A	68.37
Average Annual Total Benefit	\$14,927	\$10,889	N/A	N/A	\$14,068
Total Receiving Benefits					
Number	1,577	237	N/A	N/A	1,814
Average Age	70.84	64.24	N/A	N/A	69.98
Average Annual Total Benefit	\$28,553	\$16,398	N/A	N/A	\$26,965
Terminated Vested					
Number	87	121	3	N/A	211
Average Age	56.98	47.59	42.61	N/A	51.39
Average Service	10.76	9.30	9.05	N/A	9.89
Transfers					
Number	63	150	1	N/A	214
Average Age	55.23	46.76	31.87	N/A	49.18
Average Service	25.91	12.66	0.86	N/A	16.50
Funds on Account					
Number	10	91	4	10	115
Average Age	58.05	44.31	30.36	36.95	44.38
Average Service	2.00	1.58	0.83	0.43	1.49
Total Deferred					
Number	160	362	8	10	540
Average Age	56.36	46.42	35.14	36.95	49.02
Average Service	16.18	8.75	3.91	0.43	10.72

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A
MEMBERSHIP INFORMATION**

Summary of Participant Data (Safety) as of June 30, 2014

	Safety Tier 1	Safety Tier 2	Safety Tier 3	Safety Tier 4	Safety Total
Active Participants					
Number	37	223	3	37	300
Average Age	48.40	38.07	30.58	28.83	38.13
Average Service	21.08	9.52	4.47	0.66	9.81
Average Pay	\$82,065	\$62,330	\$47,263	\$41,705	\$62,070
Service Retired					
Number	173	10	N/A	N/A	183
Average Age	65.45	60.06	N/A	N/A	65.16
Average Annual Total Benefit	\$42,196	\$21,944	N/A	N/A	\$41,089
Beneficiaries					
Number	54	1	N/A	N/A	55
Average Age	69.32	43.34	N/A	N/A	68.85
Average Annual Total Benefit	\$23,590	\$8,311	N/A	N/A	\$23,312
Duty Disabled					
Number	69	12	N/A	N/A	81
Average Age	63.20	51.46	N/A	N/A	61.46
Average Annual Total Benefit	\$32,371	\$25,456	N/A	N/A	\$31,346
Non-Duty Disabled					
Number	2	N/A	N/A	N/A	2
Average Age	56.19	N/A	N/A	N/A	56.19
Average Annual Total Benefit	\$21,040	N/A	N/A	N/A	\$21,040
Total Receiving Benefits					
Number	298	23	N/A	N/A	321
Average Age	65.57	54.85	N/A	N/A	64.80
Average Annual Total Benefit	\$36,407	\$23,184	N/A	N/A	\$35,460
Terminated Vested					
Number	3	18	N/A	N/A	21
Average Age	54.35	37.93	N/A	N/A	40.27
Average Service	10.88	7.79	N/A	N/A	8.23
Transfers					
Number	21	46	N/A	1	68
Average Age	51.72	38.77	N/A	24.10	42.56
Average Service	25.86	12.71	N/A	0.78	16.59
Funds on Account					
Number	N/A	10	2	3	15
Average Age	N/A	35.58	25.60	28.26	32.78
Average Service	N/A	0.97	0.39	0.48	0.80
Total Deferred					
Number	24	74	2	4	104
Average Age	52.05	38.13	25.60	27.22	40.68
Average Service	23.99	9.93	0.39	0.56	12.63

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A
MEMBERSHIP INFORMATION**

Change in Plan Membership: Total

	Actives	Transfers	Non-Vested Terminations	Vested Terminations	Non - Duty Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2013	1,899	277	118	223	47	133	1,592	278	4,567
New Entrants	206	0	0	0	0	0	0	0	206
Rehires	2	(1)	0	(1)	0	0	0	0	0
Duty Disabilities	(2)	0	0	0	0	3	(1)	0	0
Non-Duty Disabilities	(2)	0	0	(1)	3	0	0	0	0
Retirements	(79)	(12)	0	(12)	0	0	103	0	0
Dual Service Retirements	0	0	0	0	0	0	0	0	0
Vested Terminations	(27)	(3)	0	30	0	0	0	0	0
Died, With Beneficiaries'									
Benefit Payable	(1)	0	0	0	0	(2)	(23)	26	0
Died, Without Beneficiary, and Other Terminations	(47)	(4)	21	(3)	(1)	(2)	(14)	0	(50)
Transfers	(19)	23	0	(4)	0	0	0	0	0
Beneficiary Deaths	0	0	0	0	0	0	0	(14)	(14)
Domestic Relations Orders	0	0	0	0	0	0	0	5	5
Withdrawals Paid	(6)	0	(11)	0	0	0	0	0	(17)
Data Corrections	0	2	2	0	0	0	2	0	6
July 1, 2014	1,924	282	130	232	49	132	1,659	295	4,703

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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**APPENDIX A
MEMBERSHIP INFORMATION**

Change in Plan Membership: General

	Actives	Transfers	Non-Vested Terminations	Vested Terminations	Non - Duty Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2013	1,604	213	104	205	45	52	1,411	225	3,859
New Entrants	175	0	0	0	0	0	0	0	175
Rehires	2	(1)	0	(1)	0	0	0	0	0
Duty Disabilities	(1)	0	0	0	0	1	0	0	0
Non-Duty Disabilities	(2)	0	0	(1)	3	0	0	0	0
Retirements	(71)	(11)	0	(12)	0	0	94	0	0
Dual Service Retirements	0	0	0	0	0	0	0	0	0
Vested Terminations	(23)	(3)	0	26	0	0	0	0	0
Died, With Beneficiaries' Benefit Payable	(1)	0	0	0	0	(1)	(20)	22	0
Died, Without Beneficiary, and Other Terminations	(46)	(2)	18	(3)	(1)	(1)	(11)	0	(46)
Transfers	(13)	16	0	(3)	0	0	0	0	0
Beneficiary Deaths	0	0	0	0	0	0	0	(13)	(13)
Domestic Relations Orders	0	0	0	0	0	0	0	6	6
Withdrawals Paid	0	0	(9)	0	0	0	0	0	(9)
Data Corrections	0	2	2	0	0	0	2	0	6
July 1, 2014	1,624	214	115	211	47	51	1,476	240	3,978

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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Change in Plan Membership: Safety

	Actives	Transfers	Non-Vested Terminations	Vested Terminations	Non - Duty Disabled	Duty Disabled	Retired	Beneficiaries	Total
July 1, 2013	295	64	14	18	2	81	181	53	708
New Entrants	31	0	0	0	0	0	0	0	31
Rehires	0	0	0	0	0	0	0	0	0
Duty Disabilities	(1)	0	0	0	0	2	(1)	0	0
Non-Duty Disabilities	0	0	0	0	0	0	0	0	0
Retirements	(8)	(1)	0	0	0	0	9	0	0
Dual Service Retirements	0	0	0	0	0	0	0	0	0
Vested Terminations	(4)	0	0	4	0	0	0	0	0
Died, With Beneficiaries' Benefit Payable	0	0	0	0	0	(1)	(3)	4	0
Died, Without Beneficiary, and Other Terminations	(1)	(2)	3	0	0	(1)	(3)	0	(4)
Transfers	(6)	7	0	(1)	0	0	0	0	0
Beneficiary Deaths	0	0	0	0	0	0	0	(1)	(1)
Domestic Relations Orders	0	0	0	0	0	0	0	(1)	(1)
Withdrawals Paid	(6)	0	(2)	0	0	0	0	0	(8)
Data Corrections	0	0	0	0	0	0	0	0	0
July 1, 2014	300	68	15	21	2	81	183	55	725

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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APPENDIX A
MEMBERSHIP INFORMATION

Active Member Data by Plan

Valuation at Year End	Plan Type	Member Count	Annual Payroll	Average Annual Salary	Average Salary Increase
2005	General	1,892	\$83,166,000	\$43,957	4.09%
	Safety	295	\$14,341,000	\$48,614	4.29%
	Total	2,187	\$97,507,000	\$44,585	4.19%
2006	General	1,919	\$85,864,000	\$44,744	1.79%
	Safety	310	\$15,274,000	\$49,271	1.35%
	Total	2,229	\$101,138,000	\$45,374	1.77%
2007	General	1,917	\$85,308,000	\$44,501	-0.54%
	Safety	318	\$15,281,000	\$48,053	-2.47%
	Total	2,235	\$100,589,000	\$45,006	-0.81%
2008	General	1,921	\$92,116,000	\$47,952	7.75%
	Safety	339	\$17,137,000	\$50,552	5.20%
	Total	2,260	\$109,253,000	\$48,342	7.41%
2009	General	1,848	\$99,266,589	\$53,716	12.02%
	Safety	342	\$19,363,697	\$56,619	12.00%
	Total	2,190	\$118,630,286	\$54,169	12.05%
2010	General	1,708	\$94,915,436	\$55,571	3.45%
	Safety	330	\$19,692,515	\$59,674	5.40%
	Total	2,038	\$114,607,951	\$56,236	3.82%
2011	General	1,659	\$94,976,978	\$57,250	3.02%
	Safety	321	\$19,768,859	\$61,585	3.20%
	Total	1,980	\$114,745,837	\$57,952	3.05%
2012	General	1,596	\$90,706,280	\$56,834	-0.73%
	Safety	305	\$19,145,091	\$62,771	1.93%
	Total	1,901	\$109,851,371	\$57,786	-0.29%
2013	General	1,604	\$91,737,348	\$57,193	0.63%
	Safety	295	\$18,699,145	\$63,387	0.98%
	Total	1,899	\$110,436,493	\$58,154	0.64%
2014	General	1,624	\$91,704,083	\$56,468	-1.27%
	Safety	300	\$18,620,870	\$62,070	-2.08%
	Total	1,924	\$110,324,953	\$57,341	-1.40%

Payroll figures represent active members' annualized pay rates on June 30.

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX A
MEMBERSHIP INFORMATION**

Retirants and Beneficiaries Added to and Removed from Retiree Payroll

Fiscal Year	Beginning of Year	Added During Year	Allowances Added	Removed During Year	Allowances Removed	End of Year	Annual Retirement Payroll (in 000s)	Average Allowance Percentage Increase	Average Annual Allowance
2004	1,348	124	2,807,000	31	396,000	1,441	22,780,000	11.84%	15,808
2005	1,441	109	2,445,000	49	450,000	1,501	24,867,000	9.16%	16,567
2006	1,477	98	2,007,000	53	785,000	1,522	27,297,000	9.77%	16,836
2007	1,521	136	4,419,000	38	560,000	1,619	31,823,000	16.58%	17,947
2008	1,620	105	2,757,000	67	902,000	1,658	34,603,000	8.74%	19,644
2009	1,658	105	3,402,523	52	812,828	1,711	37,747,525	9.09%	22,062
2010	1,711	171	6,097,956	56	981,465	1,826	43,653,374	15.65%	23,907
2011	1,826	103	2,627,234	44	781,283	1,885	46,116,686	5.64%	24,465
2012	1,885	175	6,484,652	64	960,185	1,996	52,887,845	14.68%	26,497
2013	1,996	103	3,028,612	49	855,980	2,050	56,048,022	5.98%	27,340
2014	2,050	116	3,950,045	31	590,636	2,135	60,297,112	7.58%	28,242

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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**APPENDIX A
MEMBERSHIP INFORMATION**

GENERAL

Count

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 20	0	0	0	0	0	0	0	0	0	0	0
20 to 25	20	8	0	0	0	0	0	0	0	0	28
25 to 29	40	68	20	0	0	0	0	0	0	0	128
30 to 34	40	75	103	27	1	0	0	0	0	0	246
35 to 39	14	41	87	71	15	0	0	0	0	0	228
40 to 44	16	33	61	51	39	9	1	0	0	0	210
45 to 49	9	16	45	66	50	19	6	0	0	0	211
50 to 54	9	16	47	64	48	37	32	3	0	0	256
55 to 59	7	15	41	53	43	23	12	4	0	0	198
60 to 64	3	8	23	19	24	6	2	2	1	0	88
65 to 69	0	2	8	9	6	2	0	0	0	0	27
70 & up	1	0	1	1	1	0	0	0	0	0	4
Total	159	282	436	361	227	96	53	9	1	0	1,624

Compensation

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 20	0	0	0	0	0	0	0	0	0	0	0
20 to 25	38,584	35,634	0	0	0	0	0	0	0	0	37,741
25 to 29	38,931	42,958	46,686	0	0	0	0	0	0	0	42,282
30 to 34	46,104	47,495	53,008	53,845	41,787	0	0	0	0	0	50,251
35 to 39	36,109	46,614	54,644	57,242	63,249	0	0	0	0	0	53,437
40 to 44	46,300	49,849	62,066	57,881	64,420	60,885	48,630	0	0	0	58,251
45 to 49	39,894	58,379	54,122	59,663	59,522	73,825	74,544	0	0	0	59,206
50 to 54	50,880	66,474	52,428	61,447	55,717	66,329	67,206	56,185	0	0	60,023
55 to 59	66,979	56,912	54,638	60,295	68,289	85,077	75,859	57,189	0	0	64,599
60 to 64	42,148	80,651	60,673	63,289	69,130	71,642	108,166	66,021	96,904	0	67,089
65 to 69	0	46,225	47,328	49,205	57,792	138,612	0	0	0	0	56,959
70 & up	42,390	0	36,088	37,511	250,455	0	0	0	0	0	91,611
Total	43,233	49,338	54,779	58,778	63,199	73,632	71,191	58,817	96,904	0	56,468

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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**APPENDIX A
MEMBERSHIP INFORMATION**

SAFETY

Count

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 20	0	0	0	0	0	0	0	0	0	0	0
20 to 25	8	0	0	0	0	0	0	0	0	0	8
25 to 29	12	13	14	0	0	0	0	0	0	0	39
30 to 34	7	10	52	6	0	0	0	0	0	0	75
35 to 39	2	2	39	21	5	0	0	0	0	0	69
40 to 44	1	3	8	13	9	2	0	0	0	0	36
45 to 49	0	1	5	8	15	12	2	0	0	0	43
50 to 54	0	1	2	3	5	5	3	1	0	0	20
55 to 59	0	0	3	3	0	0	1	0	0	0	7
60 to 64	0	0	2	0	0	0	0	0	0	0	2
65 to 69	0	0	1	0	0	0	0	0	0	0	1
70 & up	0	0	0	0	0	0	0	0	0	0	0
Total	30	30	126	54	34	19	6	1	0	0	300

Compensation

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 20	0	0	0	0	0	0	0	0	0	0	0
20 to 25	40,206	0	0	0	0	0	0	0	0	0	40,206
25 to 29	41,151	51,374	61,011	0	0	0	0	0	0	0	51,688
30 to 34	39,003	54,273	59,303	66,057	0	0	0	0	0	0	57,278
35 to 39	40,789	57,710	59,505	63,410	80,955	0	0	0	0	0	61,653
40 to 44	34,008	56,977	59,764	69,126	71,876	94,810	0	0	0	0	67,172
45 to 49	0	42,511	59,534	61,665	77,096	73,788	98,051	0	0	0	71,430
50 to 54	0	57,506	51,263	72,106	69,082	75,768	71,549	178,332	0	0	74,679
55 to 59	0	0	74,505	69,714	0	0	57,307	0	0	0	69,995
60 to 64	0	0	74,054	0	0	0	0	0	0	0	74,054
65 to 69	0	0	112,154	0	0	0	0	0	0	0	112,154
70 & up	0	0	0	0	0	0	0	0	0	0	0
Total	40,136	53,232	60,481	65,655	75,103	76,522	78,009	178,332	0	0	62,070

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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APPENDIX A
MEMBERSHIP INFORMATION

Service Retired Benefits

Current Age	General		Safety		Total	
	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
0-24	0	\$0	0	\$0	0	\$0
25-29	0	\$0	0	\$0	0	\$0
30-34	0	\$0	0	\$0	0	\$0
35-39	0	\$0	0	\$0	0	\$0
40-44	0	\$0	1	\$46,750	1	\$46,750
45-49	0	\$0	1	\$39,332	1	\$39,332
50-54	33	\$28,576	23	\$44,037	56	\$34,926
55-59	162	\$34,848	33	\$47,155	195	\$36,931
60-64	320	\$35,602	37	\$42,453	357	\$36,312
65-69	339	\$32,571	42	\$38,687	381	\$33,245
70-74	260	\$26,684	20	\$32,657	280	\$27,111
75-79	159	\$23,010	14	\$40,303	173	\$24,409
80-84	110	\$21,218	4	\$43,332	114	\$21,994
85-89	53	\$21,038	5	\$26,771	58	\$21,532
90-94	33	\$15,386	1	\$88,292	34	\$17,530
95+	7	\$16,671	2	\$27,906	9	\$19,168
All Ages	1,476	\$29,602	183	\$41,089	1,659	\$30,869

Duty Disabled Benefits

Current Age	General		Safety		Total	
	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
0-24	0	\$0	0	\$0	0	\$0
25-29	0	\$0	0	\$0	0	\$0
30-34	0	\$0	1	\$12,462	1	\$12,462
35-39	0	\$0	2	\$29,852	2	\$29,852
40-44	2	\$34,144	3	\$33,459	5	\$33,733
45-49	0	\$0	4	\$40,912	4	\$40,912
50-54	1	\$25,938	8	\$42,940	9	\$41,051
55-59	7	\$21,470	13	\$21,395	20	\$21,421
60-64	9	\$23,686	17	\$26,676	26	\$25,641
65-69	11	\$21,945	16	\$40,021	27	\$32,657
70-74	8	\$23,697	15	\$27,936	23	\$26,461
75-79	5	\$17,538	2	\$34,172	7	\$22,290
80-84	5	\$16,626	0	\$0	5	\$16,626
85-89	2	\$44,309	0	\$0	2	\$44,309
90-94	0	\$0	0	\$0	0	\$0
95+	1	\$13,022	0	\$0	1	\$13,022
All Ages	51	\$22,767	81	\$31,346	132	\$28,032

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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APPENDIX A
MEMBERSHIP INFORMATION

Non-Duty Disabled Benefits

Current Age	General		Safety		Total	
	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
0-24	0	\$0	0	\$0	0	\$0
25-20	0	\$0	0	\$0	0	\$0
30-34	0	\$0	0	\$0	0	\$0
35-39	0	\$0	0	\$0	0	\$0
40-44	0	\$0	1	\$26,487	1	\$26,487
45-49	1	\$11,612	0	\$0	1	\$11,612
50-54	4	\$17,806	0	\$0	4	\$17,806
55-59	4	\$13,834	0	\$0	4	\$13,834
60-64	9	\$14,172	0	\$0	9	\$14,172
65-69	6	\$13,517	1	\$15,594	7	\$13,814
70-74	10	\$12,432	0	\$0	10	\$12,432
75-79	7	\$16,699	0	\$0	7	\$16,699
80-84	5	\$14,352	0	\$0	5	\$14,352
85-89	1	\$1,392	0	\$0	1	\$1,392
90-94	0	\$0	0	\$0	0	\$0
95+	0	\$0	0	\$0	0	\$0
All Ages	47	\$14,068	2	\$21,040	49	\$14,352

Surviving Beneficiary Benefits (all benefit types)

Current Age	General		Safety		Total	
	Number	Annual Average Benefit	Number	Annual Average Benefit	Number	Annual Average Benefit
0-24	0	\$0	0	\$0	0	\$0
25-29	1	\$1,240	0	\$0	1	\$1,240
30-34	1	\$12,809	0	\$0	1	\$12,809
35-39	1	\$21,002	1	\$39,638	2	\$30,320
40-44	4	\$3,191	2	\$9,552	6	\$5,311
45-49	5	\$7,660	0	\$0	5	\$7,660
50-54	12	\$11,281	5	\$22,664	17	\$14,629
55-59	19	\$11,929	4	\$22,155	23	\$13,707
60-64	11	\$18,616	5	\$24,156	16	\$20,347
65-69	26	\$20,967	13	\$21,299	39	\$21,078
70-74	26	\$15,830	9	\$27,524	35	\$18,837
75-79	43	\$13,936	5	\$22,664	48	\$14,845
80-84	37	\$11,722	7	\$25,269	44	\$13,878
85-89	35	\$15,639	3	\$23,121	38	\$16,229
90-94	16	\$10,483	1	\$16,551	17	\$10,840
95+	3	\$14,100	0	\$0	3	\$14,100
All Ages	240	\$14,167	55	\$23,312	295	\$15,872

APPENDIX B
STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the actuarial valuation as of June 30, 2014 are:

A. Actuarial Assumptions

1. Rate of Return

Assets are assumed to earn 7.75% net of investment expenses.

2. Administrative Expenses

Administrative expenses are assumed to be \$1.25 million for the next year, to be allocated between the employer and employees.

3. Cost of Living

The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 3.00% per year.

4. Post Retirement COLA

Benefits are assumed to increase after retirement at the rate of 2.60% per year for Tier 1 members.

5. Family Composition

50% of female General members, 80% of male General members and 90% of Safety members are assumed to be married at retirement. Male members are assumed to be three years older than their spouses and female members are assumed to be three years younger than their spouses.

6. Increases in Pay

Wage inflation component: 3.00%

Additional longevity and promotion component:

Years of Service	General	Safety
0-1	4.00%	5.00%
2	3.00%	5.00%
3	2.50%	3.00%
4-6	2.00%	3.00%
7-14	2.00%	2.00%
15-19	1.00%	0.50%
20+	0.00%	0.50%

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX B
STATEMENT OF CURRENT ACTUARIAL ASSUMPTIONS AND METHODS**

7. Rates of Termination

Sample rates of termination are show in the following table.

Years of Service	General Male	General Female	Safety
0	25.0%	12.0%	20.8%
5	4.8%	7.5%	4.6%
10	4.8%	3.6%	4.6%
15	4.8%	3.0%	2.5%
20	2.5%	3.0%	0.0%
25	2.5%	3.0%	0.0%
30	0.0%	0.0%	0.0%

* Termination rates do not apply once a member is eligible for retirement

There are three types of terminations: withdrawals, reciprocal transfers, and vested terminations. Rates of withdrawal apply to active Members who terminate their employment and withdraw their member contributions, forfeiting entitlement to future Plan benefits. Rates of reciprocal transfer are for members who leave their member contributions on deposit and engage in employment covered by a pension plan with a reciprocal relationship with MCERA. Finally, rates of vested termination apply to active Members who terminate their employment and leave their member contributions on deposit with the Plan.

The table below shows the percentages of total terminations falling into these categories.

	Years of Service		
	0 - 4	5 - 14	15+
General			
Withdrawals	90.0%	40.0%	10.0%
Transfers	10.0%	12.0%	10.0%
Vested Terminations	0.0%	48.0%	80.0%
Safety	0 - 4	5+	
Withdrawals	90.0%	15.0%	
Transfers	10.0%	42.5%	
Vested Terminations	0.0%	42.5%	

Vested terminated General Members are assumed to begin receiving benefits at age 59; vested terminated Safety Members are assumed to begin receiving benefits at age 53.

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8. Rates of Service-Connected Disability

Sample service-connected disability rates of active participants are provided in the table below.

Age	Safety	General	
	All	Female	Male
20	0.0000%	0.0040%	0.0027%
25	0.3625%	0.0075%	0.0053%
30	0.4190%	0.0115%	0.0133%
35	0.5063%	0.0150%	0.0240%
40	0.6375%	0.0190%	0.0320%
45	0.7815%	0.0340%	0.0480%
50	0.9940%	0.0600%	0.0640%
55	1.2625%	0.1050%	0.0800%
60	0.0000%	0.1575%	0.1120%
65	0.0000%	0.0000%	0.0000%

9. Rates of Non Service-Connected Disability

Sample non service-connected disability rates of active participants are provided in the table below. Rates are applied once members have at least five years of service.

Age	Safety	General	
	All	Female	Male
20	0.0000%	0.0000%	0.0000%
25	0.0200%	0.0033%	0.0267%
30	0.0300%	0.0067%	0.0533%
35	0.0400%	0.0100%	0.0533%
40	0.0600%	0.0133%	0.0867%
45	0.0900%	0.0300%	0.1267%
50	0.1200%	0.0600%	0.1600%
55	0.1600%	0.0933%	0.2133%
60	0.0000%	0.1533%	0.2800%
65	0.0000%	0.0000%	0.0000%

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10. Rates of Mortality for Healthy Lives

Mortality rates for active members, retirees, beneficiaries, and deferred members are based on the sex distinct Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, projected to 2027 using Projection Scale BB. This is intended to approximate a generational approach.

11. Rates of Mortality for Disabled Retirees

Mortality rates for disabled members are based on the sex distinct Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, projected to 2027 using Projection Scale BB, set forward three years for males and females.

12. Rates of Retirement

Rates of retirement are based on age according to the following table.

Age	General Male Years of Service			General Female Years of Service			Safety Years of Service		
	10 – 19	20 – 29	30+	10 – 19	20 – 29	30+	Age	10 – 19	20+
50	2.50%	5.00%	7.50%	2.50%	10.00%	10.00%	40	0.00%	3.10%
51	2.50%	5.00%	7.50%	2.50%	10.00%	10.00%	41	0.00%	3.10%
52	5.00%	10.00%	15.00%	5.00%	15.00%	20.00%	42	0.00%	3.10%
53	5.00%	10.00%	15.00%	5.00%	15.00%	20.00%	43	0.00%	3.10%
54	5.00%	10.00%	15.00%	5.00%	15.00%	20.00%	44	0.00%	3.10%
55	9.00%	18.00%	27.00%	9.00%	35.00%	35.00%	45	0.00%	7.60%
56	7.50%	15.00%	22.50%	7.50%	30.00%	35.00%	46	0.00%	7.60%
57	7.50%	15.00%	22.50%	7.50%	30.00%	35.00%	47	0.00%	7.60%
58	7.50%	15.00%	22.50%	7.50%	30.00%	35.00%	48	0.00%	7.60%
59	7.50%	15.00%	22.50%	7.50%	30.00%	35.00%	49	0.00%	7.60%
60	25.00%	25.00%	37.50%	25.00%	30.00%	35.00%	50	12.75%	32.90%
61	25.00%	25.00%	37.50%	25.00%	40.00%	45.00%	51	12.75%	32.90%
62	25.00%	25.00%	37.50%	25.00%	40.00%	45.00%	52	12.75%	32.90%
63	25.00%	25.00%	37.50%	25.00%	40.00%	45.00%	53	12.75%	32.90%
64	25.00%	25.00%	37.50%	25.00%	40.00%	45.00%	54	12.75%	32.90%
65	40.00%	40.00%	40.00%	40.00%	50.00%	50.00%	55	12.75%	32.90%
66	45.00%	45.00%	45.00%	45.00%	50.00%	50.00%	56	12.75%	32.90%
67	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	57	12.75%	32.90%
68	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	58	12.75%	32.90%
69	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	59	12.75%	32.90%
70+	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	60	100.00%	100.00%

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13. Final Average Compensation Load

The final average compensation (FAC) for members projected to receive a service retirement benefit has increased based on the assumption that members will have elements of pay included in their FAC which are not included in the annual pay provided to the Actuary (Ventura decision pays). The FAC for Tier 1 members has been increased by 6.92% and the FAC for Tier 2 and Tier 3 members by 2.31%.

14. Changes Since Last Valuation

None.

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B. Actuarial Methods

1. Actuarial Funding Method

The Entry Age Normal actuarial funding method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each Member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The UAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of MCERA. Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 16-year period. Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses or method changes is amortized over a closed 24-year period, with 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll. Assumption changes will be amortized over a closed 22-year period, with a 3-year ramp up period, 2-year ramp down period, and 17 years of level payments as a percentage of payroll. This new method is a type of direct rate smoothing method.

2. Asset Valuation Method

As of June 30, 2014, the market value of assets is used to determine the System's UAL. The actuarial value of assets is no longer applicable.

The asset valuation method used in prior valuations is described below:

The assets were valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value was the prior year's market value increased with the net increase in the cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption.

An asset corridor limit was applied such that the smoothed market value of assets stayed within 30% of the market value of assets.

3. Changes Since Last Valuation

The amortization and asset valuation methods were changed to use the direct smoothing method.

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A. Definitions

Compensation: Compensation means the cash remuneration for services paid by the employer. It includes base pay and certain differential, incentive, and special pay allowances defined by the Board of Retirement. Overtime is excluded, with the exception of overtime paid under the Fair Labor Standards Act that is regular and recurring.

PEPRA: For members joining the Plan on and after January 1, 2013 (Tier 4 Members), only pensionable compensation up to the Social Security Taxable Wage Base (\$113,700 for 2013) will count for computing Plan benefits and employee contributions and employer contributions for those participating in Social Security. For those not participating in Social Security, the compensation cap is 120% of the Taxable Wage Base (\$136,440 for 2013.) In addition, it is possible that some sources of compensation, such as any payments deemed to be terminal or special pays, may be excluded from benefit and contribution computations for Tier 4 Members.

Credited Service: In general, Credited Service is earned for the period during which Member Contributions are paid. One year of service credit is earned for each 2,080 hours worked (not including overtime), not to exceed one year of service per year.

Temporary service for which the Member was not credited, or service for which the Member withdrew his or her Member Contributions, may be purchased by paying or repaying the Member Contributions with interest. The categories of services for which credit may be purchased are listed below:

Prior Part-Time Service: If a Member worked for an employer within the Association on a part-time or 'extra help' basis before his membership in the Retirement Association, the Member may buyback this service.

Intermittent Part-Time Service.

Prior Full-Time Service: Member may buyback full-time service that may have been cashed out upon termination.

Leave of Absence (Including Absence with State Disability or Worker's Compensation): No unpaid leave of absence can be bought back except for absence due to medical reasons up to one year.

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Public Service: Members may purchase service credit for prior service in the following public agencies: Federal Civil Service, Military Service, and some public employers in California. This service is only eligible for purchase when the Board of Supervisors opens the window for purchase.

Military Time: Members who resign or obtain a leave of absence to enter the military may purchase service credit for the period of military service. Members must re-enter employment within one year of terminating military service to be eligible to purchase service.

At retirement, Members have the option to convert 100% of sick leave time into retirement years of service credit. Unrepresented Management and Unit 7 will instead have some or all of their sick leave contributed to the Post Employment Health Plan.

Final

Compensation: For Tier 1 Members, Final Compensation means the highest average Compensation earned during any 26 consecutive pay periods of the Member's employment. For Tier 2 and Tier 3 Members, Final Compensation means the highest average Compensation earned during any 78 consecutive pay periods of the Member's employment.

The following compensation may be included in the Final Compensation computation:

- Loyalty Bonus
- Up to 160 hours of vacation payoff
- Sick Leave sold back during 25th pay period
- Vacation sold back during 25th pay period (management only)

PEPRA: For Tier 4 Members, highest average Compensation will be based on the highest 36 consecutive months of the Member's employment.

General Member: Any Member who is not a Safety Member is a General Member.

Public Service: During designated periods of time authorized by the County Board of Supervisors, Members may elect to purchase Public Service for time spent while employed in another recognized public agency. The public agency must have a reciprocal agreement with the Plan or be one of several specified municipalities, counties, special districts, or State and Federal agencies. Public Service cannot be purchased if it is used for eligibility for another pension.

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The cost to purchase Public Service is twice the Member Contributions and interest applicable for the period of time purchased. Public Service is used to compute benefits, but does not count toward eligibility for benefits or vesting.

Safety Member: Any sworn Member engaged in law enforcement or as a probation officer is a Safety Member.

B. Membership

Eligibility: All full-time, and variable-shift permanent employees of Merced County and other participating employers become Members on their first date of service. Membership is mandatory; only elected officials and those entering employment at age 60 or older who are not reciprocal members of another system may choose not to participate.

PEPRA: A New Member is any Member joining the Plan for the first time on or after January 1, 2013. Employees who transfer from and are eligible for reciprocity with another public employer will not be Tier 4 Members if their service in the reciprocal system was under a pre-PEPRA tier. Employees who were Members of MCERA prior to January 1, 2013 and experienced a break in service of more than six months and then were reemployed by a *different* MCERA-participating employer on or after January 1, 2013 will be considered Tier 4 Members for all subsequent service.

Member

Contributions: Each Member contributes a percentage of Compensation to the Plan through a pre-tax payroll deduction. The percentage contributed depends on the Member's age upon joining the Plan. Complete rates are shown in Appendix D.

Members covered by Social Security have their contributions reduced by one-third on the first \$161.54 of biweekly Compensation. General Members who joined the Plan prior to March 7, 1973, and who have earned 30 years of Credited Service do not contribute; Safety Members do not contribute after earning 30 years of Credited Service.

PEPRA: Tier 4 Members must contribute half of the normal cost of the Plan. Contributions for these Members will be based on the Normal Cost associated with their benefits; General and Safety members will pay different rates.

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Tier 4 Members will pay a single contribution rate, not a rate based on entry age. All Tier 4 Members are expected to continue contributing after earning 30 years of service.

Interest is credited semi-annually to each Member's accumulated contributions. The crediting rate is set by the Board, and will fluctuate between zero and two percent less than the assumed rate of return (currently $7.75\% - 2.00\% = 5.75\%$), based in part on the investment earnings during that period.

C. Service Retirement:

Eligibility: Tier 1 General Members are eligible to retire at age 50 if they have earned ten years of Credited Service. Tier 1 General Members hired prior to December 31, 1978, may retire upon reaching age 65 with no service requirement.

Tier 2 and Tier 3 General Members are eligible to retire at age 55 if they have earned ten years of Credited Service or upon reaching age 70 with no service requirement.

Alternatively, all Tier 1, 2 and 3 General Members are eligible to retire at any age after having earned 30 years of Credited Service, or upon reaching age 70 with no service requirement.

Safety Members are eligible to retire at age 50 if they have earned ten years of Credited Service. Alternatively, Safety Members are eligible to retire at any age after having earned 20 years of Credited Service, or upon reaching age 70 with no service requirement. All Tier 1, 2, and 3 Safety Members hired prior to December 31, 1978, may retire upon reaching age 65 with no service requirement.

PEPRA: Tier 4 General Members are eligible to retire upon attaining age 52 and completing five or more years of service. Tier 4 Safety Members are eligible to retire upon attaining age 50 and completing five or more years of service. Tier 4 Members are eligible to retire, regardless of service, after attaining age 70.

Benefit Amount: The Service Retirement Benefit payable to the Member is equal to the Member's Final Compensation multiplied by credited service, the benefit factor from Table 1 and the age factor from Table 2 corresponding to the Member's code section. The appropriate code sections for each group are listed in Table 1. For General Members in the Merced County Cemetery District and those in Deferred Inactive Reciprocity status prior to March

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15, 2005, benefits are calculated using the formula in Government Code Section 31676.11 or 31676.1.

For Tiers 1, 2 and 3, the percentage of Final Compensation may not exceed 100%. For those members integrated with Social Security, Retirement Benefits based on the first \$350 of monthly Final Average Compensation are reduced by one-third.

Table 1:

Group	Open or Closed	FAP	Max COLA	Code Section	Description	Top Retirement Factor Age	Benefit Factor
General Tier 1	Closed	1	3	31676.17	3% at 60	60	2.00%
General Tier 2	Closed	3	0	31676.17	3% at 60	60	2.00%
General Tier 2 (Cemetery)	Closed	3	0	31676.11	2% at 58 1/2	65	1.67%
General Tier 3	Closed	3	0	31676.1	2.43% at 65	65	1.67%
General Tier 4	Open	3	0	7522.20(a)	PEPRA	67	1.00%
Safety Tier 1	Closed	1	3	31664.1	3% at 50	50	3.00%
Safety Tier 2	Closed	3	0	31664.1	3% at 50	50	3.00%
Safety Tier 3	Closed	3	0	31664	2% at 50	55	2.00%
Safety Tier 4	Open	3	0	7522.25(d)	PEPRA	57	1.00%

Table 2:

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Age	General 3% @ 60 CERL: 31676.17	General 2% @ 58 1/2 CERL: 31676.11	General 2.43% @ 65 CERL: 31676.1	General PEPRA GC: 7522.20(a)	Safety 3% @ 50 CERL: 31664.1	Safety 2% @ 50 CERL: 31664	Safety PEPRA GC: 7522.25(d)
41	N/A	N/A	N/A	N/A	0.6258	0.6258	N/A
42	N/A	N/A	N/A	N/A	0.6625	0.6625	N/A
43	N/A	N/A	N/A	N/A	0.7004	0.7004	N/A
44	N/A	N/A	N/A	N/A	0.7397	0.7397	N/A
45	N/A	N/A	N/A	N/A	0.7805	0.7805	N/A
46	N/A	N/A	N/A	N/A	0.8226	0.8226	N/A
47	N/A	N/A	N/A	N/A	0.8678	0.8678	N/A
48	N/A	N/A	N/A	N/A	0.9085	0.9085	N/A
49	N/A	N/A	N/A	N/A	0.9522	0.9522	N/A
50	1.0000	0.7454	0.7091	N/A	1.0000	1.0000	2.0000
51	1.0500	0.7882	0.7457	N/A	1.0000	1.0516	2.1000
52	1.1000	0.8346	0.7816	1.0000	1.0000	1.1078	2.2000
53	1.1500	0.8850	0.8181	1.1000	1.0000	1.1692	2.3000
54	1.2000	0.9399	0.8556	1.2000	1.0000	1.2366	2.4000
55	1.2500	1.0000	0.8954	1.3000	1.0000	1.3099	2.5000
56	1.3000	1.0447	0.9382	1.4000	1.0000	1.3099	2.6000
57	1.3500	1.1048	0.9846	1.5000	1.0000	1.3099	2.7000
58	1.4000	1.1686	1.0350	1.6000	1.0000	1.3099	2.7000
59	1.4500	1.2365	1.0899	1.7000	1.0000	1.3099	2.7000
60	1.5000	1.3093	1.1500	1.8000	1.0000	1.3099	2.7000
61	1.5000	1.3608	1.1947	1.9000	1.0000	1.3099	2.7000
62	1.5000	1.4123	1.2548	2.0000	1.0000	1.3099	2.7000
63	1.5000	1.4638	1.3186	2.1000	1.0000	1.3099	2.7000
64	1.5000	1.5153	1.3865	2.2000	1.0000	1.3099	2.7000
65	1.5000	1.5668	1.4593	2.3000	1.0000	1.3099	2.7000
66	1.5000	1.5668	1.4593	2.4000	1.0000	1.3099	2.7000
67	1.5000	1.5668	1.4593	2.5000	1.0000	1.3099	2.7000

Form of Benefit: The Service Retirement Benefit will be paid monthly beginning at retirement and for the life of the Member. If the member selects the unmodified benefit form, in the event of the Member's death 60% of the benefit will continue for the life of the Member's eligible spouse, domestic partner, or to the age of majority of dependent minor children if there is no eligible spouse or domestic partner. To be eligible to receive this benefit, a surviving spouse or domestic partner must be married or state-registered at least one year prior to retirement. In the event there is no eligible surviving spouse, domestic partner, or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms are also available.

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Annually on April 1, Tier 1 benefits are increased to reflect increases in the CPI for the San Francisco Bay Area. Annual increases may not exceed 3%, but CPI increases in excess of 3% are “banked” and used for future increases when the CPI increases by less than 3%.

A lump sum benefit of \$3,000 will be payable upon the death of a retired member.

D. Service-Connected Disability

Eligibility: Members are eligible for Service-Connected Disability Retirement benefits at any age if they are permanently disabled as a result of injuries or illness sustained in the line of duty.

Benefit Amount: The Service-Connected Disability Retirement Benefit payable to Members is equal to the greater of 50% of their Final Compensation or – if the Member is eligible at disability for a Service Retirement Benefit – the Service Retirement Benefit accrued on the date of disability.

Members who return to work at a different position with lower pay may receive a Supplemental Disability Allowance that, when added to their new pay, may bring the Member’s total income up to the current pay for his or her position at the time of disability. The Supplemental Disability Allowance may not exceed the Service-Connected Disability Retirement benefit.

Form of Benefit: The Service-Connected Disability Retirement Benefit will be paid monthly beginning at the effective date of disability retirement and for the life of the Member; in the event of the Member’s death, 100% of the benefit will continue for the life of the Member’s eligible spouse, domestic partner, or to the age of majority of dependent minor children if there is no eligible spouse or domestic partner. In the event there is no eligible surviving spouse, domestic partner, or minor children, any unpaid remainder of the Member’s accumulated contributions will be paid to the Member’s designated beneficiary.

Actuarially equivalent optional benefit forms are also available.

Annually on April 1, Tier 1 benefits are increased to reflect increases in the CPI for the San Francisco Bay Area. Annual increases may not exceed 3%, but CPI increases in excess of 3% are “banked” and used for future increases when the CPI increases by less than 3%.

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A lump sum benefit of \$3,000 will be payable upon the death of a retired member.

E. Non Service-Connected Disability

Eligibility: Members are eligible for Non Service-Connected Disability Retirement benefits if they are permanently disabled at any age after earning five years of Credited Service or after becoming eligible for a deferred vested benefit.

Benefit Amount: The Non Service-Connected Disability Retirement Benefit payable to General Members is equal to the greatest of:

- 1.5% of Final Compensation at disability multiplied by years of Credited Service at disability;
- 1.5% of Final Compensation at disability multiplied by years of Credited Service projected to age 65, but not to exceed one-third of Final Compensation; or,
- If the Member is eligible at disability for a Service Retirement Benefit, the Service Retirement Benefit accrued on the date of disability.

The Non Service-Connected Disability Retirement Benefit payable to Safety Members is equal to the greatest of:

- 1.8% of Final Compensation at disability multiplied by years of Credited Service at disability;
- 1.8% of Final Compensation at disability multiplied by years of Credited Service projected to age 55, but not to exceed one-third of Final Compensation; or,
- If the Member is eligible at disability for a Service Retirement Benefit, the Service Retirement Benefit accrued on the date of disability.

Members who return to work at a different position with lower pay may receive a Supplemental Disability Allowance that, when added to their new pay, may bring the Member's total income up to the current pay for his or her position at the time of disability. The Supplemental Disability Allowance may not exceed the Non Service-Connected Disability Retirement benefit.

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Form of Benefit: The Non Service-Connected Disability Retirement Benefit will be paid monthly beginning at the effective date of disability retirement, and for the life of the Member; in the event of the Member's death, 60% of the benefit will continue for the life of the Member's eligible spouse, domestic partner, or to the age of majority of dependent minor children if there is no spouse. In the event there is no eligible surviving spouse, domestic partner, or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms are also available.

Annually on April 1, Tier 1 benefits are increased to reflect increases in the CPI for the San Francisco Bay Area. Annual increases may not exceed 3%, but CPI increases in excess of 3% are "banked" and used for future increases when the CPI increases by less than 3%.

A lump sum benefit of \$3,000 will be payable upon the death of a retired member.

F. Service-Connected Death

Eligibility: A Member's survivors are eligible to receive Service-Connected Death benefits if the Member's death resulted from injury or illness sustained in connection with the Member's duties.

Benefit Amount: The Service-Connected Death benefit payable to an eligible surviving spouse, domestic partner, or minor children will be 50% of the Member's Final Compensation.

Furthermore, for Safety Members only, there will be an additional lump sum benefit of 12 months of pay at the time of death. An additional benefit of 25% of the above basic benefit will be paid for the first minor child, 15% for the second, and 10% for the third.

Form of Benefit: The Service-Connected Death Benefit will be paid monthly beginning at the Member's death and for the life of the eligible surviving spouse, domestic partner, or to the age of majority of dependent minor children if there is no eligible surviving spouse or domestic partner.

Annually on April 1, Tier 1 benefits are increased to reflect increases in the CPI for the San Francisco Bay Area. Annual increases may not exceed 3%, but CPI increases in excess of 3% are "banked" and used for future increases when the CPI increases by less than 3%.

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G. Non Service-Connected Death

Eligibility: A Member's survivors are eligible to receive Non Service-Connected Death benefits if the Member's death arose from causes unrelated to the Member's duties.

Benefit Amount: In the event the Member had earned fewer than five years of Credited Service and has no or insufficient reciprocity service from another system, the Non Service-Connected Death benefit will be a refund of the Member's accumulated contributions with interest plus a payment of one month of Final Compensation for each year of Credited Service, not to exceed six months.

In the event the Member had earned five or more years of Credited Service, the Non Service-Connected Death benefit payable to an eligible surviving spouse, domestic partner, or minor children will be 60% of the amount the Member would have received as a Non Service-Connected Disability Retirement Benefit on the date of death.

Form of Benefit: For Members who had earned fewer than five years of Credited Service at death, the benefit will be paid as a lump sum.

For Members with five or more years of Credited Service, the Non Service-Connected Death Benefit will be paid monthly beginning at the Member's death and for the life of the eligible surviving spouse, domestic partner, or to the age of majority of dependent minor children if there is no eligible spouse or domestic partner.

Annually on April 1, Tier 1 benefits are increased to reflect increases in the CPI for the San Francisco Bay Area. Annual increases may not exceed 3%, but CPI increases in excess of 3% are "banked" and used for future increases when the CPI increases by less than 3%.

H. Withdrawal Benefit:

Eligibility: A Member is eligible for a Withdrawal Benefit upon termination of employment.

Benefit Amount: The Withdrawal Benefit is a refund of the Member's accumulated Contributions with interest. Upon receipt of the Withdrawal Benefit the Member forfeits all Credited Service.

Form of Benefit: The Withdrawal Benefit is paid in a lump sum upon election by the Member.

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I. Deferred Vested Benefit:

Eligibility: A Member is eligible for a Deferred Vested Benefit upon termination of employment after earning five years of Credited Service, including reciprocity service from another system. The Member must leave his or her Member Contributions with interest on deposit with the Plan.

Benefit Amount: The Deferred Vested Benefit is computed in the same manner as the Service Retirement Benefit, but it is based on Credited Service and Final Compensation on the date of termination.

Form of Benefit: The Deferred Vested Benefit will be paid monthly beginning at retirement and for the life of the Member; in the event of the Member's death, 60% of the benefit will continue for the life of the Member's eligible surviving spouse, domestic partner, or to the age of majority of dependent minor children if there is no eligible surviving spouse or domestic partner. In the event there is no eligible surviving spouse, domestic partner, or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms are also available.

Annually on April 1, Tier 1 benefits are increased to reflect increases in the CPI for the San Francisco Bay Area. Annual increases may not exceed 3%, but CPI increases in excess of 3% are "banked" and used for future increases when the CPI increases by less than 3%.

A lump sum benefit of \$3,000 will be payable upon the death of a retired member.

J. Reciprocal Benefit:

Eligibility: A Member is eligible for a Reciprocal Benefit upon termination of employment and entry, within a specified period of time, into another retirement system recognized as a reciprocal system by the Plan. In addition, the Member must leave his or her Member Contributions with interest on deposit with the Plan.

Benefit Amount: The Reciprocal Benefit is computed in the same manner as the Service Retirement Benefit, but it is based on Credited Service on the date of termination and Final Compensation on the date of retirement; Final Compensation is based on the highest of the Compensation earned under this Plan or the reciprocal plan.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Form of Benefit: The Reciprocal Benefit will be paid monthly beginning at retirement and for the life of the Member; in the event of the Member's death, 60% of the benefit will continue for the life of the Member's eligible surviving spouse, domestic partner, or to the age of majority of dependent minor children if there is no eligible surviving spouse or domestic partner. In the event there is no eligible surviving spouse, domestic partner, or minor children, any unpaid remainder of the Member's accumulated contributions will be paid to the Member's designated beneficiary.

Actuarially equivalent optional benefit forms are also available.

Annually on April 1, Tier 1 benefits are increased to reflect increases in the CPI for the San Francisco Bay Area. Annual increases may not exceed 3%, but CPI increases in excess of 3% are "banked" and used for future increases when the CPI increases by less than 3%.

A lump sum benefit may be payable upon the death of a retired Member by the last system under which the Member's service was covered.

K. Changes Since Last Valuation

None.

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

APPENDIX D
MEMBER CONTRIBUTION RATES

Contribution Rates

Employee contribution rates vary by member Group and Tier. For non-PEPRA members, the rates were most recently updated last year, following an experience study covering the period July 1, 2010 – June 30, 2013. For PEPRA members, the rates were re-computed this year, in accordance with the requirement that employees pay half of the total normal cost rate from the actuarial valuation.

Non-PEPRA Members

- The basic rates are determined based on Government Code Section 31621.8 for General Tier 1 and Tier 2 members (31621.1 for Tier 2 members under benefit section 31676.11), 31621 for General Tier 3 members, and Section 31639.25 for Safety members. The COLA rates for members in Tier 1 are determined based on 50% of the normal cost associated with the expected COLA benefits, including joint and survivor benefits, determined for each individual entry age.
- The rates are determined based on an interest rate of 7.75% per annum, an average salary increase of 3.00% per year (plus service-based increases for merit/longevity), and the Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, projected to 2027 using Projection Scale BB. The rates are blended based on a male/female weighting of 33 1/3% male / 66 2/3% female for General members, and 75% male / 25% female for Safety members.
- Effective with last year's valuation, an administrative expense load of 1.83% was added to the rates. This load was determined to account for the employees' share of the \$1.25 million administrative expense assumption, assuming the employer and employees would share administrative expenses in proportion to their overall share of the contributions. The 1.83% load produces an average increase in the employee rates of approximately 0.15% of payroll.

PEPRA Members

- Employee contribution rates are equal to half of the total normal cost rate from the actuarial valuation, determined separately for General and Safety. Due to the passage of SB13, contribution rates for PEPRA members are not rounded, and will be recomputed each year.
- The same 1.83% load for administrative expenses was applied to the PEPRA rates.

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

APPENDIX D
MEMBER CONTRIBUTION RATES

Contribution Rates (General Non-PEPRA):

Entry Age	Basic		Tier 1 COLA		Total		Tier 2 Basic		Tier 2 (Cemetery) Basic		Tier 3 Basic	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
	16	3.90%	5.85%	0.93%	1.40%	4.83%	7.25%	3.63%	5.44%	3.03%	4.53%	2.45%
17	3.90%	5.85%	0.93%	1.40%	4.83%	7.25%	3.63%	5.44%	3.03%	4.53%	2.45%	3.69%
18	3.90%	5.85%	0.93%	1.40%	4.83%	7.25%	3.63%	5.44%	3.03%	4.53%	2.45%	3.69%
19	3.90%	5.85%	0.93%	1.40%	4.83%	7.25%	3.63%	5.44%	3.03%	4.53%	2.45%	3.69%
20	3.90%	5.85%	0.93%	1.40%	4.83%	7.25%	3.63%	5.44%	3.03%	4.53%	2.45%	3.69%
21	4.02%	6.03%	0.97%	1.46%	4.99%	7.49%	3.74%	5.60%	3.12%	4.67%	2.54%	3.80%
22	4.14%	6.21%	1.02%	1.53%	5.16%	7.74%	3.85%	5.77%	3.21%	4.81%	2.61%	3.91%
23	4.27%	6.41%	1.07%	1.60%	5.34%	8.01%	3.96%	5.95%	3.30%	4.96%	2.69%	4.03%
24	4.40%	6.60%	1.11%	1.67%	5.51%	8.27%	4.08%	6.13%	3.40%	5.11%	2.77%	4.15%
25	4.53%	6.79%	1.16%	1.74%	5.69%	8.53%	4.21%	6.31%	3.51%	5.26%	2.85%	4.28%
26	4.67%	7.01%	1.21%	1.82%	5.88%	8.83%	4.34%	6.51%	3.62%	5.43%	2.94%	4.41%
27	4.82%	7.22%	1.26%	1.89%	6.08%	9.11%	4.47%	6.71%	3.73%	5.59%	3.02%	4.54%
28	4.96%	7.44%	1.31%	1.98%	6.27%	9.42%	4.61%	6.91%	3.84%	5.76%	3.13%	4.68%
29	5.11%	7.67%	1.37%	2.06%	6.48%	9.73%	4.76%	7.13%	3.97%	5.94%	3.22%	4.83%
30	5.26%	7.90%	1.43%	2.14%	6.69%	10.04%	4.90%	7.35%	4.08%	6.13%	3.31%	4.97%
31	5.44%	8.16%	1.48%	2.22%	6.92%	10.38%	5.05%	7.58%	4.21%	6.32%	3.41%	5.12%
32	5.61%	8.41%	1.54%	2.31%	7.15%	10.72%	5.20%	7.81%	4.33%	6.51%	3.52%	5.28%
33	5.78%	8.68%	1.60%	2.39%	7.38%	11.07%	5.36%	8.03%	4.47%	6.69%	3.64%	5.45%
34	5.98%	8.96%	1.65%	2.47%	7.63%	11.43%	5.49%	8.24%	4.58%	6.87%	3.74%	5.61%
35	6.10%	9.15%	1.70%	2.56%	7.80%	11.71%	5.62%	8.43%	4.68%	7.03%	3.86%	5.78%
36	6.24%	9.37%	1.76%	2.64%	8.00%	12.01%	5.74%	8.61%	4.78%	7.18%	3.98%	5.97%
37	6.38%	9.58%	1.80%	2.71%	8.18%	12.29%	5.88%	8.82%	4.90%	7.35%	4.10%	6.15%
38	6.53%	9.80%	1.86%	2.79%	8.39%	12.59%	6.00%	8.99%	5.00%	7.49%	4.23%	6.33%
39	6.69%	10.03%	1.90%	2.86%	8.59%	12.89%	6.10%	9.14%	5.08%	7.62%	4.33%	6.49%
40	6.78%	10.17%	1.94%	2.92%	8.72%	13.09%	6.18%	9.27%	5.15%	7.73%	4.43%	6.64%
41	6.87%	10.32%	1.98%	2.96%	8.85%	13.28%	6.26%	9.40%	5.22%	7.83%	4.52%	6.78%
42	6.98%	10.46%	2.00%	2.99%	8.98%	13.45%	6.35%	9.53%	5.29%	7.94%	4.63%	6.94%
43	7.07%	10.60%	2.02%	3.02%	9.09%	13.62%	6.45%	9.66%	5.38%	8.05%	4.71%	7.08%
44	7.17%	10.75%	2.04%	3.05%	9.21%	13.80%	6.54%	9.81%	5.45%	8.18%	4.80%	7.20%
45	7.27%	10.91%	2.05%	3.08%	9.32%	13.99%	6.63%	9.94%	5.53%	8.28%	4.87%	7.30%
46	7.38%	11.07%	2.07%	3.10%	9.45%	14.17%	6.72%	10.08%	5.60%	8.40%	4.94%	7.40%
47	7.48%	11.22%	2.08%	3.12%	9.56%	14.34%	6.82%	10.23%	5.68%	8.53%	5.00%	7.50%
48	7.60%	11.39%	2.09%	3.14%	9.69%	14.53%	6.92%	10.39%	5.77%	8.66%	5.08%	7.62%
49	7.71%	11.57%	2.11%	3.16%	9.82%	14.73%	7.02%	10.53%	5.85%	8.78%	5.14%	7.72%
50	7.84%	11.76%	2.11%	3.17%	9.95%	14.93%	7.10%	10.65%	5.92%	8.88%	5.22%	7.83%
51	7.95%	11.92%	2.07%	3.11%	10.02%	15.03%	7.16%	10.73%	5.97%	8.94%	5.30%	7.94%
52	8.03%	12.05%	2.03%	3.03%	10.06%	15.08%	7.18%	10.77%	5.98%	8.98%	5.37%	8.05%
53	8.05%	12.08%	1.99%	2.97%	10.04%	15.05%	7.44%	11.17%	6.20%	9.31%	5.45%	8.18%
54	8.08%	12.12%	1.93%	2.90%	10.01%	15.02%	7.73%	11.59%	6.44%	9.66%	5.53%	8.30%
55	7.99%	12.00%	1.89%	2.84%	9.88%	14.84%	7.65%	11.48%	6.38%	9.57%	5.59%	8.39%
56	7.91%	11.86%	1.82%	2.74%	9.73%	14.60%	7.57%	11.35%	6.31%	9.46%	5.63%	8.45%
57	7.82%	11.73%	1.76%	2.65%	9.58%	14.38%	7.48%	11.23%	6.23%	9.36%	5.65%	8.48%
58	7.73%	11.60%	1.70%	2.56%	9.43%	14.16%	7.39%	11.09%	6.16%	9.24%	5.87%	8.80%
59+	7.63%	11.45%	1.64%	2.46%	9.27%	13.91%	7.30%	10.96%	6.08%	9.13%	6.08%	9.12%

**MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014**

**APPENDIX D
MEMBER CONTRIBUTION RATES**

Contribution Rates (Safety Non-PEPRA):

Entry Age	Tier 1						Tiers 2 and 3	
	Basic		COLA		Total		Basic	
	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350	First \$350	Over \$350
20	4.86%	7.28%	2.21%	3.32%	7.07%	10.60%	4.49%	6.73%
21	4.98%	7.46%	2.28%	3.42%	7.26%	10.88%	4.60%	6.90%
22	5.11%	7.67%	2.34%	3.51%	7.45%	11.18%	4.72%	7.09%
23	5.24%	7.86%	2.41%	3.61%	7.65%	11.47%	4.85%	7.27%
24	5.38%	8.06%	2.47%	3.71%	7.85%	11.77%	4.98%	7.46%
25	5.52%	8.28%	2.54%	3.80%	8.06%	12.08%	5.10%	7.66%
26	5.67%	8.50%	2.60%	3.89%	8.27%	12.39%	5.24%	7.86%
27	5.81%	8.73%	2.65%	3.97%	8.46%	12.70%	5.39%	8.08%
28	5.98%	8.96%	2.71%	4.06%	8.69%	13.02%	5.53%	8.29%
29	6.14%	9.21%	2.76%	4.14%	8.90%	13.35%	5.67%	8.51%
30	6.30%	9.45%	2.82%	4.23%	9.12%	13.68%	5.82%	8.74%
31	6.48%	9.71%	2.85%	4.28%	9.33%	13.99%	5.99%	8.98%
32	6.66%	9.99%	2.88%	4.33%	9.54%	14.32%	6.16%	9.24%
33	6.85%	10.27%	2.92%	4.39%	9.77%	14.66%	6.30%	9.46%
34	7.06%	10.58%	2.98%	4.48%	10.04%	15.06%	6.43%	9.64%
35	7.16%	10.73%	3.04%	4.56%	10.20%	15.29%	6.53%	9.79%
36	7.26%	10.90%	3.11%	4.66%	10.37%	15.56%	6.63%	9.94%
37	7.38%	11.07%	3.17%	4.76%	10.55%	15.83%	6.73%	10.09%
38	7.49%	11.24%	3.24%	4.86%	10.73%	16.10%	6.83%	10.24%
39	7.62%	11.43%	3.31%	4.97%	10.93%	16.40%	6.93%	10.41%
40	7.74%	11.61%	3.39%	5.09%	11.13%	16.70%	7.06%	10.59%
41	7.87%	11.81%	3.39%	5.09%	11.26%	16.90%	7.16%	10.73%
42	8.02%	12.04%	3.40%	5.10%	11.42%	17.14%	7.24%	10.87%
43	8.10%	12.15%	3.42%	5.13%	11.52%	17.28%	7.32%	10.98%
44	8.19%	12.28%	3.44%	5.16%	11.63%	17.44%	7.39%	11.09%
45	8.28%	12.42%	3.45%	5.18%	11.73%	17.60%	7.43%	11.15%
46	8.40%	12.60%	3.47%	5.20%	11.87%	17.80%	7.44%	11.17%
47	8.38%	12.58%	3.48%	5.22%	11.86%	17.80%	7.42%	11.14%
48	8.36%	12.55%	3.49%	5.23%	11.85%	17.78%	7.71%	11.56%
49+	8.35%	12.53%	3.51%	5.26%	11.86%	17.79%	7.99%	11.99%

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 ACTUARIAL VALUATION REPORT AS OF JUNE 30, 2014

APPENDIX D
 MEMBER CONTRIBUTION RATES

Current Year Contribution Rates (PEPRA):

PEPRA Rates		
	<u>General</u>	<u>Safety</u>
	5.11%	9.01%
Assumptions:		
Interest	7.75%	
Salary	2014 Valuation Scale (service-based, includes inflation at 3.00%)	
Mortality	RP-2000 Combined Healthy, projected to 2027 using Scale BB	
Other	Same as June 30, 2014 valuation (see Appendix B)	

Prior Year Contribution Rates (PEPRA):

PEPRA Rates		
	<u>General</u>	<u>Safety</u>
	5.16%	8.86%
Assumptions:		
Interest	7.75%	
Salary	2013 Valuation Scale (service-based, includes inflation at 3.00%)	
Mortality	RP-2000 Combined Healthy, projected to 2027 using Scale BB	
Other	Same as June 30, 2013 valuation (see Appendix B)	

**APPENDIX E
GLOSSARY**

1. Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs such as mortality, withdrawal, disability, retirement, changes in compensation, and rates of investment return.

2. Actuarial Cost Method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a Normal Cost and an Actuarial Liability.

3. Actuarial Gain (Loss)

The difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

4. Actuarial Liability

The portion of the Actuarial Present Value of Projected Benefits which will not be paid by future Normal Costs. It represents the value of the past Normal Costs with interest to the valuation date.

5. Actuarial Present Value (Present Value)

The value as of a given date of a future amount or series of payments. The Actuarial Present Value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made.

6. Actuarial Valuation

The determination, as of a specified date, of the Normal Cost, Actuarial Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

**APPENDIX E
GLOSSARY**

7. Actuarial Value of Assets

The value of cash, investments, and other property belonging to a pension plan as used by the actuary for the purpose of an Actuarial Valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. No longer applicable as of the June 30, 2014 actuarial valuation.

8. Actuarially Equivalent

Of equal Actuarial Present Value, determined as of a given date, with each value based on the same set of actuarial assumptions.

9. Amortization Payment

The portion of the pension plan contribution which is designed to pay interest and principal on the Unfunded Actuarial Liability in order to pay for that liability in a given number of years.

10. Entry Age Normal Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

11. Funded Ratio

The ratio of the Market Value of Assets to the Actuarial Liabilities.

12. Normal Cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

13. Projected Benefits

Those pension plan benefit amounts which are expected to be paid in the future under a particular set of Actuarial Assumptions, taking into account such items as increases in future compensation and service credits.

14. Unfunded Actuarial Liability

The excess of the Actuarial Liability over the Market Value of Assets.