Mendocino County Employees Retirement Association

Ukiah, California

Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2025

A Pension Trust Fund of the County of Mendocino, Superior Court of Mendocino County, and the Russian River Cemetery District

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Mendocino County Employees' Retirement Association
California

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

Mendocino County Employees Retirement Association

2024-2025 At A Glance

$793 Million
Total Net Position

3,725 Members Strong

76.4%
Funded (Valuation Value of Assets)

12.33%
Fiscal Year 24-25 Net Rate of Return

9.64%
Fiscal Year 24-25 5-Year Net Rate of Return

$4,228
Average Monthly Benefit

3 Participating Employers

Mendocino County Employees Retirement Association

MISSION

Providing sustainable pensions, retirement planning education, and professional services to current and future members.

VISION

To be a trusted resource for a well-planned and secure retirement.

GUIDING PRINCIPLES

- We are mindful of the impacts to individual members when we fulfill our fiduciary role of making decisions in the best interests of all members.
- We value professionalism, inclusion, and collegiality in doing our work.
- We take the long term into consideration in everything we do while remaining adaptable and flexible in the short term.

Board of Retirement Trustees as of June 30, 2025

A Message to Members

The Mendocino County Employees Retirement Association (MCERA) is pleased to present this Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2025. The PAFR is a snapshot of MCERA's financial activities during the year. The information presented in the PAFR comes from MCERA's Annual Comprehensive Financial Report (ACFR). The ACFR provides more detailed information and is available on MCERA's website, https://www.mendocinocounty.org/government/affiliated-agencies/retirement-association/reports.

MCERA's goals are to: achieve long-term funding of the cost of benefits; seek a reasonable and equitable allocation of the costs of benefits over time; and minimize volatility of the plan sponsor's contribution to the extent reasonably possible.

As of June 30, 2025, MCERA's Funded Ratio is 76.4%. The Funded Ratio is the ratio of the value of assets (smoothed asset values) to the actuarial value of liabilities (promised benefits). If considered on a market value basis, the ratio would be 79.6%.

For the fiscal year ended June 30, 2025, MCERA's total portfolio outperformed its custom benchmark. MCERA's annual time-weighted return is 12.33%, compared to the benchmark of 11.88%. The outperformance is primarily due to performance of MCERA's international equity and infrastructure holdings and an underweight allocation to the real estate asset class. Those gains are somewhat offset by the lower performance of domestic equity holdings. MCERA remains financially strong and able to meet its obligations to plan participants and beneficiaries.

Brown Armstrong Accountancy Corp. audited the financial statements as of June 30, 2025 and stated that MCERA's financial statements fairly represent the financial position for the fiscal year.

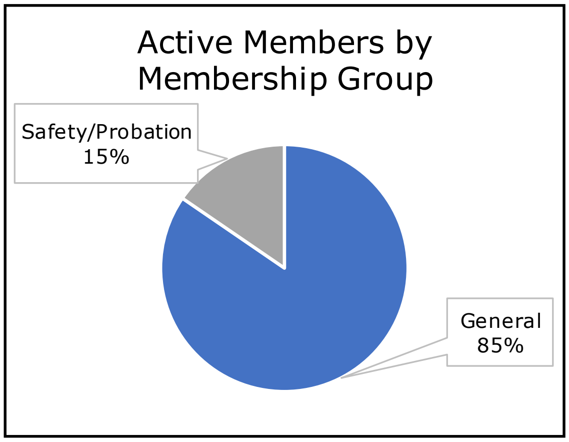
Respectfully submitted,

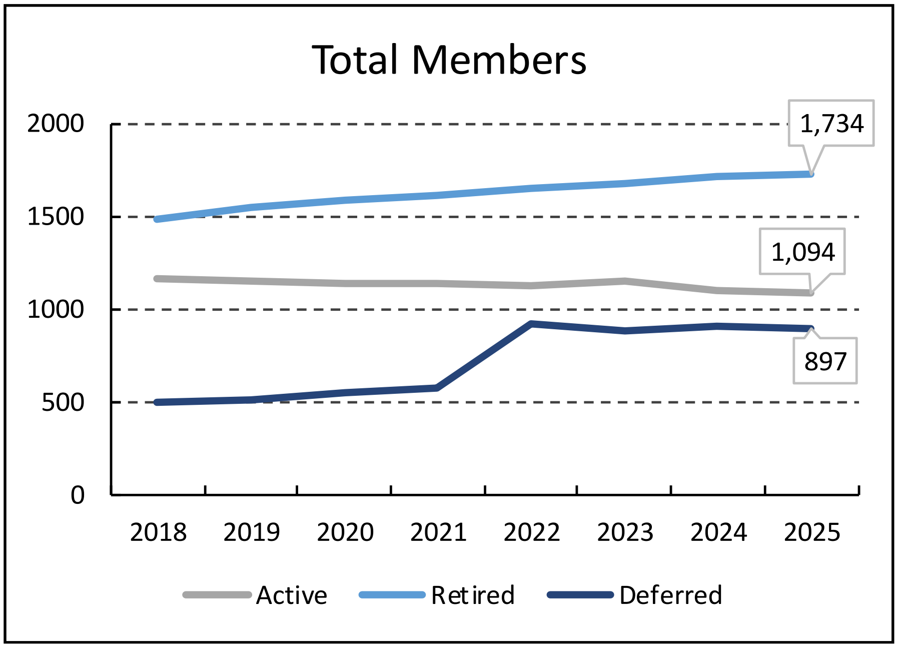
Doris L. Rentschler, CFP
Executive Director

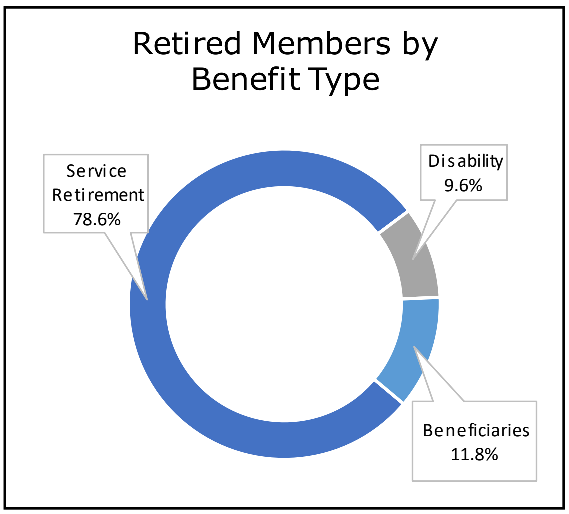
MCERA Membership Highlights

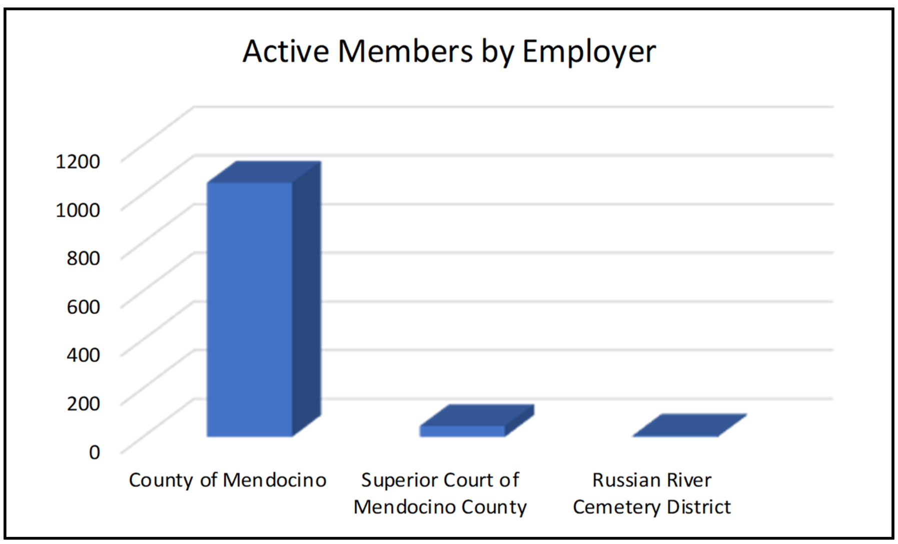
All data as of June 30, 2025

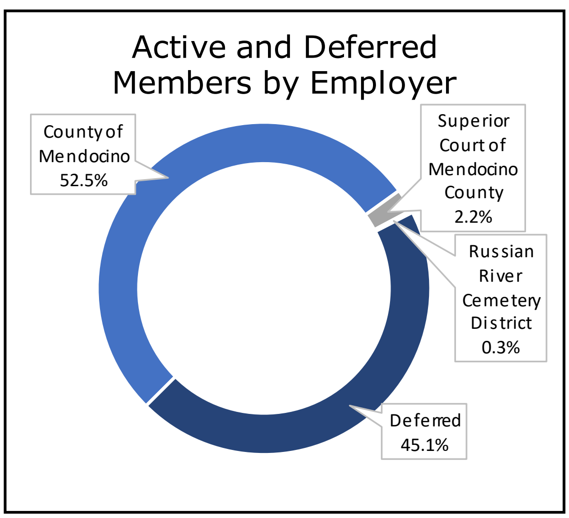
MCERA's membership consists of full time (working at least 64 hours per pay period) employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from the County of Mendocino, Superior Court of Mendocino County, and the Russian River Cemetery District. The increase in deferred members in 2022 is due to the pending refund of member contributions because the association has not credited all required interest to those members before they were refunded in prior years.











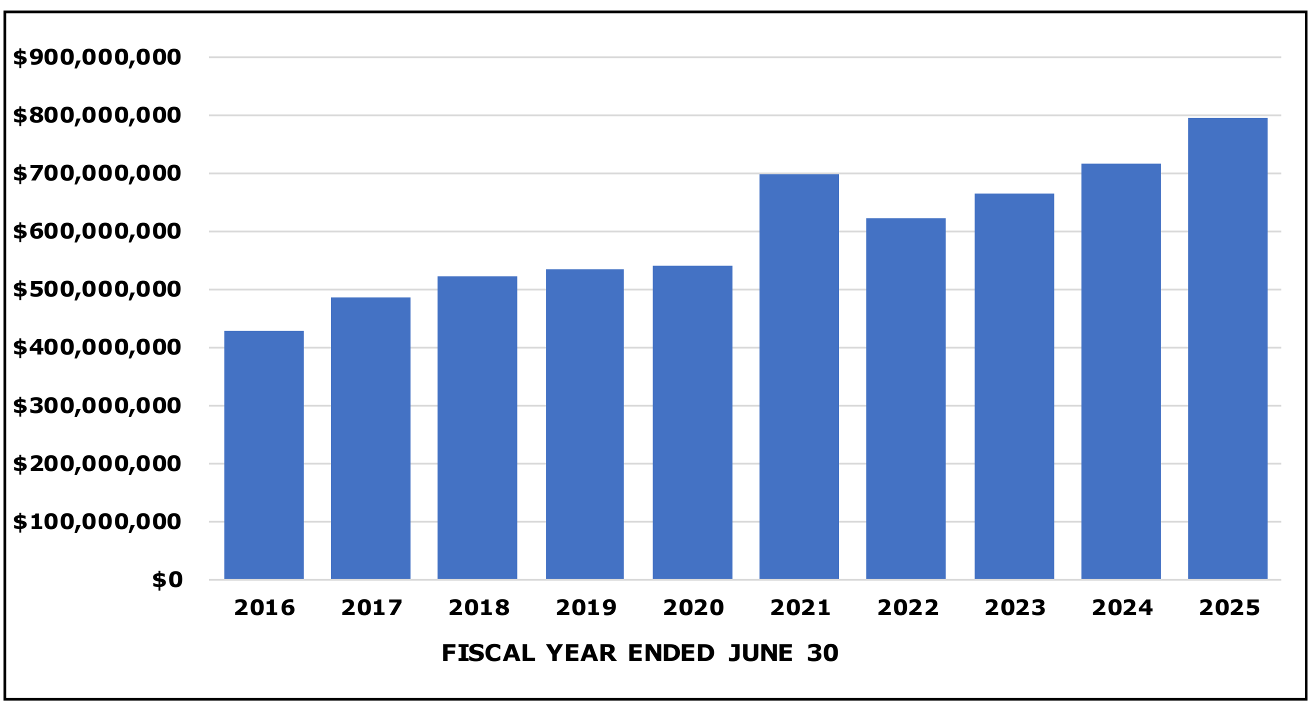
Summary of Fiduciary Net Position

Fiduciary Net Position is a snapshot of account balances at fiscal year-end. It presents major categories of assets and liabilities at that moment in time. The difference between assets and liabilities, Fiduciary Net Position, represents funds available to pay benefits.

(Dollars in Thousands)	2025	2024	Dollar Change	Percent Change
Cash Equivalents	$ 243	$ 234	$ 9	3.85%
Receivables	1,134	957	177	18.50%
Investments, at Fair Value	793,339	715,157	78,182	10.93%
Total Assets	794,716	716,348	78,368	10.94%
Total Liabilities	1,276	1,236	40	3.24%
Fiduciary Net Position	$ 793,440	$715,112	$78,328	10.95%

Total net position increased from $715.1 million in fiscal year 2024 to $793.4 million in fiscal year 2025 primarily due to strong investment performance. Increases and decreases in Fiduciary Net Position, when analyzed over time, may serve as an indicator of whether MCERA's financial position is improving or deteriorating. Management believes MCERA remains in a strong position to meet promised benefits.

Net Position Over Time

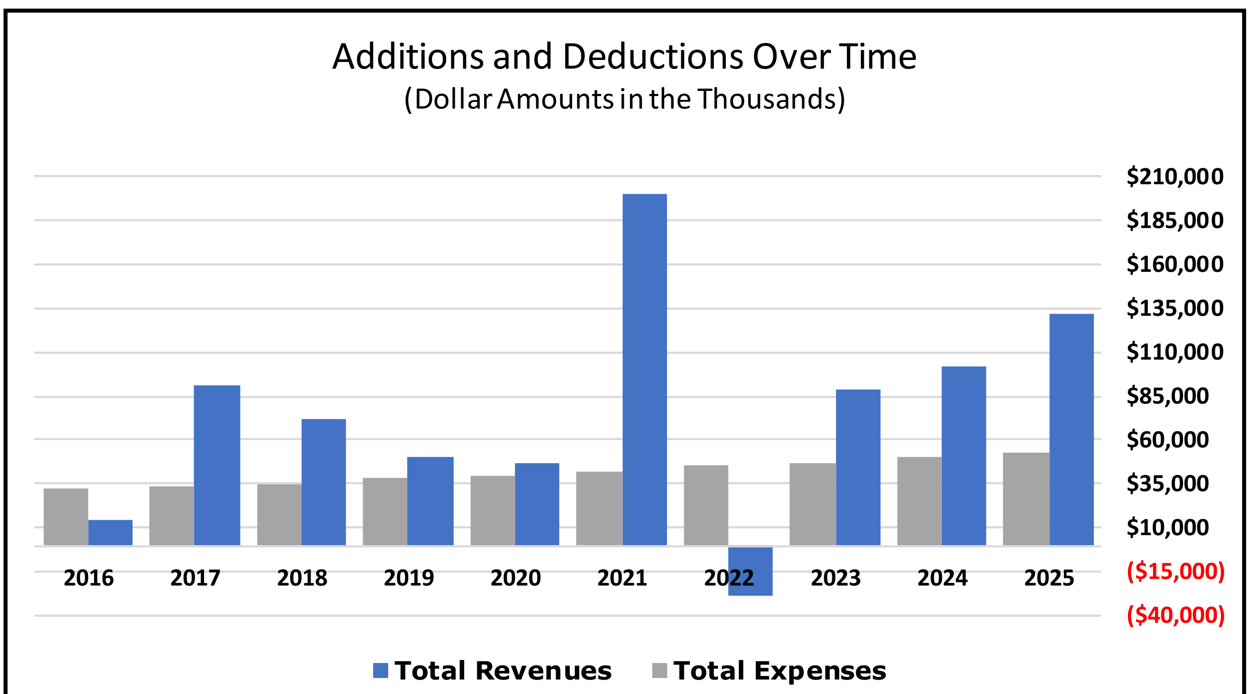


Changes in Net Position

Benefits to MCERA members are provided through income on investments and the collection of employee and employer contributions. These income sources for the fiscal years ended June 30, 2025 and 2024 totaled $131.5 million and $101.6 million, respectively. The increase in additions from 2024 to 2025 can be attributed primarily to an increase in net investment income. Employer and member contributions increased from fiscal year 2024 as a result of greater covered payroll.

MCERA's assets are primarily used for benefit payments to retirees and their beneficiaries, refunds of contributions to terminated employees, and the cost of administering MCERA. These deductions for the fiscal years ended June 30, 2025 and 2024 were $53.1 million and $50.4 million, respectively. The primary reason for this change was an increase in benefits paid to retirees.

(Dollars in Thousands)	**2025**	**2024**	**Dollar Change**	**Percent**
Additions				
Employer Contributions	$ 36,515	$ 32,096	$ 4,419	13.77%
Member Contributions	9,422	8,424	998	11.85%
Net Investment Income	85,535	61,117	24,418	39.95%
Total Additions	131,472	101,637	29,835	29.35%
Deductions				
Retirement Benefits	50,200	47,384	2,816	5.94%
Refund of Contributions	1,448	1,411	37	2.62%
Administrative Expenses	1,496	1,639	(143)	(8.72%)
Total Deductions	53,144	50,434	2,710	5.37%
Net Additions	78,328	51,203	27,125	52.98%



Fund Revenues and Expenses

MCERA's revenues are employer and employee contributions and income on investments. Employer and member contributions increased as a result of greater covered payroll. The increase in net investment income was due to investment outperformance of international and infrastructure equities and an underweight allocation to the real estate asset class. The large loss of Investment Net Income in 2022 was due to unrealized market losses, while the large increase in 2021 was due unrealized market gains.

Revenues

Fiscal Year Ended 6/30	Employee Contributions	Employer Contributions	Investment Net Income	Total Revenues
2025	$ 9,422	$ 36,515	$ 85,535	$ 131,472
2024	8,424	32,096	61,117	101,637
2023	8,493	30,309	50,177	88,979
2022	8,186	30,485	(67,368)	(28,697)
2021	7,054	26,334	166,513	199,901
2020	6,820	24,647	14,799	46,266
2019	6,544	23,702	19,959	50,205
2018	5,996	20,431	45,272	71,699
2017	5,754	19,116	66,670	91,540
2016	5,545	19,129	(10,352)	14,322

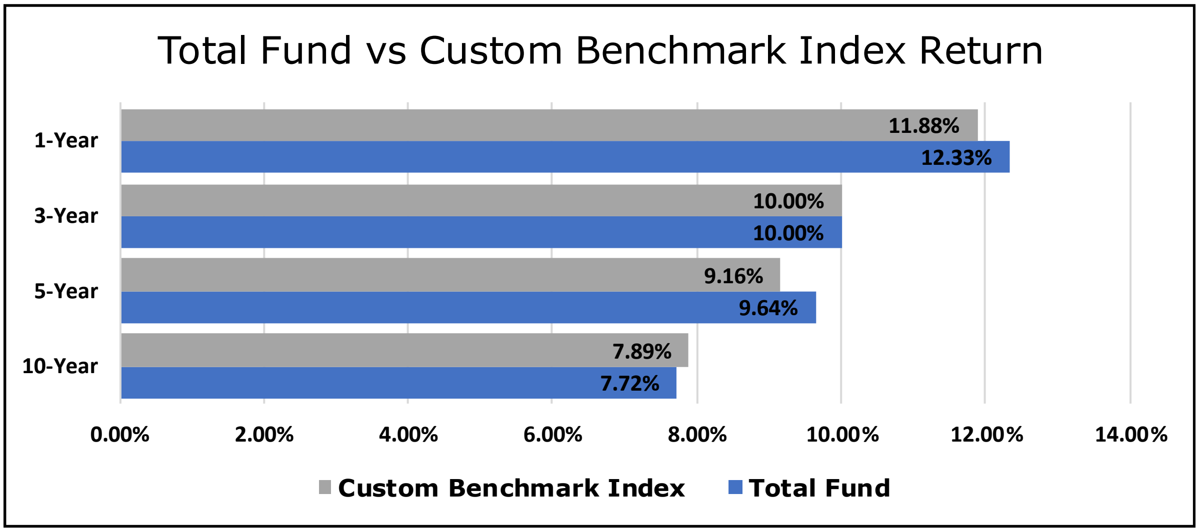
The uses of assets of the system are the payment of pension benefits to retirees and their beneficiaries, refund of contributions to former employees, and the cost of administering the system. Benefits paid are greater in fiscal year 2025 due to the increasing number of retirees. Refunds increased due to greater inactive member refunds. Administrative costs decreased due to lower actuarial consulting fees, IT, contracts, and office expenses.

Expenses

Fiscal Year Ended 6/30	Benefits	Administrative	Refunds	Total Expenses
2025	$ 50,200	$ 1,496	$ 1,448	$ 53,144
2024	47,384	1,639	1,411	50,434
2023	44,310	1,550	1,144	47,004
2022	42,750	1,463	1,596	45,809
2021	40,230	1,372	847	42,449
2020	38,036	1,226	742	40,004
2019	35,650	1,233	1,025	37,908
2018	33,332	1,142	822	35,296
2017	31,617	1,086	1,148	33,851
2016	30,435	1,142	624	32,201

Investments -Asset Values and Returns

Longer term annualized Total Fund returns are roughly in-line with the Custom Benchmark Index.



As of June 30, 2025, the assets of MCERA were valued at $793.6 million, up from the total asset value of $715.4 million at the start of the fiscal year, July 1, 2024.

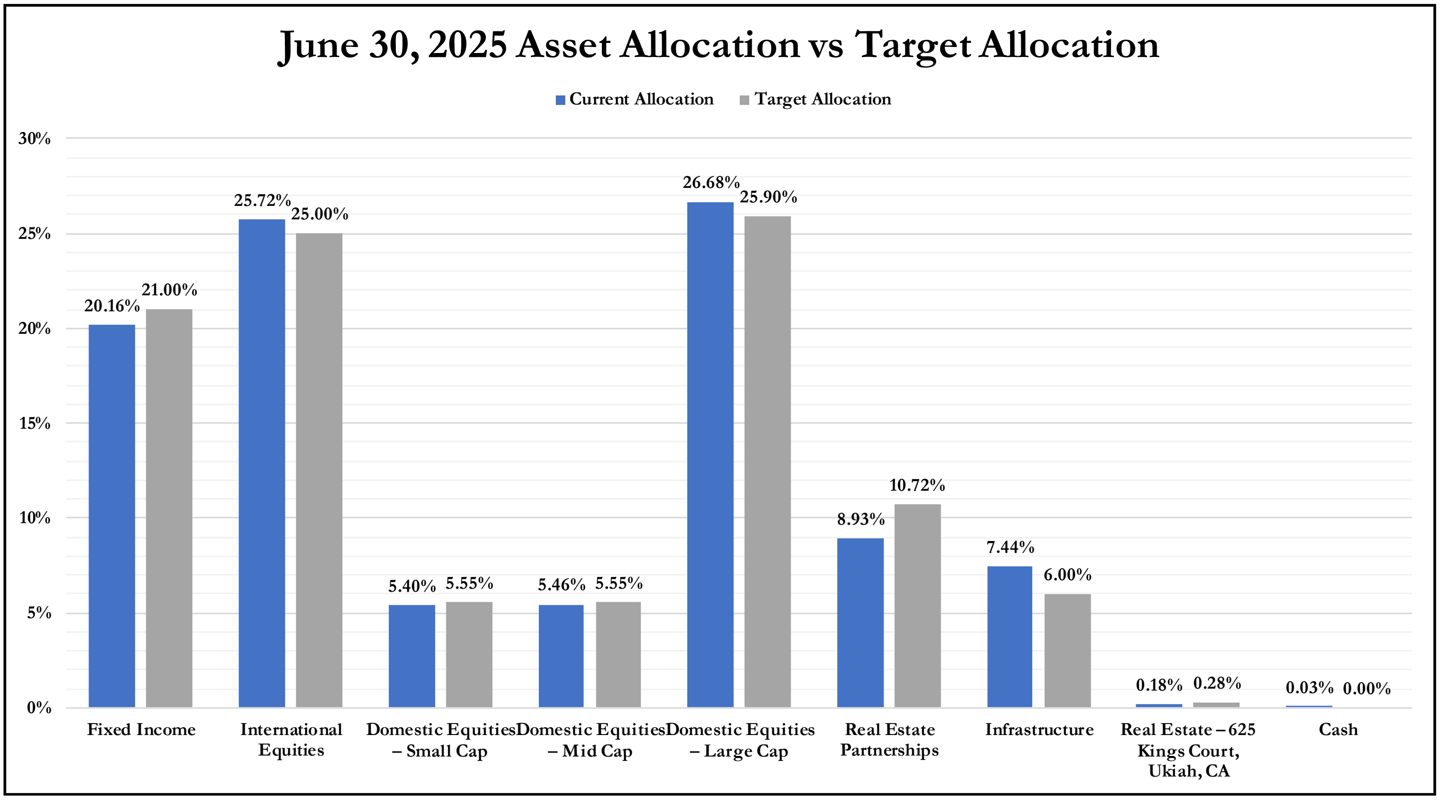
June 30, 2025 Investment Portfolio	Fair Value
Fixed income	$ 159,976,037
International equities	204,141,003
Domestic equities – small cap	42,854,203
Domestic equities – mid cap	43,329,539
Domestic equities – large cap	211,696,676
Real estate partnerships	70,864,546
Infrastructure	59,017,528
Real estate – 625 Kings Court, Ukiah, CA	1,460,000
Cash	242,743
Total Cash and Investments	$ 793,582,275

MCERA's Total Fund gained 12.33% on a time-weighted basis for the fiscal year ended June 30, 2025, outperforming the Policy Index's 11.88% return.

Investment Returns For Period Ended June 30, 2025	1-Year	3-Year	5-Year	10-Year
Fixed income	6.76%	3.85%	0.52%	2.54%
International equities	19.50%	13.85%	10.34%	5.73%
Domestic equities – small cap	7.25%	9.48%	11.48%	9.19%
Domestic equities – mid cap	10.43%	13.31%	13.40%	10.22%
Domestic equities – large cap	15.14%	19.69%	16.62%	13.62%
Real estate	3.29%	(7.40%)	1.44%	4.27%
Infrastructure	11.55%	9.84%	0.00%	0.00%
Total Fund	**12.33%**	**10.00%**	**9.64%**	**7.72%**
Custom Benchmark Index*	11.88%	10.03%	9.16%	7.89%

* Custom Benchmark Index = 37.0% Russell 3000 Index, 25.0% MSCI ACWI xUS (Net), 21.0% Blmbg Aggregate, 11.0% NCREIF NFI-ODCE Eq Wt Net and 6.0% NCREIF NFI-ODCE Eq Wt Net.

Investments -Asset Allocation

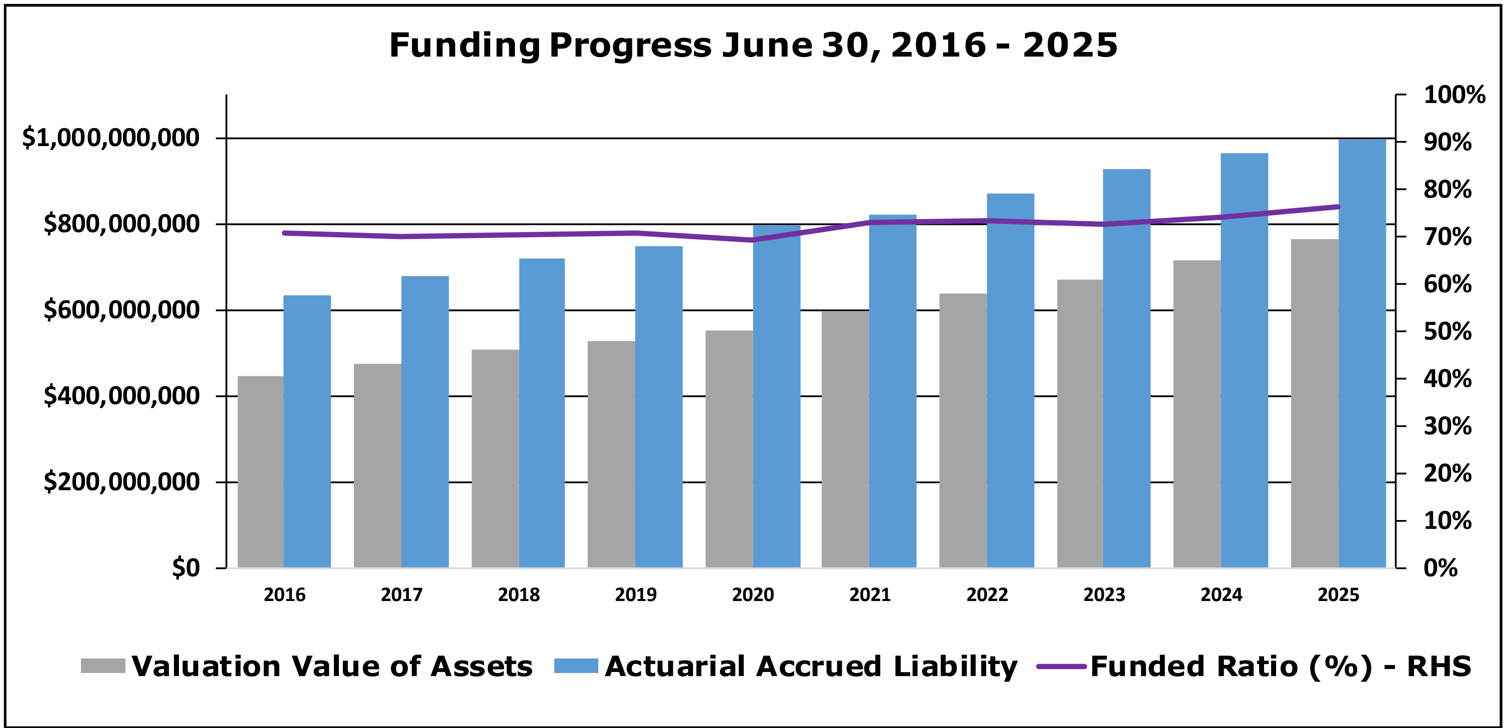


Allocations to large cap domestic equity, international equities, and infrastructure are overweight compared to the target and are offset by relative underweights to domestic small/mid cap equity, fixed income and real estate. All asset classes remain within their permitted ranges.

Asset Class	Target Allocation	Allowable Range
Domestic Fixed Income	21%	18% - 24%
International Equities	25%	20% - 30%
Domestic Equities	37%	32% - 42%
Domestic Real Estate	11%	6% - 16%
Infrastructure	6%	1% - 11%

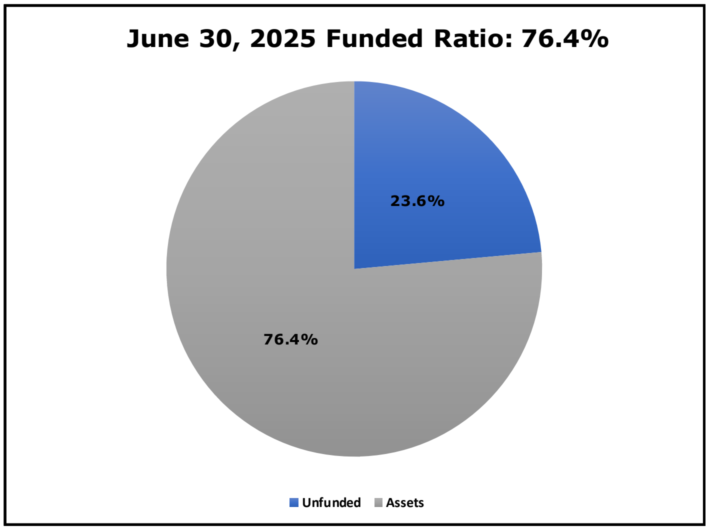
Funded Status

MCERA maintains a funding goal to establish contributions that fully fund MCERA's liabilities. Those contributions, as a percentage of payroll, remain as level as possible for each generation of active members.



The Actuarial Accrued Liability is the present dollar value of all current and future promised benefits. Prior to 2024 the Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of MCERA's Contingency Reserve. Starting with the valuation in 2024 the Contingency Reserve is no longer deducted from Actuarial Value of Assets because the reserve was distributed to the system's other non-active member valuation reserves. The Actuarial Value of Assets is a smoothed value of assets used to establish employer contribution rates. The funded ratio is the ratio of the Valuation Value of Assets to the Actuarial Accrued Liability.

Some of the important estimates used to calculate the cost of the retirement plan are found below. The investment rate of return is the rate of investment yield the plan will earn over the long-term. The inflation rate is the long-term assumed rate of inflation. The Salary increase assumption is the rate of salary increase due to inflation, real wage growth, merit and promotion increases.



Major Actuarial Assumptions

Investment rate of return: 6.50%

Inflation rate: 2.50%

Salary increase assumptions:

4.00% to 8.25%