AGENDA

REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA

December 9, 2020 – 9:00 a.m.

This meeting will be held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. The public may listen to and observe the meeting on YouTube at https://youtu.be/1eOt5U_r888.

If members of the public wish to comment, those comments may be submitted to MCERA via email at MCERABoard@marincounty.org. This account will be monitored prior to and for the duration of the meeting. If the comment pertains to a particular agenda item, please identify that item number and the comment will be read to the Board during that discussion. Otherwise, the comment will be read under Item A, Open Time for Public Expression. All public comments submitted before or during the meeting that pertain to topics within the jurisdiction of the MCERA Board and otherwise comply with MCERA guidelines will be read in open session and kept as part of the permanent record.

The Board of Retirement encourages a respectful presentation of public views to the Board. The Board, staff and public are expected to be polite and courteous, and refrain from questioning the character or motives of others. Please help create an atmosphere of respect during Board meetings.

EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER

ROLL CALL

MINUTES

November 4, 2020 Board meeting
October 27-28, 2020 Strategic Workshop

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may also address the Board regarding any agenda item when the Board considers the item.

Open time for public expression, from three to five minutes per speaker, on items not on the Board Agenda. While members of the public are welcome to address the Board during this time on matters within the Board's jurisdiction, except as otherwise permitted by the Ralph M. Brown Act (Government Code Sections 54950 et seq.), no deliberation or action may be taken by the Board concerning a non-agenda item. Members of the Board may (1) briefly respond to statements made or questions posed by persons addressing the Board, (2) ask a question for clarification, or (3) provide a reference to staff for factual information.

B. APPOINTMENT OF BOARD STANDING COMMITTEES (Action)
Appointment of Standing Committees and Standing Committee Chairs

C. MATTERS OF GENERAL INTEREST

1. Preliminary Actuarial Valuation Results June 30, 2020 – Cheiron, Graham Schmidt
   Presentation of preliminary results for the annual actuarial valuation

2. Preliminary Experience Study Results – Cheiron, Graham Schmidt
   Presentation of the demographic results of the Actuarial Experience Study and summary of potential overall recommended economic and demographic changes on the funding and rates of the plan.

3. GASB 67/68 Report (**Action**) – Cheiron, Graham Schmidt
   Consider and take possible action to adopt June 30, 2020 GASB 67/68 Report

4. Audited Financial Statements for Fiscal Year Ending June 30, 2020 (**Action**) – Brown Armstrong, Rosalva Flores, CPA, Audit Manager
   Discuss and consider Audit Committee recommendation to adopt the Audited Financial Statements for June 30, 2020

D. BOARD OF RETIREMENT MATTERS

1. Administrator's Report
   a. Administrator's Update

   b. Staffing Update

   c. Facility Use Report

   d. Future Meetings
      - December 16, 2020 Investment Committee
      - January 13, 2021 Board

2. Standing Committee Reports
   a. Finance and Risk Management Committee
      1. Administrative Budget Fiscal Year 2020/21 Quarterly Review
         Consider and review expenses for quarter ending September 30, 2020

      2. Non-budgeted Expenses
         Consider and review non-budgeted expenses for the quarter

3. <u>Quarterly Checklist</u>
   Consider, review and updates on the following:

   a. MCERA educational and event-related expenses

   b. Continuing Trustee Education Log

   c. Other expenses per Checklist Guidelines

   d. Variances in the MCERA administrative budget in excess of 10%

   e. Vendor services provided to MCERA

   f. MCERA staffing status

   g. Internal controls, compliance activities and capital calls

   h. Audits, examinations, investigations or inquiries from governmental agencies

   i. Other items from the Administrator related to risk and finance

4. <u>Cyber Risk Assessment (**Action**)</u>
   Consider possible action on Finance and Risk Management recommendation to authorize the Retirement Administrator to enter into an agreement with Linea Secure to assist with the implementation of the recommended changes from the Cybersecurity Risk Assessment Report

5. <u>Annual Audit of Financial Statements Update</u>
   Update on audit process

b. Audit Committee

1. <u>Financial Audit Review – Rosalva Flores, Brown Armstrong</u>
   Review and discuss audit results

2. <u>Financial Statements (**Action**) – Rosalva Flores, Brown Armstrong</u>
   Consider possible action on Finance and Risk Management Committee recommendation to adopt proposed June 30, 2020 Financial Statements (see Agenda Item C.4 above)

3. <u>Trustee Comments</u>
   a. Educational Training: Reports by Trustees and Staff

   b. Other Comments

E. <u>LEGAL MATTER</u>

1. <u>Conference with Legal Counsel – Pending Litigation (Gov. Code sec. 54956.9(d)(4)) (**CLOSED SESSION**)</u>
   Marquez v. LACERA, Second District Court of Appeal Case No. B295673, potential support for LACERA request for publication of opinion

F. NEW BUSINESS

1. Fiduciary Liability Insurance (**Action**)
   Consider and take possible action on selection of fiduciary liability insurance provider

2. Future Meetings
   Consider and discuss agenda items for future meetings.

G. OTHER INFORMATION

1. Training Calendar (**Action**)

H. CONSENT CALENDAR (Action)

Note on Process: Items designated for information are appropriate for Board action if the Board wishes to take action. Any agenda item from a properly noticed Committee meeting held prior to this Board meeting may be considered by the Board.

Note on Voting: As provided by statute, the Alternate Safety Member votes in the absence of the Elected General or Safety Member, and in the absence of both the Retired and Alternate Retired Members. The Alternate Retired Member votes in the absence of the Elected Retired Member. If both Elected General Members, or the Safety Member and an Elected General Member, are absent, then the Elected Alternate Retired Member may vote in place of one absent Elected General Member.

Agenda material is provided upon request. Requests may be submitted by email to MCERABoard@marincounty.org, or by phone at (415) 473-6147.

MCERA is committed to assuring that its public meetings are accessible to persons with disabilities. If you require American Sign Language interpreters, assistive listening devices or other accommodations to participate in this meeting, these may be requested by calling (415) 499-7331 (voice) or (415) 499-6172 (TTY) at least 72 hours in advance.

The agenda is available on the Internet at http://www.mcera.org

For consideration at December Board meeting

MINUTES

REGULAR BOARD MEETING
MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (MCERA)

One McInnis Parkway, 1st Floor
Retirement Board Chambers
San Rafael, CA

November 4, 2020 – 9:00 a.m.

This meeting was held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. The public was able to listen to and observe the meeting on YouTube.

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EVENT CALENDAR 9 a.m. Regular Board Meeting

CALL TO ORDER

Chair Silberstein called the meeting to order at 9:02 a.m.

ROLL CALL

PRESENT:	Block, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Shaw (ex officio) alternate, Silberstein, Werby
ABSENT:	Cooper, Poirier (alternate safety), Thomas

MINUTES

It was M/S Gladstern/Given to approve the October 14, 2020 Board Meeting Minutes as submitted. The motion was approved by a vote of 8-0 as follows:

AYES:	Block, Given, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

For consideration at December Board meeting

A. OPEN TIME FOR PUBLIC EXPRESSION

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No members of the public provided comment.

B. ELECTION OF BOARD OFFICERS

1. Election of Board Chairperson, Vice Chairperson and Secretary (**Action**)
   Consider and discuss nominations for Board of Retirement officer positions

   Retirement Administrator Wickman reported trustees nominated at the October Board meeting for Board of Retirement officer positions are the current officers:

   Board Chairperson – Steve Silberstein

   Board Vice Chairperson – Phillip Thomas

   Board Secretary – Laurie Murphy

It was M/S Werby/Gladstern to elect Steve Silberstein as Board Chairperson. The motion was approved by a vote of 7-1 as follows:

AYES:	Block, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	Given
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

It was M/S Werby/Block to elect Phillip Thomas as Board Vice Chairperson. The motion was approved by a vote of 7-1 as follows:

AYES:	Block, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	Given
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

It was M/S Werby/Given to elect Trustee Laurie Murphy as Board Secretary. The motion was approved by a vote of 8-0 as follows:

AYES:	Block, Given, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

C. BOARD OF RETIREMENT MATTERS

1. Administrator's Report

   a. Administrator's Update

Retirement Administrator Jeff Wickman reported that Trustee Thomas, 3rd Miscellaneous Member, began his new three-year term of office on November 1, 2020. On November 3, 2020 Trustee Block was reappointed as the 5th Member by the Marin County Board of Supervisors. The Administrator congratulated the two trustees for their new terms of office on the Retirement Board.

Mr. Wickman reported that 98% of Annual Benefit Statements were mailed out on October 26th. The remaining 2% are undergoing data review. He expressed appreciation to Assistant Retirement Administrator Michelle Hardesty and her team for a good effort to get the statements out. Trustee Gladstern asked if data issues are with the same members. In response Ms. Hardesty said some cases are the same from year to year. Most are members with multiple tiers which are validated every year, and the list is getting smaller every year. She added that divorce further complicates issues. In response to Trustee Silberstein's inquiry, Mr. Wickman stated benefit statements are mailed to active and inactive members to show how much service credit they have, and the contributions and interest credited to their accounts.

The Audit Committee will be meeting on November 24, 2020 to review the financial statement audit when GASB 67/68 reports will be available.

Last month Trustee Gladstern asked Mr. Wickman whether member deaths had increased. The Administrator reported that from October 2018 to September 2019 there were 81 member deaths. Deaths increased to 97 in the October 2019 to September 2020 time period and the average age dropped from 83 years old in the prior period to 80 years old. There is no indication of increased deaths being related to COVID-19 and the actuary said he would need more data to infer causation.

The courtyard remodel at One McInnis Parkway is in progress and will provide additional seating and patio space for tenants. Another significant project is replacing the 30-year old HVAC system on top of the building. Two HVAC box cars are scheduled for removal this Thursday and replacement will be this Friday. Hopefully this will resolve some of the heating and cooling issues within the building, the Administrator said. In response to Trustee Block's inquiry on efficiency, the Administrator affirmed the new units will be more efficient.

   b. Staffing Update

No staffing updates to report.

   c. Facility Use Report

No facility use in the period.

For consideration at December Board meeting

d. Future Meetings
- November 18, 2020 Finance and Risk Management Committee
- November 24, 2020 Audit Committee
- December 9, 2020 Board
- December 16, 2020 Investment Committee

2. Trustee Comments

a. Educational Training: Reports by Trustees and Staff

Trustee Murphy reported on the CalAPRS Trustees' Round Table. The first session on the role of trustees in choosing and monitoring investment managers included a discussion of the U.S. Public Pension Plan Handbook by Von M. Hughes who was on the panel. Mr. Hughes emphasized the importance of strategic asset allocation, portfolio and manager monitoring, and how manager performance complicates pension fund portfolios. The next panel of representatives from the Fresno City Employees' Retirement System and the Orange County Employees' Retirement System gave perspectives on their experience in choosing money managers. Then a private industry panel gave examples of risk reports and monitoring tools. In the next session moderated by Paul Rosenstiel, former trustee of CalSTRS, the role of trustees on corporate polices was discussed. Speakers included representatives of Institutional Shareholder Services (ISS), the Council of Institutional Investors (CII), the California State Teachers' Retirement System (CalSTRS), BlackRock, and the California Public Employees' Retirement System (CalPERS). Of interest was the two years it took CalSTRS to develop investment beliefs and the power gained by smaller pension systems from aligning with larger players.

Trustee Klein said the advice given at the CalAPRS Trustees' Round Table on reports trustees should be looking at to monitor investment managers, such as watchlists and private equity pacing plans, confirm what our consultant is already providing. One area we may want to look into, she said, is annual reports from the custodian. She said we are moving in the right direction in considering whether to engage ISS on proxy voting and need to consider who to hire to assist with such processes.

b. Other Comments

No other comments from trustees.

Chair Silberstein recessed Open Session and reconvened the meeting in Closed Session at 9:31 a.m. Trustee Gladstern recused herself and did not attend Closed Session as she is an officer of MAPE. Trustee Thomas was absent.

The Chair recessed Closed Session and reconvened the meeting in Open Session at 9:52 a.m.

For consideration at December Board meeting

D. LEGAL MATTERS

1. Conference with Legal Counsel – Existing Litigation (Gov. Code sec. 54956.9(d)(1) (**CLOSED SESSION**)
   Marin Assn. of Public Employees, et al. v. Marin County Employees' Retirement Assn., California Supreme Court Case No. S237460

   Chair Silberstein reported there was nothing to report on this agenda item. Trustee Gladstern recused herself as noted above.

E. NEW BUSINESS

1. Board Meeting Calendar for 2021 (**Action**)
   Consider and take possible action to approve Calendar

   The Administrator presented a revised proposed Board meeting Calendar for 2021 for the Board's consideration. Dates for Audit Committee meetings were left the same in the hope of moving up the schedule next year on the audit of financial statements.

It was M/S Gladstern/Given to approve the Board Meeting Calendar for 2021 as submitted. The motion was approved by a vote of 8-0 as follows:

AYES:	Block, Given, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

2. Voting Instructions to MCERA Delegate re SACRS Business Meeting November 13, 2020 (**Action**)

   At the Board's October meeting the Retirement Administrator was delegated to vote on behalf of MCERA at the State Association of County Retirement Systems (SACRS) Business Meeting on November 13, 2020. Mr. Wickman stated the two items for the Board to provide voting instructions to the delegate on are:

   1. SACRS Agenda Item #7, the Auditor's Report on two years of financial statements presented by the SACRS Audit Committee. Staff recommends the MCERA Board direct the voting delegate to vote in favor of a motion to adopt the Audited SACRS June 30, 2019 and 2018 Financial Statements.

   2. SACRS Agenda Item #11 regarding SACRS Bylaws amendments. Staff have reviewed the bylaw changes and recommend the MCERA Board direct the voting delegate to vote in favor of a motion to adopt the changes to existing bylaws proposed by the SACRS Bylaws Committee. Brief summaries of the Bylaws changes are:

      a. Add a new section dealing with the use of SACRS intellectual property (name, logo, member database, copyrighted material etc.) to Article 1, Name, Mission, Purpose and General Policy.

For consideration at December Board meeting

b. Add three new sections outlining termination of membership in SACRS, suspension of membership in SACRS and procedures for termination or suspension of membership in SACRS to Article III, Membership.

c. Add new sections to Article V, Member Meetings, Article VIII, Board of Directors and Article IX Meetings of the Board of Directors that would create the ability within the bylaws to hold meetings electronically.

It was M/S Block/Gladstern to direct the voting delegate to vote in favor of motions to adopt the Auditor's Report and the Audited SACRS June 30, 2019 and 2018 Financial Statements, and to adopt the changes to existing SACRS Bylaws as outlined above and presented in the SACRS Business Packet.

Noting the $2.3 million fund balance in the SACRS financial statements, Trustee Given asked the Administrator to look into what SACRS is doing with that amount of money. The Administrator agreed to investigate the question and will report back.

The motion was approved by a vote of 8-0 as follows:

AYES:	Block, Given, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

a. SACRS Business Meeting Packet

The SACRS Business Meeting Packet for November 13, 2020 was presented.

3. Future Meetings
Consider and discuss agenda items for future meetings.

No discussion – trustees may offer suggestions for topics to the Administrator or the Board Chair.

F. OTHER INFORMATION

1. Training Calendar (**Action**)

The updated Training Calendar shows the NCPERS annual conference has been cancelled. Mr. Wickman reported there are two additional trustees, Steve Silberstein and Phillip Thomas, who will be attending the SACRS conference.

It was M/S Gladstern/Murphy to approve the Training Calendar amended to include two additional SACRS attendees, Steve Silberstein and Phillip Thomas. The motion was approved by a vote of 8-0 as follows:

AYES:	Block, Given, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

For consideration at December Board meeting

G. CONSENT CALENDAR (Action)

Mr. Wickman presented the Consent Calendar and noted some members on the deceased list were from the prior month.

It was M/S Werby/Given to approve the Consent Calendar as submitted. The motion was approved by a vote of 8-0 as follows:

AYES:	Block, Given, Gladstern, Jones, Klein, Murphy, Silberstein, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper, Poirier, Thomas

CONSENT CALENDAR
MCERA BOARD MEETING, WEDNESDAY, November 4, 2020

October 2020

RETURN OF CONTRIBUTIONS			
Scott Brooks	Partial Refund - Correction	$	1,135.24
Christy Sawicki	Full Refund - DRO	$	32,510.22

BUYBACKS		
Brian J. Fay	$	5,299.26
Kristina M. Tierney	$	1,760.42

NEW RETIREES	
Thomas Alipio	County of Marin - Sheriff/Coroner
Eileen Becker	County of Marin - Health & Human Services
Michele Berrong	County of Marin - Health & Human Services
Cirilo Carino	County of Marin - Library
Stephanie Errante	Marin County Superior Court
Kenneth Frey	County of Marin - Sheriff/Coroner
Alicia Garrett	County of Marin - Sheriff/Coroner
Laura Hettwer	County of Marin - Health & Human Services
Jean Joseph	County of Marin - Cultural Services
Victoria Kemp	Marin County Superior Court
Lawrence Lewis	County of Marin - Public Works
Elaine Ninkovich	Marin County Superior Court
Robert Rappa	County of Marin - Health & Human Services
Susan Verhalen	County of Marin - Health & Human Services

For consideration at December Board meeting

DECEASED RETIREES	
Eugene Brannon	County of Marin - Sheriff/Coroner
Marina Cassimus	County of Marin - Probation
Raymond Cleary	Novato Fire
Kenneth Frey	County of Marin - Sheriff/Coroner
Ann Hovey	County of Marin - Health & Human Services
Sarah Mollison	County of Marin - District Attorney

There being no further business, Chair Silberstein adjourned the meeting at 10:04 a.m.

Jeff Wickman
Retirement Administrator

On behalf of:
Steve Silberstein, Chair

Michelle Hardesty
Assistant Retirement Administrator

On behalf of:
Laurie Murphy, Secretary

For consideration at December Board meeting

MINUTES

Marin County Employees' Retirement Association (MCERA)
Retirement Board Strategic Workshop

One McInnis Parkway, First Floor
San Rafael, CA
October 27-28, 2020

This meeting was held via teleconference pursuant to Executive Order N-25-20, issued by Governor Newsom on March 12, 2020, Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, and Executive Order N-35-20, issued by Governor Newsom on March 21, 2020. The public was able to listen to and observe the two-day meeting on YouTube.

Day 1
October 27, 2020

Meeting Chair Steven Block

9:00 a.m.
Call to Order/Roll Call

Chair Block called the meeting to order at 9:07 a.m.

PRESENT: Block, Cooper, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Poirier (alternate safety), Silberstein, Thomas, Werby

ABSENT: Shaw (ex officio alternate)

Open Time for Public Expression

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No members of the public provided comment.

9:00 a.m. – 10:00 a.m.
2020 Experience Study Preview – Economic Assumptions
Graham Schmidt, ASA, FCA, MAAA, EA, Consulting Actuary, Cheiron
Bill Hallmark, ASA, FCA, MAAA, EA, Consulting Actuary, Cheiron

Retirement Administrator Jeff Wickman stated every three years MCERA's Actuary conducts an Experience Study to review the economic and demographic data he used to determine the cost of the Plan. This preview of the actuarial economic assumptions is being presented to the Board prior to formal adoption of economic and demographic assumptions that will be used in the Actuarial Valuation dated June 30, 2020.

Graham Schmidt, Actuary with Cheiron, presented preliminary Experience Study results and actuarial economic assumptions. Mr. Schmidt stated the Experience Study shows how price inflation, wages, and payroll are expected to grow over time. Also, post-retirement Cost of Living Adjustments (COLAs) for retirees and the expected rate of return on assets are projected. Mr. Schmidt explained that economic assumptions are based on a building block approach beginning with price inflation, currently assumed to be 2.75%. Adding the current 4.25% real rate of investment return to price inflation results in the current nominal rate of investment return of 7%. Similarly, wage growth is price inflation plus real wage growth of 0.25%, resulting in 3% wage growth, which is also the payroll growth assumption. COLA growth is set relative to COLA caps of 2%, 3% and 4%. Mr. Schmidt stated economic assumptions have to be reasonable individually and in aggregate. He introduced Bill Hallmark, Consulting Actuary with Cheiron, to discuss price inflation.

Mr. Hallmark presented data showing that average price inflation has come down since 1990. He noted that MCERA's current actuarial price inflation assumption is 2.75% and Callan's 10-year price inflation assumption is 2.25%. To project price inflation going forward, Cheiron looks at the Federal Reserve Survey of Professional Forecasters, the Horizon Survey of Investment Consultants, the U.S. Public Plan Database, and Cheiron's survey of CalAPRS member systems' assumptions. In addition, a "break-even" inflation rate based on 30-year U.S. bonds and the difference between yields on inflation-protected government securities (TIPS) versus regular government bonds are considered.

MCERA wage growth and COLA assumptions are tied to Bay Area-specific inflation, whereas the investment return assumption inflation factor is related to national data. Over the last 10 years there have been significant differences in the two values. The current price inflation assumption is reasonable from a historical perspective but is higher than most forecasters. Therefore, Cheiron will be recommending in the Experience Study that the Board reduce the price inflation assumption from 2.75% to 2.50%.

Arguments for low real wage growth include the budgetary environment and crowding out of wages due to other priorities. Arguments for positive real wage growth include relaxing of some budgetary pressures prior to COVID-19, productivity increases, higher Social Security real wage growth projections, and Bay Area wages. The Experience Study will recommend that the Board consider an increase in the real wage growth assumption from 0.25% to 0.50%, resulting in retaining the 3% wage growth assumption due to lowering the price inflation assumption.

Considerations for setting the amortization of payroll growth rate lower than the wage growth assumption are:

1. Pensionable pay for PEPRA members may not grow as much as regular members.

2. Budgetary stresses could reduce payroll growth.

3. Increases the likelihood that Unfunded Actuarial Liability (UAL) payments decline as a percentage of pay.

The Experience Study will recommend that the Board consider setting the amortization assumption for wage growth at 2.75%, 0.25% lower than the 3.00% wage growth assumption. Mr. Hallmark said this is a slightly more conservative approach to funding the Plan.

Mr. Schmidt explained how the COLA assumptions are developed. MCERA COLA groups have 2%, 3% or 4% caps depending on tier. COLAs are based on the Bay Area CPI. If the Bay Area CPI is higher than the cap, then the difference is banked for use in another year. Based on stochastic testing, the Experience Study will recommend that the Board consider changing the COLA growth rates to 1.90%, 2.40%, and 2.50% for COLA caps of 2%, 3% and 4%, respectively. Mr. Schmidt said that in a low inflation environment, average COLA growth is expected to be slightly lower than COLA cap levels.

Mr. Schmidt discussed the investment return assumption, which is currently 7.0%. Because the return on the 10-year U.S. Treasury has dropped to less than 1%, a real return of 6% or above has been needed to achieve the expected rate of return on investments. This means pension plans have had to diversify away from traditional bond investments to achieve assumed rates of return. In order to model the assumed rate of return, Cheiron collects assumptions for investment returns, risk, and correlations among asset classes from MCERA's investment consultant and models the return for the current target portfolio. Cheiron then models the return expectation of the current target portfolio using capital market expectations of a broader survey of investment consultants by Horizon Actuarial Services over 10 and 20 years. The result of modeling and averaging these data is there is an over 50% chance of achieving the current 4.25% real rate of return and a 45% chance of achieving the nominal rate of return of 7%. Using a 6.75% assumed rate of return results in a 50% or better chance of achieving the real and nominal rates of return.

Based on these results, Cheiron believes the current real return of 4.25% is reasonable, but the chance of reaching the 7.00% nominal rate of return is less than 50%. As a result, the Experience Study will recommend that the Board consider lowering investment assumption to 6.75 but maintain a real return of 4.25% by reducing the inflation assumption to 2.5%. Mr. Schmidt pointed out that the change to COLA assumptions will have a positive effect on costs for MCERA's employers who have 3% and 4% COLA's because the change assumes that benefits would grow by a lower amount. Conversely, because Marin County has mostly 2% COLA's their costs would not change because the 2% COLA cap was not being revised.

Mr. Schmidt presented a range of reasonable actuarial economic assumptions including the following recommendations:

Nominal Rate of Return:	6.75%
Price inflation:	2.50%
Real rate of return:	4.25%
Wage growth:	3.00%
Payroll growth:	2.75%

Trustee Gladstern asked how local governments' financial stress would affect payroll and wage growth. In response, Mr. Schmidt stated payroll and wage growth would be expected to come down over the short-term, but the assumptions are based on long-term projections. There should be an increase in wage growth over the long term, he said, at least equal to the inflation assumption.

Mr. Schmidt presented a Preliminary Sensitivity Analysis showing what the projected impact to employer and employee contributions rates would be if the Board adopted the changes that will be presented in the Experience Study. The projections are based on the June 30, 2019 Actuarial Valuation and will change with the adoption of the June 30, 2020 valuation. The preliminary projections showed that for Marin County the Normal Cost, which is split between the employer and employee, would increase by 1.3% and the unfunded actuarial liability (UAL) which is paid by employers would increase by 0.6% in the first year (with further increases phased in over the next two years). For Novato Fire Protection District the Normal Cost increases by 1.2% and UAL by 0.3%. For the City of San Rafael the Normal Cost increase is projected as 1.1% and the UAL as 0.3%. Mr. Schmidt reiterated that the impact on the County of Marin looks greater when in reality they are just not getting the benefit of a reduction in the COLA assumptions that employers with a 3% and 4% COLA will receive.

Mr. Schmidt presented projections of employer contribution rates and total contribution rates over time. The Actuary said the impact on the funded ratio of recommended assumptions is very little change, a drop of 1.6%. Mr. Wickman noted these economic assumptions are just projections and do not take into account potential impacts from the demographic variables that will be available in the final Experience Study report.

For Cheiron the next steps are to get feedback from the Board, proceed with demographic assumption analysis, then present the final Experience Study and recommended actuarial economic and demographic assumptions for adoption by the Board.

Trustee Werby asked if the impact on employers is to be considered when determining economic assumptions. Counsel Dunning replied that the Board's primary duty is make sure the Plan has necessary assets to timely pay promised benefits. Also, by statute the Board needs to act within the reasonable set of ranges presented by the actuary to prudently fund the Plan. The Board can consider the impact on employers to some degree, Ms. Dunning said, and here the actuary is proposing a way to prudently fund the Plan that mitigates volatility in employer contribution rates. Contribution rates should not overcharge or undercharge employers. Mr. Schmidt explained the economic assumptions are long-term assumptions and therefore Cheiron does not make big changes from year to year, but rather gradual adjustments based on experience. The impact on employers of rate volatility is also minimized on a year-to-year basis by phasing in and phasing out changes to economic assumptions.

Mr. Schmidt said he will come back in December with the recommendations on demographic assumptions. Then, early in 2021 the Actuary will provide the June 30, 2020 Actuarial Valuation based on the adopted assumptions. Trustee Klein asked if the Bay Area CPI is based on rent or other housing costs. Mr. Schmidt replied the housing factor includes a blend of expenditures. Trustee Klein asked how retiree benefits are affected if CPI comes in negative. In that case, Mr. Schmidt said benefits for retirees can go down, but not below the amount of the original retirement benefit.

Chair Block asked to see a set of actuarial economic assumptions using a 6% nominal rate for the investment return and 2% inflation. He stated he believes we are in a low interest rate and low return environment and a 6.5% investment return assumption may not be low enough. Mr.

Schmidt responded that a 2% inflation assumption is below the investment consultant's expectation and 0.75% lower than the current assumption, which would be a dramatic change. We also know, he said, that market expectations can change significantly over short periods of time. A drastic reduction in the assumed rate of return may not be in the long-term health of the Plan, the Actuary said. Counsel Dunning pointed out that the Board needs to act based on the recommendations of the actuary and to stay within the recommended ranges. The actuary will present reasonable ranges that are based on stochastic modeling.

Trustee Silberstein added that by lowering assumptions that much, contribution rates would go up, and if the assumptions are wrong, the Plan becomes overfunded. He said at that point there may be temptation to increase benefits.

Trustee Cooper asked for the Fund's historical returns – as of June 30, 2020 net fiscal year returns for the Fund are:

1 Year	3.26%
5 Year	6.61%
10 Year	9.52%
15 Year	6.72%
20 Year	5.82%
24 Year	7.18%
25 Year	7.54% (Gross Return)
30 Year	8.46% (Gross Return)

10:00 a.m. – 10:30 a.m.
Agreement with Varde to Manage Private Debt (Action)
Review and discuss agreement with Varde to manage a portion of MCERA private debt portfolio

Mr. Wickman said Varde was hired as one of three private debt managers on September 17, 2020 and the agreements to become a limited partner were completed on October 15, 2020. The Side Letter requires compliance with the Board's Conflict of Interest Code which defines MCERA investment managers as designated filers requiring that they submit a Form 700 to MCERA at the beginning of the relationship, annually, and at the end of the relationship.

Varde correctly noted that the Government Code does not require them to complete a Form 700 but instead it is MCERA's policy that requires a filing. They've indicated a willingness to evaluate the filing requirement to try to find a path forward. The Administrator said the question about filing the Form 700 has been brought to the Board because an impending capital call payment is due, but the manager has expressed reservations about the Side Letter provisions. If the Board is comfortable with our policy filing requirements, staff will continue on its present course of requiring compliance with the Conflict of Interest Code. Counsel Dunning said the decision for the Board now is whether to follow the current policy for investment managers to file Form 700 or to waive the requirement as to Varde. This is a long-standing policy that is in place for good reasons, she said. Staff is requesting direction on whether to withhold the capital call until the Form 700 is filed.

Trustee Silberstein asked what entity is filing and Counsel Dunning said Form 700 is an individual disclosure of economic interests by certain of the entities' representatives. Those individuals who are exercising discretion and judgment in terms of investments made on behalf of MCERA should file the Form 700. Trustee Silberstein asked how many individuals normally file, and Mr. Wickman said it varies according to the manager and who is making investment decisions at a particular manager. In response to Trustee Werby's inquiry, Mr. Wickman said the issue is a potential conflict of interest and to lend transparency into how the public's money is being managed. Trustee Werby asked if the contract prevents self-dealing, and Ms. Dunning replied there are representations made on that topic in the agreement that may not include everything disclosed on the Form 700. She noted that not all peer systems require investment managers to file Form 700, and Fair Political Practices Commission (FPPC) advice letters on this go both ways.

Chair Block summarized we have a covenant to make a capital call which is due prior to Varde's requirement to file Form 700. He said we should communicate to Varde that we expect them to live by the agreement and we need clarity on how Varde wants to proceed before we make any decision about the capital call. Trustees Klein, Silberstein, Gladstern, Given, Thomas and Werby were unified in supporting not making the capital call prior to confirming compliance with MCERA's policy. Trustee Klein asked about the other two private debt managers, and Mr. Wickman said we have not received communication from them on this topic as of the meeting date.

Mr. Wickman stated based on discussions staff will continue on its current course with Varde. Chair Block affirmed that direction to staff is to communicate to Varde that the Board does not intend to waive the Form 700 filing requirement with respect to this investment and the capital call will be withheld until the situation is resolved.

Chair Block recessed the meeting for a break at 10:48 a.m. and reconvened at 10:57 a.m.

10:30 a.m. – 11:30 a.m.
Derivatives and Their Use in MCERA's Portfolio
Jim Callahan, President, Callan LLC
David Zee, CFA, Senior Vice President, Global Manager Research, Callan LLC

Jim Callahan, President of Callan LLC, stated derivatives play an important role in MCERA's portfolio to manage risk and provide liquidity and are not being used in a speculative fashion. He introduced David Zee, Senior Vice President, Global Manager Research at Callan LLC, to review the use of derivatives in the Fund.

Mr. Zee defined a derivative as a synthetic financial contract deriving value from underlying instruments. Examples are futures, swaps, and options used as efficient risk management tools with very little frictional costs associated with cash securities. Derivatives are primarily used for hedging, risk management, and beta replication.

Equity index futures are exchange-traded, standardized agreements used to achieve a market beta of 1. Futures can also be sold to reduce the amount of beta in a portfolio. Equity index futures are used in the MCERA S&P 500 portfolio, BlackRock REIT portfolio, Invesco Commodities portfolio, and the Parametric Overlay Program. Interest rate futures based on U.S. Treasurys are an efficient way for fixed income managers Wellington and Western Asset to lay on duration exposures. Interest rate swaps are also used in these portfolios. Chair Block asked about Colchester's use of Over-the-Counter foreign exchange transactions which Mr. Zee said are currency forwards to gain exposure to foreign currencies. He explained a currency forward is customizable and a futures currency contract is not.

U.S. Treasury Futures Contracts are based on 2, 5, 10 or 30-year maturities and have a basket of securities that are closest to the profile of each of the key maturities. Mr. Zee stated U.S. Treasury futures trading volume makes it one of the most liquid markets in the world.

Mr. Zee explained that a futures buyer puts up initial margin through a central clearing house that pairs the trade with a seller. At the end of the day there is a zero balance between each of the parties. Chair Block pointed out the contract remains in place until the end of the quarter or it is closed out. Mr. Zee added the counterparty risk for exchange-traded futures is one day's margin.

MCERA's Commodities and Parametric Overlay portfolios are 100% derivative-based holdings. Other MCERA portfolios range from negative 5.3% to plus 4.2% exposure to derivatives. Chair Block pointed out that when cash in the Fund is overlayed, that cash is at risk. Mr. Callahan noted cash is securitized to achieve market exposure through the Parametric Overlay Program because over the long-term cash is a drag to Fund returns. Parametric adjusts exposure depending on MCERA's cash needs and does not use leverage. Chair Block asked what the most likely concern is with derivative exposure. Mr. Zee replied in his experience trading derivatives they are liquid even in extreme circumstances such as during the financial crisis. He said during the initial COVID-19 pandemic Treasury futures traded very well, which is a testament to the depth of the derivatives market. There were no failures of contracts for clearing houses and no counterparty failures. Chair Block asked if there is concern with the stability of the smaller international derivatives markets. Mr. Zee said no because the clearing members are responsible for assuring clearing house liquidity. Chair Block asked about leverage and Mr. Callahan said no MCERA managers use leverage to employ derivatives.

11:30 a.m. – 12 p.m.
Abbott Capital Management – Private Equity Review
Jonathan Roth
Ryan Green

Ryan Green, Director with Abbott Capital Management overseeing business development activities, stated Abbott focuses exclusively on private equity investments through performance-driven portfolios. Mr. Green presented historical returns showing Abbott has generated Internal Rates of Return exceeding the public equity markets over time.

Jonathan Roth, President of Abbott Capital Management, reviewed the history of MCERA's private equity program beginning in 2008. As of June 30, 2020 the ACE VI fund has a net Internal Rate of Return (IRR) of 12.2% and is expected to continue to increase in value. ACE VII has a net IRR of 16.3% enhanced by opportunistic investments early in the life of the Fund and over-allocation by Abbott. Annual Program (AP) 2016 has similar portfolio construction to ACE VII and a net IRR of 11.7%, and AP 2017 has an IRR 12.0%. In summary for the total program so far through June 30, 2020, MCERA has contributed 87% of commitments, which is currently valued at $270 million including distributions, has a Total Value to Paid-In Capital (TVPI) of 1.6 times, and a net IRR of 12.7%.

Mr. Roth discussed strategic details for the Funds. ACE VI and ACE VII strategies show the contribution of venture capital and growth equity, buyouts, special situations, and secondaries to returns. The team increased the return of ACE VII from ACE VI by investing in secondaries earlier in the life of the Fund, resulting in an IRR of 16.7% for ACE VII. Trustee Gladstern asked if the energy investments made in ACE VI were traditional or alternative energy. Mr. Roth said they included upstream, midstream, and downstream investments in traditional energy resources, including exploration, production, and distribution.

In ACE VII more exposure to information technology and health care has led to strong performance. Also, early diversified secondaries are contributing to returns. Mr. Roth discussed the particulars of successful investments that include GoodRx and CloudFlare. He noted AP 2016 is a young portfolio, with the exception of early secondaries that shortened the J-curve. He emphasized the variety of multiple investments contributing to returns that are on track for expectations. In AP 2017, the last investment made by MCERA, secondaries are generating early returns leading to an IRR of 23.7% as of June 30, 2020.

In summary, Mr. Roth said private equity has provided exposure to private companies and generated returns above the public equity market. MCERA's portfolio is now cash-flow positive as distributions continue to flow back to MCERA. Mr. Roth emphasized the importance of investing consistently over time.

Chair Block asked if each annual plan is coinvesting with the subsequent annual plan and how these are allocated. Mr. Roth replied the Portfolio Construction Committee employs a formula-driven process to determine the most appropriate account for each investment. Gary Robertson of Callan asked if the allocation is pro rata and Mr. Roth replied no, the analysis is first according to full bite and then reverts to pro rata.

Mr. Green concluded by announcing that AP 2021 was launched in July 2020 and the final close will be by March of 2021. This investment vehicle can be customized according to strategy, he said. Abbott's Select Co-investment Fund and Secondary Opportunities II, L.P are also available.

12:00 p.m. – 12:30 p.m.
Pathway Capital Management – Private Equity Review
Jim Reinhardt
Valerie Ruddick

Jim Reinhardt, Senior Managing Director with Pathway Capital Management, stated MCERA's private equity portfolio is performing well. Initiated in 2008, the Pathway Private Equity Funds are PPEF 2008, PPEF I-7, PPEF I-8 and PPEF I-9. Mr. Reinhardt said co-investments are available to MCERA. These are direct investments so that no general partner carried interest or management fees are charged. The purpose is to make progress in reducing fees.

Mr. Reinhardt said as of June 30, 2020 the private equity market has bounced back from weakness early in 2020. He noted the software sector outperformed and MCERA's weighting was 33.7% in that sector. Since inception net Internal Rates of Return (IRRs) for the Funds range from 11.1% to 17.6%. Strategies include Buyouts, Venture Capital, Special Situations, and Distressed Debt. Performance by strategy and region was presented.

Trustee Cooper was excused from the meeting at 12:30 p.m.

Valerie Ruddick, Managing Director at Pathway, stated after contributions increased in early years, since 2017 distributions are now outpacing contributions. As of June 30, 2020 MCERA has paid in 90% of committed capital and has received 72% of that capital in distributions. She highlighted the notable projected drop-off in fund market value in 2021 and subsequent years due to distributions depleting current funds and the recent lack of new commitments by MCERA.

Ms. Ruddick said most investments are in the United States or Western Europe and are diversified across industries and strategies. Recently over the past few months there have been multiple Initial Public Offerings (IPOs) representing diversified industries, and transaction activity has returned to a healthy level. Net IRRs and distributions to paid-in capital compared with public equity benchmarks show outperformance over all but one vintage year.

Chair Block recessed Open Session for a lunch break at 12:47 p.m., reconvening at 1:47 p.m.

12:45 p.m. – 1:45 p.m.
Lunch Break

1:45 p.m. – 2:30 p.m.
Private Equity Annual Review and Pacing Plan
Gary Robertson, Callan LLC

Gary Robertson, Private Equity Consultant with Callan LLC, presented the private equity annual review and pacing plan. Mr. Robertson said MCERA began the private equity program in the depth of the financial crisis which delayed the early development of the program. Since then, private equity returns have been lending stability to the Fund. Mr. Robertson stated it has been about four years since the last commitment was made, advising it is likely time to continue commitments to the program.

At mid-year the MCERA Fund value was $2.6 billion and the private equity program was about 10% of the Fund, slightly over the 8% target. Trustee Klein said with final private equity values the program was about 11.5% of the portfolio. Mr. Robertson agreed with updated private equity values, which lag by one quarter, and given custodial values are smoothed across quarters, the allocation could be about 11%. However, he noted, the amount of uncalled capital is only about $70 million, which will not sustain the 8% target allocation for private equity without additional commitments.

Callan recommends additional private equity commitments to maintain the target allocation. Based on the annual pacing plan, Mr. Robertson recommended committing $25 million to each private equity manager this year and then $30 million to each manager over the next 6 years.

Mr. Robertson presented return comparisons based on the Cambridge Private Equity Database (benchmark). Abbott and Pathway returns over the long term are similar and rank in the second quartile overall. In the year ending March 31, 2020 for the total program MCERA received $44 million in distributions and paid in $28.6 million, netting $15.4 million. The Total Value to Paid-In (TVPI) for the private equity program is 1.49 times as compared with the 1.29 median TVPI for the benchmark.

Trustee Gladstern asked about Pathway's co-investments. In response, Mr. Robertson stated when Pathway started co-investments in 2014 Callan considered it nascent until a proof of principle of their processes could be determined. Now with six years of experience it is evident that co-investments are more volatile than partnership holdings but have an attractive IRR of approximately 13%. Mr. Robertson recommended considering the co-investments.

Mr. Robertson reviewed aspects of Abbott and Pathway's new offerings. Abbott's first close for the AP 2021 Fund will be in December and will include a fee discount (a waiver of 2021 fees). Pathway has started investing in its PPEF 2021 Fund and anticipates a final close in the 4th quarter of 2020. Fees for both managers scale up and scale down. On average fees including carry interest are about 50 basis points for Abbott based on a $25 million commitment. The Pathway management fee is a bit higher resulting in a total fee including carry interest of 52 basis points.

Other options the Board could consider for the private equity program include combining the two portfolios to one manager or adding secondaries which would drive up fees. These would preclude the advantage of getting a larger allocation to good managers and Mr. Robertson does not consider these avenues to be optimal. In conclusion, he emphasized the importance of maintaining the 8% exposure to the private equity markets by making modest additional commitments to current managers based on the pacing plan.

It was M/S Gladstern/Silberstein to commit $25 million to Abbott Capital Management's AP 2021 Fund and $25 million to the Pathway Capital Management PPEF I-10 Fund to include Pathway's co-investment product.

Trustee Klein asked why we are not receiving more distributions from the older investment vehicles whose values have risen from March to June 2020 in a healthy Initial Public Offering (IPO) market. Mr. Robertson explained that IPOs are more of a financing event than a liquidity event. There is also a lockup period. Abbott and Pathway have to wait for the general partners who have discretion on when to sell and tend to time taking profits and making distributions. Trustee Klein said since the private equity program is above the target allocation now any further commitments should be delayed one year. Chair Block said co-investments would not be a good strategy because available deals may not be the best deals.

The motion was approved by a vote of 6-3 as follows:

AYES:	Given, Gladstern, Murphy, Poirier, Silberstein, Thomas
NOES:	Block, Klein, Werby
ABSTAIN:	None
ABSENT:	Cooper

2:30 p.m. – 3:00 p.m.
Private Equity Annual Fee Disclosure Review
Gary Robertson, Callan LLC

Mr. Robertson reviewed the Private Equity Annual Fee Disclosure presented in accordance with California Government Code Section 7514.7. The report is based on a template developed by the Institutional Limited Partners Association (ILPA). It provides details for fund-of-fund manager fees and expenses and for underlying partnership fees and expenses. Abbott's management fees including carried interest and expenses for 2019 were under $1.5 million. Including underlying partnership fees and expenses of under $10.2 million, the total for Abbott is $11.6 million for the year. Pathway management fees including carried interest and expenses were $1.6 million and underlying partnership fees were $11.4 million, resulting in a total of $13 million for the year. Total private equity program fees and expenses were $24.6 million for 2019. Pathway was not able to provide details for underlying partnership fees and expenses.

Trustee Gladstern asked if Mr. Robertson thinks the fee reporting has any gaps. He replied how to interpret accrued versus paid carry allocations is a consideration and the managers do not always know what the paid carry is. She asked if other states require the fee disclosure and he replied it is only California.

Trustee Silberstein observed that the total annual fees and expenses are about 10% per year of the Net Asset Value of the private equity program, meaning the investments on average yield about 25%.

It was M/S Silberstein/Thomas to adopt the Private Equity Annual Fee Disclosure. The motion was approved by a vote of 9-0 as follows:

AYES:	Block, Given, Gladstern, Klein, Murphy, Poirier, Silberstein, Thomas, Werby
NOES:	None
ABSTAIN:	None
ABSENT:	Cooper

3:00 p.m. – 3:30 p.m.
Closing and Follow-up Items from Today’s Agenda

No discussion.

There being no further business, Chair Block adjourned the session at 2:47 p.m.

Day 2
October 28, 2020

9:00 a.m.
Call to Order/Roll Call

Chair Block called the meeting to order at 9:01 a.m.

PRESENT: Block, Cooper, Given, Gladstern, Jones (alternate retired), Klein, Murphy, Poirier (alternate safety), Shaw (ex officio alternate), Silberstein, Thomas, Werby

ABSENT: None

Open Time for Public Expression

No members of the public provided comment.

9:00 a.m. – 11:00 a.m.
Fund Governance – Developing a Process to Manage Priorities
Tom Iannucci, President, Cortex Applied Research

Tom Iannucci, President of Cortex Applied Research, presented a discussion on Policy-Focused Boards: Moving from Theory to Implementation. In his previous presentation to the Board Mr. Iannucci discussed how the most effective boards are policy-focused. He said Board members set the direction and agenda for the organization, ensure the organization is positioned to carry out its mission, set policy, manage risk, and provide oversight.

Mr. Iannucci stated the question is how a board identifies issues, deliberates, and acts in an efficient manner. He gave an example of a new board member who was enthusiastic about a new investment vehicle that many members were unfamiliar with. Eventually the matter was tabled for consideration at an undetermined future date. The question is how effective the board was in considering this recommendation, whether it had been productive, and how trustees felt about it. He said this is a common phenomenon that boards fall into when considering new issues.

According to Mr. Iannucci, successful organizations are those that can adapt to change. There is a need for constant assessment of risks and assessing which require attention. Change is essential but boards need to be cautious of making changes for the sake of change. A useful tool is to group topics into important but not urgent, important and urgent, not important and urgent, and not important and not urgent. The logic is the more time spent in the first category of important but not urgent, the less need for time spent in the others.

Mr. Iannucci outlined the following approach to managing issues as they arise:

1. Issue Identification – A periodic idea-generation session for Board and management. Consider all ideas and sort in terms of importance and urgency. Focus on important but not urgent – be prepared in advance – no decisions are made at this stage.

2. Frame the Issue and Approach – Avoid the tendency to define and solve problems at the same meeting. This allows some time for management to frame issues properly.

3. Rank the Issues – Develop consensus on the number of priorities to focus on over subsequent months. Other issues are held for future consideration.

4. Education and Analysis – The responsibility of management with support from advisors. Define terminology, confirm current practice and legal parameters, understand peer practice and major schools of thought. Then identify options, including status quo, and evaluate.

5. Decision-making.

6. Repeat process on a periodic basis.

Mr. Iannucci engaged the trustees in a discussion of the scenario he outlined about a new board member introducing a new asset class as to what went well or what went wrong. Trustee Gladstern noted the issue was not framed, nor analyzed and Chair Block agreed framing is a key step. Trustee Silberstein noted there was no education, and some board members had no knowledge of the investment instrument. Trustee Klein observed that education by an expert who was not in the industry would be advisable. Chair Block added if there is not sufficient understanding to rank an issue, education would be needed prior to ranking. Trustee Given said the real question is, when Board members have different perspectives and experience, how not to stifle ideas. Mr. Iannucci replied that by slowing the process down and making it non-threatening and routine, then more ideas can be generated.

Chair Block asked how to narrow down a list of issues. Mr. Iannucci suggested each member could submit preferred issues to management which would be divided into important but not urgent, and important and urgent. Then let management consider how to frame the issues or categorize them, and whether education on any issue is appropriate. Issues would then be ranked by priority and management will consider how best to analyze the issues.

Mr. Iannucci went into detail on the kinds of questions to be asked about an issue to further its understanding. Options, costs, and benefits are some considerations. The idea is to get a full analysis and good understanding, including presentations from advisors. Trustee Gladstern asked what happens if a motion to invest is made and there is no second due to diverse opinions. Mr. Iannucci replied it should be run through the process outlined above. Trustee Silberstein noted it could be referred to investment consultants. Chair Block asked about the initial idea generation phase, and Mr. Iannucci said there is no ranking of initial issues before management can frame the issues.

Roles and duties of board members include identifying potential policy issues or risks, making sure all issues are considered and properly analyzed, and being objective when voting on which issues are priorities. Chair Block said the framing is the most important step and asked for Mr. Wickman's view of the process outlined. Mr. Wickman replied that staff uses this process today, framing, analyzing, and providing education on issues for the Board. The Administrator said the approach we take is to try to understand the breadth and scope of any issue, if there is an education component, and who best would speak to that. Staff tries to remain neutral so that issues are addressed from a policy viewpoint. He said the idea generation process is what would be new for the Board.

In response to Chair Block's inquiry, Mr. Iannucci said once the issues have been prioritized and analyzed, the Board would be in a position to determine whether to make a change or maintain the status quo. Chair Block indicated it is the first steps that are not being done. Trustee Silberstein noted any trustee can bring up an issue at each Board meeting under trustee comments.

Mr. Iannucci suggested reviewing issues on the idea list on a regular basis. Trustee Gladstern noted the Administrator has business objectives each year. Chair Block asked how the Board Chair and staff organize ongoing agendas to respond to issues that are priorities. Mr. Wickman said those issues would be addressed during the Administrator's report. Trustee Silberstein noted some topics are properly addressed at the committee level. Trustee Thomas suggested that expectations for how new trustees can bring issues to the Board should be addressed during orientation. Mr. Wickman agreed it would be valuable to have an issue/item generation process that could be shared with trustees during orientation.

In summary, Mr. Iannucci said when everyone knows there is a process for prudent consideration of issues, there is less of a tendency to bring up the same issues continually over time. The Board will accomplish more over the long run with a disciplined process.

Trustee Silberstein was excused briefly from the meeting at 10:32 a.m.

Responding to Chair Block's inquiry on what next steps would be, Mr. Iannucci advised letting some time pass and then considering if this process makes sense. The Administrator could come back to suggest a tailored approach for this Board, he said, and there could be a Board Planning Policy that would be a guide for idea generation. Mr. Wickman said that he would like to consult with Mr. Iannucci on such a policy.

Trustee Given said he prefers Mr. Wickman to think about whether this is an efficient process to pursue before money is spent. Trustee Given noted the Board is already doing some of these processes but they are not formalized. He asked why we need help on this or whether to look at our processes as opposed to getting consultants involved.

Trustee Silberstein returned to the meeting at 10:39 a.m.

Trustee Gladstern suggested having the Governance Committee consider the matter. Trustee Silberstein recommended letting trustees know Trustee Comments is for idea generation. Counsel Dunning noted the Governance Committee would be an appropriate place to start regarding policy development. Trustee Cooper, who chairs the Governance Committee, agreed that Committee can consider the matter. Mr. Wickman agreed the Governance Committee would be a good place to tackle the question.

Chair Block said based on discussions the matter can be moved forward through the Governance Committee. He expressed appreciation to Mr. Iannucci for the presentation.

11:00 a.m. – 11:30 a.m.
Closing and Follow-up Items from Today's Agenda

Chair Block invited comments by trustees on the Workshop topics and asked for a recap on going forward with private equity. Mr. Wickman stated the Board voted yesterday to make new commitments to Abbott and Pathway of $25 million each and he has put the process in motion. Trustee Silberstein said the private equity total fees and expenses of 10% per year measured against total assets seem high. He requested a better understanding of why "2 and 20" results in 10% per year in fees, and Trustees Klein and Werby agreed. Trustee Klein also asked that Callan provide the most current data for private equity analysis. Mr. Wickman said he will share the concern on current reporting and the IRR that is being generated on current fees. Trustee Silberstein suggested having education on the CalPERS approach to in-house private equity.

Chair Block said he found Mr. Iannucci's presentation to be valuable. He indicated managing priorities could be rolled into an agenda-setting process and encouraged the Governance Committee to embrace this undertaking. Having everyone brainstorm agenda topics would be valuable, he said. Trustee Silberstein indicated workshops are a good place to rank issues.

For consideration at December Board meeting

There being no further business, Chair Block adjourned the meeting at 11:01 a.m.

______________________________	______________________________
Jeff Wickman, Retirement Administrator On behalf of:	Michelle Hardesty, Assistant Retirement Administrator
Steve Block Ad Hoc Education Committee Chair	On behalf of: Laurie Murphy, Board Secretary

MCERA Board of Retirement
2021 Standing Committee Assignments
As of December 9, 2020

INVESTMENT COMMITTEE

Sara Klein, Chair
Steve Block
Chris Cooper
Roy Given
Maya Gladstern
Dorothy Jones
Laurie Murphy
Michael Poirier
Karen Shaw
Steve Silberstein
Phillip Thomas
Todd Werby

FINANCE & RISK MANAGEMENT COMMITTEE

Todd Werby, Chair
Steve Block
Roy Given
Sara Klein
Laurie Murphy

GOVERNANCE COMMITTEE

Chris Cooper, Chair
Maya Gladstern
Dorothy Jones
Steve Silberstein
Phillip Thomas

AUDIT COMMITTEE

Maya Gladstern, Chair
Steve Block
Roy Given
Steve Silberstein

Agenda Items C.1 & C.2

Phone 415 473-6147
Fax (benefits) 415 473-3612
Fax (admin) 415 473-4179
MCERA.org

December 3, 2020

To: Members of the Board of Retirement
Marin County Employees' Retirement Association (MCERA)

From: Jeff Wickman JW
Retirement Administrator

Subject: Order of Business for presenting the 2020 Actuarial Experience Study Results and June 30, 2020 Preliminary Actuarial Evaluation Results

Background

On October 27, at the Board's Strategic Workshop, the Actuary presented a preview of the results of the 2020 Actuarial Experience Study and the preliminary recommendations for changes to economic assumptions. Staff's original intent was to present the complete Experience Study to the Board for potential adoption at the December 9, 2020 meeting. However, after consulting with the Actuary, staff feels it would be advantageous to the Board's deliberative process to preview the results of recommended demographic assumption changes in December. The final Experience Study will be presented to the Board for action at the January 13, 2021 meeting.

At the December 9, 2020 meeting the Actuary will present two separate items:

1. Preliminary results of the June 30, 2020 Annual Actuarial Valuation
   This will be a short presentation of the 2020 valuation results based on the current economic and demographic assumptions in place as of the last valuation. This presentation establishes a baseline for the changes in funded status and contribution rates if there are no changes made to the economic and/or demographic assumptions.

2. Preliminary Experience Study Results – Review of Demographic Assumptions
   The Actuary will review the demographic assumptions and present changes he will recommend in the final Experience Study. This presentation will include a summary of the economic assumption changes presented at the Strategic Workshop, as well as the projected changes in funding and contribution rates the recommended assumptions would create. This will allow the Board to review and discuss all potential assumption changes and their corresponding impacts on funding prior to adopting the final Experience Study.

On January 13, 2021 the Board will receive the final Experience Study for potential adoption. Any assumption changes adopted in the Experience Study will be used for the final June 30, 2020 Actuarial Valuation, which will be presented to the Board on February 10, 2021.

Marin County Employees' Retirement Association

C.1

Cheiron

Classic Values, Innovative Advice

Preliminary Actuarial Valuation as of June 30, 2020

December 9, 2020

Graham Schmidt, ASA, EA, FCA, MAAA
Bill Hallmark, ASA, EA, FCA, MAAA

Topics for Discussion

- Background
- Results
- Gain/Loss

Preliminary Valuation – Background C.1

- Performed valuation using asset and demographic information as of June 30, 2020
  - Results shown are based on current assumptions
  - Impact of proposed assumption changes shown in separate presentation
- Employer contribution rates increased, primarily as a result of current year investment return
- Once adopted, valuation as of June 30, 2020 using final assumptions will be used to determine FY2021-2022 contribution rates for employers and members

Preliminary Valuation – Results

Summary of Key Valuation Results
(in millions)

Valuation Date Fiscal Year End	June 30, 2019 2021	June 30, 2020 2022
Actuarial Liability	$ 2,972.7	$ 3,091.1
Valuation Assets (Market Value)	2,573.3	2,625.3
Unfunded Actuarial Liability	$ 399.4	$ 465.8
Funding Ratio (Market Value)	86.6%	84.9%
Net Employer Contribution Rate	29.68%	29.79%

Preliminary Valuation – Results

Membership Total			
Item	**June 30, 2019**	**June 30, 2020**	**% Change**
Actives			
Non-PEPRA	1,563	1,437	-8.1%
PEPRA	1,126	1,266	12.4%
Total	2,689	2,703	0.5%
Current Inactives	812	913	12.4%
Retired Members	3,367	3,478	3.3%
Total Members	6,868	7,094	3.3%
Ratio of Retired to Active Members	125.2%	128.7%	
Active Member Payroll (FYE 2020/2021)	$ 267,101,968	$ 277,816,749	4.0%
Average Pay per Active	$ 99,331	$ 102,781	3.5%

Summary of Results by Plan
(in millions)

Item	County	Novato	San Rafael
Actuarial Liability	$ 2,251.9	$ 217.8	$ 621.5
Valuation Assets (Market Value)	1,968.4	183.9	473.1
Unfunded Actuarial Liability (Market Value)	$ 283.5	$ 33.9	$ 148.4
Funding Ratio (Market Value)	87.4%	84.4%	76.1%
Funding Ratio (Market Value, prior year)	89.0%	88.0%	77.3%
Net Employer Contribution Rate	24.15%	47.69%	62.51%
Net Employer Contribution Rate (prior year)	24.08%	46.80%	60.77%

Preliminary Valuation – Gain/Loss

- Asset losses
  - Assets returned 3.5% on market basis (net of investment expenses), compared to last year's 7.00% assumption
    - The approximate return is computed using an assumption that cash flows occur mid-year, on average. This calculation will not necessarily match the actual time- or money-weighted returns of the Plan
  - Increased cost by 0.37% of pay (phase-in similar amount over next four years)
    - Lower impact for County, because of lower asset/payroll ratio, and drawdown of remaining Contingency Reserve

Preliminary Valuation – Gain/Loss

- Expected change in amortization
  - Expected increase of 0.04% of overall pay from phase-in of prior actuarial losses and assumption changes
- PEPRA new hires
  - PEPRA members now make up over 40% of active member payroll
  - Replacement of legacy members by PEPRA members reduced cost by 0.21% of pay
- Individual pay increases close to expected
- Other demographic UAL and normal cost changes
  - Overall cost increase of 0.05% of pay (UAL changes will be phased-in)

Preliminary Valuation – Gain/Loss

- Payroll growth higher than expected
  - Overall payroll grew by 4.0%, above 3.0% assumption
  - Decreased overall contribution rate by 0.15% of pay, from amortizing UAL over larger-than-expected payroll (not subject to phase-in)
  - San Rafael payroll decreased by 0.4% (driven by reduction in active headcount), increasing their overall contribution rate by 1.43% of payroll
    - This change affects the employer rates paid by San Rafael, but not the dollar amount of the contributions

Preliminary Valuation – Result Details C.1

Employer Contribution Reconciliation				
Item	**Total**	**County**	**Novato**	**San Rafael**
FYE 2021 Net Employer Contribution Rate	29.68%	24.08%	46.80%	60.77%
Expected change in amortization from prior changes	0.04%	-0.01%	0.72%	0.18%
Change due to asset loss	0.37%	0.28%	1.00%	0.73%
Change due to demographic (gains)/losses	0.05%	0.09%	-0.11%	-0.05%
Change due to PEPRA new hires	-0.21%	-0.12%	-0.50%	-0.47%
Change due to salaries	0.01%	0.01%	0.16%	-0.08%
Change due to effect of payroll on amortization	-0.15%	-0.18%	-0.38%	1.43%
Total change from current year's changes	0.07%	0.08%	0.17%	1.56%
FYE 2022 Net Employer Contribution Rate	29.79%	24.15%	47.69%	62.51%

Required Disclosures

The purpose of this presentation is to present recommendations the preliminary results of the Actuarial Valuation as of June 30, 2020 of the Marin County Employees' Retirement Association (MCERA). This presentation is for the use of MCERA in accordance with applicable law.

In preparing our presentation, we relied on information (some oral and some written) supplied by MCERA. This information includes, but is not limited to, the 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.

The data and methods are those that will be used in the preparation of the actuarial valuation report as of June 30, 2020. The assumptions are those that were used in the actuarial valuation as of June 30, 2019.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose.

The assumptions reflect our understanding of the likely future experience of the Plans, and the assumptions as a whole represent our best estimate for the future experience of the Plans. Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

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

This presentation was prepared exclusively for the MCERA Retirement Board for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Graham A. Schmidt, ASA, EA, FCA, MAAA,
Consulting Actuary

William R. Hallmark, ASA, EA, FCA, MAAA
Consulting Actuary

Marin County Employees' Retirement Association

C.2

CHEIRON

Classic Values, Innovative Advice

Preliminary Experience Study
July 1, 2017 to June 30, 2020

December 9, 2020

Graham Schmidt, ASA, EA, FCA, MAAA

Bill Hallmark, ASA, EA, FCA, MAAA

Topics for Discussion

- Background on Actuarial Assumptions
- Demographic Experience Analysis
- Economic Assumption Review
- Cost Impact of Recommended Changes
- Next Steps

Background on Actuarial Assumptions

- Assumptions impact the timing of costs; ultimate cost of benefits depend on actual experience
  - Good assumptions produce level costs
- Actuarial process is self-correcting
  - Gains and losses are amortized with every actuarial valuation
  - Periodic experience studies
- For each assumption, the following questions are addressed
  - What was the plan’s actual experience?
  - What are future expectations and industry trends?
  - How does this compare with current assumptions?
  - Is a change warranted?

Demographic Assumptions

Actuarial Assumptions – Demographic

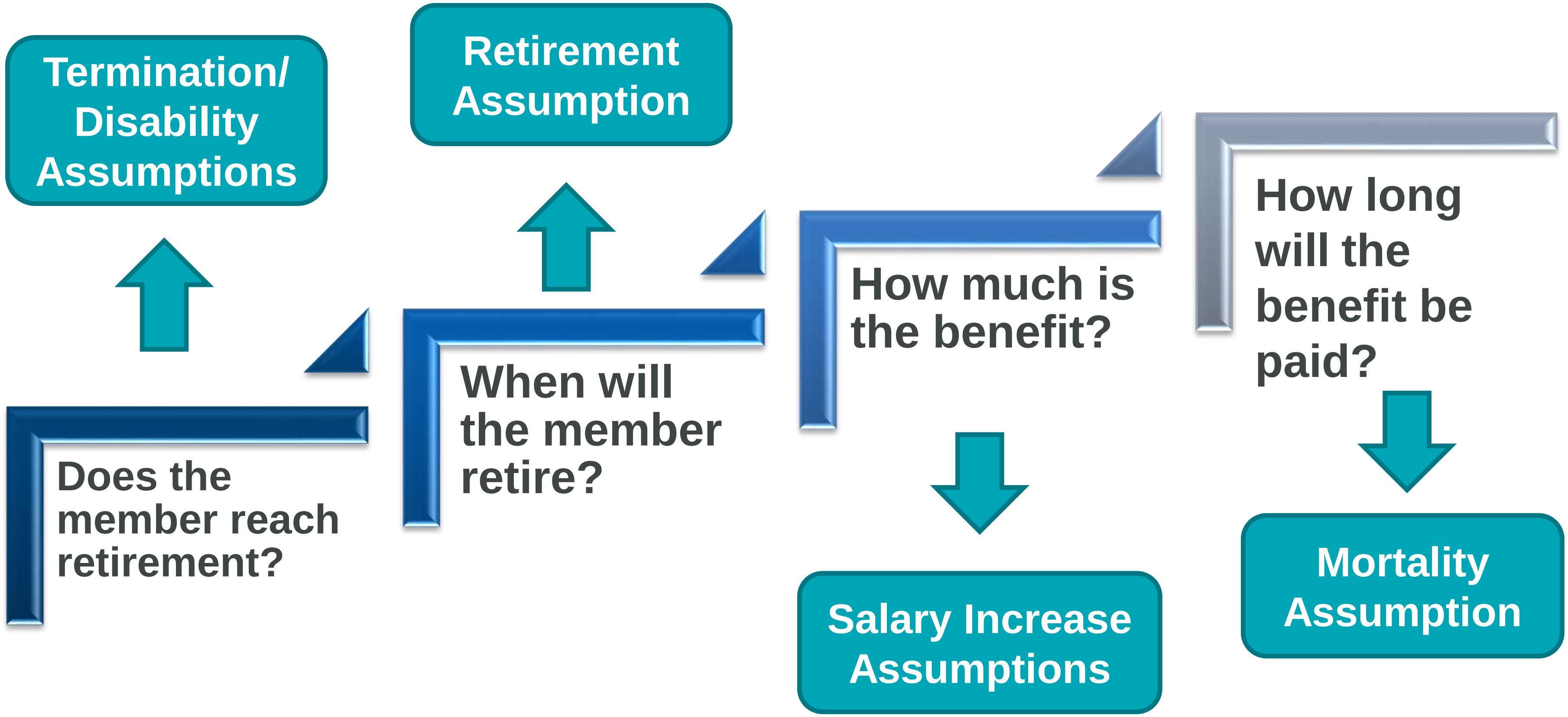
Does the member reach retirement?

When will the member retire?

How much is the benefit?

How long will the benefit be paid?

Actuarial Assumptions – Demographic



Actuarial Assumptions – Demographic

- Other Assumptions
  - How many members take a refund of their employee contribution balance when they leave?
  - How many members who leave go to a reciprocal employer?
  - What is the likelihood of member granted a disability benefit due to a duty-related incident?
  - What is the percentage of retirees who are married?
  - What are the ages of spouses?
  - How much sick leave/vacation cash-outs do members have at retirement?
  - What are the expected administrative expenses?

Demographic Analysis Statistics

- Actual-to-Expected Ratio (A/E Ratio)
  - Actual decrements divided by expected decrements
  - Ideally equals 100%
  - Used to set overall level of assumptions
- 90% Confidence Interval
  - Range around experience within which “true” rate falls with 90% confidence
  - Used to assess credibility of experience and need to change assumptions
  - For most assumptions combined data from prior study period (FYE 2015-2017) with current period (FYE 2018-2020) to increase credibility
- R-Squared Ratio
  - The percentage of variation in the data explained by the assumption
  - Ideally equals 100%

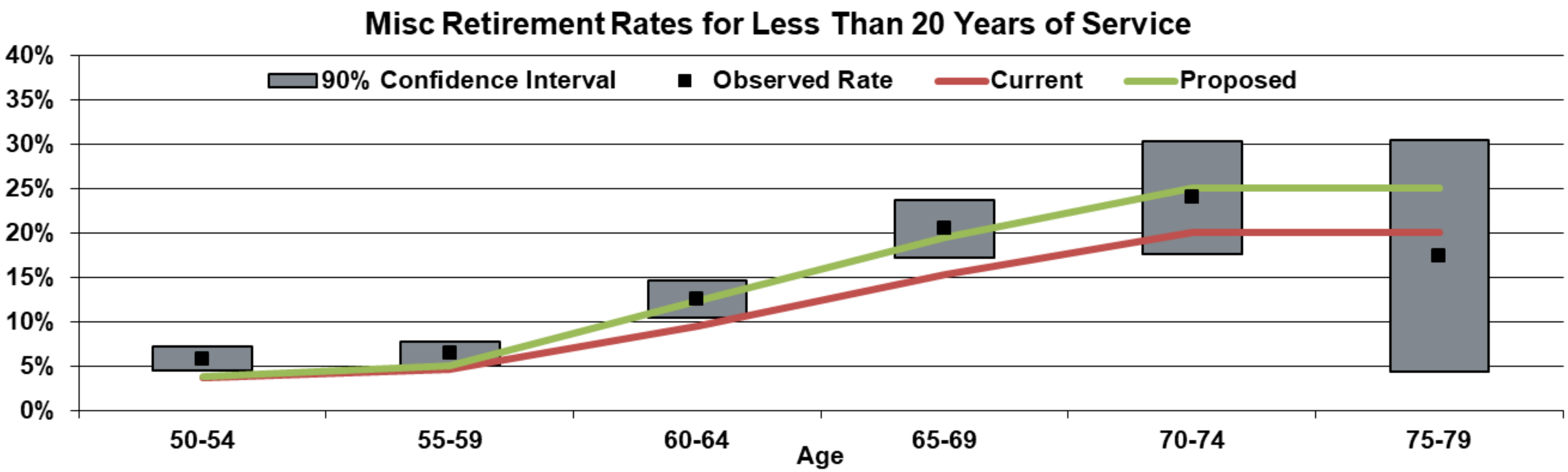
Retirement Rates

- Separate assumptions for Miscellaneous and Safety
  - Safety rates split between 3% @ 50 versus 3% @ 55 formulas
- Rates vary by age for three different service groups
  - < 20 years
  - 20 – 29 years
  - 30 + years
- 100% retirement assumed at
  - Age 80 for Miscellaneous
  - Age 65 for Safety
- Currently using the same retirement rates for PEPRA members as pre-PEPRA tiers
  - Not applied until age 52 for Miscellaneous
  - Using the 3% @ 55 rates for Safety

Retirement Rate Recommendations

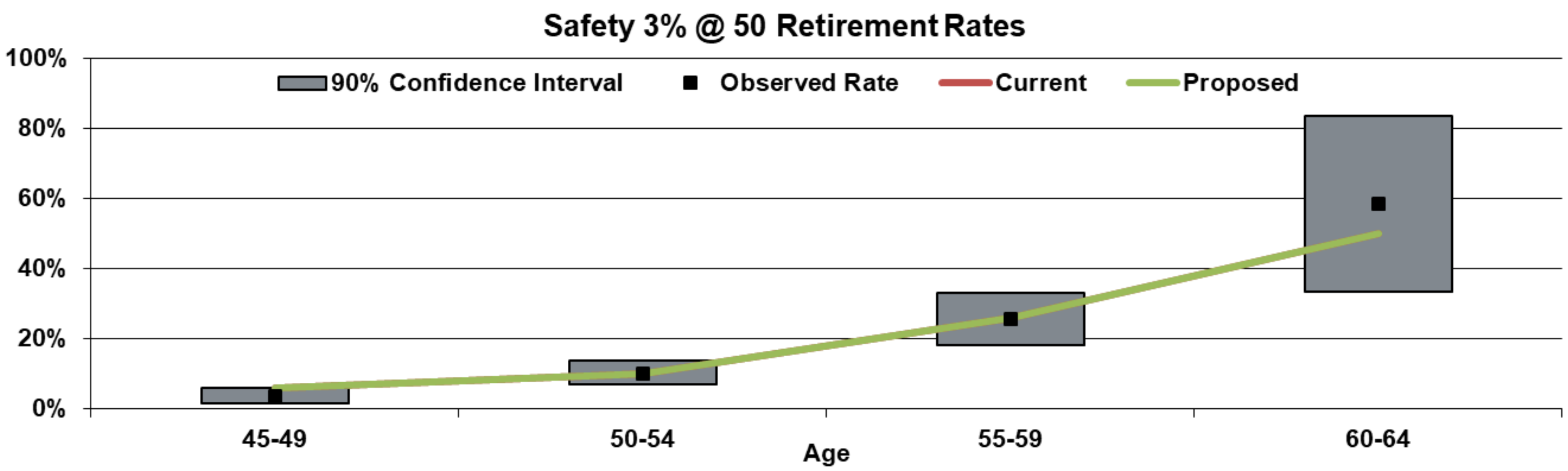
- Maintain current assumptions for pre-PEPRA Miscellaneous, except increase rates at ages 60+ for less than 20 years of service
- Maintain current assumptions for 3% @ 50 Safety members
- Replace current assumptions for 3% @ 55 Safety members with age and service-based CalPERS rates for Public Safety Police members with same formula
- Replace current assumptions for PEPRA members with age and service-based CalPERS assumptions for PEPRA groups
  - 2.0% @ 62 Public Agency Miscellaneous
  - 2.7% @ 57 Public Agency Safety Police
  - Rates assume later retirements, consistent with (limited) MCERA PEPRA experience

Retirement Rates – Miscellaneous



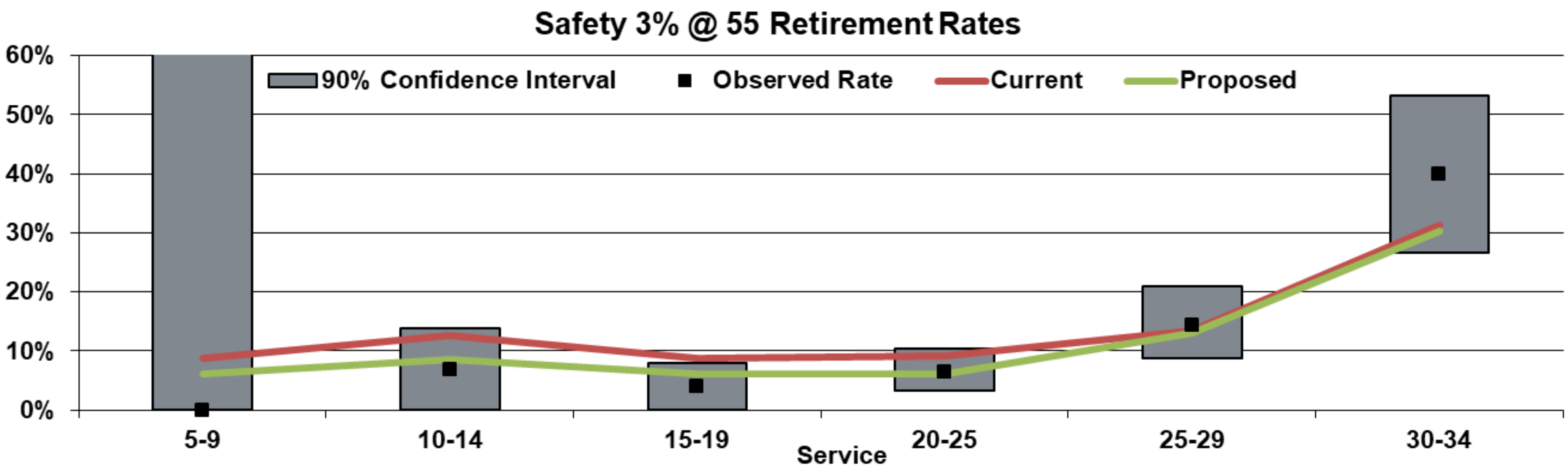
Misc Retirement Rates for Less Than 20 Years of Service									
		Retirements			Retirement Rates			A/E Ratios	
Age	Exposures	Actual	Current	Proposed	Actual	Current	Proposed	Current	Proposed
50-54	766	44	28	29	5.7%	3.7%	3.8%	157%	151%
55-59	783	50	37	39	6.4%	4.7%	5.0%	137%	128%
60-64	705	88	67	87	12.5%	9.4%	12.3%	132%	102%
65-69	400	82	61	78	20.5%	15.3%	19.5%	134%	105%
70-74	125	30	25	31	24.0%	20.0%	25.0%	120%	96%
75-79	23	4	5	6	17.4%	20.0%	25.0%	87%	70%
Total	**2,802**	**298**	**222**	**270**	**10.6%**	**7.9%**	**9.6%**	**134%**	**110%**
R-squared			**81.7%**	**85.4%**					

Retirement Rates – Safety 3% @ 50



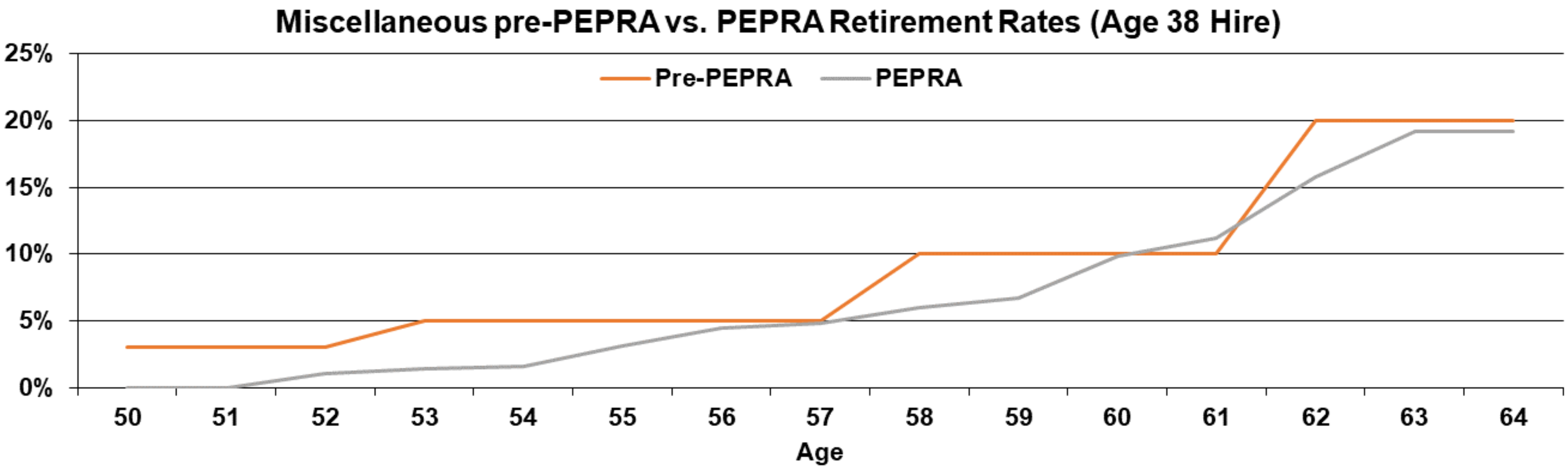
Safety 3% @ 50 Retirement Rates									
		Retirements			Retirement Rates			A/E Ratios	
Age	Exposures	Actual	Current	Proposed	Actual	Current	Proposed	Current	Proposed
45-49	197	7	11	11	3.6%	5.8%	5.8%	61%	61%
50-54	227	23	23	23	10.1%	10.2%	10.2%	100%	100%
55-59	94	24	24	24	25.5%	25.8%	25.8%	99%	99%
60-64	12	7	6	6	58.3%	50.0%	50.0%	117%	117%
Total	**530**	**61**	**65**	**65**	**11.5%**	**12.2%**	**12.2%**	**94%**	**94%**
R-squared			**83.8%**	**83.8%**					

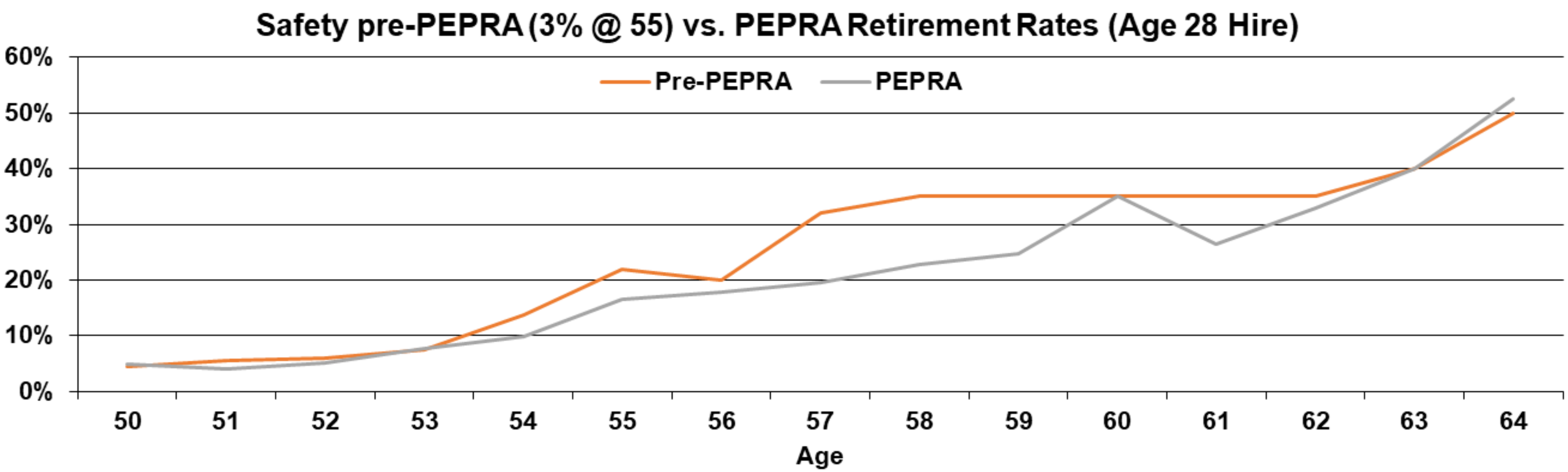
Retirement Rates – Safety 3% @ 55



Safety 3% @ 55 Retirement Rates									
		Retirements			Retirement Rates			A/E Ratios	
Service	Exposures	Actual	Current	Proposed	Actual	Current	Proposed	Current	Proposed
5-9	4	0	0	0	0.0%	8.8%	6.2%	0%	0%
10-14	29	2	4	2	6.9%	12.6%	8.6%	55%	81%
15-19	51	2	5	3	3.9%	8.8%	6.1%	44%	64%
20-25	126	8	12	8	6.3%	9.2%	6.1%	69%	104%
25-29	91	13	12	12	14.3%	13.5%	13.0%	106%	110%
30-34	30	12	9	9	40.0%	31.3%	30.2%	128%	132%
Total	**331**	**37**	**42**	**34**	**11.2%**	**12.6%**	**10.4%**	**89%**	**107%**
R-squared			**79.3%**	**85.1%**					

Retirement Rates – PEPRA





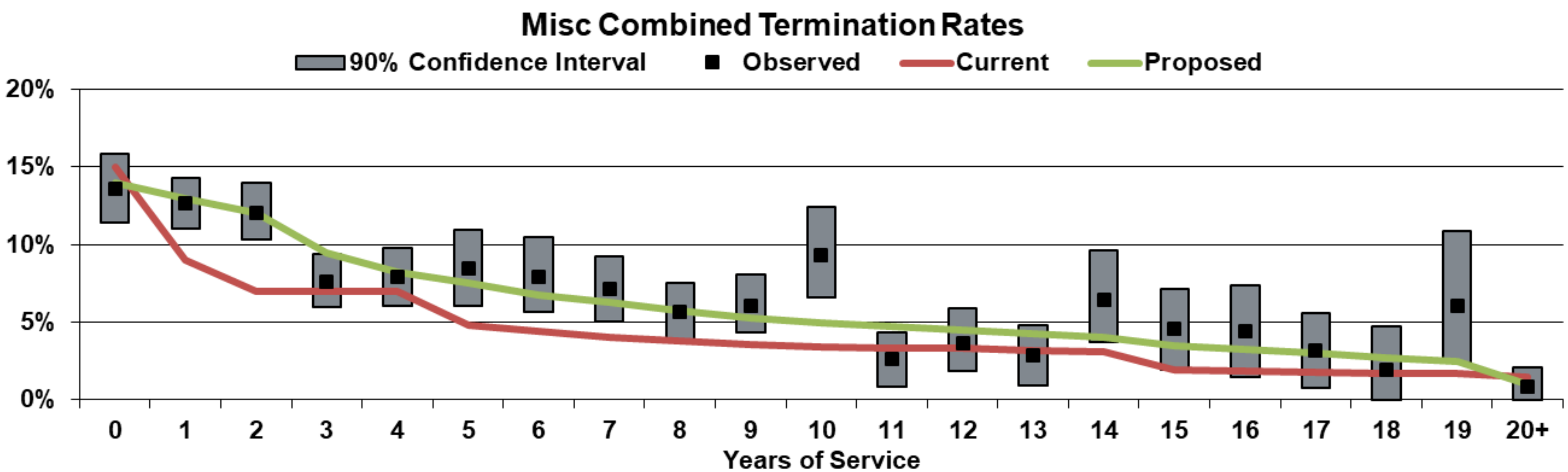
Termination Rates

- Separate assumptions for Miscellaneous and Safety
- Rates vary by age and service
  - Rates also vary by sex for Miscellaneous
- Rates no longer applied once eligible for service retirement

Termination Rates

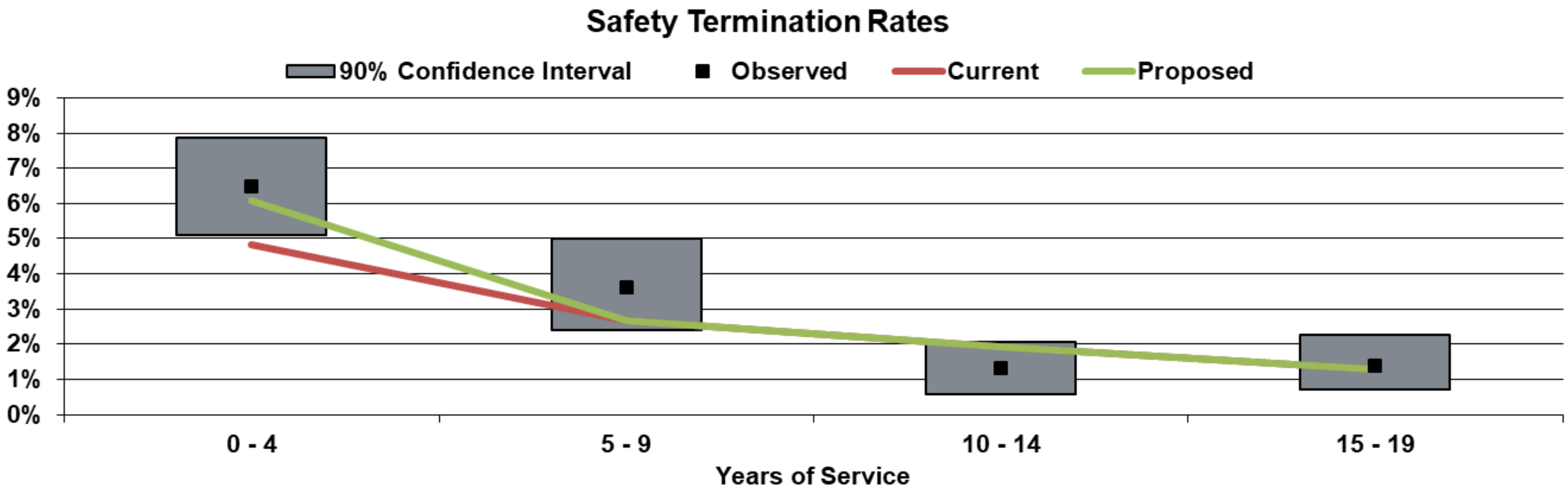
- Recommendations
  - Replace current age/service/sex based rates with service-only rates for Miscellaneous members
    - Simplifies structure, while providing better match under all measures (A/E, confidence intervals, R-squared)
  - Retain current Safety rates, except increase rates modestly with less than five years of service
    - Consistent with pattern from prior study period
  - Analyzed data based on headcount and salary weighting, proposed assumptions reasonable under both measures

Termination Rates – Miscellaneous



Misc Combined Termination Rates									
		Terminations			Termination Rates			A/E Ratios	
Service	Exposures	Actual	Current	Proposed	Actual	Current	Proposed	Current	Proposed
0 - 4	3,813	424	362	433	11.12%	9.49%	11.36%	117%	98%
5 - 9	1,980	138	93	110	6.97%	4.69%	5.56%	149%	125%
10 - 14	1,102	56	36	55	5.08%	3.30%	4.97%	154%	102%
15 - 19	602	24	11	18	3.99%	1.81%	3.00%	221%	133%
20 - 24	202	1	3	2	0.50%	1.54%	1.00%	32%	50%
25 - 29	34	1	0	0	2.94%	1.29%	1.00%	228%	294%
Total	**7,733**	**644**	**506**	**618**	**8.33%**	**6.54%**	**8.00%**	**127%**	**104%**
R-squared			**94.2%**	**98.2%**					

Termination Rates – Safety



Safety Termination Rates									
		Terminations			Termination Rates			A/E Ratios	
Service	Exposures	Actual	Current	Proposed	Actual	Current	Proposed	Current	Proposed
0 - 4	863	56	42	52	6.49%	4.83%	6.07%	134%	107%
5 - 9	582	21	15	15	3.61%	2.66%	2.66%	136%	136%
10 - 14	678	9	13	13	1.33%	1.94%	1.94%	68%	68%
15 - 19	572	8	7	7	1.40%	1.30%	1.30%	108%	108%
Total	**2,695**	**94**	**78**	**88**	**3.49%**	**2.88%**	**3.28%**	**121%**	**106%**
R-squared			**90.3%**	**89.8%**					

Termination Rates – Type

- Assumptions for type of termination, in addition to rate of termination
  - Withdrawal/refund of contributions versus leave on deposit and eligible to receive deferred benefit
  - For those who will receive a deferred benefit, assumption for how many will work for a reciprocal employer (i.e., transfer)
    - Reciprocal membership results in higher liabilities, because pay used to calculate benefit continues to increase
    - Review number who retire from deferred status with and without reciprocity
  - Rates vary by service and Miscellaneous versus Safety

Termination Rates – Type

- Recommendations
  - Modest reductions in refund rates at lower service levels for Miscellaneous and Safety
  - Increase in rates of reciprocity for those leaving contributions on deposit
    - From 30% to 40% for Miscellaneous
    - From 60% to 85% for Safety; large increase but consistent with data from 2011-2020

Termination Rates – Deferral Age

- Assumption for when benefits will commence for those leaving contributions on deposit
  - Review assumptions separately for those with reciprocity
    - Members with reciprocity have an incentive to delay commencement, if still receiving pay increases and/or wish to continue employment
    - Members without reciprocity have no incentive to delay commencement once reach maximum benefit formula (e.g., Safety 3% @ 50)

Termination Rates – Deferral Age

- Recommendations
  - Increase Miscellaneous commencement age from 58 to 59 (with and without reciprocity)
  - Increase commencement age from 50 to 53 for Safety 3% @ 50 members with reciprocity
    - No change for those without reciprocity (age 50)
  - No change for other Safety members (age 55 for Safety 3% @ 55 and PEPRA)

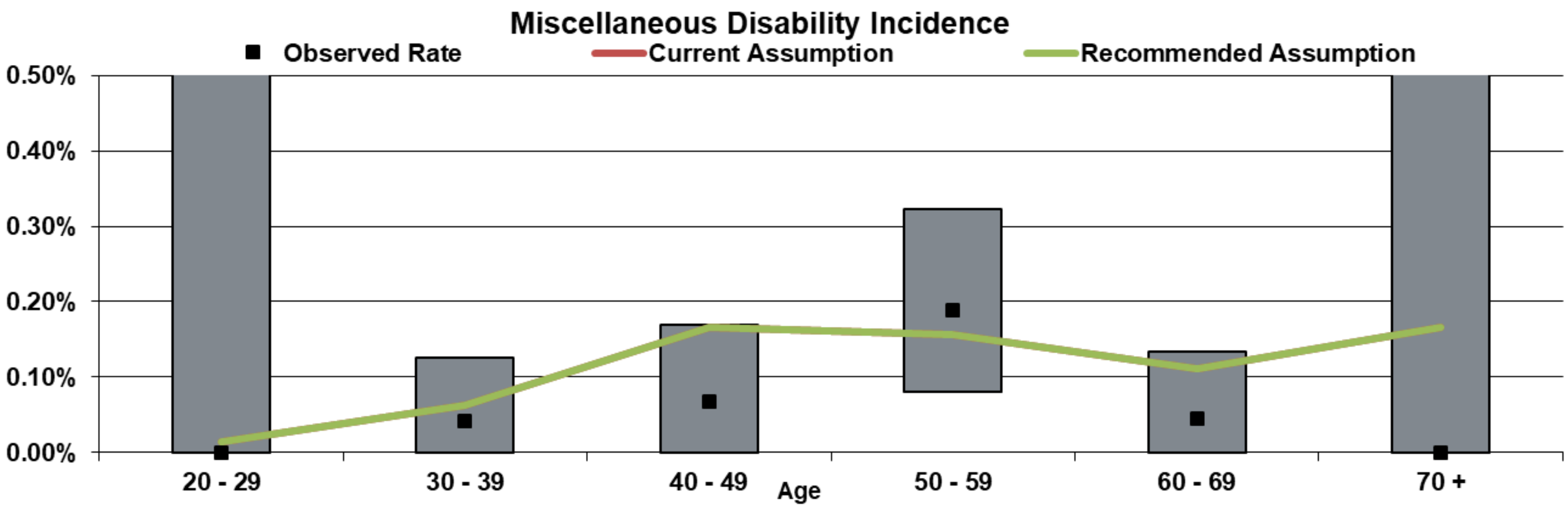
Disability Rates

- Separate assumptions for Miscellaneous and Safety
- Rates vary by age
  - Rates also vary by sex for Miscellaneous
- Not enough experience to develop MCERA-specific tables, even when combined with prior periods
  - Rely on tables produced by larger systems (e.g., CalPERS), modified as appropriate
- Also assumptions regarding type of disability (i.e., service-connected or non-service-connected)

Disability Rates

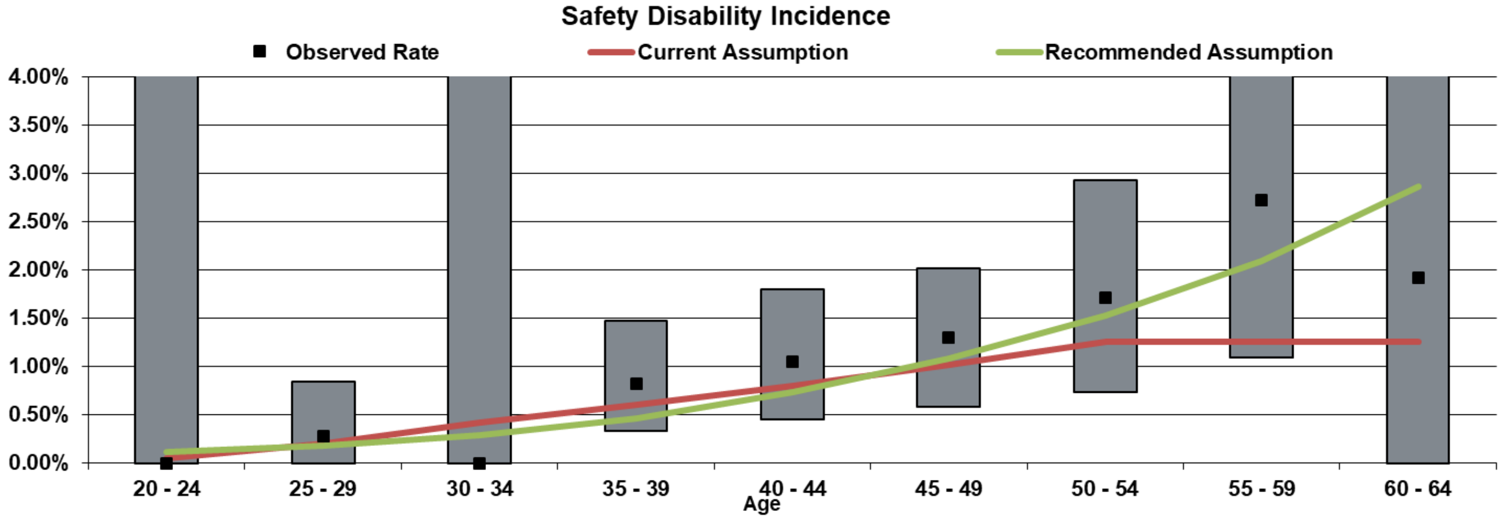
- Recommendations
  - Retain current Miscellaneous rates, which are based on CalPERS Public Agency Miscellaneous rates
    - Recommend increase in percentage of disabilities assumed to be service-connected from 50% to 75%
  - Replace current Safety rates with alternative CalPERS-based table
    - Current assumption based on CalPERS Public Agency Police rates, adjusted by 60% and capped at 1.25%
    - Recommended assumption based on CalPERS Peace Officers and Fire Fighter (POFF) rates, multiplied by 120%
    - Assume all Safety disabilities are service-connected (only one non-service Safety disability over past six years)

Disability Rates – Miscellaneous



Miscellaneous Disability Incidence Rates						
Age Band	Exposures	Disabilities			Actual to Expected Ratios	
		Actual	Current	Recommended	Current	Recommended
20 - 29	728	0	0.10	0.10	0%	0%
30 - 39	2,380	1	1.50	1.50	67%	67%
40 - 49	2,962	2	4.90	4.90	41%	41%
50 - 59	3,719	7	5.80	5.80	121%	121%
60 - 69	2,243	1	2.50	2.50	40%	40%
70 +	60	0	0.10	0.10	0%	0%
Total	**12,092**	**11**	**14.9**	**14.9**	**74%**	**74%**
R-squared			**0.1911**	**0.1911**		

Disability Rates – Safety



Safety Disability Incidence Rates						
Age		Disabilities			Actual to Expected Ratios	
Band	Exposures	Actual	Current	Recommended	Current	Recommended
20 - 24	77	0	0.0	0.1	0%	0%
25 - 29	355	1	0.7	0.6	140%	156%
30 - 34	562	0	2.3	1.6	0%	0%
35 - 39	610	5	3.7	2.8	135%	176%
40 - 44	667	7	5.4	4.9	131%	144%
45 - 49	693	9	7.0	7.5	128%	121%
50 - 54	410	7	5.1	6.3	137%	112%
55 - 59	184	5	2.3	3.8	217%	130%
60 - 64	52	1	0.7	1.5	154%	67%
Total	**3,610**	**35**	**27.2**	**29.1**	**129%**	**120%**
R-squared			**0.4482**	**0.4899**		

Mortality Assumptions

- Overview
- Current assumptions
- New developments
- Recommendation

Mortality – Overview

- Separate rates were developed for Miscellaneous/Safety and males/females:
  - Healthy annuitants
  - Disabled annuitants
  - Contingent Annuitants (Current Beneficiaries)
  - Active members
- Similar process used for each group
- Presentation focuses on the analysis for healthy annuitants, by far the most significant cost impact and reflects most robust data

Mortality – Current Assumptions

- Experience weighted by benefit amount
  - Only partial credibility adjustment applied, due to size of Plan
- Base Tables → Adjusted CalPERS tables
- Same Table for Safety and General Healthy Retirees, CalPERS does not have distinct tables
- Non-Industrial and Industrial CalPERS Tables for Disabled Annuitants
- Mortality Improvement Scale used to project expected future improvements → MP-2017

Mortality – New Developments

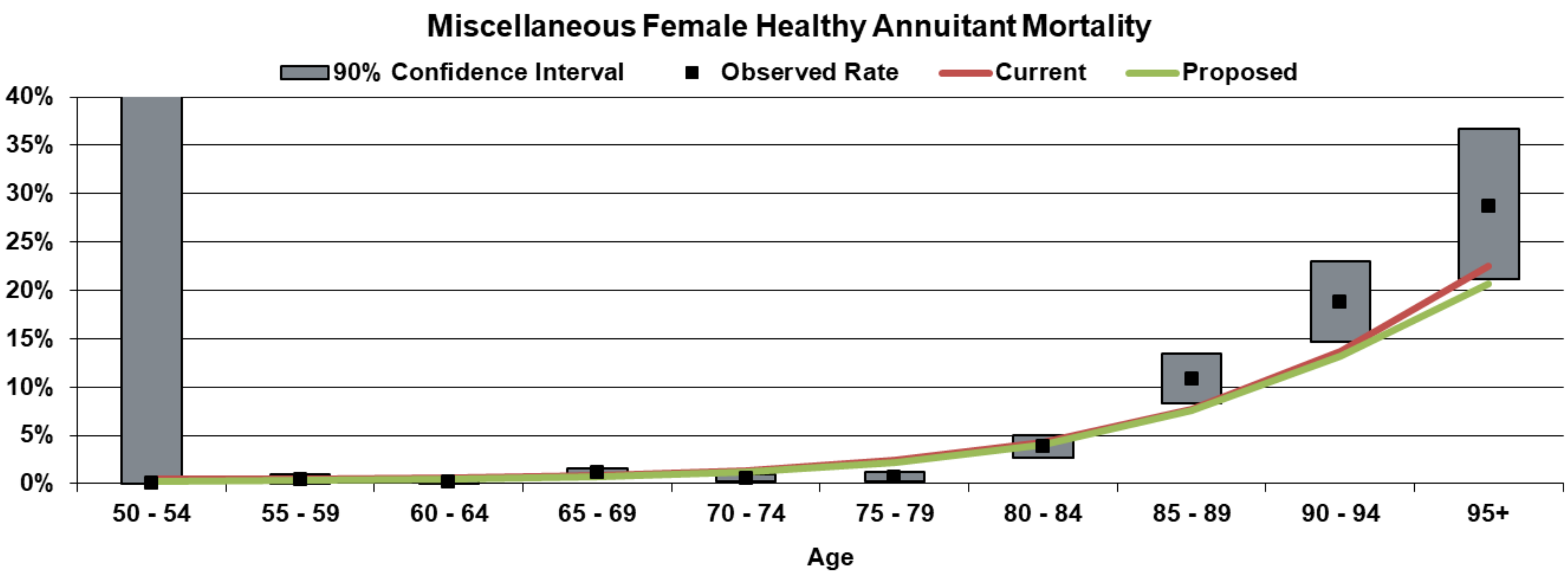
- New sets of mortality tables (Pub-2010) for public plan experience published by Retirement Plans Experience Committee (RPEC)
  - Covered experience from 2008 through 2013 from 35 public systems with 78 plans
  - Approximately 46 million life years of exposure and 580,000 deaths
- New mortality improvement tables published in 2020 by RPEC (MP-2020)
  - Reflects three additional years of data since MP-2017 released
  - Continue to expect future improvement, but to a lesser degree
  - Does not include any impact from COVID-19

Mortality – Recommended Assumptions

- Maintain benefits-weighted analysis and use benefits-weighted base tables
- Mortality Improvement Scale ➔ MP-2020

Base Mortality Tables		
Group	**Pub-2010 Table**	**Adjustment Factor**
Miscellaneous		
Healthy Retirees	General Retirees, Total Dataset	1.00
Disabled Retirees	Non-Safety Disabled	1.00
Active Members	General Employees, Total Dataset	1.00
Safety		
Healthy Retirees	Safety Retirees, Above Median	1.00
Disabled Retirees	Safety Disabled	0.95 (m), 1.00 (f)
Active Members	Safety Employees, Above Median	1.00
Contingent Survivors	**Total Dataset**	**1.00 (m) 1.05 (f)**

Healthy Retiree Mortality



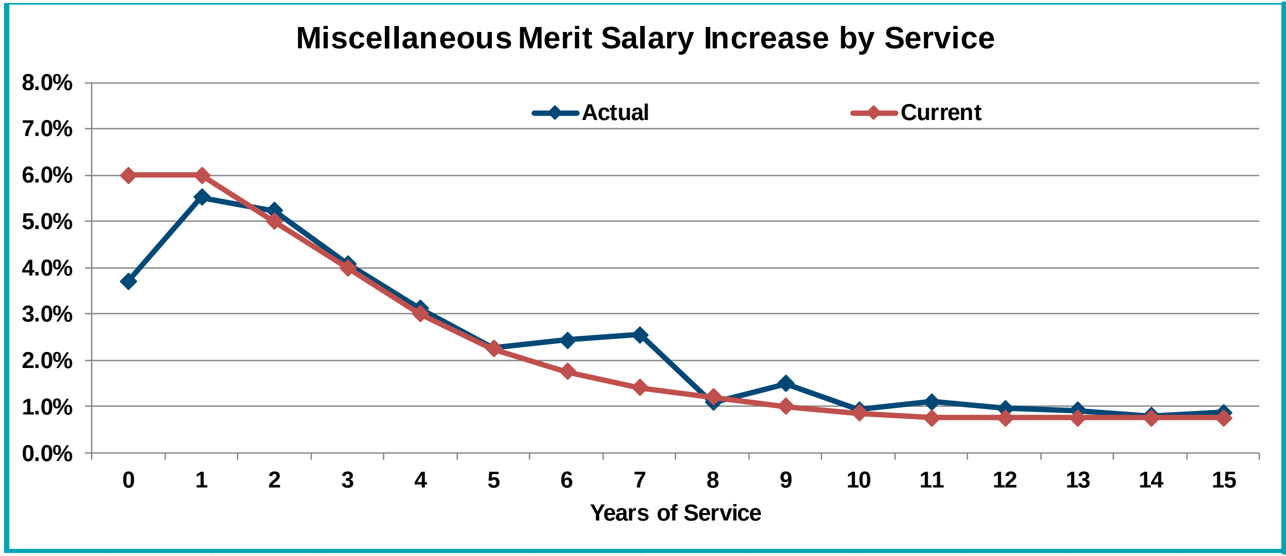
Healthy Retiree Mortality									
			Actual	Weighted	Weighted Deaths			A/E Ratios	
Group	Sex	Exposures	Deaths	Exposures	Actual	Current	Proposed	Current	Proposed
Misc	Male	3,927	115	15,180,504	401,052	365,235	386,705	110%	104%
	Female	6,746	175	17,920,799	382,598	407,462	381,624	94%	100%
Safety	Male	5,999	58	46,726,179	359,352	501,383	364,995	72%	98%
	Female	2,136	60	7,422,547	134,354	137,387	126,485	98%	106%

Salary Merit Increases

- Salary increases have three components:
  - Inflation
  - Real wage growth
  - Merit or longevity increases
- Analysis “backs-out” the actual across-the-board wage increases to isolate the merit component of the overall salary increases
- Inflation and real wage growth are reviewed with the economic assumptions

Salary Merit Increases

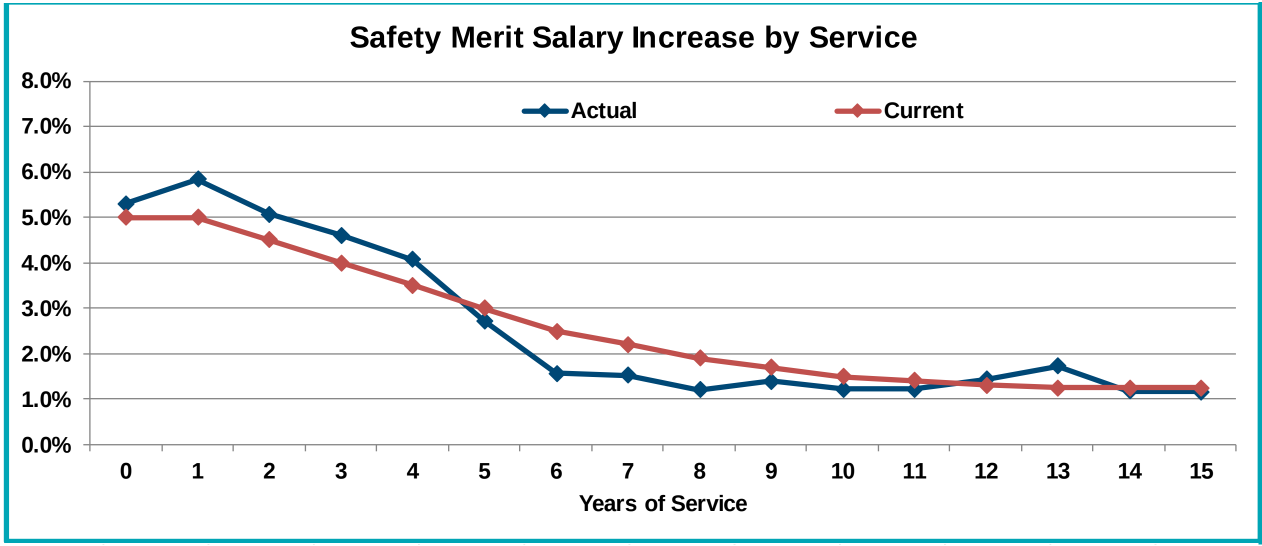
- Assumption varies by service
- Separate assumptions for Miscellaneous and Safety
- Actual salary increases (blue line) were close to expected (red line) for Miscellaneous members
- Propose no changes to Miscellaneous rates



Service	Actual	Current
0	3.71%	6.00%
1	5.52%	6.00%
2	5.23%	5.00%
3	4.08%	4.00%
4	3.11%	3.00%
5	2.27%	2.25%
6	2.43%	1.75%
7	2.55%	1.40%
8	1.09%	1.20%
9	1.50%	1.00%
10	0.93%	0.85%
11	1.10%	0.75%
12	0.96%	0.75%
13	0.91%	0.75%
14	0.80%	0.75%
15	0.87%	0.75%

Salary Merit Increases

- Actual salary increases (blue line) were close to expected (red line) for Safety members
- Propose no changes to Safety rates



Service	Actual	Current
0	5.31%	5.00%
1	5.84%	5.00%
2	5.07%	4.50%
3	4.60%	4.00%
4	4.07%	3.50%
5	2.72%	3.00%
6	1.56%	2.50%
7	1.52%	2.20%
8	1.20%	1.90%
9	1.39%	1.70%
10	1.22%	1.50%
11	1.22%	1.40%
12	1.44%	1.30%
13	1.73%	1.25%
14	1.18%	1.25%
15	1.15%	1.25%

Other Assumptions

- Beneficiary assumptions
  – Review percentage assumed to be married and elect unreduced 60% survivor annuity
    - No changes recommended to current assumptions:
      – 55% of all females (Miscellaneous and Safety) assumed to have eligible spouse at retirement
      – 75% of Miscellaneous males
      – 85% of Safety males

Other Assumptions

- Beneficiary assumptions
  - Review average difference between member and spouse
    - Maintain current assumption for male retirees (three years older than spouse)
    - Increase age difference for female retirees (from one to two years younger than spouse)

Other Assumptions

- Administrative Expenses
  - Administrative expenses estimated for coming fiscal year, then split between members and employers based on projected share of contributions
  - Expenses include legal, actuarial, and technology, but not investment-related expenses, which are reflected in discount rate
  - Generate assumption based on average of prior years, adjusted for inflation
  - Recommend reduction in expense assumption from $5.4 million to $5.0 million for FY2020-2021

Other Assumptions

- Terminal Cash-outs
  - Load developed to account for anticipated conversions of sick leave, end-of-career service purchases, or other terminal service/compensation credit
  - Current loads are 3.00% for Novato, 2.50% for San Rafael, and 2.00% for all others
  - In the process of collecting additional data to analyze this assumption; will propose any necessary adjustments in the final Experience Study report

Demographic Assumption Change Summary

Assumption	Primary Proposed Changes
Retirement	• Misc. Pre-PEPRA – Increase rates at ages 60+ with less than 20 years of service • Safety 3% at 50 – No changes • Use appropriate CalPERS assumptions for Misc. PEPRA , Safety 3% at 55, and Safety PEPRA
Termination Rates and Type	• Misc. – Simplify rates to a service-only based structure • Safety – Increase rates for under 5 years of service • Slight reduction in refund rates at lower service levels • Increase rates of reciprocity
Deferral Age	• Increase Misc deferral age to 59 • Increase Safety 3% @ 50 deferral age to 53 for those with reciprocity
Disability	• Misc. - No change in rates, but increase percentage of service-connected • Safety – Switch to CalPERS Peace Officers and Fire Fighter rates multiplied by 1.2, and increase percentage of service-connected
Mortality	• Update base mortality tables to an applicable Pub-2010 table • Update projection scale to MP-2020
Salary Merit Increases	• No changes
Other	• Increase age difference for female retirees to 2 years younger than spouse • Reduce assumed administrative expenses to $5.0 million • Terminal cash-outs – additional data needed

Economic Assumptions

Review of Proposed Assumptions

Assumption	Current	Recommended	Alternative 1	Alternative 2
Nominal Return	7.00%	6.75%	6.75%	6.50%
Price Inflation*	2.75%	2.50%	2.50%	2.25%
Real Return	4.25%	4.25%	4.25%	4.25%
Wage Growth	3.00%	3.00%	3.00%	2.75%
Payroll Growth	3.00%	2.75%	3.00%	2.50%

*COLA growth rates based on inflation assumption, as described in October Strategic Workshop presentation

Preliminary Sensitivity Analysis

Estimated Impact on Contribution Rates from Demographic Assumption Changes
(based on June 30, 2020 valuation results)

	Change in Contribution Rate (Employee and Employer)								
	Total Normal Cost Rate			UAL Rate			Total Contribution Rate		
Description	**County**	**Novato**	**San Rafael**	**County**	**Novato**	**San Rafael**	**County**	**Novato**	**San Rafael**
Proposed Demographic Assumptions									
Mortality Rates	-0.15%	-0.05%	-0.17%	-0.28%	-0.38%	-0.46%	-0.43%	-0.43%	-0.63%
Retirement Rates	0.15%	-0.21%	0.03%	0.02%	-0.04%	-0.01%	0.17%	-0.25%	0.02%
Disability Rates	0.11%	-0.15%	0.00%	0.01%	0.09%	0.04%	0.12%	-0.06%	0.04%
Termination Rates	-0.13%	0.34%	0.13%	0.00%	-0.03%	-0.01%	-0.13%	0.31%	0.12%
Vested Deferral Age	-0.10%	-0.28%	-0.07%	-0.02%	0.04%	0.00%	-0.12%	-0.24%	-0.07%
Spouse Age Difference	-0.02%	-0.01%	-0.02%	-0.01%	-0.01%	-0.01%	-0.03%	-0.02%	-0.03%
Administrative Expense	-0.07%	-0.11%	-0.10%	-0.04%	-0.09%	-0.16%	-0.11%	-0.20%	-0.26%
Contribution Rate Increase After Proposed Demographic Assumption Changes	-0.21%	-0.47%	-0.20%	-0.32%	-0.42%	-0.61%	-0.53%	-0.89%	-0.81%

Preliminary analysis is based on the same data, methods, and assumptions to be used in Cheiron's June 30, 2020 Actuarial Valuation Report

Preliminary Sensitivity Analysis

Estimated Impact on Contribution Rates from All Assumption Changes (based on June 30, 2020 valuation results)						
	Change in Contribution Rate (Employee and Employer)					
	1st Smoothing Year Total Contribution Rate			3rd Smoothing Year Total Contribution Rate		
Description	**County**	**Novato**	**San Rafael**	**County**	**Novato**	**San Rafael**
Total After Proposed Demographic Assumptions	**-0.53%**	**-0.89%**	**-0.81%**	**-1.17%**	**-1.73%**	**-2.03%**
Proposed Economic Assumptions						
Recommended (6.75% Discount, 2.75% Payroll)	**1.79%**	**1.63%**	**1.49%**	**3.03%**	**2.65%**	**2.55%**
Alternative 1 (6.75% Discount, 3.00% Payroll)	1.64%	1.30%	0.97%	2.86%	2.30%	2.03%
Alternative 2 (6.50% Discount, 2.50% Payroll)	2.98%	1.68%	2.24%	5.18%	2.64%	3.82%
Total (Recommended Economic + Proposed Demographic)	**1.26%**	**0.74%**	**0.68%**	**1.86%**	**0.92%**	**0.52%**

- Preliminary analysis is based on the same data, methods, and assumptions to be used in Cheiron's June 30, 2020 Actuarial Valuation Report
- Impact from economic assumptions differs from information presented in October workshop based on updates to data and demographic assumptions
- Total impact will be split between employers and employees, based on splitting the normal cost between the employers and employees, and the employers paying the increase in the UAL rates.

Preliminary Sensitivity Analysis

Estimated Funded Ratios (based on June 30, 2020 valuation results)			
Description	County	Novato	San Rafael
Baseline	87.4%	84.4%	76.1%
After Proposed Demographic Assumptions	88.4%	85.0%	76.9%
Proposed Economic Assumptions			
Recommended (6.75% Discount, 2.75% Payroll)	86.3%	84.3%	76.3%
Alternative 1 (6.75% Discount, 3.00% Payroll)	86.3%	84.3%	76.3%
Alternative 2 (6.50% Discount, 2.50% Payroll)	84.7%	84.3%	75.8%

Preliminary analysis is based on the same data, methods, and assumptions to be used in Cheiron's June 30, 2020 Actuarial Valuation Report

Next Steps

- Present final Experience Study Report in January
  - Board to provide direction on assumptions to use in final valuation report
- Finalize Actuarial Valuation results in February
  - Compute impact of assumption changes on employee and employer rates
  - Results shown in this presentation are preliminary (proceeding with peer review)
  - Present results by Tier / Employers
- Adopt June 30, 2020 Actuarial Valuation and FYE 2022 Contribution Rates

Required Disclosures

The purpose of this presentation is to present recommendations on the demographic and economic assumptions of the Marin County Employees' Retirement Association (MCERA). This presentation is for the use of MCERA in accordance with applicable law.

In preparing our presentation, we relied on information (some oral and some written) supplied by MCERA. This information includes, but is not limited to, the 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.

The actuarial assumptions, data and methods are those that will be used in the preparation of the actuarial valuation report as of June 30, 2020.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. Cheiron uses internally developed models to analyze the demographic assumptions and develop recommendations.

The assumptions reflect our understanding of the likely future experience of the Plans, and the assumptions as a whole represent our best estimate for the future experience of the Plans. Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

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

This presentation was prepared exclusively for the MCERA Retirement Board for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Graham A. Schmidt, ASA, EA, FCA, MAAA,
Consulting Actuary

William R. Hallmark, ASA, EA, FCA, MAAA
Consulting Actuary

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Classic Values, Innovative Advice

Marin County Employees' Retirement Association

GASB 67/68 Report as of June 30, 2020

Produced by Cheiron

November 2020

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November 19, 2020

Board of Retirement
Marin County Employees' Retirement Association
1 McInnis Parkway, Suite 100
San Rafael, CA 94903-2764

Dear Members of the Board:

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Marin County Employees' Retirement Association (MCERA) and under GASB 68 for the County of Marin and the other participating employers. This information includes:

- Determination of the discount rate as of June 30, 2020,
- Projection of MCERA's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for MCERA,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

If you have any questions about the report or would like additional information, please let us know.

Sincerely,
Cheiron

Graham A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary

William R. Hallmark, ASA, EA, FCA, MAAA
Consulting Actuary

SECTION I – BOARD SUMMARY

The purpose of this report is to provide accounting and financial disclosure information under the Governmental Accounting Standards Board Statements 67 and 68 for the Marin County Employees' Retirement Association (MCERA) and participating employers. This information includes:

- Determination of the discount rate as of June 30, 2020,
- Projection of MCERA's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for MCERA,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

Highlights

The measurement date for the Marin County Employees' Retirement Association is June 30, 2020. Measurements are based on the fair value of assets as of June 30, 2020, and the Total Pension Liability as of the valuation date, June 30, 2019, updated to June 30, 2020. To the best of our knowledge, there were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The table below provides a summary of the key collective results during this measurement period.

Table I-1
Summary of Collective Results

	Measurement Date			
		6/30/2020		6/30/2019
Net Pension Liability	$	457,774,963	$	365,704,670
Deferred Outflows		(80,867,741)		(32,942,060)
Deferred Inflows		853,192		26,370,099
Net Impact on Statement of Net Position	$	377,760,414	$	359,132,709
Pension Expense ($ Amount)	$	94,270,779	$	80,718,989
Pension Expense (% of Payroll)		35.61%		31.78%

The Net Pension Liability (NPL) increased approximately $92 million since the prior measurement date, primarily due to the return on investments being lower than expected. In addition, losses on liability experience contributed about $16 million to the increase in NPL.

SECTION I – BOARD SUMMARY

The losses due to investment earnings being less than expected are recognized over five years. The losses due to liability experience are recognized over the average remaining service life, which is four years. Unrecognized amounts are reported as deferred inflows and deferred outflows.

As of the end of the reporting year, MCERA and its participating employers would report a Net Pension Liability of $457,774,963, Collective Deferred Inflows of $853,192, and Collective Deferred Outflows of $80,867,741. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to MCERA would be $377,760,414 ($457,774,963 + $853,192 – $80,867,741) at the end of the measurement year. In addition, any contributions between the measurement date and each individual employer's reporting date would be reported as deferred outflows to offset the cash outflow reported.

For the measurement year ending June 30, 2020, the collective annual pension expense is $94,270,779 or 35.61% of covered payroll. This amount is not related to participating employers' contributions to MCERA ($75,643,074), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions ($377,760,414 **–** $359,132,709 **+** $75,643,074**)**. The collective pension expense is larger than the collective expense for the prior year. Volatility in pension expense from year to year is to be expected. For the measurement year ending June 30, 2020, the volatility was largely due to the recognition of the 2020 investment loss. A breakdown of the components of the collective net pension expense is shown in Section VI of the report.

SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Marin County Employees' Retirement Association (MCERA) and under GASB 68 for the employers that participate in MCERA. This report is for the use of MCERA, the participating employers, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for MCERA.

In preparing our report, we relied on information (some oral and some written) supplied by MCERA. This information includes, but is not limited to, the 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. The assumptions have been selected by the Board based on our recommendations and analysis. We believe the assumptions to be reasonable.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. 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.

This report was prepared for MCERA for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Graham A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary

William R. Hallmark, ASA, EA, FCA, MAAA
Consulting Actuary

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.00%.

We have assumed that the employees will continue to contribute to MCERA at the current rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an Actuarially Determined Contribution (ADC), reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability (UAL) as a level percent of payroll over a closed period.

Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 17-year period (11 years remaining as of June 30, 2019), except for the additional UAL attributable to the outstanding unfunded actuarial loss from 2009, which is being amortized over a separate closed period (19 years remaining as of June 30, 2019).

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 five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll between the ramping periods. This new amortization method for gains and losses is similar to a 20-year amortization period with level payments as a percentage of payroll, in conjunction with traditional five-year asset smoothing.

Assumption changes are 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.

We have not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations "can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan…" In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan's projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on MCERA investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2020 is measured as of a valuation date of June 30, 2019 and projected to June 30, 2020. There were no significant events during the projection period of which we are aware. Because the TPL shown in the prior report was measured as of June 30, 2018 and projected to June 30, 2019, the TPL from the prior report will not match the amounts measured as of June 30, 2019 that are shown in this exhibit.

The table below shows the projection of the TPL at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

Table IV-1
Projection of Collective Total Pension Liability from Valuation to Measurement Date

Discount Rate	6.00%	7.00%	8.00%
Valuation Collective Total Pension Liability, 6/30/2019			
Actives	$ 1,053,929,668	$ 893,138,247	$ 763,458,892
Deferred Vested	139,401,785	116,121,183	98,172,544
Retirees	2,167,145,968	1,963,429,783	1,791,712,860
Total	**$ 3,360,477,421**	**$ 2,972,689,213**	**$ 2,653,344,296**
Service Cost	81,072,972	63,855,331	50,880,209
Benefit Payments	158,293,527	158,293,527	158,293,527
Interest	199,345,773	204,838,811	208,053,667
Collective Total Pension Liability, 6/30/2020	**$ 3,482,602,639**	**$ 3,083,089,828**	**$ 2,753,984,645**

Note Disclosures

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of System assets), and the Net Pension Liability during the measurement year.

Table V-1
Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at 6/30/2019	$2,958,090,254	$2,592,385,584	$ 365,704,670
Changes for the year:			
Service cost	63,855,331		63,855,331
Interest	203,816,884		203,816,884
Changes of benefits	0		0
Differences between expected and actual experience	15,620,886		15,620,886
Changes of assumptions	0		0
Contributions - employer		75,643,074	(75,643,074)
Contributions - member		30,913,996	(30,913,996)
Net investment income		89,273,498	(89,273,498)
Benefit payments	(158,293,527)	(158,293,527)	0
Administrative expense		(4,607,760)	4,607,760
Net changes	124,999,574	32,929,281	92,070,293
Balances at 6/30/2020	$3,083,089,828	$2,625,314,865	$ 457,774,963

During the measurement year, the collective NPL increased by approximately $92 million. The service cost and interest cost increased the collective NPL by approximately $268 million while contributions and investment earnings offset by administrative expenses decreased the collective NPL by approximately $191 million.

There were no changes in benefits or assumptions during the year. There were actuarial experience losses during the year that increased the collective NPL by approximately $16 million.

SECTION V – GASB 67 REPORTING INFORMATION

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the collective NPL to the discount rate.

Table V-2
Sensitivity of Collective Net Pension Liability to Changes in Discount Rate

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	$3,482,602,639	$3,083,089,828	$2,753,984,645
Plan Fiduciary Net Position	2,625,314,865	2,625,314,865	2,625,314,865
Collective Net Pension Liability	$ 857,287,774	$ 457,774,963	$ 128,669,780
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.4%	85.2%	95.3%

A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the collective NPL by approximately 87%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the collective NPL by approximately 72%.

Required Supplementary Information

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 67, and eventually will build up to 10 years of information. The schedule on the next page shows the changes in collective NPL and related ratios required by GASB for the seven years since implementation.

SECTION V – GASB 67 REPORTING INFORMATION

Table V-3
Schedule of Changes in Collective Net Pension Liability and Related Ratios

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability							
Service cost (MOY)	$ 63,855,331	$ 63,587,459	$ 61,074,664	$ 57,090,773	$ 55,208,834	$ 49,064,492	$ 49,014,858
Interest (includes interest on service cost)	203,816,884	195,274,190	188,096,539	184,139,800	176,564,792	166,718,783	159,521,975
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	15,620,886	16,721,629	(3,412,765)	(904,678)	(212,631)	(31,054,299)	0
Changes of assumptions	0	0	40,801,678	0	0	144,753,646	0
Benefit payments, including refunds of member contributions	(158,293,527)	(149,212,983)	(139,856,672)	(131,937,062)	(124,203,519)	(115,984,752)	(109,342,861)
Net change in total pension liability	**$ 124,999,574**	**$ 126,370,295**	**$ 146,703,444**	**$ 108,388,833**	**$ 107,357,476**	**$ 213,497,871**	**$ 99,193,972**
Total pension liability - beginning	**2,958,090,254**	**2,831,719,959**	**2,685,016,515**	**2,576,627,682**	**2,469,270,206**	**2,255,772,335**	**2,156,578,363**
Total pension liability - ending	**$ 3,083,089,828**	**$2,958,090,254**	**$2,831,719,959**	**$2,685,016,515**	**$2,576,627,682**	**$2,469,270,206**	**$2,255,772,335**
Plan fiduciary net position							
Contributions - employer	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945	$ 75,260,980	$ 68,915,072	$ 69,980,201
Contributions - member	30,913,996	30,010,459	28,628,627	28,053,775	27,207,157	24,920,493	22,952,689
Net investment income	89,273,498	136,483,513	221,839,196	248,347,501	42,927,728	100,055,573	309,002,468
Benefit payments, including refunds of member contributions	(158,293,527)	(149,212,983)	(139,856,672)	(131,937,062)	(124,203,519)	(115,984,752)	(109,342,861)
Administrative expense	(4,607,760)	(5,056,351)	(4,203,705)	(4,404,191)	(4,379,760)	(4,654,623)	(4,503,845)
Net change in plan fiduciary net position	**$ 32,929,281**	**$ 90,963,452**	**$ 185,161,922**	**$ 217,562,968**	**$ 16,812,586**	**$ 73,251,763**	**$ 288,088,652**
Plan fiduciary net position - beginning	**2,592,385,584**	**2,501,422,132**	**2,316,260,210**	**2,098,697,242**	**2,081,884,656**	**2,008,632,893**	**1,720,544,241**
Plan fiduciary net position - ending	**$ 2,625,314,865**	**$2,592,385,584**	**$2,501,422,132**	**$2,316,260,210**	**$2,098,697,242**	**$2,081,884,656**	**$2,008,632,893**
Net pension liability - ending	**$ 457,774,963**	**$ 365,704,670**	**$ 330,297,827**	**$ 368,756,305**	**$ 477,930,440**	**$ 387,385,550**	**$ 247,139,442**
Plan fiduciary net position as a percentage of the total pension liability	85.15%	87.64%	88.34%	86.27%	81.45%	84.31%	89.04%
Covered payroll	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311	$ 238,185,040	$ 223,825,880	$ 218,340,721
Net pension liability as a percentage of covered payroll	172.92%	144.00%	132.90%	152.35%	200.66%	173.07%	113.19%

SECTION V – GASB 67 REPORTING INFORMATION

Because an Actuarially Determined Contribution (ADC) has been calculated historically, the full 10 years of information in the following schedule is required.

Table V-4
Schedule of Collective Employer Contributions

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945	$ 75,260,980
Contributions in Relation to the Actuarially Determined Contribution	75,643,074	78,738,814	78,754,476	77,502,945	75,260,980
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$264,730,129	$253,964,938	$248,532,086	$ 242,045,311	$238,185,040
Contributions as a Percentage of Covered Payroll	28.57%	31.00%	31.69%	32.02%	31.60%

	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially Determined Contribution	$ 68,915,072	$ 69,660,201	$ 69,853,000	$ 64,690,000	$ 64,757,000
Contributions in Relation to the Actuarially Determined Contribution	68,915,072	69,660,201	69,853,000	64,690,000	64,757,000
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$223,825,880	$218,340,721	$211,001,594	$ 216,515,000	$215,969,000
Contributions as a Percentage of Covered Payroll	30.79%	31.90%	33.11%	29.88%	29.98%

SECTION V – GASB 67 REPORTING INFORMATION

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2020.

Notes to Schedule

Valuation Date	6/30/2018 (to determine FY2019-20 contribution)
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Loss (20 years remaining as of (6/30/2018), the remaining UAL as of June 20, 2013 (12 years as of 6/30/2018), and additional layers for unexpected changes in UAL after 6/30/2013 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Discount rate	7.00%
Amortization growth rate	3.00%
Price Inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service.
Mortality	Sex-distinct CalPERS 2017 Pre-Retirement Non-Industrial Death rates (plus Duty-Related death rates for Safety members), with generational improvements from a base year of 2014 using Scale MP-2017 for active Members.
	Sex-distinct CalPERS 2017 Post-Retirement Healthy Mortality rates, adjusted by 90% for Miscellaneous and Safety Males, with generational improvements from a base year of 2014 using Scale MP-2017 for retired Members and their beneficiaries.
Disabled Mortality	Sex-distinct CalPERS 2017 Disability Death rates (Non-Industrial rates for Miscellaneous members and Industrial rates for Safety members), adjusted by 90% for Males (Miscellaneous and Safety) and Miscellaneous Females, with generational improvements from a base year of 2014 using Scale MP-2017.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the June 30, 2018 actuarial valuation report.

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

We understand that MCERA's participating employers elected to use the 2014 measurement date for their initial reporting under GASB 68 on their June 30, 2015 reporting dates. As a result, the schedules in this section will be used by the employers for their FYE 2021 reporting, and the schedules from our prior report will be used for the employers' FYE 2020 financial reporting.

Because MCERA is a cost-sharing multiple-employer pension plan, each employer participating in MCERA must reflect a portion of the collective Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows in their financial statements. This section develops the collective amounts that are allocated to participating employers.

The impact of experience gains or losses and assumption changes on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of MCERA. As of the beginning of the measurement period, this recognition period was four years.

During the year, there was an experience loss of approximately $15.6 million. Approximately $3.9 million of that loss was recognized as an increase in collective pension expense in the current year and an identical amount will be recognized in each of the next three years. Unrecognized experience losses from prior experience were approximately $12.5 million of which $4.2 million was recognized as an increase in collective pension expense in the current year. Unrecognized experience gains from prior experience were approximately $1.9 million of which $1.1 million was recognized as a decrease in collective pension expense in the current year. As of June 30, 2020, the combination of unrecognized experience losses this year and unrecognized experience gains and losses from prior periods resulted in a collective deferred outflow of resources of approximately $20.1 million and a collective deferred inflow of resources of approximately $0.9 million.

Unrecognized increases in the TPL due to assumption changes from prior periods were approximately $20.4 million, of which $10.2 million was recognized as an increase in collective pension expense in the current year. The resulting collective deferred outflow of resources as of June 30, 2020 is approximately $10.2 million.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment loss of approximately $90.3 million. Approximately $18.1 million of that loss was recognized as an increase in collective pension expense in the current year and an identical amount will be recognized in each of the next four years. Unrecognized net investment gains from prior periods were approximately $24.4 million of which $2.8 million was recognized as a reduction in collective pension expense in the current year. The combination of unrecognized investment losses this year and unrecognized net investment gains from prior periods results in a collective deferred outflow of resources as of June 30, 2020 of approximately $50.6 million.

The table on the following page summarizes the current balances of collective deferred outflows and deferred inflows of resources along with the net recognition over the next five years.

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-1
Schedule of Collective Deferred Inflows and Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,076,479	$ 853,192
Changes in assumptions	10,200,418	0
Net difference between projected and actual earnings on pension plan investments	50,590,844	0
Total	**$ 80,867,741**	**$ 853,192**

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Measurement year ended June 30:	
2021	11,243,503
2022	21,353,951
2023	29,366,136
2024	18,050,959
2025	0
Thereafter	$ 0

The collective annual pension expense recognized by the participating employers can be calculated two different ways. First, it is the change in the amounts reported on the participating employers' Statements of Net Position that relate to MCERA and are not attributable to employer contributions. That is, it is the change in collective NPL plus the changes in collective deferred outflows and inflows plus participating employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table on the next page, we believe it helps to understand the level and volatility of the collective pension expense.

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-2
Calculation of Collective Pension Expense

	Measurement Year Ending 2020	2019
Change in Net Pension Liability	$ 92,070,293	$ 35,406,843
Change in Deferred Outflows	(47,925,681)	(2,340,802)
Change in Deferred Inflows	(25,516,907)	(31,085,866)
Employer Contributions	75,643,074	78,738,814
Pension Expense	**$ 94,270,779**	**$ 80,718,989**
Pension Expense as % of Payroll	**35.61%**	**31.78%**
Operating Expenses		
Service cost	$ 63,855,331	$ 63,587,459
Employee contributions	(30,913,996)	(30,010,459)
Administrative expenses	4,607,760	5,056,351
Total	$ 37,549,095	$ 38,633,351
Financing Expenses		
Interest cost	$ 203,816,884	$ 195,274,190
Expected return on assets	(179,528,297)	(173,533,293)
Total	$ 24,288,587	$ 21,740,897
Changes		
Benefit changes	$ 0	$ 0
Recognition of assumption changes	10,200,420	10,200,420
Recognition of liability gains and losses	7,006,270	3,047,889
Recognition of investment gains and losses	15,226,407	7,096,432
Total	$ 32,433,097	$ 20,344,741
Pension Expense	**$ 94,270,779**	**$ 80,718,989**

Operating expenses are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating MCERA for the year.

Financing expenses equal the interest on the Total Pension Liability and other items, less the expected return on assets. Since the discount rate is equal to the long-term expected return on assets, the financing expense is the interest on the Net Pension Liability, adjusted for cash flows.

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Recognition of changes will drive most of the volatility in pension expense from year to year. The recognition includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TPL, and investment gains or losses.

The total collective pension expense increased from the prior year by approximately $13.6 million. In the current year pension expense, the recognition of changes increased by approximately $12.1 million, operating expenses decreased by approximately $1.1 million compared to last year, and financing expenses increased by $2.5 million compared to the prior year.

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

Proportionate Shares

Because MCERA is a cost-sharing multiple-employer pension plan, each employer participating in MCERA must report a portion of the collective Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows in their financial statements. GASB 68 requires that the proportionate share for each employer be determined based on the "employer's projected long-term contribution effort to the pension … as compared to the total projected long-term contribution effort of all employers …." Although not required as part of MCERA's GASB 67 reporting requirements, MCERA is following the advice of the AICPA and making a determination of each employer's proportionate share, which we understand will be reviewed by MCERA's auditor.

Proportionate shares for each employer are determined based on the employer's share of the Unfunded Actuarial Liability (UAL) determined in the most recent actuarial valuation. In Table VII-1, the determination is shown based on the June 30, 2018 and June 30, 2019 actuarial valuations.

Table VII-1
Determination of Employers' Proportionate Share*

	June 30, 2020		June 30, 2019	
Employer	UAL (from the June 30, 2019 Actuarial Valuation)*	Proportionate Share	UAL (from the June 30, 2018 Actuarial Valuation)*	Proportionate Share
County	$ 210,978,882	52.8226%	$ 188,964,850	51.5677%
LAFCO	27,849	0.0070%	0	0.0000%
Marin City	0	0.0000%	9,353	0.0026%
Mosquito District	6,208,242	1.5544%	4,076,669	1.1125%
South Marin Fire	11,601,474	2.9047%	9,986,958	2.7254%
Tamalpais CSD	267,427	0.0670%	1,307,437	0.3568%
Courts	8,396,658	2.1023%	6,895,091	1.8816%
City of San Rafael	137,226,746	34.3574%	134,146,603	36.6081%
Novato Fire	24,701,997	6.1846%	21,052,908	5.7453%
Total	**$ 399,409,276**	**100.0000%**	**$ 366,439,869**	**100.0000%**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the proportionate share of the collective NPL (under three discount rates), the collective deferred outflows, the collective deferred inflows, and the collective pension expense allocated to each participating employer as of June 30, 2020.

Table VII-2
Schedule of Employers' Proportionate Share of Collective Amounts at June 30, 2020*

Employer	Proportionate Share	Share of NPL @ 6.00%	Share of NPL @ 7.00%	Share of NPL @ 8.00%	Share of Deferred Outflows	Share of Deferred Inflows	Pension Expense
County	52.8226%	452,841,692	241,808,638	67,966,723	42,716,443	450,678	49,796,277
LAFCO	0.0070%	60,010	32,044	9,007	5,661	60	6,599
Marin City	0.0000%	0	0	0	0	0	0
Mosquito District	1.5544%	13,325,681	7,115,654	2,000,043	1,257,008	13,262	1,465,345
South Marin Fire	2.9047%	24,901,638	13,296,989	3,737,471	2,348,965	24,783	2,738,283
Tamalpais CSD	0.0670%	574,383	306,709	86,209	54,181	572	63,161
Courts	2.1023%	18,022,761	9,623,803	2,705,025	1,700,083	17,937	1,981,855
City of San Rafael	34.3574%	294,541,790	157,279,575	44,207,591	27,784,053	293,135	32,388,989
Novato Fire	6.1846%	53,019,820	28,311,550	7,957,711	5,001,346	52,767	5,830,271
Total	**100.0000%**	**$857,287,774**	**$457,774,963**	**$128,669,780**	**$ 80,867,741**	**$ 853,192**	**$ 94,270,779**

* Numbers may not sum to total due to rounding

The proportionate share allocated to each individual employer will change on each measurement date. The net effect of the change in proportion on the share of the collective NPL, collective deferred outflows, and collective deferred inflows allocated to each employer becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of MCERA's active and inactive members (four years).

Similarly, the difference between each employer's actual contributions and the employer's proportionate share of collective employer contributions becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of MCERA's active and inactive members (four years).

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the change in proportion and the impact of that change in proportion on the proportionate share of the collective NPL, collective deferred outflows, and collective deferred inflows. It also shows any contribution differences.

Table VII-3
Schedule of Employers' Changes in Proportion and Contribution Differences*

	Proportionate Shares		Impact of Change in Proportion				Contributions		
Employer	6/30/2019	6/30/2020	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Proportionate Share	Difference
County	51.5677%	52.8226%	$ 4,589,228	$ 413,390	$ (330,918)	$ 4,506,756	$ 46,360,598	$ 39,956,638	$ 6,403,959
LAFCO	0.0000%	0.0070%	25,599	2,306	(1,846)	25,139	50,006	5,295	44,711
Marin City	0.0026%	0.0000%	(9,508)	(856)	686	(9,337)	33,856	0	33,856
Mosquito District	1.1125%	1.5544%	1,616,049	145,571	(116,529)	1,587,007	981,142	1,175,796	(194,654)
South Marin Fire	2.7254%	2.9047%	655,708	59,065	(47,282)	643,925	2,602,129	2,197,204	404,924
Tamalpais CSD	0.3568%	0.0670%	(1,059,812)	(95,466)	76,421	(1,040,767)	376,984	50,681	326,304
Courts	1.8816%	2.1023%	807,110	72,703	(58,199)	792,606	1,812,166	1,590,244	221,921
City of San Rafael	36.6081%	34.3574%	(8,230,915)	(741,427)	593,512	(8,083,000)	19,031,614	25,988,994	(6,957,380)
Novato Fire	5.7453%	6.1846%	1,606,541	144,714	(115,844)	1,577,670	4,394,580	4,678,222	(283,642)
Total	**100.0000%**	**100.0000%**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 75,643,074**	**$ 75,643,074**	**$ 0**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the reconciliation of deferred outflows and inflows due to proportion changes for each participating employer from the prior measurement date to the current measurement date.

Table VII-4
Reconciliation of Deferred Outflows and Inflows Due to Proportion Change*

	Deferred Outflows				Deferred Inflows			
Employer	**6/30/2019**	**Current Year Net Effect**	**Recognition**	**6/30/2020**	**6/30/2019**	**Current Year Net Effect**	**Recognition**	**6/30/2020**
County	$ 1,845,446	$ 4,506,756	$ 2,972,135	$ 3,380,067	$ (12,186,126)	$ 0	$ (4,309,131)	$ (7,876,995)
LAFCO	9,301	25,139	14,102	20,338	(27,858)	0	(9,286)	(18,572)
Marin City	6,964	0	2,321	4,643	(80,049)	(9,337)	(74,593)	(14,794)
Mosquito District	652,995	1,587,007	748,677	1,491,325	(1,173,514)	0	(391,171)	(782,343)
South Marin Fire	2,708,336	643,925	1,308,501	2,043,760	0	0	0	0
Tamalpais CSD	52,185	0	37,530	14,655	(572,158)	(1,040,767)	(450,911)	(1,162,014)
Courts	0	792,606	198,151	594,454	(1,544,229)	0	(874,187)	(670,042)
City of San Rafael	9,796,545	0	3,499,619	6,296,927	(2,113,429)	(8,083,000)	(4,134,179)	(6,062,250)
Novato Fire	3,130,156	1,577,670	1,714,703	2,993,123	(504,566)	0	(252,283)	(252,283)
Total	**$ 18,201,929**	**$ 9,133,104**	**$ 10,495,740**	**$ 16,839,293**	**$(18,201,929)**	**$(9,133,104)**	**$(10,495,740)**	**$(16,839,293)**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the reconciliation of deferred outflows and inflows due to contribution differences for each participating employer from the prior measurement date to the current measurement date.

Table VII-5
Reconciliation of Deferred Outflows and Inflows Due to Contribution Differences*

	Deferred Outflows				Deferred Inflows			
Employer	**6/30/2019**	**Current Year Difference**	**Recognition**	**6/30/2020**	**6/30/2019**	**Current Year Difference**	**Recognition**	**6/30/2020**
County	$ 8,934,077	$ 6,403,959	$ 5,602,629	$ 9,735,407	$ 0	$ 0	$ 0	$ 0
LAFCO	23,090	44,711	26,091	41,711	0	0	0	0
Marin City	77,682	33,856	49,165	62,372	0	0	0	0
Mosquito District	96,992	0	39,787	57,205	(89,693)	(194,654)	(93,510)	(190,837)
South Marin Fire	726,117	404,924	530,665	600,376	0	0	0	0
Tamalpais CSD	67,346	326,304	104,024	289,625	(49,489)	0	(35,813)	(13,676)
Courts	477,928	221,921	265,358	434,492	0	0	0	0
City of San Rafael	0	0	0	0	(10,791,098)	(6,957,380)	(6,745,119)	(11,003,358)
Novato Fire	527,047	0	327,634	199,414	0	(283,642)	(70,910)	(212,731)
Total	**$ 10,930,279**	**$ 7,435,675**	**$ 6,945,353**	**$ 11,420,602**	**$ (10,930,279)**	**$ (7,435,676)**	**$ (6,945,353)**	**$ (11,420,602)**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below summarizes the deferred outflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-6
Schedule of Employers' Deferred Outflows at June 30, 2020*

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
County	52.8226%	$ 10,604,918	$ 5,388,126	$ 26,723,399	$ 3,380,067	$ 9,735,407
LAFCO	0.0070%	1,405	714	3,541	20,338	41,711
Marin City	0.0000%	0	0	0	4,643	62,372
Mosquito District	1.5544%	312,069	158,555	786,384	1,491,325	57,205
South Marin Fire	2.9047%	583,161	296,292	1,469,512	2,043,760	600,376
Tamalpais CSD	0.0670%	13,451	6,834	33,896	14,655	289,625
Courts	2.1023%	422,068	214,443	1,063,571	594,454	434,492
City of San Rafael	34.3574%	6,897,756	3,504,598	17,381,699	6,296,927	0
Novato Fire	6.1846%	1,241,650	630,855	3,128,841	2,993,123	199,414
Total	**100.0000%**	**$20,076,479**	**$ 10,200,418**	**$50,590,844**	**$16,839,293**	**$ 11,420,602**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below summarizes the deferred inflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-7
Schedule of Employers' Deferred Inflows at June 30, 2020*

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
County	52.8226%	$ 450,678	$ 0	$ 0	$ 7,876,995	$ 0
LAFCO	0.0070%	60	0	0	18,572	0
Marin City	0.0000%	0	0	0	14,794	0
Mosquito District	1.5544%	13,262	0	0	782,343	190,837
South Marin Fire	2.9047%	24,783	0	0	0	0
Tamalpais CSD	0.0670%	572	0	0	1,162,014	13,676
Courts	2.1023%	17,937	0	0	670,042	0
City of San Rafael	34.3574%	293,135	0	0	6,062,250	11,003,358
Novato Fire	6.1846%	52,767	0	0	252,283	212,731
Total	**100.0000%**	**$ 853,192**	**$ 0**	**$ 0**	**$16,839,293**	**$ 11,420,602**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Table VII-8
Schedule of Employers' Recognition of Deferred Outflows and Inflows at June 30, 2020*

Employer	Recognition for Measurement Year Ending					
	2021	2022	2023	2024	2025	Thereafter
County	$ 7,408,604	$ 12,321,019	$ 18,239,635	$ 9,534,986	$ 0	$ 0
LAFCO	15,316	12,980	19,518	1,264	0	0
Marin City	28,528	17,563	6,130	0	0	0
Mosquito District	416,512	317,445	804,555	280,584	0	0
South Marin Fire	1,728,120	1,600,663	1,115,210	524,326	0	0
Tamalpais CSD	(338,374)	(332,579)	(158,940)	12,094	0	0
Courts	193,743	596,826	870,996	379,485	0	0
City of San Rafael	(64,672)	4,255,724	6,329,346	6,201,840	0	0
Novato Fire	1,855,727	2,564,311	2,139,685	1,116,380	0	0
Total	**$11,243,503**	**$21,353,951**	**$29,366,136**	**$18,050,959**	**$ 0**	**$ 0**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the calculation of the pension expense for each participating employer. The calculation is shown first as the sum of the proportionate share of the collective pension expense and the amounts recognized for proportion changes and contribution differences. The right side of the table shows the calculation as the sum of the changes in NPL and deferred amounts not attributable to contributions.

Employers that are using a June 30, 2020 measurement date for their June 30, 2021 financial statements can use this schedule for their annual pension expense.

Table VII-9
Schedule of Employers' Pension Expense for the Measurement Year Ending June 30, 2020*

					Change in Employer				
Employer	**Collective Pension Expense**	**Change in Proportion**	**Contribution Difference**	**Employer Pension Expense**	**Net Pension Liability**	**Deferred Outflows**	**Deferred Inflows**	**Employer Contributions**	**Employer Pension Expense**
County	$ 49,796,277	$ (1,336,996)	$ 5,602,629	$ 54,061,909	$ 53,223,150	$ (28,064,933)	$ (17,456,906)	$ 46,360,598	$ 54,061,909
LAFCO	6,599	4,816	26,091	37,506	32,044	(35,319)	(9,226)	50,006	37,506
Marin City	0	(72,271)	49,165	(23,106)	(9,508)	18,487	(65,941)	33,856	(23,106)
Mosquito District	1,465,345	357,506	(53,722)	1,769,128	3,047,190	(1,689,071)	(570,132)	981,142	1,769,128
South Marin Fire	2,738,283	1,308,501	530,665	4,577,449	3,330,074	(660,846)	(693,908)	2,602,129	4,577,449
Tamalpais CSD	63,161	(413,381)	68,211	(282,008)	(998,125)	(121,393)	460,526	376,984	(282,008)
Courts	1,981,855	(676,035)	265,358	1,571,177	2,742,704	(1,631,263)	(1,352,430)	1,812,166	1,571,177
City of San Rafael	32,388,989	(634,560)	(6,745,119)	25,009,309	23,402,044	(12,224,972)	(5,199,376)	19,031,614	25,009,309
Novato Fire	5,830,271	1,462,420	256,723	7,549,414	7,300,720	(2,644,059)	(1,501,826)	4,394,580	7,549,414
Total	**$ 94,270,779**	**$ 0**	**$ 0**	**$ 94,270,779**	**$ 92,070,293**	**$ (47,053,368)**	**$ (26,389,220)**	**$ 75,643,074**	**$ 94,270,779**

* Numbers may not sum to total due to rounding

SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below summarizes the information needed for each employer's schedules of required supplementary information.

Table VII-10
Schedule of Employers' RSI Information at June 30, 2020*

Employer	Proportionate Shares	Proportionate Share of NPL	Covered Payroll	Share of NPL as a % of Payroll	Plan Fiduciary Net Position as % of TPL	Contractually Required Contribution	Actual Contributions	Contribution Deficiency	Contributions as a % of Payroll
County	52.8226%	$ 241,808,638	$ 201,982,304	119.7%	85.2%	$ 46,360,598	$ 46,360,598	$ 0	23.0%
LAFCO	0.0070%	32,044	271,662	11.8%	85.2%	50,006	50,006	0	18.4%
Marin City	0.0000%	0	182,002	0.0%	85.2%	33,856	33,856	0	18.6%
Mosquito District	1.5544%	7,115,654	3,408,838	208.7%	85.2%	981,142	981,142	0	28.8%
South Marin Fire	2.9047%	13,296,989	6,963,938	190.9%	85.2%	2,602,129	2,602,129	0	37.4%
Tamalpais CSD	0.0670%	306,709	1,218,246	25.2%	85.2%	376,984	376,984	0	30.9%
Courts	2.1023%	9,623,803	7,388,043	130.3%	85.2%	1,812,166	1,812,166	0	24.5%
City of San Rafael	34.3574%	157,279,575	33,424,209	470.6%	85.2%	19,031,614	19,031,614	0	56.9%
Novato Fire	6.1846%	28,311,550	9,890,888	286.2%	85.2%	4,394,580	4,394,580	0	44.4%
Total	**100.0000%**	**$ 457,774,963**	**$264,730,129**	**172.9%**	**85.2%**	**$ 75,643,074**	**$ 75,643,074**	**$ 0**	**28.6%**

* Numbers may not sum to total due to rounding

APPENDIX A – MEMBERSHIP INFORMATION

Participant Data as of June 30, 2019: County of Marin														
	Marin County						Marin Special Districts						Total County and Special Districts	
	Miscellaneous		Safety		Total		Miscellaneous		Safety		Total			
	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019
Active Participants														
Number	1,737	1,705	358	364	2,095	2,069	154	156	50	51	204	207	2,299	2,276
Average Age	48.09	47.92	40.80	40.56	46.84	46.63	49.86	48.82	42.85	41.71	48.14	47.07	46.96	46.67
Average Service	9.94	9.75	11.28	10.99	10.17	9.96	11.95	11.47	9.82	9.24	11.43	10.92	10.28	10.05
Average Pay*	$89,573	$91,924	$110,577	$114,289	$93,162	$95,859	$79,112	$82,755	$114,215	$121,553	$87,716	$92,314	$92,679	$95,536
Service Retired														
Number	1,544	1,606	261	259	1,805	1,865	134	134	28	31	162	165	1,967	2,030
Average Age	72.44	72.47	64.30	64.83	71.26	71.41	68.08	68.89	63.15	62.60	67.23	67.71	70.93	71.11
Average Total Benefit*	$37,648	$38,660	$69,084	$69,086	$42,194	$42,886	$38,058	$39,010	$68,112	$70,634	$43,252	$44,951	$42,281	$43,053
Beneficiaries														
Number	270	275	69	73	339	348	15	14	10	10	25	24	364	372
Average Age	74.84	74.37	69.04	69.23	73.66	73.29	66.86	66.76	66.59	67.59	66.75	67.11	73.18	72.89
Average Total Benefit*	$25,134	$25,736	$41,203	$42,685	$28,404	$29,291	$17,215	$21,886	$43,240	$44,969	$27,625	$31,504	$28,351	$29,434
Duty Disabled														
Number	85	84	104	125	189	209	4	6	17	18	21	24	210	233
Average Age	68.25	68.22	63.19	62.93	65.46	65.06	67.11	64.88	66.31	66.89	66.46	66.39	65.56	65.19
Average Total Benefit*	$37,561	$38,902	$53,655	$60,943	$46,417	$52,084	$21,530	$33,315	$55,720	$58,971	$49,208	$52,557	$46,696	$52,133
Ordinary Disabled														
Number	30	29	7	7	37	36	2	2	1	0	3	2	40	38
Average Age	70.27	69.86	57.85	58.11	67.92	67.57	63.85	64.85	58.93	0.00	62.21	64.85	67.49	67.43
Average Total Benefit*	$21,220	$21,858	$63,339	$49,083	$29,188	$27,152	$25,364	$25,871	$73,398	$0	$41,375	$25,871	$30,102	$27,084
Total In Pay														
Number	1,929	1,994	441	464	2,370	2,458	155	156	56	59	211	215	2,581	2,673
Average Age	72.56	72.52	64.68	64.91	71.09	71.08	67.88	68.49	64.65	64.76	67.02	67.47	70.76	70.79
Average Total Benefit*	$35,637	$36,644	$60,992	$62,437	$40,355	$41,513	$35,450	$37,086	$60,003	$62,726	$41,967	$44,122	$40,487	$41,722
Terminated Vested														
Number	188	234	20	22	208	256	18	18	2	2	20	20	228	276
Average Age	50.14	48.12	45.10	45.52	49.66	47.90	44.90	45.73	51.70	52.70	45.58	46.43	49.30	47.79
Average Service	7.65	8.25	7.37	7.73	7.62	8.20	9.16	8.89	3.10	3.50	8.55	8.35	7.70	8.21
Transfers														
Number	187	179	59	53	246	232	23	27	11	11	34	38	280	270
Average Age	49.96	50.04	45.55	45.73	48.90	49.05	50.99	50.95	45.26	46.25	49.14	49.59	48.93	49.13
Average Service	4.98	4.96	4.15	4.51	4.78	4.86	4.86	5.15	5.31	5.18	5.00	5.16	4.81	4.90
Total Inactive														
Number	375	413	79	75	454	488	41	45	13	13	54	58	508	546
Average Age	50.05	48.95	45.44	45.67	49.25	48.45	48.32	48.87	46.25	47.24	47.82	48.50	49.10	48.45
Average Service	6.32	6.82	4.97	5.45	6.08	6.61	6.75	6.64	4.97	4.92	6.32	6.26	6.11	6.58

*All payroll and benefit figures shown are annual.

APPENDIX A – MEMBERSHIP INFORMATION

Participant Data as of June 30, 2019: City of San Rafael	Miscellaneous		Police		Fire		Total Safety		Total	
	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019
Active Participants										
Number	218	207	69	64	72	67	141	131	359	338
Average Age	46.19	45.90	39.65	39.08	39.11	39.04	39.37	39.06	43.51	43.25
Average Service	9.66	9.49	11.11	10.36	9.67	9.63	10.38	9.98	9.94	9.68
Average Pay*	$80,502	$82,386	$119,062	$121,082	$124,285	$132,974	$121,729	$127,165	$96,694	$99,741
Service Retired										
Number	257	274	80	79	89	87	169	166	426	440
Average Age	69.92	69.58	66.22	66.27	67.63	67.88	66.96	67.11	68.75	68.65
Average Total Benefit*	$38,150	$38,401	$68,987	$71,207	$89,764	$94,357	$79,929	$83,340	$54,724	$55,355
Beneficiaries										
Number	33	39	18	23	21	21	39	44	72	83
Average Age	75.96	75.90	66.49	69.45	73.47	72.78	70.25	71.04	72.87	73.32
Average Total Benefit*	$20,539	$20,051	$34,439	$37,040	$40,634	$40,621	$37,775	$38,749	$29,875	$29,963
Duty Disabled										
Number	19	18	42	41	21	24	63	65	82	83
Average Age	65.97	66.93	61.61	62.03	68.81	68.97	64.01	64.59	64.46	65.10
Average Total Benefit*	$28,228	$29,526	$57,310	$62,066	$86,166	$92,113	$66,928	$73,160	$57,961	$63,698
Ordinary Disabled										
Number	2	3	0	0	0	0	0	0	2	3
Average Age	85.45	72.53	0.00	0.00	0.00	0.00	0.00	0.00	85.45	72.53
Average Total Benefit*	$12,433	$17,986	$0	$0	$0	$0	$0	$0	$12,433	$17,986
Total In Pay										
Number	311	334	140	143	131	132	271	275	582	609
Average Age	70.42	70.20	64.87	65.57	68.76	68.86	66.75	67.15	68.71	68.82
Average Total Benefit*	$35,509	$35,596	$61,042	$63,091	$81,312	$85,400	$70,840	$73,799	$51,961	$52,847
Terminated Vested										
Number	27	43	6	13	1	1	7	14	34	57
Average Age	49.54	48.28	46.81	43.12	51.84	40.11	47.53	42.91	49.13	46.96
Average Service	6.62	6.09	10.89	11.08	3.51	9.00	9.83	10.93	7.28	7.28
Transfers										
Number	75	67	13	15	5	5	18	20	93	87
Average Age	45.46	42.76	44.69	46.78	40.95	41.95	43.65	45.57	45.11	43.41
Average Service	3.14	3.18	4.40	4.93	3.44	3.60	4.13	4.60	3.33	3.51
Total Inactive										
Number	102	110	19	28	6	6	25	34	127	144
Average Age	46.54	44.92	45.36	45.08	42.76	41.64	44.74	44.47	46.19	44.81
Average Service	4.06	4.32	6.45	7.79	3.45	4.50	5.73	7.21	4.39	5.00

**All payroll and benefit figures shown are annual.*

APPENDIX A – MEMBERSHIP INFORMATION

Participant Data as of June 30, 2019: Novato Fire Protection District	Miscellaneous		Safety		Total	
	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019
Active Participants						
Number	9	9	65	66	74	75
Average Age	49.02	45.86	44.92	44.20	45.42	44.40
Average Service	10.47	9.78	14.91	14.20	14.37	13.67
Average Pay*	$102,730	$111,162	$129,421	$132,668	$126,175	$130,087
Service Retired						
Number	5	6	55	57	60	63
Average Age	64.77	63.67	67.46	68.11	67.23	67.69
Average Total Benefit*	$34,432	$38,935	$104,948	$107,490	$99,072	$100,961
Beneficiaries						
Number	1	1	14	15	15	16
Average Age	55.67	56.67	63.90	65.41	63.35	64.86
Average Total Benefit*	$11,890	$12,366	$43,966	$46,045	$41,828	$43,940
Duty Disabled						
Number	0	0	32	33	32	33
Average Age	0.00	0.00	69.96	68.59	69.96	68.59
Average Total Benefit*	$0	$0	$71,412	$77,142	$71,412	$77,142
Ordinary Disabled						
Number	0	0	0	0	0	0
Average Age	0.00	0.00	0.00	0.00	0.00	0.00
Average Total Benefit*	$0	$0	$0	$0	$0	$0
Total In Pay						
Number	6	7	101	105	107	112
Average Age	63.25	62.67	67.76	67.88	67.50	67.55
Average Total Benefit*	$30,675	$35,139	$85,870	$89,174	$82,775	$85,797
Terminated Vested						
Number	2	1	2	2	4	3
Average Age	51.34	44.12	50.21	51.20	50.77	48.84
Average Service	9.27	12.00	4.82	5.00	7.04	7.33
Transfers						
Number	0	0	11	11	11	11
Average Age	0.00	0.00	43.07	44.07	43.07	44.07
Average Service	0.00	0.00	3.97	3.91	3.97	3.91
Total Inactive						
Number	2	1	13	13	15	14
Average Age	51.34	44.12	44.17	45.16	45.12	45.09
Average Service	9.27	12.00	4.10	4.08	4.79	4.64

**All payroll and benefit figures shown are annual.*

Please refer to the June 30, 2019 actuarial valuation report for a more complete summary of the data.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2020 is provided below, including any assumptions that differ from those used in the June 30, 2019 actuarial valuation. Please refer to the June 30, 2019 actuarial valuation report for a complete description of all other assumptions. The economic and demographic assumptions were adopted by the Board, based on an Experience Study performed by Cheiron covering the period from July 1, 2014 through June 30, 2017. The Experience Study report contains the rationale for all recommended assumptions.

Key Actuarial Assumptions

Expected Return on Assets	7.00 percent per year, net of investment expenses
Discount Rate	7.00 percent per year
Price Inflation	2.75% per year
Salary Increases	3.00% per year plus merit component based on employee classification and years of service.
Administrative Expenses	Administrative expenses in the actuarial valuation are assumed to be \$5.217 million for FY2019-20, to be split between employees and employers based on their share of the overall contributions. Administrative expenses shown in this report are based on the actual FY2019-20 amounts.
Post-retirement COLA	Post-retirement COLAs are assumed at the rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Mortality Rates for Active Members	Rates of mortality for active members are specified by CalPERS 2017 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety members), with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Mortality Rates for Retired Healthy Members	Rates of mortality for retired members and their beneficiaries are given by CalPERS 2017 Post-Retirement Healthy Mortality rates, multiplied by 90% for Males (Miscellaneous and Safety), with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Mortality Rates for Retired Disabled Members	Rates of mortality among disabled members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), multiplied by 90% for Males (Miscellaneous and Safety) and 90% for Miscellaneous Females, with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

Actuarial Methods

1. Actuarial Cost Method

The actuarial valuation is prepared using the Entry Age Actuarial Cost Method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred from outside of MCERA, entry age is based on entry into the system. The normal cost for the Plan is based on the sum of the individual normal costs for each member (Individual Entry Age Method).

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 17-year period (11 years remaining as of June 30, 2019), except for the additional UAL attributable to the extraordinary loss from 2008-2009, which is being amortized over a separate closed period (19 years as of June 30, 2019). Surplus Funding is only amortized if the Plan's Funding Ratio exceeds 120%.

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 five-year phase-in/out (three years for assumption changes) of the payments/credits for each annual layer.

2. Valuation of Assets

As of the June 30, 2014 valuation, assets are valued using the market value. The assets used to compute the UAL are the Market Value of Assets, minus the value of any non-valuation contingency reserves. The assets for each employer are allocated based on a roll-forward of the asset balances from the prior year, adjusted for employee and employer contributions, and are used to calculate the UAL amortizations for each employer. Assets are first allocated to cover the liabilities for inactive members (members in pay status or eligible to receive a deferred benefit), and any remaining assets are allocated to each group's active members based on the employer's share of the rolled-forward balances.

APPENDIX C – SUMMARY OF PLAN PROVISIONS

The plan provisions are the same as those summarized in the June 30, 2019 actuarial valuation report.

APPENDIX D – GLOSSARY OF TERMS

1. Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, 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. The portion of this actuarial present value allocated to a valuation year is called the service cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

6. Measurement Date

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the actuarial valuation date to the measurement date. The measurement date must be the same as the reporting date for the plan.

APPENDIX D – GLOSSARY OF TERMS

7. Net Pension Liability

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position. The Net Pension Liability is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling MCERA's benefit obligations in the event of a plan termination or other similar action. However, it is an appropriate measure for assessing the need for or the amount of future contributions.

8. Plan Fiduciary Net Position

The fair or Market Value of Assets.

9. Reporting Date

The last day of the plan or employer's fiscal year.

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The service cost is the normal cost calculated under the Entry Age Actuarial Cost Method.

11. Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the Actuarial Liability calculated under the Entry Age Actuarial Cost Method.

CHEIRON

Classic Values, Innovative Advice

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORTS TO THE BOARD OF RETIREMENT AND AUDIT COMMITTEE FOR THE FISCAL YEAR ENDED JUNE 30, 2020

MARIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

REQUIRED COMMUNICATION TO THE BOARD OF RETIREMENT AND AUDIT COMMITTEE IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

We have audited the basic financial statements and the schedule of cost sharing employer allocations and the schedule of employer pension amounts allocated by cost sharing plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (referred to as the other information) of the Marin County Employees' Retirement Association (MCERA) as of and for the fiscal year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our scope of services to you dated May 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MCERA are described in Note 2, Summary of Significant Accounting Policies, to the financial statements. As described in Note 2, MCERA implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. We noted no transactions entered into by MCERA during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting MCERA's financial statements were:

- Management's estimate of the fair value of investments which was derived by various methods as detailed in the notes to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

- The contribution amounts and net pension liability as detailed in notes to the financial statements, which are based on the actuarially-presumed interest rate and assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for investments in Notes 2, 3, 4, 5, and 6 to the financial statements, Summary of Significant Accounting Policies, Deposits and Investments, Securities Lending, Derivative Financial Instruments, and Real Estate, respectively, were derived from MCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the financial statements.

- Additionally, the disclosures related to the funding policies, net pension liability, and actuarial methods and assumptions in Note 1, Plan Description; Note 7, Contributions; and Note 9, Net Pension Liability, were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material adjustment detected as a result of audit procedures was corrected by management and was the result of the last quarter final values not being available (lag in reporting) by the time MCERA closed the books.

Private Equity Investments	$37,033,201	
Net Appreciation in Fair Value of Investments		37,033,201

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated November 30, 2020.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MCERA's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions History, Schedule of Investment Returns, and Notes to the Required Supplementary Information, which are Required Supplementary Information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Retirement, the Audit Committee and management of MCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 30, 2020

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marin County Employees' Retirement Association (MCERA) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MCERA's basic financial statements, and the schedule of cost sharing employer allocations and the schedule of employer pension amounts allocated by cost sharing plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (referred to as the other information), and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of MCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MCERA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 30, 2020

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING (MANAGEMENT LETTER)

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

In planning and performing our audit of the basic financial statements and the schedule of cost sharing employer allocations and the schedule of employer pension amounts allocated by cost sharing plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions - specified column totals (referred to as the other information) of the Marin County Employees' Retirement Association (MCERA) as of and for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered MCERA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCERA's' internal control. Accordingly, we do not express an opinion on the effectiveness of MCERA's' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MCERA's' basic financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

However, during our audit, we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiency. The recommendation listed in this report summarizes our comment and suggestion regarding this matter.

We will review the status of the comment during our next audit engagement. We have already discussed the comment and suggestion with various MCERA personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 30, 2020

Current Year Finding and Recommendation

2020-1 – Review of the Service Organization Controls (SOC) Reports

During our understanding of MCERA's controls and due diligence procedures over investments, we noted MCERA does not formalize the collection and review of the SOC reports of its investment managers.

Recommendation

Since a significant amount of the processing of MCERA's investment transactions are performed by the investment managers, it is important that MCERA review the reports on an annual basis. We recommend MCERA formalize the annual review of the SOC reports and document any findings or significant issues to internal control.

Management Response

We thank the auditors for the opportunity to comment on the finding and recommendation regarding the review of the Service Organization Control (SOC) reports. MCERA supports continuous improvements and agrees with the auditors' recommendation.

MCERA will develop, document and implement an annual SOC report review process. The process will include identifying and directing staff to review the SOC reports, to maintain an SOC Report Review Log and to report significant SOC report issues to MCERA management.

MCERA believes that a formal SOC report review is the most efficient way of identifying potential control deficiencies early, prompting swift remediation, resulting in enhanced MCERA investment operational controls.

Status of Prior Year Findings and Recommendations

None.

MARIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

Report on the Financial Statements and Other Information

We have audited the accompanying Statement of Fiduciary Net Position of the Marin County Employees' Retirement Association (MCERA), as of June 30, 2020, the Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise MCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations of MCERA and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (also referred to as Other Information), as of and for the fiscal year ended June 30, 2020, listed as other information in the table of contents.

Management's Responsibility for the Financial Statements and Other Information

Management is responsible for the preparation and fair presentation of these basic financial statements and other information in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements and other information that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements and other information based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements and other information are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements and other information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements and other information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MCERA's preparation and fair presentation of the basic financial statements and other information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements and other information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of MCERA as of June 30, 2020; the changes in its fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations of MCERA; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals, as of and for the fiscal year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements and other information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of MCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCERA's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited MCERA's June 30, 2019, financial statements, and our report dated December 4, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 30, 2020

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

This Management's Discussion and Analysis (MD&A) of the financial activities of the Marin County Employees' Retirement Association (MCERA or the System) is an overview of its fiscal operations for the fiscal year ended June 30, 2020. Readers are encouraged to consider the information presented in conjunction with the Basic Financial Statements and Notes to the Basic Financial Statements.

MCERA is a public employee retirement system established by the County of Marin on July 1, 1950, and is administered by the Board of Retirement to provide retirement, disability, and death and survivor benefits for its members under the County Employees Retirement Law of 1937 (CERL or 1937 Act) and the Public Employees' Pension Reform Act of 2013 (PEPRA).

Financial Highlights

MCERA's fiduciary net position as of June 30, 2020, was $2,625,314,865. The fiduciary net position is restricted for payment of pension benefits to participants and their beneficiaries and is available to meet MCERA's ongoing obligations.

- Fiduciary net position increased by $32,929,281, primarily as a result of employer and employee contributions and earnings from investments.

- Total additions as reflected in the Statement of Changes in Fiduciary Net Position were $195,830,568, which includes employer and employee contributions of $106,557,072, a net investment gain of $89,062,116, and net securities lending income of $211,380.

- Deductions from fiduciary net position increased from $154,269,334 to $162,901,287 from the prior year. The increase was mainly due to an increase in retiree pension benefits.

- MCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2019, the date of the last actuarial valuation, the funded ratio for all MCERA agencies was 86.6% based on the ratio of market value of assets over actuarial liability. In general, this indicates that for every dollar of benefits due we had approximately $0.866 of assets available for payment as of that date. The funding ratios of the employer entities included in MCERA were: 89.0% for the County of Marin and Special Districts, 77.3% for the City of San Rafael, and 88.0% for Novato Fire Protection District.

Overview of the Financial Statements

This MD&A serves as an introduction to the basic financial statements, which comprise the following components:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Basic Financial Statements

The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB) and are prepared utilizing the accrual basis of accounting.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about MCERA's activities. These statements include all assets and liabilities using the full accrual basis of accounting as practiced by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and both realized and unrealized gains and losses on investments are shown.

The Statement of Fiduciary Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of fiscal year-end. The net position restricted for pension benefits, which is the assets less the liabilities, reflects the funds available for future use.

The Statement of Changes in Fiduciary Net Position is the second basic financial report. This report reflects the activities that occurred during the fiscal year and shows the impact of those activities as Additions to or Deductions from the plan.

These two statements report MCERA's net position restricted for pension benefits (net position) – the difference between assets and liabilities – as one way to measure MCERA's financial position. Over time, increases and decreases in MCERA's net position are indicators of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring MCERA's overall health.

Both statements are in compliance with standards issued by the GASB. These standards require certain disclosures and also require the state and local governments to report using the full accrual method of accounting. MCERA complies with all material requirements of these standards.

The Notes to the Basic Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the fiscal year.

In addition to the Basic Financial Statements, this report contains required supplementary information and schedules to illustrate the GASB Statement No. 67 financial reporting requirements. These schedules provide a broad scope of financial information, including a pension liability measurement and changes to the liability, historical contributions, money-weighted investment return, and additional actuarial-related disclosures.

Other Information consists of two schedules pertaining to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The two schedules include the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan. Under GASB Statement No. 68, plan sponsors are required to report Net Pension Liability on their balance sheets and changes in Net Pension Liability on their operating statements as pension expenses, deferred inflows of resources, and deferred outflows of resources.

Financial Analysis

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments (net of investment expense). Net position restricted for pension benefits as of June 30, 2020, totaled $2,625,314,865, an increase of $32,929,281 from the prior year. MCERA's assets exceeded its liabilities at the end of the fiscal year. Net position restricted for pension benefits represents funds available for future payments. However, of importance is the fact that, unlike private pension funds, public pension funds are not required to report the future liability of obligations owed to retirees in the Statement of Fiduciary Net Position, and only current liabilities are reported. Below is a comparison of current and prior year balances:

	2020	**2019**	**Increase (Decrease) 2020/2019**
Investments at fair value	$ 2,538,866,806	$ 2,554,670,915	($ 15,804,109)
Cash and cash equivalents	81,155,193	37,208,516	43,946,677
Capital assets (net of accumulated depreciation)	6,117,956	5,117,829	1,000,127
Cash collateral held for securities loaned	38,566,008	50,460,741	(11,894,733)
Receivables and other assets	14,440,248	17,399,675	(2,959,427)
Total assets	2,679,146,211	2,664,857,676	14,288,535
Total liabilities	53,831,346	72,472,092	(18,640,746)
Net position restricted for pension benefits	**$ 2,625,314,865**	**$ 2,592,385,584**	**$ 32,929,281**

In order to determine whether the net position restricted for pension benefits will be sufficient to meet future obligations, the actuarial funded status must be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the employers are needed to pay all expected future benefits.

MCERA's independent actuary, Cheiron, performed an actuarial valuation as of June 30, 2019, and determined that the funded ratio of the actuarial value of assets to the actuarial liability is 86.6%. The actuarial valuation as of June 30, 2018, determined the funded ratio to be 87.1%.

Additions to Fiduciary Net Position

There are three primary sources of funding for MCERA retirement benefits: earnings (losses) on investments of assets and employer and employee contributions. Income sources for the fiscal years ending June 30, 2020 and 2019, totaled $195,830,568 and $245,232,786, respectively.

	2020	2019	Increase (Decrease) 2020/2019
Employer contributions	$ 75,643,075	$ 78,738,814	($ 3,095,739)
Plan member contributions	30,913,997	30,010,459	903,538
Total net investment income	89,273,496	136,483,513	(47,210,017)
Total additions	**$195,830,568**	**$245,232,786**	**($ 49,402,218)**

Deductions from Fiduciary Net Position

MCERA was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan; refund of contributions to terminated employees; and the cost of administering the system. Below is a comparison of selected current and prior year balances:

	2020	2019	Increase (Decrease) 2020/2019
Retirement benefits	$ 157,185,816	$ 147,990,797	$ 9,195,019
Refund of contributions	1,107,711	1,222,187	(114,476)
Administrative expenses	3,731,976	4,109,428	(377,452)
Legal expenses	384,080	467,249	(83,169)
Computer expenses	339,025	223,065	115,960
Actuarial expenses	152,679	256,608	(103,929)
Total deductions	**$162,901,287**	**$ 154,269,334**	**$ 8,631,953**

Change in Fiduciary Net Position

The changes in fiduciary net position during the reporting period was the net effect of factors that either added to or deducted from the fiduciary net position. Below is a summary of the change in fiduciary net position during the reported year, as compared to prior year:

	2020	2019	Increase (Decrease) 2020/2019
Total Additions	$ 195,830,568	$ 245,232,786	($ 49,402,218)
Total Deductions	162,901,287	154,269,334	8,631,953
Change in Fiduciary Net Position	32,929,281	90,963,452	(58,034,171)
Beginning of Year	$2,592,385,584	$2,501,422,132	90,963,452
End of Year	**$2,625,314,865**	**$2,592,385,584**	**$ 32,929,281**

Reserves

MCERA's reserves are established in accordance with the requirements of the 1937 Act, utilizing contributions and the accumulation of investment income after satisfying administrative and investment expenses. Under GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses.

	2020	2019
Employee reserves	$ 383,389,107	$ 354,773,677
Employer reserves	392,272,098	349,156,209
Retiree reserves	1,925,195,638	1,867,261,917
Contingency reserves	0	19,105,640
Total reserves - restricted	**2,700,856,843**	**2,590,297,443**
Unrestricted reserves	0	13,427,208
Contra - Interest crediting	(75,541,978)	(11,339,067)
Total reserves - unrestricted	**(75,541,978)**	**2,088,141**
Total Net Position Restricted for Pension Benefits	**$ 2,625,314,865**	**$ 2,592,385,584**

The Retirement Fund as a Whole

MCERA's management believes that the funding policy adopted by the Board of Retirement, as reflected in the annual actuarial valuation, is reasonable and allows the system to meet its obligations to retirees, beneficiaries, and active members. The current financial position is a result of prudent economic and demographic assumptions, diversified investments, sufficient oversight to manage risk and minimize loss, an effective system of cost control, and strategic planning.

Requests for Information

This financial report is designed to provide the Board of Retirement, our membership, taxpayers, and investment managers with a general overview of MCERA finances and to demonstrate MCERA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to:

Marin County Employees' Retirement Association
One McInnis Parkway, Suite 100
San Rafael, California 94903-2764

Copies of this report are available at the above address and on MCERA's website at www.mcera.org.

Respectfully submitted,

LaValda Marshall

La Valda Marshall
Accounting Unit Manager

BASIC FINANCIAL STATEMENTS

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

	June 30, 2020	June 30, 2019
Assets		
Cash and short-term investments		
Cash and cash equivalents	$ 81,155,193	$ 37,208,516
Cash collateral on loaned securities	38,566,008	50,460,741
Total Cash and Short-Term Investments	119,721,201	87,669,257
Receivables		
Contributions	4,286,708	5,407,235
Interest and dividends	2,996,029	3,238,825
Due from brokers for securities sold	5,925,680	7,708,556
Other receivables	1,151,365	970,825
Total Receivables	14,359,782	17,325,441
Investments at fair value		
Domestic fixed income	494,927,212	416,276,932
International fixed income	59,844,678	70,117,793
Domestic equities	729,940,946	808,156,989
International equities	558,370,697	579,503,649
Private equity	301,423,512	269,766,773
Real estate	271,490,961	283,865,908
Real assets	122,868,800	126,982,871
Total Investments at Fair Value	2,538,866,806	2,554,670,915
Capital assets (net of accumulated depreciation)	6,117,956	5,117,829
Prepaid insurance	80,466	74,234
Total Assets	2,679,146,211	2,664,857,676
Liabilities		
Accounts payable and accrued expenses	1,438,717	1,695,561
Due to brokers for securities purchased	13,814,596	20,304,782
Retiree payroll payable	12,025	11,008
Obligations under securities lending program	38,566,008	50,460,741
Total Liabilities	53,831,346	72,472,092
Net Position Restricted for Pension Benefits	$ 2,625,314,865	$ 2,592,385,584

The accompanying notes are an integral part of these financial statements.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

	June 30, 2020	June 30, 2019
Additions		
Contributions		
Employer	$ 75,643,075	$ 78,738,814
Plan member	30,913,997	30,010,459
Total Contributions	106,557,072	108,749,273
Investment income		
Net appreciation in fair value of investments	56,097,629	110,011,373
Interest and dividends	30,734,770	23,907,650
Real estate operating income, net	13,773,602	13,706,707
Other investment income	797,259	1,196,750
Total investment income	101,403,260	148,822,480
Investment expenses	(12,341,144)	(12,500,905)
Net Investment Income	89,062,116	136,321,575
Securities lending activities		
Securities lending income	817,626	1,179,267
Less expenses from securities lending activities	(606,246)	(1,017,329)
Net Securities Lending Activities	211,380	161,938
Total Net Investment Income	89,273,496	136,483,513
Total Additions	195,830,568	245,232,786
Deductions		
Benefits	157,185,816	147,990,797
Refunds	1,107,711	1,222,187
Administrative expenses	3,731,976	4,109,428
Legal expenses	384,080	467,249
Computer expenses	339,025	223,065
Actuarial expenses	152,679	256,608
Total Deductions	162,901,287	154,269,334
Change in Fiduciary Net Position	32,929,281	90,963,452
Net Position Restricted for Pension Benefits, Beginning of Year	2,592,385,584	2,501,422,132
Net Position Restricted for Pension Benefits, End of Year	$ 2,625,314,865	$ 2,592,385,584

The accompanying notes are an integral part of these financial statements.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – PLAN DESCRIPTION

The Marin County Employees' Retirement Association (MCERA) was established on July 1, 1950. It is governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, Government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq.; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members. MCERA operates as a cost-sharing multiple employer defined benefit pension plan for the County of Marin (the County) and eight other participating employers: City of San Rafael, Local Agency Formation Commission (LAFCO), Marin City Community Services District (Marin CSD), Marin County Superior Court (Superior Court), Marin/Sonoma Mosquito and Vector Control District (Mosquito District), Novato Fire Protection District (Novato Fire), Southern Marin Fire Protection District (Southern Marin Fire), and Tamalpais Community Services District (Tamalpais CSD).

Administration

The Board of Retirement is responsible for the general administration and management of the retirement association. All Board of Retirement members, except the County Director of Finance, serve for a term of three years. By statute, Board of Retirement members include the following:

- The Director of Finance of the County (ex-officio).
- Four members who are qualified electors of the County and not connected with County government in any capacity, except that one may be a County Supervisor. The Board of Supervisors appoints these members.
- Two General members of MCERA elected by the General membership.
- One Safety member and one Safety member alternate elected by the Safety membership.
- One retired member and one retired member alternate elected by the retired membership.

Membership

MCERA provides retirement, disability, and death benefits to its general and safety members. Safety membership primarily includes law enforcement and firefighters of MCERA, as well as other classifications as allowed under the CERL and adopted by the employer. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the participating employer and the date of the member's entry into MCERA membership. Additional information regarding the benefit structure is available by contacting MCERA. Membership data as of the current actuarial valuation report (fiscal year ending June 30, 2019):

	2019
Active Members (Vested and Non-Vested)	2,689
Retired Members and Beneficiaries	3,394
Terminated Vested (Deferred)	852
Total Membership	**6,935**

NOTE 1 – <u>PLAN DESCRIPTION</u> (Continued)

Benefit Provisions

Vesting

Members become vested in retirement benefits upon completion of five years of credited service.

Service Retirement

MCERA's regular (service) retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General County members hired after July 1, 2008, Court members hired after January 1, 2009, and City of San Rafael members hired after July 1, 2011, are eligible to retire at age 55 if they have earned 10 years of credited service, unless they are "new members" as defined by PEPRA (hereinafter "PEPRA members"). All other General and Safety members, except PEPRA members, are eligible to retire at age 50 if they have earned 10 years of credited service. Unless they are PEPRA members, General members can retire at any age with 30 years of service and Safety members can retire at any age with 20 years of service. PEPRA members who are Safety members are eligible to retire after five years of service upon reaching 50 years of age. PEPRA members who are General members are eligible to retire after five years of service upon reaching 52 years of age. All members can retire at age 70 with no service requirement.

Death Benefits

MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired.

The basic active member death benefit consists of a member's retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and a continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Disability Retirement

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Cost of Living Adjustment

Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLAs) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

MCERA, with its own governing board, is an independent governmental entity separate and distinct from the County. Actuarially determined financial data for MCERA is included in the County's annual financial report in the "Notes to Financial Statements" section.

Basis of Accounting

MCERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This basis of accounting recognizes income when earned and expenses when the obligation is incurred. Member and employer contributions are recognized when due, pursuant to formal commitments as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation (depreciation) in fair value of investments consists of realized and unrealized gains and losses on those investments.

Administrative Expenses

MCERA's administrative costs are financed from investment income and are calculated pursuant to Government Code Section 31580.2 which provides that the administrative expenses incurred in any year may not exceed the greater of either 0.21% of the actuarial accrued liability of the system, or $2,000,000, as adjusted annually by the amount of the annual COLA computed in accordance with Article 16.5. Expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of MCERA.

For the fiscal year ended June 30, 2020, administrative expenses were $3,731,976, or 0.13% of the actuarial liability as of June 30, 2018.

Cash and Cash Equivalents

Cash equivalents include deposits in MCERA's custodian bank, a financial institution, and pooled cash with the County Treasurer. Pooled cash is reported at amortized cost, which approximates fair value. Income on pooled cash is allocated on MCERA's average daily balance in relation to total pooled assets. Short-term investments with the custodian bank include foreign currencies, cash held in short-term investment funds, and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value.

Receivables

Receivables consist primarily of interest, dividends, investments in transition (i.e., traded but not yet settled), and contributions owed by the employing entities as of June 30, 2020.

Methods Used to Value Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. MCERA management uses information provided by the investment managers and the custodian bank to determine fair value.

GASB establishes a fair value hierarchy based on the following three distinct types of input to develop the fair value measurements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Methods Used to Value Investments (Continued)

- **Level 1** reflects measurements based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2** reflects measurements based on inputs, other than quoted prices, that are observable for an asset or a liability either directly or indirectly.
- **Level 3** reflects measurements based on unobservable inputs for an asset or a liability.

Fixed income securities, real estate investment trusts (REITs), common and preferred stocks, and derivatives are valued based on published market prices and quotations from national security exchanges and securities pricing services. Real estate investment funds are valued using periodic independent appraisals or internal valuation techniques, including discounted cash flows, sales comparisons, and cost approaches. Investments that are not traded on national exchanges or do not have pricing services (such as private equity funds) are valued based on fund share price or percentage of ownership as determined by the fund manager or general partner in accordance with the valuation methodology outlined in the partnership agreement.

Investment Concentrations

As of June 30, 2020, MCERA does not hold a concentration of investments in any one entity that represents 5 percent or more of the total investment portfolio or the fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA's investments. The IPS establishes MCERA's investment objectives and defines the principal duties of the Board of Retirement, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the plan.

Capital Assets

Capital assets are valued at historical cost less accumulated depreciation. Capital assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Equipment has a useful life of ten years, leasehold improvements and office space forty years, and twelve years for the benefit administration system.

MCERA signed an agreement on July 2, 2007, for the purchase of a building located at One McInnis Parkway, San Rafael, California 94903. The final purchase price for the building was $17,300,000 and was finalized in October 2007. MCERA occupied the building on November 14, 2008. MCERA occupies 33% of the building and leases the other 67%. Therefore, the portion of the building occupied by MCERA was capitalized and is being depreciated over its useful life. The remaining 67% will be treated as an investment and, accordingly, marked to market value in addition to recognizing any earned income and expenses incurred. As of June 30, 2020, the capitalized portion of the building was $4,809,262 and computers and equipment were $1,308,694 net of accumulated depreciation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post-Employment Benefits to Retirees

The County of Marin and special districts provide Other Post-Employment Benefits to retirees (OPEB). Medical premiums are reimbursed to each retired employee who qualifies for one of the County's Benefit Plan Subsidies. Medicare premiums are also reimbursed to each retired employee who is covered under Medicare Part B and qualifies for one of the County's Benefit Plan Subsidies.

The Plan does not determine eligibility and does not negotiate for healthcare benefits or the Benefit Plan Subsidies, but acts solely as a conduit, which deducts premiums from benefit payments and applies the subsidies. The amount of subsidies applied for payment of medical premiums is billed to the County. Benefit eligibility, coverage and premium cost negotiations are the responsibility of the employer. As such, GASB Statement No. 74 does not apply.

Income Taxes

The plan qualifies under Section 401(a) of the Internal Revenue Code. No provision for income taxes has been made in the accompanying financial statements, as the plan is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501 and California Revenue and Taxation Code Section 23701, respectively.

Use of Estimates

The preparation of MCERA's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Implementation of Accounting Standards

During the fiscal year ending June 30, 2020, MCERA implemented the following standard:

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* This statement provides temporary relief to governments and stakeholders in light of the COVID-19 pandemic. The requirements of this statement were effectively immediately. The effective dates for GASB Statement Nos. 84, 88, 89, 90, 91, 92, and 93 were postponed by one year for MCERA. The effective date of GASB Statement No. 87 was postponed by 18 months for MCERA.

NOTE 3 – DEPOSITS AND INVESTMENTS

The CERL gives the Board of Retirement exclusive control over MCERA's investment portfolio. Except as otherwise expressly restricted by the California Constitution or other laws, the CERL allows the Board of Retirement to prudently invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction.

Moreover, the CERL requires the Board of Retirement, its officers, and employees to discharge their duties with respect to MCERA and the investment portfolio under the following rules:

- "The members of the retirement board shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- The members of the retirement board shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

- The members of the retirement board shall diversify the investments of the system to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

Deposits

MCERA maintains cash deposits to support its investment activities and operational needs. Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. As of June 30, 2020, $69.3 million was held with outside financial institutions and $11.9 million was held by MCERA's master custodian, State Street. Substantially all of the cash held by State Street is swept daily into collective short-term investment funds.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the plan would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. MCERA's deposits are covered by depository insurance or are collateralized by securities held with a financial institution in MCERA's name. The plan is only exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. As of June 30, 2020, $700,582 of the plan's bank balances of $973,911 was uninsured and uncollateralized.

Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This risk is measured by the assignment of ratings by nationally recognized statistical rating organizations. MCERA has adopted policies specific to each investment manager to manage credit risk. In general, fixed income securities should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. The credit risk ratings of MCERA's fixed income investments as of June 30, 2020, as rated by Standard & Poor's, are listed below (all dollars in thousands). The credit risk schedule excludes the $141.0 million commingled global bond fund, which is included in the fixed income category on the Statement of Fiduciary Net Position.

Rating Category	Fair Value
AAA	$ 33,891
AA	12,089
A	78,040
BBB	133,855
BB	18,817
B	2,735
CCC	844
Agencies	13,263
U.S. Treasuries	9,698
No Rating	110,549
Total	**$ 413,781**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in MCERA's name, and are held by the counterparty. MCERA's investment securities in general are not exposed to custodial credit risk because MCERA's securities are held by MCERA's custodial bank in MCERA's name; however, MCERA participates in securities lending transactions, as lender, and the securities loaned in those circumstances are exposed to some degree of custodial credit risk. MCERA has no general policy on custodial credit risk for investments; however, MCERA does require that its custodian maintain insurance to help protect against losses due to negligence, theft, and certain other events.

Concentrations

Concentration of credit risk is the risk of loss attributed to the concentration of the plan's investment in a single issuer. MCERA's investment policy limits exposure to any single investment manager or product. As of June 30, 2020, MCERA did not hold any investments in any one issuer that would represent 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from the policy requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Interest rate risk is managed through MCERA's investment policy and investment guidelines, which require the effective duration of individual fixed income portfolios to remain within a defined range (75% to 125%) of the appropriate benchmark. The primary benchmarks for domestic and global fixed income portfolios are the Barclays Aggregate Bond Index, the Barclays Intermediate Credit Index, and the Citigroup World Government Bond Index. The interest rate risk schedule presents the weighted average duration of fixed income securities by investment category as of June 30, 2020. This schedule excludes the $141.0 million commingled global bond fund, which is included in the fixed income category on the Statement of Fiduciary Net Position.

June 30, 2020 (all dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 22,714	1.27
Collateralized Mortgage Obligations	43,986	1.34
Corporate and Other Credit	239,269	6.03
Mortgage Pass-Throughs	6,552	8.45
Municipal Bonds	6,766	7.69
U.S. Treasuries	9,836	16.91
Total	**$329,123**	
Other Bonds – No Duration	$ 84,658	
Total	**$413,781**	

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. MCERA invests, through its investment managers, in forward currency contracts and currency futures contracts (maturity ranging from at least 30 days and not to exceed one year for either instrument). Any financial results attributable to net currency gains or losses are included in the investment results for MCERA's appropriate asset class and are not reported separately. MCERA has no general investment policy with respect to foreign currency risk.

Forward currency contracts typically range from one to six months and are used to hedge against adverse movement in currency exchange rates and to facilitate settlement of transactions in foreign securities.

Futures currency contracts are used to hedge against a possible increase in the price of currency. Futures contracts are classified by category of underlying instrument such as equity, fixed income, commodity, or cash equivalent.

Although risk exists with respect to foreign currency denominated assets held in commingled vehicles, MCERA's direct foreign currency risk is minimal. The following table presents a summary of securities with non-U.S. Dollars (non-USD) base currencies as of June 30, 2020 (all dollars in thousands):

Base Currency Country	Base Currency Code	Fair Value in U.S. Dollars
Argentine Peso	ARS	$ 85
UK Pound Sterling	GBP	136
Euro	EUR	1,388
	Total Non-USD Securities	**$ 1,609**

Rate of Return

For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.25% The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, was issued to address accounting and financial reporting issues related to fair value measurement. MCERA follows GASB 72. The standard establishes a fair value hierarchy based on three types of inputs that measure the fair value of investments.

- *Level 1:* Reflects quoted prices (unadjusted) for identical assets or liabilities in active markets;
- *Level 2:* Reflects prices that are based on similar observable inputs other than quoted market prices; and
- *Level 3:* Reflects prices that are based on unobservable sources.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case MCERA defaults to the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, a detailed analysis was performed of the assets and liabilities that are subject to GASB 72.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurements (Continued)

At June 30, 2020, MCERA had the following fair value measurements:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
Mortgage and Asset-Backed	$ 58,776,179	$ 0	$ 58,776,179	$ 0
Corporate Bonds	238,685,500	0	238,685,500	0
U.S. Government Agency Securities	7,924,072	0	7,924,072	0
Government Issues	17,248,896	0	17,248,896	0
Municipal Obligations	6,488,233	0	6,488,233	0
Commingled Bond Investments	225,649,010	0	225,649,010	0
Total Debt Securities	**$ 554,771,890**	**$ 0**	**$554,771,890**	**$ 0**
Equity Securities				
Common Stock	749,739,166	749,739,166	0	0
Preferred Stock	175,495	175,495	0	0
Mutual Funds and Commingled Investments	538,396,982	281,250,512	257,146,470	0
Total Equity Securities	**$1,288,311,643**	**$1,031,165,173**	**$257,146,470**	$ **0**
Other Assets				
Private Real Estate - Commingled Investments	257,730,911	0	34,847,580	222,883,331
Private Real Estate - Direct Ownership	13,760,050	0	0	13,760,050
Public Real Assets - Mutual Funds and Commingled Investments	122,868,800	43,568,544	79,300,256	0
Securities Lending Cash Collateral	38,566,008	0	38,566,008	0
Total Other Assets	**$ 432,925,769**	**$ 43,568,544**	**$152,713,844**	**$ 236,643,381**
Total Investments by Fair Value Level	**$2,276,009,302**	**$1,074,733,717**	**$964,632,204**	**$ 236,643,381**
Investments Measured at Net Asset Value (NAV)				
Private Equity Funds	301,423,512			
Total NAV Investments	**$ 301,423,512**			
Total Investments	**$2,577,432,814**			
Investments in Derivative Instruments (all dollars in thousands)				
Forwards	$ 70	$ 0	$ 70	$ 0
Rights	3	0	3	0
Warrants	4,323	0	4,323	0
Total Derivatives	**$ 4,396**	**$ 0**	**$ 4,396**	**$ 0**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurements (Continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and
- Commingled and High-Yield Equity Investments: valued using matrix pricing techniques or quoted prices for similar securities in active markets.

Public real assets classified in Level 1 are valued using prices quoted in active markets for those securities. Public real assets and private real estate classified in Level 2 are commingled (collective) investment funds that are valued using matrix pricing techniques maintained by the various pricing vendors for those securities. Derivative instruments classified in Level 1 are valued directly from a predetermined primary external pricing vendor. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark interest rates and foreign exchange rates. Real estate investments classified in Level 3 are valued using periodic independent appraisals or internal valuation techniques, including discounted cash flows, sales comparisons, and cost approaches.

Investments measured at net asset value (NAV) are considered "alternative investments." Alternative investments are those for which exchange quotations are not readily available and are valued at the estimated fair value based on fund share price or percentage of ownership, as determined by the investment manager or general partner. The following table presents the redemption frequency (if currently eligible) and the redemption notice period for MCERA's alternative investments measured at NAV:

	Fair Value at June 30, 2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Funds [1]	$301,423,512	$55,289,985	N/A	N/A

(1) Private Equity Funds: MCERA's private equity portfolio is composed of eight funds investing primarily in buyout funds, venture capital, and special debt situations. The fair values of these funds have been determined using audited financial statements or estimates of NAV from the prior quarter plus current quarter cash flows. The funds are not eligible for redemption. At the end of the life of a private equity fund, remaining investments are liquidated, and proceeds are distributed. Limited extensions to the fund term are possible and are usually two years at the discretion of the General Partner and then longer if a majority of investors wish it.

NOTE 4 – SECURITIES LENDING

Under provisions of state statutes, the MCERA Board of Retirement permits MCERA to participate in a securities lending program whereby securities are transferred to independent broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities plus a fee in the future. MCERA's custodial bank, State Street, is the agent for its securities lending program. State Street is authorized to lend U.S. government obligations, U.S. bonds and equities, and international bonds and equities that are being held in custody to various borrowers such as banks and brokers. All securities loans can be terminated on demand by either the lender or the borrower.

U.S. securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest. Mark-to-market is performed every business day subject to de minimis rules of change in value, and the borrower is required to deliver additional collateral when necessary so that the total collateral held by the agent will be at least equal to the fair value of the borrowed securities. Collateral received may include cash, any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non-U.S. equities, and such other collateral as the parties may agree to in writing from time to time. Cash collateral is invested in a short-term investment pool. Non-cash collateral cannot be pledged or sold unless the borrower defaults. The following represents the balances relating to the securities lending transactions at June 30, 2020:

Security Lent	Fair Value of Underlying Securities	Cash Collateral Received/ Securities Collateral Value	Cash Collateral Investment Value
Lent for cash collateral			
U.S. government and agency securities	$ 548,925	$ 561,000	$ 561,000
Domestic equities and corporate fixed-income securities	37,103,384	38,005,008	38,005,008
Total lent for cash collateral	**$37,652,309**	**$38,566,008**	**$38,566,008**
Lent for securities collateral			
U.S. government and agency securities	$ 138,988	$ 142,086	$ 0
Total lent for cash and securities collateral	**$37,791,297**	**$38,708,094**	**$38,566,008**

MCERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of a liquidity pool and a duration pool. As of June 30, 2020, the liquidity pool had an average duration of 26.81 days and an average weighted final maturity of 70.20 days for USD collateral. As of this date the duration pool had an average duration of 18.22 days and an average weighted final maturity of 1602.55 days for USD collateral. Because the securities lending transactions were terminable at will their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. On June 30, 2020, MCERA had no credit risk exposure to borrowers.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

Under the terms of the MCERA's IPS and investment guidelines, investment managers are permitted to use derivative instruments to implement market decisions and to control portfolio risk. Derivatives are contracts or securities whose cash flows or fair values are derived from the values of other securities, indices, or instruments, including, but not limited to, futures, forwards, options, swaps, and options on futures. MCERA's investment managers are not allowed to use derivatives for speculative purposes. Investment managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Derivative instruments are reported at fair value as determined by MCERA's bank custodian. The changes in fair value of derivative instruments are reported within the investment revenue classification. For financial reporting purposes, all MCERA derivatives are classified as investment derivatives.

Types of Permitted Derivative Investments

Futures Contracts

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to manage currency exposure and facilitate the settlement of international security purchase and sale transactions.

Option Contracts

An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows are tied to a "notional" or contract amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior marking-to-market.

NOTE 5 – <u>DERIVATIVE FINANCIAL INSTRUMENTS</u> (Continued)

Investment Derivatives Summary

The following is a summary of derivative instruments at June 30, 2020, with the net appreciation/(depreciation) that has occurred during the fiscal year (all dollars in thousands):

Investment Derivatives by Type	Net Appreciation/ (Depreciation) in Fair Value Amount	Classification	Fair Value	Notional Amount
Credit Default Swaps Written	$ 105	Swaps	$ 70	$ 5,980
Fixed Income Futures Long	11,526	Futures	0	89,300
Fixed Income Futures Short	(4,929)	Futures	0	(39,797)
Foreign Currency Futures Long	74	Futures	0	5,500
Foreign Currency Futures Short	120	Futures	0	(1,313)
FX Forwards	(35)	Long-Term Instruments	0	0
Index Futures Long	8,892	Futures	0	58
Index Futures Short	5,165	Futures	0	0
Rights	(38)	Common Stock	3	43
Warrants	9	Common Stock	4,323	2,690
Total	**$ 20,889**		**$4,396**	**$ 62,461**

Types of Derivative Risk

Counterparty Credit Risk

To minimize counterparty credit risk exposure, MCERA investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, MCERA would be exposed to the loss of fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. Netting arrangements legally provide MCERA with a right of offset in the event of bankruptcy or default by the counterparty. MCERA has no general investment policy with respect to netting arrangements or collateral requirements. As of June 30, 2020, MCERA had no exposure to loss in case of default of a counterparty. In addition, MCERA had no collateral reducing exposure or liabilities subject to netting arrangements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MCERA measures derivative interest rate risk using duration. MCERA had no investment derivative interest rate risk as of June 30, 2020.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Types of Derivative Risk (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. MCERA had the following derivative foreign currency exposures as of June 30, 2020 (all dollars in thousands):

Derivative Type	Currency	Fair Value
Currency Forward Contracts	Malaysian Ringgit	$ 4
Currency Forward Contracts	Tunisian Dinar	2
Total Foreign Derivatives		**$ 6**

NOTE 6 – REAL ESTATE

MCERA holds real estate assets directly and in commingled real estate funds. Real estate investments owned directly are appraised annually by independent third-party appraisers in accordance with the Uniform Standards of Professional Appraisal Practice. Properties held in commingled pools are subject to regular internal valuations by investment management firms/general partners with independent third-party appraisals accomplished at regular intervals. Internal valuation techniques include discounted cash flows, sales comparisons, and cost approaches, which typically involve a degree of expert judgment.

MCERA engages Woodmont Real Estate Services to manage the direct real estate investments and has investments in commingled real estate portfolios with other firms, as listed below. At June 30, 2020, the estimated fair value of MCERA's real estate portfolio was $271,490,961.

MCERA has the following real estate holdings as of June 30, 2020 (all dollars in thousands):

		Fair Value
Direct Investments		
San Rafael	$	13,760
Total Direct Investments	**$**	**13,760**
Commingled Investments		
AEW Capital Management	$	10
AEW Core		104,156
Blackrock REIT		34,848
UBS – TPF		118,717
Total Commingled Investments	**$**	**257,731**
Total Real Estate Investments	**$**	**271,491**

NOTE 7 – CONTRIBUTIONS

The funding objective of the Board of Retirement is to collect sufficient assets to permit the payment of all regular benefits promised under MCERA and to minimize the volatility of contribution rates from year to year as a percentage of covered payroll. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries depending upon their age at date of entry into the plan, membership type, and benefit tier. There are three sources of funding for retirement benefits: employer contributions, member contributions, and the earnings on investments held by the plan.

Separate annual actuarial valuations are performed for three employer groups for the purpose of determining the funded position of the retirement plan and the employer and member contributions necessary to pay benefits for MCERA members not otherwise funded by current assets or projected member contributions or investment earnings. The three employer groups are: (1) City of San Rafael, (2) Novato Fire Protection District, and (3) County of Marin and the remaining special districts.

Employer Contributions

For fiscal year 2020, the employer contribution rates are actuarially determined by using the Entry Age Normal to Final Decrement funding method. Employer contribution rates are made up of two parts:

1. The Normal Cost or the cost of the employer’s portion of the benefit that is allocated to the current year.

2. The payment to amortize the Unfunded Actuarial Liability (UAL). The UAL is the excess of the plan’s accrued liability over its assets.

Member Contributions

Active members are required by statute to contribute toward pension plan benefits. The member contribution rates for non-PEPRA members are formulated separately for each employer group on the basis of age at the date of entry and actuarially calculated benefits. The member contribution rate for PEPRA members is a flat rate of at least 50 percent of the normal cost for the defined benefit plan, rounded to the nearest quarter of one percent, formulated separately for each employer. The CERL authorizes participating employers to “pickup” all or a portion of an employee’s retirement contribution obligation on the employee’s behalf; however, PEPRA eliminates that authorization as to PEPRA members, with a limited exception relating to contracts in effect on January 1, 2013. Interest is credited to member contributions every six months based on the prior six months ending balance. Members are not permitted to borrow against their contributions. Upon termination of employment, members may withdraw their contributions by requesting a refund of their accumulated contributions and interest. The employer paid contribution pickups are typically not refundable.

General member contributions range from 7.11% to 17.59%; Safety member contributions range from 12.40% to 24.09%. These figures include additional cost sharing for some members determined through labor negotiations.

NOTE 8 – RESERVES

MCERA carries accounts within Net Position Restricted for Pension Benefits as reserve accounts for various operating purposes. Reserves are neither required nor recognized under accounting principles generally accepted in the United States of America. These are not shown separately on the Statement of Fiduciary Net Position, as the sum of these reserves equals the Net Position Restricted for Pension Benefits. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses.

NOTE 8 – RESERVES (Continued)

Semi-Annual Interest Crediting

MCERA updates reserve balances on a semi-annual basis as of June 30 and December 31 each year. At these times, MCERA carries out a multi-step process to calculate new reserve balances as specified in Article 5 of the CERL. The amount of “net earnings” to be credited for the semi-annual period is calculated based on actuarial smoothing. To the extent that net earnings are available, interest is credited to specified components of reserves in a prescribed sequence according to MCERA policy.

Components of Reserves

Employee Reserve

This represents the total accumulated member contributions of current active and inactive (deferred) members. Additions include member contributions and credited interest. Deductions include refunds of member contributions along with credited interest and transfers to Retiree Member Reserves made when a member retires.

Employer Reserve

This represents the total accumulated employer contributions for future retirement payments to active and deferred members. Additions include contributions from the employers and credited interest. Deductions include transfers to the Retiree Member Reserves made when each member retires. Employer contribution rates are actuarially determined taking into account other events such as members electing refund of contributions.

Retiree Reserves

These represent funds accumulated to pay retirement benefits to retired members, including credited interest, reduced by payments to retired members, beneficiaries, and survivors. The *Retiree Pension Reserve* and the *Retiree Annuity Reserve* represent the total net accumulated transfers from the Employer Reserve and the Employee Reserve, respectively, both made at the time each member retires. The *Survivor Death Benefit and Continuance Reserve* represents the accumulated employer and employee contributions, plus credited interest, to be used to pay death and survivorship benefits. The *Cost of Living Reserve* represents the accumulated contributions of the employer and the members, plus credited interest, to be used to pay COLAs.

Statutory Contingency Reserve

This represents earnings in excess of the total interest credited to valuation reserves, up to 1% of fair value of MCERA’s total assets. The Contingency Reserve is treated as a non-valuation asset and is used as a reserve against deficiencies in available earnings in other years, as provided in Government Code Sections 31592 and 31592.2.

Unrestricted Earnings Reserve

This represents earnings in excess of the total interest credited to all other reserves that have not been allocated by the Board of Retirement to other reserves.

Contra Account

This is an accounting informational mechanism used to track any historical shortfalls of available earnings credited to valuation reserves other than the Unrestricted Earnings Reserve on or after December 31, 2009, relative to the earnings required to credit interest at the full valuation rate to those valuation reserves.

NOTE 9 – NET PENSION LIABILITY

Net Pension Liability of Employers

The net pension liability (i.e., the plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below:

Change in Net Pension Liability from Fiscal Year Ended (FYE) 2019 to FYE 2020 [1, 2]

	Increase (Decrease)		
	Total Pension Liability (a)	**Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at June 30, 2019	**$2,958,090,254**	**$2,592,385,584**	**$365,704,670**
Changes for the Year:			
Service Cost	63,855,331	0	63,855,331
Interest	203,816,884	0	203,816,884
Changes of Benefits	0	0	0
Differences Between Expected and Actual Experience	15,620,886	0	15,620,886
Changes of Assumptions	0	0	0
Contributions – Employer	0	75,643,074	(75,643,074)
Contributions – Plan Member	0	30,913,996	(30,913,996)
Net Investment Income	0	89,273,498	(89,273,498)
Benefit Payments	(158,293,527)	(158,293,527)	0
Administrative Expenses	0	(4,607,760)	4,607,760
Net Changes	124,999,574	32,929,281	92,070,293
Balances at June 30, 2020	**$3,083,089,828**	**$2,625,314,865**	**$457,774,963**

[1] The Net Pension Liability was measured as of June 30, 2020 and determined based upon rolling forward the Total Pension Liability from the actuarial valuation as of June 30, 2019.

[2] Amounts may differ from June 30, 2020 Audited Financial Statements due to rounding.

Actuarial Assumptions

MCERA retains an independent actuarial firm to conduct actuarial valuations of the pension plan to monitor MCERA's funding status and to establish the contribution rate requirements for the plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

NOTE 9 – NET PENSION LIABILITY (Continued)

Actuarial Assumptions (Continued)

The total pension liability as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2019, updated to June 30, 2020, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Inflation	2.75%
Salary Increases	3.00% (2.75% inflation plus 0.25% wage inflation)
Investment Rate of Return	7.00%, net of pension plan investment expense
Mortality Assumptions	Actives: CalPERS 2017 Pre-Retirement Non-Industrial Death rates with the 15-year static replaced by generational improvements from a base year of 2014 using Scale MP-2017. Retirees: CalPERS 2017 Post-Retirement Healthy mortality rates adjusted by 90% for males, with the 15-year static replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Most Recent Experience Study	June 30, 2017 (conducted every three years)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and projected geometric real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized in the following table:

	June 30, 2020	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash and Short-Term Investments	0.00%	0.00%
Fixed Income	23.00%	0.50%
Domestic Equities	32.00%	4.90%
International Equities	22.00%	5.00%
Public Real Assets	7.00%	3.20%
Real Estate	8.00%	4.00%
Private Equity	8.00%	6.25%
TOTAL	**100.00%**	

NOTE 9 – NET PENSION LIABILITY (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of MCERA as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what MCERA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total Pension Liability	$3,482,602,639	$3,083,089,828	$2,753,984,645
Fiduciary Net Position	2,625,314,865	2,625,314,865	2,625,314,865
Net Pension Liability	$ 857,287,774	$ 457,774,963	$ 128,669,780
Fiduciary Net Position as a Percentage of the Total Pension Liability	75.4%	85.2%	95.3%

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ending June 30, 2020, was as follows (all dollars in thousands):

	Balance June 30, 2019	Additions	Dispositions	Balance June 30, 2020
Capital Assets Being Depreciated:				
Building	$ 3,140	$ 0	$ 0	$ 3,140
Tenant Improvements	1,384	1,456	0	2,840
Equipment	109	36	0	145
Computer Software/Hardware	4,374		0	4,374
Total Capital Assets Being Depreciated	**9,007**	**1,492**	**0**	**10,499**
Less Accumulated Depreciation for:				
Building	(834)	(79)	0	(913)
Tenant Improvements	(212)	(46)	0	(258)
Equipment	(109)	(3)	0	(112)
Computer Software/Hardware	(2,734)	(364)	0	(3,098)
Total Accumulated Depreciation	**(3,889)**	**(492)**	**0**	**(4,381)**
Total Capital Assets, Net	**$ 5,118**	**$ 1,000**	**$ 0**	**$ 6,118**

Depreciation expense as of June 30, 2020, was $491,669, and capitalized tenant improvements and equipment during the fiscal year June 30, 2020, were $1,491,796.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

Marin Association of Public Employees et al. v. MCERA, Supreme Court Case No. S247095
A Petition for Writ of Mandate was filed in January 2013 by various labor unions and individuals against MCERA and its Board of Retirement (collectively, "Respondents"), commencing Marin County Superior Court Case No. CV 1300318 ("*MAPE* case"). The Petition challenged Respondents' actions implementing Government Code Section 31461, as amended, effective January 1, 2013. The Superior Court entered Judgment in the *MAPE* case in favor of Respondents on June 26, 2013. Petitioners appealed that Judgment to the First District Court of Appeal ("DCA"), commencing Case No. A139610. On August 17, 2016, the First DCA (Division 2) issued a published decision affirming the Superior Court's Judgment in favor of Respondents. Petitioners/Appellants petitioned for review of the decision by the California Supreme Court, and the Court granted that petition on November 22, 2016, commencing Case No. 237460 ("*Marin*"). The Court also ordered, however, that further action in *Marin* was deferred pending the decision of the First DCA (Division Four), in proceedings pending on a similar topic in *Alameda County Deputy Sheriff's Assoc. et al. v. Alameda County Employees' Retirement Assoc. et al.*, A141913 ("*Alameda*"). On July 30, 2020, the Supreme Court issued its decision in *Alameda*, and as a result of that decision, on September 23, 2020, the Court dismissed its prior grant of review of *Marin*. On September 28, 2020, Division 2 therefore awarded costs to MCERA and remanded the case to the Marin County Superior Court. This case thus has been finally resolved in favor of MCERA and is concluded.

Brown v. City of San Rafael, et al., Superior Court Cases No. CIV 1702258
David Brown sued the City of San Rafael, MCERA, and numerous unions (collectively, "Respondents") seeking to have certain benefit enhancements that the City granted during 2002 and 2006 invalidated. By Order dated November 20, 2018, the Marin County Superior Court sustained, without leave to amend, the demurrers that Respondents had filed to Brown's second amended petition. Brown timely appealed, and the case was assigned to Division Two of the First DCA. After Brown filed his Opening Brief on appeal, Division Five of the First DCA issued a decision in *Luke v. Sonoma County Employees' Retirement Association, et al.*, upholding the same defenses on which Respondents had prevailed in this litigation. MCERA timely filed its Respondent's Brief on appeal, and on June 4, 2020, Brown dismissed his case in exchange for Respondents agreeing not to seek to recover their litigation costs from him. This case therefore has been finally resolved in favor of MCERA and is thus concluded.

Securities Litigation

MCERA's Class Action Securities Litigation Policy provides guidelines for monitoring litigation and for determining the appropriate participation by MCERA. Compliance with the policy assures that the Board of Retirement will continue to protect the financial interests of MCERA and its members.

Capital Commitments

MCERA's real estate and private equity investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity and discretion is controlled by MCERA's IPS and the guidelines and limitations set forth in the contract, subscription agreement, limited partnership agreement, and/or other contractual documents applicable to each manager. Such investments are further restricted by the amount of capital allocated or committed to each manager. MCERA's IPS, contractual obligations, and capital commitments are subject to approval by the Board of Retirement and may be updated as often as necessary to reflect MCERA's prudent determinations regarding its investments, as well as changes in market conditions.

During fiscal year 2020, MCERA funded $344,710,015 of its private equity capital commitments. As of June 30, 2020, outstanding commitments to the various investment managers, as approved by the Board of Retirement, totaled $55,289,985.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 30, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County of Marin, issued a Shelter at Home order effective March 17, 2020, requiring non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS [1]

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability							
Service cost	$ 63,855,331	$ 63,587,459	$ 61,074,664	$ 57,090,773	$ 55,208,834	$ 49,064,492	$ 49,014,858
Interest (includes interest on service cost) [2]	203,816,884	195,274,191	188,096,539	184,139,800	176,564,792	166,718,783	159,521,975
Differences between expected and actual experience	15,620,886	16,721,629	(3,412,765)	(904,678)	(212,631)	(31,054,298)	0
Changes of assumptions	0	0	40,801,678	0	0	144,753,646	0
Benefit payments, including refunds of employee contributions [2]	(158,293,527)	(149,212,984)	(139,856,672)	(131,937,062)	(124,203,519)	(115,984,752)	(109,342,861)
Net Change in Total Pension Liability	$ 124,999,574	$ 126,370,295	146,703,444	108,388,833	107,357,476	213,497,871	99,193,972
Total Pension Liability - Beginning	2,958,090,254	2,831,719,959	2,685,016,515	2,576,627,682	2,469,270,206	2,255,772,335	2,156,578,363
Total Pension Liability - Ending (a)	$3,083,089,828	$ 2,958,090,254	$2,831,719,959	$2,685,016,515	$2,576,627,682	$2,469,270,206	$2,255,772,335
Fiduciary Net Position							
Contributions – employer [2]	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945	$ 75,260,980	$ 68,915,072	$ 69,980,201
Contributions - plan member [2]	30,913,996	30,010,459	28,628,627	28,053,775	27,207,157	24,920,493	22,952,689
Net investment income	89,273,498	136,483,513	221,839,196	248,347,501	42,927,728	100,055,573	309,002,468
Benefit payments, including refunds of employee contributions [2]	(158,293,527)	(149,212,984)	(139,856,672)	(131,937,062)	(124,203,519)	(115,984,752)	(109,342,861)
Administrative expenses [2]	(4,607,760)	(5,056,350)	(4,203,705)	(4,404,191)	(4,379,760)	(4,654,623)	(4,503,845)
Net Change in Fiduciary Net Position	32,929,281	90,963,452	185,161,922	217,562,968	16,812,586	73,251,763	288,088,652
Fiduciary Net Position - Beginning	2,592,385,584	2,501,422,132	2,316,260,210	2,098,697,242	2,081,884,656	2,008,632,893	1,720,544,241
Fiduciary Net Position - Ending (b)	$2,625,314,865	$2,592,385,584	$2,501,422,132	$2,316,260,210	$2,098,697,242	$2,081,884,656	$2,008,632,893
Net Pension Liability (a)-(b)	$ 457,774,963	$ 365,704,670	$ 330,297,827	$ 368,756,305	$ 477,930,440	$ 387,385,550	$ 247,139,442
Fiduciary Net Position as a Percentage of the Total Pension Liability	85.15%	87.64%	88.34%	86.27%	81.45%	84.31%	89.04%
Covered Payroll	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311	$ 238,185,040	$ 223,825,880	$ 218,340,721
Net Pension Liability as a Percentage of Covered Payroll	172.92%	144.00%	132.90%	152.35%	200.66%	173.07%	113.19%

[1] The Schedule of Changes in Net Pension Liability and Related Ratios is intended to show information for 10 years. Additional years will be displayed as they become available.

[2] Amounts may not sum to total due to rounding.

See accompanying notes to the required supplementary information.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CONTRIBUTIONS HISTORY

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contributions	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945	$ 75,260,980
Contributions in Relation to the Actuarially Determined Contributions	$75,643,074	$78,738,814	78,754,476	77,502,945	75,260,980
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll[1]	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311	$ 238,185,040
Contributions as a Percentage of Covered Payroll	28.57%	31.00%	31.69%	32.02%	31.60%

	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially Determined Contributions	$ 68,915,072	$ 69,660,201	$ 69,853,000	$ 64,690,000	$ 64,757,000
Contributions in Relation to the Actuarially Determined Contributions	68,915,072	69,660,201	69,853,000	64,690,000	64,757,000
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll[1]	$ 223,825,880	$ 218,340,721	$ 211,001,594	$ 216,515,000	$ 215,969,000
Contributions as a Percentage of Covered Payroll	30.79%	31.90%	33.11%	29.88%	29.98%

[1] In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based.

See accompanying notes to the required supplementary information.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT RETURNS*

	FYE 2020**	FYE 2019**	June 30, 2018**	June 30, 2017**	June 30, 2016**	June 30, 2015	June 30, 2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	3.25%	5.41%	9.53%	12.21%	2.15%	5.04%	18.16%

* The Schedule of Investment Returns is intended to show information for 10 years. Additional years will be displayed as they become available.

** These calculations for the money-weighted rate of return, net of investment expense, were provided by MCERA's investment consultant, Callan Associates.

See accompanying notes to the required supplementary information.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Total Pension Liability

The total pension liability contained in this schedule was obtained from MCERA's actuary, Cheiron.

Service Cost

The service cost is based on the previous year's valuation, meaning the 2020 and 2019 values are based on the valuations as of June 30, 2019 and June 30, 2018, respectively. The June 30, 2020 service costs have been calculated using the June 30, 2019 actuarial assumptions as described in Note 9 of the Notes to the Basic Financial Statements earlier in this report. The June 30, 2019 service costs have been calculated using the June 30, 2018 actuarial assumptions as described in Note 3 of the Notes to Required Supplementary Information on the following page.

Change in Assumptions

Triennially, MCERA requests that the actuary perform an analysis of all economic and non-economic assumptions in the form of an Experience Study. The most recent triennial Experience Study was for the period July 1, 2014 through June 30, 2017. Based on the results of this study, the Board of Retirement lowered the assumed rate of investment return from 7.25% to 7.00% effective with the June 30, 2017 valuation.

Covered Payroll

Covered payroll shown represents only the Compensation Earnable and Pensionable Compensation that is used in the determination of retirement benefits.

NOTE 2 – SCHEDULE OF INVESTMENT RETURNS

The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 3 – ACTUARIAL ASSUMPTIONS USED IN CALCULATING THE ACTUARIALLY DETERMINED CONTRIBUTIONS

Valuation date	June 30, 2018 (to determine FY 2019-20 contributions)
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Asset valuation method	As of the June 30, 2014 valuation, assets are valued using the market value. The assets used to compute the Unfunded Actuarial Liability (UAL) are the market value of assets, minus the value of any non-valuation contingency reserves.
Amortization method	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 17-year period (12 years remaining as of June 30, 2018), except for the additional UAL attributable to the extraordinary loss from 2009, which is being amortized over a separate closed period (20 years remaining as of June 30, 2018). Subsequent unexpected change in the unfunded actuarial liability after June 30, 2014, is amortized over a closed 24-year period (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.
Investment rate of return	7.00%
Inflation rate	2.75%
Cost of living adjustments (COLAs)	2.7% for tiers with a 4.0% COLA cap 2.6% for tiers with a 3.0% COLA cap 1.9% for tiers with a 2.0% COLA cap
Salary increases	3.00% (2.75% inflation plus 0.25% wage growth)
Retiree mortality	Rates of mortality for retired Members and their beneficiaries are given by California Public Employees Retirement System (CalPERS) 2017 Post-Retirement Healthy Mortality rates, adjusted by 90% for Males (General and Safety), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Disabled mortality	Rates of mortality among disabled Members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for General members and Industrial Disability rates for Safety members), adjusted by 90% for Males (General and Safety) and 90% for General Females, with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

A complete description of the methods and assumptions used to determine contribution rates for the fiscal year ending June 30, 2020, can be found in the June 30, 2018 actuarial valuation report.

OTHER INFORMATION

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS
AS OF JUNE 30, 2020 [1]

Employer	Unfunded Liability (from the June 30, 2019 Actuarial Valuation)	Proportionate Share	Net Pension Liability [2]
County	$210,978,882	52.8226%	$241,808,638
City of San Rafael	137,226,746	34.3574%	157,279,575
Novato Fire	24,701,997	6.1846%	28,311,550
Superior Court	8,396,658	2.1023%	9,623,803
Southern Marin Fire	11,601,474	2.9047%	13,296,989
Mosquito District	6,208,242	1.5544%	7,115,654
Tamalpais CSD	267,427	0.0670%	306,709
Marin City CSD	0	0%	0
LAFCO	27,849	0.0070%	32,044
Total	$399,409,276	100.0000%	$457,774,963

[1] Numbers may not sum to total due to rounding.

[2] Proportionate share of net pension liability is based on the actuarial valuation.

See accompanying notes to the other information.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020 [1]

		Deferred Outflows of Resources				
Employer	**Net Pension Liability**	**Differences Between Expected and Actual Economic Experience**	**Changes of Assumptions**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions**	**Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments**	**Total Deferred Outflows of Resources**
County	$241,808,638	$10,604,918	$ 5,388,126	$13,115,475	$26,723,400	**$ 55,831,919**
City of San Rafael	157,279,575	6,897,756	3,504,598	6,296,927	17,381,699	**34,080,980**
Novato Fire	28,311,550	1,241,650	630,855	3,192,537	3,128,841	**8,193,883**
Superior Court	9,623,803	422,068	214,443	1,028,946	1,063,571	**2,729,028**
Southern Marin Fire	13,296,989	583,161	296,292	2,644,136	1,469,512	**4,993,101**
Mosquito District	7,115,654	312,069	158,555	1,548,530	786,384	**2,805,538**
Tamalpais CSD	306,709	13,451	6,834	304,280	33,896	**358,461**
Marin City CSD	0	0	0	67,015	0	**67,015**
LAFCO	32,044	1,405	714	62,049	3,541	**67,709**
Totals	**$457,774,963**	**$20,076,479**	**$10,200,418**	**$28,259,895**	**$50,590,844**	**$109,127,636**

[1] Numbers may not sum to total due to rounding.

See accompanying notes to the other information.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (Continued)
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020 [1]

	Deferred Inflows of Resources		
Employer	**Differences Between Expected and Actual Economic Experience**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions**	**Total Deferred Inflows of Resources**
County	$ 450,678	$ 7,876,995	**$ 8,327,671**
San Rafael	293,135	17,065,608	**17,358,743**
Novato Fire	52,767	465,014	**517,781**
Superior Court	17,937	670,042	**687,979**
Southern Marin Fire	24,783	0	**24,783**
Mosquito District	13,262	973,180	**986,442**
Tamalpais CSD	572	1,175,690	**1,176,262**
Marin City CSD	0	14,794	**14,794**
LAFCO	60	18,572	**18,632**
Totals	**$ 853,192**	**$28,259,895**	**$29,113,087**

[1] Numbers may not sum to total due to rounding.

See accompanying notes to the other information.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (Continued)
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020 [1]

	Pension Expense Excluding that Attributable to Employer-Paid Member Contributions		
Employer	**Proportionate Share of Allocable Pension Plan Expense**	**Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions**	**Total Pension Expense Excluding that Attributable to Employer-Paid Member Contributions**
County	$49,796,277	$ 4,265,632	**$54,061,909**
City of San Rafael	32,388,989	(7,379,679)	**25,009,309**
Novato Fire	5,830,271	1,719,143	**7,549,414**
Superior Court	1,981,855	(410,677)	**1,571,177**
Southern Marin Fire	2,738,283	1,839,166	**4,577,449**
Mosquito District	1,465,345	303,784	**1,769,128**
Tamalpais CSD	63,161	(345,170)	**(282,008)**
Marin City CSD	0	(23,106)	**(23,106)**
LAFCO	6,599	30,907	**37,506**
Totals	**$94,270,779**	**$ 0**	**$94,270,779**

[1] Numbers may not sum to total due to rounding.

See accompanying notes to the other information.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO OTHER INFORMATION

NOTE 1 – BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Employers participating in Marin County Employees' Retirement Association (MCERA) are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan and Schedule of Cost Sharing Employer Allocations, along with MCERA's audited financial statements, the GASB Statement No. 67 Actuarial Valuation as of June 30, 2020, and the GASB Statement No. 68 Actuarial Valuation Based on a June 30, 2020 Measurement Date for Employer Reporting as of June 30, 2020, prepared by MCERA's independent actuary, provide the required information for financial reporting related to MCERA that employers may use in their financial statements.

The accompanying schedule was prepared by MCERA's independent actuary and was derived from information provided by MCERA in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

NOTE 2 – USE OF ESTIMATES IN THE PREPARATION OF THE SCHEDULES

The preparation of these schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

NOTE 3 – AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining difference between projected and actual investment earnings on pension plan investments at June 30, 2020, is to be amortized over the remaining periods.

The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through MCERA (active and inactive employees) determined as of June 30, 2019 (the beginning of the measurement period ending June 30, 2020) and is four years. Prior period changes of assumptions and differences between expected and actual experience are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

In addition, the net effect of the change in the employer's proportionate share of the net pension liability and deferred outflows of resources and deferred inflows of resources is also recognized over the average expected remain service lives of all employees noted above. The difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ending on June 30, 2020, is recognized over the same period as noted above. The Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan does not reflect contributions made to MCERA subsequent to the measurement date as defined in GASB Statement No. 68 Paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

D.1 Administrator’s Report

This is a discussion with no backup.

MCERA Administrative Budget fund #7007
FY 20/21 Quarter Ending September 30, 2020, by month

D.2.a.1

	FY 19/20 Actual Expenses	FY 20/21 Approved Budget	July	August	September	1st Qtr. Total	Percentage of Budget used	NOTES
Salaries and Benefits		**26 PP**	**2 PP**	**2 PP**	**2 PP**	**6 PP**		**QTD** - Quarter-to-Date; **FTE** - Full Time Equivalent; **SL** - Straight Line; **PP** - Payperiod; **WCI** - Workers' Comp Ins; **GF** - General Fund; **SAA** - Sr. Accounting Asst.; **AA** - Accounting Asst.
Regular Staff Salaries	1,540,503	2,000,684	131,076	130,675	171,105	432,856	21.6%	(1) Sep'2020 includes a **$29.8K** non-recurring FY 18/19 reclass from Cnty GF to MCERA's Admin. (7007) Fund. Master file had incorrect Org. and (2) QTD a **2.0 FTE** vacancy factor for SAA and AA positions.
Extra-Hire	0	0	0	0	0	0	0.0%	
Overtime	60	0	0	0	0	0	0.0%	
Employee Benefits	217,721	258,143	18,355	18,363	32,452	69,170	26.8%	
Retirement Benefits	292,963	427,995	24,623	25,876	35,175	85,674	20.0%	
Retirement Benefits - OPEB	164,193	196,750	14,072	10,621	15,027	39,720	20.2%	
Ret POB Debt Svc. Misc.	80,706	97,866	6,910	7,148	9,499	23,557	24.1%	
Auto Allowance	9,227	9,950	738	738	738	2,214	22.3%	
Unused Fringe Benefits	18,621	0	1,435	1,430	1,430	4,295	0.0%	
Workers Comp. Insurance	32,026	71,003	5,300	(6,718)	7,887	6,469	9.1%	Includes **$12.8K** QTD credit for WCI refund.
Medicare	22,456	28,612	1,910	1,900	2,469	6,279	21.9%	
Total Salaries and Benefits	**2,378,476**	**3,091,003**	**204,419**	**190,033**	**275,782**	**670,234**	**21.7%**	**QTD actual is 3.32% under SL budget due to WCI credit and team vacancies.**
Services and Supplies								
Professional Services	57,395	52,000	529	8,581	9,689	18,799	36.2%	QTD actual is over the SL budget by 11.2% due to Brown Armstrong providing services, billing and receiving payment at 38.2% of annual **$49.0K** contract.
Innovest - Retiree payroll processing	41,572	38,000	0	2,732	2,757	5,489	14.4%	
Records Retention	3,789	3,800	255	255	255	765	20.1%	
Bank Charges	2,770	6,000	537	845	25	1,407	23.4%	
Insurance Premiums	76,599	77,000	3,510	5,163	0	8,673	11.3%	
Utilities (1 McInnis owner allocation)	171,484	191,090	26,059	50	16,044	42,153	22.1%	
Memberships & Dues	16,539	15,000	0	0	200	200	1.3%	
Subscriptions	7,136	7,500	117	0	144	261	3.5%	
Conferences/Training	18,974	26,000	(3,000)	320	550	(2,130)	**-8.2%**	QTD actual is under the SL budget by 33.2% due to the **$3.0K** CalAPRS cancellation/refund of the Management Academy 2020 attendance fee. See the Education Summary.
Travel and Mileage	16,554	30,000	0	0	0	0	0.0%	
Document Reproduction Costs	32,771	32,200	1,750	1,665	1,665	5,080	15.8%	
Medical Examinations	9,263	12,000	0	0	1,002	1,002	8.4%	
Investigations	912	2,000	0	0	0	0	**14.4%**	Combined Investigations, Transcribing, Medical Record Review and Hearings budget utilization.
Transcribing/Medical Record Review	96,614	130,000	4,677	187	10,700	15,564		
Hearings	48,555	65,000	600	7,125	5,000	12,725		
Board Election Fees	550	1,000	0	0	0	0	0.0%	
Board Remuneration (gross pay)	7,860	8,480	1,100	400	800	2,300	27.1%	
Board Pmts (ER Liab., ADP & Bank fees)	2,045	2,120	194	129	79	402	19.0%	
Office Expense and Supplies	11,336	8,600	7,766	247	1,265	9,278	**107.9%**	QTD actual is over the SL budget by 82.9% due to the non-recurring purchase of sneeze guards (COVID 19 related) at **$7.2K.**
Office expenses - phone	2,743	2,500	1,058	383	777	2,218	**88.7%**	QTD actual is over the SL budget by 63.7% due to the FY 19/20 cell phone and trustee data services not billed or paid until this FY 20/21 quarter.
Electronic Supplies	10,268	5,300	713	218	1,774	2,705	**51.0%**	QTD is over the SL budget by 26.0% due to the **$1.8K** purchase of 2 ACER Laptops to support effective staff telework, due to shelter-in-place state/county order.
Ergonomic Supplies	0	1,000	0	0	0	0	0.0%	
Office Supplies - Postage	1,439	2,000	61	97	102	260	13.0%	
Miscellaneous - Food	6,612	8,000	0	0	0	0	0.0%	
Depreciation Expense	479,930	477,571	0	0	119,393	119,393	25.0%	QTD accrual at 25% of annual FY budget.
Total Services and Supplies	**1,123,710**	**1,204,161**	**45,926**	**28,397**	**172,221**	**246,544**	**20.5%**	**QTD actual is 4.5% under SL budget due to Services & Supplies category trending lower than anticipated.**
Interdepartmental Charges								
Telephone Charges	12,950	25,900	0	0	6,475	6,475	25.0%	QTD accrual at 25% of annual FY budget.
Cost Allocation Plan (Inter-fund charges)	307,896	307,895	0	0	76,974	76,974	25.0%	QTD accrual at 25% of annual FY budget.
Total Interdepartmental Charges	**320,846**	**333,795**	**0**	**0**	**83,449**	**83,449**	**25.0%**	**QTD accrual at 25% of annual FY budget.**
TOTAL	**3,823,032**	**4,628,959**	**250,345**	**218,430**	**531,452**	**1,000,227**	**21.6%**	**QTD actual is 3.4% under the SL budget.**

MCERA Administrative Budget fund #7007
FY20/21 Quarter Ending September 30, 2020, by quarter

D.2.a.1

	FY 19/20 Actual Expenses	FY 20/21 Approved Budget	1st Qtr. Total	FYTD	Percentage of Budget used
Salaries and Benefits		**26 PP**	**6 PP**	**6 PP**	
Regular Staff Salaries	1,540,503	2,000,684	432,856	432,856	21.6%
Extra-Hire	0	0	0	0	0.0%
Overtime	60	0	0	0	0.0%
Employee Benefits	217,721	258,143	69,170	69,170	26.8%
Retirement Benefits	292,963	427,995	85,674	85,674	20.0%
Retirement Benefits - OPEB	164,193	196,750	39,720	39,720	20.2%
Ret POB Debt Svc. Misc.	80,706	97,866	23,557	23,557	24.1%
Auto Allowance	9,227	9,950	2,214	2,214	22.3%
Unused Fringe Benefits	18,621	0	4,295	4,295	0.0%
Workers Comp. Insurance	32,026	71,003	6,469	6,469	9.1%
Medicare	22,456	28,612	6,279	6,279	21.9%
Total Salaries and Benefits	**2,378,476**	**3,091,003**	**670,234**	**670,234**	**21.7%**
Services and Supplies					
Professional Services	57,395	52,000	18,799	18,799	36.2%
Innovest - Retiree payroll processing	41,572	38,000	5,489	5,489	14.4%
Records Retention	3,789	3,800	765	765	20.1%
Bank Charges	2,770	6,000	1,407	1,407	23.4%
Insurance Premiums	76,599	77,000	8,673	8,673	11.3%
Utilities (1 McInnis owner allocation)	171,484	191,090	42,153	42,153	22.1%
Memberships & Dues	16,539	15,000	200	200	1.3%
Subscriptions	7,136	7,500	261	261	3.5%
Conferences/Training	18,974	26,000	(2,130)	(2,130)	-8.2%
Travel and Mileage	16,554	30,000	0	0	0.0%
Document Reproduction Costs	32,771	32,200	5,080	5,080	15.8%
Medical Examinations	9,263	12,000	1,002	1,002	8.4%
Investigations	912	2,000	0	0	0.0%
Transcribing/Medical Record Review	96,614	130,000	15,564	15,564	12.0%
Hearings	48,555	65,000	12,725	12,725	19.6%
Board Fees	550	1,000	0	0	0.0%
Board Fees (gross pay)	7,860	8,480	2,300	2,300	27.1%
Board Fees (ER Liab., ADP & Bank fees)	2,045	2,120	402	402	19.0%
Office Expense and Supplies	11,336	8,600	9,278	9,278	107.9%
Office expenses - phone	2,743	2,500	2,218	2,218	88.7%
Electronic Supplies	10,268	5,300	2,705	2,705	51.0%
Ergonomic Supplies	0	1,000	0	0	0.0%
Office Supplies - Postage	1,439	2,000	260	260	13.0%
Miscellaneous - Food	6,612	8,000	0	0	0.0%
Depreciation Expense	479,930	477,571	119,393	119,393	25.0%
Total Services and Supplies	**1,123,710**	**1,204,161**	**246,544**	**246,544**	**20.5%**
Interdepartmental Charges					
Telephone Charged	12,950	25,900	6,475	6,475	25.0%
Cost Allocation Plan (Inter-fund charges)	307,896	307,895	76,974	76,974	25.0%
Total Interdepartmental Charges	**320,846**	**333,795**	**83,449**	**83,449**	**25.0%**
TOTAL	**3,823,032**	**4,628,959**	**1,000,227**	**1,000,227**	**21.6%**

MCERA Non-Budgeted Expenses
FY 20/21 Quarter Ending September 30, 2020, by month D.2.a.2

	July	August	September	1st Qtr. Expenses
Retiree Payroll	13,536,730	13,551,998	13,660,690	40,749,418
Retiree Death benefit paid	40,000	35,000	35,000	110,000
Active member death benefit	0	0	0	0
Refund of Contributions	219,025	288,185	4,131	511,341
Total Retirement member expense	**13,795,755**	**13,875,183**	**13,699,821**	**41,370,759**
Personal Computer Lease (Accrual)	0	0	0	0
CPAS	0	0	12,960	12,960
Business Systems (Accountmate)	0	0	0	0
IBM - Cognos systems	0	0	19,916	19,916
Oracle America	0	0	0	0
Total Computer expense	**0**	**0**	**32,876**	**32,876**
Linea Secure, LLC (Cybersecurity)	0	0	10,000	10,000
Insight Public Sector, Inc.	8,150	0	16,300	24,450
Total Security Services expense	**8,150**	**0**	**26,300**	**34,450**
Legal	**0**	**12,533**	**63,655**	**76,188**
County Counsel	0	0	23,282	23,282
Ice Miller LP	0	0	0	0
Nossaman	0	12,533	40,373	52,906
Cheiron Inc. (Actuary)	0	0	21,088	21,088
Appraisals (1 McInnis)	0	0	0	0
Investment Managers	240,940	250,167	2,399,264	2,890,371
Callan (Investment Consultant)	0	0	75,500	75,500
State Street (Custodian)	0	0	103,374	103,374
Woodmont Consulting Services	0	0	26,675	26,675
Investment Education Expense	0	0	7,500	7,500
Total Legal, Actuary & Investment expense	**240,940**	**262,700**	**2,697,056**	**3,200,696**
Total Fund Expenses	**14,044,845**	**14,137,883**	**16,456,053**	**44,638,781**
Nossaman				
General Counsel	0	7,562	31,014	38,576
1 McInnis Parkway Leasing	0	714	4,879	5,593
Investment	0	905	0	905
MAPE	0	3,352	4,480	7,832
Greene	0	0	0	0
Brown	0	0	0	0
Rose	0	0	0	0
Total Nossaman Expense	**0**	**12,533**	**40,373**	**52,906**
Reimbursement from Hudson Ins. regarding V. Greene	0	0	0	0
D. Brown	(360)	0	0	(360)
Total Legal Reimbursement	**(360)**	**0**	**0**	**(360)**

MCERA Non-Budgeted Expenses
FY 20/21 Quarter Ending September 30, by quarter

	FY 19/20 Actual Expenses	1st Qtr. Expenses	FYTD Total
Retiree Payroll	156,896,425	40,749,418	40,749,418
Retiree Death benefit paid	250,000	110,000	110,000
Active member death benefit	324,104	0	0
Refund of Contributions	931,012	511,341	511,341
Total Retirement member expense	**158,401,541**	**41,370,759**	**41,370,759**
Personal Computer Lease (Accrual)	0	0	0
CPAS	180,441	12,960	12,960
Business Systems (Accountmate)	2,351	0	0
IBM - Cognos systems	19,315	19,916	19,916
Oracle America	4,910	0	0
Total Computer expense	**207,017**	**32,876**	**32,876**
Linea Secure, LLC (Cybersecurity)	66,500	10,000	10,000
Insight Public Sector, Inc.	57,357	24,450	24,450
Total Security Services	**123,857**	**34,450**	**34,450**
Legal	**452,056**	**76,188**	**76,188**
County Counsel	93,126	23,282	23,282
Ice Miller LP	4,164	0	0
Nossaman	354,766	52,906	52,906
Cheiron Inc. (Actuary)	152,679	21,088	21,088
Appraisals (1 McInnis)	3,000	0	0
Investment Managers	11,507,860	2,890,371	2,890,371
Callan (Investment Consultant)	355,250	75,500	75,500
State Street (Custodian)	415,297	103,374	103,374
Woodmont Consulting Services	30,929	26,675	26,675
Investment Education Expense	9,850	7,500	7,500
Total Legal, Actuary & Investment expense	**12,926,921**	**3,200,696**	**3,200,696**
Total Fund Expenses	**171,659,336**	**44,638,781**	**44,638,781**
Nossaman			
General Counsel	240,036	38,576	38,576
One McInnis Parkway Leasing	64,165	5,593	5,593
Investment	1,952	905	905
MAPE	390	7,832	7,832
Greene	12,067	0	0
Brown	31,845	0	0
Rose	4,311	0	0
Total Nossaman Expense	**354,766**	**52,906**	**52,906**
Reimbursement from Hudson Ins. regarding V. Greene	(2,933)	0	0
David Brown	(30,772)	(360)	(360)
Total Legal Reimbursement	**(33,705)**	**(360)**	**(360)**

D.2.a.2

Investment Managers' Fees
FY20/21 Quarter Ending September 30, 2020

Investment Manager	Market Value	Annualized %	Fees: July	August	September	Quarter Total	FY 19/20 IM fees
AEW Core Property	103,886,042	0.8906%	0	0	231,301	231,301	932,369
Abbott Fund VI	56,938,370	0.7934%	37,644	37,644	37,644	112,932	501,912
Abbott Fund VII	39,702,873	0.8564%	28,333	28,333	28,333	84,999	339,996
Abbott Investors 2016	37,842,893	0.7003%	22,083	22,083	22,083	66,249	264,996
Abbott Investors 2017	8,448,517	0.8877%	6,250	6,250	6,250	18,750	65,628
Artisan International Growth Fund	194,234,277	0.8050%	0	0	390,895	390,895	1,445,669
BlackRock TIPS	42,169,938	0.0301%	0	0	3,176	3,176	13,460
BlackRock US Real Estate	35,141,271	0.0615%	0	0	5,400	5,400	26,878
Colchester Global Investors	146,467,639	0.4220%	51,766	52,324	50,445	154,535	562,014
DFA Small Cap Core	215,807,667	0.3361%	0	0	181,335	181,335	768,730
Eaton Vance Structured	93,540,463	0.7871%	0	0	184,064	184,064	746,347
Invesco	42,215,278	0.6905%	23,553	24,909	24,408	72,870	262,030
KBI Global Resources Solutions	49,777,416	0.8310%	0	0	103,418	103,418	367,330
Morgan Stanley	174,195,470	0.5504%	0	0	239,682	239,682	950,572
Parametric (overlay program)	34,173,351	0.4057%	0	0	34,662	34,662	147,721
Pathway Fund 2008	60,624,620	0.8907%	0	0	135,000	135,000	583,533
Pathway I7-3	37,823,254	0.8328%	0	0	78,750	78,750	315,000
Pathway I8-9	48,611,998	0.8301%	0	0	100,887	100,887	403,548
Pathway I9-3	7,466,795	1.5402%	0	0	28,751	28,751	93,203
SSgA S&P 500 Index Strategy	588,986,582	0.0297%	0	0	43,750	43,750	193,750
TimesSquare	109,578,571	0.8238%	71,311	78,624	75,736	225,671	790,584
UBS Realty Investment	118,312,747	0.6315%	0	0	186,788	186,788	913,825
Wellington	281,535,804	0.1605%	0	0	112,997	112,997	466,555
Western Asset	149,658,271	0.2499%	0	0	93,509	93,509	352,214
Total	**$2,677,140,107**	**0.4319%**	**$240,940**	**$250,167**	**$2,399,264**	**$2,890,371**	**$11,507,864**

MCERA Education and Due Diligence Expense Summary FY 20/21
FY 20/21 Quarter Ending September 30, 2020

D.2.a.3.a

Trustee	Date	Conference	Location	1st quarter	Year to Date
Trustee expense				**$0.00**	**$0.00**
Administrator	**Date**	**Conference**	**Location**	**1st quarter**	**Year to Date**
J. Wickman	9/24/2020	Administrators Institute 2020	Virtual	500.00	**$500.00**
Employee					
L. Marshall	7/15/2020	CALAPRS MGMT Academy ***Refund***	n/a	(3,000.00)	**($3,000.00)**
	8/21/2020	GFOA Internet Training	Virtual	85.00	**$85.00**
	8/28/2020	GFOA Internet Training	Virtual	85.00	**$85.00**
	9/16/2020	CALAPRS Accountants Roundtable	Virtual	50.00	**$50.00**
K. Hawkins	9/10/2020	CALAPRS Benefits Roundtable	Virtual	50.00	**$50.00**
D. Sousa	9/10/2020	CALAPRS Benefits Roundtable	Virtual	50.00	**$50.00**
L. Jackson	9/16/2020	CALAPRS Accountants Roundtable	Virtual	50.00	**$50.00**
Administrator and Employee expense				**($2,130.00)**	**($2,130.00)**
Counsel/Other expense				**$0.00**	**$0.00**
TOTAL MCERA Education and Due Diligence Expense				**($2,130.00)**	**($2,130.00)**

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CONTINUING TRUSTEE EDUCATION SUMMARY
Wednesday, September 30, 2020

24 hours required by September 1, 2020

Trustee Jones	60.40

24 hours required by November 1, 2020

Trustee Thomas	77.24

24 hours required by December 31, 2020

Trustee Cooper	47.25
Trustee Given	26.92
Trustee Shaw	25.92

24 hours required by January 24, 2021

Trustee Silberstein	28.87

24 hours required by August 25, 2021

Trustee Murphy	19.92

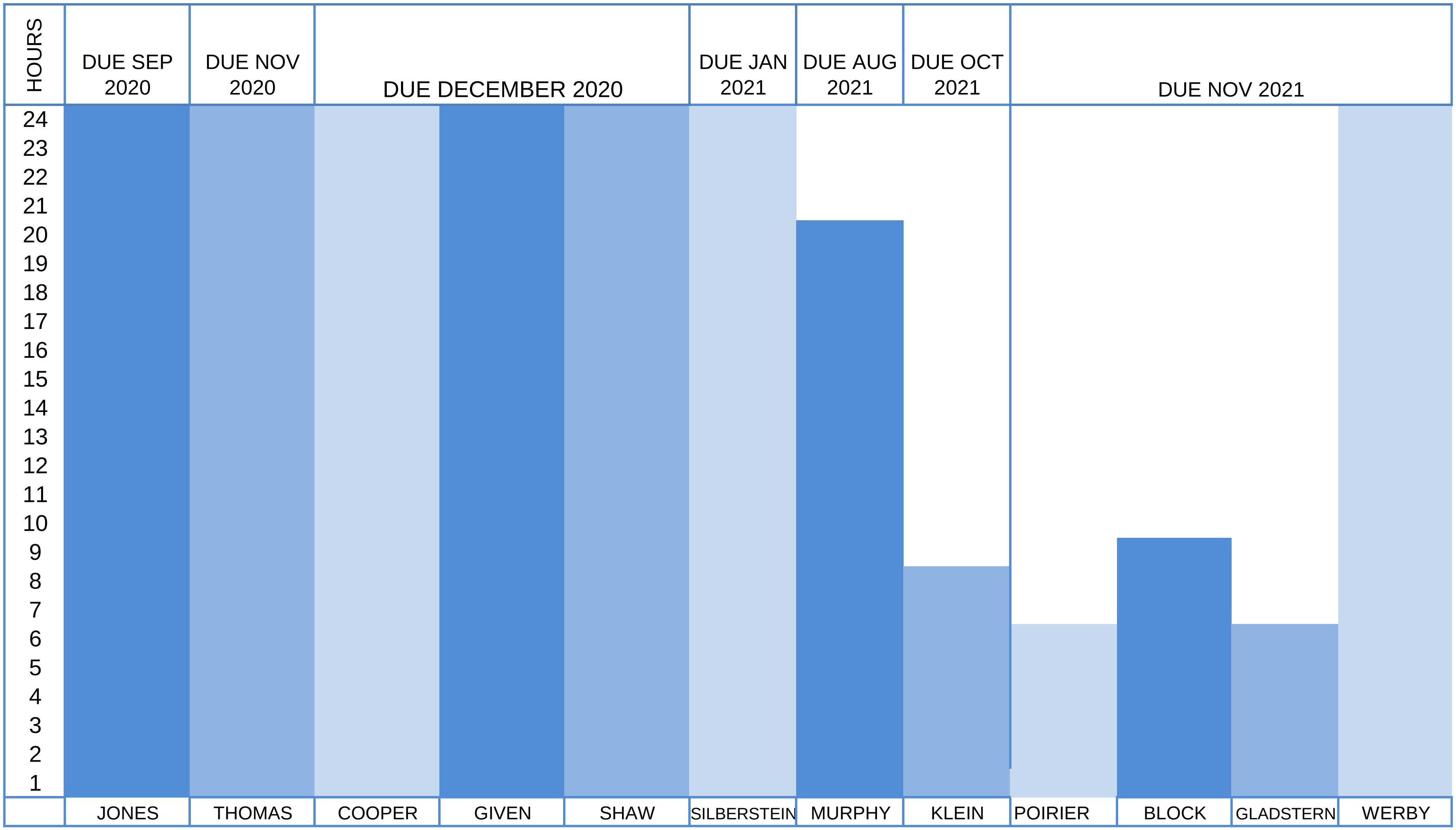
24 hours required by October 17, 2021

Trustee Klein	8.42

24 hours required by November 1, 2021

Trustee Block	8.92
Trustee Gladstern	6.42
Trustee Poirier	6.42
Trustee Werby	29.42

CONTINUING TRUSTEE EDUCATION
QUARTERLY SUMMARY CHART
Wednesday, September 30, 2020



MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE **Master Log**

HOURS	DATE	SPONSOR	EVENT/SEMINAR	PENSION LAW	INVESTMENT PERFORMANCE MEASUREMENT	ASSET ALLOCATION AND INVESTMENT MANAGEMENT	ACTUARIAL EVALUATION AND PROCESS	BENEFITS ADMINISTRATION	DISABILITY RETIREMENT	BOARD GOVERNANCE, ETHICS, & FIDUCIARY OBLIGATIONS	ORGANIZATION BUDGET & AUDIT PROCEDURES
				TOPIC							
24.00	**HOURS DUE by >**		**The later of December 31, 2014, or two years after assuming office, and biannually thereafter.**								
			See prior reports by date for earlier data.								
		SACRS	**PUBLIC PENSION INVESTMENT MANAGEMENT PROGRAM**								
1.50	7/15/2018	SACRS	Pension Fund and Investment Basics			X					
1.50	7/15/2018	SACRS	Return, Risk and Diversification			X					
1.50	7/15/2018	SACRS	Practical Mean-Variance Analysis			X					
1.50	7/15/2018	SACRS	CAPM and Luck vs. Skill			X					
1.75	7/16/2018	SACRS	Financial Economics for Pensions: Forecasting Assets Cook County Case			X					
1.50	7/16/2018	SACRS	Forecasting Liabilities: Actuarial Science				X				
1.50	7/16/2018	SACRS	Portfolio Management and Performance Measurement		X						
1.50	7/16/2018	SACRS	Systematic Risk and Luck vs. Skill: DFA Case Discussion			X					
1.25	7/17/2018	SACRS	Disruptive Technologies: Transforming the Future of Investment			X					
1.00	7/17/2018	SACRS	Keynote Speaker - Robert Reich			X					
1.50	7/17/2018	SACRS	Real Assets			X					
1.25	7/17/2018	SACRS	Alternative Investment Strategies: PE Case Discussion			X					
1.50	7/17/2018	SACRS	Alternative Investment Strategies: Hedge Funds			X					
1.25	7/18/2018	SACRS	ESG Case Discussion: Norway SWF and Walmart Case			X					
1.75	7/18/2018	SACRS	Pension Fund Governance Panel							X	
1.00	7/18/2018	SACRS	Behavioral Finance: Overconfidence and Expertise							X	
1.50	7/18/2018	SACRS	Leadership and the Role of the Trustee							X	
2.00	8/9/2018	FPPC	Certified Public Service Ethics Education							X	
1.25	9/10/2018	Committee on Workers' Capital	Roundtable Discussion: Addressing labour Issues in Your Investments: Recent Trustee Experiences							X	
1.25	9/10/2018	Committee on Workers' Capital	Asset Manager Accountability: Moving Managers from Talk to Action							X	
28.75	**Hours for Quarter Ending September 30, 2018**										
2.00	10/5/2018	FPPC	Certified Public Service Ethics Education							X	
0.75	10/15/2018	CRCEA	Public Employee Pension Rights Under Judicial Attack - Will the "California Rule" Survive?	X							
2.00	10/18/2018	Nossaman	Fiduciaries' Forum: Key Pension Litigation Nationally with a Focus on California, etc.	X							

D.2.a.3.b

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE Master Log

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				TOPIC							
2.50	10/18/2018	Nossaman	Fiduciaries' Forum: Keynote Presentation: Expert's Insights - New Composition of the U.S. Supreme Court	X							
1.00	10/19/2018	Nossaman	Fiduciaries' Forum: A Look at the Standard of Care in Private Fund Documentation and How This Plays Out in Litigation							X	
0.50	10/19/2018	Nossaman	Fiduciaries' Forum: Key Intellectual Property Issues for Public Agencies	X							
0.50	10/19/2018	Nossaman	Fiduciaries' Forum: Recent Market Trends in Private Fund Investment Transactions			X					
0.25	10/19/2018	Nossaman	Fiduciaries' Forum: Tax Code Challenges as We Head Into 2019	X							
1.00	10/19/2018	Nossaman	Fiduciaries' Forum: Defense and Indemnification Rights of Trustees and Staff: How Protected Are You?	X							
1.00	10/19/2018	Nossaman	Fiduciaries' Forum: How Technological Changes and Cyber Vulnerabilities Change the Risk Matrix for Investors			X					
30.75	10/22-26/18	Wharton	Investment Strategies and Portfolio Management - Program Overview, Modern Portfolio Theory, Evaluating Managers and Strategies, Advanced Asset Allocation, Investment Policy, Behavioral Finance, Bond Management, Derivatives and Their Use, Private Equity, International Markets, Hedge Funds, Real Estate, Outlook for the Economy and Navigating Its Risks, Review of Content			X					
3.00	10/22-26/18	Wharton	Investment Strategies and Portfolio Management - Performance Measurement		X						
		CII	CII FALL 2018 CONFERENCE								
1.00	10/23/2018	CII	Principles, Best Practices and Updates on Virtual Shareholder Meetings							X	
1.00	10/23/2018	CII	Task Force on Climate Related Disclosures (TCFD) Recommendations: Driving Climate Risk into Mainstream Reporting			X					
1.00	10/23/2018	CII	Uncovering the Plastics Problem: Reg. Impacts, Areas of Engagement, Investment Risk & Opportunity			X					
0.50	10/23/2018	CII	Improving Information for Investors in the Digital Age			X					
0.50	10/23/2018	CII	ESG, Public Sector and Fixed Income: A Conversation with Chicago Treasurer Kurt Summers			X					
0.50	10/23/2018	CII	Virtual Currencies, Blockchain, ICOs and Financial Regulation			X					
0.90	10/24/2018	CII	ESG Integration: A Progress Report			X					
0.50	10/24/2018	CII	The Perils of Dual-Class			X					
0.50	10/24/2018	CII	Index Providers in a Changing Investment World, Part III: An Interview with Alex Matturi of S&P			X					
0.90	10/24/2018	CII	Breakout 1: Executive Compensation - A Fork in the Road?							X	
0.90	10/24/2018	CII	Breakout 2 - Cybersecurity Risk - What's at Stake for Investors			X					
1.75	10/24/2018	CII	Luncheon Keynote & Interview							X	

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE **Master Log**

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				TOPIC							
1.00	10/24/2018	CII	Addressing Portfolio ESG Risk Through Active Stewardship							X	
1.00	10/24/2018	CII	The Growing Risk of Sexual Harassment in the Workplace							X	
1.00	10/24/2018	CII	Understanding Climate Change-related Risks and Opportunities with Portfolio Holdings			X					
1.00	10/25/2018	CII	Shareholder Activism Abroad							X	
1.33	10/25/2018	CII	Promoting Racial and Ethnic Diversity on Public Company Boards & Shareholder Initiatives							X	
1.00	10/26/2018	CalAPRS	Trustee Roundtable: Leveraging Your Manager's Best Ideas - Managed Custody Accounts and the Role of Partnership in Dynamic Portfolio Management			X					
1.25	10/26/2018	CalAPRS	Trustee Roundtable: Cybersecurity for Trustees - What to Know, What to Ask, What to Do							X	
1.00	10/26/2018	CalAPRS	Trustee Roundtable: Cryptocurrency, Blockchain and how Blockchain is being applied in the Real Estate Industry			X					
1.00	10/30/2018	MCERA	Strategic Workshop: Board Governance at MCERA							X	
1.00	10/30/2018	MCERA	Strategic Workshop: Fat Tails and Black Swans - Risk Mitigation Strategies			X					
1.00	10/30/2018	MCERA	Strategic Workshop: Asset Allocation Case Study - Functionally Focused Portfolio			X					
1.50	10/30/2018	MCERA	Strategic Workshop: Quantitative and Qualitative Factors for Hiring Investment Managers			X					
1.00	10/31/2018	MCERA	Strategic Workshop: Corporate Governance - General Education and Legal Requirements							X	
1.00	10/31/2018	MCERA	Strategic Workshop: Corporate Governance - Pension System View of Good Governance							X	
1.00	10/31/2018	MCERA	Strategic Workshop: A Private Equity Primer on the Beginning, the Middle and the End			X					
			FALL SACRS CONFERENCE								
2.00	11/13/2018	SACRS	Advanced Trustee Training							X	
2.00	11/13/2018	SACRS	Disability-Ops - The Heart, Cancer, Blood-borne Infectious Diseases, and Biochemical Substances Presumptions Under CERL						X		
1.00	11/14/2018	SACRS	General Session - Navigating Global Economic Uncertainty: An Unconventional Approach			X					
1.00	11/14/2018	SACRS	General Session - Midterm Elections	X							
3.00	11/14/2018	SACRS	Concurrent Session - Ops-Benefits Breakout and Disability Breakout					X			
3.00	11/14/2018	SACRS	Concurrent Session - Trustee Breakout - How Boards Can Work Through Challenging Meetings Together							X	
3.00	11/14/2018	SACRS	Concurrent Session - Safety Breakout					X			

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE Master Log

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0.83	11/15/2018	SACRS	General Session - Don't Waste an Opportunity			X					
0.83	11/15/2018	SACRS	General Session - More People, More Jobs, More Market Volatility, More Tariffs: Why Real Estate, Why Now in Your Portfolio			X					
1.00	11/15/2018	SACRS	Concurrent Session A - SACRS Legislative 2018 Update	X							
1.00	11/15/2018	SACRS	Concurrent Session B - Investing in a Low-Return, Rising-Rate Environment			X					
1.00	11/15/2018	SACRS	Concurrent Session C - Real Talk: Developing & Retaining the Next Generation of Leaders							X	
1.00	11/15/2018	SACRS	Concurrent Session A - Sleeping Tiger - Growing Importance of China A Shares			X					
1.00	11/15/2018	SACRS	Concurrent Session B -Block Chain - Bit Coin - Handle with Extreme Care! Cryptocurrencies			X					
1.00	11/15/2018	SACRS	Concurrent Session C - Real Talk: Developing & Retaining the Next Generation of Leaders							X	
0.83	11/16/2018	SACRS	General Session - Cyber Security at the Retirement System					X			
0.25	12/12/2018	MCERA	Actuarial Audit				X				
0.25	12/12/2018	MCERA	GASB 67-68 Reports				X				
95.28	**Hours for Quarter Ending December 31, 2018**										
3.00	1/15/2019	Nossaman	2019 ILPA Roundtable - Investment Advisor Alignment Act, Fiduciary Duty issues at the SEC, ILPA Model LPA, GP-led secondaries and LPACs, Principles 3.0							X	
1.25	1/29/2019	Callan	National Conference - Global Economic Outlook - the Opportunities and Challenges			X					
1.00	1/29/2019	Callan	National Conference - Callan's EDD Talk on Investment Theory and Design			X					
1.25	1/29/2019	Callan	National Conference - Social Intelligence			X					
1.25	1/29/2019	Callan	National Conference - Workshop - The Evolution of Strategic Allocations: What's Next?			X					
1.25	1/29/2019	Callan	National Conference - Workshop - Private Equity: Primary Investment Opportunities and Considerations			X					
1.25	1/30/2019	Callan	National Conference - Income Inequality Panel							X	
1.25	1/30/2019	Callan	National Conference - Condoleezza Rice			X					
1.00	1/30/2019	Callan	National Conference - Workshop - The Evolution of Strategic Allocations: What's Next?			X					
1.00	1/30/2019	Callan	National Conference - Workshop - Market Intelligence Panel - Live!			X					
0.25	2/13/2019	MCERA	Form 700 Refresher							X	
0.50	2/13/2019	MCERA	Actuarial Valuation Report				X				
2.00	3/4/2019	CII	Spring Conference - Master Class, How to Achieve Engaged Ownership							X	
1.00	3/4/2019	CII	Spring Conference - Directors as Change Agents							X	
0.50	3/4/2019	CII	Spring Conference - Interview with Hiro Mizuno of Japan's GPIF							X	

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE Master Log

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0.50	3/4/2019	CII	Spring Conference - Interview with Sarah Williamson: Focusing Capital on the Long Term			X					
1.00	3/4/2019	CII	Spring Conference - Human Capital Management Risks in the Gig Economy							X	
0.50	3/5/2019	CII	Spring Conference - Blockchain and Securities Trading			X					
0.50	3/5/2019	CII	Spring Conference - SEC Commissioner Hester Peirce							X	
0.75	3/5/2019	CII	Spring Conference - Panel: Pay Pioneers							X	
0.50	3/5/2019	CII	Spring Conference - Focusing on the "S" in ESG							X	
0.75	3/5/2019	CII	Spring Conference - Engaging in Market Policy Reform to Enhance Long-Term Performance							X	
1.50	3/5/2019	CII	Spring Conference - Luncheon Keynote: Leadership							X	
1.00	3/5/2019	CII	Spring Conference - Corporate Governance in Emerging Markets: What Matters Most?							X	
0.83	3/6/2019	CII	Spring Conference - Drivers of EM Capital Flows - Global Governance Developments							X	
0.67	3/6/2019	CII	Spring Conference - Investor Sentiment on Executive Pay Design							X	
1.00	3/6/2019	CII	Spring Conference - Investors Engage on #MeToo - CII Member Proxy Season Initiatives							X	
27.25	**Hours for Quarter Ending March 31, 2019**										
0.50	4/9/2019	Pension Bridge	Keynote Speaker - Macroeconomic View			X					
0.83	4/9/2019	Pension Bridge	The Deepening Crisis of Unfunded Pension Plans and its Far Reaching Effects of Fiscal Distress				X				
0.75	4/10/2019	Pension Bridge	Real Estate			X					
0.25	4/10/2019	Pension Bridge	Investing in Farmland			X					
0.25	4/10/2019	Pension Bridge	Investing in Water			X					
1.00	4/16/2019	MCERA	Strategic Workshop: Capital Markets Update			X					
1.50	4/16/2019	MCERA	Strategic Workshop: Asset Liability Review and Discussion			X					
1.50	4/16/2019	MCERA	Strategic Workshop: Fixed Income Role of Central Banks			X					
1.00	4/16/2019	MCERA	Strategic Workshop: Domestic Relations Orders Processing					X			
1.00	4/17/2019	MCERA	Strategic Workshop: Actuarial Assumptions - How Changes Impact the Plan's Liabilities				X				
1.00	4/17/2019	MCERA	Strategic Workshop: Cybersecurity Considerations					X			
1.00	4/17/2019	MCERA	Strategic Workshop: Public Retirement System Trustee Do's and Don'ts							X	
2.00	5/2/2019	MCERA	Sexual Harassment Prevention Training							X	
		SACRS	**Spring Conference**								
2.00	5/7/2019	SACRS	Sexual Harassment Prevention Training							X	
2.00	5/7/2019	SACRS	Ethics Training for Public Officials							X	

MCERA CONTINUING TRUSTEE EDUCATION LOG

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				TOPIC							
1.00	5/8/2019	SACRS	General Session - Retirement Readiness for Life After Full-Time Work					X			
1.00	5/8/2019	SACRS	General Session - Risks and Opportunities in the Current Macro Environment			X					
1.00	5/8/2019	SACRS	General Session - China - The Great Disruptor			X					
1.00	5/8/2019	SACRS	General Session - The Enterprise Risks Facing California's Pension Systems			X					
1.75	5/8/2019	SACRS	Ops/Benefits & Disability Breakout						X		
1.75	5/8/2019	SACRS	Investment Breakout		X						
1.75	5/8/2019	SACRS	Trustee Breakout							X	
1.75	5/8/2019	SACRS	Safety Breakout							X	
1.00	5/9/2019	SACRS	General Session - General Wesley Clark			X					
1.00	5/9/2019	SACRS	General Session - A Q&A with Robert Smith of Vista Equity Partners							X	
1.00	5/9/2019	SACRS	General Session - An Insiders View of Washington D.C.			X					
1.00	5/9/2019	SACRS	Concurrent Session A - The Case for Non-US Equities			X					
1.00	5/9/2019	SACRS	Concurrent Session B - Why Public Fund Investors Should Consider Renewable Energy			X					
1.00	5/9/2019	SACRS	Concurrent Session C - California Supreme Court to Decide: What's Next for the 'California Rule' and Public Employee Pensions as Vested Rights	X							
1.00	5/9/2019	SACRS	Concurrent Session A - Private Equity: Primary Investment Opportunities and Considerations			X					
1.00	5/9/2019	SACRS	Concurrent Session B - Legislative Update	X							
1.00	5/10/2019	SACRS	General Session - Investing in Infrastructure			X					
0.75	5/20/2019	NCPERS	Annual Conference - Five-Year Outlook: Strategic Themes & Tactical Opportunities			X					
0.75	5/20/2019	NCPERS	Annual Conference - Legal Panel: Securities Litigation	X							
0.50	5/20/2019	NCPERS	Annual Conference - Artificial Intelligence (AI) Made Easy			X					
1.00	5/20/2019	NCPERS	Annual Conference - Adverse Scenarios and Pension Plan Health				X				
1.00	5/20/2019	NCPERS	Annual Conference - Why Costs Matter		X						
1.00	5/20/2019	NCPERS	Annual Conference - Responsible Real Estate Investing: A Primer for Public Fund Trustees and Staff			X					
0.75	5/21/2019	NCPERS	Annual Conference - Legal Panel: Benefits, Tax & Regulations	X							
0.75	5/21/2019	NCPERS	Annual Conference - Investing in a Low Growth World			X					
0.75	5/21/2019	NCPERS	Annual Conference - The Future of Public Plans in Post-Janus Decision	X							
1.00	5/21/2019	NCPERS	Annual Conference - It's Much More Than Money							X	
1.00	5/21/2019	NCPERS	Annual Conference - Informed Opportunities with Multi-Asset Strategies			X					
1.00	5/21/2019	NCPERS	Annual Conference - Social Security and Retirement Planning App					X			
0.50	5/22/2019	NCPERS	Annual Conference - The Case for New Pension Accounting Standards	X							

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE **Master Log**

HOURS	DATE	SPONSOR	EVENT/SEMINAR	TOPIC: PENSION LAW	INVESTMENT PERFORMANCE MEASUREMENT	ASSET ALLOCATION AND INVESTMENT MANAGEMENT	ACTUARIAL EVALUATION AND PROCESS	BENEFITS ADMINISTRATION	DISABILITY RETIREMENT	BOARD GOVERNANCE, ETHICS, & FIDUCIARY OBLIGATIONS	ORGANIZATION BUDGET & AUDIT PROCEDURES
0.50	5/22/2019	NCPERS	Annual Conference - ESG Integration: Expanding the Toolkit for Investment Research and Portfolio Management			X					
0.75	6/12/2019	MCERA	Actuarial Amortization and Funding Policy Review				X				
48.58	**Hours for Quarter Ending June 30, 2019**										
2.00	7/2/2019	MCERA	Sexual Harassment Prevention Training							X	
1.75	7/23/2019	Callan	Introduction to Investments - The Role of the Fiduciary and Investment Policy Statements			X					
1.50	7/23/2019	Callan	Introduction to Investments - Capital Market Theory and Asset Allocation			X					
1.50	7/23/2019	Callan	Introduction to Investments - Manager Structure - Defined Benefit			X					
0.75	7/23/2019	Callan	Introduction to Investments - Manager Structure - Defined Contribution			X					
1.50	7/24/2019	Callan	Introduction to Investments - Manager Search			X					
1.75	7/24/2019	Callan	Introduction to Investments - Performance Measurement		X						
2.00	8/2/2019	Marin County	Workplace Harassment Prevention							X	
2.00	9/4/2019	Nossaman	U.S. Pubic Pension Handbook: A Comprehensive Guide for Trustees and Staff					X			
0.83	9/5/2019	Nossaman	California Public Pension Litigation Update	X							
0.50	9/5/2019	Nossaman	Practical Considerations for Retirement System Trustees and Staff After the Supreme Court Rules in *Alameda*	X							
0.83	9/5/2019	Nossaman	Roles and Responsibilities of Consultants, Managers, and Investors/LPACs							X	
1.00	9/5/2019	Nossaman	Discussion of Institutional Limited Partners Association 3.0	X							
0.67	9/5/2019	Nossaman	Overview of Open-Ended vs. Close-Ended Funds	X							
0.50	9/5/2019	Nossaman	Alternative Investment Issues in PPMs, LPAs, and Subscription Agreements			X					
0.33	9/5/2019	Nossaman	Key Legal Considerations for Investments in Real Assets	X							
0.33	9/5/2019	Nossaman	Current Legal Issues in PAS System Administration and Privacy	X							
0.33	9/5/2019	Nossaman	Twists in Public Pension System Insurance Coverage for Fiduciaries	X							
0.92	9/5/2019	Nossaman	Roundtable: Top Fiduciary Issues for Public Plans							X	
2.00	9/16/2019	CII	Fall Conference - Master Class: Evaluating Pay for Performance							X	
0.75	9/16/2019	CII	Fall Conference - Dual Class Stock and the Future of Corporate Governance			X					
0.75	9/16/2019	CII	Fall Conference - Evolving the Board							X	
0.75	9/17/2019	CII	Fall Conference - Fiduciary Duty and ESG in Investment: CIO Perspectives							X	
0.50	9/17/2019	CII	Fall Conference - Public Company Accounting Oversight: Key Issues and Developments								X
0.50	9/17/2019	CII	Fall Conference - Gender Pay Equity							X	
0.25	9/17/2019	CII	Fall Conference - Lessons from the front Lines: Challenges in Renewable Energy Deployment & Transitions			X					

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE Master Log

HOURS	DATE	SPONSOR	EVENT/SEMINAR	PENSION LAW	INVESTMENT PERFORMANCE MEASUREMENT	ASSET ALLOCATION AND INVESTMENT MANAGEMENT	ACTUARIAL EVALUATION AND PROCESS	BENEFITS ADMINISTRATION	DISABILITY RETIREMENT	BOARD GOVERNANCE, ETHICS, & FIDUCIARY OBLIGATIONS	ORGANIZATION BUDGET & AUDIT PROCEDURES
1.00	9/17/2019	CII	Fall Conference - Member-Hosted Panel: Forced Arbitration Clauses & the Repercussions for Institutional Investors	X							
1.75	9/17/2019	CII	Fall Conference - Luncheon Keynote: The Secret and Benefits of Understanding Motivation at Work							X	
1.00	9/17/2019	CII	Fall Conference - Breakout: Auditing Issues and Proxy Voting							X	
30.24	**Hours for Quarter Ending September 30, 2019**										
2.00	10/4/2019	TalentQuest	Preventing Discrimination and Harassment - Supervisors							X	
1.00	10/25/2019	CalAPRS	Trustees' Roundtable - Evolving themes in Environmental, Social and Governance (ESG) investing			X					
0.50	10/25/2019	CalAPRS	Trustees' Roundtable - ESG performance and integration		X						
1.00	10/25/2019	CalAPRS	Trustees' Roundtable - Inside ESG, screening metrics, performance, opportunities and investment vehicles		X						
1.00	10/25/2019	CalAPRS	Trustees' Roundtable - Practical matters of ESG including innovations and integration			X					
		SACRS	**SACRS FALL CONFERENCE**								
2.00	11/12/2019	SACRS	Trustee Training							X	
1.00	11/13/2019	SACRS	General Session - Keynote Speaker Danny Glover			X					
1.00	11/13/2019	SACRS	General Session - Disruptive Technologies and Their Impact on Pension Plan Decisions			X					
1.00	11/13/2019	SACRS	General Session - Up in Smoke			X					
3.00	11/13/2019	SACRS	Safety Breakout					X			
3.00	11/13/2019	SACRS	Trustee Breakout							X	
3.00	11/13/2019	SACRS	Attorney Breakout	X							
1.00	11/14/2019	SACRS	General Session - Managing Hyper-Growth and Innovation			X					
1.00	11/14/2019	SACRS	General Session - Current Economic and Financial Outlook			X					
1.00	11/14/2019	SACRS	General Session - The What, Why and How of Diversity and Inclusion in the Public Pension Industry Workplace							X	
1.00	11/14/2019	SACRS	Concurrent Session A - Building a Private Credit Portfolio: Implementation Approaches, Considerations and Challenges			X					
1.00	11/14/2019	SACRS	Concurrent Session B - Pursuing What You're Due - One Retirement System's Experience Suing Its Carrier	X							
1.00	11/14/2019	SACRS	Concurrent Session C - 130-30 strategies are back. Exploring the benefits of active equity extension in today's investment landscape.			X					
1.00	11/14/2019	SACRS	Concurrent Session A - Changing Consumer Patterns - The Impact on Retail and Industrial Real Estate			X					

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				TOPIC							
1.00	11/14/2019	SACRS	Concurrent Session C - CalPERS & SACRS - Reciprocity, Do I Get It? Part 1 of 2 - Legal, CalPERS Guest Panels at SACRS					X			
1.00	11/14/2019	SACRS	Concurrent Session B - Risk, Mortality and Other Things That Only an Actuary Can Love				X				
1.00	11/14/2019	SACRS	General Session - SACRS System Highlights & Key Takeaways					X			
2.00	11/16/2020	FPPC	Certified Public Service Ethics Training							X	
0.67	12/11/2019	MCERA	GASB 67-68 Report				X				
0.25	12/11/2019	MCERA	Audited Financial Statements								X
0.50	12/11/2019	MCERA	Preliminary Valuation Results				X				
30.92	**Hours for Quarter Ending December 31, 2019**										
		Callan	**CALLAN NATIONAL CONFERENCE**								
1.25	1/28/2020	Callan	Keynote Speaker: Dr. Moyo			X					
1.25	1/28/2020	Callan	Vivek Wadhuaa on how technologies will change the world			X					
1.00	1/28/2020	Callan	Diversifying Strategies in Alternatives			X					
1.00	1/28/2020	Callan	Fee Study: What Institutional Investors are Actually Paying		X						
1.25	1/29/2020	Callan	Joseph Caughlin on how global demographics, technology and changing generational behaviors are transforming business and society			X					
1.25	1/29/2020	Callan	EDD Talk on Investment Theory and Design			X					
1.75	1/29/2020	Callan	Frank Abagnale on cybersecurity and fraud prevention					X			
1.00	1/28/2020	Callan	Diversifying Strategies in Alternatives			X					
1.00	1/28/2020	Callan	Market Intel Live!			X					
2.00	various	FPPC	Public Service Ethics Training							X	
2.00	2/4/2020	MCERA	Prevention of Sexual Harassment Training							X	
0.25	2/12/2020	MCERA	Annual Cost of Living Adjustment					X			
1.00	2/12/2020	MCERA	Actuarial Valuation Report as of June 30, 2019				X				
0.50	2/12/2020	MCERA	Form 700 Refresher							X	
		CalAPRS	**GENERAL ASSEMBLY**								
2.00	3/8/2020	CalAPRS	Ethics in Public Service							X	
0.75	3/8/2020	CalAPRS	Fund Governance War Stories							X	
1.25	3/8/2020	CalAPRS	6 Years Post-PEPRA - Are we getting the savings as promised?					X			
1.00	3/9/2020	CalAPRS	The Canadian Model			X					
1.00	3/9/2020	CalAPRS	Revisiting Simplicity in Investing			X					
1.00	3/9/2020	CalAPRS	Lessons from China			X					
1.00	3/9/2020	CalAPRS	Economic Outlook			X					
1.00	3/9/2020	CalAPRS	Updates About National Trends			X					

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE Master Log

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1.00	3/10/2020	CalAPRS	Disaster Recovery: Lessons Learned from New Orleans and Sonoma Retirement Systems					X			
1.00	3/10/2020	CalAPRS	Governance Best Practices							X	
		CII	**SPRING CONFERENCE**								
2.00	3/9/2020	CII	Master Class: 31 Flavors of Stewardship - Proxy Voting, Engagement and Sustainability							X	
1.00	3/9/2020	CII	SDG Adoption on a Global Scale: A Case Study							X	
1.00	3/9/2020	CII	Panel: How to Hold BRT Members to Account on Business Purposes							X	
1.00	3/9/2020	CII	Panel: Engaging Private Fund Managers on ESG Issues							X	
1.00	3/9/2020	CII	Panel: The Scope of Rule 10b-5 after Lorenzo v. SEC	X							
0.75	3/9/2020	CII	The Future for IPOs			X					
0.67	3/9/2020	CII	Accounting for Climate Change Risks			X					
0.50	3/9/2020	CII	Human Capital and the Future of Work								X
0.75	3/10/2020	CII	What's Next at the SEC							X	
0.75	3/10/2020	CII	How Boards are Grappling with Oversight of Human Capital Management								X
0.75	3/10/2020	CII	What's Next at the PCAOB							X	
1.00	3/10/2020	CII	Panel: Is It Time for Employee Representatives on Company Boards?							X	
1.00	3/10/2020	CII	Panel: Global Trends in Ownership and Control							X	
1.00	3/10/2020	CII	Panel: Corporate Governance and Climate Action: What Should Shareowners Seek							X	
1.45	3/10/2020	CII	Keynote: Top 10 Trends of the 2020's							X	
1.00	3/10/2020	CII	Breakout Panel: Cyber Threats to Long-term Performance					X			
1.00	3/10/2020	CII	Breakout Panel: Exchange Innovations - Speed Bumps and Predictions							X	
1.00	3/10/2020	CII	Breakout Panel: U.S. Policy Impacts on Pension Fund Investments in China			X					
1.00	3/11/2020	CII	Global Perspectives on Executive Compensation & Corporate Purpose							X	
1.00	3/11/2020	CII	Perspectives of Faith-Based Investors			X					
1.50	3/11/2020	CII	Shareholder Advocacy Committee Plenary and Lightening Round							X	
48.62	**Hours for Quarter Ending March 31, 2020**										
			SACRS WEBINAR SERIES								
1.50	5/12/2020	SACRS	Operational Tools for Liquidity and Rebalancing during Market Volatility			X					
1.50	5/13/2020	SACRS	Don't Stop Thinking About Tomorrow - China A-share market & opportunities			X					
1.50	5/13/2020	SACRS	Private Markets Today vs. The Global Financial Crisis: What's the same, what's different, and where do we go from here?			X					
1.50	5/14/2020	SACRS	Cash Flows & Investment Management in the Time of COVID			X					
1.50	5/15/2020	SACRS	Has the Coronavirus Pandemic Changed the Outlook for ESG Investing?			X					

MCERA CONTINUING TRUSTEE EDUCATION LOG

TRUSTEE **Master Log**

HOURS	DATE	SPONSOR	EVENT/SEMINAR	PENSION LAW	INVESTMENT PERFORMANCE MEASUREMENT	ASSET ALLOCATION AND INVESTMENT MANAGEMENT	ACTUARIAL EVALUATION AND PROCESS	BENEFITS ADMINISTRATION	DISABILITY RETIREMENT	BOARD GOVERNANCE, ETHICS, & FIDUCIARY OBLIGATIONS	ORGANIZATION BUDGET & AUDIT PROCEDURES
				TOPIC							
1.50	5/19/2020	SACRS	Private Market Investing in a Late-Cycle Market or Private Market Investing in the 8th Inning			X					
1.50	5/20/2020	SACRS	The Case for Investing with Small and Emerging Managers			X					
1.50	5/21/2020	SACRS	Litigation 101 & Current Cases	X							
1.50	6/23/2020	SACRS	The Ever-Changing Fixed Income Landscape: Where we were, where we are, and where are we going?			X					
1.50	6/24/2020	SACRS	Global market recovery in the face of a global pandemic—are we beyond the economic shocks?			X					
1.50	6/25/2020	SACRS	ESG Improvers: A New Alpha Enhancing Factor			X					
2.00	various	FPPC	Public Service Ethics Training							X	
18.50	**Hours for Quarter Ending June 30, 2020**										
1.50	7/1/2020	SACRS	Digging Into Inflation			X					
1.50	7/7/2020	SACRS	2020 Vintage Should Outperform			X					
2.00	7/30/2020	FPPC	Public Service Ethics Training							X	
1.25	8/12/2020	MCERA	Investment Opportunities - Distressed Investments			X					
1.50	8/18/2020	SACRS	Infrastructure Debt, an Attractive Alternative for Your Fixed Income Portfolio			X					
1.50	8/19/2020	SACRS	The Era After the Coronavirus			X					
1.50	8/20/2020	SACRS	Planning for the Pandemic			X					
2.00	9/30/2020	Nossaman	Public Pensions and Investments Fiduciaries' Forum - Litigation Impacting the Operation of Public Pension Plan Systems	X							
12.75	**Hours for Quarter Ending September 30, 2020**										

D.2.a.3.c

July 18, 2020 - August 17, 2020

Posting Date	Transaction Date	Vendor	Amt. Charged	Receipt (Yes/No/Other)	For (dept.or area served)	Reason (or item purchased)
Kiana 8171						
8/12/2020	8/11/2020	Amazon.com	$ (22.88)	Yes	MCERA Staff	Laptop stand
7/20/2020	7/17/2020	Office Depot	$ 206.83	Yes	MCERA Staff	Office supplies
7/29/2020	7/28/2020	Amazon.com	$ 8.38	Yes	MCERA Staff	Office supplies
8/10/2020	8/8/2020	Amazon.com	$ 22.88	Yes	MCERA Staff	Office supplies
8/10/2020	8/9/2020	Wall Street Journal	$ 143.47	Yes	MCERA Staff	J.Wickman Subscription
		Total:	**$ 358.68**			
Jeff 3902						
8/5/2020	8/4/2020	ZOOM.US	$74.95	Yes	MCERA Board	Subscription
		Total:	**$74.95**			
		Balance Total:	**$433.63**			

August 18, 2020 - September 17, 2020

Posting Date	Transaction Date	Vendor	Amt. Charged	Receipt (Yes/No/Other)	For (dept.or area served)	Reason (or item purchased)
Kiana 8171						
8/19/2020	8/17/2020	Office Depot	$ 443.28	Yes	MCERA Staff	Laptop stand
8/19/2020	8/18/2020	Best Buy	$ 1,773.88	Yes	MCERA Staff	Laptops for Keith and Dale
8/19/2020	8/18/2020	The Economist	$ 69.00	Yes	MCERA Board	Chris Cooper Subscription
8/24/2020	8/21/2020	Office Depot	$ 76.92	Yes	MCERA Staff	Office supplies
8/25/2020	8/24/2020	Amazon.com	$ 40.32	Yes	MCERA Staff	Laptop stand
8/25/2020	8/24/2020	Amazon.com	$ 108.95	Yes	MCERA Staff	Masks
8/26/2020	8/25/2020	AT&T	$ 551.58	Yes	MCERA Staff	Wickman/Hardesty cell
9/2/2020	9/1/2020	Amazon.com	$ 20.08	Yes	MCERA Staff	HDMI cord/extension cord
9/7/2020	9/4/2020	Amazon.com	$ 23.42	Yes	MCERA Staff	Planner refill
9/7/2020	9/3/2020	Office Depot	$ 439.32	Yes	MCERA Staff	Office supplies
9/7/2020	9/6/2020	Amazon.com	$ 32.40	Yes	MCERA Staff	HDMI cord
9/16/2020	9/15/2020	Amazon.com	$ 47.94	Yes	MCERA Staff	Masks
9/1/2020	9/1/2020	Annual Card Fee	$ 25.00	n/a	Bank	Bank
		Total:	**$ 3,652.09**			
Jeff 3902						
8/31/2020	8/27/2020	CALAPRS	$500.00	Yess	MCERA Staff	J.Wickman
9/7/2020	9/4/2020	ZOOM.US	$74.95	Yes	MCERA Board	Subscription
		Total:	**$574.95**			
		Balance Total:	**$4,227.04**			

D.2.a.3.c

September 18, 2020 - October 17, 2020

Posting Date	Transaction Date	Vendor	Amt. Charged	Receipt (Yes/No/Other)	For (dept.or area served)	Reason (or item purchased)
Kiana 8171						
10/5/2020	10/3/2020	Wall Street Journal	$ 116.97	Yes	MCERA Staff	J.Wickman Subscription
10/6/2020	10/5/2020	EBAY	$ 105.73	Yes	MCERA Staff	Camera's for Deskstop
10/9/2020	10/7/2020	Office Depot	$ 96.45	Yes	MCERA Staff	Office supplies
10/9/2020	10/7/2020	Office Depot	$ 82.50	Yes	MCERA Staff	Office supplies
10/12/2020	10/9/2020	Office Depot	$ 82.50	Yes	MCERA Staff	Office supplies
		Total:	**$ 484.15**			
Jeff 3902						
9/25/2020	9/24/2020	AT&T	$264.44	Yess	MCERA Board	Board iPads
10/5/2020	10/4/2020	ZOOM.US	$74.95	Yes	MCERA Board	Subscription
		Total:	**$339.39**			
		Balance Total:	**$823.54**			

D.2.a.3.g

MCERA Investment Manager Capital Calls, Distributions & Other Transfers
FY20/21 Year-to-Date ending September 30, 2020

Abbott Fund VI						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			100,000,000			
8/18/2020	500,000	(2,000,000)				
9/30/2020	0	(1,500,000)				
Total	**500,000**	**(3,500,000)**	**100,000,000**	**99,047,700**	**108,893,939**	**952,300**

Abbott Fund VII						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			35,000,000			
8/19/2020	175,000	(525,000)				
Total	**175,000**	**(525,000)**	**35,000,000**	**33,950,000**	**12,250,000**	**1,050,000**

Abbott Investors 2016						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			50,000,000			
7/24/2020	991,250	0				
9/3/2020	2,000,000	(2,100,000)				
Total	**2,991,250**	**(2,100,000)**	**50,000,000**	**31,806,252**	**2,800,000**	**18,193,748**

Abbott Investors 2017						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			15,000,000			
7/10/2020	465,000	0				
9/4/2020	821,250	(915,000)				
9/28/2020	345,000	0				
Total	**1,631,250**	**(915,000)**	**15,000,000**	**6,255,002**	**0**	**8,744,998**
Total Abbott Commitment	**5,297,500**	**(7,040,000)**	**200,000,000**	**171,058,954**	**123,943,939**	**28,941,046**

D.2.a.3.g

MCERA Investment Manager Capital Calls, Distributions & Other Transfers
FY20/21 Year-to-Date ending September 30, 2020

Pathway Fund 2008						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			100,000,000			
8/31/2020	135,000	(332,720)				
9/30/2020	105,030	(2,842,397)				
Total	**240,030**	**(3,175,117)**	**100,000,000**	**97,417,252**	**99,993,054**	**2,582,748**

Pathway Fund I7-3						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			35,000,000			
7/31/2020	78,750	(107,287)				
8/31/2020	28,433	(341,867)				
9/30/2020	0	(502,090)				
Total	**107,183**	**(951,244)**	**35,000,000**	**32,691,871**	**13,536,776**	**2,308,129**

Pathway Fund I8-9						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			50,000,000			
7/1/2020	2,235,097	(556,347)				
7/31/2020	0	(65,513)				
8/31/2020	100,887	(168,811)				
9/30/2020	0	(171,122)				
Total	**2,335,984**	**(961,793)**	**50,000,000**	**33,831,144**	**3,379,288**	**16,228,205**

Pathway Fund I9-3						
Quarter				Since Inception		
Date	Capital Call	Distribution	Initial Commitment	Paid-in Capital	Distributions	Uncalled Capital
			15,000,000			
9/4/2020	400,164	(15,614)				
9/30/2020	95,595	(247,929)				
Total	**495,759**	**(263,543)**	**15,000,000**	**6,521,061**	**651,551**	**8,478,939**
Total Pathway Commitment	**3,178,956**	**(5,351,697)**	**200,000,000**	**170,461,328**	**117,560,669**	**29,598,021**
Total Private Equity	**8,476,456**	**(12,391,697)**	**400,000,000**	**341,520,282**	**241,504,608**	**58,539,067**

Other Transfers and Portfolio Rebalance

Parametric Margin Account	
Date	Amount
8/31/2020	**(30,000,000)**

MCRG - STIF Account	
Date	Amount
8/31/2020	**30,000,000**

Note:
All amounts since inception as of March 31, 2020, as reported in Callan Quarterly Report as of June 30, 2020.

Phone 415 473-6147
Fax (benefits) 415 473-3612
Fax (admin) 415 473-4179
MCERA.org

D.2.a.4

November 9, 2020

To: Finance and Risk Management Committee
Marin County Employees' Retirement Association (MCERA)

From: Jeff Wickman
Retirement Administrator

Subject: MCERA Cybersecurity Risk Assessment Action Items

Background

At the August 19, 2020 Finance and Risk Management Committee meeting, Linea Secure presented their Cybersecurity Risk Assessment Report of MCERA's operations to the Committee in Closed Session. The report identified five high priority items that Linea Secure recommended immediate action to address. In addition, there were 28 medium priority items that were recommended for action. Most of the medium priority items were around having proper controls in place to manage security. The Committee requested that Linea Secure develop a priority order for items that should be addressed from the assessment.

Because there are a finite number of MCERA resources to work on these items, the Retirement Administrator requested that Linea Secure provide a proposal that would include the cost of Linea Secure working with MCERA to prioritize the 32 areas of security improvements along with the following:

- Work with MCERA, Marin County IT and Avenu (CPAS) to develop and implement the controls necessary to mitigate risk.
- Develop an Incident Response Plan that expands on the Breach Response Plan to include roles and responsibilities, scenarios, detection and analysis, incident response and resolution, and post-incident activity.
- Develop a System Security Plan based on the National Institute of Standards and Technology (NIST) 800-53 Rev 5 standards for moderate security levels in information systems for the CPAS Pension Administration System developed and hosted by Avenu.

Recommendation

Linea Secure has drafted the attached statement of work for mitigating the risks identified in the security assessment. Implementing the necessary changes involves work within and outside of MCERA's control, and staff believes that having an expert third party working with MCERA will expedite the implementation of new and improved security measures, and will help address issues that may be beyond the expertise of our team.

It is staff's recommendation that the Committee ask the Board to direct the Retirement Administrator to engage Linea Secure to assist with the implementation of the recommended changes from the Cybersecurity Risk Assessment. The Retirement Administrator will be required to present a draft contract and work plan to the Board for review and potential approval.

SCHEDULE 1 - STATEMENT OF WORK FOR LINEA SECURE SERVICES

This document addresses the services to be provided to Marin County Employees' Retirement Asscoiation by Linea Secure under the Cybersecurity Services Agreement dated October XX, 2020 for a specified project. The signatures by the designated representatives below indicate acceptance of the following Statement of Work.

Name of Project **Mitigation of Cybersecurity Assessment Findings**	
Linea SecureProject Contact **Peter Dewar**	Phone **(703) 850-4100**
Linea SecureAccount Manager **Peter Dewar**	Phone **(703) 850-4100**

Linea Secure, LLC		Client: Marin County Employees' Retirement Association Attn:	
Address:	4551 Glencoe Avenue Suite 140 Marina del Rey, CA 90292	Address:	One McInnis Parkway Suite 100 San Rafael, CA 94903
Office No:	(310) 331-8133	Office Number:	(415) 473-3612

Signature	Signature
Peter Dewar, PRESIDENT Name (Print), Title	**Jeff Wickman, Administrator** Name (Print), Title
Date	Date

Customer ID #	SOW #

Contractor shall perform services to mitigate the risks identified during the recent cybersecurity assessment performed between 9/1/2019 and 2/15/2020. The assessment identified 32 areas of security improvements that could be implemented to reduce the risks that they present to MCERA.

Linea Secure will develop an Incident Response Plan that expands on the Breach Response Plan to include roles and responsibilities, scenarios, detection and analysis, incident response and resolution, and post incident activity.

Linea Secure will develop a System Security Plan based on the National Institute of Standards and Technology (NIST) 800-53 Rev 5 standards for moderate security levels in information systems for the Avenu developed and hosted CPAS Pension Administration System (PAS).

Cybersecurity Risk Mitigation

Prioritize and Resolve Assessment Risks

Linea Secure will work with MCERA to prioritize the 32 areas of security improvements then work on behalf of MCERA to develop and implement the controls necessary to mitigate the risks identified.

Linea Secure will develop a set of cybersecurity controls and assist MCERA in their implementation to align MCERA with the requirements of the NIST 800-53 standards for moderate security levels.

Linea Secure will work with the Marin County IST Department on behalf of MCERA to facilitate the implementation of additional security controls to improve protections of the MCERA network environment based on the findings of the recent cybersecurity assessment.

Linea Secure will work with Avenu on behalf of MCERA to address the 5 medium security findings in the employer reporting web application that is hosted externally.

Incident Response Plan

Linea Secure will develop a comprehensive incident response plan (IRP) for threats to MCERA. During this process, the following questions will be addressed:

- Who should make up the incident response team?
- What are the roles and responsibilities for each member of the response team?
- How does MCERA Identify, Protect, Detect, Respond, and Recover and Document Lesson Learned as part of a Breach Event?
- What are critical gaps that may impact the ability of MCERA to respond?

Upon defining the questions above, Linea Secure will document the Incident Response Plan and work with MCERA to define an approach to communicate and train the organization.

The IRP will identify specific types of incidents such as:

- Unauthorized access – an individual has gained logical or physical access without permission to a system or network belonging to MCERA.

- Denial of Service (DoS) and distributed denial of service (DDOS) attacks – an attack that prevents the use of a service, rendering it unavailable to authorized users.
- Malicious software – software this is used as an attack vector by persons with malicious intent, to include viruses, worms, and Trojan horse programs.
- Social engineering – impersonating an authorized party to encourage association staff to take certain actions such as changing account numbers and redirecting funds.
- Defects – that discovered by attackers in commercial computer products that are used by ICERS. Such attacks are known as zero-day exploits, as attackers use these vulnerabilities until they are patched.

CPAS System Security Plan

Linea Secure will develop a systems security plan (SSP) to document security controls applied to the CPAS Pension Administration System. During this process, the following questions will be addressed:

- How are each of the 17 NIST 800 53 Rev 5 Key controls implemented?
- Whether MCERA or the Hosting Vendor are responsible for the execution of the control?
- How often will the security controls require updates?

Upon defining the questions above, Linea Secure will document the System Security Plan and work with MCERA on implementing the controls as applicable.

The SSP will identify key controls as they relate to MCERA's ability to achieve the following:

- Identify – Have knowledge of all individuals accessing CPAS and the assigned role within the system. Additionally, understand all internal and external system connections that could present a security risk.
- Protect – Implement access control restrictions to ensure system access is aligned with least privilege and a need-to-know basis.
- Detect – Have processes in place to capture logs, complete regular vulnerabilities scans and have an independent 3rd party test the security control annually.
- Respond – Have comprehensive plans to support business continuity during a disaster recovery and/or cyber event.
- Recover – Ability to support critical business functions and ensure sufficient data is collected to allow for the review after a cyber event.

PROPOSED APPROACH

Linea Secure proposes to assign one Executive Principal Cybersecurity Consultant, one Senior Cybersecurity Consultant, and one Cybersecurity Analyst to the Cybersecurity Risk Mitigation engagement. Linea Secure has multiple experienced and qualified staff that can perform these services and the specific staff assigned will be determined at a later date in conjunction with MCERA. Other consultants with specialized expertise are likely to be brought in when needed. This work will be performed on a schedule agreed to by the parties, along the timelines outlined in the following section.

SERVICE EXPECTATIONS

Resource Requirements and Timeline

Linea Secure is made up of a team of consultants that are experts in technology, cybersecurity, and pension fund operations. As such, we expect to draw from various resources on our staff as needed. For the effort in this Statement of Work, Linea Secure intends to assign the three key consultants prior to the commencement of this work and intends to use those same consultants throughout the duration of the Statement of Work, unless for reasons outside of Linea Secure's control.

The timeline of the work will take the following form, with start date and exact timelines to be determined and agreed to by the parties.

Cybersecurity Risk Mitigation Services Schedule

Kickoff week, consisting of meetings and activities including:

- Project kickoff and scoping session
- Information gathering and document review
- Review changes at the MCERA since the Cybersecurity Assessment occurred, such as the remote work environment
- Seek agreement on scheduling of the work items

The week following the kickoff (or closely thereafter), Linea Secure will develop a detailed schedule that our consultants will follow. It is estimated that the work identified in this SOW will take approximately 6-8 weeks.

Key Assumptions

Linea Secure will require the following to meet MCERA's expectations:

- MCERA's subject matter experts are available to meet on the phone or through video conference on a scheduled basis, as needed, and are willing to reasonably cooperate with any questions or requests made.
- The work is expected to be done remotely by Linea Secure consultants, utilizing video conferencing and document sharing capabilities.
- When conditions permit, Linea Secure will travel to the MCERA's office to attend meetings and deliver presentations.
- MCERA's subject matter experts are expected to have equipment capable of participating in video conferences and viewing documents.
- Project Sponsors and any staff assigned to this project that will be approving deliverables will be able to review and accept the deliverable in timely fashion.
- Deliverables will be submitted first in draft form. Prior to submission of the initial drafts, Linea Secure will review an outline or framework of the deliverables to ensure greater alignment of

expectations. Deliverables will then go through no more than 2 more drafts before being delivered as approved.

Deliverables

1. Plan of Action and Milestones for addressing the Cybersecurity Assessment findings
2. Cybersecurity Incident Response plan
3. CPAS System Security Plan

Price Proposal

Total compensation under this Statement of Work shall not exceed $70,000[1] unless modified by a written and approved amendment to this Statement of Work. The cost proposed is due in part to the fact travel is not contemplated at this time. Should there be a travel requirement during this engagement, travel expenses may need to be submitted separately for reimbursement. Another cost control measure Linea Secure is able to apply is leveraging resources that are familiar with MCERA's operating environment, reducing discovery costs.

[1] Cost does not include other applicable taxes.

D.2.a.5 Annual Audit of Financial Statements Update

This is a discussion with no backup.

Mcera

Audit Committee Presentation of the Results of the June 30, 2020 Year End Financial Statement Audit

Brown Armstrong Accountancy Corporation

4200 Truxtun Avenue, Suite 300 | Bakersfield, CA 93309 | 661.324.4971 | Fax 661.324.4997

1919 Grand Canal Blvd., Suite C6 | Stockton, CA 95207 | 209.888.4751

Presented By: Rosalva Flores, CPA
Partner

BROWN ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2020

The Audit Committee of the
Marin County Employees' Retirement Association
San Rafael, California

We are pleased to present to you the results of our audit of the Marin County Employees' Retirement Association (MCERA) basic financial statements for the fiscal year ended June 30, 2020.

We look forward to presenting the results of the audit and addressing your questions.

Sincerely,

Rosalva Flores, Partner
Brown Armstrong Accountancy Corporation

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Agenda

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Scope of Services Recap

- Audit of MCERA's financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States

- Other communications and reports required by professional standards including:
  - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with GAS
  - Required Communication at the Conclusion of an Audit in Accordance with Professional Standards (SAS 114)
  - Agreed Upon Conditions Report Designed to Improve Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)

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CERTIFIED PUBLIC ACCOUNTANTS

Audit Timeline/Critical Dates List

- Population and Information Requests – May/June 2020
- Interim Fieldwork – July 6, 2020
  - Testing of Internal Controls
  - Walkthroughs and Understanding of Key Accounting Areas
  - Update Minutes and Agreements
- Final Fieldwork – August 17, 2020
  - Substantiate all Accounts and Balances
  - Review Confirmation Responses
- Audit Wrap Up Conference Call to Discuss Results of Fieldwork – September 10, 2020
- Draft Financial Statements and Funding Valuation and GASB Statement No. 67 Report Review – November 2020
- Draft Reports and Recommendations – November 2020
- Audit Committee Presentation to Review Draft Audit Reports – December 1, 2020
- Audit Opinions Issued – Open

BROWN ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANTS

Audit Areas of Focus

Significant Risk Areas	Brown Armstrong's Response
Revenue recognition	• Test of controls was performed over contribution amounts as part of participant data • Confirmations from third parties • Other substantive analytics were also performed
Management override of controls	• An understanding of controls over journal entries was obtained and a sample of individual journal entries was performed • Inquiries performed with individual(s) involved in the financial reporting process, and ensuring no inappropriate or unusual activity was noted relating to journal entry processing • Performed walkthroughs of significant audit areas to review adequate segregation of duties

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Audit Areas of Focus

Significant Audit Areas	Brown Armstrong's Response
Investments and related earnings	• Walkthrough of controls performed • High level analytics performed on investment income • Confirmations with custodian, managers, and consultants • Reviewed GASB Statement No. 72 valuation inputs and testing of Level determinations • Obtained audited financial statements and SOC reports

Participant data and actuary	• Walkthrough and test of controls
	• Testing of participant data, including active and terminated members, and employer payroll
	    o Confirmed with participants, employers, and actuary
	• GASB Statement No. 67
	    o Money-weighted return
	    o RSI schedules

Benefit payments	• Walkthrough and test of controls • Testing of benefit payments • High level analytics
Employer and employee contributions	• Walkthrough and test of controls • Confirmed with employers • High level analytics

Results of the Audit

Report	Opinion or Required Communication
Report on Financial Statements (Opinion)	Unmodified
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	No noncompliance noted No material weaknesses or significant deficiencies noted
Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)	One recommendation suggested related to Service Organization Controls (SOC) reports.

BROWN ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANTS

Results of the Audit

Report	Summary

Required Communication to the Members of the Audit Committee and Board of Retirement in Accordance with Professional Standards (SAS 114)	• Implementation of GASB Statement No. 95
	• Significant Estimates Reviewed
	  • Fair Value of Investments
	  • Contribution and Net Pension Liability Estimates
	    ✓ Based on Actuary Assumptions
	• Corrected and Uncorrected Misstatements – One adjustment proposed and corrected to true up private equity investments as a result of the lag in reporting and timing of the availability of the information – $37 million
	• Disagreements with Management – None

BROWN ARMSTRONG CERTIFIED PUBLIC ACCOUNTANTS

Financial Statement Review

- Questions on the Financial Statements?

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

Thank Staff/Questions?

Rosalva Flores, CPA | Partner
Brown Armstrong Accountancy Corporation
Tel: 661.324.4971 **|** Email rflores@bacpas.com

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORTS TO THE BOARD OF RETIREMENT AND AUDIT COMMITTEE FOR THE FISCAL YEAR ENDED JUNE 30, 2020

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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REQUIRED COMMUNICATION TO THE BOARD OF RETIREMENT AND AUDIT COMMITTEE IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

We have audited the basic financial statements and the schedule of cost sharing employer allocations and the schedule of employer pension amounts allocated by cost sharing plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (referred to as the other information) of the Marin County Employees' Retirement Association (MCERA) for the fiscal year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our scope of services to you dated May 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MCERA are described in Note 2, Summary of Significant Accounting Policies, to the financial statements. As described in Note 2, MCERA implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. We noted no transactions entered into by MCERA during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting MCERA's financial statements were:

- Management's estimate of the fair value of investments which was derived by various methods as detailed in the notes to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

- The contribution amounts and net pension liability as detailed in notes to the financial statements, which are based on the actuarially-presumed interest rate and assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for investments in Notes 2, 3, 4, 5, and 6 to the financial statements, Summary of Significant Accounting Policies, Deposits and Investments, Securities Lending, Derivative Financial Instruments, and Real Estate, respectively, were derived from MCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the financial statements.

- Additionally, the disclosures related to the funding policies, net pension liability, and actuarial methods and assumptions in Note 1, Plan Description; Note 7, Contributions; and Note 9, Net Pension Liability, were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material adjustment detected as a result of audit procedures was corrected by management and was the result of the last quarter final values not being available (lag in reporting) by the time MCERA closed the books.

Private Equity Investments	$37,033,201	
Net Appreciation in Fair Value of Investments		37,033,201

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated ___________, 2020.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MCERA's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions History, Schedule of Investment Returns, and Notes to the Required Supplementary Information, which are Required Supplementary Information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Retirement, the Audit Committee and management of MCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
__________, 2020

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marin County Employees' Retirement Association (MCERA) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MCERA's basic financial statements, and the schedule of cost sharing employer allocations and the schedule of employer pension amounts allocated by cost sharing plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (referred to as the other information), and have issued our report thereon dated __________, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of MCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MCERA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
__________, 2020

AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING (MANAGEMENT LETTER)

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

In planning and performing our audit of the basic financial statements and the schedule of cost sharing employer allocations and the schedule of employer pension amounts allocated by cost sharing plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions - specified column totals (referred to as the other information) of the Marin County Employees' Retirement Association (MCERA) as of and for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered MCERA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCERA's' internal control. Accordingly, we do not express an opinion on the effectiveness of MCERA's' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MCERA's' basic financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

However, during our audit, we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiency. The recommendation listed in this report summarizes our comment and suggestion regarding this matter.

We will review the status of the comment during our next audit engagement. We have already discussed the comment and suggestion with various MCERA personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
__________, 2020

Current Year Finding and Recommendation

2020-1 – Review of the Service Organization Controls (SOC) Reports

During our understanding of MCERA's controls and due diligence procedures over investments, we noted MCERA does not formalize the collection and review of the SOC reports of its investment managers.

Recommendation

Since a significant amount of the processing of MCERA's investment transactions are performed by the investment managers, it is important that MCERA review the reports on an annual basis. We recommend MCERA formalize the annual review of the SOC reports and document any findings or significant issues to internal control.

Management Response

We thank the auditors for the opportunity to comment on the finding and recommendation regarding the review of the Service Organization Control (SOC) reports. MCERA supports continuous improvements and agrees with the auditors' recommendation.

MCERA, will develop, document and implement an annual SOC report review process. The process will include identifying and directing staff to review the SOC reports, to maintain an SOC Report Review Log and to report significant SOC report issues to MCERA management.

MCERA believes that a formal SOC report review is the most efficient way of identifying potential control deficiencies early, prompting swift remediation, resulting in enhanced MCERA investment operational controls.

Status of Prior Year Findings and Recommendations

None.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and Audit Committee of
Marin County Employees' Retirement Association
San Rafael, California

Report on the Financial Statements and Other Information

We have audited the accompanying Statement of Fiduciary Net Position of the Marin County Employees' Retirement Association (MCERA), as of June 30, 2020, the Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise MCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations of MCERA and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions, specified column totals (also referred to as Other Information), as of and for the fiscal year ended June 30, 2020, listed as other information in the table of contents.

Management's Responsibility for the Financial Statements and Other Information

Management is responsible for the preparation and fair presentation of these basic financial statements and other information in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements and other information that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements and other information based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements and other information are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements and other information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements and other information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MCERA's preparation and fair presentation of the basic financial statements and other information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements and other information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of MCERA as of June 30, 2020; the changes in its fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations of MCERA; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) as of and for the fiscal year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements and other information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated __________, 2020, on our consideration of MCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MCERA's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited MCERA's June 30, 2019, financial statements, and our report dated December 4, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
__________, 2020

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

This Management's Discussion and Analysis (MD&A) of the financial activities of the Marin County Employees' Retirement Association (MCERA or the System) is an overview of its fiscal operations for the fiscal year ended June 30, 2020. Readers are encouraged to consider the information presented in conjunction with the Basic Financial Statements and Notes to the Basic Financial Statements.

MCERA is a public employee retirement system established by the County of Marin on July 1, 1950, and is administered by the Board of Retirement to provide retirement, disability, and death and survivor benefits for its members under the County Employees Retirement Law of 1937 (CERL or 1937 Act) and the Public Employees' Pension Reform Act of 2013 (PEPRA).

Financial Highlights

MCERA's fiduciary net position as of June 30, 2020, was $2,625,314,865. The fiduciary net position is restricted for payment of pension benefits to participants and their beneficiaries and is available to meet MCERA's ongoing obligations.

- Fiduciary net position increased by $32,929,281, primarily as a result of employer and employee contributions and earnings from investments.

- Total additions as reflected in the Statement of Changes in Fiduciary Net Position were $195,830,568, which includes employer and employee contributions of $106,557,072, a net investment gain of $89,062,116, and net securities lending income of $211,380.

- Deductions from fiduciary net position increased from $154,269,334 to $162,901,287 from the prior year. The increase was mainly due to an increase in retiree pension benefits.

- MCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2019, the date of the last actuarial valuation, the funded ratio for all MCERA agencies was 86.6% based on the ratio of market value of assets over actuarial liability. In general, this indicates that for every dollar of benefits due we had approximately $0.866 of assets available for payment as of that date. The funding ratios of the employer entities included in MCERA were: 89.0% for the County of Marin and Special Districts, 77.3% for the City of San Rafael, and 88.0% for Novato Fire Protection District.

Overview of the Financial Statements

This MD&A serves as an introduction to the basic financial statements, which comprise the following components:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Basic Financial Statements

The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB) and are prepared utilizing the accrual basis of accounting.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about MCERA's activities. These statements include all assets and liabilities using the full accrual basis of accounting as practiced by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and both realized and unrealized gains and losses on investments are shown.

The Statement of Fiduciary Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of fiscal year-end. The net position restricted for pension benefits, which is the assets less the liabilities, reflects the funds available for future use.

The Statement of Changes in Fiduciary Net Position is the second basic financial report. This report reflects the activities that occurred during the fiscal year and shows the impact of those activities as Additions to or Deductions from the plan.

These two statements report MCERA's net position restricted for pension benefits (net position) – the difference between assets and liabilities – as one way to measure MCERA's financial position. Over time, increases and decreases in MCERA's net position are indicators of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring MCERA's overall health.

Both statements are in compliance with standards issued by the GASB. These standards require certain disclosures and also require the state and local governments to report using the full accrual method of accounting. MCERA complies with all material requirements of these standards.

The Notes to the Basic Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the fiscal year.

In addition to the Basic Financial Statements, this report contains required supplementary information and schedules to illustrate the GASB Statement No. 67 financial reporting requirements. These schedules provide a broad scope of financial information, including a pension liability measurement and changes to the liability, historical contributions, money-weighted investment return, and additional actuarial-related disclosures.

Other Information consists of two schedules pertaining to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The two schedules include the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan. Under GASB Statement No. 68, plan sponsors are required to report Net Pension Liability on their balance sheets and changes in Net Pension Liability on their operating statements as pension expenses, deferred inflows of resources, and deferred outflows of resources.

Financial Analysis

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments (net of investment expense). Net position restricted for pension benefits as of June 30, 2020, totaled $2,625,314,865, an increase of $32,929,281 from the prior year. MCERA's assets exceeded its liabilities at the end of the fiscal year. Net position restricted for pension benefits represents funds available for future payments. However, of importance is the fact that, unlike private pension funds, public pension funds are not required to report the future liability of obligations owed to retirees in the Statement of Fiduciary Net Position, and only current liabilities are reported. Below is a comparison of current and prior year balances:

	2020	**2019**	**Increase (Decrease) 2020/2019**
Investments at fair value	$ 2,538,866,806	$ 2,554,670,915	($ 15,804,109)
Cash and cash equivalents	81,155,193	37,208,516	43,946,677
Capital assets (net of accumulated depreciation)	6,117,956	5,117,829	1,000,127
Cash collateral held for securities loaned	38,566,008	50,460,741	(11,894,733)
Receivables and other assets	14,440,248	17,399,675	(2,959,427)
Total assets	2,679,146,211	2,664,857,676	14,288,535
Total liabilities	53,831,346	72,472,092	(18,640,746)
Net position restricted for pension benefits	**$ 2,625,314,865**	**$ 2,592,385,584**	**$ 32,929,281**

In order to determine whether the net position restricted for pension benefits will be sufficient to meet future obligations, the actuarial funded status must be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the employers are needed to pay all expected future benefits.

MCERA's independent actuary, Cheiron, performed an actuarial valuation as of June 30, 2019, and determined that the funded ratio of the actuarial value of assets to the actuarial liability is 86.6%. The actuarial valuation as of June 30, 2018, determined the funded ratio to be 87.1%.

Additions to Fiduciary Net Position

There are three primary sources of funding for MCERA retirement benefits: earnings (losses) on investments of assets and employer and employee contributions. Income sources for the fiscal years ending June 30, 2020 and 2019, totaled $195,830,568 and $245,232,786, respectively.

	2020	2019	Increase (Decrease) 2020/2019
Employer contributions	$ 75,643,075	$ 78,738,814	($ 3,095,739)
Plan member contributions	30,913,997	30,010,459	903,538
Total net investment income	89,273,496	136,483,513	(47,210,017)
Total additions	**$195,830,568**	**$245,232,786**	**($ 49,402,218)**

Deductions from Fiduciary Net Position

MCERA was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan; refund of contributions to terminated employees; and the cost of administering the system. Below is a comparison of selected current and prior year balances:

	2020	2019	Increase (Decrease) 2020/2019
Retirement benefits	$ 157,185,816	$ 147,990,797	$ 9,195,019
Refund of contributions	1,107,711	1,222,187	(114,476)
Administrative expenses	3,731,976	4,109,428	(377,452)
Legal expenses	384,080	467,249	(83,169)
Computer expenses	339,025	223,065	115,960
Actuarial expenses	152,679	256,608	(103,929)
Total deductions	**$162,901,287**	**$ 154,269,334**	**$ 8,631,953**

Change in Fiduciary Net Position

The changes in fiduciary net position during the reporting period was the net effect of factors that either added to or deducted from the fiduciary net position. Below is a summary of the change in fiduciary net position during the reported year, as compared to prior year:

	2020	2019	Increase (Decrease) 2020/2019
Total Additions	$ 195,830,568	$ 245,232,786	($ 49,402,218)
Total Deductions	162,901,287	154,269,334	8,631,953
Change in Fiduciary Net Position	32,929,281	90,963,452	(58,034,171)
Beginning of Year	$2,592,385,584	$2,501,422,132	90,963,452
End of Year	**$2,625,314,865**	**$2,592,385,584**	**$ 32,929,281**

Reserves

MCERA’s reserves are established in accordance with the requirements of the 1937 Act, utilizing contributions and the accumulation of investment income after satisfying administrative and investment expenses. Under GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses.

	2020	2019
Employee reserves	$ 383,389,107	$ 354,773,677
Employer reserves	392,272,098	349,156,209
Retiree reserves	1,925,195,638	1,867,261,917
Contingency reserves	0	19,105,640
Total reserves - restricted	**2,700,856,843**	**2,590,297,443**
Unrestricted reserves	0	13,427,208
Contra - Interest crediting	(75,541,978)	(11,339,067)
Total reserves - unrestricted	**(75,541,978)**	**2,088,141**
Total Net Position Restricted for Pension Benefits	**$ 2,625,314,865**	**$ 2,592,385,584**

The Retirement Fund as a Whole

MCERA’s management believes that the funding policy adopted by the Board of Retirement, as reflected in the annual actuarial valuation, is reasonable and allows the system to meet its obligations to retirees, beneficiaries, and active members. The current financial position is a result of prudent economic and demographic assumptions, diversified investments, sufficient oversight to manage risk and minimize loss, an effective system of cost control, and strategic planning.

Requests for Information

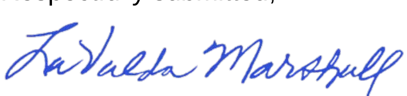
This financial report is designed to provide the Board of Retirement, our membership, taxpayers, and investment managers with a general overview of MCERA finances and to demonstrate MCERA’s accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to:

Marin County Employees’ Retirement Association
One McInnis Parkway, Suite 100
San Rafael, California 94903-2764

Copies of this report are available at the above address and on MCERA’s website at www.mcera.org.

Respectfully submitted,



La Valda Marshall
Accounting Unit Manager

BASIC FINANCIAL STATEMENTS

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

	June 30, 2020	June 30, 2019
Assets		
Cash and short-term investments		
Cash and cash equivalents	$ 81,155,193	$ 37,208,516
Cash collateral on loaned securities	38,566,008	50,460,741
Total Cash and Short-Term Investments	119,721,201	87,669,257
Receivables		
Contributions	4,286,708	5,407,235
Interest and dividends	2,996,029	3,238,825
Due from brokers for securities sold	5,925,680	7,708,556
Other receivables	1,151,365	970,825
Total Receivables	14,359,782	17,325,441
Investments at fair value		
Domestic fixed income	494,927,212	416,276,932
International fixed income	59,844,678	70,117,793
Domestic equities	729,940,946	808,156,989
International equities	558,370,697	579,503,649
Private equity	301,423,512	269,766,773
Real estate	271,490,961	283,865,908
Real assets	122,868,800	126,982,871
Total Investments at Fair Value	2,538,866,806	2,554,670,915
Capital assets (net of accumulated depreciation)	6,117,956	5,117,829
Prepaid insurance	80,466	74,234
Total Assets	2,679,146,211	2,664,857,676
Liabilities		
Accounts payable and accrued expenses	1,438,717	1,695,561
Due to brokers for securities purchased	13,814,596	20,304,782
Retiree payroll payable	12,025	11,008
Obligations under securities lending program	38,566,008	50,460,741
Total Liabilities	53,831,346	72,472,092
Net Position Restricted for Pension Benefits	$ 2,625,314,865	$ 2,592,385,584

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS)

	June 30, 2020	June 30, 2019
Additions		
Contributions		
Employer	$ 75,643,075	$ 78,738,814
Plan member	30,913,997	30,010,459
Total Contributions	106,557,072	108,749,273
Investment income		
Net appreciation in fair value of investments	56,097,629	110,011,373
Interest and dividends	30,734,770	23,907,650
Real estate operating income, net	13,773,602	13,706,707
Other investment income	797,259	1,196,750
Total investment income	101,403,260	148,822,480
Investment expenses	(12,341,144)	(12,500,905)
Net Investment Income	89,062,116	136,321,575
Securities lending activities		
Securities lending income	817,626	1,179,267
Less expenses from securities lending activities	(606,246)	(1,017,329)
Net Securities Lending Activities	211,380	161,938
Total Net Investment Income	89,273,496	136,483,513
Total Additions	195,830,568	245,232,786
Deductions		
Benefits	157,185,816	147,990,797
Refunds	1,107,711	1,222,187
Administrative expenses	3,731,976	4,109,428
Legal expenses	384,080	467,249
Computer expenses	339,025	223,065
Actuarial expenses	152,679	256,608
Total Deductions	162,901,287	154,269,334
Net Increase	32,929,281	90,963,452
Net Position Restricted for Pension Benefits, Beginning of Year	2,592,385,584	2,501,422,132
Net Position Restricted for Pension Benefits, End of Year	$ 2,625,314,865	$ 2,592,385,584

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – PLAN DESCRIPTION

The Marin County Employees' Retirement Association (MCERA) was established on July 1, 1950. It is governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, Government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq.; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members. MCERA operates as a cost-sharing multiple employer defined benefit pension plan for the County of Marin (the County) and eight other participating employers: City of San Rafael, Local Agency Formation Commission (LAFCO), Marin City Community Services District (Marin CSD), Marin County Superior Court (Superior Court), Marin/Sonoma Mosquito and Vector Control District (Mosquito District), Novato Fire Protection District (Novato Fire), Southern Marin Fire Protection District (Southern Marin Fire), and Tamalpais Community Services District (Tamalpais CSD).

Administration

The Board of Retirement is responsible for the general administration and management of the retirement association. All Board of Retirement members, except the County Director of Finance, serve for a term of three years. By statute, Board of Retirement members include the following:

- The Director of Finance of the County (ex-officio).
- Four members who are qualified electors of the County and not connected with County government in any capacity, except that one may be a County Supervisor. The Board of Supervisors appoints these members.
- Two General members of MCERA elected by the General membership.
- One Safety member and one Safety member alternate elected by the Safety membership.
- One retired member and one retired member alternate elected by the retired membership.

Membership

MCERA provides retirement, disability, and death benefits to its general and safety members. Safety membership primarily includes law enforcement and firefighters of MCERA, as well as other classifications as allowed under the CERL and adopted by the employer. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the participating employer and the date of the member's entry into MCERA membership. Additional information regarding the benefit structure is available by contacting MCERA. Membership data as of the current actuarial valuation report (fiscal year ending June 30, 2019):

	2019
Active Members (Vested and Non-Vested)	2,689
Retired Members and Beneficiaries	3,394
Terminated Vested (Deferred)	852
Total Membership	**6,935**

NOTE 1 – PLAN DESCRIPTION (Continued)

Benefit Provisions

Vesting

Members become vested in retirement benefits upon completion of five years of credited service.

Service Retirement

MCERA's regular (service) retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General County members hired after July 1, 2008, Court members hired after January 1, 2009, and City of San Rafael members hired after July 1, 2011, are eligible to retire at age 55 if they have earned 10 years of credited service, unless they are "new members" as defined by PEPRA (hereinafter "PEPRA members"). All other General and Safety members, except PEPRA members, are eligible to retire at age 50 if they have earned 10 years of credited service. Unless they are PEPRA members, General members can retire at any age with 30 years of service and Safety members can retire at any age with 20 years of service. PEPRA members who are Safety members are eligible to retire after five years of service upon reaching 50 years of age. PEPRA members who are General members are eligible to retire after five years of service upon reaching 52 years of age. All members can retire at age 70 with no service requirement.

Death Benefits

MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired.

The basic active member death benefit consists of a member's retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and a continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Disability Retirement

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Cost of Living Adjustment

Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLAs) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

MCERA, with its own governing board, is an independent governmental entity separate and distinct from the County. Actuarially determined financial data for MCERA is included in the County's annual financial report in the "Notes to Financial Statements" section.

Basis of Accounting

MCERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This basis of accounting recognizes income when earned and expenses when the obligation is incurred. Member and employer contributions are recognized when due, pursuant to formal commitments as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation (depreciation) in fair value of investments consists of realized and unrealized gains and losses on those investments.

Administrative Expenses

MCERA's administrative costs are financed from investment income and are calculated pursuant to Government Code Section 31580.2 which provides that the administrative expenses incurred in any year may not exceed the greater of either 0.21% of the actuarial accrued liability of the system, or $2,000,000, as adjusted annually by the amount of the annual COLA computed in accordance with Article 16.5. Expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of MCERA.

For the fiscal year ended June 30, 2020, administrative expenses were $3,731,976, or 0.13% of the actuarial liability as of June 30, 2018.

Cash and Cash Equivalents

Cash equivalents include deposits in MCERA's custodian bank, a financial institution, and pooled cash with the County Treasurer. Pooled cash is reported at amortized cost, which approximates fair value. Income on pooled cash is allocated on MCERA's average daily balance in relation to total pooled assets. Short-term investments with the custodian bank include foreign currencies, cash held in short-term investment funds, and other short-term, highly liquid investments. Short-term investments considered cash equivalents are recorded at cost, which approximates fair value.

Receivables

Receivables consist primarily of interest, dividends, investments in transition (i.e., traded but not yet settled), and contributions owed by the employing entities as of June 30, 2020.

Methods Used to Value Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. MCERA management uses information provided by the investment managers and the custodian bank to determine fair value.

GASB establishes a fair value hierarchy based on the following three distinct types of input to develop the fair value measurements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Methods Used to Value Investments (Continued)

- **Level 1** reflects measurements based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2** reflects measurements based on inputs, other than quoted prices, that are observable for an asset or a liability either directly or indirectly.
- **Level 3** reflects measurements based on unobservable inputs for an asset or a liability.

Fixed income securities, real estate investment trusts (REITs), common and preferred stocks, and derivatives are valued based on published market prices and quotations from national security exchanges and securities pricing services. Real estate investment funds are valued using periodic independent appraisals or internal valuation techniques, including discounted cash flows, sales comparisons, and cost approaches. Investments that are not traded on national exchanges or do not have pricing services (such as private equity funds) are valued based on fund share price or percentage of ownership as determined by the fund manager or general partner in accordance with the valuation methodology outlined in the partnership agreement.

Investment Concentrations

As of June 30, 2020, MCERA does not hold a concentration of investments in any one entity that represents 5 percent or more of the total investment portfolio or the fiduciary net position.

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA's investments. The IPS establishes MCERA's investment objectives and defines the principal duties of the Board of Retirement, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the plan.

Capital Assets

Capital assets are valued at historical cost less accumulated depreciation. Capital assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Equipment has a useful life of ten years, leasehold improvements and office space forty years, and twelve years for the benefit administration system.

MCERA signed an agreement on July 2, 2007, for the purchase of a building located at One McInnis Parkway, San Rafael, California 94903. The final purchase price for the building was $17,300,000 and was finalized in October 2007. MCERA occupied the building on November 14, 2008. MCERA occupies 33% of the building and leases the other 67%. Therefore, the portion of the building occupied by MCERA was capitalized and is being depreciated over its useful life. The remaining 67% will be treated as an investment and, accordingly, marked to market value in addition to recognizing any earned income and expenses incurred. As of June 30, 2020, the capitalized portion of the building was $4,809,262 and computers and equipment were $1,308,694 net of accumulated depreciation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post-Employment Benefits to Retirees

The County of Marin and special districts provide Other Post-Employment Benefits to retirees (OPEB). Medical premiums are reimbursed to each retired employee who qualifies for one of the County's Benefit Plan Subsidies. Medicare premiums are also reimbursed to each retired employee who is covered under Medicare Part B and qualifies for one of the County's Benefit Plan Subsidies.

The Plan does not determine eligibility and does not negotiate for healthcare benefits or the Benefit Plan Subsidies, but acts solely as a conduit, which deducts premiums from benefit payments and applies the subsidies. The amount of subsidies applied for payment of medical premiums is billed to the County. Benefit eligibility, coverage and premium cost negotiations are the responsibility of the employer. As such, GASB Statement No. 74 does not apply.

Income Taxes

The plan qualifies under Section 401(a) of the Internal Revenue Code. No provision for income taxes has been made in the accompanying financial statements, as the plan is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501 and California Revenue and Taxation Code Section 23701, respectively.

Use of Estimates

The preparation of MCERA's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Implementation of Accounting Standards

During the fiscal year ending June 30, 2020, MCERA implemented the following standard:

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* This statement provides temporary relief to governments and stakeholders in light of the COVID-19 pandemic. The requirements of this statement were effectively immediately. The effective dates for GASB Statement Nos. 84, 88, 89, 90, 91, 92, and 93 were postponed by one year for MCERA. The effective date of GASB Statement No. 87 was postponed by 18 months for MCERA.

NOTE 3 – DEPOSITS AND INVESTMENTS

The CERL gives the Board of Retirement exclusive control over MCERA's investment portfolio. Except as otherwise expressly restricted by the California Constitution or other laws, the CERL allows the Board of Retirement to prudently invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction.

Moreover, the CERL requires the Board of Retirement, its officers, and employees to discharge their duties with respect to MCERA and the investment portfolio under the following rules:

- "The members of the retirement board shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- The members of the retirement board shall discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

NOTE 3 – <u>DEPOSITS AND INVESTMENTS</u> (Continued)

- The members of the retirement board shall diversify the investments of the system to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

Deposits

MCERA maintains cash deposits to support its investment activities and operational needs. Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. As of June 30, 2020, $69.3 million was held with outside financial institutions and $11.9 million was held by MCERA's master custodian, State Street. Substantially all of the cash held by State Street is swept daily into collective short-term investment funds.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the plan would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. MCERA's deposits are covered by depository insurance or are collateralized by securities held with a financial institution in MCERA's name. The plan is only exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance. As of June 30, 2020, $700,582 of the plan's bank balances of $973,911 was uninsured and uncollateralized.

Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This risk is measured by the assignment of ratings by nationally recognized statistical rating organizations. MCERA has adopted policies specific to each investment manager to manage credit risk. In general, fixed income securities should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. The credit risk ratings of MCERA's fixed income investments as of June 30, 2020, as rated by Standard & Poor's, are listed below (all dollars in thousands). The credit risk schedule excludes the $141.0 million commingled global bond fund, which is included in the fixed income category on the Statement of Fiduciary Net Position.

Rating Category	Fair Value
AAA	$ 33,891
AA	12,089
A	78,040
BBB	133,855
BB	18,817
B	2,735
CCC	844
Agencies	13,263
U.S. Treasuries	9,698
No Rating	110,549
Total	**$ 413,781**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in MCERA's name, and are held by the counterparty. MCERA's investment securities in general are not exposed to custodial credit risk because MCERA's securities are held by MCERA's custodial bank in MCERA's name; however, MCERA participates in securities lending transactions, as lender, and the securities loaned in those circumstances are exposed to some degree of custodial credit risk. MCERA has no general policy on custodial credit risk for investments; however, MCERA does require that its custodian maintain insurance to help protect against losses due to negligence, theft, and certain other events.

Concentrations

Concentration of credit risk is the risk of loss attributed to the concentration of the plan's investment in a single issuer. MCERA's investment policy limits exposure to any single investment manager or product. As of June 30, 2020, MCERA did not hold any investments in any one issuer that would represent 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from the policy requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Interest rate risk is managed through MCERA's investment policy and investment guidelines, which require the effective duration of individual fixed income portfolios to remain within a defined range (75% to 125%) of the appropriate benchmark. The primary benchmarks for domestic and global fixed income portfolios are the Barclays Aggregate Bond Index, the Barclays Intermediate Credit Index, and the Citigroup World Government Bond Index. The interest rate risk schedule presents the weighted average duration of fixed income securities by investment category as of June 30, 2020. This schedule excludes the $141.0 million commingled global bond fund, which is included in the fixed income category on the Statement of Fiduciary Net Position.

June 30, 2020 (all dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 22,714	1.27
Collateralized Mortgage Obligations	43,986	1.34
Corporate and Other Credit	239,269	6.03
Mortgage Pass-Throughs	6,552	8.45
Municipal Bonds	6,766	7.69
U.S. Treasuries	9,836	16.91
Total	**$329,123**	
Other Bonds – No Duration	$ 84,658	
Total	**$413,781**	

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. MCERA invests, through its investment managers, in forward currency contracts and currency futures contracts (maturity ranging from at least 30 days and not to exceed one year for either instrument). Aside from net currency gains or losses reported as a component of investment income, no other amounts are recorded on the financial statements. MCERA has no general investment policy with respect to foreign currency risk.

Forward currency contracts typically range from one to six months and are used to hedge against adverse movement in currency exchange rates and to facilitate settlement of transactions in foreign securities.

Futures currency contracts are used to hedge against a possible increase in the price of currency. Futures contracts are classified by category of underlying instrument such as equity, fixed income, commodity, or cash equivalent.

MCERA invests primarily in commingled vehicles; as such, the foreign currency risk exposure is minimal. The following table presents a summary of securities with non-U.S. Dollars (non-USD) base currencies as of June 30, 2020 (all dollars in thousands):

Base Currency Country	Base Currency Code	Fair Value in U.S. Dollars
Argentine Peso	ARS	$ 85
UK Pound Sterling	GBP	136
Euro	EUR	1,388
	Total Non-USD Securities	**$ 1,609**

Rate of Return

For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.25% The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, was issued to address accounting and financial reporting issues related to fair value measurement. MCERA follows GASB 72. The standard establishes a fair value hierarchy based on three types of inputs that measure the fair value of investments.

- *Level 1:* Reflects quoted prices for identical investments in active markets;
- *Level 2:* Reflects prices that are based on similar observable inputs other than quoted market prices; and
- *Level 3:* Reflects prices that are based on unobservable sources.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case MCERA defaults to the lowest level input that is significant to the fair value measurement in its entirety. In determining the appropriate levels, a detailed analysis was performed of the assets and liabilities that are subject to GASB 72.

NOTE 3 – <u>DEPOSITS AND INVESTMENTS</u> (Continued)

Investments (Continued)

Fair Value Measurements (Continued)

At June 30, 2020, MCERA had the following fair value measurements:

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
Mortgage and Asset-Backed	$ 58,776,179	$ -	$ 58,776,179	$ -
Corporate Bonds	238,685,500	-	238,685,500	-
U.S. Government and Agency Securities	7,924,072	-	7,924,072	-
Government Issues	17,248,896	-	17,248,896	-
Municipal Obligations	6,488,233	-	6,488,233	-
Commingled Bond Investments	225,649,010	-	225,649,010	-
Total Debt Securities	**$ 554,771,890**	**$ -**	**$554,771,890**	**$ -**
Equity Securities				
Common Stock	749,739,166	749,739,166	-	-
Preferred Stock	175,495	175,495		-
Mutual Funds and Commingled Investments	538,396,982	281,250,512	257,146,470	-
Total Equity Securities	**$1,288,311,643**	**$1,031,165,173**	**$257,146,470**	$ **-**
Other Assets				
Private Real Estate - Commingled Investments	257,730,911	-	34,847,580	222,883,331
Private Real Estate - Direct Ownership	13,760,050	-	-	13,760,050
Public Real Assets - Mutual Funds and Commingled Investments	122,868,800	43,568,544	79,300,256	-
Securities Lending Cash Collateral	38,566,008	-	38,566,008	-
Total Other Assets	**$ 432,925,769**	**$ 43,568,544**	**$152,713,844**	**$ 236,643,381**
Total Investments by Fair Value Level	**$2,276,009,302**	**$1,074,733,717**	**$964,632,204**	**$ 236,643,381**
Investments Measured at Net Asset Value (NAV)				
Private Equity Funds	301,423,512			
Total NAV Investments	**$ 301,423,512**			
Total Investments	**$2,577,432,814**			
Investments in Derivative Instruments (all dollars in thousands)				
Forwards	$ 70	$ -	$ 70	$ -
Rights	3	-	3	-
Warrants	4,323	-	4,323	-
Total Derivatives	**$ 4,396**	**$ -**	**$ 4,396**	**$ -**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurements (Continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and
- Commingled and High-Yield Equity Investments: valued using matrix pricing techniques or quoted prices for similar securities in active markets.

Public real assets classified in Level 1 are valued using prices quoted in active markets for those securities. Public real assets and private real estate classified in Level 2 are commingled (collective) investment funds that are valued using matrix pricing techniques maintained by the various pricing vendors for those securities. Derivative instruments classified in Level 1 are valued directly from a predetermined primary external pricing vendor. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark interest rates and foreign exchange rates. Real estate investments classified in Level 3 are valued using periodic independent appraisals or internal valuation techniques, including discounted cash flows, sales comparisons, and cost approaches.

Investments measured at net asset value (NAV) are considered "alternative investments." Alternative investments are those for which exchange quotations are not readily available and are valued at the estimated fair value based on fund share price or percentage of ownership, as determined by the investment manager or general partner. The following table presents the redemption frequency (if currently eligible) and the redemption notice period for MCERA's alternative investments measured at NAV:

	Fair Value at June 30, 2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Funds (1)	$301,423,512	$55,289,985	N/A	N/A

(1) Private Equity Funds: MCERA's private equity portfolio is composed of eight funds investing primarily in buyout funds, venture capital, and special debt situations. The fair values of these funds have been determined using audited financial statements or estimates of NAV from the prior quarter plus current quarter cash flows. The funds are not eligible for redemption. At the end of the life of a private equity fund, remaining investments are liquidated, and proceeds are distributed. Limited extensions to the fund term are possible and are usually two years at the discretion of the General Partner and then longer if a majority of investors wish it.

NOTE 4 – SECURITIES LENDING

Under provisions of state statutes, the MCERA Board of Retirement permits MCERA to participate in a securities lending program whereby securities are transferred to independent broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities plus a fee in the future. MCERA's custodial bank, State Street, is the agent for its securities lending program. State Street is authorized to lend U.S. government obligations, U.S. bonds and equities, and international bonds and equities that are being held in custody to various borrowers such as banks and brokers. All securities loans can be terminated on demand by either the lender or the borrower.

U.S. securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest. Mark-to-market is performed every business day subject to de minimis rules of change in value, and the borrower is required to deliver additional collateral when necessary so that the total collateral held by the agent will be at least equal to the fair value of the borrowed securities. Collateral received may include cash, any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non-U.S. equities, and such other collateral as the parties may agree to in writing from time to time. Cash collateral is invested in a short-term investment pool. Non-cash collateral cannot be pledged or sold unless the borrower defaults. The following represents the balances relating to the securities lending transactions at June 30, 2020:

Security Lent	Fair Value of Underlying Securities	Cash Collateral Received/ Securities Collateral Value	Cash Collateral Investment Value
Lent for cash collateral			
U.S. government and agency securities	$ 548,925	$ 561,000	$ 561,000
Domestic equities and corporate fixed-income securities	37,103,384	38,005,008	38,005,008
Total lent for cash collateral	**$37,652,309**	**$38,566,008**	**$38,566,008**
Lent for securities collateral			
U.S. government and agency securities	$ 138,988	$ 142,086	$ 0
Total lent for cash and securities collateral	**$37,791,297**	**$38,708,094**	**$38,566,008**

MCERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of a liquidity pool and a duration pool. As of June 30, 2020, the liquidity pool had an average duration of 26.81 days and an average weighted final maturity of 70.20 days for USD collateral. As of this date the duration pool had an average duration of 18.22 days and an average weighted final maturity of 1602.55 days for USD collateral. Because the securities lending transactions were terminable at will their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. On June 30, 2020, MCERA had no credit risk exposure to borrowers.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

Under the terms of the MCERA's IPS and investment guidelines, investment managers are permitted to use derivative instruments to implement market decisions and to control portfolio risk. Derivatives are contracts or securities whose cash flows or fair values are derived from the values of other securities, indices, or instruments, including, but not limited to, futures, forwards, options, swaps, and options on futures. MCERA's investment managers are not allowed to use derivatives for speculative purposes. Investment managers must ascertain and carefully monitor the creditworthiness of any third parties involved in derivative transactions.

Derivative instruments are reported at fair value as determined by MCERA's bank custodian. The changes in fair value of derivative instruments are reported within the investment revenue classification. For financial reporting purposes, all MCERA derivatives are classified as investment derivatives.

Types of Permitted Derivative Investments

Futures Contracts

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to manage currency exposure and facilitate the settlement of international security purchase and sale transactions.

Option Contracts

An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows are tied to a "notional" or contract amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior marking-to-market.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Investment Derivatives Summary

The following is a summary of derivative instruments at June 30, 2020, with the net appreciation/(depreciation) that has occurred during the fiscal year (all dollars in thousands):

Investment Derivatives by Type	Net Appreciation/ (Depreciation) in Fair Value Amount	Classification	Fair Value	Notional Amount
Credit Default Swaps Written	$ 105	Swaps	$ 70	$ 5,980
Fixed Income Futures Long	11,526	Futures	0	89,300
Fixed Income Futures Short	(4,929)	Futures	0	(39,797)
Foreign Currency Futures Long	74	Futures	0	5,500
Foreign Currency Futures Short	120	Futures	0	(1,313)
FX Forwards	(35)	Long-Term Instruments	0	0
Index Futures Long	8,892	Futures	0	58
Index Futures Short	5,165	Futures	0	0
Rights	(38)	Common Stock	3	43
Warrants	9	Common Stock	4,323	2,690
Total	**$ 20,889**		**$4,396**	**$ 62,461**

Types of Derivative Risk

Counterparty Credit Risk

To minimize counterparty credit risk exposure, MCERA investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, MCERA would be exposed to the loss of fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. Netting arrangements legally provide MCERA with a right of offset in the event of bankruptcy or default by the counterparty. MCERA has no general investment policy with respect to netting arrangements or collateral requirements. As of June 30, 2020, MCERA had no exposure to loss in case of default of a counterparty. In addition, MCERA had no collateral reducing exposure or liabilities subject to netting arrangements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MCERA measures derivative interest rate risk using duration. MCERA had no investment derivative interest rate risk as of June 30, 2020.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Types of Derivative Risk (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. MCERA had the following derivative foreign currency exposures as of June 30, 2020 (all dollars in thousands):

Derivative Type	Currency	Fair Value
Currency Forward Contracts	Malaysian Ringgit	$ 4
Currency Forward Contracts	Tunisian Dinar	2
Total Foreign Derivatives		**$ 6**

NOTE 6 – REAL ESTATE

MCERA holds real estate assets directly and in commingled real estate funds. Real estate investments owned directly are appraised annually by independent third-party appraisers in accordance with the Uniform Standards of Professional Appraisal Practice. Properties held in commingled pools are subject to regular internal valuations by investment management firms/general partners with independent third-party appraisals accomplished at regular intervals. Internal valuation techniques include discounted cash flows, sales comparisons, and cost approaches, which typically involve a degree of expert judgment.

MCERA engages Woodmont Real Estate Services to manage the direct real estate investments and has investments in commingled real estate portfolios with other firms, as listed below. At June 30, 2020, the estimated fair value of MCERA's real estate portfolio was $271,490,961.

MCERA has the following real estate holdings as of June 30, 2020 (all dollars in thousands):

		Fair Value
Direct Investments		
San Rafael	$	13,760
Total Direct Investments	**$**	**13,760**
Commingled Investments		
AEW Capital Management	$	10
AEW Core		104,156
Blackrock REIT		34,848
UBS – TPF		118,717
Total Commingled Investments	**$**	**257,731**
Total Real Estate Investments	**$**	**271,491**

NOTE 7 – CONTRIBUTIONS

The funding objective of the Board of Retirement is to collect sufficient assets to permit the payment of all regular benefits promised under MCERA and to minimize the volatility of contribution rates from year to year as a percentage of covered payroll. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries depending upon their age at date of entry into the plan, membership type, and benefit tier. There are three sources of funding for retirement benefits: employer contributions, member contributions, and the earnings on investments held by the plan.

Separate annual actuarial valuations are performed for three employer groups for the purpose of determining the funded position of the retirement plan and the employer and member contributions necessary to pay benefits for MCERA members not otherwise funded by current assets or projected member contributions or investment earnings. The three employer groups are: (1) City of San Rafael, (2) Novato Fire Protection District, and (3) County of Marin and the remaining special districts.

Employer Contributions

For fiscal year 2020, the employer contribution rates are actuarially determined by using the Entry Age Normal to Final Decrement funding method. Employer contribution rates are made up of two parts:

1. The Normal Cost or the cost of the employer’s portion of the benefit that is allocated to the current year.

2. The payment to amortize the Unfunded Actuarial Liability (UAL). The UAL is the excess of the plan’s accrued liability over its assets.

Member Contributions

Active members are required by statute to contribute toward pension plan benefits. The member contribution rates for non-PEPRA members are formulated separately for each employer group on the basis of age at the date of entry and actuarially calculated benefits. The member contribution rate for PEPRA members is a flat rate of at least 50 percent of the normal cost for the defined benefit plan, rounded to the nearest quarter of one percent, formulated separately for each employer. The CERL authorizes participating employers to “pickup” all or a portion of an employee’s retirement contribution obligation on the employee’s behalf; however, PEPRA eliminates that authorization as to PEPRA members, with a limited exception relating to contracts in effect on January 1, 2013. Interest is credited to member contributions every six months based on the prior six months ending balance. Members are not permitted to borrow against their contributions. Upon termination of employment, members may withdraw their contributions by requesting a refund of their accumulated contributions and interest. The employer paid contribution pickups are typically not refundable.

General member contributions range from 7.11% to 17.59%; Safety member contributions range from 12.40% to 24.09%. These figures include additional cost sharing for some members determined through labor negotiations.

NOTE 8 – RESERVES

MCERA carries accounts within Net Position Restricted for Pension Benefits as reserve accounts for various operating purposes. Reserves are neither required nor recognized under accounting principles generally accepted in the United States of America. These are not shown separately on the Statement of Fiduciary Net Position, as the sum of these reserves equals the Net Position Restricted for Pension Benefits. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses.

NOTE 8 – RESERVES (Continued)

Semi-Annual Interest Crediting

MCERA updates reserve balances on a semi-annual basis as of June 30 and December 31 each year. At these times, MCERA carries out a multi-step process to calculate new reserve balances as specified in Article 5 of the CERL. The amount of “net earnings” to be credited for the semi-annual period is calculated based on actuarial smoothing. To the extent that net earnings are available, interest is credited to specified components of reserves in a prescribed sequence according to MCERA policy.

Components of Reserves

Employee Reserve

This represents the total accumulated member contributions of current active and inactive (deferred) members. Additions include member contributions and credited interest. Deductions include refunds of member contributions along with credited interest and transfers to Retiree Member Reserves made when a member retires.

Employer Reserve

This represents the total accumulated employer contributions for future retirement payments to active and deferred members. Additions include contributions from the employers and credited interest. Deductions include transfers to the Retiree Member Reserves made when each member retires. Employer contribution rates are actuarially determined taking into account other events such as members electing refund of contributions.

Retiree Reserves

These represent funds accumulated to pay retirement benefits to retired members, including credited interest, reduced by payments to retired members, beneficiaries, and survivors. The *Retiree Pension Reserve* and the *Retiree Annuity Reserve* represent the total net accumulated transfers from the Employer Reserve and the Employee Reserve, respectively, both made at the time each member retires. The *Survivor Death Benefit and Continuance Reserve* represents the accumulated employer and employee contributions, plus credited interest, to be used to pay death and survivorship benefits. The *Cost of Living Reserve* represents the accumulated contributions of the employer and the members, plus credited interest, to be used to pay COLAs.

Statutory Contingency Reserve

This represents earnings in excess of the total interest credited to valuation reserves, up to 1% of fair value of MCERA’s total assets. The Contingency Reserve is treated as a non-valuation asset and is used as a reserve against deficiencies in available earnings in other years, as provided in Government Code Sections 31592 and 31592.2.

Unrestricted Earnings Reserve

This represents earnings in excess of the total interest credited to all other reserves that have not been allocated by the Board of Retirement to other reserves.

Contra Account

This is an accounting informational mechanism used to track any historical shortfalls of available earnings credited to valuation reserves other than the Unrestricted Earnings Reserve on or after December 31, 2009, relative to the earnings required to credit interest at the full valuation rate to those valuation reserves.

NOTE 9 – NET PENSION LIABILITY

Net Pension Liability of Employers

The net pension liability (i.e., the plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below:

Change in Net Pension Liability from Fiscal Year Ended (FYE) 2019 to FYE 2020 [1, 2]

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	**$2,958,090,254**	**$2,592,385,584**	**$365,704,670**
Changes for the Year:			
Service Cost	63,855,331	0	63,855,331
Interest	203,816,884	0	203,816,884
Changes of Benefits	0	0	0
Differences Between Expected and Actual Experience	15,620,886	0	15,620,886
Changes of Assumptions	0	0	0
Contributions – Employer	0	75,643,074	(75,643,074)
Contributions – Plan Member	0	30,913,996	(30,913,996)
Net Investment Income	0	89,273,498	(89,273,498)
Benefit Payments	(158,293,527)	(158,293,527)	0
Administrative Expenses	0	(4,607,760)	4,607,760
Net Changes	124,999,574	32,929,281	92,070,293
Balances at June 30, 2020	**$3,083,089,828**	**$2,625,314,865**	**$457,774,963**

[1] The Net Pension Liability was measured as of June 30, 2020 and determined based upon rolling forward the Total Pension Liability from the actuarial valuation as of June 30, 2019.

[2] Amounts may differ from June 30, 2020 Audited Financial Statements due to rounding.

Actuarial Assumptions

MCERA retains an independent actuarial firm to conduct actuarial valuations of the pension plan to monitor MCERA's funding status and to establish the contribution rate requirements for the plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

NOTE 9 – NET PENSION LIABILITY (Continued)

Actuarial Assumptions (Continued)

The total pension liability as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2019, updated to June 30, 2020, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Inflation	2.75%
Salary Increases	3.00% (2.75% inflation plus 0.25% wage inflation)
Investment Rate of Return	7.00%, net of pension plan investment expense
Mortality Assumptions	Actives: CalPERS 2017 Pre-Retirement Non-Industrial Death rates with the 15-year static replaced by generational improvements from a base year of 2014 using Scale MP-2017. Retirees: CalPERS 2017 Post-Retirement Healthy mortality rates adjusted by 90% for males, with the 15-year static replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Most Recent Experience Study	June 30, 2017 (conducted every three years)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and projected geometric real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are summarized in the following table:

	June 30, 2020	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash and Short-Term Investments	0.00%	0.00%
Fixed Income	23.00%	0.50%
Domestic Equities	32.00%	4.90%
International Equities	22.00%	5.00%
Public Real Assets	7.00%	3.20%
Real Estate	8.00%	4.00%
Private Equity	8.00%	6.25%
TOTAL	**100.00%**	

NOTE 9 – NET PENSION LIABILITY (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of MCERA as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what MCERA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total Pension Liability	$3,482,602,639	$3,083,089,828	$2,753,984,645
Fiduciary Net Position	2,625,314,865	2,625,314,865	2,625,314,865
Net Pension Liability	$ 857,287,774	$ 457,774,963	$ 128,669,780
Fiduciary Net Position as a Percentage of the Total Pension Liability	75.4%	85.2%	95.3%

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ending June 30, 2020, was as follows (all dollars in thousands):

	Balance June 30, 2019	Additions	Dispositions	Balance June 30, 2020
Capital Assets Being Depreciated:				
Building	$ 3,140	$ 0	$ 0	$ 3,140
Tenant Improvements	1,384	1,456	0	2,840
Equipment	109	36	0	145
Computer Software/Hardware	4,374		0	4,374
Total Capital Assets Being Depreciated	**9,007**	**1,492**	**0**	**10,499**
Less Accumulated Depreciation for:				
Building	(834)	(79)	0	(913)
Tenant Improvements	(212)	(46)	0	(258)
Equipment	(109)	(3)	0	(112)
Computer Software/Hardware	(2,734)	(364)	0	(3,098)
Total Accumulated Depreciation	**(3,889)**	**(492)**	**0**	**(4,381)**
Total Capital Assets, Net	**$ 5,118**	**$ 1,000**	**$ 0**	**$ 6,118**

Depreciation expense as of June 30, 2020, was $491,669, and capitalized tenant improvements and equipment during the fiscal year June 30, 2020, were $1,491,796.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

Marin Association of Public Employees et al. v. MCERA, Supreme Court Case No. S247095
A Petition for Writ of Mandate was filed in January 2013 by various labor unions and individuals against MCERA and its Board of Retirement (collectively, "Respondents"), commencing Marin County Superior Court Case No. CV 1300318 ("*MAPE* case"). The Petition challenged Respondents' actions implementing Government Code Section 31461, as amended, effective January 1, 2013. The Superior Court entered Judgment in the *MAPE* case in favor of Respondents on June 26, 2013. Petitioners appealed that Judgment to the First District Court of Appeal ("DCA"), commencing Case No. A139610. On August 17, 2016, the First DCA (Division 2) issued a published decision affirming the Superior Court's Judgment in favor of Respondents. Petitioners/Appellants petitioned for review of the decision by the California Supreme Court, and the Court granted that petition on November 22, 2016, commencing Case No. 237460 ("*Marin*"). The Court also ordered, however, that further action in *Marin* was deferred pending the decision of the First DCA (Division Four), in proceedings pending on a similar topic in *Alameda County Deputy Sheriff's Assoc. et al. v. Alameda County Employees' Retirement Assoc. et al.*, A141913 ("*Alameda*"). On July 30, 2020, the Supreme Court issued its decision in *Alameda*, and as a result of that decision, on September 23, 2020, the Court dismissed its prior grant of review of *Marin*. On September 28, 2020, Division 2 therefore awarded costs to MCERA and remanded the case to the Marin County Superior Court. This case thus has been finally resolved in favor of MCERA and is concluded.

Brown v. City of San Rafael, et al., Superior Court Cases No. CIV 1702258
David Brown sued the City of San Rafael, MCERA, and numerous unions (collectively, "Respondents") seeking to have certain benefit enhancements that the City granted during 2002 and 2006 invalidated. By Order dated November 20, 2018, the Marin County Superior Court sustained, without leave to amend, the demurrers that Respondents had filed to Brown's second amended petition. Brown timely appealed, and the case was assigned to Division Two of the First DCA. After Brown filed his Opening Brief on appeal, Division Five of the First DCA issued a decision in *Luke v. Sonoma County Employees' Retirement Association, et al.*, upholding the same defenses on which Respondents had prevailed in this litigation. MCERA timely filed its Respondent's Brief on appeal, and on June 4, 2020, Brown dismissed his case in exchange for Respondents agreeing not to seek to recover their litigation costs from him. This case therefore has been finally resolved in favor of MCERA and is thus concluded.

Securities Litigation

MCERA's Class Action Securities Litigation Policy provides guidelines for monitoring litigation and for determining the appropriate participation by MCERA. Compliance with the policy assures that the Board of Retirement will continue to protect the financial interests of MCERA and its members.

Capital Commitments

MCERA's real estate and private equity investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity and discretion is controlled by MCERA's IPS and the guidelines and limitations set forth in the contract, subscription agreement, limited partnership agreement, and/or other contractual documents applicable to each manager. Such investments are further restricted by the amount of capital allocated or committed to each manager. MCERA's IPS, contractual obligations, and capital commitments are subject to approval by the Board of Retirement and may be updated as often as necessary to reflect MCERA's prudent determinations regarding its investments, as well as changes in market conditions.

During fiscal year 2020, MCERA funded $344,710,015 of its private equity capital commitments. As of June 30, 2020, outstanding commitments to the various investment managers, as approved by the Board of Retirement, totaled $55,289,985.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through __________, 2020, which is the date the financial statements were available to be issued. There were no subsequent events with a material effect on the financial statements or note disclosures that took place after June 30, 2020.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County of Marin, issued a Shelter at Home order effective March 17, 2020, requiring non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS [1]

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability							
Service cost	$ 63,855,331	$ 63,587,459	$ 61,074,664	$ 57,090,773	$ 55,208,834	$ 49,064,492	$ 49,014,858
Interest (includes interest on service cost) [2]	203,816,884	195,274,191	188,096,539	184,139,800	176,564,792	166,718,783	159,521,975
Differences between expected and actual experience	15,620,886	16,721,629	(3,412,765)	(904,678)	(212,631)	(31,054,298)	0
Changes of assumptions	0	0	40,801,678	0	0	144,753,646	0
Benefit payments, including refunds of employee contributions [2]	(158,293,527)	(149,212,984)	(139,856,672)	(131,937,062)	(124,203,519)	(115,984,752)	(109,342,861)
Net Change in Total Pension Liability	$ 124,999,574	$ 126,370,295	146,703,444	108,388,833	107,357,476	213,497,871	99,193,972
Total Pension Liability - Beginning	2,958,090,254	2,831,719,959	2,685,016,515	2,576,627,682	2,469,270,206	2,255,772,335	2,156,578,363
Total Pension Liability - Ending (a)	$3,083,089,828	$ 2,958,090,254	$2,831,719,959	$2,685,016,515	$2,576,627,682	$2,469,270,206	$2,255,772,335
Fiduciary Net Position							
Contributions – employer [2]	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945	$ 75,260,980	$ 68,915,072	$ 69,980,201
Contributions - plan member [2]	30,913,996	30,010,459	28,628,627	28,053,775	27,207,157	24,920,493	22,952,689
Net investment income	89,273,498	136,483,513	221,839,196	248,347,501	42,927,728	100,055,573	309,002,468
Benefit payments, including refunds of employee contributions [2]	(158,293,527)	(149,212,984)	(139,856,672)	(131,937,062)	(124,203,519)	(115,984,752)	(109,342,861)
Administrative expenses [2]	(4,607,760)	(5,056,350)	(4,203,705)	(4,404,191)	(4,379,760)	(4,654,623)	(4,503,845)
Net Change in Fiduciary Net Position	32,929,281	90,963,452	185,161,922	217,562,968	16,812,586	73,251,763	288,088,652
Fiduciary Net Position - Beginning	2,592,385,584	2,501,422,132	2,316,260,210	2,098,697,242	2,081,884,656	2,008,632,893	1,720,544,241
Fiduciary Net Position - Ending (b)	$2,625,314,865	$2,592,385,584	$2,501,422,132	$2,316,260,210	$2,098,697,242	$2,081,884,656	$2,008,632,893
Net Pension Liability (a)-(b)	$ 457,774,963	$ 365,704,670	$ 330,297,827	$ 368,756,305	$ 477,930,440	$ 387,385,550	$ 247,139,442
Fiduciary Net Position as a Percentage of the Total Pension Liability	85.15%	87.64%	88.34%	86.27%	81.45%	84.31%	89.04%
Covered Payroll	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311	$ 238,185,040	$ 223,825,880	$ 218,340,721
Net Pension Liability as a Percentage of Covered Payroll	172.92%	144.00%	132.90%	152.35%	200.66%	173.07%	113.19%

[1] The Schedule of Changes in Net Pension Liability and Related Ratios is intended to show information for 10 years. Additional years will be displayed as they become available.

[2] Amounts may not sum to total due to rounding.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CONTRIBUTIONS HISTORY

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contributions	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945	$ 75,260,980
Contributions in Relation to the Actuarially Determined Contributions	$75,643,074	$78,738,814	78,754,476	77,502,945	75,260,980
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll[1]	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311	$ 238,185,040
Contributions as a Percentage of Covered Payroll	28.57%	31.00%	31.69%	32.02%	31.60%

	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially Determined Contributions	$ 68,915,072	$ 69,660,201	$ 69,853,000	$ 64,690,000	$ 64,757,000
Contributions in Relation to the Actuarially Determined Contributions	68,915,072	69,660,201	69,853,000	64,690,000	64,757,000
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll[1]	$ 223,825,880	$ 218,340,721	$ 211,001,594	$ 216,515,000	$ 215,969,000
Contributions as a Percentage of Covered Payroll	30.79%	31.90%	33.11%	29.88%	29.98%

[1] In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT RETURNS*

	FYE 2020**	FYE 2019**	June 30, 2018**	June 30, 2017**	June 30, 2016**	June 30, 2015	June 30, 2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	3.25%	5.41%	9.53%	12.21%	2.15%	5.04%	18.16%

* The Schedule of Investment Returns is intended to show information for 10 years. Additional years will be displayed as they become available.

** These calculations for the money-weighted rate of return, net of investment expense, were provided by MCERA's investment consultant, Callan Associates.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Total Pension Liability

The total pension liability contained in this schedule was obtained from MCERA's actuary, Cheiron.

Service Cost

The service cost is based on the previous year's valuation, meaning the 2020 and 2019 values are based on the valuations as of June 30, 2019 and June 30, 2018, respectively. The June 30, 2020 service costs have been calculated using the June 30, 2019 actuarial assumptions as described in Note 9 of the Notes to the Basic Financial Statements earlier in this report. The June 30, 2019 service costs have been calculated using the June 30, 2018 actuarial assumptions as described in Note 3 of the Notes to Required Supplementary Information on the following page.

Change in Assumptions

Triennially, MCERA requests that the actuary perform an analysis of all economic and non-economic assumptions in the form of an Experience Study. The most recent triennial Experience Study was for the period July 1, 2014 through June 30, 2017. Based on the results of this study, the Board of Retirement lowered the assumed rate of investment return from 7.25% to 7.00% effective with the June 30, 2017 valuation.

Covered Payroll

Covered payroll shown represents only the Compensation Earnable and Pensionable Compensation that is used in the determination of retirement benefits.

NOTE 2 – SCHEDULE OF INVESTMENT RETURNS

The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 3 – ACTUARIAL ASSUMPTIONS USED IN CALCULATING THE ACTUARIALLY DETERMINED CONTRIBUTIONS

Valuation date	June 30, 2018 (to determine FY 2019-20 contributions)
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.

Key methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Asset valuation method	As of the June 30, 2014 valuation, assets are valued using the market value. The assets used to compute the Unfunded Actuarial Liability (UAL) are the market value of assets, minus the value of any non-valuation contingency reserves.
Amortization method	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 17-year period (12 years remaining as of June 30, 2018), except for the additional UAL attributable to the extraordinary loss from 2009, which is being amortized over a separate closed period (20 years remaining as of June 30, 2018). Subsequent unexpected change in the unfunded actuarial liability after June 30, 2014, is amortized over a closed 24-year period (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.
Investment rate of return	7.00%
Inflation rate	2.75%
Cost of living adjustments (COLAs)	2.7% for tiers with a 4.0% COLA cap 2.6% for tiers with a 3.0% COLA cap 1.9% for tiers with a 2.0% COLA cap
Salary increases	3.00% (2.75% inflation plus 0.25% wage growth)
Retiree mortality	Rates of mortality for retired Members and their beneficiaries are given by California Public Employees Retirement System (CalPERS) 2017 Post-Retirement Healthy Mortality rates, adjusted by 90% for Males (General and Safety), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Disabled mortality	Rates of mortality among disabled Members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for General members and Industrial Disability rates for Safety members), adjusted by 90% for Males (General and Safety) and 90% for General Females, with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

A complete description of the methods and assumptions used to determine contribution rates for the fiscal year ending June 30, 2020, can be found in the June 30, 2018 actuarial valuation report.

OTHER INFORMATION

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS
AS OF JUNE 30, 2020 [1]

Employer	Unfunded Liability (from the June 30, 2019 Actuarial Valuation)	Proportionate Share	Net Pension Liability [2]
County	$210,978,882	52.8226%	$241,808,638
City of San Rafael	137,226,746	34.3574%	157,279,575
Novato Fire	24,701,997	6.1846%	28,311,550
Superior Court	8,396,658	2.1023%	9,623,803
Southern Marin Fire	11,601,474	2.9047%	13,296,989
Mosquito District	6,208,242	1.5544%	7,115,654
Tamalpais CSD	267,427	0.0670%	306,709
Marin City CSD	0	0%	0
LAFCO	27,849	0.0070%	32,044
Total	$399,409,276	100.0000%	$457,774,963

[1] Numbers may not sum to total due to rounding.

[2] Proportionate share of net pension liability is based on the actuarial valuation.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020 [1]

		Deferred Outflows of Resources				
Employer	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Outflows of Resources
County	$ 241,808,638	$ 10,604,919	$ 5,388,127	$ 13,115,475	$ 26,723,400	$ 55,831,921
City of San Rafael	157,279,575	6,897,756	3,504,598	6,296,927	17,381,699	34,080,980
Novato Fire	28,311,550	1,241,650	630,855	3,192,537	3,128,841	8,193,883
Superior Court	9,623,803	422,068	214,443	1,028,946	1,063,571	2,729,028
Southern Marin Fire	13,296,989	583,161	296,292	2,644,136	1,469,512	4,993,101
Mosquito District	7,115,654	312,069	158,555	1,548,530	786,384	2,805,538
Tamalpais CSD	306,709	13,451	6,834	304,280	33,896	358,461
Marin CSD	-	-	-	67,015	-	67,015
LAFCO	32,044	1,405	714	62,049	3,541	67,709
Totals	$ 457,774,962	$ 20,076,479	$ 10,200,418	$ 28,259,895	$ 50,590,844	$ 109,127,636

[1] Numbers may not sum to total due to rounding.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (Continued)
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020 [1]

	Deferred Inflows of Resources		
Employer	Differences Between Expected and Actual Economic Experience	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
County	$ 450,676	$ 7,876,995	$ 8,327,671
City of San Rafael	293,135	17,065,608	17,358,743
Novato Fire	52,767	465,014	517,781
Superior Court	17,937	670,042	687,979
Southern Marin Fire	24,783	-	24,783
Mosquito District	13,262	973,180	986,442
Tamalpais CSD	572	1,175,690	1,176,262
Marin CSD	-	14,794	14,794
LAFCO	60	18,572	18,632
Totals	$ 853,192	$ 28,259,895	$ 29,113,087

[1] Numbers may not sum to total due to rounding.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (Continued)
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020 [1]

	Pension Expense Excluding that Attributable to Employer-Paid Member Contributions		
Employer	Proportionate Share of Allocable Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
County	$ 49,796,277	$ 4,265,632	$ 54,061,909
City of San Rafael	32,388,989	(7,379,679)	25,009,309
Novato Fire	5,830,271	1,719,143	7,549,414
Superior Court	1,981,855	(410,677)	1,571,177
Southern Marin Fire	2,738,283	1,839,166	4,577,449
Mosquito District	1,465,345	303,784	1,769,128
Tamalpais CSD	63,161	(345,170)	(282,008)
Marin CSD	-	(23,106)	(23,106)
LAFCO	6,599	30,907	37,506
Totals	$ 94,270,779	$ -	$ 94,270,779

[1] Numbers may not sum to total due to rounding.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO OTHER INFORMATION

NOTE 1 – BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Employers participating in Marin County Employees' Retirement Association (MCERA) are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. The Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan and Schedule of Cost Sharing Employer Allocations, along with MCERA's audited financial statements, the GASB Statement No. 67 Actuarial Valuation as of June 30, 2020, and the GASB Statement No. 68 Actuarial Valuation Based on a June 30, 2020 Measurement Date for Employer Reporting as of June 30, 2020, prepared by MCERA's independent actuary, provide the required information for financial reporting related to MCERA that employers may use in their financial statements.

The accompanying schedule was prepared by MCERA's independent actuary and was derived from information provided by MCERA in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

NOTE 2 – USE OF ESTIMATES IN THE PREPARATION OF THE SCHEDULES

The preparation of these schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

NOTE 3 – AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining difference between projected and actual investment earnings on pension plan investments at June 30, 2020, is to be amortized over the remaining periods.

The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through MCERA (active and inactive employees) determined as of June 30, 2019 (the beginning of the measurement period ending June 30, 2020) and is four years. Prior period changes of assumptions and differences between expected and actual experience are continued to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

In addition, the net effect of the change in the employer's proportionate share of the net pension liability and deferred outflows of resources and deferred inflows of resources is also recognized over the average expected remain service lives of all employees noted above. The difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ending on June 30, 2020, is recognized over the same period as noted above. The Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan does not reflect contributions made to MCERA subsequent to the measurement date as defined in GASB Statement No. 68 Paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

CONFERENCE AGENDA

SACRS ANNUAL FALL CONFERENCE

NOVEMBER 10-13, 2020

SACRS

TUESDAY, NOVEMBER 10

1:00PM – 3:00PM **ETHICS TRAINING FOR TRUSTEES AND STAFF**

This two-hour mandatory bi-annual training for public officials covers conflict of interest rules, public meeting and record requirements, due process requirements and other significant rules for legal compliance by public officials, with a particular focus on how these rules apply to retirement board trustees and senior staff. *This class is pending approval for MCLE credit

SPEAKERS: *Ashley Dunning and Peter Mixon, Nossaman, LLP*

3:00PM – 5:00PM **SEXUAL HARASSMENT PREVENTION TRAINING FOR LOCAL AGENCY OFFICIALS (AB1661)**

Nossaman LLP attorneys John Kennedy and Allison Callaghan will present "Sexual Harassment Prevention Training for Local Agency Officials (AB1661)". AB 1661 requires that if a local agency provides any type of compensation, salary, or stipend to its officials, then all local agency officials of the agency shall receive at least two hours of sexual harassment prevention and education training within the first six months of taking office or commencing employment and every two years thereafter. This interactive training session will meet the requirements under AB 1661 and AB 1825 (sexual harassment prevention training to employees who perform supervisory functions) and assist attendees in preventing and effectively responding to complaints of sexual harassment. *This class pending approval for MCLE credit

SPEAKERS: *John Kennedy and Allison Callaghan, Nossaman LLP*

5:00PM – 6:00PM **NETWORK RECEPTION**

SACRS first ever virtual networking reception! SACRS virtual networking reception is a one-of-a-kind event where you can network with other conference attendees – Trustees Staff and Affiliates, all from the comfort of your desk. Grab a drink and log into our "virtual networking reception" for an hour of meaningful networking. Visit the Exhibit Hall and stop by our Affiliate Booths! Trustees and Staff members that stop by each Booth will automatically qualify you for a free Amazon Gift Card. You'll walk away with new connections, friends and insights!

WEDNESDAY, NOVEMBER 11

SACRS FALL CONFERENCE VIRTUAL FUN RUN

Staying active during this time of social distancing is important for our mental and physical well-being! Sign up for the Virtual Run and be rewarded for your efforts! The SACRS Fall Conference Virtual Fun Run event can be run or walked from any location you choose. You can run, jog, or walk on the road, on the trail, or on the treadmill. Send us a selfie or walk with friends, don't forget to send us your picture for the annual photo! Pre-registration is required, participation fee is $15 and includes a fun run T-shirt. Registration cut off to receive a shirt prior to conference is October 31, all shirts will be mailed to participants directly.

9:00AM – 9:15AM **WELCOME OPENING CEREMONIES AND AWARDS**

SPEAKER: *Vivian Gray, SACRS President*

AWARDS: *Dan McAllister, SACRS Immediate Past President*

WEDNESDAY, NOVEMBER 11 (continued)

9:15AM – 10:15AM **2020 VISION – THE CONSEQUENCES OF THE PRESIDENTIAL ELECTION**

The big highlights of the primaries and the general election. As this historic and wildly unpredictable election comes to a close on Election Day, it won't be hard to remember how America got here. Over a dozen candidates hoping to be the Democratic nominee and the GOP supporting President Donald J. Trump for a second term.

SPEAKER: *Ron Insana, CNBC*

MODERATOR: *Frank Mottek, CBS Station KNX 1070 News Radio*

10:15AM – 10:30AM **NETWORKING BREAK**

10:30AM – 11:30AM **CALIFORNIA RECOVERY/COVID-19**

A new California rule requires everyone to wear face masks in public as more businesses and public spaces have reopened in the state. For some residents, the mandate is controversial even as COVID-19 hospitalizations are surging. Eric Feigl-Ding will discuss how public health officials are considering how to boost economic activity in the safest way possible.

SPEAKER: *Eric Feigl-Ding, Harvard T.H. Chan School of Public Health*

MODERATOR: *Frank Mottek, CBS Station KNX 1070 News Radio*

11:30AM – 1:00PM **NETWORKING LUNCH BREAK**

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1:15PM – 3:30PM **AFTERNOON BREAKOUTS**

Build interactive collaborations, uncover new opportunities, and a enjoy a great networking experience from the comfort of your desk. Interact in real-time just by joining a breakout. You'll video chat with other professionals from the conference.

- **Administrators Breakout**

  MODERATOR: *Eric Stern, Sacramento CERA*

- **Affiliate Breakout**

  Intimate Fireside Chat with our Industry's top Field & Research Consultants

  Back by popular demand! We invite our SACRS affiliate community to join us for an intimate Q&A with five industry-leading consulting firms. Affiliate committee members will lead five discussions featuring senior field and manager research consultants from each firm, giving you an access and insight into their respective process and internal dynamics. You can choose to attend two live sessions, but all 5 sessions will be recorded and be available to affiliates. The affiliates would like to thank the consultant community for their time and efforts in making this a successful collaboration!

  - 1:15PM – 2:00PM | **Track 1 A-C:** MEKETA, ANDCO, AKSIA
  - 2:15PM – 3:00PM | **Track 2 A-B:** VERUS, NEPC

  MODERATOR: *Teri Noble, Pathaway*

CONFERENCE AGENDA

SACRS ANNUAL FALL CONFERENCE

NOVEMBER 10-13, 2020

SACRS

WEDNESDAY, NOVEMBER 11 (continued)

Attorneys Breakout

MODERATOR: *TBD*

Internal Auditors Breakout

- 1:15 – 1:20 PM | **Introduction**
  MODERATOR: *Harsh Jadhav, Chief of Internal Audit, ACERA*
- 1:20 – 1:50 PM | **Implementing Enterprise Risk Management**
  SPEAKER: *Margo Allen, Fiscal Services Officer, ACERA*
- 1:50 – 1:55 PM | **5 Minute Break**
- 1:55 – 2:55 PM | **Investment Operational Due Diligence**
  SPEAKER: *Wrally Dutkiewicz, Compliance Officer, CCCERA*
- 2:55 – 3:30 PM | **Group Discussion**
  SPEAKERS: *Wrally Dutkiewicz, Compliance Officer, CCCERA*
  Margo Allen, Fiscal Services Officer, ACERA

Investment Staff Breakout *Closed Session to Investment Staff Only

MODERATOR: *Tim Price, Contra Costa CERA*

Operations/Disability Breakout

COVID-Related Challenges and How you Overcame Them - Operations and Benefits Focus

COVID presented a myriad of challenges for each and every one of us in all aspects on all levels of our personal and work-related lives. A discussion of COVID-related challenges, personal and work-related, that we experienced this year will be shared and discusses on how you/your division/unit overcame it.

SPEAKER: *Arlene Owens, Los Angeles CERA*

Safety Breakout

MODERATOR: *Brian Williams, Sonoma CERA*

Trustee Breakout

A comprehensive overview to mastering the roles and responsibilities of a public pension fiduciary in the U.S.

In an ever-changing financial and political landscape, your job as a public pension fiduciary continues to get more difficult. .

The U.S. Public Pension Handbook is the only one-stop resource that covers the various areas of public pension governance, investment management, infrastructure, accounting, and law.

This comprehensive session presents critical data, information, and insights in topic-specific, easy-to-understand ways—providing the knowledge you need to elevate your expertise and overall contribution to your pension plan or system.

SPEAKER: *Von Hughes, PAAMCO*

MODERATOR: *Kathryn Cavness, Mendocino CERA*

WEDNESDAY, NOVEMBER 11 (continued)

3:45PM – 4:45PM **NETWORKING RECEPTION**

Make time to visit the Exhibit Hall during SACRS virtual networking reception! SACRS virtual networking reception is a one-of-a-kind event where you can network with other conference attendees – Trustees Staff and

Affiliates, all from the comfort of your desk. Grab a drink and log into our "virtual networking reception" for an hour of meaningful networking. Visit the Exhibit Hall and stop by our Affiliate Booths! Trustees and Staff members that stop by each Booth will automatically qualify you for a free Amazon Gift Card. You'll walk away with new connections, friends and insights!

THURSDAY, NOVEMBER 12

7:00AM – 8:00AM **SACRS WELLNESS SESSION – VIRTUAL YOGA**

Need some Wellness in your life? Join us for a virtual Yoga Class to start your conference day. Attendees will receive a link to participate in a yoga session for all levels. Class is taught by a professional yoga instructor, preregistration is required, fees apply.

9:15AM – 9:30AM **WELCOME TO DAY TWO!**

SPEAKER: *Vivian Gray, SACRS President*

9:30AM – 10:30AM **BACKABLE 2.0**

Backable people have a seemingly mysterious superpower that lies at the intersection of "creativity" and "persuasion". When they express themselves, we feel moved. When they share an idea, we take action. In 2019, Suneel Gupta introduced Backable to SACRS. This time around, you'll walk away with 5 immediately actionable, never-shared-before techniques on how to make yourself Backable for any occasion - whether that's raising money, pitching a client, applying for a role, or convincing your kids to clean their room.

SPEAKER: *Suneel Gupta, Author*

MODERATOR: *Frank Mottek, CBS Station KNX 1070 News Radio*

10:30AM – 11:00AM **NETWORKING BREAK**

11:00AM – 12:00PM **LAND OF THE FREE, HOME OF THE COLOR BRAVE**

This year, America has experienced an unprecedented national introspection while attempting to reconcile the enlightened promises of our 18th-century founding documents with our 21st-century views on racial and gender equality. This fireside chat with Mellody Hobson, Co-CEO of Ariel Investments and one of the country's most successful business leaders, will be a frank conversation on diversity as a source of excellence that pension leaders should actively seek.

SPEAKER: *Mellody Hobson, Ariel Investments*

MODERATOR: *Sam Austin, NEPC*

12:00PM – 12:30PM **NETWORKING LUNCH BREAK**

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CONFERENCE AGENDA

SACRS ANNUAL FALL CONFERENCE

NOVEMBER 10-13, 2020

SACRS™

THURSDAY, NOVEMBER 12 (continued)

12:30PM – 1:30PM **PANDEMIC ECONOMY: A PERSPECTIVE LOOKING FORWARD**

This panel of two distinguished economists and strategists, moderated by Sam Austin from NEPC, will discuss the current state of US and Global economy/markets as well as forward looking expectations. Topics likely to be covered include:

- Earnings expectations and impact of prolonged Covid virus?
- Digital transformation and drivers of growth by region?
- View on China / US relations and impact on supply chain?
- Decoupling of regional economies and implications?
- Central Bank policy and implications?
- Impact of US election?
- Positioning for the next 3-5 years?

SPEAKERS: *Dr. Richard Jerram, Special Economic Advisor to Bank of Singapore and Chief Economist for Top Down Macro and Bob Doll, Senior Portfolio Manager and Chief Equity Strategist, Nuveen*

MODERATOR: *Sam Austin, NEPC*

1:45PM – 2:45PM **CONCURRENT SESSIONS – 1ST TRACK**

CONCURRENT SESSION A – Take the Bull by the Horns in your Farmland and Real Estate Debt investments

This session will provide a view into two interesting investment topics and how they are in this new Post Pandemic world. The discussion will start with Commercial Real Estate and transition to Agribusiness.

Commercial real estate has been unevenly impacted by Covid-19. Secular trends underway before the pandemic have accelerated, causing some property types to perform well in the current environment and challenging others. This period of uncertainty is creating unique investment opportunities in real estate debt supported by a priority claim on property cash flow and value.

Given California's worldwide prominence in Ag, we propose an educational presentation that we believe would be insightful for trustees given the sector's unique implications for SACRS counties in terms of their tax base, beneficiaries, and opportunities for institutional investment. The session will give a global perspective post pandemic on Farmland and Agribusiness, while highlighting key trends, California's position as a central basin of US agriculture, and the investment opportunities available to public pensions.

SPEAKERS: *Andy Rubin of Fidelity Investments and Biff Ourso of Nuveen*

MODERATOR: *Dan Hennessy , Senior Consultant, NEPC*

CONCURRENT SESSION B – Aging in America - Current Realities and How Do We Plan for the Future?

Aging adults, especially those with dementia and other disabilities - how are we addressing this? Local impacts, national, solutions, demographics, politics, potential investment opportunities?

SPEAKER: *Debbie Toth, Choice in Aging*

MODERATOR: *David MacDonald, Contra Costa CERA*

THURSDAY, NOVEMBER 12 (continued)

2:45AM – 3:00PM **NETWORKING BREAK**

3:00PM – 4:00PM **CONCURRENT SESSIONS – 2ND TRACK**

CONCURRENT SESSION A – Renewable Energy and Sustainable Infrastructure An Overview of Project Financing

We invite you to join us for a webinar where we will help investors understand how lending in the construction/operation stage of project development can potentially lead to attractive, equity like returns with consistent cash flow and an attractive risk/reward profile.

SPEAKER: *Tom Emmons, Co-Head of Direct Infrastructure and David Whitehouse, Senior Client Portfolio Manager, Voya Investment Management*

CONCURRENT SESSION B – The Impact of Pension Dollars in Rural Counties

This session would highlight the findings of a new NIRS report on the economic impact of pension dollars in rural counties, particularly on California counties.

SPEAKER: *Tyler Bond, National Institute on Retirement Security*

CONCURRENT SESSION C – SACRS 2020 Legislative Update

SPEAKERS: *Trent Smith, Mike Robson, Bridget McGowan, SACRS Advocacy Team*

FRIDAY, NOVEMBER 13

9:00AM – 10:00AM **SACRS ANNUAL BUSINESS MEETING**

SPEAKERS: *SACRS Board of Directors*

D.3.b Other Comments

This is a discussion with no backup.

Confidential Matter
Nossaman Memo
Agenda Item E.1

Board Meeting
December 9, 2020

Recusals:
None

F.1 Fiduciary Liability Insurance

Backup for this agenda item will be presented during the meeting.

F.2 Future Meetings

This is a discussion with no backup.

G.1

MCERA
CONFERENCE AND TRAINING CALENDAR
December 2020

Block	Cooper	Given	Gladstern	Jones	Klein	Murphy	Poirier	Shaw	Silberstein	Thomas	Werby	Wickman	Hardesty	Dunning	DATE	APPROVED	SPONSOR	PROGRAM	LOCATION
															12/2-4/20	*	CalAPRS	Advanced Course in Retirement Plan Administration	Virtual
															2/22-26/21	**	Wharton	Investment Strategies & Portfolio Management	Virtual
												✪			3/8-9/21	*	CalAPRS	General Assembly	Virtual
															3/8-10/21	*	CII	Spring Conference	Washington, DC
															4/13-15/21	*	Callan	Introduction to Investments	Virtual
															6/14-18/21	**	Wharton	Investment Strategies & Portfolio Management	Virtual
															6/21-23/21	*	Callan	National Conference	San Francisco, CA
															7/14-16/21	*	Callan	Introduction to Investments	San Francisco, CA
															9/22-24/21	*	CII	Fall Conference	Chicago, IL
															9/28-10/1/21	*	CalAPRS	Principles of Pension Governance for Trustees	Malibu, CA
															11/9-12/21	*	SACRS	Fall Conference	Hollywood, CA

*Pre-approved events: CalAPRS; Callan; CII; Nossaman LLP; NASRA; SACRS – ** Board-approved events – New event or attendee

CALLAN — Callan College
http://www.callan.com/education/college
Callan investment Institute
http://www.callan.com/education/cii/conferences.asp

NASRA — National Association of State Retirement Administrators

SACRS — State Association of County Retirement Systems
http://www.sacrs.org

CONSENT CALENDAR
MCERA BOARD MEETING, WEDNESDAY, December 9, 2020

November 2020

RETURN OF CONTRIBUTIONS			
John Bayne	Full Refund - Termination	$	2,802.52
Lindsay Broekstra	Full Refund - Termination	$	6,562.67
Jaime Guzman	Full Refund - Termination	$	7,742.39
Jeremy Hall	Full Refund - Termination	$	6,702.22
Jesse Lehmann	Full Refund - Termination	$	5,983.77
Paulina Lopez	Full Refund - Termination	$	10,512.86
Tanya Metlenko	Full Refund - Termination	$	7,676.40
Trevor Mollenkopf	Full Refund - Termination	$	61,379.80
Gurkirat Nagra	Full Refund - Termination	$	4,144.08
Simon Vuong	Partial Refund - Correction	$	3,210.20
Marilyn Wronsky	Partial Refund - 30 Year Overpayment	$	11,136.13

BUYBACKS		
David Chellson	$	37,484.37
Carmen Tristan	$	4,591.31

NEW RETIREES	
Mark Brown	County of Marin - Fire
Julie Fitch	County of Marin - Library
John Karr	County of Marin - Health & Human Services
Mark S. Miller	City of San Rafael
Josette Molloy	County of Marin - Health & Human Services
Steven White	Novato Fire
Marilyn Wronsky	County of Marin - Library

DECEASED RETIREES	
Steven Blair	County of Marin - Probation
Pamela Bousquet	County of Marin - District Attorney
Dino Lucchesi	County of Marin - Fire
Patricia McShane	County of Marin - Health & Human Services