AGENDA

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

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

December 15, 2021 – 11:00 a.m.

This meeting will be held via videoconference pursuant to MCERA Board of Retirement Resolution 2021/22-01, which invoked Government Code section 54953(e) for all MCERA Board and standing committee meetings through January 1, 2022.

Instructions for watching the meeting and/or providing public comment, as well as the links for access, are available on the Watch & Attend Meetings page of MCERA's website. Please visit https://www.mcera.org/retirementboard/agendas-minutes/watchmeetings for more information.

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.

CALL TO ORDER

ROLL CALL

A. OPEN TIME FOR PUBLIC EXPRESSION

Note: The public may 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. TOPIC OF GENERAL INTEREST

1. Reconsideration of State of Emergency conditions under Assembly Bill (AB) 361 (**Action**)
   Reconsider and take possible action to invoke Government Code section 54953(e), and to extend MCERA Resolution 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings through January 14, 2022, because at least one of the

following circumstances exists:

1. The State of Emergency proclaimed remains in effect and continues to directly impact the ability of the members to meet safely in person; or

2. State or local officials continue to impose or recommend measures to promote social distancing.

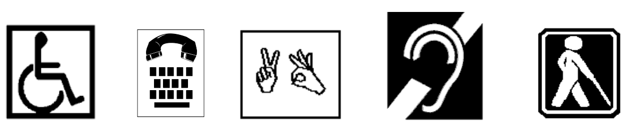
C. MATTERS OF GENERAL INTEREST

1. GASB 67/68 Report (**Action**) – Cheiron, Graham Schmidt
   Consider and take possible action to adopt June 30, 2021 GASB 67/68 Report

2. Audited Financial Statements for Fiscal Year Ending June 30, 2021 (**Action**) – Brown Armstrong, Rosalva Flores, CPA, Audit Manager
   Discuss and consider Audit Committee recommendation to adopt the Audited Financial Statements for June 30, 2021

Note on Process: Items designated for information are appropriate for Board action if the Board wishes to take action.

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 are a person with a disability and require an accommodation to participate in a County program, service, or activity, requests may be made by calling (415) 473-4381 (Voice), Dial 711 for CA Relay, or by email at least five business days in advance of the event. We will do our best to fulfill requests received with less than five business days' notice. Copies of documents are available in alternative formats upon request.

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

B.1

MCERA

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Date: December 10, 2021

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

From: Jeff Wickman JW
Retirement Administrator

Subject: Considerations for Reinvoking the Provisions of Assembly Bill 361 in order to Conduct Board and Standing Committee Meetings Virtually

Background

On October 13, 2021, the Board of Retirement adopted Resolution No. 2021/22-01 Authorizing Teleconferencing for Board and Standing Committee Meetings Pursuant to Government Code §54953(e) of the Brown Act ("Section 54953(e)"), through November 12, 2021. The Resolution was adopted in recognition that the conditions for invoking the provisions in Assembly Bill (AB) 361, permitting the Board to conduct remote access meetings, were similar to the way it had been meeting during the COVID-19 pandemic. On November 3, 2021, the Board reconsidered the circumstances of the emergency and made a finding that reinvoked these provisions through December 3, 2021. Again, on December 2, 2021 the Board reconsidered the circumstances of the emergency and made a finding that reinvoked these provisions through January 1, 2022.

This item is agendized for discussion so the Board can determine whether either or both of the conditions continue to exist, such that the Board may reinvoke Section 54953(e) and conduct its meetings via Zoom and YouTube for the next thirty (30) days. To make its determination, the Board must decide that 1) a State of Emergency under Government Code section 8625 remains in effect; and 2) (i) State or local officials had put in place social distancing measures to protect health, or, (ii) the local agency board determines that meeting in person would present imminent risks to the health and safety of attendees.

Recommendation

On November 17, 2021 Governor Newsom extended the state's COVID-19 state of emergency declaration through March 2022. Since the Board's last reconsideration of this issue the new Omicron variant was identified as being present if the Bay Area. Staff recommends that the Board make the finding(s) necessary to continue to conduct remote meetings under Section 54953(e), as it has to date, through January 14, 2022, on the basis the conditions identified in items (1), (2)(i) and (2)(ii) above continue to exist.

Please note that the Investment Committee meeting scheduled for January 19, 2022 does not fall within 30 days of this proposed action. Therefore, if the Board adopts staff recommendation on this topic, the issue will be agendized for the January 12, 2022 regular Board meeting for reconsideration.

C.1

Classic Values, Innovative Advice

Marin County Employees' Retirement Association

GASB 67/68 Report as of June 30, 2021

Produced by Cheiron

November 2021

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November 23, 2021

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, 2021,
- 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	William R. Hallmark, ASA, EA, FCA, MAAA
Consulting Actuary	Consulting Actuary

SECTION I – BOARD SUMMARY

Highlights

The measurement date for the Marin County Employees' Retirement Association is June 30, 2021. Measurements as are based on the fair value of assets as of June 30, 2021 and the Total Pension Liability (TPL) as of the valuation date, June 30, 2020, updated to June 30, 2021. The Board updated its assumptions for the June 30, 2020 actuarial valuation based on an experience study. These changes are reflected effective July 1, 2020 for financial reporting purposes. To the best of our knowledge, there were no significant events between the valuation date and the measurement date, so the update was based upon the Total Pension Liability as of the valuation date reflecting the new assumptions and projected to the measurement date with 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	
	6/30/2021	6/30/2020
Net Pension Liability	$ (162,401,177)	$ 457,774,963
Deferred Outflows	(43,674,542)	(80,867,741)
Deferred Inflows	466,950,240	853,192
Net Impact on Statement of Net Position	$ 260,874,521	$ 377,760,414
Pension Expense ($ Amount)	$ (36,526,162)	$ 94,270,779
Pension Expense (% of Payroll)	-13.41%	35.61%

The Net Pension Liability (NPL) decreased approximately $620 million since the prior measurement date primarily due to investments earning more than the assumed rate. Actuarial losses and assumption changes increased the NPL by about $42 million.

The gains due to investment earnings being more than expected are recognized over five years. The losses due to liability experience and the assumption changes are recognized over the average remaining service life as of the beginning of the measurement period, 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 Asset of $162,401,177, Collective Deferred Inflows of $466,950,240, and Collective Deferred Outflows of $43,674,542. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to MCERA would be a net liability of $260,874,521 (-$162,401,177 + $466,950,240 – $43,674,542) at the end of the measurement

SECTION I – BOARD SUMMARY

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, 2021, the collective annual pension expense is income of $36,526,162 or 13.41% of covered payroll. This amount is not related to participating employers' contributions to MCERA ($80,359,731), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions ($260,874,521 – $377,760,414 + $80,359,731). The collective pension expense is considerably smaller than the prior year (being income for the first time this year). Volatility in pension expense from year to year is to be expected. For the measurement year ending June 30, 2021, the volatility was largely due to the recognition of the 2021 investment gain. A breakdown of the components of the collective net pension expense is shown in Section VII of the report.

SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under Government Accounting Standards Board Statement 67 (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.

Cheiron utilizes ProVal, an actuarial valuation software 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. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this report.

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

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 6.75%.

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 (10 years remaining as of June 30, 2020), except for the additional UAL attributable to the outstanding unfunded actuarial loss from 2009, which is being amortized over a separate closed period (18 years remaining as of June 30, 2020).

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 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 contribution 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, 2021, is measured as of a valuation date of June 30, 2020 and projected to June 30, 2021. The TPL shown in the prior report was measured as of June 30, 2019 and projected to June 30, 2020. Because the TPLs are based on different valuations and different assumptions, the TPL from the prior report will not match the amounts measured as of June 30, 2020 that are shown in this exhibit.

There were no significant events during the projection period of which we are aware.

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	5.75%	6.75%	7.75%
Valuation Collective Total Pension Liability, 6/30/2020			
Actives	$ 1,106,745,505	$ 937,242,411	$ 800,250,820
Deferred Vested	165,022,027	135,703,814	113,527,259
Retirees	2,261,373,987	2,051,846,602	1,874,771,041
Total	**$ 3,533,141,519**	**$ 3,124,792,827**	**$ 2,788,549,120**
Service Cost	87,200,826	68,379,239	54,234,701
Benefit Payments	167,679,802	167,679,802	167,679,802
Interest	200,874,204	207,626,845	211,798,583
Collective Total Pension Liability, 6/30/2021	**$ 3,653,536,747**	**$ 3,233,119,109**	**$ 2,886,902,602**

SECTION V – GASB 67 REPORTING INFORMATION

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 6/30/2020	$3,083,089,828	$2,625,314,865	$ 457,774,963
Changes for the year:			
Service cost	68,379,239		68,379,239
Interest	207,084,921		207,084,921
Changes of benefits	0		0
Differences between expected and actual experience	8,570,419		8,570,419
Changes of assumptions	33,674,504		33,674,504
Contributions - employer		80,359,731	(80,359,731)
Contributions - member		32,019,007	(32,019,007)
Net investment income		829,890,324	(829,890,324)
Benefit payments	(167,679,802)	(167,679,802)	0
Administrative expense		(4,383,839)	4,383,839
Net changes	150,029,281	770,205,421	(620,176,140)
Balances at 6/30/2021	$3,233,119,109	$3,395,520,286	$ (162,401,177)

During the measurement year, the NPL decreased by approximately $620 million. The service cost and interest cost increased the NPL by approximately $275 million while contributions and investment income offset by administrative expenses decreased the NPL by approximately $938 million.

There were no changes in benefits during the year. Assumptions were changed (including the discount rate decreasing from 7.00% to 6.75%) which increased the NPL by approximately $34 million. There were actuarial experience losses during the year that increased the collective NPL by approximately $9 million.

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

SECTION V – GASB 67 REPORTING INFORMATION

relatively small change in the discount rate. The table below shows the sensitivity of the NPL to the discount rate.

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

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Total Pension Liability	$3,653,536,747	$3,233,119,109	$2,886,902,602
Plan Fiduciary Net Position	3,395,520,286	3,395,520,286	3,395,520,286
Collective Net Pension Liability	$ 258,016,461	$ (162,401,177)	$ (508,617,684)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.9%	105.0%	117.6%

A one percent decrease in the discount rate increases the TPL by approximately 13%, while a one percent increase in the discount rate decreases the TPL by approximately 11%. The increase and decrease in the NPL from these respective discount rate changes are substantially higher.

SECTION V – GASB 67 REPORTING 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 eight years since implementation.

Table V-3

Schedule of Changes in Collective Net Pension Liability and Related Ratios

	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability								
Service cost (MOY)	$ 68,379,239	$ 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)	207,084,921	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	0
Differences between expected and actual experience	8,570,419	15,620,886	16,721,629	(3,412,765)	(904,678)	(212,631)	(31,054,299)	0
Changes of assumptions	33,674,504	0	0	40,801,678	0	0	144,753,646	0
Benefit payments, including refunds of member contributions	(167,679,802)	(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	**$ 150,029,281**	**$ 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	**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**	**2,156,578,363**
Total pension liability - ending	**$3,233,119,109**	**$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	$ 80,359,731	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945	$ 75,260,980	$ 68,915,072	$ 69,980,201
Contributions - member	32,019,007	30,913,996	30,010,459	28,628,627	28,053,775	27,207,157	24,920,493	22,952,689
Net investment income	829,890,324	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	(167,679,802)	(158,293,527)	(149,212,983)	(139,856,672)	(131,937,062)	(124,203,519)	(115,984,752)	(109,342,861)
Administrative expense	(4,383,839)	(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	**$ 770,205,421**	**$ 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	**2,625,314,865**	**2,592,385,584**	**2,501,422,132**	**2,316,260,210**	**2,098,697,242**	**2,081,884,656**	**2,008,632,893**	**1,720,544,241**
Plan fiduciary net position - ending	**$3,395,520,286**	**$2,625,314,865**	**$2,592,385,584**	**$2,501,422,132**	**$2,316,260,210**	**$2,098,697,242**	**$2,081,884,656**	**$2,008,632,893**
Net pension liability - ending	**$ (162,401,177)**	**$ 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	105.02%	85.15%	87.64%	88.34%	86.27%	81.45%	84.31%	89.04%
Covered payroll	$ 272,441,885	$ 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	-59.61%	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 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017
Actuarially Determined Contribution	$ 80,359,731	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945
Contributions in Relation to the Actuarially Determined Contribution	80,359,731	75,643,074	78,738,814	78,754,476	77,502,945
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 272,441,885	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311
Contributions as a Percentage of Covered Payroll	29.50%	28.57%	31.00%	31.69%	32.02%

	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012
Actuarially Determined Contribution	$ 75,260,980	$ 68,915,072	$ 69,660,201	$ 69,853,000	$ 64,690,000
Contributions in Relation to the Actuarially Determined Contribution	75,260,980	68,915,072	69,660,201	69,853,000	64,690,000
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 238,185,040	$ 223,825,880	$ 218,340,721	$ 211,001,594	$ 216,515,000
Contributions as a Percentage of Covered Payroll	31.60%	30.79%	31.90%	33.11%	29.88%

SECTION V – GASB 67 REPORTING INFORMATION

The following information on key methods and assumptions used to calculate the ADC for FYE 2021 should be presented as notes to the schedule.

Notes to Schedule	
Valuation date	June 30, 2019 (to determine FY2020-21 contribution)
Timing	Actuarially Determined Contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll with separate periods for Extraordinary Actuarial Gains or Loss (19 years remaining as of (6/30/2019), the remaining UAL as of June 20, 2013 (11 years as of 6/30/2019), 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 30year 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 fiscal year ending June 30, 2021, can be found in the June 30, 2019 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 employers for their FYE 2022 reporting.

The table below summarizes the current balances of deferred outflows and deferred inflows of resources along with the net recognition over the next five years and the total amount recognized thereafter.

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	$ 18,418,664	$ 0
Changes in assumptions	25,255,878	0
Net difference between projected and actual earnings on pension plan investments	0	466,950,240
Total	**$ 43,674,542**	**$ 466,950,240**

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

Measurement year ended June 30:	
2022	(99,017,427)
2023	(91,005,242)
2024	(102,320,420)
2025	(130,932,609)
2026	0
Thereafter	$ 0

The tables on the following pages provide details on the current balances of deferred inflows and outflows of resources along with the recognition of each base for each of the current and following five years, as well as the total for any years thereafter.

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-2
Recognition of Experience (Gains) and Losses

Experience Year	Recognition Period	Total Amount	Beginning Remaining Amount	Ending Remaining Amount	Recognition Year 2021	2022	2023	2024	2025
2021	4.0	$ 8,570,419	$ 8,570,419	$ 6,427,814	$ 2,142,605	$ 2,142,605	$ 2,142,605	$ 2,142,604	$ 0
2020	4.0	15,620,886	11,715,664	7,810,442	3,905,222	3,905,222	3,905,220	0	0
2019	4.0	16,721,629	8,360,815	4,180,408	4,180,407	4,180,408	0	0	0
2018	4.0	(3,412,765)	(853,192)	0	(853,192)	0	0	0	0
2017	4.0	(904,678)	0	0	0	0	0	0	0
Deferred Outflows			28,646,898	18,418,664	10,228,234	10,228,235	6,047,825	2,142,604	0
Deferred (Inflows)			(853,192)	0	(853,192)	0	0	0	0
Net Change in Pension Expense			$ 27,793,706	$ 18,418,664	$ 9,375,042	$ 10,228,235	$ 6,047,825	$ 2,142,604	$ 0

Table VI-3
Recognition of Assumption Changes

Change Year	Recognition Period	Total Amount	Beginning Remaining Amount	Ending Remaining Amount	Recognition Year 2021	2022	2023	2024	2025
2021	4.0	$ 33,674,504	$ 33,674,504	$ 25,255,878	$ 8,418,626	$ 8,418,626	$ 8,418,626	$ 8,418,626	$ 0
2020	4.0	0	0	0	0	0	0	0	0
2019	4.0	0	0	0	0	0	0	0	0
2018	4.0	40,801,678	10,200,418	0	10,200,418	0	0	0	0
2017	4.0	0	0	0	0	0	0	0	0
Deferred Outflows			43,874,922	25,255,878	18,619,044	8,418,626	8,418,626	8,418,626	0
Deferred (Inflows)			0	0	0	0	0	0	0
Net Change in Pension Expense			$ 43,874,922	$ 25,255,878	$ 18,619,044	$ 8,418,626	$ 8,418,626	$ 8,418,626	$ 0

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

Table VI-4
Recognition of Investment (Gains) and Losses

Experience Year	Recognition Period	Total Amount	Beginning Remaining Amount	Ending Remaining Amount	Recognition Year 2021	2022	2023	2024	2025
2021	5.0	$(654,663,045)	$(654,663,045)	$(523,730,436)	$(130,932,609)	$(130,932,609)	$(130,932,609)	$(130,932,609)	$(130,932,609)
2020	5.0	90,254,799	72,203,839	54,152,879	18,050,960	18,050,960	18,050,960	18,050,959	0
2019	5.0	37,049,780	22,229,868	14,819,912	7,409,956	7,409,956	7,409,956	0	0
2018	5.0	(60,962,975)	(24,385,190)	(12,192,595)	(12,192,595)	(12,192,595)	0	0	0
2017	5.0	(97,288,365)	(19,457,673)	0	(19,457,673)	0	0	0	0
Net Change in Pension Expense			$(604,072,201)	$(466,950,240)	$(137,121,961)	$(117,664,288)	$(105,471,693)	$(112,881,650)	$(130,932,609)

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

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

Table VI-5
Calculation of Collective Pension Expense

	Measurement Year Ending 2021	2020
Change in Net Pension Liability	$ (620,176,140)	$ 92,070,293
Change in Deferred Outflows	37,193,199	(47,925,681)
Change in Deferred Inflows	466,097,048	(25,516,907)
Employer Contributions	80,359,731	75,643,074
Pension Expense	**$ (36,526,162)**	**$ 94,270,779**
Pension Expense as % of Payroll	**-13.41%**	**35.61%**
Operating Expenses		
Service cost	$ 68,379,239	$ 63,855,331
Employee contributions	(32,019,007)	(30,913,996)
Administrative expenses	4,383,839	4,607,760
Total	$ 40,744,071	$ 37,549,095
Financing Expenses		
Interest cost	$ 207,084,921	$ 203,816,884
Expected return on assets	(175,227,279)	(179,528,297)
Total	$ 31,857,642	$ 24,288,587
Changes		
Benefit changes	$ 0	$ 0
Recognition of assumption changes	18,619,044	10,200,420
Recognition of liability gains and losses	9,375,042	7,006,270
Recognition of investment gains and losses	(137,121,961)	15,226,407
Total	$ (109,127,875)	$ 32,433,097
Pension Expense	**$ (36,526,162)**	**$ 94,270,779**

SECTION VI – GASB 68 COLLECTIVE AMOUNTS

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 less the expected return on assets. Since the discount rate is equal to the long-term expected return on assets, the financing expense is primarily the interest on the Net Pension Liability with an adjustment for the difference between the interest on the service cost and contributions.

The recognition of changes will drive most of the volatility in pension expense from year to year. Changes include 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 pension expense decreased from the prior year by about $131 million and became pension income. In the current year pension expense, the recognition of changes decreased by approximately $142 million, operating expenses increased by $3.2 million, and financing expenses increased by $7.6 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 …."

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. It should be noted that because the collective NPL is now an asset, the allocation of proportionate shares for financial reporting purposes results in the employers with the largest UAL as of June 30, 2021 being allocated the largest proportion of the collective Net Pension Asset as of June 30, 2021. While this allocation of proportionate shares is consistent with the requirements of GASB 68, the results may be misleading, particularly for employers who still have a UAL included in the June 30, 2021 actuarial valuation report. However, any method which produces non-negative proportionate shares will automatically allocate a portion of the Net Pension Asset to all employers, regardless of their individual funded status.

In Table VIII-1, the determination is shown based on the June 30, 2019 and June 30, 2020 actuarial valuations.

Table VII-1
Determination of Employers' Proportionate Share*

	June 30, 2021		June 30, 2020	
Employer	**UAL (from the June 30, 2020 Actuarial Valuation)***	**Proportionate Share**	**UAL (from the June 30, 2019 Actuarial Valuation)***	**Proportionate Share**
County	$ 279,082,561	55.8749%	$ 210,978,882	52.8226%
LAFCO	0	0.0000%	27,849	0.0070%
Marin City	0	0.0000%	0	0.0000%
Mosquito District	7,675,159	1.5366%	6,208,242	1.5544%
South Marin Fire	17,578,363	3.5193%	11,601,474	2.9047%
Tamalpais CSD	407,469	0.0816%	267,427	0.0670%
Courts	11,570,299	2.3165%	8,396,658	2.1023%
City of San Rafael	148,170,360	29.6650%	137,226,746	34.3574%
Novato Fire	34,993,749	7.0061%	24,701,997	6.1846%
Total	**$ 499,477,960**	**100.0000%**	**$ 399,409,276**	**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, 2021.

Table VII-2
Schedule of Employers' Proportionate Share of Collective Amounts at June 30, 2021*

Employer	Proportionate Share	Share of NPL @ 5.75%	Share of NPL @ 6.75%	Share of NPL @ 7.75%	Share of Deferred Outflows	Share of Deferred Inflows	Pension Expense
County	55.8749%	144,166,440	(90,741,495)	(284,189,622)	24,403,107	260,907,980	(20,408,956)
LAFCO	0.0000%	0	0	0	0	0	0
Marin City	0.0000%	0	0	0	0	0	0
Mosquito District	1.5366%	3,964,681	(2,495,456)	(7,815,419)	671,103	7,175,157	(561,261)
South Marin Fire	3.5193%	9,080,373	(5,715,385)	(17,899,782)	1,537,038	16,433,380	(1,285,465)
Tamalpais CSD	0.0816%	210,541	(132,519)	(415,032)	35,638	381,031	(29,805)
Courts	2.3165%	5,976,951	(3,762,023)	(11,782,129)	1,011,721	10,816,902	(846,129)
City of San Rafael	29.6650%	76,540,583	(48,176,309)	(150,881,436)	12,956,053	138,520,789	(10,835,486)
Novato Fire	7.0061%	18,076,891	(11,377,989)	(35,634,264)	3,059,882	32,715,001	(2,559,059)
Total	**100.0000%**	**$258,016,461**	**$(162,401,177)**	**$ (508,617,684)**	**$ 43,674,542**	**$ 466,950,240**	**$ (36,526,162)**

* 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*

Employer	Proportionate Shares		Impact of Change in Proportion				Contributions		
	6/30/2020	6/30/2021	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Proportionate Share	Difference
County	52.8226%	55.8749%	$ 13,972,665	$ 2,468,326	$ (26,042)	$ 11,530,381	$ 49,601,254	$ 44,900,919	$ 4,700,335
LAFCO	0.0070%	0.0000%	(32,044)	(5,661)	60	(26,443)	27,213	0	27,213
Marin City	0.0000%	0.0000%	0	0	0	0	70,166	0	70,166
Mosquito District	1.5544%	1.5366%	(81,484)	(14,394)	152	(67,241)	1,016,235	1,234,808	(218,572)
South Marin Fire	2.9047%	3.5193%	2,813,485	497,013	(5,244)	2,321,716	2,734,584	2,828,100	(93,516)
Tamalpais CSD	0.0670%	0.0816%	66,835	11,807	(125)	55,153	310,794	65,574	245,221
Courts	2.1023%	2.3165%	980,554	173,219	(1,828)	809,163	1,893,541	1,861,533	32,008
City of San Rafael	34.3574%	29.6650%	(21,480,632)	(3,794,638)	40,035	(17,726,030)	20,106,821	23,838,714	(3,731,893)
Novato Fire	6.1846%	7.0061%	3,760,621	664,328	(7,009)	3,103,302	4,599,122	5,630,083	(1,030,961)
Total	**100.0000%**	**100.0000%**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 80,359,731**	**$ 80,359,731**	**$ 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	**6/30/2020**	**Current Year Net Effect**	**Recognition**	**6/30/2021**	**6/30/2020**	**Current Year Net Effect**	**Recognition**	**6/30/2021**
County	$ 3,380,067	$ 11,530,381	$ 4,009,284	$ 10,901,164	$ (7,876,995)	$ 0	$ (4,309,131)	$ (3,567,865)
LAFCO	20,338	0	7,769	12,570	(18,572)	(26,443)	(15,897)	(29,118)
Marin City	4,643	0	2,321	2,321	(14,794)	0	(10,125)	(4,669)
Mosquito District	1,491,325	0	697,822	793,504	(782,343)	(67,241)	(407,982)	(441,602)
South Marin Fire	2,043,760	2,321,716	1,651,762	2,713,713	0	0	0	0
Tamalpais CSD	14,655	55,153	28,443	41,365	(1,162,014)	0	(450,911)	(711,103)
Courts	594,454	809,163	400,442	1,003,175	(670,042)	0	(474,055)	(195,987)
City of San Rafael	6,296,927	0	3,499,619	2,797,308	(6,062,250)	(17,726,030)	(6,452,257)	(17,336,022)
Novato Fire	2,993,123	3,103,302	2,075,178	4,021,247	(252,283)	0	(252,283)	0
Total	**$ 16,839,293**	**$ 17,819,714**	**$ 12,372,641**	**$ 22,286,366**	**$ (16,839,293)**	**$ (17,819,714)**	**$ (12,372,641)**	**$ (22,286,366)**

* 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	6/30/2020	Current Year Difference	Recognition	6/30/2021	6/30/2020	Current Year Difference	Recognition	6/30/2021
County	$ 9,735,407	$ 4,700,335	$ 5,827,019	$ 8,608,724	$ 0	$ 0	$ 0	$ 0
LAFCO	41,711	27,213	22,850	46,074	0	0	0	0
Marin City	62,372	70,166	53,874	78,665	0	0	0	0
Mosquito District	57,205	0	28,602	28,602	(190,837)	(218,572)	(148,153)	(261,256)
South Marin Fire	600,376	0	330,196	270,180	0	(93,516)	(23,379)	(70,137)
Tamalpais CSD	289,625	245,221	165,330	369,516	(13,676)	0	(13,676)	0
Courts	434,492	32,008	241,276	225,224	0	0	0	0
City of San Rafael	0	0	0	0	(11,003,358)	(3,731,893)	(6,339,490)	(8,395,761)
Novato Fire	199,414	0	184,202	15,212	(212,731)	(1,030,961)	(328,651)	(915,042)
Total	**$ 11,420,602**	**$ 5,074,942**	**$ 6,853,348**	**$ 9,642,196**	**$ (11,420,602)**	**$ (5,074,942)**	**$ (6,853,348)**	**$ (9,642,196)**

* 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, 2021*

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
County	55.8749%	$ 10,291,410	$ 14,111,697	$ 0	$ 10,901,164	$ 8,608,724
LAFCO	0.0000%	0	0	0	12,570	46,074
Marin City	0.0000%	0	0	0	2,321	78,665
Mosquito District	1.5366%	283,021	388,082	0	793,504	28,602
South Marin Fire	3.5193%	648,208	888,830	0	2,713,713	270,180
Tamalpais CSD	0.0816%	15,030	20,609	0	41,365	369,516
Courts	2.3165%	426,668	585,052	0	1,003,175	225,224
City of San Rafael	29.6650%	5,463,897	7,492,156	0	2,797,308	0
Novato Fire	7.0061%	1,290,430	1,769,452	0	4,021,247	15,212
Total	**100.0000%**	**$18,418,664**	**$ 25,255,878**	**$ 0**	**$22,286,366**	**$ 9,642,196**

* 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, 2021*

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
County	55.8749%	$ 0	$ 0	$ 260,907,980	$ 3,567,865	$ 0
LAFCO	0.0000%	0	0	0	29,118	0
Marin City	0.0000%	0	0	0	4,669	0
Mosquito District	1.5366%	0	0	7,175,157	441,602	261,256
South Marin Fire	3.5193%	0	0	16,433,380	0	70,137
Tamalpais CSD	0.0816%	0	0	381,031	711,103	0
Courts	2.3165%	0	0	10,816,902	195,987	0
City of San Rafael	29.6650%	0	0	138,520,789	17,336,022	8,395,761
Novato Fire	7.0061%	0	0	32,715,001	0	915,042
Total	**100.0000%**	**$ 0**	**$ 0**	**$ 466,950,240**	**$22,286,366**	**$ 9,642,196**

* 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 four years and the total thereafter.

Table VII-8

Schedule of Employers' Recognition of Deferred Outflows and Inflows at June 30, 2021*

	Recognition for Measurement Year Ending				
Employer	**2022**	**2023**	**2024**	**2025**	**Thereafter**
County	$ (50,226,902)	$ (44,063,730)	$ (53,113,753)	$ (73,158,464)	$ 0
LAFCO	11,678	17,655	192	0	0
Marin City	35,105	23,671	17,541	0	0
Mosquito District	(1,607,436)	(1,121,752)	(1,643,709)	(2,011,910)	0
South Marin Fire	(1,947,276)	(2,383,485)	(3,043,913)	(4,607,911)	0
Tamalpais CSD	(352,591)	(177,783)	(8,400)	(106,841)	0
Courts	(1,935,545)	(1,644,212)	(2,159,960)	(3,033,054)	0
City of San Rafael	(37,818,939)	(36,121,281)	(35,717,833)	(38,841,158)	0
Novato Fire	(5,175,521)	(5,534,326)	(6,650,586)	(9,173,270)	0
Total	**$ (99,017,427)**	**$ (91,005,242)**	**$ (102,320,420)**	**$ (130,932,609)**	**$ 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, 2021 measurement date for their June 30, 2022 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, 2021*

Employer	Collective Pension Expense	Change in Proportion	Contribution Difference	Employer Pension Expense	Change in Employer Net Pension Liability	Change in Employer Deferred Outflows	Change in Employer Deferred Inflows	Employer Contributions	Employer Pension Expense
County	$ (20,408,956)	$ (299,846)	$ 5,827,019	$ (14,881,784)	$ (332,550,133)	$ 11,918,924	$ 256,148,171	$ 49,601,254	$ (14,881,784)
LAFCO	0	(8,128)	22,850	14,722	(32,044)	9,066	10,487	27,213	14,722
Marin City	0	(7,804)	53,874	46,070	0	(13,971)	(10,125)	70,166	46,070
Mosquito District	(561,261)	289,840	(119,550)	(390,972)	(9,611,111)	1,312,329	6,891,574	1,016,235	(390,972)
South Marin Fire	(1,285,465)	1,651,762	306,817	673,114	(19,012,374)	472,170	16,478,734	2,734,584	673,114
Tamalpais CSD	(29,805)	(422,468)	151,654	(300,620)	(439,229)	(88,058)	(84,127)	310,794	(300,620)
Courts	(846,129)	(73,613)	241,276	(678,465)	(13,385,826)	488,909	10,324,911	1,893,541	(678,465)
City of San Rafael	(10,835,486)	(2,952,639)	(6,339,490)	(20,127,614)	(205,455,884)	18,327,619	146,893,830	20,106,821	(20,127,614)
Novato Fire	(2,559,059)	1,822,895	(144,449)	(880,613)	(39,689,539)	1,097,542	33,112,262	4,599,122	(880,613)
Total	**$ (36,526,162)**	**$ 0**	**$ 0**	**$ (36,526,162)**	**$ (620,176,140)**	**$ 33,524,531**	**$469,765,716**	**$ 80,359,731**	**$ (36,526,162)**

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, 2021*

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	55.8749%	$ (90,741,495)	$ 209,138,143	-43.4%	105.0%	$ 49,601,254	$ 49,601,254	$ 0	23.7%
LAFCO	0.0000%	0	280,726	0.0%	105.0%	27,213	27,213	0	9.7%
Marin City	0.0000%	0	306,472	0.0%	105.0%	70,166	70,166	0	22.9%
Mosquito District	1.5366%	(2,495,456)	3,398,039	-73.4%	105.0%	1,016,235	1,016,235	0	29.9%
South Marin Fire	3.5193%	(5,715,385)	7,430,780	-76.9%	105.0%	2,734,584	2,734,584	0	36.8%
Tamalpais CSD	0.0816%	(132,519)	1,114,290	-11.9%	105.0%	310,794	310,794	0	27.9%
Courts	2.3165%	(3,762,023)	7,828,748	-48.1%	105.0%	1,893,541	1,893,541	0	24.2%
City of San Rafael	29.6650%	(48,176,309)	33,351,946	-144.4%	105.0%	20,106,821	20,106,821	0	60.3%
Novato Fire	7.0061%	(11,377,989)	9,592,742	-118.6%	105.0%	4,599,122	4,599,122	0	47.9%
Total	**100.0000%**	**$ (162,401,177)**	**$ 272,441,885**	**-59.6%**	**105.0%**	**$ 80,359,731**	**$ 80,359,731**	**$ 0**	**29.5%**

* Numbers may not sum to total due to rounding

APPENDIX A – MEMBERSHIP INFORMATION

Participant Data as of June 30, 2020: County of Marin

	Marin County						Marin Special Districts						Total County and Special Districts	
	Miscellaneous		Safety		Total		Miscellaneous		Safety		Total			
	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020
Active Participants														
Number	1,705	1,727	364	361	2,069	2,088	156	155	51	51	207	206	2,276	2,294
Average Age	47.92	47.49	40.56	40.47	46.63	46.27	48.82	49.05	41.71	42.71	47.07	47.48	46.67	46.38
Average Service	9.75	9.50	10.99	11.06	9.96	9.77	11.47	11.51	9.24	10.20	10.92	11.18	10.05	9.89
Average Pay*	$91,924	$95,252	$114,289	$119,454	$95,859	$99,437	$82,755	$86,957	$121,553	$130,847	$92,314	$97,823	$95,536	$99,292
Service Retired														
Number	1,606	1,664	259	269	1,865	1,933	134	135	31	30	165	165	2,030	2,098
Average Age	72.47	72.63	64.83	64.77	71.41	71.54	68.89	69.58	62.60	63.92	67.71	68.55	71.11	71.30
Average Total Benefit*	$38,660	$39,463	$69,086	$71,999	$42,886	$43,990	$39,010	$38,855	$70,634	$73,208	$44,951	$45,101	$43,053	$44,078
Beneficiaries														
Number	275	278	73	77	348	355	14	17	10	10	24	27	372	382
Average Age	74.37	74.71	69.23	70.13	73.29	73.72	66.76	67.36	67.59	68.59	67.11	67.81	72.89	73.30
Average Total Benefit*	$25,736	$27,293	$42,685	$42,501	$29,291	$30,591	$21,886	$26,460	$44,969	$46,563	$31,504	$33,906	$29,434	$30,826
Duty Disabled														
Number	84	84	125	126	209	210	6	6	18	18	24	24	233	234
Average Age	68.22	68.97	62.93	63.72	65.06	65.82	64.88	65.88	66.89	66.71	66.39	66.50	65.19	65.89
Average Total Benefit*	$38,902	$40,107	$60,943	$62,730	$52,084	$53,681	$33,315	$34,404	$58,971	$62,464	$52,557	$55,449	$52,133	$53,862
Ordinary Disabled														
Number	29	28	7	8	36	36	2	2	0	0	2	2	38	38
Average Age	69.86	71.37	58.11	56.14	67.57	67.98	64.85	65.85	0.00	0.00	64.85	65.85	67.43	67.87
Average Total Benefit*	$21,858	$22,307	$49,083	$44,162	$27,152	$27,164	$25,871	$26,389	$0	$0	$25,871	$26,389	$27,084	$27,123
Total In Pay														
Number	1,994	2,054	464	480	2,458	2,534	156	160	59	58	215	218	2,673	2,752
Average Age	72.52	72.75	64.91	65.21	71.08	71.32	68.49	69.16	64.76	65.59	67.47	68.21	70.79	71.07
Average Total Benefit*	$36,644	$37,608	$62,437	$64,370	$41,513	$42,677	$37,086	$37,215	$62,726	$65,280	$44,122	$44,682	$41,722	$42,836
Terminated Vested														
Number	234	241	22	26	256	267	18	19	2	2	20	21	276	288
Average Age	48.12	48.34	45.52	45.09	47.90	48.02	45.73	46.69	52.70	53.70	46.43	47.36	47.79	47.97
Average Service	8.25	8.28	7.73	7.65	8.20	8.22	8.89	9.32	3.50	3.50	8.35	8.76	8.21	8.26
Transfers														
Number	179	176	53	55	232	231	27	30	11	11	38	41	270	272
Average Age	50.04	50.20	45.73	45.28	49.05	49.03	50.95	50.22	46.25	47.25	49.59	49.43	49.13	49.09
Average Service	4.96	4.91	4.51	4.00	4.86	4.70	5.15	5.40	5.18	5.18	5.16	5.34	4.90	4.79
Total Inactive														
Number	413	417	75	81	488	498	45	49	13	13	58	62	546	560
Average Age	48.95	49.12	45.67	45.22	48.45	48.49	48.87	48.85	47.24	48.25	48.50	48.73	48.45	48.52
Average Service	6.82	6.86	5.45	5.17	6.61	6.59	6.64	6.92	4.92	4.92	6.26	6.50	6.58	6.58

*All payroll and benefit figures shown are annual.

APPENDIX A – MEMBERSHIP INFORMATION

Participant Data as of June 30, 2020: City of San Rafael

	Miscellaneous		Police		Fire		Total Safety		Total	
	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020
Active Participants										
Number	207	205	64	60	67	67	131	127	338	332
Average Age	45.90	45.01	39.08	39.69	39.04	39.38	39.06	39.53	43.25	42.91
Average Service	9.49	9.07	10.36	10.35	9.63	10.06	9.98	10.20	9.68	9.50
Average Pay*	$82,386	$83,143	$121,082	$126,558	$132,974	$134,591	$127,165	$130,796	$99,741	$101,372
Service Retired										
Number	274	278	79	80	87	86	166	166	440	444
Average Age	69.58	69.96	66.27	66.91	67.88	68.73	67.11	67.86	68.65	69.18
Average Total Benefit*	$38,401	$39,832	$71,207	$73,645	$94,357	$97,541	$83,340	$86,025	$55,355	$57,103
Beneficiaries										
Number	39	43	23	24	21	22	44	46	83	89
Average Age	75.90	75.39	69.45	69.04	72.78	74.18	71.04	71.50	73.32	73.38
Average Total Benefit*	$20,051	$22,467	$37,040	$35,984	$40,621	$41,596	$38,749	$38,668	$29,963	$30,841
Duty Disabled										
Number	18	18	41	43	24	24	65	67	83	85
Average Age	66.93	67.93	62.03	62.16	68.97	68.81	64.59	64.54	65.10	65.26
Average Total Benefit*	$29,526	$30,412	$62,066	$63,027	$92,113	$97,086	$73,160	$75,227	$63,698	$65,737
Ordinary Disabled										
Number	3	3	0	0	0	0	0	0	3	3
Average Age	72.53	73.53	0.00	0.00	0.00	0.00	0.00	0.00	72.53	73.53
Average Total Benefit*	$17,986	$18,526	$0	$0	$0	$0	$0	$0	$17,986	$18,526
Total In Pay										
Number	334	342	143	147	132	132	275	279	609	621
Average Age	70.20	70.57	65.57	65.87	68.86	69.65	67.15	67.66	68.82	69.26
Average Total Benefit*	$35,596	$36,966	$63,091	$64,390	$85,400	$88,134	$73,799	$75,624	$52,847	$54,334
Terminated Vested										
Number	43	46	13	20	1	5	14	25	57	71
Average Age	48.28	48.19	43.12	43.37	40.11	37.29	42.91	42.15	46.96	46.06
Average Service	6.09	6.00	11.08	10.45	9.00	5.60	10.93	9.48	7.28	7.23
Transfers										
Number	67	64	15	14	5	5	20	19	87	83
Average Age	42.76	44.80	46.78	47.11	41.95	42.95	45.57	46.02	43.41	45.08
Average Service	3.18	3.20	4.93	3.64	3.60	3.60	4.60	3.63	3.51	3.30
Total Inactive										
Number	110	110	28	34	6	10	34	44	144	154
Average Age	44.92	46.22	45.08	44.91	41.64	40.12	44.47	43.82	44.81	45.53
Average Service	4.32	4.37	7.79	7.65	4.50	4.60	7.21	6.95	5.00	5.11

*All payroll and benefit figures shown are annual.

APPENDIX A – MEMBERSHIP INFORMATION

Participant Data as of June 30, 2020: Novato Fire Protection District	Miscellaneous		Safety		Total	
	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020
Active Participants						
Number	9	10	66	67	75	77
Average Age	45.86	46.77	44.20	43.84	44.40	44.22
Average Service	9.78	9.70	14.20	13.52	13.67	13.03
Average Pay*	$111,162	$107,682	$132,668	$136,217	$130,087	$132,511
Service Retired						
Number	6	6	57	58	63	64
Average Age	63.67	64.67	68.11	68.41	67.69	68.06
Average Total Benefit*	$38,935	$40,297	$107,490	$112,801	$100,961	$106,004
Beneficiaries						
Number	1	1	15	19	16	20
Average Age	56.67	57.67	65.41	66.77	64.86	66.31
Average Total Benefit*	$12,366	$12,798	$46,045	$43,558	$43,940	$42,020
Duty Disabled						
Number	0	0	33	33	33	33
Average Age	0.00	0.00	68.59	68.81	68.59	68.81
Average Total Benefit*	$0	$0	$77,142	$85,116	$77,142	$85,116
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	7	7	105	110	112	117
Average Age	62.67	63.67	67.88	68.24	67.55	67.97
Average Total Benefit*	$35,139	$36,369	$89,174	$92,535	$85,797	$89,175
Terminated Vested						
Number	1	1	2	1	3	2
Average Age	44.12	45.12	51.20	48.64	48.84	46.88
Average Service	12.00	12.00	5.00	9.00	7.33	10.50
Transfers						
Number	0	0	11	11	11	11
Average Age	0.00	0.00	44.07	45.07	44.07	45.07
Average Service	0.00	0.00	3.91	3.91	3.91	3.91
Total Inactive						
Number	1	1	13	12	14	13
Average Age	44.12	45.12	45.16	45.37	45.09	45.35
Average Service	12.00	12.00	4.08	4.33	4.64	4.92

*All payroll and benefit figures shown are annual.

Please refer to the June 30, 2020 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, 2021 is provided below, including any assumptions that differ from those used in the July 1, 2020 actuarial valuation. Please refer to the June 30, 2020 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, 2017 through June 30, 2020. The experience study report contains the rationale for all recommended assumptions.

Key Actuarial Assumptions

Expected Return on Assets	6.75 percent per year, net of investment expenses
Discount Rate	6.75 percent per year
Price Inflation	2.50% 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 million for FY2020-21, 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 FY2020-21 amounts.
Post-retirement COLA	Post-retirement COLAs are assumed at the rate of 2.5% for members with a 4% COLA cap, 2.4% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Mortality Rates for Active Members	Mortality rates for Miscellaneous active members are based on the sex distinct Public General 2010 Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. Mortality rates for Safety active members are based on the sex distinct Public Safety 2010 Above-Median Income Employee Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. 10% of Safety member active deaths are assumed to occur in the line of duty.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates for Retired Healthy Members	Mortality rates for Miscellaneous retired members are based on the sex distinct Public General 2010 Healthy Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. Mortality rates for Safety retired members are based on the sex distinct Public Safety 2010 Above-Median Income Healthy Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments.
Mortality Rates for Retired Disabled Members	Rates of mortality for Miscellaneous disabled members are based on the sex distinct Public General 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, with no adjustments. Rates of mortality for Safety disabled members are based on the sex distinct Public Safety 2010 Disabled Retiree Mortality Table, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, adjusted by 95% for males with no adjustment for females.
Mortality Rates for Beneficiaries	Rates of mortality for members' beneficiaries once their benefits commence are given by sex distinct Public 2010 Contingent Survivor Mortality Table, using General 2010 Healthy Retiree Mortality Table before age 45, with generational mortality improvements projected from 2010 using Projection Scale MP-2020, adjusted by 105% for females and no adjustments to males. Prior to the death of the member, the mortality of the beneficiaries is assumed to use the same sex distinct assumptions as the retired healthy members.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

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 (10 years remaining as of June 30, 2020), except for the additional UAL attributable to the extraordinary loss from 2008-2009, which is being amortized over a separate closed period (18 years as of June 30, 2020). 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 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, 2020 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.

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, 2021

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

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, 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, 2021. 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 June 3, 2021. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2021. 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 (asset) 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 (asset) in determining that they are reasonable in relation to the financial statements taken as a whole.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

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 (asset), and actuarial methods and assumptions in Note 1, Plan Description; Note 7, Contributions; and Note 9, Net Pension Liability (Asset), 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	$53,491,319	
Net Appreciation in Fair Value of Investments		$53,491,319

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 December 6, 2021.

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 (Asset) 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
December 6, 2021

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021, 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 (asset), 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 December 6, 2021.

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 and the other information, 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.

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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
December 6, 2021

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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, 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 (asset), 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, 2021, 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 certain matters that are opportunities for strengthening internal controls and operating efficiencies. The recommendations listed in this report summarize our comments and suggestions regarding these matters.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 6, 2021

Current Year Finding and Recommendation

2021-1 – Review of the Service Organization Controls (SOC) Reports

During our follow up of MCERA's controls and due diligence procedures over SOC reports review, we noted MCERA did not complete the collection and review of the SOC reports of its investment managers due to shortage of personnel in the current year.

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. A responsible individual should be assigned to perform this review as soon as the SOC reports are available.

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, has developed, documented, and implemented an annual SOC report review process. The process includes 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.

2021-2 – Participant Data

During our testing of pensionable pay items for active participants, we noted a discrepancy in the total gross salary for one (1) of the forty (40) participants tested. MCERA's pension administration system (CPAS) reflected total gross salary of $1,173, while the payroll report from the employer reported total gross pay of $1,219. Upon inquiry with management, it was discovered that the employer incorrectly reported pensionable hours and earnable salary for multiple pay periods since December 2020. This error affected the member's service credit and the final average compensation. The pensionable salary and the contributions were correct except for four (4) of the pay periods.

Recommendation

MCERA indicated this employer was on MCERA's list to perform a review over the reported information. As there was no individual that was close to retirement, the error does not have a current impact. This error would have been corrected prior to any benefit payment to the member. We understand MCERA has contacted the employer to make the corrections and as of the date of this letter, the corrections are still pending. We recommend MCERA continue with its effort to discuss with the employer to ensure the needed corrections are made.

Management Response

We thank the auditors for the opportunity to comment on the finding and recommendation regarding the salary discrepancy noted for one member. MCERA supports continuous improvements and agrees with the auditors' recommendation. MCERA has contacted the employer and will continue to work with them to correct the error and provide overall training and support on reporting accurate information.

Status of Prior Year Findings and Recommendations

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.

Current Year Status

Partially implemented. Refer to current year finding 2021-1 Review of Service Organization Controls (SOC) Reports.

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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BROWN ARMSTRONG
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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, 2021, 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 (asset), 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, 2021, 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 audits. We conducted our audits 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 audits 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.

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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, 2021; 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 (asset), 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, 2021, 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 December 6, 2021, 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, 2020, financial statements, and our report dated November 30, 2020, 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, 2020, 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
December 6, 2021

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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, 2021. 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, 2021, was $3,395,520,286. 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 $770,205,421 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 $942,269,062, which includes employer and employee contributions of $112,378,738, a net investment gain of $829,744,340, and net securities lending income of $145,984.

- Deductions from fiduciary net position increased from $162,901,287 to $172,063,641 from the prior year. The increase was mainly due to increases in retiree pension benefits and refunds.

- MCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2020, the date of the last actuarial valuation, the funded ratio for all MCERA agencies was 84.0% 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 $0.84 of assets available for payment as of that date. The funding ratios of the employer entities included in MCERA were: 86.2% for the County of Marin and Special Districts, 76.2% for the City of San Rafael, and 84.0% 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 (asset) measurement and changes to the liability (asset), 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 (Asset) on their balance sheets and changes in Net Pension Liability (Asset) 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, 2021, totaled $3,395,520,286, an increase of $770,205,421 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:

	2021	2020	Increase (Decrease) 2021/2020
Investments at fair value	$ 3,288,944,227	$ 2,538,866,806	$ 750,077,421
Cash and cash equivalents	106,826,520	81,155,193	25,671,327
Capital assets (net of accumulated depreciation)	7,083,908	6,117,956	965,952
Cash collateral held for securities loaned	35,601,032	38,566,008	(2,964,976)
Receivables and other assets	18,610,737	14,440,248	4,170,489
Total assets	3,457,066,424	2,679,146,211	777,920,213
Total liabilities	61,546,138	53,831,346	7,714,792
Net position restricted for pension benefits	**$ 3,395,520,286**	**$ 2,625,314,865**	**$ 770,205,421**

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, 2020, and determined that the funded ratio of the actuarial value of assets to the actuarial liability is 84.0%. The actuarial valuation as of June 30, 2019, determined the funded ratio to be 86.6%.

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, 2021 and 2020, totaled $942,269,062 and $195,830,568, respectively.

	2021	2020	Increase (Decrease) 2021/2020
Employer contributions	$ 80,359,731	$ 75,643,075	$ 4,716,656
Plan member contributions	32,019,007	30,913,997	1,105,010
Total net investment income	829,890,324	89,273,496	740,616,828
Total additions	**$942,269,062**	**$195,830,568**	**$746,438,494**

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:

	2021	2020	Increase (Decrease) 2021/2020
Retirement benefits	$166,139,520	$157,185,816	$ 8,953,704
Refund of contributions	1,540,282	1,107,711	432,571
Administrative expenses	3,572,267	3,731,976	(159,709)
Legal expenses	341,721	384,080	(42,359)
Computer expenses	279,871	339,025	(59,154)
Actuarial expenses	189,980	152,679	37,301
Total deductions	**$172,063,641**	**$162,901,287**	**$ 9,162,354**

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:

	2021	2020	Increase (Decrease) 2021/2020
Total Additions	$ 942,269,062	$ 195,830,568	$ 746,438,494
Total Deductions	172,063,641	162,901,287	9,162,354
Change in Fiduciary Net Position	770,205,421	32,929,281	737,276,140
Beginning of Year	$2,625,314,865	$2,592,385,584	32,929,281
End of Year	**$3,395,520,286**	**$2,625,314,865**	**$ 770,205,421**

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.

	2021	2020
Employee reserves	$ 400,038,995	$ 383,389,107
Employer reserves	407,961,885	392,272,098
Retiree reserves	2,125,124,151	1,925,195,638
Contingency reserves	33,955,203	0
Total reserves - restricted	**2,967,080,234**	**2,700,856,843**
Unrestricted reserves	428,440,052	0
Contra - Interest crediting	0	(75,541,978)
Total reserves - unrestricted	**428,440,052**	(75,541,978)
Total Net Position Restricted for Pension Benefits	**$3,395,520,286**	**$2,625,314,865**

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, 2021
(WITH COMPARATIVE TOTALS)

	June 30, 2021	June 30, 2020
Assets		
Cash and short-term investments		
Cash and cash equivalents	$ 106,826,520	$ 81,155,193
Cash collateral on loaned securities	35,601,032	38,566,008
Total Cash and Short-Term Investments	142,427,552	119,721,201
Receivables		
Contributions	5,281,118	4,286,708
Interest and dividends	3,091,284	2,996,029
Due from brokers for securities sold	7,818,052	5,925,680
Other receivables	2,243,007	1,151,365
Total Receivables	18,433,461	14,359,782
Investments at fair value		
Domestic fixed income	494,083,206	494,927,212
International fixed income	70,297,645	59,844,678
Domestic equities	1,067,027,753	729,940,946
International equities	727,552,625	558,370,697
Private equity	444,009,053	301,423,512
Opportunistic	29,941,119	0
Real estate equity	294,538,314	271,490,961
Real assets	161,494,512	122,868,800
Total Investments at Fair Value	3,288,944,227	2,538,866,806
Capital assets (net of accumulated depreciation)	7,083,908	6,117,956
Prepaid insurance	177,276	80,466
Total Assets	3,457,066,424	2,679,146,211
Liabilities		
Accounts payable and accrued expenses	649,350	1,438,717
Due to brokers for securities purchased	25,295,756	13,814,596
Retiree payroll payable	0	12,025
Obligations under securities lending program	35,601,032	38,566,008
Total Liabilities	61,546,138	53,831,346
Net Position Restricted for Pension Benefits	**$ 3,395,520,286**	**$ 2,625,314,865**

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, 2021
(WITH COMPARATIVE TOTALS)

	June 30, 2021	June 30, 2020
Additions		
Contributions		
Employer	$ 80,359,731	$ 75,643,075
Plan member	32,019,007	30,913,997
Total Contributions	112,378,738	106,557,072
Investment income		
Net appreciation in fair value of investments	804,922,444	56,097,629
Interest and dividends	28,817,679	30,734,770
Real estate operating income, net	7.966,024	13,773,602
Other investment income	2,005,283	797,259
Total investment income	843,711,430	101,403,260
Investment expenses	(13,967,090)	(12,341,144)
Net Investment Income	829,744,340	89,062,116
Securities lending activities		
Securities lending income	208,902	817,626
Less expenses from securities lending activities	(62,918)	(606,246)
Net Securities Lending Activities	145,984	211,380
Total Net Investment Income	829,890,324	89,273,496
Total Additions	942,269,062	195,830,568
Deductions		
Benefits	166,139,520	157,185,816
Refunds	1,540,282	1,107,711
Administrative expenses	3,572,267	3,731,976
Legal expenses	341,721	384,080
Computer expenses	279,871	339,025
Actuarial expenses	189,980	152,679
Total Deductions	172,063,641	162,901,287
Change in Fiduciary Net Position	770,205,421	32,929,281
Net Position Restricted for Pension Benefits, Beginning of Year	2,625,314,865	2,592,385,584
Net Position Restricted for Pension Benefits, End of Year	**$ 3,395,520,286**	**$ 2,625,314,865**

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

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2020):

	2020
Active Members (Vested and Non-Vested)	2,703
Retired Members and Beneficiaries	3,490
Terminated Vested (Deferred)	944
Total Membership	**7,137**

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 months 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, 2021, administrative expenses were $3,572,267, or 0.12% of the actuarial liability as of June 30, 2019.

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, 2021.

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, 2021, 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, 2021, the capitalized portion of the building was $6,143,227 and computers and equipment were $940,681, 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, 2021, there were no new accounting standards that were applicable to 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.
- 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.”

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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, 2021, $35.4 million was held with outside financial institutions and $71.4 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, 2021, $557,405 of the plan's bank balances of $818,388 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, 2021, as rated by Standard & Poor's, are listed below (all dollars in thousands). The credit risk schedule excludes the $146.8 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	$ 11,669
AA	12,363
A	59,685
BBB	131,886
BB	31,559
B	5,854
CCC	985
D	200
Agencies	12,285
U.S. Treasuries	16,772
No Rating	134,363
Total	**$ 417,621**

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, 2021, 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, 2021. This schedule excludes the $146.8 million commingled global bond fund, which is included in the fixed income category on the Statement of Fiduciary Net Position.

June 30, 2021 (all dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 20,913	1.70
Collateralized Mortgage Obligations	46,174	2.68
Corporate and Other Credit	225,403	5.76
Mortgage Pass-Throughs	15,907	10.51
Municipal Bonds	7,044	7.34
U.S. Treasuries	16,772	8.55
Total	**$332,213**	
Other Bonds – No Duration	$ 85,408	
Total	**$417,621**	

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, 2021 (all dollars in thousands):

Base Currency or Country	Base Currency Code	Fair Value in U.S. Dollars
Euro	EUR	$ 7,092
Mexican Peso	MXN	776
	Total Non-USD Securities	**$7,868**

Rate of Return

For the fiscal year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 32.75%. 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, 2021, 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	$ 46,779,488	$ 0	$46,779,488	$ 0
Corporate Bonds	226,821,340	0	226,821,340	0
U.S. Government Agency Securities	12,284,691	0	12,284,691	0
Government Issues	32,816,350	0	32,816,350	0
Municipal Obligations	7,044,382	0	7,044,382	0
Commingled Bond Investments	238,634,600	0	238,634,600	0
Total Debt Securities	**$ 564,380,851**	**$ 0**	**$ 564,380,851**	**$ 0**
Equity Securities				
Common Stock	$1,096,521,725	$1,096,521,725	$ 0	$ 0
Preferred Stock	493,057	383,328	109,729	0
Mutual Funds and Commingled Investments	697,565,596	350,001,639	347,563,957	0
Total Equity Securities	**$1,794,580,378**	**$1,446,906,692**	**$ 347,673,686**	$ 0
Other Assets				
Private Real Estate - Commingled Investments	$ 279,478,264	$ 0	$ 60,780,935	$ 218,697,329
Private Real Estate - Direct Ownership	15,060,050	0	0	15,060,050
Public Real Assets - Mutual Funds and Commingled Investments	161,494,512	56,734,796	104,759,716	0
Securities Lending Cash Collateral	35,601,032	0	35,601,032	0
Total Other Assets	**$ 491,633,858**	**$ 56,734,796**	**$ 201,141,683**	**$ 233,757,379**
Total Investments by Fair Value Level	**$2,850,595,087**	**$1,503,641,488**	**$1,113,196,220**	**$ 233,757,379**
Investments Measured at Net Asset Value (NAV)				
Private Equity Funds	$ 444,009,053			
Opportunistic Funds	29,941,119			
Total NAV Investments	**$ 473,950,172**			
Total Investments	**$3,324,545,259**			
Investments in Derivative Instruments (all dollars in thousands)				
Forwards	$ 9	$ 9	$ 0	$ 0
Futures	1,633	1,633	0	0
Warrants	5	5	0	0
Total Derivatives	**$ 1,647**	**$ 1,647**	**$ 0**	**$ 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, 2021	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Funds (1)	$444,009,053	$ 94,718,090	N/A	N/A
Opportunistic Funds (2)	$ 29,941,119	$ 73,202,045	N/A	N/A

(1) Private Equity Funds: MCERA's private equity portfolio is composed of ten fund of funds vehicles investing primarily in buyout funds, venture capital, and special debt situations. The fair value is based on MCERA's pro rata share and determined by the fund's general partner based on a variety of valuation methods including current market multiples for comparable companies, recent sales of comparable companies, net present value of expected cash flows, appraisals and adjustments to prevailing public market prices based on control and/or liquidity, as appropriate. Although the funds are not eligible for redemption, MCERA receives distributions as the underlying investments are sold. 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

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurements (Continued)

possible and are usually two years at the discretion of the General Partner and then longer if a majority of investors wish it.

(2) Opportunistic Funds: MCERA's Opportunistic portfolio is comprised of three funds. The funds are illiquid limited partnerships and are valued at net asset value on a quarterly basis. Due to contractual limitations, the funds are not eligible for redemption but rather distribute capital proceeds over the funds' lifespans. Opportunistic investments are private closed end vehicles seeking investment opportunities resulting from market disruption within the credit and debt markets. All three funds were committed in September 2020 and typically have a lifespan of six to ten years.

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, 2021:

Securities 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	$ 5,400,336	$ 5,495,628	$5,495,628
Domestic equities and corporate fixed-income securities	29,385,737	30,105,404	30,105,404
Total lent for cash collateral	**$ 34,786,073**	**$ 35,601,032**	**$ 35,601,032**
Lent for securities collateral			
U.S. government and agency securities	$ 1,269,249	$ 1,294,933	$ 0
Total lent for cash and securities collateral	**$ 36,055,322**	**$ 36,895,965**	**$ 35,601,032**

NOTE 4 – SECURITIES LENDING (Continued)

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, 2021, the liquidity pool had an average duration of 20.28 days and an average weighted final maturity of 104.37 days for USD collateral. As of this date, the duration pool had an average duration of 22.98 days and an average weighted final maturity of 1,016.55 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, 2021, 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, 2021, 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	$ 36	Swaps	$ 0	$ 0
Fixed Income Futures Long	(6,065)	Futures	0	171,465
Fixed Income Futures Short	1,695	Futures	0	(61,411)
Foreign Currency Futures Long	163	Futures	0	600
Foreign Currency Futures Short	58	Futures	0	(6,125)
FX Forwards	12	Long-Term Instruments	9	2,420
Index Futures Long	19,987	Futures	0	5
Index Futures Short	(6,782)	Futures	0	(20)
Rights	2	Common Stock	7	31
Warrants	2	Common Stock	1,166	595
Total	**$ 9,108**		**$ 1,182**	**$107,560**

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, 2021, 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, 2021.

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, 2021 (all dollars in thousands):

Derivative Type	Currency	Fair Value
Currency Forward Contracts	Brazilian Real	$11
Currency Forward Contracts	Euro Currency	(17)
Currency Forward Contracts	Mexican Peso	11
Currency Forward Contracts	Russian Ruble	5
Currency Forward Contracts	Tunisian Dinar	6
Total Foreign Derivatives		**$16**

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, 2021, the estimated fair value of MCERA's real estate portfolio was $294,538,314.

MCERA has the following real estate holdings as of June 30, 2021 (all dollars in thousands):

		Fair Value
Direct Investments		
San Rafael	$	15,060
Total Direct Investments	**$**	**15,060**
Commingled Investments		
AEW Core	$	109,595
Blackrock REIT		60,781
UBS – TPF		109,102
Total Commingled Investments	**$**	**279,478**
Total Real Estate Investments	**$**	**294,538**

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 2021, 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 7.87% to 18.14%; Safety member contributions range from 13.59% to 24.69%. 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 (ASSET)

Net Pension Liability of Employers

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

Change in Net Pension Liability (Asset) from Fiscal Year Ended (FYE) 2020 to FYE 2021 [1, 2]

	Increase (Decrease)		
	Total Pension Liability (a)	**Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances at June 30, 2020	**$3,083,089,828**	**$2,625,314,865**	**$ 457,774,963**
Changes for the Year:			
Service Cost	68,379,239	0	68,379,239
Interest	207,084,921	0	207,084,921
Changes of Benefits	0	0	0
Differences Between Expected and Actual Experience	8,570,419	0	8,570,419
Changes of Assumptions	33,674,504	0	33,674,504
Contributions – Employer	0	80,359,731	(80,359,731)
Contributions – Plan Member	0	32,019,007	(32,019,007)
Net Investment Income	0	829,890,324	(829,890,324)
Benefit Payments	(167,679,802)	(167,679,802)	0
Administrative Expenses	0	(4,383,839)	4,383,839
Net Changes	150,029,281	770,205,421	(620,176,140)
Balances at June 30, 2021	**$3,233,119,109**	**$3,395,520,286**	**$ (162,401,177)**

[1] The Net Pension Liability (Asset) was measured as of June 30, 2021 and determined based upon rolling forward the Total Pension Liability from the actuarial valuation as of June 30, 2020.

[2] Amounts may differ from June 30, 2021 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 (ASSET) (Continued)

Actuarial Assumptions (Continued)

The total pension liability as of June 30, 2021, was determined by an actuarial valuation as of June 30, 2020, updated to June 30, 2021, 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	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.75%, net of pension plan investment expense
Mortality Assumptions	Active General: Sex distinct Public General 2010 Employee Mortality Table with generational mortality improvements projected from 2010 using Projection Scale MP-2020. Active Safety: Sex distinct Public Safety 2010 Above-Median Income Employee Mortality Table with generational mortality improvements projected from 2010 using Projection Scale MP-2020. Retired General: Sex distinct Public General 2010 Healthy Retiree Mortality Table with generational mortality improvements projected from 2010 using Projection Scale MP-2020. Retired Safety: Sex distinct Public Safety 2010 Above-Median Income Healthy Retiree Mortality Table with generational mortality improvements projected from 2010 using Projection Scale MP-2020.
Most Recent Experience Study	June 30, 2020 (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, 2021	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash and Short-Term Investments	0.00%	(1.00%)
Fixed Income	23.00%	(0.25%)
Domestic Equities	32.00%	4.60%
International Equities	22.00%	4.80%
Public Real Assets	7.00%	2.90%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%
Opportunistic	0.00%	0.00%
TOTAL	**100.00%**	

NOTE 9 – NET PENSION LIABILITY (ASSET) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75% as of June 30, 2021. 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, 2021.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of MCERA as of June 30, 2021, calculated using the discount rate of 6.75%, as well as what MCERA's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Total Pension Liability	$ 3,653,536,747	$ 3,233,119,109	$ 2,886,902,602
Fiduciary Net Position	3,395,520,286	3,395,520,286	3,395,520,286
Net Pension Liability (Asset)	$ 258,016,461	$ (162,401,177)	$ (508,617,684)
Fiduciary Net Position as a Percentage of the Total Pension Liability	92.9%	105.0%	117.6%

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ending June 30, 2021, was as follows (all dollars in thousands):

	Balance June 30, 2020	Additions	Dispositions	Balance June 30, 2021
Capital Assets Being Depreciated:				
Building	$ 3,140	$ 0	$ 0	$ 3,140
Tenant Improvements	2,840	1,514	0	4,354
Equipment	145	0	0	145
Computer Software/Hardware	4,374	0	0	4,374
Total Capital Assets Being Depreciated	**10,499**	**1,514**	**0**	**12,013**
Less Accumulated Depreciation for:				
Building	(913)	(78)	0	(991)
Tenant Improvements	(258)	(102)	0	(360)
Equipment	(112)	(3)	0	(115)
Computer Software/Hardware	(3,098)	(365)	0	(3,463)
Total Accumulated Depreciation	**(4,381)**	**(548)**	**0**	**(4,929)**
Total Capital Assets, Net	**$ 6,118**	**$ 966**	**$ 0**	**$ 7,084**

Depreciation expense as of June 30, 2021, was $548,072, and capitalized tenant improvements and equipment during the fiscal year June 30, 2021, were $1,514,024.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

MCERA has no pending litigation as of the date of these financial statements.

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 2021, MCERA funded $368,249,309 of its private equity capital commitments and $26,797,955 of its opportunistic capital commitments. As of June 30, 2021, outstanding commitments to the various investment managers, as approved by the Board of Retirement, totaled $94,718,090 for private equity and $73,202,045 for opportunistic.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through December 6, 2021, 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. In June 2020 MCERA re-opened its office and has been operating with a hybrid on-site/remote work team since. This hybrid work environment has not created any issues for managing overall operations.

REQUIRED SUPPLEMENTARY INFORMATION

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

	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017
Total Pension Liability					
Service cost	$ 68,379,239	$ 63,855,331	$ 63,587,459	$ 61,074,664	$ 57,090,773
Interest (includes interest on service cost) [2]	207,084,921	203,816,884	195,274,191	188,096,539	184,139,800
Differences between expected and actual experience	8,570,419	15,620,886	16,721,629	(3,412,765)	(904,678)
Changes of assumptions	33,674,504	0	0	40,801,678	0
Benefit payments, including refunds of employee contributions [2]	(167,679,802)	(158,293,527)	(149,212,984)	(139,856,672)	(131,937,062)
Net Change in Total Pension Liability	150,029,281	124,999,574	126,370,295	146,703,444	108,388,833
Total Pension Liability - Beginning	3,083,089,828	2,958,090,254	2,831,719,959	2,685,016,515	2,576,627,682
Total Pension Liability - Ending (a)	$3,233,119,109	$3,083,089,828	$2,958,090,254	$2,831,719,959	$2,685,016,515
Fiduciary Net Position					
Contributions – employer [2]	$ 80,359,731	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945
Contributions - plan member [2]	32,019,007	30,913,996	30,010,459	28,628,627	28,053,775
Net investment income	829,890,324	89,273,498	136,483,513	221,839,196	248,347,501
Benefit payments, including refunds of employee contributions [2]	(167,679,802)	(158,293,527)	(149,212,984)	(139,856,672)	(131,937,062)
Administrative expenses [2]	(4,383,839)	(4,607,760)	(5,056,350)	(4,203,705)	(4,404,191)
Net Change in Fiduciary Net Position	770,205,421	32,929,281	90,963,452	185,161,922	217,562,968
Fiduciary Net Position - Beginning	2,625,314,865	2,592,385,584	2,501,422,132	2,316,260,210	2,098,697,242
Fiduciary Net Position - Ending (b)	$3,395,520,286	$2,625,314,865	$2,592,385,584	$2,501,422,132	$2,316,260,210
Net Pension Liability (Asset) (a)-(b)	$ (162,401,177)	$ 457,774,963	$ 365,704,670	$ 330,297,827	$ 368,756,305
Fiduciary Net Position as a Percentage of the Total Pension Liability	105.02%	85.15%	87.64%	88.34%	86.27%
Covered Payroll	$ 272,441,885	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(59.61%)	172.92%	144.00%	132.90%	152.35%

[1] The Schedule of Changes in Net Pension Liability (Asset) 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 CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS (Continued) [1]

	FYE 2016	FYE 2015	FYE 2014
Total Pension Liability			
Service cost	$ 55,208,834	$ 49,064,492	$ 49,014,858
Interest (includes interest on service cost) [2]	176,564,792	166,718,783	159,521,975
Differences between expected and actual experience	(212,631)	(31,054,298)	0
Changes of assumptions	0	144,753,646	0
Benefit payments, including refunds of employee contributions [2]	(124,203,519)	(115,984,752)	(109,342,861)
Net Change in Total Pension Liability	107,357,476	213,497,871	99,193,972
Total Pension Liability - Beginning	2,469,270,206	2,255,772,335	2,156,578,363
Total Pension Liability - Ending (a)	$2,576,627,682	$2,469,270,206	$2,255,772,335
Fiduciary Net Position			
Contributions – employer [2]	$ 75,260,980	$ 68,915,072	$ 69,980,201
Contributions - plan member [2]	27,207,157	24,920,493	22,952,689
Net investment income	42,927,728	100,055,573	309,002,468
Benefit payments, including refunds of employee contributions [2]	(124,203,519)	(115,984,752)	(109,342,861)
Administrative expenses [2]	(4,379,760)	(4,654,623)	(4,503,845)
Net Change in Fiduciary Net Position	16,812,586	73,251,763	288,088,652
Fiduciary Net Position - Beginning	2,081,884,656	2,008,632,893	1,720,544,241
Fiduciary Net Position - Ending (b)	$2,098,697,242	$2,081,884,656	$2,008,632,893
Net Pension Liability (Asset) (a)-(b)	$ 477,930,440	$ 387,385,550	$ 247,139,442
Fiduciary Net Position as a Percentage of the Total Pension Liability	81.45%	84.31%	89.04%
Covered Payroll	$ 238,185,040	$ 223,825,880	$ 218,340,721
Net Pension Liability (Asset) as a Percentage of Covered Payroll	200.66%	173.07%	113.19%

[1] The Schedule of Changes in Net Pension Liability (Asset) 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 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017
Actuarially Determined Contributions	$ 80,359,731	$ 75,643,074	$ 78,738,814	$ 78,754,476	$ 77,502,945
Contributions in Relation to the Actuarially Determined Contributions	80,359,731	75,643,074	78,738,814	78,754,476	77,502,945
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll[1]	$ 272,441,885	$ 264,730,129	$ 253,964,938	$ 248,532,086	$ 242,045,311
Contributions as a Percentage of Covered Payroll	29.50%	28.57%	31.00%	31.69%	32.02%

	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012
Actuarially Determined Contributions	$ 75,260,980	$ 68,915,072	$ 69,660,201	$ 69,853,000	$ 64,690,000
Contributions in Relation to the Actuarially Determined Contributions	75,260,980	68,915,072	69,660,201	69,853,000	64,690,000
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll[1]	$ 238,185,040	$ 223,825,880	$ 218,340,721	$ 211,001,594	$ 216,515,000
Contributions as a Percentage of Covered Payroll	31.60%	30.79%	31.90%	33.11%	29.88%

[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 2021**	FYE 2020**	FYE 2019**	FYE 2018**	FYE 2017**
Annual Money-Weighted Rate of Return, Net of Investment Expense	32.75%	3.25%	5.41%	9.53%	12.21%

	FYE 2016**	FYE 2015	FYE 2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	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 (ASSET) 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 2021 and 2020 values are based on the valuations as of June 30, 2020 and June 30, 2019, respectively. The June 30, 2021 service costs have been calculated using the June 30, 2020 actuarial assumptions as described in Note 9 of the Notes to the Basic Financial Statements earlier in this report. The June 30, 2020 service costs have been calculated using the June 30, 2019 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, 2017 through June 30, 2020. Based on the results of this study, the Board of Retirement lowered the assumed rate of investment return from 7.00% to 6.75% effective with the June 30, 2020 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.

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

Valuation date	June 30, 2019 (to determine FY 2020-21 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 Normal to Final Decrement
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 (11 years remaining as of June 30, 2019), except for the additional UAL attributable to the extraordinary loss from 2009, which is being amortized over a separate closed period (19 years remaining as of June 30, 2019). 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, 2021, can be found in the June 30, 2019 actuarial valuation report.

OTHER INFORMATION

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS
AS OF JUNE 30, 2021 [1]

Employer	Unfunded Liability (from the June 30, 2020 Actuarial Valuation)	Proportionate Share	Net Pension Liability (Asset) [2]
County	$279,082,561	55.8749%	$ (90,741,495)
City of San Rafael	148,170,360	29.6650%	(48,176,309)
Novato Fire	34,993,749	7.0061%	(11,377,989)
Superior Court	11,570,299	2.3165%	(3,762,023)
Southern Marin Fire	17,578,363	3.5193%	(5,715,385)
Mosquito District	7,675,159	1.5366%	(2,495,456)
Tamalpais CSD	407,469	0.0816%	(132,519)
Marin City CSD	0	0%	0
LAFCO	0	0%	0
Total	$499,477,960	100.0000%	$(162,401,177)

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

[2] Proportionate share of net pension liability (asset) 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, 2021 [1]

		Deferred Outflows of Resources			
Employer	**Net Pension Liability (Asset)**	**Differences Between Expected and Actual Economic Experience**	**Changes of Assumptions**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions**	**Total Deferred Outflows of Resources**
County	$ (90,741,495)	$10,291,410	$ 14,111,697	$19,509,888	**$ 43,912,995**
City of San Rafael	(48,176,309)	5,463,897	7,492,156	2,797,308	**15,753,361**
Novato Fire	(11,377,989)	1,290,430	1,769,452	4,036,459	**7,096,341**
Superior Court	(3,762,023)	426,668	585,052	1,228,399	**2,240,119**
Southern Marin Fire	(5,715,385)	648,208	888,830	2,983,893	**4,520,931**
Mosquito District	(2,495,456)	283,021	388,082	822,106	**1,493,209**
Tamalpais CSD	(132,519)	15,030	20,609	410,881	**446,520**
Marin City CSD	0	0	0	80,986	**80,986**
LAFCO	0	0	0	58,644	**58,644**
Totals	**$(162,401,177)**	**$18,418,664**	**$25,255,878**	**$31,928,562**	**$ 75,603,104**

[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, 2021 [1]

	Deferred Inflows of Resources		
Employer	**Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions**	**Total Deferred Inflows of Resources**
County	$ 260,907,980	$ 3,567,865	**$ 264,475,845**
San Rafael	138,520,789	25,731,783	**164,252,572**
Novato Fire	32,715,001	915,042	**33,630,043**
Superior Court	10,816,902	195,987	**11,012,889**
Southern Marin Fire	16,433,380	70,137	**16,503,517**
Mosquito District	7,175,157	702,858	**7,878,015**
Tamalpais CSD	381,031	711,103	**1,092,134**
Marin City CSD	0	4,669	**4,669**
LAFCO	0	29,118	**29,118**
Totals	**$ 466,950,240**	**$31,928,562**	**$ 498,878,802**

[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, 2021 [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	$(20,408,956)	$ 5,527,173	**$(14,881,784)**
City of San Rafael	(10,835,486)	(9,292,129)	**(20,127,614)**
Novato Fire	(2,559,059)	1,678,446	**(880,613)**
Superior Court	(846,129)	167,663	**(678,465)**
Southern Marin Fire	(1,285,465)	1,958,579	**673,114**
Mosquito District	(561,261)	170,290	**(390,972)**
Tamalpais CSD	(29,805)	(270,814)	**(300,620)**
Marin City CSD	0	46,070	**46,070**
LAFCO	0	14,722	**14,722**
Totals	**$(36,526,162)**	**$ 0**	**$(36,526,162)**

[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, 2021, and the GASB Statement No. 68 Actuarial Valuation Based on a June 30, 2021 Measurement Date for Employer Reporting as of June 30, 2021, 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, 2021, 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, 2020 (the beginning of the measurement period ending June 30, 2021) 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 (asset) 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, 2021, 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.