



PAFR

Fiscal year ended June 30, 2015



2015 Highlights

Funded Ratio **83.7%**
(based on the market value of assets)

Net Assets **\$2.08b**

Investment Return **5.0%**

Total Members **6,201**

This Popular Annual Financial Report (PAFR) was developed as an easy-to-read summary of the overall financial information for the Marin County Employees' Retirement Association (MCERA) as of the fiscal year ended June 30, 2015.

The data presented in the PAFR derives from the more detailed financial statements that have been prepared and audited consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Board. Data from the actuarial valuation report for June 30, 2015 is also included, but the PAFR is not intended to replace the measure of assets and liabilities presented in the valuation. The complete audited financial statements and actuarial valuation report are available online at MCERA.org.

The services MCERA provides include collecting member and employer contributions, investing of trust fund dollars, developing the funding policy to pay for the promised benefits, calculating and paying retirement benefits, determining eligibility for service and non-service connected disability retirements, calculating service purchases, and developing informational and educational publications for members and participating employers.

For over sixty-five years MCERA has provided retirement, disability and death benefits to public employees in Marin County. Our staff and Board of Retirement are committed to providing superior customer service to our members and employing sound investment and business strategies to fulfil our long-term objectives of providing benefits well into the future.

Board of Retirement

Bernadette Bolger • Appointed by Board of Supervisors

Greg Brenk • Appointed by Board of Supervisors

Chris Cooper • Elected by Safety Members (Alternate)

Roy Given • Ex-officio, County Director of Finance

Maya Gladstern • Elected by Retired Members

Allen Haim • Elected by Retired Members (Alternate)

Laurie Murphy • Elected by General Members

Alan Piombo • Elected by Safety Members

Karen Shaw • Ex-officio (Alternate)

David Shore • Appointed by Board of Supervisors

Kim Stevens • Appointed by Board of Supervisors

Phillip Thomas • Elected by General Members

Business Activities During the Fiscal Year

Implemented New GASB Statements 67 and 68

MCERA established an implementation group made of MCERA's staff, independent auditor and actuary, as well as the accounting and finance staff of all its participating employers, for the implementation of the two new statements issued by the Governmental Accounting Standards Board (GASB): Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68, Accounting and Financial Reporting for Pensions. The new statements separate the accounting and financial reporting requirements for employer financial statements from the funding policies used by the pension plan to determine the annual contribution rates.

Completed Investment Consultant RFP

MCERA issued a request for proposal for general investment consulting services. An Ad Hoc Committee of the Board reviewed and evaluated bids, conducted interviews with respondents and made on site visits to determine the best candidate. Based on the recommendation of the Ad Hoc Committee, the Board selected Callan Associates as the successful candidate.

Summary of Net Position

(Condensed)

Brown Armstrong Accountancy Corporation audited the financial statements for fiscal year ending June 30, 2015 and issued an unqualified (clean) opinion. Total assets of \$2,136.0 million less liabilities of \$54.1 million resulted in a plan net position of \$2,081.9 million available for benefits.

<i>(All \$ in millions)</i>	6/30/2015	6/30/2014	Dollar Change	Percent Change
Investments at Fair Value	\$ 2,026.4	\$ 1,977.3	\$ 49.1	2.5%
Cash & Cash Equivalents	43.3	20.3	23.0	113.3%
Capital Assets	6.4	6.9	(0.5)	(7.2%)
Collateral Held for Securities	48.8	77.7	(28.9)	(37.2%)
Other Assets	11.1	12.6	(1.5)	(11.9%)
Total Assets	2,136.0	2,094.7	41.3	2.0%
Total Liabilities	54.1	86.1	(32.0)	(37.2%)
Net Position	\$ 2,081.9	\$ 2,008.6	\$ 73.3	3.6%

Changes in Net Position

(Condensed)

The sources of funds to finance retirement benefits are investment returns and employee and employer contributions. By law assets must be used for the payment of retirement benefits to retirees and beneficiaries, refunds of contributions to former employees, and the cost of administering the system.

Net Investment Income is the total interest and dividends earned by all investments as well as the change in market value of all investments, less investment fees.

<i>(All \$ in millions)</i>	6/30/2015	6/30/2014	Dollar Change	Percent Change
Additions				
Employer Contributions	\$ 72.9	\$ 74.4	\$ (1.5)	(27.8%)
Employee Contributions	21.0	18.5	2.5	4.5%
Net Investment Income	100.0	309.0	(209.0)	38.2%
Total Additions	\$ 193.9	\$ 401.9	\$ (208.0)	16.7%
Deductions				
Retirement Benefits	\$ 115.3	\$ 108.3	\$ 7.0	6.5%
Contribution Refunds	0.7	1.0	(0.3)	(30.0%)
Administrative Expense	3.7	3.5	0.2	5.7%
Other Expense	0.9	1.0	(0.1)	(10.0%)
Total Deductions	\$ 120.6	\$ 113.8	\$ 6.8	6.0%

Investment Policy

The overall goal for MCERA investments is to construct a portfolio that meets or exceeds the long-term actuarial assumption for return on net assets in order to provide our members with their promised benefits. MCERA's Investment Policy Statement (IPS) provides the framework for the management of trust fund assets. The IPS establishes the investment program goals, asset allocation policies, performance objectives, investment management policies and risk controls. The IPS also defines the principal duties of the Board, custodian bank, and investment managers.

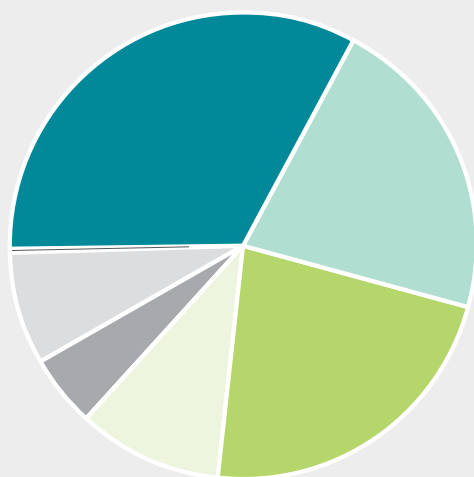
Assets & Investment Returns

The table below shows the market value at fiscal year end and the investment returns for 1-year, 3-year, 5-year and 10-year periods. The Real Assets program was initiated less than 1 year ago; returns are not available. The Private Equity program was initiated less than 10 years ago; 10-year returns are not available. Cash is cash held by the custodian. Returns are shown after investment management fees.

<i>(All \$ in millions)</i>	Market Value	2015 Return	3-Year Return	5-Year Return	10-Year Return
Domestic Large Cap Equity	\$ 480.5	7.5%	17.5%	16.9%	7.2%
Domestic Small Cap Equity	207.4	7.1%	17.6%	18.2%	7.8%
International Equity	445.7	(2.0%)	12.0%	11.3%	6.3%
Fixed Income	464.7	(0.6%)	2.2%	4.1%	4.6%
Real Estate	210.1	22.8%	16.0%	14.7%	7.3%
Real Assets	101.9	—	—	—	—
Private Equity	165.8	10.5%	13.3%	11.9%	—
Cash	0.1	0.1%	0.1%	0.1%	1.5%
Total MCERA Fund	\$2,076.2	5.0%	12.6%	12.4%	6.7%

Asset Allocation

(Actual)



33.1%	Domestic Equity
21.5%	International Equity
22.4%	Fixed Income
10.1%	Real Estate
4.9%	Real Assets
8.0%	Private Equity
<0.1%	Cash

Business Activities During the Fiscal Year

(continued from page 2)

Expanded Customer Service Avenues

In February, MCERA launched additional phone lines and email contacts to provide members with immediate direct access to subject matter experts on our active benefits and retiree payroll teams.

Diversified Investments with New Asset Class

After selling MCERA's six directly-owned real estate properties, the Board voted to further diversify the investment fund by splitting the 15% real estate target allocation to 8% private real estate and 7% public real assets. As of June 30, 2015, the Board hired three passive managers to implement the new public real assets portfolio. When fully committed in the next fiscal year the 7% allocation will be approximately \$144 million.

Adopted Disability Retirement Application Hearing Policy

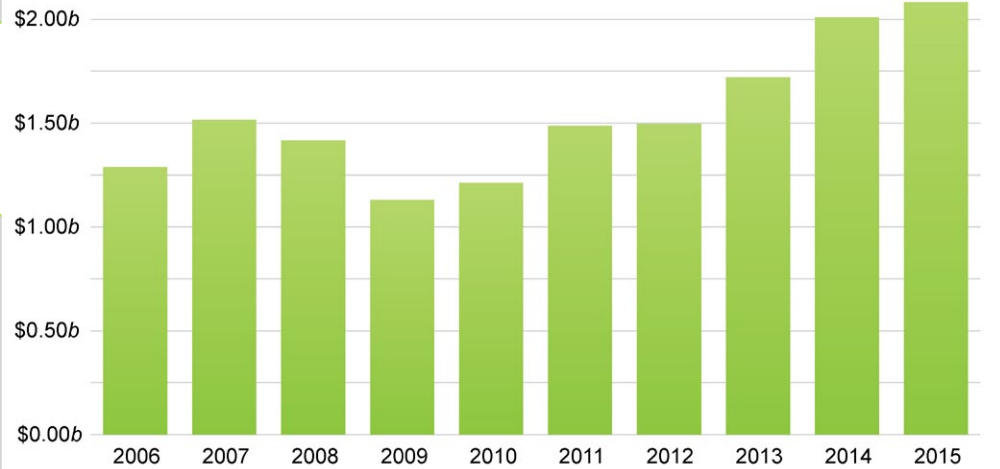
In November, the Retirement Board adopted the Disability Retirement and Survivor Benefit Application Policy. The Policy streamlines the Board's disability retirement deliberations by establishing a provision for a Disability Consent Calendar. Applications to be placed on the Consent Calendar are defined in the policy and can be pulled for closed session discussion by one or more voting members.

TEN-YEAR SNAPSHOT

Net Position

Dollar amounts in billions, for fiscal years ended June 30

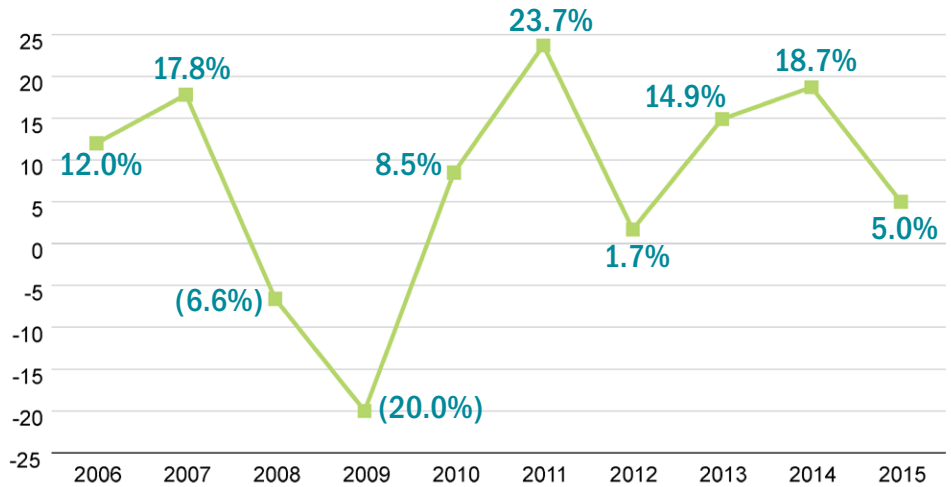
MCERA's net position represents assets available to pay pension benefits. The fund reached an all-time high of \$2.08 billion at the end of fiscal year 2015.



Investment Returns

for fiscal years ended June 30

MCERA assumes the fund will earn 7.25% over the long term. For the past 10- and 20-year periods MCERA's investments have returned 6.76% and 7.76%, respectively, net of fees and expenses.



Additions & Deductions

Dollar amounts in thousands, for fiscal years ended June 30

Additions to the fund include employee and employer contributions, and earnings on investments. Deductions include payments to retirees and beneficiaries, contribution refunds, and the costs of administering the system.



Actuarial Highlights

Funding Status

MCERA hires an independent consultant to conduct annual actuarial valuations of the pension assets and expenses. The actuarial values are reviewed to determine the annual contribution rates required to pay to meet pension obligations.

Participating employers have contributed at least 100% of required contributions each year.

In the table to the right, all dollar amounts and funded ratios are based on the market value of assets.

FYE June 30	Unfunded Actuarial Liability	Funded Ratio
2015	\$ 402.8	83.7%
2014	370.6	84.3%
2013	436.5	79.8%
2012	588.5	71.6%
2011	\$ 524.8	73.6%

Actuarial Methods

Assets are valued using the market value. The assets used to compute the unfunded actuarial liability are the market value of assets minus the value of any non-valuation contingency reserves.

The actuarial funding methods used in the June 30, 2015 valuation are as follows:

- Entry age normal to final decrement cost method.
- Unfunded liability due to actuarial gains and losses, assumption changes and miscellaneous items as of June 30, 2013 is amortized as a level percentage of payroll over a closed 17 year period, with 15 years remaining as of June 30, 2015.
- Half of the unfunded liability due to extraordinary market losses from 2008-2009 is amortized as a level percentage of payroll over a closed 30 year period, with 23 years remaining as of June 30, 2015.
- Subsequent unexpected changes in the unfunded liability after June 30, 2013 will be amortized over 24 years (22 years for assumption changes) and will include a 5-year phase-in/out (3 years for assumption changes) of the payments/credits for each annual layer.

Key Economic Assumptions

Investment Return	7.25%
Long-term Inflation Rate	2.75%
Mortality	CalPERS 2014 mortality rates, with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014
Post-retirement COLA	2.7% for tiers with a 4% COLA cap, 2.6% for tiers with a 3% COLA cap, 1.9% for tiers with a 2% COLA cap
Administrative Expenses	\$4.6 million, cost split between employers and employees

About MCERA

Our Mission

Our mission is to provide superior customer service to members and beneficiaries of the Marin County Employees' Retirement Association through efficient benefits administration and a commitment to integrity and prudent financial management.

Our Staff

MCERA staff, under direction from the Retirement Administrator, assist the Retirement Board in the administration of the retirement system. MCERA staff maintain records for all retirees, beneficiaries, active and deferred members. In executing its responsibility MCERA collects contributions from members and employers, calculates retirement benefits, pays monthly retirement benefits, processes contribution refunds, determines service purchase costs and pays death benefits. MCERA staff also maintain the accounting and financial records for the system's assets and investments.

Our Plan

MCERA is a multiple-employer governmental pension plan established by the County of Marin on July 1, 1950, under the County Employees Retirement Law of 1937 (California State Government Code Section 31450 et. seq., also referred to as the 1937 Act). MCERA is also governed by the California Constitution and the regulations, procedures and policies adopted by MCERA's Retirement Board. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the 1937 Act, which may affect the benefits of MCERA members.

MCERA Membership

MCERA's membership includes all regular hire employees working at least 75% of full-time in eligible positions for one of nine participating employers, and retired members and beneficiaries drawing monthly pension benefits. Membership also includes deferred members who have left employment but have not yet retired.

all data as of June 30, 2015

Total Members

	Active	Retired	Deferred
2015	2,609	2,939	653
2014	2,533	2,868	638
2013	2,472	2,790	621
2012	2,491	2,679	599
2011	2,546	2,545	582

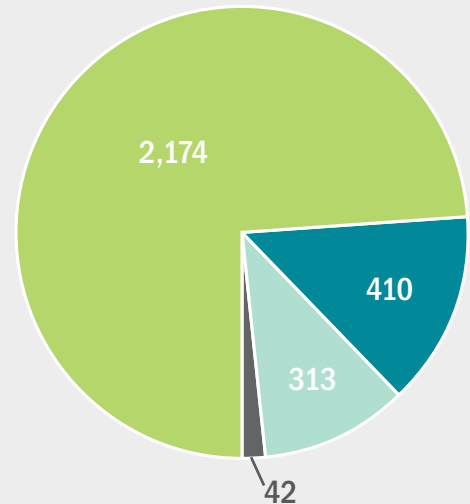
Active Members by Employer

1,982	County of Marin
349	City of San Rafael
102	Marin Superior Court
75	Novato Fire Protection District
50	Southern Marin Fire Protection District
33	Marin/Sonoma Mosquito & Vector Control District
11	Tamalpais Community Services District
5	Marin City Community Services District
2	Local Agency Formation Commission

Active General: 2,006

Active Safety: 603

Retired Members by Benefit Type



Disability Retirement

The data below reflects the number of disability retirement applications heard by the Board of Retirement during the fiscal year and the Board's decisions on those applications.

	Board Hearings	Granted	Denied
Service Connected	12	8	4
Non-service Connected	0	0	0
Total Applications	12	8	4

74.0%	Service Retirement	14.0%	Beneficiaries
10.6%	Service Connected Disability	1.4%	Non-service Connected Disability

760 Benefit Calculations Completed

Benefit calculations include service retirement benefits, estimates of retirement benefits, death benefits, cost to purchase or redeposit service, account splits with domestic relation orders and contribution refunds.

146 Service Retirements

Does not include disability retirements.

26 Retirement Board & Committee Meetings

6 **18 Workshops** **358 Attendees**

Average Annual Retirement Benefit \$40,763

This is the average benefit received for service retirements, disability retirements and survivor benefits.