MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

MARIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION
JUNE 30, 2012 AND 2011

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Marin County Employees' Retirement Association
San Rafael, California

We have audited the accompanying statements of plan net assets available for benefits of the Marin County Employees' Retirement Association (MCERA) as of June 30, 2012 and 2011, and the related statements of changes in plan net assets available for benefits for the years then ended. These financial statements are the responsibility of management of MCERA. Our responsibility is to express an opinion on these financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the MCERA as of June 30, 2012 and 2011, and its changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, 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 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. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2012, 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, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 1, 2012

This Management's Discussion and Analysis (MD&A) of the financial activities of Marin County Employees' Retirement Association (MCERA) is an overview of its fiscal operations for the year ended June 30, 2012. Readers are encouraged to consider the information presented in conjunction with the Basic Financial Statements and Notes to the Basic Financial Statements.

We are pleased to provide this overview and analysis of the financial activities of MCERA for the year ended June 30, 2012. MCERA is the 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 employees under the County Employees Retirement Act of 1937.

Financial Highlights

MCERA's plan net assets as of June 30, 2012, were $1,495,441,682. The plan net assets are held in trust for payment of pension benefits to participants and their beneficiaries and all of the net assets are available to meet MCERA's ongoing obligations.

- Net assets increased by $9,383,357, primarily as a result of employer and employee contributions and earnings from investments.

- Total additions as reflected in the Statement of Changes in Plan Net Assets were an increase of $110,438,382, which includes employer and employee contributions of $82,063,844, an investment gain of $27,909,397, and securities lending income of $465,141.

- Deductions in plan net assets increased from $93,931,346 to $101,055,025 from the prior year. The increase was due to an increase in retiree pension benefits.

- MCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2011, the date of the last actuarial evaluation, the funded ratio for all MCERA agencies was 72.1%. In general, this indicates that for every dollar of benefits due we had approximately $0.721 of assets available for payment as of that date. The funding ratios of the employer entities included in MCERA were: 74.2% for the County of Marin and agencies, 62.7% for the City of San Rafael, and 77.8% for Novato Fire Protection District.

Overview of the Financial Statements

This MD&A serves as an introduction to the basic financial statements. MCERA has two basic financial reports, the notes to the basic financial statements, and two required supplementary schedules of historical trend information. 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, utilizing the accrual basis of accounting.

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements themselves.

The Statement of Plan Net Assets 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 Assets Held in Trust for Pension Benefits, which are the assets less the liabilities, reflect the funds available for future use.

The Statement of Changes in Plan Net Assets is the second basic financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as Additions or Deductions to the plan. The trend of Additions versus Deductions to the plan will indicate the condition of MCERA's financial position over time.

Both statements are in compliance with Governmental Accounting Standard Board (GASB) Statement Nos. 25, 26, 28, 33, 34, 40, 44, 50, 51, 53, 55, and 56. These statements 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 statements.

The Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets 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.

These two statements report MCERA's net assets held in trust for pension benefits (net assets) – the difference between assets and liabilities – as one way to measure MCERA's financial position. Over time, increases and decreases in MCERA's net assets is one indicator 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.

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 year.

The *Schedule of Funding Progress* required supplementary schedule includes historical trend information about the actuarially funded status of MCERA, and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the *Schedule of Employer Contributions*, presents historical trend information about the annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of MCERA over time.

Financial Analysis

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investment income (net of investment expense). Net assets held in trust for pension benefits as of June 30, 2012, totaled $1,495,441,682, an increase of $9,383,357 over the prior year. MCERA's assets exceeded its liabilities at the end of the year. The Total Plan Net Assets represent 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. Only current liabilities are reported in the Statement of Plan Net Assets. Below is a comparison of current and prior year balances:

	2012	2011	2010	Increase (Decrease) 2012/2011	Increase (Decrease) 2011/2010
Investments at fair value	$ 1,422,485,857	$ 1,388,331,769	$ 1,068,714,633	$ 34,154,088	$ 319,617,136
Cash and cash equivalents	89,430,875	116,800,206	135,783,006	(27,369,331)	(18,982,800)
Capital assets (net of accumulated depreciation)	7,826,781	7,475,819	7,189,149	350,962	286,670
Collateral held for securities loaned	91,807,903	98,631,898	85,912,381	(6,823,995)	12,719,517
Receivables and other assets	15,456,126	10,568,886	8,726,306	4,887,240	1,842,580
Total assets	1,627,007,542	1,621,808,578	1,306,325,475	5,198,964	315,483,103
Total liabilities	131,565,860	135,750,253	95,095,256	(4,184,393)	40,654,997
Net assets	$ 1,495,441,682	$ 1,486,058,325	$ 1,211,230,219	$ 9,383,357	$ 274,828,106

In order to determine whether Plan Net Assets will be sufficient to meet future obligations, the actuarial funded status needs to 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 County of Marin are needed to pay all expected future benefits.

MCERA's independent actuary, EFI Actuaries, performed an actuarial valuation as of June 30, 2011, and determined that the funded ratio of the actuarial assets to the actuarial accrued liability is 72.10%. The actuarial valuation as of June 30, 2010, determined the funded ratio to be 70.93%.

Additions to Plan Net Assets

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 June 30, 2012 and 2011, totaled $110,438,382 and $368,759,452, respectively.

	2012	2011	2010	Increase (Decrease) 2012/2011	Increase (Decrease) 2011/2010
Employer contributions	$ 66,189,220	$ 66,256,762	$ 56,270,346	$ (67,542)	$ 9,986,416
Plan members contributions	15,874,624	16,800,303	17,419,684	(925,679)	(619,381)
Total net investment income (loss)	28,374,538	285,702,387	95,972,473	(257,327,849)	189,729,914
Total	$ 110,438,382	$ 368,759,452	$ 169,662,503	$ (258,321,070)	$ 199,096,949

Deductions from Plan Net Assets

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:

	2012	2011	2010	Increase (Decrease) 2012/2011	Increase (Decrease) 2011/2010
Retirement benefits	$ 95,977,096	$ 89,703,494	$ 83,704,078	$ 6,273,602	$ 5,999,416
Refund of contributions	818,374	616,579	993,559	201,795	(376,980)
Administrative	3,013,917	2,804,186	2,961,121	209,731	(156,935)
Legal expenses	816,234	660,807	595,410	155,427	65,397
Litigation settlement	-	4,500	-	(4,500)	4,500
Computer expenses	283,228	7,350	-	275,878	7,350
Actuarial expenses	146,176	134,430	199,401	11,746	(64,971)
Total deductions	$ 101,055,025	$ 93,931,346	$ 88,453,569	$ 7,123,679	$ 5,477,777

The Retirement Fund as a Whole

Despite variations in the stock market, MCERA's management believes that MCERA is in reasonably sound financial position to meet its obligations to the retired and current employees. The current financial position results from a diversified investment program that prudently manages risk to minimize loss, an effective system of cost control and strategic planning. Management believes there will continue to be sufficient assets to meet all benefit obligations.

Requests for Information

This financial report is designed to provide the Retirement Board, 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

Respectively submitted,

/s/ Lisa Jackson
Lisa Jackson
Senior Accountant

BASIC FINANCIAL STATEMENTS

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET ASSETS AVAILABLE FOR BENEFITS
AS OF JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
Assets		
Cash and short-term investments		
Cash and cash equivalents	$ 89,430,875	$ 116,800,206
Cash collateral on loaned securities	91,807,903	98,631,898
Total Cash and Short-Term Investments	181,238,778	215,432,104
Receivables		
Contributions	4,128,371	4,012,115
Interest and dividends	2,327,067	2,248,386
Due from brokers for securities sold	7,327,038	2,740,582
Other receivables	645,752	776,299
Total Receivables	14,428,228	9,777,382
Investments at fair value		
Domestic fixed income	196,277,047	186,320,702
International fixed income	20,913,118	18,421,144
Domestic equities	709,762,426	692,039,072
International equities	329,410,080	342,607,324
Private equity	49,965,859	21,426,764
Real estate	116,157,327	127,516,764
Total Investments at Fair Value	1,422,485,857	1,388,331,770
Capital assets (net of accumulated depreciation)	7,826,781	7,475,819
Prepaid insurance	1,027,898	791,503
Total Assets	1,627,007,542	1,621,808,578
Liabilities		
Accounts payable and accrued expenses	1,615,291	1,290,369
Due to brokers for securities purchased	37,423,806	34,109,730
Rental security deposits	704,203	652,791
Retiree payroll payable	14,657	-
Prepaid contributions	-	65,465
Health insurance payable	-	1,000,000
Obligations under securities lending program	91,807,903	98,631,898
Total Liabilities	131,565,860	135,750,253
Net Assets Held in Trust for Pension Benefits	$ 1,495,441,682	$ 1,486,058,325

A schedule of funding progress is presented in the Required Supplementary Information following this Financial Section.

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

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN PLAN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
Additions		
Contributions		
Employer	$ 66,189,220	$ 66,256,762
Plan member	15,874,624	16,800,303
Total Contributions	82,063,844	83,057,065
Investment income		
Net appreciation in fair value of investments	14,343,531	273,208,148
Interest and dividends	16,531,790	16,330,478
Real estate operating income, net	5,368,669	4,429,705
Other investment income	287,574	593,864
Total Investment Income	36,531,564	294,562,195
Less investment expenses	8,622,167	9,124,321
Net Investment Income	27,909,397	285,437,874
Securities lending activities		
Securities lending income	709,688	510,696
Less expenses from securities lending activities	244,547	246,183
Net Securities Lending Income	465,141	264,513
Total Net Investment Income	28,374,538	285,702,387
Total Additions	110,438,382	368,759,452
Deductions		
Benefits	95,977,096	89,703,494
Refunds	818,374	616,579
Administrative expenses - Note 8	3,013,917	2,804,186
Legal expense	816,234	660,807
Litigation settlement	-	4,500
Computer expenses	283,228	7,350
Actuarial expenses	146,176	134,430
Total Deductions	101,055,025	93,931,346
Net Increase	9,383,357	274,828,106
Net Assets Held in Trust for Pension Benefits, Beginning of Year	1,486,058,325	1,211,230,219
Net Assets Held in Trust for Pension Benefits, End of Year	$ 1,495,441,682	$ 1,486,058,325

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

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, Government Code Section 31450 et seq.), 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, which may affect the benefits of MCERA members. MCERA operates as a cost-sharing multiple employer defined benefit 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 County Courts, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District, and Tamalpais Community Services District.

Administration

Retirement system administration is managed by the Retirement Board. All Board members, except the County Director of Finance, serve for a term of three years. By statute, Board members include the following:

- The Director of Finance of the County.
- Four members who are qualified electors of the County and not connected with County government in any capacity, except 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 active general and safety members. Safety membership primarily includes law enforcement officers and firefighters, 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, 2011) is noted below*:

	2011	2010
Active Members (Vested and Non-vested)	2,546	2,628
Retired Members and Beneficiaries	2,545	2,431
Terminated Vested (Deferred)	582	596
Total Membership	**5,673**	**5,655**

* *Membership data is based on the current actuarial valuation report. Membership data for 2010 was transposed in the prior audited financial statements and has been corrected.*

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, and Courts members hired after January 1, 2009 are eligible to retire at age 55 if they have earned 10 years of credited service. All other General and Safety members are eligible to retire at age 50 if they have earned 10 years of credited service. 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. 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 the maximum of six month's pay). Retiring members may choose from four optional beneficiary retirement allowances. 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 will be eligible to apply for a non-service 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 Consumer Price Index 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 CPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for future years when the CPI 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 of Marin. Actuarially determined financial data for MCERA is included in the County of Marin's annual financial report in the "Notes to Financial Statement" section.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 which 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 market 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 expense 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 cost of living adjustment computed in accordance with Article 16.5. Expenditures 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 the retirement system.

For the years ended June 30, 2012 and 2011, administrative expenses were $3,013,918, or 0.15%, and $2,804,186, or 0.17%, respectively, of actuarial accrued liability.

Cash and Cash Equivalents

Cash equivalents include deposits in MCERA's custodian bank. 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 market value.

Methods Used to Value Investments

Investments are reported at market value, except that short-term cash and short-term investments are reported at cost, which approximates market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates or by various outside pricing sources. The market value of real estate investments is based on independent appraisals.

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 on 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, 2012, the capitalized portion of the building was $3,565,106 and computers and equipment were $4,261,674, net of accumulated depreciation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 conformity with generally accepted accounting principles 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.

Reclassifications

Comparative data for the prior year has been presented in the selected sections of the accompanying Statements of Plan Net Assets and Statement of Changes in Plan Net Assets. Also, certain accounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

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 so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

Deposits

Cash and cash equivalents are carried at cost plus accrued interest, which approximates market value. All cash and cash equivalents are 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.

NOTE 3 – <u>DEPOSITS AND INVESTMENTS</u> (Continued)

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.

Investments

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 Retirement Board, 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.

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, 2012, as rated by Standard & Poor's, are as follows (all dollars in thousands):

Rating Category	Market Value
AAA	$ 6,830
AA	14,162
A	43,554
BBB	42,032
BB	5,790
B	2,487
CCC	1,708
CC	742
C	0
D	762
Agencies	44,164
U.S. Treasuries	42,087
No Rating	8,172
Total Fixed Income Investments	**$ 212,490**

NOTE 3 – DEPOSITS AND 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.

Concentration of Credit Risk
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, 2012 and 2011, 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 market 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.

To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core Plus portfolio is restricted to +/- 25% of the duration of the Barclay's Capital Aggregate Index. Deviations from any of the stated guidelines require prior written authorization from MCERA. At June 30, 2012, the segmented time distribution of the fixed income portfolio, by investment type, was as follows (all dollars in thousands):

	Market	Investment Maturities in Years			
Investment Type	**Value**	**< 1**	**1-5**	**6-10**	**10+**
Agencies	$ 6,495	$ 2,418	$ 441	$ 1,856	$ 1,780
Asset-Backed Securities	8,506	3,730	4,627	149	-
Collateralized Mortgage Obligations	3,201	506	1,580	1,115	-
Commercial Mortgage-Backed Securities	11,172	439	7,640	3,093	-
Corporate and Other Credit	92,845	2,400	45,979	30,271	14,195
Mortgage Pass-Throughs	42,791	1,234	41,557	-	-
Municipal Bonds	5,393	1,794	325	610	2,664
U.S. Treasuries	42,087	6,223	10,351	6,470	19,043
Total	**$ 212,490**	**$ 18,744**	**$ 112,500**	**$ 43,564**	**$ 37,682**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the market value of an investment. MCERA invests, through its investment managers, in forward currency contracts and currency futures (maturity ranging from at least 30 days and not to exceed one year for either instrument). Aside from net currency gains or losses reported as a component of investment income, no other amounts are recorded on the financial statements. MCERA has no general investment policy with respect to foreign currency risk.

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

MCERA invests primarily in commingled vehicles; as such the foreign currency risk exposure is minimal.

NOTE 4 – SECURITY 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 market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market 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 market 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.

As of June 30, 2012 and 2011, the value of securities loaned by MCERA totaled $91,585,416 and $96,927,702, respectively. As of June 30, 2012 and 2011, the value of collateral held for securities loaned was $91,807,903 and $98,631,898, respectively.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

MCERA's IPS and manager guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument that represents direct ownership of an asset or an obligation of an issuer whose payments are based on or "derived" from the performance of some agreed-upon benchmark. Values of derivatives change daily. MCERA's managers are required to mark-to-market derivative positions daily. Substitution, risk control, and arbitrage are the only derivative strategies permitted. Speculation is prohibited. Derivatives are carried as assets when the market value is positive and as liabilities when the market value is negative. Gains and losses from derivatives are included in net investment income. For financial reporting purposes, all MCERA derivatives are classified as investment derivatives.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 market value represents the gains or losses as of the prior marking-to-market.

Investment Derivatives Summary

The following is a summary of derivative instruments at June 30, 2012, with the net appreciation/(depreciation) that has occurred during the year (all dollars in thousands):

Investment Derivatives by Type	Net Appreciation/ (Depreciation) in Market Value Amount	Classification	Market Value	Notional Amount
Credit Default Swaps Written	$ (18)	Swaps	$ -	$ -
Fixed Income Futures Long	4,407	Futures	-	34,175
Fixed Income Futures Short	(2,688)	Futures	-	(37,345)
Fixed Income Options Bought	(23)	Options	24	2,456
Fixed Income Options Written	38	Options	(8)	(2,456)
Futures Options Bought	(84)	Options	29	423
Futures Options Written	213	Options	(14)	(520)
Foreign Currency Forwards	158	Long-Term Instruments	106	5,002
Index Futures Long	3,242	Futures	-	12
Index Options Bought	3	Options	-	-
Index Options Written	30	Options	-	-
Pay Fixed Interest Rate Swaps	(17)	Swaps	-	-
Total	**$ 5,261**		**$ 137**	

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Types of Derivative Risk

Counterparty Credit Risk
To minimize 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 market 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, 2012 and 2011, 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. The credit risk ratings of MCERA's derivatives as of June 30, 2012, as rated by Standard & Poor's, are as follows (all dollars in thousands):

Rating Category		Market Value
A	$	106
Total Derivatives	**$**	**106**

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the market value of an investment. MCERA measures derivative interest rate risk using duration. At June 30, 2012, MCERA had the following investment derivative interest rate risks (all dollars in thousands):

			Investment Maturities in Years							
Investment Type		**Market Value**		**< 1**		**1-5**		**6-10**		**10+**
Fixed Income Options Bought	$	24	$	24	$	-	$	-	$	-
Fixed Income Options Written		(8)		(8)		-		-		-
Total	**$**	**16**	**$**	**16**	**$**	**-**	**$**	**-**	**$**	**-**

Foreign Currency Risk
Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the market 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. At June 30, 2012, MCERA had the following derivative foreign currency exposures (all dollars in thousands):

	Foreign Currency		Marke t Value
Currency Forward Contracts	Euro	$	106
Total Foreign Derivatives		**$**	**106**

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 appraisals by investment management firms/general partners with independent third party appraisals accomplished at regular intervals. Primary determinants of market value include market and property type specific information which typically involve a degree of expert judgment.

NOTE 6 – REAL ESTATE (Continued)

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, 2012, the estimated market value of MCERA's real estate portfolio was $116,030,277.

MCERA has the following real estate holdings (dollars in thousands):

	Appraised Value 2012	Appraised Value 2011
Direct Investments		
Sunnyvale	$ 5,000	$ 4,775
South San Francisco	8,250	8,000
Foster City	28,800	24,500
San Bruno	17,360	17,000
Pleasanton	29,670	26,680
Richmond	12,340	12,390
San Rafael	6,603	6,670
Total Direct Investments	**108,023**	**100,015**
Commingled Investments		
AEW Capital Management	1,753	1,721
ING Clarion*	-	20,555
RREEF America REIT III	6,254	5,226
Total Commingled Investments	**8,007**	**27,502**
Total Real Estate Investments	**$ 116,030**	**$ 127,517**

** The ING Clarion Portfolio was terminated March 31, 2012.*

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 2012, 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.

NOTE 7 – <u>CONTRIBUTIONS</u> (Continued)

2. The payment to amortize the Unfunded Actuarial Accrued Liability (UAAL). The UAAL 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 are formulated separately for each employer group on the basis of age at the date of entry and actuarially calculated benefits. The CERL authorizes participating employers to "pickup" all or a portion of an employee's retirement contribution obligation on the employee's behalf. 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 5.16% to 14.85%. Safety member contributions range from 8.96% to 22.24%, which includes additional cost sharing for some Safety members determined through labor negotiations.

NOTE 8 – <u>RESERVES</u>

MCERA carries accounts within Net Assets Held in Trust 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 Plan Net Assets, as the sum of these reserves equals the Net Assets Held in Trust for Pension Benefits. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses.

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

Member 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 Retired 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 Retired 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.

NOTE 8 – RESERVES (Continued)

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 cost of living adjustments.

Statutory Contingency Reserve
This represents earnings in excess of the total interest credited to valuation reserves, up to 1% of market 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.

Undistributed 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 Undistributed 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 – FUNDED STATUS

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. The plan's funded status as of the most recent actuarial valuation (June 30, 2011) is shown in the table below. The Schedule of Funding Progress in the Required Supplementary Information section immediately following the Notes to the Financial Statements presents multiyear trend information regarding whether the actuarial value of plan assets relative to the actuarial liability of benefits is increasing or decreasing over time.

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2011	$1,430,280	$1,985,099	$554,819	72.05%	$216,516	256.25%

NOTE 9 – FUNDED STATUS (Continued)

Actuarial Methods and Significant Assumptions

The following significant actuarial assumptions were utilized as part of the most recent actuarial valuation:

Valuation Date:	June 30, 2011
Actuarial Cost Method:	Entry age normal to final decrement, individual normal cost
Amortization Method:	Level percentage of payroll
Amortization Period:	17 years for the next three valuations, after which the period will descend by one year each year to an ultimate period of 10 years. Half of the extraordinary asset loss from fiscal year 2009 is being amortized as a level percentage of payroll over a closed 30 year period, with 28 years remaining as of June 30, 2011. Any extraordinary gains occurring during this period will first be used to offset the fiscal year 2009 loss; any excess will be amortized over a similar period of time, such as 30 years.
Asset Valuation Method:	5 year smoothing; each year's gain and loss recognized over a closed 5-year period; Actuarial value not less than 80% and not greater than 120% of market value. Valuation assets exclude special non-valuation reserves and contingency reserve.
Inflation Rate:	3.25%
Investment Rate of Return:	7.50%
Projected Salary Increases:	3.25%
Cost of Living Adjustments:	1.9% for the 2% COLA, 2.7% for the 3% COLA, 3% for the 4% COLA

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ending June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Dispositions	Balance 6/30/2012
Capital Assets Being Depreciated:				
Building	$ 3,140	$ 0	$ 0	$ 3,140
Tenant Improvements	781	0	0	781
Equipment	109	0	0	109
Computer Software/Hardware	0	4,374	0	4,374
Total Capital Assets Being Depreciated	**4,030**	**4,374**	**0**	**8,404**
Less Accumulated Depreciation for:				
Building	(206)	(78)	0	(284)
Tenant Improvements	(51)	(20)	0	(71)
Equipment	(28)	(11)	0	(39)
Computer Software/Hardware	0	(182)	0	(182)
Total Accumulated Depreciation	**(285)**	**(291)**	**0**	**(576)**
Total Capital Assets, Net	**$ 3,745**	**$ 4,083**	**$ 0**	**$ 7,828**

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 (adopted in 2007, amended in 2011) 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 2012, MCERA funded $27,484,421 of its private equity capital commitments. As of June 30, 2012, outstanding commitments to the various investment managers, as approved by the Board of Retirement, totaled $149,283,363. Subsequent to June 30, 2012, MCERA funded $23,232,216 of these capital commitments.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to June 30, 2012, and through October 1, 2012, the date through which management evaluated subsequent events and on which the financial statements were issued, MCERA did not identify any subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
County of Marin						
6/30/2006	$ 908,767	$ 1,090,344	$ 181,577	83.35%	$ 149,527	121.43%
6/30/2007	1,013,543	1,141,736	128,193	88.77%	159,177	80.53%
6/30/2008	1,111,115	1,280,206	169,091	86.79%	173,735	97.33%
6/30/2009	1,002,218	1,350,528	348,310	74.21%	178,027	195.65%
6/30/2010	1,018,082	1,402,358	384,276	72.60%	176,833	217.31%
6/30/2011	1,065,255	1,436,008	370,753	74.18%	175,397	211.38%
City of San Rafael (including RDA)						
6/30/2006	209,785	306,079	96,294	68.54%	28,606	336.62%
6/30/2007	235,756	325,219	89,463	72.49%	30,180	296.43%
6/30/2008	262,677	360,298	97,621	72.91%	31,854	306.46%
6/30/2009	239,841	379,801	139,960	63.15%	32,413	431.80%
6/30/2010	248,500	394,889	146,389	62.93%	30,320	482.81%
6/30/2011	258,963	412,743	153,780	62.74%	31,692	485.23%
Novato Fire Protection District						
6/30/2006	92,390	109,131	16,741	84.66%	7,990	209.52%
6/30/2007	102,658	115,974	13,316	88.52%	7,881	168.96%
6/30/2008	112,126	129,116	16,990	86.84%	8,860	191.76%
6/30/2009	101,194	132,105	30,911	76.60%	9,116	339.09%
6/30/2010	102,123	132,419	30,296	77.12%	8,816	343.65%
6/30/2011	106,062	136,348	30,286	77.79%	9,426	321.30%
Total						
6/30/2006	1,210,942	1,505,554	294,612	80.43%	186,123	158.29%
6/30/2007	1,351,957	1,582,929	230,972	85.41%	197,238	117.10%
6/30/2008	1,485,918	1,769,620	283,702	83.97%	214,449	132.29%
6/30/2009	1,343,253	1,862,434	519,181	72.12%	219,556	236.47%
6/30/2010	1,368,705	1,929,666	560,961	70.93%	215,969	259.74%
6/30/2011	1,430,280	1,985,099	554,819	72.05%	216,515	256.25%

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(DOLLAR AMOUNTS IN THOUSANDS)

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
County of Marin		
6/30/2006	$ 36,870	100%
6/30/2007	42,416	100%
6/30/2008	39,656	100%
6/30/2009	36,638	100%
6/30/2010	39,437	100%
6/30/2011	45,277	100%
City of San Rafael (including RDA)		
6/30/2006	4,231	100%
6/30/2007	11,187	100%
6/30/2008	14,068	100%
6/30/2009	13,702	100%
6/30/2010	12,700	100%
6/30/2011	14,996	100%
Novato Fire Protection District		
6/30/2006	2,526	100%
6/30/2007	3,612	100%
6/30/2008	4,366	100%
6/30/2009	4,215	100%
6/30/2010	4,134	100%
6/30/2011	4,484	100%
Total		
6/30/2006	43,627	100%
6/30/2007	57,215	100%
6/30/2008	58,090	100%
6/30/2009	54,555	100%
6/30/2010	56,271	100%
6/30/2011	64,757	100%