

**MARIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

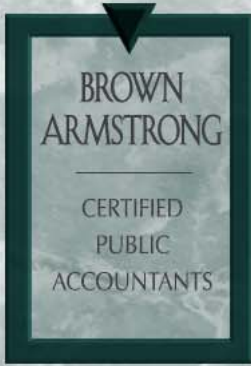
**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS
ENDED JUNE 30, 2015 AND 2014**

**MARIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION
JUNE 30, 2015 AND 2014**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position Available for Benefits of the Marin County Employees' Retirement Association (MCERA), a component unit of the County of Marin, California, as of June 30, 2015 and 2014, the Statements of Changes in Fiduciary Net Position Available for Benefits for the fiscal years then ended and the related notes to the financial statements, which collectively comprise MCERA's basic financial statements as listed in the foregoing table of contents. We have also audited the Schedules of Cost Sharing Employer Allocations of MCERA for the years ended June 30, 2015, 2014, and 2013, and the Schedules of Employer Pension Amounts Allocated by Cost Sharing Plan total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) as of and for the years ended June 30, 2015 and 2014, 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 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. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, 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

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements and other information.

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

Opinions

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of MCERA as of June 30, 2015 and 2014, and the changes in its fiduciary net position available for benefits for the fiscal years then ended, the Schedules of Cost Sharing Employer Allocations of MCERA for the years ended June 30, 2015, 2014, and 2013, and the Schedules of Employer Pension Amounts Allocated by Cost Sharing Plan total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) as of and for the years ended June 30, 2015 and 2014, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the basic financial statements, the net pension liability of the participating employers as of June 30, 2015, was \$387,385,550. The fiduciary net position as a percentage of the total liability as of June 30, 2015, was 84.31%. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.25%, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Additionally, as discussed in Note 2 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equity, real estate, and investments in real assets. Such investments totaled \$467,656,356 (21.9% of total assets) at June 30, 2015. When a publicly listed price is not available, the management of MCERA uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of the investments. Our opinion is not modified with respect to these matters.

Other Matters

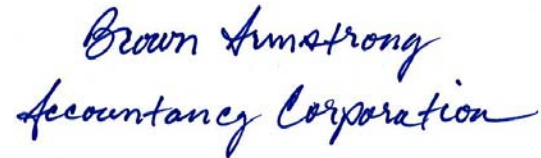
Required Supplementary Information

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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, 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 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* in considering MCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
October 28, 2015

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015 AND 2014**

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 years ended June 30, 2015 and 2014. 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, 2015, was \$2,081,884,656. The fiduciary net position is held in trust for payment of pension benefits to participants and their beneficiaries and is available to meet MCERA's ongoing obligations.

- Net position increased by \$73,251,763, 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 Available for Benefits were \$193,891,138, which includes employer and employee contributions of \$93,835,565, an investment gain of \$99,805,243, and net securities lending income of \$250,330.
- Deductions in fiduciary net position increased from \$113,846,706 to \$120,639,375 from the prior year. The increase was mainly due to an increase in retiree pension benefits.
- MCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2014, the date of the last actuarial evaluation, the funded ratio for all MCERA agencies was 84.3% based on the fair value of assets. In general, this indicates that for every dollar of benefits due we had approximately \$0.843 of assets available for payment as of that date. The funding ratios of the employer entities included in MCERA were: 87.3% for the County of Marin and Special Districts, 72.4% for the City of San Rafael, and 89.4% 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:

- Statements of Fiduciary Net Position Available for Benefits
- Statements of Changes in Fiduciary Net Position Available for Benefits
- Notes to the Basic Financial Statements
- Required Supplementary 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 (GASB) and are prepared utilizing the accrual basis of accounting.

The Statement of Fiduciary Net Position Available for Benefits and the Statement of Changes in Fiduciary Net Position Available for Benefits 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 Available for Benefits 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 held in trust 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 Available for Benefits 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 or Deductions to the plan.

These two statements report MCERA's net position held in trust 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 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 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.

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

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 position held in trust for pension benefits as of June 30, 2015, totaled \$2,081,884,656, an increase of \$73,251,763 over the prior year. MCERA's assets exceeded its liabilities at the end of the year. The Total Fiduciary Net Position 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 Available for Benefits, and only current liabilities are reported. Below is a comparison of current and prior year balances:

	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2014/2013
Investments at fair value	\$ 2,026,355,568	\$ 1,977,282,977	\$ 1,682,221,938	\$ 49,072,591	\$ 295,061,039
Cash and cash equivalents	43,288,323	20,281,145	52,854,741	23,007,178	(32,573,596)
Capital assets (net of accumulated depreciation)	6,406,474	6,879,909	7,353,345	(473,435)	(473,436)
Collateral held for securities loaned	48,783,804	77,707,689	53,810,750	(28,923,885)	23,896,939
Receivables and other assets	11,142,967	12,595,013	19,784,711	(1,452,046)	(7,189,698)
Total assets	2,135,977,136	2,094,746,733	1,816,025,485	41,230,403	278,721,248
Total liabilities	54,092,480	86,113,840	95,481,244	(32,021,360)	(9,367,404)
Net position	\$ 2,081,884,656	\$ 2,008,632,893	\$ 1,720,544,241	\$ 73,251,763	\$ 288,088,652

In order to determine whether the Fiduciary Net Position 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, 2014, and determined that the funded ratio of the actuarial assets to the actuarial liability is 80.3%. The plan's funded ratio further increased from 80.3% to 84.3% following the Board of Retirement's adoption of a change to use fair value of assets instead of the actuarial value of assets for the funding calculations. This parallels the changes made to the GASB disclosures under GASB Statement No. 67, which now requires the plan to use the fair value of assets in the calculation of the funded ratio. The actuarial valuation as of June 30, 2013, determined the funded ratio to be 75.1%.

Additions to Fiduciary Net Position

There are three primary sources of funding for MCERA retirement benefits: earnings (losses) on investments of assets and employer and employee contributions. Income sources for the fiscal years ending June 30, 2015 and 2014, totaled \$193,891,138 and \$401,935,358, respectively.

	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2014/2013
Employer contributions	\$ 72,867,357	\$ 74,396,755	\$ 103,016,915	\$ (1,529,398)	\$ (28,620,160)
Plan member contributions	20,968,208	18,536,135	17,664,135	2,432,073	872,000
Total net investment income	100,055,573	309,002,468	223,614,376	(208,946,895)	85,388,092
Total additions	<u>\$ 193,891,138</u>	<u>\$ 401,935,358</u>	<u>\$ 344,295,426</u>	<u>\$ (208,044,220)</u>	<u>\$ 57,639,932</u>

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:

	2015	2014	2013	Increase (Decrease) 2015/2014	Increase (Decrease) 2014/2013
Retirement benefits	\$ 115,280,886	\$ 108,334,914	\$ 101,740,810	\$ 6,945,972	\$ 6,594,104
Refund of contributions	703,866	1,007,947	506,882	(304,081)	501,065
Return of City of San Rafael 401(h)	-	-	12,027,691	-	(12,027,691)
Administrative expenses	3,668,546	3,462,021	3,764,105	206,525	(302,084)
Legal expenses	482,923	531,581	915,730	(48,658)	(384,149)
Computer expenses	333,364	371,548	82,445	(38,184)	289,103
Actuarial expenses	169,790	138,695	155,204	31,095	(16,509)
Total deductions	<u>\$ 120,639,375</u>	<u>\$ 113,846,706</u>	<u>\$ 119,192,867</u>	<u>\$ 6,792,669</u>	<u>\$ (5,346,161)</u>

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. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses.

Total Net Position Held in Trust for Pension Benefits as of June 30

	<u>2015</u>	<u>2014</u>
Employee reserves	\$ 273,573,890	\$ 256,547,252
Employer reserves	243,106,998	219,999,589
Retiree reserves	1,516,272,204	1,399,637,515
Contingency reserves	<u>15,637,112</u>	<u>16,521,341</u>
Total reserves - restricted	2,048,590,204	1,892,705,697
Unrestricted reserves	41,096,612	115,927,196
Contra - Interest crediting	<u>(7,802,161)</u>	<u>-</u>
Total reserves - unrestricted	<u>33,294,451</u>	<u>115,927,196</u>
Total Net Position Held in Trust for Pension Benefits	<u><u>\$ 2,081,884,655</u></u>	<u><u>\$ 2,008,632,893</u></u>

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 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 94903-2764

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

Respectively submitted,

/s/ Lisa Jackson

Lisa Jackson
Senior Accountant

BASIC FINANCIAL STATEMENTS

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS
AS OF JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Cash and short-term investments		
Cash and cash equivalents	\$ 43,288,323	\$ 20,281,145
Cash collateral on loaned securities	48,783,804	77,707,689
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Total Cash and Short-Term Investments	92,072,127	97,988,834
Receivables		
Contributions	5,274,370	4,675,463
Interest and dividends	1,811,712	1,748,454
Due from brokers for securities sold	1,554,594	2,847,839
Other receivables	2,045,858	2,556,102
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Total Receivables	10,686,534	11,827,858
Investments at fair value		
Domestic fixed income	243,056,642	263,487,903
International fixed income	63,900,038	49,648,871
Domestic equities	810,138,708	881,879,596
International equities	441,603,824	445,366,793
Private equity	158,919,340	117,393,450
Real estate	206,737,016	219,506,364
Real assets	102,000,000	-
	<hr/>	<hr/>
Total Investments at Fair Value	2,026,355,568	1,977,282,977
Capital assets (net of accumulated depreciation)	6,406,474	6,879,909
Prepaid insurance	456,433	767,155
	<hr/>	<hr/>
Total Assets	<u>2,135,977,136</u>	<u>2,094,746,733</u>
Liabilities		
Accounts payable and accrued expenses	1,661,533	1,461,498
Due to brokers for securities purchased	3,315,677	6,177,642
Rental security deposits	329,220	750,895
Retiree payroll payable	2,246	16,116
Obligations under securities lending program	48,783,804	77,707,689
	<hr/>	<hr/>
Total Liabilities	<u>54,092,480</u>	<u>86,113,840</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 2,081,884,656</u>	<u>\$ 2,008,632,893</u>

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

MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Additions		
Contributions		
Employer	\$ 72,867,357	\$ 74,396,755
Plan member	<u>20,968,208</u>	<u>18,536,135</u>
Total Contributions	<u>93,835,565</u>	<u>92,932,890</u>
Investment income		
Net appreciation in fair value of investments	84,583,896	299,091,702
Interest and dividends	16,836,188	13,063,532
Real estate operating income, net	9,055,660	6,561,736
Other investment income	<u>92,595</u>	<u>151,864</u>
Total investment income	110,568,339	318,868,834
Less investment expenses	<u>(10,763,096)</u>	<u>(10,035,631)</u>
Net Investment Income	<u>99,805,243</u>	<u>308,833,203</u>
Securities lending activities		
Securities lending income	366,839	245,507
Less expenses from securities lending activities	<u>(116,509)</u>	<u>(76,242)</u>
Net Securities Lending Income	<u>250,330</u>	<u>169,265</u>
Total Net Investment Income	<u>100,055,573</u>	<u>309,002,468</u>
Total Additions	<u>193,891,138</u>	<u>401,935,358</u>
Deductions		
Benefits	115,280,886	108,334,914
Refunds	703,866	1,007,947
Administrative expenses	3,668,546	3,462,021
Legal expenses	482,923	531,581
Computer expenses	333,364	371,548
Actuarial expenses	<u>169,790</u>	<u>138,695</u>
Total Deductions	<u>120,639,375</u>	<u>113,846,706</u>
Net Increase	73,251,763	288,088,652
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>2,008,632,893</u>	<u>1,720,544,241</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u>\$ 2,081,884,656</u>	<u>\$ 2,008,632,893</u>

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

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 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 Superior Court, 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 Retirement Board members, except the County Director of Finance, serve for a term of three years. By statute, Retirement 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 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, 2014):

	2014	2013
Active Members (Vested and Non-Vested)	2,533	2,472
Retired Members and Beneficiaries	2,868	2,790
Terminated Vested (Deferred)	638	621
Total Membership	6,039	5,883

NOTE 1 – PLAN DESCRIPTION (Continued)

Benefit Provisions

Vesting

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

Service Retirement

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

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

Death Benefits

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

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

Disability Retirement

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a 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 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 of Marin. Actuarially determined financial data for MCERA is included in the County of Marin'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 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 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 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 COLA 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, 2015 and 2014, administrative expenses were \$3,668,546, or 0.17%, and \$3,462,021, 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 fair value.

Methods Used to Value Investments

Investments are reported at fair value. Fair value is the amount that MCERA can reasonably expect to receive in a current sale between a willing buyer and willing seller – that is, other than in a forced liquidation sale. The fair value of equity and fixed income securities are derived from quoted market prices. Real estate investment funds are valued using periodic independent appraisals. Fair value for investments in limited partnerships and/or commingled funds of debt securities, equity securities, real estate, private equity, commodities, and other alternatives is based on fund share price or percentage of ownership, provided by the fund manager or general partner, which is based on net asset value as determined by the fund manager or general partner.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. 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, 2015, the capitalized portion of the building was \$3,271,054 and computers and equipment were \$3,135,420, net of accumulated depreciation. As of June 30, 2014, the capitalized portion of the building was \$3,369,072 and computers and equipment were \$3,510,837, net of accumulated depreciation.

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 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.

Reclassifications

Comparative data for the prior year has been presented in the selected sections of the accompanying Statements of Fiduciary Net Position Available for Benefits and Statement of Changes in Fiduciary Net Position Available for Benefits. 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 fair 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.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**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, 2015 and 2014, as rated by Standard & Poor's, are as follows (all dollars in thousands):

Rating Category	Fair Value	
	2015	2014
AAA	\$ 14,033	\$ 12,381
AA	17,149	14,311
A	51,101	58,115
BBB	75,202	66,381
BB	10,977	9,393
B	1,076	330
CCC	179	303
Agencies	7,507	3,499
U.S. Treasuries	14,226	23,798
No Rating	20,274	21,077
Total Fixed Income Investments	\$ 211,724	\$ 209,588

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. Colchester Global Fixed Income Manager is a commingled fund and is not included in the above schedule.

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, 2015 and 2014, 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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**Investments** (Continued)*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.

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. The segmented time distribution of the fixed income portfolio, by investment type, was as follows (all dollars in thousands):

June 30, 2015:

Investment Type	Fair Value	Investment Maturities in Years			
		< 1	1-5	6-10	10+
Asset-Backed Securities	\$ 23,923	\$ 20,220	\$ 2,281	\$ 1,422	\$ -
Collateralized Mortgage Obligations	16,624	1,000	8,265	7,359	-
Corporate and Other Credit	149,444	2,378	83,558	44,162	19,346
Mortgage Pass-Throughs	4,008	987	552	2,057	412
Municipal Bonds	3,499	-	679	1,116	1,704
U.S. Treasuries	14,226	2,535	3,416	6,175	2,100
Total	\$ 211,724	\$ 27,120	\$ 98,751	\$ 62,291	\$ 23,562

June 30, 2014:

Investment Type	Fair Value	Investment Maturities in Years			
		< 1	1-5	6-10	10+
Asset-Backed Securities	\$ 13,592	\$ 11,378	\$ 2,142	\$ -	\$ 72
Collateralized Mortgage Obligations	19,066	5,448	4,034	9,584	-
Corporate and Other Credit	141,527	2,006	81,073	43,454	14,994
Mortgage Pass-Throughs	4,474	1,758	1,804	912	-
Municipal Bonds	7,131	-	920	1,523	4,688
U.S. Treasuries	23,798	132	14,703	4,323	4,640
Total	\$ 209,588	\$ 20,722	\$ 104,676	\$ 59,796	\$ 24,394

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 (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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Foreign Currency Risk (Continued)

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

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

Rate of Return

For the years ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 5.04% and 18.16%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 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.

As of June 30, 2015 and 2014, the value of securities loaned by MCERA totaled \$48,028,294 and \$76,301,016, respectively. As of June 30, 2015 and 2014, the value of collateral held for securities loaned was \$48,783,804 and \$77,707,689, 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 fair value is positive and as liabilities when the fair 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 fair 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, 2015, with the net appreciation/(depreciation) that have occurred during the 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	\$ (4)	Swaps	\$ (4)	\$ 610
Fixed Income Futures Long	1,587	Futures	-	100,844
Fixed Income Futures Short	(1,330)	Futures	-	(38,700)
Foreign Currency Futures Long	(37)	Futures	-	1,100
Foreign Currency Forwards	122	Long-Term Instruments	(15)	7,334
Index Futures Long	827	Futures	-	9
Index Futures Short	(26)	Futures	-	(42)
Pay Fixed Interest Rate Swaps	116	Swaps	97	1,096
Total	\$ 1,255		\$ 78	\$ 72,251

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**Investment Derivatives Summary** (Continued)

The following is a summary of derivative instruments at June 30, 2014, with the net appreciation/(depreciation) that have occurred during the year (all dollars in thousands):

Investment Derivatives by Type	Net Appreciation/ (Depreciation) in Fair Value Amount	Classification	Fair Value	Notional Amount
Credit Default Swaps Bought	\$ (16)	Swaps	\$ -	\$ -
Fixed Income Futures Long	1,015	Futures	-	36
Fixed Income Futures Short	(1,166)	Futures	-	(53)
Foreign Currency Options Bought	(34)	Options	-	-
Futures Options Bought	(28)	Options	-	-
Futures Options Written	133	Options	-	-
Foreign Currency Forwards	(143)	Long-Term Instruments	7	1,830
Total	\$ (239)		\$ 7	\$ 1,813

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 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, 2015 and 2014, 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 rated by Standard & Poor's, are as follows (all dollars in thousands):

Rating Category	Fair Value	
	2015	2014
A	\$ 189	\$ 9
Total Derivatives	\$ 189	\$ 9

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**Types of Derivative Risk** (Continued)*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 the following investment derivative interest rate risk (all dollars in thousands):

June 30, 2015:

Investment Type	Fair Value	Investment Maturities in Years			
		< 1	1-5	6-10	10+
Credit Default Swaps Written	\$ (4)	\$ -	\$ (4)	\$ -	\$ -
Pay Fixed Interest Rate Swaps	97	-	-	-	97
Total	\$ 93	\$ -	\$ (4)	\$ -	\$ 97

At June 30, 2014, MCERA had no investment derivative interest rate risk.

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 (all dollars in thousands):

June 30, 2015:

Derivative Type	Foreign Currency	Fair Value
Currency Forward Contracts	Euro	\$ (84)
Currency Forward Contracts	Yen	21
Currency Forward Contracts	Brazilian	64
Currency Forward Contracts	Indian	(15)
Total Foreign Derivatives		\$ (14)

June 30, 2014:

Derivative Type	Foreign Currency	Fair Value
Currency Forward Contracts	Euro	\$ 1
Currency Forward Contracts	Yen	6
Total Foreign Derivatives		\$ 7

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 fair value include market and property type specific information 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, 2015, the estimated fair value of MCERA's real estate portfolio was \$206,737,016. During this fiscal year, MCERA engaged Woodmont Real Estate Services to sell all of its directly held properties with the exception of the San Rafael property. As of June 30, 2015, four properties remained unsold.

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

	Appraised Value	
	2015	2014
<i>Direct Investments</i>		
Sunnyvale	\$ -	\$ 7,340
South San Francisco	9,500	9,500
Foster City	-	32,600
San Bruno	20,500	19,800
Pleasanton	-	36,900
Richmond	14,800	14,400
San Rafael	8,960	8,226
<i>Total Direct Investments</i>	53,760	128,766
<i>Commingled Investments</i>		
AEW Capital Management	761	1,335
AEW Core	76,411	68,085
RREEF America REIT III	2,892	4,633
UBS – TPF	72,913	16,687
<i>Total Commingled Investments</i>	152,977	90,740
Total Real Estate Investments	\$ 206,737	\$ 219,506

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.

NOTE 7 – CONTRIBUTIONS (Continued)

Employer Contributions

For fiscal year 2015, 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 6.62% to 17.85%. Safety member contributions range from 10.34% to 23.77%. These figures include additional cost sharing for some members determined through labor negotiations.

NOTE 8 – RESERVES

MCERA carries accounts within Net Position 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 Fiduciary Net Position Available for Benefits, as the sum of these reserves equals the Net Position 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

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 Retired Member Reserves made when a member retires.

NOTE 8 – RESERVES (Continued)

Components of Reserves (Continued)

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.

Retiree Reserves

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

Statutory Contingency Reserve

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

Unrestricted Earnings Reserve

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

Contra Account

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

NOTE 9 – NET PENSION LIABILITY**Net Pension Liability of Employers**

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

Change in Collective Net Pension Liability from FYE 2014 to FYE 2015			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 2,255,772,335	\$ 2,008,632,893	\$ 247,139,442
Changes for the Year:			
Service Cost	49,064,492	-	49,064,492
Interest	166,718,783	-	166,718,783
Changes of Benefits	-	-	-
Differences Between Expected and Actual Experience	(31,054,298)	-	(31,054,298)
Changes of Assumptions	144,753,646	-	144,753,646
Contributions – Employer	-	72,867,357	(72,867,357)
Contributions – Member	-	20,968,208	(20,968,208)
Net Investment Income	-	100,055,573	(100,055,573)
Benefit Payments	(115,984,752)	(115,984,752)	-
Administrative Expenses	-	(4,654,623)	4,654,623
Net Changes	213,497,871	73,251,763	140,246,108
Balances at June 30, 2015	\$2,469,270,206	\$2,081,884,656	\$387,385,550

NOTE 9 – NET PENSION LIABILITY (Continued)**Net Pension Liability of Employers** (Continued)

Change in Collective Net Pension Liability from FYE 2013 to FYE 2014			
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 2,156,578,363	\$ 1,720,544,241	\$ 436,034,122
Changes for the Year:			
Service Cost	49,014,858	-	49,014,858
Interest	159,521,975	-	159,521,975
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Contributions – Employer	-	74,396,755	(74,396,755)
Contributions – Member	-	18,536,135	(18,536,135)
Net Investment Income	-	309,002,468	(309,002,468)
Benefit Payments	(109,342,861)	(109,342,861)	-
Administrative Expenses	-	(4,503,845)	4,503,845
Net Changes	99,193,972	288,088,652	(188,894,680)
Balances at June 30, 2014	\$2,255,772,335	\$2,008,632,893	\$247,139,442

The Net Pension Liability was measured as of June 30, 2015 and 2014, and determined based upon rolling forward the Total Pension Liability from actuarial valuations as of June 30, 2014 and 2013, respectively.

We are aware of recent additional guidance published by the American Institute of Certified Public Accountants (AICPA) with respect to the inclusion and exclusion of employer-paid member contributions in the development of the proportionate shares and the collective pension expense. This recent guidance would not affect the calculation of proportionate shares for MCERA, and we are awaiting further written guidance from the GASB before making any changes to the current methods for computing the collective pension expense. Currently, MCERA is including the employer-paid member contributions in the calculation of the collective pension expense.

NOTE 9 – NET PENSION LIABILITY (Continued)

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.

The total pension liability as of June 30, 2015, was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Inflation	2.75%
Salary Increases	3.00% (2.75% inflation plus 0.25% wage inflation)
Investment Rate of Return	7.25%, net of pension plan investment expense

The total pension liability as of June 30, 2014, was determined by an actuarial valuation as of June 30, 2013, 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 that actuarial valuation are presented below:

Inflation	3.25%
Salary Increases	3.25%, plus service based rates, which includes 3.25% inflation
Investment Rate of Return	7.50%, net of pension plan investment expense

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 arithmetic 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:

Asset Class	June 30, 2015	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Short-Term Investments	---	---
Fixed Income	23.00%	0.75%
Domestic Equities	32.00%	5.35%
International Equities	22.00%	5.55%
Private Real Estate	8.00%	3.90%
Public Real Assets	7.00%	3.65%
Private Equity	8.00%	6.25%
TOTAL	100.00%	

NOTE 9 – NET PENSION LIABILITY (Continued)**Actuarial Assumptions** (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Short-Term Investments	---	---
Fixed Income	23.00%	0.75%
Domestic Equities	32.00%	5.35%
International Equities	22.00%	5.35%
Real Estate	15.00%	3.90%
Private Equity	8.00%	6.25%
TOTAL	100.00%	

Discount Rate

The discount rates used to measure the total pension liability were 7.25% and 7.50% as of June 30, 2015 and 2014, respectively. 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 both June 30, 2015 and 2014.

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

The following presents the net pension liability of MCERA as of June 30, 2015, calculated using the discount rate of 7.25%, as well as what MCERA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total Pension Liability	\$2,799,755,573	\$2,469,270,206	\$2,197,876,707
Plan Fiduciary Net Position	2,081,884,656	2,081,884,656	2,081,884,656
Collective Net Pension Liability	\$717,870,917	\$387,385,550	\$115,992,051
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.4%	84.3%	94.7%

NOTE 9 – NET PENSION LIABILITY (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** (Continued)

The following presents the net pension liability of MCERA as of June 30, 2014, calculated using the discount rate of 7.50%, as well as what MCERA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total Pension Liability	\$2,538,188,372	\$2,255,772,335	\$2,020,922,642
Plan Net Pension Liability	<u>2,008,632,893</u>	<u>2,008,632,893</u>	<u>2,008,632,893</u>
Collective Net Pension Liability	<u>\$529,555,479</u>	<u>\$247,139,442</u>	<u>\$12,289,749</u>
Plan Net Position as a Percentage of the Total Pension Liability	79.1%	89.0%	99.4%

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal years ending June 30, 2015 and 2014, was as follows (all dollars in thousands):

	Balance June 30, 2014	Additions	Dispositions	Balance June 30, 2015
<i>Capital Assets Being Depreciated:</i>				
Building	\$ 3,140	\$ -	\$ -	\$ 3,140
Tenant Improvements	781	-	-	781
Equipment	109	-	-	109
Computer Software/Hardware	4,374	-	-	4,374
<i>Total Capital Assets Being Depreciated</i>	<u>8,404</u>	<u>-</u>	<u>-</u>	<u>8,404</u>
<i>Less Accumulated Depreciation for:</i>				
Building	(442)	(78)	-	(520)
Tenant Improvements	(110)	(20)	-	(130)
Equipment	(61)	(11)	-	(72)
Computer Software/Hardware	(911)	(365)	-	(1,276)
<i>Total Accumulated Depreciation</i>	<u>(1,524)</u>	<u>(473)</u>	<u>-</u>	<u>(1,998)</u>
Total Capital Assets, Net	\$ 6,880	\$ (473)	\$ -	\$ 6,406

NOTE 10 – CAPITAL ASSETS (Continued)

(all dollars in thousands)

	Balance June 30, 2013	Additions	Dispositions	Balance June 30, 2014
<i>Capital Assets Being Depreciated:</i>				
Building	\$ 3,140	\$ -	\$ -	\$ 3,140
Tenant Improvements	781	-	-	781
Equipment	109	-	-	109
Computer Software/Hardware	4,374	-	-	4,374
<i>Total Capital Assets Being Depreciated</i>	8,404	-	-	8,404
<i>Less Accumulated Depreciation for:</i>				
Building	(363)	(79)	-	(442)
Tenant Improvements	(90)	(20)	-	(110)
Equipment	(50)	(11)	-	(61)
Computer Software/Hardware	(547)	(364)	-	(911)
<i>Total Accumulated Depreciation</i>	(1,050)	(474)	-	(1,524)
Total Capital Assets, Net	\$ 7,354	\$ (474)	\$ -	\$ 6,880

For the years ended June 30, 2015 and 2014, depreciation expenses were \$473,436 and \$473,436, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES**Litigation**

A Petition for Writ of Mandate was filed in January 2013 against MCERA and its Board of Retirement (collectively, Respondents) in Marin County Superior Court Case No. CV 1300318. The Petition challenges Respondents' actions implementing Government Code Section 31461, as amended effective January 1, 2013. The Superior Court entered Judgment on the Petition in favor of Respondents on June 26, 2013, and Petitioners have appealed the Judgment. In addition, Petitioners have filed a Petition for an Extraordinary Writ from the First District Court of Appeal seeking to have the Judgment vacated and the case transferred to Contra Costa County Superior Court to join consolidated proceedings that are pending there. Respondents have filed a preliminary opposition to the Petition for an Extraordinary Writ. Respondents intend to continue to defend themselves vigorously in these proceedings.

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 2015, MCERA funded \$44,328,364 of its private equity capital commitments. As of June 30, 2015, outstanding commitments to the various investment managers, as approved by the Board of Retirement, totaled \$116,486,157. Subsequent to June 30, 2015, MCERA funded \$109,185,479 of these capital commitments.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Capital Commitments (Continued)

During fiscal year 2014, MCERA funded \$32,876,357 of its private equity capital commitments. As of June 30, 2014, outstanding commitments to the various investment managers, as approved by the Board of Retirement, totaled \$160,814,521.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2015, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Pension Liability		
Service cost	\$ 49,064,492	\$ 49,014,858
Interest (includes interest on service cost)	166,718,783	159,521,975
Differences between expected and actual experience	(31,054,298)	-
Changes of assumptions	144,753,646	-
Benefit payments, including refunds of employee contributions	<u>(115,984,752)</u>	<u>(109,342,861)</u>
Net Change in Total Pension Liability	213,497,871	99,193,972
Total Pension Liability - Beginning	<u>2,255,772,335</u>	<u>2,156,578,363</u>
Total Pension Liability - Ending (a)	<u><u>\$ 2,469,270,206</u></u>	<u><u>\$ 2,255,772,335</u></u>
Plan Net Position		
Contributions - employer	\$ 72,867,357	\$ 74,396,755
Contributions - employee	20,968,208	18,536,135
Net investment income	100,055,573	309,002,468
Benefit payments, including refunds of employee contributions	(115,984,752)	(109,342,861)
Administrative expenses	<u>(4,654,623)</u>	<u>(4,503,845)</u>
Net Change in Plan Net Position	73,251,763	288,088,652
Plan Net Position - Beginning	<u>2,008,632,893</u>	<u>1,720,544,241</u>
Plan Net Position - Ending (b)	<u><u>\$ 2,081,884,656</u></u>	<u><u>\$ 2,008,632,893</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 387,385,550</u></u>	<u><u>\$ 247,139,442</u></u>
Plan Net Position as a Percentage of the Total Pension Liability	84.31%	89.04%
Covered Employee Payroll	\$ 223,825,880	\$ 218,340,721
Plan Net Pension Liability as a Percentage of Covered Employee Payroll	173.07%	113.19%

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

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CONTRIBUTIONS HISTORY**

	<u>FYE 2015</u>	<u>FYE 2014</u>	<u>FYE 2013</u>	<u>FYE 2012</u>	<u>FYE 2011</u>
Actuarially Determined Contributions	\$ 72,867,357	\$ 74,076,755	\$ 69,853,000	\$ 64,690,000	\$ 64,757,000
Contributions in Relation to the Actuarially Determined Contribution	<u>72,867,357</u>	<u>74,076,755</u>	<u>69,853,000</u>	<u>64,690,000</u>	<u>64,757,000</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll*	\$ 223,825,880	\$ 218,340,721	\$ 211,001,594	\$ 216,515,000	\$ 215,969,000
Contributions as a Percentage of Covered Employee Payroll	32.56%	33.93%	33.11%	29.88%	29.98%

	<u>FYE 2010</u>	<u>FYE 2009</u>	<u>FYE 2008</u>	<u>FYE 2007</u>	<u>FYE 2006</u>
Actuarially Determined Contributions	\$ 56,271,000	\$ 54,555,000	\$ 58,090,000	\$ 57,215,000	\$ 43,627,000
Contributions in Relation to the Actuarially Determined Contribution	<u>56,271,000</u>	<u>54,555,000</u>	<u>58,090,000</u>	<u>57,215,000</u>	<u>43,627,000</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll*	\$ 219,556,000	\$ 214,449,000	\$ 197,238,000	\$ 186,123,000	\$ 177,518,000
Contributions as a Percentage of Covered Employee Payroll	25.63%	25.44%	29.45%	30.74%	24.58%

* Covered Employee amounts for FYE 2015 and FYE 2014 are based on pensionable payroll provided by MCERA. For prior years, amounts are based on projected payroll from the actuarial valuation.

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT RETURNS***

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	5.04%	18.16%

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

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 – ACTUARIAL ASSUMPTIONS

Valuation date	June 30, 2013 (to determine FY 2014-15 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 (for FY 2014-15):

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, 80% / 120% corridor around market
Amortization method	Level percentage of payroll (17 years remaining as of 6/30/2013) with separate periods for Extraordinary Actuarial Gains or Losses (25 years as of 6/30/2013).
Investment rate of return	7.50%
Inflation rate	3.25%
Amortization growth rate	3.50%
Salary increases	3.25% plus merit component based on employee classifications and years of service.
Healthy mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set back one year for male members and two years for female members.
Disabled mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set forward three years for all members.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015, can be found in the June 30, 2013 actuarial valuation report.

OTHER INFORMATION

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULES OF COST SHARING EMPLOYER ALLOCATIONS
AS OF JUNE 30, 2015, 2014, AND 2013**

Employer	June 30, 2015			June 30, 2014			June 30, 2013		
	Unfunded Liability (from the June 30, 2014 Actuarial Valuation)	Proportionate Share	Net Pension Liability ⁽¹⁾	Unfunded Liability (from the June 30, 2013 Actuarial Valuation)	Proportionate Share	Net Pension Liability ⁽¹⁾	Unfunded Liability (from the June 30, 2012 Actuarial Valuation)	Proportionate Share	Net Pension Liability ⁽¹⁾
County	\$ 194,886,509	52.5803%	\$ 203,688,484	\$ 308,486,198	57.4629%	\$ 142,013,489	\$ 356,332,462	59.8933%	\$ 261,155,224
City of San Rafael	136,172,560	36.7394%	142,323,127	161,296,968	30.0453%	74,253,787	170,467,711	28.6527%	124,935,549
Novato Fire	16,677,446	4.4996%	17,430,800	32,615,500	6.0754%	15,014,710	33,943,565	5.7053%	24,877,055
Superior Court	11,268,580	3.0403%	11,777,683	15,792,965	2.9418%	7,270,348	16,348,327	2.7479%	11,981,782
South Marin Fire	5,772,318	1.5574%	6,033,143	8,352,522	1.5559%	3,845,243	8,873,216	1.4914%	6,503,013
Mosquito District	3,956,584	1.0675%	4,135,341	7,338,767	1.3670%	3,378,396	6,122,906	1.0292%	4,487,663
Tamalpais CSD	1,680,852	0.4535%	1,756,793	2,233,810	0.4161%	1,028,347	2,120,928	0.3565%	1,554,462
LAFCO	-	0.0000%	-	402,897	0.0750%	185,355	396,214	0.0666%	290,399
Marin City CSD	229,957	0.0620%	240,179	325,503	0.0606%	149,767	339,722	0.0571%	248,975
Total	\$ 370,644,806	100.0000%	\$ 387,385,550	\$ 536,845,130	100.0000%	\$ 247,139,442	\$ 594,945,051	100.0000%	\$ 436,034,122

⁽¹⁾ Proportionate share of net pension liability is based on the actuarial valuation.

**MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULES OF EMPLOYER PENSION AMOUNTS
ALLOCATED BY COST SHARING PLAN
AS OF JUNE 30, 2015 AND 2014**

Employer	Deferred Outflows of Resources				Deferred Inflows of Resources				Pension Expense		
	Net Pension Liability	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Economic Experience	Net Differences Between Projected and Actual Investment Earnings on Pension Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense
June 30, 2015											
County	\$ 203,688,484	\$ 57,083,926	\$ 7,386,113	\$ 64,470,039	\$ 12,246,333	\$ 36,151,641	\$ 19,643,454	\$ 68,041,428	\$ 27,346,314	\$ (4,600,828)	\$ 22,745,486
City of San Rafael	142,323,127	39,886,216	22,702,945	62,589,161	8,556,872	25,260,214	9,136,688	42,953,774	19,107,673	4,627,728	23,735,401
Novato Fire	17,430,800	4,885,001	1,801,313	6,686,314	1,047,989	3,093,705	4,716,920	8,858,614	2,340,182	(851,941)	1,488,241
Superior Court	11,777,683	3,300,709	712,122	4,012,831	708,108	2,090,361	162,209	2,960,678	1,581,220	251,044	1,832,264
South Marin Fire	6,033,143	1,690,795	1,086,672	2,777,467	362,730	1,070,792	-	1,433,522	809,983	446,641	1,256,624
Mosquito District	4,135,341	1,158,934	795,505	1,954,439	248,628	733,961	955,849	1,938,438	555,193	56,639	611,832
Tamalpais CSD	1,756,793	492,343	282,006	774,349	105,623	311,804	-	417,427	235,859	117,430	353,289
LAFCO	-	-	54,678	54,678	-	-	226,588	226,588	-	(55,292)	(55,292)
Marin City CSD	240,179	67,311	20,354	87,665	14,440	42,628	-	57,068	32,245	8,579	40,824
Totals	\$ 387,385,550	\$ 108,565,235	\$ 34,841,708	\$ 143,406,943	\$ 23,290,723	\$ 68,755,106	\$ 34,841,708	\$ 126,887,537	\$ 52,008,669	\$ -	\$ 52,008,669
June 30, 2014 - Revised											
County	\$ 142,013,489	\$ -	\$ 3,312,600	\$ 3,312,600	\$ -	\$ 83,082,959	\$ 7,948,028	\$ 91,030,987	\$ 17,289,130	\$ (1,545,144)	\$ 15,743,986
City of San Rafael	74,253,787	-	4,554,158	4,554,158	-	43,441,115	3,603,379	47,044,494	9,039,870	316,926	9,356,796
Novato Fire	15,014,710	-	1,210,321	1,210,321	-	8,784,141	130,979	8,915,120	1,827,934	359,781	2,187,715
Superior Court	7,270,348	-	634,102	634,102	-	4,253,413	24,448	4,277,861	885,113	203,218	1,088,331
South Marin Fire	3,845,243	-	759,752	759,752	-	2,249,604	-	2,249,604	468,131	253,252	721,383
Mosquito District	3,378,396	-	1,104,692	1,104,692	-	1,976,482	113,905	2,090,387	411,296	330,262	741,558
Tamalpais CSD	1,028,347	-	210,856	210,856	-	601,620	-	601,620	125,194	70,285	195,479
LAFCO	185,355	-	27,470	27,470	-	108,439	9,364	117,803	22,566	6,036	28,602
Marin City CSD	149,767	-	16,152	16,152	-	87,619	-	87,619	18,233	5,384	23,617
Totals	\$ 247,139,442	\$ -	\$ 11,830,103	\$ 11,830,103	\$ -	\$ 144,585,392	\$ 11,830,103	\$ 156,415,495	\$ 30,087,467	\$ -	\$ 30,087,467

Note: We are aware of recent additional guidance published by the American Institute of Certified Public Accountants (AICPA) with respect to the inclusion and exclusion of employer-paid member contributions in the development of the proportionate shares and the collective pension expense. This recent guidance would not affect the calculation of proportionate shares for MCERA, and we are awaiting further written guidance from the GASB before making any changes to the current methods for computing the collective pension expense. Currently, MCERA is including the employer-paid member contributions in the calculation of the collective pension expense.