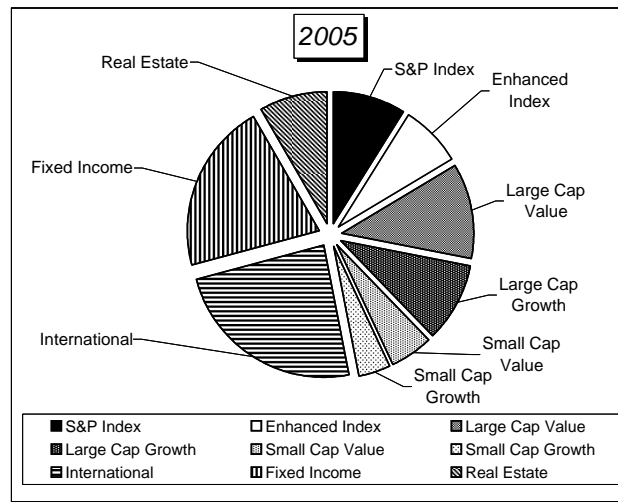
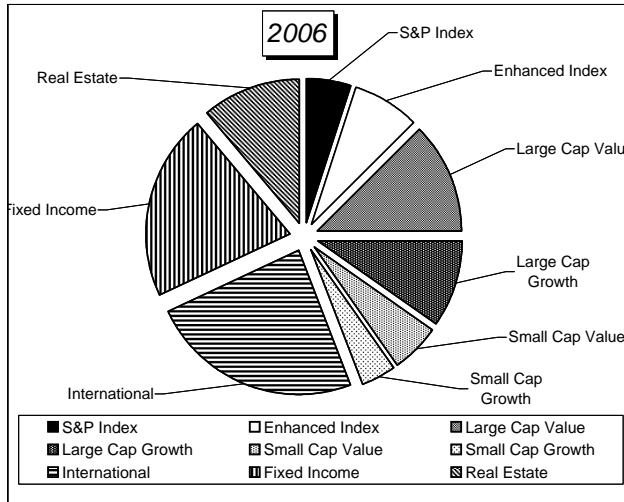


**Marin County Employees' Retirement Association
Investment Portfolio Distribution**



**Marin County Employees' Retirement Association
Statement of Changes in Plan Net Assets
For the Year Ended June 30**

	2006	2005
Additions		
Employer Contributions	\$ 43,626,549	\$ 32,080,873
Employee Contributions	<u>13,042,829</u>	<u>11,991,231</u>
Total Contributions	56,669,378	44,072,104
Investment Income		
Net Appreciation in Fair Market Value of Assets	122,701,339	\$ 88,525,058
Interest	13,909,594	8,708,489
Dividends	4,158,264	4,291,805
Real Estate Income (Net)	6,163,610	6,259,517
Soft Dollar Recapture	74,661	48,959
Miscellaneous Income	803	11,611
Security Lending Income	223,250	<u>181,768</u>
	<u>147,231,521</u>	<u>108,027,207</u>
Less Investment Expense	<u>(6,413,222)</u>	<u>(4,612,855)</u>
Net Investment Income	140,818,299	103,414,352
Total Additions	197,487,677	147,486,456
Deductions		
Benefits	61,205,529	57,215,128
Health/Life Insurance	8,997,848	8,054,185
Refund of Contributions	821,943	276,913
Administrative Costs	1,262,844	1,201,972
Legal Expense-Applicant	10,730	-
Actuarial Costs	104,774	192,075
Interest Paid on Prepayment	204,109	<u>195,716</u>
	<u>72,607,777</u>	<u>67,135,989</u>
Net Increase	124,879,900	80,350,467
Net Assets beginning of year	1,163,203,225	1,082,852,758
Net Assets Held in Trust as of June 30	\$ 1,288,083,125	\$ 1,163,203,225

WITHDRAWAL OF CONTRIBUTIONS

Requests for Return of Contributions should be made to the Retirement Office, Room 408, Civic Center. No request will be processed until the final paycheck, payment date and contribution amount has been verified.

TRANSFER TO ANOTHER PUBLIC RETIREMENT SYSTEM

Members who discontinue their employment, leave their contributions on deposit and within 180 days after their discontinuance go to work for another county that is covered by the 1937 Retirement Act, a State agency which is covered by the Public Employees' Retirement System, the State Teacher's Retirement System or the City and County of San Francisco may have the privilege of entering the new system under a reciprocal arrangement. Said election must be made in writing within the 180 day period. Please contact the Retirement Office for benefits available to you under reciprocity.

SERVICE RETIREMENT

Miscellaneous and safety members who have reached age 70 regardless of credited service and miscellaneous and safety members with ten years of credited service who have attained age 50, are eligible to retire. Miscellaneous members with 30 years of service and Safety members with 20 years of service may also retire regardless of age. A retirement option must be selected in writing before any retirement allowance may be paid.

DISABILITY RETIREMENT

Members with five or more years of credited service are eligible to apply for non-service connected disability retirement provided that the member is permanently incapacitated, physically or mentally, from the performance of his or her duties. If the disability is service-connected, the member may make application for service-connected disability retirement regardless of the length of credited service. A retirement option must be selected in writing before any retirement allowance may be paid.

DEATH BENEFITS

In the case of the death of a member before retirement, a designated beneficiary is entitled to receive the member's accumulated contributions with interest, plus an amount equal to one-twelfth of the annual compensation earnable by the deceased during the twelve months immediately preceding death, for each completed year of service under the system, but not to exceed fifty percent of such annual compensation. In the case of service-connected death, contact the Retirement Office. In the case of a member who is qualified to retire or has at least 5 years of credited service at the date of death, the beneficiary should contact the Retirement Office for available options.

BENEFICIARY

When members enter the retirement system, they designate a beneficiary. Should they desire to change their beneficiary, they must apply in writing & complete the required form which is available from the Retirement Office.



ANNUAL REPORT

Marin County Employees'
Retirement Association

June 30, 2006

Members of the Board of Retirement

Michael Smith	Treasurer Ex-officio, 1st
Maya Gladstern	Miscellaneous Member, 2nd
Sandra White	Miscellaneous Member, 3rd
Peter Arrigoni	BOS Appointee, 4th
Charles McGlashan	BOS Appointee, 5th
James Phillips	BOS Appointee, 6th
James Hufford	Safety Member, 7th
Allen Haim	Retiree, 8th
Milbrey Jones	BOS Appointee, 9th
Josh Thomas	Retiree, Alternate

Legal Counsel

Patrick Faulkner, County Counsel

Staff

Charnel K. Benner, CFP, Retirement Administrator
Maggie Johnston, Assistant Retirement Administrator

To the Association Members:

Submitted herein is the condensed financial statement of the MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION presenting its financial position for the years ended June 30, 2006 and 2005. Any questions should be directed to the retirement office.

Sandra White, Chairperson

**Marin County Employees' Retirement Association
Statement of Plan Net Assets
As of June 30**

	<u>2006</u>		<u>2005</u>	
Assets				
Cash and Short Term Investments	\$ 39,001,160		\$ 26,496,691	
Receivables				
Contributions	\$ 2,335,161		\$ 1,687,975	
Interest	2,032,903		1,890,712	
Investments Receivable	23,689,696		17,626,532	
Dividends	481,278		285,124	
Other	<u>440,866</u>	28,979,904	<u>435,803</u>	21,926,146
Investments at Fair Market Value				
Domestic Equities	560,341,451		537,110,557	
International Equities	347,381,092		304,247,136	
Domestic Fixed Income	255,477,460		226,669,909	
International Fixed Income	8,435,870		9,080,997	
First Deeds of Trust	3,755		6,484	
Real Estate	<u>145,992,241</u>	1,317,631,869	<u>98,000,000</u>	1,175,115,083
Other Assets				
Collateral for Loaned Securities	117,019,857		110,749,407	
Prepaid Insurance	<u>753,896</u>	<u>117,773,753</u>	<u>394,074</u>	<u>111,143,481</u>
Total Assets		1,503,386,686		1,334,681,401
Liabilities				
Security Deposits	\$ 723,647		\$ 728,807	
Advisor Fees Payable	764,912		857,150	
Investments Payable	89,432,911		52,416,210	
Other Payables	2,217,786		1,786,263	
Prepaid Contributions	5,144,448		4,940,339	
Collateral for Loaned Securities	<u>117,019,857</u>	<u>215,303,561</u>	<u>110,749,407</u>	<u>171,478,176</u>
Net Assets Held In Trust for Pension Benefits		<u>\$ 1,288,083,125</u>		<u>\$ 1,163,203,225</u>

**Investment Portfolio Performance
As of June 30**

Annualized Returns	
1 Year	12.63%
3 Years	13.69%
5 Years	6.85%

**Portfolio Distribution
As of June 30**

	<u>2006</u>	<u>2005</u>
Stocks		
S&P Index	5.01%	8.95%
Enhanced Index	7.48%	7.52%
Large Cap Value	12.64%	11.70%
Large Cap Growth	9.53%	9.60%
Small Cap Value	5.68%	5.30%
Small Cap Growth	3.91%	3.74%
International	<u>23.90%</u>	<u>24.09%</u>
	<u>68.15%</u>	<u>70.90%</u>
Fixed Income	<u>20.72%</u>	<u>20.73%</u>
Real Estate	<u>11.13%</u>	<u>8.37%</u>
	<u>100.00%</u>	<u>100.00%</u>

Member Agencies

LAFCO
Marin County
City of San Rafael
Marin County Courts
San Rafael Redevelopment
Southern Marin Fire District
Novato Fire Protection District
Marin/Sonoma Mosquito Abatement and Vector Control District
Marin City Community Service District
Tamalpais Community Service District

Membership Statistics

	June 30
Number of:	<u>2006</u>
Safety Members	607
Miscellaneous Members	2,088
Deferred Members	678
Retired Members	1,821
Survivors & Beneficiaries	<u>271</u>
	<u>5,465</u>

Notes to Members

- The complete financial statements for June 30, 2006 and 2005 about which the auditor has issued a clean opinion are available in the Retirement Office for your review.
- Retirement law provides that retirement records are confidential. Such records may not be disclosed to anyone other than the member, except in the administration of the law or upon order of a court of competent jurisdiction. Therefore, to protect this trust, no information on a member account will be given over the telephone.
- All members should notify the Retirement Office of any change in beneficiary. County of Marin and City of San Rafael employees should change their address and name through their department. All other employees should notify the Retirement Office of any address or name change.
- Interest is credited to members' accounts each June 30 and December 31 on the accumulated contribution balance which has been on deposit for the previous six months.
- Members should submit retirement applications to the Retirement Office no earlier than 60 days prior to their date of retirement.