Employee Retirement Systems Overview

Fairfax County employee retirement systems include the Uniformed Retirement System (Fund 600), the Fairfax County Employees' Retirement System (Fund 601), and the Police Officers Retirement System (Fund 602). Each of these systems is funded from employees' contributions based on a fixed percentage of pay, County contributions based on a variable percentage of employee pay as determined by actuarial analysis, and return on investments. In order to assure the continued soundness of each fund, an actuarial valuation is conducted annually and, if appropriate, an adjustment is made to the employer contribution rate.

For the Uniformed Retirement Trust Fund, the employer's contribution comes from two sources: Agency 89, Employee Benefits, in the County's General Fund, for uniformed public safety employees in General Fund agencies and Fund 120, E-911, for the non-administrative staff in the Department of Public Safety Communications. For the Fairfax County Employees' Retirement Trust Fund, the employer's contribution comes from two sources: Agency 89, Employee Benefits, for County employees and Fairfax County Public Schools (FCPS) for school employees. For the Police Officers Retirement Trust Fund, the full amount of the employer's contribution comes from Agency 89, Employee Benefits, in the County's General Fund.

On March 18, 2002 the Board of Supervisors adopted a corridor approach to employer contributions. The corridor approach adds further stability to the employer contribution rates and continues to adequately fund the Retirement Systems. In the corridor method of funding, a fixed contribution rate is assigned to each System and the County contributes at the fixed rate unless the System's funding ratio falls outside the pre-selected corridor of 90-120 percent or if benefit enhancements are approved.

In addition, retirees are eligible to receive a Cost-of-Living Adjustment (COLA) composed of a base COLA which is the lesser of the Consumer Price Index (CPI) for the 12 months ending on the previous year's March 31, or 4.0 percent. An additional 1.0 percent COLA can be awarded at the discretion of each retirement system's Board of Trustees. This additional COLA is considered a benefit enhancement and results in an increase in the employer contribution rate.

A Deferred Retirement Option Plan (DROP) was added as a benefit enhancement for members of the Uniformed and Police Officers Retirement Systems in FY 2004 and was added for members of the Employees' Retirement System in FY 2006.

The employer's contribution rate for FY 2010 for each of the three funds is as follows:

Fund	FY 2009 Rates (%)	FY 2010 Rates (%)	Percentage Point Change (%)	Net General Fund Impact
Uniformed	26.46	26.46	0.00	$0.00
Employees'	9.62	9.71	0.09	$316,191
Police Officers	22.34	22.84	0.50	$502,452
Total				**$818,643**

Following the current effective actuarial funding policy, contribution rates are adjusted only to fund approved benefit enhancements, to acknowledge changes in actuarial assumptions, both financial and demographic, and to recognize funding adjustments required when the funding ratio falls below 90 percent or rises above 120 percent.

- The employer contribution rate for the Employees' system is required to increase by 0.09 percentage points due to the funding ratio falling further below the 90 percent funding ratio threshold, which requires an increase in the employer contribution rate to amortize the additional unfunded liability amount below 90 percent.
- The employer contribution rate for the Police Officers system is required to increase by 0.50 percentage points. This increase is based on a retiree cost of living increase benefit enhancement approved by the system's Board of Trustees effective July 1, 2008.

Employee Retirement Systems Overview

It should be noted that the Police Officers and Uniformed systems retain funding ratios within the 90 to 120 percent corridor at 91.7 and 92.3 percent, respectively. The funding ratio for the Employees' system decreased slightly from 85.5 percent to 85.3 percent.

In their budget guidance approved with the adoption of the FY 2010 budget, the Board of Supervisors directed staff to review the requirements placed on the County's retirement systems as a result of the economic downturn. As the County continues to address increasing benefit costs, the volatility of the stock market and uncertainty about future funding flexibility, it is an opportune time to examine and refine a number of policies related to the County's retirement systems, including the additional 1.0 percent ad-hoc COLA and the corridor funding approach. Since there is a direct impact on the employer contribution rate as a result of the application of an ad-hoc COLA, staff will be evaluating best practices and looking at policy options to potentially adjust the annual calculation of COLA in combination with the elimination of the ad-hoc approach, which is typically outside of the annual budget decision-making process. Pending this review, it is advisable and prudent that the retirement boards forgo any ad-hoc COLAs since no funding will be available in FY 2011. Additionally, as part of the annual actuarial valuation of the retirement systems, funding decisions have been made in recent years based on a funding corridor representing 90 to 120 percent of full funding of the systems. After experiences of a number of years related to this approach, it is time to reexamine the funding philosophy for potential adjustment in future years. The examination of the philosophy will include maintenance of the objective of reducing the need to dramatically change contribution rates from year to year but also recognize that the breadth of the current structure makes movement to 100 percent funding more difficult.

The following table displays relevant information about each retirement system:

EMPLOYEES COVERED		
Uniformed Retirement	**Fairfax County Employees'**	**Police Officers Retirement**
Fire and Rescue Personnel; Uniformed Office of Sheriff employees; Animal Control Officers; Helicopter Pilots; Non-administrative staff in the Department of Public Safety Communications.	County employees not covered under Uniformed or Police Officers system; certain FCPS employees including food service, custodial, bus drivers, part-time and substitute teachers, maintenance staff.	Fairfax County Police Officers.
CONDITIONS OF COVERAGE		
Uniformed Retirement	**Fairfax County Employees'**	**Police Officers Retirement**
At age 55 with 6 years of service or after 25 years of service.	At age 65 with 5 years of service or earlier when age and years of service combined equal 80 or, for reduced "early retirement" benefits, 75. Not before age 50.	At age 55 or after 20 years of police service if hired before 7/1/81; or 25 years of service if hired on or after 7/1/81.

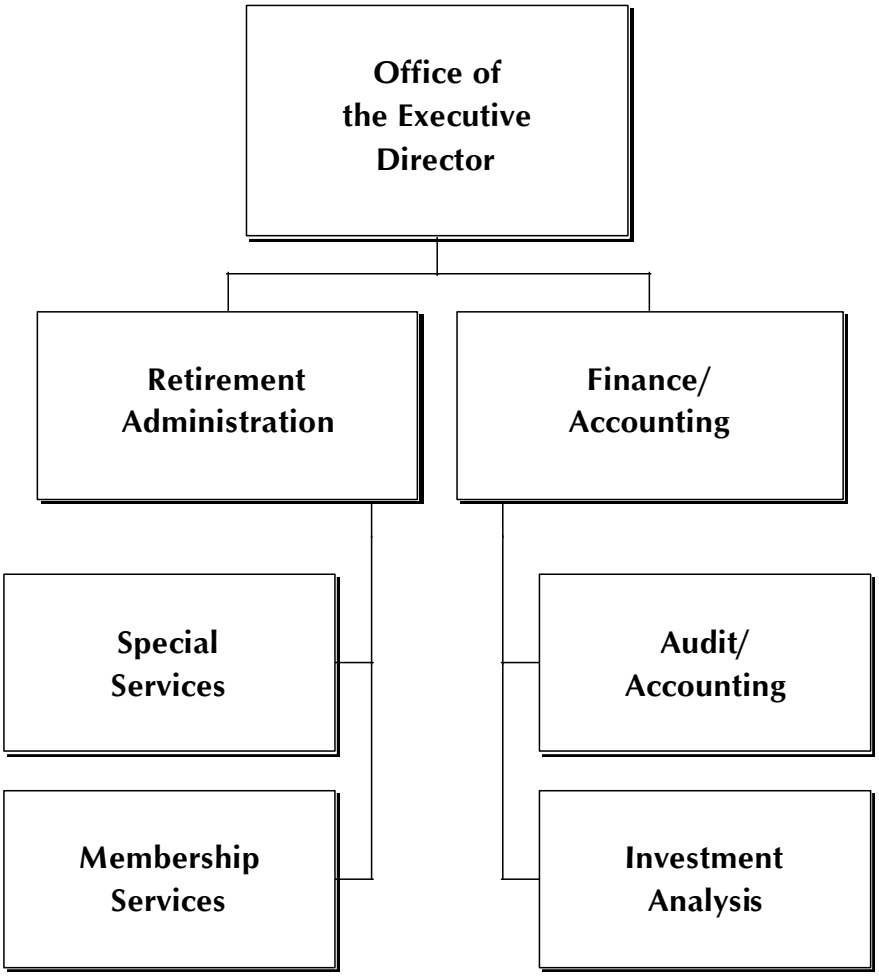
EMPLOYEE CONTRIBUTION					
	Uniformed Retirement		**Fairfax County Employees' Retirement**		**Police Officers Retirement**
	Plan A	Plan B	Plan A	Plan B	10.00% of Pay
Up to Wage Base	4.00%	7.08%	4.00%	5.33%	
Above Wage Base	5.33%	8.83%	5.33%	5.33%	
Plan C	4.00%				
Plan D	7.08%				

EMPLOYER CONTRIBUTION Rate Structure / FY 2010		
Uniformed Retirement	**Fairfax County Employees' Retirement**	**Police Officers Retirement**
26.46%	9.71%	22.84%

Employee Retirement Systems Overview

INVESTMENT MANAGERS AS OF JUNE 30, 2008		
Uniformed Retirement	**Fairfax County Employees' Retirement**	**Police Officers Retirement**
▪ Acadian Asset Management ▪ Advisory Research ▪ Artio Global Investors ▪ Barclays Global Investors ▪ Brandywine Global Investment Management ▪ Bridgewater Associates ▪ Cohen & Steers Capital Management ▪ Harbourvest Partners ▪ JP Morgan Investment Management ▪ Marathon Asset Management ▪ Morgan Stanley ▪ NCM Capital Management ▪ Optima Management ▪ Orbimed Advisors ▪ Pacific Investment Management Co. ▪ Pantheon Ventures ▪ Payden & Rygel Investment Counsel ▪ Ramius, LLC ▪ Standish Mellon Asset Management ▪ Trust Company of the West ▪ UBS Realty Advisors ▪ Victory Capital Management	▪ Artio Global Investors ▪ Barclays Global Investors ▪ Brandywine Global Investment Management ▪ Bridgewater Associates ▪ The Clifton Group ▪ Cohen & Steers Capital Management ▪ Columbia Wanger Asset Management ▪ Deephaven Capital Management ▪ Deerfield Capital Management ▪ DePrince, Race & Zollo ▪ Enhanced Investment Technologies ▪ First Quadrant ▪ JP Morgan Investment Management ▪ LSV Asset Management ▪ MacKay Shields ▪ Marathon Asset Management ▪ Morgan Stanley ▪ Pacific Investment Management Co. ▪ Post Advisory Group ▪ Pzena Investment Management ▪ Sands Capital Management ▪ Shenkman Capital Management ▪ Standish Mellon Asset Management ▪ Trust Company of the West	▪ Acadian Asset Management ▪ AQR Capital Management ▪ Clarivest Asset Management ▪ Cohen & Steers Capital Management ▪ Dodge & Cox Investment Managers ▪ Goldman Sachs ▪ Grantham, Mayo, Van Otterloo ▪ Mariner Investment Group ▪ McKinley Capital Management ▪ Morgan Stanley ▪ Pacific Investment Management Co. ▪ Pzena Investment Management ▪ Ramius, LLC ▪ Standish Mellon Asset Management ▪ Trust Company of the West

Retirement Administration Agency



Mission

As an agent of the Boards of Trustees of the Employees', Police Officers, and Uniformed Retirement Systems, the mission of the Retirement Administration Agency is to administer the systems according to the terms established by the County of Fairfax and to do so in a manner that:

- Safeguards and invests the assets of the systems;
- Maximizes cost effectiveness of the retirement programs by optimizing long-term investment returns within an acceptable level of variation in required funding and by maintaining efficient administrative operations;
- Maximizes the value of retirement plans in retaining County personnel through communications, education, and counseling programs and by providing quality service;
- Fulfills the obligations of the systems to retirees by providing timely and accurate payments and by providing quality service; and
- Provides technical support and advice to County management and the Board of Supervisors regarding retirement benefits.

Retirement Administration Agency

Focus

The Retirement Administration Agency contributes to the County's corporate stewardship through sound management of County resources and assets. To accomplish its specific mission, the Retirement Administration Agency will focus on:

- Support for the Boards of Trustees;
- Services to active employees and retirees;
- Accurate accounting and control of plan assets;
- Accuracy of data;
- Cost efficiency of processes; and
- Investment return and risk control.

THINKING STRATEGICALLY

Strategic issues for the department include:

- Re-evaluating investment strategies in response to volatile capital markets and an uncertain economic environment;
- Monitoring the success of the corridor policy to make certain that plans are adequately funded for the long term; and
- Reviewing processes to identify opportunities to streamline operations and improve efficiency of services.

Under the direction of the Boards of Trustees for the Fairfax County Employees' Retirement, Police Officers Retirement, and Uniformed Retirement Systems, the Retirement Administration Agency processes benefit payments to eligible Fairfax County retirees and beneficiaries. The agency also processes payments for the retiree health benefit subsidy and provides counseling and comprehensive information pertaining to benefits to active and retired County employees.

The agency receives revenues from various sources, including employee and employer contributions to the various retirement systems, employee payback, and return on investments, to finance the three employee retirement systems. Employee contributions are based on a fixed percentage of pay. For the Uniformed Retirement System, employer contributions come from two sources: Agency 89 for uniformed public safety employees in General Fund agencies and Fund 120, E-911, for the non-administrative staff in the Department of Public Safety Communications. For the Employees' Retirement System, employer contributions come from Agency 89, Employee Benefits, for County employees and Fairfax County Public Schools (FCPS) for school employees. Employer contributions for the Police Officers Retirement System come solely from Agency 89, Employee Benefits, in the County's General Fund. Adjustments are made to the employer's contribution rate only to fund approved benefit enhancements, to acknowledge changes in actuarial assumptions, both financial and demographic, and to recognize funding adjustments required when the funding ratio falls out of the 90 to 120 percent funding corridor. Some revenues are also generated through employee payback, a process by which employees who have left the County can make a "payback" contribution and return to their previous standing in the retirement system upon their return to County employment. Additionally, significant revenues are achieved through returns on fund investments. Revenue projections are based on an assumed actuarial rate of return of 7.5 percent. An actuarial valuation is conducted annually for each of the three funds to assure the continued soundness of the retirement systems. In addition, an experience study – which compares actual experience to actuarial assumptions, both economic and demographic – is conducted once every five years to ensure that the plan is being valued appropriately. Such an experience study was last conducted in FY 2006, with assumption changes made that impacted the employer contribution rates in FY 2007.

Retirement Administration Agency

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

Exercising Corporate Stewardship	Recent Success	FY 2010 Initiative
Continue to advise and support the Boards of Trustees in the development and implementation of investment strategies designed to improve risk adjusted returns and to minimize the long-term funding required to provide competitive retirement benefits.	☑	☑
Continue to upgrade the Retirement Administration Agency's payroll system as required to fulfill initiatives identified by Fairfax County Internal Auditors, modifications required based on Code Changes, Tax Law changes and for overall general modifications and system maintenance requirements.	☑	☑
Implement Internet-based application to improve efficiency and service by enabling retirees to access pay information and active employees to access service records and calculate benefit estimates.		☑

Budget and Staff Resources

Agency Summary					
Category	FY 2008 Actual[1]	FY 2009 Adopted Budget Plan	FY 2009 Revised Budget Plan	FY 2010 Advertised Budget	FY 2009 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	24/ 24	23/ 23	24/ 24	24/ 24	24/ 24
Expenditures:					
Personnel Services	$7,269,204	$2,227,748	$2,221,119	$2,419,458	$2,419,458
Operating Expenses	271,336,517	295,657,198	317,676,317	317,783,795	317,783,795
Capital Equipment	0	0	0	0	0
Total Expenditures	**$278,605,721**	**$297,884,946**	**$319,897,436**	**$320,203,253**	**$320,203,253**

[1] FY 2008 Actual column includes all of the three County retirement funds (Funds 600, 601, and 602), as well as the Retiree Health Benefits Fund (Fund 500) for FY 2008. However, as part of the FY 2009 Advertised Budget Plan, all activity in Fund 500 was moved to Fund 603, OPEB Trust Fund, including 1/1.0 SYE Accountant II position. It should be noted that the retiree health benefit subsidy will continue to be administered by the Retirement Administration Agency and accounted for in Fund 603, OPEB Trust Fund. Further details on Fund 603 may be found under the Trust Fund section in this volume.

Retirement Administration Agency

Position Summary

	OFFICE OF THE DIRECTOR		**Special Services**		**FINANCE/ACCOUNTING**
1	Executive Director	1	Programmer Analyst III	1	Fiscal Administrator
1	Administrative Assistant IV	1	Programmer Analyst II		
		1	Communications Specialist II		**Audit/Accounting**
	RETIREMENT ADMINISTRATION			1	Accountant I
1	Deputy Director		**Membership Services**		
1	Administrative Assistant II	1	Management Analyst II		**Investment Analysis**
		4	Retirement Counselors	1	Chief Investment Officer
		1	Administrative Assistant IV	1	Senior Investment Manager
		4	Administrative Assistants III	2	Investment Managers
				1	Investment Analyst

TOTAL POSITIONS[1]
24 Positions / 24.0 Staff Years

[1] It should be noted that 1/1.0 SYE Accountant II resides in the Retirement Administration Agency, but is accounted for and financed by Fund 603, OPEB Trust Fund. The 24/24.0 SYE positions shown above are financed jointly by the three retirement trust funds (Fund 600, Fund 601, and Fund 602).

FY 2010 Funding Adjustments

The following funding adjustments from the FY 2009 Adopted Budget Plan are necessary to support the FY 2010 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on April 27, 2009.

- **Employee Compensation** **$191,710**
  A net increase of $191,710 in Personnel Services reflects the full-year impact of salary increases awarded during FY 2009. It should be noted that FY 2010 compensation increases have been eliminated as part of the FY 2010 Adopted Budget Plan.

- **Benefit Payments** **$22,700,170**
  An increase of $22,700,170 in Operating Expenses reflects increased payments of $21,733,703 to retirees due to a higher number of retirees and higher individual payment levels and an increase in payments to beneficiaries of $637,467, and an increase in the allowance for refunds of $329,000 based on projected turnover of active members.

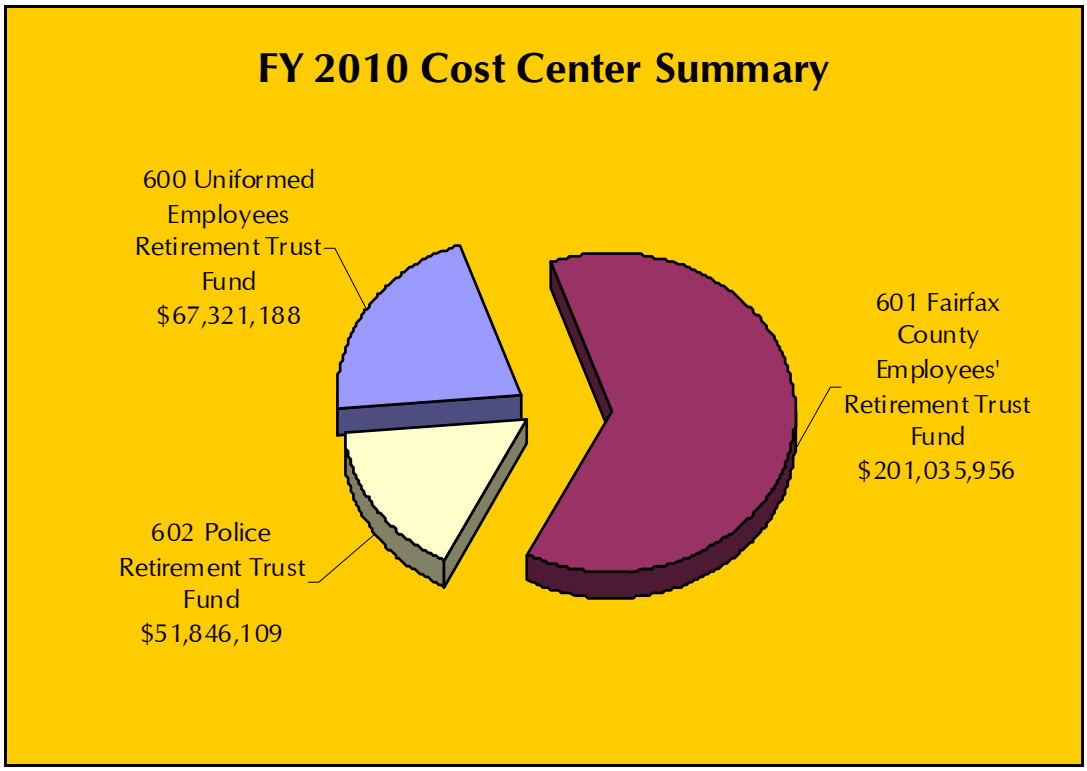
- **Investment Management Fees** **($700,000)**
  A decrease of $700,000 in Operating Expenses reflects a decrease in investment management fees due to the projected loss in assets and the investment strategies adopted by the Boards of Trustees.

- **Banking Services** **($120,000)**
  A decrease of $120,000 in Operating Expenses for custodial banking services reflects the negotiation of a new multi-year contract that began in FY 2009.

- **Computer Software and Equipment** **$225,100**
  An increase of $225,100 in Operating Expenses related to implementation of enhancements to software and computer hardware replacement.

- **Investment Consulting Services** **$33,368**
  An increase of $33,368 in Operating Expenses for investment consulting as a result of growth in assets and fee escalation clauses in existing contracts.

- **Other Operating Expenses** **($12,041)**
  A net decrease of $12,041 in all other Operating Expenses due to a decrease in travel and training, offset by minor increased costs for various products and services.



Changes to FY 2009 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2009 Revised Budget Plan since passage of the FY 2009 Adopted Budget Plan. Included are all adjustments made as part of the FY 2008 Carryover Review, FY 2009 Third Quarter Review, and all other approved changes through April 20, 2009.

- **Carryover Adjustments** **$19,119**
  As part of the *FY 2008 Carryover Review*, the Board of Supervisors approved encumbered carryover in Operating Expenses of $19,119 to cover costs committed but not yet billed for modifications to the agency's retirement database.

- **Position Adjustments** **$0**
  During FY 2009, the County Executive approved the redirection of 1/1.0 SYE Investment Manager position to the Retirement Administration Agency to help manage the increased workload resulting from the growth in assets.

- **Third Quarter Adjustments** **$21,993,371**
  As part of the *FY 2009 Third Quarter Review*, the Board of Supervisors approved an increase in expenditures of $21,993,371. Of the increase, $1,600,000 in the Uniformed system, $13,800,000 in the Employees' system, and $1,100,000 in the Police Officers system are required to offset anticipated audit adjustments that are posted to the funds at the end of the fiscal year relating to securities lending transactions in compliance with GASB 28. In addition, increases of $4,000,000 in the Employees' system and $1,500,000 in the Police system are required as a result of higher than anticipated benefit payments. These increases are offset by decreases of $994 in the Uniformed and Police Officers systems and $4,641 in the Employees' system, reflecting the actual furlough savings achieved as a result of the mandatory furlough day on January 2, 2009.

Key Performance Measures

Objectives

- To maintain at 100 percent the number of retiree benefit payments processed on time.
- To achieve at least a 7.5 percent return on investment over rolling three year periods.
- To achieve realized return on investment commensurate with the S&P 500 Index and the Lehman Brothers Aggregate Bond Index.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimate/Actual	FY 2009	FY 2010
Output:					
Members: Fairfax County Employees (1)	19,694	20,272	20,240 / 20,279	20,830	21,297
Members: Uniformed	2,785	2,924	2,936 / 2,907	3,053	3,127
Members: Police Officers	2,089	2,160	2,151 / 2,153	2,203	2,239
Return on investment: Fairfax County Employees	$214,800,850	$371,225,595	$190,576,302 / $31,057,752	$214,238,398	$213,953,906
Return on investment: Uniformed	$93,737,747	$172,227,261	$75,065,644 / ($22,896,664)	$87,793,261	$86,391,273
Return on investment: Police Officers	$73,481,627	$142,450,547	$62,683,690 / ($52,849,694)	$72,937,475	$68,774,822
Efficiency:					
Cost per member: Fairfax County Employees	$52	$81	$73 / $60	$74	$75
Cost per member: Uniformed	$80	$127	$118 / $101	$118	$118
Cost per member: Police Officers	$105	$151	$169 / $138	$168	$170
Investment costs as a percent of assets: Fairfax County Employees (2)	0.47%	0.44%	0.56% / 0.46%	0.53%	0.54%
Investment costs as a percent of assets: Uniformed	0.52%	0.43%	0.60% / 0.49%	0.53%	0.54%
Investment costs as a percent of assets: Police Officers	0.47%	0.41%	0.61% / 0.39%	0.53%	0.47%

Retirement Administration Agency

Indicator	Prior Year Actuals FY 2006 Actual	FY 2007 Actual	FY 2008 Estimate/Actual	Current Estimate FY 2009	Future Estimate FY 2010
Service Quality:					
Percent of retiree checks issued within schedule time frame: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Police Officers	100%	100%	100% / 100%	100%	100%
Return compared to assumed actuarial rate (7.5%): Fairfax County Employees	8.99%	14.75%	7.50% / 1.20%	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Uniformed	10.71%	17.83%	7.50% / (2.10%)	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Police Officers	9.57%	17.50%	7.50% / (5.70%)	7.50%	7.50%
Large cap domestic equity return compared to S&P 500 Index: S&P 500 Index	8.63%	20.59%	NA / (13.10%)	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Fairfax County Employees	8.30%	23.33%	NA / (14.80%)	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Uniformed	11.06%	18.54%	NA / (10.50%)	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Police Officers	7.26%	22.28%	NA / (11.70%)	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Lehman Aggregate Bond Index	(0.81%)	6.12%	NA / 7.10%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Fairfax County Employees	0.08%	6.76%	NA / 9.20%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Uniformed	(1.93%)	5.79%	NA / 10.40%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Police Officers	(1.85%)	6.65%	NA / 7.40%	NA	NA

Retirement Administration Agency

Indicator	Prior Year Actuals FY 2006 Actual	FY 2007 Actual	FY 2008 Estimate/Actual	Current Estimate FY 2009	Future Estimate FY 2010
Outcome:					
Percent of retiree payments processed on time: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Police Officers	100%	100%	100% / 100%	100%	100%
Deviation from actuarial rate of return (total plan): Fairfax County Employees	1.5%	7.3%	0.0% / (6.3%)	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Uniformed	3.2%	10.3%	0.0% / (9.6%)	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Police Officers	2.1%	10.0%	0.0% / (13.2%)	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Fairfax County Employees	(0.3%)	2.7%	0.0% / (1.7%)	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Uniformed	2.4%	(2.1%)	0.0% / 2.6%	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Police Officers	(1.4%)	1.7%	0.0% / 1.4%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Fairfax County Employees	0.9%	0.6%	0.0% / 2.1%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Uniformed	(1.1%)	(0.3%)	0.0% / 3.3%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Police Officers	(1.0%)	0.5%	0.0% / 0.3%	0.0%	0.0%

(1) This indicator was previously reported separately as number of retirees and number of active members. Beginning in FY 2001, these indicators were combined and are now shown as the total number of members.

(2) This indicator was previously reported as investment costs as a percentage of earnings. However, beginning in FY 2001, the indicator was revised and now reflects the costs as a percentage of assets.

Performance Measurement Results

After four years of stellar investment returns surpassing the long-term average rate of 7.5 percent assumed for actuarial purposes, the three retirement systems fell victim to the unprecedented credit crunch which strangled capital markets in FY 2008. With a focus on sound diversification and intense risk management, the Fairfax retirement systems weathered this stormy combination of skyrocketing volatility and uncertainty in financial markets in good shape. The FY 2008 investment return for the Employees' System was 1.2 percent, while both the Uniformed System and the Police Officers System declined 2.1 percent and 5.7 percent, respectively. The median public pension plan declined 4.5 percent in FY 2008. In comparison, the S&P 500 Index declined 13.1 percent and the Lehman Brothers Aggregate Bond Index rose 7.1 percent in FY 2008. Returns in non-US markets were mixed, with stocks in developed markets declining 10.1 percent while stocks in emerging markets countries advanced 4.9 percent. Commercial real estate returns were sharply influenced by the downward spiral in residential real estate, as evidenced by the 13.6 percent decline in the Financial Times Stock Exchange National Association of Real Estate Investment Trusts Index (FTSE NAREIT Equity REIT Index). In contrast, the Dow Jones American International Group Commodities Index (DJ-AIG) jumped 41.6 percent in FY 2008.

Each system's well-diversified asset allocation strategy, combined with the value added by the investment management firms employed by each system, resulted in the strong relative investment returns achieved in FY 2008.

In the universe of public funds used to assess relative performance, results for each of the three retirement systems outperformed their respective policy benchmarks in FY 2008: Employees' by 280 basis points; Uniformed by 128 basis points; and Police Officers by 18 basis points. This performance placed the Employees' and the Uniformed Systems in the top quartile of all public plans as measured by the Trust Universe Comparison Service (TUCS) database, while the Police Officers System ranked in the third quartile for FY 2008. For the three, five and ten-year periods, the Employees' and Uniformed Systems ranked in the first quartile of the TUCS public plan database for each period, while the Police Officers System ranked in the second quartile.

FUND STATEMENT

Fund Type G60, Pension Trust Funds **Fund 600, Uniformed Retirement**

	FY 2008 Actual	FY 2009 Adopted Budget Plan	FY 2009 Revised Budget Plan	FY 2010 Advertised Budget Plan	FY 2010 Adopted Budget Plan
Beginning Balance	**$1,108,011,177**	**$1,176,505,405**	**$1,081,289,954**	**$1,211,003,215**	**$1,158,035,336**
Revenue:					
Employer Contributions	$39,085,662	$40,973,515	$40,973,515	$41,137,918	$41,137,918
Employee Contributions	10,414,012	11,626,262	11,626,262	11,579,026	11,579,026
Employee Payback	121,811	150,000	150,000	150,000	150,000
Return on Investments[1]	90,941,506	87,793,261	89,493,261	86,391,273	86,391,273
Total Realized Revenue	$140,562,991	$140,543,038	$142,243,038	$139,258,217	$139,258,217
Unrealized Gain (Loss)[1,2]	($110,083,167)	$0	$0	$0	$0
Total Revenue	$30,479,824	$140,543,038	$142,243,038	$139,258,217	$139,258,217
Total Available	**$1,138,491,001**	**$1,317,048,443**	**$1,223,532,992**	**$1,350,261,432**	**$1,297,293,553**
Expenditures:					
Administrative Expenses	$745,762	$901,782	$903,656	$919,611	$919,611
Investment Services[1]	8,076,919	6,090,000	7,690,000	6,150,000	6,150,000
Payments to Retirees	47,015,842	55,748,000	55,748,000	58,966,172	58,966,172
Beneficiaries	529,070	581,000	581,000	605,405	605,405
Refunds	833,454	575,000	575,000	680,000	680,000
Total Expenditures	$57,201,047	$63,895,782	$65,497,656	$67,321,188	$67,321,188
Total Disbursements	**$57,201,047**	**$63,895,782**	**$65,497,656**	**$67,321,188**	**$67,321,188**
Ending Balance[3]	**$1,081,289,954**	**$1,253,152,661**	**$1,158,035,336**	**$1,282,940,244**	**$1,229,972,365**

[1] In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of $52,943,887.95 have been reflected as a decrease to FY 2008 revenue, primarily as a result of the net loss from the unrealized depreciation of investments. In addition, an audit adjustment in the amount of $124,985.19 has been reflected as an increase to FY 2008 expenditures in order to appropriately account for investment management fees. The audit adjustments have been included in the FY 2008 Comprehensive Annual Financial Report (CAFR). Details of the FY 2008 audit adjustments were included in the FY 2009 Third Quarter Package.

[2] Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

[3] The Uniformed Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.

FUND STATEMENT

Fund Type G60, Pension Trust Funds **Fund 601, Fairfax County Employees' Retirement**

	FY 2008 Actual	FY 2009 Adopted Budget Plan	FY 2009 Revised Budget Plan	FY 2010 Advertised Budget Plan	FY 2010 Adopted Budget Plan
Beginning Balance	**$2,783,300,900**	**$2,905,763,560**	**$2,763,876,655**	**$3,013,780,578**	**$2,880,668,056**
Revenue:					
County Employer Contributions	$44,959,867	$45,723,760	$45,723,760	$48,850,397	$48,850,397
County Employee Contributions	21,989,349	23,056,186	23,056,186	24,263,211	24,263,211
School Employer Contributions	17,676,253	18,190,316	18,190,316	19,308,509	19,308,509
School Employee Contributions	8,734,899	9,324,822	9,324,822	9,638,152	9,638,152
Employee Payback	859,248	400,000	400,000	400,000	400,000
Return on Investments[1]	197,709,936	214,226,191	220,626,191	213,953,906	213,953,906
Total Realized Revenue	$291,929,552	$310,921,275	$317,321,275	$316,414,175	$316,414,175
Unrealized Gain (Loss)[1,2]	($141,572,958)	$0	$0	$0	$0
Total Revenue	$150,356,594	$310,921,275	$317,321,275	$316,414,175	$316,414,175
Total Available	**$2,933,657,494**	**$3,216,684,835**	**$3,081,197,930**	**$3,330,194,753**	**$3,197,082,231**
Expenditures:					
Administrative Expenses	$2,116,736	$2,703,132	$2,711,874	$2,983,889	$2,983,889
Investment Services[1]	32,834,479	14,760,000	28,560,000	14,970,000	14,970,000
Payments to Retirees	127,482,992	156,431,000	160,431,000	173,829,285	173,829,285
Beneficiaries	2,970,020	3,251,000	3,251,000	3,512,782	3,512,782
Refunds	4,376,612	5,576,000	5,576,000	5,740,000	5,740,000
Total Expenditures	$169,780,839	$182,721,132	$200,529,874	$201,035,956	$201,035,956
Total Disbursements	**$169,780,839**	**$182,721,132**	**$200,529,874**	**$201,035,956**	**$201,035,956**
Ending Balance[3]	**$2,763,876,655**	**$3,033,963,703**	**$2,880,668,056**	**$3,129,158,797**	**$2,996,046,275**

[1] In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of $121,568,798.87 have been reflected as a decrease to FY 2008 revenue, primarily as a result of the net loss from the unrealized depreciation of investments. In addition, an audit adjustment in the amount of $148,363.21 has been reflected as an increase to FY 2008 expenditures in order to appropriately account for investment management fees. The audit adjustments have been included in the FY 2008 Comprehensive Annual Financial Report (CAFR). Details of the FY 2008 audit adjustments were included in the FY 2009 Third Quarter Package.

[2] Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

[3] The Employees' Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.

FUND STATEMENT

Fund Type G60, Pension Trust Funds **Fund 602, Police Retirement**

	FY 2008 Actual	FY 2009 Adopted Budget Plan	FY 2009 Revised Budget Plan	FY 2010 Advertised Budget Plan	FY 2010 Adopted Budget Plan
Beginning Balance	**$931,927,210**	**$981,158,389**	**$868,161,043**	**$976,492,864**	**$922,776,810**
Revenue:					
Employer Contributions	$21,447,907	$23,532,984	$23,532,984	$24,159,474	$24,159,474
Employee Contributions	11,175,450	10,965,214	10,965,214	12,239,205	12,239,205
Employee Payback	0	50,000	50,000	50,000	50,000
Return on Investments[1]	60,845,259	72,937,475	73,937,475	68,774,822	68,774,822
Total Realized Revenue	$93,468,616	$107,485,673	$108,485,673	$105,223,501	$105,223,501
Unrealized Gain (Loss)[1,2]	($111,101,055)	$0	$0	$0	$0
Total Revenue	($17,632,439)	$107,485,673	$108,485,673	$105,223,501	$105,223,501
Total Available	**$914,294,771**	**$1,088,644,062**	**$976,646,716**	**$1,081,716,365**	**$1,028,000,311**
Expenditures:					
Administrative Expenses	$756,491	$865,032	$866,906	$884,583	$884,583
Investment Services[1]	5,235,839	5,020,000	6,120,000	4,050,000	4,050,000
Payments to Retirees	37,421,553	42,517,000	44,017,000	43,634,246	43,634,246
Beneficiaries	2,111,932	2,300,000	2,300,000	2,651,280	2,651,280
Refunds	607,913	566,000	566,000	626,000	626,000
Total Expenditures	$46,133,728	$51,268,032	$53,869,906	$51,846,109	$51,846,109
Total Disbursements	**$46,133,728**	**$51,268,032**	**$53,869,906**	**$51,846,109**	**$51,846,109**
Ending Balance[3]	**$868,161,043**	**$1,037,376,030**	**$922,776,810**	**$1,029,870,256**	**$976,154,202**

[1] In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of $52,105,436.39 have been reflected as a decrease to FY 2008 revenue, primarily as a result of the net loss from the unrealized depreciation of investments. In addition, an audit adjustment in the amount of $11,612.25 has been reflected as an increase to FY 2008 expenditures in order to appropriately account for investment management fees. The audit adjustments have been included in the FY 2008 Comprehensive Annual Financial Report (CAFR). Details of the FY 2008 audit adjustments were included in the FY 2009 Third Quarter Package.

[2] Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

[3] The Police Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.