

## 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's 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.

The employer's contribution rate for FY 2009 for each of the three funds is as follows:

Fund	FY 2008 Rates (%)	FY 2009 Advertised Rates (%)	Percentage Point Change (%)	Net General Fund Impact
<b>Uniformed</b>	26.33	26.33	0.00	\$0
<b>Employees'</b>	9.59	9.59	0.00	\$0
<b>Police Officers</b>	21.00	22.34	1.34	<u>\$1,346,572</u>
<b>Total</b>				<b>\$1,346,572</b>

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 Police Officers system is required to increase by 1.34 percentage points. An increase of 0.45 percentage points is based on a retiree cost of living increase benefit enhancement approved by the system's Board of Trustees effective July 1, 2007. An additional increase in the employer contribution rate of 0.89 percentage points is the result of a corresponding decrease in the employee contribution rate of 1.00 percentage point, from 11.00 percent to 10.00 percent of pay. This decrease in the employee contribution rate will reduce Police Officers' out-of-pocket costs and make the Police benefits package more competitive with surrounding jurisdictions.

It should be noted that the Police Officers and Uniformed systems retain funding ratios within the 90 to 120 percent corridor at 93.3 and 92.6 percent, respectively. The funding ratio for the Employees' system increased from 85.2 percent to 85.5 percent. For more information on the General Fund impact of these employer contribution rate changes, please refer to the Agency 89, Employee Benefits, narrative in the Nondepartmental program area section of Volume 1.

# Employee Retirement Systems Overview

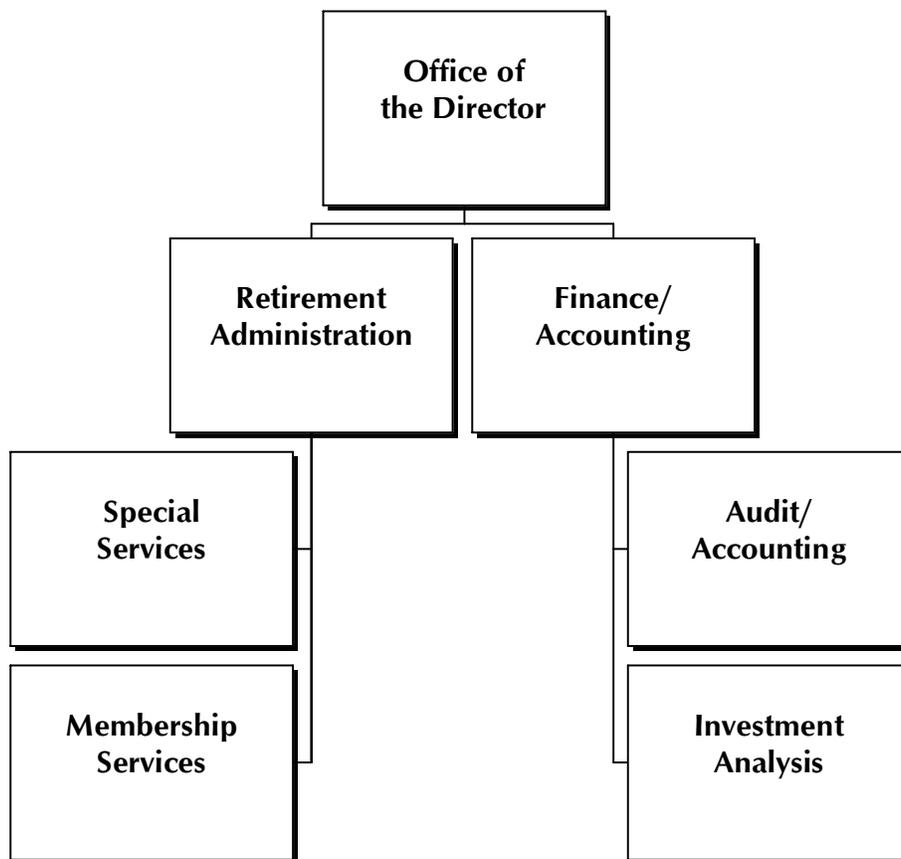
The following table displays relevant information about each retirement system:

<b>EMPLOYEES COVERED</b>					
<b>Uniformed Retirement</b>		<b>Fairfax County Employees' Retirement</b>		<b>Police Officers Retirement</b>	
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.	
<b>CONDITIONS OF COVERAGE</b>					
<b>Uniformed Retirement</b>		<b>Fairfax County Employees' Retirement</b>		<b>Police Officers Retirement</b>	
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.	
<b>EMPLOYEE CONTRIBUTION</b>					
	<b>Uniformed Retirement</b>		<b>Fairfax County Employees' Retirement</b>		<b>Police Officers Retirement</b>
	Plan A	Plan B	Plan A	Plan B	
Up to Wage Base	4.00%	7.08%	4.00%	5.33%	10.00% of Pay
Above Wage Base	5.33%	8.83%	5.33%	5.33%	
Plan C	4.00%				
Plan D	7.08%				
<b>EMPLOYER CONTRIBUTION Rate Structure / FY 2009</b>					
<b>Uniformed Retirement</b>		<b>Fairfax County Employees' Retirement</b>		<b>Police Officers Retirement</b>	
26.33% <b>\$40,089,943</b>		County 9.59%/ <b>\$45,502,604</b> Schools 9.59% / <b>\$18,190,316</b>		22.34% <b>\$23,107,963</b>	

# Employee Retirement Systems Overview

<b>INVESTMENT MANAGERS AS OF JUNE 30, 2006</b>		
<b>Uniformed Retirement</b>	<b>Fairfax County Employees' Retirement</b>	<b>Police Officers Retirement</b>
<ul style="list-style-type: none"> <li>▪ Acadian Asset Management</li> <li>▪ Barclays Global Investors</li> <li>▪ The Boston Company</li> <li>▪ Brandywine Asset Management</li> <li>▪ Bridgewater Associates</li> <li>▪ Cohen &amp; Steers Capital Management</li> <li>▪ Harbourvest Partners</li> <li>▪ J.L Kaplan Associates</li> <li>▪ JP Morgan Investment Management</li> <li>▪ Julius Baer</li> <li>▪ Morgan Stanley</li> <li>▪ Marathon Asset Management</li> <li>▪ Optima Management</li> <li>▪ Orbimed Advisors</li> <li>▪ Pacific Investment Management Co.</li> <li>▪ Pantheon Ventures</li> <li>▪ Payden &amp; Rygel Investment Counsel</li> <li>▪ Standish Mellon Asset Management</li> <li>▪ Trust Company of the West</li> <li>▪ UBS Realty Advisors</li> <li>▪ Wasatch Advisors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bank of New York</li> <li>▪ Barclays Global Investors</li> <li>▪ Brandywine Asset Management</li> <li>▪ Bridgewater Associates</li> <li>▪ The Clifton Group</li> <li>▪ Cohen &amp; Steers Capital Management</li> <li>▪ DePrince, Race &amp; Zollo</li> <li>▪ Deephaven Capital Management</li> <li>▪ Deerfield Capital Management</li> <li>▪ Enhanced Investment Technologies</li> <li>▪ First Quadrant</li> <li>▪ JP Morgan Investment Management</li> <li>▪ Julius Baer Investment Management</li> <li>▪ LSV Asset Management</li> <li>▪ MacKay Shields</li> <li>▪ Marathon Asset Management</li> <li>▪ Morgan Stanley</li> <li>▪ Pacific Investment Management Co.</li> <li>▪ Post Advisory Group</li> <li>▪ Pzena Investment Management</li> <li>▪ Sands Capital Management</li> <li>▪ Shenkman Capital Management</li> <li>▪ Standish Mellon Asset Management</li> <li>▪ Trust Company of the West</li> <li>▪ Wanger Asset Management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Acadian Asset Management</li> <li>▪ Cohen &amp; Steers Capital Management</li> <li>▪ Dodge &amp; Cox Investment Managers</li> <li>▪ Grantham, Mayo, Van Otterloo</li> <li>▪ Janus Capital</li> <li>▪ Mariner Investment Group</li> <li>▪ McKinley Capital Management</li> <li>▪ Morgan Stanley</li> <li>▪ Pacific Investment Management Co.</li> <li>▪ Pzena Investment Management</li> <li>▪ Standish Mellon Asset Management</li> <li>▪ Systematic Financial Management</li> <li>▪ Trust Company of the West</li> <li>▪ Veredus Asset Management</li> </ul>

# 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.

Under the direction of the Boards of Trustees for the Police Officers Retirement, Fairfax County Employees' 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. It should be noted that the retiree health benefit subsidy was previously funded out of Fund 500, Retiree Health Benefits. However, as part of the FY 2009 Advertised Budget Plan, Fund 500 will be eliminated and the retiree health subsidy will be funded out of Fund 603, OPEB Trust Fund.

### 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.

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 2009 Initiative
Achieved strong investment returns in FY 2007: <ul style="list-style-type: none"> <li>▪ Employees' System      14.8%</li> <li>▪ Police Officers System   17.5%</li> <li>▪ Uniformed System        17.8%</li> </ul>	<input checked="" type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Upgraded and replaced databases and processing systems required to maintain records, calculate benefits, and issue benefit payments.	<input checked="" type="checkbox"/>	
Install 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.		<input checked="" type="checkbox"/>

## Budget and Staff Resources

Agency Summary <sup>1</sup>				
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	24/ 24	24/ 24	24/ 24	23/ 23
Expenditures:				
Personnel Services	\$6,824,556	\$7,686,191	\$7,686,191	\$2,205,332
Operating Expenses	259,963,531	265,710,479	265,765,663	295,657,198
Capital Equipment	0	0	0	0
<b>Total Expenditures</b>	<b>\$266,788,087</b>	<b>\$273,396,670</b>	<b>\$273,451,854</b>	<b>\$297,862,530</b>

<sup>1</sup> The table above 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 2007 and FY 2008. However, as part of the FY 2009 Advertised Budget Plan, all activity in Fund 500 is 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		
<p><b><u>OFFICE OF THE DIRECTOR</u></b></p> <p>1 Executive Director 1 Administrative Assistant III</p> <p><b><u>RETIREMENT ADMINISTRATION</u></b></p> <p>1 Deputy Director 1 Administrative Assistant II</p>	<p><b><u>Special Services</u></b></p> <p>1 Programmer Analyst III 1 Programmer Analyst II 1 Information Officer II</p> <p><b><u>Membership Services</u></b></p> <p>1 Accountant II 1 Management Analyst II 4 Retirement Counselors 4 Administrative Assistants III 1 Accountant I</p>	<p><b><u>FINANCE/ACCOUNTING</u></b></p> <p>1 Investment Manager</p> <p><b><u>Audit/Accounting</u></b></p> <p>1 Administrative Assistant IV</p> <p><b><u>Investment Analysis</u></b></p> <p>1 Senior Investment Manager 1 Investment Manager 1 Investment Analyst</p>
<p><b><u>TOTAL POSITIONS<sup>1</sup></u></b>  <b>23 Positions (-1) / 23.0 Staff Years (-1.0)</b></p>		

<sup>1</sup> As part of the FY 2009 Advertised Budget Plan, 1/1.0 SYE Accountant II position, previously financed by Fund 500, Retiree Health Benefits, is moved to Fund 603, OPEB Trust Fund. It should be noted that this position will continue to reside in the Retirement Administration Agency, although it will be accounted for and financed by Fund 603, OPEB Trust Fund.

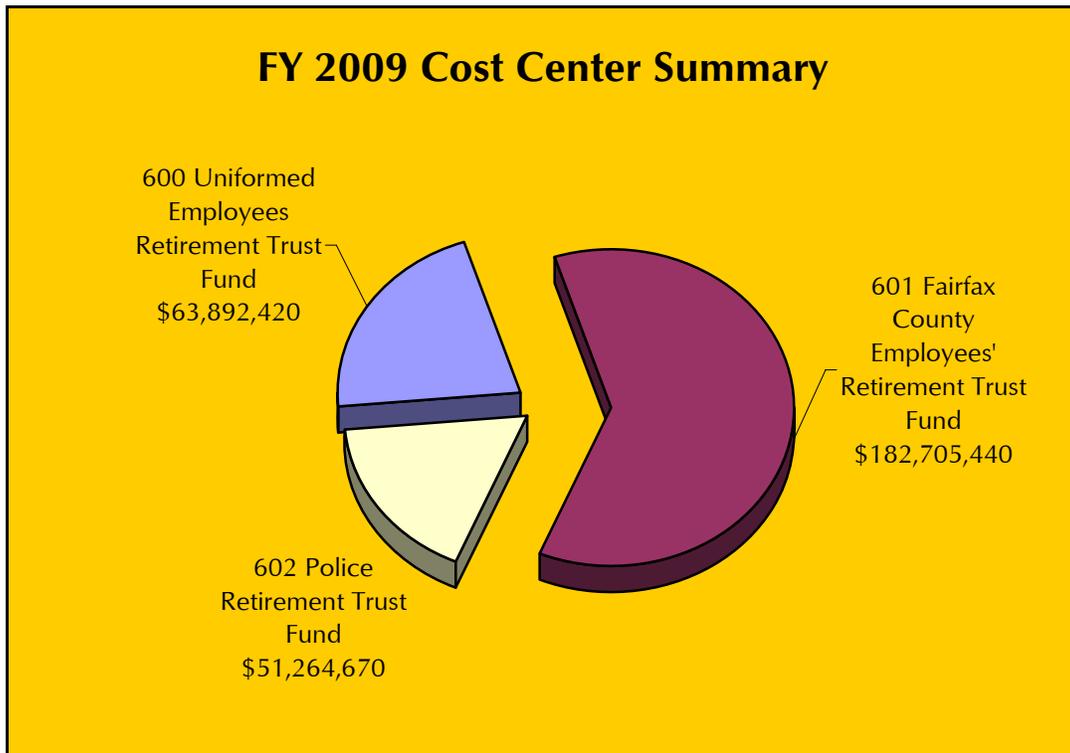
## FY 2009 Funding Adjustments

The following funding adjustments from the FY 2008 Revised Budget Plan are necessary to support the FY 2009 program:

- ◆ **Employee Compensation** **\$79,851**  
 An increase of \$79,851 in Personnel Services includes salary adjustments necessary to support the County's compensation program. As a result of budget constraints, compensation adjustments for County employees have been reduced. For FY 2009, employee increases as part of the pay for performance system have been discounted by 50 percent and the impact of the lower pay for performance funding is reflected above.
- ◆ **Benefit Payments** **\$28,980,999**  
 An increase of \$28,980,999 in Operating Expenses reflects increased payments of \$29,407,116 to retirees due to a higher number of retirees and higher individual payment levels and an increase in payments to beneficiaries of \$488,883, partially offset by a decrease in the allowance for refunds of \$915,000 based on projected turnover of active members.
- ◆ **Investment Management Fees** **\$899,000**  
 An increase of \$899,000 in Operating Expenses reflects an increase in investment management fees due to the projected growth in assets and the investment strategies adopted by the Boards of Trustees.
- ◆ **Banking Services** **\$30,000**  
 An increase of \$30,000 in Operating Expenses for custodial banking services reflects the need for a new multi-year contract beginning in FY 2009.
- ◆ **Investment Consulting Services** **\$25,150**  
 An increase of \$25,150 in Operating Expenses for investment consulting as a result of growth in assets and fee escalation clauses in existing contracts.
- ◆ **Fiduciary Insurance** **\$19,919**  
 An increase of \$19,919 in Operating Expenses due to increases in insurance premiums as a result of the need to increase coverage levels.
- ◆ **Travel and Training** **\$10,400**  
 An increase of \$10,400 in Operating Expenses related to increased costs of trustee training.

# Retirement Administration Agency

- ◆ **Postage**
**\$10,147**
- An increase of \$10,147 in Operating Expenses as a result of increased postal rates and an increase mail volume due to growth in the number of retirees.
  
- ◆ **Medical Exam Fees**
**\$10,000**
- An increase of \$10,000 in Operating Expenses due to increased use of independent medical examinations related to disability retirement applications and re-evaluations.
  
- ◆ **Actuarial Services**
**(\$54,102)**
- A decrease of \$54,102 in Operating Expenses for higher actuarial costs as a result of an actuarial audit budgeted in FY 2008 not being required in FY 2009.
  
- ◆ **Other Operating Expenses**
**\$15,374**
- A net increase of \$15,374 in all other Operating Expenses due to minor increased costs for various products and services.
  
- ◆ **Carryover Adjustments**
**(\$55,184)**
- A decrease of \$55,184 as a result of one-time funding at the *FY 2007 Carryover Review*.
  
- ◆ **Transfer to OPEB Trust Fund**
**(\$5,560,878)**
- A decrease of \$5,560,878 as a result of the elimination of Fund 500, Retiree Health Benefits, and subsequent transfer to Fund 603, OPEB Trust Fund, in order to address the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEBs) including health care, life insurance, and other non-pension benefits offered to retirees. In FY 2009, the retiree subsidy payments and associated administrative expenditures will be funded out of Fund 603, OPEB Trust Fund. Fund 500 balances will be moved to this fund at the end of FY 2008 and the fund will be eliminated. Please refer to Fund 603 for further information.



# Retirement Administration Agency

## Changes to FY 2008 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2008 Revised Budget Plan since passage of the FY 2008 Adopted Budget Plan. Included are all adjustments made as part of the FY 2007 Carryover Review and all other approved changes through December 31, 2007:

- ◆ **Carryover Adjustments** **\$55,184**  
As part of the FY 2007 Carryover Review, the Board of Supervisors approved encumbered carryover in Operating Expenses of \$55,184 to cover costs committed but not yet billed for the redesign of the retirement system Web site, printing and design of retirement system employee handbooks, personal computers, and contracts for clerical staff assistance.

## 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 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
<b>Output:</b>					
Members: Fairfax County Employees (1)	19,346	19,694	19,989 / 20,272	20,240	20,830
Members: Uniformed	2,497	2,785	2,601 / 2,924	2,936	3,053
Members: Police Officers	2,018	2,089	2,079 / 2,160	2,151	2,203
Return on investment: Fairfax County Employees	\$282,233,800	\$214,800,850	\$178,540,179 / \$371,225,595	\$190,576,302	\$214,238,398
Return on investment: Uniformed	\$82,806,493	\$93,737,747	\$66,394,070 / \$172,227,261	\$75,065,644	\$87,793,261
Return on investment: Police Officers	\$65,054,840	\$73,481,627	\$57,553,118 / \$142,450,547	\$62,683,690	\$72,937,475
<b>Efficiency:</b>					
Cost per member: Fairfax County Employees	\$53	\$52	\$60 / \$81	\$73	\$74
Cost per member: Uniformed	\$87	\$80	\$114 / \$127	\$118	\$118
Cost per member: Police Officers	\$117	\$105	\$152 / \$151	\$169	\$168
Investment costs as a percent of assets: Fairfax County Employees (2)	0.47%	0.47%	0.58% / 0.44%	0.56%	0.53%
Investment costs as a percent of assets: Uniformed	0.49%	0.52%	0.64% / 0.43%	0.60%	0.53%
Investment costs as a percent of assets: Police Officers	0.51%	0.47%	0.66% / 0.41%	0.61%	0.53%

# Retirement Administration Agency

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
<b>Service Quality:</b>					
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	13.55%	8.99%	7.50% / 14.75%	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Uniformed	10.97%	10.71%	7.50% / 17.83%	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Police Officers	9.63%	9.57%	7.50% / 17.50%	7.50%	7.50%
Large cap domestic equity return compared to S&P 500 Index: S&P 500 Index	6.32%	8.63%	NA / 20.59%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Fairfax County Employees	3.32%	8.30%	NA / 23.33%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Uniformed	8.17%	11.06%	NA / 18.54%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Police Officers	3.29%	7.26%	NA / 22.28%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Lehman Aggregate Bond Index	6.80%	(0.81%)	NA / 6.12%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Fairfax County Employees	10.55%	0.08%	NA / 6.76%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Uniformed	7.55%	(1.93%)	NA / 5.79%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Police Officers	7.25%	(1.85%)	NA / 6.65%	NA	NA

# Retirement Administration Agency

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009
<b>Outcome:</b>					
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	6.1%	1.5%	0.0% / 7.3%	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Uniformed	3.5%	3.2%	0.0% / 10.3%	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Police Officers	2.1%	2.1%	0.0% / 10.0%	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Fairfax County Employees	(3.0%)	(0.3%)	0.0% / 2.7%	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Uniformed	1.9%	2.4%	0.0% / (2.1%)	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Police Officers	(3.0%)	(1.4%)	0.0% / 1.7%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Fairfax County Employees	3.8%	0.9%	0.0% / 0.6%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Uniformed	0.8%	(1.1%)	0.0% / (0.3%)	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Police Officers	0.5%	(1.0%)	0.0% / 0.5%	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.

# Retirement Administration Agency

---

## Performance Measurement Results

For the fourth year in a row, investment returns for each of the three retirement systems were above the long-term average rate of 7.5 percent assumed for actuarial purposes. Returns were 14.8 percent for the Employees' system, 17.5 percent for the Police Officers system, and 17.8 percent for the Uniformed system in FY 2007. These returns were achieved in a year in which returns were strong in both the equity and bond markets. The S&P 500 Index was up 20.6 percent and the Lehman Brothers Aggregate Bond Index was up 6.1 percent. The diversification strategies of the three different systems continued to contribute to the total returns achieved. Returns in non-U.S. equities were particularly strong, with stocks in developed markets returning 27.5 percent and stocks in emerging market countries returning 45.4 percent. Real estate returns were also positive, with equity real estate (REITs) returning 12.6.

These overall returns in the capital markets and each system's asset allocation strategy, combined with the value added by the investment management firms employed by each system, resulted in the strong investment results in FY 2007.

In the universe of public funds used to assess relative performance, results for the Employees' system lagged the median, ranking at the 98<sup>th</sup> percentile. This reflects the investment strategy adopted by the Employees' Board of Trustees designed to reduce risk related to equity markets, with the expectation of underperforming other systems in strong markets and achieving stronger results in weak markets. Returns for the Employees' System continue to rank above median for the ten-year period. The Uniformed return ranked at the 52<sup>nd</sup> percentile, and the Police Officers return ranked at the 50<sup>th</sup> percentile.

# Retirement Administration Agency

## FUND STATEMENT

### Fund Type G60, Pension Trust Funds

### Fund 600, Uniformed Retirement

	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan
<b>Beginning Balance</b>	<b>\$942,648,274</b>	<b>\$1,019,059,638</b>	<b>\$1,108,011,177</b>	<b>\$1,176,105,405</b>
Revenue:				
Employer Contributions	\$36,486,832	\$39,097,529	\$39,097,529	\$40,089,943
Employee Contributions	9,838,638	11,209,046	11,209,046	11,626,262
Employee Payback	149,876	200,000	200,000	150,000
Return on Investments <sup>1</sup>	91,138,925	75,065,644	75,065,644	87,793,261
<b>Total Realized Revenue</b>	<b>\$137,614,271</b>	<b>\$125,572,219</b>	<b>\$125,572,219</b>	<b>\$139,659,466</b>
Unrealized Gain (Loss) <sup>1,2</sup>	\$85,793,378	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$223,407,649</b>	<b>\$125,572,219</b>	<b>\$125,572,219</b>	<b>\$139,659,466</b>
<b>Total Available</b>	<b>\$1,166,055,923</b>	<b>\$1,144,631,857</b>	<b>\$1,233,583,396</b>	<b>\$1,315,764,871</b>
Expenditures:				
Administrative Expenses <sup>1</sup>	\$827,152	\$866,148	\$874,991	\$898,420
Investment Services <sup>1</sup>	9,285,611	5,935,000	5,935,000	6,090,000
Payments to Retirees	46,708,512	49,749,076	49,749,076	55,748,000
Beneficiaries	485,965	533,924	533,924	581,000
Refunds	737,506	385,000	385,000	575,000
<b>Total Expenditures</b>	<b>\$58,044,746</b>	<b>\$57,469,148</b>	<b>\$57,477,991</b>	<b>\$63,892,420</b>
<b>Total Disbursements</b>	<b>\$58,044,746</b>	<b>\$57,469,148</b>	<b>\$57,477,991</b>	<b>\$63,892,420</b>
<b>Ending Balance<sup>3</sup></b>	<b>\$1,108,011,177</b>	<b>\$1,087,162,709</b>	<b>\$1,176,105,405</b>	<b>\$1,251,872,451</b>

<sup>1</sup> In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of \$3,726,510.64 have been reflected as an increase to FY 2007 revenue and \$4,934,829.97 have been reflected as increases to FY 2007 expenditures primarily as a result of adjustments to record gross income and expenditures associated with securities lending transactions per GASB 28. The audit adjustment has been included in the FY 2007 Comprehensive Annual Financial Report (CAFR). Details of the FY 2007 audit adjustments will be included in the FY 2008 Third Quarter Package.

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

<sup>3</sup> 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.

# Retirement Administration Agency

## FUND STATEMENT

### Fund Type G60, Pension Trust Funds

### Fund 601, Fairfax County Employees' Retirement

	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan
<b>Beginning Balance</b>	<b>\$2,460,951,499</b>	<b>\$2,637,529,238</b>	<b>\$2,783,300,900</b>	<b>\$2,901,963,560</b>
Revenue:				
County Employer Contributions	\$41,109,684	\$44,404,197	\$44,404,197	\$45,502,604
County Employee Contributions	20,704,720	21,721,967	21,721,967	23,056,186
School Employer Contributions	16,343,027	16,292,155	16,292,155	18,190,316
School Employee Contributions	8,373,797	8,445,117	8,445,117	9,324,822
Employee Payback	726,750	400,000	400,000	400,000
Return on Investments <sup>1</sup>	298,599,697	190,576,302	190,576,302	214,226,191
<b>Total Realized Revenue</b>	<b>\$385,857,675</b>	<b>\$281,839,738</b>	<b>\$281,839,738</b>	<b>\$310,700,119</b>
Unrealized Gain (Loss) <sup>1,2</sup>	\$93,253,921	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$479,111,596</b>	<b>\$281,839,738</b>	<b>\$281,839,738</b>	<b>\$310,700,119</b>
<b>Total Available</b>	<b>\$2,940,063,095</b>	<b>\$2,919,368,976</b>	<b>\$3,065,140,638</b>	<b>\$3,212,663,679</b>
Expenditures:				
Administrative Expenses <sup>1</sup>	\$2,671,342	\$2,585,839	\$2,624,077	\$2,687,440
Investment Services <sup>1</sup>	32,269,060	14,100,000	14,100,000	14,760,000
Payments to Retirees	115,197,207	136,855,492	136,855,492	156,431,000
Beneficiaries	2,688,700	2,916,509	2,916,509	3,251,000
Refunds	3,935,886	6,681,000	6,681,000	5,576,000
<b>Total Expenditures</b>	<b>\$156,762,195</b>	<b>\$163,138,840</b>	<b>\$163,177,078</b>	<b>\$182,705,440</b>
<b>Total Disbursements</b>	<b>\$156,762,195</b>	<b>\$163,138,840</b>	<b>\$163,177,078</b>	<b>\$182,705,440</b>
<b>Ending Balance<sup>3</sup></b>	<b>\$2,783,300,900</b>	<b>\$2,756,230,136</b>	<b>\$2,901,963,560</b>	<b>\$3,029,958,239</b>

<sup>1</sup> In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of \$25,501,447.14 have been reflected as a decrease to FY 2007 revenue and \$20,952,854.06 have been reflected as increases to FY 2007 expenditures primarily as a result of adjustments to record gross income and expenditures associated with securities lending transactions per GASB 28. The audit adjustment has been included in the FY 2007 Comprehensive Annual Financial Report (CAFR). Details of the FY 2007 audit adjustments will be included in the FY 2008 Third Quarter Package.

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

<sup>3</sup> 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.

# Retirement Administration Agency

## FUND STATEMENT

### Fund Type G60, Pension Trust Funds

### Fund 602, Police Retirement

	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan
<b>Beginning Balance</b>	<b>\$800,424,526</b>	<b>\$865,128,024</b>	<b>\$931,927,210</b>	<b>\$980,858,389</b>
Revenue:				
Employer Contributions	\$19,222,753	\$21,562,870	\$21,562,870	\$23,107,963
Employee Contributions	11,683,702	11,895,526	11,895,526	10,965,214
Employee Payback	112,427	25,000	25,000	50,000
Return on Investments <sup>1</sup>	107,081,125	62,683,690	62,683,690	72,937,475
Total Realized Revenue	\$138,100,007	\$96,167,086	\$96,167,086	\$107,060,652
Unrealized Gain (Loss) <sup>1,2</sup>	\$40,252,311	\$0	\$0	\$0
Total Revenue	\$178,352,318	\$96,167,086	\$96,167,086	\$107,060,652
<b>Total Available</b>	<b>\$978,776,844</b>	<b>\$961,295,110</b>	<b>\$1,028,094,296</b>	<b>\$1,087,919,041</b>
Expenditures:				
Administrative Expenses <sup>1</sup>	\$806,440	\$831,804	\$839,907	\$861,670
Investment Services <sup>1</sup>	8,296,880	4,936,000	4,936,000	5,020,000
Payments to Retirees	35,396,110	38,684,316	38,684,316	42,517,000
Beneficiaries	1,914,638	2,192,684	2,192,684	2,300,000
Refunds	435,566	583,000	583,000	566,000
Total Expenditures	\$46,849,634	\$47,227,804	\$47,235,907	\$51,264,670
<b>Total Disbursements</b>	<b>\$46,849,634</b>	<b>\$47,227,804</b>	<b>\$47,235,907</b>	<b>\$51,264,670</b>
<b>Ending Balance<sup>3</sup></b>	<b>\$931,927,210</b>	<b>\$914,067,306</b>	<b>\$980,858,389</b>	<b>\$1,036,654,371</b>

<sup>1</sup> In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of \$5,402,035.21 have been reflected as an increase to FY 2007 revenue and \$4,882,862.72 have been reflected as increases to FY 2007 expenditures primarily as a result of adjustments to record gross income and expenditures associated with securities lending transactions per GASB 28. The audit adjustment has been included in the FY 2007 Comprehensive Annual Financial Report (CAFR). Details of the FY 2007 audit adjustments will be included in the FY 2008 Third Quarter Package.

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

<sup>3</sup> 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.