

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**



2010

**FAIRFAX COUNTY
UNIFORMED
RETIREMENT
SYSTEM**



A PENSION TRUST FUND OF FAIRFAX COUNTY, VIRGINIA

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County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

October 25, 2010

Dear Members of the Board of Trustees:

I am pleased to submit to you the annual report of the Fairfax County Uniformed Retirement System (System) for the fiscal year ended June 30, 2010. This annual report is provided as an aid to understanding the structure and evaluating the status of the System. The System's management is responsible for the accuracy of financial information contained herein.

The annual report for fiscal 2010 consists of five sections: (1) an Introductory Section that contains this transmittal letter along with the organization structure and review of plan provisions; (2)) a Financial Section that contains the opinion of the independent auditors, management's discussion and analysis (MD&A), the financial statements of the System and required supplementary information. The MD&A provides further detail to the financial statements; (3) an Investment Section that contains investment results; (4) an Actuarial Section that includes the independent actuary's certification letter, a summary of the results of the actuarial valuation, and actuarial procedures and assumptions; and (5) a Statistical Section that contains information regarding the System membership.

History

The Fairfax County Uniformed Retirement System was established on July 1, 1974, as a public employee retirement system providing defined benefit pension plan coverage for uniformed or sworn employees of the Fire and Rescue Department, helicopter pilots, the Sheriff's Department, the animal control division and certain park police officers. In 2005, membership was extended to employees in non-administrative positions of the Department of Public Safety Communications, formerly included in the Fairfax County Employees' Retirement System. There were 1,995 active members and 1,021 retirees participating in the System as of June 30, 2010.

Provisions

The benefit provisions of the System are established by County Ordinance. The System provides normal service retirement and early service retirement benefits for members who attain age or service requirements. Coverage for service-connected disability benefits is immediate upon membership in the System. Ordinary (non-service-related) disability benefits

Retirement Administration Agency

10680 Main Street * Suite 280 * Fairfax, VA 22030

Phone: 703-279-8200 * 1-800-333-1633 * Fax: 703-273-3185

<http://www.fairfaxcounty.gov/retirement/>

are provided after the attainment of five years of service. Members are vested after five years of service and are eligible for benefits at the early or normal service retirement date.

Capital Markets and Economic Conditions

During fiscal year 2010, the economy gradually recovered from the deep recession of the prior year. Despite continued high unemployment rates and the slow rate of recovery, the capital markets provided strong returns for the year, albeit with significant volatility and a decline in the final quarter. In this environment, the System's portfolio was well positioned and achieved excellent results, both in absolute and relative terms. The rate of return on investments was 16.0% (15.5%, after fees and expenses), well ahead of the long term target return of 7.5%. This return also placed well above the median public fund return of 13.5% and placed in the 11th percentile of the BNY Mellon public fund universe.

Additional details on the markets and the System's investments are provided in the Investment Section.

Internal and Budgetary Controls

The System's management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded as necessary to permit preparation of financial statements in accordance with U. S. generally accepted accounting principles.

Investment Policies and Strategies

The Board of Trustees has adopted a Statement of Investment Objectives and Policy. This Statement establishes the investment goals, guidelines, constraints and performance standards that the Board of Trustees uses when exercising its fiduciary duties to manage the investment assets of the System. The Board operates in conformity with the standard of care required in making investments as stated in the Code of Virginia §51.1-803.

The Board receives quarterly reporting from staff to ensure compliance with its stated objectives and policy. Staff also monitors the performance of the System and its investment managers and updates the Board on a monthly basis throughout the year. Rate of return information is included in the Investment Section.

Securities of the System, except for the pooled funds and the County's pooled cash and temporary investments, are held in safekeeping, on the system's behalf, by BNY Mellon Asset Servicing as agent. The BNY Mellon Financial Corporation, the parent company, carries Financial Institution bond insurance coverage including a Computer Crime Policy. An additional Excess Securities policy covers all risk of physical loss to securities.

Funded Status

An actuarial valuation of the System to determine funding requirements is performed annually. The System's funding policy provides for periodic employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the costs of benefit payments when due. The valuation of the System performed as of July 1, 2009 indicated that the ratio of assets accumulated by the System to total actuarial accrued liabilities for benefits showed a decline from 85.4% to 79.5%. The actuarial section contains further information on the results of the July 1, 2009 valuation.

Based on the July 1, 2009 actuarial valuation, the employer contribution rate for 2011 determined according to the adopted corridor-based funding policy was 29.78%, an increase of 3.32% over the 2010 rate of 26.46%. This increase in the rate is required to amortize the increase in unfunded liability from FY 2009 actuarial experience. During establishment of the FY 2011 County budget, the Board of Supervisors adopted a contribution rate of 30.56% to increase the rate of amortization of the unfunded liability.

Major Initiatives

During FY 2010, a thorough independent audit of the PensionGold system and related processes was conducted by the County's internal audit staff, and I am pleased to report that no major audit findings were identified.

In FY 2011, our plan actuary will be conducting a five-year actuarial experience study. This study will analyze our actual experience on the financial and demographic assumptions that underlie the calculation of plan liabilities and determine ongoing funding requirements. Assumption changes, if any, that are adopted based on this review will be reflected in the actuarial valuation for FY 2011.

Other Information

Independent Audit and Actuarial Certifications

The independent auditors' report and certification from the actuary are included in this report.

Acknowledgements

The annual report of the Uniformed Retirement System was prepared by the System's staff under the leadership of the Board of Trustees. I would like to thank the entire organization that has worked hard throughout the year to provide service to members and to ensure the successful operation of the System. This report is intended to provide complete and reliable information for determining the financial status of the System. It is being submitted to the Board of Supervisors and other interested parties and is available to the public via the County's website located at www.fairfaxcounty.gov/retirement/.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. L. Mears", written in a cursive style.

Robert L. Mears
Executive Director

Board of Trustees

Vincent J. Bollon

Chairman

Board of Supervisors Appointee

Term Expires: August 30, 2012

John R. Niemiec

Vice Chairman

Fairfax County Fire & Rescue Department

Elected Member Trustee

Term Expires: June 30, 2012

Victor L. Garcia

Treasurer

Fairfax County Director of Finance

Ex officio Trustee

Richard L. Merrell

Fairfax County Fire & Rescue Department

Elected Member Trustee

Term Expires: June 30, 2010

Charles E. Formeck

Office of the Sheriff

Elected Member Trustee

Term Expires: October 31, 2013

Susan Woodruff

Fairfax County Director of

Human Resources

Ex officio Trustee

Frank Henry Grace

Board of Supervisors Appointee

Term Expires: July 31, 2010

Ronald Orr

Board of Supervisors Appointee

Term Expires: June 30, 2010

Administrative Organization

Administrative Staff

Robert L. Mears
Executive Director

Jeffrey A. Willison
Investment Manager

Laurnz A. Swartz
Chief Investment Officer

John P. Sahn
Retirement Administrator

Professional Services

Actuary
CHEIRON
Actuaries
McLean, VA

Auditor
KPMG LLP
Certified Public Accountants
Washington, DC

Investment Managers

Acadian Asset Management
Boston, MA

BNY Mellon Cash Investment
Strategies
Pittsburgh, PA

DoubleLine Capital, LP
Los Angeles, CA

Advisory Research, Inc.
Chicago, IL

Brandywine Global
Investment Management LLC
Philadelphia, PA

FrontPoint Partners LLC
Greenwich, CT

Artio Global Investors
New York, NY

Bridgewater Associates
Westport, CT

Harbourvest Partners, LLC
Boston, MA

Ashmore Investment
Management Ltd.
London, UK

Cohen & Steers Capital
Management Inc.
New York, NY

JP Morgan Investment
Management Inc.
New York, NY

BlackRock
San Francisco, CA

The Dorset Energy Fund Ltd
Hamilton, Bermuda

King Street Capital
Management., LLC
New York, NY

Investment Managers (continued)

Marathon-London
London, UK

Pantheon Ventures, Inc.
San Francisco, CA

Ramius, LLC
New York, NY

NCM Capital
Durham, NC

PIMCO
Newport Beach, CA

UBS Realty Advisors LLC
Hartford, CT

OrbiMed Healthcare Fund
Management
New York, NY

Victory Capital Management
Cleveland, OH

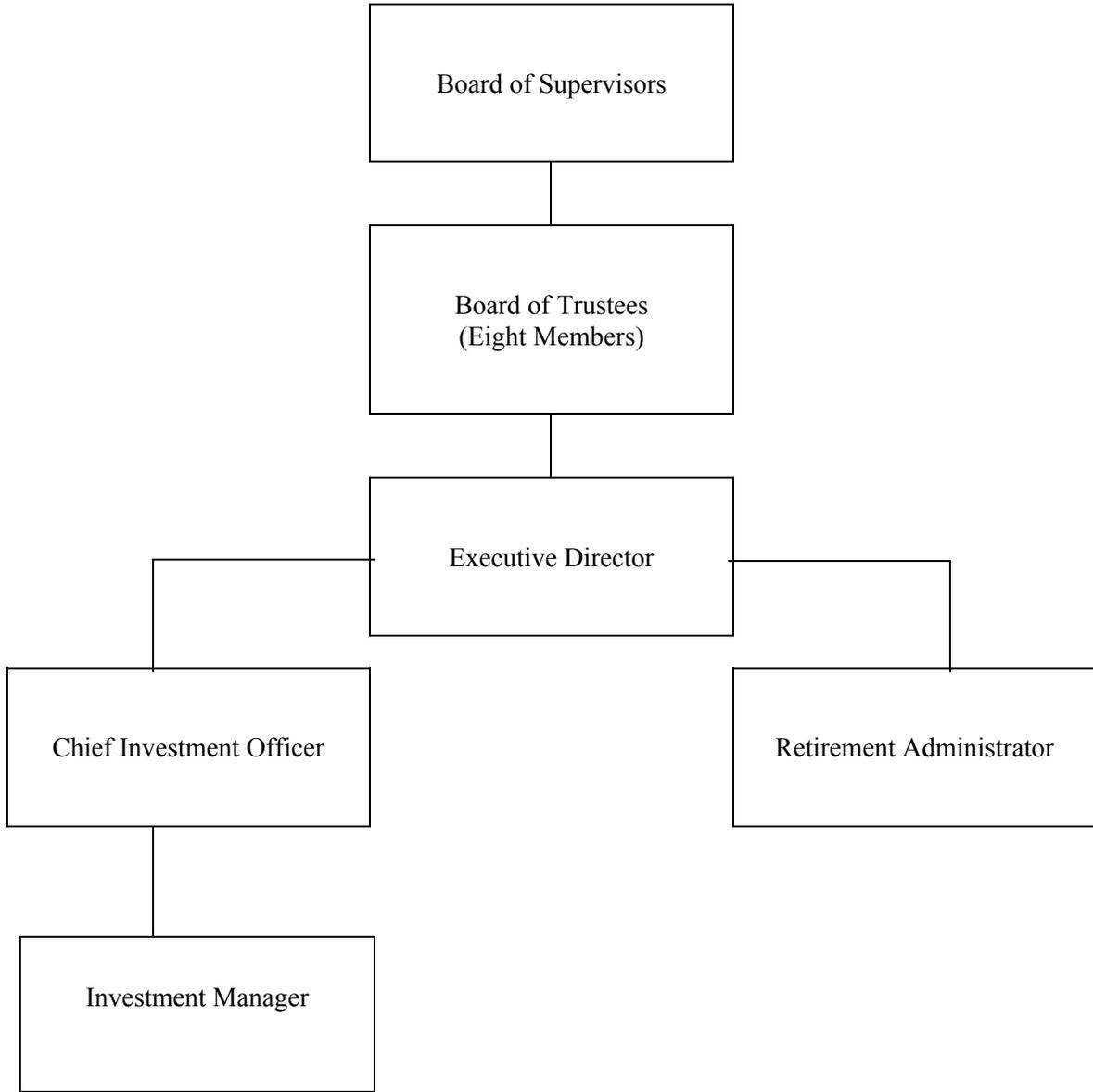
Investment Consultant

NEPC
Cambridge, MA

Custodian Bank

BNY Mellon Asset Servicing
Pittsburgh, PA

Organization Chart



Summary of Plan Provisions

Membership in the Fairfax County Uniformed Retirement System includes most uniformed or sworn employees of the Fire and Rescue Department, the Sheriff's Department, the Animal Control Division, the Department of Public Safety Communications, helicopter pilots and former park police officers who elected to remain in the System rather than transfer to the Police Officers Retirement System. The System consists of four Plans, Plan A, Plan B, Plan C and Plan D, which have different employee contribution rates and different benefits. Most members, including all those hired after April 1, 1997, are enrolled in Plan D.

The general provisions of the Uniformed Retirement System follow:

All Plans

Normal Retirement:

Normal retirement is either age 55 with at least 6 years of service or any age with 25 years of service.

Deferred Retirement Option Program (DROP):

Those eligible for normal retirement may enter DROP for up to three years. While participating in DROP, the member continues to work and receive a salary. In lieu of continuing to earn service credit, DROP participants accumulate a lump sum, including interest, payable at retirement.

Early Retirement:

A member is eligible for early retirement upon attaining 20 years of service. Reduction factors are applied to the basic formula.

Deferred Vested Retirement:

Deferred vested retirement is available for vested members who leave their contributions in the System when they terminate. Vesting occurs at 5 years of creditable service. At age 55, these members are entitled to their normal retirement benefit based on County service.

Service-Connected Disability Retirement:

Service-connected disability retirement is available for members, regardless of length of service, who become disabled as a result of a job-related illness or injury. The benefit is 40% of final compensation less workers' compensation and 30% of the Social Security disability benefit. The benefit for members retired on a severe service-connected disability is calculated at 90% of salary at the time of retirement less the workers' compensation benefit and 30% of any Social Security benefit.

Ordinary Disability Retirement:

Ordinary disability retirement is available for vested members who become disabled due to an injury or illness that is not job-related. Normal retirement benefits are paid.

Death Benefits:

If death occurs prior to retirement: If the member is vested and the spouse is the listed beneficiary, the spouse may elect to receive 50% of the normal retirement benefit earned as of the date of the member's death. If the 50% of normal retirement benefit is not payable, a refund of the member's contribution plus interest will be paid to the named beneficiary or member's estate.

If death occurs after retirement : Refunds of any of the member's contributions and interest not already paid out in benefits will be paid to the named beneficiary(ies) unless the member elected the irrevocable Joint and Last Survivor Option which provides a benefit to the member's spouse for life. At retirement, the member may choose to have his or her spouse receive 50%, 66⅔%, 75% or 100% of the member's reduced annuity upon the member's death. The member's annuity is reduced by a percentage based on the difference in age between the member and his or her spouse. If the spouse pre-deceases the member, the annuity is restored to what it would have been if this option had not been elected.

If death is service-connected: A \$10,000 lump-sum payment is made to the beneficiary if the member's death is due to a job-related illness or injury.

Normal Retirement Benefit:

Plans A and B – 2.0% of average final compensation (AFC) (highest consecutive three years) multiplied by the number of years of creditable service. The benefit is then increased by 3%.

A **supplemental benefit** is payable up to age 62. The amount of the supplemental benefit is based on the primary Social Security benefit the member would have been entitled to if the member were 65 on the date of retirement. For members hired on or after July 1, 1976, this basic amount is equal to a percentage of the Social Security benefit. That percentage is determined by dividing the member's creditable service by 25. The exact amount of this benefit also depends on the member's age and Plan (see below). The benefit is then increased by 3%.

Plan A Pre-62 Supplemental Benefit – If the member is less than age 55, no supplemental benefit is payable. From age 55 to 62, the full basic amount of the supplement is payable. After age 62, the benefit payable is any excess of the full basic amount which exceeds the member's actual earliest Social Security benefit payable.

Plan B Pre-62 Supplemental Benefit – If the member is less than age 55, one-half of the basic amount of the supplemental benefit is payable. From age 55 to 62, the full basic amount of the supplement is payable. After age 62, the benefit payable is any excess of the full basic amount which exceeds the member's actual earliest Social Security benefit payable.

In addition, a **Pre-Social Security Supplement** is payable to members of Plans A & B until the first month after the member attains the age of eligibility for unreduced Social Security retirement benefits. The amount of the Pre-Social Security Supplement is 0.2% of AFC multiplied by the number of years of creditable service, increased by 3%.

Plans C and D – 2.5% of average final compensation (highest consecutive three years) multiplied by the number of years of creditable service. The benefit is then increased by 3%. No Pre-62 Supplemental Benefits are payable under Plans C or D.

In addition, a **Pre-Social Security Supplement** is payable to members of Plans C & D until the first month after the member attains the age of eligibility for unreduced Social Security retirement benefits. The amount of the Pre-Social Security Supplement is 0.3% of AFC multiplied by the number of years of creditable service, increased by 3%.

Cost of Living Benefit:

Annual cost-of-living adjustments (COLAs) are provided to retirees and beneficiaries equal to the lesser of 4% or the percentage increase in the Consumer Price Index for the Metropolitan Statistical Area that includes Fairfax County. Members of Plan A and C receive COLA increases beginning at age 55. Members of Plan B and D receive COLAs beginning at retirement. COLAs are not applied to the Pre-Social Security Supplements.

Benefit Limits:

Benefits are limited to the maximum amounts for qualified plans as set forth in Section 415 of the Internal Revenue Code. A separate nonqualified benefit restoration plan has been established for the payment of any benefit formula amounts in excess of the Section 415 limit.

Contribution Rates:

Members:

Plan A: 4% of base salary up to the maximum Social Security wage base plus 5.75% of base salary over the wage base.

Plan B: 7.08% of base salary up to the maximum Social Security wage base plus 8.83% of base salary over the wage base.

Plan C: 4% of creditable compensation.

Plan D: 7.08% of creditable compensation.

Employer: The rate for Fiscal Year 2010 was 26.46% of covered payroll for all Plans.

Note: Detailed provisions may be found in the Employee Handbook
http://www.fairfaxcounty.gov/retirement/active_uniformed/publications.htm

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KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia:

The Board of Trustees
Of the Fairfax County Uniformed Retirement System

We have audited the Statement of Plan Net Assets of the Fairfax County Uniformed Retirement System (the System), a pension trust fund of the County of Fairfax, Virginia as of June 30, 2010, and the related Statements of Changes in Plan Net Assets for the year then ended. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the Plan Net Assets of the System as of June 30, 2010, and the changes in Plan Net Assets for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other required supplementary information is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. The other required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

October 22, 2010

Management’s Discussion and Analysis

This section presents management’s discussion and analysis of the Fairfax County Uniformed Retirement System’s (“System” or “plan”) financial performance and provides an overview of the financial activities for the fiscal year ended June 30, 2010. The information in this section should be reviewed in conjunction with the letter of transmittal provided at the beginning of this report.

Overview of Financial Statements and Accompanying Information

Basic Financial Statements. The System presents the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets as of June 30, 2010. These statements reflect the resources available for the payment of benefits as of year end and the sources and uses of these funds during the year.

Notes to Financial Statements. The Notes to Financial Statements are an integral part of the financial statements and include additional information and schedules to provide a better understanding of the financial statements. The Notes to Financial Statements immediately follow the basic financial statements.

Required Supplementary Information. The Required Supplementary Information and related notes provide information regarding the System’s funding progress and employer contributions. The Required Supplementary Information and related notes are immediately following the Notes to Financial Statements.

Financial Analysis

Summary of Plan Net Assets. For fiscal year 2010, the assets of the Uniformed Retirement System increased 14.3% resulting in a total net asset value of \$991.1 million, reflecting an increase of \$123.9 million over fiscal year 2009. The growth in assets was primarily due to investment gains of \$131.3 and \$51.9 million in contributions offset by benefit payment deductions of \$59.3 million.

The actuarial value of the assets as of the last valuation on June 30, 2009, was \$1.07 billion while actuarial liabilities as of the same period were \$1.35 billion. This resulted in a funded ratio of 79.5%.

The Plan’s investments are exposed to various risks including interest rate, market and credit risks. These risks may be influenced by changes in economic conditions and market conditions. Therefore, it is reasonable to assume that there will be changes in the values of the investments held in trust which could materially affect the amounts reported in the financial statements. Detailed information on investment results are in the Investment Section of this report.

The following table details the Uniformed System’s fund balances for the current and prior fiscal years:

| Fiscal Year | Ending Balances (millions) | Net Change in Dollars (millions) | Net Change in Percent |
|-------------|----------------------------|----------------------------------|-----------------------|
| 2009 | \$867.2 | \$(214.1) | (19.8) |
| 2010 | \$991.1 | \$123.9 | 14.3 |

Contacting the System's Financial Management

This financial report is designed to provide our membership, the Board of Trustees and the County's Board of Supervisors with a general overview of the System's financial condition. If you have any questions about this report or need additional information, contact the Fairfax County Retirement Administration Agency, 10680 Main Street, Suite 280, Fairfax, Virginia 22030. This report can also be found on the County's internet site at www.fairfaxcounty.gov/retirement/.

Summary Statement of Plan Net Assets

| Assets | <u>2010</u> | <u>2009</u> | <u>Difference</u> |
|--|----------------------|----------------------|--------------------------|
| Total cash and investments | \$1,057,187,697 | \$943,354,965 | \$113,832,732 |
| Total receivables | <u>38,996,329</u> | <u>38,135,773</u> | <u>860,556</u> |
| Total assets | 1,096,184,026 | 981,490,738 | 114,693,288 |
| Total liabilities | <u>105,111,486</u> | <u>114,303,519</u> | <u>(9,192,033)</u> |
| Net assets held in trust for pension benefits | <u>\$991,072,540</u> | <u>\$867,187,219</u> | <u>\$123,885,321</u> |

Summary of Additions and Deductions

| Additions | <u>2010</u> | <u>2009</u> | <u>Difference</u> |
|--------------------------------|----------------------|------------------------|--------------------------|
| Contributions: | | | |
| Employer | \$40,771,184 | \$40,855,102 | \$(113,918) |
| Plan members | 11,094,505 | 11,750,810 | (656,305) |
| Net investment income | <u>131,320,268</u> | <u>(211,603,541)</u> | <u>342,923,809</u> |
| Total additions | <u>183,185,957</u> | <u>(158,997,629)</u> | <u>342,183,586</u> |
| Deductions | | | |
| Benefit payments | 58,356,915 | 54,122,953 | 4,233,962 |
| Refunds | 597,955 | 656,683 | (58,728) |
| Administrative expense | <u>345,766</u> | <u>325,469</u> | <u>20,297</u> |
| Total deductions | <u>59,300,636</u> | <u>55,105,105</u> | <u>4,195,531</u> |
| Net increase/(decrease) | <u>\$123,885,321</u> | <u>\$(214,102,734)</u> | <u>\$337,988,055</u> |

Statement of Plan Net Assets

As of June 30, 2010

Assets

Cash and short-term investments

| | | |
|--|----------------|---------------|
| Equity in County's pooled cash and temporary investments | \$1,196,908 | |
| Cash collateral received for securities on loan | 65,466,436 | |
| Short-term investments | 47,943,193 | |
| Currency fluctuations | <u>996,351</u> | |
| Total cash and short-term investments | | \$115,602,888 |

Receivables

| | | |
|--------------------------------|-------------------|------------|
| Accounts receivable | 3,792,660 | |
| Accrued interest and dividends | 2,528,233 | |
| Prepaid expense | 6,746 | |
| Securities sold | <u>32,668,690</u> | |
| Total receivables | | 38,996,329 |

Investments, at fair value

| | | |
|-----------------------------|--------------------|--------------------|
| Common and preferred stock | 229,792,313 | |
| Fixed income | | |
| Asset-backed securities | 96,475,333 | |
| Corporate and other bonds | 85,788,454 | |
| U.S. Government obligations | 16,194,403 | |
| Pooled and mutual funds | <u>513,334,306</u> | |
| Total investments | | <u>941,584,809</u> |

Total assets 1,096,184,026

Liabilities

| | | |
|---|------------------|--------------------|
| Cash collateral received for securities on loan | 65,466,436 | |
| Purchase of investments | 37,854,330 | |
| Accounts payable and accrued expenses | <u>1,790,720</u> | |
| Total liabilities | | <u>105,111,486</u> |

Net assets held in trust for pension benefits \$991,072,540

(A schedule of funding progress is presented on page 23.)

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

For the year ended June 30, 2010

Additions

| | | |
|---|-------------------|----------------------|
| Contributions | | |
| Employer | \$40,771,184 | |
| Plan members | <u>11,094,505</u> | |
| Total contributions | | \$51,865,689 |
| | | |
| Investment income from investment activities | | |
| Net appreciation /(depreciation) in fair value of investments | 111,915,052 | |
| Interest | 16,964,937 | |
| Dividends | <u>6,478,638</u> | |
| Total investment income | 135,358,627 | |
| | | |
| Investment activity expense | | |
| Management fees | (3,811,727) | |
| Custodial fees | (104,000) | |
| Consulting fees | (172,581) | |
| Allocated administrative expense | <u>(156,259)</u> | |
| Total investment expense | (4,244,567) | |
| | | |
| Net income/(loss) from investment activities | | 131,114,060 |
| | | |
| From securities lending activities | | |
| Securities lending income | 262,156 | |
| Securities lending expenses | | |
| Borrower rebates | 14,403 | |
| Management fees | <u>(70,351)</u> | |
| Total securities lending activities expense | (55,948) | |
| | | |
| Net income from securities lending activities | | <u>206,208</u> |
| | | |
| Total net investment income/(loss) | | <u>131,320,268</u> |
| | | |
| Total additions | | 183,185,957 |
| | | |
| Deductions | | |
| Annuity benefits | 50,139,482 | |
| Disability benefits | 7,576,809 | |
| Survivor benefits | 640,624 | |
| Refunds | 597,955 | |
| Administrative expense | <u>345,766</u> | |
| | | |
| Total deductions | | <u>59,300,636</u> |
| | | |
| Net increase/(decrease) | | 123,885,321 |
| | | |
| Net assets held in trust for pension benefits | | |
| Beginning of fiscal year | | <u>867,187,219</u> |
| End of fiscal year | | <u>\$991,072,540</u> |

Notes to the Financial Statements

For the year ended June 30, 2010

The Fairfax County Uniformed Retirement “System” is a single-employer defined benefit pension plan considered part of the County of Fairfax, Virginia’s (“County”) reporting entity and its financial statements are included in the County’s basic financial statements as a pension trust fund.

A. Summary of Significant Accounting Policies

Basis of Accounting. The System’s basic financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles applicable to governmental units in the United States of America. Member and employer contributions to the plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due in accordance with the terms of the plan. The cost of administering the plan is paid by the System.

Method Used to Value Investments. Short-term investments are reported at cost, which approximates fair value. All other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Because of the inherent uncertainty in valuing these securities, the fair value may differ from the values that would have been used had a ready market for such securities existed. Accordingly, the realized value received upon the sale of the assets may differ from the fair value. The System records investment purchases and sales as of trade date. These transactions are not finalized until the settlement date, which occurs approximately three business days after the trade date. The amounts of trade receivables and payables are shown as receivables and payables on the Statements of Plan Net Assets. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received. The market values of private investments and direct real estate are lagged by one quarter due to the timing of receipt of private market valuations and information.

Equity in County’s pooled cash and temporary investments. The System maintains cash with the County, which invests cash and allocates interest earned, net of a management fee, on a daily basis to the System based on the System’s average daily balance of equity in pooled cash. As of June 30, 2010 the bank balance of the County’s public deposits was either insured by the Federal Deposit Insurance Corporation or through the State Treasury Board pursuant to the provisions of the Security for Public Deposit Act.

The County’s investments are exposed to various risks such as interest rate risk, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

B. Plan Description, Contribution Information, Plan’s Funded Status Information, and Actuarial Methods and Assumptions

Membership. At July 1, 2009, the date of the latest actuarial valuation, membership in the System consisted of:

| | |
|--|---------------------|
| Retirees and beneficiaries receiving benefits | 987 |
| Terminated plan members entitled to but not yet receiving benefits | 32 |
| DROP participants | 94 |
| Active plan members | <u>1,945</u> |
| Total | <u>3,058</u> |

Plan Description. The system is a single-employer defined benefit pension plan. The plan covers uniformed employees including non-clerical employees of the Fire and Rescue Department, Office of the Sheriff, helicopter pilots, public safety communications personnel, animal wardens and game wardens who are not covered by other plans of the County or the Virginia Retirement System. Benefit provisions are established and may be amended by County ordinance. All benefits vest at five years of service. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 55 with six years of service, or (b) complete 25 years of service. The normal retirement benefit is calculated using average final compensation (i.e., the highest consecutive three years) and years (or partial years) of service at date of termination. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. Members eligible for normal retirement have the option of participating in a deferred retirement option program (DROP). In lieu of continuing to earn service credit, DROP members accrue a lump sum benefit payable at retirement. Participating members continue working up to an additional three years after eligibility for normal retirement. To be eligible for early retirement, the employee must have 20 years of service. The benefit for early retirement is actuarially reduced and payable at early retirement.

Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0% or the percentage increase in the Consumer Price Index for the Washington Consolidated Metropolitan Statistical Area.

Contributions. The contribution requirements of the System’s members are established and may be amended by County ordinances. Plan A members were given the opportunity to join Plan B as of July 1, 1981 and to enroll in Plan C as of April 1, 1997. From July 1, 1981, until March 31, 1997, all new hires were enrolled in plan B. Plan B members were given the opportunity to enroll in Plan D as of April 1, 1997. From April 1, 1997, forward, all new hires are enrolled in Plan D. Plan A requires member contributions of 4.0 percent up to the Social Security wage base and 5.75 percent of compensation in excess of the wage base. Plan B requires member contributions of 7.08 percent of compensation up to the Social Security wage base and 8.83 percent of compensation in excess of the wage base. Plan C requires member contributions of 4.0 percent of compensation. Plan D requires contributions of 7.08 percent of compensation. The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2010 was 26.46 percent of covered payroll.

Deductions. The deductions from the System include the payment of retiree and beneficiary payments, the refund of employee contributions to former members and other expenses.

Plan's Funded Status Information. The actuarial valuation performed as of July 1, 2009 showed the System's funded status at 79.5%, a decrease of 5.9% from the July 1, 2008 funded percentage of 85.4%. The table below displays the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial accrued liability, the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the unfunded actuarial liability to annual covered payroll.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Liability (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded Actuarial Accrued Liability as a % of Covered Payroll ((b-a)/c) |
|---|--|--|---|-----------------------------------|------------------------------------|---|
| 7/1/2009 | \$1,074,229,685 | \$1,351,204,055 | \$276,974,370 | 79.5% | \$147,082,765 | 188.3% |

The required schedule of funding progress, which presents multi-year trend information, is reported immediately following the Notes to the Financial Statements.

Actuarial Methods and Assumptions Information.

| | |
|-------------------------------|------------------------|
| Valuation date | July 1, 2009 |
| Actuarial cost method | Entry age |
| Amortization method | Level percent open |
| Remaining amortization period | 15 years |
| Asset valuation method | 3-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return * | 7.5% |
| Projected salary increases * | 5.0-12.0% |
| * Includes inflation at | 4.0% |
| Cost of living adjustments | 3.0% |

The actuarial assumptions used have been recommended by the actuary and adopted by the System's Board of Trustees based on the most recent review of the System's experience, completed in 2005.

The rate of employer contributions to the plan is composed of normal cost, amortization of the unfunded actuarial accrued liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future normal employer costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability. The allowance for administrative costs is based upon the plan's actual administrative expenses.

The actuarial valuation performed as of July 1, 2009 in accordance with the GASB methodology resulted in a contribution rate of 35.49% for fiscal 2011, which is an increase of 4.8% over the fiscal 2010 rate of 30.69%. Beginning with fiscal 2003, the funding policy was revised to further stabilize the contribution rate. The methodology now in place sets the employer contribution rate equal to the normal cost and allowance for administrative expense. Amortization of the unfunded liability is included in the contribution rate only for any benefit and actuarial assumption changes or if the actuarial funding ratio falls outside a corridor of 90% and 120%. Use of the corridor method, with adjustments for plan changes effective after the valuation date, results in an adopted rate of 30.56% for fiscal year 2011, an increase of 4.1% over the fiscal year 2010 rate of 26.46%.

C. Investments

The authority to establish the System is set forth in Section 51.1-800 *Code of Virginia* (Code). Section 51.1-803 of the Code authorizes fiduciaries of the System to purchase investments *with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. The Board shall also diversify such investments as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.* While the System is not subject to the provisions of the Employee Retirement Income Security Act (ERISA), the Board of Trustees endeavors to comply with the spirit of ERISA to the extent that it does not conflict with the Code of Virginia.

The System has adopted a Statement of Investment Objectives and Policies whose general investment philosophy is to maintain a well-diversified, high-quality investment program that can meet the long-term needs of the members of the System. The Board of Trustees believes that the retention of experienced money management professionals with proven investment disciplines is the best means of attaining the System's investment goals and that the investment program should be sufficiently flexible to adapt to changes in the financial markets. Investment decisions for these assets are made by the Board of Trustees or investment managers selected by the Board. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. Each individual investment portfolio is managed by an investment management firm selected by the Board. Each investment portfolio has a specific benchmark and investment guidelines. The interest rate risk for the fixed income accounts is controlled by limiting the credit quality of the securities held and the duration of the portfolio against the duration of the benchmark. While the overall investment guidelines do not specifically address concentration of credit risk, managers have specific quality and concentration limits appropriate for the type of mandate they are managing and that fit within the total risk tolerance of the fund. The System does not have investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represents 5 percent or more of net assets available for benefits. All investments, except for the pooled and mutual funds, short-term investment fund and a short-term collateral investment pool are held by an unaffiliated custodian. There is no custodial credit risk since the custodian's records establish the System's interest in the securities.

The System's fixed income portfolio shall be, on average, comprised of high-quality issues and limits are imposed on investment manager's below-investment-grade holdings. Unless otherwise specified, if any security has a split rating, the lower of the two ratings is used for the purposes of meeting minimum quality standards.

The System's investment quality ratings at June 30, 2010 were as follows:

| <u>Type of Investment</u> | <u>Fair Value</u> | <u>Ratings</u> | <u>Percent of Fixed</u> |
|------------------------------|----------------------|----------------|-------------------------|
| U. S. Government Obligations | \$16,194,403 | AAA | 8.2% |
| Corporate and other bonds | 21,105,983 | AAA | 10.6% |
| | 9,452,656 | AA | 4.8% |
| | 29,048,819 | A | 14.6% |
| | 16,811,489 | BBB | 8.5% |
| | 1,503,334 | BB | 0.8% |
| | 910,968 | B | 0.4% |
| | - | CCC | 0.0% |
| | - | CC | 0.0% |
| | - | C | 0.0% |
| | - | D | 0.0% |
| | 6,955,205 | UNRATED | 3.5% |
| Asset Backed | 57,926,775 | AAA | 29.2% |
| | 2,722,753 | AA | 1.4% |
| | 5,228,778 | A | 2.6% |
| | 920,958 | BBB | 0.5% |
| | 1,170,705 | BB | 0.6% |
| | 2,869,529 | B | 1.4% |
| | 9476,724 | CCC | 4.8% |
| | 4,217,875 | CC | 2.1% |
| | 212,653 | D | 0.1% |
| | <u>11,728,583</u> | <u>UNRATED</u> | <u>5.9%</u> |
| Total Fixed Income | \$198,458,190 | AA | 100.0% |
| Short Term | \$7,918,763 | AAA | |
| | <u>40,024,430</u> | UNRATED | |
| Total Short Term | \$47,943,193 | | |

As of June 30, 2010 the fixed income portfolio exhibited an overall credit quality rating of "AA", and 10.2% of the portfolio was invested in below-investment-grade securities.

The Barclays Capital Aggregate Bond Index (BCAG) is the standard benchmark against which the industry and the System's Board measures its portfolio performance and volatility. The System's fixed income managers have discretion, within circumscribed limits, to extend the duration of their portfolios beyond that of the BCAG if they forecast falling interest rates (and thus higher bond prices). Conversely, if managers anticipate that the general level of interest rates will rise, they have the ability to shorten the duration of their portfolio and thus reduce the portfolio's sensitivity to rising rates.

The System's investments' sensitivity to interest rates at June 30, 2010 follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Option-Adjusted Duration (yrs)</u> | <u>Percentage of Fixed</u> |
|------------------------------|-------------------------|---------------------------------------|----------------------------|
| U. S. Government Obligations | \$16,194,403 | 11.3 | 8.2% |
| Corporate and other bonds | 85,788,454 | 5.9 | 43.2% |
| Asset-Backed | <u>96,475,333</u> | <u>2.8</u> | <u>48.6%</u> |
| Total Fixed Income | \$198,458,190 | 4.8 | 100.0% |
| Short-Term Investments | \$47,943,193 | 0.8 | |

As of June 30, 2010 the System's overall fixed income portfolio duration was 4.8 years compared with 4.3 years duration of the BCAG.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The System's investments at June 30, 2010 held in currencies other than U.S. dollars were as follows:

| <u>International Securities</u> | <u>Short Term & Other</u> | <u>Equity</u> | <u>Convertible and Fixed Income</u> | <u>Total</u> |
|---------------------------------|-------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Japanese Yen | \$ - | \$41,349,241 | \$ - | \$41,349,241 |
| British Pound Sterling | 6,462 | 28,237,200 | 3,376,130 | 31,619,792 |
| Euro Currency Unit | 84,102 | 28,211,016 | 759,771 | 29,054,889 |
| Australian Dollar | 25,327 | 3,143,614 | 6,105,214 | 9,274,155 |
| Swiss Franc | 40 | 6,041,083 | - | 6,041,123 |
| Swedish Krona | - | 4,266,038 | 1,087,128 | 5,353,166 |
| Norwegian Krone | - | 2,469,033 | 2,693,029 | 5,162,062 |
| South Korean Won | - | 1,869,829 | 2,964,118 | 4,833,947 |
| Malaysian Ringgit | - | 1,283,624 | 3,213,784 | 4,497,408 |
| Other Currencies | <u>5,262</u> | <u>15,097,383</u> | <u>17,700,985</u> | <u>32,803,630</u> |
| Total fair value | <u>\$121,193</u> | <u>\$131,968,061</u> | <u>\$37,900,159</u> | <u>\$169,989,413</u> |

Derivative Financial Instruments. In accordance with the Board's investment policies, the System regularly invests in derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities to manage exposure to certain risks within the fund. The System also enters into derivative transactions to gain exposure to currencies and markets where derivatives are the most cost-effective instrument. During fiscal 2010, the System invested directly in various derivatives including asset-backed securities, collateralized mortgage obligations, exchange-traded futures contracts, forward currency contracts, options, swaps, and floating rate securities. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's investment policy seeks to

control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain commingled funds which may use, hold or write derivative financial instruments.

As permitted by the Board's policies, the System holds off-financial statement derivatives. The fair value of the derivatives held for investment purposes as of June 30, 2010 was approximately \$78,444,885.00. At June 30, 2010, the System had approximately \$739,346.00 net exposure in currency forwards contracts. Gains and losses on derivative securities are determined based upon fair values and recorded in the Statements of Changes in Plan Net Assets.

Securities Lending. The Board of Trustees' policies permit the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodian is the agent in lending the plan's domestic securities for collateral of 102.0% and international securities of 105.0%. The custodian receives cash or securities as collateral from the borrower.

The following represents the balances relating to the securities lending transactions at June 30, 2010.

| <u>Securities Lent</u> | <u>Underlying Securities</u> | <u>Cash Collateral Investment Value</u> | <u>Securities Collateral Investment Value</u> |
|---------------------------------|------------------------------|---|---|
| Lent for cash collateral: | | | |
| U.S. Government securities | \$9,419,952 | \$9,612,623 | \$ - |
| Corporate and other bonds | 13,545,642 | 13,867,962 | - |
| Common and preferred stock | 40,596,968 | 41,985,851 | - |
| Lent for securities collateral: | | | |
| Corporate and other bonds | 777,259 | - | 796,690 |
| Common and preferred stock | <u>21,912,817</u> | - | <u>24,475,803</u> |
| Total securities lent | <u>\$86,252,638</u> | <u>\$65,466,436</u> | <u>\$25,272,493</u> |

The System did not impose any restrictions during fiscal 2010 on the amounts of loans the lending agent made on its behalf. At year end, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. The custodian provides full indemnification to the System for any losses that might occur in the program due to the failure of a broker/dealer to return a borrowed security or failure to pay the System income earned on the securities while on loan.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in the lending agent's collective collateral investment pool which at June 30, 2010 had a weighted-average maturity of two days.

D. Income Taxes

The Internal Revenue Service issued a determination letter on November 24, 2003, which stated that the System and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from federal income taxes.

Required Supplementary Information

Seven-year historical trend information about the System is presented here as required supplementary information. This information is intended to help users assess the System’s funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems.

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (in thousands) (a) | Actuarial Accrued Liability – AAL Entry – Age (in thousands) (b) | Unfunded AAL – UAAL (in thousands) (b-a) | Funded Ratio (a/b) | Covered Payroll (in thousands) (c) | UAAL as a Percentage of Covered Payroll (in thousands) ((b-a)/c) |
|---|---|---|---|-----------------------------------|---|---|
| 7/1/2003 | \$715,797 | \$795,342 | \$79,545 | 90.00% | \$100,749 | 79.0% |
| 7/1/2004 | 767,357 | 881,015 | 113,658 | 87.10% | 102,960 | 110.4% |
| 7/1/2005 | 830,702 | 974,106 | 143,404 | 85.28% | 109,067 | 131.5% |
| 7/1/2006 | 921,414 | 1,102,669 | 181,255 | 83.56% | 127,467 | 142.2% |
| 7/1/2007 | 1,028,385 | 1,206,624 | 178,239 | 85.23% | 136,487 | 130.6% |
| 7/1/2008 | 1,097,994 | 1,285,694 | 187,700 | 85.40% | 142,724 | 131.5% |
| 7/1/2009 | 1,074,230 | 1,351,204 | 276,974 | 79.50% | 147,083 | 188.3% |

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the System’s funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System’s progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the System.

Schedule of Employer Contributions

| Fiscal Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|--------------------------------------|---|-----------------------------------|
| 2004 | \$25,186,003 | 99% |
| 2005 | 32,320,929 | 84% |
| 2006 | 38,629,304 | 83% |
| 2007 | 43,009,853 | 85% |
| 2008 | 46,849,354 | 83% |
| 2009 | 47,247,396 | 86% |
| 2010 | 47,289,026 | 86% |

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Capital Markets and Economic Conditions

Fiscal Year 2010 Economic Environment

The fiscal year ending 2010 witnessed a year of gradual recovery following the deepest recession since the Great Depression of the 1930s. The 2007-2009 recession wiped out 7.3 million jobs, cut 4.1% from economic output and cost Americans 21% of their net worth. Equity markets, anticipating the economic recovery, troughed in February of 2009 and began a year-long climb that retraced nearly 75% of the recessionary decline, while the economy sputtered at a subpar rate of growth. The recession officially ended in June of 2009, which marked the beginning of our 2010 fiscal year. During the initial quarters of the recovery in fiscal 2010, optimism was strong that with rock bottom interest rates and numerous government stimulus programs, the economy could stage a solid recovery. However, by the end of the fiscal year in June 2010, this optimism had waned as unemployment remained stubbornly high, businesses and consumers continued to deleverage their balance sheets, and no answers were found to alleviate the mortgage crisis.

During the final quarter of the year, concerns that Greece would default on its debt shook global bond markets. Fears that other European countries might be in similarly poor situations led to a flight to quality and appreciation in the U.S. Dollar and U.S. Treasuries. Other events during the quarter also dented investor confidence, including the U.S. financial reform debates, the BP Gulf of Mexico oil spill, charges of fraud brought by the SEC against Goldman Sachs and signs of slowing growth in China.

During the past fiscal year the Federal Open Market Committee (FOMC) held rates at the target range of 0.0% to 0.25%, as it saw little risk of near-term inflation. Core inflation declined over the last year from 1.7% to 0.9%.

Equity Markets

Equity markets were positive across the board. The S&P 500 Index gained 14.4% for the fiscal year, in spite of a decline in the final June quarter of 11.4%, as prices fizzled after peaking in April of 2010. Small capitalization stocks outperformed large capitalization stocks, as the Russell 2000 Index returned 21.5% during the year. For the fiscal year, value stocks outperformed growth stocks. The two best performing economic sectors during the year were industrials and consumer discretionary, both of which gained over 26%. The energy sector was the worst performing sector among large cap U.S. stocks, gaining 3.5% for the fiscal year.

The international developed equity markets underperformed the domestic markets in fiscal 2010. The MSCI EAFE Index returned 6.4%, trailing the S&P 500 Index by around 8 percentage points. The rebound of developed international countries from the bottom was hindered by lingering effects of the financial crisis, problems with sovereign balance sheets including Greece and a resurgence of double-dip recession fears. Again in 2010, a strengthening U.S. dollar detracted from returns for U.S.-based investors. Emerging markets were the bright spot in 2010, outperforming all major equity markets with a gain of 23.5% for the year. Emerging market countries had an uneven ride however, gaining 31.4% in the first half of the fiscal year and then declining 6.0% in the last two quarters of the year.

Real Estate Markets

Real estate markets were particularly volatile over the past two fiscal years. Public REIT markets, which reacted immediately to the recession by falling over 70%, achieved a sharp rebound in fiscal 2010 as investors realized that REITs possessed reasonable balance sheets, retained access to capital markets, and would be in a prime position to take advantage of distress in the commercial property marketplace. The FTSE NAREIT Index gained 53.9% for the year. Private real estate markets, on the other hand, have experienced a gradual decline in valuations throughout the two year period as occupancies and rents have continued to slide lower.

Fixed Income Markets

Fixed income markets performed well for the fiscal year. After starting the year with extremely high interest rates for corporate and other higher-risk bonds, the Barclays Capital Aggregate Bond Index returned 9.5% for the year. Corporate bond spreads decreased during the year as investors seized on the opportunity to take advantage of market dislocations stemming from the financial crisis. The market tone changed however, during the final fiscal quarter as resurgent economic concerns drove investors back into the safety of Treasury bonds. Despite this move, corporate bonds outperformed government bonds during the year 14.7% to 6.5%, as measured by the Barclays Capital Credit Index and Barclays Capital Government Index, respectively. Lower quality issues rallied during the year as the Barclays Capital High Yield Composite Index gained 26.8%.

Uniformed System

The Uniformed Retirement System operates a sound and diversified investment program with disciplined asset re-balancing to achieve strategic long-term goals. That disciplined investment process has been effective in achieving a long-term record of consistent asset growth.

For fiscal 2010, investments provided a return of 16.0%, gross of fees (15.5%, net of fees), reflecting the recovery of the economic environment. The System's annualized rates of return, gross of fees, were -3.1% (-3.5%, net of fees) over the last three years and 3.7%, (3.3%), over the last five years. These System returns ranked in the 11th percentile of The Bank of New York Mellon universe of public plans in 2010, in the 42nd percentile for the latest 3-year period, and in the 23rd percentile of public plans for the last 5 years.

During the past twelve months there were changes made to the manager lineup of the System. The System terminated TCW, due to major changes in its organization structure, and hired DoubleLine Capital to manage mortgage-backed securities in the fixed income allocation. Pantheon Ventures Global Secondary Fund was also added to the roster of private equity investments.

Investments by Category and Investment Manager

June 30, 2010

| Asset Class | | | % of Total |
|--|---------------------------------|----------------------|-------------------|
| Manager | Investment Style | Total Assets | Net Assets |
| <i>Domestic Equities</i> | | | |
| BGI Alpha Tilts Fund * | Enhanced S&P 500 Index | \$100,508,896 | 10.2% |
| Bridgewater Associates* | Enhanced S&P 500 Index | 45,537,109 | 4.6% |
| FrontPoint Partners* | Enhanced S&P 500 Index | 31,955,310 | 3.2% |
| NCM Capital | Mid Cap Growth | 36,670,646 | 3.7% |
| Advisory Research | Small/Mid Cap Value | 42,228,121 | 4.3% |
| <i>International Equities</i> | | | |
| Marathon Asset Management | Developed Markets | 112,234,530 | 11.3% |
| Artio Global Investors* | Developed Markets | 37,050,527 | 3.7% |
| Victory Capital | Developed Markets. Small Cap | 29,115,989 | 2.9% |
| Acadian Asset Management* | Emerging Markets | 51,458,888 | 5.2% |
| <i>Fixed Income</i> | | | |
| Pacific Investment Management Co. (PIMCO) | Total Return Core Bonds | 93,516,306 | 9.5% |
| Pacific Investment Management Co. (PIMCO)* | Distressed Opportunity | 20,557,089 | 2.1% |
| Brandywine Asset Management | Global Bonds | 67,941,060 | 6.9% |
| DoubleLine Capital | Mortgage-Backed Securities | 54,140,556 | 5.5% |
| Trust Company of the West | Distressed Opportunity | 96,713 | 0.0% |
| Ashmore Investment Management | Emerging Markets Debt | 32,688,724 | 3.3% |
| King Street Capital* | High Yield Bonds | 62,257,993 | 6.3% |
| <i>Real Estate</i> | | | |
| UBS Realty* | Direct Real Estate | 37,446,798 | 3.8% |
| Cohen & Steers Capital Management | Real Estate Investment Trusts | 10,027,898 | 1.0% |
| <i>Alternative Investments</i> | | | |
| Dorset Asset Management* | Long/Short Absolute Return Fund | 20,434,693 | 2.1% |
| Acadian Asset Management* | Long/Short Absolute Return Fund | 12,653,520 | 1.3% |
| Orbimed Advisors* | Long/Short Absolute Return Fund | 23,417,046 | 2.4% |
| Ramius Value and Opportunity* | Small Cap Value Activist | 20,536,889 | 2.1% |
| Pantheon Private Equity* | Private Equity | 8,763,979 | 0.9% |
| J.P. Morgan Private Equity* | Private Equity | 9,814,081 | 1.0% |
| HarbourVest Private Equity* | Private Equity | 11,525,285 | 1.2% |
| <i>Short-term</i> | | | |
| BNY Mellon Cash Investment Strategies | Plan Level Cash Accounts | 15,286,809 | 1.5% |
| Cash Held at County Treasurer | Operating Cash Account | <u>1,196,908</u> | <u>0.1%</u> |
| Net Assets | | \$989,062,361 | 100.0% |

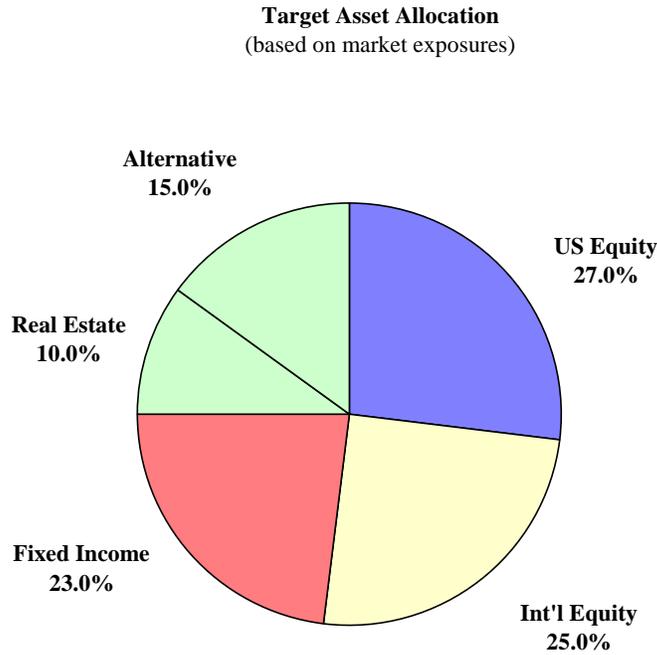
* Pooled fund

Uniformed Retirement System – Allocation of Market Exposures

Target Asset Allocation

The asset structure shown below represents the Trustees’ assessment of their optimal asset allocation as of June 30, 2010. The target asset allocation provides a reasonable expectation that the System’s investment objective can be achieved based on historic relationships of asset class performance.

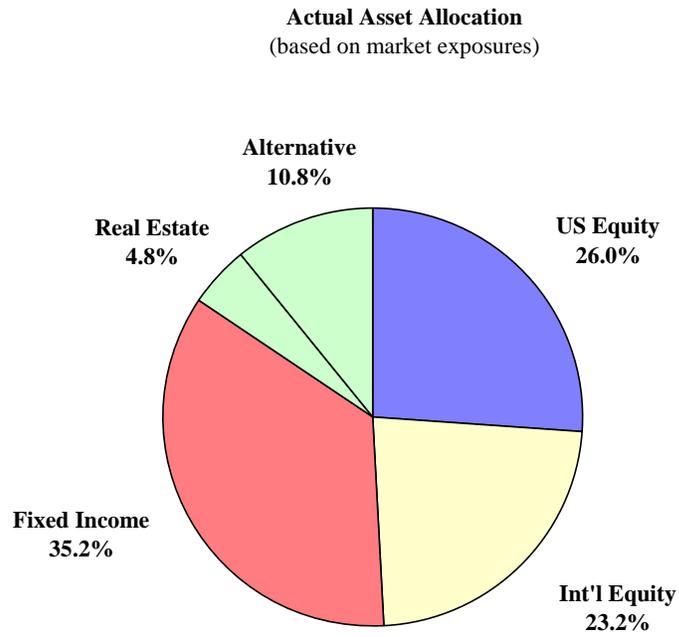
The pie chart below details the target asset mix, consistent with the achievement of the long-term objectives of the System, as of June 30, 2010.



Actual Asset Allocation as of June 30, 2010

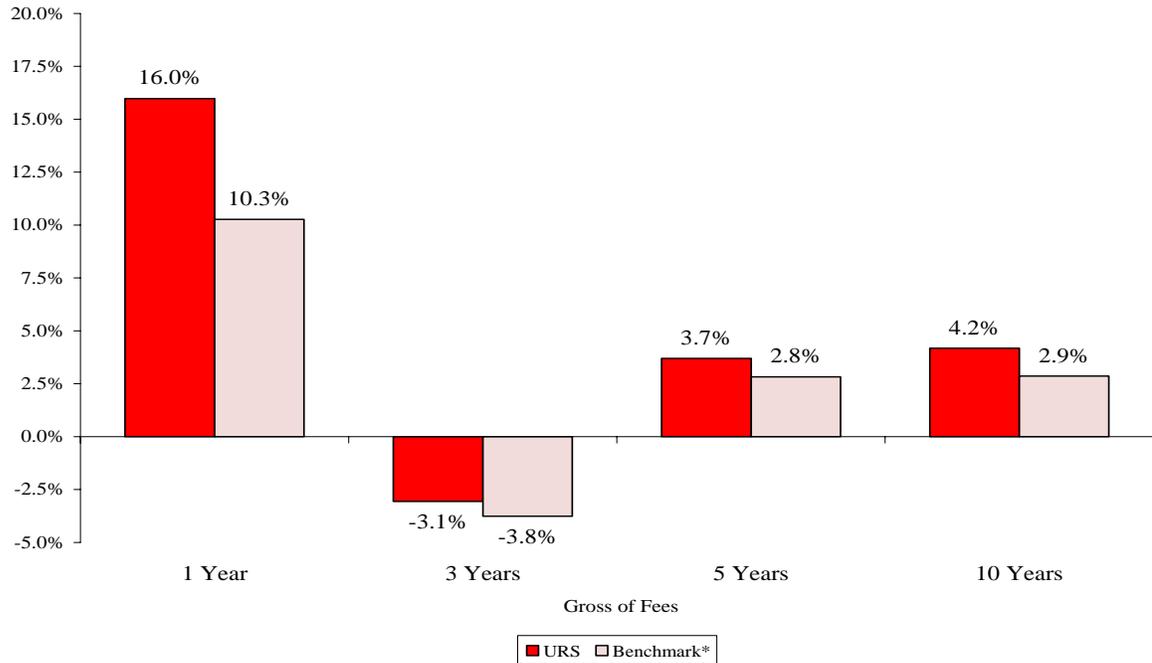
The asset structure of URS has historically reflected a proper balance of the System’s needs for liquidity, growth of assets, and risk tolerance. The System’s investment policy is designed to continue to meet its long-term investment objectives while, at the same time, providing sufficient flexibility to meet short-term funding requirements.

The pie chart below detail the actual asset allocation as of June 30, 2010.



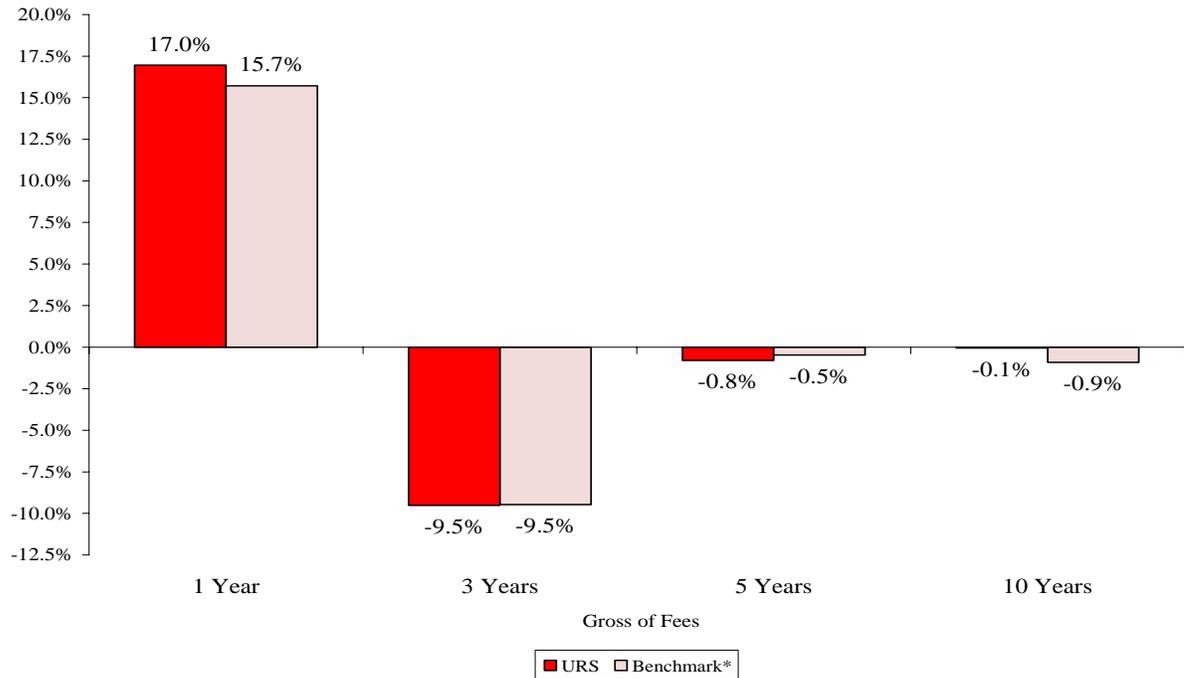
Investment Results

Total Fund:



*Benchmark: 23% S&P 500, 9% Russell 2000, 15% MSCI EAFE, 5% MSCI EAFE Small Cap, 5% MSCI Emerging Markets, 9% Barclays Aggregate, 5% Barclays High Yield, 6% Citigroup WGBI, 10% NCREIF Property, 10% 90 Day T-Bill + 300 bps, 3% JPM EMBI Global Diversified

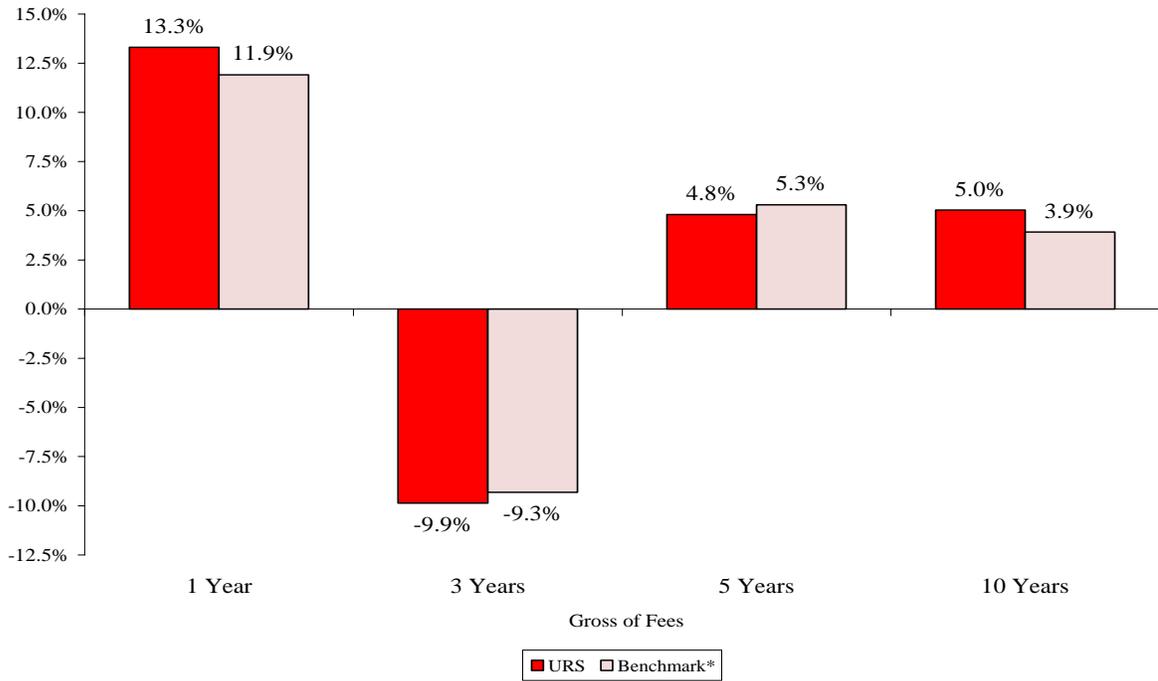
Domestic Equity:



*Benchmark: 75% Russell 3000, 16.7% MSCI EAFE, 8.3% MSCI Emerging Markets Free Gross

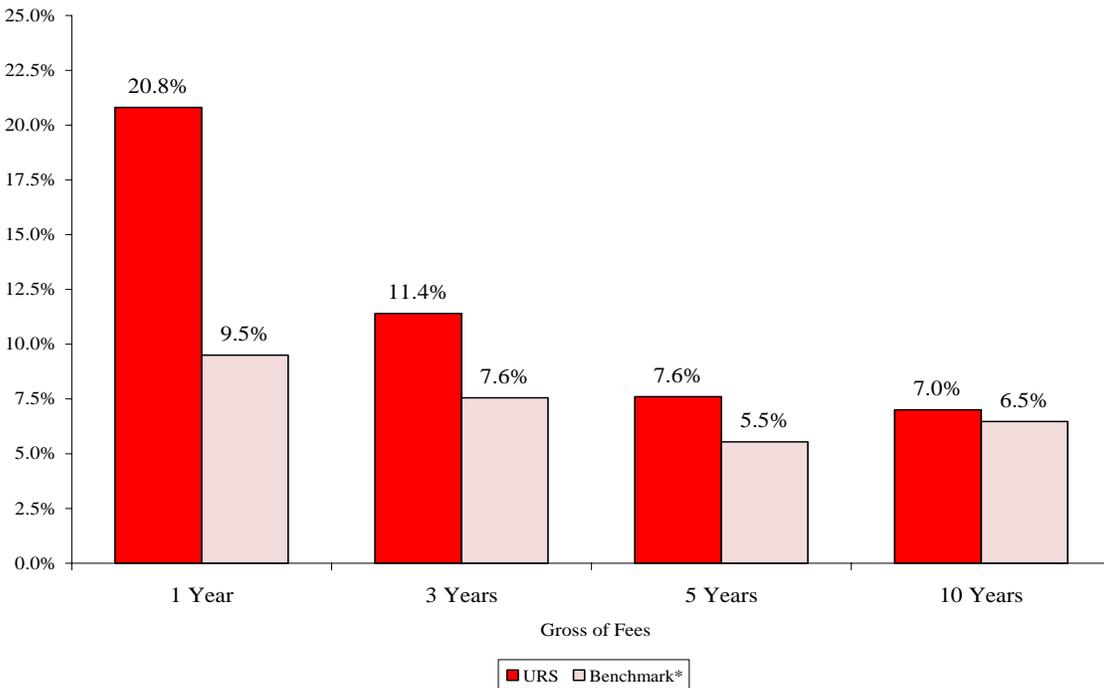
Investment Results

International Equity:



*Benchmark: 66.7% MSCI EAFE, 33.3% MSCI Emerging Markets Free Gross

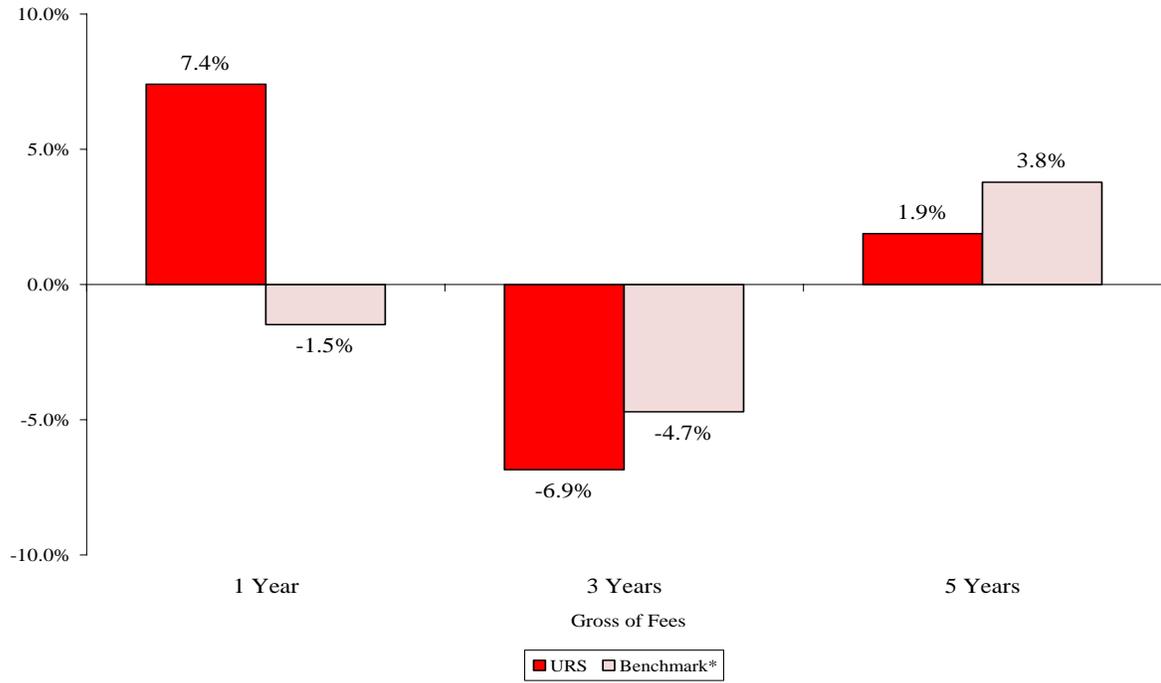
Fixed Income:



*Benchmark: Barclays Aggregate

Investment Results

Real Estate:



*Benchmark: NCREIF Property Index

Schedule of Ten Largest Equity & Fixed Income Holdings

Ten Largest Equity Holdings

| <u>No. Shares</u> | <u>Description</u> | <u>Cost</u> | <u>Fair Value</u> | <u>% of Total Portfolio</u> |
|-------------------|------------------------------|---------------------|---------------------|-----------------------------|
| 40,240 | Oneok Inc | \$1,701,458 | \$1,740,380 | 0.18% |
| 46,880 | Plum Creek Timber Co Inc | 2,039,902 | 1,618,766 | 0.16% |
| 4,695 | White Mountains Incs Grp Inc | 2,033,199 | 1,522,119 | 0.15% |
| 27,625 | SL Green Realty Corp | 1,632,937 | 1,520,480 | 0.15% |
| 38,110 | Vail Resorts Inc | 1,956,498 | 1,330,420 | 0.13% |
| 27,800 | Esterline Technologies Corp | 1,150,988 | 1,319,110 | 0.13% |
| 275,115 | BP | 2,263,840 | 1,312,591 | 0.13% |
| 89,063 | Denbury Resources Inc | 821,649 | 1,303,882 | 0.13% |
| 41,040 | Cabot Oil & Gas Corp | 1,341,428 | 1,285,373 | 0.13% |
| 14,398 | Public Storage | <u>1,252,345</u> | <u>1,265,728</u> | <u>0.13%</u> |
| | Total | \$16,194,244 | \$14,218,850 | 1.42% |

Ten Largest Fixed Income Holdings

| <u>Par Value (in local values)</u> | <u>Description</u> | <u>Cost (in U.S. Dollars)</u> | <u>Fair Value (in U.S. Dollars)</u> | <u>% of Total Portfolio</u> |
|--|-------------------------------|-----------------------------------|---|-----------------------------|
| 4,557,974 | FNMA Pool, 6%, 8/1/2038 | \$4,782,518 | \$4,949,230 | 0.50% |
| 3,455,000 | U.S. Treasury Bond, 4.500% | 3,866,097 | 3,810,761 | 0.39% |
| 4,305,000 | New South Wales Treasury Corp | 3,276,368 | 3,659,323 | 0.37% |
| 3,433,700,000 | Korea (Republic of), 5.750% | 3,115,739 | 2,964,118 | 0.30% |
| 2,900,000 | U.S. Treasury Note, 2.750% | 2,888,100 | 2,961,161 | 0.30% |
| 2,744,207 | FHLMC Pool, 5.500% | 2,835,180 | 2,948,321 | 0.30% |
| 2,547,074 | FHLMC Pool, 5.500% | 2,470,662 | 2,736,526 | 0.28% |
| 16,965,000 | Norway (Kingdom of) Bds, 6% | 3,012,804 | 2,693,029 | 0.27% |
| 9,130,000 | Poland (Republic of), 5.250% | 3,319,421 | 2,635,806 | 0.27% |
| 5,097,000 | Nota do Tesouro Nacional, 10% | <u>2,531,451</u> | <u>2,431,856</u> | <u>0.25%</u> |
| | Total | \$32,098,340 | \$31,790,132 | 3.23% |

Schedule of Brokerage Commissions

As of June 30, 2010

| <u>Broker Name</u> | <u>Base Volume</u> | <u>Total Shares</u> | <u>Base Commission</u> | <u>Commission Percentage</u> |
|--|-----------------------------|----------------------------|-------------------------------|-------------------------------------|
| Deutsche Bk Sec Inc, New York | \$1,907,362 | 929 | \$5,271 | 0.28% |
| Citigroup Gbl Mkts Inc, New York | 5,343,168 | 340,528 | 12,055 | 0.23% |
| Credit Agricole Cheuvreux, Courbevoie | 1,991,426 | 151,482 | 4,268 | 0.21% |
| Dbs Securities, Singapore | 1,590,067 | 1,998,554 | 3,359 | 0.21% |
| Woori Investment & Securities, Seoul | 1,431,291 | 23,030 | 2,869 | 0.20% |
| Kim Eng Sec (Pte) Ltd, Singapore | 1,472,269 | 1,529,375 | 2,948 | 0.20% |
| Samsung Secs, Seoul | 1,386,296 | 72,196 | 2,769 | 0.20% |
| Macquarie Securities Limited, Hong Kong | 1,439,346 | 2,085,169 | 2,754 | 0.19% |
| Jefferies & Co Inc, New York | 1,912,649 | 98,489 | 3,499 | 0.18% |
| Credit Lyonnais Secs, Singapore | 2,913,659 | 1,492,345 | 5,272 | 0.18% |
| Morgan Stanley & Co Inc, NY | 2,877,899 | 177,581 | 5,160 | 0.18% |
| First Clearing LLC, Richmond | 3,831,692 | 218,786 | 6,564 | 0.17% |
| Bnp Paribas Peregrine Sec Ltd, Hong Kong | 1,138,658 | 504,166 | 1,940 | 0.17% |
| Conifer Securities LLC, Jersey City | 1,870,302 | 111,046 | 3,126 | 0.17% |
| Mitsubishi Ufj Sec (USA), New York | 2,410,541 | 170,085 | 4,006 | 0.17% |
| Numis Securities Inc., New York | 1,459,165 | 263,553 | 2,385 | 0.16% |
| Credit Suisse (Europe), London | 1,518,224 | 282,075 | 2,457 | 0.16% |
| Goldman Sachs & Co, NY | 1,480,813 | 414,169 | 2,386 | 0.16% |
| Kas Bank Nv, Amsterdam | 1,769,752 | 71,620 | 2,845 | 0.16% |
| UBS Equities, London | 3,064,424 | 442,783 | 4,719 | 0.15% |
| Intermonte Sec Cim, Milan | 1,177,550 | 106,253 | 1,799 | 0.15% |
| Citigroup Gbl Mkts/Salomon, New York | 1,836,627 | 428,376 | 2,789 | 0.15% |
| Merrill Lynch Intl London Equities | 2,287,056 | 286,646 | 3,442 | 0.15% |
| J P Morgan Sec, Sydney | 1,363,728 | 455,406 | 2,046 | 0.15% |
| Daiwa Secs Amer Inc, New York | 2,295,289 | 153,902 | 3,441 | 0.15% |
| Skandinaviska Enskilda Banken, London | 1,983,286 | 201,260 | 2,973 | 0.15% |
| BNY Convergenx / LJR, Houston | 6,140,672 | 298,126 | 8,944 | 0.15% |
| Nomura Secs Intl Inc, New York | 2,256,947 | 114,361 | 3,282 | 0.15% |
| Frank Russell Securities, Jersey City | 15,964,355 | 572,664 | 22,907 | 0.14% |
| J P Morgan Secs Ltd, London | 1,877,304 | 173,461 | 2,641 | 0.14% |
| Pershing LLC, Jersey City | 1,739,629 | 70,280 | 2,389 | 0.14% |
| Deutsche Bk Secs Inc, NY | 2,705,121 | 112,456 | 3,694 | 0.14% |
| Merrill Lynch Pierce Fenner, Wilmington | 2,712,936 | 525,457 | 3,700 | 0.14% |
| Cap Instl Svcs Inc-Equities, Dallas | 28,349,385 | 950,875 | 38,035 | 0.13% |
| Frank Russell Sec Inc, New York | 2,398,779 | 102,602 | 3,078 | 0.13% |
| Macquarie Equities Ltd, Sydney | 3,037,257 | 1,012,505 | 3,629 | 0.12% |
| Mitsubishi Ufj Secs Intl Plc, London | 1,719,157 | 180,642 | 2,036 | 0.12% |
| Cabrera Capital Markets, Chicago | 2,446,455 | 71,780 | 2,825 | 0.12% |
| Merrill Lynch Pierce Fenner Smith Inc NY | 3,775,765 | 128,750 | 4,252 | 0.11% |
| Cantor Fitzgerald & Co Inc, New York | 1,880,488 | 58,537 | 2,105 | 0.11% |
| Nomura Secs Intl, London | 2,808,465 | 272,496 | 3,015 | 0.11% |
| UBS Securities LLC, Stamford | 10,505,232 | 37,769 | 10,543 | 0.10% |
| J.P. Morgan Clearing Corp, New York | 4,631,983 | 965,791 | 4,372 | 0.09% |
| Stifel Nicolaus | 3,310,078 | 77,305 | 2,941 | 0.09% |
| Capital Institutional Svcs, New York | 1,416,440 | 1,250,000 | 1,178 | 0.08% |
| Jackson Partners & Assocs Inc, New York | 1,077,095 | 20,300 | 812 | 0.08% |
| Deutsche Bk Intl Eq, Londn | 3,156,480 | 343,130 | 1,836 | 0.06% |
| Investment Technology Group, New York | 2,942,880 | 95,966 | 1,496 | 0.05% |
| Barclays Capital Inc, Whippany | 1,790,604 | 16,300 | 49 | 0.00% |
| Barclays Capital Le, Jersey City | 1,689,992 | 14,200 | 43 | 0.00% |
| <u>Other Brokers</u> | <u>54,364,747</u> | <u>9,818,681</u> | <u>84,297</u> | <u>0.16%</u> |
| Total | <u>\$218,450,784</u> | <u>29,364,238</u> | <u>\$311,241</u> | <u>0.14%</u> |

Investment Summary
(Based on Capital Allocation)

| | <u>As of June 30, 2009</u> | | <u>As of June 30, 2010</u> | |
|------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| | <u>Market Value</u> | <u>% Market Value</u> | <u>Market Value</u> | <u>% Market Value</u> |
| Domestic Equities | \$220,468,712 | 25.5% | \$256,900,081 | 26.0% |
| International Equities | 204,134,055 | 23.6% | 229,859,934 | 23.2% |
| Fixed Income | 293,010,325 | 33.9% | 331,198,439 | 33.5% |
| Real Estate | 44,542,268 | 5.1% | 47,474,696 | 4.8% |
| Alternatives | 98,710,184 | 11.4% | 107,145,493 | 10.8% |
| Short-term | <u>4,339,674</u> | <u>0.5%</u> | <u>16,483,717</u> | <u>1.7%</u> |
| Total | \$865,205,219 | 100.0% | \$989,062,361 | 100.0% |

Schedule of Direct Investment Management Fees

As of June 30, 2010

| Asset Class | Manager | Investment Style | Total Assets | Fees |
|---------------------------------------|---|-------------------------------|-----------------------|--------------------|
| <i>Domestic Equities</i> | | | | |
| | BGI Alpha Tilts Fund | Enhanced S&P 500 Index | \$100,508,896 | \$275,239 |
| | NCM Capital | Mid Cap Growth | 36,670,646 | 290,850 |
| | Advisory Research | Small/Mid Cap Value | 42,228,121 | 392,031 |
| <i>International Equities</i> | | | | |
| | Marathon Asset Management | Developed Markets | 112,234,530 | 611,945 |
| | Artio Global Investors | Developed Markets | 37,050,527 | 214,616 |
| | Victory Capital | Developed Markets. Small Cap | 29,115,989 | 292,218 |
| | Acadian Asset Management | Emerging Markets | 51,458,888 | 372,176 |
| <i>Fixed Income</i> | | | | |
| | Pacific Investment Management Co. (PIMCO) | Total Return Core Bonds | 93,516,306 | 317,169 |
| | Brandywine Asset Management | Global Bonds | 67,941,060 | 260,923 |
| | Trust Company of the West* | Mortgage-Backed Securities | - | 313,830 |
| | DoubleLine Capital | Mortgage-Backed Securities | 54,140,556 | 60,181 |
| <i>Real Estate</i> | | | | |
| | UBS Realty | Direct Real Estate | 37,446,798 | 205,742 |
| | Cohen & Steers Capital Management | Real Estate Investment Trusts | 10,027,898 | 38,615 |
| <i>Alternative Investments</i> | | | | |
| | J.P. Morgan Private Equity | Private Equity | 9,814,081 | 135,521 |
| <i>Short-term</i> | | | | |
| | BNY Mellon Cash Investment Strategies | Plan Level Cash Accounts | <u>15,286,809</u> | <u>30,669</u> |
| Total | | | \$ 697,441,105 | \$3,811,727 |

* Terminated during FY 2010

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Classic Values, Innovative Advice

March 3, 2010

Fairfax County Uniformed
Retirement System
10680 Main Street, Suite 280
Fairfax, Virginia 22030-3812

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of the Fairfax County Uniformed Retirement System as of July 1, 2009. The results of the valuation are contained in this report.

Funding Objective

The funding objective of the System is to establish contribution rates which, over time, will remain level as a percent of payroll. In order to achieve a more stable contribution rate the County implemented a corridor funding method on July 1, 2002 (based on the July 1, 2001 valuation results). Under this approach the contribution rate is based on the normal cost rate and expense rate on July 1, 2001, adjusted for subsequent plan changes, including a 15 year amortization of any UAL impact. This rate will otherwise remain at this level as long as the actuarial funded ratio remains within a corridor of 90% to 120%. Since the funding ratio is currently below 90%, additional contributions are being made by the County.

Assumptions

The actuarial assumptions used in performing the July 1, 2009 valuation were recommended by the actuary and adopted by the Board of Trustees based on our most recent review of the System's experience for the five year period ending June 30, 2005. The assumptions reflect our understanding of the likely future experience of the System and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from these assumptions, the true cost of the System could vary from our results.

The assumptions and methods used in performing this valuation meet the parameters set by Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*.

Reliance on Others

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. The census data provided was reviewed for reasonableness and for consistency with prior year's data.

1750 Tysons Boulevard, Suite 1100, McLean, VA 22102

Tel: 703.893.1456

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www.cheiron.us



March 3, 2010
Fairfax County Uniformed Retirement System
Page 2

Supporting Schedules

We are responsible for all supporting schedules to be found in the Actuarial Section.

We are responsible for the 2004 through 2009 information in the Schedule of Funding Progress, Schedule of Employer Contributions and Notes to Trend Data shown in the Financial Section.

Compliance with Code of Virginia §51.1-800

Code of Virginia §51.1-800 requires that the benefits provided to a retiree at age 65 from a local retirement system equal or exceed two-thirds of the allowance to which the employee would be entitled under the provisions of the Virginia Retirement System (VRS). The Board of Trustees of the VRS is to determine whether a local system satisfies this condition, taking into account differences in member contributions between the local system and the VRS.

Although there is no formal procedure for making this comparison, we compared the least valuable rate under the Uniformed System to the most valuable accrual rate under the VRS, making adjustments for the fact that employee contributions are required in excess of the VRS 5% rate. The employer provided accrual rates do exceed two-thirds of the employer provided accrual rates under the VRS plan.

I certify that, to the best of my knowledge and understanding, the Fairfax County Uniformed Retirement System satisfies the requirements of the Code of Virginia §51.1-800.

Certification

I, Fiona Liston, am a consulting actuary for Cheiron. I am also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that as a Member of the American Academy of Actuaries, I meet the Qualification Standards to render the opinions contained herein.

Sincerely,
Cheiron

A handwritten signature in black ink that reads 'Fiona E. Liston'.

Fiona E. Liston, FSA
Consulting Actuary

Summary of Valuation Results

Overview

This report presents the results of the July 1, 2009 actuarial valuation of the Fairfax County Uniformed Retirement System. The primary purposes of performing the annual actuarial valuation are to:

- Measure and disclose, as of the valuation date, the financial condition of the Plan;
- Indicate trends in the financial progress of the Plan;
- Determine the contribution rate to be paid by the County for Fiscal Year 2011;
- Provide specific information and documentation required by the Governmental Accounting Standards Board (GASB).

This section of the report presents a summary of the above information in the form of:

- The actuary's comments;
- The prior year's experience of the System's assets, liabilities, contributions, and membership;
- A series of graphs which highlight key trends experienced by the System; and
- A summary of all principal results from this year's valuation, compared to last year's, in a single table, intended for quick reference purposes.

General Comments

Fairfax County's annual contribution to this System is determined by using a corridor funding method. Under this funding approach, the County's contribution rate is based on the normal cost rate determined as of the implementation date of the corridor method (July 1, 2001) 17.55% of payroll, plus an expense rate, currently 0.25% of payroll. This rate is adjusted for plan and assumption changes, but otherwise will remain the same as long as the System's actuarial funded ratio remains within a corridor of 90% to 120%.

The County's contribution rate will change when benefits are increased or modified or assumptions are changed. The new rate will reflect the change in normal cost rate and the change in actuarial liability amortized over 15 years. Since the inception of the corridor funding method the normal cost rate has increased by 1.78% and the UAL rate has increased by 6.88%, the specific changes are summarized in the table below:

| Changes Since 2001 | <u>Impact on</u> | |
|-------------------------------------|---------------------|----------------|
| | Normal Cost Rate | UAL Rate |
| 2002 Pre-Social Security Supplement | + 1.40% | + 2.45% |
| 2002 ad-hoc COLA | N/A | + 0.25% |
| 2004 Retiree Increase | N/A | + 1.70% |
| 2004 DROP | + 0.17% | + 0.53% |
| 2005 Assumption Changes | + 0.18% | + 0.91% |
| 2006 DPSC Transfer | N/A | + 0.62% |
| 2007 Reduce Disability Offset | + 0.02% | + 0.30% |
| 2008 Reduce Disability Offset | <u>+ 0.01%</u> | <u>+ 0.12%</u> |
| Total Increase | <u>+ 1.78%</u> | <u>+ 6.88%</u> |

The basic corridor funding contribution is currently 26.46% of payroll. The normal cost rate and actuarial accrued liability will continue to be measured using the entry age funding method. If the funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded status is within the corridor, the contribution rate will return to normal cost rate plus expense rate, and any remaining amortization for benefit or assumption changes.

The valuation as of July 1, 2009 shows that the actuarial funded ratio (including a credit for the amortization piece of prior benefit increases) has fallen out of the corridor and there is a required increase in the rate at this time of 3.32% of payroll.

The calculated contribution rate for Governmental Accounting Standards Board (GASB) purposes is based on a rolling 15-year amortization of the actuarial unfunded liability.

Trends

There was a significant downturn in the financial markets during the fiscal year ending in 2009, which produced an actuarial loss on the asset side of the System. The actual return on a market value basis was approximately -19.59%. On an actuarial value basis, the assets returned -1.94% compared with an assumed rate of return of 7.5%. The loss recognized for funding purposes was \$103.5 million.

The measurement of liabilities produced a small gain this year in the amount of \$14.6 million. This gain was due to experience not meeting our assumptions about salary increases, retirement behavior, death, etc. Specific components of the gain include:

- The average salary increase was 5.5% for active participants who were in both the July 1, 2008 and July 1, 2009 valuations. This was less than the expected salary growth based on the actuarial assumption being applied to each member which produced an average of 7.1%. This resulted in an \$18.7 million gain.
- The valuation assumes a 3% cost-of-living adjustment each year for benefits in pay status. The actual CPI-based COLA was 0.4% last year, creating a liability gain of \$13.0 million.
- An annual component of liability loss is the delayed recognition of new hires throughout the year. This does not contribute to an increase in the System's unfunded liability because both the member and the employer make contributions from the date of hire. However, when we look only at the liability side they are a component of the annual liability loss and this year they contributed \$1.4 million to that number.
- This valuation closes a source of "false gains" that were arising over the last two valuations. The false gains arose due to a timing difference between when the records for those leaving DROP status were being updated. In the 2008 valuation a group of former DROP participants were excluded from the valuation liabilities. This group has been added back this year as being in a retired status. This correction gave rise to a loss of \$13.4 million
- There was a \$2.3 million liability loss component that is made up of various other causes such as members terminating, dying or becoming disabled in a way contrary to the assumption and also data changes from previous years.

The combination of liability and investment experience over the last year caused a reduction in the System's funding ratio (actuarial value of assets over actuarial accrued liability) from 85.4% at July 1, 2008 to 79.5% at July 1, 2009. For purposes of measuring whether the System remains within the funding corridor, an adjusted funding ratio is used. In this ratio there is an additional asset recognized in the amount of the unfunded actuarial liability (UAL) payments being made by the County to pay for benefit increases and assumption changes. On this basis, the System's actuarial funded ratio decreased from 92.3% at July 1, 2008 to 85.7% at July 1, 2009.

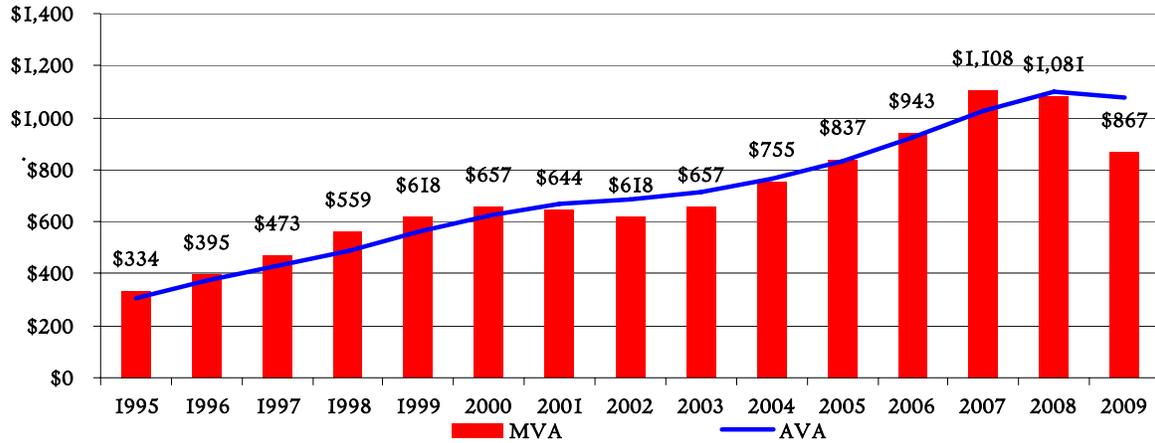
It is important to take a step back from the latest results and view them in the context of the System's recent history. On the next two pages we present a series of charts which display key factors in the valuations over the last 15 years. After the historical review we present a few projection graphs, showing the possible condition of the System over the next 15 years under various market return scenarios.

The following is a key to the abbreviations used in the actuarial graphs:

PVAB – Present Value of accrued benefits
PSL – Past service liability
PVFB – Present value of future benefits
AAL – Accrued Actuarial Liability

MVA – Market value of assets
AVA – Actuarial value of assets
DROP – Deferred Retirement Option Program

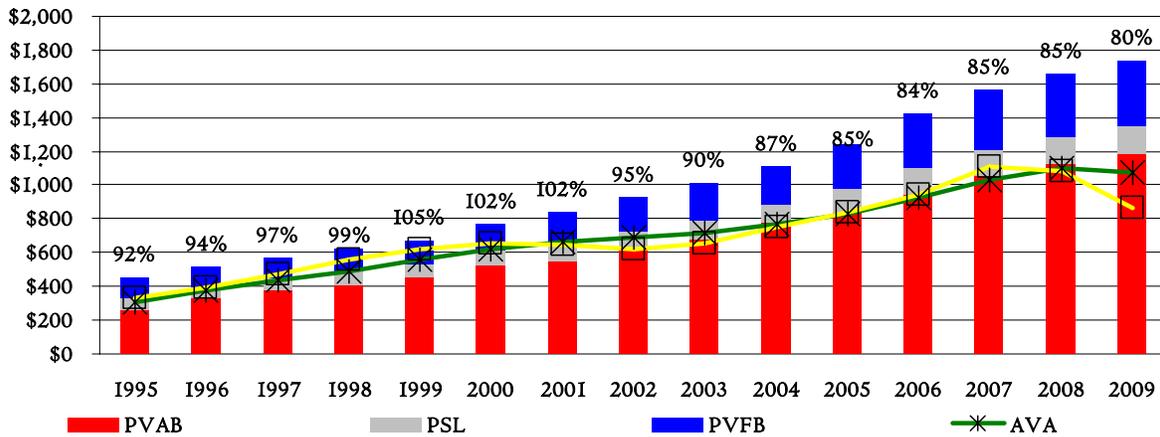
Growth in Assets



There was a substantial decline in the market value of assets (MVA) over last year due to a negative return of 19.6%. The actuarial value of assets (AVA) decreased as well but not as significantly because a portion of this year’s investment loss is being held for future recognition. The System recognized only a third of the actuarial asset loss this year, and there remains \$207 million unrecognized losses that will be phased in over the next few years.

Over the period July 1, 1995 to June 30, 2009 the System’s assets returned approximately 6.0% per year measured at market value, compared to a valuation assumption of 7.5% per year.

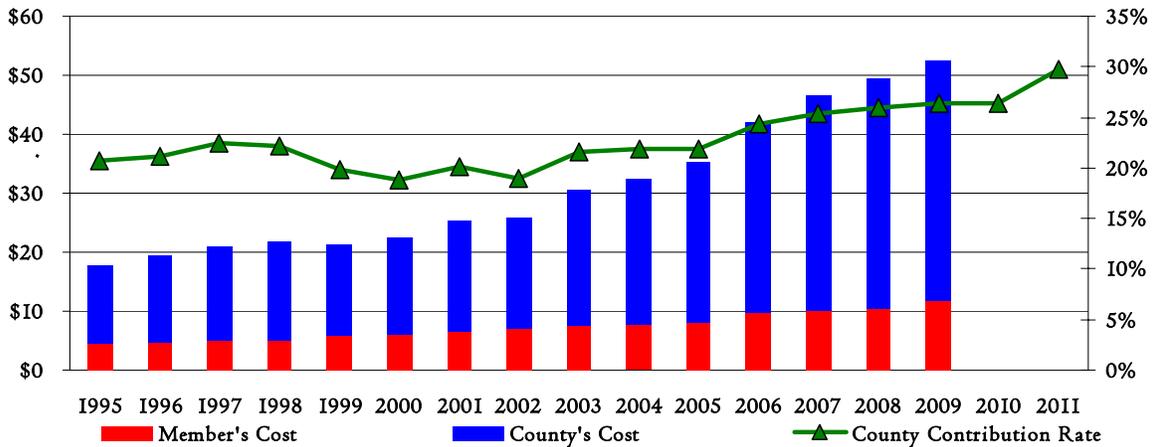
Assets and Liabilities



The three colored bars represent the three different measures of liability mentioned in this report. The amount represented by the top of the blue bars, the present value of future benefits (PVFB), is the amount needed to provide all benefits for the current participants and their beneficiaries. If the System had assets equal to the PVFB no contributions would, in theory, be needed for the current members. For funding purposes, the target amount is represented by the top of the gray bar. We compare the actuarial value of assets to this measure of liability in developing the funded percent. These are the percentages shown in the graph labels.

Over the past two years, the System’s funded status has declined from 85% to 80% as a result of investment losses recognized so far in the smoothing process.

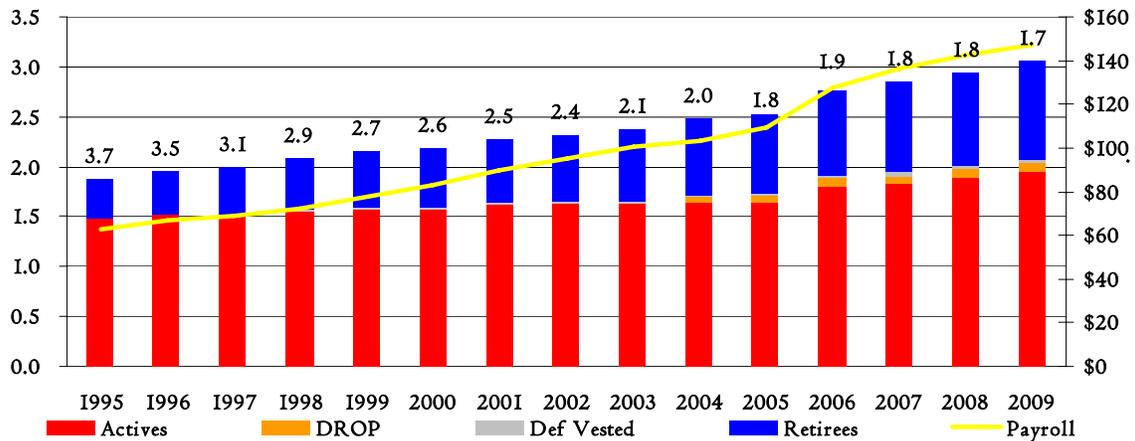
Contribution Rates



The stacked bars in this graph show the contributions made by both the County and the members (left hand scale). The green line shows the County contribution rate as a percent of payroll (right hand scale).

The member contribution rate is set by the County Ordinance. The County contribution rate is set by the actuarial process, as constrained by the corridor method. Note, there is a lag in the rate shown. For example, the 2009 value is the rate prepared by the 2007 valuation and implemented for the period July 1, 2008 to June 30, 2009.

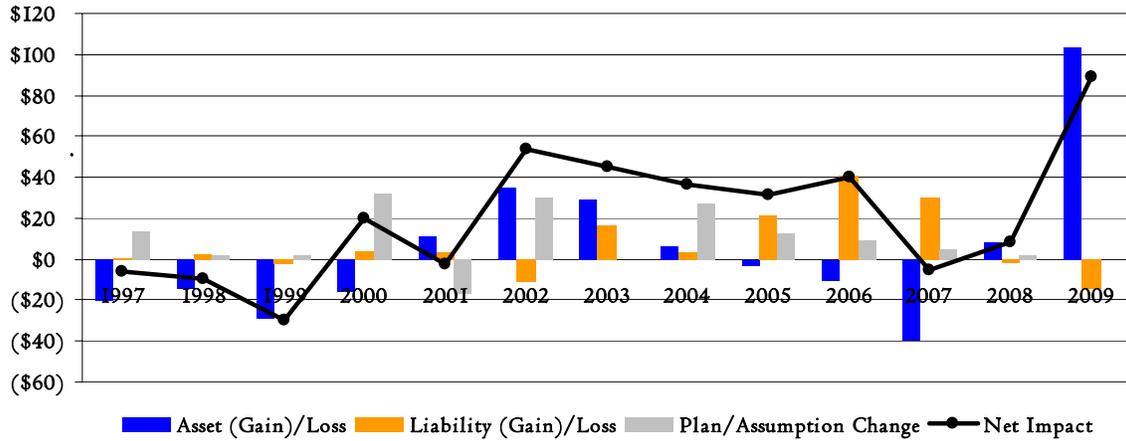
Participant Trends



As with many funds in this country, there has been a steady growth in the number of retired members as the System has matured. The active-to-inactive ratio has decreased from 3.7 actives to each inactive in 1995 to 1.7 actives for each inactive today. While this would be an alarming trend in a pay-as-you-go system, the pool of invested assets has been established in anticipation of this development.

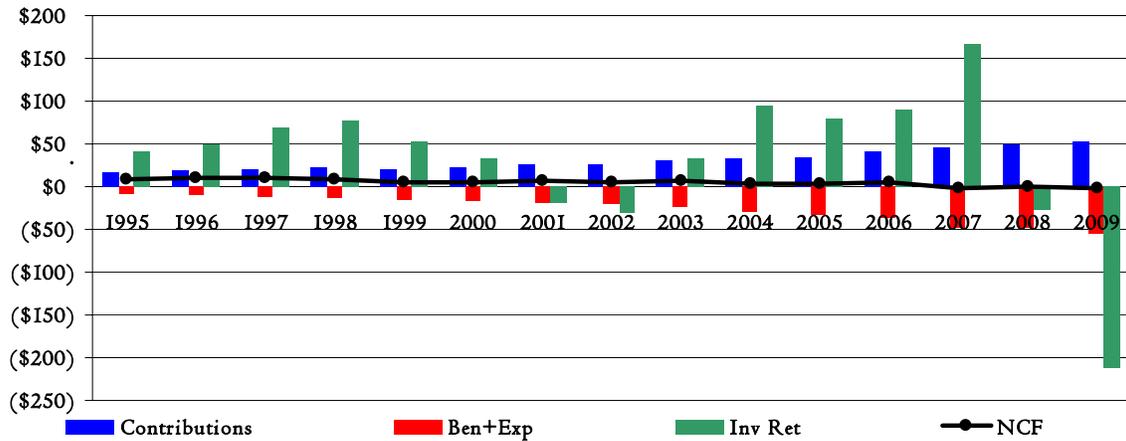
Starting in 2004, the chart also shows the number of DROP participants. Neither employer nor member contributions are made on their behalf, which leads to a slightly lower growth in effective covered payroll for this System.

Gains and Losses



This graph shows the annual gains and losses experienced by the System, along with the Unfunded Actuarial Liability (UAL) due to plan amendments and assumption changes. The black line shows the net impact of all such changes in a given year. Positive numbers represent increases in the UAL while negative numbers show reductions.

Cash Flow



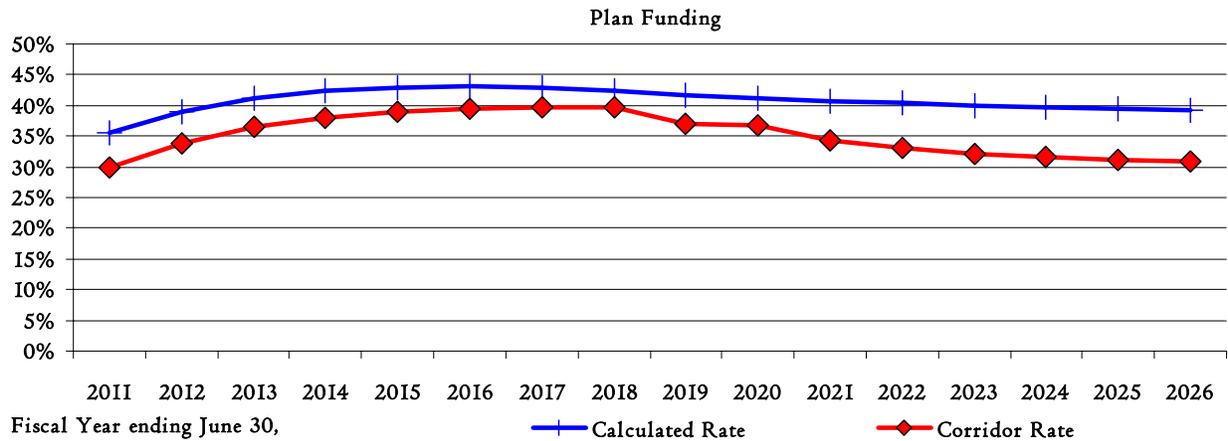
The graph shows the annual cash flows into and out of the System. The graph shows the magnitude the investment returns on the market value (green bars) compared to the contributions (blue bars). The net cash flow (line) is comparing the contributions to benefits and expenses (red bar). We expect this to turn negative in the short term, but negative cash flow is expected for a mature plan such as this one. The implications of a plan with negative cash flow are that the impact of market fluctuations can be more severe. This is because as assets are being depleted to pay benefits in down markets, there is less principal that is available to be reinvested during favorable return periods.

Future Outlook

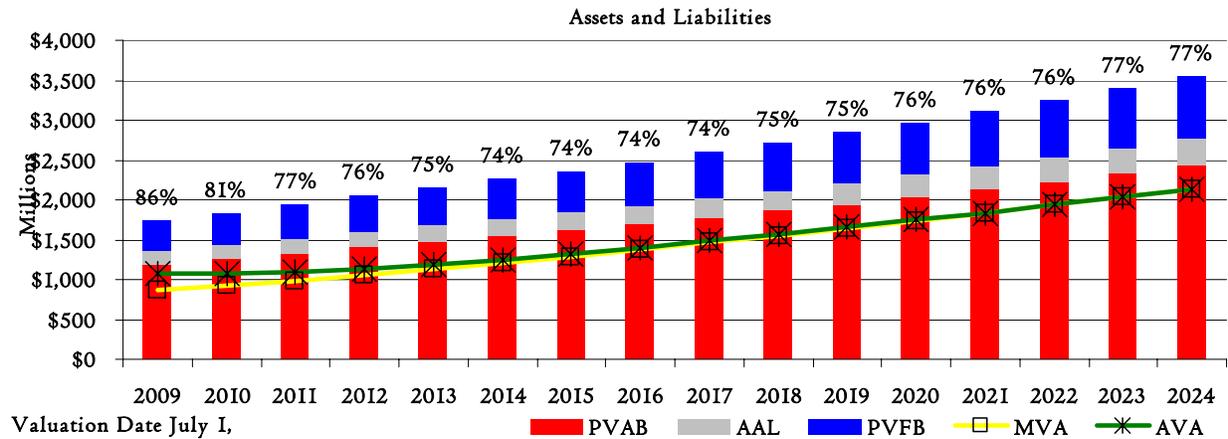
Base Line Projections

The two graphs below show the expected progress of the Plan over the next 15 years assuming the System’s assets earn 7.5% on their *market value*.

The graph entitled “Plan Funding” shows the System rising through the corridor if all other actuarial assumptions are met as well as the 7.5% interest rate. The decrease in corridor contributions towards the end of the period show plan change bases becoming fully amortized and dropping out. The blue line shows the actuarially calculated rate if the corridor were not in place. Under this scenario the corridor rate approaches a high point of almost 40% of payroll.



The “Assets and Liabilities” graph shows the projected funding status over the next 15 years. Note that the 2009 funded level differs from that shown in the historical graphs because the ratio used here reflects the corridor method. The corridor funded ratio will continue to decline in the short term as unrecognized investment gains are incorporated in the actuarial value of assets. After this period the funding ratio increases slightly to 77% by the end of the period shown.



Actuarial Section

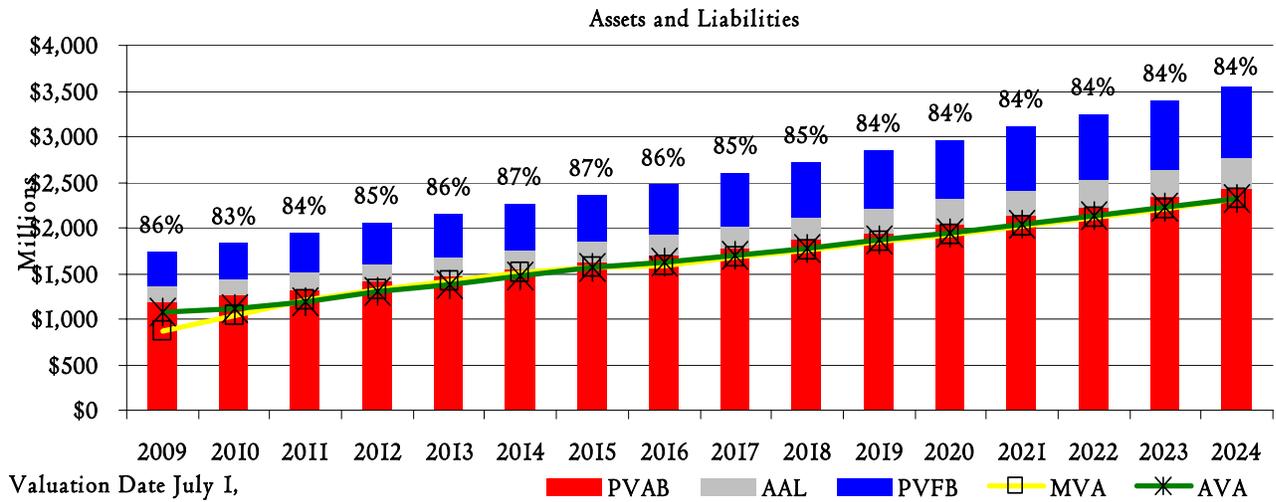
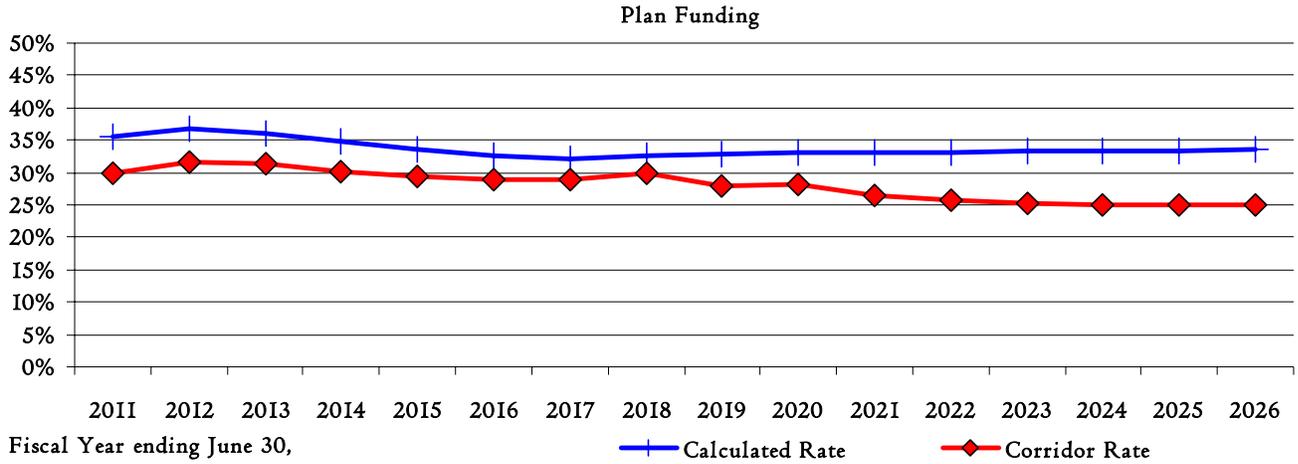
The future funding status of this System will be influence by the investment earnings. The prior projection assumed the System would earn 7.5% each and every year, which is extremely unlikely.

In the projections that follow we show the risk to the System under volatile markets. Since 1981 the System has averaged 8.90% return per year, therefore, for this analysis we have created the following three scenarios that produce the same average return.

| Fiscal Year Ending June 30, | Favorable Returns Early | Poor Returns Early | Random Returns |
|--|------------------------------------|-------------------------------|---------------------------|
| 2010 | 21.20% | 3.70% | 23.12% |
| 2011 | 16.70% | 5.70% | 3.40% |
| 2012 | 10.70% | 7.70% | 1.35% |
| 2013 | 8.70% | 8.70% | 11.10% |
| 2014 | 7.70% | 10.70% | 3.50% |
| 2015 | 5.70% | 16.70% | 9.99% |
| 2016 | 3.70% | 21.20% | 15.44% |
| 2017 | 7.50% | 7.50% | 21.22% |
| 2018 | 7.50% | 7.50% | 4.79% |
| 2019 | 7.50% | 7.50% | 5.75% |
| 2020 | 7.50% | 7.50% | 4.77% |
| 2021 | 7.50% | 7.50% | 15.50% |
| 2022 | 7.50% | 7.50% | 6.04% |
| 2023 | 7.50% | 7.50% | -5.62% |
| 2024 | 7.50% | 7.50% | 17.76% |
| Average | 8.88% | 8.88% | 8.93% |

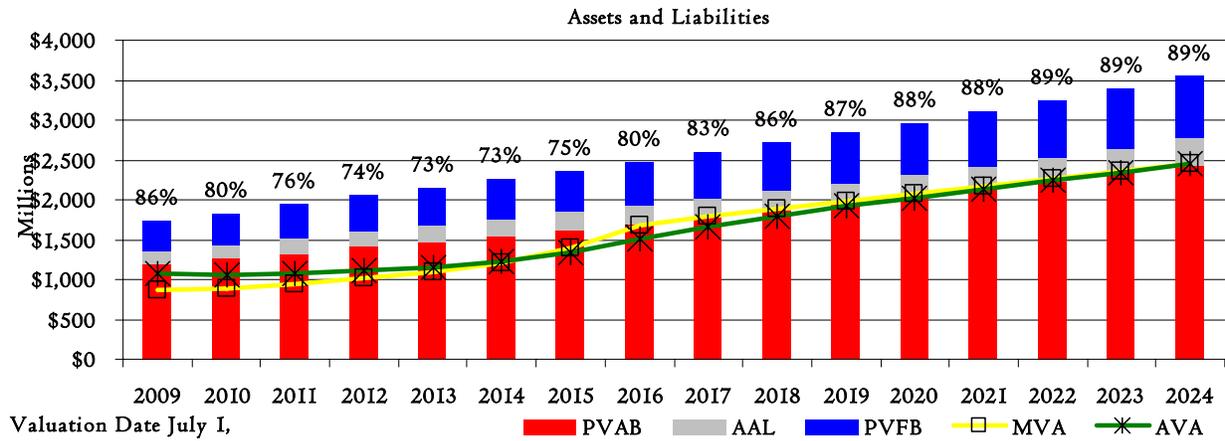
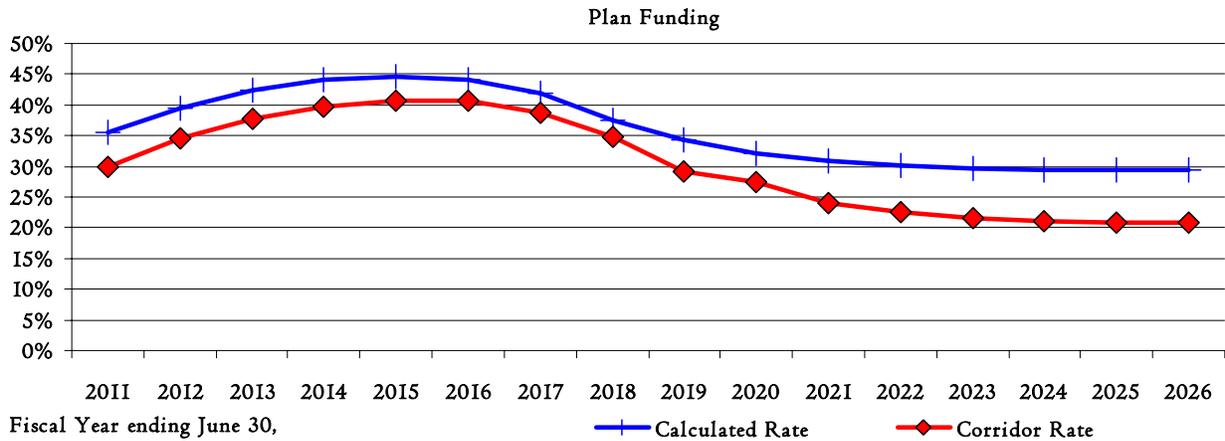
Alternative Projection -- with favorable returns early in the projection:

Under this scenario the corridor contribution rate would increase slightly for FY 2012 as prior asset losses are phased-in, but then decline thereafter. The System reaches 87% funded by 2014 after the period of favorable returns modeled in this scenario are completely phased-in, but then declines to 84% by 2019 after the phase-in of the poor returns.



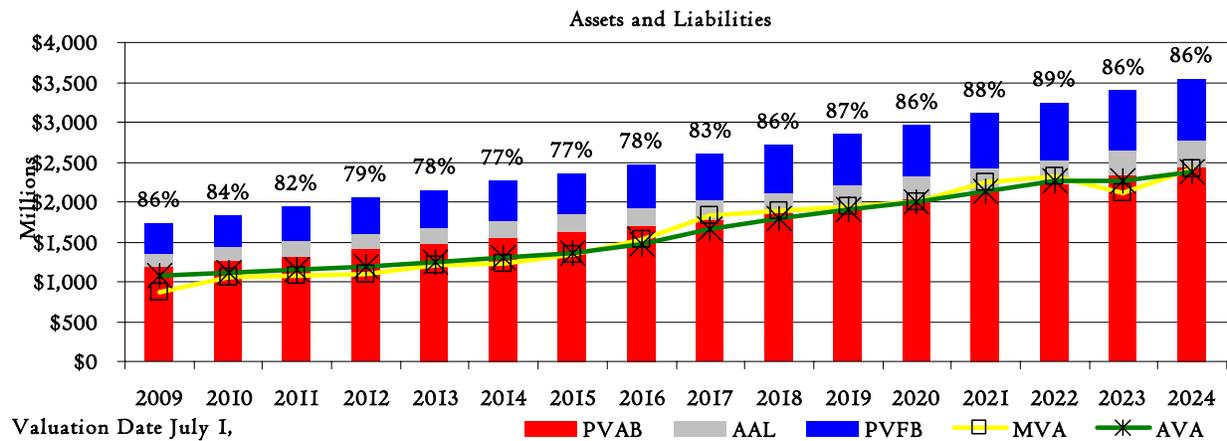
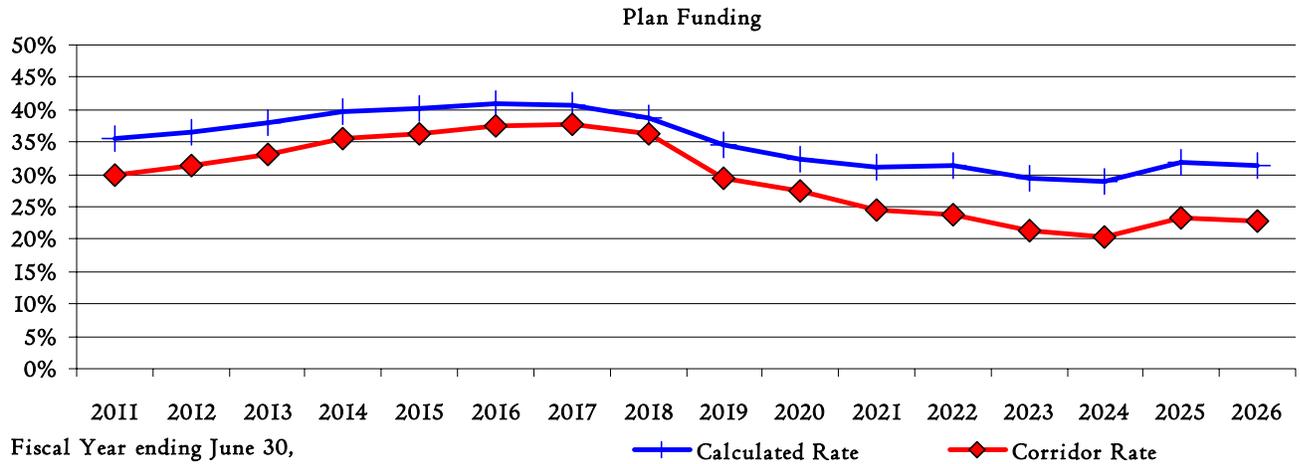
Alternative Projection -- with poor returns early in the projection:

Under this scenario the corridor contribution rate increase over the next four years due to the investment performance modeled in this scenario and the phase-in of prior asset losses. The rate would decline from FY 2015 due to the returns in excess of the actuarial assumption. The funding ratio would reach 89% by 2022.



Alternative Projection -- with random returns:

Under this scenario the corridor contribution rate increases to 38% by FY 2017, due to the timing of the returns modeled in this scenario. The System would reach 89% funded by 2022.



| Summary of Principal Plan Results | | | |
|---|-------------------------|-------------------------|--------------|
| Valuation as of: | 7/1/2008 | 7/1/2009 | % Chg |
| <u>Participant Counts</u> | | | |
| Actives (excluding DROP) | 1,885 | 1,945 | 3.2% |
| DROPs | 91 | 94 | 3.3% |
| Terminated Vesteds | 32 | 32 | 0.0% |
| In Pay Status | <u>932</u> | <u>987</u> | 5.9% |
| Total | 2,940 | 3,058 | 4.0% |
| Annual Salaries of Active Members | \$ 142,724,100 | \$ 147,082,765 | 3.1% |
| Annual Retirement Allowances for Retired Members and Beneficiaries (Base amount only – not supplements) | \$ 42,932,007 | \$ 46,534,570 | 8.4% |
| <u>Assets and Liabilities</u> | | | |
| Actuarial Accrued Liability | \$ 1,285,694,251 | \$ 1,351,204,055 | 5.1% |
| Assets for Valuation Purposes | <u>1,097,994,261</u> | <u>1,074,229,685</u> | -2.2% |
| Unfunded Actuarial Liability | \$ 187,699,990 | \$ 276,974,370 | 47.6% |
| Funding Ratio | 85.4% | 79.5% | |
| Present Value of Accrued Benefits | \$ 1,129,216,529 | \$ 1,191,061,345 | 5.5% |
| Market Value of Assets | <u>1,081,289,953</u> | <u>867,187,219</u> | -19.8% |
| Unfunded FASB Accrued Liability (not less than \$0) | \$ 47,926,576 | \$ 323,874,126 | |
| Accrued Benefit Funding Ratio | 95.8% | 72.8% | |
| <u>Contributions as a Percentage of Payroll</u> | | | |
| | Fiscal Year 2010 | Fiscal Year 2011 | |
| <u>GASB Method:</u> | | | |
| Normal Cost Contribution | 19.33% | 19.33% | |
| Unfunded Actuarial Liability Contribution | 11.11% | 15.91% | |
| Administrative Expense | <u>0.25%</u> | <u>0.25%</u> | |
| Total Contribution | 30.69% | 35.49% | |
| <u>Corridor Method:</u> | | | |
| Normal Cost Contribution | 19.33% | 19.33% | |
| Increase Due to Amortized Changes | 6.88% | 6.88% | |
| Amortization of Amount Outside Corridor | 0.00% | 3.32% | |
| Administrative Expense | <u>0.25%</u> | <u>0.25%</u> | |
| Corridor Method | 26.46% | 29.78% | |

Summary of Actuarial Assumptions and Methods

Funding Method

The funding method used for GASB disclosure purposes is the “aggregate accrual modification of the entry age normal cost method.” Under this method, the employer contribution has three components – the normal cost, the payment toward the unfunded actuarial liability, and the expense rate.

The normal cost is a level percent of pay cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The level percent developed is called the normal cost rate and the product of that rate and payroll is the normal cost.

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The expense rate is added to cover the System’s administrative expenses.

The County contributions are calculated using the same basic actuarial method (EAN). However, in order to produce a more level contribution rate, the System has adopted a Corridor Funding Method.

Under the Corridor Funding Method, the County’s total contribution rate is equal to the normal cost rate, plus rate changes due to assumption changes or amendments passed since June 30, 2001 plus the expense rate as long as the System’s actuarial funded status remains within a corridor of 90% to 120%. If the funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded status is within the corridor, the contribution rate will return to normal cost rate plus expense rate, plus amortization of post-2002 changes, plus expense rate.

Actuarial Value of Assets

For purposes of determining the County contribution to the Plan, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

In determining the actuarial value of assets, we calculate an expected actuarial value based on cash flow for the year and imputed returns at the actuarial assumption. This expected value is compared to the market value and one-third of the difference is added to the preliminary actuarial value to arrive at the final actuarial value.

Changes Since Last Valuation

There have been no changes since the last valuation to the Funding Method or Actuarial Value of Assets.

Long Term Assumptions Used to Determine System Costs and Liabilities

**Demographic Assumptions
Mortality**

| 1994 Uninsured Pensioners Mortality Table | | | | | |
|--|--------------------|----------------------|------------|--------------------|----------------------|
| Annual Deaths Per 1,000 Members* | | | | | |
| Age | Male Deaths | Female Deaths | Age | Male Deaths | Female Deaths |
| 20 | 1 | 0 | 65 | 16 | 9 |
| 25 | 1 | 0 | 70 | 26 | 15 |
| 30 | 1 | 0 | 75 | 40 | 24 |
| 35 | 1 | 1 | 80 | 67 | 42 |
| 40 | 1 | 1 | 85 | 105 | 73 |
| 45 | 2 | 1 | 90 | 164 | 125 |
| 50 | 3 | 2 | 95 | 251 | 200 |
| 55 | 5 | 2 | 100 | 341 | 297 |
| 60 | 9 | 5 | 105 | 441 | 415 |

* 5% of deaths are assumed to be service-connected.

| Annual Deaths per 1,000 Disabled Members 1994 Uninsured Pensioners Mortality Table +5 | | |
|--|-------------|---------------|
| Age | Male | Female |
| 40 | 2 | 1 |
| 45 | 3 | 2 |
| 50 | 5 | 2 |
| 55 | 9 | 5 |
| 60 | 16 | 9 |
| 65 | 26 | 15 |
| 70 | 40 | 24 |
| 75 | 67 | 42 |
| 80 | 105 | 73 |

Termination of Employment: (Prior to Normal Retirement Eligibility)

| Annual Terminations Per 1,000 Members | | |
|--|-----------------|---------------------|
| Service | Sheriffs | Non-Sheriffs |
| 0 | 135 | 60 |
| 5 | 43 | 25 |
| 10 | 10 | 10 |
| 20 | 5 | 5 |
| 25 | 5 | 5 |

It is assumed that members who terminated before normal or early retirement age elect to receive a refund of contributions instead of vested benefits.

Disability

| Annual Disabilities Per 1,000 Members* | |
|---|------------------------|
| Age | Male and Female |
| 20 | 1 |
| 25 | 2 |
| 30 | 2 |
| 35 | 3 |
| 40 | 4 |
| 45 | 7 |
| 50 | 11 |
| 55 | 16 |
| 60 | 16 |

* Disabilities are assumed to be all service-connected. Of these, 30% are assumed to receive Social Security benefits and 38% are assumed to receive Workers Compensation benefits.

Retirement

| Annual Retirement Per 1,000 Eligible* | | | |
|--|--------------|------------|---------------|
| Age | Early | Age | Normal |
| 40 | 20 | 45-64 | 500 |
| 41 | 31 | 65 | 1,000 |
| 42 | 42 | | |
| 43 | 53 | | |
| 44 | 64 | | |
| 45 | 76 | | |
| 46 | 87 | | |
| 47 | 98 | | |
| 48 | 109 | | |
| 49 | 120 | | |
| 50 | 150 | | |
| 51 | 50 | | |

* 75% are assumed to take DROP

Merit/Seniority Salary Increase (In Addition to Across-the-Board Increase)

| Years of Service | Merit/Seniority Increase* |
|-------------------------|----------------------------------|
| 0 | 8.0% |
| 5 | 5.0% |
| 10 | 1.5% |
| 15 | 1.0% |
| 20 | 1.0% |
| 25 | 1.0% |
| 30 | 1.0% |

* Spikes at 8.6% at 14 years and 6.7% at 19 years of service.

Family Composition

For purposes of valuing the pre-retirement death benefit, an assumption is made concerning how many employees are married. The assumption used in this valuation is that 80% of employees are married at death while active and that the female spouse is 3 years younger than the male spouse.

Sick Leave Credit

Active members are assumed to receive an additional 2.0% of service credit and 2.1% of average final compensation due to unused sick leave.

Economic Assumptions

| | |
|---|--|
| Investment Return: | 7.50% compounded per annum. |
| Rate of General Wage Increase: | 4.00% compounded per annum. |
| Rate of Increase in Cost-of-Living: | 4.00% compounded per annum. (Benefit increases limited to 4% per year. We will use an assumption that post-retirement cost-of-living increases will be 3% per year.) |
| Total Payroll Increase (For Amortization): | 4.00% compounded per annum. |
| Administrative Expenses: | 0.25% of payroll. |

Changes Since Last Valuation

There have been no changes since the last valuation.

Analysis of Financial Experience

**Gain and Loss in Accrued Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience
(in thousands)**

| Type of Activity | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|--|--------------------------|--------------------------|--------------------------|-----------------------|-------------------------|--------------------------|
| Investment Income | \$(6,034) | \$2,991 | \$10,617 | \$39,813 | \$(8,352) | \$(103,521) |
| Combined Liability Experience | <u>(3,533)</u> | <u>(19,758)</u> | <u>(41,223)</u> | <u>(29,999)</u> | <u>1,987</u> | <u>14,593</u> |
| Gain (or Loss) During Year from Financial Experience | (9,567) | (16,767) | (30,606) | 9,814 | (6,365) | (88,928) |
| Non-Recurring Items | <u>(27,183)</u> | <u>(11,713)</u> | <u>(9,357)</u> | <u>(4,848)</u> | <u>(2,028)</u> | <u>-</u> |
| Composite Gain (or Loss) During Year | <u><u>\$(36,750)</u></u> | <u><u>\$(28,480)</u></u> | <u><u>\$(39,963)</u></u> | <u><u>\$4,966</u></u> | <u><u>\$(8,393)</u></u> | <u><u>\$(88,928)</u></u> |

**Schedule of Retirees and Beneficiaries
Added-to and Removed-from Rolls**

| Year Ended <u>June 30</u> | Added to Rolls | | Removed From Rolls | | On Rolls @ Yr. End | | % Increase <u>Allowance</u> | Average <u>Allowance</u> |
|--------------------------------------|-----------------------|------------------------------------|-------------------------------|------------------------------------|---------------------------|------------------------------------|--|-------------------------------------|
| | <u>No.</u> | <u>Annual Allowance</u> | <u>No.</u> | <u>Annual Allowance</u> | <u>No.</u> | <u>Annual Allowance</u> | | |
| 2004 | 43 | \$4,104,353 | 8 | \$349,620 | 766 | \$29,709,768 | 14.47% | \$38,786 |
| 2005 | 47 | 3,586,643 | 14 | 556,740 | 799 | 32,739,671 | 10.20% | 40,976 |
| 2006 | 61 | 3,797,302 | 15 | 691,879 | 845 | 35,845,094 | 9.49% | 42,420 |
| 2007 | 94 | 6,751,363 | 39 | 899,814 | 900 | 41,696,643 | 16.32% | 46,330 |
| 2008 | 41 | 4,211,865 | 9 | 327,811 | 932 | 45,580,697 | 9.32% | 48,906 |
| 2009 | 65 | 4,323,678 | 10 | 469,400 | 987 | 49,434,975 | 8.46% | 50,086 |

Solvency Test

Aggregate Accrued Liabilities For
(in thousands)

| Valuation Date July 1, | (1) Active Member Contributions | (2) Retirees Vested Terms, Beneficiaries & DROP | (3) Active Members (Employer Financed Portion) | Reported Assets | Portion of Accrued Liabilities by Reported Assets | | |
|---------------------------------------|--|--|---|----------------------------|--|------------|------------|
| | | | | | (1) | (2) | (3) |
| 2004 | \$76,251 | \$446,268 | \$358,496 | \$767,357 | 100% | 100% | 68% |
| 2005 | 80,400 | 500,701 | 393,005 | 830,702 | 100% | 100% | 64% |
| 2006 | 87,207 | 568,374 | 447,088 | 921,414 | 100% | 100% | 59% |
| 2007 | 95,479 | 645,236 | 465,909 | 1,028,385 | 100% | 100% | 62% |
| 2008 | 100,789 | 693,098 | 491,806 | 1,097,995 | 100% | 100% | 62% |
| 2009 | 108,449 | 745,550 | 497,205 | 1,074,230 | 100% | 100% | 44% |

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Schedule of Additions by Source

| <u>Fiscal Year</u> | <u>Plan Member Contributions</u> | <u>Employer Contributions</u> | <u>Transfers</u> | <u>Employer Contributions % of covered Payroll</u> | <u>Net Investment Income (loss)</u> | <u>Total Additions</u> |
|---------------------------|---|--------------------------------------|-------------------------|---|--|-------------------------------|
| 2003 | \$7,478,708 | \$23,027,237 | | 21.65% | \$33,576,497 | \$64,082,442 |
| 2004 | 7,800,284 | 24,823,288 | | 21.90% | 94,008,180 | 126,631,752 |
| 2005 | 7,953,800 | 27,192,791 | | 24.30% | 78,696,049 | 113,842,640 |
| 2006 | 9,860,429 | 32,135,984 | \$11,750,084 | 24.92% | 88,814,121 | 142,560,618 |
| 2007 | 9,988,515 | 36,486,832 | | 26.01% | 167,240,928 | 213,716,275 |
| 2008 | 10,535,823 | 39,085,662 | | 26.33% | (27,523,779) | 22,097,706 |
| 2009 | 11,750,810 | 40,855,102 | | 26.46% | (211,603,541) | (158,997,629) |
| 2010 | 11,094,505 | 40,771,184 | | 27.72% | 131,320,268 | 183,185,957 |

Schedule of Deductions by Type

| <u>Fiscal Year</u> | <u>Benefit Payments</u> | <u>Refunds of Contributions</u> | <u>Administrative Expenses</u> | <u>Total Deductions</u> |
|---------------------------|--------------------------------|--|---------------------------------------|--------------------------------|
| 2003 | \$23,863,933 | \$259,624 | \$223,110 | \$24,346,667 |
| 2004 | 27,954,431 | 452,616 | 297,188 | 28,704,235 |
| 2005 | 31,678,214 | 544,777 | 223,499 | 32,446,490 |
| 2006 | 36,023,777 | 349,572 | 223,842 | 36,597,191 |
| 2007 | 47,194,476 | 737,506 | 421,390 | 48,353,372 |
| 2008 | 47,544,913 | 833,454 | 440,564 | 48,818,931 |
| 2009 | 54,122,953 | 656,683 | 325,469 | 55,105,105 |
| 2010 | 58,356,915 | 697,955 | 345,766 | 59,300,636 |

Schedule of Benefit Payments by Type

| Fiscal Year Ended June 30 | <u>Annuity</u> | Service- Connected <u>Disability</u> | Ordinary <u>Disability</u> | <u>Survivor</u> | <u>Total</u> |
|--|-----------------------|---|---------------------------------------|------------------------|---------------------|
| 2003 | \$17,410,370 | \$5,806,457 | \$269,750 | \$377,356 | \$23,863,933 |
| 2004 | 21,252,301 | 6,148,149 | 159,241 | 394,740 | 27,954,431 |
| 2005 | 24,716,535 | 6,242,349 | 291,306 | 428,024 | 31,678,214 |
| 2006 | 28,710,205 | 6,559,201 | 309,940 | 444,431 | 36,023,777 |
| 2007 | 39,729,752 | 6,669,085 | 309,674 | 485,965 | 47,194,476 |
| 2008 | 39,604,805 | 7,077,598 | 333,440 | 529,070 | 47,544,913 |
| 2009 | 45,854,076 | 7,323,730 | 343,405 | 601,742 | 54,122,953 |
| 2010 | 50,139,482 | 7,275,973 | 300,836 | 640,624 | 58,356,915 |

Schedule of Retired Members by Benefit Type

| Fiscal Year Ended June 30 | <u>Annuity</u> | Service- Connected <u>Disability</u> | Ordinary <u>Disability</u> | <u>Survivor</u> | <u>Total</u> |
|--|-----------------------|---|---------------------------------------|------------------------|---------------------|
| 2003 | 503 | 191 | 17 | 20 | 731 |
| 2004 | 533 | 194 | 17 | 22 | 766 |
| 2005 | 569 | 193 | 17 | 20 | 799 |
| 2006 | 618 | 189 | 17 | 21 | 845 |
| 2007 | 672 | 190 | 17 | 21 | 900 |
| 2008 | 706 | 186 | 18 | 22 | 932 |
| 2009 | 758 | 187 | 18 | 24 | 987 |
| 2010 | 798 | 185 | 16 | 22 | 1,021 |

Schedule of Average Monthly Benefit Amounts

| Fiscal Year Ended June 30 | <u>Annuity</u> | <u>Service- Connected Disability</u> | <u>Ordinary Disability</u> | <u>Survivor</u> | <u>Average</u> |
|--|-----------------------|---|---------------------------------------|------------------------|-----------------------|
| 2003 | \$3,166 | \$2,659 | \$1,460 | \$1,477 | \$2,948 |
| 2004 | 3,529 | 2,684 | 1,442 | 1,735 | 3,217 |
| 2005 | 3,718 | 2,855 | 1,471 | 1,843 | 3,415 |
| 2006 | 3,827 | 2,942 | 1,518 | 1,909 | 3,535 |
| 2007 | 4,252 | 2,908 | 1,596 | 1,936 | 3,864 |
| 2008 | 4,434 | 3,199 | 1,606 | 1,997 | 4,076 |
| 2009 | 4,532 | 3,233 | 1,596 | 2,123 | 4,174 |
| 2010 | 4,726 | 3,339 | 1,505 | 2,045 | 4,367 |

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Fairfax County Uniformed Retirement System



A Fairfax County, Va.,
publication

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2010