2013 Comprehensive Annual Financial Report

2013

Fairfax County

Uniformed

Retirement System

A Pension Trust Fund of Fairfax County, Virginia

For the Fiscal Year Ended June 30, 2013

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November 8, 2013

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, 2013. 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 Management's Discussion and Analysis provides further detail to the financial statements.

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 1,862 active members, 126 in the Deferred Retirement Option Program (DROP) and 1,156 retirees participating in the System as of June 30, 2013.

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 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

In fiscal year 2013, the economy continued its gradual recovery from the global financial crisis of 2008 to the point where the Federal Reserve initiated discussions of tapering quantitative easing programs. The equity markets responded favorably, posted strong double digit results for the year, especially domestically and in developed international markets. Equity returns in emerging markets were also positive for the year, but were down significantly in the last quarter of the year. Fixed income market returns were generally negative for the year with the exception of the higher yielding markets as Treasury interest rates rose. The System's total portfolio was positive with a return of 10.5% gross of fees (10.2% after fees and

Retirement Administration Agency
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Phone: 703-279-8200 ∗ 1-800-333-1633 ∗ Fax: 703-273-3185
http://www.fairfaxcounty.gov/retirement/

expenses). This return was well above the long term target of 7.5% but below the median public fund return of 12.4% and placed in the fourth quartile of the BNY Mellon universe of public funds. Investment returns for the three-year period ending June 2013 were 11.3% per year, and placed in the 62nd percentile.

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 the financial information presented in this report in accordance with U.S. generally accepted accounting principles. Proper internal accounting controls exist to provide reasonable, but not absolute, assurance for both the safekeeping of assets and the fair presentation of the financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

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 their external consulting firm 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, prepared internally by staff using data from the System's investment managers.

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, 2012, indicated that the ratio of assets accumulated by the System to total actuarial accrued liabilities for benefits showed a decrease from 77.7% to 77.3%. The actuarial section contains further information on the results of the July 1, 2012, valuation.

Based on the July 1, 2012, actuarial valuation, the employer contribution rate for 2014 following the adopted corridor-based funding policy was 35.45%, an increase of 1.41% over the 2012 rate of 34.04%. This increase in the rate is a result of an increase in amortization of amount outside the corridor from the fiscal year 2012 actuarial experience (from 7.28% to 8.69%). During establishment of the fiscal year 2014 County budget, the Board of Supervisors adopted a higher contribution rate of 36.43%.

Major Initiatives

At the request of the Board of Supervisors, a review of post-retirement benefits was conducted by an external consulting firm. The review confirmed that provision of a defined benefit retirement plan continues to be the best vehicle for attracting and retaining employees and for providing career employees with retirement benefits. This review also noted that "the reporting of plan operations in the Comprehensive Annual Financial Reports (CAFR) is broad and thorough, " and that "there is significant transparency regarding the System's policies and actions regarding plan investments." The study recommended several modifications to plan provisions for new hires. The Board of Supervisors approved amendments to the Code of the County of Fairfax in order to implement those changes effective January 1, 2013. The Code changes implemented for employees hired on or after January 1, 2013 include:

- Limiting the use of accumulated sick leave in determining length of service for retirement eligibility; and in the calculation of benefits to a maximum of 2,080 hours.
- Excluding the pre-Social Security benefit from the amount credited to DROP accounts.

The one plan provision change adopted during fiscal year 2012 was a reduction from 30% to 25% of the Social Security offset to service-connected disability benefits.

During the fiscal year, the IRS granted approval to the agency's request for a confirmation of the status of all three Retirement Agency System as Qualified Retirement Plans conditional on several minor technical amendments to the County Code. These code changes were approved by the Board of Supervisor's following a public hearing on July 30, 2013.

Since the close of the fiscal year, we have had several senior level personnel changes. Larry Swartz, CIO for the Fairfax County Retirement Systems, retired in August of 2013 after 17 years with the Systems. Following a search, Gregory Samay was hired as CIO to replace him. Greg was an internal promotion and was previously Investment Officer for the Employees' System. In October 2013, I retired as Executive Director after 32 years of employment with Fairfax County. After conducting a national search, Jeffrey K. Weiler has been hired to replace me as Executive Director of the Retirement Systems. Finally, Ryan

Randall, Investment Officer for the Uniformed Retirement System, resigned in July of 2013 to pursue another career opportunity. Following another national search, an additional investment officer was added to increase the investment team's depth and expertise.

Periodically as a best practice, an actuarial audit is conducted of the incumbent actuary's valuation reports. Gabriel, Roeder, Smith and Company (GRS) was engaged to audit the July 1, 2012 Actuarial Valuation Report prepared by CHEIRON. Their audit report indicates no material issues with CHEIRON's Valuation Report.

On the investment front, the System continued to focus on further diversifying risk and implementing the previously-adopted changes to long term allocation targets. The Board approved a 10% investment in the Bridgewater All Weather fund, using funds from a partial liquidation of several existing managers. Alternative managers added include the Davidson Kempner Institutional Partners L.P., and The Anchorage Capital Partners, L.P., funded from a partial redemption of King Street Capital. Criterion Capital partners was hired from the redemption of the Dorset Energy Fund and a funding commitment was made to the Czech Direct Lending Fund II from redemptions from the PIMCO Total Return Fund. Finally the Ashmore Emerging Markets Debt Fund was reinvested in the Ashmore Emerging Markets Total Return Fund.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Fairfax County Uniformed Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Institutional Investor magazine recognized Larry Swartz, CIO of the Fairfax County Retirement Systems, as the "2013 Small Public Plan Manager of the Year" for innovations in risk-based portfolio construction techniques. The Employees' System ranked as the top performing public pension fund for the 10 years ending June 2012. Mr. Swartz was also nominated by Asset International's Chief Investment Officer magazine for a 2012 Industry Innovation award. Mr. Ryan Randall, Investment Officer for the Uniformed System, was awarded the "Rising Stars of Hedge Funds Industry Award" for 2013 by Institutional Investor magazine.

Other Information

Independent Audit and Actuarial Certifications

KPMG LLP performs a yearly audit of the financial statements of the plan to obtain a reasonable assurance of compliance with government accounting, auditing and financial reporting standards. Additionally, Cheiron performs an annual actuarial valuation to assess the plan's ability to meet future obligations. 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,

Robert L. Mears
Executive Director

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fairfax County Uniformed Retirement System, Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Board of Trustees

Administrative Organization

Administrative Staff

Robert L. Mears
Executive Director

Laurnz A. Swartz
Chief Investment Officer

John P. Sahm
Retirement Administrator

Ryan J. Randall
Investment Officer

Professional Services

Actuary
CHEIRON
Actuaries
McLean, VA

Auditor
KPMG LLP
Certified Public Accountants
Washington, DC

Investment Managers

Acadian Asset Management, LLC
Boston, MA

Advisory Research, Inc.
Chicago, IL

Artha Capital Management, Inc.
Stamford, CT

Anchorage Capital Group, LLC
New York, NY

Ashmore Investment Management Ltd.
New York, NY

Bridgewater Associates, LP
Westport, CT

BlueCrest Capital Management, LLP
New York, NY

Cohen & Steers Capital Management, Inc.
New York, NY

Brandywine Global Investment Management, LLC
Philadelphia, PA

The Clifton Group
Edina, MN

Criterion Capital Management
San Francisco, CA

Czech Asset Management, L.P.
Greenwich, CT

Davidson Kempner Institutional Partners, LP
New York, NY

Dorset Energy Fund Ltd.
Hamilton, Bermuda

Investment Managers
(continued)

DoubleLine Capital, L.P.
Los Angeles, CA

FrontPoint Partners, LLC
Greenwich, CT

Gramercy Advisors, LLC
Greenwich, CT

Gresham Investment Management, LLC
New York, NY

Harbourvest Partners, LLC
Boston, MA

JP Morgan Investment Management, Inc.
New York, NY

King Street Capital Management, L.P.
New York, NY

Marathon Asset Management, LLP
London, UK

OrbiMed Healthcare Fund Management
New York, NY

Pantheon Ventures, Inc.
San Francisco, CA

PIMCO
Newport Beach, CA

Ramius Starboard Value, L. P.
New York, NY

Standish Mellon Asset Management
Pittsburgh, PA

UBS Realty Investors, LLC
Hartford, CT

Victory Capital Management
Cleveland, OH

Wellington Management Company, LLP
Boston, MA

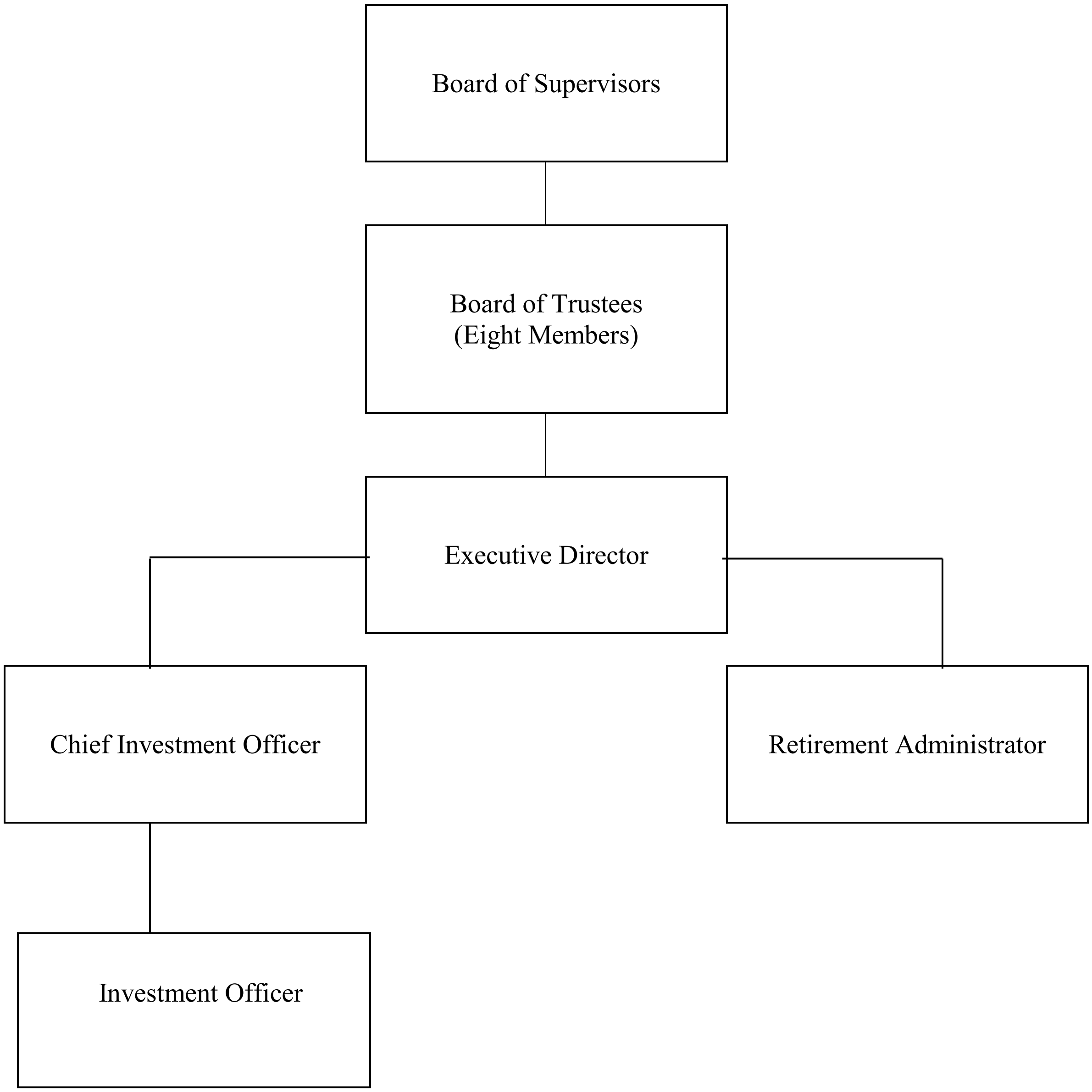
Investment Consultant

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 five Plans, Plan A, Plan B, Plan C, Plan D and Plan E, which have different employee contribution rates and different benefits. Members hired after, April 1, 1997 and before January 1, 2013 are enrolled in Plan D. Members hired on or after January 1, 2013 are members of Plan E.

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 including sick leave. Plan E members have a cap of 2,080 hours of sick leave that will count towards retirement service credit.

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. Plan E members who enter DROP may use a maximum of 2,080 hours of sick leave towards retirement service credit and are not paid a Pre-Social Security benefit while in DROP.

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 25% 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 25% 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.

Summary of Plan Provisions
(continued)

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; and it 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%.

Summary of Plan Provisions
(continued)

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

In addition, a **Pre-Social Security Supplement** is payable to members of Plans C, D & E 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.

Plans D and E: 7.08% of creditable compensation.

Employer: The rate for Fiscal Year 2013 was 35.00% 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
Suite 12000
1801 K Street NW
Washington, DC 20006

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

The Board of Trustees
Fairfax County Uniformed Retirement System:

Report on the Financial Statements

We have audited the accompanying financial statements of the Fairfax County Uniformed Retirement System (the System), a pension trust fund of the County of Fairfax, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial net position of Fairfax County Uniformed Retirement System as of June 30, 2013, and the changes in net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 11-13 and the schedule of funding progress and the schedule of employer contributions on page 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The introductory section on pages 1-5, the additional supplementary information on page 28, the investment section on pages 29-39, the actuarial section on pages 41-61 and the statistical section on pages 63-64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, and the investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

November 8, 2013

Management's Discussion and Analysis (unaudited)

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, 2013. 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 Position and Statement of Changes in Plan Net Position as of June 30, 2013. 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 provide information regarding the System's funding progress and employer contributions. Additional Supplementary Information for administrative expenses and investment and consultant expenses are added. The Required Supplementary Information and Additional Supplementary notes are immediately following the Notes to Financial Statements.

Financial Analysis

Plan Net Position. For fiscal year 2013, the net position of the Uniformed Retirement System increased 9.1% resulting in a total net position value of $1.32 billion, reflecting an increase of $109.9 million from fiscal year 2012. The growth in net position was primarily due to current year's investment income of $120.4 million and contribution significantly exceeding benefit payments and expenses.

The actuarial value of the assets as of the last valuation on July 1, 2012, was $1.25 billion while actuarial liabilities as of the same period were $1.61 billion. This resulted in a funded ratio of 77.3%.

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.

Additions and Deductions. The employer contributions for fiscal year 2013 increased by 6.7% due to an increase in the employer contribution rate from 33.81% to 35.00% of salary. Investment returns were higher for fiscal year 2013 reflecting higher returns in the capital markets. Benefit payments increased due to a cost-of-living increase of 2.8%, an increase in the number of retirees and higher benefits for new retirees. Refunds of contributions increased as a result of employee turnover.

The following table details the Uniformed System's net position for the current and prior fiscal years:

Fiscal Year	Ending Balances (millions)	Net Change in Dollars (millions)	Net Change in Percent
2012	$1,208.9	($11.5)	(0.9)
2013	$1,318.8	$109.9	9.1

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 Position

Assets	**2013**	**2012**	**Difference**
Total cash and investments	$1,333,798,953	$1,235,587,385	$98,211,568
Total fixed assets	1,088	1,359	(271)
Total receivables	81,341,484	50,590,980	30,750,504
Total assets	1,415,141,525	1,286,179,724	128,961,801
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	---	---	---
Total deferred outflows of resources	---	---	---
Total liabilities	96,327,524	77,315,121	19,012,403
Deferred Inflows of Resources			
Accumulated increase in fair value of hedging derivatives	---	---	---
Total deferred inflows of resources	---	---	---
Net position held in trust	**$1,318,814,001**	**$1,208,864,603**	**$109,949,398**

Summary of Additions and Deductions

Additions	**2013**	**2012**	**Difference**
Contributions			
Employer	$53,722,160	$50,351,335	$3,370,825
Plan Members	10,937,857	10,603,097	334,760
Total investment income	120,417,604	(4,168,239)	124,585,843
Total Additions	185,077,621	56,786,193	128,291,428
Deductions			
Benefit payments	73,914,711	67,361,605	6,553,106
Refunds	779,395	599,188	180,207
Administrative expense	434,117	372,770	61,347
Total deductions	75,128,223	68,333,563	6,794,660
Net increase/(decrease)	**$109,949,398**	**($11,547,370)**	**$121,496,768**

Statement of Plan Net Position

As of June 30, 2013

Assets		
Cash and short-term investments		
Equity in County's pooled cash and temporary investments	$2,334,752	
Cash collateral received for securities on loan	10,886,602	
Short-term investments	143,238,485	
Total cash and short-term investments		$156,459,839
Fixed Assets		
Equipment, net	1,088	
Total fixed assets		1,088
Receivables		
Accounts receivable	2,615,088	
Accrued interest and dividends	2,324,203	
Securities sold	76,402,193	
Total receivables		81,341,484
Investments, at fair value		
Common and preferred stock	254,911,588	
Fixed income		
Asset-backed securities	88,660,593	
Corporate and other bonds	90,516,896	
U.S. Government obligations	27,997,277	
Pooled and mutual funds	715,252,760	
Total investments		1,177,339,114
Total assets		1,415,141,525
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	---	
Total deferred outflows of resources		---
Liabilities		
Purchase of investments	82,823,192	
Cash collateral received for securities on loan	10,886,602	
Accounts payable and accrued expenses	2,617,730	
Total liabilities		96,327,524
Deferred Inflows of Resources		
Accumulated increase in fair value of hedging derivatives	---	
Total deferred inflows of resources		---
Net position held in trust for pension benefits		**$1,318,814,001**

See accompanying notes to financial statements.

Statement of Changes in Plan Net Position

For the Year Ended June 30, 2013

Additions		
Contributions		
Employer	$53,722,160	
Plan members	10,937,857	
Total contributions		$64,660,017
Investment income from investment activities		
Net change in fair value of investments	100,343,285	
Interest	14,785,653	
Dividends	10,386,663	
Total investment income	125,515,601	
Investment activity expense		
Management fees	(4,815,533)	
Custodial fees	(69,244)	
Consulting fees	(185,545)	
Allocated administration expense	(196,754)	
Total investment expense	(5,267,076)	
Net income/(loss) from investment activities		120,248,525
From securities lending activities		
Securities lending income	246,701	
Securities lending expenses	(77,622)	
Net income from securities lending activities		169,079
Total net investment income/(loss)		120,417,604
Total additions		185,077,621
Deductions		
Annuity benefits	64,917,112	
Disability benefits	8,112,708	
Survivor benefits	884,891	
Refunds of employee contributions	779,395	
Administrative expense	434,117	
Total deductions		75,128,223
Net increase		109,949,398
Net position held in trust for pension benefits		
Beginning of fiscal year		1,208,864,603
End of fiscal year		**$1,318,814,001**

See accompanying notes to financial statements.

Notes to the Financial Statements

As of and for the year ended June 30, 2013

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 Position. 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, 2012, 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.

Implementation of New Accounting Pronouncements. In fiscal year 2013, the System implemented GASB Statement No 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued in June 2011.

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

Membership. At July 1, 2012, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and beneficiaries receiving benefits	1,109
Terminated plan members entitled to but not yet receiving benefits	44
Deferred Retirement Option Program (DROP) participants	119
Active plan members	1,870
Total	**3,142**

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. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or deferred retirement option program (DROP) entry. Members eligible for normal retirement have the option of participating in 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 through December 31, 2012, all new hires were enrolled in Plan D. All eligible employees whose County employment commenced by reporting to work on or after January 1, 2013 are automatically enrolled in Plan E. 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. Plans D and E require 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, 2013, was determined actuarially to be 34.04% of annual covered payroll. The decision was made to commit additional funding and a rate of 35.00% was adopted for fiscal year 2013.

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

Plan's Funded Status Information. The actuarial valuation performed as of July 1, 2012, showed the System's funded status at 77.3%, a decrease of 0.4% from the July 1, 2011, funded percentage of 77.7%. 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 Validation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Percent of Covered Payroll
	(a)	**(b)**	**(b-a)**	**(a/b)**	**(c)**	**((b-a)/c)**
7/1/2011	$1,185,593,678	$1,526,218,244	$340,624,566	77.7%	$147,326,067	231.2%
7/1/2012	$1,247,526,438	$1,613,654,132	$366,127,694	77.3%	$148,235,740	247.0%

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, 2012
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 *	4.8-11.0%
* Includes inflation at	3.0%
Cost of living adjustments	2.75%

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 2011.

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, 2012, in accordance with the GASB methodology resulted in a contribution rate of 41.98% for fiscal year 2014, which is an increase of 1.43% over the fiscal 2013 rate of 40.55%. Beginning with fiscal year 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, resulted in a rate of 35.45% for fiscal year 2014. The decision was made to commit additional funding for fiscal year 2014 and a rate of 36.43% was adopted, an increase of 1.43% over the fiscal year 2013 adopted rate of 35.00%.

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. 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 position 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 managers' below-investment-grade holdings. Unless otherwise specified, if any security has a split rating, the higher of the two ratings is used for the purposes of meeting minimum quality standards.

The System's investment quality ratings at June 30, 2013, were as follows:

Type of Investment	**Fair Value**	**Ratings**	**Percent of Fixed**
U. S. Government obligations	$27,997,277	AA	13.50%
Corporate & other bonds	13,814,095	AAA	6.70%
	14,531,324	AA	7.00%
	28,225,308	A	13.60%
	6,219,354	BBB	3.00%
	4,342,871	BB	2.10%
	1,007,870	B	0.50%
	1,510,116	CCC	0.70%
	263,905	D	0.10%
	20,602,053	Unrated	10.00%
Asset-backed securities	1,524,361	AAA	0.70%
	35,539,301	AA	17.20%
	1,492,461	A	0.70%
	1,744,437	BBB	0.80%
	1,145,373	BB	0.60%
	1,601,550	B	0.80%
	7,108,646	CCC	3.40%
	4,625,457	CC	2.20%
	13,186,868	D	6.40%
	20,692,139	Unrated	10.00%
Total fixed income	**$207,174,766**	**A**	100.00%
Short-term investments	$16,378,059	AA	
	126,860,426	Unrated	
	$143,238,485		

As of June 30, 2013, the fixed income portfolio exhibited an overall average credit quality rating of "A", and approximately 16.8% of the portfolio was invested in below-investment-grade securities and 20% was invested in unrated securities.. This overall rating reflects the change in credit quality of U.S. Government Obligations to "AA".

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, 2013, follows:

Investment Type	**Fair Value**	**Option - Adjusted Durations (yrs)**	**Percentage of Fixed**
U.S. Government obligations	$27,997,277	5.9	14.0%
Corporate and other bonds	90,516,896	5.2	44.0%
Asset-backed securities	88,660,593	4.2	42.0%
Total fixed income	**$207,174,766**	4.8	100.0%
Short-term investments	**$143,238,485**	0.1	

As of June 30, 2013, the System's overall fixed income portfolio duration was 4.8 years compared with 5.5 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, 2013, held in currencies other than U.S. dollars were as follows:

International Securities	**Short Term Investments & Other**	**Convertible and Fixed Income**	**Equity**	**Total**
Japanese Yen	$198,292	$ ---	$49,193,830	$49,392,122
Euro Currency Unit	(108,411)	5,676,576	$35,954,353	41,522,518
Pound Sterling	85,092	4,371,797	35,383,807	39,840,696
Australian Dollar	32,416	8,648,165	8,188,786	16,869,367
Mexican New Peso	55,026	10,274,107	---	10,329,133
Swiss Franc	---	---	7,898,219	7,898,219
Hong Kong Dollar	2,635		6,568,122	6,570,757
Swedish Krona	---	---	5,406,709	5,406,709
Danish Krone	---	---	5,084,792	5,084,792
Singapore Dollar	6,072	---	4,721,968	4,728,040
South Korean Won	---	3,166,088	1,506,396	4,672,484
Norwegian Krone	---	---	3,317,374	3,317,374
Malaysian Ringgit	---	3,119,762	38,569	3,158,331
New Zealand Dollar	2,955	2,232,511	875,036	3,110,502
Polish Zloty	---	3,049,410	---	3,049,410
Hungarian Forint	---	2,940,349	---	2,940,349
Brazil Real	5,166	2,315,655	---	2,320,821
S African Comm Rand	---	2,283,377	---	2,283,377
New Turkish Lira	---	1,960,358	---	1,960,358
Canadian Dollar	9,645	---	1,006,152	1,015,797
Other Currencies	55,333	---	1,063,918	1,119,251
Total International	**$344,221**	**$50,038,155**	**$166,208,031**	**$216,590,407**

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 enhance return on investment and 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. Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indices. During fiscal year 2013, 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. Some traditional on balance sheet securities, such as structured notes, can have derivative-like characteristics where the return may be linked to one or more indexes. Others such as asset-backed securities like collateralized mortgage obligations (CMOs) are sensitive to changes in interest rates and pre-payments. It should also be noted that the System also has exposure to derivatives indirectly through its ownership interests in certain hedge funds, mutual funds and commingled funds which may use, hold or write derivative financial instruments.

Derivative investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Market risk results from fluctuations in interest rates, 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. Holders of futures contracts look to the exchange for performance under the contract and not to the other party holding the offsetting futures position. Accordingly, the amount at risk due to nonperformance of counterparties to futures contracts is minimal. For counterparties involving over the counter derivatives, the Board seeks to control this risk through counterparty credit evaluations, counterparty credit limits, and exposure monitoring procedures conducted by investment managers and staff. To address counterparty risk, the System instructs our investment managers who use swaps, forwards, and options to only enter into contracts with counterparties rated at investment grade of BBB or better by at least one nationally recognized rating agency.

At June 30, 2013, the System held all four types of derivative financial instruments whose notional values are carried off-balance sheet: futures, currency forwards, options and swaps. Futures, currency forwards, options, and swaps contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure, enhance returns, and gain market exposure to various indices in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. Derivative instruments covered under the scope of GASB 53 are reported at fair value. The changes in fair value of derivative instruments that are used for investment purposes are reported within the investment revenue classification. Gains and losses on derivative securities are determined based upon fair market values as determined by our custodian and recorded in the Statement of Changes in Plan Net Position.

Futures. Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and typically require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the System's financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. The notional value of the System's investment in futures contracts at June 30, 2013 is as follows.

Equity Futures:	
Long	$170,645,310
Short	----
Fixed Income Futures:	
Long	18,984,375
Short	(271,594)
Total Futures:	**$189,358,091**

*Swaps***.** The System enters into several types of swap contracts, in which two counterparties agree to exchange one stream of payments for another over some agreed to period of time. Swaps are used to manage risk and enhance returns. All counterparties are rated A or better. The following is information on the System's swap contracts outstanding at June 30, 2013.

	Base Exposure	**Market Value**
Fixed Income Swaps:		
Credit Default Swaps	$ ----	$ ----
Inflation Swaps	----	----
Interest Rate Swaps	243,421	240,823
Total Return Swaps	---	---
Total	**$243,421**	**$240,823**

*Currency Forwards***.** Currency forwards represent foreign exchange contracts and are used to effect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies or to gain exposure to the change in market value of a specific currency. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the money contracts. All counterparties are rated A or better. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. The following is summary information on the System's currency forwards contracts at June 30, 2013.

	Notional (Local Currency)	**Unrealized Gain/(Loss) ($US)**
Foreign Currency Contracts Purchased		
Australian Dollar	(9,510,489)	$1,024,291
Euro Currency Unit	(4,416,142)	65,130
Pound Sterling	(19,278)	246
Hong Kong Dollar	(158,818)	(10)
Japanese Yen	(97,647,914)	6,516
South Korean Won	(3,564,000,000)	100,170
New Zealand Dollar	(2,820,000)	39,638
Philippines Peso	(1,704,826)	(77)
Polish Zloty	(989,155)	3,865
Russian Rubel (New)	(47,100,000)	48,068
Singapore Dollar	(116,234)	(169)
		$1,287,668

Foreign Currency Contracts Sold	**Notional (Local Currency)**	**Unrealized Gain/(Loss) ($US)**
Australian Dollar	144,634	($1,301)
Brazil Real	2,130,000	(107,149)
Canadian Dollar	40,000	(1,362)
Chilean Peso	1,188,270,000	(39,197)
Euro Currency Unit	511,283	(3,573)
Pound Sterling	3,390,000	(122,585)
Indian Rupee	203,000,000	(96,464)
Japanese Yen	96,748,484	(41,113)
South Korean Won	42,551,663	5
Mexican New Peso	5,520,516	(8,410)
Polish Zloty	1,250,720	(14,451)
Russian Rubel (New)	47,100,000	(55,978)
Singapore Dollar	41,094	105
Thailand Baht	1,166,118	(90)
		($491,563)
Net Unrealized Gain (Loss) on Foreign Currency Spot and Forward Contracts		**$796,105**

Options. Option contracts may be exchanged traded or negotiated directly in over the counter transactions between two counterparties. Options holders have the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a future price and time. The System can both purchase and write options. Exchange traded options rely on the exchange for performance and the risk to non-performance of counterparties is minimal. All counterparties for over the counter options are rated A or better. The following table provides information on the System's option contracts at June 30, 2013.

	Cost/ (Proceeds)	Market Value	Unrealized Gain/(Loss)
Cash & cash Equivalent Options:			
Call	$ ----	$ ----	$ ----
Put	(10,100)	(880)	9,220
Fixed Income Options:			
Call	(4,302)	(4,329)	(27)
Put	(39,325)	(97,966)	(58,641)
Total	**($53,727)**	**($103,175)**	**($49,448)**

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% and international securities of 105%. The custodian receives cash or securities as collateral from the borrower. All securities loans can be terminated on demand by either the System or the borrower. Securities received as collateral are not reported as assets and liabilities on balance sheet since the Retirement Administration Agency does not have the ability to pledge or sell the collateral securities absent borrower default.

The following represents the balances relating to the securities lending transactions at June 30, 2013.

Securities Lent	**Underlying Securities**	**Cash Collateral Investment Value**	**Securities Collateral Investment Value**
Lent for cash collateral:			
US Government securities	$2,724,376	$2,780,530	---
Common and preferred stock	7,728,922	8,106,072	---
Lent for securities collateral:			
US Government securities	15,340,711	---	$15,666,621
Common and preferred stock	48,168,775	---	53,372,929
Total	**$73,962,784**	**$10,886,602**	**$69,039,550**

The System did not impose any restrictions during fiscal year 2013 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. Cash collateral is invested in the lending agent's collective collateral investment pool which at June 30, 2013, had a weighted-average maturity of one day. The maturities of the resulting investments generally match the maturities of the securities lending arrangements. While the System bears no risk from the failure of a borrower to return a borrowed security, it does bear risk from investing the collateral. As noted above, cash collateral is invested in the lending agent's collective investment pool. Should the collective investment pool experience a period of poor investment returns due to market turbulence or other reasons, the System can record unrealized losses on a mark-to-market basis or realized losses from the default of securities in the investment pool.

D. Income Taxes

The Internal Revenue Service issued the System a determination letter 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 (unaudited)

Ten-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 (in thousands)

Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded % of Covered Payroll ((b-a)/c)
7/1/2003	$715,797	$795,342	$79,545	90.0%	$100,749	78.9%
7/1/2004	767,657	881,015	113,358	87.1%	102,960	110.1%
7/1/2005	830,702	974,106	143,404	85.3%	109,067	131.5%
7/1/2006	921,414	1,102,669	181,255	83.6%	127,467	142.2%
7/1/2007	1,028,385	1,206,624	178,239	85.2%	136,487	130.6%
7/1/2008	1,097,994	1,285,694	187,700	85.4%	142,724	131.5%
7/1/2009	1,074,230	1,351,204	276,974	79.5%	147,083	188.3%
7/1/2010	1,095,080	1,427,617	332,537	76.7%	146,777	226.6%
7/1/2011	1,185,594	1,526,218	340,625	77.7%	147,326	231.2%
7/1/2012	1,247,526	1,613,654	366,128	77.3%	148,236	247.0%

Analysis of the dollar amounts of plan net position, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net position 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 is, 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 is, 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%
2011	53,208,307	87%
2012	57,663,522	88%
2013	62,240,960	87%

Additional Supplementary Information

Schedule of Investment and Consultant Expense

For the Year Ended June 30, 2013

Investment Activity Expense	
Investment Manager Fees	$4,815,533
Custodial Fees	69,244
Consultant Expenses	
Consultant Expenses	185,545
Total Investment and Consultant Expenses	**$5,070,322**

Schedule of Administrative Expenses

For the Year Ended June 30, 2013

Personnel services		
Salaries and wages	$212,573	
Fringe benefits	84,172	
Total personnel services		$296,745
Professional services		
Actuarial	20,954	
Audit	5,814	
Total professional services		26,768
Communications		
Phone charges	2,724	
Printing, binding and copying	14,552	
Postage	6,972	
Total communications		24,248
Supplies		
Office supplies	6,404	
Total supplies		6,404
Other services and charges		
Board and staff travel and development	12,103	
Professional memberships	298	
Insurance	6,100	
Building rent	17,280	
Computer systems	39,842	
Depreciation expense	181	
Other operating	4,148	
Total other services and charges		79,952
Total administrative expenses		**$434,117**

Capital Markets and Economic Conditions (unaudited)

Fiscal Year 2013 Economic Environment

The 2013 fiscal year posted strong returns for higher risk asset classes even amidst a myriad of macroeconomic concerns. The year ending June 30, 2013 was largely dominated by headlines related to the European debt crisis, the fiscal cliff, reports of slowing economic growth in China and emerging markets, and the timing of the wind down of the Fed's quantitative easing program.

In the first half of 2013 fiscal year, domestic equities benefited from improved fundamentals including a more robust housing market, which resulted in gains even amidst the uncertainties surrounding the presidential election and the fiscal cliff. International equity markets outperformed domestic equities due to positive news flow within the Euro zone and stronger economic data from China. In the third quarter of 2013 fiscal year, the Federal Reserve continued to support equity markets with stimulative policy as market volatility was suppressed and markets shrugged off worries of fiscal spending cuts. Developed equities rose, with domestic equities posting the strongest quarter for equity returns over the fiscal year. The final quarter of the fiscal year proved to be a challenging environment. Treasury yields spiked on expectations that the Federal Reserve would wind down quantitative easing. As a result of the sharp rise in interest rates, investors saw long duration fixed income assets struggle.

Domestic Equity Markets

U.S. equity markets surged for the 2013 fiscal year, producing positive returns across the board. Large cap stocks underperformed small cap stocks by +3.6% as the S&P 500 returned +20.6% and the Russell 2000 returned +24.2%. Large cap value outperformed large cap growth with the Russell 1000 Value up +25.3% compared to +17.1% for the Russell 1000 Growth. The same trend held true in smaller cap names as the Russell 2000 Value returned +24.8% as compared with the Russell 2000 Growth Index return of +23.7%.

International Markets

International equity markets rebounded from a negative fiscal year 2012 and posted strong returns. International developed market equities as measured by the MSCI EAFE Index returned +18.6% for the year as concerns out of Europe were offset by the market stabilizing actions of the European Central Bank. Emerging market investments struggled in comparison to developed based on reports of slowed growth and political turmoil. Emerging markets equities, as measured by the MSCI EME Index, returned just +2.9%, while the JPM GBI-EM Global Diversified, a key barometer for emerging market debt, returned +1.3% for the year.

Fixed Income Markets

For the fiscal year, U.S. Fixed Income returns were mixed. Fed policy was a key driver of investor sentiment. Early in the year, depressed treasury and mortgage yields pushed some investors out on the credit curve towards long duration credit assets. That trade reversed in the final quarter of fiscal year 2013 following the Fed's 'tapering' announcement. In the fourth quarter of fiscal year 2013, the Barclays Aggregate Bond Index posted a -2.32% return as concerns rose over the timing of future Fed policy actions. For the fiscal year, the Barclays Aggregate Bond Index returned -0.7% while high yield bonds posted strong gains returning +9.5% for the one-year period ended June 30, 2013. The 10-Year U.S. Treasury bond finished the fiscal year yielding 2.5%, up from 1.79% at the beginning of the fiscal year.

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 2013, investments provided a return of 10.5%, gross of fees (10.2%, net of fees). The System's annualized rates of return, gross of fees, were 11.3% (10.9%, net of fees) over the last three years and 5.1%, (4.7%, net of fees), over the last five years. These System returns ranked in the 77th percentile of The Bank of New York Mellon universe of public plans in 2013, in the 62nd percentile for the latest 3-year period, and in the 57th percentile of public plans for the last 5 years.

During the past twelve months, the System continued to focus on further diversifying risk and implementing the previously-adopted changes to long term allocation targets. The Board approved a 10% investment in the Bridgewater All Weather fund, using funds from a partial liquidation of several existing managers. Alternative managers added include the Davidson Kempner Institutional Partners L.P., and The Anchorage Capital Partners, L.P., funded from a partial redemption of King Street Capital. Criterion Capital partners was hired from the redemption of the Dorset Energy Fund and a funding commitment was made to the Czech Direct Lending Fund II from redemptions from the PIMCO Total Return Fund. Finally the Ashmore Emerging Markets Debt Fund was reinvested in the Ashmore Emerging Markets Total Return Fund.

Investments by Category and Investment Manager**

June 30, 2013

Asset Class / Manager	Investment Style	Total Fair Market Value	% of Total Portfolio
Domestic Equities			
Davidson Kempner Capital Management*	Enhanced S&P 500 Index	$26,367,630	2.0%
Bridgewater Associates*	Enhanced S&P 500 Index	43,925,310	3.3%
FrontPoint Partners*	Enhanced S&P 500 Index	536,931	0.0%
Advisory Research	Small/Mid Cap Value	69,134,139	5.2%
The Clifton Group	S&P 500 Overlay	55,996,730	4.2%
International Equities			
Marathon Asset Management - London	Developed Markets	113,892,411	8.7%
Victory Capital	Developed Markets Small Cap	38,953,487	3.0%
Acadian Asset Management*	Emerging Markets	61,307,373	4.7%
Fixed Income			
Pacific Investment Management Co. (PIMCO)	Total Return Core Bonds	82,099,779	6.2%
Pacific Investment Management Co. (PIMCO)*	Distressed Senior Credit	31,322,129	2.4%
Brandywine Asset Management	Global Bonds	74,226,814	5.6%
DoubleLine Capital	Mortgage-Backed Securities	85,316,703	6.5%
Anchorage Capital Partners*	Long/Short Credit	27,644,689	2.1%
Ashmore Investment Management	Emerging Markets Debt	38,771,422	3.0%
King Street Capital*	High Yield Bonds	57,964,477	4.4%
Real Estate			
UBS Realty*	Direct Real Estate	51,892,783	3.9%
Cohen & Steers Capital Management	Global Real Estate Securities	39,821,545	3.0%
Alternative Investments			
Criterion Capital Management*	Long/Short Technology Fund	29,588,330	2.3%
Dorset Asset Management*	Long/Short Absolute Return Fund	29,888,290	2.3%
Orbimed Advisors*	Long/Short Absolute Return Fund	35,291,812	2.7%
BlueCrest Capital Management*	Global Macro Absolute Return Fund	29,005,146	2.2%
Artha Capital Management*	Emerging Markets Fund	19,046,724	1.4%
Gramercy*	Emerging Markets Multi-Strategy	22,623,176	1.7%
Ramius Value and Opportunity*	Small Cap Value Activist	33,240,459	2.5%
SJC Direct Lending Fund	Direct Lending	3,204,879	0.2%
Pantheon Private Equity*	Private Equity	10,839,657	0.8%
J.P. Morgan Private Equity*	Private Equity	9,023,548	0.7%
HarbourVest Private Equity*	Private Equity	13,920,449	1.1%
Inflation Hedges			
Wellington Diversified Inflation Hedges*	Commodities	31,686,490	2.4%
Gresham Inflation Hedges*	Commodities	12,387,231	0.9%
Balanced Portfolios			
Bridgewater All Weather*	Risk Parity	113,396,011	8.6%
Short-term			
BNY Mellon Cash Investment Strategies	Plan Level Cash Accounts	24,157,521	1.8%
Cash Held at County Treasurer	Operating Cash Account	2,341,480	0.2%
Net Assets		**$1,318,815,555**	**100.0%**

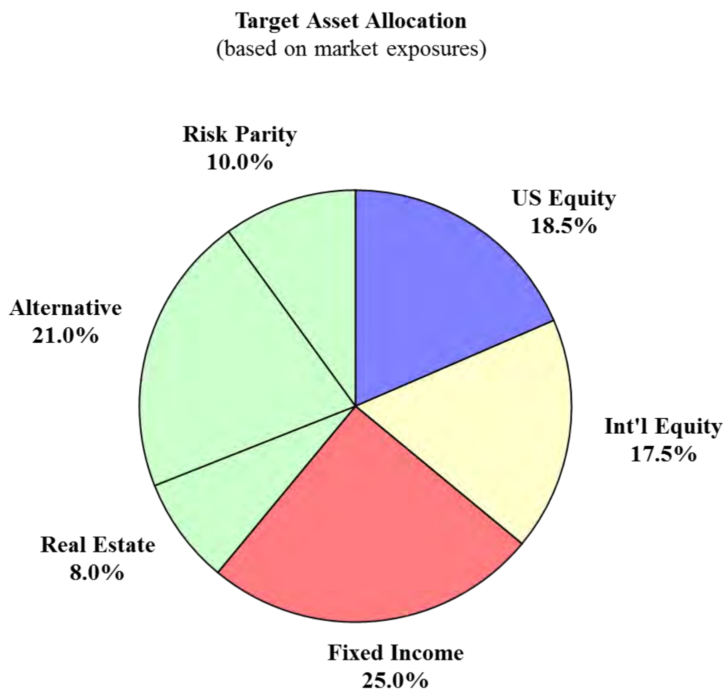
* Pooled fund
* Refer to page 2-3 for complete listing of investment professionals.

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, 2013. The target asset allocation provides a reasonable expectation that the System's investment objectives can be achieved based on historical relationships of asset class performance.

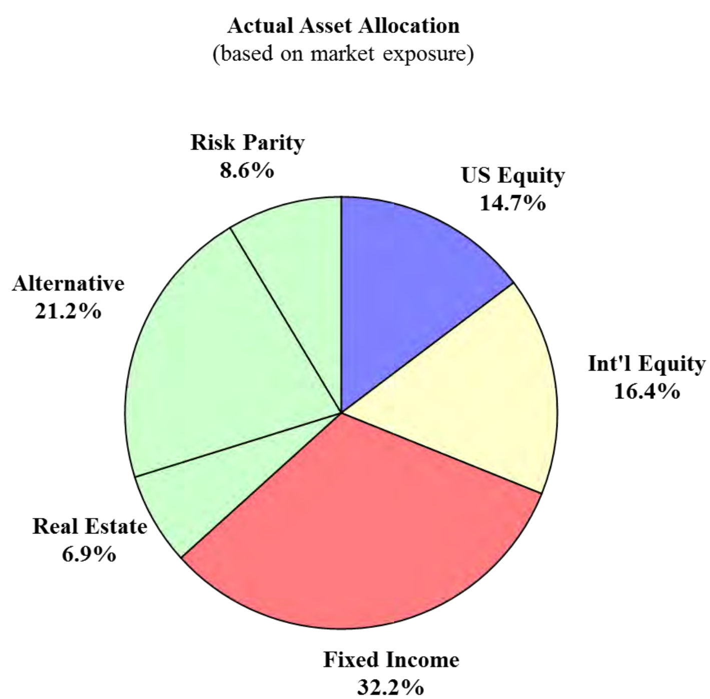
The pie chart below details the target asset mix, consistent with the achievement of the long-term objectives of the System, as of June 30, 2013.



Actual Asset Allocation as of June 30, 2013

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.

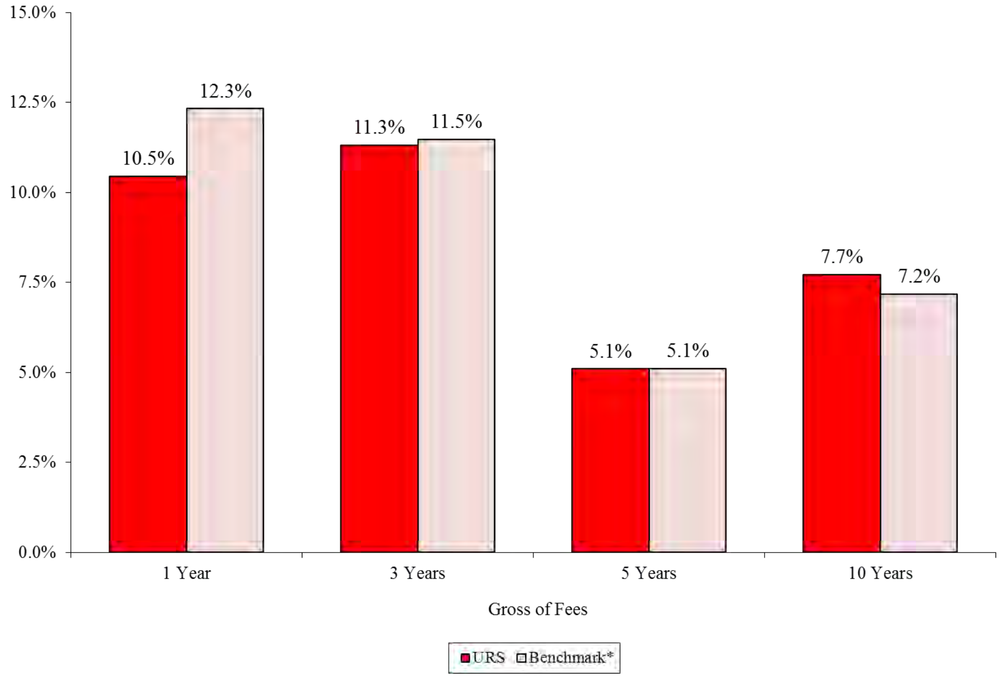
The pie chart below details the actual asset allocation as of June 30, 2013.



Investment Results

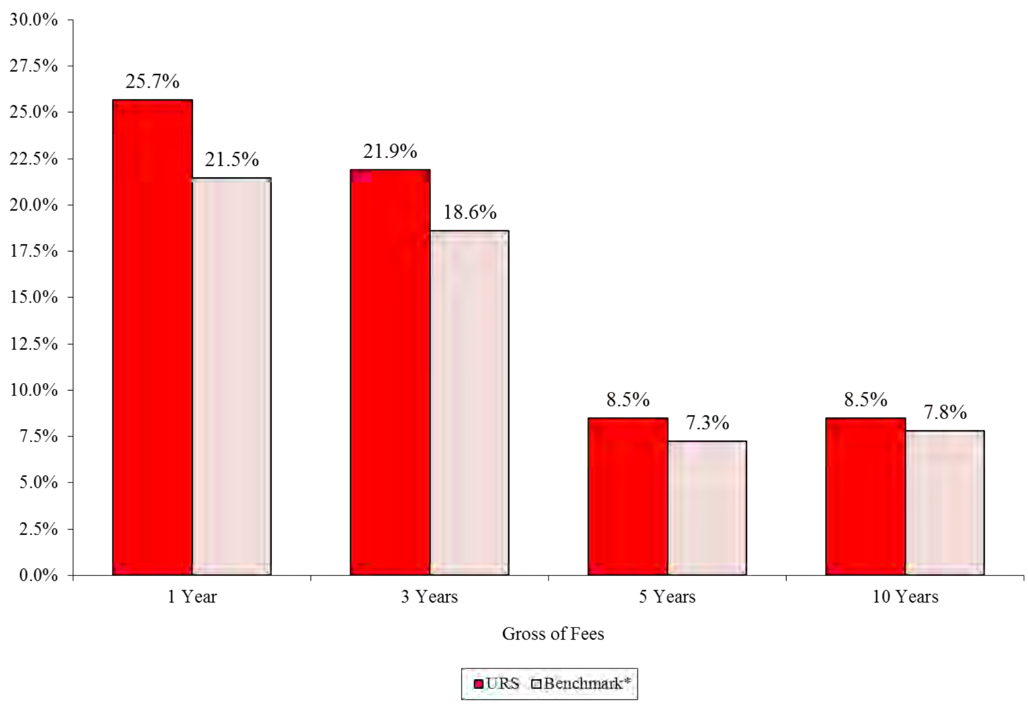
(Time weighted return, gross of fees)

Total Fund:



*Blended Benchmark. Current Benchmark: 14.5% S&P 500, 4% Russell 2000, 9.5% MSCI EAFE, 3% MSCI EAFE Small Cap, 5% MSCI Emerging Markets, 9% Barclays Aggregate, 5% Barclays High Yield, 5% Citigroup WGBI, 4% NCREIF ODCE, 4% FTSE EPRA NAREIT, 14% 90 Day T-Bill + 300 bps, 3% JPM EMBI Global Diversified, 3% Barclays TIPS, 3% DJ UBS Commodity, 4% Cambridge All Private Equity, 10% 60% MSCI World/40% Citi WGBI

Domestic Equity:

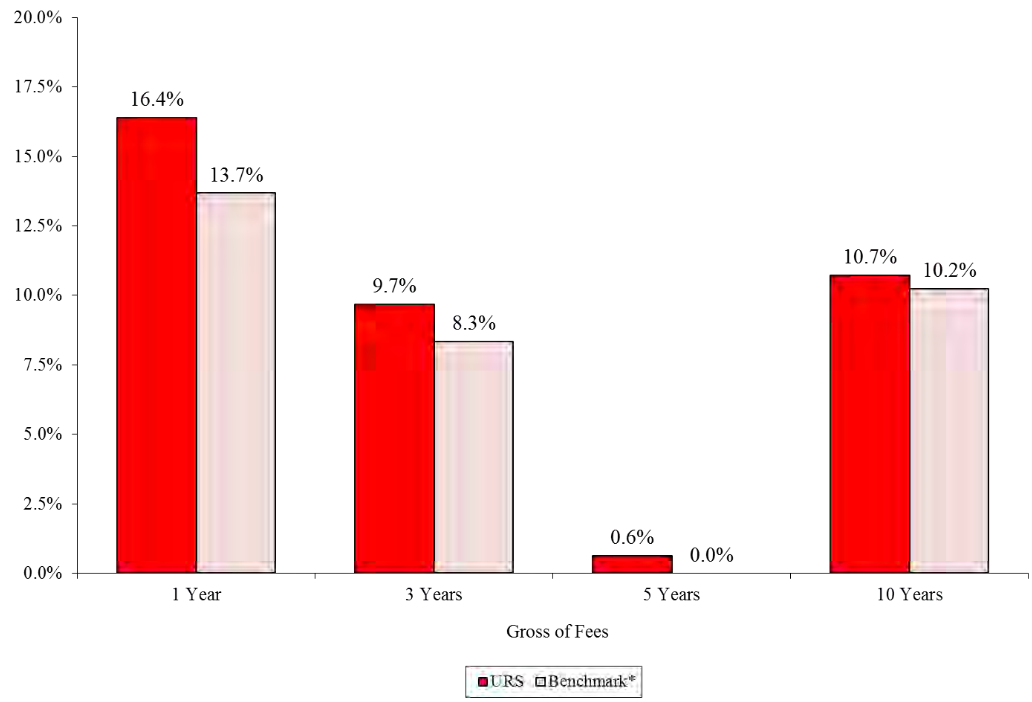


*Benchmark: Russell 3000

Investment Results

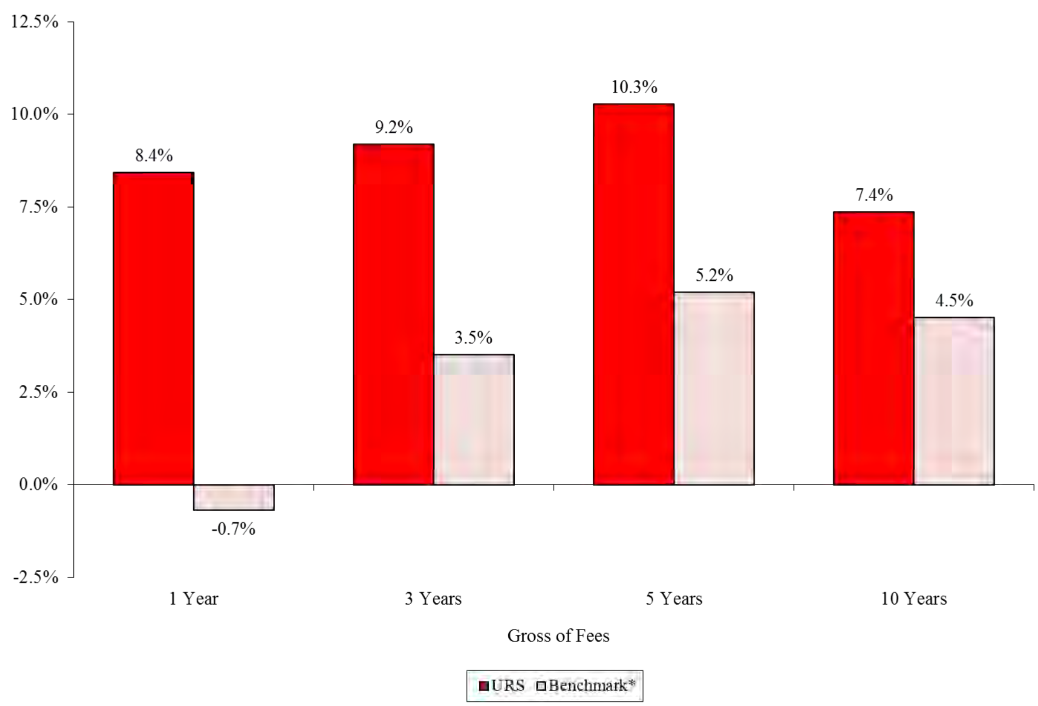
(Time weighted return, gross of fees)

International Equity:



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

Fixed Income:

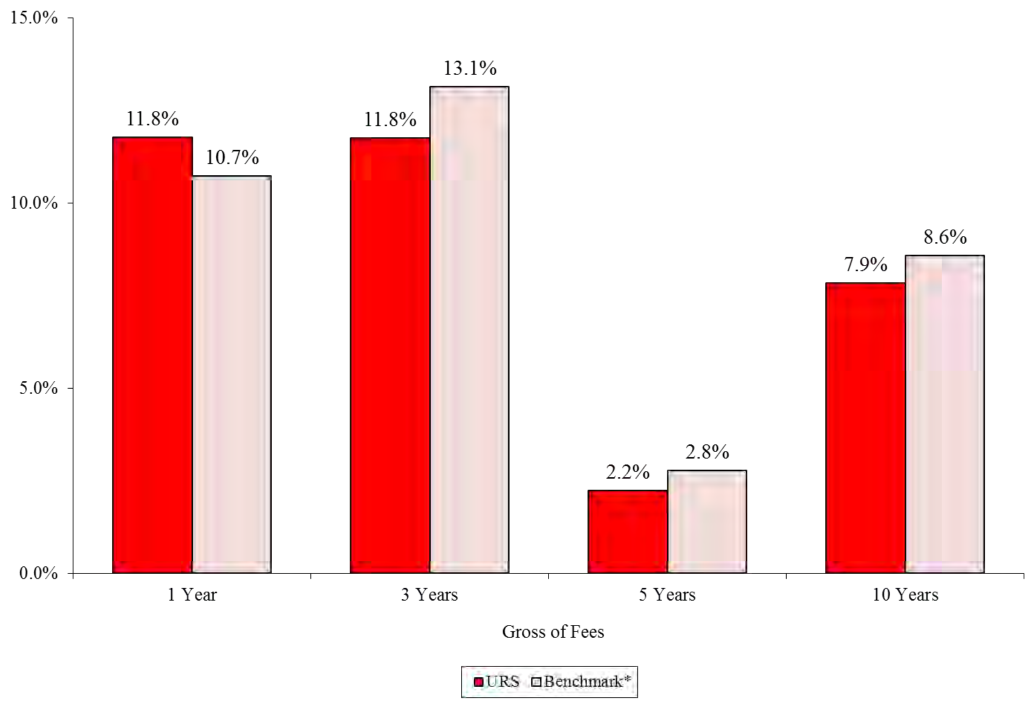


*Benchmark: Barclays Aggregate

Investment Results

(Time weighted return, gross of fees)

Real Estate:



*Benchmark: NCREIF Property Index

Schedule of Ten Largest Equity & Fixed Income Holdings

Ten Largest Equity Holdings

No. Shares	Description	Cost	Fair Value	% of Total Portfolio
63,700	Cit Group Inc	$2,585,307	$2,970,331	0.23%
4,476	White Mountains Ins Grp Inc	1,938,360	2,573,431	0.20%
52,590	Gulfport Energy Corp	2,210,038	2,476,463	0.19%
15,619	Simon Property Group Inc	1,599,587	2,466,552	0.19%
16,550	Pioneer Natural Resources Co	1,630,093	2,395,613	0.18%
42,020	Tribune Co	2,267,270	2,386,736	0.18%
48,170	Susser Holdings Corp	2,271,409	2,306,380	0.17%
56,900	Comerica Inc	1,670,398	2,266,327	0.17%
35,460	Visteon Corp/New	1,448,548	2,238,235	0.17%
56,900	Oshkosh Corp	2,167,634	2,160,493	0.16%
	Total	**$19,788,644**	**$24,240,561**	**1.84%**

Ten Largest Fixed Income Holdings

Par Value (in local values)	Description	Cost (in U.S. Dollars)	Fair Value (in U.S. Dollars)	% of Total Portfolio
6,000,000	Commit To Pur Fnma Sf Mtg, 4.000, 08/01/2043	$ 6,305,625	$ 6,237,420	0.47%
6,200,000	U.S. Treasury Note, 0.250%, 03/31/2014	6,204,677	6,204,092	0.47%
3,855,000	Italy Buoni Poliennali Del Tes, 5.000%, 08/01/2039	4,286,637	5,035,575	0.38%
2,845,000	United Kingdom Gilt, 2.250%, 03/07/2014	4,387,420	4,371,797	0.33%
45,330,000	Mexican Bonos, 8.500%, 05/31/2029	4,092,812	4,148,070	0.31%
3,975,000	New South Wales Treasury Corp, 6.000%, 04/01/2016	3,952,705	3,918,966	0.30%
3,438,080	U.S. Treas-CPI Inflat, 0.125%, 07/15/2022	3,710,102	3,360,448	0.25%
2,382,798	U.S. Treas-CPI Inflat, 2.500%, 01/15/2029	3,356,643	2,939,038	0.22%
3,000,000	Commit To Pur Fnma Sf Mtg, 3.000%, 08/01/2043	2,915,156	2,923,140	0.22%
575,000,000	Hungary Government Bond, 5.500%, 02/12/2016	2,544,211	2,576,761	0.20%
	Total	**$ 41,755,988**	**$ 41,715,307**	**3.15%**

Schedule of Brokerage Commissions
As of June 30, 2013

Broker Name	Base Volume	Total Shares	Base Commission	Commission Percentage
Cabrera Capital Markets, Chicago	$2,898,418	143,400	$5,736	0.20%
Credit Lyonnais Secs (Asia), Hong Kong	2,365,054	1,720,698	4,236	0.18%
Stifel Nicolaus	2,238,151	98,310	3,629	0.16%
First Clearing Llc, Richmond	1,741,009	94,081	2,822	0.16%
Nomura Secs Intl Inc, New York	2,647,537	147,446	4,035	0.15%
D Carnegie Ab, Stockholm	1,338,158	55,302	2,010	0.15%
Barclays Capital, London	2,123,560	88,080	3,186	0.15%
Petercam Sa, Brussells	1,515,414	32,096	2,273	0.15%
Mitsubishi Ufj Sec (USA), New York	1,592,311	127,602	2,388	0.15%
Mizuho Securities USA Inc, New York	2,454,884	89,867	3,681	0.15%
Investec Securities, London	2,469,068	381,214	3,698	0.15%
Skandinaviska Enskilda Banken, London	1,615,344	75,688	2,395	0.15%
Macquarie Bank Ltd, Hong Kong	2,841,108	1,299,897	4,070	0.14%
Daiwa Secs Amer Inc, New York	5,630,177	928,762	7,796	0.14%
Merrill Lynch Intl London Equities	5,486,940	1,653,648	7,441	0.14%
Cap Instl Svcs Inc – Equities, Dallas	6,504,903	219,200	8,768	0.13%
Macquarie Equities Ltd, Sydney	3,828,290	1,166,953	5,103	0.13%
Citigroup Gbl Mkts/Salomon, New York	4,480,475	1,450,507	5,913	0.13%
Kas Bank Nv, Amsterdam	2,809,099	100,504	3,699	0.13%
UBS Warburg Asia Ltd, Hong Kong	5,687,512	2,645,349	7,464	0.13%
Deutsche Bk Secs Inc, NY	2,032,319	228,517	2,666	0.13%
Pershing Llc, Jersey City	3,132,426	101,722	4,090	0.13%
JPMorgan Secs Ltd, London	5,373,375	415,448	7,013	0.13%
Citigroup Global Markets Ltd, London	2,317,733	1,369,134	3,005	0.13%
UBS Equities, London	5,756,622	1,646,449	7,140	0.12%
Credit Suisse (Europe), London	2,171,581	650,624	2,668	0.12%
Keybanc Capital Markets Inc, New York	1,424,903	50,558	1,676	0.12%
RBC Capital Markets Llc, New York	1,409,274	59,434	1,612	0.11%
BNY Convergex/LJR, Houston	10,846,017	414,818	12,359	0.11%
Citation Group/Bcc Clrg, New York	18,529,411	697,617	20,929	0.11%
Merrill Lynch Pierce Fenner, Wilmington	2,209,924	697,763	2,487	0.11%
Nomura Secs Intl, London	1,315,814	317,818	1,465	0.11%
Clsa Australia Pty Ltd, Sydney	1,833,475	423,688	1,835	0.10%
UBS Securities Llc, Stamford	3,915,552	93,656	3,818	0.10%
Cantor Fitzgerald & Co Inc, New York	1,711,085	50,518	1,604	0.09%
Bernstein Sanford C & Co, New York	2,168,089	67,155	2,016	0.09%
BB&T Securities, Llc, Richmond	1,486,924	45,620	1,369	0.09%
Credit Lyonnais Secs, Singapore	7,918,975	993,096	7,031	0.09%
Green Street Advisors, Jersey City	1,697,867	39,852	1,435	0.08%
Barclays Capital Le, Jersey City	1,706,034	40,911	1,426	0.08%
Goldman Sachs & Co, NY	43,593,977	930,387	36,296	0.08%
Merrill Lynch Pierce Fenner Smith Inc NY	5,232,210	181,168	4,185	0.08%
Credit Suisse, New York	4,386,519	442,390	3,476	0.08%
Morgan Stanley & Co Inc, NY	7,321,422	687,125	5,739	0.08%
Citigroup Gbl Mkts Inc, New York	7,008,870	203,351	5,396	0.08%
JPMorgan Clearing Corp, New York	9,250,483	1,019,236	6,575	0.07%
Deutsche Bk Intl Eq, London	13,153,243	3,888,945	8,227	0.06%
Investment Technology Group, New York	37,217,924	1,353,492	20,490	0.06%
Jefferies & Co Inc, New York	6,587,747	157,953	3,245	0.05%
ITG Inc, New York	14,923,658	446,002	6,690	0.04%
Other Brokers	53,877,246	15,387,823	72,339	0.13%
Total	**$343,778,111**	**45,620,874**	**$350,645**	**0.10%**

Investment Summary
(Based on Capital Allocation)

	As of June 30, 2012		As of June 30, 2013	
	Market Value	**% Market Value**	**Market Value**	**% Market Value**
Domestic Equities	$269,122,220	22.3%	$195,960,740	14.7%
International Equities	240,219,656	20.0%	214,153,271	16.4%
Fixed Income	371,027,979	30.4%	397,346,013	30.2%
Real Estate	82,777,127	6.9%	91,714,328	6.9%
Alternative Investments	240,757,934	20.0%	279,746,191	21.2%
Risk-Balanced Portfolios	-	-	113,396,011	8.6%
Short-term	5,044,189	0.4%	26,499,001	2.0%
Total	**$1,208,949,085**	**100.0%**	**$1,318,815,555**	**100.0%**

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CHEIRON Classic Values, Innovative Advice

February 14, 2013

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, 2012. 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, 2012 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, 2010. 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 the underlying assumptions, the results would vary accordingly.

The assumptions and methods used in determining the assets liabilities, and the annual required contributions of the employer as defined by the Government Accounting Standards Board (GASB) meet the parameters set by 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 on information (some oral and some written) supplied by the Retirement System. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standards of Practice No. 23.

1750 Tysons Boulevard, Suite 1100, McLean, VA 22102 Tel: 703.893.1456 Fax: 703.893.2006 www.cheiron.us

CHEIRON Classic Values, Innovative Advice

February 14, 2013
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 2012 information in the Schedule of Funding Progress, Schedule of Employer Contributions and Notes to Trend Data shown in the Financial Section. All data shown prior to 2004 was prepared by the prior actuary.

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).

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.

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

Certification
We, are consulting actuaries for Cheiron. We are also Members of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

We hereby certify that, to the best of our knowledge, this report and its contents, have 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. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained herein..

Sincerely,
Cheiron

Fiona E. Liston, FSA
Principal Consulting Actuary

Christian E. Benjaminson, FSA
Principal Consulting Actuary

CHEIRON

Summary of Valuation Results

Overview

This report presents the results of the July 1, 2012 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 2014; and
- 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 1.91% and the UAL rate has increased by 7.05%, the specific changes are summarized in the table on the next page:

Changes Since 2001	**Impact on** Normal Cost Rate	**Impact on** 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	+ 0.01%	+ 0.12%
2010 Assumption Changes	+ 0.13%	+ 0.17%
Total Increase	**+ 1.91%**	**+ 7.05%**

The basic corridor funding contribution is currently 26.76% 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 the normal cost rate plus expense rate, and any remaining amortization for benefit or assumption changes.

The valuation as of July 1, 2012 shows that the actuarial funded ratio (including a credit for the amortization of prior benefit increases and assumption changes) remains outside of the corridor.

The employer contribution rate for FY 2014 will increase from 34.04% to 35.45% of payroll, on the basis of this year's valuation results.

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

The European financial crisis during the fiscal year ending in 2012 caused a significant decline in the non-U.S. markets, offsetting the gains achieved in the U.S. In total, this resulted in an actuarial loss on the asset side of the System. The actual return on a market value basis was approximately -0.34%. On an actuarial value basis, the assets returned 5.86% compared with an assumed rate of return of 7.5%. The loss recognized for funding purposes was $19.3 million.

The measurement of liabilities produced a loss this year in the amount of $1.5 million. This loss was due to experience not meeting our assumptions about salary increases, retirement behavior, death, etc. Specific components of the loss include:

- The average salary increase was 2.2% for active participants who were in both the July 1, 2011 and July 1, 2012 valuations. This was less than the expected salary growth based on

- the actuarial assumption, which worked out to average 3.0%. This resulted in a gain of $2.4 million. The annual payroll was provided as of December 31, 2011 and adjusted to July 1, 2012; which included annualizing the 2.00% increase from September 2011 and applying the 2.18% increase effective July 1, 2012.

- The valuation assumed a 1% cost-of-living adjustment in 2012 for benefits in pay status (per the most recent experience study). The actual CPI-based COLA was 2.8% last year, creating a liability loss of $14.6 million.

- The 2012 valuation incorporates actual sick leave hours into both eligibility and projected benefits for active participants. The accrual of additional sick leave from 2011 to 2012 produced a loss of $0.5 million, as we do not currently include an assumption regarding sick leave accrual.

- 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 $1.7 million to that number.

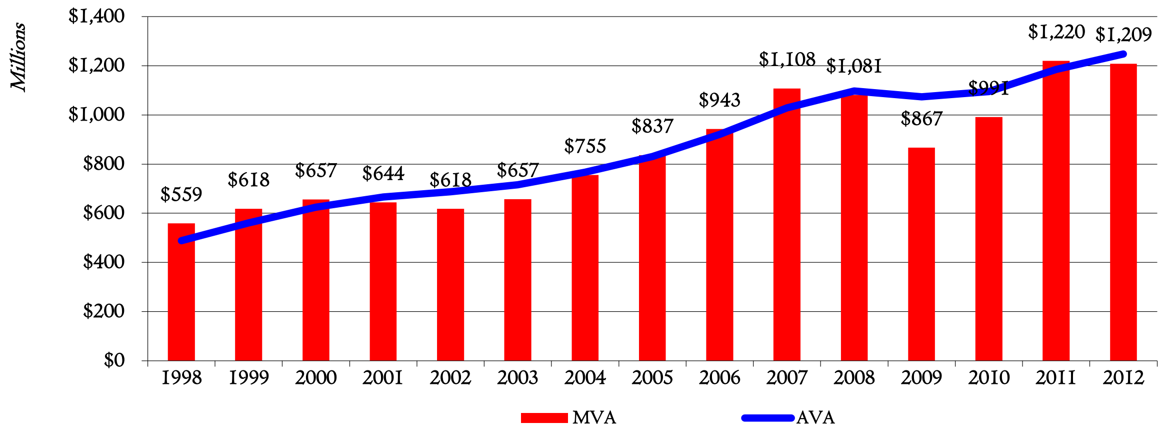
- There was a $0.5 million liability loss component that is made up of various other causes such as members terminating, dying or becoming disabled in a way contrary to the assumption and also data changes from previous years.

- Finally, there was a change in the data processing this year which treated the unused sick leave balances in a fashion better suited to approximate actual benefit calculations. The impact of this alteration contributed to a $13.4 million gain for the year.

The combination of liability and investment experience over the last year caused a slight decrease in the System's funding ratio (actuarial value of assets over actuarial accrued liability) from 77.7% at July 1, 2011 to 77.3% at July 1, 2012. 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 82.2% at July 1, 2011 to 81.1% at July 1, 2012.

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.

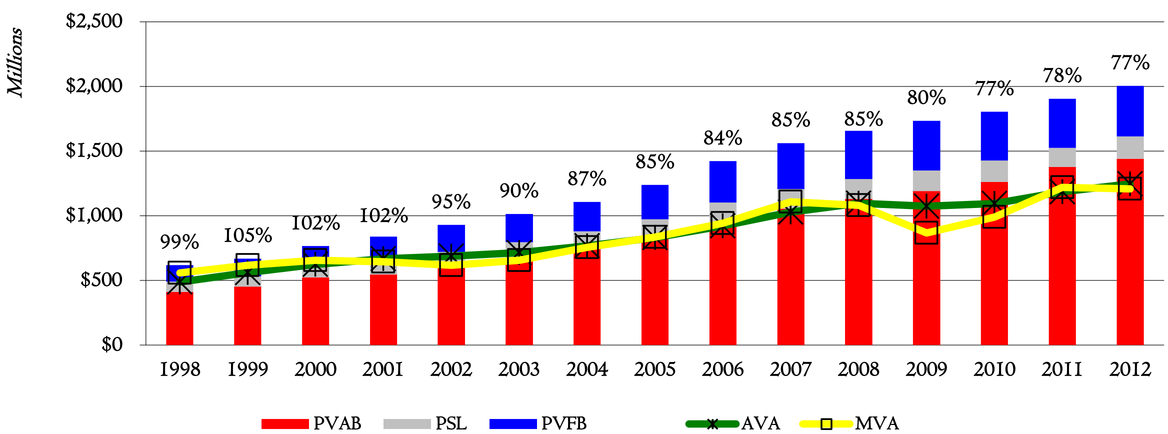
Growth in Assets



There was a slight decrease in the market value of assets (MVA) over last year due to a return of -0.3%. The actuarial value of assets (AVA) increased as prior gains are used to offset this year's return. The System has $39 million in unrecognized losses that will be phased in over the next few years absent market performance in excess of the assumption.

Over the period of July 1, 1998 to June 30, 2012, the System's assets returned approximately 6.5% per year measured at actuarial value, compared to a valuation assumption of 7.5% per year.

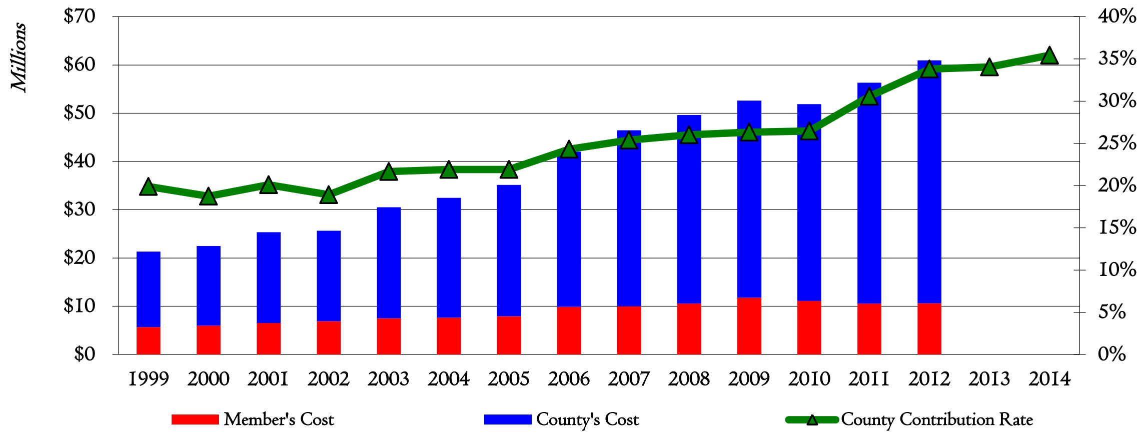
Assets and Liabilities



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.

Since 2007, the System's funded status has declined from 85% to 77% as a result of investment gains and losses, liability gains and losses, and the underfunding inherent in the corridor method once it falls below 90%.

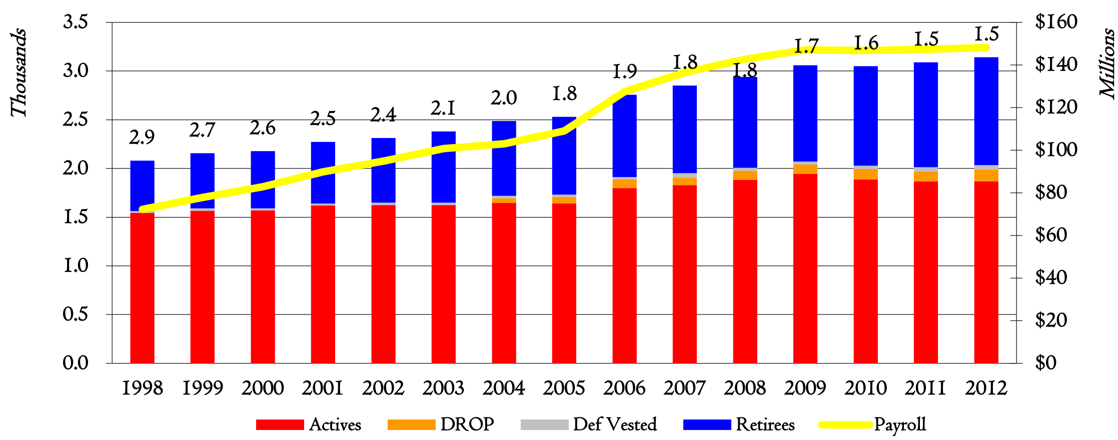
Contribution Rates



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 2012 value is the rate prepared by the 2010 valuation and implemented for the period July 1, 2011 to June 30, 2012.

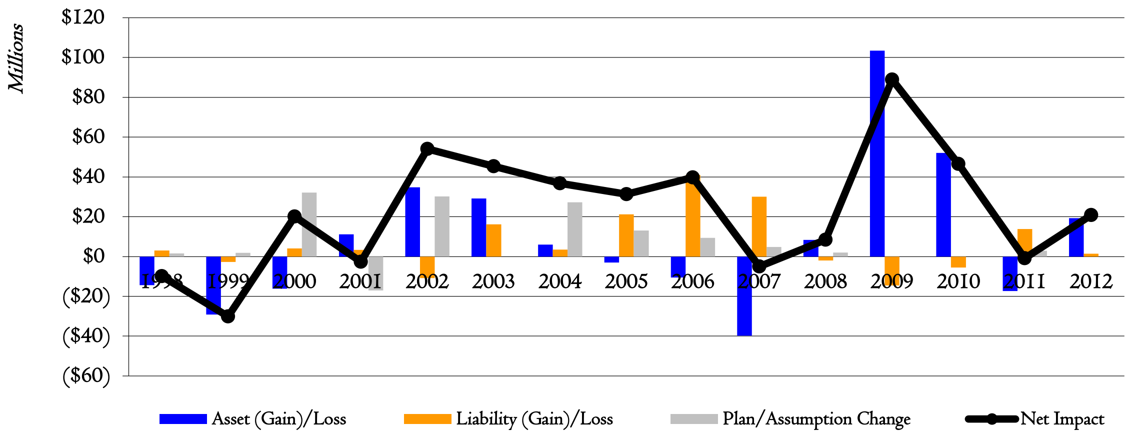
Participant Trends



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 2.9 actives to each inactive in 1998 to 1.5 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.

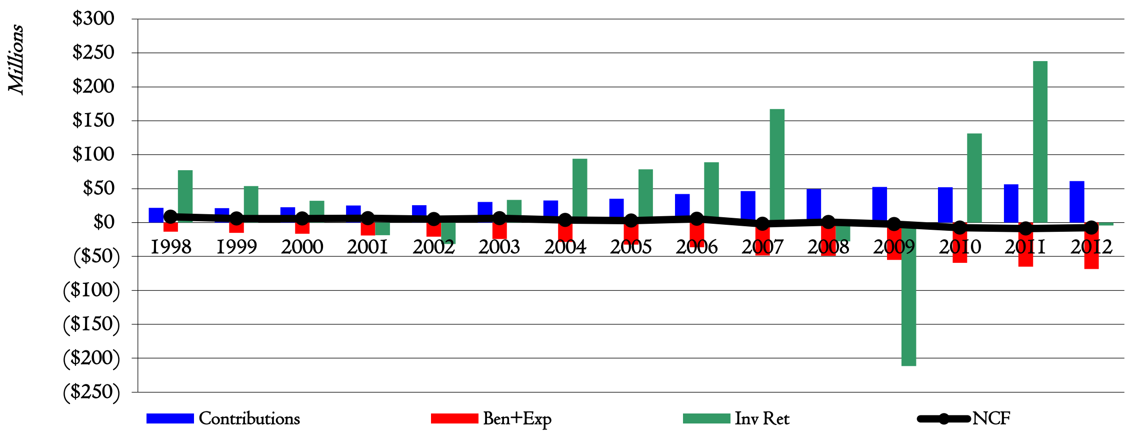
Starting in 2004, the chart also shows the number of DROP participants. Neither employer nor member contributions are made on their behalf, which leads to a slightly lower growth in effective covered payroll for this System.

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

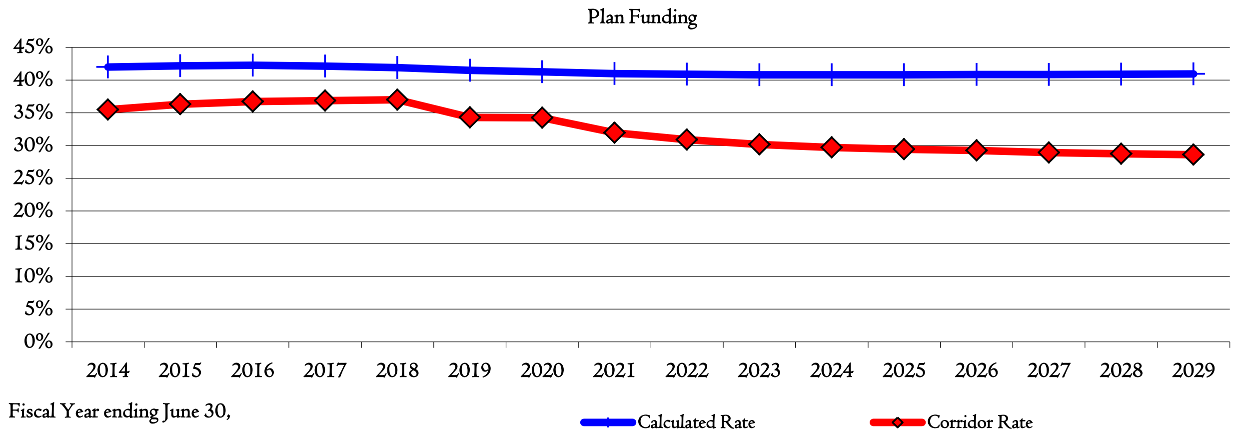


The graph shows the annual cash flows into and out of the System. The graph shows the magnitude of the investment returns on the market value (green bars) compared to the contributions (blue bars). The net cash flow (line) is comparing the contributions to benefits and expenses (red bar). Negative cash 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, less principal is available to be reinvested during periods of favorable returns.

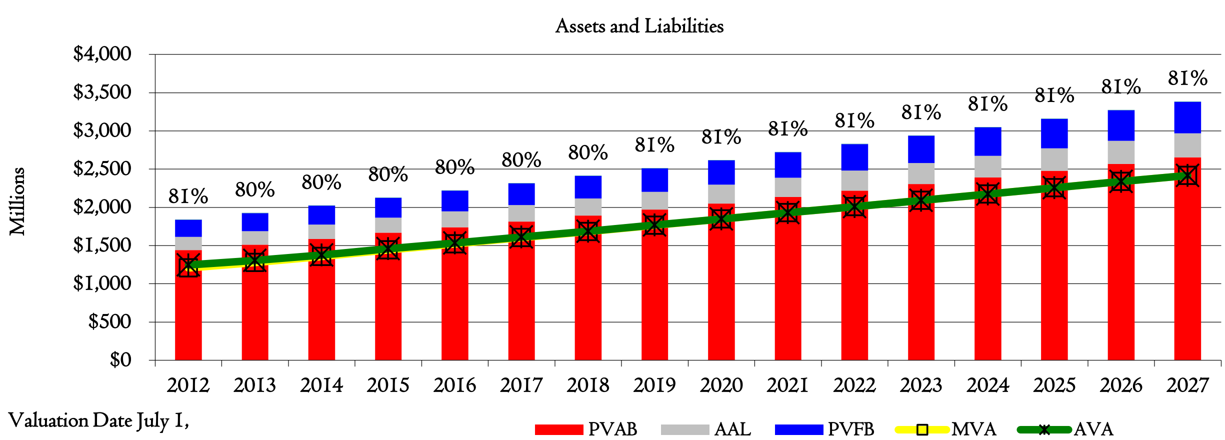
Future Outlook

<u>Base-line Projections</u>
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 contribution rates declining, but the System does not re-enter the corridor (if all other actuarial assumptions are met as well as the 7.5% interest rate). The contribution rate decreases as the stored investment gains are fully phased-in and as plan change bases become fully amortized and drop out. The red line shows the actuarially calculated rate if the corridor were not in place. Under this scenario the corridor rate declines from 35% before declining to 30% of payroll.



The "Assets and Liabilities" graph shows the projected funding status over the next 15 years. Note that the 2012 funded level differs from that shown in the historical graphs; the ratio used here reflects the corridor method. The corridor funded ratio will slowly increase in the short-term as unrecognized investment gains are incorporated in the actuarial value of assets. After that, the corridor method basically marks time and keeps the System around 81% funded.

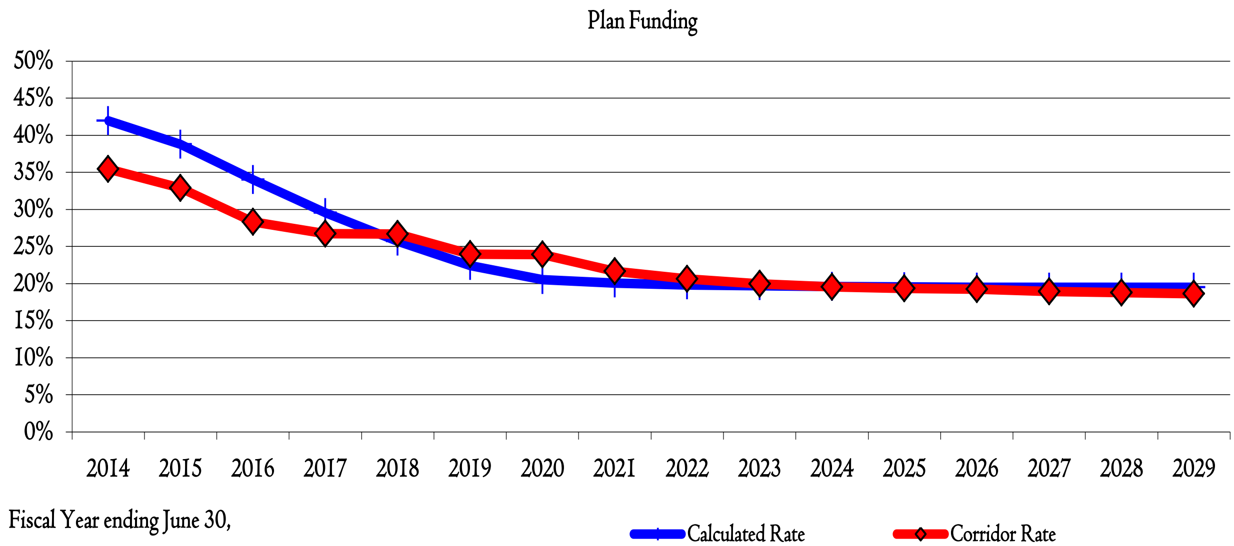


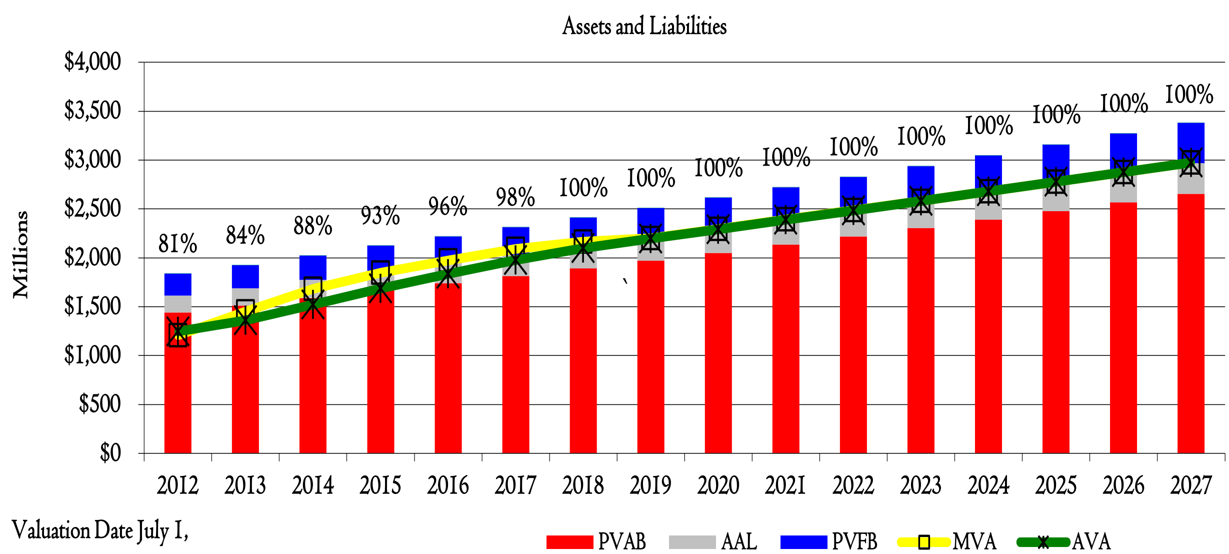
The future funding status of this System will be influenced by the investment earnings. The prior projection assumed the System would earn 7.5% each and every year, which is extremely unlikely.

In the projections that follow, we show the risk to the System under volatile markets. Since 1980 the System has averaged 9.25% 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
2013	22.00%	4.50%	23.42%
2014	17.50%	6.50%	3.70%
2015	11.50%	8.50%	1.65%
2016	9.50%	9.50%	11.40%
2017	8.50%	11.50%	3.80%
2018	6.50%	17.50%	10.29%
2019	4.50%	22.00%	15.74%
2020	7.50%	7.50%	21.52%
2021	7.50%	7.50%	5.09%
2022	7.50%	7.50%	6.05%
2023	7.50%	7.50%	5.07%
2024	7.50%	7.50%	15.80%
2025	7.50%	7.50%	6.34%
2026	7.50%	7.50%	-5.32%
2027	7.50%	7.50%	18.06%
Average	**9.25%**	**9.25%**	**9.23%**

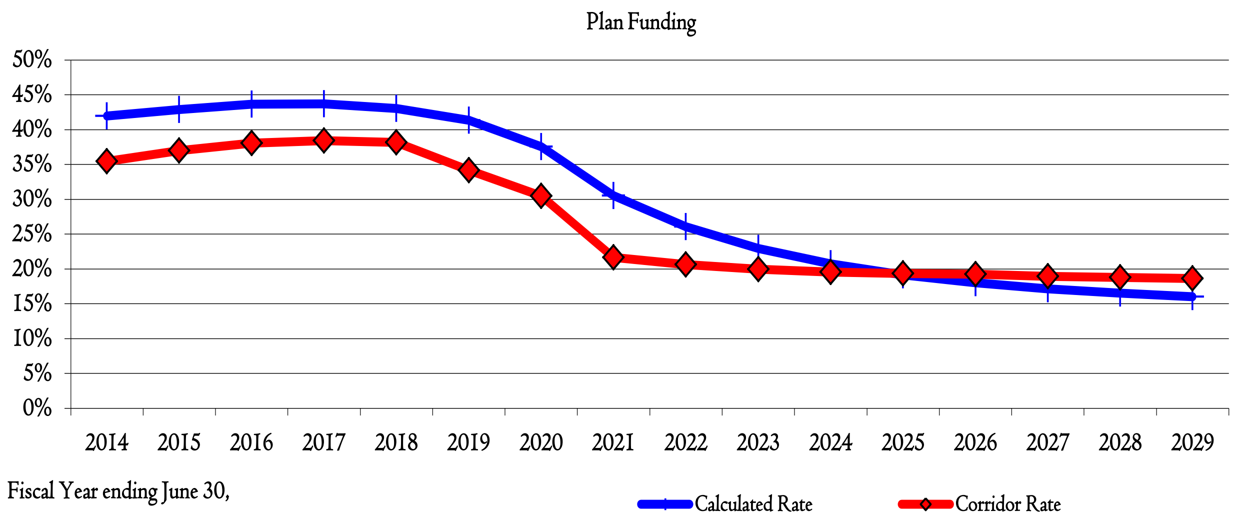
<u>Alternative Projection -- with favorable returns early in the projection</u>
Under this scenario, the corridor contribution rate would decrease each year as the System experiences investment gains in the first five years. The System re-enters the corridor in 2015 and reaches full funding by 2018.

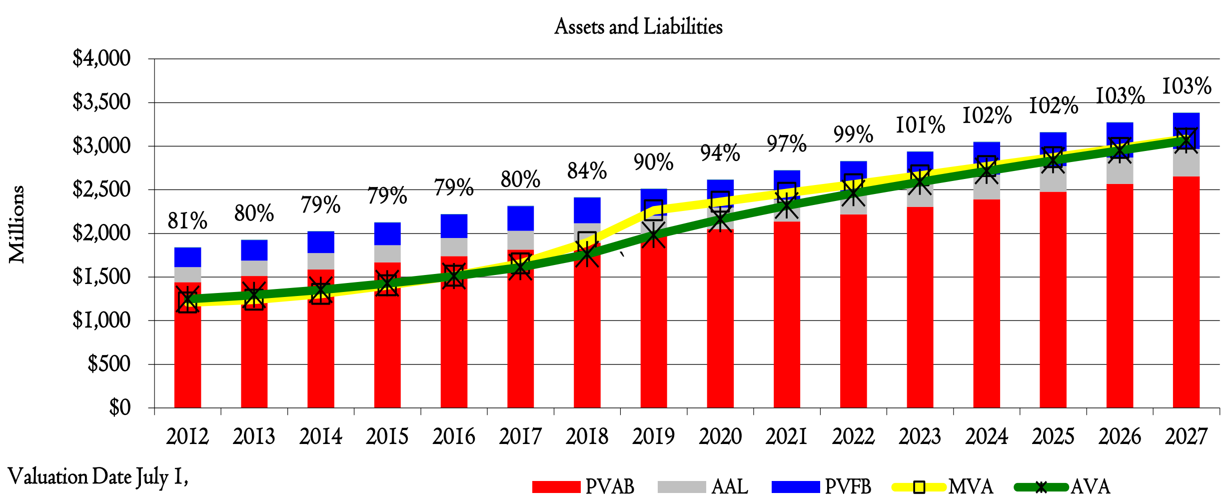




Alternative Projection -- with poor returns early in the projection

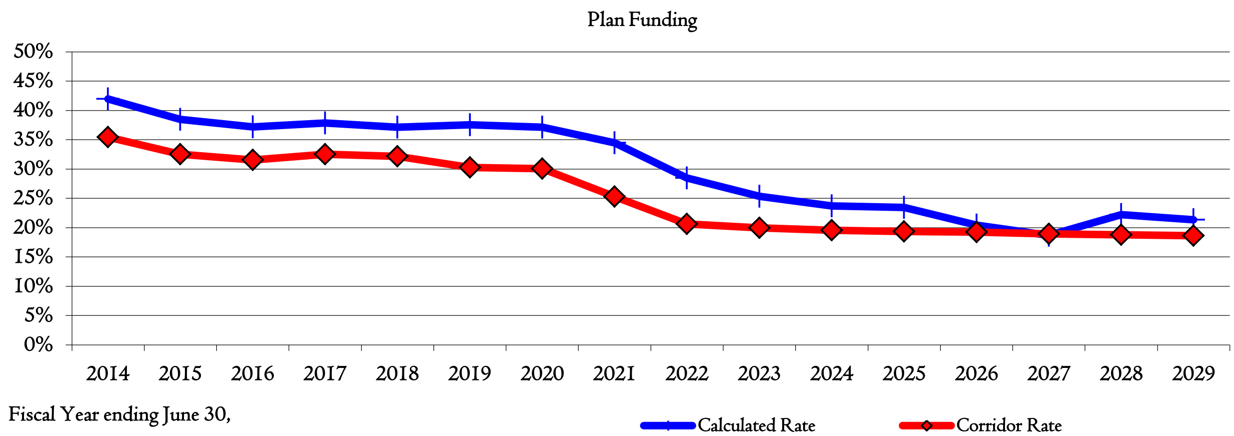
Under this scenario, the corridor contribution rate still increases to account for the investment losses and then declines after the investment gains. The County would re-enter the corridor in 2019 and reach full funding in 2023.

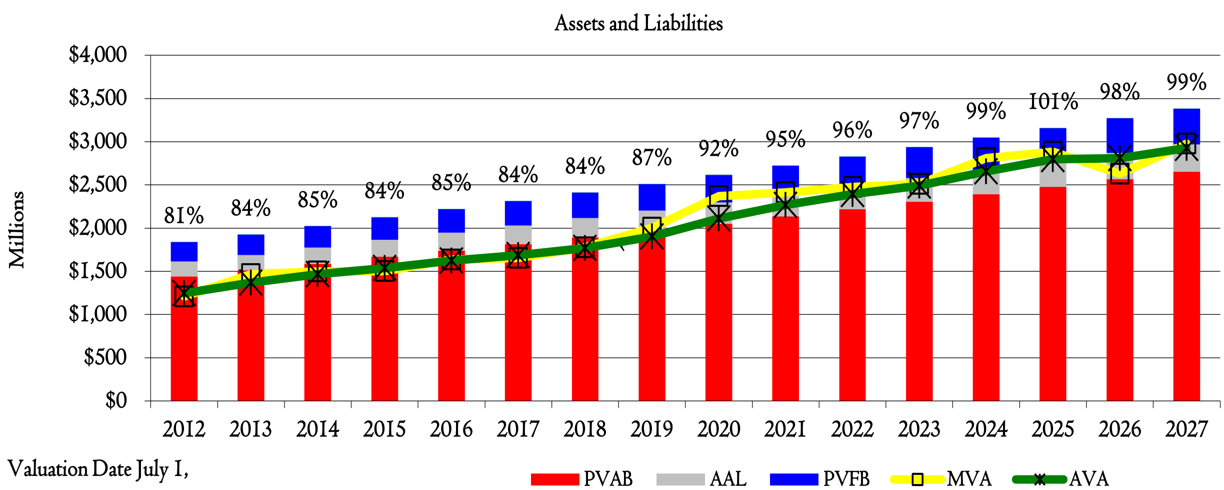




Alternative Projection -- with random returns

Under this scenario, the corridor contribution rate declines each year until FY 2020 when the County re-enters the corridor. This scenario shows the System at 99% funded at the end of the period.





Summary of Principal Plan Results

Valuation as of:	**7/1/2011**	**7/1/2012**	**% Chg**
Participant Counts			
Actives (excluding DROP)	1,865	1,870	0.3%
DROPs	106	119	12.3%
Terminated Vesteds	43	44	2.3%
In Pay Status	1,075	1,109	3.2%
Total	3,089	3,142	1.7%
Annual Salaries of Active Members	$ 147,326,067	$ 148,235,740	0.6%
Annual Retirement Allowances for Retired Members and Beneficiaries (Base amount only – not supplements)	$ 55,363,979	$ 59,412,133	7.3%
Assets and Liabilities			
Actuarial Accrued Liability	$ 1,526,218,244	$ 1,613,654,132	5.7%
Assets for Valuation Purposes	1,185,593,678	1,247,526,438	5.2%
Unfunded Actuarial Liability	$ 340,624,566	$ 366,127,694	7.5%
Funding Ratio	77.7%	77.3%	
Present Value of Accrued Benefits	$ 1,378,159,608	$ 1,441,983,267	4.6%
Market Value of Assets	1,220,411,973	1,208,864,603	-0.9%
Unfunded Accrued Liability (not less than $0)	$ 157,747,635	$ 233,118,664	47.8%
Accrued Benefit Funding Ratio	88.6%	83.8%	
Contributions as a Percentage of Payroll	**Fiscal Year 2013**	**Fiscal Year 2014**	
GASB Method:			
Normal Cost Contribution	19.46%	19.46%	
Unfunded Actuarial Liability Contribution	20.84%	22.27%	
Administrative Expense	0.25%	0.25%	
Total Contribution	40.55%	41.98%	
Corridor Method:			
Normal Cost Contribution	19.46%	19.46%	
Increase Due to Amortized Changes	7.05%	7.05%	
Amortization of Amount Outside Corridor	7.28%	8.69%	
Administrative Expense	0.25%	0.25%	
Corridor Method	34.04%	35.45%	

*The actual contribution rate being paid by the County in FY 2013 is 35.00%.

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-2001 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

Annual Deaths Per 10,000 Members
RP-2000 Mortality Projected to 2015*

Age	Male	Female
20	3	2
25	3	2
30	4	2
35	7	4
40	10	6
45	12	9
50	16	13
55	27	24
60	53	47
65	103	90
70	177	155
75	306	249
80	554	413
85	997	708
90	1,727	1,259
95	2,596	1,888
100	3,394	2,339
105	3,979	2,931

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

Annual Deaths Per 10,000 Disabled Members
RP-2000 Mortality Project to 2015 with ages set forward 5 years

Age	Male	Female
40	12	9
45	16	13
50	27	24
55	53	47
60	103	90
65	177	155
70	306	249
75	554	413
80	997	708

Termination of Employment (Prior to Normal Retirement Eligibility)

Annual Terminations Per 1,000 Members		
Service	**Sheriffs**	**Non-Sheriffs**
0	135	120
5	43	18
10	10	8
15	5	5
20	5	5
25	5	5

It is assumed that members who terminate 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*		
	Less than 24 years of Service	**Greater than 23 years of Service**
Age		
Less than 55	0	350
55-64	350	350
65 and Older	1,000	1,000

* 75% are assumed to DROP.

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

Year of Service	Merit/Seniority Increase*
0	8.0%
5	5.0%
10	1.5%
15	3.0%
20	1.8%
25	1.8%
30	1.8%

* There is a spike of 3.5% 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 three years younger than the male spouse.

Sick Leave Credit

Unused sick leave balances as reported for each active member will be used as the unused sick leave balance throughout the remaining active period.

Economic Assumptions

Investment Return:	7.50% compounded per annum.
Rate of General Wage Increase:	3.00% compounded per annum.
Rate of Increase in Cost-of-Living:	2.75% compounded per annum.*
Total Payroll Increase (For Amortization):	3.00% compounded per annum.
Administrative Expenses:	0.25% of payroll.

* Benefit increases are limited to 4% per year.

Changes Since Last Valuation

There have been no changes since the last valuation to the Actuarial Assumptions.

Analysis of Financial Experience

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

Type of Activity	2007	2008	2009	2010	2011	2012
Investment Income	$39,813,140	48,352,154)	$(103,521,233)	$(52,003,538)	$17,409,148	$(19.330,917)
Combined Liability Experience	(29,998,557)	1,986,816	14,593,398	5,509,116	(13,747,922)	(1,456,752)
Gain (or Loss) During Year from Financial Experience	9,814,583	(6,365,338)	(88,927,835)	(46,494,422)	3,661,226	(20,787,669)
Non-Recurring Items	(4,847,761)	(2,027,721)	-	-	(2,808,343)	---
Composite Gain (or Loss) During Year	**$4,966,822**	**$(8,393,059)**	**$ (88,927,835)**	**$(46,494,422)**	**$852,883**	**$(20,787,669)**

Schedule of Retirees and Beneficiaries
Added To and Removed From Rolls

Year Ended June 30,	Added to Rolls No.	Added to Rolls Annual Allowance	Removed From Rolls No.	Removed From Rolls Annual Allowance	On Rolls @ Yr. End No.	On Rolls @ Yr. End Annual Allowance	% Increase Allowance	Average Allowance
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
2010	51	4,614,464	17	549,813	1,021	53,499,626	8.22%	52,399
2011	66	5,869,824	12	546,541	1,075	58,822,909	9.95%	54,719
2012	45	4,704,657	11	481,168	1,109	63,046,398	7.18%	56,850

Solvency Tests
Aggregate Accrued Liabilities For

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)
2007	$95,478,570	$645,236,172	$465,909,413	$ 1,028,384,897	100%	100%	62%
2008	100,789,409	693,098,403	491,806,439	1,097,994,261	100%	100%	62%
2009	108,449,048	745,549,680	497,205,327	1,074,229,685	100%	100%	44%
2010	113,757,792	813,049,990	500,808,928	1,095,079,616	100%	100%	34%
2011	120,040,592	896,003,321	510,174,331	1,185,593,678	100%	100%	33%
2012	120,373,016	981,922,550	511,358,566	1,247,526,438	100%	100%	28%

** Based on the Actuarial Value of Assets*

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Statistical Section (unaudited)

The Statistical Section presents historical information regarding the retirement plan. This information includes a ten-year analysis of the sources of change in plan net assets, benefit payments, the number of retired members and average monthly benefits. Sources of additions include employer and plan member contributions and net investment income; deductions include benefit payments to retirees and beneficiaries, refunds of employee contributions and administrative expenses. The amounts of benefits paid, the count of benefit recipients and the average benefit payments are provided by type of benefit, including service retirement annuities, service-connected and ordinary disability benefits and survivor benefits.

Schedule of Additions by Source

Fiscal Year	Plan Member Contributions	Employer Contributions	Transfer	Employer Contributions % of Covered Payroll	Net Investment Income (loss)	Total Additions
2004	$7,800,284	$24,823,288		22.60%	$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		26.46%	131,320,268	183,185,957
2011	10,521,525	45,817,015		30.56%	238,039,247	294,377,787
2012	10,603,097	50,351,335		33.81%	(4,168,239)	56,786,193
2013	10,937,857	53,722,160		35.00%	120,417,604	185,077,621

The transfer in FY 2006 was a transfer of assets supporting the future benefits for the employees of the Department of Public Safety Communications who elected to leave the Employees' Retirement System and transfer to the Fairfax County Uniformed Retirement System.

Schedule of Deductions by Type

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses	Total Deductions
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	597,955	345,766	59,300,636
2011	63,822,794	853,906	361,654	65,038,354
2012	67,361,605	599,188	372,770	68,333,563
2013	73,914,711	779,395	434,117	75,128,223

Schedule of Benefit Payments by Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
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
2011	55,344,665	7,513,492	317,253	647,384	63,822,794
2012	58,531,116	7,751,042	339,101	740,346	67,361,605
2013	64,917,112	7,771,437	341,271	884,891	73,914,711

Schedule of Retired Members by Benefit Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
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
2011	845	186	18	26	1,075
2012	878	187	18	26	1,109
2013	925	185	17	29	1,156

Schedule of Average Monthly Benefit Amounts

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Average
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
2011	4,945	3,439	1,570	2,122	4,560
2012	5,127	3,571	1,614	2,122	4,737
2013	5,285	3,607	1,624	2,422	4,891

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A Fairfax County, Va., publication