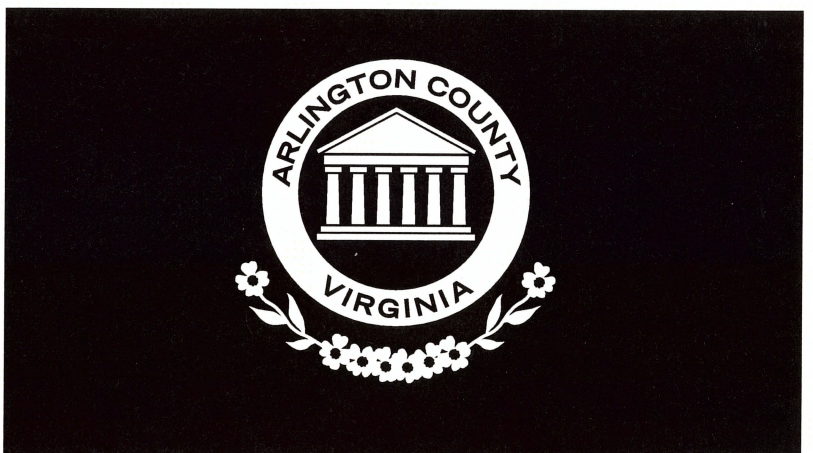


Arlington County Employees' Retirement System Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

A Pension Trust Fund of Arlington County, Virginia



COMPREHENSIVE ANNUAL FINANCIAL REPORT

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

**A Pension Trust Fund of
Arlington County, Virginia**

PRESENTED BY THE BOARD OF TRUSTEES

**For the Fiscal Year
Ended June 30, 2009**

**Produced by the
Arlington County Employees' Retirement System Office
2100 Clarendon Boulevard
Suite 504
Arlington, Virginia 22201
(703) 228-3321**



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

Suite 511 2100 Clarendon Blvd. Arlington, VA 22201

TEL 703.228.3900 FAX 703.228.3902 TOLL FREE 800.296.9510 www.arlingtonva.us/retirement

Board of Trustees

Michael E. Brunner, President
Kenneth Dennis, Vice President
Michelle Cowan, Treasurer
Richard Alt
Barbara M. Donnellan
Steven D. Ivins
Jonathan C. Kinney

Substitute Trustees

Jimmie Barrett, Secretary &
Assistant Treasurer
Wilfredo Calderon
Wayne Rhodes

Executive Director

Gregory A. Samay

December 03, 2009

To: The County and School Boards of Arlington County

Dear Board Members:

The Board of Trustees of the Arlington County Employees' Retirement System (ACERS) respectfully submits its annual report for the fiscal year ended June 30, 2009 as required in § 21-18, § 35-17 and § 46-18 of the Arlington County Code.

The Board's mission is to protect and preserve the assets of the Trust and provide prudent investment management and oversight. We act primarily in an investment capacity and have no role in setting benefit levels.

The System remains in solid financial health, notwithstanding the worst financial markets in more than a generation. Investment performance this year of -15.7% lagged the portfolio benchmark return of -14.6% yet exceeded the -17.1% performance of a peer group of public funds. With \$1,146 million of assets at year end, the System is well positioned to meet future retirement obligations. Last year's benefit payments represented only 6% of actual year-end system assets.

The financial and actuarial information included in the report show that the Retirement System is financially sound and has a funded ratio of 105%. However, the actuarial report as of July 1, 2009 captures the investment losses from 2009 and projects that ACERS' funded ratio of actuarial assets to actuarial liabilities has dropped to a still respectable 93%. Remarkably, this is the first time in 13 years that the System has fallen below 100%.

A copy of this report will be available for inspection at the Retirement Office, the County Central Library and on the Retirement Office web site. A summary of the report will be distributed to each participant in January 2010.

On behalf of the Board of Trustees and the ACERS staff, I would like to express our appreciation for your continued support and leadership.

Respectfully,

Michael E. Brunner
President

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Introductory Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Arlington County
Employees' Retirement System
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "K. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emen", is positioned above the title "Executive Director".

Executive Director

Introductory Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

Suite 504 2100 Clarendon Blvd. Arlington, VA 22201

TEL 703.228-3321 FAX 703.228.0646 TOLL FREE 800.296.9510 www.arlingtonva.us/retirement

Board of Trustees

Michael E. Brunner, President
Kenneth Dennis, Vice President
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Richard Alt
Barbara M. Donnellan
Steven D. Ivins
Jonathan C. Kinney

Substitute Trustees

Jimmie Barrett, Secretary &
Assistant Treasurer
Wilfredo Calderon
Wayne Rhodes

Executive Director

Gregory A. Samay

November 16, 2009

To: The Board of Trustees of the Arlington County Employees' Retirement System

Dear Board Members:

The annual report of the Arlington County Employees' Retirement System (System) for the fiscal year ended June 30, 2009 is submitted herewith. Responsibility for both the accuracy of the financial information contained herein and for the completeness and fairness of the presentation rests with System management.

As of June 30, 2009, the net assets of the System were \$1,146 million, a decrease of \$244 million during the fiscal year. Investment return for the year was (15.7%). This investment return placed the System in the 41st percentile of the TUCS Public Plan universe and was 1.1% below the portfolio benchmark return of (14.6%). The System is financially and actuarially sound with a funding ratio of the actuarial value of assets to actuarial accrued liabilities of 105% as of July 1, 2008. Current employer contribution levels from the County are substantial and consistent with the funding guidelines provided for in the Arlington County Code.

System History

The System was established as a defined benefit plan under authority of an act of the General Assembly of Virginia in Chapter 21 of the Code of the County (for Uniform and General Employees) as of December 21, 1953 and in Chapter 35 (for School Board Employees) as of January 1, 1969. System provisions were modified and all County employees hired on or after February 8, 1981 are covered by the provisions of Chapter 46 of the Code of the County. While different County employees have different benefits depending on their date of hire or type of employment, the System utilizes a single fund

for all participants and there is no segregation of assets for individual classes of employees. A formal Trust was adopted for the System as of December, 2001 and all assets are now held under the Trust.

Benefit Provisions

The System provides normal and early service retirement benefits for members who attain age and service requirements as specified in the County Code. 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 two years of service. Members are vested in the System after five years of service and are then eligible for benefits at their normal retirement age.

Arlington's Human Resources Department provides an annual benefit statement to each member. Throughout the year, they provide counseling to all benefit applicants and to others requesting counseling and make presentations at new employee orientations and at various employee group meetings and training sessions. All retirement handbooks and forms are available in the Human Resources office and on the web. **Members may contact the Retirement Investment Office and the Retirement Benefits Office at the following locations:**

Retirement Investment Office:
2100 Clarendon Boulevard, Suite 504
Arlington, VA 22201
(703) 228-3321, (703) 228-0646 Fax

Retirement Benefits Office:
2100 Clarendon Boulevard, Suite 511
Arlington, VA 22201
(703) 228-3900, (703) 228-3902 Fax

Major Initiatives

As the year started, we responded to the dramatic changes happening in the capital markets by positioning the fund more defensively. The System's 27% fixed income and cash weighting as of July 1, 2008 was increased to 43% by the end of October by actively increasing cash investments. This was primarily achieved by liquidating a significant portion of our investment in a Tactical Asset Allocation (TAA) fund that was positioned with a very high allocation to equities. We also became increasingly focused on the liquidity of our investment managers and eliminating or reducing counterparty risk. We began to see much greater volatility to our credit based fixed income and convertible managers.

As the year progressed, we devoted significant time and effort to monitor and better understand the security lending program operated for the System by Bank of New York/Mellon and to evaluate the security lending programs of commingled accounts with our investment managers. The result was an initiative to reduce exposure to security lending across the portfolio.

A major initiative undertaken this year was to competitively bid the System's custodial services. We reached the final stages of the process but decided to defer a decision

Introductory Section

until the landscape stabilized. The suitability of all three of our finalists was difficult to evaluate as all began reporting significant issues with security lending and investment management.

A third party consultant was brought in to advise us; no major issues were reported. We also made the decision to put our investment consulting service contract, which we had not competed in many years, out to competitive bid. We expect to complete this search by the end of the year.

During the fiscal year, the County Board adopted a recommendation from the County Manager that alters the overall benefit package for General and Uniformed Officers, resulting in increases in the pension benefits paid to these two groups. A summary of these changes is provided in this report's Financial Section footnotes. Future funding commitments from the County will reflect the additional cost of these enhancements and are reflected in the Actuarial Report for the System dated as of July 1, 2008.

Other Post Employment Benefits

The Retirement Board voted in February 2009 to act as Trustee with investment oversight for two newly created trusts, one for County funds and one for School funds, invested to prefund Other Post Retirement Benefits (OPEB) such as post retirement health care. Authority for a local retirement board to act as Trustee for OPEB trusts is provided for in Virginia code section §15.2-1547. Initial funding of \$15.1 million for the County Trust and \$1.5 million for the School's was made in June 2009. These Trusts are completely separate and independent managed from Retirement assets and the funds are operated in accordance with an Investment Policy Statement tailored to their needs. Financial reporting for these OPEB Trusts are included in the County and School annual financial reports.

Financial Highlights

Accounting System. This report has been prepared on the full accrual basis of accounting. The full accrual basis of accounting is used to record assets and liabilities and additions and deductions to plan net assets.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors.

Internal and Budgetary Controls. System management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded as necessary to permit preparation of financial statements in accordance with accounting principles

generally accepted in the United States of America (GAAP). The System's internal accounting controls in effect during the fiscal year ended June 30, 2009 adequately safeguard the System's invested assets and provide reasonable assurance regarding the proper recording of investment financial transactions.

The budget for the System is presented to, and accepted by, the Board of Trustees each year. A report of actual expenses versus the budget is reported to the Board quarterly.

Funded Status

An actuarial valuation of the System to determine funding requirements is performed annually. The actuarial valuation used for this reporting period was completed with payroll data as of July 1, 2008, the first day of FY 2009. Information from this report is included in the Actuarial Section.

A retirement system is fully funded when there is enough money in reserve to meet all accrued obligations to participants. The greater the level of funding, the lower the unfunded actuarial accrued liability. This report reflects that the System is fully funded and it has been since January 1, 1996 as the actuarial value of System assets has been greater than the actuarial accrued liability.

This funding record has been broken due to the dramatic decline in market values experienced last year. The System is not fully funded based on the most recent actuarial valuation report dated July 1, 2009 which reflects the full impact of the current year's negative investment return of -15.7% on asset values. As a result, the System is underfunded by \$98 million (7% of liabilities) on an actuarial basis.

Investments

The Board operates with the standard of care required in making investments as directed in the Code of Virginia §51.1-803 which states that "funds... shall be invested with the care, skill, prudence and diligence ... 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 Code of the County requires that the assets of the System shall be invested in accordance with a statement of investment policy adopted by the Board. The Code of the County allows for the engagement of professional investment managers.

The investment policy adopted by the Board establishes the investment goals, guidelines, constraints and performance standards the Trustees use when exercising their fiduciary duties to manage the assets of the System. The policy states that at least twenty percent of the total market value of the System shall be held in fixed income investments with certain limited exceptions. Under the policy, the Board allocates System assets and hires investment managers to direct the investments of the Board. Each manager is given a specific category of investment responsibility and each manager agrees to specific guidelines for investment style, expected return, portfolio risk exposure, portfolio turnover and other investment parameters. Each investment

Introductory Section

manager has full discretion to direct the investment of that portion of the System's assets assigned to them, in accordance with the manager's guidelines, constrained only by limitations provided in the Code of the County, the investment policy and provisions of the contract with the Board.

In January 1997, the Board hired Ashford Capital Management, now Ashford Consulting Group, as an investment consultant. With assistance from System staff and the investment consultant, the Board reviews total Fund and investment manager performance on at least a quarterly basis to ensure compliance with its stated objectives and policy. With assistance from the investment consultant, staff continuously monitors performance of the System and its investment managers and, when conditions warrant, makes recommendations for change to the Board. Final authority to adopt these recommendations rests with the Board.

For fiscal year 2009, the investment return was (15.7%) versus a benchmark return of (14.6%). The annualized rate of return for the past three years has been (2.0%) and the five-year return has been 2.8%, matching the policy benchmark for 3 years and exceeding the benchmark by 1.0% over 5 years. The annualized net return of 2.5% for the five year period failed to exceed the System's objective of achieving at least an 8% annual return, or 3% over the CPI-U, whichever is greater, over the rolling 5 year period. The CPI-U plus 3% target objective was 5.5%. The System's net returns for the one and three-year periods were (15.9%) and (2.3%), respectively. A summary of the Fund's asset allocation and historic returns can be found in the Investment Section of this report.

Securities of the System, except those held by pooled vehicles in which it owns an interest or in partnerships, are held by the Bank of New York, the System's master custodian.

Professional Services

Professional consultants are appointed by the Board to perform professional services essential to the effective and efficient operation of the System. Opinions from the independent public accountants, Clifton Gunderson, LLP and the actuary, Chieron, are included in this report. Ashford Consulting Group serves as investment consultant to the System.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Arlington County Employees' Retirement System (ACERS) for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This is the tenth consecutive year that ACERS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

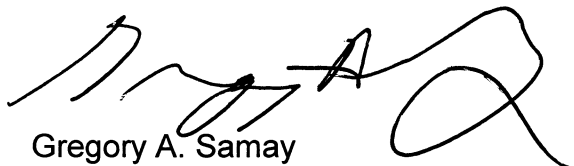
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This annual report was prepared by the System's staff under the direction of the Board of Trustees. The administrative staff of Arlington County provided significant assistance in preparation of the Statistical sections of this report. I would like to express sincere appreciation to the Board of Trustees for its guidance and dedication. I would also like to thank the County Board and the County Manager for their support throughout the past year to ensure the continued successful operation and funding of the System.

This report is intended to provide complete and reliable information for determining the financial status of the System. It is herewith submitted to the Retirement Board and to other interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Gregory A. Samay', with a large, stylized flourish at the end.

Gregory A. Samay
Executive Director & Chief Investment Officer

Introductory Section

ADMINISTRATIVE ORGANIZATION **TRUSTEES - as of June 30, 2009**

Michael Brunner, President
Appointed by County Board
Term Expires 1/31/2013

Kenneth Dennis, Vice President
Elected by Uniformed Employees
Term Expires 2/2/2011

Barbara Donnellan, Treasurer
Appointed by County Manager
Term Expires 2/2/2011

Richard Alt
Elected by Retired Employees
Term Expires 1/31/2011

Michelle Cowan *
Elected by the General Employees
Term Expires 1/31/2013

⁽¹⁾ *In October 2009, Mrs. Cowan was elected Treasurer*

PROFESSIONAL STAFF

Gregory Samay, Executive Director & Chief
Investment Officer
Daniel Zito, Investment Officer

LEGAL ADVISOR

Peter Maier, Asst. County Attorney

*In October 2009, Mr. Ara Tramblian, Deputy County Attorney
became the Board's Legal Advisor*

CERTIFIED PUBLIC ACCOUNTANTS

Clifton Gunderson, LLP

CUSTODIAN BANK

Bank of New York Mellon

INVESTMENT CONSULTANT

Ashford Consulting Group

Steven D. Ivins
Appointed by County Board
Term Expires 1/31/2013

Jonathan C. Kinney
Appointed by County Board
Term Expires 1/31/2013

SUBSTITUTE TRUSTEES

Jimmie Barrett, Secretary & Asst. Treasurer
Elected by Uniformed Employees
Term Expires 2/2/2011

Wilfredo Calderon- General Representative
Appointed by County Manager
Term Expires 1/31/2013

Wayne Rhodes- Retiree Representative
Appointed by County Manager
Term Expires 1/31/2011

CONSULTING ACTUARY

Cheiron

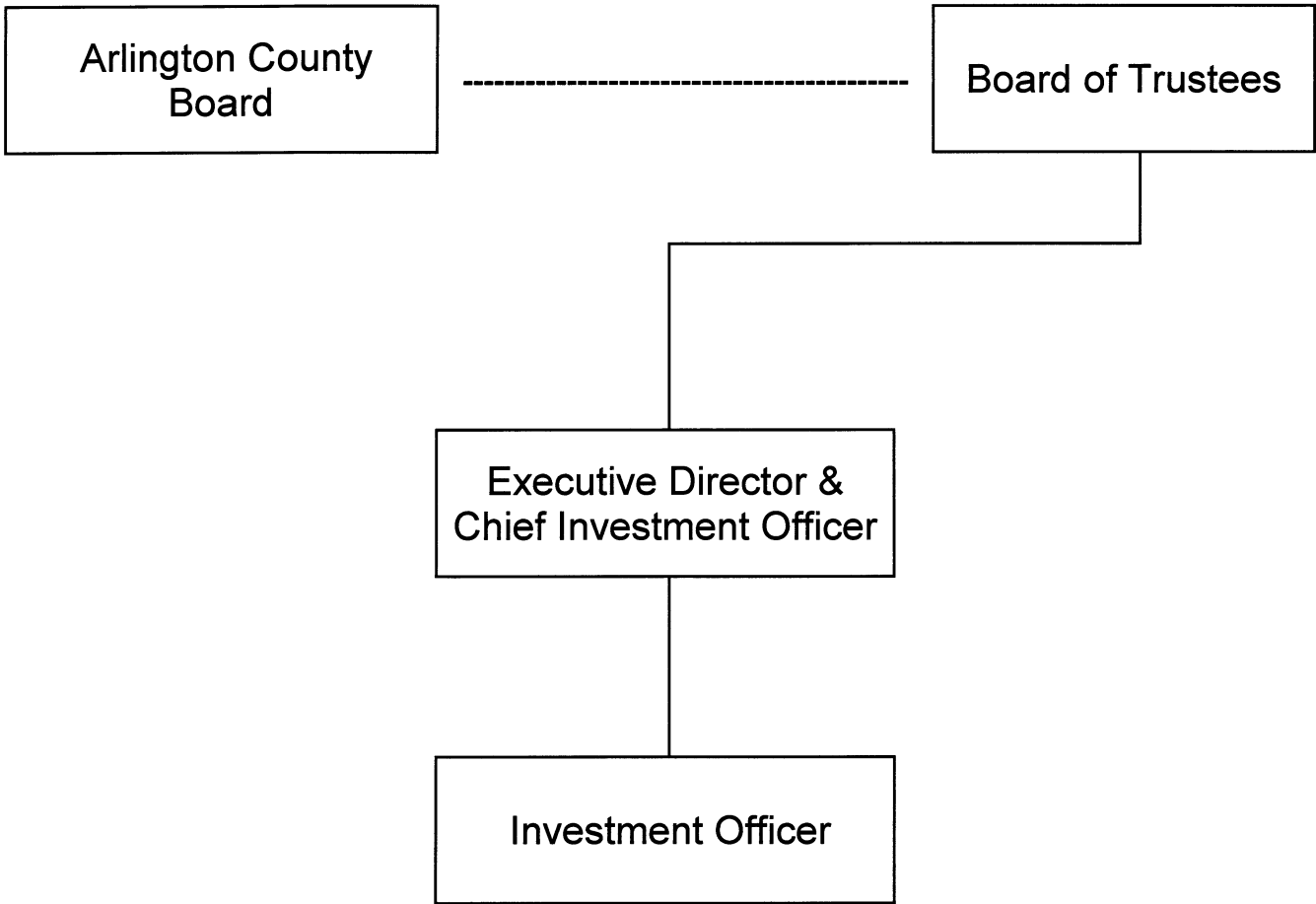
INVESTMENT MANAGERS⁽²⁾

Abbott Capital
Arsenal Real Estate
Baillie Gifford
Bank of New York
INTECH
Invesco
Liquid Realty Partners
Loomis Sayles
Mellon Capital Management
Oaktree Capital Management
OFI Institutional
State Street Global Advisors
T. Rowe Price
The Vanguard Group

⁽²⁾ *Investment manager assignments can be found on
Page 45 and a schedule of broker commissions on
Page 48.*

Trustee and Substitute Trustee correspondence should be directed to:
Arlington County Employees' Retirement System
2100 Clarendon Boulevard, Suite 504, Arlington, VA 22201

**ORGANIZATIONAL
CHART**



Financial Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM



Independent Auditor's Report

Board of Trustees of the Arlington County
Employees' Retirement System

We have audited the statement of plan net assets and statement of changes in plan net assets of the Arlington County Employees' Retirement System (Retirement System), a pension fund of Arlington County, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the Retirement System's basic financial statements. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Arlington County Employees' Retirement System as of June 30, 2009, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedules of funding progress and employer contributions, and actuarial assumptions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory and Statistical sections, as well as the Schedule of Actuarial Assumptions, Schedule of Administrative Expense and Schedule of Investment and Consultant Expense are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information listed in the financial section of the Table of Contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Statistical and Actuarial sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
November 18, 2009

Offices in 17 states and Washington, DC



MANAGEMENT DISCUSSION & ANALYSIS

This section presents management's discussion and analysis of the System's financial performance during the fiscal year ended June 30, 2009 and is presented as an overview and analysis to be read in conjunction with the letter from the Executive Director & Chief Investment Officer included in the Introductory Section of this Comprehensive Annual Financial Report.

The System provides retirement benefits to Arlington County Uniformed and General employees and to certain School Board employees. The net assets held in trust for benefits at June 30, 2009 amounted to \$1,146 million, a decrease of \$244 million from June 30, 2008. Additions to the net assets held in trust for benefits include County and member contributions, and interest and dividends on Fund holdings. Contributions for the year increased by \$7.6 million, a 18.7% increase over FY 2008. Investment gains & losses which include realized and unrealized changes in portfolio market value, increased from a loss of \$100.3 million in 2008 to a loss of \$250.6 million in 2009. Portfolio returns for the year ended June 2009 reflect the difficult year for equity and credit markets. ACERs' portfolio experienced one of its worst years, generating an investment return for 2009 of (15.7%). On a relative basis, this exceeded the (17.1%) average performance of a peer group of public funds.

Financial Highlights

- The net assets of the Fund decreased by \$244 million, while benefit payments exceeded employee and employer contributions by \$18.9 million.
- As of July 1, 2008, the System is actuarially funded at 105%, up from 104% as of July 1, 2007 benefiting from the positive impact of the amortization of investment returns over the five years ending June 30, 2008 that averaged 9.3%. Note, this funding ratio is a measurement at the beginning of the fiscal year and does not reflect the negative performance during fiscal 2008. Even after factoring in the poor returns in 2009, the System remains well positioned to continue to pay benefits to System members.
- The Fund's return on investments of (15.7%) was lower than the (14.6%) benchmark return and the target actuarial investment return assumption of 8%.

Recent Market Events

In contrast to last year, since June 30, 2009, financial markets as a whole have continued to improve and as a result System assets have increased from those reported in the accompanying financial statements. The System maintains a well diversified investment policy that attempts to balance preserving capital in down markets and generating an 8% return over the long term. Combined with consistent and significant County contributions, the System is well positioned to meet the needs of current and future retirees.

Summary of Plan Net Assets

	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>	<u>June 30, 2009</u>
<u>Assets</u>					
Cash	\$ 108,869,890	\$ (64,272,852)	\$ 44,597,038	\$ 38,104,694	\$ 82,701,732
Receivables	7,634,879	4,452,402	12,087,281	2,761,610	14,848,891
Investments	1,374,998,767	(40,783,877)	1,334,214,890	(284,355,473)	1,049,859,417
Sec. Lending Collateral	122,692,091	(15,046,645)	107,645,446	(68,924,479)	38,720,967
Total Assets	\$ 1,614,195,627	\$ (115,650,972)	\$ 1,498,544,655	\$ (312,413,648)	\$ 1,186,131,007
<u>Liabilities</u>					
Accrued Expense	\$ 3,712,618	\$ (2,663,182)	\$ 1,049,436	\$ (84,322)	\$ 965,114
Sec. Lending Obligations	122,692,091	(15,046,645)	107,645,446	(68,463,628)	39,181,818
Total Liabilities	\$ 126,404,709	\$ (17,709,827)	\$ 108,694,882	\$ (68,547,950)	\$ 40,146,932
Total Net Assets	\$ 1,487,790,918	\$ (97,941,145)	\$ 1,389,849,773	\$ (243,865,698)	\$ 1,145,984,075

Changes in Plan Net Assets

	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>	<u>June 30, 2009</u>
<u>Additions</u>					
Employer Contributions	\$ 24,755,219	\$ 5,287,809	\$ 30,043,028	\$ 7,034,552	\$ 37,077,580
Member Contributions	10,024,725	119,090	10,143,815	525,096	10,668,911
Dividends & Interest	31,687,514	(171,686)	31,515,828	(378,755)	31,137,073
Investment Gains/(Losses)	187,683,069	(288,038,016)	(100,354,947)	(150,214,104)	(250,569,051)
Other	457,515	269,904	727,419	(726,889)	530
Investment Expense	(4,738,711)	(940,960)	(5,679,671)	2,348,183	(3,331,488)
Total Additions	\$ 249,869,331	\$ (283,473,859)	\$ (33,604,528)	\$ (141,411,917)	\$ (175,016,445)
<u>Deductions</u>					
Retirement Benefits	\$ 58,501,769	\$ 3,436,401	\$ 61,938,170	\$ 4,784,812	\$ 66,722,982
Refund of Contributions	2,122,141	(538,327)	1,583,814	(289,149)	1,294,665
Administrative Expense	863,251	(48,618)	814,633	16,972	831,605
Total Deductions	\$ 61,487,161	\$ 2,849,456	\$ 64,336,617	\$ 4,512,636	\$ 68,849,253
Change in Net Assets	\$ 188,382,170	\$ (286,323,315)	\$ (97,941,145)	\$ (145,924,553)	\$ (243,865,698)

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements, which include the following components:

- 1) **Fund financial statements,**
- 2) **Notes to the financial statements,**
- 3) **Required supplementary information.**

The information available in each of these sections is briefly summarized as follows:

1) Fund Financial Statements A statement of net assets and a statement of changes in net assets are presented as of June 30, 2009. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year end, as well as changes in those resources during the year.

2) Notes to the Basic Financial Statements The financial statement notes provide additional information that is essential to the full understanding of the data provided in the Fund Financial Statements. Information available in the notes to the financial statements includes:

- Note 1** provides a description of the System and the funding policy as well as a description of member contributions and benefits.
- Note 2** describes accounting policies.
- Note 3** discusses System deposits and investments and includes several tables showing investments categorized by type and providing disclosure on interest rate related risk and currency risk.
- Note 4** explains the System's tax status.
- Note 5** describes the System's funded status and annual required contributions.

3) Required Supplementary Information This information shows the System's funding progress and annual employer contributions as a percentage of required contributions, lists the various actuarial assumptions as well as provides detail regarding administrative and investment expenses.

Contact Information

The System's financial statements are designed to present users with a general overview of the System's finances and to demonstrate the trustees' accountability. If you have any questions about the report, need additional financial information, or want to contact any trustee, please contact Arlington County Employees' Retirement System, 2100 Clarendon Boulevard, Suite 504, Arlington, VA 22201. Copies of the Comprehensive Annual Financial Report are available from the Retirement Office or at any County Library. The report may also be accessed at www.arlingtonva.us/retirement. A summary report will be issued to plan members in January 2010.

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM
(A Pension Trust Fund of Arlington County, Virginia)
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2009

ASSETS

Cash and Cash Equivalents		\$82,701,732
Contributions Receivable:		
Employer		1,145,389
Employee		287,259
Accrued Interest and Other Receivables		13,416,243
Investments, at Fair Value:		
Foreign, Municipal and U.S. Government Obligations		103,870,482
Corporate Fixed Income Obligations		204,834,384
Domestic and Foreign Equities		351,303,982
Other Investments, Including Pooled Funds		370,414,354
Real Estate Funds		19,436,215
Collateral on Loaned Securities (cost)	39,181,818	
Less: Allowance for Unrealized Loss	<u>(460,851)</u>	
Total Collateral on Loaned Securities		38,720,967
Total Assets		<u>1,186,131,007</u>

LIABILITIES

Accrued Expenses and Other Liabilities	965,114
Obligations under Security Lending Program	39,181,818
Total Liabilities	<u>40,146,932</u>

NET ASSETS HELD IN TRUST FOR PLAN BENEFITS

Total Net Assets	<u><u>\$1,145,984,075</u></u>
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(A schedule of funding progress is presented on page 33)

See accompanying notes to financial statements

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM
(A Pension Trust Fund of Arlington County, Virginia)
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS

Contributions	
Employer	\$37,077,580
Employee	10,668,911
Other	27,184
Total Contributions	<u>47,773,675</u>
Investment Income	
Interest and Dividends	31,137,073
Net Appreciation/(Depreciation) in Fair Value	(250,569,051)
Commission Recapture	12,536
Investment Income/(Loss)	<u>(219,419,442)</u>
Less: Investment Expense	3,331,488
Net Investment Income/(Loss)	<u>(222,750,930)</u>
Securities Lending Activity	
Security Lending Income	1,591,711
Expenses	(754,094)
Bank Management Fees	(233,245)
Loss on Security	(643,562)
Net Income/(Loss) From Security Lending	<u>(39,190)</u>
Total Additions	<u>(175,016,445)</u>

DEDUCTIONS

Members' Benefits	66,722,982
Refund of Members' Contributions	1,294,665
Administrative Expenses	584,411
Other Consulting Expenses	247,195
Total Deductions	<u>68,849,253</u>
Net Change in Assets Increase/(Decrease)	<u>(243,865,698)</u>
Net Assets Held in Trust for Plan Benefits, Beginning of Year	1,389,849,773
Net Assets Held in Trust for Plan Benefits, End of Year	<u>\$1,145,984,075</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009

NOTE 1. THE RETIREMENT SYSTEM

The Arlington County Employees' Retirement System (the System) is a pension trust fund of the Arlington County, Virginia (County) financial reporting entity and is included in the County's comprehensive annual financial report. The accompanying financial statements present information on the operations of the System in conformity with generally accepted accounting principles.

System Description

The System is a single employer public employee defined benefit pension plan covering substantially all employees of the County. At July 1, 2008, System membership consisted of the following:

	<u>General</u>	<u>Uniformed</u>	<u>School</u>	<u>Total</u>
<i>Active Employees:</i>				
Vested	1,667	583	98	2,348
Non-vested	<u>1,047</u>	<u>273</u>	<u>0</u>	<u>1,320</u>
Total Active Employees	2,714	856	98	3,668
 <i>Vested Deferred</i>	 116	 15	 99	 230
 <i>Retirees and Beneficiaries</i>	 1,644	 646	 1,152	 3,442

Please refer to Chapters 21, 35 and 46 of the Arlington County Code for a more detailed description of the System.

System Administration

On November 16, 2004, amendments to Arlington County Chapters 21, 35, and 46 were made to transfer the System's administrative responsibilities to the County Manager while leaving investment responsibility with the Board of Trustees (the Retirement Board).

The Retirement Board consists of seven voting trustees and three substitute trustees appointed or elected as follows:

- Three by the County Board;
- One by the County Manager;
- One trustee and one substitute trustee elected by general employees;
- One trustee and one substitute trustee elected by police officers, firefighters, and deputy sheriffs (uniform); and
- One trustee and one substitute trustee elected by retired employees.

In December 2007, the County Code was modified to require that the trustees elected by active employees be active employees and that the trustees elected by retired employees currently be receiving retirement benefits from the System.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE, 2009

The trustees annually elect a President, Vice-President and Secretary from among their members, and elect a Treasurer and Assistant Treasurer, who may or may not be a trustee.

The trustees annually approve a retirement office administrative budget. The retirement office's administrative expense is funded from investment income.

Funding Policy

The System is funded via both employee and employer contributions. Employer contributions are determined by an annual actuarial valuation. The Entry Age Normal funding method is currently used to determine the required employer contributions depending on the funded status of the System.

Member Contributions and Retirement Benefits

The System provides retirement benefits as well as survivor and disability benefits. All normal retirement benefits vest after 5 years of credited service. If an employee leaves covered employment before 5 years of credited service, accumulated employee contributions plus interest are refunded to the employee or designated beneficiary. A description of member contribution rates, normal service retirement and average final compensation for the employees covered under the various Chapters of the Arlington County Code for the period ending June 30, 2009 is summarized on the following page. The Arlington Board adopted an updated schedule of retiree benefits effective January 2009 as shown in the table.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009**

Member Contributions and Retirement Benefits

	<u>21</u>	<u>Participants Covered Under Chapter</u>	
	<u>Before 2/8/81</u>	<u>35</u>	<u>46</u>
Covers Employees Hired:	Before 2/8/81	Before 2/8/81	2/8/81 or After
Contribution Rates:			
<i>General Employees</i>	4%	N/A	4%
<i>School Board Employees</i>	0%	0%	0%
<i>(Covered by VRS)</i>			
<i>Uniformed Employees:</i>			
- Management	5.62%	N/A	5% through 1/3/09, 7.5% thereafter
- Non-Management	6.62%	N/A	5% through 1/3/09, 7.5% thereafter
Normal Retirement Age:			
<i>General County Employees</i>	60	N/A	62
<i>School Board Employees</i>	60	62	62
<i>Uniformed Employees</i>	50	N/A	52
<i>"Rule of 80" Applies</i>	Yes	No	Yes
Retirement Benefit:			<u>Retiring on/prior to 1/3/09</u>
Percentage of Average Final Salary (AFS) times years of creditable service subject to a 30 year maximum. AFS is generally the average of the highest compensation years, including overtime. For Chapter 46 employees retiring on or after 1/4/09, the New AFS definition excludes overtime and most premium pays.	2.5% for each of the first 20 years plus 2% for each of the next 10 years	2.125% reduced by the VRS benefits under Formula A	General: 1.5% Uniform: 2.0% until Social Security Eligible then 1.5%, 1.7% & 2.0% for each 10 year increment
			<u>Retiring on/after 1/4/09</u>
			General: 1.7% New AFS OR 1.5% Prior AFS through 1/3/09 plus 1.7% New AFS thereafter Uniform: 2.5% through 1/3/09 plus 2.7% thereafter on New AFS OR 2.0% Prior AFS through 1/3/09 plus 2.7% New AFS thereafter until Social Security Eligible then 1.5%, 1.7% & 2.0% for each 10 year increment prior to 1/3/09
Employee contribution refund upon leaving County	Contributions plus interest	N/A	Contributions plus interest

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the System are presented on the accrual basis of accounting with additions to plan net assets recognized when earned and deductions from plan net assets recorded when liabilities are incurred. Member and employer contributions to the System are recognized in the period in which the contributions are due in accordance with the terms of the System. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Adoption of New Accounting Standards

Beginning in the year ended June 30, 2008, the System adopted Governmental Accounting Standards Board Statement number 50, *Pension Disclosures*, which amends GASB 25 and 27 (GASB 50). GASB 50 amends financial note disclosures and required supplementary information for pension plans to be consistent with GASB 43 and GASB 45 standards.

Investments

The System's investments are recorded at fair value. Fair value is based on quoted market prices from national exchanges, when available. Investment transactions are recorded as of the trade date. These transactions are not finalized until the settlement date. For real estate and private equity investments, where no readily ascertainable market value exists, management relies on the fair values for individual investments based on the partnership's most recent available financial statements. Unrealized appreciation and depreciation of investments is reflected in the Statement of Changes in Plan Net Assets for the year.

NOTE 3. DEPOSITS AND INVESTMENTS

a. Legal Provisions

The System is authorized by the Code of Virginia §51.1-803 to invest funds of the System in conformance with the prudent person rule. Arlington County Code §21-23, §35-21, and §46-22 require that assets of the System be invested with care, skill, prudence, and diligence under 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 a like character and with like aims. Arlington County Code §21-24, §35-22, and §46-23 require that investments be diversified to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009**

The System's written investment policy provides for investment in all major sectors of the capital markets in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to:

- Common stock, preferred stock, convertible securities, warrants, and similar rights of U.S. and non-U.S. companies.
- Private equity. The System invests in private equity through an experienced fund-of-funds manager to maximize diversification by vintage year and investment type. The commitment to private equity totals \$83 million, of which \$46.3 million had been funded at June 30, 2009.
- Open and closed end commingled real estate funds and real estate investment trust securities. The System has a commitment to fund two real estate partnerships for \$50 million, of which \$43.9 million had been funded at June 30, 2009.
- Fixed income obligations of the U.S. government and its agencies, mortgage-backed securities, corporate bonds, and asset backed securities. In addition, fixed income obligations of non-U.S. governments, companies, and supernational organizations in both developed and emerging markets. Limits on concentration, credit quality, and duration are governed by the investment manager contract with each manager.
- Foreign currency forwards. Credit risk of these investments results from the credit worthiness of the counterparties to the contracts. The Fund did not have a currency manager in place during 2009. An underperforming currency program was terminated in February 2008.

b. Investment Restrictions

The following summarizes the primary investment restrictions included in the System's investment policy statement. Individual investment manager contracts typically include additional guidelines and limitations.

Fixed income investments must be at least 20% of the Fund's assets at market value. The Fund must be rebalanced if the market weight of fixed income investments falls below 20%, unless the Board, acting on the recommendation of staff or the investment consultant to defer rebalancing, determines that it would not be consistent with the Board's fiduciary responsibility to rebalance (increase fixed income) at that time.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE, 2009

No illiquid investment can be made that causes the allocation to illiquid investments to exceed 15% of System assets.

Unless the Board grants prior authorization, the investment managers may not:

- Invest more than 10% of the market value of each manager's portfolio in the securities of any one issuer, with the exception of the U.S. government and its agencies;
- Hold more than 5% of the outstanding shares of a single company in any manager's portfolio;
- Hold unlisted equity securities that exceed 20% of the portfolio, exclusive of holdings in banks, utilities, and insurance companies;
- Use leverage of any sort for any purpose beyond prudent industry standards,
- Effect short sales of securities; and
- Pledge or hypothecate securities; except in approved security lending programs.

Derivatives are allowed only in cases where their use reduces the cost of a desired transaction and/or improves the risk characteristics of the portfolio. The Board of Trustees may, however, approve the use of derivatives to implement investment processes intended to add value in specifically-designated risk-controlled applications, such as currency management. Any such value-added investment program shall be approved only where (a) the potential exposures have been well defined by the Board and provide for a downside risk range for the Fund within established limits; (b) the value of the designated Fund assets subject to risk due to the program does not exceed 15% of the Fund's assets; and (c) in any program where an active overlay strategy combining derivatives with underlying portfolio assets is to be used, the gross amount of any long and short exposures taken on by the overlay shall not exceed the value of the designated Fund assets being overlaid.

c. Cash and Cash Equivalents

At June 30, 2009, the System had cash and cash equivalents of \$82,701,732. Cash deposits in bank accounts totaled \$125,497. This amount was insured by the Federal Deposit Insurance Corporation up to \$250,000 for each System participant. Cash equivalents of \$67,331,039 are invested in a Vanguard institutional money market fund, \$15,245,196 is invested in the custodian's Short-Term Investment Fund (STIF). These accounts are uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009

d. Investments and Risk

The System's investments are recorded at fair value based on the methodology described in Note 2. Summary of Significant Accounting Policies, Investments, on page 22. The following table presents the fair value of investments by type at June 30, 2009:

SYSTEM INVESTMENTS

Investment Type (in \$ 000s)	Fair Value
Mortgage Backed Govt Pass Through	\$ 427
Corporate Mortgage Obligations (CMOs)	546
Corporate Bonds	141,904
Corporate Asset Backed	1,897
Private Placements	30,094
Municipal Bonds	2,525
Yankee Bonds	5,642
Supernationals	5,766
Non-US Developed Govt/Sovereign	23,243
Non-US Developed Corporate	61,209
Non-US Emerging Govt/Sovereign	12,231
Non-US Emerging Corporate	668
Convertible Securities	64,662
US Equity	144,397
Non-US Equity	153,397
Alternative Investments	56,006
Real Estate	19,436
Commingled Equity Funds	199,007
Commingled US Fixed Income	132,757
Commingled Money Market	82,713
Cash	7,406
Total*	\$ 1,145,933

* This total does not include contributions receivable, accrued expenses and disbursement checking account cash.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009

Interest Rate Risk

Interest rate risk is the largest risk faced by most investors in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes. The System has interest rate exposure on \$350.8 million of directly owned fixed income securities and on \$132.8 million invested in 2 commingled US fixed income funds. The System's directly owned fixed income investments and maturities at June 30, 2009 is as follows:

INVESTMENT MATURITIES

Investment Type (in \$ 000s)	Fair Value	Maturities (years)			
		Under 1	1-5	6-10	Over 10
US Treasury	-	-	-	-	-
US Agency	-	-	-	-	-
Mortgage Backed Govt Pass Through	427	-	-	-	427
Corporate Mortgage Obligations (CMOs)	546	-	-	-	546
Corporate Bonds	141,904	930	27,086	29,330	84,558
Corporate Asset Backed	1,897	-	1,461	436	-
Private Placements	30,094	641	21,049	4,510	3,894
Municipal Bonds	2,525	-	-	-	2,525
Yankee Bonds	5,642	-	-	595	5,047
Supernationals	5,766	-	1,117	4,649	-
Non-US Developed Govt/Sovereign	23,243	9,887	13,356	-	-
Non-US Developed Corporate	61,209	4,429	44,066	9,690	3,024
Non-US Emerging Govt/Sovereign	12,231	-	1,717	4,858	5,656
Non-US Emerging Corporate	668	-	221	447	-
Convertible Securities	64,662	965	35,773	3,997	23,927
Short Term	-	-	-	-	-
Total	\$ 350,814	\$ 16,852	\$ 145,846	\$ 58,512	\$ 129,604

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009

Interest rate sensitivity of a fixed income portfolio is best measured by effective duration. The effective duration for the System's directly held fixed income portfolio at June 30, 2009 is shown below:

INVESTMENT DURATIONS

Investment Type (in \$ 000s)	Fair Value	Effective Duration (Yrs)
US Treasury	-	-
US Agency	-	-
Mortgage Backed Govt Pass Through	427	3.03
Corporate Mortgage Obligations (CMOs)	546	5.38
Corporate Bonds	141,904	7.41
Corporate Asset Backed	1,897	0.04
Private Placements	30,094	4.10
Municipal Bonds	2,525	7.04
Yankee Bonds	5,642	9.25
Supernationals	5,766	5.97
Non-US Developed Govt/Sovereign	23,243	1.37
Non-US Developed Corporate	61,209	3.80
Non-US Emerging Govt/Sovereign	12,231	5.60
Non-US Emerging Corporate	668	0.84
Convertible Securities	64,662	3.86
Short Term	-	-
Total	\$ 350,814	5.32

Custodial Credit Risk

In the event of counter-party failure, the System may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department are uninsured and are not registered in the name of the System. The System requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the System.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009

Concentration of Credit Risk

Per the System's investment policy, only U.S. Government and U.S. Government Agency obligations may exceed 5% of System assets. As of June 30, 2009, the System does not have investments in any one organization that exceed 5%.

The System's credit quality distribution for the System's directly held fixed income investments of \$350.8 million at June 30, 2009 is:

FIXED INCOME CREDIT QUALITY DISTRIBUTION

Investment Type (in \$ 000s)	Credit Quality							
	AAA	AA	A	BBB	BB	B	Below B	Unrated
US Government	-	-	-	-	-	-	-	-
US Government Agency	427	-	-	-	-	-	-	-
Corporate Mortgage Obligations (CMOs)	390	-	-	-	-	-	-	156
Corporate Bonds	324	571	19,750	63,669	28,953	20,997	3,892	3,748
Corporate Asset Backed	1,897	-	-	-	-	-	-	-
Private Placements	-	-	1,609	7,148	1,615	1,811	2,524	15,387
Municipal Bonds	-	-	-	2,525	-	-	-	-
International Obligations	27,964	7,738	9,903	19,696	6,189	3,044	-	34,225
Convertible Securities	-	-	3,599	10,884	7,116	13,444	776	28,843
Total	31,002	8,309	34,861	103,922	43,873	39,296	7,192	82,359

Note: Ratings based on S&P Quality Ratings with the exception of U.S. Government and Agency which have been assigned by the Bank of New York Mellon

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009

Foreign Currency Risk

Foreign investments include equity and fixed income securities, including convertible securities, and cash. The Board has authorized specific investment managers to invest in non-dollar denominated securities. These managers have the ability to hedge a portion of their portfolio's foreign currency exposure. The System's exposure to foreign currency risk at June 30, 2009 was as follows:

FOREIGN CURRENCY EXPOSURE IN US DOLLARS

Currency (in \$ 000s)	Equity	Fixed Income & Convertible	Cash	Total
Australian Dollar	3,713	6,976	(1)	10,688
Brazilian Real	-	5,155	-	5,155
British Pound	17,016	6,271	34	23,321
Canadian Dollar	7,130	22,983	69	30,182
Danish Krone	3,958	-	-	3,958
Euro	38,190	32,345	1,262	71,797
Hong Kong Dollar	8,179	3,128	464	11,771
Indonesian Rupiah	-	3,579	-	3,579
Japanese Yen	26,843	1,537	1,201	29,581
Mexican Peso	-	5,447	-	5,447
New Zealand Dollar	-	8,852	-	8,852
Norwegian Krone	1,300	1,028	48	2,376
Singapore Dollar	-	2,128	(710)	1,418
Swedish Krone	7,175	-	-	7,175
Swiss Franc	10,514	4,867	109	15,490
UAE Dirham	-	447	-	447
Total	\$ 124,018	\$ 104,743	\$ 2,476	\$ 231,237

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE, 2009

e. Securities Lending

Under authorization of the Board, the System engaged in a securities lending program through BNY Mellon (BNY) for securities held in separate accounts. In accordance with the contract, BNY may lend any securities held in custody. Maturity matched collateral of cash, cash equivalents or irrevocable letters of credit are held at the minimum rate of 102% for domestic securities and 105% for international. The collateral is maintained by BNY and all securities on loan are callable at any time. The System does not have the ability to invest, pledge or sell the collateral.

All securities on loan are carried at fair value and the collateral received for securities on loan is listed in the financial statements as an asset of the System, offset by an offsetting security lending obligation.

BNY indemnifies the System by agreeing to purchase replacement securities, or to remit the cash collateral held, in the event the borrower becomes insolvent and fails to return the securities. There were no such failures by any borrower during the fiscal year nor were there any losses during the year resulting from a default of the borrower or lending agent.

The System is exposed to credit risk in the investment of the cash collateral by BNY in a separately managed collateral pool. An investment policy provides guidelines for the investment of this cash in high quality debt securities. During the year this policy was modified to only allow investment in United States Treasuries and reverse repurchase agreements.

As a result of the disruption in the credit markets last year, several securities in the collateral pool that were highly rated when purchased became difficult to trade and value, exposing the System to greater credit risk than anticipated. A decision was made to sell one underperforming asset backed security resulting in a recognized loss of \$643,562. At the end of the year, the remaining collateral pool had an unrealized loss of \$460,851.

The System imposed restrictions during the year on the amounts of securities lending BNY did on behalf of the System to reduce the size and risk exposure of the program. The program was reduced from \$108 million at the beginning of the year to \$39 million at the end. The intent is to further reduce the credit risk the System is exposed to from security lending.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE, 2009

The following table details the net income from securities lending for the fiscal year ended June 30, 2009:

Gross Income from Securities Lending	\$	1,591,711
Less Expenses		754,094
Less Bank Management Fees		233,245
Less Loss on Security		<u>643,562</u>
Net Income from Securities Lending	\$	<u>(39,190)</u>

The following table presents the fair value of underlying securities and the value of the collateral pledged at June 30, 2009:

Type of Securities Lent		Fair Value		Value of Cash Collateral
Corporate Fixed Income	\$	7,326,636	\$	7,531,377
U.S. Equity		19,990,635		20,777,028
Non-U.S. Governments		8,705,519		9,162,450
Non-U.S. Equity & Fixed		1,627,288		1,710,963
Total	\$	<u>37,650,078</u>	\$	<u>39,181,818</u>

The System has \$64.9 million invested in a State Street Global Advisors (SSGA) Treasury Inflation Protection Securities commingled fund that utilizes security lending. The cash collateral received for loaned securities is invested in a SSGA managed cash collateral pool which has experienced significant unrealized credit losses from investments in asset backed securities. At June 30, 2009, 89% of the TIPS fund's securities were out on loan and the fund's share of the unrealized loss in the collateral pool is 6.1%. The System's share of the unrealized loss at June 30, 2009 is \$3.5 million. None of the System's other commingled fund investments have material realized or unrealized securities lending related losses.

In October 2008, SSGA limited their clients' ability to withdraw funds due to liquidity issues with the security lending program. The System's maximum allowed withdrawal is 2% per month of the investment balance. The maximum withdrawals were taken in the fiscal year.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE, 2009

f. Commission Recapture Program

The System participates in a commission recapture program with Frank Russell Company. This program allows the System to recapture a portion of the commissions paid to broker/dealers by investment managers who participate in the program. All trades are placed subject to the requirement for best execution. Earnings credited to commission recapture income for the fiscal year ended June 30, 2009, were \$12,536.

NOTE 4. TAX STATUS

The System is a tax-exempt governmental plan qualified under Section 401 and exempt under Section 501(a) of the Internal Revenue Code. IRS qualification letters have been received.

NOTE 5. FUNDED STATUS AND ANNUAL REQUIRED CONTRIBUTIONS (ARC)

As of July 1, 2008, the most recent actuarial valuation, the System was 105% funded with actuarial accrued benefit liabilities of \$1,380 million and an actuarial asset value of \$1,449 million. This results in an overfunded accrued liability of \$69 million. The covered payroll of active members was \$224 million. The ratio of overfunded accrued liabilities to the covered payroll was 31%.

For the fiscal year ended June 30, 2009, the estimated ARC is \$37.1 million. The actual employer contribution was \$37.1 million resulting in a 100% contributed rate.

The actuarial valuation of assets is calculated based on a 5 year smoothing calculation that projects forward the asset value for each of the prior 4 years assuming an 8% annual investment return and adjusting for cashflows. The average of these projected values and the current year end market value determines the actuarial value of assets, subject to a corridor adjustment if necessary. The investment loss experienced in the year ended June 30, 2009 may have a significant impact on the actuarial asset value and on the ratio of actuarial assets to actuarial accrued liabilities for the System in future years.

The Schedule of Funding Progress and the Schedule of Employer Contributions included as Required Supplemental Information on page 33 provide multiyear presentations of the System's funding status and ARC.

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE, 2009**

Historical trend information about the System is presented herewith as required supplementary information. An actuarial valuation is currently performed annually at fiscal year end. Information from the six most recent valuations is presented below. 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 millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2003	1,171.5	996.8	(174.7)	117.5%	203.8	(85.7)%
07/01/2004	1,179.0	1,103.3	(75.7)	106.9%	222.1	(34.1)%
07/01/2005	1,189.3	1,156.9	(32.4)	102.8%	225.8	(14.3)%
07/01/2006	1,234.7	1,230.3	(4.4)	100.4%	232.6	(1.9)%
07/01/2007	1,348.1	1,290.8	(57.3)	104.4%	242.2	(23.7)%
07/01/2008	1,449.2	1,380.5	(68.7)	105.0%	224.1	(30.7)%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan assets as a percentage of the actuarial accrued liability provides one indication of the System's funding status on a going-concern basis. Analysis of the Funded Ratio over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in the unfunded actuarial accrued liability 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 more negative this percentage, the stronger the system.

SCHEDULE OF EMPLOYER CONTRIBUTIONS (\$ in millions)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Percentage Contributed
2004	9.9	100.0%
2005	13.9	100.0%
2006	16.3	100.0%
2007	24.5	100.0%
2008	30.0	100.0%
2009	37.1	100.0%

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE, 2009

ACTUARIAL ASSUMPTIONS

The information presented in the preceding required supplementary schedules was determined as part of the actuarial valuation at the date indicated.

Valuation date	07/01/08
Actuarial cost method	Entry Age Normal
Remaining amortization period	30 years
Amortization Method	Level Percent Open
Asset valuation method	5 year, smoothed
Actuarial assumptions	
Assumed inflation rate	4.5%
Investment rate of return	8.0%
Projected salary increases	4.5%
Cost of living adjustments	
Chapter 21	1.5%
Chapter 46	100% CPI-U increase to a maximum of 3% plus 1/2 CPI-U increase for next 9%. (max 7 1/2% increase for 12% increase in CPI-U)

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE, 2009**

SCHEDULE OF ADMINISTRATIVE EXPENSES

Personnel Services			
Staff Salaries	305,064		
Benefits	<u>92,967</u>		
Total Personnel Services			\$398,031
Professional Services			
Actuarial	42,900		
Audit	36,024		
Consultant/Accounting Projects	<u>28,226</u>		
Total Professional Services			\$107,150
Communication			
Telephone	4,139		
Postage and Shipping	<u>1,610</u>		
Total Communication			\$5,749
Data Processing			
DTS Services	5,127		
Computer Equipment & Supplies	<u>390</u>		
Total Data Processing			\$5,517
Education			
Manager Meetings	14,538		
Conferences	3,030		
Subscriptions	<u>3,443</u>		
Total Education			\$21,011
Miscellaneous			
Insurance	41,000		
Supplies & Furniture	2,511		
Other Miscellaneous	<u>3,442</u>		
Total Miscellaneous			\$46,953
Total Administrative Expenses			<u>\$584,411</u>

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE, 2009**

SCHEDULE OF INVESTMENT & CONSULTANT EXPENSES

Investment Expenses

Investment Manager Fees	\$3,168,736
Custody Fees	<u>162,752</u>
Total Investment Expenses	<u>\$3,331,488</u>

Investment Consultant Expense

Total Investment Consultant Expense	<u>\$247,195</u>
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Investment Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

Investment Presentation Basis and Policy

The report and commentary on investment performance and activity was prepared by the System's Executive Director and the Pension Investment Officer.

Return data for the System was calculated by the custodian, The Bank of New York Mellon, using time-weighted return methodology that was verified by the System's consultant, Ashford Consulting Group (ACG). Valuations are based on published national securities exchange prices, when available. Real estate and private equity investments are reported at appraised value which approximates fair value. Valuations are reconciled between the investment managers and the custodian bank. For all functions other than return data, ACG is an advisory consultant.

In the investment of public funds, adequate funding of employee retirement benefits at a reasonable and affordable cost is the primary objective. To ensure the long term health of the System, an appropriate balance must be struck between risks taken and returns sought. The System's adopted investment policy seeks to control downside risk exposure while maximizing the potential for long term asset value appreciation.

Specific investment objectives are:

- To realize a return of 8% or 3% over the CPI-U, whichever is greater, over rolling 5-year periods.
- To manage portfolio risk to limit potential downside fluctuations in the value of the total Fund while providing the opportunity to capture a significant portion of upside opportunity.
- To realize as high a rate of total return as possible consistent with the above.

To achieve these objectives, the following investment policies are employed:

- Maintain a well diversified portfolio to minimize the risk of overexposure to any one market sector or investment style. Specific guidelines include:
 - A minimum 20% allocation to fixed income investments
 - A 15% cap on illiquid investment strategies restricting new commitments that would drive the Fund's total exposure to illiquid strategies above this ceiling
 - A maximum 15% exposure to derivative based strategies
- Closely monitor and evaluate, with our investment consultant, investment manager performance against specific, absolute objectives and in relation to other managers investing with similar investment objectives and styles. Most managers are visited, on site, at least once each year and managers routinely report to the Board.
- Monitor Fund risk exposure, modify target risk as warranted and rebalance the Fund as necessary.

Charts and tables that follow illustrate:

- Asset allocation
- Investment managers with assignments
- Investment performance for various periods
- List of largest assets directly held
- Broker commissions

Investment Performance and Activity

Overview

For the fiscal year ended June 30, 2009 the System return was (15.7%) versus a benchmark return of (14.6%). System performance compared favorably to the (17.1%) median return of the TUCS Public Plan Universe, placing Arlington County ERS in the 41st percentile (2nd Quartile) of public plans for the year. On a 3, 5 and 10 year basis, the System's performance ranks in the 37th, 26th and 19th percentile, respectively.

As of June 30, 2009, the System was in compliance with its investment policy guidelines as follows:

- Fixed income investments and cash equivalents totaled 37.5% of assets.
- The market value of illiquid investments, including limited partnerships and the State Street Treasury Inflation Protected Securities (TIPS) mandate where liquidity has been restricted, plus remaining funding commitments, totaled 14.2% of assets. Refer to the footnotes in the financial section for additional information on the TIPS mandate.
- Derivative strategies were not in use.

During the year, the System increased its exposure to passive index funds in both the equity and fixed income markets. Key benefits of these vehicles include relative ease of implementation, low fees and transaction costs and, of particular importance during the financial crisis, liquidity.

Equity

As of June 30, 2009, the System had \$495 million, or 43.3% of the fund, in equity investments. Five active managers, two focused on domestic equities and three on global and international equities, managed a combined \$296 million in separate accounts. The remaining \$199 million was invested in three domestic focused equity index funds via commingled account pools.

The two active domestic mandates included INTECH and OFI Institutional. The three passive funds consisted of two Large Cap Value index funds, one managed by Mellon and the other by Vanguard and an S&P 500 Index fund managed by Vanguard. Responding to the distress in the financial markets, the System reduced exposure to Mellon's Tactical Asset Allocation strategy at various times during the year, terminating the mandate in March; Vanguard's Small Cap Growth index fund was terminated in July. Proceeds from these transactions were either held in cash or reallocated to less volatile equity products and fixed income mandates. Finally, the System moved its S&P index investment from State Street to Vanguard.

On the global and international front, the System had three managers. Baillie Gifford managed a long term global growth mandate, T. Rowe Price managed a global natural resources fund and Invesco managed an international value mandate.

For the fiscal year ended June 30, 2009 the equity investments posted a (30.5%) return, in aggregate. This compares to a blended equity benchmark return of (27.8%) for the same time period.

Fixed Income and Cash Equivalents

Loomis Sayles managed a \$223 million opportunistic fixed income account benchmarked to a composite of 60% Barclays Long Credit Index and 40% Barclays High Yield Index. The account returned (0.2%) for the year compared to a 1.8% composite index return.

In addition, the System invested in a U.S. Treasury Inflation Protection Securities (TIPS) Index fund managed by State Street Global Advisors. The System used this investment as a source of funds, withdrawing a total of \$18.4 million throughout the year. The investment was valued at \$65 million as of June 30, 2009 and returned (1.0%) for the year, in line with its benchmark. This investment has restricted liquidity as discussed further in the footnotes to the financial statements.

The majority of the System's cash, \$67 million, was held in the Vanguard Prime Institutional Money Market Fund. Operating cash and manager residual cash was invested in The Bank of New York Short Term Investment Fund (STIF) which totaled \$15 million at fiscal year end.

Tactical Asset Allocation (TAA)

In light of its high equity weighting and strong liquidity, the System's investment in Mellon's Tactical Asset Allocation (TAA) strategy was reduced at various times as a means to reduce the portfolio's risk as the financial crisis unfolded. Specifically, \$65 million and \$71 million was liquidated in July and October, respectively, and the final \$33 million in March. Proceeds from these transactions were either held in cash, or redeployed into equity and bond funds in an overall effort to reposition the portfolio during the year.

Convertible Securities

The System has \$66 million invested in domestic convertible securities and \$80 million in international convertible securities as of June 30, 2009. Both of these convertible investments were managed in separate accounts by Oaktree Capital Management. For the year, both mandates' performance compared favorably to their respective benchmarks. Specifically, the domestic mandate returns were (13.4%) compared to a benchmark return of (18.8%) while the international mandate returned (5.3%) versus a benchmark return of (8.8%). In March 2009, \$20 million of the international account was liquidated and the proceeds redeployed into equity and bond funds as part of an overall repositioning of the System's portfolio.

Alternative Investments

The alternative investment category includes positions in real estate, private equity and a hedge fund. In aggregate, these investments, accounting for 6.6% of the fund at June 30, 2009, returned (18.6%) for the fiscal year.

Investment Section

The System continued to fund its \$25 million, or 2.2% of assets, commitment to Liquid Realty Partners II Real Estate Secondaries Fund (LRP). Through June 30, 2009, the System has contributed a total of \$22.9 million, representing 91% of the total commitment, and received distributions totaling \$14.2 million.

The System continued to fund its \$25 million, or 2.2% of assets, commitment to Arsenal Real Estate Fund, an opportunistic, closed-end real estate fund. The System has funded \$24.5 million of the commitment. Arsenal has distributed \$3.7 million, of which \$3.5 million is a temporary return of capital, leaving the System's unfunded obligation at \$4.0 million.

The System has \$83 million, or 7.2% of assets, in capital commitments to private equity fund-of-funds. In September 2001, the System made a \$50 million capital commitment to Abbott Capital ACE IV. At June 30, 2009, the fund was 99% committed, \$42.0 million had been called and \$19.5 million had been distributed. The System also made an \$8 million capital commitment to Abbott Capital ACE V in 2005. At June 30, 2009, 96% of the fund was committed and \$3.6 million of the System's \$8 million commitment has been called. Finally, the System made a \$25 million commitment to Abbott Capital ACE VI in 2008. Still in its early stage, \$1.1 million in capital has been called.

The System's remaining commitments to these alternative investments total \$6.1 million for real estate and \$36.3 million for private equity. The System has sufficient liquid assets to meet these funding commitments.

The System held a \$19.5 million investment in Oaktree Capital Management's long/short emerging markets hedge fund at June 30, 2009. This investment returned 8.9% for the fiscal year. Given a 90 day required notification period, the manager was notified of the System's intent to terminate the mandate in March. The funds were distributed subsequent to the end of fiscal year 2009.

Investment Statistics and Key Drivers

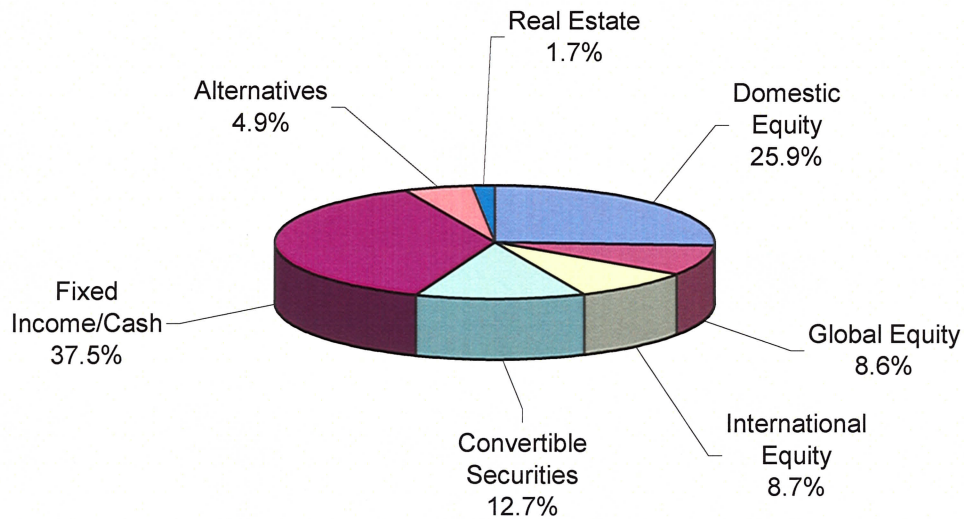
Effective October 1, 2007, the System's policy benchmark was modified to better match the fund's opportunity set and current investment profile while maintaining similar long term risk and return characteristics of the prior benchmark. The changes are summarized below.

<u>As of October 1, 2007</u>		<u>Prior to October 1, 2007</u>	
Equities		Equities	
Russell 3000	40.0%	Russell 3000	43.0%
MSCI ACWI ex-US	<u>17.5%</u>	EAFE	<u>14.0%</u>
Total Equities	57.5%	Total Equities	57.0%
Fixed Income		Fixed Income	
Barclays Universal	39.0%	Barclays Aggregate	38.0%
Barclays TIPS	1.5%	90 Day T-Bills	<u>5.0%</u>
90 Day T-Bills	<u>2.0%</u>	Total Fixed Income	43.0%
Total Fixed Income	42.5%		

While the System's (15.7%) return underperformed the benchmark return of (14.6%) by 110 basis points, before fees, it avoided many issues that plagued other retirement plans, namely a high allocation to alternatives and limited liquidity. This is evidenced by the System's results exceeding the median (17.1%) return and ranking in the 41st percentile, of a public plan peer group. Key performance drivers include:

- **Convertible Securities Exposure.** The System benefited from investments in Oaktree Capital's international and domestic convertible mandates which returned (5.8%) and (13.8%), significantly better than the System's blended equity benchmark of (27.8%).
- **Significant Defensive Cash Position.** During the year, Mellon Capital Management's Tactical Asset Allocation (TAA) account was reduced to raise the System's cash position. Despite this, TAA was a drag on System results for the year.
- **Relative Fixed Income Quality.** The System's aggregate fixed income returns of (2.3%), including the Loomis Sayles opportunistic bond account, the TIPS investment and the Vanguard Aggregate Bond Index fund, significantly underperformed the System's fixed income benchmark of 4.7%. The majority of this underperformance can be attributed to Loomis Sayles' exposure to lower credit quality bonds than included in the benchmark.
- **Natural Resources Equity Exposure.** The investment in T. Rowe Price's Natural Resource strategy represented 4.9% of assets on July 1, 2008. While the manager's fiscal year 2009 returns of (48.2%) was better than its benchmark of (52.1%), exposure to this sector was a drag on the System's overall equity performance.
- **Poor Alternative Investment Results.** The System's alternative investments, which include real estate, private equity and hedge fund positions, returned a combined (18.6%). The System's two real estate investments, Arsenal and Liquid Realty Partners, returned (21.5%) and (47.1%), respectively. The private equity investments with Abbott Capital returned (20.8%), (21.2%) and (20.6%) for funds IV, V and VI, respectively. The Oaktree Emerging Markets Hedge Fund returned 8.9%.

Arlington County Employees' Retirement System Asset Allocation (Fiscal Year 2009)



(\$ millions)	Domestic	Inat'l	Global	Total	% of Fund
Equities	296.6	99.7	98.9	\$ 495.2	43.2%
Fixed Income/Cash	206.5	-	222.9	\$ 429.4	37.5%
Convertibles	66.0	79.9	-	\$ 145.9	12.7%
Alternatives	-	19.5	36.5	\$ 56.0	4.9%
Real Estate	12.5	-	6.9	\$ 19.4	1.7%
Total	\$ 581.6	\$ 199.1	\$ 365.2	\$ 1,145.9	100.0%
Percent of Fund	50.7%	17.4%	31.9%	100.0%	

Notes:

Fund balance data in the Financial Section includes operating accruals not included in this allocation data.
Residual cash held by investment managers is included in the total for each asset class.

**Arlington County Employees' Retirement System
Investment Managers and Assignments
(Fiscal Year 2009)**

<u>Manager</u>	<u>Assignment</u>	<u>Year Hired</u>
Domestic Equities		
INTECH	Large Cap Growth	2005
Mellon Capital Management	Large Cap Value	2006
OFI Institutional (formerly Trinity)	Small Cap Core	1997
State Street Global Advisors	Large Cap Core ⁽¹⁾	2008
The Vanguard Group	Small Cap Growth ⁽¹⁾	2006
The Vanguard Group	Large Cap Value	2008
The Vanguard Group	Large Cap Core	2009
International and Global Equities		
Baillie Gifford	Global	2007
Invesco	International	1989
T. Rowe Price	Natural Resources	2004
Convertibles		
Oaktree Capital Management	International Convertibles	2003
Oaktree Capital Management	U.S. Convertibles	2007
Alternatives		
Abbott Capital	Private Equities	2001
Arsenal Real Estate	Opportunistic Real Estate	2006
Liquid Realty Partners	Secondary Real Estate	2004
Oaktree Capital Management	Emerging Markets Hedge Fund ⁽²⁾	2001
Fixed Income and Cash		
Bank of New York Mellon	Cash Equivalents	1998
Loomis Sayles	Global Fixed Income	1981
State Street Global Advisors	U.S. TIPS	2007
The Vanguard Group	Cash Equivalents	2006
The Vanguard Group	Core Bonds	2009
Other		
Mellon Capital Management	Tactical Asset Allocation ⁽¹⁾	1997

⁽¹⁾ Account terminated during Fiscal Year 2009

⁽²⁾ Manager notified of intent to terminate during Fiscal Year 2009; account subsequently terminated

Arlington County Employees' Retirement System Investment Performance Summary

(All returns for periods greater than one year are annualized)

Return data for the System is presented based on a time-weighted rate of return methodology as calculated by the custodian, The Bank of New York Mellon.

	<u>5 Years</u> <u>7/1/04 to</u> <u>6/30/09</u>	<u>3 Years</u> <u>7/1/06 to</u> <u>6/30/09</u>	<u>1 Year Ended</u>				
			<u>6/30/05</u>	<u>6/30/06</u>	<u>6/30/07</u>	<u>6/30/08</u>	<u>6/30/09</u>
Total Fund							
Total Fund Gross Return ⁽¹⁾	2.8%	-2.0%	9.4%	11.7%	17.0%	-4.7%	-15.7%
Actuarial Objective	8.0%	8.0%					
Fund Benchmark ⁽²⁾	1.8%	-2.0%	8.2%	7.5%	14.8%	-4.0%	-14.6%
CPI + 3%	5.5%	4.9%	5.5%	7.3%	5.9%	7.5%	1.6%
Equity Return							
Equity Return	-1.1%	-9.5%	10.1%	15.6%	19.3%	-10.5%	-30.5%
Equity Benchmark ⁽³⁾	-0.6%	-8.0%	9.4%	13.6%	21.8%	-11.5%	-27.8%
Fixed Income							
Fixed Income Return	5.5%	4.5%	10.8%	3.3%	10.0%	6.0%	-2.3%
Fixed Income Benchmark ⁽⁴⁾	4.7%	5.8%	6.8%	-0.8%	6.1%	6.7%	4.7%

⁽¹⁾ The Fund also includes two convertible mandates and other alternative asset classes. Returns for these asset classes are included in the "Total Fund" returns, but are not listed separately.

⁽²⁾ Effective 10/1/07 policy benchmark changed to 40% Russell 3000, 17.5% MSCI ACWI ex-US, 39% BC-U, 1.5% BC-TIPS & 2% 90 day T-Bill; prior was 43% Russell 3000, 14% EAFE, 38% BC-Aggregate & 5% 90 day T-Bill.

⁽³⁾ Equity benchmark is a blend of 43% Russell 3000, 14% EAFE prior to 10/1/07; blend of 40% Russell 3000, 17.5% MSCI ACWI ex-US thereafter.

⁽⁴⁾ Fixed income benchmark is BC-Aggregate prior to 10/1/07; blend of 39% BC-U, 1.5% BC-TIPS thereafter.

LARGEST ASSETS DIRECTLY HELD⁽¹⁾ (excludes investments in pooled vehicles)

Equities	Shares	Market Value (\$)	% of Fund
EXXON MOBIL CORP	98,900	6,914,099	0.60%
PETROLEO BRASILEIRO SA PETR NPV ADR	151,600	6,179,051	0.54%
BANCO SANTANDER SA EUR 0.5	378,596	4,549,363	0.40%
AMAZON COM INC	52,819	4,418,838	0.39%
ATLAS COPCO AB NPV RFD	383,456	3,824,214	0.33%
MITSUBISHI CORP NPV	490,600	3,814,572	0.33%
ROYAL DUTCH SHELL PLC-ADR	74,832	3,796,202	0.33%
CANON INC	110,600	3,670,826	0.32%
BHP BILLITON LTD~NPV	118,426	3,325,174	0.29%
TOTAL SA EUR 2.5	60,524	3,270,674	0.29%
APPLE INC NPV	21,600	3,076,488	0.27%
VALE S A NPV ADR	190,300	3,001,133	0.26%
HEINEKEN NV EUR 1.6	78,273	2,913,765	0.25%
ENI S P A EUR 1.0 ADR	57,725	2,781,566	0.24%
FUJIFILM HOLDINGS CORP NPV	82,800	2,626,392	0.23%
VODAFONE GR PLC US	1,287,519	2,595,702	0.23%
GAZPROM O A O NPV ADR	126,633	2,579,095	0.23%
BP PLC ADR	248,201	2,518,606	0.22%
VESTAS WIND SYSTEMS	33,686	2,414,528	0.21%
JOHNSON & JOHNSON COM	42,300	2,402,640	0.21%
ZURICH FINANCIAL SERVICES AG	12,906	2,377,349	0.21%
PROCTER & GAMBLE CO COM	45,920	2,346,512	0.20%
DEERE & COMPANY	57,016	2,293,754	0.20%
SWISSCOM AG	7,255	2,269,648	0.20%
IMPERIAL TOBACCO GROUP PLC	85,030	2,239,445	0.20%
Equities Total		<u>82,199,635</u>	<u>7.17%</u>

Fixed Income	Face Value (\$)	Market Value (\$)	% of Fund
CANADA GOVT	20,365,000	18,366,580	1.60%
COMCAST CORP	7,265,000	7,225,260	0.63%
BRAZIL FEDERATIVE REP	11,320,000	6,307,132	0.55%
INTER-AMERICAN DEVELOPMENT	9,175,623	5,765,837	0.50%
GEORGIA PACIFIC CO	7,197,000	5,596,608	0.49%
MEXICAN BONOS	7,220,000	5,447,291	0.48%
PULTE HOMES INC	6,225,000	4,395,388	0.38%
GENERAL ELECTRIC CAPITA 6.5 28SEP16	5,555,000	3,949,236	0.34%
ANADARKO PETE CORP	4,070,000	3,879,039	0.34%
AT&T INC	3,830,000	3,862,480	0.34%
COLUMBIA/HCA HEALTHCARE CORP M/T/N	5,915,000	3,753,681	0.33%
MORGAN STANLEY~GLOBAL SUB NT	3,780,000	3,654,778	0.32%
NEW SOUTH WALES TREASUR 6.0 01MAY13	4,030,000	3,405,558	0.30%
NEWS AMER INC~SR NT	3,900,000	3,393,433	0.30%
ALBERTSONS INC	3,965,000	3,329,718	0.29%
HOME DEPOT INC~SR NT	3,681,000	3,274,495	0.29%
D R HORTON INC~SR NT DTD 12/15/2005	3,540,000	3,009,769	0.26%
JPMORGAN CHASE + C 0.0 12APR12 144A	3,406,122	2,940,399	0.26%
CIT GROUP INC NEW~SUB NT	3,979,000	2,835,285	0.25%
ALTRIA GROUP INC~NT	2,415,000	2,801,803	0.24%
VERIZON NEW YORK INC~DEB SER A	2,915,000	2,769,407	0.24%
GOLDMAN SACHS GROUP INC MTN	2,680,000	2,656,006	0.23%
CATERPILLAR FINL SVCS CORP	2,440,000	2,605,084	0.23%
VIACOM INC	2,760,000	2,574,968	0.22%
EMPRESA NACIONAL DE ELECTRICIDAD CHILE	2,300,000	2,504,338	0.22%
Fixed Income Total		<u>110,303,573</u>	<u>9.63%</u>

⁽¹⁾ The System maintains a complete list of portfolio holdings.

Investment Section

Arlington County Employees' Retirement System Schedule of Broker Commissions

Broker selection is the responsibility of individual investment managers. Transaction and commission costs are monitored by System staff and the investment consultant.

Following is a list of brokers who received commissions of \$10,000 or more during fiscal 2009. The average commission rate paid on all trades was 1.8 cents per share. A complete schedule of all commissions paid is available from the Retirement Office.

The System participates in a commission recapture program with Frank Russell Company. This program allows the System to recapture a portion of the commissions paid to broker/dealers by investment managers who participate in the program. All trades are placed subject to the requirement for best execution. Earnings credited to commission recapture income for the fiscal year ended June 30, 2009, were \$12,536. Invesco, T. Rowe Price and OFI Institutional participated in the program during the year.

<u>Broker</u>	<u>Number of Shares</u>	<u>Total Commission \$</u>	<u>Commission \$ Per Share</u>
Goldman Sachs & Co.	2,555,032	34,711	0.0136
Credit Suisse First Boston	1,246,577	32,012	0.0257
Liquidnet Inc	1,473,150	21,285	0.0144
Investment Technology Group	1,678,249	20,973	0.0125
Merrill Lynch & Co.	1,776,098	20,612	0.0116
Instinet Corporation	1,159,308	18,358	0.0158
Goldman Sachs & Co	1,450,160	21,527	0.0148
Frank Russell Securities	573,025	17,191	0.0300
JP Morgan Securities	588,284	14,587	0.0248
Citigroup Global Markets	640,981	13,983	0.0218
Knight Securities	569,636	13,728	0.0241
UBS AG	490,178	13,826	0.0282
Morgan Stanley & Co.	417,080	13,070	0.0313
Bloomberg	299,200	11,968	0.0400
Cantor Fitzgerald	464,164	11,604	0.0250
Credit Agricole	942,016	11,243	0.0119
BNY Brokerage	257,270	10,291	0.0400

Actuarial Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM



Classic Values. Innovative Advice

November 13, 2009

Board of Trustees
Arlington County Employees' Retirement System
2100 Clarendon Boulevard, Suite 511
Arlington, Virginia 22201

Re: Actuary's Certification Letter

Dear Trustees:

The purpose of this letter is to certify the following with respect to supporting schedules of the actuarial section of the comprehensive annual financial report (CAFR) for the fiscal year ending June 30, 2009:

1. The current funding objective of the plan is to provide for the current cost of benefits (i.e., normal cost under the Entry Age Normal Method) as a level percent of payroll over time, plus an amount which amortizes the actuarial liability for benefit changes over a 20-year period. The County is currently contributing a fixed 19.9% of pay for the 2009-10 plan year, which meets the funding objective for this fiscal year.
2. Actuarial valuations are performed annually as of July 1 of each year. For the fiscal year ending June 30, 2009, the most recent valuation was performed as of July 1, 2008.
3. In preparing the actuarial valuation for each year, we have relied, without audit, on employee census and asset information provided by the Arlington County Employees' Retirement System. The data provided has been reviewed for consistency. If there are changes to the underlying data, the results of the actuarial valuation will change.
4. All of the supporting schedules in the Actuarial Section of the CAFR were prepared by the System using information in the Actuarial Valuation Report prepared by Cheiron, Inc. except for the descriptions of the plans and valuation results prior to July 1, 2003 which were provided by the System.
5. Cheiron, Inc. reviewed both the *Schedule of Funding Progress* and *Schedule of Employer Contributions* found in the Financial Section of the CAFR.
6. Cheiron, Inc. is responsible for the calculation of the Actuarial Accrued Liability (AAL), the Actuarial Value of Assets (AVA) and the Annual Required Contribution (ARC) for valuation years 2003 and later as shown in the exhibits in the annual actuarial valuations.
7. The assumptions and methods used in determining the assets, liabilities, and the annual required contributions of the employer as defined by the Governmental Accounting Standards Board (GASB) meet our understanding of the parameters set by GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.



Board of Trustees
Arlington County Employees' Retirement System
November 13, 2009
Page 2

8. The actuarial assumptions and methods used in performing this valuation have been recommended by the actuary and adopted by the Board of Trustees based on the actuary's most recent review of the System's experience completed simultaneously with the June 30, 2005 valuation. We believe the assumptions used, in the aggregate, reflect our best estimate of anticipated future experience of the Plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from these assumptions, the true cost of the plan could vary from our results.
9. Code of Virginia §51.1-800 requires that the benefits provided to a retiree at age 65 from a local retirement system equal or exceed two-thirds of the allowance to which the employee would be entitled under the provisions of the Virginia Retirement System (VRS). The Board of Trustees of the VRS is to determine whether a local system satisfies this condition, taking into account differences in member contributions between the local system and the VRS.

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

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

I also certify that, to the best of my knowledge, the July 1, 2008 report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that I am a Member of the American Academy of Actuaries and meet the Qualification Standards of to render the opinions contained therein.

For additional information about the financial condition of the fund, please refer to our actuarial valuation report as of July 1, 2008.

Sincerely,
Cheiron



John L. Colberg, FSA
Consulting Actuary



Actuarial Assumptions and Methods and Summary of Valuation Results

Valuation Method and Asset Value

An actuarial valuation is performed once each year. At July 1, 2008, the date of the actuarial valuation used for FY 2009 reporting, the System had assets at market value of \$1,390 million, as compared to \$1,487 million at July 1, 2007.

The market value of assets, representing the realizable value of assets on a particular day, is not a good measure of the System's ongoing ability to meet its obligations. Ongoing funding requirements established using market values are subject to significant variability because of the volatility of market values.

In order to produce a stable pattern of contribution rates, market values are adjusted so that some of the volatility is removed or dampened. The specific technique adopted sets the actuarial value of assets by projecting forward each of the four previous years' market values to the valuation date using actual cash flows (contributions less benefit payments and expenses) and assuming the Fund returned 8%, the actuarial assumption. The four projected market values plus the current market value are averaged to determine the actuarial value of assets.

The actuarial value of the Fund at July 1, 2008, was \$1,449 million.

The ten-year projection of System assets indicates that contributions will be less than benefits for the entire ten-year period. This should not be cause for alarm. In fact, it is expected in a mature, well funded system. It does, however, impact investment decisions because some investment income will be needed to pay benefits.

Funding Method and System Liabilities

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefits distribution. There are several actuarial methods that are acceptable for making this determination.

The method used for this valuation is the most common method for public sector plans - the aggregate entry age normal funding method. Under this method, the employer contribution has three components: the normal cost, the payment toward the unfunded actuarial liability (UAL), and the allowance for expenses. Each component is expressed as a percentage of payroll.

The employer **normal cost rate** is the percentage of pay which, along with member contributions, would be sufficient to fund the plan benefits if it were paid from each member's entry into the System until termination or retirement. Separate rates are developed for general vs. uniformed employees. Only chapter 46 benefits are used to develop the normal cost because so few Chapter 21 active employees remain.

The **actuarial liability** is determined as the portion of the value of the projected benefit at retirement including future pay increases that will not be paid by future employer normal costs or member contributions.

Actuarial Section

The **unfunded actuarial liability** is the excess of the total value of projected benefits over the value of future normal cost payments, future member contributions and plan assets. There is currently no unfunded actuarial liability.

The table below summarizes, at July 1, 2008, the actuarial liabilities, both funded and unfunded, for each System and the combined Systems.

Liabilities (in millions of \$)				
	<u>General</u>	<u>School Employees</u>	<u>Unifomed</u>	<u>Total</u>
1. Present Value of Future Benefits				
Active Members	\$ 580.0	\$ 17.5	\$ 519.4	\$ 1,116.9
Retired Members and Beneficiaries	272.0	75.5	178.1	525.6
Disabled Members	27.3	1.7	76.2	105.2
Vested Deferred Members	8.3	3.5	1.9	13.7
DROP Members	<u>38.6</u>	<u>0.4</u>	<u>18.0</u>	<u>57.0</u>
Total	\$ 926.2	\$98.6	\$ 793.5	\$ 1,818.3
2. Blended Normal Cost Rate (with expenses)	12.1%	3.1%	28.4%	17.2%
3. Present Value of Future Payroll	\$ 1,347.7	\$ 6.5	\$ 616.3	\$1,970.5
4. Present Value of Future Employer Costs	\$ 163.1	\$ 0.2	\$ 175.0	\$ 338.3
5. Present Value of Future Member Contributions	\$ 53.3	\$ 0.0	\$ 46.2	\$ 99.5
6. Actuarial Liability	\$709.8	\$ 98.4	\$ 572.3	\$ 1,380.5
7. Actuarial Value of Assets.	\$ 747.3	\$ 98.6	\$ 603.3	\$1,449.2
8. Unfunded Actuarial Liability	(\$ 37.5)	(\$ 0.2)	(\$ 31.0)	(\$ 68.7)

Source: July 1, 2008 Actuarial Report- Table III-1

System Contributions

In 1981 the County adopted what was known as the "interim" funding method. Under this method, the employer contribution had three components: the normal cost, the payment (or credit) toward the unfunded actuarial liability (UAL), and the allowance for expenses. Each component was expressed as a percentage of payroll. Costs were developed separately for each employee group.

Under the interim funding method used by the County, the County contribution rate dropped dramatically when the System became fully funded. However, under this method the County was subject to significant volatility in future contribution rates. Asset returns that deviate from the actuarial assumption of 8% could cause significant fluctuations in the County contribution rate.

As a result of concern over significant fluctuations over time and a desire to smooth out contribution levels, the Retirement Board recommended to the County Board a funding formula for employer contributions. The County Board accepted the suggestion and added the formula to the County Code (Section §46-33). As a result of the formula, employer contributions in recent years have been 8.5% in FY2006, 10.6% in FY2007, 12.6% in FY2008, 13.8% in FY2009 and 19.9% in fiscal 2010. The goal of this recommendation was to achieve full normal cost funding over a multi-year transition period. In the 7/1/2008 Actuarial Report, the estimated normal cost is 17.2% for FY2010. Details of the current funding approach can be found in the current Actuarial Valuation report.

The County recently adopted several plan changes that become effective for January 4, 2009. In accordance with the County Code, the County must increase the contribution rate to 19.9% of pay at that time. The new contribution rate will be applied to a lower total payroll based on a narrower definition of creditable compensation.

The School Board withdrew Chapter 46 active participants from the fund in FY 2002. Assets for the School Board have been set to the present value of future benefits for the remaining participants. The remaining School Board participants are a closed group, and all future benefits are fully funded. Therefore, no employer contributions are required for this group.

Details of the derivation of County normal cost contribution rates for FY 2010 are shown in the table below:

	<u>Employer Contribution Rate as a Percentage of Payroll</u>	
	<u>General</u> <u>Chapter 46</u>	<u>Uniformed</u> <u>Chapter 46</u>
1. Normal Cost	16.1%	35.9%
2. Member Contribution Rate	4.0%	7.5%
3. Employer Normal Cost	12.1%	28.4%
4. Expense Loading as Percentage of Payroll	0.3%	0.3%
5. County Normal Cost Plus Expenses	12.4%	28.7%

Source: July 1, 2008 Actuarial Report- Table IV-1 and Table IV-2

Plan Membership

The total active membership of the System at July 1, 2008, the date of the actuarial valuation, was 3,668, down from 3,682 at July 1, 2007.

Tables showing distribution of employees among the plans and statistics on non-active members at year end are contained in the Statistical Section.

Tables showing Retirees and Beneficiaries added to and removed from the rolls are contained in the Statistical Section.

Actuarial Section

Analysis of Financial Experience

Actual financial experience will not coincide exactly with assumed financial experience because the future cannot be predicted with certainty. The System, by policy of the Retirement Board, completes an actuarial experience study once every four or five years to compare assumed and actual experience. Copies of the experience study reports are available in the Retirement Office. The most recent Experience Study was completed with data at June 30, 2009.

The financial markets performed below expectation during the fiscal year ending in 2008. The actual net return on a market value basis was approximately (5.0%) compared with an assumed rate of return of 8.0%. The System lost \$190.6 million in 2008 when compared to the expectation that it would earn 8.0% over the year. On an actuarial basis, however, the System gained \$19.3 million due to the asset smoothing method continuing to recognize a portion of the returns from prior fiscal years.

On the liability side, the System had an \$89.7 million increase in actuarial liabilities. Adopted benefit changes in fiscal 2009 raised the liability by \$90.1 million and normal annual growth in liabilities increased the liability by another \$81.1 million. Offsetting this was the System's actual experience for the year resulted in an actuarial decrease of \$81.5 million (approximately 5.9% of the liabilities). This liability change was largely attributable to a \$33 million benefit from lower salaries, a \$12 million benefit from more turnover than expected, and a \$8 million benefit from fewer retirements than expected.

Actuarial Assumptions

The assumptions used for the actuarial valuation were recommended by the actuary and adopted by the Board.

Valuation date	July 1, 2008
Actuarial cost method	Entry Age Normal
Remaining amortization period	30 years
Amortization Method	Level % Open
Asset valuation method	5 year, smoothed
Investment rate of return	8.0%
Projected salary increases	4.5%
Inflation	4.5%
Cost of living adjustments	Per Plan documents
Mortality Tables	RP 2000 projected with scale AA to 2005

Source: July 1, 2008 Actuarial Report, Table V-4

Tables of assumed retirement rates and rates for withdrawal from active service before age and service retirement assumptions can be found in Appendix C of the Actuarial Valuation Report at July 1, 2008. Copies of the report can be found in the Retirement Office.

Summary of Plan Provisions

Arlington County has three Retirement Plans with Plan membership dependent on the date of hire and Plan provisions dependent on whether the employee is classified in the General, Uniformed or School Board employee group. A summary of the provisions for each of the Plans follows.

Chapter 21 - General and Uniform Employees hired before February 8, 1981

Retirement benefits are funded by employee and employer contributions and by investment earnings.

The basic formula for calculating benefits is: $2.5\% \times \text{years of creditable service for up to 20 years} + 2.0\% \times \text{years of creditable service beyond 20 years} \times \text{average final salary} = \text{annual retirement benefit}$. There is a maximum benefit of 70% of the average final salary.

Normal retirement eligibility is age 60 for General employees, age 50 for Uniformed employees. Unreduced benefits are available for General employees at age 55 with 25 years of service or at age 57 with 20 years of service or when the sum of age and service is equal to 80.

Early retirement is available with a reduction in benefits.

Cost of living increases are equal to 1.5% of the benefit and are added to the benefit each July.

Retirement benefits are vested after 5 years of service.

Service Connected disability benefits are available regardless of length of service.

Ordinary disability benefits are available after five years of service.

Survivor options are available at the time of retirement with actuarial reductions to the benefit.

Chapter 35 - School Board and Department of Human Services Employees hired before 2/8/1981

Retirement benefits are funded by employer contributions and by investment earnings.

The basic formula for calculating benefits is: $2.125\% \times \text{credited service} \times \text{average final salary} = \text{annual retirement benefit}$. The calculated benefit is then reduced by the benefit calculated under Formula A of the Virginia Retirement System (VRS).

Normal retirement eligibility is age 62. Unreduced benefits are available at age 55 with 30 years of service.

Early retirement is available with a reduction in benefits.

Retirement benefits are vested after 5 years of service.

Ordinary disability benefits are available after five years of service.

Spousal survivor options are available to the spouse at the time of retirement with actuarial reductions to the benefit.

Chapter 46 - All Employees hired on or after February 8, 1981

The County recently adopted several plan changes that became effective for January 4, 2009 that are reflected in the July 1, 2008 Actuarial Report. The benefit formulas were enhanced and the definition of creditable compensation changed to exclude overtime and most premium pays.

Effective January 4, 2009, the maximum benefit for General Employees is 52% and they have two options for calculating their normal retirement benefits:

1. $1.7\% \times$ all years of creditable service \times new average final salary, OR
2. $1.5\% \times$ years of creditable service prior to January 3, 2009 \times old average final salary *plus* $1.7\% \times$ years of creditable service after January 3, 2009 \times new avg. final salary.

For Uniform Employees, the maximum benefit is 81% and their benefit calculation options are:

1. $2.5\% \times$ years of creditable service prior to January 4, 2009 \times new average final salary *plus* $2.7\% \times$ years of creditable service on/after January 4, 2009 \times new average final salary, OR
2. $2.7\% \times$ years of creditable service on/after January 4, 2009 \times new average final salary *plus* old average final salary times 2.0% times years of service prior to January 4, 2009. When the Uniformed employee retiree begins to receive Social Security, the latter half of the above formula reverts to the old three-tiered benefit formula (1.5% for the first 10 years of service, 1.7% for the second 10 years of service, 2.0% for the final 10 years of service) times old average final salary for years of service prior to January 4, 2009.

Prior to January 3, 2009, the basic formula for calculating benefits for general employees was: $1.5\% \times$ years of creditable service \times average final salary, including overtime = annual retirement benefit with a maximum of 45% and, for Uniformed employees, the benefit formula uses a factor of 2.0% for all service until the retiree is eligible for full Social Security benefits with a maximum of 60%. When the retiree begins to receive Social Security, the formula reverts to 1.5% for the first 10 years of service, 1.7% for the next 10 and 2.0% for the final 10 years with a maximum of 52%.

Retirement benefits are vested after 5 years of service and early retirement is available with a reduction in benefits. Cost of living increases are based on increases in the CPI-U and are added to the benefit each July. Employees who are members of the Virginia Retirement System have their Arlington County benefit offset by the VRS benefit.

Normal retirement eligibility is age 62 for General employees, age 52 for Uniformed employees. All employees can qualify for an unreduced benefit when the sum of age

plus service equals 80. General employees can also qualify for an unreduced benefit after 30 years of service and Public Safety after 25 years of service.

Service Connected disability benefits are available at any time prior to normal retirement age. Ordinary disability benefits are available after two years of service. Survivor options are available with actuarial reductions to the benefit.

Additional Information

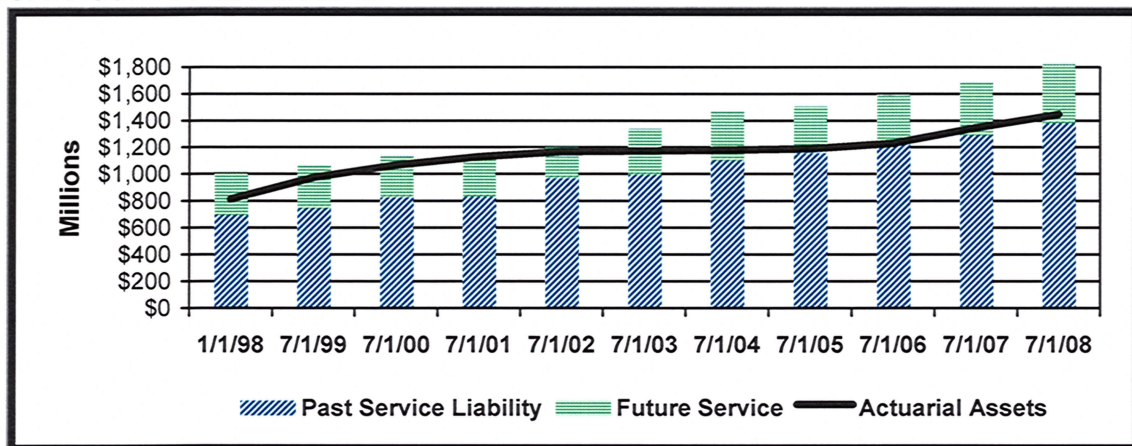
This information and description of plan provisions does not in any way change or modify Code of the County Chapters 21, 35 or 46. The Code always takes precedence in the event of questions or interpretations.

A Deferred Retirement Option Program (DROP) was added effective January 1, 2002, for all Chapters. DROP is a voluntary program that provides a way for employees to continue to work for the County in their present or a similar capacity, earn a salary, and receive a portion of their retirement benefits at the same time. The portion is equal to the monthly retirement benefit an employee would be eligible for at the time they DROP. An employee is eligible for participation in the DROP upon reaching eligibility for unreduced benefits. DROP participation is limited to 3 years.

Trends

One of the best ways to evaluate the financial condition of a pension plan is to examine the historical trends. Below, are three charts which present trend information on the System's assets and liabilities, annual cash flows in an out of the fund, and the County contribution rate.

Chart A: ASSETS / LIABILITIES

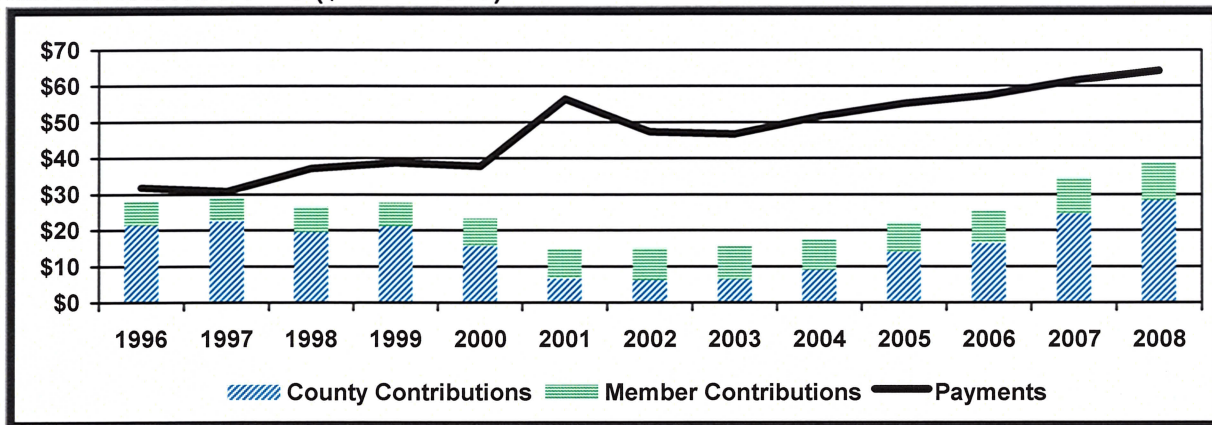


Source: Actuarial Reports- Summary Results- Combined

Chart A shows the assets and liabilities of the System. Investment performance over the past decade has dramatically improved the funding position. At July 1, 2008, the ratio of actuarial assets to liabilities is 105.0%.

Actuarial Section

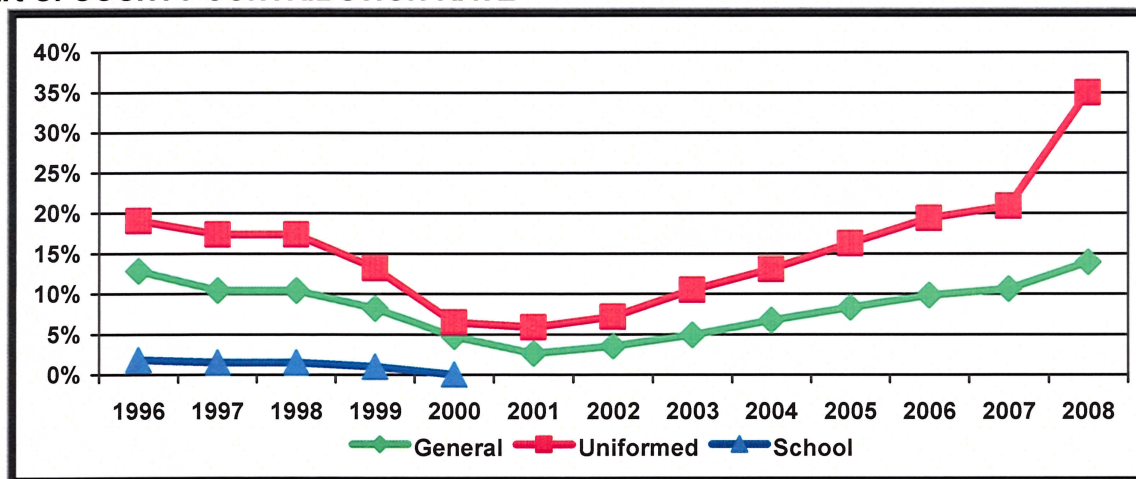
Chart B: CASH FLOWS (\$ in Millions)



Source: Actuarial Reports- Assets, Table II-1

Chart B presents a trend being faced by many mature, well-funded public retirement systems. Payments to retirees and beneficiaries are increasing and exceed employer and employee contributions into the fund by a wide margin each year. This is not unanticipated. The difference is made up by investment return on plan assets. The sudden increase in payments in 2001 represents the one-time withdrawal for defined contribution startup accounts.

Chart C: COUNTY CONTRIBUTION RATE



Source: Actuarial Reports- Summary Results –General , Summary Results- Uniformed, Summary Results- School

Chart C plots the County (employer) contribution rate for each employee group. Investment gains during the late 1990's resulted in lower contribution rates under the Interim Funding Method through 2002. However, beginning in 2003, the County contribution rate began to increase towards normal cost. The School Board withdrew active participants from Chapter 46 in fiscal year 2002 and no employer contributions are required for this group. A benefit enhancement explains the increase in 2008.

Schedule of Active Member Valuation Data

<u>Group</u>	<u>Plan</u>	<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
<u>General Employees</u>						
	Chapter 21	7/1/08	58	\$3,817,757	\$65,823	-9%
		7/1/07	86	\$6,234,540	\$72,495	-2%
		7/1/06	103	\$7,585,441	\$73,645	2%
		7/1/05	131	\$9,478,433	\$72,354	4%
		7/1/04	172	\$11,960,877	\$69,540	8%
		7/1/03	198	\$12,638,952	\$63,833	9%
	Chapter 46	7/1/08	2,656	\$150,590,779	\$56,698	-4%
		7/1/07	2,606	\$153,734,290	\$58,992	6%
		7/1/06	2,661	\$148,745,627	\$55,898	5%
		7/1/05	2,681	\$143,103,965	\$53,377	4%
		7/1/04	2,684	\$137,463,075	\$51,216	5%
		7/1/03	2,491	\$121,398,141	\$48,735	8%
<u>School Board Employees</u>						
	Chapter 35	7/1/08	98	\$8,647,626	\$88,241	9%
		7/1/07	115	\$9,317,383	\$81,021	1%
		7/1/06	158	\$12,678,613	\$80,244	4%
		7/1/05	179	\$13,851,861	\$77,385	14%
		7/1/04	216	\$14,672,849	\$67,930	-15%
		7/1/03	201	\$15,704,162	\$78,130	11%
<u>Uniformed Employees</u>						
	Chapter 21	7/1/08	15	\$1,708,210	\$113,881	-9%
		7/1/07	20	\$2,495,851	\$124,793	3%
		7/1/06	27	\$3,280,166	\$121,488	7%
		7/1/05	34	\$3,850,127	\$113,239	13%
		7/1/04	49	\$4,912,575	\$100,257	7%
		7/1/03	61	\$5,689,650	\$93,273	17%
	Chapter 46	7/1/08	841	\$59,427,407	\$70,663	-14%
		7/1/07	855	\$70,433,372	\$82,378	10%
		7/1/06	804	\$60,320,261	\$75,025	9%
		7/1/05	806	\$55,428,056	\$68,769	3%
		7/1/04	798	\$53,106,542	\$66,550	5%
		7/1/03	737	\$46,730,127	\$63,406	5%

Source: Actuarial Reports- Appendix A, Table A-1

Actuarial Section

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

SOLVENCY TEST

All \$ amounts are Millions of Dollars

Valuation Date	Aggregate Accrued Liability For:			Actuarial Liability	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Value of Assets		
	(1)	(2)	(3)			(1)	(2)	(3)
	Active Employee Contrib.	Inactive* Employees	Active Employer Contrib.					
7/1/1999	\$73.5	\$354.6	\$319.1	\$747.2	\$974.5	100%	100%	171%
7/1/2000	\$76.7	\$418.3	\$333.2	\$828.2	\$1,068.7	100%	100%	172%
7/1/2001	\$79.6	\$417.3	\$325.6	\$832.5	\$1,129.6	100%	100%	191%
7/1/2002	\$80.0	\$468.2	\$420.9	\$969.1	\$1,167.7	100%	100%	147%
7/1/2003	\$81.5	\$509.4	\$405.9	\$996.8	\$1,171.5	100%	100%	143%
7/1/2004	\$98.0	\$567.7	\$437.6	\$1,103.3	\$1,179.0	100%	100%	117%
7/1/2005	\$113.3	\$606.2	\$437.4	\$1,156.9	\$1,189.3	100%	100%	107%
7/1/2006	\$133.9	\$643.7	\$452.7	\$1,230.3	\$1,234.7	100%	100%	101%
7/1/2007	\$160.0	\$679.9	\$450.9	\$1,290.8	\$1,348.1	100%	100%	113%
7/1/2008	\$185.9	\$701.4	\$493.3	\$1,380.6	\$1,449.2	100%	100%	114%

** Retirees, beneficiaries and vested deferred members*

Source: July 1, 2008 Actuarial Report- Accounting Information, Table V-3

RETIREMENT ALLOWANCES ADDED TO AND REMOVED FROM ROLLS

Year Ended	Additions To		Removed From		Year End Total	Annual Allowances	% Increase in Allowances	Average Annual Allowances
	No.	Annual Allowances ¹	No.	Annual Allowances				
<u>Chapter 21</u>								
7/1/2008	51	\$2,876,598	64	\$1,123,278	1,584	\$44,563,838	4.1%	\$28,134
7/1/2007	39	\$2,295,574	49	\$910,562	1,597	\$42,810,519	3.3%	\$26,807
7/1/2006	51	\$2,691,452	53	\$939,125	1,607	\$41,425,506	4.4%	\$25,778
7/1/2005	53	\$2,434,320	47	\$686,113	1,609	\$39,673,179	4.6%	\$24,657
7/1/2004	194 ²	\$4,059,153	40	\$466,675	1,603	\$37,924,973	10.5%	\$23,659
7/1/2003	73	\$3,375,551	95	\$1,069,704	1,449	\$34,332,495	7.2%	\$23,694
<u>Chapter 35</u>								
7/1/2008	10	\$137,180	53	\$240,916	1,068	\$9,107,736	-1.1%	\$8,528
7/1/2007	48	\$752,419	35	\$171,840	1,111	\$9,211,473	6.7%	\$8,291
7/1/2006	31	\$408,910	37	\$131,072	1,098	\$8,630,894	3.3%	\$7,861
7/1/2005	39	\$567,187	28	\$113,016	1,104	\$8,353,056	5.7%	\$7,566
7/1/2004	38 ²	\$288,098	31	\$99,956	1,093	\$7,898,886	2.4%	\$7,227
7/1/2003	39	\$479,114	58	\$215,244	1,086	\$7,710,744	3.5%	\$7,100
<u>Chapter 46</u>								
7/1/2008	76	\$1,576,260	14	\$108,880	790	\$10,280,883	16.6%	\$13,014
7/1/2007	92	\$1,500,605	9	\$95,216	728	\$8,813,503	19.0%	\$12,106
7/1/2006	91	\$1,483,746	14	\$82,233	645	\$7,408,114	23.3%	\$11,485
7/1/2005	69	\$1,104,966	9	\$44,831	568	\$6,006,601	21.4%	\$10,575
7/1/2004	63 ²	\$1,170,664	7	\$33,851	508	\$4,946,467	29.8%	\$9,737
7/1/2003	50	\$830,478	60	\$72,383	452	\$3,809,653	24.8%	\$8,428

¹ The amount added to the rolls includes additions and deletions due to COLAs, supplements, workers' compensation, etc. in addition to the annual allowance for new retirees.

² Prior to 7/1/2004 the joint & survivor benefits were not included in the roll total. The 7/1/2004 additions reflect this correction. There were 137 retirements granted in the three Chapters in fiscal year 2004.

Source: Supplemental Data Provided by Actuary

Statistical Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

ACTIVE EMPLOYEE MEMBERSHIP IN RETIREMENT SYSTEM
AS OF JUNE 30, 2009

GROUP	CHAPTER 21	CHAPTER 35	CHAPTER 46	TOTAL MEMBERSHIP
COUNTY - GENERAL EMPLOYEES	31	3	2,425	2,459
POLICE OFFICERS	3	0	329	332
FIREFIGHTERS	2	0	291	293
DEPUTY SHERIFFS		0	205	205
SCHOOL EMPLOYEES	7	87	187	281
TOTALS	43	90	3,437	3,570

**HISTORY OF ACTIVE EMPLOYEE MEMBERSHIP
IN RETIREMENT SYSTEM**
YEAR ENDED JUNE 30

SCHOOL EMPLOYEES	29	23	18	17	15	12	7
TOTAL	272	223	181	147	117	89	43
CHAPTER 35							
SCHOOL EMPLOYEES	218	202	159	138	110	108	87
GENERAL EMPLOYEES	11	11	7	5	4	3	3
TOTAL	229	213	166	143	114	111	90
CHAPTER 46							
GENERAL EMPLOYEES	2,270	2,321	2,393	2,397	2,228	2,373	2,425
POLICE OFFICERS	297	321	404	331	448	454	329
FIREFIGHTERS	251	266	219	284	302	299	291
DEPUTY SHERIFFS	199	206	171	200	263	276	205
SCHOOL EMPLOYEES	308	292	269	234	210	200	187
TOTAL	3,325	3,406	3,456	3,446	3,451	3,602	3,437
GRAND TOTAL	3,826	3,842	3,803	3,736	3,682	3,802	3,570

Note 1: Descriptions of Plan Provisions of the various Plans described as Chapter 21, Chapter 35 and Chapter 46 on these and other tables can be found on pages 57 and 58 of this report.

Statistical Section

RETIREMENTS GRANTED DURING FISCAL YEAR 2009

CHAPTERS 21 & 46	SERVICE RETIREMENTS	DEFERRED RETIREMENT OPTION PLAN (DROP)	ORDINARY DISABILITY	SERVICE CONNECTED DISABILITY	TOTAL
COUNTY GENERAL EMPLOYEES	40	60	1	0	101
POLICE OFFICERS	2	15	0	2	19
FIREFIGHTERS	1	15	0	3	19
DEPUTY SHERIFFS	3	4	0	1	8
SCHOOL BOARD EMPLOYEES	5	1	0	0	6
TOTALS	51	95	1	6	153

CHAPTER 35	SERVICE RETIREMENTS	DEFERRED RETIREMENT OPTION PLAN (DROP)	ORDINARY DISABILITY	SERVICE CONNECTED DISABILITY	TOTAL
	14	0	0	0	14

HISTORY OF RETIREMENTS GRANTED YEAR ENDED JUNE 30

CHAPTERS 21 & 46	2003	2004	2005	2006	2007	2008	2009
SERVICE RETIREMENTS	69	51	64	66	62	50	51
DROP	59	35	44	34	31	39	95
ORDINARY DISABILITY	4	5	9	7	3	2	1
SERVICE CONNECTED DISABILITY	11	12	14	4	8	9	6
TOTAL	143	103	131	111	104	100	153

CHAPTER 35	2003	2004	2005	2006	2007	2008	2009
SERVICE RETIREMENTS	50	34	37	26	26	26	14
DROP	-	-	-	2	-	1	-
ORDINARY DISABILITY	1	-	1	-	-	1	-
TOTAL	51	34	41	28	26	28	14

GRAND TOTAL	194	137	172	139	130	128	167
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SUMMARY OF MONTHLY RETIREMENT ALLOWANCES
RETIREES AND SURVIVORS
AS OF JUNE 30, 2009

	Service Retirements		DROP		Ordinary Disability		Service Connected Disability		Total	
<i>Chapter 21</i>	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
County General Employees	735	\$ 1,584,498	42	\$177,569	32	\$ 48,412	34	\$66,880	843	\$1,877,359
Police Officers	216	675,734	6	37,979	6	8,421	43	124,435	271	846,569
Firefighters	157	482,044	12	85,992	2	2,311	70	192,869	241	763,216
Deputy Sheriffs	24	54,431	0		1	1,446	5	8,724	30	64,601
School Board Employees	171	233,660	6	19,472	12	13,227	8	10,712	197	277,071
Total Chapter 21	1,303	\$3,030,367	66	\$ 321,012	53	\$ 73,817	160	\$403,621	1,582	\$3,828,816
<i>Chapter 46</i>										
County General Employees	454	\$ 418,170	56	\$109,231	30	\$ 23,315	27	\$ 60,954	567	\$611,670
Police Officers	14	31,444	13	58,531	0		21	73,392	48	163,367
Firefighters	10	21,076	9	48,848	0		40	145,065	59	214,989
Deputy Sheriffs	24	37,693	4	16,187	0		18	52,137	46	106,017
School Board Employees	160	46,136	5	5,854	23	8,773	1	1,698	189	62,461
Total Chapter 46	662	\$ 554,519	87	\$238,651	53	\$ 32,088	107	\$333,246	909	\$ 1,158,504
Total Chapter 35	1,002	\$ 732,347	0		45	\$17,344	0		1,047	\$749,691
Total All Chapters	2,967	\$4,317,233	153	\$559,663	151	\$123,249	267	\$736,867	3,538	\$5,737,011

HISTORY OF MONTHLY RETIREMENT ALLOWANCES
YEAR ENDED JUNE 30
(In Thousands of Dollars)

Retirement Type	2003		2004		2005		2006		2007		2008		2009	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
Service	2,481	\$2,786	2,685	\$3,145	2,749	\$3,361	2,827	\$3,618	2,901	\$3,849	2,922	\$4,067	2,967	\$4,317
DROP	88	\$255	99	\$294	105	\$323	97	\$305	93	\$306	100	\$370	153	\$560
Ordinary Disability	173	\$123	165	\$121	162	\$141	168	\$132	160	\$125	158	\$125	151	\$123
Service Connected Disability	249	\$496	251	\$538	263	\$587	255	\$588	263	\$651	264	\$694	267	\$737
Total	2,991	\$3,660	3,200	\$4,098	3,279	\$4,412	3,347	\$4,643	3,417	\$4,931	3,444	\$5,256	3,538	\$5,737

Statistical Section

ADDITIONS & DEDUCTIONS

YEAR ENDED JUNE 30

(In Millions of Dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
ADDITIONS							
Contribution Total	15.8	17.3	22.1	25.2	34.9	40.2	47.8
Employer Contribution	6.4	9.0	13.9	16.3	24.8	30.0	37.1
Employee Contribution	9.4	8.3	8.2	8.9	10.1	10.2	10.7
Net Investment Income	40.5	159.1	98.3	133.6	215.0	-73.9	-222.8
Income & Appreciation	44.1	165.3	104.2	139.7	219.4	-68.8	-219.5
Less Investment Expense	-3.6	-6.2	-5.9	-6.1	-4.7	-5.7	-3.3
Security Lending					0.3	0.6	0.0
TOTAL ADDITIONS	56.3	176.3	120.4	158.8	249.9	-33.6	-175.0
DEDUCTIONS							
Benefit Payments	44.6	48.7	52.3	55.3	58.5	61.9	66.7
Normal Retirement					26.7	29.2	31.7
Early Retirement					16.1	16.2	16.2
Death in Service					0.0	0.0	0.0
Duty Disability Retirement					7.7	8.2	8.7
Ordinary Disability					1.5	1.5	1.5
Survivor Payments					2.5	2.7	2.9
DROP					3.7	3.8	5.4
Other					0.3	0.3	0.3
Refunds	1.1	1.6	1.8	1.5	2.1	1.6	1.3
Administrative Expenses	1.0	1.3	1.1	.7	.9	.8	.8
TOTAL DEDUCTIONS	46.7	51.6	55.2	57.5	61.5	64.3	68.8

PLAN NET ASSETS

YEAR ENDED JUNE 30

(In Millions of Dollars)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Beginning Net Assets (At Market)	998.6	1,008.2	1,132.9	1,198.1	1,299.4	1,487.8	1,389.8
Additions	56.3	176.3	120.4	158.8	249.9	-33.6	-175.0
Deductions	46.7	51.6	55.2	57.5	61.5	64.3	68.9
Net Increase	9.6	124.7	65.2	101.3	188.4	-97.9	-243.8
Year End Net Assets	1,008.2	1,132.9	1,198.1	1,299.4	1,487.8	1,389.8	1,146.0

CONTRIBUTION ANALYSIS

YEAR ENDED JUNE 30

All \$ amounts are Millions

	<u>Group</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Estimated Covered								
Payroll		\$215.4	\$229.9	\$217.5	\$222.6	\$237.3	\$242.2	\$224.1 ⁽¹⁾
Employer Contribution:	A, D	1.2%	3.5%	4.9%	6.4%	8.3%	9.8%	10.6%/13.9% ⁽²⁾
% of Payroll	B, C	3.4%	7.2%	10.5%	13.6%	19.4%	19.4%	20.9%/35.0% ⁽²⁾
	E	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Employer Contribution		\$6.4	\$9.0	\$13.9	\$16.3	\$24.8	\$30.0	\$37.1
Employee Contribution:								
% of Payroll								
Chapter 21	A, D	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
	B	6.62%	6.62%	6.62%	6.62%	6.62%	6.62%	6.62%
	C	5.62%	5.62%	5.62%	5.62%	5.62%	5.62%	5.62%
Chapter 35	E	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chapter 46	A, D	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	B, C	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%/7.5% ⁽²⁾
	E	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Employee Contribution		\$9.4	\$8.3	\$8.2	\$8.9	\$10.0	\$10.2	\$10.7
Ratio: Employer/Employee		0.7	1.1	1.7	1.8	2.5	2.9	3.5
Unfunded Actuarial Liability		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Group Key

(A) General Employees (D) School Board Employees - Non VRS

(B) Uniformed Employees (E) School Board Employees - VRS

(C) Managers - Uniformed

⁽¹⁾ Under new payroll definition which excludes overtime⁽²⁾ Prior to January 4, 2009/After January 4, 2009

Statistical Section

PARTICIPANT AND INVESTMENT DATA AND RATIO YEAR ENDED JUNE 30

	2003	2004	2005	2006	2007	2008	2009
Participant Data:							
Active Employees	3,826	3,842	3,803	3,736	3,682	3,802	3,570
Deferred Vested Members	255	245	255	255	236	235	229
Retirees	2,991	3,200	3,279	3,347	3,417	3,444	3,538
Retirees as a % of Active Employees	78.2%	83.3%	86.2%	89.6%	92.8%	90.6%	99.1%
Retirement Benefits Paid (Million \$)	\$44.6	\$48.6	\$52.3	\$55.3	\$58.5	\$61.9	\$66.7
Average Benefit Payment (\$/Month)							
Chapter 21	\$1,885	\$2,037	\$2,197	\$2,092	\$2,178	\$2,298	\$2,420
Chapter 35 (Supplement)	\$579	\$605	\$638	\$643	\$665	\$697	\$716
Chapter 46*	\$606	\$753	\$902	\$852	\$954	\$1,060	\$1,274
Investment Data:							
Fund Balance, Market Value (Million \$)	\$1,008.2	\$1,133.0	\$1,198.1	\$1,299.4	\$1,487.7	\$1,389.8	\$1,146.0
Ratio: Fund Balance/ Benefits Paid	22.6	23.3	22.9	23.5	25.4	22.5	17.2

* The averages for Chapter 46 retirees is impacted by several factors: This Chapter is relatively new; disability retirees significantly affect the average and there is blending of VRS and non-VRS members' benefits.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

CHAPTER 21 EMPLOYEES

Chapter 21

Uniform & General Employees Hired Before 2/8/81	Years of Credited Service						
	2-4	5-9	10-14	15-19	20-24	25-29	30+
<u>Period 7/1/03 to 6/30/04</u>							
Average Monthly Benefit	\$0	\$0	\$982	\$0	\$3,007	\$3,731	\$3,500
Average of Final Monthly Salaries	\$0	\$0	\$3,545	\$0	\$5,266	\$6,002	\$5,423
Number of Current Retirees	0	0	2	0	9	24	16
<u>Period 7/1/04 to 6/30/05</u>							
Average Monthly Benefit	\$1,054	\$0	\$1,033	\$698	\$2,489	\$3,466	\$3,700
Average of Final Monthly Salaries	\$3,202	\$0	\$2,773	\$1,681	\$5,018	\$5,648	\$5,401
Number of Current Retirees	1	0	1	1	12	35	14
<u>Period 7/1/05 to 6/30/06</u>							
Average Monthly Benefit	\$0	\$0	\$786	\$1,257	\$3,297	\$3,910	\$3,812
Average of Final Monthly Salaries	\$0	\$0	\$1,883	\$3,193	\$6,185	\$6,547	\$5,666
Number of Current Retirees	0	0	4	2	1	20	13
<u>Period 7/1/06 to 6/30/07</u>							
Average Monthly Benefit	\$57	\$0	\$312	\$2,057	\$0	\$5,415	\$5,182
Average of Final Monthly Salaries	\$2,469	\$0	\$992	\$4,951	\$0	\$8,597	\$7,647
Number of Current Retirees	1	0	1	4	0	15	6
<u>Period 7/1/07 to 6/30/08</u>							
Average Monthly Benefit	\$0	\$209	\$1,323	\$1,347	\$1,192	\$3,938	\$4,977
Average of Final Monthly Salaries	\$0	\$1,935	\$4,329	\$3,878	\$2,250	\$5,906	\$7,522
Number of Current Retirees	0	2	2	1	1	22	8
<u>Period 7/1/08 to 6/30/09</u>							
Average Monthly Benefit	\$0	\$452	\$0	\$0	\$2,113	\$4,473	\$4,913
Average of Final Monthly Salaries	\$0	\$2,726	\$0	\$0	\$4,286	\$6,909	\$7,337
Number of Current Retirees	0	3	0	0	4	24	11

SCHEDULE OF AVERAGE BENEFIT PAYMENTS
CHAPTER 35 EMPLOYEES

Chapter 35

School Board and DHS Hired Before 2/8/81	Years of Credited Service						
	2-4	5-9	10-14	15-19	20-24	25-29	30+
<u>Period 7/1/03 to 6/30/04</u>							
Average Monthly Benefit	\$0	\$0	\$0	\$0	\$920	\$1,113	\$1,131
Average of Final Monthly Salaries	\$0	\$0	\$0	\$0	\$5,956	\$5,914	\$5,859
Number of Current Retirees	0	0	0	0	2	7	19
<u>Period 7/1/04 to 6/30/05</u>							
Average Monthly Benefit	\$0	\$89	\$0	\$1,102	\$1,283	\$1,332	\$1,278
Average of Final Monthly Salaries	\$0	\$1,433	\$0	\$6,053	\$6,727	\$6,373	\$6,148
Number of Current Retirees	0	1	0	1	7	11	17
<u>Period 7/1/05 to 6/30/06</u>							
Average Monthly Benefit	\$0	\$164	\$0	\$0	\$1,227	\$1,047	\$1,383
Average of Final Monthly Salaries	\$0	\$2,294	\$0	\$0	\$3,739	\$4,481	\$6,875
Number of Current Retirees	0	2	0	0	3	9	13
<u>Period 7/1/06 to 6/30/07</u>							
Average Monthly Benefit	\$0	\$0	\$257	\$1,228	\$1,382	\$1,205	\$1,436
Average of Final Monthly Salaries	\$0	\$0	\$2,334	\$6,880	\$6,909	\$6,452	\$6,861
Number of Current Retirees	0	0	2	1	2	6	14
<u>Period 7/1/07 to 6/30/08</u>							
Average Monthly Benefit	\$0	\$86	\$0	\$1,113	\$1,387	\$1,317	\$1,578
Average of Final Monthly Salaries	\$0	\$1,666	\$0	\$7,180	\$7,232	\$7,047	\$7,396
Number of Current Retirees	0	1	0	1	1	9	9
<u>Period 7/1/08 to 6/30/09</u>							
Average Monthly Benefit	\$0	\$341	\$0	\$0	\$0	\$1,370	\$1,359
Average of Final Monthly Salaries	\$0	\$1,784	\$0	\$0	\$0	\$6,198	\$5,667
Number of Current Retirees	0	2	0	0	0	7	9

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

CHAPTER 46 EMPLOYEES

Chapter 46

All Employees Hired On or After 2/8/81	Years of Credited Service						
	2-4	5-9	10-14	15-19	20-24	25-29	30+
<u>Period 7/1/03 to 6/30/04</u>							
Average Monthly Benefit	\$180	\$680	\$1,146	\$1,338	\$1,859	\$0	\$0
Average of Final Monthly Salaries	\$3,826	\$4,165	\$5,253	\$4,127	\$5,321	\$0	\$0
Number of Current Retirees	3	6	15	23	7	0	0
<u>Period 7/1/04 to 6/30/05</u>							
Average Monthly Benefit	\$913	\$867	\$741	\$1,242	\$1,689	\$0	\$0
Average of Final Monthly Salaries	\$3,682	\$4,324	\$3,949	\$4,911	\$5,746	\$0	\$0
Number of Current Retirees	3	17	18	19	16	0	0
<u>Period 7/1/05 to 6/30/06</u>							
Average Monthly Benefit	\$154	\$431	\$1,316	\$1,241	\$1,559	\$1,949	\$0
Average of Final Monthly Salaries	\$2,795	\$3,888	\$4,750	\$4,377	\$5,186	\$6,053	\$0
Number of Current Retirees	4	17	14	15	21	1	0
<u>Period 7/1/06 to 6/30/07</u>							
Average Monthly Benefit	\$0	\$477	\$1,497	\$1,384	\$1,757	\$1,954	\$0
Average of Final Monthly Salaries	\$0	\$4,822	\$4,370	\$4,993	\$5,556	\$5,506	\$0
Number of Current Retirees	0	19	15	24	21	3	0
<u>Period 7/1/07 to 6/30/08</u>							
Average Monthly Benefit	\$0	\$373	\$925	\$1,503	\$2,107	\$3,843	\$0
Average of Final Monthly Salaries	\$0	\$4,356	\$5,130	\$4,913	\$5,495	\$8,004	\$0
Number of Current Retirees	0	17	8	19	20	8	0
<u>Period 7/1/08 to 6/30/09</u>							
Average Monthly Benefit	\$178	\$874	\$1,261	\$2,115	\$2,069	\$4,089	\$2,631
Average of Final Monthly Salaries	\$2,995	\$4,554	\$5,652	\$6,535	\$5,762	\$7,343	\$5,158
Number of Current Retirees	2	13	14	16	36	39	1

Statistical Section

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT CHAPTER 21 EMPLOYEES YEAR ENDED JUNE 30, 2009

Chapter 21

Amount of Monthly Benefit	Number of Retirees	Type of Retirement										Spousal Benefit Option			
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>Opt1</u>	<u>Opt2</u>	<u>Opt3</u>	<u>Opt4</u>
Deferred	23	-	-	-	-	-	-	-	23	-	-	23	-	-	-
\$1 - 250	53	37	8	2	-	-	4	-	2	-	-	47	4	-	2
251 - 500	89	39	17	28	-	-	3	2	-	-	-	71	12	1	5
501 - 750	98	37	8	38	-	-	8	3	2	-	2	59	26	7	6
751 - 1,000	85	24	12	30	-	7	9	1	-	-	2	36	34	6	9
1001 - 1,250	94	33	25	22	-	7	5	2	-	-	-	58	29	4	3
1,251 - 1,500	97	26	21	32	-	5	7	3	-	1	2	79	15	-	3
1,501 - 1,750	84	25	27	10	-	13	3	2	-	-	4	67	12	3	2
1,751 - 2,000	91	32	28	6	-	19	4	1	-	-	1	63	17	1	10
Over 2,000	891	491	198	13	-	109	10	1	3	65	1	417	341	62	71
Totals	1,605	744	344	181	-	160	53	15	30	66	12	920	490	84	111

<u>Type of Retirement</u>		<u>Spousal Option Selected</u>
1 - Normal retirement	6 - Non-duty disability retirement	Opt 1 - 0%
2 - Early retirement	7 - Survivor payment, disability retirement	Opt 2 - 50%
3 - Survivor payment, retiree	8 - Vested benefit	Opt 3 - 66.7%
4 - Survivor payment, death in service	9 - DROP	Opt 4 - 100%
5 - Duty disability retirement	10 - Court Order	

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
CHAPTER 35 EMPLOYEES
YEAR ENDED JUNE 30, 2009

Chapter 35

Amount of Monthly Benefit	Number of Retirees	Type of Retirement										Spousal Benefit Option			
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>Opt1</u>	<u>Opt2</u>	<u>Opt3</u>	<u>Opt4</u>
Deferred	70	-	-	-	-	-	-	-	70	-	-	70	-	-	-
\$1 - 250	183	86	66	7	-	-	19	2	1	-	2	172	4	3	4
251 - 500	220	108	76	15	-	-	12	7	-	-	2	169	42	4	5
501 - 750	169	66	82	10	-	-	9	-	-	-	2	96	56	6	11
751 - 1,000	182	54	120	4	-	-	3	-	1	-	-	59	82	19	22
1001 - 1,250	161	39	119	2	-	-	1	-	-	-	-	102	36	9	14
1,251 - 1,500	87	29	57	-	-	-	1	-	-	-	-	73	4	5	5
1,501 - 1,750	29	22	7	-	-	-	-	-	-	-	-	23	3	-	3
1,751 - 2,000	9	3	6	-	-	-	-	-	-	-	-	9	-	-	-
Over 2,000	7	7	-	-	-	-	-	-	-	-	-	6	1	-	-
Totals	1,117	414	533	38	-	-	45	9	72	-	6	779	228	46	64

Type of Retirement

- 1 - Normal retirement
- 2 - Early retirement
- 3 - Survivor payment, retiree
- 4 - Survivor payment, death in service
- 5 - Duty disability retirement

- 6 - Non-duty disability retirement
- 7 - Survivor payment, disability retirement
- 8 - Vested benefit
- 9 - DROP
- 10 - Court Order

Spousal Option Selected

- Opt 1 - 0%
- Opt 2 - 50%
- Opt 3 - 66.7%
- Opt 4 - 100%

Statistical Section

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT CHAPTER 46 EMPLOYEES YEAR ENDED JUNE 30, 2009

Chapter 46

Amount of Monthly Benefit	Number of Retirees	Type of Retirement										Spousal Benefit Option			
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>Opt1</u>	<u>Opt2</u>	<u>Opt3</u>	<u>Opt4</u>
Deferred	136	-	-	-	-	-	-	-	136	-	-	136	-	-	-
\$1 - 250	181	77	80	5	-	-	14	1	2		2	167	11	-	3
251 - 500	134	68	43	6	1	-	8	2	3	3	-	100	24	-	10
501 - 750	106	60	23	5	1	-	11	2	1	3	-	62	37	2	5
751 - 1,000	92	50	20	2	-	1	9	1	3	6	-	33	41	12	6
1001 - 1,250	71	35	18	2	-		7		-	7	2	38	21	3	9
1,251 - 1,500	53	29	9	2	-	4	3	2	-	4	-	38	10	1	4
1,501 - 1,750	46	22	12	-	-	3	1	-	-	8	-	30	12	1	3
1,751 - 2,000	26	15	2	-	-	6	-	-	-	3	-	16	5	3	2
Over 2,000	200	45	8	-	-	93	-	1	-	53	-	128	49	11	12
Totals	1,045	401	215	22	2	107	53	9	145	87	4	748	210	33	54

Type of Retirement

Spousal Option Selected

1 - Normal retirement

6 - Non-duty disability retirement

Opt 1 - 0%

2 - Early retirement

7 - Survivor payment, disability retirement

Opt 2 - 50%

3 - Survivor payment, retiree

8 - Vested benefit

Opt 3 - 66.7%

4 - Survivor payment, death in service

9 - DROP

Opt 4 - 100%

5 - Duty disability retirement

10 - Court Order