

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, 2015**

**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 504 2100 Clarendon Blvd. Arlington, VA 22201

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

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Assistant Treasurer
Alexander Iams
Wayne Rhodes

Executive Director

Daniel Zito

December 3, 2015

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, 2015 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.

Investment performance was below expectations this year as the system assets achieved a 2.2% return, underperforming the portfolio benchmark return of 2.6%. With \$1,995 million at year end, the System remains positioned to meet its obligations to members.

The financial and actuarial information included in the report show that the Retirement System is financially sound and has a funded ratio of actuarial assets to actuarial liabilities of 99%, an increase over fiscal year 2014's funded ratio of 94%.

A copy of this report will be available for inspection at the Retirement Board Investment Office, the County Central Library and on the Arlington County web site. A summary of the report will be distributed to each participant in January 2016.

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,

A handwritten signature in black ink that reads "Peter H. Maier".

Peter H. Maier
President

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Introductory Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM



Government Finance Officers Association

**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, 2014

Executive Director/CEO

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

Peter Maier,
President
Richard Alt,
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Sandy DeGray,
Secretary
Michael E. Brunner
Kenneth Dennis
Jonathan C. Kinney

November 10, 2015

Substitute Trustees

Jimmie Barrett,
Assistant Treasurer
Alexander Iams
Wayne Rhodes

Executive Director

Daniel Zito

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

Dear Retirement Board Members:

The annual report of the Arlington County Employees' Retirement System (the System) for the fiscal year ended June 30, 2015 is enclosed. Responsibility for both the accuracy of the financial information contained herein and for the completeness and fairness of the presentation rests with System management.

The Retirement Board's primary responsibility is the sound management and investment of the System's assets. The Retirement Board has no role in determining the size and type of benefits.

As of June 30, 2015, the fiduciary net position of the System was \$1.995 billion, an increase of \$15 million during the fiscal year. The year's 2.2% gross investment return was 0.4% below the portfolio benchmark return of 2.6%. This performance placed the System in the 80th percentile of the TUCS Public Plan universe for the year. The System is financially and actuarially sound with a funded ratio of the actuarial value of assets to actuarial accrued liabilities of 99% as of June 30, 2015. 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 County Code (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 such that all County employees hired on or after February 8, 1981 are covered by the provisions of Chapter 46 of the County Code. 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 County's Human Resources Department provides annual benefit statements to members. Additionally, counseling to all benefit applicants and others requesting it is provided, as are presentations at new employee orientations, various employee group meetings and training sessions. All retirement handbooks and forms are available in the Human Resources office and on the web. Contact information for both the Retirement Board Investment Office and the Retirement Benefits Office is below.

RETIREMENT BOARD INVESTMENT OFFICE

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

RETIREMENT BENEFITS OFFICE

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

Major Initiatives

From an investment perspective, the Board took action at several points during the year to manage the portfolio's risk/return profile in light of developments in the capital markets. Notable changes included reducing equity risk, moving from an index to active management and reducing global equity risk. The Board also made investments in a direct private equity fund and a venture fund of funds. The *Investment Section* of this report includes details on the year's activity.

From an administrative perspective, a general consultant Request for Proposal was issued, a new analyst position was created and filled. Class actions monitoring was moved from the former custodian to a third party vendor for the period the former custodian served the System.

Other Post Employment Benefits

In February 2009, the Retirement Board voted to act as Trustee with investment oversight for two trusts, one for County funds and one for School funds, invested to prefund Other Post-Employment Benefits (OPEB) such as post-retirement health care. Authority for a local retirement board to act as Trustee for

Introductory Section

OPEB assets is provided for in Virginia Code §15.2-1547. Additional funding of \$7.5 million for the County trusts was made during fiscal year 2015. As of June 30, 2015, the County and School trusts had assets of \$85.4 million and \$35.8 million, respectively. These trusts are completely separate and independently managed from Retirement System assets. The OPEB trusts are managed in accordance with an Investment Policy Statement tailored to their needs. Detailed financial reporting and actuarial data for the OPEB trusts is included in the County and School annual financial reports.

Accounting and Controls

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

System management is responsible to protect the system assets and to ensure the financial statements are prepared in conformity with generally accepted accounting principles (GAAP). Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition; and, the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. We believe that the System's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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 independent auditors' report, in the *Financial Section*.

Budgetary Controls. The budget for the System is presented to, and approved by, the Board of Trustees each year. A report of actual versus budgeted expenses is provided to the Board quarterly.

Funded Status

An actuarial valuation of the System is performed annually to determine funding requirements. The actuarial valuation used for this reporting period was completed with payroll data as of June 30, 2015, the last day of fiscal year 2015.

A retirement system is fully funded when the actuarial value of the assets are adequate to meet the expected obligations to participants, or actuarial liabilities. The System's actual liability and investment experience result in a 99% funded ratio as of June 30, 2015, an increase over the June 30, 2014 funded ratio of 94%. The *Actuarial Section* of this document provides more details on the actuarial valuation report and the critical assumptions used in its preparation.

Investment Process and Performance

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 County Code requires that the

assets of the System be invested in accordance with a statement of investment policy adopted by the Board. County Code allows for the engagement of professional investment managers.

The Board adopted investment policy establishes investment objectives and a framework that allows sufficient flexibility to pursue investment opportunities while setting reasonable constraints and performance standards. Specifically, the policy establishes key risk parameters intended to minimize the risk of significant principal loss in the pursuit of the System's stated investment return objective. Additionally, the policy requires, with certain limited exceptions, a minimum of 20% of the total market value of System assets be held in fixed income investments and no more than 15% of assets be invested in illiquid investments. Derivative investments are limited such that no more than 15% of assets are subject to risk due to their use.

Under the policy, the Board allocates System assets and hires investment managers to direct the investments. Each manager is given a defined investment responsibility, agreeing to specific guidelines pertaining to investment style, expected return, portfolio risk exposure, portfolio turnover and other key metrics. Investment managers have full discretion to direct the assets assigned to them in accordance with the manager's guidelines, constrained only by limitations provided in the County Code, the investment policy and provisions of the manager's contract with the Board.

With assistance from System staff and the investment consultant, the Board reviews total Fund and investment manager performance at least quarterly to ensure compliance with stated objectives and policy. With assistance from the investment consultant, staff continuously monitors performance of the Fund and its investment managers and, when conditions warrant, makes recommendations for change to the Board. Authority to adopt these recommendations rests solely with the Board.

Securities of the System, except those held by pooled vehicles in which it owns an interest or in partnerships, are held by Northern Trust, the System's master custodian or its appointed sub custodians.

For fiscal year 2015, the System's investment return of 2.2% compared to a 2.6% benchmark return. The annualized rates of return for the three and five-year periods were 11.3% and 11.3%, respectively. These compare to benchmark returns of 9.6% and 10.0% for the same periods, respectively. The actuarial assumed rate of return is 7.25%. The System's net returns for the one and three-year periods were 1.9% and 10.9%, respectively. More details on the Fund's asset allocation and historic returns can be found in the *Investment Section* of this report.

Professional Services

Professional consultants are appointed by the Board to perform services essential to the effective and efficient operation of the System. Ashford Consulting Group serves as the general investment consultant to the System while Franklin Park serves as the private equity investment consultant. Opinions from the independent public accountants, CliftonLarsonAllen, LLP and the actuary, Cheiron, are included in this report.

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, 2014. This is the sixteenth consecutive year that ACERS has achieved this recognition. In order to be

Introductory Section

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 this current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for certification.

Acknowledgments

This annual report was prepared by the System's staff under the direction of the Retirement Board of Trustees. The administrative staff of Arlington County provided critical assistance in preparation of the *Statistical Section*, for which I am grateful. I would like to express sincere appreciation to the Board of Trustees for its confidence, guidance and dedication. Finally, I would also like to thank the County Board and the County Manager for their support and commitment 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 respectfully submitted to the Retirement Board and to other interested parties.

Respectfully,

A handwritten signature in black ink, appearing to read 'D. Zito', with a long horizontal line extending to the right.

Daniel Zito
Executive Director & Chief Investment Officer

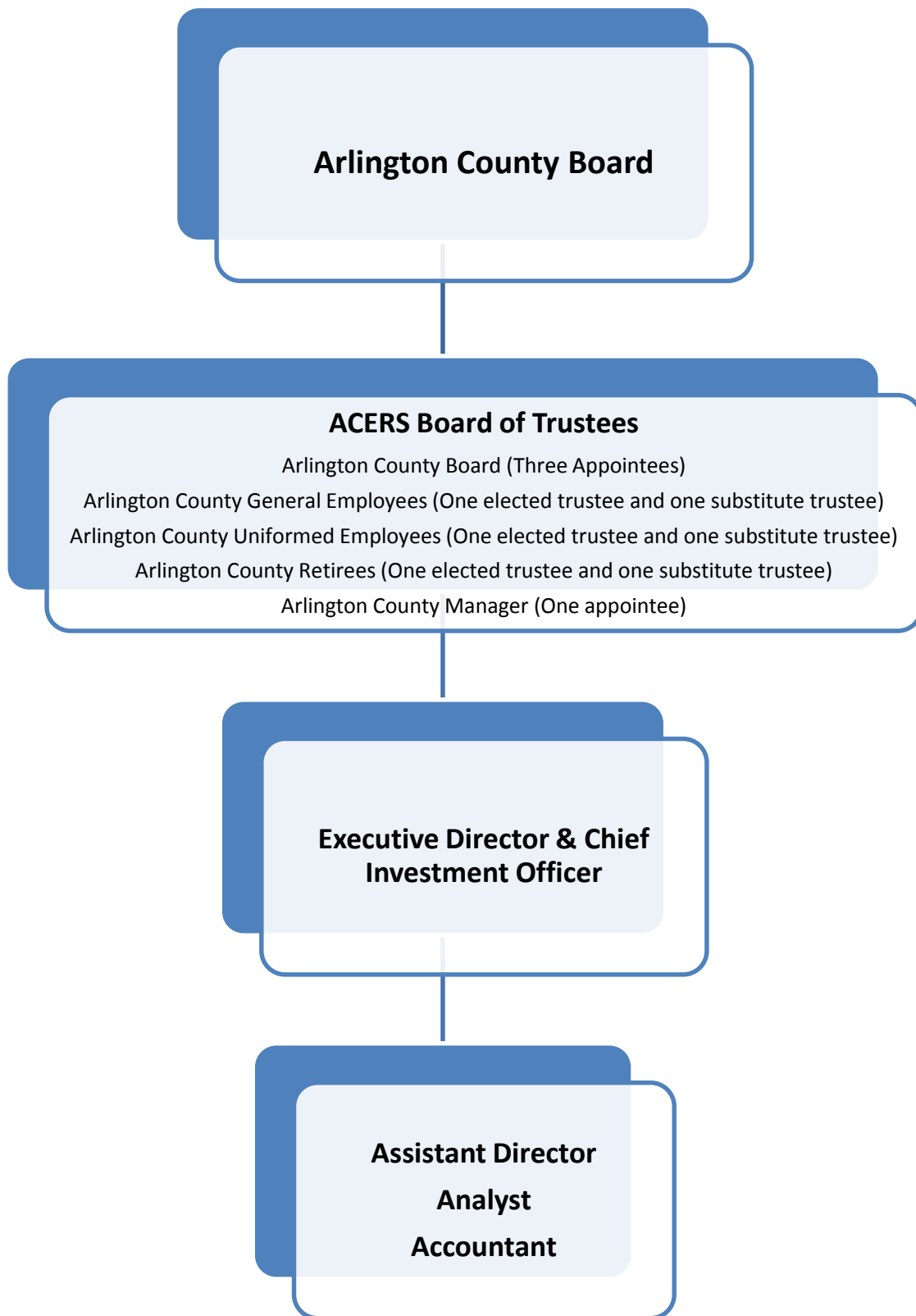
ADMINISTRATIVE ORGANIZATION

June 30, 2015

TRUSTEES	PROFESSIONAL STAFF
Michael Brunner, President <i>Appointed by County Board</i> <i>Term Expires 1/31/2017</i>	Daniel Zito, Executive Director & CIO Randee Stenroos, Assistant Director Susan Bomberg, Accountant
Richard Alt, Vice President <i>Elected by Retirees</i> <i>Term Expires 1/31/2019</i>	LEGAL ADVISOR Robert Dawson, Assistant County Attorney
Michelle Cowan, Treasurer <i>Appointed by County Manager</i> <i>Term Expires 1/31/2019</i>	INVESTMENT CONSULTANT Ashford Consulting Group Franklin Park LLC
Sandy DeGray, Secretary <i>Elected by General Employees</i> <i>Term Expires 1/31/2017</i>	CUSTODIAN BANK The Northern Trust Company
Kenneth Dennis <i>Elected by Uniformed Employees</i> <i>Term Expires 1/31/2019</i>	CONSULTING ACTUARY Cheiron
Jonathan Kinney <i>Appointed by County Board</i> <i>Term Expires 1/31/2017</i>	CERTIFIED PUBLIC ACCOUNTANT CliftonLarsonAllen LLP
Peter Maier <i>Appointed by County Board</i> <i>Term Expires 1/31/2017</i>	INVESTMENT MANAGERS⁽¹⁾ Abbott Capital Altaris Healthcare Partners Arsenal Real Estate Baillie Gifford Brahman Partners Brown Brothers Harriman BVIP Focused Investors Franklin Park Harvest Advisors Kiltearn Partners Liquid Realty Partners Loomis Sayles Northern Trust Oaktree Capital Management Rutabaga Capital Management Sanderson Asset Management T. Rowe Price Thornburg Investment Management The Vanguard Group
SUBSTITUTE TRUSTEES	
Jimmie Barrett, Asst. Treasurer <i>Elected by Uniformed Employees</i> <i>Term Expires 1/31/2019</i>	
Alexander Iams <i>Elected by General Employees</i> <i>Term Expires 1/31/2017</i>	
Wayne Rhodes <i>Elected by Retirees</i> <i>Term Expires 1/31/2019</i>	

⁽¹⁾ Investment manager assignments are on Page 46 and a schedule of broker commissions on Page 48

ORGANIZATIONAL CHART



Financial Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM



CliftonLarsonAllen LLP
www.CLAconnect.com

Independent Auditors' Report

Board of Trustees of the Arlington County
Employees' Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Arlington County Employees' Retirement System (the System) which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2015, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An Independent member of Nexia International

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability/(asset) and related ratios, employer contributions and investment returns and related notes, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

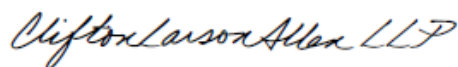
Other Information

Our audit was conducted for the purpose of forming an opinion on the System's financial statements. The schedules of administrative expenses and investment & consultant expenses are supplemental information and are presented for the purposes of additional analysis and are not a required part of the financial statements. These supplemental schedules are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory, investment, actuarial and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



Baltimore, Maryland
November 10, 2015

MANAGEMENT DISCUSSION & ANALYSIS

The discussion and analysis presented in this section provides an overview of the Arlington County Employees' Retirement System's ("the System") financial activities for the fiscal year ended June 30, 2015. Please read this discussion and analysis in conjunction with the basic financial statements which follow and the letter from the Executive Director and 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. Total fiduciary net position held in trust combined with consistent and significant County contributions leave the System well positioned to continue to meet its obligations to members.

Financial Highlights

Net Position System net position at June 30, 2015 totaled \$1.995 billion, an increase of \$15 million, or 0.75%, from June 30, 2014, primarily due to contributions and dividend and interest income.

Additions and Deductions to Net Position Additions to net position include County and member contributions and interest and dividends on Fund investments; deductions to assets are primarily driven by benefit payments. For fiscal year 2015:

- Contributions increased to \$70.1 million from \$65.4 million in fiscal year 2015.
- Dividends and interest on investments decreased to \$41.3 million from \$42.0 million in fiscal year 2015.
- Payments and refunds to members increased to \$90.8 million from \$86.3 million in fiscal year 2015.

Investment Gains and Losses Investment gains, which include realized and unrealized changes in investment portfolio market value, decreased by \$264.3 million to \$4.3 million in fiscal year 2015 from \$268.6 million in fiscal year 2014.

- Fund investment returns of 2.2% for the year underperformed the 2.6% benchmark. The Fund's investment results were largely driven by exposure to the energy sector. The System's investment portfolio is well diversified and strives to balance capital preservation in down markets with generating an adequate risk adjusted return over the long term.

Funded Ratio As of June 30, 2015, the System was actuarially funded at 99.0%, up from 94.4% as of June 30, 2014, due to continued recognition of the favorable investment experience in prior years. This funding ratio is actuarial value of assets to the actuarial liabilities. The combination of liability and investment experience over the last year resulted in the increase in this ratio.

We also present the market value ratio which is the current market value to actuarial liabilities. The market value of assets is not a good measure on which to base the calculation of contributions to the System. It is subject to significant variability due to the volatility of market values.

Financial Section

SUMMARY OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION FOR THE YEARS ENDED JUNE 30, 2015 & 2015

Summary of Fiduciary Net Position

Assets	June 30, 2015	Increase (Decrease)	June 30, 2014
Cash	\$ 47,558,504	\$ (1,399,087)	\$ 48,957,591
Receivables	4,464,206	695,089	3,769,117
Investments	1,944,986,998	16,150,914	1,928,836,084
Total Assets	\$ 1,997,009,708	\$ 15,446,916	\$ 1,981,562,792
Liabilities			
Accrued Expense	\$ 1,977,570	\$ (15,985)	\$ 1,993,555
Total Liabilities	\$ 1,977,570	\$ (15,985)	\$ 1,993,555
Total Fiduciary Net Position	\$ 1,995,032,138	\$ 15,462,901	\$ 1,979,569,237

Summary of Changes in Fiduciary Net Position

Additions	June 30, 2015	Increase (Decrease)	June 30, 2014
Employer Contributions	\$ 58,179,634	\$ 4,461,547	\$ 53,718,087
Member Contributions	11,928,228	262,320	11,665,908
Dividends & Interest	41,278,152	(742,883)	42,021,035
Investment Gains	4,311,154	(264,324,050)	268,635,204
Other	434,267	86,763	347,504
Investment Expense	(8,422,344)	(2,493,304)	(5,929,040)
Total Additions	\$ 107,709,091	\$ (262,749,607)	\$ 370,458,698
Deductions			
Retirement Benefits	\$ 88,926,633	\$ 3,618,071	\$ 85,308,562
Refund of Contributions	1,829,697	825,517	1,004,180
Administrative & Consulting Expense	1,489,860	83,880	1,405,980
Total Deductions	\$ 92,246,190	\$ 4,527,468	\$ 87,718,722
Change in Fiduciary Net Position	\$ 15,462,901	\$ (267,277,075)	\$ 282,739,976

Overview of Financial Statements

The System's basic financial statements, which follow, include:

- Basic financial statements
- Notes to the financial statements
- Required supplementary information
- Supplementary information

Summarizing the information available in each:

Basic Financial Statements These statements include a statement of fiduciary net position and a statement of changes in fiduciary net position, presented as of and for the year ended June 30, 2015, respectively. 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.

Notes to the Basic Financial Statements The financial statement notes provide additional information essential to fully understanding the data provided in the Basic Financial Statements. Specifically:

- Note 1** Describes significant accounting policies
- Note 2** Provides a description of the System, the funding policy and member contributions and benefits and lists the various actuarial assumptions
- Note 3** Discusses System's net pension liability and long term expected rates of return
- Note 4** Discusses System deposits and investments and includes several tables categorizing investments by type while providing disclosure on interest rate, credit quality and currency related risks
- Note 5** Explains the System's tax status
- Note 6** Describes any subsequent events since the financial statements were issued
- Note 7** Reports any unfunded commitments in limited partnerships

Required Supplementary Information This information illustrates the System's change in net pension liability and related ratios, schedule of employer contributions and schedule of investment returns.

Supplementary Information Details regarding administrative and investment consultant related expenses are also provided.

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 prudent exercise of the Board's oversight. Please direct any questions or requests for further information to the 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 the Central Public Library. The report may also be accessed at www.arlingtonva.us/retirement. A summary report will be issued to plan members in January 2016.

Financial Section

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

(A Pension Trust Fund of Arlington County, Virginia)

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

ASSETS

Cash and Cash Equivalents		\$47,558,504
Contributions Receivable:		
Employer		2,451,086
Employee		545,686
Accrued Interest and Other Receivables		1,467,434
Investments, at Fair Value:		
Foreign, Municipal and U.S. Government Obligations	84,110,193	
Corporate Fixed Income Obligations	168,098,066	
Domestic and Foreign Equities	613,627,807	
Private Equity	83,724,497	
Real Estate Funds	13,779,106	
Pooled Equity	528,766,508	
Pooled Fixed Income	284,530,824	
Convertibles	168,349,997	
Total Investments		1,944,986,998
	Total Assets	1,997,009,708

LIABILITIES

Accrued Expenses and Other Liabilities	1,977,570
Total Liabilities	1,977,570

NET POSITION RESTRICTED FOR PENSIONS	\$1,995,032,138
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See accompanying notes to financial statements

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM
(A Pension Trust Fund of Arlington County, Virginia)
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

ADDITIONS

Contributions	
Employer	\$58,179,634
Employee	11,928,228
Service Credit Buybacks	250,346
Total Contributions	\$70,358,208
Investment Income	
Interest and Dividends	41,278,152
Net Appreciation in Fair Value	4,311,154
Commission Recapture	1,147
Investment Income	45,590,453
Less: Investment Expense	8,422,344
Net Investment Income	37,168,109
Securities Lending Activity	
Security Lending Income	243,691
Bank Management Fees	(60,917)
Net Income From Security Lending	182,774
Total Additions	\$107,709,091

DEDUCTIONS

Members' Benefits	88,926,633
Refund of Members' Contributions	1,829,697
Administrative Expenses	609,586
Other Consulting Expenses	880,274
Total Deductions	92,246,190
Net Increase in Net Position	\$15,462,901
Net Position Restricted for Pensions, Beginning of Year	1,979,569,237
Net Position Restricted for Pensions, End of Year	1,995,032,138

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting with additions to fiduciary net position recognized when earned and deductions from fiduciary net position recorded when expenses are incurred. Member and employer contributions to the System are recognized in the period in which the contributions are due and payable in accordance with the terms of the plan as defined in the Arlington County Code. Benefits and refunds are recognized when due in accordance with the terms of the Plan.

The accounting and reporting policies of the system conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions in plan net position during the reporting period. Actual results could differ from those estimates.

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, System management relies on the fair values for individual investments based on the most recent financial information available from the investment managers. Unrealized appreciation and depreciation of investments is reflected in the Statement of Changes in Fiduciary Net Position for the year.

NOTE 2. PLAN DESCRIPTION

The Arlington County Employees' Retirement System (the System) is a pension trust fund of the Arlington County, Virginia (the 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.

The System is a single employer public employee defined benefit pension plan covering substantially all employees of the County.

Plan 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 and three substitute trustees as follows:

- Three appointed by the County Board

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- One appointed 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)
- One trustee and one substitute trustee elected by retired employees

If no eligible person is nominated for an elected position, the County Manager appoints an eligible person to serve as trustee.

In December 2007, the Arlington 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.

The trustees annually elect a President, Vice-President and Secretary from among their members, and appoint a Treasurer and Assistant Treasurer, who may or may not be a member of the Retirement Board.

The trustees annually approve a Retirement Board Investment Office administrative budget. Administrative expenses are funded from System assets.

Plan Membership

At June 30, 2015, System membership consisted of the following:

	<u>General</u>	<u>Uniformed</u>	<u>School</u>	<u>Total</u>
<i>Active Employees:</i>				
Vested	1,709	632	28	2,369
Non-vested	<u>973</u>	<u>191</u>	<u>0</u>	<u>1,164</u>
Total Active Employees	2,682	823	28	3,533
<i>Vested Deferred</i>	419	62	67	548
<i>Retirees and Beneficiaries</i>	2,067	767	995	3,829

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

Benefits Provided

The System provides retirement benefits as well as survivor and disability benefits. The table on the following page describes the benefits and how they are calculated.

All plan members are eligible for disability benefits after two years of service and qualify for Social Security disability retirement. Disability retirement benefits are determined in the same manner as retirement benefits with no reduction for early retirement.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

All normal retirement benefits vest after five years of credited service. If an employee leaves covered employment before five years of credited service, accumulated employee contributions plus interest are refunded to the employee or designated beneficiary. A summary 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, 2015 is provided on the following page.

Benefit terms provide for annual cost of living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are 100% of the CPI-U increase up to a maximum of 3% plus one half of the CPI-U increase for the next 9%. This equates to a maximum of 7.5% increase for a 12% increase in the CPI-U.

The System also provides a DROP (Deferred Retirement Option Plan) for employees eligible for retirement. Retirement benefits are paid into a stable value investment fund for DROP participants.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Member Contributions and Retirement Benefits

	<u>Participants Covered Under Chapter</u>		
	<u>21</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 three 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

JUNE 30, 2015

Contributions

Chapters 21, 35 and 46 of the Arlington County Code establish the Plan and provide the basis for determining the contribution rates. The County Board may amend the Plan at any time.

Based on an annual actuarial valuation prepared by an actuary selected by the Retirement Board of Trustees, a contribution rate is recommended to the County Board for adoption. The actuarially determined rate results in contributions to the Plan which, along with member contributions, are anticipated to be sufficient to fund the value of benefits expected to be earned by plan members during the year, plus an amount to amortize any unfunded actuarial liability.

For the year ended June 30, 2015, the active member contribution rate was 4% of pay for general employees and 7.5% of pay for uniformed employees. The County's blended contribution rate was 23.9% of annual covered payroll.

Rate of Return

For the year ending June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested

NOTE 3. NET PENSION LIABILITY/ (ASSET)

The components of the net pension liability/ (asset) of the County at June 30, 2015, were as follows:

(\$ in millions)

Total Pension Liability	\$ 1,971.5
Plan Fiduciary Net Position	\$ 1,995.0
County's Net Pension Liability/ (Asset)	<u>\$ (23.5)</u>

Plan Fiduciary Net Position as a percentage of the Total Pension Liability	101.2%
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions:

Investment rate of return	7.25%
Assumed inflation rate	3.75%
Projected salary increases	3.75%

Mortality rates were based on the RP 2000 Combined Mortality projected with scale AA.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions will be made at rates determined by the Retirement Board, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the actuarial assumed rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate was decreased from 7.5% as of June 30, 2014.

Sensitivity of the Net Pension Liability/ (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.25%, as well as what the Plan's net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<i>(\$ in millions)</i>			
Plan's net pension liability/ (asset)	\$246.0	(\$23.5)	(\$245.1)

NOTE 4. DEPOSITS AND INVESTMENTS**a. Legal Provisions and Investment Policy**

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.

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:

- Convertible securities
- Cash, money market funds and other short term investment funds

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Common stocks, preferred stocks, warrants and similar rights of U.S. and non-U.S. companies.
- Private equity. The System invests in private equity via a fund-of-funds and direct approach to maximize diversification by vintage year and investment type.
- Open and closed end pooled real estate funds and real estate investment trust securities
- 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 bother developed and emerging markets. Limits on concentration, credit quality and duration are governed by each investment manager's contract.

Since the Fund does not utilize a target allocation approach, the following table shows the Fund's ten year average allocation:

<u>Asset Class</u>	<u>10 Year Average Allocation</u>
Domestic Equity	46.6%
International Equity	18.2%
Fixed Income	28.2%
Cash/Short Term	2.0%
Non-Traditional	5.0%
Total	100.0%

While the above asset allocation is not a restrictive target (see investment restrictions below), it is representative of the nature and mix of current and expected System investments.

b. Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected pension plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's expected asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	5.7%
International Equity	5.7%
Fixed Income	2.0%
Cash/Short Term	0.0%
Non-Traditional	8.7%

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

c. 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.

No new commitment to illiquid investments can be made which causes the allocation to illiquid investments, including existing market value and commitments, to exceed 15% of the System's market value.

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

- Invest more than 10% of the market value of each 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 each 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
- Purchase non-registered securities, such as private placements
- Pledge, mortgage or hypothecate securities, except in approved security lending programs

Investment managers are prohibited from:

- Making investments prohibited by county, state or federal law
- Investing in collectibles
- Making loans, including mortgage loans, to individuals

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 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:

- The potential exposures have been well defined by the Board and provide for a downside risk range for the Fund within established limits
- The value of the designated Fund assets subject to risk due to the program does not exceed 15% of the Fund's assets

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- 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 Funds assets being overlaid

The System's Investment Policy provides external investment managers with discretion to take actions, within approved guidelines, regarding each portfolio's foreign currency exposures using forward currency contracts. These contracts are agreements to exchange one currency for another currency at an agreed upon price and date. Investment managers use such contracts primarily to settle pending trades at a future date. Key risks include counter party non-performance and currency fluctuations. As of June 30, 2015, the System had \$653,480 in open net forward currency contracts.

d. Cash and Cash Equivalents

At June 30, 2015, the System had cash and cash equivalents of \$47,558,504. Cash deposits in bank accounts totaled \$559,656. This amount was insured by the Federal Deposit Insurance Corporation up to \$250,000 for each System participant. Cash totaling \$46,998,848 is invested in the custodian's Short-Term Investment Fund. This account is uninsured and uncollateralized.

e. Investments and Risk

The System's investments are recorded at fair value based on the methodology described in Note 1. Summary of Significant Accounting Policies, Investments, on page 18. The following table presents the fair value of investments by type at June 30, 2015:

SYSTEM INVESTMENTS

Investment Type (in \$ 000s)	Fair Value
Common Stock	\$ 493,289
Convertible Equity	6,328
Preferred Stock	4,174
Government and Government Agency Debt	49,034
Government State and Local Debt	2,910
Corporate Bonds	156,423
Corporate Convertible Bonds	162,668
Commercial Mortgaged Backed Securities	1,976
Collateralized Mortgage Obligations	387
Asset Backed Securities	6,532
Bank Loans	5,193
Pooled Equity Funds	673,554
Pooled Bond Funds	317,420
Cash and Short Term	46,535
REITs	6,022
Private Equity	49,539
Real Estate	13,808
Other	(2,787)
Total ⁽¹⁾	\$ 1,993,005

⁽¹⁾ Investment related accruals are reflected in the respective asset category; further, data on the Statement of Fiduciary Net Position (page 16) includes disbursement account cash and operating accruals not reflected in the data above.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Interest Rate Risk

Interest rate risk is driven by changes in general interest rate levels. 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 \$385.1 million of directly owned fixed income securities and on \$317.4 million invested in three pooled US fixed income funds. The System's directly owned fixed income investments and maturities at June 30, 2015 are:

INVESTMENT MATURITIES

Investment Type (in \$ 000s)	Fair Value	Maturities (years)			
		Under 1	1-5	6-10	Over 10
Asset Backed Securities	\$ 6,532	\$ -	1,428	-	5,104
Bank Loans	5,193	-	3,841	1,352	-
Commercial Mortgage-Backed	1,976	-	-	-	1,976
Corporate Bonds	156,423	3,602	32,451	55,906	64,464
Corporate Convertible Bonds	162,668	2,511	92,142	44,012	24,003
Government & Government Agencies	49,034	24,546	11,300	6,282	6,906
Government State & Local Debt	2,910	-	-	-	2,910
Collateralized Mortgage Obligations	387	-	-	-	387
Total	\$ 385,123	\$ 30,659	\$ 141,162	\$ 107,552	\$ 105,750

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Interest rate sensitivity of a fixed income portfolio is best measured by effective duration which reflects the average percentage change in portfolio value due to a 1% change in interest rates. The effective duration for the System's directly held fixed income portfolio at June 30, 2015 is shown below:

INVESTMENT DURATIONS

Investment Type (in \$ 000s)	Fair Value	Effective Duration (Yrs)
Asset Backed Securities	\$ 6,532	2.20
Bank Loans	5,193	-
Commercial Mortgage-Backed	1,976	2.74
Corporate Bonds	156,423	4.37
Corporate Convertible Bonds	162,668	4.50
Government & Government Agencies	49,034	3.52
Government State & Local Debt	2,910	4.42
Collateralized Mortgage Obligations	387	1.83
Total	\$ 385,123	4.28

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
JUNE 30, 2015

Credit Risk

The System's credit quality distribution for the System's directly held fixed income investments of \$385.1 million at June 30, 2015 is shown below:

FIXED INCOME CREDIT QUALITY DISTRIBUTION

Investment Type (in \$ 000s)	Credit Quality							
	AAA	AA	A	BBB	BB	B	Below B	Unrated
Asset Backed Securities	\$ 766	\$ 502	\$ 1,689	\$ 2,872	\$ -	\$ -	\$ -	\$ 702
Bank Loans	-	-	-	-	270	3,371	715	837
Commercial Mortgage-Backed	206	1,210	443	117	-	-	-	-
Corporate Bonds	-	4,986	15,014	49,914	44,515	28,433	8,569	4,992
Corporate Convertible Bonds	-	-	7,147	9,537	22,936	14,300	3,070	105,679
Government & Government Agencies	37,965	-	6,177	4,134	758	-	-	-
Government State & Local Debt	-	-	-	-	-	2,910	-	-
Collateralized Mortgage Obligations	-	387	-	-	-	-	-	-
Total	\$ 38,937	\$ 7,085	\$ 30,470	\$66,574	\$68,479	\$ 49,014	\$12,354	\$ 112,210

Note: Ratings based on S&P and Moody Quality Ratings

Financial Section

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015 was as follows:

FOREIGN CURRENCY EXPOSURE IN US DOLLARS

Currency (in \$ 000s)	Equity	Fixed Income & Convertible	Cash	Total
Australian Dollar	\$ 1,510	\$ 5,255	\$ 12	\$ 6,777
Brazilian Real	1,989	960		2,949
British pound sterling	15,662	5,509	74	21,245
Canadian Dollar	2,070	18,058	141	20,269
Danish Krone	3,798			3,798
Euro	19,319	19,228	142	38,689
Hong Kong Dollar	14,180	966	17	15,163
Indonesian Rupiah	3,906			3,906
Japanese Yen	2,529	8,391	187	11,107
Malaysian Ringgit	418			418
Mexican Peso	1,506	5,426	58	6,990
New Zealand Dollar		6,631		6,631
Nigerian Naira	242			242
Norwegian Krone	109			109
Philippines Peso	2,577			2,577
Singapore Dollar	1,122			1,122
South African Rand	597			597
South Korean Won		936		936
Swedish Krona	5,051	643	21	5,715
Swiss Franc	1,046	665	1	1,712
Thailand Baht	780			780
Turkish lira		1,739		1,739
Total	\$ 78,411	\$ 74,407	\$ 653	\$ 153,471

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

f. Securities Lending

Under authorization of the Board, the System engaged in a securities lending program through its custodian, Northern Trust, for securities held in separate accounts. In accordance with the contract, Northern Trust may lend any securities held in custody. Only obligations issued by the US Government are accepted as collateral investment. By not accepting cash collateral, the program relies on the demand of the loaned securities as the driver of income and is not subject to collateral reinvestment risk. Minimum collateralization levels for all loans is 102% of the market value of the borrowed securities or 105% if the borrowed securities are not denominated in dollars. Loans and collateral are marked to market on a daily basis. The collateral is maintained by Northern Trust and all securities on loan are callable at any time. The System does not have the ability to pledge or sell the collateral.

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

The fair value of securities on loan increased from \$20.7 million at the beginning of the year to \$23.4 million at June 30, 2015.

The following table details the net income from securities lending for the fiscal year ended June 30, 2015:

Gross Income from Securities Lending	\$	243,691
Less: Bank Management Fees		(60,917)
Net Income from Securities Lending	\$	<u>182,774</u>

The following table presents the fair value of underlying securities and the value of the non-cash collateral pledged at June 30, 2015:

Securities Lent	Fair Value of Securities on Loan	Fair Value of Non-cash Collateral
Total	\$ 23,384,095	\$ 23,916,344

None of the System's pooled fund investments have material realized or unrealized securities lending related losses.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

g. Commission Recapture Program

The System participates in a commission recapture program with the 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, 2015 were \$1,147.

NOTE 5. 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 6. SUBSEQUENT EVENTS

The Plan evaluated subsequent events through November 10, 2015 the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to November 10, 2015 that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2015.

NOTE 7. COMMITMENTS

The System has at June 30, 2015 committed to fund certain alternative investment partnerships in the amount of \$178.0 million. Funding of \$130.3 million has been provided leaving an unfunded commitment of \$47.7 million.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Schedule of Changes in Net Pension Liability/ (Asset) and Related Ratios
(\$ in millions)

	June 30, 2015	June 30, 2014
<u>Total Pension Liability</u>		
Service Cost	\$ 54.8	\$ 52.1
Interest	135.6	131.6
Changes in Benefits	0.0	0.0
Change in Assumptions	0.0	29.4
Differences between Expected and Actual Experience	(16.2)	(11.0)
Benefit Payments	(90.8)	(86.3)
Net Change in Total Pension Liability	\$ 83.4	\$ 115.8
Total Pension Liability - Beginning	\$ 1,888.1	\$ 1,772.3
Total Pension Liability - Ending	\$ 1,971.5	\$ 1,888.1
 <u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$ 58.2	\$ 53.7
Contributions - Employee	12.2	11.9
Net Investment Income	37.3	304.2
Benefits Payments	(90.8)	(86.3)
Administrative Expenses	(1.5)	(0.7)
Net Change in Plan Fiduciary Net Position	\$ 15.4	\$ 282.8
Plan Fiduciary Net Position - Beginning	\$ 1,979.6	\$ 1,696.8
Plan Fiduciary Net Position - Ending	\$ 1,995.0	\$ 1,979.6
 Net Pension Liability/ (Asset) - Ending	\$ (23.5)	\$ (91.5)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.2%	104.9%
Covered Employee Payroll	\$ 243.5	\$ 252.4
Net Pension Liability/ (Asset) as a Percentage of Covered Employee Payroll	-9.7%	-36.3%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Schedule of Employer Contributions

(\$ in millions)

Fiscal Year Ended	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution	\$ 58.2	\$ 53.7	\$ 48.0	\$ 46.3	\$ 43.2	\$ 42.0	\$ 37.1	\$ 28.4	\$ 24.5	\$ 16.3
County Contributions in Relation to the Actuarially Determined Contributions	58.2	53.7	48.0	46.3	43.2	42.0	37.1	28.4	24.5	16.3
Contribution Deficiency/ (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	23.9%	22.6%	20.6%	20.7%	20.5%	19.9%	13.8%	12.6%	10.5%	8.5%

Notes to Schedule:

Valuation Date	June 30, 2013
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the Plan year.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Five year, smoothed
Amortization Method	Level Percent Open
Discount Rate	7.5%
Amortization Growth Rate	4.0%
Inflation	4.0%
Salary Increases	4% plus merit/seniority component which vary by year of service and are compounded annually
Mortality	<u>General and Uniformed</u> RP-2000 Employee Mortality projected to 2010 by Scale AA for active employees; RP-2000 Healthy Annuitant Mortality projected to 2010 by Scale AA healthy retirees and beneficiaries; RP-2000 Disabled Mortality projected to 2010 by Scale AA for disabled lives <u>School</u> RP-2000 Employee Mortality with White Collar adjustment projected to 2010 by Scale AA for active employees; RP-2000 Healthy Annuitant Mortality with White Collar adjustment projected to 2015 by Scale AA healthy retirees and beneficiaries; RP-2000 Disabled Mortality projected to 2010 by Scale AA for disabled lives

Schedule of Investment Returns

Fiscal Year Ended	2015	2014
Annual money-weighted rate of return, net of investment expense	1.9%	18.1%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTAL INFORMATION

JUNE 30, 2015

SCHEDULE OF ADMINISTRATIVE EXPENSES

Personnel Services		
Staff Salaries	\$ 340,771	
Benefits	<u>119,049</u>	
Total Personnel Services		\$ 459,820
Professional Services		\$ 81,060
Communications		
Telephone	\$ 2,343	
Postage and Shipping	<u>1,889</u>	
Total Communication		\$ 4,232
Data Processing		
Printing	\$ 2,719	
Computer Supplies	<u>908</u>	
Total Data Processing		\$ 3,627
Education		
Manager Meetings	\$ 7,983	
Conferences	7,963	
Subscriptions	<u>3,688</u>	
Total Education		\$ 19,634
Miscellaneous		
Insurance	\$ 49,953	
Supplies & Furniture	2,825	
Bank Fees	16,982	
Other Miscellaneous ⁽¹⁾	<u>(28,547)</u>	
Total Miscellaneous		\$ 41,213
Total Administrative Expenses		\$ 609,586

⁽¹⁾ Consists primarily of OPEB management costs reimbursed by Arlington County and Arlington County Public Schools

Financial Section

SUPPLEMENTAL INFORMATION

JUNE 30, 2015

SCHEDULE OF INVESTMENT & CONSULTANT EXPENSES

Investment Expenses

Investment Manager Fees	\$ 8,144,283
Custody Fees	<u>278,061</u>
Total Investment Expenses	<u>\$ 8,422,344</u>

Other Consultant Expenses

Total Other Consultant Expenses	<u>\$ 880,274</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 staff.

Return data for the System was calculated by the custodian, Northern Trust, 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.

The primary objective in the investment of public funds is adequate funding of employee retirement benefits at a reasonable and affordable cost. 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 include:

- Earn an average real rate of return that meets or exceeds the assumed actuarial real rate of return, currently 3.5%, over rolling 5-year periods.
- Manage portfolio risk to limit potential downside fluctuations in the total asset value while providing the opportunity to capture a significant portion of upside opportunity.
- 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 broadly 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
- Evaluate and closely monitor, with the investment consultant, investment manager performance against specific objectives, both absolute and in relation to other managers investing with similar investment objectives and styles.
- Monitor Fund risk exposure, modify target risk as warranted and rebalance the Fund as necessary.

Effective October 1, 2007, the Fund's policy benchmark was modified as follows:

	As of 10/1/07		Prior to 10/1/07	
Equities	<i>Russell 3000</i>	40.0%	<i>Russell 3000</i>	43.0%
	<i>MSCI ACWI ex-US</i>	17.5%	<i>EAFE</i>	14.0%
Fixed Income	<i>Barclays Universal</i>	39.0%	<i>Barclays Aggregate</i>	38.0%
	<i>Barclays TIPS</i>	1.5%		
Cash	<i>90 Day T-Bills</i>	2.0%	<i>90 Day T-Bills</i>	5.0%
		100.0%		100.0%

Investment Section

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, Northern Trust.

				Fiscal Year Ended June 30				
	10 Years	5 Years	3 Years	2011	2012	2013	2014	2015
Investment Performance								
Total Fund ⁽¹⁾ (Benchmark)	7.3%	11.3%	11.3%	23.2%	0.6%	13.9%	18.4%	2.2%
Domestic Equities (Russell 3000)	7.2%	15.1%	14.9%	32.1%	0.7%	21.1%	22.2%	2.5%
Global Equities (MSCI AC World)		15.8%	17.2%	37.4%	-5.8%	15.2%	31.6%	6.1%
International Equities (MSCI AC World ex-US)	6.8%	8.7%	10.4%	26.4%	-15.0%	15.7%	18.7%	-2.3%
Fixed Income (Fixed Income)	6.1%	5.4%	3.9%	9.8%	5.2%	4.2%	7.3%	0.5%
Benchmark Performance								
Total Fund ⁽²⁾	6.3%	10.0%	9.6%	19.7%	2.3%	10.7%	15.8%	2.6%
Russell 3000	8.2%	17.5%	17.7%	32.4%	3.8%	21.5%	25.2%	7.3%
MSCI AC World		11.9%	13.0%	30.1%	-6.5%	16.6%	23.0%	0.7%
MSCI AC World ex-US	5.5%	7.8%	9.4%	29.7%	-14.6%	13.6%	21.8%	-5.3%
Fixed Income ⁽³⁾	4.7%	3.8%	2.2%	4.9%	7.5%	0.1%	5.2%	1.5%
CPI + 3.5% Annualized	5.6%	5.3%	4.8%	6.6%	4.7%	5.3%	5.6%	3.6%
Actuarial Assumed Rate of Return				7.5%	7.5%	7.5%	7.25%	7.25%

⁽¹⁾ Includes cash and alternative investment performance though returns for these asset classes are not listed separately

⁽²⁾ 40% RU 3000, 17.5% MSCI AC World ex-US, 39% BC Universal, 1.5% BC TIPS & 2% 90 Day T-Bill
Prior to 10/1/07, 43% RU 3000, 14% EAFE, 38% BC Aggregate & 5% 90 Day T-Bill

⁽³⁾ Weights fixed income benchmark components to 100%

Investment Performance and Activity

Overview

The financial markets performed below expectations during fiscal year 2015, setting the stage for the System to underperform its primary investment objective for the year, while longer term results exceed the Fund's objectives. Fiscal year 2015 started out with muted bond and equity markets and volatility beginning to pick up as the energy sector and emerging markets declined amidst global growth fears and geopolitical unrest. Earnings drove domestic equity markets higher through the end of 2014 despite plunging oil prices, falling sovereign bond yields and falling foreign currencies. Weaker international growth had led to additional monetary stimulus in early 2015 from the European, Japanese and Chinese central banks, to which the markets reacted positively. These stimulative monetary policies abroad led the US dollar to broadly strengthen over the period. Global markets produced mixed returns in the second quarter of 2015. Generally improving economic conditions, particularly in the United States, were offset by concerns of rising interest rates, energy sector weakness, a worsening debt crisis in Greece and a selloff after a massive run up in the Chinese stock market.

For the fiscal year ended June 30, 2015 the System gross return of 2.2% (net return of 1.9%) compared to a benchmark return of 2.6%. This performance is below the 3.4% median return of the TUCS Public Plan Universe, placing the System in the 80th percentile (4th Quartile) of public plans for the year. On a 3, 5 and 10 year basis, the System's performance exceeds the benchmark net of fees and ranked in the 40th, 38th and 18th percentiles, respectively.

The System's 0.7% underperformance relative to the overall policy benchmark for the fiscal year was largely driven by exposure to the energy sector. The table below summarizes key drivers of the System's benchmark relative performance.

	Policy Benchmark	Sector Allocation	Style Selection	Active Management	Total Fund
Investment Performance	2.6%	0.7%	-2.5%	1.4%	2.2%
Value Added or Lost					
<i>Fixed Income</i>		0.1%	-0.1%	-0.1%	
<i>US Equity</i>		0.5%	-2.2%	0.6%	
<i>International Equity</i>		0.1%	-0.2%	0.7%	
<i>Other/Unallocated</i>		0.0%	0.0%	0.2%	

Source: Ashford Consulting Group

Investment Section

As of June 30, 2015, the System was in compliance with its investment policy guidelines as follows:

- Fixed income investments and cash equivalents totaled 28.4% of assets.
- The market value of illiquid investments, including limited partnerships, plus remaining funding commitments, totaled 5.6% of assets.
- Derivative strategies were not in use.

Investment Activity and Details

From an investment perspective, the Board took action at several points during the year to manage the portfolio's risk/return profile in light of developments in the capital markets. Investment activity details by asset class are described more fully below.

Equity

As of June 30, 2015, the System had \$1,364.2 million, or 68.5% of the fund, in publicly traded equity and convertible investments invested in thirteen actively managed mandates, seven focused on domestic equities, one on domestic convertibles, one on international equities, one on international convertibles and three on global equities. There was one domestic index fund. Actively managed separate accounts totaled \$1,037.1 million with the remaining \$327.0 million held in pooled investment vehicles.

Activity during the year included actively managing equity risk exposure. Specifically, in the third quarter of FY 15, the Board moved funds out of an S&P 500 index into an Aggregate bond index fund. The Board also moved from an MLP index to active manager of MLPs. In the fourth quarter of FY 15, the Board approved funding a new opportunistic equity manager from two global equity managers and an S&P 500 index fund.

For the fiscal year ended June 30, 2015 the domestic equity and convertible investments posted a 2.5% return, in aggregate, international equity and convertibles posted a -2.3% return, in aggregate, and global equity mandates returned 6.1% in aggregate.

Fixed Income

As of June 30, 2015, the System held \$565.5 million, or 28.4% of the fund, in fixed income securities and cash.

Activity during the year included the Board moving funds out of an S&P 500 index into the Aggregate bond index fund. The Board also approved moving funds from an international convertible fund into the Aggregate bond index fund. Currently, the System utilizes the Vanguard Short Term Federal Fund as a source of operating funds for the year, withdrawing \$20.0 million for these purposes.

For the fiscal year ended June 30, 2015, the fixed income investments posted a 0.5% return, in aggregate. This compares to a blended fixed income benchmark return of 1.5% for the same time period.

Alternative Investments

The alternative investment category includes real estate and private equity. The market value of illiquid investments, including limited partnerships, plus remaining funding commitments, totaled 5.6% of assets.

The System met its funding obligations to alternative investment managers during the year. At June 30, 2015, 73% of the System's total \$178 million in commitments were funded.

The following table summarizes the alternative investments as of June 30, 2015:

(millions)	Total		Remaining	
	Commitment	Funded	Commitment	
Liquid Realty Partners	\$ 25.0	\$ 23.6	\$ 1.4	
Franklin Park Venture	15.0	0.1	14.9	
BVIP Fund VIII	15.0	3.2	11.8	
Arsenal Real Estate	25.0	25.0	0.0	
Altaris Health Partners III	15.0	3.1	11.9	
Abbott ACE IV	50.0	48.2	1.8	
Abbott ACE V	8.0	7.5	0.5	
Abbott ACE VI	25.0	19.6	5.4	
Total	\$ 178.0	\$ 130.3	\$ 47.7	

The System's remaining commitments to these alternative investments total \$1.4 million for real estate and \$46.3 million for private equity. The System made \$11.2 million in contributions and received \$15.8 million in distributions for a net cash flow of \$4.6 million for the fiscal year. The System has sufficient liquid assets to meet the funding commitments.

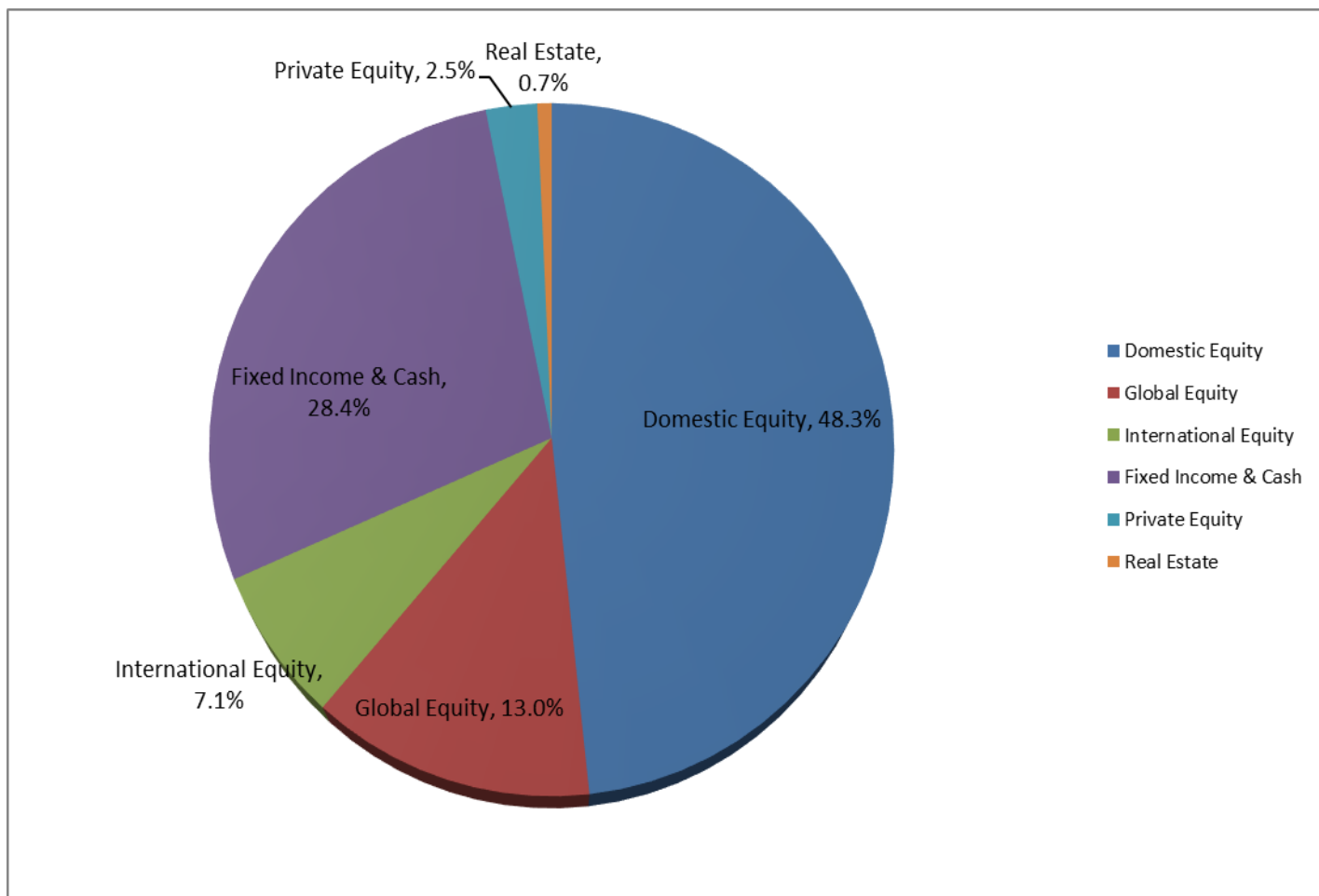
These alternative investments combined for a 10.1% return for the fiscal year.

Investment Section

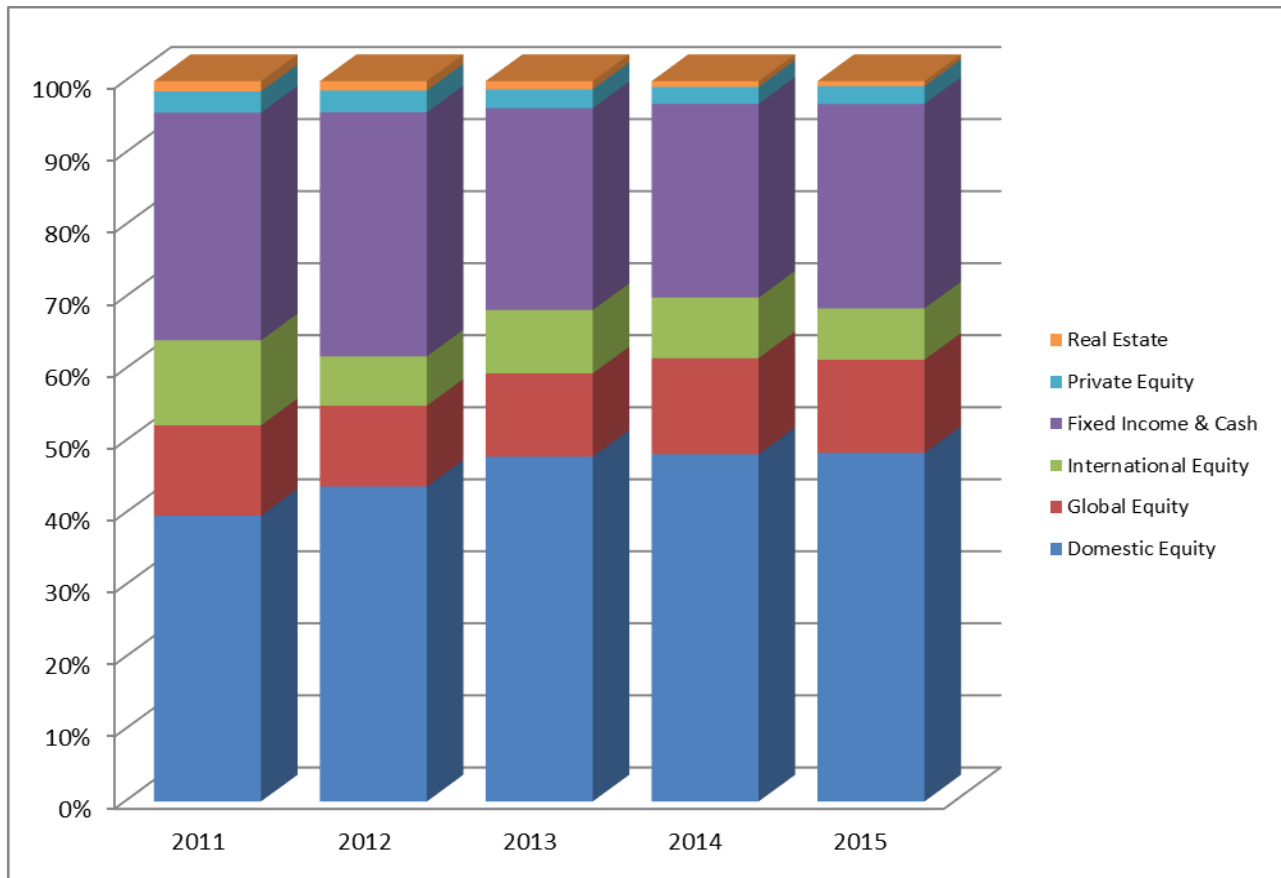
Arlington County Employees' Retirement System Asset Allocation (As of June 30, 2015)

In an effort to achieve the System's stated investment objectives, funds are invested in a diverse set of asset classes, each with its own risk and return characteristics. The accompanying chart illustrates the portfolio's asset allocation as of June 30, 2015. The chart and table on page 44 show the trends in asset allocation over the past five years.

Note that investments in pooled vehicles are reflected in their respective asset classes and are different than the categories shown on pages 26 through 29 in the *Financial Section*. Further, fund balance data in the *Financial Section* includes operating accruals not reflected in this allocation data. Finally, residual cash held by investment managers is reflected in the total for each asset class.



**Arlington County Employees' Retirement System
Five Year Asset Allocation Comparison**



	Fiscal Years Ended June 30				
(millions)	2011	2012	2013	2014	2015
Domestic Equity	\$609.6	\$662.8	\$811.4	\$953.7	\$964.2
Global Equity	\$192.3	\$170.3	\$196.2	\$263.7	\$258.1
International Equity	\$181.3	\$103.8	\$149.1	\$166.2	\$141.9
Fixed Income & Cash	\$485.4	\$513.9	\$475.0	\$532.2	\$565.5
Private Equity	\$45.3	\$45.7	\$44.5	\$46.2	\$49.5
Real Estate	\$21.8	\$19.7	\$19.2	\$16.0	\$13.8
	\$1,535.7	\$1,516.2	\$1,695.4	\$1,978.0	\$1,993.0
Domestic Equity	39.7%	43.7%	47.9%	48.3%	48.3%
Global Equity	12.5%	11.2%	11.6%	13.4%	13.0%
International Equity	11.8%	6.8%	8.8%	8.4%	7.1%
Fixed Income & Cash	31.6%	33.8%	28.1%	26.8%	28.4%
Private Equity	2.9%	3.0%	2.6%	2.3%	2.5%
Real Estate	1.4%	1.3%	1.1%	0.8%	0.7%
	100.0%	100.0%	100.0%	100.0%	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.

Investment Section

Arlington County Employees' Retirement System Investment Managers and Assignments (As of June 30, 2015)

Manager	Assignment	Fiscal Year Retained
Domestic Equities		
Brahman Partners	Concentrated Growth	2015
Brown Brothers Harriman	Large Cap Core	2013
Focused Investors	Large Cap Value	2011
Harvest Advisors	MLP	2015
Rutabaga Capital Management	Small Cap Value	2013
T. Rowe Price	Global Natural Resources	2004
The Vanguard Group	Large Cap Core	2009
The Vanguard Group	Large Cap Dividend	2011
International and Global Equities		
Baillie Gifford	Global Large Cap	2007
Kiltearn	Global Value	2014
Sanderson Asset Management	International Value	2011
T. Rowe Price	Global Large Cap	2010
Convertibles		
Oaktree Capital Management	International Convertibles	2003
Oaktree Capital Management	U.S. Convertibles	2007
Alternatives		
Abbott Capital	Private Equities	2001
Altaris Health Partners	Private Equities	2014
Arsenal Real Estate	Opportunistic Real Estate	2006
BVIP	Private Equities	2015
Franklin Park	Venture Private Equity	2015
Liquid Realty Partners	Secondary Real Estate	2004
Fixed Income and Cash		
Loomis Sayles	Global Fixed Income	1989
Northern Trust	Cash Equivalents	2014
Northern Trust	Core Bonds	2014
T. Rowe Price	Bank Loans	2011
The Vanguard Group	Short Term Bonds	2010
Thornburg	Global Fixed Income	2014

Arlington County Employees' Retirement System
LARGEST ASSETS DIRECTLY HELD⁽¹⁾ (excludes investments in pooled vehicles)

Equities	Shares	Market Value (\$)	% of Fund
MICROSOFT CORP	275,318	\$12,155,290	0.61%
AMAZON COM INC	27,632	11,994,775	0.60%
ENERGY TRANSFER	203,769	11,847,986	0.59%
GOOGLE INC	21,133	10,999,938	0.55%
WELLS FARGO & CO	168,901	9,498,992	0.48%
TENCENT HLDGS LIMITED	467,600	9,330,829	0.47%
ILLUMINA INC	41,294	9,016,958	0.45%
ENTERPRISE PRODUCTS	293,243	8,765,033	0.44%
CVS CAREMARK CORP	78,800	8,264,544	0.41%
WAL-MART STORES INC	109,011	7,732,150	0.39%
TARGET CORP	94,000	7,673,220	0.39%
BAIDU INC	36,309	7,228,396	0.36%
FACEBOOK	83,738	7,181,790	0.36%
AMERICAN EXPRESS CO	92,300	7,173,556	0.36%
PEPSICO INC	71,000	6,627,140	0.33%
JPMORGAN CHASE & CO	97,400	6,599,824	0.33%
COMCAST CORP	104,605	6,121,265	0.31%
IBM CORP	36,700	5,969,622	0.30%
TESLA	22,239	5,965,834	0.30%
JOHNSON & JOHNSON	60,800	5,925,568	0.30%
BED BATH BEYOND INC	85,605	5,905,033	0.30%
BERKSHIRE HATHAWAY INC	43,258	5,887,846	0.30%
ANTHEM	35,300	5,794,142	0.29%
DIAGEO PLC	66,857	5,588,324	0.28%
MC DONALDS CORP	55,600	5,285,892	0.27%
Equities Total		\$ 194,533,947	9.76%

Fixed Income	Face Value (\$)	Market Value (\$)	% of Fund
UNITED STATES TREASURY	\$21,220,000	\$21,057,347	1.06%
CANADA	13,000,000	10,500,582	0.53%
INTEL	5,075,000	6,570,322	0.33%
MEX BONOS	842,000	6,161,567	0.31%
COLUMBIA / HCA	5,500,000	6,042,275	0.30%
PULTE HOMES INC	5,090,000	5,006,825	0.25%
MORGAN STANLEY	5,124,000	4,935,775	0.25%
GEN ELEC CAP CORP	7,145,000	4,901,815	0.25%
NEW SOUTH WALES	5,445,000	4,583,117	0.23%
GEORGIA PAC CORP	3,227,000	4,149,071	0.21%
MERRILL LYNCH	3,600,000	4,034,945	0.20%
ALBERTSONS INC	3,965,000	3,766,725	0.19%
ALCOA INC	3,505,000	3,652,000	0.18%
BRAZIL FEDERATIVE REP	10,420,000	3,445,960	0.17%
USW CORP	3,505,000	3,443,663	0.17%
HOLOGIC	2,521,000	3,324,569	0.17%
EDP FIN	2,900,000	3,046,468	0.15%
EMPRESA	2,300,000	2,991,702	0.15%
HIGHWOODS RLTY LTD	2,535,000	2,855,137	0.14%
NXP SEMICONDUCTORS	2,448,000	2,853,450	0.14%
PRICELINE	2,580,000	2,824,150	0.14%
SCORPIO TANKERS	2,440,000	2,604,700	0.13%
RED HAT	2,115,000	2,588,231	0.13%
WEYERHAEUSER CO	2,085,000	2,533,542	0.13%
JAZZ INVSTS	2,151,000	2,501,882	0.13%
Fixed Income Total		\$ 120,375,820	6.04%

⁽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.

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, 2015, were \$1,147. T. Rowe Price participated in the program during the year.

Commissions paid on all trades totaled \$293,617 and the average commission rate paid was 0.9 cents per share. The following is a list of brokers who received commissions of \$10,000 or more during fiscal 2015. A complete schedule of all commissions paid is available from the Retirement Office.

Broker	Number of Shares	Total Commission	Commission Per Share (\$ per share)
Investment Technology Group	2,081,171	49,467	0.024
Merrill Lynch	2,833,754	22,838	0.008
Jefferies	1,967,589	18,231	0.009
JP Morgan	1,953,862	16,318	0.008
Citigroup	1,674,249	16,007	0.010
Credit Suisse	2,299,459	13,610	0.006
UBS	1,728,294	13,290	0.008
Morgan Stanley	1,725,003	13,113	0.008
Goldman Sachs & Co.	1,036,689	13,100	0.013

Actuarial Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM



Classic Values, Innovative Advice.

Via Electronic Mail

October 20, 2015

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 provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the Employees' Retirement System of the Arlington County Employees' Retirement System (System) with respect to pension benefits.

Actuarial Valuation Used for Funding Purposes

Actuarial valuations of the Arlington County Employees' Retirement System are performed annually. The results of the latest actuarial valuation of the System, which we have prepared as of June 30, 2015, are summarized in this letter. Please refer to that valuation report for additional information related to the System.

The valuation reflects the benefits in effect on the valuation date and was prepared on the basis of the data submitted by the County and the actuarial assumptions as adopted by the Board of Trustees of the Employees' Retirement System, including a valuation interest rate assumption of 7.25% per annum, compounded annually. The actuarial cost method, the Entry Age Normal Cost Method, and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

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.

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, an amount which amortizes the actuarial liability for benefit changes over a 20-year period, plus an amount which amortizes the unfunded actuarial liability not attributable to benefit changes over a 15-year period. The County is currently contributing 21.9% of pay for the 2015-16 plan year, which meets the funding objective for this fiscal year.

The County's contribution appropriated for the fiscal year ended June 30, 2015 was determined based on the results of the June 30, 2013 valuation. The County's contribution rate was 23.9% of pay, which equated to contributions of \$58.2 million.

As of June 30, 2015, the System's actuarial liability was 99% funded based on the Actuarial Value of Assets. The actuarial liability was 101% funded based on the Market Value of Assets.

www.cheiron.us 1.877.CHEIRON (243.4766)

Board of Trustees
Arlington County Employees' Retirement System
October 20, 2015
Page 2

Code of Virginia §51.1-800

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

Although there is no formal procedure for making this comparison, we compared the least valuable rate under the 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.

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2015 actuarial valuation. Please refer to the valuation report for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2015 valuation report.

- Schedule of Changes in Net Pension Liability and Related Ratios
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Notes to the Schedule of Employer Contributions

Reliance on the Information Provided by the County and Compliance with ASOPs and GAAP

In preparing our valuations and schedules for the CAFR, we relied on information (some oral and some written) supplied by the County. This information includes, but is not limited to, the plan provisions, employee data and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

The current actuarial assumptions used for valuation purposes were adopted by the Board of Trustees and were first effective for the June 30, 2014 Actuarial Valuation. The most recent study of the System's experience, used in developing the current actuarial assumptions, was based on a period from July 2008 to June 2013. In our opinion, the actuarial assumptions used in the valuation are reasonable both individually and in aggregate. Included in the valuation report is a schedule which presents an outline of the actuarial assumptions and methods used to prepare the actuarial valuation results. Future results may differ significantly from the current results due



Board of Trustees
Arlington County Employees' Retirement System
October 20, 2015
Page 3

to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

I hereby certify that, to the best of my knowledge, this certification letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. The schedules provided for financial reporting purposes have been prepared in accordance with our understanding of generally accepted actuarial principles as promulgated by the GASB. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter. This letter does not address any contractual or legal issues. I am not an attorney and our firm does not provide any legal services or advice.

This letter was prepared for the Arlington County Employees' Retirement System for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this letter are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any such other users.

Respectfully submitted,
Cheiron



Kevin J. Woodrich, FSA, FCA
Principal Consulting Actuary



Actuarial Section

Actuarial Assumptions, Methods and Summary of Valuation Results

Valuation Method and Asset Value

An actuarial valuation is performed annually. At June 30, 2015 the market value of System assets was \$1,995 million compared to \$1,980 million in assets at June 30, 2014.

As asset market value represents the realizable value of assets on a particular day it can be subject to significant variability due to market volatility. Thus, market value is not a good measure on which to base the calculations of future contributions to the System as they too would be subject to significant variability owing to financial market fluctuations.

To produce more consistent contribution rates, actual asset market values are adjusted to remove, or dampen, a degree of the variability associated with market movements. For the June 30, 2015 valuation, the specific technique adopted projects the market asset value for each of the prior four years forward to the valuation date using actual cash flows (contributions less benefit payments and expenses) and assuming the actuarial investment assumption in effect at such time. The average of these four projected asset values and the actual June 30, 2015 asset market value determines the actuarial value of assets, subject to corridor limits of 80% (minimum) and 120% (maximum) of market value.

Using the method described above, the actuarial value of assets at June 30, 2015 was \$1,951 million, reflecting 98% of market value.

The ten-year projection of System assets indicates contributions will be less than benefits for the entire period. This should not be cause for alarm and, in fact, 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 benefits should be related to the period in which benefits are earned, rather than to the period of benefits distribution. Several actuarial methods are acceptable for accomplishing this.

The aggregate entry age normal funding method employed in this valuation is a common method for valuing public sector plans. Under this method, the employer contribution is comprised of three components: the Normal Cost, the payment (or credit) toward the Unfunded Actuarial Liability (UAL) and the allowance for expenses. Each component is expressed as a percentage of covered 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 versus uniformed employees.

The Actuarial Liability is that portion of the present value of projected retirement benefits, including future pay increases, not covered by future employer normal costs or member contributions.

The Unfunded Actuarial Liability is the excess of the Actuarial Liability over the actuarial value of assets. The Unfunded Actuarial Liability was \$20.2 million as of June 30, 2015.

The table below summarizes, at June 30, 2015, the actuarial liabilities, both funded and unfunded, by employee type and for the total System.

	<u>Liabilities (in million of \$)</u>			
	<u>General</u>	<u>School</u>	<u>Uniformed</u>	<u>Total</u>
Present Value of Future Benefits				
Active Members	\$ 735.2	\$ 7.3	\$ 650.6	\$1,393.1
Retired Members and Beneficiaries	468.4	81.5	310.6	860.5
Disabled Members	31.9	1.2	91.4	124.5
Vested Deferred Members	24.9	1.1	6.6	32.6
DROP Members	54.1	0.0	51.2	105.3
Total	\$ 1,314.5	\$ 91.1	\$ 1,110.4	\$2,516.0
Normal Cost Rate	12.5%	0.0%	29.2%	N/A
Present Value of Future Payroll	\$ 1,676.1	0.0	\$ 693.9	\$2,370.0
Present Value of Future Employer Costs	209.5	0.0	202.6	412.1
Present Value of Future Member Contributions	73.9	0.0	58.5	132.4
Actuarial Liability	\$ 1,031.1	\$ 91.1	\$ 849.3	\$1,971.5
Actuarial Value of Assets	1,020.6	89.9	840.8	1,951.3
Unfunded Actuarial Liability	\$ 10.5	\$ 1.2	\$ 8.5	\$ 20.2

Source: June 30, 2015 Actuarial Report- Table III-1

Actuarial Section

System Contributions

Under the County's prior funding method, the County contribution rate dropped dramatically when the System became fully funded. However, the County was also subject to significant fluctuations in future contribution rates should investment returns deviate from the actuarial assumption. In light of concern over significant fluctuations and a desire to smooth contribution levels, the Retirement Board recommended a funding formula for employer contributions to the County Board to achieve full normal cost funding over a multi-year transition period. The County Board accepted the recommendation and codified the formula in §46-33 of the County Code in fiscal year 2005. As a result, employer contributions as a percent of covered payroll became more predictable.

In October of 2008, the County adopted several retirement plan benefit changes effective January 4, 2009, contributing to an increase in the contribution rate to 19.9% for fiscal year 2010. This new contribution rate was applied to a lower total payroll based on a narrower definition of creditable compensation included as part of the plan changes.

The June 30, 2015 Actuarial Valuation reflects the County's combined contribution rate of 20.3% for fiscal year 2017. This contribution rate is comprised of a normal cost rate of 17.4%, a 20 year amortization of the increase in liabilities associated with the benefit changes of 2.9%. The sum of these two components is 20.3% of pay. The County's funding policy limits the change in the contribution rate from the previous year by 2%, however this limit does not impact the fiscal year 2017 contribution. Further explanation of the funding approach is available in the current actuarial valuation report.

The table below details of the derivation of County normal cost contribution rates by employee group for fiscal year 2016:

Employer Contribution Rate as a Percentage of Payroll

	<u>General</u>	<u>Uniformed</u>
Normal Cost	16.5%	36.7%
Member Contribution Rate	4.0%	7.5%
Employer Normal Cost	12.5%	29.2%
Expense Loading as Percentage of Payroll	0.4%	0.4%
County Normal Cost Plus Expenses	12.9%	29.6%

Source: June 30, 2015 Actuarial Report Table IV-1 and Table IV-2

The School Board withdrew Chapter 46 active participants from the fund in fiscal year 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.

Plan Membership

The total active membership in the System at June 30, 2015, the date of the actuarial valuation, was 3,533, a slight decrease from 3,555 at June 30, 2014.

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 later in this *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, 2014.

During the fiscal year 2015, the financial markets performed below expectation. The actual net investment return, on a market value basis, was approximately 1.9% which is less than the actuarial rate of return assumption of 7.25% for that period. The market value of System assets increased \$15.4 million in 2015. On an actuarial basis, System assets increased \$169.3 million.

On the liability side, the System had a \$83.4 million increase in actuarial liabilities. Normal annual liability growth of \$99.6 million and a reduction of \$16.2 million due to the System's actual experience combine to account for the change.

Actuarial Section

Actuarial Assumptions

The assumptions used for the actuarial valuation were recommended by the actuary and adopted by the Board as a result of the experience study performed concurrently with the June 30, 2014 valuation. 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 June 30, 2015. Copies of the report are available 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

Effective January 4, 2009, the maximum benefit for General Employees is 51% 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

Actuarial Section

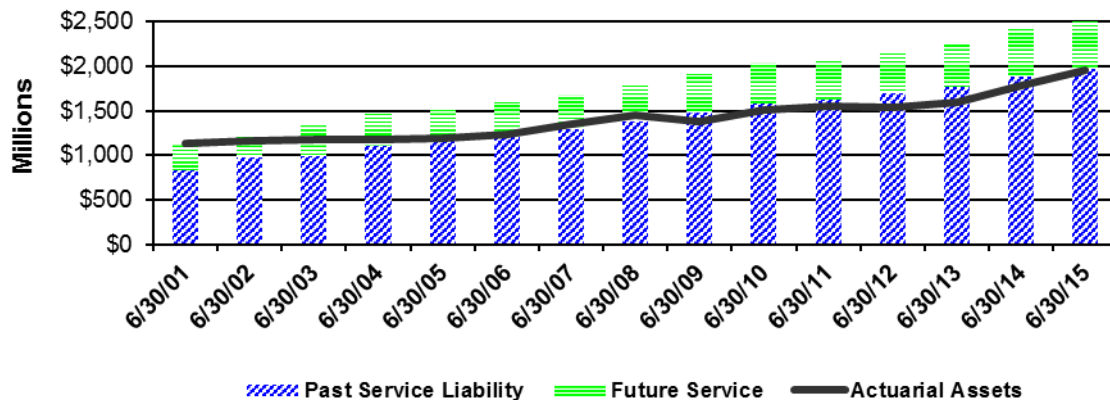
time. The portion is equal to the monthly retirement benefit an employee would be eligible for at the time they DROP. An employee is eligible for participation in the DROP upon reaching eligibility for unreduced benefits. DROP participation is limited to 3 years.

Trends

One of the best ways to evaluate the financial condition of a pension plan is to examine the historical trends. The charts below present trend information on the System's assets and liabilities, annual cash flows and County contribution rate.

Chart A illustrates the System's assets and liabilities. At June 30, 2015, the ratio of actuarial assets to liabilities is 99.0%, up from 94.4% in the prior year's Actuarial Valuation due to continued recognition of deferred investment gains.

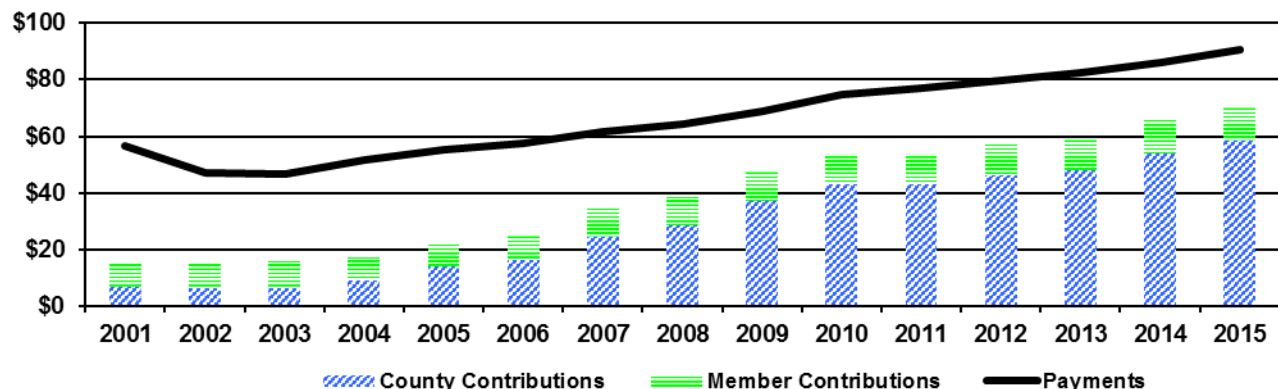
Chart A: ASSETS / LIABILITIES



Source: Actuarial Reports- Summary Results- Combined

Chart B shows payments to retirees and beneficiaries exceeding employer and employee contributions, typical of a well-funded, mature system. 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 B: CASH FLOWS (\$ in Millions)

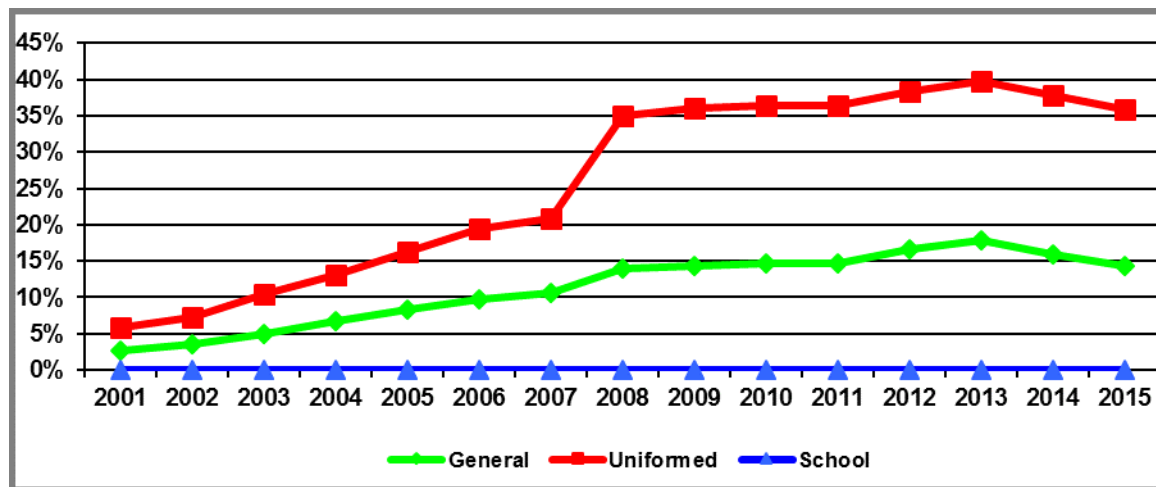


Source: Actuarial Reports- Assets, Table II-1

Actuarial Section

Chart C plots the County (employer) contribution rate by employee group. Investment gains during the late 1990's resulted in lower contribution rates under the funding method in place through 2002. 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. Benefit enhancements and a change in the definition of creditable compensation explain the increase in 2008. The decrease in the contribution rate from 2014 to 2015 are attributable to the continued recognition of recent investment gains when determining the actuarial value of assets and a slight liability gain.

Chart C: COUNTY CONTRIBUTION RATE



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

Schedule of Active Member Valuation Data						
		<u>Valuation</u>			<u>Annual</u>	<u>% Increase in</u>
<u>Group</u>	<u>Plan</u>	<u>Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Average Pay</u>	<u>Average Pay</u>
<u>General Employees</u>						
	Chapter 21	6/30/2015	7	639,694	91,385	25%
		6/30/2014	11	806,320	73,302	0%
		6/30/2013	12	880,596	73,383	14%
		6/30/2012	17	1,097,631	64,567	-14%
		6/30/2011	17	1,270,758	74,750	17%
		6/30/2010	23	1,464,854	63,689	5%
	Chapter 46	6/30/2015	2,675	189,852,542	70,973	4%
		6/30/2014	2,664	181,610,323	68,172	5%
		6/30/2013	2,661	172,528,398	64,836	4%
		6/30/2012	2,678	166,385,460	62,130	4%
		6/30/2011	2,676	159,612,538	59,646	2%
		6/30/2010	2,659	155,915,941	58,637	2%
<u>School Board Employees</u>						
	Chapter 35	6/30/2015	28	3,090,658	110,381	12%
		6/30/2014	34	3,348,649	98,490	-3%
		6/30/2013	43	4,376,035	101,768	2%
		6/30/2012	56	5,561,923	99,320	18%
		6/30/2011	66	5,537,332	83,899	-5%
		6/30/2010	87	7,650,907	87,941	-3%
<u>Uniformed Employees</u>						
	Chapter 21	6/30/2015	1	183,717	183,717	7%
		6/30/2014	1	171,978	171,978	4%
		6/30/2013	1	165,786	165,786	16%
		6/30/2012	2	286,129	143,065	15%
		6/30/2011	3	371,618	123,873	38%
		6/30/2010	4	358,996	89,749	-20%
	Chapter 46	6/30/2015	822	69,747,061	84,850	8%
		6/30/2014	845	66,565,878	78,776	4%
		6/30/2013	833	63,361,907	76,065	6%
		6/30/2012	856	61,548,430	71,902	-1%
		6/30/2011	817	59,120,896	72,363	-1%
		6/30/2010	808	59,082,824	73,122	3%

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

Actuarial Section

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM SOLVENCY TEST

All \$ amounts are millions

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.					
6/30/2006	133.9	643.7	452.7	1,230.3	1,234.7	100%	100%	101%
6/30/2007	160.0	679.9	450.9	1,290.8	1,348.1	100%	100%	113%
6/30/2008	185.9	701.4	493.3	1,380.6	1,449.2	100%	100%	114%
6/30/2009	216.1	799.4	458.7	1,474.2	1,375.8	100%	100%	79%
6/30/2010	247.8	871.2	461.2	1,580.2	1,503.7	100%	100%	83%
6/30/2011	286.5	885.5	451.4	1,623.4	1,548.1	100%	100%	83%
6/30/2012	325.1	925.9	438.9	1,689.9	1,538.7	100%	100%	66%
6/30/2013	358.8	971.7	441.8	1,772.3	1,592.5	100%	100%	59%
6/30/2014	400.4	1067.0	420.7	1,888.1	1,782.0	100%	100%	75%
6/30/2015	430.8	1122.9	417.8	1,971.5	1,951.3	100%	100%	95%

** Retirees, beneficiaries and vested deferred members*

Source: June 30, 2015 Actuarial Report - Accounting Information, Table V-5

RETIREMENT ALLOWANCES ADDED TO AND REMOVED FROM ROLLS

Retirement Allowances Added To and Removed From Rolls

Plan	Year Ended	Added to Rolls	Removed From Rolls	Year-End Total	Annual Allowances	% Increase in Allowances	Average Annual Allowances
Chapter 21	6/30/2015	21	67	1,332	\$46,530,027	(0.9%)	\$34,932
	6/30/2014	23	67	1,378	\$46,973,432	(0.5%)	\$34,088
	6/30/2013	18	67	1,422	\$47,206,800	0.1%	\$33,197
	6/30/2012	14	57	1,471	\$47,158,173	0.2%	\$32,059
	6/30/2011	36	54	1,514	\$47,048,725	(0.4%)	\$31,076
	6/30/2010	20	57	1,532	\$47,233,864	1.6%	\$30,832
Chapter 35	6/30/2015	18	55	909	\$9,317,615	(1.4%)	\$10,250
	6/30/2014	13	43	946	\$9,450,432	0.1%	\$9,990
	6/30/2013	15	29	976	\$9,445,094	1.1%	\$9,677
	6/30/2012	18	49	990	\$9,341,427	(0.0%)	\$9,436
	6/30/2011	36	46	1,021	\$9,345,856	(1.7%)	\$9,154
	6/30/2010	10	29	1,031	\$9,504,268	4.0%	\$9,218
Chapter 46	6/30/2015	167	29	1,588	\$35,749,535	15.5%	\$22,512
	6/30/2014	150	27	1,450	\$30,938,662	14.0%	\$21,337
	6/30/2013	130	21	1,327	\$27,139,081	14.8%	\$20,451
	6/30/2012	108	17	1,218	\$23,632,198	16.5%	\$19,402
	6/30/2011	82	12	1,127	\$20,288,047	9.8%	\$18,002
	6/30/2010	146	11	1,057	\$18,482,601	24.1%	\$17,486

Source: Supplemental Data Provided by Actuary

Statistical Section



ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

About the Statistical Section

This section includes detailed information about the demographic and economic trends experienced by the System over the past ten years to assist the reader in assessing how the System's overall financial condition has changed over time. Specific information provided includes:

- Schedules of Active Employee Members present the number of employees by chapter and type
- Schedules of Retirements Granted present the number of retirements granted by chapter and type
- Schedules of Monthly Retirement Allowances show the number of retirees and payments, by chapter and type
- Schedules of Additions and Deductions and Plan Net Assets reflect payments made to and by the System and the impact on net assets
- Contribution Analysis by source
- Schedules of Average Benefit Payments present the average monthly benefit, by chapter
- Schedules of Retired Members by Type of Benefit identify number of retirees by retirement type for each chapter

ACTIVE EMPLOYEE MEMBERSHIP IN RETIREMENT SYSTEM

AS OF JUNE 30, 2015

GROUP	CHAPTER			TOTAL MEMBERSHIP
	21	35	46	
General County	6	0	2,563	2,569
Deputy Sheriffs	0	0	199	199
Firefighters	0	0	278	278
Police Officers	1	0	345	346
School	1	28	112	141
TOTALS	8	28	3,497	3,533

HISTORY OF ACTIVE EMPLOYEE MEMBERSHIP IN RETIREMENT SYSTEM

JUNE 30, 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHAPTER 21										
General County	102	77	56	31	17	14	14	9	8	6
Police Officers	13	11	10	3	3	2	1	1	1	1
Firefighters	13	14	11	2	1	1	1	0	0	0
Deputy Sheriffs	2	0	0	0	0	0	0	0	0	0
School	17	15	12	7	6	3	3	3	3	1
TOTAL	147	117	89	43	27	20	19	13	12	8
CHAPTER 35										
School	138	110	108	87	86	65	56	43	34	28
General County	5	4	3	3	1	1	0	0	0	0
TOTAL	143	114	111	90	87	66	56	43	34	28
CHAPTER 46										
General County	2,397	2,228	2,373	2,425	2,487	2,504	2,525	2,520	2,535	2,563
Police Officers	331	448	454	329	323	333	345	336	347	345
Firefighters	284	302	299	291	277	282	302	293	294	278
Deputy Sheriffs	200	263	276	205	208	203	210	205	204	199
School	234	210	200	187	172	167	153	140	128	112
TOTAL	3,446	3,451	3,602	3,437	3,467	3,489	3,535	3,494	3,508	3,497
GRAND TOTAL	3,736	3,682	3,802	3,570	3,581	3,575	3,610	3,550	3,554	3,533

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 56 - 58 of this report.

RETIREMENTS GRANTED DURING FISCAL YEAR 2015

Chapters 21 & 46	SERVICE RETIREMENTS	DEFFERED RETIREMENT OPTION PLAN (DROP)	ORDINARY DISABILITY	SERVICE CONNECTED DISABILITY	TOTAL
General County	56	49	3	2	110
Deputy Sheriffs	4	6			10
Firefighters	2	6		1	9
Police Officers	7	6		1	14
School	12	1	1		14
TOTAL	81	68	4	4	157

Chapter 35	SERVICE RETIREMENTS	DEFFERED RETIREMENT OPTION PLAN (DROP)	ORDINARY DISABILITY	SERVICE CONNECTED DISABILITY	TOTAL
General County					
School	14				14
TOTAL	14	0	0	0	14

HISTORY OF RETIREMENTS GRANTED YEAR ENDED JUNE 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHAPTERS 21 & 46										
Service Retirements	66	62	50	51	98	42	49	73	74	81
DROP	34	31	39	95	53	36	54	49	52	68
Ordinary Disability	7	3	2	1	1	4	0	2	4	4
Service Connected Disability	4	8	9	6	8	1	12	3	4	4
	111	104	100	153	160	83	115	127	134	157
CHAPTER 35										
Service Retirements	26	26	26	14	16	20	12	14	12	14
DROP	2	0	1	0	0	0	2	0	0	0
Ordinary Disability	0	0	1	0	0	0	0	0	0	0
	28	26	28	14	16	20	14	14	12	14
GRAND TOTAL	139	130	128	167	176	103	129	141	146	171

Statistical Section

SUMMARY OF MONTHLY RETIREMENT ALLOWANCES RETIREES AND SURVIVORS AS OF JUNE 30, 2015

	Service Retirements		DROP		Ordinary Disability		Service Connected Disability		Total	
	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
CHAPTER 21										
General County	688	\$1,814,060	5	\$19,361	17	\$36,549	25	\$60,571	735	\$1,930,541
Deputy Sheriffs	21	\$78,936	0	\$0	0	\$0	5	\$9,792	26	\$88,728
Firefighters	150	\$536,186	1	\$6,957	1	\$867	54	\$170,208	206	\$714,218
Police Officers	210	\$754,089	0	\$0	5	\$7,209	39	\$128,712	254	\$890,010
School	146	\$261,937	0	\$0	8	\$12,039	5	\$8,655	159	\$282,631
TOTAL	1,215	\$3,445,208	6	\$26,318	31	\$56,664	128	\$377,938	1,380	\$3,906,128
CHAPTER 46										
General County	886	\$1,238,905	106	\$272,159	41	\$38,606	35	\$85,437	1,068	\$1,635,107
Deputy Sheriffs	60	\$161,175	13	\$72,249	2	\$1,488	19	\$59,693	94	\$294,605
Firefighters	47	\$208,513	14	\$91,271	0	\$0	43	\$174,541	104	\$474,325
Police Officers	73	\$261,137	15	\$80,381	0	\$0	26	\$99,006	114	\$440,524
School	206	\$107,524	1	\$2,815	23	\$11,106	0	\$0	230	\$121,445
TOTAL	1,272	\$1,977,254	149	\$518,875	66	\$51,200	123	\$418,677	1,610	\$2,966,006
CHAPTER 35										
General County	42	\$28,071	0	\$0	0	\$0	0	\$0	42	\$28,071
School	879	\$750,592	0	\$0	32	\$14,188	0	\$0	911	\$764,780
TOTAL	921	\$778,663			32	\$14,188			953	\$792,851
GRAND TOTAL	3,408	\$ 6,201,125	155	\$ 545,193	129	\$ 122,052	251	\$ 796,615	3,943	\$ 7,664,985

HISTORY OF MONTHLY RETIREMENT ALLOWANCES YEAR ENDED JUNE 30

(\$ in thousands)	2006		2007		2008		2009		2010	
TYPE	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
Service	2,827	\$3,618	2,901	\$3,849	2,922	\$4,067	2,967	\$4,317	3,069	\$4,717
DROP	97	\$305	93	\$306	100	\$370	153	\$560	164	\$580
Ordinary Disability	168	\$132	160	\$125	158	\$125	151	\$123	148	\$126
Service Connected Disability	255	\$588	263	\$651	264	\$694	267	\$737	266	\$775
TOTAL	3,347	\$4,643	3,417	\$4,931	3,444	\$5,256	3,538	\$5,737	3,647	\$6,198
	2011		2012		2013		2014		2015	
TYPE	#	Amount	#	Amount	#	Amount	#	Amount	#	Amount
Service	3,118	\$4,796	3,240	\$5,342	3,320	\$5,675	3,350	\$5,877	3,408	\$6,201
DROP	192	\$583	127	\$399	120	\$415	145	\$505	155	\$545
Ordinary Disability	126	\$119	141	\$124	137	\$126	133	\$123	129	\$122
Service Connected Disability	267	\$774	256	\$759	256	\$777	254	\$791	251	\$797
TOTAL	3,703	\$6,272	3,764	\$6,624	3,833	\$6,993	3,882	\$7,296	3,943	\$7,665

ADDITIONS & DEDUCTIONS
YEAR ENDED JUNE 30

<i>(millions)</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ADDITIONS										
Contribution Total	25.2	34.9	40.2	47.8	53.7	53.8	57.3	59.4	65.6	70.4
Employer	16.3	24.8	30.0	37.1	42.9	43.2	46.3	48.0	53.7	58.2
Employee	8.9	10.1	10.2	10.7	10.8	10.6	11.0	11.4	11.9	12.2
Net Investment Income	133.6	215.0	(73.9)	(222.8)	146.2	287.7	3.8	203.6	304.9	37.4
Income & Appreciation	139.7	219.4	(68.8)	(219.5)	149.9	292.4	8.0	208.7	310.7	45.6
Less Investment Expense	(6.1)	(4.7)	(5.7)	(3.3)	(3.8)	(4.9)	(4.4)	(5.3)	(5.9)	(8.4)
Security Lending		0.3	0.6		0.1	0.2	0.2	0.1	0.1	0.2
TOTAL ADDITIONS	158.8	249.9	(33.7)	(175.0)	199.9	341.5	61.1	263.0	370.5	107.7
DEDUCTIONS										
Benefit Payments⁽¹⁾	55.3	58.5	61.9	66.7	72.3	74.9	77.4	81.5	85.3	88.9
Normal Retirement		26.7	29.2	31.7	34.6	36.9	41.1	45.3	47.9	50.4
Early Retirement		16.1	16.2	16.2	16.4	16.6	16.6	16.5	16.7	16.7
Death in Service							0.1	0.1	0.1	0.1
Duty Disability Retirement		7.7	8.2	8.7	9.3	9.1	9.0	9.2	9.3	9.4
Ordinary Disability		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4
Survivor Payments		2.5	2.7	2.9	3.1	3.4	3.5	3.7	3.8	4.1
DROP		3.7	3.8	5.4	7.2	6.7	5.2	4.7	5.6	6.4
Other		0.3	0.3	0.3	0.3	0.7	0.4	0.4	0.4	0.4
Refunds	1.5	2.1	1.6	1.3	1.4	1.3	1.5	1.1	1.0	1.8
Administrative Expenses	0.7	0.9	0.8	0.8	0.8	0.8	0.8	1.0	1.4	1.5
TOTAL DEDUCTIONS	57.5	61.5	64.3	68.8	74.5	77.0	79.7	83.6	87.7	92.2

⁽¹⁾Benefit Payment details breakdown not available prior to 2007

PLAN NET ASSETS
YEAR ENDED JUNE 30

<i>At Market (millions)</i>	2006	2007	2008	2009	2010
Beginning	\$1,198.1	\$1,299.4	\$1,487.8	\$1,389.8	\$1,146.0
Additions	158.8	249.9	(33.6)	(175.0)	199.9
Deductions	57.5	61.5	64.3	68.9	74.6
Net Increase	101.3	188.4	(97.9)	(243.8)	125.4
Year End	\$1,299.4	\$1,487.8	\$1,389.9	\$1,146.0	\$1,271.4
	2011	2012	2013	2014	2015
Beginning	\$1,271.4	\$1,535.8	\$1,517.3	\$1,696.8	\$1,979.6
Additions	341.5	61.1	263.0	370.5	107.7
Deductions	77.0	79.7	83.4	87.7	92.2
Net Increase	264.4	(18.5)	179.6	282.8	15.5
Year End	\$1,535.8	\$1,517.3	\$1,696.8	\$1,979.6	\$1,995.1

Statistical Section

CONTRIBUTION ANALYSIS YEAR ENDED JUNE 30

(Dollars in millions)		Group	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Estimated Covered Payroll			\$222.6	\$237.3	\$242.2	\$224.1 ⁽¹⁾	\$220.8 ⁽¹⁾	\$224.5 ⁽¹⁾	\$225.2 ⁽¹⁾	\$222.6 ⁽¹⁾	\$231.2 ⁽¹⁾	\$231.2 ⁽¹⁾
Employer Contribution: (% of Payroll)	A, D	6.4%	8.3%	9.8%	10.6%/13.9% ⁽²⁾		14.4%	14.2%	14.2%	14.6%	16.6%	17.9%
	B, C	13.6%	19.4%	19.4%	20.9%/35.0% ⁽²⁾		35.5%	35.5%	36.5%	36.4%	38.4%	39.7%
	E	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Employer Contribution			\$16.3	\$24.8	\$30.0	\$37.1	\$42.9	\$43.2	\$46.3	\$48.0	\$53.7	\$58.2
Employee Contribution: (% of Payroll)												
Chapter 21	A, D	4.0%	4.0%	4.0%	4.0%		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	B	6.6%	6.6%	6.6%	6.6%		6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
	C	5.6%	5.6%	5.6%	5.6%		5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Chapter 35	E	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chapter 46	A, D	4.0%	4.0%	4.0%	4.0%		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
	B, C	5.0%	5.0%	5.0%	5.0%/7.5% ⁽²⁾		7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
	E	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Employee Contribution			\$8.9	\$10.0	\$10.2	\$10.7	\$10.8	\$10.5	\$11.0	\$11.4	\$11.9	\$12.2
Employer/Employee Contribution			1.8	2.5	2.9	3.5	4.0	4.1	4.2	4.2	4.5	4.8
Unfunded Actuarial Liability			\$0.0	\$0.0	\$0.0	\$0.0	\$98.2	\$76.4	\$75.3	\$151.2	\$106.1	\$20.2

Group Key

- (A) General Employees
- (B) Uniformed Employees
- (C) Managers - Uniformed
- (D) School Board Employees - Non VRS
- (E) School Board Employees - VRS

⁽¹⁾ Under new payroll definition which excludes overtime

⁽²⁾ Prior to January 4, 2009/After January 4, 2009

PARTICIPANT AND INVESTMENT DATA AND RATIO YEAR ENDED JUNE 30

	2010	2011	2012	2013	2014	2015
Participant Data						
Active Employees	3,581	3,575	3,610	3,550	3,554	3,533
Deferred Vested Members	264	277	326	358	500	548
Retirees	3,647	3,725	3,764	3,833	3,882	3,945
Retirees as a % of Active Employees	101.8%	104.2%	104.3%	108.0%	109.2%	111.7%
Retirement Benefits Paid (millions)	\$72.3	\$75.0	\$77.4	\$81.4	\$85.3	\$88.9
Average Benefit Payment (\$/month)						
Chapter 21	\$2,524	\$2,553	\$2,599	\$2,671	\$2,756	\$2,831
Chapter 35 (Supplement)	\$740	\$664	\$771	\$793	\$813	\$832
Chapter 46 ⁽¹⁾	\$1,442	\$1,383	\$1,559	\$1,659	\$1,741	\$1,842
Investment Data						
Net Assets, Market Value (millions)	\$1,271.4	\$1,535.8	\$1,517.3	\$1,696.8	\$1,979.6	\$1,995.0
Ratio: Net Assets/ Benefits Paid	17.6	20.5	19.6	20.8	23.2	22.4

(1) 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.

Statistical Section

SCHEDULE OF AVERAGE BENEFIT PAYMENTS CHAPTER 21 EMPLOYEES

Uniform & General Employees
Hired Before 2/8/81

	Years of Credited Service					
	5-9	10-14	15-19	20-24	25-29	30+
<u>Period 7/1/08 to 6/30/09</u>						
Average of Final Monthly Salaries	\$2,726	\$0	\$0	\$5,374	\$7,188	\$7,337
Average Monthly Benefit	\$480	\$0	\$0	\$2,863	\$5,053	\$5,218
Number of Current Retirees	3	0	0	3	21	11
<u>Period 7/1/09 to 6/30/10</u>						
Average of Final Monthly Salaries	\$3,684	\$2,149	\$2,375	\$5,640	\$6,960	\$6,347
Average Monthly Benefit	\$585	\$692	\$1,104	\$2,253	\$4,839	\$4,488
Number of Current Retirees	1	2	1	1	3	12
<u>Period 7/1/10 to 6/30/11</u>						
Average of Final Monthly Salaries	\$0	\$3,054	\$0	\$0	\$9,555	\$6,320
Average Monthly Benefit	\$0	\$1,096	\$0	\$0	\$6,475	\$4,516
Number of Current Retirees	0	1	0	0	1	5
<u>Period 7/1/11 to 6/30/12</u>						
Average of Final Monthly Salaries	\$1,157	\$0	\$0	\$3,786	\$0	\$7,086
Average Monthly Benefit	\$159	\$0	\$0	\$2,023	\$0	\$5,110
Number of Current Retirees	1	0	0	2	0	1
<u>Period 7/1/12 to 6/30/13</u>						
Average of Final Monthly Salaries	\$1,116	\$0	\$3,810	\$0	\$0	\$7,644
Average Monthly Benefit	\$261	\$0	\$1,850	\$0	\$0	\$5,261
Number of Current Retirees	1	0	1	0	0	6
<u>Period 7/1/13 to 6/30/14</u>						
Average of Final Monthly Salaries	\$2,413	\$2,515	\$3,066	\$5,942	\$0	\$0
Average Monthly Benefit	\$448	\$671	\$1,333	\$2,786	\$0	\$0
Number of Current Retirees	3	3	1	2	0	0
<u>Period 7/1/14 to 6/30/15</u>						
Average of Final Monthly Salaries	\$0	\$0	\$3,279	\$3,378	\$0	\$4,535
Average Monthly Benefit	\$0	\$0	\$1,385	\$1,313	\$0	\$2,910
Number of Current Retirees	0	0	1	2	0	4

SCHEDULE OF AVERAGE BENEFIT PAYMENTS CHAPTER 35 EMPLOYEES

School Board and DHS

Hired Before 2/8/81

	Years of Credited Service					
	5-9	10-14	15-19	20-24	25-29	30+
<u>Period 7/1/08 to 6/30/09</u>						
Average of Final Monthly Salaries	\$0	\$0	\$3,567	\$0	\$6,487	\$7,401
Average Monthly Benefit	\$0	\$0	\$340	\$0	\$1,206	\$1,598
Number of Current Retirees	0	0	1	0	2	11
<u>Period 7/1/09 to 6/30/10</u>						
Average of Final Monthly Salaries	\$7,695	\$0	\$3,655	\$4,201	\$4,412	\$6,669
Average Monthly Benefit	\$211	\$0	\$545	\$755	\$751	\$1,469
Number of Current Retirees	1	0	1	1	2	10
<u>Period 7/1/10 to 6/30/11</u>						
Average of Final Monthly Salaries	\$1,347	\$0	\$0	\$0	\$7,112	\$8,646
Average Monthly Benefit	\$67	\$0	\$0	\$0	\$1,314	\$1,900
Number of Current Retirees	1	0	0	0	4	15
<u>Period 7/1/11 to 6/30/12</u>						
Average of Final Monthly Salaries	\$1,676	\$0	\$4,798	\$0	\$7,466	\$8,800
Average Monthly Benefit	\$118	\$0	\$675	\$0	\$1,388	\$1,750
Number of Current Retirees	2	0	1	0	2	7
<u>Period 7/1/12 to 6/30/13</u>						
Average of Final Monthly Salaries	\$0	\$0	\$0	\$6,682	\$6,991	\$8,376
Average Monthly Benefit	\$0	\$0	\$0	\$1,344	\$1,481	\$1,868
Number of Current Retirees	0	0	0	1	3	10
<u>Period 7/1/13 to 6/30/14</u>						
Average of Final Monthly Salaries	\$0	\$0	\$8,044	\$8,021	\$0	\$8,244
Average Monthly Benefit	\$0	\$0	\$1,369	\$1,314	\$0	\$1,829
Number of Current Retirees	0	0	1	4	0	7
<u>Period 7/1/14 to 6/30/15</u>						
Average of Final Monthly Salaries	\$1,609	\$3,691	\$3,926	\$8,021	\$4,003	\$8,349
Average Monthly Benefit	\$94	\$385	\$772	\$1,314	\$684	\$1,814
Number of Current Retirees	4	1	2	4	1	6

Statistical Section

SCHEDULE OF AVERAGE BENEFIT PAYMENTS CHAPTER 46 EMPLOYEES

All Employees Hired

On or after 2/8/81

	Years of Credited Service					
	5-9	10-14	15-19	20-24	25-29	30+
<u>Period 7/1/08 to 6/30/09</u>						
Average of Final Monthly Salaries	\$4,768	\$5,663	\$6,378	\$5,528	\$7,663	\$5,158
Average Monthly Benefit	\$911	\$1,534	\$2,280	\$2,078	\$4,633	\$2,813
Number of Current Retirees	13	18	17	39	44	1
<u>Period 7/1/09 to 6/30/10</u>						
Average of Final Monthly Salaries	\$4,571	\$4,463	\$5,953	\$6,048	\$6,533	\$5,368
Average Monthly Benefit	\$754	\$1,029	\$2,002	\$2,467	\$3,699	\$3,279
Number of Current Retirees	21	13	28	44	38	1
<u>Period 7/1/10 to 6/30/11</u>						
Average of Final Monthly Salaries	\$4,048	\$5,840	\$5,394	\$5,635	\$8,178	\$4,703
Average Monthly Benefit	\$633	\$1,148	\$1,372	\$2,344	\$4,992	\$3,200
Number of Current Retirees	16	16	7	18	15	1
<u>Period 7/1/11 to 6/30/12</u>						
Average of Final Monthly Salaries	\$4,377	\$4,553	\$4,675	\$5,585	\$7,519	\$7,127
Average Monthly Benefit	\$561	\$1,045	\$1,242	\$2,315	\$4,379	\$4,813
Number of Current Retirees	12	17	17	29	19	10
<u>Period 7/1/12 to 6/30/13</u>						
Average of Final Monthly Salaries	\$4,451	\$4,894	\$5,711	\$5,588	\$7,333	\$6,514
Average Monthly Benefit	\$700	\$1,286	\$1,555	\$2,365	\$4,275	\$3,750
Number of Current Retirees	21	17	24	23	32	9
<u>Period 7/1/13 to 6/30/14</u>						
Average of Final Monthly Salaries	\$5,835	\$5,345	\$5,736	\$6,351	\$6,827	\$8,878
Average Monthly Benefit	\$1,009	\$1,174	\$1,395	\$2,728	\$3,607	\$4,362
Number of Current Retirees	31	16	17	20	37	6
<u>Period 7/1/14 to 6/30/15</u>						
Average of Final Monthly Salaries	\$5,466	\$5,571	\$5,900	\$6,284	\$6,670	\$8,878
Average Monthly Benefit	\$809	\$1,410	\$1,737	\$2,890	\$3,739	\$4,464
Number of Current Retirees	23	29	17	25	45	10

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT CHAPTER 21 EMPLOYEES YEAR ENDED JUNE 30, 2015

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>Opt1</u>	<u>Opt2</u>	<u>Opt3</u>	<u>Opt4</u>
Deferred	5						5			5			
\$1 - 250	25	17	3	2			3			25			
251 - 500	64	29	11	19		2	3			60	4		
501 - 750	54	16	5	27			4		2	48	2	1	3
751 - 1,000	71	12	8	35	2	7	4		3	64	5	1	1
1001 - 1,250	75	22	12	30	4	3	3		1	67	6		2
1,251 - 1,500	65	10	17	31	2	3	2			59	4		2
1,501 - 1,750	65	19	12	19	5	5	2		3	51	13	1	
1,751 - 2,000	63	22	16	10	8	2	1	1	3	51	5	2	5
Over 2,000	900	542	192	37	107	9	6	5	2	460	302	63	75
Totals	1,387	689	276	210	128	31	33	6	14	890	341	68	88

<u>Type of Retirement</u>	
1 - Normal retirement	5 - Non-duty disability retirement
2 - Early retirement	6 - Vested benefit
3 - Survivor payment, retiree	7 - DROP
4 - Duty disability retirement	8 - Court Order

<u>Spousal Option Selected</u>
Opt 1 - 0%
Opt 2 - 50%
Opt 3 - 66.7%
Opt 4 - 100%

Statistical Section

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT CHAPTER 35 EMPLOYEES YEAR ENDED JUNE 30, 2015

Chapter 35

Amount of Monthly Benefit	Number of Retirees	Type of Retirement								Spousal Benefit Options			
		1	2	3	4	5	6	7	8	Opt1	Opt2	Opt3	Opt4
Deferred	48						48			48			
\$1 - 250	129	54	46	9		12	7		1	124	2		3
251 - 500	163	73	53	26		8	1		2	154	4	2	3
501 - 750	150	55	69	14		8	3		1	130	9	1	10
751 - 1,000	159	46	105	5		1	2			122	17	8	12
1001 - 1,250	168	42	115	5		2	4			137	16	4	11
1,251 - 1,500	95	35	57			1	2			79	6	4	6
1,501 - 1,750	46	36	8				2			36	4	1	5
1,751 - 2,000	26	20	6							22	2	1	1
Over 2,000	17	17								16			1
Totals	1,001	378	459	59	0	32	69	0	4	868	60	21	52

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

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT CHAPTER 46 EMPLOYEES YEAR ENDED JUNE 30, 2015

Chapter 46

Amount of Monthly Benefit	Number of Retirees	Type of Retirement								Spousal Benefit Options			
		<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>Opt1</u>	<u>Opt2</u>	<u>Opt3</u>	<u>Opt4</u>
Deferred	495						495			495			
\$1 - 250	166	57	79	5		13	8	1	3	152	7		7
251 - 500	165	81	42	16		9	16		1	141	13		11
501 - 750	170	84	38	13		12	20	2	1	135	20	4	11
751 - 1,000	145	81	30	7	1	11	10	5		108	18	5	14
1001 - 1,250	128	69	25	8	2	10	6	6	2	87	25	4	12
1,251 - 1,500	95	62	14	4	3	4	1	5	2	64	16	2	13
1,501 - 1,750	96	60	16	4	3	5	1	5	2	70	16	2	8
1,751 - 2,000	87	54	13	2	3	2	2	11		55	22	2	8
Over 2,000	558	275	45	9	111		3	114	1	330	161	32	35
Totals	2,105	823	302	68	123	66	562	149	12	1,637	298	51	119

Type of Retirement

- | | |
|--------------------------------|------------------------------------|
| 1 - Normal retirement | 5 - Non-duty disability retirement |
| 2 - Early retirement | 6 - Vested benefit |
| 3 - Survivor payment, retiree | 7 - DROP |
| 4 - Duty disability retirement | 8 - Court Order |

Spousal Option Selected

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