Montgomery County
Employee Retirement Plans

Comprehensive Annual Financial Report

Employees' Retirement System
Retirement Savings Plan
Deferred Compensation Plan

(Trust Funds of Montgomery County, Maryland)

Fiscal Year 2009
July 1, 2008 – June 30, 2009

Montgomery County
Employee Retirement Plans

Comprehensive Annual Financial Report

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Retirement Savings Plan
Deferred Compensation Plan

(*Trust Funds of Montgomery County, Maryland*)

Fiscal Year 2009
July 1, 2008 – June 30, 2009

Prepared by the Board of Investment Trustees
101 Monroe Street, 15th Floor
Rockville, Maryland 20850

MONTGOMERY COUNTY

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MARYLAND

MONTGOMERY COUNTY, MARYLAND
EMPLOYEE RETIREMENT PLANS
Fiscal Year Ended June 30, 2009
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INTRODUCTION SECTION

December 1, 2009

Honorable County Executive and
Members of the Montgomery County Council

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Montgomery County, Maryland (County) Employee Retirement Plans (Plans) for the fiscal year ended June 30, 2009. This annual report is designed to assist you in understanding the structure and current status of the Plans.

FORMAL TRANSMITTAL OF THE CAFR

This report was prepared pursuant to the provisions of Section 33-51(b) of the Montgomery County Code, 2004, as amended (Code), and includes the independent auditors' report, issued by the County Council's appointed independent public accounting firm. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the plan net assets and the changes in plan net assets and financial position of the Plans; and that all disclosures necessary to enable the reader to gain the maximum understanding of the financial affairs of the Plans have been included.

PROFILE OF THE RETIREMENT PLANS

History

The System was established in 1965, as a cost-sharing multiple-employer defined benefit pension plan providing benefits to the employees of the County and other agencies or political subdivisions who elect to participate. Participating agencies and subdivisions include the: Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County, independent fire/rescue corporations, Town of Chevy Chase, Strathmore Hall Foundation, Inc., Washington Suburban Transit Commission, Montgomery County Employees Federal Credit Union, and certain employees of the State Department of Assessments and Taxation and the District Court of Maryland. The System is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. There were 5,012 active members and 5,379 retirees participating in the System as of June 30, 2009.

The Retirement Savings Plan (RSP) was established in 1994, as a cost-sharing multiple-employer defined contribution plan providing benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. Employees covered by the System may make an irrevocable decision to transfer to the RSP. At June 30, 2009, there were 4,953 active plan members.

The Deferred Compensation Plan (DCP) was established pursuant to Section 457 of the Internal Revenue Code, as amended. During Fiscal Year (FY) 1999, in accordance with Federal legislation, the assets of the County Plan were placed in trust for the sole benefit of participants and their beneficiaries.

Benefit Provisions

The benefit provisions of the System are established by the Code. The System provides for normal service retirement and early service retirement benefits for members who attain age and service requirements. The System also provides options for disability and death benefits to eligible participants. Members are vested after five years of service.

The RSP provides for immediate vesting of employee contributions and employer contributions are vested after three years of service or upon death, disability or reaching retirement age.

Major Initiatives

During FY 2009, the Board of Investment Trustees (Board) continued implementation of the revised strategic asset allocation for the ERS approved in 2007, which will result in further diversification of the investment portfolio through the addition of new investment strategies and better management of the total portfolio's risk. Toward this effort, the Board approved new strategies, such as commodities, and selected new managers in existing strategies, including private equity and private real assets. The Board also hired a consultant to assist in building a program of direct private equity fund investments.

In addition, the Board negotiated a lower fee for participants in one of the DCP fund offerings and expanded the investment counseling opportunities available to RSP participants.

INFORMATION USEFUL IN ASSESSING THE RETIREMENT PLANS' ECONOMIC CONDITION

Financial Information

Accounting System and Reports

The Plans' financial statements have been prepared under the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due in accordance with the terms of the Plans.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A), which can be found on pages 15 to 19 of this report, provides a brief analysis of the financial performance of the Plans and an introduction to the financial statements of the Plans for the year ended June 30, 2009.

Investments

Montgomery County has established a Board to be responsible for the investment management of the Plans' assets for the exclusive benefit of the members and participants. The Board consists of thirteen members appointed by the County Council.

In overseeing the management of the assets of the Plans, the Board has developed sound and prudent investment policies. The Board believes an appropriate balance must be struck between risks taken and returns sought to ensure the long term health of the defined benefit plan. The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long term increases in the value of assets. To achieve this objective, System assets are allocated to a broad array of investment sectors as follows: domestic equities 28.3 percent, private equity 6.4 percent, international equities 19.3 percent, fixed income 28.7 percent, inflation index bonds 10.2 percent, commodities 3.3 percent and private real assets 3.8 percent. For the twelve months ended June 30, 2009, the total return achieved by the System's investments was a loss of 15.81 percent, compared to the loss recorded by the System's benchmark index of 15.58 percent and the actuarial assumed rate of return of 8.0 percent.

Section 33-125 of the Montgomery County Code authorizes the Board to establish, for members of the RSP, a diversified slate of mutual and commingled investment funds from which participants may select options. The Board has developed an investment policy outlining its oversight of the investment products offered.

The Board has also established a diversified slate of mutual and commingled funds for the County Plan which offers a range of options from which participants may select. The Board has constructed an investment policy stipulating investment objectives and oversight by the Board.

Funding

The System's actuary uses a five-year smoothed market-related value to determine the actuarial value of assets. The smoothing prevents extreme volatility in employer contribution rates due to short-term fluctuations in the investment markets. For the June 30, 2009 valuation, the actuarial value of assets was $2.7 billion and the aggregate actuarial liability was $3.5 billion, resulting in a funded status ratio of 78.4%. The Schedule of Funding Progress included as Required Supplementary Information in the Financial Section, expresses the System's actuarial value of assets as a percentage of the actuarial accrued liability, providing one indication of the System's funding status on a going-concern basis. The actuary has determined that the present net asset base, expected future contributions and investment earnings thereon, are sufficient to provide for full payment of future benefits under the projected unit credit actuarial cost method.

Internal Control Structure and Budgetary Controls

The Plans' management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles. We believe the internal controls in effect during the fiscal year ended June 30, 2009 adequately safeguard the Plans' assets and provide reasonable assurance regarding the proper recording of financial transactions. In addition, the Board, in conjunction with the Chief Administrative Officer, approves and actively monitors the annual budgets for each plan.

Independent Audit and Actuarial Certification

An independent auditors' report and actuarial certification are included in this report.

AWARDS AND ACKNOWLEDGEMENTS

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 Montgomery County Employee Retirement Plans for its comprehensive annual financial report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a 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. The Montgomery County Employee Retirement Plans have received the Certificate of Achievement for the last nine consecutive years. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA.

Acknowledgements

The Plans' CAFR was prepared by the Board of Investment Trustees staff in conjunction with staff support from the County's Department of Finance. I would like to express my appreciation to the employees who have worked hard throughout the year to ensure the successful operation of the Plans.

Respectfully submitted,

Timothy L. Firestine
Chief Administrative Officer
Plan Administrator

BOARD OF INVESTMENT TRUSTEES

ADMINISTRATIVE ORGANIZATION

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Joseph Adler
Director – Office of
Human Resources

Jennifer E. Barrett
Director of Finance

Linda A. Herman
Executive Director
Board of Investment Trustees

Professional Services

Actuary

Mercer Human Resource
Consulting
Washington, DC

Investment Consultant

Wilshire Associates
Pittsburgh, PA

Auditor

Clifton Gunderson LLP
Certified Public Accountants
Timonium, MD

Investment Managers-Employees' Retirement System

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Toronto, Canada

Numeric Investors
Cambridge, MA

Adams Street Partners
Chicago, IL

Marathon London
United Kingdom

Wellington Management
Boston, MA

RhumbLine Advisors
Boston, MA

Mondrian Investment Partners Ltd.
United Kingdom

Goldman Sachs
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BlackRock Financial Management
New York, NY

Fidelity Investments
Hebron, KY

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JP Morgan Investment Management
New York, NY

Bridgewater Associates
Westport, CT

Pomona Capital
New York, NY

Barclays Global Investors
San Francisco, CA

HarbourVest Partners
Boston, MA

Nomura Corporate Research &
Asset Management
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Landmark Partners Inc.
Simsbury, CT

AEW Partners
Boston, MA

TA Realty LLC
Boston, MA

FX Concepts, Inc.
New York, NY

First Quadrant L.P.
Pasadena, CA

STW Fixed Income Management
Carpentaria, CA

OFI Trust Company
New York, NY

FLAG Capital Management
Stanford, CT

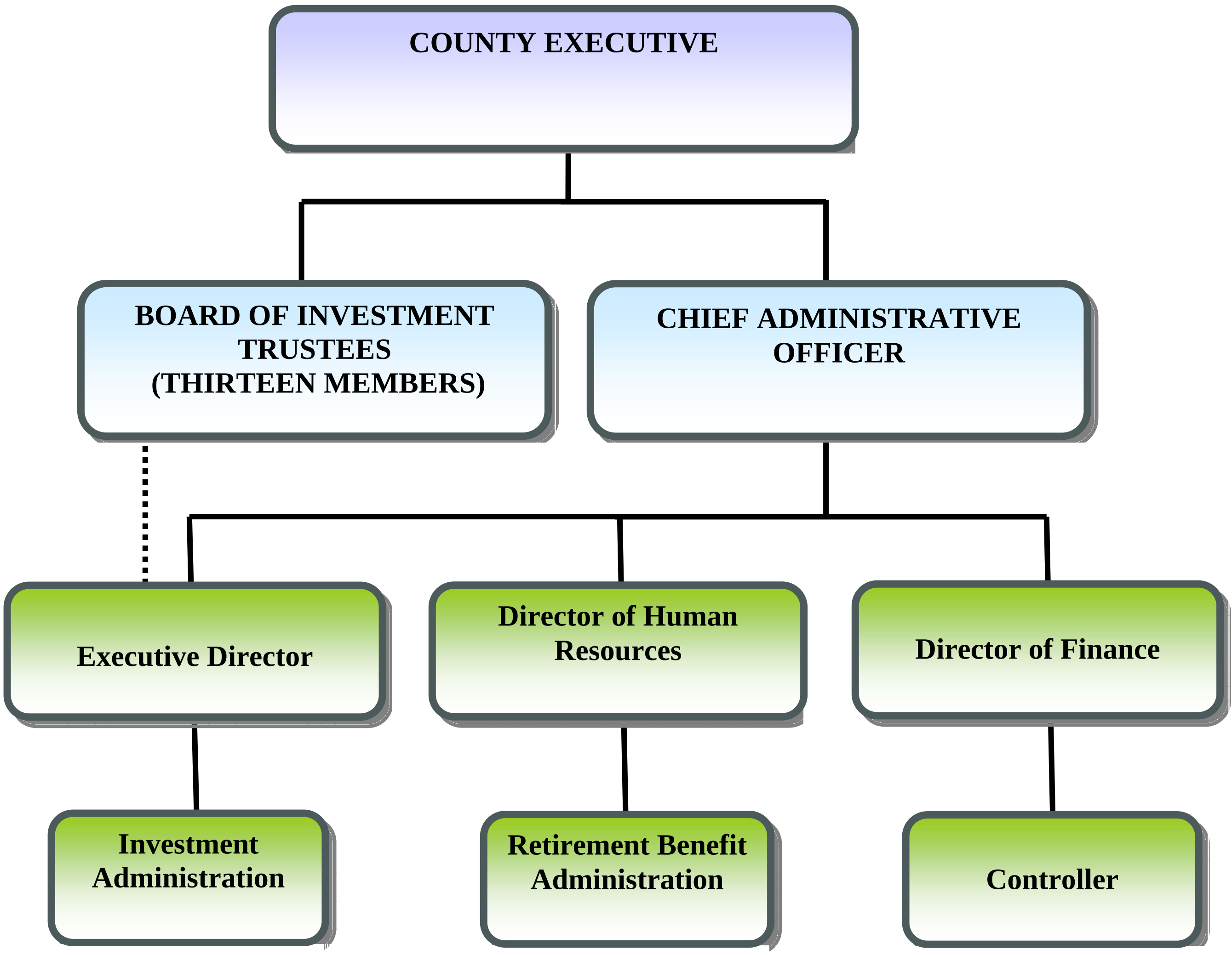
Schroder Investment Management
New York, NY

Odyssey Investment Partners
New York, NY

Custodial Bank-Employees' Retirement System

The Northern Trust Company
Chicago, IL

Administrative Organization Chart



FINANCIAL SECTION

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditors' Report

The Honorable County Council
of Montgomery County, Maryland

The Board of Trustees
Montgomery County Employees' Retirement Plans:

We have audited the accompanying statements of plan net assets of the Montgomery County Employees' Retirement Plans (the Plans) as of June 30, 2009, and the related changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plans' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Audit Standards*, we have also issued a report dated December 1, 2009, on our consideration of the Plans' internal control over financial reporting and our test 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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 15 through 19 and the schedules of funding progress and employer contributions on page 33 are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the 2009 basic financial statements. The introduction section on pages 4 to 10, the 2009 supplementary information, investment section, actuarial section, and statistical sections, as listed in the table of contents and shown on pages 33 through 81 is presented for purposes of additional analysis and is not a required part of the 2009 basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the 2009 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 basic financial statements taken as a whole. The information in the introduction, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
December 1, 2009

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the Montgomery County Employee Retirement Plans (Plans) financial performance provides an introduction to the financial statements of the Plans as of and for the year ended June 30, 2009. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, it should be read in conjunction with the transmittal letter in the Introduction Section on page 4, the financial statements, required supplementary information, and other supplementary information which follow this discussion.

REQUIRED FINANCIAL STATEMENTS

The financial statements for the Plans have been prepared under the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, promulgated by the Governmental Accounting Standards Board. The Statements of Plan Net Assets comprise the Plans' assets and liabilities and provide information about the nature and amount of investments, as well as the liabilities distinguished as long-term and other liabilities. The Statements of Changes in Plan Net Assets report the changes of the Plans' net assets, measured by the additions by major sources and deductions by type. Comparative financial statements of the three plans are presented in the latter part of the financial section.

FINANCIAL ANALYSIS OF THE MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS

Shown below is a condensed presentation of the Net Assets of the Employees' Retirement System (ERS), Retirement Savings Plan (RSP), and Deferred Compensation Plan (DCP) at June 30:

Net Assets
(Millions)

	ERS		RSP		DCP	
	2009	2008	2009	2008	2009	2008
Assets:						
Cash and investments	$ 2,289.7	$ 3,078.4	$ 128.1	$ 127.0	$ 201.2	$ 241.1
Receivables	19.7	20.1	1.6	1.5	1.1	1.0
Total assets	2,309.4	3,098.5	129.7	128.5	202.3	242.1
Liabilities	163.4	479.7	-	-	-	-
Total net assets	$ 2,146.0	$ 2,618.8	$ 129.7	$ 128.5	$ 202.3	$ 242.1

Shown below is a condensed summary of the Change in Net Assets of the ERS, RSP, and DCP for the years ended June 30:

Change in Net Assets (Millions)	ERS		RSP		DCP	
	2009	2008	2009	2008	2009	2008
Additions:						
Employer contributions	$ 109.6	$ 117.7	$ 20.6	$ 13.6	$ -	$ -
Member contributions	18.2	18.9	11.3	8.1	18.1	17.3
Net investment income (loss)	(428.5)	(81.8)	(26.7)	(8.4)	(44.5)	(9.4)
Total additions	(300.7)	54.8	5.2	13.3	(26.4)	7.9
Deductions:						
Benefits	168.6	147.1	-	-	-	-
Refunds	0.7	0.7	3.7	5.2	13.4	15.7
Administrative expenses	2.8	2.5	0.3	0.3	-	-
Total deductions	172.1	150.3	4.0	5.5	13.4	15.7
Total change in net assets	$ (472.8)	$ (95.5)	$ 1.2	$ 7.8	$ (39.8)	$ (7.8)

The following schedules provide a comparative summary and an analysis of each Plans' assets, liabilities and net assets, at June 30:

Employees' Retirement System Net Assets (Millions)	2009	2008	Percentage Change
Assets:			
Cash and investments	$ 2,289.7	$ 3,078.4	(25.6) %
Receivables	19.7	20.1	(2.0)
Total assets	2,309.4	3,098.5	(25.5)
Liabilities:			
Benefits payable and other liabilities	25.2	132.6	(81.0)
Obligations under securities lending agreements	138.2	347.1	(60.2)
Total liabilities	163.4	479.7	(65.9)
Total plan net assets	$ 2,146.0	$ 2,618.8	(18.1) %

The table shown above reflects a decrease in the Employees' Retirement System's net assets of $472.8 million or 18.1 percent during fiscal year (FY) 2009. The decrease reflects the negative impact of financial markets over the last twelve months resulting in decreased investment earnings. During the previous year, net assets decreased by $95.5 million.

Retirement Savings Plan Net Assets (Millions)			
	2009	**2008**	**Percentage Change**
Assets:			
Cash and investments	$ 128.1	$ 127.0	0.9 %
Receivables	1.6	1.5	6.7
Total assets	129.7	128.5	0.9
Liabilities	-	-	
Total plan net assets	$ 129.7	$ 128.5	0.9 %

During FY 2009, net assets increased 0.9 percent to $129.7 million. The increase is attributable to an increase in contributions. Membership in the Retirement Savings Plan increased from 5,536 at June 30, 2008, to 5,829 at June 30, 2009.

Deferred Compensation Plan Net Assets (Millions)			
	2009	**2008**	**Percentage Change**
Assets:			
Investments	$ 201.2	$ 241.1	(16.5) %
Receivables	1.1	1.0	10.0
Total assets and plan net assets	$ 202.3	$ 242.1	(16.4) %

Net assets of the Deferred Compensation Plan decreased 16.4 percent to $202.4 million during FY 2009. The decrease is primarily attributable to the negative impact of financial markets during the fiscal year.

ADDITIONS

The primary sources of additions for the Plans include member and employer (where applicable) contributions. The net loss is attributable to the volatile financial markets during FY 2009. The following tables compare the source and amount of additions for each Plan during FY 2009 and FY 2008.

Employees' Retirement System Contributions and Investment Income (Millions)			
	2009	**2008**	**Percentage Change**
Employer contributions	$ 109.6	$ 117.7	(6.9) %
Member contributions	18.2	18.9	(3.7)
Net investment income (loss)	(428.5)	(81.8)	423.8
	$ (300.7)	$ 54.8	(648.7) %

During FY 2009, employer contributions to the Employees' Retirement System decreased by 6.9 percent due to a decrease in covered payroll. Member contributions decreased by 3.7 percent due to lower pay levels.

The net investment loss for the Employees' Retirement System totaled $428.5 million for FY 2009, comprised of $488.2 million in net depreciation in fair value of investments, $73.1 million in dividends and interest, $1.8 million from securities lending activities, and $15.2 million related to investment expenses. This is compared to a net investment loss of $81.8 million in FY 2008. The decrease in earnings compared to the previous fiscal year is due to the negative impact of financial markets.

Retirement Savings Plan
Contributions and Investment Income
(Millions)

	2009	2008	Percentage Change
Employer contributions	$ 20.6	$ 13.6	51.5 %
Member contributions	11.3	8.1	39.5
Net investment income (loss)	(26.7)	(8.4)	217.9
	$ 5.2	$ 13.3	(60.9) %

Employer contributions to the Retirement Savings Plan were $20.6 million in FY 2009, an increase of 51.5 percent from FY 2008. Member contributions were $11.3 million in FY 2009, an increase of 39.5 percent from FY 2008. The increase in contributions reflects an increase in the employer and member contribution rates during FY 2009.

The net investment loss is primarily attributable to depreciation in investments during FY 2009.

Deferred Compensation Plan
Contributions and Investment Income
(Millions)

	2009	2008	Percentage Change
Member contributions	$ 18.1	$ 17.3	4.6 %
Net investment income (loss)	(44.5)	(9.4)	373.4
	$ (26.4)	$ 7.9	(434.2) %

Member contributions to the Deferred Compensation Plan were $18.1 million for FY 2009, compared to $17.3 million for FY 2008.

Net investment loss for the Deferred Compensation Plan was $44.5 million, compared to the net investment loss of $9.4 million in the previous fiscal year, which was primarily due to the negative impact of financial markets during FY 2009.

DEDUCTIONS

The primary sources of deductions from the Plans include the payment of retiree and survivor benefits, participant refunds, and administrative expenses. The following tables show the use and amount of deductions for each plan during FY 2009 and 2008.

Employees' Retirement System
Deductions by Type
(Millions)

	2009	2008	Percentage Change
Benefits	$ 168.6	$ 147.1	14.6 %
Refunds	0.7	0.7	-
Administrative expenses	2.8	2.5	12.0
	$ 172.1	$ 150.3	14.5 %

During FY 2009, benefit payments increased by 14.6 percent over FY 2008 due primarily to an increase in the number of retirees and the annual cost-of-living increase. FY 2009 refunds were unchanged from FY 2008. Administrative expenses increased from $2.5 million in FY 2008 to $2.8 million in FY 2009 due to increased professional services expenses.

Retirement Savings Plan
Deductions by Type
(Millions)

	2009	2008	Percentage Change
Refunds and administrative expenses	$ 4.0	$ 5.5	(27.3) %

The expenses related to the Retirement Savings Plan are comprised of refunds and administrative costs. Expenses for FY 2009 totaled $4.0 million, a decrease of 27.3 percent over FY 2008 levels due primarily to a decrease in refunds.

Deferred Compensation Plan
Deductions by Type
(Millions)

	2009	2008	Percentage Change
Refunds	$ 13.4	$ 15.7	(14.6) %

During FY 2009, refunds distributed from the Deferred Compensation Plan decreased by 14.6 percent over the FY 2008 level.

For additional information regarding this report, please contact the Board of Investment Trustees at 240-777-8220.

MONTGOMERY COUNTY, MARYLAND
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2009

	Employees' Retirement System	Retirement Savings Plan	Deferred Compensation Plan
ASSETS			
Equity in County's pooled cash and investments	$ 523,857	$ 521,775	$ -
Investments:			
Government and agency obligations	316,739,428	-	-
Asset-backed securities	12,163,832	-	-
Corporate bonds	322,886,763	-	-
Collateralized mortgage obligations	9,104,627	-	-
Commerical mortgage-backed securities	15,131,578	-	-
Common and preferred stock	995,018,436	-	-
Mutual and commingled funds	73,055,687	127,577,002	201,253,401
Short-term investments	195,559,877	-	-
Cash collateral received under securities lending agreements	138,201,569	-	-
Real estate	72,158,654	-	-
Private equity	139,209,558	-	-
Total investments	2,289,230,009	127,577,002	201,253,401
Dividends receivable and accrued interest	11,080,736	-	-
Contributions receivable	8,584,565	1,610,148	1,053,538
Total assets	2,309,419,167	129,708,925	202,306,939
LIABILITIES			
Payable for collateral received under securities lending agreements	138,201,569	-	-
Benefits payable and other liabilities	25,218,403	41,690	-
Total liabilities	163,419,972	41,690	-
Net assets held in trust for pension benefits	$ 2,145,999,195	$ 129,667,235	$ 202,306,939

See accompanying notes to financial statements.

MONTGOMERY COUNTY, MARYLAND
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Employees' Retirement System	Retirement Savings Plan	Deferred Compensation Plan
ADDITIONS			
Contributions:			
Employer	$ 109,567,014	$ 20,625,065	$ -
Members	18,244,976	11,262,814	18,057,590
Total contributions	127,811,990	31,887,879	18,057,590
Investment income (loss)	(417,660,190)	(26,696,872)	(44,478,616)
Less investment expenses	12,669,404	25,185	-
Net loss from investment activities	(430,329,594)	(26,722,057)	(44,478,616)
Income from securities lending	4,295,939	-	-
Less securities lending expenses	2,490,951	-	-
Net income from securities lending	1,804,988	-	-
Total additions	(300,712,616)	5,165,822	(26,421,026)
DEDUCTIONS			
Retiree benefits	123,560,071	-	-
Disability benefits	37,724,912	-	-
Survivor benefits	7,333,268	-	-
Refunds	668,160	3,669,059	13,390,844
Administrative expenses	2,803,217	300,190	-
Total deductions	172,089,628	3,969,249	13,390,844
Net increase (decrease)	(472,802,244)	1,196,573	(39,811,870)
Net assets held in trust for benefits:			
Beginning of year	2,618,801,439	128,470,662	242,118,809
End of year	$ 2,145,999,195	$ 129,667,235	$ 202,306,939

See accompanying notes to financial statements.

INTRODUCTION

The Montgomery County Employee Retirement Plans (Plans) are offered to Montgomery County (County) employees whose eligibility to participate is based on employment status and other factors. Each of the Plans described below was established under a separate section of the Montgomery County Code (Code). The accompanying notes summarize the significant accounting policies and plan provisions for each of the Plans, including the Employees' Retirement System, a defined benefit pension plan; the Retirement Savings Plan, a defined contribution plan; and the Deferred Compensation Plan, a plan established pursuant to Section 457 of the Internal Revenue Code.

EMPLOYEES' RETIREMENT SYSTEM - Defined Benefit Pension Plan

The Montgomery County Employees' Retirement System (System or Plan) is considered part of the County's financial reporting entity and is included in the County's basic financial statements as a pension and other employee benefit trust fund. The accompanying financial statements present only the operations of the System in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to public employee retirement systems. They are not intended to present fairly the financial position and results of operations of the entire County.

A. Plan Description and Contribution Information

Membership. At June 30, 2009, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and beneficiaries receiving benefits	5,379
Terminated plan members entitled to but not yet receiving benefits	452
Active plan members	5,012

Plan Description. The System, a cost-sharing multiple-employer defined benefit pension plan, was established in 1965 and is sponsored by the County. Nine other agencies and political subdivisions have elected to participate. The System is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. All covered full-time employees of the County and participating agencies must become members of the System as a condition of employment. All covered career part-time employees of the County and participating agencies may become members on an individual basis.

Contributions. The System is a contributory plan with employees contributing a percentage of their base annual salary. Contribution rates range from 4 percent to 9.25 percent of regular earnings annually based on group classification and contributions earn interest at the rate of 4 percent per annum as specified under Section 33-39(b) of the Code. The County and each participating agency are required to contribute the remaining amounts necessary to fund the System using the actuarial basis as specified in Section 33-40 of the Code.

Benefit Provisions. Benefit provisions are established under the Code beginning with Section 33-35. All benefits vest at five years of service. There are different retirement groups within the System. Members enrolled before July 1, 1978, belong to either the optional non-integrated group or the optional integrated group. Members enrolled on or after July 1, 1978, belong to the mandatory integrated group. Within the groups are different retirement membership classes. The retirement group assigned depends upon the job classification of the member (i.e., non public safety, police, fire, sheriffs and correctional staff). Normal and early retirement eligibility, the formula for determining the amount of benefit, and the cost of living adjustment varies depending upon the retirement group and retirement membership class. Normal retirement is a percentage of earnings multiplied by years of credited service. Earnings for optional non-integrated group members and optional integrated group members is defined as the high 12 months and for mandatory integrated plan members, the high 36 months. The percentage of earnings, the maximum years of credited service and the cost of living adjustment varies depending upon the retirement membership class and group. Members who retire early receive normal retirement benefits reduced by a minimum of 2 percent to a maximum of 60 percent depending on the number of years early retirement precedes normal retirement. The System provides options for disability and death benefits to eligible participants. Annual cost-of-living adjustments are provided to retirees and beneficiaries based on the percentage change in the Consumer Price Index.

Legislation enacted by the Montgomery County Council in November 1999 required the Chief Administrative Officer of the County to establish Deferred Retirement Option Plans, or DROP Plans, allowing any employee who is a member of a specified membership group or bargaining unit, and who meets certain eligibility requirements, to elect to "retire" but continue to work for a specified time period, during which pension payments are deferred. When the member's participation in the DROP Plan ends, the member must stop working for the County, draw a pension benefit based on the member's credited service and earnings as of the date that the member began to participate in the DROP Plan, and receive the value of the DROP Plan payoff.

B. Summary of Significant Accounting Policies

Basis of Accounting. The System's financial statements have been prepared under the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are required to be made as specified under the County Code. Benefits and refunds are recognized when due in accordance with the terms of the Plan. The cost of administering the Plan is paid by the System.

Method Used to Value Investments. Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2009. Fair value for real estate investments is determined using unit values supplied by the issuers, which are based upon the issuers' appraisals of underlying real estate values. Such values involve subjective judgment and may differ from amounts which would be realized if such real estate was actually sold. The fair value of limited partnership investments are based on valuations of the underlying assets of the limited partnerships as reported by the general partner. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Equity in County's Pooled Cash and Investments. The System maintains its cash with the County, which invests cash and allocates interest earned, on a quarterly basis to the System based on the System's average daily balance of its equity in pooled cash. The County's policy is to fully collateralize the cash maintained in the pool.

C. Funded Status and Funding Progress

The funded status of the System as of June 30, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
$2,736,010,044	$3,489,057,559	$753,047,515	78.4%	$376,895,171	199.8%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation is as follows.

Valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount
Amortization period	Closed amortization approach. The initial period is 40 years. The average remaining period at June 30, 2009 is 23.2 years.
Asset valuation method	5-Year phase-in of market gains/losses
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases depending on age	4.75% - 7.50%
Cost-of-living adjustments	3.5%
Post-retirement Increases	Consumer Price Index - by Group
Mortality rates after retirement	RP 2000 projected 10 years, separate tables for males and females

D. Trustees of the Plan

The County established a Board of Investment Trustees (Board) for the System to be responsible for the investment management of the System's assets for the exclusive benefit of the members. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

E. Investments

Section 33-61C of the Code, authorizes the Board to act with the care, skill, prudence and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with the same matters would use to conduct a similar enterprise with similar purposes. The Code also requires that such investments be diversified so as to minimize the risk of large losses unless it is clearly not prudent to diversify under the circumstances. The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long term increases in the value of assets. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolios and by monitoring the financial markets, the System's asset allocation and the investment managers hired by the System. Each investment manager has a specific benchmark and investment guidelines appropriate for the type of investments they are managing. Section 33-60 of the Code prohibits the Board from investing in any bonds, notes, or debt instruments issued by Montgomery County, any political subdivision within Montgomery County, any agency supported or financed wholly or partly by taxes levied by the Montgomery County Council, or any agency supported by bond issues underwritten by Montgomery County.

Credit Risk/Concentration of Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board's investment policies and guidelines limit the percentage of the total fund and individual manager's account which can be invested in fixed income securities rated below investment grade. In addition, the Board's investment policies and guidelines limit the percentage of each investment manager's account that may be allocated to any one security, position, issuer or affiliated issuer, to less than 5 percent of the fair value of the investment manager's account. The System does not have investments (other than those issued or explicitly guaranteed by the U.S. Government or pooled investments) in any one company that represents 5 percent or more of net assets held in trust for pension benefits.

The quality ratings of investments in fixed income securities as described by nationally recognized rating organizations as of June 30, 2009 are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	$ 181,736,282	22.08%
	A	4,480,518	0.54%
Foreign Government Obligations	AAA	106,081,252	12.89%
	A	21,048,518	2.56%
	BBB	3,086,308	0.37%
	BB	306,550	0.04%
Asset-Backed Securities	AAA	8,632,740	1.05%
	A	103,938	0.01%
	BBB	2,826,489	0.34%
	B	112,631	0.01%
	CCC	277,116	0.03%
	CC	53,208	0.01%
	Unrated	157,710	0.02%
Commercial Mortgage-Backed Securities	AAA	13,579,593	1.65%
	AA	259,040	0.03%
	Unrated	1,292,945	0.16%
Collateralized Mortgage Obligations	AAA	4,901,184	0.60%
	BBB	677,848	0.08%
	BB	116,888	0.01%
	B	1,433,422	0.17%
	CCC	1,809,435	0.22%
	Unrated	165,850	0.02%
Corporate Bonds	AAA	5,125,516	0.62%
	AA	13,895,216	1.69%
	A	54,728,478	6.65%
	BBB	42,775,814	5.20%
	BB	52,873,906	6.42%
	B	57,606,155	7.00%
	CCC	27,721,842	3.37%
	CC	2,799,458	0.34%
	C	874,244	0.11%
	D	2,377,000	0.29%
	Unrated	2,893,627	0.35%
Fixed Income Pooled Funds	Unrated	59,215,507	7.19%
Short-term Investments and Other	N/A	147,195,584	17.88%
Total Fixed Income Securities		$ 823,221,812	100.00%

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. The Board's investment policies and guidelines manage interest rate risk by establishing duration constraints on each fixed income manager's portfolio based on the duration of each manager's respective benchmark. Duration is a measure of interest rate risk based on a bond price's sensitivity to a 100-basis point change in interest rates. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates and vice-versa. Duration of eight would mean that, given a 100-basis point change up/down in rates, a bond's price would move down/up by 8 percent. As of June 30, 2009, the System's fixed income portfolio had the following sensitivity to changes in interest rates:

Type of Investment	**Effective Duration in years**	**Fair Value**	**Percentage of Portfolio**
U.S. Government Obligations	4.95	$ 186,216,800	22.62%
Foreign Government Obligations	7.14	130,522,628	15.85%
Asset-Backed Securities	2.10	12,163,832	1.48%
Commercial Mortgage-Backed Securities	3.09	15,131,578	1.84%
Collateralized Mortgage Obligations	0.51	9,104,627	1.11%
Corporate Bonds	4.99	263,671,256	32.03%
Fixed Income Pooled Funds	N/A	59,215,507	7.19%
Short-term Investments and other	N/A	147,195,584	17.88%
Total Fixed Income Securities		$ 823,221,812	100.00%

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Board's International Investing Policy's objective is to achieve long-term capital appreciation and current income by investing in diversified portfolios of non-U.S. equities and bonds. The System has indirect exposure to foreign currency risk as follows:

International Securities	**Equity**	**Fixed Income**	**Short-term and other**	**Total Non-U.S. Dollar**
Japanese Yen	$ 94,751,685	$ -	$ 5,513,828	$ 100,265,513
European Currency Unit	91,772,005	65,680,067	(78,224,119)	79,227,953
Australian Dollar	3,391,425	-	20,863,608	24,255,033
New Zealand Dollar	304,966	294,016	20,436,997	21,035,979
British Pound Sterling	41,303,329	33,196,684	(54,258,615)	20,241,398
Hong Kong Dollar	15,556,860	-	6,510	15,563,370
Swedish Krona	8,071,891	11,170,334	(11,628,062)	7,614,163
Danish Krone	6,761,798	-	-	6,761,798
Swiss Franc	19,540,446	-	(15,160,313)	4,380,133
Indonesian Rupiah	1,398,608	1,277,425	-	2,676,033
Other Currencies	14,678,071	22,338,424	(25,794,546)	11,221,949
Total International Securities	$ 297,531,084	$ 133,956,950	$ (138,244,712)	$ 293,243,322

Derivatives. The System invests in derivative instruments on a limited basis in accordance with the Board's Derivatives Policy. During FY 2009, the System invested directly in various derivatives including asset-backed securities, collateralized mortgage obligations, exchange-traded futures contracts, forward currency contracts, swaps, and floating rate securities. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. The System entered into these investments either to increase earnings or to hedge against potential losses. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's Derivatives Policy seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain mutual and commingled funds which may hold derivative financial instruments.

As permitted by the Board's policies, the System holds off-financial statement derivatives in the form of exchange-traded financial futures and options. The futures and options with fair values of approximately $10,683,141 are held for investment purposes and included within the financial statements at June 30, 2009. Gains and losses on futures and options are determined based upon fair values and recorded in the Statements of Changes in Plan Net Assets.

Interest rate swaps, foreign currency exchange swaps, and forward foreign currency exchange contracts are held for investment purposes. At June 30, 2009, the System had approximately $107,860,000 net exposure in foreign currency exchange and interest rate swaps and $111,823,210 negative net exposure in forward foreign currency exchange contracts.

Securities Lending. Board policy permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodian is the agent in lending the System's securities for collateral of 102 percent for domestic and 105 percent for international securities. The custodian receives cash, securities or irrevocable bank letters of credit as collateral. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral received from the borrower is invested by the lending agent, as an agent for the System, in a short-term investment pool in the name of the System, with guidelines approved by the Board. Such investments are considered a collateralized investment pool. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of securities loans made by other plan entities that invest cash collateral in the investment pool, which the System cannot determine. The System records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net assets. On November 21, 2008, the Board began restricting the amount of loans the lending agent could make on its behalf. This restriction remained in place as of June 30, 2009. The agent indemnifies the System by agreeing to purchase replacement securities, or return the cash collateral thereof, in the event a borrower fails to return loaned securities or pay distributions thereon. On September 15, 2008, Lehman Brothers International Europe (LBIE) and on September 18, 2008, Lehman Brothers Inc. (LBI) were called into default on obligations under the terms of one or more of the Securities Borrowing Agreements. The System was compensated for any security that was not returned from loan in accordance with the contractual obligations. There were no other such failures by any borrower during the fiscal year, nor were there any losses during the period resulting from a default of the borrower or lending agent.

As of June 30, 2009, the fair value of securities on loan was $136,504,992. Cash received as collateral and the related liability of $138,201,569 as of June 30, 2009, is shown on the Statement of Plan Net Assets. Securities received as collateral are not reported as assets since the System does not have the ability to pledge or sell the collateral securities absent borrower default. Securities lending revenues and expenses amounting to $4,295,939 and $2,490,951, respectively, have been classified with investment income and investment expenses, respectively, in the accompanying financial statements.

The following represents the balances relating to the securities lending transactions at June 30, 2009:

Securities Lent	**Underlying Securities**	**Non-Cash Collateral Value**	**Cash Collateral Investment Value**
Lent for Cash Collateral:			
U.S. Government Obligations	$ 46,081,308	$ -	$ 47,123,316
Corporate Bonds	22,149,159	-	22,724,237
Equities	65,813,462	-	68,354,016
Lent for Non-Cash Collateral:			
U.S. Government Obligations	2,158,598	2,218,642	-
Corporate Bonds	1	1	-
Equities	302,464	317,230	-
Total	$ 136,504,992	$ 2,535,873	$ 138,201,569

At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeded the amounts the borrowers owe the System. The System is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2009, there were no funds held by a counterparty that was acting as the System's agent in securities lending transactions.

F. Allocated Insurance Contract

On August 1, 1986, the County entered into an agreement with Aetna Life Insurance Company (Aetna) wherein Aetna accepted future responsibility for monthly payments to all members retired prior to January 1, 1986, in exchange for a lump sum payment. The County is liable for cost of living increases effective January 1, 1986, and later. Monthly payments made under this agreement have not been recognized in the System's financial statements.

G. Income Taxes

The Internal Revenue Service issued a determination letter in January 2003, which stated that the System and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from federal income taxes. In the opinion of the plan administrator, the System and its underlying trust have operated within the terms of the System and are qualified under the applicable provisions of the Internal Revenue Code.

RETIREMENT SAVINGS PLAN - Defined Contribution Pension Plan

The Montgomery County Retirement Savings Plan (Plan) is considered part of the County's financial reporting entity and is included in the County's basic financial statements as a pension and other employee benefit trust fund. The accompanying financial statements present only the operations of the Plan in conformity with GAAP. They are not intended to present fairly the financial position and results of operations of the entire County.

A. Plan Description and Contribution Information

Membership. At June 30, 2009 membership in the Plan consisted of:

Active plan members	4,953
Inactive plan members	876

Plan Description. The Plan, a cost-sharing multiple-employer defined contribution plan, was established in 1994 and is sponsored by the County. Eight other agencies or political subdivisions have elected to participate. All non-public safety and certain public safety employees not represented by a collective bargaining agreement and hired on or after October 1, 1994 are covered by the Plan. Eligible employees covered by the Montgomery County Employees' Retirement System may make an irrevocable decision to transfer to this Plan.

Contributions. Under Section 33-116 of the Code, the Plan requires non-public safety employees to contribute 4 percent of regular earnings up to the Social Security wage base and 8 percent above the Social Security wage base. Public safety employees are required to contribute 3 percent of regular earnings up to the Social Security wage base and 6 percent above the Social Security wage base. Section 33-117 of the Code requires the County to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively.

Benefit Provisions. Employee contributions vest immediately and employer contributions are vested after three years of service or upon death, disability, or reaching retirement age. Members are fully vested upon reaching normal retirement (age 62) regardless of years of service. At separation, a participant's benefit is determined based upon the account balance which includes contributions and investment earnings.

B. Summary of Significant Accounting Policies

Basis of Accounting. The Plan's financial statements have been prepared under the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are required to be made as specified in the County Code. Benefits and refunds are recognized when due in accordance with the terms of the Plan. The cost of administering the Plan is paid by the County and participating agencies.

Method Used to Value Investments. Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2009.

Equity in County's Pooled Cash and Investments. The Plan maintains its cash with the County, which invests cash and allocates interest earned, on a quarterly basis to the Plan based on the Plan's average daily balance of its equity in pooled cash. The County's policy is to fully collateralize the cash maintained in the pool.

C. Trustees of the Plan

The County established a Board of Investment Trustees (Board) for the Trust to oversee the investment program. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

D. Investments

Section 33-125 of the Code authorizes the Board to establish a diversified slate of mutual and commingled investment funds from which participants may select an option. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2009, the fair value of the mutual and commingled investment funds was $127,577,002. The fair value of the investments in international mutual funds was $15,002,729.

E. Income Taxes

The Internal Revenue Service issued a determination letter in December 2002, which stated that the Plan and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from federal income taxes. In the opinion of the plan administrator, the Plan and its underlying trust have operated within the terms of the Plan and are qualified under the applicable provisions of the Internal Revenue Code.

DEFERRED COMPENSATION PLAN

During FY 2005, the Montgomery County Council passed legislation enabling the County to establish and maintain one or more additional deferred compensation plans for employees covered by a collective bargaining agreement. All County non-represented employees, those County represented employees who elected to participate, and employees who were retired at the time of transfer, continue to participate in the Montgomery County Deferred Compensation Plan administered by the County (the County Plan). County represented employees who elected and all represented employees hired after March 1, 2005 participate in the newly created Montgomery County Union Employees Deferred Compensation Plan (the Union Plan) administered by the bargaining units. The purpose of these Plans is to extend to employees deferred compensation plans pursuant to Section 457 of the Internal Revenue Code of 1986, as amended.

The accompanying financial statements present only the operations of the County Plan in conformity with GAAP. They are not intended to present fairly the financial position and results of operations of the entire County. The assets of the Union Plan are not included in the accompanying financial statements since neither the County nor the Board of Investment Trustees (Board) have fiduciary or other responsibility for the Union Plan except as required by federal law, including any regulation, ruling, or other guidance issued under law.

A. Plan Description and Contribution Information

Plan Description and Contributions. During 1999, in accordance with Federal legislation, the assets were placed in Trust for the sole benefit of participants and their beneficiaries. Trust responsibilities for the County Plan are assigned to the Board. The Board has a third-party administrator contract to provide investment vehicles and administrative services to plan participants. Under the County Plan, contributions are sent to the providers for different types of investments as selected by the participants. A separate account, which reflects the monies deferred, investment of the monies, and related investment earnings is maintained for each participant by the third-party administrator. Withdrawals are made upon retirement, termination of employment, death, and/or in unforeseeable emergencies.

B. Summary of Significant Accounting Policies

Basis of Accounting. The County Plan's financial statements have been prepared under the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are made. Distributions are recognized when paid in accordance with the terms of the County Plan, and administrative costs are recognized as incurred.

Method Used to Value Investments. Investments are stated at fair value. The fair value is generally based on quoted market prices at June 30, 2009.

C. Trustees of the Plan

The County established a Board to oversee the investment program of the County Plan. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

D. Investments

The Board is required to establish a diversified slate of mutual and commingled funds from which participants may select investment options. The Board exercises the Standard of Care as delineated in Section 33-61 of the Code. As of June 30, 2009, the fair value of the mutual and commingled investment funds was $201,253,401. The fair value of the investments in international mutual funds included in the County Plan was $25,168,150.

REQUIRED SUPPLEMENTARY INFORMATION

Historical trend information about the Employees' Retirement System (System) defined benefit pension plan is presented below as required supplementary information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/04	$ 2,045,098,796	$ 2,561,328,232	$ 516,229,436	79.8 %	$ 318,815,374	161.9 %
6/30/05	2,100,532,623	2,775,047,412	674,514,789	75.7	328,459,150	205.4
6/30/06	2,222,724,295	2,918,336,073	695,611,778	76.2	340,333,414	204.4
6/30/07	2,469,933,200	3,100,637,723	630,704,523	79.7	352,636,518	178.9
6/30/08	2,701,119,470	3,341,549,425	640,429,955	80.8	372,214,906	172.1
6/30/09	2,736,010,044	3,489,057,559	753,047,515	78.4	376,895,171	199.8

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	$ 61,927,029	100 %
2005	74,655,371	100
2006	88,184,159	100
2007	109,436,001	100
2008	117,686,375	100
2009	109,567,014	100

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE OF ADMINISTRATIVE EXPENSES

Personnel Services:	
Salaries and wages	$ 1,200,458
Retirement contributions	105,394
Insurance	100,078
Social security	86,020
Total personnel services	1,491,950
Professional Services:	
Actuarial	259,542
Independent public accountants	21,216
Outside legal	64,681
Computer technical support	235,980
Total professional services	581,419
Benefit Processing:	
Disbursement services	423,617
Disability management	213,514
Total benefit processing	637,131
Due diligence and continuing education	31,311
Office Management:	
Office equipment and supplies	57,331
Miscellaneous	4,075
Total office management	61,406
Total administrative expenses	$ 2,803,217

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES, CONCLUDED
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE OF INVESTMENT EXPENSES

Investment Management Expenses:	
Aetna Life Insurance Company	$ 5,891
Barclays Global Investors	11,845
BlackRock Financial Management	461,854
Bridgewater Associates	1,622,983
First Quadrant	1,486,694
FX Concepts	1,004,066
Goldman Sachs	442,493
Gryphon International Investment	554,182
JP Morgan Investment Management	1,565,122
Loomis Sayles	423,938
Marathon London	1,025,259
Mondrian Investment Partners Ltd.	476,856
Nomura Corporate Research & Asset Management	353,222
Numeric Investors	1,020,261
OFI Trust Company	90,183
RhumbLine Advisors	10,683
Schroder Investment	129,687
STW	159,185
Systematic Financial Management	390,583
Wellington Management	586,450
The Northern Trust Company	287,250
Bloomberg Financial Systems	14,484
Wilshire Associates	258,500
Abel/Noser Corp.	5,000
KLD Research & Analytics	11,500
Franklin Park	271,233
Total investment management expenses	12,669,404
Securities lending borrower rebates	1,999,407
Securities lending agent fees	491,544
Total securities lending expenses	2,490,951
Total investment expenses	$ 15,160,355

EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Equity in County's pooled cash and investments	$ 523,857	$ 389,551
Investments:		
Government and agency obligations	316,739,428	443,577,797
Asset-backed securities	12,163,832	34,552,257
Municipal/Provincial bonds	-	875,646
Corporate bonds	322,886,763	373,424,224
Collateralized mortgage obligations	9,104,627	22,285,630
Commercial mortgage-backed securities	15,131,578	25,303,933
Common and preferred stock	995,018,436	1,417,024,398
Mutual and commingled funds	73,055,687	1,037,426
Short-term investments	195,559,877	194,817,255
Cash collateral received under securities lending agreements	138,201,569	347,037,914
Real estate	72,158,654	73,837,446
Private equity	139,209,558	144,270,869
Total investments	2,289,230,009	3,078,044,795
Dividends receivable and accrued interest	11,080,736	11,672,596
Contributions receivable	8,584,565	8,369,431
Total assets	2,309,419,167	3,098,476,373
LIABILITIES		
Payable for collateral received under securities lending agreements	138,201,569	347,037,914
Benefits payable and other liabilities	25,218,403	132,637,020
Total liabilities	163,419,972	479,674,934
Net assets held in trust for pension benefits	$ 2,145,999,195	$ 2,618,801,439

EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
ADDITIONS		
Contributions:		
Employer	$ 109,567,014	$ 117,686,375
Members	18,244,976	18,850,881
Total contributions	127,811,990	136,537,256
Investment Income:		
Net appreciation (depreciation) in fair value of investments	(490,726,802)	(157,001,898)
Dividends and interest	73,066,612	88,105,966
Total income (loss) from investment activities	(417,660,190)	(68,895,932)
Less investment expenses	12,669,404	14,606,891
Net income (loss) from investment activities	(430,329,594)	(83,502,823)
Income from securities lending	4,295,939	14,577,497
Less securities lending expenses	2,490,951	12,820,730
Net income from securities lending	1,804,988	1,756,767
Total additions	(300,712,616)	54,791,200
DEDUCTIONS		
Retiree benefits	123,560,071	105,368,941
Disability benefits	37,724,912	34,934,780
Survivor benefits	7,333,268	6,723,276
Refunds	668,160	672,951
Administrative expenses	2,803,217	2,557,472
Total deductions	172,089,628	150,257,420
Net increase (decrease)	(472,802,244)	(95,466,220)
Net assets - beginning of year	2,618,801,439	2,714,267,659
Net assets - end of year	$2,145,999,195	$2,618,801,439

RETIREMENT SAVINGS PLAN
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Equity in County's pooled cash and investments	$ 521,775	$ 383,224
Investments	127,577,002	126,576,941
Contributions receivable	1,610,148	1,542,833
Total assets	129,708,925	128,502,998
LIABILITIES		
Accrued expenses	41,690	32,336
Net assets held in trust for pension benefits	$ 129,667,235	$ 128,470,662

RETIREMENT SAVINGS PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
ADDITIONS		
Contributions:		
Employers	$ 20,625,065	$ 13,583,208
Members	11,262,814	8,118,397
Total contributions	31,887,879	21,701,605
Investment income (loss)	(27,068,724)	(8,906,352)
Less investment expenses	25,185	26,705
Net investment income (loss)	(27,093,909)	(8,933,057)
Other income	371,852	550,434
Total additions	5,165,822	13,318,982
DEDUCTIONS		
Refunds	3,669,059	5,216,588
Administrative expenses	300,190	257,905
Total deductions	3,969,249	5,474,493
Net increase	1,196,573	7,844,489
Net assets - beginning of year	128,470,662	120,626,173
Net assets - end of year	$ 129,667,235	$ 128,470,662

DEFERRED COMPENSATION PLAN
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Investments	$ 201,253,401	$ 241,093,028
Contributions receivable	1,053,538	1,025,781
Total assets and net assets held in trust for pension benefits	$ 202,306,939	$ 242,118,809

DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
ADDITIONS		
Contributions - members	$ 18,057,590	$ 17,293,810
Investment income (loss)	(44,478,616)	(9,378,166)
Total additions	(26,421,026)	7,915,644
DEDUCTIONS		
Member refunds	13,390,844	15,714,459
Total deductions	13,390,844	15,714,459
Net increase (decrease)	(39,811,870)	(7,798,815)
Net assets - beginning of year	242,118,809	249,917,624
Net assets - end of year	$ 202,306,939	$ 242,118,809

INVESTMENT SECTION

Employees' Retirement System

EMPLOYEES' RETIREMENT SYSTEM

INVESTMENT PERFORMANCE, POLICY, STATISTICS AND ACTIVITY

The Board of Investment Trustees (Board) and the investment staff are responsible for managing the $2.1 billion fund, Employees' Retirement System (the System), invested solely in the interests of its beneficiaries. It is a significant responsibility due to the majority of the average retiree benefit coming from investment earnings on contributions from members, the County, and participating agencies. According to Wilshire Associates, a national consulting firm, the median return among U.S. public pension plans over $1 billion in size in FY 2009 was a loss of 18.58%. The System's return for the fiscal year was a loss of 15.97% net of fees, ranking in the top decile (9th percentile) of all public plans in the universe. The study also ranked the System's three-year loss of 1.07% in the top quartile (13th percentile) and its five-year return of 3.02% in the second quartile (31st percentile). The gross returns for the one-year period lagged the performance benchmark established by the Board by 23 basis points, while returns for the three-year and five-year periods both exceeded the performance benchmarks established by the Board. The key drivers of the performance for the twelve month period ending June 30, 2009 were the System's public equity, fixed income and global inflation-protected bond managers.

In the investment of public funds, adequate funding of employee retirement benefits at a reasonable and affordable cost is a paramount concern. An appropriate balance must be struck between risks taken and returns sought to ensure the long term health of the System. The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long term increases in the value of assets.

Specific investment objectives include:

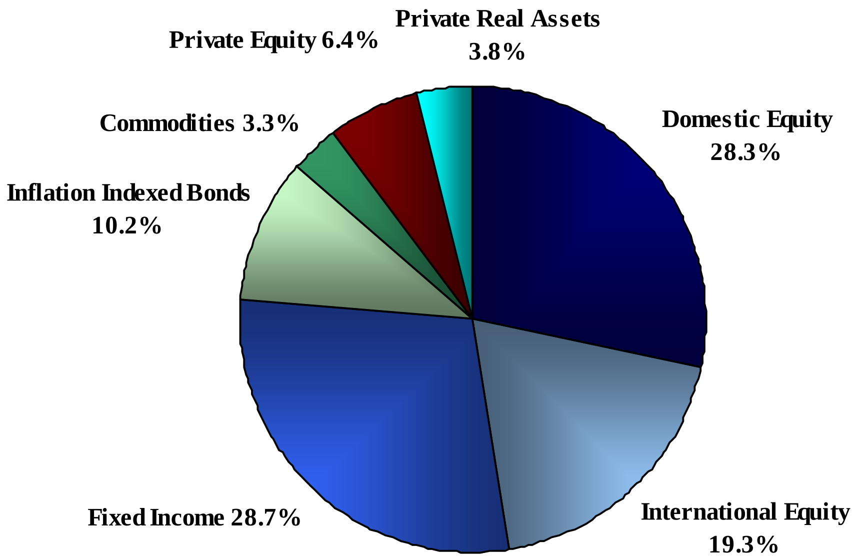
- To realize the actuarial assumed rate of return of 8 percent, annually.
- To manage portfolio risk so as to limit potential downside fluctuations in the value of the total System assets.
- To realize as high a rate of total return as possible consistent with the above.

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

- Allocate System assets to a broad array of investment sectors and strategies.
- Maintain the asset allocation within a range of +/-3% from the target.
- Monitor the individual investment manager's market value to ensure compliance with the Board's Manager Funding Policy.
- Evaluate the performance of all investment managers against their specific performance and style objectives, assigned risk, and the returns achieved by other similar managers.
- Evaluate the System's overall risk exposure and modify investments through rebalancing when necessary.

During FY 2009, the Board continued the implementation of a revised strategic asset allocation which will result in further diversification of the investment portfolio. Toward this goal, the Board approved the following investments during the twelve months ending June 30, 2009: commodities managers, private equity managers, and private real assets managers. The Board also hired a consultant to assist in building a program of direct private equity fund investments.

ASSET ALLOCATION – JUNE 30, 2009



INVESTMENT PERFORMANCE SUMMARY

ANNUALIZED DATA FOR PERIOD ENDING JUNE 30, 2009

	1 Year	3 Year	5 Year
Total Fund Time-Weighted Returns			
MCERS	(15.81) %	(0.76) %	3.36 %
Policy Benchmark	(15.58)	(1.57)	2.69
Total Domestic Equities Return			
MCERS	(27.24)	(7.28)	(0.78)
Russell 3000	(26.56)	(8.35)	(1.84)
Total Private Equities Return			
MCERS	(18.80)*	(3.60)*	(1.60)*
Russell 3000 + 300 Bpts	(23.30)*	(11.40)*	(9.70)*
Total International Equities			
MCERS	(22.95)	(1.02)	7.24
MSCI All Country World X US	(30.92)	(5.80)	4.48
Total Private Real Assets			
MCERS	(24.73)*	(11.70)*	N/A
CPI + 500 Bpts	3.68**	6.19**	N/A
Total Fixed Income			
MCERS	(0.08)	3.13	3.48
Policy Benchmark	4.24	5.41	4.85
Total Global Inflation Index Bonds			
MCERS	(0.91)	6.28	6.44
Custom IIB Benchmark	1.50	5.53	5.61

Return data for the System was calculated on a time weighted basis (except where noted). Returns shown are provided by the System's custodian bank, The Northern Trust Company. Valuations are based on published national securities exchange prices, where available, and all valuations are reconciled between the various investment managers and the custodian bank. Returns are gross of fees paid to investment managers except where noted.
*Returns computed on dollar-weighted basis and are net of investment management fees.
** Benchmark comparison is not meaningful at this time due to the short investment history of the System private real assets program.

PORTFOLIO HIGHLIGHTS

PUBLIC EQUITY

The market value of the total Public Equity Portfolio as of June 30, 2009 represented approximately 47.6% of the total fund, split between Domestic Equity at 28.3% and International Equity at 19.3%. The Domestic Equity Portfolio underperformed the Russell 3000 Benchmark by 0.68% for the one year ending June 30, 2009. The equity markets rebounded strongly in early March after their lengthy and severe decline which started in the first half of the fiscal year. The markets continued to rally during the last quarter of the fiscal year with smaller capitalization stocks outperforming their larger counterparts.

The International Equity Portfolio was allocated as follows: 78.3% EAFE, 17.0% emerging markets (EM) and 4.7% passive. The international developed and emerging markets ended the fiscal year in negative territory, mirroring the performance of the domestic markets. However, the international markets rebounded strongly during the last four months, especially the EM, as they were less affected by the global financial crisis. The International Equity Portfolio utilizes risk-controlled active currency strategies that attempt to capitalize on currency market inefficiencies by taking long and short currency positions based on their fundamental attractiveness. The notional value of these strategies totaled $500 million as of June 30, 2009. The International Equity Portfolio outperformed the MSCI ACWI ex US Benchmark by 7.97% for the one year ending June 30, 2009.

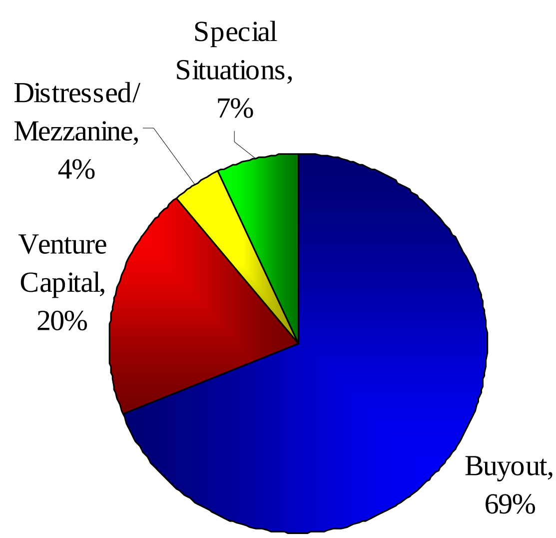
Equity: Top 15 Holdings

The top 15 holdings in the Public Equity Portfolio comprised 3.1% of ERS assets at June 30, 2009. In comparison to the top 15 holdings of last year, Exxon Mobil, Microsoft, Fresenius, Novartis, Total, BNP Paribas, and Li & Fung remained and Heineken, JPMorgan Chase, Inditex, Wells Fargo, Schneider Electric, Terumo Corp, and Vestas Wind System were added.

Equity	Shares	Value
Johnson & Johnson	103,420	$ 5,874,256
BNP Paribas	86,478	5,610,050
Exxon Mobil Corp	76,100	5,320,151
Microsoft Corp	219,650	5,221,081
Heineken NV	125,532	4,655,488
JPMorgan Chase & Co	127,253	4,340,600
Total	76,855	4,148,170
Inditex	84,369	4,043,684
Fresenius	74,828	4,039,814
Novartis AG	99,137	4,014,522
Wells Fargo & Co	162,290	3,937,155
Schneider Electric	51,115	3,893,118
Terumo Corp	87,800	3,876,540
Li & Fung	1,398,800	3,754,174
Vestas Wind System	51,759	3,709,466

PRIVATE EQUITY

The System began investing in private equity in 2003 to achieve returns greater than those available in the public equity markets and to gain exposure to diversified alpha sources. At June 30, 2009, the Private Equity Portfolio comprised 6.4% of total fund assets. Approximately 55% of the dollars committed have been called. The Private Equity program seeks to outperform the Russell 3000 Index by 3% annually. System returns are calculated on a dollar-weighted or internal rate-of-return basis, and the annualized return since inception (2003) through June 30, 2009 was -1.7%. By comparison, the dollar-weighted return for the Russell 3000 Index plus 3% for the same period was -9.4%.

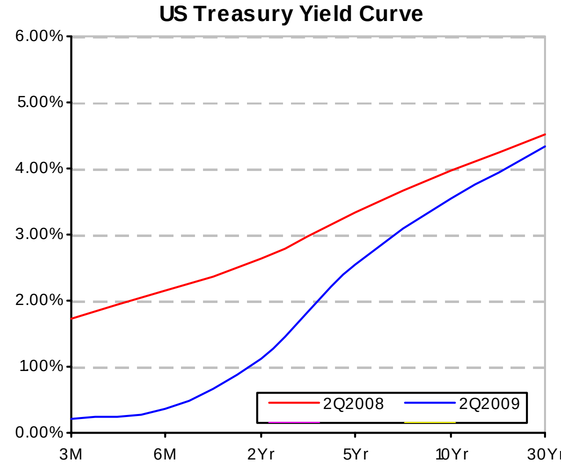


During the fiscal year, low credit availability and economic uncertainty caused investment activity to slow substantially across the private equity industry. Fundraising activity was sluggish, as many large private equity investors with mature portfolios faced difficulties managing liquidity and over-allocations to the asset class.

PORTFOLIO HIGHLIGHTS

FIXED INCOME

The System invests a portion of its portfolio in fixed income securities to reduce total fund volatility, produce income and provide a measure of protection in the event of a slowing economic environment, where these lower volatility assets should provide downside protection. The market value of the Fixed Income Portfolio as of June 30, 2009 represented approximately 28.7% of the total fund. The Fixed Income Portfolio declined 0.08%, underperforming the benchmark return of 4.24% during the fiscal year. Returns were weak as the credit crisis led to a crisis of confidence and flight to quality. Treasury yields reached their lowest levels in 50 years and spreads in all sectors, including investment grade credits, widened to historic levels.



The last twelve months have been a period of significant volatility in fixed income markets. The change in the US Treasury Yield Curve (see above) reflects a massive flight to the safety and liquidity of US Treasury Bills. The Federal Reserve cut the Fed Funds rate down to a target range of 0% to 0.25% and instituted quantitative easing measures to keep longer interest rates low in an effort to stimulate the economy. In the first half of FY09, the markets experienced limited liquidity and deleveraging which resulted in spreads widening dramatically across all sectors, with many bonds trading at distressed levels. The second half of FY 2009 began to see some spread tightening on improved fundamentals and investor sentiment.

Fixed Income: Top 15 Holdings

Fifteen Largest Fixed Income Holdings	Interest Rate	Maturity Date	Fair Value
United States Treasury Notes	3.125 %	May 15, 2019	$ 18,860,205
Federal National Mortgage Association Single Family Mortgage 30 year	6.000	May 1, 2038	10,157,529
Federal National Mortgage Association Pool 15 Year Participation Certificate	5.000	May 1, 2036	8,846,237
United States Treasury Notes	2.625	June 30, 2014	7,894,633
Federal Home Loan Mortgage Corporation	2.500	April 23, 2014	6,534,882
United States Treasury Bonds	6.250	August 15, 2023	6,389,066
France Index Linked Government Bonds	2.250	July 25, 2020	5,735,899
Federal National Mortgage Assn. Single Family Mortgage 15 year	5.500	May 1, 2034	5,720,659
Canada Index Linked Government Bonds	4.000	December 1, 2031	5,203,554
Canada Index Linked Government Bonds	4.250	December 1, 2021	4,719,426
Canada Index Linked Government Bonds	4.250	December 1, 2026	4,641,413
United States Treasury Notes	1.250	November 30, 2010	4,593,653
France Index Linked Government Bonds	1.600	July 25, 2011	4,442,498
Italy Index Linked Government Bonds	2.500	September 15, 2012	4,385,760
France Index Linked Government Bonds	2.500	July 25, 2013	4,356,580

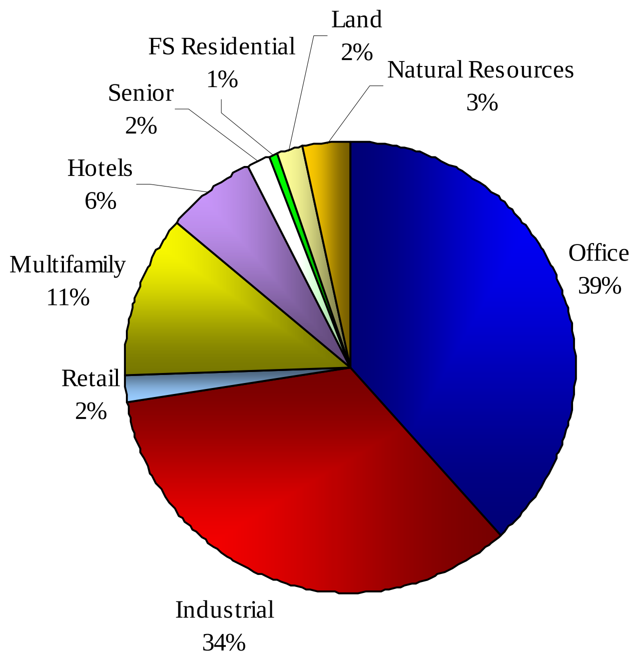
A complete list of the portfolio holdings can be obtained by contacting the Board of Investment Trustees office.

PORTFOLIO HIGHLIGHTS

REAL/INFLATION HEDGE ASSETS

Private Real Assets

The System began investing in value-added and opportunistic private real estate and natural resources in 2006 to attain real returns less correlated with the broad securities markets. Returns are computed on a dollar-weighted or internal rate-of-return basis, and from inception to June 30, 2009 the investments generated an annualized loss of 12.0%. By comparison, the dollar-weighted return for the benchmark CPI + 5% for the same period was a gain of 6.9%. The Private Real Assets Portfolio comprised 3.8% of the ERS portfolio at June 30, 2009 with approximately 53% of the total capital committed to private real assets being contributed.



In the fiscal year, commercial real estate, a lagging economic indicator, showed weakening fundamentals as higher unemployment, lower consumer spending, and diminished world trade caused increased vacancies and lower rents. Low credit availability was a contributing factor to a dramatically reduced level of transactions. Natural resources properties were hurt by significantly lower commodities prices, though astute operators may have hedged some of this risk at last year's higher prices.

Global Inflation-Indexed Bonds

The System allocates a portion of fund assets to inflation-indexed bonds which provide protection against inflation risk as well as providing a diversified return stream to manage volatility. The Inflation-Indexed Bond Portfolio represented 10.2% of the total fund. The Portfolio, which also includes an absolute return fund, declined 0.91% during the fiscal year, underperforming the benchmark by 2.41%.

The returns on Global IL bonds were mixed but positive overall during the fiscal year. Performance of our portfolio was detracted by opportunistic allocations to emerging market debt, US equities and certain currency positions through the manager's actively managed portfolio.

Inflation-Indexed Bonds - Country Exposures		
United States	40.6	%
Euroland	28.4	
United Kingdom	15.6	
Sweden	5.4	
Canada	10.0	

PORTFOLIO HIGHLIGHTS

Commodities

The System began investing in commodities in January 2009 to further diversify the portfolio to reduce risk and to provide a hedge against unexpected inflation. The Commodities Portfolio represented 3.3% of the total fund as of June 30, 2009. The Portfolio returned 7.83%, outperforming the benchmark by 3.21% since inception.

The significant correction in commodity prices, which began in the first half of the fiscal year, came to a halt at the beginning of March when the commodity markets reached an interim bottom. The last quarter of the fiscal year witnessed a powerful rebound in commodity prices driven by strong demand, especially from emerging countries. Our Commodities Portfolio benefited from active sector allocation decisions.

INVESTMENT MANAGERS

The diversified investment structure as of June 30, 2009 is reflected in the following table, which lists MCERS managers by investment sector and style.

Public Equity	Investment Style
Domestic Equity	
BGI Russell 1000 Fund*	Russell 1000 Index
RhumbLine Advisors	Russell 1000 Index
Numeric Investors*	Amplified Core
JP Morgan*	Large Cap Core Plus
Systematic Financial Mgt.	Large Cap Value
Goldman Sachs	Large Cap Growth
Wellington	Small Cap Value
Numeric Investors	Small Cap Growth
Fidelity Investments*	Various
International Equity	
Marathon	EAFE
Gryphon	EAFE
Mondrian*	Emerging Markets
BGI EAFE Fund*	EAFE Index

Foreign Currency	Investment Style
First Quadrant*	Foreign Currency
FX Concepts*	Foreign Currency

Commodities	Investment Style
OFI Institutional*	Active
Schroder Investment Mgt.*	Active

Private Equity	Investment Style
Adams Street*	Fund-of-Funds
HarbourVest*	Fund-of-Funds
Landmark*	Fund-of-Funds
Odyssey Investment Ptrs.*	Buyouts
Pomona Capital*	Fund-of-Funds

Private Real Assets	Investment Style
TA Associates*	Value-Added
AEW Capital*	Opportunistic
FLAG Capital Management*	Fund-of-Funds

Fixed Income	Investment Style
JP Morgan	Core Plus
BlackRock	Core Plus
STW	Long Duration
Nomura	High Yield
Loomis Sayles	High Yield
BGI US Debt Fund*	BC US Aggregate Index

Inflation-Indexed Bonds	Investment Style
Bridgewater*	Inflation Indexed Bonds

* Pooled Funds

PORTFOLIO HIGHLIGHTS

PUBLIC EQUITY COMMISSIONS

JULY 1, 2008 THROUGH JUNE 30, 2009

Brokers	Commissions (thousands)	
Liquidnet Inc.	$	123
Credit Suisse First Boston Corporation		118
Morgan Stanley & Co., Inc.		69
Spear Leeds & Kellogg		68
Merrill Lynch Pierce Fenner & Smith, Inc.		64
Investment Technology Group, Inc.		54
Citigroup Global Markets		28
Bernstein, Sanford & Co., Inc.		28
Instinet		27
Other Brokers (152 brokers)		487
Total	$	1,066

ACTUARIAL SECTION

Employees' Retirement System

Douglas L. Rowe, FSA, MAAA, EA
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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

November 9, 2009

Board of Investment Trustees
Montgomery County Government Retirement System
101 Monroe Street
Rockville, MD 20850

Subject: July 1, 2009 Actuarial Valuation Report

Dear Members of the Board:

Mercer annually performs an actuarial valuation of the Montgomery County Employees' Retirement System. The most recent actuarial valuation performed was as of July 1, 2009. The actuarial valuation report was prepared exclusively for the following purposes:

- Review experience under the Plan for the year ending June 30, 2009
- Determine the liabilities of the Plan as of July 1, 2009
- Determine the contribution to be paid biweekly during the fiscal year ending June 30, 2011

The actuarial information in this letter is provided in detail in our valuation report.

Valuation Results

Sections II through IV of the valuation report detail the results of the 2009 valuation, including a breakdown by employee group and plan. This valuation uses the same demographic assumptions as those used in the 2008 valuation.

County Contributions

Contributions are computed using the Projected Unit Credit method of funding. The objective of this method is to fund each participant's benefits under the Plan, as they would accrue, taking into consideration future salary increases. Thus, the total pension to which each participant is expected to become entitled is broken down into units; each associated with a year of past or future credited service.

If all actuarial assumptions are met in the future and if there are no plan changes, the County contribution as a percentage of the payroll covered by this plan may begin to slowly decrease. This is because the closure of the plans to new non-public safety members, which had been in effect for many years, ended effective July 1, 2009. Current and future members of the defined contribution plan are able to elect to participate in the Guarantee Retirement Income Plan, a cash balance form of benefits in this plan.

The July 1, 2009 actuarial valuation sets the County's contribution rates for the fiscal year ending June 30, 2011. The rates are set separately for public safety and non-public safety employee groups and will be applied to each group's total covered payroll for the fiscal year 2011. Thus, the exact dollar amount of the required contribution will not be known until the end of the fiscal year 2011. The contribution rates for fiscal year 2011 were determined based on the total payroll at July 1, 2009, with the understanding that no general wage adjustments were given for FY10.

November 9, 2009
Board of Investment Trustees
Montgomery County Government Retirement System

Investments

During the 2008-2009 plan year, the rate of return after investment expenses on the market value of assets was -16.5%. On a market value basis, the return was $636.3 million less than the 8% assumed rate of return. This $636.3 million loss is phased in over a five-year period. Gains and losses from 2008-2009 and prior years produced a net loss on an actuarial value of assets basis. As of July 1, 2009, net investment losses of $590.0 million had not yet been recognized in the actuarial value of assets.

The 2009 valuation was based on an actuarial value of assets of $2,736,010,044.

We used and relied on the financial information provided by the County without further audit.

Aetna Contract

The value of the Aetna non-participating group-annuity contract is excluded from all calculations.

Plan Provisions

The July 1, 2009 valuation reflects the plan changes applicable to groups A, E, F, G and H. The following plan changes were effective July 1, 2009.

Imputed Pay:

- Employees on July 1, 2009 in groups A, E, and H receive benefits as if their gross pay increased 4.50% on July 1, 2009 and remained 4.50% higher than actual pay for the remainder of their careers. This does not include benefits that are based on employee contributions.
- Employees on July 1, 2009 in group F receive benefits as if their gross pay increased 4.25% on July 1, 2009 and remained 4.25% higher than actual pay for the remainder of their careers. This does not include benefits that are based on employee contributions.
- Employees on July 1, 2009 in group G receive benefits as if their gross pay increased 4.00% on July 1, 2009 and remained 4.00% higher than actual pay for the remainder of their careers. This does not include benefits that are based on employee contributions.

Participant Data

Between June 30, 2008 and June 30, 2009, there was a 0.3% decrease in the number of plan members. While the number of active members decreased by 0.9%, from 5,060 to 5,012, the total payroll stayed flat at $376.0 million.

Aetna provided the retiree data, including benefits. The County provided data on active and terminated vested members. We have used and relied on participant data submitted by Aetna and the

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November 9, 2009
Board of Investment Trustees
Montgomery County Government Retirement System

County. These data customarily would not be verified by a plan's actuary. We have reviewed the participant data for internal consistency and we have no reason to doubt its substantial accuracy.

Supplementary Information

The July 1, 2009 actuarial valuation report also provides supplemental information, including the schedule of funding progress. This schedule is presented in the financial section of this Comprehensive Annual Financial Report (CAFR). This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and to provide a means for making comparisons with other public employee retirement systems.

The County extracted the information from the July 1, 2009 valuation report for the following schedules in the actuarial section and the statistical section of this CAFR.

- Summary of Results
- System Contribution
- Membership
- Actuarial Assumptions and Methods
- Solvency Test

Actuarial Certification

A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, plan expenses and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date, but are predicted to fall within a reasonable range of possibilities.

To prepare the valuation, actuarial assumptions, as described in this CAFR, are used to select a single scenario from a range of possibilities. The results of that single scenario are included in the valuation report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. Due to the limited scope of our assignment, we did not perform, nor do we present, an analysis of the potential range of future possibilities and scenarios. The actuarial assumptions are approved by the County.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made

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November 9, 2009
Board of Investment Trustees
Montgomery County Government Retirement System

only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a valuation report or reports.

We have used and relied on the plan provisions, including amendments, supplied by County. The summary of plan provisions from our July 1, 2009 valuation report is available from the Retirement System upon request. The County is solely responsible for the accuracy, validity and completeness of this information. If the data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report.

Neither the July 1, 2009 valuation report nor the information extracted from that report for this CAFR may be relied upon for any other purpose or by any party other than the Montgomery County or its auditors solely for the purpose of completing an audit related to the matters described. Mercer is not responsible for the consequences of any unauthorized use.

To the best of our knowledge and belief, this report is complete and accurate and all costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The costs are calculated using an actuarial cost method that we believe is appropriate. The actuarial assumptions are reasonable in our opinion and represent our best estimate of the anticipated experience under the Plan. The information provided has been determined in accordance with the provisions of Statement Numbers 25 and 27 of the Governmental Accounting Standards Board. This valuation is based on assumptions, plan provisions, methods and other parameters as summarized in this report. If this information is inaccurate or incomplete or does not reflect current statutes, regulations or County directives, the reader of this report should not rely on the valuation results and should notify Mercer promptly. In our opinion, this report fully and fairly discloses the actuarial position of the plan on an ongoing basis.

Professional qualifications

I am available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. I am not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of my work.

Respectfully submitted,

Douglas L. Rowe

Douglas L. Rowe, FSA, EA

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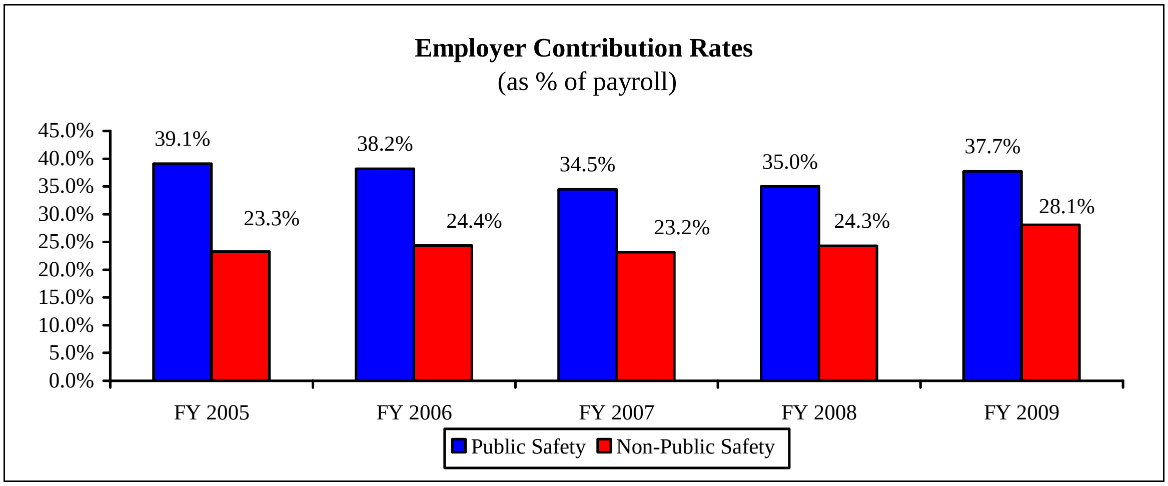
SUMMARY OF VALUATION RESULTS
EMPLOYEES' RETIREMENT SYSTEM

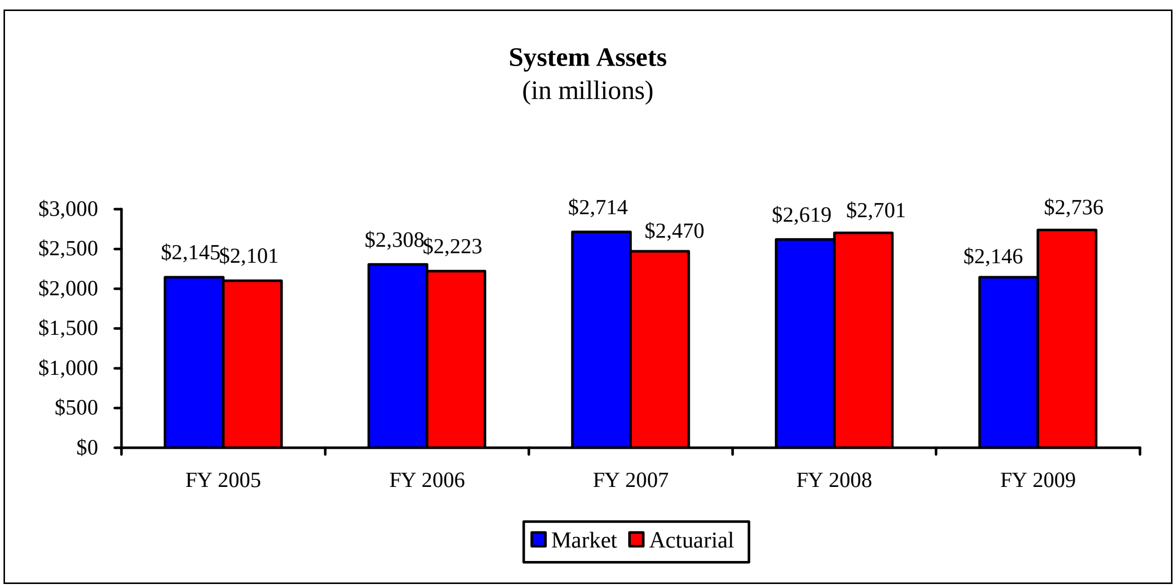
A. Overview

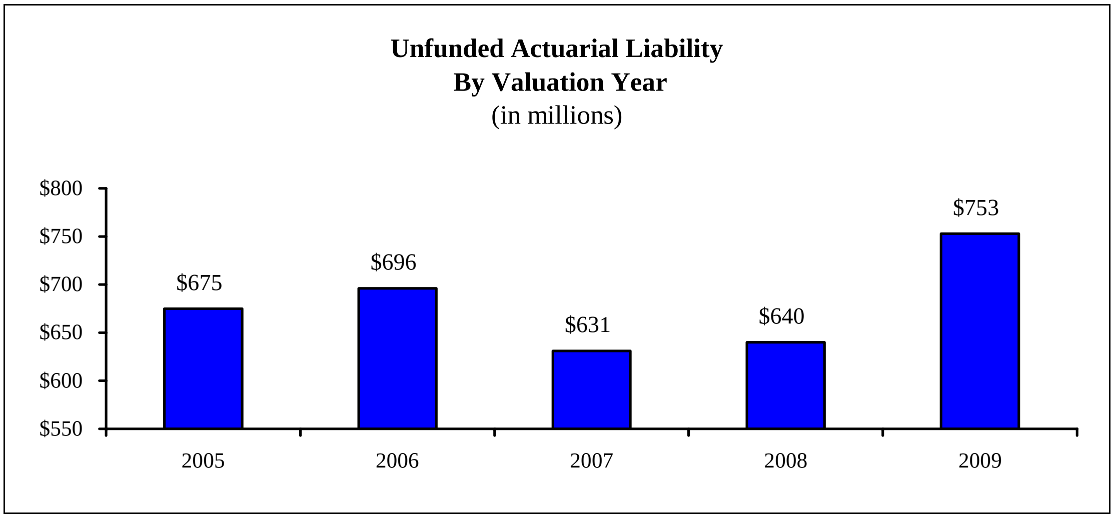
This report presents the results of our June 30, 2009 actuarial valuation of the Montgomery County Employees' Retirement System.

The major findings of the valuation are summarized in the following charts:

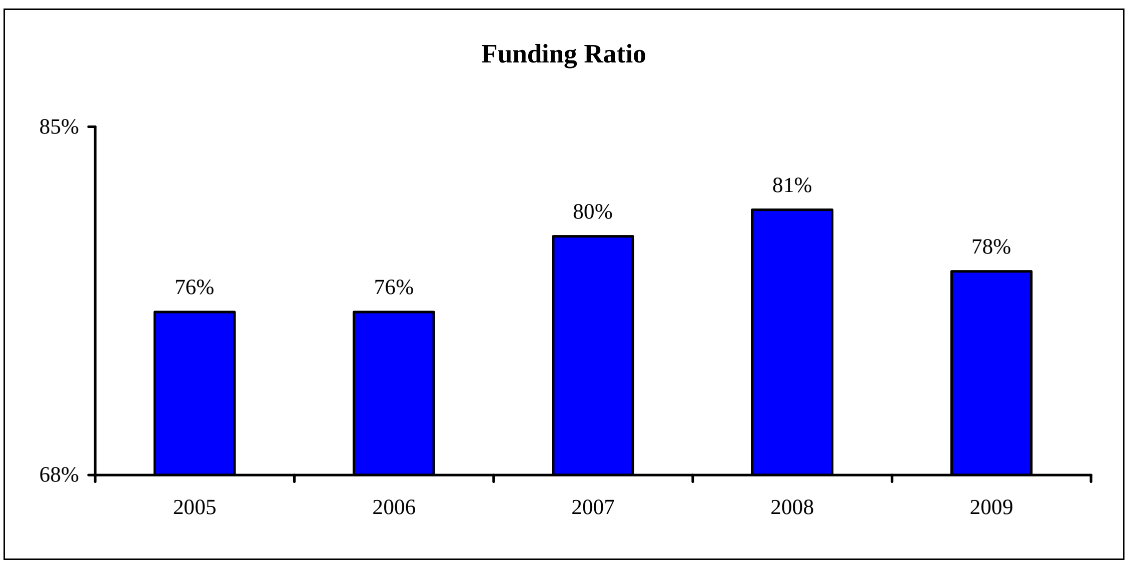


The change in the employer contribution rate in FY 2009 was due to actual System experience versus actuarial assumptions.





The unfunded actuarial liability increased in FY 2009 due to changes in plan benefits, normal cost, interest, and contributions.



The ratio of actuarial assets to the actuarial accrued liability decreased by 3% in FY09.

B. Summary of Results

	July 1, 2008	July 1, 2009
Actuarial Liability		
a. Active Members	$ 1,494,033,391	$ 1,596,725,763
b. Retired Members and Beneficiaries	1,821,698,565	1,851,383,029
c. Vested Former Members	25,817,469	40,948,767
d. Total	$ 3,341,549,425	$ 3,489,057,559
Valuation Assets	$ 2,701,119,470	$ 2,736,010,044
Unfunded Actuarial Liability	$ 640,429,955	$ 753,047,515
Normal Cost		
a. Gross Normal Cost	$ 74,273,903	$ 77,017,229
b. Anticipated Employee Contributions	$ 17,559,022	$ 17,368,159
c. County Normal Cost (a -b)	$ 56,714,881	$ 59,649,070
Amortization Payment	$ 57,413,839	$ 66,994,871
County Contribution at date shown	$ 114,128,720	$ 126,643,941
County FY 2009/FY 2010 Contribution		
(as a % of covered payroll)		
Public Safety Employee	35.01%	37.72%
Non-Public Safety Employees	24.25%	28.08%

C. Valuation Highlights

1. System Assets

As of June 30, 2009, the System had assets, valued at market, of $2.146 billion, as compared to $2.619 billion at June 30, 2008. The decrease of $473 million was attributable to the following:

a. An increase of $128 million from employer and employee contributions;
b. A decrease of $429 million from investment loss; and
c. A decrease of $172 million due to the payment of benefits to System participants and administrative expenses.

When measured on an actuarial basis, System assets were $2.736 billion at June 30, 2009, and $2.701 billion at June 30, 2008. The asset valuation method smoothes the fluctuations generated by intermittent market gains and losses. This method phases-in investment gains and losses arising during and after the 1994 fiscal year over a five-year period from the date established. Effective July 1, 1997, the calculation of the actuarial value of assets was changed to exclude the present value of estimated accrued contributions.

2. System Liabilities

The Unfunded Actuarial Liability increased $113 million, from $640 million at July 1, 2008, to $753 million at July 1, 2009, as follows:

Actual Unfunded Liability at beginning of year	$	640,429,955
Actual Unfunded Liability at end of year		753,047,515
Increase in Actual Unfunded Liability	$	(112,617,560)

The increase in Actual Unfunded Liability for the year ended June 30, 2009, is comprised of the following:

Increase due to loss on actuarial value of assets	$	(135,184,312)
Decrease due to demographic gain and other factors		82,896,965
Decrease due to normal cost, interest and contributions		6,896,798
Increase due to plan changes		(67,227,011)
Increase in Actual Unfunded Liability	$	(112,617,560)

3. System Contributions

Contributions to the System include a “normal cost” rate which covers the portion of projected liabilities related to service of members. In addition, an amortization payment is made to fund the unfunded liability related to changes made to benefits in previous years which are being funded over a specific period of time.

The increase in the employer contribution rate is attributable to the following:

	Public Safety		Non-Public Safety	
Employer contribution rate - June 30, 2008	35.01	%	24.25	%
Increase due to gain on actuarial value of assets	3.00		2.50	
Decrease due to actuarial gains & losses	(2.62)		(0.83)	
Increase due to plan changes	2.32		2.15	
Employer contribution rate - June 30, 2009	37.71	%	28.07	%

4. Membership

The active membership of the System decreased from 5,060 at June 30, 2008 to 5,012 at June 30, 2009. The System was closed to all new employees hired after October 1, 1994, except public safety bargaining unit employees. Inactive members, including retirees and beneficiaries, increased from 5,306 at June 30, 2008 to 5,379 at June 30, 2009 and the number of former members with vested rights decreased from 505 to 452.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
EMPLOYEES' RETIREMENT SYSTEM

A. Funding Method

The funding method used for the System's valuation is the "projected unit credit" actuarial cost method. The objective of this method is to allocate the total pension benefit to which each participant is expected to become entitled at retirement to the participant's past and future service. The allocation is accomplished by applying the plan's accrual formula to projected final salary at retirement. An actuarial liability is calculated at the valuation date as the present value of benefits allocated to service prior to that date. The unfunded actuarial liability at the valuation date is the excess of the actuarial liability over the assets of the System.

B. Actuarial Value of Assets

The actuarial value of assets is used for purposes of determing the County's contribution to the System. The asset adjustment method dampens the volatility of asset values that could occur because of short term fluctuations in market conditions. Use of an asset smoothing method is consistent with the long term nature of the actuarial valuation process. Assets are valued at market value but with a phase-in of investment gains and losses arising after July 1, 1994, over a 5-year period. The gains and losses are net of expenses. Effective July 1, 1997, the calculation of the actuarial value of assets does not include the present value of accrued contributions.

ACTUARIAL ASSUMPTIONS AND METHODS
EMPLOYEES' RETIREMENT SYSTEM

A. Demographic Assumptions

1. Mortality

RP2000 projected 10 years, separate tables for males and females
Annual Deaths per 1,000 Members

Age	Male Deaths	Female Deaths	Age	Male Deaths	Female Deaths
20	0	0	65	11	9
25	0	0	70	19	16
30	0	0	75	33	26
35	1	0	80	58	43
40	1	1	85	103	73
45	1	1	90	176	128
50	2	1	95	262	191
55	3	3	100	341	235
60	6	5	105	398	293

2. Termination of Employment (prior to retirement eligibility)

Annual Terminations per 1,000 Members

Years of Service	Non-Public Safety	Public Safety
0 – 4	35	80 – 29
5 – 9	35	22 – 14
10 – 14	17	13 – 6
15 – 19	17 – 11	5 – 3
20 – 25	11 – 6	2
26+	6	NA

It is assumed that 15% of all vested participants who terminate elect to receive a refund of their contributions with interest instead of a deferred benefit regardless of their age when they terminate employment.

3. Disability

	Annual Disabilities per 1,000 Members			
	Non-Public Safety Employees		Public Safety Employees	
Age	**Male**	**Female**	**Male**	**Female**
20	1	1	1	1
25	2	1	3	3
30	2	2	6	8
35	3	3	8	12
40	3	3	10	16
45	6	3	19	22
50	7	5	32	29
55	5	6	39	31
60	9	6	47	32
65	0	0	0	0

4. Deaths

	Annual Deaths per 1,000 Disabled Members	
Age	**Male**	**Female**
20	0	0
25	0	0
30	1	0
35	1	1
40	2	1
45	2	2
50	4	3
55	7	5
60	13	10
65	22	17

5. Retirement

Age	Non-Public Safety Employees	Public Safety Employees Other than Group G
Under 40	0%	3%
41	0%	3%
42	0%	3%
43	0%	3%
44	0%	3%
45	1%	3%
46	1%	20%
47	1%	20%
48	1%	20%
49	1%	20%
50	5%	30%
51	5%	30%
52	5%	30%
53	5%	30%
54	5%	30%
55	20%	75%
56	20%	75%
57	20%	75%
58	20%	75%
59	20%	75%
60	15%	100%
61	15%	100%
62	15%	100%
63	15%	100%
64	15%	100%
65	50%	100%
66	50%	100%
67	75%	100%
68	100%	100%
69	100%	100%
70	100%	100%

Note: Rates apply only when an employee is eligible to retire based on age and service.

6. Sick Leave Credit

Sick leave: Service credit is increased by 2.5% to account for additional credit from unused sick leave. Sick leave is capped at 2 years.

7. Marital assumption

80% of active participants are assumed to be married. Women are assumed to be three years younger than their spouses**.**

8. Assumption Changes

In October 2005, the System's actuary, Mercer Human Resource Consulting completed an experience study of the actuarial assumptions used for the five-year period ending June 30, 2005. All recommended assumptions were approved by management at that time.

B. Economic Assumptions

1. Investment Return: 8.0% compound per annum
2. Cost-of-Living Increases: 3.5% compound per annum
3. Increase in Social Security Wage Base: 4.5% compound per annum
4. Expense load: Anticipated administrative expense equal to the average of the prior three years of administrative expenses. For FY2011 this figure is $2,323,333.
5. Salary Increase: Merit and promotional increases assumed to be based on age as shown below:

Age	Salary Scale
18 – 34	7.50%
35 – 44	6.50%
45 onwards	4.75%

ANALYSIS OF FINANCIAL EXPERIENCE

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

Type of Activity	2006	2007	2008	2009
Investment gain (loss)	$ (20,801,336)	$ 84,209,271	$ 47,850,027	$ (135,184,312)
Combined liability experience	(62,484,214)	(27,653,662)	(33,474,433)	79,021,213
Gain (loss) during year	$ (83,285,550)	$ 56,555,609	$ 14,375,594	$ (56,163,099)

SOLVENCY TEST

Aggregate Accrued Liability

Valuation Date	(1) Active Members Contributions	(2) Retirees, Vested Terms, Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
6/30/2003	$ 155,686,014	$ 1,247,359,872	$ 1,008,446,838	$ 2,029,314,438	100 %	100 %	62 %
6/30/2004	160,523,789	1,354,272,329	1,046,532,114	2,045,098,796	100	100	51
6/30/2005	166,078,802	1,426,030,001	1,182,938,609	2,100,532,623	100	100	43
6/30/2006	177,391,695	1,578,703,590	1,162,240,788	2,222,724,295	100	100	40
6/30/2007	187,104,227	1,661,692,386	1,251,841,110	2,469,933,200	100	100	50
6/30/2008	186,171,030	1,847,516,034	1,307,862,361	2,701,119,470	100	100	51
6/30/2009	200,669,572	1,892,331,796	1,396,056,191	2,736,010,044	100	100	46

SCHEDULE OF RETIREES AND SURVIVORS
During Years Ended June 30

	New Retirees and Disableds	Survivors	Total
July 1, 2003	**4,020**	**350**	**4,370**
New retirements & disabilities	304	0	304
Deaths with beneficiaries	(26)	26	0
Deaths/benefits ended	(99)	(16)	(115)
July 1, 2004	**4,199**	**360**	**4,559**
New retirements & disabilities	216	0	216
Deaths with beneficiaries	(20)	20	0
Deaths/benefits ended	(99)	(11)	(110)
July 1, 2005	**4,296**	**369**	**4,665**
New retirements & disabilities	266	0	266
Deaths with beneficiaries	(22)	22	0
Deaths/benefits ended	(57)	(26)	(83)
July 1, 2006	**4,483**	**365**	**4,848**
New retirements & disabilities	242	0	242
Deaths with beneficiaries	(22)	22	0
Deaths/benefits ended	(67)	(26)	(93)
July 1, 2007	**4,636**	**361**	**4,997**
New retirements & disabilities	382	0	382
Deaths with beneficiaries	(28)	28	0
Deaths/benefits ended	(64)	(9)	(73)
July 1, 2008	**4,926**	**380**	**5,306**
New retirements & disabilities	186	0	186
Deaths with beneficiaries	(24)	24	0
Deaths/benefits ended	(95)	(18)	(113)
July 1, 2009	**4,993**	**386**	**5,379**

SCHEDULE OF ANNUAL ALLOWANCE
During Years Ended June 30

	New Retirees and Disableds	Survivors	Total
July 2003	**$ 105,733,166**	**$ 4,406,205**	**$ 110,139,371**
Average Annual Allowance	26,302	12,589	25,204
Annual Allowances Added to the Rolls	11,570,789	572,318	12,143,107
Annual Allowances Removed From the Rolls	(2,180,663)	(308,637)	(2,489,300)
July 2004	**$ 115,123,292**	**$ 4,669,886**	**$ 119,793,178**
Average Annual Allowance	27,417	12,972	26,276
Annual Allowances Added to the Rolls	10,396,825	797,535	11,194,360
Annual Allowances Removed From the Rolls	(1,963,577)	(313,742)	(2,277,319)
July 2005	**$ 123,556,540**	**$ 5,153,679**	**$ 128,710,219**
Average Annual Allowance	28,761	13,967	27,591
Annual Allowances Added to the Rolls	14,424,755	305,259	14,730,014
Annual Allowances Removed From the Rolls	(1,611,828)	(127,575)	(1,739,403)
July 2006	**$ 136,369,467**	**$ 5,331,363**	**$ 141,700,830**
Average Annual Allowance	30,419	14,606	29,229
Annual Allowances Added to the Rolls	10,498,059	580,630	11,078,089
Annual Allowances Removed From the Rolls	(2,335,705)	(478,216)	(2,813,321)
July 2007	**$ 144,531,821**	**$ 5,433,777**	**$ 149,965,598**
Average Annual Allowance	31,176	15,052	30,011
Annual Allowances Added to the Rolls	20,518,024	1,056,444	21,574,468
Annual Allowances Removed From the Rolls	(2,344,133)	(422,864)	(2,766,997)
July 2008	**$ 162,705,712**	**$ 6,067,357**	**$ 168,773,069**
Average Annual Allowance	33,030	15,467	31,808
Annual Allowances Added to the Rolls	4,887,240	453,616	5,340,856
Annual Allowances Removed From the Rolls	(3,242,232)	(370,344)	(3,612,576)
July 2009	**$ 164,350,720**	**$ 6,150,629**	**$ 170,501,349**
Average Annual Allowance	**32,916**	**15,934**	**31,698**

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
July 1, 2003	5,876	$336,019,788	$57,185	2.606%
July 1, 2004	5,670	$341,629,327	$60,252	5.363%
July 1, 2005	5,628	$355,105,993	$63,096	4.721%
July 1, 2006	5,362	$357,361,131	$66,647	5.627%
July 1, 2007	5,294	$374,792,608	$70,796	6.225%
July 1, 2008	5,060	$376,002,332	$74,309	4.962%
July 1, 2009	5,012	$376,014,994	$75,023	0.961%

STATISTICAL SECTION

Employee Retirement Plans

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGE IN NET ASSETS
JUNE 30, 2009
LAST TEN FISCAL YEARS
(dollars in thousands)

	2000	2001	2002	2003	2004
Additions					
Member contributions	$ 10,924	$ 11,292	$ 12,944	$ 14,770	$ 14,762
Employer contributions	44,347	43,345	39,168	55,206	61,927
Investment income (loss) (net of expenses)	135,338	(81,375)	(124,177)	82,174	286,895
Total additions	190,609	(26,738)	(72,065)	152,150	363,584
Deductions					
Benefit payments	76,387	78,434	85,323	100,381	111,646
Refunds	861	1,067	681	739	796
Administrative expenses	1,220	1,689	2,092	2,007	2,066
Total deductions	78,468	81,190	88,096	103,127	114,508
Change in net assets	$ 112,141	$ (107,928)	$ (160,161)	$ 49,023	$ 249,076

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS BY TYPE
JUNE 30, 2009
LAST TEN FISCAL YEARS
(dollars in thousands)

	2000	2001	2002	2003	2004
Type of Benefit					
Service benefits:	$ 53,463	$ 58,415	$ 64,030	$ 77,009	$ 87,123
Retirees	3,188	3,785	4,041	4,811	5,032
Survivors	14,717	16,234	17,251	18,560	19,491
Disability benefits					
	$ 71,368	$ 78,434	$ 85,322	$ 100,380	$ 111,646
Total benefits					
	$ 861	$ 1,067	$ 681	$ 739	$ 796
Refund of Contributions					

*Allocation method used in FY 2007 was changed to reflect the actual classification of benefits.

2005	2006	2007	2008	2009
$ 15,326	$ 16,085	$ 16,362	$ 18,851	$ 18,245
74,655	88,184	109,436	117,686	109,567
197,433	187,004	420,847	(81,746)	(428,525)
287,414	291,273	546,645	54,791	(300,713)
115,635	125,818	136,833	147,027	168,618
762	635	793	673	668
1,857	1,920	2,431	2,557	2,803
118,254	128,373	140,057	150,257	172,089
$ 169,160	$ 162,900	$ 406,588	$ (95,466)	$ (472,802)

2005	2006	2007*	2008	2009
$ 102,641	$ 112,210	$ 98,653	$ 105,369	123,560
2,087	1,483	5,952	6,723	7,333
10,907	12,125	32,228	34,935	37,725
$ 115,635	$ 125,818	$ 136,833	$ 147,027	$ 168,618
$ 762	$ 635	$ 793	$ 673	$ 668

MONTGOMERY COUNTY, MARYLAND
RETIREMENT SAVINGS PLAN
SCHEDULE OF CHANGE IN NET ASSETS
JUNE 30, 2009
LAST TEN FISCAL YEARS
(dollars in thousands)

	2000	2001	2002	2003
Additions				
Member contributions	$ 2,083	$ 2,582	$ 3,308	$ 3,750
Employer contributions	3,654	4,867	5,791	6,799
Investment income (loss) (net of expenses)	2,740	(2,360)	(3,200)	1,967
Total additions	8,477	5,089	5,899	12,516
Deductions				
Refunds	862	1,517	945	867
Administrative expenses	42	49	87	210
Total deductions	904	1,566	1,032	1,077
Change in net assets	$ 7,573	$ 3,523	$ 4,867	$ 11,439

MONTGOMERY COUNTY, MARYLAND
RETIREMENT SAVINGS PLAN
SCHEDULE OF REFUND DEDUCTIONS FROM NET ASSETS
JUNE 30, 2009
LAST TEN FISCAL YEARS
(dollars in thousands)

	2000	2001	2002	2003
Refund of Contributions	$ 862	$ 1,517	$ 945	$ 867

2004	2005	2006	2007	2008	2009
$ 4,208	$ 4,820	$ 5,860	$ 6,798	$ 8,118	$ 11,263
6,468	8,758	9,437	11,227	13,583	20,625
6,354	4,668	8,237	17,174	(8,383)	(26,722)
17,030	18,246	23,534	35,199	13,319	5,166
1,382	2,441	4,306	4,455	5,216	3,669
247	231	243	293	258	300
1,629	2,672	4,549	4,748	5,474	3,969
$ 15,401	$ 15,574	$ 18,985	$ 30,451	$ 7,844	$ 1,197

2004	2005	2006	2007	2008	2009
$ 1,382	$ 2,441	$ 4,306	$ 4,455	$ 5,216	$ 3,669

MONTGOMERY COUNTY, MARYLAND
DEFERRED COMPENSATION PLAN
SCHEDULE OF CHANGE IN NET ASSETS
JUNE 30, 2009
LAST TEN FISCAL YEARS
(dollars in thousands)

	2000	2001	2002	2003
Additions				
Member contributions	$ 17,957	$ 18,615	$ 20,086	$ 21,062
Investment income (loss) (net of expenses)	20,635	(27,692)	(25,497)	4,660
Total additions	38,592	(9,077)	(5,411)	25,722
Deductions				
Refunds	4,014	4,758	9,898	11,104
Administrative expenses	57	61	49	17
Total deductions	4,071	4,819	9,947	11,121
Change in net assets	$ 34,521	$ (13,896)	$ (15,358)	$ 14,601

MONTGOMERY COUNTY, MARYLAND
DEFERRED COMPENSATION PLAN
SCHEDULE OF REFUND DEDUCTIONS FROM NET ASSETS
JUNE 30, 2009
LAST TEN FISCAL YEARS
(dollars in thousands)

	2000	2001	2002	2003
Refund of Contributions	$ 4,014	$ 4,758	$ 9,898	$ 11,104

2004	2005	2006	2007	2008	2009
$ 21,610	$ 19,929	$ 16,562	$ 16,649	$ 17,294	$ 18,058
29,456	14,587	20,486	32,394	(9,378)	(44,479)
51,066	34,516	37,048	49,043	7,915	(26,421)
9,634	10,216	11,226	12,410	15,714	13,391
6	16	-	-	-	-
9,640	10,216	11,226	12,410	15,714	13,391
$ 41,426	$ 24,300	$ 25,822	$ 36,633	$ (7,799)	$ (39,812)

2004	2005	2006	2007	2008	2009
$ 9,634	$ 10,216	$ 11,226	$ 12,410	$ 15,714	$ 13,391

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND FOUR YEARS AGO
JUNE 30, 2009

Participating Government	2009 Covered Employees	2009 Percentage of Total System	2005* Covered Employees	2005* Percentage of Total System
Montgomery County**	4,843	96.4%	5,419	96.2%
Town of Chevy Chase	5	0.1%	5	0.1%
Strathmore Hall	7	0.1%	7	0.1%
Housing Opportunities Commission	133	2.7%	159	2.8%
Revenue Authority	11	0.2%	17	0.3%
Washington Suburban Transit Commission	1	0.1%	2	0.1%
Montgomery County Employees Federal Credit Union	8	0.2%	8	0.2%
State Department of Assessment and Taxation	3	0.1%	6	0.1%
District Court	1	0.1%	5	0.1%
Total	5,012	100%	5,628	100%

*The information for principal participating employers is not available for 2004 and prior.
**Includes Independent Fire/Rescue Corporations

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF RETIRED MEMBERS BY BENEFIT TYPE
JUNE 30, 2009

Fiscal Year	Retiree	Disability	Survivor	Total
2000	2,831	734	304	3,869
2001	2,918	759	312	3,989
2002	3,002	783	330	4,115
2003	3,203	817	350	4,370
2004	3,348	851	360	4,559
2005	3,443	853	369	4,665
2006	3,564	919	365	4,848
2007*	3,661	975	361	4,997
2008	3,905	1,021	380	5,306
2009	3,957	1,036	386	5,379

*Allocation method used in FY 2007 was changed to reflect the actual classification of benefits.

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF AVERAGE BENEFIT AMOUNTS
JUNE 30, 2009

Fiscal Year	Retiree	Disability	Survivor	Total
2000	$18,885	$20,050	$10,488	$18,446
2001	20,019	21,389	12,132	19,663
2002	21,329	22,031	12,247	20,734
2003	24,043	22,717	13,747	22,970
2004	26,022	22,904	13,978	24,489
2005	29,812	12,786	5,655	24,788
2006	31,484	13,193	4,063	25,953
2007*	26,947	33,055	16,487	27,383
2008	26,983	34,216	17,692	27,710
2009	31,226	36,414	18,997	31,347

*Allocation method used in FY 2007 was changed to reflect the actual classification of benefits.

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF RETIRED MEMBERS BY TYPE OF RETIREMENT
AS OF JUNE 30, 2009

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [a]			Option Selected [b]					
		1	2	3	1	2	3	4	5	6
Deferred	452									
$ 1 – $ 250	192	162	26	4	103	45	32	1	7	4
251 – 500	318	248	60	10	177	70	59	1	4	7
501 – 750	270	216	43	11	143	61	42	7	7	10
751 – 1,000	316	235	51	30	155	63	62	9	13	14
1,001 – 1,250	324	239	48	37	158	68	70	8	5	15
1,251 – 1,500	287	201	34	52	123	64	54	11	12	23
1,501 – 1,750	290	207	30	53	126	73	50	14	11	16
1,751 – 2,000	261	190	16	55	116	66	39	16	5	19
Over 2,000	3,121	2,259	78	784	1,125	1,019	221	267	87	402
Total	5,831	3,957	386	1,036	2,226	1,529	629	334	151	510

Notes:

[a] Type of retirement:

1—Retiree
2—Beneficiary
3—Disabled Retiree

[b] Option selected:

Option 1—Modified Cash Refund
Option 2–-Certain and Continuous
Option 3—Life Annuity
Option 4—Joint and Survivor 50%
Option 5—Joint and Survivor 100%
Option 6—Other Joint and Survivor Percentage

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF AVERAGE BENEFIT PAYMENTS AND AVERAGE FINAL VALUATION PAY
LAST EIGHT FISCAL YEARS

	Years Credited Service						
Retirement Effective Dates	**0 – 5**	**5 – 10**	**10 – 15**	**15 – 20**	**20 – 25**	**25 – 30**	**30 +**
Period 7/1/2001 to 6/30/2002							
Average monthly benefit*	$ -	$ 1,206	$ 1,622	$ 1,534	$ 2,196	$ 3,587	$ 3,676
Average final valuation pay**	$ -	$ 42,726	$ 52,332	$ 59,283	$ 58,039	$ 72,284	$ 67,564
Number of retired members***	-	7	22	24	28	58	39
Period 7/1/2002 to 6/30/2003							
Average monthly benefit*	$ 2,701	$ 1,623	$ 1,413	$ 1,737	$ 1,833	$ 3,490	$ 3,750
Average final valuation pay**	$ 44,695	$ 44,840	$ 56,082	$ 59,937	$ 56,253	$ 71,048	$ 68,955
Number of retired members***	1	7	29	35	28	91	79
Period 7/1/2003 to 6/30/2004							
Average monthly benefit*	$ 1,156	$ 915	$ 1,809	$ 1,420	$ 2,549	$ 3,406	$ 4,337
Average final valuation pay**	$ 37,309	$ 45,048	$ 55,552	$ 60,530	$ 65,550	$ 65,919	$ 72,119
Number of retired members***	2	4	15	43	34	69	79
Period 7/1/2004 to 6/30/2005							
Average monthly benefit*	$ 2,521	$ 1,984	$ 1,479	$ 1,870	$ 2,573	$ 3,371	$ 4,392
Average final valuation pay**	$ 48,620	$ 50,470	$ 59,743	$ 63,910	$ 64,026	$ 72,618	$ 75,577
Number of retired members***	2	4	21	37	23	35	66
Period 7/1/2005 to 6/30/2006							
Average monthly benefit*	$ 2,491	$ 2,801	$ 1,752	$ 2,356	$ 2,928	$ 3,649	$ 4,594
Average final valuation pay**	$ 43,375	$ 55,641	$ 55,619	$ 67,299	$ 68,683	$ 73,731	$ 77,143
Number of retired members***	2	6	28	58	49	55	50
Period 7/1/2006 to 6/30/2007							
Average monthly benefit*	$ 2,760	$ 2,115	$ 2,163	$ 2,425	$ 3,100	$ 3,744	$ 4,438
Average final valuation pay**	$ 48,664	$ 58,211	$ 72,411	$ 74,925	$ 80,599	$ 79,607	$ 76,689
Number of retired members***	1	4	18	40	27	37	39
Period 7/1/2007 to 6/30/2008							
Average monthly benefit*	$ 2,994	$ 3,061	$ 1,180	$ 2,287	$ 2,927	$ 3,466	$ 4,330
Average final valuation pay**	$ 50,803	$ 66,024	$ 62,986	$ 73,335	$ 78,696	$ 74,908	$ 74,647
Number of retired members***	1	8	18	58	60	57	87
Period 7/1/2008 to 6/30/2009							
Average monthly benefit*	$ -	$ -	$ 2,821	$ 2,760	$ 3,560	$ 4,309	$ 5,425
Average final valuation pay**	$ -	$ -	$ 77,385	$ 77,304	$ 88,521	$ 87,167	$ 98,906
Number of retired members***	-	-	5	20	21	16	12

* Based on current benefits only. Does not take into account any future benefits.
** Pay used for last valuation (when member was an active employee).
*** Only includes participants who changed from active to retiree status.

SCHEDULE OF PARTICIPATING AGENCIES AND POLITICAL SUBDIVISIONS EMPLOYEES' RETIREMENT SYSTEM RETIREMENT SAVINGS PLAN

Town of Chevy Chase
Strathmore Hall Foundation, Inc.
Housing Opportunities Commission of Montgomery County
Montgomery County Revenue Authority
Washington Suburban Transit Commission
Montgomery County Employees Federal Credit Union
Independent Fire/Rescue Corporations

Certain employees of the:
State Department of Assessments and Taxation
District Court of Maryland

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