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 2011
July 1, 2010 – June 30, 2011

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 2011
July 1, 2010 – June 30, 2011

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, 2011

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INTRODUCTION SECTION

OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

March 15, 2012

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, 2011. 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 Employees' Retirement System (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 and Guaranteed Retirement Income Plan (GRIP) participants. The Montgomery County Council passed legislation in FY 2009 enabling the County to establish and maintain a GRIP, a cash balance plan that is part of the System, for employees. During FY 2010 eligible County employees who were members of the Retirement Savings Plan (RSP) were granted the option to elect to participate in the GRIP and to transfer their RSP member account balance to the GRIP and cease being a member of the RSP. There were 5,515 active members, including 1,002 in the GRIP, and 5,712 retirees participating in the System as of June 30, 2011.

The 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, 2011, there were 3,747 active plan members.

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www.montgomerycountymd.gov

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 2011, the Board of Investment Trustees (Board) continued to implement its long-term plan to diversify the investment portfolio, and better manage the System's risk, by approving new private equity and private real assets commitments. The Board also approved changes to the structure of the U.S. public equity portfolio and expanded the guidelines of its fixed income managers to enable them to pursue additional investment opportunities.

In addition, the Board updated the investment policies of the RSP and DCP and proposed legislative changes that resulted in cost savings for all plans and participants. Further, the Board was able to reduce participant fees on multiple investment options in the DCP.

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, refunds and distributions 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, 2011.

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 Executive and confirmed 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 26.5 percent, private equity 7.3 percent, international equities 18.3 percent, fixed income 24.8 percent, inflation indexed bonds 10.8 percent, commodities 5.3 percent, opportunistic 2.8 percent, and private real assets 4.2 percent. For the twelve months ended June 30, 2011, the total return achieved by the System's investments was a gain of 21.77 percent, compared to the gain recorded by the System's benchmark index of 19.96 percent and the actuarial assumed rate of return of 7.5 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, 2011 valuation, the actuarial value of assets was $2.9 billion and the aggregate actuarial liability was $3.7 billion, resulting in a funded status ratio of 76.6%. 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, 2011 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. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

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, 2010. 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 eleven 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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Director
Office of Human Resources

Joseph F. Beach
Director of Finance

Linda A. Herman
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CliftonLarsonAllen LLP
Certified Public Accountants
Timonium, MD

Investment Managers-Employees' Retirement System

Adams Street Partners
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AEW Partners
Boston, MA

Altus Capital Partners
Westport, CT

BlackRock Financial Management
New York, NY

Bridgewater Associates
Westport, CT

Carmel Partners
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Morristown, NJ

HarbourVest Partners
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Jennison Associates
Waltham, MA

JP Morgan Investment Management
New York, NY

KPS Capital Partners, LP
New York, NY

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Simsbury, CT

LBA Realty
Irvine, CA

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Boston, MA

Marathon London
United Kingdom

Mason Wells
Milwaukee, WI

Mondrian Investment Partners Ltd.
United Kingdom

Nomura Asset Management
New York, NY

Numeric Investors
Cambridge, MA

Odyssey Investment Partners
New York, NY

OFI Trust Company
New York, NY

Pearlmark Real Estate Partners
Chicago, IL

Pomona Capital
New York, NY

RhumbLine Advisors
Boston, MA

Riverside Partners
Boston, MA

Schroder Investment Management
New York, NY

STW Fixed Income Management
Carpentaria, CA

Systematic Financial Management
Teaneck, NJ

TA Associates
Boston, MA

TA Realty LLC
Boston, MA

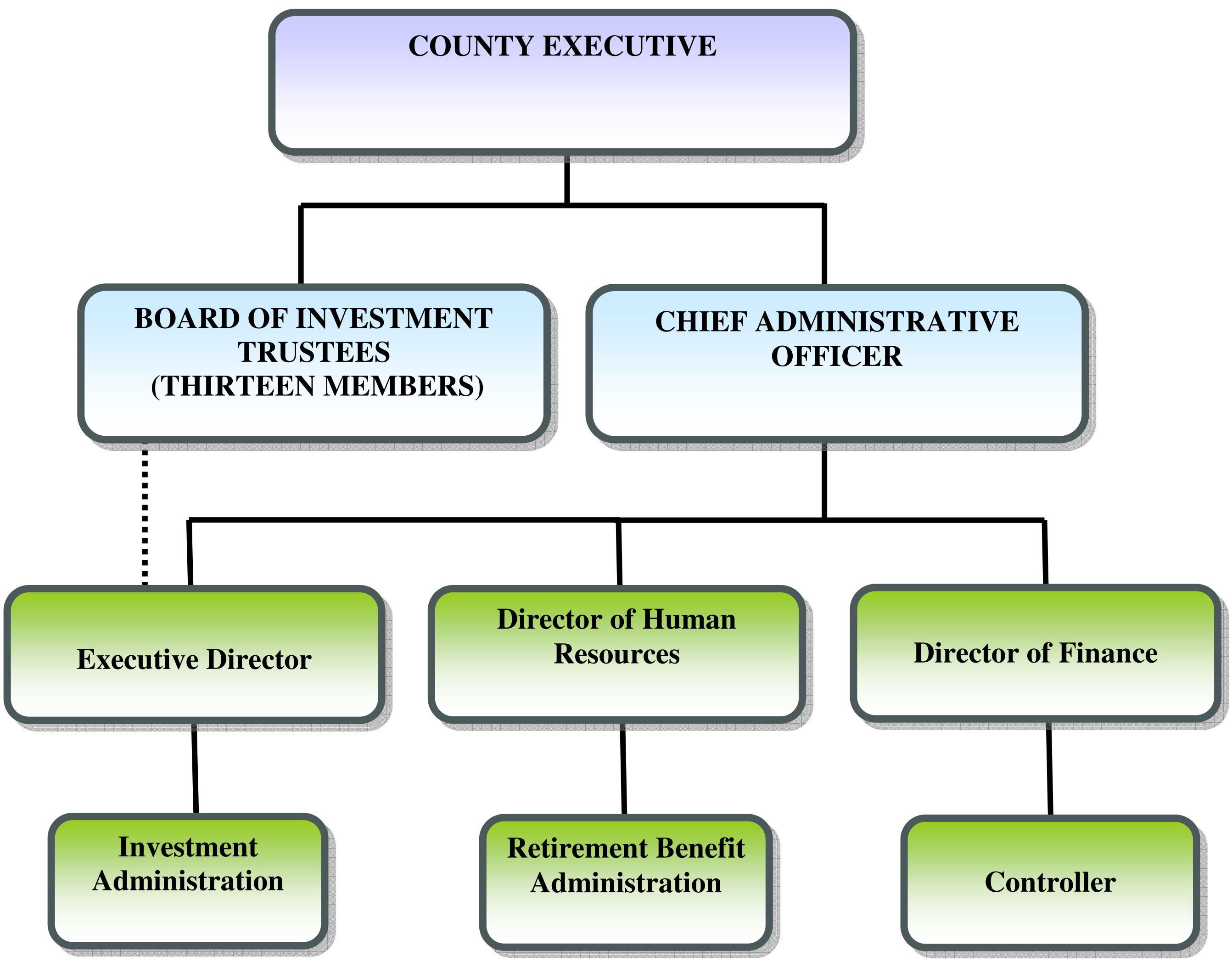
Wellington Management
Boston, MA

Wicks Group
New York, NY

Custodial Bank-Employees' Retirement System

The Northern Trust Company
Chicago, IL

Administrative Organization Chart



FINANCIAL SECTION

CliftonLarsonAllen

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Independent Auditor's Report

The Honorable County Council
of Montgomery County, Maryland
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, 2011, 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Plans as of June 30, 2011, 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 Auditing Standards*, we have also issued our report dated March 15, 2012 on our consideration of the Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on 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 audit.

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 basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plans' basic financial statements. The introduction section on pages 4 to 10, the supplementary information, investment section, actuarial section, and statistical section, as listed in the table of contents and shown on pages 34 to 83, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. 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.

CliftonLarsonAllen LLP

Baltimore, Maryland
March 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011. 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**	
	2011	2010	2011	2010	2011	2010
Assets:						
Cash and investments	$ 3,153.5	$ 2,656.1	$ 183.4	$ 131.9	$ 272.3	$ 228.6
Receivables	28.8	23.1	1.7	1.6	1.6	1.4
Total assets	3,182.3	2,679.2	185.1	133.5	273.9	230.0
Liabilities	285.1	236.5	0.1	-	-	-
Total net assets	$ 2,897.2	$ 2,442.7	$ 185.0	$ 133.5	$ 273.9	$ 230.0

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	
	2011	2010	2011	2010	2011	2010
Additions:						
Employer contributions	$ 109.3	$ 114.0	$ 16.0	$ 16.4	$ -	$ -
Member contributions	18.6	20.4	8.7	8.8	17.0	17.0
Transfer of member account asset balances	-	31.5	-	(31.5)	-	-
Net investment income	510.0	304.2	32.9	14.2	43.0	19.4
Total additions	637.9	470.1	57.6	7.9	60.0	36.4
Deductions:						
Benefits	178.8	169.1	-	-	-	-
Refunds and distributions	1.5	1.4	5.9	3.9	16.2	8.7
Administrative expenses	3.1	2.9	0.2	0.2	-	-
Total deductions	183.4	173.4	6.1	4.1	16.2	8.7
Total change in net assets	$ 454.5	$ 296.7	$ 51.5	$ 3.8	$ 43.8	$ 27.7

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)	2011	2010	Percentage Change
Assets:			
Cash and investments	$ 3,153.5	$ 2,656.1	18.7 %
Receivables	28.8	23.1	24.2
Total assets	3,182.3	2,679.2	18.8
Liabilities:			
Benefits payable and other liabilities	6.4	6.6	(3.0)
Obligations under securities lending agreements	278.7	229.9	21.2
Total liabilities	285.1	236.5	20.5
Total plan net assets	$ 2,897.2	$ 2,442.7	18.6 %

The table shown above reflects an increase in the Employees' Retirement System's net assets of $454.5 million or 18.6 percent during fiscal year (FY) 2011. The increase reflects the strong performance of financial markets over the last twelve months resulting in increased investment earnings. During the previous year, net assets increased by $296.7 million due to the transfer of 1,022 members to the Guaranteed Retirement Income Plan (GRIP) as well as the financial market recovery.

Retirement Savings Plan Net Assets (Millions)			
	2011	2010	Percentage Change
Assets:			
Cash and investments	$ 183.4	$ 131.9	39.0 %
Receivables	1.7	1.6	6.2
Total assets	185.1	133.5	38.7
Liabilities	0.1	-	100.0
Total plan net assets	$ 185.0	$ 133.5	38.6 %

During FY 2011, net assets increased 38.6 percent to $185.0 million. The increase is attributable to the strong performance of financial markets during FY 2011.

Deferred Compensation Plan Net Assets (Millions)			
	2011	2010	Percentage Change
Assets:			
Investments	$ 272.3	$ 228.6	19.1 %
Receivables	1.6	1.4	14.3
Total assets and plan net assets	$ 273.9	$ 230.0	19.1 %

Net assets of the Deferred Compensation Plan increased 19.1 percent to $273.9 million during FY 2011. The increase is attributable to the strong performance 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 gain is attributable to the strong performance of the financial markets during FY 2011. The following tables compare the source and amount of additions for each Plan during FY 2011 and FY 2010.

Employees' Retirement System Contributions and Investment Income (Millions)			
	2011	2010	Percentage Change
Employer contributions	$ 109.3	$ 114.0	(4.1) %
Member contributions	18.6	20.4	(8.8)
Transfer of member account asset balances	-	31.5	(100.0)
Net investment income	510.0	304.2	67.7
	$ 637.9	$ 470.1	35.7 %

During FY 2011, employer contributions to the Employees' Retirement System decreased by 4.1 percent and member contributions by 8.8 percent due to a decrease in the number of active members.

The net investment gain for the Employees' Retirement System totaled $510.0 million for FY 2011, comprised of $456.9 million in net appreciation in fair value of investments, $73.3 million in dividends and interest, $0.8 million from securities lending activities, and $21.0 million related to investment expenses. This is compared to a net investment gain of $304.2 million in FY 2010. The increase in earnings compared to the previous fiscal year is due to the recovery of financial markets.

Retirement Savings Plan
Contributions and Investment Income
(Millions)

	2011	2010	Percentage Change
Employer contributions	$ 16.0	$ 16.4	(2.4) %
Member contributions	8.7	8.8	(1.1)
Transfer of member account asset balances	-	(31.5)	(100.0)
Net investment income	32.9	14.2	131.7
	$ 57.6	$ 7.9	629.1 %

Employer contributions to the Retirement Savings Plan were $16.0 million in FY 2011, a decrease of 2.4 percent from FY 2010. Member contributions were $8.7 million in FY 2011, a decrease of 1.1 percent from FY 2010. The lower contribution levels are due to a decrease in the number of participants.

The net investment gain is primarily attributable to appreciation in investments during FY 2011.

Deferred Compensation Plan
Contributions and Investment Income
(Millions)

	2011	2010	Percentage Change
Member contributions	$ 17.0	$ 17.0	- %
Net investment income	43.0	19.4	121.6
	$ 60.0	$ 36.4	64.8 %

Member contributions to the Deferred Compensation Plan were $17.0 million for FY 2011, the same as for FY 2010.

Net investment gain for the Deferred Compensation Plan was $43.0 million, compared to $19.4 million in the previous fiscal year. The gain in FY 2011 is primarily due to the strong performance of the financial markets in the fiscal year.

DEDUCTIONS

The primary sources of deductions from the Plans include the payment of retiree and survivor benefits, participant refunds and distributions, and administrative expenses. The following tables show the use and amount of deductions for each plan during FY 2011 and 2010.

Employees' Retirement System
Deductions by Type
(Millions)

	2011	2010	Percentage Change
Benefits	$ 178.8	$ 169.1	5.7 %
Refunds	1.5	1.4	7.1
Administrative expenses	3.1	2.9	6.9
	$ 183.4	$ 173.4	5.8 %

During FY 2011, refunds increased due to additional payments to Deferred Retirement Option Plan participants.

Retirement Savings Plan
Deductions by Type
(Millions)

	2011	2010	Percentage Change
Distributions	$ 5.9	$ 3.9	51.3 %
Administrative expenses	0.2	0.2	-
	$ 6.1	$ 4.1	48.8 %

The expenses related to the Retirement Savings Plan are comprised of distributions and administrative costs. During FY 2011, distributions increased due to legislation allowing for balances for terminated employees below $1,000 to be automatically paid.

Deferred Compensation Plan
Deductions by Type
(Millions)

	2011	2010	Percentage Change
Distributions	$ 16.2	$ 8.7	86.2 %

During FY 2011, distributions paid from the Deferred Compensation Plan increased by 86.2 percent over the FY 2010 level due to legislation allowing for balances for terminated employees below $1,000 to be automatically distributed and an increase in the number of retirements.

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, 2011

	Employees' Retirement System	Retirement Savings Plan	Deferred Compensation Plan
ASSETS			
Equity in County's pooled cash and investments	$ 838,614	$ 519,859	$ -
Investments:			
Government and agency obligations	291,168,660	-	-
Municipal/Provincial obligations	23,074,251	-	-
Asset-backed securities	3,521,986	-	-
Corporate bonds	529,817,550	-	-
Collateralized mortgage obligations	4,494,269	-	-
Commerical mortgage-backed securities	68,577	-	-
Common and preferred stock	1,293,907,305	-	-
Mutual and commingled funds	161,260,706	182,851,306	272,313,942
Short-term investments	236,990,877	-	-
Cash collateral received under securities lending agreements	278,648,672	-	-
Real estate	119,090,399	-	-
Private equity	210,629,024	-	-
Total investments	3,152,672,276	182,851,306	272,313,942
Dividend, interest, and other receivables	19,514,710	-	-
Contributions receivable	9,243,924	1,715,279	1,548,766
Total assets	3,182,269,524	185,086,444	273,862,708
LIABILITIES			
Payable for collateral received under securities lending agreements	278,648,672	-	-
Benefits payable and other liabilities	6,413,142	87,773	-
Total liabilities	285,061,814	87,773	-
Net assets held in trust for pension benefits	$ 2,897,207,710	$ 184,998,671	$ 273,862,708

See accompanying notes to financial statements.

MONTGOMERY COUNTY, MARYLAND
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Employees' Retirement System	Retirement Savings Plan	Deferred Compensation Plan
ADDITIONS			
Contributions:			
Employer	$ 109,343,933	$ 16,071,953	$ -
Members	18,592,167	8,685,919	17,028,756
Total contributions	127,936,100	24,757,872	17,028,756
Investment income	530,237,242	32,886,349	42,988,175
Less investment expenses	20,999,918	8,811	-
Net gain from investment activities	509,237,324	32,877,538	42,988,175
Income from securities lending	833,495	-	-
Less securities lending expenses	52,667	-	-
Net income from securities lending	780,828	-	-
Total additions	637,954,252	57,635,410	60,016,931
DEDUCTIONS			
Retiree benefits	129,940,460	-	-
Disability benefits	40,906,886	-	-
Survivor benefits	7,944,401	-	-
Refunds and distributions	1,567,741	5,854,134	16,178,060
Administrative expenses	3,079,377	244,218	-
Total deductions	183,438,865	6,098,352	16,178,060
Net increase	454,515,387	51,537,058	43,838,871
Net assets held in trust for benefits:			
Beginning of year	2,442,692,323	133,461,613	230,023,837
End of year	$ 2,897,207,710	$ 184,998,671	$ 273,862,708

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.

The Montgomery County Council passed legislation in FY 2009 enabling the County to establish and maintain a Guaranteed Retirement Income Plan (GRIP), a cash balance plan that is part of the Plan, for employees. During FY 2010 eligible County employees who were members of the Retirement Savings Plan (RSP) were granted the option to elect to participate in the GRIP and to transfer their RSP member account balance to the GRIP and cease being a member of the RSP. For employees who elected to participate in the GRIP, the $31.5 million transfer of their account balances from the RSP to the GRIP has been reported as movement of member account asset balances in the accompanying Statement of Changes in Plan Net Assets.

A. Plan Description and Contribution Information

Membership. At June 30, 2011, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and beneficiaries receiving benefits	5,712
Terminated plan members entitled to but not yet receiving benefits	398
Active plan members	5,515

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 and GRIP participants. 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 3 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.

The GRIP, as defined in Section 33-35 of the Code, 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 33-40 of the Code requires the County and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively.

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.

For members of the GRIP, 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 earnings.

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, 2011. 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.

Accounting Changes. The System adopted GASB Statement No. 59, *Financial Instruments Omnibus*, which was issued to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools.

C. Funded Status and Funding Progress

The funded status of the System as of June 30, 2011, 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)
$2,869,422,276	$3,744,713,474	$875,291,198	76.6%	$405,336,529	215.9%

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, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll assuming 4% annual payroll growth.
Amortization period	Closed amortization approach. The period was reset to 18 years as of June 30, 2010. Amortization bases created in the future will be amortized over 20 years.
Asset valuation method	5-Year phase-in of market gains/losses
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases depending on age	4% - 9.25%
Cost-of-living adjustments	3% on credited service earned prior to June 30, 2011. 2.3% on credited service earned thereafter, reflecting the 2.5% cap.
Post-retirement Increases	Consumer Price Index - by Group
Mortality rates after retirement	RP 2000 projected 30 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.

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, 2011, 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	14.68	$ 65,315,517	7.35%
Foreign Government Obligations	4.49	18,908,943	2.13%
Asset-Backed Securities	5.62	3,521,986	0.40%
Commercial Mortgage-Backed Securities	4.88	68,577	0.01%
Collateralized Mortgage Obligations	0.01	4,494,269	0.50%
Municipal/Provincial Obligations	11.92	23,074,251	2.60%
Corporate Bonds	5.84	446,738,749	50.27%
Fixed Income Pooled Funds	N/A	290,023,002	32.63%
Short-term Investments and other	N/A	36,534,841	4.11%
Total Fixed Income Securities		$ 888,680,135	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
European Currency Unit	$ 150,859,186	$ 121,424	$ 43,151,984	$ 194,132,594
British Pound Sterling	64,664,605	-	51,458,631	116,123,236
Japanese Yen	106,116,039	-	(5,281,142)	100,834,897
New Zealand Dollar	378,491	-	23,562,938	23,941,429
Hong Kong Dollar	19,981,540	-	6	19,981,546
Swedish Krona	13,903,840	-	2,247,859	16,151,699
Danish Krone	6,854,353	-	-	6,854,353
Indonesian Rupiah	817,172	5,929,307	9,556	6,756,035
South Korean Won	3,337,582	3,038,409	-	6,375,991
Philippine Peso	1,938,041	2,100,570	45,554	4,084,165
Other Currencies	45,241,197	9,686,124	(147,840,610)	(92,913,289)
Total International Securities	$ 414,092,046	$ 20,875,834	$ (32,645,224)	$ 402,322,656

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, for the majority of public fund managers, 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, 2011 are as follows:

Type of Investment	Quality Rating	Fair Value	Percentage of Portfolio
U.S. Government Obligations*	AAA	$ 65,315,517	7.35%
Foreign Government Obligations	AAA	7,619,034	0.86%
	A	5,413,520	0.61%
	BBB	1,835,371	0.21%
	BB	1,857,842	0.21%
	CCC	27,724	0.00%
	Unrated	2,155,451	0.24%
Asset-Backed Securities	AAA	2,433,055	0.27%
	BBB	159,905	0.02%
	B	606,349	0.07%
	CCC	322,677	0.04%
Commercial Mortgage-Backed Securities	BB	68,577	0.01%
Collateralized Mortgage Obligations	AAA	244,248	0.03%
	AA	426,445	0.05%
	A	343,577	0.04%
	BBB	520,313	0.06%
	B	457,428	0.05%
	CCC	1,760,408	0.20%
	D	741,851	0.08%
Municipal/Provincial Bonds	AAA	6,367,373	0.72%
	AA	10,192,973	1.15%
	A	5,827,963	0.65%
	Unrated	685,942	0.08%
Corporate Bonds	AAA	4,409,283	0.50%
	AA	40,899,000	4.60%
	A	124,390,534	14.00%
	BBB	70,489,992	7.93%
	BB	59,751,166	6.72%
	B	91,805,950	10.33%
	CCC	37,443,802	4.21%
	CC	3,249,147	0.36%
	C	622,000	0.07%
	D	1,837,047	0.21%
	Unrated	11,840,828	1.33%
Fixed Income Pooled Funds	Unrated	290,023,002	32.63%
Short-term Investments and others	Unrated	36,534,841	4.11%
Total Fixed Income Securities		$ 888,680,135	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.

Derivatives. In accordance with the Board's Derivatives Policy, the System regularly invests in derivative financial instruments in the normal course of its investing activities to manage exposure to certain risks within the fund. During FY 2011, 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. 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. The System is not a dealer, but an end-user of these instruments.

The notional or contractual amounts of derivatives indicate the extent of the System's involvement in the various types of derivative financial instruments and do not measure the System's exposure to credit or market risk and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

As permitted by the Board's policies, the System holds off-financial statement derivatives in the form of exchange-traded financial futures, interest rate swaps, foreign currency exchange swaps and foreign currency exchange contracts.

Futures contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specified financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that a counterparty will not pay. As of June 30, 2011, the System held 189 long US Treasury futures contracts with a fair value of $23,861,250 and 502 short US Treasury futures contracts with a fair value of ($69,891,820).

A swap is an agreement in which party commits to pay a fee in exchange for a return linked to the market performance of an underlying security, group of securities, index or other asset. Risks may arise if the counterparty is unable to meet the terms of the contract. Swaps contain market risk resulting from fluctuations in the value of the reference obligation. As of June 30, 2011, the System held a foreign currency swap with a notional value of $83,400,000.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Foreign exchange contracts contain market risk resulting from fluctuations in currency rates. The credit risk is associated with the creditworthiness of the related parties to the contracts. As of June 30, 2011, the System held $211,204,697 buy foreign exchange contracts and ($261,094,085) sell foreign exchange contracts. The unrealized loss on the System's contracts was $2,250,160.

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 was removed on July 23, 2010. 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. There were no 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, 2011, the fair value of securities on loan was $276,123,406. Cash received as collateral and the related liability of $278,648,672 as of June 30, 2011, 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 $833,495 and $52,667, 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, 2011:

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral:			
U.S. Government Obligations	$ 57,984,905	$ -	$ 59,301,871
Corporate Bonds	89,647,686	-	91,408,796
Equities	124,692,552	-	127,938,005
Lent for Non-Cash Collateral:			
U.S. Government Obligations	269,718	275,454	-
Corporate Bonds	397,385	404,693	-
Equities	3,131,160	3,227,093	-
Total	$ 276,123,406	$ 3,907,240	$ 278,648,672

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, 2011, 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 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.

The Montgomery County Council passed legislation in FY 2009 enabling the County to establish and maintain a Guaranteed Retirement Income Plan (GRIP), a cash balance plan that is part of the Employees' Retirement System, for employees. During FY 2010 eligible County employees who were members of the Retirement Savings Plan (Plan) were granted the option to elect to participate in the GRIP and to transfer their Plan member account balance to the GRIP and cease being a member of the Plan. For employees who elected to participate in the GRIP, the $31.5 million transfer of their member account balances from the Plan to the GRIP has been reported as movement of member account asset balances in the accompanying Statement of Changes in Plan Net Assets.

A. Plan Description and Contribution Information

Membership. At June 30, 2011 membership in the Plan consisted of:

Active plan members	3,747
Inactive plan members	762

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 unless they elect to participate in the GRIP. 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 and each participating agency to contribute 8 percent and 10 percent of regular earnings for non-public safety and public safety employees, respectively. In accordance with IRS regulations and the County Code, $600,000 in accumulated revenue was used to reduce employer contributions in FY 2011.

Benefit Provisions. Employee contributions and earnings thereon vest immediately and employer contributions and earnings thereon 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, refunds and distributions 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, 2011.

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, 2011, the fair value of the mutual and commingled investment funds was $182,851,306, of which $33,697,672 was invested in international mutual funds.

E. Income Taxes

The Internal Revenue Service issued a determination letter in December 2010, which stated that the Plan and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and 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, 2011.

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, 2011, the fair value of the mutual and commingled investment funds was \$272,313,942, of which \$40,484,141 was invested in international mutual funds.

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)
6/30/06	$ 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
6/30/10	2,791,144,974	3,645,576,341	854,431,367	76.6	431,226,155	198.1
6/30/11	2,869,422,276	3,744,713,474	875,291,198	76.6	405,336,529	215.9

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
2006	$ 88,184,159	100 %
2007	109,436,001	100
2008	117,686,375	100
2009	109,567,014	100
2010	113,957,784	100
2011	109,343,933	100

SCHEDULE OF ADMINISTRATIVE EXPENSES
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2011

Personnel Services:	
Salaries and wages	$ 1,303,568
Retirement contributions	92,554
Insurance	133,828
Social security	91,229
Total personnel services	1,621,179
Professional Services:	
Actuarial	240,217
Independent public accountants	21,376
Outside legal	24,121
Computer technical support	99,051
Temporary	38,365
Total professional services	423,130
Benefit Processing:	
Disbursement services	610,234
Recordkeeping services	72,208
Disability management	259,953
Total benefit processing	942,395
Due diligence and continuing education	16,977
Office Management:	
Office equipment and supplies	75,460
Miscellaneous	236
Total office management	75,696
Total administrative expenses	$ 3,079,377

SCHEDULE OF INVESTMENT EXPENSES
EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2011

Investment Management Expenses:	
Aetna Life Insurance Company	$ 5,182
BlackRock Financial Management	11,551
Bridgewater Associates	8,945,566
First Quadrant	300,000
FX Concepts	876,849
Goldman Sachs	101,944
Gryphon International Investment	902,804
Jennison Associates LLC	453,381
JP Morgan Investment Management	1,377,751
Loomis Sayles	736,644
Marathon London	1,253,451
Mondrian Investment Partners Ltd.	646,228
Nomura Asset Management	631,118
Numeric Investors	923,290
OFI Trust Company	462,754
RhumbLine Advisors	27,523
Schroder Investment	797,699
STW	354,419
Systematic Financial Management	384,201
Wellington Management	608,488
The Northern Trust Company	312,625
Bloomberg Financial Systems	18,490
Wilshire Associates	274,000
Abel/Noser Corp.	5,000
KLD Research & Analytics	20,125
Franklin Park	568,835
Total investment management expenses	20,999,918
Securities lending borrower rebates	(142,310)
Securities lending agent fees	194,977
Total securities lending expenses	52,667
Total investment expenses	$ 21,052,585

EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Equity in County's pooled cash and investments	$ 838,614	$ 1,365,399
Investments:		
Government and agency obligations	291,168,660	235,631,971
Municipal/Provincial bonds	23,074,251	9,343,270
Asset-backed securities	3,521,986	7,627,603
Corporate bonds	529,817,550	519,898,639
Collateralized mortgage obligations	4,494,269	2,656,570
Commercial mortgage-backed securities	68,577	190,025
Common and preferred stock	1,293,907,305	1,063,949,809
Mutual and commingled funds	161,260,706	123,408,899
Short-term investments	236,990,877	218,146,254
Cash collateral received under securities lending agreements	278,648,672	229,936,305
Real estate	119,090,399	76,182,689
Private equity	210,629,024	167,767,042
Total investments	3,152,672,276	2,654,739,076
Dividend, interest, and other receivables	19,514,710	14,260,259
Contributions receivable	9,243,924	8,854,999
Total assets	3,182,269,524	2,679,219,733
LIABILITIES		
Payable for collateral received under securities lending agreements	278,648,672	229,936,305
Benefits payable and other liabilities	6,413,142	6,591,105
Total liabilities	285,061,814	236,527,410
Net assets held in trust for pension benefits	$ 2,897,207,710	$ 2,442,692,323

EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions:		
Employer	$ 109,343,933	$ 113,957,784
Members	18,592,167	20,431,466
Total contributions	127,936,100	134,389,250
Transfer of member account asset balances	-	31,529,478
Investment Income:		
Net appreciation in fair value of investments	456,894,454	246,284,158
Dividends and interest	73,342,788	73,010,494
Total income from investment activities	530,237,242	319,294,652
Less investment expenses	20,999,918	15,752,831
Net income from investment activities	509,237,324	303,541,821
Income from securities lending	833,495	763,130
Less securities lending expenses	52,667	119,915
Net income from securities lending	780,828	643,215
Total additions	637,954,252	470,103,764
DEDUCTIONS		
Retiree benefits	129,940,460	122,861,083
Disability benefits	40,906,886	38,607,638
Survivor benefits	7,944,401	7,620,034
Refunds	1,567,741	1,414,893
Administrative expenses	3,079,377	2,906,988
Total deductions	183,438,865	173,410,636
Net increase	454,515,387	296,693,128
Net assets - beginning of year	2,442,692,323	2,145,999,195
Net assets - end of year	$2,897,207,710	$2,442,692,323

RETIREMENT SAVINGS PLAN
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Equity in County's pooled cash and investments	$ 519,859	$ 990,100
Investments	182,851,306	130,892,734
Contributions receivable	1,715,279	1,649,030
Total assets	185,086,444	133,531,864
LIABILITIES		
Accrued expenses	87,773	70,251
Net assets held in trust for pension benefits	$ 184,998,671	$ 133,461,613

RETIREMENT SAVINGS PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions:		
Employers	$ 16,071,953	$ 16,400,574
Members	8,685,919	8,871,048
Total contributions	24,757,872	25,271,622
Transfer of member account asset balances	-	(31,529,478)
Investment income	32,461,347	13,655,212
Other income	425,002	557,949
Net investment income	32,886,349	14,213,161
Less investment expenses	8,811	22,135
Total additions	57,635,410	7,933,170
DEDUCTIONS		
Distributions	5,854,134	3,901,699
Administrative expenses	244,218	237,093
Total deductions	6,098,352	4,138,792
Net increase	51,537,058	3,794,378
Net assets - beginning of year	133,461,613	129,667,235
Net assets - end of year	$ 184,998,671	$ 133,461,613

DEFERRED COMPENSATION PLAN
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Investments	$ 272,313,942	$ 228,645,743
Contributions receivable	1,548,766	1,378,094
Total assets and net assets held in trust for pension benefits	$ 273,862,708	$ 230,023,837

DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS		
Contributions - members	$ 17,028,756	$ 17,028,419
Investment income	42,988,175	19,411,234
Total additions	60,016,931	36,439,653
DEDUCTIONS		
Distributions	16,178,060	8,722,755
Total deductions	16,178,060	8,722,755
Net increase	43,838,871	27,716,898
Net assets - beginning of year	230,023,837	202,306,939
Net assets - end of year	$ 273,862,708	$ 230,023,837

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 $2.9 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 US public pension plans over $1 billion in size in FY 2011 was a gain of 21.27%, gross of fees. The System's return for the fiscal year was a gain of 21.77% gross of fees, ranking above the median of this universe of comparable pension funds. The study also ranked the System's three-year gain of 5.47% above the universe median and its five-year return of 6.38% in the top decile. The gross returns for the one-year period exceeded the performance benchmark established by the Board by 181 basis points, with returns for the three-year and five-year periods also exceeding the performance benchmarks by 70 basis points and 101 basis points, respectively. The key drivers of the performance for the twelve month period ending June 30, 2011 were the System's public equity, global inflation-indexed bond, commodity, and private equity 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:

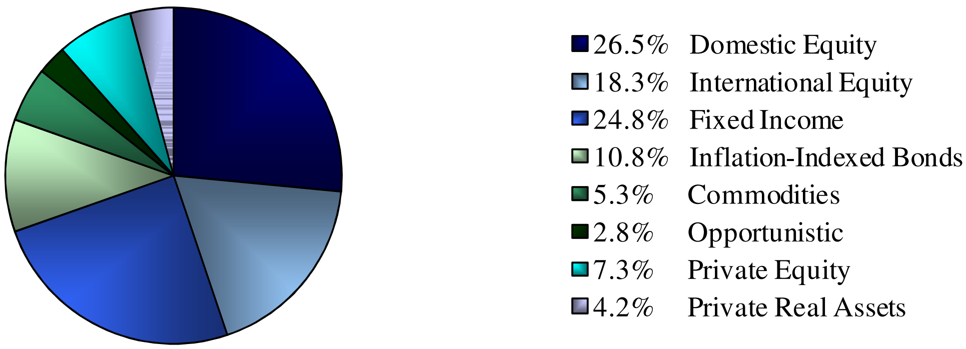
- To realize the actuarial assumed rate of return of 7.5 percent.
- To manage portfolio risk so as to limit potential downside fluctuations in the value of the total System assets.
- To realize as high a rate of total return as possible consistent with the above.

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 in compliance with the Board's rebalancing policy (+/- 5% for major asset classes and +/- 1.5%-3% for sub-asset classes).
- Monitor the individual investment managers' 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 2011, the Board continued to implement portfolio adjustments resulting from the FY 2010 asset/liability study for the ERS which will result in further diversification of the investment portfolio and better management of the System's risk. Toward this effort, the Board approved new investments or implemented structural changes in the following sectors: global inflation-linked bonds, private equity and private real assets. The Board also approved a new rebalancing policy and continued to build risk budgeting capabilities to provide support for recommendations on asset allocation, portfolio structure and manager weightings.

ASSET ALLOCATION – JUNE 30, 2011



INVESTMENT PERFORMANCE SUMMARY

	ANNUALIZED DATA FOR PERIOD ENDING JUNE 30, 2011		
	1 Year	**3 Year**	**5 Year**
Total Fund Time-Weighted Returns			
MCERS	21.77 %	5.47 %	6.38 %
Policy Benchmark	19.96	4.77	5.37
Total Domestic Equities Return			
MCERS	33.52	4.22	4.40
Russell 3000	32.37	4.00	3.35
Total Private Equities Return			
MCERS	22.81[A]	4.96[A]	6.39[A]
Russell 3000 + 300 Bpts	35.72[A]	9.04[A]	7.05[A]
Total International Equities			
MCERS	28.95	4.39	7.01
MSCI All Country World X US	29.73	(0.35)	3.67
Total Private Real Assets			
MCERS	9.96[A]	(10.76)[A]	N/A
CPI + 500 Bpts	8.29[B]	6.32[B]	N/A
Total Fixed Income			
MCERS	10.03	9.38	7.51
Custom Fixed Income Benchmark	7.54	8.87	7.71
Total Opportunistic			
MCERS	7.83[C]	N/A	N/A
HFRI Fund of Funds Composite	6.64	N/A	N/A
Total Commodities			
MCERS	27.06	N/A	N/A
DJ UBS Commodities Index	25.91	N/A	N/A
Total Global Inflation Indexed Bonds			
MCERS	25.85	12.73	11.66
Custom IIB Benchmark	11.03	6.86	7.16

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.

A: Returns computed on dollar-weighted basis and are net of investment management fees.
B: Benchmark comparison is not meaningful at this time due to the short investment history of the System private real assets program.
C: Returns computed net of investment management fees.

PORTFOLIO HIGHLIGHTS

PUBLIC EQUITY

The market value of the total Public Equity Portfolio as of June 30, 2011 represented approximately 44.8% of the total fund, split between Domestic Equity at 26.5% and International Equity at 18.3%. The Domestic Equity Portfolio outperformed the Russell 3000 Benchmark by 1.15% for the one year ending June 30, 2011. The US equity markets rallied during the first three quarters of the fiscal year, performing strongly on an improved economic outlook, the Fed's long-anticipated announcement of additional quantitative easing (QE2), and better-than-expected corporate earnings. Domestic equity indices experienced a volatile ride and showed mixed results in the fourth quarter of the fiscal year due to softer domestic economic data and increased geopolitical concerns abroad. Defensive sectors such as utilities and consumer staples fared well during the last quarter of the fiscal year.

As of June 30, 2011, the International Equity Portfolio was allocated as follows: 83.2% active EAFE and 16.8% active emerging markets. The International Equity Portfolio trailed the MSCI ACWI ex US benchmark by 0.78% for the year ended June 30, 2011. International markets started the fiscal year strongly on better sentiment and economic reports; however, they lost their momentum towards the end of the fiscal year due to concerns over the European sovereign debt crisis and the Middle East conflict. Emerging markets kept up with their developed counterparts until the last quarter of the fiscal year when their relative attractiveness declined due to rising inflation and interest rate hike concerns.

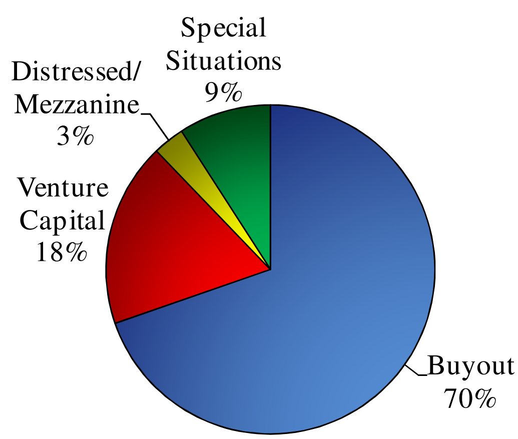
Equity: Top 15 Holdings

The top 15 holdings in the Public Equity Portfolio comprised 4% of ERS assets at June 30, 2011. In comparison to the top 15 holdings of last year, Apple, Novartis, BNP Paribas, Fresenius, Heineken, Inditex, Microsoft, and Schneider Electric remained and Exxon Mobil, JPMorgan Chase, Chevron, AT&T, Total, IBM, and Unitedhealth Group were added.

Equity	Shares	Value
Apple Inc	26,780	$ 8,989,243
Exxon Mobil	104,890	8,535,948
Novartis	136,817	8,368,261
JPMorgan Chase	199,000	8,147,060
BNP Paribas	105,266	8,123,958
Chevron Corp	78,871	8,111,094
Fresenius SE&KGAA	76,096	7,941,394
AT&T Inc	251,100	7,887,051
Heineken	130,153	7,825,486
Inditex	85,799	7,817,025
Microsoft Corp	292,410	7,602,660
Total	118,305	6,840,397
IBM	38,469	6,599,357
Unitedhealth Group	115,800	5,972,964
Schneider Electric	34,599	5,778,819

PRIVATE EQUITY

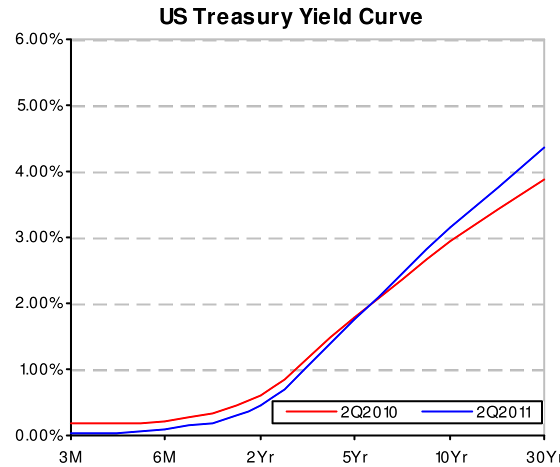
The System began investing in private equity in 2003 to achieve returns greater than those available in the public equity markets and to gain exposure to diversified alpha sources. At June 30, 2011, the Private Equity Portfolio comprised 7.3% of total fund assets, and approximately 64% of the dollars committed had 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, 2011 was 6.8%. By comparison, the dollar-weighted return for the Russell 3000 Index plus 3% for the same period was 7.4%.



During the fiscal year, credit market conditions improved which allowed the volume and average size of private equity deals to increase compared to the prior year. Exit activity for portfolio companies also increased, with corporate acquisitions, transactions between private equity firms, and public offerings all rising.

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, 2011 represented approximately 24.8% of the total fund. The Fixed Income Portfolio returned 10.03%, outperforming the benchmark return of 7.54% during the fiscal year. Credit spreads narrowed as investors searched for higher yields as Treasury yields remained at historically low levels. Strong returns were driven by the high yield allocation, representing approximately 10.0% of total fund assets.

The past twelve months for the fixed income markets has been characterized by improving corporate fundamentals and accommodative monetary policy. The Federal Reserve maintained the Fed Funds Rate at a target range of 0% to 0.25% and reiterated their view that current economic conditions warrant exceptionally low levels for an extended period of time. The Fed also continued quantitative easing measures to keep longer interest rates low in an effort to continue the economic recovery. The steepening in the US Treasury Yield Curve (see above) reflects continued low interest rates on the short end due to the Fed's monetary policy while inflationary concerns and a stronger economy pushed longer term rates higher.

Fixed Income: Top 15 Holdings

Fifteen Largest Fixed Income Holdings	Interest Rate	Maturity Date	Fair Value
United States Treasury Bonds	3.875 %	August 15, 2040	$ 34,834,953
United States Treasury Bonds	7.625	February 15,2025	12,185,528
United States Treasury Bonds	0.000	February 15, 2023	6,614,266
HSBC Bank	7.000	January 15, 2039	4,985,745
Wachovia Bank	6.600	January 15, 2038	4,839,917
Kraft Foods Inc	6.500	Febrauy 9, 2040	4,569,724
Citigroup Inc	8.125	July 15, 2039	4,472,389
General Electric Capital Corp	6.875	January 10, 2039	4,409,206
Standard Chartered Bank	6.400	September 26, 2017	4,090,556
ConocoPhillips	6.500	February 15, 2039	3,995,046
Barclays Bank	10.179	June 12, 2021	3,789,103
Wal-Mart Stores	6.500	August 15, 2037	3,698,109
Altria Group Inc	9.950	November 10, 2038	3,324,339
Caterpillar Inc	8.250	December 15, 2038	3,288,846
UnitedHealth Group	6.500	June 15, 2037	3,280,197

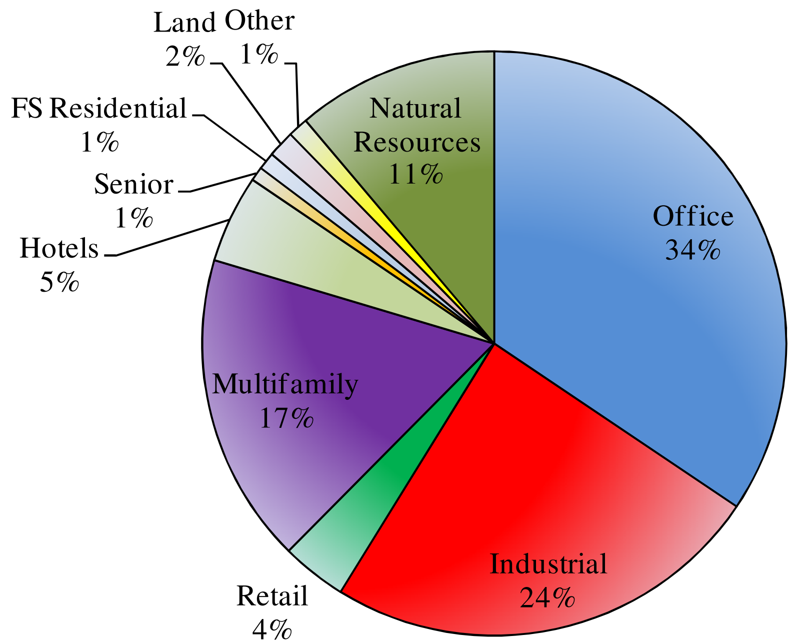
A complete list of the portfolio holdings can be obtained by contacting the Board of Investment Trustees office.

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 (2006) to June 30, 2011 the investments generated an annualized loss of 7.9%. 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 4.2% of the ERS portfolio at June 30, 2011 with approximately 65% of the total capital committed to private real assets being contributed.



During the fiscal year, real estate transaction activity was strong, led by the US. Well-located high quality "core" assets performed strongly, while distressed and non-core properties continued to perform weakly. Energy investment markets continued their robust pace, driven by increasing interest in unconventional oil and natural gas opportunities such as shale gas.

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 10.8% of the total fund. The Portfolio, which also includes an absolute return fund, returned 25.85% during the fiscal year, outperforming the benchmark by 14.82%.

The returns on Global Inflation-Indexed bonds were positive overall during the fiscal year. Performance of our portfolio benefited from opportunistic allocations to developed and emerging market currencies, developed market nominal bonds and certain commodity positions through the manager's actively managed portfolio.

Inflation-Indexed Bonds - Country Exposures		
United States	40.1	%
Euroland	29.9	
United Kingdom	14.9	
Sweden	5.0	
Canada	10.1	

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 5.3% of the total fund as of June 30, 2011. The Portfolio returned 27.06%, outperforming the benchmark by 1.15% for the year ended June 30, 2011.

The commodities markets followed the equity markets, advancing throughout the first three quarters of the fiscal year on a declining dollar and an improving outlook for the global economy which increased demand for raw materials. The Softs and Agriculture sectors rallied the most on tight supply conditions while Precious Metals advanced as headline inflation in emerging markets caused investors to look for real assets. Commodities ended the fourth quarter of the fiscal year on a negative note as a result of geopolitical unrest and the European debt crisis continuing to weigh on commodity prices with the exception of gold, which rose.

INVESTMENT MANAGERS

The diversified investment structure as of June 30, 2011 is reflected in the following table, which lists MCERS managers by asset class and style.

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

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

Inflation-Indexed Bonds	Investment Style
Bridgewater*	Inflation Indexed Bonds

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

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

Opportunistic	Investment Style
Grosvenor*	Fund-of-Funds

Private Equity	Investment Style
Adams Street*	Fund-of-Funds
Altus Capital Partners*	Buyouts
HarbourVest*	Fund-of-Funds
KPS Capital Partners*	Turnaround
Landmark*	Fund-of-Funds
Mason Wells*	Buyouts
Odyssey Inv. Partners.*	Buyouts
Pomona Capital*	Fund-of-Funds
Riverside Partners*	Buyouts
TA Associates*	Growth Equity
Wicks Group*	Buyouts

Private Real Assets	Investment Style
AEW Capital*	Opportunistic
Carmel Partners*	Value-Added
EnerVest*	Energy
FLAG Capital Mgt.*	Fund-of-Funds
Hampshire Companies*	Value-Added
LBA Realty*	Value-Added
Pearlmark Real Estate Ptrs*	Value-Added
TA Associates Realty*	Value-Added

* Pooled Funds

PORTFOLIO HIGHLIGHTS

PUBLIC EQUITY COMMISSIONS

JULY 1, 2010 THROUGH JUNE 30, 2011

Brokers	Commissions (thousands)
Liquidnet Inc.	$ 45
Morgan Stanley & Co., Inc.	41
Investment Technology Group, Inc.	37
Instinet	37
Credit Suisse First Boston Corporation	34
Merrill Lynch Pierce Fenner & Smith, Inc.	27
Goldman Executing & Clearing	26
UBS Limited	13
Citigroup Global Markets Inc./Smith Barney	13
Societe Generale	12
Other Brokers (125 brokers)	262
Total	**$ 547**

INVESTMENT SUMMARY

	2011 Fair Value	Percent of Total Value	2010 Fair Value	Percent of Total Value
Government and agency obligations	$ 291,168,660	9.24%	$ 235,631,971	8.87%
Municipal/Provincial obligations	23,074,251	0.73%	7,627,603	0.29%
Asset-backed securities	3,521,986	0.11%	9,343,270	0.35%
Corporate bonds	529,817,550	16.81%	519,898,639	19.58%
Collateralized mortgage obligations	4,494,269	0.14%	2,656,570	0.10%
Commerical mortgage-backed securities	68,577	0.00%	190,025	0.01%
Common and preferred stock	1,293,907,305	41.04%	1,063,949,809	40.08%
Mutual and commingled funds	161,260,706	5.11%	123,408,899	4.65%
Short-term investments	236,990,877	7.52%	218,146,254	8.22%
Cash collateral received under securities lending agreements	278,648,672	8.84%	229,936,305	8.66%
Real estate	119,090,399	3.78%	76,182,689	2.87%
Private equity	210,629,024	6.68%	167,767,042	6.32%
Total	$ 3,152,672,276	100.00%	$ 2,654,739,076	100.00%

ACTUARIAL SECTION

Employees' Retirement System

MERCER

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

March 15, 2012

Subject: June 30, 2011 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 June 30, 2011. The actuarial valuation report was prepared exclusively for the County for the following purposes:

- Present Mercer's actuarial estimates of the System's liabilities and expenses for the System and the County to incorporate, as they deem appropriate, in their financial statements
- Determine employer contribution rates to be paid biweekly during the fiscal year ending June 30, 2013

At the County's request, we have reflected the 2% increase to employee contribution rates for non-GRIP groups effective July 1, 2012, in the FY2013 contribution rates. We have also reflected the plan provisions in place for GRIP effective July 1, 2012, not the 2% reduction in effect for FY2012, because our understanding is that the County has already reflected the decrease to the employer pay credits in setting its FY2012 contribution rate.

Please see the attachments for the results and descriptions of the data, assumptions, methods, and plan provisions we used.

Valuation Results
The attached exhibits detail the results of the 2011 valuation, including a breakdown by employee group and plan. This valuation reflects the changes to the plan provisions as well as actuarial assumptions and methods, as described in this letter.

County Contributions
Contributions for non-GRIP groups 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.

Contributions for GRIP are computed using the Traditional Unit Credit method of funding. The objective under this method is to fund each participant's benefits under the plan as they accrue, ignoring future salary increases.

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 eventually decrease due to two reasons. First, the closure of the plans to new non-public safety members, which had been in effect for many years, ended effective July 1, 2009. Members of the defined contribution plan on that date and future hires are able to elect to participate in the Guarantee Retirement Income Plan, a cash balance form of benefits in this plan. Second, the amortization payments on the June 30, 2010 unfunded actuarial accrued liability are scheduled to end in 18 years from that date.

The June 30, 2011 actuarial valuation sets the County's contribution rates for the fiscal year ending June 30, 2013. The rates are set separately for public safety, non-public safety, and GRIP-participating employee groups and will be applied to each group's total covered payroll for the fiscal year 2013. Thus, the exact dollar amount of the required contribution will not be known until the end of the fiscal year 2013. The contribution rates for fiscal year 2013 were determined based on the total payroll at June 30, 2011 reduced for members expected to leave during FY2012 due to termination, disability, retirement, and death.

Investments

During the 2010-2011 plan year, the rate of return after investment expenses on the market value of assets was 21.12%. On a market value basis, the return was $328.9 million more than the 7.5% assumed rate of return. This $328.9 million gain is phased in over a five-year period. Gains and losses from 2010-2011 and prior years produced a net loss on an actuarial value of assets basis. As of June 30, 2011, net investment gains of $27.9 million had not yet been recognized in the actuarial value of assets.

The 2011 valuation was based on an actuarial value of assets of $2,869,422,276. The FY2013 contribution would be $1.9 million lower if based on the market value of assets.

To prepare the 2011 valuation results, Mercer has used and relied on financial data supplied by the County and summarized in the attached.

The County is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Mercer's actuaries have not provided any investment advice to the County.

Aetna Contract

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

Plan Provisions

The June 30, 2011 valuation reflects the following plan changes applicable to groups A, E, F, G and H.

- Increase in member contributions: Effective July 1, 2011, member contributions are increased by 1.00% of pay for all groups in all plans. Effective July 1, 2012, member contributions are increased by an additional 1.00% for all groups in all plans.

- Modification of the service connected disability benefit: Effective July 1, 2012, the service connected disability benefit amount is modified under Bill 45-10, as follows:
  - Total incapacity: the minimum benefit is 70.00% of final earnings if the member meets the definition of Social Security disability.
  - Partial incapacity: the minimum benefit is 52.50% of final earnings if the member does not qualify for the 70% minimum benefit above.
  - For any group G member, the Chief Administrative Officer of the County may offer a disabled member an alternative position with the County with a 5% pay increase in lieu of this disability

benefit.

- Changes in the post-retirement benefit adjustments: Effective July 1, 2011, any COLA adjustment to the retirement benefit for service after June 30, 2011 will not exceed 2.50%. For disability retirements occurring after June 30, 2011, any COLA to the disability benefit will not exceed 2.50%. Effective July 1, 2011, any additional sick leave credited as years and months of service at DROP or DRSP exit is subject to the 2.50% capped COLA. Effective July 1, 2011, any sick leave, transferred, or purchased service credited as years and months of service as of the date of retirement is subject to the 2.50% COLA cap.

The June 30, 2011 valuation reflects the following plan changes applicable to GRIP.

- Changes in employer and employee pay credits:
  - Employer pay credits for non public safety GRIP members are reduced from 8.00% to 6.00% of regular base earnings for service between 7/1/2011 and 6/30/2012. Employer pay credits revert to 8.00% of regular base earnings for service after 6/30/2012.
  - Employer pay credits for public safety GRIP members are reduced from 10.00% to 8.00% of regular base earnings for service between 7/1/2011 and 6/30/2012. Employer pay credits revert to 10.00% of regular base earnings for service after 6/30/2012.
  - Members may contribute an additional 2.00% of regular earnings between 7/1/2011 and 6/30/2012 on a post-tax basis, but must have elected to do so by September 1, 2011.

Actuarial Assumptions and Methods
In order to quantify plan liabilities, a number of actuarial assumptions need to be set. The 2011 valuation reflects the changes in assumptions arising from the 2010 experience, just as the 2010 valuation did. The additional changes listed below were made as a result of the plan changes described above.

Amortization of the post-June 30, 2010 unfunded actuarial liability (UAL) over 20 years using the current, level percentage of assumed pay, amortization method results in an initial payment less than "interest only" payment on the UAL. Payments less than the interest only amount will result in each portion of the post-June 30, 2010 UAL increasing for the first two years.

To the best of our knowledge, the information shown in this CAFR uses the same methods and assumptions as those which are used to determine funding of the System. Additionally:
- To the best of our knowledge, all benefits are included in the valuation of the plan in compliance with GASB Statement 25, paragraph 36.a.
- The actuarial assumptions, including economic assumptions, comply with GASB Statement 25, paragraphs 36.b. and 36.c.
- The actuarial cost method used is the projected unit credit method as allowed in GASB Statement 25, paragraph 36.d.
- The method for determining the actuarial value of assets complies with GASB Statement 25, paragraph 36.e.
- The amortization methods used to determine the ARC comply with GASB Statement 25, paragraph 36.f.

Changes in Actuarial Assumptions
- The COLA assumption for service subject to the 2.50% COLA cap and disability retirements on or after 7/1/2011 was reduced from 3.00% to 2.30%
- The percentages of total incapacity service-connected disabilities and partial incapacity service-connected disabilities for Groups A, H, E, and F were established to reflect the service-connected

disability plan provision changes. For purposes of the valuation, the provisions and assumptions were assumed to be effective July 1, 2011.

Changes in Actuarial Methods

- The method for calculating the expected employee contributions used to offset the normal cost was changed to include a reduction for members expected to leave during FY2012 (due to termination, disability, retirement, and death).
- The method for calculating the contribution for each group as a percentage of payroll was changed to include a reduction in payroll for members expected to leave during FY2012 (due to termination, disability, retirement, and death).

All other assumptions and methods are the same as in the 2010 valuation. Please see the attachment for a complete summary of the assumptions and methods.

Participant Data

Between June 30, 2010 and June 30, 2011, there was a 1.1% decrease in the number of plan members. The total number of active members decreased by 4.7%, from 5,786 to 5,515 (including 1,008 and 995 active GRIP members as of June 30, 2010 and June 30, 2011, respectively), and their total payroll decreased from $431.2 million to $405.3 million (including $67.6 million and $66.4 million in GRIP payroll as of June 30, 2010 and June 30, 2011, respectively).

Aetna provided the retiree data, including benefit amounts and form of payment information, for participants retiring before July 1, 2011. The County provided data, including benefits, for participants retiring on July 1, 2011. The County also provided data on active and terminated vested members. ING provided the account balances for GRIP participants. To prepare the valuation results, Mercer has used and relied on participant data supplied by the County, ING, and Aetna and summarized in the attached. The County is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of June 30, 2011 that is sufficiently comprehensive and accurate for the purposes of the valuation results. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

Supplementary Information

The June 30, 2011 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 June 30, 2011 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

Important Notices

A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of the Plan. 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 assumed to fall within a reasonable range of possibilities.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

To prepare the valuation report, actuarial assumptions are used in a forward looking financial and demographic model to select a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The actuarial assumptions are described in the valuation report. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if we substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in the valuation report.

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. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued) in this report, the County selected an assumption based on the expected long term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely "correct" level of contributions for a plan year.

Valuations do not affect the ultimate cost of the System, only the timing of contributions into the System. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the System sponsor and can be made in later years. If the contribution levels over a period of years are lower or higher than necessary, it is normal and expected practice for adjustments to be made to future contribution levels to take account of this with a view to funding the plan over time.

Data, computer coding and mathematical errors are possible in the preparation of a valuation involving complex computer programming and thousands of calculations and data inputs. Errors in a valuation discovered after its preparation may be corrected by amendment to the valuation or in a subsequent year's valuation.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made on the basis of a valuation report of CAFR, but only after careful consideration of alternative economic, financial, demographic, and societal factors, including financial scenarios that assume future sustained investment losses.

The assumptions used are based on the 2010 experience study, as adopted by the Board of Investment Trustees. The County is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in the valuation report. The County is solely responsible for communicating to Mercer any changes required thereto.

Mercer has also used and relied on the plan documents, including amendments, and interpretations of plan provisions, supplied by the County. We have assumed for purposes of this valuation that copies of any official plan document including all amendments and collective bargaining agreements as well as any interpretations of any such document have been provided to Mercer along with a written summary of any other substantive commitments. The County is solely responsible for the validity, accuracy and comprehensiveness of this information. If any 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. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

Professional qualifications
I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in the valuation 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 Mercer's work.

Respectfully submitted,

Douglas L. Rowe

Douglas L. Rowe, FSA, EA, MAAA
Principal

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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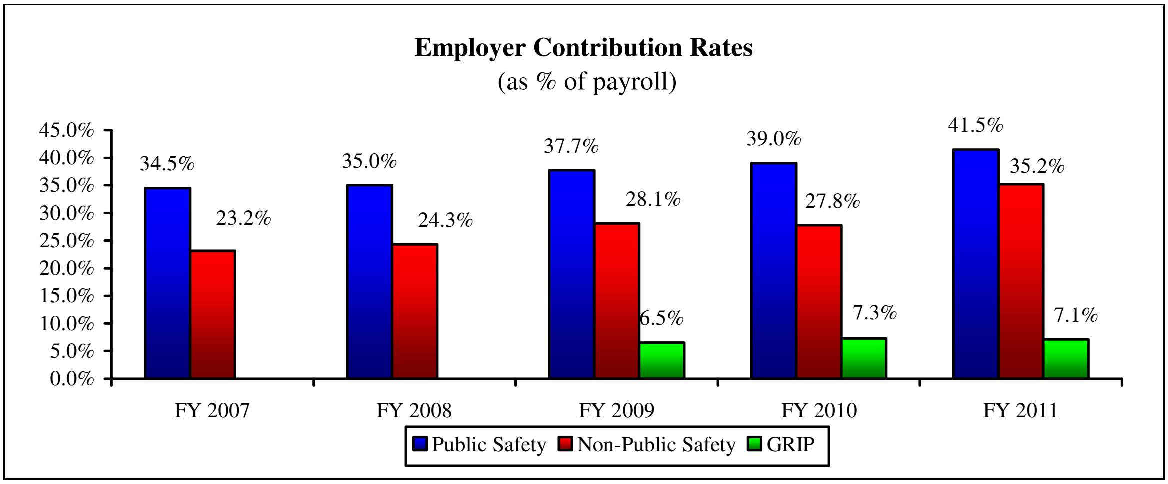
SUMMARY OF VALUATION RESULTS
EMPLOYEES' RETIREMENT SYSTEM

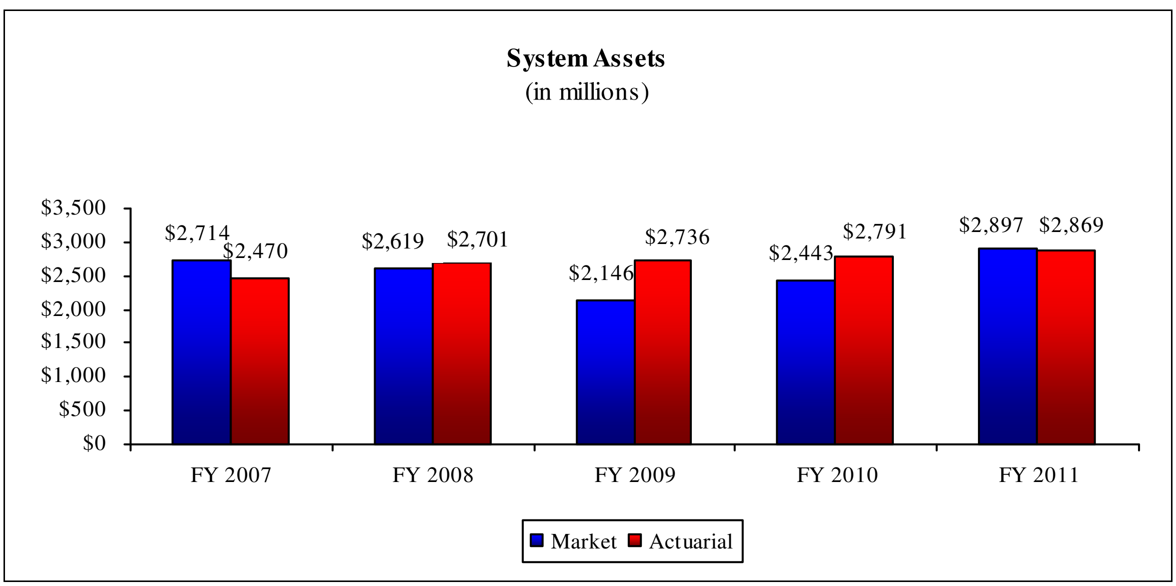
A. Overview

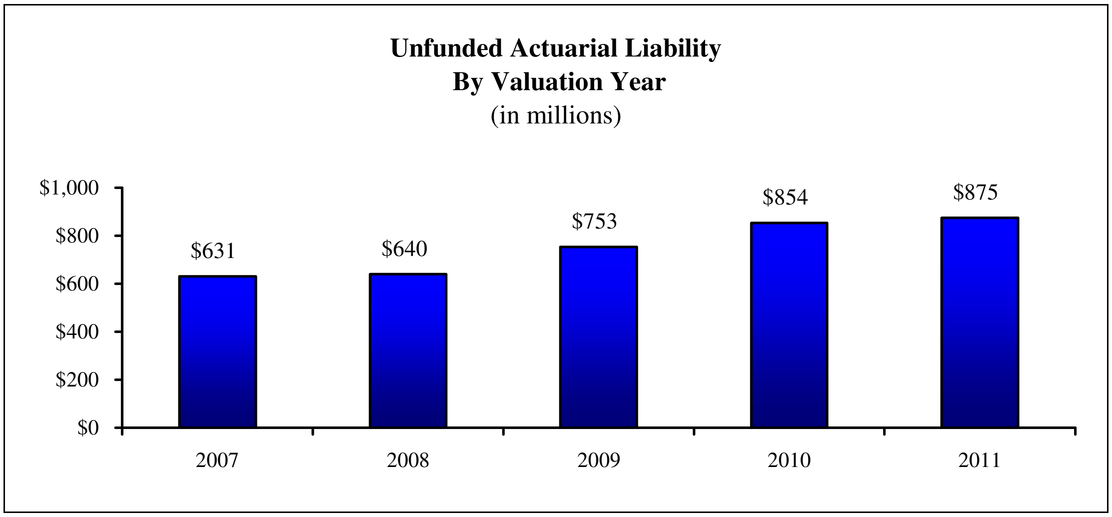
This report presents the results of our June 30, 2011 actuarial valuation of the Montgomery County Employees' Retirement System.

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

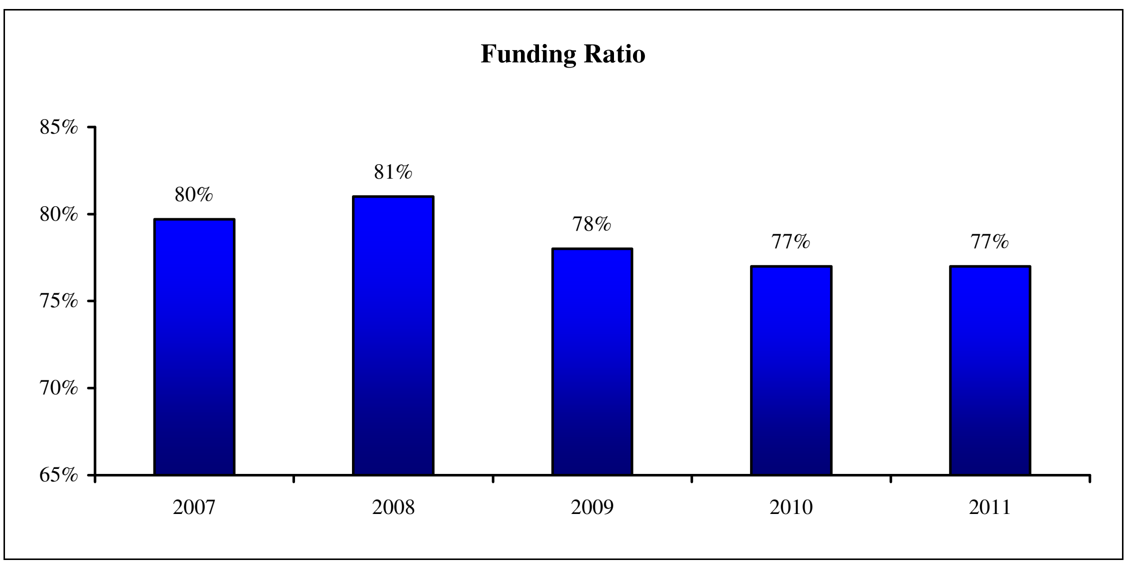


The change in the employer contribution rate in FY 2011 was due to actual System experience versus actuarial assumptions.





The unfunded actuarial liability increased in FY 2011 primarily due to assumption changes and the loss on the actuarial value of assets.



The ratio of actuarial assets to the actuarial accrued liability was unchanged.

B. Summary of Results

	July 1, 2010	July 1, 2011
Actuarial Liability		
a. Active Members	$ 1,590,626,458	$ 1,562,905,752
b. Retired Members and Beneficiaries	2,036,668,015	2,155,823,565
c. Vested Former Members	18,281,868	25,993,277
d. Total	$ 3,645,576,341	$ 3,744,722,594
Valuation Assets	$ 2,791,144,974	$ 2,869,422,276
Unfunded Actuarial Liability	$ 854,431,367	$ 875,300,318
Normal Cost		
a. Gross Normal Cost	$ 84,240,513	$ 73,560,760
b. Anticipated Employee Contributions	$ 19,413,128	$ 22,136,540
c. County Normal Cost (a -b)	$ 64,827,385	$ 51,424,220
Amortization Payment	$ 61,973,847	$ 66,026,873
County Contribution at date shown	$ 126,801,232	$ 117,451,093
County FY 2012/FY 2013 Contribution		
(as a % of covered payroll)		
Public Safety Employee	38.97%	41.47%
Non-Public Safety Employees	27.80%	35.20%
Guaranteed Retirement Income Plan	7.27%	7.09%

C. Valuation Highlights

1. System Assets

As of June 30, 2011, the System had assets, valued at market, of $2.897 billion, as compared to $2.443 billion at June 30, 2010. The increase of $454 million was attributable to the following:

a. An increase of $128 million from employer and employee contributions;
b. An increase of $510 million from investment gain;
c. A decrease of $184 million due to the payment of benefits to System participants and administrative expenses.

When measured on an actuarial basis, System assets were $2.869 billion at June 30, 2011, and $2.791 billion at June 30, 2010. 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 $21 million, from $854 million at July 1, 2010, to $875 million at July 1, 2011, as follows:

Unfunded Actuarial Liability at beginning of year	$	854,431,367
Unfunded Actuarial Liability at end of year		875,300,318
Increase in Unfunded Actuarial Liability	$	(20,868,951)

The increase in Unfunded Actuarial Liability for the year ended June 30, 2011, is comprised of the following:

Increase due to loss on actuarial value of assets	$	(73,632,309)
Decrease due to demographic gain and other factors		20,459,504
Increase due to amortization payment and contributions		(15,577,814)
Decrease due to plan changes		47,881,668
Increase in Unfunded Actuarial Liability	$	(20,868,951)

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/decrease in the employer contribution rate is attributable to the following:

	Public Safety (non-GRIP)	Non-Public Safety (non-GRIP)	GRIP
Employer contribution rate - June 30, 2010	38.97 %	27.80 %	7.27 %
Increase due to loss on actuarial value of assets	1.63	1.54	(0.20)
Increase due to actuarial gains & losses	1.98	3.35	0.02
Decrease due to plan changes	(4.78)	(2.60)	-
Increase due to assumption and method changes	3.67	5.11	-
Employer contribution rate - June 30, 2011	41.47 %	35.20 %	7.09 %

4. Membership

The active membership of the System decreased from 5,786 at June 30, 2010 to 5,515 at June 30, 2011. The System was closed to all new employees hired after October 1, 1994, except public safety, bargaining unit employees and GRIP participants. Inactive members, including retirees and beneficiaries, increased from 5,591 at June 30, 2010 to 5,712 at June 30, 2011 and the number of former members with vested rights increased from 376 to 398.

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 30 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	8	8
25	0	0	70	14	14
30	0	0	75	25	22
35	1	0	80	48	37
40	1	0	85	90	65
45	1	1	90	163	120
50	1	1	95	252	183
55	2	2	100	334	230
60	4	4	105	398	293

2. Termination of Employment (prior to retirement eligibility)

Annual Terminations per 1,000 Members (non-GRIP)

Years of Service	Non-Public Safety	Public Safety
0 – 4	52	80 – 35
5 – 9	42.5	31 – 22
10 – 14	32.5	20 – 10
15 – 19	31 – 20	9 – 6
20 – 25	17 – 9	6
26+	9	NA

It is assumed that 25% 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 at termination.

Annual Terminations per 1,000 Members (GRIP)

Years of Service	Non-Public Safety
0 – 1	95
2 – 3	60
4	50
5	42.5
6 – 7	30
8+	25

3. Disability

	Annual Disabilities per 1,000 Members									
	Non-Public Safety Employees		Public Safety Employees							
			Group E		Group F		Group G			
Age	Male	Female	Male	Female	Male	Female	Male	Female		
20	1	0	1	1	1	1	1	2		
25	2	1	2	2	3	3	2	4		
30	2	2	4	5	6	8	4	11		
35	3	3	5	7	8	12	5	16		
40	3	3	6	10	10	16	7	23		
45	6	3	11	13	19	44	13	31		
50	7	5	19	18	40	59	22	41		
55	5	6	23	19	48	62	27	43		
60	9	6	28	19	59	63	47	44		

4. Deaths

	Annual Deaths per 1,000 Disabled Members	
Age	Male	Female
25	0	0
30	1	0
35	1	1
40	1	1
45	2	1
50	3	3
55	6	5
60	11	9
65	19	16

5. Retirement

Age	Non-Public Safety Employees	Public Safety Employees Group E	Group F	Group G
Under 40	0%	3.5%	15%	20%
41	0%	3.5%	15%	20%
42	0%	3.5%	15%	20%
43	0%	3.5%	15%	20%
44	0%	3.5%	15%	20%
45	0%	3.5%	15%	20%
46	0%	15%	15%	20%
47	0%	15%	15%	20%
48	0%	15%	15%	20%
49	0%	15%	15%	20%
50	0%	20%	15%	20%
51	0%	20%	15%	20%
52	0%	20%	15%	30%
53	0%	20%	15%	30%
54	0%	20%	15%	30%
55	20%	50%	45%	40%
56	20%	50%	45%	40%
57	20%	50%	45%	40%
58	20%	50%	45%	40%
59	20%	50%	45%	40%
60	15%	100%	100%	100%
61	15%	100%	100%	100%
62	15%	100%	100%	100%
63	15%	100%	100%	100%
64	15%	100%	100%	100%
65	50%	100%	100%	100%
66	50%	100%	100%	100%
67	75%	100%	100%	100%
68	100%	100%	100%	100%
69	100%	100%	100%	100%
70	100%	100%	100%	100%

6. Sick Leave Credit

Service credit is increased by 2% for non public safety employees, 2.4% for Group E employees, 4.5% for Group F employees and 3.2% for Group G employees 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.

B. Economic Assumptions

1. Investment Return: 7.5% compound per annum

2. Cost-of-Living Increases: 3% on credited service earned prior to June 30, 2011. 2.3% on credited service thereafter, reflecting the 2.5% cap

3. Increase in Social Security Wage Base: 4.0% compound per annum

4. Expense load: Anticipated administrative expense equal to the average of the prior three years of administrative expenses. For FY 2013 this figure is $2,767,000.

5. Salary Increase: Merit and promotional increases assumed to be based on service as shown below:

Service	Non Public Safety *	Public Safety
0 – 4	6.00%	9.25%
5 – 9	6.00%	8.25%
10 – 14	6.00%	6.25%
15 – 19	6.00%	5.50%
20 – 24	4.25%	5.00%
25 – 29	4.00%	4.50%
30+	4.00%	4.25%

** Includes GRIP*

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	2008	2009	2010	2011
Investment gain (loss)	$ 47,850,027	$ (135,184,312)	$ (155,831,291)	$ (73,632,309)
Combined liability experience	(33,474,433)	79,021,213	84,758,321	2,351,277
Gain (loss) during year	$ 14,375,594	$ (56,163,099)	$ (71,072,970)	$ (71,281,032)

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)
6/30/2004	$ 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
6/30/2010	213,191,851	2,054,949,883	1,377,434,607	2,791,144,974	100	100	38
6/30/2011	236,934,960	2,181,816,842	1,325,970,792	2,869,422,276	100	100	34

SCHEDULE OF RETIREES AND SURVIVORS
During Years Ended June 30

	New Retirees and Disableds	Survivors	Total
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**
New retirements & disabilities	328	0	328
Deaths with beneficiaries	(22)	22	0
Deaths/benefits ended	(88)	(28)	(116)
July 1, 2010	**5,211**	**380**	**5,591**
New retirements & disabilities	282	0	282
Deaths with beneficiaries	(20)	20	0
Deaths/benefits ended	(154)	(7)	(161)
July 1, 2011	**5,319**	**393**	**5,712**

SCHEDULE OF ANNUAL ALLOWANCE
During Years Ended June 30

	New Retirees and Disableds	Survivors	Total
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
Annual Allowances Added to the Rolls	13,218,960	304,035	13,522,995
Annual Allowances Removed From the Rolls	(1,306,672)	(419,291)	(1,725,963)
July 2010	**$ 176,263,008**	**$ 6,035,373**	**$ 182,298,381**
Average Annual Allowance	33,825	15,883	32,606
Annual Allowances Added to the Rolls	14,287,432	580,328	14,867,760
Annual Allowances Removed From the Rolls	(868,937)	(103,095)	(972,032)
July 2011	**$ 189,681,503**	**$ 6,512,606**	**$ 196,194,109**
Average Annual Allowance	**35,661**	**16,572**	**34,348**

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
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	$376,002,333	$74,309	4.962%
July 1, 2009	5,012	$376,014,994	$75,023	0.961%
July 1, 2010	5,786	$431,226,155	$74,529	-0.658%
July 1, 2011	5,515	$405,336,529	$73,497	-1.385%

STATISTICAL SECTION

Employee Retirement Plans

STATISTICAL SECTION

The Statistical Section presents detailed information in the areas shown below, as a context for understanding what the information in the Financial Section says about the overall financial health of the Employee Retirement Plans:

The schedules beginning on page 74 are designed to show financial trend information to assist users in understanding and assessing how the Employee Retirement Plans' financial position has changed over the past ten years. The financial trend schedules presented are:

- Changes in Net Assets – Information to help the reader understand the Plans' historical contributions, earnings, and expenses.

- Benefit, Refund and Distribution Deductions from Net Assets – Information to help the reader understand the historical benefits, refund, and distribution deductions.

The schedules beginning on page 80 display demographic, economic, and operating information. The demographic and economic information is intended to assist users in understanding the environment in which the Employee Retirement Plans operate. The operating information is intended to provide contextual information about the Employee Retirement Plans' operations to assist readers in using financial statement information. The demographic and economic information and the operating information presented include:

- Principal Participating Employers
- Retired Members by Benefit Type
- Average Benefit Amounts
- Retired Members by Type of Retirement
- Average Benefit Payments and Average Final Valuation Pay
- Schedule of Participating Agencies and Political Subdivisions

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGE IN NET ASSETS
JUNE 30, 2011
LAST TEN FISCAL YEARS
(dollars in thousands)

	2002	2003	2004	2005	2006
Additions					
Member contributions	$ 12,944	$ 14,770	$ 14,762	$ 15,326	$ 16,085
Employer contributions	39,168	55,206	61,927	74,655	88,184
Transfer of member account asset balances	-	-	-	-	-
Investment income (loss) (net of expenses)	(124,177)	82,174	286,895	197,433	187,004
Total additions	(72,065)	152,150	363,584	287,414	291,273
Deductions					
Benefit payments	85,323	100,381	111,646	115,635	125,818
Refunds	681	739	796	762	635
Administrative expenses	2,092	2,007	2,066	1,857	1,920
Total deductions	88,096	103,127	114,508	118,254	128,373
Change in net assets	$ (160,161)	$ 49,023	$ 249,076	$ 169,160	$ 162,900

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS BY TYPE
JUNE 30, 2011
LAST TEN FISCAL YEARS
(dollars in thousands)

	2002	2003	2004	2005	2006
Type of Benefit					
Service benefits:					
Retirees	$ 64,030	$ 77,009	$ 87,123	$ 102,641	$ 112,210
Survivors	4,041	4,811	5,032	2,087	1,483
Disability	17,251	18,560	19,491	10,907	12,125
Total benefits	$ 85,322	$ 100,380	$ 111,646	$ 115,635	$ 125,818
Refund of Contributions	$ 681	$ 739	$ 796	$ 762	$ 635

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

2007	2008	2009	2010	2011
$ 16,362	$ 18,851	$ 18,245	$ 20,431	$ 18,592
109,436	117,686	109,567	113,958	109,344
-	-	-	31,530	-
420,847	(81,746)	(428,525)	304,185	510,018
546,645	54,791	(300,713)	470,104	637,954
136,833	147,027	168,618	169,089	178,792
793	673	668	1,415	1,568
2,431	2,557	2,803	2,907	3,079
140,057	150,257	172,089	173,411	183,439
$ 406,588	$ (95,466)	$ (472,802)	$ 296,693	$ 454,515

2007*	2008	2009	2010	2011
$ 98,653	$ 105,369	$ 123,560	$ 122,861	$ 129,941
5,952	6,723	7,333	7,620	7,944
32,228	34,935	37,725	38,608	40,907
$ 136,833	$ 147,027	$ 168,618	$ 169,089	$ 178,792
$ 793	$ 673	$ 668	$ 1,415	$ 1,568

MONTGOMERY COUNTY, MARYLAND
RETIREMENT SAVINGS PLAN
SCHEDULE OF CHANGE IN NET ASSETS
JUNE 30, 2011
LAST TEN FISCAL YEARS
(dollars in thousands)

	2002	2003	2004	2005	2006
Additions					
Member contributions	$ 3,308	$ 3,750	$ 4,208	$ 4,820	$ 5,860
Employer contributions	5,791	6,799	6,468	8,758	9,437
Transfer of member account asset balances	-	-	-	-	-
Investment income (loss) (net of expenses)	(3,200)	1,967	6,354	4,668	8,237
Total additions	5,899	12,516	17,030	18,246	23,534
Deductions					
Distributions	945	867	1,382	2,441	4,306
Administrative expenses	87	210	247	231	243
Total deductions	1,032	1,077	1,629	2,672	4,549
Change in net assets	$ 4,867	$ 11,439	$ 15,401	$ 15,574	$ 18,985

MONTGOMERY COUNTY, MARYLAND
RETIREMENT SAVINGS PLAN
SCHEDULE OF DISTRIBUTION DEDUCTIONS FROM NET ASSETS
JUNE 30, 2011
LAST TEN FISCAL YEARS
(dollars in thousands)

	2002	2003	2004	2005	2006
Distributions	$ 945	$ 867	$ 1,382	$ 2,441	$ 4,306

2007	2008	2009	2010	2011
$ 6,798	$ 8,118	$ 11,263	$ 8,871	$ 8,686
11,227	13,583	20,625	16,401	16,072
-	-	-	(31,530)	-
17,174	(8,383)	(26,722)	14,191	32,877
35,199	13,318	5,166	7,933	57,635
4,455	5,216	3,669	3,902	5,854
293	258	300	237	244
4,748	5,474	3,969	4,139	6,098
$ 30,451	$ 7,844	$ 1,197	$ 3,794	$ 51,537

2007	2008	2009	2010	2011
$ 4,455	$ 5,216	$ 3,669	$ 3,902	$ 5,854

MONTGOMERY COUNTY, MARYLAND
DEFERRED COMPENSATION PLAN
SCHEDULE OF CHANGE IN NET ASSETS
JUNE 30, 2011
LAST TEN FISCAL YEARS
(dollars in thousands)

	2002	2003	2004	2005	2006
Additions					
Member contributions	$ 20,086	$ 21,062	$ 21,610	$ 19,929	$ 16,562
Investment income (loss) (net of expenses)	(25,497)	4,660	29,456	14,587	20,486
Total additions	(5,411)	25,722	51,066	34,516	37,048
Deductions					
Distributions	9,898	11,104	9,634	10,216	11,226
Administrative expenses	49	17	6	16	-
Total deductions	9,947	11,121	9,640	10,216	11,226
Change in net assets	$ (15,358)	$ 14,601	$ 41,426	$ 24,300	$ 25,822

MONTGOMERY COUNTY, MARYLAND
DEFERRED COMPENSATION PLAN
SCHEDULE OF DISTRIBUTION DEDUCTIONS FROM NET ASSETS
JUNE 30, 2011
LAST TEN FISCAL YEARS
(dollars in thousands)

	2002	2003	2004	2005	2006
Distributions	$ 9,898	$ 11,104	$ 9,634	$ 10,216	$ 11,226

2007	2008	2009	2010	2011
$ 16,649	$ 17,294	$ 18,058	$ 17,029	$ 17,029
32,394	(9,378)	(44,479)	19,411	42,988
49,043	7,915	(26,421)	36,440	60,017
12,410	15,714	13,391	8,723	16,178
-	-	-	-	-
12,410	15,714	13,391	8,723	16,178
$ 36,633	$ (7,799)	$ (39,812)	$ 27,717	$ 43,839

2007	2008	2009	2010	2011
$ 12,410	$ 15,714	$ 13,391	$ 8,723	$ 16,178

MONTGOMERY COUNTY, MARYLAND
EMPLOYEES' RETIREMENT SYSTEM
PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND SIX YEARS AGO
JUNE 30, 2011

Participating Government	2011* Covered Employees	2011* Percentage of Total System	2005** Covered Employees	2005** Percentage of Total System
Montgomery County***	5,348	96.7%	5,419	96.2%
Town of Chevy Chase	4	0.1%	5	0.1%
Strathmore Hall	9	0.2%	7	0.1%
Housing Opportunities Commission	136	2.5%	159	2.8%
Revenue Authority	5	0.1%	17	0.3%
Washington Suburban Transit Commission	-	-	2	0.1%
Montgomery County Employees Federal Credit Union	10	0.2%	8	0.2%
State Department of Assessment and Taxation	2	0.1%	6	0.1%
District Court	1	0.1%	5	0.1%
Total	5,515	100%	5,628	100%

* Includes GRIP participants
**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, 2011

Fiscal Year	Retiree	Disability	Survivor	Total
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
2010	4,132	1,079	380	5,591
2011	4,245	1,074	393	5,712

*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, 2011

Fiscal Year	Retiree	Disability	Survivor	Total
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
2010	29,734	35,781	20,052	30,243
2011	30,610	38,088	20,214	31,301

*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, 2011

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	398									
$ 1 – $ 250	188	161	25	2	99	46	32	1	7	3
251 – 500	296	240	49	7	175	62	48	2	4	5
501 – 750	281	218	56	7	147	65	50	5	7	7
751 – 1,000	289	216	51	22	140	56	58	10	11	14
1,001 – 1,250	331	247	45	39	167	68	68	7	6	15
1,251 – 1,500	276	199	33	44	133	64	46	6	8	19
1,501 – 1,750	287	209	30	48	136	56	50	14	14	17
1,751 – 2,000	267	189	22	56	129	60	43	14	7	14
Over 2,000	3,497	2,566	82	849	1,353	1,052	238	293	110	451
Total	6,110	4,245	393	1,074	2,479	1,529	633	352	174	545

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						
	0 – 5	**5 – 10**	**10 – 15**	**15 – 20**	**20 – 25**	**25 – 30**	**30 +**
Retirement Effective Dates							
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
Period 7/1/2009 to 6/30/2010							
Average monthly benefit*	$ -	$ 3,212	$ 2,747	$ 2,815	$ 3,548	$ 4,008	$ 5,289
Average final valuation pay**	$ -	$ 63,839	$ 82,064	$ 83,152	$ 85,524	$ 83,495	$ 86,947
Number of retired members***	-	6	6	43	49	39	68
Period 7/1/2010 to 6/30/2011							
Average monthly benefit*	$ 1,965	$ 3,412	$ 2,674	$ 3,091	$ 3,303	$ 4,136	$ 5,079
Average final valuation pay**	$ 46,807	$ 65,268	$ 65,263	$ 85,031	$ 82,627	$ 88,067	$ 84,544
Number of retired members***	1	4	5	37	80	50	57

* 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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