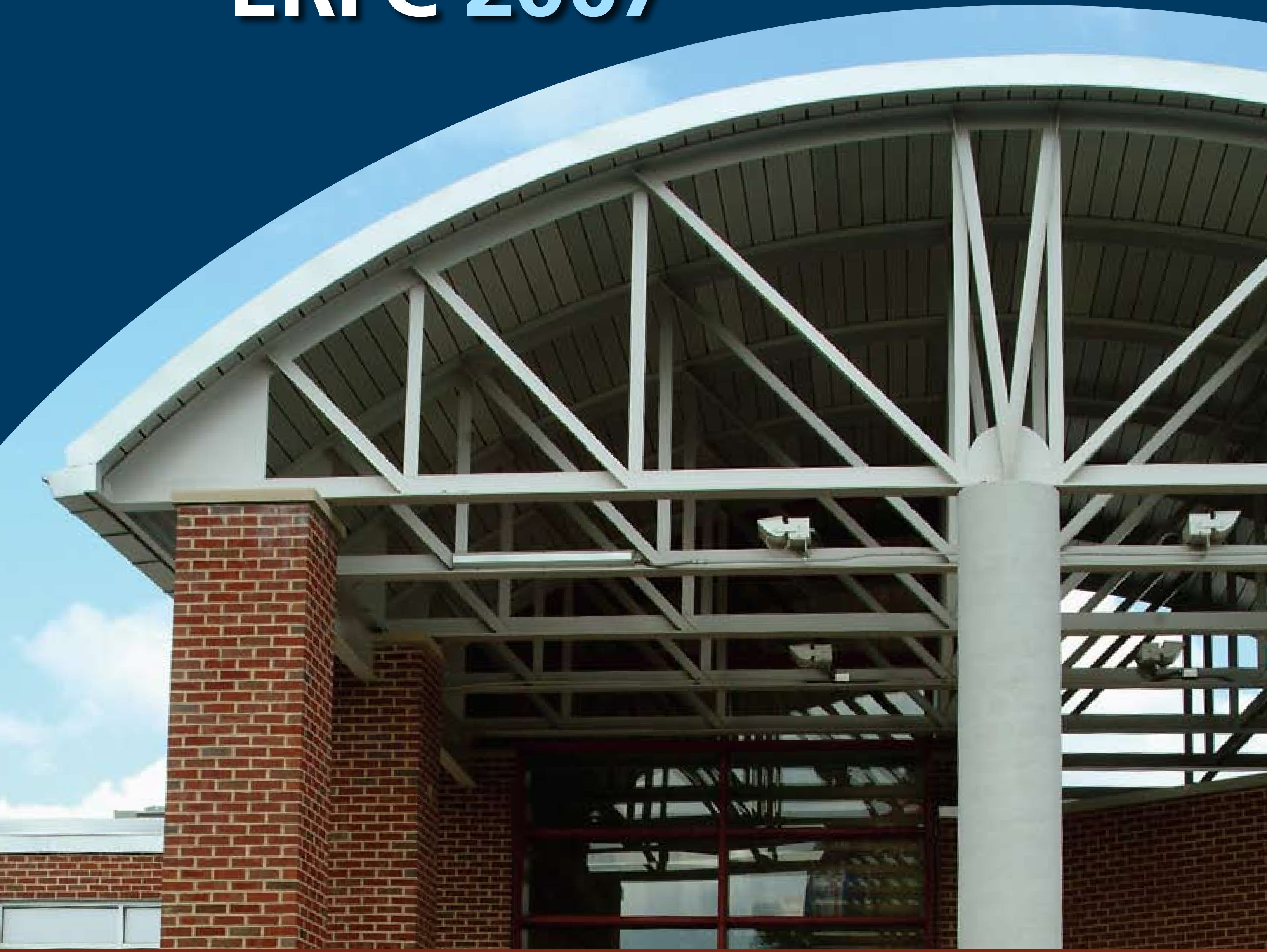
ERFC 2007



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

ERFC

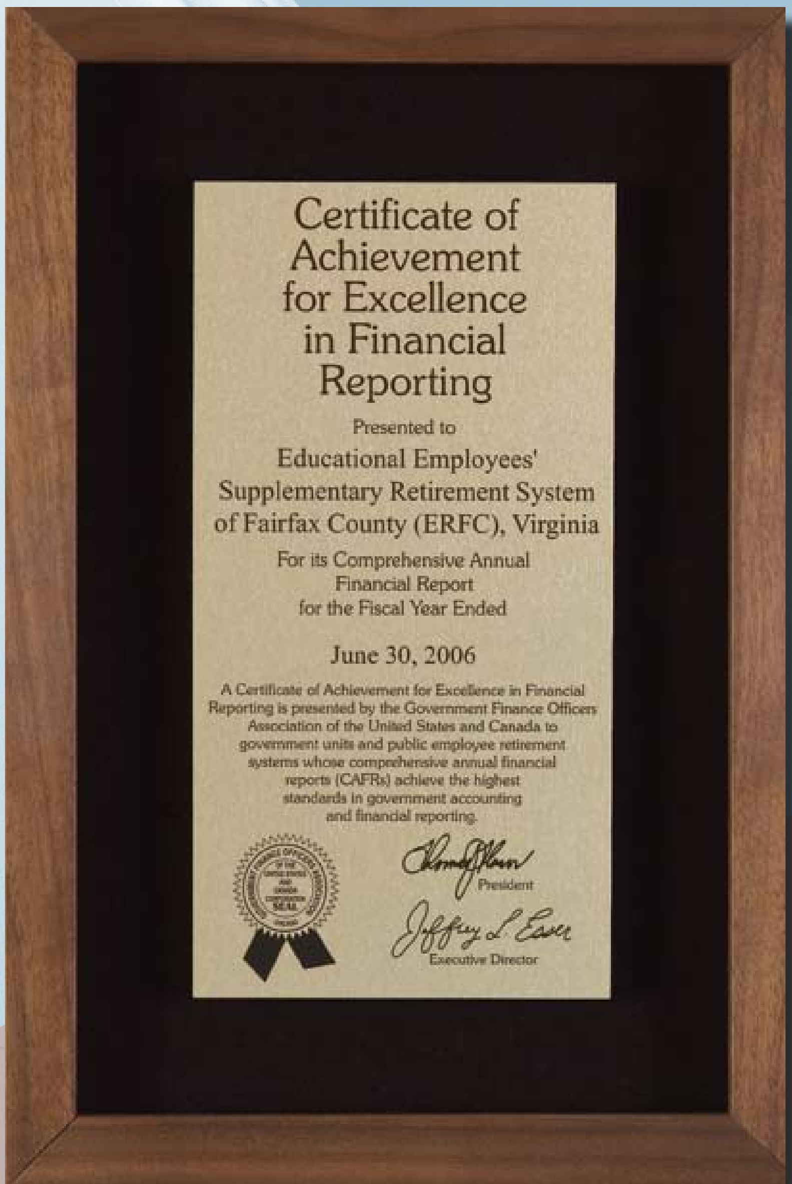
THE EDUCATIONAL EMPLOYEES' SUPPLEMENTARY RETIREMENT SYSTEM *of Fairfax County*

A Component Unit of Fairfax County Public Schools, Fairfax County, VA

Achievements

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

This plaque was awarded to the ERFC for excellence in financial reporting for their presentation of the fiscal year *2006 Comprehensive Annual Financial Report*. This is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. It is a prestigious national award recognizing excellence and represents a significant achievement by the school system. The award reflects the commitment of the ERFC Board of Trustees, School Board, and ERFC staff to achieve and maintain the highest standards of financial reporting.



2007 ERFC
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

Educational Employees' Supplementary
Retirement System of Fairfax County

A Component Unit of the
Fairfax County Public Schools, Fairfax, Virginia

ERFC
THE EDUCATIONAL EMPLOYEES' SUPPLEMENTARY RETIREMENT SYSTEM *of Fairfax County*

PREPARED BY

ERFC Staff
8001 Forbes Place, Suite 300
Springfield, VA 22151

DESIGNED BY

Fairfax County Public Schools
Information Technology

Communications Design

Mission Statement and Principles

The mission of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is to enhance the financial well-being and security of its members and beneficiaries, while maintaining the stability and longevity of the fund through prudent financial stewardship of a defined benefit retirement plan. It is also to provide members with responsive, professional and personalized services, consistent with practices that ensure the promises made are soundly financed by assets administered in the interests of the plan participants.

PHILOSOPHY

Courteous Service

To give members prompt and courteous service and to provide complete and accurate information.

Exclusive Benefit

To act as fiduciaries entrusted with the management of plan assets and payment of retirement benefits for the exclusive benefit of members.

Ethical Conduct

To adhere to the highest standards of conduct set out in the terms of the trust, state statute, or other law.

PRUDENT MANAGEMENT

Adequate Funding

To maintain adequate funding of all promised benefits and to ensure the financial integrity of the System.

Prudent Investments

To adopt comprehensive objectives, methods for evaluation of performance, and policies that ensure the highest possible investment return consistent with the prudent investment of plan assets.

Independence of Retirement System

To maintain a retirement system that functions as an independent retirement trust, separate from state and local government; such independence includes the power of trustees to set actuarial assumptions, to appoint professionals such as actuaries and attorneys on whom they must rely to carry out their responsibilities, and to establish a budget for the System that ensures the delivery of high quality, cost-effective services to members.

Actuarial Studies

To have an annual actuarial valuation performed by an enrolled actuary in accordance with actuarial standards and an actuarial experience study at least every five years.

Annual Reports

To keep, as part of the public record, annual financial, actuarial, and investment information that will be available for members and elected officers.

Financial Audits

To prepare an annual financial statement in accordance with generally accepted accounting principles and to have an annual audit of the System's financial statement in accordance with generally accepted auditing standards.

Table of Contents

Achievements

PUBLIC PENSION STANDARDS *2007 AWARD*

This award has been presented to ERFC in recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Coordinating Council. This award represents an exceptionally high level of administration and reporting in the public pension industry.

Liberty Middle School

Introduction

- Letter of Transmittal
- Letter from the Chairperson
- Board of Trustees
- Administrative Organization
- Professional Services

Letter of Transmittal

ERFC
THE EDUCATIONAL EMPLOYEES' SUPPLEMENTARY RETIREMENT SYSTEM of Fairfax County
8001 Forbes Place, Suite 300
Springfield, VA 22151

December 26, 2007

The Board of Trustees
Educational Employees' Supplementary
Retirement System of Fairfax County (ERFC)
Springfield, VA 22151

Dear Chairperson and Members of the Board of Trustees:

It is our privilege to submit the Comprehensive Annual Financial Report (CAFR) for the Educational Employees' Supplementary Retirement System of Fairfax County ("ERFC" or "System") for the fiscal year ended June 30, 2007. ERFC management holds responsibility for the financial information presented in this report. Proper internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements. This CAFR reflects the careful stewardship of the System's assets, and dedicated service provided by the Board and staff. For financial reporting purposes, ERFC is considered a component unit of the Fairfax County Public Schools, Fairfax County, Virginia. As such, this report is designed to comply with the reporting requirements of Sections 3-4-6(a)(8) of the Fairfax County Code and the Virginia Code. Additionally, we believe this report conforms to Government Finance Officers Association (GFOA) requirements.

The following encapsulates the System's historical background, and summarizes significant Board and management achievements for the fiscal year.

Plan History

The ERFC was established on July 1, 1973, through negotiations conducted between the Fairfax County School Board and the Fairfax Education Association (FEA). The terms under which ERFC operates, were later incorporated in a Fairfax County ordinance and the ERFC Plan Document. Historically, ERFC benefits have been designed to supplement the benefits of two other retirement plans: the Virginia Retirement System (VRS) and the federal Social Security System. In 1987, the VRS introduced major increases in the state's early retirement benefits, which prompted ERFC to conduct a thorough re-examination of its complementary supplemental benefits plan. Effective July 1, 1988, the ERFC Legacy benefit structure was changed significantly to re-balance the ERFC benefit amounts payable to future members, while protecting and maintaining the rights of current members. The School Board approved further refinements to the retirement program in 2001, introducing a second benefit structure, *ERFC 2001,* for new and future ERFC Plan members. Eligible FCPS employees hired on or after July 1, 2001, are now enrolled in *ERFC 2001,*

Letter of Transmittal

a more streamlined, stand-alone retirement benefit plan. Together, the *ERFC* Legacy and *ERFC 2001* plan structures, provide a valuable defined benefit retirement program for thousands of full-time educational and support service employees of Fairfax County Public Schools.

Strategic Plan Update

In July 2007, the trustees adopted a revised strategic plan for ERFC that dictates staff and Board priorities for the next several years. The plan is divided into six sections including: I. Achieving and Maintaining Best Practices for ERFC; II. Member Communications; III. Accountability, Disclosure, and Advocacy; IV. Governance and Fiduciary Responsibility; V. Funding Policy/Investment Management; VI. Administration and Management; and, VII. Long-term Automation. Details of the *2007 ERFC Strategic Plan* are available on the web site: www.fcps.edu/ERFC.

New Technology Initiative

After conducting an extensive Request for Proposal (RFP) process early in 2007, ERFC contracted with Levi, Ray & Shoup, Inc. (LRS), to replace and consolidate a series of outdated computer resource applications with a fully-integrated Retirement Benefit Administration and Payroll computer system. The new system, which is expected to cost slightly less than $3 million, will add significant functionality and efficiency for staff, further improving responsiveness in serving the membership. Additionally, the system will help move ERFC toward a “paperless” office, in which all files may be stored electronically. The first steps of the operational transitions began earlier this year, as we introduce the new system functions in phases. The initial membership phase is scheduled for completion by fall 2008. We anticipate full system implementation by the end of Fiscal Year 2009.

Plan Financial Condition

As reported by an independent actuary for the valuation period ending December 31, 2006, ERFC continues to be in sound financial condition. The ERFC’s funded ratio of 86.4 percent rose slightly above the 84.5 percent ratio, which held steady for the two previous calendar years. It also measures slightly higher than the 85.8% average reported for 125 public pension plans nationally.

The Schedule of Funding Progress contained in the Financial Section of this report, presents historical information for the ERFC’s funded ratio. Information regarding the overall financial condition of the pension trust fund can also be found in the Financial Section, as well as in the Actuarial and Statistical Sections of this report.

Investment Activity

Fiscal Year 2007 was another strong year for the ERFC, as the System reached a newlandmark. For the first time, ERFC’s portfolio ended a fiscal year at just over $2.0 billion. This pivotal achievement was driven by four consecutive years of outstanding returns in the capital markets.

Letter of Transmittal

Very strong international returns (32.3 percent) and strong real estate returns (17.7 percent) were key contributors to the Fund's total return rate of 17.7 percent for Fiscal Year 2007. This compares favorably to the Fund's diversified benchmark return of 16.7 percent, and stands closely parallel to the year's average return rate of 17.8 percent for large public pension plans.

ERFC's assets have performed favorably on both an absolute and relative basis for the longer term. For both the 3-year and 5-year periods ending June 30, 2007, ERFC's returns exceeded both the diversified benchmark and the large public fund universe returns. However, the System did lag the diversified target for the 10-year period, due mainly to the underperformance of ERFC's equity managers during the 5-year period prior to July 2001. For all reporting periods (1-year, 3-year, 5-year, and 10-year) ending June 30, 2007, the fund return has exceeded the actuarially assumed return rate of 7.5 percent.

The Investment Section of this report provides further details regarding the Fund's performance.

ERFC's target allocations remained unchanged during Fiscal Year 2007, and included 32.7 percent for domestic large cap stocks, 11.8 percent for small cap domestic stocks, 18.0 percent for international stocks, 7.5 percent for real estate, and 30.0 percent for fixed income. Although no changes were made to these target allocations, the Board adopted several changes in the investment manager line-up. Two new international managers, Acadian Asset Management and AllianceBernstein, each received $114 million, which was funded by liquidating the portfolio managed by Templeton Investment Counsel, plus an International Stock Index Fund managed by Mellon Capital. In addition, approximately $84 million was transitioned to a small cap index fund through the liquidation of the EARNEST Partners account.

While the existing asset target mix has served the Fund well during recent market conditions, we do anticipate increased market volatility and more modest returns over the next several years. Working under the direction of ERFC's new investment consultant, New England Pension Consultants, and based on an asset/liability modeling study, the Board of Trustees adopted several strategic changes to the asset allocation targets beginning in Fiscal Year 2008. The new asset allocation targets include 25.0 percent to domestic large cap stocks, 7.5 percent to small cap domestic stocks, 14.0 percent to international stocks, 7.5 percent to fixed income, 15.0 percent to Global Asset Allocation, and 7.5 percent to Absolute Return Hedge Fund strategies. The new asset allocations provide greater diversification in the portfolio and add a modest tactical component to improve the potential for higher returns in more volatile markets.

Professional Services

The Board of Trustees appoints professional services to provide aid in the efficient management of the System. New England Pension Consultants (NEPC), based in Cambridge, Massachusetts, provides investment consulting services, and Gabriel, Roeder, Smith & Company, of Southfield, Michigan, provides actuarial services.

Letter of Transmittal

In accordance with county code, the Fairfax County Board of Supervisors appointed KPMG LLP, Certified Public Accountants, Washington, D.C., to audit the System's financial statements.

Awards

The System proudly announces that the Government Finance Officers Association of the United States and Canada (GFOA) recently awarded ERFC the **Certificate of Achievement for Excellence in Financial Reporting** for the FY 2006 Comprehensive Annual Financial Report (CAFR). This is the tenth consecutive year ERFC has earned the award. The GFOA certification remains valid for a period of one year, and requires, at minimum, that each CAFR satisfy both generally accepted accounting principles and legal requirements.

The Public Pension Coordinating Council also honored the ERFC recently, granting the System the **Public Pension Standards' 2007 Award.** The ERFC earned the award in recognition for meeting or exceeding professional standards for plan design and administration, as set forth in the Public Pension Standards.

Conclusion

This report is a product of the combined efforts of the ERFC staff and advisors functioning under your leadership. It is intended to provide complete and reliable information that will advance the management decision process, serve as a means for determining compliance with legal requirements, and allow for an assessment of the stewardship of the System's funds.

We extend our sincere appreciation to all those who contributed to the production of this document.

ERFC distributes this annual report to the members of the Fairfax County School Board, the Fairfax County Public Schools' Leadership Team and Government Finance Offices, Fairfax County Public Libraries, and other interested parties. We hope that all recipients find the report informative and useful.

Respectfully submitted,

Alan Belstock, PhD
Executive Director

Bob Lausier
Finance Coordinator

Letter from the Chairperson

THE EDUCATIONAL EMPLOYEES' SUPPLEMENTARY RETIREMENT SYSTEM
of Fairfax County
8001 Forbes Place, Suite 300
Springfield, VA 22151

December 26, 2007

Dear ERFC Members:

On behalf of the Board of Trustees of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC), it is a privilege to present the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2007. As this report demonstrates, the ERFC Board and staff strive to maintain the integrity of the fund by committing to best practices in all areas of financial management and customer service. As a Board, we work collectively to build and preserve trust assets, while generating a strong investment income to pay the supplemental retirement benefits promised by Fairfax County Public Schools. As we monitor leading financial trends and economic indicators for the year, we are proud to report that the ERFC Fund remains in great financial health.

The Board's composition held constant this year. For fiscal year 2008, the ERFC Board of Trustees includes School Board-appointed members, Mr. Tom Bowen, Ms. Deirdra McLaughlin, and Dr. Richard Moniuszko. I am joined in the member-elected board positions by Ms. Jeannine Maynard and Mr. Leonard Bumbaca. Mr. Nitin Chittal continues to serve as the individual Trustee, a position that is approved by the School Board and elected by the trustees. In July, the trustees re-elected Deirdra McLaughlin as the board's Treasurer. I was elected to serve as chairperson, and Jeannine Maynard was elected as vice-chairperson. All board and staff members extend our sincere thanks to Leonard Bumbaca for his dedication and leadership serving as ERFC's chairperson for the past six years. Mr. Bumbaca's committed efforts have been a tremendous asset to ERFC, and we are deeply grateful for his support as he continues to serve on the board as a trustee.

Additionally, we wish to acknowledge key projects undertaken over the past year by Executive Director, Alan Belstock and his staff. Among these, Dr. Belstock and staff worked to update, amend, and clarify the *ERFC* and *ERFC 2001* Plan provisions, to improve member understanding and ensure full legal compliance. Notably, the most recent amendment brings ERFC into alignment with new rulings signed into law last year through the Pension Protection Act (PPA). ERFC's plan provisions now specify the availability of a roll-over option to surviving spouses and eligible non-spouse beneficiaries, on distributions payable as a result of a Member's death. The amended ERFC Plan also includes a provision that allows retired Members, age 65 and older, who are working in part-time positions with FCPS, to receive their eligible ERFC benefits without suspension while employed in a part-time capacity.

A special thanks to Deputy Executive Director, Jeanne Carr and her team, for their ongoing work to implement a new integrated Retirement Benefit Administration and Payroll computer system for ERFC. The new PensionGold© operating system will replace all current ERFC applications with a single solution, containing features that extend beyond ERFC's current capabilities for benefit administration, retiree payroll, benefit calculations, and workload monitoring. The effort also

Letter from the Chairperson

includes conversion of all hard copy member files, using an imaging solution and web services platform that will allow members to process requests and access their account information directly online. The new system will be implemented incrementally over the next 18 months, with full completion expected in the summer of 2009.

We are especially proud to report that ERFC achieved a significant milestone at the close of Fiscal Year 2007, as the portfolio reached just over $2 billion in assets. Driven by four consecutive years of outstanding returns, the fund has grown by more than $630 million since Fiscal Year 2002. The asset mix implemented during this high performance period has served the portfolio extremely well. However, with increased volatility surfacing in the current markets, the Board anticipates that the portfolio is likely to achieve more moderate returns over the near term. Therefore, in order to increase the potential for a greater return in adverse markets while reducing the overall risk, the Board has recently restructured ERFC's investment portfolio, making significant changes among our service providers for Fiscal Year 2008. Working closely under the advisement of the investment consultant, the Board approved moving 15 percent of funds to Global Asset Allocation (GAA) strategies, and a 7.5 percent allocation to Absolute Return Strategies (Hedge Funds). We will continue to review and report on the progress of these new investment strategies for ERFC throughout the coming year.

ERFC's defined benefit plan provides a unique and valuable benefit to the educational employees of Fairfax County Public Schools. No other school system in the state or the region invests in a retirement program like ERFC, which was designed specifically to reward public service professionals with a pension to supplement the primary benefits they earn and receive separately from Virginia and Social Security. FCPS employee members partner with their employer by contributing 4% and 3.37% of salary, respectively, in pre-tax dollars to ERFC, but it is the System's investment income that provides the integral component necessary to fulfill the guarantee of defined member benefits. To this goal, the ERFC Board of Trustees works in close alliance with the Plan's investment consultant and actuary, committing our best prudent judgment to our fiduciary responsibilities.

In closing, the Board of Trustees and the ERFC staff express sincere appreciation to our members for their continued interest and support. We value your opinions and welcome your feedback regarding any aspect of your retirement system. You are encouraged to visit our website at: www.fcps.edu/ERFC—or contact a member of the Board or staff with any questions or concerns regarding the pension fund or your payable retirement benefits. We are committed to providing communications and services to meet and exceed the needs of our members.

Yours sincerely,

Michael Hairston
Chairperson
ERFC Board of Trustees

Board of Trustees

The Board of Trustees is the governing body of the Educational Employees' Supplementary Retirement System of Fairfax County. The Board is composed of seven members: three appointed by the School Board, three elected by the membership of the System, and one not affiliated with or employed by Fairfax County, the Fairfax County School Board, or any union or similar organization that represents teachers or other Fairfax County employees. The "individual" trustee is chosen by unanimous vote or consent by the other six trustees and approved by the Fairfax County School Board.

The Board of Trustees appoints an executive director, an actuary, an investment consultant, and legal counsel for the transaction of business. The Board meets monthly and receives no compensation but is reimbursed for business-related expenses. The Board's executive committee is comprised of the chairperson and treasurer.

Michael A. Hairston
Chairperson/Trustee
Elected Member

Jeannine Maynard
Vice Chairperson/
Trustee
Elected Member

Deirdra McLaughlin
Treasurer/Trustee
Appointed Member

Leonard Bumbaca
Trustee
Elected Member

Richard Moniuszko
Trustee
Appointed Member

Tom Bowen
Trustee
Appointed Member

Nitin M. Chittal
Trustee
Appointed Member

ERFC Administrative Organization

- **BOARD OF TRUSTEES** ········ **SCHOOL BOARD**
  - **Alan Belstock**, Executive Director
    - **Janet Kohler Dueweke**, Communications Specialist
    - **Carly Murphy**, Administrative Assistant
    - **Jason Mohler**, Program Assistant
    - **Jeanne Carr**, Deputy Executive Director
      - **Evelyn Morgan**, Administrative Assistant
      - **INFORMATION SYSTEMS**
        - **Tom Shifflett**, Technology Coordinator
          - **Robert Baden**, Software Developer
          - **Lana Caulfield**, Functional Application Specialist
      - **RETIREMENT ADMINISTRATION**
        - **Joyce Cosby**, Retirement Coordinator
          - **Vicki Gowin**, Retirement Specialist
          - **Leslie Chappell**, **Lisa Ray**, **Lauren MacKey**, **Marilyn Lavery**, Retirement Assistants
          - **Pat Church**, **Joanna Coles**, **Sethe Eckstein**, **Helen Fussell**, **Sara Stewart**, Retirement Counselors
    - **FINANCE ADMINISTRATION**
      - **Bob Lausier**, Finance Coordinator
        - **Joy Russom**, Investment Accounting Analyst
        - **Kevin McCarty**, **Michael Lunter**, **Helen Shiflett**, Financial Analysts
        - **Lisa Grigsby**, Accounting Technician
        - **Thelma Francis**, **Tammy Martin**, Business Ops. Assistants

INTRODUCTION

Professional Services

ACTUARY

Gabriel, Roeder, Smith & Company
Southfield, Michigan

AUDITOR

KPMG LLP
Certified Public Accountants
Washington, D.C.

DOMESTIC EQUITY INVESTMENT MANAGERS

AllianceBernstein
New York, New York

Aronson + Johnson + Ortiz, LP
Philadelphia, Pennsylvania

Dodge & Cox
San Francisco, California

EARNEST Partners, LLC [2]
Atlanta, Georgia

Lazard Asset Management
New York, New York

Mellon Capital Management Corporation
San Francisco, California

Westfield Capital Management
Boston, Massachusetts

FIXED INCOME INVESTMENT MANAGERS

Loomis-Sayles & Company
Boston, Massachusetts

Mellon Capital Management Corporation
Pittsburgh, Pennsylvania

Pacific Investment Management Company
Los Angeles, California

INTERNATIONAL EQUITY INVESTMENT MANAGERS

Acadian Asset Management [1]
Boston, Massachusetts

AllianceBernstein [1]
New York, New York

Mellon Capital Management Corporation [2]
Pittsburgh, Pennsylvania

Templeton Investment Counsel, LLC [2]
San Mateo, California

William Blair and Company, LLC
Chicago, Illinois

INVESTMENT CONSULTANT

New England Pension Consultants [1]
Cambridge, Massachusetts

LEGAL COUNSEL

Bredhoff & Kaiser, P.L.L.C.
Washington, D.C.

Groom Law Group, Chartered
Washington, D.C.

MASTER CUSTODIAN

BNY Mellon
Pittsburgh, Pennsylvania

REAL ESTATE MANAGERS

JP Morgan Asset Management
New York, New York

Prudential Investment Management
Parsippany, New Jersey

Urdang Investment Management
Plymouth Meeting, Pennsylvania

UBS Global Asset Management
Hartford, Connecticut

TECHNOLOGY CONSULTANT

Leon Wechsler, LTD
Fairfax, Virginia

[1] Hired in fiscal year 2007
[2] Terminated in fiscal year 2007

Robert E. Lee High School

Financial Section

- Independent Auditors' Report
- Management Discussion and Analysis
- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Notes to the Financial Statements
- Required Supplementary Information
- Notes to the Schedules of Required Supplementary Information
- Other Supplementary Information

Independent Auditor's Report

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

The School Board
Fairfax County Public Schools

The Board of Trustees
of the Educational Employees' Supplementary
Retirement System of Fairfax County:

We have audited the statement of plan net assets of the Educational Employees' Supplementary Retirement System of Fairfax County (the System), a pension trust fund of Fairfax County Public Schools, as of June 30, 2007, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. 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 basic financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2007, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management Discussion and Analysis, Schedule of Funding Progress, and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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.

Independent Auditor's Report

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The supplementary information on pages 30 through 32 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the 2007 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2007 basic financial statements taken as a whole. The information included in the introduction, investment, actuarial, and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on such information.

KPMG LLP

December 3, 2007

Management Discussion and Analysis

This discussion and analysis of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2007. The information contained in this section should be reviewed in conjunction with the letter of transmittal provided in the Introduction Section of this document.

Financial Overview

For fiscal year 2007, ERFC's assets generated a return of 17.7 percent[1]. This resulted in a total asset value of $2.02 billion which is an increase of $249.2 million over fiscal year 2006's year end total (as reflected in the accompanying chart). Additional detail on this net increase in fund value is outlined in the Summary of Additions and Deductions table contained within this Financial Section. As shown, it is comprised of four major components. They include $304.1 million in investment income and $81.1 million in employee and employer contributions. The additions are offset by $128.7 million in retiree benefit payments and $7.3 million in member refunds and administrative expenses.

The 12 months ending June 30, 2007, is the fifth consecutive fiscal year that ERFC's assets generated a positive return. The fiscal year 2007 return of 17.7 percent was measurably greater than ERFC's long-term actuarial assumption rate of 7.5 percent and exceeded the policy benchmark return of 16.7 percent[2] and was slightly less than the return of 17.8 percent[3] for plans similar to ERFC. Three, five, and ten year returns are 13.4 percent, 12.1 percent, and 8.0 percent, respectively. While the 10 year return slightly lagged the policy benchmark return (of 8.5 percent) and was equal to the return for similar plans, both the three year and five year ERFC returns exceeded these comparative numbers. Additional detail regarding investment results can be found in the Investment Section of this report.

ERFC Fund Balances ($ in millions)

Fiscal Year	Ending Balance	Net Change Dollars	Net Change Percent
2003	$ 1,349.8		
2004	1,528.1	178.3	13.21%
2005	1,647.7	119.6	7.8%
2006	1,766.5	118.8	7.2%
2007	2,015.7	249.2	14.1%

At December 31, 2006, the actuarial value of assets totaled $1.819 billion while liabilities totaled $2.106 billion. This resulted in a funding ratio of 86.4 percent which was 1.5 percent greater than the funding ratio at December 31, 2005. ERFC's funding level is consistent with the funding levels of similar plans nationwide and as addressed in the Actuary's Certification Letter contained within this report, ERFC remains in sound financial condition. The Schedule of Funding Progress contained in this section provides additional historical information. In addition, detailed information regarding actuarial assumptions and methods can be found in the Actuarial Section of this report.

1 As calculated by New England Pension Consultants

2 Policy Index benchmark is 32.7% Russell 1000, 11.8% Russell 2000, 18% MSCI/ACWI Ex-US, 3.75% NAREIT, 3.75% NCREIF, 22.5% Lehman Bros (LB) Aggregate, 3.75% LB Credit, 3.75% LB Long Credit

3 New England Pension Consultants Universe (Funds in excess of $1 billion)

Management Discussion and Analysis

Using this Annual Report

ERFC financial statements are comprised of the Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, and Notes to the Financial Statements. Also contained in the Financial Section is other supplementary information in addition to the basic financial statements.

The Statement of Plan Net Assets provides information on all of the System's assets and liabilities, with the difference between the assets and liabilities shown as net assets. Ultimately, increases or decreases in net assets may be used to measure the financial condition of ERFC as a going-concern over time.

The Statement of Changes in Plan Net Assets describes how ERFC's net assets changed during the current fiscal year. Additions and deductions represent revenues and expenses, respectively. Additions minus deductions represent the change in net assets. For the current fiscal year, ERFC received revenues from contributions and investments. Expenses, or deductions, consisted of benefit payments, refunds, and administrative costs.

The Notes to the Financial Statements provide additional data, which is crucial in understanding the information included in the financial statements. The Notes to the Financial Statements immediately follow the basic financial statements.

In addition to the basic financial statements and accompanying notes, the annual report also provides required supplementary information regarding the ERFC schedule of employer contributions and funding progress which is intended to assess ERFC's ability to accumulate assets to pay retirement benefits when due.

MD & A, *continued on next page*

FINANCIAL

Summary of Plan Net Assets

	June 30, 2007	June 30, 2006	Difference
Assets			
Total cash and investments	$ 2,271,988,510	$ 1,917,025,310	$ 354,963,200
Total receivables	12,740,225	7,854,030	4,886,195
Other assets	105,194	24,792	80,402
Total assets	2,284,833,929	1,924,904,132	359,929,797
Liabilities			
Accounts payable	1,585,881	1,264,024	321,857
Securities purchased	8,960,018	9,899,543	(939,525)
Securities lending collateral	258,549,938	147,205,644	111,344,294
Total liabilities	269,095,837	158,369,211	110,726,626
Total Net assets held in trust for pension benefits	**$ 2,015,738,092**	**$ 1,766,534,921**	**$ 249,203,171**

Management Discussion and Analysis

Financial Statements

As indicated in the Summary of Plan Net Assets, the System's net asset value increased $249.2 million, or 14.1 percent in fiscal year 2007. This total increase in net assets is due primarily to an increase of $355.0 million in the value of investments and a $4.9 million increase in the value of receivables which is offset primarily by an increase of $111.3 million in securities lending collateral.

As presented in the Summary of Additions and Deductions (below) additional information is provided regarding the differences between the fiscal year 2006 and 2007 results. These differing results are due mainly to a significant increase in investment income of $134.2 million and an increase in member and employer contributions of $4.2 million. The changes above are offset by deduction increases in the following three categories: benefit payments of $7.1 million, member refunds of $0.5 million, and administrative expenses of $0.4 million.

Requests for Information

This financial information is intended to provide a general overview of the System's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to either the Executive Director or the Finance Coordinator of the Educational Employees' Supplementary Retirement System of Fairfax County, 8001 Forbes Place, Suite 300, Springfield, Virginia 22151.

Summary of Additions and Deductions

	June 30, 2007	June 30, 2006	Difference
Additions			
Contributions			
Member	$ 44,453,617	$ 42,292,828	$ 2,160,789
Employer	36,644,001	34,648,918	1,995,083
Donated fixed assets	27,632	—	27,632
Net Investment Income/(Loss)	304,119,327	169,944,356	134,174,971
Total	385,244,577	246,886,102	138,358,475
Deductions			
Benefits	128,739,638	121,687,318	7,052,320
Refunds	3,583,007	3,087,501	495,506
Admin. Expenses	3,718,761	3,289,518	429,243
Total	136,041,406	128,064,337	7,977,069
Net Change	**$ 249,203,171**	**$ 118,821,765**	**$ 130,381,406**

Statement of Plan Net Assets

(As of June 30, 2007)

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Assets

Cash and short-term investments	
Cash	$ 1,563,474
Cash with fiscal agent	1,683,000
Cash collateral for securities on loan	258,549,938
Short-term investments	22,253,398
Total cash and short-term investments	**284,049,810**
Receivables	
Member contributions	229,355
Interest and dividends	3,975,949
Securities sold	8,501,543
Miscellaneous accounts receivable	33,378
Total receivables	**12,740,225**
Investments, at fair value	
U.S. Government obligations	33,454,994
Mortgage-backed securities	6,357,280
Domestic corporate bonds	57,050,595
Convertible bonds	6,230,531
International bonds	35,899,298
Common stock	981,564,650
Real estate	87,466,032
Preferred stock	1,430,385
Mutual funds	778,484,935
Total investments	**1,987,938,700**
Prepaid assets	
Prepaid expenses	24,792
Other assets	
Furniture and equipment	108,860
Accumulated depreciation	(28,458)
Total other assets	**80,402**
Total assets	**2,284,833,929**
LIABILITIES	
Accounts payable	1,585,881
Securities purchased	8,960,018
Securities lending collateral	258,549,938
Total liabilities	**269,095,837**
Net assets held in trust for pension benefits	**$ 2,015,738,092**

(a Schedule of Funding Progress for the plan is on page 27)

See accompanying Notes to the Financial Statements

Statement of Changes in Plan Net Assets

(for the Fiscal Year Ended June 30, 2007)

ADDITIONS	
Contributions	
Employer	$ 36,644,001
Plan members	44,453,617
Total contributions	**81,097,618**
Donated fixed assets	27,632
Investment income	
Net appreciation in fair value of investments	267,227,188
Interest and dividends	40,883,541
Real estate income	2,187,555
Other	107,955
Total investment income	**310,406,239**
Less investment expenses	
Investment management fees	6,264,341
Investment consulting fees	162,000
Investment custodial fees	272,880
Investment salaries	172,353
Total investment expenses	**6,871,574**
Income from securities lending activities	
Securities lending income	9,619,966
Securities lending borrower rebates	(8,840,445)
Securities lending management fees	(194,859)
Net securities lending income	**584,662**
Net investment income	**304,119,327**
Total additions	**385,244,577**
DEDUCTIONS	
Benefits	128,739,638
Refunds	3,583,007
Administrative expense	3,718,761
Total deductions	**136,041,406**
Net increase	**249,203,171**
Net assets held in trust for pension benefits	
Beginning of year	**1,766,534,921**
End of year	**$ 2,015,738,092**

See accompanying Notes to the Financial Statements

Notes to the Financial Statements

(for the Fiscal Year Ended June 30, 2007)

INTRODUCTION

The Educational Employees' Supplementary Retirement System of Fairfax County ("ERFC", "System") is a legally separate single-employer retirement system and fund established under Virginia code to provide pension benefits to all full-time educational and administrative support employees who are employed by the Fairfax County Public Schools (Schools) and who are not covered by another Fairfax County, Virginia (County) plan. As such, and as a fund under the financial control of the School Board, the System's financial statements are included in the Schools' basic financial statements as a pension trust fund.

The System contains two primary benefit structures, *ERFC* and *ERFC 2001*. Both are defined benefit structures. The original structure, *ERFC*, became effective July 1, 1973, and is coordinated with the benefits members expect to receive from the Virginia Retirement System (VRS) and Social Security. It remains in effect; however, it is closed to new members. Effective July 1, 2001, all new-hire full-time educational and administrative support employees are enrolled in *ERFC 2001*. This new component incorporates a streamlined stand-alone retirement benefit structure.

1. Summary of Significant Accounting and Other Policies

Basis of Accounting

The System's financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles applicable to governmental units in the United States of America. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan are paid for by the System through the use of investment income and employer and employee contributions.

Investment Policy and Valuation

Short-term investments are reported at cost, which approximates fair value. All other investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. The System records investment purchases and sales as of the trade date. These transactions are not finalized until the settlement date, which occurs approximately two business days after the trade date for domestic trades and approximately seven to ten days after the trade date for international trades. Until finalized, these investment purchases and sales are recorded as payables and receivables, respectively.

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.

Cash

ERFC maintains its cash with the County, which invests cash and allocates interest earned net of a management fee, on a daily basis to the System based on the System's average daily balance of equity in pooled cash. For the fiscal year ended June 30, 2007, the cash balance of $1,563,474 represents funds that could not be invested in the County's enhanced cash fund until July 1, 2007.

The bank balance of the County's public deposits was either insured by the Federal Deposit Insurance Corporation or through the State Treasury Board pursuant to the provisions of the Security for Public Deposit Act. As of June 30, 2007, cash with fiscal agent totaled $1,683,000. This cash is insured and represents receipts from investment sales occurring on the last day of the month.

2. Plan Distribution and Contribution Information

Benefit Structure Descriptions

Benefit provisions for *ERFC* and *ERFC 2001* are established and may be amended by the System's

Notes, *continued on next page*

Notes to the Financial Statements

Board of Trustees subject to approval by the School Board. All members are vested for benefits after five years of service. The *ERFC* benefit formula was revised effective July 1, 1988, following changes to the Virginia Retirement System (VRS), which the *ERFC* has historically supplemented. The benefit structure is designed to supplement VRS and Social Security benefits to provide a level retirement benefit throughout retirement. *ERFC 2001* has a stand-alone structure. Member contributions for *ERFC* and *ERFC 2001* are made through an arrangement that results in a deferral of taxes on the contributions. Further details of member contributions may be found in Article III of both Benefit Structure Documents.

ERFC and *ERFC 2001* provide for a variety of benefit payment types. ERFC's payment types include Service Retirement, Reduced Service, Disability, Death-in-Service, and Deferred Retirement. *ERFC* 2001's payment types include Service Retirement, Death-in-Service, and Deferred Retirement. Minimum eligibility requirements for full service benefits for *ERFC* is either (a) age 65 with 5 years of service or (b) age 55 with 25 years of service. Minimum eligibility requirements for full service benefits for *ERFC 2001* is either (a) age 60 with 5 years of service or (b) any age with 30 years of service. Annual post-retirement cost-of-living increases of 3 percent are effective each March 31. Participants in their first full year of retirement receive a 1.49 percent increase. Participants who retire on or after January 1 receive no cost-of-living increase that first March. Additional detail regarding all benefit payment types can be found in the actuarial valuation and/or the Plan Document.

Contributions

The contribution requirements for *ERFC* and *ERFC 2001* members are established and may be amended by the System's Board of Trustees with the approval of the School Board. The requirements are based upon a fundamental financial objective of having rates of contribution that remain relatively level from generation to generation of employees. To determine the appropriate employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, the System has actuarial valuations prepared annually.

At December 31, 2006, the date of the latest actuarial valuation, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	8,029
Terminated employees entitled to benefits but not yet receiving them	2,244
Active plan members	19,371
Total	**29,644**

In preparing those valuations, the entry age actuarial cost method is used to determine normal cost and actuarial accrued liabilities. Effective July 1, 2004, the employer rate was increased from 2.53 to 3.37 percent of salaries.

Additional information on contribution rates and the July 1, 2004 rate increase is contained within the "Significant Changes…" narrative contained within this Financial Section.

3. Investment Securities

Investments

The authority to establish pension funds is set forth in sections 51.1-800 of the Code of Virginia (Code) which provides that the County may purchase investments for pension funds (including common and preferred stocks and corporate bonds) that meet the standard of judgment and care set forth in Section 51.1-124 of the Code. The Board of Trustees or investment advisors selected by the Board make investment decisions.

The System does not have investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents 5 percent or more of net assets held in trust for pension benefits.

As permitted by the Code described above, ERFC invests in derivative instruments on a limited basis in accordance with the Board of Trustees' investment policy. Investment in derivatives allows the System to increase earnings and/or hedge

Notes to the Financial Statements

against potential losses. The risks associated with derivative investments include market risk resulting from fluctuations in interest and currency rates, the credit worthiness of counter parties to any contracts entered into, and the credit worthiness of mortgages related to collateralized mortgage obligations (CMOs). Specific authorization by the Trustees is required should investment managers seek to purchase securities on margin or leverage.

During the fiscal year, consistent with standard accounting principle guidelines, the System invested in stock index futures derivatives that were not reported on the financial statements as of June 30, 2007. These index futures are used to equitize temporary and transactional cash balances. The risk associated with these securities is equivalent to equity risk. At June 30, 2007 the market value of these stock index futures were $1,219,547.

At June 30, 2007, there were no investment in derivatives included on the financial statements. However, throughout the fiscal year, exposure from derivatives ranged from .06 percent to .29 percent of the total portfolio.

Regarding certain risk factors, the Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures,* requires that state and local governments report their exposure to investment risks in four categories: credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Credit Risk
The System's policy on credit quality states that the average credit quality of the portfolio must be at least AA. Up to 10 percent of the portfolio may be invested in below investment grade (that is, Moody's Baa or Standard & Poor's BBB ratings). If a security has a split rating, the lower rating will be considered in meeting the minimum quality standard.

As of June 30, 2007, the System had two active fixed income managers and one passive fixed income manager. The following schedule lists the ratings of all of ERFC's fixed income investments according to Moody's Investment Services and Standard & Poor's.

Concentration of Credit Risk
The System's policy limits the securities of any one issue to 10% at cost and 15% at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies.

At June 30, 2007, and as addressed previously, the System had two active fixed income managers and one passive fixed income manager. The active manager portfolios had values of $139.5 million and $256.8 million. The indexed portfolio had a value of $122.4 million. The market value of the largest issue other than the U.S. Government in the portfolios of the active managers was only 1.6 percent of that portfolio. Since the passive manager's portfolio is an index mutual fund, it is excluded from the Concentration of Credit Risk measurement.

Interest Rate Risk
All three of ERFC's fixed income managers use the modified duration method to control interest rate risk. Regarding maturity, ERFC does not place limits on it's fixed income managers. However, it does expect the average duration to be within 25 percent of the portfolio's benchmark.

As of June 30, 2007, ERFC had the following fixed income investments, none of which are highly sensitive to changes in interest rates:

Investment Category	Amount	Modified Duration*
U.S. Treasuries	$ 134,894,490	4.49
Agencies	64,119,052	3.61
Corporate Bonds	120,402,649	7.29
Municipals	1,816,494	9.40
Mortgages	107,101,375	4.40
Non-U.S.	26,821,010	5.72
Emerging Markets	11,574,187	5.60
Cash	31,988,681	15.70
Other	20,012,000	11.30
Total	**$ 518,729,938**	**5.85**

**Note: Duration in years*

Notes, *continued on next page*

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Notes to the Financial Statements

CREDIT QUALITY SUMMARY (As of June 30, 2007)

Rating	Category	Percent	Amount	Total	Percent
AAA	Corporate Bonds	1.2%	$ 6,048,908		
	Foreign Bonds	1.3%	6,873,174		
	Government Bonds	7.4%	38,264,296		
	Mortgage	24.7%	128,343,574		
	Government Agencies	1.0%	4,988,322		
	Municipals	0.2%	1,270,212	$ 185,788,486	35.8%
AA	Convertible Bonds	0.4%	2,154,655		
	Corporate Bonds	2.1%	10,779,170		
	Foreign Bonds	4.3%	22,290,375		
	Government Bonds	12.6%	65,416,122		
	Mortgage	0.0%	129,065		
	Short-Term Notes	4.3%	22,125,115		
	Municipals	0.4%	1,816,494	124,710,996	24.0%
A	Convertible Bonds	0.3%	1,635,188		
	Corporate Bonds	1.8%	9,336,099		
	Foreign Bonds	0.9%	4,579,382	15,550,669	3.0%
BAA	Corporate Bonds	0.3%	1,700,645		
	Convertible	0.3%	1,602,625		
	Foreign Bonds	0.3%	1,612,500	4,915,770	0.9%
BA	Convertible	0.1%	487,025		
	International Bonds	2.2%	11,574,187	12,061,212	2.4%
BBB	Corporate Bonds	5.8%	29,870,473		
	Foreign Bonds	1.2%	6,253,514	36,123,987	7.0%
BB	Corporate Bonds	2.0%	10,517,075		
	Foreign Bonds	1.4%	7,500,274	18,017,349	3.5%
B	Foreign Bonds	0.2%	1,256,940		
	Corporate Bonds	2.9%	15,096,304		
	Convertible Bonds	0.1%	282,975	16,636,219	3.2%
Below B	Corporate Bonds	0.3%	1,333,284		
	Convertible Bonds	0.0%	145,350	1,478,634	0.3%
Not Rated	Cash & Cash Equivalents	1.1%	5,353,140		
	Commercial Paper	1.0%	4,930,320		
	Convertible Bonds	0.0%	31,463		
	Corporate Bonds	0.9%	4,814,390		
	Mortgage	0.0%	28,015		
	Foreign Bonds	2.6%	13,612,643		
	Government Bonds	5.4%	27,860,157		
	Government Agencies	9.0	46,816,488	103,446,616	19.9%
	Total	**100.0%**	**$ 518,729,938**	**$ 518,729,938**	**100%**

Notes to the Financial Statements

Deposits
At June 30, 2007, short-term investments with the custodial bank totaled $22,253,398. These investments are collateralized with securities held by the agent in the System's name or are in a short-term investment pool.

Securities Lending
The System's Board of Trustees' policy permits the fund to participate in a securities lending program. The securities lending program is administered by the System's custodian. Certain securities of the System are loaned to approved broker/dealers who borrow the securities and provide collateral in the form of cash, U.S. Treasury or Government Agency Securities, letters of credit issued by approved banks, or other securities of a quality specified in the securities lending agreement. Collateral must be provided in the amount of 102 percent of market value for domestic securities and 105 percent for international securities. Securities on loan at fiscal year-end for cash collateral are presented as not subject to classification in the preceding investments schedule of custodial credit risk. Securities on loan for non-cash collateral are classified according to the category pertaining to the collateral. The System did not impose any restrictions during the period on the amount of loans the custodian made on its behalf.

The custodian provides for full indemnification to the System for any losses that might occur in the program due to the failure of a broker/dealer to return a borrowed security or failure to pay the System for income of the securities while on loan. The market value of collateral is monitored daily by the custodian.

Either ERFC or the borrower can terminate all security loans on demand. Cash collateral is invested in a fund maintained by the custodian or its affiliate. Per stated custodian policy, the maximum weighted average maturity of the fund is 90 days. Investment income from the securities lending program is shared 75/25 by ERFC and the custodian, respectively. At year-end, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System.

Cash received as collateral and the related liability of $258,549,938 as of June 30, 2007, are shown on the Statement of Plan Net Assets. As of June 30, 2007, the market value of securities on loan was $252,242,622. Securities received as collateral are not reported as assets since ERFC does not have the ability to pledge or sell the collateral securities absent borrower default.

Notes, *continued on next page*

At June 30, 2007, securities on loan for cash and non-cash collateral are as follows:

Securities	Cash Market Value	Cash Collateral	Non-Cash Collateral
U.S. Government and agency securities	$ 5,085,877	$ 5,168,425	
Domestic corporate bonds	8,252,261	8,400,260	
International bonds	1,328,276	1,390,087	
Domestic stocks	113,577,851	116,070,777	$ 1,859,000
International stocks	89,982,748	93,182,365	164,956
U.S. Government securities	34,015,609	34,338,024	
Total	**$ 252,242,622**	**$ 258,549,938**	**$ 2,023,956**

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Notes to the Financial Statements

Custodial Credit Risk
Custodial credit risk is the risk that in the event of a bank failure, the system's funds will be lost. However, the System's investments and deposits are not exposed to custodial credit risk since they are insured and are held by the agent in the System's name. Other investments such as mutual funds, a short-term investment pool and a cash collateral investment pool which invests cash collateral for securities on loan, are not exposed to custodial risk due to their non-physical form. As such, the System does not have a custodial credit risk policy.

Investments with the custodian as of June 30, 2007, included the following:

Investment Type	Market Value
U.S. Government obligations	$ 33,454,994
Mortgage-backed securities	6,357,280
Domestic corporate bonds	57,050,595
Convertible bonds	6,230,531
International bonds	35,899,298
Common stock	981,564,650
Real Estate	87,466,032
Preferred stock	1,430,385
Mutual funds	778,484,935
Sub-total investments	**$ 1,987,938,700**
Cash collateral for securities on loan	258,549,938
Total	**$ 2,246,488,638**

Foreign Currency Risk
The System's Investment Guidelines on active fixed income holdings are limited to debt instruments of U.S. entities denominated in U.S. dollars which includes U.S. denominated sovereign bonds. However, with Trustee approval, ERFC's two active fixed income managers have been granted exceptions that allow a maximum of 25 percent of the portfolio in non-U.S. bonds.

At the present time, there are no specific foreign currency guidelines for equities, however, the equity managers are all measured against specific benchmarks and are expected to adhere to the performance standard and risk guidelines identified in ERFC's Investment Policy. The chart on the following page provides a summary of ERFC's foreign currency risk.

4. Income Taxes

The Internal Revenue Service (IRS) issued a determination letter on October 2, 2001, which stated that the System and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from federal income taxes. In the opinion of the plan administrator, the System and its underlying trust have operated within the terms of the IRS regulations and are qualified under the applicable provisions of the Internal Revenue Code.

Notes to the Financial Statements

Market Value of Foreign Currency Risk
(As of June 30, 2007)

Currency	Cash & Cash Equivalents	Equity	Convertible and Fixed Income	Futures	Total U.S. Dollar
Australian Dollar	$ 1,418	$ 13,249,027			$ 13,250,445
Brazil Real			860,038		860,038
British Pound Sterling	579,609	59,692,448			60,272,057
Canadian Dollar	396,174	11,244,783	6,708,051		18,349,008
Danish Krone	689	585,443			586,132
EURO Currency Unit	(1,034,548)	141,126,397		1,219,547	141,311,396
Hong Kong Dollar	71,684	5,274,345			5,346,029
Hungarian Forint	490,294	471,520			961,814
Indonesian Rupian		82,928			82,928
Israeli Shekel	55,012	2,292,275			2,347,287
Japanese Yen	272,230	57,221,544			57,493,774
Malaysian Ringgit	834	91,551			92,385
Mexican New Peso	98,481	4,505,087	2,719,527		7,323,095
New Turkish Lira	6,540	208,992			215,532
New Zealand Dollar	457	52,514	5,706,902		5,759,873
Norwegian Krone	21,545	1,481,950			1,503,495
Philippines Peso	329	36,486			36,815
Polish Zloty	133,074				133,074
S. African Comm Rand			1,290,063		1,290,063
Singapore Dollar	(212,097)	6,854,264	6,606,396		13,248,563
South Korean Won		5,069,205			5,069,205
Swedish Krona	371	7,557,948			7,558,319
Swiss Franc	59,807	13,803,562			13,863,369
Thialand Baht	10,242	959,372	997,329		1,966,943
	$ 952,145	**$ 331,861,641**	**$ 24,888,306**	**$ 1,219,547**	**$ 358,921,639**

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Required Supplementary Information

Historical information is presented herein for the most recent six fiscal years 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 Employer Contributions

Year ended June 30	Annual Required Contribution	Percentage Contributed
2002	30,849,067	100%
2003	34,506,630	100%
2004	37,331,203	100%
2005	32,198,596	100%
2006	34,648,918	100%
2007	36,644,001	100%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the System's funding status. 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 in the analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the system.

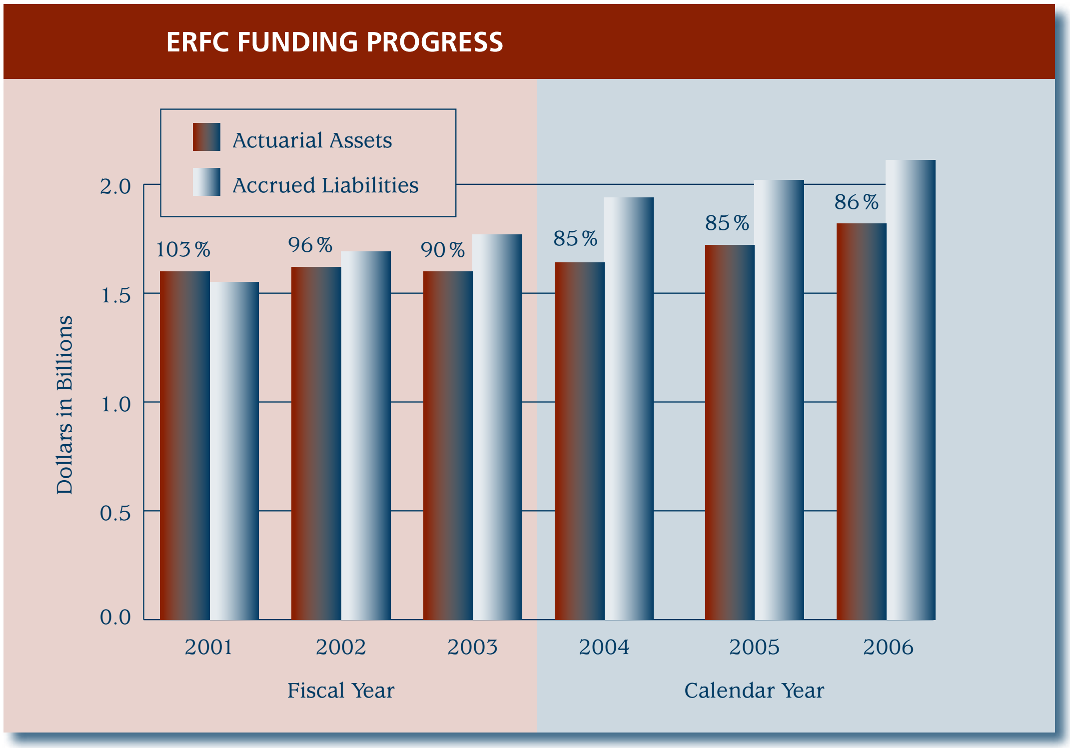
The following Schedule of Funding Progress provides a comparison of actuarial asset values vs. actuarial liabilities along with a historical profile of the System's funded ratio. As addressed in last year's CAFR and as noted on the Schedule of Funding Progress, ERFC has transitioned to calendar year valuations. The most recent valuation was effective December 31, 2006. This transition was done in order to provide a more current contribution rate which could be included in the Superintendent's proposed budget and to provide more accurate information to the actuary for the annual valuation.

Required Supplementary Information

Schedule of Funding Progress ($ in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	[Excess of Assets] Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	[Excess of Assets] UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/01	$ 1,599,219	$ 1,552,558	$ (46,661)	103.00	$ 759,906	—
06/30/02	1,619,889	1,693,956	74,067	95.63	781,756	9.47%
06/30/03	1,597,459	1,772,418	174,959	90.13	866,502	20.19
12/31/04	1,643,020[1]	1,935,582	292,562	84.89	977,817	29.92
12/31/05	1,718,399	2,022,962	304,563	84.94	1,050,217	29.00
12/31/06	1,818,930	2,105,552	286,622	86.39	1,111,828	25.78

[1] At the recommendation of the ERFC's actuary and due to the fact that these values were very similar, the actuarial value of assets was reset to the market value of assets for this valuation period only.



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Notes to the Schedules of Required Supplementary Information

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2006
Actuarial cost method	Entry age
Amortization method	Level percent of payroll closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market which recognizes asset values should be between 85% and 115% of the market value
Actuarial assumptions:	
Investment rate of return	7.5%*
Projected active member salary increases	4.0-8.2%*
Retiree cost-of-living adjustments	3%
	* Includes inflation at 3.75%

Reserves

There are no legally required actuarial or investment reserves for the pension system nor are there any incorporated. However, there is a budgetary reserve of $3 million. This is a budget line item that is subject to the annual review and recommendation of the Board of Trustees and approval by the School Board.

SUMMARY OF SIGNIFICANT CHANGES TO THE PENSION SYSTEM

The following provides a summary of the composite employer and employee contribution rates and other significant changes to the pension system during the past six fiscal years.

- July 1, 2006 — The implementation of a Benefit Restoration Plan in order to make benefit payments in excess of the limits established by Section 415 of the Internal Revenue Code.
- July 1, 2004 — The employer rate increases from 2.53 to 3.37 percent of salaries.
- June 1, 2004 — The employer contribution rate is decreased from 4.29 to 2.53 percent of salaries and the employee rate is increased from 2 to 4 percent of salaries. This is done to facilitate the school system's assumption of the 5 percent employee contribution to the Virginia Retirement System.

Contribution Rates (as a percent of salary)

Fiscal Year	Composite Employer	Employee	Total
2002	3.69	2.00	5.69
2003	4.00	2.00	6.00
Jul 1–May 31 2004	4.29	2.00	6.29
June 2004	2.53	4.00	6.53
2005	3.37	4.00	7.37
2006	3.37	4.00	7.37
2007	3.37	4.00	7.37

Notes to the Schedules of Required Supplementary Information

- April 29, 2004 – The Board of Trustees agreed to transition to calendar year actuarial valuations.

- December 18, 2003 — Effective July 1, 2004, members hired prior to July 1, 2001 (ERFC Benefit Structure), are eligible for a Level Lifetime Benefit (LLB) that is calculated by determining the annuitized value of the greater of their accumulated contribution balance or the present value of the currently provided defined benefit. The following changes apply to members hired on or after July 1, 2001 (ERFC 2001 Benefit Structure):

  – The defined contribution component of the benefit structure that was to be offered as an option to members on July 1, 2006, was eliminated.

  – The matching contribution provisions of the benefit structure were eliminated effective July 1, 2004. Members who met the requirements for a contribution match as of June 30, 2004, had the match credited to their accounts on June 30, 2004.

  – Beginning July 1, 2004, members who retire are eligible for a minimum benefit that is calculated by determining the annuitized value of their accumulated contribution balance.

- July 24, 2003 – The Working After Retirement (WAR) program is closed to new entrants, effective June 30, 2004, which is two years earlier than originally planned.

- Effective January 1, 2002 – ERFC adopted the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGGTRA) that greatly expands pension portability by allowing for the rollover of certain tax-deferred funds to purchase service credit; expands the vehicles from which funds from ERFC may be deposited upon termination of employment; and, updates the limits on which compensation may be taken into account in the determination of retirement benefits.

- Effective December 6, 2001 — Service purchased by Adult and Community Education (ACE) employees before June 30, 2002, shall count toward vesting; delegated the initial determination of disability retirement to the ERFC Retirement Office; and, provided that members who are retired, return to work, and re-retire have the following options:

  – Take the same retirement benefit received before they returned to work, including all cost-of-living increases, plus a refund of their contributions made during the period of re-employment; or

  – Recalculate the retirement benefit to include additional service and salary credit earned during the period of re-employment. However, the benefit is subject to the same percentage reduction that applied to the original retirement benefit.

FINANCIAL

Other Supplementary Information

SCHEDULE OF ADMINISTRATIVE EXPENSES

(Year Ended June 30, 2007)

Personnel services	
Salaries and wages	$ 1,846,645
Retirement contributions	315,984
Insurance	197,042
Social security	145,277
Total personnel services	**2,504,948**
Professional services	
Actuarial	193,053
Legal	79,805
Payroll disbursement	149,967
Plan automation	259,226
Audit	21,122
Total professional services	**703,173**
Communications	
Printing	46,748
Postage	26,135
Total communications	**72,883**
Supplies	
Office supplies	17,549
Dues and subscriptions	9,937
Total supplies	**27,486**
Other services and charges	
Board travel and staff development	53,568
Equipment	39,845
Building rent	300,716
Depreciation expenses	2,908
Miscellaneous	13,234
Total other services and charges	**410,271**
Total administrative expenses	**$ 3,718,761**

Other Supplementary Information

SCHEDULE OF INVESTMENT EXPENSES

(Year Ended June 30, 2007)

Investment management fees	
Fixed income managers	
Loomis-Sayles and Company, L.P.	$ 413,772
Pacific Investment Management Company	605,465
Mellon Capital Management Corporation	26,146
Equity managers	
Alliance Capital Management, L.P.	554,472
Aronson + Johnson + Ortiz, LLC	173,880
Dodge & Cox	408,544
Earnest Partners, LLC	110,790
Lazard Asset Management	364,205
Mellon Capital Management Corporation	102,881
Montag & Caldwell, Inc.	(43,375)
Westfield Capital Management	562,532
International managers	
Acadian Asset Management, Inc.	325,637
AllianceBernstein, L.P.	336,066
Mellon Capital Management Corporation	28,986
Templeton Investment Counsel, LLC	356,481
William Blair & Company	556,052
Real estate managers	
J.P. Morgan Asset Management	523,298
Prudential Financial	222,087
UBS Realty Investors, LLC	271,542
Urdang Investment Management	364,880
Total investment management fees	**6,264,341**
Other investment service fees	
Securities lending borrower rebates	8,840,445
Securities lending management fees	194,859
Custodial fees—Mellon Global Securities Services	272,880
Investment consultant fees—	
Mercer Investment Consulting, Inc.	95,000
New England Pension Consultants	62,210
Trading consultants — Plexus Plan Sponsor Group, Inc.	4,790
Investment salaries	172,353
Total other investment service fees	**9,642,537**
Total investment expenses	**$ 15,906,878**

Other Supplementary Information

SCHEDULE OF PROFESSIONAL SERVICE FEES

(Year Ended June 30, 2007)

Service Provider	Nature of Service	
Gabriel, Roeder, Smith & Company	Actuary	$ 193,053
Bredhoff & Kaiser, P.L.L.C.	Legal counsel	79,805
Mellon Trust	Pension disbursement	149,967
KPMG LLP	Audit	21,122
Levi, Ray & Shoup, Inc.	Plan Automation	259,226
Total professional service fees		**$ 703,173**

Lake Braddock Secondary School

Investment Section

- Consultant Report on Investment Activity
- Strategic Review and Investment Policy
- Investment Managers
- Asset Structure
- Investment Results
- Ten Largest Equity and Fixed Income Holdings
- Brokerage Commissions
- Investment Summary
- Investment Management Fees

Consultant Report on Investment Activity

"Advancing Your Investments"
NEW ENGLAND PENSION CONSULTANTS

Richard J. Harper, CFA, CAIA
Consultant

November 1, 2007

The Board of Trustees
The Educational Employees' Supplementary Retirement System of Fairfax County
8001 Forbes Place, Suite 300
Springfield, Virginia 22151

Dear Board Members:

This letter summarizes the structure and performance of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) Fund through the Fiscal Year Ending June 30, 2007.

As of the June 30th fiscal year-end, the Fund was in compliance with policy, and had 67 percent in equities, 7 percent in real estate equity, and 26 percent in bonds. Over the past year, the Fund has maintained public equity levels higher than the median equity allocation of approximately 60% percent when measured against the Independent Consultants Cooperative (ICC) Universe. While the Fund's higher equity allocation has boosted recent returns, ERFC plans to reduce equities holdings in favor of diversifying strategies in the coming year.

The Fund earned 17.7%[1] for the year ending June 30, 2007, which ranked in the top 53% of large funds within the ICC Universe. Over the 12 months ending June 30, 2007, ERFC outperformed its assumed actuarial return target of 7.5% by 10.2 percentage points. In the five years ending June 30, 2007, the Fund well exceeded its actuarial target as well by earning 12.1% per annum. This return ranked in the top third of large funds. Strong performance permitted assets to grow by $247 million in fiscal 2007 to approximately $2.0 billion as of June 30, 2007.

US and global economies continued to grow throughout fiscal year 2007, particularly in emerging markets where growth has been above average. Equities posted very strong

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[1] Return data for the Fund was reconciled from manager provided time-weighted returns that were calculated in accordance with the CFA Institute's Performance Presentation Standards (PPS).® Valuations, where available, are based on published national securities exchange prices, as provided by ERFC's custodian, BNY Mellon.

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CAMBRIDGE I CHARLOTTE I DETROIT I LAS VEGAS I SAN FRANCISCO

Consultant Report on Investment Activity

gains through June 30, 2007, driving results for ERFC. Despite the good returns in most asset classes, volatility began to increase in early 2007 as unrest grew in Asian markets and governments worldwide moved to control the threat of rising inflation. Despite increased volatility and mounting economic weakness, particularly in sub-prime mortgage markets and credit markets, ERFC benefited from its equity allocations and global diversification. In particular, ERFC enjoyed the large run-up in international equity and domestic large cap assets.

Effective March 1, 2007, the Board retained New England Pension Consultants as the new ERFC investment advisor. Since our hiring, ERFC's Board has embarked on a rigorous review of potential alternative investment strategies and their effect on the Fund's asset-liability positioning. The first step was a global asset allocation/better beta manager search initiated near the end of the fiscal year. Three new managers are to be funded in the first half of the current fiscal year.

The only investment manager changes in fiscal year 2007 occurred prior to NEPC's retention. Earnest Partners was terminated with the proceeds temporarily parked in Mellon's Russell 2000 Index Fund. ERFC is conducting a search for a permanent replacement manager. AllianceBernstein's international equity strategy replaced Templeton Investment Counsel. Acadian Asset Management was funded from a temporary investment in a Mellon Capital International Equity Index Fund. In January 2007, ERFC modified its policy target to broaden the international equity benchmark. The new policy consists of 32.5% Russell 1000, 11.8% Russell 2000, 18% MSCI ACWI Ex.–US, 3.75% NAREIT, 3.75% NCREIF, 22.5% LB Aggregate, 3.75% LB Credit, and 3.75% LB Long Credit.

Fiscal Year 2007 performance continued to be strong and above target. With the new initiatives underway and being contemplated, we expect ERFC will be well positioned to continue to take advantage of a wide variety of investment opportunities and be sufficiently diversified to both enhance return and mitigate overall portfolio risk.

Sincerely,

Richard J Harper

INVESTMENT

Strategic Review and Investment Policy

Introduction

The members of the ERFC Board of Trustees have jurisdiction over and ultimate fiduciary responsibility for the investment of the System's assets. In carrying out their responsibilities, they must adhere to applicable laws, regulations, and rulings with respect to the duties of investment fiduciaries. Accordingly, they are required to "discharge their duties in the interest of plan participants" and "act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims." The Board of Trustees has established a Statement of Investment Policy that identifies a set of investment objectives, guidelines, and performance standards for the assets of the fund. The objectives are formulated in response to the following:

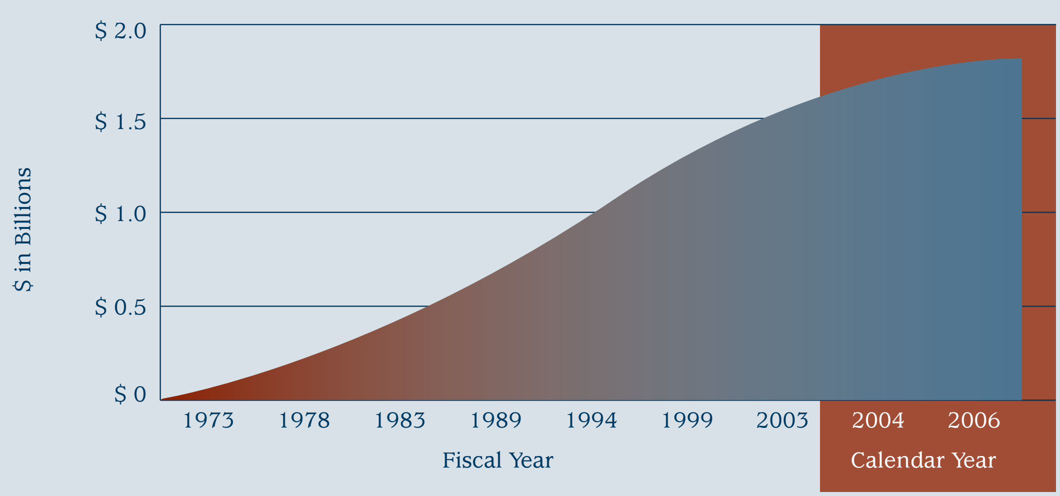
- the anticipated financial needs of the ERFC
- consideration of risk tolerance; and
- the need to document and communicate objectives, guidelines and standards to the investment managers.

Investment Objectives

The investment objective of the ERFC is to ensure, over the long-term life of the fund, an adequate level of assets to fund the benefits for ERFC members and their beneficiaries at the time they are payable. The Trustees seek to achieve a high level of total investment return consistent with a prudent level of portfolio risk. Since the preservation of principle is a component of the long-term objective, it is expected that no manager will incur a negative rate of return over any rolling five-year period. The fund's actuary uses an investment return assumption of 7.5 percent, compounded annually, of which 3.75 percent constitutes an assumed rate of inflation and 3.75 percent reflects an assumed real rate of return on investments. The fund's objective is to meet or exceed the assumed real rate of return over time, while preserving the fund's principal.

ERFC TOTAL FUND GROWTH — VALUATION ASSETS SINCE INCEPTION

(As reflected in the December 31, 2006 actuarial valuation)



Investment Managers

ASSETS UNDER MANAGEMENT

As of June 30, 2007 (Dollars in millions)

Investment Manager	Investment Type	Amount
Equities		
Large Capitalization		
AllianceBernstein	Growth	$ 142.4
Aronson + Johnson + Ortiz	Value	119.2
Dodge & Cox	Value	152.4
Mellon Capital Management Corp.	Core Index (Russell 1000)	165.0
Mellon Capital Management Corp.	Core Index (Russell 1000 Growth Index)	114.6
Small Capitalization		
Lazard Asset Management	Core	54.1
Mellon Capital Management Corp.*	Core Index (Russell 2000)	97.9
Westfield Capital Management	Growth	97.9
International		
Acadian Asset Management*	Core	133.4
AllianceBernstein*	Growth	128.7
William Blair & Company	Growth	137.9
Fixed Income		
Loomis-Sayles & Company	Core Plus	139.5
Mellon Capital Management Corp.	Core Index (Lehman Bros. Aggregate)	122.4
Pacific Investment Management Co.	Core Plus	256.8
Real Estate		
JP Morgan Asset Management	Private	32.1
Prudential Investment Mgt. Services	Private	26.4
UBS Realty Investors	Private	25.5
Urdang Investment Management	Public	67.8
Cash		1.2
Total		**$ 2,015.2**

* New managers in fiscal year 2007

INVESTMENT

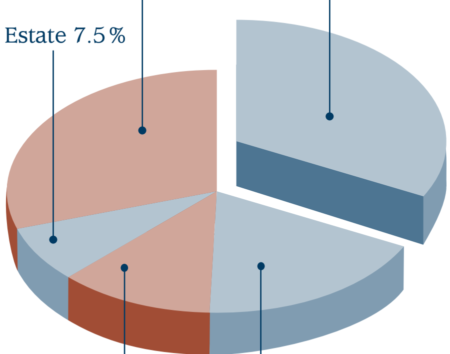
Asset Structure

Strategic Target Allocation

The asset structure shown below represents the Trustees' assessment of their optimal asset allocation as of June 30, 2007. The strategic allocation provides a reasonable expectation that the fund's investment objective can be achieved based on historic relationships of asset class performance.

The table below provides a comparison between the target asset mix, consistent with the achievement of the long-term objective of the fund, and the actual asset allocation as of June 30, 2007.

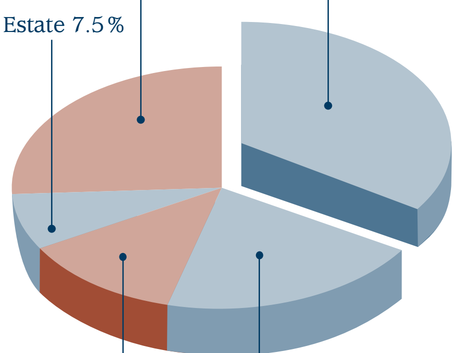
STRATEGIC TARGETS



Actual Asset Allocation as of June 30, 2007

The asset structure of ERFC has historically reflected a proper balance of the fund's needs for liquidity, growth of assets, and risk tolerance. The fund's investment policy is designed to continue to meet its long-term investment objectives while, at the same time, provide increased flexibility to meet short-term funding requirements.

ACTUAL ASSET ALLOCATION



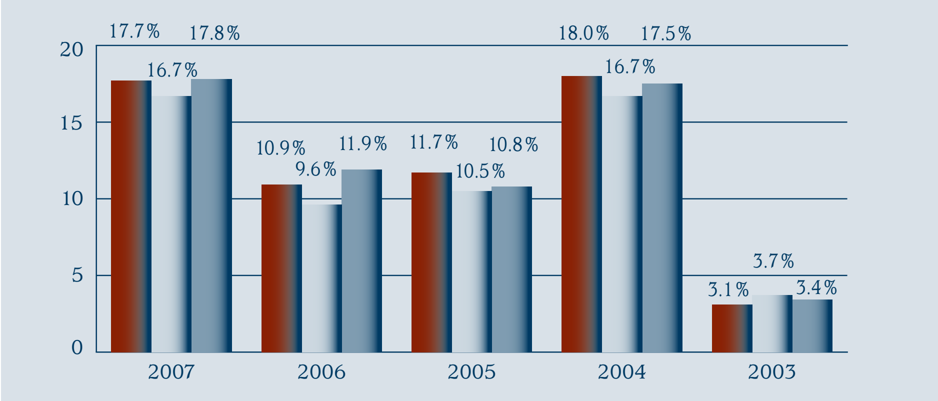
Security Class	Strategic Targets as of June 30, 2007	Actual Asset Allocation as of June 30, 2007
Domestic Large Cap Equity	32.7 %	34.4 %
Domestic Small Cap Equity	11.8	12.4
International Equity	18.0	19.9
Real Estate	7.5	7.5
Fixed Income	30.0	25.8

Investment Results

Fiscal Years Ending Ending June 30

TOTAL FUND RETURNS

- ERFC
- Benchmark*
- Public Funds**



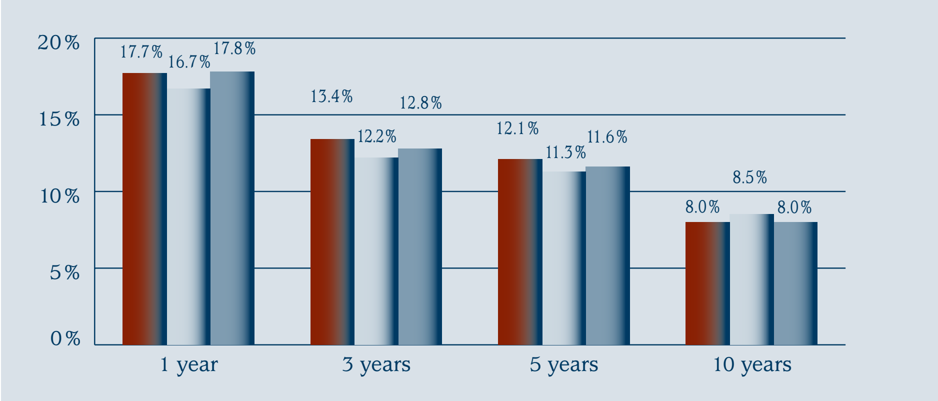
* Diversified benchmark is 32.7% Russell 1000, 11.8% Russell 2000, 18% MSCI/ACWI Ex-US, 3.75% NAREIT, 3.75% NCREIF, 22.5% Lehman Bros Aggregate, 3.75% LB Credit, 3.75% LB Long Credit

** New England Pension Consultants Universe (Funds in excess of $1 billion)

For the Periods Ending June 30, 2007

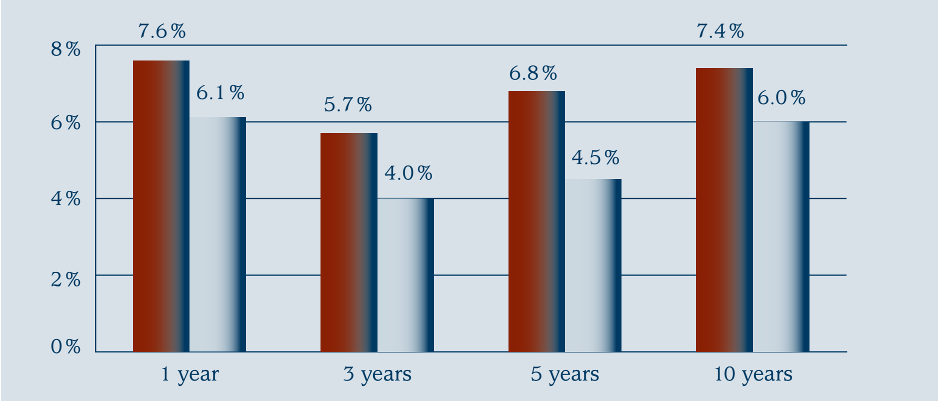
TOTAL FUND

- ERFC
- Benchmark*
- Public Funds**



FIXED INCOME

- Fixed Income
- Benchmark: Lehman Bros. Agg



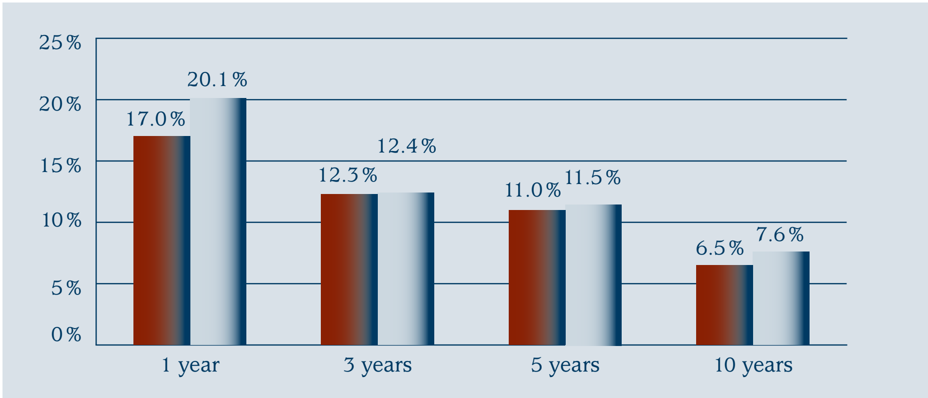
INVESTMENT

Investment Results

(For the Periods Ending June 30, 2007)

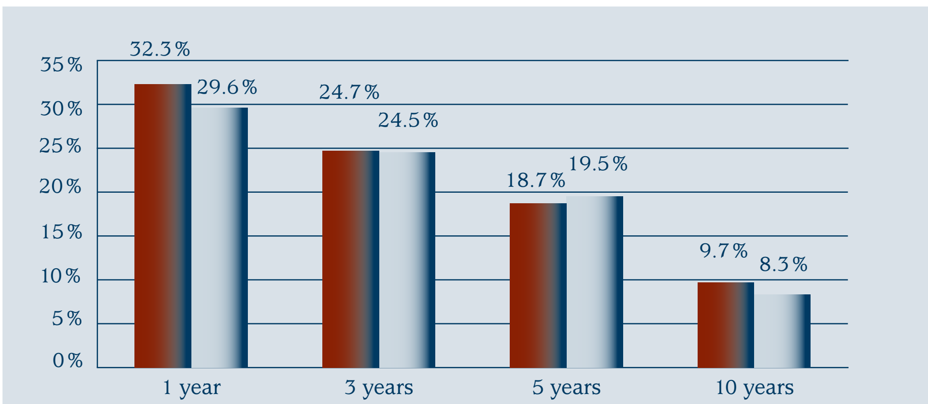
DOMESTIC EQUITY

- Domestic Equity
- Benchmark: Russell 3000 Index



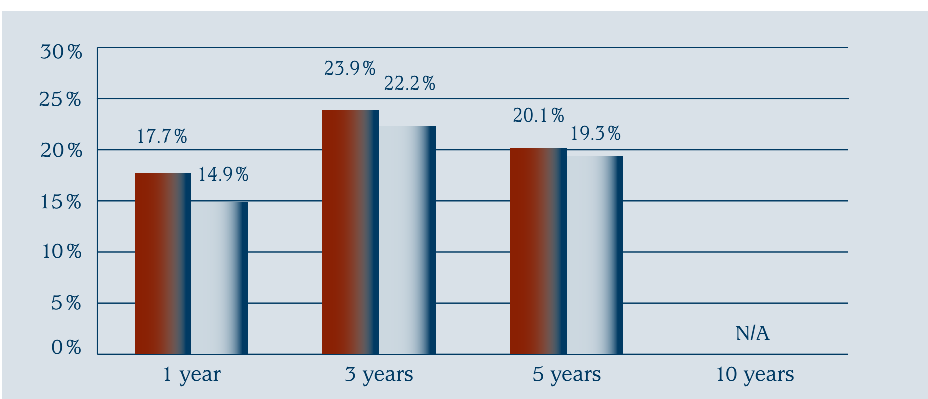
INTERNATIONAL EQUITY

- International Equity
- Benchmark: MSCI/ACWI Ex-USA Index



REAL ESTATE

- Real Estate
- Benchmark: 50% NAREIT 50% NCREIF



Note: All investment performance figures were calculated using a time-weighted rate of return based on market values.

Schedules of Ten Largest Equity & Fixed Income Holdings

(As of June 30, 2007)

TEN LARGEST EQUITY HOLDINGS*

No. Shares	Description	Cost	Fair Value	% of Total Portfolio
250,100	HEWLETT PACKARD	$ 7,458,895	$ 11,159,462	0.55%
120,500	WELLPOINT INC	8,216,941	9,619,515	0.48%
99,356	CHEVRON CORPORATION	5,428,418	8,369,749	0.42%
68,131	BNP PARIBAS EUR2	7,195,932	8,130,386	0.40%
154,100	CITIGROUP INC	7,315,912	7,903,789	0.39%
89,000	EXXON MOBIL CORP	4,913,431	7,465,320	0.37%
573,585	ROYAL BANK OF SCOTLAND GRP ORD	7,611,379	7,284,642	0.36%
58,900	APPLE COMPUTER INC	3,300,913	7,188,156	0.36%
160,218	ING GROEP N.V. CVA EUR0.24	6,946,218	7,095,180	0.35%
13,440	GOOGLE INC	4,349,252	7,025,088	0.35%
	TOTAL	**$ 62,737,291**	**$ 81,241,287**	**4.03%**

TEN LARGEST FIXED INCOME HOLDINGS*

Par Value	Security	Coupon	Maturity	Cost	Fair Value	% of Total Portfolio
24,150,000	U.S. TREASURY BONDS	5.375%	02/15/2031	$ 24,352,422	$ 24,806,639	1.23%
5,177,000	BRAZIL FEDERATIVE BONDS	8.250%	01/20/2034	5,559,892	6,357,149	0.32%
6,580,000	GOVERNMENT OF CANADA	4.250%	09/01/2008	6,129,833	6,160,429	0.31%
7,255,000	INTER-AMERICAN DEVELOPMENT	6.000%	12/15/2017	4,980,586	5,013,539	0.25%
4,975,000	U.S. TREASURY NOTES	2.625%	05/15/2008	4,845,961	4,875,500	0.24%
5,500,000	ASIF GLOBAL FING XXVII 144A	2.380%	02/26/2009	3,297,758	3,559,744	0.18%
4,500,000	FEDERAL NATL MORTGAGE BONDS	2.290%	02/19/2009	2,658,004	2,913,106	0.14%
3,070,000	GEORGIA PACIFIC CORP DEB	7.750%	11/15/2029	2,713,566	2,885,800	0.14%
2,740,000	TELEFONICA EMISIONES S A U	7.045%	06/20/2036	2,740,000	2,837,599	0.14%
1,875,000	WILLIAMS COS INC DEB SER A	7.500%	01/15/2031	1,787,250	1,940,625	0.10%
	TOTAL			**$ 59,065,272**	**$ 61,350,130**	**3.04%**

* A detailed list of the portfolio's equity and fixed income holdings are available upon request.

Schedule of Brokerage Commissions

(Year Ended June 30, 2007)

Broker Name	Base Volume	Total Shares	Base Commission	Commission Percentage
CREDIT LYONNAIS SECURITIES ASIA,GUERNSEY	$ 325,136,930	20,109,159	$ 138,064	0.04%
UBS SECURITIES LLC, STAMFORD	169,048,674	6,653,635	103,043	0.06%
INVESTMENT TECHNOLOGY GROUPS, NY	92,304,228	3,142,375	42,582	0.05%
MORGAN STANLEY & CO INC, NY	73,157,733	2,954,765	61,998	0.08%
GOLDMAN SACHS & CO, NY	64,560,857	2,118,377	39,682	0.06%
CREDIT SUISSE, NY	64,389,139	2,608,638	45,859	0.07%
LEHMAN BROS INC, NY	57,318,982	1,659,543	48,576	0.08%
CITIGROUP GBL MKTS INC, NY	51,381,992	3,704,683	47,524	0.09%
BEAR STEARNS & CO INC, NY	45,922,693	1,562,977	45,610	0.10%
MERRILL LYNCH PIERCE FENNER SMITH INC, NY	41,173,307	1,143,640	35,578	0.09%
DEUTSCHE BK SECS INC, NY	40,558,172	1,537,673	29,195	0.07%
CALYON SECURITIES INC, NY	37,366,994	1,682,485	14,376	0.04%
BROADCOURT CAP CORP/SUB OF MLPF&S,NY	30,493,685	958,200	39,362	0.13%
INSTINET CORP, LONDON	29,746,455	1,374,214	51,173	0.17%
MORGAN J P SECS INC, NY	29,030,058	860,935	27,945	0.10%
BNY ESI & CO INC, JERSEY CITY	28,399,779	890,232	35,562	0.13%
LIQUIDNET INC, NY	28,370,873	1,095,715	23,786	0.08%
ABN AMRO BANK NV, LONDON	27,468,205	1,112,223	12,383	0.05%
NOMURA SECS INTL INC, NY	17,277,527	817,332	8,196	0.05%
BNY CONVERGEX, NY	17,221,703	442,747	5,508	0.03%
BANC OF AMERICA SECS LLC, NC	17,159,874	515,427	21,378	0.12%
LEHMAN BROS INTL, LONDON	16,411,626	620,682	11,466	0.07%
FIDELITY CAP MKTS , BOSTON	13,927,804	307,850	6,157	0.04%
J P MORGAN SECS LTD, LONDON	13,586,333	188,673	9,080	0.07%
LA BRANCHE FINANCIAL LLC, NY	12,612,501	280,290	5,606	0.04%
WEEDEN & CO, NY	12,194,250	301,310	6,134	0.05%
UBS EQUITIES, LONDON	11,261,853	526,648	10,557	0.09%
CITATION GROUP, NY	11,144,380	228,580	3,771	0.03%
MERRILL LYNCH INTL LONDON EQUITIES	11,081,610	510,625	10,933	0.10%
DAIWA SECS AMER INC, NY	11,041,763	743,174	6,677	0.06%
WACHOVIA CAPITAL MARKETS LLC, NC	10,634,134	281,978	12,818	0.12%
CITIGROUP GLOBAL MARKETS LTD, LONDON	10,064,251	410,171	12,229	0.12%
MERRILL LYNCH PIERCE FENNER, WILMINGTON	9,637,184	856,873	8,788	0.09%
CANTOR FITZGERALD & CO INC, NY	9,554,056	431,158	12,390	0.13%
PRUDENTIAL EQUITY GROUP, NY	8,861,008	240,957	9,791	0.11%
GUZMAN & CO, NY	8,784,430	195,200	3,904	0.04%
INSTINET, PARIS	8,151,211	140,100	16,303	0.20%
MERRILL LYNCH PROFESSIONAL CLEARING	7,598,930	233,253	5,111	0.07%
BROCKHOUSE AND COOPER, MONTREAL	7,335,622	642,865	4,724	0.06%
SG SEC (LONDON) LTD, LONDON	7,279,689	161,411	6,357	0.09%
STIFEL NICOLAUS	6,913,359	168,616	8,063	0.12%
WILLIAM BLAIR & CO, CHICAGO	6,734,976	187,282	7,416	0.11%
DEXIA BK (FORMERLY KEMPEN), AMSTERDAM	6,467,527	155,525	3,881	0.06%
ROSENBLATT SECURITIES LLC, JERSEY CITY	6,032,168	115,500	2,310	0.04%
PIPER JAFFRAY & CO, MINNEAPOLIS	5,907,267	151,615	5,227	0.09%
OTHER BROKERS	185,983,960	13,771,498	242,980	0.13%
TOTAL	**$ 1,706,689,752**	**78,796,809**	**$ 1,310,053**	**0.08%**

Investment Summary

	As of June 30, 2006		As of June 30, 2007	
	Market Value	Percent of Market Value	Market Value	Percent of Market Value
Fixed Income:				
U.S. Government obligations	$ 32,644,274	1.8%	$ 33,454,994	1.7%
Mortgage-backed securities	9,511,807	0.5%	6,357,280	0.3%
Domestic corporate bonds	49,318,752	2.8%	57,050,594	2.8%
Convertible bonds	5,333,080	0.3%	6,230,531	0.3%
International bonds	32,678,782	1.8%	35,899,298	1.8%
Preferred stocks	105,751	0.0%	1,430,385	0.1%
Index / Commingled fund	344,666,209	19.5%	369,345,031	18.4%
Total fixed income	474,258,655	26.8%	509,768,113	25.4%
Domestic Equities:				
Basic industry	20,562,976	1.2%	14,648,064	0.7%
Consumer and services	236,748,872	13.4%	270,920,592	13.5%
Financial and utility	172,074,014	9.7%	103,382,879	5.1%
Technological	87,477,929	4.9%	106,041,438	5.3%
Index / Commingled fund	236,996,623	13.4%	377,420,070	18.8%
Total domestic stock	753,860,414	42.6%	872,413,043	43.4%
International Equities:				
Basic industry	14,721,111	0.8%	36,911,981	1.8%
Consumer and services	143,356,591	8.1%	234,549,523	11.7%
Financial and utility	87,327,914	4.9%	127,837,060	6.4%
Technological	19,389,521	1.1%	25,900,318	1.3%
Index / Commingled fund	102,423,251	5.8%	31,719,833	1.6%
Total international stock	367,218,388	20.8%	456,918,715	22.8%
Real Estate:				
Real Estate Investment Trusts	74,649,580	4.2%	65,175,754	3.1%
Private Real Estate	70,550,729	4.0%	83,663,075	4.2%
Total real estate	145,200,309	8.2%	148,838,829	7.3%
Subtotal investments at fair value	1,740,537,766	98.4%	1,987,938,700	98.9%
Short-term Investments:				
Money Market	22,596,386	1.3%	17,323,078	0.9%
Commercial paper	5,650,172	0.3%	4,930,320	0.2%
Total short-term investments	28,246,558	1.6%	22,253,398	1.1%
Total	**$ 1,768,784,324**	**100.0%**	**$ 2,010,192,098**	**100.0%**

Note: This summary is comprised of investments at fair value and short-term investments.

Schedule of Investment Management Fees

(Year Ended June 30, 2007)

Investment Category	Assets Under Management	Fees
Domestic Equities	$ 559,244,074	$ 2,131,048
International Equities	393,989,248	1,574,236
Fixed Income	386,099,100	1,019,237
Real Estate	148,838,829	1,381,807
Index Funds	499,767,449	158,013
Total	**$ 1,987,938,700**	**$ 6,264,341**

Note: Excludes short-term investments.

South County Secondary School

Actuarial Section

- Actuary's Certification Letter
- Summary of Actuarial Assumptions and Methods
- Summary of Member Data
- Short-Term Solvency Test
- Analysis of Financial Experience
- Summary of Benefit Provisions
- Contribution Rates
- Summary of Plan Changes

Actuary's Certification Letter

GRS

Gabriel Roeder Smith & Company
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September 19, 2007

Board of Trustees
Educational Employees' Supplementary
Retirement System of Fairfax County (ERFC)
8001 Forbes Place, Suite 300
Springfield, Virginia 22151

Dear Board Members:

The basic financial objective of ERFC is to establish and receive contributions which,

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of ERFC to present and future retirees and beneficiaries.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e., the costs assigned by the valuation method to the year of service about to be rendered) as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuation was completed based upon population data, asset data, and plan provisions as of December 31, 2006.

The plan's administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report.

Actuarial Section

Summary of Actuarial Assumptions and Methods

Sample Pay Increase Assumptions for an Individual Member

Probabilities of Retirement for Members Eligible to Retire

Single Life Retirement Values

Sample Rates of Separation from Active Employment before Retirement

Rates of Forfeiture Following Vested Separation

Actuary's Certification Letter

Board of Trustees
September 19, 2007
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Summary of Member Data Included in Valuation as of December 31, 2006

Active Members by Years of Service on December 31, 2006

All Active Members in Valuation on December 31, 2006 by Attained Age and Years of Service

Summary of Member Data

Short-Term Solvency Test

Analysis of Financial Experience Gains and Losses by Risk Area

Financial Section

Schedule of Funding Progress

Schedule of Employer Contributions

Summary of Actuarial Methods and Assumptions

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed five-year period, subject to an 85% to 115% corridor on market value.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 2006 valuation was based upon assumptions that were recommended in connection with a study of experience during the period from July 1, 1999 to June 30, 2004.

Based upon the results of the December 31, 2006 valuation, we are pleased to report to the Board that the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is meeting its basic financial objective and continues to operate in accordance with actuarial principles of level percent of payroll financing. Preservation of this condition is dependent upon continued receipt of employer and employee contributions at actuarial levels.

Respectfully submitted,

Brian B. Murphy

Brian B. Murphy, FSA, MAAA, EA

Judith A. Kermans

Judith A. Kermans, MAAA, EA

BBM:JAK:vmb

Gabriel Roeder Smith & Company

ACTUARIAL

Summary of Actuarial Assumptions and Methods

The actuarial assumptions and methods used in making the annual actuarial valuation are summarized in this section. They were established for the December 31, 2004 actuarial valuation, based upon a study of experience during the period July 1, 1999, to June 30, 2004.

Economic Assumptions

The **investment return rate** used in making the valuation was 7.5 percent per year, compounded annually (net after administrative expenses). The real rate of return is the portion of total investment return, which is more than the wage inflation rate. Based upon an assumed wage inflation rate of 3.75 percent, the 7.5 percent investment return rate translates to an **assumed real rate of return over wages of 3.75 percent.**

Pay increase assumptions for individual active members are shown for sample ages on Table A. Part of the assumption for each age is for merit and/or seniority increase, and the other 3.75 percent recognizes wage inflation.

The number of active members is assumed to continue at the present number.

Total active member payroll is assumed to increase 3.75 percent annually, which is the portion of the individual pay increase assumptions attributable to wage inflation. This assumed increase is recognized in the funding of unfunded actuarial accrued liabilities.

Non-Economic Assumptions

The **probabilities of retirement** for members eligible to retire are shown on Table C.

The **mortality table** used to measure active and retired life mortality was the 1994 Group Annuity Mortality Table set back 2 years for males and 1 year for females. Related values are shown on Table D.

The **probabilities of withdrawal** from service, death-in-service, and disability are shown for sample ages on Table B.

The **entry age actuarial cost method of valuation** was used for determining actuarial accrued liabilities and normal cost.

Actuarial gains and losses reduce or increase the unfunded liability. The unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal and interest) which are level percent of payroll contributions.

Present assets *(cash and investments)* are valued on a market-related basis ***effective June 30, 1986.*** A one time adjustment toward market was made in connection with the 1990–93 experience study and an additional one-time adjustment set the funding value equal to the market value as of December 31, 2004. Further, an 85–110% market value corridor was added in the December 31, 2005 valuation.

The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

Summary of Actuarial Assumptions and Methods

TABLE A: Sample Pay Increase Assumptions for an Individual Member

	PAY INCREASE ASSUMPTION		
Sample Ages	Merit & Seniority	Base (Economy)	Increase Next Year
20	4.45 %	3.75 %	8.2 %
25	3.25	3.75	7.0
30	2.75	3.75	6.5
35	2.35	3.75	6.1
40	2.05	3.75	5.8
45	1.55	3.75	5.3
50	1.15	3.75	4.9
55	0.75	3.75	4.5
60	0.35	3.75	4.1
65	0.25	3.75	4.0

TABLE B: Sample Rates of Separation from Active Employment Before Retirement

		PERCENT OF ACTIVE MEMBERS SEPARATING WITHIN NEXT YEAR									
		DEATH				DISABILTY				OTHER	
		Ordinary		Duty		Ordinary		Duty			
Sample Ages	Years of Service	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
All	0									18.00 %	18.00 %
	1									15.00	15.00
	2									12.00	12.00
25	3 & over	0.04 %	0.02 %	0.01 %	0.00 %	0.06 %	0.03 %	0.01 %	0.01 %	12.00	12.00
30		0.06	0.02	0.01	0.00	0.06	0.05	0.02	0.01	8.50	12.00
35		0.06	0.03	0.01	0.00	0.09	0.09	0.02	0.02	5.75	8.20
40		0.07	0.05	0.01	0.01	0.14	0.12	0.03	0.03	4.30	5.00
45		0.10	0.07	0.01	0.01	0.21	0.18	0.05	0.05	2.90	3.70
50		0.16	0.10	0.02	0.01	0.34	0.29	0.08	0.07	2.50	3.20
55		0.27	0.16	0.04	0.02	0.59	0.49	0.15	0.12	2.50	3.00
60		0.47	0.29	0.06	0.04	0.98	0.71	0.24	0.18	2.50	3.00

Summary of Actuarial Assumptions and Methods

TABLE C: Probability of Retirement for Members Eligible to Retire

ERFC (Hired before 7/1/2001) Type of Retirement			*ERFC 2001* (Hired on or after 7/1/2001) Type of Retirement Eligibility		
Ages	**Service**	**Reduced Service**	**Age Based**	**Service**	**Service Based**
45		5%			
46		5			
47		5			
48		5			
49		5			
50		6			
51		7			
52		8			
53		9			
54		10			
55	50%	10		30	35%
56	40	5		31	28
57	30	5		32	21
58	30	5		33	21
59	30	5		34	21
60	30	10	21%	35	21
61	40	10	28	36	28
62	40	20	28	37	28
63	25	20	18	38	35
64	25	20	18	39	50
65	50		50	40 & up	100
66	40		40		
67	30		30		
68	40		40		
69	20		20		
70	20		20		
71	20		20		
72	30		30		
73	40		40		
74	50		50		
75	100		100		
76	100		100		
77	100		100		
78	100		100		
79	100		100		
80	100		100		

Summary of Actuarial Assumptions and Methods

TABLE D: Single Life Retirement Values

Standard Mortality

Sample Attained Ages	Present Value of $1 Monthly for Life (Increasing 3% Annually)		Future Life Expectancy (years)	
	Men	Women	Men	Women
55	$ 183.72	$ 195.47	27.95	31.11
60	165.91	178.85	23.52	26.49
65	146.49	160.36	19.39	22.11
70	126.51	140.71	15.66	18.08
75	106.26	119.31	12.34	14.31
80	85.94	97.25	9.40	10.93

Disabled Mortality

Sample Attained Ages	Present Value of $1 Monthly for Life (Increasing 3% Annually)		Future Life Expectancy (years)	
	Men	Women	Men	Women
55	$ 128.18	$ 144.69	17.14	20.34
60	118.67	135.13	15.18	18.04
65	110.09	124.28	13.46	15.71
70	99.71	111.15	11.60	13.27
75	86.55	94.60	9.55	10.66
80	70.31	76.56	7.37	8.17

Summary of Actuarial Assumptions and Methods

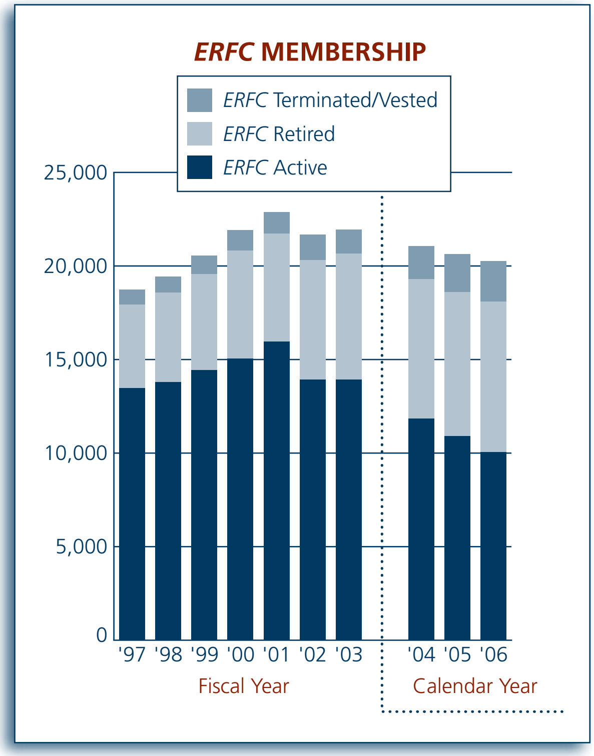
TABLE E: Rates of Forfeiture Following Vested Separation

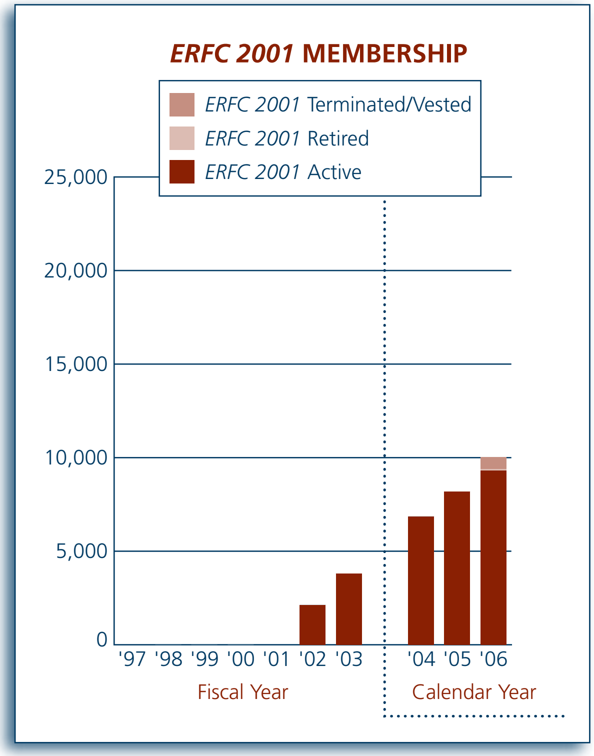
Forfeiture occurs when a vested person separates from service and withdraws contributions thereby forfeiting future rights to an employer financed benefit. The total probability of forfeiture is obtained by multiplying the probability of "other separation" from Table B by the probability of forfeiture from this table. The table does not apply to individuals who are eligible for retirement at the time of termination.

	Sample Entry Age				
Age at Separation	**25**	**30**	**35**	**40**	**45**
30	0.5000				
31	0.4854				
32	0.4708				
33	0.4563				
34	0.4417				
35	0.4271	0.5000			
36	0.4125	0.4816			
37	0.3979	0.4632			
38	0.3833	0.4447			
39	0.3688	0.4263			
40	0.3542	0.4079	0.5000		
41	0.3396	0.3895	0.4750		
42	0.3250	0.3711	0.4500		
43	0.3104	0.3526	0.4250		
44	0.2958	0.3342	0.4000		
45	0.2813	0.3158	0.3750	0.5000	
46	0.2667	0.2974	0.3500	0.4611	
47	0.2521	0.2789	0.3250	0.4222	
48	0.2375	0.2605	0.3000	0.3833	
49	0.2229	0.2421	0.2750	0.3444	
50	0.2083	0.2237	0.2500	0.3056	0.5000
51	0.1938	0.2053	0.2250	0.2667	0.4125
52	0.1792	0.1868	0.2000	0.2278	0.3250
53	0.1646	0.1684	0.1750	0.1889	0.2375
54	0.1500	0.1500	0.1500	0.1500	0.1500

Summary of Member Data

(As of December 31, 2006)





		ERFC			*ERFC 2001*			
	Year	**Active**	**Retired**	**Terminated/ Vested**	**Active**	**Retired**	**Terminated/ Vested**	**Total**
Fiscal Year	1997	13,473	4,478	779				18,730
	1998	13,806	4,773	875				19,454
	1999	14,449	5,113	1,003				20,565
	2000	15,050	5,344	1,107				21,501
	2001	15,955	5,766	1,157				22,878
	2002	13,940	6,375	1,362	2,134			23,811
	2003	13,934	6,729	1,301	3,804			25,768
Calendar Year	2004	11,856	7,430	1,780	6,864			27,930
	2005	10,895	7,710	2,030	8,186			28,821
	2006	10,065	8,023	2,179	9,306	6	65	29,644

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Summary of Member Data

(As of December 31, 2006)

Active *ERFC* Members by Attained Age and Years of Service

	YEARS OF SERVICE TO VALUATION DATE							TOTALS		
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 & Up**	**No.**	**Salary**	**Average**
15-19										
20-24										
25-29	13	152						165	$ 8,345,604	$ 50,579
30-34	33	731	58	1				823	47,052,717	57,172
35-39	29	637	439	60	1			1,166	73,540,970	63,071
40-44	20	441	298	243	47	3		1,052	67,857,104	64,503
45-49	27	562	303	256	220	58	1	1,427	94,084,005	65,931
50-54	11	668	395	333	357	286	39	2,089	144,980,255	69,402
55-59	17	577	487	394	335	196	50	2,056	140,843,514	68,504
60	2	78	90	97	81	15	1	364	24,583,113	67,536
61	2	44	68	69	46	11	2	242	17,107,336	70,691
62		51	43	47	35	14	1	191	12,962,499	67,866
63	2	25	32	32	31	7	2	131	8,940,044	68,245
64	1	29	27	44	31	10		142	9,800,788	69,020
65		8	14	27	20	6	1	76	5,101,734	67,128
66		9	7	10	12	3		41	2,765,379	67,448
67		9	8	5	7	4		33	1,972,711	59,779
68		4	2	6	6			18	1,155,235	64,180
69		3	2	3	3	2	1	14	893,054	63,790
70		1	1	2	3	1	2	10	615,060	61,506
71		2	2		1	1		6	365,276	60,879
72		1	2		2		1	6	218,167	36,361
73				1	1			2	169,228	84,614
74		2	1	1				4	117,593	29,398
75 & Up		1	1	2	1	1	1	7	384,261	54,894
Totals	**157**	**4,035**	**2,280**	**1,633**	**1,240**	**618**	**102**	**10,065**	**$ 663,855,647**	**$ 65,957**

Summary of Member Data

Active *ERFC 2001* Members by Attained Age and Years of Service

	YEARS OF SERVICE TO VALUATION DATE							TOTALS		
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 & Up**	**No.**	**Salary**	**Average**
15-19	1							1	$ 17,315	$ 17,315
20-24	618							618	25,697,444	41,582
25-29	2401	171						2,572	119,591,892	46,498
30-34	1210	208						1,418	72,093,448	50,842
35-39	873	124						997	51,097,985	51,252
40-44	793	98						891	41,741,255	46,848
45-49	903	147						1,050	47,749,353	45,476
50-54	751	143						894	43,996,546	49,213
55-59	491	106						597	31,257,695	52,358
60	72	15						87	4,920,034	56,552
61	42	11						53	2,942,094	55,511
62	28	6						34	1,736,998	51,088
63	20	6						26	1,488,970	57,268
64	17	5						22	1,098,210	49,919
65	11	3						14	690,390	49,314
66	7	4						11	579,365	52,670
67	4	1						5	344,855	68,971
68	5							5	280,283	56,057
69	2	1						3	123,493	41,164
70	3							3	203,565	67,855
71	3							3	177,830	59,277
72	1							1	90,113	90,113
73								—		
74	1							1	52,796	52,796
75 & Up								—		
TOTALS	**8,257**	**1,049**	**—**	**—**	**—**	**—**	**—**	**9,306**	**$ 447,971,929**	**$ 48,138**

ACTUARIAL

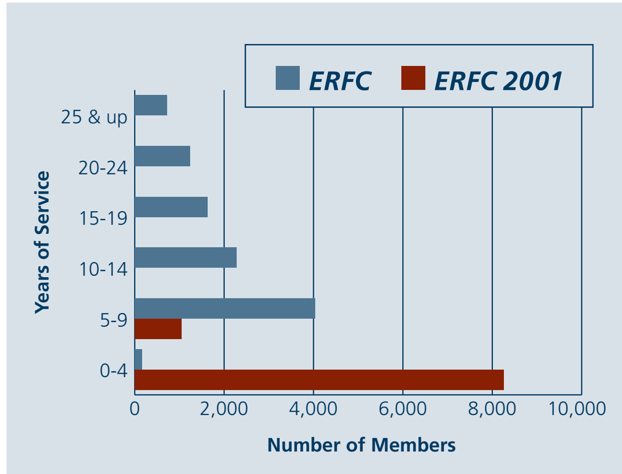
Summary of Member Data

(As of December 31, 2006)

ACTIVE MEMBER YEARS OF SERVICE

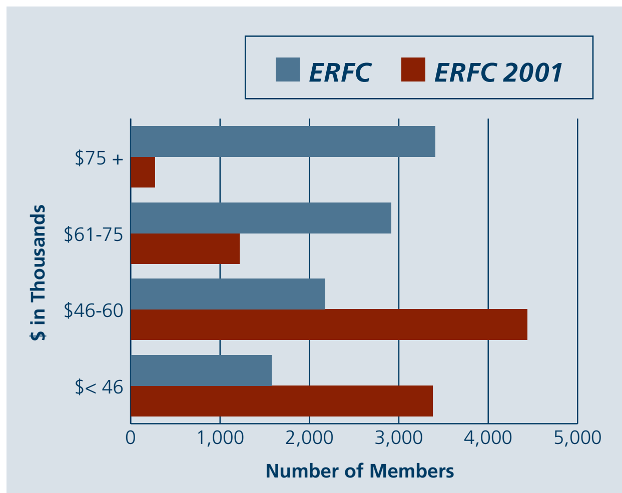
Average Service = 8.1 years

	0-4	5-9	10-14	15-19	20-24	25 & up
ERFC	157	4,035	2,280	1,633	1,240	720
ERFC 2001	8,257	1,049	–	–	–	–



ACTIVE MEMBER SALARIES ($ in thousands)

	<$ 46	$ 46-60	$ 61-75	$ 75+
ERFC	1,574	2,172	2,916	3,404
ERFC 2001	3,380	4,435	1,220	270

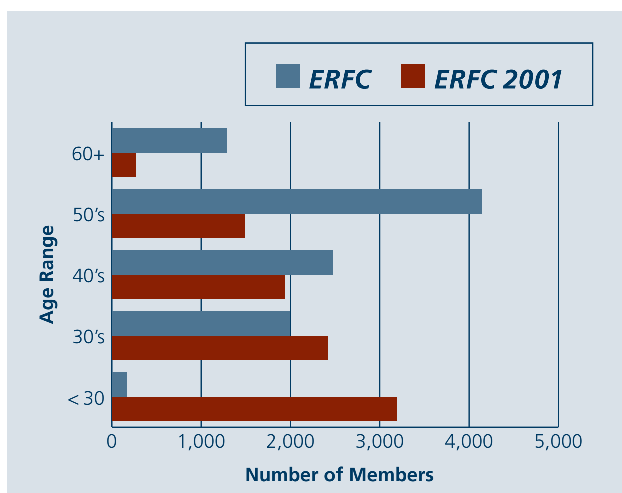


ACTIVE MEMBER AGES

Average Age = 43.5 years

Total Active Members = 19,371

	<30	30's	40's	50's	60+
ERFC	165	1,989	2,479	4,145	1,287
ERFC 2001	3,191	2,415	1,941	1,491	268



Summary of Member Data

(As of December 31, 2006)

ACTIVE MEMBER VALUATION DATA

Valuation Date	Annual Number	Annual Payroll	Annual Average Pay	% Increase in Annual Pay
June 30, 2000	15,050	$ 678,937,233	$ 45,112	4.1
June 30, 2001	15,955	759,905,510	47,628	5.6
June 30, 2002	16,074	781,756,005	48,635	2.1
June 30, 2003	17,738	866,501,799	48,850	0.4
December 31, 2004	18,720	977,817,281	52,234	6.9
December 31, 2005	19,081	1,050,216,544	55,040	5.4
December 31, 2006	19,371	1,111,827,576	57,396	4.3

RETIREES AND BENEFICIARIES ADDED AND REMOVED

	Added to Payroll		Removed from Payroll		Payroll at End of Year			
Year	Number	Annualized Monthly Benefit	Number	Annualized Monthly Benefit	Number	Annualized Monthly Benefit	Average Annualized Monthly Benefit	% Increase in Monthly Benefit
As of June 30								
1999	471	$ 662,299	131	$ 66,070	5,113	$ 5,320,893	1,041	10.05 %
2000	576	844,879	345	846,630	5,344	5,939,101	1,111	11.62
2001	536	687,740	115	70,932	5,766	6,381,227	1,107	7.44
2002	741	1,120,553	132	77,890	6,375	7,245,460	1,137	13.54
2003	625	951,989	271	91,665	6,729	7,942,436	1,180	9.62
As of December 31								
2004*	989	1,465,852	288	175,242	7,430	8,872,997	1,194	11.72
2005	481	615,969	201	106,627	7,710	9,587,825	1,244	8.06
2006	531	729,364	212	124,532	8,029	10,124,699	1,261	5.60

* With the transition from fiscal year to calendar year valuations, the added and removed calculations reflect an 18-month time span.

ACTUARIAL

Short-Term Solvency Test

If the contributions to ERFC are level in concept and soundly executed, the System **will pay all promised benefits when due — the ultimate test of financial soundness.** Testing for level contribution rates is the **long-term test.**

A **short-term solvency test** is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (cash and investments) are compared with:

1) Active member contributions on deposit,
2) The liabilities for future benefits to present retired lives, and
3) The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1 in the table below) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the system.

	AGGREGATE ACTUARIAL ACCRUED LIABILITIES						
	(1)	(2)	(3)		Portion of Accrued Liabilities Covered by Assets		
Valuation Date	Member Contributions	Retirants and Beneficiaries	Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
		($ in thousands)					
6/30/1987	$ 66,589	$ 136,073	$ 226,581	$ 325,126	100%	100%	54%
$# 6/30/1988	68,662	163,959	274,861	359,069	100	100	46
6/30/1989	75,917	203,394	281,651	405,317	100	100	45
6/30/1990	83,920	240,122	320,831	461,450	100	100	43
6/30/1991	89,976	285,618	342,133	510,825	100	100	40
6/30/1992	97,502	318,072	347,996	563,644	100	100	43
@# 6/30/1993	115,312	344,160	448,895	717,701	100	100	58
6/30/1994	129,428	374,849	467,802	766,480	100	100	56
$ 6/30/1995	143,150	395,249	534,137	839,930	100	100	56
6/30/1996	146,228	436,181	548,135	934,572	100	100	64
6/30/1997	144,063	464,345	606,959	1,045,412	100	100	72
!# 6/30/1998	149,261	490,261	638,891	1,194,556	100	100	87
! 6/30/1999	154,582	539,917	651,160	1,365,417	100	100	103
6/30/2000	157,148	614,739	595,484	1,505,231	100	100	123
6/30/2001	178,564	667,605	674,857	1,599,219	100	100	112
$ 6/30/2001	178,564	667,605	706,389	1,599,219	100	100	107
! 6/30/2002	170,849	699,251	823,856	1,619,889	100	100	91
$ 6/30/2003	176,648	903,963	691,807	1,597,459	100	100	75
# 12/31/2004	227,725	1,083,988	623,869	1,643,020	100	100	53
12/31/2005	257,142	1,130,378	635,442	1,718,399	100	100	52
12/31/2006	239,780	1,176,979	688,793	1,818,930	100	100	58

@ After change in asset valuation method. $ After changes in benefit structure.
# After changes in actuarial assumptions. ! After change in employer contribution rate.

Analysis of Financial Experience

Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.

Investment Return. If there is a greater investment return than assumed, there is a gain. If smaller return, a loss.

Age & Service Retirement. If members retire at older ages than assumed, there is a gain. If at younger ages, a loss.

Disability & Death in Service. If disability claims are less than assumed, there is a gain. If claims are more, a loss. If survivor claims are less than assumed, there is a gain. If claims are more, a loss.

Other Separations. If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.

EXPERIENCE GAINS AND LOSSES BY RISK AREA

(Dollars in Millions)

	Economic Risk Area			Demographic Risk Area			Total Gain (Loss)	
Experience Period	**Pay Increases**	**Investment Return**	**Age and Service Retirement**	**Disability and Death-in Service**	**Other Separations**	**Other@**	**Amount**	**Percent of Liabilities**
For Periods Ending June 30								
1988–89	$ (13.0)	$ 12.3	$ (17.9)	$ (4.4)	$ 3.3	$ 12.4	$ (7.3)	(1.4)
1989–90	(14.0)	23.6	(18.7)	(4.3)	1.2	(15.9)	(28.1)	(5.0)
1990–91	(2.1)	14.4	(25.9)	(5.5)	0.4	(5.0)	(23.7)	(3.7)
1991–92	21.2	21.7	(28.4)	(6.0)	(4.0)	2.3	6.8	0.9
1992–93	15.1	34.6	(16.3)	(1.0)	(6.5)	(17.3)	8.6	1.1
#1993–94	(4.1)	4.7	(1.6)	(3.7)	3.5	(15.2)	(16.4)	(1.8)
1994–95	(9.7)	25.2	5.1	(1.4)	(4.4)	(5.5)	9.3	0.9
1995–96	(7.7)	45.4	4.1	(1.8)	(5.6)	4.3	38.7	3.6
1996–97	9.9	53.5	2.9	(1.7)	(4.5)	(8.7)	51.4	4.5
#1997–98	(2.6)	81.1	5.9	(0.5)	6.4	(13.9)	76.4	6.3
*1998–99	(8.4)	95.4	0.3	(1.0)	6.5	(3.8)	89.0	7.0
1999–00	(17.6)	62.3	3.8	(1.2)	12.9	38.9	99.1	7.4
2000–01	(9.1)	17.6	(0.3)	(1.0)	13.0	(19.5)	0.7	0.0
2001–02	3.0	(50.4)	3.5	(1.1)	2.6	(29.9)	(72.3)	(4.7)
2002–03	18.5	(92.5)	11.0	(0.3)	4.0	(23.3)	(82.6)	(4.9)
For Periods Ending December 31								
2003–04	*Due to transition to calendar year valuations, a gain/loss analysis was not conducted for this valuation period.*							
2005	(7.1)	1.9	1.0	0.1	0.0	(3.2)	(7.3)	(0.4)
2006	(4.7)	23.6	2.0	0.0	(0.8)	2.6	22.7	1.1

\# Experience Study

* Updated Gain Formulas

@ Risks not directly related to assumptions include granted additional service credit, data adjustments, timing of financial transactions, etc.

ACTUARIAL

Summary of Benefit Provisions

Available to a Member Retiring with Some Service **Before July 1, 1988** (*ERFC* Members)

Service Retirement: Alternate Amount After Social Security Normal Retirement Age. By election at time of retirement, a member with service before July 1, 1988, may elect to receive 1988 new benefits with a special alternate amount for payment periods after the age the member becomes eligible for full Social Security benefits. The alternate amount is 103 percent of the total of:

1) the amount payable under June 30, 1987,benefit provisions,

2) plus, if the retiring member is younger than age 65 and if creditable Virginia service is less than 30 years, 1.65 percent of VRS average final compensation in excess of $1,200, multplied by years of creditable Virginia service, and further multiplied by a certain percent based upon the number of months that retirement occurs before reaching the earlier of the above two conditions; such percent is half of one percent for each of the first 60 such months and 4/10 of one percent for each of the next 60 such months, if any.

Reduced Service Retirement: With 25 Years Service. By election at time of retirement, such a member may elect to receive 103 percent of the following combination of benefits:

- **To age 55,** 2.85 percent of the 3-year average annual salary multiplied by years of credited service, then actuarially reduced to reflect retirement age younger than age 55; and

- **From age 55 to Social Security Normal Retirement Age,** the amount to age 55 reduced by: 1.65 percent of the portion of VRS average final compensation in excess of $1,200, multiplied by applicable years of creditable Virginia service; provided if creditable Virginia service is less than 30 years, the result of such multiplication shall be actuarially reduced for each month before the earlier of (1) attainment of age 65, and (2) the date when 30 years service would have been completed; and

- **From Social Security Normal Retirement Age for life,** the greater of the amount payable at the age the member becomes eligible for full Social Security benefits according to June 30, 1987 provisions or the amount payable at that age according to July 1, 1988 provisions.

Summary of Benefit Provisions

For a Person Becoming a Member after July 1, 1988 but Before July 1, 2001 (*ERFC* Members)

Service Retirement: Eligibility. A member may retire any time after reaching the service retirement date, which is either (i) age 65 with 5 years service or (ii) age 55 with 25 years of service.

Service Retirement: Amount. For payment periods during the retired member's lifetime 103 percent times (i) minus (ii) where:

(i) means 1.85 percent of the 3-year average annual salary multiplied by years of credited service, and

(ii) means 1.65 percent of the portion of VRS average final compensation in excess of $1,200, multiplied by applicable years of creditable Virginia service; provided if the member is younger than age 65 and if creditable Virginia service is less than 30 years, the result of such multiplication shall be actuarially reduced for each month before the earlier of:
- –1) attainment of age 65, and
- –2) the date when 30 years service would have been completed.

For payment periods, if any, before the age the member becomes eligible for full Social Security benefits, an additional temporary benefit equal to 1 percent of the 3-year average annual salary multiplied by years of credited service.

Reduced Service Retirement: Eligibility. A member with 25 years service but younger than age 55 may retire after age 45. A member with less than 25 years service and younger than age 65 may retire after age 55.

Reduced Service Retirement: Amount After 25 Years Service. Service Retirement amount actuarially reduced to reflect retirement age younger than age 55.

Reduced Service Retirement: Amount After 5-24 Years Service. For payment periods during the retired member's lifetime, the Service Retirement amount payable at age 65 actuarially reduced to reflect retirement age younger than age 65. For payment periods before the age the member becomes eligible for full Social Security benefits, an additional temporary benefit equal to the Service Retirement temporary benefit reduced to reflect retirement age younger than age 65.

Disability Retirement: An active member with 5 or more years of service who becomes totally and permanently disabled may be retired and receive a disability pension. The 5 year service requirement is waived if the disability is service-connected.

The amount is 103 percent times a lifetime pension equal to 0.25 percent of the 3-year average annual salary multiplied by years of credited service. Credited service shall be increased by the time period from disability retirement to the date when member would have reached service retirement date.

Death-in-Service Benefits: An active member with 5 or more years of service who dies will have benefits payable to the surviving spouse and/or dependent children. The 5 year service requirement is waived if the death is service-connected and the member's benefit includes service credit that the member would have earned between the date of death and eligibility for service retirement (with a minimum of 10 years of service used).

Deferred Retirement: Calculated in the same manner as reduced service retirement.

Member Contributions: Members contribute 4 percent of their salaries. Interest credits are added annually. If a member leaves covered employment before becoming eligible to retire, accumulated contributions are returned upon request.

***Before July 1, 2001,** continued on next page*

Before July 1, 2001, *continued from previous page*

Post-Retirement Increases: On March 31, most pensions are increased by 3 percent. These increases are compounded each year. Pensions of people who retired in the immediately preceding calendar year are increased by 1.489 percent (½ of a year's increase).

Lifetime Level Benefit: Members retiring after July 1, 2004 are eligible for a lifetime level benefit (LLB) that is calculated by determining the annuitized value of the greater of their accumulated contribution balance or the present value of the currently provided benefit.

Optional Forms of Payment:

Option A — 100% joint and survivor.
Option B — 50% joint and survivor.
Option C — 10 years certain and life.
Option D — Single sum payment not exceeding member's accumulated contribution balance, plus a single life annuity actuarially reduced from the pension amount otherwise payable.

Summary of Benefit Provisions

For a Person Becoming a Member **July 1, 2001 or Later** (*ERFC 2001* Members)

Service Retirement: Eligibility. A member may retire any time after reaching the service retirement date, which is either (i) age 60 with 5 years service or (ii) any age with 30 years of service.

Service Retirement: Amount. For payment periods during the retired member's lifetime.

The amount is a lifetime pension equal to 0.8 percent of the 3-year average annual salary multiplied by years of credited service.

Death-in-Service Benefits: An active member with 5 or more years of service who dies will have benefits payable to the nominated beneficiary.

The amount is a pension equal to the straight life amount (0.8 percent of the 3-year average annual salary multiplied by years of credited service at date of death), reduced in accordance with an option A election and payable at age 60. Beneficiaries may elect to receive benefits before age 60 if benefits are further reduced as follows:

- an additional reduction of the smaller of
  1) ½ of 1 percent for the first 60 months and 4/10 of 1 percent for each additional month between the member's age at the date of death and age 60, and
  2) ½ of 1 percent for the first 60 months and 4/10 of 1 percent for each additional month between the member's service at the date of death and 30 years.

Deferred Retirement: An inactive member with 5 or more years of service will be entitled to a pension with payments beginning at age 60, provided she/he does not withdraw accumulated member contributions.

The amount is a pension equal to the straight life amount (0.8 percent of the 3-year average annual salary multiplied by years of credited service at termination date), payable at age 60.

Member Contributions: Members contribute 4 percent of their salaries. Interest credits of 5 percent are added annually. If a member leaves covered employment before becoming eligible to retire, accumulated contributions are returned upon request

Post-Retirement Increases: On March 31, most pensions are increased by 3 percent. These increases are compounded each year. Pensions of people who retired in the immediately preceding calendar year are increased by 1.489 percent (½ of a year's increase).

ERFC Contribution Rates

	Support Employees			Instructional Employees		
Fiscal Year	Employee	Employer	Total	Employee	Employer	Total
1974	2.0	2.0	4.0	2.0	2.0	4.0
1975	3.2	3.2	6.4	2.9	2.9	5.8
1976	4.3	4.3	8.6	3.8	3.8	7.6
1977	4.3	4.3	8.6	3.8	5.66	9.5
1978	4.3	4.3	8.6	3.8	5.66	9.5
1979	4.3	4.3	8.6	3.8	5.66	9.5
1980	3.99	3.99	7.98	3.8	5.7	9.50
1981	3.99	4.02	8.01	2.0	5.7	7.70
1982	3.99	4.02	8.01	2.0	5.7	7.70
1983	2.0	5.65	7.65	2.0	7.31	9.31
1984	2.0	5.65	7.65	2.0	7.31	9.31
1985	2.0	5.52	7.52	2.0	7.09	9.09
1986	2.0	5.52	7.52	2.0	7.09	9.09
1987	2.0	5.88	7.88	2.0	7.05	9.05
1988	2.0	5.32	7.32	2.0	6.35	8.35
1989	2.0	5.08	7.08	2.0	5.53	7.53
1990	2.0	5.08	7.08	2.0	5.53	7.53
1991	2.0	5.08	7.08	2.0	5.53	7.53
1992	2.0	5.08	7.08	2.0	5.53	7.53
1993	2.0	5.08	7.08	2.0	5.53	7.53
1994	2.0	5.08	7.08	2.0	5.53	7.53
1995	2.0	5.08	7.08	2.0	5.53	7.53
1996	2.0	5.08	7.08	2.0	5.53	7.53
1997	2.0	5.58	7.58	2.0	6.03	8.03
1998	2.0	5.58	7.58	2.0	6.03	8.03
1999	2.0	5.58	7.58	2.0	6.03	8.03
ERFC began using composite rates effective July 1, 1999						
2000	2.0	4.99	6.99			
2001	2.0	3.69	5.69			
2002	2.0	3.69	5.69			
2003	2.0	4.00	6.00			
2004						
7/1 to 5/30	2.0	4.29	6.29			
6/1 to 6/30	4.0	2.53	6.53			
2005	4.0	3.37	7.37			
2006	4.0	3.37	7.37			
2007	4.0	3.37	7.37			

ACTUARIAL

Summary of Plan Changes

There were no significant plan changes during the valuation period ending December 31, 2006.

Mark Twain Middle School

Statistical Section

Financial Trends Information

- Net Assets
- Changes in Net Assets
- Assets and Liabilities Comparative Statement
- Benefit Deductions by Type
- Benefit Refunds by Type

Operating Information

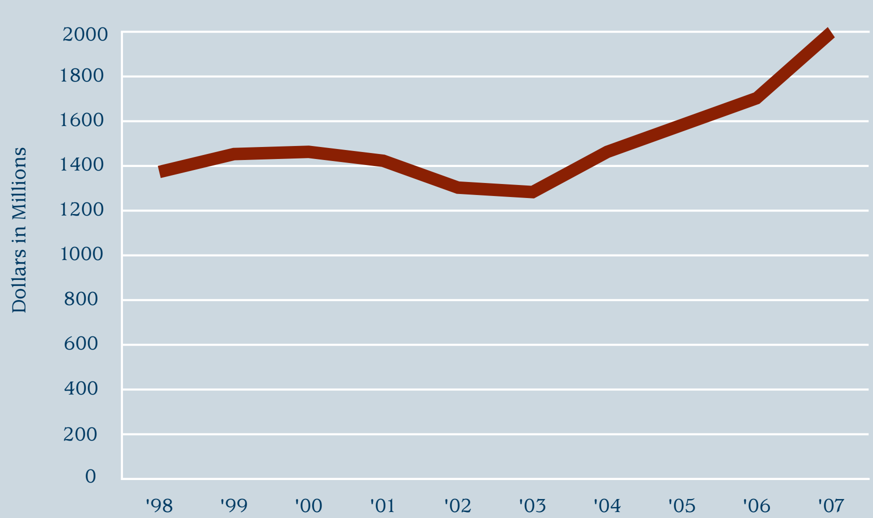
- Retired Members by Type of Benefit
- Average Benefit Payments by Years of Service
- Average Composite Monthly Benefit Payments
- Current Benefits by Attained Ages
- Deferred Benefits by Attained Ages

Net Assets

Last Ten Fiscal Years

FISCAL YEARS	NET ASSETS
1998	$ 1,441,702,975
1999	1,520,523,574
2000	1,534,986,934
2001	1,488,764,682
2002	1,369,372,874
2003	1,349,792,227
2004	1,528,120,115
2005	1,647,713,156
2006	1,766,534,921
2007	2,015,738,092

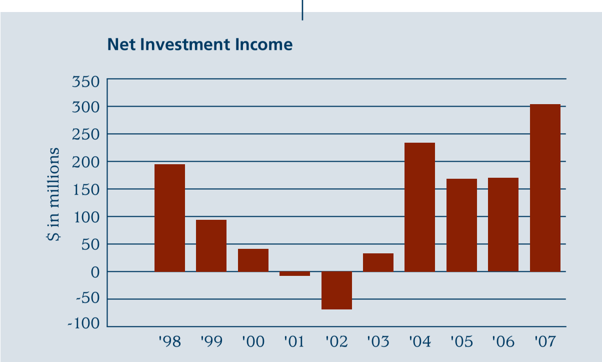
NET ASSETS

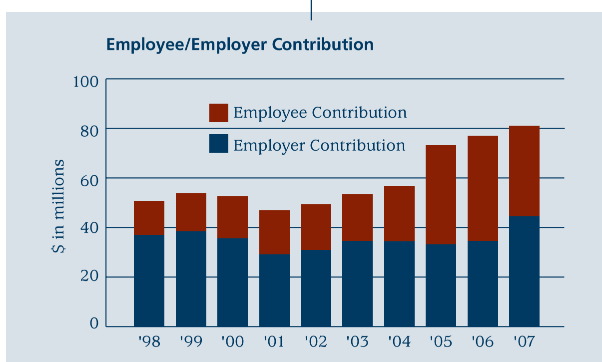


Changes in Net Assets—Last Ten Fiscal Years

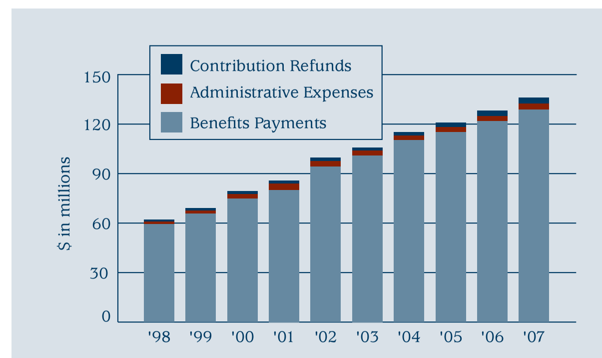
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
ADDITIONS										
Employee contributions	$ 13,650,547	$ 15,284,341	$ 16,936,454	$ 17,744,273	$ 18,472,712	$ 18,750,568	$ 22,340,870	$ 39,818,585	$ 42,292,828	$ 44,453,617
Employer contributions	36,932,114	38,422,667	35,655,898	29,145,883	30,849,067	34,506,630	37,331,203	32,198,596	34,648,918	36,644,001
Investment income (net of expenses)	195,036,126	94,248,096	41,186,381	(7,290,226)	(69,121,464)	32,857,465	233,807,964	168,479,920	169,944,356	304,119,327
Donated fixed assets										27,632
Total additions to plan net assets	**245,618,787**	**147,955,104**	**93,778,733**	**39,599,930**	**(19,799,685)**	**86,114,663**	**293,480,037**	**240,497,101**	**246,886,102**	**385,244,577**
DEDUCTIONS										
Benefit payments	59,275,639	65,716,547	74,803,741	79,969,985	94,247,498	100,979,864	110,236,424	114,999,379	121,687,318	128,739,638
Contribution refunds	1,326,499	1,599,786	1,777,493	2,092,580	2,153,958	1,848,428	1,996,947	2,794,118	3,087,501	3,583,007
Administrative expenses	1,519,091	1,818,172	2,734,139	3,759,617	3,190,667	2,867,018	2,918,778	3,110,563	3,289,518	3,718,761
Total deductions to plan net assets	**62,121,229**	**69,134,505**	**79,315,373**	**85,822,182**	**99,592,123**	**105,695,310**	**115,152,149**	**120,904,060**	**128,064,337**	**136,041,406**
Change in net assets net of expenses	**$ 183,497,558**	**$ 78,820,599**	**$ 14,463,360**	**$ (46,222,252)**	**$ (119,391,808)**	**$ (19,580,647)**	**$ 178,327,888**	**$ 119,593,041**	**$ 118,821,765**	**$ 249,203,171**

ADDITIONS BY SOURCE





DEDUCTIONS BY TYPE



STATISTICAL

Assets and Liabilities Comparative Statement

($ in thousands)

Valuation Date	Active Member Payroll	Computed Liabilities: Retired	Computed Liabilities: Members	Computed Liabilities: Total	Valuation Assets	[Excess of Assets] Unfunded Accrued Liabilities	Funded Percent
2/28/1975	$ 110,571	$ 4,567	$ 55,613	$ 60,180	$ 7,831	$ 52,349	13.0 %
2/29/1980	169,924	38,288	138,708	176,996	74,173	102,823	41.9
6/30/1985	251,691	96,588	240,351	336,939	221,656	115,283	65.8
@ 6/30/1986	277,545	116,773	264,611	381,384	284,195	97,189	74.5
6/30/1987	305,051	136,073	293,170	429,243	325,127	104,116	75.7
$!# 6/30/1988	340,946	163,959	343,523	507,482	359,069	148,413	70.8
6/30/1989	369,575	203,394	357,569	560,963	405,317	155,646	72.3
6/30/1990	411,970	240,122	404,751	644,873	461,450	183,423	71.6
6/30/1991	451,873	285,618	432,109	717,727	510,825	206,902	71.2
6/30/1992	447,474	318,072	445,498	763,570	563,644	199,926	73.8
@# 6/30/1993	450,530	344,160	564,207	908,367	717,701	190,666	79.0
6/30/1994	480,995	374,849	597,230	972,079	766,480	205,599	78.8
$! 6/30/1995	521,044	395,249	677,287	1,072,536	839,930	232,606	78.3
6/30/1996	531,060	436,181	694,363	1,130,544	934,571	195,973	82.7
6/30/1997	553,709	464,345	751,022	1,215,367	1,045,412	169,955	86.0
#! 6/30/1998	582,755	490,261	788,111	1,278,372	1,194,556	83,816	93.4
! 6/30/1999	626,015	539,917	805,742	1,345,659	1,365,417	(19,758)	101.5
6/30/2000	678,937	614,739	752,632	1,367,371	1,505,231	(137,860)	110.1
$ 6/30/2001	759,906	667,605	884,953	1,552,558	1,599,219	(46,661)	103.0
! 6/30/2002	781,756	699,251	994,705	1,693,956	1,619,889	74,067	95.6
$ 6/30/2003	866,502	903,963	868,455	1,772,418	1,597,459	174,959	90.1
12/31/2004	977,817	1,043,677	853,565	1,897,242	1,640,216	257,026	86.5
# 12/31/2004	977,817	1,083,988	851,594	1,935,582	1,643,020	292,562	84.9
12/31/2005	1,050,271	1,130,378	892,584	2,022,962	1,718,399	304,563	84.9
12/31/2006	1,111,828	1,176,979	928,573	2,105,552	1,818,930	286,662	86.4

@ After change in asset valuation method.
$ After change in benefits.
# After changes in actuarial assumptions.
! After change in employer contribution rate.

Note: *The source of information presented above is from the most recent actuarial valuation report.*

Benefit Deductions from Net Assets by Type
Last Ten Years

	Service Benefits				Death Benefits		Disability Benefits					
	Normal		Early		Duty/Non-Duty		Duty		Non-Duty		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Participants	Benefits
Fiscal Years												
1997	2,135	$ 33,641,794	2,068	$ 18,150,793	49	$ 264,202	24	$ 246,726	202	$ 1,018,999	4,478	$ 53,322,514
1998	2,327	37,302,526	2,168	19,148,725	48	296,758	24	245,902	206	1,024,833	4,773	58,018,744
1999	2,532	41,591,650	2,299	20,081,725	49	341,906	24	253,279	209	1,044,290	5,113	63,312,850
2000	2,729	46,386,613	2,326	22,480,107	52	351,142	23	260,556	214	1,069,656	5,344	70,548,074
2001	2,924	50,415,043	2,561	23,851,414	54	380,950	23	268,374	204	1,006,855	5,766	75,922,636
2002	3,286	59,760,307	2,787	25,449,657	55	366,736	33	312,046	214	1,096,861	6,375	86,985,607
2003	3,537	68,619,019	2,857	26,854,190	116	793,302	24	286,818	195	969,233	6,729	97,522,562
Calendar Years												
2004	3,890	77,911,030	3,174	29,941,238	111	812,149	26	298,169	229	1,066,414	7,430	110,029,000
2005	3,989	81,734,466	3,364	32,279,036	110	850,781	27	309,656	220	1,049,826	7,710	116,223,765
2006	4,156	87,010,607	3,513	34,096,345	112	910,194	27	318,947	221	1,066,747	8,029	123,402,840

Note: *The source of information presented above is from the most recent actuarial valuation report.*

STATISTICAL

Benefit Refunds by Type

Last Ten Years

	Separation		Deaths		TOTAL	
Fiscal Year	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
1998	501	$ 1,326,499	n/a	n/a	501	$ 1,326,499
1999	556	1,599,786	n/a	n/a	556	1,599,786
2000	589	1,777,493	n/a	n/a	589	1,777,493
2001	744	2,092,580	n/a	n/a	744	2,092,580
2002	851	2,153,958	n/a	n/a	851	2,153,958
2003	695	1,717,293	19	$ 131,135	714	1,848,428
2004	719	1,840,349	15	156,598	734	1,996,947
2005	871	2,620,070	26	174,048	897	2,794,118
2006	818	2,865,448	20	222,052	838	3,087,500
2007	746	3,407,248	18	175,759	764	3,583,007

n/a — Information not readily available

Retired Members by Type of Benefit

(As of December 31, 2006)

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*					Option Selected**					
		1	2	3	4	5	Basic Benefit	1	2	3	4	5
$ 1–250	1,462	181	1,186	19	65	11	1,133	20	10	21	7	271
251–500	1,113	282	717	10	100	4	798	28	10	18	13	246
501–750	770	362	363	10	34	1	576	9	16	19	8	142
751–1,000	725	452	252	4	16	1	571	7	12	24	3	108
1,001–1,250	564	376	177	6	5	—	455	3	9	20	7	70
1,251–1,500	491	365	122	3	1	—	412	3	11	19	1	45
1,501–1,750	404	281	119	2	—	2	309	3	10	23	0	59
1,751–2,000	332	178	151	2	—	1	192	8	5	21	0	106
Over 2,000	2,168	1,715	444	2	—	7	966	59	30	106	23	984
Total	**8,029**	**4,192**	**3,531**	**58**	**221**	**27**	**5,412**	**140**	**113**	**271**	**62**	**2,031**

*** TYPE OF RETIREMENT:**

1 Full Service

2 Reduced Service

3 Ordinary Death

4 Ordinary Disability

5 Service Connected Disability

**** OPTION SELECTED:**

Basic Benefit

1 Beneficiary receives 100% of member's reduced monthly benefit

2 Beneficiary receives 67% of member's reduced monthlybenefit

3 Beneficiary receives 50% of member's reduced monthly benefit

4 Beneficiary receives a specified number of payments equal to 120 minus the number of payments the member has received.

5 Member receives partial lump sum and reduced montly benefit

***Note:** The source of information presented above is from the most recent actuarial valuation report.*

Average Benefit Payments by Years of Service

	5-10	10-15	15-20	20-25	25-30	30+
Retirement Effective Dates						
Period 1/1/05 to 12/31/05						
Avg Monthly Benefit	$ 234.91	$ 406.79	$ 617.89	$ 828.81	$ 2,388.75	$ 2,557.08
Avg Final Average Salary	$ 4,466.69	$ 4,914.15	$ 4,924.77	$ 5,230.64	$ 6,541.46	$ 6,989.21
No. of Retired Members	62	59	103	48	128	60
Period 1/1/06 to 12/31/06						
Avg Monthly Benefit	$ 205.22	$ 394.76	$ 647.03	$ 880.16	$ 2,436.76	$ 2,596.68
Avg Final Average Salary	$ 4,218.58	$ 4,440.82	$ 5,200.61	$ 5,547.99	$ 6,707.84	$ 7,076.66
No. of Retired Members	54	83	87	60	162	61

Average Composite Monthly Benefit Payments for Retirees and Beneficiaries

Last Ten Years

By Type of Benefit Being Paid

	Year	Service Retirement	Reduced Service	Ordinary Disability
Fiscal Year	1997	$ 1,313	$ 731	$ 467
	1998	1,336	736	460
	1999	1,369	728	464
	2000	1,416	805	468
	2001	1,437	776	468
	2002	1,516	761	475
	2003	1,617	783	478
Calendar Year	2004	1,663	784	446
	2005	1,707	800	459
	2006	1,745	809	466

Note: *The source of information presented above is from the most recent actuarial valuation report.*

Retirees and Beneficiaries Current Annual Benefits Tabulated by Attained Ages

(As of December 31, 2006)

	Total	
Attained Ages	**No.**	**Annual Amount**
under 40	6	$ 31,358
40–44	7	20,387
46	2	5,997
47	1	2,639
48	5	36,174
49	5	17,154
50	11	131,739
51	15	204,589
52	2	498,122
53	45	1,126,893
54	94	2,079,986
55	191	4,148,447
56	236	5,237,455
57	327	7,164,338
58	413	9,365,494
59	504	10,070,890
60	405	8,087,088
61	413	8,474,956
62	429	8,367,891
63	507	10,186,568
64	411	7,874,358
65	327	4,224,578
66	291	2,717,658
67	323	3,068,723
68	308	3,355,013
69	254	2,793,920
70–74	1,117	12,505,859
75–79	679	7,038,298
80 & up	679	4,566,268
Total	**8,029**	**$ 123,402,840**

Note: *The source of information presented above is from the most recent actuarial valuation report.*

Inactive Vested Members
Deferred Benefits by Attained Ages

(As of December 31, 2006)

	Total	
Attained Ages	**No.**	**Annual Amount**
24	1	$ 937
25	2	1,901
26	2	5,380
27	12	24,245
28	29	48,566
29	39	63,205
30	40	68,687
31	76	127,134
32	82	138,492
33	97	183,670
34	88	165,458
35	105	200,889
36	101	200,564
37	119	256,101
38	108	227,248
39	99	214,075
40	102	207,770
41	78	151,497
42	77	161,911
43	75	170,717
44	62	153,078
45	52	145,859
46	55	179,723
47	51	127,242
48	38	93,179
49	53	163,858
50	63	182,062
51	71	191,680
52	74	195,098
53	82	229,239
54	78	222,526
55	49	121,556
56	32	99,922
57	31	88,211
58	29	89,861
59	26	86,776
60	23	56,563
61	23	55,855
62	10	37,981
63	2	7,892
64	5	19,048
Over 65	3	6,891
Total	**2,244**	**$ 5,172,547**

Note: *The source of information presented above is from the most recent actuarial valuation report.*

STATISTICAL

THE EDUCATIONAL EMPLOYEES'
SUPPLEMENTARY RETIREMENT SYSTEM
of Fairfax County

Vienna Elementary School

236 FCPS school buildings and centers dot the Fairfax County landscape, which spans 395 square miles of Northern Virginia. Approximately one of every six county residents is a student in Fairfax County Public Schools, from Vienna Elementary (established in 1872) to South County Secondary (established in 2005) —and 234 other sites in between.

FCPS school buildings featured in this publication, in alphabetical order, are:

Fairfax High School (Back Cover)
Fairfax, Virginia

Lake Braddock Secondary School
Burke, Virginia

Robert E. Lee High School
Springfield, Virginia

Liberty Middle School
Clifton, Virginia

James Madison High School (Front Cover)
Vienna, Virginia

South County Secondary School
Lorton, Virginia

Mark Twain Middle School
Alexandria, Virginia

Vienna Elementary School
Vienna, Virginia

Fairfax High School

Educational Employees' Supplementary Retirement System of Fairfax County
8001 Forbes Place, Suite 300, Springfield, VA 22151