ERFC 2010
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

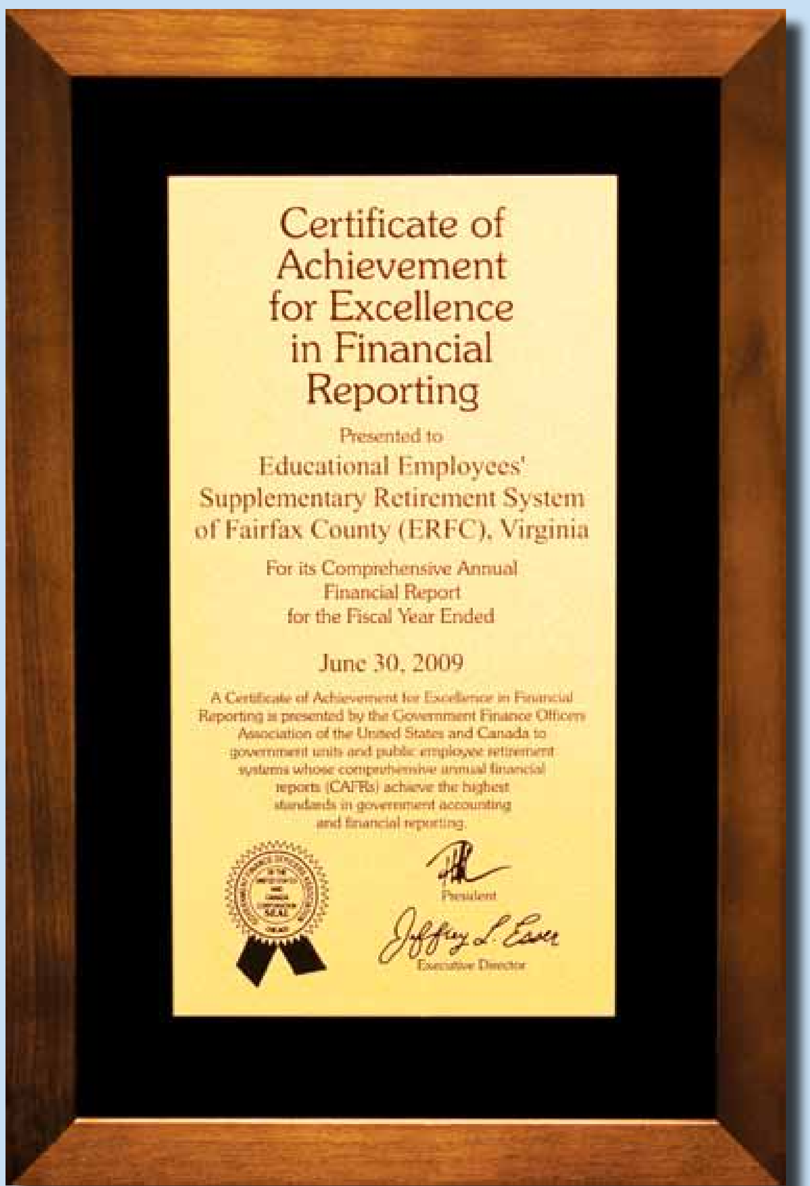
The Educational Employees' Supplementary Retirement System of Fairfax County

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

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 *2009 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.



Front Cover: Hayfield Secondary Marching Band

Educational Employees' Supplementary Retirement System of Fairfax County

2010 ERFC
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Educational Employees' Supplementary Retirement System of Fairfax County

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

ADMINISTRATION

Jeanne Carr, Executive Director and CIO
Michael Lunter, Finance Coordinator

PREPARED BY

ERFC Staff
8001 Forbes Place, Suite 300
Springfield, VA 22151-2205

DESIGNED BY

Fairfax County Public Schools
Information Technology
Multimedia Design

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

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 to implement 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 implement an annual audit of the System's financial statement in accordance with generally accepted auditing standards.

Table of Contents

Achievements

PUBLIC PENSION STANDARDS *2010 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.


PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2010

Presented to

The Educational Employees' Supplementary Retirement System of Fairfax County (ERFC)

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Introduction

Letter of Transmittal

ERFC
8001 Forbes Place, Suite 300
Springfield, VA 22151

December 1, 2010

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

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, 2010. The ERFC management holds responsibility for the financial information presented in this report. Proper internal accounting controls exist to provide reasonable assurance for both the safekeeping of assets and the 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, the 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. We believe this report also conforms to the Government Finance Officers Association's (GFOA) requirements.

The following provides a summary of the System's historical background, and outlines significant achievements for the Board and management during the fiscal year. A management discussion and analysis (MD&A) narrative is also provided in the Finance Section, immediately following the independent auditor's report.

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 specifically to supplement the benefits of two primary retirement plans: the Virginia Retirement System (VRS) and the federal Social Security System. In 1987, the VRS introduced major increases to the state's early retirement benefits, which required the ERFC to thoroughly re-examine the complementary structure of its supplemental benefits plan. Effective July 1, 1988, the ERFC significantly altered its Legacy Plan benefit structure in order to re-balance the benefit amounts payable to future ERFC members, while also maintaining and protecting the rights of current members. Thirteen years later, the School Board approved further refinements to the ERFC supplemental retirement program with the introduction of a second retirement plan, *ERFC 2001*—a streamlined and stand-alone retirement plan structure, provided for all eligible FCPS employees hired on or after

Letter of Transmittal

July 1, 2001. With prudent management oversight and sustained support from the School Board, the ERFC Legacy and ERFC 2001 plans continue to provide a valuable and secure defined benefit retirement program for nearly twenty-thousand full-time educational, administrative and support employees of Fairfax County Public Schools.

Administration and Technology Updates

Over the past two years, the ERFC has worked methodically to consolidate its multiple computer software applications into a single, fully-integrated Retirement Benefit Administration and Payroll operating system. In January 2010, ERFC successfully launched monthly pension payroll production through the PensionGold™ system—a core operational function, previously outsourced that is now managed internally by the ERFC Finance staff at a significantly lower administrative cost. The ERFC Member Services staff has also progressed on a parallel path, developing new workflow processes in concert with their ongoing schedules, to process retirements, produce benefit estimate reports, and provide individual retirement counseling services to members. With daily product testing nearing completion, the ERFC staff looks forward to introducing a variety of new online resources and web member services through the PensionGold™ system in 2011.

Earlier this spring, ERFC staff welcomed **Jim Roehner** to its administrative leadership team, as the System's new Deputy Executive Director. Roehner was named to the position vacated by Jeanne Carr late in 2009, upon her appointment as ERFC's Executive Director and CIO. Prior to joining the ERFC, Roehner worked as a special consultant for the Washington Post and the American Red Cross, coordinating data consolidation and verification projects for their respective defined benefit programs. Roehner also spent seven years with Discovery Communications, during which time he managed an enterprise system data integration project—experience that serves well with the rollout of ERFC's own new benefits and payroll administration system, PensionGold™.

Plan Financial Condition

The ERFC regained its solid footing in Fiscal Year 2010, and the System's active management proved its worth producing positive results despite high levels of volatility in the year's market activity. The first two quarters of the fiscal year ushered in a welcome respite for investors, easing some of the turmoil still reverberating from the global market collapse of the prior year. ERFC surged ahead accordingly for the period, and achieved an 18.1 percent return for the first half of Fiscal Year 2010. The third quarter remained relatively calm, but the markets took a decidedly different turn upon entering the fourth quarter as caution and uncertainty suddenly resurfaced. This abrupt mood change in the markets drove asset prices downward during the second half of the fiscal year, and ERFC saw its return rate for the period dip to a negative .8% as a result. Ultimately however, the managers persevered to survive the roller coaster ride, and ERFC achieved a very solid 17.1 percent return for Fiscal Year 2010.

Letter of Transmittal

ERFC's independent actuary reported that the System's funding ratio held steadily at 76.5 percent for the valuation period ending December 31, 2009—only slightly below the 76.9 percent funding ratio cited for the valuation period ending December 31, 2008. It must be noted that historic declines in the global capital markets during calendar years 2008 and 2009 precipitated last year's abrupt drop from the 88.0 percent funding ratio reported for ERFC in the valuation period ending December 31, 2007. Therefore, as noted in last year's report, we expect ERFC's funding ratio to continue to decrease over the next few years as the calendar year 2008 losses are fully recognized and absorbed over time. However, positive returns exceeding ERFC's 7.5 percent assumption rate—such as those achieved in Fiscal Year 2010—will help mitigate the period of decline.

The Financial, Actuarial, and Statistical sections of this report provide detailed information regarding the Fund's overall financial condition. In addition, the *Schedule of Funding Progress,* included in the Financial Section, presents historical data for the ERFC's funding ratio.

Investment Activity

ERFC's 17.1 percent return rate for FY 2010 ranked the System in the 8th percentile among peer funds with at least $1 billion in assets. The Fund's longer-term returns also retained strength, with the three, five and ten year return rates each ranked in the top quartile. Active management, which constitutes approximately 80 percent of the ERFC portfolio, demonstrated its value to the Fund, as ERFC's managers added over five percent to the System's fiscal year return. Initially, Fiscal Year 2010 introduced a period in which portfolio managers could distinguish themselves through fundamental and quantitative security analyses. Unfortunately, macro-economic activity in the final quarter of the fiscal year drove global stock markets steeply into negative territory. Such persistent fluctuations have been rattling the economic climate over the past two years, and might therefore prompt some to debate investment strategies. The ERFC trustees remain confident however, that the Plan's highly diversified portfolio and reliance on top tier investment managers will continue to allow the ERFC to meet its long-term investment objectives. The Investment Section of this report provides further details regarding the Fund's activities and performance.

ERFC implemented one minor change to the portfolio lineup in FY 2010. In November 2009, ERFC transferred the management of a Global Asset Allocation portfolio from Mellon Capital Management Corporation to the Wellington Trust Company. In recent months, the trustees have also begun implementing a 5 percent allocation to the private equity markets, which will allow ERFC to take advantage of attractive opportunities in distressed mezzanine and secondary strategies going forward.

Professional Services

The ERFC Board of Trustees appoints professional services to provide aid in the efficient management of the System. New England Pension Consultants (NEPC),

Letter of Transmittal

based in Cambridge, Massachusetts, provides investment consulting services, and Gabriel, Roeder, Smith & Company, of Southfield, Michigan, provides actuarial services. 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 its FY 2009 Comprehensive Annual Financial Report (CAFR). This is the 13th 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' 2010 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 produced through 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, its Government Finance Offices, and other interested parties. Copies are made available in print and electronically, with the full report posted on the ERFC website. We hope that all recipients find the report informative and useful.

Respectfully submitted,

Jeanne Carr, CFA
Executive Director
and CIO

Michael Lunter
Finance Coordinator

Letter from the Chairperson

ERFC

8001 Forbes Place, Suite 300
Springfield, VA 22151

December 20, 2010

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 fiscal year ending June 30, 2010. The ERFC Board and staff commit ourselves to maintaining the financial integrity of the fund, and adhering to best practices in all areas of customer service. As participants and stakeholders in ERFC, you can be assured that the Board of Trustees works collectively on your behalf to build, preserve, and protect the System's assets, while monitoring financial trends and striving to generate investment income to provide the supplemental retirement benefits promised to you by Fairfax County Public Schools.

In January 2010, ERFC premiered the second stage of its new, fully-integrated Retirement Benefit Administration and Payroll administration system, launching monthly pension payroll production through the PensionGold™ system. This core operational function, which was previously outsourced, is now managed internally by ERFC Finance staff at significantly lower administrative cost. The Board gratefully acknowledges the tremendous efforts and achievements of the entire ERFC staff as they continue progress through the staged transitions to this new system.

The portfolio activities outlined in this annual report, address details specific to the 2010 fiscal year period, which ended June 30th. As noted in our prior reports, we have found historically that serious market downturn periods, such as those experienced worldwide in early FY 2009, are typically followed by a strong recovery and renewed investment opportunities. True to form, the markets rebounded significantly late in FY 2009, and maintained a steady positive pattern through the third quarter of FY 2010. Although macro-economic activity drove the global markets steeply downward during the fourth quarter, ERFC survived the abrupt dip in the road and achieved a very positive 17.1% return rate for FY 2010. The Plan's FY 2010 performance ranked ERFC in the 8th percentile among peer funds with at least $1 billion in assets. Longer-term returns also remained strong, with ERFC's three-, five- and ten-year return rates each ranked in the top quartile.

Upon press time for this report, the ERFC Portfolio has maintained a positive performance, even as the markets endured ongoing waves of volatility early in

Letter from the Chairperson

FY 2011. However, as long-term investors, periods of marketplace uncertainty only serve to reinforce ERFC's focus on the big picture with prudent management oversight dedicated to protecting the System's assets.

ERFC's defined benefit plan provides a valuable supplement to FCPS' employee members. In periods of economic volatility, this solid benefit plan structure has become increasingly important for both retirees and active employee members planning for their futures. The ERFC was designed specifically to reward educational professionals with a pension to supplement the primary benefits they earn and receive separately from the Virginia Retirement System (VRS) and Social Security. Accordingly, FCPS partners with ERFC members by contributing to the retirement system—and the School Board remains committed to appropriately funding its teachers' retirement system. Effective July 1, 2010, the School Board increased FCPS' employer contribution rate from 3.2 percent of covered payroll to 4.04 percent for FY 2011. These combined employee and employer contributions comprise the initial platform for the ERFC. However, it is the System's investment earnings that provide the integral component necessary to fulfill the guarantee of defined member benefits. Although no one can fully forecast every turn in the marketplace, the ERFC continues to thrive by implementing prudent long-term investment strategies designed to spread pension costs over the employees' careers, while maintaining a solid fiscal balance during both strong and weak investment periods.

The ERFC Board and staff value your opinions and welcome your feedback. We encourage you to visit the website at: www.fcps.edu/ERFC or contact us directly with any questions regarding your pension fund or payable retirement benefits.

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 ERFC Board comprises seven members: three appointed by the School Board, three elected by the System's active membership, and one trustee who is neither affiliated with, nor employed by Fairfax County, the Fairfax County School Board, nor by any union or similar organization representing teachers or other Fairfax County employees. The initial six trustees annually select and recommend a seventh ERFC Board member, or "individual Trustee," for approval by the Fairfax County School Board. The ERFC executive committee comprises the chairperson and treasurer. The Board meets monthly throughout the year, excluding August. ERFC trustees receive no compensation, but are reimbursed for business-related expenses.

Michael A. Hairston
Chairperson/Trustee
Elected Member

Leonard Bumbaca
Vice Chairperson/ Trustee
Elected Member

Susan Quinn
Treasurer/Trustee
Appointed Member

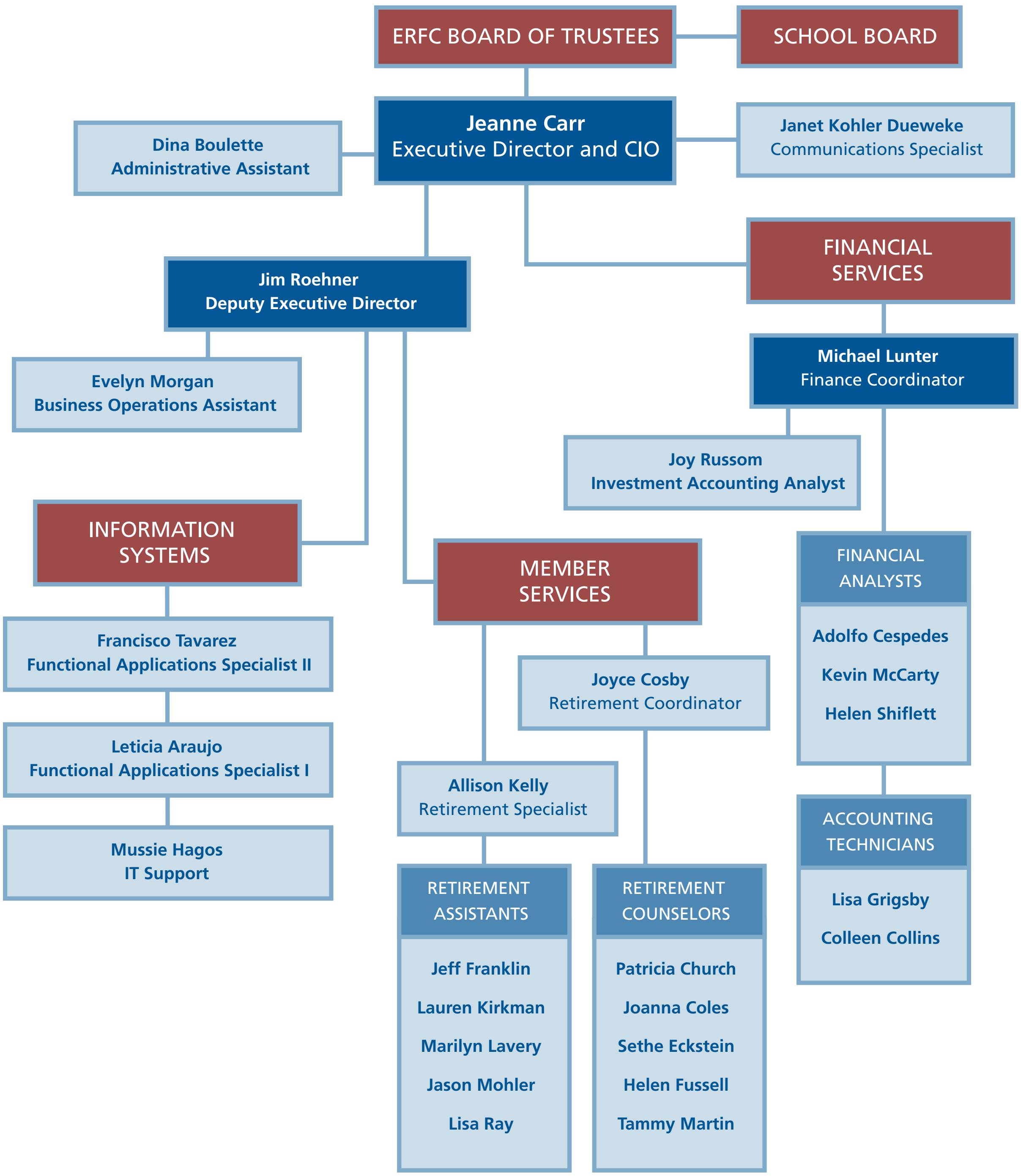
Nitin M. Chittal
Individual Trustee
Appointed Member

Nancy Hammerer
Trustee
Elected Member

Richard Moniuszko
Trustee
Appointed Member

Kevin North
Trustee
Appointed Member

ERFC Administrative Organization



Professional Services

Investment Managers

DOMESTIC EQUITY

Aronson+Johnson+Ortiz, LP
Philadelphia, Pennsylvania

Epoch Investment Partners, Inc.
New York, New York

Lazard Asset Management
New York, New York

Mellon Capital Management Corporation
San Francisco, California

Turner Investment Partners, Inc.
Berwyn, Pennsylvania

Westfield Capital Management
Boston, Massachusetts

FIXED INCOME

Loomis-Sayles & Company
Boston, Massachusetts

Mellon Capital Management Corporation
San Francisco, California

Pacific Investment Management Company
Newport Beach, California

GLOBAL ASSET ALLOCATION

Bridgewater Associates, Inc.
Westport, Connecticut

Wellington Management[1]
Newark, New Jersey

Pacific Investment Managment Company
Newport Beach, California

HEDGE FUND

Grosvenor Institutional Partners, L.P.
Chicago, Illinois

Permal Investment Management Services, Ltd.
London, England

INTERNATIONAL EQUITY

Acadian Asset Management
Boston, Massachusetts

AllianceBernstein
New York, New York

William Blair and Company, LLC
Chicago, Illinois

REAL ESTATE

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

Other Service Providers

ACTUARY

Gabriel, Roeder, Smith & Company
Southfield, Michigan

AUDITOR

KPMG LLP
Certified Public Accountants
Washington, D.C.

INVESTMENT CONSULTANT

New England Pension Consultants
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

TECHNOLOGY CONSULTANT

L. R. Wechsler, LTD
Fairfax, Virginia

[1] Hired in fiscal year 2010

Financial Section

Independent Auditors' Report

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

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, 2010, 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 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2010, and the respective changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management Discussion and Analysis on pages 14 through 16, Schedule of Employer Contributions on page 28, and Schedule of Funding Progress on page 29 are not required parts 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 Auditors' Report

KPMG

November 19, 2010
Page 2 of 2

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The supplementary information on pages 32 through 34 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 2010 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 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 it.

KPMG LLP

November 19, 2010

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, 2010. 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 2010 the return on ERFC's assets was 17.1 percent[1]. This resulted in a total asset value of $1.61 billion which reflects an increase of $166.2 million over fiscal year 2009'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 $231.6 million investment income and $85.8 million in employee and employer contributions. The additions are offset by $143.1 million in retiree benefit payments and $8.0 million in member refunds and administrative expenses.

Fiscal year ending June 30, 2010 produced a return of 17.1 percent. ERFC's return exceeded the policy benchmark return of 14.1 percent[2]. Three, five, and ten year returns are –3.3 percent, 3.4 percent, and 4.3 percent, respectively.

The System's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. 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
2006	$ 1,766.5	$ 118.8	7.2 %
2007	2,015.7	249.2	14.1
2008	1,858.6	(157.1)	(7.8)
2009	1,441.5	(417.1)	(22.4)
2010	1,607.7	166.2	11.5

At December 31, 2009, the actuarial value of assets totaled $1.769 billion while liabilities totaled $2.314 billion. This resulted in a funding ratio of 76.5 percent. 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.

1 As calculated by New England Pension Consultants

2 Policy Index benchmark is 23.0% Russell 1000, 7.5% Russell 2000, 15% MSCI/ACWI Ex-US, 3.75% NAREIT, 3.75% NCREIF, 19% Barclays Aggregate Bond Index, 4.0% BC Credit, 4.0% BC Long Credit, 7.5% MS World Net, 7.5% Citi World Gov't Bond, 5% HFRI FoF

Management Discussion and Analysis

In addition, detailed information regarding actuarial assumptions and methods can be found in the Actuarial Section of this report.

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 positive revenues from contributions and investments. Detracting from revenue were deductions, which 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*

Summary of Plan Net Assets

	June 30, 2010	June 30, 2009	Difference
Assets			
Total cash and investments	$ 1,677,558,246	$ 1,488,742,769	$ 188,815,477
Total receivables	65,875,861	63,420,401	2,455,460
Other assets	74,432	93,080	(18,648)
Total assets	1,743,508,539	1,552,256,250	191,252,289
Liabilities			
Accounts payable	1,549,101	1,419,793	129,308
Securities purchased	65,117,582	49,896,094	15,221,488
Securities lending collateral	69,178,433	59,505,933	9,672,500
Total liabilities	135,845,116	110,821,820	25,023,296
Total Net assets held in trust for pension benefits	**$ 1,607,663,423**	**$ 1,441,434,430**	**$ 166,228,993**

Management Discussion and Analysis

Financial Statements

As indicated in the Summary of Plan Net Assets, the System's net asset value increased $166.2 million or 11.5 percent in fiscal year 2010. This total increase in net assets is due primarily to an increase of $188.8 million in the value of investments, an increase in receivables of $2.5 million, a $15.2 million increase in the value of payables along with an increase of $9.7 million in securities lending collateral liabilities.

As presented in the Summary of Additions and Deductions (below), additional information is provided regarding the differences between the fiscal year 2009 and 2010 results. These differing results are due mainly to a significant increase in investment income of $589.2 million offset by an increase in benefit payments of 3.5 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, 2010	June 30, 2009	Difference
Additions			
Contributions			
Employer	$ 37,868,623	$ 40,012,480	$ (2,143,857)
Member	47,918,341	47,996,408	(78,067)
Net Investment Income/(Loss)	231,574,404	(357,672,266)	589,246,670
Other Income/Loss	—	(5,494)	5,494
Total	317,361,368	(269,668,872)	587,030,240
Deductions			
Benefits	143,128,569	139,594,144	3,534,425
Refunds	3,339,910	3,975,907	(635,997)
Admin. Expenses	4,663,896	3,898,620	765,276
Total	151,132,375	147,468,671	3,663,704
Net Change	**$ 166,228,993**	**$ (417,137,543)**	**$ 583,366,536**

Statement of Plan Net Assets

(As of June 30, 2010)

ASSETS	
Cash and short-term investments	
Cash	$ 1,356,273
Cash with fiscal agent	1,241,358
Cash collateral for securities on loan	69,178,433
Short-term investments	64,259,915
Total cash and short-term investments	**136,035,979**
Receivables	
Member contributions	23,923
Interest and dividends	3,261,414
Securities sold	62,138,721
Miscellaneous accounts receivable	451,803
Total receivables	**65,875,861**
Investments, at fair value	
U.S. Government obligations	2,506,135
Mortgage-backed securities	2,926,721
Domestic corporate bonds	88,503,776
Convertible bonds	2,374,447
International bonds	29,996,723
Common stock	592,851,918
Real estate	45,403,668
Preferred stock	3,494,000
Global asset allocation	164,349,788
Better beta	89,324,001
Hedge fund of funds	77,259,135
Mutual funds	442,531,955
Total investments	**1,541,522,267**
Prepaid assets	
Prepaid expenses	24,792
Other assets	
Furniture and equipment, net	49,640
Total assets	**1,743,508,539**
LIABILITIES	
Accounts payable	1,549,101
Securities purchased	65,117,582
Securities lending collateral	69,178,433
Total liabilities	**135,845,116**
Net assets held in trust for pension benefits	**$ 1,607,663,423**

See accompanying Notes to the Financial Statements

FINANCIAL

Statement of Changes in Plan Net Assets

(for the Fiscal Year Ended June 30, 2010)

ADDITIONS	
Contributions	
Employer	$ 37,868,623
Plan members	47,918,341
Total contributions	**85,786,964**
Investment income	
Net appreciation in fair value of investments	194,987,534
Interest and dividends	42,588,693
Real estate income	874,202
Other	121,593
Total investment income	**238,572,022**
Less investment expenses	
Investment management fees	6,583,264
Investment consulting fees	242,992
Investment custodial fees	234,947
Investment salaries	192,915
Total investment expenses	**7,254,118**
Income from securities lending activities	
Securities lending	227,732
Securities lending borrower rebates	114,108
Securities lending management fees	(85,340)
Net securities lending income	**256,500**
Net investment income	**231,574,404**
Total additions	**317,361,368**
DEDUCTIONS	
Benefits	143,128,569
Refunds	3,339,910
Administrative expense	4,663,896
Total deductions	**151,132,375**
Net increase	**166,228,993**
Net assets held in trust for pension benefits	
Beginning of year	**1,441,434,430**
End of year	**$ 1,607,663,423**

See accompanying Notes to the Financial Statements

Notes to the Financial Statements

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. 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 System. The costs of administering the System are paid for by 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 or estimated fair value. Securities which are traded on national or international exchanges are reported at fair value based on the last reported sales price at current exchange rates. The System records these investment purchases and sales as of the trade date but are not finalized until settlement date, which is approximately three business days for domestic securities and five to seven business days for foreign securities. Until finalized, these investment purchases and sales are recorded as payables and receivables, respectively.

The values of the commingled funds are provided to ERFC's master custodian by the managers. These commingled funds include private real estate, global asset allocation, better beta, and hedge fund of funds. The fair value of these investments is determined in different ways. For private real estate, the values of the actual property holdings are determined periodically but usually annually and subject to independent appraisal. However, since these holdings are relatively illiquid, there is not a ready market for these assets and it's possible that fair value can differ from the assessed value. For global asset allocation, better beta, and hedge funds of funds and depending on the actual contents of these separate portfolios, the assets are either reported at fair value as determined by the markets for those assets, or, if market quotes are not readily available, they are determined by the manager, subject to annual audits.

Cash received as collateral on securities lending transactions and investments with such cash are reported as assets along with the 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

Notes, *continued on next page*

FINANCIAL

Notes to the Financial Statements

June 30, 2010, the cash balance of $1,356,273 represents funds that could not be invested in the County's enhanced cash fund until July 1, 2010.

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, 2010, cash with fiscal agent totaled $1,241,358. 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 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.

At December 31, 2009, the date of the most recent actuarial valuation, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	8,772
Terminated employees entitled to benefits but not yet receiving them	2,567
Active plan members	19,891
Total	**31,230**

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 System Document. ERFC also issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to ERFC, 8001 Forbes Place, Suite 300, Springfield, VA 22151 or by calling 800-426-4208.

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.

Funding Policy

The contribution requirements of members and the employer are established and may be amended by the ERFC Board of Trustees, subject to School Board approval. Members are required to contribute 4 percent of their annual salary. The employer is required to contribute at an actuarially determined rate which presently is 3.20 percent.

Notes to the Financial Statements

The actuarial valuations as of odd numbered years are used to set the employer contribution rate for the two-year period beginning 18 months after the valuation date. As such, the December 31, 2009 valuation recommended that the contribution rate for the two-year period beginning July 1, 2011 to June 30, 2013 be increased to 4.04 and 4.34 percent respectively.

Annual Pension Cost

ERFC's annual required contribution (ARC) for fiscal year 2010 was $35.1 million, of which 108% was contributed, resulting in a net pension asset in the current fiscal year.

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, ERFC was 76.5 percent funded. The actuarial accrued liability for benefits was $2.3 billion and the actuarial value of assets was $1.8 billion, resulting in an unfunded actuarial accrued liability (UAAL) of $0.5 billion. The covered payroll (annual payroll of active employees covered by the plan) was $1.2 billion, and the ratio of the UAAL to the covered payroll was 45.1 percent.

The Schedule of Funding Progress, presented as RSI following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

In the December 31, 2009 actuarial valuation, the entry age actuarial cost method was used in preparing the valuation. The actuarial assumptions include a 7.5 percent investment rate of return and flat pays in 2010 and 2011, with 4.0 percent increases in 2012. There is no legal maximum requirement on the employer contribution rate. The individual entry age actuarial cost method of valuation was used for determining actuarial accrued liabilities and normal cost. The UAAL are amortized to produce contribution amounts which are a level percent of payroll contributions.

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 makes all investment decisions which are based on information and/or recommendations provided by ERFC's investment consultant and ERFC staff.

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 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 future derivatives that were not reported on the financial statements as of June 30, 2010. 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, 2010 the market value of these stock index futures was $4.3 million. Throughout the fiscal year, the exposure to off-balance sheet derivatives was insignificant and ranged from .05 percent to .31 percent of the total portfolio.

In addition, the System had indirect investments in derivatives through its ownership interest in Better Beta and Global Asset Allocation portfolios, plus with one of the Private Real Estate managers.

***Notes,** continued on next page*

FINANCIAL

Notes to the Financial Statements

These portfolios are commingled funds in which ERFC has a percentage ownership. Derivatives in these portfolios consisted of interest rate swaps which reduce the effect of interest rate fluctuations by converting floating rate financing into fixed rate loans for real estate investments. Options, which generally offer increased cost efficiency due to their great leveraging power and also due to their potential to provide higher percentage returns. Futures, because they are more liquid than over the counter derivatives, have among the lowest transaction costs available, carry minimal counterparty risk and are de facto currency hedged. FX currency forwards which are utilized for hedging non US dollar- denominated physical instruments (such as Inflation Linked Bonds) back to the base currency. Additionally, since there is no futures market for Inflation Linked Bonds, Reverse Repurchase Agreements are used to finance leveraged positions in these bonds, so that cash can be conserved for other positions. At June 30, 2010 exposure to interest rate swaps, futures and options was $156,452, while exposure to forward currency contracts and reverse repurchase agreements was $(596,057) and $(9,658,712) respectively.

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: interest rate risk, credit risk, concentration of credit risk, and foreign currency risk.

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.

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, 2010, the System had two active fixed income managers and one passive fixed income manager. The schedule on the following page lists the ratings of all of ERFC's fixed income investments according to Moody's Investment Services and Standard & Poor's.

Notes, *continued on page 24*

Investment Combined Duration as of June 30, 2010

Investment Category	Amount	Modified Duration
U.S. Treasuries	$ 83,060,963	8.54
Agencies	6,610,823	2.97
Corporate Bonds	142,972,333	7.45
Municipals	4,611,367	13.45
Mortgages	88,022,520	2.41
Foreign bonds	53,475,220	4.02
Convertible and preferred	2,639,934	5.40
Cash and cash equivalents	50,314,892	—
Total	**$ 431,708,052**	**5.32 ***

* *Duration in years*

Notes to the Financial Statements

CREDIT QUALITY SUMMARY (As of June 30, 2010)

Rating	Category	Percent	Amount	Total	Percent
AAA	Domestic bonds—corporate	0.8%	$ 3,369,183		
	International bonds	2.9%	12,412,496		
	U.S. Government obligations	18.8%	81,257,799		
	Mortgage-backed securities	20.2%	87,381,120	$ 184,420,598	42.7%
AA	Domestic bonds—corporate	1.0%	4,323,374		
	International bonds	3.5%	15,128,052		
	Domestic bonds—Municipal	1.1%	4,611,367		
	Mortgage-backed securities	0.1%	561,624	24,624,417	5.7%
A	Mortgage backed securities	1.0%	4,429,161		
	Domestic bonds—corporate	11.7%	50,473,155		
	Convertible bonds	0.1%	180,200		
	International bonds	0.2%	972,922	56,055,438	13.0%
BAA	Domestic bonds—corporate	1.8%	7,811,716		
	Mortgage-backed securities	0.0%	190,579		
	International bonds	0.6%	2,547,393	10,549,688	2.4%
BA	Mortgage-backed securities	0.0%	3,289	3,289	0.0%
BBB	Domestic bonds—corporate	8.8%	37,983,100		
	Convertible bonds	0.0%	89,252		
	International bonds	0.6%	2,732,973		
	Mortgage-backed securities	0.3%	1,071,044		
	Preferred stocks	0.0%	105,125	41,981,494	9.7%
BB	Domestic bonds—corporate	3.6%	15,640,715		
	International bonds	0.2%	954,588		
	Convertible bonds	0.2%	799,313	17,394,616	4.0%
B	International bonds	0.2%	933,113		
	Domestic bonds—corporate	4.5%	19,201,698	20,134,811	4.7%
Below B	Domestic bonds—corporate	1.3%	5,518,506		
	Preferred stocks	0.0%	160,362	5,678,868	1.3%
Not Rated	Cash and Cash equivalent	11.7%	50,314,890		
	Domestic bonds -corporate	1.1%	4,437,380		
	Convertible bonds	0.2%	950,396		
	International bonds	2.9%	12,664,893		
	Mortgage-backed securities	0.2%	976,538	69,344,097	16.1%
Withdrawn Rating	Convertible bonds	0.1%	355,288		
	Domestic bonds	0.3%	1,145,460		
	Mortgage backed securities	0.0%	19,988	1,520,736	0.4%
	Total	**100.0%**	**$ 431,708,052**	**$ 431,708,052**	**100.0%**

FINANCIAL

Notes to the Financial Statements

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, 2010, 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 $194.0 million and $134.7 million. The indexed portfolio had a value of $103.0 million. The market value of the largest issue other than the U.S. Government in the portfolios of the active managers was only 3.8 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.

Deposits

At June 30, 2010, short-term investments with the custodial bank totaled $64,259,915. 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. 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.

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 overall credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. However, the System could experience a loss of as much as $875,598 due to the default of an investment vehicle that was held in the

At June 30, 2010, securities on loan for cash and non-cash collateral are as follows:

Securities	Cash Market Value	Cash Collateral	Non-Cash Market Value	Non-Cash Collateral
Cash and cash equivalents	$ 3,084,954	$ 3,150,736	$ —	$ —
U.S. Government obligations	2,083,673	2,134,911	—	—
Convertible bonds	860,103	899,182	—	—
Domestic corporate bonds	4,048,912	4,219,708	989	1,024
Common stocks	56,578,616	58,773,896	676,035	703,567
Total collateral	**$ 66,656,258**	**$ 69,178,433**	**$ 677,024**	**$ 704,591**

Notes to the Financial Statements

collateral pool. The actual loss will be determined at the time this investment vehicle is liquidated.

Cash received as collateral and the related liability of $69,178,433 as of June 30, 2010, are shown on the Statement of Plan Net Assets. As of June 30, 2010, the market value of securities on loan for cash collateral was $66,656,258. 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.

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.

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 investments in non-U.S. bonds—one at a maximum of 25% and the other at 20%.

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.

Notes, *continued on next page*

Investments with the custodian as of June 30, 2010, included the following:

Investment Type	Market Value
U.S. Government obligations	$ 2,506,135
Mortgage-backed securities	2,926,721
Domestic corporate bonds	88,503,776
Convertible bonds	2,374,447
International bonds	29,996,723
Common stock	592,851,918
Real Estate	45,403,668
Preferred stock	3,494,000
Global asset allocation	164,349,788
Better beta	89,324,001
Hedge Funds	77,259,135
Mutual funds	442,531,955
Sub-total investments	**$ 1,541,522,267**
Cash collateral for securities on loan	69,178,433
Total	**$ 1,610,700,700**

FINANCIAL

Notes to the Financial Statements

Market Value of Foreign Currency Risk
(As of June 30, 2010)

Currency	Cash & Cash Equivalents	Equity	Convertible & Fixed Income	Preferred Stocks	Futures	Total U.S. Dollar
AUSTRALIAN DOLLAR	$ 1,444,452	$ 6,451,201	$ 3,017,064			$ 10,912,717
BRAZIL REAL	70,896	968,081	846,551			1,885,528
BRITISH POUND STERLING	97,235	39,110,977	231,811			39,440,023
CANADIAN DOLLAR	(2,660,010)	8,388,232	5,978,624			11,706,846
CZECH KORUNA	4,953	486,431	—			491,384
DANISH KRONE	9,668	2,925,678	—			2,935,346
EURO CURRENCY UNIT	(11,695,388)	52,919,776	—	$ 503,697	$ 24,155	41,752,240
HONG KONG DOLLAR	16,629	5,492,632	—			5,509,261
HUNGARIAN FORINT	81	—	—			81
INDONESIAN RUPIAN	14,306	509,320	—			523,626
ISRAELI SHEKEL	3,279	1,026,502	—			1,029,781
JAPANESE YEN	2,177,471	38,780,860	—			40,958,331
MALAYSIAN RINGGIT	34,483	2,518,839	—			2,553,322
MEXICAN NEW PESO	288	93,141	2,410,047			2,503,476
NEW TAIWAN DOLLAR	278,912	3,001,205	—			3,280,117
NEW TURKISH LIRA	8,247	1,762,700	—			1,770,947
NEW ZEALAND DOLLAR	3,028,412	23,613	5,925,020			8,977,045
NORWEGIAN KRONE	5,858,298	1,177,900	2,233,397			9,269,595
PAKISTAN RUPEE	—	354,762	—			354,762
PHILIPPINES PESO	10,556	216,473	—			227,029
POLISH ZLOTY	8,416	887,064	—			895,480
S AFRICAN COMM RAND	114	257,938	—			258,052
SINGAPORE DOLLAR	24,004	4,514,622	4,083,911			8,622,537
SOUTH KOREAN WON	3,270	6,474,057	—			6,477,327
SWEDISH KRONA	3,518,764	1,147,361	—			4,666,125
SWISS FRANC	504,180	9,701,004	—			10,205,184
THAILAND BAHT	55,276	1,941,550	—			1,996,826
GRAND TOTAL	**$ 2,816,792**	**$ 191,131,919**	**$ 24,726,425**	**$ 503,697**	**$ 24,155**	**$ 219,202,988**

Notes to the Financial Statements

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.

Required Supplementary Information

Historical information is presented herein for the most recent six fiscal years as required supplementary information (RSI). 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
2005	$ 32,198,596	100%
2006	34,648,918	100%
2007	36,644,001	100%
2008	38,334,140	100%
2009	37,281,658	107%
2010	35,146,816	108%

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.

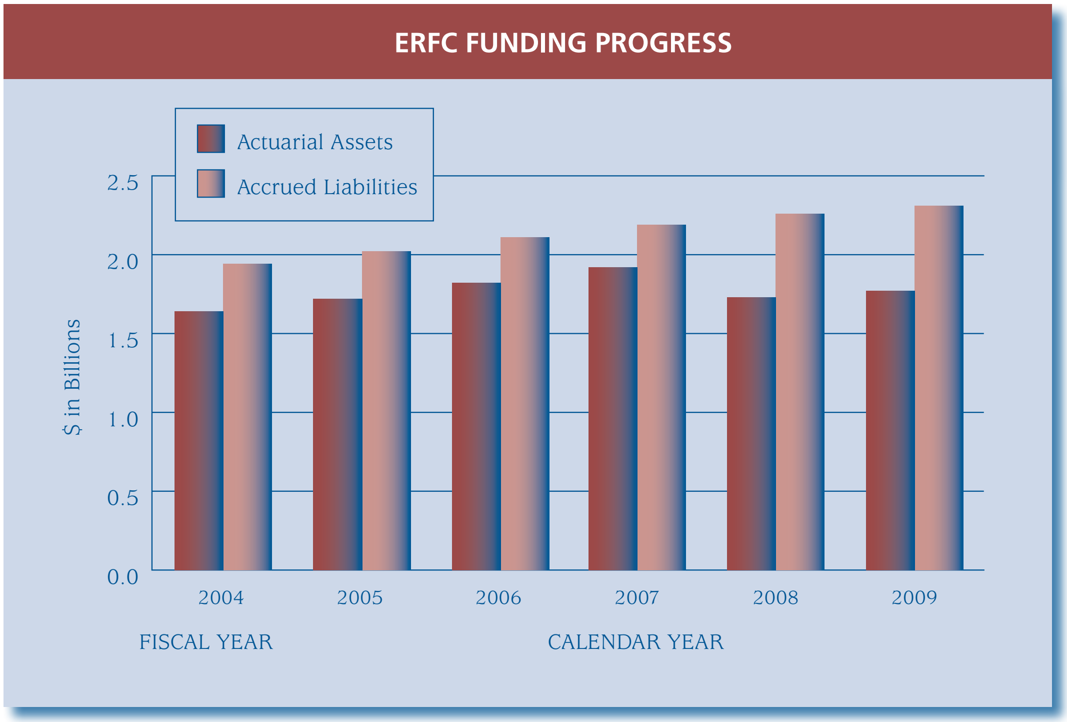
The following Schedule of Funding Progress, presented as RSI, shows multiyear trend information which illustrates whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. As addressed previously and as noted on the Schedule of Funding Progress, ERFC has transitioned to calendar year valuations. The most recent valuation was effective December 31, 2009. This transition to calendar year valuation was done in order to provide a more current contribution rate which could be included in the school system's 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)
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%
12/31/07	1,924,886	2,186,801	261,915	88.02%	1,161,432	22.55%
12/31/08	1,733,946	2,255,298	521,352	76.88%	1,211,140	43.05%
12/31/09	1,769,540	2,314,282	544,742	76.50%	1,208,093	45.09%

[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.



FINANCIAL

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, 2009
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	29 years
Asset valuation method	5-year smoothed market which recognizes asset values should be between 75% and 125% 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.

Notes to the Schedules of Required Supplementary Information

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, 2010 — The employer contribution rate is increased from 3.2 percent to 4.04 percent.
- July 1, 2009 — The employer contribution rate is decreased from 3.37 percent to 3.2 percent.
- 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 increased from 2.53 to 3.37 percent of salaries.

Contribution Rates (as a percent of salary)

Fiscal Year	Composite Employer	Employee	Total
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
2008	3.37	4.00	7.37
2009	3.37	4.00	7.37
2010	3.20	4.00	7.20

- 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.

Other Supplementary Information

SCHEDULE OF ADMINISTRATIVE EXPENSES

(Year Ended June 30, 2010)

Personnel services	
Salaries and wages	$ 1,771,337
Retirement contributions	270,349
Insurance	205,583
Social security	143,015
Total personnel services	**2,390,284**
Professional services	
Actuarial	110,550
Legal	46,260
Payroll Disbursement	125,800
Plan Automation	1,240,438
Audit	44,906
Total professional services	**1,567,954**
Communications	
Printing	25,909
Postage	26,461
Total communications	**52,370**
Supplies	
Office supplies	12,857
Dues and subscriptions	6,720
Total supplies	**19,577**
Other services and charges	
Board travel and staff development	47,918
Equipment	191,742
Building rent	348,506
Depreciation expense and asset disposal	18,648
Miscellaneous	26,897
Total other services and charges	**633,711**
Total administrative expenses	**$ 4,663,896**

Other Supplementary Information

SCHEDULE OF INVESTMENT EXPENSES

(Year Ended June 30, 2010)

Investment management fees	
Fixed income managers	
Loomis-Sayles and Company, L.P.	$ 402,262
Mellon Capital Management Corporation	12,963
Pacific Investment Management Company	632,446
Equity managers	
Aronson+Johnson+Ortiz, LLC	185,362
Dodge & Cox	406
Epoch Investment Partners, Inc.	428,281
Lazard Asset Management	323,403
Mellon Capital Management Corporation	49,262
Westfield Capital Management	331,974
International managers	
Acadian Asset Management, Inc.	467,441
AllianceBernstein L.P.	532,419
William Blair & Company	278,493
Real Estate managers	
J.P. Morgan Asset Management	192,482
Prudential Financial	152,638
UBS Realty Investors, LLC	145,036
Urdang Investment Management	316,967
Global Asset Allocation managers	
Mellon Capital Management Corporation	121,682
Pacific Investment Management Company	536,391
Wellington Management Company LLP	663,439
Better Beta	
Bridgewater Associates	345,712
Hedge fund of funds	
Grosvenor Capital Management, L.P.	314,156
Permal	150,049
Total investment management fees	**6,583,264**
Other investment service fees	
Securities lending borrower rebates	(114,108)
Securities lending management fees	85,340
Custodial fees - Mellon Trust	234,947
Investment consultant fees	
—New England Pension Consulting, Inc.	242,992
Investment salaries	192,915
Total other investment service fees	**642,086**
Total investment expenses	**$ 7,225,350**

FINANCIAL

Other Supplementary Information

SCHEDULE OF PROFESSIONAL SERVICE FEES

(Year Ended June 30, 2010)

Service Provider	Nature of Service	
Gabriel, Roeder, Smith & Company	Actuary	$ 110,550
Mary Ann Swanson	Plan automation	95,202
Bredhoff & Kaiser, P.L.L.C.	Legal Counsel	46,260
Mellon Trust	Pension Disbursement	125,800
KPMG, LLP	Audit	44,906
Levi, Ray & Shoup, Inc.	Plan Automation	1,041,373
L. R. Wechsler, LTD	Plan automation	103,863
Total professional service fees		**$ 1,567,954**

Investment Section

Consultant Report on Investment Activity

NEPC, LLC

November 17, 2010

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, 2010.

As of the June 30th fiscal year-end, the Fund was in compliance with policy, and had 45.4 percent in equities, 7.2 percent in real estate equity, 26.8 percent in bonds, 4.8 percent in absolute return strategies, and 15.7 percent in global asset allocation/better beta strategies. Over the past year, the Fund has maintained public equity levels slightly higher than the median equity allocation when measured against peers in the Independent Consultants Cooperative (ICC) Universe.

The Fund earned 17.1%[1] in the year ending June 30, 2010, which ranked in the top 8% of public funds over $1 billion within the ICC Universe. Over the last 12 months ending June 30, 2010, ERFC outperformed its assumed actuarial return target of 7.5% by 9.6%. Assets increased from $1.44 billion at the end of fiscal 2009 to approximately $1.61 billion as of June 30, 2010.

For the fiscal year ending June 2010, the equity market had a positive start, but reversed sharply amidst skepticism regarding the pace of economic recovery. The stock market rallied for the first half of the fiscal year, stayed relatively benign, and then became more volatile in the last quarter.

US Equity returns over the fiscal year were in the positive double digits, despite a sharp downturn in the quarter ended June 30th. Large cap stocks (S&P 500 up 14.4%) underperformed small cap (Russell 2000 up 21.5%) while value stocks generally fared better than growth stocks (Russell 1000 Value up 16.9% versus Russell 1000 Growth up 13.6%); (Russell 2000 Value up 25.1% versus Russell 2000 Growth up 18.0%).

Over the past year US Fixed Income returns were also in positive territory. The Barclays Aggregate Bond Index returned 9.5%, but there was a wide disparity in the performance of

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

One Main Street | Cambridge, MA 02142 | TEL: 617.374.1300 | www.nepc.com
CAMBRIDGE | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

Consultant Report on Investment Activity

many of the bond market sectors and sub-sectors. The best and worst performing sectors were high yield bonds (26.8%) and government bonds (6.5%), respectively. However, returns were positive despite the federal government suspension of the direct purchase program of mortgaged-backed bonds in March. The flight away from risky assets into safer US dollar investments led to US investment grade fixed income posting mostly positive returns in the most recent six months.

International developed market equities measured by the MSCI EAFE Index, a broad index of the international developed market equities returned 10.2% for the year ended 6/30/2010. Emerging markets equities, as measured by the MSCI Emerging Index returned 20.6%. Global bonds posted a very modest return of 3.0% over the fiscal year.

The investment manager changes in fiscal year 2010 occurred in the Global Asset Allocation (GAA) space. Wellington Opportunistic Investment was hired in the third quarter of 2009.

Fiscal Year 2010 performance is strong and above target. With the new initiatives under way, 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,

Kevin M. Kondry
Consultant

INVESTMENT

Strategic Review and Investment Policy

Introduction

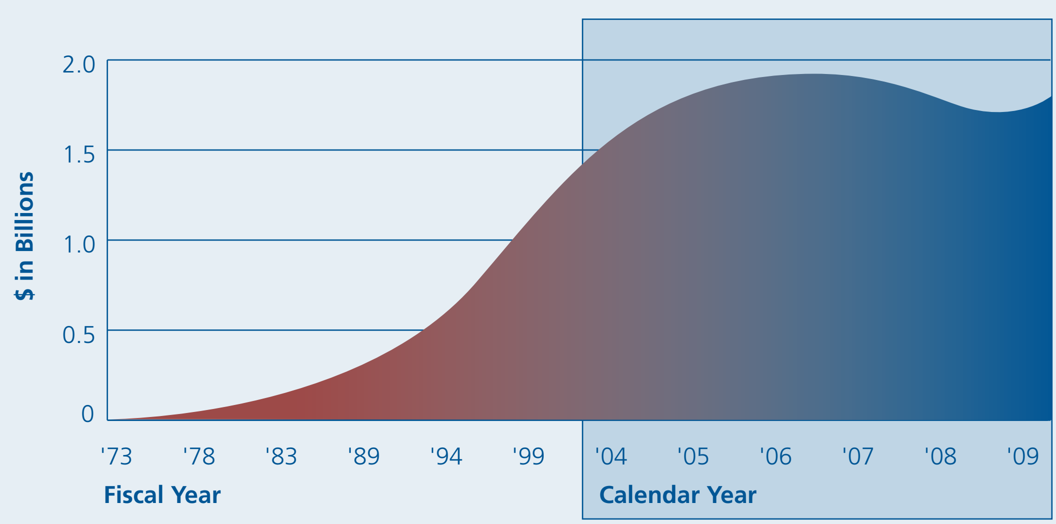
The members of the ERFC Board of Trustees have jurisdiction over and ultimate fiduciary responsibility for the investment of the System's assets. In carrying out their responsibilities, they must adhere to applicable laws, regulations, and rulings with respect to the duties of investment fiduciaries. 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, 2009 actuarial valuation)



Investment Managers

ASSETS UNDER MANAGEMENT

As of June 30, 2010 (Dollars in millions)

Investment Manager	Investment Type	Amount
Equities		
Large Capitalization		
Aronson + Johnson + Ortiz	Value	$ 104.6
Mellon Capital Management Corp.	Core Index (Russell 1000)	167.4
Turner Investment Partners	Growth	102.4
Small/Mid Capitalization		
Epoch Investment Partners, Inc.	Value	37.8
Lazard Asset Management	Core	44.5
Westfield Capital Management	Growth	44.8
International		
Acadian Asset Management	Core	74.6
AllianceBernstein L.P.	Value	73.2
William Blair & Company	Growth	82.5
Fixed Income		
Loomis-Sayles & Company	Core Plus	134.7
Mellon Capital Management Corp.	Core Index	103.0
Pacific Investment Management Co.	Core Plus	194.0
Global Asset Allocation/Better Beta		
Bridgewater Associates, Inc.	Better Beta	89.3
Wellington Management Co.	Global Asset Allocation	79.6
Pacific Investment Management Co.	Global Asset Allocation	84.7
Hedge fund of funds		
Grosvenor Institutional Partners, L.P.	Hedge Fund of Funds	39.1
Permal Group of Funds	Hedge Fund of Funds	38.2
Real Estate		
JP Morgan Asset Management	Private	12.4
Prudential Financial	Private	13.2
UBS Realty Investors, LLC	Private	16.5
Urdang Investment Management	Public	71.0
Cash (temporary cash)		(0.2)
Total		**$ 1,607.3**

INVESTMENT

Asset Structure

Interim Strategic Target Allocation*

The asset structure shown below represents the Trustees' assessment of their optimal asset allocation as of June 30, 2010. This interim strategic allocation provides a reasonable expectation that the fund's investment objective can be achieved based on historic relationships of asset class performance.

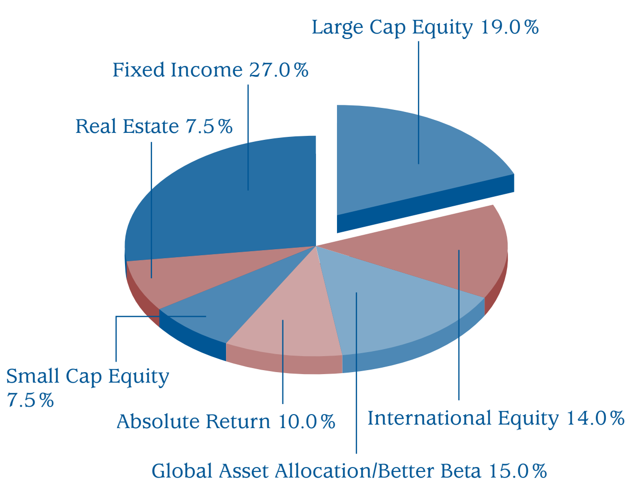
The table below provides a comparison between the target asset mix, consistent with the achievement of the long-term objective of the fund, and the actual asset allocation as of June 30, 2010.

* These are referred to as interim targets because the approved target of 7.5% for the Absolute Return asset class is being funded incrementally.

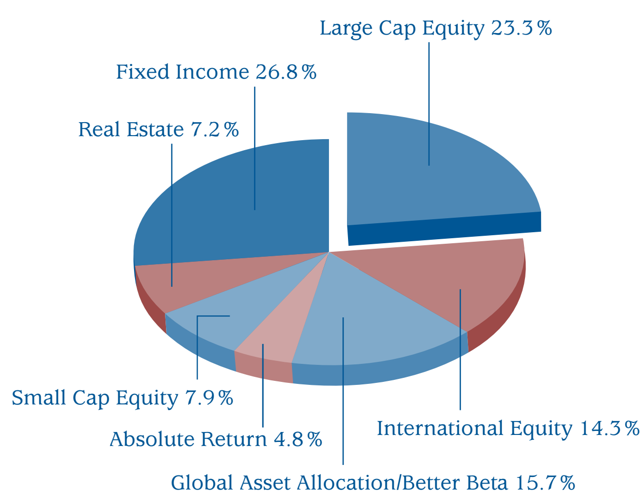
Actual Asset Allocation as of June 30, 2010

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.

INTERIM STRATEGIC TARGETS



ACTUAL ASSET ALLOCATION



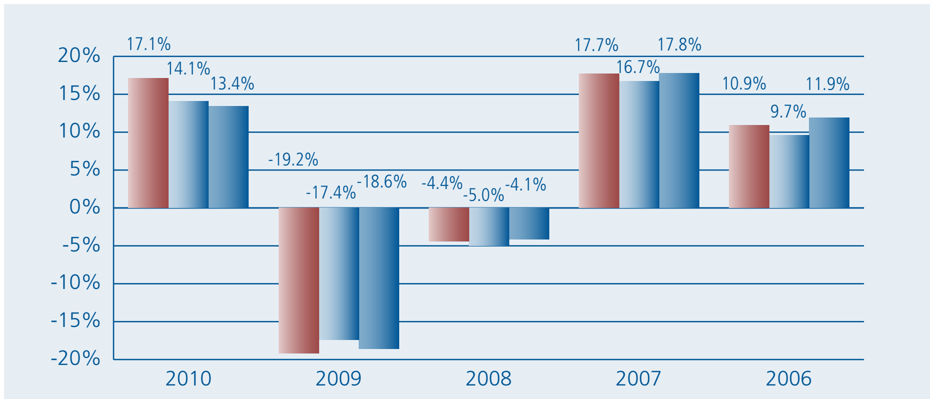
Security Class	Interim Strategic Targets as of June 30, 2010	Actual Asset Allocation as of June 30, 2010
Domestic Large Cap Equity	19.0 %	23.3 %
Domestic Small Cap Equity	7.5	7.9
International Equity	14.0	14.3
Real Estate	7.5	7.2
Fixed Income	27.0	26.8
Global Asset Allocation/Better Beta	15.0	15.7
Absolute Return	10.0	4.8
Cash	—	—
Total	**100.0%**	**100.0%**

Investment Results

Fiscal Years Ending June 30

TOTAL FUND RETURNS

- ERFC
- Benchmark*
- Public Funds**



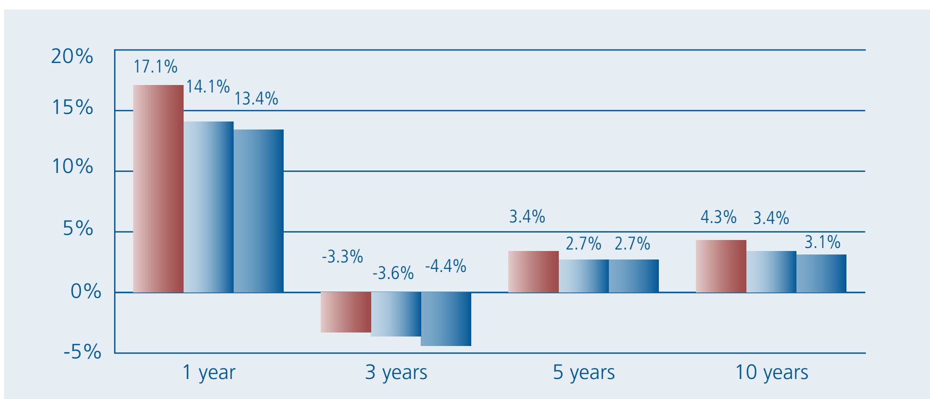
* Diversified benchmark is 23.0% Russell 1000, 7.5% Russell 2000, 15% MSCI ACWI Ex-US, 3.75% NAREIT, 3.75% NCREIF, 19.0% Barclays Aggregate Bond Index, 4.0% BC Credit, 4.0% BC Long Credit, 7.5% MS World Net, 7.5% CitiWorld Govt Bond, 5% HFRI FoF

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

For the Periods Ending June 30, 2010

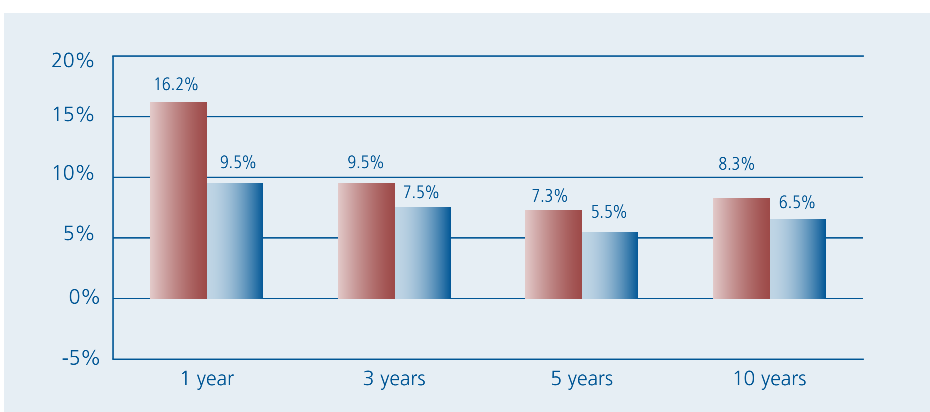
TOTAL FUND

- ERFC
- Benchmark*
- Public Funds**



FIXED INCOME

- Fixed Income
- Benchmark: Barclays Capital Aggregate Bond



INVESTMENT

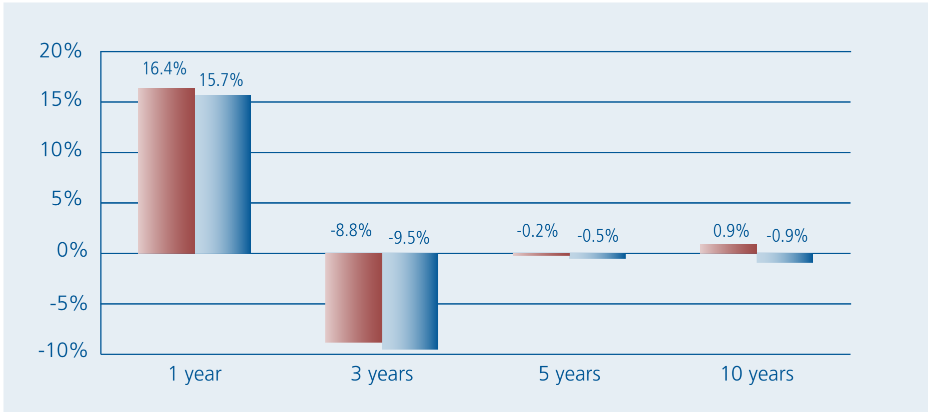
Investment Results

(For the Periods Ending June 30, 2010)

DOMESTIC EQUITY

Domestic Equity

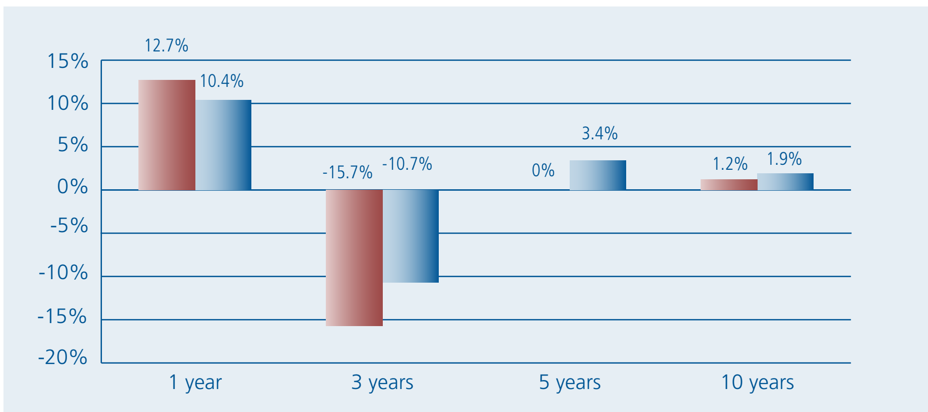
Benchmark: Russell 3000 Index



INTERNATIONAL EQUITY

International Equity

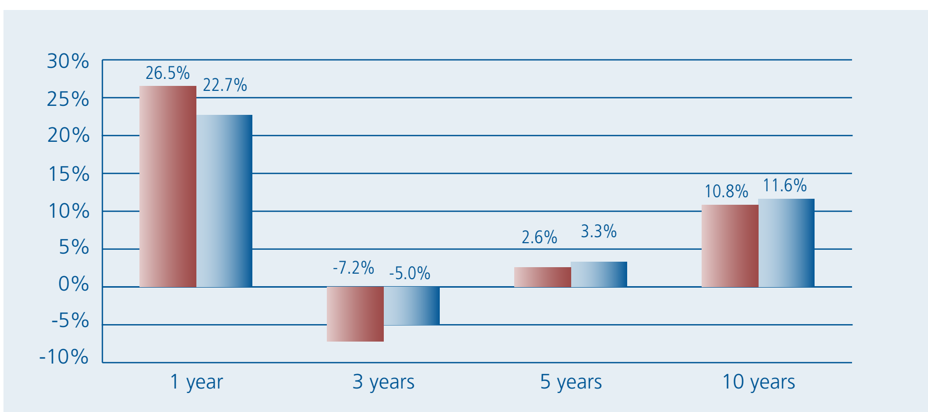
Benchmark: MSCI/ACWI Ex-USA Index



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, 2010)

TEN LARGEST EQUITY HOLDINGS*

No. Shares	Description	Cost	Fair Value	% of Total Portfolio
65,220.000	SIMON PPTY GROUP INC NEW COM	$ 3,721,160	$ 5,266,515	0.33%
56,980.000	PUBLIC STORAGE COM	4,161,141	5,009,112	0.31%
19,770.000	APPLE INC	2,913,360	4,972,748	0.31%
104,800.000	EQUITY RESIDENTIAL SH	3,408,863	4,363,872	0.27%
59,190.000	VORNADO RLTY TR COM	4,102,548	4,317,911	0.27%
69,860.000	PEPSICO INC/NC	3,947,478	4,257,967	0.26%
53,700.000	CHEVRON CORP	3,757,209	3,644,082	0.23%
165,180.000	CISCO SYSTEMS INC	3,907,170	3,519,986	0.22%
128,200.000	WELLS FARGO & CO	3,411,119	3,281,920	0.20%
88,400.000	JPMORGAN CHASE & CO	3,593,517	3,236,324	0.20%
	Total	**$ 36,923,565**	**$ 41,870,437**	**2.60%**

TEN LARGEST FIXED INCOME HOLDINGS*

Par Value	Security	Coupon	Maturity	Cost	Fair Value	% of Total Portfolio
7,255,000	INTER-AMERICAN DEVELOPMENT BK	6.00%	12/15/2017	$ 4,980,586	$ 5,149,858	0.32%
5,500,000	INTL BK RECON & DEVELOP	1.43%	03/05/2014	3,581,312	3,920,242	0.24%
2,800,000	BMC SOFTWARE INC NT	7.25%	06/01/2018	2,783,368	3,345,692	0.21%
3,070,000	GEORGIA PAC CORP DEB	7.75%	11/15/2029	2,713,566	3,100,700	0.19%
2,490,000	U S TREASURY NOTE	1.00%	08/31/2011	2,490,106	2,506,135	0.16%
2,190,000	GOVERNMENT OF CANADA	1.25%	12/01/2011	2,159,933	2,063,342	0.13%
12,205,000	NORWAY (KINGDON OF)	4.25%	05/19/2017	1,841,944	2,040,352	0.13%
2,055,000	GOVERNMENT OF CANADA	2.75%	12/01/2010	1,958,034	1,950,253	0.12%
2,425,000	AMERICAN GEN FIN CORP MEDIUM	6.90%	12/15/2017	2,369,453	1,930,906	0.12%
1,800,000	QUESTAR MKT RES INC NT	6.80%	04/01/2018	1,798,902	1,883,988	0.12%
	Total			**$ 26,677,203**	**$ 27,891,468**	**1.74%**

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

INVESTMENT

Schedule of Brokerage Commissions

(Year Ended June 30, 2010)

Broker Name	Base Volume	Total Shares	Base Commission	Commission Percentage
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	$ 147,320,212	16,886,917	$ 87,820	0.06%
BNY CONVERGEX / LJR, HOUSTON	98,456,339	3,844,594	148,774	0.15%
LIQUIDNET INC, BROOKLYN	86,384,984	3,692,425	77,703	0.09%
DEUTSCHE BK SECS INC, NY (NWSCUS33)	50,459,335	5,582,262	44,820	0.09%
INVESTMENT TECHNOLOGY GROUP, NEW YORK	47,423,002	1,535,523	23,684	0.05%
MORGAN STANLEY & CO INC, NY	41,827,048	3,560,911	34,668	0.08%
GOLDMAN SACHS & CO, NY	41,013,328	5,066,412	38,333	0.09%
UBS SECURITIES LLC, STAMFORD	38,980,365	1,696,309	46,432	0.12%
SG AMERICAS SECURITIES LLC, NEW YORK	37,244,358	1,168,527	11,787	0.03%
BROADCOURT CAP CORP/SUB OF MLPF&S,NY	29,690,936	1,593,037	64,199	0.22%
BARCLAYS CAPITAL LE, JERSEY CITY	23,724,433	1,036,131	32,603	0.14%
MERRILL LYNCH PIERCE FENNER SMITH INC NY	20,711,384	954,654	25,417	0.12%
MERRILL LYNCH INTL LONDON EQUITIES	20,496,478	1,456,819	20,023	0.10%
CITIGROUP GBL MKTS INC, NEW YORK	19,293,617	999,875	34,923	0.18%
INSTINET EUROPE LIMITED, LONDON	17,894,332	947,847	23,905	0.13%
UBS EQUITIES, LONDON	17,755,433	1,580,601	13,479	0.08%
PULSE TRADING LLC, BOSTON	14,584,882	512,897	9,686	0.07%
ABN AMRO BANK NV, LONDON	14,472,432	8,317,055	8,149	0.06%
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	13,563,778	1,380,495	10,007	0.07%
JEFFERIES & CO INC, NEW YORK	12,656,357	534,612	18,655	0.15%
CITIGROUP GBL MKTS/SALOMON, NEW YORK	11,908,727	4,473,181	8,769	0.07%
J P MORGAN SECURITIES INC, BROOKLYN	11,589,081	483,934	18,222	0.16%
CREDIT SUISSE (EUROPE), LONDON	11,271,265	822,813	12,429	0.11%
J.P. MORGAN CLEARING CORP, NEW YORK	9,442,813	1,546,085	6,434	0.07%
MERRILL LYNCH PIERCE FENNER, WILMINGTON	9,166,143	2,930,279	7,385	0.08%
UBS WARBURG ASIA LTD, HONG KONG	9,123,459	2,753,273	6,648	0.07%
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	8,900,223	358,070	15,104	0.17%
KNIGHT SEC BROADCORT, JERSEY CITY	8,385,486	483,794	18,334	0.22%
STIFEL NICOLAUS	8,336,850	525,517	20,075	0.24%
CITATION GROUP/BCC CLRG, NEW YORK	8,065,600	393,360	4,934	0.06%
NOMURA SECS INTL INC, NEW YORK	7,869,867	936,486	6,516	0.08%
INSTINET CORP, NY	7,797,190	335,734	7,685	0.10%
J P MORGAN SECS LTD, LONDON	7,477,527	478,064	8,602	0.12%
WELLS FARGO SECURITIES LLC, CHARLOTTE	7,082,018	470,430	16,598	0.23%
PIPELINE TRADING SYSTEMS LLC, NEW YORK	6,527,294	216,810	4,336	0.07%
NOMURA SECS INTL, LONDON	6,285,121	630,692	5,998	0.10%
ITG (EUROPE) LTD, DUBLIN	5,567,244	569,495	2,783	0.05%
PERSHING LLC, JERSEY CITY	5,414,925	583,566	3,495	0.06%
CITIGROUP GLOBAL MARKETS LTD, LONDON	5,398,234	327,569	5,160	0.10%
RBC CAPITAL MARKETS CORP, MINNEAPOLIS	5,036,851	301,850	12,635	0.25%
Other Brokers	203,324,204	24,098,597	247,753	0.12%
TOTAL	**$ 1,157,923,155**	**106,067,502**	**$ 1,214,962**	**0.10%**

Investment Summary

	As of June 30, 2009		As of June 30, 2010	
	Market Value	% Market Value	Market Value	% Market Value
Fixed Income				
U.S. Government obligations	$ —	0.0%	$ 2,506,135	0.2%
Mortgage-backed securities	2,823,441	0.2%	2,926,721	0.2%
Domestic corporate bonds	91,464,447	6.4%	88,503,776	5.5%
Convertible bonds	523,532	0.0%	2,374,447	0.1%
International bonds	35,143,080	2.5%	29,996,723	1.9%
Preferred stocks	2,141,515	0.2%	3,494,000	0.2%
Index / Commingled fund	259,582,578	18.2%	255,166,910	15.9%
Total fixed income	391,678,593	27.4%	384,968,712	24.0%
Domestic Equities:				
Basic industry	10,576,651	0.7%	12,662,006	0.8%
Consumer and services	137,596,194	9.6%	175,918,718	11.0%
Financial and utility	51,612,265	3.6%	51,380,866	3.2%
Technological	51,353,915	3.6%	62,042,646	3.9%
Index / Commingled fund	192,204,327	13.5%	165,366,431	10.3%
Total domestic stock	443,343,352	31.1%	467,370,667	29.2%
International Equity				
Basic industry	17,905,392	1.3%	25,100,179	1.5%
Consumer and services	108,172,021	7.6%	121,265,612	7.5%
Financial and utility	57,631,888	4.0%	50,991,586	3.2%
Technological	17,602,395	1.2%	20,686,249	1.3%
Index / Commingled fund	22,930,225	1.6%	21,998,614	1.4%
Total international stock	224,241,921	15.7%	240,042,240	14.9%
Real Estate				
Public	45,083,537	3.2%	72,804,056	4.5%
Private Real Estate	51,843,546	3.6%	45,403,668	2.8%
Total real estate	96,927,083	6.8%	118,207,724	7.3%
Alternative investments				
Better beta	74,679,656	5.2%	89,324,001	5.6%
Global asset allocation	136,329,577	9.6%	164,349,788	10.2%
Hedge fund of funds	43,715,548	3.1%	77,259,135	4.8%
Total alternative investments	254,724,781	17.8%	330,932,924	20.6%
Subtotal investments at fair value	1,410,915,730	98.9%	1,541,522,267	96.0%
Short-term Investments				
Money Market	16,300,070	1.1%	64,259,915	4.0%
Commercial paper	—	0.0%	—	0.0%
Total short-term investments	16,300,070	1.1%	64,259,915	4.0%
Total	**$ 1,427,215,800**	**100.0%**	**$ 1,605,782,182**	**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, 2010)

Investment Category	Assets Under Management	Fees
Better Beta	$ 89,324,001	$ 345,712
Domestic equity managers	501,533,306	1,318,688
Fixed income managers	431,708,051	1,047,671
Global asset allocation	164,349,788	1,321,512
Hedge fund of funds	77,259,135	464,205
International managers	230,305,091	1,278,353
Real estate managers	113,039,925	807,123
Total	**$ 1,607,519,297**	**$ 6,583,264**

Note: Excludes temporary cash

Actuarial Section

Actuary's Certification Letter

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 10, 2010

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, 2009.

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
November 10, 2010
Page 2

Summary of Member Data Included in Valuation as of December 31, 2009

Active Members by Years of Service on December 31, 2009

All Active Members in Valuation on December 31, 2009 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 a 75% to 125% 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, 2009 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, 2009 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.

Respectfully submitted,

Brian B. Murphy

Brian B. Murphy, FSA, MAAA, EA

Judith A. Kermans

Judith A. Kermans, MAAA, EA

BBM:JAK:clh

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 and used initially 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 **individual 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 85–115% market value corridor was added in the December 31, 2005 valuation. Additionally, the market value corridor on assets was changed from 75% to 125% in the December 31, 2008 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
25	3 & over	0.04%	0.02%	0.01%	0.00%	0.06%	0.03%	0.01%	0.01%	12.00	15.80
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

Rates of separation for members with less than 3 years of service are assumed to be 18% in the first year, 15% in the second year, and 12% in the third year.

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		
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

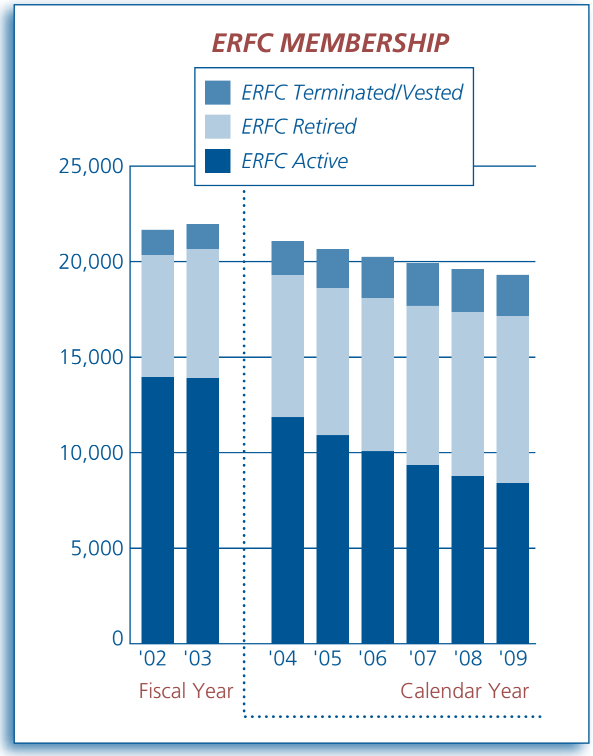
TABLE E: Rates of Forfeiture Following Vested Separation

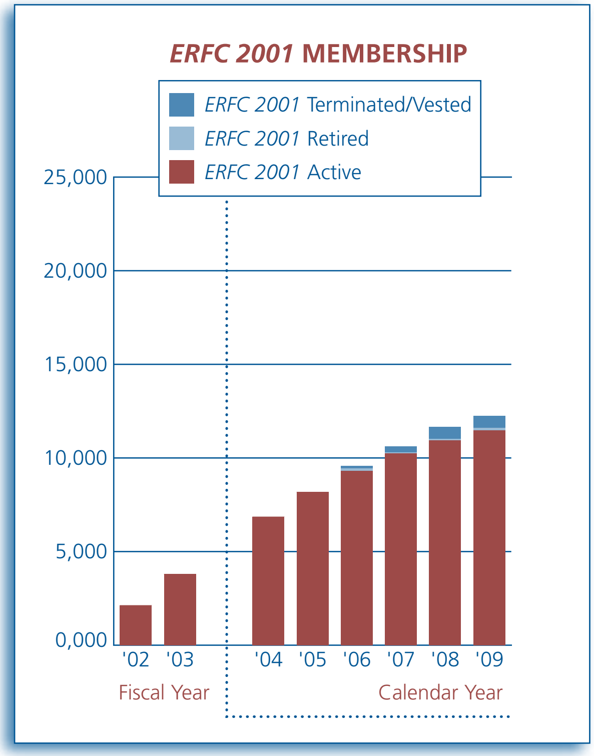
Forfeiture occurs when a vested person separates from service and withdraws contributions thereby forfeiting future rights to an employer financed benefit. The total probability of forfeiture is obtained by multiplying the probability of "other separation" from Table B by the probability of forfeiture 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

(Last Eight Years)





		ERFC			ERFC 2001			
	Year	Active	Retired	Terminated/ Vested	Active	Retired	Terminated/ Vested	Total
Fiscal Year	2002	13,940	6,375	1,362	2,134			23,811
(As of June 30)	2003	13,934	6,729	1,301	3,804			25,768
Calendar Year	2004	11,856	7,430	1,780	6,864			27,930
(As of December 31)	2005	10,895	7,710	2,030	8,186			28,821
	2006	10,065	7,710	2,179	9,306	6	65	29,331
	2007	9,350	8,333	2,249	10,249	21	157	30,359
	2008	8,791	8,556	2,243	10,940	39	317	30,886
	2009	8,417	8,707	2,177	11,474	65	390	31,230

ACTUARIAL

Summary of Member Data

(As of December 31, 2009)

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

Age Group	YEARS OF SERVICE TO VALUATION DATE							TOTALS		
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Salary	Average
15-19										
20-24										
25-29		4						4	$ 204,551	$ 51,138
30-34	5	233	120					358	22,396,062	62,559
35-39	10	267	527	69				873	60,453,133	69,248
40-44	11	197	439	314	40	2		1,003	72,823,776	72,606
45-49	11	217	375	262	244	42		1,151	82,994,118	72,106
50-54	12	202	496	301	288	226	41	1,566	116,501,659	74,394
55-59	5	236	573	370	321	192	91	1,788	132,170,583	73,921
60		30	100	79	71	32	14	326	24,848,491	76,222
61		21	106	84	56	26	3	296	21,173,062	71,531
62	2	26	84	65	72	23	2	274	19,648,891	71,711
63		23	74	63	61	18	4	243	17,083,043	70,301
64	1	14	37	55	39	12		158	11,875,362	75,161
65		16	32	31	26	8	1	114	8,316,540	72,952
66		9	19	17	14	7	2	68	4,817,095	70,840
67		8	17	20	24	11	2	82	5,894,995	71,890
68		3	6	6	10	4	3	32	2,366,740	73,961
69		3	5	7	5	3	1	24	1,493,605	62,234
70			9	3	2	2		16	867,681	54,230
71			4		4	2		10	537,677	53,768
72			2	1	5	1	2	11	705,147	64,104
73				1	2	1	2	6	363,370	60,562
74				1				1	85,284	85,284
75 & up			4	2	3	2	2	13	589,786	45,368
Total	**57**	**1,509**	**3,029**	**1,751**	**1,287**	**614**	**170**	**8,417**	**$ 608,210,651**	**$ 72,260**

Summary of Member Data

(As of December 31, 2009)

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

Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	No.	Salary	Average
	YEARS OF SERVICE TO VALUATION DATE							TOTALS		
15-19	1							1	$ 20,574	$ 20,574
20-24	460	1						461	19,011,184	41,239
25-29	2,303	321						2,624	128,186,435	48,852
30-34	1,198	1,008						2,206	120,194,842	54,485
35-39	736	553						1,289	72,474,176	56,225
40-44	714	411						1,125	61,310,249	54,498
45-49	757	468						1,225	60,821,270	49,650
50-54	617	530						1,147	59,430,433	51,814
55-59	378	467						845	46,860,232	55,456
60	53	67						120	6,751,433	56,262
61	48	69						117	6,793,845	58,067
62	36	56						92	5,053,786	54,932
63	36	42						78	4,975,744	63,792
64	15	27						42	2,408,364	57,342
65	15	18						33	1,739,906	52,724
66	5	14						19	1,214,023	63,896
67	7	11						18	950,019	52,779
68	6	6						12	612,070	51,006
69	3	3						6	346,032	57,672
70		2						2	150,468	75,234
71	2	1						3	157,262	52,421
72	1	2						3	83,293	27,764
73	1							1	73,254	73,254
74	2	1						3	154,175	51,392
75 & up	2							2	108,886	54,443
Total	**7,396**	**4,078**						**11,474**	**$ 599,881,955**	**$ 52,282**

ACTUARIAL

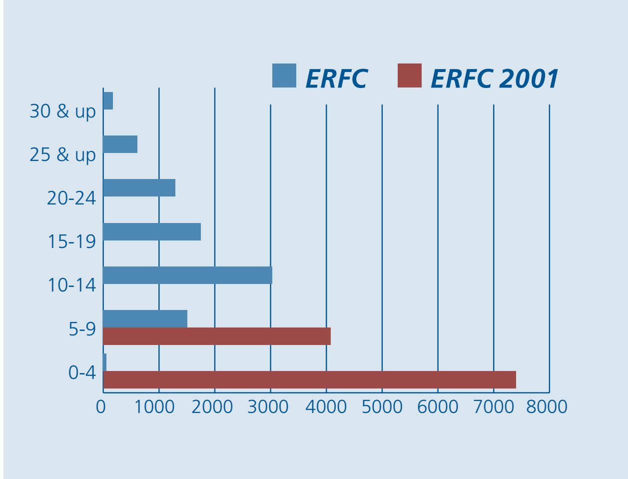
Summary of Member Data

(As of December 31, 2009)

ACTIVE MEMBER YEARS OF SERVICE

Average Service = 8.9 years

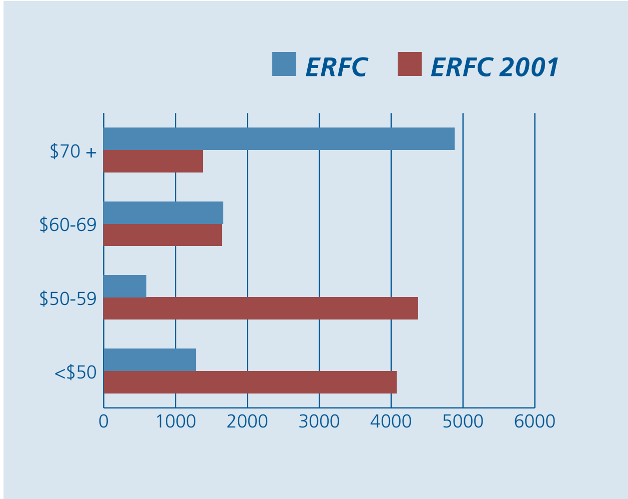
	0-4	5-9	10-14	15-19	20-24	25-29	30 & up
ERFC	57	1,509	3,029	1,751	1,287	614	170
ERFC 2001	7,396	4,078	–	–	–	–	–



ACTIVE MEMBER SALARIES ($ in thousands)

Average Annual Pay = $60,736

	<$ 50	$ 50-59	$ 60-69	$ 70+
ERFC	1,279	592	1,662	4,884
ERFC 2001	4,074	4,377	1,643	1,380

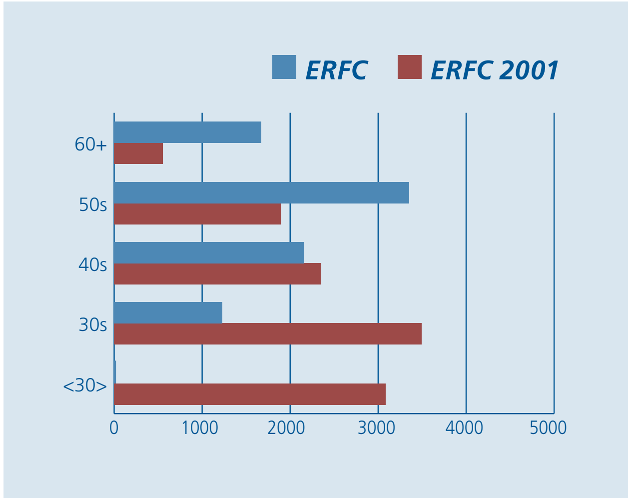


ACTIVE MEMBER AGES

Average Age = 44.0 years

Total Active Members = 19,891

	<30	30's	40's	50's	60+
ERFC	4	1,231	2,154	3,354	1,674
ERFC 2001	3,086	3,495	2,350	1,992	551



Summary of Member Data

(Last Eight Years)

ACTIVE MEMBER VALUATION DATA

Valuation Date	Annual Number	Annual Payroll	Annual Average Pay	% Increase in Annual Pay
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
December 31, 2007	19,599	1,161,431,668	59,260	3.2
December 31, 2008	19,731	1,211,140,009	61,383	3.6
December 31, 2009	19,891	1,208,092,606	60,735	(0.01)

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								
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
2007	539	727,585	214	129,189	8,354	10,705,991	1,282	5.74
2008	461	660,186	220	147,638	8,595	11,189,751	1,302	4.52
2009	426	596,102	249	162,485	8,772	11,565,358	1,318	3.36

* 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
Last 20 years

Valuation Date	(1) Member Contributions	(2) Retirants and Beneficiaries	(3) Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)
	($ in thousands)						
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
12/31/2007	269,404	1,221,969	695,428	1,924,886	100	100	62
@12/31/2008	302,910	1,237,613	714,775	1,733,946	100	100	27
12/31/2009	342,663	1,264,675	706,944	1,769,540	100	100	23

@ After change in asset valuation method. $ After changes in benefit structure. # After changes in actuarial assumptions.

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								
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
2007	10.0	25.1	1.9	(0.2)	(2.2)	(7.2)	27.4	1.4
2008	4.1	(277.5)	5.2	(0.4)	(4.0)	13.5	(259.1)	(11.8)
2009	45.0	(34.6)	8.8	(0.8)	(10.0)	(11.6)	(3.2)	(0.1)

\# Experience Study

* Updated Gain Formulas

@ Gain Loss analysis not performed

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 as early as age 45. A member with less than 25 years service and younger than age 65 may retire on or 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 is actuarially reduced to reflect that the retirement age is 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 that the retirement age is 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 of 5 percent 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 members or beneficiaries 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 members or beneficiaries who retired in the immediately preceding calendar year are increased by 1.489 percent.

ERFC Contribution Rates

(Last 20 Years)

	Support Employees			Instructional Employees		
Fiscal Year	**Employee**	**Employer**	**Total**	**Employee**	**Employer**	**Total**
1991	2.00	5.08	7.08	2.00	5.53	7.53
1992	2.00	5.08	7.08	2.00	5.53	7.53
1993	2.00	5.08	7.08	2.00	5.53	7.53
1994	2.00	5.08	7.08	2.00	5.53	7.53
1995	2.00	5.08	7.08	2.00	5.53	7.53
1996	2.00	5.08	7.08	2.00	5.53	7.53
1997	2.00	5.58	7.58	2.00	6.03	8.03
1998	2.00	5.58	7.58	2.00	6.03	8.03
1999	2.00	5.58	7.58	2.00	6.03	8.03
ERFC began using composite rates effective July 1, 1999						
2000	2.00	4.99	6.99			
2001	2.00	3.69	5.69			
2002	2.00	3.69	5.69			
2003	2.00	4.00	6.00			
2004						
7/1 to 5/30	2.00	4.29	6.29			
6/1 to 6/30	4.00	2.53	6.53			
2005	4.00	3.37	7.37			
2006	4.00	3.37	7.37			
2007	4.00	3.37	7.37			
2008	4.00	3.37	7.37			
2009	4.00	3.37	7.37			
2010	4.00	3.20	7.20			

ACTUARIAL

Summary of Plan Changes

There were no significant plan changes during the valuation period ending December 31, 2009.

Statistical Section

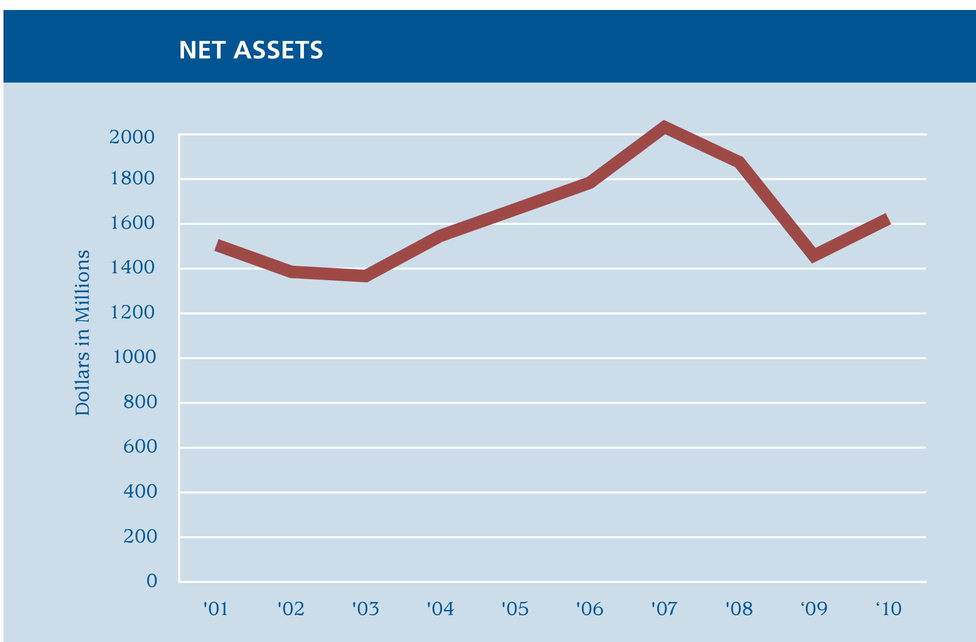
Financial Trends Information

Operating Information

Net Assets

Last Ten Fiscal Years

FISCAL YEARS	NET ASSETS
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
2008	1,858,571,973
2009	1,441,434,430
2010	1,607,663,423

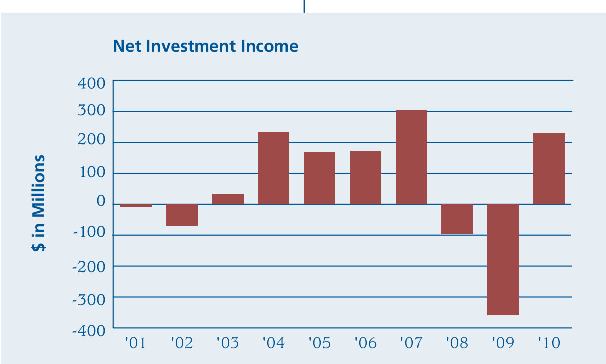


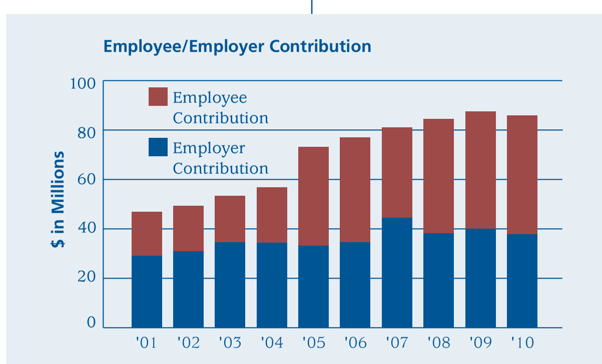
Changes in Net Assets

Last Ten Fiscal Years

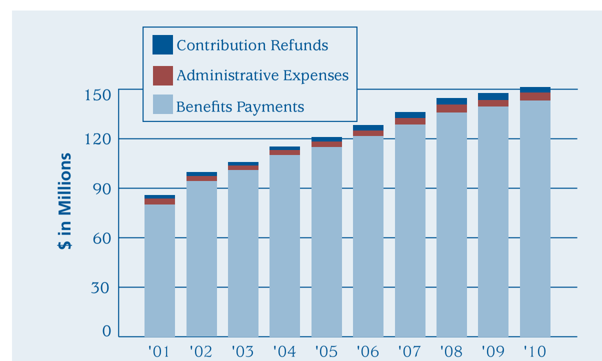
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ADDITIONS										
Employee contributions	$ 17,744,273	$ 18,472,712	$ 18,750,568	$ 22,340,870	$ 39,818,585	$ 42,292,828	$ 44,453,617	$ 46,143,803	$ 47,996,408	$ 47,918,341
Employer contributions	29,145,883	30,849,067	34,506,630	37,331,203	32,198,596	34,648,918	36,644,001	38,334,140	40,012,480	37,868,623
Investment income (net of expenses)	(7,290,226)	(69,121,464)	32,857,465	233,807,964	168,479,920	169,944,356	304,119,327	(96,855,060)	(357,672,266)	231,574,404
Fixed assets	—	—	—	—	—	—	27,632	—	(5,494)	—
Total additions to plan net assets	39,599,930	(19,799,685)	86,114,663	293,480,037	240,497,101	246,886,102	385,244,577	(12,377,117)	(269,668,872)	317,361,368
DEDUCTIONS										
Benefit payments	79,969,985	94,247,498	100,979,864	110,236,424	114,999,379	121,687,318	128,739,638	135,927,308	139,594,144	143,128,569
Contribution refunds	2,092,580	2,153,958	1,848,428	1,996,947	2,794,118	3,087,501	3,583,007	4,229,850	3,975,907	3,339,910
Administrative expenses	3,759,617	3,190,667	2,867,018	2,918,778	3,110,563	3,289,518	3,718,761	4,631,844	3,898,620	4,663,896
Total deductions to plan net assets	85,822,182	99,592,123	105,695,310	115,152,149	120,904,060	128,064,337	136,041,406	144,789,002	147,468,671	151,132,375
Change in net assets net of expenses	$ (46,222,252)	$ (119,391,808)	$ (19,580,647)	$ 178,327,888	$ 119,593,041	$ 118,821,765	$ 249,203,171	$ (157,166,119)	$ (417,137,543)	$ 166,228,993

ADDITIONS BY SOURCE





DEDUCTIONS BY TYPE



Assets and Liabilities Comparative Statement

Last 20 Years—Dollars 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
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
12/31/2007	1,161,432	1,221,969	964,832	2,186,801	1,924,886	261,915	88.0
@ 12/31/2008	1,211,140	1,237,613	1,017,685	2,255,298	1,733,946	521,352	76.9
12/31/2009	1,208,093	1,264,675	1,049,607	2,314,282	1,769,540	544,742	76.5

@ After change in asset valuation method.
$ After change in benefits.
# After changes in actuarial assumptions.

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												
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
2007	4,334	91,777,998	3,658	36,100,474	120	1,048,496	26	322,317	216	1,057,794	8,354	130,307,079
2008	4,476	94,522,827	3,760	37,401,953	124	1,059,054	25	319,262	210	1,043,164	8,595	134,346,260
2009	4,615	96,983,027	3,791	38,266,346	134	1,105,438	24	294,234	208	1,043,259	8,772	137,692,304
Fiscal Years												
2010	4,600	100,020,271	3,783	40,614,214	145	1,167,515	23	308,454	194	1,018,115	8,745	143,128,569

STATISTICAL

Benefit Refunds by Type

Last Ten Years

	Separation		Deaths		TOTAL	
Fiscal Year	**No.**	**Amount**	**No.**	**Amount**	**No.**	**Amount**
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
2008	857	4,064,627	24	165,223	881	4,229,850
2009	722	3,644,789	25	331,118	747	3,975,907
2010	648	3,201,604	15	138,306	663	3,339,910

n/a — Information not readily available

Retired Members by Type of Benefit

(As of December 31, 2009)

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	1,543	214	1,243	23	53	10	1,133	55	7	29	12	307
251–500	1,205	311	773	12	104	5	840	43	14	22	18	268
501–750	766	326	404	12	24	—	550	16	13	25	11	151
751–1,000	822	508	292	4	18	—	596	18	19	30	7	152
1,001–1,250	697	490	195	5	7	—	556	7	9	28	7	90
1,251–1,500	587	450	132	3	2	—	431	11	14	32	3	96
1,501–1,750	519	394	122	2	—	1	387	6	13	25	2	86
1,751–2,000	375	267	104	2	—	2	251	8	7	23	2	84
Over 2,000	2,258	1,698	550	4	—	6	980	85	12	129	22	1,030
Total	**8,772**	**4,658**	**3,815**	**67**	**208**	**24**	**5,724**	**249**	**108**	**343**	**84**	**2,264**

*** 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 monthly benefit

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 monthly benefit

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

Average Benefit Payments by Years of Service

	YEARS CREDITED 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
Period 1/1/07 to 12/31/07						
Avg Monthly Benefit	$ 247.08	$ 413.63	$ 691.25	$ 943.45	$ 2,425.67	$ 2,757.24
Avg Final Average Salary	$ 4,806.27	$ 4,496.84	$ 5,343.67	$ 5,809.65	$ 6,778.91	$ 7,061.31
No. of Retired Members	56	78	97	69	155	59
Period 1/1/08 to 12/31/08						
Avg Monthly Benefit	$ 273.32	$ 360.11	$ 730.56	$ 905.71	$ 2,442.16	$ 2,721.16
Avg Final Average Salary	$ 4,807.02	$ 4,918.32	$ 5,626.34	$ 5,648.77	$ 6,985.58	$ 7,405.08
No. of Retired Members	64	60	80	45	146	49
Period 1/1/09 to 12/31/09						
Avg Monthly Benefit	$ 237.69	$ 390.72	$ 791.10	$ 1,067.98	$ 2,451.95	$ 2,782.62
Avg Final Average Salary	$ 4,839.74	$ 4,776.32	$ 5,974.65	$ 6,496.54	$ 7,376.69	$ 7,595.88
No. of Retired Members	58	63	58	59	115	56

Average Composite Monthly Benefit Payments for Retirees

Last Ten Years

By Type of Benefit Being Paid

	Year	Service Retirement	Reduced Service	Ordinary Disability
Fiscal Year	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
	2007	1,765	822	475
	2008	1,760	829	469
	2009	1,751	841	480

STATISTICAL

Retirees and Beneficiaries Current Annual Benefits Tabulated by Attained Ages

(As of December 31, 2009)

	Total	
Attained Ages	**No.**	**Annual Amount**
Under 40	6	$ 29,740
40 - 44	5	10,726
45	1	753
46	6	18,159
47	3	13,752
49	3	92,871
50	7	92,260
51	5	57,109
52	12	186,111
53	19	374,526
54	33	786,785
55	103	2,054,659
56	141	3,075,908
57	207	4,564,003
58	249	5,545,721
59	309	6,683,448
60	365	8,571,489
61	455	10,165,257
62	568	12,365,627
63	582	12,106,139
64	470	9,316,676
65	514	10,909,405
66	424	4,789,729
67	409	4,214,715
68	328	3,293,959
69	330	3,334,691
70 - 74	1,394	15,854,592
75 - 79	914	10,844,480
80 & up	910	8,339,014
Total	**8,772**	**$ 137,692,304**

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

Inactive Vested Members
Deferred Benefits by Attained Ages

(As of December 31, 2009)

	Total	
Attained Ages	**No.**	**Annual Amount**
27	2	$ 4,994
28	19	63,248
29	22	63,267
30	37	114,527
31	59	148,692
32	75	172,648
33	78	174,425
34	85	187,557
35	111	229,213
36	99	214,949
37	113	242,634
38	120	276,420
39	127	273,864
40	122	285,488
41	121	297,868
42	111	252,927
43	88	172,249
44	93	207,952
45	86	186,306
46	88	217,024
47	71	160,699
48	65	223,335
49	67	159,205
50	70	222,727
51	57	184,032
52	56	168,901
53	76	260,751
54	80	246,957
55	46	126,151
56	54	149,167
57	51	163,275
58	49	164,951
59	41	135,120
60	26	85,433
61	30	152,943
62	21	97,398
63	20	74,565
64	19	75,885
65 & over	16	44,024
Total	**2,571**	**$ 6,681,771**

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

STATISTICAL

THE EDUCATIONAL EMPLOYEES'
SUPPLEMENTARY RETIREMENT SYSTEM
of Fairfax County

THE ABC'S OF ORCHESTRATION AND INVESTING

Appreciation · **B**est Practices · **C**ommitments · **D**ue Diligence
Energy · **F**ears · **G**uidance · **H**igh Notes · **I**nnovation · **J**udgment
Knowledge · **L**eadership · **M**aturity · **N**otes · **O**rder · **P**erformance
Quality · **R**esults · **S**ynchronization · **T**iming · **U**ps and Downs ·
Vested Interest · **W**orth · e**X**aminations · **Y**ields · **Z**eal

The ERFC bows low to the educators whose patient expertise and best practices with the young musicians of Fairfax County Public Schools yield such high quality results! ERFC's Board and administrative staff strive to achieve similar success by adhering to sound investment practices and stringent due diligence.

With special thanks to our featured performers from:

Hybla Valley Elementary, Silverbrook Elementary, Mark Twain Middle School, Oakton High School, Lake Braddock Secondary and the marching bands from Mount Vernon High School and Hayfield Secondary.

Back Cover: Mount Vernon High School Marching Band

Educational Employees'
Supplementary Retirement System
of Fairfax County

8001 Forbes Place
Suite 300
Springfield, VA 22151-2205