FOR THE FISCAL YEAR ENDED JUNE 30, 2008

2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FAIRFAX COUNTY POLICE OFFICERS RETIREMENT SYSTEM

A PENSION TRUST FUND OF FAIRFAX COUNTY, VIRGINIA

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November 28, 2008

Dear Members of the Board of Trustees:

I am pleased to submit to you the annual report of the Fairfax County Police Officers Retirement System (System) for the fiscal year ended June 30, 2008. This annual report is provided as an aid to understanding the structure and evaluating the status of the System. The System's management is responsible for the accuracy of financial information contained herein.

The annual report for fiscal 2008 consists of five sections: (1) an Introductory Section that contains this transmittal letter along with the organization structure and review of plan provisions; (2) a Financial Section that contains the opinion of the independent auditors, management's discussion and analysis, the financial statements of the System and required supplementary information; (3) an Investment Section that contains investment results; (4) an Actuarial Section that includes the independent actuary's certification letter, a summary of the results of the actuarial valuation, and actuarial procedures and assumptions; and (5) a Statistical Section that contains information regarding the System membership.

History

The Fairfax County Police Officers Retirement System was created under authority granted by Chapter 303 of the Acts of Assembly (law of the Commonwealth of Virginia) on March 29, 1944 to provide defined benefit pension plan coverage for sworn full-time law enforcement officers of the Fairfax County Police Department. In 1981, Fairfax County enacted Article 7 of the Fairfax County Code, which adopted and continued Chapter 303 as amended. There were 1,406 active members and 788 retirees participating in the System as of June 30, 2008.

Benefit Provisions

The benefit provisions of the System are established by County Ordinance. The System provides normal service retirement and early service retirement benefits for members who attain age or service requirements. Coverage for service-connected disability benefits is immediate upon membership in the System. Ordinary (non-service-related) disability benefits are provided after the attainment of five years of service. Members are vested after five years of service and are eligible for benefits at the early or normal service retirement date.

Capital Markets and Economic Conditions

After five years of expansion, the economy weakened significantly during fiscal 2008. The combination of a stifling credit crisis and soaring commodity prices worldwide resulted in a sharp housing slump, rising foreclosures, a doubling of the consumer inflation rate, oil prices soaring to $140 a barrel and a contraction in economic growth. Despite the rising inflation rate, the Federal Reserve lowered short-term interest rates from 5.25% to 2.00% in an effort to stimulate economic growth and restore liquidity to frozen financial markets. Equity markets felt the brunt of the pain, as the S&P 500 Index fell 13.1% in fiscal 2008. International equity markets were also impacted by events in the U.S., but to a lesser extent. The MSCI EAFE Index of developed economies fell 10.6%, while the emerging markets were able to eke out a gain of 4.9% for the year. Commodities were the big winner in 2008 as food and energy commodities prices skyrocketed. The Dow Jones – AIG Commodity Index advanced 41.6%. Public real estate securities declined sharply (13.6%) in sympathy with the housing and mortgage crisis, while private real estate, which is largely insulated from mark-to-market valuation by virtue of a much longer appraisal cycle, gained 9.2%. Fixed income markets generally performed well in 2008 as investors fled from equities to the safety of Treasury bonds. The Lehman Brothers Aggregate Bond Index rose 7.1%.

The diversified fund of the Police Officers Retirement System returned a negative 6.0% for fiscal 2008, after management fees. This return placed the fund in the third quartile of the Trust Universe Comparison Service (TUCS) public fund universe in 2008. The returns for the total fund exceeded the policy benchmark for the year by 18 basis points. The fund's relative performance over the last 10 years was within the top half of the public fund universe.

After accounting for all cash flows, including contributions, expenses and benefit payments, the market value of the System's assets decreased 6.8%, from $931.9 million on June 30, 2007 to $868.2 million on June 30, 2008.

Major Initiatives

The required employee contribution rate was reduced from 11% of pay to 10%. Also, the limit on benefits that capped service credit at thirty years was eliminated.

During the past twelve months, changes were made to the asset allocation of the System to help further diversify the investment program. At the beginning of the year, the small cap equity allocation was restructured. ClariVest was hired for a smid cap growth mandate. Ramius, a small cap value activist manager, was hired, as was AQR Capital for a small cap core 130/30 strategy. Within the large cap equity allocation, the portfolio manager at Janus Capital Management retired, and Janus was replaced with the growth management team at Goldman Sachs. A hedge fund, the PIMCO Distressed Senior Credit Opportunity Fund, was chosen by the Board to take advantage of the high quality securities selling at distressed prices resulting from dislocations in the credit markets.

Internal and Budgetary Controls

The System's management is responsible for maintaining internal accounting controls to provide reasonable assurance that transactions are properly authorized and recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Funded Status

An actuarial valuation of the System to determine funding requirements is performed annually. The System's funding policy provides for periodic employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the costs of benefit payments when due. The valuation of the System performed as of July 1, 2007 indicated that the ratio of assets accumulated by the System to total actuarial accrued liabilities for benefits increased from 87.9% to 89.9%. The actuarial section contains further information on the results of the July 1, 2007 valuation.

Based on the July 1, 2007 actuarial valuation, the employer contribution rate increased from 20.00% to 21.45%. With the ordinance changes mentioned earlier (a reduction in the employee contribution rate and the removal of the thirty year cap on service) that occurred after the valuation, the final employer contribution rate for fiscal-year 2009 will be 22.34%.

Investment Policies and Strategies

The Board of Trustees has an adopted Statement of Investment Objectives and Policy. This Statement establishes the investment goals, guidelines, constraints and performance standards that the Board of Trustees uses when exercising its fiduciary duties to manage the investment assets of the System. The Board operates in conformity with the standard of care required in making investments as stated in the Code of Virginia §51.1-803.

The Board receives quarterly reporting to ensure compliance with its stated objectives and policy. Staff and the external investment consultant retained by the Board also monitor the performance of the System and its investment managers. Rate of return information is included in the Investment Section.

Securities of the System, except for the pooled funds and the county's pooled cash and temporary investments, are held by Mellon Global Securities Services as agent, in the System's name. Mellon Financial Corporation, the parent company, carries Financial Institution Bond insurance coverage including a Computer Crime Policy. An additional Excess Securities policy covers all risk of physical loss to securities.

Other Information

Independent Audit and Actuarial Certifications
The independent auditors' report and certifications from the actuary are included in this report.

Acknowledgements
The annual report of the Police Officers Retirement System was prepared by the System's staff under the leadership of the Board of Trustees. I would like to thank the entire staff for their ongoing efforts throughout the year to provide a high quality of service to members and to ensure the successful operation of the System. This report is intended to provide complete and reliable information for determining the financial status of the System. It is being submitted to the Board of Supervisors and other interested parties and is available to the public via the County's website located at www.fairfaxcounty.gov/retirement/.

Respectfully submitted,

Robert L. Mears
Executive Director

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Administrative Organization

Administrative Staff

Robert L. Mears
Executive Director

Jeffrey A. Willison
Investment Manager

John P. Sahm
Retirement Administrator

Professional Services

Actuary
CHEIRON
Actuaries
McLean, VA

Auditor
KPMG LLP
Certified Public Accountants
Washington, DC

Investment Managers

Acadian Asset Management
Boston, MA

AQR Capital Management
Greenwich, CT

ClariVest
San Diego, CA

Cohen & Steers Capital Management
New York, NY

Dodge & Cox Investment Managers
San Francisco, CA

FrontPoint Partners
Greenwich, CT

Goldman Sachs
Tampa, FL

Grantham, Mayo, Van Otterloo & Co.
Boston, MA

Mariner Investment Group
Boston, MA

McKinley Capital Management
Anchorage, AK

PIMCO
Newport Beach, CA

Pzena Investment Management, LLC
New York, NY

Ramius, LLC
New York, NY

Standish Mellon Asset Management
Pittsburgh, PA

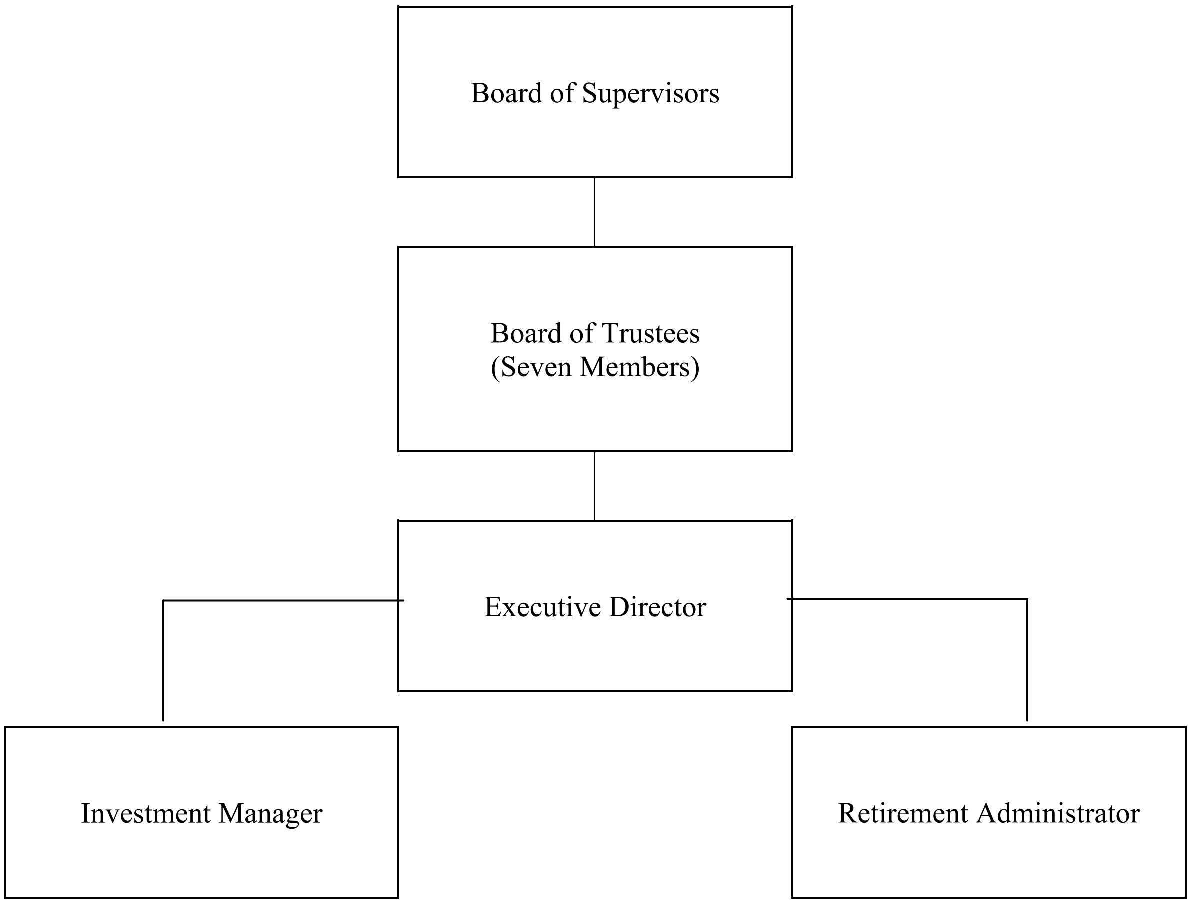
Trust Company of the West
Los Angeles, CA

Attorney
W. McCauley Arnold
McCandlish & Lillard
Fairfax, VA

Custodial Bank
Mellon Global Securities Services
Pittsburgh, PA

Investment Consultant
Mercer Investment Consulting, Inc.
Atlanta, GA

Organizational Chart



Summary of Plan Provisions

Membership in the Fairfax County Police Officers Retirement System includes full-time sworn law enforcement officers in the Fairfax County Police Department.

The general provisions of the Police Officers Retirement System follow:

Contribution Rate:
11% of base salary. Police Officers do not contribute to Social Security, except Police Officers hired after April 1, 1986 contribute to Medicare.

Benefit:
2.8% of average final compensation (highest consecutive three years) times creditable service up to a maximum of 84%. The total benefit is then increased by 3%.

Benefit Limit:
Benefit is limited to the maximum amounts for qualified plans as set forth in Section 415 of the Internal Revenue Code. A separate nonqualified benefit restoration plan has been established for the payment of any benefit formula amount in excess of the Section 415 limit.

Normal Retirement:
is either age 55 or at least 25 years of creditable service (20 years if sworn in before July 1, 1981).

Deferred Retirement Option (DROP):
Those eligible for normal retirement may enter DROP, during which time the member continues to work and receive a salary for up to three years. In lieu of continuing to earn service credit, DROP participants accumulate a lump sum, including interest, payable at retirement.

Early Retirement:
is 20 years of creditable service if sworn in on or after July 1, 1981.

Deferred Vested Retirement:
is available for vested members (vesting is at 5 years of creditable service) who leave their contributions in the System when they terminate. These members are entitled to their normal retirement benefit based on service with the Police Department at age 55.

Service-Connected Disability Retirement:
is available for members, regardless of their length of service, who become disabled as a result of a job-related illness or injury. Benefits for total disability are 66⅔% of average final compensation if sworn in on or after July 1, 1981. If sworn in before July 1, 1981, the total disability benefit is based on 66⅔% of the salary the member would have received if he or she had not been disabled. Any member who is still disabled when they reach normal retirement date will have their benefit adjusted to 60% of the salary he or she would have received if he or she had not been disabled.

Non-Service Connected Disability Retirement:
is available for vested members who become disabled due to an injury or illness that is not job-related. Normal retirement benefits are paid (minimum is 10% of the member's salary).

Summary of Plan Provisions
(continued)

Death Benefits:

Before Retirement – An automatic monthly benefit is payable to the member's spouse and children. This benefit equals $1,914.80 for the spouse (until remarriage before age 60) or surviving handicapped child (if there is no spouse), plus each eligible child receives $765.91 up to a total family benefit of $3,829.60 (these benefits are indexed to inflation).If the death occurred in the line of duty, the spouse or surviving handicapped child (if there is no spouse) may elect to receive 66⅔% of the member's regular salary at the time of death in lieu of the automatic benefits. If no automatic benefit is payable, contributions will be refunded to the member's beneficiary.

After Retirement – For those retiring on a regular service or service-connected disability retirement, an automatic monthly benefit is payable to the member's spouse and children. This benefit equals $1,914.80 for the spouse (until remarriage before age 60) or surviving handicapped child (if there is no spouse), plus each eligible child receives $765.91 up to a total family benefit of $3,829.60 (these benefits are indexed to inflation). In addition, members who retire on a regular service retirement may elect a Joint and Contingent Spouse and Handicapped Child option which provides 100%, 66⅔% or 50% of the retiree's reduced benefit to the spouse or eligible handicapped child for life. The member's annuity is reduced by a percentage based on the difference in age between the member and his or her spouse. If the spouse pre-deceases the member, the annuity is restored to what it would have been if this option had not been elected. If no automatic benefit is payable, contributions not yet paid out in benefits will be refunded to the member's beneficiary.

Cost of Living Benefit:

Annual cost of living adjustments are provided to retirees and beneficiaries equal to the lesser of 4% or the percentage increase in the Consumer Price Index for the Washington-Baltimore Metropolitan Statistical Area.

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

The Board of Trustees
of the Fairfax County Police Officers Retirement System:

We have audited the statement of plan net assets of the Fairfax County Police Officers Retirement System (the System), a pension trust fund of the County of Fairfax, Virginia, as of June 30, 2008, and the related statement of changes in plan net assets for the year then ended. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of June 30, 2008, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is 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.

Other required supplementary information is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. Other required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these 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 25, 2008

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Fairfax County Police Officers Retirement System's ("System" or "Plan") financial performance and provides an overview of the financial activities for the fiscal year ended June 30, 2008. The information in this section should be reviewed in conjunction with the letter of transmittal provided at the beginning of this report.

Overview of Financial Statements and Accompanying Information

Basic Financial Statements. The System presents the Statement of Plan Net Assets as of June 30, 2008 and Statement of Changes of Plan Net Assets for the year then ended. These statements reflect the resources available for the payment of benefits as of year end and the sources and uses of these funds during the year.

Notes to Financial Statements. The Notes to Financial Statements are an integral part of the financial statements and include additional information and schedules to provide a better understanding of the financial statements. The Notes to Financial Statements immediately follow the basic financial statements.

Required Supplementary Information. The Required Supplementary Information and related notes provide information regarding the System's funding progress and employer contributions. The Required Supplementary Information and related notes are immediately following the Notes to Financial Statements.

Financial Analysis

Summary of Plan Net Assets. As indicated in the following Summary Statement of Plan Net Assets, the net assets held in the System decreased $63.8 million, or 6.8%, during fiscal 2008. The change was primarily due to a decrease in fair value of investments during the fiscal year.

Return on Investments. The System's return on investments net of investment management fees for fiscal 2008 was negative 6.0%. The System's domestic equities had a negative 12.5% return. The international equity portfolio returned a negative 8.8%. The System's fixed income investment returned a healthy 7.1%. The System's REIT portfolio returned a negative 14.6%. Additional investment market commentary is provided in the Investment Section of this document.

Additions. Total additions decreased $192.9 million from fiscal 2007 to 2008 primarily due to dramatically lower investment returns. Employer contributions increased $2.2 million, or 11.6%, from fiscal 2007 to fiscal 2008. The 2008 employer contribution rate of 21.0% of covered payroll was a 1.05 percentage point increase over the 2007 rate. Plan member contributions decreased 5.3% during fiscal 2008 as a result of a one percent decrease in the employee contribution rate. The System experienced a net investment loss of $55.8 million due to falling global equity markets. Net appreciation value of investments was -$77.5 million. Interest and dividend income was $24.6 million. Net securities lending income increased $37.5 thousand from fiscal 2007 to 2008 due to a more favorable environment for lending certain securities.

Deductions. Benefit payments increased 6.0% during the fiscal year. The number of retirees and beneficiaries collecting benefits and the amount of the average benefit increased in both years and were responsible for the increase in the expense. Retirees received cost of living increases of 5.0% as of July, 2007. Payments under the Deferred Retirement Option Program (DROP) also continued to increase. Refunds to terminated employees increased by $172.3 thousand in 2008. The amount of refunds varies from year to year based on changes in employee turnover rates and decisions of former employees. Net administrative expenses increased in 2008 by $16.7 thousand. Investment activity expense decreased $527.6 thousand, or 13.9%, from fiscal 2007 to 2008, due to lower fees paid to investment managers.

Post Fiscal-Year Market Conditions

The County's investments are exposed to various risks such as interest rate risk, 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 at least 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.

Contacting the System's Financial Management

This financial report is designed to provide our membership, the Board of Trustees and the County's Board of Supervisors with a general overview of the System's financial condition. If you have any questions about this report or need additional information, contact the Fairfax County Retirement Administration Agency, 10680 Main Street, Suite 280, Fairfax, Virginia 22030. This report can also be found on the County's internet site at www.fairfaxcounty.gov/retirement/.

Summary Statement of Plan Net Assets

Assets	2008	2007	Difference
Total cash and investments	$921,268,144	$1,043,774,104	$(122,505,960)
Total receivables	6,721,216	7,404,541	(683,325)
Total Assets	927,989,360	1,051,178,645	(123,189,285)
Liabilities	59,828,318	119,251,436	(59,423,118)
Net Assets	$868,161,042	$ 931,927,209	$(63,766,167)

Summary of Additions and Deductions

Additions	2008	2007	Difference
Contributions			
Employer	$21,447,907	$19,222,753	$2,225,154
Plan members	11,175,450	11,796,129	(620,679)
Net investment income	(55,802,375)	138,659,208	(194,461,583)
Total Additions	(23,179,018)	169,678,090	(192,857,108)
Deductions			
Benefit payments	39,533,485	37,310,748	2,222,737
Refunds	607,913	435,566	172,347
Administrative expense	445,751	429,093	16,658
Total Deductions	40,587,149	38,175,407	2,411,742
Net Change	$(63,766,167)	$131,502,683	$(195,268,850)

Statement of Plan Net Assets
as of June 30, 2008

Assets

Cash and short-term investments		
Equity in County's pooled cash and temporary investments	$547,882	
Cash collateral received for securities on loan	55,869,740	
Short-term investments	16,917,593	
Total cash and short-term investments		$ 73,335,215
Receivables		
Contributions	1,443,141	
Accrued interest and dividends	3,033,636	
Securities sold	2,244,439	
Total receivables		6,721,216
Investments, at fair value		
Corporate bonds	74,727,610	
U.S. Government obligations	12,610,912	
Pooled and mutual funds	347,763,563	
Asset-backed securities	158,692,043	
Common and preferred stock	254,138,801	
Total investments		847,932,929
Total assets		927,989,360

Liabilities

Cash collateral received for securities on loan	55,869,740	
Purchase of investments	3,204,870	
Accounts payable and accrued expenses	753,708	
Total liabilities		59,828,318
Net assets held in trust for pension benefits		$ 868,161,042

(A schedule of funding progress is presented on page 21.)

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2008

Additions		
Contributions		
Employer	$21,447,907	
Plan members	11,175,450	
Total contributions		$32,623,357
Investment income from investment activities		
Net appreciation in fair value of investments	(77,479,726)	
Interest	16,759,280	
Dividends	7,870,752	
Total investment income	(52,849,694)	
Investment activity expense		
Management fees	2,952,997	
Custodial fees	127,400	
Consulting fees	183,339	
Total investment expense	3,263,736	
Net income from investment activities		(56,113,430)
From securities lending activities		
Securities lending income	2,593,898	
Securities lending expenses		
Borrower rebates	2,161,184	
Management fees	121,659	
Total securities lending activities expense	2,282,843	
Net income from securities lending activities		311,055
Total net investment income		(55,802,375)
Total additions		(23,179,018)
Deductions		
Annuity benefits	36,099,484	
Disability benefits	1,322,069	
Survivor benefits	2,111,932	
Refunds	607,913	
Administrative expense	445,751	
Total deductions		40,587,149
Net increase		(63,766,167)
Net assets held in trust for pension benefits		
Beginning of fiscal year		931,927,209
End of fiscal year		$868,161,042

See accompanying notes to financial statements.

Notes to the Financial Statements

For the Years ended June 30, 2008

The Fairfax County Police Officers Retirement System is a legally separate single-employer defined benefit pension plan established under the Code of Virginia to provide defined pension benefits to certain Fairfax County, Virginia ("County") police and park police officers. As such, the System is considered part of the County reporting entity and its financial statements are included in the County's basic financial statements as a pension trust fund.

A. Summary of Significant Accounting 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 and employer contributions to the plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due in accordance with the terms of the plan. The cost of administering the plan is paid by the System.

Method Used to Value Investments. Short-term investments are reported at cost, which approximates fair value. All other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments in venture capital, alternative investments and real estate are generally illiquid. Because of the inherent uncertainty in valuing these securities, the fair value may differ from the values that would have been used had a ready market for such securities existed. Accordingly, the realized value received upon the sale of the assets may differ from the fair value. The System records investment purchases and sales as of trade date. These transactions are not finalized until the settlement date, which occurs approximately three business days after the trade date. The amounts of trade receivables and payables are shown as receivables and payables on the Statements of Plan Net Assets. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Equity in County's pooled cash and temporary investments. The System maintains 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. As of June 30, 2008 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.

B. Plan Description, Contribution Information, Plan's Funded Status Information, and Actuarial Methods and Assumptions

Membership. At July 1, 2007, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and beneficiaries receiving benefits		743
Terminated plan members entitled to but not yet receiving benefits		29
DROP participants		38
Active plan members		1,319
	Total	2,129

Plan Description. The System is a single-employer defined benefit pension plan. The plan covers County police officers who are not covered by other plans of the County or the Virginia Retirement System and former park police officers who elected to transfer to the System effective January 22, 1983. Benefit provisions are established and may be amended by County ordinance. All benefits vest at five years of service. To be eligible for normal retirement, an individual must meet the following criteria: (a) if employed before July 1, 1981; attained the age of 55 or completed 20 years of service, or (b) if employed on or after July 1, 1981; attained the age of 55 or completed 25 years of service. The normal retirement benefit is calculated using average final compensation (i.e., the highest consecutive three years) and years (or partial years) of service at date of termination. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. Members eligible for normal retirement have the option of participating in a deferred retirement option program (DROP). Participating members continue working up to an additional three years after eligibility for normal retirement. In lieu of continuing to earn service credit, DROP members accrue a lump sum benefit payable at retirement To be eligible for early retirement, the employee must have 20 years of service (does not apply if hired before July 1, 1981). Benefits are determined based on the normal retirement benefit calculated using average final compensation and service at early retirement actuarially reduced.

Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4 percent or the percentage increase in the Consumer Price Index for the Washington–Baltimore Metropolitan Statistical Area.

Contributions. The contribution requirements of the System members are established and may be amended by County ordinances. Member contributions are based on 11 percent of compensation. The employee contribution rate effective July 1, 2008 will be 10 percent of compensation. The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2008 was 21.45 percent.

Deductions. The deductions from the System include the payment of retiree and beneficiary payments, the refund of employee contributions to former members and other expenses.

Plan's Funded Status Information. The actuarial valuation performed as of July 1, 2007 showed the System's funded status at 89.9%, an increase of 2.00 percentage points from the July 1, 2006 funded percentage of 87.9%. The table below displays the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial accrued liability, the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the unfunded actuarial liability to annual covered payroll as of July 1, 2007.

Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (b)**	**Unfunded Actuarial Liability (b-a)**	**Funded Ratio (a/b)**	**Covered Payroll (c)**	**Unfunded Actuarial Accrued Liability as a % of Covered Payroll ((b-a)/c)**
7/1/2007	$870,974,612	$968,735,369	$97,760,757	89.9%	$95,903,695	1.02

The required schedule of funding progress, which presents multiyear trend information, is reported immediately following the financial statement notes.

Actuarial Methods and Assumptions Information.

Valuation date	July 1, 2007
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	15 years
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return *	7.5%
Projected salary increases *	4.5% - 10.0%
* Includes inflation at	4.0%
Cost of living adjustments	3.0%

The actuarial assumptions used have been recommended by the actuary and adopted by the System's Board of Trustees based on the most recent review of the System's experience, completed in 2005.

The rate of employer contributions to the plan is composed of normal cost, amortization of the unfunded actuarial accrued liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future normal employer costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability. The allowance for administrative costs is based upon the plan's actual administrative expenses.

The actuarial valuation performed as of July 1, 2007 per the GASB methodology resulted in a contribution rate of 26.84% for fiscal 2009, a decrease of 0.77 percentage points over the fiscal 2008 rate of 27.61% per the GASB methodology. Beginning with fiscal 2003, the funding policy was revised to further stabilize the contribution rate. The methodology now in place sets the employer contribution rate equal to the normal cost and allowance for administrative expense. Amortization of the unfunded liability is included in the contribution rate only for any benefit and actuarial assumption changes or if the actuarial funding ratio falls outside a corridor of 90% and 120%. Use of the corridor method, with adjustments for plan changes effective after the valuation date, resulted in an adopted rate of 22.34% for fiscal 2009, an increase of 0.89 percentage points over the fiscal 2008 adopted rate of 21.45%.

C. Investments

The authority to establish the System is set forth in Chapter 303 of the Acts of Assembly (law of the Commonwealth of Virginia). Section 26-45.1 of the *Code of Virginia* (Code), and updated by Section 51.1-803 authorizes fiduciaries of the System to purchase investments *with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. The Board shall also diversify such investments as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.*

The System's Board of Trustees has adopted a Statement of Investment Objectives and Policy which establishes a broad set of investment objectives, guidelines, risk tolerance and performance standards for the assets of the System. While the System is not subject to the provisions of the Employee Retirement Income Security Act (ERISA), the Board has elected to incorporate the standards of ERISA in the System's Statement of Investment Objectives and Policy. The Board recognizes that investing in worldwide capital markets inherently entails the assumption of risk. The Board believes that part of the risk involved in managing the System's assets can be reduced by investing in diversified, lowly-correlated asset classes and employing different philosophies and investment management styles. The Board has selected a long-term strategic asset allocation strategy which provides a high degree of diversification, maintains appropriate asset coverage of plan liabilities, and also optimizes investment return without introducing higher volatility to contribution levels. Investment decisions for these assets are made by the Board of Trustees or investment managers selected by the Board. The Board hires each of its investment advisory firms on the basis of its specific area of expertise as well as its fit with the total risk and return objectives of the System. Each manager exercises investment discretion around specifically mandated quality, concentration, benchmark and performance guidelines, and practices active risk controls in order to achieve the System's investment expectations.

For the most part, the overall investment policy does not identify a specific level of credit risk, interest rate risk or foreign currency risk. That is addressed at the individual account level. The guideline for "concentration of risk" is system-wide, however. The System does not hold 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 available for benefits. All investments, except for the pooled and mutual funds, short-term investment fund and a short-term collateral investment pool are held by an unaffiliated custodian. There is no custodial credit risk since the custodian's records establish the System's interest in the securities and the custodian provides insurance for all custodied assets.

The System's fixed income portfolio shall be, on average, comprised of high-quality issues and limits are imposed on investment managers' below-investment-grade holdings. Unless otherwise specified, if any security has a split rating, the lower of the two ratings is used for the purposes of meeting minimum quality standards.

The System's investment quality ratings at June 30, 2008 were as follows:

Type of Investment	Fair Value	Ratings	Percent of Fixed
U.S. Government obligations	$12,610,912	AAA	5.1%
Corporates and other	755,392	AAA	0.3%
	10,484,445	AA	4.3%
	19,660,905	A	8.0%
	25,488,051	BBB	10.4%
	6,551,569	BB	2.7%
	10,747,845	B	4.4%
	1,039,403	UNRATED	0.4%
Asset-backed	153,722,912	AAA	62.5%
	1,864,668	AA	0.8%
	560,846	A	0.2%
	492,514	BB	0.2%
	146,970	CCC	0.1%
	1,904,133	UNRATED	0.8%
Total fixed income	$246,030,565	AA	100.0%
Short-term	$18,265	AAA	
	$16,899,328	UNRATED	

As of June 30, 2008 the fixed income portfolio exhibited an overall credit quality rating of "AA", and approximately 7% of the portfolio was invested in below-investment-grade securities.

The Lehman Brothers Aggregate Bond Index (LAGG) is the standard benchmark against which the industry and the System's Board measures its fixed income portfolio performance and volatility. The System's fixed income managers have discretion, within circumscribed limits, to extend the duration of their portfolios beyond that of the LAGG if they forecast falling interest rates (and thus higher bond prices). Conversely, if managers anticipate that the general level of interest rates will rise, they have the ability to shorten the duration of their portfolio and thus reduce the portfolio's sensitivity to rising rates. The System's investments' sensitivity to interest rates at June 30, 2008 follows:

Investment Type	Fair Value	Effective Duration (yrs)	Percentage of Fixed
US Government obligations	$12,610,912	0.9	5.1%
Corporate and other	74,727,610	5.6	30.4%
Asset-backed	158,692,043	6.9	64.5%
Total fixed income	$246,030,565	6.2	100.0%
Short-term investments	$16,917,594	0.1	

As of June 30, 2008 the System's overall fixed income portfolio duration was 6.2 years compared with the 4.7 duration of the Lehman Brothers Aggregate Bond Index.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The System's investments included 4.9% of investments held in currencies other than US dollars. The System's investments at June 30, 2008 were held in the following currencies:

International Securities	Equity	Fixed Income	Short-term and Other	Total
Euro Currency Unit	$12,404,631	$-	$50,882	$12,455,513
British Pound Sterling	10,795,304	-	10	10,795,314
Swiss Franc	5,831,318	-	71,643	5,902,961
Japanese Yen	4,473,369	-	2,788	4,476,157
Hong Kong Dollar	4,298,664	-	-	4,298,664
Australian Dollar	1,837,133	-	3,999	1,841,132
Brazil Real	1,106,601	-	-	1,106,601
Canadian	1,080,226	-	83	1,080,309
Danish Krone	1,067,509	-	-	1,067,509
Other Currencies	2,775,778	-	-	2,775,778
Total	$45,670,533	$-	$129,405	$45,799,938

Derivative Financial Instruments. As permitted by the Code described above, the System holds off-financial-statement derivatives in the form of mortgage-backed derivatives in accordance with Board of Trustees' policy. Use of these instruments may involve certain costs and risks, including the risk that a portfolio could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested.

An inverse floating rate note is a security whose interest rate moves inversely to its index rate. The variable rate on this type of security falls as its index rate (e.g. LIBOR) rises and vice versa. It performs well if interest rates increase less than market expectations, but suffers if they exceed market expectations. The System generally uses inverse floaters for increased exposure to the short end of the yield curve.

Mortgage-backed derivatives are used in the portfolio to generate income and capital gains. Interest only strips and principal only strips are specific tranches of a mortgage pool security and designate which portion of the interest payment cash flow is to be received. These are often used to shape the duration of the portfolio or to take a position against expected moves in interest rates. Credit risk is associated with the uncertainty in the counterparty's ability to meet its obligations. In many cases, the counterparty risk lies within the GSEs (Fannie Mae, Freddie Mac, Ginnie Mae), in which case there is either a government guarantee or sponsorship. Mortgage securities also face prepayment risk, which is the risk associated with the early unscheduled return of principal, thus future interest payments will not be paid on that part of the principal. We expect prepayments to slow over the course of the next year as slower housing turnover in conjunction with rising transaction costs continue to pressure prepayment speeds down.

The following table shows the derivative instruments the System held at June 30, 2008.

Derivative	Notional Value Par or Local Face	Fair Value Dollars	Maturity
Inverse Floaters	22,516,526	18,127,519	6/31-8/36
Inverse IO Strips	85,815,835	6,715,256	10/22-9/35
Interest Only Strips	21,310,983	499,875	4/35-5/35
Principal Only Strips	17,573,907	10,193,416	8/33-6/36

Securities Lending. Board of Trustees' policies permit the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodian is the agent in lending the plan's domestic securities for collateral of 102 percent and international securities of 105 percent. The custodian receives cash or securities as collateral from the borrower.

The following represents the balances relating to the securities lending transactions at June 30, 2008.

Securities Lent	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value
Lent for Cash Collateral			
US Government obligations	$15,362,515	$-	$15,620,400
Asset-backed securities	1,621,788	-	2,430,000
Corporate and other bonds	1,860,570	-	1,910,070
Common and preferred stock	34,307,860	-	35,909,270
Lent for Other Collateral			
Sovereign debt	9,752,932	10,805,751	-
US Government obligations	297,744	303,699	-
Common and preferred stock	10,845,198	11,736,894	-
Total	$74,048,607	$22,846,344	$55,869,740

The System did not impose any restrictions during fiscal 2008 on the amounts of loans the lending agent made on its behalf. At year end, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceed the amounts the borrowers owed the System. The custodian provides 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 income earned on the securities while on loan.

All securities loans can be terminated on demand by either the system or the borrower. Cash collateral is invested in the lending agent's collective collateral investment pool which at June 30, 2008 had a weighted-average maturity of 31 days. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of securities loans made by other plans that invest cash collateral in the investment pool.

D. Income Taxes

The Internal Revenue Service issued a determination letter on November 24, 2003, which stated that the System and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from federal income taxes.

Required Supplementary Information

Seven-year historical trend information about the System is presented here as Required Supplementary Information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (in thousands) (a)	Actuarial Accrued Liability- AAL Entry Age (in thousands) (b)	Unfunded AAL-UAAL (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a Percentage of Covered Payroll (in thousands) ((b-a)/c)
7/1/2001	$611,514	$617,510	$5,996	99.0%	$66,755	9.0%
7/1/2002	618,383	656,615	38,232	94.2%	69,197	55.3%
7/1/2003	644,405	703,977	59,572	91.5%	71,401	83.4%
7/1/2004	685,495	749,344	63,849	91.5%	78,080	81.8%
7/1/2005	732,582	828,702	96,120	88.4%	83,939	114.5%
7/1/2006	788,766	897,478	108,712	87.9%	89,062	122.1%
7/1/2007	870,975	968,735	97,761	89.9%	95,904	101.9%

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

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2001	$17,149,427	100%
2002	15,077,920	100%
2003	14,918,405	87%
2004	17,356,995	85%
2005	20,744,793	72%
2006	22,641,707	74%
2007	26,518,550	72%
2008	28,198,891	76%

Capital Markets and Economic Conditions

Fiscal Year 2008 Economic Environment

After five years of expansion, the economy weakened significantly during the fiscal year of 2008. Quarter-over-quarter real gross domestic product (GDP) growth slowed dramatically as the credit crisis created a sharpening housing market slump and the effects of rising global commodity prices began to be felt in the broader economy. Although the third quarter of 2007 posted a strong GDP growth rate of 4.8%, every quarter following was weak (negative 0.2% in the fourth quarter of 2007 and 0.9% in the first quarter of 2008) except for the second quarter of 2008, which rose 2.8% fueled by the Administration's nationwide tax rebate and strengthening exports resulting from the falling U.S. dollar.

The housing market deteriorated during the year amid continuing reports of rising foreclosures, slowing housing starts, and sharply declining housing prices. The mortgage crisis and the impact on financial institutions was also a concern during the year as major banks announced huge write-offs and losses as a result of bad mortgage loans and securities. In response to the housing and credit epidemics and the slowing economy, the Federal Reserve acted by systematically lowering the Federal Funds Target Rate from 5.25% to 2.00%.

Increasing global demand and constrained global supply spawned a widespread rise in commodity prices. From the second quarter of 2007 to the second quarter of 2008, crude oil prices surged from roughly $70 per barrel to around $140 per barrel. These record-setting crude oil prices increased transportation and production costs of farm commodities. Record commodity prices have lead to concerns of higher inflation as the seasonally-adjusted, year-over-year percentage change in CPI rose from 2.6% in the second quarter of 2007 to 5.0% in the second quarter of 2008.

Equity Markets

Equity markets mirrored forecasts for tough economic times ahead. The S&P 500 Index fell 13.1% for the fiscal year. Small caps underperformed large caps, with the Russell 2000 Index returning negative 16.2% over the same time period. Growth stocks significantly outperformed value stocks in both the large cap and small cap areas of the market. The Russell 1000 Growth Index returned negative 6.0% while the Russell 1000 Value Index declined 18.8% for the fiscal year. Financials were by far the weakest sector, with the S&P 500 Financial Index down 42.4% for the fiscal year. Also underperforming were telecom services and consumer discretionary, with their respective S&P sector indexes returning negative 19.8% and negative 26.8%.

The international equity markets modestly outperformed the domestic market for the past fiscal year. The MSCI EAFE Index returned a negative 10.6%, beating the S&P 500 Index by about three percentage points but posting its worst performance since 2001. Developed international countries are facing many of the same problems involving an economic slowdown and financial institutions in distress. Investors in international markets also benefited significantly from the weakening US dollar. The emerging markets outperformed the developed markets for the fiscal year led by a very strong return of 29.7% from the MSCI Emerging Markets Latin America Index. The MSCI Emerging Markets Index returned 4.9% for the year.

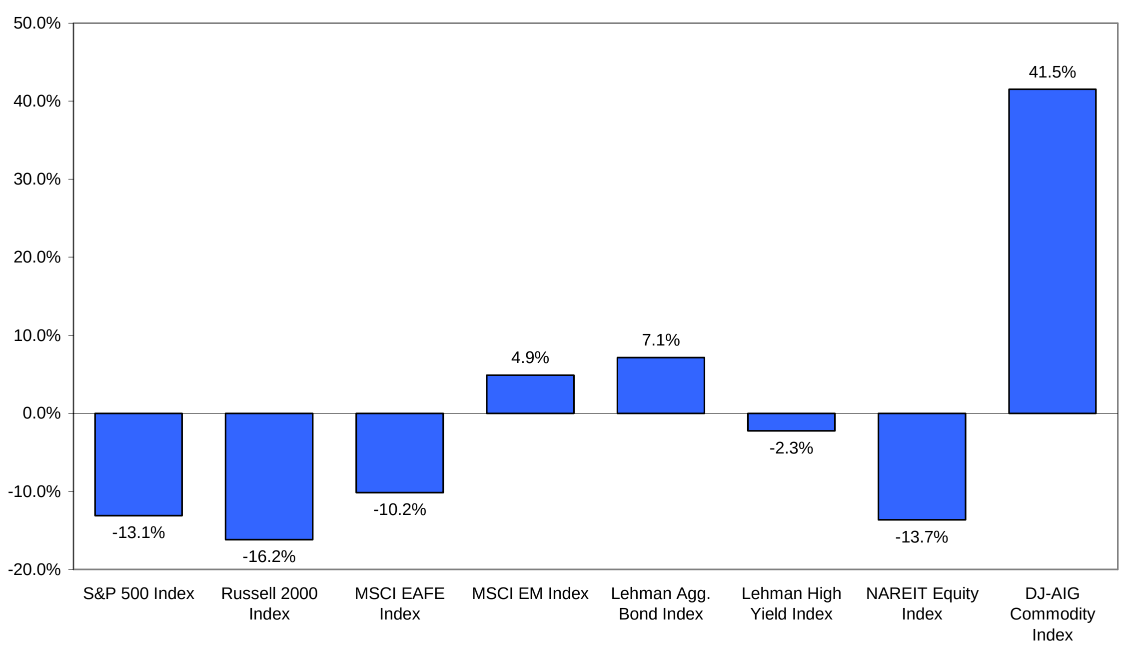
Real Estate Markets

REIT markets declined significantly for the fiscal year. The FTSE NAREIT Equity Index returned a negative 13.6% for the year. The decline was led by the poorly performing lodging and apartment sectors. The NCREIF index, which measures the performance of privately held real estate, fared far better than the REITs at 9.2%. The success of the private real estate index relative to REITs can be traced to better fundamentals in institutional classes of real estate, a slower re-pricing of assets because values are based on annual appraisals, and significantly less leverage than in REITs (NCREIF is an unlevered benchmark).

Fixed Income Markets

The fixed income market performed well overall, as investors fled from equities to safer securities. The Lehman Brothers Aggregate Bond Index returned 7.1% for the year. Government debt and TIPS (Treasury Inflation-Protected Securities) saw huge gains because of the safe nature of the securities and inflation protection. However, U.S. credit and corporate high-yield bonds struggled as the economy slowed and liquidity tightened. Mortgage-backed debt tumbled along with the rest of the housing market. The best performing and worst performing sectors were Government bonds (+9.7%) and High Yield bonds (-2.3%), respectively.

Fiscal Year 2008 Market Asset Class Returns



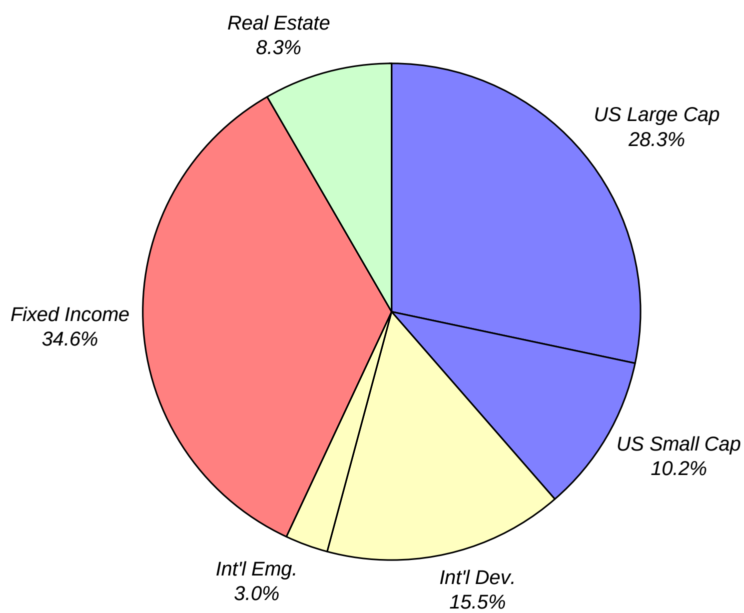
Police Officers System

The Police Officers Retirement System operates a sound and diversified investment program with disciplined asset re-balancing to achieve strategic long-term goals. That disciplined investment process has been effective in achieving a long-term record of consistent asset growth.

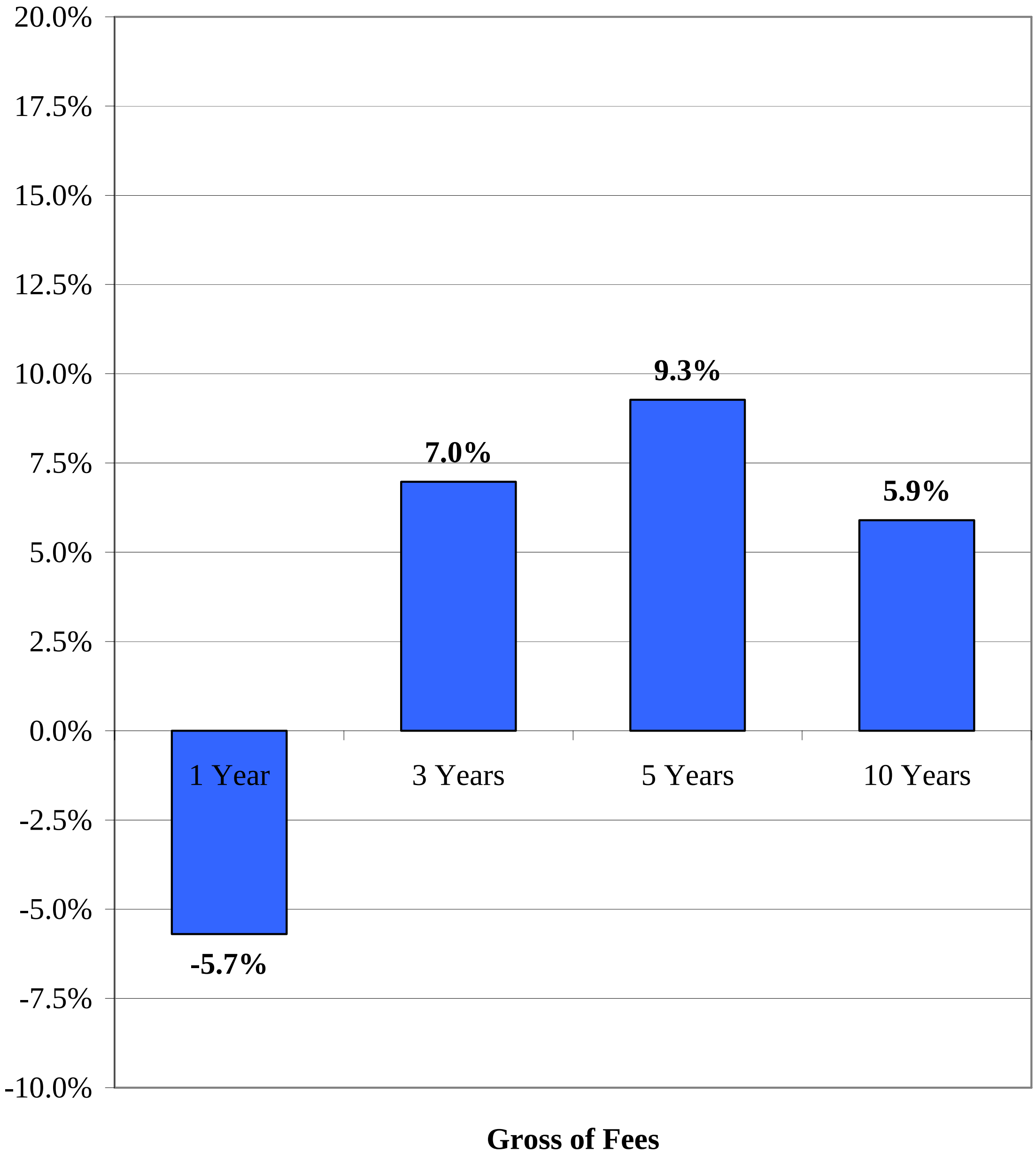
On a market value basis, the total net assets held in trust declined from $931.9 million at June 30, 2007 to $868.2 million at June 30, 2008. For fiscal 2008, investments provided a return of negative 5.7%, gross of fees (negative 6.0%, net of fees), reflecting the deteriorating economic environment. The System's annualized rates of return, gross of fees, were 7.0% (6.6%, net of fees) over the last three years and 9.3%, gross of fees (8.8%, net of fees), over the last five years. These System returns ranked in the 73th percentile of the TUCS universe of public plans in 2008, in the 41st percentile for the latest 3-year period, and in the 42nd percentile of public plans for the last 5 years. The universe comparison is based on gross of fees performance to reflect an unbiased comparison due to investment management fees.

During the past twelve months, changes were made to the asset allocation of the System to help further diversify the investment program. At the beginning of the year, the small cap equity allocation was restructured. ClariVest was hired for a smid cap growth mandate. Ramius, a small cap value activist manager, was hired, as was AQR Capital, for a small cap core 130/30 strategy. Within the large cap equity allocation, the portfolio manager at Janus Capital Management retired, and Janus was replaced with the growth management team at Goldman Sachs. A hedge fund, the PIMCO Distressed Senior Credit Opportunity Fund, was chosen by the Board to take advantage of the high quality securities selling at distressed prices resulting from dislocations in the credit markets.

Police Officers Retirement System – Allocation of Market Exposures



Compounded Annual Rates of Return



INVESTMENTS BY CATEGORY AND INVESTMENT MANAGER
June 30, 2008

Asset Class / Manager	Investment Style		Total Assets	% of Total Net Assets
Domestic Equities				
PIMCO StocksPlus LP *	Enhanced S&P 500 Index	$	52,350,147	6.0%
Goldman Sachs Asset Mgt.	Large Cap Growth		58,626,688	6.8%
Pzena Investment Mgt.	Large Cap Value		37,968,151	4.4%
Clarivest Asset Mgt.	Small Cap Value		36,754,747	4.2%
AQR Capital Mgt.*	Small Cap Core		33,546,603	3.9%
Ramius Starboard*	Small Cap Value Activist		18,131,886	2.1%
Mariner Investment Group*	Enhanced S&P 500 Index		43,616,274	5.0%
FrontPoint Partners*	Enhanced S&P 500 Index		52,839,092	6.1%
International Equities				
Granthem Mayo*	Developed Markets Value		54,870,825	6.3%
McKinley Capital	Developed Markets Growth		54,196,933	6.2%
Acadian Asset Mgt.*	Developed Mkt. Small Cap		25,723,346	3.0%
Acadian Asset Mgt.*	Emerging Markets		26,209,338	3.0%
Fixed Income				
Dodge & Cox	Domestic Core Bonds		199,436,493	23.0%
Mellon Bank*	Lehman Brothers Aggregate Bond Index		40,487,663	4.7%
Trust Company of the West	Mortgage-Backed Securities		53,574,374	6.2%
Real Estate				
Cohen & Steers	Real Estate Investment Trusts		71,733,190	8.3%
Short-term				
Standish Mellon	Plan Level Cash Accounts		6,825,506	0.8%
Cash Held at County Treasurer	Operating Cash Account		547,919	0.1%
Net Assets		$	867,439,176	100.0%

* Pooled fund

Largest Holdings for Separately Managed (Non-Pooled) Accounts

Asset Class / Manager / Security	Market Value	% of Account
Domestic Equities		
Goldman Sachs Asset Mgt.		
Hess Corp.	$ 3,254,440	5.53%
Western Union Co.	$ 3,197,779	5.43%
Suncor Energy Inc.	$ 2,707,230	4.60%
Qualcomm Inc.	$ 2,543,288	4.32%
American Tower Corp.	$ 2,425,995	4.12%
Clarivest Asset Mgt.		
Denbury Resources Inc.	$ 1,051,200	2.87%
Sigma Aldrich Corp.	$ 770,198	2.10%
Stone Energy Corp.	$ 764,556	2.09%
Activision Inc.	$ 739,319	2.02%
Affiliated Computer Services Inc.	$ 732,813	2.00%
Pzena Investment Mgt.		
Alcatel Lucent	$ 1,883,556	4.94%
Citigroup Inc.	$ 1,629,910	4.28%
Allstate Corp.	$ 1,544,361	4.05%
Amgen Inc.	$ 1,509,120	3.96%
Capital One Financial Corp.	$ 1,395,917	3.66%
International Equities		
McKinley Capital Mgt.		
BHP Billiton	$ 1,820,366	3.34%
Nintendo Co.	$ 1,734,758	3.18%
Bayer AG	$ 1,639,094	3.00%
Nestle SA	$ 1,626,884	2.98%
E.ON AG	$ 1,475,938	2.71%
Real Estate Securities		
Cohen & Steers Capital Mgt.		
Simon Property Group Inc.	$ 5,297,757	7.41%
Public Storage Inc.	$ 4,198,010	5.87%
Boston Properties Inc.	$ 3,533,196	4.94%
Macerich Co.	$ 3,437,156	4.81%
Vornado Realty Trust	$ 3,207,864	4.48%

Largest Holdings for Separately Managed (Non-Pooled) Accounts
(continued)

Asset Class Manager Security	Market Value	% of Account
Core Fixed Income		
Dodge & Cox		
FNMA Mortgage Pool, 6.00%, 07/01/2035	$ 6,528,324	3.31%
FHLMC Pool, 6.500%, 10/01/2037	$ 6,414,910	3.25%
US Treasury Notes, 3.125%, 04/15/2009	$ 6,037,800	3.06%
US Treasury Notes, 4.125%, 08/15/2008	$ 4,689,493	2.38%
FHLMC Multiclass Mortage, 6.000%, 12/15/2035	$ 4,662,642	2.36%
TCW Asset Mgt.		
FNMA GTD REMIC P/T 03-14 MZ, 6.000%, 01/25/2024	$ 2,758,185	6.09%
FHLMC Multiclass Mortgage, 5.500%, 10/15/2032	$ 2,489,302	5.49%
Residential ACC 04-QS7 CL A-3, 5.500%, 05/25/2034	$ 2,489,303	5.49%
Structured Mortgage LN 06-3 4A, Variable Rate, 04/25/2036	$ 1,119,031	2.47%
FHLMC Multiclass Mortgage 2774 PO, 0.000%, 04/15/2034	$ 1,108,729	2.45%

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CHEIRON Classic Values, Innovative Advice

March 31, 2008

Fairfax County Police Officers
Retirement System
10680 Main Street, Suite 280
Fairfax, Virginia 22030-3812

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of the Fairfax County Police Officers Retirement System as of July 1, 2007. The results of the valuation are contained in this report.

Funding Objective

The funding objective of the System is to establish contribution rates which, over time, will remain level as a percent of payroll. In order to achieve a more stable contribution rate the County implemented a Corridor Funding Method on July 1, 2002 (based on the July 1, 2001 valuation results). Under this approach the contribution rate is based on the normal cost rate and expense rate on July 1, 2001, adjusted for subsequent plan changes, including a 15 year amortization of any UAL impact. This rate will otherwise remain at this level as long as the actuarial funded ratio remains within a corridor of 90% to 120%. This funding objective is currently being realized.

Assumptions

The actuarial assumptions used in performing the July 1, 2007 valuation were recommended by the actuary and adopted by the Board of Trustees based on our most recent review of the System's experience for the five year period ending June 30, 2005. The assumptions reflect our understanding of the likely future experience of the System and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from these assumptions, the true cost of the System could vary from our results.

The assumptions and methods used in performing this valuation meet the parameters set by Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans.

Reliance on Others

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. The census data provided was reviewed for reasonableness and for consistency with prior year's data.

8200 Greensboro Drive, Suite 1125, McLean, VA 22102 Tel: 877 CHEIRON (243.4766) Fax: 703.893.2006 www.cheiron.us

March 31, 2008
Fairfax County Police Officers Retirement System
Page 2

Supporting Schedules
We are responsible for all supporting schedules to be found in the Actuarial Section.

We are responsible for the 2004 through 2007 information in the Schedule of Funding Progress, Schedule of Employer Contributions and Notes to Trend Data shown in the Financial Section.

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

Although there is no formal procedure for making this comparison, we compared the least valuable rate under the Police Officers' System to the most valuable accrual rate under the VRS, making adjustments for the fact that employee contributions are required in excess of the VRS 5% rate. The employer provided accrual rates do exceed two-thirds of the employer provided accrual rates under the VRS plan.

I certify that, to the best of my knowledge and understanding, the Fairfax County Police Officers Retirement System satisfies the requirements of the Code of Virginia §51.1-800.

Certification
I, Fiona Liston, am a consulting actuary for Cheiron. I am also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that as a Member of the American Academy of Actuaries, I meet the Qualification Standards to render the opinions contained herein.

Sincerely,
Cheiron

Fiona E. Liston

Fiona E. Liston, FSA
Consulting Actuary

Summary of Valuation Results

Overview

This report presents the results of the July 1, 2007 actuarial valuation of the Fairfax County Police Officers Retirement System. The primary purposes of performing the annual actuarial valuation are to:

- Measure and disclose, as of the valuation date, the financial condition of the Plan;
- Indicate trends in the financial progress of the Plan;
- Determine the contribution rate to be paid by the County for Fiscal Year 2009;
- Provide specific information and documentation required by the Governmental Accounting Standards Board (GASB).

This section of the report presents a summary of the above information in the form of:

- The actuary's comments;
- The prior year's experience of the System's assets, liabilities, contributions, and membership;
- A series of graphs which highlight key trends experienced by the System; and
- A summary of all principal results from this year's valuation, compared to last year's, in a single table, intended for quick reference purposes.

General Comments

Fairfax County's annual contribution to this System is determined by using a Corridor Funding Method. Under this funding approach, the County's contribution rate is based on the normal cost rate plus expense rate determined as of the implementation date of the corridor method (July 1, 2001) 17.00% of payroll, plus an expense rate, currently 0.30% of payroll. This rate is adjusted for benefit and assumption changes, but otherwise will remain the same as long as the System's actuarial funded ratio remains within a corridor of 90% to 120%.

The County's contribution rate will change when benefits are increased or modified or assumptions are changed. The new rate will reflect the change in normal cost rate and the change in actuarial liability amortized over 15 years. Since the inception of the Corridor Funding Method the normal cost rate has increased by 0.93% and the UAL rate has increased by 3.22%, the specific changes are summarized in the table below:

	Impact on	
Changes Since 2001	**Normal Cost Rate**	**UAL Rate**
2002 ad-hoc COLA	N/A	+ 0.32%
2004 ad-hoc COLA	N/A	+ 0.48%
2005 Implementation of DROP	+ 0.18%	+ 0.16%
2005 ad-hoc COLA	N/A	+ 0.46%
2005 Assumption Changes	- 0.18%	+ 0.83%
2006 ad-hoc COLA	N/A	+ 0.45%
2007 ad-hoc COLA	N/A	+ 0.45%
2007 Remove 30 year service cap on benefits	+ 0.04%	+ 0.07%
2007 Change member contribution rate to 11%	+ 0.89%	NA
Total Increase	+ 0.93%	+ 3.22%

The basic Corridor Funding Contribution is currently 21.40% of payroll. The normal cost rate and actuarial accrued liability will continue to be measured using the entry age funding method. If the funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded status is within the corridor, the contribution rate will return to the normal cost rate plus expense rate, and any remaining amortization for benefit or assumption changes.

The valuation as of July 1, 2007 shows that the actuarial funded ratio (including a credit for the amortization piece of prior benefit increases) remains within the corridor and so there is no required increase in the rate at this time.

The calculated calculation rate for Governmental Accounting Standards Board (GASB) purposes is based on a rolling 15-year amortization of the actuarial unfunded liability.

Trends

The financial markets performed above expectation during the fiscal year ending in 2007, which produced an actuarial gain on the asset side of the System. The actual return on a market value basis was approximately 17.40%. On an actuarial value basis, the assets returned 11.38% compared with an assumed rate of return of 7.5%. The gain recognized for funding purposes was $30 million.

The System recently installed a new data collection software package which now provides more information to the valuation process. One element of this new data is the calculation of benefits for a group of terminated vested members. These are former members who left employment after working enough years to be vested and who did not take a refund of their member contributions. They remain eligible to receive either a refund of contributions or a deferred vested benefit when they reach normal retirement age. In previous valuations, this liability was included under the assumption that the former members would take a refund of contributions. While the liability figure has always been included, these former members were not included in the membership counts. Starting with this report, these former members are included as terminated vested members in both the liability and the membership counts. You will note an increase in counts in various places throughout the report for this reason. The addition of this liability produced a marginal increase in System liability.

An annual component of liability loss is the delayed recognition of new hires throughout the year. This does not contribute to an increase in the System's unfunded liability because both the member and the employer make contributions from the date of hire. However, when we look only at the liability side they are a component of the annual liability loss and this year they contributed $1 million to that number.

The valuation assumes a 3% cost-of-living adjustment will be awarded each year. Since the actual CPI-based COLA was 4% last year this created a liability loss of $5 million.

There is a $4 million liability loss component that is made up of various other causes such as salary increases in excess of those assumed, members terminating, dying or becoming disabled in a way contrary to the assumption and also data changes from previous years.

The Trustees voted to provide a 1% ad hoc COLA to retirees effective July 1, 2007. This increased liabilities by $5 million.

Finally, the County ordinance was changed this year to reduce the member contributions from 12% of pay to 11% and also to remove the 30 year restriction of benefit service. These changes combined to produce an increase in System liability of around $1 million.

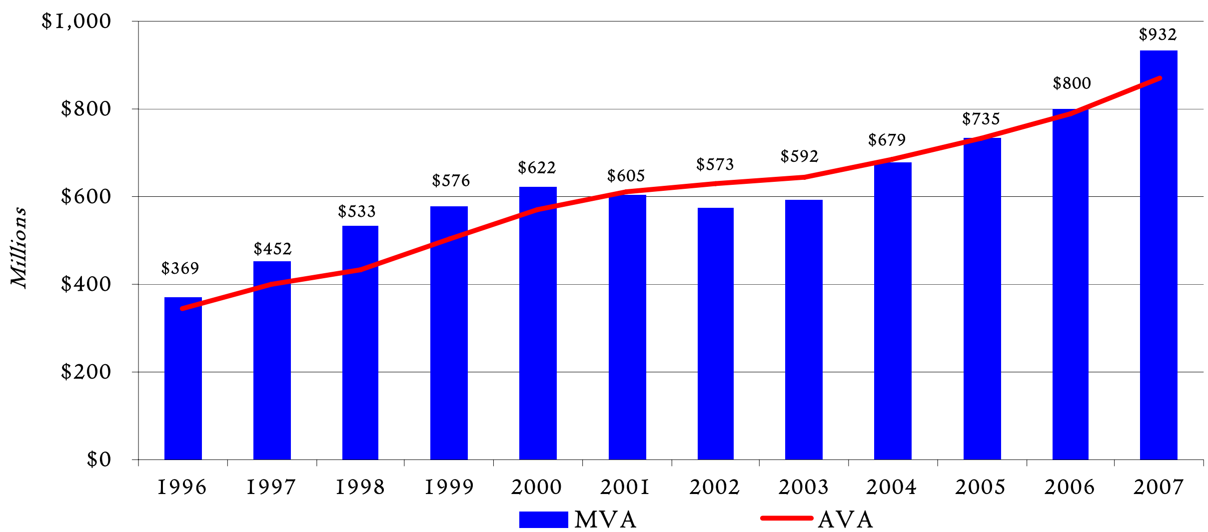
The combination of plan changes, liability and investment experience over the last year led to the System's funding ratio (actuarial value of assets over actuarial accrued liability) increasing from 87.9% at July 1, 2006 to 89.9% at July 1, 2007. For purposes of measuring whether the System remains within the funding corridor, an adjusted funding ratio is used. In this ratio there is an additional asset recognized in the amount of the unfunded actuarial liability (UAL) payments being made by the County to pay for benefit increases and assumption changes. On this basis, the System's actuarial funded ratio increased from 90.8% at July 1, 2006 to 93.3% at July 1, 2007.

It is important to take a step back from the latest results and view them in the context of the System's recent history. On the next several pages we present a series of charts which display key factors in the valuations over the last twelve years. After the historical review we present a few projection graphs, showing the possible condition of the System over the next 15 years under various market return scenarios.

The following is a key to the abbreviations used in the actuarial graphs:

PVAB – Present Value of accrued benefits
PSL – Past service liability
PVFB – Present value of future benefits
AAL – Accrued Actuarial Liability
MVA – Market value of assets
AVA – Actuarial value of assets
DROP – Deferred Retirement Option Program

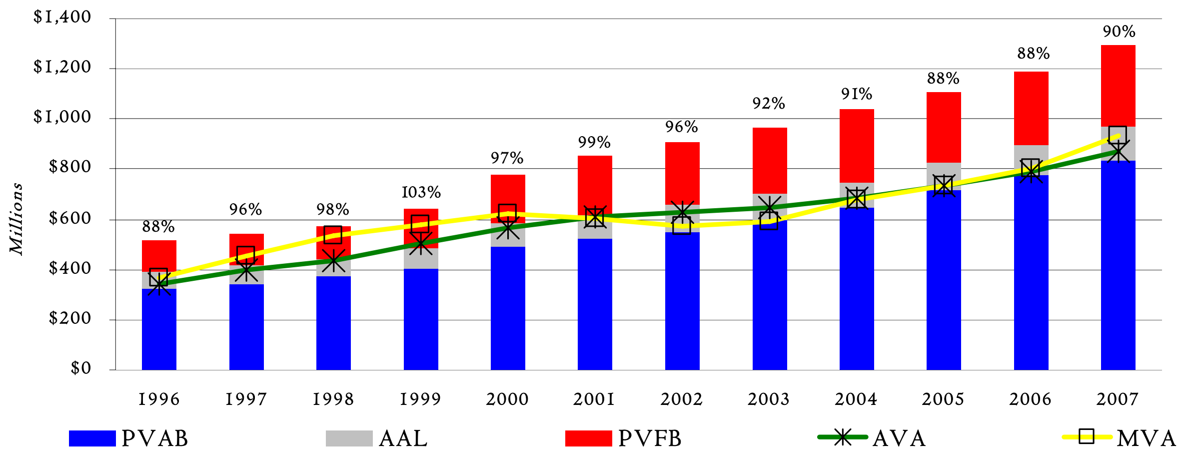
Growth of Assets



The positive growth in the market value of assets (MVA) continued this year with a return of over 17%. Due to the asset smoothing method in place, the actuarial value of assets (AVA) did not increase by as much as the market value, since a portion of this year's excess investment return is being held for future recognition.

Over the period July 1, 1996 to June 30, 2007 the System's assets returned approximately 9.0% per year measured at actuarial value, compared to a valuation assumption of 7.5% per year.

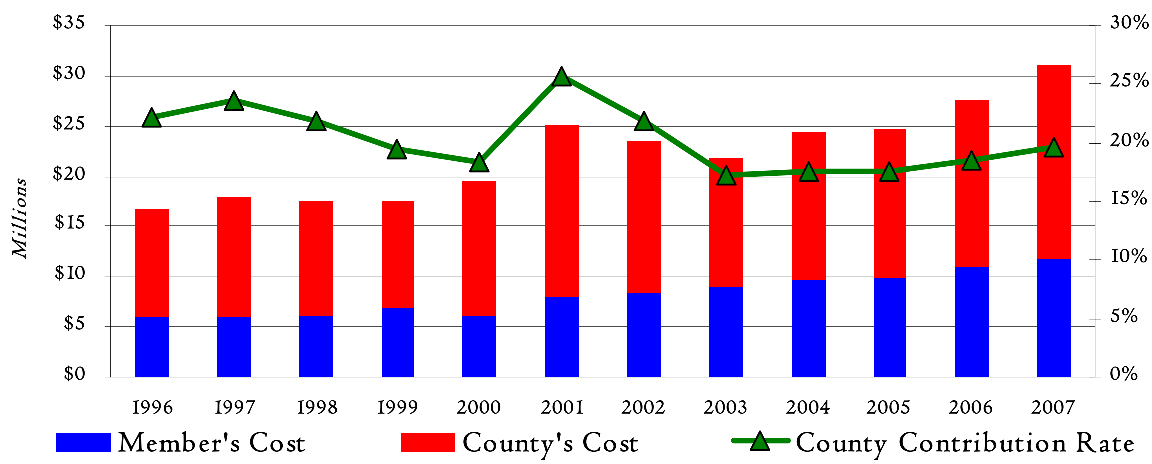
Assets and Liabilities



The three colored bars represent the three different measures of liability mentioned in this report. The amount represented by the top of the red bars, the Present Value of Future Benefits (PVFB), is the amount needed to provide all benefits for the current participants and their beneficiaries. If the System had assets equal to the PVFB no contributions would, in theory, be needed for the current members. For funding purposes, the target amount is represented by the top of the gray bar. We compare the actuarial value of assets to this measure of liability in developing the funded percent. These are the percentages shown in the graph labels.

As you can see, the System had its highest funded percentage (103%) at July 1, 1999, before a combination of benefit improvements and the three-year market slide at the start of the decade.

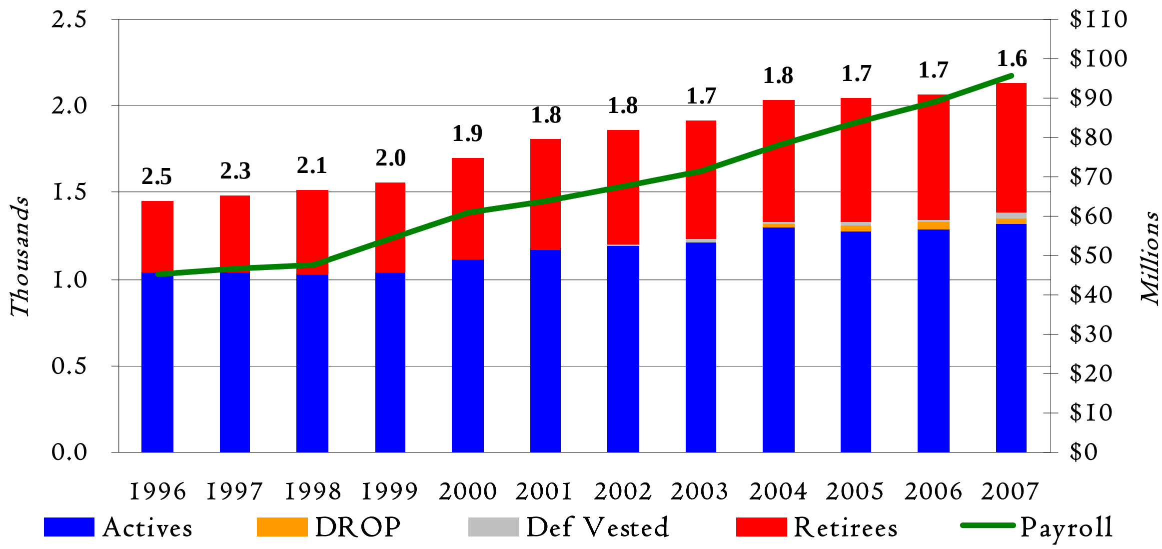
Contribution Rates



The stacked bars in this graph show the contributions made by both the County and the members (left hand scale). The green line shows the County contribution rate as a percent of payroll (right hand scale).

The member contribution rate is set by the County Ordinance. The County contribution rate is set by the actuarial process, as constrained by the Corridor Method. Note, there is a lag in the rate shown. For example, the 2007 value is the rate prepared by the 2005 valuation and implemented for the period July 1, 2006 to June 30, 2007.

Participant Trends



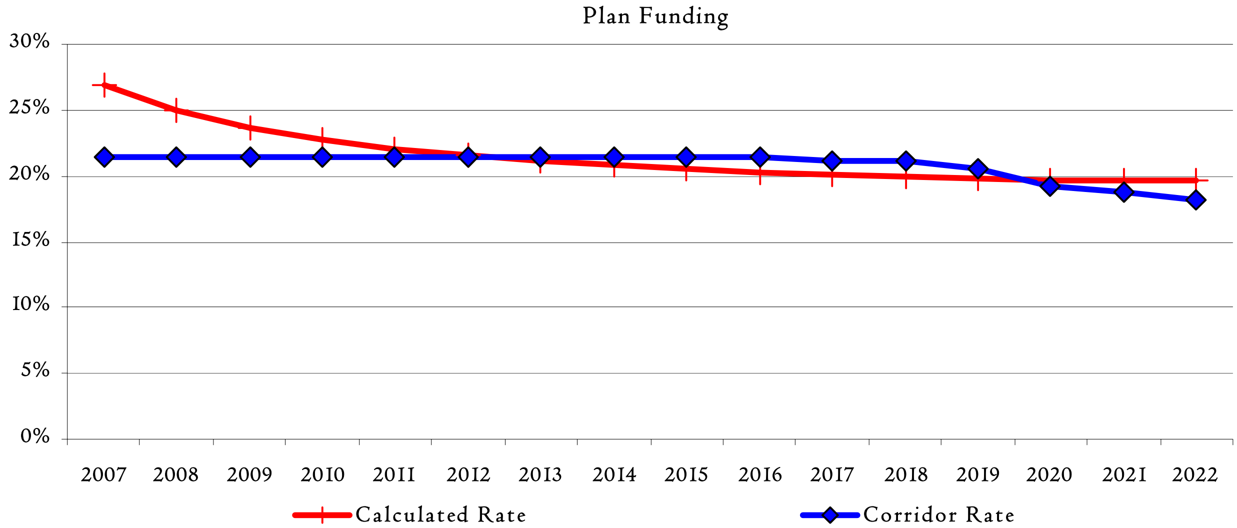
As with many funds in this country, there has been a steady growth in the number of retired members as the System has matured. The active-to-inactive ratio has decreased from 2.5 actives to each inactive in 1996 to 1.6 actives for each inactive today. While this would be an alarming trend in a pay-as-you-go system, the pool of invested assets has been established in anticipation of this development.

Starting in 2004, the chart also shows the number of DROP participants. Neither County nor member contributions are made on their behalf, which leads to a slightly lower growth in effective covered payroll for this System.

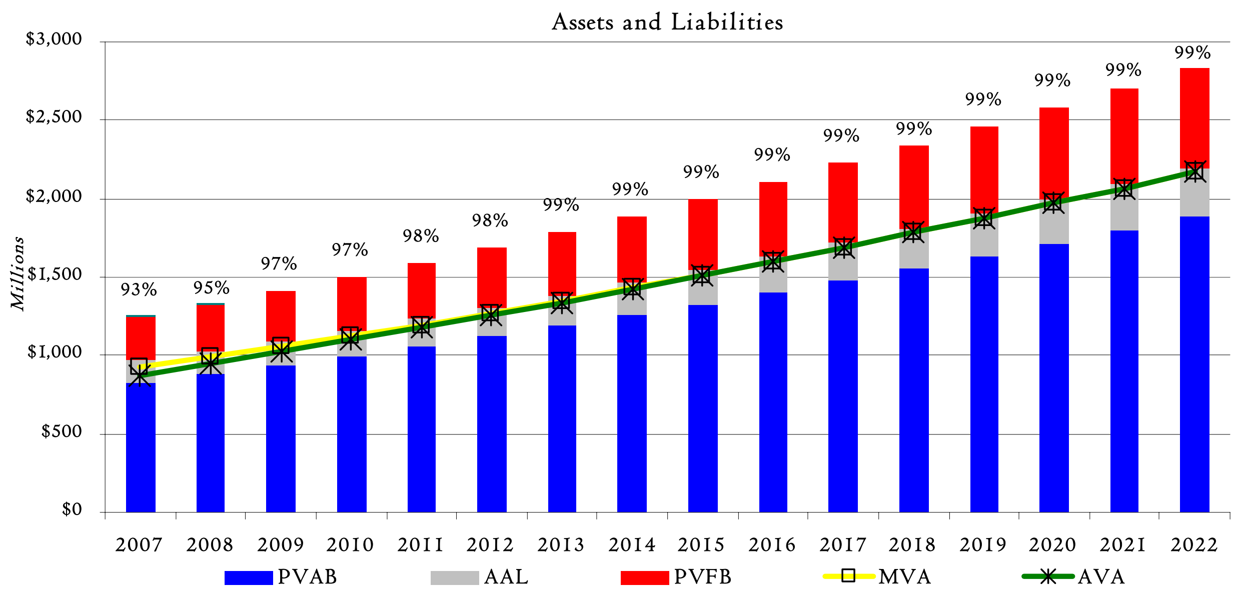
Future Outlook

Base Line Projections

The two graphs below show the expected progress of the Plan over the next 15 years assuming the System's assets earn 7.5% on their *market value*. The chart entitled "Plan Funding" shows the System rising through the corridor (if all other actuarial assumptions are met as well as the 7.5% interest rate). The decrease in corridor contributions towards the end of the period show plan change bases becoming fully amortized and dropping out. The red line shows the actuarially calculated rate if the corridor were not in place.

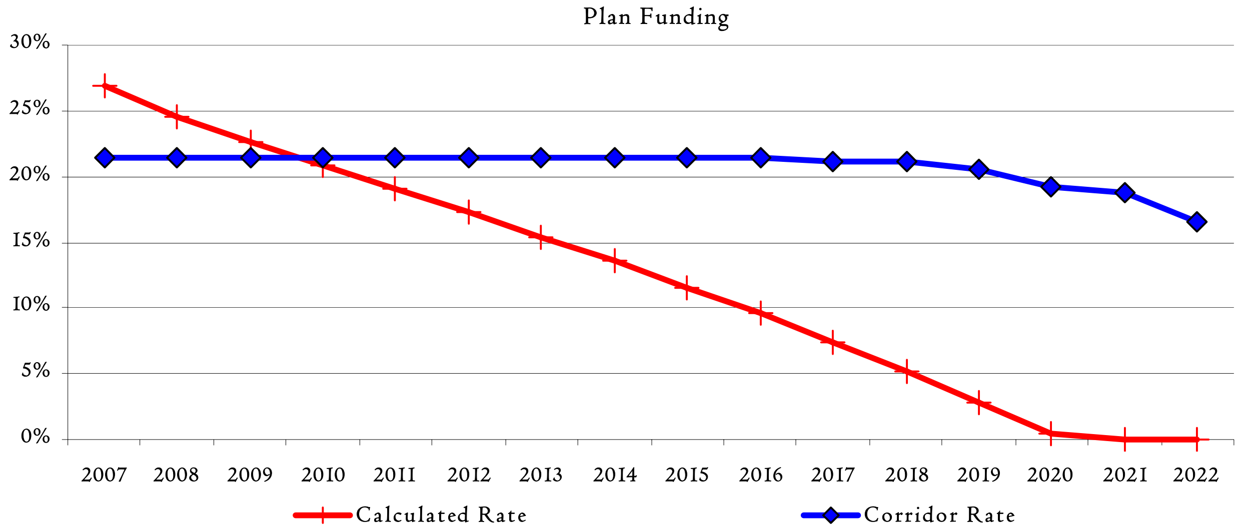


The "Assets and Liabilities" graph shows the projected funding status over the next decade. Note that the 2007 funded level differs from that shown in the historical graphs because the ratio used here reflects the corridor method. The System's funded status is projected to increase from the current level of 93% to around 99%.

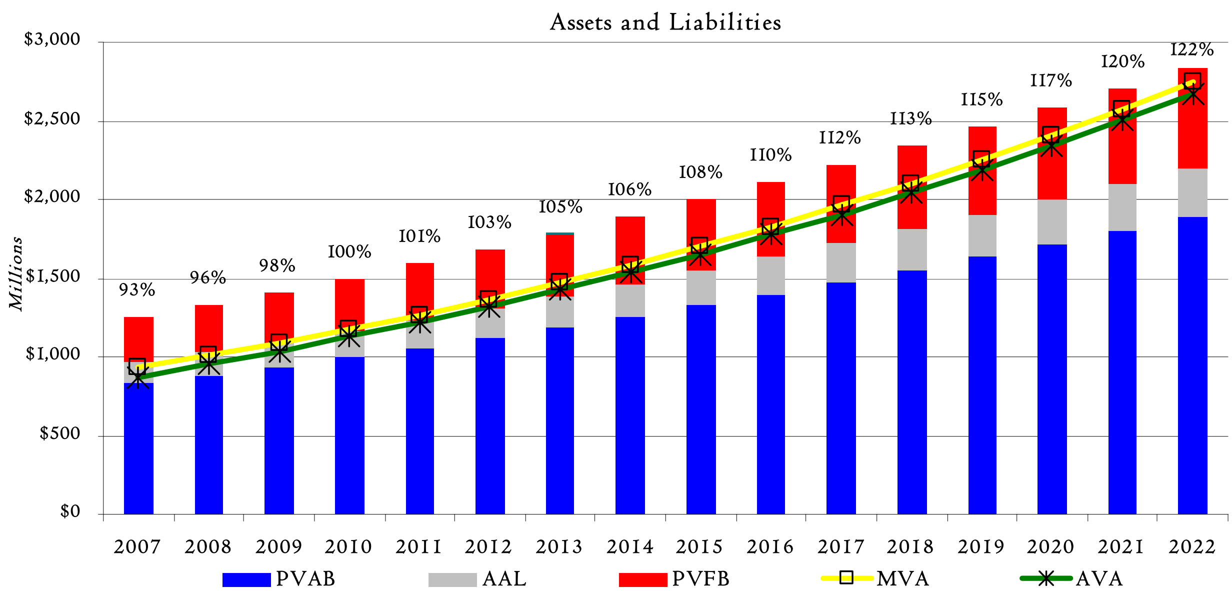


Projections With Asset Returns of 9.0%

The future funding status of this System will be largely driven by the investment earnings. Due to the size of assets, as compared to liabilities, the System is in a highly leveraged position. This means that relatively minor changes in the market returns can have significant effects on the System's status. The next two charts show what the coming decade would look like with a 9.0% annual return in each year.

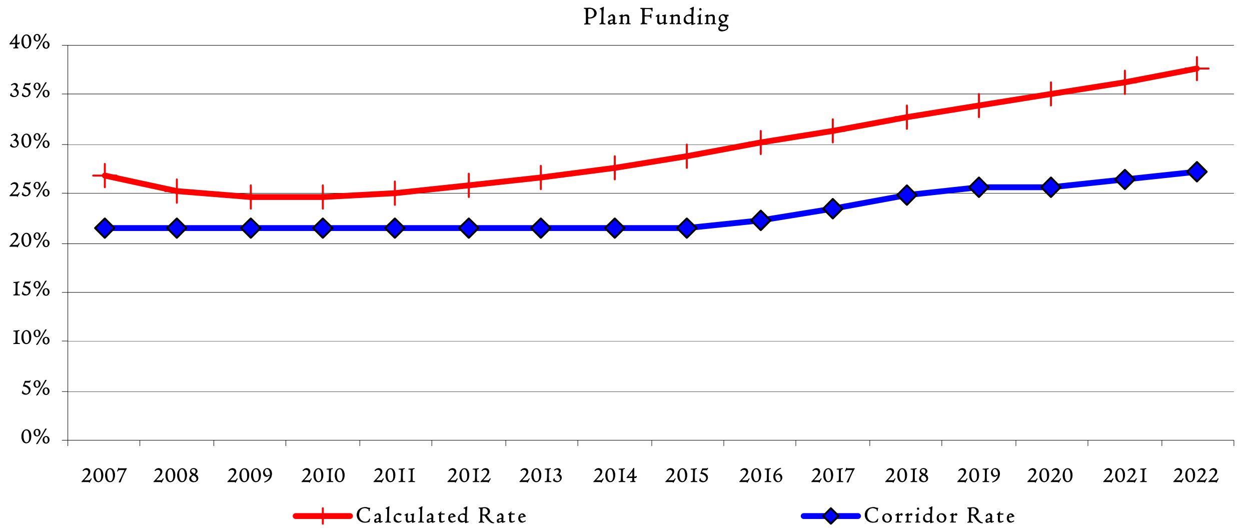


As you can see, the corridor contribution rate would remain adequate until 2022 and the System would return to its fully funded position. The reduction in contribution rate shown in years 2017 on has to do with 15 year amortization bases dropping out of the calculation.

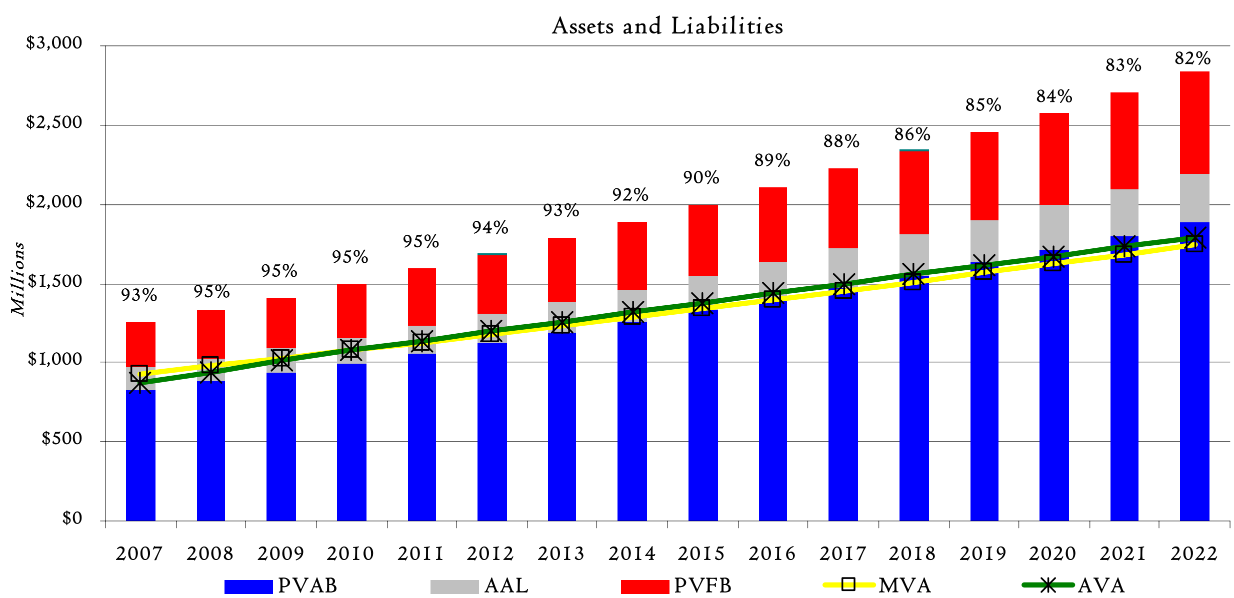


Projections With Asset Returns of 6.0%

To further demonstrate how the future funding of this System will be driven by investment earnings, we show below the anticipated plan funding projections if the invested assets earn 6.0% per year over the entire 15 year period. Under this scenario, both the corridor contribution required of the County and the calculated rate used in GASB disclosures would increase.



The projection shows a deterioration of the System's funded status from the current 93% down to 82% by the end of the period.



Fairfax County Police Officers Retirement System Summary of Principal Plan Results			
Valuation as of:	**7/1/2006**	**7/1/2007**	**% Change**
Participant Counts			
Actives (excluding DROP)	1,291	1,319	2.2%
DROP	38	38	0.0%
Terminated Vesteds	16	29	81.3%
In Pay Status	727	743	2.2%
Total	2,072	2,129	2.8%
Annual Salaries of Active Members	$ 89,061,574	$ 95,903,695	7.7%
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 32,711,241	$ 36,900,567	12.8%
Assets and Liabilities			
Actuarial Accrued Liability	$ 897,478,184	$ 968,735,369	7.9%
Assets for Valuation Purposes	788,765,775	870,974,612	10.4%
Unfunded Actuarial Liability	$ 108,712,409	97,760,757	-10.1%
Funding Ratio	87.89%	89.91%	
Present Value of Accrued Benefits	$ 778,674,711	$ 831,210,366	6.7%
Market Value of Assets	800,424,526	931,927,210	16.4%
Unfunded FASB Accrued Liability (not less than $0)	$ 0	$ 0	
Accrued Benefit Funding Ratio	102.8%	112.1%	
Contributions as a Percentage of Payroll	**Fiscal Year 2008**	**Fiscal Year 2009**	
GASB Method:			
Normal Cost Contribution	17.00%	17.93%	
Unfunded Actuarial Liability Contribution	10.31%	8.61%	
Administrative Expense	0.30%	0.30%	
Total Contribution	27.61%	26.84%	
Corridor Method:			
Normal Cost Contribution	17.00%	17.93%	
Increase Due to Amortized Changes	2.70%	3.22%	
Amortization of Amount Outside Corridor	0.00%	0.00%	
Administrative Expense	0.30%	0.30%	
Corridor Method	20.00%	21.45%	

Summary of Actuarial Assumptions and Methods

Funding Method

The funding method used for GASB disclosure purposes is the "aggregate accrual modification of the entry age normal cost method." Under this method, the employer contribution has three components – the normal cost, the payment toward the unfunded actuarial liability, and the expense rate.

The normal cost is a level percent of pay cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The level percent developed is called the normal cost rate and the product of that rate and payroll is the normal cost.

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

Actuarial Value of Assets

For purposes of determining the County contribution to the Plan, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

In determining the actuarial value of assets, we calculate an expected actuarial value based on cash flow for the year and imputed returns at the actuarial assumption. This expected value is compared to the market value and one-third of the difference is added to the preliminary actuarial value to arrive at the final actuarial value.

The expense rate is added to cover the System's administrative expenses.

The County contributions are calculated using the same basic actuarial method (EAN). However, in order to produce a more level contribution rate, the System has adopted a Corridor Funding Method.

Under the Corridor Funding Method, the County's total contribution rate is equal to the normal cost rate, plus rate changes due to assumption changes or amendments passed since June 30, 2001 plus the expense rate as long as the System's actuarial funded status remains within a corridor of 90% to 120%. If the funded status falls outside the corridor, a credit (if above 120%) or charge (if below 90%) will be established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded status is within the corridor, the contribution rate will return to normal cost rate, plus post-2001 changes, plus expense rate.

Changes Since Last Valuation

There have been no changes since the last valuation to the Funding Method or Actuarial Value of Assets.

Long Term Assumptions Used to Determine System Costs and Liabilities

Demographic Assumptions

Mortality

1994 Uninsured Pensioners Mortality Table
Annual Deaths Per 1,000 Members*

Age	Male Deaths	Female Deaths	Age	Male Deaths	Female Deaths
20	1	0	65	16	9
25	1	0	70	26	15
30	1	0	75	40	24
35	1	1	80	67	42
40	1	1	85	105	73
45	2	1	90	164	125
50	3	2	95	251	200
55	5	2	100	341	297
60	9	5	105	441	415

* 20% of deaths are assumed to be service-connected.

Annual Deaths per
1,000 Disabled Members
1994 Uninsured Pensioners
Mortality Table +5

Age	Male	Female
40	2	1
45	3	2
50	5	2
55	9	5
60	16	9
65	26	15
70	40	24
75	67	42
80	105	73

Termination of Employment: (Prior to Normal Retirement Eligibility)

Annual Terminations Per 1,000 Members

Years of Service	**Terminations**
0	80
1	60
2	40
3	40
4	40
5	50
6	35
7 or more	15

It is assumed that members who terminated before normal or early retirement age elect to receive a refund of contributions instead of vested benefits.

Disability

Annual Disabilities per 1,000 Members*

Age	Male and Female
20	2
25	2
30	2
35	2
40	2
45	4
50	6
55	6
60	6

* 70% of disabilities are assumed to be service-connected. Of these, 100% are assumed to receive Workers Compensation benefits.

Retirement

Years of Service	Probability of Retirement* Hired pre-7/1/81	Hired post-7/1/81
20	25%	N/A
21	25%	N/A
22	25%	N/A
23	25%	N/A
24	25%	N/A
25	25%	25%
26	35%	35%
27	45%	45%
28	55%	55%
29	70%	70%
30	85%	85%

* 50% are assumed to take DROP.

Merit/Seniority Salary Increase (in addition to across-the-board increase)

Years of Service	Merit/Seniority Increase*
0	8.0%
5	5.0%
10	1.5%
15	1.0%
20	1.0%
25	1.0%
30	1.0%

* Spikes of 8.0% at 14 years of service and 6.7% at 19 years of service.

Family Composition

For purposes of valuing the pre-retirement death benefit, an assumption concerning how many employees are married is needed. The assumption used in this valuation is that 80% of active employees are married at death and that the female spouse is 5 years younger than the male spouse. In addition, each married employee is assumed to have two children, 22 and 24 years younger than the employee.

Sick Leave Credit

Active members are assumed to receive an additional 3.5% for both service credit and average final compensation due to unused sick leave.

Economic Assumptions

Investment Return: 7.50% compounded per annum.

Rate of General Wage Increase: 4.00% compounded per annum.

Rate of Increase in Cost-of-Living: 4.00% compounded per annum.
(Benefit increases limited to 4% per year. We will use an assumption that post-retirement cost-of-living increases will be 3% per year.)

Total Payroll Increase (For amortization): 4.00% compounded per annum.

Administrative Expenses: 0.30% of payroll.

Changes Since Last Valuation

There have been no changes since the last valuation.

Analysis of Financial Experience

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

Type of Activity	2004	2005	2006	2007
Investment Income	$ (3,173,508)	$ 1,255,233	$ 5,829,376	$ 30,476,299
Combined Liability Experience	6,811,657	(16,909,876)	(9,007,438)	(9,438,877)
Gain (or Loss) During Year from Financial Experience	3,638,149	(15,654,643)	(3,178,062)	21,037,422
Non-Recurring Items	(5,916,282)	(12,861,015)	(4,472,878)	(5,904,299)
Composite Gain (or Loss) During Year	$ (2,278,133)	$(28,515,658)	$ (7,650,940)	$ 15,133,123

Schedule of Retirees and Beneficiaries
Added-To and Removed-From Rolls

Year Ended June 30	Added to Rolls No.	Added to Rolls Annual Allowance	Removed From Rolls No.	Removed From Rolls Annual Allowance	On Rolls @ Yr. End No.	On Rolls @ Yr. End Annual Allowance	% Increase Allowance	Average Allowance
2001	60	$ 2,993,514	12	$ 296,497	634	$ 23,395,638	13.03%	$ 36,902
2002	34	1,870,218	10	274,297	658	24,991,559	6.82%	37,981
2003	34	2,303,608	9	181,377	683	27,113,790	8.49%	39,698
2004	26	1,714,726	11	251,466	698	28,577,050	5.40%	40,941
2005	27	2,472,428	10	296,737	715	30,752,740	7.61%	43,011
2006	19	2,180,765	7	222,265	727	32,711,241	6.37%	44,995
2007	60	5,223,988	44	1,034,662	743	36,900,567	12.81%	49,664

Solvency Test
Aggregate Accrued Liability For:

Valuation Date July 1,	(1) Active Member Contributions	(2) Retirees Vested Terms, Beneficiaries & DROP	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities by Reported Assets (1)	(2)	(3)
2002	$ 62,004,264	$ 380,114,653	$ 214,496,324	$ 628,383,173	100%	100%	87%
2003	66,312,754	406,321,385	231,342,959	644,404,891	100%	100%	74%
2004	70,693,277	441,029,277	237,621,713	685,494,589	100%	100%	73%
2005	76,108,950	477,539,874	275,053,501	732,581,566	100%	100%	65%
2006	81,953,700	514,169,426	301,355,058	788,765,775	100%	100%	64%
2007	87,002,993	573,084,866	308,647,510	870,974,612	100%	100%	68%

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Schedule of Additions by Source

Fiscal Year	Plan Member Contributions	Employer Contributions	Employer Contributions % of Covered Payroll	Net Investment Income (loss)	Total Additions
2002	$ 8,335,903	$ 15,077,920	21.79%	$ (30,661,679)	$ (7,247,856)
2003	8,941,529	12,923,806	17.30%	23,248,712	45,114,047
2004	9,689,253	14,682,201	17.62%	91,176,999	115,548,453
2005	9,930,883	14,901,070	17.96%	61,323,112	86,155,065
2006	10,899,659	16,727,287	18.44%	69,755,418	97,382,364
2007	11,796,129	19,222,753	19.55%	138,659,208	169,678,090
2008	11,175,450	21,447,907	21.00%	(55,802,375)	(23,179,018)

Schedule of Deductions by Type

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses	Total Deductions
2002	$ 24,024,119	$ 599,127	$ 199,138	$ 24,822,384
2003	25,803,466	525,574	210,934	26,539,974
2004	27,682,363	350,894	258,352	28,291,609
2005	29,242,384	739,440	228,780	30,210,604
2006	31,302,806	528,718	218,347	32,049,871
2007	37,310,748	435,566	429,093	38,175,407
2008	39,533,485	607,913	445,751	40,587,149

Schedule of Benefit Payments by Type

Fiscal Year Ended June 30	Annuity	Service-Connected Disability	Ordinary Disability	Survivor	Total
2002	$ 21,668,153	$ 995,832	$ 150,434	$ 1,209,700	$ 24,024,119
2003	23,352,203	995,254	154,408	1,301,601	25,803,466
2004	24,982,292	1,110,494	159,948	1,429,629	27,682,363
2005	26,542,408	1,043,212	164,651	1,492,113	29,242,384
2006	28,426,759	1,134,848	144,476	1,596,723	31,302,806
2007	34,077,659	1,194,359	124,092	1,914,638	37,310,748
2008	36,099,484	1,228,039	94,230	2,111,932	39,533,685

Schedule of Retired Members by Benefit Type

Fiscal Year Ended June 30	Annuity	Service-Connected Disability	Ordinary Disability	Survivor	Total
2002	545	33	9	70	657
2003	569	33	9	72	683
2004	582	32	9	75	698
2005	597	32	9	77	715
2006	608	32	8	79	727
2007	618	32	7	88	745
2008	661	30	6	91	788

Schedule of Average Monthly Benefit Amounts

Fiscal Year Ended June 30	Annuity	Service-Connected Disability	Ordinary Disability	Survivor	Average
2002	$ 3,456	$ 2,449	$ 1,430	$ 1,482	$ 3,167
2003	3,602	2,617	1,482	1,561	3,311
2004	3,713	2,699	1,525	1,609	3,412
2005	3,895	2,908	1,599	1,691	3,584
2006	4,063	3,111	1,467	1,825	3,750
2007	4,511	3,266	1,401	2,013	4,139
2008	4,752	3,453	1,256	2,208	4,381

A Fairfax County, Va., publication

Fairfax County Police Officers Retirement System

COMPREHENSIVE ANNUAL FINANCIAL REPORT