Comprehensive Annual Financial Report 2011

Uniformed

RETIREMENT SYSTEM

For the Fiscal Year Ended June 30, 2011

A Pension Trust Fund of Fairfax County, Virginia

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October 24, 2011

Dear Members of the Board of Trustees:

I am pleased to submit to you the annual report of the Fairfax County Uniformed Retirement System (System) for the fiscal year ended June 30, 2011 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 Management's Discussion and Analysis provides further detail to the financial statements.

History

The Fairfax County Uniformed Retirement System was established on July 1, 1974, as a public employee retirement system providing defined benefit pension plan coverage for uniformed or sworn employees of the Fire and Rescue Department, helicopter pilots, the Sheriff's Department, the animal control division and certain park police officers. In 2005 membership was extended to employees in non-administrative positions of the Department of Public Safety Communications, formerly included in the Fairfax County Employees' Retirement System.

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

During fiscal year 2011, the economy continued its gradual recovery from deep recession. Despite continued high unemployment rates and the slow rate of recovery, the capital markets provided strong returns for the twelve month period despite a significant decline in the final two months. The System's portfolio achieved outstanding results, both in absolute and relative terms. The rate of return on investments was 24.7% (24.2%, after fees and expenses), well ahead of the long term target return of 7.5%. This return also was well above the median public fund return of 21.3% and placed in the 11th percentile of the BNYMellon universe of public funds.

Additional details on the markets and the System's investments are provided in the Investment Section.

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 U. S. generally accepted accounting principles.

Investment Policies and Strategies

The Board of Trustees has adopted a 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 from staff to ensure compliance with its stated objectives and policy. Staff also monitors the performance of the System and its investment managers and updates the Board on a monthly basis throughout the year. 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 in safekeeping, on the system's behalf, by BNY Mellon Asset Servicing as agent. The BNY 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.

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, 2010, indicated that the ratio of assets accumulated by the System to total actuarial accrued liabilities for benefits showed a decline from 79.5% to 76.7%. The actuarial section contains further information on the results of the July 1, 2010, valuation.

Based on the July 1, 2010, actuarial valuation, the employer contribution rate for 2012 following the adopted corridor-based funding policy was 32.99%, an increase of 2.43% over the 2010 rate of 30.56%. This increase in the rate is required to amortize the increase in unfunded liability from FY 2010 actuarial experience. During establishment of the FY 2012 County budget, the Board of Supervisors adopted a contribution rate of 33.81% to increase the rate of amortization of the unfunded liability.

Major Initiatives

During FY 2011, our plan actuary conducted a five-year actuarial experience study. This study analyzed our actual experience compared to the financial and demographic assumptions that underlie the calculation of plan liabilities and determine ongoing funding requirements. As a result of the study, the actuary and the Board confirmed that the assumption of a 7.5% rate of investment return continued to be sound. Both the assumed rate of inflation and rate of retiree cost-of-living increases were lowered. The most significant revision to the demographic assumptions was the adoption of a new mortality table. The new assumptions will be used in completing the actuarial valuation of July 1, 2011, which will be the basis of the FY 2013 employer contribution rate.

Plan modifications adopted during the year included the elimination of the sunset provision for the Deferred Retirement Option Program, a reduction in the social security offset to service-connected disability benefits, the redefinition of the financial threshold for consideration of any future additional "ad hoc" retiree cost-of-living increases and minor modifications to plan language to clarify terms required to maintain IRS qualified status.

We improved our records storage and retrieval capabilities by converting all participant-level paper files to electronic format, making them available real time along with the Pension Gold administration system.

The Board of Trustees adopted a revised strategic investment allocation to further diversify risk by increasing exposure to real assets and alternative investments.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Fairfax County Uniformed Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet the Certificate of

Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate

Other Information

Independent Audit and Actuarial Certifications

KPMG LLP performs a yearly audit of the financial statements of the plan to ensure compliance with government accounting, auditing and financial reporting standards. Additionally, Cheiron performs an annual actuarial valuation to assess the plan's ability to meet future obligations. The independent auditors' report and certification from the actuary are included in this report.

Acknowledgements

The annual report of the Uniformed Retirement System was prepared by the System's staff under the leadership of the Board of Trustees. I would like to thank the entire organization that has worked hard throughout the year to provide 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Fairfax County

Uniformed Retirement System

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

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Executive Director

Board of Trustees

Administrative Organization

Administrative Staff

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Executive Director

Jeffrey A. Willison
Investment Manager

Laurnz A. Swartz
Chief Investment Officer

John P. Sahm
Retirement Administrator

Professional Services

Actuary
CHEIRON
Actuaries
McLean, VA

Auditor
KPMG LLP
Certified Public Accountants
Washington, DC

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Acadian Asset Management, LLC
Boston, MA

Advisory Research, Inc.
Chicago, IL

Artha Capital Management, Inc.
Stamford, CT

Artio Global Investors
New York, NY

Ashmore Investment Management Ltd.
New York, NY

BlackRock
San Francisco, CA

BlueCrest Capital Management, LLP
New York, NY

BNY Mellon Cash Investment Strategies
Pittsburgh, PA

Brandywine Global Investment Management, LLC
Philadelphia, PA

Bridgewater Associates, Inc
Westport, CT

Cohen & Steers Capital Management, Inc.
New York, NY

Dorset Energy Fund Ltd.
Hamilton, Bermuda

DoubleLine Capital, L.P.
Los Angeles, CA

FrontPoint Partners, LLC
Greenwich, CT

Investment Managers
(continued)

Gramercy Advisors, LLC
Greenwich, CT

Harbourvest Partners, LLC
Boston, MA

JP Morgan Investment Management, Inc.
New York, NY

King Street Capital Management, L.P.
New York, NY

Marathon Asset Management, LLP
London, UK

NCM Capital
Durham, NC

OrbiMed Healthcare Fund Management
New York, NY

Pantheon Ventures, Inc.
San Francisco, CA

PIMCO
Newport Beach, CA

Ramius, LLC
New York, NY

UBS Realty Investors, LLC
Hartford, CT

Victory Capital Management
Cleveland, OH

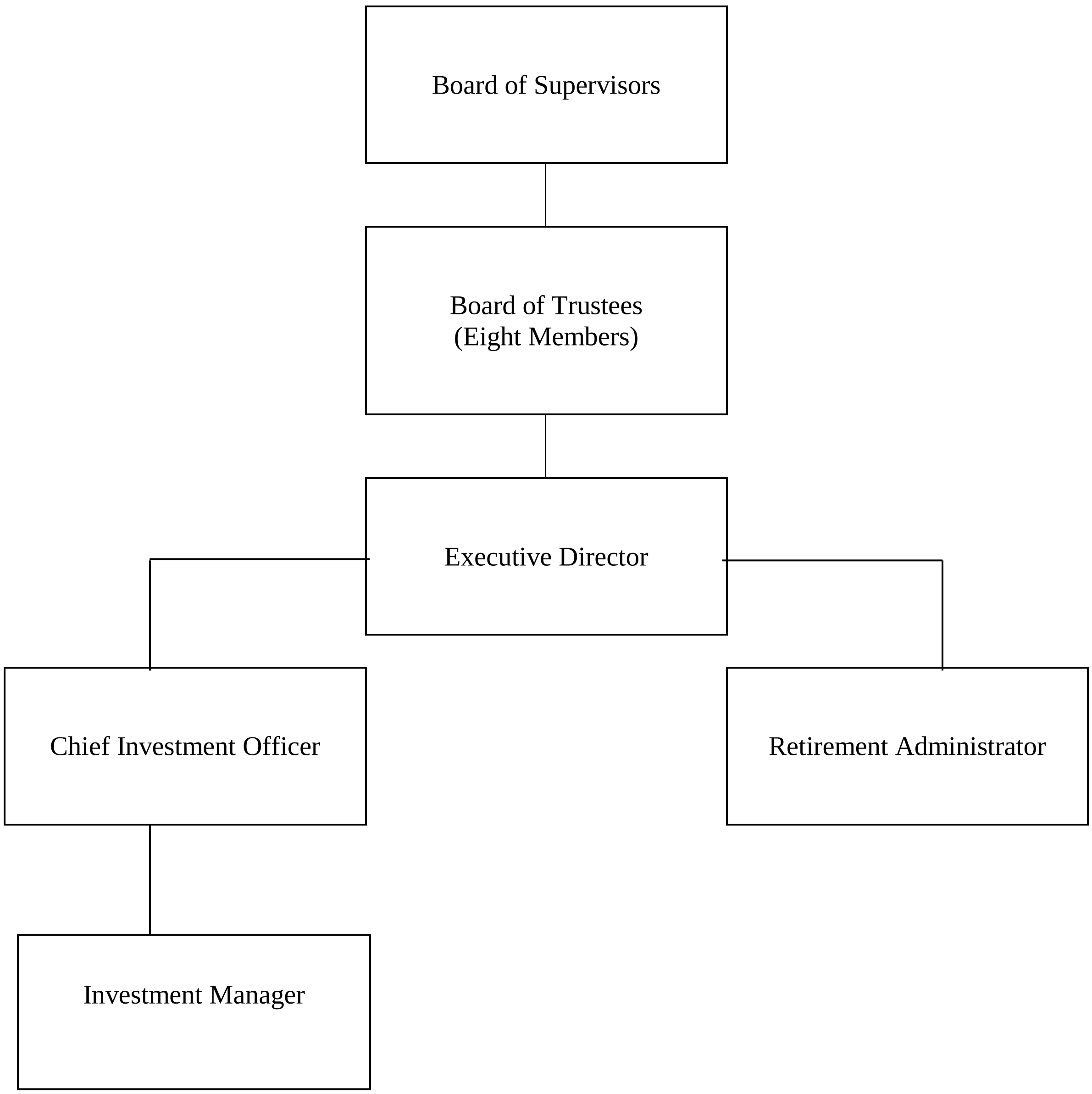
Investment Consultant

NEPC
Cambridge, MA

Custodian Bank

BNY Mellon Asset Servicing
Pittsburgh, PA

Organization Chart



Summary of Plan Provisions

Membership in the Fairfax County Uniformed Retirement System includes most uniformed or sworn employees of the Fire and Rescue Department, the Sheriff's Department, the Animal Control Division, the Department of Public Safety Communications, helicopter pilots and former park police officers who elected to remain in the System rather than transfer to the Police Officers Retirement System. The System consists of four Plans, Plan A, Plan B, Plan C and Plan D, which have different employee contribution rates and different benefits. Most members, including all those hired after April 1, 1997, are enrolled in Plan D.

The general provisions of the Uniformed Retirement System follow:

All Plans

Normal Retirement:
Normal retirement is either age 55 with at least 6 years of service or any age with 25 years of service.

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

Early Retirement:
A member is eligible for early retirement upon attaining 20 years of service. Reduction factors are applied to the basic formula.

Deferred Vested Retirement:
Deferred vested retirement is available for vested members who leave their contributions in the System when they terminate. Vesting occurs at 5 years of creditable service. At age 55, these members are entitled to their normal retirement benefit based on County service.

Service-Connected Disability Retirement:
Service-connected disability retirement is available for members, regardless of length of service, who become disabled as a result of a job-related illness or injury. The benefit is 40% of final compensation less workers' compensation and 30% of the Social Security disability benefit. The benefit for members retired on a severe service-connected disability is calculated at 90% of salary at the time of retirement less the workers' compensation benefit and 30% of any Social Security benefit.

Ordinary Disability Retirement:
Ordinary 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.

Summary of Plan Provisions
(continued)

Death Benefits:
If death occurs prior to retirement: If the member is vested and the spouse is the listed beneficiary, the spouse may elect to receive 50% of the normal retirement benefit earned as of the date of the member's death. If the 50% of normal retirement benefit is not payable, a refund of the member's contribution plus interest will be paid to the named beneficiary or member's estate.

If death occurs after retirement : Refunds of any of the member's contributions and interest not already paid out in benefits will be paid to the named beneficiary(ies) unless the member elected the irrevocable Joint and Last Survivor Option which provides a benefit to the member's spouse for life. At retirement, the member may choose to have his or her spouse receive 50%, 66⅔%, 75% or 100% of the member's reduced annuity upon the member's death. 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 death is service-connected: A $10,000 lump-sum payment is made to the beneficiary if the member's death is due to a job-related illness or injury.

Normal Retirement Benefit:

Plans A and B – 2.0% of average final compensation (AFC) (highest consecutive three years) multiplied by the number of years of creditable service. The benefit is then increased by 3%.

A **supplemental benefit** is payable up to age 62. The amount of the supplemental benefit is based on the primary Social Security benefit the member would have been entitled to if the member were 65 on the date of retirement. For members hired on or after July 1, 1976, this basic amount is equal to a percentage of the Social Security benefit. That percentage is determined by dividing the member's creditable service by 25. The exact amount of this benefit also depends on the member's age and Plan (see below). The benefit is then increased by 3%.

> **Plan A Pre-62 Supplemental Benefit** – If the member is less than age 55, no supplemental benefit is payable. From age 55 to 62, the full basic amount of the supplement is payable. After age 62, the benefit payable is any excess of the full basic amount which exceeds the member's actual earliest Social Security benefit payable.
>
> **Plan B Pre-62 Supplemental Benefit** – If the member is less than age 55, one-half of the basic amount of the supplemental benefit is payable. From age 55 to 62, the full basic amount of the supplement is payable. After age 62, the benefit payable is any excess of the full basic amount which exceeds the member's actual earliest Social Security benefit payable.

In addition, a **Pre-Social Security Supplement** is payable to members of Plans A & B until the first month after the member attains the age of eligibility for unreduced Social Security retirement benefits. The amount of the Pre-Social Security Supplement is 0.2% of AFC multiplied by the number of years of creditable service, increased by 3%.

Summary of Plan Provisions
(continued)

Plans C and D – 2.5% of average final compensation (highest consecutive three years) multiplied by the number of years of creditable service. The benefit is then increased by 3%. No Pre-62 Supplemental Benefits are payable under Plans C or D.

In addition, a **Pre-Social Security Supplement** is payable to members of Plans C & D until the first month after the member attains the age of eligibility for unreduced Social Security retirement benefits. The amount of the Pre-Social Security Supplement is 0.3% of AFC multiplied by the number of years of creditable service, increased by 3%.

Cost of Living Benefit:
Annual cost-of-living adjustments (COLAs) are provided to retirees and beneficiaries equal to the lesser of 4% or the percentage increase in the Consumer Price Index for the Metropolitan Statistical Area that includes Fairfax County. Members of Plan A and C receive COLA increases beginning at age 55. Members of Plan B and D receive COLAs beginning at retirement. COLAs are not applied to the Pre-Social Security Supplements.

Benefit Limits:
Benefits are 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 amounts in excess of the Section 415 limit.

Contribution Rates:

Members:

Plan A: 4% of base salary up to the maximum Social Security wage base plus 5.75% of base salary over the wage base.

Plan B: 7.08% of base salary up to the maximum Social Security wage base plus 8.83% of base salary over the wage base.

Plan C: 4% of creditable compensation.

Plan D: 7.08% of creditable compensation.

Employer: The rate for Fiscal Year 2011 was 30.56% of covered payroll for all Plans.

Note: Detailed provisions may be found in the Employee Handbook
http://www.fairfaxcounty.gov/retirement/active_uniformed/publications.htm

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

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia:

The Board of Trustees
of the Fairfax County Uniformed Retirement System

We have audited the Statement of Plan Net Assets of the Fairfax County Uniformed Retirement System (the System), a pension trust fund of the County of Fairfax, Virginia as of June 30, 2011, and the related Statements 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 basic 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 basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the Plan Net Assets of the System as of June 30, 2011, and the changes in Plan Net Assets for the year then ended in conformity with U.S. generally accepted accounting principles.

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. The 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

October 21, 2011

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Fairfax County Uniformed Retirement System's ("System" or "plan") financial performance and provides an overview of the financial activities for the fiscal year ended June 30, 2011. 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 and Statement of Changes in Plan Net Assets as of June 30, 2011. 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, employer contributions and administrative expenses. The Required Supplementary Information and related notes are immediately following the Notes to Financial Statements.

Financial Analysis

Summary of Plan Net Assets. For fiscal year 2011, the assets of the Uniformed Retirement System increased 23.1% resulting in a total net asset value of $1.220 billion, reflecting an increase of $229.3 million over fiscal year 2010. The growth in assets was primarily due to investment gains of $238.0 million and $56.3 million in contributions offset by benefit payment and refund deductions of $64.7 million and administrative expenses of $.04 million.

The actuarial value of the assets as of the last valuation on June 30, 2010, was $1.095 billion while actuarial liabilities as of the same period were $1.428 billion. This resulted in a funded ratio of 76.7%.

The Plan's investments are exposed to various risks including interest rate, market and credit risks. These risks may be influenced by changes in economic conditions and market conditions. Therefore, it is reasonable to assume that there will be changes in the values of the investments held in trust which could materially affect the amounts reported in the financial statements. Detailed information on investment results are in the Investment Section of this report.

The following table details the Uniformed System's fund balances for the current and prior fiscal years:

Fiscal Year	Ending Balances (millions)	Net Change in Dollars (millions)	Net Change in Percent
2010	$991.1	$123.9	14.3
2011	$1,220.4	$229.3	23.1

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	**2011**	**2010**	**Difference**
Total cash and investments	$1,288,842,711	$1,057,187,697	$231,655,014
Total receivables	70,331,508	38,996,329	31,335,179
Total assets	1,359,174,219	1,096,184,026	262,990,193
Total liabilities	138,762,246	105,111,486	33,650,760
Net assets held in trust for pension benefits	**$1,220,411,973**	**$991,072,540**	**$229,339,433**

Summary of Additions and Deductions

Additions	**2011**	**2010**	**Difference**
Contributions			
Employer	$45,817,015	$40,771,184	$5,045,831
Plan Members	10,521,525	11,094,505	(572,980)
Total investment income	238,039,247	131,320,268	106,718,979
Total Additions	294,377,787	183,185,957	111,191,830
Deductions			
Benefit payments	63,822,794	58,356,915	5,465,879
Refunds	853,906	597,955	255,951
Administrative expense	361,654	345,766	15,888
Total deductions	65,038,354	59,300,636	5,737,718
Net increase/(decrease)	**$229,339,433**	**$123,885,321**	**$105,454,112**

Statements of Plan Net Assets

as of June 30, 2011

Assets		
Cash and short-term investments		
Equity in County's pooled cash and temporary investments	$1,790,395	
Cash collateral received for securities on loan	61,616,816	
Short-term investments	84,982,194	
Total cash and short-term investments		$148,389,405
Receivables		
Accounts receivable	3,893,157	
Accrued interest and dividends	2,862,107	
Securities sold	63,576,244	
Total receivables		70,331,508
Investments, at fair value		
Common and preferred stock	311,316,984	
Fixed income		
Asset-backed securities	87,139,099	
Corporate and other bonds	101,929,951	
U.S. Government obligations	10,736,033	
Pooled and mutual funds	629,331,239	
Total investments		1,140,453,306
Total assets		1,359,174,219
Liabilities		
Purchase of investments	75,074,695	
Cash collateral received for securities on loan	61,616,816	
Accounts payable and accrued expenses	2,070,735	
Total liabilities		138,762,246
Net assets held in trust for pension benefits		**$1,220,411,973**

See accompanying notes to financial statements.

Statement of Changes in Plan Net Assets

For the Year Ended June 30, 2011

Additions		
Contributions		
Employer	$45,817,015	
Plan members	10,521,525	
Total contributions		$56,338,540
Investment income from investment activities		
Net appreciation in fair value of investments	217,259,066	
Interest	17,368,092	
Dividends	8,453,082	
Total investment income	243,080,240	
Investment activity expense		
Management fees	(4,809,223)	
Custodial fees	(104,000)	
Consulting fees	(174,752)	
Allocated administration expense	(159,823)	
Total investment expense	(5,247,798)	
Net income from investment activities		237,832,442
From securities lending activities		
Securities lending income	210,475	
Securities lending expenses		
Borrower rebates	74,592	
Management fees	(78,262)	
Total securities lending activities expense	(3,670)	
Net income from securities lending activities		206,805
Total net investment income		238,039,247
Total additions		294,377,787
Deductions		
Annuity benefits	55,344,665	
Disability benefits	7,830,745	
Survivor benefits	647,384	
Refunds of employee contributions	853,906	
Administrative expense	361,654	
Total deductions		65,038,354
Net increase/(decrease)		229,339,433
Net assets held in trust for pension benefits		
Beginning of fiscal year		991,072,540
End of fiscal year		**$1,220,411,973**

See accompanying notes to financial statements.

Notes to the Financial Statements

For the year ended June 30, 2011

The Fairfax County Uniformed Retirement "System" is a single-employer defined benefit pension plan considered part of the County of Fairfax, Virginia's ("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 basic 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. 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. The market values of private investments and direct real estate are lagged by one quarter due to the timing of receipt of private market valuations and information.

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, 2011, 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.

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.

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

Membership. At July 1, 2010, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and beneficiaries receiving benefits	1,021
Terminated plan members entitled to but not yet receiving benefits	34
DROP participants	108
Active plan members	1,887
Total	**3,050**

Plan Description. The system is a single-employer defined benefit pension plan. The plan covers uniformed employees including non-clerical employees of the Fire and Rescue Department, Office of the Sheriff, helicopter pilots, public safety communications personnel, animal wardens and game wardens who are not covered by other plans of the County or the Virginia Retirement System. 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) attain the age of 55 with six years of service, or (b) complete 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). In lieu of continuing to earn service credit, DROP members accrue a lump sum benefit payable at retirement. Participating members continue working up to an additional three years after eligibility for normal retirement. To be eligible for early retirement, the employee must have 20 years of service. The benefit for early retirement is actuarially reduced and payable at early retirement.

Annual cost-of-living adjustments are provided to retirees and beneficiaries equal to the lesser of 4.0% or the percentage increase in the Consumer Price Index for the Washington Consolidated Metropolitan Statistical Area.

Contributions. The contribution requirements of the System's members are established and may be amended by County ordinances. Plan A members were given the opportunity to join Plan B as of July 1, 1981, and to enroll in Plan C as of April 1, 1997. From July 1, 1981, until March 31, 1997, all new hires were enrolled in plan B. Plan B members were given the opportunity to enroll in Plan D as of April 1, 1997. From April 1, 1997, forward, all new hires are enrolled in Plan D. Plan A requires member contributions of 4.0 percent up to the Social Security wage base and 5.75 percent of compensation in excess of the wage base. Plan B requires member contributions of 7.08 percent of compensation up to the Social Security wage base and 8.83 percent of compensation in excess of the wage base. Plan C requires member contributions of 4.0 percent of compensation. Plan D requires contributions of 7.08 percent of compensation. The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2011, was determined actuarially to be 29.78% of annual covered payroll. The decision was made to commit additional funding and a rate of 30.56% was adopted for fiscal year 2011.

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

Plan's Funded Status Information. The actuarial valuation performed as of July 1, 2010, showed the System's funded status at 76.7%, a decrease of 2.8% from the July 1, 2009, funded percentage of 79.5%. 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.

Actuarial Validation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Percent of Covered Payroll
	(a)	**(b)**	**(b-a)**	**(a/b)**	**(c)**	**((b-a)/c)**
7/1/2010	$1,095,079,616	$1,427,616,710	$332,537,094	76.70%	$146,776,955	226.56%

The required schedule of funding progress, which presents multi-year trend information, is reported immediately following the Notes to the Financial Statements.

Actuarial Methods and Assumptions Information.

Valuation date	July 1, 2010
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 *	5.0-12.0%
* 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 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, 2010, in accordance with the GASB methodology resulted in a contribution rate of 38.72% for fiscal 2012, which is an increase of 3.23% over the fiscal 2011 rate of 35.49%. 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 a rate of 32.99% for fiscal year 2012. The decision was made to commit additional funding for fiscal year 2012 and a rate of 33.81% was adopted, an increase of 3.25% over the fiscal year 2011 adopted rate of 30.56%.

C. Investments

The authority to establish the System is set forth in Section 51.1-800 *Code of Virginia* (Code). Section 51.1-803 of the Code 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.* While the System is not subject to the provisions of the Employee Retirement Income Security Act (ERISA), the Board of Trustees endeavors to comply with the spirit of ERISA to the extent that it does not conflict with the Code of Virginia.

The System has adopted a Statement of Investment Objectives and Policies whose general investment philosophy is to maintain a well-diversified, high-quality investment program that can meet the long-term needs of the members of the System. The Board of Trustees believes that the retention of experienced money management professionals with proven investment disciplines is the best means of attaining the System's investment goals and that the investment program should be sufficiently flexible to adapt to changes in the financial markets. Investment decisions for these assets are made by the Board of Trustees or investment managers selected by the Board. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. Each individual investment portfolio is managed by an investment management firm selected by the Board. Each investment portfolio has a specific benchmark and investment guidelines. The interest rate risk for the fixed income accounts is controlled by limiting the credit quality of the securities held and the duration of the portfolio against the duration of the benchmark. While the overall investment guidelines do not specifically address concentration of credit risk, managers have specific quality and concentration limits appropriate for the type of mandate they are managing and that fit within the total risk tolerance of the fund. 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 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.

The System's fixed income portfolio shall be, on average, comprised of high-quality issues and limits are imposed on investment manager's 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, 2011, were as follows:

Type of Investment	Fair Value	Ratings	Percent of Fixed
U. S. Government Obligations	$10,736,033	AAA	5.4%
Corporate & Other Bonds	21,725,695	AAA	10.8%
	8,561,343	AA	4.3%
	33,852,652	A	16.9%
	14,040,156	BBB	7.1%
	2,065,016	BB	1.0%
	2,528,361	B	1.3%
	357,252	CCC	0.2%
	428,674	CC	0.2%
	18,370,802	Unrated	9.2%
Asset-backed Securities	63,835,053	AAA	31.9%
	2,035,902	AA	1.0%
	3,014,761	A	1.5%
	1,027,993	BBB	0.5%
	30,392	BB	0.1%
	3,471,188	B	1.7%
	5,970,917	CCC	3.0%
	3,856,588	CC	1.9%
	3,363,914	D	1.7%
	532,391	Unrated	0.3%
Total Fixed Income	**$199,805,083**	AA	100.0%
Short-term Investments	$6,656,793	AAA	
	78,325,401	Unrated	
Total Short-term Investments	**$84,982,194**		

As of June 30, 2011, the fixed income portfolio exhibited an overall credit quality rating of "AA", and 11.1% of the portfolio was invested in below-investment-grade securities.

The Barclays Capital Aggregate Bond Index (BCAG) is the standard benchmark against which the industry and the System's Board measures its 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 BCAG 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, 2011, follows:

Investment Type	Fair Value	Option - Adjusted Durations (yrs)	Percentage of Fixed
U.S. Government Obligations	$10,736,033	15.4	5.4%
Corporate and Other Bonds	101,929,951	5.4	51.0%
Asset-Backed Investments	87,139,099	6.1	43.6%
Total Fixed Income	**$199,805,083**	6.3	100.0%
Short-Term Investments	**$84,982,194**	0.1	

As of June 30, 2010, the System's overall fixed income portfolio duration was 6.3 years compared with 5.2 years duration of the BCAG.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The System's investments at June 30, 2011, held in currencies other than U.S. dollars were as follows:

International Securities	Short-term Investments & Other	Equity	Convertible and Fixed Income	Total
Euro Currency Unit	$12,618	$44,789,080	$1,147,062	$45,948,760
Japanese Yen	25,909	44,113,547	---	44,139,456
British Pound Sterling	14,509	35,627,807	6,378,281	42,020,597
Australian Dollar	436	10,968,403	7,401,315	18,370,154
Swiss Franc	---	8,348,531	---	8,348,531
Norwegian Krone	---	3,542,255	3,143,330	6,685,585
Canadian Dollar	6,372	1,488,331	5,064,530	6,559,233
Hong Kong Dollar	14,872	5,230,642	---	5,245,514
Swedish Krone	---	5,136,923	---	5,136,923
Other Currencies	61,383	12,786,870	26,385,174	39,233,427
Total International	**$136,099**	**$172,032,389**	**$49,519,692**	**$221,688,180**

Derivative Financial Instruments. In accordance with the Board's investment policies, the System may invest in derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities to manage exposure to certain risks within the fund. The System also enters into derivative transactions to gain exposure to currencies and markets where derivatives are the most cost-effective instrument. During fiscal 2011, the System invested directly in various derivatives including asset-backed securities, collateralized mortgage obligations, exchange-traded futures contracts, forward currency contracts, options, swaps, and floating rate securities. Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. These investments generally contain market risk resulting from fluctuations in interest and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Board's investment policy seeks to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. In addition, the System has indirect exposure to market and credit risk through its ownership interests in certain commingled funds which may use, hold or write derivative financial instruments.

As of June 30, 2011, the System held no derivative financial instruments with off-balance-sheet risk. Gains and losses on derivative securities are determined based upon fair values and recorded in the Statement of Changes in Plan Net Assets.

Securities Lending. The 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 102.0% and international securities of 105.0%. 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, 2011.

Securities Lent	**Underlying Securities**	**Cash Collateral Investment Value**	**Securities Collateral Investment Value**
Lent for cash collateral:			
US Government securities	$2,892,426	$2,952,900	---
Corporate and other bonds	17,397,637	17,841,117	---
Common and Preferred stock	39,018,450	40,822,799	---
Lent of securities collateral:			
Corporate and other bonds	38,411	---	$45,508
Common and Preferred stock	17,109,493	---	18,861,117
Total	**$76,456,417**	**$61,616,816**	**$18,906,625**

The System did not impose any restrictions during fiscal 2011 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 exceeded 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, 2011, had a weighted-average maturity of 1 day.

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

Ten-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

Date	Actuarial Value of Assets (in thousands) (a)	Actuarial Accrued Liability (in thousands) (b)	Unfunded Liability (in thousands) (b-a)	Funded Ratio (in thousands) (a/b)	Covered Payroll (in thousands) (c)	Unfunded % of Covered Payroll (in thousands) ((b-a)/c)
7/1/2001	$666,599	$651,840	($14,759)	102.26%	$93,577	(15.77)%
7/1/2002	687,093	720,996	33,903	95.30%	99,200	34.18%
7/1/2003	715,797	795,342	79,545	90.00%	100,749	78.95%
7/1/2004	767,657	881,015	113,358	87.13%	102,960	110.10%
7/1/2005	830,702	974,106	143,404	85.28%	109,067	131.48%
7/1/2006	921,414	1,102,669	181,255	83.56%	127,467	142.20%
7/1/2007	1,028,385	1,206,624	178,239	85.23%	136,487	130.59%
7/1/2008	1,097,994	1,285,694	187,700	85.40%	142,724	131.51%
7/1/2009	1,074,230	1,351,204	276,974	79.50%	147,083	188.31%
7/1/2010	1,095,080	1,427,617	332,537	76.71%	146,777	226.56%

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
2002	16,834,283	112%
2003	21,548,814	107%
2004	25,186,003	99%
2005	32,320,929	84%
2006	38,629,304	83%
2007	43,009,853	85%
2008	46,849,354	83%
2009	47,247,396	86%
2010	47,289,026	86%
2011	53,208,307	87%

Additional Supplementary Information

Schedule of Administrative Expenses as of June 30, 2011

Personnel services		
Salaries and wages	$173,573	
Fringe benefits	61,205	
Total personnel services		$234,778
Professional services		
Actuarial	24,266	
Audit	5,449	
Total professional services		29,715
Communications		
Phone charges	2,234	
Printing, binding and copying	2,999	
Postage	6,910	
Total communications		12,143
Supplies		
Office supplies	1,527	
Dues and subscriptions	337	
Total supplies		1,864
Other services and charges		
Board and staff travel and development	7,747	
Insurance	6,245	
Building rent	22,391	
Computer Systems	44,603	
Other operating	2,168	
Total other services and charges		83,154
Total Administrative Expenses		**$361,654**

Capital Markets and Economic Conditions

Fiscal Year 2011 Economic Environment

During fiscal year 2011 global equity markets continued the recovery process that began in March of 2009 and continued through fiscal year 2010. Market sentiment and macroeconomic events played key roles as drivers of global markets throughout the fiscal year. Support from governments and central banks continued for much of the fiscal year until the last quarter which saw a relenting of quantitative easing by the Federal Reserve and fiscal austerity measures across Europe being implemented in an attempt to rein in public debt. During the first ten months of 2011, "risk on" was the watchword, as investors flocked to riskier assets which included domestic and international stocks, commodities, private equities, and real estate. Consumption was restrained by two persistent and difficult areas: the weak housing markets in most of the country and the nation's stubborn unemployment and under-employment troubles. The large amounts of fiscal stimulus took shape in the forms of abundant government spending, public sector assumption of certain private debts, and various forms of tax relief. The accommodative monetary policy was most prominently evidenced in the Fed's zero–interest-rate policy and second round of quantitative easing (QE2).

With governments globally set to support financial markets and low returns to be earned by "risk-free" assets, investors felt emboldened to bid up "risky" assets. The broad domestic equity market, as measured by the S&P 500 Index, continued its strong recovery from fiscal year 2009, producing a +30.7% return for fiscal year 2011. The domestic bond market, as measured by the Barclays Aggregate Bond Index, returned +3.9% in fiscal year 2011, representing a drop from the previous two years of +6.1% in 2009 and +9.5% in 2010. The global equity market, as measured by the MSCI All Country World Index (net), returned +30.1% in fiscal year 2011 compared to +11.8% in fiscal year 2010. Commodities soared over 25% while various indices of the real estate and private equity asset classes gained approximately 15% and 20%, respectively.

A pronounced retracement occurred during the May-June period to end the fiscal year. Investors demonstrated concern over troubles in the U.S. that echoed similar difficulties in Japan, England and many of the peripheral Eurozone countries such as Greece, Portugal, and Italy. The combination of slowing economic growth, rising oil and food prices, bulging fiscal deficits, and excessive levels of government debt contributed to multiple fears. These included fears of sovereign government defaults, a double-dip recession, and economic problems spiraling out of control. "Risk off" then became the watchword as investors began a retreat from risky assets for the safety of cash. Further compounding investor sentiment was an inability of Congress to reach a deal on the U.S. debt ceiling, which remained unresolved as of June 30, 2011.

Equity Markets

U.S. Equities continued the momentum from a solid fiscal year 2010 to post higher returns across the board in fiscal year 2011, with each category producing returns above 25%. Similar to 2010, Large-cap stocks underperformed in 2011 relative to Small-cap stocks with the S&P 500 Index up 30.7% versus the Russell 2000 Index up 37.4%. However, unlike 2010, growth stocks outperformed value stocks considerably in 2011, with the Russell 1000 Growth Index up 35.0% versus the Russell 1000 Value Index return of 28.9% and the Russell 2000 Growth Index up 43.5% versus the Russell 2000 Value Index gain of 31.4%.

International developed market equities as measured by the MSCI EAFE (net) Index, a broad index of the international developed market equities, returned +30.4% for the year ended June 30,

2011. Emerging markets equities, as measured by the MSCI EM Index returned +27.8%. The JPM EMBI Global Diversified Index, a key barometer for emerging market debt, returned +11.7% for the year. The Citigroup World Government Bond Index also posted strong returns at +10.5%.

Real Estate Markets

Publicly-traded Real Estate Investment Trusts (REITs) returned +34.1% for the fiscal year ended June 2011 compared to +53.9% in 2010. Privately-held real estate investment partnerships, as measured by the largely commercial property NCREIF Index, rebounded to earn +16.0% in fiscal 2011 compared to -9.6% in 2010.

Fixed Income Markets

For the fiscal year, U.S. Fixed Income returns were positive but performance lagged compared to fiscal year 2010 partly due to strong equity markets. The Barclays Aggregate Bond Index returned +3.9%, while High-Yield bonds were the best performers returning +15.6% for the one-year period ended June 30, 2011. U.S. Treasury bonds finished the fiscal year on a strong note with a gain of +2.3% as macro-economic concerns caused investors to seek safety in U.S. Treasuries.

Uniformed System

The Uniformed 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.

For fiscal 2011, investments provided a return of 24.7%, gross of fees (24.2%, net of fees). The System's annualized rates of return, gross of fees, were 5.1% (4.6%, net of fees) over the last three years and 6.1%, (5.7%, net of fees), over the last five years. These System returns ranked in the 11th percentile of The Bank of New York Mellon universe of public plans in 2011, in the 29th percentile for the latest 3-year period, and in the 14th percentile of public plans for the last 5 years.

During the past twelve months there were a few changes made to the manager lineup of the System. The System terminated Acadian Long/Short Absolute Return Fund and added the Artha Capital Emerging Markets Fund, BlueCrest Capital BlueTrend Fund and Gramercy Master Fund to increase the allocation in alternative investments and provide expanded diversification to the investment program.

Investments by Category and Investment Manager

June 30, 2011

Asset Class / **Manager**	**Investment Style**	**Total Assets**	**% of Total Net Assets**
Domestic Equities			
BGI Alpha Tilts Fund *	Enhanced S&P 500 Index	$84,254,172	6.9%
Bridgewater Associates*	Enhanced S&P 500 Index	70,120,049	5.8%
FrontPoint Partners*	Enhanced S&P 500 Index	40,178,927	3.3%
NCM Capital	Mid Cap Growth	52,152,135	4.3%
Advisory Research	Small/Mid Cap Value	57,455,485	4.7%
International Equities			
Marathon Asset Management - London	Developed Markets	122,863,074	10.1%
Artio Global Investors*	Developed Markets	46,245,349	3.8%
Victory Capital	Developed Markets Small Cap	40,551,516	3.3%
Acadian Asset Management*	Emerging Markets	67,201,472	5.5%
Fixed Income			
Pacific Investment Management Co. (PIMCO)	Total Return Core Bonds	87,099,007	7.1%
Pacific Investment Management Co. (PIMCO)*	Distressed Senior Credit	24,549,113	2.0%
Brandywine Asset Management	Global Bonds	71,895,308	5.9%
DoubleLine Capital	Mortgage-Backed Securities	65,050,653	5.3%
Ashmore Investment Management	Emerging Markets Debt	37,868,612	3.2%
King Street Capital*	High Yield Bonds	66,080,000	5.4%
Real Estate			
UBS Realty*	Direct Real Estate	43,426,179	3.6%
Cohen & Steers Capital Management	Global Real Estate Securities	35,714,410	2.9%
Alternative Investments			
Dorset Asset Management*	Long/Short Absolute Return Fund	31,782,093	2.6%
Orbimed Advisors*	Long/Short Absolute Return Fund	28,537,564	2.4%
BlueCrest Capital Management*	Global Macro Absolute Return Fund	32,775,735	2.7%
Artha Capital Management*	Emerging Markets Fund	19,743,797	1.6%
Gramercy*	Emerging Markets Multi-Strategy	24,851,730	2.0%
Ramius Value and Opportunity*	Small Cap Value Activist	27,282,502	2.2%
Pantheon Private Equity*	Private Equity	9,845,096	0.8%
J.P. Morgan Private Equity*	Private Equity	11,637,241	1.0%
HarbourVest Private Equity*	Private Equity	13,704,385	1.1%
Short-term			
BNY Mellon Cash Investment Strategies	Plan Level Cash Accounts	3,933,325	0.4%
Cash Held at County Treasurer	Operating Cash Account	1,790,395	0.1%
Net Assets		**$1,218,589,324**	**100.0%**

* Pooled fund

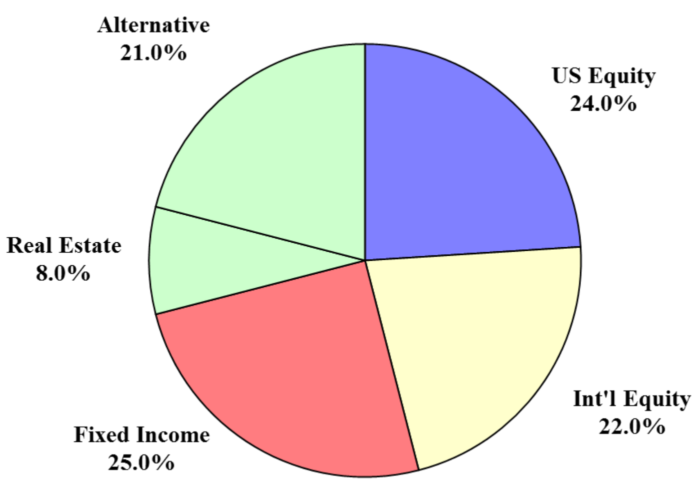
Uniformed Retirement System – Allocation of Market Exposures

Target Asset Allocation

The asset structure shown below represents the Trustees' assessment of their optimal asset allocation as of June 30, 2011. The target asset allocation provides a reasonable expectation that the System's investment objectives can be achieved based on historical relationships of asset class performance.

The pie chart below details the target asset mix, consistent with the achievement of the long-term objectives of the System, as of June 30, 2011.

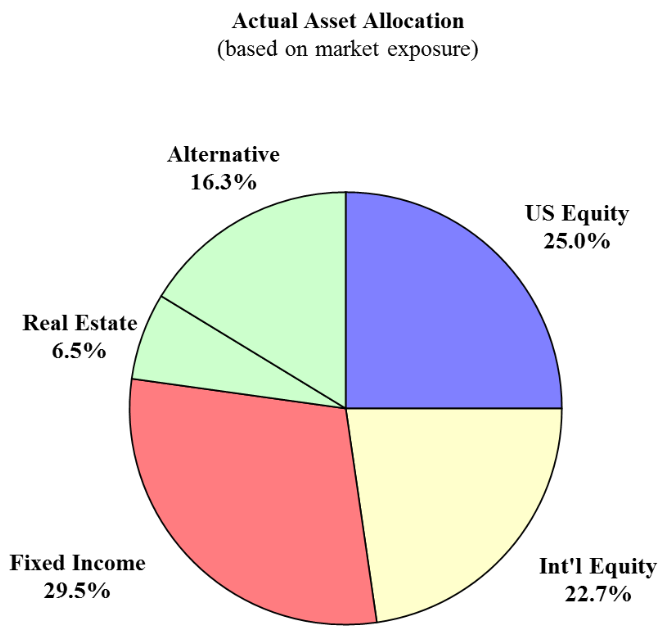
Target Asset Allocation
(based on market exposures)



Actual Asset Allocation as of June 30, 2011

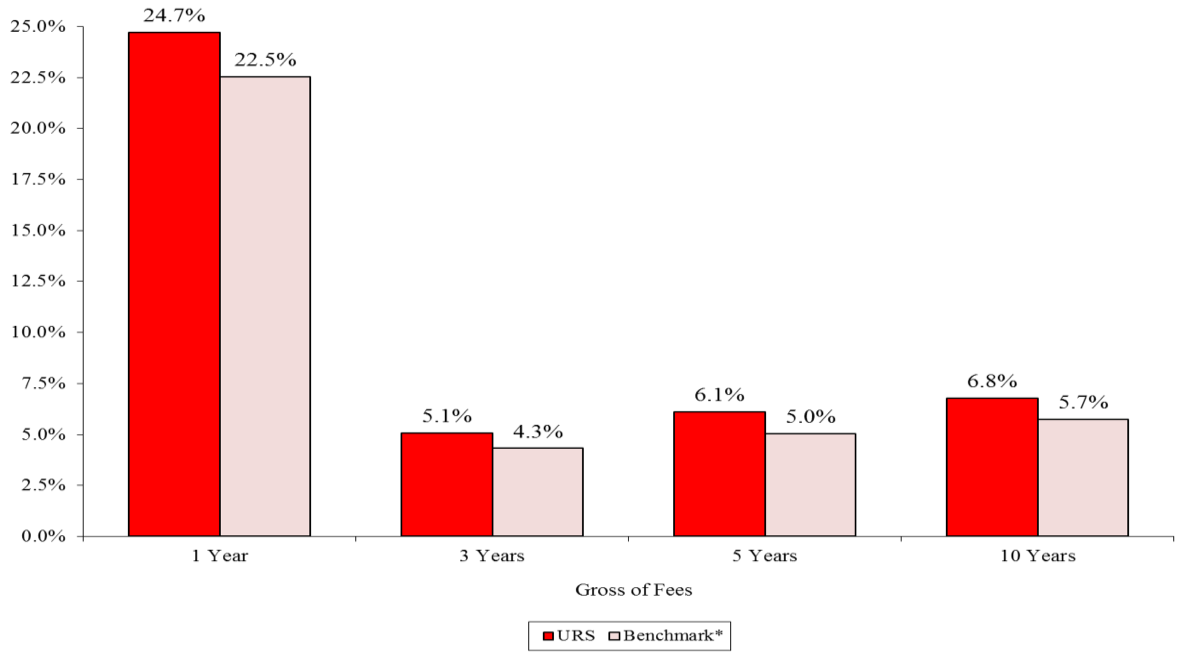
The asset structure of URS has historically reflected a proper balance of the System's needs for liquidity, growth of assets, and risk tolerance. The System's investment policy is designed to continue to meet its long-term investment objectives while, at the same time, providing sufficient flexibility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

The pie chart below details the actual asset allocation as of June 30, 2011.



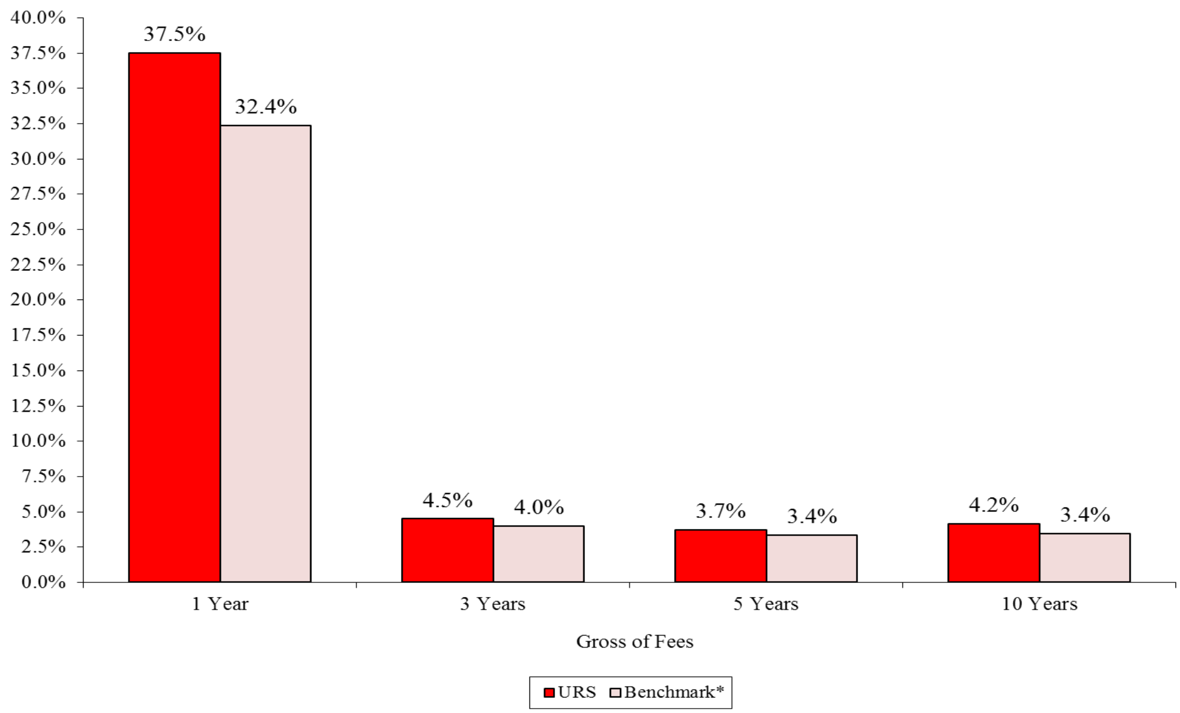
Investment Results

Total Fund:



*Benchmark: 23% S&P 500, 9% Russell 2000, 15% MSCI EAFE, 5% MSCI EAFE Small Cap, 5% MSCI Emerging Markets, 9% Barclays Aggregate, 5% Barclays High Yield, 6% Citigroup WGBI, 10% NCREIF Property, 10% 90 Day T-Bill + 300 bps, 3% JPM EMBI Global Diversified

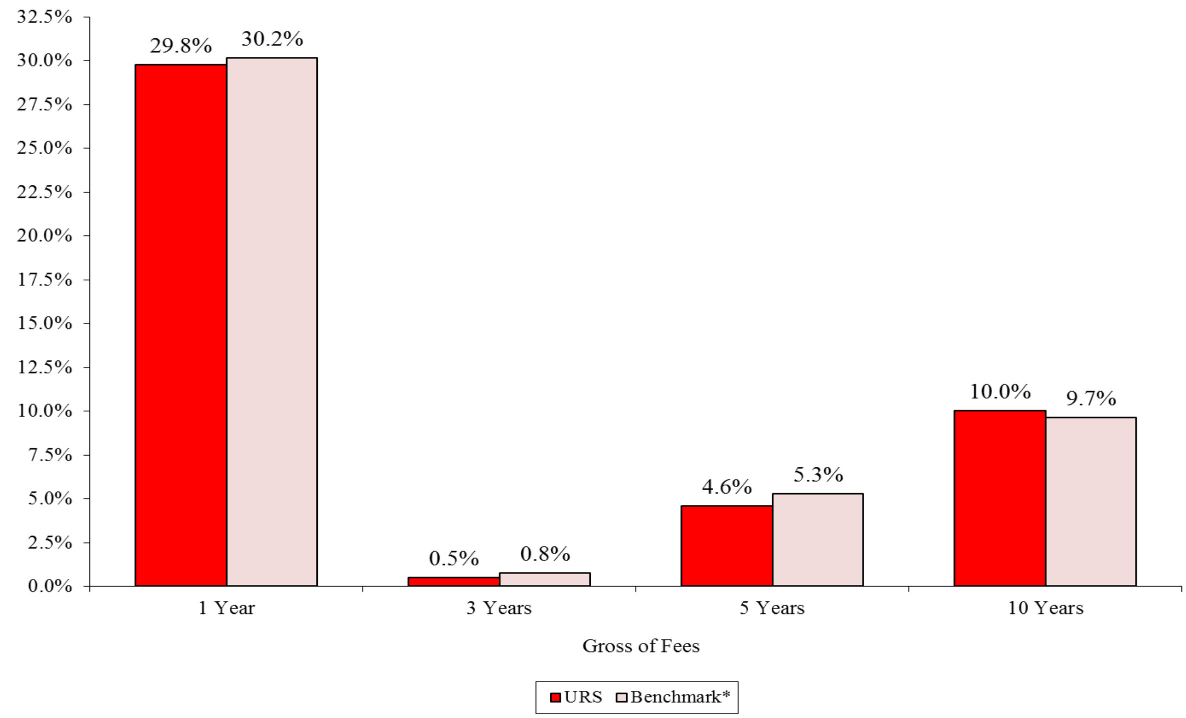
Domestic Equity:



*Benchmark: Russell 3000

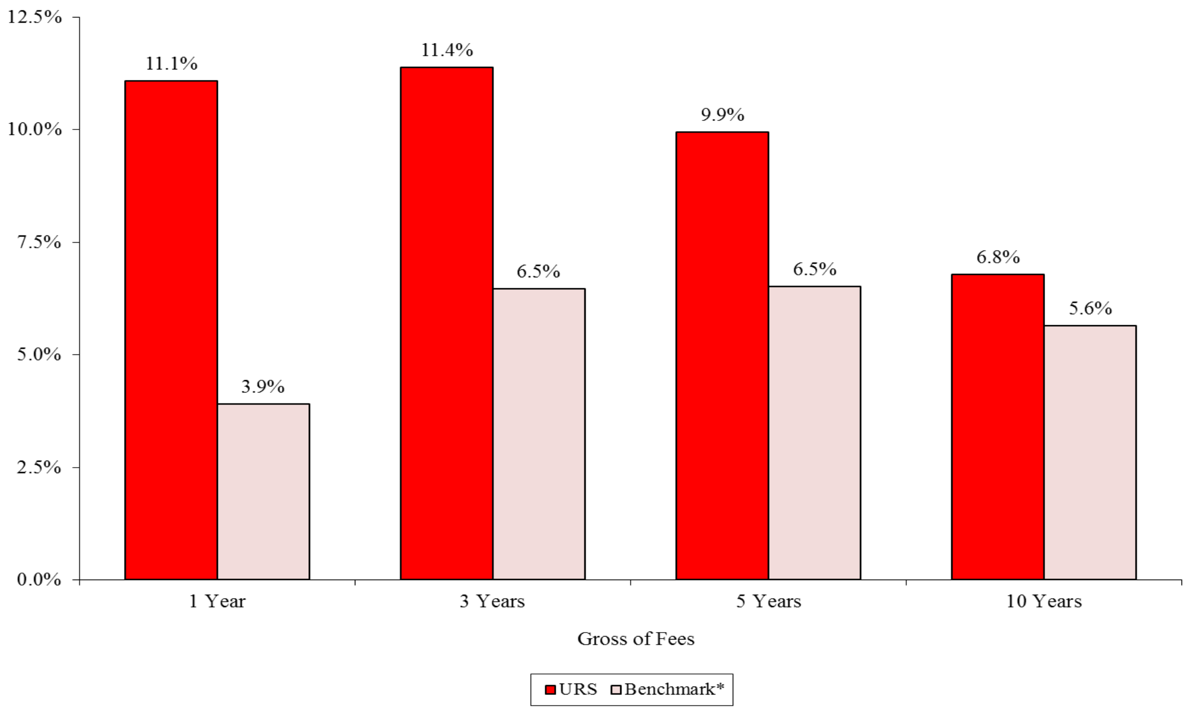
Investment Results

International Equity:



*Benchmark: 66.7% MSCI EAFE, 33.3% MSCI Emerging Markets Free Gross

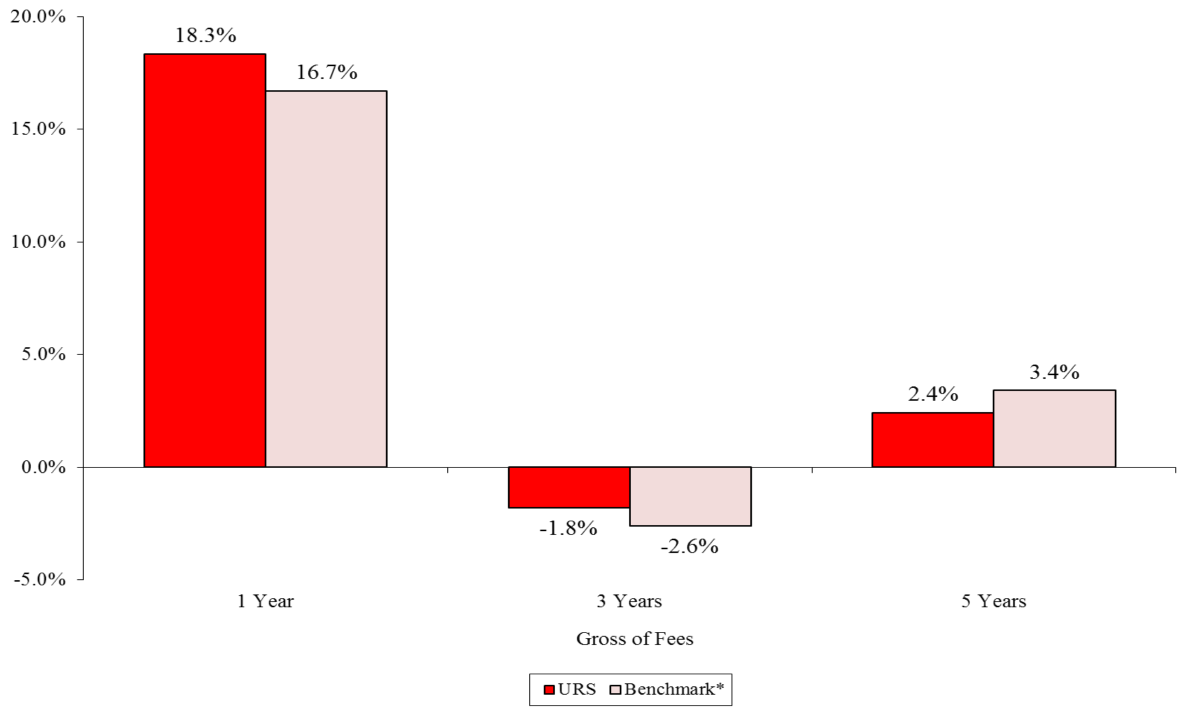
Fixed Income:



*Benchmark: Barclays Aggregate

Investment Results

Real Estate:



*Benchmark: NCREIF Property Index

Schedule of Ten Largest Equity & Fixed Income Holdings

Ten Largest Equity Holdings

No. Shares	Description	Cost	Fair Value	% of Total Portfolio
48,560	Cabot Oil & Gas Corp	$1,691,144	$3,220,014	0.26%
30,185	SL Green Realty Corp	1,569,268	2,501,431	0.21%
92,660	Foot Locker Inc	1,011,252	2,201,602	0.18%
60,330	Trinity Industries Inc	1,860,480	2,104,310	0.17%
82,050	Petrohawk Energy Corp	1,957,373	2,024,174	0.17%
75,340	Discover Financial Services	1,238,929	2,015,345	0.17%
4,695	White Mountains Ins Grp Inc	2,033,199	1,972,651	0.16%
43,670	CIT Group Inc	1,728,720	1,932,834	0.16%
59,270	Raymond James Financial Inc	1,631,723	1,905,531	0.16%
25,100	Oneok Inc	1,061,297	1,857,651	0.15%
	Total	**$15,783,385**	**$21,735,543**	**1.79%**

Ten Largest Fixed Income Holdings

Par Value (in local values)	Description	Cost (in U.S. Dollars)	Fair Value (in U.S. Dollars)	% of Total Portfolio
6,953,456	FNMA Pool, 4.000%, 02/01/2041	$6,812,214	$6,963,260	0.57%
3,810,000	Treasury Gilt, 3.750%, 09/07/2021	6,411,600	6,212,920	0.51%
6,255,000	U.S. Treasury Bond, 4.250%, 11/15/2040	6,192,886	6,114,263	0.50%
3,975,000	New S Wales Treasury Crp, 6.000%	3,952,705	4,379,900	0.36%
37,500,000	Mex Bonos Desarr, 8.500%, 05/31/2029	3,440,777	3,430,792	0.28%
15,740,000	Norway, 6.500%, 05/15/2013	3,198,027	3,143,330	0.26%
8,385,000	Poland, 5.250%, 10/25/2017	3,023,852	3,027,057	0.25%
5,097,000	Brazil Notas Do Tesouro Nacion, 10.000%	2,531,451	2,682,896	0.22%
7,700,000	Malaysia, 3.702%, 02/25/2013	2,574,357	2,576,622	0.21%
2,700,000	U.S. Treasury Bonds, 3.875%, 08/18/2040	2,640,938	2,472,201	0.20%
	Total	**$40,778,807**	**$41,003,241**	**3.36%**

Schedule of Brokerage Commissions
As of June 30, 2011

Broker Name	Base Volume	Total Shares	Base Commission	Commission Percentage
Credit Suisse (Europe), London	$3,391,762	1,428,998	$7,421	0.22%
JP Morgan Secs Asia Pacific, Hong Kong	1,846,929	2,662,595	3,913	0.21%
BNP Paribas Peregrine Sec LTD, Hong Kong	1,612,575	1,284,203	3,298	0.20%
FrankRussell Sec Inc, New York	4,225,143	280,686	8,421	0.20%
Credit Lyonnais Secs, Singapore	2,867,442	1,460,853	5,648	0.20%
Credit Lyonnais Secs (Asia), Hong Kong	1,600,044	1,497,136	3,143	0.20%
Merrill Lynch Pierce Fenner, Wilmington	8,002,225	2,065,291	13,700	0.17%
Macquarie Securities Limited, Hong Kong	1,625,833	2,037,702	2,653	0.16%
Nomura Secs Intl Inc, New York	8,272,327	1,340,125	13,144	0.16%
Intermonte Sec Cim, Milan	2,564,511	408,258	3,877	0.15%
Numis Securities Inc, New York	2,008,715	306,168	3,016	0.15%
Daiwa Secs Amer Inc, New York	1,511,951	157,598	2,269	0.15%
Sis Segaintersettle Ag, Zurich	2,009,966	23,274	3,015	0.15%
Oddo Et Cie, Paris	2,057,867	48,443	3,084	0.15%
Lehman Brothers Inc, Jersey City	1,767,334	395,134	2,631	0.15%
Skandinaviska Enskilda Banken, London	1,503,295	171,128	2,233	0.15%
Friedman Billings, Washington DC	1,680,069	62,300	2,492	0.15%
Cabrera Capital Markets, Chicago	23,569,692	872,446	34,822	0.15%
First Clearing LLC, Richmond	1,829,701	90,067	2,702	0.15%
Pershing LLC, Jersey City	3,999,857	224,517	5,899	0.15%
Goldman Sachs & Co, NY	4,197,658	1,173,578	6,125	0.15%
ISI Group Inc, NY	5,904,796	210,700	8,428	0.14%
JP Morgan Secs Ltd, London	3,772,167	277,994	5,349	0.14%
BNY Convergex/LJR, Houston	5,829,534	272,251	8,168	0.14%
Macquarie Equities Ltd, Hong Kong	3,007,258	496,192	4,167	0.14%
Wells Fargo Securities LLC, Charlotte	2,632,830	95,555	3,593	0.14%
UBS Wasburg Asia Ltd, Hong Kong	3,189,209	1,411,537	4,340	0.14%
Citigroup Gbl Mkts/Salomon, New York	3,880,059	1,553,017	5,094	0.13%
JP Morgan Securities Inc, Brooklyn	5,137,716	166,904	6,578	0.13%
Cap Instl Svcs Inc – Equities, Dallas	28,919,166	895,431	35,817	0.12%
Stifel Nicolaus	6,871,906	219,835	8,497	0.12%
UBS Equities, London	10,350,323	1,126,009	12,310	0.12%
JP Morgan Sec, Sydney	3,710,386	1,372,301	4,365	0.12%
Credit Suisse, New York	2,186,568	310,715	2,556	0.12%
Merrill Lynch Pierce Fenner Smith Inc, NY	10,518,760	363,665	11,808	0.11%
UBS Securities LLC, Stamford	11,333,531	40,567	12,397	0.11%
Buckingham Research Grp Inc, Brooklyn	1,559,103	41,460	1,658	0.11%
Citigroup Gbl Mkts Inc, New York	6,697,976	216,460	7,037	0.11%
Deutsche Bk Secs Inc, NY	5,133,071	362,156	5,124	0.10%
Barclays Capital Le, Jersey City	3,109,869	81,663	2,970	0.10%
Daiwa Sec Smbc Europe Ltd, London	1,750,399	192,170	1,659	0.09%
Keefe Bruyette and Woods, Jersey City	1,434,566	36,835	1,205	0.08%
Morgan Stanley & Co Inc, NY	8,500,155	464,929	7,105	0.08%
JP Morgan Clearing Corp, New York	8,519,226	428,995	6,146	0.07%
Merrill Lynch Intl London Equities	3,842,132	472,044	2,413	0.06%
Longbow Securities LLC, Jersey City	3,041,489	47,300	1,892	0.06%
Investment Technology Group, New York	6,306,418	216,855	3,366	0.05%
Nomura International Ltd, Hong Kong	2,056,245	156,410	1,027	0.05%
Deutsche Bk Intl Eq, London	15,985,375	1,756,663	7,087	0.04%
Morgan Stanley & Co, London	4,534,991	370,131	1,626	0.04%
Other Brokers	59,343,498	11,851,026	88,802	0.15%
Total	**$321,203,618**	**43,498,270**	**$406,090**	**0.13%**

Investment Summary
(Based on Capital Allocation)

	As of June 30, 2010		As of June 30, 2011	
	Market Value	**% Market Value**	**Market Value**	**% Market Value**
Domestic Equities	$256,900,081	26.0%	$304,160,767	25.0%
International Equities	229,859,934	23.2%	276,861,411	22.7%
Fixed Income	331,198,439	33.5%	352,542,694	28.9%
Real Estate	47,474,696	4.8%	79,140,588	6.5%
Alternatives	107,145,493	10.8%	200,160,142	16.4%
Short-term	16,483,717	1.7%	5,723,720	0.5%
Total	**$989,062,360**	**100.0%**	**$1,218,589,322**	**100.0%**

Schedule of Direct Investment Management Fees

As of June 30, 2011

Asset Class Manager	Investment Style	Total Assets	Fees
Domestic Equities			
BGI Alpha Tilts Fund	Enhanced S&P 500 Index	$84,254,172	$269,242
NCM Capital	Mid Cap Growth	52,152,135	378,677
Advisory Research	Small/Mid Cap Value	57,455,485	458,447
International Equities			
Marathon Asset Management - London	Developed Markets	122,863,074	644,957
Artio Global Investors	Developed Markets	46,245,349	247,633
Victory Capital	Developed Markets Small Cap	40,551,516	356,252
Acadian Asset Management	Emerging Markets	67,201,472	481,040
Fixed Income			
Pacific Investment Management Co. (PIMCO)	Total Return Core Bonds	87,099,007	318,928
Brandywine Asset Management	Global Bonds	71,895,308	283,827
DoubleLine Capital	Mortgage-Backed Securities	65,050,653	649,670
Trust Company of the West*	Mortgage-Backed Securities		27,114
Real Estate			
UBS Realty	Direct Real Estate	43,426,179	413,330
Cohen & Steers Capital Management	Global Real Estate Securities	35,714,410	128,943
Alternative Investments			
J.P. Morgan Private Equity	Private Equity	11,637,241	122,006
Short-term			
BNY Mellon Cash Investment Strategies	Plan Level Cash Accounts	3,933,325	29,157
Total		**$ 789,479,326**	**$4,809,223**

* Terminated during FY 2010

CHEIRON Classic Values, Innovative Advice

February 24, 2011

Fairfax County Uniformed
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 Uniformed Retirement System as of July 1, 2010. 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%. Since the funding ratio is currently below 90%, additional contributions are being made by the County.

Assumptions

The actuarial assumptions used in performing the July 1, 2010 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.

1750 Tysons Boulevard, Suite 1100, McLean, VA 22102 Tel: 703.893.1456 Fax: 703.893.2006 www.cheiron.us

CHEIRON Classic Values, Innovative Advice

February 24, 2011
Fairfax County Uniformed 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 2010 information in the Schedule of Funding Progress, Schedule of Employer Contributions and Notes to Trend Data shown in the Financial Section. All data shown prior to 2004 was prepared by the prior actuary.

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).

Although there is no formal procedure for making this comparison, we compared the least valuable rate under the Uniformed 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 Uniformed 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
Principal Consulting Actuary

1750 Tysons Boulevard, Suite 1100, McLean, VA 22102 Tel: 703.893.1456 Fax: 703.893.2006 www.cheiron.us

Summary of Valuation Results

Overview

This report presents the results of the July 1, 2010 actuarial valuation of the Fairfax County Uniformed 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 2012;
- 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 determined as of the implementation date of the corridor method (July 1, 2001) 17.55% of payroll, plus an expense rate, currently 0.25% of payroll. This rate is adjusted for plan 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 1.78% and the UAL rate has increased by 6.88%, the specific changes are summarized in the table on the next page:

Changes Since 2001	Impact on Normal Cost Rate	Impact on UAL Rate
2002 Pre-Social Security Supplement	+ 1.40%	+ 2.45%
2002 ad-hoc COLA	N/A	+ 0.25%
2004 Retiree Increase	N/A	+ 1.70%
2004 DROP	+ 0.17%	+ 0.53%
2005 Assumption Changes	+ 0.18%	+ 0.91%
2006 DPSC Transfer	N/A	+ 0.62%
2007 Reduce Disability Offset	+ 0.02%	+ 0.30%
2008 Reduce Disability Offset	+ 0.01%	+ 0.12%
Total Increase	**+ 1.78%**	**+ 6.88%**

The basic corridor funding contribution is currently 26.46% 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 normal cost rate plus expense rate, and any remaining amortization for benefit or assumption changes.

The valuation as of July 1, 2010 shows that the actuarial funded ratio (including a credit for the amortization piece of prior benefit increases) has fallen out of the corridor and there is a required increase in the rate at this time of 6.53% of payroll.

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

Trends

There was a rebound in the financial markets during the fiscal year ending in 2010; however, due to the large decline in the financial markets during the fiscal year ending in 2009, the System still experienced an actuarial loss on assets. The actual return on a market value basis was approximately 15.21%. On an actuarial value basis, the assets returned 2.64% compared with an assumed rate of return of 7.5%. The loss recognized for funding purposes was $52.0 million.

The measurement of liabilities produced a small gain this year in the amount of $5.5 million. This gain was due to experience not meeting our assumptions about salary increases, retirement behavior, death, etc. Specific components of the gain include:

- The average salary increase was 4.7% for active participants who were in both the July 1, 2009 and July 1, 2010 valuations. This was less than the expected salary growth based on the actuarial assumption being applied to each member which produced an average of 6.8%. This resulted in a gain of $8.7 million.

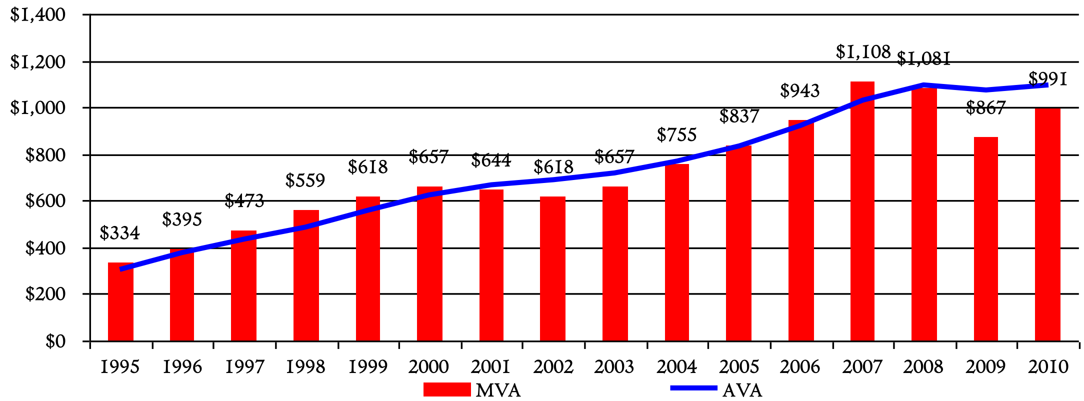
- The valuation assumes a 3% cost-of-living adjustment each year for benefits in pay status. The actual CPI-based COLA was 2.3% last year, creating a liability gain of $4.7 million.
- An annual component of liability loss is the delayed recognition of new hires throughout the year. This does not contribute 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 $0.4 million to that number.

- There was a $7.5 million liability loss component that is made up of various other causes such as members terminating, dying or becoming disabled in a way contrary to the assumption and also data changes from previous years.

The combination of liability and investment experience over the last year caused a reduction in the System's funding ratio (actuarial value of assets over actuarial accrued liability) from 79.5% at July 1, 2009 to 76.7% at July 1, 2010. 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 decreased from 85.7% at July 1, 2009 to 82.1% at July 1, 2010.

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 two pages we present a series of charts which display key factors in the valuations over the last 15 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.

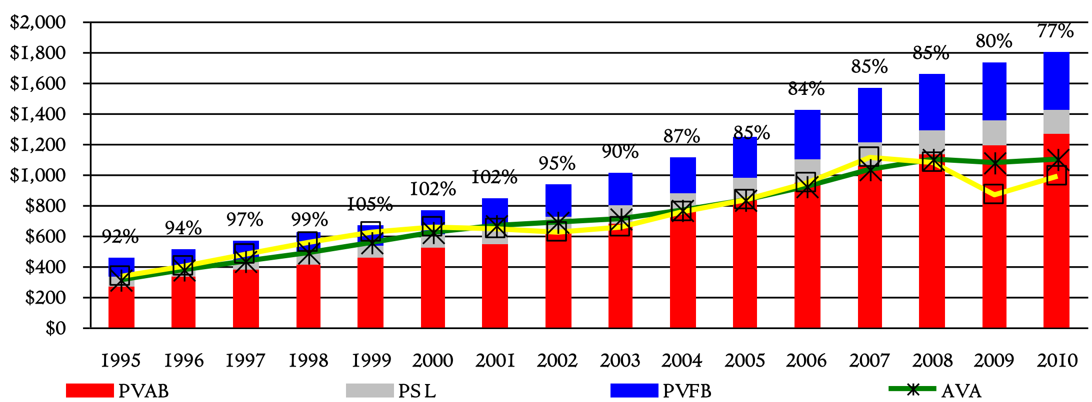
Growth in Assets



There was a substantial increase in the market value of assets (MVA) over last year due to a return of 15.2%. The actuarial value of assets (AVA) increased as well but not as significantly because a portion of this year's investment gain is being held for future recognition. Due to the size of the prior year loss there remains $104 million unrecognized losses that will be phased in over the next few years.

Over the period July 1, 1996 to June 30, 2010 the System's assets returned approximately 7.15% per year measured at actuarial value, compared to a valuation assumption of 7.5% per year.

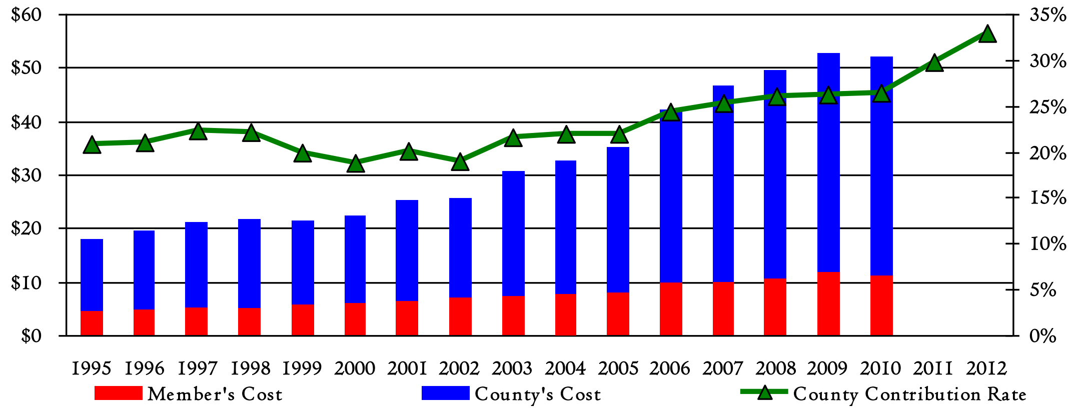
Assets and Liabilities



The three colored bars represent the three different measures of liability mentioned in this report. The amount represented by the top of the blue 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.

Since 2007, the System's funded status has declined from 85% to 77% as a result of investment gains and losses recognized so far in the smoothing process.

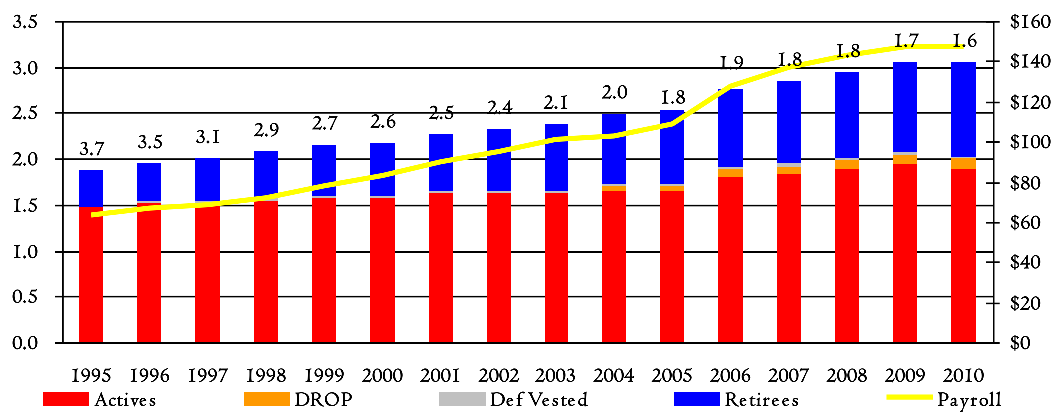
Contribution Rates



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 2010 value is the rate prepared by the 2008 valuation and implemented for the period July 1, 2009 to June 30, 2010.

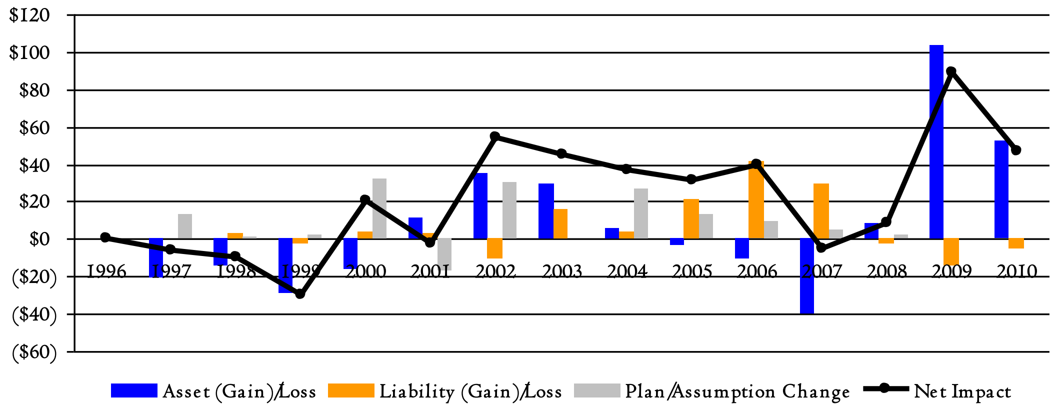
Participant Trends



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 3.5 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.

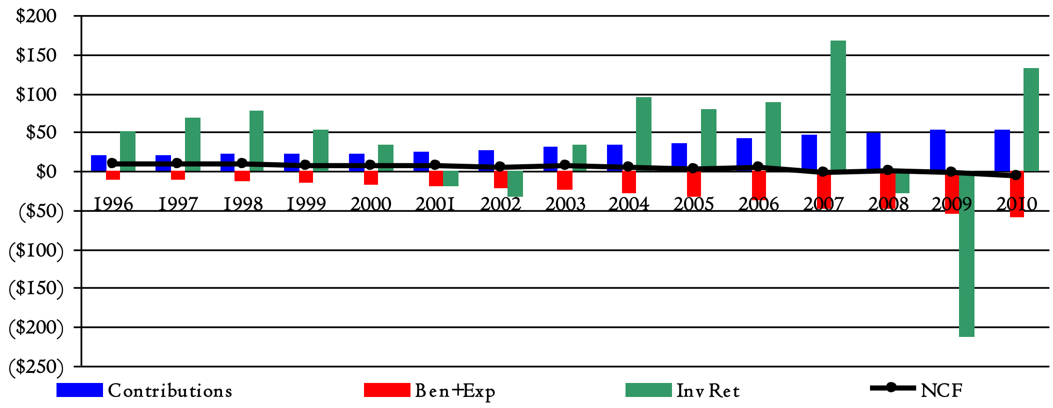
Starting in 2004, the chart also shows the number of DROP participants. Neither employer nor member contributions are made on their behalf, which leads to a slightly lower growth in effective covered payroll for this System.

Gains and Losses



This graph shows the annual gains and losses experienced by the System, along with the Unfunded Actuarial Liability (UAL) due to plan amendments and assumption changes. The black line shows the net impact of all such changes in a given year. Positive numbers represent increases in the UAL while negative numbers show reductions.

Cash Flow



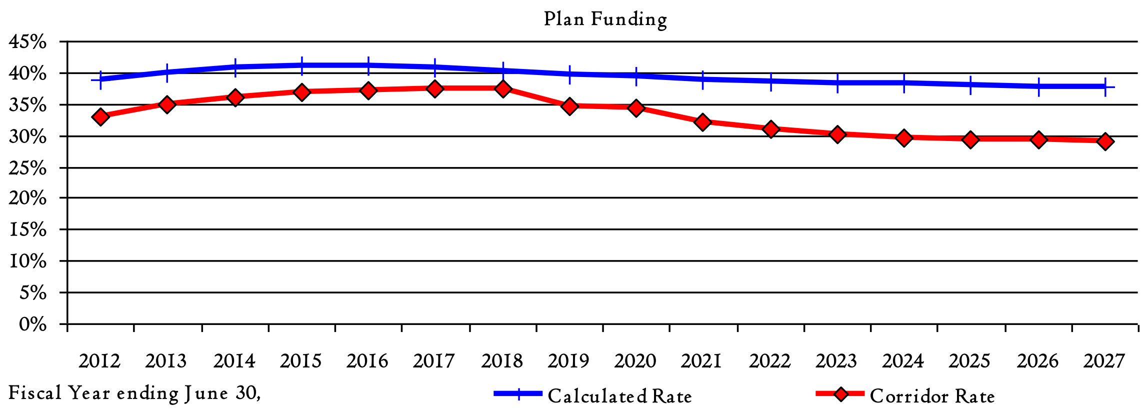
The graph shows the annual cash flows into and out of the System. The graph shows the magnitude the investment returns on the market value (green bars) compared to the contributions (blue bars). The net cash flow (line) is comparing the contributions to benefits and expenses (red bar). We expect this to turn negative in the short term, but negative cash flow is expected for a mature plan such as this one. The implications of a plan with negative cash flow are that the impact of market fluctuations can be more severe. This is because as assets are being depleted to pay benefits in down markets, there is less principal available to be reinvested during periods of favorable return.

Future Outlook

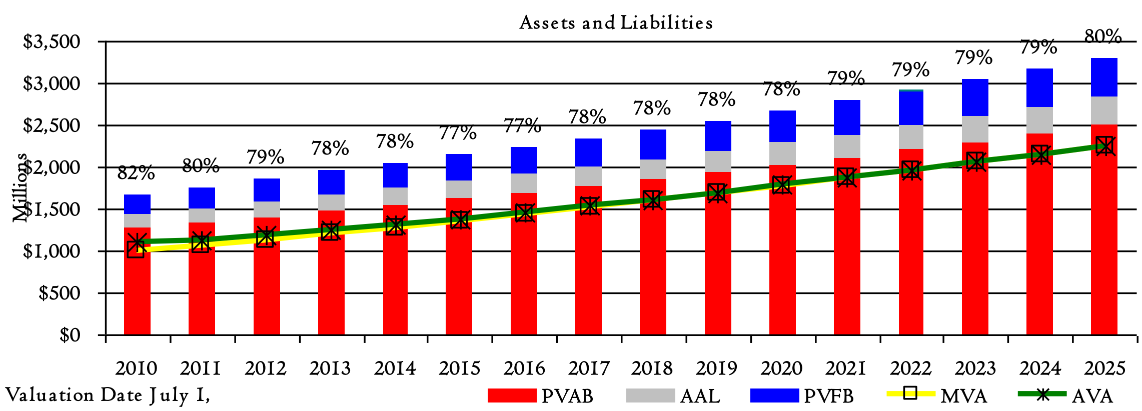
Base Line Projections

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 graph entitled "Plan Funding" shows the System not re-entering 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. Under this scenario the corridor rate approaches a high point of 37% of payroll.



The "Assets and Liabilities" graph shows the projected funding status over the next 15 years. Note that the 2010 funded level differs from that shown in the historical graphs because the ratio used here reflects the corridor method. The corridor funded ratio will continue to decline in the short term as unrecognized investment gains and losses are incorporated in the actuarial value of assets. After that, the corridor method basically marks time and keeps the System around 79% funded.

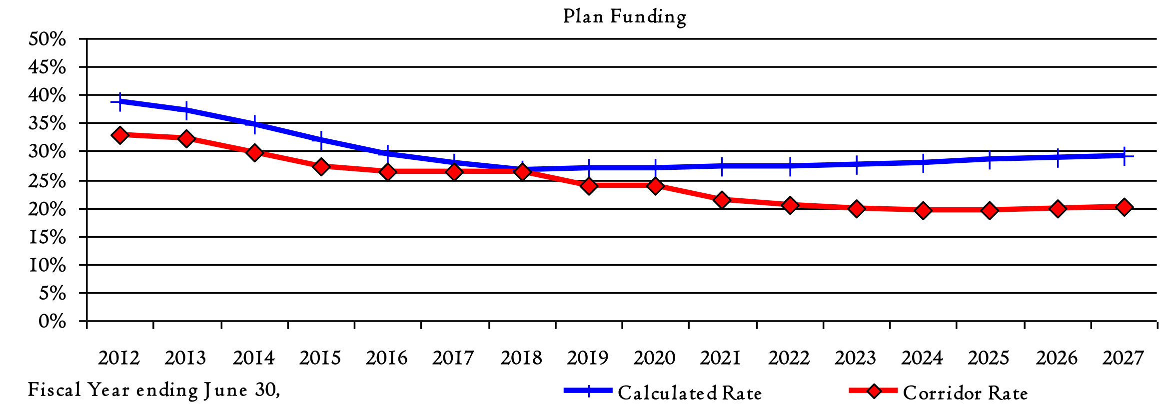


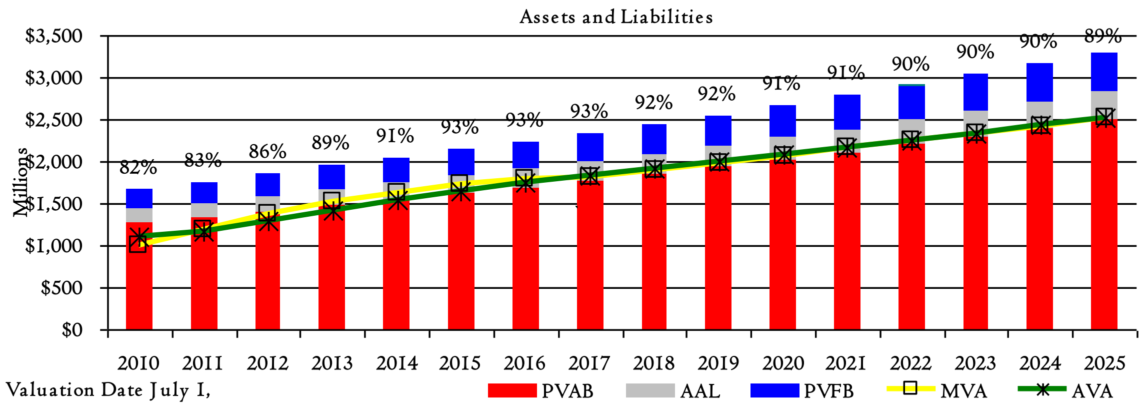
The future funding status of this System will be influence by the investment earnings. The prior projection assumed the System would earn 7.5% each and every year, which is extremely unlikely.

In the projections that follow we show the risk to the System under volatile markets. Since 1980 the System has averaged 9.12% return per year, therefore, for this analysis we have created the following three scenarios that produce the same average return.

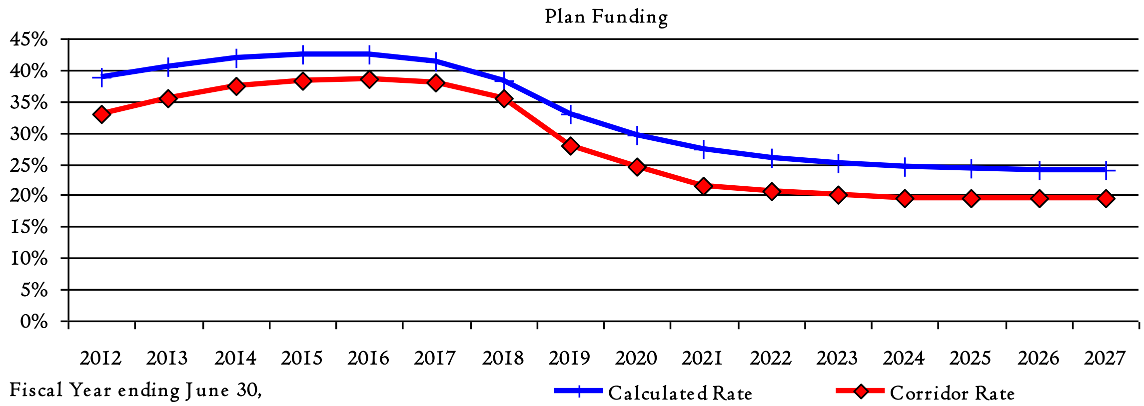
Fiscal Year Ending June 30,	Favorable Returns Early	Poor Returns Early	Random Returns
2011	21.60%	4.10%	23.32%
2012	17.10%	6.10%	3.60%
2013	11.10%	8.10%	1.55%
2014	9.10%	9.10%	11.30%
2015	8.10%	11.10%	3.70%
2016	6.10%	17.10%	10.19%
2017	4.10%	21.60%	15.64%
2018	7.50%	7.50%	21.42%
2019	7.50%	7.50%	4.99%
2020	7.50%	7.50%	5.95%
2021	7.50%	7.50%	4.97%
2022	7.50%	7.50%	15.70%
2023	7.50%	7.50%	6.24%
2024	7.50%	7.50%	-5.42%
2025	7.50%	7.50%	17.96%
Average	**9.07%**	**9.07%**	**9.13%**

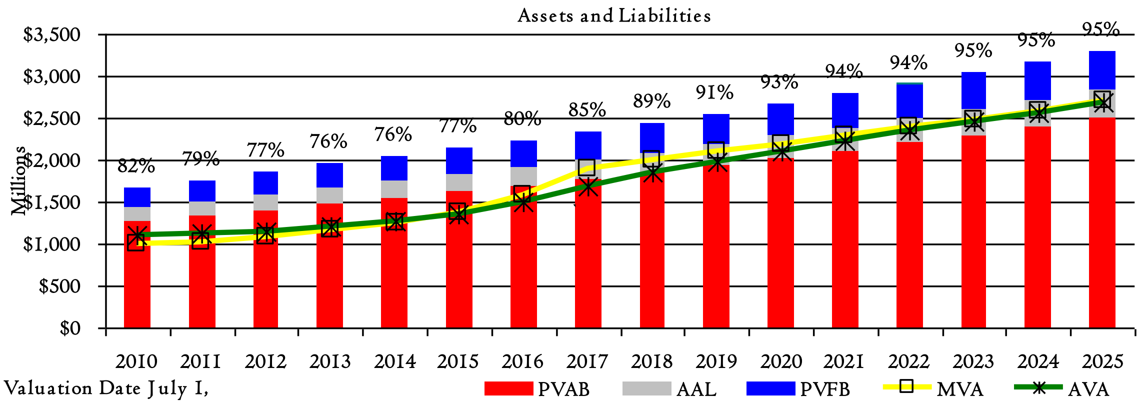
Alternative Projection -- with favorable returns early in the projection:
Under this scenario the corridor contribution rate would decrease each year as the first year return completely phased-in the prior losses. The System reaches 93% funded by 2015 (and re-enters the corridor) but then declines to 89% by 2025.



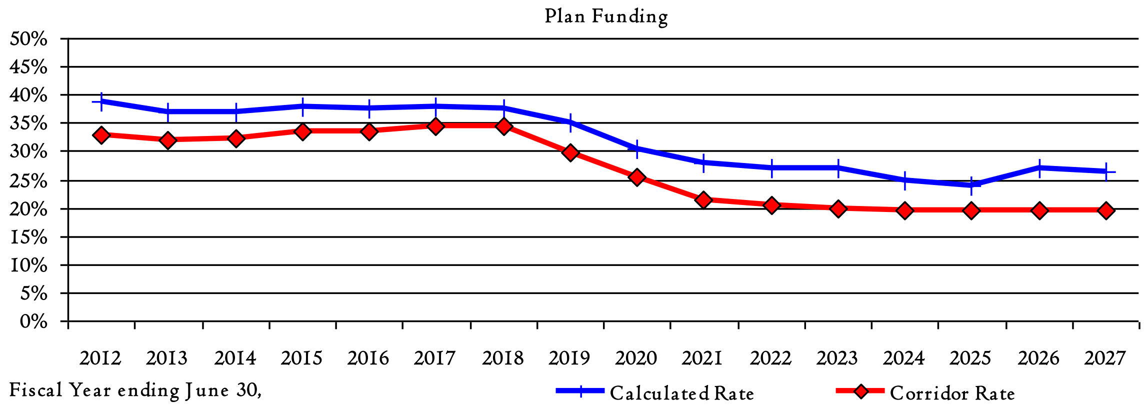


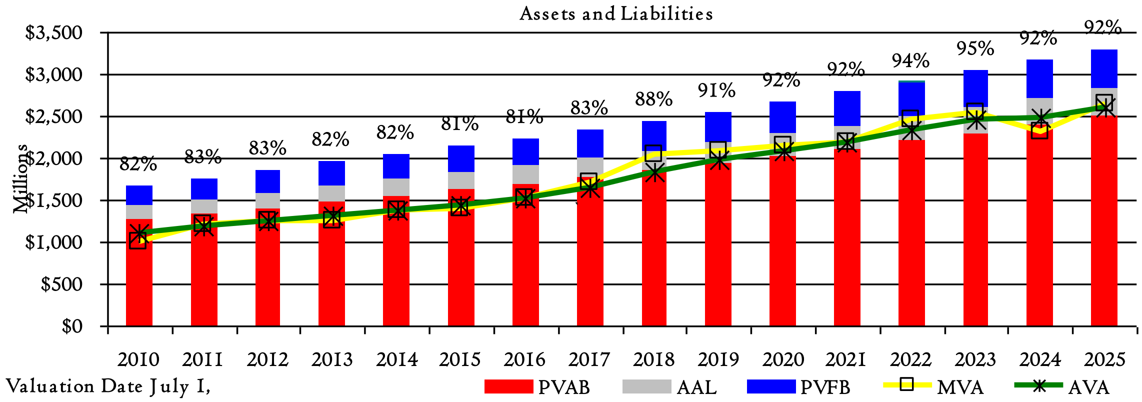
Alternative Projection -- with poor returns early in the projection:
Under this scenario the corridor contribution rate increase over the next four years due to the investment performance modeled in this scenario and the phase-in of prior asset losses. The rate would decline from FY 2016 due to the returns in excess of the actuarial assumption. The funding ratio would reach 95% by 2024.





Alternative Projection -- with random returns:
Under this scenario the corridor contribution rate increases to 35% by FY 2018, due to the timing of the returns modeled in this scenario. At that point the contribution would start to decline as the funding ratio improves. This scenario shows the System at 92% funded at the end of the period.





Summary of Principal Plan Results

Valuation as of:	**7/1/2009**	**7/1/2010**	**% Chg**
Participant Counts			
Actives (excluding DROP)	1,945	1,887	-3.0%
DROPs	94	108	14.9%
Terminated Vesteds	32	34	6.3%
In Pay Status	987	1,021	3.4%
Total	**3,058**	**3,050**	**-0.3%**
Annual Salaries of Active Members	$ 147,082,765	$ 146,776,955	-0.2%
Annual Retirement Allowances for Retired Members and Beneficiaries (Base amount only – not supplements)	$ 46,534,570	$ 50,359,498	8.2%
Assets and Liabilities			
Actuarial Accrued Liability	$ 1,351,204,055	$ 1,427,616,710	5.7%
Assets for Valuation Purposes	1,074,229,685	1,095,079,616	1.9%
Unfunded Actuarial Liability	**$ 276,974,370**	**$ 332,537,094**	**20.1%**
Funding Ratio	79.5%	76.7%	
Present Value of Accrued Benefits	$ 1,191,061,345	$ 1,261,519,192	5.9%
Market Value of Assets	867,187,219	991,072,540	14.3%
Unfunded FASB Accrued Liability (not less than $0)	**$ 323,874,126**	**$ 270,446,652**	**-16.5%**
Accrued Benefit Funding Ratio	72.8%	78.6%	
Contributions as a Percentage of Payroll	**Fiscal Year 2011**	**Fiscal Year 2012**	
GASB Method:			
Normal Cost Contribution	19.33%	19.33%	
Unfunded Actuarial Liability Contribution	15.91%	19.14%	
Administrative Expense	0.25%	0.25%	
Total Contribution	**35.49%**	**38.72%**	
Corridor Method:			
Normal Cost Contribution	19.33%	19.33%	
Increase Due to Amortized Changes	6.88%	6.88%	
Amortization of Amount Outside Corridor	3.32%	6.53%	
Administrative Expense	0.25%	0.25%	
Corridor Method	**29.78%***	**32.99%**	

*The actual contribution rate being paid by the County in FY 2011 is 30.56%.

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.

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 expense rate, plus amortization of post-2002 changes, plus expense rate.

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.

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

* 5% 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		
Service	**Sheriffs**	**Non-Sheriffs**
0	135	60
5	43	25
10	10	10
20	5	5
25	5	5

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	1
25	2
30	2
35	3
40	4
45	7
50	11
55	16
60	16

* Disabilities are assumed to be all service-connected. Of these, 30% are assumed to receive Social Security benefits and 38% are assumed to receive Workers Compensation benefits.

Retirement

Annual Retirement Per 1,000 Eligible*			
Age	**Early**	**Age**	**Normal**
40	20	45-64	500
41	31	65	1,000
42	42		
43	53		
44	64		
45	76		
46	87		
47	98		
48	109		
49	120		
50	150		
51	50		

* 75% 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 at 8.6% at 14 years and 6.7% at 19 years of service.

Family Composition

For purposes of valuing the pre-retirement death benefit, an assumption is made concerning how many employees are married. The assumption used in this valuation is that 80% of employees are married at death while active and that the female spouse is 3 years younger than the male spouse.

Sick Leave Credit

Active members are assumed to receive an additional 2.0% of service credit and 2.1% of 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:	0.25% 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	2005	2006	2007	2008	2009	2010
Investment Income	$2,991,409	$10,617,063	$39,813,140	$(8,352,154)	$ (103,521,233)	$(52,003,538)
Combined Liability Experience	(19,757,797)	(41,223,033)	(29,998,557)	1,986,816	14,593,398	5,509,116
Gain (or Loss) During Year from Financial Experience	**$(16,766,388)**	**$(30,605,970)**	**$9,814,583**	**$(6,365,338)**	**$(88,927,835)**	**$(46,494,422)**
Non-Recurring Items	(11,713,440)	(9,356,621)	(4,847,761)	(2,027,721)	0	0
Composite Gain (or Loss) During Year	**$(28,479,828)**	**$(39,962,591)**	**$4,966,822**	**$ (8,393,059)**	**$(88,927,835)**	**$(46,494,422)**

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
2005	47	$3,586,643	14	$556,740	799	$32,739,671	10.20%	$ 40,976
2006	61	3,797,302	15	691,879	845	35,845,094	9.49%	42,420
2007	94	6,751,363	39	899,814	900	41,696,643	16.32%	46,330
2008	41	4,211,865	9	327,811	932	45,580,697	9.32%	48,906
2009	65	4,323,678	10	469,400	987	49,434,975	8.46%	50,086
2010	51	4,614,464	17	549,813	1,021	53,499,626	8.22%	52,399

Solvency Tests
Aggregate Accrued Liabilities 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)
2004	$76,250,569	$446,268,151	$358,496,006	$767,357,364	100%	100%	68%
2005	80,400,046	500,700,951	393,005,002	830,701,872	100%	100%	64%
2006	87,206,883	568,374,094	447,087,737	921,414,147	100%	100%	59%
2007	95,478,570	645,236,172	465,909,413	1,028,384,897	100%	100%	62%
2008	100,789,409	693,098,403	491,806,439	1,097,994,261	100%	100%	62%
2009	108,449,048	745,549,680	497,205,327	1,074,229,685	100%	100%	44%
2010	113,757,792	813,049,990	500,808,928	1,095,079,616	100%	100%	34%

Statistical Section

The Statistical Section presents historical information regarding the retirement plan. This information includes a ten-year analysis of the sources of change in plan net assets, benefit payments, the number of retired members and average monthly benefits. Sources of additions include employer and plan member contributions and net investment income; deductions include benefit payments to retirees and beneficiaries, refunds of employee contributions and administrative expenses. The amounts of benefits paid, the count of benefit recipients and the average benefit payments are provided by type of benefit, including service retirement annuities, service-connected and ordinary disability benefits and survivor benefits.

Schedule of Additions by Source

Fiscal Year	Plan Member Contributions	Employer Contributions	Transfer	Employer Contributions % of Covered Payroll	Net Investment Income (loss)	Total Additions
2002	$6,892,667	$18,778,608		18.93%	($31,599,441)	(5,928,166)
2003	7,478,708	23,027,237		21.65%	33,576,497	64,082,442
2004	7,800,284	24,823,288		22.60%	94,008,180	126,631,752
2005	7,953,800	27,192,791		24.30%	78,696,049	113,842,640
2006	9,860,429	32,135,984	$11,750,084	24.92%	88,814,121	142,560,618
2007	9,988,515	36,486,832		26.01%	167,240,928	213,716,275
2008	10,535,823	39,085,662		26.33%	(27,523,779)	22,097,706
2009	11,750,810	40,855,102		26.46%	(211,603,541)	(158,997,629)
2010	11,094,505	40,771,184		26.46%	131,320,268	183,185,957
2011	10,521,525	45,817,015		30.56%	238,039,247	294,377,787

The transfer in FY 2006 was a transfer of assets supporting the future benefit for the employees of the Department of Public Safety Communications who elected to leave the Employees' Retirement System and transfer to the Fairfax County Uniformed Retirement System.

Schedule of Deductions by Type

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses	Total Deductions
2002	$20,116,400	$290,966	$220,125	$20,627,491
2003	23,863,933	259,624	223,110	24,346,667
2004	27,954,431	452,616	297,188	28,704,235
2005	31,678,214	544,777	223,499	32,446,490
2006	36,023,777	349,572	223,842	36,597,191
2007	47,194,476	737,506	421,390	48,353,372
2008	47,544,913	833,454	440,564	48,818,931
2009	54,122,953	656,683	325,469	55,105,105
2010	58,356,915	597,955	345,766	59,300,636
2011	63,822,794	853,906	361,654	65,038,354

Schedule of Benefit Payments by Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
2002	$13,996,618	$5,546,273	$244,173	$329,336	$20,116,400
2003	17,410,370	5,806,457	269,750	377,356	23,863,933
2004	21,252,301	6,148,149	159,241	394,740	27,954,431
2005	24,716,535	6,242,349	291,306	428,024	31,678,214
2006	28,710,205	6,559,201	309,940	444,431	36,023,777
2007	39,729,752	6,669,085	309,674	485,965	47,194,476
2008	39,604,805	7,077,598	333,440	529,070	47,544,913
2009	45,854,076	7,323,730	343,405	601,742	54,122,953
2010	50,139,482	7,275,973	300,836	640,624	58,356,915
2011	55,344,665	7,513,492	317,253	647,384	63,822,794

Schedule of Retired Members by Benefit Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor	Total
2002	437	191	15	20	663
2003	503	191	17	20	731
2004	533	194	17	22	766
2005	569	193	17	20	799
2006	618	189	17	21	845
2007	672	190	17	21	900
2008	706	186	18	22	932
2009	758	187	18	24	987
2010	798	185	16	22	1,021
2011	845	186	18	26	1,075

Schedule of Average Monthly Benefit Amounts

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Average
2002	$2,853	$2,527	$1,368	$1,436	$2,683
2003	3,166	2,659	1,460	1,477	2,948
2004	3,529	2,684	1,442	1,735	3,217
2005	3,718	2,855	1,471	1,843	3,415
2006	3,827	2,942	1,518	1,909	3,535
2007	4,252	2,908	1,596	1,936	3,864
2008	4,434	3,199	1,606	1,997	4,076
2009	4,532	3,233	1,596	2,123	4,174
2010	4,726	3,339	1,505	2,045	4,367
2011	4945	3439	1570	2122	4560

Fairfax County Uniformed Retirement System

A Fairfax County, Va., publication

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2011