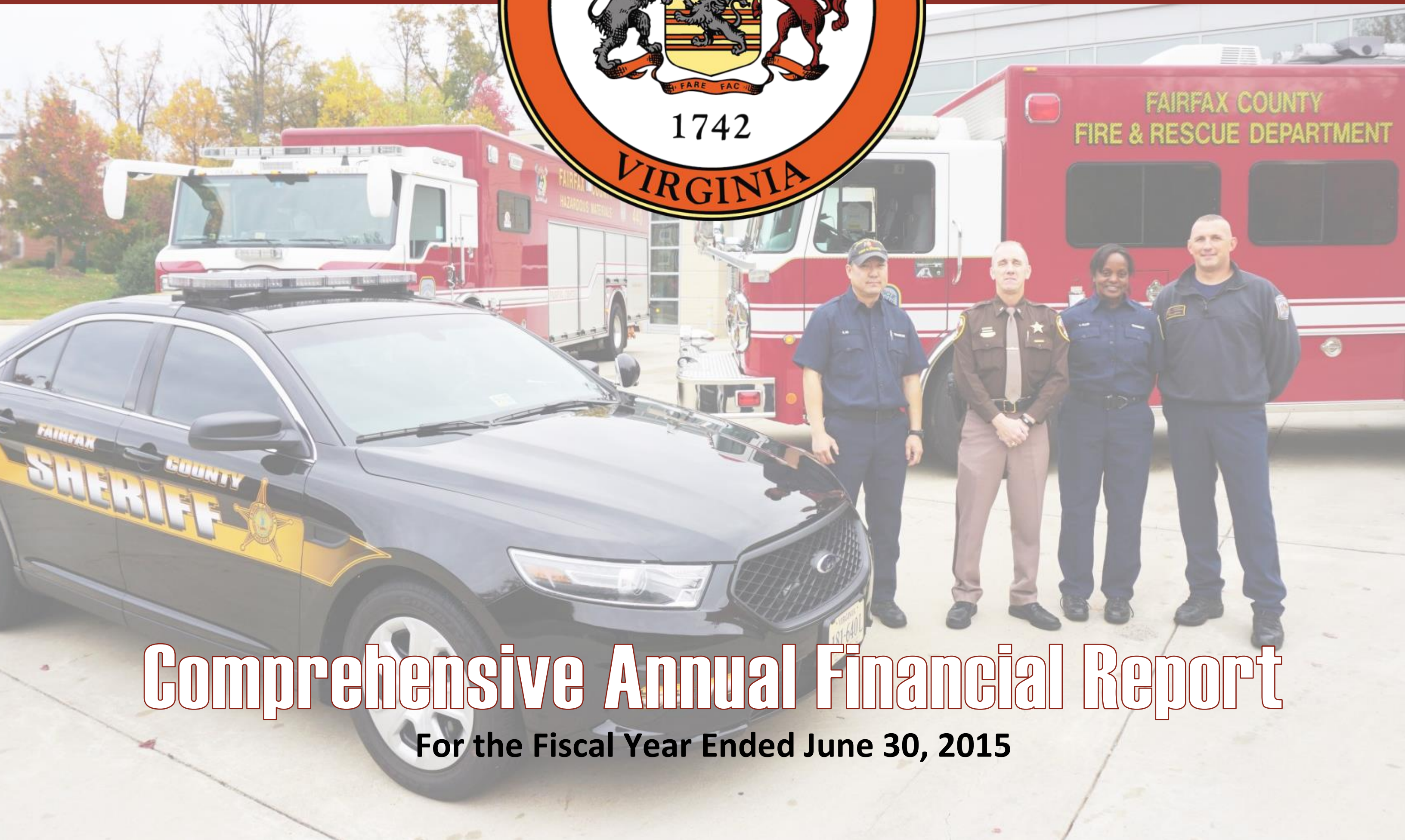
2015

FAIRFAX COUNTY

UNIFORMED RETIREMENT SYSTEM

A Pension Trust Fund of Fairfax County, Virginia



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Table of Contents

County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 23, 2015

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, 2015. 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. There were 1,892 active members, 116 in the Deferred Retirement Option Program (DROP) and 1,242 retirees participating in the System as of June 30, 2015. For calculations surrounding the Total Pension Liability and its components, Cheiron used rollforward techniques with the June 30, 2014, valuation as a starting point. As such, their results were based on the active, DROP, and retiree counts disclosed as of that date.

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

In fiscal year 2015, the System's investment returns were challenged by market downturns in a number of asset classes. In particular, the effect of steep declines in oil prices pushed commodities investments down 23.7 percent for the year. The System's total portfolio return was positive with a return of 1.8% gross of fees (1.5% after fees and expenses), less than the long term target of 7.5%.

FAIRFAX COUNTY Retirement SYSTEMS
EMPLOYEES' POLICE Officers UNIFORMED

Fairfax County Retirement Systems
10680 Main Street ∗ Suite 280 ∗ Fairfax, VA 22030
703-279-8200 ∗ TTY: 711 ∗ 1-800-333-1633 ∗ Fax: 703-273-3185

This return was below the median public fund return of 3.1% and placed in the 80th percentile of the BNY Mellon universe of public funds. However, over the long term, returns compared more favorably, with investment returns for the ten-year period at 6.5% per year, ranking the fund in the top 31st percentile of all other public funds in the BNY Mellon universe.

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 the financial information presented in this report in accordance with U.S. generally accepted accounting principles. Proper internal accounting controls exist to provide reasonable, but not absolute, assurance for both the safekeeping of assets and the fair presentation of the financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

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. Please see Footnote 3 in the Financial Section of this report for a description of this standard of care and details on the System's investment policies and strategies.

The Board receives quarterly reporting from their external consulting firm 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, prepared internally by staff using data from the System's investment managers.

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, 2014, indicated that the ratio of assets accumulated by the System to total actuarial accrued liabilities for benefits showed an increase from 79.1% to 81.7%. The actuarial section contains further information on the results of the July 1, 2014 valuation. For purposes of calculating the net pension liability as of June, 30, 2015, in accordance with

Governmental Accounting Standards Board's (GASB) Statement Number 67, the System's funded status was 81.0%.

Based on the July 1, 2014, actuarial valuation, the employer contribution rate for 2015 following the adopted corridor-based funding policy was 37.90%, an increase of 1.47% from the 2014 rate of 36.43%. This increase in the rate is based on fiscal year 2014 actuarial experience. During establishment of the fiscal year 2016 County budget, however, the Board of Supervisors adopted a higher contribution rate of 38.83%. This was done to improve the funded level of the plan, accomplished by raising the target unfunded liability amortization level from 93% to 95%, and to fund an increase in service connected disability benefits (discussed further below).

Major Initiatives

Working in concert with the County's Chief Financial Officer, the System's actuary (Cheiron), and other County staff, efforts continue to improve the funded status of the Plan. As a result of this work, and as referenced above, the County has increased the employer contribution rate above what was required by the adopted corridor-based funding policy for three consecutive years. This was accomplished by increasing the target amortization level for the unfunded liability from 90% in prior years to 91% in 2014 and 93% in 2015. This target was further increased to 95% for the County's 2016 adopted budget.

On June 23, 2015 the County Board of Supervisors was presented with changes to the Fairfax County Code to amend the County's funding policies for the three retirement systems. These changes, which were subsequently adopted by the Board on July 28, 2015, modified the methodology used for determining the annual employer contribution rates. The changes enacted are as follows:

- Increases in the employer contribution rates will continue so that the County will amortize 100 percent of the unfunded liability by FY 2020 at the latest, thus fully funding the Annual Required Contribution.
- The County will continue to use a conservative 15-year amortization period and, once 100 percent of the unfunded liability is being amortized, these amortization periods will be closed and any subsequent years' incremental unfunded liabilities will be amortized over separate 15-year periods.
- Any additional unfunded liabilities created as a result of future approved benefit enhancements will be fully funded when implemented, to ensure that adjustments to benefit levels will not reduce the system's funded status.

Finally, as part of these changes to the County Code, the Board made it a budgetary priority to not reduce the employer contribution rates until each of the systems reaches 100 percent funding.

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, 2014. This was the fifth consecutive year that the government has achieved this prestigious award. 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.

Fairfax County Retirement Systems received the Public Pension Standards Award for the fiscal year ended June 30, 2015, from the Public Pension Coordinating Council (PPCC), in recognition of meeting the professional standards for plan funding and administration as set forth in the Public Pensions Standards. The PPCC is a confederation of the National Association of the State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

Other Information

Independent Audit and Actuarial Certifications

KPMG LLP performed an annual audit of the financial statements of the plan to obtain a reasonable assurance about whether the financial statements are free from material misstatements, whether due from fraud or error. Additionally, Cheiron performed 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, whom I have the privilege to serve. I must also acknowledge the entire Retirement Systems' team for their tireless work throughout the year to ensure that we continue to provide the best-possible service to and stewardship for the employees, retirees, and citizens of Fairfax County.

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,

Jeffrey K. Weiler
Executive Director

Government Finance Officers Association

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, 2014

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2015

Presented to

Fairfax County Uniformed Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

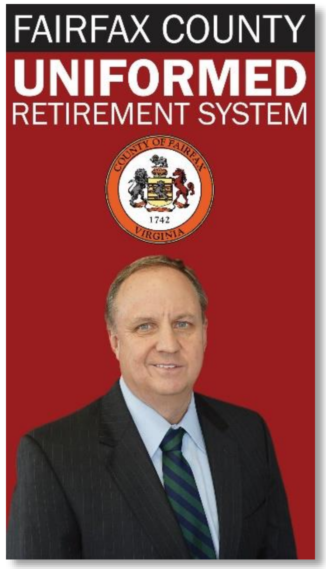
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

Ten members serve on the Fairfax County Uniformed Retirement System Board of Trustees. Four of the members are citizens appointed by the Fairfax County Board of Supervisors. Two of the members are elected by Fairfax County Fire and Rescue Department; and two are elected by the Fairfax County Sheriff's Office. The Director of Human Resources and the Director of Finance serve as Ex Officio members.

Board of Trustees



Frank H. Grace, III
Chairman
Board of Supervisors Appointee
Term Expires: July 31, 2018

Hank H. Kim
Vice Chairman
Board of Supervisors Appointee
Term Expires: August 31, 2016

Christopher J. Pietsch
Treasurer
Fairfax County Director of Finance
Ex officio Trustee

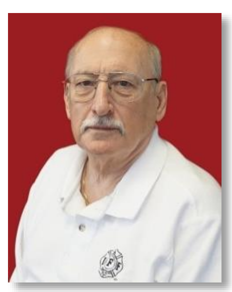
Daniel Duncan
Board of Supervisors Appointee
Term Expires: October 21, 2015

Charles E. Formeck
Elected Member Trustee
Term Expires: October 31, 2016

Richard L. Merrell
Elected Member Trustee
Term Expires: June 30, 2018

John Niemiec
Elected Member Trustee
Term Expires: June 30, 2016

Shaughnessy Pierce
Board of Supervisors Appointee
Term Expires: June 30, 2018



Thomas Simcoe
Board of Supervisors Appointee
Term Expires: December 31, 2017

Catherine Spage
Fairfax County Assistant Director of Human Resources
Ex officio Trustee

Administrative Organization

Administrative Staff

Jeffrey K. Weiler
Executive Director

Gregory A. Samay
Chief Investment Officer

Brian Morales, CAIA
Senior Investment Officer

Christopher Colandene
Retirement Administrator

Professional Services

Actuary
Cheiron
Actuaries
McLean, VA

Auditor
KPMG LLP
Certified Public Accountants
Washington, DC

Investment Managers

Acadian Asset Management, LLC
Boston, MA

Advisory Research, Inc.
Chicago, IL

Anchorage Capital Group, LLC
New York, NY

AQR Investor Services
Greenwich, CT

Ashmore Investment Management Ltd.
New York, NY

BlueCrest Capital Management, LLP
New York, NY

Brandywine Global Investment Management, LLC
Philadelphia, PA

Bridgewater Associates, LP
Westport, CT

The Clifton Group
Minneapolis, MN

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

Criterion Capital Management
San Francisco, CA

Czech Asset Management, L.P.
Old Greenwich, CT

Davidson Kempner Institutional Partners, LP
New York, NY

DoubleLine Capital, L.P.
Los Angeles, CA

Investment Managers (continued)

FrontPoint Partners, LLC
Greenwich, CT

Gresham Investment Management, LLC
New York, NY

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

OrbiMed Healthcare Fund Management
New York, NY

Pantheon Ventures, Inc.
San Francisco, CA

PIMCO
Newport Beach, CA

Siguler Guff & Company, L.P.
New York, NY 10022

Standish Mellon Asset Management
Pittsburgh, PA

Starboard Value, L. P.
New York, NY

UBS Realty Investors, LLC
Hartford, CT

Wellington Management Company, LLP
Boston, MA

Investment Consultant

NEPC
Boston, MA

Custodian Bank

BNY Mellon Asset Servicing
Pittsburgh, PA

Organization Chart

Board of Supervisors
Left to right: Catherine M. Hudgins, Michael R. Frey, John C. Cook, Gerald W. Hyland, Sharon Bulova (Chairman At-Large), Penelope A. Gross (Vice Chairman), John W. Foust, Jeffrey C. McKay, Pat Herrity, Linda Q. Smyth

Board of Trustees
(Ten Members – see page 7)
Frank Grace, Hank Kim, Christopher Pietsch, Daniel Duncan, Charles Formeck, Richard Merrell, John Niemiec, Shaughnessy Pierce, Thomas Simcoe, Catherine Spage

Executive Director
Jeffrey K. Weiler

Chief Investment Officer
Gregory A. Samay

Retirement Administrator
Christopher Colandene

Senior Investment Officer
Brian Morales, CAIA

KPMG LLP
Suite 12000
1801 K Street NW
Washington, DC 20006

Independent Auditors' Report

The Board of Supervisors
County of Fairfax, Virginia

The Board of Trustees
Fairfax County Uniformed Retirement System:

Report on the Financial Statements

We have audited the accompanying financial statements of the Fairfax County Uniformed Retirement System (the System), a pension trust fund of the County of Fairfax, Virginia which comprise the statement of fiduciary net position as of June 30, 2015, the related statement of changes in fiduciary net position for the year ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Supervisors
County of Fairfax, Virginia

The Board of Trustees
Fairfax County Uniformed Retirement System Fairfax County, VA

November 24, 2015

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2015, and the respective changes in fiduciary net position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 14-17, the schedule of changes in net pension liability and related ratios information on page 36, the schedule of net pension liability and the schedule of money weighted rate of return on page 37, the schedule of employer contributions on page 38, and the summary of significant changes to the pension system on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Supervisors
County of Fairfax, Virginia

The Board of Trustees
Fairfax County Uniformed Retirement System Fairfax County, VA

November 24, 2015
Page 3 of 3

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The introductory section on pages 1-10, the other supplementary information on page 40, the investment section on pages 41-53, the actuarial section on pages 55-73, and the statistical section on pages 75-78 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, other supplementary information, investment section, actuarial section, and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Washington, DC
November 24, 2015

Management's Discussion and Analysis (unaudited)

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, 2015. The information in this section should be reviewed in conjunction with the Letter of Transmittal located in the Introductory Section.

Overview of Financial Statements and Accompanying Information

Basic Financial Statements. The System presents the Statement of Fiduciary Net Position as of June 30, 2015 and Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2015. The Statement of Fiduciary Net Position provides a snapshot of the financial position. It reports the assets, liabilities and resulting net position restricted for pension benefits. The Statement of Changes in Fiduciary Net Position summarized the financial activities that occurred during the reporting period that increased and decreased the net position restricted for pension.

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 include detailed information that are not readily evident in the financial statements such as the accounting policies, plan membership and benefits, and summary disclosures. Specifically:

- Note 1 Describes significant accounting policies.
- Note 2 Provides a description of the System, the funding policy, and member contributions and benefits.
- Note 3 Describes investments and disclosures on interest rate, credit quality, foreign currency risk, derivatives disclosures, and security lending.
- Note 4 Describes the net pension liability, actuarial method and assumptions.
- Note 5 Explains the System's tax status.

Required Supplementary Information. The Required Supplementary Information includes the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Net Pension Liability, Schedule of Employer Contributions and Schedule of Money-Weighted Rate of Return. These schedules will be presented over 10 years as information becomes available. A Summary of Significant Changes to the Pension System is also included. Other Supplementary Information for the Schedule of Administrative Expenses and the Schedule of Investment and Consultant Expenses are included. The Required Supplementary Information and Additional Supplementary notes are immediately following the Notes to the Financial Statements.

Financial Highlights

The net position restricted for pension benefits as of June 30, 2015, and June 30, 2014, were $1.53 billion and $1.52 billion, respectively. The net position representing assets available to pay for current and future member pension benefits, increased by $8.9 million or 0.6 percent.

Total additions to fiduciary net position decreased by 66.0 percent from $277.3 million in 2014 to $94.2 million in 2015 primarily due to lower investment performance this year versus 2014.

Net investment income decreased 89.7 percent from $210.1 million in 2014 to $21.7 million in 2015. The net money-weighted rate of return on investments on a fair value basis was approximately 1.5 percent in fiscal year 2015, has decreased from 16.1 percent in fiscal year 2014.

Employer and employee contributions received totaled $72.4 million, an increase of 8.1 percent or $5.4 million compared to 2014 received contributions of $67.0 million. The total employer contributions increased from $56.1 million in fiscal year 2014 to $60.9 million in fiscal year 2015.

Total deductions from fiduciary net position increased by $6.0 million from $79.3 million in 2014 to $85.3 million in 2015. Member retirement benefit payments of $84.4 million in 2015 make up the majority of total deduction and increased by $6.0 million or 7.8 percent from $78.4 million in 2014. The number of retired members and beneficiaries receiving a benefit payment increased 3.4 percent from 1,155 to 1,194 payees as of June 30, 2015.

The net pension liability as calculated per GASB 67 as of June 30, 2015, and June 30, 2014, were $358.1 million and $264.4 million, respectively. The net position as a percentage of total pension liability as of June 30, 2015, and June 30, 2014, were 81.0 percent and 85.2 percent, respectively. The net pension liability as a percentage of covered payroll has increased from 171.7 percent in 2014 to 222.7 percent in fiscal year 2015. The covered employee payroll increased from $154.0 million in 2014 to $160.8 million in 2015.

Administrative expense have remained stable at 0.03 percent of the value of net position for fiscal year 2015.

Financial Analysis

Plan Net Position. As of June 30, 2015, the Uniformed Retirement System held a net position of $1.53 billion restricted for pension benefits. Total assets as of June 30, 2015, were $1.65 billion, representing an increase of $55.2 million, or 3.5 percent over the previous fiscal year. The main components of the increase were securities lending and slightly favorable market conditions that resulted in a total investment of $1.54 billion in fiscal year 2015 as compared to $1.53 billion in fiscal year 2014.

For fiscal year 2015, the net position of the Uniformed Retirement System increased 0.6 percent resulting in a total net position value of $1.53 billion, reflecting an increase of $8.9 million over fiscal year 2014. The growth in net position was primarily due to an increase of securities lending and slightly favorable investment performance that resulted in investment gains of $21.7 million. The following table details the Uniformed Retirement System's net position for the current and prior fiscal years:

Fiscal Year	Ending Balances (millions)	Net Change in Dollars (millions)	Net Change in Percent
2014	$1,516.7	$197.9	15.0
2015	$1,525.6	$8.9	0.6

Total liabilities as of June 30, 2015, were $120.6 million, representing an increase of $46.3 million, or 62.2 percent, over the previous year. The upturn in total liabilities is the result of an increased level of securities lending activity and an increase in cash collateral received for securities on loan.

Securities lending cash collateral increased by $29.1 million or 338.4 percent due to an increase in activities in the securities lending program. A separate account structure was implemented in fiscal year 2015 to replace a collective investment pool. The separate account now holds a large position in equity repurchase securities.

Receivables increased by $15.0 million or 26.5 percent due to the timing of investment for settled trades that occurred near year end.

The actuarial value of the assets as of the last valuation on July 1, 2014, was $1.47 billion while actuarial liabilities as of the same period were $1.79 billion. For purposes of funding, this resulted in a funded ratio of 81.7 percent. However, for purposes of GASB 67, the Total Pension Liability (TPL) as of June 30, 2015, was $1.9 billion compared to the Plan Fiduciary Net Position of $1.5 billion, which results in a funding ratio of 81.0 percent.

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.

Summary Schedule of Plan Fiduciary Net Position

Assets	**2015**	**2014**	**Difference**	**Percent of Change**
Total cash and investments	$1,536,822,449	$1,525,772,050	$11,050,399	0.7%
Cash collateral, securities lending	37,647,651	8,587,339	29,060,312	338.4%
Capital assets, net	544	816	(272)	-33.3%
Total receivables	71,746,957	56,705,621	15,041,336	26.5%
Total assets	1,646,217,601	1,591,065,826	55,151,775	3.5%
Liabilities				
Purchase of investments	(80,090,315)	(63,109,492)	(16,980,823)	26.9%
Cash collateral, securities lending	(37,647,651)	(8,587,339)	(29,060,312)	338.4%
Accounts payable and others	(2,862,155)	(2,648,950)	(213,205)	8.0%
Total liabilities	(120,600,121)	(74,345,781)	(46,254,340)	62.2%
Net position restricted for pension	$1,525,617,480	$1,516,720,045	$8,897,435	0.6%

Additions and Deductions. Total additions to the retirement fund consist of contributions from employers and active members and changes in the value of assets. Total additions decreased by $183.1 million or 66.0 percent, in fiscal year 2015 attributed primarily due to $188.4 million, less appreciation in the fair value of the investments. This is clearly a substantial reversal of the previous year's investment performance due to the favorable market environment in fiscal year 2014.

Total contributions for the fiscal year ended June 30, 2015, amounted to $72.4 million. This was an increase of $5.4 million when compared with the activity of fiscal year 2014. The employer contributions for fiscal year 2015 increased by 8.6 percent due primarily to an increase in the employer contribution rate from 36.4 percent to 37.9 percent of salary. Employee contributions increased by 5.2 percent, due to a small increase in covered payroll.

The system experienced a 26.4 percent decrease in net income from securities lending as a result of nearly 50.0 percent reduction on borrower rebates earned during the fiscal year. Albeit positive, investment returns were lower for fiscal year 2015 than 2014 reflecting moderate returns in the capital markets. Net investment income decreased from $210.1 million in fiscal year 2014 to $21.7 million in fiscal year 2015, which is consistent with the decrease in the net money-weighted investment rate of return from 16.1 percent for fiscal year 2014 to 1.5 percent for fiscal year 2015.

Total deductions to the retirement system consist of the payments of benefits to retirees and beneficiaries, the refund of contributions to former members, and the cost of administering the retirement system. The total deductions for fiscal year 2015 were $85.3 million, an increase of $5.9 million, or 7.5 percent, over fiscal year 2014. Regular pension benefits increased as the number of retirees and beneficiaries receiving benefit payments climbed to 1,194 from 1,155 in fiscal year 2014. Benefit payments also increased due to a cost-of-living increase of 0.2 percent and higher average benefits for new retirees. Refunds reflected a 26.8 percent decrease due to lower employee turnover or separation in the fiscal year.

An actuarial valuation is performed annually by Cheiron. As of July 1, 2014, the date of the most recent actuarial valuation, the funded ratio of the system was 81.7 percent. This was an increase of 2.6 percent from the July 1, 2013, valuation funded ratio of 79.1 percent. The combination of liabilities, investment results, and member and employer contributions over the last year led the funding ratio to increase. Under GASB 67 calculation, using the June 30, 2014 data rolled forward to June 30, 2015, the plan fiduciary net position as a percentage of the total pension liability was 81.0 percent. It decreased from 85.2 percent in fiscal year 2014 primarily as a result of slower growth in the plan fiduciary net position due to low investment returns than forecasted.

Summary of Additions and Deductions

Additions	**2015**	**2014**	**Difference**	**Percent of Change**
Employer contributions	$60,928,766	$56,094,690	$4,834,076	8.6%
Plan Member contributions	11,473,273	10,905,744	567,529	5.2%
Net income from investments	21,668,406	210,076,961	(188,408,555)	-89.7%
Net income from securities lending	131,855	179,071	(47,216)	-26.4%
Total Additions	94,202,300	277,256,466	(183,054,166)	66.0%
Deductions				
Benefit payments	84,440,939	78,358,943	6,081,996	7.8%
Refunds	408,486	557,938	(149,452)	-26.8%
Administrative expense	455,440	433,541	21,899	5.1%
Total deductions	85,304,865	79,350,422	5,954,443	7.5%
Net increase/(decrease)	$8,897,435	$197,906,044	($189,008,609)	-95.5%

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/.

Statement of Fiduciary Net Position

As of June 30, 2015

Assets		
Cash and short-term investments		
Equity in County's pooled cash and temporary investments	$3,266,466	
Cash collateral received for securities on loan	37,647,651	
Short-term investments	127,338,284	
Total cash and short-term investments		$168,252,401
Capital Assets		
Equipment, net	544	
Total capital assets		544
Receivables		
Accounts receivable	3,192,111	
Accrued interest and dividends	2,442,831	
Investment proceeds and other receivables	66,112,015	
Total receivables		71,746,957
Investments, at fair value		
Common and preferred stock	235,397,891	
Fixed income		
Asset-backed securities	101,143,099	
Corporate and other bonds	85,713,162	
U.S. Government obligations	35,625,703	
Pooled and mutual funds	948,337,844	
Total investments		1,406,217,699
Total assets		1,646,217,601
Liabilities		
Investment purchases and other liabilities	(80,090,315)	
Cash collateral received for securities on loan	(37,647,651)	
Accounts payable and accrued expenses	(2,862,155)	
Total liabilities		(120,600,121)
Net position restricted for pensions		**$1,525,617,480**

See accompanying notes to financial statements.

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015

Additions		
Contributions		
Employer	$60,928,766	
Plan members	11,473,273	
Total contributions		$72,402,039
Investment income		
Net appreciation in fair value of investments	3,330,400	
Interest and other investment income	13,055,028	
Dividends	10,208,440	
Total investment income	26,593,868	
Investment activity expense		
Management fees	(4,414,359)	
Custodial fees	(69,244)	
Consulting fees	(232,373)	
Allocated administration expense	(209,486)	
Total investment expense	(4,925,462)	
Net income from investment activities		21,668,406
From securities lending activities		
Securities lending income	196,700	
Securities lending expenses	(64,845)	
Net income from securities lending activities		131,855
Total net investment income		21,800,261
Total additions		94,202,300
Deductions		
Annuity benefits	75,228,455	
Disability benefits	8,101,613	
Survivor benefits	1,110,871	
Refunds of employee contributions	408,486	
Administrative expense	455,440	
Total deductions		85,304,865
Net increase		8,897,435
Net position restricted for pensions		
Beginning of fiscal year		1,516,720,045
End of fiscal year		**$1,525,617,480**

See accompanying notes to financial statements.

Notes to the Financial Statements

As of and for the year ended June 30, 2015

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.

Note 1. Summary of Significant Accounting Policies

A. 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.

B. 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 Fiduciary Net Position. 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.

C. 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, 2015, 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 change could materially affect the amounts reported in the financial statements.

Notes, continued on next page

Note 2. Summary of Plan Provisions

A. Plan Description. The Uniformed Retirement System is a single-employer defined benefit pension plan. The plan 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 five Options, Option A, Option B, Option C, Option D and Option E, which have different employee contribution rates and different benefits. Members hired after, April 1, 1997, and before January 1, 2013, are enrolled in Option D. Members hired on or after January 1, 2013, are members of Option E. 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. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or deferred retirement option program (DROP) entry. Unused sick leave is also used to increase years of service for calculating benefits and determining retirement eligibility.

The general provisions of the Uniformed Retirement System follow:

<u>Contribution Rate</u>

Member	Option A	4.0% of base salary up to the maximum Social Security wage base plus 5.75% of base salary over the wage base.
	Option B	7.08% of base salary up to the maximum Social Security wage base plus 8.83% of base salary over the wage base.
	Option C	4.0% of creditable compensation.
	Option D and E	7.08% of creditable compensation.
Employer	Option A, B, C, D and E	The rate for Fiscal Year 2015 was 37.90% of covered payroll for all Options.

<u>Benefit</u>

Normal Retirement Benefit:

Options A and B – 2.0% of average final compensation (AFC) (highest consecutive three years) multiplied by the number of years of creditable service; and it is then increased by 3.0 percent.
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

Notes, continued on next page.

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).

> **Option 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.

> **Option 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 Options 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 percent of AFC multiplied by the number of years of creditable service, increased by 3.0 percent.

Options C, D and E – 2.5 percent of average final compensation (highest consecutive three years) multiplied by the number of years of creditable service; and it is then increased by 3.0 percent. No Pre-62 Supplemental Benefits are payable under Options C, D or E. In addition, a **Pre-Social Security Supplement** is payable to members of Options C, D & E 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 percent of AFC multiplied by the number of years of creditable service, increased by 3.0 percent.

<u>Normal Retirement:</u>

Normal retirement is either age 55 with at least 6 years of service or any age with 25 years of service including sick leave. Option E members have a cap of 2,080 hours of sick leave that will count towards retirement service credit.

<u>Deferred Retirement Option Program (DROP):</u>

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. Option E members who enter DROP may use a maximum of 2,080 hours of sick leave towards retirement service credit and are not paid a Pre-Social Security benefit while in DROP.

<u>Early Retirement:</u>

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

<u>Deferred Vested Retirement:</u>

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

Notes, continued on next page.

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 40.0 percent of final compensation less workers' compensation, and less 15.0 percent of the Social Security disability benefit. The benefit for members retired on a severe service-connected disability is calculated at 90.0 percent of salary at the time of retirement less the workers' compensation benefit, and less 15.0 percent 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.

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 percent of the normal retirement benefit earned as of the date of the member's death. If the 50 percent 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 50.0 percent, 66.67 percent, 75.0 percent, or 100.0 percent 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.

Cost of Living Benefit:
Annual cost-of-living adjustments (COLAs) are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Metropolitan Statistical Area that includes Fairfax County. Members of Option A and C receive COLA increases beginning at age 55. Members of Option B and D receive COLAs beginning at retirement. COLAs are not applied to the Pre-Social Security Supplements, or other Supplemental Benefits.

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.

Note: Detailed provisions may be found in the Retirement Handbook for Active Employees.

B. Board of Trustees. Ten members serve on the Fairfax County Uniformed Retirement System. Four of the members are citizens appointed by the Fairfax County Board of Supervisors. Two of the members are elected by Fairfax County Fire and Rescue Department; and two are elected by the Fairfax County Sheriff's Office. The Director of Human Resources and the Director of Finance also serve as Ex Officio members.

Notes, continued on next page.

C. Membership. At July 1, 2014, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and beneficiaries receiving benefits	1,194
Terminated plan members entitled to but not yet receiving benefits	50
Deferred Retirement Option Program (DROP) participants	125
Active plan members	1,817
Total	**3,186**

D. Deferred Retirement Option Program. Members eligible for normal retirement may elect to enter the DROP. As a DROP member, he or she will continue to work and receive a salary for a maximum period of three years while an amount equal to what could have been received as a retirement benefit is credited to his or her DROP account (no pre-Social Security Supplements are paid into DROP accounts for Option E). The monthly benefit that will be credited to the DROP account is determined by the years of service and Average Final Compensation at the DROP entry date. During the DROP period, the retirement plan accumulates his or her accrued monthly benefit which is payable at the end of the DROP period. The DROP account balance is credited at an annual interest rate of 5 percent, compounded monthly. At the end of the DROP period, the DROP member must terminate employment with the Fairfax County Government and will begin receiving his or her monthly retirement benefit. Upon DROP exit, the retiree can elect to receive the balance of the DROP account in the form of a lump sum distribution, a rollover to another qualified plan (or IRA), or as an addition to the monthly retirement annuity. The DROP balance as of June 30, 2015, was $14,664,811.

E. Contributions. The contribution requirements of the System's members are established and may be amended by County ordinances. Option A members were given the opportunity to join Option B as of July 1, 1981, and to enroll in Option C as of April 1, 1997. From July 1, 1981, until March 31, 1997, all new hires were enrolled in Option B. Option B members were given the opportunity to enroll in Option D as of April 1, 1997. From April 1, 1997, through December 31, 2012, all new hires were enrolled in Option D. All eligible employees whose County employment commenced by reporting to work on or after January 1, 2013, are automatically enrolled in Option E. Option 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. Option 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. Option C requires member contributions of 4.0 percent of compensation. Options D and E require 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, 2015, was 34.81 percent of annual covered payroll. The decision was made to commit additional funding and a rate of 37.90 percent was adopted for fiscal year 2015. The total contributions for the fiscal year ended June 30, 2015, amounted to $72.4 million.

F. 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.

Notes, continued on next page.

Note 3. Investments

A. Investment Policy. 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.*

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. 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 following was the System's adopted asset allocation policy as of June 30, 2015. Our asset allocation policy commonly exceeds 100 percent because we monitor the target exposures to both direct investments in asset classes plus notional exposure to asset classes through derivative positions such as Futures held at the portfolio level. We also commonly include notional exposures for select Investment Managers that have a mandate from the Board to provide the System with additional asset class exposure using leverage or derivatives.

Asset Class	Target Exposure
U.S. Equities	13.0%
International Equities	14.0%
Private Equities	3.0%
Fixed Income	25.0%
Real Estate	8.0%
Alternatives	22.0%
Risk Parity	20.0%

B. Concentrations. The System does not have investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one issuer that represents 5.0 percent or more of net position 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.

Notes, continued on next page.

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

C. Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. The System's investment quality ratings at June 30, 2015, were as follows:

Type of Investment	Fair Value	Ratings	Percent of Fixed
U. S. Government obligations	$32,998,647	AA	14.8%
	448,840	BBB	0.2%
	77,935	B	0.0%
	2,100,281	CCC	1.0%
Corporate & other bonds	3,515,804	AAA	1.6%
	16,208,364	AA	7.3%
	28,330,384	A	12.7%
	17,130,016	BBB	7.7%
	5,824,827	BB	2.6%
	781,809	B	0.4%
	506,108	D	0.2%
	13,415,850	Unrated	6.0%
Asset-backed securities	792,196	AAA	0.4%
	39,376,568	AA	17.7%
	968,739	A	0.4%
	2,776,268	BBB	1.2%
	1,016,598	BB	0.5%
	1,398,352	B	0.6%
	11,274,203	CCC	5.1%
	836,713	CC	0.4%
	14,429,892	D	6.5%
	28,273,570	Unrated	12.7%
Total fixed income	**$222,481,964**		100.00%
Short-term investments			
Cash and cash equivalents	$33,684,187	Unrated	
Uniformed STIF*	93,654,097	Unrated	
	$127,338,284		

*Short Term Investment Funds

Notes, continued on next page.

As of June 30, 2015, the fixed income portfolio, excluding pooled funds consisted of 64.0 percent invested in investment grade securities, 17.3 percent invested in below-investment-grade securities and 18.7 percent invested in unrated securities.

The Barclays Capital Aggregate Bond Index (BCAG) is the standard benchmark against which the industry and the System's Board measures its fixed income portfolio performance and volatility. The System's fixed income managers have discretion, within circumscribed limits, to extend the duration of their portfolios beyond that of the 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.

E. The System's investments' sensitivity to interest rates at June 30, 2015, were as follows:

Investment Type	**Fair Value**	**Option - Adjusted Durations (yrs)**	**Percent of Fixed**
U.S. Government obligations	$35,625,703	13.5	16.0%
Corporate and other bonds	85,713,162	6.0	38.5%
Asset-backed securities	101,143,099	3.7	45.5%
Total fixed income	**$222,481,964**	4.6	100.0%
Short-term investments			
Cash and cash equivalents	$33,684,187	0.0	
Uniformed STIF	93,654,097	0.0	
	$127,338,284		

As of June 30, 2015, the System's overall fixed income portfolio duration was 4.6 years. The duration of the BCAG was 5.6 years.

F. Short term investments of $127.3 million includes a position of $93.7 million of uninvested cash held by our investment managers and cash held by the system in an enhanced short term investment fund managed by our custodian.

Notes, continued on next page.

G. 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, 2015, held in currencies other than U.S. dollars were as follows:

International Securities	Short Term Investments & Other	Convertible and Fixed Income	Equity	Total
Australian Dollar	$226	$5,273,869	$4,289,721	$9,563,816
Brazil Real	44,436	3,416,919		3,461,355
Danish Krone			6,290,010	6,290,010
Singapore Dollar			1,783,410	1,783,410
Euro Currency Unit	62,446	6,927,358	35,133,270	42,123,074
Hong Kong Dollar	229,001		7,117,075	7,346,076
Hungarian Forint		2,480,613		2,480,613
Indonesian Rupiah		3,185,053	22,802	3,207,855
Japanese Yen	1,565,223	(29,407)	45,066,576	46,602,392
Malaysian Ringgit		2,133,528	95,261	2,228,789
Mexican New Peso	16,939	10,609,212		10,626,151
New Zealand Dollar	2,587	2,460,860	85,564	2,549,011
Pound Sterling	951,089	818,799	42,902,323	44,672,211
S African Comm Rand		3,158,006		3,158,006
South Korean Won		3,228,113	1,814,711	5,042,824
Swedish Krona			3,704,469	3,704,469
Swiss Franc			7,236,857	7,236,857
Other Currencies	10,318	1,660,159	2,271,434	3,941,911
Total International	**$2,882,265**	**$45,323,082**	**$157,813,483**	**$206,018,830**

H. Derivative Financial Instruments. In accordance with the Board's investment policies, the System regularly invests in derivative financial instruments with off-balance-sheet risk in the normal course of its investing activities to enhance return on investment and manage exposure to certain risks within the System. The System also enters into derivative transactions to gain exposure to currencies and markets where derivatives are the most cost-effective instrument. Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indices. During fiscal year 2015, 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. Some securities, such as structured notes, can have derivative-like characteristics where the return may be linked to one or more indexes. Others such as asset-backed securities like collateralized mortgage obligations (CMOs) are sensitive to changes in interest rates and pre-payments. It should also be noted that the System also has exposure to derivatives indirectly through its ownership interests in certain hedge funds, mutual funds and commingled funds which may use, hold, or write derivative financial instruments.

Derivative investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Market risk results from fluctuations in interest rates and currency rates. The credit risk of these investments is associated with the

Notes, continued on next page.

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. Holders of futures contracts look to the exchange for performance under the contract and not to the other party holding the offsetting futures position. Accordingly, the amount at risk due to nonperformance of counterparties to futures contracts is minimal. For counterparties involving over the counter derivatives, the Board seeks to control this risk through counterparty credit evaluations, counterparty credit limits, and exposure monitoring procedures conducted by investment managers and staff. To address counterparty risk, the System instructs our investment managers who use swaps, forwards, and options to only enter into contracts with counterparties rated at investment grade of BBB or better by at least one nationally recognized rating agency.

At June 30, 2015, the System held all four types of derivative financial instruments: futures, currency forwards, options and swaps. Futures, currency forwards, options, and swaps contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure, enhance returns, and gain market exposure to various indices in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates, and foreign exchange rates.

Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. Derivative instruments covered under the scope of GASB 53 are reported at fair value. The changes in fair value of derivative instruments that are used for investment purposes are reported within the investment revenue classification. Gains and losses on derivative securities are determined based upon fair value as determined by our custodian and recorded in the Statement of Changes in Fiduciary Net Position.

Futures. Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and typically require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the System's financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. The notional value of the System's investment in futures contracts at June 30, 2015, is as follows:

Types of Futures	Base Exposure	Notional Cost
Cash and cash equivalents futures		
Short	($27,573,300)	($27,559,812)
Equity futures		
Long	164,454,720	168,198,100
Fixed income futures		
Long	9,967,882	10,030,367
Grand Total	**$146,849,302**	**$150,668,655**

Notes, continued on next page.

Swaps. The System enters into several types of swap contracts, in which two counterparties agree to exchange one stream of payments for another over some agreed to period of time. Swaps are used to manage risk and enhance returns. All counterparties are rated A or better. The following is information on the System's swap contracts outstanding at June 30, 2015:

	Base Exposure	Fair Value
Fixed Income Swaps:		
Interest rate swaps	$476,858	$481,042

Currency Forwards. Currency forwards represent foreign exchange contracts and are used to effect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies or to gain exposure to the change in market value of a specific currency. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the money contracts. All counterparties are rated A or better. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. The following is summary information on the System's currency forward contracts at June 30, 2015:

Foreign Currency Contracts Purchased	Notional (local currency)	Unrealized Gain/(Loss) ($US)
Brazil Real	(2,959,152)	$57,110
Euro Currency Unit	(8,764,909)	79,197
Israeli Shekel	(1,555,000)	(7,220)
Japanese Yen	(517,298,551)	(42,992)
Mexican New Peso	(1,550,733)	(118)
New Zealand Dollar	(3,430,000)	213,087
Pound Sterling	(1,134,000)	(23,299)
Singapore Dollar	(14,673)	2
Total		$275,767

Foreign Currency Contracts Sold	Notional (Local Currency)	Unrealized Gain/(Loss) ($US)
Brazil Real	2,822,209	($10,462)
Chilean Peso	2,293,100,000	(143,542)
Euro Currency Unit	1,985,000	(9,416)
Indian Rupee	218,000,000	34,431
Japanese Yen	244,707,000	22,254
Norwegian Krone	18,400,000	(21,387)
Pound Sterling	567,000	601
Swedish Krona	20,400,000	97,888
Total		(29,633)
Net Unrealized Gain/(Loss) on Foreign Currency Spot and Forward Contracts		**$246,134**

Notes, continued on next page.

Options. Option contracts may be exchanged traded or negotiated directly in over the counter transactions between two counterparties. Options holders have the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a future price and time. The System can both purchase and write options. Exchange traded options rely on the exchange for performance and the risk to non-performance of counterparties is minimal. All counterparties for over the counter options are rated A or better. The following table provides information on the System's option contracts at June 30, 2015:

Option Type	Position	Call/Put	Cost	Fair Value	Unrealized Investment Gain/(Loss) Base
Cash & Cash Equivalents	Written	Call	($42,418)	($11,600)	$30,818
	Written	Put	(39,773)	(27,260)	12,513
Total			**($82,191)**	**($38,860)**	**$43,331**

I. 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 percent and international securities of 105.0 percent. The custodian receives cash or securities as collateral from the borrower. All securities loans can be terminated on demand by either the System or the borrower. Securities received as collateral are not reported as assets and liabilities on balance sheet since the Retirement Administration Agency does not have the ability to pledge or sell the collateral securities absent borrower default.

The following represents the balances relating to the securities lending transactions at June 30, 2015:

Securities Lent	Underlying Securities	Cash Collateral Investment Value	Securities Collateral Investment Value
Lent for cash collateral			
Corporate and other bonds	$5,472,535	$5,619,959	
Common and preferred stock	30,190,942	32,027,692	
Lent for securities collateral			
US Government securities	29,954,743		$31,447,137
Corporate and other bonds	623,294		639,815
Common and preferred stock	28,883,476		32,250,184
Total	**$95,124,990**	**$37,647,651**	**$64,337,136**

Notes, continued on next page.

The System did not impose any restrictions during fiscal year 2015 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. Cash collateral is invested in a separate account with the lending agent which includes a larger allocation to equity repurchase securities. At June 30, 2015, cash collateral had a weighted-average maturity of one day. The maturities of the resulting investments generally match the maturities of the securities lending arrangements. While the System bears no risk from the failure of a borrower to return a borrowed security, it does bear risk from investing the collateral. As noted above, cash collateral is invested in the lending agent's collective investment pool. Should the collective investment pool experience a period of poor investment returns due to market turbulence or other reasons, the System can record unrealized losses on a mark-to-market basis or realized losses from the default of securities in the investment pool.

Note 4. Net Pension Liability, Actuarial Method and Assumptions

A. Net Pension Liability. The components of the net pension liability at June 30, 2015, were as follows:

Total pension liability	$1,883,674,488
Plan fiduciary net position	1,525,617,480
Net pension liability	$358,057,008
Plan fiduciary net position as a percentage of the total pension liability	81.0%

B. Actuarial Methods and Assumptions. The Total Pension Liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Discount rate, net of plan investment expenses	7.5%
Inflation	3.0%
Salary increases, including inflation	3.0% + merit
Investment rate of return, net of plan investment expenses	7.5%
Municipal bond rate	N/A
Projected period of unfunded benefit payments	None

The actuarial assumptions used have been recommended by the actuary and adopted by the System's Board of Trustees based on the most recent review of the System's experience completed in 2011. In the Schedule of Changes in Net Pension Liability, the beginning of year amount differs from the actuarial accrued liability listed in the July 1, 2014, actuarial valuation report because GASB 67 disclosures use a rollforward methodology and did not include the liability gain that was measured in the 2014 valuation.

Notes, continued on next page.

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 each 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 County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2015, was 34.81 percent of annual covered payroll. The decision was made to commit additional funding and a rate of 37.90 percent was adopted for fiscal year 2015. Since the System's adjusted funded ratio (the ratio of the sum of the actuarial value of assets and commitments already made to fund changes to the actuarial accrued liability) has fallen below 90.0 percent, the contribution rate includes a margin to amortize this shortfall back to the 90.0 percent level. In fiscal year 2011, the target was increased to a 91.0 percent level, with the 2015 fiscal year contribution it was increased to 93.0 percent, and with the 2016 fiscal year contribution it will be increased again to 95.0 percent. The intent of the County is to continue increasing the amortization target until full actuarial funding has been restored. The goal is to reach an amortization target of 100 percent in contributions at or before fiscal year 2020.

Mortality rates with adjustments for mortality improvements were based on the RP 2000 Mortality tables projected to 2015 using Scale AA.

For purposes of the GASB 67, the Total Pension Liability (TPL) was determined by applying standard update procedures to roll forward to the June 30, 2015, fiscal year-end, amounts from an actuarial valuation as of July 1, 2014.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

Notes, continued on next page.

C. Long Term Expected Rate of Return. The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of June 30, 2015, are summarized below.

Asset Class	Long Term Expected Real Rate of Return
U.S. Equities	4.5%
International Equities	5.1%
Private Equities	8.1%
Fixed Income	2.0%
Real Estate	5.3%
Alternatives	6.0%
Risk Parity	6.0%

D. Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In making this determination we assumed the outflows would equal the anticipated benefit payments from the 2014 actuarial valuation, the administrative expenses attributable to current actives were assumed to equal 0.25 percent of covered payroll. The inflows to the plan were assumed to continue at the average aggregate rate for the 2014 active population of 7.07 percent of payroll and County contributions were projected at 37.90 percent for fiscal years 2015 through 2030. After that time the County contribution was assumed to drop to the normal cost plus expenses (20.25 percent) since the unfunded actuarial liability is expected to be paid off by that time.

We also used the actual Fiduciary Net Position at June 30, 2015, in the projections.

Notes, continued on next page.

E. Sensitivity of the Net Pension Liability to Changes in Discount Rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-higher (8.5 percent) than the current rate.

Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	$660,997,647	$358,057,008	$116,918,105
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.8%	81.0%	92.9%

Note 5. Income Taxes

The Internal Revenue Service issued the System a determination letter 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 (unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios

Year Ended June 30

	2015	2014
Total Pension Liability		
Service cost	$41,720,784	$39,647,527
Interest	132,950,836	125,659,578
Changes in benefit terms	1,702,105	0
Differences between expected and actual experience	11,019,203	0
Changes in assumptions	0	0
Benefit payments, including refunds of member contributions	(84,849,425)	(78,916,881)
Net change in Total Pension Liability	102,543,503	86,390,224
Total Pension Liability - beginning	1,781,130,985	1,694,740,761
Total Pension Liability - ending (a)	$1,883,674,488	$1,781,130,985
Plan Fiduciary Net Position		
Contributions - employer	$60,928,766	$56,094,690
Contributions - member	11,473,273	10,905,744
Net investment income	21,800,261	210,256,032
Benefit payments, including refunds of member contributions	(84,849,425)	(78,916,881)
Administrative expenses	(455,440)	(433,541)
Net change in Plan Fiduciary Net Position	8,897,435	197,906,044
Plan Fiduciary Net Position - beginning	1,516,720,045	1,318,814,001
Plan Fiduciary Net Position - ending (b)	$1,525,617,480	$1,516,720,045
Net Pension Liability (Asset) - ending (a)-(b)	$358,057,008	$264,410,940
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.0%	85.2%
Covered Employee Payroll	$160,761,916	$153,979,385
Net Pension Liability as a Percentage of covered Employee Payroll	222.7%	171.7%

The total pension liability contained in this schedule was calculated by Cheiron, the System's Actuary. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Employees' Retirement System.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RSI, continued on next page.

Schedule of Net Pension Liability

Year Ended June 30

Date	2015	2014
Total Pension Liability	$1,883,674,488	$1,781,130,985
Plan Fiduciary Net Position	1,525,617,480	1,516,720,045
Net Pension Liability	$358,057,008	$264,410,940
Plan Fiduciary Net Position as a Percentage of the Total Plan Liability	81.0%	85.2%
Covered employee payroll	$160,761,916	$153,979,385
Net pension Liability as a percentage of covered payroll	222.7%	171.7%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Money-Weighted Rate of Return

Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2015	1.5%
2014	16.1%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

RSI, continued on next page.

Schedule of Employer Contributions

Fiscal Year	Actuarial Determined Contribution	Contributions in relations to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2015	$60,928,766	$60,928,766	$-	$160,761,916	37.90%
2014	56,094,690	56,094,690	-	153,979,385	36.43%
2013	53,722,160	53,722,160	-	153,491,886	35.00%
2012	50,351,335	50,351,335	-	148,924,386	33.81%
2011	45,817,015	45,817,015	-	149,924,787	30.56%
2010	40,771,184	40,771,184	-	154,086,107	26.46%
2009	40,855,102	40,855,102	-	154,403,258	26.46%
2008	39,085,662	39,085,662	-	148,445,355	26.33%
2007	36,486,832	36,486,832	-	140,280,015	26.01%
2006	32,135,984	32,135,984	-	128,956,597	24.92%

Notes to Schedule

Valuation Date	7/1/2014
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Asset valuation method	3-year smoothed market
Amortization method	Corridor method, amortize liability outside of 90% corridor over an open 15 year period with level % of payroll. In fiscal year 2011 through 2015 the target was increased to a 93% level.
Discount rate	7.5%
Amortization growth rate	3.5%
Price inflation	3.0%
Salary increases	3.0% plus merit component based on employee's years of service.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015, can be found in the July 1, 2013, actuarial valuation report.

RSI, continued on next page.

Summary of Significant Changes to the Pension System

The summary of employer and employee contribution rates during the past 5 years and other significant changes in the pension system are as follows:

Contribution Rates

Fiscal Year	Employer	Employee
2015	37.90%	7.08%, Option B 8.83 % in excess of Social Security taxable wage base.
2014	36.43%	7.08%, Option B 8.83 % in excess of Social Security taxable wage base.
2013	35.00%	7.08%, Option B 8.83 % in excess of Social Security taxable wage base.
2012	33.81%	7.08%, Option B 8.83 % in excess of Social Security taxable wage base.
2011	30.56%	7.08%, Option B 8.83 % in excess of Social Security taxable wage base.

January 2014 Service-Connected Disability Social Security offset was reduced from 25.0 percent to 15.0 percent. Board of Trustee increased from 8 to 10 members, one is appointed and one is elected by the retirees of the System.

January 2013 Employees hired on or after January 1, 2013, will be automatically enrolled in Option E. The maximum amount of accrued sick leave is capped at 2,080 hours; DROP does not include the Pre-Social Security Benefit.

Other Supplementary Information (Unaudited)

Schedule of Investment and Consultant Expense

For the Year Ended June 30, 2015

Investment Activity Expense	
Investment Manager Fees	$4,414,359
Custodial Fees	69,244
Consultant Expenses	
Consultant Expenses	232,373
Total Investment and Consultant Expenses	**$4,715,976**

Schedule of Administrative Expenses

For the Year Ended June 30, 2015

Personnel services		
Salaries and wages	$211,232	
Fringe benefits	89,230	
Total personnel services		$300,462
Professional services		
Actuarial	47,662	
Audit	6,932	
Legal	3,443	
Total professional services		58,037
Communications		
Phone charges	6,046	
Printing, binding and copying	1,653	
Postage	3,268	
Total communications		10,967
Supplies		
Office supplies	1,805	
Total supplies		1,805
Other services and charges		
Board and staff travel and development	13,764	
Professional membership	584	
Professional subscription	209	
Insurance	5,624	
Building rent	18,334	
Depreciation Expense	181	
Computer system	31,976	
Other operating	13,497	
Total other services and charges		84,169
Total Administrative Expenses		**$455,440**

County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 23, 2015

Dear Members of the Board of Trustees:

Fiscal year 2015 was a challenging environment for most major asset classes. Only select segments of the U.S. equity markets approached or exceeded our target 7.5% actuarial return. The major U.S. bond market benchmarks produced modest low single digit returns that are not inconsistent with a low interest rate environment. On the international side, non - U.S. equities and fixed income mostly generated negative returns as the U.S. dollar strengthened and commodity market turmoil heightened. Returns for risk parity managers were also under pressure and mostly negative as commodity prices fell by over 25% and other real assets such as TIPS posted low single digit declines.

For most of the past 12 months, the Federal Reserve has been a headline story as it decides when, how quickly and for how long to raise interest rates. On one side are the pundits that argue that the U.S. and global economy haven't recovered sufficiently to withstand a rate increase and on the other are those that contend that the Fed needs to eventually bring to an end this unnatural period of low interest rates to help normalize the investment landscape. Since eighty percent of the world's central banks are currently in an easing cycle, by raising interest rates the Fed would be at odds with what the global norm is. In contrast, the ECB has indicated it intends to maintain its QE program and rates through at least September 2016. In part because the U.S. Dollar is the world's reserve currency and in part due to the increasing codependency of the U.S. and international markets, Chairman Yellen is trying to balance not only what is good monetary policy for the U.S. with what is best globally. In any event, once the Fed decides to act, it will be the first rate increase since August 2006. The Fed would clearly like to restock its toolbox to be able to reduce interest rates and stimulate the economy in the next economic downturn.

Key global concerns that came into play during the year include the Greek political drama and debt negotiations that were front and center. Questions arose again about the European Union's ability to maintain solidarity among its members with austerity measures being such a prominent tool. The Ukraine/Russia conflict and continued geopolitical tensions across the Middle East were also major factors moving and concerning markets. A slowdown in China's growth rate and the related lower consumption of raw materials and a continued excess of oil globally due in part to increased supply from U.S. fracking resulted in multi-year lows in many commodities but especially oil that has

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resulted in global trade imbalances and debt and equity market disruptions as well. Weak emerging market economies impacted by weak currencies, low commodity prices, and high debt levels risk dragging the global economy into recession as real GDP growth in emerging markets has fallen to 15-year lows.

Domestically, the harsh U.S. winter weather led to a string of disappointing economic data that led the Fed to question its positive view of the economy. In spite of the harsh winter, the employment numbers have improved to 5.3% unemployment in June from 6.1% 12 months ago and real GDP growth has been a solid 2.9% for the fiscal year ending June.

Another focus of the market is that the dollar has strengthened significantly over the last 12 months and that has made U.S. goods less competitive and increased the fear that any Fed tightening will continue to support a stronger dollar and reduce the attractiveness of U.S. goods and services. In the first quarter of 2015 alone, the dollar index soared by 9% and for the full fiscal year by 19.8%. There has been a related material change in trade flows and distress in the credit markets especially in energy and material related credits. Currency devaluations like those that China has recently undertaken are more likely as a viable means to attempt to correct the balance of trade imbalances between countries as normal monetary policy options become limited.

Looking forward, the valuation landscape is as always unpredictable. Equities are not cheap by many historical standards and have had a great run since the lows of 2009 and low interest rates put a ceiling on fixed income returns. However, equities look more reasonably priced considering we are in a low interest rate and low inflation environment. As long-term investors, we strive to stay fully invested and attempt to maintain a risk balanced approach in order to meet or exceed our long-term return objective of 7.5%. We continue to believe in the value of diversification and have a healthy allocation to absolute return managers and mandates as an uncorrelated source of return versus traditional asset classes.

Domestic Equity Markets

U.S. equity markets continued to move higher for the fiscal year ending in June 2015, producing positive returns across the board. Throughout the year, equity investors faced headwinds of slowing equity returns. Although value, growth and core indexes were all positive for the year ending in June they were muted relative to fiscal year 2014. Indications of full valuations have been met with hope for continued growth, but as the markets have sustained momentum-driven results, they appear to be moving at a more cautious pace. Large cap stocks outperformed small cap stocks by +0.9% as the Russell 1000 returned +7.4% and the Russell 2000 returned +6.5%. Large cap growth outperformed large cap value with the Russell 1000 Growth up +10.6% compared to +4.1% for the Russell 1000 Value. The same trend held true to an even greater degree in smaller cap names as the Russell 2000 Growth returned +12.3% as compared with the Russell 2000 Value Index return of +0.8%.

Domestic Fixed Income Markets

Bond markets produced modest returns over the twelve-month period ending June 30, 2015. Monetary policy divergence was the dominant macro theme during the year, with the Federal Reserve tapering its quantitative-easing (QE) program and moving gently towards policy-rate normalization, while the European Central Bank and the Bank of Japan either launched or expanded their own asset purchase programs. U.S. economic growth accelerated early in the period, only to lose momentum following a meaningful appreciation in the foreign exchange value of the U.S. dollar. Inflation fell sharply during the fiscal year, driven by a steep fall in the price of oil and other commodities, while interest-rate volatility trended higher. The 10-year U.S. Treasury note ended the fiscal year yielding 2.4%, 18 basis points lower than where it had begun the period. High-quality bonds performed reasonably well under these conditions, with the Barclays U.S. Treasury Bond Index, the Barclays U.S. Aggregate Bond Index, and the Barclays U.S. Credit Index all producing returns of 2.3%, 1.9%, and 0.9%, respectively. Leveraged loans also performed well, benefiting from the widely-held view that the Federal Reserve would begin raising short-term interest rates in 2015. The Barclays U.S. High-Yield Loan Index produced a solid return of 2.0% during the period, but such performance proved to be an outlier, as lower-quality bonds generally struggled to overcome the deflationary consequences of slow economic growth, a strong U.S. dollar, and lower commodity prices. The Barclays U.S. Corporate High-Yield Bond Index returned -0.4%.

International Markets

Non-U.S. equity markets were driven lower as commodities widely fell, global economic growth moderated, and the U.S. dollar strengthened. While the U.S. Federal Reserve shifted to a neutral stance from easing, and began to signal potential tightening, other key central banks in China, Europe, and Japan were all engaged in stimulus activity. In a broadly declining commodity market oil (down 45%) and gold (down 11%) were among the headliners. Against this backdrop, Non-U.S. developed markets, as measured by the MSCI World ex-U.S. Index fell by roughly 5% in dollar terms. Emerging markets equities, as measured by the MSCI Emerging Markets Index, also fell by roughly 5%. Emerging market debt has been the clear loser for the year ending June 30, 2015 following a stellar 2014. According to the JPM GBI-EM Global Diversified Index, emerging market debt posted a return of -15.4%.

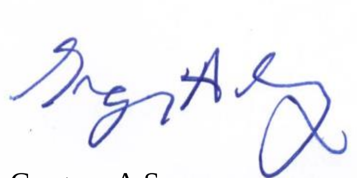
Uniformed System

For fiscal year 2015 the Uniformed Retirement System continued to focus on optimizing and diversifying the portfolio and implementing a diversified investment program to achieve the System’s strategic long-term goals. This disciplined investment process has been effective in achieving a long-term record of consistent asset growth.

For fiscal 2015, investments provided a return of 1.8%, gross of fees (1.5%, net of fees). The System’s annualized rates of return, gross of fees, were 9.4% (9.0%, net of fees) over the last three years and 10.3% (9.9%, net of fees) over the last five years. The System’s returns ranked in the 80th percentile of The NEPC universe in 2015, in the 72nd percentile for the latest 3-year period, and in the 47th percentile for the last 5 years.

During the past twelve months, the System continued to focus on further diversifying risk and implementing the previously adopted changes to long term asset allocation targets. Siguler Guff was added to the Real Estate manager lineup and new allocations were made to Private Equity as commitments were made to Pantheon Global Secondary Fund V and HarbourVest Partners X. The AQR Style Premia Fund was added to the Alternative Investment manager lineup partially replacing Artha Capital Management and Gramercy. Finally, the System's security lending program was amended to add a separate account for the investment of cash collateral, replacing a commingled account, which will allow for the use of equity repurchase and provide for indemnification from loss on repurchase transactions.

Sincerely,



Gregory A Samay
Chief Investment Officer

Investments by Category and Investment Manager**

June 30, 2015

Asset Class Manager	Investment Style	Total Fair Value	% of Total Portfolio
Domestic Equities			
Advisory Research	Small/Mid Cap Value	$53,507,583	3.5%
International Equities			
Acadian Asset Management*	Emerging Markets	66,200,562	4.3%
Marathon Asset Management - London	Developed Markets	140,971,781	9.2%
Private Equities			
HarbourVest Private Equity*	Private Equity	16,830,282	1.1%
J.P. Morgan Private Equity*	Private Equity	7,812,761	0.5%
Pantheon Private Equity*	Private Equity	10,332,866	0.7%
Fixed Income			
Anchorage Capital Partners*	Long/Short Credit	34,179,787	2.2%
Ashmore Investment Management*	Emerging Markets Debt	37,779,638	2.5%
Brandywine Asset Management	Global Bonds	75,993,306	5.0%
DoubleLine Capital	Mortgage-Backed Securities	87,201,207	5.7%
King Street Capital*	High Yield Bonds	29,371,280	1.9%
Pacific Investment Management Co. (PIMCO)	Total Return Core Bonds	79,718,633	5.2%
Pacific Investment Management Co. (PIMCO)*	Distressed Senior Credit	36,691,380	2.4%
SJC Direct Lending Fund*	Direct Lending	16,099,050	1.1%
Real Estate			
Cohen & Steers Capital Management	Global Real Estate Securities	46,990,304	3.1%
Sigular Guff*	Direct Real Estate	12,344,776	0.8%
UBS Realty*	Direct Real Estate	63,198,470	4.1%
Alternative Investments			
AQR Style Premia*	Global Macro Absolute Return Fund	30,000,000	2.0%
Bridgewater Associates*	Global Macro Absolute Return Fund	53,991,004	3.5%
Criterion Capital Management*	Long/Short Technology Fund	34,649,709	2.3%
Davidson Kempner Capital Management*	Mutli-Strategy Fund	29,076,040	1.9%
FrontPoint Partners*	Enhanced S&P 500 Index	240,651	0.0%
Orbimed Advisors*	Long/Short Absolute Return Fund	60,343,798	4.0%
Starboard Value and Opportunity*	Small Cap Value Activist	42,914,798	2.8%
Systematica Investment Services*	Global Macro Absolute Return Fund	31,772,582	2.1%
Inflation Hedges			
Gresham Inflation Hedges*	Commodities	10,418,149	0.7%
Wellington Diversified Inflation Hedges*	Commodities	29,076,486	1.9%
Balanced Portfolios			
AQR Market Advantage*	Risk Parity	144,547,869	9.5%
Bridgewater All Weather*	Risk Parity	149,128,879	9.8%
Cash and Short-term Investments			
BNY Mellon Cash Investment Strategies	Plan Level Cash Accounts	36,119,924	2.4%
Cash Held at County Treasurer	Operating Cash Account	3,270,024	0.2%
Parametric	Beta Manager	54,513,402	3.6%
Net Assets		**$1,525,286,981**	**100.0%**

* Pooled fund

** Refer to page 8-9 for complete listing of investment professionals.

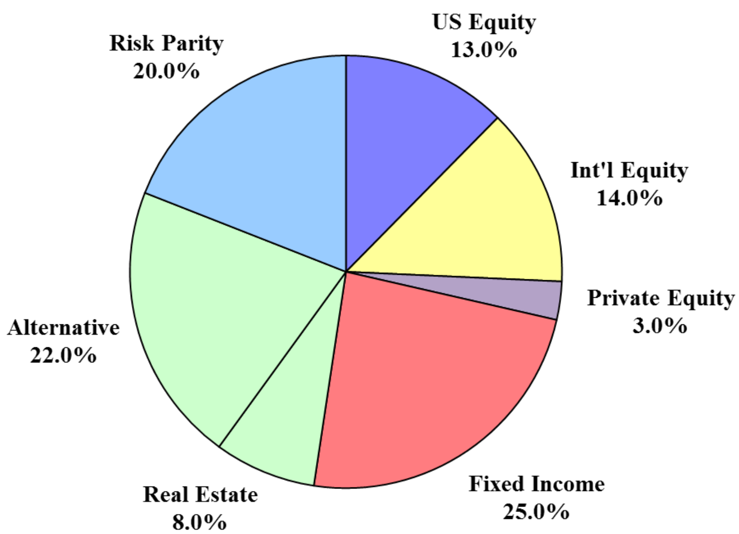
Uniformed Retirement System – Allocation of Market Exposures

Target Asset Allocation

The asset structure shown below represents the Trustees' assessment of their optimal asset allocation as of June 30, 2015. 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, 2015.

Target Market Exposure



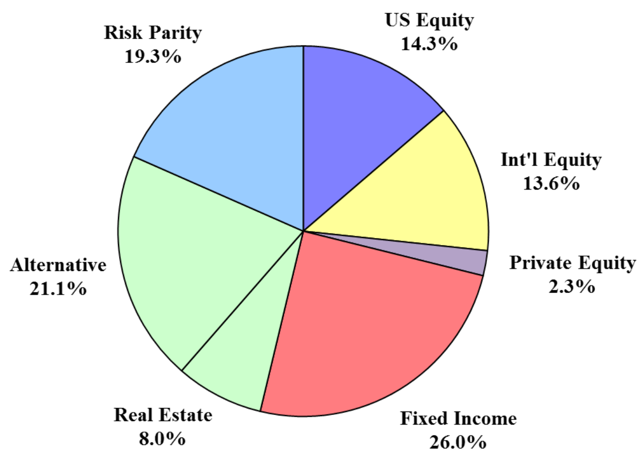
Total Exposure exceeds 100% from the addition of futures and other derivative instruments

Actual Asset Allocation as of June 30, 2015

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.

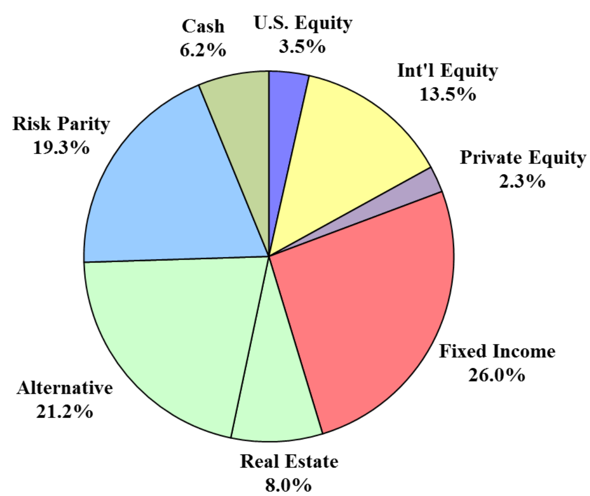
The pie chart below details the actual asset allocation as of June 30, 2015.

Actual Market Exposure



Total Exposure exceeds 100% from the addition of futures and other derivative instruments

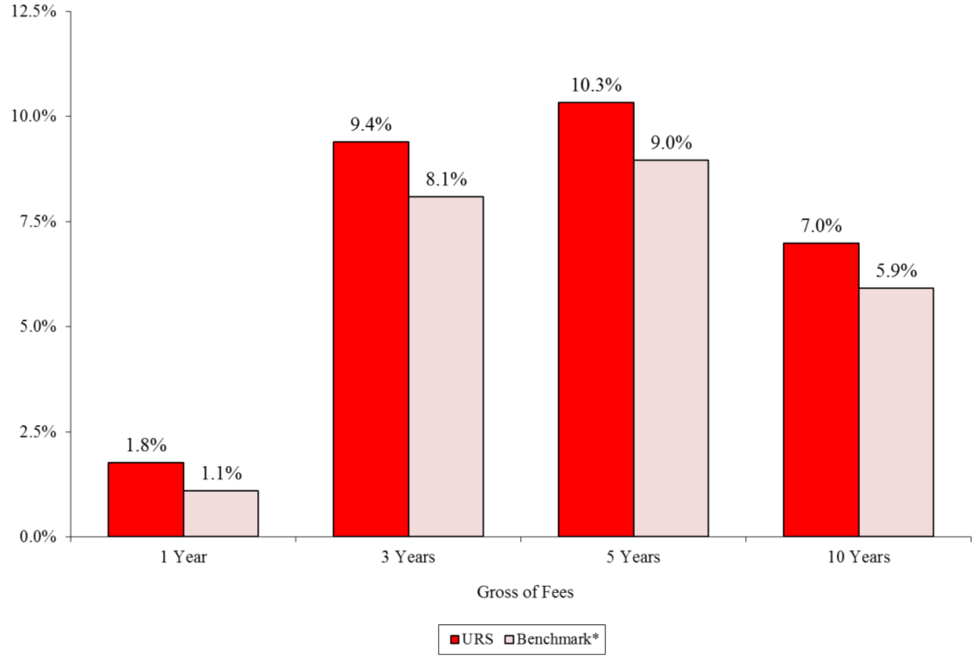
Actual Allocation of Capital



Investment Results

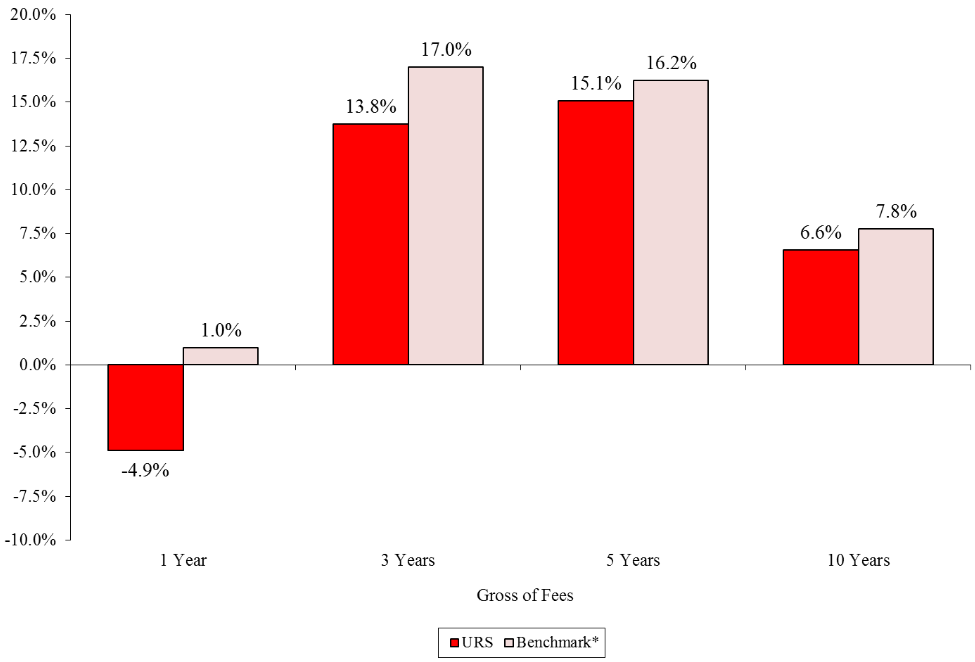
(Time weighted return, gross of fees)

Total Fund:



*Blended Benchmark. Current Benchmark: 5% MSCI Emerg Mkt Net Div, 3% JP Morgan Emerg Mkt Bond Index GD, 4% FTSE EPRA/NAREIT Developed Index, 4% NCREIF Open End Diversified Core, 5% Citigroup Wolrd Govt, 5% Credit Suisse High Yield, 12% Barclays US Aggregate, 3% Russell 2000, 9% MSCI EAFE Net Div, 10% S&P500, 2% Barclays US Treasury US TIPS, 2% Bloomberg Commodity, 3% Cambridge Associates US Private Eq, 20% Risk Parity Benchmark (-50% LIBOR BBA USD 3 Month Index, 90% Barclays Global Aggregate (USDH), 30% MSCI All Country World Net Index, 10% Bloomberg Commodity Index Total Return, 20% Barclays World Govt Inflation-Linked All Maturities USD Hdg), 13% 90 Day T-bill + 300bps

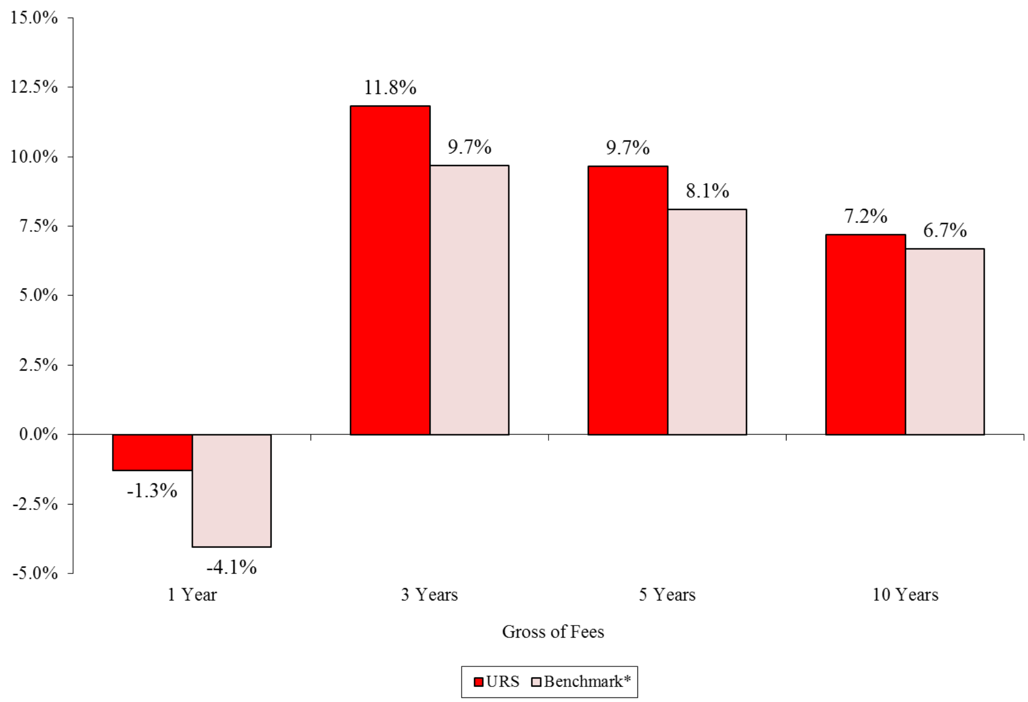
Domestic Equity:



*Benchmark: Russell 2500 Value

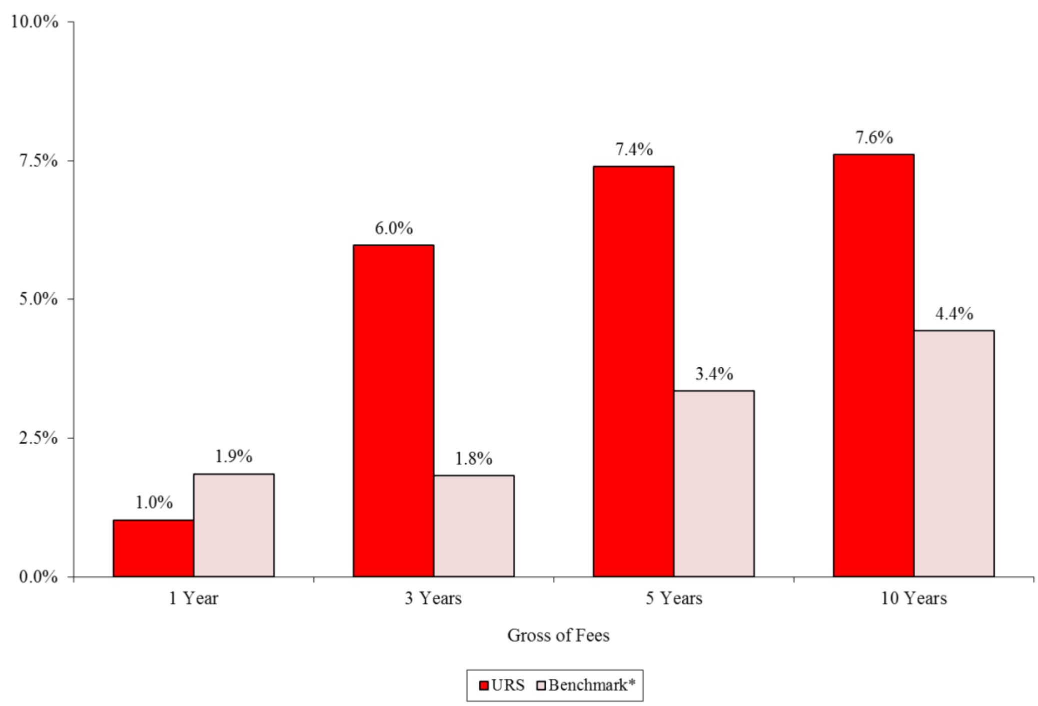
Investment Results
(Time weighted return, gross of fees)

International Equity:



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

Fixed Income:

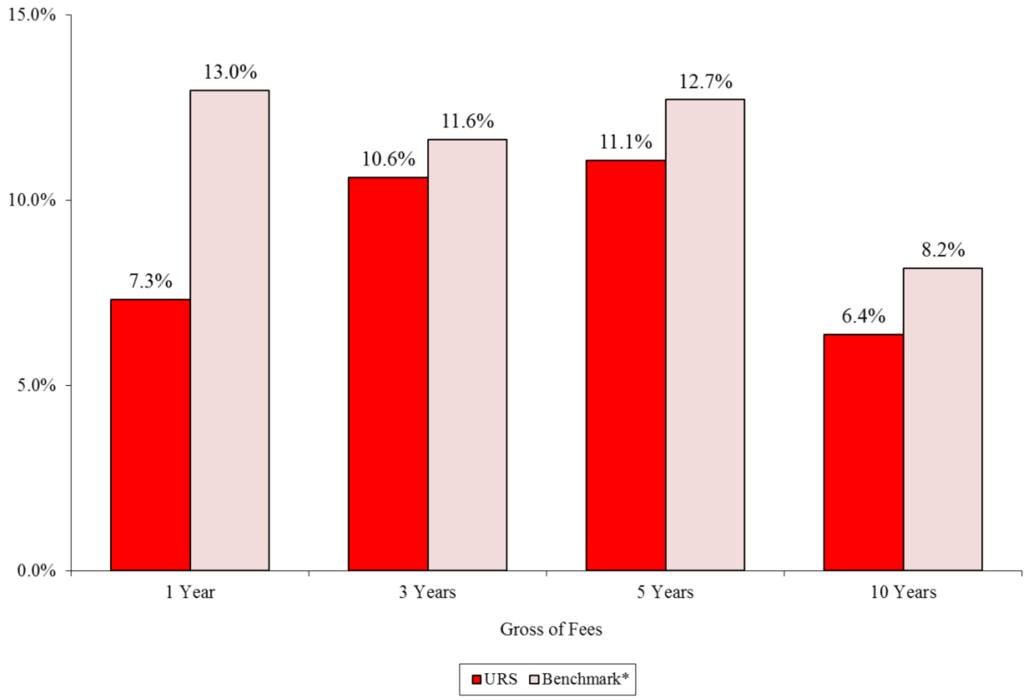


*Benchmark: Barclays Aggregate

Investment Results

(Time weighted return, gross of fees)

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
59,820	Allied World Assurance Co	$1,801,639	$2,585,420	0.17%
47,774	Klepierre	2,071,779	2,100,181	0.14%
29,387	Equity Residential	1,772,121	2,062,086	0.14%
93,000	Mitsubishi Estate Co Ltd	659,405	2,003,796	0.13%
49,730	CST Brands Inc	1,713,181	1,942,454	0.13%
48,697	Alexander & Baldwin Inc	1,509,152	1,918,662	0.13%
52,000	Nippon Telegraph & Telephone Co	1,253,305	1,884,052	0.12%
35,080	Tribune Media Co	1,870,891	1,872,921	0.12%
49,675	FNF Group	1,332,568	1,837,478	0.12%
2,726	White Mountains Insurance Group	1,180,511	1,785,366	0.12%
	Total	**$15,164,552**	**$19,992,416**	**1.32%**

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
8,140,000	U.S. Treasury Bond, 2.500, 02/15/2045	$1,757,609	$7,163,851	0.47%
6,000,000	Commit To Pur Fnma Sf Mtg, 4.000%, 08/01/2045	6,343,086	6,342,840	0.42%
5,900,000	U.S. Treasury Bond, 3.000%, 05/15/2045	5,925,406	5,782,000	0.38%
63,400,000	Mexican Bonos, 7.750%, 11/13/2042	5,306,047	4,503,117	0.30%
4,000,000	Commit To Pur Fnma Sf Mtg, 4.500%, 08/01/2045	4,317,500	4,318,120	0.28%
4,095,326	U.S. Treas-CPI Inflat, 0.250%, 01/15/2025	4,034,997	4,016,941	0.26%
3,497,886	U.S. Treas-CPI Inflat, 0.125%, 07/15/2022	3,786,024	3,471,372	0.23%
45,330,000	Mexican Bonos, 8.500%, 05/31/2029	4,092,812	3,441,947	0.23%
2,165,000	Italy Buoni Poliennali De Regs, 5.000%, 08/01/2039	2,407,411	3,097,542	0.20%
2,700,000	U.S. Treasury Note, 2.500%, 05/15/2024	2,679,973	2,746,197	0.18%
	Total	**$40,650,865**	**$44,883,927**	**2.95%**

*Full disclosure of holdings is available upon request.

Schedule of Brokerage Commissions
As of June 30, 2015

Broker Name	Base Volume	Total Shares	Base Commission	Commission Percentage
Citigroup Gbl Mkts/Salomon, New York	$2,596,692	528,551	$4,079	0.16%
Wells Fargo Securities Llc, Charlotte	838,476	49,043	1,295	0.15%
Kas Bank Nv, Amsterdam	2,694,065	145,785	4,037	0.15%
Exane, Paris	858,942	41,206	1,286	0.15%
UBS Warburg, London	1,187,702	96,987	1,737	0.15%
SG Sec (London) Ltd, London	756,210	74,561	1,079	0.14%
UBS Securities Llc, Stamford	1,223,492	21,208	1,654	0.14%
SMBC Securities, Inc New York	722,056	32,824	964	0.13%
Jonestrading Instl Svcs Llc, Westlake	956,097	42,453	1,274	0.13%
Mizuho Securities Usa Inc. New York	1,070,101	13,020	1,420	0.13%
Mitsubishi Ufj Securities, New York	660,190	23,786	859	0.13%
Mitsubishi Ufj Sec (Usa), New York	1,389,068	61,300	1,806	0.13%
UBS Warburg Asia Ltd, Hong Kong	1,155,829	310,712	1,488	0.13%
Deutsche Bk Intl Eq, London	2,392,213	1,353,699	3,076	0.13%
Goldman Sachs & Co, Ny	20,458,499	300,501	26,036	0.13%
Morgan Stanley & Co, London	1,483,956	139,651	1,853	0.12%
Credit Suisse Securities (Usa) Llc, Ny	1,232,821	51,251	1,538	0.12%
UBS Equities, London	1,812,100	878,781	2,212	0.12%
Merrill Lynch Intl London Equities	5,347,329	789,615	6,432	0.12%
SMBC Nikko Capital Markets Ltd, London	745,241	75,300	859	0.12%
Credit Suisse (Europe), London	3,847,728	584,208	4,434	0.12%
Goldman Sachs Intl, London	734,386	71,828	846	0.12%
JP Morgan Secs Ltd, London	4,342,409	299,615	4,846	0.11%
Mizuho International Plc, London	834,456	60,500	919	0.11%
Daiwa Sec Smbc Europe Ltd, London	1,064,692	137,100	1,169	0.11%
Macquarie Bank Ltd, Hong Kong	3,229,977	390,831	3,534	0.11%
Mitsubishi Ufj Secs Intl Plc, London	818,612	61,600	881	0.11%
Instinet Europe Limited, London	2,898,008	239,308	3,025	0.10%
Citigroup Global Markets Ltd, London	4,689,327	1,250,348	4,779	0.10%
Merrill Lynch Gilts Ltd, London	2,529,582	152,038	2,537	0.10%
BNY Convergex / Ljr, Houston	23,786,114	755,024	22,651	0.10%
Stifel Nicolaus	829,637	24,429	788	0.10%
Credit Lyonnais Secs, Singapore	2,156,734	306,535	2,033	0.09%
Daiwa Secs Amer Inc, New York	2,520,977	176,589	2,293	0.09%
Baird, Robert W & Co Inc, Milwaukee	883,389	26,434	800	0.09%
Credit Suisse, New York	3,488,869	530,828	3,146	0.09%
Morgan Stanley & Co Inc, Ny	5,574,807	842,402	4,955	0.09%
Sterne Agee & Leach Inc	834,334	23,053	692	0.08%
Citigroup Gbl Mkts Inc, New York	7,972,978	267,234	6,407	0.08%
Citation Group/Bcc Clrg, New York	10,693,867	302,602	8,279	0.08%
Raymond James & Assoc Inc, St Petersburg	2,056,863	60,466	1,545	0.08%
Cantor Fitzgerald Europe, London	1,007,324	296,094	704	0.07%
BTIG Llc, San Francisco	761,861	17,414	522	0.07%
J.P. Morgan Clearing Corp, New York	16,684,179	712,482	11,025	0.07%
Merrill Lynch Pierce Fenner Smith Inc Ny	7,050,964	195,851	4,227	0.06%
Macquarie Capital (Usa) Inc., New York	1,042,150	40,705	611	0.06%
Stephens Inc, Little Rock	994,044	18,938	568	0.06%
Jefferies & Co Inc, New York	1,661,975	45,487	903	0.05%
Investment Technology Group, New York	1,328,293	35,712	714	0.05%
Pershing Llc,Jersey City	659,038	9,038	309	0.05%
Other Brokers	20,184,219	3,076,659	25,791	0.13%
Total	**$186,742,872**	**16,041,586**	**$190,917**	**0.10%**

Investment Summary
(Based on Capital Allocation)

	As of June 30, 2014		As of June 30, 2015	
	Fair Value	**% Fair Value**	**Fair Value**	**% Fair Value**
Domestic Equities	$56,752,347	3.7%	$53,507,583	3.5%
International Equities	211,092,105	13.9%	207,172,343	13.5%
Private Equities	36,144,372	2.3%	34,975,909	2.3%
Fixed Income	385,582,643	25.4%	397,034,281	26.0%
Real Estate	102,617,234	6.8%	122,533,550	8.0%
Alternative Investments	320,029,766	21.2%	322,483,217	21.2%
Risk-Balanced Portfolios	280,504,396	18.6%	293,676,748	19.3%
Short-term	123,687,200	8.1%	93,903,350	6.2%
Total	**$1,516,410,063**	**100.0%**	**$1,525,286,981**	**100.0%**

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CHEIRON
Classic Values, Innovative Advice.

August 14, 2015

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

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the Fairfax County Uniformed Retirement System as of July 1, 2014. The results of that valuation are contained in a full actuarial valuation report dated February 9, 2015. The purpose of this actuarial section is to provide key information from that report. For a more complete analysis, please see the full report.

Funding Objective

The funding objective of the System is to establish contribution rates that will remain level as a percentage of payroll over time. 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 current contribution rate is based on the normal cost rate and expense rate developed in the current valuation combined with an unfunded actuarial liability rate (UAL rate) based on assumption and plan changes since July 1, 2001, and a 15-year amortization of any amount by which the System's funded ratio is outside the corridor. The County is taking steps to increase the bottom of the corridor from the originally established 90% up to 100% by 2020. The Fiscal Year (fiscal year) 2015 contribution was based on a corridor level of 93%.

Assumptions

The actuarial assumptions used in performing the July 1, 2014, 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, 2010. 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 the underlying assumptions, the results would vary accordingly.

Reliance on Others

In preparing our valuation, we relied on information (some oral and some written) supplied by the System. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standards of Practice No. 23.

Supporting Schedules

We are responsible for all supporting schedules provided in this Actuarial Section.

We are also responsible for the disclosures of Net Pension Liability and its components in the Financial Section.

Compliance with Code of Virginia §51.1-800

Code of Virginia §51.1-800 requires that the benefits provided to a retiree at age 65 from a local retirement system equal or exceed two-thirds of the allowance to which the employee would be entitled under the provisions of the Virginia Retirement System (VRS).

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 in the System do exceed two-thirds of the most valuable employer-provided accrual rates under the VRS plan.

We certify that, to the best of our knowledge and understanding, the Fairfax County Uniformed Retirement System satisfies the requirements of the Code of Virginia §51.1-800.

Certification

To the best of our knowledge, this section and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained in this section. This section does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This section was prepared for the Fairfax County Uniformed Retirement System for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this section are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron

Fiona E. Liston, FSA
Principal Consulting Actuary

Christian E. Benjaminson, FSA
Principal Consulting Actuary

Summary of Valuation Results

Overview

The primary purposes of performing the July 1, 2014, actuarial valuation of the Fairfax County Uniformed Retirement System are to:

- Measure and disclose, as of the valuation date, the financial condition of the System;
- Indicate trends in the financial progress of the System;
- Determine the contribution rate to be paid by the County for fiscal year 2016; and
- Provide specific information and documentation required by the Governmental Accounting Standards Board (GASB).

In this summary of that report, we provide:

- Actuarial commentary;
- Information about the System's assets, liabilities, contributions, and membership experience for the prior year;
- A series of graphs that highlight key trends experienced by the System; and
- A summary of all principal results from the July 1, 2014, valuation, compared to last year's, in a single table, intended for quick reference purposes.

General Comments

For this System, the funding method employed is the entry age normal funding method with a corridor method. Under this method, there are three components to the County's total contribution: the normal cost rate, the unfunded actuarial liability rate (UAL rate), and the administrative expense rate. As long as the System's actuarial funded ratio remains within a corridor of 90% to 120%, the County's total contribution is equal to the normal cost rate plus the UAL rate (which is determined based on rate changes due to amendments passed or assumption changes adopted since July 1, 2001) plus the expense rate. When the funded ratio falls outside of this corridor, an additional credit (if above 120%) or charge (if below 90%) rate is established based on a 15-year amortization equal to the amount necessary to re-enter the corridor. Once the funded ratio returns to within the corridor, the total contribution rate will return to the sum of the normal cost rate, the expense rate, and the amortization of the post-2001 changes only.

The development of the UAL rate, based on the amortization of the post-2001 changes, is shown in the table on the next page.

Changes Since 2001	**Impact on UAL Rate**
2002 Pre-Social Security Supplement	+ 2.45%
2002 Ad-hoc COLA	+ 0.25
2004 Retiree Increase	+ 1.70
2004 DROP	+ 0.53
2005 Assumption Changes	+ 0.91
2006 DPSC Transfer	+ 0.62
2007 Reduce Disability Offset	+ 0.30
2008 Reduce Disability Offset	+ 0.12
2010 Assumption Changes	+ 0.17
2013 Reduce Disability Offset	+ 0.05
2014 Reduce Disability Offset	+ 0.10
Total Increase	**+ 7.20%**

The total County contribution rate for fiscal year 2016 as calculated under this method is 33.56%, including a 5.80% charge rate to amortize the amount by which the System's funded ratio is currently outside of the corridor. This is a 1.25% decrease from the fiscal year 2015 total County rate of 34.81%. However, the County is taking steps to increase the 90% corridor floor to 100% and as a result, made their fiscal year 2015 contribution based on a 93% floor, for a total County rate of 37.90% (this rate also reflected the impact of the 2014 service-connected disability benefit offset County Ordinance change). Similarly, it is anticipated that the County will make their fiscal year 2016 contribution based on a 95% floor, for a total County rate of 38.83% instead of the 33.56%.

It is anticipated that the County will continue making their contributions based on raising the corridor floor 1% per year until a 100% corridor floor is reached with the fiscal year 2020 contribution. Once this threshold is reached, the 15-year rolling periods amortizing amounts outside of the corridor will be replaced with closed 15-year layers.

The valuation reflects a change in both liabilities and assets due to assumption changes. The liability is higher by $20.2 million due to changes in the entry age normal funding method, the sick leave assumption, and the service-connected disability benefit changes. As a partial offset to this liability impact, an additional $18.5 million was recognized into the smoothed value of assets as of July 1, 2014.

The valuation report contains information reported in the June 30, 2014, Comprehensive Annual Financial Report (CAFR) of the System under the new Governmental Accounting Standards Board (GASB) Statement No. 67. These disclosures are based on the use of update procedures to roll forward the 2013 valuation results to June 30, 2014. Note that the 2013 starting point used in these procedures is higher than the funding numbers from 2013 due to reflecting the change in the assumptions and methods in 2013 that were not reflected in the funding numbers until 2014. The calculation of the net pension liability as disclosed for the plan year June 30, 2014, is shown in Section V of the valuation report (and was included in the 2014 System CAFR's financial section). GASB 67 disclosures contained in the financial section of the 2015 CAFR are based on the same roll forward techniques, but use the 2014 valuation as their starting point.

Trends

The System outperformed the investment assumption during the fiscal year ending in 2014, causing an actuarial gain on the asset side of the System. The actual return on a market value basis was approximately 16.02%. On an actuarial value basis, the assets returned 10.05% (after recognition of the additional $18.5

million included with this valuation) compared with an assumed rate of return of 7.5%. The investment gain recognized for funding purposes was $34.5 million.

The measurement of liabilities produced a loss in fiscal year 2014 of $9.0 million. This loss was due to experience compared to our assumptions about salary increases, retirement behavior, death, etc. Specific components of the loss include:

- The average salary increase was 8.4% for active participants who were active in both the July 1, 2013 and July 1, 2014, valuations. This was more than the expected salary growth based on the actuarial assumption, which averaged 6.0%, resulting in a liability loss of $17.7 million. The annual payroll was provided as of December 31, 2013, and adjusted to July 1, 2014, which included annualizing the 4.29% increase from July 1, 2014.

- The valuation assumed a 2.75% cost-of-living adjustment in 2014 for benefits in pay status. The actual CPI-based COLA was 1.6% last year, creating a liability gain of $7.9 million.

- The 2014 valuation incorporates actual sick leave hours into both eligibility and projected benefits for active participants. The accrual of additional sick leave from 2013 to 2014 resulted in a loss of $2.5 million. The 2014 valuation is the first to include a projection of future sick leave accruals; as such, we anticipate less deviation from this assumption in future valuations.

- 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 County make contributions beginning from the date of hire. However, when we look only at the liability side, they are a component of the annual liability loss. In fiscal year 2014, they account for a $1.1 million loss.

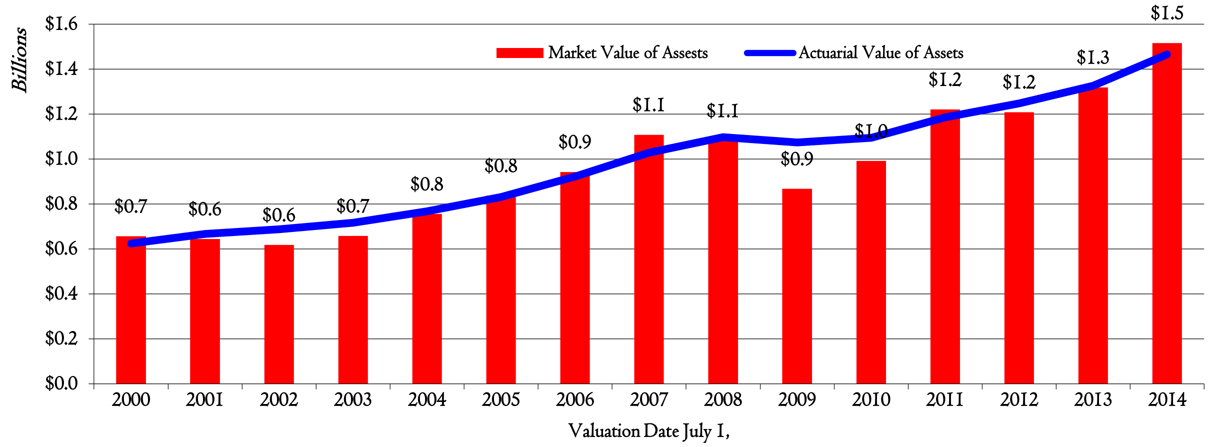
- There was a $4.4 million liability gain component that is made up of various other causes such as members terminating, retiring, dying, or becoming disabled in a way contrary to the assumption.

Finally, the County Ordinance changed the service-connected disability benefit offset from 25% to 15% of any primary Social Security benefit during fiscal year 2014. This change increased the normal cost rate by 0.01% of payroll and the unfunded liability rate by 0.10% of payroll (i.e. $1.7 million). The impact of this was already included in the fiscal year 2015 contribution rate of 37.90%.

The combination of liability and investment experience and County plus member contributions over the last year led to the System's funded ratio (actuarial value of assets over actuarial liability) increasing from 79.1% as of July 1, 2013, to 81.7% as of July 1, 2014. For purposes of measuring whether the System remains within the funding corridor, an adjusted funded ratio is used. In this ratio, there is an additional asset recognized in the amount of the unfunded actuarial liability payments being made by the County to pay for benefit increases and assumption changes. On this basis, the System's actuarial funded ratio increased from 82.4% as of July 1, 2013, to 84.5% as of July 1, 2014.

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 three pages, we present a series of charts that display key factors in the valuations over the last 15 years. After this 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.

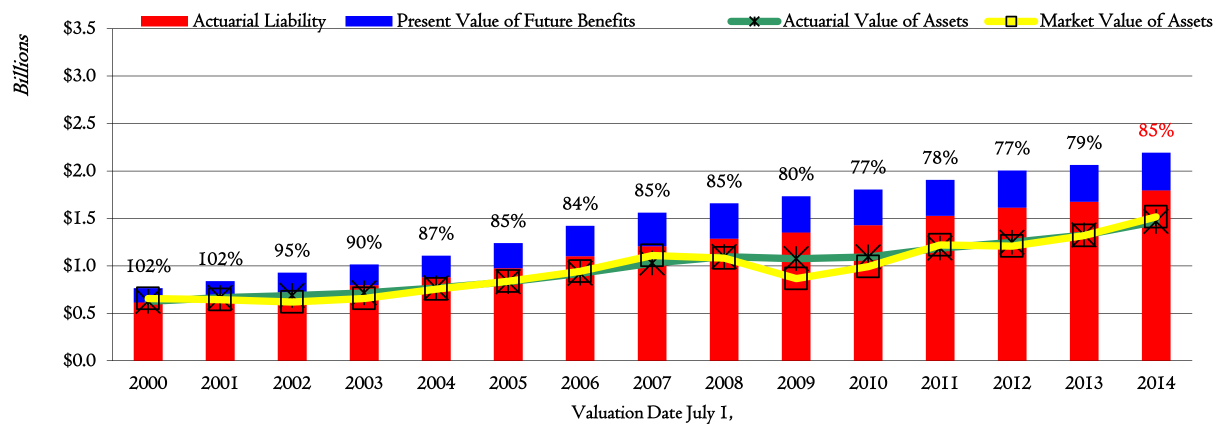
Growth in Assets



There was an increase in the market value of assets over last year due to a return of 16.0%. The actuarial value of assets increased due to the continued recognition of recent asset gains. For the 2014 valuation, the System recognized an additional $18.5 million of stored asset gains in order to reduce the total unfunded liability based on the actuarial value of assets. The System still has $50.6 million in unrecognized gains as of July 1, 2014, that will be recognized over the next few years.

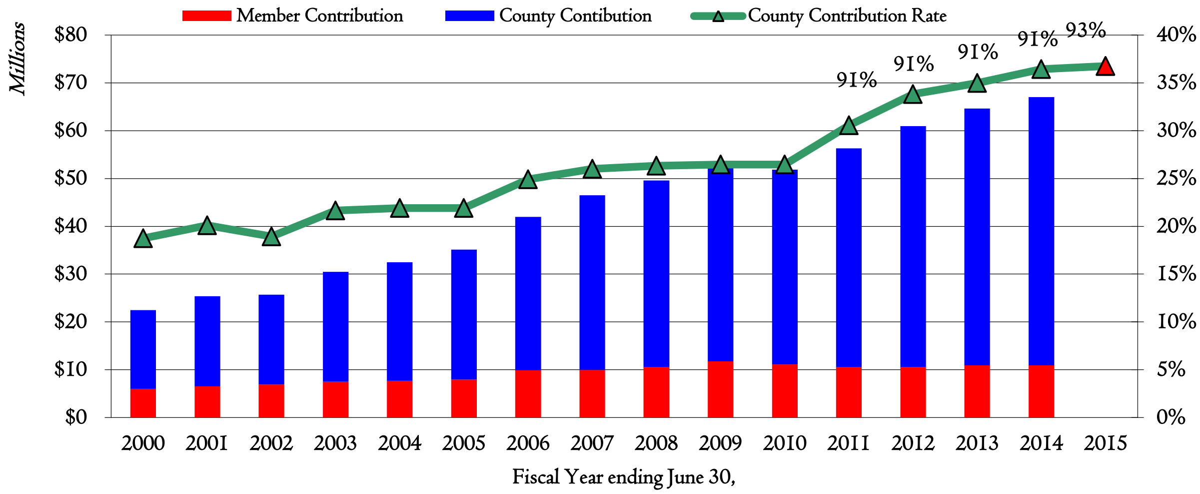
Over the period of July 1, 2000 to June 30, 2014, the System's assets returned approximately 6.1% per year measured at actuarial value, compared to the current valuation assumption of 7.5% per year.

Assets and Liabilities



The two colored bars represent the two different measures of liability developed in the valuation. 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 be needed for the current members if all assumptions were exactly met. The red bars represent the actuarial liability, or the funding target. Through the 2013 valuation, we compared the actuarial value of assets to this measure of liability in developing these funded ratios (black #s). Starting in 2014, this comparison uses the market value of assets (red #s).

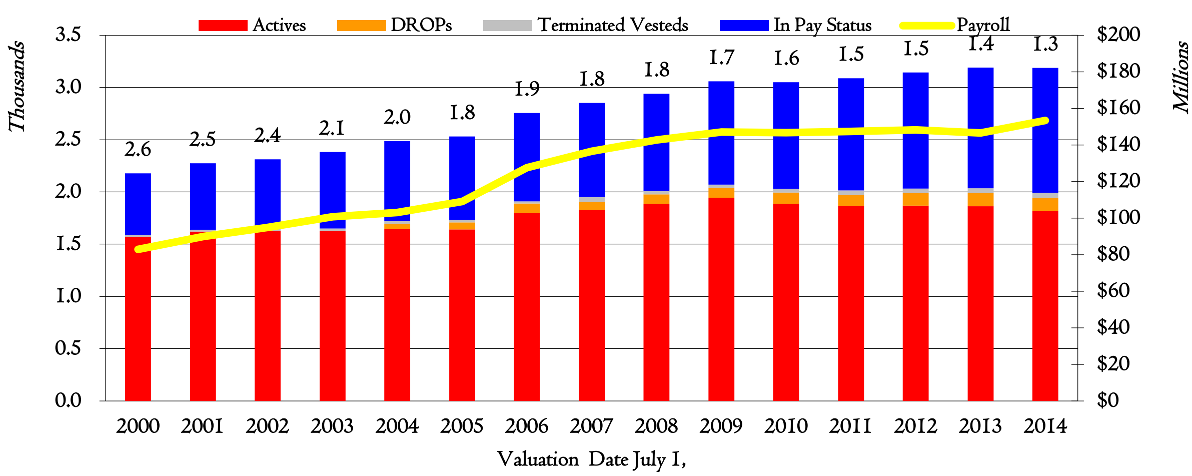
Contributions



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

The member contribution rate is set by the County Ordinance. The County contribution rate is set by the funding process as described under General Comments. Note there is a lag in the rates shown. For example, the 2014 value is the rate prepared by the 2012 valuation and implemented for the period July 1, 2013 to June 30, 2014.

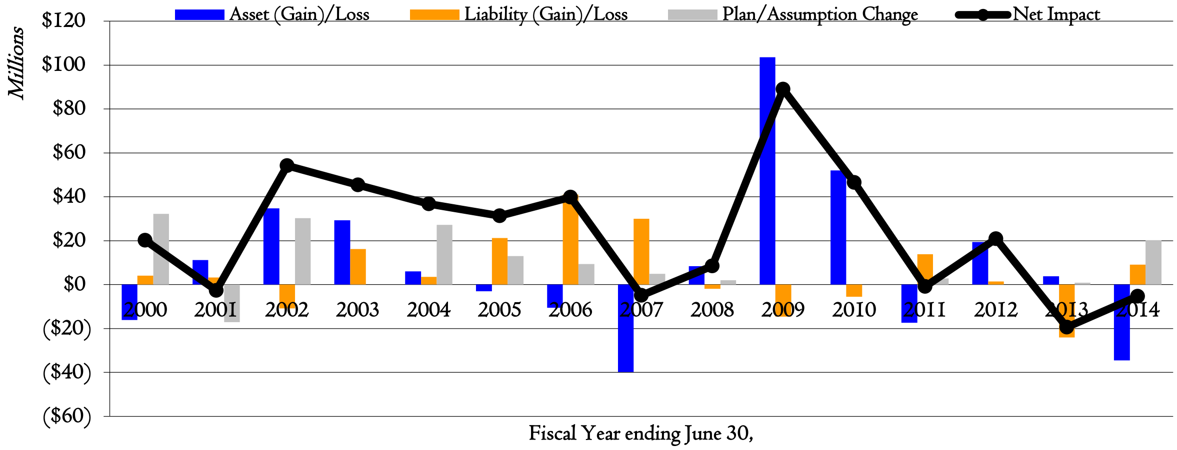
Participant Trends



As with many funds in this country, there has been a steady growth in the number of retired members as the System has matured. The active-to-inactive ratio has decreased from 2.6 actives to each inactive in 2000 to 1.3 actives for each inactive as of June 30, 2014. 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. The yellow line on the graph shows the covered payroll and is read using the right-hand scale.

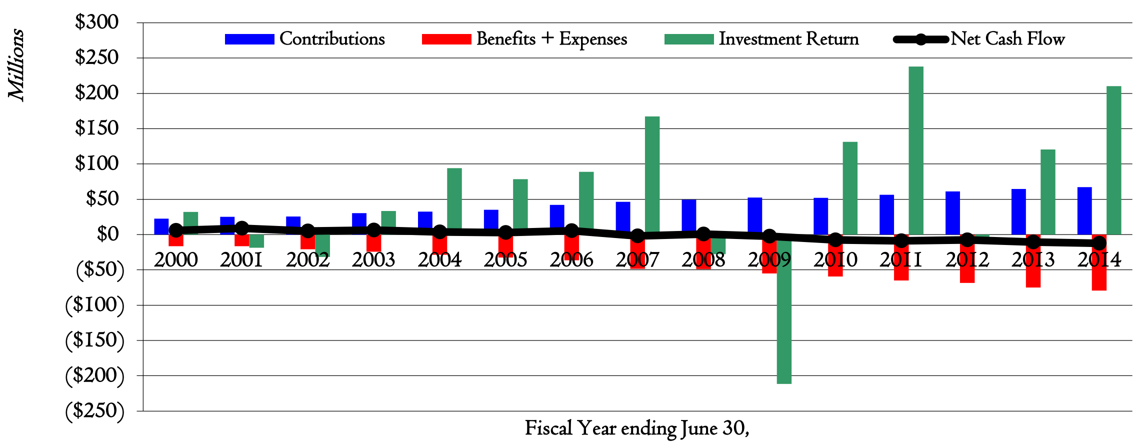
Starting in 2004, the above graph also shows the number of DROP participants. Neither County nor member contributions are made on their behalf, which leads to a slightly lower growth in effective covered payroll for this System.

Gains and Losses



This graph shows the annual gains and losses experienced by the System, along with the change in unfunded actuarial liability (UAL) due to plan amendments and changes in assumptions. 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 above shows the annual cash flows into and out of the System. The graph shows the magnitude of 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 bars), and is independent of the investment returns. Negative cash flows are expected for a mature plan such as this one. An implication of negative cash flows in a plan is that the impact of market fluctuations can be more severe. This is because as assets are being depleted to pay benefits in down markets, less principal is available to be reinvested during periods of favorable returns.

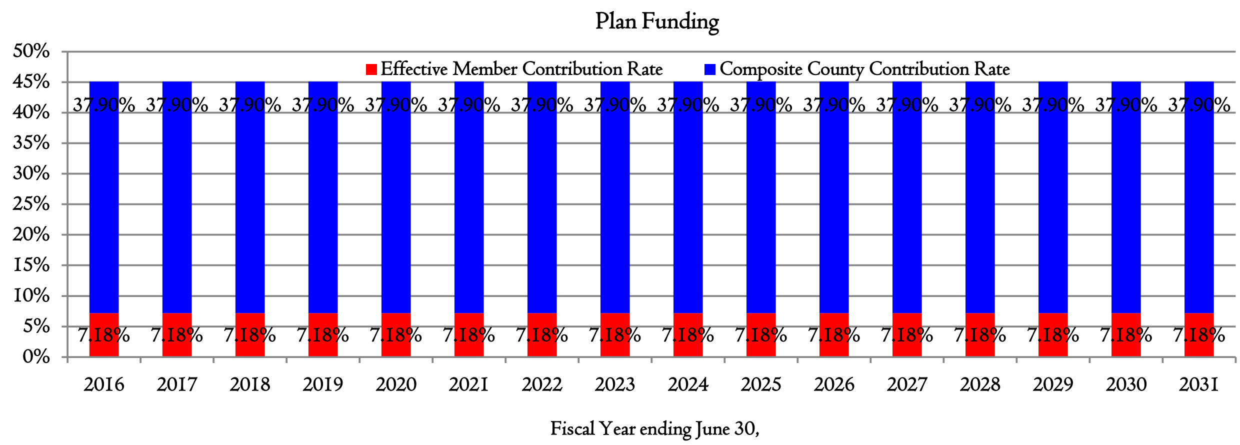
Future Outlook

Baseline Projections

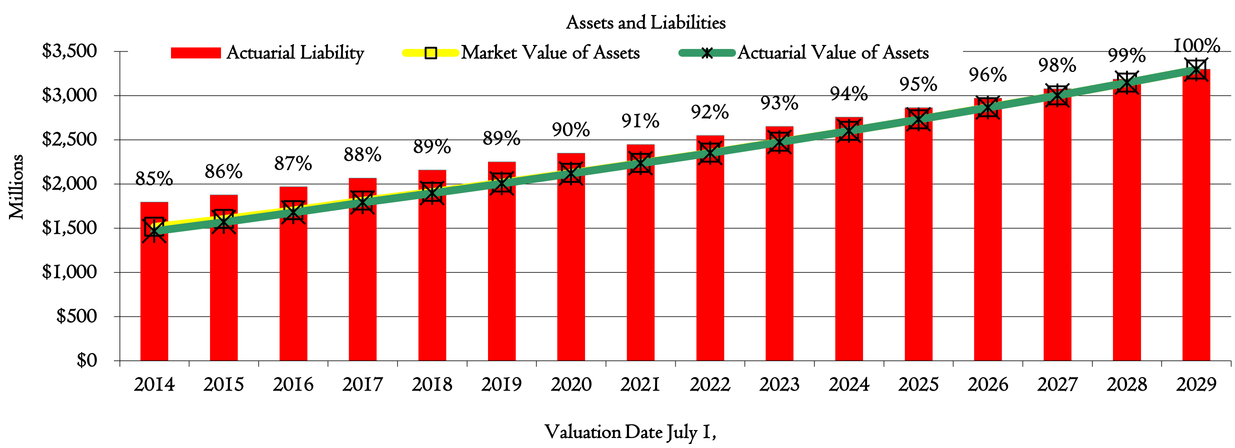
The two graphs below show the expected progress of the System over the next 15 years assuming the System's assets earn 7.5% annually on their *market value* and all other assumptions are exactly met.

While the County's policy is to contribute based on a 90% corridor floor, for fiscal year 2016, the County actually plans to contribute an amount based a higher corridor floor rate, with continued increases until the amortization target is 100% in fiscal year 2020. In addition to the increasing corridor floor, the County does not intend to reduce the contribution rate relative to the prior year until the System is 100% funded.

For purposes of the 2014 valuation report, we reflected a 1% increase in the corridor floor, with continued increases thereafter. The graph below entitled "Plan Funding" shows the contribution rates remaining at the 37.90% level throughout the projection period under this scenario.



The "Assets and Liabilities" graph shows the projected funded ratios over the next 15 years. The funded ratio slowly increases over the entire period until reaching 100% as of 2029.



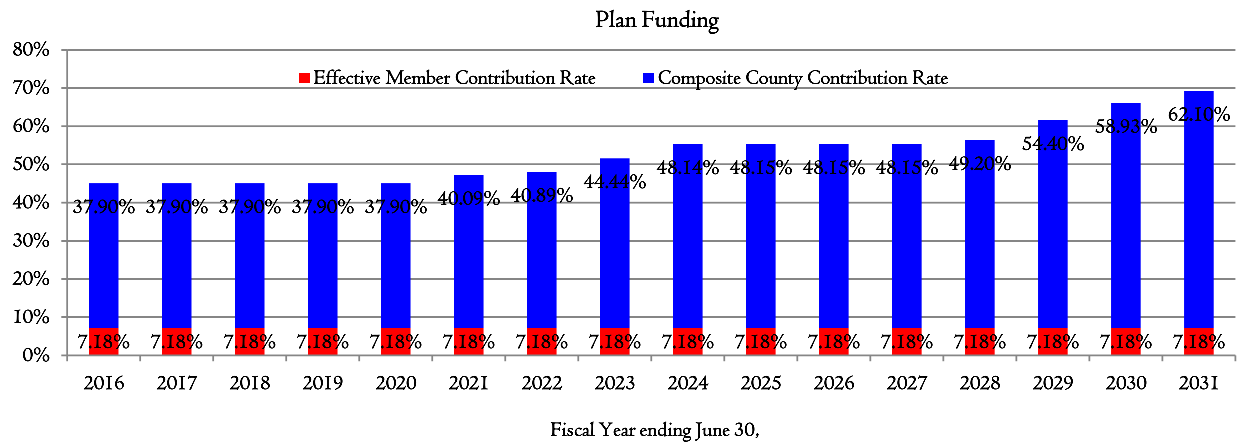
The future funding status of the System will be influenced by its investment earnings. The prior projection assumed the System would earn 7.5% each and every year, which is extremely unlikely.

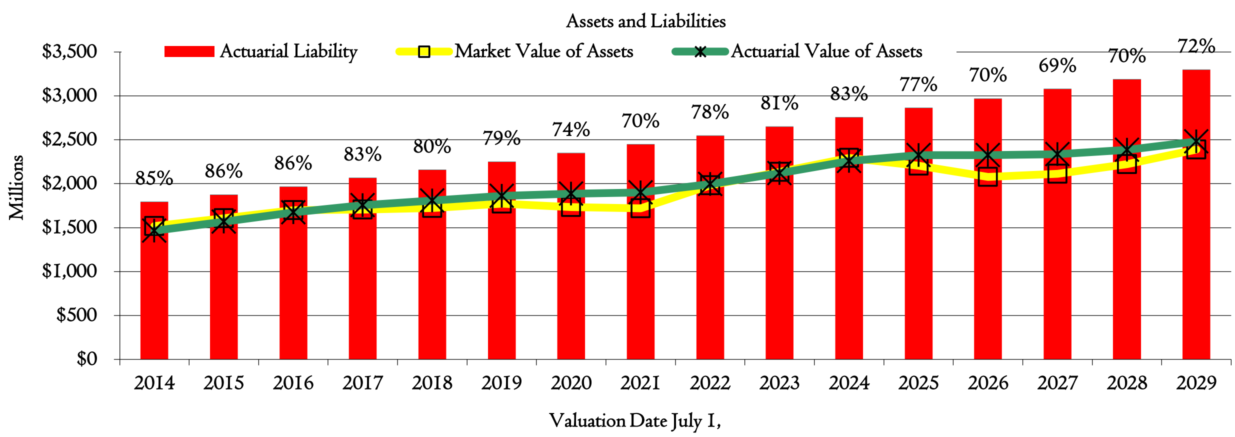
In the projections that follow, we show the risk to the System under volatile markets. In the following charts, we show results assuming returns over the next 15 years average 5.0%, 7.5%, and 10.0%. Different patterns of returns will produce different results from those shown here. In these scenarios, we continue to assume that all other assumptions are exactly met.

Fiscal Year Ending June 30,	Average 5.0%	Average 7.5%	Average 10.0%
2015	7.67%	2.34%	-5.85%
2016	7.05%	7.17%	4.54%
2017	1.67%	17.72%	18.15%
2018	2.98%	30.01%	32.56%
2019	5.16%	19.42%	-8.98%
2020	-0.19%	5.61%	12.47%
2021	1.48%	11.03%	17.81%
2022	17.59%	4.30%	-13.95%
2023	9.50%	15.60%	15.19%
2024	9.25%	-0.44%	14.83%
2025	-2.11%	2.05%	28.45%
2026	-3.75%	-8.37%	24.92%
2027	4.20%	4.65%	3.95%
2028	7.27%	-0.59%	7.37%
2029	9.17%	7.83%	10.22%
Average	**5.00%**	**7.50%**	**10.00%**

<u>Alternative Projection -- with average return of 5.0% in the period</u>

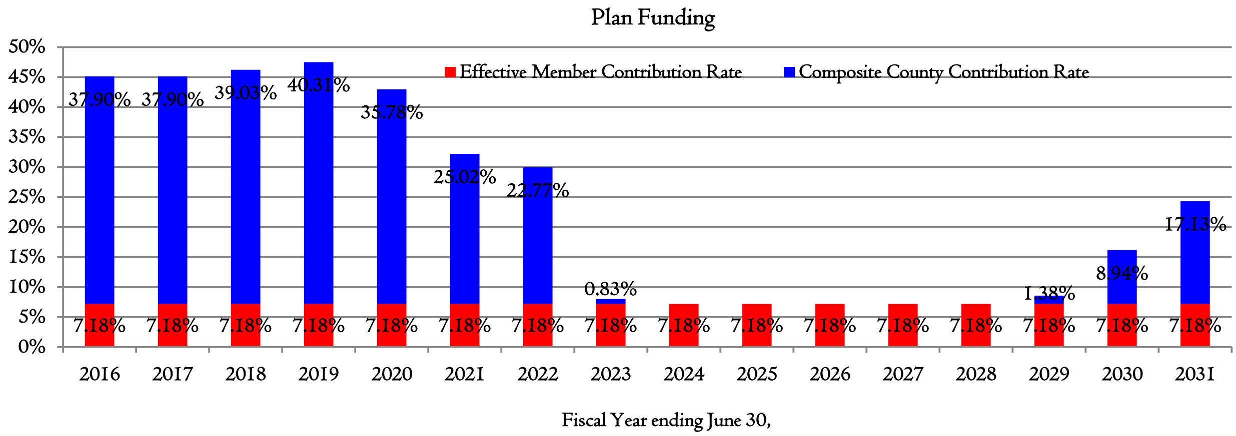
Under this scenario, the corridor contribution rate increases from 37% to about 62% of payroll by the end of the projection period. Further, the System's funded ratio drops to 69% at the lowest projected point, even with the ramping up of contributions compared to the baseline projection.

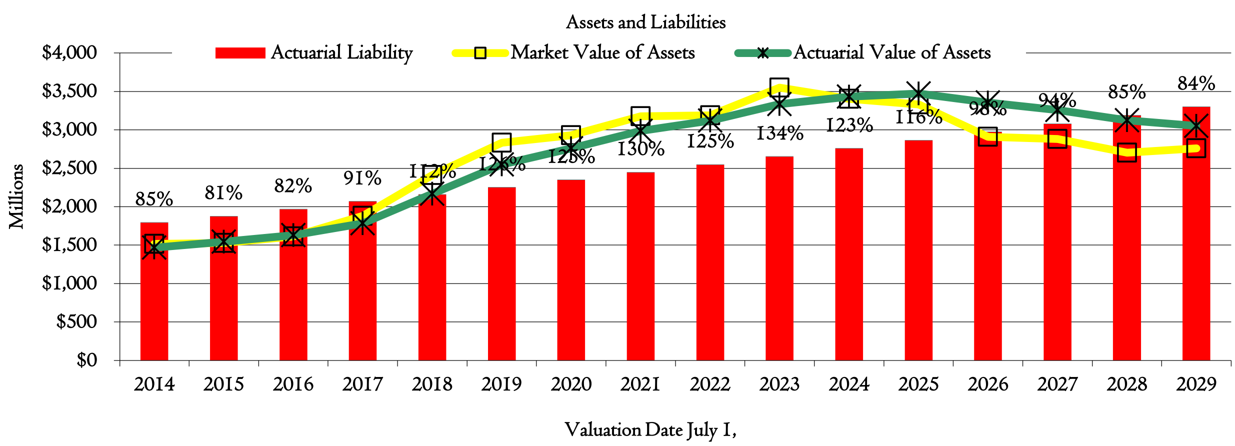




Alternative Projection – with average return of 7.5% in the period

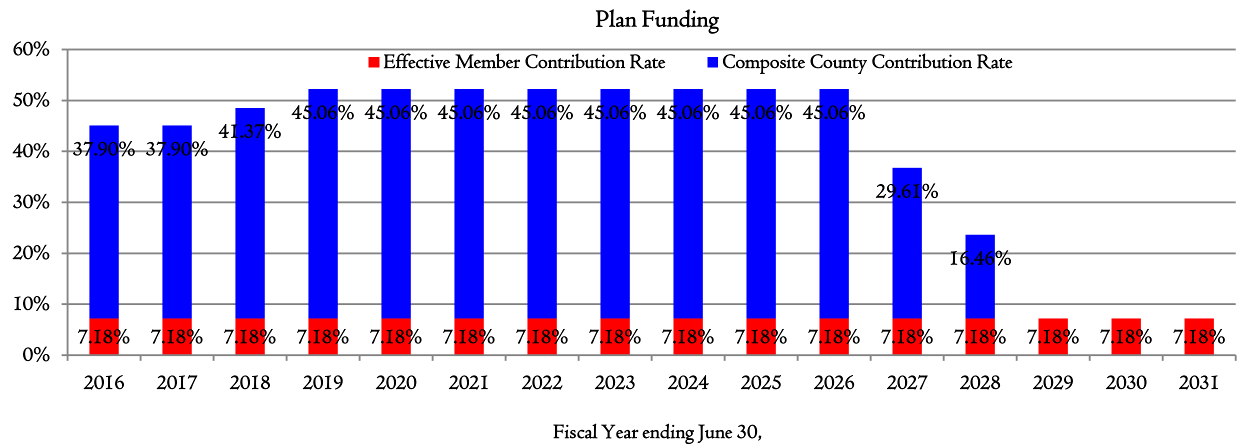
Under this scenario, the corridor contribution rate increases to 40.31% with the first two years of returns less than the 7.50% assumption. After that, the contribution rate declines when the assumed returns are higher than average, with the System reaching full funding in 2018. After that time, the contribution drops dramatically as returns continue to push the funded percent higher.

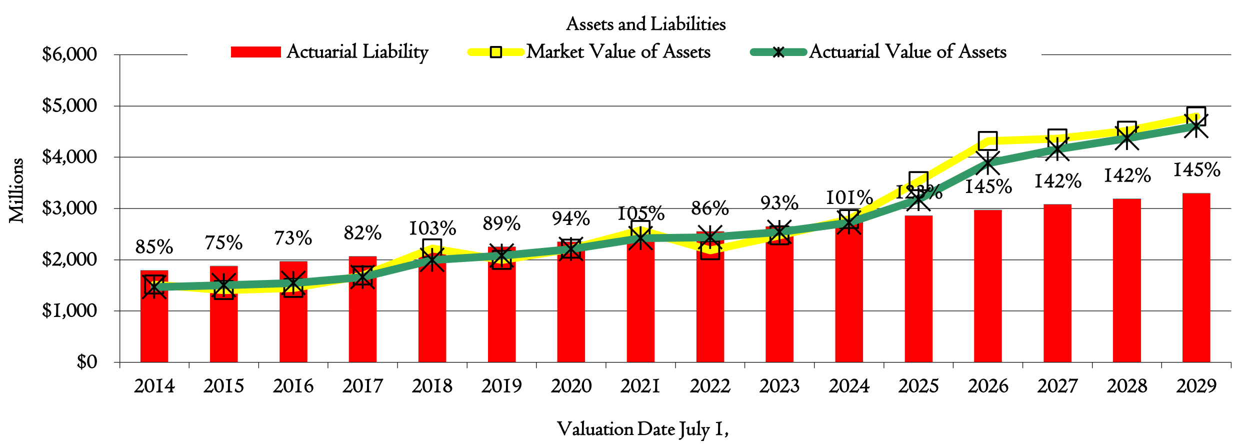




Alternative Projection -- with average return of 10.0% in the period

Similar to the prior scenario, the corridor contribution rate increases in the early years due to the assumed underperformance. The highest contribution rate of 45.06% is maintained until the System reaches full funding.





Summary of Principal Plan Results

Valuation as of:	**7/1/2013**	**7/1/2014**	**% Chg**
Participant Counts			
Actives (excluding DROPs)	1,862	1,817	-2.4%
DROPs	126	125	-0.8%
Terminated Vesteds	47	50	6.4%
In Pay Status	1,155	1,194	3.4%
Total	3,190	3,186	-0.1%
Annual Payroll of Active Members	$ 146,597,688	$ 153,456,176	4.7%
Annual Retirement Allowances for Retired Members and Beneficiaries (Base amount only – not supplements)	$ 63,939,689	$ 68,396,659	7.0%
Assets and Liabilities			
Actuarial Liability (AL)	$ 1,676,265,698	$ 1,793,852,293	7.0%
Actuarial Value of Assets (AVA)	1,326,424,772	1,466,110,756	10.5%
Unfunded Actuarial Liability (UAL)	$ 349,840,926	$ 327,741,537	-6.3%
Funded Ratio	79.1%	81.7%	
Present Value of Accrued Benefits (PVAB)	$ 1,501,617,558	$ 1,588,582,859	5.8%
Market Value of Assets (MVA)	1,318,814,001	1,516,720,045	15.0%
Unfunded Accrued Benefits Liability (not less than $0)	$ 182,803,557	$ 71,862,814	-60.7%
Accrued Benefits Funded Ratio	87.8%	95.5%	
Contributions as a Percentage of Payroll	**Fiscal Year 2015**	**Fiscal Year 2016**	
Corridor Method:			
Normal Cost Contribution	19.47%	20.31%	
Increase Due to Amortized Changes	7.10%	7.20%	
Administrative Expense Contribution	0.25%	0.25%	
Base Rate	26.82%	27.76%	
Amortize to 93%	37.79% [1]	36.72%	
Amortize to 94%	38.83%	37.78%	
Amortize to 95%	39.86%	38.83% [2]	

[1] The actual contribution rate paid by the County in fiscal year 2015 was 37.90%, which was based on amortizing to a 93% corridor floor plus the adjustment for the change to the service-connected disability benefit offset.

[2] The actual contribution rate paid by the County for fiscal year 2016 is expected to be 38.83%, based on amortizing to a 95% corridor floor.

Summary of Actuarial Assumptions and Methods

Funding Method

The entry age normal funding method is used to determine costs. Under this method, the County 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 each plan participant.

The actuarial liability is that portion of the present value of future benefits that will not be paid by future County 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.

Under the corridor funding method, the County's total contribution rate is equal to the normal cost rate plus the UAL amortization rates for changes due to assumption changes or amendments passed since July 1, 2001, plus the expense rate as long as the System's actuarial funded ratio remains within a corridor of 90% to 120%. If the funded ratio falls outside this 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 ratio is within the corridor, the contribution rate will return to the normal cost rate plus amortization of post-2001 changes plus expense rate. The County is taking steps to increase the bottom of the corridor from the originally established 90% up to 100% by 2020. The fiscal year 2015 contribution was based on a corridor level of 93%.

Actuarial Value of Assets

For purposes of determining the County contribution to the System, 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.

In 2014, there was an additional recognition of $18.5 million of the remaining balance of past investment gains.

Changes since Last Valuation

The System moved from the new entrant variation of the entry age normal funding method to the individual method.

In addition to the standard recognition from the System's actuarial valuation method, there was an additional recognition of $18.5 million of the past investment gains.

Long Term Assumptions Used to Determine System Costs and Liabilities
Demographic Assumptions
Non-Disabled Mortality

Annual Deaths Per 10,000 Members
RP-2000 Mortality Projected to 2015*

Age	Male	Female
20	3	2
25	3	2
30	4	2
35	7	4
40	10	6
45	12	9
50	16	13
55	27	24
60	53	47
65	103	90
70	177	155
75	306	249
80	554	413
85	997	708
90	1,727	1,259
95	2,596	1,888
100	3,394	2,339
105	3,979	2,931

* 5% of deaths are assumed to be service-connected.

Disabled Mortality

Annual Deaths Per 10,000 Disabled Members
RP-2000 Mortality Project to 2015
with Ages Set Forward 5 Years

Age	Male	Female
40	12	9
45	16	13
50	27	24
55	53	47
60	103	90
65	177	155
70	306	249
75	554	413
80	997	708

Termination of Employment (Prior to Normal Retirement Eligibility)

Annual Terminations Per 1,000 Members		
Service	**Sheriffs**	**Non-Sheriffs**
0	135	120
5	43	18
10	10	8
15	5	5
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 all be 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	**Less than 24 years of Service**	**Greater than 23 years of Service**
Less than 55	0	350
55-64	350	350
65 and Older	1,000	1,000

* 75% are assumed to DROP

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

Year of Service	Merit/Seniority Increase*
0	8.0%
5	5.0%
10	1.5%
15	3.0%
20	1.8%
25	1.8%
30	1.8%

* There is a spike of 3.5% 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 three years younger than the male spouse is.

Sick Leave Credit

Unused sick leave balances as reported for each active member are used as of the valuation date. Future sick leave accruals are assumed to accrue at 50% of each participant's annual average, but capped at 124 hours per year.

Economic Assumptions

Investment Return:	7.50% compounded per annum.
Rate of General Wage Increase:	3.00% compounded per annum.
Rate of Increase in Cost-of-Living:	2.75% compounded per annum.*
Total Payroll Increase (For Amortization):	3.00% compounded per annum.
Administrative Expenses:	0.25% of payroll.

* Benefit increases are limited to 4% per year.

Changes since Last Valuation

A sick leave accrual assumption has been added to project sick leave as part of future benefit and service accruals.

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	2009	2010	2011	2012	2013	2014
Investment Income	$ (103,521,233)	$ (52,003,538)	$17,409,148	$(19,330,917)	$(3,805,385)	$34,542,175
Combined Liability Experience	14,593,398	5,509,116	(13,747,922)	(1,456,752)	24,088,845	(9,026,264)
Gain (or Loss) During Year from Financial Experience	$(88,927,835)	$ (46,494,422)	$3,661,226	$(20,787,669)	$20,283,460	$25,515,911
Non-Recurring Items	0	0	(2,808,343)	0	(813,016)	(20,177,168)
Composite Gain (or Loss) During Year	**$(88,927,835)**	**$ (46,494,422)**	**$852,883**	**$(20,787,669)**	**$19,470,444**	**$5,338,743**

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
2009	61	$4,129,358	10	$469,400	987	$49,434,975	8.00%	$50,086
2010	51	4,614,464	17	549,813	1,021	53,499,626	8.22%	52,399
2011	66	5,869,824	12	546,541	1,075	58,822,909	9.95%	54,719
2012	45	4,704,657	11	481,168	1,109	63,046,398	7.18%	56,850
2013	57	5,446,162	11	610,907	1,155	67,881,653	7.67%	58,772
2014	64	5,865,807	25	1,033,836	1,194	72,713,625	7.12%	60,899

Solvency Test
Aggregate Accrued Liabilities For

Valuation Date July 1,	(1) Active Member Contributions	(2) Retirees, Vested Terms, Beneficiaries & DROP	(3) Active Members (County Financed Portion)	Reported Assets	Portion of Accrued Liabilities by Reported Assets (1)	(2)	(3)
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%
2011	120,040,592	896,003,321	510,174,331	1,185,593,678	100%	100%	33%
2012	120,373,016	981,922,550	511,358,566	1,247,526,438	100%	100%	28%
2013	130,979,546	1,042,085,650	503,200,502	1,326,424,772	100%	100%	30%
2014	137,482,080	1,094,584,634	561,785,579	1,466,110,756	100%	100%	42%

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Statistical Section (unaudited)

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
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
2012	10,603,097	50,351,335		33.81%	(4,168,239)	56,786,193
2013	10,937,857	53,722,160		35.00%	120,417,604	185,077,621
2014	10,905,744	56,094,690		36.43%	210,256,032	277,256,466
2015	11,473,273	60,928,766		37.90%	21,800,261	94,202,300

The transfer in FY 2006 was a transfer of assets supporting the future benefits 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
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
2012	67,361,605	599,188	372,770	68,333,563
2013	73,914,711	779,395	434,117	75,128,223
2014	78,358,943	557,938	433,541	79,350,422
2015	84,440,939	408,486	455,440	85,304,865

Schedule of Benefit Payments by Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
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
2012	58,531,116	7,751,042	339,101	740,346	67,361,605
2013	64,917,112	7,771,437	341,271	884,891	73,914,711
2014	69,212,758	7,808,253	356,140	981,792	78,358,943
2015	75,228,455	7,771,270	330,343	1,110,871	84,440,939

Please note, the following charts represent information which is consistent with the underlying data used to determine the liability in both the financial and actuarial sections. Data for fiscal year 2015 will be updated next year.

Schedule of Retired Members by Benefit Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
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
2012	878	187	18	26	1,109
2013	925	185	17	29	1,156
2014	967	176	17	34	1,194

Schedule of Average Monthly Benefit Amounts

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Average
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	4,945	3,439	1,570	2,122	4,560
2012	5,127	3,571	1,614	2,122	4,737
2013	5,285	3,607	1,624	2,422	4,891
2014	5,457	3,809	1,609	2,492	5,075

Schedule of Average Benefit Payments

Years of Credited Service *	2-4	5-9	10-14	15-19	20-24	25-29	30+
Period 7/1/2005 to 6/30/2006							
Average Monthly Benefit **	$0	$809	$1,722	$2,506	$3,440	$4,272	$5,624
Average of Final Monthly Salaries	0	4,965	4,993	5,651	6,799	6,777	6,228
Number of Retirees	0	3	1	4	9	31	6
Period 7/1/2006 to 6/30/2007							
Average Monthly Benefit **	432	655	1,990	2,555	2,970	4,812	6,077
Average of Final Monthly Salaries	4,757	3,165	5,418	5,953	6,348	6,964	7,017
Number of Retirees	1	1	3	5	6	47	16
Period 7/1/2007 to 6/30/2008							
Average Monthly Benefit **	0	745	1,409	2,941	3,423	5,110	5,646
Average of Final Monthly Salaries	0	4,483	6,026	6,190	7,129	7,770	6,990
Number of Retirees	0	3	1	2	12	24	1
Period 7/1/2008 to 6/30/2009							
Average Monthly Benefit **	4,041	1,342	1,710	2,435	3,679	5,499	6,363
Average of Final Monthly Salaries	3,661	5,159	5,429	6,861	7,134	8,117	8,328
Number of Retirees	1	4	4	1	10	28	6
Period 7/1/2009 to 6/30/2010							
Average Monthly Benefit **	0	818	0	2,230	3,924	5,326	8,098
Average of Final Monthly Salaries	0	4,293	0	5,798	8,113	8,047	9,781
Number of Retirees	0	1	0	3	7	31	8
Period 7/1/2010 to 6/30/2011							
Average Monthly Benefit **	477	1,980	1,944	2,527	4,331	5,381	6,873
Average of Final Monthly Salaries	4,144	4,950	6,538	6,318	7,929	8,239	8,612
Number of Retirees	1	1	3	1	10	38	7
Period 7/1/2011 to 6/30/2012							
Average Monthly Benefit **	0	760	2,455	0	3,732	5,262	7,355
Average of Final Monthly Salaries	0	4,321	6,137	0	7,510	8,205	9,284
Number of Retirees	0	2	1	0	3	30	6
Period 7/1/2012 to 6/30/2013							
Average Monthly Benefit **	458	0	2,188	3,155	4,343	5,871	7,410
Average of Final Monthly Salaries	5,345	0	5,470	7,119	7,631	9,044	9,875
Number of Retirees	1	0	1	1	4	37	7
Period 7/1/2013 to 6/30/2014							
Average Monthly Benefit **	0	940	2,094	4,189	4,895	5,419	7,983
Average of Final Monthly Salaries	0	4,640	6,514	8,674	7,872	8,363	10,169
Number of Retirees	0	2	2	1	6	33	9

* The Years of Credited Service is the service used in the determination of benefits, which may be different than service for eligibility.

** Does not include supplements.

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FAIRFAX COUNTY Retirement SYSTEMS

EMPLOYEES' POLICE Officers UNIFORMED

10680 Main Street, Suite 280, Fairfax, VA 22030