

Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Employees' Retirement System

The Maryland-National Capital Park and Planning Commission

Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Introduction

This Popular Annual Financial Report (PAFR) summarizes the Maryland-National Capital Park and Planning Commission Employees' Retirement System's (ERS) more detailed 2011 Comprehensive Annual Financial Report (CAFR) which is prepared in conformity with generally accepted accounting principles. The CAFR provides in-depth information about the financial, investment and actuarial aspects of the ERS. Copies of the CAFR are available at the ERS Office and on our website at <http://ers.mncppc.org>.

About the Employees' Retirement System

The ERS covers employees of the Maryland-National Capital Park and Planning Commission (Commission). The ERS was established in 1972 as a single employer defined benefit pension plan. Today, the ERS consists of four defined benefit pension plans: Plan A, the original plan; Plan B, for non-police, integrated with Social Security; and Plans C and D, for park police.

The Board of Trustees (Board) administers the ERS in accordance with the Trust Agreement between the Board and the Commission. The Board's main responsibility is to administer the ERS for the sole benefit of the members and to ensure payment of the promised benefits.

The administrative operations of the ERS are the responsibility of the Administrator and the Staff who are employed by the Board.

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Elizabeth M. Hewlett, Chairman
Prince George's County Commissioner
Term expires: 6/30/2013

Casey Anderson, Vice Chairman
Montgomery County Commissioner
Term expires: 6/30/2014

Khalid Afzal
Montgomery County Open Trustee
Term expires: 6/30/2012

Patricia Colihan Barney
Executive Director
Ex-Officio

Richard H. Bucher, Ph.D.
Prince George's County Public Member
Term expires: 6/30/2014

Lynn Kelly
Prince George's County Open Trustee
Term expires: 6/30/2012

Josh Ardison
MCGEO Represented Trustee
Term expired: 6/30/2013

Guy Jones
FOP Represented Trustee
Term expires: 6/30/2013

Elton F. King
Montgomery County Public Member
Term expires: 6/30/2014

Barbara Walsh
Bi-County Open Trustee
Term expires: 6/30/2014

Joseph C. Zimmerman, CPA
Secretary-Treasurer
Ex-Officio

Message from the Chairman

I am honored and delighted to return as the newly elected Chairman of the Board of Trustees ("Board"), serving the Commission's 3,500 employees and retirees. As Chair, it is also my pleasure to present this 2011 *Popular Annual Financial Report* to you.

As you know, the ERS' recovery from the credit market crisis began in fiscal year 2010 with a 14.7% return and has continued in fiscal year 2011 with a 21.9% return. This solid performance is a direct result of the Board's efforts beginning in early 2009 to further diversify and restructure the portfolio.

While pleased with performance over the last two years, the Board recognizes that volatility in the markets is likely to continue for some time. The Board strongly believes that diversification is the key to the long-term protection and growth of the ERS. To that end, an Asset/Liability Study is scheduled for the early 2012. The study will explore alternative portfolio structures, the expected risk versus reward and whether further restructuring is prudent at this time.

I express my deepest appreciation to former Board Chairman Samuel J. Parker, Jr. for his leadership and pursuit of excellence. The past year's accomplishments and performance were achieved largely under his tenure and for that I thank him. I also thank the current trustees and staff for their continued dedication, commitment, and diligence during these turbulent times.

Kind regards,

Elizabeth M. Hewlett
Chairman, Board of Trustees

Members and Benefits

Members

As of the July 1, 2010 actuarial valuation:

Active employees	2,203
Retirees and Beneficiaries	1,067
Vested Members	<u>230</u>
Total Membership	<u>3,500</u>

The ERS is a defined benefit pension plan. That means the retirement benefit paid is a guaranteed benefit, based on a definite formula. It does not depend on employee contributions made to the ERS, nor the amount of investment income the ERS has earned. The ERS provides normal and early retirement benefits, spouse and children survivor benefits, ordinary death benefits, and post retirement death benefits for members of the ERS.

Average Benefit Payments as of July 1, 2010

The chart below shows the average monthly benefit payment, the average final average salary, and the average years of service for retirees and survivors.

Years of Credited Service	0 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	>30
Number of Retirees and Survivors	42	123	115	155	199	233	200
Average Monthly Benefit	\$390	\$635	\$950	\$1,567	\$2,429	\$3,191	\$4,137
Average Final Salary	\$31,968	\$42,356	\$44,112	\$51,773	\$58,916	\$61,395	\$67,461
Average Years of Service	3.6	8.1	13.0	18.1	23.1	28.6	33.5

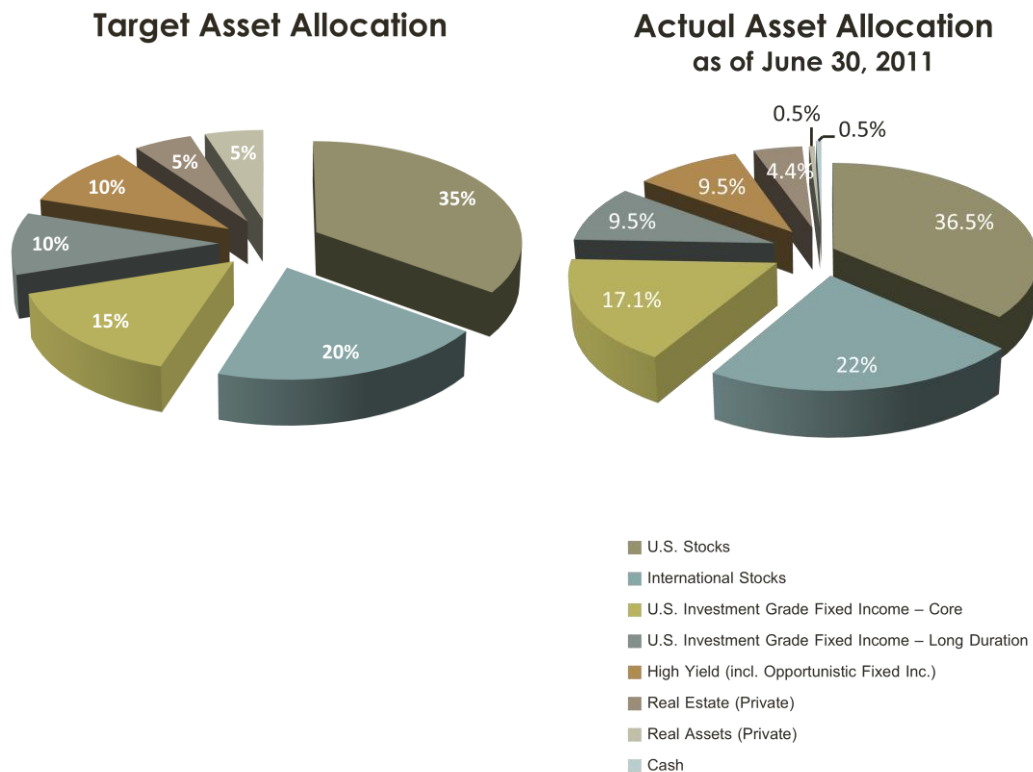
Investment Policy & Asset Allocation

The Investment Policy outlines the portfolio's long-term objectives and investment diversification. A portfolio should be diversified at two levels: between asset classes and within asset classes.

Asset Allocation involves dividing the portfolio among different asset classes such as stocks, bonds, and real estate. The goal is to balance the risk and return of the portfolio by including asset classes that move up and down under different market conditions.

In February 2009, the Board established a new target asset allocation with the goal to make the promised benefits more secure while lowering the cost of payment for those benefits. This asset allocation policy is fully funded with the exception of the private investments which will be funded over time.

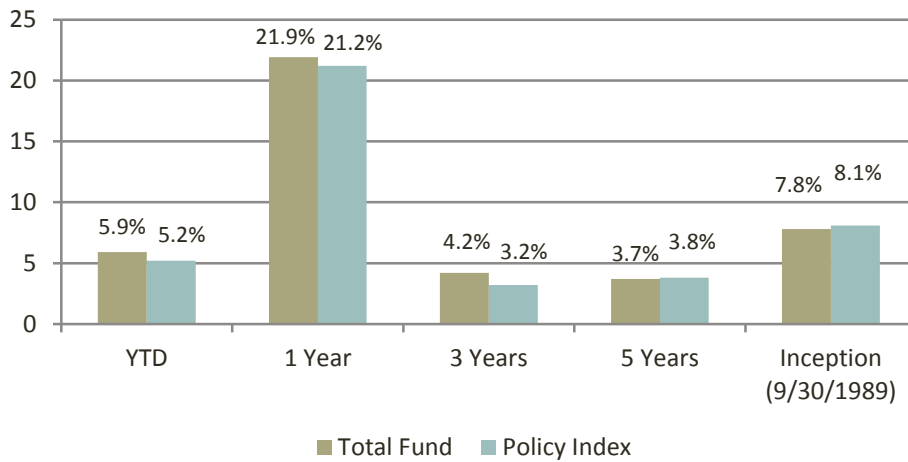
Diversification within each asset class is accomplished using multiple investment managers. The ERS engages 18 professional investment firms for 21 different mandates. Each manager has a set of guidelines which outline the manager's mission. The Board regularly reviews each manager's performance against objectives and benchmarks.



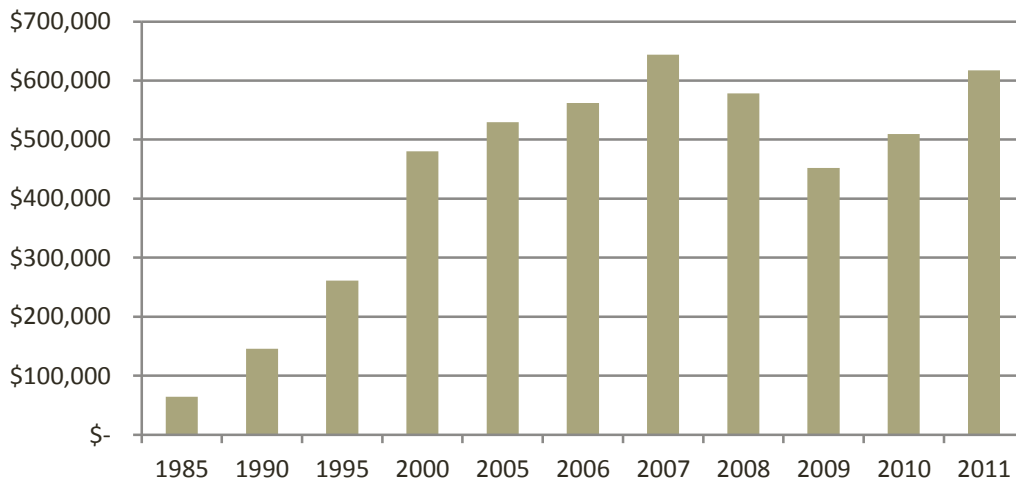
Portfolio Performance

The total fund returned 21.9% for the one year ending June 30, 2011 versus the policy index of 21.2%. The total fund benefited from diversification since the restructuring in 2009 and 2010. The portfolio's five-year return of 3.7% nearly matches the policy index of 3.8%. The five-year return still shows implications of the credit crisis of 2008.

**Total Fund Returns vs. Policy Index
as of June 30, 2011**



**Growth of Investments
Net Assets
(\$millions)**

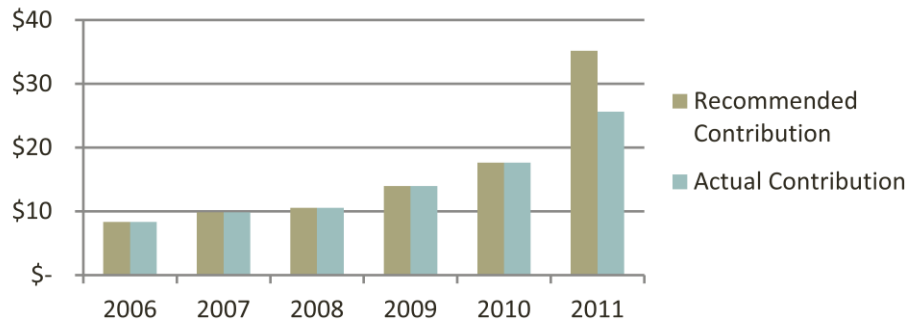


The performance increased the assets as of June 30, 2011 to \$615 million for a total gain of \$106 million for the year.

Actuarial Summary

The ERS' funding policy requires an annual study, or actuarial valuation, to determine a recommended employer contribution. Employer contributions vary based on a number of factors including fluctuations in the market. During 2011, the recommended employer contribution increased by 85.4% primarily due to investment losses in 2008 and 2009. The Commission paid \$25,633,000 versus the recommended contribution of \$35,206,700. Future employer contributions will be higher as a result of the reduced contribution.

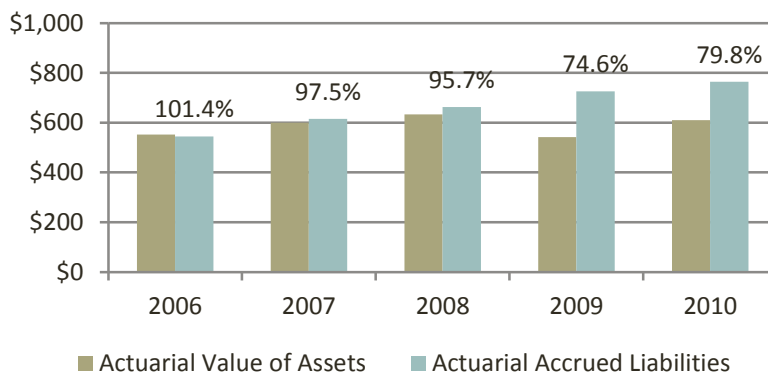
**Annual Employer Contributions
(\$millions)**



The funded ratio is a measure of a plan's health and compares assets to liabilities. The funded ratio can change annually based on changes in liabilities, investment returns, actuarial assumptions, employee demographics and more. Analysis of the trend over time indicates whether the ERS is becoming financially stronger or weaker. The funding ratio dropped significantly following the 2008 credit crisis; however, the trend upwards from 2009 to 2010 is a positive sign. The ERS' ability to provide retirement benefits is secure.

An actuarial valuation performed as of July 1, 2010, indicates that the actuarial value of assets is \$609,902,953; the actuarial accrued liability is \$763,860,139; and the funded ratio is 79.8%.

**Funded Ratio
(\$millions)**



The percentages shown indicate the extent to which the system was funded each year.

Financial Summary

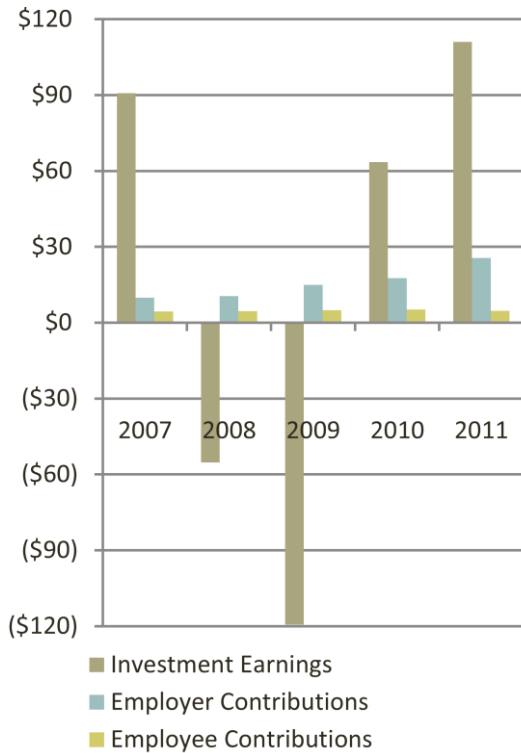
For the fiscal year ended June 30, 2011, Net Assets held in trust for pension benefits increased by \$106,874,941 (21.0%) from \$508,252,461 in 2010 to \$615,127,402 in 2011, primarily due to investment performance. Please refer to the Summary Statements of Changes in Plan Net Assets on page 8.

Employee and employer contributions as well as earnings from investments provide the funds necessary to pay monthly retirement benefits, to refund contributions to terminated employees and to administer the ERS.

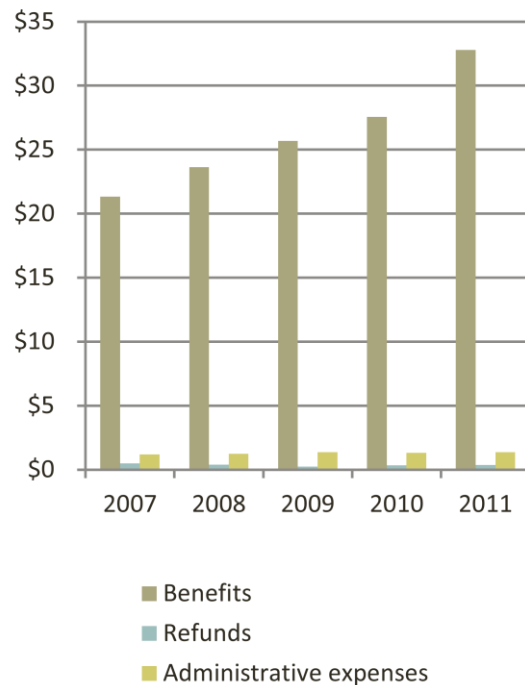
Employee contributions were \$4,698,246; employer contributions were \$25,633,000; and, earnings from investments were \$111,043,799 for a total of \$141,375,045 in revenues.

Annuity benefit payments comprised the majority of expenses and were \$32,774,717; refunds of contributions were \$359,239; and, administrative expenses were \$1,366,148 for a total of \$34,500,104 in expenses.

Revenues by Sources
For the years ended June 30
(\$Millions)



Expenses by Sources
For the years ended June 30
(\$Millions)



Financial Statements

The Summary Statements of Plan Net Assets

The Summary Statements of Plan Net Assets is a snapshot of what we own (assets) and what we owe (liabilities).

	As of June 30, 2011	As of June 30, 2010	Percentage Change
ASSETS			
Investments, at fair value	\$ 628,820,935	\$ 515,986,659	21.9%
Receivables	1,522,413	1,687,616	(9.8)%
Securities lending short term collateral	67,213,393	30,425,252	120.9%
Other assets	87,804	53,762	63.3%
TOTAL ASSETS	697,644,545	548,153,289	27.3%
LIABILITIES			
Payables and accrued liabilities	13,800,025	8,711,263	58.4%
Payable for securities lending collateral	68,717,118	31,189,565	120.3%
TOTAL LIABILITIES	82,517,143	39,900,828	106.8%
NET ASSETS	\$ 615,127,402	\$ 508,252,461	21.0%

The Summary Statements of Changes in Plan Net Assets

The Summary Statements of Changes in Plan Net Assets is a summary of the flow of money in and out of the ERS.

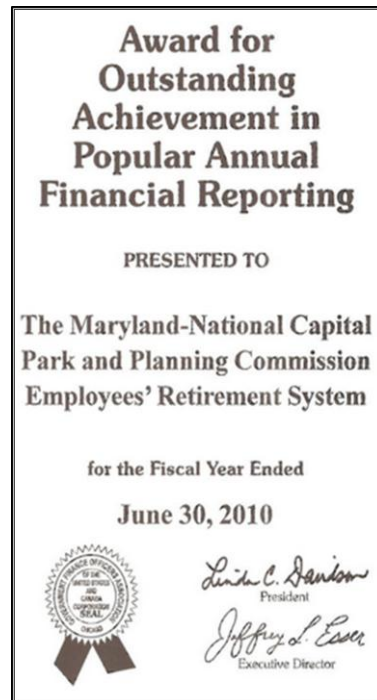
	As of June 30, 2011	As of June 30, 2010	Percentage Change
ADDITIONS			
Contributions	\$ 30,331,246	\$ 22,751,434	33.3%
Net investment gain (loss)	111,043,799	63,460,159	75.0%
TOTAL ADDITIONS	141,375,045	86,211,593	64.0%
DEDUCTIONS			
Benefit payments	32,774,717	27,567,271	18.9%
Refunds of contributions	359,239	334,929	7.3%
Administrative expenses	1,366,148	1,322,931	3.3%
TOTAL DEDUCTIONS	34,500,104	29,225,131	18.1%
INCREASE (DECREASE) IN NET ASSETS	106,874,941	56,986,462	87.5%
NET ASSETS			
BEGINNING OF YEAR	508,252,461	451,265,999	12.6%
END OF YEAR	\$ 615,127,402	\$ 508,252,461	21.0%

Awards



The Public Pension Coordinating Council (PPCC) recognizes public pension systems that meet the professional standards for public retirement system management and administration as set forth by the PPCC. The ERS was awarded the Recognition Award for Administration for 2010. The award recognizes achievement of high professional standards in the area of plan administration. The PPCC encourages all state and local governments to meet these standards.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the ERS for its Summary Annual Financial Report for the fiscal year ended June 30, 2010. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive this Award, a government unit must publish an Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. This is the first year the ERS applied for and received the Award.



ERS STAFF



Andrea L. Rose
Administrator

Heather D. Brown
Administrative Assistant

Member Relations

Antonia L. Lanier
Member Relations Manager

Lisa D. Butler
Senior Retirement Benefits Analyst

Angela Griggs-Montero
Member Relations Assistant

Technical Services

Sheila S. Joynes
Accounting Manager

Ann L. McCosby
IT Systems Manager/Leader

Edward D. Sarkar
IT Manager/Leader

Services

The ERS has a comprehensive membership education program that is offered to all members and their significant others. Our **Pre-Retirement Workshops** include “FOCUS on Retirement” for new employees; **Onsite Workshops** for mid-career and retirement eligible members; and, **Full-Day Workshops**. To help ensure our retired members continue to enjoy a secure retirement, the ERS provides many opportunities to enhance their knowledge about the ERS' benefits, pensions, and retirement planning.

One-on-One Counseling is available to all active members to discuss benefits and retirement options. In accordance with the Uniform Management of Public Employees Retirement Systems Act, the ERS provides **Annual Benefit Statements** that project benefits at normal retirement; a **Popular Annual Financial Report**, which contains a summary of key financial, investment and actuarial information; and a **Summary Plan Description**, which describes the provisions and benefits of the ERS. The ERS communicates with members via the **LifeTimes Update**, which is published monthly in the Commission's Update newsletter and via the **ERS' Web Site**, <http://ers.mncppc.org>.

Employees' Retirement System
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Office Hours
Monday – Friday
8:00 a.m. – 5:00 p.m.

This Popular Annual Financial Report (PAFR) is for informational purposes only and provides general information designed to educate employees and retirees about the Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS). The information found in this PAFR should not serve as the sole or primary basis for making decisions regarding the financial, investment or funding status of the ERS. To the extent any term or figure in this PAFR varies from the Plan Document or other governing documents, those pertinent documents will control and the information provided in this PAFR will not. The Plan Document and other governing documents, policies and procedures may be modified or amended from time to time consistent with law and those amendments likewise will control. More generally, in all circumstances the governing documents and policies and procedures, as amended from time to time, will control over any information provided by the ERS, the Commission or any agent or employee of the ERS or the Commission.

