

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011



Prepared by the ***Employees' Retirement System***

A Blended Component Unit of
The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	4
Certificate of Achievement for Excellence in Financial Reporting for 2010	8
Recognition Award for Administration 2010	9
Board of Trustees	10
Organizational & Reporting Structure	11
Staff, Consultants & Professional Service Providers	12

FINANCIAL SECTION

Independent Auditor's Report	14
Management's Discussion & Analysis	15
Statements of Plan Net Assets	18
Statements of Changes in Plan Net Assets	19
Notes to Financial Statements	20
Required Supplementary Information	
Schedule of Funding Progress	36
Schedule of Employer Contributions	37
Supplementary Schedules	
Schedule of Administrative Expenses	38
Schedule of Investment Expenses	39
Schedule of Payments to Consultants	40

INVESTMENT SECTION

Investment Manager Directory	42
Investment Consultant's Report	43
Investment Manager Matrix	49
List of Largest Held Domestic Equities	50
List of Largest Held Fixed Income	51
Schedule of Broker Commissions	52

ACTUARIAL SECTION

Actuary's Certification Letter	54
Actuarial Assumptions and Valuation Methods	57
Required Supplementary Information Under GASB 25	61
Schedule of Active Member Valuation Data	62
Schedule of Retirants and Beneficiaries Added to and Removed From the Rolls	63
Solvency Test	64

STATISTICAL SECTION

Statistical Section Narrative	66
Schedule of Changes in Net Assets	67
Schedule of Benefit and Refund Deductions from Net Assets by Type	68
Schedule of Average Benefit Payments	69

INTRODUCTORY SECTION



EMPLOYEES' RETIREMENT SYSTEM
The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

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<http://ers.mncppc.org>

Andrea L. Rose
Administrator

BOARD OF TRUSTEES
Chairman Elizabeth M. Hewlett
Vice Chairman Casey Anderson

September 30, 2011

Khalid Afzal
Patricia Colihan Barney
Guy Jones
Elton F. King
Joseph C. Zimmerman, CPA

Josh Ardison
Richard H. Bucher, Ph.D.
Lynn Kelly
Barbara Walsh

The Board of Trustees:

The Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System's (ERS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011 is hereby submitted. The responsibility for the accuracy of the data and completeness and fairness of the presentation, including disclosures, rests with the ERS' staff. We believe all data in the report is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of the operation of the ERS. All disclosures necessary to enable the reader to gain an understanding of the ERS' financial activities are included.

Management's Discussion and Analysis immediately follows the independent auditor's report and provides a narrative introduction with an overview of the basic financial statements. Management's Discussion and Analysis complements this letter of transmittal and is suggested to be read in conjunction with this letter.

This CAFR has been prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). The accrual basis of accounting has been used to record assets, liabilities, additions and deductions. Revenues are recorded when earned, regardless of the date of collection, and expenses are recorded when incurred, regardless of when payment is made. The accounting firm of Clifton Gunderson, LLP was selected to conduct the ERS' audit. I am pleased to advise, the auditors issued an unqualified opinion, the highest possible outcome of the audit process.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the ERS' CAFR for the fiscal year ended June 30, 2010. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting and its attainment represents a significant accomplishment. We believe that our current CAFR continues to meet GFOA's requirements.

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 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.

Reporting Entity and Plan History

The ERS covers employees of the Commission, a body corporate of the State of Maryland, established by the Maryland General Assembly in 1927. The Commission is the bi-county agency empowered to acquire, develop, and administer a regional system of parks in the defined Metropolitan District, and to prepare and administer a general plan for the physical development of a defined Regional District for Montgomery and Prince George's Counties. The ERS was established as a single employer defined benefit pension plan effective July 1, 1972, in accordance with the Trust Agreement between the Commission and the Board of Trustees. Prior to that date, Commission employees were covered under Maryland's State Retirement System. Employees who were covered by the State Retirement System were given the option of remaining with that System or transferring to the ERS' Plan. Revisions to the Social Security tax structure and other fiscal considerations made it prudent to develop a new retirement plan, based on the principle of Social Security excess. Therefore, effective January 1, 1979, the Plan became the Maryland-National Capital Park and Planning Commission Employees' Retirement System, encompassing three defined benefit plans: Plan A, the original plan; Plan B, for non-police, integrated with Social Security; and Plan C, only for Park Police. Commission Park Police are not covered by Social Security. On July 1, 1990, a collectively bargained Plan D replaced Plan C, which was closed and all members transferred to the new Park Police Plan D. Effective July 1, 1993, again as a result of collective bargaining with the Park Police union, Plan D was closed to new employees, and Plan C was amended and reopened to provide benefits for Park Police Officers hired after July 1, 1993. Pursuant to a 2002 collective bargaining agreement, Plan D members were given a one-time election to transfer to Plan C on or before October 25, 2002.

Membership in the ERS is mandatory for all full-time career Merit System employees hired on or after January 1, 1979, and full-time career employees of the ERS hired on or after March 1, 1994. Effective January 1, 2009, membership is mandatory for all other full and part-time career Merit System employees, Appointed Officials, Commissioners, and employees/directors appointed by the Commission/Planning Board to other full-time positions exempted by the Merit System.

The administrative operations of the ERS are the responsibility of the Administrator and Staff employed by the Board. The Plan Document establishes all benefit provisions. The Commission reserves the right to amend the provisions of the ERS, consistent with the Trust Agreement, provided that no amendments may adversely affect the benefits that have accrued prior to the effective date of such amendment, except as may be legally required to continue to qualify the Plan under section 401(a) of the Internal Revenue Code, or any successor thereto of similar importance.

Benefits and Services Provided

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. Disability retirement benefits were prospectively removed in August 1982, with income replacement provided to employees through a long-term disability (LTD) insurance program administered by the Commission. Members on LTD receive free credited service until their normal retirement date. Annual cost-of-living adjustments are provided for ERS annuitants. The ERS has a comprehensive membership education program which includes workshops for new hires and retirees and onsite seminars for mid-career and retirement eligible members. 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 Summary Annual Financial Report, which contains a summary of key financial 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. To further communicate efforts, the ERS has a bulletin series, as well as, branded fact sheets about ERS benefits. One-on-one counseling is available to all active members to discuss benefits and retirement options. Employees are encouraged to take advantage of the retirement counseling session, which is provided for all those retiring from the Commission. The session includes a review of retirement benefits, options and assistance is provided in completing the necessary paperwork in order to begin benefits. Information can also be accessed via the ERS' Web Site, <http://ers.mncppc.org>.

Investment Results

For the year ending June 30, 2011, the ERS fund returned 21.9% versus its policy benchmark of 21.2%. The ERS fund return was 4.2% for the three-years ended June 30, 2011 and 3.7% for the five-years ended June 30, 2011 versus the policy index which returned 3.2% and 3.8%, respectively. Diversification is important now more than ever during these market conditions. Refer to the Investment Consultant's report on page 43 for a market overview with investment results by asset class and a portfolio review highlighting the ERS' restructuring activities.

Major Initiatives

An annual review of the Statement of Investment Policy and individual investment manager guidelines resulted in several revisions that included prohibiting investments in Montgomery County and Prince George's County Build America Bonds; switching from the NCREIF Property Index to the NCREIF Fund Index Open End Diversified Core Equity (NFI-ODCE); eliminating any measures on stated final maturity; and establishing manager guidelines for FLAG Real Assets Partners II, L.P. Additional initiatives and accomplishments included:

- Funding FLAG Real Estate Partners and FLAG Energy & Resources Partners
- Funding one international equity manager, Earnest Partners
- Terminating one fixed income and one international equity manager
- Adopting the FY2012 Operating Budget which included a 3.3% decrease from FY2011
- Developing a Valuation Policy for alternative investments
- Developing a Job Description for trustees
- Increasing the securities lending cap to 50% of lendable securities
- Adopting a revised Board of Trustees Election Policy and Procedures
- Selecting Wilshire Associates as the Board's Investment Consultant following a search process
- Adopting revised actuarial assumptions effective July 1, 2011 following an Actuarial Experience Study
- Selecting Global Transition Solutions, Inc. to coordinate the majority of manager transitions and to perform transaction analysis to ensure use of best practices

Financial Highlights

It is the responsibility of management to develop and maintain systems of internal controls, which are designed to provide assurances for the safeguarding of assets and the reliability of financial records. However, it should be recognized that all internal controls have inherent limitations.

The Trust Agreement requires an annual accounting of the ERS' operation and activities and that the results of this analysis be reported to the Commission. The ERS' independent auditors' unqualified opinion is the highest possible result of the audit process.

The ERS' operating budget is adopted by the Board with final approval for administrative expenses made by the Commission. The ERS has consistently maintained its budget within the actuarial expense assumption of 1% of covered payroll.

The revenues necessary to finance retirement benefits are accumulated through employee and employer contributions, and income on investments. The Board establishes investment objectives and policies, determines appropriate asset allocation strategies, selects investment managers for appointment by the Commission, and evaluates investment performance. The ERS' investments are diversified, recognizing that a prudent policy preserves assets and maximizes earnings with appropriate risk, to provide asset growth consistent with long-term needs. For 2011 and 2010, the gains, including investment expense, were \$111,043,799 and \$63,460,159, respectively. Total contributions of \$30,331,246 compared with last year's \$22,751,434 reflect an increase of 33.3%. Total deductions increased by 18.0% from \$29,225,131 in 2010 to \$34,500,104 in 2011. Pension benefits and refunds account for \$33,133,956 and the remainder of \$1,366,148 was attributed to administrative expenses (see page 17).

Funding Status

The ultimate test for a retirement system is the level of funding achieved. The better the level of funding, the larger the ratio of assets accumulated to pay liabilities and the greater the level of investment income potential. The Schedule of Funding Progress directly illustrates the financial stability of the ERS and presents a standardized measure of projected plan liabilities (see page 36). This measure, a disclosure required for public employee retirement plans by GASB, allows the reader to assess the funding status of the ERS on a going concern basis, and to assess progress made in accumulating sufficient assets to pay benefits when due. The measure is the actuarial present value of credited projected benefits and independent of the funding method used to determine contributions. An actuarial valuation performed as of July 1, 2010, indicated that the funded ratio of the actuarial value of assets to the actuarial accrued liability for benefits was 79.8%. As of July 1, 2010, the actuarial value of assets is \$609,902,953 and the actuarial accrued liability is \$763,860,139.

Acknowledgments

The compilation of this CAFR reflects combined efforts of the ERS' staff. Special recognition is extended to Sheila Joynes for her lead role. Heather Brown, Ann McCosby and Angela Griggs-Montero are recognized for their contributions. This CAFR is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and for determining responsible stewardship for the assets contributed by the members of the Commission. I thank the Board, Staff, consultants and service providers who have worked so diligently to assure the successful operation of the ERS.

Respectfully Submitted,



Andrea L. Rose
Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Maryland-National Capital Park
and Planning Commission
Employees' Retirement System

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

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



President

Executive Director



Public Pension Coordinating Council

***Recognition Award for Administration
2010***

Presented to

***The Maryland-National Capital Park and Planning
Commission Employees' Retirement System***

In recognition of meeting professional standards for
plan 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)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Board of Trustees

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

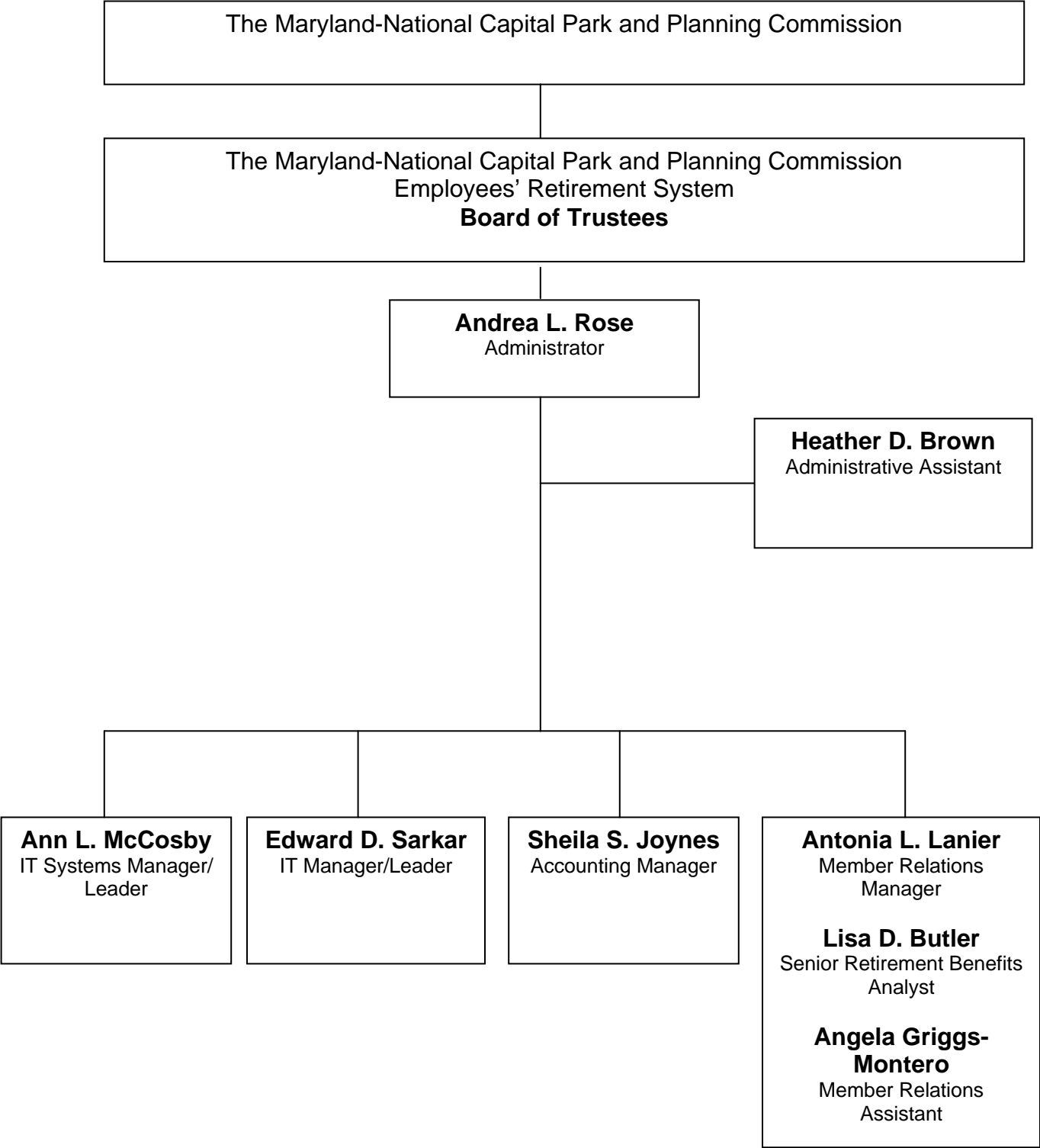
Secretary-Treasurer
Ex-Officio

The Board consists of 11 appointed and elected members as adopted by the Commission on July 24, 2001:

- Two Commissioners (one each from Montgomery and Prince George's counties)
- The Commission's Executive Director, Ex-Officio
- The Commission's Secretary-Treasurer, Ex-Officio
- Three Open Trustees (one each from Montgomery and Prince George's counties and one from the Bi-County office, effective July 2003)
- Two Public Members (one each from Montgomery and Prince George's counties)
- Two Represented Trustees (one MCGEO Employee Representative and one Fraternal Order of Police Representative)

Trustees serve for three-year terms. Trustees elect a chairman and vice chairman to serve for a two-year term. The Commission appoints Commissioners and Public Members. Terms for the Secretary-Treasurer and Executive Director are concurrent with their tenure in office. Trustees for Prince George's, Montgomery, and Bi-County are selected by an election process from those eligible for selection as a trustee. The election is conducted by the ERS. The Represented Trustee for the Fraternal Order of Police (FOP) is selected pursuant to an internal election process established by the FOP. The Represented Trustee for the Municipal and County Government Employees' Organization (MCGEO) is selected by the Chief Executive Officer of MCGEO. Represented trustees continue in office until replaced by their successors. Generally, the Board meets on the first Tuesday of every month, except for August. Board meetings are open to all employees and members of the public. Members of the Board may be contacted in writing through the ERS. Since members of the Board change from time to time, their names will be published in the Commission's monthly newsletter, *Update* and posted on the ERS' Web Site, <http://ers.mncppc.org>.

Organizational & Reporting Structure



Staff, Consultants & Professional Service Providers

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 and Accounting Services

Sheila S. Joynes
Accounting Manager

Ann L. McCosby
IT Systems Manager/Leader

Edward D. Sarkar
IT Manager/Leader

Consultants & Professional Service Providers

Actuary
Aon Hewitt

Auditor
Clifton Gunderson, LLP

Banking
The Northern Trust Company
Bank of America

Investment Consultant
Wilshire Associates, Inc.

Legal
M-NCPPC Legal Department
GROOM Law Group
Robbins Geller Rudman & Dowd, LLP

Brokerage & Transition Consultant
Global Transition Solutions, Inc.

Note: For the list of investment managers see page 42 and for their schedule of broker commissions see page 52.

Staff and Board members can be contacted at:
Employees' Retirement System
The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737
Telephone (301) 454-1415
Fax (301) 454-1413
<http://ers.mncppc.org>

Hours of Service
Monday-Friday
8 a.m. to 5 p.m.

FINANCIAL SECTION

Independent Auditor's Report

The Board of Trustees
The Maryland-National Capital Park and
Planning Commission Employees' Retirement System

We have audited the accompanying statements of plan net assets of The Maryland-National Capital Park and Planning Commission Employees' Retirement System (the System), a blended component unit of the Maryland-National Capital Park and Planning Commission, as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the ERS management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, assets of the ERS as of June 30, 2011 and 2010, and the changes in the plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 15 through 17, and the required supplemental information on pages 36 and 37, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules on pages 38, 39 and 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplemental Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory, Investment, Actuarial and Statistical Sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory, Investment, Actuarial and Statistical Sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Baltimore, Maryland
September 28, 2011

Management's Discussion & Analysis

This section of the Report provides readers with a narrative overview and analysis of the financial activities of the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS) for the fiscal years ended June 30, 2011, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with basic financial statements to enhance their understanding of the ERS' financial performance.

FINANCIAL HIGHLIGHTS

- The ERS' assets exceeded liabilities by \$615.1 million and \$508.3 million at June 30, 2011 and 2010, respectively. Of this amount, \$615.0 million and \$508.2 million may be used to meet the obligations of current and future retirees and beneficiaries. The remaining \$.1 million is invested in capital assets or prepaid expenses. During 2011 and 2010 total net assets held in trust for pension benefits increased by \$106.9 million (21.0%) and \$57.0 million (12.6%), respectively, due primarily to investment gains.
- The most recent actuarial valuation of the ERS reflects the funded ratio of 79.8% as of July 1, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion & Analysis is intended to serve as an introduction to the ERS' basic financial statements. The basic financial statements contain two components: The ERS' Financial Statements, and the Notes to the Financial Statements. In addition to the basic financial statements, this report also contains a Schedule of Funding Progress and a Schedule of Employer Contributions, which are additional supplementary information required by the Governmental Accounting Standards Board.

The Statement of Plan Net Assets presents information on all of the ERS' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the ERS' financial position is improving or deteriorating.

The Statement of Changes in Plan Net Assets presents information showing how the ERS' net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, additions to and deductions from net assets are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. unrealized gains or losses on investments).

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Schedules of Funding Progress and of Employer Contributions present six-year historical trend information about the ERS. This information is intended to help the users assess the ERS' funding status on a going concern basis and assess the progress made in accumulating assets to pay benefits when due.

Management's Discussion & Analysis

FINANCIAL ANALYSIS OF THE SYSTEM

Net Assets and Changes in Net Assets: The following table reflects the ERS' net assets and changes in net assets as of and for the years ended June 30, 2011, 2010 and 2009 (in thousands).

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets			
Current assets	\$ 697,556	\$ 548,099	\$ 483,398
Other assets	<u>88</u>	<u>54</u>	<u>15</u>
Total assets	<u>697,644</u>	<u>548,153</u>	<u>483,413</u>
Liabilities			
Total liabilities	<u>82,517</u>	<u>39,901</u>	<u>32,147</u>
Net assets held in trust for pension benefits			
	<u>\$ 615,127</u>	<u>\$ 508,252</u>	<u>\$ 451,266</u>
	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
Changes in net assets			
Total additions, net	\$ 141,375	\$ 86,212	\$ (99,619)
Total deductions, net	<u>34,500</u>	<u>29,225</u>	<u>27,279</u>
Increase (decrease) in net assets	<u>\$ 106,875</u>	<u>\$ 56,987</u>	<u>\$ (126,898)</u>

Current Assets

The largest component of net assets is the ERS' investments. At June 30, 2011, 2010 and 2009, cash and investments amounted to approximately \$695.9 million, \$546.3 million and \$482.0 million, respectively. In 2011 and 2010, the increase in net assets resulted primarily from a net gain from investing activities. The decrease in assets in 2009 is primarily the result of net losses from investing activities. Total receivables of \$1.5 million, \$1.7 million and \$1.4 million represent accrued income at June 30, 2011, 2010 and 2009, respectively.

Liabilities

Liabilities are primarily comprised of amounts payable on securities lending transactions and investments payable. Securities lending liabilities amounted to approximately \$68.7 million, \$31.2 million and \$22.5 million at June 30, 2011, 2010 and 2009, respectively. These outstanding balances are offset with cash and investments being held as collateral on securities lending transactions. Investments payable represents purchases not settled by June 30 of each year. Investments payable were approximately \$12.8 million, \$8.0 million and \$9.0 million at June 30, 2011, 2010 and 2009, respectively.

Additions

The primary sources of net additions for the ERS include member and employer contributions and investment income. The following table reflects the source and amount of additions/deductions during the fiscal years ended June 30, 2011, 2010 and 2009 (in millions):

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Employer contributions	\$ 25.6	\$ 17.6	\$ 14.9
Member contributions	4.7	5.1	4.9
Net investment income (loss)	<u>111.0</u>	<u>63.5</u>	<u>(119.4)</u>
Net additions (deductions)	<u>\$ 141.3</u>	<u>\$ 86.2</u>	<u>\$ (99.6)</u>

Management's Discussion & Analysis

FINANCIAL ANALYSIS OF THE SYSTEM (continued)

Contributions

During 2011, the actuarial recommended employer contributions to the ERS increased by 85.4% or from 13.3% to 24.7% (\$35,206,700) of covered payroll as a result of a new valuation software change, mortality assumption change, and loss on the actuarial value of assets. Effective July 1, 2007, employer contributions are paid based on the prior year's valuation. During 2011, the employer contributions paid to the ERS were 18% (\$25,633,000) of covered payroll versus the actuarial recommended contributions of 24.7% (\$35,206,700) of covered payroll. As a result, the unfunded actuarial accrued liability will increase by \$9,573,700 and will be amortized over 15 years. The ERS uses a five-year asset smoothing method to determine the actuarial value of plan assets. During the prior year, investment performance on the actuarial value of assets was 13.85%. Over the five-year period ending on the valuation date, the return on the actuarial value of assets was 4.48%. Future employer contributions will be higher than otherwise due to the reduced contribution in 2011.

Net Investment Income

The net investment gain for the ERS totaled \$111.0 million and \$63.5 million for 2011 and 2010, respectively that was comprised of \$101.7 million and \$56.2 million in net appreciation in fair value of investments, including investment advisory and management fees, \$9.2 million and \$7.1 million in dividends and interest income, and \$.1 million from securities lending activities for 2011 and 2010, respectively. This is compared to a net investment loss of \$119.4 million for 2009, comprised of \$126.2 million in net depreciation in fair value of investments, including investment advisory and management fees, \$6.5 million in dividends and interest income, and \$.1 million from securities lending activities. Generally, net investment income has varied during the three-year period due to the changes in the market.

Deductions

The deductions from the ERS include the payment of retiree and survivor benefits, participant refunds and administrative expenses. Deductions for 2011, 2010 and 2009 totaled \$34.5 million, \$29.2 million and \$27.3 million, respectively. Such amounts represent increases of 18.0% and 7.1% over 2010 and 2009, respectively. The following table reflects the ERS' deductions by type in 2011, 2010 and 2009 (in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Benefits	\$ 32,775	\$ 27,567	\$ 25,671
Refunds	359	335	249
Administrative expenses	<u>1,366</u>	<u>1,323</u>	<u>1,359</u>
Total deductions	<u>\$ 34,500</u>	<u>\$ 29,225</u>	<u>\$ 27,279</u>

Funded Status

An actuarial valuation is performed annually to determine the funding requirements for the ERS. The ERS' funding policy provides for annual employer contributions at actuarially determined rates that are based on a level percent of pay, and when combined with member contributions, will pay for projected benefits at retirement for the average plan participant. The most recent valuation of the ERS, performed as of July 1, 2010, indicated that the funded ratio of the actuarial value of assets to the actuarial accrued liability for benefits was 79.8%.

Request for Information

This financial report is designed to provide an overview of the ERS. Questions concerning any of the information provided in this report should be addressed to Andrea L. Rose, Administrator, 6611 Kenilworth Avenue, Suite 100, Riverdale, Maryland 20737.

Statements of Plan Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
INVESTMENTS AT FAIR VALUE (note 4)		
Fixed income securities	\$ 129,645,952	\$ 139,637,264
International fixed income securities	31,142,341	27,741,376
Venture capital/alternative investments	14,630,846	7,334,124
Corporate stock	277,080,791	215,296,068
International corporate stock	131,644,050	86,984,790
Real estate	26,814,937	20,195,788
Short term investments	17,770,123	18,701,832
Securities lending short term collateral investment pool (note 4)	67,213,393	30,425,252
Total investments at fair value	<u>695,942,433</u>	<u>546,316,494</u>
 CASH	 <u>91,895</u>	 <u>95,417</u>
 RECEIVABLES		
Accounts receivable-member contributions	266,578	279,333
Accrued income on investments	1,255,835	1,408,283
Total receivables	<u>1,522,413</u>	<u>1,687,616</u>
 OTHER ASSETS		
Prepaid expenses	45,792	14,745
Equipment at cost, net of accumulated depreciation of \$212,424 and \$204,420	42,012	39,017
Total other assets	<u>87,804</u>	<u>53,762</u>
Total assets	<u>697,644,545</u>	<u>548,153,289</u>
 LIABILITIES		
Investments payable	12,826,672	7,994,978
Accrued expenses	553,907	446,791
Refunds payable	419,446	269,494
Payable for securities lending collateral (note 4)	68,717,118	31,189,565
Total liabilities	<u>82,517,143</u>	<u>39,900,828</u>
 NET ASSETS HELD IN TRUST FOR		
PENSION BENEFITS (a schedule of funding progress is presented on page 36)	\$ <u>615,127,402</u>	\$ <u>508,252,461</u>

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ADDITIONS TO NET ASSETS		
Contributions (note 6)		
Employer	\$ 25,633,000	\$ 17,614,908
Employees	4,698,246	5,136,526
Total contributions	<u>30,331,246</u>	<u>22,751,434</u>
Investment income		
Interest	7,641,445	7,030,923
Dividends	1,517,461	67,543
Net appreciation in fair value of investments	104,168,499	58,153,247
Other	78,668	116,835
Less – investment advisory and management fees	<u>(2,466,640)</u>	<u>(1,971,186)</u>
Net gain from investing activities	<u>110,939,433</u>	<u>63,397,362</u>
Securities lending activity (note 4)		
Securities lending	166,614	92,702
Securities lending fees	<u>(62,248)</u>	<u>(29,905)</u>
Net income from securities lending activity	<u>104,366</u>	<u>62,797</u>
Net investment gain	<u>111,043,799</u>	<u>63,460,159</u>
Total additions	<u>141,375,045</u>	<u>86,211,593</u>
DEDUCTIONS FROM NET ASSETS		
Benefits and other payments		
Pension benefits	29,224,595	24,289,361
Disability benefits	85,613	85,957
Survivor and death benefits	3,464,509	3,191,953
Refunds of contributions	359,239	334,929
Administrative expenses (note 7)	<u>1,366,148</u>	<u>1,322,931</u>
Total deductions	<u>34,500,104</u>	<u>29,225,131</u>
INCREASE IN NET ASSETS	<u>106,874,941</u>	<u>56,986,462</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	<u>508,252,461</u>	<u>451,265,999</u>
End of year	\$ <u><u>615,127,402</u></u>	\$ <u><u>508,252,461</u></u>

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Organization and Plan Description

The Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS), although a legally separate entity, is considered to be a blended component unit of The Maryland-National Capital Park and Planning Commission (Commission). Accordingly, the financial statements of the ERS are included as a pension trust fund in the Commission's basic financial statements.

The ERS' Trust Fund is a retirement benefit trust organized by the Commission and is a qualified retirement plan pursuant to, and with the meaning of Section 401(a) of the Internal Revenue Code of 1986.

The ERS consists of four contributory, single employer defined benefit pension plans sponsored by the Commission. The ERS provides retirement and survivor benefits, as well as annual cost-of-living adjustments for all retirees and beneficiaries of the ERS.

Commissioners, persons appointed by the Commission to full-time positions exempted from the Merit System, directors appointed by the Montgomery or Prince George's Planning Boards, all career full-time Merit System employees, all career part-time Merit System employees, and staff responsible for administering the ERS are eligible to participate in the ERS. Benefits fully vest after five years of service, with the exception of Commissioners and Appointed Officials who receive full and immediate vesting.

Two of the plans, Plan A and D are closed to new entrants, and two, Plan B and C are open. Plan B and Plan C are mandatory for new full-time career general and park police employees.

The Board of Trustees is responsible for the administration of the ERS and delegates the day-to-day operation to the Administrator. The assets of the ERS are invested with the objective of ensuring sufficient funds will be available for meeting benefit payments. The ERS is considered a single "pension plan" for purposes of financial reporting in accordance with accounting principles generally accepted in the United States of America, as no assets are legally restricted to the payment of certain benefits.

The following description of the ERS provides general information. Participants should refer to the respective Plan documents for more complete information.

General Employee Retirement. General employees may be members of Plans A or B. Plan A, the original plan effective July 1, 1972, is applicable to all employees who enrolled on a voluntary basis as of December 31, 1978, when membership was closed. Each year, during the month of March, general employees participating in Plan A may irrevocably elect to transfer their membership to Plan B. Plan A members of the Municipal and County Government Employees' Organization may also transfer during the month of September each year. Plan B became mandatory for all new full-time career general employees effective January 1, 1979, and ERS staff hired on or after March 1, 1994. Effective January 1, 2009 membership is mandatory for part-time Merit System employees; and Commissioners and Appointed Officials of the Commission. Plan B is integrated with Social Security. Under the terms of Plans A and B, the normal retirement date for participating general employees is the first day of the month coinciding with or immediately following the date on which a participant attains age 60 with at least 5 years of credited service, or upon completion of 30 years of credited service regardless of age.

Park Police Retirement. Park Police may be members of Plans C or D. Effective July 1, 1993, the Commission approved an amended Plan C. Previously, effective July 1, 1990, Plan D replaced Plan C, with all former Plan C members mandatorily transferred to Plan D. With the adoption of an amended Plan C all new full-time Park Police Officers' participation in the amended Plan C is mandatory. Park Police Officers employed on or before December 31, 1978, participating in Plan A, were given a grace period to

Notes to Financial Statements

1. Organization and Plan Description (continued)

transfer from Plan A to Plan D effective July 1, 1990. Eligible Park Police Officers who were not in Plan A or Plan C as of June 30, 1990 were provided an opportunity to participate in Plan D. On June 19, 2002, Plan C was enhanced as a result of a collective bargaining agreement adopted by the Commission. Beginning February 1, 2002 and ending October 25, 2002, Plan D participants were given the option to transfer to Plan C. Plan D was closed to new participants effective July 1, 1993. Effective April 5, 2005, a Plan A or B employee who transfers to Plan C will be required to pay either 100% of the difference in contributions between the plans or accept an actuarial deficiency at retirement.

The normal retirement date for Plan D members is the first day of the month coinciding with or immediately following the date on which the participant attains age 55 and has completed five years of credited service, or has completed 22 years of credited service, regardless of age. The normal retirement date for Plan C members is the first day of the month coinciding with or immediately following the date on which the participant attains age 55 and has completed five years of credited service, or has completed 25 years of credited service, regardless of age.

Benefits. Benefit payments are determined by application of a benefit formula considering the average of an employee's annual base pay during the three consecutive years that produce the highest total earnings prior to retirement, and the number of years of credited service, up to 40 years for members of Plan A, 35 years for members of Plan B, 30 years for members of Plans C and 32 years for members of Plan D. Under certain conditions, participants may elect to take early retirement at a reduced benefit level. Joint and survivor options are also available under the plans.

Disability. Prior to August 1, 1982, disability benefits were available under the plans. Effective August 1, 1982, applications for disability retirement benefits were discontinued. All members who were receiving disability benefits, or who applied for disability benefits prior to August 1, 1982, continue to be covered under the terms of Plans A, B, and C. All applications for disability benefits subsequent to August 1, 1982, are covered under the Commission's Long-Term Disability Insurance Plan, which is not part of the ERS.

Cost-of-Living Adjustment (COLA). On July 1 each year, retirement income for participants retired at least six months is adjusted for changes in the cost-of-living as determined by the Consumer Price Index-U (CPI). Such COLAs are provided at 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to a 5% maximum COLA.

Death Benefit. Effective July 9, 1986, the ERS was amended to provide a \$10,000 post-retirement death benefit to beneficiaries of current and future retired members.

Sick Leave Integration. Effective September 1, 1988, the ERS was amended to permit members to use up to a maximum of 301 days of earned and unused sick leave to meet the length of service requirements for retirement qualification.

2. Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the ERS are prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Employee contributions are recognized and established by the required contribution rates for active members of the plan. Employer contributions are recognized when due pursuant to formal commitments as recommended by the actuary and approved by the plan sponsor. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Use of Estimates. Management of the ERS has made certain estimates and assumptions relating to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Investments. The ERS' investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. The investments in short-term investment funds are reported at cost plus allocated interest, which approximates fair value. The securities lending collateral pool, which is a fund operated by the securities lending agent, also is accounted for at fair value, which represents the net asset value of the collateral received. U.S. government obligations, corporate and foreign bonds and notes, and common and preferred stocks, are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. For alternative investments, which include venture capital and real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Securities that are not traded on a national security exchange are valued by the asset manager or third parties based on similar sales. The pricing services used for fixed income securities are Interactive Data Corporation by Institutional Bid Evaluation daily; international fixed income securities use the PC Bond Group or IBOXX by Institutional Mid Evaluation daily; corporate stock uses the Interactive Data Corporation as of the official close of NASDAQ daily; international corporate stock uses Telekurs by the Last Trade daily; venture capital uses the Limited Partnership by the Institutional Bid Evaluation or Valuation as Priced for US and international; and real estate uses the Investment Managers by Evaluation as priced.

Investment expenses consist of investment managers' fees and those expenses directly related to the ERS' investment operations.

3. Membership by Plan

As of July 1, 2010, membership in the ERS was as follows:

	<u>Plan A (General)</u>	<u>Plan A (Police)</u>	<u>Plan B</u>	<u>Plan C</u>	<u>Plan D</u>	<u>Total</u>
Retirees & beneficiaries receiving benefits	372	20	560	32	83	1,067
Terminated employees entitled to benefits but not yet receiving them	-	-	217	8	5	230
Active participants employer financed vested	<u>25</u>	<u>-</u>	<u>1,984</u>	<u>169</u>	<u>25</u>	<u>2,203</u>
Total membership	<u><u>397</u></u>	<u><u>20</u></u>	<u><u>2,761</u></u>	<u><u>209</u></u>	<u><u>113</u></u>	<u><u>3,500</u></u>

Notes to Financial Statements

4. Cash, Investments and Securities Lending

Cash and Cash Equivalents

For cash deposits and cash equivalents, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The amount of the ERS' total cash and cash equivalents at June 30, 2011, was \$17,862,018. Cash deposits in the bank account totaled \$91,895 that were insured and collateralized. At June 30, 2011, the ERS held \$17,770,123 of cash equivalents in its custodial investment accounts.

As of June 30, 2010, the ERS' cash equivalents were exposed to custodial credit risk as follows:

Uninsured and held by custodial bank not in the ERS' name	\$ <u>82,073</u>
Total	\$ <u>82,073</u>

Investments

The Board of Trustees (Board) of the Trust Fund is authorized by the Trust Agreement dated July 26, 1972 and most recently amended September 16, 2009 to invest and reinvest the Trust Fund, as may be determined by the investment consultant selected by the Commission. The Board is authorized to formulate investment policies, develop investment manager guidelines and objectives, and approve the retention of qualified advisors and investment managers.

The Trust Fund shall be diversified across investment classes and among investment managers in order to achieve an optimal balance between risk and return. The Board established target allocations for the authorized investment classes as follows:

U.S. Equities	35%
International Equities	20%
U.S. Bonds - Core	15%
U.S. Bonds - High Yield	7%
U.S. Bonds - Long Duration	10%
U.S. Real Estate (Private)	5%
Alternative Investments	<u>8%</u>
Total	<u>100%</u>

Trust Fund assets should be invested to obtain an appropriate long-term total return consistent with the overriding goal of limiting the risk of a large loss.

Each investment manager has a set of guidelines, which contain investment objectives, and risk control provisions, which are appropriate for each manager's mission. Investment managers have discretion within the constraints of these guidelines and are subject to regular review by the Board. The Trust Fund has guidelines, which apply broadly to each asset class as follows:

U.S. Equity

- U.S. Equity investment managers are limited to no more than 5% of the value of the portfolio in cash equivalents at any time.
- The U.S. Equity Composite should match the Russell 3000 Index in terms of capitalization and growth characteristics.
- 75% to 85% should be invested in "large capitalization stocks".
- 15% to 25% should be invested in "small and mid-capitalization stocks".

Notes to Financial Statements

4. Cash, Investments and Securities Lending (continued)

Non-U.S. Equity

- Cash equivalent exposure is limited to 5%.
- 80% to 100% should be invested in “developed markets”.
- 0% to 20% should be invested in “emerging markets”.

Fixed Income Guidelines

- The Fixed Income Composite is limited to 20% of its value in cash equivalents at any time.
- A single issuer cannot exceed 5% of the market value of the fixed income composite at any time.
- Duration of the fixed income composite should remain within +/- 1.5 years relative to the asset class benchmarks. The duration of the fixed income composite at June 30, 2011 was 7.50 years with the Merrill Lynch BB/B and the Barclays Aggregate at 4.76 and 5.19 years, respectively.
- The fixed income composite is expected to maintain an aggregate weighting of at least a single A.
- The fixed income composite may contain an allocation to opportunistic investments and distressed securities.
- Build America Bonds issued by Montgomery County and Prince George’s County are prohibited.

Real Estate Guidelines

- Cash equivalent exposure is limited to 10%.
- The maximum allocation by geographic region and property type is limited to 150% of its weight in the index and a minimum of 50% of its weight in the index.
- No individual property investment is expected to exceed 7.5% of the real estate composite at any time.
- The valuation objective is to accurately estimate the net asset value on a daily basis. The Valuation Consultant (VC) obtains an independent third-party appraisal for each property at least every 12 months. Monthly, the VC provides a list of property values that is based on a portfolio overview, updated discounted cash flow models, and/or limited scope, restricted appraisals and any facts regarding any event that occurs (i.e. lease or sale) that could impact property value.

Alternative Investments Guidelines

- Investments will be structured privately in the form of limited partnerships and diversified among the following investment types: energy, mining, timber, agriculture, and infrastructure.
- The portfolio is expected to be diversified by geographic location with the following weightings: U.S. (65%-75%), Non-U.S. Developed (15%-20%), and Non-U.S. Emerging (10%-15%).
- The fund will be diversified by vintage year making primary investments during 2010, 2011, and 2012, each being equally weighted at 33% (with a range from 30% to 35%).
- No single partnership commitment is expected to be more than 20% of the real assets composite or more than 20% of the portfolio of a fund-of-funds manager.

Unless the Board grants prior authorization, an investment manager may not:

- Purchase securities on margin.
- Sell uncovered call options or sell put options.
- Leverage the portfolio.
- Sell securities short.
- Purchase commingled funds, mutual funds, or common trusts.
- Own more than 10% of any class of securities of any one issuer.
- Purchase letter stock, private placements, or sell securities restricted in a similar manner, other than those provided by SEC Rule 144A.
- Invest in commodities, or any vehicle that would leverage the portfolio.

Notes to Financial Statements

4. Cash, Investments and Securities Lending (continued)

Investments	Fair Value 2011	Fair Value 2010
Common stock	\$ 399,983,597	\$ 298,678,837
Preferred stock	1,096,083	639,765
Convertible equity	1,463,463	570,833
Venture Capital and Partnerships	14,630,846	7,334,124
Government bonds	18,576,166	30,426,820
Government agencies	14,719,346	16,485,493
Provincial bonds	3,329,047	2,414,142
Corporate bonds	67,324,559	67,191,857
Corporate convertible bonds	3,673,870	2,391,423
Equity exchange traded fund	2,507,827	0
Government mortgage-backed securities	19,726,187	12,419,665
Government-issued commercial mortgage-backed	324,881	0
Commercial mortgage-backed	4,951,753	4,068,220
Asset backed securities	1,700,000	2,065,731
Non-government backed CMOs	2,290,293	3,790,540
Index linked government bonds	5,024,458	7,062,070
Fixed income mutual funds	22,821,604	21,454,103
Real estate	26,814,937	20,195,788
Short term bills and notes	0	7,367,270
Cash & cash equivalent derivative-options	1,837	18,475
Short term investment funds	13,113,589	5,424,866
Securities lending short term collateral investment pool	67,213,393	30,425,252
Cash	4,654,697	5,891,220
Total Investments	\$ 695,942,433	\$ 546,316,494

The ERS has investments that are subject to various risks. Among these risks are custodial credit risk, interest rate risk, credit risk, and foreign currency risk. Each one of these risks is discussed in more detail below.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ERS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either a) the counterparty or b) the counterparty's trust department or agent but not in the government's name. The ERS requires that all investments be clearly marked as to ownership and to the extent possible, shall be registered in the name of the ERS.

Of the ERS' \$695.9 million in investments at June 30, 2011, \$67.2 million were cash collateral reinvestment securities acquired by the custodian, whom is also the lending agent/counterparty. This is consistent with the ERS' securities lending agreement in place with the custodian.

Notes to Financial Statements

4. Cash, Investments and Securities Lending (continued)

Interest Rate Risk

Each investment manager has duration targets and bands that control interest rate risk; however, the ERS has no policy relating to interest rate risk.

As of June 30, 2011, the ERS had the following fixed income investments and short term investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity-Years</u>
Asset backed securities	\$ 1,700,000	21.905464
Commercial mortgage-backed	4,951,753	28.294274
Corporate bonds	67,324,558	12.999462
Corporate convertible bonds	3,673,870	22.037408
Equity exchange traded funds	2,507,827	N/A
Government agencies	14,719,346	10.859632
Government bonds	18,576,166	15.311719
Government mortgage backed securities	19,726,187	26.554355
Gov't-issued Commercial Mortgage-Backed	324,881	9.242050
Index linked government bonds	5,024,458	13.675478
Provincial bonds	3,329,047	26.052405
Non-government backed CMOs	2,290,293	30.088504
Fixed income mutual funds	22,821,604	N/A
Short term investment funds	13,113,589	N/A
Total	<u>\$ 180,083,579</u>	<u>16.650338</u>

As of June 30, 2010, the ERS had the following fixed income investments and short term investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity-Years</u>
Asset backed securities	\$ 2,065,731	23.719182
Commercial mortgage-backed	4,068,220	29.473615
Corporate bonds	67,191,857	13.293565
Corporate convertible bonds	2,391,423	21.458266
Government agencies	16,485,493	11.824067
Government bonds	30,426,820	12.999872
Government mortgage backed securities	12,419,665	26.411038
Index linked government bonds	7,062,070	7.582842
Provincial bonds	2,414,142	25.909901
Non-government backed CMOs	3,790,540	30.334305
Fixed income mutual funds	21,454,103	N/A
Short term bills and notes	7,367,270	.202431
Short term investment funds	5,424,866	N/A
Total	<u>\$ 182,562,200</u>	<u>14.382408</u>

Collateralized mortgage obligations (CMOs) are a type of mortgage-backed security that creates several pools of pass-through rates for different classes of bonds, called tranches. The tranches have their own risk characteristics with varying maturities. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgages, which may result from a decline in interest rates. The repayments of principal and interest from the pass-through securities are used to retire the bonds in an established order of maturity. The ERS held \$2,290,293 and \$3,790,540 in CMOs at June 30, 2011 and 2010, respectively.

Asset-backed securities (ABS) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Brokerage firms underwrite the securities and reoffer them to the public. The ERS held \$1,700,000 and \$2,065,731 in ABS at June 30, 2011 and 2010, respectively.

Notes to Financial Statements

4. Cash, Investments and Securities Lending (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by a nationally recognized statistical rating agency such as Standard & Poor's Services. Individual manager guidelines require investment managers to follow certain controls, documentation and risk management procedures. Managers are required to measure and monitor exposure to counterparty credit risk; however, there is no formal policy relating to a specific investment-related risk. All counterparties must have commercial paper credit ratings of at least A1 or equivalent rating.

Individual investment manager guidelines include limitations on the percentage of securities below investment grade and various types of securities including derivatives. A Derivatives Policy Statement identifies and allows common derivative investments and strategies which are consistent with the Investment Policy Statement.

Credit Quality Ratings as of June 30, 2011:

Credit Quality Distribution for Services		% of Total Portfolio
Agency	Government	6.040%
Agency	AAA	1.569%
Agency	AA	0.082%
Agency	A	0.240%
Agency	BBB	0.036%
Agency	BB	0.037%
Agency	CCC	0.024%
Agency	Not Rated	0.119%
Asset Backed Securities	AAA	0.092%
Asset Backed Securities	AA	0.056%
Asset Backed Securities	A	0.004%
Asset Backed Securities	BB	0.022%
Asset Backed Securities	B	0.030%
Asset Backed Securities	CCC	0.017%
Asset Backed Securities	Not Rated	0.024%
Commercial Mortgage-Backed	AAA	0.487%
Commercial Mortgage-Backed	AA	0.043%
Commercial Mortgage-Backed	Not Rated	0.182%
Non-Government Backed C.M.O.s	AAA	0.156%
Non-Government Backed C.M.O.s	AA	0.003%
Non-Government Backed C.M.O.s	A	0.022%
Non-Government Backed C.M.O.s	BBB	0.009%
Non-Government Backed C.M.O.s	B	0.083%
Non-Government Backed C.M.O.s	CCC	0.023%
Non-Government Backed C.M.O.s	Not Rated	0.032%
Corporate Bonds	AAA	0.013%
Corporate Bonds	AA	0.510%
Corporate Bonds	A	1.930%
Corporate Bonds	BBB	2.056%
Corporate Bonds	BB	0.868%
Corporate Bonds	B	0.941%
Corporate Bonds	CCC	0.065%
Corporate Bonds	CC	0.052%
Corporate Bonds	Not Rated	3.238%
Corporate Convertible Bonds	A	0.111%
Corporate Convertible Bonds	BB	0.197%
Corporate Convertible Bonds	B	0.180%
Corporate Convertible Bonds	CCC	0.020%
Corporate Convertible Bonds	Not Rated	0.019%
Municipal/Provincial Bonds	AAA	0.068%
Municipal/Provincial Bonds	AA	0.253%
Municipal/Provincial Bonds	A	0.123%
Municipal/Provincial Bonds	Not Rated	0.035%
Government Mortgage Backed Securities	AAA	0.011%
Government Mortgage Backed Securities	Not Rated	0.191%
Gov't-issued Commercial Mortgage-Backed	AAA	0.038%
Other Fixed Income	Not Rated	3.267%
Short Term Investment Funds	Not Rated	1.884%

Notes to Financial Statements

4. Cash, Investments and Securities Lending (continued)

Credit Quality Ratings as of June 30, 2010:

Credit Quality Distribution for Services	% of Total Portfolio
Agency	Government 4.548%
Agency	AAA 8.298%
Agency	A 0.336%
Agency	BBB 0.118%
Agency	BB 0.043%
Agency	C 0.000%
Agency	Not Rated 0.035%
Asset Backed Securities	AAA 0.169%
Asset Backed Securities	AA 0.017%
Asset Backed Securities	A 0.025%
Asset Backed Securities	BBB 0.040%
Asset Backed Securities	BB 0.045%
Asset Backed Securities	B 0.013%
Asset Backed Securities	CCC 0.024%
Asset Backed Securities	CC 0.017%
Asset Backed Securities	Not Rated 0.028%
Commercial Mortgage Backed Securities	AAA 0.575%
Commercial Mortgage Backed Securities	Not Rated 0.170%
Non-Government Backed CMOs	AAA 0.337%
Non-Government Backed CMOs	AA 0.016%
Non-Government Backed CMOs	A 0.040%
Non-Government Backed CMOs	BBB 0.008%
Non-Government Backed CMOs	BB 0.011%
Non-Government Backed CMOs	B 0.104%
Non-Government Backed CMOs	CCC 0.109%
Non-Government Backed CMOs	CC 0.023%
Non-Government Backed CMOs	Not Rated 0.046%
Corporate Bonds	AAA 0.041%
Corporate Bonds	AA 0.841%
Corporate Bonds	A 3.021%
Corporate Bonds	BBB 2.429%
Corporate Bonds	BB 1.358%
Corporate Bonds	B 1.401%
Corporate Bonds	CCC 0.152%
Corporate Bonds	Not Rated 3.057%
Corporate Convertible Bonds	A 0.123%
Corporate Convertible Bonds	BB 0.053%
Corporate Convertible Bonds	B 0.240%
Corporate Convertible Bonds	CCC 0.019%
Provincial Bonds	AAA 0.035%
Provincial Bonds	AA 0.235%
Provincial Bonds	A 0.104%
Provincial Bonds	Not Rated 0.068%
Government Mortgage Backed	BBB 0.062%
Other Fixed Income	Not Rated 3.881%
Short Term Bills and Notes	AAA 0.060%
Short Term Investment Fund	Not Rated 0.993%

Notes to Financial Statements

4. Cash, Investments and Securities Lending (continued)

Foreign Currency Risk

The ERS does not have a policy for foreign currency risk. Foreign currency is intentionally unhedged.

The ERS' exposure to foreign currency risk at June 30, 2011 was as follows:

<u>Investment Type</u>	<u>Currency</u>	<u>Fair Value</u>
Government Bonds	Canadian dollar	\$ 289,868
Government Bonds	Euro	28,487
Government Bonds	Mexican peso	346,103
Government Agencies	Brazilian real	857,811
Government Agencies	Indian rupee	120,050
Government Agencies	Indonesian rupiah	845,628
Government Agencies	South Korean won	376,678
Government Agencies	Philippine peso	306,800
Corporate Bonds	Australian dollar	218,137
Corporate Bonds	South Korean won	289,701
Corporate Bonds	Mexican peso	156,771
Common Stock	Brazilian real	1,282,650
Common Stock	Swiss franc	1,052,743
Common Stock	Czech koruna	268,074
Common Stock	Euro	10,663,442
Common Stock	British pound sterling	4,006,753
Common Stock	Hong Kong dollar	6,017,328
Common Stock	Japanese yen	5,757,636
Common Stock	South Korean won	372,622
Common Stock	Mexican peso	416,304
Common Stock	Norwegian krone	2,647,950
Common Stock	Swedish krona	1,321,254
Common Stock	Singapore dollar	626,601
Cash	British pound sterling	1,966
Cash	Australian dollar	2,733
Total		\$ 38,274,090

The ERS' exposure to foreign currency risk at June 30, 2010 was as follows:

<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>
Government bonds	Brazilian real	\$ 646,422
Government bonds	Colombian peso	154,237
Government bonds	Mexican peso	571,599
Government agencies	Indonesian rupiah	277,914
Government agencies	South Korean won	332,710
Corporate bonds	Mexican peso	149,832
Common stock	Australian dollar	8,920
Common stock	Mexican peso	277,405
Common stock	Swiss franc	566,894
Common stock	Czech koruna	145,929
Common stock	Euro	3,582,636
Common stock	British pound sterling	1,993,959
Common stock	Hong Kong dollar	3,328,906
Common stock	Japanese yen	2,655,560
Common stock	Norwegian krone	1,051,423
Common stock	Swedish krona	637,444
Cash	Euro	16,327
Cash	Australian dollar	2,840
Total		\$ 16,400,957

Note: These schedules do not agree with the total international obligations and international equities as listed on the Statements of Plan Net Assets due to international obligations valued in U.S. dollars but classified as international.

Notes to Financial Statements

4. Cash, Investments and Securities Lending (continued)

Cash Received as Securities Lending Collateral

The ERS accounts for securities lending transactions in accordance with GASB No. 28 Accounting and Financial Reporting for Securities Lending Transactions, which established standards of accounting and financial reporting for securities lending transactions.

The Board of Trustees authorized the lending of fixed income securities, which activity is managed by the custodian bank. The Board of Trustees authorized a securities lending loan cap of 30% effective October 6, 2010 with an increase to 50% effective February 1, 2011. There were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent as of June 30, 2011 and 2010.

Securities are loaned against collateral that may include cash, U.S. government securities, and irrevocable letters of credit. U.S. government securities are loaned against collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. government securities are loaned against collateral valued at 105% of the market value of the securities plus any accrued interest. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Consequently, the non-cash collateral has not been reported as an asset or liability on the Statement of Plan Net Assets. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans were approximately 130 days in 2011 and 111 days in 2010.

Cash open collateral is invested in a short term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 21 days as of this statement date. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to the ERS' accounts on approximately the fifteenth day of the following month.

The custodial bank's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. Loss indemnification is provided when securities are not returned due to the insolvency of a borrower and the trustee bank fails to fulfill its contractual responsibilities relating to the lending of those securities to that borrower.

The following table presents the fair values of the underlying securities, and the value of the collateral pledged at June 30, 2011:

<u>Securities Lent</u>	<u>Fair Value</u>	<u>Cash Collateral Received*</u>
Fixed income securities	\$ 32,886,766	\$ 33,585,673
Domestic equities	27,491,536	28,006,619
Global equities	6,835,091	7,124,826
Total	\$ 67,213,393	\$ 68,717,118

The following table presents the fair values of the underlying securities, and the value of the collateral pledged at June 30, 2010:

<u>Securities Lent</u>	<u>Fair Value</u>	<u>Cash Collateral Received*</u>
Fixed income securities	\$ 19,826,850	\$ 20,267,675
Domestic equities	10,451,978	10,767,936
Global equities	146,424	153,954
Total	\$ 30,425,252	\$ 31,189,565

*The securities collateral value is based on the ERS' pro rata share of the value of the securities collateral maintained at The Northern Trust Bank on the program wide collateralization levels.

Notes to Financial Statements

5. Derivatives Policy Statement

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have commercial paper credit ratings of at least A1 or equivalent rating. The duration and other risk exposure limits specified in the managers' guidelines are expected to be satisfied on an ongoing basis. Investment managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures, to replicate the risk/return profile of an asset or asset class, and to tactically change country exposure. Derivative securities such as "plain vanilla" collateralized mortgage obligations (CMOs) and structured notes are allowed. CMOs which are not "plain vanilla" are restricted to 5% of a manager's portfolio. Any use of derivatives not listed above is prohibited without written approval of the Board. At June 30, 2011, the System held derivatives with fair market values of approximately \$1,837 with an underlying notional market value of -\$2,625,961. Gains and losses are determined based on quoted market values and recorded in the statement of changes in plan net assets. The objective of Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" is to enhance the usefulness and comparability of derivative instrument information reported by state and local governments.

The following uses of derivatives are prohibited:

- **Leverage.** Derivatives shall not be used to magnify exposure to an asset beyond that which would be allowed by the guidelines.
- **Unrelated Speculation.** Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by the manager's guidelines if created with non-derivative securities.

Typically, investment advisors enter into foreign exchange contracts to make payment for international investments. Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The investment advisor uses these contracts primarily for its international investments to settle pending trades. To reduce the risk of counterparty nonperformance, the investment advisors generally enter into these contracts with institutions meeting high standards of credit worthiness. The realized and unrealized gain/loss on contracts are included in the ERS' net assets and represents the fair value of the contracts on June 30, 2011 and June 30, 2010, the ERS' contracts to purchase and sell by foreign currencies were as follows:

Foreign Exchange Contracts Settled as of June 30, 2011:

Currency	Purchases	Realized Gain/(Loss)	Sells	Realized Gain/(Loss)
Australian dollar	\$362,072	\$(1,035)	\$(1,803,153)	\$(1,114)
Brazilian real	1,552,821	(1,075)	(9,714)	(120)
British pound sterling	6,464,297	(34,069)	(32,516)	51
Canadian dollar	-	-	(2,572,316)	(9,645)
Czech koruna	114,472	(1,147)	(18,394)	(90)
Danish krone	-	-	(147,168)	531
Euro	3,308,381	(466)	(5,732,116)	8,794
Hong Kong dollar	3,242,215	(1,137)	(304,587)	30
Japanese yen	736,601	2,303	(117,864)	(52)
Mexican peso	151,010	394	(58,906)	(124)
Norwegian krone	496,492	(1,026)	(101,706)	(6)
Singapore dollar	605,698	(2413)	(180,346)	61
South Korean won	694,136	(810)	-	-
Swedish krona	397,926	52	(21,547)	43
Swiss franc	42,235	(483)	(1,558,245)	3,189
Turkish Lira	-	-	(116,504)	(144)

Notes to Financial Statements

5. Derivatives Policy Statement (continued)

Foreign Exchange Contracts Settled as of June 30, 2010:

Currency	Purchases	Realized Gain/(Loss)	Sells	Realized Gain/(Loss)
Australian dollar	\$ 2,899	\$ (12)	\$ (165,035)	\$ 123
British pound sterling	2,060,785	10,452	-	-
Canadian dollar	-	-	(922,232)	(5,827)
Czech koruna	154,936	2,952	-	-
Euro	3,555,090	17,954	-	-
Hong Kong dollar	3,216,207	(949)	-	-
Iceland krona	-	-	(3,507)	(543)
Japanese yen	2,605,192	(23,488)	-	-
Mexican peso	285,536	2,619	(57,112)	(370)
New Zealand dollar	3,902	53	(159,422)	943
Norwegian krone	1,160,158	17,351	-	-
Swedish krona	670,555	7,094	-	-
Swiss franc	569,832	2,621	-	-

Foreign Exchange Contracts Pending June 30, 2011:

Currency	Purchases	Unrealized Gain/(Loss)	Sells	Unrealized Gain/(Loss)
Canadian dollar	\$ 290,760	\$ (250)	-	-
Czech dollar	-	-	\$ (70,288)	\$ (3)
Euro	959,986	(1953)	(391,183)	417
Hong Kong dollar	-	-	(1,100,341)	(158)
Japanese yen	102,598	(254)	-	-
Mexican peso	-	-	(122,334)	(364)

Foreign Exchange Contracts Pending June 30, 2010:

Currency	Purchases	Unrealized Gain/(Loss)	Sells	Unrealized Gain/(Loss)
Australian dollar	\$ 6,086	\$ (35)	-	-

6. Contributions Required and Contributions Made

The ERS' funding policy provides for actuarially determined periodic contributions at level rates, for individual employees, so that sufficient assets will be available to pay benefits when due. The rate for the Commission's employee group as a whole is expected to remain level as a percentage of annual covered payroll. The contribution rate is based on current service cost plus amortization of the unfunded actuarial accrued liability. Effective July 1, 2007, the new methodology amortizes the unfunded actuarial accrued liability as of July 1, 2005 in equal payments to January 1, 2016 and amortizes subsequent changes in the unfunded actuarial accrued liability in equal payments over 15 years. The significant actuarial assumptions used to compute the contribution requirement are the same as those used to compute the actuarial present value of accumulated plan benefits.

The total contributions to the ERS for 2011 and 2010 were \$30,331,246 and \$22,751,434 respectively. In 2011, the Commission contributed \$25,633,000 (18.0% of covered payroll of \$142,590,713) which was \$9,573,000 less than the actuarial recommended employer contribution of \$35,206,700 (24.7% of covered payroll) computed through an actuarial valuation performed as of July 1, 2009. Employees contributed \$4,698,246 (3.3% of covered payroll). In 2010, the Commission contributed \$17,614,908 (13.3% of covered payroll of \$132,240,949) and the employees contributed \$5,136,526 (3.9% of covered payroll). The 2010 employer contributions were made pursuant to actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2008.

Notes to Financial Statements

6. Contributions Required and Contributions Made (continued)

Employees participating in Plan A contribute 6% of their base pay. Park Police participating in Plans C and D contribute 8% and 7%, respectively, of their base pay. Employees participating in Plan B contribute 3% of their base pay up to the Social Security covered wage base and 6% thereafter.

Upon termination of employment, a participant may elect to receive a refund of contributions, or if he/she has at least five years of service, retirement benefits upon attaining Normal Retirement Date. All participants receive credited interest on contributions at the annual rate of 4.5%.

The Commission has agreed to make contributions to the ERS sufficient to provide the ERS with assets for payment of pension benefits to participants. Although the Commission has not expressed any intent to terminate the Plans, it may do so at any time. In the event that the Plans are terminated, beneficiaries receiving benefits at the date of termination shall be entitled to an allocation of the remaining assets based upon the relationship of each individual's actuarial reserve to total actuarial reserves, the balance to be allocated (pro rata) to the remaining members or beneficiaries.

7. Administrative Expenses

The ERS' Board of Trustees employs an internal staff to perform all accounting and administrative services. Administrative expenses are primarily comprised of salaries and related costs, professional fees, and office expenses. In accordance with a Trust Agreement and Memorandum of Understanding between the ERS and the Commission, the administrative expenses are determined by the ERS and paid from the ERS' Trust Fund within the limits of the budget approved by the Commission. The cost of such services for the years ended June 30, 2011 and 2010 was \$1,366,148 and \$1,322,931, respectively. The administrative expenses are financed from plan net assets.

The liability for accrued leave as of June 30, 2011 and 2010, was \$137,704 and \$134,679, respectively, and has been included in accrued expenses in the accompanying financial statements.

Administrative expenses charged to the ERS by the Commission for 2011 were: computer services of \$47,200, legal of \$61,800, rent of \$66,500, postage of \$3,969, copier leasing costs of \$7,644, and renovations of \$8,129. In 2010 the expenses were: computer services of \$47,200, legal of \$30,150, rent of \$76,189, postage of \$4,471, and copier leasing costs of \$7,644.

8. Federal Income Taxes

The ERS obtained its latest determination letter on July 31, 2003, in which the Internal Revenue Service stated that the ERS, as amended, is in compliance with the applicable requirements of the Internal Revenue Code and the related trust is tax exempt.

9. Funded Status of Plan

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. As of the most recent actuarial valuation date, July 1, 2010, the plan had the following funding status:

(1) Actuarial Value of	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL)	(4) Funded Ratio % (1)/(2)	(5) Covered Payroll	(6) UAAL as a Percentage of
\$ 609,902,953	\$ 763,860,139	\$ 153,957,186	79.8%	\$ 140,407,414	109.7%

Notes to Financial Statements

10. Actuarial Cost Method

The actuarial cost method utilized to determine contributions to the Plan for the actuarial valuation date of July 1, 2010 is the Entry-Age Normal Actuarial Cost Method. The method used to determine the actuarial value of assets is five-year smoothing.

The ERS changed the amortization of the unfunded actuarial accrued liability. Effective July 1, 2007, the new methodology amortizes the unfunded actuarial accrued liability as of July 1, 2005 in equal payments to January 1, 2016 and amortizes subsequent changes in the unfunded actuarial accrued liability over 15 years.

The more significant actuarial assumptions underlying the actuarial computations for the valuation effective July 1, 2010 are as follows:

Interest	7.5% compounded annually
Salary Increases	4.0% per year plus additional merit increases
Mortality	RP-2000 Projected to 2010 Annuitant and Non-Annuitant Tables

11. Retirement Contributions for Employees of the ERS

Effective March 1, 1994, new employees of the ERS are required to participate in the ERS. Those employees remaining in the Board established 401(a) Defined Contribution Plan receive an ERS contribution at the rate of 8% of base pay, and the employee contribution is at the rate of 6% of base pay.

Upon termination of employment, the amount accumulated in the 401(a) Plan shall be made available to the employee or designee, in accordance with the policies and procedures of the 401(a) Defined Contribution Plan and in compliance with IRS regulations. The payroll for two employees covered by the ERS 401(a) Defined Contribution Plan for the year ended June 30, 2011, was \$245,804 and the total payroll was \$691,535. The ERS' contribution to the 401(a) Plans was \$19,521 (2.8% of covered payroll) for the year ended June 30, 2011.

The payroll for two employees covered by the ERS 401(a) Defined Contribution Plan for the year ended June 30, 2010, was \$242,461 and the total payroll was \$684,529. The ERS' contribution to the 401(a) Plans was \$19,493 (2.8% of covered payroll) for the year ended June 30, 2010.

The payroll for two employees covered by the ERS 401(a) Defined Contribution Plan for the year ended June 30, 2009, was \$231,532 and the total payroll was \$710,439. The ERS' contribution to the 401(a) Plans was \$17,966 (2.5% of covered payroll).

In addition, employees are eligible to participate in a Section 457 Deferred Compensation Plan. Participation is voluntary, and the ERS does not contribute to the 457 Plan. Upon termination of employment, the amount accumulated in the 457 Plan shall be made available to the employee or designee, in accordance with the policies and procedures of the 457 Plan and in compliance with IRS regulations. ERS employees electing to participate, do so in the sponsor's Section 457 deferred compensation plan. The contributions made to this plan are held in trust for the exclusive benefit of participants and their beneficiaries.

12. Other Post-employment Benefits (OPEB)

Plan Description - In addition to the pension benefits provided for the ERS, the Commission provides post-retirement health care benefits under a cost sharing plan, in accordance with Commission approval, to all full-time and part-time career employees of the ERS who have been insured under any Commission-sponsored group medical plan during the three years immediately preceding the date of retirement or ability to prove similar coverage in another plan immediately prior to retirement. Currently 4 ERS retirees are participating in the Commission's medical plans. The Commission contributes 85 percent of the amount of medical, prescription drug, and dental insurance rates and 80 percent of vision benefit rates. The ERS contributes the same percentages for its full-time and part-time employees and retiree benefits levels

Notes to Financial Statements

12. Other Post-employment Benefits (OPEB) (continued)

are established annually by resolution of the Commission. Detailed information of the plan may be accessed via the Commission's CAFR.

Funding Policy – In fiscal year 2008, the Commission and plan sponsor of the ERS began phasing in over an 8 year period actuarially based funding of Other Postemployment Benefits in connection with the implementation of the accounting requirements of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The ERS pays the contributions based on requested actuarially funding amounts from the Commission. For the years ended June 30, 2011 and June 30, 2010, respectively, the ERS had no contributions paid towards the Commission's ARC. For the year ended June 30, 2009 \$17,842 was contributed. The OPEB is documented as a part of the Maryland-National Capital Park and Planning Commission's CAFR. Questions concerning the OPEB information may be addressed to the Department of Finance, Office of the Secretary-Treasurer, The Maryland-National Capital Park and Planning Commission, 6611 Kenilworth Avenue, Suite 204, Riverdale, Maryland 20737 or via the Commission's website, <http://www.mncppc.org> (See Budget/CAFR).

13. Risk Management

The ERS is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ERS addresses these risks by purchasing workers' compensation (Maryland state mandatory limits) insurance, unemployment insurance, fiduciary liability, theft, and business owners insurance. The ERS did not pay any claims settlements in excess of insurance coverage in 2011 or 2010 nor was any insurance coverage reduced in 2011 or 2010. The ERS' employees have various options in their selection of health insurance benefits that are offered through the Commission's self-insurance program. The Commission self-insures the following medical plans: a health maintenance organization (HMO), an exclusive provider organization (EPO), a point of service (POS) as well as the prescription drug plan. All other group health insurance plans are fully insured including a dental plan and a vision plan with three coverage options.

14. Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets ("GASB 51" or the "Statement"), which establishes guidance specific to the recognition, and disclosure in the statement of net assets of those intangible assets of the ERS that are considered identifiable. This Statement further establishes a specified-conditions approach to recognizing intangible assets that are internally generated by the ERS as well as specific guidance related to amortization and useful life of intangible assets. The ERS' intangible assets are in scope of GASB 51. This Statement was effective for financial statements for periods beginning after June 15, 2009. After careful assessment and review, the ERS does not own any intangible assets.

The GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments ("GASB 53" or the "Statement"), which establishes a comprehensive framework for measurement, recognition, and disclosure of derivative transactions in order to enhance the usefulness and comparability of reported derivative instrument activity. The ERS' derivative instruments are within the scope of GASB 53. This Statement was effective for financial statements for periods beginning after June 15, 2009. The ERS adopted GASB 53 during the fiscal year ended June 30, 2010.

The GASB issued Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies ("GASB 58" or the "Statement"), which establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement were effective for financial statements for periods beginning after June 15, 2009. As of the fiscal year ended June 30, 2011 there were no Chapter 9 Bankruptcies filed on behalf of the ERS.

Required Supplementary Information

Schedule of Funding Progress

(Unaudited)

Six-year historical trend information about the ERS is presented herewith as required supplementary information. This information is intended to help users assess the ERS' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems.

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial						
Valuation	Actuarial	Actuarial	Unfunded AAL	Funded Ratio %	Covered	UAAL as a
Date	Value of	Accrued Liability	(UAAL)	(1)/(2)	Payroll	Percentage of
July 1	Assets	(AAL)	(2) – (1)			Covered Payroll
						(3) / (5)
2005	521,369,236	507,393,109	(13,976,127)	102.8%	106,058,394	(13.2)%
2006	552,432,436	544,748,263	(7,684,173)	101.4%	109,579,279	(7.0)%
2007	600,285,246	615,588,955	15,303,709	97.5%	122,825,271	12.5%
2008	633,699,751	662,224,634	28,524,883	95.7%	132,240,949	21.6%
2009	541,519,199	726,000,351	184,481,152	74.6%	142,590,713	129.4%
2010	609,902,953	763,860,139	153,957,186	79.8%	140,407,414	109.7%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage is the stronger the system. Trends in the unfunded actuarial accrued liability (or excess of) and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage is the stronger the system.

Required Supplementary Information
Schedule of Employer Contributions
(Unaudited)

Year Ended June 30	Employer Contributions	
	Annual Required Contribution	Percentage Contributed
2006	\$ 8,337,228	100%
2007	9,824,590	100%
2008	10,561,434	100%
2009 ¹	13,983,669	100%
2010	17,614,908	100%
2011 ²	35,206,700	72.8%

¹ An additional amount of \$949,837 for a retirement incentive program offered by the Commission made the overall Employer Contribution for 2009 equal to \$14,933,506.

² The Commission made a contribution of \$25,633,000. As a result, the unfunded actuarial accrued liability will increase by \$9,573,700 and will be amortized over 15 years as part of future annual required contributions.

Note to Required Supplementary Information

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the date indicated. Additional information as of the most recent actuarial valuation follows:

Actuarial Valuation Date	Actuarial Cost Method	Remaining Amortization Period	Amortization Method ^(A)	Asset Valuation Method ^(B)	Investment Rate of Return	Projected Salary Increases	Post- Retirement Benefit Increase ^(C)
07/01/10	Entry age Normal	7	Open	5 year smoothing	7.5%	4.0% plus variable merit increases	3.0%

(A) The ERS changed the methodology for amortization of the unfunded actuarial accrued liability. Effective July 1, 2007, the new methodology amortizes the unfunded actuarial accrued liability as of July 1, 2005 in equal payments to January 1, 2016 and amortizes subsequent changes in the unfunded actuarial accrued liability over 15 years.

(B) A 5-year asset smoothing method is used as the Actuarial Value of Assets to determine the funding requirements for the System. The return on the Actuarial Value of Assets was 13.64% during the past year, which is more than the 7.50% return assumption. Over the 5-year period ending on the valuation date, the return on the Actuarial Value of Assets was 4.48% which is less than the 7.50% return assumption. The total Actuarial Value of Assets as of July 1, 2010 is \$609,902,953. The total Market Value of Assets as of July 1, 2010 is \$508,252,461. The return on the Market Value of Assets was 13.85% during the past year, which is more than the 7.50% return assumption. Over the 5-year period ending on the valuation date, the return on the Market Value of Assets was 0.41%, which is less than the 7.50% return assumption.

(C) Cost-of-living adjustments (COLA) for the Plans are based on 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to a 5% maximum COLA.

Supplementary Schedule
Schedule of Administrative Expenses
Fiscal Years Ended June 30

	<u>2011</u>	<u>2010</u>
Personnel services		
Salaries and wages	\$ 691,535	\$ 684,529
Social security contributions	49,539	49,980
Retirement contributions	95,243	81,732
Insurance contributions	84,014	93,180
Other employee benefits	17,666	13,622
Unemployment compensation	448	448
Total personnel services	<u>938,445</u>	<u>923,491</u>
Professional and contractual services		
Actuarial	53,483	35,654
Auditing	30,836	15,891
Legal	68,331	80,255
Computer services	48,400	56,652
Other contractual services	2,911	2,821
Total professional and contractual services	<u>203,961</u>	<u>191,273</u>
Communication costs		
Printing	7,521	4,937
Telephone	-246	3,000
Postage	3,969	4,471
Travel, conference and meetings	20,693	16,974
Advertising	3,239	2,220
Total communication costs	<u>35,176</u>	<u>31,602</u>
Other services and charges		
Office space rental	74,629	76,189
Equipment leasing	7,644	7,644
Furniture and equipment	32,715	21,878
Supplies	4,584	3,959
Maintenance	22,827	33,310
Bonding and insurance	32,673	26,701
Dues and subscriptions	1,904	2,559
Other services	3,587	3,325
Total other services and charges	<u>180,563</u>	<u>175,565</u>
Depreciation	<u>8,003</u>	<u>1,000</u>
Total	<u>\$ 1,366,148</u>	<u>\$ 1,322,931</u>

Supplementary Schedule
 Schedule of Investment Expenses
 Fiscal Years Ended June 30

	<u>2011</u>	<u>2010</u>
Investment managers		
Fixed income managers	\$ 709,401	\$ 701,185
Equity managers	465,673	377,228
International equity managers	823,856	472,055
Total investment managers' fees	<u>1,998,930</u>	<u>1,550,468</u>
 Other investment service fees		
Custodian fees	287,810	242,718
Investment consulting fees	179,900	178,000
Securities lending fees	62,248	29,905
Total other investment service fees	<u>529,958</u>	<u>450,623</u>
Total	<u>\$ 2,528,888</u>	<u>\$ 2,001,091</u>

Supplementary Schedule
 Schedule of Payments to Consultants
 Fiscal Years Ended June 30

<u>Firm Name</u>	<u>Nature of Service</u>	<u>2011</u>	<u>2010</u>
Clifton Gunderson, LLP	Auditor	\$ 30,836	\$ 15,891
Wilshire Associates, Inc.	Investment Consultant	179,900	178,000
AON Hewitt	Actuary	53,483	35,654
GROOM Law Group	Legal	6,531	50,105
The Maryland-National Capital Park and Planning Commission Legal Department	Legal	61,800	30,150
The Maryland-National Capital Park and Planning Commission Finance Department	Computer Services	47,200	47,200
Total		<u>\$ 379,750</u>	<u>\$ 357,000</u>

INVESTMENT SECTION

Investment Manager Directory

DOMESTIC EQUITY MANAGERS

Artisan Partners, L.P.
BlackRock Institutional Trust Company
J.P. Morgan Investment Management, Inc.
Ranger Investment Management, L.P.
RhumbLine Advisors, L.P.

FIXED INCOME MANAGERS

Core Fixed Income Composite

C.S. McKee, L.P.
Eaton Vance Management
Western Asset Management Company

High Yield Fixed Income Composite

Loomis Sayles & Company, L.P.
Neuberger Berman Fixed Income, LLC
W. R. Huff Asset Management¹

Long Duration Fixed Income Composite

Pugh Capital Management, Inc.
Pyramis Global Advisors Trust Company

Opportunistic Fixed Income

Western Asset Management Company
AllianceBernstien Legacy Securities, L.P.
Oaktree PPIP Private Fund, L.P.
Oaktree Opportunities Fund VIII, L.P.

INTERNATIONAL MANAGERS

Capital Guardian Trust Company
Earnest Partners, LLC

REAL ESTATE MANAGERS

FLAG Real Estate Partners II, L.P.
Principal Global Investors, LLC

PRIVATE REAL ASSETS MANAGERS

FLAG Energy & Resources Partners II, L.P.

¹ Maintains Adelphia and Century securities only.

Investment Consultant's Report

By Wilshire Associates

To: Andrea Rose, Administrator
The Maryland-National Capital Park and Planning Commission
Employees' Retirement System Board of Trustees ("Board")

From: Michael J. Dudkowski, Wilshire Associates ("Wilshire")

Date: August 25, 2011

Subject: Annual Investment Advisor's Review

Overview

The overall goal of the Maryland-National Capital Park and Planning Commission Employees' Retirement System ("ERS") is to provide benefits, as anticipated under the ERS governing plan document, to its participants and their beneficiaries through a carefully planned and executed investment program. Through this program, the ERS seeks to produce a return on investment commensurate with a prudent and reasonable level of investment risk, taking into account the financial status of the ERS and the prevailing capital market conditions. While the ERS recognizes the importance of capital preservation, it also recognizes the critical importance of achieving a reasonable investment return to meet the long-term financial requirements of the ERS. The ERS adheres to capital market pricing theory in which varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is both necessary and justifiable.

The asset allocation policy is based on data and calculations resulting from the Actuarial Valuation conducted by Aon Consultants and the subsequent Asset/Liability study conducted by the investment consultant, Wilshire Associates, presented on February 3, 2009.

The below asset allocation policy was adopted in the first calendar quarter of 2009 following the Asset/Liability study. This asset allocation policy is fully funded with the exception of the private investments which will be funded gradually over time. The next Asset/Liability study will be completed during 2012.

Asset Class	Target %	Range %
U.S. Stocks	35	30-40
International Stocks	20	17-23
U.S. Investment Grade Fixed Income – Core	15	10-20
U.S. Investment Grade Fixed Income – Long Duration	10	5-15
High Yield (incl. Opportunistic Fixed Inc.)	10	5-15
Real Estate (Private)	5	0-10
Real Assets (Private)	5	0-8

Outline of Investment Policies

The policies and procedures of the investment program guide its implementation and outline the specific responsibilities of the ERS.

Therefore, it is the policy of the ERS to:

1. Base the investment of the assets of the ERS on a financial plan that will consider:
 - a. The financial condition of the ERS
 - b. The expected long-term capital market outlook
 - c. The ERS' risk tolerance
 - d. Future changes of active and retired participants
 - e. Projected inflation and the rate of salary increase
 - f. Cash flow requirements
 - g. Targeted funding level as a percentage of the actuarial funding target.

In developing its financial plan, the Board relies on the ERS' investment consultant, as one of the ERS' expert fiduciaries, to advise the Board on its long-term capital markets outlook and the Board's options available to meet investment objectives in light of that outlook. The investment consultant advises the Board as to the potential impact on the funding level of alternative investment policies taking into account risk, return potential, and diversification; as well as the current and projected liability structure of the ERS. Based on this advice, the Board adopts an overall investment performance goal commensurate with the level of risk necessary to reach those goals.

2. Based on the financial plan and the advice of the investment consultant, the Board determines the specific allocation of the investments among the various asset classes considered prudent given the ERS' liability structure. The long-term asset allocation is expressed in terms of a target and ranges for each asset class to provide sufficient flexibility to take advantage of short-term market opportunities as they may occur. Allocations are sufficiently diversified to maintain a prudent level of risk, as determined by the Board, based on the investment consultant's expert opinion and projections that utilize reasonable, generally accepted capital market assumptions to ensure the current asset mix has a high probability of achieving the long-term goals of the ERS.
3. In accordance with the asset allocation guidelines so adopted, the ERS' investment consultant advises and recommends to the Board external investment managers with demonstrated experience and expertise whose investment styles collectively will implement the planned asset allocation. Based on these recommendations, the Board selects the investment managers that it deems most capable of carrying out the ERS' investment objectives. Upon the advice of the investment consultant, the Board sets guidelines for these managers and regularly reviews their investment performance against stated objectives and benchmarks.
4. It is the responsibility of the Board to administer the investments of the ERS at the lowest reasonable cost, taking into account the need to ensure quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs, and other administrative costs chargeable to the ERS.

The Board of the ERS has general supervision of the investment and reinvestment of the funds of the ERS. The specific investment-related duties of the Board and, by delegation, of its investment consultant and advisors, include but are not limited to:

1. Selection and appointment of investment consultant and professional investment managers to assist the Board in carrying out its duties;
2. Establishment and implementation of investment policy with the advice and assistance of the Board's investment consultant and investment managers;
3. Review and general supervision of the activities of the Board's investment consultant and investment managers with regard to the ERS' assets.

Investment Results

The investment results provided are supplied by the ERS' consultant, Wilshire Associates. The returns are accurate and representative of the actual performance of the ERS portfolio. The following describes the performance measurement process that is used to arrive at the investment results:

Performance measurement reporting begins with the monthly collection of data from three sources:

- Banks – Wilshire obtains transaction and asset information from trustee banks electronically. These transactions and security holdings are then loaded into client files on Wilshire's performance measurement system. Wilshire also tracks the availability and timeliness of statements sent by trustee banks. In addition, Wilshire employs a dedicated team of data analysts responsible for maintaining data receipts and information links, and loading asset data into the performance system.
- Investment Managers – Wilshire receives investment manager returns and related account statement information to use in the return reconciliation process.
- External Data Vendors and Wilshire Data Sources – Wilshire's centralized security data division collects extensive security level data from external data vendors, while the index department collects returns and portfolios on over 800 benchmarks. A manager research department collects investment manager returns and portfolios for the construction of peer universes. This data is also loaded into Wilshire's performance system.

Monthly rates of return are calculated using software written by Wilshire. The rates of return are time-weighted rates of return consistent with industry standards. Wilshire's calculation procedures follow the recommendations of both the CFA Institute and the Bank Administrative Institute.

Returns calculated independently by Wilshire and investment managers are checked for consistency using established tolerance ranges. When returns fall outside the tolerance range, Wilshire reviews individual holdings, prices, accruals, cash flows and fees to determine where the discrepancies lie. If an error has been made, Wilshire works with various parties to correct the error. If the difference is due to structural differences in the way calculations are performed, explanation is provided. Reconciliation work is saved and documented.

Market Overview

Major Asset Class Returns for Periods Ending June 30, 2011

	QTR	YTD	1 Year	3 Year	5 Year	10 Year
Equity						
Wilshire 5000 Index	-0.1	6.1	32.0	4.0	3.4	3.7
Standard & Poor's 500 Index	0.1	6.0	30.7	3.3	3.0	2.7
MSCI EAFE (N) Index	1.6	5.0	30.4	-1.8	1.5	5.7
MSCI ACWI ex-U.S. (N) Index	0.4	3.8	29.7	-0.4	3.7	7.5
MSCI Emerging Market (N) Index	-1.2	0.9	27.8	4.2	11.4	16.2
Real Estate						
NCREIF ODCE Index	4.6	8.8	20.5	-7.7	0.0	5.7
Fixed Income						
Barclays Capital Aggregate Bond Index	2.3	2.7	3.9	6.5	6.5	5.8
Merrill Lynch High Yield BB/B Index	1.1	4.8	14.7	10.5	8.2	7.9
Barclays Long Gov't/Credit Index	3.3	3.3	3.2	8.2	7.7	7.2
Barclays U.S. TIPS Index	3.7	5.8	7.7	5.3	6.9	7.0
Treasury Bills (91 Day)	0.0	0.1	0.2	0.4	2.0	2.1
Consumer Price Index	1.0	3.0	3.6	1.0	2.2	2.4

US Equity Market

The U.S. stock market experienced a fairly volatile ride in the second quarter of 2011, with global macro events driving investors in and out of risk assets. Continued unrest in the Middle East, volatility in commodities prices, debt woes and sociopolitical rumblings in Europe all contributed to the volatility. By quarter end, the Wilshire 5000 Total Market IndexSM experienced a modest loss of -0.1%. Small cap stocks bore the brunt of the mildly bearish investor sentiment, trailing large cap stocks, while value shares broadly outperformed growth.

The strongest market sectors during the second quarter were Health Care and Consumer Staples, returning 6.8% and 5.6% respectively. Given overall unease over the global economy, it comes as no surprise that the sensitive Financials and Energy sectors were the worst performers and were both down for the quarter.

Consumer-level inflation rates have risen in recent months with the 3.4% year-over-year CPI rate at the end of June at its highest level since October 2008. The volatile Food and Energy sectors have fueled the majority of the recent increases.

Domestic Fixed Income

Reflecting a broad flight to safety, Treasury yields fell during the quarter, with the bellwether 10-year yield down 29 basis points to 3.18% at quarter-end. Investors remain wary as to the future direction of U.S. interest rates, as the end of the Fed's quantitative easing program ("QE2") on June 30th and an overall sluggish economy compete for thematic dominance in Treasury prices. Given the defensive nature of the markets during the quarter, credit spreads widened and depressed the performance of investment-grade and high-yield credits relative to Treasuries and global sovereign debt.

International Equity

Globally, volatile commodity prices and fluctuating demand combined with Middle East conflict and ongoing debt concerns to provide market malaise worldwide. However, a weak dollar and surprising strength in the largest European economies afforded some good news to investors with offshore assets. Pacific region stocks trailed as concerns of slowing growth in China eclipsed guarded optimism of Japan's ability to rebuild after a devastating earthquake. Emerging markets, with their heightened sensitivity to commodities and the economic health of their trading partners, were notable underperformers.

Portfolio Review

Investment performance for the ERS is summarized below. Results are as of June 30, 2011 and net of investment fees.

Maryland-NCPPC ERS	\$'000	Comp %	YTD %	1 Year %	3 Years %	5 Years %	Inception %
Total Fund (9/30/89)	617,194	100.0%	5.9	21.9	4.2	3.7	7.8
<i>Policy Index/Blended Benchmark</i>			5.2	21.2	3.2	3.8	8.1
Domestic Equity Comp (9/30/89)	225,586	36.6%	6.3	31.9	4.3	2.8	8.8
<i>S&P 500</i>			6.0	30.7	3.3	2.9	8.6
<i>DJ Wilshire 5000</i>			6.1	32.0	4.0	3.4	8.7
Fixed Income Comp (9/30/89)	222,764	36.1%	4.2	8.2	7.6	6.4	7.0
<i>Barclays Aggregate</i>			2.7	3.9	6.5	6.5	7.1
<i>Policy Index</i>			4.0	7.8	6.9	7.0	7.2
International Equity Comp (3/31/95)	135,540	22.0%	6.1	32.4	-1.9	1.1	6.7
<i>MSCI EAFE</i>			5.0	30.4	-1.8	1.5	5.2
<i>Policy Index</i>			5.0	30.4	-1.8	1.5	5.3
Real Estate/Real Assets Comp (9/30/07)	30,100	4.9%	7.9	18.4	-9.7	--	-7.7
<i>NCREIF ODCE Index</i>			8.8	20.5	-7.7	--	-5.2
Managed Cash	3,204	0.5%	--	--	--	--	--

The chart above shows the year-to-date, one-year, three-year, five-year and inception-to-date returns for the total fund and each of the underlying asset class composites. Figures for periods greater than one-year are annualized. The broad market benchmark for the underlying asset classes is shown, as is the total fund policy index which is a blend of benchmarks used currently and historically.

The total fund portfolio experienced strong relative performance during near term periods, outperforming the policy index over the one- and three-year periods by 0.7% and 1.0%, respectively. The portfolio's five-year return of 3.7% nearly matches the policy index of 3.8%. The total portfolio has benefited from diversification since the restructuring of the portfolio in 2009 and 2010. The five-year return still shows implications of the credit crisis of 2008.

The domestic equity composite's relative performance over trailing time periods exhibits modest improvement. Over the one-year period, the composite closely matched the Wilshire 5000 Index and over three years it is outperforming the Wilshire 5000 Index by 0.3%.

Restructuring within the fixed income composite during 2009 and 2010 continues to benefit results. The composite outperformed its policy index over one- and three-year periods by 0.4% and 0.7%, respectively. The composite still slightly trails the policy index over the five-year and since inception

periods by 0.6% and 0.2%, respectively. Allocations to multiple segments within the fixed income market continue to provide portfolio diversification. Additionally, credit sensitive segments including high yield and opportunistic fixed income posted double-digit returns over the prior year thereby aiding performance.

The international equity composite underwent restructuring during 2011 with the termination of an investment manager. Relative performance is mixed over trailing time periods but demonstrated strength over the trailing year by outperforming the policy index by 2.4%.

The real estate and real assets composite includes a value-added real estate fund manager as well as an energy / natural resources fund manager. Both investments are in their infancy but will broaden diversification beyond existing investments in “core real estate” which is characterized by stable, income producing properties. The composite lagged the NCREIF ODCE Index over the one- and three-year periods by 2.1% and 2.0%, respectively. However, it continues to participate in the commercial real estate market recovery and generated an absolute level of return of 18.4%, contributing positively to overall results for the past year.

We observe the ERS Board continuing its efforts by following best practices, being diligent with its oversight and investment monitoring, focusing on competitive fees, and participating in ongoing education programs. If you have any questions or need any further information regarding the portfolio or investment results, please don't hesitate to contact me.

Sincerely,



Michael J. Dudkowski
Managing Director

Investment Manager Matrix

As of June 30, 2011

<u>Investment Manager</u>	<u>Style</u>	<u>Account Balance \$(000)</u>	<u>% of Fund</u>
<u>Domestic Equities</u>			
Artisan Partners, L.P.	Small Cap Value	\$ 21,766	3.5%
BlackRock Institutional Trust Compnay	Large Cap	76,390	12.4%
J.P. Morgan Investment Management, Inc.	130/30 Short Extension	29,738	4.8%
Ranger Investment Management, L.P.	SMID-Cap Growth	23,594	3.8%
RhumbLine Advisers, L.P.	Large Cap	74,098	12.0%
		<u>\$ 225,586</u>	<u>36.5%</u>
<u>International Equities</u>			
Capital Guardian Trust Company	International Equities	\$ 71,290	11.6%
Earnest Partners, LLC	International Equities	64,250	10.4%
		<u>\$ 135,540</u>	<u>22.0%</u>
<u>Fixed Income</u>			
C.S. McKee, L.P.	Core	\$ 26,364	4.3%
Eaton Vance Management	Core	26,445	4.3%
Loomis Sayles & Company, L.P.	High Yield	28,989	4.7%
Neuberger Berman Fixed Income, LLC	High Yield	18,249	2.9%
Pugh Capital Management, Inc.	Long Duration	17,801	2.9%
Pyramis Global Advisors Trust Company	Long Duration	40,772	6.6%
Western Asset Management Company	Core	30,648	5.0%
Western Asset Management Company	Global TIPS ¹	21,928	3.5%
W. R. Huff Asset Management	High Yield ²	90	0.0%
AllianceBernstein Legacy Securities, L.P.	Public Private Investment Program (PPIP)	6,591	1.1%
Oaktree PPIP Private Fund, L.P.	Public Private Investment Program (PPIP)	696	0.1%
Oaktree Opportunities Fund VII, L.P.	Distressed Opportunities	4,191	0.7%
		<u>\$ 222,764</u>	<u>36.1%</u>
<u>Real Estate</u>			
FLAG Real Estate Partners II, L.P.	Real Estate	\$ 2,388	0.4%
Principal Global Investors, LLC	Real Estate	24,427	4.0%
		<u>\$ 26,815</u>	<u>4.4%</u>
<u>Real Assets</u>			
FLAG Energy & Resources Partners II, L.P.	Real Assets	\$ 3,285	0.5%
<u>Cash</u>			
		<u>\$ 3,204</u>	<u>0.5%</u>
TOTAL		<u>\$ 617,194³</u>	<u>100%</u>

¹ Treasury Inflation Protected Securities

² Maintains Adelphia and Century Securities

³ Net of Accrued Income on Investments and Investments Payable

List of Largest Held Domestic Equities As of June 30, 2011

Equity Income Securities	No. of Shares	Fair Value
ADR ARM HLDS PLC SPONSORED ISIN US0420681068	101,100	\$ 2,874,273
CORE LABORATORIES NV NLG0.03	19,000	2,119,260
ADR RIO TINTO PLC SPONSORED ADR	28,300	2,046,656
SCHOELLER BLECKMAN EUR1 (BR)	23,000	1,991,790
SHIRE PLC ORD GBP0.05	60,400	1,886,051
ADR BHP BILLITON LTD SPONSORED ADR	19,600	1,854,748
DNB NOR ASA NOK10	121,800	1,707,100
ERSTE GROUP BANK AG NPV	28,500	1,493,744
BASF-ORD SHS COMSTK	14,700	1,440,106
DENSO CORP NPV	38,600	1,425,275
ORIENT O/SEAS INTL USD0.10	212,000	1,364,973
GETINGE AB SER'B'NPV	49,100	1,321,254
SECOM CO NPV	27,700	1,318,803
AMIL PARTICIPACOES COM NPV	109,200	1,282,650
DIAGEO ORD PLC	61,600	1,258,943
WEICHAJ POWER CO 'H'CNY1	213,000	1,242,757
MAPFRE EURO.10	311,300	1,155,426
ADR LUXOTTICA GROUP S P A SPONSORED ADR	35,900	1,152,390
ANHUI CONCH CEMENT 'H'CNY1	243,000	1,136,733
BNP PARIBAS EUR2	14,700	1,134,480

A complete list of assets can be obtained at the office of the Employees' Retirement System.

List of Largest Held Fixed Income As of June 30, 2011

Fixed Income Securities	Par	Fair Value
CF NEUBERGER BERMAN HI YIELD BD LLC FD	590,806	\$ 18,249,455
MULTIPLE INT RATE 2.625% DUE 08-15-2020	3,500,000	3,608,500
UNITED STATES TREAS NTS DTD 02/15/2011 3.125% DUE 05-15-2021 REG	1,607,000	1,602,484
UNITED STATES TREAS BDS DTD 00210 4.25% DUE 05-15-2039 REG	1,610,000	1,579,310
UNITED STATES TREAS BDS DTD 02/15/2001 5.375 15 FEB 2031	1,310,000	1,535,361
UNITED STATES TREAS BDS DTD 02/15/2006 4.5% DUE 02-15-2036 REG	1,360,000	1,405,476
FEDERAL HOME LN MTG CORP POOL #G06031 5.5% 03-01-2040 BEO	1,285,916	1,392,248
FEDERAL HOME LN MTG CORP POOL #G04729 5.5% 09-01-2038 BEO	1,284,589	1,389,604
US TREAS NTS BILLS OF EXCHANGE 15/01/12 1.125 DUE 01-15-2012 REG	1,305,000	1,312,035
UNITED STATES TREAS NTS T-NT 1% DUE 09-30-2011 REG	1,300,000	1,303,047
GNMA 11 JUMBOS 5 30 YEARS SETTLES JUL	1,200,000	1,301,437
UNITED STATES TREAS BDS DTD 00209 3.5% DUE 02-15-2039 REG	1,510,000	1,296,713
FHLMC GOLD FHLMCGLD Q00285 4.5 04-01-2041	1,063,954	1,100,767
US TREASURY DTD 02/15/2010 02-15-2040	966,000	1,093,610
FHLMC GOLD SINGLE FAMILY 5.5 30 YEARS SETTLES JUL	1,000,000	1,080,156
GNMA 11 JUMBOS 4.5% 30 YEARS SETTLES JULY	900,000	947,110
USA TREASURY NTS 1.125% TIPS 12/1/21 USD1000 01-15-2021	865,000	923,319
UNITED STATES TREAS NTS UNITED STATES TREAS NTS 3.5% DUE 02-15-2018 REG	825,000	885,135
FNMA 30 YEAR PASS-THROUGHS 5.5% 30 YEARS SETTLES JULY	800,000	865,000
FHLB BD VAR RT 05-05-2026/11-05-2011	850,000	849,609

A complete list of assets can be obtained at the office of the Employees' Retirement System.

Schedule of Broker Commissions As of June 30, 2011

Broker	Total Commissions	Broker	Total Commissions
BEAR STEARNS	\$ 707	NEEDHAM & COMPANY	\$ 683
BLAIR, WILLIAM & CO	361	OPPENHEIMER AND COMPANY	2,756
BUCKINGHAM RESEARCH GROUP	296	PERSHING LLC – JERSEY CITY	30,369
COLLINS STEWARTTEWART	370	PICKERING ENERGY PARTNERS	447
DAEWOOD SECURITIES	347	PIPER JAFFRAY INC	379
FIRST ANALYSIS SECURITIES CORP	810	RAYMOND JAMES	1,325
G-TRADE SERVICES, LTD	6,215	RBC DAIN RAUSCHER	521
HIBERNIA SOUTHCOAST CAPITAL	1,319	ROBERT W. BAIRD & COMPANY	2,142
HOWARD, WEIL, DIV LEFF	1,940	SCARSDALE EQUITIES LLC	1,135
ICAP DO BRASIL DTVM LTDA	764	SERIES	4,480
JEFFERIES & COMPANY	900	SIDOTI & COMPANY LLC	490
JMP SECURITIES	804	SOUTHWEST SECURITIES INC	388
JOHNSON RICE & CO.	1,372	STEPHENS INC	807
KEEFE BRUYETTE AND WOODS	1,011	STERNE AGEE AND LEACH INC	1,540
KNIGHT EQUITY MARKETS LP	12,752	STIFEL NICOLAUS AND COMPAN	2,169
KNIGHT SECURITIES L.P.	4,098	SUNTRUST ROBINSON	1,148
LAZARD FRERES & CO.	1,135	THINKEQUITY PARTNERS LLC	238
LIQUIDNET INC	1,140	WACHOVIA CAPITAL MARKETS	647
LIQUIDNET INC	3,402	WEDBUSH MORGAN	1,100
LOOP CAPITAL MARKETS	712	WUNDERLICH SECURITIES INC	1,040
MACQUARIE SECURITIES (USA)	437	MR BEAL AND COMPANY	343
MERRIMAN CURHAN FORD & CO	956	DEUTSCHE BANK SECURITIES	268
MORGAN STANLEY& CO INC.	7,270	CANACCORD ADAMS INC	223

The above table is a condensed version of brokers' commissions. A complete list can be obtained at the Employees' Retirement System.

ACTUARIAL SECTION

October 22, 2010

Board of Trustees
The Maryland-National Capital Park
and Planning Commission
Employees' Retirement System
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

***Re: The M-NCPPC Employees' Retirement System
Annual Review and Actuarial Valuation as of July 1, 2010***

Dear Board Members:

This report presents the results of the Annual Review and Actuarial Valuation of the M-NCPPC Employees' Retirement System prepared as of July 1, 2010 and sets forth the recommended contribution according to the System's funding policy.

The valuation was performed on the basis of employee census data as of July 1, 2010 and investment fund data as of July 1, 2010, submitted by the Retirement System staff. Aon Hewitt did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Beginning with the July 1, 2007 Valuation, M-NCPPC retained Aon Hewitt to perform valuations of the System. The report was prepared in accordance with generally accepted actuarial principles and practices. The actuarial assumptions used in the calculations are individually reasonable and reasonable in the aggregate. The actuarial assumptions and methods used for the funding calculations are in accordance with the parameters set for the disclosures by GASB Statement No. 25.

The schedules below were prepared by Aon Hewitt and included in the Actuarial Section of the System's Comprehensive Annual Financial Report:

- Summary of Actuarial Assumptions and Methods
- Required Supplementary Information Under GASB 25*
- Solvency Test*

*The amounts in these schedules are based on Aon's results for the valuation dates July 1, 2007 and later. The amounts for the earlier valuation dates are from the actuarial valuation reports of the System's prior actuary.

Two additional schedules presented in the Financial Section of the System's Comprehensive Annual Financial Report included data prepared by Aon. The amounts in the Schedule of Employer Contributions are based on Aon's valuation results for the fiscal years ending June 30, 2009 and later. The amounts for earlier years are from the actuarial valuation reports of the System's prior actuary. The amounts in the Schedule of Funding Progress are based on Aon's results for the valuation dates July 1, 2007 and later. The amounts for the earlier valuation dates are from the actuarial valuation reports of the System's prior actuary.

FUNDING RECOMMENDATION AND CHANGE IN PLAN COSTS

A contribution of \$29,937,011 is the recommended total to meet the System's funding objectives calculated as of July 1, 2010. Including 7.5% interest for one year, the contribution is \$32,182,287 payable at July 1, 2011. This contribution represents 22.9% of the 2010 covered payroll. Last year's Recommended Contribution was \$32,750,419. With interest at 7.5% for one year, the contribution was \$35,206,700, or 24.7% of the 2009 covered payroll.

A breakdown of the contribution payable July 1, 2011 between Park Police and Non-Police employees is shown below:

	7/1/2011 Amount \$	2010 Payroll \$	% of Payroll
Non-Police	27,326,065	126,594,778	21.6
Park Police	<u>4,856,222</u>	<u>13,812,636</u>	35.2
Total	<u>32,182,287</u>	<u>140,407,414</u>	22.9

The Net Employer Normal Cost payable at the beginning of the year decreased from \$13,797,578 (9.7% of payroll) to \$13,511,871 (9.6% of payroll). The amortization of the Unfunded Actuarial Accrued Liability decreased from \$18,952,841 to \$16,425,140 primarily due to an actuarial gain. The breakdown of the assumption change and the loss are as follows:

	7/1/2010 Amount \$	% of Liability/Assets
NET LIABILITY LOSS	(4,676,624)	(0.6)
Salary Increases Less than Expected		
New Hires	370,611	0.0
New Terminations and Retirements *	5,409,138	0.7
COLA Increases Less than Expected	(4,624,568)	(0.6)
Other Experience	(3,429,466)	(0.5)
ACTUARIAL ASSET VALUE GAIN	(33,966,912)	(5.6)
LOSS DUE TO CONTRIBUTION LAG	16,932,073	2.9
NET ACTUARIAL GAIN	<u>(23,985,748)</u>	

* Includes \$4.2M liability loss due to June 2010 Retirement Incentive window for 62 plan participants.

PLAN ASSETS

A 5-year asset smoothing method is used as the Actuarial Value of Assets to determine the funding requirements for the System. The return on the Actuarial Value of Assets was 13.64% during the past year, which is more than the 7.50% return assumption. Over the 5-year period ending on the valuation date, the return on the Actuarial Value of Assets was 4.48%, which is less than the 7.50% return assumption. The total Actuarial Value of Assets as of July 1, 2010 is \$609,902,953.

The total Market Value of Assets as of July 1, 2010 is \$508,252,461. The return on the Market Value of Assets was 13.85% during the past year, which is more than the 7.50% return assumption. Over the 5-year period ending on the valuation date, the return on the Market Value of Assets was 0.41%, which is less than the 7.50% return assumption.

FUNDED STATUS/GASB

The total Pension Benefit Obligation under GASB 25 as of July 1, 2010 is \$763,860,139, compared to the Actuarial Value of Assets of \$609,902,953. On this basis, the funded ratio is 79.8%. The value of Accumulated Plan Benefits is \$646,161,008 resulting in a funded ratio of 78.7%, compared to the Market Value of Assets of \$508,252,461.

The Actuaries whose signatures appear below are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. Please call if you have any questions with regard to the matters enumerated in this report.

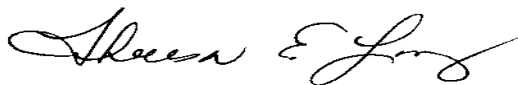
Aon Hewitt's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of Aon Hewitt's work.

We appreciate the opportunity to present the results of this valuation to the Board of Trustees.

Sincerely,



Chet Andrzejewski, F.S.A., E.A., M.A.A.A., F.C.A.
Senior Vice President



Theresa E. Long, A.S.A., E.A., M.A.A.A.
Vice President

Actuarial Assumptions and Valuation Methods

ACTUARIAL COST METHOD

Liability Valuation	The Entry Age Normal Actuarial Cost Method.
Asset Valuation	Assets are valued using a 5-year asset smoothing method. Under this method, the difference between expected asset return and actual asset return is recognized 20% per year over a 5-year period.
Amortization Method	Amortize July 1, 2005 Unfunded Actuarial Accrued Liability in equal payments to January 1, 2016. Amortize subsequent changes in Unfunded Actuarial Accrued Liability in equal payments over 15 years.

ACTUARIAL ASSUMPTIONS

The funding method, factors, and assumptions used in the cost determinations are presented below.

Valuation Date	July 1, 2010
Interest	7.5% compounded annually.
Salary Increases	4.0% per year plus additional merit increases as follows:

Years of Service	Park Police	Non-Police
0	.0450	.0300
5	.0350	.0275
10	.0250	.0250
15	.0150	.0200
20	.0000	.0150
25	.0000	.0000

Actuarial Assumptions and Valuation Methods (continued)

Mortality

Healthy Lives

RP-2000 projected to 2010 Annuitant and Non-Annuitant Tables.

For Park Police, 90% of deaths assumed to be service related; for Non-Police 33% of deaths are assumed to be service-related.

Disabled Lives

Sample rates:

Age	Rate
45	.0538
50	.0558
55	.0582
60	.0626
65	.0691
70	.0769

Termination of Employment

Sample rates:

Years of Service	Park Police	Non-Police
0	.070	.110
5	.050	.070
10	.025	.050
15	.000	.025
20	.000	.015
25	.000	.010
30	.000	.005
35	.000	.000

Actuarial Assumptions and Valuation Methods (continued)

Disability

Sample rates:

Age	Park Police	Non-Police
25	.00256	.00094
30	.00366	.00147
35	.00508	.00219
40	.00693	.00329
45	.00940	.00511
50	.01354	.00838
55	.02288	.01000

Retirement Age

Sample rates:

Years of Service	Park Police %
5	10
10	10
15	10
20	15 ¹
25	33
30	100

¹ Police participants who are under age 55 with 20 to 24 years of service are assumed to retire at a rate of 15% per year.

Actuarial Assumptions and Valuation Methods (continued)

Retirement Age	Years of Service	Non Police ² %
	15 - 19	5
	20 - 23	10
	24 - 25	15
	26 - 29	10
Marriage	90% of male participants and 50% of female participants are assumed to be married with wives assumed to be 3 years younger and husbands 3 years older than participant.	
Expenses	The assumed interest rate is deemed to be net of investment expenses.	
	Other expenses are added to the Normal Cost and assumed to be 1.0% of payroll.	
Post-Retirement Cost-of-Living Adjustment	3.0% compounded annually.	
Social Security Wage Base Increase	4.0% compounded annually.	
New Entrants	None assumed.	
Unused Sick Leave Service Credit	0.25 additional months per year of service.	
Section 415 Dollar Limitation and Section 401(a)(17) Compensation Limit Increase	3.0% compounded annually.	

² Non-Police participants who have reached their Normal Retirement Age are assumed to retire at a rate of 20% per year. 100% retirement is assumed at age 70.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB 25

TOTAL SYSTEM

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) Entry Age (b) \$	Unfunded AAL (UAAL) (b) - (a) \$	Funded Ratio (a) / (b) %	Covered Payroll (c) \$	UAAL as a % of Covered Payroll [(b)- (a)] / (c) %
7/1/2005	521,369,236	507,393,109	(13,976,127)	102.8	106,058,394	(13.2)
7/1/2006	552,432,436	544,748,263	(7,684,173)	101.4	109,579,279	(7.0)
7/1/2007	600,285,246	615,588,955	15,303,709	97.5	122,825,271	12.5
7/1/2008	633,699,751	662,224,634	28,524,883	95.7	132,240,949	21.6
7/1/2009	541,519,199	726,000,351	184,481,152	74.6	142,590,713	129.4
7/1/2010	609,902,953	763,860,139	153,957,186	79.8	140,407,414	109.7

Schedule of Active Member Valuation Data

Valuation Date	Total Number of Members	Annual Salary	Annual Average Pay	% Increase/Decrease in Average Pay
General Employees				
7/1/2002	1,826	\$ 84,038,121	\$ 46,023	4.3
7/1/2003	1,860	89,038,121	43,137	4.6
7/1/2004	1,839	91,116,338	49,547	2.9
7/1/2005	1,818	95,455,839	52,506	6.0
7/1/2006	1,819	98,545,203	54,175	3.2
7/1/2007	1,874	110,019,634	58,708	8.4
7/1/2008	1,904	118,338,594	62,153	5.9
7/1/2009	2,078	128,800,404	61,987	(0.3)
7/1/2010	2,009	126,594,778	63,014	1.7
Park Police				
7/1/2002	187	\$ 10,144,637	\$ 54,249	3.2
7/1/2003	181	10,253,253	56,648	4.4
7/1/2004	186	10,765,543	57,879	2.2
7/1/2005	183	10,602,555	57,937	.1
7/1/2006	176	11,034,076	62,694	8.2
7/1/2007	190	12,805,637	67,398	7.5
7/1/2008	197	13,902,355	70,570	4.7
7/1/2009	194	13,790,309	71,084	0.7
7/1/2010	194	13,812,636	71,199	0.2
Total				
7/1/2002	2,013	\$ 94,182,758	\$ 46,787	4.2
7/1/2003	2,041	99,788,705	48,892	4.5
7/1/2004	2,025	101,881,882	50,312	2.9
7/1/2005	2,001	106,058,394	53,003	5.3
7/1/2006	1,995	109,579,279	54,927	3.6
7/1/2007	2,064	122,825,271	59,508	8.3
7/1/2008	2,101	132,240,949	62,942	5.8
7/1/2009	2,272	142,590,713	62,760	(0.3)
7/1/2010	2,203	140,407,414	63,735	1.6

Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls

As of date	Added to rolls		Removed from rolls		Rolls end of year		% Increase in annual allowances	Average annual allowance
	No.	Annual allowances	No.	Annual allowances	No.	Annual allowances		
7/1/2010	102	\$ 3,523,036	12	\$ 247,267	1,067	\$ 29,992,947	11.47%	\$ 28,162
7/1/2009	76	\$ 2,378,257	23	\$ 311,465	977	\$ 26,905,810	11.45%	\$ 27,539
7/1/2008	NA	NA	NA	NA	924	\$ 24,141,406	NA	\$ 26,184 ¹

Additions to the rolls include new retirees and the beneficiaries of an active or retired member's death.

Deletions from the rolls include deaths of retirees, deaths of the surviving beneficiaries, surviving children who have reached the age of 18 or 23 if a full-time student, and the expiration of 10 year-certain benefits.

The information in this table is presented for the last three years only. Prior to 2008 the information was not maintained in this format and is not available for comparative purposes.

¹ The average annual allowance results for 7/1/2008 uses an end of the year count of 922, because there are 2 zero balance deceased benefits in pending status, with no current or future benefits attached.

Solvency Test

Actuarial Accrued Liabilities for

Valuation Date	Member Contributions	Retirees and Beneficiaries	Active Members (Employer Financed Portion)	Actuarial Value of Assets	% Portion of Accrued Liabilities Covered by Reported Assets		
07/01/2002	\$ 42,932,695	\$ 172,699,508	\$ 185,222,824	\$ 475,869,664	100	100	140.5
07/01/2003	46,965,293	191,521,960	196,897,895	506,098,931	100	100	136.4
07/01/2004	48,236,859	210,016,466	211,090,960	507,413,323	100	100	118.0
07/01/2005	50,307,768	234,867,535	222,217,806	521,369,236	100	100	106.3
07/01/2006	47,011,118	268,335,133	229,402,012	552,432,436	100	100	137.5
07/01/2007	52,039,017	296,186,895	267,363,043	600,285,246	100	100	94.3
07/01/2008	53,665,183	327,978,867	280,580,584	633,699,751	100	100	89.8
07/01/2009	57,678,803	362,388,083	305,933,465	541,519,199	100	100	39.7 ¹
07/01/2010	58,059,065	408,689,438	297,111,636	609,902,953	100	100	48.2

¹ Note: There was a large drop in assets from 7/1/2008 to 7/1/2009 while liabilities continued to grow. Because the solvency test first fully funds member contributions and retirees and beneficiaries, the active percentage has decreased by a larger percentage because the full asset loss is reflected in this percentage.

STATISTICAL SECTION

Statistical Section Narrative

To assist readers, the Statistical Section of this Comprehensive Annual Financial Report presents information to add historical perspective, context, and detail to the financial statements, notes to financial statements, and required supplementary information presented in the preceding sections. To provide historical perspective, assess the ERS' overall financial condition, and a sense of trend, the exhibits in this Section are presented in multiple-year formats.

The **Schedule of Changes in Net Assets** shows the historical combined effects of the additions and deductions of plan net assets over the nine-year period ended June 30, 2011 as well as detailing the ERS' largest source of revenue capacity - investment income through June 30, 2007 and again in June 30, 2010 and June 30, 2011. Investment loss for the years ended June 30, 2008 and 2009 assists in providing a context on how the ERS' financial position has changed over time.

The **Schedule of Benefit and Refund Deductions** provides the general information of payment trends of annuity data by type and refund of contributions for the nine-year period ended June 30, 2011.

The **Schedule of Average Monthly Payment Amounts** provides the summary of statistics relating to the average annuitant's receipt of annuities over the three-year period ended June 30, 2011.

Schedule of Changes in Net Assets
For Years Ended June 30¹
(dollars in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
ADDITIONS									
Employer contributions	\$ 25,633	\$ 17,615	\$ 14,933	\$ 10,561	\$ 9,825	\$ 8,337	\$ 5,052	\$ 1,203	\$ 540
Member contributions	4,698	5,136	4,893	4,522	4,402	3,898	3,828	3,747	3,583
Investment income (loss)(net of expenses)	<u>111,044</u>	<u>63,460</u>	<u>(119,445)</u>	<u>(55,310)</u>	<u>90,748</u>	<u>40,529</u>	<u>35,595</u>	<u>63,533</u>	<u>26,219</u>
Total additions	<u>141,375</u>	<u>86,211</u>	<u>(99,619)</u>	<u>(40,227)</u>	<u>104,975</u>	<u>52,764</u>	<u>44,475</u>	<u>68,483</u>	<u>30,342</u>
DEDUCTIONS									
Benefit payments	32,775	27,567	25,671	23,636	21,319	19,129	16,670	15,258	13,734
Refunds	359	335	249	382	489	360	419	601	350
Administrative expenses	<u>1,366</u>	<u>1,323</u>	<u>1,359</u>	<u>1,250</u>	<u>1,182</u>	<u>1,078</u>	<u>1,054</u>	<u>1,059</u>	<u>1,047</u>
Total deductions	<u>34,500</u>	<u>29,225</u>	<u>27,279</u>	<u>25,268</u>	<u>22,990</u>	<u>20,567</u>	<u>18,143</u>	<u>16,918</u>	<u>15,131</u>
CHANGE IN NET ASSETS	<u>\$ 106,875</u>	<u>\$ 56,986</u>	<u>\$ (126,898)</u>	<u>\$(65,495)</u>	<u>\$ 81,985</u>	<u>\$ 32,197</u>	<u>\$26,332</u>	<u>\$51,565</u>	<u>\$ 15,211</u>

¹ Data for 2002 not readily available.

Schedule of Benefit and Refund Deductions
From Net Assets by Type
For Years Ended June 30¹
(dollars in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Type of Benefit									
Retirees	\$ 29,225	\$ 24,289	\$ 22,515	\$ 20,505	\$ 18,640	\$ 16,580	\$ 14,576	\$ 13,135	\$ 11,825
Survivors	3,464	3,192	3,072	3,050	2,600	2,472	74	2,051	1,838
Disability benefits	<u>86</u>	<u>86</u>	<u>83</u>	<u>81</u>	<u>79</u>	<u>77</u>	<u>2,020</u>	<u>72</u>	<u>71</u>
Total benefits	<u>\$ 32,775</u>	<u>\$ 27,567</u>	<u>\$ 25,670</u>	<u>\$ 23,636</u>	<u>\$ 21,319</u>	<u>\$ 19,129</u>	<u>\$ 16,670</u>	<u>\$ 15,258</u>	<u>\$ 13,734</u>
Refund of contributions	\$ 359	\$ 335	\$ 249	\$ 382	\$ 489	\$ 360	\$ 419	\$ 601	\$ 350

¹ Data for 2002 not readily available.

Schedule of Average Benefit Payments¹

As of July 1, 2010

Years of Credited Service --->

	<u>0-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>	<u>26-30</u>	<u>>30</u>	<u>Total</u>
Number of Retirees & Survivors	42	123	115	155	199	233	200	1067
Average monthly benefit	\$390	\$635	\$950	\$1,567	\$2,429	\$3,191	\$4,137	\$2,347
Average final average salary	\$31,968	\$42,356	\$44,112	\$51,773	\$58,916	\$61,395	\$67,461	\$55,213
Average years of service	3.6	8.1	13.0	18.1	23.1	28.6	33.5	21.9

Schedule of Average Benefit Payments

As of July 1, 2009

Years of Credited Service --->

	<u>0-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>	<u>26-30</u>	<u>>30</u>	<u>Total</u>
Number of Retirees & Survivors	43	110	111	151	185	203	174	977
Average monthly benefit	\$408	\$645	\$944	\$1,550	\$2,423	\$3,137	\$4,191	\$2,294
Average final average salary	\$32,038	\$41,515	\$42,935	\$49,951	\$56,984	\$57,880	\$65,423	\$52,791
Average years of service	3.6	8.1	12.9	18.1	23.1	28.6	33.4	21.6

Schedule of Average Benefit Payments

As of July 1, 2008

Years of Credited Service --->

	<u>0-5</u>	<u>6-10</u>	<u>11-15</u>	<u>16-20</u>	<u>21-25</u>	<u>26-30</u>	<u>>30</u>	<u>Total</u>
Number of Retirees & Survivors	40	107	116	138	170	191	162	924
Average monthly benefit	\$102	\$627	\$927	\$1,406	\$2,285	\$3,020	\$4,114	\$2,184
Average final average salary	\$30,442	\$40,181	\$41,689	\$45,753	\$54,026	\$56,042	\$65,097	\$50,560
Average years of service	3.6	8.2	12.9	18.1	23.1	28.7	33.4	21.5

¹Data for 2001-2007 not readily available.