Anne Arundel County
Retirement and Pension System

Comprehensive Annual Financial Report
Pension Trust Funds of Anne Arundel County, Maryland
For the Year Ended December 31, 2011

Prepared by:
The Anne Arundel County Office of Finance
44 Calvert Street
Annapolis MD 21401

Anne Arundel County Retirement and Pension System
Comprehensive Annual Financial Report
For the Year Ended December 31, 2011

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Introductory Section

ANNE ARUNDEL COUNTY
MARYLAND

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Dear Board of Trustees and Members of the
Anne Arundel County Retirement and Pension System

I am pleased to present to you the Anne Arundel County Retirement and Pension System (the "System") Comprehensive Annual Financial Report, for the year ended December 31, 2011. This financial report is a historical perspective of benefits, services, and fiscal activities of the System. The purpose of this report is to provide you, the plan participants and other interested parties, with sufficient information to evaluate the performance of the System during the plan year.

Plan History

County employees participate in four single-employer defined benefit pension plans. The County plans were established under authority created by County Charter and legislation. In December 1996, the County passed legislation creating the Anne Arundel County Retirement and Pension System, a corporation that is an agency in the executive branch of County government, effective February 1, 1997. At that date, all net assets of pension trust funds were transferred to the System.

Major Initiatives

In 2004 the Board of Trustees of the System adopted a formal statement of funding objectives, policy, and strategy. The Statement of Investment Policy and Objectives was designed to clearly communicate the directives of the Trustees of the System to all interested parties. This investment policy applies to the funds of the System on an aggregate basis. The Policy Statement sets forth how each fund manager shall be governed and details specific investment guidelines relating to each of the fund managers.

In 2005, an asset allocation study was conducted with the goal of optimizing the System's funds risk/reward profile in the context of achieving its funding goals. On the basis of this study, the Board elected to increase and to implement the System's funds allocation to diversifying asset classes, such as Private Equity and Absolute Return. In 2006, the System further refined the allocation of funds. The evaluation of investment manager performance is an ongoing effort.

In 2007, the Board adopted a new Asset Allocation Policy allowing the system to capture additional market opportunities. This new policy decreased the System's allocation to United States domiciled assets by 5%, implicitly diversifying out of the System's overweight to the United States dollar. Also, the new policy increased the System's target allocation to Alternative Assets by 13%. This included a 2% increase to Private Markets, a 3% increase to Absolute Return, and a new 8% allocation to Global Asset Allocation. In 2008, funding of commitments to Private Markets continued to be implemented with the hiring of one new investment manager. Some minor re-allocations were executed to satisfy cash balance requirements; with allocations to existing managers remaining basically stable. Also, an experience and assumption study was conducted by the actuary to review the experience of plans during 2002 to 2006 and the findings were adopted by the Board. During 2009, the Board approved a rebalancing program for its investment portfolio. This rebalancing involved shifting funds from some of the current managers to other managers, the addition of a new manager to purchase senior bank loans and the raising of additional cash. The 2010 rebalancing reduced exposure to domestic equities, increased the Portable Alpha exposure through hiring a new manager, increased emerging market exposure for both equities and debt, added funds to existing Absolute Return managers, and took profits from the bank loans debt portfolio.

Funding Status

The overall funded ratios for the Employees' Retirement Plan, the Police Service Retirement Plan, the Fire Service Retirement Plan, and the Detention Officers' and Deputy Sheriffs' Retirement Plan at December 31, 2011 were 79.0%, 81.8%, 87.7% and 71.7%, respectively.

Investment Performance

The average investment returns for the Employees' Retirement Plan, the Police Service Retirement Plan, the Fire Service Retirement Plan, and the Detention Officers' and Deputy Sheriffs' Retirement Plan on a market value basis for the year ended December 31, 2011 were 2.2%, 1.8%, 2.3% and 1.8%, respectively. On an actuarial basis, the average investment returns for the Employees' Retirement Plan, the Police Service Retirement Plan, the Fire Service Retirement Plan, and the Detention Officers' and Deputy Sheriffs' Retirement Plan were 0.6%, 0.5%, 0.6%, and 0.1%, respectively. Actuarial investment returns were less than the 8% assumption for 2011 as a result of the asset smoothing methodology which is still recognizing net investment losses prior to 2011 as well as 20% of the actuarial loss for calendar year 2011. The actuarial value of assets is calculated by spreading the market value investment gains or losses in excess of (or below) the assumed rate of return over a five year period. The asset smoothing method was changed a year ago with the 2011 valuation.

System Organization and Management

The Board of Trustees is responsible for reviewing the investment program; approving policies, objectives, and guidelines; and reviewing the financial performance of the System in relation to expectations. The Board also appoints the investment committee to make specific recommendations as to asset allocation and investment strategies. The Investment Committee works with an investment consultant (currently New England Pension Consultants) to establish strategies and conduct searches for appropriate investment managers. The Board has final approval for all manager selections and policy changes.

The Board also selects the custodian bank that administers the Plans (currently State Street Bank & Trust), the actuary (Bolton Partners PC), and the independent auditors (CliftonLarsonAllen LLP). The Secretary of the Board of Trustees is responsible for daily administrative decisions and the Anne Arundel County Office of Personnel and Office of Finance carry out these administrative actions, including transmittal of contributions and funding the payment of benefits and other administrative expenses. Additional details regarding investment professionals who provide services to the System are included in the Investment Section later in this report.

Financial Management

The financial statements and supplemental information and schedules included in this report are the responsibility of System management and have been prepared in accordance with accounting principles generally accepted in the United States of America for governmental accounting and reporting as pronounced and adopted by the Governmental Accounting Standards Board. I urge you to read the Management Discussion and Analysis, Basic Financial Statements, and Notes to the Basic Financial Statements to better understand the results of the System during 2008.

Independent Audit

The System is audited annually. For the year ended December 31, 2011, CliftonLarsonAllen LLP, an independent firm of Certified Public Accountants, conducted the audit. Refer to Independent Auditors' Report for the audit opinion.

Internal Accounting Control

Management is responsible for maintaining a system of adequate internal controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as needed to maintain accountability for assets and to permit preparation of the combining financial statements. We believe the internal controls in effect during the year ended December 31, 2011, adequately safeguard the assets and provide reasonable assurance regarding the proper recording of financial transactions.

Awards and Acknowledgments

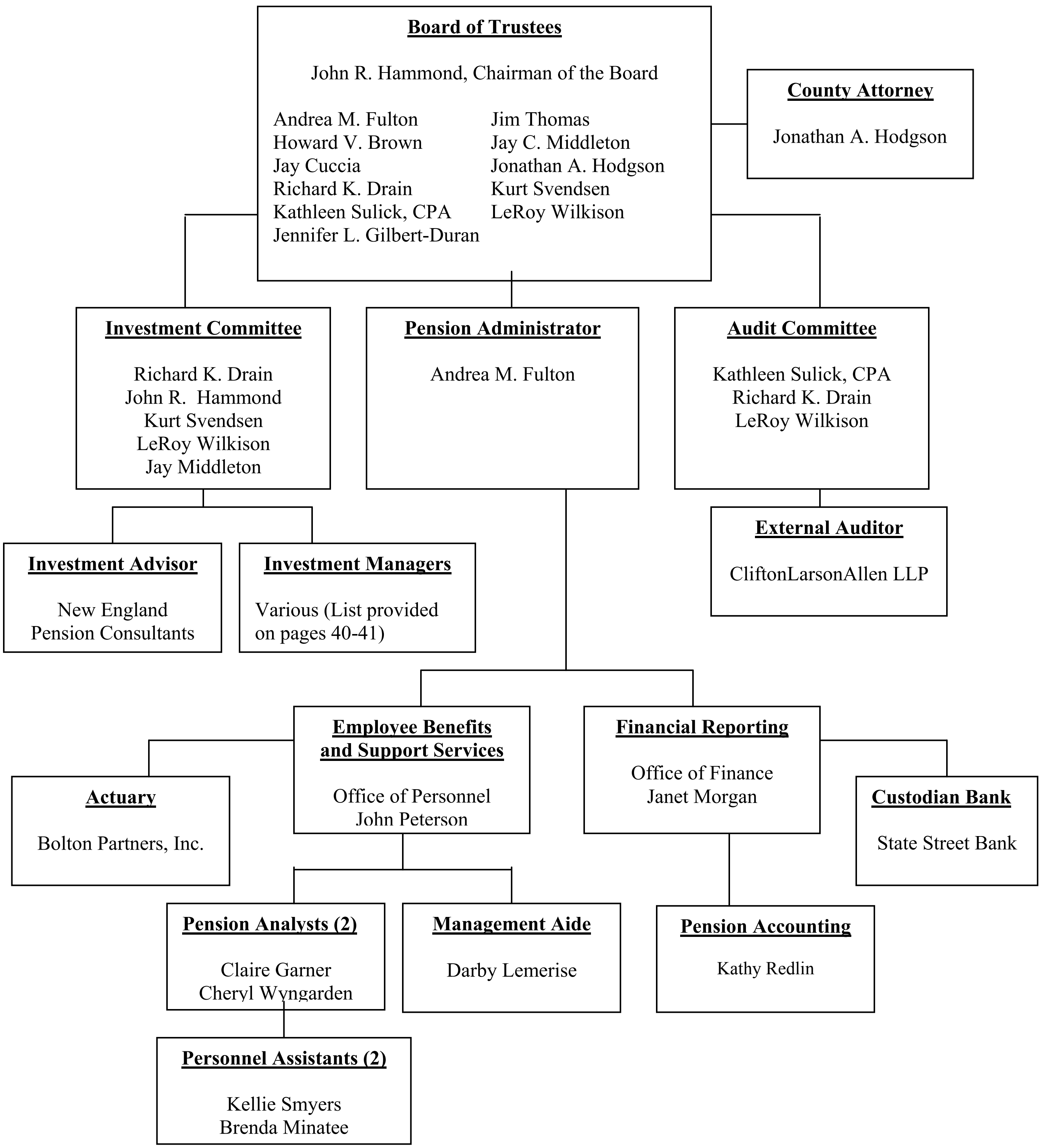
Staff in Anne Arundel County's Office of Finance prepared this financial report of the System. It is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and as a means of determining responsible stewardship for the assets contributed by the members and their employers. This report is being sent to the Board of Trustees and other interested parties.

Sincerely,

Richard K. Drain
Richard K. Drain
Controller

Anne Arundel County Retirement and Pension System

Organizational Chart



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Financial Section

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

The Board of Trustees
Anne Arundel County Retirement and Pension System
Annapolis, Maryland

We have audited the accompanying basic financial statements of Anne Arundel County Retirement and Pension System (the System), a pension trust fund of Anne Arundel County, Maryland, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The 2010 summarized comparative information has been derived from the System's financial statements as of and for the year ended December 31, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of December 31, 2011, and the changes in its plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2012, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The financial statements include summarized comparative information as of and for the year ended December 31, 2010. The combined financial statements as of and for the year ended December 31, 2010 do not include sufficient detail to constitute a complete presentation of the 2010 financial statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements as of and for the year ended December 31, 2010.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Supplemental Schedules of Funding Progress for Single Employer Defined Benefit Pension Plans and Employer Contributions and related notes, as referenced in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information, including the schedules of administrative expenses, investment expenses, and payments to consultants, as listed on the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information, including the schedules of administrative expenses, investment expenses, and payments to consultants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, 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, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 8, 2012

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Anne Arundel County Retirement and Pension System
Annapolis, Maryland

We have audited the basic financial statements of Anne Arundel County Retirement and Pension System (the System), a pension trust fund of Anne Arundel County, Maryland, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, the Board of Trustees, management and other oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Baltimore, Maryland
June 8, 2012

To introduce readers of the financial report of the Anne Arundel County Retirement and Pension System (the System), we, as Management, are pleased to provide this discussion and analysis of financial activities for the year ended December 31, 2011. Please read it in conjunction with the rest of the report, which consists of the basic financial statements, including the notes thereto, and required supplementary information (RSI), and supplementary schedules. Comparable amounts from the year ended December 31, 2010 have been provided herein to enhance comparability.

The System has the fiduciary responsibility to administer four single-employer defined benefit pension plans for certain County employees: the Employees' Retirement Plan, the Police Service Retirement Plan, the Fire Service Retirement Plan and the Detention Officers' and Deputy Sheriffs' Retirement Plan.

Financial Highlights

Total Plan net assets increased $8.2 million in calendar year 2011 bringing net assets to $1.34 billion. While this modest increase has not kept pace with the prior two years of 15.6% and 17.5%, progress continues to be made to recover to the System's pre-2008 level of $1.49 billion. Contributions increased about 1.0% to $61.8 million versus $61.3 million in 2010. Of this total, employer contributions of $50.8 million were consistent with contributions in 2010 and participant contributions increased $601,161. The 2011 time weighted total rate of return of 2.1% compares to a gain of 15.6% for 2010. Investment returns, as in prior years, drive the overall health of the System.

The System paid $77.2 million in benefits in 2011, compared with $72.2 million paid in 2010 an increase of 7%. The 2011 Cost of Living Adjustment (COLA) for most beneficiaries was 1.6% and the number of benefit recipients increased 4.5%.

Employee's Retirement Plan – In 2011 net assets increased by about $612,000 to $472.5 million, a minimal increase due to limited investment returns and the increasing spread between contributions and benefit payments. Benefit payments of $31.5 million outpaced contributions by $8.7 million and various administrative expenses were $481,210.

Police Service Retirement Plan – In 2011 net assets decreased by about $709,000 to $391.5 million or 0.2%. The Plan's benefit payments of $23.5 million were $7.0 million greater than contributions. Various administrative expenses were $391,458.

Fire Service Retirement Plan – In 2011 net assets increased by $5.2 million to $389.2 million a 1.3% increase. Contributions of $16.6 million lagged benefit payments of $18.1 million. Various administrative expenses were $388,157.

Detention Officers' and Deputy Sheriffs' Retirement Plan. – In 2011 net assets increased by $3.1 million to $82.3 million or 3.9%. Contributions were $6.1 million compared with benefit payments of $4.2 million, allowing for higher returns compared with the other Plans. Various administrative expenses were $79,613.

Overview of the Basic Financial Statements

In this financial report, the basic financial statements consist of the Combined Statement of Plan Net Assets and the Combined Statement of Changes in Plan Net Assets with accompanying Notes. The financial statements present information in separate columns for each of the four single-employer defined benefit pension plans as of December 31, 2011 with combined comparative information as of December 31, 2010. The Combined Statement of Plan Net Assets presents the financial position of the Plans. The financial position is comprised of assets, primarily consisting of investments; less liabilities, which are amounts owed to settle investment transactions, accounts payable, and securities lending obligations. The difference between assets and liabilities is net assets, which represents the amount of resources available to pay future benefits to retirees and their beneficiaries.

Investments consist of domestic and foreign debt obligations, domestic and foreign equities, real estate, insurance company contracts, absolute return funds, private equity, and portable alpha strategy. The System has a securities lending program to enhance its investment return. The assets and liabilities arising from the program are closely matched, netting to no additional material Plan liability. In accordance with generally accepted accounting principles, the liability for future benefit payments is not reported in these financial statements; rather, the statements refer readers to the Schedule of Funding Progress, which presents an estimate of the actuarial accrued liability.

The Combined Statement of Changes in Plan Net Assets presents the additions to and deductions from the four Plans' net assets during the year. Each Plan receives contributions from participants and the County, as well as income or losses from investments and related activity. The primary deductions are the payment of benefits, which are the Plans' primary objective. Deductions also include refunds to members who leave the Plans as well as administrative expenses. Administrative expenses are allocated monthly to each Plan based on its relative percentage of the total investments.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements are an integral part of the statements. These notes provide background and more detail about the information in the financial statements. Among other matters, the notes describe the System's purpose and its membership; the significant accounting policies used to prepare the basic financial statements; the nature of the four Plans, including the membership and benefit provisions and contribution requirements; the System's investment authority and policies; how investments and related documentation are safeguarded; and selected details about various investment activity and balances.

Required Supplementary Information

To provide actuarially determined information about the Plans, this report includes schedules of historical trend information in the Required Supplementary Information (RSI) section. The Schedule of Funding Progress and the Schedule of Employer Contributions provide actuarial information to help the reader understand the changes in the actuarial funding and funded status of the Plans over time. Please note that the actuarial information is based on assumptions about future events, and therefore, the figures presented are estimates.

The Schedule of Funding Progress provides information about the progress made to accumulate sufficient assets to pay benefits when due. It presents the funded status of the Plans by comparing the actuarial value of the assets to the actuarial accrued liability. The Schedule of Employer Contributions presents information about the County's annual required contributions and the contributions actually made to display the performance of the funding of the Plans. The schedules present information for the most recent six years.

Summary and Analysis of Financial Information

The following Condensed Statement of Plan Net Assets and Changes in Plan Net Assets presents financial information, with dollar amounts in millions for the System comparing 2011 and 2010.

Condensed Combined Statement of Plan Net Assets (in millions)

	December 2011	December 2010	Change in Dollars	Percentage change
Assets				
Cash and short-term investments	$ 60.0	$ 30.2	$ 29.8	98.7 %
Securities lending collateral	62.5	74.3	(11.8)	(15.9) %
Receivables	10.8	38.1	(27.3)	(71.7) %
Investments at fair value and deposits	1,282.7	1,307.8	(25.1)	(1.9) %
Total assets	1,416.0	1,450.4	(34.4)	(2.4) %
Liabilities				
Investments settlements and other	18.1	48.9	(30.8)	(63.0) %
Securities lending obligations	62.5	74.3	(11.8)	(15.9) %
Total liabilities	80.6	123.2	(42.6)	(34.6) %
Net assets available for benefits	**$ 1,335.4**	**$ 1,327.2**	**$ 8.2**	**0.6%**

Condensed Combined Statement of Changes in Plan Net Assets (in millions)

	December 2011	December 2010	Change in Dollars	Percentage change
Additions				
Employer contributions	$50.8	$50.9	$ (0.1)	(0.2) %
Participant contributions	11.0	10.4	(0.6)	5.8 %
Investment income	24.9	169.9	(145.0)	(85.3) %
Total additions	86.7	231.2	(144.5)	(62.5) %
Deductions				
Benefit payments and refunds	77.2	72.2	5.0	6.9 %
Administrative expenses	1.3	1.4	(0.1)	(7.1) %
Total deductions	78.5	73.6	4.9	6.7 %
Net change in net assets	8.2	157.6	(149.4)	(94.8) %
Net assets available, Jan. 1	1,327.2	1,169.6	157.6	13.5%
Net assets available, Dec. 31	**$ 1,335.4**	**$ 1,327.2**	**$ 8.2**	**0.6%**

Comparative investment returns are displayed by investment type in the following table. The table also shows each category's relative percent of the System's investment portfolio.

Investment Type	2011 Percent of Investments	2010 Percent of Investments	2011 Annual Investment Return	2010 Annual Investment Return
Cash and temporary investments	4.5%	2.3%	0.6%	1.4%
Domestic equity	16.8%	22.0%	-0.5%	20.8%
International equity pools	18.3%	16.6%	-14.1%	13.4%
Domestic fixed income	16.6%	19.3%	6.8%	9.6%
Global assets and pools	21.4%	19.3%	11.7%	22.2%
Opportunistic	0.1%	0.0%	N/A	N/A
Private markets	4.3%	2.9%	11.1%	14.7%
Real estate investment pools	3.8%	3.2%	18.7%	18.9%
Stable value pooled investments	2.4%	2.5%	6.8%	6.2%
Absolute Return funds	6.4%	6.8%	-4.4%	4.1%
Portable Alpha	5.4%	5.1%	-0.7%	17.0%
	100.0%	100.0%	2.1%	15.6%

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The funding ratio, which is the actuarial value of assets divided by the actuarial accrued liability, is an estimate of how well the System is meeting that objective. A higher funded ratio indicates that the Plan is better funded. As of December 31, 2011 and 2010 the funded ratios were 81.6% and 85.9%, respectively.

The System paid $77.3 million in retirement benefits and refunds to 2,611 participants and beneficiaries during 2011, compared to $72.2 million in 2010 to 2,499 persons. This reflects an average of $29,590 per person in 2011, compared to an average of $28,908 in 2010.

The System received $11.0 million in monthly contributions from 3,763 active participants during 2011. In 2010, $10.4 million was received from 3,845 active participants. The employer contributions were $50.8 million in 2011, compared to $50.9 million in 2010. Employer contributions for the calendar year are based on the appropriate June fiscal year's actuarial recommended contribution, which is divided by 12 and provided to the respective Plans on a monthly basis. The County contributed 100 percent of the 2011 annual required contribution for the Employees Retirement Plan. Contributions for the remaining three Plans were about 97% each to compensate for overage from the prior calendar year. Administrative costs for 2011 were approximately $1.3 million for 6,824 participants or an average cost of $196 per person. This was a 3.8% decrease in administrative costs from 2010 of $1.4 million for 6,773 participants, an average of $205 per person.

Overall Analysis of Financial Position

The System continues to experience increased asset values and decreasing funding ratios. This results, in part, from recent changes in actuarial valuation methods. Management believes these changes will enhance funding in the long term and strives to structure the portfolio for continued asset growth.

Requests for information

The System's Comprehensive Annual Financial Report is available at Anne Arundel County's web page www.aacounty.org/Personnel/Pension/FAQPension.cfm. If you have questions concerning this report or need additional financial information, please contact the Office of Personnel, 2660 Riva Road, Annapolis, Maryland, 21401.

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Anne Arundel County Retirement and Pension System
Combining Statement of Plan Net Assets
December 31, 2011 (with December 31, 2010 Combined Comparative Totals)

	Employees' Retirement Plan	*Police Service Retirement Plan*	*Fire Service Retirement Plan*	*Detention Officers' and Deputy Sheriffs' Retirement Plan*	*2011 Combined Total*	*2010 Combined Total*
ASSETS						
Investments at market value:						
Cash and temporary investments	$ 21,233,731	$ 17,591,104	$ 17,497,736	$ 3,694,681	$ 60,017,252	$ 30,215,464
U. S. Government obligations	4,011,031	3,324,399	3,305,287	697,018	11,337,735	22,450,821
Corporate obligations	45,761,588	37,927,845	37,709,801	7,952,237	129,351,471	130,409,518
Fixed income mutual funds	29,016,032	24,048,893	23,910,638	5,042,271	82,017,834	105,908,324
International fixed income mutual funds	27,010,618	22,386,778	22,258,079	4,693,780	76,349,255	31,912,957
Global asset pools	101,872,864	84,433,656	83,948,254	17,702,994	287,957,768	257,808,823
Domestic equity	79,701,786	66,057,956	65,678,194	13,850,207	225,288,143	293,754,134
International equity pools	59,834,342	49,591,540	49,306,442	10,397,734	169,130,058	189,559,209
Private markets	20,798,732	17,238,280	17,139,179	3,614,307	58,790,498	39,300,367
Portable Alpha	25,566,390	21,189,782	21,067,964	4,442,809	72,266,945	68,779,403
Real estate investment pools	18,241,875	15,119,121	15,032,203	3,169,988	51,563,187	43,528,250
Aetna insurance pooled fixed income	11,323,896	9,385,403	9,331,447	1,967,814	32,008,560	33,872,727
Absolute Return funds	30,568,617	25,335,697	25,190,045	5,312,072	86,406,431	90,427,401
Total investments	474,941,502	393,630,454	391,375,269	82,537,912	1,342,485,137	1,337,927,398
Collateral from securities lending transactions:	22,121,698	18,334,773	18,229,368	3,844,206	62,530,045	74,253,956
Receivables						
Employer contributions	1,573,557	1,208,575	1,215,045	424,088	4,421,265	4,352,452
Participant contributions	508,008	302,755	293,844	133,439	1,238,046	1,290,092
Accrued interest and dividends	729,264	604,428	600,960	126,732	2,061,385	1,894,143
Investment sales proceeds	1,092,416	905,409	900,204	189,835	3,087,864	30,529,095
Total receivables	3,903,245	3,021,167	3,010,053	874,094	10,808,560	38,065,782
Deposits on hand	14,522	147,653	63,176	-	225,351	226,223
Total assets	500,980,968	415,134,047	412,677,867	87,256,213	1,416,049,093	1,450,473,359
LIABILITIES						
Accounts payable	537,928	446,063	451,104	93,443	1,528,538	1,474,326
Investment commitments payable	5,866,442	4,862,189	4,834,237	1,019,443	16,582,311	47,487,237
Obligation for collaterial received under securities lending transactions	22,121,698	18,334,773	18,229,368	3,844,206	62,530,045	74,253,956
Total liabilities	28,526,068	23,643,025	23,514,709	4,957,092	80,640,894	123,215,519
Net assets held in trust for pension benefits	**$ 472,454,900**	**$ 391,491,022**	**$ 389,163,158**	**$ 82,299,120**	**$ 1,335,408,200**	**$ 1,327,257,840**

Accompanying notes to the basic financial statements are an integral part of this statement.

Anne Arundel County Retirement and Pension System
Combining Statement of Changes in Plan Net Assets
For the Year Ended December 31, 2011 (with December 31, 2010 Combined Comparative Totals)

	Employees' Retirement Plan	*Police Service Retirement Plan*	*Fire Service Retirement Plan*	*Detention Officers' and Dep. Sheriffs' Retirement Plan*	*2011 Combined Total*	*2010 Combined Comparative Total*
ADDITIONS						
Contributions						
Employer	$ 18,186,402	$ 13,793,256	$ 13,959,852	$ 4,876,332	$ 50,815,842	$ 50,895,450
Participants	4,562,145	2,637,833	2,659,114	1,175,133	11,034,225	10,433,064
Total contributions	22,748,547	16,431,089	16,618,966	6,051,465	61,850,067	61,328,514
Investment income						
Net appreciation in market value of investments	1,451,870	1,212,849	1,060,130	185,658	3,910,507	152,942,044
Interest income	6,415,167	3,901,560	4,320,996	801,797	15,439,520	14,868,251
Dividend income	4,410,484	3,664,821	3,618,843	754,173	12,448,321	8,713,264
Income from investment activities	12,277,521	8,779,230	8,999,969	1,741,628	31,798,348	176,523,559
Less investment expense	2,522,322	2,105,958	2,044,006	423,637	7,095,923	6,695,994
Net income from investing activities	9,755,199	6,673,272	6,955,963	1,317,991	24,702,425	169,827,565
Securities lending activities:						
Securities lending income	111,478	92,599	91,563	19,132	314,772	343,485
Securities lending expenses:						
Borrower rebates	11,237	9,334	9,230	1,929	31,730	121,493
Management fees	30,094	24,998	24,718	5,165	84,975	66,649
Total securities lending expenses	41,331	34,332	33,948	7,094	116,705	188,142
Net income from securities lending	70,147	58,267	57,615	12,038	198,067	155,343
Total Investment Income	9,825,346	6,731,539	7,013,578	1,330,029	24,900,492	169,982,909
Total additions	32,573,893	23,162,628	23,632,544	7,381,494	86,750,559	231,311,423
DEDUCTIONS						
Benefit payments	31,480,607	23,479,998	18,091,220	4,207,935	77,259,760	72,241,126
Administrative expenses	481,210	391,458	388,157	79,614	1,340,439	1,393,523
Total deductions	31,961,817	23,871,456	18,479,377	4,287,549	78,600,199	73,634,649
Net increase / (decrease)	612,076	(708,828)	5,153,167	3,093,945	8,150,360	157,676,774
Net assets, January 1	471,842,824	392,199,850	384,009,991	79,205,175	1,327,257,840	1,169,581,066
Net assets December 31	**$ 472,454,900**	**$ 391,491,022**	**$ 389,163,158**	**$ 82,299,120**	**$ 1,335,408,200**	**$ 1,327,257,840**

Accompanying notes to the basic financial statements are an integral part of this statement.

1 Summary of Significant Accounting Policies

The Anne Arundel County Retirement and Pension System (System) administers four defined benefit pension plans – the Employees' Retirement Plan, the Police Service Retirement Plan, the Fire Service Retirement Plan, and the Detention Officers' and Deputy Sheriffs' Retirement Plan. Although the assets of the Plans are commingled for investment purposes, each Plan's assets may be used only for the payment of benefits to the members of that Plan, in accordance with its terms. The System was established as an Agency in the Executive branch of Anne Arundel County, Maryland (the County) and has the powers and privileges of a corporation to the extent permitted by law. The System is reported as Pension Trust Funds in the County's Comprehensive Annual Financial Report. The Board of Trustees is comprised of representatives from the Executive branch of the County, participating employee groups, and two from outside County government.

A *Basis of Presentation* - The accounts of the System are organized on the basis of separate pension trust funds for each Plan, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, additions, and deductions. Pension trust funds are accounted for and reported in this manner because capital maintenance is critical.

B *Basis of Accounting* - The basic financial statements were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The County's contribution to each Plan is recognized when due and the County has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan.

The accounting and reporting policies conform to accounting principles generally accepted in the United States of America as applicable to government organizations. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C *Investments* - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on periodic independent appraisals. Investments that do not have an established market, such as private markets, are reported at estimated fair values. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. There are no investments with parties or in entities related to the County.

D *Administrative Expenses* - The administrative expenses of the System are charged to the respective Plans on the basis of its percentage ownership in the System's net assets. Expenses are paid either by the County or from a separate cash account held by the custodian. Because of the commingled nature of funds, payments may be from either investment earnings or contributions. The total administrative expenses incurred during the year ended December 31, 2011 were $1,340,439 of which approximately $552,700 was initially paid through the County's Accounts Payable department and subsequently reimbursed to the County by the System. The System is administered by employees within the County's Office of Personnel and Office of Finance. Some administrative costs are allocated to the Pension Trust Fund; however certain administrative costs are paid by the County's General Fund.

E *Income Taxes* - The System qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from income taxation as allowed by Section 501(a) of the IRC.

F *Comparative Financial Information* - The financial statements include prior year combined comparative information for the System, but not at the individual Plan level, which is required by generally accepted accounting principles. Accordingly, these financial statements should be read in conjunction with the System's audited financial report from 2010, from which the combined prior year amounts were derived.

G New Pronouncements – During the year ended December 31, 2011, the System adopted GASB Statement No. 59, *Financial Instruments Omnibus,* which was issued to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments.

2 General Description of the System

A Covered Membership - Membership in each plan consisted of the following as of December 31, 2011, the date of the latest actuarial valuation:

	Employees' Retirement Plan	Police Service Retirement Plan	Fire Service Retirement Plan	Detention Officers' and Deputy Sheriffs' Plan	Total
Retirees and beneficiaries receiving payments	1,393	600	439	179	2,611
Terminated Plan members entitled to but not yet receiving payments	260	-	-	9	269
Deferred Retirement Option (DROP)	-	60	121	-	181
Active Plan members	2,209	576	631	347	3,763
Total	3,862	1,236	1,191	535	6,824

B Plan Description, Contribution Information and Vesting - The following description of the System provides only general information. Participants should refer to the most recent Summary Plan Description booklets for a more complete description of the respective Plan's provisions.

Employees' Retirement Plan

Plan Description: The Employees' Retirement Plan is a single-employer defined benefit pension plan that covers all full-time general employees of the County who are not included in any other pension plan, as well as employees of Anne Arundel Economic Development Corporation. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries pursuant to two separate benefit structures: Tier I and Tier II. Cost-of-living adjustments (COLAs) are also provided pursuant to County legislation.

Contributions: Contribution rates for participants are established through County legislation. Employees who elect to be in Tier I are required to contribute 4 percent of their annual covered salary. Tier II employees are not required nor permitted to make contributions. The County provided monthly contributions to the Plan based on the 2011 annual recommended contribution of $18,186,402, as determined by the Plan's consulting actuary.

Cliff Vesting: Participants will be fully vested after their fifth year of service. Termination prior to the fifth year will result in the return of all employee contributions, if applicable, plus 4.25 percent interest per annum with no additional benefits available.

Police Service Retirement Plan

Plan Description: The Police Service Retirement Plan is a single-employer defined benefit pension plan that covers the following classes of workers: Police Officer, Police Sergeant, Police Lieutenant, Police Captain, Police Major, Deputy Police Chief, and (by election) the Chief of Police. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. COLA's are also provided pursuant to County legislation.

Contributions: Contribution rates for participants are established through County legislation. Plan participants are required to contribute 6 percent of their annual covered salary. The County provided monthly contributions to the Plan based on the 2011 annual recommended contribution of $13,793,256, as determined by the Plan's consulting actuary.

Cliff Vesting: Participants hired on or after February 25, 2002 will be fully vested on the earlier of their attainment of age 50 and completion of their fifth year of service, or their completion of 20 years of service. Participants hired before February 25, 2002 will be fully vested on the earlier of their attainment of age 50 or completion of 20 years of service. Termination prior to attainment of Normal Retirement will result in the return of all employee contributions, if applicable, plus 3 percent interest per annum with no additional benefits available.

Fire Service Retirement Plan

Plan Description: The Fire Service Retirement Plan is a single-employer defined benefit pension plan that covers the following classes of workers: Fire Fighter II, Fire Fighter III, Fire Fighter Cardiac Rescue Technician, Fire Fighter/Emergency Medical Technician-Paramedic, Fire Lieutenant, Fire Captain, Fire Battalion Chief, Fire Division Chief, Fire Deputy Chief, and (by election) the Fire Administrator. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. COLA's are also provided pursuant to County legislation.

Contributions: Contribution rates for participants are established through County legislation. Plan participants are required to contribute 5 percent of their annual covered salary. The County provided monthly contributions to the Plan based on the 2011 annual recommended contribution of $13,959,852, as determined by the Plan's consulting actuary.

Cliff Vesting: Participants who retire on or after July 1, 2002 will be fully vested on the earlier of their attainment of age 50 and completion of their fifth year of service, or their completion of 20 years of service. Participants who retire prior to July 1, 2002 will be fully vested on the earlier of their attainment of age 50 and completion of 5 years of service. Termination prior to attainment of Normal Retirement will result in the return of all employee contributions, if applicable, plus 3 percent interest per annum with no additional benefits available.

Detention Officers' and Deputy Sheriffs' Retirement Plan

Plan Description: The Detention Officers' and Deputy Sheriffs' Retirement Plan is a single-employer defined benefit pension plan that covers the following classes of workers: Detention Officer I, Detention Officer II, Detention Officer III, Correctional Program Specialist I, Correctional Program Specialist II, Criminal Justice Program Supervisor, Security Administrator, Correctional Facility Administrator, Assistant Correctional Facility Administrator, Deputy Sheriff I, Deputy Sheriff II, Deputy Sheriff III, Deputy Sheriff IV, and (by election) the Superintendent of Detention Facilities. The plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. COLA's are also provided pursuant to County legislation.

Contributions: Contribution rates for participants are established through County legislation. Plan participants are required to contribute 5 percent of their annual covered salary. The County provided monthly contributions to the Plan based on the 2011 annual recommended contribution of $4,876,332, as determined by the Plan's consulting actuary.

Cliff Vesting: Participants will be fully vested on the attainment of age 50 and completion of their fifth year of service. Termination prior to attainment of Normal Retirement will result in the return of all employee contributions, if applicable, plus 4.25 percent interest per annum with no additional benefits available.

C Legislative Changes

Bill No. 58-07 eliminated the income earnings cap in the Fire Service Retirement Plan; the Police Service Retirement Plan, and the Detention Officers' and Deputy Sheriffs' Retirement Plan. In addition, the contribution percentage for Category I participants of the Police Service Retirement Plan was reduced from 6% to 5%.

Bill No. 74-09 allowed a 3.0% increase for non-represented employees covered by the Employee, Police, and Fire Plans to be applied to the calculation of fiscal year 2010 average basic pay. For represented members of the Fire Plan the calculation will be based on 5.0%. The bill further clarifies limits for entry into the DROP and reduces the guaranteed effective annual interest rate from 8.0% to 4.25% for those entering on or after July 1, 2009.

Bill No. 78-09 provided for an assumed increase of 4.0% for fiscal year 2010 for Detention Officer and Detention Corporal members of the Detention Officers' & Sheriffs Plan in determining the final average basic pay.

Bill No. 6-10 provided a disability benefit for those participants who have a total and permanent disability as a result of qualified military service that interrupted employment with the County (credited in-plan military service). The disability benefit is calculated as the greater of the member's accrued pension benefit, 20% or 25% of the member's final average salary depending on the plan, or 66 2/3% of the member's final average salary less the monthly amount of any disability payments from the military or U.S. Government.

Bill No. 40-10 changed the annual yield on DROP accounts for members of the Fire DROP after July 1, 2010 to 4.25%. This bill also increased the pension contribution for members of the Fire Service Plan from 5% to 7.25%, except for those members in the classification of Battalion Chief, Division Chief, Deputy Chief, or Fire Chief.

Bill No. 41-10 increased the pension contribution for Police Officers, Police Officers First Class, Police Corporals and Police Sergeants from 5% to 7.25%; increased the pension contribution for Detention Officers, Detention Corporals and Detention Sergeants to 6.75%; and provided a "pop-up" option for the Detention Officers' and Deputy Sheriffs' Plan.

3 Risks and Uncertainties

The System may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities may occur in the near term and that such change could materially affect the amounts reported in the Statements of Net Assets Available for Plan Benefits.

4 Funded Status and Funding Progress—Pension Plans

The funded status of each plan as of January 1, 2012, the most recent actuarial valuation date, is as follows:

	(A) Actuarial Value of Assets	*(B) Actuarial Accrued Liability (AAL)*	*(B-A) Unfunded AAL (UAAL)*	(A/B) *Funded Ratio*	*(C) Covered Payroll*	**((A-B)/C)** *UAAL as a percentage of Covered Payroll*
Employee's Plan	$516,070,401	$653,653,058	$137,582,657	79.0%	$120,415,534	114.3%
Police Service Plan	430,342,941	526,154,978	95,812,037	81.8%	41,334,580	231.8%
Fire Service Plan	426,196,539	486,095,747	59,899,208	87.7%	45,673,006	131.1%
Det.Officers'& Sheriffs Plan	90,334,022	125,987,284	35,653,262	71.7%	18,760,664	190.0%

The schedules of funding progress, included as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

	Employees Retirement Plan	**Police Service Retirement Plan**	**Fire Service Retirement Plan**	**Detention Officers' and Deputy Sheriff's Retirement Plan**
Actuarial valuation date	01/01/2012	01/01/2012	01/01/2012	01/01/2012
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization Period	Remaining amort. per. 23-30 yrs. average 27 yrs, closed	Remaining amort. per. 23-30 yrs. average 27 yrs, closed	Remaining amort. per. 23-30 yrs. average 27 yrs, closed	Remaining amort. per. 22-30 yrs. average 26 yrs, closed
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:				
Investment rate of return	4.5%	4.5%	4.5%	4.5%
Inflation Rate	3.5%	3.5%	3.5%	3.5%
Projected salary increases	Varies by age (4.0%-7.0%)	Varies by age (4.5%-6.5%)	Varies by age (4.5%-7.0%)	Varies by age (4.5%-6.5%)
Cost of living adjustments	3.0% pre-2/97 2.1% post-2/97	3.5% pre-2/97 2.1% post-2/97	3.5% pre-2/97 2.1% post-2/97	3.5% pre-2/97 2.1% post-2/97

5 Investments

A *Investments Authorized* - The System is authorized to invest in U.S. Government securities, insurance company general accounts, commercial paper, money market mutual funds, corporate bonds, common and international stocks, limited partnerships, absolute return funds, private equity, as well as mortgage participation's and real estate. State statutes do not prohibit the System from participating in securities lending transactions. (See Note 5 to the basic financial statements for additional information concerning the System's security lending transactions.)

B *Custodial Credit Risk, Deposits* - Custodial credit risk for deposits is the risk that the System will not be able to recover, in the event of the failure of a depository financial institution or will not be able to recover 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 System, and are held by either a counterparty or the counterparty's trust department or agent but not in the System's name. As of December 31, 2011 there were no investments that met the criteria. Custodial credit risk for investments is discussed further in Note 5. The System's Investment Policy Statement (IPS) does not address custodial credit risk.

C *Concentration Risk* - Concentration risk is the risk of loss to the System attributed to the magnitude of the System's investment in a single issuer. As of December 31, 2011 there was no exposure to a single issuer greater than 5.0% of the plan net assets excluding investment pools. The IPS sets maximum concentration limits by asset type and style.

D *Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The fair value of fixed income (debt) securities is affected by increases and declines in interest rates. These investments may also have embedded call features allowing the issuer to redeem part or all of the issue prior to maturity at a pre-set price. In addition, debt issues may have interest rates that vary according to a pre-determined external index (such as the London Inter-Bank Offered Rate) or a pre-determined step-up in the interest rate at a pre-determined date(s). The IPS sets limits on floating rates for mortgage backed securities and establishes limits on the average duration of some investment types. The County has no formal policy providing any additional guidance or limits affecting the System's interest rate exposure.

The following table uses the *Segmented Time Distribution* method to display the System's debt holdings by maturity term and investment type. Some issues within the categories agencies/instrumentalities, corporate bonds, collateralized mortgage obligations, and other asset-backed securities have variable rate features. The total fair value of these securities was $13,169,613 as of December 31, 2011.

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1 year**	**1 to 5**	**6 to 10**	**over 10**
U.S. Treasuries	$ 11,337,736	$ 3,560,338	$ -	$ 1,150,057	$ 6,627,341
Agency/Instrumentalities	29,937,728	-	326,554	898,850	28,712,324
Corporate Bonds	81,221,719	775,038	41,865,653	29,562,702	9,018,326
Bond Mutual Funds	158,367,089	-	79,169,261	79,197,828	-
Collateralized Mrtg Obligations	6,851,000	-	-	328,285	6,522,715
Other Asset-Backed Securities	4,613,347	-	432,039	-	4,181,308
Foreign and Yankee Bonds	6,727,677	113,650	3,122,979	2,874,014	617,034
Totals	$ 299,056,296	$ 4,449,026	$ 124,916,486	$ 114,011,736	$ 55,679,048

The segmented time distribution table includes issues with call features and assumes that these issues will be held to maturity. The total fair market value of callable securities totals $73,796,865 with call dates ranging from January 1, 2011, for continuously callable issues, to March 1, 2041. Stated call prices are generally at par. The callable holdings include issues with floating interest rates which have a market value of $11,737,608.

E *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. Debt securities are rated by Nationally Recognized Statistical Rating Organizations to provide purchasers with an opinion of the capability and willingness of a borrower to re-pay its debt. The following table displays the System's debt holdings and quality ratings from Standard & Poor's and Moody's with the highest rating in each asset type listed first. Calculations are based on $379,733,928 of fixed income excluding U.S. Treasuries and Guaranteed Insurance Contracts. The Investment Policy Statement provides guidelines to all fixed income managers related to allowable quality ratings. The County has no additional formal policy related to the credit ratings of the System's investments.

Investment Type	S&P	Moody's	%	Investment Type	S&P	Moody's	%
Agency/Instrumentalities	AA	Aaa	7.29%	Yankee & Foreign Gov			
"	AA	NR	0.37	Issued Debt	AA	Aa	0.23
"	A	Aa	0.09	"	AA	A	0.03
"	A	NR	0.13	"	A	Aa	0.17
				"	A	A	0.42
Collateralized Mort. Oblig.	AAA	Aaa	0.10	"	A	Baa	0.04
"	AAA	Aa	0.01	"	BBB	A	0.03
"	AAA	Baa	0.03	"	BBB	Baa	0.24
"	AAA	Ba	0.04	"	BBB	Ba	0.04
"	AAA	Caa	0.04	"	BBB	NR	0.03
"	AAA	NR	0.16	"	BB	Ba	0.09
"	AA	Aaa	0.01	"	BB	B	0.07
"	AA	B	0.04	"	B	B	0.35
"	A	Aaa	0.04	"	C	B	0.01
"	BBB	Aa	0.11	"	NR	NR	0.03
"	BBB	Caa	0.02	Corporate Bonds	AA	Aa	0.32
"	NR	Baa	0.02	"	AA	A	0.13
"	B	B	0.12	"	A	Aa	0.25
"	B	Caa	0.10	"	A	A	1.62
"	CCC	Caa	0.58	"	A	Baa	0.45
"	CCC	C	0.07	"	BBB	A	0.23
"	CC	Ca	0.01	"	BBB	Baa	2.01
"	CC	NR	0.05	"	BBB	Ba	0.17
"	D	C	0.02	"	BBB	B	0.27
"	NR	Aaa	0.11	"	BBB	NR	0.14
"	NR	B	0.03	"	BB	Baa	0.28
"	NR	NR	0.12	"	BB	Ba	1.48
Other Asset-backed	AAA	Aaa	0.24	"	BB	B	2.30
Obligations	AAA	B	0.25	"	BB	NR	0.23
"	AA	Aa	0.02	"	B	Ba	0.67
"	AA	Baa	0.10	"	B	B	7.57
"	BBB	Baa	0.05	"	B	Caa	0.98
"	BB	Ba	0.11	"	B	NR	0.55
"	B	B	0.03	"	CCC	B	1.14
"	B	Ca	0.05	"	CCC	Caa	0.08
"	CCC	A	0.03	"	NR	A	0.12
"	CCC	Caa	0.13	"	NR	B	0.19
"	CCC	NR	0.10	"	NR	NR	0.20
"	CC	Ca	0.02	Mutual Funds	NR	NR	41.70
"	CC	NR	0.01	Guaranteed Invest Contracts	NR	NR	8.43
"	NR	Aaa	0.06	Short Term Investment Pools	NR	NR	15.80
							100.00%

F *Foreign Currency Risk* - The investment policy recognizes the value of global diversification. A maximum of 51% in international/global exposure is allowed. The System retains six managers for global and international equity and fixed income exposure. These managers may also purchase or sell currency on a spot basis and may enter into forward exchange contracts on currency provided that the use of such contracts is designed to dampen portfolio volatility or to facilitate the settlement of securities transactions.

There is potential risk with exposure to foreign currency relating to potential unfavorable fluctuation of exchange rates compared with the U.S. Dollar. The System's direct exposure to foreign currency was zero as of December 31, 2011. International/global equities and fixed income assets totaled $533,437,081 in fair market value, managed in pooled funds as of December 31, 2011.

6 Securities Lending

The Board of Trustees authorizes the System to lend securities held by the custodian, State Street Bank and Trust Company, to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian lends securities, of the type on loan at year-end, for collateral in the form of cash or other securities of 102 percent for domestic securities and 105 percent for international. Cash collateral received by the System with respect to these transactions is invested at the direction of the Board of Trustees in the State Street Bank and Trust Company Quality Funds for Short-Term Investment (STIF), a pooled investment vehicle. Government Accounting Standards Board Statement No. 31 requires certain information in connection with the STIF investments which is provided below.

The fair value of the investments held by the STIF is based upon valuation provided by a recognized pricing service. Because the STIF does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street Bank and Trust Company has valued the STIF investments at fair value for reporting purposes. The STIF is not registered with the Securities and Exchange Commission. State Street Bank and Trust Company, and consequently the investment vehicle it sponsors (including the STIF) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the System's position in the STIF is not the same as the value of the STIF shares. There was no involuntary participation in an external investment pool by the System for the year ended December 31, 2011. No income from one STIF was assigned to another STIF by State Street Bank and Trust Company during the year ended December 31, 2011.

At year-end, the System had no credit risk exposure to borrowers because the amount of collateral held by the System was greater than the value of securities on loan. The market value of invested cash collateral held as of December 31, 2011 was $62,530,046. There were no securities held as collateral. The market value of securities on loan for the System as of December 31, 2011 was $60,995,032.

The System did not impose any restrictions during the year on the amount of the loans that the custodian made on its behalf. Moreover, there were no losses during the year resulting from a default of the borrowers or custodian.

All security loans can be terminated on demand by either the System or the borrower, although the average term of the loans is generally one week. Cash collateral received was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in the STIF, a pooled investment vehicle. As of December 31, 2011, the STIF had an average duration of 26 days and a weighted average maturity of 91 days. The System's ownership of the STIF was $62,530,046 which was equal to the cash collateral on deposit. The relationship between the maturities of the STIF and the System's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the System cannot determine. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The System cannot pledge or sell collateral securities received unless the borrower defaults.

7 Financial Instruments With Off-Balance Sheet Risk

Mortgage-Backed Securities - A mortgage-backed security depends on the underlying pool of mortgage loans to provide the cash flow to make principal and interest payments on the security. A decline in interest rates can result in prepayments, which reduce the fair value of the security. If homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on investment would be higher than anticipated. A collateralized mortgage obligation (CMO) is a mortgage-backed security that is comprised of classes or tranches of bonds. Each class is structured to achieve a specific level of cash flow based on the prepayment assumptions assigned to the underlying mortgage pool.

The System invests in mortgage-backed securities to enhance fixed income returns. Mortgage-backed securities are subject to credit risk, the risk that the borrowers will be unable to meet their obligations. These securities are also subject to prepayment risk, which is the risk that a payment will be made in excess of the regularly scheduled principal payment. Prepayment risk is comprised of two risks: call risk, (the risk that prepayments will occur when interest rates have declined), and extension risk, (the risk that prepayments will not be made when interest rates have increased.) As of December 31, 2011, the fair value of government mortgage-backed securities was $29,937,728, asset-backed securities was $4,613,347, and CMO's was $6,851,000.

8 Exposure to Derivatives

Derivative instruments are securities that derive value from another asset and are in the form of a contract between two or more parties. Common derivatives are futures contracts, forwards contracts, options, and swaps. The System has no direct exposure to derivative securities. There are, however, mutual funds, commingled funds, and other investment vehicles in which the System has a percentage ownership that have exposure to futures, currency forward contracts, commodity forward contracts, and total return swap contracts. These funds enter into derivative contracts as part of their investment strategies to mitigate risk and volatility.

A derivative policy statement is included in the Investment Policy Statement (IPS). Prohibited instruments include options, commodities, uncovered options or futures, uncovered short positions, short selling, and use of financial leverage. The derivative exposure as of December 31, 2011 within the mutual funds is comprised of allowable instruments based on the IPS.

9 Contingencies

Certain legal proceedings are pending against the System arising from its normal activities that, based on the facts presently available and the advice of legal counsel, management believes will not have a material adverse effect on the System's financial condition upon settlement.

10 Commitments

The System has committed to fund various private equity investments totaling $115 million at December 31, 2011, of which approximately $49.3 million remains unfunded. The expected funding dates for these commitments extend through 2017.

11 Subsequent Events

The system evaluated subsequent events through June 6, 2012, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to June 6, 2012 that provided additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2011.

As of December 31,	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL (UAAL)	(A/B) Funded Ratio	(C) Covered Payroll	((A-B)/C) UAAL as a Percentage of Covered Payroll
EMPLOYEES' RETIREMENT PLAN						
2006	$ 456,656,849	$ 481,971,630	$ 25,314,781	94.7	$ 116,709,102	21.7
2007	492,788,674	526,341,482	33,552,808	93.6	117,222,681	28.6
2008	488,275,803	568,194,980	79,919,177	85.9	124,803,488	64.0
2009	519,556,093	598,841,131	79,285,038	86.8	126,030,706	62.9
2010	522,165,145	627,269,587	105,104,442	83.2	123,498,129	85.1
2011	516,070,401	653,653,058	137,582,657	79.0	120,415,534	114.3
POLICE SERVICE RETIREMENT PLAN						
2006	$ 389,877,885	$ 401,698,105	$ 11,820,220	97.1	$ 37,805,038	31.3
2007	417,278,055	433,667,102	16,389,047	96.2	41,011,366	40.0
2008	408,261,502	463,681,196	55,419,694	88.0	41,508,547	133.5
2009	432,176,036	487,458,733	55,282,697	88.7	42,499,380	130.1
2010	435,891,125	502,001,669	66,110,544	86.8	42,449,204	155.7
2011	430,342,941	526,154,978	95,812,037	81.8	41,334,580	231.8
FIRE SERVICE RETIREMENT PLAN						
2006	$ 368,413,752	$ 383,694,268	$ 15,280,516	96.0	$ 43,527,351	35.1
2007	395,884,441	413,815,087	17,930,646	95.7	43,941,526	40.8
2008	390,551,359	436,520,858	45,969,499	89.5	48,824,352	94.2
2009	418,191,046	455,275,809 [1]	37,084,763	91.9	49,064,454	75.6
2010	425,830,155	464,489,607	38,659,452	91.7	47,840,812	80.8
2011	426,196,539	486,095,747	59,899,208	87.7	45,673,006	131.1
DETENTION OFFICERS' AND DEPUTY SHERIFFS' RETIREMENT PLAN						
2006	$ 66,233,757	$ 75,946,236	$ 9,712,479	87.2	$ 17,367,873	55.9
2007	74,355,736	88,795,551	14,439,815	83.7	18,122,458	79.7
2008	76,525,847	98,485,152	21,959,305	77.7	19,785,653	111.0
2009	84,490,610	111,277,697 [1]	26,787,087	75.9	20,203,895	132.6
2010	87,911,133	119,767,203	31,856,070	73.4	19,310,216	165.0
2011	90,334,022	125,987,284	35,653,262	71.7	18,760,664	190.0

Accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

Note 1. Revised for increased employee contribution levels negotiated subsequent to initial reporting.

Anne Arundel County Retirement and Pension System
Required Supplementary Information
Schedule of Employer Contributions
For the Years Ended December 31, 2006 through 2011

For the Year Ended December 31,	*Annual Required Contribution*	*Actual Contribution*	*Percentage Contributed*
EMPLOYEES' RETIREMENT PLAN			
2006	$ 10,755,168	$ 10,755,168	100.00%
2007	11,778,948	11,778,948	100.00
2008	12,906,750	12,906,755	100.00
2009	15,246,258	15,246,252	100.00
2010	17,284,082	17,284,080	100.00
2011	18,186,400	18,186,402	100.00
POLICE SERVICE RETIREMENT PLAN			
2006	$ 9,611,544	$ 9,611,544	100.00%
2007	9,997,308	9,997,308	100.00
2008	10,522,666	10,522,660	100.00
2009	12,428,140	12,428,136	100.00
2010 (see note)	13,695,736	14,055,660	102.70
2011 (see note)	14,153,185	13,793,256	97.46
FIRE SERVICE RETIREMENT PLAN			
2006	$ 10,481,244	$ 10,481,244	100.00%
2007	10,959,888	10,959,888	100.00
2008	11,189,712	11,189,718	100.00
2009	12,701,160	12,701,160	100.00
2010 (see note)	14,213,332	14,648,580	103.10
2011 (see note)	14,395,096	13,959,852	96.98
DETENTION OFFICERS' AND DEPUTY SHERIFFS' RETIREMENT PLAN			
2006	$ 3,462,366	$ 3,462,366	100.00%
2007	3,600,894	3,600,894	100.00
2008	3,788,256	3,788,260	100.00
2009	4,348,917	4,348,914	100.00
2010 (see note)	4,789,078	4,907,130	102.60
2011 (see note)	4,994,389	4,876,332	97.64

Note: Employer Contributions for calendar 2010 are greater than 100.00% of the Annual Required Contribution due to fiscal year revisions. Calendar 2011 will be reduced for the revisions.

Accompanying Notes to the Required Supplementary Information are an integral part of this schedule.

1 Description of Schedule of Funding Progress

The Schedule of Funding Progress summarizes the actuarial value of the System's assets and actuarial liabilities as of December 31, 2011 and each of the five preceding years. The data presented in the schedule was obtained from the System's independent actuary's annual valuation report for each year presented.

The schedule is presented to provide a consistent basis for measuring the System's annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method. The primary measure of funding progress is the System's funded ratio (i.e., actuarial value of assets expressed as a percentage of the actuarial accrued liability). Analyzing this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the pension plan.

The Schedule of Funding Progress also discloses the relation between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded portion of its actuarial accrued liability as of December 31, 2011 and the five preceding years. This relationship, expressed as a ratio, is a measure of the significance of the unfunded actuarial accrued liability relative to the capacity to pay all contributions required to fund the liability. Generally, the smaller the percentage, the stronger the pension plan.

The actuarial value of assets is determined by spreading the asset gain or loss over a five year period. For the year ended December 31, 2011 the System experienced an investment gain of 2.1%.

2 Change in Actuarial Methods and Assumptions

Effective with the valuation for 2010, the method of asset valuation has been changed to reflect the actual beginning market value rather than the beginning actuarial value.

3 Significant Legislative Changes 2000 to 2011

A review of past legislative actions that made significant changes to the Plans revealed the following four County Council Bills.

Bill No. 80-00, a recodification effective February 25, 2002, impacted all four Plans. For the Employees' Retirement Plan, the bill allowed a benefit based on disability leave service and pre-plan military service to be paid over the 70% cap and normal retirement was changed to the earlier of 30 years of service or age 60.

For the Police Service Retirement Plan, the bill allowed a benefit based on disability leave service and pre-plan military service to be paid over the 70% cap. Normal retirement was changed to the earlier of 20 years of service or age 50 with 5 years of service. Tier 2 benefits were eliminated. The bill also implemented the Deferred Retirement Option Program (DROP), a voluntary program that provides an alternative way to earn and receive retirement benefits.

In the Fire Service Retirement Plan, the bill allowed a benefit based on disability leave service and pre-plan military service to be paid over the 70% cap. Normal retirement was changed to the earlier of 20 years of service or age 50 with 5 years of service. Tier 2 benefits were eliminated. The bill also implemented the Deferred Retirement Option Program (DROP), a voluntary program that provides an alternative way to earn and receive retirement benefits. The DROP was retroactive to January 1, 2001.

In the Detention Officers' and Deputy Sheriffs' Retirement Plan, the bill allowed a benefit based on disability leave service and pre-plan military service to be paid over the 70% cap. Tier Two benefits were eliminated, early retirement factors were changed and a death benefit was added.

Bill No. 32-04 implemented provisions of the County labor contracts and included two material changes to this Plan. Section 6-102 redefined participants in the Plan so that one group can be afforded different benefits. Section 6-201 provides a "20 and out" benefit to uniformed Detention Officers & Deputy Sheriffs.

Bill No. 66-05 implemented changes in collective bargaining negotiations, added re-employment provisions, and clarified taxation status of contributions and certain calculations. The major item effecting funding reduced the participant contribution to 5% from 6% retroactive to July 14, 2005 for category II members of the Policy Service Plan. Category II is comprised of Police Sergeant, Police Lieutenant, Police Captain, Police Major, Deputy Police Chief and the Chief of Police by election.

Bill No. 58-07 eliminated the income earnings cap in the Fire Service Retirement Plan; the Police Service Retirement Plan, and the Detention Officers' and Deputy Sheriffs' Retirement Plan. In addition, the contribution percentage for Category I participants of the Police Service Retirement Plan was reduced from 6% to 5%.

Bill No. 74-09 allowed a 3.0% increase for non-represented employees covered by the Employee, Police, and Fire Plans to be applied to the calculation of fiscal year 2010 average basic pay. For represented members of the Fire Plan the calculation will be based on 5.0%. The bill further clarifies limits for entry into the DROP and reduces the guaranteed effective annual interest rate from 8.0% to 4.25% for those entering on or after July 1, 2009.

Bill No. 78-09 provided for an assumed increase of 4.0% for fiscal year 2010 for Detention Officer and Detention Corporal members of the Detention Officers' & Sheriffs Plan in determining the final average basic pay.

Bill No. 6-10 provided a disability benefit for those participants who have a total and permanent disability as a result of qualified military service that interrupted employment with the County (credited in-plan military service). The disability benefit is calculated as the greater of the member's accrued pension benefit, 20% or 25% of the member's final average salary depending on the plan, or 66 2/3% of the member's final average salary less the monthly amount of any disability payments from the military or U.S. Government.

Bill No. 40-10 changed the annual yield on DROP accounts for members of the Fire DROP after July 1, 2010 to 4.25%. This bill also increased the pension contribution for members of the Fire Service Plan from 5% to 7.25%, except for those members in the classification of Battalion Chief, Division Chief, Deputy Chief, or Fire Chief.

Bill No. 41-10 increased the pension contribution for Police Officers, Police Officers First Class, Police Corporals and Police Sergeants from 5% to 7.25%; increased the pension contribution for Detention Officers, Detention Corporals and Detention Sergeants to 6.75%; and provided a "pop-up" option for the Detention Officers' and Deputy Sheriffs' Plan. This bill also reduced the DROP interest rate from 8% to 4.25% for Police and Fire Plans.

Schedule of Administrative Expenses

Professional Services		*Miscellaneous: County paid*	
Actuarial	$ 221,173	Supplies	10,051
Benefit payment processing	45,265	Postage	20,530
Insurance service fees	34,716	Printing	12,011
Audit	24,400	Bonding & legal services	270
Investment consulting fees	340,469	Medical evaluations	13,893
Legal counsel	9,211	Training & memberships	600
Manager Administration	97,446	Indirect costs paid to County	492,650
Recipient Verification	1,253		550,005
	773,933		
Communication		*Miscellaneous: system paid*	
Telephone	2,709	Prudential administration	3,960
Travel & meals	3,169	Tax withholding expenses	6,663
	5,878		10,623
		Total Administrative Costs	**$ 1,340,439**

Schedule of Investment Expenses

Management Fees		*Management Fees (continued)*	
Aetna/ING Investment Mgmt	$ 493,167	Southeastern Asset Management	298,415
Bridgewater	2,588,913	State Street Global Advisors	354,790
Buckhead Capital	305,176	Wellington Trust Company	590,043
Chartwell Investment Partners	363,861	Western Asset Management	248,638
Dupont	37,500	Westwood	366,026
EIG Energy	216,824		6,689,956
ING "Separate"	357,900		
Penn Capital	401,388		
Quellos Private Capital	67,315		
		Custodial Fees	
		State Street Bank & Trust	379,009
		Total Investment Expense	**$ 7,068,965**

Schedule of Payments to Consultants

Company	*Fee*	*Nature of Service*
Aetna	$ 34,716	Insurance Services
ADP	45,265	Benefit Payment Processing
Bolton Partners, Inc.	221,173	Actuarial Services
CliftonLarsonAllen	24,400	Audit Services
New England Pension Consultants	340,469	Investment Consulting Services
Other	107,910	Legal Services & Miscellaneous
	$ 773,933	

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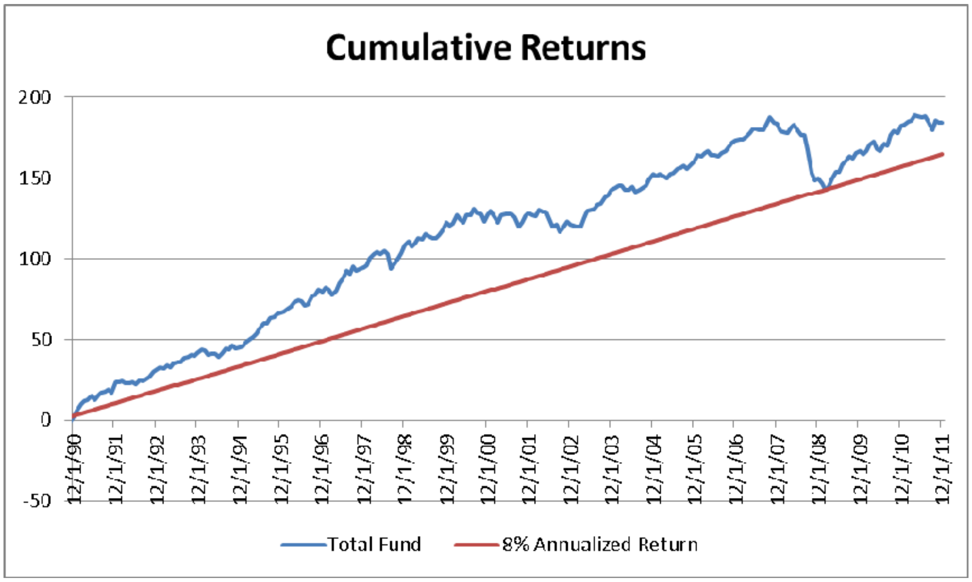
Investment Section

The following is a review of investment activity of the System with discussion and comparisons to general investment market trends. NEPC, LLC (NEPC), the Investment Advisor, prepared this review using information provided by State Street Bank, the Custodian Bank.



Calendar year 2011 was the thirteenth consecutive year the System's investment portfolio has been overseen by the Board of Trustees. NEPC continues to act as the System's pension and investment consultant. In 2011, due to changes in asset allocation, the System divested from the Loomis Sayles' bank loan strategy and redeemed from K2 and Mariner's hedge funds. K2 and Mariner have returned a majority of the funds, and the remaining assets should be returned after the final audit. In addition, the System added Entrust Opportunistic Fund II in the opportunistic space, and Sigular Guff IV in the private equity space. The System picked up $12 million in the ING Clarion fund offering and increased commitments to EIG XV and Lexington Partners.

Market Commentary

The global equity markets were quite volatile in 2011, faced with optimism about a possible economic recovery coupled with worries about the European debt crisis, inflation in China, US unemployment, unrest in the Middle East, and the downgrade of the US credit rating by the Standard & Poor's (S&P).
In addition, Japan was hit by an earthquake and tsunami in March that resulted in a monumental nuclear crisis, sending the Japanese stock market into a tailspin and global markets along with it. Despite these events, worldwide markets have remained resilient, and as the year ended, improving economic data in the US and European policy moves managed to bolster equity markets.

As a whole, developed markets lagged US Markets, which was a function of weak currency returns and the uncertainty that the Euro cast on international markets. Fears surrounding the Euro and growing inflation concerns in China caused Emerging markets to suffer as investors shed risk. By and large, equity securities moved with little regard for fundamentals and correlations across risky asset classes were elevated.

Global Equity Markets

Equity markets got off to a strong start in 2011 as investors, optimistic about an economic recovery, continued to reallocate assets from bonds to stocks. While the markets cooled off in March in response to unnerving global headlines, most global segments, with the obvious exception of Japan, still ended the first quarter in positive territory.

It was a bumpy ride for global equity markets in the second quarter. The period started on a positive trend, as investors applauded strong corporate earnings results, but macro headlines in May and June quickly derailed market gains. Continued economic fears surrounding the European debt crisis, inflationary concerns in China, poor jobs reports from the US, and ongoing unrest in the Middle East all contributed to lower returns. During the final days of the quarter, the markets rallied sharply neutralizing major losses to end the period anywhere between modestly positive to modestly negative.

The third quarter saw panic-driven declines in the equity markets, with all major equity indices decreasing by double-digit percentages, pushing year-to-date results into negative territory. Fear overshadowed fundamentals as investors focused on macro concerns related to several issues that made headlines: the Eurozone debt crisis, a potential slowdown in China, and, closer to home, the S&P downgrade of the US credit rating and lower-than-expected GDP growth rates. Amid renewed worries about a double-dip recession, there was nowhere to hide in the equity markets.

During the fourth quarter equity markets posted positive results to end another volatile year in which macro headlines overshadowed company fundamentals. After the quarter started out with a huge rally in October, the lack of a clear solution to the European debt crisis caused some divergence in results, with US markets gaining advantage over non-US stocks, and European markets lagging the most. US investors responded favorably to improvements in economic data on unemployment and consumer spending during the quarter. As indicators provided support for moderate US GDP growth, the primary beneficiaries were those market segments deemed as riskier or even previously left for dead.

Equity Index Returns (12/31/11)				
Global Equity	**Quarter**	**1 Year**	**3 Years**	**5 Years**
MSCI World	7.6%	-5.5%	11.1%	-2.4%
US Equity				
S&P 500	11.8%	2.1%	14.1%	-0.3%
Dow Jones Industrial Average	12.8%	8.4%	14.9%	2.4%
NASDAQ Composite	8.2%	-0.8%	19.4%	2.4%
RUSSELL 1000 GROWTH	10.6%	2.6%	18.0%	2.5%
RUSSELL 1000 VALUE	13.1%	0.4%	11.6%	-2.6%
RUSSELL 2000	15.5%	-4.2%	15.6%	0.2%
RUSSELL 2000 GROWTH	15.0%	-2.9%	19.0%	2.1%
RUSSELL 2000 VALUE	16.0%	-5.5%	12.4%	-1.9%
International Equity				
MSCI EAFE	3.3%	-12.1%	7.6%	-4.7%
MSCI Emerging Markets Free	4.4%	-18.4%	20.3%	2.4%
MSCI Europe	5.4%	-11.1%	7.5%	-5.2%
MSCI UK	9.1%	-2.6%	15.0%	-3.2%
MSCI Japan	-3.9%	-14.3%	1.5%	-6.6%
MSCI Far East	-2.7%	-14.7%	3.8%	-5.4%

Global Fixed Income Markets

To start the year off, the global fixed-income markets had a resilient first quarter. US credit sectors in particular posted solid results as the business environment and leading unemployment indicators improved. Over the quarter, markets became concerned with the potential for higher inflation, as well as higher interest rates, as commodity and energy prices continued to rise. In addition, uncertainty surrounding the US fiscal situation came to a head, with the highly politicized budget debate in Washington nearly shutting down the government. Washington's continuing struggle to lay out a fiscal road map for the coming years may ultimately decide the future outlook for the US bond market.

In the second quarter, uncertainty about the sustainability of the US recovery and concerns over the European debt crisis overtook market sentiment. In this environment, high-grade US fixed-income sectors posted strong results. Concerns over domestic inflation subsided as oil prices fell, the housing market remained weak, and unemployment numbers ticked up in many parts of the country. By the end of the quarter, Congress had yet to reach an agreement on the US debt ceiling, furthering anxiety in fixed-income markets.

US high-grade fixed income markets posted strong returns in the third quarter as investors sought safety in US

Treasuries, investment grade corporate bonds, and US mortgage-backed securities (MBS). Treasury yields fell to remarkably low levels across the yield curve, particularly at the long end, as the Fed's "Operation Twist" drove down long-term interest rates to historic levels. Riskier segments of fixed income markets sold off, including high yield corporate bonds and emerging markets debt.

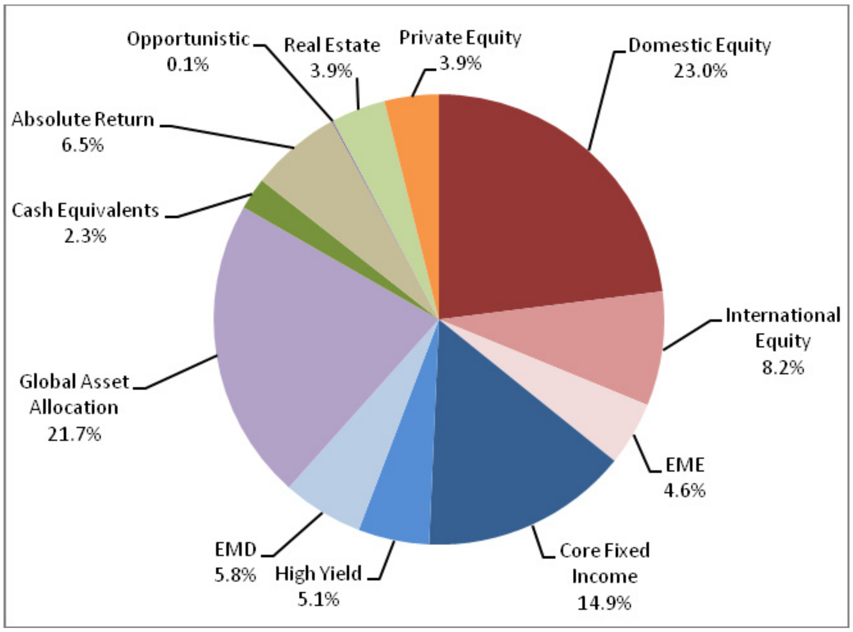
As the year came to a close, fixed income markets delivered mostly positive returns, with US high yield and emerging markets debt among the best performing sectors. US high grade credit led investment grade sectors, followed by agency MBS. Riskier segments of bond markets seemed to shrug off persistent concerns over the still unsettled problems brewing in the Eurozone, providing fuel for the rally. The Federal Reserve's "Operation Twist" pushed long-term yields to record lows despite the downgrade of US Treasury securities by Standard & Poor's. Long-term Treasuries and TIPS were the best performing fixed income segments for the year, with both returning well over 20%.

Fixed Income Index Returns (12/31/11)				
Global Fixed Income	**Quarter**	**1 Year**	**3 Years**	**5 Years**
Citi World Gov. Bond	-0.1%	6.4%	4.3%	7.1%
JPM EMBI Plus	-1.0%	-5.2%	3.6%	4.5%
Domestic Fixed Income				
BC Aggregate	1.1%	7.8%	6.8%	6.5%
BC Government	0.8%	9.0%	4.0%	6.6%
BC US Credit	1.7%	8.4%	10.7%	6.8%
BC Mortgage Backed	0.9%	6.2%	5.9%	6.5%
BC Govt/Credit	1.2%	8.7%	6.6%	6.6%
BC TIPS	1.7%	8.9%	8.5%	6.9%
BC High Yield	6.5%	5.0%	24.1%	7.5%
S&P LSTA Lev. Loan	2.9%	1.5%	19.2%	4.2%
90 DAY T-BILL	0.0%	1.0%	1.4%	1.5%
10-Year Bond Yirelds	**Dec-11**	**Sep-11**	**Jun-11**	**Mar-11**
US	1.9%	1.9%	3.2%	3.5%
Germany	1.8%	1.9%	3.0%	3.4%
UK	2.0%	2.4%	3.4%	3.7%
Japan	1.0%	0.9%	1.1%	1.3%

Growth of Assets and Asset Allocation

As of December 31, 2011, the System's net assets stood at $1.34 billion, up slightly from where assets were at the end of 2010. During the past year, the System experienced a net $16.7 million in cash outflows, and gains on investment of $24.7 million. At December 31, 2011, the System's assets were in compliance with Policy and were allocated as follows:

12/31/2011 Asset Allocation by Manager Type



Investment Performance

For the year ending December 31, 2011, the System gained 2.1%, ranking in the top 31% of all public funds in the Independent Consultants' Cooperative Universe. Over the 3-year time period, the Fund returned 11.7% and ranked in the top 32% of public funds. The System's 5-year return is still lagging peers due to the poor market returns in 2008. All performance returns are gross-of-fees and are calculated using the time-weighted rate of return method.

For the coming year, NEPC has recommend changes to the Plan's target asset allocation that will help to maintain the Plan's risk/return profile while eliminating the Plan's allocation to absolute return and still taking advantage of the current opportunities. This will be achieved through an increased allocation to Emerging Market Equity, High Yield Bonds, and Emerging Market Debt.

The following table summarizes investment holdings as of December 31, 2011, displaying fair market value and percent of the total value compared with the prior year data.

	2011		2010	
	Fair Value	Percentage of Total Fair Value	Fair Value	Percentage of Total Fair Value
Cash and temporary investments	$ 60,017,252	4.5%	$ 30,215,464	2.3%
Domestic fixed income	222,707,040	16.6%	258,768,663	19.3%
Domestic equity	225,288,143	16.8%	293,754,134	22.0%
Global fixed asset allocation and pools	287,957,768	21.4%	257,808,823	19.3%
International equity investment pools	245,479,313	18.3%	221,472,166	16.6%
Private Markets	58,790,498	4.4%	39,300,367	2.9%
Real estate investment pools	51,563,187	3.8%	43,528,250	3.2%
Stable Value Aetna insurance pools	32,008,560	2.4%	33,872,727	2.5%
Absolute Return funds	86,406,431	6.4%	90,427,401	6.8%
Portable Alpha	72,266,945	5.4%	68,779,403	5.1%
	$1,342,485,137	100.0%	$1,337,927,398	100.0%

Asset Type and Percent of Portfolio at 12/31/11		------Time Weighted Rate of Return------ Last Year	Last 3 Years	Last 5 Years	Notes
Equity	**40.5%**				
Russell 2000 ® Benchmark		(4.2)	16.9	0.2	
S&P 500 Benchmark		2.1	14.1	(0.3)	
Domestic Equity Composite		(0.5)	17.2	0.8	
MSCI EAFE		(12.1)	7.6	(4.7)	
International Equity Composite		(14.1)	8.2	(4.9)	
MSCI Emerging Markets Free		(18.4)	20.2	2.4	
International Emerging Markets Composite		(20.8)	16.2	(1.6)	
Total Equity		**(6.7)**	**14.5**	**(0.8)**	
Fixed Income/ Stable Value	**19.0%**				
Barclays Capital Bond Aggregate Benchmark		7.8	6.8	6.5	
U.S. Fixed Composite		6.8	11.8	6.0	
ML BB/B Non-Distressed Benchmark		5.4	20.7	6.8	
High Yield Composite		4.2	16.3	4.7	
JP Morgan EMBI Global Benchmark		8.5	15.9	8.1	
Emerging Market Debt Composite		7.6	n/a	n/a	A
Total Fixed Income		**6.8**	**11.8**	**6.0**	
Real Estate (R.E.)	**3.8%**				
Nat'l. Council R.E. Invest. Fiduciaries Benchmark		14.3	2.4	3.1	
Real Estate Composite		18.7	(4.8)	(2.4)	
Global Asset Allocation	**21.4%**				
T-Bills + 6%		6.1	6.2	7.6	
65% MSCI ACWI/35% BC Agg		(1.6)	11.1	1.0	
GAA Composite		11.7	16.0	6.7	
Absolute Return Funds	**6.4%**				
T-Bills + 4%		4.1	4.1	5.5	
Absolute Return Composite		(4.4)	3.2	(0.5)	
Opportunistic	**0.1%**				
Barclays Capital High Yield Benchmark		5.0	24.1	7.5	
Opportunistic Composite		n/a	n/a	n/a	B
Private Equity Funds	**4.3%**				
Private Equity 10%		10.0	10.0	10.0	
Private Equity Composite		11.1	6.9	4.9	
Cash Equivalents	**4.5%**				
90 Day T-bills Benchmark		0.1	0.1	1.5	
Cash Account		0.6	1.0	2.1	
Total Fund Composite Return		**2.1**	**11.7**	**1.5**	

Notes: A. Inception July 2010 B. Inception November 2011

The following is a summary of the investment policies governing the assets of the System.

Investment Objectives

The Trustees of the Anne Arundel County Retirement System (System) seek to maintain the annual rate of pension contributions based on accepted actuarial practices, at a stable or declining percent of payroll. The Trustees also seek to maintain the funded ratio (market value of assets/actuarial value of benefits earned to date as measured by the Accrual Benefit Obligation) at a target level of 115% and in no event less than 100% in any given year. The System must remain capable of paying all benefits earned by employees. This principle is paramount and will not be compromised. Prudence is thus a mandatory factor in all decisions relating to the System. The disposition of the System's assets shall be made solely in the interest of the participants and their beneficiaries of the pension plan for exclusive purposes of providing benefits to such participants and their beneficiaries. Investments shall be made in a cost efficient manner, and reflect current industry best practices. The System return requirements are articulated in three separate ways:

- Nominal returns – the actuarially required rate of return is 8.0% annually, net of all fees and operating expenses. In order to achieve a buffer and have a somewhat higher likelihood of achieving the Fund's objective, the Board desires a net total return in excess of this 8% target.
- Real returns – 5.0% above the Consumer Price Index.
- Relative returns – Total return shall rank in the top half of the appropriate public fund universe. Risk-adjusted returns should also rank in the top half of the same universe. Returns for investment managers shall exceed their respective benchmarks, as well as rank in the top half of the appropriate universe of managers adhering to the same investment strategy.

The Board further recognizes that the return targets described herein may not be achieved in any single year. Instead, a longer-term horizon of 5-7 years shall be used in measuring the long-term success of the Fund. While the Board expects that returns will vary over time, the Fund shall have a risk tolerance consistent with that of other funds created for similar purposes, and the assets of the Fund shall be invested accordingly.

General Investment Policy

The System operates under the "Prudent Person" rule used herein meaning that in investing the governing authorities of the systems, funds, and plans shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income.

Investments are made in full accordance with any and all applicable Maryland statutes, as well as any other applicable legislation or regulation, state, federal or otherwise. The roles and responsibilities of the Board of Trustees, the Investment Committee, the Investment Consultant, the Investment Managers and the Custodian are clearly defined. The Board has established a diversified portfolio to meet the System's return requirements. The table below summarizes the target asset allocation

Asset Class	Market Value Target (%)	Minimum Exposure (%)	Maximum Exposure (%)
Domestic Equity	21	11	31
International Equity	10	0	25
Emerging Market Equity	6	0	10
Domestic Fixed Income	15	5	25
Emerging Market Debt	6	0	10
Private Markets	7	0	15
Opportunistic Investments	3	0	8
Real Estate	4	0	10
Global Asset Allocation (GAA)	26	16	26
Cash	2	0	10

The Chair of the Investment Committee reviews the asset allocation at least quarterly to determine if the asset allocation is consistent with the exposure ranges described herein. The Chair of the Investment Committee directs investment managers to transfer funds to rebalance the asset allocation as necessary with subsequent Board notification. The System shall strive to maintain a neutral bias with respect to Style Allocation (Growth versus Value) in its equity investments. The Chair of the Investment Committee, as part of the normal rebalancing responsibilities, shall use appropriate judgment and care when rebalancing portfolios. Market conditions and transaction costs are considered.

Each separate account investment manager must comply with the quality and diversification requirements stated in the investment policy. Investment managers have detailed reporting requirements and must certify policy compliance on a quarterly basis. Permissible derivative uses are hedging, creation of permitted market exposures, and management of country and asset allocation exposure.

Proxy Voting

The Board of Trustees delegates proxy voting responsibility to its investment managers. Investment managers are required to report to the Board on an annual basis summarizing proxy voting over the previous fiscal year. The report must detail any changes that have occurred in the manager's proxy voting policies, and note any instances where proxies were not voted in accordance with the best interest of the System's beneficiaries.

Investment Manager Fees

The following table presents investments managers' fees paid by asset class.

Asset Class	Assets Managed (Includes Cash)	Fees Paid
Domestic equity	$ 232,401,252	$ 1,691,378
International equity	169,130,059	354,790
Domestic fixed income	154,941,506	650,026
Global assets	287,969,978	3,178,956
Other	265,051,258	*
Private equity	58,790,498	321,639
Real estate	50,659,519	*
Stable value insurance account	111,177,836	493,167
Total Investment Managers' Fees		6,689,956
Other Investment Service Fees:		
Custodial fees		405,967
Total Investment Expenses		$ 7,095,923

*Fees net to fund assets. Not available as discrete amounts.

Brokerage Commissions

Broker's commissions on investment transactions, excluding mutual funds, for the year ended December 31, 2011 totaled $319,590. Brokerage firms receiving more than $6,000 in fees are listed below.

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
BNY ConvergEx Group	$ 39,227	J P Morgan Securities	$ 12,234
Goldman Sachs & Co.	38,301	Knight Capital Group	10,778
Liquidnet, Inc.	30,477	Jefferies & Co., Inc.	10,227
Capital Institutional Services	22,778	Instinet	8,373
Keybanc Capital Markets Inc.	16,310	Cantor Fitzgerald	8,210
Morgan Stanley	15,706	Raymond James & Assoc., Inc.	7,201
Deutsche Bank Securities	15,557	Suntrust Capital Markets, Inc.	7,058
Merrill Lynch	15,091	Pacific Crest Securities	6,834
Citigroup Global Markets Inc	14,541	BTIG, LLC	6,707
Jones Trading	14,483	Stifel Nicolaus & Co., Inc.	6,593
Credit Suisse Securities (USA)	12,904		$ 319,590

Brokerage Commissions

The Investment Policy Statement requires that each manager shall provide an annual commission report to the Investment Committee and Investment Consultant within forty-five (45) days of the end of each calendar year. The report shall cover all trades executed during the prior year and should include a discussion of the firm's policy for selecting brokers, reviewing brokers, and negotiating brokerage commissions. This should include identification of any situations where the investment manager has a financial interest in brokers used to execute trades in the portfolio as well as a list of all broker-dealers used by the firm. Actual commission expenses are to be compared to the prior year. If the firm has a system for monitoring total transaction costs (commissions plus market impact), a copy of this analysis should be provided. If no such system is being used, the commission report should include a complete explanation of how the firm monitors selected brokers for best execution.

Manager Name	Asset Class	**Long-term Benchmark**	Style Benchmark	Peer Group Universe	**Guideline** Exemptions
Attalus Capital	Portable Alpha, Large Cap Equities	S&P 500	S&P 500	Portable Alpha Managers	Note A
Bridgewater Associates, Inc.	Global Asset Allocation	T-Bills + 6%	T-Bills + 6%	Absolute Return Managers (low volatility HFOF managers)	None
Buckhead Capital	U. S. Small Cap Value Equity	Russell 2000 Index	Russell 2000 Value	U. S. Small Cap Value Equity	None
Chartwell Investment Partners	U.S. Small Cap Growth Equity	Russell 2000 Index	Russell 2000 Growth	U.S. Small Cap Growth Equity	None
DuPont Capital Management	Private Equity Fund of Funds	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
EIG	Private Equity Fund of Funds	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
Entrust	Opportunistic	HFRI ED: Distressed/Restructuring Index	HFRI ED: Distressed/Restructuring Index	Absolute Return Managers	None
Gottex Fund Management	Portable Alpha, Large Cap Equities	S&P 500	S&P 500	Portable Alpha Managers	Note A
Grantham, Mayo Van Otterloo	International Small Cap Equity	S & P Citigroup EMI World, Excluding U.S., Index	S & P Citigroup EMI World, Excluding U.S., Index	International Developed Equity	None
HRJ Capital (Capital Dynamics)	Private Equity Distressed Debt	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
ING Clarion Partners	Real Estate	NCREIF Property Index	NCREIF Property Index	Real Estate Managers	None
ING Investment Management, Inc.	Core Fixed Income	Barclays Capital Aggregate Bond Index	Barclays Capital Aggregate Bond Index	Core Fixed Income Managers	Note E
ING Investment Management, Inc.	U.S. Large Cap Growth Equity`	Russell 1000 Index	Russell 1000 Growth	U.S. Large Cap Growth Equity	None
K2 Advisors	Absolute Return	T-Bills plus 4% Index	T-bills plus 4% Index	Absolute Return Strategy Managers	Note A
Lexington Partners VI-B Lexington Partners VII	Private Equity Secondaries	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
Mariner Select Ltd Partnership	Absolute Return	T-Bills plus 4% Index	T-Bills plus 4% Index	Absolute Return Strategy Managers	Note A

Marvin & Palmer Associates	Emerging Markets Equity	MSCI Emerging Markets Free	MSCI Emerging Markets Free	Emerging Markets Equity Managers	None
Newstone Capital Partners I Newstone Capital Partners II	Private Equity Distressed Debt	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
Penn Capital	US High Yield Fixed Income	ML BB/B Non-Distressed	ML BB/B Non-Distressed	High Yield Bond Managers	None
PIMCO	Emerging Market Debt	JP Morgan EMBI Global Index	JP Morgan EMBI Global Index	Emerging Market Debt Managers	None
Quellos Private Capital II, LP Quellos Private Capital III, LP	Private Equity Fund of Funds	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
Siguler Guff DOF III Siguler Guff DOF IV	Private Equity Distressed Debt	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
Southeastern Asset Management	U.S. Large Cap Value Equity	Russell 1000 Index	Russell 1000 Value Index	U.S. Large Cap Value Equity	Note B
State Street Global Advisors	Int'l Developed Market Equity	S&P Citigroup PMI World – excluding US – Index	S&P Citigroup PMI World – Excluding US – Index	International Developed Equity	None
TCW/Crescent Mezzanine Partners, LP IV TCW/Crescent Mezzanine Partners, LP V	Private Equity Mezzanine Debt	10% Annualized Compound Return	10% Annualized Compound Return	Private Equity Managers	None
W.R. Huff Asset Management Co.	High Yield Fixed Income	BC High Yield Index	BC High Yield Index	High Yield Fixed Income Managers	Note C
Wellington Management Company	Global Asset Allocation – Investment Opportunity Fund	S&P Citigroup PMI World – ex. US - Index	65% MSCI ACWI/35% BC Aggregate	Balanced Managers	None
Western Asset Management	Core Fixed Income	Barclays Capital Aggregate Bond Index	Barclays Capital Aggregate Bond Index	Core Fixed Income Managers	Note D
Westwood Management Corp.	U.S. Large Cap Value Equity	Russell 1000 Index	Russell 1000 Value Index	U.S. Large Cap Value Equity	None

Note A: 1. Exempt from adhering to the CFA Institute Performance Presentation Standards.

Note B: 1. May hold up to 10% of their portfolio in any one security.
2. May provide audited performance data in lieu of returns that adhere to the CFA Institute Performance Presentation Standards, but must provide all disclosures and footnotes required by the CFA Institute regarding performance calculation.
3. Is exempt from being required to hold at least 25 stocks in their portfolio.
4. For securities held in the Anne Arundel County Pension and Retirement System portfolio, Southeastern may own up to 20% of the outstanding market capitalization of a given company across all of their portfolios. If Southeastern owns more than this 20% limit for any security within the Anne Arundel County Pension and Retirement System portfolio, the Investment Committee Chairman and Investment Consultant of the Anne Arundel County Pension and Retirement System must be notified immediately for approval to continue holding the security, which may or may not be granted, depending on prevailing conditions.
5. Southeastern may hold up to 10% of their portfolio in American Depositary Receipts (ADR's). With prior Board approval, Southeastern may hold up to 20% of the portfolio in ADR's.

Note C: 1. Fund is in liquidation with remaining securities scheduled to be liquidated which overrides previously stated guidelines.

Note D: 1. Exempt from receiving at least two competitive offers on the same or similar securities prior to purchasing new issue mortgage back securities.
2. Western Asset Management is permitted to invest in the securities referenced in Section A of the Anne Arundel County Retirement and Pension System Investment Policy Statement. In addition, Western Asset may hold investments in High yield Fixed Income, Emerging Market Debt, Emerging Market Debt Local Currency, and/or Bank Loans.

Note E: 1. May hold up to 5% of the portfolio, at market value, in Senior Bank Loan Debt securities.

Largest Stock Holdings (By Fair Value)

Rank	Shares	Company		Fair Value
1	84,750	Exxon Mobil Corp	$	6,196,920
2	149,690	Direct TV Class A		5,977,122
3	15,924	Apple Inc		5,136,445
4	175,500	Microsoft Corp		4,899,960
5	208,480	Cisco Sys Inc		4,217,550
6	68,800	Philip Morris Intl Ord Shr		4,026,864
7	111,860	Oracle Corp		3,501,218
8	81,100	JPMorgan Chase & Co		3,440,262
9	90,700	Disney Walt Co		3,402,157
10	63,000	DuPont		3,142,440

Note: This list does not include investments in stock investment pools
A complete list of portfolio holding is available upon request.

Largest Bond Holdings (By Fair Value)

Rank	Par	Description		Fair Value
1	3,000,000	U S Treasury Bill 0.01% due 02/16/2012	$	2,999,954
2	2,700,000	FNMA TBA Single Fam 4% due 12/01/42		2,836,269
3	2,500,000	FNMA TBA Jan 30 Single Fam 5.5% due 12/01/2042		2,722,275
4	1,730,000	U S Treasury N/B 4.75% due 02/15/41		2,384,165
5	2,100,000	FNMA TBA 15 yr 3% due 12/01/27		2,168,586
6	1,555,903	FED HM LN PC Pool G06409 6% due 11/01/39		1,716,084
7	1,534,975	GNMA II Pool 004772 5% due 08/20/40		1,699,126
8	1,500,000	FNMA TBA Jan 30 Single Fam 5% due 12/01/42		1,620,465
9	1,393,152	GNMA II Pool 004978 4.5% due 03/20/41		1,522,409
10	1,150,000	U S Treasury N/B 4.375% due 05/15/40		1,493,919

Note: A complete list of portfolio holdings is available upon request.

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Actuarial Section

Anne Arundel County Retirement and Pension System
Statement from the Actuary
December 31, 2011

Board of Trustees
Anne Arundel County Retirement and Pension System
Annapolis, Maryland

Dear Members of the Board of Trustees

We prepared annual actuarial valuations as of January 1, 2012 for the Anne Arundel County Retirement and Pension System. The system consists of the following plans, each of which is valued separately:

- Employees' Retirement Plan
- Police Service Retirement Plan
- Fire Service Retirement Plan
- Detention Officers' and Deputy Sheriffs' Retirement Plan

The contributions determined in these valuations are for the Fiscal year ending June 30, 2013. The valuations are based on employee and financial data, which were provided by the County Office of Personnel and County Office of Finance, respectively. We have performed limited tests for consistency and reasonableness and have not found any material problems with the data.

All costs, liabilities and other factors under the Plans were determined in accordance with generally accepted actuarial principals and procedures. The funding method used in the actuarial valuations is the projected unit credit cost method. This objective of this funding method is to produce level contributions as a percentage of payroll as long as the average age of the population does not change. The funding objective of the System is to meet long-term benefit promises through contributions and investment income. The funding ratio, which is the actuarial value of assets divided by the actuarial accrued liability, is an estimate of how well the System is meeting the objective. The ratio for all four plans decreased.

The valuations are based on a closed group of members; no new hires are assumed. In addition, the valuations assume the plans will remain in effect on an ongoing basis. The actuarial value of assets is determined by spreading the asset gain or loss over a 5-year period.

The actuarial assumptions and methods used for these valuations meet the parameters set forth in the Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans.

We have included the following supporting schedules: Actuarial Basis, Schedule of Member Valuation Data, Schedule of Funding Progress, Summary of Plan Provisions, Summary of Major Legislative changes, a Solvency Test, and Analysis of Financial Experience. I meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained in the reports and am currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries.

Thomas B. Lowman, FSA, EA, MAAA
Bolton Partners, Inc.

May 15, 2012
Date

A. Method Used for Funding Purposes

This valuation was performed using the projected unit credit cost method. The contribution equals the sum of the normal cost and the amount necessary to amortize any actuarial gains/(losses) over a 30-year closed period. Amortization payments increase 3.5% per year.

B. Asset Valuation Method

The actuarial value of assets is determined by spreading the asset gain or loss over a 5-year period. The asset gain or loss is the amount by which the actual market value investment return differs from the expected market value asset return. The method was effective with the 1/1/2011 actuarial valuation. The Actuarial Value of Assets recognizes adjustments resulting from an audit.

There is a six-month lag between the valuation and the fiscal year. The 2012 valuation determines the County contributions due for the fiscal year ending June 30, 2013. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2012 to June 30, 2012) have not been treated as assets in the current valuation.

C. Valuation Procedures

Tier One active participants who terminate prior to age 40 are assumed to elect to receive a refund of employee contributions with interest. Employees who terminate at or after age 40 are assumed to receive their vested benefit at normal retirement date.

D. Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the Plan for purposes of determining contributions and liabilities under GASB. These assumptions are used for all members eligible to receive benefits under the Employees' Plan provisions.

Economic	
Investment Return	8.0% compounded annually net of investment expenses (3.5% inflation and 4.5% real return)
Salary Increases	A graded schedule is used. See Earnings Progression Table.
Cost of Living Adjustment	Benefits accrued before Bill 88-96 are assumed to increase by 3.0% of the original benefit each year from retirement. Benefits accrued after Bill 88-96 are assumed to increase by 2.1% of the current benefit each year from retirement.
Other	
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected to 2012 using scale AA. Pre-Termination mortality uses 70% of these rates. Disabled: RP-2000 Blue Collar Mortality table for males and females set forward nine years and then projected to 2012 using scale AA. 100% of pre-retirement deaths are assumed to be non-duty-related. There is no allowance for future mortality improvement. See Table of Sample Rates.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 10% of disablement is assumed to be duty-related.
Administrative Expenses	$491,000 for FY2013 and $482,000 for FY2012 (average of actual expenses for the two years preceding the valuation date).

Retirement Rates[1]

	Service		
Age	20	30	31
50	5%	40%	40%
55	7%	30%	5%
60	20%	20%	20%
65	50%	50%	50%

Percentage Married: Males – 70%; Females – 70%

Age Difference: Males are assumed to be four years older than their spouses.

Military Service: Active liabilities (which depend on credit service) are loaded by 1.0% to account for future crediting of military service.

Disability Leave: Active liabilities (which depend on credit service) are loaded by 1.5% to account for future crediting of disability service.

The Tier 1 service cap of 60% is valued as 62% to account for Disability and Military service credit not being limited by the 30-year cap on service.

Attained Age	Table of Sample Mortality Rates			
	Healthy Mortality		Disabled Mortality	
	Males	Females	Males	Females
20	0.03%	0.02%	0.03%	0.02%
25	0.03	0.02	0.09	0.04
30	0.07	0.03	0.12	0.07
35	0.10	0.05	0.16	0.11
40	0.12	0.07	0.21	0.15
45	0.15	0.11	0.31	0.21
50	0.19	0.16	0.58	0.35
55	0.33	0.25	1.10	0.83
60	0.68	0.47	1.97	1.54
65	1.31	0.98	3.30	2.65

Attained Age	Table of Sample Decrement Rates		
	Percentage		
		Withdrawal	
	Disablement	Males	Females
20	0.026%	12.47%	21.57%
25	0.026	9.97	18.12
30	0.026	6.78	13.34
35	0.040	4.37	9.05
40	0.081	3.48	7.48
45	0.134	2.40	5.95
50	0.216	0.45	1.11
55	0.355	0.29	0.71
60	0.530	0.00	0.00
64	0.721	0.00	0.00

[1] 100% at age 68.

Earnings Progression	
Attained Age	Percentage Increase at Attained Age
20	7.0%
25	6.5
30	6.0
35	5.5
40	5.0
45	4.5
50	4.0
55	4.0

Active Members

Valuation Date	Number	Annual Payroll (Jan. 1 Rate)	Average Annual Pay	% Increase in Average Pay
January 1, 2003	2,315	101,172,221	43,703	8.0%
January 1, 2004	2,239	100,944,238	45,085	3.2%
January 1, 2005	2,217	103,105,736	46,507	3.2%
January 1, 2006	2,225	107,290,189	48,220	3.7%
January 1, 2007	2,338	116,709,102	49,917	3.5%
January 1, 2008	2,284	117,222,681	51,323	2.8%
January 1, 2009	2,312	124,803,488	53,981	5.2%
January 1, 2010	2,278	126,030,706	55,325	2.5%
January 1, 2011	2,239	123,498,129	55,158	(0.3%)
January 1, 2012	2,209	120,415,534	54,511	(1.2%)

Members With Deferred Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/02 to 12/31/02	149	9	(31)	127
1/1/03 to 12/31/03	127	82	(4)	205
1/1/04 to 12/31/04	205	22	(10)	217
1/1/05 to 12/31/05	217	37	(22)	232
1/1/06 to 12/31/06	232	20	(12)	240
1/1/07 to 12/31/07	240	42	(22)	260
1/1/08 to 12/31/08	260	37	(40)	257
1/1/09 to 12/31/09	257	25	(25)	257
1/1/10 to 12/31/10	257	24	(24)	257
1/1/11 to 12/31/11	257	22	(19)	260

Members Receiving Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/02 to 12/31/02	704	113	(23)	794
1/1/03 to 12/31/03	794	90	(36)	848
1/1/04 to 12/31/04	848	90	(27)	911
1/1/05 to 12/31/05	911	93	(22)	982
1/1/06 to 12/31/06	982	109	(22)	1,069
1/1/07 to 12/31/07	1,069	102	(28)	1,143
1/1/08 to 12/31/08	1,143	82	(31)	1,194
1/1/09 to 12/31/09	1,194	93	(17)	1,270
1/1/10 to 12/31/10	1,270	82	(27)	1,325
1/1/11 to 12/31/11	1,325	107	(39)	1,393

Summary of Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ending	Number	Annual Allowance[1]	Number	Annual Allowance	Number	Annual Allowance	% Increase in Average Annual Allowance	Average Annual Allowance
12/31/2006	109	$3,576,394	22	$400,214	1,069	$21,649,834	7.65%	$20,252
12/31/2007	102	$2,170,425	28	$306,253	1,143	$23,514,006	1.58%	$20,572
12/31/2008	82	$2,955,585	31	$523,131	1,194	$25,946,460	5.63%	$21,731
12/31/2009	93	$1,846,297	17	$157,628	1,270	$27,635,129	0.13%	$21,760
12/31/2010	82	$2,841,455	27	$403,314	1,325	$30,073,270	4.31%	$22,697
12/31/2011	107	$3,147,404	39	$744,281	1,393	$32,476,393	2.72%	$23,314

[1] Includes COLA's

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Unfunded AAL (UAAL)	(3) Actuarial Accrued Liability (AAL)	(4) Funded Ratio (1) ÷ (3)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2) ÷ (5)
1/1/02	321,443,897	36,352,728	357,796,625	89.8%	100,417,059	36.2%
1/1/03	335,539,414	36,932,955	372,472,369	90.1%	101,172,221	36.5%
1/1/04[1]	367,756,502	(215,150)	367,541,352	100.1%	100,944,238	(0.2)%
1/1/05	395,501,876	9,669,948	405,171,824	97.6%	103,105,736	9.4%
1/1/06	422,234,496	16,997,830	439,232,326	96.1%	107,290,189	15.8%
1/1/07	456,656,849	25,314,781	481,971,630	94.7%	116,709,102	21.7%
1/1/08[2]	492,788,674	23,821,217	516,609,891	95.4%	117,222,681	20.3%
1/1/08[3]	492,788,674	33,552,808	526,341,482	93.6%	117,222,681	28.6%
1/1/09	488,275,803	79,919,177	568,194,980	85.9%	124,803,488	64.0%
1/1/10	519,556,093	79,285,038	598,841,131	86.8%	126,030,706	62.9%
1/1/11[4]	550,786,200	76,483,387	627,269,587	87.8%	123,498,129	61.9%
1/1/11[5]	522,165,145	105,104,442	627,269,587	83.2%	123,498,129	85.1%
1/1/12	516,070,401	137,582,657	653,653,058	79.0%[a]	120,415,534	114.3%

[1]Revised funding method
[2]Prior to assumption changes
[3]After assumption changes
[4]Prior to asset method change
[5]After asset method change

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

[a]The funded ratio as of 1/1/2012 would decrease to 72.3% if all investment losses were fully recognized.

Tier One Members

Compensation	For purposes of the pension plan, compensation is the regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses and commissions.
Final Earnings	The average of the highest 3 consecutive years of the last 5 years of compensation.
Eligibility Requirements	Full-time general employees of the County will be eligible to participate in the pension plan upon hire.
Employee Contributions	4% of compensation.
Retirement Date	
Normal Retirement	The first of the month coincident with or next following the participant's 60^{th} birthday or, if earlier, when the participant has 30 years of service.
Early Retirement	Reduced benefits are available the first of any month coincident with or next following the completion of 20 years of continuous service, provided the participant is at least age 50.
Postponed Retirement	A participant may work beyond his normal retirement date and may subsequently retire on the first of any month.
Retirement Benefits	
Normal Retirement	2.0% of final earnings for each year of service (maximum 60% plus 2% times unused disability credit and pre-employment military service credit).
Early Retirement	Same as normal retirement, but reduced actuarially for early commencement.

Years Early	Reduction Factor
1	2%
2	5%
3	9%
4	14%
5	20%
6	28%
7	36%
8	44%
9	52%
10	60%

Postponed Retirement	Same as normal retirement, but based on continued accrual past normal retirement date.
Disability	
Eligibility	Totally and permanently disabled (except as the result of actions specified in the County code). To receive duty-related disability benefits, there is no service requirement. Five years of service are required to receive non-duty benefits.
Duty-Related	The greater of the accrued benefit or 66-2/3% of final earnings, payable immediately, unreduced.
Non-Duty	The greater of the accrued benefit or 25% of final earnings, payable immediately, unreduced.

Normal form of Payment	Monthly life annuity with modified cash refund.
Termination of Employment	
Less than 5 years of service	Return of employee contributions with 4.25% interest.
5 years of service	At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.
Death Benefits	
Married and eligible for early retirement	The greatest of: • $10 per month • 50% of the final earnings • The accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor form.
Unmarried or not eligible for early retirement	Return of employee contributions with 4.25% interest plus a lump sum of 50% of final earnings.
Cost of Living Increase (simple, for benefits accrued as of 1/31/97)	Retiree benefits are adjusted each year. The revised benefit amount is the lesser of: • Prior year benefit plus base benefit multiplied by increase current March CPI from March CPI for prior year. • Benefit increased by 3% of initial benefit.
Cost of Living Increase (compound, for benefits accrued after 1/31/97)	Retiree benefits are adjusted each year. The revised benefit amount is the lesser of: • Prior year benefit multiplied by 60% of the increase in current March CPI from March CPI for prior year. • Benefit increased by 2.5%. Benefit payments can be reduced or increased. However, the amount can never be less than the initial benefit amount.

Tier Two Members

Compensation	For purposes of the pension plan, compensation is the regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses and commissions.
Final Earnings	The average of the highest 3 consecutive years of the last 5 years of compensation.
Eligibility Requirements	Full-time general employees of the County will be eligible to participate in the pension plan upon hire. Members can elect to join Tier One.
Employee Contributions	No employee contributions required or allowed.
Retirement Date	
Normal Retirement	The first of the month coincident with or next following the participant's 60^{th} birthday or, if earlier, when the participant has 30 years of service.
Early Retirement	Reduced benefits are available the first of any month coincident with or next following the completion of 20 years of continuous service, provided the participant is at least age 50.
Postponed Retirement	A participant may work beyond his normal retirement date and may subsequently retire on the first of any month.

Retirement Benefits	
Normal Retirement	1.0% of final earnings for each year of service.
Early Retirement	Same as normal retirement, but reduced actuarially for early commencement (same reduction factors as Tier 1).
Postponed Retirement	Same as normal retirement, but based on continued accrual past normal retirement date.
Normal form of Payment	Monthly life annuity.
Disability	
Eligibility	Totally and permanently disabled (except as the result of actions specified in the County code). To receive duty-related disability benefits, there is no service requirement. Five years of service are required to receive non-duty benefits.
Duty-Related	The greater of the accrued benefit or 66-2/3% of final earnings, payable immediately, unreduced.
Non-duty	The greater of the accrued benefit or 25% of final earnings, payable immediately, unreduced.
Termination of Employment	
Less than 5 years of service	No benefit is payable.
5 years of service	The accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.
Death benefits	
Married and eligible for early retirement	The greatest of: • \$10 per month • 50% of the final earnings • The accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor form.
Unmarried or not eligible for early retirement	A lump sum of 50% of final earnings.
Cost of Living Increase (compound)	Retiree benefits are adjusted each year. The revised benefit amount is the lesser of: • Prior year benefit multiplied by 60% of the increase in current March CPI from March CPI for prior year. • Benefit increased by 2.5%. Benefit payments can be reduced or increased. However, the amount can never be less than the initial benefit amount.

Solvency Test

2001 to 2012

Actuarial Valuation Date	Active Member Contribution (1)	Retirees and Beneficiaries Inactive and Pay-Status Members (2)	Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
1/1/2001	41,406,031	111,719,124	186,186,863	302,805,427	100%	100%	80.4%
1/1/2002	44,309,682	121,204,179	192,282,764	321,443,897	100%	100%	81.1%
1/1/2003	45,678,833	150,497,365	176,296,171	335,539,414	100%	100%	79.1%
1/1/2004	47,751,449	163,182,780	156,607,123	367,756,502	100%	100%	100.1%
1/1/2005	49,689,830	197,181,410	158,300,584	395,501,876	100%	100%	93.9%
1/1/2006	50,870,066	224,477,149	163,885,111	422,234,496	100%	100%	89.6%
1/1/2007	52,535,798	257,120,315	172,315,517	456,656,849	100%	100%	85.3%
1/1/2008	52,839,596	289,584,191	183,917,695	492,788,674	100%	100%	81.8%
1/1/2009	54,817,303	315,594,769	197,782,908	488,275,803	100%	100%	59.6%
1/1/2010	58,025,700	333,890,452	206,924,979	519,556,093	100%	100%	61.7%
1/1/2011	60,121,679	360,630,667	206,517,241	522,165,145	100%	100%	49.1%
1/1/2012	62,225,800	383,559,354	207,867,904	516,070,401	100%	100%	33.8%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability
The unfunded accrued liability increased from $105,104,442 to $137,582,657. The increase is due to investment results and demographic changes. The funded status decreased from 83.2% to 79.0%.

Reasons for Change in Contribution Rates
The employer contribution rate increased from 15.3% for the fiscal year ending June 30, 2012 to 17.2% for the fiscal year ending June 30, 2013. The increase of 1.9% is due to the following reasons:

Pay Increases	-0.2%
Investment Loss/(Gain)	1.9%
New Entrants/Change in Normal Cost	-0.1%
COLAs	0.0%
Expenses	0.0%
Demographics and Other Changes	0.3%
Total	**1.9%**

County Council Bill No. 36-89	Effective 7/1/89
	Pension benefits and vesting provisions were improved. The accrual percentage per year of service was increased from 1.8% to 2.0%, permitting accrual of the maximum 60% benefit in 30 years instead of 33-1/3.
	Full vesting was granted after 5 years of service. The old provisions used a graded scale granting 75% vesting after 10 years, climbing to 100% vesting after 15 years.
County Council Bill No. 34-92	Effective 6/1/92 through 8/31/92
	Participants age 50 or older with at least 20 years of service could elect to retire with an additional pension equal to 1/12 of 2% for each year of credited service. The additional amount could be taken as a pension increase, a lump sum, or as a temporary supplement to age 62. Appropriate actuarial adjustments apply.
State House Bill No. 687	Effective 7/1/90
	County employees were given the opportunity to apply for credit under the County's plan for previous service with the State of Maryland (or a political subdivision of the State).
County Council Bill No. 90-93	Effective 12/22/93
	Plan participants are required to pay the full actuarial value of service purchases. Purchases can only be made at retirement. To be eligible, an employee must have 60 months of County service. Existing plan participants must be notified of their right to purchase service under existing law.
County Council Bill No. 82-94	Effective 10/31/94
	Transfers assets from general employees plan to A&E plan for participants who have transferred between these two plans.
County Council Bill No. 88-96	Effective 12/4/96
	The previous method of calculating cost of living increase will only apply to benefits accrued as of 1/31/97. The cost of living increase for future benefits is a compound increase equal to 60% of the annual change in the CPI, not to exceed 2.5%. Employees hired, or rehired, on or after 12/4/96 will be Tier Two employees and will have different benefits than current employees.
County Council Bill No. 41-99	Effective 6/15/99
	Employees paid under the deputy sheriff employees pay schedule become Tier Two members of the Detention Center Plan effective as of January 1, 1999. Service credited under the Employees' Plan will count as credited service in the Detention Center Plan and no future benefit will be paid from the Employees' Plan. Assets are transferred from the Employees' Plan to the Detention Center Plan in an amount equal to the projected unit credit accrued liability in the Employees' Plan.
Recodification	Effective 2/25/2002
	Allows a benefit based on disability leave service and pre-plan military service to be paid over the 60% cap. Normal retirement was changed to the earlier of 30 years of service or age 60.
County Council Bill No. 74-09	Effective 12/11/2009.
	For non-represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 3% for determining the final average basic pay.
County Council Bill No. 6-10	Effective 4/18/2010.
	Provides for a disability benefit for those participants who are totally and permanently disabled as a result of qualified military service.

A. Method Used for Funding Purposes

This valuation was performed using the projected unit credit cost method. The contribution equals the sum of the normal cost and the amount necessary to amortize any actuarial gains/(losses) over a closed 30-year period. Amortization payments increase 3.5% per year.

B. Asset Valuation Method

The actuarial value of assets is determined by spreading the asset gain or loss over a 5-year period. The asset gain or loss is the amount by which the actual market value investment return differs from the expected market value asset return. The method was effective with the 1/1/2011 actuarial valuation. The Actuarial Value of Assets recognizes adjustments resulting from the final prior year's audit.

There is a six-month lag between the valuation and the fiscal year. The 2012 valuation determines the County contributions due for the fiscal year ending June 30, 2013. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2012 to June 30, 2012) have not been treated as assets in the current valuation.

C. Valuation Procedures

Generally, the plan provides a 100% survivor benefit to the spouse at the time of the retiree's death. This allows for post retirement marriages. We have valued the forms of payment originally coded in the data or based this on marital status at time of retirement (generally a 100% survivor benefit but not always). Starting with the 2008 valuation, all new retirements are valued with a 100% Joint and Survivor form of payment.

D. Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the Plan for purposes of determining contributions and liabilities under GASB. These assumptions are used for all members eligible to receive benefits under the Police Service Retirement Plan provisions.

Economic	
Investment Return	8.0% compounded annually net of investment expenses (3.5% inflation and 4.5% real return)
Salary Increases	A graded schedule is used. See Earnings Progression Table.
Cost of Living Adjustment	Benefits accrued before Bill 88-96 are assumed to increase by 3.5% of the current benefit each year from retirement. Benefits accrued after Bill 88-96 are assumed to increase by 2.1% of the current benefit each year from retirement.
Other	
Mortality	Healthy: RP-2000 Blue Collar Mortality table for males and females projected to 2012 using scale AA. Pre-Termination mortality uses 70% of these rates. Disabled: RP-2000 Blue Collar Mortality table for males and females set forward five years and then projected to 2012 using scale AA. 100% of pre-retirement deaths are assumed to be non-duty-related. There is no allowance for future mortality improvement. See Table of Sample Rates.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 75% of disablement is assumed to be duty-related.
Administrative Expenses	$399,000 for FY2013 and $398,000 for FY2012 (average of actual expenses for the two years preceding the valuation date).

Prudential Benefits — Our calculations reflect that some benefits have already been purchased.

Retirement Rates — Sample Rates:

	Service				
Age	20	22	24	27	30
40	26.40%	10.00%	18.33%	10.00%	10.00%
45	18.34%	10.00%	18.33%	10.00%	10.00%
50	36.66%	50.00%	58.33%	50.00%	100.00%
55	100.00%	100.00%	100.00%	100.00%	100.00%

DROP load — To reflect the cost of the more valuable benefits provided from the deferred retirement option program the following loads were applied:

Sample Load Rates

	Service			
Age	23	27	30	35
44	0.4%	1.4%	2.3%	12.0%
50	2.0%	3.7%	4.5%	14.6%
55	2.7%	4.6%	5.4%	15.6%
60	3.2%	5.3%	6.1%	16.4%

Percentage Married — Males – 85%; Females – 85%

Age Difference — Males are assumed to be four years older than their spouses.

Military Service — Active liabilities (which depend on credit service) are loaded by 3.25% to account for future crediting of military service.

Disability Leave — Active liabilities (which depend on credit service) are loaded by 1.75% to account for future crediting of disability service.

	Table of Sample Mortality Rates			
	Healthy Mortality		Disabled Mortality	
Attained Age	Males	Females	Males	Females
20	0.03%	0.02%	0.03%	0.02%
25	0.03	0.02	0.07	0.03
30	0.07	0.03	0.10	0.05
35	0.10	0.05	0.13	0.08
40	0.12	0.07	0.16	0.12
45	0.15	0.11	0.21	0.16
50	0.19	0.16	0.34	0.23
55	0.33	0.25	0.66	0.45
60	0.68	0.47	1.28	0.98
65	1.31	0.98	2.26	1.75

	Table of Sample Decrement Rates	
	Percentage	
Attained Age	Disability	Withdrawal
20	0.245%	5.31%
25	0.245	4.25
30	0.245	3.19
35	0.362	2.13
40	0.747	1.28
45	1.250	0.64
50	1.839	0.00
55	0.000	0.00
60	0.000	0.00
64	0.000	0.00

Earnings Progression	
Attained Age	Percentage Increase at Attained Age
20	6.5%
25	6.5
30	6.0
35	5.5
40	5.0
45	4.5
50	4.5

Active Members

Valuation Date	Number	Annual Payroll (Jan. 1 Rate)	Average Annual Pay	% Increase in Average Pay
January 1, 2003[1]	652	33,459,024	51,318	5.10%
January 1, 2004[2]	610	31,915,536	52,321	2.00%
January 1, 2005[3]	631	33,530,370	53,138	1.60%
January 1, 2006[4]	642	36,694,307	57,156	7.56%
January 1, 2007[5]	640	37,805,038	59,070	3.35%
January 1, 2008[6]	658	41,011,336	62,327	5.51%
January 1, 2009[7]	627	41,508,547	66,202	6.22%
January 1, 2010[8]	632	42,499,380	67,246	1.58%
January 1, 2011[9]	620	42,449,204	68,466	1.81%
January 1, 2012[10]	636	41,334,580	64,991	(5.08%)

[1] Includes 25 participants in DROP.
[2] Includes 55 participants in DROP.
[3] Includes 60 participants in DROP.
[4] Includes 58 participants in DROP.
[5] Includes 51 participants in DROP.
[6] Includes 47 participants in DROP.
[7] Includes 34 participants in DROP.
[8] Includes 45 participants in DROP.
[9] Includes 57 participants in DROP.
[10] Includes 60 participants in DROP.

Members Receiving Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/01 to 12/31/01	355	26	(9)	372
1/1/02 to 12/31/02	372	24	(4)	392
1/1/03 to 12/31/03	392	24	(5)	411
1/1/04 to 12/31/04	411	18	(2)	427
1/1/05 to 12/31/05	427	29	(4)	452
1/1/06 to 12/31/06	452	38	(12)	478
1/1/07 to 12/31/07	478	40	(7)	511
1/1/08 to 12/31/08	511	50	(8)	553
1/1/09 to 12/31/09	553	30	(12)	571
1/1/10 to 12/31/10	571	26	(14)	583
1/1/11 to 12/31/11	583	31	(14)	600

Summary of Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ending	Number	Annual Allowance[1]	Number	Annual Allowance	Number	Annual Allowance	% Increase in Average Annual Allowance	Average Annual Allowance
12/31/2006	38	$1,864,403	12	$360,477	478	$17,008,081	3.73%	$35,582
12/31/2007	40	$1,914,977	7	$211,751	511	$18,711,306	2.91%	$36,617
12/31/2008	50	$2,367,778	8	$359,448	553	$20,719,636	2.32%	$37,468
12/31/2009	30	$1,788,475	12	$391,958	571	$22,116,153	3.37%	$38,732
12/31/2010	26	$1,037,257	14	$550,831	583	$22,602,579	0.10%	$38,769
12/31/2011	31	$1,825,986	14	$551,286	600	$23,877,279	2.65%	$39,795

[1] Includes COLA's

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Unfunded AAL (UAAL)	(3) Actuarial Accrued Liability (AAL)	(4) Funded Ratio (1) ÷ (3)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2) ÷ (5)
1/1/02	268,703,856	36,293,986	304,997,842	88.1%	31,105,473	116.7%
1/1/03	281,967,318	36,668,475	318,635,793	88.5%	33,459,024	109.6%
1/1/04[1]	311,371,499	14,184,341	325,555,840	95.6%	31,915,536	44.4%
1/1/05	337,113,153	9,041,000	346,154,153	97.4%	33,530,370	27.0%
1/1/06	360,268,341	16,292,562	376,560,903	95.7%	36,694,307	44.4%
1/1/07	389,877,885	11,820,220	401,698,105	97.1%	37,805,038	31.3%
1/1/08[2]	417,278,055	15,975,209	433,253,264	96.3%	41,011,366	39.0%
1/1/08[3]	417,278,055	16,389,047	433,667,102	96.2%	41,011,366	40.0%
1/1/09	408,261,502	55,419,694	463,681,196	88.0%	41,508,547	133.5%
1/1/10	432,176,036	55,282,697	487,458,733	88.6%	42,499,380	130.1%
1/1/11[4]	459,323,278	42,678,391	502,001,669	91.5%	42,449,204	100.5%
1/1/11[5]	435,891,125	66,110,544	502,001,669	86.8%	42,449,204	155.7%
1/1/12	430,342,941	95,812,037	526,154,978	81.8%[a]	41,334,580	231.8%

[1]Revised funding method
[2]Prior to assumption and plan changes
[3]After assumption and plan changes
[4]Prior to asset method change
[5]After asset method change

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

[a] The funded ratio as of 1/1/2012 would decrease to 74.4% if all investment losses were fully recognized.

Compensation	For purposes of the pension plan, compensation is the regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses and commissions.
Final Earnings	The average of the highest 3 consecutive years of the last 5 years of compensation.
Eligibility Requirements	Full-time employees occupying the classes of work listed below and making contributions to the plan will be eligible to participate in the pension plan upon hire: • Police Officer • Police Sergeant • Police Lieutenant • Police Captain • Police Major • Deputy Police Chief • Chief of Police, by election
Employee Contributions	7.25% of compensation for Police Officers, Police Officer First Class, Police Corporals, and Police Sergeants. 5% of compensation for all others.
Retirement Date	
Normal Retirement	The first of the month coincident with or next following the participant's 50th birthday with 5 years of service or the completion of 20 years of service. For those hired prior to February 25, 2002, the five years of service is not required.
Postponed Retirement	A participant may work beyond his normal retirement date and may subsequently retire on the first of any month.
Retirement Benefits	
Normal Retirement	2.5% of final earnings for each year of service up to 20 years plus 2.0% of final earnings per year of service in excess of 20 years (maximum 70% plus 2% times unused disability credit and pre-employment military service credit).
Postponed Retirement	Same as normal retirement, but based on continued accrual past normal retirement date.
Normal Form of Payment	For single participants, monthly life annuity with payments guaranteed for 5 years. For married participants, unreduced 100% joint and survivor annuity with payments guaranteed for 5 years.
Disability	
Eligibility	Totally and permanently disabled (except as the result of activities specified in the County code) regardless of length of service.
Duty-Related	The greater of the accrued benefit or 66-2/3% of final earnings, payable immediately, unreduced.
Non-Duty	The greater of the accrued benefit or 20% of final earnings, payable immediately, unreduced.
Termination of Employment	
Less than 20 years of service	Return of employee contributions with 3.00% interest.

Death Benefits

Married	Duty-Related: Greater of accrued benefit or 66-2/3% of final earnings. Non-duty Related: Accrued Benefit.
Unmarried	Return of employee contributions with 3.00% interest plus, if one or more years of service, a lump sum of 50% of final earnings.
Cost of Living Increase (for benefits accrued as of 1/31/97)	Retiree benefits are adjusted each year. The revised benefit amount is the lesser of: • Base benefit multiplied by ratio of current 12 month average CPI to 12 month average CPI at retirement. • Prior year benefit increased by 4%. Benefit payments can be reduced or increased. However, the amount can never be less than the initial amount.
Cost of Living Increase (for benefits accrued after 1/31/97)	Retiree benefits are adjusted each year. The revised benefit amount is the lesser of: • Prior year benefit multiplied by 60% of the increase in current March CPI from March CPI for prior year. • Prior year benefit increased by 2.5%. Benefit payments can be reduced or increased. However, the amount can never be less than the initial amount.
Deferred Retirement Option Program (DROP)	Allows accumulation of pension after 20 years of County service. DROP period must be between 3 and 5 years.

Solvency Test

2001 to 2012

Actuarial Valuation Date	Active Member Contribution (1)[1]	Retirees and Beneficiaries Inactive and Pay-Status Members (2)	Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
1/1/2001	16,460,010	140,990,477	130,567,495	252,149,932	100%	100%	72.5%
1/1/2002	17,063,875	157,661,880	130,272,087	268,703,856	100%	100%	72.1%
1/1/2003	17,905,001	169,590,397	131,140,395	281,967,318	100%	100%	72.0%
1/1/2004	18,600,457	183,863,447	123,091,936	311,371,499	100%	100%	88.5%
1/1/2005	19,504,325	193,958,675	132,691,153	337,113,153	100%	100%	93.2%
1/1/2006	17,307,619	211,322,531	147,930,753	360,268,341	100%	100%	89.0%
1/1/2007	18,309,729	231,512,770	151,875,606	389,877,885	100%	100%	92.2%
1/1/2008	19,041,581	256,380,618	158,244,903	417,278,055	100%	100%	89.6%
1/1/2009	19,699,084	286,232,025	157,750,087	408,261,502	100%	100%	64.9%
1/1/2010	19,761,988	303,531,019	164,282,171	432,176,036	100%	100%	66.3%
1/1/2011	20,787,782	310,212,178	171,001,709	435,891,125	100%	100%	61.3%
1/1/2012	21,860,897	325,991,800	178,302,281	430,342,941	100%	100%	46.3%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability

The unfunded accrued liability increased from $66,110,544 to $95,812.037. The increase is partly due to investment results, new entrants and demographic changes. The funded status decreased from 86.8% to 81.8%.

Reasons for Change in Contribution Rates

The employer contribution rate increased from 34.2% for the fiscal year ending June 30, 2012 to 40.1% for the fiscal year ending June 30, 2013. The increase of 5.9% is due to the following reasons:

Pay Increases	-0.2%
Investment Loss/(Gain)	4.8%
New Entrants/Change in Normal Cost	0.8%
COLAs	-0.7%
Demographics and Other Changes	1.2%
Demographics and Other Changes	-0.5%
Total	**5.9%**

[1] Does not include contribution balances for any participants currently in DROP

County Council Bill No. 48-89	Effective 9/13/89
	The previously combined Police and Fire plan was separated into distinct plans for each group.
	The reduction for retirement prior to age 50 was changed to 0.2% per month from 0.3% per month.
County Council Bill No. 34-92	Effective 6/1/92 through 8/31/92
	Participants age 50 or with at least 20 years of service could elect to retire with an additional pension equal to 1/12 of 2.5% of final earnings for the first 20 years of service, plus 1/12 of 2% of final earnings for each additional year of service. The additional amount could be taken as a pension increase, a lump sum, or as a temporary supplement to age 62. Appropriate actuarial adjustments apply.
County Council Bill No. 66-92	Effective 7/2/92
	The plan was amended to allow normal, unreduced retirement after 20 years of service.
	Employee contributions were increased to 6% from 5%.
	Participants under age 50 were not allowed to retire and receive retirement incentives (under Bill No, 34-92) in addition to unreduced retirement. They could either retire early with the incentives, or normally without the incentives.
State House Bill No. 687	Effective 7/1/90
	County employees were given the opportunity to apply for credit under the County's plan for previous service with the State of Maryland (or a political subdivision of the State).
County Council Bill No. 88-96	Effective 12/4/96
	The previous method of calculating cost of living increase will only apply to benefits accrued as of 1/31/97. The cost of living increase for future benefits is a compound increase equal to 60% of the annual change in the CPI, not to exceed 2.5%. Employees hired, or rehired, on or after 12/4/96 will be Tier Two employees and will have different benefits than current employees.
Recodification	Effective 2/25/2002
	Allows a benefit based on disability leave service and pre-plan military service to be paid over the 70% cap. Normal Retirement was changed to the earlier of 20 years of service or age 50 with 5 years of service. Elimination of Tier 2 benefits. Implemented a Deferred Retirement Option Program (DROP), a voluntary program that provides an alternative way to earn and receive retirement benefits.
County Council Bill No. 66-05	Effective 10/10/2005
	Reduced the contribution percentage for Category II participants from 6% to 5%.
County Council Bill No. 58-07	Effective 10/11/2007
	Reduced the contribution percentage for Category I participants from 6% to 5%.
County Council Bill 74-09	Effective 12/11/2009.
	For non-represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 3% for determining the average basic pay. Clarified the limits on those entering DROP. The effective annual interest rate for the DROP account changed from 8% to 4.25% for those entering DROP on or after July 1, 2009.
County Council Bill No. 6-10	Effective 4/18/2010
	Provides for a disability benefit for those participants who are totally and permanently disabled as a result of qualified military service.
County Council Bill 41-10	Effective 7/1/2010.
	Increased the contribution rate for Police Officers, Police Officer First Class, Police Corporals, and Police Sergeants to 7.25%.

A. Method Used for Funding Purposes

This valuation was performed using the projected unit credit cost method. The contribution equals the sum of the normal cost and the amount necessary to amortize any actuarial gains/(losses) over a closed 30-year period. Amortization payments increase 3.5% per year.

B. Asset Valuation Method

The actuarial value of assets is determined by spreading the asset gain or loss over a 5-year period. The asset gain or loss is the amount by which the actual market value investment return differs from the expected market value asset return. The method was effective with the 1/1/2011 actuarial valuation. The Actuarial Value of Assets recognizes adjustments resulting from an audit.

There is a six month lag between the valuation and the fiscal year. The 2012 valuation determines the County contribution due for the fiscal year ending June 30, 2013. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2012 to June 30, 2012) have not been treated as assets in the current valuation.

C. Valuation Procedures

Generally, the plan provides a 100% survivor benefit to the spouse at the time of the retiree's death. This allows for post retirement marriages. We have valued the forms of payment originally coded in the data or based this on marital status at time of retirement (generally a 100% survivor benefit but not always). Starting with the 2008 valuation, all new retirements are valued with a 100% Joint and Survivor form of payment.

D. Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the Plan for purposes of determining contributions and liabilities under GASB. These assumptions are used for all members eligible to receive benefits under the Fire Plan provisions.

Economic

Investment Return	8.0% compounded annually net of investment expenses (3.5% inflation and 4.5% real return)
Salary Increases	A graded schedule is used. See Earnings Progression Table.
Cost of Living Adjustment	Benefits accrued before Bill 88-96 are assumed to increase by 3.5% of the current benefit each year from retirement. Benefits accrued after Bill 88-96 are assumed to increase by 2.1% of current benefit each year from retirement.

Other

Mortality	Healthy: RP-2000 Blue Collar Mortality table for males and females projected to 2012 using scale AA. Pre-Termination mortality uses 70% of these rates. Disabled: RP-2000 Blue Collar Mortality table for males and females set forward five years and then projected to 2012 using scale AA. 100% of pre-retirement deaths are assumed to be non-duty-related. There is no allowance for future mortality improvement. See Table of Sample Rates.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 75% of disablement is assumed to be duty-related.
Administrative Expenses	$387,000 for FY2013 and $377,000 for FY2012 (average of actual expenses for the two years preceding the valuation date).
Prudential Benefits	Our calculations reflect that some benefits have already been purchased.

Retirement Rates

Sample Rates:

	Service						
Age	20	22	24	27	30	32	34
40	7.50%	10.00%	18.33%	10.00%	50.00%	50.00%	100.00%
45	7.50%	10.00%	18.33%	10.00%	50.00%	50.00%	100.00%
50	18.00%	20.00%	58.33%	50.00%	50.00%	50.00%	100.00%
55	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	100.00%
59	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

DROP load

To reflect the cost of the more valuable benefits provided from the deferred retirement option program the following loads were applied:

Sample Load Rates

	Service			
Age	23	27	30	35
44	0.4%	1.4%	2.3%	12.0%
50	2.0%	3.7%	4.5%	14.6%
55	2.7%	4.6%	5.4%	15.6%
60	3.2%	5.3%	6.1%	16.4%

Percentage Married

Males – 85%; Females – 85%

Age Difference

Males are assumed to be four years older than their spouses.

Military Service

Active liabilities (which depend on credit service) are loaded by 3.25% to account for future crediting of military service.

Disability Leave

Service credit for benefit formula purposes is increased by 1.75% to account for disability leave, which is converted, to service credit at retirement.

	Table of Sample Mortality Rates			
	Healthy Mortality		Disabled Mortality	
Attained Age	Males	Females	Males	Females
20	0.03%	0.02%	0.03%	0.02%
25	0.03	0.02	0.06	0.02
30	0.07	0.03	0.10	0.05
35	0.10	0.05	0.13	0.08
40	0.12	0.07	0.16	0.12
45	0.15	0.11	0.21	0.16
50	0.19	0.16	0.34	0.23
55	0.33	0.25	0.66	0.45
60	0.68	0.47	1.28	0.98
65	1.31	0.98	2.26	1.75

	Table of Sample Decrement Rates	
	Percentage	
Attained Age	Disability	Withdrawal
20	0.245%	5.18%
25	0.245	4.01
30	0.245	2.62
35	0.362	1.72
40	0.747	1.14
45	1.250	0.63
50	1.839	0.00
55	0.000	0.00
60	0.000	0.00
65	0.000	0.00

Earnings Progression	
Attained Age	Percentage Increase at Attained Age
20	7.0%
25	6.5
30	6.0
35	5.5
40	5.0
45	4.5
50	4.5

Active Members

Valuation Date	Number	Annual Payroll (Jan. 1 Rate)	Average Annual Pay	% Increase in Average Pay
January 1, 2002	625[1]	30,548,866	48,878	8.4%
January 1, 2003	619[2]	32,000,686	51,697	5.8%
January 1, 2004	599[3]	31,463,220	52,526	1.6%
January 1, 2005	672[4]	34,871,614	51,892	(1.2%)
January 1, 2006	722[5]	38,592,322	53,452	3.0%
January 1, 2007	811[6]	43,527,351	53,671	0.4%
January 1, 2008	770[7]	43,941,526	57,067	6.3%
January 1, 2009	845[8]	48,824,352	57,780	1.2%
January 1, 2010	820[9]	49,064,454	59,835	3.6%
January 1, 2011	792[10]	47,840,812	60,405	1.0%
January 1, 2012	752[11]	45,673,006	60,735	0.5%

[1] Includes 35 members in DROP.
[2] Includes 64 members in DROP.
[3] Includes 103 members in DROP.
[4] Includes 109 members in DROP.
[5] Includes 106 members in DROP.
[6] Includes 93 members in DROP.
[7] Includes 61 members in DROP.
[8] Includes 36 members in DROP.
[9] Includes 63 members in DROP.
[10] Includes 103 members in DROP.
[11] Includes 121 members in DROP.

Members Receiving Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/99 to 12/31/99	194	13	(9)	198
1/1/00 to 12/31/00	198	9	(3)	204
1/1/01 to 12/31/01	204	17	(2)	219
1/1/02 to 12/31/02	219	19	(4)	234
1/1/03 to 12/31/03	234	21	(1)	254
1/1/04 to 12/31/04	254	24	(8)	270
1/1/05 to 12/31/05	270	26	(3)	293
1/1/06 to 12/31/06	293	48	(9)	332
1/1/07 to 12/31/07	332	42	(10)	364
1/1/08 to 12/31/08	364	45	(4)	405
1/1/09 to 12/31/09	405	13	(4)	414
1/1/10 to 12/31/10	414	18	(5)	427
1/1/11 to 12/31/11	427	15	(3)	439

Summary of Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ending	Number	Annual Allowance[1]	Number	Annual Allowance	Number	Annual Allowance	% Increase in Average Annual Allowance	Average Annual Allowance
12/31/2006	48	$1,893,236	9	$240,230	332	$11,419,267	3.19%	$34,395
12/31/2007	42	$1,968,498	10	$178,384	364	$13,209,380	5.51%	$36,290
12/31/2008	45	$2,033,100	4	$116,736	405	$15,125,744	2.92%	$37,348
12/31/2009	13	$859,830	4	$124,348	414	$15,861,226	2.58%	$38,312
12/31/2010	18	$760,013	5	$215,742	427	$16,405,497	0.28%	$38,420
12/31/2011	15	$926,323	3	$95,933	439	$17,235,887	2.19%	$39,262

[1] Includes COLA's

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Unfunded AAL (UAAL)	(3) Actuarial Accrued Liability (AAL)	(4) Funded Ratio (1) ÷ (3)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2) ÷ (5)
1/1/02	241,162,428	39,924,293	281,086,721	85.8%	30,548,866	130.7%
1/1/03	256,190,269	40,287,968	296,478,237	86.4%	32,000,686	125.9%
1/1/04	286,763,188	15,137,045	301,900,234	95.0%	31,463,220	48.1%
1/1/05	313,478,279	13,381,977	326,860,256	95.9%	34,871,614	38.4%
1/1/06	340,274,675	15,511,721	355,786,396	95.6%	38,592,322	40.2%
1/1/07	368,413,752	15,280,517	383,694,268	96.0%	43,527,351	35.1%
1/1/08[1]	395,884,441	18,467,029	414,351,470	95.5%	43,941,526	42.0%
1/1/08[2]	395,884,441	17,930,646	413,815,087	95.7%	43,941,526	40.8%
1/1/09	390,551,359	45,969,499	436,520,858	89.5%	48,824,352	94.2%
1/1/10	418,191,046	37,084,763	455,275,809	91.9%	49,064,454	75.6%
1/1/11[3]	449,253,388	15,236,219	464,489,607	96.7%	47,840,812	31.8%
1/1/11[4]	425,830,155	38,659,452	464,489,607	91.7%	47,840,812	80.8%
1/1/12	426,196,539	59,899,207	486,095,747	87.7% [a]	45,673,006	131.1%

[1] Prior to assumption changes
[2] After assumption changes
[3] Prior to asset method change
[4] After asset method change

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

[a] The funded ratio as of 1/1/2012 would decrease to 80.1% if all investment losses were fully recognized.

Compensation — For purposes of the pension plan, compensation is the regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses and commissions.

Final Earnings — The average of the highest 3 consecutive years of the last 5 years of compensation.

Eligibility Requirements — Full-time employees occupying the classes of work listed below and making contributions to the plan will be eligible to participate in the pension plan upon hire:

- Fire Fighter II
- Fire Fighter III
- Fire Fighter/Cardiac Rescue Technician
- Fire Fighter/Emergency Medical Technician Paramedic
- Fire Lieutenant
- Fire Captain
- Fire Battalion Chief
- Fire Division Chief
- Deputy Fire Chief
- Fire Chief, by election

Employee Contributions — 5% of compensation for Battalion Chief, Division Chief, Deputy Chief and Fire Chief. 7.25% for all others.

Retirement Date

Normal Retirement — The first of the month coincident with or next following the participant's 50th birthday and 5 years of service or the completion of 20 years of service.

Postponed Retirement — A participant may work beyond his normal retirement date and may subsequently retire on the first of any month.

Retirement Benefits

Normal Retirement — 2.5% of final earnings for each year of service up to 20 years plus 2.0% of final earnings per year of service in excess of 20 years (maximum 70% plus 2% times unused disability credit and pre-employment military service credit.)

Postponed Retirement — Same as normal retirement, but based on continued accrual past normal retirement date.

Normal Form of Payment — For single participants, monthly life annuity with payments guaranteed for 5 years.
For married participants, unreduced 100% joint and survivor annuity with payments guaranteed for 5 years.

Disability

Eligibility — Totally and permanently disabled (except as the result of activities specified in the Country code) regardless of length of service.

Duty-Related — The greater of the accrued benefit or 66-2/3% of final earnings, payable immediately, unreduced.

Non-Duty — The greater of the accrued benefit or 20% of final earnings, payable immediately, unreduced.

Termination of Employment	Return of employee contributions with 3.00% interest.
Death Benefits	
Married	Duty-Related: Greater of accrued benefit or 66-2/3% of final earnings. Non-duty Related: Accrued Benefit.
Unmarried	Return of employee contributions with 3.00% interest plus, if one or more years of service, a lump sum of 50% of final earnings..
Cost of Living Increase (for benefits accrued as of 1/31/97)	Retiree benefits are adjusted each year. The revised benefit amount is the lesser of: • Base benefit multiplied by ratio of current 12 month average CPI to 12 month average CPI at retirement. • Prior year benefit increased by 4%. Benefit payments can be reduced or increased. However, the amount can never be less than the initial benefit amount.
Cost of Living Increase (for benefits accrued after 1/31/97)	Retiree benefits are adjusted each year. The revised benefit amount is the lesser of: • Prior year benefit multiplied by 60% of the increase in current March CPI from March CPI for prior year. • Prior year benefit increased by 2.5%. Benefit payments can be reduced or increased. However, the amount can never be less than the initial benefit amount.
Deferred Retirement Option Program (DROP)	Allows accumulation of pension after 20 years of County service. DROP period must be between 3 and 5 years.

Solvency Test

2001 to 2012

Actuarial Valuation Date	Active Member Contribution (1)[1]	Retirees and Beneficiaries Inactive and Pay-Status Members (2)	Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
1/1/2001	18,423,733	80,220,043	165,988,380	225,133,219	100%	100%	76.2%
1/1/2002	17,271,015	89,282,049	174,533,657	241,162,428	100%	100%	77.1%
1/1/2003	17,874,473	100,771,355	177,832,409	256,190,269	100%	100%	77.3%
1/1/2004	18,501,046	114,331,831	169,067,357	286,763,188	100%	100%	91.0%
1/1/2005	19,654,724	126,074,578	181,130,954	313,478,279	100%	100%	92.6%
1/1/2006	20,610,737	139,896,281	195,279,378	340,274,675	100%	100%	92.1%
1/1/2007	16,552,044	163,245,791	203,896,433	368,413,752	100%	100%	92.5%
1/1/2008	18,136,682	199,472,219	196,206,186	395,884,441	100%	100%	90.9%
1/1/2009	20,084,128	222,938,946	193,497,784	390,551,359	100%	100%	76.2%
1/1/2010	19,643,430	231,194,224	204,438,155	418,191,046	100%	100%	81.9%
1/1/2011	18,426,718	231,165,590	214,897,299	425,830,155	100%	100%	82.0%
1/1/2012	18,980,755	241,688,369	225,426,623	426,196,539	100%	100%	73.4%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability

The unfunded accrued liability increased from $38,659,452 to $59,899,207. The increase is partly due to investment results, new entrants and demographic changes. The funded status decreased from 91.7% to 87.7%.

Reasons for Change in Contribution Rates

The employer contribution rate increased from 30.5% for the fiscal year ending June 30, 2012 to 34.8% for the fiscal year ending June 30, 2013. The increase of 4.3% is due to the following reasons:

Pay Increases	-0.8%
Investment Loss/(Gain)	4.1%
New Entrants/Change in Normal Cost	0.9%
COLAs	-0.5%
Expense Load	0.1%
Demographics and Other Changes	0.5%
Total	**4.3%**

[1] Does not include contribution balances for any participants currently in DROP

County Council Bill No. 48-89	Effective 9/13/89
	The previously combined Police and Fire plan was separated into distinct plans for each group.
	The reduction for retirement prior to age 50 was changed to 0.2% per month from 0.3% per month.
County Council Bill No. 34-92	Effective 6/1/92 through 8/31/92
	Participants age 50 or with at least 20 years of service could elect to retire with an additional pension equal to 1/12 of 2.5% of final earnings for the first 20 years of service, plus 1/12 of 2% of final earnings for each additional year of service. The additional amount could be taken as a pension increase, a lump sum, or as a temporary supplement to age 62. Appropriate actuarial adjustments apply.
State House Bill No. 687	Effective 7/1/90
	County employees were given the opportunity to apply for credit under the County's plan for previous service with the State of Maryland (or a political subdivision of the State).
County Council Bill No. 88-96	Effective 12/4/96
	The previous method of calculating cost of living increase will only apply to benefits accrued as of 1/31/97. The cost of living increase for future benefits is a compound increase equal to 60% of the annual change in the CPI, not to exceed 2.5%. Employees hired, or rehired, on or after 12/4/96 will be Tier Two employees and will have different benefits than current employees.
County Council Bill No. 80-00 Recodification	Effective 2/25/2002
	Allows a benefit based on disability leave service and pre-plan military service to be paid over the 70% cap. Normal Retirement was changed to the earlier of 20 years of service or age 50 with 5 years of service. Elimination of Tier 2 benefits. Implemented a Deferred Retirement Option Program (DROP), a voluntary program that provides an alternative way to earn and receive retirement benefits (retroactive to 1/1/2001).
County Council Bill 74-09	Effective 12/11/2009
	For non-represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 3% for determining the final average basic pay. For represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 5% for determining the final average basic pay.
County Council Bill 6-10	Effective 4/18/2010
	Provides for a disability benefit for those participants who are totally and permanently disabled as a result of qualified military service.
County Council Bill 41-10	Reduced the DROP interest rate from 8 % to 4.25%. Increased the contribution rate for all but Battalion Chief, Division Chief, Deputy Chief and Fire Chief to 7.25%.

A. Method Used for Funding Purposes

This valuation was performed using the projected unit credit cost method. The contribution equals the sum of the normal cost and the amount necessary to amortize any actuarial gains/(losses) over a closed 30-year period. Amortization payments increase 3.5% per year.

B. Asset Valuation Method

The actuarial value of assets is determined by spreading the asset gain or loss over a 5-year period. The asset gain or loss is the amount by which the actual market value investment return differs from the expected market value asset return. The method was effective with the 1/1/2011 actuarial valuation. The Actuarial Value of Assets recognizes adjustments resulting from an audit.

There is a six-month lag between the valuation and the fiscal year. The 2012 valuation determines the County contribution due for the fiscal year ending June 30, 2013. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2012 to June 30, 2012) have not been treated as assets in the current valuation.

C. Valuation Procedures

Active participants who terminate prior to age 40 are assumed to elect to receive a refund of employee contributions with interest. Employees who terminate at or after age 40 are assumed to receive their vested benefit at normal retirement date.

D. Actuarial Assumptions

The following assumptions were used in valuing the liabilities and benefits under the Plan for purposes of determining contributions and liabilities under GASB. These assumptions are used for all members eligible tom receive benefits under the Detention Officers and Deputy Sheriffs' Retirement Plan provisions.

Economic	
Investment Return	8.0% compounded annually net of investment expenses (3.5% inflation and 4.5% real return)
Salary Increases	A graded schedule is used. See Earnings Progression Table.
Cost of Living Adjustment	Benefits accrued before Bill 88-96 are assumed to increase by 3.5% of the original benefit each year from retirement. Benefits accrued after Bill 88-96 are assumed to increase by 2.1% of the current benefit each year from retirement.
Other	
Mortality	Healthy: RP-2000 Blue Collar Mortality Table for males and females projected to 2012 using scale AA. Pre-Termination mortality uses 70% of these rates. Disabled: RP-2000 Blue Collar Mortality Table for males and females set forward five years and then projected to 2012 using scale AA. 100% of pre-retirement deaths are assumed to be non-duty-related. There is no allowance for future mortality improvement. See Table of Sample Rates.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 75% of disablement is assumed to be duty-related.
Administrative Expenses	$80,000 for FY2013 and $77,000 for FY2012 (average of actual expenses for the two years preceding the valuation date).

Retirement Rates (Category I)

Age	Annual Rate – Service 20	22	24	27	30
40	25%	10%	10%	10%	10%
45	25%	10%	10%	10%	10%
50	50%	50%	50%	50%	100%
55	100%	100%	100%	100%	100%

Retirement Rates (Category II)

Age/Service	Annual Rate
At 20 years of service	5%
Between 20 years and age 50	2%
50	30%
51-59	20%
60	100%

Rate is 100% after age 50 if at least 30 years of service have been accrued.

Percentage Married — Males – 85%; Females – 85%

Age Difference — Males are assumed to be four years older than their spouses.

Military Service — Active liabilities (which depend on credit service) are loaded by 3.25% to account for future crediting of military service.

Disability Leave — Service credit for benefit formula purposes is increased by 1.75% to account for disability leave which is converted to service credit at retirement.

In addition, it is assumed that participants with 30 or more years of service will have credit for 1 year of combined Disability Leave and Military Service.

	Table of Sample Rates			
	Healthy Mortality		Disabled Mortality	
Attained Age	Males	Females	Males	Females
20	.03%	.02%	.03%	.02%
25	.03	.02	.06	.02
30	.07	.03	.10	.05
35	.10	.05	.13	.08
40	.12	.07	.16	.12
45	.15	.11	.21	.16
50	.19	.16	.34	.23
55	.33	.25	.66	.45
60	.68	.47	1.28	.98
65	1.31	.98	2.26	1.75

Attained Age	Table of Sample Decrement Rates		
	Percentage		
	Disability	Withdrawal	
		Males	Females
20	0.144%	12.38%	18.75%
25	0.144	8.98	14.06
30	0.144	6.81	11.25
35	0.213	4.95	8.44
40	0.440	3.41	6.19
45	0.735	1.86	3.94
50	1.082	0.00	0.00
55	0.000	0.00	0.00
60	0.000	0.00	0.00
64	0.000	0.00	0.00

Earnings Progression	
Attained Age	Percentage Increase at Attained Age
20	6.50%
25	6.50
30	6.00
35	5.75
40	5.25
45	4.75
50	4.75

Active Members

Valuation Date	Number	Annual Payroll (Jan. 1 Rate)	Average Annual Pay	% Increase in Average Pay
January 1, 1999	305	9,570,569	31,379	1.8%
January 1, 2000	363	11,893,991	32,766	4.4%
January 1, 2001	359	12,302,830	34,270	4.6%
January 1, 2002	368	13,565,333	36,862	7.6%
January 1, 2003	371	14,690,339	39,597	7.4%
January 1, 2004	365	15,396,301	42,182	6.5%
January 1, 2005	347	15,355,590	44,252	4.9%
January 1, 2006	365	16,794,068	46,011	4.0%
January 1, 2007	359	17,367,873	48,378	5.1%
January 1, 2008	357	18,122,458	50,763	4.9%
January 1, 2009	373	19,785,653	53,045	4.5%
January 1, 2010	374	20,203,895	54,021	1.8%
January 1, 2011	354	19,310,216	54,549	1.0%
January 1, 2012	347	18,760,664	54,065	(0.9%)

Members With Deferred Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/97 to 12/31/97	1	0	0	1
1/1/98 to 12/31/98	1	3	0	4
1/1/99 to 12/31/99	4	1	(1)	4
1/1/00 to 12/31/00	4	5	(1)	8
1/1/01 to 12/31/01	8	3	0	11
1/1/02 to 12/31/02	11	4	(9)	6
1/1/03 to 12/31/03	6	3	(1)	8
1/1/04 to 12/31/04	8	3	0	11
1/1/05 to 12/31/05	11	3	(1)	13
1/1/06 to 12/31/06	13	3	(1)	15
1/1/07 to 12/31/07	15	1	0	16
1/1/08 to 12/31/08	16	2	(2)	16
1/1/09 to 12/31/09	16	1	(2)	15
1/1/10 to 12/31/10	15	0	(3)	12
1/1/11 to 12/31/11	12	0	(3)	9

Members Receiving Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/96 to 12/31/96	19	5	(1)	23
1/1/97 to 12/31/97	23	6	1	28
1/1/98 to 12/31/98	28	2	(1)	29
1/1/99 to 12/31/99	29	4	1	33
1/1/00 to 12/31/00	33	12	(2)	43
1/1/01 to 12/31/01	43	6	0	49
1/1/02 to 12/31/02	49	6	(1)	54
1/1/03 to 12/31/03	54	10	0	64
1/1/04 to 12/31/04	64	17	0	81
1/1/05 to 12/31/05	81	13	(2)	92
1/1/06 to 12/31/06	92	14	0	106
1/1/07 to 12/31/07	106	13	0	119
1/1/08 to 12/31/08	119	16	(2)	133
1/1/09 to 12/31/09	133	14	(1)	146
1/1/10 to 12/31/10	146	19	(1)	164
1/1/11 to 12/31/11	164	16	(1)	179

Summary of Retirees and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year			
Year Ending	Number	Annual Allowance[1]	Number	Annual Allowance	Number	Annual Allowance	% Increase in Average Annual Allowance	Average Annual Allowance
12/31/2006	14	$364,032	0	$0	106	$2,362,870	5.08%	$22,291
12/31/2007	13	426,794	0	0	119	2,789,664	5.17%	23,443
12/31/2008	16	441,233	2	32,949	133	3,197,948	2.57%	24,045
12/31/2009	14	358,390	1	9,828	146	3,546,510	1.02%	24,291
12/31/2010	19	502,095	1	9,390	164	4,039,215	1.39%	24,629
12/31/2011	16	458,651	1	17,061	179	4,480,805	1.64%	25,032

[1] Includes COLA's

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Unfunded AAL (UAAL)	(3) Actuarial Accrued Liability (AAL)	(4) Funded Ratio (1) ÷ (3)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2) ÷ (5)
1/1/02	34,742,230	5,711,531	40,453,761	85.9%	13,565,333	42.1%
1/1/03[1]	38,889,689	8,245,799	47,135,488	82.5%	14,690,339	56.1%
1/1/04	45,710,154	7,174,384	52,884,538	86.4%	15,396,301	46.6%
1/1/05	52,200,204	8,072,549	60,272,753	86.6%	15,355,590	52.6%
1/1/06[2]	58,379,332	10,713,394	69,092,726	84.5%	16,794,068	63.8%
1/1/07	66,233,757	9,712,479	75,946,236	87.2%	17,367,873	55.9%
1/1/08[3]	74,355,736	13,061,602	87,417,338	85.1%	18,122,458	72.1%
1/1/08[4]	74,355,736	14,439,815	88,795,551	83.7%	18,122,458	79.7%
1/1/09	76,525,847	21,959,305	98,485,152	77.7%	19,785,653	111.0%
1/1/10	84,490,610	26,764,415	111,255,025	75.9%	20,203,895	132.5%
1/1/11[5]	92,968,797	26,798,406	119,767,203	77.6%	19,310,216	138.8%
1/1/11[6]	87,911,133	31,856,070	119,767,203	73.4%	19,310,216	165.0%
1/1/12	90,334,022	35,653,262	125,987,284	71.7%[a]	18,760,664	190.0%

[1] Revised funding method
[2] Revised plan provisions and actuarial assumptions
[3] Prior to assumption changes
[4] After assumption changes
[5] Prior to asset method change
[6] After asset method change

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

[a] The funded ratio as of 1/1/2012 would decrease to 65.3% if all investment losses were fully recognized.

Compensation — For purposes of the pension plan, compensation is the regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses and commissions.

Final Earnings — The average of the highest 3 consecutive years of the last 5 years of compensation.

Eligibility Requirements — Permanent employees who work at least 50% of the time specified for their position. They are either Category I or Category II

Category I

- Detention Officer
- Detention Corporal
- Detention Sergeant
- Detention Lieutenant
- Detention Captain
- Deputy Sheriff I, II, III, and IV

Category II

- Correctional Program Specialist I and II
- Criminal Justice Program Supervisor
- Correctional Facility Administrator
- Assistant Correctional Facility Administrator
- Superintendent of Detention Facilities, by election

Employee Contributions — 6.75% of compensation for Detention Officer, Detention Corporal or Detention Sergeant. 5% of compensation for all others.

Retirement Date

Normal Retirement — Category I: The first of the month coincident with or next following the participant's 50th birthday and five years of service or 20 years of service whichever comes first.
Category II: The first of the month coincident with or next following the participant's 50th birthday and five years of service.

Early Retirement — Reduced benefits are available the first of any month coincident with or next following the completion of 20 years of continuous service for Category II.

Postponed Retirement — A participant may work beyond his normal retirement date and may subsequently retire on the first of any month.

Retirement Benefits

Normal Retirement — 2.5% of final earnings for each year of service up to 20 years plus 2.0% of final earnings per year of service in excess of 20 years (maximum 70% plus 2% times unused disability credit and pre-employment military service credit)

Early Retirement — Same as normal retirement but reduced for early commencement.

Postponed Retirement — Same as normal retirement, but based on continued accrual past normal retirement date.

Normal Form of Payment — Monthly life annuity with payments guaranteed for 5 years.

Disability

Eligibility — Totally and permanently disabled (except as the result of activities specified in

	the County code) regardless of length of service.
Duty-Related	The greater of the accrued benefit or 66-2/3% of final earnings, payable immediately, unreduced.
Non-Duty	The greater of the accrued benefit or 20% of final earnings, payable immediately, unreduced.

Termination of Employment

Less than 5 years of service	Return of employee contributions with 4.25% interest.
5 years of service or more	At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement taking into account final earnings and service at date of termination, payable at normal retirement date.

Death Benefits

Married and eligible for retirement	Duty-Related: Greater of accrued benefit or 66-2/3% of final earnings. Non-duty Related: Accrued Benefit.
Unmarried or not eligible for retirement	Return of employee contributions with 4.25% interest plus a lump sum equal to 50% of annual pay.

Cost of Living Increase *(simple, for benefits accrued as of 1/31/97)*

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit plus base benefit multiplied by increase in current CPI from CPI for prior year.
- Benefit increased by 4% of original benefit.

Cost of Living Increase (compound, for benefits accrued after 1/31/97)

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit multiplied by 60% of the increase in current March CPI from March CPI for prior year.
- Prior year Benefit increased by 2.5%.

Solvency Test

2001 to 2012

Actuarial Valuation Date	Active Member Contribution (1)	Retirees and Beneficiaries Inactive and Pay-Status Members (2)	Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
1/1/2001	4,015,794	11,751,069	21,011,053	31,116,751	100%	100%	73.1%
1/1/2002	4,882,365	13,089,569	22,481,827	34,742,230	100%	100%	74.6%
1/1/2003	5,105,832	14,383,130	27,646,526	38,889,689	100%	100%	70.2%
1/1/2004	5,744,543	17,546,625	29,593,370	45,710,154	100%	100%	75.8%
1/1/2005	6,117,371	22,450,982	31,704,400	52,200,204	100%	100%	74.5%
1/1/2006	6,595,639	26,899,045	35,598,042	58,379,332	100%	100%	69.9%
1/1/2007	7,106,372	30,095,327	38,744,537	66,233,757	100%	100%	74.9%
1/1/2008	7,597,158	38,734,008	42,464,385	74,355,736	100%	100%	66.0%
1/1/2009	8,270,983	43,352,591	46,861,578	76,525,847	100%	100%	53.1%
1/1/2010	9,015,467	48,652,402	53,609,828	84,490,610	100%	100%	50.0%
1/1/2011	9,835,267	54,507,031	55,424,905	87,911,133	100%	100%	42.5%
1/1/2012	10,727,312	59,538,436	55,721,536	90,334,022	100%	100%	36.0%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability
The unfunded accrued liability increased from $31,856,070 to $35,653,262. The increase is due in part to investment results. The funded status decreased from 73.4% to 71.7%.

Reasons for Change in Contribution Rates
The employer contribution rate increased from 26.4% for the fiscal year ending June 30, 2012 to 27.7% for the fiscal year ending June 30, 2013. The increase of 1.3% is due to the following reasons:

Pay Increases	-0.1%
Investment Loss/(Gain)	2.2%
New Entrants/Change in Normal Cost	-0.5%
Mortality Table Change	-0.1%
COLAs	-0.1%
Demographics and Other Changes	-0.1%
Total	**1.3%**

County Council Bill No. 34-92	Effective 6/1/92 through 8/31/92
	Participants age 50 or with at least 20 years of service could elect to retire with an additional pension equal to 1/12 of 2.5% of final earnings for the first 20 years of service, plus 1/12 of 2% of final earnings for each additional year of service. The additional amount could be taken as a pension increase, a lump sum, or as a temporary supplement to age 62. Appropriate actuarial adjustments apply.
State House Bill No. 687	Effective 7/1/90
	County employees were given the opportunity to apply for credit under the County's plan for previous service with the State of Maryland (or a political subdivision of the State).
County Council Bill 90-93	Effective 12/22/93
	Plan participants are required to pay the full actuarial value for service purchases. Purchases can only be made at retirement, To be eligible, an employee must have 60 months of County service. Existing plan participants must be notified of their right to purchase service under existing law.
County Council Bill No. 94-93	Effective 11/19/93
	All current and future employees shall be 100% vested after 5 years of Credited service.
County Council Bill No. 88-96	Effective 12/4/96
	The previous method of calculating cost of living increase will only apply to benefits accrued as of 1/31/97. The cost of living increase for future benefits is a compound increase equal to 60% of the annual change in the CPI, not to exceed 2.5%. Employees hired, or rehired, on or after 12/4/96 will be Tier Two employees and will have different benefits than current employees.
County Council Bill No. 41-99	Effective 6/15/99
	Employees paid under the deputy sheriff employees pay schedule become members of the Detention Center Plan effective as of January 1, 1999. Service credited under the Employees' Plan will count as credited service in the Detention Center plan and no future benefit will be paid from the Employees' Plan. Assets are transferred from the Employees' Plan to the Detention Center Plan in an amount equal to the projected unit credit accrued liability in the Employees' Plan.
Recodification	Effective 2/25/2002
	Allows a benefit based on disability leave service and pre-plan military service to be credited over the 70% cap. Elimination of Tier Two benefits. Changed early retirement factors. Added a death benefit.
County Council Bill No. 32-04	Effective 7/1/2004
	Allows retirement after 20 years of service for "Category I" participants. Changes vesting for new hires from 5 years to 20 years. Provides for employees contributions to be made on a pre-tax ("pick up") basis.
County Council Bill No. 74-09	Effective 12/11/2009
	For non-represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 3% for determining the final average basic pay. For D3 and S2 members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 4% for determining the final average basic pay.
County Council Bill No. 78-09	Effective 11/16/2009
	For D1 and D2 members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 4% for determining the final average basic pay.
County Council Bill No. 6-10	Effective 4/18/2010
	Provides for a disability benefit for those participants who are totally and permanently disabled as a result of qualified military service.
County Council Bill 41-10	Effective 7/1/2010
	Increased the contribution rate for Detention Officers, Detention Corporals and Detention Sergeants to 6.75%. Added a "pop-up" option.

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Statistical Section

Anne Arundel County Retirement and Pension System

Statement of Changes in Plan Net Assets - Employees' Retirement Plan

For the Last Ten Years Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
ADDITIONS										
Contributions:										
Employer	$ 6,102,597	$ 7,036,915	$ 8,610,774	$ 10,015,144	$ 10,755,168	$ 11,778,948	$ 12,906,750	$ 15,246,252	$ 17,284,080	$ 18,186,402
Participant	3,609,997	3,856,604	3,971,341	4,124,898	4,376,510	4,412,061	4,630,624	5,085,885	4,556,815	4,562,145
Total contributions	9,712,594	10,893,519	12,582,115	14,140,042	15,131,678	16,191,009	17,537,374	20,332,137	21,840,895	22,748,547
Total investment income (loss)	(26,472,412)	69,329,609	36,395,650	28,970,375	55,739,853	52,269,375	(159,154,283)	62,603,110	61,439,541	9,825,346
Total Additions	(16,759,818)	80,223,128	48,977,765	43,110,417	70,871,531	68,460,384	(141,616,909)	82,935,247	83,280,436	32,573,893
DEDUCTIONS										
Benefit payments and refunds	11,742,170	13,848,357	15,934,324	17,748,296	19,733,152	22,800,104	25,276,047	27,267,923	29,520,937	31,480,607
Administrative expenses	520,695	463,779	426,963	458,806	508,917	531,801	426,611	487,143	504,442	481,210
Total deductions	12,262,865	14,312,136	16,361,287	18,207,102	20,242,069	23,331,905	25,702,658	27,755,066	30,025,379	31,961,817
Net increases (decreases)	(29,022,683)	65,910,992	32,616,478	24,903,315	50,629,462	45,128,479	(167,319,568)	55,180,181	53,255,057	612,076
Net assets, January 1	340,561,111	311,538,428	377,449,420	410,065,898	434,969,213	485,598,675	530,727,154	363,407,586	418,587,767	471,842,824
Transfers	-	-	-	-	-	-	-	-	-	-
Net assets, December 31	$ 311,538,428	$ 377,449,420	$ 410,065,898	$ 434,969,213	$ 485,598,675	$ 530,727,154	$ 363,407,586	$ 418,587,767	$ 471,842,824	$ 472,454,900

Anne Arundel County Retirement and Pension System

Statement of Changes in Plan Net Assets - Police Service Retirement Plan

For the Last Ten Years Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
ADDITIONS										
Contributions:										
Employer	$ 7,657,091	$ 8,229,336	$ 8,834,748	$ 8,931,530	$ 9,611,544	$ 9,997,308	$ 10,522,656	$ 12,428,136	$ 14,055,660	$ 13,793,256
Participant	1,851,146	1,825,584	1,725,839	1,848,116	1,925,644	2,005,960	1,910,671	2,024,825	2,297,386	2,637,833
Total contributions	9,508,237	10,054,920	10,560,587	10,779,646	11,537,188	12,003,268	12,433,327	14,452,961	16,353,046	16,431,089
Total investment income (loss)	(22,613,492)	59,799,163	31,546,774	25,061,802	48,252,499	42,938,230	(136,630,639)	50,713,568	49,685,037	6,731,539
Total Additions	(13,105,255)	69,854,083	42,107,361	35,841,448	59,789,687	54,941,498	(124,197,312)	65,166,529	66,038,083	23,162,628
DEDUCTIONS										
Benefit payments and refunds	9,863,985	11,220,998	11,812,788	13,986,960	15,638,571	21,008,831	23,872,491	22,214,203	21,449,672	23,479,998
Administrative expenses	460,107	399,045	366,223	401,094	431,925	443,634	358,812	406,518	410,184	391,458
Total deductions	10,324,092	11,620,043	12,179,011	14,388,054	16,070,496	21,452,465	24,231,303	22,620,721	21,859,856	23,871,456
Net increases (decreases)	(23,429,347)	58,234,040	29,928,350	21,453,394	43,719,191	33,489,032	(148,428,615)	42,545,808	44,178,227	(708,828)
Net assets, January 1	290,509,770	267,080,423	325,314,463	355,242,813	376,696,207	420,415,398	453,904,430	305,475,815	348,021,623	392,199,850
Transfers	-	-	-	-	-	-	-	-	-	
Net assets, December 31	$ 267,080,423	$ 325,314,463	$ 355,242,813	$ 376,696,207	$ 420,415,398	$ 453,904,430	$ 305,475,815	$ 348,021,623	$ 392,199,850	391,491,022

Anne Arundel County Retirement and Pension System

Statement of Changes in Plan Net Assets - Fire Service Retirement Plan

For the Last Ten Years Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
ADDITIONS										
Contributions:										
Employer	$ 7,366,648	$ 7,991,349	$ 9,006,192	$ 10,016,964	$ 10,481,244	$ 10,959,888	$ 11,189,712	$ 12,701,160	$ 14,648,580	13,959,852
Participant	1,413,426	1,352,179	1,324,760	1,496,252	1,741,476	1,889,083	2,033,588	2,346,754	2,494,043	2,659,114
Total contributions	8,780,074	9,343,528	10,330,952	11,513,216	12,222,720	12,848,971	13,223,300	15,047,914	17,142,623	16,618,966
Total investment income (loss)	(19,979,206)	53,948,794	28,734,931	23,343,883	44,928,717	41,080,254	(127,885,708)	49,183,327	48,957,240	7,013,578
Total Additions	(11,199,132)	63,292,322	39,065,883	34,857,099	57,151,437	53,929,225	(114,662,408)	64,231,241	66,099,863	23,632,544
DEDUCTIONS										
Benefit payments and refunds	5,926,519	6,448,118	8,107,661	9,186,241	15,570,004	19,299,469	21,339,616	17,785,497	17,432,953	18,091,220
Administrative expenses	400,145	359,046	340,521	364,848	416,838	415,672	330,485	379,081	398,463	388,157
Total deductions	6,326,664	6,807,164	8,448,182	9,551,089	15,986,842	19,715,141	21,670,101	18,164,578	17,831,416	18,479,377
Net increases (decreases)	(17,525,796)	56,485,158	30,617,701	25,306,010	41,164,595	34,214,085	(136,332,509)	46,066,663	48,268,447	5,153,167
Net assets, January 1	255,745,636	238,219,840	294,704,998	325,322,699	350,628,709	391,793,304	426,007,390	289,674,881	335,741,544	384,009,991
Transfers	-	-	-	-	-	-	-	-	-	-
Net assets, December 31	$ 238,219,840	$ 294,704,998	$ 325,322,699	$ 350,628,709	$ 391,793,304	$ 426,007,389	$ 289,674,881	$ 335,741,544	$ 384,009,991	389,163,158

Anne Arundel County Retirement and Pension System

Statement of Changes in Plan Net Assets - Detention Officers' and Deputy Sheriffs' Retirement Plan

For the Last Ten Years Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
ADDITIONS										
Contributions:										
Employer	$ 2,827,281	$ 3,030,140	$ 3,072,600	$ 3,191,610	$ 3,462,366	$ 3,600,894	$ 3,788,256	$ 4,348,914	$ 4,907,130	4,876,332
Participant	692,972	751,071	771,879	795,363	860,542	881,978	950,675	1,029,277	1,084,820	1,175,133
Total contributions	3,520,253	3,781,211	3,844,479	3,986,973	4,322,908	4,482,872	4,738,931	5,378,191	5,991,950	6,051,465
Total investment income (loss)	(2,895,130)	8,338,642	4,698,719	3,925,218	7,814,479	7,292,557	(24,343,278)	9,672,565	9,901,091	1,330,029
Total Additions	625,123	12,119,853	8,543,198	7,912,191	12,137,387	11,775,429	(19,604,347)	15,050,756	15,893,041	7,381,494
DEDUCTIONS										
Benefit payments and refunds	1,059,063	1,219,336	1,487,245	1,847,932	2,112,241	2,644,842	3,101,950	3,525,414	3,837,564	4,207,935
Administrative expenses	58,522	55,475	54,396	61,554	71,158	75,560	64,389	75,803	80,434	79,613
Total deductions	1,117,585	1,274,811	1,541,641	1,909,486	2,183,399	2,720,402	3,166,339	3,601,217	3,917,998	4,287,548
Net increases (decreases)	(492,462)	10,845,042	7,001,557	6,002,705	9,953,988	9,055,027	(22,770,686)	11,449,539	11,975,043	3,093,946
Net assets, January 1	36,185,422	35,692,960	46,538,002	53,539,559	59,542,264	69,496,252	78,551,279	55,780,593	67,230,132	79,205,175
Transfers	-	-	-	-	-	-	-	-	-	-
Net assets, December 31	$ 35,692,960	$ 46,538,002	$ 53,539,559	$ 59,542,264	$ 69,496,252	$ 78,551,279	$ 55,780,593	$ 67,230,132	$ 79,205,175	82,299,121

Anne Arundel County Retirement and Pension System

Schedule of Additions by Source - Employees' Retirement Plan

For the Last Ten Years Ended December 31

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employer Data										
Contributions	$ 6,102,597	$ 7,036,915	$ 8,610,774	$ 10,015,144	$ 10,755,168	$ 11,778,948	$ 12,906,750	$ 15,246,252	$ 17,284,080	$ 18,186,402
% of Covered Payroll	(6.0)	(7.0)	(8.4)	(9.3)	(9.2)	(10.0)	(10.3)	(12.1)	(14.0)	(15.1)
Participant Data										
Contributions	3,609,997	3,856,604	3,971,341	4,124,898	4,376,510	4,412,061	4,630,624	5,085,885	4,556,815	4,562,145
Total contributions	9,712,594	10,893,519	12,582,115	14,140,042	15,131,678	16,191,009	17,537,374	20,332,137	21,840,895	22,748,547
Total investment income (loss)	(26,472,412)	69,329,609	36,395,650	28,970,375	55,739,853	52,269,375	(159,154,283)	62,603,110	61,439,541	9,825,346
Total Additions	$ (16,759,818)	$ 80,223,128	$ 48,977,765	$ 43,110,417	$ 70,871,531	$ 68,460,384	$ (141,616,909)	$ 82,935,247	$ 83,280,436	$ 32,573,893

Anne Arundel County Retirement and Pension System

Schedule of Additions by Source - Police Service Retirement Plan

For the Last Ten Years Ended December 31

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Employer Data										
Contributions	$ 7,657,091	$ 8,229,336	$ 8,834,748	$ 8,931,530	$ 9,611,544	$ 9,997,308	$ 10,522,656	$ 12,428,136	$ 14,055,660	$ 13,793,256
% of Covered Payroll	(22.9)	(25.8)	(26.3)	(24.3)	(25.4)	(24.4)	(25.4)	(29.2)	(33.1)	(33.4)
Participant Data										
Contributions	1,851,146	1,825,584	1,725,839	1,848,116	1,925,644	2,005,960	1,910,671	2,024,825	2,297,386	2,637,833
Total contributions	9,508,237	10,054,920	10,560,587	10,779,646	11,537,188	12,003,268	12,433,327	14,452,961	16,353,046	16,431,089
Total investment income (loss)	(22,613,492)	59,799,163	31,546,774	25,061,802	48,252,499	42,938,229	(136,630,639)	50,713,568	49,685,037	6,731,539
Total Additions	$ (13,105,255)	$ 69,854,083	$ 42,107,361	$ 35,841,448	$ 59,789,687	$ 54,941,497	$ (124,197,312)	$ 65,166,529	$ 66,038,083	$ 23,162,628

Anne Arundel County Retirement and Pension System

Schedule of Additions by Source - Fire Service Retirement Plan

For the Last Ten Years Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Employer Data										
Contributions	$ 7,366,648	$ 7,991,349	$ 9,006,192	$ 10,016,964	$ 10,481,244	$ 10,959,888	$ 11,189,712	$ 12,701,160	$ 14,648,580	$ 13,959,852
% of Covered Payroll	(23.0)	(25.4)	(25.8)	(26.0)	(24.1)	(24.9)	(22.9)	(25.9)	(30.6)	(30.6)
Participant Data										
Contributions	1,413,426	1,352,179	1,324,760	1,496,252	1,741,476	1,889,083	2,033,588	2,346,754	2,494,043	2,659,114
Total contributions	8,780,074	9,343,528	10,330,952	11,513,216	12,222,720	12,848,971	13,223,300	15,047,914	17,142,623	16,618,966
Total investment income (loss)	(19,979,206)	53,948,794	28,734,931	23,343,883	44,928,717	41,080,256	(127,885,708)	49,183,327	48,957,240	7,013,478
Total Additions	$ (11,199,132)	$ 63,292,322	$ 39,065,883	$ 34,857,099	$ 57,151,437	$ 53,929,227	$ (114,662,408)	$ 64,231,241	$ 66,099,863	$ 23,632,444

Anne Arundel County Retirement and Pension System

Schedule of Additions by Source - Detention Officers' and Deputy Sheriffs' Retirement Plan

For the Last Ten Years Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Employer Data										
Contributions	$ 2,827,281	$ 3,030,140	$ 3,072,600	$ 3,191,610	$ 3,462,366	$ 3,600,894	$ 3,788,256	$ 4,348,914	$ 4,907,130	$ 4,876,332
% of Covered Payroll	(19.2)	(19.7)	(20.0)	(19.0)	(19.9)	(19.9)	(19.1)	(21.5)	(25.4)	(26.0)
Participant Data										
Contributions	692,972	751,071	771,879	795,363	860,542	881,978	950,675	1,027,277	1,084,820	1,175,133
Total contributions	3,520,253	3,781,211	3,844,479	3,986,973	4,322,908	4,482,872	4,738,931	5,376,191	5,991,950	1,330,029
Total investment income (loss)	(2,895,130)	8,338,642	4,698,719	3,925,218	7,814,479	7,292,557	(24,343,278)	9,672,565	9,901,091	9,901,091
Total Additions	$ 625,123	$ 12,119,853	$ 8,543,198	$ 7,912,191	$ 12,137,387	$ 11,775,429	$ (19,604,347)	$ 15,048,756	$ 15,893,041	$ 11,231,120

Anne Arundel County Retirement and Pension System

Schedule of Expenses by Type - Employees' Retirement Plan

For the Last TenYears Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Retirement Benefits	$ 11,379,642	$ 13,443,700	$ 15,421,929	$ 17,115,761	$ 19,269,278	$ 22,419,239	$ 24,981,888	$ 26,707,107	$ 29,178,742	$ 31,102,824
Refunds	362,528	404,657	512,394.8	632,535	463,874	380,865	294,159	560,816	342,195	377,783
Administrative	520,695	463,779	426,963	458,806	508,917	531,801	426,611	487,143	504,442	481,210
Total Expenses	$ 12,262,865	$ 14,312,136	$ 16,361,287	$ 18,207,102	$ 20,242,069	$ 23,331,905	$ 25,702,658	$ 27,755,066	$ 30,025,379	$ 31,961,817

Anne Arundel County Retirement and Pension System

Schedule of Expenses by Type - Police Service Retirement Plan

For the Last TenYears Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Retirement Benefits	$ 9,688,203	$ 11,065,345	$ 11,728,309	$ 12,870,535	$ 13,180,043	$ 15,661,838	$ 17,240,916	$ 19,638,650	$ 20,973,246	$ 22,560,005
Refunds	175,782	155,653	84,479	131,954	67,412	808,927	1,056,383	540,887	10,476	184,099
DROP payments	-	-	-	984,471	2,391,116	4,538,066	5,575,192	2,034,666	465,950	735,894
Administrative	460,107	399,045	366,223	401,094	431,925	443,634	358,812	406,518	410,184	391,458
Total Expenses	$ 10,324,092	$ 11,620,043	$ 12,179,011	$ 14,388,054	$ 16,070,496	$ 21,452,465	$ 24,231,303	$ 22,620,721	$ 21,859,856	$ 23,871,456

NOTE: DROP plan initiated 2002. First eligible payments made 2005.

Anne Arundel County Retirement and Pension System

Schedule of Expenses by Type - Fire Service Retirement Plan

For the Last TenYears Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Retirement Benefits	$ 5,892,220	$ 6,317,162	$ 7,511,880	$ 8,460,438	$ 10,464,329	$ 12,059,353	$ 13,057,997	$ 14,975,604	$ 15,560,775	$ 15,876,486
Refunds	34,299	130,956	595,781	235,129	477,530	455,933	545,079	847,725	114,588	457,144
DROP payments	-	-	-	490,674	4,628,145	6,784,183	7,736,540	1,962,168	1,757,590	1,757,590
Administrative	400,145	359,046	340,521	364,848	416,838	415,672	330,485	379,081	398,463	388,157
Total Expenses	$ 6,326,664	$ 6,807,164	$ 8,448,182	$ 9,551,089	$ 15,986,842	$ 19,715,141	$ 21,670,101	$ 18,164,578	$ 17,831,416	$ 18,479,377

NOTE: DROP plan initiated 2001. First eligible payments made 2005.

Anne Arundel County Retirement and Pension System

Schedule of Expenses by Type - Detention Officers' and Deputy Sheriffs' Retirement Plan

For the Last TenYears Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Retirement Benefits	$ 971,137	$ 1,131,705	$ 1,413,696	$ 1,770,524	$ 2,085,412	$ 2,573,235	$ 3,017,953	$ 3,435,870	$ 3,790,618	$ 4,190,561
Refunds	87,926	87,631	73,549	77,408	26,829	71,607	83,997	89,544	46,946	17,374
Administrative	58,522	55,475	54,396	61,554	71,158	75,560	64,389	75,803	80,434	79,613
Total Expenses	$ 1,117,585	$ 1,274,811	$ 1,541,641	$ 1,909,486	$ 2,183,399	$ 2,720,402	$ 3,166,339	$ 3,601,217	$ 3,917,998	$ 4,287,548

Anne Arundel County Retirement and Pension System
Average Benefit Payments - Employees' Plan
Retirement Effective Dates for the last Ten Fiscal Years Ended June 30, and the Six Months Ended December 31, 2011

Retirement Effective Dates		Years of Credited Service 0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	Over 30
Period 7/1/2001	Average monthly benefit	$211	$380	$969	$1,758	$1,808	$2,244	$2,537
to 6/30/2002	Average final average salary	$44,455	$34,210	$34,521	$55,434	$53,590	$49,492	$53,115
	Number of retired members	2	5	12	10	9	16	24
Period 7/1/2002	Average monthly benefit	$365	$985	$1,056	$1,130	$1,831	$2,147	$2,406
to 6/30/2003	Average final average salary	$33,315	$49,483	$47,967	$40,886	$51,895	$48,583	$51,460
	Number of retired members	1	13	8	13	10	24	21
Period 7/1/2003	Average monthly benefit	$2,098	$1,366	$1,304	$1,121	$1,830	$2,396	$2,465
to 6/30/2004	Average final average salary	$39,499	$62,285	$41,813	$39,481	$44,800	$52,567	$46,982
	Number of retired members	1	8	10	14	13	22	19
Period 7/1/2004	Average monthly benefit	$0	$813	$1,310	$1,415	$1,958	$2,180	$2,369
to 6/30/2005	Average final average salary	$97,635	$41,792	$63,733	$46,316	$56,906	$49,898	$53,077
	Number of retired members	1	15	9	10	18	21	16
Period 7/1/2005	Average monthly benefit	$0	$794	$1,004	$1,706	$2,001	$2,953	$2,770
to 6/30/2006	Average final average salary	$0	$47,803	$45,160	$53,932	$56,340	$64,247	$60,415
	Number of retired members	0	11	9	12	18	14	21
Period 7/1/2006	Average monthly benefit	$0	$777	$1,589	$1,378	$2,877	$2,507	$3,264
to 6/30/2007	Average final average salary	$0	$52,105	$50,901	$42,480	$73,032	$56,572	$69,784
	Number of retired members	0	13	18	15	8	25	24
Period 7/1/2007	Average monthly benefit	$0	$351	$1,044	$1,935	$2,341	$2,755	$2,986
to 6/30/2008	Average final average salary	$0	$36,688	$58,916	$60,032	$63,835	$63,422	$62,363
	Number of retired members	0	9	14	13	15	20	19
Period 7/1/2008	Average monthly benefit	$0	$753	$1,301	$1,521	$2,697	$2,602	$2,805
to 6/30/2009	Average final average salary	$0	$73,930	$33,899	$51,788	$76,461	$62,998	$59,919
	Number of retired members	0	12	7	14	10	22	17
Period 7/1/2009	Average monthly benefit	$858	$446	$1,325	$1,488	$2,285	$2,787	$3,062
to 6/30/2010	Average final average salary	$33,675	$42,397	$60,468	$44,408	$65,207	$64,581	$64,768
	Number of retired members	1	8	10	9	15	15	27
Period 7/1/2010	Average monthly benefit	$866	$820	$1,341	$1,535	$2,086	$2,490	$2,973
to 06/30/2011	Average final average salary	$48,000	$75,659	$73,933	$60,514	$63,166	$66,363	$64,628
	Number of retired members	1	5	5	8	11	13	20
Period 7/1/2011	Average monthly benefit	$0	$653	$1,227	$1,820	$3,147	$2,298	$3,333
to 12/31/2011	Average final average salary	$0	$53,551	$57,857	$73,451	$84,185	$49,171	$71,981
	Number of retired members	0	4	6	7	7	4	9

Anne Arundel County Retirement and Pension System
Average Benefit Payments - Police Service Retirement Plan
Retirement Effective Dates for the last Ten Fiscal Years Ended June 30, and the Six Months Ended December 31, 2011

		Years of Credited Service						
Retirement Effective Dates		**0 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**Over 30**
Period 7/1/2001	Average monthly benefit	$0	$1,878	$2,507	$1,775	$2,701	$3,057	$3,365
to 6/30/2002	Average final average salary	$0	$47,607	$50,344	$51,712	$62,349	$64,447	$78,198
	Number of retired members	0	3	2	1	7	7	12
Period 7/1/2002	Average monthly benefit	$0	$0	$0	$2,058	$2,690	$2,932	$3,773
to 6/30/2003	Average final average salary	$52,592	$0	$50,284	$57,889	$60,994	$69,378	$78,486
	Number of retired members	1	0	1	2	9	12	15
Period 7/1/2003	Average monthly benefit	$0	$1,715	$2,754	$2,201	$2,877	$3,213	$3,702
to 6/30/2004	Average final average salary	$0	$49,393	$52,009	$55,196	$64,350	$73,510	$77,452
	Number of retired members	0	2	2	4	20	18	3
Period 7/1/2004	Average monthly benefit	$2,188	$2,805	$2,940	$2,699	$3,020	$3,551	$3,217
to 6/30/2005	Average final average salary	$42,402	$51,796	$55,349	$64,376	$66,186	$70,989	$73,777
	Number of retired members	1	2	2	3	5	4	1
Period 7/1/2005	Average monthly benefit	$0	$1,800	$3,129	$2,922	$3,120	$4,573	$3,626
to 6/30/2006	Average final average salary	$0	$53,170	$58,662	$63,068	$69,536	$95,691	$75,990
	Number of retired members	0	2	2	5	4	2	1
Period 7/1/2006	Average monthly benefit	$0	$2,914	$3,209	$3,227	$2,844	$3,622	$0
to 6/30/2007	Average final average salary	$0	$56,366	$61,475	$75,359	$69,795	$68,279	$0
	Number of retired members	0	3	3	3	7	3	0
Period 7/1/2007	Average monthly benefit	$0	$0	$2,747	$2,936	$3,808	$0	$3,512
to 6/30/2008	Average final average salary	$0	$0	$66,441	$74,480	$84,145	$0	$70,082
	Number of retired members	0	0	6	7	3	0	2
Period 7/1/2008	Average monthly benefit	$0	$2,085	$3,552	$3,341	$3,705	$0	$0
to 6/30/2009	Average final average salary	$0	$60,471	$68,090	$75,440	$80,116	$0	$0
	Number of retired members	0	2	3	3	5	0	0
Period 7/1/2009	Average monthly benefit	$0	$1,885	$3,118	$3,863	$4,374	$5,043	$4,902
to 6/30/2010	Average final average salary	$0	$46,628	$71,648	$94,631	$90,867	$94,651	$84,864
	Number of retired members	0	1	3	1	3	3	1
Period 7/1/2010	Average monthly benefit	$2,545	$3,912	$3,821	$3,895	$4,007	$0	$0
to 6/30/2011	Average final average salary	$47,962	$72,675	$70,711	$72,479	$87,711	$0	$0
	Number of retired members	1	3	3	1	5	0	0
Period 7/1/2011	Average monthly benefit	$0	$0	$0	$3,629	$4,387	$5,001	$0
to 12/31/2011	Average final average salary	$0	$0	$0	$82,627	$83,845	$91,981	$0
	Number of retired members	0	0	0	4	3	2	0

Anne Arundel County Retirement and Pension System
Average Benefit Payments - Fire Service Retirement Plan
Retirement Effective Dates for the last Ten Fiscal Years Ended June 30, and the Six Months Ended December 31, 2011

		Years of Credited Service						
Retirement Effective Dates		**0 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**Over 30**
Period 7/1/2001	Average monthly benefit	$0	$0	$2,479	$2,831	$3,009	$3,599	$2,978
to 6/30/2002	Average final average salary	$0	$0	$48,027	$52,242	$58,739	$70,021	$67,109
	Number of retired members	0	0	4	4	2	3	31
Period 7/1/2002	Average monthly benefit	$0	$0	$2,765	$2,589	$2,943	$3,054	$3,415
to 6/30/2003	Average final average salary	$0	$0	$52,707	$59,350	$65,446	$70,964	$71,946
	Number of retired members	0	0	1	3	3	16	32
Period 7/1/2003	Average monthly benefit	$0	$2,160	$2,673	$3,183	$2,662	$3,082	$3,161
to 6/30/2004	Average final average salary	$0	$41,297	$50,258	$59,401	$71,795	$70,448	$71,990
	Number of retired members	0	1	2	4	14	22	5
Period 7/1/2004	Average monthly benefit	$2,198	$2,531	$3,177	$2,872	$2,828	$3,558	$3,547
to 6/30/2005	Average final average salary	$41,922	$47,808	$58,111	$61,731	$63,996	$70,439	$62,884
	Number of retired members	1	1	1	3	9	6	5
Period 7/1/2005	Average monthly benefit	$0	$0	$2,707	$3,322	$2,722	$0	$0
to 6/30/2006	Average final average salary	$0	$0	$50,949	$63,177	$60,683	$0	$0
	Number of retired members	0	0	3	1	5	0	0
Period 7/1/2006	Average monthly benefit	$0	$2,373	$0	$2,689	$2,857	$5,063	$4,064
to 6/30/2007	Average final average salary	$0	$44,472	$0	$61,380	$62,573	$92,680	$78,725
	Number of retired members	0	1	0	2	3	1	3
Period 7/1/2007	Average monthly benefit	$0	$0	$0	$0	$3,560	$3,424	$0
to 6/30/2008	Average final average salary	$0	$0	$0	$0	$75,334	$65,838	$0
	Number of retired members	0	0	0	0	3	1	0
Period 7/1/2008	Average monthly benefit	$2,394	$0	$0	$4,415	$3,380	$0	$0
to 6/30/2009	Average final average salary	$47,082	$0	$0	$83,123	$79,240	$0	$0
	Number of retired members	1	0	0	1	2	0	0
Period 7/1/2009	Average monthly benefit	$0	$2,810	$0	$4,291	$0	$0	$0
to 6/30/2010	Average final average salary	$0	$52,555	$0	$77,747	$0	$0	$0
	Number of retired members	0	1	0	2	0	0	0
Period 7/1/2010	Average monthly benefit	$0	$2,522	$0	$4,087	$4,153	$4,061	$0
to 6/30/2011	Average final average salary	$0	$46,971	$0	$81,781	$83,115	$77,005	$0
	Number of retired members	0	1	0	3	2	1	0
Period 7/1/2011	Average monthly benefit	$3,856	$1,489	$3,681	$0	$3,410	$0	$0
to 12/31/2011	Average final average salary	$70,096	$42,806	$67,081	$0	$77,007	$0	$0
	Number of retired members	1	1	1	0	1	0	0

Anne Arundel County Retirement and Pension System
Average Benefit Payments - Detention Officers' and Deputy Sheriffs' Retirement Plan
Retirement Effective Dates for the last Ten Fiscal Years Ended June 30, and the Six Months Ended December 31, 2011

		Years of Credited Service						
Retirement Effective Dates		**0 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**Over 30**
Period 7/1/2001	Average monthly benefit	$0	$0	$1,889	$0	$0	$2,601	$0
to 6/30/2002	Average final average salary	$0	$0	$39,426	$0	$0	$52,436	$0
	Number of retired members	0	0	1	0	0	2	0
Period 7/1/2002	Average monthly benefit	$1,623	$637	$2,291	$1,955	$1,989	$2,542	$0
to 6/30/2003	Average final average salary	$32,136	$37,096	$47,664	$47,980	$58,616	$47,507	$0
	Number of retired members	1	1	2	2	1	1	0
Period 7/1/2003	Average monthly benefit	$0	$814	$2,475	$2,225	$1,996	$0	$0
to 6/30/2004	Average final average salary	$0	$31,855	$45,217	$56,103	$45,092	$0	$0
	Number of retired members	0	5	1	1	2	0	0
Period 7/1/2004	Average monthly benefit	$0	$1,236	$1,621	$2,054	$2,203	$2,462	$0
to 6/30/2005	Average final average salary	$0	$40,444	$49,883	$48,002	$52,641	$47,374	$0
	Number of retired members	0	5	3	3	7	1	0
Period 7/1/2005	Average monthly benefit	$0	$1,718	$1,286	$2,581	$2,037	$3,980	$0
to 6/30/2006	Average final average salary	$0	$43,851	$49,151	$48,139	$56,919	$76,537	$0
	Number of retired members	0	3	3	2	2	1	0
Period 7/1/2006	Average monthly benefit	$0	$842	$1,271	$2,294	$3,104	$2,883	$0
to 6/30/2007	Average final average salary	$0	$46,190	$48,635	$60,229	$80,300	$55,999	$0
	Number of retired members	0	2	2	4	4	2	0
Period 7/1/2007	Average monthly benefit	$0	$1,165	$0	$0	$3,524	$4,263	$0
to 6/30/2008	Average final average salary	$0	$44,257	$0	$0	$75,510	$86,111	$0
	Number of retired members	0	9	0	0	5	1	0
Period 7/1/2008	Average monthly benefit	$0	$782	$1,963	$2,997	$4,341	$3,434	$3,935
to 6/30/2009	Average final average salary	$0	$48,249	$67,568	$71,019	$94,610	$73,170	$70,905
	Number of retired members	0	3	3	4	2	1	2
Period 7/1/2009	Average monthly benefit	$0	$1,345	$1,910	$2,537	$0	$0	$0
to 6/30/2010	Average final average salary	$0	$48,257	$56,966	$64,507	$0	$0	$0
	Number of retired members	0	5	5	2	0	0	0
Period 7/1/2010	Average monthly benefit	$0	$1,216	$1,511	$1,933	$2,606	$0	$4,230
to 6/30/2011	Average final average salary	$0	$46,342	$51,707	$54,454	$64,099	$0	$80,876
	Number of retired members	0	7	3	1	7	0	1
Period 7/1/2011	Average monthly benefit	$0	$2,301	$1,439	$1,877	$0	$0	$3,994
to 12/31/2011	Average final average salary	$0	$42,392	$53,345	$55,658	$0	$0	$64,827
	Number of retired members	0	1	1	5	0	0	1

Anne Arundel County Retirement and Pension System

Schedule of Members by Years of Service - Employees' Retirement Plan

For the Last Ten Years Ended December 31

Years of Credited Service	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
0 to 4	744	650	667	646	750	747	807	755	673	534
5 to 9	373	392	389	447	485	465	421	451	452	501
10 to 14	382	350	296	250	267	283	286	291	349	415
15 to 19	321	377	376	402	357	307	273	233	191	211
20 to 24	239	217	214	211	203	225	281	287	308	278
25 to 29	199	183	193	180	177	167	136	146	153	149
30 and over	57	70	82	89	98	90	108	115	113	121
Total members	2,315	2,239	2,217	2,225	2,337	2,284	2,312	2,278	2,239	2,209
Average years of service	11.90	12.26	12.38	12.19	11.62	11.59	11.58	11.97	12.30	12.83
Average age	45.36	45.95	46.22	46.35	46.12	46.39	46.88	47.44	47.81	48.24
Average salary	$ 43,703	$ 45,085	$ 46,507	$ 48,220	$ 49,940	$ 51,323	$ 53,981	$ 55,325	$ 55,158	$ 54,511

Anne Arundel County Retirement and Pension System

Schedule of Members by Years of Service - Police Service Retirement Plan

For the Last Ten Years Ended December 31

Years of Credited Service	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
0 to 4	155	102	121	146	143	158	168	166	133	149
5 to 9	168	185	179	154	154	135	101	110	129	120
10 to 14	146	129	116	109	132	145	156	151	133	140
15 to 19	65	83	108	131	112	127	112	101	99	114
20 to 24	57	40	28	24	29	32	43	50	61	44
25 to 29	29	13	17	18	16	11	11	6	7	7
30 and over	7	3	2	2	3	3	2	3	1	2
Total members	627	555	571	584	589	611	593	587	563	576
Average years of service	10.75	10.83	10.67	10.60	10.69	10.69	10.72	10.61	11.13	10.92
Average age	36.48	36.83	36.85	36.76	36.88	36.88	37.12	37.04	37.69	37.44
Average salary	$ 50,722	$ 51,228	$ 51,757	$ 55,693	$ 58,051	$ 60,948	$ 64,867	$ 65,534	$ 66,276	$ 64,170

Anne Arundel County Retirement and Pension System

Schedule of Members by Years of Service - Fire Service Retirement Plan

For the Last Ten Years Ended December 31

Years of Credited Service	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
0 to 4	104	76	168	223	307	297	400	323	244	133
5 to 9	88	90	84	98	83	92	69	133	183	239
10 to 14	113	125	105	80	115	85	89	82	95	76
15 to 19	139	132	123	118	109	106	116	100	75	105
20 to 24	42	33	43	54	69	96	98	93	74	58
25 to 29	62	38	38	38	28	20	19	20	16	18
30 and over	7	2	2	5	7	13	18	6	2	2
Total members	555	496	563	616	718	709	809	757	689	631
Average years of service	13.48	12.98	11.41	10.73	9.53	10.22	9.54	9.81	9.83	10.42
Average age	39.11	38.97	37.79	37.17	36.15	36.75	36.13	36.58	36.73	37.31
Average salary	$ 50,710	$ 50,872	$ 49,847	$ 51,305	$ 51,463	$ 55,461	$ 56,834	$ 57,714	$ 56,521	$ 55,924

Anne Arundel County Retirement and Pension System

Schedule of Members by Years of Service - Detention Officers' and Deputy Sheriffs' Retirement Plan

For the Last Ten Years Ended December 31

Years of Credited Service	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
0 to 4	141	121	110	127	102	94	114	122	89	88
5 to 9	137	138	132	130	144	101	84	73	87	68
10 to 14	51	60	60	55	58	107	110	112	106	114
15 to 19	24	19	20	33	37	40	49	49	49	47
20 to 24	15	22	19	15	13	4	8	9	14	23
25 to 29	3	5	5	4	3	8	6	6	6	5
30 and over	-	-	1	1	2	3	2	3	3	2
Total members	371	365	347	365	359	357	373	374	354	347
Average years of service	7.30	7.99	8.50	8.36	8.82	9.16	9.16	6.92	10.40	10.80
Average age	41.45	42.03	42.70	42.40	42.45	43.19	43.19	43.85	44.46	44.50
Average salary	$ 39,597	$ 42,182	$ 44,252	$ 46,011	$ 48,378	$ 50,763	$ 53,045	$ 54,021	$ 54,549	$ 54,065

Anne Arundel County Retirement and Pension System

Summary of Current Active Members and DROP Members by Years of Service and Plan

For the Year Ended December 31, 2011

Years of Credited Service	*Employees' Retirement Plan*	*Police Service Retirement Plan*	*Fire Service Retirement Plan*	*Officers' and Deputy Sheriffs' Retirement Plan*	*Total*
0-4	572	142	133	89	936
5-9	491	124	239	63	917
10-14	381	159	77	114	731
15-19	204	81	94	47	426
20-24	235	47	56	28	366
25-29	175	12	23	4	214
30+	144	5	3	4	156
Total Current Active Members	2,202	570	625	349	3,746
15-19	N/A	1	-	N/A	1
20-24	N/A	25	30	N/A	55
25-29	N/A	16	56	N/A	72
30+	N/A	17	36	N/A	53
Total Current Active DROP Members		59	122		181

Anne Arundel County Retirement and Pension System

Schedule of Current Active DROP Members by Year of Entry

For the Last Five Years Ended December 31

	Police Service Retirement Plan	*Fire Service Retirement Plan*	*Total*
2007	4	8	12
2008	8	4	12
2009	31	21	52
2010	47	10	57
2011	29	15	44
	119	58	177

Notes:

1) The Employee's Retirement Plan does not provide a DROP.
2) The Police Service Retirement Plan DROP was initiated in 2002.
3) The Fire Service Retirement Plan DROP was initiated in 2001.
4) The Detention Officers' and Deputy Sheriffs' Retirement Plan does not provide a DROP.
5) Actuarial data is based on preliminary employee information which therefore, does not agree with the final census data reflected above.

Anne Arundel County Retirement and Pension System

Schedule of Retirees by Attained Age and Type of Retirement

For the Year Ended December 31, 2011

Age Group	*Normal Retirement*	*Early Retirement*	*Service Connected Disability*	*Non-Service Connected Disability*	*Total*
20-29	-	-	1	1	2
30-34	-	-	3	2	5
35-39	-	-	14	3	17
40-44	6	-	30	4	40
45-49	51	-	45	9	105
50-54	172	11	50	6	239
55-59	298	43	53	13	407
60-64	437	33	31	9	510
65-69	372	10	28	7	417
70-74	283	-	5	4	292
75-79	187	-	3	2	192
80-84	103	-	1	-	104
85 & up	64	-	1	1	66
Total Members	1,973	97	265	61	2,396

Note: Excludes beneficiaries

Anne Arundel County Retirement and Pension System

History of Operating Revenues and Expenses

For the Last Ten Years Ended December 31

	2002	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
REVENUES										
Employer Contributions	$ 23,953,617	$ 26,287,740	$ 29,524,314	$ 32,155,248	$ 34,310,322	$ 36,337,038	$ 38,407,374	$ 44,724,462	50,895,450	50,815,842
Participant Contributions	7,567,541	7,785,438	7,793,819	8,264,629	8,904,172	9,189,082	9,525,558	10,486,741	10,433,064	11,034,225
Investment Income	(71,960,240)	191,416,208	101,376,074	81,301,278	156,735,548	143,580,417	(448,013,909)	172,172,570	169,916,939	24,900,493
Total Revenues	**$ (40,439,082)**	**$ 225,489,386**	**$ 138,694,207**	**$ 121,721,155**	**$ 199,950,042**	**189,106,537**	**(400,080,977)**	**227,383,773**	**231,245,453**	**86,750,560**
EXPENSES										
Benefits and Refunds	$ 28,591,737	$ 32,736,809	$ 37,342,018	$ 42,769,429	$ 53,053,968	65,753,246	73,590,104	70,793,037	72,241,126	77,259,760
Administrative Expenses	1,439,469	1,277,345	1,188,103	1,286,302	1,428,838	1,466,667	1,180,297	1,348,545	1,393,523	1,340,439
Total Expenses	**$ 30,031,206**	**$ 34,014,154**	**$ 38,530,121**	**$ 44,055,731**	**$ 54,482,806**	**$ 67,219,913**	**$ 74,770,401**	**$ 72,141,582**	**$ 73,634,649**	**$ 78,600,199**
COVERED PAYROLL										
Annual Covered Payroll	**181,322,270**	**179,719,295**	**186,863,310**	**199,370,886**	**215,409,364**	**220,298,031**	**234,922,040**	**237,798,435**	**233,098,361**	**216,183,784**
Total Covered Payroll	$ 181,322,270	$ 179,719,295	$ 186,863,310	$ 199,370,886	$ 215,409,364	$ 220,298,031	$ 234,922,040	$ 237,798,435	$ 233,098,361	$ 216,183,784
Employer Contributions as a Percent of Covered Payroll	**13.21**	**14.63**	**15.80**	**16.13**	**15.93**	**16.49**	**16.35**	**18.81**	**21.83**	**23.51**

Anne Arundel County Retirement and Pension System

History of Plan Net Assets and Liabilities

For the Ten Years Ended December 31

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Net Assets Fair Market Value	$852,531,651	$1,044,006,884	$1,144,170,969	$1,221,836,393	$1,367,303,629	$1,489,190,253	$1,014,338,875	$1,169,581,066	$1,337,927,398	$1,342,485,137
Actuarial Accrued Liability (AAL)	$1,034,721,887	$1,047,886,964	$1,138,458,986	$1,240,672,351	$1,343,310,239	$1,462,619,222	$1,566,882,186	$1,652,709,089	$1,713,528,066	$1,791,891,067
Actuarial Value of Assets (AVA)	$912,586,690	$1,011,601,334	$1,098,293,512	$1,181,256,844	$1,281,182,243	$1,380,306,906	$1,363,614,511	$1,454,413,785	$1,471,797,558	$1,462,944,903
Unfunded Actuarial Liability (UAL)	$122,135,197	$36,285,621	$40,165,474	$59,515,507	$62,127,996	$74,934,851	$203,267,675	$198,295,304	$241,730,508	$328,946,164
Funded Ratio (AVA/AAL)	88.20%	96.54%	96.47%	95.21%	95.38%	94.37%	87.03%	88.00%	85.89%	81.64%