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, 2007

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, 2007

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ANNE ARUNDEL COUNTY
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April 29, 2008

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, 2007. 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, the System took several steps to improve results and minimize risk. Early in the year, 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, evaluated the performance of investment managers and made changes where appropriate. In aggregate, these changes have had a positive impact on the System's funding status. 2006's changes combined with prior improvements led the System to earn 13.3% for 2006, which ranked in the top 40% of Public Funds tracked by the System's consultant. This brought the System's 3-year average return to 10.4%.

In 2007, the Anne Arundel County Retirement and Pension System embarked on several portfolio restructuring initiatives. Principally, 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 US domiciled assets by 5%, implicitly diversifying out of the System's overweight to the US 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.

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, 2007 were 93.6%, 96.2%, 95.7% and 83.7%, 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, 2007 were 10.8%, 10.3%, 10.9% and 10.4%, 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 9.3%, 9.3%, 9.2%, and 8.9%, respectively.

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 (Clifton Gunderson 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 2007.

Independent Audit

The System is audited annually. For the year ended December 31, 2007, Clifton Gunderson 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, 2007, 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. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the Anne Arundel County Retirement and Pension System for its comprehensive annual financial report for the year ended December 31, 2006. This report is being sent to the Board of Trustees and other interested parties.

Sincerely,

William R. Brown, Jr.
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Anne Arundel County

Retirement and Pension System

Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

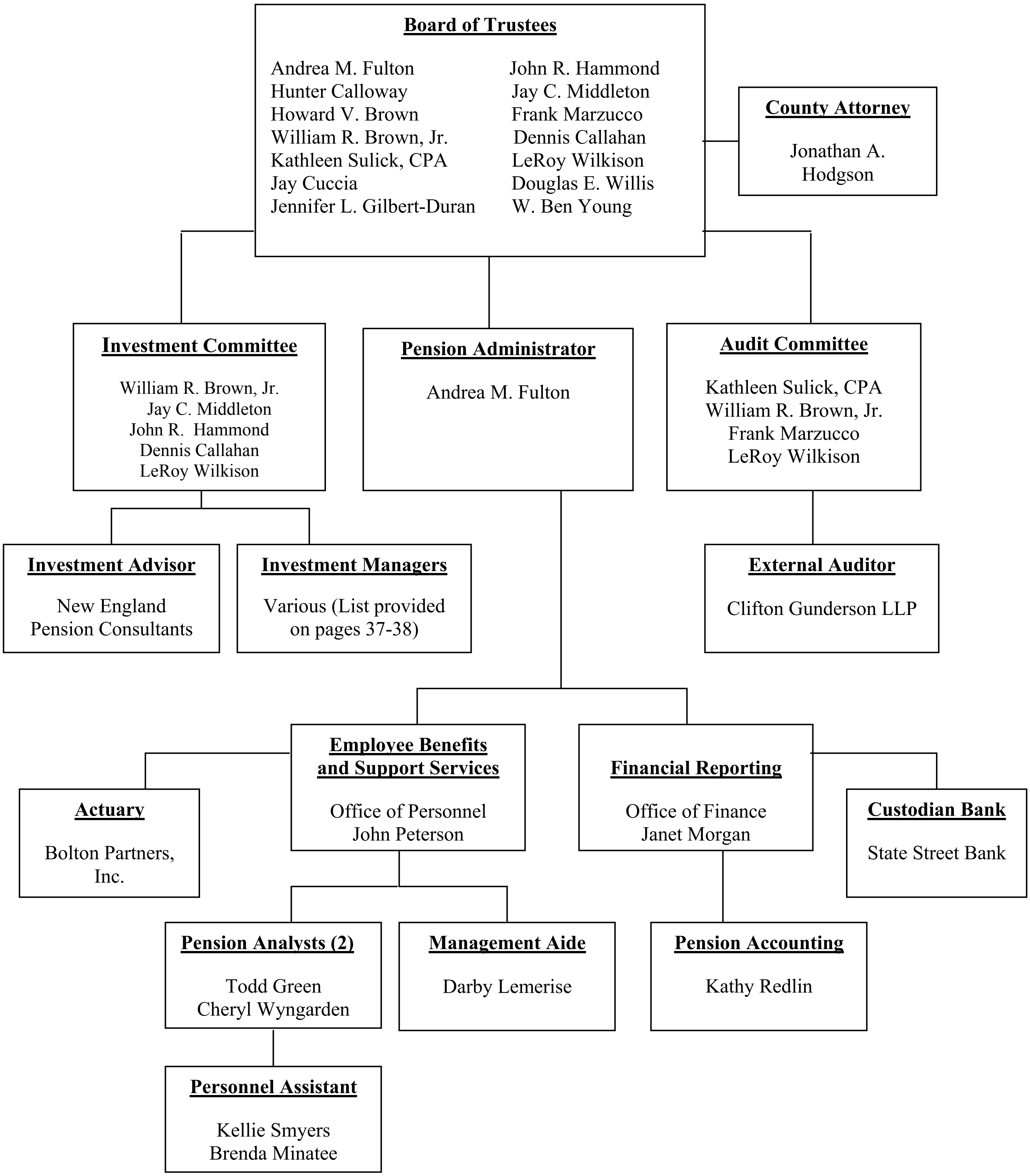
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

Anne Arundel County Retirement and Pension System

Organizational Chart



Financial Section

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2007, 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.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Anne Arundel County Retirement and Pension System as of December 31, 2007, 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 April 29, 2008 on our consideration of Anne Arundel County Retirement and Pension 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 Management's Discussion and Analysis and Supplemental Schedules of Funding Progress for Single Employer Defined Benefit Pension Plans and Employer Contributions as referenced in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory, Investment, Actuarial and Statistical Sections, as well as the schedule of administrative expenses, schedule of investment expense and schedule of payments to consultants are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of administrative expenses, schedule of investment expenses and schedule of payments to consultants have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial and Statistical Sections 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.

Clifton Gunderson LLP

Baltimore, Maryland
April 29, 2008

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2007 and have issued our report thereon dated April 29, 2008. 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

In planning and performing our audit, we considered Anne Arundel County Retirement and Pension System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in a normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anne Arundel County Retirement and Pension 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.

Clifton Gunderson LLP

Baltimore, Maryland
April 29, 2008

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, 2007. 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, 2006 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 by $121.9 million in 2007. This resulted from investment gains of $143.6 million and contributions totaling $45.5 million. Gains were reduced by benefit payments that totaled $65.8 million and various administrative expenses of $1.5 million. The change in total Plan net assets of $121.9 compares to a $145.5 million increase of net assets in 2006. Investment returns had the greatest impact on the changes. The 2007 total return of 11.1% compares to 13.3% for 2006; either of which significantly outperforms the system's actuarial investment earnings assumptions of 8.0%. Also, overall contributions increased $2.3 million or 5.3%, while benefit payments increased by the larger amounts of $12.7 million or 23.9%.

The System paid $65.8 million in benefits in 2007, compared to $53.1 million paid in 2006. The increase of $12.7 million was due in part to the annual cost of living adjustments and an increase of retirees and beneficiaries. Participant and employer contributions during 2007 totaled $45.5 million. Of this total, employer contributions of $36.3 million were $2.0 million higher than in 2006.

Employee's Retirement Plan - In 2007 net assets increased by $45.1 million, an increase of 9.3%. The net gain resulted from employer and participant contributions of $16.2 million and net investment gains of $52.3 million. Benefit payments and various administrative expenses reduced the gains by $23.3 million. Benefit payments outpaced contributions by $6.6 million but was easily offset by investment earnings.

Police Service Retirement Plan - In 2007 net assets increased by $33.5 million, or 8.0%. The gain resulted from employer and participant contributions of $12.0 million and net investment gains of $42.9 million. Benefit payments and various administrative expenses reduced the gains by $21.5 million. Benefit payments increased 34.3% over 2006 due to the increase in the Deferred Retirement Option Program (DROP) payments from $2.4 million to $4.5 million. The $12.0 million of contributions was $9.0 million less than benefit payments which is made up by investment earnings.

Fire Service Retirement Plan - In 2007 net assets increased by $34.2 million, an 8.7% increase. The gain resulted from employer and participant contributions of $12.9 million and net investment gains of $41.1 million. Benefit payments and various administrative expenses reduced the gains by $19.7 million. This Plan is also impacted by DROP, albeit less dramatically. Of $19.3 million total benefit payments, $6.8 million were attributable to DROP compared with $4.6 in 2006. The contribution shortage was $6.5 million with ample investment earnings to offset the difference.

Detention Officers' and Deputy Sheriffs' Retirement Plan - In 2007 net assets increased by $9.1 million, or 13.0%. The gain resulted from employer and participant contributions of $4.5 million and net investment gains of $7.3 million. Benefit payments and various administrative expenses reduced the gains by $2.7 million. This Plan had the largest percentage asset gain because its contribution level is greater than its benefit payments.

Overview of the Basic Financial Statements

In this financial report, the basic financial statements consist of the Statement of Plan Net Assets and the 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, 2007 with combined comparative information as of December 31, 2006. The 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 equal, netting to no additional 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 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 2007 and 2006.

Condensed Statement of Plan Net Assets (in millions)

	December 2007	December 2006	Change in Dollars	Percentage change
Assets				
Cash and short-term investments	$ 56.7	$ 129.2	$ (72.5)	(56.1) %
Securities lending collateral	154.5	119.6	34.9	29.2 %
Receivables	9.2	155.9	(146.7)	(94.1) %
Investments, at fair value	1,472.3	1,283.7	188.6	14.7 %
Total assets	1,692.7	1,688.4	4.3	00.3 %
Liabilities				
Investments settlements and other	49.0	201.5	(152.5)	(75.7) %
Securities lending obligations	154.5	119.6	34.9	29.2 %
Total liabilities	203.5	321.1	(117.6)	(36.6) %
Net assets available for benefits	**$ 1,489.2**	**$ 1,367.3**	**$ 121.9**	**8.9 %**

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

	December 2007	December 2006	Change in Dollars	Percentage change
Additions				
Employer contributions	$36.3	$34.3	$ 2.0	5.8%
Participant contributions	9.2	8.9	0.3	3.4%
Investment income	143.6	156.7	(13.1)	(8.4%)
Total additions	189.1	199.9	(10.8)	(5.4%)
Deductions				
Benefit payments and refunds	65.7	53.0	12.7	24.0%
Administrative expenses	1.5	1.4	0.1	7.1%
Total deductions	67.2	54.4	12.8	23.5%
Net change in net assets	121.9	145.5		
Net assets available, Jan. 1	1,367.3	1,221.8		
Net assets available, Dec. 31	$ 1,489.2	$ 1,367.3		

The System's net assets increased $121.9 million or 8.9% during 2007. The primary source was investment income of $143.6 million. The total 2007 contributions of $45.5 million were less than the $67.2 million paid in benefits and administrative expenses. Investment returns were driven by thriving equity markets for the first three quarters of the year. The pullback in the fourth quarter resulted in total investment gain of 11.2%.

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	2007 Percent of Investments	2006 Percent of Investments	2007 Annual Investment Return	2006 Annual Investment Return
Cash & cash equivalents	3.7%	2.2%	5.4%	4.8 %
Domestic equity	34.6	38.8	10.3	11.9
International equity pools	12.5	16.2	9.1	28.5
Int'l. emerging market equity	5.5	6.3	50.6	36.9
Domestic fixed income	18.7	19.6	4.7	5.1
Global fixed income	8.6	4.4	15.4	7.3
Private equity	1.0	0.4	23.5	0.4
Real Estate	5.0	4.7	17.7	14.8
Stable value pooled investments	2.6	3.1	7.5	6.8
Absolute return	4.8	4.3	6.0	8.4
Portable Alpha	3.2	0	N/A	N/A
Totals	100.0%	100.0%		

The System's funding objective 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 that objective. A higher funded ratio indicates that the Plan is better funded. As of December 31, 2007 and 2006 the funded ratios were 94.4% and 95.4%, respectively. The ratio decline is the result of actuarial assumption changes discussed in the Notes to Required Supplementary Information.

The System paid $65.8 million in retirement benefits and refunds to 2,137 participants and beneficiaries during 2007, compared to $53.1 million in 2006 to 1,985 persons. This reflects an average of $30,769 per person in 2007, compared to an average of $26,727 in 2006.

The System received $9.2 million in monthly contributions from 3,961 active participants during 2007. In 2006, $8.9 million was received from 4,004 active participants. The employer contributions were $36.3 in 2007, compared to $34.3 million in 2006. Employer contributions for the calendar year are based on the prior year 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 annual required contribution for 2007. Administrative costs for 2007 were approximately $1.5 million for 6,482 participants or an average cost of $226 per person. This was a 2.6% increase in administrative costs from 2006 of $1.4 million for 6,388 participants, an average of $224 per person.

Overall Analysis of Financial Position

The financial position of the System is stable as noted, by the increase in total System Net Assets of $121.9 million, coupled with a stable funded ratio of 94.4%.

Promulgations by the Governmental Accounting Standards Board require Management to include descriptions of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (additions and deductions). In that regard there have been no major incidents that are expected to have a major impact on the Systems financial position.

Requests for information

This Comprehensive Annual Financial Report provides a general overview of the System's finances. 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, 2007 (with December 31, 2006 Combined Comparative Totals)

	Employees' Retirement Plan	*Police Service Retirement Plan*	*Fire Service Retirement Plan*	*Detention Officers' and Deputy Sheriffs' Retirement Plan*	*2007 Combined Total*	*2006 Combined Comparative Total*
ASSETS						
Investments at market value:						
Cash and temporary investments	$ 20,121,357	$ 17,212,396	$ 16,416,324	$ 2,971,963	$ 56,722,040	$ 129,179,624
U. S. Government obligations	7,951,995	6,802,369	6,378,358	1,174,525	22,307,247	24,462,735
Corporate obligations	67,569,595	57,801,004	54,198,108	9,980,159	189,548,866	175,953,309
Fixed income mutual funds (pools)	26,341,755	22,533,506	21,128,931	3,890,728	73,894,920	69,488,714
International fixed income pools	47,021,688	40,223,724	37,716,469	6,945,193	131,907,074	468,195
Domestic equity	188,386,385	161,151,210	151,106,212	27,825,029	528,468,836	492,538,536
Domestic equity pools	-	-	-	-	-	40,206,520
International equity investment pools	97,249,101	83,189,718	78,004,274	14,363,878	272,806,971	309,360,506
Real estate investment pools	26,937,664	23,043,264	21,606,913	3,978,744	75,566,585	64,805,049
Private markets	5,865,914	5,017,874	4,705,096	866,407	16,455,291	5,496,453
Aetna insurance pooled fixed income	14,190,233	12,138,739	11,382,098	2,095,924	39,806,994	42,064,903
Absolute Return funds	25,754,071	22,030,784	20,657,545	3,803,926	72,246,326	58,719,391
Portable Alpha	17,479,648	14,952,601	14,020,564	2,581,777	49,034,590	-
Total investments	544,869,406	466,097,189	437,320,892	80,478,253	1,528,765,740	1,412,743,935
Collateral from securities lending transactions:	55,073,965	47,111,876	44,175,263	8,134,530	154,495,634	119,560,341
Receivables:						
Employer contributions	1,033,253	814,753	932,843	296,426	3,077,275	2,978,898
Participant contributions	341,397	139,263	152,838	70,427	703,925	704,156
Accrued interest and dividends	1,547,364	1,323,658	1,241,153	228,548	4,340,723	3,660,813
Investment sales proceeds	393,916	336,967	315,963	58,182	1,105,028	148,545,169
Total receivables	3,315,930	2,614,641	2,642,797	653,583	9,226,951	155,889,036
Deposits on hand	13,204	138,134	57,638	-	208,976	224,075
Total assets	603,272,505	515,961,840	484,196,590	89,266,366	1,692,697,301	1,688,417,387
LIABILITIES						
Accounts payable	539,526	461,526	432,758	79,689	1,513,499	1,001,552
Investment commitments payable	16,931,860	14,484,008	13,581,179	2,500,868	47,497,915	200,551,865
Obligation for collaterial received under securities lending transactions	55,073,965	47,111,876	44,175,263	8,134,530	154,495,634	119,560,341
Total liabilities	72,545,351	62,057,410	58,189,200	10,715,087	203,507,048	321,113,758
Net assets held in trust for pension benefits	**$ 530,727,154**	**$ 453,904,430**	**$ 426,007,390**	**$ 78,551,279**	**$ 1,489,190,253**	**$ 1,367,303,629**

(Schedule of funding progress for each Plan is presented on page 23)

Anne Arundel County Retirement and Pension System
Combining Statement of Changes in Plan Net Assets
For the Year Ended December 31, 2007 (with December 31, 2006 Combined Comparative Totals)

	Employees' Retirement Plan	*Police Service Retirement Plan*	*Fire Service Retirement Plan*	*Detention Officers' and Deputy Sheriffs' Retirement Plan*	*2007 Combined Total*	*2006 Combined Comparative Total*
ADDITIONS						
Contributions						
Employer	$ 11,778,948	$ 9,997,308	$ 10,959,888	$ 3,600,894	$ 36,337,038	$ 34,310,322
Participants	4,412,061	2,005,960	1,889,083	881,978	9,189,082	8,904,172
Total contributions	16,191,009	12,003,268	12,848,971	4,482,872	45,526,120	43,214,494
Investment income						
Net appreciation in market value of investments	34,735,989	29,831,882	28,041,074	5,028,155	97,637,100	112,901,653
Interest income	9,051,734	5,845,771	6,190,628	1,021,623	22,109,756	21,428,256
Dividend income	10,628,491	9,126,285	8,545,125	1,549,767	29,849,668	27,491,160
Income from investment activities	54,416,214	44,803,938	42,776,827	7,599,545	149,596,524	161,821,069
Less investment expense	2,299,395	1,996,437	1,819,144	329,365	6,444,341	5,282,968
Net income from investing activities	52,116,819	42,807,501	40,957,683	7,270,180	143,152,183	156,538,101
Securities lending activities:						
Securities lending income	2,851,665	2,443,645	2,291,199	418,291	8,004,800	5,678,540
Securities lending expenses:						
Borrower rebates	2,633,678	2,256,848	2,116,055	386,316	7,392,897	5,396,359
Management fees	65,431	56,069	52,571	9,598	183,669	84,734
Total securities lending expenses	2,699,109	2,312,917	2,168,626	395,914	7,576,566	5,481,093
Net income from securities lending	152,556	130,728	122,573	22,377	428,234	197,447
Total investment income	52,269,375	42,938,229	41,080,256	7,292,557	143,580,417	156,735,548
Total additions	68,460,384	54,941,497	53,929,227	11,775,429	189,106,537	199,950,042
DEDUCTIONS						
Benefit payments	22,800,104	21,008,831	19,299,469	2,644,842	65,753,246	53,053,968
Administrative expenses	531,801	443,634	415,672	75,560	1,466,667	1,428,838
Total deductions	23,331,905	21,452,465	19,715,141	2,720,402	67,219,913	54,482,806
Net increases	45,128,479	33,489,032	34,214,086	9,055,027	121,886,624	145,467,236
Net assets, January 1, 2007	485,598,675	420,415,398	391,793,304	69,496,252	1,367,303,629	1,221,836,393
Net assets, December 31, 2007	**$ 530,727,154**	**$ 453,904,430**	**$ 426,007,390**	**$ 78,551,279**	**$ 1,489,190,253**	**$ 1,367,303,629**

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.

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. Criteria for pricing such assets include a matrix model using interest rates and discounted cash flows for fixed income instruments and for equity products analysis of income estimates, balance sheet positions, and forward-looking business models. There are no investments in parties 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, 2007 was $1,466,667, of which approximately $530,078 was paid by and reimbursed to the County. 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 *Use of Estimates* - The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and related notes. Actual results could differ from those estimates.

G *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 2006, from which the combined prior year amounts were derived.

The GASB has issued Statement 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. The System covers only pension benefits, therefore non-pension post employment benefits, such as health insurance, are not included in this report. The GASB has also issued Statement 47, *Accounting for Termination Benefits.* The System's Pension Plans do not provide payments for voluntary or involuntary terminations. Information regarding such data is not included in this report. Finally, the GASB has issued Statement 50, *Pension Disclosures*, which will be implemented for calendar year 2008 report.

2 General Description of the System

A Covered Membership - Membership in each plan consisted of the following as of December 31, 2007, 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	1,143	511	364	119	2,137
Terminated Plan members entitled to but not yet receiving payments	260	-	-	16	276
Deferred Retirement Option (DROP)	-	47	61	-	108
Active Plan members	2,284	611	709	357	3,961
Total	3,687	1,169	1,134	492	6,482

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 2007 annual recommended contribution of $11,778,948, 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 2007 annual recommended contribution of $9,997,308, 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 2007 annual recommended contribution of $10,959,888, 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 2007 annual recommended contribution of $3,600,894, 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%.

3 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 4 to the basic financial statements for additional information concerning the System's security lending transactions.)

B *Custodial Credit Risk* - Custodial credit risk is the risk that the System will not be able to recover deposits, 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, 2007 there were no investments that met the criteria. Custodial credit risk for investments is discussed further in Note 4. 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, 2007 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 market 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 $39,245,692 as of December 31, 2007.

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1 year**	**1 to 5**	**6 to 10**	**over 10**
U.S. Treasuries	$ 22,307,247	$ -	$ 9,042,645	$ 1,133,545	$ 12,131,057
Agency/Instrumentalities	67,589,402	110,447	-	808,335	66,670,620
Corporate Bonds	80,702,101	1,562,167	38,626,734	33,036,369	7,476,831
Bond Mutual Funds	73,894,920	5,004,681	68,890,239	-	-
Collateralized Mrtg Obligations	25,038,308	-	-	1,107,491	23,930,817
Other Asset-Backed Securities	8,273,544	35,443	368,845	569,622	7,299,634
Foreign and Yankee Bonds	7,945,511	-	3,212,932	2,799,428	1,933,151
Totals	$ 285,751,033	$ 6,712,738	$ 120,141,395	$ 39,454,790	$ 119,442,110

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 $55,657,518 with call dates ranging from January 1, 2008, for continuously callable issues, to September 25, 2026. Stated call prices are generally at par or reflect premiums as great as 6.19%. There are also securities that do not have a stated call price, but include a "make whole" provision. This allows the issuer to pay off remaining debt but requires a lump sum payment equal to the net present value of future coupon payments that will not be paid due to the call. There are also non-callable holdings with floating interest rates with a market value of $8,518,831.

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. 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	AAA	Aaa	5.71	Corporate Bonds	AAA	Aaa	0.30
"	NR	NR	10.29	"	AA	Aa	0.40
Collateralized Mort. Oblig.	AAA	Aaa	5.00	"	AA	A	0.09
"	AAA	NR	0.80	"	A	Aa	0.27
"	CCC	Caa	0.02	"	A	A	0.62
"	NR	Aaa	0.04	"	A	Baa	0.06
"	NR	B	0.03	"	A	NR	0.03
"	NR	Ca	0.03	"	BBB	Baa	0.30
Other Asset-backed Obligations	AAA	Aaa	1.26	"	BBB	Baa	2.35
"	AAA	NR	0.37	"	BBB	Ba	0.58
"	A	Aaa	0.05	"	BB	Baa	0.37
"	BBB	Baa	0.04	"	BB	Ba	1.58
"	BBB	NR	0.07	"	BB	B	0.71
"	BB	Aa	0.13	"	B	Baa	0.04
"	NR	NR	0.01	"	B	Ba	0.69
Foreign Govt Issued Debt	AAA	Aaa	0.23	"	B	B	7.69
"	A	Aa	0.09	"	B	Ba	0.12
"	A	A	0.04	"	B	Caa	0.83
"	A	NR	0.02	"	B	NR	0.06
"	BBB	A	0.16	"	CCC	B	1.35
"	BBB	Baa	0.41	"	CCC	Caa	0.21
"	BB	NR	0.32	"	NR	Ba	0.08
"	B	B	0.27	"	NR	B	0.22
"	NR	A	0.18	Mutual Funds	B	B	1.18
"	NR	Aa	0.13	"	NR	NR	40.61
"	NR	NR	0.06	Guaranteed Invest Contracts	NR	NR	0.17
				Short Term Investment Pools	NR	NR	13.33
							100.00

F *Foreign Currency Risk* - The investment policy recognizes the value of global diversification. A maximum of 44% 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 reduced to $2,216 Euro in 2007. This compared to a total of $56,784 as of December 31, 2006. International/global equities and fixed income assets totaled $404,714,045 in fair market value, managed in pooled funds.

4 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 these 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, 2007. No income from one STIF was assigned to another STIF by State Street Bank and Trust Company during the year ended December 31, 2007.

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 collateral held and market value of securities on loan for the System as of December 31, 2007 were $154,495,634 and $149,965,401, respectively.

The System did not impose any restrictions during the year on the amount of the loans that the custodian made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the year. 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, 2007, the STIF had an average duration of 40 days and a weighted average maturity of 128 days. 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.

5 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, 2007, the fair value of government mortgage-backed securities was $67,589,402, asset-backed securities was $8,127,971, and CMO's was $25,038,308.

6 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.

Anne Arundel County Retirement and Pension System

Required Supplementary Information

Schedule of Funding Progress for Single Employer Defined Benefit Pension Plans

December 31, 2002 through 2007

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						
2002	335,539,414	372,472,369	36,932,955	90.1	101,172,221	36.5
2003	367,756,502	367,541,352	(215,150)	100.1	100,944,238	-0.2
2004	395,501,876	405,171,824	9,669,948	97.6	103,105,736	9.4
2005	422,234,496	439,232,326	16,997,830	96.1	107,290,189	15.8
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
POLICE SERVICE RETIREMENT PLAN						
2002	281,967,318	318,635,793	36,668,475	88.5	33,459,024	109.6
2003	311,371,499	325,555,840	14,184,341	95.6	31,915,536	44.4
2004	337,113,153	346,154,153	9,041,000	97.4	33,530,370	27.0
2005	360,268,341	376,560,903	16,292,562	95.7	36,694,307	44.4
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
FIRE SERVICE RETIREMENT PLAN						
2002	256,190,269	296,478,237	40,287,968	86.4	32,000,686	125.9
2003	286,763,188	301,900,234	15,137,046	95.0	31,463,220	48.1
2004	313,478,279	326,860,256	13,381,977	95.9	34,871,614	38.4
2005	340,274,675	355,786,396	15,511,721	95.6	38,592,322	40.2
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
DETENTION OFFICERS' AND DEPUTY SHERIFF'S RETIREMENT PLAN						
2002	38,889,689	47,135,488	8,245,799	82.5	14,690,339	56.1
2003	45,710,154	52,889,538	7,179,384	86.4	15,396,361	46.6
2004	52,200,204	60,272,753	8,072,549	86.6	15,355,590	52.6
2005	58,379,332	69,092,726	10,713,394	84.5	16,794,068	63.8
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

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

Anne Arundel County Retirement and Pension System

Required Supplementary Information

Schedule of Employer Contributions

For the Years Ended December 31, 2002 through 2007

For the Year Ended December 31,	***Annual Required Contribution***	***Actual Contribution***	***Percentage Contributed***
EMPLOYEES' RETIREMENT PLAN			
2002	5,529,418	6,102,597	110.37
2003	7,036,915	7,036,915	100.00
2004	8,610,774	8,610,774	100.00
2005	10,013,619	10,015,144	100.02
2006	10,755,168	10,755,168	100.00
2007	11,778,948	11,778,948	100.00
POLICE SERVICE RETIREMENT PLAN			
2002	7,210,144	7,657,091	106.20
2003	8,229,336	8,229,336	100.00
2004	8,834,748	8,834,748	100.00
2005	8,930,263	8,931,530	100.01
2006	9,611,544	9,611,544	100.00
2007	9,997,308	9,997,308	100.00
FIRE SERVICE RETIREMENT PLAN			
2002	6,715,237	7,366,648	109.70
2003	7,991,349	7,991,349	100.00
2004	9,006,192	9,006,192	100.00
2005	10,015,826	10,016,964	100.01
2006	10,481,244	10,481,244	100.00
2007	10,959,888	10,959,888	100.00
DETENTION OFFICERS' AND DEPUTY SHERIFF'S RETIREMENT PLAN			
2002	2,745,288	2,827,281	102.99
2003	3,030,140	3,030,140	100.00
2004	3,072,600	3,072,600	100.00
2005	3,191,433	3,191,610	100.01
2006	3,462,366	3,462,366	100.00
2007	3,600,894	3,600,894	100.00

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, 2007 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, 2007 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.

2 Actuarial Methods and Assumptions

The following table presents the actuarial methods and assumptions used to compute the pension contribution requirements as of the latest actuarial valuation.

	Employees Retirement Plan	**Police Service Retirement Plan**	**Fire Service Retirement Plan**	**Detention Officers' and Deputy Sheriff's Retirement Plan**
Actuarial valuation date	12/31/2007	12/31/2007	12/31/2007	12/31/2007
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. 27-30 yrs average 29 yrs, closed	Remaining amort. per. 27-30 yrs average 27 yrs, closed	Remaining amort. per. 27-30 yrs average 27 yrs, closed	Remaining amort. per. 26-30 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%-6.5%)	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

3 Change in Actuarial Methods and Assumptions

In April 2008 the Board of Trustees approved the following changes in actuarial assumptions. The RP-2000 Blue Collar projected to 2008 mortality table was adopted for all Plans with the pre-retirement rate changed to 70% of the same table. For the Employees Retirement Plan the retirement rates below age 60 were increased, termination rates were increased for age 40 and up, and the disability rate was increased by 10%. For the Police Service Retirement Plan the retirement rate was increased by 10% at 20 years, the female termination rate was reduced to equal the male rates, and disability rates were increased by 70%. In the Fire Service Retirement Plan, retirement rates were lowered by 10% for age 20 and below, 30 years was changed from 100% to 50%, and 30 to 33 years of service was reduced to 50% for all age groups; termination rates were decreased for all females to match those of males and male rates were adjusted by various amounts; the disability rate was increased by 70%; and the salary rate was increased to 7% from 6.5% below age 25. For the Detention Officers' and Deputy Sheriffs' Retirement Plan the termination rate was decreased by 10% for ages 25 and up, disability rate was in creased by 50%, and the salary rate was increased by 25% from age 25. These changes were incorporated into the Actuarial Valuation for December 31, 2007 and are reflected in the Schedule of Funding Progress.

4 Significant Legislative Changes 2000 to 2007

A review of past legislative changes 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%.

Schedule of Administrative Expenses

Personnel Services	
(as of July 1, 2007, Personnel moved to: Miscellaneous Indirect costs paid to County.)	
Staff salaries	$ 148,497
Social security	15,866
Retirement	14,477
Insurance	12,308
	191,148
Professional Services	
Actuarial	265,968
Benefit Payment Processing	44,831
Insurance service fees	31,693
Audit	29,175
Investment consulting fees	377,345
GlobeFlex misc fees	75,655
Legal counsel	80,950
	905,617
Communication	
Telephone	2,205
Travel & meals	2,226
	4,431
Miscellaneous: County paid	
Supplies	8,823
Postage	11,830
Printing	26,119
Bonding & legal services	1,424
Medical evaluations	6,192
Training & memberships	1,095
Indirect costs paid to County	277,502
Other	1,514
	334,499
Miscellaneous: System paid	
Prudential Administration	3,960
Tax withholding expenses	27,012
	30,972
Total Administrative Costs	$ 1,466,667

Schedule of Investment Expenses

Management Fees	
Aetna/ING Investment Mgment	$ 486,348
Bridgewater Associates	86,261
Buckhead Capital	516,158
Chartwell Investment Partners	601,211
Dupont	28,125
Fidelity	189,942
GlobeFlex	386,624
ING "Separate"	456,224
Lazard Asset Management	17,984
Newstone	24,736
Penn Capital	330,398
Management Fees (continued)	
Quellos	67,604
Sands Capital Management	462,121
Southeastern Asset Management	649,502
State Street Global Advisors	441,110
W. R. Huff & Associates	52,971
Wellington Trust Company	358,585
Western Asset Management	325,693
Westwood	538,290
	6,019,887
Custodial Fees	
State Street Bank & Trust	424,454
Total investment expense	$ 6,444,341

Schedule of Payments to Consultants

Company	***Fee***	***Nature of Service***
Aetna	$ 31,693	Insurance Services
ADP	$ 44,831	Benefit Payment Processing
Bolton Partners, Inc.	$ 265,968	Actuarial Services
Clifton Gunderson LLP	$ 29,175	Audit Services
New England Pension Consultants	$ 377,345	Investment Consulting Services
Ober Kaler Grimes & Shriver, LLP	$ 59,553	Legal Services
Other	$ 97,052	Legal Services

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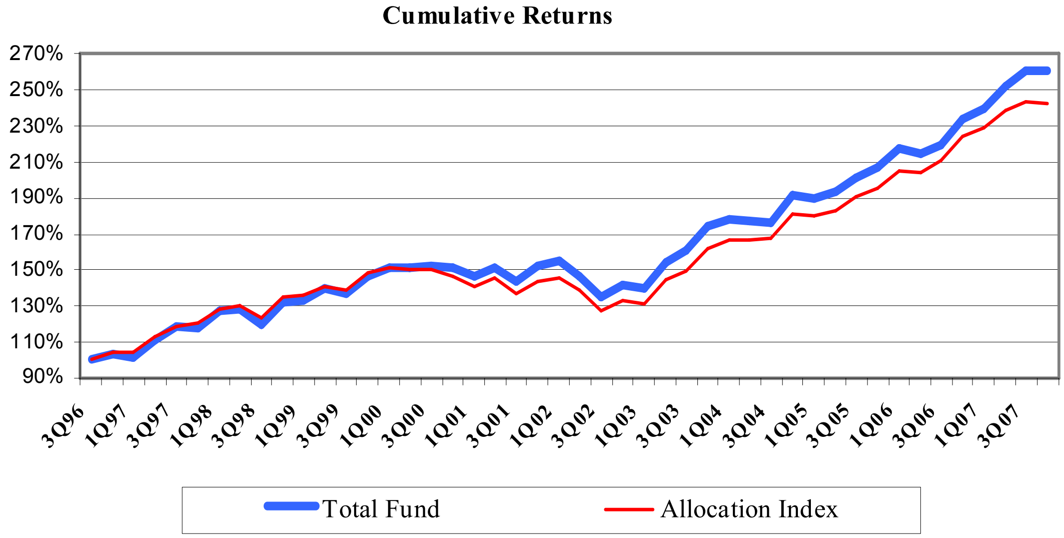
Investment Section

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



Calendar year 2007 was the ninth 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. Notable changes made during 2007 include retaining Bridgewater's All Weather Fund to fill out the Global Asset Allocation; GlobeFlex and State Street Global Advisors in the International space; Gottex in the US Equity space; and HRJ, Newstone, and Quellos III in the Private Equity space.

Market Commentary

2007 represented a tumultuous time for the world financial markets. The DJIA, the S&P 500, and the MSCI World Indexes all corrected during the fourth quarter, caused primarily by ongoing issues in the credit markets and recessionary fears. The Federal Open Market Committee (FOMC) moved aggressively to relieve credit and liquidity pressures in the US economy in the second half of the year, cutting the federal funds target rate a cumulative 100 basis points in successive September, October, and December meetings. Additionally, three unscheduled meetings were held, and additional measures were taken to provide liquidity to the markets and assuage investor concerns.

The dollar continued to tumble against a basket of foreign currencies, sinking to a record low against the Euro and trading at parity against the Canadian currency. Though the dollar's decline was gradual, 2007 levels were significantly off those of 2006, with the US$ having lost 9.8% against the Euro, 6.2% against the Yen, and 1.7% against the U.K. Pound in 2007. While unnerving in many ways, the falling dollar was a boon to some investments, notably the commodities sector, which gained 32.7% for the year.

Despite the chaos, most major indices posted positive year-end returns. Global Equity markets, represented by the MSCI World index, returned 9.0% for the year, and US Equity, represented by the S&P 500 and DJIA returned 5.5% and 8.9%, respectively.

The Anne Arundel County Retirement System was well positioned to take advantage of all of these asset class themes.

U.S. Equity Markets

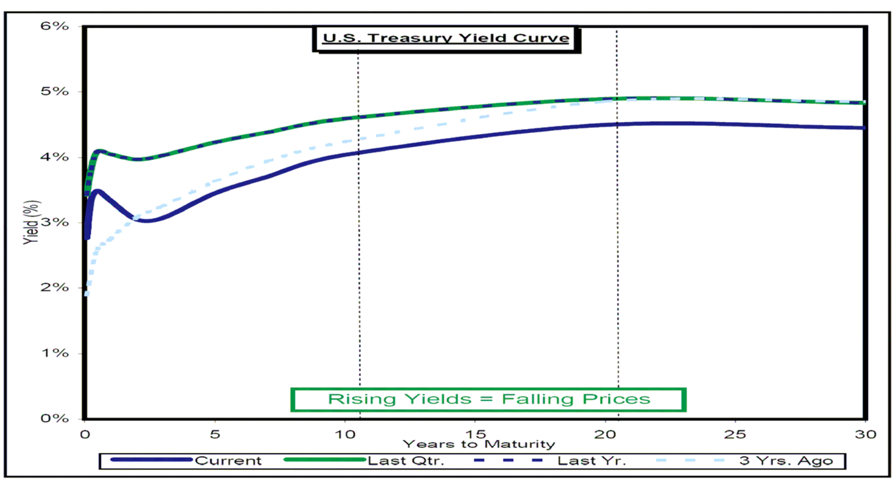
Returns for the year were mixed, as year-end returns struggled to overcome across-the-board negative returns in the fourth quarter. Among the best performers, US Large Cap Growth (Russell 1000 Value Index) which gained 11.8% in 2007 and US Small Cap Growth (Russell 2000 Growth), which returned 7.0% for the year. For the five-year period ending December 31, 2007, all US equity indices had positive returns over the last five years (annualized).

In 2007, Large Cap US Equities outperformed Small Cap US Equities, and Growth outperformed Value (due to the sell-off in the financial sector, which hurt value indices). From a sector perspective, energy and materials had strong performance in 2007, while the financial and consumer discretionary sectors detracted from overall market performance.

Equity Index Returns (12/31/2007)	Quarter	1 Year	3 Yrs	5 Yrs
S&P 500	-3.3%	5.5%	8.6%	12.8%
Dow Jones Industrial Average	-3.9%	8.9%	9.6%	12.2%
NASDAQ Composite	-1.8%	9.8%	6.8%	14.7%
Russell 1000 Growth	-0.8%	11.8%	8.7%	12.1%
Russell 1000 Value	-5.8%	-0.2%	9.3%	14.6%
Russell 2000	-4.6%	-1.5%	6.8%	16.2%
Russell 2000 Growth	-2.1%	7.0%	8.1%	16.5%
Russell 2000 Value	-7.3%	-9.8%	5.3%	15.8%

U.S. Fixed Income Markets

Domestic Fixed income returned 7.0% for the year, as measured by the Lehman Brothers Aggregate Bond Index. Amid increasing expectations for future inflation, Treasury Inflation Protected Securities (TIPS) advanced sharply, outpacing all major fixed income market sectors, returning 11.6% for the year. Interest rates in all major markets remain low by historical measures, suggesting negative real (inflation-adjusted) returns in 2008. With year-over-year CPI at 4.1% in December, real interest rates were negative in the fourth quarter.



International Markets

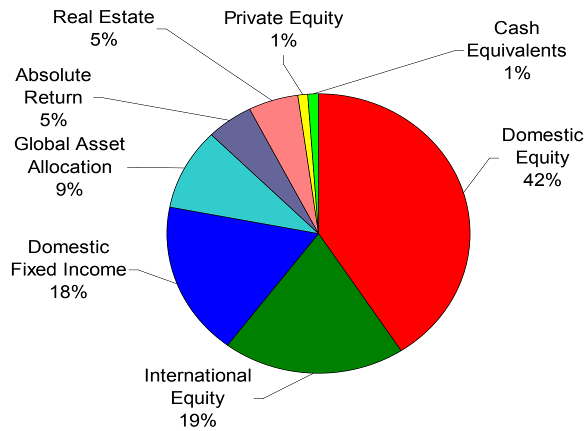
The weakening US dollar continued to play a role in boosting foreign returns for US investors, which was evident in the international developed and emerging stock market returns. The MSCI EAFE index rose 11.2%, while the MSCI Emerging Markets Free Index earned an impressive 39.4%, in US dollar terms. Chinese equities posted a handsome 66.7% gain in 2007, while the export-intensive Asia Pacific region was caught between two worlds, declining 1.5% on lower demand from developed world consumers.

For the year, all sectors of the international markets experienced positive returns, except for the financial sector.

Growth of Assets and Asset Allocation

As of December 31, 2007, the Anne Arundel County Pension System net assets stood at $1.49 billion, up from $1.37 billion at the end of 2006, an increase of $122 million. During the past year, the System experienced a net $32.4 million in cash outflows, and returns on investment netted $152.6 million for the year. At December 31, 2007, the System's assets were in compliance with Policy and were allocated as follows:

12/31/2007 Asset Allocation
(Excludes Cash)



Investment Performance

For the year ending December 31, 2007, the System gained 11.2%, ranking in the 4th percentile of all public funds in the Independent Consultants' Cooperative Universe. Returns for the longer-term periods were quite strong on both an absolute and relative basis. For the 3-year period, the System earned an average annual return of 10.8%, which ranked in the 17th percentile of public funds, and for the 5-year period, the System averaged 13.0% per year, which ranked in the top 26 percent of its peers. Notably, each of these returns exceeded the System's 8% actuarial target. (All performance returns are gross-of-fees and are calculated using the time-weighted rate of return method)

In closing, the System is well-positioned to take advantage of the broad-market themes. NEPC did not recommend any changes to the Plan's 2008 target asset allocation.

The following table summarizes investment holdings as of December 31, 2007 displaying fair market value and percent of the total value compared with the prior year data. The major asset categories listed below exclude cash managed under each strategy. Cash is displayed as a separate category.

	2007		2006	
	Fair Value	Percentage of Total Fair Value	Fair Value	Percentage of Total Fair Value
Cash and temporary investments	$ 56,722,040	3.7	$ 129,179,624	9.1
Domestic fixed income	285,751,033	18.7	269,904,758	19.1
Domestic equity	528,468,836	34.6	532,745,056	37.7
Global fixed income and pools	131,907,074	8.6	468,195	0.1
International equity investment pools	272,806,971	17.9	309,360,506	21.9
Private Markets	16,455,291	1.1	5,496,453	0.4
Real estate investment pools	75,566,585	4.9	64,805,049	4.6
Stable Value Aetna insurance pools	39,806,994	2.6	42,064,903	3.0
Absolute Return funds	72,246,326	4.7	58,719,391	4.1
Portable Alpha	49,034,590	3.2	0	0.0
	$ 1,528,765,740	100.0	$ 1,412,743,935	100.0

Asset Type and Percent of Portfolio at 12/31/07		-----Time Weighted Rate of Return----- Last Year	Last 3 Years	Last 5 Years	Notes
Equity	**57.9%**				
Russell 2000 ® Benchmark		7.0	8.1	16.5	
S&P 500 Benchmark		5.5	8.6	12.8	
Domestic Equity Composite		10.3	9.1	13.8	
S&P Citigroup PMI EPAC		14.2	18.3	22.7	
S&P Citigroup EMI World (ex-US)		7.3	19.3	27.4	
International Equity Composite		9.1	17.2	20.7	
MSCI Emerging Markets Free		39.4	35.2	37.0	
International Emerging Markets Composite		50.6	43.2	40.4	A
Total Equity		**13.1**	**13.6**	**17.3**	
Fixed Income/Stable Value	**21.4%**				
Lehman Bond Aggregate Benchmark		7.0	4.6	4.4	
U.S. Fixed Composite		4.7	4.4	6.2	
Total Fixed Income		**4.7**	**4.4**	**6.2**	
Real Estate (R.E.)	**5.1%**				
Nat'l. Council R.E. Invest. Fiduciaries Benchmark		16.2	17.6	15.2	
Real Estate Composite		17.7	17.9	13.5	
Global Asset Allocation	**8.8%**				
T-Bills + 4%		9.2	8.5	7.2	
65% S&P 500/35% LB Agg		6.1	7.3	9.9	
GAA Composite		15.4	N/A	N/A	B
Absolute Return Funds	**4.9%**				
T-Bills + 4%		9.2	8.5	7.2	
Absolute Return Composite		6.0	7.0	N/A	C
Private Equity Funds	**1.0%**				
Private Equity 11%		11.0	11.0	11.0	
Private Equity Composite		23.5	N/A	N/A	D
Total Alternatives		12.7	11.1	8.9	
Cash Equivalents	**1.0%**				
90 Day T-bills Benchmark		5.0	4.3	3.1	
Cash Account		5.4	4.4	3.2	
Total Fund Composite Return		**11.2**	**10.8**	**13.0**	

Notes: A. Inception first quarter 2002
B. Inception first quarter 2007
C. Inception third quarter 2004
D. Inception fourth quarter 2005

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 – 8.31% per year providing a buffer over the 8.0% actuarially required return.
- Real returns – 4.5% 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 3-7 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	38	28	49
International Equity	18	5	31
Domestic Fixed Income	22	24	30
Private Markets	4	0	4
Absolute Return	5	0	10
Real Estate	5	0	10
Global Asset Allocation (GAA)	8	3	13

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	$ 634,627,368	$ 3,682,600
International equity	175,318,680	576,566
Domestic fixed income	208,364,918	709,062
International fixed income	130,621,211	444,845
Other	136,136,902	*
Private equity	16,705,521	120,465
Real estate	74,287,543	*
Stable value insurance account	108,704,230	486,349
Total Investment Managers' Fees		6,019,887
Other Investment Service Fees:		
Custodial fees		424,454
Total Investment Expenses		$ 6,444,341

*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, 2007 totaled $772,287. Brokerage firms receiving more than $6,000 in fees are listed below.

Brokerage Firms	Fees Paid	Brokerage Firms	Fees Paid
Citigroup Global Markets, Inc.	$ 51,577	Deutsche Bank Securities	$ 16,250
State Street Brokerage Svcs	41,614	Jefferies & Co., Inc.	16,176
Goldman Sachs & Co.	37,313	Credit Suisse Securities (USA)	16,176
Bear Stearns & Co., Inc.	35,636	Sanford C. Bernstein Co.	16,159
Lehman Brothers, Inc.	31,592	Cowen and Company, LLC	15,734
Liquidnet, Inc.	31,469	Morgan Stanley	15,243
Investment Technology Group	28,897	ISI Group	12,770
Merrill Lynch	24,639	Raymond James & Assoc., Inc.	11,613
Knight Securities	24,498	Pacific Crest Securities	10,219
J P Morgan Securities	23,963	B-Trade Services LLC	9,381
UBS Securities LLC	23,282	Morgan Keegan & Co., Inc.	9,169
Capital Institutional Services	20,626	Unx, Inc.	8,771
Cantor Fitzgerald	19,989	CIBC World Markets Corp	7,071
Instinet	19,170	Banc of America Securities LLC	6,747
Jones Trading	17,269	Weeden & Co.	6,635
Stifel Nicolaus & Co., Inc	16,737	Jones & Associates, Inc.	6,585
Banc/Amer Montgomery Div	16,619		

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
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	11% Annualized Compound Return	11% Annualized Compound Return	Private Equity Managers	None
Fidelity Management Trust Co.	International Equity	S&P Citigroup Primary Market Index – ex. U.S.	None	Int'l Established Markets Equity	None
Globeflex	International Developed Market Equity (Growth)	S&P Citigroup BMI World – ex. US - Index	S&P Citigroup BMI World – ex. US - Index	International Developed Equity	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	Private Equity Distressed Debt	11% Annualized Compound Return	11% 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	Lehman Aggregate Bond Index	Lehman Aggregate Bond Index	Core Fixed Income Managers	None
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	91-day T-Bills plus 4% Index	91-day T-bills plus 4% Index	Absolute Return Strategy Managers	Note A
Lexington Partners	Private Equity Secondaries	11% Constant Return	11% Constant Return	Private Equity Managers	None
Mariner Select Ltd Partnership	Absolute Return	91 Day T-Bills plus 4% Index	91 Day 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	Private Equity Distressed Debt	11% Annualized Compound Return	11% Annualized Compound Return	Private Equity Managers	None

Manager Name	Asset Class	Long-term Benchmark	Style Benchmark	Peer Group Universe	Guideline Exemptions
Penn Capital	US High Yield Fixed Income	LB High Yield Index	LB High Yield Index	High Yield Bond Managers	None
Prudential Real Estate Investors	Real Estate	NCRIEF Property Index	NCRIEF Property Index	Real Estate Managers	None
Quellos Private Capital II, LP Quellos Private Capital III, LP	Private Equity Fund of Funds	11% Annualized Compound Return	11% Annualized Compound Return	Private Equity Managers	None
Sands Capital Management	U. S. Large Cap Growth Equity	Russell 1000 Index	Russell 1000 Growth Index	U. S. Large Cap Growth Equity	Note B
Southeastern Asset Management	U.S. Large Cap Value Equity	Russell 1000 Index	Russell 1000 Value Index	U.S. Large Cap Value Equity	Note C
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	Private Equity Mezzanine Debt	11% annualized compound return	11% annualized compound return	Private Equity Managers	None
W.R. Huff Asset Management Co.	High Yield Fixed Income	LB High Yield Index	LB High Yield Index	High Yield Fixed Income Managers	Note D
Wellington Management Company	Global Asset Allocation – Investment Opportunity Fund	S&P Citigroup PMI World – ex. US - Index	65% S&P 500/35% LB Aggregate	Balanced Managers	None
Western Asset Management	Core Fixed Income	Lehman Aggregate Bond Index	Lehman Aggregate Bond Index	Core Fixed Income Managers	Note E
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. Sands may hold up to 12% of their portfolio in any one security.
2. In order to demonstrate sufficient diversification, Sands must hold at least 25 securities in their portfolio.

Note C: 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 D: 1. Up to 7.5% of the portfolio may be invested in a single security (at market).
2. A minimum of 30 securities must be held in the portfolio at all times.
3. For securities held in the Anne Arundel County Pension and Retirement System portfolio, W. R. Huff may own up to 25% of a company’s bond issues across all of their portfolios. If W.R. Huff owns more than this 25% 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.

Note E: 1. Exempt from receiving at least two competitive offers on the same or similar securities prior to purchasing new issue mortgage back securities.

Anne Arundel County Retirement and Pension System

Schedule of Largest Assets Held

December 31, 2007

Largest Stock Holdings (By Fair Value)

Rank	Shares	Company	Fair Value
1	20,300	Google Inc.	$ 14,038,044
2	57,800	Apple Inc.	11,499,024
3	298,300	Walt Disney Co.	9,629,124
4	327,000	Dell Inc.	8,014,770
5	136,000	Telephone + Data Sys Inc.	7,833,600
6	204,200	Microsoft Corp	7,269,520
7	180,000	Chesapeake Energy Corp	7,056,000
8	141,000	Aon Corp.	6,724,290
9	90,000	National Oilwell Varco Inc.	6,611,400
10	54,400	Liberty Media Corp New	6,337,056

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

Largest Bond Holdings (By Fair Value)

Rank	Par	Description	Fair Value
1	30,800,000	FNMA TBA Jan 30 Single Fam 5% due 01/01/38	$ 30,046,845
2	5,100,000	GNMA 1 TBA Jan 30 Single Fam 6% due 01/01/38	5,219,531
3	4,585,000	U S Treasury Notes 4.625% due 07/31/12	4,813,892
4	4,400,000	Fed Home Loan PC Pool G03696 5.5% due 01/01/38	4,389,859
5	3,837,000	U S Treasury Bonds 4.750% due 02/15/37	4,016,260
6	3,730,000	U S Treasury Notes 4.250% due 09/30/12	3,859,967
7	2,620,000	U S Treasury Bonds 5% due 05/15/37	2,851,706
8	2,700,000	Fed Home Loan PC Pool G03698 6% due 12/01/37	2,739,973
9	2,500,000	Fed Home Loan PC Pool G03695 5.5% due 11/01/37	2,494,238
10	2,200,000	FNMA TBA Jan 30 Single Fam 5.5% due 01/01/38	2,196,563

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

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Actuarial Section

April 10, 2008

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, 2008 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, 2009. 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.

These results reflect the assumption changes pursuant to the recently completed experience study.

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.

Sincerely,

BOLTON PARTNERS, INC.

Thomas B. Lowman, FSA

Bolton Partners, Inc.
575 S. Charles Street • Suite 500 • Baltimore, Maryland 21201 • (410) 547-0500 • (800) 394-0263 • fax (410) 685-1924
Actuarial, Benefit and Investment Consultants

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 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 investment return differs from the expected asset return. The method was phased in over a 5-year period beginning with 1994 returns. 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 2008 valuation determines the County contributions due for the fiscal year ending June 30, 2009. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2008 to June 30, 2008) 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. Since cost of living adjustments are effective as of July 1, the retired liabilities of the plan determined as of January 1 for benefits accrued before Bill 88-96 were increased by 1.75% to account for mid year increases. Liabilities for benefits accrued after Bill 88-96 were increased by 1.05% to account for mid year increases.

D. Actuarial Assumptions (Employees' Plan)

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 current benefit each year from retirement.

Other

Mortality	Healthy: RP-2000 Blue Collar Mortality Table projected to 2008 (using Male Scale AA). Disabled: RP-2000 Blue Collar Mortality Table projected to 2008 (using Male Scale AA), set forward nine years.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 10% of disablement is assumed to be duty-related.

Administrative Expenses	$550,000 for FY2009 and $549,000 for FY 2008 (average of actual expenses for the two years preceding the valuation date).

Retirement Rates[1]

Age	Service 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 are loaded by 1.0% to account for future crediting of military service.
Disability Leave	Service credit for benefit formula purposes is increased by 1.5% to account for disability leave which is converted to service credit at retirement.

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.

	Table of Sample Mortality Rates			
	Healthy Mortality		Disabled Mortality	
Attained Age	Males	Females	Males	Females
20	.03%	.02%	.04%	.03%
25	.04	.02	.10	.04
30	.07	.03	.12	.08
35	.10	.05	.15	.12
40	.13	.08	.20	.16
45	.16	.13	.31	.22
50	.21	.17	.64	.38
55	.36	.24	1.24	.82
60	.73	.44	2.14	1.46
65	1.39	.93	3.46	2.50

	Table of Sample Decrement Rates		
	Percentage		
		Withdrawal	
Attained Age	Disablement	Males	Females
20	.026%	12.47%	21.57%
25	.026	9.97	18.12
30	.026	6.78	13.34
35	.040	4.37	9.05
40	.080	3.48	7.48
45	.134	2.40	5.95
50	.216	0.45	1.11
55	.355	0.29	0.71
60	.530	0.00	0.00
64	.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

E. Actuarial Assumptions (Retirement Plan for Appointed and Elected Officials)

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 only used to value the benefits provided by the Retirement Plan for Appointed and Elected Officials which was frozen February 1, 1994. This is a small portion of the Employees' Retirement Plan.

Economic

Investment Return: 8.0% compounded annually net of investment expenses (3.5% inflation and 4.5% real return)

Salary Increases: None. Benefits have been frozen effective February 1, 1994.

Cost of Living: The benefits are assumed to increase by 3.0% of the original benefit each year from retirement.

Other

Mortality: RP-2000 Blue Collar Mortality Table projected to 2008 (using Male Scale AA).

Withdrawal: None.

Disability: None.

Retirement Rates: 100% at age 60. If active with over 16 years of service, the earlier of current age plus 5 years and age 60.

Active Members

Valuation Date	Number	Annual Payroll (Jan. 1 Rate)	Average Annual Pay	% Increase in Average Pay
January 1, 1998	2,318	82,842,730	35,739	(0.2%)
January 1, 1999	2,379	87,089,448	36,608	2.4%
January 1, 2000	2,412	89,714,539	37,195	1.6%
January 1, 2001	2,283	88,927,130	38,952	4.7%
January 1, 2002	2,481	100,417,059	40,474	3.9%
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%

Members With Deferred Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/97 to 12/31/97	58	14	(4)	68
1/1/98 to 12/31/98	68	30	(4)	94
1/1/99 to 12/31/99	94	25	(19)	100
1/1/00 to 12/31/00	100	30	(11)	119
1/1/01 to 12/31/01	119	31	(1)	149
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

Members Receiving Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/97 to 12/31/97	552	47	(26)	573
1/1/98 to 12/31/98	573	51	(19)	604
1/1/99 to 12/31/99	605	47	(28)	624
1/1/00 to 12/31/00	624	64	(10)	678
1/1/01 to 12/31/01	678	56	(30)	704
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

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

[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)
1/1/93	$127,316,645	$26,254,068	$153,570,713	82.9%	$66,236,134	39.6%
1/1/94	146,310,144	26,804,749	173,114,893	84.5%	67,987,153	39.4%
1/1/95[1]	158,437,212	18,728,958	177,166,170	89.4%	72,811,217	25.7%
1/1/96[2]	176,801,858	23,788,900	200,590,758	88.1%	73,841,336	32.2%
1/1/97	214,676,343	24,353,891	239,030,234	89.8%	78,200,977	31.1%
1/1/98[3]	235,935,651	16,452,008	252,387,659	93.5%	82,842,730	19.9%
1/1/99	258,183,198	16,182,891	274,366,089	94.1%	87,089,448	18.6%
1/1/00[4]	282,462,621	15,746,760	298,209,381	94.7%	89,714,539	17.6%
1/1/01[4]	302,805,427	36,506,591	339,312,018	89.2%	88,927,130	41.1%
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[5]	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[6]	492,788,674	23,821,217	516,609,891	95.4%	117,222,681	20.3%
1/1/08[7]	492,788,674	33,552,808	526,341,482	93.6%	117,222,681	28.6%

[1]Revised asset valuation method
[2]Revised plan provisions and actuarial assumptions
[3]Revised actuarial assumptions and 2.5% A&E DB benefit
[4]Revised plan provisions
[5]Revised funding method
[6]Prior to assumption changes
[7]After assumption changes

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.

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 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 60th 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%.
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%

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	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 accrued benefit
- 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 in the CPI for March preceding increase to CPI for March in year preceding increase.
- 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.

<u>Tier Two Members</u>

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 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 60th 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 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 accrued benefit
- 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.

The Anne Arundel County Employees' Retirement Plan

Solvency Test

2001 to 2008

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)
01/01/2001	41,406,031	111,719,124	186,186,863	302,805,427	100%	100%	80.4%
01/01/2002	44,309,682	121,204,179	192,282,764	321,443,897	100%	100%	81.1%
01/01/2003	45,678,833	150,497,365	176,296,171	335,539,414	100%	100%	79.1%
01/01/2004	47,751,449	163,182,780	156,607,123	367,756,502	100%	100%	100.1%
01/01/2005	49,689,830	197,181,410	158,300,584	395,501,876	100%	100%	93.9%
01/01/2006	50,870,066	224,477,149	163,885,111	422,234,496	100%	100%	89.6%
01/01/2007	52,535,798	257,120,315	172,315,517	456,656,849	100%	100%	85.3%
01/01/2008	52,839,596	289,584,191	183,917,695	492,788,674	100%	100%	81.8%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability

The unfunded accrued liability increased from $25,314,781 to $33,552,808. The increase is due to assumption changes pursuant to the recently completed experience study. The funded status decreased from 94.7% to 93.6%

Reasons for Change in Contribution Rates

The employer contribution rate increased from 10.6% for the fiscal year ending June 30, 2008 to 11.4% for the fiscal year ending June 30. 2009. The increase of 0.8% is due to the following reasons:

Pay Increases	0.0%
Investment Loss/(Gain)	-0.5%
New Entrants/Change in Normal cost	0.0%
Plan and/or Assumption Changes	0.8%
Demographics and Other Changes	0.5%
Total	**0.8%**

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 70% cap. Normal retirement was changed to the earlier of 30 years of service or age 60.

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 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 investment return differs from the expected asset return. The method was phased in over a 5-year period beginning with 1994 returns. 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 2008 valuation determines the County contributions due for the fiscal year ending June 30, 2009. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2008 to June 30, 2008) have not been treated as assets in the current valuation.

C. Valuation Procedures

Since cost of living adjustments are effective as of July 1, the retired liabilities of the plan determined as of January 1 for benefits accrued before Bill 88-96 were increased by 1.75% to account for mid year increases. Liabilities for benefits accrued after Bill 88-96 were increased 1.05% to account for mid year increases.

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 original 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 projected to 2008 (by Male Scale AA). Disabled: RP-2000 Blue Collar Mortality Table projected to 2008 (by Male Scale AA), set forward five years.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 75% of disablement is assumed to be duty-related.
Administrative Expenses	$459,000 for FY2009 and $471,000 for FY 2008 (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%

Percentage Married Males – 85%; Females – 85%

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

Military Service Active liabilities 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	.03%	.02%	.03%	.02%
25	.03	.02	.07	.03
30	.07	.03	.10	.05
35	.10	.05	.13	.08
40	.13	.08	.16	.12
45	.16	.12	.21	.17
50	.21	.17	.36	.24
55	.36	.24	.73	.44
60	.73	.44	1.39	.93
65	1.39	.93	2.37	1.65

	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	Average Annual Pay	% Increase in Average Pay
January 1, 1998	629	23,327,935	37,087	(0.60%)
January 1, 1999	653	25,658,546	39,293	5.90%
January 1, 2000	650	26,840,786	41,294	5.10%
January 1, 2001	633	28,535,848	45,080	9.20%
January 1, 2002	637	31,105,473	48,831	8.30%
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%

[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.

Members Receiving Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/97 to 12/31/97	297	20	(11)	306
1/1/98 to 12/31/98	306	18	(6)	318
1/1/99 to 12/31/99	318	15	(2)	331
1/1/00 to 12/31/00	331	31	(7)	355
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

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

[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)
1/1/93	$113,956,307	$18,631,007	$132,587,314	85.9%	$19,199,394	97.0%
1/1/94	129,215,918	19,021,794	148,237,712	87.2%	19,495,610	97.6%
1/1/95[1]	139,659,200	31,572,272	171,231,472	81.6%	21,326,197	148.0%
1/1/96[2]	155,398,630	30,875,191	186,273,821	83.4%	22,058,471	140.0%
1/1/97	17,630,685	31,524,295	206,154,980	84.7%	21,633,977	145.7%
1/1/98[3]	192,151,789	31,510,057	223,661,846	85.9%	23,327,935	135.1%
1/1/99	212,252,477	31,995,957	244,248,434	86.9%	25,658,546	124.7%
1/1/00	235,557,469	32,449,508	268,006,977	87.9%	26,840,786	120.9%
1/1/01[4]	252,149,932	35,868,050	288,017,982	87.5%	28,535,848	125.7%
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[5]	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[6]	417,278,055	15,975,209	433,253,264	96.3%	41,011,366	39.0%
1/1/08[7]	417,278,055	16,389,047	433,667,102	96.2%	41,011,366	40.0%

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

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.

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 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	5% of compensation.
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 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 3.00% interest.
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%.
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%.
Deferred Retirement Option Program (DROP)	Allows accumulation of pension after 20 years of County service. DROP period must be between 3 and 5 years.

The Anne Arundel County Police Service Retirement Plan

Solvency Test

2001 to 2008

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)
01/01/2001	16,460,010	140,990,477	130,567,495	252,149,932	100%	100%	72.5%
01/01/2002	17,063,875	157,661,880	130,272,087	268,703,856	100%	100%	72.1%
01/01/2003	17,905,001	169,590,397	131,140,395	281,967,318	100%	100%	72.0%
01/01/2004	18,600,457	183,863,447	123,091,936	311,371,499	100%	100%	88.5%
01/01/2005	19,504,325	193,958,675	132,691,153	337,113,153	100%	100%	93.2%
01/01/2006	17,307,619	211,322,531	147,930,753	360,268,341	100%	100%	89.0%
01/01/2007	18,309,729	231,512,770	151,875,606	389,877,885	100%	100%	92.2%
01/01/2008	19,041,581	256,380,618	158,244,903	417,278,055	100%	100%	89.6%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability

The unfunded accrued liability increased from $11,820,220 to $16,389,047. The increase is partly due to assumption changes pursuant to the recently completed experience study. The funded status decreased from 97.1% to 96.2%

Reasons for Change in Contribution Rates

The employer contribution rate increased from 25.9% for the fiscal year ending June 30, 2008 to 27.5% for the fiscal year ending June 30. 2009. The increase of 1.6% is due to the following reasons:

Pay Increases	1.2%
Investment Loss/(Gain)	-1.1%
New Entrants/Change in Normal cost	-0.3%
Plan and/or Assumption Changes	1.6%
Expenses	-0.1%
COLA's	-0.2%
Demographics and Other Changes	0.5%
Total	**1.6%**

[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%.

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 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 investment return differs from the expected asset return. The method was phased in over a 5-year period beginning with 1994 returns. 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 2008 valuation determines the County contribution due for the fiscal year ending June 30, 2009. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2008 to June 30, 2008) have not been treated as assets in the current valuation.

C. Valuation Procedures

Since cost of living adjustments are effective as of July 1, the retired liabilities of the plan determined as of January 1 for benefits accrued before Bill 88-96 were increased by 1.75% to account for the mid-year increase. Liabilities for benefits accrued after Bill 88-96 were increased 1.05% to account for the mid-year increase.

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 original 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 projected to 2008 (using Male Scale AA). Disabled: RP-2000 Blue Collar Mortality Table projected to 2008 (using Male Scale AA), set forward five years.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 75% of disablement is assumed to be duty-related.
Administrative Expenses	$436,000 for FY2009 and $444,000 for FY 2008 (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%

Percentage Married Males – 85%; Females – 85%

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

Military Service Active liabilities 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.

Attained Age	Table of Sample Mortality Rates			
	Healthy Mortality		Disabled Mortality	
	Males	Females	Males	Females
20	.03%	.02%	.03%	.02%
25	.03	.02	.07	.03
30	.07	.03	.10	.05
35	.10	.05	.13	.08
40	.13	.08	.16	.12
45	.16	.13	.21	.17
50	.21	.17	.36	.24
55	.36	.24	.73	.44
60	.73	.44	1.39	.93
65	1.39	.93	2.37	1.65

Attained Age	Table of Sample Decrement Rates	
	Percentage	
	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	Average Annual Pay	% Increase in Average Pay
January 1, 1998	588	24,008,491	40,831	8.0%
January 1, 1999	611	24,874,704	40,711	(0.3%)
January 1, 2000	597	25,551,279	42,799	5.1%
January 1, 2001	607	27,373,670	45,097	5.4%
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%

[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.

Members Receiving Benefits

Year	Number at Beginning of Year	Additions	Decreases	Number at End of Year
1/1/97 to 12/31/97	177	11	(1)	187
1/1/98 to 12/31/98	187	12	(5)	194
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

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

[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)
1/1/93	$94,708,110	$21,695,880	$116,403,990	81.4%	$20,147,064	107.7%
1/1/94	105,242,325	22,150,952	127,393,277	82.6%	20,930,014	105.8%
1/1/95[1]	116,229,573	32,918,933	149,148,506	77.9%	22,499,901	146.3%
1/1/96[2]	131,283,387	32,914,231	164,197,618	80.0%	22,476,551	146.4%
1/1/97	149,030,187	33,562,970	182,593,157	81.6%	22,760,946	147.5%
1/1/98[3]	166,272,032	28,978,353	195,250,385	85.2%	24,008,491	120.7%
1/1/99	185,328,626	29,363,810	214,692,436	46.3%	24,874,704	118.0%
1/1/00	207,721,341	29,712,456	237,433,797	87.5%	25,551,279	116.3%
1/1/01[4]	225,133,219	39,498,937	264,632,156	85.1%	27,373,670	144.3%
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[5]	395,884,441	18,467,029	414,351,470	95.5%	43,941,526	42.0%
1/1/08[6]	395,884,441	17,930,646	413,815,087	95.7%	43,941,526	40.8%

[1]Revised asset valuation method and COLA interpretation
[2]Revised plan provisions and actuarial assumptions
[3]Revised actuarial assumptions
[4]Revised plan provision
[5]Prior to assumption changes
[6]After assumption changes

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.

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 highest 3 consecutive years of the last 10 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.

Retirement Date

Normal Retirement: The first of the month coincident with or next following the participant's 50^{th} 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.

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.	

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.

The Anne Arundel County Fire Service Retirement Plan

Solvency Test

2001 to 2008

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)
01/01/2001	18,423,733	80,220,043	165,988,380	225,133,219	100%	100%	76.2%
01/01/2002	17,271,015	89,282,049	174,533,657	241,162,428	100%	100%	77.1%
01/01/2003	17,874,473	100,771,355	177,832,409	256,190,269	100%	100%	77.3%
01/01/2004	18,501,046	114,331,831	169,067,357	286,763,188	100%	100%	91.0%
01/01/2005	19,654,724	126,074,578	181,130,954	313,478,279	100%	100%	92.6%
01/01/2006	20,610,737	139,896,281	195,279,378	340,274,675	100%	100%	92.1%
01/01/2007	16,552,044	163,245,791	203,896,433	368,413,752	100%	100%	92.5%
01/01/2008	18,136,682	199,472,219	196,206,186	395,884,441	100%	100%	90.9%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability

The unfunded accrued liability increased from $15,280,516 to $17,930,646. The increase is partly due to assumption changes pursuant to the recently completed experience study. The funded status decreased from 96.0% to 95.7%

Reasons for Change in Contribution Rates

The employer contribution rate decreased from 25.7% for the fiscal year ending June 30, 2008 to 25.5% for the fiscal year ending June 30. 2009. The decrease of 0.2% is due to the following reasons:

Pay Increases	0.6%
Investment Loss/(Gain)	-0.9%
New Entrants/Change in Normal cost	-1.5%
Plan and/or Assumption Changes	1.0%
COLA's	-0.2%
Prudential Retiree Issue	0.3%
Demographics and Other Changes	0.5%
Total	**-0.2%**

[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[2]
	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.

[2] 1/1/2001 Retroactive DROP date

A. Method Used for Funding Purposes

This valuation was performed using the projected unit credit cost method (adopted July 1, 2003). The contribution equals the sum of the normal cost and the amount necessary to amortize any actuarial gains/(losses) over a 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 investment return differs from the expected asset return. The method was phased in over a 5-year period beginning with 1994 returns.

There is a six-month lag between the valuation and the fiscal year. The 2008 valuation determines the County contribution due for the fiscal year ending June 30, 2009. Contributions made between the valuation date and the beginning of the next fiscal year (January 1, 2008 to June 30, 2008) have not been treated as assets in the current valuation.

C. Valuation Procedures

Since cost of living adjustments are effective as of July 1, the retired liabilities of the plan determined as of January 1 for benefits accrued before Bill 88-96 were increased by 1.75% to account for the mid-year increase. Liabilities for benefits accrued after Bill 88-96 were increased 1.05% to account for the mid-year increase.

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 current benefit each year from retirement.

Other

Mortality	Healthy: RP-2000 Blue Collar Mortality Table projected to 2008 (using Male Scale AA). Disabled: RP-2000 Blue Collar Mortality Table projected to 2008 (using Male Scale AA), set forward five years.
Withdrawal	See Table of Sample Rates.
Disability	See Table of Sample Rates. 75% of disablement is assumed to be duty-related.
Administrative Expenses	$78,000 for FY2009 and $75,000 for FY 2008 (average of actual expenses for the two years preceding the valuation date).

Retirement Rates (Category I)

Annual Rate

Age	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 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%	.04%	.02%
25	.03	.02	.07	.03
30	.07	.03	.10	.05
35	.10	.05	.13	.08
40	.13	.08	.16	.12
45	.16	.13	.21	.17
50	.21	.17	.36	.24
55	.36	.24	.73	.44
60	.73	.44	1.39	.93
65	1.39	.93	2.37	1.65

	Table of Sample Decrement Rates		
	Percentage		
Attained Age	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	Average Annual Pay	% Increase in Average Pay
January 1, 1998	280	8,632,870	30,832	(3.6%)
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%

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

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

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

[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)
1/1/93	$7,777,884	$4,176,385	$11,954,269	65.1%	$4,345,260	96.1%
1/1/94	9,603,702	4,505,576	14,109,278	68.1%	4,958,132	90.9%
1/1/95[1]	11,070,799	4,131,535	15,202,334	72.8%	5,360,094	77.1%
1/1/96[2]	13,072,486	4,505,892	17,578,378	74.4%	5,836,784	77.2%
1/1/97	15,453,183	4,588,055	20,041,238	77.1%	5,790,550	79.2%
1/1/98[3]	18,096,275	4,104,819	22,201,094	81.5%	8,632,870	47.5%
1/1/99	21,543,373	4,152,095	25,695,468	83.8%	9,570,569	43.4%
1/1/00[4]	27,204,448	5,473,313	32,677,761	83.3%	11,893,991	46.0%
1/1/01[4]	31,116,751	5,661,165	36,777,916	84.6%	12,302,830	46.0%
1/1/02	34,742,230	5,711,531	40,453,761	85.9%	13,565,333	42.1%
1/1/03[5]	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[6]	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[7]	74,355,736	13,061,602	87,417,338	85.1%	18,122,458	72.1%
1/1/08[8]	74,355,736	14,439,815	88,795,551	83.7%	18,122,458	79.7%

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

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.

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 highest 3 consecutive years of the last 5 years of compensation.

Eligibility Requirements — Full-time general employees of the County Detention Center occupying the classes of work listed below:

- Detention Officer I, II, III
- Correctional Program Specialist I, II
- Criminal Justice Program Supervisor
- Correctional Facility Administrator
- Assistant Correctional Facility Administrator
- Deputy Sheriff I, II, III, IV

will be eligible to participant in the pension plan upon hire.

Employee Contributions — 5% of compensation.

Retirement Date

Normal Retirement — Category I: The first of the month coincident with or next following the participant's 50^{th} 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 50^{th} 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.

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%.

The Anne Arundel County Detention Officers' and Deputy Sheriffs' Retirement Plan

Solvency Test

2001 to 2008

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)
01/01/2001	4,015,794	11,751,069	21,011,053	31,116,751	100%	100%	73.1%
01/01/2002	4,882,365	13,089,569	22,481,827	34,742,230	100%	100%	74.6%
01/01/2003	5,105,832	14,383,130	27,646,526	38,889,689	100%	100%	70.2%
01/01/2004	5,744,543	17,546,625	29,593,370	45,710,154	100%	100%	75.8%
01/01/2005	6,117,371	22,450,982	31,704,400	52,200,204	100%	100%	74.5%
01/01/2006	6,595,639	26,899,045	35,598,042	58,379,332	100%	100%	69.9%
01/01/2007	7,106,372	30,095,327	38,744,537	66,233,757	100%	100%	74.9%
01/01/2008	7,597,158	38,734,008	42,464,385	74,355,736	100%	100%	66.0%

Analysis of Financial Experience

Reasons for Change in the Unfunded Accrued Liability

The unfunded accrued liability increased from $9,712,479 to $14,439,815. The increase is due in part to assumption changes pursuant to the recently completed experience study. The funded status decreased from 87.2% to 83.7%

Reasons for Change in Contribution Rates

The employer contribution rate increased from 20.5% for the fiscal year ending June 30, 2008 to 22.2% for the fiscal year ending June 30. 2009. The increase of 1.7% is due to the following reasons:

Pay Increases	0.1%
Investment Loss/(Gain)	-0.5%
New Entrants/Change in Normal cost	0.2%
Plan and/or Assumption Changes	1.5%
COLA's	-0.1%
Retiree Data Correction	0.2%
Demographics and Other Changes	0.3%
Total	**1.7%**

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.

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

	1998	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
ADDITIONS										
Contributions:										
Employer	$ 5,493,629	$ 4,419,213	$ 3,632,560	$ 3,242,598	$ 6,102,597	$ 7,036,915	$ 8,610,774	$ 10,015,144	$ 10,755,168	$ 11,778,948
Participant	3,206,215	2,962,992	2,812,900	3,295,023	3,609,997	3,856,604	3,971,341	4,124,898	4,376,510	4,412,061
Total contributions	8,699,844	7,382,205	6,445,460	6,537,621	9,712,594	10,893,519	12,582,115	14,140,042	15,131,678	16,191,009
Total investment income (loss)	34,364,756	43,642,151	10,140,119	85,279	(26,472,412)	69,329,609	36,395,650	28,970,375	55,739,853	52,269,375
Total Additions	43,064,600	51,024,356	16,585,579	6,622,900	(16,759,818)	80,223,128	48,977,765	43,110,417	70,871,531	68,460,384
DEDUCTIONS										
Benefit payments and refunds	9,553,425	8,983,145	9,293,361	10,352,710	11,742,170	13,848,357	15,934,324	17,748,296	19,733,152	22,800,104
Administrative expenses	487,981	488,363	551,801	523,900	520,695	463,779	426,963	458,806	508,917	531,801
Total deductions	10,041,406	9,471,508	9,845,162	10,876,610	12,262,865	14,312,136	16,361,287	18,207,102	20,242,069	23,331,905
Net increases (decreases)	33,023,194	41,552,848	6,740,417	(4,253,710)	(29,022,683)	65,910,992	32,616,478	24,903,315	50,629,462	45,128,479
Net assets, January 1	265,078,568	298,383,489	338,071,733	344,814,821	340,561,111	311,538,428	377,449,420	410,065,898	434,969,213	485,598,675
Transfers	281,727	(1,861,966)	2,671	-	-	-	-	-	-	-
Net assets, December 31	$ 298,383,489	$ 338,074,371	$ 344,814,821	$ 340,561,111	$ 311,538,428	$ 377,449,420	$ 410,065,898	$ 434,969,213	$ 485,598,675	$ 530,727,154

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
ADDITIONS										
Contributions:										
Employer	$ 5,715,154	$ 5,046,836	$ 4,697,078	$ 5,117,827	$ 7,657,091	$ 8,229,336	$ 8,834,748	$ 8,931,530	$ 9,611,544	$ 9,997,308
Participant	1,520,625	1,535,526	1,622,094	1,804,728	1,851,146	1,825,584	1,725,839	1,848,116	1,925,644	2,005,960
Total contributions	7,235,779	6,582,362	6,319,172	6,922,555	9,508,237	10,054,920	10,560,587	10,779,646	11,537,188	12,003,268
Total investment income (loss)	28,866,746	36,936,019	8,610,347	1,250,186	(22,613,492)	59,799,163	31,546,774	25,061,802	48,252,499	42,938,229
Total Additions	36,102,525	43,518,381	14,929,519	8,172,741	(13,105,255)	69,854,083	42,107,361	35,841,448	59,789,687	54,941,497
DEDUCTIONS										
Benefit payments and refunds	6,368,695	6,937,587	10,124,510	9,154,510	9,863,985	11,220,998	11,812,788	13,986,960	15,638,571	21,008,831
Administrative expenses	408,010	410,893	467,089	426,159	460,107	399,045	366,223	401,094	431,925	443,634
Total deductions	6,776,705	7,348,480	10,591,599	9,580,669	10,324,092	11,620,043	12,179,011	14,388,054	16,070,496	21,452,465
Net increases (decreases)	29,325,820	36,169,901	4,337,920	(1,407,928)	(23,429,347)	58,234,040	29,928,350	21,453,394	43,719,191	33,489,032
Net assets, January 1	222,331,249	251,409,878	287,579,779	291,917,698	290,509,770	267,080,423	325,314,463	355,242,813	376,696,207	420,415,398
Transfers	(247,191)	-	-	-	-	-	-	-	-	-
Net assets, December 31	$ 251,409,878	$ 287,579,779	$ 291,917,699	$ 290,509,770	$ 267,080,423	$ 325,314,463	$ 355,242,813	$ 376,696,207	$ 420,415,398	$ 453,904,430

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
ADDITIONS										
Contributions:										
Employer	$ 5,639,603	$ 5,113,857	$ 4,188,007	$ 4,123,841	$ 7,366,648	$ 7,991,349	$ 9,006,192	$ 10,016,964	$ 10,481,244	$ 10,959,888
Participant	1,252,088	1,258,460	1,305,968	1,395,504	1,413,426	1,352,179	1,324,760	1,496,252	1,741,476	1,889,083
Total contributions	6,891,691	6,372,317	5,493,975	5,519,345	8,780,074	9,343,528	10,330,952	11,513,216	12,222,720	12,848,971
Total investment income (loss)	24,580,853	31,858,595	7,468,715	(244,979)	(19,979,206)	53,948,794	28,734,931	23,343,883	44,928,717	41,080,256
Total Additions	31,472,544	38,230,912	12,962,690	5,274,366	(11,199,132)	63,292,322	39,065,883	34,857,099	57,151,437	53,929,227
DEDUCTIONS										
Benefit payments and refunds	4,104,687	4,216,330	5,402,567	5,126,326	5,926,519	6,448,118	8,107,661	9,186,241	15,570,004	19,299,469
Administrative expenses	347,582	353,159	406,193	377,710	400,145	359,046	340,521	364,848	416,838	415,672
Total deductions	4,452,269	4,569,489	5,808,760	5,504,036	6,326,664	6,807,164	8,448,182	9,551,089	15,986,842	19,715,141
Net increases (decreases)	27,020,275	33,661,423	7,153,930	(229,670)	(17,525,796)	56,485,158	30,617,701	25,306,010	41,164,595	34,214,086
Net assets, January 1	188,139,678	215,159,953	248,821,376	255,975,306	255,745,636	238,219,840	294,704,998	325,322,699	350,628,709	391,793,304
Transfers	-	-	-	-	-	-	-	-	-	-
Net assets, December 31	$ 215,159,953	$ 248,821,376	$ 255,975,306	$ 255,745,636	$ 238,219,840	$ 294,704,998	$ 325,322,699	$ 350,628,709	$ 391,793,304	$ 426,007,390

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
ADDITIONS										
Contributions:										
Employer	$ 1,768,337	$ 1,467,997	$ 1,832,275	$ 2,169,465	$ 2,827,281	$ 3,030,140	$ 3,072,600	$ 3,191,610	$ 3,462,366	$ 3,600,894
Participant	463,870	483,249	591,305	627,129	692,972	751,071	771,879	795,363	860,542	881,978
Total contributions	2,232,207	1,951,246	2,423,580	2,796,594	3,520,253	3,781,211	3,844,479	3,986,973	4,322,908	4,482,872
Total investment income (loss)	2,741,774	3,862,966	960,347	(10,969)	(2,895,130)	8,338,642	4,698,719	3,925,218	7,814,479	7,292,557
Total Additions	4,973,981	5,814,212	3,383,927	2,785,625	625,123	12,119,853	8,543,198	7,912,191	12,137,387	11,775,429
DEDUCTIONS										
Benefit payments and refunds	577,702	567,129	776,649	964,092	1,059,063	1,219,336	1,487,245	1,847,932	2,112,241	2,644,842
Administrative expenses	39,035	42,198	53,561	52,855	58,522	55,475	54,396	61,554	71,158	75,560
Total deductions	616,737	609,327	830,210	1,016,947	1,117,585	1,274,811	1,541,641	1,909,486	2,183,399	2,720,402
Net increases (decreases)	4,357,244	5,204,885	2,553,717	1,768,678	(492,462)	10,845,042	7,001,557	6,002,705	9,953,988	9,055,027
Net assets, January 1	20,400,898	24,758,142	31,863,027	34,416,744	36,185,422	35,692,960	46,538,002	53,539,559	59,542,264	69,496,252
Transfers	-	1,900,000	-	-	-	-	-	-	-	-
Net assets, December 31	$ 24,758,142	$ 31,863,027	$ 34,416,744	$ 36,185,422	$ 35,692,960	$ 46,538,002	$ 53,539,559	$ 59,542,264	$ 69,496,252	$ 78,551,279

Anne Arundel County Retirement and Pension System

Schedule of Additions by Source - Employees' Retirement Plan

For the Last Ten Years Ended December 31

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Employer Data										
Contributions	$ 5,493,629	$ 4,419,213	$ 3,632,560	$ 3,242,598	$ 6,102,597	$ 7,036,915	$ 8,610,774	$ 10,015,144	$ 10,755,168	$ 11,778,948
% of Covered Payroll	(6.3)	(4.9)	(4.1)	(3.2)	(6.0)	(7.0)	(8.4)	(9.3)	(9.2)	(10.0)
Participant Data										
Contributions	3,206,215	2,962,992	2,812,900	3,295,023	3,609,997	3,856,604	3,971,341	4,124,898	4,376,510	4,412,061
Total contributions	8,699,844	7,382,205	6,445,460	6,537,621	9,712,594	10,893,519	12,582,115	14,140,042	15,131,678	16,191,009
Total investment income (loss)	34,364,756	43,642,151	10,140,119	85,279	(26,472,412)	69,329,609	36,395,650	28,970,375	55,739,853	52,269,375
Total Additions	$ 43,064,600	$ 51,024,356	$ 16,585,579	$ 6,622,900	$ (16,759,818)	$ 80,223,128	$ 48,977,765	$ 43,110,417	$ 70,871,531	$ 68,460,384

Anne Arundel County Retirement and Pension System

Schedule of Additions by Source - Police Service Retirement Plan

For the Last Ten Years Ended December 31

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Employer Data										
Contributions	$ 5,715,154	$ 5,046,836	$ 4,697,078	$ 5,117,827	$ 7,657,091	$ 8,229,336	$ 8,834,748	$ 8,931,530	$ 9,611,544	$ 9,997,308
% of Covered Payroll	(22.3)	(18.8)	(16.5)	(16.5)	(22.9)	(25.8)	(26.3)	(24.3)	(25.4)	(24.4)
Participant Data										
Contributions	1,520,625	1,535,526	1,622,094	1,804,728	1,851,146	1,825,584	1,725,839	1,848,116	1,925,644	2,005,960
Total contributions	7,235,779	6,582,362	6,319,172	6,922,555	9,508,237	10,054,920	10,560,587	10,779,646	11,537,188	12,003,268
Total investment income (loss)	28,866,746	36,936,019	8,610,347	1,250,186	(22,613,492)	59,799,163	31,546,774	25,061,802	48,252,499	42,938,229
Total Additions	$ 36,102,525	$ 43,518,381	$ 14,929,519	$ 8,172,741	$ (13,105,255)	$ 69,854,083	$ 42,107,361	$ 35,841,448	$ 59,789,687	54,941,497

Anne Arundel County Retirement and Pension System

Schedule of Additions by Source - Fire Service Retirement Plan

For the Last Ten Years Ended December 31

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Employer Data										
Contributions	$ 5,639,603	$ 5,113,857	$ 4,188,007	$ 4,123,841	$ 7,366,648	$ 7,991,349	$ 9,006,192	$ 10,016,964	$ 10,481,244	$ 10,959,888
% of Covered Payroll	(22.7)	(20.0)	(15.3)	(13.5)	(23.0)	(25.4)	(25.8)	(26.0)	(24.1)	(24.9)
Participant Data										
Contributions	1,252,088	1,258,460	1,305,968	1,395,504	1,413,426	1,352,179	1,324,760	1,496,252	1,741,476	1,889,083
Total contributions	6,891,691	6,372,317	5,493,975	5,519,345	8,780,074	9,343,528	10,330,952	11,513,216	12,222,720	12,848,971
Total investment income (loss)	24,580,853	31,858,595	7,468,715	(244,979)	(19,979,206)	53,948,794	28,734,931	23,343,883	44,928,717	41,080,256
Total Additions	$ 31,472,544	$ 38,230,912	$ 12,962,690	$ 5,274,366	$ (11,199,132)	$ 63,292,322	$ 39,065,883	$ 34,857,099	$ 57,151,437	$ 53,929,227

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

	1998	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Employer Data										
Contributions	$ 1,768,337	$ 1,467,997	$ 1,832,275	$ 2,169,465	$ 2,827,281	$ 3,030,140	$ 3,072,600	$ 3,191,610	$ 3,462,366	$ 3,600,894
% of Covered Payroll	(18.5)	(12.3)	(14.9)	(16.0)	(19.2)	(19.7)	(20.0)	(19.0)	(19.9)	(19.9)
Participant Data										
Contributions	463,870	483,249	591,305	627,129	692,972	751,071	771,879	795,363	860,542	881,978
Total contributions	2,232,207	1,951,246	2,423,580	2,796,594	3,520,253	3,781,211	3,844,479	3,986,973	4,322,908	4,482,872
Total investment income (loss)	2,741,774	3,862,966	960,347	(10,969)	(2,895,130)	8,338,642	4,698,719	3,925,218	7,814,479	7,292,557
Total Additions	$ 4,973,981	$ 5,814,212	$ 3,383,927	$ 2,785,625	$ 625,123	$ 12,119,853	$ 8,543,198	$ 7,912,191	$ 12,137,387	$ 11,775,429

Anne Arundel County Retirement and Pension System

Schedule of Expenses by Type - Employees' Retirement Plan

For the Last TenYears Ended December 31

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement Benefits	$ 8,765,363	$ 8,028,263	$ 8,864,300	$ 9,793,487	$ 11,379,642	$ 13,443,700	$ 15,421,929	$ 17,115,761	$ 19,269,278	$ 22,419,239
Refunds	788,062	954,882	429,061	559,223	362,528	404,657	512,394.8	632,535	463,874	380,865
Administrative	487,981	488,363	551,801	523,900	520,695	463,779	426,963	458,806	508,917	531,801
Total Expenses	$ 10,041,406	$ 9,471,508	$ 9,845,162	$ 10,876,610	$ 12,262,865	$ 14,312,136	$ 16,361,287	$ 18,207,102	$ 20,242,069	$ 23,331,905

Anne Arundel County Retirement and Pension System

Schedule of Expenses by Type - Police Service Retirement Plan

For the Last TenYears Ended December 31

	1998	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Retirement Benefits	$ 6,210,984	$ 6,795,381	$ 9,966,015	$ 9,039,098	$ 9,688,203	$ 11,065,345	$ 11,728,309	$ 12,870,535	$ 13,180,043	$ 15,661,838
Refunds	157,711	142,206	158,495	115,412	175,782	155,653	84,479	131,954	67,412	808,927
DROP payments	-	-	-	-	-	-	-	984,471	2,391,116	4,538,066
Administrative	408,010	410,893	467,089	426,159	460,107	399,045	366,223	401,094	431,925	443,634
Total Expenses	$ 6,776,705	$ 7,348,480	$ 10,591,599	$ 9,580,669	$ 10,324,092	$ 11,620,043	$ 12,179,011	$ 14,388,054	$ 16,070,496	$ 21,452,465

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

	1998	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Retirement Benefits	$ 3,960,907	$ 4,188,022	$ 5,315,613	$ 5,124,513	$ 5,892,220	$ 6,317,162	$ 7,511,880	$ 8,460,438	$ 10,464,329	$ 12,059,353
Refunds	143,780	28,308	86,954	1,813	34,299	130,956	595,781	235,129	477,530	455,933
DROP payments	-	-	-	-	-	-	-	490,674	4,628,145	6,784,183
Administrative	347,582	353,159	406,193	377,710	400,145	359,046	340,521	364,848	416,838	415,672
Total Expenses	$ 4,452,269	$ 4,569,489	$ 5,808,760	$ 5,504,036	$ 6,326,664	$ 6,807,164	$ 8,448,182	$ 9,551,089	$ 15,986,842	$ 19,715,141

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

	1998	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Retirement Benefits	$ 553,353	$ 527,494	$ 655,843	$ 862,136	$ 971,137	$ 1,131,705	$ 1,413,696	$ 1,770,524	$ 2,085,412	$ 2,573,235
Refunds	24,349	39,635	120,806	101,956	87,926	87,631	73,549	77,408	26,829	71,607
Administrative	39,035	42,198	53,561	52,855	58,522	55,475	54,396	61,554	71,158	75,560
Total Expenses	$ 616,737	$ 609,327	$ 830,210	$ 1,016,947	$ 1,117,585	$ 1,274,811	$ 1,541,641	$ 1,909,486	$ 2,183,399	$ 2,720,402

Anne Arundel County Retirement and Pension System

Average Benefit Payments

Retirement Effective Dates for the last Seven Fiscal Years Ended June 30, and the Six Months Ended December 31, 2007

	Years of Credited Service						
	0 to 5	**5 to 10**	**10 to 15**	**15 to 20**	**20 to 25**	**25 to 30**	**Over 30**
Retirement Effective Dates							
Period 1/1/2001 to 6/30/2001							
Average monthly benefit	$2,377	$348	$1,315	$1,872	$2,179	$2,184	$3,272
Average final average salary	$32,046	$28,862	$40,347	$48,116	$52,082	$44,227	$72,316
Number of retired members	1	5	10	5	8	6	8
Period 7/1/2001 to 6/30/2002							
Average monthly benefit	$211	$1,022	$1,506	$1,947	$2,409	$2,656	$2,882
Average final average salary	$44,455	$40,319	$41,511	$54,805	$60,046	$56,860	$64,032
Number of retired members	2	7	20	13	14	27	65
Period 7/1/2002 to 6/30/2003							
Average monthly benefit	$830	$1,000	$1,350	$1,558	$2,297	$2,457	$3,145
Average final average salary	$36,924	$48,569	$48,402	$47,012	$56,331	$54,425	$66,167
Number of retired members	3	9	10	15	21	44	59
Period 7/1/2003 to 6/30/2004							
Average monthly benefit	$2,098	$1,274	$1,654	$1,861	$2,497	$2,791	$2,582
Average final average salary	$39,499	$50,748	$43,426	$48,710	$54,650	$59,421	$51,204
Number of retired members	1	14	14	21	35	42	21
Period 7/1/2004 to 6/30/2005							
Average monthly benefit	$2,193	$1,185	$1,779	$2,035	$2,314	$2,540	$2,676
Average final average salary	$42,162	$42,710	$57,082	$53,592	$58,320	$54,447	$57,075
Number of retired members	2	21	15	21	34	33	17
Period 7/1/2005 to 6/30/2006							
Average monthly benefit	$0	$1,162	$1,773	$2,153	$2,292	$3,104	$2,809
Average final average salary	$0	$48,578	$49,651	$56,309	$58,005	$65,823	$62,203
Number of retired members	0	13	16	18	28	20	18
Period 7/1/2006 to 6/30/2007							
Average monthly benefit	$0	$1,229	$1,868	$1,941	$2,908	$2,691	$3,424
Average final average salary	$0	$52,621	$53,287	$52,240	$73,659	$58,090	$71,676
Number of retired members	0	18	21	26	19	33	23
Period 7/1/2007 to 1/1/2008							
Average monthly benefit	$287	$940	$1,600	$1,909	$2,937	$2,935	$3,307
Average final average salary	$44,634	$42,797	$58,873	$59,316	$70,613	$64,354	$68,332
Number of retired members	1	9	5	8	18	19	14

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	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
0 to 4	746	783	657	873	744	650	667	646	739	723
5 to 9	450	407	339	432	373	392	389	447	465	464
10 to 14	479	469	503	450	382	350	296	250	276	288
15 to 19	275	272	295	293	321	377	376	402	318	303
20 to 24	252	270	252	249	239	217	214	211	237	248
25 to 29	149	162	176	202	199	183	193	180	209	182
30 and over	28	49	61	72	57	70	82	89	117	112
Total members	2,379	2,412	2,283	2,571	2,315	2,239	2,217	2,225	2,361	2,320
Average years of service	10.50	10.70	12.00	11.50	11.90	12.26	12.38	12.19	12.39	11.85
Average age	43.60	43.80	44.94	44.83	45.36	45.95	46.22	46.35	45.89	45.98
Average salary	$ 36,608	$ 37,195	$ 38,952	$ 40,474	$ 43,703	$ 45,085	$ 46,507	$ 48,220	$ 49,890	$ 51,655

NOTES:

Data source prior to 2006 is actuarial valuation report based on preliminary information.

Data 2006 to current from Anne Arundel County Office of Personnel's final census.

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	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
0 to 4	218	199	176	172	155	102	121	146	128	156
5 to 9	145	138	128	155	168	185	179	154	161	129
10 to 14	94	117	149	124	146	129	116	109	142	146
15 to 19	91	74	58	71	65	83	108	131	94	119
20 to 24	70	79	83	68	57	40	28	24	32	40
25 to 29	29	33	28	33	29	13	17	18	23	38
30 and over	6	10	11	14	7	3	2	2	7	22
Total members	653	650	633	637	627	555	571	584	587	650
Average years of service	10.10	10.60	11.40	11.50	10.75	10.83	10.67	10.60	12.86	11.48
Average age	35.40	36.00	36.95	37.00	36.48	36.83	36.85	36.76	37.98	37.30
Average salary	$ 39,293	$ 41,294	$ 45,080	$ 48,831	$ 50,722	$ 51,228	$ 51,757	$ 55,693	$ 59,693	$ 63,871

NOTES:

Data source prior to 2006 is actuarial valuation report based on preliminary information.

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	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
0 to 4	102	91	113	91	104	76	168	223	308	298
5 to 9	137	118	84	122	88	90	84	98	80	91
10 to 14	138	132	133	119	113	125	105	80	116	84
15 to 19	53	71	88	108	139	132	123	118	86	104
20 to 24	99	96	81	63	42	33	43	54	86	103
25 to 29	71	76	90	77	62	38	38	38	27	36
30 and over	11	13	18	10	7	2	2	5	14	53
Total members	611	597	607	590	555	496	563	616	717	769
Average years of service	13.20	14.04	14.77	13.90	13.48	12.98	11.41	10.73	12.59	11.59
Average age	37.90	38.71	39.80	39.27	39.11	38.97	37.79	37.17	37.91	38.06
Average salary	$ 40,711	$ 42,799	$ 45,097	$ 48,443	$ 50,710	$ 50,872	$ 49,847	$ 51,305	$ 53,677	$ 57,451

NOTES:

Data source prior to 2006 is actuarial valuation report based on preliminary information.

Data 2006 to current from Anne Arundel County Office of Personnel's final census.

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	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
0 to 4	187	217	209	209	141	121	110	127	89	86
5 to 9	68	80	71	74	137	138	132	130	121	100
10 to 14	23	25	42	46	51	60	60	55	80	104
15 to 19	21	26	26	27	24	19	20	33	47	49
20 to 24	5	10	8	8	15	22	19	15	16	10
25 to 29	1	5	3	4	3	5	5	4	8	8
30 and over	-	-	-	-	-	-	1	1	3	3
Total members	305	363	359	368	371	365	347	365	364	360
Average years of service	4.70	5.50	6.33	6.70	7.30	7.99	8.50	8.36	9.75	9.60
Average age	35.90	38.00	39.38	40.27	41.45	42.03	42.70	42.40	42.18	42.66
Average salary	$ 31,379	$ 32,766	$ 33,922	$ 36,862	$ 39,597	$ 42,182	$ 44,252	$ 46,011	$ 48,467	$ 51,411

NOTES:

Data source prior to 2006 is actuarial valuation report based on preliminary information.

Data 2006 to current from Anne Arundel County Office of Personnel's final census.

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, 2007

	Employees' Retirement Plan	*Police Service Retirement Plan*	*Fire Service Retirement Plan*	*Officers' and Deputy Sheriffs' Retirement Plan*	*Total*
Years of Credited Service					
0-4	723	156	298	86	1,263
5-9	464	129	91	100	784
10-14	288	146	84	104	622
15-19	303	119	104	49	575
20-24	248	40	103	10	401
25-29	182	38	36	8	264
30+	112	22	53	3	190
Total Current Active Members	2,320	650	769	360	4,099
20-24	N/A	11	9	N/A	20
25-29	N/A	12	21	N/A	33
30+	N/A	39	18	N/A	57
Total Current Active DROP Members		62	48		110

Note: Actuarial data for 2007 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 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***
2003	17	23	40
2004	8	13	21
2005	2	5	7
2006	6	11	17
2007	12	5	17
	45	57	102

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, 2007

Age Group	*Normal Retirement*	*Early Retirement*	*Service Connected Disability*	*Non-Service Connected Disability*	*Total*
20-24	-	-	-	-	-
25-29	-	-	-	-	-
30-34	-	-	6	1	7
35-39	3	-	12	-	15
40-44	21	-	32	6	59
45-49	66	-	28	5	99
50-54	201	25	52	9	287
55-59	269	38	32	14	353
60-64	369	18	36	9	432
65-69	331	-	9	7	347
70-74	244	-	3	2	249
75-79	209	-	3	1	213
80-84	128	-	2	1	131
85 & up	74	-	-	-	74
Total Members	1,915	81	215	55	2,266

Anne Arundel County Retirement and Pension System

Active Employees by Plan

Last Ten Fiscal Years Ending June 30

Retirement Plan	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Employees' Retirement Plan	2,024	2,068	2,074	2,143	2,181	2,199	2,132	2,046	2,073	2,117
Police Service Retirement Plan	831	884	886	895	895	1,047	1,037	904	921	923
Fire Service Retirement Plan	634	633	633	643	654	654	675	721	833	833
Detention Officers and Deputy Sheriffs'Retirement Plan	360	404	404	434	434	434	409	408	409	415
Total	3,849	3,989	3,997	4,115	4,164	4,334	4,253	4,079	4,236	4,288

Anne Arundel County Retirement and Pension System

History of Operating Revenues and Expenses

For the Last Ten Years Ended December 31

	1998	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
REVENUES										
Employer Contributions	$ 18,616,723	$ 16,047,903	$ 14,349,920	$ 14,653,731	$ 23,953,617	$ 26,287,740	$ 29,524,314	$ 32,155,248	$ 34,310,322	$ 36,337,038
Participant Contributions	6,442,798	6,240,227	6,332,267	7,122,384	7,567,541	7,785,438	7,793,819	8,264,629	8,904,172	9,189,082
Investment Income	90,554,129	116,299,731	27,179,528	1,079,517	(71,960,240)	191,416,208	101,376,074	81,301,278	156,735,548	143,580,417
Total Revenues	**$ 115,613,650**	**$ 138,587,861**	**$ 47,861,715**	**$ 22,855,632**	**$ (40,439,082)**	**$ 225,489,386**	**$ 138,694,207**	**$ 121,721,155**	**$ 199,950,042**	**189,106,537**
EXPENSES										
Benefits and Refunds	$ 20,604,509	$ 20,704,191	$ 25,597,087	$ 25,597,638	$ 28,591,737	$ 32,736,809	$ 37,342,018	$ 42,769,429	$ 53,053,968	65,753,246
Administrative Expenses	1,282,608	1,294,613	1,478,644	1,380,624	1,439,469	1,277,345	1,188,103	1,286,302	1,428,838	1,466,667
Total Expenses	**$ 21,887,117**	**$ 21,998,804**	**$ 27,075,731**	**$ 26,978,262**	**$ 30,031,206**	**$ 34,014,154**	**$ 38,530,121**	**$ 44,055,731**	**$ 54,482,806**	**67,219,913**
COVERED PAYROLL										
Annual Covered Payroll	**147,193,267**	**154,000,595**	**157,139,478**	**175,636,731**	**181,322,270**	**179,719,295**	**186,863,310**	**199,370,886**	**215,409,364**	**220,298,031**
Total Covered Payroll	$ 147,193,267	$ 154,000,595	$ 157,139,478	$ 175,636,731	$ 181,322,270	$ 179,719,295	$ 186,863,310	$ 199,370,886	$ 215,409,364	$ 220,298,031
Employer Contributions as a Percent of Covered Payroll	**12.65**	**10.42**	**9.13**	**8.34**	**13.21**	**14.63**	**15.80**	**16.13**	**15.93**	**16.49**

Anne Arundel County Retirement and Pension System

History of Plan Net Assets and Liabilities

For the Ten Years Ended December 31

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Net Assets Fair Market Value	$ 789,786,373	$ 906,338,553	$ 927,908,681	$ 923,001,939	$ 852,531,651	$ 1,044,006,884	$ 1,144,170,969	$ 1,221,836,393	$ 1,367,303,629	$ 1,489,190,253
Actuarial Accrued Liability (AAL)	$ 693,500,984	$ 836,327,916	$ 928,740,072	$ 984,334,949	$ 1,034,721,887	$ 1,047,886,964	$ 1,138,458,986	$ 1,240,672,351	$ 1,343,310,239	$ 1,462,619,222
Actuarial Value of Assets	612,455,747	752,945,879	811,205,329	866,052,411	912,586,690	1,011,601,334	1,098,293,512	1,181,256,844	1,281,182,243	1,380,306,906
Unfunded Actuarial Liability (UAL)	$ 81,045,237	$ 83,382,037	$ 117,534,743	$ 118,282,538	$ 122,135,197	$ 36,285,621	$ 40,165,474	$ 59,515,507	$ 62,127,996	$ 74,934,851
Funded Ratio (UAL/AAL)	88.31%	90.03%	87.34%	87.98%	88.20%	96.54%	96.47%	95.21%	95.38%	94.37%