Employees' Retirement System of Baltimore County, Maryland

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Pension Trust Fund of Baltimore County

For the Fiscal Year Ended June 30, 2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE EMPLOYEES' RETIREMENT SYSTEM OF BALTIMORE COUNTY

JULY 1, 2008 TO JUNE 30, 2009

A PENSION
TRUST FUND OF
BALTIMORE COUNTY
MARYLAND

Prepared By:
Office of Budget and Finance

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Employees' Retirement System of Baltimore County, Maryland

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

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

EMPLOYEES' RETIREMENT SYSTEM OF BALTIMORE COUNTY

Letter of Transmittal

The Board of Trustees
Employees' Retirement System of Baltimore County
Towson, Maryland 21204

January 27, 2010

The Comprehensive Annual Financial Report of the Employees' Retirement System of Baltimore County, Maryland (the "System") for the year ended June 30, 2009, is submitted herewith. The System is a Pension Trust Fund included in the financial statements of Baltimore County, Maryland. The System administration is responsible for the accuracy and fairness of the information contained in this report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the plan net assets and changes in plan net assets of the System in conformity with accounting principles generally accepted in the United States of America.

Generally accepted accounting principles require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A may be found immediately following the report of the independent auditors.

Plan History. The System, a defined benefit plan, was established January 1, 1945 by County ordinance. The authority to establish and maintain the System is specified in Section 5-1-101 of the Baltimore County Code. Membership in the System is open to employees in both the classified and unclassified service of Baltimore County, and employees of the Baltimore County Revenue Authority, the Baltimore County Board of Education, the Baltimore County Board of Library Trustees and the Community College of Baltimore County who are not eligible to participate in the Maryland State Retirement and Pension Systems. Direct appointees of the Governor of Maryland, temporary employees and employees for whom there are existing pension provisions are excluded. System membership is compulsory for general County classified employees after two years of service. Immediate membership is mandatory for police officers and firefighters as a condition of employment. Membership is optional for part-time employees.

Benefits and Services Provided. The System provides normal service retirement and discontinued service retirement benefits for members who attain the age and service requirements. Coverage for occupational disability benefits is immediate upon entry into the System. Disability benefits for non-occupational related injury or illness are provided to vested members. Members hired prior to July 1, 2007, are vested after five years of creditable service. Members hired on or after July 1, 2007 are vested after ten years of creditable service. Occupational death benefits are provided upon membership for any member whose death results from an injury occurring in the actual performance of their job. After one year of creditable service, members are also covered for non-occupational related death benefits. Post-retirement allowance adjustments are granted annually to members who have been retired for more than 12 months provided sufficient excess investment earnings exist.

Letter of Transmittal, continued

The System's staff provides benefit counseling to benefit applicants throughout the year. Additionally, the staff makes benefit presentations at new employee orientations.

ECONOMIC ENVIRONMENT

The System had losses of (17.5%) in FY 2009 and (4.5%) in FY 2008 due to weak economic conditions, which included one of the steepest market downturns since the great depression as the US economy slipped into a recession. Unemployment approached 10% and housing prices fell 32% from their peak. The credit crisis spread globally, resulting in the plummeting of both the stock and bond markets. The stock market bottomed on March 9, 2009 and then began a recovery, largely in response to aggressive fiscal and monetary policies.

For actuarial valuation purposes, returns are smoothed over a four-year period. The actuarially determined target investment return is a long-term target and significant deviations from this target can be expected. To help stabilize the County's contributions, the actuarial cost method applied is projected unit credit. The funded status fell from 88.0% as of June 30, 2008 to 80.7% as of June 30, 2009. This decrease was primarily the result of significant investment losses experienced during FY 2009 and FY 2008.

INVESTMENT STRATEGIES

Under the experienced direction of its Board of Trustees, the System plans to continue maximizing investment returns while maintaining an acceptable level of risk. The System will continue to invest assets domestically as well as internationally in an effort to maintain an appropriate balance.

During FY 2009, the Board hired one global asset allocation manager for 5% of the fund and continued to build out the private equity program by committing $5 million each to a Mezzanine Fund, a Secondary Fund and a Distressed Debt Fund. The Board implemented these changes to better meet the System's long-term risk and return objectives.

MAJOR ISSUES AND INITIATIVES

The Board approved the removal of the 14% corridor around the market value of assets to smooth future employer contributions. The Board also reduced the average salary increase assumptions to better reflect projected future salary increases. The average salary increase assumption was reduced from 4.1% to 3.5% for general employees and from 4.7% to 4.5% for public safety employees.

FINANCIAL INFORMATION

Accounting System. The System's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, contributions and investment income are recorded when earned regardless of the date of collection and benefits and other expenses are recorded when liabilities are incurred regardless of when payment is made.

Internal Control. In developing and evaluating the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. Management believes the System's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Letter of Transmittal, continued

Investments. As provided in Article 5, Title 1 of the Baltimore County Code, the Board of Trustees is empowered to invest the System's assets utilizing the "prudent person" standard and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines and the achievement of objectives.

The Board of Trustees has carefully exercised these responsibilities by diversifying the assets into stocks (domestic and foreign), fixed income securities, private equity funds, real estate funds, global asset allocation funds, and hedge fund of funds. The Board of Trustees recognizes that the objective of a sound and prudent policy is to produce investment results which will preserve the System's assets and to maximize the earnings of the System consistent with its long-term needs.

A pension investment consultant has been appointed to advise and consult with the Board of Trustees and the System staff, prepare recommendations on investment policies, investment management structure and asset allocation, and to monitor and evaluate the performance of the investment managers and the asset custodian. For the fiscal year ended June 30, 2009, the System had losses of (17.5%). The System had an annualized loss of (2.6%) over the past three years, and an annualized rate of return 2.0% over the past five years.

Administration. As provided in Section 5-1-238 of the Baltimore County Code, the general administration of the System is vested in the Director of Budget and Finance of Baltimore County. The Director has the responsibility to implement policies of the Board of Trustees as they pertain to the System and to ensure the System operates within the guidelines as set forth in those policies.

Funding. A pension plan is considered adequately funded when sufficient assets are available to meet all expected future obligations to participants. The System funding objective is to meet long-term benefits through annual employer contributions that remain approximately level as a percentage of covered payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that participants are confident that sufficient assets are available to the payment of current and future member benefits. The County's commitment to provide a financially sound retirement plan for its members is illustrated on two schedules contained in the required supplementary information of the Financial Section of this report.

OTHER INFORMATION

Independent Audit. The County has contracted with a firm of independent certified public accountants to audit the System's financial statements. The independent auditors' report is contained herein.

Professional Services. The Board of Trustees has appointed an actuary, a pension investment consultant, an asset custodian, a medical board and thirty-four (34) investment managers to provide services to the System. The list of professionals which provide services to the System is found on pages 7 and 8.

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees' Retirement System of Baltimore County for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the fifteenth consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Letter of Transmittal, continued

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis reflects the combined effort and dedication of the System's staff. On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff who have worked so diligently to assure the successful operation of the System. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and for determining responsible stewardship for the assets of the System.

Respectfully submitted,

Keith Dorsey

Keith Dorsey
Director of Budget and Finance and
Secretary to the Board of Trustees
Employees' Retirement System of Baltimore County

Board of Trustees

Fred Homan County Administrative Officer	County Executive Designee
Keith Dorsey Director of Budget and Finance	Ex-officio Trustee
Joseph H. Zerhusen, Chairman Retiree	Elected by retired membership Four-year term expires November 30, 2012
Theresa Stokes Hill Director of Human Resources	Ex-officio Trustee
James W. Johnson Chief of Police	Ex-officio Trustee
Edward C. Adams, Jr. Director of Public Works	Ex-officio Trustee
Cole B. Weston President, F.O.P. Lodge # 4	Elected by active membership Four-year term expires November 30, 2012
Michael K. Day President, IAFF Local 1311	Elected by active membership Four-year term expires November 30, 2012

The Ex-officio trustees serve by virtue of their position with Baltimore County.

Consultants and Professional Services

Actuary
Buck Consultants
Chicago, Illinois

Pension Investment Consultant
New England Pension Consultants
Cambridge, Massachusetts

Asset Custodian
BNY Mellon
Pittsburgh, Pennsylvania

Auditors
Clifton Gunderson, LLP
Baltimore, Maryland

EDP Consultant
Levi, Ray & Shoup, Inc.
Springfield, Illinois

Medical Board
Rubin Reider, M.D.
Rafael Hernandez, M.D.
Jose Morelos, M.D.

Operational Banking
M & T Bank
Buffalo, New York

Investment Managers

Domestic Equity

Brown Advisory
Baltimore, Maryland

Brown Capital Management
Baltimore, Maryland

Benchmark Plus Mgmt.
Tacoma, Washington

Atlanta Life Investment Advisor
Atlanta, Georgia

Barclays Global Investors
San Francisco, California

Earnest Partners
Atlanta, Georgia

John Hsu Capital Group
New York, New York

Gottex Fund Management
Boston, Massachusetts

Cadence Capital Management
Boston, Massachusetts

Profit Investment Mgmt.
Silver Spring, Maryland

Lynmar Capital Group
Marlton, New Jersey

International Equity

CIBC Asset Management
Toronto Ontario, Canada

Barclays Global Investors
San Francisco, California

LSV Asset Management
Chicago, Illinois

Mondrian Investment Partners
Philadelphia, Pennsylvania

Investment Managers, continued

Fixed Income

Pacific Investment Mgmt. Co.
Newport Beach, California

Reams Asset Management
Columbus, Indiana

Earnest Partners
Atlanta, Georgia

Western Asset Management
Pasadena, California

Private Equity

HarbourVest Partners, Inc.
Boston, Massachusetts

Siguler Guff
New York, New York

Edison Venture Fund
Lawrenceville, New Jersey

Grotech Capital Group
Timonium, Maryland

Mesirow Financial
Chicago, Illinois

Newstone Capital Partners
Los Angeles, California

TCW/Crescent Mezzanine Partners
Los Angeles, California

Paul Capital Partners
San Francisco, California

Real Estate

ING Clarion
New York, New York

Transwestern Investment Co.
Chicago, Illinois

UBS Global Asset Management
Hartford, Connecticut

JP Morgan
New York, New York

Hedge Fund of Funds

EIM Management
New York, New York

Federal Street Partners
Stamford, Connecticut

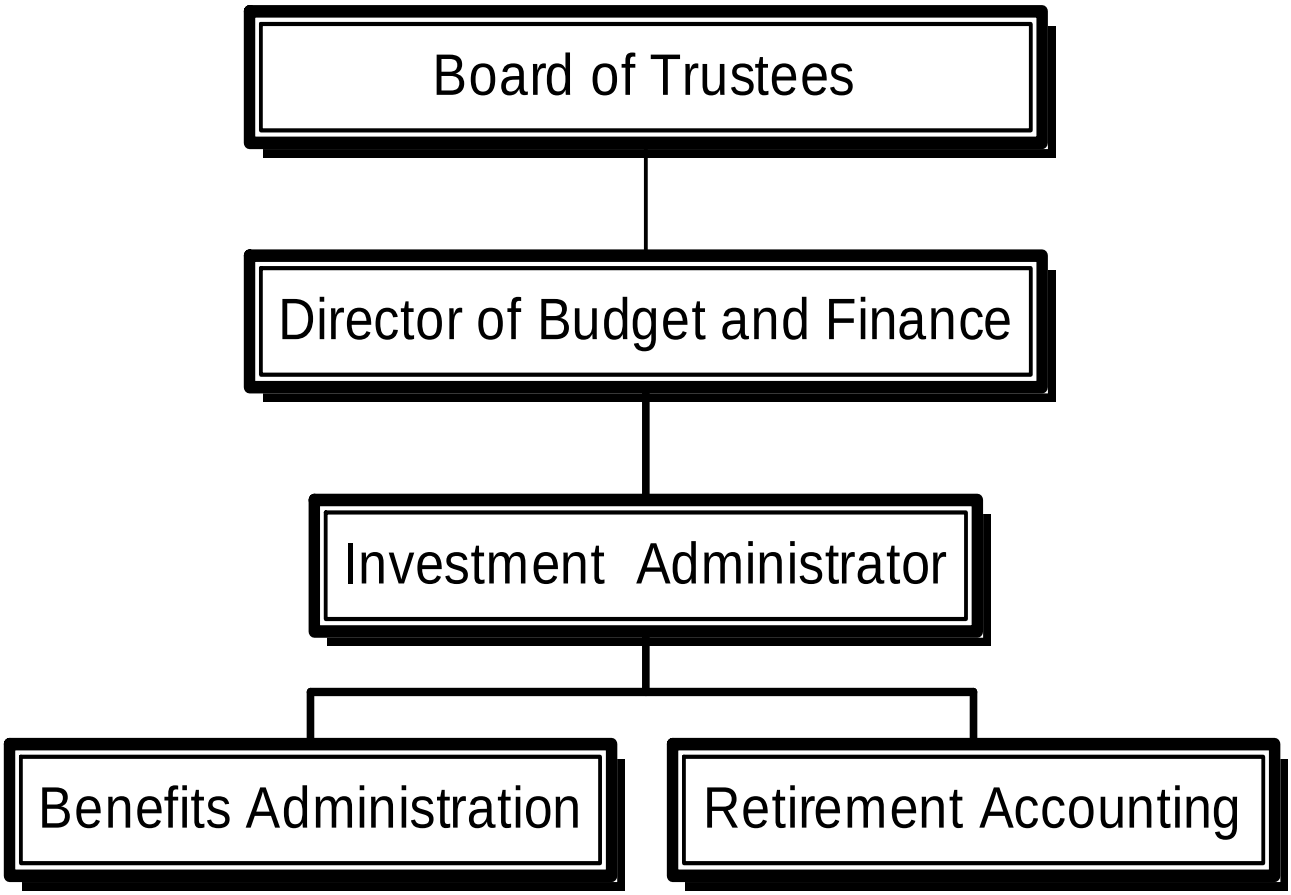
Global Asset Allocation

Bridgewater
Westport, Connecticut

Mellon Capital Mgmt.
San Francisco, California

Wellington Trust Company, NA
Boston, Massachusetts

Administrative Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Honorable County Executive and
Members of County Council
Baltimore County, Maryland

We have audited the accompanying Statement of Plan Net Assets and Statement of Changes in Plan Net Assets of the Employees' Retirement System of Baltimore County, Maryland (the System), as of and for the years ended June 30, 2009 and 2008, 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Employees' Retirement System of Baltimore County, Maryland as of June 30, 2009 and 2008, and the changes in plan net assets for the years 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 January 27, 2010 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Offices in 17 states and Washington, DC

Member of HLB International

The Management's Discussion and Analysis and Supplemental Schedules of Funding Progress and Required Employer Contributions, as listed 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 audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory, Investment, Actuarial and Statistical sections, and the schedules of investment expenses and administrative expenses, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of investment expenses and administrative expenses have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial and Statistical sections 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
January 27, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Employees' Retirement System of Baltimore County (the "System") provides an overview of financial activities for the fiscal years ended June 30, 2009 and 2008. Please read it in conjunction with the transmittal letter in the Introductory Section beginning on page 2 and the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- System net assets at the close of fiscal years 2009 and 2008 were $1.59 billion and $2.06 billion respectively, (reported as total net assets). Total net assets are held in trust to meet future benefit payments of plan participants.

- The System's funding objective is to meet long-term benefit obligations through contributions and investment income. Based on the latest actuarial valuations, as of June 30, 2009 and 2008, the funded ratio was 80.7% and 88.0%, respectively. The decrease is primarily due to the loss on the actuarial accrued liability, the loss on the asset experience and the increase in the appropriation payroll.

- Total additions, net of investment losses decreased 523.6% over the prior year from ($50,583,077) to ($315,410,196). This decrease was due to the System incurring increased investment losses due to very unfavorable market conditions, as the US economy slipped into a recession and the near collapse of the financial system.

- Total deductions increased 9.0% over the prior year from $138,948,904 to $151,409,199. This was largely due to an increase in benefit payments in FY 2009.

THE STATEMENT OF PLAN NET ASSETS AND THE STATEMENT OF CHANGES IN PLAN NET ASSETS

This Comprehensive Annual Financial Report (CAFR) consists of two financial Statements: The Statement of Plan Net Assets (page 18) and the Statement of Changes in Plan Net Assets (page 19). These financial statements report information about the System as a whole, and about its financial condition that should help answer the question: Is the System, as a whole, better or worse off as a result of this year's activities? These statements include all assets and liabilities that are due and payable using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Plan Net Assets presents all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the System's assets available for benefits is improving or deteriorating. The Statement of Changes in Plan Net Assets presents how the System's net assets changed during the most recent fiscal year. These two financial statements should be reviewed along with the Schedule of Funding Progress and Schedule of Employers' Contributions to determine whether the System is becoming financially stronger or weaker and to understand changes over time in the funded status of the System.

FINANCIAL ANALYSIS

Total assets as of June 30, 2009 and 2008 were $1,750,083,159 and $2,485,135,018, respectively, and were comprised of cash, receivables and investments. Total assets decreased 29.6% or $735,051,859 for FY 2009, due to the near collapse of the financial system. Except for fixed income having a modest return of 3.2%, all other asset categories sustained substantial losses with real estate plummeting by (37.0%) and both domestic and international equity portfolio posting losses of (26.0%). Total assets decreased 6.1% or $161,850,257 for FY 2008, due in part to unfavorable market conditions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total liabilities that are due and payable as of June 30, 2009 and 2008 were $155,791,329 and $424,023,793 respectively, and were comprised of payables for investment purchases, investment expenses, and obligations under securities lending. For FY 2009 total liabilities decreased 63.3% or $268,232,464 from the prior year primarily due to a decrease in payables for collateral for loaned securities and payables for investment purchases. For FY 2008 total liabilities increased 7.0% or $27,681,724 from the prior year primarily due to an increase in payables for collateral for loaned securities.

System assets exceeded its due and payable liabilities at the close of fiscal year 2009 and 2008 by $1,594,291,830 and $2,061,111,225, respectively. Fiscal year 2009 total net assets held in trust for pension benefits decreased 22.6% or $466,819,395 from the previous year primarily due to the extreme turmoil and volatility in the credit and equity markets, as investors witnessed the collapse of the real estate bubble, the demise of the investment banking system, and massive deleveraging on the part of hedge funds. In fiscal year 2008, total net assets held in trust for pension benefits decreased 8.4% or $189,531,981 from the previous year primarily due to unfavorable market conditions resulting from the subprime debt affecting the financial sector.

BALTIMORE COUNTY EMPLOYEES' RETIREMENT SYSTEM
PLAN NET ASSETS
AS OF JUNE 30, 2009, 2008 AND 2007
(IN THOUSANDS)

	2009	2008	2007	2009-2008 Total % Change	2008-2007 Total % Change
ASSETS					
Cash and Short Term Investments	$ 35,623	$ 88,274	$ 75,851	(59.6) %	16.4 %
Collateral for Loaned Securities	126,205	246,762	193,370	(48.9)	27.6
Receivables	16,234	76,756	84,620	(78.8)	(9.3)
Investments	1,572,021	2,073,343	2,293,144	(24.2)	(9.6)
Total Assets	1,750,083	2,485,135	2,646,985	(29.6)	(6.1)
LIABILITIES					
Accounts Payable and Other Accrued Liabilities	29,586	177,262	202,972	(83.3)	(12.7)
Obligations Under Securities Lending	126,205	246,762	193,370	(48.9)	27.6
Total Liabilities	155,791	424,024	396,342	(63.3)	7.0
Total Net Assets	$1,594,292	$2,061,111	$2,250,643	(22.6) %	(8.4) %

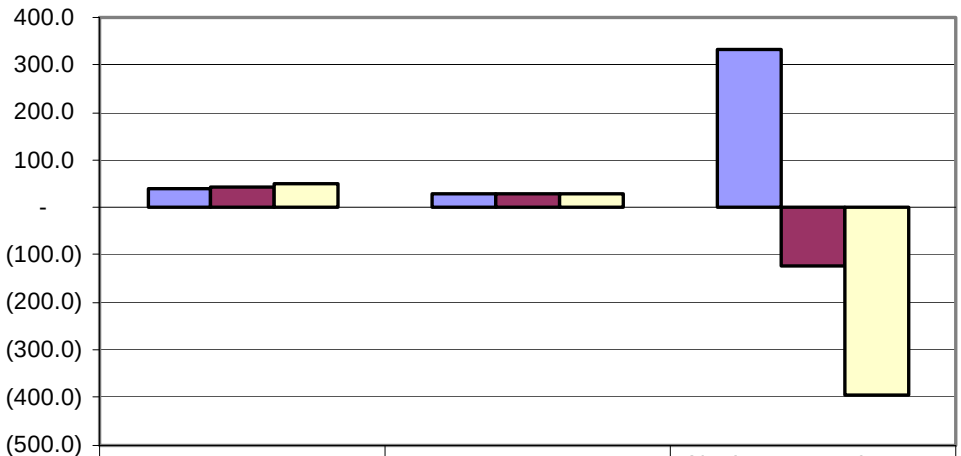
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total additions for FY 2009 decreased 523.5% over FY 2008, due primarily to a decrease in investment income because of the financial crisis and recession in the US economy. Total additions for FY 2008 decreased 112.7% over FY 2007, due primarily to a decrease in investment income. Total deductions for FY 2009 increased 9.0% or $12,460,295 over FY 2008 due to an increase in benefit payments and refunds of contributions. Total deductions for FY 2008 decreased 3.3% or $4,737,254 over FY 2007 due to a decrease in benefit payments.

BALTIMORE COUNTY EMPLOYEES' RETIREMENT SYSTEM
CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008 AND 2007
(IN THOUSANDS)

	2009	2008	2007	2009-2008 Total % Change	2008-2007 Total % Change
ADDITIONS					
Contributions	$ 81,186	$ 74,130	$ 67,838	9.5 %	9.3 %
Investment Income	(397,821)	(125,755)	331,413	(216.3)	(137.9)
Net Income From Security Lending	1,225	1,042	397	17.6	162.5
Total Net Investment Gain (Loss)	(396,596)	(124,713)	331,810	(218.0)	(137.6)
Total Additions	(315,410)	(50,583)	399,648	(523.5)	(112.7)
DEDUCTIONS					
Benefits	147,062	134,991	139,357	8.9	(3.1)
Refunds of Contributions	3,400	2,949	3,263	15.3	(9.6)
Administrative Expenses	947	1,009	1,066	(6.1)	(5.3)
Total Deductions	151,409	138,949	143,686	9.0	(3.3)
Net Increase (Decrease)	(466,819)	(189,532)	255,962	(146.3)	(174.0)
Net Assets Held in Trust for Pension Benefits					
Beginning of Year	2,061,111	2,250,643	1,994,681	(8.4)	12.8
End of Year	$ 1,594,292	$ 2,061,111	$ 2,250,643	(22.6) %	(8.4) %

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



	Employer Contributions	Member contributions	Net Investment Income (Loss)
2007	40.0	27.8	332
2008	44.0	30.0	(125)
2009	50.0	31.0	(397)

REVENUES – ADDITIONS TO PLAN NET ASSETS

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Contributions and net investment income (loss) for fiscal years 2009 and 2008 totaled ($315,410,196) and ($50,583,077), respectively.

Additions decreased for FY 2009 by $264,827,120 from that of the prior year, due primarily to a decrease in the investment income. Additions decreased for FY 2008 by $450,231,471 from that of the prior year, due primarily to a decrease in the investment income. Total employer contributions for FY 2009 increased over FY 2008 by $5,595,329 or 12.7%, while member contributions increased by $1,460,687 or 4.9%. Total employer contributions for FY 2008 increased over FY 2007 by $4,102,211 or 10.2%, while member contributions increased by $2,189,463 or 7.9%. The increase in employer contributions was primarily due to asset experience and other factors including increase in payroll and increase in scheduled accrued liability contributions. For the fiscal years ended 2009 and 2008, the rates of return based on the actuarial value were (19.6%) and 7.5%, respectively.

The total portfolio had losses of (17.5%) for fiscal year ended June 30, 2009, which under-performed the System's performance benchmark of (14.4%). The leading under-performers for FY2009 were real estate investments with losses of (37.0%), U.S. equity and foreign equity investments with losses of (26.8%) and (26.0%) respectively, and private equity investments with losses of (16.8%). Fixed income investments provided the only positive returns of 3.2% to the System.

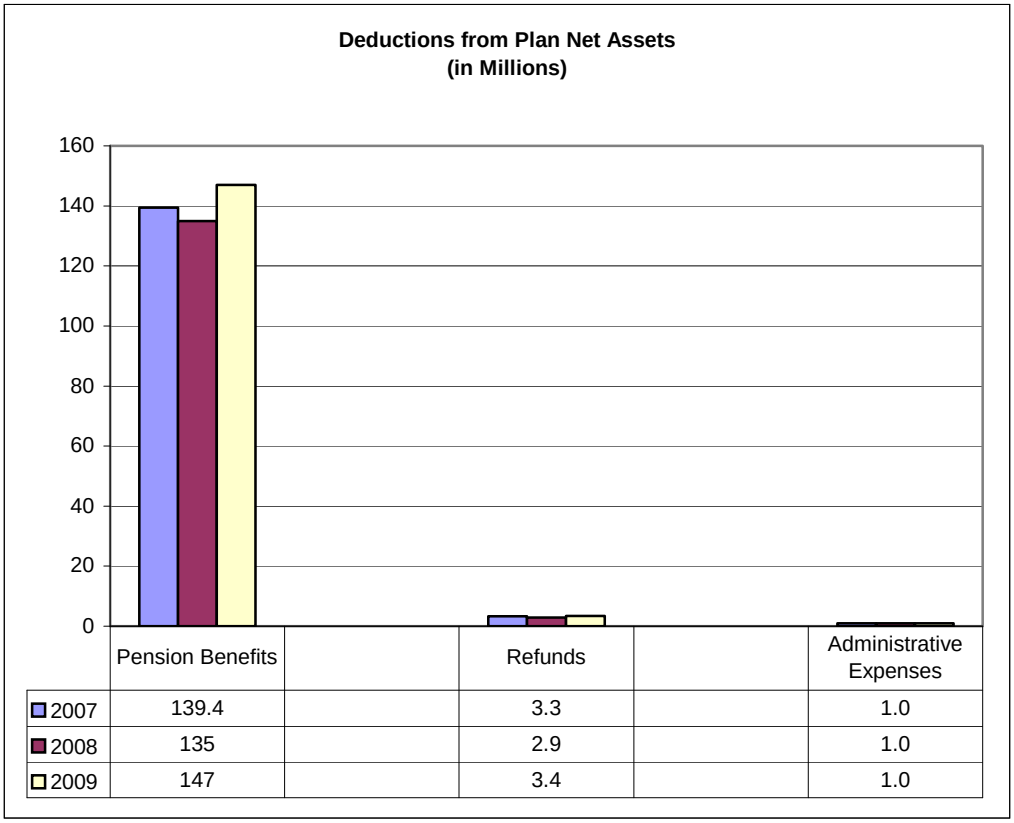
The total portfolio had losses of (4.5%) for fiscal year ended June 30, 2008. This return under-performed the System's performance benchmark of (3.8%). The leading under-performers for FY2008 were U.S. equity and foreign equity investments with losses of (13.2%) and (5.9%) respectively, while private equity investments returned 18.1%, and fixed income investments 4.0% which helped to offset the overall loss to the System.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

EXPENSES – DEDUCTIONS FROM PLAN NET ASSETS

The expenses of the System include pension payments to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total deductions for FY 2009 was $151,409,199, an increase of 9.0% over FY 2008. Total deductions for FY 2008 was $138,948,904 a decrease of 3.3% over FY 2007.

The payment of pension benefits increased by 8.9% or $12,070,850 in FY 2009 from the previous year. The payment of pension benefits decreased by 3.1% or $4,366,032 in FY 2008 from the previous year. The decrease in pension benefit expenditures in FY 2008 resulted from a decrease in drop eligible retirees. The net number of additional retirees was 60 and 49 in FY 2009 and FY 2008, respectively. Administrative expenses for FY 2009 decreased by 6.1% or $61,250 from the previous year and decreased by 5.39% or $57,493 for FY 2008.



	Pension Benefits		Refunds		Administrative Expenses
2007	139.4		3.3		1.0
2008	135		2.9		1.0
2009	147		3.4		1.0

RETIREMENT SYSTEM AS A WHOLE

As a result of the financial crisis and the recession experienced by the U.S. economy, total net assets decreased by $467 million in FY 2009. The System's funding ratio, as determined by the County's actuary, was 80.7% at June 30, 2009 and 88.0% at June 30, 2008. The Board continues to utilize the concepts of prudent investment management, cost controls and strategic planning.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CONTACTING SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Office of Budget and Finance, Room 176, 400 Washington Avenue, Towson, Maryland 21204.

Employees' Retirement System of Baltimore County
Statements of Plan Net Assets
As of June 30, 2009 and 2008

	2009	2008
Assets:		
Cash and short term investments	$ 35,622,644	$ 88,274,264
Collateral for loaned securities	126,205,223	246,762,461
Receivables:		
Accrued interest and dividend income	4,539,048	4,914,551
Receivable for investments sold	11,026,445	71,318,882
Receivables - other	668,381	521,418
Total Receivables	16,233,874	76,754,851
Investments, at fair value		
U.S. Government and agency securities	88,197,841	191,985,868
Foreign bonds	34,157,136	16,809,083
Corporate bonds	143,819,202	180,728,804
Stocks	332,319,650	458,706,660
Bond mutual funds	121,548,717	160,715,460
Stock mutual funds	367,974,695	553,860,943
Real estate equity funds	69,663,222	115,354,208
Hedge funds	89,357,333	106,034,860
Private equity funds	73,867,746	76,779,590
Global Asset Allocation	251,115,876	212,367,966
Total Investments	1,572,021,418	2,073,343,442
Total Assets	1,750,083,159	2,485,135,018
Liabilities:		
Investment expenses payable	2,015,824	2,742,771
Refunds payable	252,180	432,113
Payable for investments purchased	27,201,545	173,977,077
Payable for collateral for loaned securities	126,205,223	246,762,461
Payables - other	116,557	109,371
Total Liabilities	155,791,329	424,023,793
Net Assets Held in Trust for Pension Benefits	$1,594,291,830	$2,061,111,225

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

Employees' Retirement System of Baltimore County
Statements of Changes in Plan Net Assets
for the Years Ended June 30, 2009 and 2008

	2009	2008
Additions		
Contributions:		
Employers	$ 49,762,854	$ 44,167,525
Members	31,422,726	29,962,038
Total contributions	81,185,580	74,129,563
Investment Income/Loss:		
Net change in the fair value of investments	(429,592,199)	(158,309,808)
Interest and dividends	42,317,443	44,908,353
	(387,274,756)	(113,401,455)
Less: Investment expenses	(10,546,119)	(12,353,492)
Investment Loss	(397,820,875)	(125,754,947)
Securities Lending:		
Securities Lending Income	3,255,304	9,594,480
Less:		
Borrower Rebates	(1,528,132)	(8,077,590)
Agent Fees	(502,073)	(474,583)
Net Income/Loss from Securities Lending	1,225,099	1,042,307
Total Net Investment Loss	(396,595,776)	(124,712,640)
TOTAL ADDITIONS, net of investment losses	(315,410,196)	(50,583,077)
Deductions		
Benefits	147,062,121	134,991,271
Refunds of contributions	3,399,674	2,948,979
Administrative expenses	947,404	1,008,654
TOTAL DEDUCTIONS	151,409,199	138,948,904
Net Decrease	(466,819,395)	(189,531,981)
Net assets held in trust for pension benefits		
Beginning of year	2,061,111,225	2,250,643,206
End of year	$1,594,291,830	$2,061,111,225

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

Notes to Financial Statements

1. Plan Description

The Employees' Retirement System of Baltimore County (the "System") is a cost-sharing multiple-employer defined benefit public employee retirement system that acts as a common investment and administrative agent serving five entities including Baltimore County (the "County") and certain employees of the Baltimore County Board of Education, Baltimore County Board of Library Trustees, the Community College of Baltimore County and the Baltimore County Revenue Authority. The System is not an employer. The System provides retirement and disability benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and maintain the System is specified in Section 5-1-101 of the Baltimore County Code (the "Code").

The System is considered part of the Baltimore County, Maryland reporting entity and its financial statements are included in the County's basic financial statements as a pension trust fund. The System is fiscally dependent on the County by virtue of the legislative and executive controls exercised with respect to its operations, policies and administrative budget. In accordance with Section 5-1-238 of the Code, responsibility for the proper operation of the System is vested in an eight-member Board of Trustees (the "Board"), comprised of a combination of ex-officio and elected representatives. The general administration of the System is vested in the Director of Budget and Finance.

Based on the latest actuarial valuations as of June 30, 2009 and 2008, System membership consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits		
General employees, correctional officers and deputy sheriffs	4,548	4,548
Firefighters and police officers	1,962	1,902
Terminated employees entitled to benefits but not yet receiving them		
General employees, correctional officers and deputy sheriffs	411	422
Firefighters and police officers	53	54
Total retirees and beneficiaries	6,974	6,926
Current employees		
Vested - Full-time employees		
General employees, correctional officers and deputy sheriffs	3,982	3,880
Firefighters and police officers	2,382	2,352
Non-vested - Full-time employees		
General employees, correctional officers and deputy sheriffs	1,802	1,771
Firefighters and police officers	539	561
Part-time employees		
Vested - General employees	595	570
Non-vested - General employees	472	436
Total active members	9,772	9,570
Non-Vested Terminations with account balances	43	110
Members on leave of absence		
General employees, correctional officers and deputy sheriffs	32	43
Firefighters and police officers	12	16
Total members on leave of absence	44	59
Grand Total	16,833	16,665

Notes to Financial Statements

Note 1. continued

The following is a brief description of the System's plan provisions. For a more complete description, see the Summary of Plan Provisions included in the Actuarial Section of this report.

Employees, exclusive of firefighters and police officers, may become System members at any time within the first two years of employment. Employees must become System members at the end of the two-year period as a condition of employment except for elected officials, employees appointed to certain non-merit positions and part-time employees who have the option to join the System within the first two years. Selection of the option must be made within two years of employment. Section 5-1-203 of the Code provides that System members contribute a percentage of their salary to the System (see Note 3 for additional information on contribution rates).

Employees who terminate employment or die in service prior to meeting vesting eligibility are entitled to a refund of their contributions. Interest is credited on member contributions at the rate of 5% per annum. Employers are required to contribute an actuarially determined amount annually to finance the System as specified by Sections 5-1-203 and 5-1-257 of the Code.

Members are eligible for a normal retirement for service based on age and/or years of creditable service. There is no mandatory retirement age for general employees and correctional officers. Firefighters and police officers must retire at age 60 unless approved for continuation of service by the Board on an annual basis.

The County has adopted a Back DROP (Deferred Retirement Option Program), for Police Officers and Firefighters under which eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit for life. The DROP period is between three and five years, effective with retirements that occurred on or after July 1, 2004. Police Officers and Firefighters hired on or after July 1, 2007 are not eligible to participate in the DROP.

The County has adopted a Back Drop for Correctional Officers and Deputy Sheriffs hired prior to July 1, 2007. Eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is between three and five years, effective with retirements that occur on or after July 1, 2010. Correctional Officers and Deputy Sheriffs hired on or after July 1, 2007 are not eligible to participate in the DROP.

The County has adopted a Forward Drop for General Employees hired prior to July 1, 2007. Eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is between five and ten years, effective with retirements that occur on or after July 1, 2012. General Employees hired on or after July 1, 2007 are not eligible to participate in the DROP.

An ordinary disability retirement can be granted to a member who can no longer perform their job due to a non-occupational related injury. A member, hired prior to July 1, 2007, must have five years of creditable service and be medically certified as incapacitated for continued performance of their duties. A member, hired on or after July 1, 2007, must have ten years of creditable service and be medically certified as incapacitated for continued performance of their duties. The ordinary disability retirement allowance is determined in accordance with Section 5-1-222 of the Code.

An accidental disability retirement can be granted to a member who has been incapacitated for duty as a result of an occupational related injury. The accidental disability retirement allowance is determined in accordance with Section 5-1-225 of the Code.

An ordinary death benefit is granted as a result of a member's death from non-occupational causes. A member's designated beneficiary or estate receives a lump sum payment of the member's contributions plus interest.

Notes to Financial Statements

Additionally, after one year of creditable service, the member's designated beneficiary or estate may receive a minimum one-time payment equal to 100% of the member's annual earnable compensation. If a member was eligible for a service retirement or had 15 years of creditable service at the time of death, the spouse, if designated as beneficiary, may receive a retirement allowance based on service years equivalent to a 100% survivorship option (Option 2).

An accidental death benefit is granted as the result of death from an occupational related injury. The dependent beneficiary of a general employee may receive an allowance equal to $66^2/_3$% of average final compensation (AFC) plus the annuity as described below. The dependent beneficiary of a firefighter or police officer may receive an allowance equal to 100% of the annual earnable compensation at the time of death plus the annuity as described below.

Retirement allowances are comprised of an annuity equal to the actuarial equivalent of the accumulated contributions plus a pension which together with the annuity shall provide a total allowance as provided for in the System's plan. The retirement allowance is determined based on the AFC and number of years of creditable service. AFC is defined for the majority of the members as the rate of annual earnable compensation during the twelve or thirty-six consecutive calendar months of service affording the highest average. The normal retirement for service allowance is determined as follows:

Employee designation	**Allowance formula for Vested Employees**
General employees (Hired prior to July 1, 2007)	1.82% of AFC times the number of years of creditable service for: (i) 30 years of creditable service or (ii) Age 65 with 5 years of creditable service or, (iii) Age 60 as of June 30, 2007 and attain 5 years of creditable service. General employees hired prior to July 1, 2007, retiring at age 60 with less than 30 years of creditable service, will receive a blended benefit, (i.e. 1.82% of AFC times the number of years of creditable service earned prior to July 1, 2007, plus 1.43% of AFC times the number of years of creditable service earned on or after July 1, 2007.
General employees (Hired on or after July 1, 2007)	1.43% of AFC times the number of years of creditable service.
Appointed officials	2.5% of AFC times the number of years of creditable service.
Elected officials	5.0% of AFC times the number of years of creditable service.
Firefighters	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC for each year in excess of 20 years, and 3.0% of AFC for each year in excess of 30 years for service years on or after July 1, 2007. 2.0% of AFC times the number of years of creditable service – if less than 20 years of creditable service.
Correctional officers and Deputy Sheriffs	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC times the number of years of creditable service in excess of 20 years. <u>If hired prior to July 1, 2007, with less than 20 years of creditable service at retirement:</u> 1.82% of AFC times the number of years of creditable service earned prior to July 1, 2007, plus 1.43% of AFC times the number of years of creditable service earned after June 30, 2007. <u>If hired on or after July 1, 2007, with less than 20 years of creditable service at retirement:</u> 1.43% of AFC times the number of years of creditable service.

Notes to Financial Statements

Employee designation	Allowance formula for Vested Employees
Police officers	2.5% of AFC times the number of years of creditable service up to 20 years, plus 2.0% of AFC for each year of creditable service in excess of 20 years, and 3.0% of AFC for each year of creditable service over of 25 years. The 3% accrual rate does not apply for years of creditable service earned prior to July 1, 2007. 2.0% of AFC times the number of years of creditable service – if less than 20 years of creditable service

In addition to the maximum retirement allowance, members may select one of six retirement allowance options to provide payments to a beneficiary upon the death of a retired member. A selection of an option reduces the maximum allowance. Eligible police officers and firefighters, may select a 7th option that allows 50% of member's retirement to continue to the original beneficiary at no cost to the employee.

In accordance with Section 5-1-235 of the Code, each July 1, post-retirement allowance adjustments may be granted to retirees who have been retired for more than 12 months. The post-retirement allowance adjustment is equal to the increase in the Consumer Price Index - All Urban Consumers (CPI-U) for the previous calendar year, in an amount not to exceed 4%, provided sufficient investment income in excess of valuation requirements has accumulated in the Post-Retirement Increase Fund Balance Account described in Note 2. The maximum Post-Retirement Increase Fund Account Balance is equal to twice the cost of a 4% COLA.

2. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The financial statements of the System are presented using the economic resource measurement focus and the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employers' contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The System records investment purchases and sales on a trade-date basis. These transactions are not finalized until settlement date, which occurs approximately three business days after the trade date. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received.

Method used to Value Investments - Plan investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate equity funds is based on independent appraisals. The fair value of mutual funds is based on the fair value of the underlying securities. Private equity funds and hedge fund of funds are valued based on information provided by the respective fund managers.

Administrative Costs - The System pays for the following administrative expenses: professional actuarial costs, pension consultant fees, medical board examinations, salaries, benefits, audit/legal fees, rents and utilities, equipment and supplies and miscellaneous expenses. These administrative expenses are funded from employer contributions.

Net Asset Accounts - As provided by the Code, all assets of the System must be credited according to the purpose for which they are held to either the annuity savings fund, the pension accumulation fund or the post-retirement increase fund. These funds are classified together as net assets held in trust for pension benefits for financial reporting purposes and are explained as follows:

> *Annuity Savings Fund Balance Account* - This Account records the accumulated contributions credited to individual members' accounts together with the interest thereon. Upon termination of employment, accumulated contributions plus interest are refunded from this fund. When a member retires, the member's accumulated contributions plus interest are transferred to the Pension Accumulation Fund Balance Account.

Notes to Financial Statements

Pension Accumulation Fund Balance Account - This Account records all accumulated reserves used to pay member pensions and other benefits. The reserves are accumulated from employer contributions, investment income, gains on sales of investments and amounts transferred from the Annuity Savings Fund Balance Account.

Post-Retirement Increase Fund Balance Account - This Account records all investment earnings in excess of valuation requirements transferred from the Pension Accumulation Fund Balance Account in order to finance post-retirement allowance increases to retired members.

At June 30, 2009 and 2008, the balances in the legally required accounts are as follows:

	2009	2008
Annuity Savings Fund	$ 417,514,605	$ 391,743,335
Pension Accumulation Fund	1,130,734,551	1,577,281,011
Post-Retirement Increase Fund	46,042,674	92,086,879
Net Assets Held in Trust for Pension Benefits	$1,594,291,830	$2,061,111,225

3. Contributions

System members contribute a percentage of their salary to the System determined by County Code. The contribution rates for members hired prior to July 1, 2007 is actuarially determined based on the member's age at enrollment and employee classification. Contribution rates for members hired on or after July 1, 2007 are fixed based on employee classification. A chart of member contribution rates is provided in the Summary of Plan Provisions in the Actuarial Section of this report.

The participating employers are required to contribute on an actuarially determined basis. Per Section 5-1-203 of the Code, contribution requirements of the plan members and the participating employers are established and may be amended by the Board. FY 2009 Schedule of Employers' Contributions is shown below.

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	$49,762,854	100%

4. Funding Policy

A pension plan is considered adequately funded when sufficient assets are available to meet all expected future obligations to participants. The System funding objective is to meet long-term benefits through annual employer contributions that remain approximately level as a percentage of covered payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that participants are confident that sufficient assets are available for the payment of current and future member benefits. FY 2009 Schedule of Funding Progress is shown below in thousands.

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a % of Covered Payroll ((b-a)/c)
2009*	$2,116,664	$2,621,436	$504,772	80.7%	$506,908	99.6%

*Actuarial Asset Method is revised to remove 14% Corridor Around Market Value and Salary increase rates for all members are reduced.

Notes to Financial Statement

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

The County's commitment to provide a financially sound retirement plan for its members is illustrated on two schedules contained in this report. The six year "Schedule of Funding Progress," providing historical trend information, found in the Required Supplementary Information of the Financial Section, expresses plan net assets as a percentage of the actuarial accrued liability, providing one indication of the System's funding status on a going-concern basis.

Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Trends in the unfunded actuarial accrued liability (or excess of) as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. The six year "Schedule of Employer Contributions" found in the Required Supplementary Information of the Financial Section, includes historical trend information about the annual required contributions (ARC) of the employers and the contributions made by the employers in relation to the ARC. The System's percentages indicate a financially sound retirement system.

Information about the actuarial methods and assumptions used to determine the funded status and the ARC is presented below:

Valuation Date:	June 30, 2009
Actuarial Cost Method*:	Projected Unit Credit
Normal Cost Allocation:	Service
Amortization Method:	Level percent closed
Remaining Amortization Period:	29 years
Asset Valuation Method:	4-year smoothed market without corridor
Actuarial Assumptions:	
-Investment Rate of Return**	7.875%
-Projected Salaried Increases**	3.00% – 7.50%
-Cost-of-Living Adjustments***	None
-Mortality Rates****	Based on the 1995 George B. Buck Mortality Table +1

*Cost Method changed to Projected Unit Credit for June 30, 2005 valuation.
All pre-FY07 contributions determined using Entry Age Normal.
**Includes Inflation at 3%.
***Increases equal to the CPI up to a maximum of 4% are granted only if sufficient reserves have accumulated in the Post-Retirement Increase Fund Balance Account.
****The mortality rates based on the 1995 George B. Buck Mortality Table is presented on page 52 in the Actuarial Section of this report.

5. Cash Deposits, Investments and Securities Lending

Custodial Credit Risk – For Cash Deposits, Investments and Securities Lending, custodial credit risk is the risk that, in the event of the failure of the bank or counterparty, the System will not be able to recover the deposits, value of its investments or collateral securities that are in possession of an outside party. The System cash deposits are fully covered by FDIC insurance and/or collateral pledged to the System's account held by the System's agent in the System's name at year-end. The collateral pledged and held consists of obligations issued by the U.S. government and agencies. Investment securities are registered in the name of the System. As of June 30, 2009, the carrying amount of cash was ($7,316.57).

Notes to Financial Statements

Investment Policy – Pursuant to Section 5-1-247 of the Baltimore County Code, the Board of Trustees utilizes the "prudent person" standard for managing the assets of the System. The Board has established the following policies:

1) Assure that the System's investment policy has been designed to provide broad diversification among asset classes in order to maximize return at an appropriate level of risk and minimize the risk of large losses to the System.

2) Employ a diversity of investment managers with expertise in particular kinds of assets that include stocks, bonds, real estate, private equity and hedge fund of funds.

3) Employ a diversity of investment managers with different investment styles on how to obtain their investment objective.

4) Closely monitor the performance of all investment managers not only in relation to specific objectives, but also in relation to other fund managers following the same investment objectives.

The System is currently invested in stocks (domestic and foreign), fixed income securities, private equity funds, real estate, hedge fund of funds and global asset allocation funds. The Code provides for full power to hold, purchase, sell, assign, transfer and dispose of any of the securities and investments in any of the System's funds.

For the year ended June 30, 2009, the System has operated in all material respects within accordance of the System's investment policy.

Investment

The following is a maturity schedule of the System's fixed income investments of bonds and short term investments.

Investment Maturities (in Years)

(expressed in thousands)

Investment Type	Fair Value	Less than 1	1 - 4.9	5 - 9.9	10-19.9	20-30	More Than 30
U.S. Govt. Obligations	$ 52,481	-	$ 16,350	$ 9,769	$ 17,363	$ 8,478	$ 521
U.S. Agency Securities	35,717	$ 162	306	739	3,037	22,348	9,125
Corporate Debt	143,819	3,319	24,084	41,696	21,394	26,961	26,365
Bond Mutual Funds	121,549	14,586	34,034	72,929	-	-	-
Foreign Debt	34,157	14,931	3,332	7,337	2,587	701	5,269
Total	$387,723	$32,998	$78,106	$132,470	$44,381	$58,488	$41,280

Interest Rate Risk – The Employees' Retirement System of Baltimore County policy guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The manager of each fixed income portfolio is responsible for determining the average maturity of their portfolio.

Notes to Financial Statements

Credit Risk - The System's investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments. Investment in high yield securities are limited to 20% in the guidelines for fixed income managers, except for Pimco Diversified Fixed Income Fund, which targets 1/3 of their portfolio in high yield securities.

As of June 30, 2009, the System's fixed income investments had the following risk characteristics:

Moody's Ratings or Comparable	Market Value (In Thousands)	Percent of Total Investments
AAA	$ 114,746	7.30%
AA	10,674	0.68
A	37,070	2.36
BAA	47,238	3.00
BA	16,209	1.03
B	10,972	0.70
CAA	8,746	0.56
CA	2,809	0.18
C	329	0.02
NR*	138,930	8.84
Total	$387,723	

*NR represents securities not rated, primarily made up of swaps and commingled funds, which by their nature do not have credit quality ratings.

Investments in Excess of 5% of Net Assets Held in Trust for Pension Benefits

The System had no investments at fair value in excess of 5% of the System's net assets held in trust for pension benefits as of June 30, 2009.

Investment Commitments

As of June 30, 2009, the System had $48 million in outstanding private equity commitments and $2.2 million in outstanding real estate commitments.

Foreign Investments/Forward Exchange Contracts

Foreign investments include equity and fixed income securities. In conjunction with certain foreign investments, the System has entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. At June 30, 2009, the System had cash and cash equivalent futures of $45 million in open forward exchange contracts. The System continues to invest in similar contracts. The Board's investment policy guidelines include a section on derivatives which speaks to the use of futures, forwards and other derivative instruments and securities.

These guidelines strictly prohibit the use of derivatives to create leverage, create exposure to currencies and securities that would not otherwise be allowed, or increase the actual or potential risk of the portfolio.

Notes to Financial Statements

Foreign Currency Risk
The System's exposure to foreign currency risk is derived from its positions in foreign currency-denominated common stock and fixed income investments. The Systems exposure to foreign currency risk as of June 30, 2009 is as follows:

Currency	Fair Value ($ in thousands)
Australian Dollar	$ 4,333
British Pound Sterling	20,794
Danish Krone	3,810
Euro Currency Unit	44,899
Hong Kong Dollar	2,469
Japanese Yen	20,323
Malaysian Ringgit	1
Norwegian Krone	698
Singapore Dollar	1,007
South Korean Won	1,783
Swedish Krona	1,993
Swiss Franc	9,449
Total	$111,559

Securities Lending Transactions - The Board's policies permit the System to lend its securities 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 U.S. government and agency securities, corporate bonds and stocks for collateral in the form of cash, other securities and irrevocable bank letters of credit. Collateral securities, letters of credit and cash are initially pledged at 102% of the market value of the securities lent. Additional collateral is to be provided by the next business day if the collateral value falls to less than 100% of the market value of the securities lent. The System did not impose any restrictions during the fiscal year on security loans the custodian made on its behalf. At June 30, 2009, the System had no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The System cannot pledge or sell collateral securities received unless the borrower defaults. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a separately managed fixed income account, which at year-end has a weighted-average maturity of 27 days. The cash collateral held as of June 30, 2009 and 2008 was $126,205,223 and $246,762,461, respectively. The fair value of securities on loan as of June 30, 2009 and 2008 totaled $121,997,087 and $245,141,289, respectively.

6. Risk Management

The County bears any risk of loss related to the System (e.g. torts, theft of, damage to, or destruction of assets; errors or omissions, job-related illnesses, or injuries to employees; and natural disasters). The County manages its risks internally and sets aside assets for claims settlement in an internal service fund.

Notes to Financial Statements

7. Litigation

The U.S. Equal Employment Opportunity Commission (EEOC) has sued Baltimore County and six (6) County Unions claiming that they violated the Age Discrimination in Employment Act (ADEA) by requiring employees who join the retirement system as older workers to contribute more than workers who joined at a younger age. The United States District Court for the District of Maryland granted Baltimore County's Motion for Summary Judgment on January 21, 2009. EEOC has appealed, but the County believes that the lower court's decision will be affirmed. The County has also called upon its long-term actuary, Buck Consultants, to defend, indemnify and hold the County harmless in the action. EEOC's claim for "excess contributions" by older workers is estimated to be $17 million to $19 million. The Employees' Retirement System of Baltimore County would absorb any potential liability through higher member contributions.

Required Supplementary Information
(Unaudited)

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

Schedule of Funding Progress
($ in thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a % of Covered Payroll ((b-a)/c)
2004(1)	$1,803,811	$1,924,543	$120,732	93.7%	$370,639	32.6%
2005(2)	1,832,922	1,949,611	116,689	94.0	388,052	30.1
2006	1,938,817	2,078,812	139,995	93.3	425,400	32.9
2007(3)	2,101,023	2,289,452	188,429	91.8	439,913	42.8
2008(4)	2,191,623	2,491,342	299,719	88.0	479,654	62.5
2009(5)	2,116,664	2,621,436	504,772	80.7	506,908	99.6

(1) Asset method change: difference between expected and actual return on market value smoothed over 4 years.
(2) Cost method change: from Entry Age Normal to Projected Unit Credit.
(3) Assumption changes recommended in 2006 experience study were adopted, plus plan changes to all groups including implementation of DROP programs for general employees, correctional officers and deputy sheriffs.
(4) Amortization period was changed to 30 years. The amendments of GASB Statement No. 50 were recognized, but they had no impact on the information disclosed.
(5) Actuarial Asset Method is revised to remove 14% Corridor Around Market Value and Salary increase rates for all members are reduced.

Schedule of Employers' Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	$24,617,291	100%
2005	29,967,618	100
2006	34,433,062	100
2007	40,065,314	100
2008	44,167,525	100
2009	49,762,854	100

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information regarding the assumptions and methods used as of the latest actuarial valuation may be found in "Note 4 – Funding Policy" in the notes to the financial statements, and in the Actuarial Section of this report.

Supplementary Supporting Schedules

Schedule of Investment Expenses
For the Years Ended June 30, 2009 and 2008

	2009	2008
Investment Managers:		
Equity managers	$ 3,153,677	$ 4,521,368
Fixed income managers	1,656,543	2,139,877
Real estate managers	1,067,023	1,534,645
Hedge fund managers	892,964	1,176,059
Private equity managers	1,434,591	1,258,855
Global asset allocation managers	1,825,466	1,242,321
Total investment managers fees	10,030,264	11,873,125
Investment Service Fees:		
Custodian fees	292,271	289,516
Consultant fees	223,584	190,851
	515,855	480,367
Investment Expenses	10,546,119	12,353,492
Security Lending Fees:		
Agent fees	502,073	474,583
Borrower rebates	1,528,132	8,077,590
	2,030,205	8,552,173
Total Investment Expenses	$12,576,324	$20,905,665

Schedule of Administrative Expenses
For the Years Ended June 30, 2009 and 2008

	2009	2008
Personal Services:		
Salaries	$ 462,085	$ 443,736
Employee Fringe benefits	149,860	160,039
Total Personal Services	611,945	603,775
Professional Services:		
Actuarial	68,856	186,199
Legal and Financial	36,769	50,761
Data Processing	82,502	51,185
Medical	37,752	22,295
Audit	37,378	27,127
Total Professional Services	263,257	337,567
Communication:		
Printing	10,519	9,125
Telephone	2,186	3,739
Postage	45,557	37,686
Total Communication	58,262	50,550
Miscellaneous:		
Equipment and Supplies	13.940	16,762
Total Miscellaneous	13,940	16,762
Total administrative expenses	$947,404	$1,008,654

Board of Trustees

The members of the Board serve without compensation.

INVESTMENT SECTION

INVESTMENT CONSULTANT'S REPORT

Introduction

This report, prepared for the Baltimore County Employees' Retirement System (the "System") by New England Pension Consultants (NEPC), is based on accounting information supplied by the System's custodian, BNYMellon. NEPC relies on this source for security pricing, calculation of accruals, and all transactions. NEPC reconciles the monthly rates of return provided by BNYMellon with those calculated by each investment manager. NEPC exercises reasonable professional care in preparing the performance report. The rates of return are calculated using a time-weighted rate of return methodology based upon market values. The returns are reported on both net of fees and gross of fees to provide comparisons with the appropriate benchmarks.

Distinction of Responsibilities

The Board of Trustees (the "Trustees") of the System is responsible for establishing the investment goals and objectives for the System's Retirement Fund (the "Fund") and sets the appropriate risk levels and asset allocation policies. The criteria used in developing the System's investment policy include: actuarial information, such as funded status, the actuarial return assumption and benefits obligations; risk and return expectations of the capital markets; the financial condition of the County; and practices of similar types of funds. The investment policy has been developed after the Trustees have given careful consideration of the potential financial implication of a wide range of investment policies. The policy describes the degree of pension fund risk that the Trustees, as System fiduciaries, deem appropriate.

In carrying out their duties the Trustees follow acceptable standards of prudence. These standards include: 1) acting for the exclusive benefit of the Fund participants and beneficiaries; 2) exercising skill, care and diligence of a prudent person acting in a similar capacity; and 3) diversifying investments to minimize the risk of large losses. The investment managers required to execute the policy will invest System assets in accordance with the established policy and with their judgments concerning relative investment values. In particular, the investment managers are accorded full discretion to select individual securities, make periodic strategic adjustments and diversify their portfolios.

Investment Policy/Structure

The System's investment policy was designed to provide broad diversification among asset classes in order to maximize return at an appropriate level of risk and minimize the risk of large losses to the System. In addition, asset allocation ranges have also been implemented to maintain compliance with the investment policy and ensure the System will achieve its long-term risk and return objectives.

The System's investment policy is shown below for the broad investment categories:

Investment Policy as of 6/30/09

Asset Class	*Allocation Target*	*Allocation Range*
U. S. Equities	*32%*	*27 - 37%*
International Equities	*13%*	*9 - 17%*
Private Equities	*5%*	*0 - 7%*
Fixed Income	*25%*	*20 - 30%*
Hedge FOF	*5%*	*0 - 7%*
Real Estate	*5%*	*0 - 7%*
Global Asset Allocation	*15%*	*10 - 13%*
Total	***100%***	

Within each asset class, the Trustees have employed several investment managers to further diversify the investment approach and minimize style bias. The Trustees have employed both active and passive investment strategies in order to obtain the desired asset allocation mix in the most cost effective and efficient manner.

Investment Objective

The System's long-term investment objective is to achieve a total rate of return that exceeds the Policy Index, defined here as the actual asset allocation for each asset class invested in its respective index. The Trustees recognize that there will be short-term deviations from these long-term investment objectives, and therefore, have developed performance expectations for the Fund and individual investment managers.

The overall Fund is also compared to the Independent Consultants Cooperative (ICC) Public Funds Universe, one of the largest, most representative universes of actual institutional performance results in the industry. At June 30, 2009, this universe contained actual public fund data for 162 public plans with an aggregate market value of $426 billion.

Market Overview

During the fiscal year ended June 30, 2009, investors witnessed one of the swiftest and steepest market downturns since the great depression as well as record recovery. The first three quarters of the fiscal year marked the first time in 34 years that the U.S. economy posted three consecutive quarters of negative GDP growth. Unemployment approached 10%, housing prices fell 32% from their peak in second quarter 2006, consumer sentiment weakened and Federal debt reached unprecedented levels. During the first half of the fiscal year, there was extreme turmoil and volatility in the credit and equity markets, as investors witnessed the collapse of the real estate bubble, the demise of the investment banking system, massive deleveraging on the part of hedge funds and evaporation of credit by lending institutions. Stock and bond markets across the globe plummeted as the credit crisis spread globally and the US slipped into recession.

Although economic conditions remain weak, the financial markets showed signs of stabilization in the last quarter of the fiscal year. The bear market came to halt on March 9th largely in response to aggressive fiscal and monetary policies. The US expansion of the treasury's Troubled Asset Relief Program (TARP), announcement of the Public Private Investment Partnership (PPIP) and the Fed's action to keep short-tem interest rates at a record lows stimulated investor confidence. Equity markets rallied strongly in March and continued the momentum through June in response to these efforts.

Despite the strong returns over the quarter, the trailing returns across all major assets remained in negative territory for the fiscal year. Global equity markets, as measured by the MSCI World Index posted a 20.8% return for the quarter and a (29.5%) return for the fiscal year ending June 30, 2009. The global bond market, as measured by the Citigroup World Government Bond Index posted a 3.5% return for the quarter and a 4.0% return for the fiscal year.

Domestic stocks rallied strongly over the last four months of the fiscal year with the Wilshire 5000 posting a 16.8% return for the quarter and a (26.4%) return for the fiscal year ended June 30, 2009. Financial stocks, which led the downturn in 2008, led the upturn in 2009 with a 35.8% return for the fiscal year. Growth stocks outperformed value stocks over the year, with the Russell 1000 Growth posting a (24.5%) return for the year compared to a (29.0%) return for the Russell 1000 Value. Small cap stocks outperformed large cap stocks in the quarter with the Russell 2000 posting a (25.0%) return and the S&P 500, the barometer for large stocks, returned a (26.2%) return. All sectors in the S&P 500 lost ground over the fiscal year. Energy (40.7%), financials (38.7%) and materials (38.8%) were the weakest performing sectors over the fiscal year.

Developed international equity markets benefited from fiscal stimulus packages as well as a weak dollar. For the quarter the MSCI EAFE Index posted a 25.4% return, the strongest quarter in over 20 years, and a (31.4%) return for the fiscal year in US dollar terms. The European Central Bank pumped a record $615 billion into the financial system offering unlimited one-year loans at an interest rate of 1%. The emerging markets posted an even stronger quarter with a 34.7% return and a (28.1%) for the year.

The rebound in credit markets rewarded bonds across the credit spectrum, with robust returns in investment grade (8.8%), leveraged loan (18.0%), and high yield corporate bonds (23.1%). In general, lower quality bonds out-

performed higher quality bonds by a large margin over the quarter, reversing previous trends. The Barclays Aggregate Index posted a 1.8% return for the quarter and a 6.1% return for the full year. Benefiting from the flight to quality, US government bonds, which led in 2008, lagged in the recent market rally. US Government bonds posted a (2.2%) return for the quarter and a 6.6% return for the fiscal year. Global bonds posted a 3.5% return in the quarter benefitting from a decline in the dollar.

Hedge funds were not immune to credit crisis but fared better than equities over the fiscal year. Hedge funds, as measured by the CS Tremont Hedge Fund Index, returned 6.3% for the fourth quarter of the fiscal year and (13.7%) for the full fiscal year. Private equity and real estate markets continued to be challenged by falling prices, refinancing and lack of liquidating opportunities. These challenges, however, have created opportunities for mezzanine, secondary and distressed lenders.

Investment Performance

For the fiscal year ended June 30, 2009, the System's investment portfolio lost 17.9%, including dividends and interest income, unrealized gains and losses, and management fees and expenses.

The System's domestic equity portfolio posted a (27.1%) net of fee return over the fiscal year as compared to a (26.4%) return of the broad U.S. equity market, as measured by the Wilshire 5000 Index. Weak performance among the small cap managers detracted from overall domestic equity return over the full year. The System's non-US equity portfolio's net of fee return of (26.5%) exceeded the return of the international equity benchmark due to strong performance from the growth international equity manager. The fixed income portfolio returned 2.9% on a net of fee basis over the fiscal year and lagged the broad domestic bond market. Active management typically fares poorly in environments where stock and bond prices are driven by fear, distrust and panic selling rather than fundamentals.

To gauge how the overall fund did relative to other public funds, the System's gross of fee return for the fiscal year was compared to the median public fund in the ICC Universe of Public Funds. The System's gross of fee return of (17.5%) ranked in the 59th percentile of the ICC Public Funds Universe for the fiscal year. The market value of the System's combined assets decreased from $2.063 billion on June 30, 2008 to $1.596 billion on June 30, 2009. This decline resulted from investment losses of approximately $434 million plus net withdrawals of approximately $34 million.

The net of fee returns for the fiscal year ending June 30, 2009 are shown in the following table.

			Fiscal Year Rate of Return	
	Market Value (in Millions)	**Percent of Total**	**System**	**Benchmark**
U S Equities	$ 520.2	32.6%	(27.1%)	(26.2%)
International Equities	189.6	11.9	(26.5)	(30.9)
Private Equity	73.9	4.5	(22.6)	(21.0)
Hedge Funds	89.4	5.6	(16.2)	(15.2)
Real Estate	69.7	4.4	(37.7	(30.7)
Fixed Income	397.8	25.0	2.9	4.9
GAA	251.1	15.7	(20.4)	(14.7)
Cash	4.3	0.3	1.3	1.0
Total Fund*	$1,596.0	100.0%	(17.9%)	(14.4%)

*The Total Fund shown above in the amount of $1,596.0 includes short-term investments of $35.6, accrued interest and dividends receivable of $4.5, receivables for investment sold of $11.0 and payables of $27.2. These items are separately reported from "Total Investments" in the Statement of Plan Net Assets.

Investment Strategies

During the fiscal year, the Trustees conducted an annual asset allocation review and considered an allocation to a credit manager to take advantage of the opportunities in the credit market. In addition the Trustees hired a global asset allocation manager for 5% of the Fund and continued to build out the private equity program by committing $5 million each to a Mezzanine Fund, a Secondary Fund and a Distressed Debt Fund.

Doris Ewing
Partner, New England Pension Consultants

Outline of Investment Policies

Investment Policy. As provided in Article 5 Title 1 of the Baltimore County Code, the Board of Trustees of the Employees' Retirement System of Baltimore County (the "Board") is empowered to invest the System's assets and to take appropriate action regarding the investment, management and custodianship of plan assets. The investment responsibilities include establishing reasonable investment objectives, developing investment policy guidelines, selecting investment managers and evaluating performance results to assure adherence to guidelines and the achievement of objectives.

The Board has carefully exercised these responsibilities by diversifying the assets into common stocks (domestic and foreign), fixed income, real estate, hedge funds and private equity. The investment policy targets are 32% in U.S. equities, 13% in international equities, 25% in core-plus fixed income investments, 5% in real estate, 5% in hedge funds, 5% in private equity and 15% to global asset allocation strategies. The investment policy authorizes the allocation targets to be maintained within the allocation ranges specified in the Investment Consultant's report.

A pension investment consultant has been appointed to advise and consult with the Board and the System staff, prepare recommendations on investment policies, investment management structure and asset allocation, and to monitor and evaluate the performance of the investment managers and the asset custodian.

The Board authorizes the managers to vote all proxies related to stocks in which they invest pension assets. The Board expects the managers to cast votes solely in the best interest of plan beneficiaries. Managers are required to report annually to the Board on its proxy-voting policies and activities on the System's behalf.

Investment Results

The following schedule compares rates of return, gross of fees, for the System portfolio with a comparative index, market indices and the inflation rate.

The market indices shown below are the Wilshire 5000 Stock Index, Morgan Stanley Capital International All Country World Ex-U.S. Index, the Barclays Universal Index, 60% MSCI World/40% WGBI blended index, the NCREIF Index, HFRI Fund of Funds Index and the Venture Capital Economics Private Equity Index.

The Balanced Index is a blend of market indices and is reflective of the total System's portfolio policy for each time period. The Balanced Index was changed in February 2005 to reflect the results of an asset/liability study conducted on behalf of the System's portfolio. Prior to February 2005, the Policy Index was comprised of 50% Wilshire 5000 Stock Index, 15% MSCI All-Country World Ex-U.S. Index, (MSCI ACWXUS), 33.5% Barclays Aggregate Bond Index and 1.5% Cambridge Venture Capital Index.

From February 2005 through June 30, 2007, the Balanced Index is comprised of 30% S&P 500; 7% Russell 2000 Index; 12% Morgan Stanley EAFE Index; 3% Morgan Stanley Emerging Markets Free Index; 16% Barclays Aggregate Bond Index; 8% Citigroup World Government Bond Index; 5% Barclays High Yield Index; 5% NACREIF Index; 5% Cambridge Venture Capital Index; 5% HFRI Fund of Fund Index. From October 2006 the Cambridge Venture Capital Index was replaced with the Venture Economics Private Equity Index.

Beginning FY 2008, the Balanced Index is comprised of 30% S&P 500; 7% Russell 2000 Index; 10% Morgan Stanley EAFE Index; 3% Morgan Stanley Emerging Markets Free Index; 25% Barclays Universal Bond Index; 3% MSCI World /2% WGBI and 5% - 90 day T-Bills plus 6%; 5% Barclays High Yield Index; 5% NACREIF Index; 5% Venture Economics Private Equity Index; 5% HFRI Fund of Fund Index.

The rate of return measure for the financial asset class managers is time weighted. This investment measure eliminates the influence of contributions and withdrawals that are beyond the control of the investment managers. This investment measure is an effective means of appraising a fund manager's ability to make assets perform.

Investment Return Summary
(Percentage Change)

Rates of Return	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Annualized Rate Over 3 Years	Annualized Rate Over 5 Years
U.S. Common Stock	8.5%	9.2%	19.8%	(13.2%)	(26.8%)	(8.7%)	(2.0%)
Wilshire 5000 Stock Index	8.2	9.9	20.5	(12.5)	(26.4)	(8.1)	(1.6)
International Common Stock	14.0	25.5	32.5	(5.9)	(26.0)	(2.7)	5.7
MSCI ACWIXUS	16.5	27.9	29.6	(6.6)	(30.9)	(5.8)	4.5
GAA	-	-	-	3.1	(20.2)	-	-
60% MSCI World / 40% WGBI & 90– day T-Bills plus 6%	-	-	15.1	(3.7)	(14.7)	(1.8)	2.6
Fixed Income	7.6	0.1	6.2	4.0	3.2	4.4	4.2
Barclays Universal*	6.8	(0.8)	6.6	6.2	4.9	5.9	5.0
Real Estate	-	-	19.4	6.4	(37.0)	(7.2)	-
NCREIF Index**	-	-	17.2	9.2	(30.7)	(4.2)	(4.0)
Hedge Funds	-	-	15.9	(0.2)	(15.7)	(0.8)	-
Hedge Fund-of-Funds Index	-	-	13.6	(0.3)	(15.2)	(1.1)	2.6
Private Equity	28.5	12.8	20.7	18.1	(16.8)	N/A	N/A
Private Equity Benchmark***	29.2	15.5	54.4	16.0	(21.0)	N/A	N/A
Total System Portfolio	9.4	9.2	17.2	(4.5)	(17.5)	(2.6)	2.0
Comparative Index							
Balanced Index	9.2	10.1	17.6	(3.8)	(14.4)	(1.2)	2.9
Inflation Rate							
Consumer Price Index	2.4	4.3	2.7	4.9	(1.2)	2.1	2.6

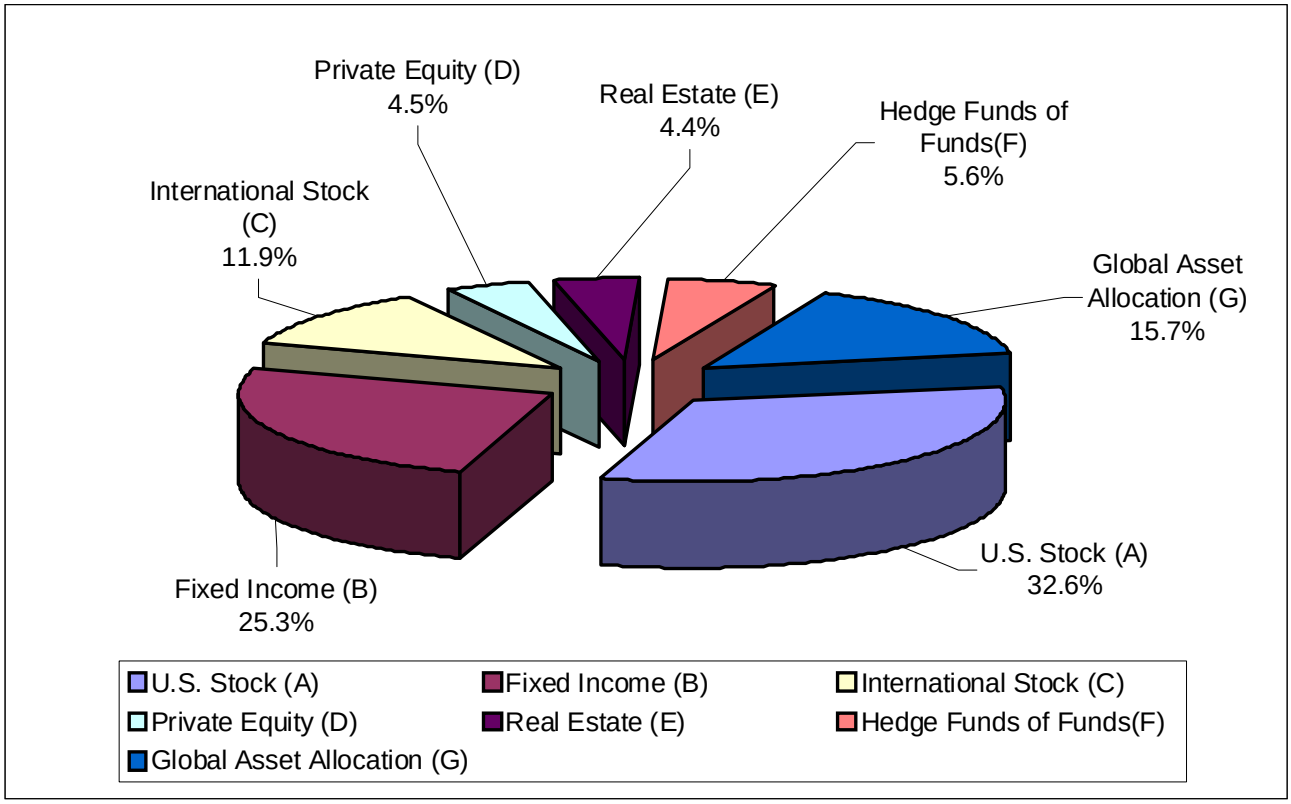
Note: Performance is gross of fees.

*The Lehman Brothers Universal Index was used for the FY2007 Fixed Income composite index. Prior to FY2007, the Lehman Brothers Aggregate Index was used as the benchmark. For FY 2009 Barclays Universal Index replaced the Lehman Brothers Universal Index.

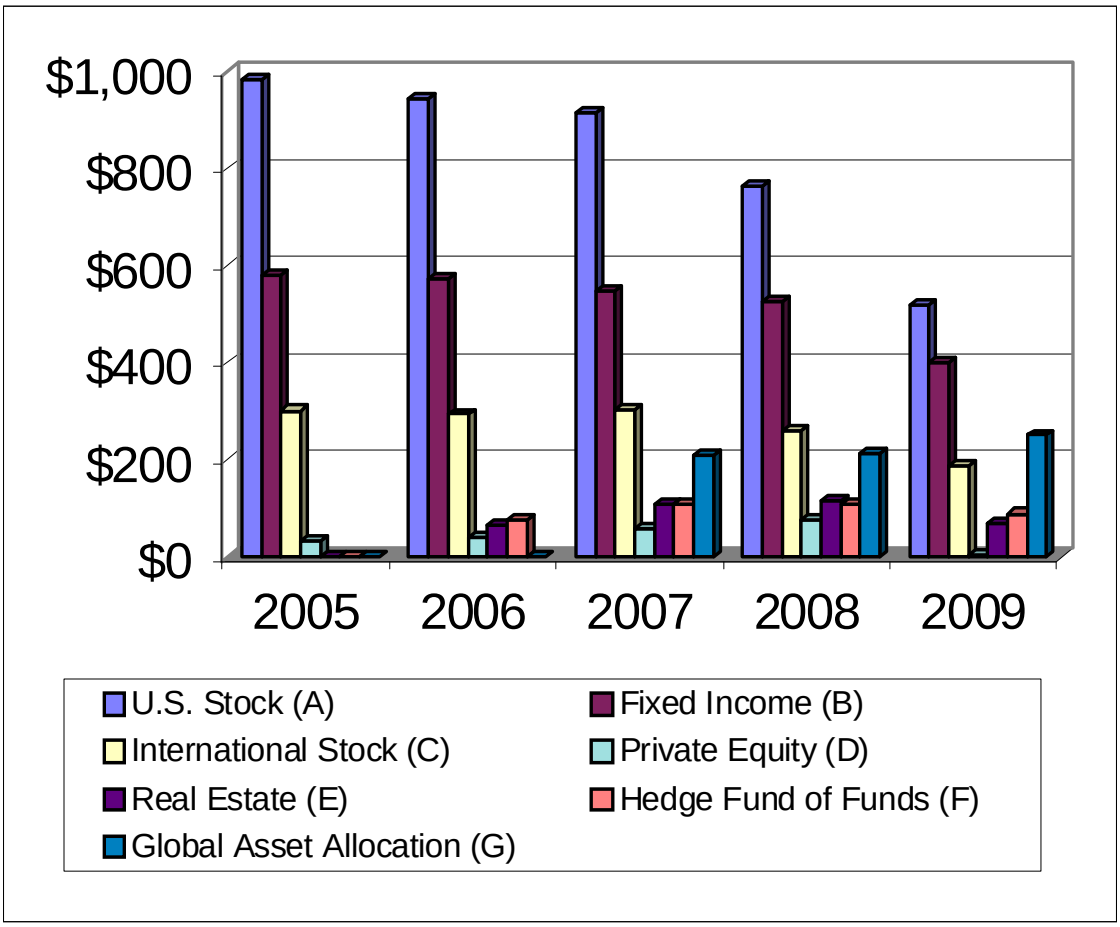
**The benchmark was changed to the NCREIF Index in February 2005.

***The benchmark was the Wilshire 5000 + 5% through April 1, 2004 when it was changed to the Cambridge Venture Capital Index. In October 2006, the benchmark changed to the Venture Economics Private Equity Index.

Portfolio Composition by Manager Type
Market Value of Investments
Percent of Total Fund
As of June 30, 2009



Portfolio Composition by Manager Type
Market Value of Investments
Percent of Total Fund
As of June 30, 2005, 2006, 2007, 2008 & 2009
(Expressed in Millions)



Investment Type	2005		2006		2007		2008		2009	
U.S. Stock (A)	$984.9	51.9%	$943.1	47.2%	$914.8	40.7%	$764.4	37.0%	$520.2	32.6%
Fixed Income (B)	579.0	30.5%	574.4	28.9%	547.7	24.3%	525.6	25.5%	402.1	25.3%
International Stock (C)	301.2	15.9%	294.2	14.7%	304.9	13.5%	261.0	12.7%	189.6	11.9%
Private Equity (D)	32.8	1.7%	40.3	2.0%	58.5	2.6%	76.8	3.7%	73.9	4.5%
Real Estate (E)	0.0	0.0%	67.4	3.4%	108.8	4.8%	115.4	5.6%	69.7	4.4%
Hedge Fund of Funds (F)	0.0	0.0%	76.6	3.8%	109.0	4.8%	107.5	5.2%	89.4	5.6%
Global Asset Alloc. (G)	0.0	0.0%	0.0	0.0%	209.3	9.3%	212.4	10.3%	251.1	15.7%
Total	$1,897.9	100.0%	$1,996.0	100.0%	$2,253.0	100.0%	$2,063.1	100.0%	$1,596.0	100.0%

List of Largest Assets Held
(June 30, 2009)

	Ten Largest Equity Holdings (STOCKS)	PAR VALUE/ SHARES	MARKET VALUE
1)	Mastercard, Inc	20,669	$3,458,179
2)	Berkshire Hathaway Inc.	1,161	3,361,769
3)	Wellpoint, Inc	54,783	2,787,893
4)	Canadian Natl. Railway Co.	62,085	2,667,183
5)	Kinder Morgan MGMT	58,232	2,630,333
6)	Burlington North Santa FE Corp	35,329	2,598,095
7)	Disney Walt Co	105,555	2,462,587
8)	Kraft Foods Inc	92,033	2,332,115
9)	Occidental Pete Corp	34,145	2,247,102
10)	Google, Inc	5,026	2,118,991

	Ten Largest Fixed Income Holdings (NOTES & BONDS)	INTEREST RATE	MATURITY DATE	PAR VALUE/ SHARES	MARKET VALUE
1)	US Treasury Note	1.125%	6/30/2011	7,416,359	$7,419,252
2)	US Treasury Note	0.875	5/31/2011	7,379,938	7,355,768
3)	FNMA Pool	5.000	3/01/2038	5,929,531	6,046,361
4)	US Treasury – CPI Inflation	3.875	4/15/2029	2,657,249	3,378,028
5)	US Treasury – CPI Inflation	2.125	1/15/2019	3,241,862	3,352,280
6)	Citigroup Banking Inst.	8.500	5/22/2019	2,745,282	2,792,611
7)	FNMA Pool	5.500	11/01/2037	2,126,958	2,196,486
8)	Hawaii Superferry Inc.	5.730	4/30/2028	2,008,057	2,163,560
9)	DOT Headquarters II	STEP	12/07/2021	1,939,597	2,078,918
10)	Ford Motor	7.735	10/28/2009	1,866,610	1,850,613

*A complete list of the portfolio holdings is available upon request.

Supplementary Supporting Schedules
Schedule of Fees
(Year Ended June 30, 2009)

Investment Services	Assets Under Management*	Fees
Domestic Equity Managers	$520,230,688	$2,047,090
International Equity Managers	189,590,986	1,106,587
Fixed Income Managers	397,844,554	1,606,945
Private Equity Managers	73,867,746	1,434,591
Real Estate Managers	69,663,445	1,067,023
Hedge Fund of Funds Managers	89,358,629	892,964
Global Asset Allocation Managers	251,115,876	1,825,466
Short-Term Investment Manager	4,343,401	49,598
Other Investment Service Fees:		
Custodian		292,271
Security lending		2,030,205
Investment consultant		223,584
Total	$1,596,015,325	$12,576,324

* "Asset Under Management" shown above in the amount of $1,596.015,325 includes short-term investments of $35,629,960, accrued interest and dividends receivable of $4,539,048, receivables for investment sold of $11,026,445 and payables of $27,201,545. These items are separately reported from "Total Investments" in the Statement of Plan Net Assets.

Supplementary Supporting Schedules
Schedule of Commissions
(Year Ended June 30, 2009)

Investment Broker Firms	Number of Shares Traded	Total Commissions	Commission Per Share
Goldman Sachs & Co.	829,231	$ 34,614	0.04
Credit Suisse	1,931,414	26,213	0.01
Bloomberg Tradebook, LLC, New York	704,636	24,949	0.04
Merrill Lynch Pierce Fenner Smith	499,180	19,291	0.04
BNY Convergex, New York	428,813	15,264	0.04
Morgan JP Secs inc, New York	239,498	15,127	0.06
MAGNA Sec Corp, New York	488,386	15,061	0.03
Stifel Nicolaus	360,575	13,201	0.04
Sanford C. Bernstein & Co Inc.	337,298	12,574	0.04
Citigroup Global Markets Inc.	394,377	12,224	0.03
Barclays Capital LE	337,053	12,175	0.04
Morgan Stanley & Co., Inc	493,455	12,121	0.02
Liquidnet, Inc.	503,550	11,472	0.02
Jefferies & Co Inc.	380,862	10,500	0.03
Miscellaneous (Under $10,000)	12,229,607	216,222	0.03
Total	$20,157,935	$451,008	

Investment Summary
(June 30, 2009)

TYPE OF INVESTMENTS	FAIR VALUE	% of FAIR VALUE
Fixed Income:		
U.S. Government & Agencies Securities	$88,197,841	5.6%
Corporate Bonds	143,819,202	9.1
Foreign Bonds	34,157,136	2.2
Bond Mutual Funds	121,548,717	7.7
Total Fixed Income	387,722,896	24.7
Common Stock:		
Basic Industries	12,106,540	0.8
Consumer Durable Goods	3,871,189	0.2
Consumer Non-Durables	17,748,434	1.1
Consumer Services	34,562,182	2.2
Energy	24,800,719	1.6
Financial Services	45,247,441	2.9
Health Care	35,334,712	2.2
MEDIA	6,882,710	0.4
Technology	54,822,895	3.5
Transportation	6,621,205	0.4
Utilities	3,379,872	0.2
General Business	86,941,751	5.5
Total Common Stock	332,319,650	21.0
Other Investments:		
Stock Mutual Funds	367,974,695	23.4
Real Estate Equity Funds	69,663,222	4.4
Hedge Funds	89,357,333	5.7
Private Equity Funds	73,867,746	4.7
Global Asset Allocation Funds	251,115,876	16.0
Total Other Investments	851,978,872	54.2
Total Investments at fair value	$1,572,021,418	100.0%

ACTUARIAL SECTION

Actuary's Certification Letter

January 22, 2010

Board of Trustees
Employees' Retirement System
of Baltimore County
Towson, Maryland

Members of the Board:

Actuarial valuations of the Employees' Retirement System of Baltimore County are performed annually. The results of the latest actuarial valuation of the System, which was prepared as of June 30, 2009, are presented in the valuation report.

The valuation reflects the benefits in effect on the valuation date, and was prepared on the basis of the data submitted by the County and the actuarial assumptions as adopted by the Board of Trustees, including a valuation interest rate assumption of 7⅞% per annum, compounded annually.

The actuarial assumptions and methods comply with the parameters set forth in Statement No. 25 of the Governmental Accounting Standards Board (GASB).

Financing Objective and Contribution Appropriation

The results of the June 30, 2009 valuation determine the contribution appropriation for the fiscal year ending June 30, 2011.

The financing objective of the System is to:

(a) fully fund all current costs based on the normal contribution payable determined under the funding method; and

(b) liquidate the unfunded accrued liability based on accrued liability contributions payable over an amortization period of 30 years.

Assets and Participant Data

The County reported the individual data for members of the System as of the valuation date to the actuary. While we did not verify the data at their source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation.

The amount of current assets in the trust fund taken into account in the valuation was based on statements prepared for us by the County.

Actuarial Assumptions and Methods

The actuarial asset valuation method is a four-year moving market method that spreads the difference between actual investment income and expected income (based on the valuation interest rate) over a period of four years. An interest rate of 7⅞% was used in the valuation, as adopted for valuation purposes effective June 30, 1993.

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To help stabilize the County contribution, the 14% corridor around the market value was removed from the calculation of the actuarial value of assets effective June 30, 2009. Also, based on the County's future expectations, the assumed salary increase rates were reduced for all active members.

Included in the valuation report is a schedule that presents an outline of the actuarial assumptions and methods used to prepare the actuarial valuation results. The most recent study of the plan's experience, used in developing the current actuarial assumptions, was based on a period from July 2001 to June 2006. In our opinion, the actuarial assumptions used in the valuation are, in the aggregate, reasonable.

Effective with the fiscal 2003 contribution, all administrative and operating expenses of the ERS are paid from System assets. As a result, the normal cost includes these expenses.

Funding Adequacy

The results of the valuation indicate that the recommended contribution appropriation is adequate to fund the actuarial liabilities on account of all benefits payable under the System, when taken together with member contributions and with the current assets of the System. Included in the valuation report are contribution and funding progress schedules prepared by the actuary.

Financial Results and Membership Data

Detailed summaries of the financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report. The actuary prepared supporting schedules and required supplementary information included in the Actuarial, Financial and Statistical Sections of the Comprehensive Annual Financial Report.

This report was prepared by Lawrence Lin under the supervision of Timothy J. Abramic and reviewed by David L. Driscoll. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and Actuarial Standards of Practice. Messrs. Abramic and Driscoll are members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial opinion contained herein. They are available to answer questions concerning this report.

Respectfully submitted,

David Driscoll

David L. Driscoll, F.S.A., E.A., M.A.A.A
Principal

Timothy Abramic

Timothy J. Abramic, E.A., M.A.A.A.
Director, Retirement Consulting

Lawrence (Yen-An) Lin, A.S.A
Consultant, Retirement

DD/TJA/LL:pl

BUCK CONSULTANTS

Summary of Actuarial Assumptions and Methods

ASSUMPTIONS

Interest Rate: 7⅞% per annum, compounded annually.

Inflation: 3.0% per annum.

Salary Increase: Representative values for fiscal years beginning July 1, 2012 are as follows (adopted as of June 30, 2009 effective for the fiscal 2011 contribution):

Age	Annual Rates of Salary Increase	
	General Employees, Correctional Officers and Deputy Sheriffs	Police Officers and Firefighters
25	6.90%	7.05%
30	5.40	5.55
35	4.40	4.55
40	3.90	4.05
45	3.40	3.55
50	2.90%	3.05%
55	2.40	2.80
60	2.40	2.80
65	2.40	2.80

Salary increase rates at all ages for the fiscal years ending June 30, 2010 and June 30, 2011 are 3% for Police and 2.5% for all other groups. Salary increase rates for the year ending June 30, 2012 at all ages are 2% for Police and 1.5% for all other groups.

The effect of these assumptions is illustrated by the following examples: When used in the valuation process, these assumptions produce an effective annual average of 4.5% over a 27-year career for a Policeman hired at age 25, and 3.5% over a 30-year career for a General Employee hired at age 30.

Future Expenses: Effective June 30, 2003, the assumed interest rate is gross of the anticipated future administrative expenses of the fund. All administrative and operating expenses of the ERS are included in the normal cost effective with the June 30, 2001 actuarial valuation.

Loading or Contingency Reserves: None

Summary of Actuarial Assumptions and Methods
(Continued)

Illustrative Rates of Separation from Service (adopted as of June 30, 2007)

	Hired Before 7/01/2007							
	Withdrawal			Disability		Death		
						Ordinary		
Age	Refund Before 10 Years of Service	Refund After 10 Years of Service	Termination Benefit After 10 Years of Service	Ordinary	Accidental	Males	Females	Accidental
General Employees, Correctional Officers and Deputy Sheriffs								
20	17.406%			0.036%	0.009%	0.056%	0.015%	0.002%
25	13.500			0.051	0.009	0.054	0.014	0.001
30	10.350	1.087%	1.200%	0.087	0.019	0.052	0.022	0.001
35	9.900	0.810	1.200	0.145	0.019	0.061	0.038	0.001
40	9.900	0.773	1.200	0.253	0.028	0.082	0.050	0.002
45	9.900	0.735	1.350	0.361	0.047	0.121	0.079	0.003
50	7.200	0.697	1.500	0.506	0.056	0.188	0.124	0.006
55	5.400	0.660	1.500	0.615	0.066	0.310	0.180	0.009
60	4.500	0.630	1.500	0.615	0.084	0.588	0.288	0.015
64	3.780	0.630	1.500	0.615	0.084	0.994	0.529	0.022
65				0.615	0.084	1.127	0.623	0.024
69				0.615	0.084	1.787	1.111	0.035
Police Officers								
20	5.625%			0.023%	0.045%	0.028%	0.008%	0.008%
25	2.925			0.023	0.056	0.027	0.007	0.012
30	2.700	0.750%	1.030%	0.028	0.068	0.026	0.011	0.016
35	1.800	0.500	0.630	0.106	0.096	0.031	0.010	0.024
40	1.350	0.300	0.390	0.106	0.164	0.041	0.025	0.036
45	1.350	0.300	0.220	0.106	0.310	0.060	0.040	0.052
50	0.900	0.300	0.120	0.149	0.570	0.094	0.062	0.084
55	0.562	0.300	0.030	0.553	1.015	0.155	0.090	0.140
59				0.553	1.636	0.257	0.128	0.240
60				0.553	1.636	0.294	0.144	0.272
64				0.553	1.636	0.497	0.265	0.400
Firefighters								
20	5.000%			0.023%	0.011%	0.028%	0.008%	0.008%
25	2.600			0.023	0.014	0.027	0.007	0.012
30	2.400	0.750%	1.030%	0.028	0.017	0.026	0.011	0.016
35	1.600	0.500	0.630	0.106	0.024	0.031	0.010	0.024
40	1.200	0.300	0.390	0.106	0.033	0.041	0.025	0.036
45	1.200	0.300	0.220	0.106	0.062	0.060	0.040	0.052
50	0.800	0.300	0.120	0.149	0.115	0.094	0.062	0.084
55	0.500	0.300	0.030	0.553	0.204	0.155	0.090	0.140
59	0.100	0.300	0.010	0.553	0.229	0.257	0.128	0.240
60				0.553	0.229	0.294	0.144	0.272
64				0.553	0.229	0.497	0.265	0.400

Summary of Actuarial Assumptions and Methods
(Continued)

Illustrative Rates of Separation from Service (adopted as of June 30, 2007)

	Hired After 6/30/2007							
	Withdrawal			Disability		Death		
						Ordinary		
Age	Refund Before 10 Years of Service	Refund After 10 Years of Service	Termination Benefit After 10 Years of Service	Ordinary	Accidental	Males	Females	Accidental
General Employees, Correctional Officers and Deputy Sheriffs								
20	14.505%			0.043%	0.013%	0.056%	0.015%	0.002%
25	11.250			0.059	0.013	0.054	0.014	0.001
30	8.625	1.688%	0.600%	0.102	0.025	0.052	0.022	0.001
35	8.250	1.613	0.600	0.170	0.025	0.061	0.038	0.001
40	8.250	1.538	0.600	0.298	0.038	0.082	0.050	0.002
45	8.250	1.462	0.675	0.425	0.062	0.121	0.079	0.003
50	6.000	1.388	0.750	0.595	0.075	0.188	0.124	0.006
55	4.500	1.313	0.750	0.723	0.088	0.310	0.180	0.009
60	3.750	1.237	0.750	0.723	0.112	0.588	0.288	0.015
64	3.150	1.178	0.750	0.723	0.112	0.994	0.529	0.022
65	3.000	1.162	0.750	0.723	0.112	1.127	0.623	0.024
69				0.723	0.112	1.787	1.111	0.035
Police Officers								
20	3.750%			0.047%	0.060%	0.056%	0.015%	0.008%
25	1.950			0.047	0.075	0.056	0.014	0.012
30	1.800	0.750%	0.515%	0.056	0.090	0.052	0.022	0.016
35	1.200	0.500	0.315	0.213	0.128	0.061	0.038	0.024
40	0.900	0.300	0.195	0.213	0.218	0.082	0.050	0.036
45	0.900	0.300	0.110	0.213	0.412	0.121	0.079	0.052
50	0.600	0.300	0.060	0.298	0.758	0.188	0.124	0.084
55	0.375	0.300	0.015	1.105	1.350	0.310	0.180	0.140
59	0.075	0.300	0.005	1.105	2.175	0.514	0.255	0.240
60				1.105	2.175	0.588	0.288	0.272
64				1.105	2.175	0.994	0.529	0.400
Firefighters								
20	2.500%			0.047%	0.045%	0.056%	0.015%	0.008%
25	1.300			0.047	0.056	0.056	0.014	0.012
30	1.200	0.750%	0.515%	0.056	0.068	0.052	0.022	0.016
35	0.800	0.500	0.315	0.213	0.095	0.061	0.038	0.024
40	0.600	0.300	0.195	0.213	0.131	0.082	0.050	0.036
45	0.600	0.300	0.110	0.213	0.247	0.121	0.079	0.052
50	0.400	0.300	0.060	0.298	0.454	0.188	0.124	0.084
55	0.250	0.300	0.015	1.105	0.810	0.310	0.180	0.140
59	0.050	0.300	0.005	1.105	0.910	0.514	0.255	0.240
60				1.105	0.910	0.588	0.288	0.272
64				1.105	0.910	0.994	0.529	0.400

Summary of Actuarial Assumptions and Methods
(Continued)

Illustrative Rates of Retirement (adopted as of June 30, 2007):

	General Employees						
	Hired before 7/01/2007						Hired After 6/30/2007
		Normal Retirement (Age 60 and 5 Yrs, or 30 Yrs)*					
		Under Age 60 at June 30, 2007					
Age	Early Retirement (Age 55 with 20 Years)	5 - 9 Years Service	10 - 19 Years Service	20 - 29 Years Service But Without Rule of 85	30 Years or Age 65** with 5 Years	DROP Retirement with 5– 9 Years DROP Participation	Normal Retirement (Age 67 and 10 Years or 35 Years)
45					8.29%		
46					8.29		
47					8.29		
48					8.29		
49					8.29		
50					8.29		
51					8.29		
52					8.29		
53					8.29		
54					8.29		11.05%
55	9.262%				8.29		11.05
56	2.925				8.29		11.05
57	1.950				8.29		11.05
58	3.120				8.29		11.05
59	4.388				8.29		11.05
60		2.00%	10.00%	20.00%	8.29	5.00%	11.05
61		2.00	10.00	20.00	9.53	10.00	12.71
62		2.00	10.00	20.00	17.34	15.00	23.11
63		2.00	10.00	20.00	12.37	20.00	16.48
64		2.00	10.00	20.00	14.02	25.00	18.69
65					22.73	30.00	30.29
66					19.33	35.00	25.76
67					18.33	40.00	24.44
68					17.34	45.00	23.11
69					16.51	50.00	22.01
70					100.00		100.00

* Members not meeting DROP entry requirements by age 65 are assumed to retire on normal service retirement at the rates shown above. Members who meet DROP entry requirements by age 65 are assumed to (a) retire on service retirement at 75% of the normal retirement rates shown above prior to entering the DROP; (b) enter the DROP as soon as they are eligible; (c) retire normally (5%) or with DROP benefits (95%) at the DROP retirement rates shown after five years of DROP participation. The DROP retirement rate becomes 100% upon completion of ten years of DROP participation, or attainment of age 70, whichever occurs first.

** Substitute 60 for 65 if the member was age 60 or older on or before 6/30/07.

Summary of Actuarial Assumptions and Methods
(Continued)

Age	Correctional Officers and Deputy Sheriffs				
	Hired Before 7/01/2007*				Hired After 6/30/2007
	Normal Retirement (20 Years)	DROP Retirement (27 Years)	Age 60 with 5 to 10 Years of Service	Age 60 with 10 to 20 Years of Service	Retirement (Age 67 and 10 Years or 25 Years)
40	3.393%				
41	3.393				
42	3.393				
43	3.393				
44	3.393				
45	3.393	17.192%			14.95%
46	3.393	17.192			14.95
47	3.393	17.192			14.95
48	3.393	17.192			14.95
49	3.393	17.192			14.95
50	3.393	17.192			14.95
51	3.393	17.192			14.95
52	3.393	17.192			14.95
53	3.393	17.192			14.95
54	3.393	17.192			14.95
55	3.393	17.192			14.95
56	3.393	17.192			14.95
57	3.393	17.192			14.95
58	3.393	17.192			14.95
59	3.393	17.192			14.95
60	3.393	17.192	4.00%	10.00%	14.95%
61	5.968	19.769	4.00	12.00	17.19
62	22.166	35.966	4.00	14.00	31.27
63	11.845	25.645	4.00	16.00	22.30
64	15.283	29.083	4.00	18.00	25.29
65	27.588	41.388	4.00	20.00	40.99
66	20.539	34.339	4.00	22.00	34.86
67	18.469	32.269	4.00	24.00	33.06
68	16.410	30.210	4.00	26.00	31.27
69	14.685	28.486	4.00	28.00	29.77
70	100.000	100.000			100.00

* Members meeting the service requirement for the DROP are assumed to retire at 75% of the normal retirement rates shown above prior to eligibility for the benefit. Members not qualifying for the DROP are assumed to retire at the normal retirement rates shown above. An additional 20% is applied at the point a member is first eligible to retire under the DROP. Also, an additional 25% is applied at the point a member first reaches the 25-year service point due to the added health care subsidy. 95% of eligible members are assumed to elect the DROP.

Summary of Actuarial Assumptions and Methods
(Continued)

Age	Police			
	Hired Before 7/01/2007*			Hired After 6/30/2007
	Normal Retirement (20 Years)	Age 55 with 5 to 10 Years of Service	Age 55 with 10 to 20 Years of Service	Retirement (Age 60 and 10 Years or 25 Years)
40	5.16%			
41	5.21			
42	5.26			
43	5.31			
44	5.34			
45	5.41			9.41%
46	5.47			9.47
47	5.56			9.56
48	5.67			9.67
49	5.78			9.78
50	5.91			9.91
51	6.05			10.05
52	6.23			10.23
53	6.44			10.44
54	6.69			10.69
55	15.30	3.00%	25.00%	19.30
56	13.79	3.00	30.00	17.79
57	5.86	3.00	35.00	9.86
58	6.07	3.00	40.00	10.07
59	6.41	3.00	45.00	10.41
60	95.00	3.00	50.00	95.00
61	40.00	3.00	55.00	40.00
62	75.00	3.00	60.00	75.00
63	50.00	3.00	65.00	50.00
64	50.00	3.00	70.00	50.00
65	100.00			100.00

* Members meeting the service requirement for the DROP are assumed to retire at 75% of the normal retirement rates shown above prior to eligibility for the benefit. Members not qualifying for the DROP are assumed to retire at the normal retirement rates shown above. An additional 10% is applied at the point a member is first eligible to retire under the DROP. Also, an additional 10% is applied at the point a member first reaches the 25-year service point due to the added health care subsidy. 80% of eligible members are assumed to elect the DROP.

Summary of Actuarial Assumptions and Methods
(Continued)

Age	Fire				
	Hired Before 7/01/2007*				Hired After 6/30/2007
	Normal Retirement (25 years of service)	Age 60 with 5 to 10 Years of Service	Age 60 with 10 to 20 Years of Service	Age 50 with 20 to 25 Years of Service	Retirement (Age 60 and 10 Years or 30 Years)
44	12.00%				
45	12.00				
46	12.00				
47	12.00				
48	12.00				
49	12.00				12.00%
50	10.25			2.00%	10.25
51	10.40			2.00	10.40
52	10.58			2.00	10.58
53	10.80			2.00	10.80
54	11.05			2.00	11.05
55	19.89			2.00	19.89
56	18.32			2.00	18.32
57	10.10			2.00	10.10
58	10.31			2.00	10.31
59	10.65			2.00	10.65
60	85.00	3.00%	25.00%	2.00	85.00
61	35.00	3.00	35.00	2.00	35.00
62	60.00	3.00	45.00	2.00	60.00
63	40.00	3.00	55.00	2.00	40.00
64	50.00	3.00	65.00	2.00	50.00
65	100.00				100.00

* Members meeting the service requirement for the DROP are assumed to retire at 75% of the normal retirement rates shown above prior to eligibility for the benefit. Members not qualifying for the DROP are assumed to retire at the normal retirement rates shown above. An additional 10% is applied at the point a member is first eligible to retire under the DROP. Also, an additional 10% is applied at the point a member first reaches the 25-year service point due to the added health care subsidy. 100% of eligible members are assumed to elect the DROP.

Summary of Actuarial Assumptions and Methods
(Continued)

Death After Retirement: The 1995 George B. Buck Mortality Table with ages set forward one year was used for service retirements and dependent beneficiaries. Special mortality tables are used for disability retirements. Illustrative rates are as follows (adopted as of June 30, 2007):

Age	Annual Rates of Mortality Among:				
	Service Pensioners		Disability Pensioners		
	All Members		Other than Police and Firefighters		Police and Firefighters
	Males	Females	Males	Females	
40	0.102%	0.062%	2.322%	1.732%	3.029%
45	0.151	0.099	2.444	1.842	2.114
50	0.235	0.155	2.635	2.020	1.947
55	0.387	0.226	2.939	2.299	2.109
60	0.735	0.360	3.417	2.740	2.437
65	1.408	0.779	4.166	3.431	2.964
70	2.485	1.562	5.340	4.515	3.781
75	4.176	2.566	7.157	6.193	5.055
80	6.934	4.195	9.920	8.770	7.007

Marital Status: For firefighters and police officers, 90% of active members are assumed to be married. For all other employees, 90% of active males and 50% of active females are assumed to be married. In all cases, it is assumed that the male spouse is three years older than the female spouse.

Credit for Unused Sick Leave: For members entitled to receive credit for unused sick leave, it was assumed that each member will accumulate such credit as follows:

Supervisory, management and confidential (SMC) members, other than firefighters	¾ year
Firefighters including SMC members	1 year
Employees other than Police and Firefighters, excluding SMC members	½ year
Police	½ year

Summary of Actuarial Assumptions and Methods
(Continued)

METHODS

Actuarial Cost Method: Projected Unit Credit. Changes in benefits and assumptions and gains or losses are amortized over 30 years with payments that increase by 3% per annum. (Adopted as of June 30, 2009)

Asset Valuation Method: The valuation assets are determined as the market value less (1) 75% of the gain/(loss) during the preceding year, (2) 50% of the gain/(loss) during the second preceding year, and (3) 25% of the gain/(loss) during the third preceding year. For purposes of this calculation, the gain/(loss) is defined as the difference between the actual and the expected return on the market value of assets. There is no corridor limiting the valuation assets to a certain percentage of the market value. (Adopted as of June 30, 2009)

Liability Due to Assets in Post-Retirement Increase Fund: Liabilities for retirees and beneficiaries include the value of assets in the Post-Retirement Increase Fund.

Payroll Growth: 3% per annum, compounded annually.

DATA

The valuation was based on members of the System as of June 30, 2009 and does not take into account future members. All census data was supplied by the County and was subject to reasonable consistency checks. The County supplied asset data.

Schedule of Active Member Valuation Data

GENERAL EMPLOYEES

Valuation as of June 30	Number of Active members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2000	5,938	$183,520,218	$30,906	7.5%	3.7%
2001	5,999	188,253,900	31,381	1.5	3.2
2002	6,161	203,036,384	32,955	5.0	1.1
2003	6,089	208,335,050	34,215	3.8	2.1
2004	6,188	213,466,762	34,497	0.8	3.3
2005	6,200	222,429,135	35,876	4.0	2.5
2006	6,347	237,974,768	37,494	4.5	4.3
2007	6,203	246,590,348	39,753	6.0	2.7
2008	6,276	263,073,480	41,917	5.4	5.0
2009	6,458	276,789,524	42,860	2.2	(1.4)

POLICE OFFICERS

Valuation as of June 30	Number of Active members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2000	1,777	$74,594,530	$41,978	9.8%	3.7%
2001	1,799	81,739,776	45,436	8.2	3.2
2002	1,774	91,225,162	51,423	13.2	1.1
2003	1,761	90,956,535	51,651	0.4	2.1
2004	1,820	94,168,998	51,741	0.2	3.3
2005	1,830	99,331,097	54,279	4.9	2.5
2006	1,893	113,160,620	59,778	10.1	4.3
2007	1,911	117,584,303	61,530	2.9	2.7
2008	1,926	133,153,117	69,135	12.4	5.0
2009	1,936	142,060,736	73,378	6.1	(1.4)

Schedule of Active Member Valuation Data
(Continued)

FIREFIGHTERS

Valuation as of June 30	Number of Active members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2000	987	$42,753,238	$43,316	5.1%	3.7%
2001	1,004	45,716,523	45,534	5.1	3.2
2002	984	47,859,370	48,638	6.8	1.1
2003	1,007	51,149,350	50,794	4.4	2.1
2004	1,025	52,126,358	50,855	0.1	3.3
2005	999	53,487,198	53,541	5.3	2.5
2006	1,006	60,276,437	59,917	11.9	4.3
2007	985	59,689,970	60,599	1.1	2.7
2008	987	65,893,511	66,761	10.2	5.0
2009	985	68,906,384	69,956	4.8	(1.4)

CORRECTIONAL OFFICERS AND DEPUTY SHERIFFS

Valuation as of June 30	Number of Active members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2000	229	$7,983,804	$34,864	10.5%	3.7%
2001	226	7,981,113	35,315	1.3	3.2
2002	235	8,742,297	37,201	5.3	1.1
2003	284	10,572,203	37,226	0.1	2.1
2004	287	10,876,631	37,898	1.8	3.3
2005	332	12,804,147	38,567	1.8	2.5
2006	339	13,988,510	41,264	7.0	4.3
2007	372	16,048,623	43,141	4.5	2.7
2008	381	17,534,096	46,021	6.7	5.0
2009	393	19,151,020	48,730	5.9	(1.4)

Schedule of Active Member Valuation Data
(Continued)

ALL GROUPS

Valuation as of June 30	Number of Active Members	Valuation Payroll	Average Salary	Percent Increase (Decrease)	CPI % Increase
2000	8,931	$308,851,790	$34,582	7.7%	3.7%
2001	9,028	323,691,312	35,854	3.7	3.2
2002	9,154	350,863,213	38,329	6.9	1.1
2003	9,141	361,013,138	39,494	3.0	2.1
2004	9,320	370,638,749	39,768	0.7	3.3
2005	9,361	388,051,577	41,454	4.2	2.5
2006	9,585	425,400,335	44,382	7.1	4.3
2007	9,471	439,913,244	46,448	4.7	2.7
2008	9,570	479,654,204	50,121	7.9	5.0
2009	9,772	506,907,664	51,873	3.5	(1.4)

Schedule of Retiree and Beneficiary Data

Valuation as of June 30	Added to Rolls		Removed from Rolls		Rolls – End of Year		Percent Increase In Annual Allowances	Average Annual Allowances
	Number	Annual* Allowances	Number	Annual Allowances	Number	Annual Allowances		
2000	291	$6,687,014	159	$1,536,944	5,455	$84,496,862	6.5%	$15,490
2001	280	7,015,666	178	1,989,066	5,557	89,523,462	5.9	16,110
2002	307	7,364,669	208	1,479,395	5,656	95,408,736	6.6	16,869
2003	292	7,819,671	179	2,238,672	5,769	100,989,735	5.8	17,506
2004	275	7,626,181	150	2,176,764	5,894	106,439,152	5.4	18,059
2005	349	7,886,485	206	2,109,495	6,037	112,216,142	5.4	18,588
2006	306	9,198,231	171	2,059,100	6,172	119,355,273	6.4	19,338
2007	405	10,144,583	176	2,416,858	6,401	127,082,998	6.5	19,854
2008	249	8,616,484	200	2,091,325	6,450	133,608,157	5.1	20,714
2009	281	13,789,920	221	2,802,573	6,510	144,595,504	8.2	22,211

*Cost of Living Increases included here.

Solvency Test

Baltimore County's funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the system are level in concept and soundly executed, the system will pay all promised benefits when due - the ultimate test of financial soundness. Testing for level contribution rates is the long-term test.

A short conditions test is one means of checking a system's progress under its funding program. In a short condition test, the system's present assets (cash and investments) are compared with: (1) the liabilities for future benefits to present retired lives; (2) the liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for future benefits to present retired lives (liability B) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability A & C) will be at least partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability A & C will increase over time. This is the relationship between accrued liabilities and assets of the System over the last ten years:

Valuation as of June 30	Accrued Liability for:			Actuarial Value of Assets	Portion of Accrued Liability Covered by Actuarial Value of Assets		
	(A) Active Member Contribution	(B) Retirees and Beneficiaries	(C) Active Member Employer Financed		(A)	(B)	(C)
2000[1]	$230,386,737	$844,563,160	$436,594,314	$1,689,860,650	100.0%	100.0%	100.0%
2001[2]	247,121,190	888,237,904	481,229,389	1,744,066,828	100.0	100.0	100.0
2002	267,367,396	911,599,906	545,916,909	1,764,776,154	100.0	100.0	100.0
2003[3]	286,223,066	947,448,642	596,912,599	1,740,713,074	100.0	100.0	84.9
2004[4]	309,108,608	969,870,802	645,563,619	1,803,810,968	100.0	100.0	81.3
2005[5]	325,300,280	1,044,483,625	579,827,565	1,832,922,033	100.0	100.0	79.9
2006	348,756,395	1,082,484,348	647,571,148	1,938,817,402	100.0	100.0	78.4
2007[6]	363,778,826	1,247,373,485	678,300,211	2,101,023,411	100.0	100.0	72.2
2008[7]	391,743,335	1,307,885,347	791,713,328	2,191,623,378	100.0	100.0	62.1
2009[8]	417,514,605	1,359,000,212	844,921,005	2,116,663,880	100.0	100.0	40.3

(1) Change in benefits for Deputy Sheriffs. The actuarial asset valuation method was changed from a 4-year to a 5-year moving average with a 14% corridor on the market value of assets.

(2) Change in benefits and retirement rates for Police and Firefighters.

(3) Assumption changes recommended in 2001 experience study were adopted, amortization period was changed to 25 years, Police and Fire DROPs were added and Fire Joint & 50 eligibility was changed to 25 years.

(4) Asset method change: difference between expected and actual return on market value smoothed over 4 years.

(5) Cost method change: From Entry Age Normal to Projected Unit Credit.

(6) Assumption changes recommended in 2006 experience study were adopted, plus plan changes to all groups including implementation of DROP programs for general employees, correctional officers and deputy sheriffs.

(7) Amortization period was changed to 30 years.

(8) Actuarial Asset Method is revised to remove 14% Corridor Around Market Value of Assets and Salary increase rates for all members are reduced.

Analysis of Change in Unfunded Accrued Liability
As of June 30, 2009

Reconciliation of Gain (Loss) in the Unfunded Accrued Liability:	Amount
1. Unfunded Accrued Liability at June 30, 2008	$299,718,632
2. Interest Charge at 7.875% to June 30, 2009	23,602,842
3. Contributions Toward Unfunded Accrued Liability	15,118,020
4. Change in Asset Method	(299,171,194)
5. Change in Assumption / Salary Scale	(29,833,475)
6. Expected Unfunded Accrued Liability at June 30, 2009	
= (1) + (2)+(4)+(5) – (3)	(20,801,215)
7. Actual Unfunded Accrued Liability at June 30, 2009	504,771,942
8. Increase (Decrease) from Expected / Actuarial Loss at June 30, 2009	
= (7) – (6)	$525,573,157

Progress Toward Amortization of Unfunded Accrued Liability
For the Year Ended
June 30, 2009

Unfunded Accrued Liability	Amount	Amortization Period
2008 Fresh Start Employer Base	$190,188,780	29 Years
Member Base for 12 Month Average Final Compensation	1,875,952	3 Years
2008 Actuarial Loss	116,138,722	29 Years
2009 Actuarial Loss	525,573,157	30 Years
2009 Asset Method Change	(299,171,194)	30 Years
2009 Assumption Change / Salary Scale	(29,833,475)	30 Years
Total	$504,771,942	

Summary of Plan Provisions

The Employees' Retirement System provides members the following benefits:

- Retirement Benefits
- Disability Benefits
- Death Benefits

ELIGIBILITY

Full-time and part-time employees of Baltimore County and the Baltimore County Revenue Authority and employees of the Board of Education, Board of Library Trustees and the Community College of Baltimore County not eligible to participate in the Maryland State Retirement and Pension Systems are entitled to membership in the System. Employees, exclusive of firefighters and police officers, may become a System member at any time within the first two years of employment. System membership is compulsory for firefighters and police officers as a condition of employment. All other employees must become a System member at the end of the two-year period as a condition of employment, except for elected officials, employees appointed to certain non-merit positions and part-time employees that have the option to join the System. Selection of the option must be made within two years of employment. System members hired prior to July 1, 2007 are vested after five years of membership. System members hired on or after July 1, 2007 are vested after ten years of membership.

Members are designated as elected officials, general employees, firefighters and police officers. Elected officials include only the County Executive and County Council members. General employees include Baltimore County appointed officials, classified employees, correctional officers and part-time employees (employees excluded from the classified service and work less than a standard full-time work schedule). Full and part-time Revenue Authority, education, library and community college employees are also designated as general employees. Firefighters and police officers include only the sworn personnel of the Fire Department and Police Department, respectively.

MEMBER CONTRIBUTIONS

System members contribute a percentage of their salary to the System. The contribution rate for members hired prior to July 1, 2007 is actuarially determined based on the member's age at enrollment and employee classification. The contribution rate for elected officials is fixed. Fiscal year 2009 contribution rates range as follows:

	Contribution Rate as a % of Covered Payroll	
Classification	Hired prior to July 1, 2007	Hired on or after July 1, 2007
Elected officials	13.85%	13.85%
Department Head	6.61 -10.98%	9.00%
General employees	4.42 - 8.36%	6.00%
Correctional Officers	4.46 - 8.12%	7.00%
Deputy Sheriffs	4.46 - 8.36%	7.00%
Firefighters	6.46 - 8.50%	7.00%
Police Officers	5.51 - 8.72%	7.00%

Interest is credited on member contributions at the rate of 5.0% per annum.

Summary of Plan Provisions, continued

MILITARY SERVICE CREDIT

Members hired prior to July 1, 2007, with five years of creditable service, or members hired on or after July 1, 2007, with ten years of creditable service are entitled to a military service credit on a year-for-year basis for up to a maximum of four years.

SICK LEAVE CREDIT

At the time of retirement, general employees, elected officials and police officers receive one month of service credit for each 22 unused sick leave days. One additional month is granted if fractional days of sick leave total 11 or more. Firefighters receive one month of service credit for each 16 unused sick leave days. Sick leave may be used to determine service credit except for the following circumstances: death benefit, ordinary disability, vesting of employer contributions and average final compensation.

RETIREMENT ALLOWANCE DATES

Normal Retirement for Service: Members hired prior to July 1, 2007

Normal retirement for service can be granted to general employees and appointed officials who have reached the age of 60 with 5 years of creditable service or attained 30 years of creditable service. A normal retirement for service can be granted to elected officials who have attained 16 years of creditable service or age 55 and attained 4 years of creditable service. An early service retirement can be granted to general employees who have reached the age of 55 and have attained 20 years of creditable service. A normal retirement for service can be granted to correctional officers, and deputy sheriffs who have reached the age of 60 with 5 years of creditable service or have attained 20 years of creditable service. A normal retirement for service can be granted to firefighters at the age of 60 with 5 years of creditable service or age 50 with 20 years of creditable service or 25 years creditable service regardless of age. A normal retirement for service can be granted to police officers who have reached the age of 55 or have attained 20 or more years of creditable service. The System does not have a mandatory retirement age requirement for general employees and correctional officers. Firefighters and police officers must retire at age 60 unless approved for continuation of service by the Board on an annual basis.

Normal Retirement for Service: Members hired on or after July 1, 2007

Normal retirement for service can be granted to general employees and appointed officials who have reached the age of 67 with 10 years of creditable service or attained 35 years of creditable service regardless of age. A normal retirement for service can be granted to elected officials who have attained 16 years of creditable service or age 55 and attained 4 years of creditable service. A normal retirement for service can be granted to correctional officers, and deputy sheriffs who have reached the age of 67 with 10 years of creditable service or have attained 25 years of creditable service regardless of age. A normal retirement for service can be granted to firefighters at the age of 60 with 10 years of creditable service or 30 years creditable service regardless of age. A normal retirement for service can be granted to police officers who have reached the age of 60 with 10 years of creditable service or have attained 25 years of creditable service regardless of age. The System does not have a mandatory retirement age requirement for general employees and correctional officers. Firefighters and police officers must retire at age 60 unless approved for continuation of service by the Board on an annual basis.

Ordinary Disability Retirement may be granted to a member who can no longer perform their job due to a non-occupational related injury. A member, hired prior to July 1, 2007, must have five years of creditable service and be medically certified as incapacitated to continue performance of their duties. A member, hired on or after July 1, 2007, must have 10 years of creditable service and be medically certified as incapacitated to continue performance of their duties.

Summary of Plan Provisions, continued

Accidental Disability Retirement may be granted to a member upon application who has been physically incapacitated for duty as a result of an occupational related injury.

Discontinued Service Retirement may be granted to a member whose employment has been discontinued through no fault of their own after completion of 25 years of creditable service or age 50 and 20 years of creditable service.

RETIREMENT ALLOWANCES

Retirement allowances are comprised of an annuity equal to the actuarial equivalent of the accumulated contributions plus a pension which together with the annuity shall provide a maximum allowance as provided for in the Code.

Normal Retirement for Service Allowance is granted as follows:

(A) General employees (excluding appointed officials and correctional officers and part-time employees) hired prior to July 1, 2007, with 30 years of creditable service or age 60 as of June 30, 2007 and attain 5 years of creditable service, or age 65 with 5 years of creditable service receive an allowance equal to 1/55th of the Average Final Compensation (AFC) times the number of years of creditable service. General employees hired prior to July 1, 2007 may retire at age 60 with at least 5 years of creditable service, however, such members will be granted a blended benefit. For creditable service earned prior to July 1, 2007, members will receive an allowance equal to $1/55^{th}$ of AFC times the number of years of creditable service and for creditable service earned on or after July 1, 2007, members will receive an allowance equal to $1/70^{th}$ of AFC times the number of years of creditable service. The AFC definition is determined by the employee's classification as the highest 12 or 36 consecutive months.

General employees (excluding appointed officials and correctional officers) hired on or after July 1, 2007, receive an allowance equal to 1/70th of the Average Final Compensation (AFC) times the number of years of creditable service. The AFC definition for most general employees hired on or after July 1, 2007, is the annual earnable compensation for the highest 36 consecutive months.

Part-time employees earn creditable service on a proportionate basis equal to the time worked annually as compared to the standard work year.

For the following sections, AFC is defined as the annual earnable compensation during the 12 consecutive calendar months affording the highest average.

(B) Appointed officials receive an allowance equal to 2.5% of their AFC times the number of years of creditable service.

(C) Elected officials receive an allowance equal to 5.0% of their AFC times the number of years of creditable service.

(D) Firefighters receive an allowance equal to 2.5% times years of creditable service up to 20 years plus 2% of AFC for each year of creditable service in excess of 20 years, and 3% of AFC for each year of creditable service in excess of 30 years for years beginning on or after July 1, 2007. The 3% rate does not apply to service earned prior to July 1, 2007.

(E) Police officers with 20 or more years of creditable service receive an allowance equal to 2.5% of AFC times years of creditable service up to 20 years plus 2% of AFC for each year of creditable service in excess of 20 years, and 3% of AFC for each year of creditable service in excess of 25 years for years beginning on or after July 1, 2007. The 3% rate does not apply to service earned prior to July 1, 2007. Police officers with less than 20 years of creditable service receive an allowance equal to 2% of AFC times years of creditable service.

Summary of Plan Provisions, continued

(F) Correctional officers and deputy sheriffs with 20 or more years of creditable service receive an allowance equal to 2.5% of AFC times years of creditable service up to 20 years plus 2% of AFC for each year of creditable service in excess of 20 years. Correctional officers hired prior to July 1, 2007, with less than 20 years of creditable service receive an allowance equal to general employees. Correctional officers hired on or after July 1, 2007, with less than 20 years of creditable service receive an allowance equal to 1.43% of AFC times the number of years of creditable service.

Ordinary Disability Retirement Allowance is granted to members as follows:

(A) General employees, correctional officers and deputy sheriffs hired prior to July 1, 2007, receive an ordinary disability retirement allowance equal to 1.82% of AFC times the number of years of creditable service. General employees, correctional officers and deputy sheriffs hired on or after July 1, 2007, receive a retirement allowance equal to 1.43% of AFC times the number of years of creditable service. The minimum allowance is equal to 25% of AFC. No member may receive a benefit in excess of that which they would have received at normal service retirement age.

(B) Firefighters and police officers receive an ordinary disability retirement allowance equal to 2.5% of AFC times the number of years of creditable service not in excess of 20 years, and 2% of AFC times the number of years of creditable service in excess of 20 years. The minimum retirement allowance for Firefighters and police officers for an ordinary disability retirement allowance shall equal to 50% of AFC. No member may receive a benefit in excess of that which they would have received at normal service retirement age.

RETIREMENT ALLOWANCE OPTIONS

Members may select one of seven retirement allowance options in addition to the maximum allowance. The selection of an option, excluding Option VII, reduces the maximum allowance as described above. The options are as follows:

I. Allows the member's undistributed accumulated contributions to be paid to the beneficiary in a lump sum if the member's death occurs prior to a complete payout of all member contributions.

II. Allows 100% of the member's retirement allowance to continue to be paid to the beneficiary after the member's death.

III. Allows 50% of the member’s retirement allowance to continue to be paid to the beneficiary after the member’s death

IV. Allows any portion of the retirement allowance to continue to be paid to the beneficiary after the member’s death.

V. Allows 100% of the member's reduced retirement allowance to be paid to the beneficiary after the member's death. If the member becomes divorced from the beneficiary or the beneficiary dies before the retiree, upon notification to the Board of Trustees, the member's allowance will be increased to the maximum allowance described above. If after such death or divorce, the member wishes to select a new beneficiary and retirement option, the member may select options II, III, IV, V or VI. The retirement allowance will then be recomputed.

VI. Allows 50% of the member's reduced retirement allowance to be paid to the beneficiary after the member's death. If the member becomes divorced from the beneficiary or the beneficiary dies before the retiree, upon notification to the Board of Trustees, the member's allowance will be increased to the maximum allowance described above. If after such death or divorce, the member wishes to select a new beneficiary and retirement option, the member may select options II, III, IV, V or VI. The retirement allowance will then be recomputed.

Summary of Plan Provisions, continued

VII. Allows 50% of the member's retirement allowance to continue to be paid to the original beneficiary at no cost to the employee. This option is available to employees who have completed at least 25 years of actual service as a sworn Baltimore County police officer or 25 years of actual service as a sworn Baltimore County Firefighter.

DEFERRED RETIREMENT OPTION PLAN (DROP)

Police Officers and Firefighters DROP

The County has adopted a Back DROP for police officers with at least 27 years of service with the County as a police officer and Firefighters with at least 32 years of service, under which eligible active members may elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit for life. Election to participate in the DROP will be made at retirement. The DROP participant benefit will be calculated along with all other available options, and the member will then choose between the DROP benefit and the regular pension benefits provided by the County. The DROP participant monthly pension will be determined as of a date that is three to five years prior to retirement date based on the plan provisions, the member's salary and service at that earlier date. The lump sum payment will be based on an assumed accumulation of member contributions, monthly pension payments and interest earned in the drop period. This program is effective with retirements that occurred on or after July 1, 2004. Police officers and firefighters hired on or after July 1, 2007 are not eligible to participate in the Drop.

Correctional Officers and Deputy Sheriffs Deferred Retirement Option Plan (DROP)

Effective July 1, 2010, a Back-DROP is offered to eligible correctional officers and deputy sheriffs hired prior to July 1, 2007. The Back-DROP program allows eligible correctional officers and deputy sheriffs to elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is from 3 to 5 years. Eligibility is based on 27 years of service. Correctional officers and deputy sheriffs hired on or after July 1, 2007 are not eligible to participate in the Drop.

General Employees Deferred Retirement Option Plan (DROP)

Effective July 1, 2007, General employees hired prior to July 1, 2007, is offered a DROP. The DROP allows eligible general employees to elect to receive a lump sum payment at retirement in exchange for a reduced monthly benefit. The DROP period is a minimum of 5 years and a maximum of 10 years. Eligibility is age 55 plus a total of age and service of at least 85. The DROP account will include benefit payments at the maximum option, employee contributions, and an interest credit of 5%, plus any cost of living increase granted to retirees. This program is effective for retirements that occur on or after July 1, 2012. General employees hired on or after July 1, 2007 are not eligible to participate in the Drop.

DEATH BENEFITS

Ordinary Death Benefit is granted as a result of a member's death from non-occupational causes as follows:

(A) A general employee's designated beneficiary or estate receives a lump sum payment of the member's contributions plus interest. Additionally, after one year of creditable service, the member's designated beneficiary or estate may receive a one-time payment equal to 100% of the member's annual earnable compensation. If the member was eligible for a service retirement or had 15 years of creditable service at the time of death, the surviving spouse or surviving minor children, if designated as the beneficiary, may receive a retirement allowance, in lieu of other benefit payments, based on service years equivalent to Option II.

Summary of Plan Provisions, continued

(B) A firefighter's or police officer's designated beneficiary or estate receives a lump sum payment consisting of the member's accumulated contributions plus interest. Additionally, after one year of creditable service, the member's designated beneficiary or estate may receive a one-time payment equal to 50% of the member's annual earnable compensation. If the firefighter or police officer had two years of creditable service, a surviving dependent family member, if designated as the beneficiary, may receive an allowance equal to 25% of AFC in lieu of another benefit. If the firefighter or police officer had 15 years of creditable service or was eligible for a service retirement, the surviving spouse or surviving minor children, if designated as the beneficiary, may receive a retirement allowance in lieu of other benefit payments based on service years equivalent to Option II.

Accidental Death Benefit is granted as the result of death from an occupational related injury as follows:

(A) The dependent beneficiary of a general employee may receive an allowance equal to $66^2/_3$% of AFC plus the annuity.

(B) The dependent beneficiary of a firefighter or police officer may receive an allowance equal to 100% of the annual earnable compensation at the time of death plus the annuity.

TERMINATION BENEFITS

Employees hired prior to July 1, 2007, with 5 or more years of creditable service have the option of requesting a refund of their contributions and interest or remain in the System. If such member terminates employment or dies in service, with less than 5 years creditable service, the employee contributions plus interest are refundable to the former member or a designated beneficiary.

Employees hired on or after July 1, 2007, with 10 or more years of creditable service have the option of requesting a refund of their contributions and interest or remain in the System. If such member terminates employment or dies in service, with less than 10 years creditable service, the employee contributions plus interest are refundable to the former member or a designated beneficiary.

POST-RETIREMENT ALLOWANCE INCREASES

Retirement allowance increases can be granted each July 1 if sufficient investment income has accumulated in the Post-Retirement Increase Fund balance account. Increases will be granted in an amount equal to the Consumer Price Index - All Urban Consumers (CPI-U) increase for the previous calendar year. The increase cannot exceed 4%. If there are insufficient funds in the Post-Retirement Increase Fund balance account to finance the full CPI increase, the allowance will be increased to the nearest ¼% for which there are sufficient moneys. If there are insufficient funds to finance a one percent increase, no retirement allowance increase shall be granted.

STATISTICAL SECTION

STATISTICAL SECTION

The purpose of the Statistical Section is to provide historical perspective and detail to assist the reader to better understand and assess the System's overall economic condition. The data presented is intended to provide users with a broader and more complete understanding of the System than is possible from the information presented in the Financial Section alone.

The schedules within the Statistical Section are classified into the following categories.

Financial Trends

The schedules on page 66 show financial trend information to help the reader understand how the System's financial position has changed over the last 10 years. The schedules presented are:

- Schedule of Changes in Net Assets
- Schedule of Benefit and Refund Deductions from Net Assets by Type

Other Information

The schedules beginning on page 67 provide information to assist the reader to understand the retired member characteristics and the participating employer composition of the System. The schedules presented are:

- Retirees and Beneficiaries - Distribution to Members by Type of Retirement
- Retirees and Beneficiaries - Distribution to Members by Option Selected
- Schedule of Average Benefit Payments
- Schedule of Participating Employers

Schedule of Changes in Net Assets
For the Ten Years Ended June 30,
(Expressed in thousands)

	ADDITIONS				DEDUCTIONS				
Fiscal Year	Member Contributions	Employer Contributions	Investment Income (Loss)	Total Additions to Plan Net Assets	Benefit Payments	Refunds of Contribution	Administrative Expenses*	Total Deductions from Plan Net Assets	**Changes in Net Assets**
2000	$19,144	$17,975	$165,917	$203,036	$83,105	$3,361	$215	$86,681	$116,355
2001	20,018	11,994	(113,522)	(81,510)	88,768	3,968	227	92,963	(174,473)
2002	21,914	11,175	(117,431)	(84,342)	94,546	2,261	232	97,039	(181,381)
2003	22,257	18,241	75,993	116,491	99,663	2,264	889	102,816	13,675
2004	22,927	24,617	239,148	286,692	105,713	2,203	871	108,787	177,905
2005	23,880	29,968	163,170	217,018	118,663	2,625	907	122,195	94,823
2006	26,173	34,433	167,538	228,144	125,253	2,674	1,037	128,964	99,180
2007	27,773	40,065	331,810	399,648	139,357	3,263	1,066	143,686	255,962
2008	29,962	44,168	(124,713)	(50,583)	134,991	2,949	1,009	138,949	(189,532)
2009	31,423	49,763	(396,596)	(315,410)	147,062	3,400	947	151,409	(466,819)

* Beginning in FY 2000, consultant fees were transferred from the County to the System. In FY 2003, all administrative expenses were transferred from the County to the System.

Schedule of Benefit and Refund Deductions from Net Assets by Type
For the Ten Years Ended June 30,
(Expressed in Thousands)

Year Ending June 30	Age & Service Benefits		Disability Benefits			Death Benefits	Total Benefits	Refunds		Total Refunds
			Retirees		Bene-ficiaries					
	Retirees	Beneficiaries	Occupational	Non-Occupational				Separation	Death*	
2000	$61,399	$4,263	$13,412	$3,801	$123	$107	$83,105	$3,248	-	$3,248
2001	66,165	4,421	13,955	4,011	169	47	88,768	3,927	-	3,927
2002	70,714	4,992	14,261	4,256	220	104	94,547	2,261	-	2,261
2003	74,865	4,943	14,645	4,503	269	438	99,663	2,031	-	2,031
2004	79,880	5,208	15,099	4798	273	455	105,713	2,126	-	2,126
2005	92,473	5,357	15,397	4,831	320	285	118,663	2,577	-	2,577
2006	97,912	5,751	15,879	4,978	377	356	125,253	2,579	-	2,579
2007	111,831	6,030	15,800	5,035	457	204	139,357	3,020	$243	3,263
2008	106,383	6,420	16,087	5,309	501	291	134,991	2,678	271	2,949
2009	116,697	7,102	16,922	5,584	480	277	147,062	2,998	402	3,400

*Data to allocate refunds by type (i.e. death) were not available prior to FY2007. Refunds due to death were included in refund-separation prior to FY07.

Retirees and Beneficiaries - Distribution of Members by Type of Retirement

Fiscal Year Ended June 30, 2009

Amount of Monthly Benefit	Number of Retirees	Type of Retirement					Deferred Future Benefits
		1	2	3	4	5	
Deferred	464	-	-	-	-	-	464
$1 - $300	539	413	113	-	13	-	-
$301 - $600	814	607	140	-	61	6	-
$601 - $900	727	511	93	1	120	2	-
$901 - $1,200	578	431	72	10	59	6	-
$1,201 - $1,500	544	367	56	43	53	25	-
$1,501 - $1,800	443	300	26	42	32	43	-
$1,801 - $2,100	459	306	19	30	40	64	-
$2,101 - $2,400	448	307	15	19	16	91	-
$2,401 - $2,700	403	255	18	38	12	80	-
$2,701 - $3,000	332	232	6	16	6	72	-
Over $3,000	1,223	987	34	39	13	150	-
Totals	6,974	4,716	592	238	425	539	464

Type of Retirement:

1 = Normal retirement for age and/or service
2 = Survivor payment - normal, early or disability retirement
3 = Discontinued service retirement
4 = Ordinary disability retirement
5 = Accidental disability retirement

Deferred future benefits - Terminated employees entitled to benefits but not yet receiving them.

Retirees and Beneficiaries - Distribution to Members by Option Selected

Fiscal Year Ended June 30, 2009

Amount of Monthly Benefit	Number of Retirees	Option Selected								Deferred Future Benefits
		M	I	II	III	IV	V	VI	VII	
Deferred	464	-	-	-	-	-	-	-	-	464
$1 - $300	539	292	172	15	10	-	31	19	-	-
$301 - $600	814	370	298	30	19	-	46	51	-	-
$601 - $900	727	343	243	19	30	-	32	60	-	-
$901 - $1,200	578	244	205	19	25	4	37	44	-	-
$1,201 - $1,500	544	206	170	22	33	1	39	73	-	-
$1,501 - $1,800	443	194	113	13	30	10	33	50	-	-
$1,801 - $2,100	459	212	107	20	23	11	37	49	-	-
$2,101 - $2,400	448	213	104	18	14	19	34	46	-	-
$2,401 - $2,700	403	218	62	3	19	22	32	47	-	-
$2,701 - $3,000	332	164	53	9	12	24	26	44	-	-
Over $3,000	1,223	434	163	18	43	146	36	117	266	-
Totals	6,974	2,890	1,690	186	258	237	383	600	266	464

Option Selected:

M = Maximum. At member's death, all payments cease. Surviving beneficiary will receive pro-rated payment for number of days in final month.

I = Guarantees the return of the member's accumulated contributions and interest less the member's accumulated reserves already paid.

II = Guarantees 100% of the member's payment to the designated beneficiary for their lifetime.

III = Guarantees 50% of the member's payment to the designated beneficiary for their lifetime.

IV = Guarantees an alternative specified % of the member's payment to the designated beneficiary for their lifetime.

V = Guarantees 100% payment to beneficiary, unless beneficiary divorces or predeceases member. Allowance then pops-up to maximum.

VI = Guarantees 50% payment to beneficiary, unless beneficiary divorces or predeceases member. Allowance then pops-up to maximum.

VII = Guarantees 50% of the member's payment to the designated beneficiary for their lifetime, at no cost. (Option 7 is applicable to police and firefighters only).

Deferred future benefits - Terminated employees entitled to benefits but not yet receiving them.

Schedule of Average Benefit Payments
For the Six Years Ended June 30,

Retirement Effective Dates	Years Creditable Service					
	0-10	10-15	15-20	20-25	25-30	30+
July 1, 2003 to June 30, 2004						
Average Monthly Benefit	$362	$659	$1,163	$1,676	$2,489	$2,434
Average - Average Final Compensation	$26,651	$32,934	$38,015	$47,095	$53,789	$50,761
Number of Active Retirees	39	39	22	51	41	58
July 1, 2004 to June 30, 2005						
Average Monthly Benefit	$496	$649	$1,174	$1,675	$2,408	$3,330
Average - Average Final Compensation	$33,243	$32,162	$41,323	$45,480	$53,283	$58,361
Number of Active Retirees	46	29	42	62	41	102
July 1, 2005 to June 30, 2006						
Average Monthly Benefit	$413	$761	$1,393	$1,577	$2,578	$3,137
Average - Average Final Compensation	$31,955	$38,953	$41,875	$43,996	$56,981	$56,004
Number of Active Retirees	31	29	22	45	37	78
July 1, 2006 to June 30, 2007						
Average Monthly Benefit	$359	$746	$1,332	$1,887	$2,746	$3,482
Average - Average Final Compensation	$34,008	$38,959	$47,974	$52,399	$59,949	$61,572
Number of Active Retirees	34	24	34	75	55	112
July 1, 2007 to June 30, 2008						
Average Monthly Benefit	541	$918	$1,084	$1,894	$2,719	$3,034
Average - Average Final Compensation	$37,342	$48,597	$41,554	$53,626	$61,120	$59,733
Number of Active Retirees	37	32	33	50	32	69
July 1, 2008 to June 30, 2009						
Average Monthly Benefit	703	$969	$1,537	$2,107	$3,609	$4,160
Average - Average Final Compensation	$36,062	$43,864	$49,797	$58,813	$72,423	$74,099
Number of Active Retirees	26	29	20	51	41	89

Schedule of Participating Employers
Current Year and Nine Years ago

Participating Government Employers	2009 Covered Employees	2009 Rank	2009 Percentage of Total System	2000 Covered Employees	2000 Rank	2000 Percentage of Total System
Baltimore County, Maryland	7,130	1	72.96%	6,489	1	72.66%
Certain employees of:						
Board of Education	2,402	2	24.58	2,209	2	24.73
Community College	146	3	1.50	140	3	1.57
Revenue Authority	59	4	0.60	62	4	0.69
Board of Library Trustees	35	5	0.36	31	5	0.35
Total	9,772		100.00%	8,931		100.00%