

REPORT OF
COUNTY EMPLOYEES' RETIREMENT FUND
DECEMBER 31, 2009 and 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County Employees' Retirement Fund

We have audited the accompanying statements of plan net assets of the County Employees' Retirement Fund ("CERF") as of December 31, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of CERF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 plan net assets of County Employees' Retirement Fund as of December 31, 2009 and 2008, and the changes in plan net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 20 - 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams Keepers LLC

May 7, 2010

COUNTY EMPLOYEES' RETIREMENT FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the County Employees' Retirement Fund's (CERF) financial performance provides an introduction to the financial statements of CERF for the years ended December 31, 2009 and 2008. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the financial statements.

Required Financial Statements

CERF, a public employees' retirement plan, prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of CERF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets. This statement measures CERF's success over the past year in increasing the net assets available for pension benefits.

Financial Analysis of CERF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of CERF. That additional factor is the plan's funded status. In 2009, contributions combined with net investment income and securities lending losses totaling \$77,402,618 exceeded deductions of \$21,469,411. A net increase of \$55,933,207 brought the Plan's net asset base to \$260,779,323. For actuarial calculations, certain assumptions were changed beginning in 2008, based on a six-year experience study. Specifically, the salary increase assumption was strengthened, the member turnover assumption was increased, and the retirement age assumption was modified. A 5-year smoothing method to derive the actuarial asset value was also adopted. The plan is not 100% funded at present, as it is a relatively new plan created by legislation in August, 1994 and the CERF plan granted past service credit. Our funded position had steadily improved since inception, enabling CERF to make improvements to plan benefits effective October 1, 2007. The cost of these benefit enhancements continue to be reflected in this recent actuarial valuation. At June 30, 2009, the actuarial value of assets was \$270,397,854, while the fair market value of assets was \$225,331,545. The aggregate actuarial liability for CERF was \$396,537,305. On an actuarial basis, the assets held as of June 30, 2009 currently fund 68% of this liability. This is a decrease from the funding ratio of 74% for June 30, 2008, which is a result of not only poor market performance for the first half of the actuarial reporting period ending December 31, 2008, but also the continued expected cost of implementing the benefit enhancements mentioned earlier. If a ratio of the actuarial value of assets to the actuarial present value of accrued benefits is used, the funding ratio decreases from 90% as of June 30, 2008, to 78% as of June 30, 2009.

Plan Net Assets

To begin the financial analysis, a summary of CERF's Plan Net Assets is as follows:

Condensed Statements of Plan Net Assets (in \$000's)

| | 2009 | 2008 | Dollar Change | Percent Change |
|--|-------------------|-------------------|------------------|----------------|
| Cash and cash equivalents | \$ 1,670 | \$ 1,634 | \$ 36 | 2% |
| Receivables | 4,307 | 3,957 | 350 | 9% |
| Investments | 255,763 | 201,037 | 54,726 | 27% |
| Invested securities lending collateral | 65,086 | 30,698 | 34,388 | 112% |
| Other assets | 5 | 8 | (3) | -38% |
| Capital assets, net | 3,704 | 3,880 | (176) | -5% |
| Total assets | <u>330,535</u> | <u>241,214</u> | <u>89,321</u> | <u>37%</u> |
| Liabilities | <u>69,756</u> | <u>36,368</u> | <u>33,388</u> | <u>92%</u> |
| Total plan net assets | <u>\$ 260,779</u> | <u>\$ 204,846</u> | <u>\$ 55,933</u> | <u>27%</u> |

Plan net assets increased by \$55,933,207, or 27%, in 2009. This increase reflects investment gains experienced during 2009 from improved market return.

The following table presents the investment allocation for 2009 and 2008, and CERF's target allocation for 2009. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages are based on including the land and building at cost, with no depreciation, and classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

| | 2009 | 2008 | Target |
|------------------------|-------|-------|--------|
| Fixed Income | 30.7% | 34.8% | 30.0% |
| U. S. Equities | 38.7% | 34.1% | 35.0% |
| International Equities | 16.4% | 13.5% | 15.0% |
| Private Equities | 0.7% | 0.0% | 5.0% |
| Equity Long/Short | 9.1% | 9.7% | 10.0% |
| Real Estate | 3.4% | 5.9% | 5.0% |
| Cash | 1.0% | 2.0% | * |

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Plan Net Assets
(in \$000's)

| | 2008 | 2007 | Dollar Change | Percent Change |
|--|-------------------|-------------------|--------------------|-------------------|
| Cash and cash equivalents | \$ 1,634 | \$ 1,217 | \$ 417 | 34% |
| Receivables | 3,957 | 3,620 | 337 | 9% |
| Investments | 201,037 | 250,616 | (49,579) | -20% |
| Invested securities lending collateral | 30,698 | 69,298 | (38,600) | -56% |
| Other assets | 8 | 120 | (112) | -93% |
| Capital assets, net | 3,880 | 4,015 | (135) | -3% |
| Total assets | 241,214 | 328,886 | (87,672) | -27% |
| Liabilities | 36,368 | 71,540 | (35,172) | -49% |
| Total plan net assets | <u>\$ 204,846</u> | <u>\$ 257,346</u> | <u>\$ (52,500)</u> | <u>-20%</u> |

Plan net assets decreased by \$52,391,440, or 20%, in 2008. This decrease reflects the investment losses suffered, as well as the unprecedented losses experienced from securities lending investment in 2008.

The following table presents the investment allocation for 2008 and 2007, and CERF's target allocation for 2008. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages are based on including the land and building at cost with no depreciation, and classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements:

| | 2008 | 2007 | Target |
|------------------------|-------|-------|--------|
| Fixed Income | 34.8% | 28.9% | 30.0% |
| U. S. Equities | 34.1% | 40.6% | 40.0% |
| International Equities | 13.5% | 15.3% | 15.0% |
| Equity Long/Short | 9.7% | 9.1% | 10.0% |
| Real Estate | 5.9% | 5.3% | 5.0% |
| Cash | 2.0% | 0.8% | * |

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Changes in Plan Net Assets
(in \$000's)

| | 2009 | 2008 | Dollar Change | Percent Change |
|------------------------------------|-----------|-------------|---------------|----------------|
| Additions: | | | | |
| Contributions: | | | | |
| Counties receipts | \$ 20,225 | \$ 20,053 | \$ 172 | 1% |
| By members | 8,335 | 7,717 | 618 | 8% |
| For members, paid by counties | 784 | 739 | 45 | 6% |
| Members, purchase of prior service | 92 | 123 | (31) | -25% |
| Total contributions | 29,436 | 28,632 | 804 | 3% |
| Net investment income (loss) | 48,218 | (59,670) | 107,888 | 181% |
| Net securities lending activities | (375) | (2,014) | 1,639 | 81% |
| Other income | 123 | - | 123 | |
| Total additions | 77,402 | (33,052) | 110,455 | 334% |
| Deductions: | | | | |
| Benefits | \$ 14,999 | \$ 13,180 | \$ 1,819 | 14% |
| Refunds | 2,545 | 2,228 | 317 | 14% |
| Defined contribution plan match | 2,006 | 1,946 | 60 | 3% |
| Administrative expenses | 1,919 | 1,985 | (66) | -3% |
| Total deductions | 21,469 | 19,339 | 2,130 | 11% |
| Net increase (decrease) | \$ 55,933 | \$ (52,391) | \$ 108,325 | 207% |
| | | | | |
| | 2008 | 2007 | Dollar Change | Percent Change |
| Additions: | | | | |
| Contributions: | | | | |
| Counties | \$ 20,053 | \$ 19,760 | \$ 293 | 1% |
| By members | 7,717 | 6,861 | 856 | 12% |
| For members, paid by counties | 739 | 694 | 45 | 6% |
| Members, purchase of prior service | 123 | 83 | 40 | 48% |
| Total contributions | 28,632 | 27,398 | 1,234 | 5% |
| Net investment income (loss) | (59,670) | 14,636 | (74,306) | -508% |
| Net securities lending activities | (2,014) | 79 | (2,093) | -2650% |
| Total additions | (33,052) | 42,113 | (75,165) | -178% |

| | | | | |
|---------------------------------|--------------------|------------------|--------------------|--------------|
| Deductions: | | | | |
| Benefits | \$ 13,180 | \$ 12,122 | \$ 1,058 | 9% |
| Refunds | 2,228 | 2,234 | (6) | 0% |
| Defined contribution plan match | 1,946 | 1,627 | 319 | 20% |
| Administrative expenses | 1,985 | 1,939 | 46 | 2% |
| | <u>19,339</u> | <u>17,922</u> | <u>1,417</u> | <u>8%</u> |
| Total deductions | | | | |
| Net (decrease) increase | <u>\$ (52,391)</u> | <u>\$ 24,191</u> | <u>\$ (76,582)</u> | <u>-317%</u> |

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2009 totaled \$29,436,493 which was 3% above those received in 2008. Contributions for 2008 totaled \$28,631,696 which was 5% above those received in 2007. Due to the legislation which took effect in 2003, as new employees continue to replace employees hired prior to February 25, 2002, employee contributions are expected to continue to rise.

The \$107,888,311 increase in net investment income in 2009, as compared to 2008, is attributable to a stronger overall market environment for stocks in 2009. For example, the S&P 500 Index returned (37.0)% in 2008, but dramatically increased 26.4% in 2009. Similarly, the MSCI EAFE Index lost (43.1)% in 2008 and gained 32.5% in 2009. Consequently, the total rate of return for the CERF portfolio in 2009 was 23.9%, as compared to (22.9)% in 2008. CERF's Large Cap U.S. Equities returned 42.8%, as compared to 26.4% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned 34.1%, as compared to 34.4% for the Russell 2500 Index. The fixed income portfolio returned 15.1%, as compared to 5.9% for the Barclays Capital Aggregate Index. CERF's international stock portfolio returned 28.3%, as compared to 32.5% for the MSCI EAFE Index. The Equity Long/Short position returned 14.5%, as compared to 26.4% for the S & P 500 Index. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2009, the core real estate investment returned (38.7)%, as compared to the NFI ODCE Index return of (30.3)%. The return on investment in CERF's office building will be recognized as periodic appraisals are conducted, which are anticipated to be done every five years.

Other income of \$123,198 in 2009 consists of payments from CERF's insurance carrier related to legal expenses incurred in prior years for certain covered matters. Because reimbursement could not be assured or reliably estimated when those prior year financial statements were issued, these amounts were not reported until the recoveries were received from the insurance carrier.

The \$74,306,487 decrease in net investment income in 2008, as compared to 2007, is attributable to a weaker overall market environment for stocks in 2008. For example, the S&P 500 Index returned 5.5% in 2007, but a dramatically decreased (37.0)% in 2008. Similarly, the MSCI EAFE Index gained 11.6% in 2007 and (43.1)% in 2008. Consequently, the total rate of return for the CERF portfolio in 2008 was (22.9)%, as compared to 6.9% in 2007. CERF's Large Cap U.S. Equities returned (35.3)%, as compared to (37.0)% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned (36.6)%, as compared to (36.8)% for the Russell 2500 Index. The fixed income portfolio returned (0.3)%, as compared to 5.2% for the Barclays Capital Aggregate Index. CERF's international stock portfolio returned (39.1)%, as compared to (43.1)% for the MSCI EAFE Index. The Equity Long/Short position returned (17.6)%, as compared to (26.4)% for the HFRI Equity Hedge Index. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2008, the core real estate investment returned (12.5)%, as compared to the NCREIF Property Index return of (6.5)%. The return on investment in CERF's office building will be recognized as periodic appraisals are conducted, which are anticipated to be done every five years.

Beginning in January 2006, the Board of Directors authorized CERF to enter into a Securities Lending Agreement with Key Bank, thus allowing CERF to lend its securities to broker-dealers, for the purpose of providing additional income to CERF. In 2008, Key Bank experienced first time ever losses for their customers in the securities lending arena which resulted in a net unrealized securities lending loss for CERF of \$2,014,375. In 2009, the net unrealized securities lending loss was \$375,266.

When comparing returns, it is important to note that CERF's investment objectives should be pursued as long-term goals designed to maximize return while reducing exposure to undue risk, as set out in the Board's investment policy. At a minimum, it is the objective of CERF to meet its actuarial interest assumption on an ongoing basis. Currently, the actuarial interest assumption is 8%. The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption of 1%, which is an absolute objective of 9%, net of investment management fees and transaction costs. Long term is defined as greater than 10 years. Some of the results for the total fund are:

| <u>Period</u> | <u>Returns</u> | <u>Other Public Funds</u> |
|-----------------|----------------|-----------------------------|
| One Year | 23.9% | 17th Percentile |
| Three Years | .7% | 22nd Percentile |
| Five Years | 4.1% | 24th Percentile |
| Ten Years | 5.2% | 12 th Percentile |
| Since Inception | 8.8% | |

Deductions

The expenses paid by CERF include benefit payments, refunds, a defined contribution plan match, and administrative expenses.

Expenses for 2009 totaled \$21,469,411, an increase of \$2,130,768 over 2008. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 2,926 in 2009 from 2,619 in 2008 (an increase of 307 payees), as well as an increase in the amount of the average benefit. There was also an increase in the dollar amount of contributions refunded to terminated non-vested employees in 2009.

Expenses for 2008 totaled \$19,338,643, an increase of \$1,416,846 over 2007. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 2,619 in 2008 from 2,453 in 2007 (an increase of 166 payees), as well as an increase in the amount of the average benefit. There was also an increase of \$319,712 in the amount necessary to make the defined contribution plan match for 2008, a direct result of the increased match given to LAGERS employees, an improvement which was also included in the benefit enhancements which took effect October 1, 2007.

Economic Outlook

CERF's estimated investment return for the three months ended March 31, 2010, is approximately 3.8%. CERF's investments as of March 31, 2010 total approximately \$272,311,000, an increase of \$11,954,000 since December 31, 2009, due to first quarter appreciable investment return and plan contributions. For the first quarter 2010, the S&P 500 Index return was 5.4%, the Barclays Capital Aggregate Index was 1.8%, and the MSCI EAFE Index was .9%.

The year 2009 was a transitional year for CERF, as two investment managers were added, one as a replacement manager for Large Cap U. S. Equity and the other as a new private equity asset class, which was funded in October 2009.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF PLAN NET ASSETS

December 31, 2009 and 2008

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Cash | \$ 1,670,557 | \$ 1,633,996 |
| Receivables: | | |
| Member contributions | 403,496 | 443,823 |
| Member prior service contributions | 161,959 | 168,731 |
| County contributions | 2,711,874 | 2,567,292 |
| Receivable for pending investment sales | 469,962 | 624,278 |
| Accrued interest and dividends | 559,398 | 153,305 |
| Total receivables | <u>4,306,689</u> | <u>3,957,429</u> |
| Investments, at fair value: | | |
| U.S. Government and agencies | 16,404,476 | 14,697,307 |
| Foreign Bonds | 3,791,806 | 3,990,963 |
| Corporate bonds | 22,182,079 | 18,600,572 |
| Domestic stocks | 96,333,015 | 66,635,920 |
| International equities funds | 42,778,792 | 27,619,642 |
| Hedge funds | 61,700,031 | 52,081,942 |
| Real estate fund | 4,975,007 | 8,228,307 |
| Cash equivalents | 7,597,933 | 9,181,934 |
| Total investments | <u>255,763,139</u> | <u>201,036,587</u> |
| Invested securities lending collateral | 65,086,203 | 30,697,835 |
| Other assets | 4,625 | 8,066 |
| Capital assets, net of accumulated depreciation of \$1,988,886 and \$1,812,860 | <u>3,703,825</u> | <u>3,880,414</u> |
| Total assets | <u>330,535,038</u> | <u>241,214,327</u> |
| LIABILITIES | | |
| Accounts payable | 331,695 | 274,336 |
| Accrued defined contribution plan contribution | 2,005,611 | 1,946,293 |
| Other accrued expenses | 87,754 | 63,231 |
| Deferred revenue | 213,299 | 184,966 |
| Payable for pending investment purchases | 482,609 | 1,085,031 |
| Collateral for securities on loan | <u>66,634,747</u> | <u>32,814,354</u> |
| Total liabilities | <u>69,755,715</u> | <u>36,368,211</u> |
| Net assets held in trust for pension benefits | <u>\$ 260,779,323</u> | <u>\$ 204,846,116</u> |

(A schedule of funding progress is presented on page 19)

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the Years Ended December 31, 2009 and 2008

| | 2009 | 2008 |
|--|----------------|----------------|
| ADDITIONS: | | |
| Contributions: | | |
| County receipts | \$ 20,224,734 | \$ 20,053,257 |
| By members | 8,335,338 | 7,717,143 |
| For members, paid by counties | 783,752 | 739,270 |
| Members, purchase of prior service | 92,669 | 122,026 |
| Total contributions | 29,436,493 | 28,631,696 |
| Investment income (loss): | | |
| Investing activities: | | |
| Net appreciation (depreciation) in fair value of investments | 44,385,758 | (64,546,358) |
| Interest | 2,692,165 | 3,029,095 |
| Dividends | 2,365,998 | 3,140,864 |
| Total investment income (loss) | 49,443,921 | (58,376,399) |
| Investment expenses | (1,225,728) | (1,293,719) |
| Net income (loss) from investing activities | 48,218,193 | (59,670,118) |
| Securities lending activities: | | |
| Income | 284,295 | 1,462,304 |
| Expenses | (227,820) | (1,360,160) |
| Net decrease in fair value of re-invested collateral | (431,741) | (2,116,519) |
| Net (loss) from securities lending activities | (375,266) | (2,014,375) |
| Total net investment income | 47,842,927 | (61,684,493) |
| Other income | 123,198 | - |
| Total additions (deductions) | 77,402,618 | (33,052,797) |
| DEDUCTIONS: | | |
| Benefits | 14,999,256 | 13,179,658 |
| Refunds of member contributions | 2,545,500 | 2,228,126 |
| Defined contribution plan matching contribution | 2,005,611 | 1,946,293 |
| Administrative expense | 1,919,044 | 1,984,566 |
| Total deductions | 21,469,411 | 19,338,643 |
| Net increase (decrease) | 55,933,207 | (52,391,440) |
| Net assets held in trust for pension benefits | | |
| Beginning of year | 204,846,116 | 257,237,556 |
| End of year | \$ 260,779,323 | \$ 204,846,116 |

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The County Employees' Retirement Fund ("CERF") financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Bonds and stocks traded on a national or international exchange are valued at the last reported sales price at current exchange rates as reported by independent pricing services. The values of real estate included in the real estate fund investment are based upon annual independent appraisals, updated quarterly, as provided by the fund manager. Investments that do not have an established market are reported at estimated fair value as provided by investment or fund managers.

Property and Equipment: Property and equipment, including computer software programs, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated lives of the assets of from three to fifty years.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. PLAN DESCRIPTION

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system. CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the

initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

Contributions: Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, in addition to the prior contributions requirements, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

Counties may elect to make all or a portion of the required 4% contribution on behalf of employees. Total county-paid member contributions for the years ended December 31, 2009 and 2008 were \$783,752 and \$739,270, respectively.

In addition, the following fees and penalties prescribed under Missouri law are required to be collected and remitted to CERF by counties covered by the plan:

- * Late fees on filing of personal property tax declarations
- * Twenty dollars for each merchants and manufacturers license issued
- * Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded
- * Three sevenths of the fee on delinquent property taxes
- * Interest earned on investment of the above collections prior to remittance to CERF

Members: CERF members include eligible employees of 111 counties in the State of Missouri. The number of members and benefit recipients served by the system at December 31, 2009 and 2008 were:

| | 2009 | 2008 |
|---|---------------|---------------|
| Retirees and beneficiaries receiving benefits | 2,926 | 2,619 |
| Terminated employees entitled to but not yet receiving benefits | 1,532 | 1,567 |
| Current active plan members | 11,248 | 11,182 |
| Total | 15,706 | 15,368 |

Tax status: The Internal Revenue Service has determined and informed CERF by letter dated January 16, 2001, that the plan as amended through May 1, 2000 is in a form acceptable under the Internal Revenue Code.

3. FUNDED STATUS AND FUNDING PROGRESS:

The funded status of the plan as of June 30, 2009, the most recent actuarial valuation date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b)-(a))/(c) |
|--------------------------|-------------------------------|---|-----------------------------|----------------------|---------------------|--|
| 6/30/09 | 270,397,854 | 396,537,305 | 126,139,451 | 68.2% | 352,719,824 | 35.8% |

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|------------------------------|
| Valuation Date | June 30, 2009 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percent, closed period |
| Remaining Amortization Period | 15.5 years |
| Asset Valuation Method | 5 year smoothed market |
| Actuarial Assumptions: | |
| Investments rate of return | 8% |
| Projected salary increases* | 0.0% - 7.6% |
| Cost-of-living adjustments | 1% |

*Includes inflation component of 3.0%

4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk for Deposits: Custodial credit risk is the risk that in the event of a bank failure, CERF's deposits may not be returned to it. At December 31, 2009 and 2008, CERF's bank balances were secured by a combination of federal depository insurance and pledged collateral held in CERF's name by an agent of the depository bank.

Investments: Funds are invested by outside managers under policies established by the Board of Directors. The Board requires that its investment managers invest CERF's assets with the care, skill, and diligence a prudent person familiar with such matters acting in a like capacity would use in a similar enterprise with like objectives.

The following table summarizes CERF investments by type at December 31, 2009 and 2008:

| | 2009 | 2008 |
|---|-----------------------|-----------------------|
| U.S. government and agencies securities | \$ 16,404,476 | \$ 14,697,307 |
| Foreign bonds | 3,791,806 | 3,990,963 |
| Corporate bonds and notes | 22,182,079 | 18,600,572 |
| Domestic stocks | 96,333,015 | 66,635,920 |
| International equities funds | 42,778,792 | 27,619,642 |
| Hedge funds | 61,700,031 | 52,081,942 |
| Real estate fund | 4,975,007 | 8,228,307 |
| Cash equivalents | 7,597,933 | 9,181,934 |
| Total | <u>\$ 255,763,139</u> | <u>\$ 201,036,587</u> |

CERF's investment policy permits investments in equity and fixed income (debt) securities and real estate, with guidelines for the percentage of the total for each category and for the type of investments within each category.

With respect to debt securities, the policy permits fixed and variable rate securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; and U.S. government sponsored and other corporation securities. To manage interest rate and credit risks, two investment managers are used for debt securities, each operating under specific guidelines with respect to approved securities, duration, diversification, and minimum quality ratings by Moody's or Standard and Pools.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the option-adjusted methodology. The Fund benchmarks the fixed income portfolio to the Barclays Capital Aggregate Bond Index. At December 31, 2009, the effective duration of the Barclays Capital Aggregate Bond Index was 5.18 years, whereas, CERF's fixed income portfolio had an effective duration of 5.63 years. At December 31, 2008, the effective duration of the Barclays Capital Aggregate Bond Index was 3.71 years, whereas, CERF's fixed income portfolio had an effective duration of 4.73 years. The following table summarizes duration by investment type as of December 31, 2009:

| Investment | 2009 Fair Value | Effective Duration Rate |
|---------------------------------------|--------------------|----------------------------|
| U.S. Treasuries | \$ 7,389,044 | 3.15 years |
| U.S. agencies | 1,315,013 | 7.74 years |
| U.S. agencies mortgage pool | 7,700,419 | 2.82 years |
| Commercial mortgage backed securities | 3,301,838 | 4.00 years |
| Other asset backed securities | 322,374 | 1.99 years |
| U.S. corporate - financial | 5,126,209 | 5.57 years |
| U.S. corporate - industrial | 11,227,853 | 8.26 years |
| U.S. corporate - utility | 2,203,805 | 7.64 years |
| International | 3,791,806 | 7.93 years |
| Preferred stock | 69,208 | 8.54 years |
| Total | \$ 42,447,569 | |

The following table summarizes duration by investment type as of December 31, 2008:

| Investment | 2008 Fair Value | Effective Duration Rate |
|---------------------------------------|--------------------|----------------------------|
| U.S. Treasuries | \$ 1,096,498 | 7.19 years |
| U.S. agencies | 3,973,569 | 2.59 years |
| U.S. agencies mortgage pool | 9,627,240 | 1.96 years |
| Commercial mortgage backed securities | 2,723,042 | 4.32 years |
| Other asset backed securities | 417,986 | 4.68 years |
| U.S. corporate - financial | 6,065,335 | 5.47 years |
| U.S. corporate - industrial | 8,077,216 | 8.12 years |
| U.S. corporate - utility | 1,316,993 | 6.96 years |
| International | 3,990,963 | 4.61 years |
| Total | \$ 37,288,842 | |

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the plan. CERF's debt securities investments by credit rating category as of December 31, 2009 are presented in the following table.

| Credit Rating Level | Total | U.S. Treasuries and Direct-Guaranteed Agencies | U.S. Sponsored Agencies | U.S. Sponsored Agencies - Mortgage Pools | Commercial Mortgage Backed Securities | Other Commercial Asset backed securities | U.S. Corporate - Financial | U.S. Corporate - Industrial | U.S. Corporate - Utility | Foreign | Preferred/ Equity |
|---------------------|---------------|--|-------------------------|--|---------------------------------------|--|----------------------------|-----------------------------|--------------------------|--------------|-------------------|
| Guaranteed | \$ 7,389,044 | \$ 7,389,044 | \$ - | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Aaa | 11,176,759 | - | - | 7,696,373 | 3,210,097 | 270,289 | - | - | - | - | - |
| Aa3 | 3,290,948 | - | 304,544 | - | - | 52,085 | 1,374,783 | - | - | 1,559,536 | - |
| A1 | 3,856,155 | - | 683,106 | - | 91,741 | - | 2,659,844 | 317,768 | 103,696 | - | - |
| Baa1 | 12,205,250 | - | 327,363 | - | - | - | 687,541 | 8,217,373 | 1,670,645 | 1,302,328 | - |
| Ba1 | 2,850,062 | - | - | - | - | - | - | 1,694,247 | 429,464 | 726,351 | - |
| Ba3 | 934,270 | - | - | - | - | - | - | 934,270 | - | - | - |
| B1 | 207,637 | - | - | 4,046 | - | - | - | - | - | 203,591 | - |
| CCC | 537,444 | - | - | - | - | - | 404,041 | 64,195 | - | - | 69,208 |
| Total | \$ 42,447,569 | \$ 7,389,044 | \$ 1,315,013 | \$ 7,700,419 | \$ 3,301,838 | \$ 322,374 | \$ 5,126,209 | \$ 11,227,853 | \$ 2,203,805 | \$ 3,791,806 | \$ 69,208 |

CERF's debt securities investments by credit rating category as of December 31, 2008 are presented in the following table.

| Credit Rating Level | Total | U.S. Treasuries and Direct-Guaranteed Agencies | U.S. Sponsored Agencies | U.S. Sponsored Agencies - Mortgage Pools | Commercial Mortgage Backed Securities | Other Commercial Asset backed securities | U.S. Corporate - Financial | U.S. Corporate - Industrial | U.S. Corporate - Utility | Foreign |
|---------------------|---------------|--|-------------------------|--|---------------------------------------|--|----------------------------|-----------------------------|--------------------------|--------------|
| Guaranteed | \$ 1,096,498 | \$ 1,096,498 | \$ - | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Aaa | 20,147,989 | - | 3,738,904 | 9,574,355 | 2,723,042 | 231,392 | 936,912 | - | - | 2,943,384 |
| A1 | 1,475,425 | - | - | 52,885 | - | 48,068 | 669,410 | 416,262 | 73,291 | 215,509 |
| Baa1 | 9,911,205 | - | 234,665 | - | - | 138,526 | 3,220,164 | 5,570,482 | 393,642 | 353,726 |
| Ba1 | 2,598,038 | - | - | - | - | - | 565,100 | 1,123,902 | 517,733 | 391,303 |
| B1 | 1,476,258 | - | - | - | - | - | 123,429 | 933,461 | 332,327 | 87,041 |
| CCC | 583,429 | - | - | - | - | - | 550,320 | 33,109 | - | - |
| Total | \$ 37,288,842 | \$ 1,096,498 | \$ 3,973,569 | \$ 9,627,240 | \$ 2,723,042 | \$ 417,986 | \$ 6,065,335 | \$ 8,077,216 | \$ 1,316,993 | \$ 3,990,963 |

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a plan's investment in a single issuer. CERF's investment guidelines require diversified portfolios with no single issue, excluding U.S. government securities, being greater than 5% of each manager's total portfolio value at cost or 7% at market value. As of December 31, 2009 and 2008, no single issue exceeded the 5% threshold.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The following is a summary of CERF's international equities funds showing the exposure to foreign currency risk as of December 31, 2009 and 2008:

| | 2009 | 2008 |
|------------------------|----------------------|----------------------|
| Australian Dollar | \$ 28,386 | \$ - |
| Bermuda Dollar | 60,872 | - |
| Brazilian Real | 1,493,957 | 863,137 |
| Canadian Dollar | 312,247 | 94,825 |
| China Yuan Renminbi | 837,390 | 334,146 |
| Denmark Danish Krone | 184,510 | - |
| Euro | 18,371,265 | 10,416,614 |
| Hong Kong Dollar | 313,365 | 207,870 |
| Indian Rupee | 340,633 | 67,732 |
| Japanese Yen | 8,089,028 | 7,644,638 |
| Mexico Peso | 485,497 | 486,463 |
| New Zealand Dollar | 188,348 | 113,674 |
| Norwegian Krone | 56,772 | - |
| Russian Ruble | - | 81,279 |
| Singapore Dollar | 283,861 | - |
| South Korean Won | 1,000,667 | 1,059,035 |
| Swiss Franc | 2,934,384 | 1,210,200 |
| Taiwan New Dollars | 198,703 | 208,972 |
| United Kingdom Pound | 5,966,467 | 3,966,421 |
| United States Dollar | 1,632,440 | 864,636 |
| | <u>\$ 42,778,792</u> | <u>\$ 27,619,642</u> |
| Total Foreign Equities | | |

Securities Lending Program:

Description of the Program: CERF participates in a securities lending program administered by KeyBank National Association (the custodian). Under this program, the Board of Directors has authorized CERF to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. At the initiation of a loan, borrowers are required to provide cash collateral at 102% of the market value of loaned securities. This cash collateral is then invested in certain qualified investments as detailed in the securities lending agreement. The maturities of the investments made with cash collateral do not generally match the maturity of security loans. There are no restrictions on the amount of securities that can be lent at one time. CERF does not have the ability to pledge or sell collateral securities unless the borrower defaults. CERF and the borrowers each maintained the right to terminate all security lending transactions on demand.

Transactions with Borrowers During the Period: Securities lent as of December 31, 2009 and 2008 consisted of U.S. government and agency securities, U.S. equities, U.S. corporate bonds, and mortgage backed securities. The average term of securities loans was 1 day at December 31, 2009 and 2008. The fair value, including accrued interest, of securities on loan was \$63,997,392 and \$32,054,266, as of December 31, 2009 and 2008, respectively. Because the fair value of collateral held exceeded the fair value of securities lent at December 31, 2009 and 2008, CERF had no credit risk exposure to borrowers as of those dates. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

Investment of Cash Collateral During the Period: The weighted average duration of collateral investments at December 31, 2009 and 2008 was 1.0 and 20.2 days, respectively. The fair value of collateral investments was \$65,086,203 and \$30,697,835 as of December 31, 2009 and 2008, respectively. CERF's securities lending policy states that in the event a security held in the collateral investments portfolio is downgraded below A3 by Moody's or A- by Standard and Poors that a potential course of action be discussed. Such potential actions include selling the security as soon as possible or holding the security in the hopes of an improved market. As of December 31, 2009, 4.25%, or \$2,768,375, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. As of December 31, 2008, 14%, or \$4,287,905, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. The fair value of collateral investments was \$1,548,544 and \$2,116,519 less than the liability for the collateral held for securities on loan as of December 31, 2009 and 2008, respectively. In addition to these fair value declines, \$999,716 of loss was incurred from permanent impairment of an investment held as collateral, of which \$979,716 was recognized in 2008 and \$20,000 in 2009. The agreement between CERF and the securities lending agent does not provide for indemnification to CERF for any loss incurred as a result of CERF's participation in the program.

Securities Lending Income: Security lending income from CERF's share of income on investments made from cash collateral less borrower rebates and fees of the securities lending agent was \$56,475 and \$102,144 for 2009 and 2008, respectively.

The following table summarizes duration by investment type as of December 31 for securities lending invested collateral subject to interest rate risk:

| Investment | 2009 | | 2008 | |
|-----------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Fair Value | Effective Duration Rate | Fair Value | Effective Duration Rate |
| Repurchase agreements | \$ 34,381,219 | 1 day | \$ 4,500,000 | 1 day |
| Money market funds | 28,068,342 | 1 day | 391,304 | 1 day |
| Corporate notes | 2,636,642 | 217-273 days | 24,132,831 | 16 - 329 days |
| Uninvested cash | - | | 1,673,700 | |
| Total | <u>\$ 65,086,203</u> | | <u>\$ 30,697,835</u> | |

The following table summarizes credit ratings by investment type as of December 31 for securities lending invested collateral subject to credit risk:

| Moody's Credit Rating Level | 2009 | | | | 2008 | | | |
|-----------------------------------|----------------------|--------------------------|-----------------------|---------------------|----------------------|--------------------------|-----------------------|----------------------|
| | Total | Repurchase Agreements | Money Market Funds | Corporate Notes | Total | Repurchase Agreements | Money Market Funds | Corporate Notes |
| Not rated | \$ 37,017,861 | \$ 34,381,219 | \$ - | 2,636,642 | \$ 5,996,601 | \$ 4,500,000 | \$ - | 1,496,601 |
| Aaa | 27,936,609 | - | 27,936,609 | - | 5,968,905 | - | - | 5,968,905 |
| Aa1 | - | - | - | - | 3,001,590 | - | - | 3,001,590 |
| Aa2 | - | - | - | - | 2,487,925 | - | - | 2,487,925 |
| Aa3 | - | - | - | - | 5,827,500 | - | - | 5,827,500 |
| A1 | - | - | - | - | 2,930,310 | - | - | 2,930,310 |
| B2 | - | - | - | - | 2,400,000 | - | - | 2,400,000 |
| Caa | 131,733 | - | 131,733 | - | 391,304 | - | 391,304 | - |
| Ca | - | - | - | - | 20,000 | - | - | 20,000 |
| Total | <u>\$ 65,086,203</u> | <u>\$ 34,381,219</u> | <u>\$ 28,068,342</u> | <u>\$ 2,636,642</u> | <u>\$ 29,024,135</u> | <u>\$ 4,500,000</u> | <u>\$ 391,304</u> | <u>\$ 24,132,831</u> |

5. CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2009:

| | January 1, 2009 | Additions | Disposals and Adjustments | December 31, 2009 |
|---|---------------------|---------------------|------------------------------|----------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 932,050 | \$ - | \$ - | \$ 932,050 |
| Assets being depreciated: | | | | |
| Building | 3,022,819 | - | - | 3,022,819 |
| Equipment, furnishings and computer software | 1,738,405 | 7,158 | (7,721) | 1,737,842 |
| Total assets being depreciated | 4,761,224 | 7,158 | (7,721) | 4,760,661 |
| Less accumulated depreciation | 1,812,860 | 183,747 | (7,721) | 1,988,886 |
| Net assets being depreciated | 2,948,364 | (176,589) | - | 2,771,775 |
| Total capital assets | <u>\$ 3,880,414</u> | <u>\$ (176,589)</u> | <u>\$ -</u> | <u>\$ 3,703,825</u> |

Capital assets consist of the following as of December 31, 2008:

| | January 1, 2008 | Additions | Disposals | December 31, 2008 |
|---|---------------------|---------------------|-------------|----------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 932,050 | \$ - | \$ - | \$ 932,050 |
| Assets being depreciated: | | | | |
| Building | 3,022,819 | - | - | 3,022,819 |
| Equipment, furnishings and computer software | 1,741,725 | 22,252 | (25,572) | 1,738,405 |
| Total assets being depreciated | 4,764,544 | 22,252 | (25,572) | 4,761,224 |
| Less accumulated depreciation | 1,681,455 | 156,977 | (25,572) | 1,812,860 |
| Net assets being depreciated | 3,083,089 | (134,725) | - | 2,948,364 |
| Total capital assets | <u>\$ 4,015,139</u> | <u>\$ (134,725)</u> | <u>\$ -</u> | <u>\$ 3,880,414</u> |

6. PRIOR SERVICE CONTRIBUTIONS

Prior to January 1, 2000, an eligible county employee who was employed on January 1, 1990, but not employed at CERF's inception and who had at least eight years of prior service could purchase a portion of such prior service. For those who elected to purchase such prior service, at least fifty percent of the dollar amount of the purchase as calculated by law is due upon retirement and the remaining amount is deducted from retirement benefit payments over a maximum period of four years.

The receivables for member prior service contributions shown on the accompanying statements of net assets represent the total amount, as of December 31, 2009 and 2008, that is due in future periods from retirees who have elected to purchase prior service.

An eligible county employee who opted out of the system prior to January 1, 2000 had the option to become a member within three months of the three year anniversary of the decision to opt out. Upon deciding to opt in to the system, such employee either purchased in total or began payroll deductions to purchase all or part of

his prior creditable service plus interest over a maximum period of four years. Such amounts are recognized as contributions when received by CERF.

7. RETIREMENT PLANS FOR FUND EMPLOYEES

All full-time employees of CERF are eligible for participation in a defined contribution plan. CERF contributes 6% of a participating employee's monthly gross salary to the plan. The contribution requirements of the plan are governed by the plan document, which may be amended by the Board of Directors. Employees do not contribute to the retirement plan. Employees become vested in contributions made by CERF after 5 years of creditable service. Total contributions for the year ended December 31, 2009 and 2008 were \$43,388 and \$42,846, respectively.

All full-time employees are eligible for participation in an Internal Revenue Code (IRC) 457 deferred compensation plan upon their eligibility in the defined contribution plan.

8. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description: Effective January 1, 2000, CERF also administers a defined contribution plan and an IRC Section 457 deferred compensation plan. The plans were established to provide an opportunity for members of the pension plan to have additional retirement benefits. The plans' provisions and contribution requirements are established and may be amended only by action of the Missouri Legislature. Members of the pension plan are eligible to participate.

Contributions: Pension plan members who are not members of LAGERS are required to contribute 0.7% of gross compensation to the defined contribution plan. Contributions of \$756,015 and \$776,680 were made during the years ended December 31, 2009 and 2008, respectively. Participation in the 457 plan is voluntary. The level of contributions to the 457 plan is elected by the employee, subject to the limitations of IRC Sections 401(a) and 457. CERF's Board of Directors determines if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the 457 plan. The amount of any matching contribution is determined by the Board, and is limited to an amount not needed to keep the pension plan actuarially sound. The matching contribution is also limited to 50% of a member's voluntary contributions to the 457 plan, up to 3% of the member's compensation. Members vest in the matching portion of contributions allocated to their respective accounts after five years of creditable service. Matching contributions for the years ended December 31, 2009 and 2008 were \$2,005,611 and \$1,946,293, respectively.

Administration: Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian, respectively. Member contributions are sent directly to the third party administrator by the counties. Members can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Separate trust funds are maintained for the defined contribution and 457 plan assets. Because CERF does not hold the plans' assets and does not have significant administrative responsibilities, the plans' assets and changes in net assets are not reported in CERF's financial statements.

9. RISK MANAGEMENT

CERF is exposed to various risks of loss related to natural disasters, errors and omission, loss of assets, torts, etc. CERF has chosen to cover such losses through the purchase of commercial insurance. There have been no significant insurance claims filed or paid during the past three years.

COUNTY EMPLOYEES' RETIREMENT FUND

**REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008**

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b)-(a))/(c) |
|--------------------------|-------------------------------|---|-----------------------------|----------------------|---------------------|--|
| 12/31/04 | \$ 178,497,546 | \$ 254,374,828 | \$ 75,877,282 | 70.2% | \$ 290,944,956 | 26.1% |
| 12/31/05 | 197,722,089 | 272,270,967 | 74,548,878 | 72.6% | 301,692,241 | 24.7% |
| 12/31/06 | 233,046,479 | 298,184,874 | 65,138,395 | 78.2% | 317,301,810 | 20.5% |
| 6/30/07 | 254,803,856 | 308,563,489 | 53,759,633 | 82.6% | 320,317,003 | 16.8% |
| 6/30/08 | 271,146,789 | 364,213,668 | 93,066,879 | 74.4% | 335,961,755 | 27.7% |
| 6/30/09 | 270,397,854 | 396,537,305 | 126,139,451 | 68.2% | 352,719,824 | 35.8% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended December 31, | Required Contribution | Actual Contribution | Percentage Contributed |
|---------------------------|-----------------------|---------------------|------------------------|
| 2004 | \$ 13,963,840 | \$ 18,127,073 | 129.8% |
| 2005 | 13,644,088 | 18,329,258 | 134.3% |
| 2006 | 13,447,802 | 18,923,599 | 140.7% |
| Six Months Ended June 30, | | | |
| 2007 | 6,474,975 | 11,656,551 | 180.0% |
| Years Ended June 30, | | | |
| 2008 | 11,930,574 | 20,000,450 | 167.6% |
| 2009 | 16,011,408 | 19,994,180 | 124.9% |

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES

For the Years Ended December 31, 2009 and 2008

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Personal services | | |
| Staff salaries | \$ 746,133 | \$ 737,975 |
| Social security | 52,964 | 52,749 |
| Retirement | 43,388 | 42,846 |
| Insurance | 122,079 | 126,720 |
| Total personal services | <u>964,564</u> | <u>960,290</u> |
| Professional services | | |
| Actuarial | 152,786 | 152,806 |
| Audit | 45,533 | 60,100 |
| Legal counsel | 182,048 | 251,158 |
| Legislative consultant | 67,000 | 67,000 |
| Plan design and implementation consultants | 20,264 | 14,925 |
| Total professional services | <u>467,631</u> | <u>545,989</u> |
| Communication | | |
| Printing | 20,823 | 20,790 |
| Postage | 20,054 | 24,681 |
| Telephone | 23,874 | 25,336 |
| Total communication | <u>64,751</u> | <u>70,807</u> |
| Rentals | | |
| Equipment leasing and maintenance | 32,066 | 26,883 |
| Total rentals | <u>32,066</u> | <u>26,883</u> |
| Depreciation | <u>183,747</u> | <u>156,976</u> |
| Miscellaneous | | |
| Utilities | 20,280 | 19,770 |
| Board of directors expenses | 15,728 | 32,366 |
| Business risk insurance premiums | 63,064 | 64,212 |
| Staff development | 23,069 | 20,884 |
| Office | 83,558 | 86,195 |
| Property taxes | 586 | 194 |
| Total miscellaneous | <u>206,285</u> | <u>223,621</u> |
| Total administrative expenses | <u>\$ 1,919,044</u> | <u>\$ 1,984,566</u> |

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF INVESTMENT EXPENSES For the Years Ended December 31, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--------------------------------------|---------------------|---------------------|
| Investment management expenses | | |
| Domestic stocks | \$ 600,482 | \$ 561,493 |
| International stocks | 205,757 | 227,579 |
| Bonds | 134,101 | 152,089 |
| Real estate | 81,648 | 120,206 |
| Total investment management expenses | <u>1,021,988</u> | <u>1,061,367</u> |
| Other investment expenses | | |
| Investment consultants | 107,707 | 117,830 |
| Investment custodian | 87,169 | 106,216 |
| Bank depository | 8,864 | 8,306 |
| Total other investment expenses | <u>203,740</u> | <u>232,352</u> |
| Total investment expenses | <u>\$ 1,225,728</u> | <u>\$ 1,293,719</u> |
| Securities lending expenses | | |
| Borrower rebates | \$ 210,780 | \$ 1,295,786 |
| Agent fees | 17,040 | 64,374 |
| Total securities lending expenses | <u>\$ 227,820</u> | <u>\$ 1,360,160</u> |