

**ALLEGHENY COUNTY EMPLOYEES'
RETIREMENT SYSTEM**

DECEMBER 31, 2008 AND 2007

**ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

YEARS ENDED DECEMBER 31, 2008 AND 2007

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March 30, 2009

President and Members of the Retirement Board
Allegheny County Employees' Retirement System
Pittsburgh, Pennsylvania

REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying financial statements of the Allegheny County Employees' Retirement System (Retirement System) as of December 31, 2008 and 2007, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Retirement 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Allegheny County Employees' Retirement System as of December 31, 2008 and 2007, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 1 to the financial statements, the Retirement System implemented Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*. The effect of this statement is reflected in additional note disclosures throughout the notes to the financial statements.

The information presented in the supplementary schedules and the note to supplementary schedules on pages 15 through 17 are not a required part of the 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 methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.



Certified Public Accountants

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**STATEMENTS OF PLAN NET ASSETS
DECEMBER 31,**

ASSETS		
	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 21,706,090	\$ 12,995,610
Investments (at fair value):		
Equity:		
U.S. Common and Preferred Stock	115,113,112	235,501,560
American Depository Receipts	5,424,348	19,384,087
S&P 500 Index Fund	57,147,142	96,241,459
Non-U.S. Stocks and Equity Mutual Funds	70,643,979	69,665,337
Bonds and Notes:		
Corporate certificates of deposit	244,645	3,015,850
U.S. Government and Related Agency Debt	22,409,960	27,821,327
Fannie Mae and Freddie Mac Debt	36,561,816	76,139,995
Fixed Income Mutual Funds	52,178,749	19,539,056
U.S. Corporate Debt Instruments	53,854,451	64,437,459
Non-U.S. Government and Corporate Debt	9,811,012	9,190,588
Other Investments:		
Hedge Funds	21,913,000	32,469,584
Real Estate Investment Trusts	48,177,675	49,664,299
Commodities Funds	16,045,897	39,840,011
Venture Capital / Private Equity	50,469,425	41,539,715
Receivables:		
Amounts Due from Brokers for Sold Investments	276,930	883,024
Accrued Interest and Dividends	1,592,113	1,925,050
Accrued Employer Contributions	1,947,343	1,773,130
Accrued Employee Contributions	573,337	392,844
Other Assets	<u>14,475</u>	<u>20,507</u>
 Total Assets	 <u>\$ 586,105,499</u>	 <u>\$ 802,440,492</u>

LIABILITIES AND PLAN NET ASSETS

Liabilities:		
Vouchers Payable	\$ 1,555	\$ 700
Accrued Liabilities	3,063,427	2,614,841
Amounts Due to Brokers for Purchased Investments	931,242	1,611,682
Other Liabilities	<u>9,952</u>	<u>10,585</u>
 Total Liabilities	 <u>4,006,176</u>	 <u>4,237,808</u>
 Plan Net Assets:		
Held in Trust for Pension Benefits	<u>582,099,323</u>	<u>798,202,684</u>
(A schedule of funding progress is presented on page 15)		
Total Liabilities and Plan Net Assets	<u>\$ 586,105,499</u>	<u>\$ 802,440,492</u>

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

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**STATEMENTS OF CHANGES IN PLAN NET ASSETS
DECEMBER 31,**

	<u>2008</u>	<u>2007</u>
Additions:		
Contributions:		
Employee	\$ 18,671,324	\$ 18,803,004
Employer	<u>18,577,232</u>	<u>18,415,555</u>
Total Contributions	<u>37,248,556</u>	<u>37,218,559</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(198,507,150)	52,478,514
Interest	8,050,124	10,133,929
Dividends	7,361,868	8,511,561
Stock Loan Income	214,757	198,371
Recaptured Broker Commissions	<u>57,700</u>	<u>76,140</u>
Less: Investment Management Fees	<u>(182,822,701)</u>	<u>71,398,515</u>
Total Investment Income - net	<u>(184,449,981)</u>	<u>69,023,263</u>
Miscellaneous Income	<u>1,925</u>	<u>92</u>
Total Additions - Net	<u>(147,199,500)</u>	<u>106,241,914</u>
Deductions:		
Benefit Payments	62,373,702	59,019,697
Refunds of Employee Contributions	5,670,165	5,632,591
Salaries, Wages and Related Expenses	260,960	261,378
Administrative & Miscellaneous Expenses	<u>599,034</u>	<u>601,691</u>
Total Deductions	<u>68,903,861</u>	<u>65,515,357</u>
Net Increase (Decrease) in Plan Net Assets	(216,103,361)	40,726,557
Plan Net Assets at Beginning of Year	<u>798,202,684</u>	<u>757,476,127</u>
Plan Net Assets at End of Year	<u>\$ 582,099,323</u>	<u>\$ 798,202,684</u>

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

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 – Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Allegheny County Employees' Retirement System (Retirement System) have been prepared on the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

Investments of the Retirement System are presented at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Bonds and notes not regularly on a national exchange are valued based on the last reported sale price or mean of the latest bid and ask price. Other investments consist of ownership interests in various private equity funds. These interests are recorded at the latest available book value of Retirement System's ownership interest, generally being December 31, 2008. The book value for these investments approximates fair value due to the requirement for these funds to follow the guidance of Financial Accounting Standards Board Statement of Accounting Standards No. 157, *Fair Value Measurements*.

Actuarial Cost Method

The Retirement System Plan (Plan) utilizes the entry age normal method. Under this method, normal cost percent is determined separately for each active participant as the level percent of expected career earnings required to fund expected plan benefits. A dollar nominal cost is computed by applying this percent to the participant's expected earnings for the current plan year. The participant's actuarial accrued liability is the difference between the present value of all future plan benefits expected to be paid on his benefit and the present value of his future nominal costs.

Reclassification

Certain assets were reclassified in the fiscal year 2007 presentation to conform with the current year presentation.

Adoption of Accounting Standard

During the current year, the Retirement System adopted Governmental Accounting Standards Board Statement Number 50, *Pension Disclosures*. This effect of the adaptation of this statement was to require additional disclosures on how the fair value of investments is determined if that fair value is

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2008 AND 2007**

NOTE 1 – Significant Accounting Policies

based on other than quoted market prices and about the actuarial methods and assumptions used in the valuations on which reported information about the annual required contribution and the funded status and funding progress are based. These disclosures are contained in Notes 1 and 6, respectively.

NOTE 2 – Plan Description

The Retirement System is sponsored by the County of Allegheny, Pennsylvania (County). The Retirement System is presented as the Pension Trust Fund (Fund) of the County, within the financial statements of the County as a whole.

The Retirement System is a single-employer, defined benefit, contributory retirement benefit plan covering substantially all employees of the County. Benefit and contribution provisions for the Retirement System are determined under the statutes enacted by the General Assembly of the Commonwealth of Pennsylvania. The Retirement System Board (Board), pursuant to express statutory authority, has the right to increase the employee contributions in the event it is actuarially determined that a contribution increase is required in order for the Board to meet its funding requirements. Any increase in employee contributions imposes a statutory requirement upon the County to match the employee contributions. Also, the obligation of the Fund to pay retirement benefits is further secured by statutory obligation imposed upon the County to utilize its taxing authority to meet the Board's obligation to make monthly benefit payments to retirees.

Monthly benefit payments are determined for each individual according to the retirement option and the age and length of service at retirement. Additionally, the Board, at its discretion, can provide for cost of living allowances to retirees based on meeting certain actuarial funding levels as more fully described in the House Bill 869 of the General Assembly of the Commonwealth of Pennsylvania. Under normal retirement (attainment of age 50 with 20 years of service for police and firefighters; age 55 with 20 years of service for deputy sheriffs, jail guards, and probation officers; age 60 with 20 years of service for non-uniformed employees), the retirement benefit is equal to 50% of the final average salary, plus 1% thereon for each full year of service between 20 and 40 years. Final average salary is the monthly average of the 24 highest months of compensation in the last 48 months of employment preceding retirement.

Employees are required to contribute 6% of covered compensation. Employee contributions are matched equally by the County, as prescribed by the Second Class County Code of the Commonwealth of Pennsylvania. Employees with at least 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions plus interest thereon, approximately 2.4% in 2008. Employees with less than 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions only.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2008 AND 2007

NOTE 2 – Plan Description (Continued)

At January 1, 2008 and 2007, the dates of the most recent actuarial reports, participants in the Retirement System were as follows:

	<u>2008</u>	<u>2007</u>
Participants:		
Retirees and beneficiaries	4,491	4,431
Deferred vested	<u>134</u>	<u>123</u>
	<u>4,625</u>	<u>4,554</u>
Current Employees:		
Vested – non-uniform	3,505	3,473
Vested – all others	443	438
Vested – police and fire	152	154
Non-vested – non-uniform	2,911	3,046
Non-vested – all others	207	217
Non-vested – police and fire	<u>107</u>	<u>108</u>
	<u>7,325</u>	<u>7,436</u>
Total	<u>11,950</u>	<u>11,990</u>

NOTE 3 – Contributions Required and Contributions Made

The Retirement System's funding policy requires that the County match all employee contributions on an equal basis and fund those amounts currently. The Board, pursuant to express statutory authority, has the right to increase or decrease the employee's contribution in the event it is actuarially determined that a contribution increase is required in order for the Board to meet its funding requirements. Any increase in employee contributions imposed a statutory requirement upon the County to match the employee contributions. Also, the obligation of the Retirement System to pay retirement benefits is further secured by statutory obligation imposed upon the County to utilize its taxing authority to meet the Retirement System's obligation to make monthly benefit payments to retirees.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2008 AND 2007

NOTE 4 – Cash and Investments

The Retirement System is required to invest no less than 25% of its portfolio in fixed income securities and the remaining portion primarily in stocks or equities; along with hedge funds, venture capital and real estate, which are not to individually exceed 10% of the total portfolio.

The Retirement System is authorized by the Board to invest in obligations of the U.S. government, agencies and instrumentalities, commercial paper rated at least A-2 by Standard & Poor's or P-2 by Moody's Investors Service, Inc. (Moody's), bankers' acceptances, and corporate obligations including mutual funds, rated A by Standard & Poor's or A-2 by Moody's. The securities of any one issuer should not exceed 5% of the market value of the fund. This limitation does not apply to securities issued or guaranteed by the U.S. government or its agencies. In the case of U.S. government agency issues, the securities of any one agency should not exceed 10% of the market value of the fund.

As of December 31, 2008, the Retirement Board had the following cash and investments:

Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2008			
		Less than 1 year	1-10 Years	10-20 Years	More than 20 years
Government & related agency debt	\$ 22,409,960	\$ -	\$ 15,005,305	\$ 3,510,000	\$ 3,894,655
Fannie Mac and Freddie Mac debt	36,561,816	815,000	35,376,178	-	370,638
Corporate certificates of deposit	244,645	-	100,000	144,645	-
Corporate debt	53,854,451	3,314,010	44,299,036	2,659,059	3,582,346
Non-U.S. gov't and corp. notes	9,811,012	1,920,256	7,831,745	-	59,011
Total debt securities	122,881,884	\$ 6,049,266	\$ 102,612,264	\$ 6,313,704	\$ 7,906,650
Cash and cash equivalents	21,706,090				
Bond mutual funds	52,178,749				
Equity mutual funds	70,643,979				
Stocks and ADRs	120,537,460				
Hedge funds	21,913,000				
Real estate investment trusts	48,177,675				
S&P 500 index fund	57,147,142				
Commodities fund	16,045,897				
Private equity/venture capital	50,469,425				
Total cash and other investments	458,819,417				
Total cash and investments reported on Pension Trust Fund Statement of Net Assets	\$ 581,701,301				

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures," requires disclosures related to deposit and investment risks. The following is a description of the deposit and investment risks:

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2008 AND 2007**

NOTE 4 – Cash and Investments (Continued)

Interest Rate Risk – The Retirement Board's investment guidelines do not set total fund guidelines that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the effective duration of each Fixed-Income Investment Manager should follow the schedule below:

<u>Fixed-Income Class</u>	<u>Index</u>	<u>Duration Limit</u>
Short-term	Merrill Lynch One-Three-Year Gov't	+/-20%
Government/Credit	Lehman Brothers Gov't/Credit	+/-20%
Core	Lehman Brothers Aggregate	+/-20%

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Fund's Fixed-Income Investment Managers are authorized by the Retirement Board to invest in marketable debt issues of the U.S. Treasury, U.S. Agencies, U.S. corporations, U.S. banks or other financial institutions, mortgage or asset backed securities, Yankee bonds, and cash equivalents. Domestic bonds in the core-fixed income portfolios must be rated Baa/BBB or better by either Moody's or Standard & Poor's.

The investment guidelines allow for two different classifications of fixed-income managers – core fixed income or high-yield fixed income. Core-fixed income portfolios should normally maintain an average market-weighted quality of Aa/AA. High-yield fixed income investment managers must hold bonds rated at least B- or equivalent at the time of purchase and should normally maintain an average market-weighted quality of B.

The Pension Trust Fund's December 31, 2008 investments in fixed income investments have received the following ratings:

Rating Standards & Poors'	Corporate Certificates of Deposit	FNMA & FHLMC	Corporate Bonds	Non-US Gov't & Corporate Debt
AAA	\$ -	\$ 35,837,716	\$ 8,137,063	\$ 1,000,000
AA	-	-	2,760,967	-
A	-	-	22,798,272	5,437,921
BBB	-	-	8,649,074	732,062
BB	-	-	2,761,473	201,900
B	-	-	3,845,256	271,025
CCC	-	-	1,401,656	-
CC	-	-	-	7,275
D	-	-	588,625	-
Not Rated	<u>244,645</u>	<u>724,100</u>	<u>2,912,065</u>	<u>2,160,829</u>
Totals	<u>\$ 244,645</u>	<u>\$ 36,561,816</u>	<u>\$ 53,854,451</u>	<u>\$ 9,811,012</u>

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2008 AND 2007**

NOTE 4 – Cash and Investments (Continued)

Rating Moody's	Corporate Certificates of Deposit	FNMA & FHLMC	Corporate Bonds	Non-US Gov't & Corporate Debt
Aaa	\$ -	\$ 35,837,716	\$ 8,910,341	\$ 663,040
Aa	144,645	-	4,799,471	-
A	-	-	20,717,344	4,700,261
Baa	-	-	9,405,622	1,390,407
Ba	-	-	1,936,498	39,900
B	-	-	4,675,808	433,025
Caa	-	-	1,513,208	7,275
Ca	-	-	588,625	-
Not Rated	<u>100,000</u>	<u>724,100</u>	<u>1,307,534</u>	<u>2,577,104</u>
Totals	<u>\$ 244,645</u>	<u>\$ 36,561,816</u>	<u>\$ 53,854,451</u>	<u>\$ 9,811,012</u>

The credit ratings for the Pension Fund's mutual fund investments are unknown.

Custodial Credit Risk – Cash and cash equivalents – For deposits, custodial credit risk is the risk that in the event of bank failure, the fund's deposits may not be returned to it. As of December 31, 2008, the book value of the Pension Trust Fund's cash and deposits was \$(50,391) and the bank balance was \$206,843. Of the entire bank balance of \$206,843 was covered by federal depository insurance. An additional \$21,756,481 in cash or cash equivalents was held by the Fund's investment managers in temporary investment vehicles. The investment guidelines state cash equivalent investments may be U.S. Treasury Bills, U.S. Government repurchase agreements (with a minimum of 102% collateral), money market funds, or commercial paper. If commercial paper is used for short-term investments, it must be rated at least A-1 or A by Moody's or Standard & Poor's.

Custodial Credit Risk – Investments – For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Pension Trust Fund does not have a formal investment policy to mitigate custodial credit risk. However, to reduce investment risks, the Board's investment guidelines do set target and range asset allocations for all investments.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2008 AND 2007**

NOTE 4 – Cash and Investments (Continued)

The total plan targets are as follows:

<u>Asset Allocation</u>	<u>Target</u>
Cash/Fixed-income	30.0%
Diversified Equity	52.5%
Real Estate	10.0%
Venture Capital / Private	5.0%
Commodities	<u>2.5%</u>
 Total	 <u>100.0%</u>

Concentration of Credit Risk – The Retirement Board’s investment guidelines do not set total fund diversification guidelines. However, they do attempt to minimize the impact of substantial loss in any specific industry or issue by establishing specific limits for the portfolios of each of the investment managers. For the equity investment managers, no more than 5% of each manager’s equity portfolio may be invested in any one company (valued at cost), and no more than 10% of each manager’s equity portfolio may be invested in any one company (valued at market). In addition, equity investments may not exceed the benchmark index by 20% of the GICS economic sector allocation.

For the core fixed-income managers, except for U.S. Treasury and Agency obligations, each manager’s fixed-income portfolio may not contain more than 10% (valued at market) of a given domestic issuer; no more than 10% of each portfolio’s market value may be in Yankee bonds. If an investment manager chooses to invest in SEC Rule 144A securities without registration rights, such securities may not consist of more than 10% of the portfolio.

As of December 31, 2008, three investments exceeded 5% of the net assets of the Fund – the Pyramis Select International Mutual Fund had a market value of \$36,567,735; the Morgan Stanley Real Estate Investment Trust had a market value of \$47,466,066; and the S&P 500 Index Fund had a market value of \$57,147,142.

Foreign Currency Risk –For cash and investments, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2008, the Retirement Board held the following investments denominated in non-U.S. dollars:

Currency	Common Stocks	Cash
Canadian Dollar	\$ 2,611,283	\$ 1,481

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2008 AND 2007**

NOTE 5 – Commitments and Contingencies

The Retirement System is subject to asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management and legal counsel, the resolution of these claims will not have a material adverse effect on the Retirement System's net assets or results of operations.

Certain other investments of the Retirement System consist of the Retirement System entering into agreements as limited partners in private equity funds. These agreements generally provide for the Retirement System to make commitments as to the amount of funds the Retirement System will contribute to these funds. The decision as to when these funds are required to be contributed and the amounts of any particular contribution are determined by the general partners of these funds. As of December 31, 2008, the Retirement System has approximately \$44 million in outstanding commitments under these agreements.

The Retirement System has committed to liquidating their investments in the Hedge Funds. Management expects the Retirement System to receive an amount that is within a material difference of the fair value as disclosed in the financial statements as of December 31, 2008.

NOTE 6 – Funded Status and Funding Progress

The funded status of the Retirement System as of January 1, 2008, the most recent actuarial valuation date is as follows: (Dollar amounts in thousands)

Actuarial Value of Assets	Actuarial Accrued Liability (AAA) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
\$798,203	\$979,599	\$(181,396)	81.5%	\$317,380	57.2%

The schedule 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.

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2008
Amortization	Rolling 15-year period
Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2008 AND 2007**

NOTE 6 – Funded Status and Funding Progress

Actuarial assumptions:

Projected salary increases	6% for age <25 5.5% for age 25-29 4.5% for age 30-34 4.0% for age 35-39 3.5% for age >40
Investment rate of return	8.00%
Cost of Living Adjustment	3.00%
Contribution rate	6% of salary

NOTE 7 – Tax Status

The Internal Revenue Service has determined and informed the Retirement System by a letter dated December 15, 1997 that the Retirement System is designated in accordance with the applicable sections of the Internal Revenue Code (Code). The plan document has been amended since receiving the determination letter. The Retirement System administrator and the Retirement System's tax counsel believe that the plan remains designated and is currently being operated in compliance with the applicable requirements of the Code.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Excess of Assets Over (Under) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess (Deficiency) as a Percentage of Covered Payroll</u>
1/1/2002	\$ 646,157	\$ 693,110	\$ (46,953)	93.23%	\$ 249,972	(18.78%)
1/1/2003	676,534	733,293	(56,759)	92.26%	264,447	(21.46%)
1/1/2004	718,073	780,615	(62,542)	91.99%	271,964	(23.00%)
1/1/2005	705,892	831,067	(125,175)	84.94%	266,043	(47.05%)
1/1/2006	707,475	863,695	(156,220)	81.92%	277,004	(56.40%)
1/1/2007	757,476	915,208	(157,732)	82.80%	291,731	(54.10%)
1/1/2008	798,203	979,599	(181,396)	81.50%	317,380	(57.20%)

See accompanying note to supplemental schedules.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

<u>Year Ended</u> <u>December 31,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2002	\$ 13,227	100%
2003	12,951	129%
2004	15,199	111%
2005	22,582	73%
2006	26,636	66%
2007	26,549	69%
2008	28,662	65%

See accompanying note to supplemental schedules.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO SUPPLEMENTARY SCHEDULES

FOR THE PLAN YEAR ENDED DECEMBER 31, 2008

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2008
Amortization	Rolling 15-year period
Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions:	
Projected salary increases	6% for age <25 5.5% for age 25-29 4.5% for age 30-34 4.0% for age 35-39 3.5% for age >40
Investment rate of return	8.00%
Cost of living adjustments	3.00%
Contribution rate	6% of salary