



THE CECIL COUNTY PENSION PLAN FOR PUBLIC SAFETY EMPLOYEES

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**A FIDUCIARY FUND OF
CECIL COUNTY, MARYLAND**



Prepared by the Cecil County Treasurer's Office



**THE CECIL COUNTY PENSION PLAN
FOR PUBLIC SAFETY EMPLOYEES**

**ANNUAL FINANCIAL REPORT
OF A PENSION FUND OF CECIL COUNTY, MARYLAND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	i
Principal Officials & Consultants	v

FINANCIAL SECTION

Report of Independent Public Accountants	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Plan Net Assets	6
Statement of Change in Plan Net Assets	7
Notes to the Financial Statements	8
Required Supplementary Information	
Schedule of Funding Progress	13
Schedule of Employer Contributions	13
Notes to the Required Supplementary Schedules	14
Other Supplementary Information	
Schedule of Administrative Expenses	15
Schedule of Investment Expenses	15
Schedule of Professional Fees Paid to Consultants	15





**CECIL COUNTY PUBLIC SAFETY
PENSION PLAN
BOARD OF TRUSTEES
200 Chesapeake Blvd.
Elkton, MD 21921
(410) - 996-5200**



October 25, 2011

To the Board of County Commissioners and
The Citizens of Cecil County, Maryland

Pursuant to Maryland state law that requires essentially all local governments' pension plans to prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants, we hereby issue the Annual Financial Report of The Cecil County Pension Plan for Public Safety Employees (the Plan) for the fiscal year ended June 30, 2011. The Plan is a pension plan of Cecil County. This report is divided into two sections: an Introductory Section including the administrative organization and the letter of transmittal; and a Financial Section including the report of the independent public accountants, management's discussion and analysis, the basic financial statements of the Plan, and certain required supplementary information.

This report consists of management's representations concerning the finances of the Plan. Consequently, the Trustees of the Plan assume responsibility for the completeness and fairness of the presentation, including all disclosures. To provide a reasonable basis for making these representations, the Trustees of the Plan have established a comprehensive internal control framework that is designed to protect the Plan's assets from loss, theft, or misuse and to compile sufficient information for the preparation of the Plan's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Plan's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Plan's financial statements have been audited by SB & Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Plan as of and for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the

accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Cecil County's financial statements for the fiscal year ended June 30, 2011 are fairly presented in conformity with GAAP. The independent public accountants report is presented as the first component of the Financial Section of this report.

GAAP require that management 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 Plan's MD&A can be found immediately following the report of independent public accountants.

Profile of the Plan

The Cecil County Pension Plan for Public Safety Employees was established effective July 1, 2002 under a plan document and trust agreement enacted by the Board of County Commissioners of Cecil County to provide retirement benefits to certain law enforcement and emergency services personnel. Responsibility for the administration and operation of the Plan is vested in a 9-member Board of Trustees appointed by the Board of Commissioners.

The Plan serves members and beneficiaries totaling 301 as of the last actuarial valuation (page 10). The Plan is a single-employer defined benefit plan that covers all full-time employees on the County's Public Safety Pay Plan hired after June 30, 2002, employees who have opted to convert from the Maryland State Retirement and Pension System (MSRPS) to the Plan, and the Cecil County Sheriff. Thus, the Plan covers a majority of the law enforcement officers, correctional officers and professionals of emergency services, of Cecil County, Maryland.

Major Initiatives

Current Year. During fiscal year 2011, the Plan formally completed its transition to the consulting firm Segal Advisors, and has completed the development and implementation of governance policies and operating procedures. With the stewardship of Segal Advisors and Prudential Financial, the Plan provided a net rate of return of 25.30% on investments, which exceeded the assumed actuarial rate of return of 7.50%.

Long Term. The Board of Trustees will continue to review its policies and procedures to ensure the most efficient administration of the Plan for participants. The Trustees will continue to develop the governance policies and operating procedures associated with the disability review process, and will continue to pursue the concept of acquiring a third-party medical review network to assist in the evaluation of disability review claims.

Additions and Deductions from Plan Net Assets

Additions to the assets of \$8,058,751 were comprised of contributions from the County and plan participants of \$2,828,875, net investment earnings of \$186,821, gain on market value of \$5,043,055 for fiscal year 2011. Deductions to the assets of \$1,068,241 include \$899,083 in direct pension payments to participants, \$137,739 return of contributions and interest to terminated participants and \$31,419 in administrative expenses, resulting in a net increase in assets of \$6,990,510 for fiscal year 2011.

The Plan was created to provide retirement annuities, survivor benefits, and total and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the Plan, refund of contributions to terminated employees, and the cost of administering the Plan. The total deductions from Plan net assets related to the above programs amounted to \$1,036,822 in fiscal year 2011. Since its inception in 2002, the Plan has seen annual increases in benefit payments; refunded contributions increased from \$76,230 in fiscal year 2010 to \$137,739 in fiscal year 2011 due to a higher number of terminated employees.

Additional information regarding additions and deductions is contained in management's discussion and analysis which begins on page 3.

Investments

Through its plan document, trust documents, policies, and procedures, the Plan has established standards to assure that fiduciaries shall discharge their duties solely in the interest of the Plan participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstance in a like position. (The general concept is often known as the "prudent person rule.") These standards permit the diversification of investments by the Plan to enable the Plan to reduce overall risk and increase returns.

The Board of Trustees has established an investment policy that allows for the delegation of investment authority to professional investment advisors. The statement of investment policy outlines the responsibility for the investment of the fund and the degree of risk deemed appropriate for the fund. Investment advisors are to execute the investment policy in accordance with the Plan and Trust documents, as well as, Board policy and established guidelines, but can use full discretion within the policy and guidelines. For fiscal year 2011, the return on investments, net of fees, was 25.30%.

Funding

A pension plan is well funded when its assets are equal to or greater than the actuarial accrued liability. The Plan's funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member 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 actuarial accrued liability and actuarial value of the assets of the Plan as of July 1, 2009, the most recent actuarial valuation, amounted to \$31,813,317 and \$19,775,437, respectively, or 62.2% funded. The previous actuarial valuation showed that the actuarial accrued liability and actuarial value of the assets of the Plan as of July 1, 2007, amounted to \$26,337,765 and \$15,442,512, respectively, or 58.6% funded.

Professional Services

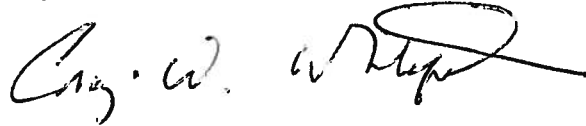
Professional consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the Plan. An opinion from the certified public accountant is included in this report. The consultants appointed by the Board of Trustees are listed on page v.

Acknowledgements

The operation of the Plan was made possible by the efforts of the Cecil County Commissioners and other elected officials and department heads, the Trustees of the Plan, the Human Resources staff, the members of the Treasurer's Office, and the cooperation of the members of the Plan. Preparation of the Annual Financial Report on a timely basis was made possible by the dedicated service of the staff of the Cecil County Treasurer's Office.

In closing, the Trustees look forward to serving the members of The Cecil County Pension Plan for Public Safety Employees by providing benefits in their retirement.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Craig W. Whiteford". The signature is fluid and cursive, with a large loop at the end.

Craig W. Whiteford
Chairman

**THE CECIL COUNTY PENSION PLAN
FOR PUBLIC SAFETY EMPLOYEES**

Principal Officials & Consultants

June 30, 2011

Appointed Officials

Board of Trustees

Trustee and Chairman
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee
Trustee

Craig W. Whiteford
James M. Alfree
Richard K. Brooks, III
Jeffrey D. Clewer
William M. Feehley
Douglas J. Lamdin
Donna M. Nichols
James H. O'Cain, Jr.
Gerald K. Widdoes

Consultants

Actuary
Legal Counsel
Independent Public Accountant
Administrator

Mercer Human Resource Consulting, LLC
McGuireWoods, LLP
SB & Company, LLC
Prudential

FINANCIAL SECTION



SB & COMPANY, LLC

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of the County Commissioners and
The Citizens of Cecil County, Maryland

We have audited the accompanying statement of net assets of the Cecil County Pension Plan for Public Safety Employees (the Plan), a fiduciary fund of Cecil County, Maryland, as of June 30, 2011, and the related statement of change in the Plan's net assets for the year ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of June 30, 2011, and the change in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



SB & COMPANY, LLC

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying other supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
October 25, 2011

SB & Company, LLC

**THE CECIL COUNTY PENSION PLAN
FOR PUBLIC SAFETY EMPLOYEES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011**

The Trustees of the Cecil County Pension Plan for Public Safety Employees are pleased to present to readers of the financial statements of the Plan this narrative overview and analysis of the financial activities of the Plan for the fiscal year ended June 30, 2011.

Financial Highlights

The assets of the Plan exceeded its liabilities at the close of the fiscal year by \$26,448,056 (net assets). As the Plan completed its ninth year of operation, the Plan's net investment income increased from a \$2,138,079 in 2010 to \$5,229,876 in 2011 mainly due to an improved stock market in fiscal year 2011. Pension benefits to retired participants increased from \$739,170 in 2010 to \$899,083 in 2011. Return of contributions and interest to terminating participants increased from \$76,230 in 2010 to \$137,739 in 2011. As of the last actuarial valuation, June 30, 2009, the Plan had 221 active members, 41 retired participants, 1 disabled participant and 6 terminated vested members not yet receiving benefits.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Plan's basic financial statements. The Plan's basic financial statements are comprised of three components: 1) Statement of Plan Net Assets, 2) Statement of Change in Plan Net Assets, and 3) Notes to the Financial Statements.

The Statement of Plan Net Assets (page 7) presents information on all of the Plan's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

The Statement of Change in Plan Net Assets (page 8) presents information showing how the Plan's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Plan is reported as a fiduciary fund of the Cecil County, Maryland, government.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 9 of this report.

Required Supplementary Information. The Required Supplementary Information and related notes provide additional information that is essential to a full understanding of the funding progress of the pension plan. The information can be found beginning on page 14 of this report.

Additional information. Other supplementary information is shown on page 16.

**The Cecil County Pension Plan for Public Safety Employees
Management's Discussion and Analysis, June 30, 2011**

Financial Analysis of the Plan

Net Assets. The following is a year-to-year comparison of the net assets of the Plan.

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>Percentage</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 76,446	\$ 119,039	\$ (42,593)	-35.8%
Investments	26,377,662	19,341,024	7,036,638	36.4%
Total Assets	<u>26,454,108</u>	<u>19,460,063</u>	<u>6,994,045</u>	<u>35.9%</u>
<u>Liabilities</u>				
Total Liabilities	<u>6,052</u>	<u>2,517</u>	<u>3,535</u>	<u>140.4%</u>
<u>Net Assets</u>				
Held in Trust for Pension Benefits	<u>\$ 26,448,056</u>	<u>\$ 19,457,546</u>	<u>\$ 6,990,510</u>	<u>35.9%</u>

Net Plan assets increased by 35.9% to \$26,448,056. The increase in net assets of \$6,990,510 was primarily made up of the following components: contributions from employer and active participants of \$2,828,875, net investment income of \$5,229,876, benefit and return of contribution payments of \$1,036,822 and administrative costs of \$31,419.

Changes in Net Assets. A year-to-year comparison of changes of plan net assets is as follows:

	<u>2011</u>	<u>2010</u>	<u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>Percentage</u>
<u>Additions</u>				
Contributions	\$ 2,828,875	\$ 2,622,596	\$ 206,279	7.9%
Net Investment Income	<u>5,229,876</u>	<u>2,138,079</u>	<u>3,091,797</u>	<u>144.6%</u>
Total Additions	<u>8,058,751</u>	<u>4,760,675</u>	<u>3,298,076</u>	<u>69.3%</u>
<u>Deductions</u>				
Annuity Benefits	899,083	739,170	159,913	21.6%
Contribution Refunds	137,739	76,230	61,509	80.7%
Administrative Expenses	31,419	63,888	(32,469)	-50.8%
Total Subtractions	<u>1,068,241</u>	<u>879,288</u>	<u>188,953</u>	<u>21.5%</u>
Changes in Net Assets	<u>\$ 6,990,510</u>	<u>\$ 3,881,387</u>	<u>\$ 3,109,123</u>	<u>80.1%</u>

The Plan experienced an increase, \$6,990,510, in net assets in fiscal year 2011. Total contributions increased \$206,279 or 7.9% over 2010, which was largely due to an increase of \$221,431 from the County, related to changes in actuarial assumptions. In addition, employee contributions experienced a slight increase of \$7,652. The Plan had a gain of \$5,229,876 on investments due to an improvement in the stock market.

The Cecil County Pension Plan for Public Safety Employees Management's Discussion and Analysis, June 30, 2011

The Plan experienced a \$32,469 or 50.8% decrease in administrative expenses between 2010 and 2011 which is mainly due to an actuarial report completed in fiscal year 2010 costing \$32,858. Benefits paid to retirees increased by \$159,913 or 21.6% compared to 2010, which was largely due to new retirees in fiscal year 2011. As of June 30, 2011, the Plan had 53 retired participants and 1 disabled participant receiving benefits, which included 7 new retirees during fiscal year 2011. In addition, there were 10 vested terminations not yet eligible to receive benefits as of June 30, 2011. Contribution refunds of \$137,739 were paid to 22 terminated participants in 2011 versus \$76,230 to 9 terminated participants in 2010.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances to participants in the Plan, the citizens of Cecil County, and other users of such data. Requests for additional copies of this report, an actuarial report, a list of investments, questions concerning any of the information in this report, and requests for additional financial information should be addressed to Donna Nichols, Director of Human Resources, 200 Chesapeake Blvd, Elkton, Maryland 21921.

BASIC FINANCIAL STATEMENTS

**THE CECIL COUNTY PENSION PLAN
FOR PUBLIC SAFETY EMPLOYEES
STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2011**

ASSETS

Cash and Cash Equivalents	\$ 76,446
Investments, at Fair Value Institutional Separate Accounts	<u>26,377,662</u>
Total Assets	26,454,108

LIABILITIES

Accounts Payable	<u>6,052</u>
------------------	--------------

NET ASSETS

Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress is presented on Page 14.)	<u>\$ 26,448,056</u>
--	----------------------

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

**THE CECIL COUNTY PENSION PLAN
FOR PUBLIC SAFETY EMPLOYEES
STATEMENT OF CHANGE IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

ADDITIONS

Contributions	
Cecil County	\$ 2,019,471
Participants	<u>809,404</u>
 Total Contributions	 <u>2,828,875</u>

INVESTMENT INCOME

Net Appreciation	
in Fair Value of Investments	5,043,055
Interest and Dividends	<u>421,026</u>
	5,464,081
 Less: Investment Expense	 <u>(234,205)</u>
 Net Investment Income	 <u>5,229,876</u>
 Total Additions	 <u>8,058,751</u>

DEDUCTIONS

Pension Benefit Payments	899,083
Refunds of Contributions	137,739
Administrative Expense	<u>31,419</u>
 Total Deductions	 <u>1,068,241</u>

Change in Net Assets 6,990,510

**Net Assets Held in Trust
for Pension Benefits**

Beginning of Year	<u>19,457,546</u>
End of Year	<u>\$ 26,448,056</u>

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

**The Cecil County Pension Plan for Public Safety Employees
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2011**

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Cecil County Pension Plan for Public Safety Employees (the Plan) conform in all material respects to generally accepted accounting principles (GAAP) in the United States as applicable to pension plans sponsored by governmental entities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The Plan has adopted all GASB Statements through No. 59. The following summarizes the Plan's significant accounting policies:

Financial Reporting Entity

The Cecil County Pension Plan for Public Safety Employees was established effective July 1, 2002, under a plan document and trust agreement enacted by the Cecil County Board of Commissioners to provide retirement benefits to certain law enforcement and emergency services personnel. The Plan is a single-employer public employee defined benefit pension plan. Responsibility for the administration and operation of the Plan is vested in a 9-member Board of Trustees appointed by the Board of Commissioners. The County's Human Resources Department and Treasurer's Office provide professional and accounting services as needed.

Although the Plan is a legally separate entity, the County appoints all members of the Plan's Board of Trustees and makes all employer contributions to the Plan. Only County public safety employees can be members of the Plan and the County is financially responsible for the Plan's pension obligations. The Plan is a blended component unit of Cecil County, Maryland, because it provides services and benefits exclusively to the County.

Additional copies of this annual financial report and actuarial information are available from the Cecil County Department of Human Resources, 200 Chesapeake Blvd., Elkton, Maryland 21921.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Plan.

Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For fixed income securities, fair value may be based on quoted market prices.

The pension plan is authorized by the Plan and a trust agreement with the Board of County Commissioners of Cecil County to establish an investment policy and invest long-term to pay benefits to plan members. The investment policy allocates investments between 1) large, mid and small capitalization stocks, and international equities traded on national exchanges; 2) fixed income domestic debt securities traded on national exchanges; and 3) cash equivalents (deposits or short-

**The Cecil County Pension Plan for Public Safety Employees
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2011**

term investments maturing within a year). Certain investments are prohibited. Specific allocation targets are reviewed annually.

2. Plan Membership

Membership of the Plan consisted of the following as of July 1, 2009, the date of the latest actuarial valuation.

Retirees and Beneficiaries receiving Benefits	41
Disabled & Disabled Beneficiaries	1
Vested Terminations not yet eligible to receive benefits	6
Terminated Plan members non-vested and due a return of contribution	32
Active Plan Members	<u>221</u>
Total	<u>301</u>

3. Plan Description Summary

The following summary description does not replace any Plan documents.

Plan Description and Eligibility: The Plan is a single-employer defined benefit plan that covers all full-time employees on the County's Public Safety Pay Plan hired after June 30, 2002, employees who have opted to convert from the Maryland State Retirement and Pension System (MSRPS) to the Plan, and the Cecil County Sheriff.

Service Benefits: Monthly income for life is based on 2.0% of average annual compensation multiplied by years of service, not to exceed 25 years, divided by 12. Average annual compensation is one third of the compensation of the covered employee during whatever period of 36 consecutive months of creditable service will provide the largest total compensation for any such period.

Vesting: 100% with 5 or more years of eligible service. Contributions are refunded upon termination for less than 5 years of service with interest of 5% on accumulated contributions.

Retirement: Normal – First of the month coincident with or immediately following the earlier of 25 years of eligible service or attainment of age 55 with 5 years of eligible service. Early – with 20 years of eligible service regardless of age, the normal retirement benefit is reduced by 6% per year for each year prior to the normal retirement date.

Disability Benefits: Benefit for ordinary disability is based on years of creditable service. Benefit for disability occurring in the line of duty is a monthly payment of 66.67% of average annual compensation reduced by any social security and worker's compensation benefits; there is no minimum service requirement. Applications are reviewed by a disability review board.

Survivor Benefit: Various depending on the option of the participant.

Death Benefit: Ordinary – After one year of creditable service, the surviving spouse shall receive a lump sum equal to participant's contributions plus interest plus one year of pay. Line of duty – has no eligibility requirement and a monthly benefit is paid to the surviving spouse (for life) or, if there is

**The Cecil County Pension Plan for Public Safety Employees
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2011**

no surviving spouse, to minor children (until maturity). In the absence of a surviving spouse or minor children, benefits calculated as if ordinary will be paid to a named beneficiary or, lacking this, to the estate of the participant.

4. Contributions

Plan members are required to contribute 8% of the base compensation. Base compensation excludes overtime, extra-remuneration, reimbursed expenses, and essentially excludes tax related adjustments.

Cecil County as the employer is required to make actuarially determined annual contribution amounts.

This Plan is the successor to a plan offered by the State Retirement and Pensions System of Maryland (the State Plan). As such, assets related to participants of the State Plan who opted to become participants of the new plan were transferred to the Plan in several transactions during fiscal years 2003 and 2004.

5. 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	Actuarial Accrued Liability (AAL) - Projected Unit Cost Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2009	\$ 19,775,437	\$ 31,813,317	\$ 12,037,880	62.2%	\$ 10,405,176	115.7%

A schedule of funding progress showing multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits is presented as required supplementary information (RSI) on page 14.

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2009
Actuarial cost method	Projected Unit Cost Method
Amortization method	Level percentage - closed
Asset valuation method	5 year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.50% compounded annually
Projected salary increases	11.0% for first five years of service, 10.0% annually for the next five years, and 5.75% annually thereafter
Cost of living adjustments	3.0% annually

**The Cecil County Pension Plan for Public Safety Employees
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2011**

Due to Plan changes and assumptions which resulted in additional liability, the remaining amortization period has been adjusted. Below is the latest actuarial schedule as July 1, 2009:

Original unfunded liability	22 years
Plan change	27 years
Assumption change	13 years
Actuarial (gain)/loss	15 years

6. Cash Deposits and Investment Portfolio Disclosure

Investment policy information was discussed in Note 1. As of June 30, 2011, the Plan had the following investments. Money market mutual funds are classified as cash and cash equivalents on the Statement of Net Assets.

Investments

Money Market Mutual Fund	\$ 76,446
Institutional Separate Accounts	26,377,662
Total Investments	<u>\$ 26,454,108</u>

Below is a list of the Institutional Separate Accounts the Plan was invested in as of June 30, 2011:

NeubergerBerman - Large Cap Stock Growth	\$ 2,237,552
Aronson+Johnson+Ortiz (AJO) - Large Cap Stock Value	2,334,438
Frontier Capital Management - Mid Cap Stock Growth	2,053,540
Systematic Financial Management - Mid Cap Stock Value	2,058,095
Columbus Circle Investors - Small Cap Stock Growth	2,888,695
Integrity Asset Management - Small Cap Stock Value	2,724,006
Pictet Asset Management - International Stock Blend	3,951,392
PIMCO Core Plus Bond Fund - Fixed Income Domestic	4,067,871
Prudential Core Bond Enhanced Index - Fixed Income Domestic	4,062,073
Total Institutional Separate Accounts	<u>\$ 26,377,662</u>

Interest Rate Risk: The Plan's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The Plan's investment policy applies the prudent person rule to its investments. The Plan invests in institutional separate accounts, which are essentially mutual funds. This sub-advised approach provides the Plan with access to some of the most respected investment professionals in the industry. The investment policy establishes an asset allocation by asset class where allowable ranges are identified by asset class. Rebalancing is performed on at least a quarterly basis, as appropriate, such that the allocation for each asset class shall not exceed the bounds of the allowable ranges. As of June 30, 2011, the Plan complied with the Plan's investment policy.

**The Cecil County Pension Plan for Public Safety Employees
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2011**

Credit Risk. No rating was available for the money market mutual fund. The institutional separate accounts were rated by Morning Star if the fund had at least five years of history. If the fund had less than five years of history, a peer group ranking was used to classify how the fund performed against other funds similar in nature. The Plan holds nine separate accounts. Seven of the nine separate accounts were rated by Morning Star of which four received a 4 star rating, two received a 3 star rating and one account received a 2 star rating, with 5 being the best and 1 being the worst. The remaining two separate accounts were rated using the peer group ranking (one of these accounts received a quartile rank of 1 and one account received a quartile rank of 2, with 1 being the best and 4 being the worst).

**THE CECIL COUNTY PENSION PLAN
FOR PUBLIC SAFETY EMPLOYEES
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2002	\$ 4,930,633	\$ 12,312,475	\$ 7,381,842	40.0%	\$ 6,089,345	121.2%
2003	6,783,242	14,038,972	7,255,730	48.3%	6,426,628	112.9%
2004	8,665,871	16,498,936	7,833,065	52.5%	7,061,252	110.9%
2005	10,717,426	18,301,914	7,584,488	58.6%	7,249,072	104.6%
2006	12,928,657	21,635,271	8,706,614	59.8%	7,827,147	111.2%
2007*	15,442,512	26,337,765	10,895,253	58.6%	8,894,702	122.5%
2009**	19,775,437	31,813,317	12,037,880	62.2%	10,405,176	115.7%

* Reflects changes in Plan actuarial assumptions.

** Actuarial report is completed every two years.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Years Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Covered	Net Pension Obligation
2004	\$ 1,055,473	100%	\$ -
2005	1,160,256	100%	-
2006	1,251,450	100%	-
2007	1,274,061	100%	-
2008	1,410,479	100%	-
2009	1,753,647	100%	-
2010	1,798,040	100%	-
2011	2,019,471	100%	-

**The Cecil County Pension Plan for Public Safety Employees
Notes to the Required Supplementary Information
for the Year Ended June 30, 2011**

Funding Progress

The Plan inception date is July 1, 2002.

The information presented was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	June 30, 2009
Actuarial Cost Method	Projected Unit Cost Method
Amortization Method	Level Percentage - Closed
Original Unfunded Liability	22 Years
Plan Change	27 Years
Assumption Change	13 Years
Actuarial (Gain)/Loss	15 Years
Asset Valuation Method	5-year Smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5 % compounded annually
Projected Salary Increases	11.0% annually for the first five years, 10.0% annually for the next five years, and 5.75% annually thereafter
Cost-of-Living Adjustments	3.0% annually

**THE CECIL COUNTY PENSION PLAN
FOR PUBLIC SAFETY EMPLOYEES
OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011**

SCHEDULE OF ADMINISTRATIVE EXPENSES

Professional Fees	\$ 25,661
Insurance	3,908
Supplies	850
Miscellaneous	<u>1,000</u>
 Total Administrative Expenses	 <u>\$ 31,419</u>

SCHEDULE OF INVESTMENT EXPENSES

Investment Managers	\$ 191,757
Investment Consultant	<u>42,448</u>
 Total Investment Expenses	 <u>\$ 234,205</u>

SCHEDULE OF PROFESSIONAL FEES PAID TO CONSULTANTS

<u>Type of Service</u>	<u>Consultant</u>	
Actuary	Mercer Human Resource Consulting, LLC	\$ 1,215
Administrator	Prudential	1,589
Auditing	SB & Company, LLC	4,200
Legal	McGuireWoods, LLP	15,189
Other	ADP	1,112
Other	Other	<u>2,356</u>
 Total Payments to Consultants		 <u>\$ 25,661</u>