stockman kast ryan + co LLP

EL PASO COUNTY RETIREMENT PLAN

Management's Discussion and Analysis
and Financial Statements

For the Years Ended December 31, 2008 and 2007,

Required Supplementary Information,

Supporting Schedules

And

Independent Auditors' Report

EL PASO COUNTY RETIREMENT PLAN

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INDEPENDENT AUDITORS' REPORT

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Board of Retirement
El Paso County Retirement Plan
Colorado Springs, Colorado

We have audited the accompanying statements of plan net assets of the El Paso County Retirement Plan (the Plan) as of December 31, 2008 and 2007 and the related statements of changes in plan net assets for the years then 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the plan net assets of the El Paso County Retirement Plan at December 31, 2008 and 2007, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 and the supplementary information on pages 17 through 19 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules of administrative expenses, investment expenses and consultant expenses on pages 20 through 22 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Stockman Kast Ryan + Co., LLP

May 19, 2009

Certified Public Accountants and Business Advisors | 102 N. Cascade Avenue, Suite 400, Colorado Springs, CO 80903
www.skrco.com
telephone: (719) 630-1186
facsimile: (719) 630-1187

EL PASO COUNTY RETIREMENT PLAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management is pleased to provide this overview and analysis of the financial activities of the El Paso County Retirement Plan (the Plan). Please read it in conjunction with the Plan's financial statements and accompanying notes.

The Plan was established in 1967 consisting of one employer and has subsequently expanded to include five employers in El Paso County, Colorado. The Plan provides normal service retirement benefits for members who attain the age and service requirement, or age 62. Early service retirement benefits are also provided to members who attain an age and service requirement equal to 75.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Plan Net Assets* provides a statement of account balances at the end of the year. This statement reports the assets available for future payments to retirees and any current liabilities that are owed at the end of the year. These assets, less liabilities, represent the net amount of funds that are available for future payments. The *Statement of Changes in Plan Net Assets* reports additions and deductions in plan net assets during the current year.

The financial statements report the resources available to pay benefits to retirees and other beneficiaries as of the end of the year, as well as the changes in resources during the year. These statements include all assets and liabilities, using an economic resources measurement focus and the accrual basis of accounting. The notes to the financial statements are an integral part of the financial statements. The notes communicate information that is not displayed on the face of the financial statements that is essential for the fair presentation of the financial statements. These financial statements should be reviewed along with the *Schedule of Funding Progress* and *Schedule of Employer Contributions* to determine whether the Plan is financially strong and to understand changes over time in the financial status of the Plan.

FINANCIAL HIGHLIGHTS

Plan Net Assets

Plan net assets held in trust for pension benefits (plan net assets) decreased during 2008 by $85.2 million (29%) to $208.1 million. The major reason for the decrease in Plan net assets was investment losses of $81.8 million during 2008. This decrease in Plan net assets was offset by contributions of $13.5 million. Deductions from plan net assets consisted primarily of benefit payments which increased 8% to $16.8 million.

Condensed Statements of Plan Net Assets
(in thousands)

	2008	2007	Dollar Change	Percent Change
ASSETS				
Cash and cash equivalents	$ 4,178	$ 3,850	$ 328	8 %
Investments	205,544	276,054	(70,510)	(25)%
Securities lending collateral	10,199	34,300	(24,101)	(70)%
Receivables	878	15,026	(14,148)	(94)%
Capital assets — net	215	208	7	3 %
Total assets	221,014	329,438	(108,424)	(33)%
LIABILITIES				
Securities lending obligation	12,082	34,300	(22,218)	(65)%
Other liabilities	785	1,814	(1,029)	(57)%
Total liabilities	12,867	36,114	(23,247)	(64)%
NET ASSETS HELD IN TRUST	$ 208,147	$ 293,324	$ (85,177)	(29)%

Additions To Plan Net Assets

The collection of member and employer contributions, as well as income from investments, provides the reserves needed to finance retirement benefits. Additions to plan net assets (net of investment losses in 2008) are summarized below (in thousands):

	2008	2007	Dollar Change	Percent Change
Investment income (loss)	$ (81,841)	$ 19,975	$ (101,816)	(510)%
Employer contributions	6,348	6,276	72	1 %
Employee contributions	7,159	6,768	391	6 %
Other income	5	15	(10)	(67)%
Total additions	$ (68,329)	$ 33,034	$ (101,363)	(307)%

The $81.8 million of investment losses in 2008 consisted primarily of the net depreciation in fair value of investments of $84.5 million, offset by interest and dividends of $5.8 million. The net depreciation in fair value of investments is consistent with the results of the domestic and international equity markets, the real estate market and the fixed income market during 2008. Employer contributions increased by 1% reflecting increases in average salaries and changes in membership. The employee contributions increase of 6% is attributable to an increase in service credit purchases for periods of previous employment with any public or private employers (see Note 1 to the financial statements).

Deductions From Plan Net Assets

The principal purpose for which the Plan was created was to provide retirement annuities and survivor benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the Plan, refunds of contributions to terminated employees, and the cost of administering the Plan. These costs resulted in deductions from Plan net assets of $16.8 million during 2008. Deductions from plan net assets are summarized below (in thousands):

	2008	2007	Dollar Change	Percent Change
Benefit payments	$ 13,825	$ 12,567	$ 1,258	10 %
Termination refunds	1,997	2,165	(168)	(8)%
Death benefits	566	481	85	18%
Administrative expenses	460	318	142	45 %
Total deductions	$ 16,848	$ 15,531	$ 1,317	8 %

Deductions from plan net assets for 2008 increased by 8% primarily due to increased benefit payments. The increase in ongoing benefit payments is mainly the result of an increase in the number of retirees. The decrease in termination refunds is attributable to the decrease in payments to terminated employees who chose to receive a refund distribution.

FUNDED STATUS OF THE PLAN

The Plan's fundamental financial objective is to meet long-term benefit obligations through employer and employee contributions and investment income. The funded ratio is determined by dividing the actuarial value of assets by the actuarial accrued liability. The actuarial value of assets is not the current market value but a market-related value which smoothes changes in the market value over five years. As of January 1, 2009, the funded ratio was 75.4%, compared with a funded ratio of 91.4% at January 1, 2008. The decrease in the funded level is primarily due to the decrease in the actuarial value of assets from $285.7 million as of January 1, 2008 to $249.8 million as of January 1, 2009. This decrease in the actuarial value of assets is primarily the result of the significant investment losses incurred in 2008.

Current actuarial required contribution levels necessary to meet the Plan's future obligations exceed the Plan's current contribution rate of 12%. The actual contribution rate has been less than the actuarial required contribution rate for several years. Also, the annual required contribution increased from $7.7 million as of January 1, 2008 to $11.0 million as of January 1, 2009.

As a result of the above information, management of the Plan plans to enter into discussions with the participating employers to address the funding shortfall. Actions that may be taken include: increasing the level of both the employee and employer contribution rates; reducing the accrual rate for future benefits, redefining the eligibility rules for normal retirement and special early retirement, or a combination of all these items.

For more detail on the Plan's funded status and required contribution levels, see the Required Supplementary Information – Schedule of Funding Progress on page 17 and Schedule of Employer Contributions on page 18.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Plan's finances. If you have any questions about this report or need additional financial information, contact the Plan Administrator, 105 East Vermijo, Suite 200, Colorado Springs, CO 80903.

EL PASO COUNTY RETIREMENT PLAN

STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
CASH AND CASH EQUIVALENTS	$ 4,178,632	$ 3,849,670
INVESTMENTS		
Equities:		
Domestic stocks and equity mutual funds	71,018,305	111,139,841
International stocks and equity mutual funds	40,942,814	72,778,783
Fixed income:		
Fixed income mutual funds	49,374,400	38,287,685
Corporate securities	13,216,316	15,202,798
U.S. Government and agency securities	6,985,903	6,218,864
Real estate mutual fund	24,006,283	32,426,655
Total investments	205,544,021	276,054,626
SECURITIES LENDING COLLATERAL	10,198,914	34,299,734
RECEIVABLES		
Securities sold	326,189	14,398,962
Interest and dividends	443,438	547,290
Other	108,112	79,645
Total receivables	877,739	15,025,897
CAPITAL ASSETS, NET	215,156	208,084
TOTAL ASSETS	221,014,462	329,438,011
LIABILITIES		
SECURITIES LENDING OBLIGATION	12,081,574	34,299,734
PAYABLE FOR SECURITIES PURCHASED	556,232	1,509,778
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	229,360	304,115
TOTAL LIABILITIES	12,867,166	36,113,627
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A Schedule of Funding Progress for the Plan is presented on page 17)	$ 208,147,296	$ 293,324,384

See notes to financial statements.

EL PASO COUNTY RETIREMENT PLAN

STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
ADDITIONS		
INVESTMENT INCOME (LOSS)		
Net appreciation (depreciation) in fair value of investments	$ (84,455,274)	$ 12,542,545
Interest and dividends	5,713,861	9,077,469
Investment expenses	(1,314,618)	(1,730,144)
Net investment income (loss) before securities lending activities	(80,056,031)	19,889,870
Securities lending income, net of borrower rebates and agent fees	98,013	85,215
Securities lending unrealized loss	(1,882,660)	
Net investment income (loss)	(81,840,678)	19,975,085
CONTRIBUTIONS		
Employers	6,348,554	6,276,030
Employees	7,158,864	6,767,934
Total contributions	13,507,418	13,043,964
OTHER INCOME	4,633	15,088
TOTAL ADDITIONS, NET OF INVESTMENT LOSSES	(68,328,627)	33,034,137
DEDUCTIONS		
BENEFITS PAID TO PARTICIPANTS		
Pension	13,824,826	12,566,746
Termination refunds	1,997,056	2,165,062
Death	566,423	481,323
Total	16,388,305	15,213,131
ADMINISTRATIVE EXPENSES	460,156	317,524
TOTAL DEDUCTIONS	16,848,461	15,530,655
NET INCREASE (DECREASE) IN PLAN NET ASSETS	(85,177,088)	17,503,482
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	293,324,384	275,820,902
End of year	$ 208,147,296	$ 293,324,384

See notes to financial statements.

EL PASO COUNTY RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following brief description of the El Paso County Retirement Plan (the Plan) is provided for informational purposes only. Participants should refer to the plan document for more complete information.

General — The Plan is a cost-sharing multiple employer defined benefit plan covering all permanent, full-time and job-share employees of the five participating employers upon their date of employment. All employees hired after September 1, 1967 are required to participate. Employees hired from 1974 through 1981 who were age 60 or older at their date of employment could elect to become a member as of January 1, 1982.

The participants of the Plan consist of the following as of December 31, 2008 and 2007:

	2008	**2007**
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	1,276	1,181
Terminated employees receiving refunds in early 2009 and 2008, respectively	97	9
Current employees:		
Vested	1,193	1,239
Nonvested	1,101	1,109
Total	3,667	3,538

The El Paso County Board of Retirement (the Board) manages and administers the Plan. The Board consists of five members, one of whom is the El Paso County Treasurer, two of whom are appointed by the El Paso County Board of Commissioners (the Board of Commissioners) and two of whom are employees of the participating employers elected by participants.

Contributions — Participants contribute 6% of their monthly compensation to the Plan. As provided in the Plan documents, the participating employers make monthly contributions at least equal to the contributions made by the participants. Interest is credited on employee contributions at the rate of 6% per annum, compounded monthly. Employee and employer basic contributions amounted to 12% of covered payroll for 2008 and 2007.

Effective January 1, 1984, contributions are tax-deferred to the participants for federal income tax purposes. If participants have at least five years of credited service, they are eligible to receive a future monthly retirement benefit. Any refund of contributions paid waives all future rights to any benefits. However, eligible participants who return to employment with a participating employer within 48 months and were previously refunded their contributions may reinstate withdrawn service if they repay the Plan the amount received when employment was terminated, plus interest, within twelve months of rehire.

Active participants who have completed five years of service may purchase up to five years of service credit for any period of full-time, nonvested previous employment with any public or private employer. One month of service credit may be purchased for each full month of full-time, nonvested, noncovered employment. The cost to purchase one month of service credit for noncovered employment is the "actuarial equivalent cost", as determined by the actuary for the Plan.

Participants may elect to pay for purchases of service credit in a lump sum or on an installment basis. Payments may be made on a monthly, quarterly or annual basis with interest due at the actuarial equivalent interest rate for periodic benefits. The period over which installment payments may be made cannot exceed a period equal to the total amount of credited service to be purchased. Purchased service is recognized when paid.

Administrative Costs — The Plan's administrative and investment costs are financed through investment earnings on the general assets of the Plan.

Termination Benefits — Participants vest in accumulated contributions as follows:

(a) If Credited with Less than Five Years of Service: Refund of the participant's accumulated contributions.

(b) If Credited with Five or More Years of Service:

(i) The participant may elect to receive a deferred retirement benefit which shall be equal to the participant's accrued benefit as of the date of termination and payable on the participant's normal retirement date. The participant may elect to receive a reduced retirement benefit beginning on the first day of any month subsequent to the participant's attainment of age 55. The reduction shall be 3% for each year by which payments commence prior to the first of the month following the participant's normal retirement date.

(ii) In lieu of (i), a participant may elect a current refund of accumulated contributions made by the participant.

Retirement Benefits — Participants are eligible for normal retirement on the first of the month coincident with attainment of age 62. The monthly annuity, payable for ten years certain and life thereafter, is the greater of (a) 2.22% times final average monthly compensation times number of years of credited service or (b) $25 times number of years of credited service. Final average compensation is the highest monthly average of considered compensation during the 36 consecutive calendar months of credited service out of the last 120 calendar months of credited service.

A participant is eligible for an early retirement benefit at age 55, provided the member has completed five years of credited service. The monthly pension is based on the vested portion of the normal retirement benefit, reduced by 3% for each year the early retirement date precedes the normal retirement date.

A participant is eligible for special early retirement benefits if the sum of the participant's age and credited service equals 75 or more. The monthly benefit is equal to the normal retirement benefit and is not reduced for early commencement.

The annuity for delayed retirement is computed by the normal retirement formula considering credited service and compensation to actual retirement.

Disability Benefits — A participant is eligible for disability benefits if the participant's employment is terminated due to total and permanent disability as determined by eligibility for and receipt of disability benefits continuously until the normal retirement date under (1) the employer's long-term disability plan, or (2) Title II of the Federal Social Security Act. The annuity, payable at age 62, shall be calculated as for normal retirement considering the credited service that would have accrued had the participant been employed until the normal retirement date and the final average compensation during the calendar year preceding the year of the member's Disability Retirement.

Payment of Benefits — The monthly benefit, computed as set forth above, shall be paid in equal monthly payments commencing one month after the actual retirement date continuing at monthly intervals for the retired participant's lifetime thereafter. If the retired participant's death occurs prior to the payment of 120 monthly payments, the remainder of the 120 payments shall be paid to the participant's beneficiary.

Death Benefits Prior to Retirement — Death benefits prior to retirement are as follows:

Single — Two times the active single participant's or vested single participant's accumulated contributions will be paid in a lump sum to the participant's beneficiary or estate.

Married — In the event that an active married participant or vested married participant dies prior to their normal retirement date, the participant's surviving spouse will be entitled to either two times the participant's accumulated contributions payable immediately or a monthly benefit equal to 60% of the monthly retirement benefit earned by the member prior to the date of death. Payment of the monthly benefit to the spouse will begin on the first of the month following the death or the date the member would have attained age 55, if later.

Between normal and delayed retirement — In the event that a participant dies after their normal retirement date but prior to their actual retirement, their beneficiary will be entitled to a monthly benefit. Under these circumstances, the participant will be deemed to have retired on the first day of the month of their death. If no optional benefit form had been elected prior to death, the participant shall be deemed to have elected the full joint and survivor benefit form and such benefit shall be payable for the life of the participant's designated beneficiary, if living, following the participant's death.

Death Benefits After Retirement — Death benefits after retirement consist of a lump-sum benefit of $3,000 payable upon the death of a retired participant.

Plan Termination — Although not presently contemplated, the Board has the right to terminate the Plan at any time, subject to limitations. In the event of termination, after payment of expenses, accumulated contributions would be returned to the participants, and the remaining assets distributed on a pro rata method to the participants based on accrued benefits. Participating employers would not receive any Plan assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — The Plan is considered a pension trust fund of El Paso County. As such, the Plan is included in El Paso County's Comprehensive Annual Financial Report as a pension trust fund.

Basis of Accounting — The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepting accounting principles that apply to governmental accounting for fiduciary funds. Employee and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the plan provisions.

Investments — Investments are stated at fair value. Fair values are determined based on quoted market prices.

Securities Lending — Cash received as collateral on securities lending transactions is reported as an asset and the related securities lending obligation is reported as a liability on the Statement of Plan Net Assets. Securities lending transactions collateralized by letters of credit or by securities that the Plan does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Capital Assets — Capital assets are recorded at cost. Depreciation is calculated using the straight-line method over useful lives of 3 to 7 years.

Tax Status — The Internal Revenue Service has determined and informed the Plan by a letter dated April 2, 2002, that the Plan is designed in accordance with the applicable sections of the Internal Revenue Code (the Code). Accordingly, no provision for income taxes has been included in the accompanying financial statements.

3. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of January 1, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Value of Assets (a)	$ 249,776,755
Actuarial Accrued Liability – Entry Age (b)	$ 331,357,842
Total Unfunded Actuarial Accrued Liability (UAAL)	$ 81,581,087
Funded Ratio (a)/(b)	75.4 %
Covered Payroll (c)	$ 102,703,108
Unfunded UAAL as Percentage of Covered Payroll ((b-a)/c)	79.4 %

The schedules of funding progress, presented as required supplementary information 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 actuarial accrued liabilities for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent Open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases (including inflation)	4.5% to 11.6%
Cost of living adjustments	None
Inflation rate	3.5%
Mortality rate	1994 Group Annuity Mortality Table

4. DEPOSITS

The Plan has bank balances of $649,319 and $748,727 on deposit with banking institutions at December 31, 2008 and 2007, respectively. Of the bank balances, $250,000 and $100,000, respectively, is insured by the Federal Deposit Insurance Corporation at December 31, 2008 and 2007. In addition, $3,529,313 and $3,100,943 was held by the various money managers in banking institutions at December 31, 2008 and 2007, respectively. The uninsured bank balances and money manager balances are collateralized with securities held by the banking institutions but not in the Plan's name.

5. INVESTMENTS

General Policies — Funds of the Plan are managed in accordance with Colorado statutes and any other applicable law, and in compliance with the prudent investor rule. The investment of the Plan's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying the Plan's administrative expenses. The investments shall be prudently selected and properly diversified to fulfill fiduciary responsibilities.

The investment portfolio is comprised of equity securities, fixed income securities, cash equivalent securities and real estate. The investments are denominated in both U.S. and foreign currencies.

Credit Risk — Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Plan's general investment policy is to limit its investments in fixed income securities to those with an S&P/Moody's rating of investment grade BBB/Baa or better, unless expressly permitted by the Board. However, the fixed income portfolio manager is allowed to hold fixed income securities with a rating of BB or B. The manager's total foreign securities and securities with a rating of BB or B may not exceed 20% of the portfolio.

The Plan's exposure to fixed income security credit risk based on Standard & Poor's ratings is as follows as of December 31, 2008:

Fixed Income Investments	Fair Value	S&P Rating
Fixed income mutual fund	$ 26,949,446	AA
Fixed income mutual fund	22,424,954	AA
U.S. Government Agency securities	5,828,474	AAA
U.S. Government Agency securities	100,097	BBB-
U.S. Treasury securities	1,057,332	AAA
Mortgage-backed securities	1,389,854	AAA
Mortgage-backed securities	309,578	BBB
Mortgage-backed securities	932,809	Unrated
Corporate securities	873,878	AAA
Corporate securities	179,998	AA+
Corporate securities	102,923	AA-
Corporate securities	1,086,943	A+
Corporate securities	1,524,863	A
Corporate securities	1,224,584	A-
Corporate securities	1,186,380	BBB+
Corporate securities	1,426,922	BBB
Corporate securities	1,101,724	BBB-
Corporate securities	173,756	BB+
Corporate securities	635,250	BB
Corporate securities	52,150	BB-
Corporate securities	160,150	B+
Corporate securities	112,800	B-
Corporate securities	210,415	CCC+
Corporate securities	211,638	D
Corporate securities	293,566	Unrated
Other fixed income securities	26,135	A+
Total fixed income investments	$ 69,576,619	

The $932,809 of mortgage-backed securities that are unrated by Standard & Poor's are rated between Aaa and A3 by Moody's.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan limits its investments in any one issuer of equity securities, fixed income securities, short-term investments and commercial paper to no more than 5% of the applicable portfolio. No limitation is place on investments in U.S. Government guaranteed obligations. No individual investments exceeded 5% of the Plan's net assets at December 31, 2008 and 2007.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. Unless expressly permitted by the Board, the effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the broad market benchmark included in the instructions to the portfolio manager.

As of December 31, 2008, the effective duration of Plan's fixed income instruments are as follows (duration is stated in years):

Fixed Income Investments	Fair Value	Effective Duration
Fixed income mutual funds	$ 49,374,400	3.56
U.S. Government Agency securities	5,928,571	2.32
U. S. Treasury securities	1,057,332	2.71
Corporate securities	10,557,940	7.14
Mortgage-backed securities	2,632,241	2.32
Other fixed income securities	26,135	4.21
Total fixed income investments	$ 69,576,619	
Portfolio effective duration		3.94

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's investments were distributed among the following currencies as of December 31, 2008:

	Corporate Fixed Income	Other	Total Fair Value
United States dollar	$ 12,036,848	$ 192,327,704	$ 204,364,552
Singapore dollar	625,704		625,704
Canadian dollar	198,391		198,391
Mexican peso	160,150		160,150
EMU Euro	145,955		145,955
Iceland krona	49,269		49,269
Total investments	$ 13,216,317	$ 192,327,704	$ 205,544,021

Mortgage-Backed Securities — A mortgage-backed security depends on the underlying pool of mortgage loans to provide the cash flow to make principal and interest payments on the security. A decline in interest rates can result in prepayments. Alternatively, an increase in interest rates can result in decreased prepayments. A collateralized mortgage obligation (CMO), is a mortgage-backed security that is comprised of classes of bonds created by prioritizing the cash flows of the underlying mortgage pool. This redistributes prepayment risk and/or credit risk among the various bond classes in the CMO structure.

The Plan invests in mortgage-backed securities for diversification and to enhance fixed income returns. Mortgage-backed securities are subject to credit risk, the risk that the borrower will meet its obligations. These securities are also subject to prepayment risk, which is the risk that a payment will be made in excess of the regularly scheduled principal payment. Prepayment risk is comprised of two risks: call risk, the risk that prepayments will occur when interest rates have declined, and extension risk, the risk that prepayments will not be made when interest rates have increased.

As of December 31, 2008, the fair value of non-U.S. agency mortgage-backed securities is $2,632,241 and of U.S. agency mortgage-backed securities is $237,239.

Appreciation (Depreciation) in Fair Value — During the years ended December 31, 2008 and 2007, the Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in value by $(84,455,274) and $12,542,545, respectively, as follows:

	2008	2007
Equities:		
Domestic stocks and equity mutual funds	$ (44,813,080)	$ 3,810,802
International stocks and equity mutual funds	(32,489,996)	2,415,228
Fixed income mutual funds	1,006,667	1,576,597
Real estate mutual fund	(4,238,522)	4,659,426
Corporate fixed income securities	(4,072,986)	(100,242)
U.S. Government and agency securities	152,643	180,734
Net appreciation (depreciation) in fair value	$ (84,455,274)	$ 12,542,545

6. SECURITIES LENDING

The Board policies permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Plan's custodian, Wells Fargo Bank (the Bank), lends securities for collateral in the form of cash, securities and letters of credit. The Plan does not have the ability to pledge or sell collateral securities.

The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities, which the Plan cannot determine. The weighted average maturity of the securities lending collateral received as of December 31, 2008 is 18 days.

The Bank may negotiate loans directly or through a finder for a minimum of one day but with no fixed maximum term, retaining the power to terminate the loan at any time unless otherwise agreed to by the Plan. The Plan reserves the right to pre-approve new borrowers.

The Bank's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. As of December 31, 2008, the Plan had no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The Plan had no losses on securities lending transactions resulting from the default of a borrower or the lending agent for the years ended December 31, 2008 and 2007.

All securities loans can be terminated on demand by either the Plan or the borrower. The Plan is entitled to all cash dividends, stock dividends, stock splits, rights of distribution, conversion privileges, tender and exchange offers, and similar corporate actions with respect to any loaned securities as if the securities had not been loaned. However, during any period when securities are loaned, the Plan waives its right to vote such securities.

Each loan is required to be collateralized in the amount of 102% of the market value of the loaned security and accrued interest. Collateral is marked to market daily. The Plan assumes all risk of loss arising out of collateral investment losses and any resulting collateral deficiencies. As a result of the volatile credit markets during 2008, the fair value of the collateral pool declined to a level lower than the amount of lent securities.

As of December 31, 2008 and 2007, the fair values of lent securities and the associated collateral received are as follows:

	2008	2007
Lent securities	$ 12,081,574	$ 33,362,651
Cash collateral received	$ 10,198,914	$ 34,299,734

The cash collateral of $10,198,914 and $34,299,734 as of December 31, 2008 and 2007, respectively, has been reported in the Statements of Plan Net Assets as an asset. As of December 31, 2007, the corresponding liability has been recorded equal to the cash collateral received. As of December 31, 2008 a liability has been recorded for the $12,081,574 balance of lent securities since such balance exceeds the cash collateral. The Plan has recorded an unrealized loss of $1,882,660 relating to the excess of the lent securities over the related cash collateral as of December 31, 2008.

The Plan's realized income, net of expenses from securities lending, was as follows for the years ended December 31, 2008 and 2007:

	2008	2007
Gross securities	$ 741,721	$ 1,736,090
Borrower rebates	(643,708)	(1,644,198)
Agent fees		(6,677)
Net securities lending income	$ 98,013	$ 85,215

7. CAPITAL ASSETS

Capital assets consist of the following at December 31, 2008 and 2007:

	2008	2007
Software development costs	$ 216,102	$ 197,349
Furniture and equipment	53,071	45,071
Leasehold improvements	10,312	10,312
Total	279,485	252,732
Less: accumulated depreciation and amortization	64,329	44,648
Fixed assets, net	$ 215,156	$ 208,084

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (Amounts in Thousands)

	January 1,					
	2009	**2008**	**2007**	**2006**	**2005**	**2004**
Actuarial Value of Assets (a)	$ 249,777	$ 285,740[1]	$ 257,214[1]	$ 234,661	$ 219,697	$ 207,538
Actuarial Accrued Liability — Entry Age (b)	331,358	312,549	293,358	270,180	249,694	230,926
Total Unfunded Actuarial Accrued Liability (b)-(a)	81,581	26,809	36,144	35,519	29,997	23,388
Funded Ratio (a)/(b)	75.4%	91.4%	87.7%	86.9%	88.0%	89.9%
Covered Payroll (c)	102,703	105,140	103,403	98,916	92,758	91,978
Unfunded Actuarial Accrued Liability (Surplus) as Percentage of Covered Payroll ((b-a)/c)	79.4%	25.5%	35.0%	35.9%	32.3%	25.4%

[1] The difference between the actuarial value of assets and the net assets held in trust for pension benefits on the accompanying statements of plan net assets is due primarily to the use of a five year smoothed market asset valuation method in computing the actuarial value of assets. Such method recognizes gains and losses evenly over a five-year period rather than as incurred.

See notes to required supplementary information.

EL PASO COUNTY RETIREMENT PLAN

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year	Valuation Date	Annual Required Contribution	Percentage Contributed
2009	January 1, 2009	$ 10,995,469[1]	N/A
2008	January 1, 2008	$ 7,724,074	82%
2007	January 1, 2007	$ 8,158,839	77%
2006	January 1, 2006	$ 7,387,051	83%
2005	January 1, 2005	$ 6,551,304	87%
2004	January 1, 2004	$ 5,951,443	92%

(1) The January 1, 2009 amount is an estimate based on the annual required contribution percentage and an estimate of the 2009 covered payroll. The actual required contribution will be based on the annual required contribution percentage and the actual 2009 covered payroll. Factors including investment results and changes in employer demographic data will cause fluctuations in the annual required contribution on an ongoing basis.

See notes to required supplementary information.

EL PASO COUNTY RETIREMENT PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. DESCRIPTION

The historical trend information is presented as required supplementary information. This information is intended to help financial statement users assess the funding status on a going-concern basis, and to assess progress made in accumulating assets to pay benefits when due.

2. ACTUARIAL ASSUMPTIONS AND METHODS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2009, the latest actuarial valuation date, follows.

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent Open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases (including inflation)	4.5% to 11.6%
Cost of living adjustments	None
Inflation rate	3.5%
Mortality rate	1994 Group Annuity Mortality Table

The January 1, 2009 actuarial valuation reflects no changes in actuarial assumptions.

The January 1, 2008 actuarial valuation reflects no changes in actuarial assumptions.

The January 1, 2007 actuarial valuation reflects the following changes in actuarial assumptions:

- The mortality, withdrawal, disability and retirement rates were changed to more accurately reflect plan experience. The impact of these changes was to increase the actuarial accrued liability by $9,311,777.

The January 1, 2006 actuarial valuation reflects no changes in actuarial assumptions.

The January 1, 2005 actuarial valuation reflects no changes in actuarial assumptions and the following change in plan provisions:

- Increase in existing retirement benefits by the higher of 2% or $10 per month.

The January 1, 2004 actuarial valuation reflects no changes in actuarial assumptions.

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

PERSONNEL SERVICES	
Staff salaries	$ 141,010
Social Security	10,175
Insurance	11,802
Retirement	8,461
Total personnel services	171,448
PROFESSIONAL SERVICES	
Actuarial	43,549
Legal and accounting	77,754
Audit	17,500
Other professional	34,150
Total professional services	172,953
COMMUNICATION	
Conferences and travel	11,492
Printing and copying	3,106
Postage and delivery	1,244
Telephone	1,559
Dues and subscriptions	1,828
Total communication	19,229
MISCELLANEOUS	
Software maintenance	40,895
Insurance	32,071
Depreciation	19,681
Office supplies	3,489
Other	390
Total miscellaneous	96,526
TOTAL ADMINISTRATIVE EXPENSES	$ 460,156

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

Payee	Amount	Nature of Service
ING Clarion	$ 346,752	Investment Management
LSV Asset Management	205,577	Investment Management
Lee Munder Investments, Ltd.	187,047	Investment Management
Gardner Lewis Asset Management	157,180	Investment Management
Eaton Vance Management	97,862	Investment Management
Roxbury Capital Management, LLC	81,344	Investment Management
Loomis Sayles & Co.	78,726	Investment Management
Watershed Investment Consultants, Inc.	67,665	Investment Consultant/ Performance Measurement
Wells Fargo Bank	57,468	Master Custodian
State Street Global Advisors	32,919	Investment Management
Miscellaneous	2,078	Various
TOTAL INVESTMENT EXPENSES	$ 1,314,618	

EL PASO COUNTY RETIREMENT PLAN

SUPPORTING SCHEDULES
SCHEDULE OF CONSULTANT EXPENSES [1]
FOR THE YEAR ENDED DECEMBER 31, 2008

Payee	Amount	Nature of Service
Buck Consultants	$ 43,549	Actuarial
Holme Roberts & Owen, LLP	51,354	Legal
EFL Associates	31,500	Executive search
DMLG and Associates, LLP	26,400	Accounting
Stockman Kast Ryan & Company, LLP	17,500	Audit
Other	2,650	Various
Total consultant expenses	$ 172,953	

[1] Please see the Schedule of Investment Expenses for fees paid to investment professionals.