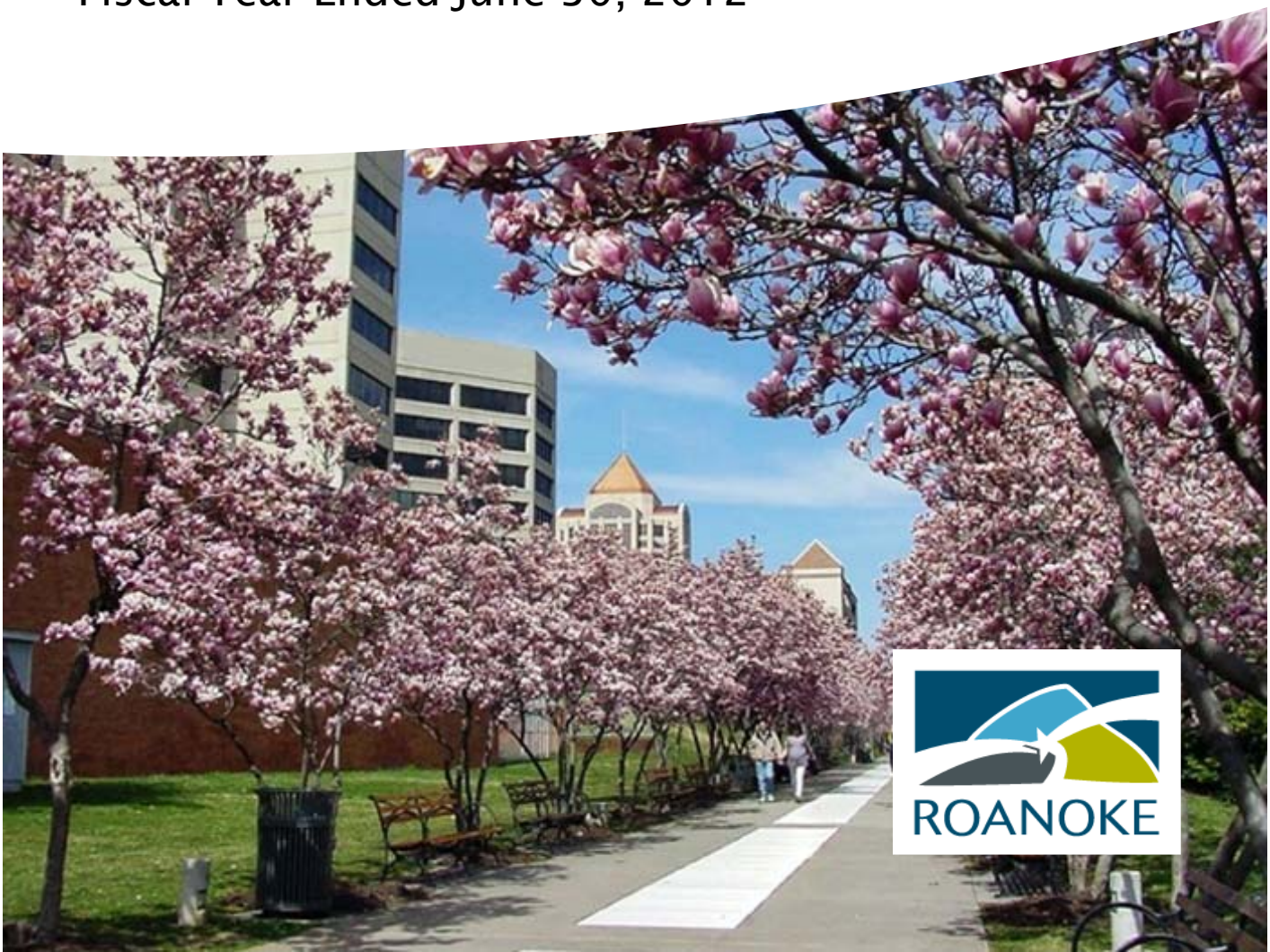
Comprehensive Annual Financial Report

City of Roanoke Pension Plan

A Pension Trust Fund
of the City of Roanoke, Virginia

Fiscal Year Ended June 30, 2012



Cover photograph taken by:
Mark Deardorff, retired Technical Support Administrator for the Department of Technology

Pictured on cover:
Roanoke's Elmwood Park has evolved from the home and gardens of P.L. Terry, one of Roanoke's founding citizens, to downtown's premier green space. Its outdoor arena, gardens, and flowering trees are visited by numerous people who enjoy the park throughout the year. Many of the trees that appear in the park were planted by Col. William Madison Peyton, who purchased the land in 1846. In 2012, the City began improvements to the park which include the construction of a new amphitheater, paved plazas and walkways, improved streetscapes, and other enhancements.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF ROANOKE PENSION PLAN

Pension Trust Fund
of the
City of Roanoke, Virginia

For the Fiscal Year
Ended June 30, 2012
(With Comparative Amounts for the
Fiscal Year Ended June 30, 2011)

Prepared By
Department of Finance
Retirement Plans Administration
215 Church Avenue
Roanoke, Virginia 24011

TABLE OF CONTENTS

Introductory Section **Page**

Certificate of Achievement 1
Letter of Transmittal 2
Board of Trustees 7
Administrative Organization 8
Organizational Chart 9

Financial Section

Independent Auditors' Report 10
Management's Discussion and Analysis 12
Basic Financial Statements:
- Statements of Plan Net Assets 20
- Statements of Changes in Plan Net Assets 21
- Notes to Basic Financial Statements 22

Required Supplementary Information:
- Schedule of Funding Progress 33
- Schedule of Employer Contributions 33

Other Supplementary Information:
- Schedule of Administrative Expense 34
- Schedule of Investment Expense 35
- Schedule of Securities Lending Expense 35
- Schedule of Payments for Professional Services 35

Investment Section

Report on Investment Activity 36
Outline of Investment Policies 38
Schedule of Investment Results 41
Asset Allocation Chart 42
Summary of Investments 43
Schedule of Portfolio Holdings 44
Schedule of Fees and Commissions 55
Schedule of Brokerage Fees 56

Actuarial Section

Actuary's Certification Letter 57
Schedule of Actuarial Assumptions and Methods 59
Schedule of Active Member Valuation Data 63
Schedule of Retiree and Beneficiary Data 63
Solvency Test 64
Analysis of Financial Experience 65
Summary of Benefit and Contribution Provisions 66

Statistical Section

Schedule of Changes in Net Assets 74
Schedule of Benefit Payments by Type 74
Schedule of Retired Members by Type of Benefit 76
Schedule of Average Benefit Payments. 77
Schedule of Contributions by Participating Employers 78
Schedule of Participating Employers 79

CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Roanoke Pension Plan
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City of Roanoke
Retirement Plans Administration
215 Church Avenue, SW, Room 465
Roanoke, VA 24011

LETTER OF TRANSMITTAL

November 28, 2012

The Board of Trustees
City of Roanoke Pension Plan
Roanoke, Virginia 24011

The comprehensive annual financial report (CAFR) of the City of Roanoke Pension Plan (Plan) for the fiscal year ended June 30, 2012 is submitted herewith. Responsibility for both the accuracy of the data, the completeness, and the fairness of the presentation rests with the management of the Plan. The CAFR will be helpful in understanding the Plan, which continues to maintain a viable financial position.

Profile of the Plan

Established July 1, 1946, by City of Roanoke (City) ordinance, the Plan is a defined benefit plan comprised of two pension systems: the Employees' Retirement System (ERS) as in effect on June 30, 1984, including any subsequent amendments; and the Employees' Supplemental Retirement System (ESRS) established on July 1, 1984, including any subsequent amendments. All Plan-related administrative and benefit provisions are established by City ordinance, as contained in Chapter 22.2 of the Code of the City of Roanoke (1979), as amended.

The Plan covers substantially all full-time regular employees of the City of Roanoke, the Roanoke Regional Airport Commission, and the Roanoke Valley Detention Commission, certain employees of the Roanoke Valley Resource Authority, certain employees of the Western Virginia Water Authority, and certain non-professional City of Roanoke School Board employees. Employees of the City of Roanoke Sheriff's Office are not covered by the Plan.

All eligible employees hired on or after July 1, 1984 are members of the ESRS. All members as of June 30, 1984 either made an election to transfer to the ESRS or to remain a member of ERS. Since inception, Plan enhancements have been limited to the ESRS. When such enhancements have occurred, City Council has authorized the Plan to offer ERS members an opportunity to transfer to the ESRS.

Benefits and Services Provided

The Plan provides normal service retirement and early service retirement benefits for members who attain the age and service requirements. Coverage for occupational disability benefits is effective immediately upon becoming a member in the Plan. Disability benefits for non-occupational injury or illness are provided after the attainment of five years of membership. Members are vested after five years of service and are eligible for benefits at the early or normal service retirement date.

LETTER OF TRANSMITTAL
(continued)

The Plan staff provides a Benefit Statement to all active members on an annual basis. Throughout the year, counseling is provided to all benefit applicants. Presentations to introduce the City of Roanoke Pension Plan are conducted during new employee orientations.

The Plan is considered a part of the City of Roanoke's financial reporting entity and is included in the City's Comprehensive Annual Financial Report (CAFR) as a pension trust fund, a fiduciary fund type. The City's CAFR, which is also submitted to the Government Finance Officers Association of the United States and Canada (GFOA) for review under the Certificate of Achievement for Excellence in Financial Reporting program, is available upon request from the City's Department of Finance and on-line at www.roanokeva.gov within the Department of Finance's Retirement subsection.

Economic Conditions and Outlook

The Plan's investment performance was moderate for the fiscal year ended June 30, 2012, as fixed income and real estate markets outperformed domestic equity markets. The Plan's international equity and convertible bond investments posted negative returns during fiscal year 2012. As a result of on-going concerns over unemployment rates, a protracted weak recovery from the world-wide economic recession, and unprecedented Federal government deficits combined with commodity price pressures, the markets have continued to experience volatility. Our economic outlook is cautious, as indicated by market conditions since June 30, 2012. We believe the Plan's risk profile remains appropriately positioned for the attainment of its long-term investment objective.

Financial Information

Accounting System. This report has been prepared in accordance with the principles of governmental accounting and reporting requirements promulgated by the Governmental Accounting Standards Board (GASB). The accrual basis of accounting is used to record assets, liabilities, and net assets; and revenues and expenses. Revenues for the Plan are recorded when earned regardless of the date of collection. Expenses are recorded when liabilities are incurred regardless of when payment is made.

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

Additions to Plan Net Assets. The revenue required to finance retirement benefits is accumulated through trust fund investment income and the collection of employer contributions. The portfolio experienced a positive 3.0% rate of return for fiscal year 2012, resulting in a Net Investment Income of $7.6 million and decreasing from the fiscal year 2011 positive rate of return of 25.2%. Net Assets Held in Trust for Pension Benefits decreased 3.0% to $320.6 million at June 30, 2012, from $330.4 million at June 30, 2011. Employer contributions increased 9.6% due to an increase in the contribution rate.

LETTER OF TRANSMITTAL
(continued)

Deductions from Plan Net Assets. Total Deductions increased by 2.9% to $29.8 million in fiscal year 2012 from $28.9 million in fiscal year 2011 as a result of increased Benefits Paid to Participants and Administrative Expenses. An overall increase in the number of retirees contributed to the 2.9% increase in Benefits Paid to Participants in fiscal year 2012 as compared to fiscal year 2011. Information relative to the financial highlights of the Plan and changes in Plan net assets is provided in Management's Discussion and Analysis in the Financial Section of this report.

Major Initiatives

The City implemented several cost savings measures to address widespread challenges of the contracting economy including placing a temporary freeze on merit salary increases. As an additional cost savings measure, no cost of living adjustments were enacted for retirees during fiscal years ended June 30, 2010, 2011, and 2012.

The City implemented a 1.5% cost of living adjustment effective July 1, 2012 for persons retired on or before July 1, 2011. This change increased the actuarial liability by $3,486,805 as of July 1, 2012.

In fiscal year 2010, the City initiated a comprehensive benefit study which includes the Plan's retirement benefits. The benefit study team developed recommendations for future Pension benefits as part of the study. Upon the completion of the benefit study, recommendations made by the benefit study team were presented to City Council on July 16, 2012 and changes to the Plan's retirement benefits were enacted. The changes take effect July 1, 2013 and July 1, 2014. Additional information about these changes can be found on page 32 in the Subsequent Events section of the Notes to the Financial Statements.

Investment Authority and Policy

The investments of the Plan are governed primarily by an investment authority known as the "prudent person rule," as defined in the Code of Virginia, Section 51.1-803. The prudent person rule establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the fund, and states fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. By permitting further diversification of investments within a fund, the prudent person may enable a fund to reduce overall risk and increase returns.

The prudent person rule permits the fund to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment advisors. The Board of Trustees (Trustees) approved a revised Statement of Investment Policy (Statement) in July 2009 that was in effect for the fiscal year ended June 30, 2012.

This Statement establishes the investment policies, guidelines and objectives used by the Trustees in exercising its fiduciary duties including directing the professional fund managers engaged by the Plan. The Statement defines a target asset allocation, establishes an allocation range for each asset class, and provides for the periodic rebalancing of the Plan Trust Fund.

In October 2012, the Trustees approved a revised Statement of Investment Policy.

LETTER OF TRANSMITTAL
(continued)

The Investment Committee, comprised of four members of the Board of Trustees and in conjunction with the Retirement Staff, monitors the investments to ensure the guidelines and objectives of the Plan are being accomplished. A professional, independent investment advisory firm monitors the performance of the various Plan fund managers in accordance with the written Statement. Quarterly reports are prepared by the independent investment advisor and presented to the Investment Committee to evaluate and review the investment performance of the total plan, each component of the policy allocation, and each fund manager. The Investment Section of this report contains rate of return information on page 41 and a model of the portfolio's asset allocation on page 39.

Funding Status

A pension plan is considered adequately funded when sufficient reserves are available to meet all expected future obligations to participants. The Plan funding objective is to meet long-term benefit payments through annual employer contributions that remain relatively stable as a percent of the member payroll. Increased funding improves the ratio of assets and provides greater investment potential. The advantage of a well-funded plan is that participants are confident that assets are committed to the payment of their current and future benefits. The Plan's funded ratio was 81.4% as of June 30, 2012. The actuarial accrued liability and actuarial value of assets of the Plan as of June 30, 2012 and 2011 amount to $393,558,477 and $385,628,366, respectively. Additional information relative to the funded status of the Plan is provided in both Management's Discussion and Analysis within the Financial Section and in the Actuarial Section of this report. The funded status declined 4.9 percentage points from 86.3% as of June 30, 2011 to 81.4% as of June 30, 2012 as a result of moderate investment results that were less than actuarial investment return assumptions.

Professional Services

Professional consultants are appointed by the Trustees to perform services that are essential to the effective and efficient operation and oversight of the Pension Plan. An independent auditors' report and a certification from the actuary are included as part of this Comprehensive Annual Financial Report. The specific professional service firms appointed by the Trustees are listed on page 8 of this report.

Awards and Acknowledgments

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke Pension Plan for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards. This report must satisfy both U. S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

LETTER OF TRANSMITTAL
(continued)

The City of Roanoke Pension Plan has received a Certificate of Achievement for the last twenty-five consecutive years ended June 30, 2011. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration again this year.

The annual report reflects the combined effort of the Plan administrative staff. We would like to take this opportunity to express our sincere appreciation to the staff for their dedication in assuring the successful operation of the Plan. This report is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and responsible stewardship of the assets of the Plan.

Sincerely,

Ann H. Shawver
Secretary -Treasurer
Board of Trustees

Andrea F. Trent
Assistant Director of Finance
City of Roanoke Pension Plan

BOARD OF TRUSTEES

David C. Key
Chairman
Citizen Trustee
Term Expires: June 30, 2014

Jeff Rakes
Citizen Trustee
Term Expires: June 30, 2013

Ann H. Shawver
Secretary-Treasurer
Director of Finance
Ex-officio Trustee

David A. Bowers
Mayor
Ex-officio Trustee

Christopher P. Morrill
City Manager
Ex-officio Trustee

James D. Grisso
Retiree Trustee
Term Expires: June 30, 2012

Alan R. Hullette
Participating Employer Trustee
Term Expires: June 30, 2014

William M. Babb III
Public Safety Trustee
Term Expires: June 30, 2012

Carolyn H. Glover
Member Trustee
Term Expires: June 30, 2012

ADMINISTRATIVE ORGANIZATION

Administrative Staff

Ann H. Shawver
Secretary-Treasurer

Timothy R. Spencer
Legal Advisor

Andrea F. Trent
Assistant Director of Finance

Harold R. Harless Jr.
Retirement Supervisor

Dorothy E. Hoskins
Senior Accountant

Cindy M. Ayers
Administrative Secretary

Karen B. Mullen
Retirement Account Technician

Professional Services

Actuary
Milliman, Inc.
Actuaries and Consultants
Vienna, Virginia

Independent Auditor
KPMG LLP
Certified Public Accountants
Roanoke, Virginia

Investment Custodian
Comerica Bank
Investment Custodian
Detroit, MI

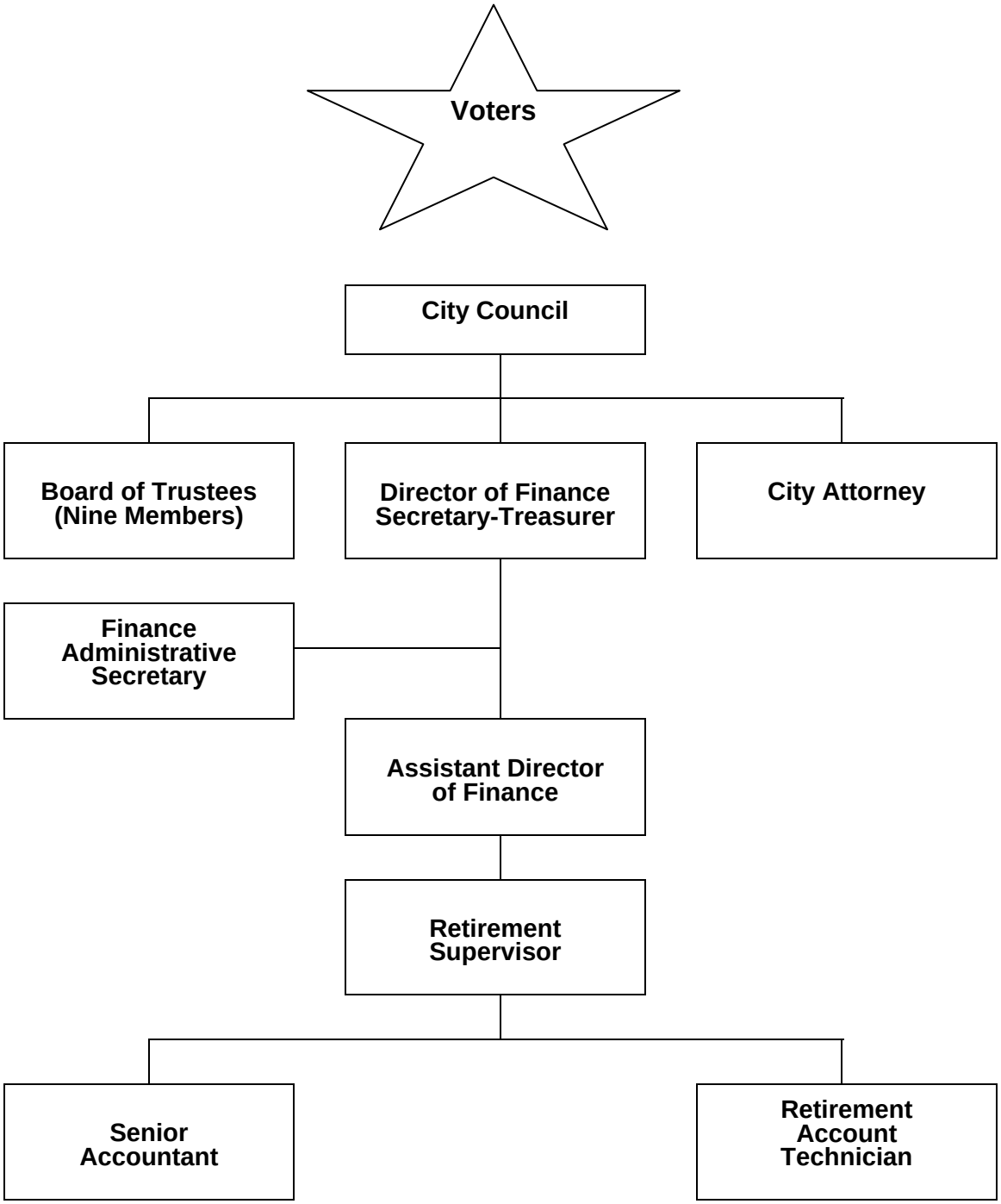
Investment Advisor
Becker, Burke Associates
Chicago, Illinois

Investment Managers

Allianz Global Investors Capital, New York, NY
Ceredex Value Advisors, LLC, Orlando, FL
Essex Investment Management Co., LLC, Boston, MA
Franklin Templeton Institutional, San Mateo, CA
GMO, LLC, Boston, MA
Hillswick Asset Management, Stamford, CT
JP Morgan Investment Management, Inc., New York, NY
PIMCO, Newport Beach, CA
SKBA Capital Management , San Francisco, CA
State Street Global Advisors, Boston, MA
STW Fixed Income Management , Carpinteria, CA
T. Rowe Price Group, Inc., Baltimore, MD
Thomas White International, Ltd., Chicago, IL
Thompson, Siegel & Walmsley, LLC, Richmond, VA
The Vanguard Group, Valley Forge, PA
Vontobel Asset Management , New York, NY
Wells Capital Management, San Francisco, CA
Westfield Capital Management , Boston, MA
Winslow Capital Management, LLC, Minneapolis, MN

The Schedule of Fees and Commissions (page 55) details fees paid to investment professionals who provided service to the Pension Plan.

ORGANIZATIONAL CHART



INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 1010
10 S. Jefferson Street
Roanoke, VA 24011-1331

Independent Auditors' Report

The Honorable Members of City Council
City of Roanoke, Virginia:

We have audited the accompanying financial statements of the City of Roanoke Pension Plan (a Pension Trust Fund of the City of Roanoke, Virginia) (the Plan) as of and for the years ended June 30, 2012 and 2011, as listed in the accompanying table of contents. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City of Roanoke Pension Plan as of June 30, 2012 and 2011, and the changes in plan net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 12 through 18 and the Schedule of Funding Progress and Schedule of Employer Contributions on page 33 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 sufficient evidence to express an opinion or provide any assurance.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

INDEPENDENT AUDITORS' REPORT
(continued)

Our audits were conducted for the purpose of forming an opinion on the Plan's basic financial statements as a whole. The accompanying Schedule of Administrative Expense, Schedule of Investment Expense, Schedule of Securities Lending Expense, Schedule of Payments for Professional Services, Schedule of Portfolio Holdings, Schedule of Fees and Commissions, and Schedule of Brokerage Fees are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Administrative Expense, Schedule of Investment Expense, Schedule of Securities Lending Expense, Schedule of Payments for Professional Services, Schedule of Portfolio Holdings, Schedule of Fees and Commissions, and Schedule of Brokerage Fees have 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. The Introductory Section, the remainder of the Investment Section, the Actuarial Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

November 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Roanoke Pension Plan (Plan), we offer readers of the Plan's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities and funded status for the fiscal years ended June 30, 2012 and 2011.

FINANCIAL HIGHLIGHTS

- The Plan's net assets decreased $9.9 million or 3.0% as result of activities for the fiscal year ended June 30, 2012. Net assets held in trust for pension benefits totaled $320.5 million at June 30, 2012 compared to $330.4 million at June 30, 2011.

- Employer contributions increased 9.6% or $1.1 million when compared to the fiscal year ended June 30, 2011, due to an increase in the contribution rate in fiscal year 2012.

- A net investment income of $7.6 million for the fiscal year ended June 30, 2012, represents a decrease of $60.0 million, compared to the fiscal year ended June 30, 2011 net investment income of $67.6 million.

- Benefit payments increased 2.9%, or $817,000, to $29.4 million for the fiscal year ended June 30, 2012 when compared to $28.6 million for the fiscal year ended June 30, 2011, when benefit payments increased by 2.5% over fiscal year 2010.

USING THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

We encourage readers to consider the information presented here in conjunction with the information furnished in the Statement of Plan Net Assets (page 20) and the Statement of Changes in Plan Net Assets (page 21), as well as the additional information provided in our Letter of Transmittal (page 2). The financial statements included in this CAFR are presented on the full accrual basis of accounting and reflect all trust activities incurred in the fiscal years presented.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

STATEMENT OF PLAN NET ASSETS

The focus of the Statement of Plan Net Assets is cash, investments and net assets held in trust for pension benefits as of the end of the fiscal year, as illustrated in the following condensed comparative summary as of June 30, 2012, 2011 and 2010:

PLAN NET ASSETS

	As of June 30,		
	2012	**2011**	**2010**
Assets			
Cash and Investments	$ 320,177,878	$ 368,556,246	$ 325,398,481
Receivables	791,564	853,568	444,944
Total Assets	320,969,442	369,409,814	325,843,425
Liabilities			
Accounts Payable	423,942	270,776	255,466
Securities Lending	-	38,722,929	45,111,350
Total Liabilities	423,942	38,993,705	45,366,816
Net Assets Available for Benefits	$ 320,545,500	$ 330,416,109	$ 280,476,609

Net Assets Available for Benefits decreased 3.0% or $9.9 million from fiscal year 2011 and Net Assets Available for Benefits increased 17.8% or $49.9 million from fiscal year 2010. Cash and Investments decreased 13.1% or $48.4 million in fiscal year 2012. As of June 30, 2012, the Plan did not participate in a securities lending program and, as a result, held no Cash Collateral on Loaned Securities as of June 30, 2012. Cash and Investments increased 13.3% or $43.2 million in fiscal year 2011 when compared to fiscal year 2010. Receivables decreased $62,000 or 7.3% at June 30, 2012 as a result of a decrease in employer contributions receivable. Receivables increased $409,000 or 91.8% at June 30, 2011 as a result of increases in both employer contributions receivable and investment income receivable. Employer contributions and investment income receivable comprise the receivables balance presented in this condensed summary. These amounts will fluctuate in any given year based upon the timing of employer payrolls and the receipt of related contributions, as well as the receipt of investment income by the Plan's custodian. Accounts Payble increased 56.6% or $153,000 from fiscal year 2011 due to an increase in amounts payable for investment fees.

The Board of Trustees approved an agreement with the Plan's investment custodian, State Street Bank and Trust Company (State Street), allowing the loan of the Plan's available securities to broker-dealers and banks pursuant to a form of loan agreement. This agreement was in effect during fiscal years 2010 and 2011 and for the period from July 1, 2012 to May 31, 2012. On June 1, 2012, the Plan transitioned investment custody services to Comerica Bank and no longer participated in the State Street loan agreement. Under the agreement, the Plan held collateral for the loaned securities equal to at least 102% of their market value. The Securities Lending liability reflected the amount of collateral held by the Plan for the portion of the Plan's investments on loan as of June 30. The value of the assets held as collateral was also included in the Cash and Investments value. Cash collateral held for securities on loan totaled $38.7 million and $45.1 million in fiscal year 2011 and 2010 respectively. Additional assets within the Plan's investment portfolio were allocated to actively managed equity strategies during the fiscal year ended June 30, 2010, significantly increasing the amount of assets available for participation in the securities lending program in fiscal year 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

STATEMENT OF CHANGES IN PLAN NET ASSETS

The Statement of Changes in Plan Net Assets focuses on the financial activity of the Plan for the fiscal year. The following table summarizes the comparative financial activity for fiscal years 2012, 2011 and 2010:

CHANGES IN PLAN NET ASSETS

	For the Fiscal Year Ended June 30,		
	2012	**2011**	**2010**
Addtions			
Employer Contributions	$ 12,273,266	$ 11,201,409	$ 11,046,210
Net Investment Income	7,568,419	67,602,907	31,182,173
Net Securities Lending Income	81,640	80,554	67,283
Total Net Additions	19,923,325	78,884,870	42,295,666
Deductions			
Pension Benefits	29,426,310	28,609,491	27,909,420
Administrative Expense	367,624	335,879	337,878
Total Deductions	29,793,934	28,945,370	28,247,298
Net Increase/(Decrease)	(9,870,609)	49,939,500	14,048,368
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	330,416,109	280,476,609	266,428,241
End of Year	$ 320,545,500	$ 330,416,109	$ 280,476,609

Plan Net Assets decreased $9.9 million and increased $49.9 million in fiscal years 2012 and 2011 respectively. Plan Net Assets decreased in fiscal year 2012 as a result of moderate investment performance and increased Pension Benefits. In fiscal years 2010 and 2011, Plan Net Assets increased due to positive investment performance. Contributions increased $1.1 million, or 9.6% for the fiscal year ended June 30, 2012 as compared to the prior fiscal year due to an increase in the contribution rate. Employer contributions increased $155,000, or 1.4% for the fiscal year ended June 30, 2011, when compared to fiscal year 2010. The employer contribution rates were 18.04%, 15.78%, and 15.42% of covered payroll for the fiscal years 2012, 2011 and 2010, respectively. Covered payroll decreased 4.2% and 0.9% in fiscal years 2012 and 2011. Net Investment Income of $7.6 million for fiscal year 2012 decreased $60.0 million when compared to the prior year. In fiscal year 2011, net investment income of $67.6 million increased $36.4 million compared to the prior fiscal year. During fiscal year 2010, net investment income of $31.2 million increased $94.6 million when compared to the prior year net investment losses. The rates of return on Plan investments were 3.0%, 25.2%, and 12.2% for the fiscal years ended June 30, 2012, 2011 and 2010, respectively. Net securities lending income increased 1.3% in fiscal year 2012 compared to the prior fiscal year. Net securities lending increased 19.7% or $13,000 in fiscal year 2011 when compared to the prior fiscal year.

Pension benefits increased $817,000 or 2.9% in fiscal year 2012 after growing by $700,000 or 2.5% in fiscal year 2011 and $1.6 million or 6.3% for the fiscal year ended June 30, 2010. The increase in pension benefits is attributable to an increase in the number of retirees who have earned a larger monthly benefit. No cost of living adjustment occurred in fiscal years 2012, 2011, and 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

PLAN MEMBERSHIP

As noted in the Letter of Transmittal, the City of Roanoke Pension Plan is comprised of two pension systems, the Employees Retirement System (ERS), enacted July 1, 1946, and the Employees Supplemental Retirement System (ESRS), enacted July 1, 1984. The following outlines Plan membership:

PLAN MEMBERSHIP
As of June 30,

	2012			2011			
	ESRS	ERS	Total	ESRS	ERS	Total	Change
Active Employees							
General	1,240	39	1,279	1,265	47	1,312	(33)
Public Safety	501	1	502	494	1	495	7
Total	1,741	40	1,781	1,759	48	1,807	(26)
Deferred Vested							
General	402	3	405	387	5	392	13
Public Safety	120	-	120	114	-	114	6
Total	522	3	525	501	5	506	19
Retired and Beneficiaries							
General	985	468	1,453	948	492	1,440	13
Public Safety	374	63	437	364	65	429	8
Total	1,359	531	1,890	1,312	557	1,869	21

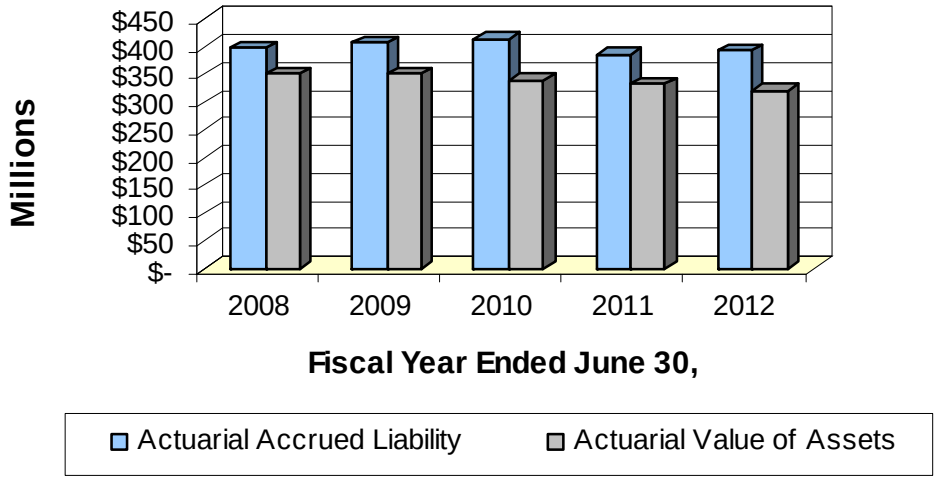
FUNDED STATUS

The funded status of the Plan reflects the Plan's ability to pay benefits. The funded status is measured by comparing the actuarial value of assets with the actuarial liability. The actuarial value of assets is determined using a five year smoothing of investment gains and losses. This method more accurately reflects the long-term investment objectives of the Plan and lessens the impact of significant market fluctuations in any given year. The accrued liability is determined under the projected unit credit method and is an estimate of the value of benefits to be payable in the future, based on service through June 30, 2012 and projected salary increases. The Plan's funded status was 81.4%, 86.3%, and 82.3% as of June 30, 2012, 2011, and 2010, respectively. The Plan's unfunded actuarial liability was $73,102,484, $52,842,305, and $73,049,012, as of June 30, 2012, 2011, and 2010, respectively. The Plan's decline in funded status as of June 30, 2012 is directly attributable to moderate investment performance during fiscal year 2012 that was less than the actuarial assumed rate of return and negative investment performance in fiscal years 2009 and 2008. The Plan's increase in funded status as of June 30, 2011 is directly attributable to changes in actuarial assumptions based on the Experience Study performed as of June 30, 2011 and positive investment performance during fiscal year 2011 which partially offset negative investment performance in fiscal years 2009 and 2008. Changes in actuarial assumptions, based on the experience study performed as of June 30, 2011, decreased the unfunded accrued liability by $24,958,129. The Plan's decline in funded status during fiscal year ended June 30, 2010 is directly attributable to negative investment performance in fiscal years 2009 and 2008, and the resulting decrease in the actuarial value of assets as investment losses replaced gains sustained in earlier fiscal years utilizing the five-year smoothing method. The funded status based on the actual market value of assets was 81.4%, 85.7%, and 68.0%, as of June 30, 2012, 2011 and 2010, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The financing objective of the Plan is to fully fund all current costs based on the normal contribution rate payable by the participating employers and to liquidate any unfunded accrued liability based on accrued liability contributions payable over a closed amortization period of 25 years.

The following graph indicates the actuarial accrued liability and actuarial value of assets for the last five fiscal years:



INVESTMENT ACTIVITIES

Investment performance is a critical element in maintaining the Plan's ability to meet its current and future financial obligations. The Board of Trustees has a fiduciary responsibility to act prudently and discretely in their investment decision making. The Board of Trustees (Trustees) appoints members of the Pension Investment Committee (Committee), who meet quarterly with the Plan's investment advisor to review and evaluate investment policy and performance. The Board of Trustees has adopted a Statement of Investment Policy (Statement), which serves to articulate the Board of Trustees' and the Committee's view of the Plan's investment objectives and risk tolerance. The Statement is designed to assist the Trustees and the Committee in the development of a suitable asset allocation, the selection of appropriate investment managers or pooled funds within the asset allocation, and the prudent monitoring and evaluation of performance of the plan, selected investment managers, and pooled funds.

The Statement of Investment Policy Guidelines and Objectives in effect as of June 30, 2012 includes the following strategic target asset allocation, which was updated in July 2009:

ASSET ALLOCATION

Asset Class	Target Allocation	Allocation Range
Domestic Equity	50%	45 - 55%
Domestic Fixed Income	20%	15 - 25%
International Equity	20%	15 - 25%
Real Estate	3%	0 - 6%
Convertible Securities	4%	3 - 5%
Alternative Assets	3%	0 - 6%
Cash Equivalents	0%	0 - 2%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The Committee evaluates total fund performance as compared to the universe of plans utilized by the Plan's investment advisor, plans with a similar asset allocation, the policy portfolio, which includes established benchmarks which reflect the asset allocation of the fund, and defined benchmarks for each asset class. As of June 30, 2012, the policy portfolio includes the following indices and weightings, 36% S&P 500 Index, 7% Russell Mid-Cap Index, 7% Russell Small-Cap Index, 20% Barclays Aggregate Bond Index (previously Lehman Aggregate Bond Index), 20% Morgan Stanley Capital International Europe Australasia Far East (MSCI EAFE) Index, 6% National Council of Real Estate Investment Fiduciaries Open-Ended Diversified Core Equity (NCREIF-ODCE) Property Index and 4% Merrill Lynch High Grade Convertible Bond Index. The following table reflects the total fund composite returns as compared to the policy portfolio for the fiscal year-to-date, 3 year, and 5 year periods:

INVESTMENT RETURNS

Fiscal Year Ended June 30, 2012	**FYTD**	**3 Year**	**5 Year**
Total Fund	3.0%	13.1%	2.4%
Policy Portfolio	3.3%	12.1%	1.6%
Fiscal Year Ended June 30, 2011	**FYTD**	**3 Year**	**5 Year**
Total Fund	25.2%	4.9%	5.2%
Policy Portfolio	22.4%	3.8%	4.2%

The total rate of return on the Plan's investments was 3.0% in the fiscal year ended June 30, 2012, following a rate of return of 25.2% for the fiscal year ended June 30, 2011, and a rate of return of 12.2% for the fiscal year ended June 30, 2010. Both the 3 and 5 year average rates of return for the years presented above exceed the policy portfolio rates of return, with the 5-year average rate of return falling below the actuarial assumed 7.75% rate of return.

In October 2012, the Trustees approved a revised Statement of Investment Policy.

ECONOMIC FACTORS AND OUTLOOK

The Plan's decrease in market value of assets as of June 30, 2012 was the result of having no cash collateral on loaned securities and withdrawals from the Plan that were used to fund retirement benefits. In prior years, cash collateral on loaned securities reflected participation in a securities lending program. As of June 30, 2012, the Plan did not hold any investments that were participating in securities lending. In fiscal year 2011, the Plan held $38.7 million in cash collateral related to the securities lending program and $38.7 million in liabilities related to those securities. The increase in the market value of assets as of June 30, 2011 was the result of the anticipation of future economic improvement to the challenges of rising unemployment, world-wide recession, and failing sub-prime mortgages. During the fiscal year ended June 30, 2012, strong performance in the Plan's fixed income and real estate holdings were accompanied by positive performance in domestic equity investments. International equities and convertible bond investments declined during the fiscal year. Our outlook for the U.S. economy remains cautiously optimistic, in recognition of a weak recovery from the global economic recession.

The Plan's investments are exposed to various risks, including interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions, market perceptions and expectations. The Plan has experienced fluctuations in the market value of investments since June 30, 2012, consistent with fluctuations in the broad market indices. The ongoing volatility of markets could affect the amounts reported in the Plan's financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

The Plan's Statement of Investment Policy articulates the Board of Trustee's long-term capital growth objective, and attempts to mitigate short-term impact of market volatility and fluctuations in market value through the diversification of investments. We believe the portfolio allocation, including recent revisions made to the Schedule of Investment Policy in July 2009 and October 2012, remains appropriately diversified in anticipation of continued market volatility and overall concerns over the economy. The Board of Trustee's and Pension Investment Committee continue to explore opportunities for the diversification of investments in an effort to further develop appropriate risk adjusted returns and mitigate investment related risks. However, the ongoing volatility of markets could materially affect the amounts reported in the Plan's financial statements.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide users with an overview of the Plan's financial performance and the prudent exercise of the Board of Trustees' oversight. If you have any questions regarding this report, or require any additional financial information, please contact the City of Roanoke Pension Plan, Department of Finance, 215 Church Avenue, SW, Room 465, Roanoke, Virginia 24011.

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STATEMENTS OF PLAN NET ASSETS

As of June 30, 2012 and 2011

	2012	2011
Assets		
Cash and Short-Term Investments	$ 1,062,668	$ 1,545,491
Receivables:		
Employer Contributions	71,654	465,913
Investment Income	719,910	387,655
Total Receivables	791,564	853,568
Investments Held by Trustee, at Fair Value:		
Cash Equivalents	3,787,455	1,670,398
Cash Collateral on Loaned Securities	-	38,722,929
U.S. Government Securities	9,074,879	11,074,817
Municipal and Agency Bonds	4,901,277	2,729,316
Corporate Bonds	17,587,845	13,389,791
Convertible Bond Mutual Funds	12,230,878	12,645,674
Common Stocks	61,519,151	63,375,474
Domestic Mutual Funds	133,968,485	149,856,410
International Mutual Funds	58,460,022	66,498,474
Real Estate Funds	7,815,248	7,047,472
Alternative Investment - Infrastructure Funds	9,769,970	-
Total Investments	319,115,210	367,010,755
Total Assets	320,969,442	369,409,814
Liabilities		
Commissions Payable and Other Liabilities	423,942	270,776
Payable for Cash Collateral on Loaned Securities	-	38,722,929
Total Liabilities	423,942	38,993,705
Net Assets Held in Trust for Pension Benefits	**$320,545,500**	**$330,416,109**

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the Years Ended June 30, 2012 and 2011

	2012	2011
Additions:		
Employer Contributions	$ 12,273,266	$ 11,201,409
Investment Income:		
Net Appreciation in Fair Value of Investments	1,556,862	61,936,560
Interest	1,330,999	1,177,421
Dividends	5,913,490	5,510,459
Other	7,828	18,690
Total Investment Income	8,809,179	68,643,130
Less Investment Expense	1,240,760	1,040,223
Net Investment Income	7,568,419	67,602,907
Securities Lending Income:		
Securities Lending Income	182,295	198,852
Less Securities Lending Expense	100,655	118,298
Net Securities Lending Income	81,640	80,554
Total Net Additions	19,923,325	78,884,870
Deductions:		
Benefits Paid to Participants	29,426,310	28,609,491
Administrative Expense	367,624	335,879
Total Deductions	29,793,934	28,945,370
Net Increase/(Decrease)	(9,870,609)	49,939,500
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	330,416,109	280,476,609
End of Year	**$320,545,500**	**$330,416,109**

See accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012 and 2011

A. Plan Description

The City of Roanoke Pension Plan (Plan) is a cost-sharing, multiple employer, defined benefit plan. At June 30, 2012, the participating entities were:

City of Roanoke (City);
City of Roanoke School Board;
Roanoke Regional Airport Commission;
Roanoke Valley Resource Authority;
Roanoke Valley Detention Commission; and
Western Virginia Water Authority.

The Plan is a pension trust fund of the City. The criteria for establishing the financial accountability by the City for the Plan is:

- Financial independence;
- Selection of governing authority;
- Designation of management;
- Ability to provide financial benefits; and,
- Ability to impose specific financial burdens.

The Pension Plan was established by the City on July 1, 1946 and covers substantially all full-time employees of the City of Roanoke, Roanoke Regional Airport Commission and the Roanoke Valley Detention Commission, certain employees of the Roanoke Valley Resource Authority, certain employees of the Western Virginia Water Authority, and certain non-professional City of Roanoke School Board employees. The City is the major contributor of employer contributions to the Plan. City Council appoints members of the Plan's Board of Trustees to administer the Plan. As a governmental plan, the Plan is currently not subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974, as amended. At June 30, 2012, the Plan membership consisted of the following:

PLAN MEMBERSHIP

Retirees and beneficiaries currently receiving benefits:	
General	1,453
Public Safety	437
Terminated employees entitled to benefits deferred at time of separation:	
General	405
Public Safety	120
Total	2,415
Current employees with vested benefits:	
General	899
Public Safety	368
Current employees with non-vested benefits:	
General	380
Public Safety	134
Total	1,781

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

Effective July 1, 1984, the Pension Plan changed its name from the Employees' Retirement System (ERS) of the City of Roanoke, Virginia to the City of Roanoke Pension Plan. This change provided for an Employees' Supplemental Retirement System (ESRS) which modified certain benefits as defined by the ERS. All employees covered under the provisions of the ERS at June 30, 1984, could elect to remain with the ERS or be covered under the provisions of the ESRS.

Coverage under the ESRS was mandatory for all employees hired or rehired on or after July 1, 1984. On November 28, 1994, June 1, 1998, November 2, 1998, and June 5, 2000, City Council authorized the Pension Plan to offer members of the ERS an opportunity to transfer to the ESRS. Both the ERS and the ESRS share a common trust fund from which all benefits are paid without distinction as to the source of funds and are administered by the Board of Trustees. The Pension Plan provides retirement benefits as well as death and disability benefits.

Employees who are members of the ERS with 30 years of service or age 60 (normal retirement age) are entitled to an annual retirement benefit equal to 1/70 (1.429%) of their average final compensation (highest consecutive 12 months), excluding overtime, for each year of service. Employees may retire with 20 years of service and receive a reduced retirement benefit. For employees who are married at their retirement date, a joint and survivor annuity is payable monthly. If employees terminate before rendering ten years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

Employees who are members of the ESRS with 5 years or more of credited service and age 65 or over, general employees who have attained age 50 with age plus service equal to 80, and police officers and firefighters who have attained age 45 with age plus service equal to 70, are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.1 percent of their final average compensation for each year of credited service up to a maximum of 63 percent. Final average compensation is the employee's average salary, excluding overtime, over the highest 36 consecutive months of credited service. Employees with 5 years of credited service may retire at age 55 and receive a reduced retirement benefit. Employees may elect to receive their retirement benefits in the form of a single life annuity or a joint and survivor annuity payable monthly from retirement. If employees under age 65 terminate before rendering five years of service, they forfeit the right to receive any Pension Plan benefits. There is no mandatory retirement age.

On May 15, 2000, City Council authorized the Board of Trustees to enter into an agreement with the Virginia Retirement System or another political subdivision of the Commonwealth of Virginia, having a defined benefit plan that is not supplemental to the Virginia Retirement System, allowing eligible members of ESRS the option of portability of creditable service between plans. Portability provides ESRS members the opportunity to transfer their vested pension benefits from one Virginia government employer to another. The Board of Trustees has entered into Reciprocal Asset Transfer and Pension Portability Agreements with the Virginia Retirement System and the Newport News Employee's Retirement Fund.

Effective July 1, 2000, City Council adopted provisions providing members of ESRS an opportunity to purchase eligible prior service credit in the Plan. This provision permits members who were formerly grant employees and members who have participated in the portability provisions of the plan to purchase certain eligible service credit.

The Plan also received a private letter ruling dated August 7, 2000 from the Internal Revenue Service allowing the purchase of eligible prior service credit via payroll deduction on a tax-deferred basis.

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

Effective July, 1, 2001, an additional monthly supplement equal to the greater of (a) $159; or, (b) 75% of the amount the City contributes toward the cost of a single, active employee's health insurance shall be paid for eligible retirees until the month in which the retiree attains age 65. Any member of the Plan who is an employee of the City (not including employees of the City of Roanoke School Board); and, who retired after earning 20 or more years of creditable service but prior to attaining the age of 65 is eligible for this supplement.

Effective June 1, 2002, City Council adopted a restatement of the Chapter of the City Code governing the Plan. Included in the restatement was a provision allowing the purchase of prior service credit using a trustee-to-trustee transfer of eligible funds from Internal Revenue Code Section 457 and 403(b) deferred compensation plans.

The Plan does not provide automatic post-retirement benefit increases. City Council may authorize the payment of ad hoc post-retirement benefit increases. City Council adopts any benefit changes to the Plan.

Employees do not contribute to the Plan unless purchasing service. Approximately 90 days prior to the beginning of each of the City's fiscal years, the Plan files with the City Manager its certification of the appropriation necessary to pay the required contribution as certified by the actuary and such amount is included in the City's annual budget and adopted by City Council.

B. Summary of Significant Accounting Policies

Basis of Accounting. The financial statements were prepared using the accrual basis of accounting. Contributions are recognized as additions to plan net assets when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits to participants are recorded as deductions from plan net assets when paid. Other deductions from plan net assets are recorded when the corresponding liabilities are incurred according to provisions of the Plan, regardless of when paid. The administration costs of the Plan are paid from the assets of the trust and thus financed through investment earnings.

Method Used to Value Investments. The investments of the Plan are reflected at fair value in the basic financial statements. Cash equivalents are reported at cost, which approximates fair value. Mutual fund and common stock fair values are based on quotations obtained from national security exchanges. Security transactions are recognized on the trade date which is the date the order to buy or sell is originated. The fair value of underlying assets held in the real estate fund is based upon independent appraisals conducted periodically throughout the year, but not less than annually.

Risk Management. The Plan is not exposed to the ordinary risks associated with a commercial enterprise; however, risk exposures include credit risk, concentration risk, and foreign currency risk associated with investments and risks of loss due to failure to perform fiduciary responsibilities. These risk exposures are addressed through formal investment policies outlined in Note D of these notes to the basic financial statements. Fiduciary responsibility risks are covered under surety and blanket bond coverages through the City of Roanoke. The Plan is not currently the subject of any lawsuits and there have been no losses subjected to or covered by insurance claims in the preceding three years.

Use of Estimates. The Plan has made use of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenditures and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

New GASB Pronouncement. GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued to improve the financial reporting by local governmental pension plans. The Plan will adopt the pronouncement in the fiscal year ended June 30, 2014. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued to improve the accounting and financial reporting by state and local governments of pensions. The Plan will adopt this pronouncement in fiscal year ended June 30, 2015. GASB Statements No. 67 and 68 had no impact on the Plan's financial statements in the fiscal year ended June 30, 2012.

C. Funded Status and Funding Progress of the Plan.

The funded status of the Plan as of June 30, 2012, is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	(Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
$ 320,455,993	$ 393,558,477	$ (73,102,484)	81.4%	$ 71,001,482	-103.0%

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

Additional information as of the latest actuarial valuation follows:

Valuation date:	June 30, 2012
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level Percentage of Pay over a closed period
Length of closed period:	25 Years
Remaining amortization period:	20 Years
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected employee salary increases*	3.50%
*Includes inflation at	2.75%
Retiree cost-of-living adjustments	1.50%

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

D. Deposits and Investments.

Investment Policy. The Board of Trustees of the City of Roanoke Pension Plan has adopted a Statement of Investment Policy Guidelines and Objectives. The Policy articulates the Plan's investment objectives and risk tolerance and serves as a guide for asset allocation development, investment manager and fund selection, investment performance monitoring and evaluation. The Policy addresses credit risk, concentration risk, and foreign currency risk as outlined in the following paragraphs.

As of June 30, 2012 and 2011, the Plan's Investments consisted of the following:

	2012	2011
Cash Equivalents	$ 3,787,455	$ 1,670,398
Investment in pooled funds, including Virginia LGIP*	997,570	1,529,808
Cash Collateral on Loaned Securities	-	38,722,929
U.S. Government Securities	9,074,879	11,074,817
Municipal and Agency Bonds	4,901,277	2,729,316
Corporate Bonds	17,587,845	13,389,791
Convertible Bond Mutual Funds	12,230,878	12,645,674
Common Stocks	61,519,151	63,375,474
Domestic Mutual Funds	133,968,485	149,856,410
International Mutual Funds	58,460,022	66,498,474
Real Estate Funds	7,815,248	7,047,472
Infrastructure Funds	9,769,970	-
Total Investments	$ 320,112,780	$ 368,540,563

* Local Government Investment Pool (LGIP)

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

Credit Risk. The Plan's investment policy limits investments in fixed income securities to issues which are rated at least Baa or BBB by either Moody's or Standard and Poors. Below investment grade fixed income securities may be purchased and held in accounts specifically selected to hold such issues. Purchases of non-U.S. government securities are restricted to issues of $50 million or greater. The State Treasurer's Office of the Commonwealth of Virginia has regulatory oversight over the Local Government Investment Pool (LGIP). The City's fair value of investment in the LGIP is the same as the pooled value of its shares. As of June 30, 2012 and 2011, the Plan's pooled and fixed income investments consisted of the following:

			Fair Value	
	S&P Rating	Note	2012	2011
Muncipal and Agency Bonds				
	AAA		$ 713,789	$ 1,148,539
	AA		1,655,910	885,212
	A		494,697	461,310
	Aaa	1	-	178,510
	Aa2	1	-	55,745
	NR	2	2,036,881	-
			$ 4,901,277	$ 2,729,316
Corporate Bonds	AAA		$ 263,231	$ 491,432
	AA		3,815,189	2,291,770
	A		8,939,671	7,463,887
	BBB		4,068,372	2,967,346
	BB		501,382	-
	NR		-	175,356
			$ 17,587,845	$ 13,389,791
Domestic Bond Mutual Funds				
	AA		$ -	$ 16,829,875
	Aa2	1	2,269,544	7,683,278
	B1	1,3	14,239,278	13,350,106
	NR	4	22,092,011	8,420,924
			$ 38,600,833	$ 46,284,183
Investment in Pooled Funds				
	AAAm		$ 997,570	$ 1,529,808
	A-1		3,488,532	-
			$ 4,486,102	$ 1,529,808

1 Moody's credit rating.
2 The bonds within this category are implicitly backed by the U.S. Government.
3 This domestic mutual fund is an alternative investment asset within the Plan. Alternative investment assets must meet additional investment criteria under the Plan's investment policy.
4 This category includes a domestic mutual fund passive investment that emulates the Barclays Capital Aggregate Bond Index and other mutual funds that are not rated on a fund-level.

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan's investment policy does not specifically address custodial credit risk. The City maintains a cash and investment pool, in which the Plan is a participant. The carrying amount of the Plan's deposits was $3,852,553 and $1,686,081 (bank balance was $3,854,553 and $1,686,081) as of June 30, 2012 and 2011, respectively. Of the bank balance, $67,098 and $15,683 as of June 30, 2012 and 2011, respectively, was covered by Federal depository insurance or collateralized pursuant to agreements with all participating financial institutions to pledge assets on a pooled basis to secure public deposits according to the Virginia Security for Public Deposits Act Regulations of the Code of Virginia.

Such collateralization qualifies as state depository insurance. Accordingly, the bank balance of $67,098 and $15,683 as of June 30, 2012 and 2011, respectively, is considered to be insured. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The remaining bank balance of $3,787,455 and $1,670,398 as of June 30, 2012 and 2011, respectively, is uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by Comerica Bank and State Street Bank & Trust Company at June 30, 2012 and 2011, respectively.

Custodial Credit Risk – Investments The Plan held the following investments as of June 30, 2012: cash equivalents; investment in pooled funds, U.S. government securities; agency and municipal bonds; corporate bonds; convertible bond mutual funds; common stocks; domestic, international, real estate mutual funds, and infrastructure commingled funds. Investments in external investment pools and in open-end mutual funds are not considered to be exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments are considered to be exposed to custodial credit risk if they are uninsured and unregistered with the securities held by the counterparty or by its trust department or agent but not in the Plan's name. The Plan's investment policy does not specifically address custodial credit risk. As of June 30, 2012 and 2011, the Plan's investments considered to be exposed to custodial credit risk consisted of the following:

Investment Type	2012	2011
U.S. Government Bonds	$ 9,074,879	$ 11,074,817
Municipal and Agency Bonds	4,901,277	2,729,316
Corporate Bonds	17,587,845	13,389,791
Common Stocks	61,519,151	63,375,474
Total	$ 93,083,152	$ 90,569,398

Comerica Bank carries Banker's Professional Liability insurance that insures the Bank against errors made in providing professional services that result in a financial loss to a client and an Employee Fidelity Bond, which insures against employee wrong-doing that results in a financial loss to a client. State Street Bank & Trust Company has a blanket insurance policy to secure Trust Funds for every account they hold and also pledges to the Federal Reserve Bank to cover funds on deposit with their bank. State Street Boston Corporation, the parent company, also carries a corporate blanket insurance policy. Further insurance carried by the depositories includes coverage against losses occurring on the premises or during transit.

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

Concentration Risk The Plan's investment policy prohibits the investment of more than 5% of plan assets in either fixed income or equity securities of any single issuer based on cost. Securities of the U.S. government and investment company shares (mutual funds) are exempted from this limitation. The Plan did not own securities of a single organization, other than positions in mutual funds, representing five percent or more of the Plan's net assets at June 30, 2012 or June 30, 2011.

Interest Rate Risk The Plan's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index thus providing broad diversification that would be impractical to achieve in an actively managed portfolio. The objective of the actively managed fixed income portfolio is to outperform the Barclays Aggregate Bond Index over a moving 3 – 5 year range, with the exception of long duration fixed income, which has an objective of outperforming the Barclays Capital Long Government/Credit Index over a moving 3 – 5 year range. The fair value of the Plan's fixed income portfolio consisted of the following investment and maturities as of June 30, 2012 and 2011:

June 30, 2012		Maturities		
Investment Type	Fair Value	< 5	5 - 10	>10
U.S. Government Securities	$ 9,074,879	$ 139,619	$ -	$ 8,935,260
Municipal and Agency Bonds	4,901,277	-	995,558	3,905,719
Corporate Bonds	17,587,845	-	5,001,998	12,585,847
Bond Mutual Funds	38,600,833	-	38,600,833	-
	$ 70,164,834	$ 139,619	$ 44,598,389	$ 25,426,826

June 30, 2011		Maturities		
Investment Type	Fair Value	< 5	5 - 10	>10
U.S. Government Securities	$ 11,074,817	$ 152,996	$ 368,080	$ 10,553,741
Municipal and Agency Bonds	2,729,316	-	741,592	1,987,724
Corporate Bonds	13,389,791	-	4,500,633	8,889,158
Bond Mutual Funds	46,284,183	-	46,284,183	-
	$ 73,478,107	$ 152,996	$ 51,894,488	$ 21,430,623

The City maintains a cash and investment pool, in which the Plan is a participant. The fair value of the Plan's investments that were a result of participating in that cash and investment pool as of June 30, 2012 and 2011 were:

June 30, 2012		Maturities		
Investment Type	Fair Value	< 5	5 - 10	>10
Virginia LGIP	$ 997,570	$ 997,570	$ -	$ -
	$ 997,570	$ 997,570	$ -	$ -

June 30, 2011		Maturities		
Investment Type	Fair Value	< 5	5 - 10	>10
Virginia LGIP	$ 1,529,808	$ 1,529,808	$ -	$ -
	$ 1,529,808	$ 1,529,808	$ -	$ -

Foreign Currency Risk The Plan's investment policy prohibits investment in securities that are not denominated in U.S. dollars and/or that are traded solely on exchanges outside the U.S., with the exception of international commingled funds. The Plan had no investments that were not denominated in U.S. dollars or that were traded solely on exchanges outside the U.S. as of June 30, 2012 or 2011.

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

Securities Lending Arrangements The Plan's Board of Trustees approved a Securities Lending Authorization Agreement allowing State Street Bank & Trust Company (Prior Custodian) to lend the Plan's available securities to broker-dealers and banks pursuant to a form of loan agreement. During the year ended June 30, 2011 and during the period from July 1, 2011 through May 31, 2012, the Plan's securities held by the Prior Custodian were available for securities lending, except those securities which the Plan specifically identified in notices to the Prior Custodian as not being available. During the fiscal years ended June 30, 2012 and 2011, the Plan did not exclude any securities from securities lending.

The Prior Custodian could lend securities and in exchange the borrowers were required to deliver collateral in the form of cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt of foreign nations and irrevocable bank letters of credit. The Prior Custodian did not have the ability to pledge or sell collateral securities delivered, absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to: (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The Plan did not impose any restrictions during the fiscal year on the amount of loans the Prior Custodian made on its behalf. The terms of the Authorization Agreement required the Prior Custodian to indemnify the Plan in the event the borrower defaults or fails to return the securities by agreeing to purchase replacement securities, or return the cash collateral in the event the borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers during the fiscal years ended June 30, 2012 and 2011. Moreover, there were no losses during the fiscal years ended June 30, 2012 and 2011, resulting from a default of the borrowers or the Prior Custodian.

The Plan and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. On June 1, 2012, the Plan transitioned investment custodian services from the Prior Custodian to Comercia Bank. The Board of Trustees did not approve a Securities Lending Authorization Agreement with Comerica Bank. As a result, the Plan did not participate in any securities lending for the period from June 1, 2012 to June 30, 2012 and no assets were on loan as of June 30, 2012.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The Plan had no credit risk exposure to borrowers as of June 30, 2012 or 2011. The following represents balances related to securities lending transactions as of June 30, 2012 and 2011:

	2012		2011	
Securities on Loan	Market Value of Securities	Cash Collateral Investment Value	Market Value of Securities	Cash Collateral Investment Value
Domestic Equities	$ -	$ -	$ 38,185,403	$ 38,722,929

Other Risks and Uncertainties The Plan's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions, market perceptions, and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

E. Contributions Required and Contributions Made

The Plan is noncontributory for employees. Employer contributions to the Plan are based on a percentage of the annual compensation of the active members. This percentage is calculated annually by the Plan's actuary using the projected unit credit method. The cost/benefit of any unfunded or overfunded benefit liability is amortized over a 25 year closed period, with 20 years remaining, using the level percentage of payroll amortization method with interest accruing at 7.75% and assumed payroll growth of 3.5%.

Employer contribution rates and amounts for the fiscal years indicated are listed as follows:

	Contributions Required						Contributions Made	
	Normal Cost		Unfunded Accrued Liability		Total Contributions Required			
Fiscal Year Ended	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
6/30/07	7,995,357	10.61%	3,391,056	4.50%	11,386,413	15.11%	11,386,413	15.11%
6/30/08 [1]	7,620,115	9.75%	4,502,203	5.98%	12,293,786	15.73%	12,293,786	15.73%
6/30/09	8,171,499	10.64%	3,671,253	4.78%	11,842,752	15.42%	11,842,752	15.42%
6/30/10	7,617,587	10.63%	2,676,449	3.74%	10,294,036	14.37%	11,046,210	15.42%
6/30/11	7,554,757	10.89%	3,394,166	4.89%	10,948,923	15.78%	11,201,409	15.98%
6/30/12	7,498,966	11.02%	4,774,300	7.02%	12,273,266	18.04%	12,273,266	18.04%

1. 6/30/08 data reflects actuarial amendments in Normal Cost and Unfunded Accrued Liability catagories, Total Contributions remain unchanged.

The total covered payroll for the Plan is $68,602,221 and $70,103,928 for the fiscal year ended June 30, 2012 and 2011, respectively. Professional School Board employees, non-professional School Board employees hired after June 30, 2006, and employees of the City of Roanoke Sheriff's Office are members of the Virginia Retirement System (VRS). School Board employees that are members in the Plan are not participants in the Pension Plan Supplement, which represents 2.64% of the 18.04% required contribution rate in fiscal year 2012 and 2.61% of the 15.78% required contribution rate in fiscal year 2011.

The City and its participating employers contributed $12,273,266 during the period from July 1, 2011 to June 30, 2012, or 15.40% of covered payroll for the School Board and 18.04% of covered payroll for the City and its other participating employers, and $11,201,409 during the period from July 1, 2010 to June 30, 2011, or 13.17% of covered payroll for the School Board and 15.78% of covered payroll for the City and its other participating employers. The actuarially determined contribution requirements of $12,273,266 or 18.04% of covered payroll for the fiscal year ended June 30, 2012, and $10,948,923, or 15.78% of covered payroll for the fiscal year ended June 30, 2011, have been met.

F. Plan Termination

The Plan is administered in accordance with the provisions of the Code of the City of Roanoke, Virginia (1979), as amended, (Chapter 22.2). In the event of termination of the Plan, the rights of each participant to benefits accrued to such date shall be nonforfeitable to the extent then funded. If all accrued benefits are not funded, they shall be paid in the following order:

1. Present value of benefits to those currently receiving or eligible to receive benefits; and,
2. All others.

NOTES TO BASIC FINANCIAL STATEMENTS
(continued)

G. Tax Status of Plan

The Internal Revenue Service ruled the Plan to be qualified under Internal Revenue Code (IRC) Section 401 and the trust to be exempt from income taxes on related business income under IRC Section 501(a). The Plan had no unrelated business income under IRC Section 511 during the years ended June 30, 2012 and 2011.

H. Historical Trend Information

Historical trend information for the past six consecutive years is designed to provide information about the Plan's progress made in maintaining sufficient assets to pay benefits when due and is presented on page 33 as Required Supplementary Information, which is unaudited.

I. Subsequent Events

On July 16, 2012, the City established Chapter 22.3 of City Code, which includes modifications to future benefits for employees hired on or after July 1, 2013. Chapter 22.3 of City Code discontinues the Pension Plan Supplement and establishes a retirement health savings account for employees hired on or after July 1, 2013, codifies a defined method of applying cost of living adjustments and modifies the ESRS pension plan benefits for employees hired on or after July 1, 2014.

In August 2012, a Committee convened for the purpose of conducting interviews to select an actuary for the Pension Plan. As a result of the interviews, the Plan was in negotiation with a provider of actuarial services subsequent to June 30, 2012.

Prior to and subsequent to the fiscal year ended June 30, 2012, the Pension Investment Committee, a subcommittee of the Board of Trustees, met to review the Plan’s Statement of Investment Policy (Statement). In October 2012, the Board of Trustees approved a revised Statement based on the recommendations outlined by the Pension Investment Committee.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	(Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll* (c)	(Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/07	323,238,631	381,102,747	(57,864,116)	84.8%	75,356,803	-76.8%
6/30/08*	351,815,425	396,469,622	(44,654,197)	88.7%	78,155,029	-57.1%
6/30/09	351,150,038	407,170,086	(56,020,048)	86.2%	76,801,245	-72.9%
6/30/10	339,501,962	412,550,974	(73,049,012)	82.3%	71,635,603	-102.0%
6/30/11	332,786,061	385,628,366	(52,842,305)	86.3%	70,103,928	-75.4%
6/30/12	320,455,993	393,558,477	(73,102,484)	81.4%	68,602,221	-106.6%

* 6/30/08 data reflects amendments to Covered Payroll, Actuarial Assets and Liability remain unchanged.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)

Fiscal Year Ended	06/30/07	06/30/08	06/30/09
Valuation Date	6/30/05	6/30/06	6/30/07
Recommended Contribution Rate	15.11%	15.73%	15.42%
Actual Contribution Rate	15.11%	15.73%	15.42%
Covered Payroll	$ 75,356,803	$ 78,155,029	$ 76,801,245
Actual Employer Contributions	$ 11,386,413	$ 12,293,786	$ 11,842,752
Annual Required Contributions	$ 11,386,413	$ 12,293,786	$ 11,842,752
Percentage of Annual Required Contributions	100.0%	100.0%	100.0%

Fiscal Year Ended	06/30/10	06/30/11	06/30/12
Valuation Date	6/30/08	6/30/09	6/30/10
Recommended Contribution Rate	14.37%	15.78%	18.04%
Actual Contribution Rate	15.42%	15.98%	18.04%
Covered Payroll	$ 71,635,603	$ 70,103,928	$ 68,602,221
Actual Employer Contributions	$ 11,046,210	$ 11,201,409	$ 12,273,266
Annual Required Contributions	$ 10,294,036	$ 10,948,923	$ 12,273,266
Percentage of Annual Required Contributions	107.3%	102.3%	100.0%

See accompanying independent auditors' report.

SCHEDULE OF ADMINISTRATIVE EXPENSE

Year Ended June 30, 2012

Personal Services:		
Staff Salaries	$195,323	
Employer's Social Security	14,942	
Employer's Retirement Contributions	35,237	
Insurance and Other Fringe Benefits	20,782	
Total Personal Services		$266,284
Professional Services:		
Actuarial	$34,481	
Audit	19,500	
Legal	238	
Medical	6,013	
Total Professional Services		60,232
Communication:		
Postage	$17,945	
Printing and Publications	833	
Telephone	5,179	
Total Communication		23,957
Miscellaneous:		
Supplies and Materials	$13,087	
Training and Development	3,254	
Dues and Memberships	810	
Total Miscellaneous		17,151
Total Administrative Expense		$367,624

See accompanying independent auditors' report.

SCHEDULE OF INVESTMENT EXPENSE

Year Ended June 30, 2012

Investment Custodial Services	$ 136,061
Consultant Services	143,750
Investment Managers	960,949
Total Investment Expense	$ 1,240,760

The Schedule of Fees and Commissions on page 55 of the Investment Section details all investment services.

See accompanying independent auditors' report.

SCHEDULE OF SECURITIES LENDING EXPENSE

Year Ended June 30, 2012

Borrower Rebates	$ 14,992
Agent Fees	85,663
Total Securities Lending Expense	$ 100,655

See accompanying independent auditors' report.

SCHEDULE OF PAYMENTS FOR PROFESSIONAL SERVICES

Year Ended June 30, 2012

Name	Fee	Service
Milliman, Inc.	$ 34,481	Actuary
KPMG LLP	19,500	Audit
Troutman Sanders LLP	238	Legal
Medical Examiner for the City of Roanoke Pension Plan	3,230	Medical
Hypothetest LLC	1,983	Medical
Lucas Therapies, PC	800	Medical
Total	$ 60,232	

The preceding payments are included as Professional Services in the Schedule of Administrative Expense on page 34. Fees paid to investment managers are reported in the Schedule of Fees and Commissions on page 55.

See accompanying independent auditors' report.

REPORT ON INVESTMENT ACTIVITY

Becker, Burke
ASSOCIATES

225 West Wacker Drive, Suite 400
Chicago, Illinois 60606

October 15, 2012

Board of Trustees
City of Roanoke Pension Plan
215 Church Avenue, SW
Roanoke, VA 24011

Dear Board Members:

"The recovery from the world-wide economic recession has been weak, with only modest expansion and continued high unemployment." That sentence, taken from last year's letter, could also be applied to the fiscal year ended June, 2012. Volatility in equity markets continued to be high, but domestic bond markets saw declining volatility. Unlike 2011, domestic and international stock performance was weak during the last fiscal year, but bond prices again improved slightly as interest rates declined, and equity real estate continued to post very strong performance.

The market value of the Roanoke Pension Plan assets declined from $328 million to $319 million in the fiscal year ended June 30, 2012, primarily due to $16.8 million in net withdrawals. The fund was valued at $378 million five years ago. As is typical in a mature plan, contributions to the Plan were below withdrawals made to pay benefits and other expenses.

The Roanoke Pension Plan's annual return of 2.6% net of fees in fiscal 2012 was slightly below its policy benchmark, but ranked in the top third of all retirement plan performance. The net return during the last five years was 1.9%. This performance was above its policy benchmark and above the median of all retirement plans.

The Plan is very well diversified with distinct styles of domestic and international equity as well as fixed income management. The Plan continued to improve its diversification during the year by adding an investment in a fund holding infrastructure assets. At the end of June, 50% of the Plan assets were invested by domestic equity managers, 18% by international equity firms, 21% by domestic bond managers, 4% by convertible managers, 2% by real estate funds, 3% in infrastructure and 2% in a balanced account. Less than 1% was in a cash equivalent fund. These commitments are exclusive of Cash Collateral for Securities on Loan and were in line with policy guidelines.

PHONE: 312.782.5665 FAX: 312.782.6904 WEB: www.beckerburke.com

REPORT ON INVESTMENT ACTIVITY
(continued)

Becker, Burke
ASSOCIATES

Board of Trustees
October 15, 2012
Page two

The Plan's investment policies, goals and objectives, as well as the performance of its assets have been regularly monitored by the Board and its consultant Becker, Burke Associates. These evaluations also include analysis of the various investment management firms utilized by the Plan and of the custodian banks.

The custody of plan assets was moved from State Street Bank and Trust to Comerica Bank. Market values as well as other data noted above have been based upon financial statements prepared by State Street Bank and Trust and Comerica Bank. Their statements are, to the best of our knowledge, reliable. Global Investment Performance Standards (GIPS) guidelines have been followed in the preparation of return calculations.

We noted in each of our last five yearly letters that markets would likely continue to be volatile and that risk would play an increasingly important role in future market action. Recent policies adopted by the Governmental Accounting Standards Board will make controlling risk and volatility an even more important aspect of Plan management. We continue to believe investment policies and procedures adopted by the Board of Trustees should position the Plan well to achieve its long term goals and objectives while mitigating volatility.

Very truly yours,

Howard H. Pohl
Principal

OUTLINE OF INVESTMENT POLICIES

Policy

The Statement of Investment Policy of the City of Roanoke Pension Plan serves to articulate the Pension Investment Committee and Board of Trustees' view of the Plan's investment objectives and risk tolerance by assisting the Pension Investment Committee with the development of a suitable asset allocation, the selection of appropriate investment managers or pooled funds within the asset allocation, and the prudent monitoring and evaluation of performance of plan, selected investment managers and pooled funds. The Statement further defines the roles and responsibilities of persons associated with the Plan and guidelines for the rebalancing of the total fund portfolio in conformity with the approved asset allocation strategy.

Consistent with the above, the Pension Investment Committee and the Board of Trustees (Trustees) will determine from time-to-time a suitable asset allocation which seeks to control risk through portfolio diversification and takes into account, among possible other factors, the above-stated objectives, in conjunction with current funding levels and economic and industry trends.

Investment Objectives

The short-term objective is for the Plan to produce annual returns that fall consistently above the median return of the Plan's investment advisor's Total Plan performance universe for Plans with a similar asset allocation.

The Plan shall seek to achieve the following long-term investment objectives:

A. A long-term rate of return (net of fees) of four percent per year in excess of the annualized inflation rate, defined as the average annualized compound rate of the CPI calculated on a five year moving average.

B. A long-term rate of return that meets or exceeds the assumed actuarial rate as stated in the Pension Plan's actuarial report.

C. Maintenance of sufficient income and liquidity to pay monthly retirement benefits and related operational expenses.

D. A long-term competitive rate of return on investments, net of expenses, that is equal to or exceeds various benchmark rates on a moving three and five year average.

E. For purposes of performance measurement, rate of return shall mean total rate of return, that is, investment income plus realized and unrealized capital gains and losses. It shall be calculated on a time-weighted basis by linking dollar-weighted monthly rates of return.

The Policy defines reasonable guidelines for each asset class and investment account, specifying (as applicable) acceptable and/or prohibited investments, limits on asset and asset class exposures, risk constraints and investment return objectives. To the extent Plan assets are placed in commingled funds, the practices of such funds as identified in the fund prospectus shall be materially consistent with the Statement of Investment Policy.

OUTLINE OF INVESTMENT POLICIES
(continued)

The Investment Advisor and Pension Investment Committee will monitor the activity and performance of each investment manager or account and the Plan as a whole, relative to the manager's or account's stated benchmark, plan's with a similar asset allocation and all plans within the Investment Advisor's plan universe.

The equity portion of the fund shall be invested in common stock listed on major security exchanges with average daily trade of sufficient volume as to allow timely purchase or sale except where specifically approved, in writing, by the Pension Investment Committee and Trustees.

The fixed income portion of the fund shall be invested in fixed income securities with a maturity greater than one year and rated at least BBB or Baa by either Moody's or Standard and Poor's except where specifically approved, in writing, by the Pension Investment Committee and Trustees.

The common stock and fixed income managers shall have differing but complementary approaches (styles) of investing.

The Investment Committee and the Trustees shall be in full compliance with the "Prudent Person Rule" as defined in the Code of Virginia, Section 51.1-803.

Asset Allocation

The strategic target asset allocation will be as follows:

Asset Class	Target Allocation	Normal Allocation Range
Domestic Equity	50%	45 - 55%
Domestic Fixed Income	20%	15 - 25%
International Equity	20%	15 - 25%
Real Estate	3%	0 - 6%
Convertible Securities	4%	3 - 5%
Alternative Assets	3%	0 - 6%
Cash Equivalents	0%	0 - 2%

When the Pension Investment Committee elects to reduce risk exposure by raising cash reserves it may, at its discretion, retain an investment manager to manage such cash reserves in a Special Cash Reserve Fund. The Special Cash Reserve Fund shall be invested in obligations of the U.S. government or its agencies maturing in two years or less and/or broker's or bank repurchase agreements collateralized by U.S. government/agency assets.

Benefit payments currently exceed contributions and this trend is expected to continue as long as an annual four percent "real" rate of return is achieved. The net balance of benefits payable as of June 30, 2012 and fiscal year 2013 benefits will be funded on a monthly basis via contributions and the liquidation of index and actively managed funds on an as needed basis, as calculated by cash flow analysis. The liquidation of passively managed investment strategies on a monthly basis facilitates sustained alignment with the Investment Policy in a cost effective manner.

OUTLINE OF INVESTMENT POLICIES
(continued)

At the beginning of each fiscal year, the Pension Investment Committee directs the Secretary-Treasurer of the Board of Trustees to liquidate the necessary assets from passive domestic and/or international equity and fixed income investments or other assets, based on the anticipated net withdrawals of that fiscal year. Additional assets may be added during the fiscal year, if necessary.

SCHEDULE OF INVESTMENT RESULTS

The following information compares rates of return for the Pension Plan portfolio with appropriate benchmark indices.

The Pension Plan's rate of return is calculated utilizing a time-weighted rate of return based on the market rate of return and is gross of fees. All data are for periods ended June 30.

	2008	2009	2010	2011	2012	3 Year[1]	5 Year[1]
TOTAL FUND	-5.4%	-17.8%	12.2%	25.2%	3.0%	13.1%	2.4%
Median Return[2]	-4.0%	-15.6%	13.1%	19.5%	1.2%	10.8%	2.0%
Policy Portfolio[3]	-6.1%	-17.7%	11.5%	22.4%	3.3%	12.1%	1.6%
Inflation Rate (CPI)	4.9%	-1.2%	1.1%	3.4%	1.7%	2.1%	2.0%
Equity Segment	-12.2%	-23.9%	14.9%	31.9%	2.3%	15.7%	0.7%
S&P 500 Stock Index	-13.1%	-26.2%	14.4%	30.7%	5.4%	16.4%	0.2%
Russell Mid-Cap Index	-11.2%	-30.4%	25.1%	38.5%	-1.7%	19.4%	1.1%
Russell 2000 Index	-16.2%	-25.0%	21.5%	37.4%	-2.1%	17.8%	0.5%
Russell 3000 Index	-12.7%	-26.6%	15.7%	32.4%	3.8%	16.7%	0.4%
International Equity Segment	-6.9%	-30.1%	9.2%	33.9%	-10.0%	9.6%	-3.1%
MSCI-EAFE[4]	-10.6%	-31.4%	5.9%	30.4%	-13.8%	6.0%	-6.1%
Fixed Income Segment	8.9%	8.2%	14.3%	4.9%	17.5%	12.1%	10.7%
Lehman Aggregate Bond Index	7.1%	-	-	-	-	-	-
Barclays Aggregate Bond Index		6.0%	9.5%	3.9%	7.5%	6.9%	6.8%
Barclays Govt/Credit Long Index	n/a	n/a	n/a	3.2%	24.6%	14.4%	11.0%
Real Estate Segment	9.4%	-26.5%	-6.2%	18.9%	12.0%	7.7%	0.1%
NCREIF Property Index	9.1%	-30.7%	-5.9%	20.6%	12.4%	8.4%	-0.9%
Convertible Segment	0.8%	-14.5%	19.3%	28.1%	-2.6%	14.2%	5.1%
Merrill Lynch Convertible Index	3.2%	-5.3%	11.3%	13.8%	-0.3%	8.1%	4.3%
Alternative Asset Segment[5]	n/a	n/a	n/a	n/a	-0.2%	n/a	n/a
UBS Global Infrastructure Index[5]	n/a	n/a	n/a	n/a	-0.4%	n/a	n/a

(1) Returns compounded annually.

(2) Median Total Plan Net of Fee Return

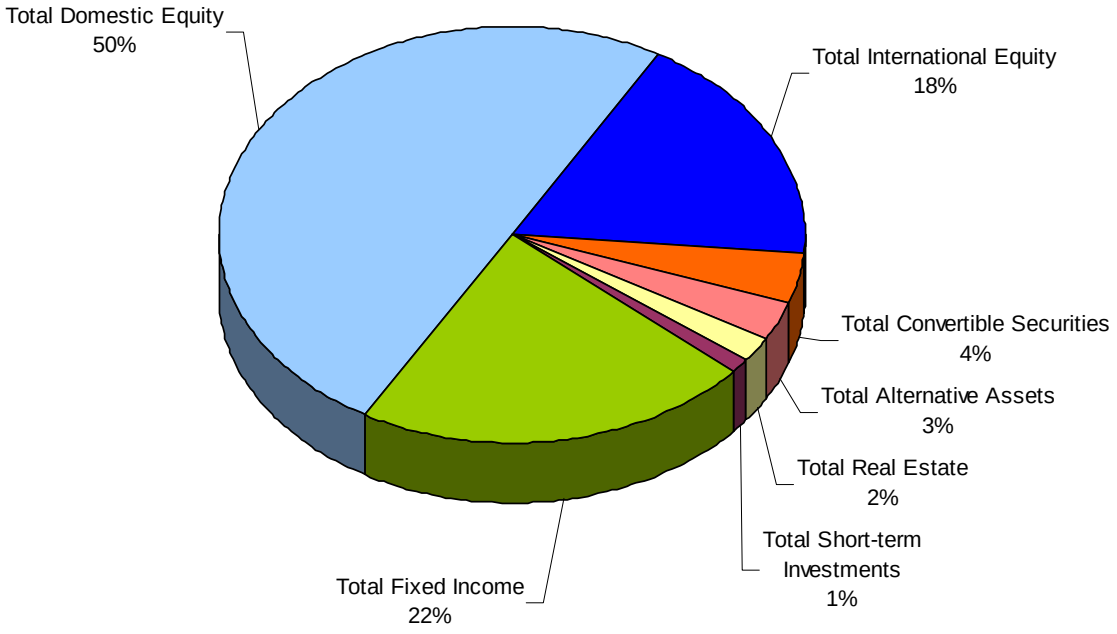
(3) Policy Portfolio :
Fiscal Years 2008 - 2012:
36% S&P 500 Stock Index, 20% Barclays Aggregate Bond Index, 20% MSCI-EAFE,
7% Russell Mid Cap Index, 7% Russell 2000 Small Cap Index, 6% NCREIF Property Index,
4% Merrill Lynch High Grade Convertible Bond Index.

(4) Morgan Stanley Capital International Europe Australasia Far East Index.
International investments authorized 6-30-94

(5) Investment in Alternative Assets (Infrastructure) began in March 2012.
Returns shown are for 4/1/2012 to 6/30/2012.

The following chart represents the fair value of assets held as of June 30, 2012:

Asset Allocation Chart
June 30, 2012



SUMMARY OF INVESTMENTS
June 30, 2012

Category of Investment	Cost 6/30/2012	Fair Value 6/30/2012	Percent of Total Fair Value
Fixed Income			
U.S. Government Securities	$ 6,952,915	$ 9,074,879	3%
Municipal and Agency Bonds	3,996,322	4,901,277	2%
Corporate Bonds	16,113,642	17,587,845	5%
Domestic Bond Mutual Funds	36,929,965	38,600,833	12%
Total Fixed Income	**$ 63,992,844**	**$ 70,164,834**	**22%**
Domestic Equity			
Financial and Utility Common Stock	$ 20,338,786	$ 21,141,453	7%
Basic Industrial and Materials Common Stock	9,633,976	10,055,170	3%
Consumer and Service Common Stock	16,032,698	18,604,529	6%
Technology and Telecommunications Common Stock	10,696,131	11,717,999	4%
Domestic Equity Mutual Fund	85,081,469	95,367,652	30%
Total Domestic Equity	**$ 141,783,060**	**$ 156,886,803**	**50%**
Convertible Securities			
Convertible Bond Mutual Funds	$ 11,500,363	$ 12,230,878	4%
Total Convertible Securities	**$ 11,500,363**	**$ 12,230,878**	**4%**
International Equity			
International Equity Mutual Fund	$ 67,860,770	$ 58,460,022	18%
Total International Equity	**$ 67,860,770**	**$ 58,460,022**	**18%**
Real Estate			
Real Estate Fund	$ 7,419,004	$ 7,815,248	2%
Total Real Estate	**$ 7,419,004**	**$ 7,815,248**	**2%**
Alternative Assets			
Infrastructure Fund	$ 9,962,500	$ 9,769,970	3%
Total Alternative Assets	**$ 9,962,500**	**$ 9,769,970**	**3%**
Short Term Investments			
Cash and Cash Equivalents	$ 3,787,455	$ 3,787,455	1%
Total Short Term Investments	**$ 3,787,455**	**$ 3,787,455**	**1%**
Total Investments	**$ 306,305,996**	**$ 319,115,210**	**100%**

SCHEDULE OF PORTFOLIO HOLDINGS

June 30, 2012

Identity of Securities	Cost	Fair Value
U.S. Government Securities		
UNITED STATES TREAS SEC 00842 8.09% 02/15/2036	3,527,223	4,307,490
UNITED STATES TREAS BDS 0% 05/15/2037	2,594,137	3,579,231
UNITED STATES TREAS BDS 00085 0% 02/15/2041	271,149	375,896
UNITED STATES TREAS BDS 0% 05/15/2040	201,480	338,565
UNITED STATES TREAS BDS 0% 02/15/2040	170,875	257,064
UNITED STATES TREASURY 1.375% 11/15/2012	139,810	139,619
UNITED STATES TREAS BDS 0% 02/15/2039	48,241	77,014
Total U.S. Government Securities	**$ 6,952,915**	**9,074,879**
Municipal and Agency Bonds		
FEDERAL NATL MTG ASSN 3.5% 02/01/2041	771,667	796,363
NEW VY GENERATION II 5.572% 05/01/2020	329,149	589,250
TENNESSEE VALLEY AUTH 0% 01/15/2026	519,219	578,232
NEW VY GENERATION I 7.299% 03/15/2019	309,931	560,860
FINANCING CORP FED BOOK ENTRY 0% 11/02/2017	328,144	406,308
CALIFORNIA ST UTGO TAXABLE 7.55% 04/01/2039	281,206	353,628
UNIVERSITY CALIF REVS 4.858% 05/15/2112	314,033	324,137
CALIFORNIA EDL 5.25% 04/01/2040	253,575	323,161
NEW YORK ST DORM AUTH 5% 03/15/2041-2021	262,206	283,246
FEDERAL NATL MTG ASSN 3.5% 12/01/2040	248,573	255,979
TURLOCK CA REF 5.5% 01/01/2041-2021	128,839	141,069
MASSACHUSETTS DEV FIN AGY 1 5% 10/15/2040-2020	63,393	68,689
SAN FRANCISCO CITY & CNTY 5% 11/01/2041-2021	61,103	66,449
FOOTHILL-DE ANZA CMNTY COL 5% 08/01/2040-2021	55,960	61,864
SOUTHWESTERN CMNTY COLLEGE 0% 08/01/2046	18,950	30,870
METROPOLITAN PIER & EXPOSITION 0% 06/15/2045	22,251	28,455
SAN DIEGO CA CMNTY COLLEGE 5% 08/01/2041-2021	20,379	22,480
METROPOLITAN PIER & EXPOSITION 0% 06/15/2046	7,744	10,237
Total Municipal and Agency Bonds	**$ 3,996,322**	**4,901,277**
Corporate Bonds		
PRIVATE EXPT FND 2.8% 05/15/2022	996,870	1,060,800
GENERAL ELEC CAP CORP 6.875% 01/10/2039	368,119	451,545
CITIGROUP INC 8.125% 07/15/2039	374,718	433,709
UNITEDHEALTH GROUP INC 6.875% 02/15/2038	340,491	417,036
ALTRIA GROUP INC 9.95% 11/10/2038	350,414	413,418
BANK AMER N A CHARLOTTE N C 6% 10/15/2036	341,776	399,638
VERIZON COMMUNICATIONS 7.35% 04/01/2039	324,816	394,652
ANHEUSER BUSCH NT 8% 11/15/2039	317,407	393,067
METLIFE INC SR NT 5.875% 02/06/2041	323,438	386,779
JPMORGAN CHASE & CO NT 5.6% 07/15/2041	324,273	355,963
HSBC BANK USA 7% 01/15/2039	343,005	351,306
KONINKLIJKE (ROYAL) 6.875% 03/11/2038	298,293	341,130
AMERICAN EXPRESS CO 8.15% 03/19/2038	277,556	338,753
PHILIP MORRIS INTL INC 6.375% 05/16/2038	272,865	334,442
KRAFT FOODS INC 6.875% 01/26/2039	268,655	324,823
SYSCO CORP 5.375% 09/21/2035	326,285	321,936

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Corporate Bonds (continued)		
AT&T INC 6.5% 09/01/2037	260,923	317,843
CAPITAL ONE BK 8.8% 07/15/2019	304,080	314,838
INTERNATIONAL PAPER CO 7.3% 11/15/2039	274,055	312,130
BARCLAYS PP 10.179% 06/12/2021	326,443	294,938
ABBOTT LABORATORIES 6.15% 11/30/2037	291,133	294,701
GENERAL ELEC CAP CORP 6.75% 03/15/2032	288,576	292,210
AFLAC INC 6.9% 12/17/2039	255,204	292,152
MCDONALDS CORP 6.3% 10/15/2037	290,533	289,862
DEUTSCHE TELEKOM INTL FIN 4.875% 03/06/2042	293,442	285,012
RIO TINTO GTD NT 5.2% 11/02/2040	250,972	283,200
IBM CORP CALL 6.22% 08/01/2027	288,224	282,269
FLORIDA POWER CORP 5.9% 03/01/2033	278,163	274,909
LLOYDS TSB BK PLC SR NT 6.375% 01/21/2021	225,324	257,459
SHELL INTL FIN B V 4.375% 03/25/2020	224,697	256,751
UNITED TECHNOLOGIES CORP 7.5% 09/15/2029	253,480	256,448
SEMPRA ENERGY 6% 10/15/2039	205,662	255,873
JOHN SEVIER 4.626% 01/15/2042	246,107	251,795
CALIFORNIA INST TECHNOLOGY 4.7% 11/01/2111	211,649	231,667
HEWLETT PACKARD CO GLOBAL NT 6% 09/15/2041	209,765	225,949
ROYAL BK SCOTLAND PLC 6.125% 01/11/2021	205,240	225,292
XSTRATA FIN CDA LTD PP 144A 6% 11/15/2041	228,637	220,768
CISCO SYS INC 4.45% 01/15/2020	188,727	219,365
TIME WARNER CABLE INC 6.75% 06/15/2039	187,196	213,287
TRANSCANADA PIPELINES LTD 6.2% 10/15/2037	172,204	212,809
BANK OF NEW YORK CO 5.45% 05/15/2019	188,726	208,750
CATERPILLAR INC 7.9% 12/15/2018	193,786	207,671
PRUDENTIAL FINANCIAL INC 6.2% 11/15/2040	193,351	207,324
CONOCOPHILLIPS 5.75% 02/01/2019	185,637	207,320
WELLS FARGO 5.625% 12/11/2017	183,955	204,353
BERKSHIRE HATHAWAY 5.4% 05/15/2018	180,832	200,772
PFIZER INC 6.2% 03/15/2019	180,526	200,536
PEPSICO INC 7.9% 11/01/2018	187,106	200,399
JPMORGAN CHASE & CO 6% 01/15/2018	184,154	195,136
ALCOA INC 5.95% 02/01/2037	169,040	188,964
BANK OF AMERICA CORP 5.75% 12/01/2017	181,676	186,760
RABOBANK NEDERLAND 5.25% 05/24/2041	173,213	177,294
ARCELORMITTAL SA LUXEMBOURG 7% 10/15/2039	181,472	171,344
AFLAC INC 6.45% 08/15/2040	147,128	170,195
ARCELORMITTAL SA LUXEMBOURG 6.75% 03/01/2041	179,636	168,944
NOKIA CORP 6.625% 05/15/2039	231,471	161,094
TIME WARNER CABLE 5.875% 11/15/2040-2040	127,397	145,495
CITIBANK CR CARD ABS 6.15% 06/15/2039	138,125	135,469
BARRICK PD AUSTRALIA FIN 5.95% 10/15/2039	115,420	132,443
PRUDENTIAL FINANCIAL INC 6.625% 06/21/2040	132,375	128,791
MASSACHUSETTS INST TECH 5.6% 07/01/2111	91,615	127,762
UNITED TECHNOLOGIES CORP NT 4.5% 06/01/2042	106,668	118,627
BARRICK NORTH AMER FIN LLC 5.7% 05/30/2041	101,535	115,275

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Corporate Bonds (continued)		
UNIVERSITY PA TRUSTEES 4.674% 09/01/2112	100,219	114,848
ENEL FIN INTL S A PP 6% 10/07/2039	107,655	84,786
PRUDENTIAL FINANCIAL INC 5.625% 05/12/2041	83,590	83,743
DOW CHEMICAL CO 9.4% 05/15/2039	76,492	78,029
TELEFONICA EMISIONES S A U 7.045% 06/20/2036	82,869	66,150
UNITEDHEALTH GROUP INC 5.7% 10/15/2040-2040	49,611	61,605
JOHNSON CONTROLS SR NT 5.7% 03/01/2041	27,918	33,040
TIME WARNER CABLE INC 7.3% 07/01/2038	21,027	24,402
Total Corporate Bonds	**$ 16,113,642**	**17,587,845**
Common Stocks		
GENERAL ELECTRIC	525,761	698,140
COCA COLA CO	512,077	688,072
DU PONT E I DE NEMOURS & CO	497,498	662,467
TELEFLEX INC	616,269	657,828
ANALOG DEVICES INC	515,463	641,143
ABBOTT LABS	485,872	618,909
TE CONNECTIVITY LTD	546,274	574,380
M & T BANK CORP	591,635	569,733
BRISTOL MYERS SQUIBB CO	380,826	539,250
WEYERHAEUSER CO	550,559	536,640
US BANCORP	358,233	495,264
CHUBB CORP	382,533	487,894
BROOKFIELD PROPERTIES CORP	405,773	480,792
MERCURY GEN CORP NEW	464,425	454,203
SMITH A O CORP	413,290	440,010
UNITED PARCEL SERVICE	393,105	425,304
PFIZER INC	323,379	409,400
CARDINAL HEALTH INC	337,940	407,400
HCC INS HLDGS INC	379,395	401,920
CHEVRON CORPORATION	278,332	400,900
NYSE EURONEXT	446,105	399,048
CONOCOPHILLIPS	315,335	396,748
CULLEN FROST	361,239	390,932
AUTOMATIC DATA PROCESSING INC	287,211	389,620
JPMORGAN CHASE & CO	426,800	389,457
INTEL CORP	302,029	386,425
BB&T CORP	386,799	385,625
BECTON DICKINSON & CO	392,278	381,225
WASTE MANAGEMENT INC	389,140	380,760
PNC FINANCIAL SERVICES GROUP	366,493	372,771
MCDONALDS CORP	298,976	371,826
GENUINE PARTS CO	247,065	367,525
CROWN HOLDINGS INC	300,341	364,904
HSN INC	326,959	355,080
VERIZON COMMUNICATIONS	230,813	351,076
MATTEL INC	283,226	347,432

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Common Stocks (continued)		
WILLIS GROUP HOLDINGS PLC	303,637	321,076
AMERISOURCEBERGEN CORP	265,187	318,735
ALLIANCE DATA SYS CORP	156,200	311,850
FIRST REP BK SAN FRANCISCO CALIF COM	271,440	309,120
ANNALY MTG MGMT INC	312,155	307,074
MICROSOFT CORP	254,571	305,900
ALLIANT ENERGY CORP	271,025	300,762
EMERSON ELECTRIC ELEC CO	301,884	298,112
SPECTRA ENERGY CORP	218,567	296,412
ROYAL DUTCH SHELL PLC ADR-B	237,124	293,706
PROGRESSIVE WASTE SOLUTIONS LTD	334,212	293,260
ECOLAB INC	183,013	292,623
HOME DEPOT INC	278,003	291,445
AT&T INC	274,796	288,846
SOTHEBYS HLDGS INC CL A	320,300	286,896
CASH AMER INTL INC	301,080	286,260
DUN & BRADSTREET CORP	311,279	284,680
SNAP ON INC	273,730	280,125
CMS ENERGY CORP	176,998	279,650
ARCOS DORADOS HOLDINGS INC A	250,434	279,342
AON PLC	289,850	278,247
VALERO ENERGY CORP NEW	250,350	277,725
COOPER COMPANIES INC	279,532	274,374
STANCORP FINL GROUP INC	297,153	271,268
INTERFACE INC CL A	244,446	269,874
CARBO CERAMICS INC	329,023	268,555
TOWERS WATSON & CO CL A	238,456	263,560
TERADATA CORP DEL	198,463	258,516
SALESFORCE.COM INC	171,739	255,781
COPA HOLDINGS SA-CLASS A	221,139	255,688
GUESS INC	286,719	255,108
BLOCK H & R INC	257,806	254,082
SYMANTEC CORP	280,478	251,292
LEAR CORP	287,061	249,395
NVR INC	205,686	247,350
HEALTHSTREAM INC	67,170	247,078
KIMBERLY CLARK CORP	181,413	242,933
RALCORP HLDGS INC NEW	199,339	242,533
LENNOX INTERNATIONAL INC	204,937	242,476
WD FORTY CO	209,440	239,088
AMDOCS LTD	236,177	237,760
HANOVER INS GROUP INC	245,525	234,780
DISCOVERY COMMUNICATIONS INC NEW SER A	118,962	233,820
PROGRESSIVE CORP	241,260	233,296
AMERIPRISE FINL INC	151,437	231,512
FOREST LABS INC	204,366	230,934
AMERICAN RLTY CAP TR INC	220,218	230,412

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Common Stocks (continued)		
XCEL ENERGY INC	202,887	227,280
NICE SYSTEMS LTD SPON ADR	187,425	226,188
LAM RESH CORP	261,549	226,063
WESTERN UN CO	237,662	225,656
NRG ENERGY INC	213,339	223,944
AUTODESK INC (DEL)	185,208	222,536
WINDSTREAM CORP	234,968	222,180
HOLOGIC INC	258,235	221,892
ACTIVISION BLIZZARD INC	219,190	221,815
PRECISION CASTPARTS	119,957	220,417
LIBERTY MEDIA HLDG CORP INTERACTIVE SER A	220,342	220,410
UMB FINANCIAL CORP	177,605	220,289
STANLEY BLACK & DECKER INC	220,471	217,537
TESORO CORPORATION	206,964	214,906
VERTEX PHARMACEUTICALS INC	114,139	213,055
DOMINION RESOURCES INC	172,662	210,600
BED BATH & BEYOND INC	208,719	208,266
PACKAGING CORP OF AMERICA	165,514	206,152
GAMESTOP CORP NEW CL A	230,489	206,146
CHECK POINT SOFTWARE TECH ADR	223,492	203,815
BRISTOW GROUP INC	242,591	203,350
ENDO PHARMACEUT HLDGS INC	222,432	203,043
SOLUTIA INC	141,369	202,802
DENTSPLY INTERNATIONAL INC	204,812	202,284
EATON CORP	191,635	202,113
TIME WARNER INC	165,246	200,200
HEARTWARE INTL INC	103,558	199,978
HUNT JB TRANS SVCS INC	149,792	197,872
RED HAT INC	84,245	197,680
NUCOR CORP	208,149	197,080
ACACIA RESH CORP - ACACIA TECHNOLOGIES	91,184	196,590
CENTERPOINT ENERGY INC	162,319	196,365
ENCANA CORP	301,884	195,802
IDEX CORP	139,510	195,680
COACH INC	105,580	193,569
LIBERTY MEDIA CORP NEW	190,394	193,402
KLA-TENCOR CORP	199,563	193,060
ALLSTATE CORP	172,398	192,995
ALBEMARLE CORP	173,564	192,637
ROGERS COMMUNIC INC CLASS B	196,235	191,913
MEDNAX INC	186,507	191,912
CARDTRONICS INC	78,454	184,734
MCGRAW-HILL COMPANIES INC	168,908	184,500
DISCOVER FINL SVCS	80,023	183,620
DOLLAR GEN CORP NEW	137,970	183,294
WEATHERFORD INTL LTD	224,146	182,251
INTERSIL CORP CL A	192,196	181,050

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Common Stocks (continued)		
BERRY PETE CO CL A	215,987	178,470
PEPSICO INC	171,417	176,650
HANCOCK HLDG CO	195,264	176,552
GARTNER INC CL A	76,035	173,061
WILLIAMS CO COS INC	175,302	172,920
UNITED THERAPEUTICS CORP DEL	145,243	172,830
AVERY DENNISON CORP	204,186	172,242
TORONTO DOMINION BK ONT	152,443	171,952
AIXTRON AKTIENGESELLSCHAFT ADR	204,449	171,720
EVERCORE PARTNERS INC	223,293	171,472
NORDSTROM INC	147,938	171,431
WEB COM GROUP INC	89,978	166,220
BEMIS CO INC	158,669	166,102
EVEREST RE GROUP LTD	156,385	165,584
GLOBAL PAYMENTS INC	187,412	164,274
DEVRY INC DEL	225,848	162,902
ENCORE CAPITAL GROUP INC	138,725	159,563
THOMSON REUTERS CORP	209,138	159,320
PROTECTIVE LIFE CORP	152,678	158,814
CBRE GROUP INC	175,884	156,565
OCCIDENTAL PETROLEUM CORP	150,047	154,386
TITAN INTERNATIONAL INC	75,123	154,220
WATSON PHARMACEUTICALS INC	147,012	153,899
STERIS CORP	131,269	153,713
URS CORP NEW	179,780	153,472
CENOVUS ENERGY INC	130,724	152,640
WYNN RESORTS LTD	178,653	152,468
HEADWATERS INC	154,084	152,280
BIOSCRIP INC	116,965	151,409
OLIN CORP COM PAR $1	153,506	150,408
ON ASSIGNMENT INC	95,817	150,375
QUEST DIAGNOSTICS INC	141,527	149,750
WESTERN DIGITAL CORP	174,632	149,352
ENSCO PLC	165,726	148,895
PENN NATL GAMING INC	118,868	148,485
AKORN INC	34,083	148,285
ZIMMER HOLDINGS INC	143,922	148,028
GREAT LAKES DREDGE & DOCK CORP N	130,251	147,811
WATSCO INC	143,214	147,600
AMERICAN WATER WORKS CO INC	142,855	147,404
CABOT CORP	147,161	146,520
PAREXEL INTERNATIONAL CORP	136,112	145,893
MINE SAFETY APPLIANCES CO	135,904	144,864
WISCONSIN ENERGY COMMON	123,783	142,452
FLEETCOR TECHNOLOGIES INC	145,495	140,160
METTLER-TOLEDO INTL INC	104,870	138,707
THOR IND INC	163,598	137,050

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Common Stocks (continued)		
DISH NETWORK CORP A	121,029	134,185
SURMODICS INC	96,599	134,058
EMBRAER S A ADR	154,631	133,711
INTERACTIVE INTELLIGENCE GROUP I	69,651	133,659
MANHATTAN ASSOCS INC	109,544	133,565
VOCUS INC	112,089	131,762
DENBURY RESOURCES INC COM NEW	135,112	130,853
NUVASIVE INC	99,230	130,756
MID-AMER APARTMENT CMNTYS INC	118,279	129,656
PATTERSON UTI ENERGY INC	153,767	129,584
COMPUTER TASK GROUP INC	115,996	128,929
EMCOR GROUP INC	126,244	128,612
ADVISORY BOARD CO/THE	76,922	128,339
PREMIERE GLOBAL SERVICES INC	120,668	127,427
IMAX CORP	99,780	127,359
PHILLIPS 66	105,032	124,650
AVIAT NETWORKS INC	121,531	124,272
WESTPORT INNOVATIONS INC	48,047	123,995
MWI VETERINARY SUPPLY INC	107,781	123,941
BEST BUY	120,307	123,664
ORASURE TECHNOLOGIES INC	115,140	122,999
IHS INC COM CL A	99,186	121,735
SANTARUS INC	103,188	121,608
TRIUMPH GROUP INC NEW	122,052	121,543
CORRECTIONS CORP OF AMERICA	104,098	120,745
LEAPFROG ENTERPRISES INC CL A	64,330	120,699
CA INC	115,554	119,196
GLU MOBILE INC	99,944	119,059
NATIONAL RETAIL PPTYS INC	111,404	118,818
ACETO CORPORATION	108,857	118,528
MEREDITH CORP	124,072	118,178
DR PEPPER SNAPPLE GROUP	105,675	118,125
APPLIED MATLS INC	121,837	117,884
CONCEPTUS INC	102,496	116,383
CF INDS HLDGS INC	79,317	116,244
MEADWESTVACO CORP	108,871	115,000
CARPENTER TECHNOLOGY CORP	124,122	114,816
BRUKER BIOSCIENCES CORP	119,345	114,639
LOEWS CORP	112,376	114,548
AFFYMETRIX INC	157,209	114,094
UNITED RENTALS INC	114,019	114,034
EINSTEIN NOAH RESTAURANT GROUP I	98,435	112,735
MARCUS CORP	96,471	112,708
WARNER CHILCOTT PLC-CLASS A	140,311	111,883
SIRIUS XM RADIO INC	115,459	111,555
DOLBY LABORATORIES INC CL A	105,206	111,510
BRUNSWICK CORP	115,647	111,100

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Common Stocks (continued)		
GUIDANCE SOFTWARE INC	92,450	110,782
HAWAIIAN HLDGS INC	97,096	110,546
DOVER CORP	87,888	110,437
SANDISK CORP	131,710	109,440
GREENBRIER CORP	125,840	109,031
CNO FINL GROUP INC	108,113	109,005
PROS HLDGS INC	79,727	108,186
AVAGO TECHNOLOGIES LTD	83,733	108,059
BANNER CORPORATION	110,284	108,016
LINDSAY MFG CO	104,562	107,150
AOL INC	68,080	106,872
INCONTACT INC	96,088	105,936
THORATEC CORPORATION	103,876	105,643
CASCADE CORP	109,276	105,157
CALLIDUS SOFTWARE INC	97,035	104,963
SYMMETRY MEDICAL INC	102,188	104,796
STEWART INFO SVCS CORP	97,511	104,211
ULTA SALON COSMETICS & FRAGRANCE	18,594	104,119
PLANTRONICS INC NEW	116,333	103,540
METHODE ELECTRONICS INC CL A	110,157	103,252
LIONBRIDGE TECHNOLOGIES INC	87,378	102,873
ICON PLC - SPONSORED ADR	100,670	102,489
MANITEX INTL INC	60,337	101,833
VALUECLICK INC	111,999	101,766
LOGITECH INTERNATIONAL-REG	101,014	101,285
PMC-SIERRA INC	93,178	101,236
EHEALTH INC COM	108,543	100,269
ROADRUNNER TRANSN SVCS HLDGS INC	106,971	99,871
CHART INDS INC	65,851	99,840
ABM INDS INC	109,711	99,756
BUCKEYE TECHNOLOGY INC	119,855	99,715
EMPLOYERS HLDGS INC	93,460	99,400
HOLLYFRONTIER CORP	83,048	99,204
BOOZ ALLEN HAMILTON HLDG CORP	115,511	97,792
3SBIO INC SPONSORED ADR	83,228	96,000
VIAD CORP	93,856	96,000
AEROPOSTALE INC	98,735	95,711
GRUPO AEROPORTUARIO DEL PACIFICO ADR	90,948	94,704
SONIC AUTOMOTIVE INC	115,783	94,323
CUTERA INC	117,331	94,017
STARWOOD PPTY TR INC	87,614	93,764
CONSOL ENERGY INC	148,239	93,139
WESTELL TECHNOLOGIES INC CL A	105,867	92,158
MICRON TECHNOLOGY INC	99,375	92,126
PIONEER DRILLING CO	159,813	91,942
DATALINK CORP	102,415	90,840
DAWSON GEOPHYSICAL CO	167,783	90,206

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Common Stocks (continued)		
NORTHROP GRUMMAN CORP	81,561	89,306
HORACE MANN EDUCATORS CORP NEW	88,491	89,148
ABRAXAS PETROLEUM CORPORATION	122,180	89,119
SENSIENT TECHNOLOGIES CORP	89,266	88,152
HARSCO CORP	97,524	87,634
AMERICAN PUB ED INC	98,474	87,328
COOPER INDUSTRIES PLC CL A	59,681	86,589
ON SEMICONDUCTOR CORP	86,378	85,981
GLOBE SPECIALTY METALS INC	95,660	85,952
HUMANA INC	86,559	85,184
CRANE CO	113,571	83,674
TESCO CORP ADR	109,634	83,352
MILLER HERMAN INC	95,950	83,340
FIDELITY NATIONAL FINANCIAL INC	75,652	82,818
ENSIGN GROUP INC	53,547	81,983
BRINK'S CO	102,726	81,130
UTI WORLDWIDE INC	88,590	80,355
LANDAUER INC	76,995	80,262
SCHULMAN A INC	106,403	79,400
MADDEN STEVEN LTD	36,511	78,994
GLOBAL POWER EQUIPMENT GROUP	100,658	78,821
AIR METHODS CORP	35,738	78,797
POWER ONE INC NEW	74,790	78,747
WABASH NATL CORP	86,813	78,427
NORDSON CORP	78,533	76,935
SEQUENOM INC	99,449	76,661
HARDINGE INC	109,323	76,240
STARWOOD HOTELS & RESORT COM	74,783	75,847
AMERICAN SAFETY INS GROUP	82,913	75,188
LSI INDS INC OHIO	79,461	74,319
NUTRI SYS INC NEW	70,468	72,828
CALIFORNIA WTR SVC GROUP	72,049	72,033
SYNERON MEDICAL LTD	74,280	70,345
GIVEN IMAGING LTD	75,674	70,057
KONA GRILL INC	43,617	68,606
TSAKOS ENERGY NAVIGATION LTD	109,363	67,678
AVISTA CORP	52,031	66,750
HAYNES INTL INC	80,856	66,222
TEARLAB CORP	59,205	65,372
DST SYSTEMS INC	63,082	65,172
CAMPUS CREST CMNTYS INC	65,023	63,379
FUELCELL ENERGY INC	181,940	63,160
TRINITY BIOTECH PLC SPONSORED ADR NEW	54,204	62,364
LITHIA MTRS INC - CL A	65,335	62,235
RYDER SYSTEMS INC	87,869	61,217
QUESTCOR PHARMACEUTICALS INC	49,343	58,564
BLACK BOX CORPORATION	55,510	57,400

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Common Stocks (continued)		
RITCHIE BROS AUCTIONEERS INC	51,414	55,250
TOWER GROUP INC	57,547	54,262
CITI TRENDS INC	49,016	54,164
VALUEVISION MEDIA INC CL A	52,484	53,600
CECO ENVIRONMENTAL CORP	55,089	52,914
TENNANT CORP	56,318	51,935
DELHI AUTOMOTIVE PLC	56,441	51,000
BANCO LATINOAMERICANO DE EXP CL ADR	44,467	49,289
DUSA PHARMACEUTICALS INC	56,931	48,207
ORION ENERGY SYSTEMS INC	88,049	48,158
POWERSECURE INTL INC	70,057	46,214
BANK OF HAWAII CORP	46,287	45,950
STEC INC	114,922	44,936
MARCHEX INC-CLASS B	114,251	44,443
VERIFONE HLDGS INC	45,549	43,679
CLICKSOFTWARE TECHNOLOGIES	49,399	42,028
GRUPO AEROPORTUARIO SUR ADR	35,702	39,035
LAZARD LTD CL A	45,128	38,985
DESTINATION MATERNITY CORP	31,530	38,880
JMP GROUP INC	43,297	35,844
AUDIO CODES ORD	77,790	33,257
OPPENHEIMER HOLDINGS CL A	65,380	31,440
MEMSIC INC	55,693	30,932
WESTLAKE CHEMICAL CORP	25,852	26,130
TRUSTCO BK CORP N Y	18,908	18,564
GAFISA S A SPONSORED ADR REPSTG 2 COM SHS	41,553	17,272
CHINA YUCHAI INTL LTD ADR	19,638	16,404
E-HOUSE CHINA HLDGS LTD ADR	18,758	15,950
MONMOUTH REIT CL A	9,405	11,720
KNOLL INC	11,195	9,394
Total Common Stocks	**$ 56,701,591**	**$ 61,519,151**
Convertible Bond Mutual Funds		
ALLIANZ FDS MULTI-STRATEGY TR	4,933,646	6,191,818
VANGUARD CONVERTIBLE SECS	6,566,717	6,039,060
Total Convertible Bond Mutual Funds	**$ 11,500,363**	**$ 12,230,878**
International Mutual Funds		
GMO TR INTERNATIONAL GROWTH EQUITY FUND	23,510,524	18,027,241
MSCI EAFE INDX NL FUND	11,990,028	12,101,306
THOMAS WHITE INTERNATIONAL FUND	10,108,542	8,607,484
TEMPLETON INSTITUTIONAL FD - FOREIGN EQUITY	10,647,100	8,136,538
VONTOBEL GLOBAL EMERGING MARKETS FUND LP	6,771,082	6,771,082
VANGUARD INTL GROWTH FD-AD	4,373,143	4,312,028
MODERATE STRATEGIC BALANCED SL SF - INTERNL	460,351	504,343
Total International Mutual Funds	**$ 67,860,770**	**$ 58,460,022**

SCHEDULE OF PORTFOLIO HOLDINGS

(continued)

June 30, 2012

Identity of Securities	Cost	Fair Value
Domestic Mutual Funds		
STATE STREET S & P 500 FLAGSHIP	27,351,647	33,992,833
T ROWE PRICE LARGE-CAP GROWTH FD	19,095,234	25,231,799
VANGUARD WINDSOR II FUND-ADM	23,563,009	20,523,783
PIMCO TOTAL RETURN FD INSTL	16,962,587	17,950,495
WELLS FARGO HIGH YIELD BD FUND	14,141,329	14,239,278
NUVEEN / WINSLOW LARGE-CAP GROWTH FUND	13,000,000	13,349,693
US AGGREGATE BOND INDX NL FUND	3,754,470	4,141,516
MODERATE STRATEGIC BALANCED SL SF - EQUITY	2,071,579	2,269,544
MODERATE STRATEGIC BALANCED SL SF - FIXED INC	2,071,579	2,269,544
Total Domestic Mutual Funds	**$ 122,011,434**	**$ 133,968,485**
Real Estate Funds		
JPMCB STRATEGIC PROPERTY FUND	7,419,004	7,815,248
Total Real Estate Funds	**$ 7,419,004**	**$ 7,815,248**
Alternative Assets		
JP MORGAN IIF LP	9,962,500	9,769,970
Total Alternative Assets	**$ 9,962,500**	**$ 9,769,970**
Short Term Investments		
COMERICA SHORT TERM INVESTMENT FUND	3,488,532	3,488,532
COMERICA CASH AND CASH EQUIVALENTS	223,359	223,359
STATE STREET SHORT TERM INVESTMENT FUND	75,564	75,564
Total Short Term Investments	**$ 3,787,455**	**$ 3,787,455**
Total Portfolio Holdings	**$ 306,305,996**	**$ 319,115,210**

See accompanying independent auditors' report.

SCHEDULE OF FEES AND COMMISSIONS
Year Ended June 30, 2012

Investment Managers	Assets Under Management at 6/30/12 (at fair value)	Fees
Fixed Income Managers		
Hillswick Asset Management LLC	$ 16,826,074	$ 51,584
STW Fixed Income Management Ltd.	14,737,927	57,326
Wells Capital Management, Inc.	14,239,278	81,689
Equity Managers		
Ceredex Value Advisor, LLC	11,160,851	35,664
Essex Investment Management Company, LLC	10,233,086	98,586
SKBA Capital Management LLC	19,363,569	96,047
River Road Asset Management, LLC	-	61,206
Thompson, Siegel & Walmsley, LLC	10,980,664	81,863
Westfield Capital Management Company, LLC	9,780,981	85,598
Real Estate Fund Manager		
J.P. Morgan Investment Management, Inc.	7,815,248	73,057
Alternative Assets Fund Manager		
J.P. Morgan Investment Management, Inc.	9,769,970	200,000
Mutual Funds Manager		
State Street Global Advisors, Inc.	55,279,085	38,329
Total Investment Managers		$ 960,949
Other Investment Services		
Investment Custodian		
State Street Bank and Trust Company Co.		$ 136,061
Investment Advisor		
Becker, Burke Associates, Inc.		143,750
Total Other Investment Services		$ 279,811
Total Investment Expense		$ 1,240,760

See accompanying independent auditors' report.

SCHEDULE OF BROKERAGE FEES

Fees in excess of $5,000 for the fiscal year ended June 30, 2012

Broker Name	Shares Traded	Fees Paid
BARCLAYS CAPITAL LE	918,014	$ 19,552
KNIGHT EQUITY MARKETS L.P.	503,105	16,010
INVESTMENT TECHNOLOGY GROUP INC.	364,026	9,695
LIQUIDNETINC	280,377	7,514
BNY BROKERAGE INC.	339,252	6,042
OTHER*	20,796,388	73,816
		$ 132,629

Brokerage fees are included in the total cost of assets purchased.

* Other includes all fees to brokerage firms receiving less than $5,000 during the fiscal year

See accompanying independent auditors' report.

ACTUARY'S CERTIFICATION LETTER

Milliman

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November 2, 2012

City of Roanoke Pension Plan
Board of Trustees
Roanoke, VA

Re: Certification and Statement Regarding Actuarial Valuation as of June 30, 2012

Dear Members of the Board:

As the actuary for the Plan, we are engaged to perform annual actuarial valuations of the Pension Plan and provide our report to the Board. This is the sixth valuation we have performed under our engagement.

Funding Objective
A funding objective of the Plan is that contribution rates will remain relatively level over time as a percentage of payroll. The annual required contribution (ARC) is the sum of the normal cost and an amount required to amortize the unfunded actuarial liability over a 25-year period beginning June 30, 2007 (20 years remain as of June 30, 2012). The valuation is used to determine the ARC for the fiscal year beginning one year following the valuation date. The ARC determined in each valuation will comply with the applicable Governmental Accounting Standards Board (GASB) parameters as specified in GASB Statement No. 25.

Funding Methodology
A funding method is utilized to allocate the present value of benefits as of the valuation date to past and future service. The projected unit credit actuarial cost method is utilized to determine the plan's normal cost, the cost of the current year's benefit accrual. Additionally, the method determines the actuarial liability, the value of benefits already earned by active and retired members due to past service. A smoothing technique is utilized to produce a market-related actuarial value of assets with the goal of dampening the impact of investment return volatility. The *funded ratio* is the ratio of the actuarial value of assets to the actuarial liability.

An unfunded actuarial liability exists to the extent the Plan's actuarial liability exceeds its actuarial value of assets. The unfunded actuarial liability is amortized over a closed 20-year period with the amortization payments expected to remain a level percentage of covered payroll. The annual required contribution is the sum of the normal cost and the amortization payment and is adjusted with one half year of interest to account for the timing of expected contributions made periodically during the year. This dollar amount is converted to a percentage of payroll contribution rate as of the valuation date. The employer contributions to the trust are equal to the contribution rate multiplied by the payroll of each active covered employee.

Actuarial Assumptions and Methods
Actuarial assumptions are necessary to estimate the future economic and demographic experience of the Plan. We recommended new actuarial assumptions as of June 30, 2011 based on our experience study of the Plan as of the same date. The Board has approved all of our recommended assumptions.

The actuarial assumptions and methods as used in this valuation are in accordance with the applicable Actuarial Standards of Practice, as well as the parameters set forth in the Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

ACTUARY'S CERTIFICATION LETTER
(continued)

Milliman

City of Roanoke
November 2, 2012
Page 2

The results and conclusions of this report are only valid for the June 30, 2012 plan year and should not be interpreted as applying in future years. Differences between our projections and actual amounts depend on the extent to which future experience conforms exactly to the assumptions used in this analysis.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

Data Reliance
In preparing the valuations, we, as the actuary, relied on data provided by the Plan. In fulfillment of the scope of our assignment, we performed a limited review of the data for consistency and reasonableness and did not find material defects in the census data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Supporting Schedules
Our firm, as actuary, is responsible for the data relating to the trend in funded status in the financial section of the annual financial report and the supporting schedules in the actuarial section, beginning with the information for the June 30, 2007 valuation. Information for previous years was supplied by other actuarial firms employed by the Plan at that time. Milliman's work product was prepared exclusively for the City of Roanoke for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Plans' operations, and uses data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

Certification
Based on the results of the June 30, 2012 valuation, we believe that the valuation appropriately reflects the Plan's long term obligations, and the current contribution levels are sufficient to fund the liabilities of the Plan over a reasonable time frame.

We, Robert Dezube and Mona Jani, are pension actuaries for Milliman. We are also members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. On the basis of the foregoing, we certify that, to the best of our knowledge this report is complete and accurate and has been prepared in accordance with Plan's provisions and generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

Respectfully submitted,

Milliman, Inc.

Robert Dezube, FSA, MAAA
Principal and Consulting Actuary

Mona Jani ASA, MAAA
Associate Actuary

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SCHEDULE OF ACTUARIAL ASSUMPTIONS AND METHODS

ASSUMPTIONS

Interest Rate: The investment return of the fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of assets for the fiscal year ended June 30, 2012 was 3.0%. The investment return on the actuarial value of assets was 1.5%, whereas the expected rate of return was 7.75% compounded annually (adopted as of June 30, 1996).

General Employees - Separation from Active Service: Illustrative rates of assumed separation from service are as follows (adopted June 30, 2011):

Service	Withdrawal
0	20.00%
1	18.00
2	16.00
3	14.00
4	12.00
5	11.00
10	6.00
15	3.50
20	1.50
25	0.25

General Employees - Early, Normal and Disability Retirement and Deaths (adopted June 30, 2011):

	Early	Disability		Death		Normal
Age	Retirement	Non-Occ	Occupational	Male	Female	Retirement
20		0.04%		0.04%	0.02%	
25		0.04		0.05	0.03	
30		0.05		0.06	0.03	
35		0.08		0.10	0.06	
40		0.12	0.01%	0.13	0.09	
45		0.18	0.01	0.19	0.14	
50		0.27	0.01	0.27	0.21	50.00%
51		0.28	0.01	0.31	0.23	16.00
55	5.00%	0.37	0.02	0.45	0.34	20.00
58	5.00	0.48	0.02	0.66	0.49	16.00
60	10.00	0.60	0.03	0.84	0.63	16.00
61	10.00	0.67	0.03	0.96	0.73	16.00
62	10.00	0.75	0.04	1.09	0.83	28.00
63	10.00	0.82	0.04	1.25	0.96	28.00
64	10.00	0.90	0.04	1.41	1.08	28.00
65				1.59	1.23	28.00
66				1.80	1.37	20.00
67				2.01	1.52	20.00
68				2.23	1.68	20.00
69				2.48	1.86	20.00
70						100.00

SCHEDULE OF ACTUARIAL ASSUMPTIONS AND METHODS
(continued)

Public Safety - Separation from Active Service: Illustrative rates of assumed separation from service are as follows (adopted June 30, 2011):

Service	Withdrawal
0	11.00%
1	10.00
2	9.00
3	8.00
4	7.50
5	7.00
10	4.50
15	2.50
20	1.25
25	0.25

Public Safety - Early, Normal and Disability Retirement and Deaths (adopted June 30, 2011):

	Disability		Death		Normal & Early
Age	Non-Occ	Occupational	Male	Female	Retirement
20	0.02%	0.02%	0.03%	0.02%	
25	0.02	0.03	0.05	0.03	
30	0.03	0.03	0.06	0.03	
35	0.04	0.05	0.10	0.06	
40	0.07	0.07	0.13	0.09	
45	0.12	0.13	0.19	0.14	20.00%
50	0.21	0.22	0.27	0.21	20.00
54	0.22	0.24	0.40	0.30	20.00
55	0.30	0.32	0.45	0.34	20.00
59	0.36	0.38	0.74	0.56	20.00
60		0.45	0.84	0.63	20.00
61		0.52	0.96	0.73	20.00
62		0.56	1.09	0.83	20.00
63		0.60	1.25	0.96	20.00
64		0.63	1.41	1.08	20.00
65			1.59	1.21	100.00

SCHEDULE OF ACTUARIAL ASSUMPTIONS AND METHODS
(continued)

SALARY INCREASES: Effective average of 3.50% per annum, compounded annually. The components are 2.75% for inflation, 0.5% for national productivity and 0.25% for merit or seniority increases (adopted June 30, 2011). Representative values of the assumed annual salary increases are as follows:

Age	Annual Rate of Salary Increase
20	5.00%
25	4.50
30	4.00
35	3.50
40	3.50
45	3.25
50	3.00
55	2.75
60	2.50
64	2.50

DEATHS AFTER RETIREMENT: 125% of the RP-2000 Mortality Tables for Males and Females projected with general mortality improvements (adopted June 30, 2011) for service retirements and dependent beneficiaries. For disability retirements, 70% of PBGC Disabled Mortality Table 5a for Males, 90% of PBGC Disabled Mortality 6a for females (adopted June 30, 2006).

FUTURE EXPENSES: The assumed interest rate used in the valuation is net of the anticipated future administrative expenses of the trust fund (adopted June 1984).

LOADING OR CONTINGENCY RESERVES: None.

TREND FOR RETIREE SUPPLEMENT: Medical trend rates consistent with information from the Getzen Trend Model, *Guidelines* and actuarial judgment (adopted June 30, 2011). The Getzen Model is the current industry standard for projecting long term medical trends. Inputs to the model are consistent with the assumptions used in deriving assumed investment rates of return (and the discount) used in the valuation. These trend rates do not include the effects of changes in demographics of the covered group.

Period	Trend
2012 to 2013	6.60%
2020 to 2021	5.60
2025 to 2026	5.60
2030 to 2031	5.50
2035 to 2036	5.50
2040 to 2041	5.20
2045 to 2046	5.10
2050 to 2051	5.00
2055 to 2056	5.00
2060 to 2061	5.00
2065 to 2066	4.90
2070 to 2071	4.70
2075 to 2076	4.70
2080 to 2081	4.50
2085 to 2086	4.40

SCHEDULE OF ACTUARIAL ASSUMPTIONS AND METHODS
(continued)

MARITAL STATUS: 70% of active members are assumed to be married, with the husband three years older than his wife (adopted June 30, 1984).

OPTIONAL FORM OF PAYMENT: 50% of active and deferred vested members covered under ESRS who are assumed to be married elect an optional spousal allowance (adopted June 30, 1996).

ANNUAL RATE OF PAYROLL GROWTH: For the purpose of amortizing the UAL as a level percent of payroll, a 3.00% annual rate of payroll growth is assumed (adopted June 30, 2011).

METHODS

ACTUARIAL COST METHOD: Projected Unit Credit (PUC) Actuarial Cost Method. The accrued liability and the normal cost are used to determine the City's contribution requirement. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's average final compensation projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial accrued liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the Plan year for each active member under the assumed retirement age (adopted June 30, 2001).

The actuarial accrued liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility.

The actuarial accrued liability for inactive members is determined as the actuarial present value of the benefits expected to be paid; no normal cost is determined for these members.

ASSET VALUATION METHOD: The valuation assets are determined as the market value less (1) 80% of the net appreciation during the preceding year, (2) 60% of the net appreciation during the second preceding year, (3) 40% of the net appreciation during the third preceding year, and (4) 20% of the net appreciation during the fourth preceding year (adopted June 30, 1976). Beginning with the fiscal year ending June 30, 2007, the net appreciation or depreciation will be determined annually as the difference between the actual and expected market value of assets.

DATA

CENSUS AND ASSETS: The valuation was based on members of the Plan as of June 30, 2012. The contributions are based on the actual compensation received by members during the ongoing fiscal year, as reported by the City Manager. Therefore, the contributions reflect the effect of new members and members who terminated during the fiscal year. All census data was supplied by the City and was subject to reasonable consistency checks. Asset data was supplied by the City. An experience study is performed every five years, based upon data supplied by the City during the five year period. Recommended changes to the actuarial assumptions, if any, based upon the experience study are approved by the Board of Trustees. The last experience study was performed for the five year period ended June 30, 2011.

SCHEDULE OF ACTUARIAL ASSUMPTIONS AND METHODS
(continued)

CHANGES

LEGISLATIVE AND ADMINISTRATIVE: The following legislative change, adopted since the last valuation, had an impact on the current valuation:

- A 1.5% cost of living adjustment, effective July 1, 2012, for persons retired on or before July 1, 2011. This change increased the actuarial liability by $3,468,805 as of July 1, 2012

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

GENERAL ACTIVE MEMBERS

Valuation Date	Number	Annual Payroll*	Annual Average Salary	Percent Increase Average Salary
6/30/2007	1,556	55,041,881	35,374	8.7
6/30/2008	1,520	56,375,433	37,089	4.8
6/30/2009	1,425	54,030,511	37,916	2.2
6/30/2010	1,338	50,515,889	37,755	-0.4
6/30/2011	1,312	49,430,548	37,676	-0.2
6/30/2012	1,279	48,509,829	37,928	0.7

PUBLIC SAFETY ACTIVE MEMBERS

Valuation Date	Number	Annual Payroll*	Annual Average Salary	Percent Increase Average Salary
6/30/2007	514	22,875,734	44,505	6.4
6/30/2008	522	24,169,957	46,303	4.0
6/30/2009	510	23,936,082	46,933	1.4
6/30/2010	494	22,829,720	46,214	-1.5
6/30/2011	495	22,510,447	45,476	-1.6
6/30/2012	502	22,491,653	44,804	-1.5

* Annual payroll for valuation calculations is the annualized payroll for active members as of June 30, 2012. Covered payroll presented on page 33 of the Financial Section of this Report represents actual payroll used to determine employer funding from July 1, 2011 to June 30, 2012.

SCHEDULE OF RETIREE AND BENEFICIARY DATA

	Added to Rolls		Removed from Rolls		On Rolls at Year End			
Valuation Date	No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowances	Average Annual Allowance	Percent Increase Avg Allowance
6/30/2007	119	1,715,026	55	500,878	1,691	24,537,361	14,511	4.0
6/30/2008	81	1,452,780	77	880,653	1,695	25,437,852	15,008	3.4
6/30/2009	122	1,809,287	46	523,728	1,771	26,723,411	15,089	0 .5
6/30/2010	121	2,419,280	53	690,912	1,839	28,295,951	15,387	2.0
6/30/2011	94	1,565,448	64	752,340	1,869	29,106,379	15,573	1.2
6/30/2012	99	1,551,027	78	658,884	1,890	30,262,859	16,012	2.8

SOLVENCY TEST

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

A short condition test is one means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with: (1) the liability for active member contributions on deposit; (2) the liabilities for future benefits to present retired lives; (3) the liabilities for service already rendered by active members. The City of Roanoke Pension Plan is a non-contributory plan, thus there is no liability for member contributions on deposit. In a system that has been following the discipline of level percent of payroll financing, the liabilities for future benefits to present retired lives (liability A) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability B) will be at least partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability B will increase over time.

This is the relationship between accrued liabilities and assets of the Pension Plan over the last six years:

	Aggregate Actuarial Accrued Liabilities For			Portion of Accrued Liabilities Covered by Valuation Assets	
Valuation Date	(A) Retirees & Beneficiaries	(B) Active Member	Valuation Assets	(A)	(B)
6/30/2007	$ 242,314,631	$ 138,788,116	$ 323,238,631	100%	58.3%
6/30/2008	249,799,036	146,670,586	351,815,425	100	69.6
6/30/2009	257,729,297	149,440,789	351,150,038	100	62.5
6/30/2010	272,889,716	139,661,258	339,501,962	100	47.7
6/30/2011	262,320,726	123,307,640	332,786,061	100	57.1
6/30/2012	269,598,459	123,960,018	320,455,993	100	41.0

ANALYSIS OF FINANCIAL EXPERIENCE

Approximate reconciliation of gains (losses) in the unfunded accrued liability during the years presented resulting from differences between assumed experience and actual experience:

	2012	2011	2010
Increase (Decrease) in unfunded accrued liability			
Unfunded accrued liability, prior year	$ 52,842,305	$ 73,049,012	$ 56,020,047
Interest for the one year	4,153,340	5,824,339	4,538,065
Contributions toward unfunded accrued liability	(5,382,017)	(3,496,961)	(2,987,478)
Expected unfunded accrued liability, current year	51,613,628	75,376,390	57,570,634
Actual unfunded accrued liability, current year	73,102,484	52,842,305	73,049,012
Increase/(Decrease) from expected unfunded liability	$ 21,488,856	$ (22,534,085)	$ 15,478,378
Experience of the Plan			
Investment return on actuarial asset value	$ 20,291,924	$ 14,944,659	$ 21,345,545
Non-Investment (gain)/loss due to plan experience*	(2,289,873)	(12,520,615)	(5,867,167)
Total	18,002,051	2,424,044	15,478,378
Legislative changes	3,486,805	-	-
Assumption changes	-	(24,958,129)	-
Total Increase/(Decrease)	$ 21,488,856	$ (22,534,085)	$ 15,478,378

	2009	2008	2007
Increase (Decrease) in unfunded accrued liability			
Unfunded accrued liability, prior year	$ 44,654,197	$ 57,864,116	$ 67,262,104
Interest for the one year	3,634,179	4,614,858	5,311,508
Contributions toward unfunded accrued liability	(3,682,936)	(4,464,456)	(4,419,717)
Expected unfunded accrued liability, current year	44,605,440	58,014,518	68,153,895
Actual unfunded accrued liability, current year	56,020,047	44,654,197	57,864,116
Increase/(Decrease) from expected unfunded liability	$ 11,414,607	$ (13,360,321)	$ (10,289,779)
Experience of the Plan			
Investment return on actuarial asset value	$ 12,948,058	$ (16,641,972)	$ (14,276,659)
Non-Investment (gain)/loss due to plan experience*	(1,533,451)	(516,619)	3,858,581
Total	11,414,607	(17,158,591)	(10,418,078)
Legislative changes	-	3,798,270	4,384,897
Assumption changes	-	-	(4,256,598)
Total Increase/(Decrease)	$ 11,414,607	$ (13,360,321)	$ (10,289,779)

* Allocation of elements of Plan experience unavailable for fiscal years after 2006 due to change in actuary.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

The City of Roanoke Pension Plan is a cost sharing, multiple employer, defined benefit plan comprised of two retirement systems:

- Employees' Supplemental Retirement System (ESRS)
- Employees' Retirement System (ERS)

Employees hired or rehired on or after July 1, 1984 are members of the ESRS.

Members who were employed on or before June 30, 1984 and did not exercise their option to transfer to the ESRS remained members of the ERS. On November 28, 1994, City Council authorized the City of Roanoke Pension Plan to offer these members another opportunity to transfer to the ESRS. Of the 565 eligible members, 128 took advantage of the option from February 1, 1995 to May 16, 1995. On June 1, 1998 and again on November 2, 1998, City Council authorized the Pension Plan to offer members of the ERS another opportunity to transfer to the ESRS. Of the eligible members, 161 took advantage of the option from July 1, 1998 to August 31, 1998, and 30 elected the option from December 1, 1998 to December 31, 1998. On June 5, 2000, City Council authorized the Pension Plan to offer members of the ERS another opportunity to transfer to the ESRS. Of the eligible members, 17 elected the option from July 1, 2000 to July 31, 2000. In addition, employees of the City as of July 1, 2000, whose positions were funded by grants could execute an irrevocable election between July 1, 2000, and August 31, 2000, to become a member of ESRS. Eleven (11) members elected this option. Employees hired after July 1, 2000, whose positions are funded by grants, shall participate in ESRS only if such participation is a term of their employment.

Upon entering the Plan, members are classified according to their occupational group either as general employees, firefighter or police officers.

Employees are not required to contribute to the Pension Plan. Approximately 90 days prior to the beginning of the City's fiscal year, the Pension Plan files with the City Manager certification of the appropriation necessary to pay the required contribution. This amount is certified by the actuary and such amount is included in the City's budget.

A summary of the benefit and contribution provisions of the two systems are as follows:

Employees' Supplemental Retirement System

Normal Service Retirement Allowance

- **Eligibility** Age 65 with 5 years of creditable service, or (i) age 50 with age plus service equal to 80 for general employees, or (ii) age 45 with age plus service equal to 70 for firefighters and police officers.

- **Amount** 2.1% of average final compensation for each year of creditable service up to 30 years. “Average Final Compensation” means the average annual earnable compensation (excluding overtime) during the 36 consecutive months of creditable service yielding the highest such average prior to retirement.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(continued)

Early Service Retirement Allowance

- **Eligibility** Age 55 with 5 years of creditable service.
- **Amount** Accrued service retirement allowance deferred to normal retirement age. A member may elect to receive an immediate benefit equal to the accrued service retirement allowance reduced by ½ of 1% for each month commencement date precedes the normal retirement date for each of the first 60 months, and ¼ of 1% for each month in excess of 60.

Vested Allowance

- **Eligibility** 5 years of creditable service.
- **Amount** Accrued service retirement allowance deferred to normal retirement age. A member may elect to receive a benefit commencing on or after early service retirement age, reduced in the same manner as for an early service retirement allowance.

Nonoccupational Disability Retirement Allowance

- **Eligibility** 5 years of creditable service and total and permanent disability not due to an accident in the performance of duty.
- **Amount** Accrued service retirement allowance.

Occupational Disability Retirement Allowance

- **Eligibility** Total and permanent disability as a result of an accident in the performance of duty, regardless of the length of service.
- **Amount** 66 2/3 % of average final compensation.

Nonoccupational Death Benefit to Spouse

- **Eligibility** Death in active service after the completion of 10 years of creditable service. Member must have been married to spouse at least one year prior to death.
- **Amount** 50% of the accrued service retirement allowance. If spouse is more than 5 years younger than the member, the benefit is reduced by 1/6 of 1% for each month in excess of 5 years.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(continued)

Occupational Death Benefit to Spouse

- **Eligibility** Death in active service resulting from an accident in the performance of duty.
- **Amount** 50% of average final compensation is payable to spouse until death or remarriage. If there is no spouse or if spouse dies or remarries, benefit is payable to children under age 18.

Offset on Account of Worker's Compensation

All benefits paid under the provisions of the Virginia Worker's Compensation Act or any similar law to any member or beneficiary, or to the dependents of any member or beneficiary on account of any disability or death reduce any benefits provided from City contributions to the Plan.

Employees' Retirement System

Normal Service Retirement Allowance

- **Eligibility** Age 60 or 30 years of creditable service.
- **Amount** 1/70 (1.429%) of average final compensation for each year of creditable service. "Average Final Compensation" means the highest annual earnable compensation, excluding overtime, during any 12 consecutive months of creditable service.

Early Service Retirement Allowance

- **Eligibility** 20 years of creditable service.
- **Amount** Accrued service retirement allowance deferred to normal retirement age. A member may elect to receive an immediate benefit equal to the accrued service retirement allowance, reduced by 5/9 of 1% for each month commencement date precedes the normal retirement date for each of the first 60 months and 5/18% for each month in excess of 60.

Vested Allowance

- **Eligibility** 10 years of creditable service.
- **Amount** Accrued service retirement allowance deferred to normal retirement age. A member may elect to receive a benefit commencing prior to minimum service retirement age but after the date the member would have otherwise completed 20 years of creditable service, reduced in the same manner as for an early service retirement allowance.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(continued)

Nonoccupational Disability Retirement Allowance

- **Eligibility** 5 years of creditable service and total and permanent disability not due to an accident in the performance of duty.
- **Amount** Accrued service retirement allowance. Minimum allowance is equal to 25% of average final compensation, but not greater than the allowance the member would have received at the minimum service retirement age.

Occupational Disability Retirement Allowance

- **Eligibility** Total and permanent disability as a result of an accident in the performance of duty, regardless of the length of service.
- **Amount** 66 2/3% of average final compensation.

Nonoccupational Death Benefits

- **Eligibility** Death in active service not due to an accident in the performance of duty
- **Amount** If member had completed one or more years of creditable service, a lump sum benefit equal to 50% of earnable compensation during year immediately preceding member's death is payable to person nominated by member or to the member's estate.

Occupational Death Benefit to Spouse

- **Eligibility** Death in active service resulting from an accident in the performance of duty.
- **Amount** 50% of average final compensation is payable to spouse until death or remarriage. If there is no spouse, or if spouse dies or remarries, benefit is payable to children under age 18, or dependent parents if there are no children under age 18. If there is no spouse, children under age 18, or dependent parents, member's death will be treated as a nonoccupational death.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(continued)

Spouse's Death Benefit

- **Eligibility** — Death which occurs (i) in active service after age 60 or 20 years of creditable service, or (ii) in the case of a member who retired on or after July 1, 1973, or (iii) in the case of a former member who is in receipt of a vested allowance. Member must have been married to spouse at retirement and at least one year prior to death. Retired or former members who have elected an optional form of retirement allowance are not eligible.

- **Amount** — 50% of amount to which member was entitled or would have been entitled at time of death. If spouse is more than 5 years younger than the member, the benefit is reduced by 1/6 of 1% for each such month in excess of 5 years.

Offset on Account of Worker's Compensation

All benefits paid under the provisions of the Virginia Worker's Compensation Act or any similar law to any member or beneficiary, or to the dependents of any member or beneficiary on account of any disability or death reduce any benefits provided from City contributions to the Plan.

Firefighter and Police Officers Coverage

Any firefighter or police officer in active service as of July 1, 1973, who would otherwise be entitled upon retirement to a pension, may elect in writing to the Board to become a member of this system at any time prior to retirement. All benefits payable on or after July 1, 1973 to persons not members of this Plan are to be paid from the funds of this Plan.

NORMAL AND OPTIONAL FORMS OF BENEFITS

- **Lump Sum Payments** — Monthly benefit allowances of $50 or less are to be paid in an actuarially determined lump sum distribution. Member consent is required for lump sums in excess of $5,000.

- **Normal Form** — Life Annuity

- **Optional Forms Available to Members Covered Under ESRS**

  A member can elect to convert his retirement allowance into an optional spousal allowance of equivalent actuarial value. The spouse must be married to the member at retirement and one year prior to death of the member and must sign the election form designated by the Board. The options are as follows:

  Option 1 - Joint and 100% survivorship annuity.

  Option 2 - Joint and 75% survivorship annuity.

  Option 3 - Joint and 50% survivorship annuity.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(continued)

If an optional allowance is selected and the spouse dies before the member, the member's pension will be increased by the amount by which the allowance was reduced due to the election of the spousal allowance.

- **Optional Forms Available to Members Covered Under ERS**

  A member can elect to convert his retirement allowance into a modified retirement allowance of equivalent actuarial value. The optional forms available are as follows:

  Option 1 - Joint and 100% survivorship annuity.

  Option 2 - Joint and 50% survivorship annuity.

  Option 3 - Benefit of equivalent actuarial value subject to approval by the Board.

If an optional allowance is selected and the spouse dies before the member, the member's pension will be increased by the amount by which the allowance was reduced due to the election of the spousal allowance.

MISCELLANEOUS

- **Minimum Retirement Allowance for All Members**

  All members are entitled to receive a pension, which is not less than the amount they would have received on June 30, 1978 if they retired on that date.

- **Benefit Calculation Rule Applicable to Council Members and Council-Appointed Officers**

  For Council members and Council-appointed officers who were members of the Plan between June 30, 1992 and September 14, 1992, retirement allowances under the regular plan formula, but not minimum retirement allowances, are calculated on a basis which treats total actual membership service through September 14, 1992 as being multiplied by a factor of two.

- **Retiree Medical Supplement**

  Any covered City employee who retires with at least 20 years of service will receive a monthly supplement equal to the greater of (a) $159; or, (b) an amount equal to seventy-five (75) percent of the amount the city contributes monthly toward the cost of a single, active employee's health insurance. The supplement amount commences at retirement and is payable to the earlier of death or attainment of age 65. This supplement is not adjusted for cost of living increases (COLAs).

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS
(continued)

- **Portability**

  The City has entered reciprocal portability agreements with the Virginia Retirement System and the City of Newport News to allow the transfer of assets between systems. The assets transferred are to be used to provide creditable service for a member of more than one system who authorizes the transfer in order to consolidate creditable service under one retirement system.

- **Purchase of Service**

  Members of ESRS who have creditable service with another retirement system with which the City has a portability agreement or members of ESRS who have service with the City in a grant funded position prior to becoming a member of ESRS, may elect to purchase creditable service under ESRS by making pre-tax contributions through payroll deduction to facilitate the purchase.

CONTRIBUTIONS

- **By Members** No contributions are required under either system.

- **By City** Annual contributions actuarially computed to be required to cover the cost of benefits and administrative expenses.

The Statistical Section is intended to provide trend data affecting the Plan, including financial, demographic and operating trend information. The Schedule of Change in Net Assets is intended to provide historical trend data focused on the Plan's financial activity. The Schedule of Benefit Payments by Type provides historical financial information on benefits paid to Plan participants. The Schedule of Retired Members by Type of Benefit provides demographic and operating information regarding the Plan's members currently in receipt of benefits and members to whom future benefits are owed. The Schedule of Average Benefit Payments provides historical financial, demographic, and operating trend information relative to retirements occurring in a given year. The Schedule of Contributions by Participating Employers provides historical financial and operating information on one of the Plan's sources of financial assets. The Schedule of Participating Employers provides demographic and operating information regarding the Plan's active employee membership.

SCHEDULE OF CHANGE IN NET ASSETS

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Additions/(Reductions)					
Employer Contributions	$ 4,674,288	$ 5,404,275	$ 6,813,820	$ 9,135,620	$ 11,386,413
Net Investment Income/(Loss)*	6,791,466	35,998,683	25,507,646	28,492,088	56,774,263
Total Net Additions/ (Reductions) to Plan Net Assets	11,465,754	41,402,958	32,321,466	37,627,708	68,160,676
Deductions					
Benefits Payments	16,708,912	18,171,213	20,259,828	21,747,304	23,494,619
Administrative Expenses	308,100	289,449	311,624	323,728	326,605
Total Deductions from Plan Net Assets	17,017,012	18,460,662	20,571,452	22,071,032	23,821,224
Change in Plan Net Assets	$ (5,551,258)	$ 22,942,296	$ 11,750,014	$ 15,556,676	$ 44,339,452

* Includes Net Income from Securities Lending Activity

SCHEDULE OF BENEFIT PAYMENTS BY TYPE

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Type of Benefit					
Age and Service Benefits					
Retirees	$ 14,389,644	$ 15,866,208	$ 17,936,390	$ 19,236,643	$ 20,884,023
Beneficiaries	891,655	879,748	860,808	938,367	966,572
Age and Service Benefits					
Occupational	293,261	307,102	322,934	342,395	378,080
Non-Occupational	751,814	698,108	743,308	794,894	823,330
Beneficiaries	382,538	404,166	392,225	401,093	434,825
Lump-Sum Benefits					
Retirees	-	15,881	4,163	33,912	7,789
Beneficiaries	-	-	-	-	-
Total Benefits	$ 16,708,912	$ 18,171,213	$ 20,259,828	$ 21,747,304	$ 23,494,619

SCHEDULE OF CHANGE IN NET ASSETS

(continued)

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Additions/(Reductions)					
Employer Contributions	$ 12,293,786	$ 11,842,752	$ 11,046,210	$ 11,201,409	$ 12,273,266
Net Investment Income/(Loss)*	(21,236,397)	(63,199,140)	31,249,456	67,683,461	7,650,059
Total Net Additions/ (Reductions) to Plan Net Assets	(8,942,611)	(51,356,388)	42,295,666	78,884,870	19,923,325
Deductions					
Benefits Payments	24,920,666	26,266,843	27,909,420	28,609,491	29,426,310
Administrative Expenses	324,803	331,943	337,878	335,879	367,624
Total Deductions from Plan Net Assets	25,245,469	26,598,786	28,247,298	28,945,370	29,793,934
Change in Plan Net Assets	$ (34,188,080)	$ (77,955,174)	$ 14,048,368	$ 49,939,500	$ (9,870,609)

* Includes Net Income from Securities Lending Activity

SCHEDULE OF BENEFIT PAYMENTS BY TYPE

(continued)

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Type of Benefit					
Age and Service Benefits					
Retirees	$ 22,194,375	$ 23,457,757	$ 25,035,767	$ 25,721,967	$ 26,424,778
Beneficiaries	958,941	1,008,062	1,045,346	1,110,200	1,118,717
Age and Service Benefits					
Occupational	395,920	429,501	442,730	418,222	461,608
Non-Occupational	862,435	879,211	849,782	831,287	906,659
Beneficiaries	477,742	481,345	507,191	517,948	503,786
Lump-Sum Benefits					
Retirees	27,256	10,967	28,604	9,867	10,762
Beneficiaries	3,997	-	-	-	-
Total Benefits	$ 24,920,666	$ 26,266,843	$ 27,909,420	$ 28,609,491	$ 29,426,310

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS
June 30, 2012

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*								Option Selected**			
		1	2	3	4	5	6	7	8	Life	1	2	3
Deferred	525								525				
$ 1 - $100	32	5	3	6	10	0	0	8		26	0	0	6
101 - 200	163	18	23	83	24	0	5	10		101	9	0	53
201 - 300	160	16	31	78	21	0	2	12		90	13	2	55
301 - 400	134	19	36	41	18	0	13	7		81	8	0	45
401 - 500	112	12	37	26	14	0	14	9		76	3	1	32
501 - 600	100	21	26	19	20	0	10	4		61	8	0	31
601 - 700	95	25	25	10	15	0	8	12		56	2	2	35
701 - 800	76	20	25	5	13	0	6	7		46	5	2	23
801 - 900	64	30	14	4	6	0	8	2		31	3	0	30
901 - 1,000	44	25	8	1	5	0	3	2		26	1	1	16
1,001 - 1,100	41	22	6	2	6	0	4	1		20	2	0	19
1,101 - 1,200	48	34	3	0	3	1	3	4		22	2	1	23
1,201 - 1,300	53	36	4	2	6	2	2	1		33	0	1	19
1,301 - 1,400	44	37	1	0	1	2	3	0		25	1	1	17
1,401 - 1,500	40	32	2	0	0	0	4	2		20	1	3	16
1,501 - 1,600	46	38	1	1	3	1	2	0		28	2	5	11
1,601 - 1,700	46	42	3	0	0	0	1	0		29	3	3	11
1,701 - 1,800	60	53	2	1	1	1	2	0		39	1	3	17
1,801 - 1,900	46	42	1	0	0	3	0	0		28	2	1	15
1,901 - 2,000	55	50	1	0	0	2	2	0		43	0	1	11
2,001 - 2,200	94	91	1	0	2	0	0	0		65	6	3	20
2,201 - 2,400	92	89	0	0	1	2	0	0		64	4	1	23
2,401 - 2,600	71	70	1	0	0	0	0	0		52	2	1	16
2,601 - 2,800	41	38	0	0	0	3	0	0		30	3	0	8
2,801 - 3,000	33	29	2	1	0	1	0	0		28	0	1	4
Over 3,000	100	96	0	1	1	1	1	0		68	1	4	27
Total	2,415	990	256	281	170	19	93	81	525	1,188	82	37	583

*Type of Retirement
1 Normal retirement for age and/or service
2 Early retirement
3 Vested retirement
4 Beneficiary - normal, early, or vested retirement
5 Occupational disability retirement
6 Non-occupational disability retirement
7 Beneficiary - disability retirement
8 Deferred future benefits

**Option Selected

Life	No spousal
Option 1	100% spousal
Option 2	75% spousal
Option 3	50% spousal

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Retirement Effective Dates	Years Credited Service					
	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +
July 1, 2002 to June 30, 2003						
Average Monthly Benefits	$ 888.33	$ 418.57	$ 728.29	$ 1,221.00	$ 1,898.80	$ 2,197.97
Average Monthly Final Salaries	$ 2,654.33	$ 2,856.67	$ 2,813.17	$ 2,729.55	$ 3,486.92	$ 3,658.99
Number of Active Retirees	9	14	7	8	25	34
July 1, 2003 to June 30, 2004						
Average Monthly Benefits	$ 340.32	$ 352.62	$ 601.56	$ 1,619.23	$ 2,307.22	$ 2,338.40
Average Monthly Final Salaries	$ 2,088.02	$ 2,659.70	$ 2,228.78	$ 3,483.96	$ 4,235.88	$ 3,804.30
Number of Active Retirees	8	13	9	13	18	25
July 1, 2004 to June 30, 2005						
Average Monthly Benefits	$ 184.38	$ 340.60	$ 726.14	$ 1,185.94	$ 1,917.86	$ 2,257.43
Average Monthly Final Salaries	$ 1,816.42	$ 2,348.72	$ 2,660.45	$ 3,006.60	$ 3,321.71	$ 3,633.07
Number of Active Retirees	8	5	7	16	22	28
July 1, 2005 to June 30, 2006						
Average Monthly Benefits	$ 257.25	$ 423.10	$ 469.50	$ 1,471.47	$ 1,975.74	$ 2,111.42
Average Monthly Final Salaries	$ 2,541.23	$ 2,273.50	$ 1,890.91	$ 3,151.56	$ 3,747.30	$ 3,588.88
Number of Active Retirees	8	10	12	15	23	19
July 1, 2006 to June 30, 2007						
Average Monthly Benefits	$ 275.38	$ 422.75	$ 537.00	$ 1,150.50	$ 2,101.36	$ 2,234.50
Average Monthly Final Salaries	$ 2,147.90	$ 2,073.90	$ 1,946.43	$ 3,185.00	$ 3,811.33	$ 3,816.92
Number of Active Retirees	8	8	8	18	14	22
July 1, 2007 to June 30, 2008						
Average Monthly Benefits	$ 357.49	$ 569.64	$ 600.45	$ 1,557.48	$ 1,898.09	$ 2,454.24
Average Monthly Final Salaries	$ 3,565.91	$ 3,244.43	$ 2,659.88	$ 3,387.20	$ 3,545.21	$ 4,230.92
Number of Active Retirees	12	4	8	21	13	11
July 1, 2008 to June 30, 2009						
Average Monthly Benefits	$ 323.64	$ 451.44	$ 849.09	$ 1,662.50	$ 1,578.78	$ 2,211.16
Average Monthly Final Salaries	$ 3,052.90	$ 2,562.20	$ 3,313.60	$ 3,592.90	$ 3,092.90	$ 3,867.20
Number of Active Retirees	11	9	11	14	9	19
July 1, 2009 to June 30, 2010						
Average Monthly Benefits	$ 226.54	$ 768.27	$ 1,072.86	$ 1,390.39	$ 1,961.22	$ 2,148.90
Average Monthly Final Salaries	$ 2,000.86	$ 3,816.06	$ 3,412.93	$ 2,741.14	$ 2,832.66	$ 3,364.21
Number of Active Retirees	13	11	7	18	23	31
July 1, 2010 to June 30, 2011						
Average Monthly Benefits	$ 309.00	$ 759.50	$ 1,088.57	$ 1,708.11	$ 2,707.00	$ 2,226.45
Average Monthly Final Salaries	$ 2,719.33	$ 3,505.94	$ 2,564.06	$ 3,781.89	$ 5,002.84	$ 4,000.81
Number of Active Retirees	16	10	7	18	10	11
July 1, 2011 to June 30, 2012						
Average Monthly Benefits	$ 356.36	$ 491.33	$ 548.60	$ 1,922.88	$ 2,231.62	$ 2,377.40
Average Monthly Final Salaries	$ 3,101.43	$ 2,790.58	$ 2,434.09	$ 4,078.00	$ 4,123.58	$ 4,014.85
Number of Active Retirees	14	18	10	16	13	10

SCHEDULE OF CONTRIBUTIONS BY PARTICIPATING EMPLOYERS

	Fiscal Year Ended June 30,				
Participating Employer	**2003**	**2004**	**2005**	**2006**	**2007**
City of Roanoke	$ 4,120,366	$ 4,694,757	$ 5,500,100	$ 7,413,736	$ 9,308,588
City of Roanoke School Board	288,393	372,690	490,739	637,313	787,741
Roanoke Regional Airport Commission	129,422	169,967	223,245	307,623	393,086
Roanoke Valley Resource Authority	14,408	17,352	22,541	19,091	14,901
Roanoke Valley Detention Commission	121,699	149,509	189,871	255,715	315,503
Western Virginia Water Authority	-	-	387,324	502,142	566,594
Total Contributions	$ 4,674,288	$ 5,404,275	$ 6,813,820	$ 9,135,620	$ 11,386,413

	Fiscal Year Ended June 30,				
Participating Employer	**2008**	**2009**	**2010**	**2011**	**2012**
City of Roanoke	$ 10,157,789	$ 9,823,301	$ 9,226,527	$ 9,451,109	$ 10,360,098
City of Roanoke School Board	799,025	715,080	612,111	572,600	598,352
Roanoke Regional Airport Commission	439,446	453,598	416,735	422,882	481,611
Roanoke Valley Resource Authority	16,179	17,018	17,352	17,822	18,645
Roanoke Valley Detention Commission	324,560	311,606	300,042	270,690	299,651
Western Virginia Water Authority	556,787	522,149	473,443	466,306	514,909
Total Contributions	$ 12,293,786	$ 11,842,752	$ 11,046,210	$ 11,201,409	$ 12,273,266

The City of Roanoke Pension Plan is a cost sharing, multiple employer, defined benefit plan. Participating entities and their related contributions are presented above for the fiscal year indicated.

SCHEDULE OF PARTICIPATING EMPLOYERS

	Fiscal Year Ended June 30,					
	2006		2007		2008	
Participating Employer	Covered Employees	Percent of of Total System	Covered Employees	Percent of Total System	Covered Employees	Percent of Total System
City of Roanoke	1,545	74.84%	1,579	76.28%	1,576	77.17%
City of Roanoke School Board**	273	13.23%	256	12.37%	238	11.66%
Western Virginia Water Authority*	119	5.77%	103	4.98%	98	4.80%
Roanoke Regional Airport Commission	61	2.96%	65	3.14%	66	3.23%
Roanoke Valley Detention Commission	63	3.05%	64	3.09%	61	2.99%
Roanoke Valley Resource Authority*	3	0.15%	3	0.14%	3	0.15%
Total Contributions	2,064	100.00%	2,070	100.00%	2,042	100.00%

	Fiscal Year Ended June 30,					
	2009		2010		2011	
Participating Employer	Covered Employees	Percent of Total System	Covered Employees	Percent of Total System	Covered Employees	Percent of Total System
City of Roanoke	1,506	77.82%	1,449	79.10%	1,448	80.13%
City of Roanoke School Board**	211	10.90%	184	10.04%	172	9.52%
Western Virginia Water Authority*	88	4.55%	82	4.48%	73	4.04%
Roanoke Regional Airport Commission	64	3.31%	61	3.33%	60	3.32%
Roanoke Valley Detention Commission	63	3.26%	53	2.89%	51	2.82%
Roanoke Valley Resource Authority*	3	0.16%	3	0.16%	3	0.17%
Total Contributions	1,935	100.00%	1,832	100.00%	1,807	100.00%

	Fiscal Year Ended June 30,	
	2012	
Participating Employer	Covered Employees	Percent of Total System
City of Roanoke	1,455	81.70%
City of Roanoke School Board**	145	8.14%
Western Virginia Water Authority*	70	3.93%
Roanoke Regional Airport Commission	62	3.48%
Roanoke Valley Detention Commission	47	2.64%
Roanoke Valley Resource Authority*	2	0.11%
Total Contributions	1,781	100.00%

Note: With the exception of the City of Roanoke School Board, employment of covered employees of the respective Authorities and Commissions originated with the City of Roanoke. Upon creation of the Western Virginia Water Authority and Roanoke Valley Resource Authority active members of the City of Roanoke Pension Plan (Plan) either maintained or elected to retain membership in the Plan. Upon creation of the Roanoke Regional Airport Commission and the Roanoke Valley Detention Commission, each entity requested, and approved by City Council, to maintain membership of all active eligible employees in the Plan.

* Constitutes closed group, no new employees admitted to membership.

** Constitutes closed group, no new employees admitted to membership after June 30, 2006.

Historical information for membership by employer is not available for this schedule before June 30, 2006.

City of Roanoke
Department of Finance
Retirement Administration

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