

WASTE MANAGEMENT INC  
Form 11-K  
June 24, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended December 31, 2009**

**or**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-12154  
WASTE MANAGEMENT RETIREMENT SAVINGS PLAN  
Waste Management, Inc.  
1001 Fannin Street  
Suite 4000  
Houston, TX 77002**

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WASTE MANAGEMENT RETIREMENT SAVINGS PLAN  
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

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Report of Independent Registered Public Accounting Firm

Administrative Committee

Waste Management Retirement Savings Plan

We have audited the accompanying statement of net assets available for benefits of the Waste Management Retirement Savings Plan (the Plan ) as of December 31, 2009 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and the changes in net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McConnell & Jones LLP

Houston, Texas

June 24, 2010

Report of Independent Registered Public Accounting Firm

Administrative Committee

Waste Management Retirement Savings Plan

We have audited the accompanying statement of net assets available for benefits of the Waste Management Retirement Savings Plan as of December 31, 2008. This financial statement is the responsibility of the Plan's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audit included 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2008, in conformity with US generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, Texas  
June 24, 2009

Waste Management Retirement Savings Plan  
 Statements of Net Assets Available for Benefits  
 December 31, 2009 and 2008

|  | <b>2009</b>             | <b>2008</b>             |
|--|-------------------------|-------------------------|
| <b>ASSETS:</b>   |                         |                         |
| INVESTMENTS, at fair value:  |                         |                         |
| Plan interest in the Master Trust (Note 3)   | \$ 1,255,684,034        | \$ 1,068,570,029        |
| Participant loans  | 58,383,214              | 58,894,747              |
| Total investments  | 1,314,067,248           | 1,127,464,776           |
| <b>RECEIVABLES:</b>  |                         |                         |
| Employee contributions   | 933,792                 | 865                     |
| Employer contributions   | 2,873,765               | 3,917,114               |
| Total receivables  | 3,807,557               | 3,917,979               |
| Net assets, reflecting investments at fair value   | 1,317,874,805           | 1,131,382,755           |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (3,035,954)             | 4,185,913               |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>   | <b>\$ 1,314,838,851</b> | <b>\$ 1,135,568,668</b> |

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

Waste Management Retirement Savings Plan  
Statement of Changes in Net Assets Available for Benefits  
Year Ended December 31, 2009

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS:

Contributions:

|          |               |
|----------|---------------|
| Employee | \$ 73,293,140 |
| Rollover | 2,427,670     |
| Employer | 45,067,863    |

120,788,673

|  |             |
|--|-------------|
| Net investment gain from the Master Trust (Note 3) | 157,122,480 |
| Transfers to the Plan                              | 374,081     |
| Participant loan interest                          | 3,764,027   |

|                 |             |
|-----------------|-------------|
| Total additions | 282,049,261 |
|-----------------|-------------|

DEDUCTIONS FROM NET ASSETS AVAILABLE FOR BENEFITS:

|                               |             |
|-------------------------------|-------------|
| Benefits paid to participants | 102,779,078 |
|-------------------------------|-------------|

|                  |             |
|------------------|-------------|
| Total deductions | 102,779,078 |
|------------------|-------------|

|   |             |
|---|-------------|
| NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS | 179,270,183 |
|---|-------------|

NET ASSETS AVAILABLE FOR BENEFITS:

|                   |               |
|-------------------|---------------|
| Beginning of year | 1,135,568,668 |
|-------------------|---------------|

|             |                  |
|-------------|------------------|
| End of year | \$ 1,314,838,851 |
|-------------|------------------|

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

Waste Management Retirement Savings Plan  
Notes to Financial Statements  
December 31, 2009

**1. Description of Plan**

The following description of the Waste Management Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Summary Plan Description and the plan document for a more complete description of the Plan's provisions.

**General**

The Plan is a defined contribution plan available to all eligible employees, and their beneficiaries, of Waste Management, Inc., and subsidiaries (Waste Management or the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**Administration**

The board of directors of the Company has named the Administrative Committee of the Waste Management Employee Benefit Plans (the Administrative Committee) to serve as administrator and fiduciary of the Plan. Waste Management has entered into a Defined Contribution Plans Master Trust Agreement (the Master Trust) with State Street Bank and Trust Company (State Street) whereby State Street serves as trustee of the Plan. Lion Connecticut Holdings, Inc., a wholly-owned indirect subsidiary of ING America Insurance Holdings Inc. (ING) serves as recordkeeper.

**Eligibility**

Employees (as defined by the Plan) are eligible to participate in the Plan following completion of a 90-day period of service (as defined by the Plan).

Individuals who are ineligible to participate in the Plan consist of (a) leased employees; (b) employees whose employment is governed by a collective bargaining agreement under which retirement benefits are the subject of good faith bargaining, unless such agreement expressly provides for participation in the Plan; (c) individuals providing services to the Company as independent contractors; (d) employees performing services on a seasonal or temporary basis; (e) certain nonresident aliens who have no earned income from sources within the United States of America; and (f) individuals who are participants in certain other pension, retirement, profit-sharing, stock bonus, thrift or savings plans maintained by the Company. Certain United States citizens employed by foreign affiliates of the Company may participate in the Plan under certain provisions specified by the Plan.

**Contributions**

Participants may contribute from one percent to 25 percent of their pre-tax compensation, as defined by the Plan, not to exceed certain limits as described in the plan document (Employee Contribution). In addition, participants that are age 50 or older are eligible to make pre-tax catch-up contributions not to exceed certain limits described in the Plan document. After-tax contributions are not permitted by the Plan. Participants may also contribute amounts representing distributions from other qualified plans (Rollover Contribution). The Company matches 100 percent of each participant's Employee Contribution up to three percent of the participant's compensation, as defined by the Plan, plus 50 percent of the participant's Employee Contribution in excess of three percent of the participant's compensation up to six percent of the participant's compensation (Employer Contribution).

### **Investment Options**

The Plan, through its investments in the Master Trust, currently offers participants (a) five common/collective trust funds; (b) a Company common stock fund; (c) a self-managed account, which allows participants to select various securities sold on the New York Stock Exchange, American Stock Exchange and NASDAQ; (d) six target retirement-date funds, which are also common/collective trust funds; and (e) a stable value fund, which includes direct investments and investments in common/collective trust funds, managed by Galliard Capital Management ( Galliard ). With respect to the self-managed account, several restrictions apply and a minimum balance is required to participate. The Plan utilizes cash equivalents to temporarily hold monies pending settlement for transactions initiated by participants.

Each participant who has invested in the Company common stock fund has the right to vote the shares of stock in his or her account with respect to any matter that comes before the shareholders for a vote. Additionally, if a participant invests in the self-managed account, the participant has the right to vote the shares of any common stock held in the participant s account.

### **Vesting**

Participants are immediately vested in their Employee Contributions, Rollover Contributions and Employer Contributions, plus earnings thereon.

### **Participant Accounts**

Each participant s account is credited with the participant s Employee Contribution, Rollover Contribution and Employer Contribution and an allocation of investment income and loss and expenses. Investment income and loss is allocated to the participant s account based upon the participant s proportionate share of the funds within the Master Trust.

### **Payment of Benefits**

Upon retirement, disability or termination of employment, participants or, in the case of a participant s death, their designated beneficiaries, may make withdrawals from their accounts as specified by the Plan. Prior to termination, participants who have reached age 59-1/2 may withdraw from the vested portion of their accounts. Distributions are made by a single lump-sum payment or direct rollover. Distribution of accounts invested in Company common stock may be taken in whole shares of common stock or cash.

Participants may also make withdrawals from the pre-tax portion of their accounts, excluding certain earnings, in the event of proven financial hardship of the participant. Not more than one hardship withdrawal is permitted in any 12-month period, and the participant is not permitted to contribute to the Plan or any other plans maintained by the Company for six months after receiving the hardship distribution.

### **Loans**

Participants who are active employees may obtain loans of not less than \$1,000 and a maximum of 50 percent of the participant s vested accounts (excluding any amounts invested in the self-managed account) immediately preceding the loan grant date. In no event shall a loan exceed \$50,000, reduced by the greater of (a) the highest outstanding balance of loans during the one-year period ending on the date before a new loan is made or modified, or (b) the outstanding balance of loans on the date a new loan is made or modified. Not more than one loan shall be outstanding at any time, except for multiple loans which (a) result from a merger of another plan into this Plan, or (b) result from a participant s loan becoming taxable under Section 72(p) of the Internal Revenue Code of 1986, as amended (the Code ). Interest rates and repayment terms are established by the Administrative Committee. Such loans shall be repaid by payroll deduction or any other method approved by the Administrative Committee. The Administrative Committee requires that: (a) repayments be made no less frequently than quarterly; (b) loans be repaid over a period not to exceed 54 months; and (c) repayments, including interest, be made in equal periodic payments over the term of the loan and applied to principal using a level amortization over the repayment period. Prepayment of a participant s total principal amount outstanding is allowed at any time.



### **Administrative Expenses**

Master Trust administrative expenses, including trustee, recordkeeping and investment management fees, are allocated in proportion to the investment balances of the underlying plans and are netted against investment income. Loan administration fees are charged directly to the account balance of the participant requesting the loan. Administrative expenses are reflected as a reduction of Master Trust investment income and are included in Net investment gain from the Master Trust in the accompanying Statement of Changes in Net Assets Available for Benefits. In 2009, Waste Management elected to pay certain audit and legal fees of the Plan.

## **2. Summary of Accounting Policies**

### **Basis of Accounting**

The accompanying financial statements of the Plan have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Benefits are recorded when paid to participants.

Subsequent events have been evaluated through the date the financial statements were issued. No material subsequent events have occurred since December 31, 2009 that required recognition in the current period financial statements.

### **Use of Estimates**

The preparation of the financial statements, and accompanying notes and schedule, requires management to make estimates that affect accounting for, and recognition of, plan assets and liabilities and additions and deductions to/from net assets available for benefits. These estimates must be made because certain of the information used is dependent on future events, cannot be calculated with a high degree of precision from available data or simply cannot be readily calculated based on generally accepted methods. In some cases, these estimates are particularly difficult to determine and management must exercise significant judgment. Actual results could differ materially from the estimates and assumptions used in the preparation of the financial statements.

### **Investments**

The purpose of the Master Trust is the collective investment of the assets of participating employee benefit plans of the Company and its subsidiaries. The Master Trust's assets are allocated among participating plans by assigning to each plan those transactions (primarily contributions, benefit payments and certain administrative expenses) that can be specifically identified, and by allocating among participating plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust. Corporate stocks, mutual funds and publicly-traded partnership interests held by the Master Trust are stated at fair value based on quoted market prices as of the financial statement date. The fair values of the common/collective trust funds held by the Master Trust are generally based on net asset values established by State Street (the issuer of the common/collective trust funds) based on fair values of the underlying assets. The investment options available within the Plan include a stable value fund that invests in fully benefit-responsive guaranteed investment contracts ( GICs ) and synthetic investment contracts ( Synthetic GICs ). At December 31, 2008, the stable value fund option was a common collective trust fund established by State Street. At December 31, 2009, the stable value fund option was managed by Galliard. In accordance with authoritative guidance issued by the Financial Accounting Standards Board ( FASB ), the fully benefit-responsive investment contracts held by the stable value fund are reported at fair value. However, contract value is the relevant measurement attribute for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Accordingly, the Statements of Net Assets Available for Benefits present both the fair value of the fully benefit-responsive investment contracts and an adjustment from fair value to contract value to arrive at Net Assets Available for Benefits. The fair value measurement of these investments is discussed further in Note 4. Short-term investments (included in amounts reported as common/collective trust funds herein) and loans to participants are stated at cost, which approximates fair value.

The Master Trust records purchases and sales of securities on a trade-date basis and dividends on the ex-dividend date. Interest income is recorded on the accrual basis.

### **Risks and Uncertainties**

The Plan provides for investments in various securities that, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is 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 Statements of Net Assets Available for Benefits and participant account balances.

### **Accounting Change**

In April 2009, the FASB issued authoritative guidance associated with fair value measurements which provides additional guidance on (i) estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability; and (ii) identifying circumstances that indicate a transaction is not orderly. This guidance also requires additional disclosures related to the inputs and valuation techniques used to measure fair value, changes in inputs and valuation techniques, if any, during the reporting period and the major debt and equity security types held by the reporting entity. We adopted this guidance effective January 1, 2009. The adoption of this guidance did not have a material impact on the Plan's financial statements.

### **3. Plan Interest in the Master Trust**

The Plan investments are held in the Master Trust along with the Waste Management Retirement Savings Plan for Bargaining Unit Employees (the Union Plan). As of December 31, 2009 and 2008, the Plan's beneficial interest in the net assets of the Master Trust was 99.52% and 99.65%, respectively.

Neither the Plan nor the Union Plan has an undivided interest in the investments held in the Master Trust since each plan's interest in the investments of the Master Trust is based on the account balances of the participants and their elected investment fund options. However, the Plan's beneficial interest in each of the underlying investment fund options does not vary significantly from the Plan's beneficial interest in the total net assets of the Master Trust.

The net assets of the Master Trust consist of the following:

|  | <b>December 31,</b>     |                         |
|--|-------------------------|-------------------------|
|  | <b>2009</b>             | <b>2008</b>             |
| <b>Assets:</b>   |                         |                         |
| Investments, at fair value:  |                         |                         |
| Common/collective trust funds  | \$ 805,023,187          | \$ 949,051,449          |
| Stable value fund  | 326,037,431             |                         |
| Corporate stocks   | 10,959,252              | 6,542,197               |
| Waste Management, Inc. common stock  | 103,671,704             | 104,384,770             |
| Mutual funds   | 16,405,708              | 12,159,625              |
| Publicly-traded partnership interests and other  | 290,033                 | 115,515                 |
| <b>Total investments</b>   | <b>1,262,387,315</b>    | <b>1,072,253,556</b>    |
| Interest receivable  | 216                     | 822,753                 |
| Cash, non-interest bearing   | 4,624                   | 20,046                  |
| Securities sold receivable, net  | 51,787                  |                         |
| <b>Total assets</b>  | <b>1,262,443,942</b>    | <b>1,073,096,355</b>    |
| <b>Liabilities:</b>  |                         |                         |
| Administrative fees payable  | 689,511                 | 737,112                 |
| Securities purchased payable, net  |                         | 11,530                  |
| <b>Total liabilities</b>   | <b>689,511</b>          | <b>748,642</b>          |
| Net assets reflecting investments at fair value  | 1,261,754,431           | 1,072,347,713           |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (3,044,004)             | 4,192,195               |
| <b>Net assets, fully benefit-responsive investment contracts at contract value</b>             | <b>\$ 1,258,710,427</b> | <b>\$ 1,076,539,908</b> |

Respective interests in the net assets of the Master Trust by the Plan and the Union Plan are as follows:

|   | <b>December 31,</b>     |                         |
|---|-------------------------|-------------------------|
|   | <b>2009</b>             | <b>2008</b>             |
| <b>Net assets reflecting investments at fair value:</b> |                         |                         |
| Plan interest   | \$ 1,255,684,034        | \$ 1,068,570,029        |
| Union Plan interest                                     | 6,070,397               | 3,777,684               |
| <b>Total</b>  | <b>\$ 1,261,754,431</b> | <b>\$ 1,072,347,713</b> |

Adjustment from fair value to contract value for fully benefit-responsive investment contracts:

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|  |                  |                  |
|--|------------------|------------------|
| Plan interest  | \$ (3,035,954)   | \$ 4,185,913     |
| Union Plan interest  | (8,050)          | 6,282            |
| Total  | \$ (3,044,004)   | \$ 4,192,195     |
| Net assets, fully benefit-responsive investment contracts at contract value: |                  |                  |
| Plan interest  | \$ 1,252,648,080 | \$ 1,072,755,942 |
| Union Plan interest  | 6,062,347        | 3,783,966        |
| Total  | \$ 1,258,710,427 | \$ 1,076,539,908 |

Income or loss from investments held in the Master Trust for the year ended December 31, 2009, was as follows:

|  |                |
|--|----------------|
| Net appreciation in fair value of:                               |                |
| Common/collective trust funds                                    | \$ 138,614,588 |
| Stable value fund  | 8,964,727      |
| Corporate stocks   | 3,531,032      |
| Waste Management, Inc. common stock                              | 2,373,864      |
| Mutual funds   | 2,387,905      |
| Publicly-traded partnership interests and other                  | 72,604         |
| <br>   |                |
| Total net appreciation in fair value of investments              | \$ 155,944,720 |
| Interest   | 778,393        |
| Dividends  | 359,630        |
| Dividends Waste Management, Inc. common stock                    | 3,669,175      |
| Other income/(expense)   | (9,865)        |
| <br>   |                |
| Total investment gain  | 160,742,053    |
| Administrative fees  | 2,800,647      |
| <br>   |                |
| Net investment gain  | \$ 157,941,406 |
| <br>   |                |
| Plan interest in net investment gain from the Master Trust       | \$ 157,122,480 |
| Union Plan interest in net investment gain from the Master Trust | 818,926        |
|  | \$ 157,941,406 |

#### 4. Investment Contracts

The trust funds held by the Master Trust include a stable value fund that invests in fully benefit-responsive GICs and Synthetic GICs. At December 31, 2008, the stable value fund option was a common/collective trust fund established by State Street. At December 31, 2009, the stable value fund option was managed by Galliard and includes direct investments and investments in a common/collective trust fund. The following disclosures provide information about the nature of these investments and how fair values of these investments are measured.

*Guaranteed Investment Contracts* GICs are contracts that provide a specified rate of return for a specific period of time. The fair values of the GICs included in the Plan's Stable Value Fund are measured by the investment manager using a discounted cash flow methodology. Under this approach, the cash flows of each individual contract are discounted at the prevailing interpolated swap rate as of the appropriate measurement date.

*Synthetic Guaranteed Investment Contracts* Synthetic GICs are comprised of (a) individual assets or investments placed in a trust and (b) wrapper contracts that guarantee that participant transactions will be executed at contract value. The investment portfolio of a Synthetic GIC when coupled with a wrapper contract attempts to replicate the investment characteristics of traditional GICs.

The fair value of the Synthetic GICs included in the Plan's stable value fund are measured as follows:

*Fair value of individual assets and investments* Individual assets and investments are valued at representative quoted market prices when available. Short-term securities, if any, are stated at amortized cost, which approximates fair value. Debt securities are valued by a pricing service based on market transactions for comparable securities and various relationships between securities that are generally recognized by institutional traders. Investments in regulated investment companies or collective investment funds are valued at the net asset value per share or unit on the valuation date. Any accrued interest on the underlying investments is also included as a component of the fair value of those investments.

*Fair value of wrapper contracts* The fair value of wrapper contracts is determined using a market approach discounting methodology that incorporates the difference between current market level rates for contract level wrap fees and the wrap fee being charged for the Synthetic GIC. This difference is calculated as a dollar value and discounted by the prevailing interpolated swap rate as of the appropriate measurement date.

The crediting interest rates for the traditional GICs are agreed to in advance with the issuer. The crediting interest rates for Synthetic GICs are calculated on a quarterly basis using the contract value, and the value, yield and duration of the underlying securities, but cannot be less than zero.

During 2009, the stable value fund's average yield based on actual earnings was 2.98% and its average yield based on the interest rate credited to participants was 3.07%.

There are certain events not initiated by the Plan participants that could limit the ability of the Plan to transact with the issuer at GIC or Synthetic GIC contract value. Examples of such events include, but are not limited to: material amendments to the Plan documents or administration; changes to the participating Plans' competing investment options including the elimination of equity wash provisions; bankruptcy of the Plan Sponsor or other events that would cause a significant withdrawal from the Plan; full or partial termination of the Plan; failure of the Plan to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA; any change in tax code, laws or regulations applicable to the Plan; and delivery of any communication to Plan participants designed to influence participants not to invest in the Fund. The Plan Sponsor does not believe that the occurrence of any of these events, which would limit the Plan's ability to transact with the issuer at its contract value, is probable. Contract issuers are generally not allowed to terminate GICs or Synthetic GICs and settle at an amount different from contract value unless there is a breach of contract which is not corrected within the time permitted by the contract.

### 5. Fair Value Measurements

FASB-issued authoritative guidance associated with fair value measurements provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate.

The following tables set forth by level, within the fair value hierarchy, a summary of investments measured at fair value on a recurring basis:

| <b>Fair Value Measurements at December 31, 2009</b> |                    |  |  |  |
|---|--------------------|--|--|--|
|   | <b>Total</b>       | <b>Quoted<br/>Prices in<br/>Active<br/>Markets<br/>(Level 1)</b> | <b>Using<br/>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| <b>Master Trust Investments:</b>                    |                    |  |  |  |
| <b>Common/collective trust funds -</b>              |                    |  |  |  |
| Short-term investment fund                          | \$ 4,823,872       | \$   | \$ 4,823,872   | \$   |
| Small cap investment fund                           | 47,635,305         |  | 47,635,305   |  |
| Large cap investment fund                           | 65,474,846         |  | 65,474,846   |  |
| S&P 500 investment fund                             | 181,572,139        |  | 181,572,139  |  |
| Bond market investment fund                         | 54,012,817         |  | 54,012,817   |  |
| International investment fund                       | 87,176,367         |  | 87,176,367   |  |
| Target Date Retirement Funds                        | 364,327,841        |  | 364,327,841  |  |
| <b>Total common/collective trust funds</b>          | <b>805,023,187</b> |  | <b>805,023,187</b>   |  |
| <b>Stable value fund</b>                            | <b>326,037,431</b> |  | <b>326,037,431</b>   |  |

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|   |                  |                |                  |               |
|---|------------------|----------------|------------------|---------------|
| Corporate stocks                                | 10,959,252       | 10,959,252     |                  |               |
| Waste Management, Inc. common stock             | 103,671,704      | 103,671,704    |                  |               |
| Mutual funds                                    | 16,405,708       | 16,405,708     |                  |               |
| Publicly-traded partnership interests and other | 290,033          | 290,033        |                  |               |
| Total Master Trust Investments                  | \$ 1,262,387,315 | \$ 131,326,697 | \$ 1,131,060,618 | \$            |
| Non-Master Trust Investments:                   |                  |                |                  |               |
| Participant loans                               | \$ 58,383,214    | \$             | \$               | \$ 58,383,214 |



## Fair Value Measurements at December 31, 2008

|   |                  | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | Using<br>Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---|------------------|---|--|--|
|   | <b>Total</b>     |   |  |  |
| Master Trust Investments:                       |                  |   |  |  |
| Common/collective trust funds                   | \$ 949,051,449   | \$  | \$ 949,051,449   | \$   |
| Corporate stocks                                | 6,542,197        | 6,542,197   |  |  |
| Waste Management, Inc. common stock             | 104,384,770      | 104,384,770   |  |  |
| Mutual funds                                    | 12,159,625       | 12,159,625  |  |  |
| Publicly-traded partnership interests and other | 115,515          | 115,515   |  |  |
| Total Master Trust Investments                  | \$ 1,072,253,556 | \$ 123,202,107  | \$ 949,051,449   | \$   |
| Non-Master Trust Investments:                   |                  |   |  |  |
| Participant loans                               | \$ 58,894,747    | \$  | \$   | \$ 58,894,747                                      |

The following is a reconciliation for 2009 for assets for which Level 3 inputs were used in determining fair value:

|  |               |
|--|---------------|
| Beginning balance participant loans        | \$ 58,894,747 |
| Issuances, repayments and settlements, net | (511,533)     |
| Ending balance participant loans           | \$ 58,383,214 |

## 6. Federal Income Taxes

The Plan has received a determination letter from the Internal Revenue Service ( the IRS ) dated June 20, 2002, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Sponsor has indicated that it will take the necessary steps, if any, to bring the Plan s operations into compliance with the Code.

On January 11, 2010, Waste Management filed an application for a renewed favorable determination letter.

## 7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2009 and 2008:

|  | 2009             | 2008             |
|--|------------------|------------------|
| Net assets available for benefits per the financial statements                                 | \$ 1,314,838,851 | \$ 1,135,568,668 |
| Amounts pending distribution to participants   | (583,576)        | (512,231)        |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 3,035,954        | (4,185,913)      |
| Net assets available for benefits per the Form 5500  | \$ 1,317,291,229 | \$ 1,130,870,524 |

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The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2009:

|   |                |
|---|----------------|
| Net increase in net assets available for benefits per the financial statements                                      | \$ 179,270,183 |
| Amounts pending distribution to participants at December 31, 2008   | 512,231        |
| Amounts pending distribution to participants at December 31, 2009   | (583,576)      |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2008 | 4,185,913      |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts at December 31, 2009 | 3,035,954      |
| Net increase in assets available for benefits per the Form 5500   | \$ 186,420,705 |

Amounts pending distribution are recorded as benefits paid to participants on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but which have not yet been paid as of that date.

The accompanying financial statements present fully benefit-responsive investment contracts at contract value. The Form 5500 requires fully benefit-responsive investment contracts to be reported at fair value. Therefore, the adjustment from fair value to contract value for fully benefit-responsive investment contracts represents a reconciling item.

#### **8. Plan Termination**

Although it has not expressed any intention to do so, the Company has the right to discontinue its Plan contribution at any time and to terminate the Plan subject to the provisions of ERISA.

#### **9. Commitments and Contingencies**

##### Waste Management Stock Fund

In April 2002, a lawsuit was filed against the Plan (as successor to the savings plan sponsored by Waste Management Holdings), Waste Management Holdings, and certain fiduciaries of the savings plan sponsored by Waste Management Holdings and of the Plan ( Plan Defendants ) in the United States District Court for the District of Columbia (the D.C. Case ). After first asserting broader claims as to the Plan, the plaintiffs in the D.C. Case now purport to file their complaint against Plan Defendants on behalf of Plan participants who invested their account in Waste Management common stock. The plaintiffs in the D.C. Case allege that the prices at which the Plan purchased the stock were artificially inflated by omissions of a material nature about Waste Management Holdings' financial condition and that the stock should not have been an investment option. The plaintiffs in the D.C. Case also allege that certain of the defendants breached a variety of ERISA requirements by, among other things, electing to participate in (a) the Illinois securities class action settlement related to a time frame ending February 24, 1998, (the Illinois Settlement ), and (b) the Texas securities class action settlement related to a time frame ending November 9, 1999, (the Texas Settlement ), rather than opting out of the settlements to assert distinct ERISA claims that did not apply to other members of the settlement class.

The defendants in the D.C. Case assert that most, if not all, of the plaintiffs' causes of action have been released as a result of the Illinois Settlement and the Texas Settlement or are time-barred. The defendants filed motions to dismiss the complaints on the pleadings and in April 2009, the Court granted in part and denied in part the defendants' motions. The Court dismissed the plaintiffs' claims that were based on alleged accounting irregularities by Waste Management Holdings for the time period between January 1990 and February 1998. However, the Court denied defendants' motion to dismiss plaintiffs' claims alleging breaches of fiduciary duties against all of the defendants relating to the Plan's participation in the Illinois Settlement and the Texas Settlement and permitted the plaintiffs to amend their complaint. The defendants have filed a motion to dismiss the amended complaint. The outcome of this lawsuit cannot be predicted with certainty, and these matters could impact the Plan's net assets available for benefits. The Plan and the other defendants intend to defend themselves vigorously in this litigation.

##### Bond Fund Performance

One of the common/collective trust fund investment options available to participants of the Plan is a bond market fund. During 2007, there was a significant decline in the market value of the bond market fund, including a negative divergence of the bond market fund from its established performance benchmark. The Plan's Investment and Administrative Committees retained independent advisors to investigate whether the investments held by the managers of the bond market fund during 2007 were consistent with the risk profile and governing agreements for this investment option and, if appropriate, to assist in evaluating available remedies.

In November 2009, the Plan received a proposed notice of settlement of a class action lawsuit that had been brought against State Street Bank and Trust Company and its affiliate, State Street Global Advisors, Inc., pertaining to assets under management of these entities that were invested in certain fixed income asset classes during the third quarter of 2007. The scope of the proposed class settlement included the bond market fund available to Plan participants. Upon a comprehensive review of the underlying facts, an evaluation of available alternatives

and a verification of the methodology utilized in the proposed settlement, the Administrative and Investment Committees for the Plan determined it was prudent for the Plan to participate in the class settlement. The class settlement received final approval by the federal court for the Southern District of New York on February 19, 2010. As a result of that settlement, the Master Trust for the Plan received a payment of \$4,973,459 in May 2010. On February 4, 2010, the Securities and Exchange Commission announced that it had entered into a settlement agreement with State Street Bank and Trust Company to resolve its investigation into losses incurred by, and disclosures made with respect to, certain active fixed income strategies managed by State Street Global Advisors. Under the terms of the SEC agreement, the Master Trust for the Plan received an additional payment of \$869,391 in March 2010.

Each of these payments will be allocated for the benefit of participants that were invested in affected investment options within the Plan and the Union Plan.

**10. Related Party Transactions**

Certain investments of the Plan are managed by State Street. State Street is the trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions. The stable value fund is managed by Galliard, a subsidiary of Wells Fargo Bank, N.A., custodian for the fund. Therefore, these transactions qualify as party-in-interest transactions. Additionally, a portion of the Plan's assets are invested in the Company's common stock. Because the Company is the Plan Sponsor, transactions involving the Company's common stock qualify as party-in-interest transactions. All of these transactions are exempt from the prohibited transactions rules.

Waste Management Retirement Savings Plan  
Schedule H, Line 4(i) Schedule of Assets (Held At End of Year)  
EIN: 73-1309529 Plan: 001  
December 31, 2009

| <b>Identity of Issue</b> | <b>Description of Investment</b>                                       | <b>Current Value</b> |
|--------------------------|--|----------------------|
| *Participant Loans       | Various maturity dates with interest rates ranging from 4.25% to 9.25% | \$ 58,383,214        |
| * Party-in-interest      |  |                      |

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

WASTE MANAGEMENT RETIREMENT  
SAVINGS PLAN

Date: June 24, 2010

By: /s/ Krista DelSota  
Krista DelSota  
Vice President, Compensation, Benefits  
and Human Resources Information  
Management Waste Management, Inc.

Member, Administrative Committee of  
the Waste Management Employee  
Benefit Plans

**INDEX TO EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description</b>                                       |
|---------------------------|--|
| 23.1                      | Consent of Independent Registered Public Accounting Firm |
| 23.2                      | Consent of Independent Registered Public Accounting Firm |